BANCA TRANSILVANIA®

SWIFT: BTRLRO22
Capitalul social: 2.206.436.324 lei
C.U.I. RO 50 22 670
R.B. - P.J.R. - 12 - 019 - 18.02.1999
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Directors' Report

Banca Transilvania

- 2013 -

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MACRO-ECONOMIC CONSIDERATIONS

The economic growth in emerging markets was moderate in 2013 due to lower domestic demands, but increased in developed countries. In 2013, efforts continued at the European level to develop risk monitoring instruments for the financial field.

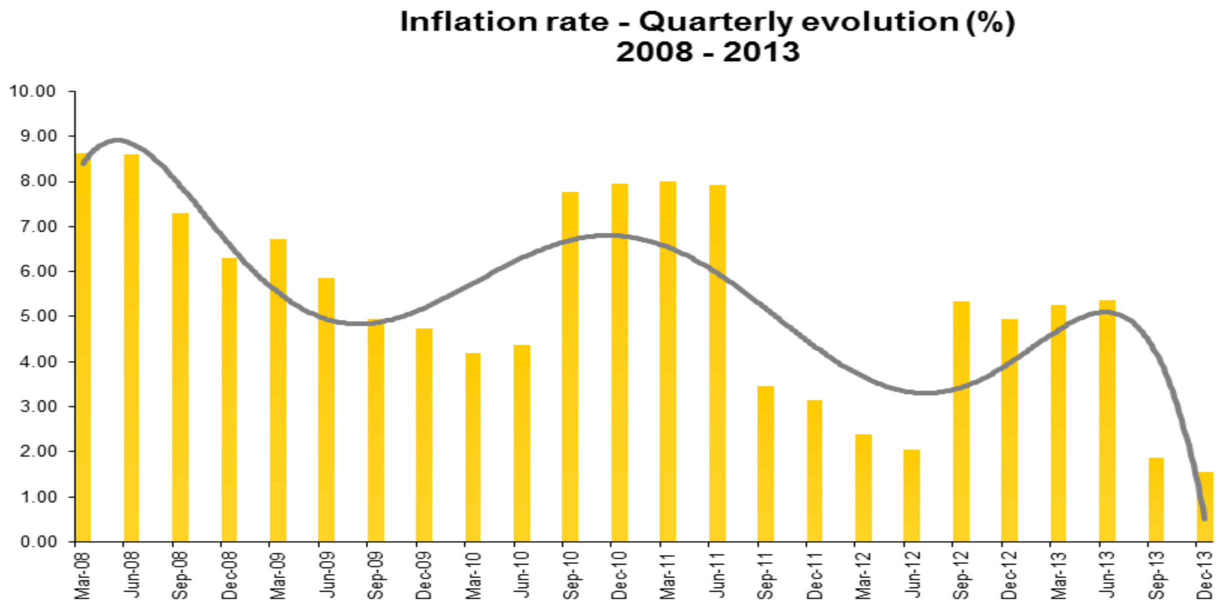
Starting with 2014, the European Parliament adopted a legislative package for the implementation of the new Basel III requirements, translated into more stringent provisions on capital quantity and quality and new regulations on the management of liquidity, assets and liabilities, as compared to the previous regulations. In the wake of the economic crisis, the new prudential regulatory framework requires for Tier 1 capital a minimum level of 4.5% of the risk weighted assets (as compared to minimum 2% required by the previous regulations).The total capital requirement is kept at 8% of the risk-weighted assets for a period of two years starting with 2014, gradually increasing afterwards to 10.5% of the risk-weighted assets in 2019. The new requirements aim at accumulating reserves in periods of economic growth, reserves that should be available to absorb losses in periods of crisis.

In 2013, the European financial sector was also influenced by the Cyprus crisis, but its effect on Romania was minor, being felt only by the banks with Cypriot capital. Their weight in the total assets of the domestic banking sector was about 1.4% in 2013.

Highlights of the Romanian economic and banking environment in 2013:

The increase in both industrial and agricultural production also contributed to the economic growth in 2013, in addition to a slight revival of foreign investments and the progress in accessing European structural funds.

In 2013, the annual inflation rate dropped to an all-time low of 1.55%, given the VAT reduction on bakery products and the good agricultural harvest, a 3.4% decrease as compared to the previous year. For 2014 the inflation rate is estimated to decrease from 3.2% to 2.4% due to lower food prices. However, it is expected to rise to 2.5% ± 1pp in the second half of 2014.



Source: NIS

The GDP growth in 2013 by 3.5 % vs. 2012 was due to net exports and the agricultural production. According to the data published by the National Institute of Statistics (NIS), the GDP estimated for 2013 was RON 631.1 billion (current prices). The most important contributions to the GDP growth in 2013 as compared to 2012 came from:

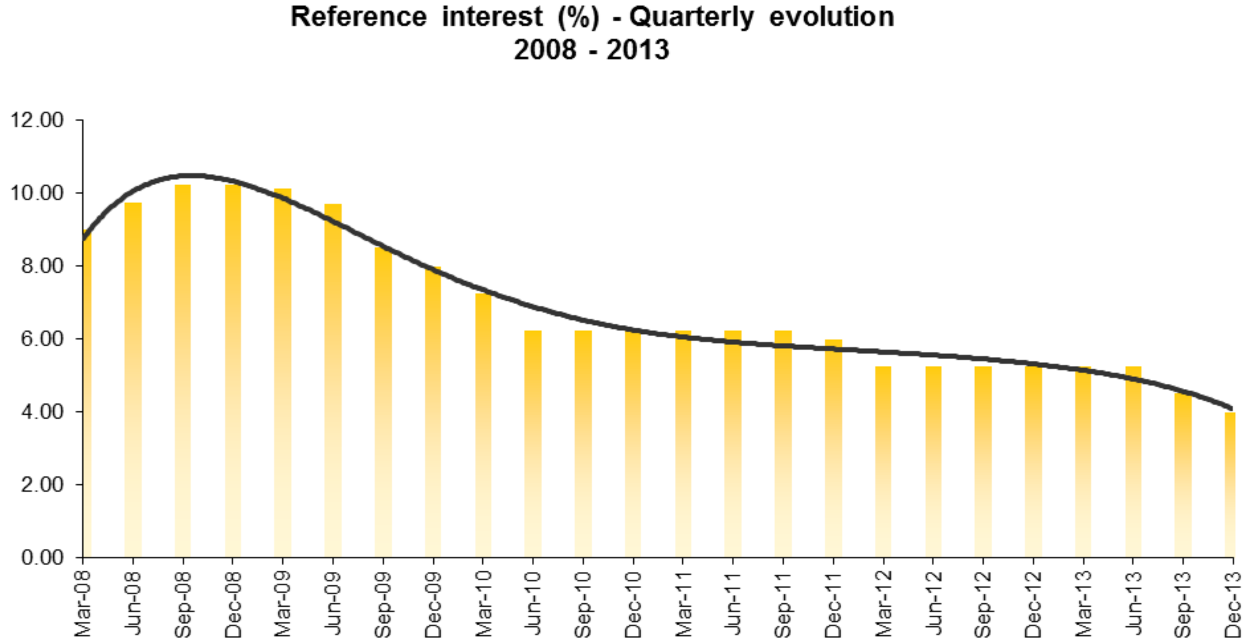
- Industry which was 2.3 % higher than in the last year with an 8.1% higher business volume;
- Agriculture, forestry and fishery, 1.1% higher than in the last year with a 23.4% higher business volume.

The banking system ended the year 2013 with a net profit of 498 million lei as compared to a record loss in 2012 in amount of EUR 2.3 billion. The Romanian banking market in 2013 was characterized by an increase in household deposits and a slow lending activity. The household deposits increased by 6.14 % vs. 2012, while loans to households fell by 1.16% in 2013 vs. 2012.

According to the data published by the National Bank of Romania, the total assets of the banking system at the end of 2013 were RON 362 billion, which means about 1 % lower than in 2012. The decrease in total assets is the result of a slower lending process. The NPL ratio of the banking system increased to 21.87 % at the end of 2013 vs. 18.24 % at the end of 2012.

The gross loan /deposit ratio in the banking system improved from 117.37 % in December 2012 to 104.58 % at the end of 2013, due to the slower lending pace and higher levels of retail deposits.

During 2013, the National Bank of Romania changed its interest rate policy, lowering the interest rate from 5.25% in the first 6 months of 2013 to 4 % at the end of 2013. The interest rate decrease continued in early 2014 to reach 3.5% in the month of February 2014. Successive drops in the interest rate were favorably reflected in interest rates to loans in the real estate sector.



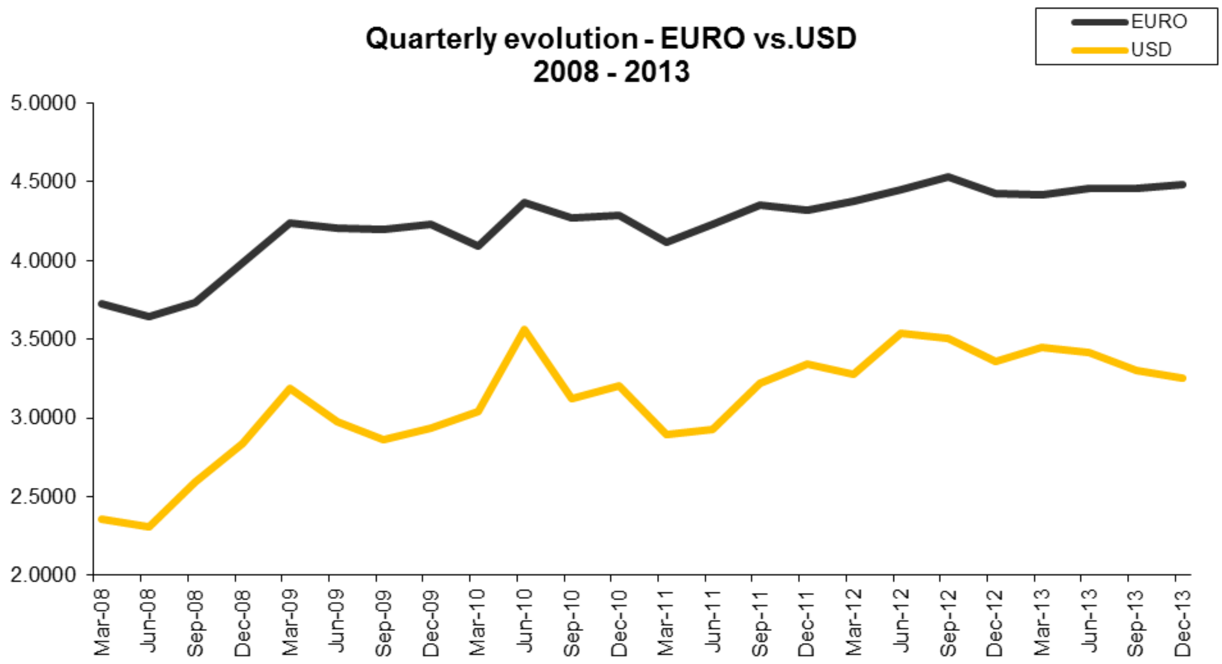
Source: NBR

The National Bank of Romania maintained the minimum required reserve at the 2012 level, namely 15% for liabilities in lei and 20% for foreign currency liabilities with a residual maturity of less than two years.

In the meeting of January 8, 2014, NBR's Board decided to reduce the minimum required reserve to 12% for liabilities in RON and 18% for foreign currency liabilities.

In 2013 the solvency ratio in the banking system influenced by prudential filters and calculated as a ratio between own funds and net exposure was 15.02%, which was similar to 2012, when it recorded a value of 14.94%.

During 2013, the EUR/RON exchange rate remained relatively stable, with a minimum of 4.3072 RON / EUR on the May 3, 2013 and a maximum of 4.5535 RON / EUR on the June 7, 2013. The first half of the year was characterized by a high volatility of the exchange rate, the second half brought stability and the year ended with an exchange rate of 4.4847 RON / EUR. The RON/ USD followed a similar curve, the minimum value being 3.2033 RON/ USD on February 1, 2013, and the maximum 3.4628 RON/ USD on July 10, 2013. At the end of 2013 the RON/USD exchange rate was 3.2551.

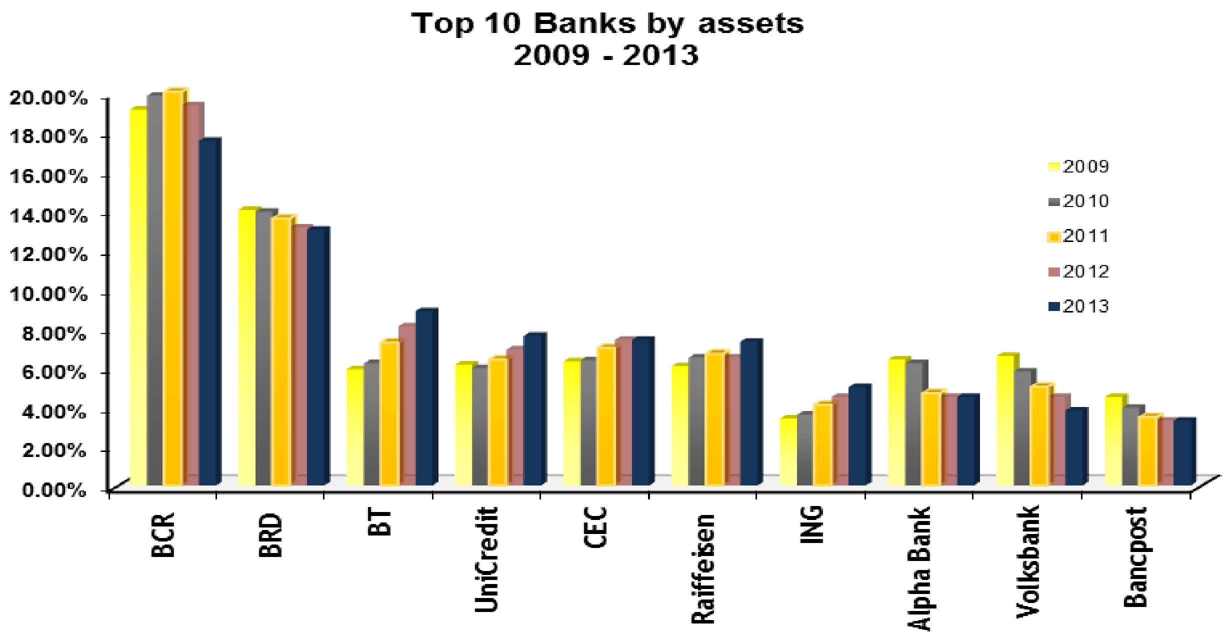


Source: NBR

In 2013, Romanian banks reduced their dependence on external financing, focusing on attracting resources from the local market. The people's and companies' interest in saving continued to be on an upward trend, so that the total deposits in the banking system in Romania increased by 5% compared with the end of 2012.

BANCA TRANSILVANIA IN 2013: OBJECTIVES VS. ACHIEVEMENTS

In 2013, with a market share of 8.85%, Banca Transilvania consolidated its third position among the top Romanian banks in terms of net assets.



All actions undertaken by Banca Transilvania in 2013 were in line with its traditional strategy.

The most important awards obtained by Banca Transilvania in 2013

- Bank of the Year from the Financial Market magazine
- Retail Bank of the Year from the "Business Arena Magazine
- Banca Transilvania was on Top 50 of the most powerful Romanian brands, the classification being made by the BIZ magazine;
- Banca Transilvania was ranked the 7^{th} in Top 100 Best Performing Banks din S-E Europe according to SeeNews.

QUALITATIVE OBJECTIVES established and achieved by BT in 2013:

- Maintaining and strengthening its top position, ranked the 3^{rd} in the banking system in 2013, its market share in terms of assets going up from 8.1% to 8.85%.
- Maintaining/improving the loan portfolio quality;
- Focus on the agriculture sector and co-financing projects with EU funds;
- Streamlining projects at organization level and per business flows
- Implementation of the new IT solutions aiming at increasing sales efficiency;
- Improving risk management and control systems;

QUANTITATIVE OBJECTIVES assumed and achieved by BT in 2013:

OBJECTIVE	PROPOSED	ACHIEVED
Total Assets	31.8 billion lei, 8% higher than 2012	32.06 billion lei, 8.4% higher than in 2012
Gross profit	388 mil lei, 13.9% higher than in 2012	443 mil lei, 30% higher than in 2012
Deposits from clients	25.5 billion lei, 10% higher than in 2012	25.8 billion lei, 11% higher than in 2012
Loans to clients	19 billion lei, 8% higher than in 2012	19.1 billion lei, 9% higher than in 2012
Shareholders' equity	14% higher than in 2012	3,082 mil lei, 14% higher than in 2012
Cards issued in 2013	2.1 mil cards	2.1 mil cards
BT 24	370,000 users	392,580 users

Loan/deposit ratio	Under 0.75	0.74
Completion of the new Data Centre and Operational Building	Completion Data Centre and Operational Building	Achieved
BT24 Transactions Internet banking and Mobile Banking	BT24 transaction processing Internet Banking and Mobile Banking 24/7	Achieved
Internet Banking and Western Union	Extension of the Western Union platform to Mobile Banking	Achieved, premiere on Romanian market
Investment budget	Euro 19 mil (VAT included)*	Euro 14 mil (VAT included)

** Investment budget correctly approved for the year 2013 was 19 million EUR.*

PERFORMANCE PER BUSINESS LINES IN 2013

CLIENT BASE EVOLUTION:

In 2013, the number of BT clients increased to 2,375,390, of whom: 2,128,706 are individuals and 246,684 are companies.

The number of active clients per business lines increased in 2013 by 6% as compared to the previous year, being structured as followed:

BT Active clients	31.12.2013	31.12.2012	2013/2012
Corporate*	9,336	9,334	-
SME*	152,174	134,049	14%
Retail	1,602,771	1,527,264	5%
TOTAL	1,764,281	1,670,647	6%

** The classification of the legal persons into the category of large companies or SME's is regulated by internal rules setting the conditions for the classification of clients per business segments.*

CORPORATE BANKING

The Corporate business line had a consistently positive trend during 2013, with a performance peak in the fourth quarter, reflected in the increased number of banking products and services sold to this category of customers, as compared to 2012. The loan portfolio of this division grew by 13% in 2013 as compared to the previous year, reaching a loan volume of RON 9,882 million. Deposits from corporate customers at the end of 2013 recorded a 16% increase as compared to 2012, reaching RON 5,807 million. As at December 31, 2013, the corporate business line had a portfolio of 9,336 active clients. A total of 19,000 new loans were granted, of which 1,300 agricultural loans, 1,930 loans to medical customers and 760 APIA loans. The factoring activity grew by 40% as compared to the volumes in 2012.

SMALL AND MEDIUM ENTERPRISES (SMEs):

The resources generated by the SME business line rose by 12% in 2013 to reach RON 2,918 mil. The SME loan portfolio was RON 2,482 million at the end of 2013, which is 1% lower than that in the previous year. In the fourth quarter more than 5,880 new loans were granted. The number of active SME clients as at 31.12.2013 was 152,174, which is 14% higher than in 2012. The product "Free First Year Account", released in 2013 for new companies was used by 31% of the new companies in Romania, meaning 18,496 start-up clients.

EVOLUTION PER BUSINESS SECTORS

Agribusiness: over 3,000 new customers of the bank are in the field of agriculture. In 2013, 1,300 agricultural loans were granted. BT works with the Rural Credit Guarantee Fund to support the agricultural sector.

Department for European Programs: During its 4-year activity it reached a level of RON 3 billion granted co-financing (loans, letters of guarantee, and letters of comfort).

Healthcare Department: the products dedicated to customers in the medical field represented a competitive advantage in the banking system. Thus, in 2013, 25% of the physicians in Romania and 40% of the businesses in the medical field had accounts opened with BT.

RETAIL BANKING

The loan products dedicated to this client segment increased BT's retail loans by 8% vs. the previous year, reaching RON 6,797 million. Deposits from retail clients in 2013 amounted to RON 17,078 million, which is 9% higher than the level recorded in 2012 (RON 15,656 million).

BT consolidated its third position as a card issuer both in terms of card numbers (2,061,000) and volumes, whereas its market share reached 16.63%. The Star BT program increased credit card transactions with retailers by 50% in 2013 vs. 2012.

The bank had 886 ATM's, 19,338 POS's and collaborated with more than 386 e-commerce users. The BT 24 internet banking activity rose by more than 34% to reach a number of almost 393,000 clients in 2013. The number of clients using mobile banking BT24 rose from 29,000 in the previous year to more than 59,000 clients as at 31.12.2013.

Retail active clients as at December 31, 2013 amounted to 1,602,771, which is 5% higher than in 2012.

TREASURY:

The treasury activity increased in 2013 primarily based on a higher business volume with fixed income instruments, so the AFS portfolio increased by 36%.

Although the prudent approach continued, based on a wide dispersion of risks both in terms of instruments and counterparties, the bank was able to fructify opportunities on the FX operations market, where the revenues growth accounted for 20% vs. the precedent year.

OPERATIONAL PERFORMANCES / IT:

The beginning of 2013 marked the migration to the new core banking BT: Oracle FLEXCUBE Universal Banking.

Other objectives established for 2013 and achieved were the following:

- Implementation of the WU transfer solution via Internet Banking, as well; processing transactions via BT24 Internet Banking and Mobile Banking 24/7;
- Achieving the status of 'critical participant' in the Transfond system of settlements;
- Preparation of the implementation steps for an "Anti-Money Laundering" application. The implementation was carried out in the first days of January 2014.

HUMAN RESOURCES:

The year 2013 brought a major change of the organizational structure of Banca Transilvania, for the purpose of fluidity and efficiency in the activities performed both within the network and in the Head Office structures. The CEO, a deputy CEO and two senior executives were included in the management team, responsible for the legal matters and the corporate governance matters, respectively. The departments in the commercial area were reorganized along with the risk management and internal control. Some operations were partially or fully centralized.

As at December 31, 2013, the number of active employees was 6,041 vs. 6,160 persons as at December 31, 2012.

With regard to the career plan, three large programs for personal training and development were organized in 2013:

•Leadership skill development program for employees with key functions. The program was attended by 215 managers from the Head Office and the branches;

•Two programs for front office employees - a development program addressing communication skills and "customer care" with 1,500 attendees and a BT product and service sales program for the front-office with 1,230 attendees.

•In addition, trainings were run in-house or with external trainers for 2,100 attendees from all categories of employees. In 2013 BT employees attended more than 5,000 training and professional development programs.

FINANCING SOURCES

In 2013 BT signed two financing agreements with a total amount of EUR 40 million, as follows:

- European Fund for Southeast Europe S.A., a subordinated loan agreement signed on 18.11.2013 in amount of EUR 15 million;
- European Energy Efficiency Fund Sicav, a subordinated loan agreement signed on 26.09.2013 in amount of EUR 25 million;

Also in 2013 a convertible subordinated bond issue took place in amount of EUR 30 million.

BANCA TRANSILVANIA'S NETWORK AS AT DECEMBER 31, 2013:

In 2013, Banca Transilvania opened a unit and closed 9 units. At the end of the last year, BT had 542 operational units, of which 61 branches and the Head Office. Since January 2014, Banca Transilvania has been present on the Italian market by opening a branch in Rome.

ECONOMIC AND FINANCIAL RESULTS IN 2013

STATEMENT OF FINANCIAL POSITION

The results of 2013, based on the individual financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union (NBR's Order no. 27/2010 as subsequently amended and supplemented) are presented below:

BT ended 2013 with total assets amounting to RON 32,066 million, which is 8% higher than those at the end of 2012. The largest increase as compared to 2012 was recorded in terms of assets available for sale, i.e. 36%, followed by loans to customers, which increased by 9%. The bank's balance-sheet assets provided in the budget for 2013 were RON 31,800 million. The Bank exceeded this target by 1%.

Balance sheet structure, end of 2013:

RON million	Achieved 2012	Budget 2013	Achieved 2013	Increase/ Decrease 2013/2012 %	Budget Increase/ Decrease %
	(1)	(2)	(3)	(4)=(3)/(1)-1	(5)=(3)/(2)-1
Loans	17,569	19,060	19,160	9%	1%
Provisions	-2,111	-2,536	-2,493	18%	-2%
Cash and cash equivalents	6,881	7,364	5,768	-16%	-22%
Securities	6,647	7,200	9,040	36%	26%
Fixed assets	444	531	446	-	-16%
- tangible and intangible assets	370	447	372	1%	-17%
- equity investments	74	84	74	-	-12%
Other assets	142	181	145	2%	-20%
Total Assets	**29,572**	**31,800**	**32,066**	**8%**	**1%**
Shareholders' capital	2,695	3,076	3,082	14%	-
Subordinated loan	289	323	338	17%	5%
Resources from clients	23,233	25,538	25,804	11%	1%
Resources from banks	3,015	2,635	2,486	-18%	-6%
Other liabilities	340	228	356	5%	56%
Total liabilities	**29,572**	**31,800**	**32,066**	**8%**	**1%**

The loan /deposit ratio at the end of 2013 (RON 19,160 million/ 25,804 million) ensures a favorable position in the banking system, being 74.25% vs.104.58% in the system.

The loan portfolio of Banca Transilvania maintained its structure, mainly in lei and 65% of total loans were granted to companies and 35% were loans to individuals. In 2013 the loan portfolio increased especially in the fourth quarter, the balance as at December 31, 2013 being 9% higher than last year and 1% above the projected level. BT continued its strategy of portfolio diversification, both in terms of business sectors and groups of borrowers.

The structure of the loan portfolio as at 31.12.2013 is:

- per types of currencies: 67.39% in lei; 32.61% in FX;
- per types of business: 15.72% trade; 30.90% industries; 15.72% services; 35.47% households; 2.19% others;
- per maturity terms: 39.42% short term; 14.64% medium term; 45.94% long term.

The non-performing loans PAR>90 days represent 12.57% of the total loan portfolio as at December 31, 2013 as compared to 11.31% at the end of 2012.

In 2013, the Board of Directors approved to write off 85 files of non-performing loans (in amount of RON 7.06 million and euro 492 thousand) for which all legal proceedings were exhausted.

Provision balance: the NPL coverage level with provisions and mortgage securities represent 122.4%, a relatively stable level over the last 2 years. Provisions increased from RON 2,111 million in 2012 to RON 2,493 million at the end of 2013.

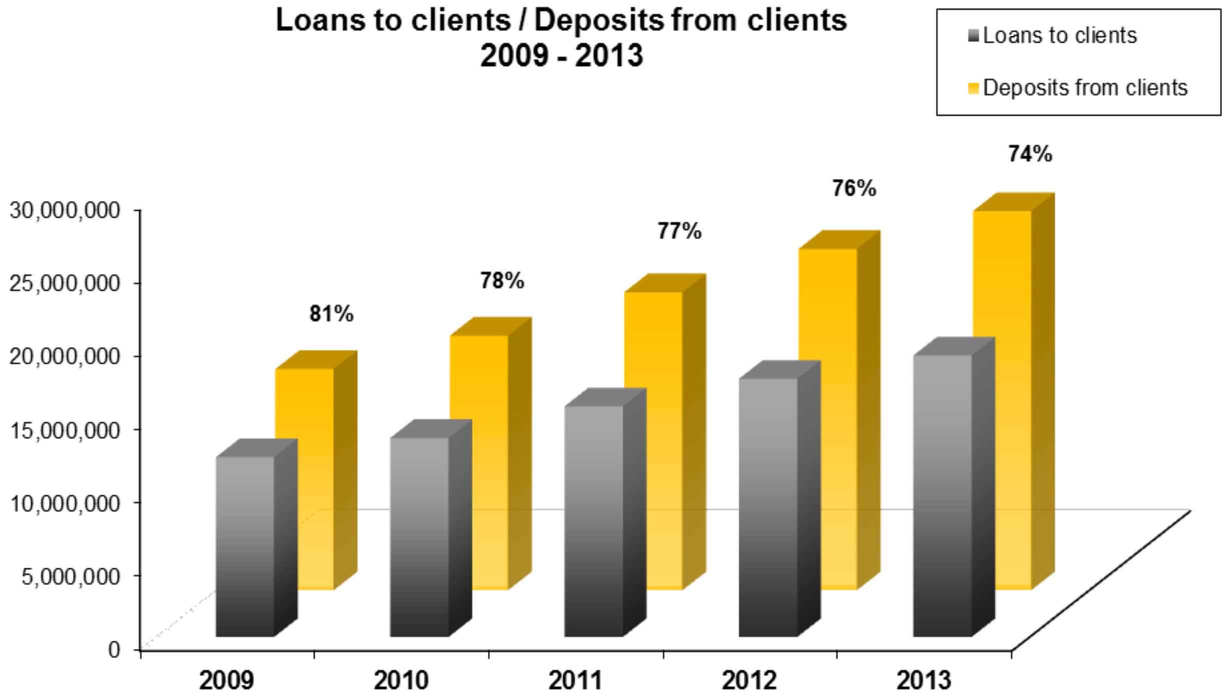
Cash and cash equivalents are in amount of RON 5,768 million, which is 16% lower than in the precedent year and above the minimum level considered acceptable by the bank in terms of liquidity risk. Cash and cash equivalent includes mainly cash at hand, cash and balances at central banks and credit institutions, the weight in this group (RON 3,510 million) being held by the minimum required reserve with the NBR.

Securities increased by more than 36 % vs. last year, reaching RON 9,040 million, as at December 31, 2013. The weight in this group (RON 8,473 mil.) is held by T-bills.

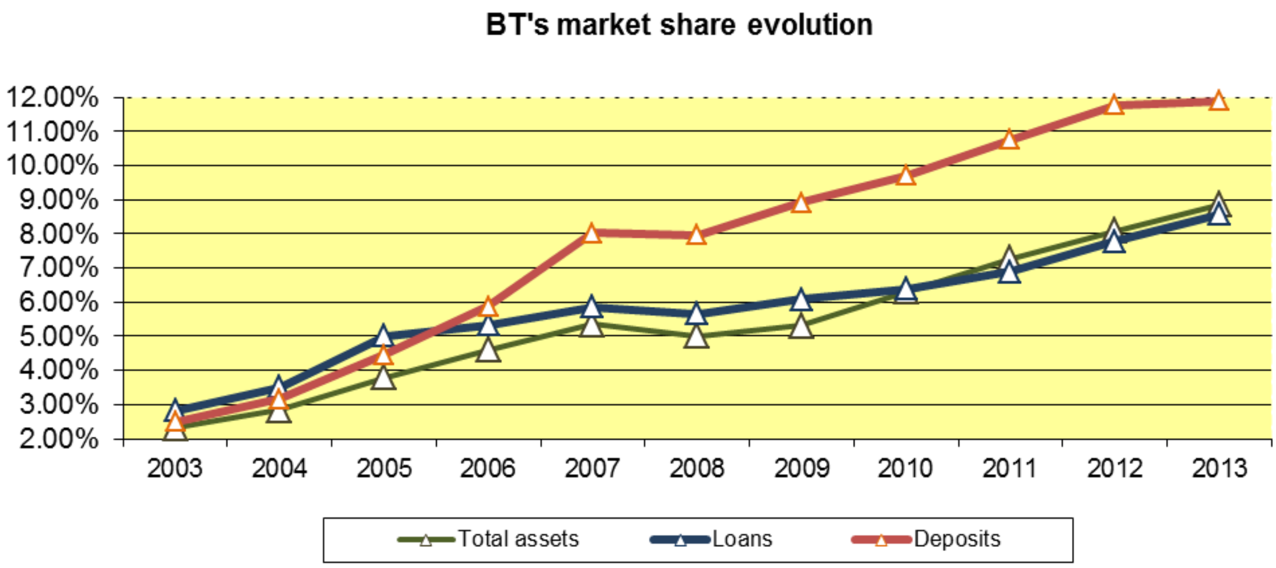
Fixed assets were approximately at the 2012 level, amounting to RON 446 million, of which tangible assets representing RON 289 million (land and buildings RON 203 mil), intangible assets standing for RON 83 mil. and financial assets being RON 74 million.

Deposits from clients

As at December 31, 2013, 64% of the deposits were in lei and 36% in FX. Deposits increased in 2013 by 11% vs. the previous year, the pace being above the 5% general growth recorded at the level of the banking system.



As regards total assets, loans and deposits the bank's position in the banking system is the following:



As at 31.12.2013 **the shareholders' equity** was in amount of RON 3,082,493,781, of which:

- share capital representing 2,206,436,324 shares with a par value of 1 RON/share to which RON 86,501,040 million is added as capital adjustment to inflation and surplus from the revaluation of fixed assets, which was not made until the transition to the International Financial Reporting Standards.
- legal reserves: RON 156,131,758;
- reserves for bank risks: RON 77,892,714;
- reserves from revaluation of securities available for sale: RON 97,310,821;
- reserves from revaluation of tangible and tangible assets: RON 28,996,540;
- Treasury shares: RON -818,187;
- retained earnings: RON 77,299,780;
- profit: RON 374,898,104;
- profit distribution: RON -22,155,113.

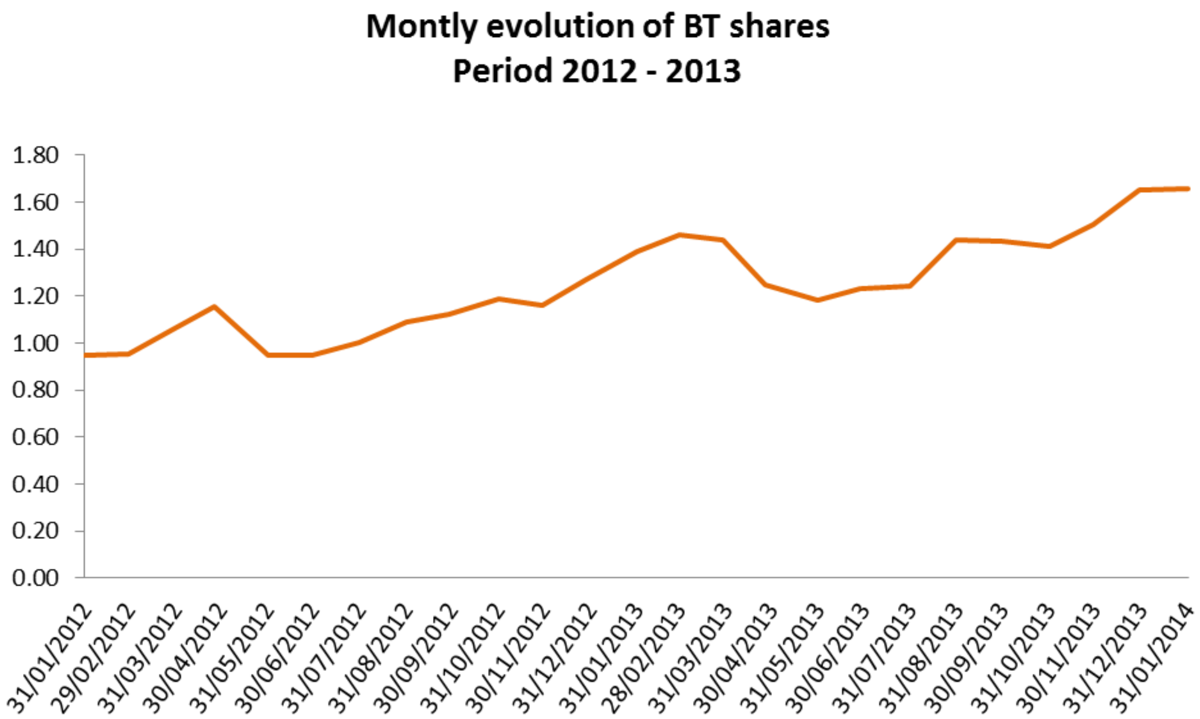
The share capital recorded with the Trade Registry in early 2013 was RON 1,903,042,413 and was increased under the decision of the General Extraordinary Shareholders' Meeting with RON 303,393,911, by including the reserves from the 2012 profit. At the end of the year the share capital recorded with the Trade Registry reached the value of RON 2,206,436,324.

Share capital structure as at 31.12.2013:

	31 Dec 2013	31 Dec 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	100.00%	100.00%

On December 31, 2013, the bank's capitalization on the Stock Exchange was RON 3.64 bn., i.e. EUR 812 million (December 31, 2012: RON 2.42 bn., i.e. 546 million euro).

The evolution of BT shares in 2013 is shown in the following chart:



PROFIT AND LOSS ACCOUNT:

The elements of the profit and loss account as at 31December 2013, compared to 2012 and the budget projections are summarized below:

PROFIT AND LOSS ACCOUNT *Mil lei*	**Achieved 2012** (1)	**Budget 2013** (2)	**Achieved 2013** (3)	**% Growth 2013/2012** (4)=(3)/(1)-1	**% Achieved Budget** (5)=(3)/(2)-1
NET INCOME	1,484.03	1,621.00	1,659.33	12%	2%
of which					
- net interest income	930.16	958.50	990.38	6%	3%
- net fee and commission income	357.06	475.00	361.74	1%	-24%
OPERATING INCOME	768.64	808.00	808.85	5%	-
OPERATING RESULT	715.39	813.00	850.48	19%	5%
Provisions, net	374.63	425.00	407.38	9%	-4%
GROSS PROFIT	340.76	388.00	443.10	30%	14%

As at 31.12.2013, t**he gross profit** of Banca Transilvania was RON 443.10 mil. vs. RON 340.76 million, as at 31.12.2012. The net profit in 2013 was 17% higher than in 2012, reaching RON 374.90 million.

The operating income was RON 1,659.33 mil. on 31.12.2013, which is 12% higher than in the previous year and 2% over the projected level.

The most important income categories are:

- *Net interest income*: RON 990.38 mil in 2013, which is 6% higher than in the previous year. As compared to 2012, the gross interest income in amount of RON 1,846 RON decreased by 7%, whereas interest expenses decreased by 18%, due to margin reductions. A significant weight of 19% in this income belongs to securities income in amount of RON 357 million.

- *Fee and commission income:* RON 361.74 million, which is 1% higher than in 2012 and with a non-achievement degree of 24% as compared to the budget projections, considering that loan fees and commissions are recognized differently in the new core banking system. The income from commissions for operations was 6% higher than in 2012, due to increased business with clients.

- *Net income from available-for-sale financial instruments*: amounted to RON 203.61 million in 2013 as compared to RON 75 million in 2012. The growth resulted from the transaction volumes with such instruments.

- *Net income from trading*: in 2013 an income of RON 128.83 mil. was realized, which is 2% under the level in the previous year and 9% over the projected level (RON 118 million). The weight is given by the income from FX operations.

Operational expenses of BT were in amount of RON 808.85 million as compared to RON 768.64 million in 2012. The 5 % increase was determined both by the organic growth of the bank's activity and the RON/EUR exchange rate.

- *Staff expenses* in 2013 amounted to RON 441.24 million. The 6% exceeding as compared to last year is due to the increase in the variable share of the remuneration, depending on the performance.

Compared with the amounts provided in the budget, the salary expenses were 3% higher. In 2013 the Bank provided a total of 15 million shares to employees and directors with a commissioning period of up to 5 years. This generated costs in amount of RON 21.10 million last year. As at December 31, 2013, the Bank used the provision for the employees' benefits in amount of RON 26 million registered in the previous year and also made a provision amounting to RON 38.30 million.

- *Operating expenses: RON* 283.45 million in 2013, 7% under the budgeted level

- *Advertising expenses* were in amount of RON 13.72 million within the projected limits.

- *Sponsorship expenses: RON* 7.2 million, in line with the provisions on the full deduction from the due tax on profit, according to the applicable laws. The Board of Directors intends to benefit from the respective facility in 2014, as well.

- *Expenses with depreciation* were in amount of RON 56.78 million, which is 22% higher than in the previous year, given the fact that in 2013 Tetarom Cluj (Data Centre and office building) became operational and the intangible assets increased with the new core banking system.

- *Other expenses*: RON 13.66 million vs. 22.82 million in 2012, the difference being determined by the counter value of foreclosed assets in 2012 (RON 11.8 million).

The operating result of Banca Transilvania was 19% higher than that in the previous year. In 2013, the operating profit amounted to RON 850.48 million, as a result of continuous cost control measures and better business management. The cost / income ratio was 48.75% as at 31.12.2013 (51.79% in 2012) after a series of cost-optimization measures applied in 2013.

The net provision expense: RON 407.38 million, which is 9% higher vs. 2012, of which the net credit risk cost was RON 386.51 million vs. RON 369.66 million in 2012.

The changes in the accounting regulations starting with 2012 led to the creation of reserves available to BT in amount of RON 353.81 million, supporting equity and coming from provisions in additionally established the previous years.

The gross profit realized by BT in 2013 was RON 443.10 million which is 30% higher than that in the previous year (RON 340.76 million). The gross profit was 14% higher than in the budget projections.

BANKING PRUDENTIAL RATIOS (CAMPL):

Among the ratios monitored by the National Bank of Romania under the prudential supervision system, the most significant ones for the bank's evolution are presented below:

No	Ratio	Level	Rating	31.12.13	31.12.12	31.12.11
1	Liquidity ratio	Min =1		2.12-23.59	2.11-19.28	2.32
2	Solvency ratio*	> 8%	1	13.78%	12.16%	12.37%
3	ROA (net profit/total assets, net value)	0.6%-2.9%	4	1.25%	1.14%	0.97%
4	ROE (net profit/ shareholders' equity)	> 11%8 – 10.9%	5	12.79%	12.51%	10.26%

Note: the solvency ratio was determined by taking into account the net profit as at 31. 12.2013 (without profit, the ratio is 12.72%);

The prudential ratios ensure a favorable position of the bank in the banking system. BT has a consistent deposit base, which allowed for an optimum liquidity ratio. Thus, the liquidity ratio as at 31.12.2013 ranged between 2.12 and 23.59 on the 5 maturity bands, much above the minimum level required by the NBR's regulations.

The solvency ratio of BT is at a comfortable level of 13.78%, with the annual profit included. An adequate level of the capital and the general financial ratios was maintained, in accordance with the banking principles.

The ROA and ROE ratios featured a positive trend.

PROPOSALS REGARDING PROFIT DISTRIBUTION FOR 2013 AND SHARE CAPITAL INCREASE

The Board of Directors submits the proposal to distribute the profit in amount of RON 443,102,262 for approval by the General Meeting of Shareholders, as shown in the table below:

PROPOSED PROFIT DISTRIBUTION 2013	AMOUNT (LEI)
Gross profit	**443,102,262**
Tax	68,204,158
Net profit	**374,898,104**
5% legal reserve fund from gross profit	22,155,113
Net profit to be distributed to reserves	**352,742,991**

Also, the Board of Directors proposes to increase the bank's share capital by RON 352,742,991 and for each 100 shares to assign a number of 15.98700072 new shares (respectively to assign new shares corresponding to the ratio of RON 352,742,991/2,206,436,324 shares).

The share capital increase from RON 2,206,436,324 to RON 2,559,179,315, i.e. by the amount of **RON** 352,742,991, will result from the incorporation of the reserve established from the 2013 net profit.

PROPOSED SOURCES FOR SHARE CAPITAL INCREASE	AMOUNTS (RON)
Reserves from the net profit of 2013	352,742,991
TOTAL RESERVES AVAILABLE FOR CAPITAL INCREASE	**352,742,991**
Share capital at record date	**2,206,436,324**
Yield / share %	**15.98700072**

Corporate governance

The corporate governance is a set of responsibilities and management practices aiming to provide a strategic direction and to ensure that its goals will be achieved, respectively to ensure that risks are managed properly and that company resources are used responsibly.

Banca Transilvania S.A. is a joint stock company incorporated in Romania and registered with the Trade Registry under no.J12/4155/1993 with the tax identification no RO5022670.
The bank has its head office in Cluj-Napoca, str. G. Baritiu, nr.8, Cluj County.

The bank operates pursuant to Law no.31/1990 on companies (as subsequently amended) and the Government Emergency Ordinance No. 99/2006 on credit institutions and capital adequacy (as subsequently amended). According to Article 6 in the bank's Articles of Association, its fields of activity may be summarized under the term of banking activities.

The risk identification, assessment, monitoring, control and reporting system has been developed and applied by the bank including in its internal control and management of risks related to financial reporting processes, in order to furnish trustworthy, relevant and complete information to the structures involved in the decision making process and to external users, as well as to ensure compliance with the legal framework for financial reporting and the internal policies and procedures (Annex: declaration about the compliance or noncompliance with the provisions in the Corporate Governance Code)

Banca Transilvania's Management

Board of Directors

BT's management is entrusted by the General Meeting of Shareholders to a Board of Directors elected for a mandate of four years, consisting of seven directors, elected by the shareholders during the GSM – either upon the mandate expiry or on a case-by-case basis, in case of one or more vacancies. In accordance with specific regulations issued by the NBR, the Board of Directors is the supervision authority and has the following structure:

- Chairman of BT's Board;
- Vice-chairman of BT's Board;
- 5 members.

The eligibility criteria are set out in the specific legislation (Law no. 31/1990 on companies, Government Emergency Ordinance No.99/2006 and the specific regulations of the NBR) and the provisions in Banca Transilvania's articles of association.

Currently, Banca Transilvania has a significant shareholder – the European Bank for Reconstruction and Development - EBRD (in accordance with the applicable law and authorized by the NBR to exercise this capacity) – a shareholder who, in accordance with the Articles of Association is entitled to appoint and keep one of the seven members of the Board, (subject to the approval by the GSM).
After the approval of the shareholders and before the actual start of their mandate, the new Board members must obtain the prior approval by the NBR.

The Board responsibilities are:
supervises the achievement of the strategies and objectives provided in the declaration of policies adopted by the GSM, respectively the medium–term strategic plan; approves and reviews the general strategies and policies regarding the bank's activity, at least on an annual basis; adopts the activity plan and the revenues and expenditure budget, the investment program, profit and loss accounts and drafts the Bank's report subsequently submitted for approval by the GSM; prepares the proposals for the distribution of the net profit and submits them for approval by the General Meeting of Shareholders; approves the Rules of Organization and Management, the Code of Ethics and Conduct and the organizational charts, number of employees, their remuneration and additional incentives; approves the individual exposures to related parties within the limits set by the Board; assesses the capital adequacy in relation to risks, performing adequate capital allocations to the assumed risks, both for the bank and for the Group companies.

The Board of Directors approves the package of internal rules. The Board of Directors delegates the remuneration policy for the BT staff to the Remuneration Committee.

The Board of Directors meets at least once a month and whenever it is necessary in the presence of at least half of its members.

The members of the Board of Directors and their professional background as of December 31, 2013:

- Ciorcila Horia – Chairman – Polytechnic Institute in Cluj, Faculty of Computer Science and Automation;
- Marzanati Roberto – Vice-Chairman - Business Administration in Turin, Italy;
- Franklin Peter - Board member - Oxford University, Great Britain;
- Retegan Carmen - Board member – Technical University in Bucharest – Faculty of Electronics and Tele-communication; University of Rochester - Business Administration William E. Simon ;

- Palagheanu Radu - Board member - Polytechnic Institute of Cluj Napoca, Faculty of Electro-technics;
- Ceocea Costel - Board member – University “Al.I. Cuza” in Iasi, Faculty of Economics, PH.D. in industrial engineering
- **Vasile Puscas** – Board member; Faculty of History and Philosophy, “Babeş-Bolyai” University, Cluj-Napoca, PH.D. in history

Audit Committee

The Audit Committee consists of Board members who do not have management positions. It operates under the legal framework, i.e. the International Standards on Auditing, ISA 260-18, 2005-CFAR, the Company Law no. 31/1990, NBR’s Regulation no. 5 of September 17, 2013 concerning the management of credit institutions, the internal assessment of capital adequacy and the outsourcing terms and conditions, BT’s Rules of Organization and Management BT and has the following structure: 3 non-executive Board members.

The Audit Committee has responsibilities regarding: the financial statements - important aspects regarding the accounting principles and the presentation of the financial statements, including any significant changes in the bank's selection or application of accounting principles; internal control – analysis by the internal and external audit of the internal control concerning the financial statements and obtaining reports and recommendations in connection to the findings; internal audit; reporting and other responsibilities.

Remuneration Committee

The remuneration committee is subordinated to the Board and has been created to provide independent opinions on the remuneration policies and practices, on the incentives for risk management, the bank’s capital and liquidity, on the appointment policies and to exercise the powers mandated by the Board of Directors in this field of activity.
Composition of the Remuneration Committee:
-Chairman of the Board
-two Board Members
The committee examines and ensures that the general principles and policies for staff remuneration and benefits correspond to the business strategy, values and long-term objectives of BT.
The Remuneration Committee meets at least twice a year or whenever necessary at the request of one of its members or the bank’s leaders.

Leaders' Committee

The Bank's leaders are appointed by the Board of Directors and, in compliance with the legal provisions in force, they must be authorized by the National Bank of Romania before starting the effective exercise of their function. Under the relevant legal provisions, the Board mandated the bank's leaders jointly (with some exceptions, individually) to exercise the organization and the management of the bank's activity. The rules and procedures for the Leaders' Committee are approved by the Bank's Board of Directors and any modification of this document must be adopted by the Board of Directors and will become effective only after such approval.

Membership of the Leaders' Committee:

- Chief Executive Officer (CEO);
- Deputy CEO - Chief Risk Officer (CRO);
- Deputy CEO - Chief Treasury Officer (CTO)
- Deputy CEO - Chief Operations Officer (COO);
- Deputy CEO- Retail Banking;
- Deputy CEO - Corporate & SME;
- Deputy CEO - Chief Financial Officer (CFO);

Executive Management Committee (EMC)

The Executive Management Committee is subordinated to the Leaders' Committee and has been created to analyze and to provide independent specialized opinions for the segment of responsibilities assigned by the Leaders' Committee.

The EMC members are responsible jointly and individually and report to the BoD with regard to the exercise of the responsibilities assigned to them.

The Executive Management Committee consists of 14 members: the CEO, the Deputy CEOs and 7 executive managers: Chief Executive Officer (CEO); Deputy CEO - (CRO); Deputy CEO - (CTO); Deputy CEO - (CRO); Deputy CEO – (COO); Deputy CEO - Corporate & SME; Deputy CEO-Retail Banking; executive manager/Network & Business; executive regional manager /Oradea**;** executive manager/Risk Management; executive manager / Financial Institutions and International Relations; executive manager / Human Resources; executive manager /Corporate Governance; executive manager /Legal, Workout and Insolvency

Assets and liabilities Committee (ALCO)

The main objective of the ALCO is to manage the bank's assets and liabilities. The committee is appointed by the Leaders' Committee.

The ALCO meetings are held regularly (usually weekly) or, whenever necessary, at the request of any committee member.
The ALCO receives information and reports from the specialized departments, analyzes them and takes decisions with regard to management of the interest rate risk, FCY risk, liquidity risk, price risk and related fields, for a proper management of the bank's assets and liabilities. Decisions contain specific deadlines and responsibilities.

Human Resources Committee (CRU)

The role of the Human Resources Committee is to develop and to increase efficiency of the decisions regarding the BT employees. The committee meets once a quarter or whenever it is necessary at the request of the HR executive manager.
The responsibilities of the Human Resources Committee are the following: approves vacant positions; approves staff employment – up to the position of Operations Manager, included; above this level the competence rests with the Board of Directors; approves promotions and transfers; prepares the policy for remuneration and benefits to be further approved by the Remuneration Committee; modification of payment schemes, bonuses and fringe benefits for employees, according to the remuneration policy of the bank approved by the Remuneration Committee; employee confirmations after the trial period; validation of the annual appraisals for employees; validation of the proposed bonuses based on the annual performance; validation of the proposed awards to employees based on the annual appraisals for employees and in compliance with the remuneration policy of the bank approved by the Remuneration Committee; approval of the training programs, of the participations at conferences and seminars organized in the country and abroad; approval of the decisions for staff layoffs and sanctions; preparation of staff recruitment policies; budget approval for various events organized for employees within the limits of the bank's budget; analysis of the event types generating risks regarding employment conditions, non-compliance with the norms for work safety, promotion of discriminatory practices, staff turnover; periodic reports with precise proposals to the Leaders' Committee about any HR risk; analyzes, authorizes and submits for approval by the Board proposals regarding the number of employees; analyzes, authorizes and submits to the Remuneration Committee the wage grids and the levels of additional incentives.

Loan policy and approval committee (CPAC)

The mission of the Loan policy and approval committee is to establish the bank's lending policy and to approve loans with values or conditions exceeding the competences granted to other bodies or persons in the Bank.
CPAC approves loans to related parties, transactions leading to large exposures or increases in the existing large exposures, within the limits and competence limits approved by the Board of

Directors; such loans are approved unanimously and in the presence of at least one leader. The Loan Workout Committee and the Loan and Risk Committees are subordinated to the Loan policy and approval committee.

Loan and Risk Committees in the Head Office (CCR1 and CCR2)

The main objective of the Loan and Risk Committees in the Head Office is to analyze and approve loans, and loan restructurings, respectively, in accordance with their competence limits.
The Loan policy and approval committee mandates CCR1 and CCR2 to approve loans (the competence is set in the specific internal regulations*).* They analyze and approve the RON and FCY loan requests from the branches under their competence, based on information in the credit reports / credit risk assessment forms.

Loan and Risk Committee in the branches (CCRS)

The main objective of the Loan and Risk Committees in the branches is to analyze and approve loans and loan restructurings, respectively, under their competence limits.
The structure of the Loan and Risk Committees in the branches is meant to match the staff size and structure in the BT branches.

There are 3 types of Loan and Risk Committees at branch level:
a. Loan and Risk Committee for the approval of loans to corporate clients: no. of members, at least 3 persons.
CCRS membership

1. Branch manager;
2. Deputy branch manager / Senior Relationship Manager / Relationship Manager;
3. Head of office - Corporate loans / Loan analyst

b. Loan and Risk Committee for the approval of loans to SME clients, family businesses or self-employed: no. of members, 3 persons.
Committee membership
1. Branch manager;
2. Deputy branch manager / Head of office - Corporate Loans / Relationship Manager
3. Head of office – SME / SME Loan analyst

Regarding the structure of the above committees, i.e. CCRS Corporate and CCRS SME, family businesses or self-employed

- In branches where there are at least two loan analysts, the loan analyst who prepared the loan file will not vote in CCRS.
- In branches with one loan analyst, he/she will be a member of the CCRS and can vote the files he/she has prepared.

The legal advisor (expert consultant, at the request of the Loan and Risk Committee; no voting right).

c. Loan Committee for the approval of loans to Retail clients:

Committee membership

1. Branch manager;
2. Deputy branch manager / Head of office – Retail loans
3. Loan analyst/ Client advisor/ Head of agency (for the documentation related to the coordinated agency)

The legal advisor (expert consultant, at the request of the Loan and Risk Committee; no voting right).

Committee for Loan Remediation (CRC)

The Committee for Loan Remediation and Workout is mainly focused on analyzing and deciding with regard to the implementation of the remediation solutions proposed by the Department for Loan Remediation and Workout. The remediation solutions aim at remedying the situation of the selected customers facing difficulties, who cannot sustain their current debt service from their current business or at finding appropriate solutions to increase recovery.

CRC is mandated with the following powers:

- to select the client portfolio to be managed by the Department for Loan Remediation and Workout, to establish the measures for the recovery and / or ongoing relationship with selected clients (replacement operations, interest calculation stop, foreclosure, initiating the insolvency procedures, etc.).

- to approve and to submit for approval by the Board debt write-off proposals for those portfolio clients for which all legal recovery measures have been exhausted.

RELATIONS WITH SHAREHOLDERS AND INVESTORS

The development of the General Meetings of Shareholders, as well as the shareholders' rights and obligations are governed by Law no. 31/1990 on trading companies and Law no. 297/ 2004 on the capital market.

The bank issues periodical reports, providing relevant information to the bank's shareholders.

FINANCIAL CALENDAR 2014:

Each year, Banca Transilvania prepares an information financial calendar for its shareholders, whereas such calendar is made public both on BT's website/Investor Relations/Financial calendar and on the site of the Bucharest Stock Exchange. (www.bvb.ro).
The calendar for 2014 is presented below:

Presentation of preliminary financial results	13.02.2014
General Meeting of Shareholders	29.04.2014 (first convening) 30.04.2014 (second convening)
Presentation of the annual financial results 2013	29.04.2014
Presentation of the financial results Q1 2014	29.04.2014
Presentation of the financial results H1 2014	01.08.2014
Presentation of the financial results as at 30.09.2014	30.10.2014

RISK MANAGEMENT

Risk management is part of all decision-making and business processes in Banca Transilvania. BT's management:

- continuously assesses the risks likely to affect the bank's business and goals and takes actions whenever any changes appear in its business conditions
- ensures an appropriate framework for the management of the bank's activities in accordance with the bank's structure, business and inherent risks, through its regulatory system (strategies, policies, rules, procedures, regulations) and controls (by individuals, departments, committees), operational flows, determination of specific costs.

- **Risk identification**: the bank's exposure to business-related risks in its daily operations and transactions (including lending, dealing, and capital market operations) is identified and aggregated in the bank's risk management infrastructure
- **Risk evaluation/measurement**: the bank performs an evaluation of identified risks by specific models and calculation methods: a system of ratios with related limits, a methodology for assessing the risk events likely to generate losses, calculation of specific risk provisions for impaired assets, estimation of the future evolution of assets' value, etc.
- **Risk monitoring and control**: the policies and the procedures implemented for an effective risk management are meant to mitigate risks inherent to the bank's business. The bank implemented procedures for the supervision and approval of decision and trading limits per person/ unit/ product etc. Such limits are monitored daily/ weekly/ monthly depending on operations.

- **Risk reporting**: the internal reporting of risk exposures is performed by departments based on business lines and consolidated at the level of the whole bank. The management is informed permanently about the risks inherent to the bank business.

- **Calculation and assessment of capital and capital requirements**: for the assessment of capital adequacy to risks, the Bank identifies and evaluates all significant risks to which it is or might be exposed. The Bank continuously calculates and assesses its internal capital and internal capital requirements to cover the bank's business needs and risks.

There are 7 categories of significant risks at the bank's level: credit risk, liquidity risk, operational risk, market risk, interest rate risk outside the trading portfolio, reputation risk and strategic risk.

CREDIT RISK

The management of credit risk is periodically updated and improved. It is designed to cover all credit exposures deriving from the banking business and includes the following basic components:
• risk assessment system for transactions
• risk assessment system for new credit products / significant changes in the existing products
• active management of loan portfolio;
• regional /sectorial/ product/client concentration limits
• pricing methodology based on risks
• individual counterparty rating system
• methodology for loan monitoring / review after credit granting

• methodology for credit risk provisioning
• methodology for the calculation of prudential adjustments

The management of credit risk consists mainly in:

- the organization of a proper system of norms and procedures establishing the regulatory framework for the lending process in order to avoid or to minimize risks;

- developing/improving credit risk management procedures (strategy, policies, norms for credit risk management)
- management of own funds (monitoring aggregate exposure vs. own funds), simulations of capital requirements, compliance with internal rules regarding capital adequacy (assessment of capital adequacy to risks); preparing the implementation of Basel III
- maintenance and periodical review of a hierarchical system for the approval of loan exposure limits;
- monitoring credit risk on business lines and at portfolio level;
- management of critical exposures (loans classified into inferior performance categories, loans presenting signs of depreciation, etc.).
- organizational structure of the bank – there are departments and committees with responsibilities in credit risk supervision and management.

LIQUIDITY RISK

The liquidity risk profile adopted in 2013 was "medium-low" due to the structural correlations of the bank's assets and liabilities, namely the mix of instruments designed for the use of temporary liquidity excess and the weight of stable resources raised from clients in total funds. Liquidity management is centralized.
The main principle in determining the types of instruments used by the Treasury in order to use temporary liquidity excess is the easy convertibility into cash, without affecting the initial yield of investments, notably their profitability.
For a sound management of liquidity risk, the bank is constantly concerned with raising liquidities via treasury operations, external financing, capital markets, etc. During 2013, the Bank recorded 1st rank liquidity ratios, indicating a comfortable liquidity in a general economic context still fragile.

Attention is given to:

- correlate the growth pace of resources/loans;
- diversify the range of instruments correlated with the institution's risk appetite
- adequate capital allocation; preparation for Basel III.

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 monitors continuously the operational risks relating to the current activities of clients, banking practices, frauds, application of the management decisions, ethical aspects involving BT employees.

In order to reduce such risks, the bank implemented policies, norms and procedures, thus improving operational risk governance. Operational risk exposures are diminished through a permanent update of regulatory documentation in line with the legal regulations and market conditions, via staff training, constant improvement of IT solutions and consolidation of the bank's security systems, the use of additional means to reduce risks (insurance policies against risks), use of applications and specific tools to monitor transactions and banking activities in general in order to mitigate operational risks, including the risk of internal and external fraud, the application of measures to limit and to mitigate the effects of operational risk incidents, the application of the recommendations and the conclusions resulting from the control carried out by internal and external bodies, the update, evaluation and testing of business continuity plans on a regular basis.

Relevant information in terms of operational risks, including the material losses are tracked and analyzed systematically, as part of the risk management system of the bank. This information is translated into specific reports (which contain graphics, quantitative and qualitative evolutions) that are periodically presented to the internal control committees, the Leaders' Committee and the Board of Directors. The operational risk assessment is closely related to the bank's overall risk management: its results are part of the operational risk monitoring and control process and is constantly compared with the risk profile defined in the risk management strategy.

MARKET RISK

The market risk profile adopted by Banca Transilvania was ”medium-low” due to the structure and size of the trading portfolio, the prudential approach of all operations running such a risk and the numerous limits implemented and daily monitored within the bank’s current business.

In order to reduce 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 and independent factors.

Banca Transilvania performs a daily evaluation of all banking positions, marking to market its trading book, monitoring “warning” or “alert” levels, using backup plans in case of unstable market conditions.

INTEREST RATE RISK OUTSIDE THE TRADING BOOK

The interest rate risk profile in activities outside BT’s trading book is “low", the bank adopting a set of strict principles for the management and monitoring of such risk.
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 national currency. The bank uses management tools such as GAP analysis, static or dynamic and the economic value of assets.

REPUTATION RISK

The reputation risk is the risk to incur losses or to fail in achieving estimated profits due to the lack of public confidence in the integrity of the bank.

The reputation risk profile was “low” by maintaining the confidence of the public and of the business partners in the bank’s integrity, economic and financial position. The management of the reputation risk is based on undertakings in order to attract the best partners, both clients and suppliers; on the recruitment and retention of best employees, on the management of litigations, strict regulations, prevention of crisis situations and the consolidation of the bank’s credibility and the shareholders’ confidence, improving the relationship with shareholders; on the establishment of a more favorable environment for investments and access to capital; and on continuous and open communication with stakeholders (shareholders, mass-media, clients, partners, employees, authorities, etc.).

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. The bank's strategic risk profile is “low" based on the following aspects: risk management practices are an a part of BT’s strategic planning, the exposure to strategic risk reflects strategic goals that are not excessively “aggressive” and are compatible with the developed business strategies, the business initiatives are well designed and supported by communication channels, operating systems and adequate delivery networks.

COMPLIANCE RISK

Compliance risk refers to possible sanctions stipulated in the regulatory framework, financial losses or damages to BT’s reputation, as a result of the bank's non-compliance with regulatory provisions, with its own rules, standards and codes of ethics and conduct specific for the market or industry.

In BT’s perspective, compliance risk relates to compliance with a broader regulatory framework which is not strictly related to banking activities, namely compliance with labor law and work safety and protection legislation etc.

The objectives of compliance risk management are: identification of compliance risks, compliance risk assessment, compliance risk monitoring, and compliance risk reporting.

The compliance function, which is responsible for compliance risk management, has the role to assist the management structure in identifying, assessing, monitoring and reporting compliance risk related to the bank’s activities.

In BT, the compliance function is approached separately from the risk management function and the audit function, but the bank's internal regulations provided for mechanisms to ensure a close cooperation between these three functions.

INTERNAL AND EXTERNAL AUDIT

In 2013 the Internal Audit Department audited 32 branches (25 branches - full audit topics, 7 branches - partial topics (loans and operations), including related agencies, 251 agencies, HQ departments and 9 subsidiaries, covering the whole audit plan proposed for the year 2013.
At the end of 2013 the Audit Department had 24 employees.
The general objectives of the 2013 audit focused mainly on risk management as well as the assessment of the overall control system implemented on transactions and / or processes / flows, covering the entire range of risks.
The evaluation of the control system covered both support areas and business lines, according to the Internal Audit Statute and the International Audit Standards.
The external auditor of the bank - KPMG Audit SRL - audited the financial statements of the bank as at December 31, 2013.
According to the audit opinion, the financial statements reflect in all significant aspects the bank's financial position, the individual result and cash flows in conformity with the International standards of Financial Reporting endorsed by the European Union.

BANCA TRANSILVANIA GROUP POLICY

BT Financial Group's strategy integrates the entire offer of products and services under Banca Transilvania brand, thus providing integrated financial services.

The purpose is to improve cross-selling and to better use the synergies at the level of BT Financial Group, as well as to develop the subsidiaries' business both through organic growth and acquisitions on business segments with growth potential.

Banca Transilvania is the core component of BT Financial Group, promoting a group level strategy to extend the range of financial services offered to its clients. The group has 14 companies operating in banking, investment management, consumer finance, leasing and real estate.

The entire range of financial products provided by the bank and the Group's subsidiaries are offered to customers through the bank's network.

BT Financial Group offers banking products and services, investment management, financial and operational leasing, respectively capital market services.

MEMBERS OF BT FINANCIAL GROUP

The Bank ensures an adequate level of capitalization to its subsidiaries, improving risk management by involving the bank's audit and compliance functions.

The gross value of investments in the group at the end of 2013, according to the International Standards for Financial Reporting adopted by the European Union, dropped by 32% compared to 2012, respectively from 171,25 mill. lei to 115,96 mill. lei.

The group subsidiaries in which BT holds direct participations are:

Subsidiary	Business profile	% Direct Equity investment	% Total Equity investment
BT Securities SA	Investments /brokerage	98,68%	98.68%
BT Leasing Transilvania IFN SA	Leasing	51,72%	100,00%
BT Investments SRL	Investments	100,00%	100,00%
BT Direct IFN SA	Consumer finance	93,70%	100,00%
BT Building SRL	Real estate	4,17%	100,00%
BT Asset Management SAI SA	Management of assets	80,00%	80,00%
BT Compania de Factoring SRL	Factoring	99,46%	100,00%
BT Leasing MD SRL	Leasing	100,00%	100,00%

In 2013, the following changes occurred in the bank's direct investments:

- Medical Leasing IFN SA merged by absorption with BT Leasing IFN SA, the investment in BT Leasing IFN SA in this process being of 17.8 million (at the end of 2012 it was 11.82 million lei).
- the bank's participation in Compania de Factoring was increased by 19 million lei, the ownership percentage after this operation being 99.46%.

ENVIRONMENTAL POLICY

Environmental protection is a commitment of Banca Transilvania, which aims at developing specific activities, in addition to complying with the environmental legislation. An example in this respect is Banca Transilvania's involvement in the "Transylvania reforestation" project, which took place in the village of Vistea, Cluj County.

The bank developed a partnership with the European Bank for Reconstruction and Development to finance company projects in order to enhance production performance energy efficiency.

The Bank has implemented an environmental and social risk management system aiming to identify and to monitor environmental and social risks associated with projects financed by the bank.

As regards the bank's customers, compliance with environmental and social legislation in force and the use of appropriate social and environmental practices are important factors which prove the effective business management.

CORPORATE SOCIAL RESPONSIBILITY

In addition to its business objectives, Banca Transilvania is socially involved via the following foundations: "Cluj has Soul", "BT Charity" and "Transilvania". The "Cluj has Soul" foundation is the greatest social project initiated and developed by BT, helping young people between 14 and 20 years old (from underprivileged families or under social care) to have a better life.

In over 6 years of activity, the foundation provided assistance to 1.600 teenagers.

Other projects in which the Bank was involved:

1. "Crosul BT" - a traditional running competition, which had a humanitarian component in 2013.
2. "Padurea Transilvania" project – is part of BT's social involvement and responsibility program "Banca Transilvania - prietenoasa cu mediul". The Bank intends to contribute to the environment's preservation and restoration by planting 40.000 trees (10 ha of land).
3. "Antreprenoriat social" – is a social entrepreneurship program organized by Banca Transilvania and the Romanian Entrepreneurs Club, which provides a good career starting point for graduate students and professionals interested in social entrepreneurial management.
4. My Money Week - project for pre-university students from Cluj-Napoca, initiated by the International School in Cluj, which aimed at teaching youth about personal finance management.
5. COUNT on education! - one of the newest projects of social involvement supported by BT.

The program consists of courses in financial and entrepreneurial education offered to nearly 2,000 students aged between 7 and 18 years, from 16 schools in the counties of Cluj, Alba, Bihor, Salaj, Maramures, Sibiu, Satu-Mare and Bistrita-Nasaud.

6. Cluj Students Month - the biggest event for university students, organized by the Association of Student Organizations in Cluj. The total number of attendees was estimated at 20,000 people.
7. “Crosul companiilor” – a running competition dedicated exclusively to company employees in Cluj-Napoca and Oradea.

OTHER INFORMATION

Regarding the preparation of individual financial statements in accordance with International Financial Reporting Standards adopted by the European Union and the performance of financial-economic activity

The information in the individual financial statements for the 2013 exercise is based on the accounting rules provided by the Law no. 82/1991, as further amended and completed, NBR Order no.27/2010 for approving the accounting rules under International Financial Reporting Standards adopted by the European Union, as modified and completed by the NBR Order no. 29/20.12. 2011, NBR Order no.1/30.01.2013, and other NBR instructions in the field.

The obligations to the state and local budget and special funds were correctly determined and the related payments were made according to the legal provisions.
The statement of financial position, the statement of income, the cash flow statements, the changes in shareholders’ equity, the accounting policies and the explanatory notes were prepared in compliance with the Order 27/2010 for approving the accounting rules under International Financial Reporting Standards adopted by the European Union, as further modified and completed. The items in the balance sheets correspond with the data in the trial balance and truthfully reflect the assets determined under the annual inventory.

The revenues, expenditures and individual financial results for 2013 are reflected accurately in the income statement and the proposals for net profit distribution are in accordance with the laws in force.

The Bank calculated and paid monthly its tax obligations to the state budget and special funds and its quarterly /by-annual obligations to the local budget and made anticipated payments on a quarterly basis in accordance with legal regulations.

The assets’ inventory process was carried out according to the Accounting Law no. 82/1991, as further modified and completed, the Governmental Emergency Order no. 99/2006, as further modified and completed, the Order no.2861/2009, as further modified and completed, its results being truthfully reflected in the balance sheet.

No events were recorded after the balance sheet date likely to have an impact on the 2013 financial statements.

INFORMATION ABOUT THE PROJECTED EVOLUTION OF THE BANK IN 2014

QUANTITATIVE OBJECTIVES FOR 2014

- Total assets: 7% increase
- Total loans: 9% increase
- Total deposits from clients: 9% increase
- Cost / Income: maximum 47%
- Loans / Deposits: 74%
- Maximizing return on capital (ROE);
- Consolidation of the 3rd position on the cards market -> 2.170.000 cards;
- An agriculture department to provide expert advice in the network
- Extension of Western Union transfers via mobile Banking;
- Finalizing the new Data Centre and Operational-Building;

QUALITATIVE OBJECTIVES for 2014

- Achieving the specific steps for the implementation of the new CRM Oracle-Siebel application. The transition to the new application is scheduled for April 2014
- Developing, testing and validating the issuance of contactless cards. Their inclusion in BT offer in February 2014
- Developing, testing and preparing the issue of PINs to activate cards via SMS. The launch is planned for early 2014.
- Maintaining and strengthening the 3rd position in the banking system in terms of assets.
- Improving the loan portfolio quality;
- Orientation towards the agricultural sector and to project co-financing from EU funds;
- Online and 24/7 processing of BT24 Internet Banking and Mobile Banking transactions ;
- Simplifying the process of client enrolment;
- A new application to make banking statements available in all bank units and via BT24 Internet Banking
- Implementation of a new WU transfer solution via Mobile Banking, which is a premiere in Romania

INVESTMENT PLAN FOR 2014

Investment budget for 2014:

- Branches + buildings — RON 41,68 million
- IT investments and Cards — RON 55,92 million
- Other — RON 12,07 million

Bank investments	**RON 109,67 million**
Subsidiary investments	**RON 6,00 million**

PROPOSED BALANCE SHEET AND INCOME STATEMENT FOR 2014

The estimation of ratios for the year 2014 was based on individual financial statements prepared in accordance with International Financial Reporting Standards adopted by the European Union, this being the single reporting framework for credit institutions in Romania since January 1, 2012. In designing the ratios for 2014, an average inflation rate of 3.4% and an exchange rate of EUR / RON 4.45 were considered.

The assets are expected to increase by 7% compared to the 2013 level (up to 34.348 mill. lei). In the assets structure, the estimated loan weight is over 60 %, cash and cash equivalents of 17 % and security investments of 29 %.

As regards the structure of liabilities in 2014, the increase of customer deposits vs. 2013 is estimated to be 9%, with a weight of 82 % in total liabilities.

The budget ratios for 2014 submitted to the GSM approval are determined in order to support the proposed business objectives and are correlated with prudential and supervisory standards.

Individual financial statements and profit and loss proposed for 2014 are as follows:

BUDGET OF REVENUES AND EXPENSES 2014

Million lei

FINANCIAL STATEMENTS	**ESTIMATED 2014**
Cash and cash equivalents	5.836
Securities	9.800
Loans to customers	20.861
Loan provisions	-2.899
Fixed assets	482
Equity investments	79
Other assets	189
Total Assets	**34.348**
Shareholders' equity	3.485
Subordinated loan	561
Deposits from customers	28.133
Deposits from banks	1.956
Other liabilities	213
Total Liabilities	**34.348**
PROFIT & LOSS ACCOUNT	**Estimated 2014**
Net income from securities	515
Net interest income	749
Net commission income	401
Trading profit/loss	145
Contribution to guarantee fund	-72
Other income	39
TOTAL OPERATING INCOME	**1.777**
Staff expenses	459
Operating expenses	376
EXPENSES	**835**
PROFIT BEFORE PROVISIONS	942
Provisions	430
TOTAL EXPENSES	**1265**
GROSS PROFIT	**512**

Considering the information presented in this report, we submit to discussion the activity performed by the bank in 2013 and we propose to the General Shareholders Meeting the approval of the following statements:

- Individual financial statements
  1. Individual Profit and loss account and Individual statement of profit or loss and other comprehensive income
  2. Individual Statement of financial position
  3. Individual Statement of Changes in shareholders' equity
  4. Individual Statement of cash flows

Prepared in compliance with the NBR Order nr. 27/2010 approving the accounting rules under International Financial Reporting Standards adopted by the European Union, as modified and completed, the Accounting Law no. 82/1991, the Gov. Emergency Order 99/2006 together with the Directors' Report and the Independent Auditor's Report

- Distribution of 2013 profit;
- Proposed share capital increase;
- Proposed Budget of revenues and expenses and the Investment plan for 2014.

Board of Directors
Chairman
HORIA CIORCILA