BANCA TRANSILVANIA®

Annual Report 2013

Banca oamenilor întreprinzători

CONTENTS

FINANCIAL CALENDAR

Preliminary Results FY 2013	13.02.2014
Annual General Shareholders Meeting	29.04.2014
Annual Financial Statements FY 2013	29.04.2014
First Quarter Results 2014	29.04.2014
Half - Year Financial Statements 2014	01.08.2014
Third Quarter Results 2014	30.10.2014

HIGHLIGHTS, IFRS 2013 SEPARATE

thousand RON

	2013	2012
Total Assets	32,065,865	29,572,044
Loans, net	16,667,200	15,457,481
Customer deposits	25,803,860	23,232,922
Shareholders' equity	3,082,494	2,694,937
Share Capital	2,292,937	1,989,543

Income Statement

thousand RON

	2013	2012
Net interest income	990,382	930,164
Impairment loss on loans, net	-407,384	-374,634
Net commission income	361,736	357,061
Foreign exchange income, net	128,832	131,164
Operating expenses	-808,851	-768,635
Profit for the year (gross)	443,102	340,759

HIGHLIGHTS, IFRS 2013 CONSOLIDATED

thousand RON

	2013	2012
Total Assets	32,244,082	29,711,196
Loans, net	16,826,549	15,563,949
Customer deposits	25,736,216	23,167,128
Shareholders' equity	3,209,158	2,815,011
Share Capital	2,292,937	1,989,543

Income Statement

thousand RON

	2013	2012
Net interest income	1,026,767	967,732
Impairment loss on loans, net	-414,280	-379,536
Net commission income	371,078	363,476
Foreign exchange income, net	146,954	147,666
Operating expenses	-871,894	-837,967
Profit for the year	479,384	371,002

Data about BT shares

Number of shares	**2013**	**2012**
Outstanding common shares	2,206,436,324	1,903,042,413
Nominal value	1.00	1.00
Book value per share	1.3970	1.4161
Market capitalization (mil. RON)	3,641	2,417
High	1.65	1.28
Low	1.18	0.829
Closing Price	1.65	1.27
Earnings per share (EPS)		
- yield per share*	0.1598	0.1594
- dividend per share**	-	-
Price-earnings ratio (PER)	9.71	7.97
Price to book value (PBV)	1.18	0.87
Result per share	0.1699	0.1736

* calculated based on the net profit + other premiums and reserves distributed to shareholders
** calculated compared to the dividends distributed to the shareholders

CHAIRMAN & CEO STATEMENT

A diffident economic recovery based on a slight growth of exports and foreign investments, a stable exchange rate and a low inflation rate, plus an active management of the reference interest rate represented the context within which Banca Transilvania continued its growth story during 2013.

The commitment to our shareholders, namely to deliver relevant performance via disciplined growth was confirmed by Banca Transilvania's achievements in the previous year. We consolidated our top 3 position, with a market share of 8.84% in terms of total banking assets.

We maintained the balance sheet strengths, with an overall growth of 8.4% reaching RON 32 billion, while deposits added 11% getting to RON 26 billion and gross loans grew by 9% to RON 19 billion during the year. Our capital position continues to be solid, total CAR at 13.78%, with a healthy organic capital generation potential.

Our resilient performance since 2008 improved even further in 2013, as Banca Transilvania presented sound earning per share (about 16%) and return on shareholders' equity (close to 13%) ratios.

All our activities and projects place sustainable value creation as top priority. Becoming more efficient and more effective, retaining and emphasizing our strengths while combating the weaknesses are daily responsibilities for our whole team, directors, managers and staff.

Against this backdrop, 2013 meant a year of important achievements for us: we started the year with a new core-banking system, Flexcube, project accompanied by several additional changes in terms of interfaces, functionalities, workflows etc.

We continued with a comprehensive organizational streamlining process, creating new departments, reshuffling reporting lines and rearranging tasks and responsibilities correlated with the current scale of the bank and specifically targeting a lean and smooth business approach, with clear focus on supporting the Romanian entrepreneurial environment.

The 3 main business lines, Retail, SME and Corporate, combined with the specialized sectorial approach for Healthcare, Agriculture and EU Structural Funds, were the very foundation of our results.
Banca Transilvania managed savings, intermediated and facilitated transactions, supplied financing and advice, concentrating on its areas of expertise: Retail and SME banking.

We would like to thank our shareholders for drafting the right strategy, we would like to thank our staff for the achievement of the yearly targets and most importantly, we would like to thank our clients, the driving force of the Romanian economy, with whom we are proud to join efforts.

Horia Ciorcilă
Chairman

Ömer Tetik
CEO

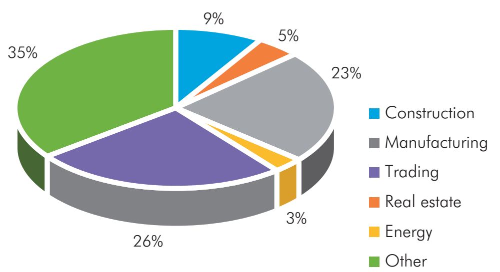
CORPORATE & SME BANKING

CORPORATE & SME BANKING in Banca Transilvania is all about supporting the Romanian entrepreneurs.

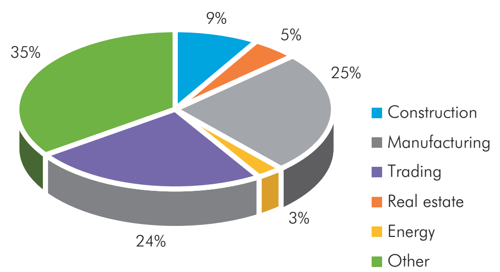
The Corporate business line recorded a consistent positive trend, with a performance peak in the fourth quarter, reflected in the increased number of banking products and services sold to this sector, as compared to 2012. The corporate loan portfolio grew by 13% in 2013 as compared to the previous year, reaching a volume of RON 9,882 million. Deposits from corporate customers at the end of 2013 noted a 16% increase versus 2012, reaching RON 5,807 million. As at December 31, 2013, the corporate business line had a portfolio of close to 9,500 active clients.

The SME loan portfolio was RON 2,482 million at the end of 2013, more than 11,000 loan files being processed during the year. The number of active SME clients as at 31.12.2013 was 152,000, which is 14% higher than in 2012. One of the best new products launched in 2013 was the "Free First Year Account", more than 30% of the overall number of start-ups in Romania having opened their bank account with BT. Besides specific products, BT launched an overall advertising campaign under the slogan "Everything for SMEs", meant to underline our commitment to support this customer segment.

CORPORATE AND SME LOANS PER INDUSTRY IN 2012

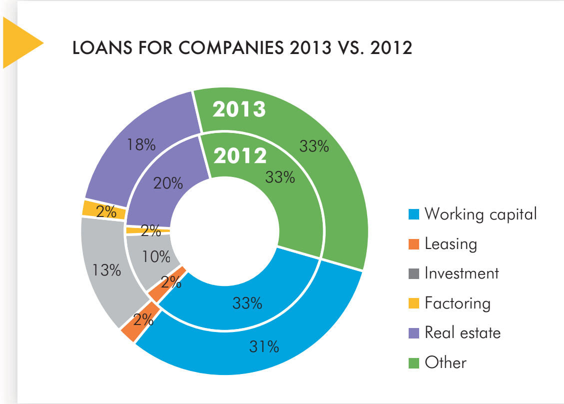


CORPORATE AND SME LOANS PER INDUSTRY IN 2013



Within this business line, the products and services offer was supplemented with a streamlined organizational structure, thus improving the business proposal and performance. Consequently, a new division emerged, **Network and Business Development Division**, creating an additional link between network and business lines. Our dynamic structure triggered fast responses to customer requirements, feature well received on the market.

We continued to value and to build on long-term relationships and partnerships, being there for our clients throughout all the cycles of their business.



DEPARTMENT FOR EUROPEAN PROGRAMS (DEP)

Four years ago, Banca Transilvania developed a solutions platform for the European funds beneficiaries. Since then, we managed to consolidate our presence in this sector, granting facilities of over RON 3 billion, for more than 1,700 projects, assisted by a group of 70 experts throughout the country.

By 2013, Banca Transilvania has earned its reputation as a bank specialized in selecting, implementing and financing projects consistent with EU regulations on structural funds. Agribusiness and the productive sector (forestry, fisheries, livestock, commerce and industry) registered a significant increase, these activity fields representing more than half of BT's projects portfolio.

Product-wise we managed to put at our customers' disposal integrated services which follow the project cycle such as: pre and co-financing products, letters of bank guarantees for project implementation, comfort letters and special accounts, facilities made available in all our 550 units.

DEPARTMENT FOR AGRICULTURE

The second sectorial approach started in 2010, with a new project for agriculture meant to provide an adequate and comprehensive framework for agricultural development, both in terms of banking business and overall improvement of this sector in the country.

BT has always been aware of the fact that fixed approaches and off-the-shelf products were not the answer, so we tried to design solutions tailored to the specific needs of the local farmers.

Under these conditions, we provided a series of products which consider the cyclical trends in agriculture. The multiannual loan for the financing of vegetable and animal farms, loan for crop establishment and maintenance, loan for farm field acquisition, investment loan for warehouses and agricultural production, loan for agricultural machine and equipment acquisition are customized financial solutions meant to help our clients, while also contributing towards economic growth.

Strategic partnerships with representative public institutions for agriculture were also established. Together with APIA (the Agency for Payments and Interventions in Agriculture) Banca Transilvania created the APIA loan facility meant to cover any delays in the collection of different subsidies paid through APIA. Additionally, we concluded partnerships with farmers' organizations enabling the insight into the peculiarities and challenges this sector usually faces.

The expertise gained by Banca Transilvania ramped up loan amounts and client numbers to promising results in 2013:

- More than 22,000 clients
- More than 10% market share in agriculture (loans) in the seasonal peak period.

THE HEALTHCARE DIVISION

Our strong commitment toward the Healthcare sector was further enhanced during 2013.

The banking offer meets the business and banking needs of physicians and medical practices. Through our nine dedicated units with assertive and specialized personnel, we managed to properly serve the healthcare providers. This translates into the following figures: 26,000 active customers, a portfolio of 6,700 credit cards, deposits totaling RON 600 mil. and over 8,270 loans worth RON 900 mil.

Product wise, the mostly accessed credit solutions are loans for equipment purchase, start-up or practice expansion financings and credit card for doctors.

THE ROMANIAN ENTREPRENEURS CLUB

In September 2013, the Romanian Entrepreneurs' Club (Clubul Intreprinzatorului Roman - CIR) celebrated 7 successful years of constant activity dedicated to supporting local business people by means of training sessions, assistance in applying for structural funds, a networking program, as well as financial & banking consultancy services. At the end of December, CIR counted almost 18,000 members, indicating a significant rise of 1,300 newcomers compared to the end of 2012.

Throughout 2013, the Club organized a total of 85 events, based on 28 different formats, having had 36 speakers share their knowledge, thoughts, and ideas with more than 3,600 participants. Conferences, seminars and training programs took place in 27 locations throughout Romania, namely Bacau, Iasi, Suceava, Braila, Constanta, Galati, Brasov, Pitesti, Ploiesti, Craiova, Ramnicu Valcea, Arad, Deva, Timisoara, Baia Mare, Cluj-Napoca, Oradea, Satu Mare, Sibiu, Targu Mures, Bucuresti, Bistrita, Zalau, Alba Iulia, Botosani, Piatra Neamt, and Slatina. Another interesting fact is that the team of organizers traveled over 32,000 km in order to coordinate all these remarkable events.

European funds contributed to organizing 70 of the Club's events in 2013, the financing having been granted under the Sectoral Operational Program Human Resources Development. Aside from the business related seminars and trainings, meant to help generate economic growth by creating and consolidating entrepreneurial skills, this project also included 22 Mobile Offices that offered one-on-one free consulting on ideas for accessing structural funds.

Banca Transilvania's initiative to create the Club has also generated a means for keeping in touch with the young generation through a series of special events, known as "Entrepreneurs on Stage. For Students". In 2013, 5 such events were organized: 3 in Cluj-Napoca, in cooperation with "Babes-Bolyai" University, the Faculty of Economics and Business Administration, and 2 in Bucharest, together with the Academy of Economic Studies, being attended by a total of 800 students.

As part of the Club's networking program, the members can benefit from several advantages by requesting a BT Club card. Presently, there are 185 partners offering discounts that range from 1% to 50% for an extensive variety of products and services.

The Club constantly publishes information online, its website (www.btclub.ro) having registered 101,199 visits and 259,568 page views in 2013. The project "My Site on BT Club" continues to support companies that wish to promote themselves on the web, currently hosting almost 600 separate pages dedicated to such businesses.

Considering all the positive feedback provided by its members and partners, we foresee a great future for the Romanian Entrepreneurs' Club. We are confident that the efforts made by the Club's staff, partners, supporters and members will contribute to constantly improving the results of its activity, by assisting the development of strong businesses, as well as enhancing the emotional intelligence and personal development of entrepreneurs.

RETAIL BANKING

In a changing and still vulnerable economic environment, Banca Transilvania actively shaped its Retail business focusing on efficient and dynamic product-development and sales strategies.

2013 was another year of steady growth for BT, bringing about 5 pp increase in the retail loan market share as compared to the previous year, an 8% increase in retail loans (RON 6.8 million) and a 9% increase in deposits from retail clients (RON 17 million).

CARD PLATFORM

BT's card business was also on the increase in 2013, with a market share of more than 15% per cards sold and more than 17% per BT card transaction volumes.

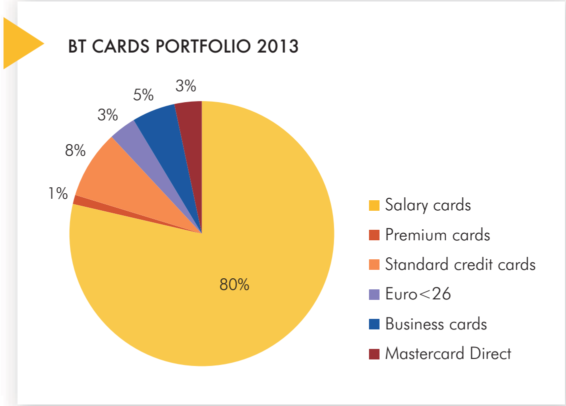
The bank featured great dynamics, improving its card portfolio, where it registered a 7.5% growth (almost double as compared to the market average of 4.4%) and its card utilization degree. Both the number of transactions and the transacted amounts exceeded the card portfolio growth pace, translating into an annual growth rate of 15% and 14.5% respectively.

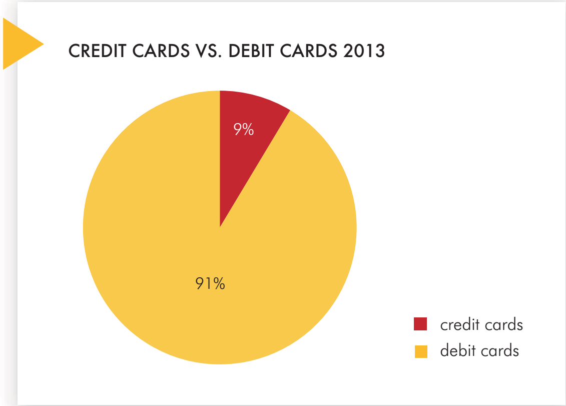
During the No-Cash Gala, Banca Transilvania was awarded most of the prizes for its remarkable results in 2013: "The Best Sold Debit Card", i.e. Visa Electron (above 300,000 new Visa Electron cards in 2013), "This Year's Innovation", i.e. Facebook Payments (the first bank in Romania to change Facebook into Facebank, adding a financial component to the social network for instant money transfers as soon as the transaction is confirmed by the beneficiary) and "The Bank of the Year in the Card Industry", which is the most important award in this sector.

Likewise, in acknowledgement of its efforts and innovative power, BT was "The Retail Bank of the Year" (a prize awarded by the Business Arena Magazine) for the second consecutive time, and received two other prizes within the Visa Forum, namely "SME Sales Champion" and "POS Growth Champion".

The main objectives of BT's Retail team were the development of the STAR BT loyalty program and the reaffirmation of BT's credit cards as the best shopping cards on the market.

Thus, 3 years from launching, the STAR BT loyalty program brought the bank over 100,000 new cards. 5,000 shops joined Banca Transilvania as partners in this program, building together one of the strongest networks in Romania. The behavior of the credit card holders changed, so that more than 70% of all transactions with enrolled credit cards represent payments at retailers.





In 2013 Banca Transilvania brought business credit cards back into the spotlight, with new benefits for the holders and new functionalities of the credit line. A new benefit which adds value to BT's products is their enrollment with the Star BT program. The clients can either collect points or have the possibility to pay through interest-free instalments for any purchases made in the bank's partner stores, by using the new business credit cards of Banca Transilvania.

E-CHANNELS

INTERNET BANKING BT24 & MOBILE BANKING mBT24

2013 was a good year for our alternative sales channels, with significant growth figures and several new facilities, some of which are novelties for the Romanian market.

Thus, all indicators featured ascending trends as compared to 2012, both in terms of numbers and volumes, exceeding the initially expected target figures.

- 393,000 BT24 clients, +34.5%
- 59,000 mBT24 clients, +107%
- 6.6 million payments, processed via BT24 & mBT24

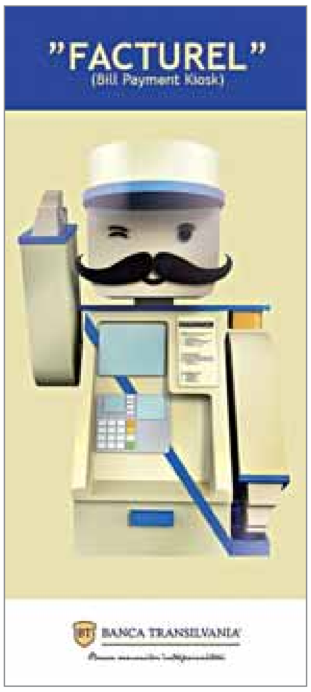
New facilities for BT's clients:

- iTransfer option offered to online stores
- BT24 Invoices – a new simplified BT24 version with zero subscription fee
- Western Union operations on mBT24 – a national first
- Facebook & e-mail & SMS payments – a national first

For its intensive e-channel activity, Banca Transilvania won important prizes in 2013, namely: "The bank with the most internet-banking active clients" and "The Bank with the most dynamic growth".

POS, E-COMMERCE AND UTILITY PAYMENTS

BT is ranked 2nd in terms of POS network among Romanian players with a number of 19,600 POSs, whereas Star BT resulted in a 50% increase in the POS business in 2013.



In 2013 Banca Transilvania counted more than 386 e-commerce users, which meant an almost 40% increase on 2012. BT enjoys the cooperation of the principal integrators on the market, becoming the bank with the largest number of online retailers/stores with card-payment e-commerce services.

Keeping things as simple as possible for its clients is one of the bank's major concerns. Thus, the new utilities payment system via invoice payment kiosks (in the shape of a postman named "Facturel") was an important step in this direction.

SMS ALERT

SMS Alert, a service provided by Banca Transilvania, enables card holders to be informed in real time on the transactions performed with the enrolled card. In 2013 Banca Transilvania enlarged the range of services included in the subscription a new functionality, so now the client also receives an SMS when the card-related account is credited.

BANCASSURANCE

The Bank intermediates both general insurance policies for retail and corporate entities, as well as term credit life insurance policies for retail loans, and investment and protection insurance products.

INTERNAL CONTROL SYSTEM

RISK MANAGEMENT

Risk management is part of all decision-making and business processes in Banca Transilvania. The objectives regarding the management of significant risks are meant to ensure capital adequacy to the bank's risk profile and to achieve the estimated budget ratios, in order to provide business continuity on a sound basis and to protect the interests of shareholders and clients.

Banca Transilvania constantly identifies and assesses significant risks, both at Group and subsidiary level and at the level of organizational structures, considering internal factors (business nature, organizational complexity, staff quality and turnover, etc.) and external factors (macro-economic conditions, competition and legislation changes, technological progress etc.).

In 2013, our primary concerns in this field were the study of Basel III/CRD IV and the impact of legislative changes on risk management in general and on capital adequacy/liquidity in particular.

What does risk management mean in BT?

Risk identification
The bank's exposure to business-related risks arising from daily operations and transactions is identified and aggregated in the bank's risk management infrastructure.

Risk evaluation & measurement
Ratios & related limits, assessment methodology for risk events, risk provisions, estimation of assets' value.

Risk monitoring & control
Policies and procedures for risk mitigation, for the supervision and approval of competences and trading limits per person, unit, product. Such limits are monitored daily / weekly / monthly depending on operations.

Risk reporting
It is performed by departments based on business lines and consolidated at bank level. The management is informed permanently about the risks inherent to the bank business.

Calculation and assessment of capital and capital requirements
The Bank continuously calculates and assesses its internal capital and internal capital requirements to cover both business needs and risks.

CREDIT RISK

The main objectives of the group in terms of credit risk management are to maintain a reasonable balance between profitability and credit risk exposures, but also to be in line with the changing regulatory environment and with the current economic context.

Changes in the organizational structure were made in order to improve NPL monitoring and management, by establishing specialized departments covering this credit area and by optimizing the NPL recovery process.

With a view to preserving a sound credit portfolio, we intend to place higher responsibility on the branch credit risk committees and on the personnel involved in credit decision.

Considering the group's investment history and the strategic objectives proposed in order to avoid credit risk concentration, exposure limits/coordinates are established based on: the business size of economic agents, business types, credit types, currencies, credit exposures to total assets, collateral structure.

The main rules provided by the internal strategy are meant to:

- Create and maintain on a constant basis an adequate framework for credit risk management;
- Permanently improve the process of credit granting/ approval
- Maintain an adequate process of credit management, control and monitoring;
- Ensure the methodology for the provisioning and calculation of prudential value adjustments related to credit risk.

OPERATIONAL RISK

Operational risk represents the risk to incur losses from defective processes, errors generated by the IT system, inadequate employee activities and other external events. The bank continuously monitors the operational risks relating to the current activities of clients, banking practices, fraud, application of the management decisions, ethical aspects involving BT employees.

The mitigation of operational risk in Banca Transilvania relies on appropriate control tools during the operational processes, especially the use of the 4-eye principle and the segregation of responsibility. We took particular interest in enhancing risk governance principles, sustained by an integrated application for anti-fraud and operational risk management.

Operational risk exposure is diminished through a permanent update of normative documentation in line with the legal regulations in force and the market conditions, through staff training, the consolidation of the bank's security systems and the constant improvement of IT solutions, applications and specific monitoring tools, through the use of additional means to reduce risks (insurance policies against risks), the application of measures to limit the effects of operational risk incidents, the application of the recommendations formulated by internal and external bodies, the update, evaluation and testing of business continuity plans on a regular basis.

LIQUIDITY RISK

Maintaining a liquidity level above the minimum threshold stipulated by the regulatory requirements, improving the monitoring/ management/ reporting system and redrafting the internal funds transfer pricing mechanism were Banca Transilvania's main undertakings with respect to asset and liability management.

The group strategy in this area provides the main elements (principles, ratios, management techniques etc.) for liquidity management in order to obtain the expected returns on assets under prudent conditions, in accordance with the market conditions, the business targets and the current legal provisions.

Liquidity management is structured on 3 components:

- Strategic component – approval of balance sheet items and annual liquidity management by preserving optimal levels of ratios;
- Management component – monitoring and approving short and medium term actions on a weekly, monthly and quarterly basis;
- Operational component – daily actions within competence limits;

MARKET RISK

Our strategy in terms of market risk is in line with the changes in the national and international legislation following the global financial crisis, but it also considers the Group's experience on the financial and banking market in particular.

In order to mitigate market risk, the bank adopted a prudential approach to protect its profits from fluctuations in prices, interests and exchange rates on the market, which represent external factors independent of the bank's control.

INTEREST RATE RISK OUTSIDE THE TRADING BOOK

The interest rate risk is initially addressed by the bank through a neutral position in main currencies (EUR and USD) and an "aggressive" position in local currency.

The supervision, evaluation and limitation of interest rate risk are performed by means of specific instruments, respectively static or dynamic GAP analysis, economic value of assets in accordance with the standardized methodology provided by the NBR regulations.

REPUTATION RISK

It represents the current or future risk for profits and capital to be affected by the lack of public confidence in the integrity of the bank or by the unfavorable perception of the bank's image by clients, counterparties, shareholders, investors or supervisory authorities.

The objectives concerning reputation risk management are meant to consolidate the brand image of the group in accordance with its strategy and values and to maintain the confidence of the public and of the business partners in the bank's integrity, economic strength and financial position.

Particular undertakings in this area were intended to attract the best partners, for the recruitment and retention of best employees, the management of litigations, the prevention of crisis situations and the consolidation of the bank's credibility and relationship with the stakeholders (continuous and open communication with shareholders, mass-media, clients, partners, employees, authorities, etc.), the establishment of a more favorable environment for investments and access to capital.

STRATEGIC RISK

The strategic risk is the current or future risk for profits and capital to be negatively affected by changes in the business environment, by unfavorable business decisions, improper implementation of decisions or the low adaptability to changes in the business environment.

Strategic risks are addressed based on the following principles:

- Risk management practices are a component of strategic planning;
- Exposure to strategic risk reflects strategic objectives which are not excessively aggressive and are compatible with the developed business strategies;
- Business initiatives are properly designed and sustained by adequate communication channels, operating systems and delivery networks.

INTERNAL AUDIT

The 2013 audit mission focused mainly on risk management, as well as the assessment of the overall control system implemented on transactions and key processes, covering the entire range of risks.

In line with recommendations made by KPMG and with the requirements of the Audit Committee, our undertakings addressed the following areas:

- risk assessment: permanent risk-based review of the audit plan
- risk approach: orientation towards key-risks
- risk assurance: insuring audit quality through Key Performance Indicators (KPI)
- improvement opportunities: management of recommendations.

COMPLIANCE

As concerns compliance undertakings, in 2013 we duly accomplished formal reporting requirements (all necessary compliance reports as stipulated in the internal regulations were prepared and submitted to the top management, the Board of Directors and the National Bank of Romania), as well as the objectives outlined in the reports for compliance risk management.

Achievements in 2013

The main compliance undertakings in 2013 concerned the purchase and implementation of a new AML solution from Oracle and the FATCA project. Currently, the project is in progress and new regulations are expected to make possible its implementation at the level of the entire Romanian banking system.

Additionally, the bank's control system was assessed in order to confirm the alignment with the current legislation and with the procedures for the prevention and combat of money laundering/terrorism financing and in order to identify risks related to money laundering operations and financing of terrorism. Compliance standards and policies were reviewed, updated and promoted so as to ensure a consistent normative framework sustaining the Group's activities.

Our endeavors in terms of know-your-customer for the prevention of money laundering considered the permanent update of the database regarding international sanctions and terrorism suspects, accompanied by the management/monitoring of BT's client portfolio.

At organizational level, staff training and testing programs on compliance requirements were undertaken within branches and subsidiaries, together with the participation in seminars, conferences and meetings organized by specialized institutions.

Objectives for 2014

- To follow-up observance of FATCA implementation schedule, concomitantly with the abidance by the national and European legislative requirements;
- To ensure the efficient performance of AML MANTAS solution;
- Permanent monitoring of the newly opened branch in Italy as regards compliance with KYC standards, prevention and combat of money laundering and financing of terrorism;
- To continue training the personnel with coordination responsibilities within the bank's network (operations managers, heads of agencies, account managers/front office employees and cashiers) and within subsidiary companies, for better understanding and effectively applying the compliance risk management requirements;
- Participation in trainings, seminars and conferences organized by authorities involved in the prevention and combat of money laundering and terrorism (National Office for Prevention and Control of Money Laundering, National Bank of Romania, Ministry of Internal Affairs, Public Ministry, etc.) and by foreign institutions with substantial experience in the approach of compliance issues (within the budget limit allocated for such activities);
- Observance of deadlines established for the implementation and review of internal norms.

OPERATIONS AND IT

Banca Transilvania remained true to state-of-the-art technologies, proving its commitment to customers since 2010, when we purchased Exadata Database Machine, V2, becoming the first bank in the world with the fastest server, in terms of data base consolidation & storage and online transactions processing. Another successful step was the implementation of Oracle Flexcube in 2013, a top of the line investment which allowed us to capitalize on our development potential.

The cooperation with Oracle brought forth a successful partnership and access to top technology. Our partner has come with a proper solution for BT with several strengths: newest technology, innovation, openness, experience and professionalism, with a favorable investment/results report.

Through this core banking solution we have become the first banking institution in the world to consolidate entirely the banking application based on the Oracle technology. Since FLEXCUBE implementation we have continuously improved operational efficiency with 24*7 online channels, better customer servicing, high performance & availability, optimization of end of day/ month/year processes, in parallel with automation increase and processes simplification.

In terms of figures in 2013 we increased the number of processed operations with 8% vs. 2012, exceeding 1 million transactions per day.

Banca Transilvania's vision for the next years in this transformation journey is to continue the trend in being one of the most original banks on the market, based on the newest information technologies and to remain the bank which continuously challenges the banking environment through national and worldwide innovations.

SUSTAINABLE BANKING AND ENVIRONMENTAL GOVERNANCE

Sustainability and environmental protection are amongst the bank's main concerns, with visible effects on the bank's overall business climate and policies. Based on core values such as transparency, integrity and customer-oriented attitude, Banca Transilvania's sustainable banking policy is also applied in assessing clients and partners. Our policies are designed so as to provide timely and even early detection of all social and environmental risks related to each business sector and activity financed by the bank, while keeping exposure limits under control.

Being deeply connected to the local community, BT supports individual initiatives and promotes partnerships with other organizations and socially active companies.

CORPORATE SOCIAL RESPONSIBILITY

"**Clujul Are Suflet**" Foundation is one of the most important CSR projects. It was designed to offer support to underprivileged teenagers, aged between 14 and 20, with limited access to education and information.

The project managed to strike a chord with the local community, a team of 18 succeeded in handling 1,600 cases in six years. In 2013, 123 new cases were opened to offer a future and a chance to a better life for teens. The provided services range from counselling and support groups to socializing and personal development activities. For the children all these translate into a better understanding of their interests, aptitudes and learning capacity.

In order to keep the quality of the activities performed at the Day Center as high as possible, the administration was assigned to the Romanian Foundation for Children, Community and Family (FRCCF), with whom we have cooperated from the very beginning in 2007.

SPORTING EVENTS

Banca Transilvania is much aware of the benefits sports have on people's life and well-being and over the years has tried to take this one step further, so that not only sportsmen enjoy such benefits, but the community as whole.

"**Crosul BT**" (BT's Running Competition) has reached the 13th edition, becoming by now a tradition for Banca Transilvania and gathering over 800 runners in 2013. Just like every year the competition had a CSR component: for each participant we donated EURO 5 to "**Cluj Has Soul**" foundation. www.crosulbt.ro.

While some of these sporting activities have acquired a social dimension, others promote a healthy life style. As part of a larger local event, Banca Transilvania attended and co-sponsored the "**Companies Running Competition**", a highly successful event with over 700 runners, representing 131 local companies.

BT at Winners Tennis Club is another signature event organized by the Bank with three major sub–tournaments: Platinum Tournament – BT Tennis Cup – for double amateur players, BT Tennis Cup, 3rd edition (part of the National Tour of the Romanian Tennis Federation) and Tennis10 Banca Transilvania (for children up to 10 years old).

"**Ghita Muresan Summer Camp**" is another event, in the form of a free summer camp organized in several cities of Romania, with the purpose of making children and parents alike, aware of the beauty of basketball through training, demonstrations and competitions. www.ghitamuresan.ro.

MULTI-CULTURAL EVENTS

In the course of time, the name of Banca Transilvania has been associated with numerous social events, some of which have become a tradition. For the fourth consecutive year we sponsored the international film festival "**Comedy Cluj**" a yearly event which brings together artistic talents from all over the world.

"**Colours of Cluj**", a marathon event with over 30 different activities, (first edition), the event was designed as a special invitation to Cluj citizens to visit the most beautiful places in their home town.

Concerts and street exhibitions, acting and creative workshops, vintage fairs, interactive Video Mapping by Klaus Obermaier were but a few signature events which colored Cluj. www.coloursofcluj.ro

SOCIAL CONTRIBUTION ACTIVITIES

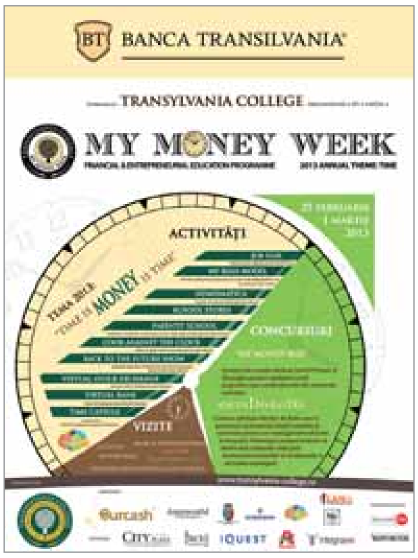
"**Donate a toy to create joy**" - a social involvement campaign with a simple but heartfelt purpose: to collect toys for 20 children, aged 3 to 5, from Salicea Kindergarten. Over 1,000 toys were gathered, and because the expectations were exceeded, a part of the toys were also donated to the Orphanage of Dumbrava Monastery, thus bringing joy to 120 children.

BT lends a helping hand to those in need

Together with Habitat for Humanity Romania and other institutions, BT helped 300 families from Galati to overcome the terrible hardships caused by floods, by supplying emergency kits for natural disasters.

FINANCIAL EDUCATION ACTIVITIES

"**My Money Week**" is a project tailored to the financial educational needs and interests of children and teenagers in Cluj-Napoca, with the purpose or increasing their responsibility when it comes to the management of one's own finances. We hope that, with every year of BT's participation as main partner, we succeed in offering an ever growing number of young students the financial knowledge and skills much valued in today's fast developing world.



"**Globalization and the New Economies**" – an international event, with top British diplomat speakers, organized together with Babes-Bolyai University, this conference tried to cast a light on today's world of globalization. Banca Transilvania represented by its CEO, Mr. Ömer Tetik, was the moderator for the panel "Banks and Globalization".

ENVIRONMENTAL PROTECTION POLICY

Green awareness is one of Banca Transilvania's major concerns, and our initiatives towards environmental protection are on the increase.

In this respect, the new office building housing our operational center was built according to all green-technology rules, in order to obtain the LEED certification, GOLD level, in terms of energy efficiency.

Likewise, in 2013 Banca Transilvania continued its undertakings towards energy efficiency in all its premises, continuing previous projects and starting up new ones, such as:

- Installing and fully utilizing programmable thermostats in all our locations for improved temperature control and hence better resource consumption.
- Encouraging the use of recycled materials

• Recycling paper internally
• Encouraging the use of online applications to reduce paper waste
• Annual e-waste recycling for electronics including computers, cell phones, chargers, monitors, fax machines, and more
• In terms of operations, we are striving to educate our clients towards e-banking, encouraging on-line banking and investing in the implementation and development of one of the most performing on-line systems

Thus, we are aware of the growing importance of transforming ourselves into an eco-friendly entity, and started the due certification procedures.

MARKETING & COMMUNICATION

In the last couple of years Banca Transilvania was amongst the few banks which constantly communicated with a frequency of minimum two annual major campaigns. In 2013 we continued in the same manner, thus customers enjoyed a better, more consistent brand experience.

Besides the classic advertising channels, 2013 was a year with a highly active on-line marketing approach.

The first half of 2013 brought a promotion campaign for STAR BT loyalty program, highlighting the benefits of MasterCard Forte shopping card - **Campaign headline - Make your dreams come true with Star BT Card!**. A full media mix was used to ensure a better target coverage, therefore the TV campaign was decisive, Banca Transilvania succeeding both in increasing program awareness and in appealing to the emotional side of the target audience.

Important loan products campaigns were designed to attract new customers, through a consistent image intended to further strengthen our brand.

2013 Awards & Recognitions

1. *Piata Financiara Magazine*: Banca Transilvania the bank of 2013!
2. *GFK study*: Banca Transilvania in top 3 banks in terms of reputation
3. *Ziarul Financiar*: Banca Transilvania ranked 14th in the top of most valuable companies in Romania in 2013
4. *E-Commerce Gala*:
• The largest number of retailers/on-line shops benefitting from e-commerce services with card payments
• The largest increase in trading volumes in 2013 (500% vs. 2012)

5. *Ziarul Financiar*: Banca Transilvania in the top of most important 1.000 businessmen
6. *Forbes Magazine*: Banca Transilvania a cool brand, ranked 57th in Top 100
7. Banca Transilvania in Top 100 Banks Ranking – Best Performing Banks in Southeast Europe
8. Banca Transilvania amongst Superbrands Romania 2013

HUMAN RESOURCES

The Human Resources Department remained committed in 2013 to delivering both integrated HR solutions to enhance effectiveness and to retaining and developing talent in a positive work environment. In this context, the year 2013 brought major changes to the organizational structure of the bank, for the purpose of augmenting the fluidity and efficiency of activities performed both within the network and in the Head Office structures.

ACADEMIA BT®

The Bank invested in 2013 in the constant improvement and development of the professional and personal skills of the employees and managers. Thus the focus on last year's activities ranged from leadership skill development programs to communication abilities and "customer care" courses. In addition in house trainings were organized to deliver performance in sales, together with tailored activities for Western Union, Agribusiness, Call Center, Sales Management, Basel 3, IFRS & IAS, and IT.

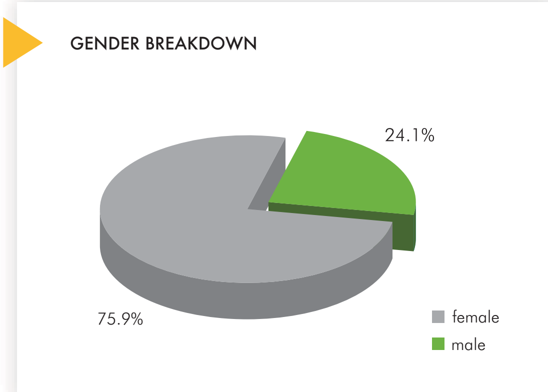
Quick facts

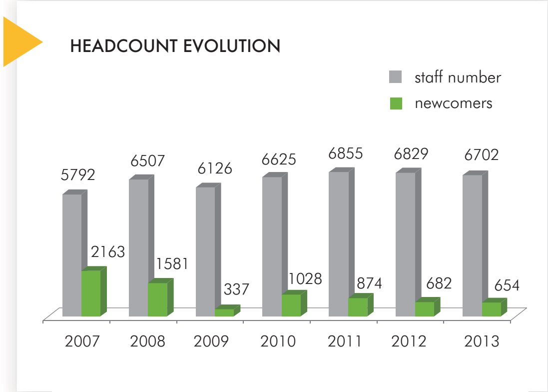
Human Banking & Customer Care programs
1,600 participants

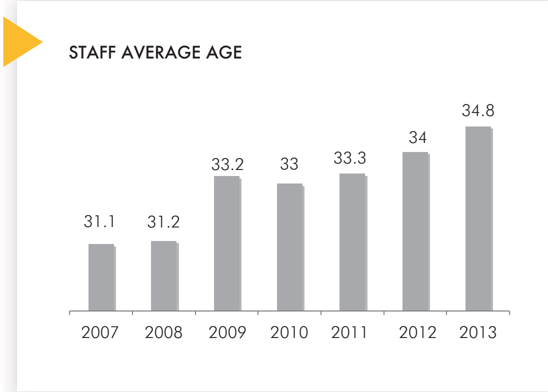
Front Office training
1,200 attendees

Western Union training
480 colleagues

Agribusiness training
250 Corporate & SME specialists







BT FINANCIAL GROUP, SUBSIDIARIES

BT LEASING TRANSILVANIA S.A.

BT Leasing offers leasing services, both for small and medium enterprises and for corporate customers. The financial solutions designed for the acquisition of durable goods lead to activity development, increase of competitiveness by re-technologization and efficient resource management.

The company is amongst the top 10 largest Romanian leasing companies based on the volume of granted financing for equipment acquisition.

At the end of 2013, BT Leasing had more than 2,100 outstanding agreements in amount of RON 275 million.

Similar to the activity of BT Leasing Transilvania S.A. in Romania, our Moldovan subsidiary, BT Leasing MD has financed goods in amount of EUR 3.8 million and signed 181 leasing contracts.

www.btleasing.ro | office@btleasing.ro
www.btleasing.md | contact@btleasing.md

BT SECURITIES

BT Securities S.A is the biggest retail broker in Romania and the first intermediary in the country authorized to trade via Vienna Stock Exchange, respectively the first Romanian intermediary performing margin transactions. It is the broker with the largest market share in terms of municipal bonds.

BT Securities has the largest network of all brokerage companies at national level. The company's offer comprises trade services via Bucharest and Vienna Stock Exchange (both through brokers and the online trading platform – BT Trade), technical & fundamental analyses, margin transactions, corporate financing, financing options through capital market, promotion of trading on the Bucharest and Vienna Stock Exchange, assistance regarding capital increase/diminishment, mergers and acquisitions.

2013 FACTS

- successful intermediation for the public offers of SNTGN Transgaz S.A. and SN Nuclearelectrica S.A.;
- gross profit of RON 768,450, which is 381 % above the budgeted level;
- 42 % turnover over the 2012 level;
- 36% income increased;
- on the Bucharest Stock Exchange, trading volumes reached RON 788,073,098;
- trading volumes on the Vienna Stock Exchange amounted to EURO 4,206,843 in 2013.

www.btsecurities.ro | office@btsecurities.ro

BT ASSET MANAGEMENT

The company specializes in investment fund management, with 750 million lei worth of assets and over 15,000 customers. It is a first class player, both on the Romanian and Austrian markets, with a portfolio structured on five investment funds.

The increased growth rates of managed assets and the large number of customers confirm historical yields and the opportunities offered by these saving alternatives.

BT Asset Management services range from fixed to mixed income funds. The company's clients can perform LEI or EURO operations, via BT's network.

2013 FACTS

- market share of 4.81%
- assets under management amounted to RON 728.3 million
- ranked 5th amongst investment fund management companies in Romania.

www.btassetmanagement.ro | btam@btam.ro

BT DIRECT IFN SA

A company with one of the most convenient financing services on the consumer loans market, it provides services via more than 1,000 retailers.

2013 FACTS

- 10,200 consumer loan agreements
- Financed portfolio reached RON 66 million
- Total revenues amounted to RON 13 million
- Gross profit totaled RON 2.8 million

www.btdirect.ro | office@btdirect.ro

BANCA TRANSILVANIA S.A.

Consolidated Financial Statements
31 December 2013

Prepared in accordance with the
International Financial Reporting Standards
as endorsed by the European Union

TRANSLATOR'S EXPLANATORY NOTE: The following is provided as a free translation from Romanian which is the official and binding version.

INDEPENDENT AUDITOR'S REPORT

(free translation[1])

To the shareholders of
Banca Transilvania S.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Banca Transilvania S.A. ("the Bank") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2013, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of Banca Transilvania S.A. present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

[1] TRANSLATOR'S EXPLANATORY NOTE: The translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that, as presented in Note 2c to the consolidated financial statements, the Group has presented in Euros for the convenience of readers the amounts reported in Lei in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position. This presentation does not form part of the audited consolidated financial statements.

Other Matters

This report is made solely to the Bank's shareholders, as a body. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for the report on the consolidated financial statements and the report on conformity or for the opinion we have formed.

Report on conformity of the Consolidated Administrators' Report with the consolidated financial statements

In accordance with the Order of the National Bank of Romania no. 27/2010 and related amendments, article no. 40, point e) of accounting regulations in accordance with the International Financial Reporting Standards applicable to credit institutions, we have read the accompanying consolidated administrators' report on the consolidated financial statements of Banca Transilvania S.A. and its subsidiaries (the "Group") prepared in accordance with International Financial Reporting Standards as endorsed by the European Union as at and for the year ended 31 December 2013. The consolidated administrators' report as presented from page 1 to 26 is not a part of the Group's consolidated financial statements. In the consolidated administrators' report we have not identified any financial information which is not consistent, in all material respects, with the information presented in the Group's consolidated financial statements as at 31 December 2013.

For and on behalf of KPMG Audit S.R.L.

Furtuna Cezar-Gabriel

registered with the Chamber of Financial
Auditors of Romania under no 1526/20.11.2003

KPMG Audit S.R.L.

registered with the Chamber of Financial
Auditors of Romania under no 9/2001

Bucharest, 27 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December

				Convenience Translation*	
	Note	**2013 RON thousand**	**2012 RON thousand**	**2013 EUR thousand**	**2012 EUR thousand**
Interest income		1,882,489	2,010,114	425,999	451,103
Interest expense		(855,722)	(1,042,382)	(193,646)	(233,928)
Net interest income	8	**1,026,767**	**967,732**	**232,353**	**217,175**
Fee and commission income		446,116	428,439	100,954	96,149
Fee and commission expense		(75,038)	(64,963)	(16,981)	(14,579)
Net fee and commission income	9	**371,078**	**363,476**	**83,973**	**81,570**
Net trading income	10	146,954	147,666	33,255	33,139
Net gain from sale of available for sale financial instruments	11	202,817	74,687	45,897	16,761
Contribution to the Banking Deposits Guarantee Fund		(64,398)	(54,045)	(14,573)	(12,129)
Other operating income	12	76,403	87,820	17,290	19,708
Operating income		**1,759,621**	**1,587,336**	**398,195**	**356,224**
Net impairment allowance on assets, other liabilities and loan commitments	13	(414,280)	(379,536)	(93,750)	(85,174)
Personnel expenses	14	(462,214)	(436,980)	(104,597)	(98,066)
Depreciation and amortization	23, 24	(65,243)	(54,710)	(14,764)	(12,278)
Other operating expenses	15	(344,437)	(346,277)	(77,945)	(77,708)
Operating expenses		**(1,286,174)**	**(1,217,503)**	**(291,056)**	**(273,226)**
Share of profits in associates		5,937	1,169	1,344	262
Profit before income tax		**479,384**	**371,002**	**108,483**	**83,260**
Income tax expense	16	(70,827)	(24,546)	(16,028)	(5,509)
Profit for the year		**408,557**	**346,456**	**92,455**	**77,751**
Profit for the year attributable to:					
Equity holders of the Bank		404,942	341,529	91,637	76,645
Non controlling interests		3,615	4,927	818	1,106
Profit for the year		**408,557**	**346,456**	**92,455**	**77,751**
Basic earnings per share	36	0.1967	0.1589		
Diluted earnings per share	36	0.1967	0.1589		

* Refer to Note 2c

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	2013 RON thousand	2012 RON thousand	Convenience Translation* 2013 EUR thousand	Convenience Translation* 2012 EUR thousand
Profit for the year	408,557	346,456	92,455	77,750
Items that will never be reclassified as profit or loss, net of tax				
Increases/ decreases from revaluation of property and equipment	(5,667)	4,699	(1,282)	1,055
Other elements of comprehensive income	(4,836)	(37,873)	(1,095)	(8,499)
Items that or may be reclassified as profit or loss				
Fair value reserve (available for sale financial assets) net of tax, out of which:	(3,161)	89,607	(716)	20,109
Net gain from sale of available for sale financial instruments transferred to profit and loss account	(187,576)	(75,104)	(42,448)	(16,855)
Fair value changes of available for sale financial instruments, net of tax	184,415	164,711	41,732	36,964
Total comprehensive income	394,893	402,889	89,362	90,415
Total comprehensive income attributable to:				
Equity holders of the Bank	391,278	397,962	88,544	89,309
Non-controlling interest	3,615	4,927	818	1,106
Total comprehensive income	394,893	402,889	89,362	90,415

* Refer to Note 2c

The consolidated financial statements were approved by the Board of Directors on 27 March 2014 and were signed on its behalf by:

Horia Ciorcilă
Chairman

George Călinescu
CFO

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December

				Convenience Translation*	
	Note	**2013 RON thousand**	**2012 RON thousand**	**2013 EUR thousand**	**2012 EUR thousand**
Assets					
Cash and cash equivalents	17	4,105,584	5,579,088	915,465	1,259,757
Placements with banks	18	1,760,517	1,405,173	392,561	317,288
Financial assets at fair value through profit and loss	19	103,556	125,851	23,091	28,417
Loans and advances to customers	20	16,583,398	15,361,263	3,697,772	3,468,572
Net finance lease investments	21	243,151	202,686	54,218	45,766
Investment securities, available for sale	22	8,817,441	6,420,054	1,966,116	1,449,648
Investment in associates		49,778	25,858	11,100	5,839
Property and equipment	23	328,227	334,587	73,188	75,550
Intangible assets	24	84,230	81,433	18,782	18,388
Goodwill	24	376	376	84	85
Other assets	26	167,824	174,827	37,421	39,475
Total assets		**32,244,082**	**29,711,196**	**7,189,798**	**6,708,785**
Liabilities					
Deposits from banks	27	418,755	45,953	93,374	10,376
Deposits from customers	28	25,736,216	23,167,128	5,738,671	5,231,135
Loans from banks and other financial institutions	29	2,146,743	3,035,944	478,682	685,516
Other subordinated liabilities	30	338,124	288,810	75,395	65,213
Deferred tax liabilities	25	57,723	27,527	12,871	6,216
Other liabilities	31	337,363	330,823	75,226	74,700
Total liabilities		**29,034,924**	**26,896,185**	**6,474,219**	**6,073,156**
Equity					
Share capital	32	2,292,937	1,989,543	511,280	449,239
Treasury shares		(1,490)	(9,853)	(332)	(2,225)
Retained earnings		539,116	460,334	120,212	103,943
Revaluation reserve		30,218	39,496	6,738	8,918
Other reserves	33	319,234	299,864	71,183	67,709
Total equity attributable to equity holders of the Bank		**3,180,015**	**2,779,384**	**709,081**	**627,584**
Non-controlling interest		29,143	35,627	6,498	8,045
Total equity		**3,209,158**	**2,815,011**	**715,579**	**635,629**
Total liabilities and equity		**32,244,082**	**29,711,196**	**7,189,798**	**6,708,785**

* Refer to Note 2c

The consolidated financial statements were approved by the Board of Directors on 27 March 2014 and were signed on its behalf by:

Horia Ciorcilă
Chairman

George Călinescu
CFO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

In RON thousand	Attributable to the equity holders of the Bank							
	Share capital	Treasury shares	Share premium	Reevaluation reserves	Other reserves	Retained earnings	Non-controlling interest	Total
Balance as at 31 December 2012	1,989,543	(9,853)	-	39,496	299,864	460,334	35,627	2,815,011
Total comprehensive income for the period								
Profit for the year	-	-	-	-	-	404,942	3,615	408,557
Other comprehensive income, net of income tax								
Transfer from revaluation surplus to retained earnings	-	-	-	(4,191)	-	4,191	-	-
Fair value gains from available for sale financials assets (net of deferred tax)	-	-	-	-	(3,161)	-	-	(3,161)
Revaluation reserve for property and equipment net of income tax	-	-	-	(5.087)	-	(580)	-	(5,667)
Other elements of comprehensive income	-	-	-	-	-	(4,836)		(4,836)
Total comprehensive income	-	-	-	(9,278)	(3,161)	403,717	3,615	394,893
Contributions of the shareholders								
Increase in share capital through conversion of reserves from the profit	303,394	-	-	-	-	(303,394)	-	-
Distribution to statutory reserves			-	-	22,531	(22,531)	-	-
Acquisitions of treasury shares	-	(13,557)	-	-	-	-	-	(13,557)
Non-controlling interest	-	1,753	-	-	-	-	(10,099)	(8,346)
Shared based payments	-	20,167	-	-	-	990	-	21,157
Total contributions of the shareholders	303,394	8,363	-	-	22,531	(324,935)	(10,099)	(746)
Balance at 31 December 2013	2,292,937	(1,490)	-	30,218	319,234	539,116	29,143	3,209,158

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

Attributable to the equity holders of the Bank

In RON thousand	Share capital	Treasury shares	Share premiums	Reevaluation reserves	Other reserves	Retained earnings	Non-controlling interest	Total
Balance as at 31 December 2011	1,860,159	(2,118)	732	35,544	192,248	303,268	2,034	2,391,867
Total comprehensive income for the period								
Profit for the year	-	-	-	-	-	341,529	4,927	346,456
Other comprehensive income, net of income tax								
Transfer from revaluation surplus to retained earnings	-	-	-	(747)	-	747	-	-
Fair value gains from available for sale financials assets (net of deferred tax)	-	-	-	-	89,607	-	-	89,607
Revaluation reservefor property and equipment	-	-	-	4,699	-	-	-	4,699
Other elements of comprehensive income	-	-	-	-	-	(37,873)	-	(37,873)
Total comprehensive income	-	-	-	3,952	89,607	304,403	4,927	402,889
Contributions of the shareholders								
Increase in share capital through conversion of reserves from the profit	128,652	-	-	-	-	(128,652)	-	-
Increase in share capital from share premiums	732	-	(732)	-	-	-	-	-
Distribution to statutory reserves	-	-	-	-	18,009	(18,009)	-	-
Acquisition of own shares	-	(22,832)	-	-	-	-	-	(22,832)
Non-controlling interest	-	-	-	-	-	-	28,666	28,666
Shared based payments	-	15,097	-	-	-	(676)	-	14,421
Total contributions of the shareholders	129,384	(7,735)	(732)	-	18,009	(147,337)	28,666	20,255
Balance at 31 December 2012	1,989,543	(9,853)	-	39,496	299,864	460,334	35,627	2,815,011

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December

In RON thousand	Note	2013	2012
Cash flow from/ (used in) operating activities			
Profit for the year		346,456	297,248
Adjustments for:			
Depreciation and amortization	23,24	65,243	54,710
Impairments allowance and write-offs of financial assets, other liabilities and loan commitments		414,280	379,536
Share of profit in associates, net of dividends		(5,937)	(1,169)
Fair value adjustment of financial assets at fair value through profit and loss		(17,907)	(30,487)
Income tax expense	16	70,827	24,546
Other adjustments		(69,871)	(13,192)
Net profit adjusted with non-monetary elements		865,192	760,400
Changes in operating assets and liabilities			
Change in investment securities		(2,389,078)	(360,364)
Change in placement with banks		(40,689)	91,797
Change in loans and advances to customers		(1,563,280)	(1,736,447)
Change in net lease investments		(46,406)	3,524
Change in financial assets at fair value through profit and loss		36,686	151,615
Change in other assets		(4,245)	(48,365)
Change in deposits from customers		2,587,941	2,871,122
Change in deposits from banks		372,626	(205,132)
Change in other liabilities		(39,293)	122,452
Income tax paid		(17,265)	(70,696)
Net cash from/ (used in) operating activities		(237,811)	1,579,906
Cash flow from / (used in) investing activities			
Net acquisitions of property and equipment and intangible assets		(57,986)	(92,963)
Acquisition of subsidiaries (net of cash acquired) and investments in associates		(17,983)	(24,689)
Dividends collected		508	697
Net cash flow from/(used in) investing activities		(75,461)	(116,955)
Cash flow from /(used in) financing activities			
Net proceeds/(payments) from loans from banks and other financial institutions subordinated liabilities and debt securities issued		(844,399)	430,321
Payments of dividends		-	-
Payments for treasury shares		(13,557)	(22,832)
Proceeds from investments held to maturity		-	819
Net cash flow from/ (used in) financing activities		(857,956)	408,308
Net increase/ (decrease) in cash and cash equivalents		(1,171,228)	1,871,259
Cash and cash equivalents at 1 January		6,903,856	5,032,597
Cash and cash equivalents at 31 December		5,732,628	6,903,856

Reconciliation of cash and cash equivalents to consolidated statement of financial position

In RON thousand	Note	2013	2012
Cash and cash equivalents	17	4,105,584	5,579,088
Placements with banks, less than 3 months maturity		1,628,149	1,326,846
Less accrued interest		(1,105)	(2,078)
Cash and cash equivalents in the cash flow statement		5,732,628	6,903,856

Cash flows from operating activities include: *In RON thousand*	31 December 2013	31 December 2012
Interest collected	1,816,377	1,764,923
Interest paid	875,480	1,003,357

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Banca Transilvania Group (the "Group") includes the parent bank, Banca Transilvania S.A, (the "Bank") and its subsidiaries headquartered in Romania and Moldova. The consolidated financial statements of the Group for the year ended 31 December 2013 include the financial statements of the Bank and its subsidiaries (together referred to as the "Group"). The subsidiaries include the following companies:

Subsidiary	Field of activity	31 December 2013	31 December 2012
BT Securities S.R.L.	Investments	98.68%	98.68%
BT Leasing Transilvania IFN S.A.	Leasing	100.00%	100.00%
BT Investments S.R.L.	Investments	100.00%	100.00%
BT Direct IFN S.A.	Consumer loans	100.00%	100.00%
BT Building S.R.L.	Investments	100.00%	100.00%
BT Asset Management S.A.I S.A.	Asset management	80.00%	80.00%
BT Solution Agent de Asigurare S.R.L.	Insurance	95.00%	95.00%
BT Asiom Agent de Asigurare S.R.L	Insurance	95.00%	95.00%
BT Safe Agent de Asigurare S.R.L.	Insurance	99.99%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance	99.99%	99.99%
BT Compania de Factoring IFN S.A.	Factoring	100.00%	100.00%
BT Operational Leasing S.A.	Leasing	94.73%	91.98%
BT Medical Leasing IFN S.A.	Leasing	-	100.00%
Rent-a-Med S.R.L.	Rental of medical equipments	-	100.00%
BT Leasing MD S.R.L.	Leasing	100.00%	100.00%
BT Transilvania Imagistica S.A.	Other human health activities	82.31%	81.18%
Improvement Credit Collection SRL	Activity of the collection agents and credit reporting bureaus	100.00%	-

The Group has the following lines of business: banking, which is performed by Banca Transilvania S.A. ("the Bank"), leasing and consumer finance, which is performed mainly by BT Leasing Transilvania IFN S.A., BT Operational Leasing S.A., BT Direct IFN S.A and BT Leasing MD S.R.L, asset management which is performed by BT Asset Management S.A.I S.A. Also the Bank has more than 50% holding in 4 investment funds, which are consolidated and a significant influence in 3 investment funds. During 2013, one subsidiary was closed, Rent a Med S.R.L. another subsidiary, BT Medical Leasing IFN SA, was taken over through absorption by BT Leasing Transilvania IFN SA. Also, in 2013 a new subsidiary was set up, Improvement Credit Collection SRL. This subsidiary is fully owned by the Bank through Compania de Factoring S.R.L.

Banca Transilvania S.A.

Banca Transilvania S.A. was incorporated in Romania in 1993 and is licensed by the National Bank of Romania to conduct banking activities. The Bank started its activity in 1994 and its main operations involve banking services for corporate and retail clients.

The Bank carries its activity through its business place in Cluj-Napoca and 61 branches, 436 agencies, 33 bank units, 11 healthcare division units and 1 regional center located in Bucharest (2012: 63 branches, 445 agencies, 31 bank units, 11 healthcare division units and 1 regional center located in Bucharest) throughout the country. The Bank accepts deposits and grants loans, carries out funds transfers in Romania and abroad, exchanges currencies and provides banking services for its corporate and retail customers.

As at 31 December 2013, the Bank no longer operated through its branch located in Cyprus. As at 31 December 2012 the structure of the branch asset structure was: total assets RON 618,475 thousand, total liabilities RON 618,946 thousand, losses RON 471 thousand. During 2013 the Bank opened a branch located in Italy, which started the operational activity in 2014.

The Bank's number of employees as at 31 December 2013 was 6,041 (31 December 2012: 6,160). The registered address of the Bank is 8 George Baritiu Street, Cluj-Napoca, Romania.

The structure of the equity holders of the Bank is presented below:

	31 December 2013	31 December 2012
European Bank for Reconstruction and Development ("EBRD")	14.61%	14.61%
Romanian individuals	19.56%	23.06%
Romanian companies	24.64%	26.32%
Foreign individuals	2.33%	2.84%
Foreign companies	38.86%	33.17%
Total	100%	100%

The Bank's shares are listed on the Bucharest Stock Exchange and are traded under the symbol TLV.

BT Leasing Transilvania S.A.

BT Leasing Transilvania IFN S.A. was incorporated in 1995 as a privately owned joint-stock company, established under Romanian laws. It was initially incorporated under the name of BT Leasing Transilvania S.A., which was changed to the current name in February 2003. The company operates through its Head Office located in Cluj-Napoca, 1 agency and 19 working points (2012: 1 agency and 23 working points) throughout the country. The company leases various types of vehicles and technical equipment.

During 2013 BT Leasing Transilvania IFN SA merged with BT Medical Leasing IFN SA. As a result of the merger, BT Leasing Transilvania IFN SA, as the absorbing entity, took over as at 30 June 2013 all assets and liabilities of the absorbed company, BT Medical Leasing IFN SA, acquiring its rights and obligations.
BT Medical Leasing IFN SA was dissolved without liquidation.

The number of employees as at 31 December 2013 was 101 (2012: 104).
The registered address of BT Leasing Transilvania IFN S.A. is: 1 Baritiu Street, Cluj-Napoca, Romania.

BT Asset Management SAI

BT Asset Management SAI S.A. is a commercial company, member of the Banca Transilvania Financial Group, which is operating in the management of opened and closed investment funds domain.
It can also perform investment portfolio management activities, including management of pension funds and also related advisory services regarding financial instruments.
BT Asset Management SAI S.A provides a full range of investment products, from fixed income funds to equity funds. The opening to the capital market is provided to customers through investments in Romania and Austria, while investments can be performed in both lei and euro.
At the end of 2013, BT Asset Management SAI market share is 4.81%, considering the value of the assets managed, and it ranks 5th among investment fund managers in Romania.
As at 31 December 2013, the number of employees was 19 (2012: 18 employees).
The registered address of BT Asset Management SAI S.A is: Maestro Business Center, 104, 21 Decembrie 1989 Blvd, Cluj-Napoca, Romania.

BT Securities S.A.

BT Securities S.A. was set up in 2003 as a result of the change of the name and of the registered address of the commercial company Transilvania Capital Invest. The Company main operating activity is brokerage of financial transactions and management of funds (financial agents), and also activities related activities financial brokerage.
During 2013, BT Securities SA activity was developed in the Romanian capital market characterized through increased of the main quoted companies' shares values, as a result of the macroeconomic stability, but the increase were not noted in the trade volumes. The development of the brokerage activity was characterized through the maintenance of a low level of the transaction volumes and also through the continue decrease in the average commission percent received from customers, as a result of the competitors actions.
Among BT Securities S.A. achievements in 2013 the followings can be mentioned: successful brokering of the public offers of SNTGN Transgaz

S.A. and SN Nuclearelectrica S.A., and also the increase in turnover with more than 42% as compared to 2012.
As at 31 December 2013, the number of employees was 77 (2012: 83 employees).
BT Securities S.A. is operating through its head office located in Maestro Business Center, 104, 21 Decembrie 1989 Blvd, first floor, Cluj-Napoca, Romania and also through 17 units.

BT Direct IFN SA

BT Direct IFN SA is a non-banking financial institution set up in 2003 that is granting personal needs loans to individuals.
During 2013 BT Direct IFN SA increased its loans portfolio, composed of consumer loans and personal needs loans, with 6.73% as compared to 2012.
As at 31 December 2013, the number of employees was 33 (2012: 28 employees).
BT Direct IFN SA is operating through its head office located in: 47 Taietura Turcului, Tetarom I Business Park, Cluj-Napoca, Romania.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union, effective at the Group's annual reporting date, 31 December 2013.

According with provisions of Order 27/2010 issued by National Bank of Romania, starting with 1 January 2012 the Bank applies as endorsed by European Union ("IFRS"), as statutory financial reporting framework.

Differences between the IFRS financial statements and statutory financial statements

The subsidiaries maintain their accounting records in accordance with Romanian and Moldavian accounting law. All these accounts of the subsidiaries are defined hereafter as the statutory accounts.

These accounts have been restated to reflect the differences between the statutory accounts and IFRS. Accordingly, adjustments have been made to the statutory accounts, where considered necessary, to bring the financial statements into line, in all material aspects, with the IFRS.

The major changes applied to the statutory financial statements of the subsidiaries in order to bring them into line with the International Financial Reporting Standards as endorsed by the European Union are:

- grouping of numerous detailed items into broader captions;
- restatement adjustments required in accordance with IAS 29 ("Financial Reporting in Hyperinflationary Economies") due to the fact that Romanian economy has been hyperinflationary until 31 December 2003 (refer to Note 3c);
- fair value and impairment adjustments required in accordance with IAS 39 ("Financial Instruments – Recognition and Measurement');
- deferred tax, and
- presenting the necessary information in accordance with the IFRS.

b) Basis of measurement

The consolidated financial statements of the Group are prepared on a fair value basis, for financial assets and liabilities at fair value through profit and loss and available-for-sale instruments, except from those for which a reliable measure of fair value is not available.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost, revaluated amount or historical cost. Non-current assets held for sale are stated at the lower of net carrying amount and fair value, less cost to sale

c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Romanian lei "RON", which is the Group's functional and presentation currency, rounded to the nearest thousand.

Convenience translation

For the user's information, the restated RON figures from the Consolidated statement of profit or loss and other comprehensive income and the Consolidated statement of financial position have been presented in EUR, following the requirement of IAS 21 "The Effect of Changes in Foreign Exchange Rates". This presentation is not part of the audited financial statements.

According to IAS 21, since the functional currency is RON for translation from RON to EUR the following procedures were followed:

- Assets, liabilities and equity items for all balance sheet items presented (i.e. including comparatives) were translated at the closing rate existing at the date of each balance sheet presented (31 December 2013: 4.4847 RON/EUR; 31 December 2012: 4.4287 RON/EUR);
- Income and expenses items for current period presented were translated at the exchange rates existing at the dates of the transactions or a rate that approximates the actual exchange rates (average exchange rate in 2013: 4.4190 RON/EUR; average exchange rate in 2012: 4.4560 RON/EUR);
- All exchange differences resulting from translation in the current period are recognized directly in equity.

The restatement and presentation procedures used according to IAS 21, "The Effects of Changes in Foreign Exchange Rates", could result in differences between the amounts presented in EUR and the real values.

d) Use of estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRS as endorsed by the European Union implies that the management uses estimation and judgments that affect the application of accounting policies, as well as the reported value of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of the judgments used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates.

The estimates and judgments are reviewed on an ongoing basis. The review of the accounting estimates are recognized in the period in which the estimate is reviewed if the review affects only that period or in the period of the review and future periods if the review affects both current and future periods.

Information about estimates used in the application of the accounting policies which carry a significant impact on the consolidated financial statements, as well as the estimates which involve a significant degree of uncertainty, are described in Notes 4 and 5.

3. Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

a) Basis of consolidation

i) Subsidiaries

Subsidiaries are those companies controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. When assessing control, potential voting rights that presently are exercisable or convertible must be taken into consideration. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control starts until the date that control ceases.

The Bank consolidates the financial statements of its subsidiaries in accordance with IAS 27 "Consolidated and separate financial statements". The list of the Group's subsidiaries is presented in Note 1.

ii) Investment funds management

The Group manages and administrates assets invested in unit funds on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity by holding an interest higher than 50% in the respective unit funds.

iii) Associates

Associates are those companies on which the Group may exercise a significant influence, but not control over the financial and operational policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates using the equity method, from the date that significant influence commences until the date that significant influence ceases. If the Group's share of losses from associates exceeds the carrying amount of the investment, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

At 31 December 2013, the Group has significant influence in 3 investment funds, the ownership percentage is between 20.00% and 42.81% (31 December 2012 26.31% - 43.68%).

iv) Jointly controlled entities

Jointly controlled entities are those enterprises where there is a contractually agreed sharing of control over the economic activities of the respective entities, and exist only when the strategic financial and operating decisions relating to the activities require the unanimous consent of the parties sharing control. The consolidated financial statements include the Group's share of interest in a jointly controlled entity using proportionate consolidation in accordance with the provisions of IAS 31 „Interests in joined ventures".

At 31 December 2013 and 31 December 2012, the Group does not own jointly controlled entities.

v) Transactions eliminated on consolidation

Intra-group balances and transactions as well as any unrealized gains resulted from the intra-group transactions have been eliminated in preparing the consolidated financial statements. Unrealized gains resulted from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealized gains resulted from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are recorded in RON at the official exchange rate at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the consolidated statement of financial position are translated to the functional currency at the exchange rate at that date. The gains and losses related to the settlement and translations of these balances using the exchange rate at the end of the financial year are recognized in the income statement, except for the ones recorded in equity as a result of applying hedge accounting.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rate valid at the date when the fair value is determined.

Foreign currency differences arising on translation are recognized in profit or loss.

ii) Translation of foreign currency operations

The result and financial position of foreign operations, which have a functional currency different from the functional and presentation currency of the Group, are translated into the presentation currency as follows:

- assets and liabilities, both monetary and non-monetary, of this entity have been translated at the closing rate of the consolidated statement of financial position date;
- income and expenses items of these operations have been translated at the average exchange rate of the period, as an estimate for the exchange rates from the dates of the transactions; and
- all resulting exchange differences have been classified as equity until the disposal of the investment.

The exchange rates of major foreign currencies were:

Currency	31 December 2013	31 December 2012	Variation %
Euro (EUR)	1: LEU 4.4847	1: LEU 4.4287	1.01%
US Dollar (USD)	1: LEU 3.2551	1: LEU 3.3575	0.97%

c) Accounting method for the effect of hyperinflation

According to IAS 29 and IAS 21, the financial statements of an entity whose functional currency of a hyperinflationary economy should be stated in terms of measuring unit current at the date of consolidated statement of financial position i.e. non-monetary items are restated using a general price index from the date of acquisition or contribution.

IAS 29 suggests that economies should be regarded as hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years exceeds 100%.

The continuously decreasing inflation rates and other factors related to the characteristics of the economic environment in Romania indicate that the economy whose functional currency was adopted by the Group ceased to be hyperinflationary, effective for financial periods starting at 1 January 2004. Therefore, the provisions of IAS 29 have no longer been adopted in preparing these consolidated financial statements.

Accordingly, the amounts expressed in measuring unit current at 31 December 2003 are treated as the basis for the carrying amounts in these consolidated financial statements and do not represent appraised value, replacement cost, or any other measure of the current value of assets or the prices at which transactions would take place currently.

d) Interest income and expenses

Interest income and expenses related to financial investments are recognized in the income statement at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Fair value changes of derivative instruments held for risk management and other financial assets and liabilities at fair value are presented in the net trading income resulted from other financial instruments at fair value through the income statement.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, the interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss applied at the net carrying value of the asset.

e) Fees and commissions

Fees and commission income arises on financial services provided by the Group including upfront fees, commitment fees, card fees, cash management services, brokerage services, investment advice and financial planning, investment banking services, and asset management services.

Fee and commission directly attributable to the financial asset or liability origination (both income and expense) are included in the measurement of the effective interest rate. Loan commitments fees that are likely to be drawn down, are deferred, together with the related direct costs, and are recognized as an adjustment to the effective interest rate of the loan.

Other fee and commission income arising on the financial services provided by the Group including investment management services, brokerage services, and account services fees are recognized as the related service is provided in the income statement. Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

f) Net trading income

Net trading income represents the difference between the gain and loss related to the trading assets and liabilities and included all fair value changes realized and unrealized and net foreign exchange differences.

g) Net gain and loses from sale of financial instruments available for sale

Net gain from sale of financial instruments available for sale include gains and losses from trading financials instruments available for sales and gains from disposal of equity investments valued at cost.

Net gain and loses from sale of financial instruments available for sale are recognized in the profit or loss account in the moment of selling of the financial instruments available for sale. Those represent the difference between the selling price and amortized cost of the financial instruments available for sale.

h) Dividends

Dividend income is recognized in the income when the right to receive income is established. Income from equity investments and other non-fixed income investments is recognized as dividend income when it accrues. Dividends are reflected as a component of other operating income.

Dividends are treated as an appropriation of profit in the period they are declared and approved by the General Assembly of Shareholders. For the Bank's subsidiaries, the only profit available for distribution is the profit for the year recorded in the Romanian statutory accounts, which differs from the profit in these consolidated financial statements prepared in accordance with IFRS as endorsed by European Union, due to the differences between the applicable Romanian Accounting Regulations and IFRS as endorsed by the European Union. In case of the Bank, as presented in Note 2, starting with 1 January 2012, the IFRS standards as endorsed by the European Union are applied as a legal base for financial reporting.

i) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. Operating lease expense is recognized as a component of the operating expenses.

Minimum lease payments made under finance leases are apportioned between the interest expense and the reduction of the outstanding liability. The interest expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

j) Income tax expense

Income tax for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it relates to equity elements.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of prior periods.

The adjustments that influence the fiscal base of current tax are: non-deductible expenses, non-taxable income, elements similar to expenses, or to income and other tax deductions.

Items assimilated to expenses includes: prudential filters that are "positive differences between prudential value adjustments / expected losses determined on the basis of methodologies applicable staring with financial year of 2012 and impairment adjustments determined under IFRS, related to financial assets covered by these methodologies". In terms of tax, prudential filters are deducted from current tax calculation and the reduction or cancellation is taxed in order of their registration.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences: the initial recognition of the goodwill, the initial recognition of the assets and liabilities that come from transactions other than business mergers and which have no impact on the accounting profit nor on the fiscal one and differences related to investments in subsidiaries, as long as they are not considered to be reversed in the near future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the consolidated statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits are likely to be obtained after compensation with fiscal losses in the previous years and the tax on profit to be recovered. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit to be realized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. The tax rate used to calculate the current and deferred tax position at 31 December 2013 is 16% (31 December 2012: 16%).

k) Financial assets and liabilities

(i) Classifications

The Group classifies its financial assets and liabilities in the following categories:

Financial assets or financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial instrument is classified in this category if acquired principally for the purpose of short term profit-taking or if so designated by management. Derivatives are also categorized as held for trading unless the derivative is a designated and effective hedging instrument. The financial instruments at fair value through profit or loss comprise listed equity securities and derivatives instruments.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term, those that the Group, upon initial recognition, designates as at fair value through profit and loss, those that the Group, upon initial recognition, designates as available for sale or those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. Loans and receivables comprise loans and advances to banks and customers and net lease investments.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Available-for-sale financial assets are those financial assets that are designated as available for sale or are not classified as loans and advances, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale instruments include treasury bonds and other bonds eligible for discounting with central banks, investments in unit funds, equity investments and other investment securities that are not at fair value through profit and loss or held-to-maturity.

(ii) Recognition

Financial assets and financial liabilities are initially recognized at fair value plus, in case of financial assets and financial liabilities not carried at fair value through profit or loss, directly attributable transaction costs.

The Group initially recognizes: loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Group becomes a party to the contractual provisions of the financial instrument.

(iii) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognized on its balance sheet, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognized separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when and only when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, less any reduction for impairment.

(vi) Fair value measurement

a. Policy applicable after 1 January 2013

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at the date. The fair value of a liability reflects its nonperformance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.
The best evidence of a fair value of a financial instrument at initial recognition is normally the transaction price – the fair value of a consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at the fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of an instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

b. Policy applicable before 1 January 2013

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique, Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instruments. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for an instrument with similar terms and conditions.

Where pricing models are used, inputs are based on market related measures at the date of consolidated statement of financial position. Where a fair value cannot be reliably be estimated, equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

(vii) Identification and measurement of impairment

Assets held at amortized cost

At each consolidated statement of financial position date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets or a group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset ("loss generating event"), and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

It is probable that the identification of a single event responsible for the impairment is difficult. Impairment may have been caused by the combined effect of multiple events. The losses expected as a result of the future events, regardless of their probability, are not recognized.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the variable interest rate at current rate, specified in the contract. The asset's accounting value can be decreased directly or by using an impairment account. The expense with the impairment loss is recognized in the statement of profit or loss.

If during a future period, an event that took place after the date of the impairment recognition generates decrease in the impairment expense, the formerly recognized impairment loss is reversed either directly or through the adjustment of an impairment account. The impairment decrease is recognized through statement of profit or loss.

Loans and advances to customers and net lease investments

The Group, based on its internal impairment assessment methodology included observable data on the following loss events that comes to its attention as objective evidence that loans and advances to customers and net lease investments or groups of assets are impaired:

(a) significant financial difficulty of the borrower (lessee) determined in accordance with the Group's internal rating system;
(b) a breach of contract, such as a default or delinquency in interest or principal payments of the borrowers (individually and in the same group of borrowers);
(c) the lender, for economic or legal reasons relating to the borrower's or lessee's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider such as the rescheduling of the interest or principal payments;
(d) is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
(e) credible information indicating a measurable decrease in the estimated future cash flows of a group of financial assets from the date of the initial recognition, regardless of the fact that the decrease cannot be identified for each asset, including:
    i. unfavorable change in the payment behavior of the Group's debtors, or
    ii. national or local economic circumstances that can be correlated to the loss / depreciation of the Group's assets.

The Group first assesses whether objective evidence of impairment exists as described above, individually for loans to customers and net lease investments that are individually significant, and individually or collectively for loans to customers and net lease investments that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the loans to customers and net lease investments into a group with similar credit risk characteristics and collectively assesses them for impairment. The loans to customers and net lease investments individually assessed, for which an individual impairment is recognized or continue to be recognized are not included in the groups with similar characteristics of impairment under collective assessment. The calculation of the present value of the estimated future cash flows of a collateralized loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, loans and advances to customers and net lease investments are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, grouping based on separated lines of business, type of loan, currency, maturity, debt service and so on).

Management considers that these characteristics chosen are the best estimate of similar credit risk characteristics relevant to the estimation of future cash flows for groups of such loans and net lease investments by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of loans and advances to customers and net lease investments that are collectively evaluated for impairment are estimated on the basis of historical loss experience for loans and net lease investments with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The Group regularly reviews the methodology and assumptions used to estimate future cash flows to reduce differences between estimated and actual losses.

Available for sale financial assets

For financial assets classified as available-for-sale, when a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity shall be released directly from equity and recognized in profit or loss even though the financial asset has not been derecognized.

The amount of the cumulative loss that is released from equity and recognized in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in income statement.

Impairment losses recognized in income statement for an investment in an equity instrument classified as available for sale shall not be released through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed through income statement.

(viii) Designation at fair value through profit and loss

The Group has designated financial assets and liabilities at fair value through profit and loss when:

- eliminates or significantly reduces an evaluation or recognition mismatch ("accounting error") which might have arisen from the measurement of the assets and liabilities or from the recognition of their gain or loss based on different principles;
- they are part of a group of financial assets or liabilities managed, evaluated and reported to the management on a fair value basis according to the risk management documentation / investment strategy; or
- they are hybrid contracts through which an entity can reflect the entire contract at fair value through in profit and loss.

l) Cash and cash equivalents

Cash and cash equivalents comprise: cash on hand, unrestricted balances held at National Bank of Romania and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value.

Cash and cash equivalents are carried at amortized cost in the consolidated statement of financial position.

m) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the consolidated statement of the financial position and the transaction costs are taken directly to consolidated statement of profit and loss. All changes in fair value are recognized as part of net trading income in comprehensive income. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

n) Derivatives

(i) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the consolidated statement of the financial position.

When a derivate is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in statement of comprehensive income as a component of net trading income.

(ii) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Group accounts for embedded derivatives separately from the host contract when the host contract is not itself carried through profit and loss, and the characteristics of the embedded derivatives are not clearly and closely related to the host contract. Separate embedded derivatives are accounted for depending on their classification, and are presented in consolidated statement of the financial position together with the host contract.

o) Loans and advances and net lease investments

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

When the Group is the lessor in a lease agreement that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances. Consumer loans granted by the Bank's subsidiaries to customers are also included in net lease investments.

Loans and advances and net lease investments are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method as described in the accounting policy 3(d) above, except when the Group chooses to carry the loans and advances and net lease investments at fair value through profit or loss as described in accounting policy 3(k) (viii) above.

Loans and advances are stated at net value after the deducting of the provision for impairment. The provision is recorded for the loans and advances and net lease investments, identified as impaired based on continual assessment, to bring these assets to their recoverable amount.

p) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit and loss, available-for-sale or loans and receivables.

(i) Held to maturity

Held-to-maturity investments are carried at amortized cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

However, sales and reclassifications in any of the following circumstances would not trigger a reclassification: sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; sales or reclassifications after the Group has collected substantially all of the asset's original principal; sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(ii) Fair value through profit and loss

The Group carries some investment securities at fair value, with fair value changes recognized immediately in profit or loss as described in accounting policy 3(m).

(iii) Available-for-sale

Debt securities such as treasury bills issued by the Government of Romania are classified as available-for-sale assets.

The Group considered that the effective transaction prices would be between the informative BID-ASK quotations obtained, which are rather an interval within which the Group could have realistically negotiated the quotations for each series and taking into account the volume of its portfolio, and thus, the Group used in its estimation an average price for each series.

Other securities such as investments in unit funds are classified as available-for-sale assets and are carried at their market prices.

Other equity investments in listed or unlisted companies are classified as available-for-sale assets and are carried at the fair value. Where no reliable estimate of fair value is available, equity investments are stated at restated cost less impairment.

Interest income is recognized in profit and loss using effective interest method. Dividend income is recognized in profit and loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit and loss.

Other fair value changes are recognized directly in equity until the investment is sold or impaired and the balance in equity is recognized in profit or loss.

(iv) Loans and advances

Investments in securities such as corporate bonds are classified as loans and advances and are held at amortized cost using effective interest rate method.

q) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at their cost or revalued amount less accumulated depreciation value and impairment losses. Capital expenditure on property and equipment in the course of construction is capitalized and depreciated once the assets enter into use.

Leases in term of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

(ii) Subsequent costs

The Group recognizes in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	50 years
Leasehold improvements (average)	6 years
Computers	4 years
Furniture and equipments	2 - 24 years
Vehicles	4 - 5 years

The leasehold improvements are depreciated over the rental contract period, which varies between 1 and 52 years. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

r) Intangible assets

i) Goodwill and negative goodwill

Goodwill / (negative goodwill) arise on the acquisition of subsidiaries. Goodwill represents the difference between the cost of the acquisition and the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. When the difference is negative (negative goodwill), it is recognized immediately in profit and loss, after reanalyzing the manner of identification and valuation of the assets, liabilities and identifiable contingent liabilities and measurement of the acquisition cost.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Negative goodwill is recognized immediately in the income statement, after reassessment of the identification and measurement of the identifiable assets, liabilities and contingent liabilities and the measurement of the acquisition cost.

(ii) Software

Costs associated with developing or maintaining software programs are recognized as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software is three years.

s) Financial lease – lessee

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognized on the Group's consolidated statement of financial situation.

t) Impairment of non-financial assets

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset generating cash flows that largely are independent from other assets and groups. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss in other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

u) Deposits from customers

Deposits from customers are initially measured at fair value plus transaction costs, and subsequently measured at amortized cost using the effective interest method.

v) Debt securities issued and loans from banks and other financial institutions

Borrowings such as loans from banks and other financial institutions and debt securities issued are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs occurred. Debt securities and loans from banks and other financial institutions are subsequently stated at amortized cost.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

w) Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

x) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guarantee has become probable).

y) Employee benefits

(i) Short term benefits

Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are recognized as expense when services are rendered.

(ii) Defined contribution plans

The Bank and its subsidiaries, in the normal course of business make payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Bank and its subsidiaries are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the income statement as incurred. The Bank and its subsidiaries do not have any further obligations. The Bank and its subsidiaries do not operate any independent pension scheme and, consequently, have no obligation in respect of pensions. The Bank and its subsidiaries do not operate any other postretirement benefit plan. The Bank and its subsidiaries have no obligation to provide further services to current or former employees.

(iii) Other benefits

Based on the decision of the shareholders, the Board of Directors of the Bank decides in respect of the number of shares included in the employee fidelity plan. The grant-date fair value of share-based payment awards - stock options – granted to employees is recognized as personnel expenses, with a corresponding increase in equity, over the period in which actual reward of the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the value of awards for which the related service and non-market related performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market related performance conditions at the vesting date.

z) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

aa) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

ab) Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

ac) Reclassification

In 2013, the Bank reclassified from interest income the net gains from sale of financial instruments available for sale at a distinct position in the statement of profit or loss and statement of comprehensive income and loan management fees have been reclassified from fee income to interest income. These reclassifications affected the statement of profit or loss and statement of comprehensive income for comparative figures as follows:

In RON thousand	2012 Before reclassification	2012 Reclassification effect	2012 After reclassification
Interest income	2,054,585	(44,471)	2,010,114
Interest expense	(1,085,870)	43,488	(1,042,382)
Net interest income	**968,715**	**(983)**	**967,732**
Loan management fees	73,922		
Net fee and commission income	**437,398**	**(73,922)**	**363,476**
Net gain from sale of available for sale financial instruments	-	**74,687**	**74,687**

ad) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended at 31 December 2013, and have not been applied in preparing these separate financial statements:

• IFRS 9 Financial Instruments – adoption date not yet decided. This Standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost or financial assets measured at fair value. A financial asset is measured at amortized cost if the following two conditions are met: the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Gains and losses on re-measurement of financial assets measured at fair value are recognized in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognized in OCI is ever reclassified to profit or loss at a later date. It is expected that the new Standard, when initially applied, will have a significant impact on the financial statements, since the classification and the measurement of the Bank's financial assets are expected to change. This standard had not yet been adopted by the European Union.

• Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 27 (2011) Separate Financial Statements – Investment Entities (effective for annual periods beginning on or after 1 January 2014). According to these amendments, an investment entity does not have to prepare consolidated financial statements and has the obligation to assess all its subsidiaries at fair value through profit or loss. An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity. According to these essential elements an investment entity obtains funds from investors to provide those investors with investment management services;

- commits to its investors that its business purpose is to invest for returns solely from appreciation and/or investment income; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

The amendments also set out disclosure requirements for investment entities.

• IFRS 11 "Joint Arrangements" (Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively subject to transitional provisions. Earlier application is permitted if IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early.) IFRS 11 "Joint Arrangements" eliminates and replaces IAS 31 "Interests in Joint Ventures". IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10. Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows: a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement an a joint venture is one whereby the jointly controlling parties, known as joint ventures, have rights to the net assets of the arrangement.

IFRS 11 effectively carves out from IAS 31 jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of equity accounting or proportionate consolidation; they must now always use the equity method in its consolidated financial statements. The Group does not expect IFRS 11 to have material impact on the financial statements since it is not a party to any joint arrangements.

• IFRS 12, "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively; earlier application is permitted). IFRS 12 requires additional disclosures relating to significant judgments and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities. The Group does not expect the new standard will have a material impact on the financial statements.

• IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011) are also applied early.). IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been incorporated into IFRS 10, Consolidated Financial Statements. The Group does not expect IAS 27 (2011) to have material impact on the financial statements, since it does not results in a change in the entity's accounting policy.

• IAS 28, "Investments in Associates and Joint Ventures" (amendments effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively; earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 27 are also applied early.) There are limited amendments made to IAS 28: a) associates and joint ventures held for sale. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture; b) changes in interests held in associates and joint ventures. Previously, IAS 28 and IAS 31 specified that the cessation of significant influence or joint control triggered re-measurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 now requires that in such scenarios the retained interest in the investment is not re-measured.

The Group does not expect the amendments to standard to have material impact on the financial statements since it does not have any investments in associates or joint ventures that will be impacted by the amendments.

• Amendments to IAS 32, "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively; earlier application is permitted, however the additional disclosures required by amendments to IFRS 7, "Disclosures - Offsetting Financial Assets and Financial Liabilities" must also be made). The amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is: not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Bank does not expect the amendments to have any impact on the financial statements since it has not entered into master netting arrangements.

• Amendments to IAS 36 –"Recoverable Amount Disclosures for Non-Financial Assets" (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted, however an entity shall not apply the amendments in periods (including comparative periods) in which it does not also apply IFRS 13). The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognized or reversed during the period. The Amendments also require the following additional disclosures when an impairment for individual assets (including goodwill) or cash-generated units has been recognized or reversed in the period and recoverable amount is based on fair value less costs to disposal: the level of IFRS 13 'Fair value hierarchy' within which the fair value measurement of the asset or cash-generating unit is categorized; for fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique together with the reason for making it; for fair value measurements categorized within Level 2 and Level 3, each key assumption (i.e. assumptions to which recoverable amount is most sensitive) used in determining fair value less costs of disposal. If fair value less costs of disposal is measured using a present value technique, discount rate(s) used both in current and previous measurement should be disclosed. The Group does not expect the new Standard will have a material impact on the financial statements.

• Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted, however an entity shall not apply the amendments in periods (including comparative periods) in which it does not also apply IFRS 13). The Amendments allows hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulations, when the following criteria are met: the novation is made as a consequence of laws or regulations;

a clearing counterparty becomes a new counterparty to each of the original counterparties of the derivative instrument; changes to the terms of the derivative are limited to those necessary to replace. The Group does not expect the new standard to have any impact on the financial statements, since the entity does not apply hedge accounting.

4. Financial risk management

a) Introduction

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Taxation risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. The most important types of financial risk to which the Group is exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and equity price risk.

Risk management framework

The risk management is an important part of all the decisional and business processes within the Group.

The Board of Directors has the responsibility regarding the establishment and monitoring of the general framework for the Group risk management. The Board of Directors has appointed Leaders Committee, Executive Management Committee, Assets - Liabilities Committee (ALCO), Credit Policy and Approval Committee, Credit and Risk Committees of Bank's Head Office (loan approval), Credit and Risk Committee of branches / agencies that are responsible for the formulation and / or monitoring risk management policies in their field of expertise. The Board of Directors periodically reviews the activity of these committees.

The Board of Directors monitors the compliance with Group risk policies and the improvement of the general risk management frame in connection with risks at which the Group is exposed to.

The Group's strategy regarding significant risk management focuses over the realization of the budgeted ratios in a controlled risk environment which ensures both the sound continuity of the business and the protection of the shareholders and clients' interest, the Group adopts a risk profile consistent with its risk profile, strategies and policies regarding significant risks management, correlated with the general strategy of the Group, its capital and experience in risk management.

Risk management policies and systems of the Group are reviewed regularly (mainly annually) with the participation of the Leaders Committee, Executive Management Committee, and persons responsible from different Departments involved in order to reflect the changes in the market conditions, products and services provided.

The process of crisis simulation is an integral part of risk management process.

a) Introduction

The Group's Audit Committee reports to Board of Directors and is responsible for monitoring compliance with the risk management procedures. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee

The Board of Directors and management committees of the subsidiaries which constitute the Group have responsibilities regarding significant risk management in correlation with their business characteristic and the legislation in force.

b) Credit risk

(i) Credit risk management

The Group is exposed to credit risk through its trading, lending, leasing and investing activities and in cases where it issues guarantees. Credit risk associated with trading and investing activities is managed through the Group's market risk management process. The risk is mitigated through selecting counterparties of good credit standings and monitoring their activities and ratings and through the use of exposure limits and when appropriate, obtains collateral.

The Group's primary exposure to credit risk arises through its loans and advances to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The Group is exposed to credit risk on various other financial assets, including derivative instruments and debt investments, the current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the Consolidated statement of financial situation. In addition, the Group is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued (see Note 35).

In order to minimize the risk, the Group has certain procedures meant to assess the clients before granting the loans, to observe their capacity of reimbursing the principal and related interests during the entire period of the loans and to establish exposure limits. In addition, the Group has procedures for monitoring the risk in the loan portfolio and has established exposure limits on the types of loans, the economic sectors, the types of collateral, the maturity of loans and so on.

The Board of Directors has delegated responsibility for credit risk management to Leaders Committee, Executive Management Committee, Credit approval and Policy Committee, Credit and Risk committees from the head office of the Bank (credit approval) at Head Office level and to Credit and Risk Committees of branches / agencies at branch level. Within the Bank operates the Risk Management Division that reports to the above Central Committees and has responsibilities regarding:

- Identification and assessment of specific risks within the loan activity;
- Following the internal regulations specific for the loan activity;
- Elaborating proposals for reducing specific risks, in order to maintain healthy standards for the loan activity;
- Monitoring the granted loans, in accordance with the client's financial performance, the type of the credit, the nature of the collateral and debt service, according to the internal norms of the loan activity;
- Approval and application of ratios computation in respect of granting / modifying the competencies of granting loans for the branches, according to specific internal policies;
- Periodic review and recommendation of the risk levels accepted by the Group to the Leaders Committee;
- Identifying, monitoring and controlling the credit risk at branch and subsidiary level;
- Insuring the compliance with the internal regulations, the BNR norms and the active legislation for the loan activity carried out by the local units;
- Elaboration of proposal for reducing specific risks, in order to maintain certain loan granting standards at each branch level;
- Risk analysis for new credit products / changes of credit products, including recommendations to the involved directions;
- Approval of the computation for the exposure limits per counterparties;
- Periodically presents reports to the Board of Directors and Leaders Committee regarding the evolution of the significant risks (the implications of risk correlation, forecasts etc.);
- Analysis of loan portfolio both individually and as Group of financial assets with similar characteristics to determine if there is any objective evidence of impairment, and assessment of impairment losses, related provisioning in accordance with IFRS.

Each Branch / Agency implements at local level the Group policies and regulations regarding the credit risk, having loan approval competencies established by the Leader Committee. Each Branch is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

The Internal Audit Department and the Risk Inspection Department inside the Risk Management Direction carries out periodical verifications of the branches and agencies.

The Group classified the exposures according to the risk level of the potential financial losses. The risk classification system is used for assessing the risk monitoring activities and the rapport with the customers. The scoring system reflects different levels of the non-payment risk and is reviewed periodically.

Credit risk exposure

Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Group's loans and advances, commitments to extend credit, net lease investment and guarantees issued.

Total on and off balance sheet economic sector risk concentrations are presented in the table below:

	31 December 2013	**31 December 2012**
Individuals	31.67%	32.67%
Trading	16.49%	16.70%
Production	17.04%	15.21%
Constructions	8.11%	7.54%
Services	5.23%	5.36%
Transport	3.92%	4.47%
Real estate	2.74%	2.54%
Agriculture	4.34%	4.51%
Free lancers	1.79%	1.70%
Energy industry	1.42%	2.44%
Chemical industry	0.94%	1.00%
Telecommunications	0.49%	0.66%
Mining industry	0.49%	0.67%
Governmental bodies	2.49%	0.14%
Financial Institutions	0.04%	1.78%
Fishing industry	0.12%	0.06%
Others	2.68%	2.55%
Total	100%	100%

At 31 December 2013, total on and off balance sheet exposures was RON 24,341,181 thousand (31 December 2012: RON 21,971,832 thousand).

The amounts reflected in the previous paragraph reflect the maximum accounting loss that would be recognized at reporting date if the customers failed completely to perform as contracted and any collateral or security proved to be of no value.

The Group holds collateral against loans and advances to customers in the form of pledge over cash deposits, mortgage over property, guarantees and other pledge over equipment and/or receivables. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and if necessary estimates on further analysis. Collateral generally is not held over loans and advances to banks.

The Group is using risk grades both for loans individually and collectively assessed. According to the Bank's policies, a loan can be allocated to an appropriate risk grade from low risk (1) to impaired (8). Classification of risk grades is based on customers payment behavior and on impairment signs identified when performing individual assessment, risk grade (8) being composed mainly of principal exposure from non-performing loans and loans for which the legal recovery process was initiated.

The credit risk exposures for loans and advances to customers and net lease investments at 31 December 2013 and 2012 are presented below:

In thousand RON		Depreciated cost	
		2013	**2012**
Carrying amount			
Grade 1	Low Risk	14,061,613	13,128,642
Grade 2-3	Moderate Risk	1,119,585	1,260,771
Grade 4-6	Medium Risk	1,003,037	972,330
Grade 7	High Risk	542,621	219,104
Grade 8	Impaired	2,745,347	2,218,844
Gross value		19,472,203	17,799,691
Allowance for impairment (individual and collective)		(2,645,654)	(2,235,742)
Net book value		**16,826,549**	**15,563,949**
Gross values neither past due nor impaired			
Grade 1	Low Risk	13,509,776	12,345,952
Grade 2-3	Moderate Risk	847,346	809,334
Grade 4-6	Medium Risk	58,003	71,811
Total		**14,415,125**	**13,227,097**
Gross values of outstanding loans and advances granted to customers past due but not impaired			
1-15 days		608,939	922,735
15-30 days		195,890	274,661
30-60 days		283,362	357,851
60-90 days		249,093	266,132
90-180 days		112,705	128,382
180 days +		20,041	16,960
Total		**1,470,030**	**1,966,721**
Gross value of loans and receivables offered to customers with specific (individual) adjustments			
Grade 4-6	Medium Risk	298,301	167,925
Grade 7	High Risk	298,301	167,925
Grade 8	Impaired	2,746,126	2,218,844
Total		**3,587,048**	**2,605,873**
Adjustments for impairment			
Individual		(1,498,113)	(1,184,798)
Collective		(1,147,541)	(1,050,944)
Total Adjustments for impairment		**(2,645,654)**	**(2,235,742)**

The outstanding balance of the Group as at 31 December amounted to RON 3,223,773 thousand, representing renegotiated loan agreements within the past five years. According to the internal procedure regarding exposure reporting and monitoring, the high risk category as at 31 December 2013 included the amount of RON 542,621 thousand, representing mainly loans with final maturities amended within the past 12 months.

In addition, the Group had entered into lending commitments as of 31 December 2013 amounting to RON 4,868,978 thousand (31 December 2012: RON 4,172,141 thousand), mainly with counterparties graded 1-3.

Placements with banks and investments securities are neither past due nor impaired.

Past due and individually impaired loans

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement.

Past due but not individually impaired loans

Loans and securities where contractual interest or principal payments are past due but the Group believes that an individual impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts due to the Group.

Allowances for impairment

The Group sets an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio, The main components of this allowance are an individual loan loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when Group's Risk Committee/ Board of Directors determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

The value of the write-offs in the year 2013 is RON 149.867 thousand (31 December 2012: RON 81.267 thousand).

The Group holds collateral against loans and advances to customers in the form of mortgage over land and buildings, property, inventory, insurance policies and other guarantees. The Group has the ownership right over these guarantees until the end of the contract. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and periodical updates on collaterals.

An analysis of the collaterals values split per types of loans and advances granted to customers is presented below:

In thousand RON	**31 December 2013**	**31 December 2012**
Collaterals related to loans with a moderate, medium and high risk and impaired loans		
Real estate	4,077,198	4,840,149
Pledges	474,066	763,835
Other collaterals	322,768	96,301
	4,874,032	**5,700,285**
Collaterals related to loans with low risk		
Real estate	11,553,414	10,423,197
Pledges	1,821,476	1,899,068
Other collaterals	1,571,029	193,840
	14,945,919	**12,516,105**
Total	**19,819,951**	**18,216,390**

Exposure to higher risk Eurozone countries

Significant concerns about the creditworthiness of certain Eurozone countries persisted during 2013 leading to speculation as to the long-term sustainability of the Eurozone. The deepening recession in a number of countries, the wider political and economic consequences of fiscal austerity programs and other government actions, and concerns about the viability of some countries' financial institutions have led to increased volatility of spreads on sovereign bonds that have peaked at times during the past year at worrying levels. Most recently, certain actions undertaken by the European Central Bank and European Commission have led to positive results in terms of improving market confidence. However, the situation remains fragile.

c) Liquidity risk

Liquidity risk is generated by the Group's inability to meet its payment obligations outstanding at their due date. Liquidity risk has 2 components: the difficulties in procuring funds on the relative maturity date, necessary to refinance current assets or the inability to convert an asset into cash at a value near its fair value, in a reasonable period of time. The Group is concerned to counteract this type of risk.

The Group has access to diverse funding base. Funds are raised using a broad range of instruments including bank deposits from customers or banks, loans from development institutions and financial institutions and share capital. Access to diverse funding sources improves flexibility to attract funds, limiting dependence on one type of financing and on one type of partner and lead to an overall decrease of costs of fundraising. The Group tries to maintain a balance between continuity and flexibility of attracting funds, through contracting debts with different maturities and different currencies. The Group continually assesses liquidity risk by identifying and monitoring changes in funding, and diversifying the funding sources.

The Management Committee of Assets and Liabilities (ALCO) is responsible for the periodical review of the liquidity indicators and for the establishment of corrective actions on the balance structures in order to eliminate unacceptable deviations in terms of liquidity risk management.

The financial assets and liabilities of the Group analyzed over the remaining period from the balance: sheet date to contractual maturity are as at 31 December 2013 and 31 December 2012 as follows:

In RON thousand	Carrying amount	Gross nominal inflow/(outflow)	Less than 3 months	3-6 months	6-12 months	1 - 3 years	3 – 5 years	More than 5 years	Without maturity
31 December 2013									
Financial liabilities									
Deposits from banks	418,755	(418,949)	(418,640)	(309)	-	-	-	-	-
Deposits from customers	25,736,216	(25,861,448)	(17,930,405)	(3,621,272)	(1,819,435)	(824,531)	(1,577,923)	(87,882)	-
Loans from banks and other financial institutions and other subordinates liabilities	2,484,867	(2,681,917)	(1,558,134)	(163,277)	(104,753)	(342,765)	(209,418)	(303,570)	-
Total Financial liabilities	**28,639,838**	**(28,962,314)**	**(19,907,179)**	**(3,784,858)**	**(1,924,188)**	**(1,167,296)**	**(1,787,341)**	**(391,452)**	**-**
Financial assets									
Cash and cash equivalents	4,105,584	4,105,584	4,105,584	-	-	-	-	-	-
Placements with banks	1,760,517	1,777,960	1,645,905	33,955	22,637	55,029	9,381	11,053	-
Financial assets at fair value through profit and loss	103,556	103,556	52,205	-	-	-	-	-	51,351
Loans and advances to customers	16,583,398	24,575,267	5,040,789	2,369,454	6,117,031	3,379,604	2,183,437	5,484,952	-
Net finance lease investments	243,151	345,491	91,525	26,897	50,148	134,872	35,865	6,184	-
Investment securities, available for sale	8,817,441	10,462,367	7,503,753	182,746	213,486	1,070,025	658,889	795,205	38,263
Investment in associates	49,778	49,778	-	-	-	-	-	-	49,778
Total Financial assets	**31,663,425**	**41,420,003**	**18,439,761**	**2,613,052**	**6,403,302**	**4,639,530**	**2,887,572**	**6,297,394**	**139,392**
Net position		**12,457,689**	**(1,467,418)**	**(1,171,806)**	**4,479,114**	**3,472,234**	**1,100,231**	**5,905,942**	**139,392**

In RON thousand	Carrying amount	Gross nominal inflow/(outflow)	Less than 3 months	3-6 months	6-12 months	1 - 3 years	3 – 5 years	More than 5 years	Without maturity
31 December 2012									
Financial liabilities									
Deposits from banks	45,953	(45,970)	(45,668)	(302)	-	-	-	-	-
Deposits from customers	23,167,128	(23,330,667)	(15,883,599)	(3,438,186)	(1,578,226)	(916,121)	(1,401,888)	(112,647)	-
Loans from banks and other financial institutions and other subordinates liabilities	3,324,754	(3,395,962)	(1,779,618)	(106,007)	(421,741)	(928,436)	(123,826)	(36,334)	-
Total Financial liabilities	**26,537,835**	**(26,772,599)**	**(17,708,885)**	**(3,544,495)**	**(1,999,967)**	**(1,844,557)**	**(1,525,714)**	**(148,981)**	**-**
Financial assets									
Cash and cash equivalents	5,579,088	5,579,088	5,579,088	-	-	-	-	-	-
Placements with banks	1,405,173	1,425,208	1,329,966	1,207	3,273	65,762	12,900	12,100	-
Financial assets at fair value through profit and loss	125,851	125,851	64,171	-	-	-	-	-	61,680
Loans and advances to customers	15,361,263	22,869,452	4,320,829	2,617,326	5,659,849	3,017,479	1,842,954	5,411,015	-
Net finance lease investments	202,686	292,966	71,813	26,669	43,362	113,403	32,288	5,431	-
Investment securities, available for sale	6,420,054	7,363,445	5,645,055	142,911	185,922	736,245	436,946	196,824	19,542
Investment in associates	25,858	25,858	-	-	-	-	-	-	25,858
Total Financial assets	**29,119,973**	**37,681,868**	**17,010,922**	**2,788,113**	**5,892,406**	**3,932,889**	**2,325,088**	**5,625,370**	**107,080**
Net position		**10,909,269**	**(697,963)**	**(756,382)**	**3,892,439**	**2,088,332**	**799,374**	**5,476,389**	**107,080**

d) Market risk

Market risk represents the current or prospective risk to earnings and capital arising from adverse market movements in equities prices and interest rates, as well as from movements in foreign exchange rate and commodities prices for the whole business of the credit institution. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk

d1) Interest rate Risk

Interest rate risk represents the actual or future risk of negative affecting of the profit and capital as a result of adverse changes in interest rates.

The main sources of the interest rate risk is the defective correlation between the maturity dates (for fixed interest rates) or price updating date (for variable interest rates) on assets and liabilities bearing interest, adverse evolution rate efficiency curve (unparalleled evolution of interest rates efficiency of interest bearing assets and liabilities). Interest bearing asset and liabilities management activities is carried out in the context of the Group's interest rate fluctuations. Generally, the Group is more sensitive to the instruments in foreign currency, since assets recorded in foreign currency interest bearing have a longer duration even if interest adjusting is correlated with interest bearing liabilities recorded in foreign currencies.

The Group is less affected by interest rate risk related to instruments in local currency, as the majority of assets and liabilities bearing variable interest or assimilated variable interest.

The Group uses a mix of bearing fixed and variable interest instruments to control the mismatch between the dates on which the active and passive interest rates are set at the market rates or maturity dates between active and passive instruments.

Interest rate risk is managed by GAP monitoring (mismatch) regarding the interest rate, through a system of limits and indicators approved on categories (time intervals) of interest relocation.

Assets and Liabilities Management Committee is the body that monitors the compliance of these limits, being assisted in the daily monitoring of these limits by the Department of Treasury.

Managing interest rate risk within the variation limits of the interest rate is supplemented by monitoring the sensitivity of the Group financial assets and liabilities in different standard scenarios of interest rate, The monthly standard scenarios include the parallel decrease or increase of the interest curve with 100 and 200 basis points, An analysis of the Group's interest carrying assets and liabilities sensitivity to the increase or decrease in the market interest rates is set out below:

	200 basis points		**100 basis points**	
	Increase	**Decrease**	**Increase**	**Decrease**
	RON thousand	*RON thousand*	*RON thousand*	*RON thousand*
At 31 December 2013				
Average for the period	5,171	(5,171)	2,586	(2,586)
Minimum for the period	(16,642)	16,642	(8,321)	8,321
Maximum for the period	45,272	(45,272)	22,636	(22,636)
At 31 December 2012				
Average for the period	(4,984)	4,984	(2,492)	2,492
Minimum for the period	(44,260)	44,260	(22,130)	22,130
Maximum for the period	14,704	(14,704)	7,352	(7,352)

In the sensitivity analysis regarding interest rate variation the Group has computed the impact over the interest margin over the future financial year by taking into consideration the interest rate resetting date for assets and liabilities recorded in the separate statement of the financial position as follows: the Group divided the assets and liabilities bearing fixed interest rate from the ones bearing variable interest rate and for each category the following split was made: less than 1 month, 1 – 3 months, 3 – 6 months, 6 – 12 months, 1 – 2 years, 2 - 3 years, 3 – 4 years, 4 - 5 years, 5 – 7 years, 7 - 10 years, 10 – 15 years, 15 – 20 years and over 20 years; for the assets and liabilities with variable interest rate the future interest cash flows were recomputed by modifying the interest rate by +/- 100 and 200 basis points.

Based on the Group's sensitivity analysis according to the methodology presented above it can be observed that the impact over the Group's profit is limited. The highest impact is recorded for the interval 6-12 months, fact that gives the Group sufficient time to adjust to the financial market conditions. The average for the period included in the table above represents the average monthly impact of the change in interest rates over the Group's profit (according to the methodology presented above) and the minimum included represents the annual potential impact of the change in interest rates over the profit for the time interval 1-3 months, and the maximum represent the potential annual impact of the change in interest rates over the profit on the interval 6 – 12 months.

The interest rates related to the local currency and the major foreign currencies as at 31 December 2013 and 2012 were as follows:

Currency	Interest rate	31 December 2013	31 December 2012
Romanian Leu (RON)	Robor 3 months	2.44%	6.05%
Euro (EUR)	Euribor 3 months	0.2870%	0.1870%
Euro (EUR)	Euribor 6 months	0.3890%	0.3200%
US Dollar (USD)	Libor 6 months	0.3480%	0.4089%

A summary of the Group's interest rate gap position on interest bearing instruments as at 31 December 2013 is as follows:

In RON thousand	Less than 6 months	6 – 12 months	1 – 3 years	3 – 5 years	More than 5 years	Non sensitive	Total
31 December 2012							
Financial assets							
Cash and cash equivalents	4.105.584	-	-	-	-	-	4.105.584
Placements with banks	1.679.449	18.042	46.702	6.330	9.994	-	1.760.517
Financial assets at fair value through profit and loss	103.556	-	-	-	-	-	103.556
Loans and advances to customers	10.398.305	4.596.667	427.350	382.197	62.666	716.213	16.583.398
Net lease investments	243.151	-	-	-	-	-	243.151
Financial assets available for sale	8.007.450	14.472	303.869	202.147	287.755	1.748	8.817.441
	24.537.495	4.629.181	777.921	590.674	360.415	717.961	31.613.647
Financial liabilities							
Deposits from banks	418.755	-	-	-	-	-	418.755
Deposits from customers	22.025.659	3.662.127	8.991	15.479	23.960	-	25.736.216
Loans from banks and other financial institutions, other subordinated loans and debt securities	2.484.867	-	-	-	-	-	2.484.867
	24.929.281	3.662.127	8.991	15.479	23.960	-	28.639.838
Net position	(391.786)	967.054	768.930	575.195	336.455	717.961	2.973.809

A summary of the Group's interest rate gap position on interest bearing instruments as at 31 December 2012 is as follows:

In RON thousand	Less than 6 months	6 – 12 months	1 – 3 years	3 – 5 years	More than 5 years	Non sensitive	Total
Financial assets							
Cash and cash equivalents	5,579,088	-	-	-	-	-	5,579,088
Placements with banks	1,330,969	-	54,211	9,999	9,994	-	1,405,173
Financial assets at fair value through profit and loss	122,068	1,084	316	905	1,478	-	125,851
Loans and advances to customers	13,556,852	619,103	422,766	343	792	761,407	15,361,263
Net lease investments	193,678	3,321	5,525	90	-	72	202,686
Financial assets available for sale	5,843,307	46,697	249,330	206,622	71,834	2,264	6,420,054
	26,625,962	**670,205**	**732,148**	**217,959**	**84,098**	**763,743**	**29,094,115**
Financial liabilities							
Deposits from banks	45,953	-	-	-	-	-	45,953
Deposits from customers	19,292,781	3,809,961	11,907	10,503	41,976	-	23,167,128
Loans from banks and other financial institutions, other subordinated loans and debt securities	2,717,806	4	600,616	6,328	-	-	3,324,754
	22,056,540	**3,809,965**	**612,523**	**16,831**	**41,976**	**-**	**26,537,835**
Net position	**4,569,422**	**(3,139,760)**	**119,625**	**201,128**	**42,122**	**763,743**	**2,556,280**

d2) Currency risk

The Group controls its exposure to market risk through daily monitoring of the fair value of the trading portfolio in order to ensure compliance with the risk exposure limits authorized by the Assets and Liabilities Committee. The trading portfolio is composed of fixed income securities issued by local or European entities (state treasury bills, bonds issues by entities with a rating higher or equal to the sovereign rating), denominated in LEI, EUR and USD, also shares issued by local entities traded at the Bucharest Stock Exchange (these are not directly exposed to the interest rate and currency risk, these being exposed to the price risk).

The Group is exposed to currency risk through transactions in foreign currencies against RON. Currency Risk Management Group is based on strict position limits and "stop-loss", monitored in real time. There is also a balance sheet risk that the net monetary assets and liabilities in foreign currencies will take a different value when translated into RON as a result of currency movements.
The Group performs monthly crisis simulations for the currency risk.

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2013 are presented below:

In RON thousand	RON	EUR	USD	Other	Total
Monetary assets					
Cash and cash equivalents	1,859,392	2,000,649	205,631	39,912	4,105,584
Placements with banks	869,150	727,684	85,769	77,914	1,760,517
Financial assets at fair value through profit and loss	91,473	12,083	-	-	103,556
Loans and advances to customers	11,356,276	4,985,603	241,519	-	16,583,398
Net lease investments	67,999	174,144	1,008	-	243,151
Financial assets available for sale	6,065,025	2,352,359	400,057	-	8,817,441
Investments in associates	49,778	-	-	-	49,778
Other assets	156,959	7,765	1,958	1,142	167,824
Total monetary assets	**20,516,052**	**10,260,287**	**935,942**	**118,968**	**31,831,249**
Monetary liabilities					
Deposits from banks	380,285	38,099	309	62	418,755
Deposits from customers	16,334,738	8,377,238	913,294	110,946	25,736,216
Loans from banks and other financial institutions, and other subordinated loans	779,765	1,427,625	277,477	-	2,484,867
Other liabilities	287,193	42,289	5,665	2,216	337,363
Total monetary liabilities	**17,781,981**	**9,885,251**	**1,196,745**	**113,224**	**28,977,201**
Net currency position	**2,734,071**	**375,036**	**(260,803)**	**5,744**	**2,854,048**

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2012 are presented below:

In RON thousand	RON	EUR	USD	Other	Total
Monetary assets					
Cash and cash equivalents	3,412,795	1,954,623	174,317	37,353	5,579,088
Placements with banks	117,863	961,433	261,594	64,283	1,405,173
Financial assets at fair value through profit and loss	117,306	8,545	-	-	125,851
Loans and advances to customers	10,203,969	4,876,004	281,290	-	15,361,263
Net lease investments	46,386	156,300	-	-	202,686
Financial assets available for sale	4,395,445	1,905,315	119,294	-	6,420,054
Investments in associates	25,858	-	-	-	25,858
Other assets	155,418	16,262	1,710	1,437	174,827
Total monetary assets	**18,475,040**	**9,878,482**	**838,205**	**103,073**	**29,294,800**
Monetary liabilities					
Deposits from banks	45,253	388	304	8	45,953
Deposits from customers	13,961,498	8,308,006	805,020	92,604	23,167,128
Loans from banks and other financial institutions, other subordinated loans	1,700,845	1,602,658	21,251	-	3,324,754
Other liabilities	279,676	44,014	5,029	2,104	330,823
Total monetary liabilities	**15,987,272**	**9,955,066**	**831,604**	**94,716**	**26,868,658**
Net currency position	**2,487,768**	**(76,584)**	**6,601**	**8,357**	**2,426,142**

e) Taxation risk

The Group is committed to ensure sustainable performance of tax risk management by building and maintaining an efficient, effective and transparent tax function within the organization. The Group strictly complies with the legal norms regarding taxes and duties.

The Romanian tax legislation provides for detailed and complex rules and has suffered various changes in the recent years. Interpretation of the text and practical implementation procedures of tax legislation could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Group's treatment.

Furthermore, the recent conversion to IFRS of the Romanian banks raised additional tax implications that are not yet fully clarified in the legislation and might generate potential tax risks.

The Romanian Government has a number of agencies that are authorized to conduct audits of companies operating in Romania. These audits are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Group will continue to be subject to regular controls as new laws and regulations are issued.

In this context, careful analysis was performed in identification of differences in accounting treatment, having tax impact, both in terms of current tax and deferred tax.

f) Operating environment

In 2013, the economic environment has been challenging, although some improvements appeared compared to prior years. Gross domestic product growth accelerated to an estimated 3.5% (according to the Statistics National Institute), from 0.6% in 2012, sustained by strong external demand and a strong crop in agriculture. This would be the strongest growth rhythm since the onset of the economic crisis, in 2008.

Despite the better headline GDP figure, broad economic local activity has presented unequal results, with a persistence of the internal demand deficit, the increase being around the export segment.

Demand for loans remained weak, both from legal entities and individuals. Non-government loans decreased 4.1% as of November 2013, compared to November 2012, to RON 219.7 billion (source: National Bank of Romania).

Income for banks has also been hurt by the squeeze in interest margins, as the National Bank of Romania embarked an easing cycle that saw the key interest rate decline from 5.25% to 4%. Banks responded by adjusting the passive interest offered to customers, tightening cost management, with more staff lay-offs and more branches closed. These measures allowed the banking sector to turn a profit of RON 1.4 billion for the first nine months of 2013, versus a loss of RON 2.3 billion in 2012 (source: National Bank of Romania).

The Management estimates also for 2014 a significant level of impairment adjustment of loans, with a tendency towards maintenance of the impairment expense recorded in 2013, with corresponding effects on the separate financial statements of the Group.

Management believes it is taking all the necessary measures to support the growth of the Group's business in the current circumstances by:

- continuous improvement of risk management framework;
- constant monitoring of relevant indicators for the Group's financial stability an strength;
- better control of costs, increase of work efficiency;
- maintain the quality of the Group's assets; a proper provisioning policy;
- continuing increase of the portfolio of corporate clients by identifying and lending of the mature, healthy businesses which survived to the crisis and defending the existing customers;
- maintaining competitive advantage and increase of loans for the agricultural sector;
- increasing the number of retail customers through the development of banking products and services packages on classes / categories of customers;
- improving customer service concept, based on cross-selling, finding fast solutions.

g) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk such those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk in order to fulfill its objectives to ensure reasonable performance (efficiency and effectiveness), information (credibility, integrity, continuity) and to mitigate damage resulting from the materialization of this risk category.

In order to reduce the inherent risks due to Group's operational activities it was developed a general framework to manage those risks. The development and update of this framework referring to politics, norms and procedures is the responsibility of the Directorate of Operational Risk Department and comprises policies, procedures and regulations regarding the operational risk management as part of corporate governance.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for implementing the principle of dual control in the transactions and any other activity associated with a significant level of risk;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- relevant indicators and acceptability limits regarding the operational risks;

• requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
• requirements for the reporting of operational losses and proposed remedial action;
• a formalized approach over the continuity of the business with a focus on IT infrastructure (public services, hardware, software, human resources) due to its high degree of support during the activity;
• training and professional development for all business line and for all the Bank employees; development of ethical and business standards;
• monitoring transactions in the employees' accounts;
• IT- risk in terms of operational risk;
• calculation of the capital adequacy in terms of operational risk;
• risk mitigation, including insurance where applicable.

Internal Audit Department, Operational Risk Management Department and Executive Management of the Bank monitor compliance with the Group through regular inspections. The results of internal audit, operational risk monitoring and control are discussed with management of the audited entities, and the summary is submitted to the Technical Committee Compliance Audit and Internal Control and management of the Group.

h) Capital management

The Group's regulatory capital based on the legal requirements in force regarding capital management includes

• Tier I capital, which includes ordinary share capital, share premium eligible reserves after deductions of intangible assets, 50% of shares' value and other investments in financial and credit institutions that exceed 10% of their share capital and 50% of the investments held in insurance companies;
• Tier II capital, which includes reserves from revaluation and subordinated loans after 50% deductions of shares' value and other investments in financial and credit institutions that exceed 10% of their share capital and 50% of the investments held in insurance companies.

At 31 December 2013 the calculation of regulatory capital was based on the NBR Regulation no. 18/2006, including the subsequent amendments.

Starting 2008 the Bank applied NBR Regulation 13/2006 regarding the computation of the minimal capital requirements and adopted:

• the standard approach regarding credit risk based on Regulation 14/2006;
• the standard approach based on appendix I, II and IV of the NBR Regulation 22/2006 for the computation of the minimal capital requirements for the position risk, foreign exchange risk and merchandise risk;
• the standards approach for the minimal capital requirements regarding operational risk based on NBR Regulation 24/2006.

The Group's regulatory capital as at 31 December 2013 and 31 December 2012 and the legal requirements regarding capital management at 31 December 2013 and 31 December 2012 were as follows:

In RON thousand	**31 December 2013**	**31 December 2012**
Tier I	2,863,115	2,470,461
Tier II	357,601	88,212
Total Group's capital	**3,220,716**	**2,558,673**
Capital requirement for credit risk, counterparty risk, decrease in receivables and for incomplete transactions	1,187,377	1,134,995
Capital requirements for foreign exchange position and commodities	272,055	160,953
Capital requirements for operational risk	233,437	219,881
Total capital requirements	**1,692,869**	**1,515,829**

Note: In the computation of Group's own funds are included the statutory profits of the years ended 31 December 2013 and 31 December 2012

5. Use of estimates and judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances

The Group reviews its loan and net lease investments portfolios to assess impairment at least on a half year basis (monthly by the Bank). In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and net lease investments before the decrease can be identified with an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers (lessees) in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The loan impairment assessment considers the visible effects of current market conditions on the individual / collective assessment of loans and advances to customers' impairment. Hence, the Group has estimated the impairment loss provision for loans and advances to customers based on the internal methodology harmonized with Group policies and assessed that no further provision for impairment losses is required except as already provided for in the financial statements.

To the extent that the net present value of estimated cash flows differs by +/-5 percent, the impairment provision for loans and advances to customers would be estimated RON 50,380 thousand higher or RON 46,838 thousand lower (31 December 2012: RON 36,083 thousand higher or RON 31,334 thousand lower).

Fair value of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The fair value of financial instruments that are not traded in an active market (for example, unlisted treasury securities, bonds and certificates of deposit) is determined by using valuation techniques. The management uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at the date of the consolidated statement of the financial position.

Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates. The Group's percentage of this type of portfolio instruments is not significant.

Carrying amount of assets and liabilities classified as fair value through profit and loss and of financial assets available for the, would decrease as at 31 December 2013 with approximate RON 474,624 thousand, out of which RON 6,049 thousand through profit and loss and RON 468,575 thousand through equity, or would increase with RON 697,265 thousand, out of which RON 6,049 thousand through profit and loss and RON 691,216 thousand through equity, as compared to the fair value as at 31 December 2013, if interest rates of the financial assets available for sale would change with +/- 2%, and prices of the financial assets at fair value through profit and loss would change with +/- 10% as compared to the Management estimates.

The table below analyzes financial instruments measured at fair value at the end of the reporting period, the hierarchical levels:

In RON thousand	**Note**	**Level 1- Quoted market prices in active markets**	**Level 2- Valuation techniques – observable inputs**	**Level 3- Valuation techniques – unobservable inputs**	**Total**
31 December 2013					
Financial assets at fair value through profit and loss	19	103,033	523	-	103,556
Investments securities, available for sale	22	91,263	8,724,430	1,748	8,817,441
31 December 2012					
Financial assets at fair value through profit and loss	19	125,851	-	-	125,851
Investments securities, available for sale	22	43,177	6,374,614	2,263	6,420,054

Financial assets and liabilities

The Group considered that the effective transaction prices would be situated between the informative BID-ASK quotations obtained, which are rather an interval within which the Group could have realistically negotiated the quotations for each series and taking into account the volume of its portfolio, and thus, the Group used in its estimation an average price for each series.

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 3(k);
- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by its accounting policy.

If the Group fails to keep these investments to maturity other than for the specific circumstances mentioned in IAS 39, it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortized cost. If the entire class of held-to-maturity investments is tainted, the fair value would not be significantly different from the carrying amount.

6. Segment reporting

The business segment reporting format is the Group's primary basis of segment reporting. Transactions between business segments are conducted at arm's length.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group's segment reporting comprises the following main business segments:

- Corporate customers. Within corporate banking the Group provides corporations with a range of banking products and services, including lending and deposit taking, providing cash management, foreign commercial business, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions.
- SME – is a client segment for which the Group developed and provided personalized products, easy to access and which cover their business needs: loans, saving products, current account transactions.
- Individuals. The Group provides individuals with a range of banking products and services, including lending (consumer loans, vehicles purchase, personal needs, and mortgages), savings and deposit taking business, payment services and securities business.
- Treasury: incorporating of work services for cash.
- Leasing and customer finance. Within leasing the Group includes financial products and services provided by the leasing and consumer finance arm of the Group.
- Other. Within other the Group incorporates financial products and services provided to or by financial institutions including: management of securities, brokerage, factoring, logistics, and real estate.

In 2013 the Group reanalyzed the relevant reporting segments and included the Medical Division in the other reported segments. In the stand alone financials presented as at 31 December 2012 this was presented as a separate segment.

The following notes present financial information on segments, regarding the separate financial position and the operational result before net expenses with the impairment allowance for loans and advances to customers, for the financial year ended at 31 December 2013, and comparative data with 2012.

Information about reportable segments at 31 December

In RON thousand	Corporate banking		SME		Retail banking		Treasury		Leasing and consumer finance		Others		Eliminations & adjustments		Unallocated		Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Business segment assets	8,603,070	7,655,589	2,047,601	2,063,357	6,208,440	5,979,874	14,978,505	13,739,502	382,894	312,310	469,624	420,356	(446,052)	(459,792)	-	-	32,244,082	29,711,196
Un-allocated assets																	-	-
Total Assets	8,603,070	7,655,589	2,047,601	2,063,357	6,208,440	5,979,874	14,978,505	13,739,502	382,894	312,310	469,624	420,356	(446,052)	(459,792)	-	-	32,244,082	29,711,196
Business segment liabilities	5,961,937	5,152,570	3,188,832	2,978,457	17,435,264	16,059,129	2,397,338	2,686,951	272,676	217,234	33,236	84,067	(254,359)	(282,223)	-	-	29,034,924	26,896,185
Total Liabilities	5,961,937	5,152,570	3,188,832	2,978,457	17,435,264	16,059,129	2,397,338	2,686,951	272,676	217,234	33,236	84,067	(254,359)	(282,223)	-	-	29,034,924	26,896,185
Equity															3,209,158	2,815,011	3,209,158	2,815,011
Total Liabilities and Equity	5,961,937	5,152,570	3,188,832	2,978,457	17,435,264	16,059,129	2,397,338	2,686,951	272,676	217,234	33,236	84,067	(254,359)	(282,223)	3,209,158	2,815,011	32,244,082	29,711,196

Information about reportable segments as at 31 December

In RON thousand	Corporate banking		SME		Retail banking		Treasury		Leasing and consumer finance		Others		Eliminations & adjustments		Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Net interest income	301,676	288,977	190,659	177,723	350,863	346,919	147,184	116,544	29,964	31,294	5,727	5,682	694	593	1,026,767	967,732
Net commission income	121,205	98,071	119,632	120,516	120,898	138,474	-	-	1,816	2,100	9,244	5,452	(1,717)	(1,137)	371,078	363,476
Net trading income	25,304	24,131	19,439	18,750	18,874	18,126	64,312	53,528	1,243	(282)	17,635	33,219	147	194	146,954	147,666
Net gain from sale of available for sale financial instruments	-	-	-	-	-	-	203,613	75,344	(1,078)	-	282	(657)	-	-	202,817	74,687
Contribution to the Banking Deposits Guarantee Fund	(13,812)	(11,996)	(7,191)	(6,355)	(43,395)	(35,694)	-	-	-	-	-	-	-	-	(64,398)	(54,045)
Other operating income	-	6	-	86	14,766	10,373	-	-	32,179	32,299	38,942	49,937	(3,547)	(3,712)	82,340	88,989
Total income	434,373	399,189	322,539	310,720	462,006	478,198	415,109	245,416	64,124	65,411	71,830	93,633	(4,423)	(4,062)	1,765,558	1,588,505
Personnel expense	(110,755)	(106,783)	(86,866)	(85,450)	(128,881)	(140,915)	(82,021)	(55,993)	(15,072)	(15,317)	(39,662)	(33,464)	1,043	942	(462,214)	(436,980)
Operating expenses	(50,480)	(52,998)	(39,555)	(42,418)	(58,612)	(69,977)	(43,670)	(33,399)	(10,066)	(16,595)	(98,145)	(77,229)	2,235	803	(298,293)	(291,813)
Advertising and promotional expenses	(1,637)	(2,531)	(1,965)	(4,701)	(8,733)	(5,169)	(981)	(1,067)	(332)	(341)	(553)	(823)	-	-	(14,201)	(14,632)
Depreciation and amortization	(7,227)	(8,124)	(5,666)	(6,503)	(8,401)	(10,733)	(5,365)	(4,265)	(6,881)	(6,764)	(31,703)	(18,321)	-	-	(65,243)	(54,710)
Other expenses	(3,437)	(5,839)	(2,690)	(4,678)	(3,993)	(7,751)	(2,532)	(3,045)	(19,250)	(10,741)	(2,054)	(8,237)	2,013	459	(31,943)	(39,832)
Total expenses	(173,536)	(176,275)	(136,742)	(143,750)	(208,620)	(234,545)	(134,569)	(97,769)	(51,601)	(49,758)	(172,117)	(138,074)	5,291	2,204	(871,894)	(837,967)
Operational result, before net impairment charges	260,837	222,914	185,797	166,970	253,386	243,653	280,540	147,647	12,523	15,653	(100,287)	(44,441)	868	(1,858)	893,664	750,538

7. Financial assets and liabilities

Accounting classifications and fair values

In RON thousand	Note	Financial assets at fair value through profit and loss	Loans and receivables (including net lease investments)	Available for sale	Other amortized cost	Total carrying amount	Fair value
31 December 2013							
Financial Assets							
Cash and cash equivalents	17	-	-	-	4,105,584	4,105,584	4,105,584
Placements with banks	18	-	-	-	1,760,517	1,760,517	1,760,517
Financial assets at fair value through profit and loss	19	103,556	-	-	-	103,556	103,556
Loans and advances to customers	20	-	16,583,398	-	-	16,583,398	17,032,938
Net lease investments	21	-	243,151	-	-	243,151	243,151
Investment securities	22	-	-	8,817,441	-	8,817,441	8,817,441
Total financial assets		**103,556**	**16,826,549**	**8,817,441**	**5,866,101**	**31,613,647**	**32,063,187**
Financial Liabilities							
Deposits from banks	27	-	-	-	418,755	418,755	418,755
Deposits from customers	28	-	-	-	25,736,216	25,736,216	25,761,913
Loans from banks and other financial institutions	29	-	-	-	2,146,743	2,146,743	2,146,743
Other subordinated loans	30	-	-	-	338,124	338,124	338,124
Total financial liabilities		**-**	**-**	**-**	**28,639,838**	**28,639,838**	**28,665,535**

In RON thousand	Note	Financial assets at fair value through profit and loss	Loans and receivables (including net lease investments)	Available for sale	Other amortized cost	Total carrying amount	Fair value
31 December 2012							
Financial Assets							
Cash and cash equivalents	17	-	-	-	5,579,088	5,579,088	5,579,088
Placements with banks	18	-	-	-	1,405,173	1,405,173	1,405,173
Financial assets at fair value through profit and loss	19	125,851	-	-	-	125,851	125,851
Loans and advances to customers	20	-	15,361,263	-	-	15,361,263	15,361,263
Net lease investments	21	-	202,686	-	-	202,686	202,686
Investment securities	22	-	-	6,420,054	-	6,420,054	6,420,054
Total financial assets		**125,851**	**15,563,949**	**6,420,054**	**6,984,261**	**29,094,115**	**29,094,115**
Financial Liabilities							
Deposits from banks	27	-	-	-	45,953	45,953	45,953
Deposits from customers	29	-	-	-	23,167,128	23,167,128	23,172,382
Loans from banks and other financial institutions	30	-	-	-	3,035,944	3,035,944	3,035,944
Other subordinated loans	31	-	-	-	288,810	288,810	228,810
Total financial liabilities		**-**	**-**	**-**	**26,537,835**	**26,537,835**	**26,483,089**

8. Net interest income

In RON thousand	2013	2012
Interest income		
Loans and advances to customers (i)	1,443,844	1,493,484
Current accounts held with banks	28,845	36,859
Available for sale securities	358,547	411,871
Placements with banks	17,264	31,294
Net lease investments	33,989	36,606
Total interest income	**1,882,489**	**2,010,114**
Interest expense		
Deposits from customers	794,447	913,474
Loans from banks and other financial institutions	56,281	117,806
Deposits from banks	4,886	10,984
Net lease investments	108	118
Total interest expense	**855,722**	**1,042,382**
Net interest income	**1,026,767**	**967,732**

(i) (i)Interest income from loans and advances to customers for the year ended at 31 December 2013 includes interest income related to impaired loans amounting to RON 206,234 thousand (2012: RON 147,960 thousand). The interest income and expense related to the financial assets and liabilities, others than those held at fair value through profit and loss, are determined using the effective interest rate method.

The impairment charge determined for the impaired loans is included in the interest income. The amount resulted from this effect is RON 132,565 thousand for the year 2013 (2012: RON 137,632 thousand) consisting in a decrease in the interest income and a decrease in the provision expense.

9. Net fee and commission income

In RON thousand

	2013	2012
Fee and commission income		
Transactions	414,359	379,371
Loans management and guarantees issuance (i)	31,161	48,236
Financial lease management	547	794
Other fee and commission income	49	38
Total fee and commission income	**446,116**	**428,439**
Fee and commission expense		
Bank commissions	61,081	51,339
Transactions	13,957	13,624
Total fee and commission expense	**75,038**	**64,963**
Net fee and commission income	**371,078**	**363,476**

(i) In 2013, the Bank reclassified the loans and financial lease management fees as interest income as they considered them as an integral part of the effective interest rate of a financial instrument.

10. Net trading income

In RON thousand	2013	2012
Net income from foreign exchange transactions (i)	141,253	117,937
Net income/ (expenses) from financial assets at fair value through profit and loss	25,704	34,267
Losses on equity instruments derivatives	(7,829)	-
Net expense from revaluation of assets and liabilities held in foreign currency	(12,174)	(4,538)
Net trading income	**146,954**	**147,666**

(i) Net income from foreign exchange transactions also includes the realized and unrealized gain and loss from spot and forward contracts.

11. Net gain from sale of financial instruments available for sale

In RON thousand	2013	2012
Gain from sale of financial instruments available for sale	248,016	118,393
Losses from sale of financial instruments available for sale	(45,199)	(43,706)
Total	**202,817**	**74,687**

12. Other operating income

In RON thousand	2013	2012
Rent income	12,749	14,911
Dividend income	508	6,979
Other operating income	63,146	65,930
Total	**76,403**	**87,820**

13. Net impairment losses on assets, other liabilities and credit commitments

In RON thousand	2013	2012
Net charge of impairment losses on assets (i)	417,491	385,060
Loans and net lease investments written-off	21,298	4,653
Other liabilities and credit commitments	208	3,893
Recoveries from loans and financial lease previously written off	(24,717)	(14,070)
Net impairment losses on financial assets, other liabilities and credit commitments	**414,280**	**379,536**

(i) Net charge with impairment losses on assets contains the following:

In RON thousand	Note	2013	2012
Loans and advances to customers	20	407,089	369,867
Net lease investments	21	11,938	16,754
Investment securities	22	(537)	56
Other assets	26	(965)	(1,744)
Property and equipment	23	(34)	127
Net charge with impairment losses		**417,491**	**385,060**

14. Personnel expenses

In RON thousand	2013	2012
Wages and salaries	343,781	327,232
Contribution to social security	66,454	65,080
Meal tickets and other taxes related to personnel	18,605	17,920
Contribution to health fund	19,152	18,753
Contribution to unemployment fund	2,333	1,554
Provisions for other employee benefits	11,889	6,441
Total	**462,214**	**436,980**

The Group's number of employees at 31 December 2013 was 6,370 persons (31 December 2012: 6,494).

The expenses related to share-based payments transactions with employees, is included in the wages and salaries line amounting to RON 21,098 thousand in 2013 (2012: RON 14,420 thousand). In 2013 the Bank granted a number of 15,446,531 shares to the employees and administrators of the Bank and its subsidiaries, with a vesting period of less than 3 years.
The Bank established a program of share- based payment, in which the employees with performances may exercise their right and option to purchase a number of shares issued by the Bank. Terms and conditions of granting are the following:

2013 Shares granted 2013	15,446,531		
Granting date	**Shares number**	**Contractual vesting period**	**Conditions to enter into force**
Shares granted to employees at 14 May 2013 and 17 May 2013	15,000,000	2 years and 11 months	Achievement of performance and prudential indicators during 2013. Achieving Bank objectives regarding the completion of implementation for new accounting and reporting rules.
Shares granted to employees at 19 December 2013	446,531	3 years	Rewarding the employees with the best annual results, which have consistently performed at hide standards
2012 Shares granted 2012	14,000,000		
Granting date	**Shares number**	**Contractual vesting period**	**Conditions to enter into force**
Shares granted to employees at 18 May 2012	9,362,130	2 years and 11 months	Achievement of performance and prudential indicators during 2012. Achieving Bank objectives regarding the completion of implementation for new accounting and reporting rules.
Shares granted to employees at 16 August 2012	4,637,870	1 year and 5 months	Achieving Bank objectives regarding the completion of implementation for new core banking Achievement of performance and prudential indicators during 2012.

15. Other operating expenses

In RON thousand	2013	2012
Operating lease (rent)	87,277	90,926
Repairs and maintenance	65,775	54,345
Materials and consumables	27,098	28,737
Postage and telecommunications	21,301	27,351
Advertising and promotional expenses	16,680	16,703
Security and protection	20,284	20,325
Taxes	9,342	2,846
Electricity and heating	18,260	16,162
Travel and transport	6,224	10,284
Legal, advisory and consulting	6,199	3,866
Loss on sale of property and equipment	1,785	-
Other operating expense	64,212	74,732
Total	**344,437**	**346,277**

16. Income tax expense

In RON thousand	2013	2012
Current tax expense at 16% (2012: 16%) of taxable profits determined in accordance with Romanian Law	45,616	19,165
Deferred tax expense	25,211	5,381
Total income tax expense	**70,827**	**24,546**

Tax reconciliation

In RON thousand	2013	2012
Profit before tax	479,382	371,002
Taxation at statutory rate of 16% (2011: 16%)	76,701	59,360
Non-deductible expenses and non-taxable revenues and other permanent differences	(3,950)	(21,709)
Effect of carried forward losses	(1,924)	(13,105)
Taxation in the income statement	**70,827**	**24,546**

17. Cash and cash equivalents

In RON thousand	31 December 2013	31 December 2012
Minimum compulsory reserve (i)	3,510,624	4,974,894
Cash on hand	539,139	519,613
Current accounts held with other banks (ii)	55,821	84,581
Total	**4,105,584**	**5,579,088**

(i)As at 31 December 2013, the minimum reserve requirement held with the National Bank of Romania was set at 15% for RON and 20% for balances denominated in USD or EUR (31 December 2012: 15% for RON and 20% for USD and EUR). Minimum reserve balance may vary from day to day. The interest paid by the National Bank of Romania for the reserves held by banks was 0.55% - 1.30% per year for the reserves in RON, 0.36% - 0.56% per year for reserves denominated in EUR and 0.14% - 0.50% per year for reserves denominated in USD. Mandatory reserve can be used by the Bank for daily activities as long as the average monthly balance is maintained within the limits required.

(ii) Current accounts held with other banks are at immediate disposal of the Bank and unencumbered and contain value recovered in the short term.

18. Placements with banks

In RON thousand	31 December 2013	31 December 2012
Sight and term deposits placed at other banks	870,760	1,259,285
Reverse repo type transactions (i)	724,348	67,562
Loans and advances to banks (ii)	165,409	78,326
Total	**1,760,517**	**1,405,173**

(i) Investment securities reclassified by the Group during 2008 and 2010 from assets available for sale into loans and advances (see note 22 (v)).
(i)As at 31 December 2013 reverse repurchase agreements transactions amounting to RON 724,348 thousand were concluded with commercial banks (31 December 2012: RON 67,562 thousand).

19. Financial assets at fair value through profit and loss

In RON thousand	31 December 2013	31 December 2012
Trading assets		
Listed equity investments (i)	103,556	125,851
Total	**103,556**	**125,851**

i) As at 31 December 2013, the Group owns shares quoted on the Bucharest Stock Exchange S.A. and Vienna Stock Exchange.

As at 31 December 2013, the Group owns significant investments in amount of RON 76,910 thousand at the following companies: Fondul Proprietatea S.A., SIF Moldova S.A., SIF Muntenia SA, SIF Oltenia SA, SNP Petrom and Nuclearelectrica (31 December 2012: RON 93,608 thousand at the following companies: SIF Moldova S.A., SIF Oltenia S.A, SIF Transilvania S.A, Fondul Proprietatea S.A. and SNP Petrom S.A.)

20. Loans and advances to customers

The Group's commercial lending is concentrated on companies and individuals domiciled in Romania and Cyprus. Economic sector risk concentrations within the customer's loan portfolio as at 31 December 2012 were and 31 December 2011, was as follows:

In RON thousand	31 December 2013	31 December 2012
Individuals	6,874,467	6,391,713
Trading	3,134,675	2,945,755
Manufacturing	3,026,037	2,525,429
Constructions	1,063,539	990,837
Services	1,054,313	946,453
Transport	874,526	702,460
Real estate	723,692	526,949
Agriculture	582,973	730,764
Free lancers	424,684	382,202
Chemical industry	316,776	315,305
Mining industry	315,645	170,697
Financial institutions	106,629	124,341
Telecommunications	152,083	125,484
Energy industry	82,853	322,277
Governmental bodies	28,597	31,030
Fishing industry	8,025	7,255
Others	390,009	295,986
Total loans and advances to customers before impairment allowance	**19,159,523**	**17,534,937**
Less provisions for impairment allowance on loans	(2,576,125)	(2,173,674)
Total loans and advances to customers, net of provisions	**16,583,398**	**15,361,263**

Movement in allowance for impairment loss on loans and advances to customers granted was as follows:

In RON thousand	2013	2012
Balance at 1 January	2,173,674	1,721,801
Net impairment change (Note 13)	407,089	369,867
Impairment allowances on written off loans (Note 4b)	(145,772)	(63,431)
Effect of adjustment effect on the interest income for impaired loans (Note 8)	132,565	137,632
FX gain/loss	8,569	7,805
Balance at 31 December	**2,576,125**	**2,173,674**

Movement in individual allowance for impairment loss on loans and advances to customers granted was as follows:

In RON thousand	2013	2012
Balance at 1 January	1,134,809	823,813
Net impairment change	266,272	264,242
Impairment allowances on written off loans	(5,524)	(4,719)
Effect of adjustment effect on the interest income for impaired loans	48,488	53,754
FX gain/loss	22,107	(2,281)
Balance at 31 December	**1,466,152**	**1,134,809**

Movement in collective allowance for impairment loss on loans and advances to customers granted was as follows:

In RON thousand	2013	2012
Balance at 1 January	1,038,865	897,988
Net impairment change	140,817	105,625
Impairment allowances on written off loans	(140,248)	(58,712)
Effect of adjustment effect on the interest income for impaired loans	84,077	83,878
FX gain/loss	(13,538)	10,086
Balance at 31 December	**1,109,973**	**1,038,865**

21. Net finance lease investments

The Group acts as a lessor under finance lease, mainly of motor vehicles and equipment. The leases are denominated in EUR, RON and MDL and typically run for a period between two and five years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the leased based on fixed interest rates. The lease receivables are secured by the underlying assets and by other collateral. The breakdown of investments in leases according to their maturity is presented below:

In RON thousand	31 December 2013	31 December 2012
Investments in leases less than one year (gross)	175,846	189,819
Investments in leases between one and five years (gross)	174,132	111,078
Total investment in leases, gross	349,978	300,897
Unearned finance income	(37,298)	(36,143)
Total investments in leases, net unearned finance income	312,680	264,754
Impairment allowances	(69,529)	(62,068)
Total net leasing Investment	**243,151**	**202,686**

The lease contracts are generated and managed through BT Leasing Transilvania IFN S.A., BT Leasing Moldova S.R.L., and BT Operational Leasing S.A. Net lease investments include also consumer finance facilities granted to the Group's customers by BT Direct IFN S.A.

The provision for net lease investments can be further analyzed as follows:

In RON thousand	**2013**	**2012**
Balance at beginning of the year	62,068	62,197
Net impairment provision expense (Note 13)	11,938	16,754
Written – off lease investment (Note 4b)	(4,095)	(17,836)
Foreign exchange difference	(382)	953
Balance at the end of the year	**69,529**	**62,068**

22. Investment securities

In RON thousand	**31 December 2013**	**31 December 2012**
Investment securities available-for-sale		
Unlisted debt and other fixed income instruments:	**8,724,430**	**6,374,614**
Treasury securities issued by the Government of Romania, from which:	6,905,103	5,540,477
- discount certificates	34,956	13,405
- coupon certificates	32,757	30,635
- Benchmark bonds (RON)	5,904,251	4,305,860
- Treasury certificates with coupon (EUR)	933,139	1,190,577
EURO bonds issued by Romania's Government on external markets	1,386,564	705,063
USD bonds issued by Romania's Government on external markets	400,057	119,294
Bonds, from which:	32,706	9,780
- issued by Bucharest Municipality	8,928	9,128
- issued by Municipality Alba Iulia	597	652
- issued by Croatian Bank of Reconstruction and Development	23,181	-
Listed shares	**99**	**70**
Unit funds	**53,679**	**43,107**
Certificates of participation	37,485	
Equity securities measured at acquisition price, from which:	**1,748**	**2,263**
Gross value	1,756	2,808
Allowances for impairment	(8)	(545)
Total investment securities available-for-sale	**8,817,441**	**6,420,054**

(i) As at 31 December 2013 treasury securities in amount of RON 28,450 thousand (31 December 2012: RON 28,450 thousand) were pledged for other current operations (RoCLEAR, SENT, MASTERCARD and VISA).
(ii) Treasury securities issued by Romania's Government have maturities between 2014 and 2027.
As at 31 December 2013, the Bank has concluded repo transactions with other financial institutions having as supporting assets investment securities available for sale amounting to RON 1,615,107 thousand (31 December 2012: RON 1,721,650 thousand). Also, as of 31 December 2013 the Bank had no pledges on the investment securities available for sale (31 December 2012: RON 466,819 thousand).

(iii) The municipal bonds of Alba Iulia have variable interest (Robid 6M + Robor 6M)/2 + 1.5% (31 December 2013: 4.5%; 31 December 2012: 6.5%). EURO bonds issued by Bucharest Municipality have a fixed interest of 4.125% and bonds issued by Croatian Bank for Reconstruction and Development have a coupon rate of 6%.

(iv) In the third quarter, the Bank acquired a participation certificate issued by Raiffeisen Centrobank AG, based on SIF 2 Moldova shares. It was classified as securities available for sale.

Gains realized on disposal of financial assets available for sale reclassified from other comprehensive income to profit or loss were RON 223,300 thousand (2012: RON 91,791 thousand) with the related tax RON 35,724 thousand (2012: RON 16.687 thousand).

(v) Reclassification out of available-for-sale investments securities into loans and advances

Starting 2008, under the amendment to IAS 39 "Financial Instruments - Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosure " (presented in accounting policies at 3p(iv)). The Group has identified financial assets that have fulfilled the conditions imposed by this category (the non-derivative financial assets fixed and determinable payments that are not quoted on an active market) and held in the foreseeable future.

The value of securities classified as "loans and advances" at the end of 2012 was RON 78,324 thousand.

During 2013 the Group has purchased and classified as loans and receivables, corporate bonds issued by International Personal Finance and Turkiye Garanti Bankasi in the amount of RON 17,236 thousand.

Movement of investment securities classified in the category "Loans and advances" in 2013 is reflected in the table below:

	Year 2013
Balance at 31 December 2012	**78,324**
Acquisitions 2013	17,235
Decreases 2013	(3,407)
Coupon for bonds	7,284
Coupon cashed during the year	(7,080)
Amortization of the difference between fair value and acquisition value (Interest income)	(21)
Balance at 31 December 2013	**92,335**

The impairment allowance for equity investments can be further analyzed as follows:

In RON thousand	2013	2012
Balance at the beginning of the year	545	489
Net impairment loss (Note 13)	(537)	56
Balance at the end of the year	8	545

The movement in investment securities may be summarized as follows:

In RON thousand	Available for sale	Held to maturity
At 1 January 2013	**6,420,054**	-
Additions (acquisitions and increase in value)	20,751,267	-
Disposals (sale, redemption and decrease in value)	18,353,880	-
At 31 December 2013	**8,817,441**	-
At 1 January 2012	**5,816,778**	**819**
Additions (acquisitions and increase in value)	19,482,327	70
Disposals (sale, redemption and decrease in value)	18,879,051	889
At 31 December 2012	**6,420,054**	-

23. Property and equipment

In RON thousand	Land and buildings	Computers and equipment	Vehicles	Assets in progress	Total
Gross carrying amount					
Balance at 1 January 2012	300,337	196,293	63,642	27,717	587,989
Additions	661	22,504	13,934	44,819	81,918
Transfers from investment in progress	17,903	30,904	1,221	-	50,028
Reevaluations	364	1,804	2,506	-	4,674
Disposals	(2,927)	(14,717)	(8,147)	(42,559)	(68,350)
Reevaluations	(75)	-	-	-	(75)
Balance at 31 December 2012	316,263	236,788	73,156	29,977	656,184
Balance at 1 January 2013	316,263	236,788	73,156	29,977	656,184
Additions	342	7,618	8,709	33,260	49,929
Transfers from investment in progress	33,131	16,628	1,370	-	51,129
Additions through merger of subsidiaries	-	133	-	-	133
Reevaluations	(1,537)	239	221	-	(1,077)
Disposals	(5,405)	(16,980)	(13,642)	(52,073)	(88,100)
Balance at 31 December 2013	342,794	244,426	69,814	11,164	668,198
Depreciation and impairment					
Balance at 1 January 2012	118,645	135,569	36,244	-	290,458
Charge for the year	14,090	23,465	9,626	-	47,181
Accumulated depreciation of disposals	(2,821)	(6,844)	(6,712)	-	(16,377)
Accumulated depreciation related to revaluation	208	-	-	-	208
Reversal of provision for impairment	-	-	127	-	127
Balance at 31 December 2012	130,122	152,190	39,285	-	321,597
Balance at 1 January 2013	130,122	152,190	39,285	-	321,597
Charge for the year	10,522	25,755	10,361	-	46,638
Additions through merger of subsidiaries	-	133	-	-	133
Accumulated depreciation of disposals	(3,331)	(15,847)	(9,055)	-	(28,233)
Accumulated depreciation related to reevaluation	(130)	-	-	-	(130)
Provision for impairment	-	-	20	-	20
Reversal of provision for impairment	-	-	(54)	-	(54)
Balance at 31 December 2013	137,183	162,231	40,557	-	339,971
Net carrying amount					
Balance at 1 January 2013	186,141	84,598	33,871	29,977	334,587
Balance at 31 December 2013	205,611	82,195	29,257	11,164	328,227

At 31 December 2013 the Group leased property and equipment on a carrying amount of RON 6,885 thousand (31 December 2012: 8,105 RON) and intangibles acquired through finance lease, with a net book value of RON 134 thousand (31 December 2012: nil). At 31 December 2012 the Group had no pledged property, equipment or intangible assets. Property and equipment outstanding at 31 December 2013 were revalued by an independent valuer. If the assets would have been recorded under the cost model, the carrying amount recognized were: land and buildings RON 167,708 thousand (2012: RON 145,664 thousand), computers and equipment RON 81,589 thousand (2012: RON 82,920 thousand) transportation RON 28,405 thousand (2012: RON 31,448 thousand).

24. Intangible assets (including goodwill)

In RON thousand	Goodwill	Software
Gross carrying amount		
Balance at 1 January 2012	376	114,106
Additions	-	18,408
Disposals	-	(180)
Balance at 31 December 2012	376	132,334
Balance at 1 January 2013	376	132,334
Additions	-	21,200
Revaluation	-	205
Additions through merger	-	194
Disposals	-	(14,575)
Balance at 31 December 2013	376	139,358
Accumulated amortization		
Balance at 1 January 2012	-	43,551
Charge for the year	-	7,529
Disposals	-	(179)
Balance at 31 December 2012	-	50,901
Balance at 1 January 2013	-	50,901
Charge for the year	-	18,604
Additions through merger	-	163
Disposals	-	(14,540)
Balance at 31 December 2013	-	55,128
Net carrying amount		
Balance at 1 January 2012	376	70,555
Balance at 31 December 2012	376	81,433
Balance at 1 January 2013	376	81,433
Balance at 31 December 2013	376	84,230

Impairment testing for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management.

At 31 December 2013 the goodwill at BT Leasing Transilvania IFN S.A was in amount of RON 376 thousand (31 December 2012: RON 376 thousand).

25. Deferred tax assets and liabilities

In RON thousand	31 December 2013 Asset	Liability	Net
Loans and advances to customers (including net lease investments)	-	229,973	(229,973)
Investment securities, available-for-sale	-	94,590	(94,590)
Financial assets at fair value by income statement	475	-	475
Investment in associates	-	7,568	(7,568)
Tangible and intangible assets	-	29,213	(29,213)
Other assets	99	-	99
Total	**574**	**361,344**	**(360,770)**
Net temporary differences			(360,770)
Deferred tax liability at 16%			**57,723**

In RON thousand	31 December 2012 Asset	Liability	Net
Loans and advances to customers (including net lease investments)	-	75,376	(75,376)
Investment securities, available-for-sale	-	96,714	(96,714)
Financial assets at fair value by income statement	612	-	612
Investment in associates	-	1,028	(1,028)
Other assets	460	-	460
Total	**1,072**	**173,118**	**(172,046)**
Net temporary differences			(172,046)
Deferred tax liability at 16%			**27,527**

Movement of assets and liabilities from deferred tax

In RON thousand	31 December 2012	Inputs	Outputs	31 December 2013
Deferred tax assets				
Deferred tax assets for retained earnings from specific impairment provisions	(21,929)	(5)	(10,852)	(11,082)
Deferred tax assets for financial assets at fair value through profit and loss	(98)	-	(22)	(76)
Deferred tax assets for other assets	(74)	(104)	(162)	(16)
Total	**(22,101)**	**(109)**	**(11,036)**	**(11,174)**
Deferred tax liabilities				
Deferred tax liabilities for loans and advances to customers (including net finance lease investments)	33,990	14,916	1,028	47,878
Deferred tax liabilities for securities available for sale	15,474	12,955	13,224	15,134
Deferred tax liabilities for associates	164	1,122	146	1,211
Deferred tax liabilities for property and equipment and intangible assets	-	5,254	580	4,674
Total	**49,628**	**34,247**	**14,978**	**68,897**
Total Deferred tax liabilities	**27,527**	**34,138**	**3,942**	**57,723**

26. Other assets

In RON thousand	31 December 2013	31 December 2012
Amounts under settlement	18,107	30,091
Inventories and consumables	60,319	61,095
Prepayments	19,212	20,445
Sundry debtors	30,300	35,361
VAT receivable	5,691	29,453
Other assets	46,999	11,758
Less impairment allowance for other assets	(12,804)	(13,376)
Total	**167,824**	**174,827**

Movement in provision for impairment loss on other assets for the year was as follows:

In RON thousand	2013	2012
Balance at 1 January	13,376	15,507
Impairment change (Note 13)	(965)	(1,744)
Exchange rate differences	393	(387)
Balance at 31 December	**12,804**	**13,376**

27. Deposits from banks

In RON thousand	31 December 2013	31 December 2012
Sight deposits	254,249	1,617
Term deposits	164,506	44,336
Total	**418,755**	**45,953**

28. Deposits from customers

In RON thousand	31 December 2013	31 December 2012
Current accounts	5,038,324	3,638,485
Sight deposits	167,141	156,541
Term deposits	20,050,490	18,882,728
Collateral deposits	480,261	489,374
Total	**25,736,216**	**23,167,128**

Deposits from customers can be also analyzed as follows:

In RON thousand	31 December 2013	31 December 2012
Retail customers	17,090,119	15,669,535
Corporate customers	8,646,097	7,497,593
Total	**25,736,216**	**23,167,128**

29. Loans from banks and other financial institutions

In RON thousand	31 December 2013	31 December 2012
Loans from commercial banks	31,755	30,125
Romanian banks	29,815	26,802
Foreign banks	1,940	3,323
Loans from development banks (EBRD, IFC)	390,277	557,860
Repurchase agreements	1,615,107	1,721,650
Other funds from financial institutions	109,604	726,309
Total	**2,146,743**	**3,035,944**

The interest rates range for loans from banks and financial institutions was as follows:

	2013		2012	
	minimum	maximum	minimum	maximum
EUR	0.22%	Euribor 3m+5.50%	0.75%	Euribor 3m+5.50%
LEI	1.40%	2.00%	5.25%	5.25%
USD	0.80%	Libor 6m+4.50%	Libor 6m+0.51%	Libor 6m+4.50%

30. Other subordinated liabilities

In RON thousand	2013	2012
Loans from financial institutions	200,627	288,810
Convertible Bonds	137,497	-
Total	**338,124**	**288,810**

The subordinated debt is in amount of EUR 45 million, equivalent of RON 201,812 thousand (in 2012: EUR 60 million, equivalent of RON 287,866 thousand) representing 3 subordinate loans contracted as follows:

- 15 million EURO contracted in 2013, at EURIBOR 6M+6.20% due in 2018
- 25 million EURO contracted in 2013, at EURIBOR 6M+6.20% due in 2023
- 5 million EURO contracted in 2012, at EURIBOR 6M+6.50% due in 2018

The Bank issued in 2013 convertible bonds worth EURO 30 million, equivalent to 134,541 thousand at EURIBOR 6M 6.25%, due in 2020. Unmatured bonds may be converted into shares at the option of bondholders.

Accrued interest on subordinated debt is in worth of RON 1,771 thousand (2012: RON 944 thousand)

31. Other liabilities

In RON thousand	31 December 2013	31 December 2012
Amounts under settlement	153,818	218,813
Other fees payable	48,135	22,884
Sundry creditors	54,232	27,524
Leasing liabilities (i)	1,666	1,796
Other liabilities	30,274	22,738
Provisions (ii)	49,238	37,068
Total	**337,363**	**330,823**

(i) Future minimum lease payments under finance leases and the present value of the net minimum lease payments are as follows:

In RON thousand	**31 December 2013**	**31 December 2012**
Minimum lease payments		
2012	-	114
2013	-	382
2014	424	432
2015	424	417
2016	424	432
2017	424	432
2018	207	72
Total minimum lease payments	**1,903**	**2,281**
Less future interest	(237)	(485)
Present value of minimum lease payments	**1,666**	**1,796**

(ii) Under „Provisions" are included the followings:

In RON thousand	**31 December 2013**	**31 December 2012**
Provisions for credit commitments	10,314	10,020
Provisions for employee benefits as compensated absences	2,927	6,042
Provisions for other employee benefits	35,924	20,921
Other provisions	73	85
Total	**49,238**	**37,068**

32. Share capital

The statutory share capital of the Bank as of 31 December 2013 was represented by 2,206,436,324 ordinary shares of RON 1 each (31 December 2012: 1,903,042,413 shares of RON 1 each). The shareholders structure of the Bank is presented in Note 1.

In RON thousand	**31 December 2013**	**31 December 2012**
Subscribed capital paid at Trade Register	2,206,436	1,903,042
Capital adjustment at inflation	89,899	89,899
Share capital adjustment with revaluation reserve of tangible assets	(3,398)	(3,398)
Total	**2,292,937**	**1,989,543**

The capital increased by incorporating the reserves in the statutory profit, revaluation reserves and share premiums amounting to RON 303,393,911 was registered at the Trade Register in 2013.

33. Other reserves

As at 31 December 2013 and 31 December 2012 the reserves include the following:

In RON thousand	31 December 2013	31 December 2012
General banking risks (i)	77,893	77,893
Statutory reserve (ii)	161,977	139,446
Fair value gains/ (losses) taken to equity (net of tax) on available for sale investments	79,364	82,525
Total	319,234	299,864

Statutory reserves

In RON thousand	2013	2012
At 1 January	139,446	121,437
Appropriations from profit	22,531	18,009
Total	161,977	139,446

(i) The general banking risks reserve include amounts set aside in accordance with local banking regulations for future losses and other unforeseen risks or contingencies, are separately disclosed as appropriations of profit. The general banking risks reserve is appropriated from the statutory gross profit at the rate of 1% of the balance of the assets carrying specific banking risks. The general banking risks reserve was set up, starting financial year 2004 up to the end of financial year 2006.

(ii) Statutory reserves represent accumulated transfers from retained earnings in accordance with local banking regulations that require 5% of the Bank's net profit and its subsidiaries to be transferred to a non-distributable statutory reserve until such time this reserve represents 20% of the Bank's share capital and of subsidiaries.

The statutory reserves are not distributable.

34. Related parties transactions

Transactions with shareholders

During the year ended 31 December 2013, the following banking transactions were carried out with the shareholders:

In RON thousand	2013	2012
Assets		
Loans to shareholders	-	763
Liabilities		
Current accounts, deposits, related	32,383	114,422
Loans from financial institutions	320,421	458,985
Subordinated loans	-	106,662
Subordinate securities	111,525	-
Income statement		
Interest and commission income	68	156
Commission income of performance	10	294
Interest and commission expense	24,610	37,747

Transactions with key management personnel

During the year ended 31 December 2013, the following banking transactions were carried out with key personnel:

In RON thousand	**2013**	**2012**
Assets		
Loans to key personnel granted by Banca Transilvania SA, related interest and provisions	92,588	100,635
Liabilities		
Current accounts at Banca Transilvania S.A. deposits and accrued	65,595	53,074
Commitments to key personnel	7,649	6,987
Income statement		
Interest and commission income	4,894	4,891
Interest and commission expense	2,220	1,999

During 2013 the total salaries paid to the Board of Director's members and executive management of the Bank and subsidiaries amounting to RON 7,698 thousand (2012: RON 5,985 thousand).

35. Commitments and contingencies

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one month to one year.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Expirations are not concentrated in any period.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table as commitments assume that amounts are fully advanced.

The amounts reflected in the table as guarantees and letters of credit represent the maximum accounting loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted.

In RON thousand	**31 December 2013**	**31 December 2012**
Guarantees issued	1,866,259	1,753,730
Loan commitments	3,002,719	2,418,410
Total	**4,868,978**	**4,172,140**

Commitments to customers were provisioned in the amount of RON 10,314 thousand (2012: RON 10,020 thousand).

At 31 December 2013 currency transactions were:

Forward transactions
Transactions with clients (corporate)
Purchases: RON 275,059 equivalent of EUR 59,834

Transactions with banks
Purchases: RON 361,554,850 equivalent of EUR 80,950,000
Purchases: EUR 58,000,000 equivalent of RON 258,939,300
Sales: EUR 53,000,000 equivalent of USD 72,888,489

36. Earnings per share

Basic earnings per share

The calculation of basic earnings per share (basic and diluted) was based on net profit attributable to ordinary shareholders of RON 404,942 thousand (31 December 2012: RON 341,259 thousand) and the weighted average number of the ordinary shares outstanding during the year calculated as follows:

	2013	2012
Ordinary shares issued at 1 January	1,903,042,413	1,773,658,066
Effect of shares issued during the year	155,385,376	72,408,476
Weighted average number of shares as at 31 December	2,058,427,789	2,149,460,453
Weighted average number of shares as at 31 December (updated)	n/a	n/a

37. Subsequent events after the date of the consolidated financial statements

There were no subsequent events after the date of the consolidated statement of financial position that could have significant impact on the Bank for the 2013 financial year.

Horia Ciorcilă
Chairman

George Călinescu
CFO