



BANCA TRANSILVANIA®

SWIFT: BTRLR022

Capitalul social: 2.608.623.861 RON

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Report from the Board of Directors

Banca Transilvania

- 2014 -

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MACROECONOMIC CONSIDERATIONS

Macro-financial discrepancies, geopolitical tensions/conflicts and crude oil prices drop are a few of the global important events of the year 2014. On the other hand, the annual GDP dynamics in the Eurozone was positive (after 2 years of depreciation), but deflation relapsed in the area by the end of the year within the context of the serious decline in oil prices at international level.

The financial economy background in 2014 was characterised by divergent attitudes and perspectives in terms of monetary policies in the world's main economic blocs. In the United States, FED signed the 3rd monetary easing program (QE III) and declared the start of the interest rate stabilisation process in 2015. In the Eurozone, the Central European Bank reduced to 0.05% (minimum historical level) the interest rate within the monetary policy and announced the implementation of new unconventional measures (adopted on the occasion of the first meeting in 2015) to counteract deflation and to support credit and productive investment re-launching in the region.

The European banking sector continued to adjust in 2014, with positive implications in terms of investor confidence (both shares and bonds issued by banks). Thus, European banks continued to restructure their assets (particularly those with high risk degree) and consolidate their own funds (share capital increase operations of over EUR 50 billion through share issues and of EUR 40 billion through convertible bond issues).

Moreover, in 2014 the European Banking Authority and the European Central Bank performed stress tests and assessed the assets quality with respect to European banks.

Stress test results indicate the fact that, in case of the adverse macroeconomic scenario, the capital adequacy ratio at the level of European banks would reduce from 11.1% to 8.5% between 2014-2016 (cumulated impact of 260 basis points), and 24 out of 123 assessed financial institutions would record a capital adequacy ratio below 5.5% in 2016.

In Romania, the adjustment of the banking sector continued in 2014. Following the recommendation of the National Bank of Romania in the first part of the year, banks have accelerated the non-performing loans restructuring process.

Coordinates of the Romanian economic and banking environment in 2014:

The dynamics of the Romanian economy tempered in 2014, because of the significant deterioration of net foreign demand within the context of export deceleration and import

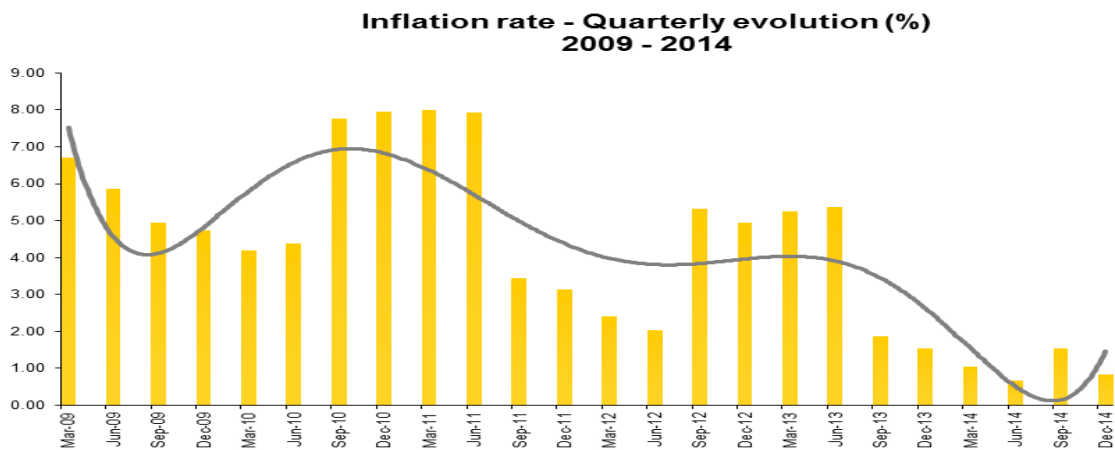
acceleration. The contribution of internal demand in GDP dynamics improved considerably in 2014, being determined by the revival of private consumption (annual dynamics of ~5%, the best from 2008 up to now).

Productive investments (gross fixed capital formation) continued to decrease in 2014, with a slight inflexion in Q3 (quarterly increase of 0.9%, according to the data of the National Statistics Institute).

In terms of aggregate offer, the domestic economy dynamics in 2014 was sustained by the following activity segments: trade/transport/hotels & restaurants, real estate, information and communication technology. The primary sector (agriculture, forestry, fishery) was stagnant, whereas the construction industry depreciated, given the unfavourable evolution of public and private investments.

In the financial economy field, the average annual inflation slowed down to a minimum historical level of 1.07%/year in 2014. This evolution was mainly caused by offer-related factors, within a context characterised by the lack of pressure in terms of demand due to the decrease in productive investments. The prices of food products decreased by 1.63%/year, considering the agricultural production from 2013/2014, but also the sanctions imposed by Russia on EU imports. The prices of non-food products increased by only 2.45% /year, being influenced also by the oil price decline in the second half of the year. Last but not least, the cost of services increased by 3.16%/year.

The recent evolution of international prices for goods, as well as the perspectives concerning the agricultural year 2014/2015, indicate the inflation persistence in 2015 below the level of 2.5% targeted by the National Bank of Romania.

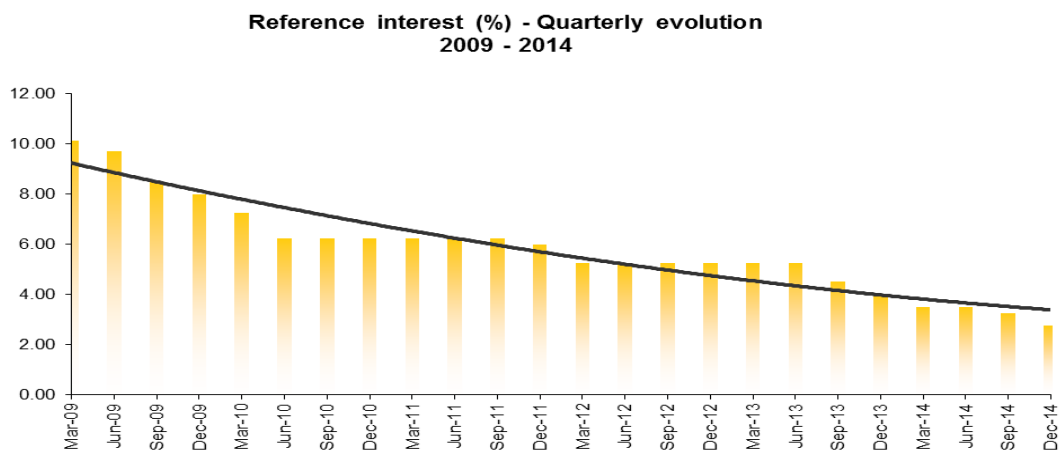


Source: INSSE

The deceleration of inflation and inflationary expectations in the medium term, as well as the improvement in the investment risk perception in Romania (S&P Agency upgraded Romania's investment rating in May 2014) within a context characterized by the decline in lending volumes and productive investments, have determined the National Bank of Romania to continue the monetary policy relaxation in 2014.

In this respect, the NBR reduced the monetary policy interest rate from 4% to 2.75%. Additionally, the NBR decreased the level of the minimum required reserves from 15% to 10% for RON, respectively from 20% to 14% for FCY.

These monetary policy decisions were transposed within the banking sector both in terms of loan & deposit interest rates (decreasing to minimum historical levels), and in terms of liquidity requirements.

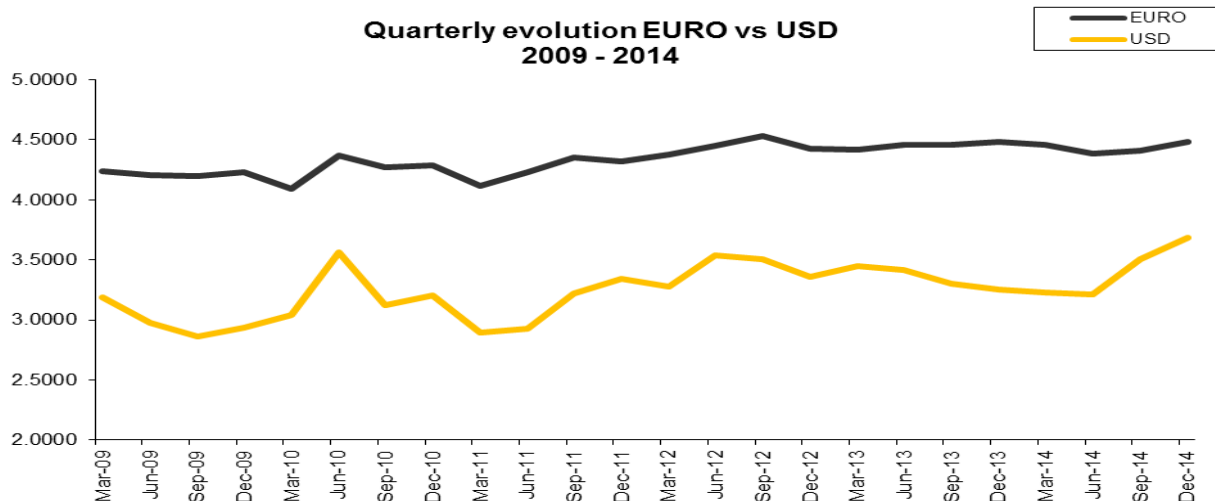


Source: NBR

In 2014, the financial market was influenced by the international macro-financial climate, the regional geopolitical tensions (the crisis in Ukraine) and the national macroeconomic developments, a notable aspect being the resistance to the electoral context in autumn, notably the presidential elections in Romania.

The foreign currency market was marked by a relatively stable evolution of the EUR/RON exchange rate: average level of 4.4446 in 2014, 0.6% higher compared to 2013. At the end of 2014, the official exchange rate EUR/RON (NBR) levelled 4.4821, 0.1% lower compared to the similar period of 2013.

The average USD/RON exchange rate was of 3.3487 in 2014, 0.6% higher compared to 2013. At the end of 2014, the USD/RON exchange rate communicated by the NBR was of 3.6868, 13.3% higher vs. 31.12.2013. This evolution was determined by the appreciation of the US dollar against the Euro in 2014, in the context of the monetary policy discrepancies (USA vs. Eurozone). The USD/RON exchange rate is a cross rate between EUR/RON and EUR/USD rates.



Source: NBR

All in all, 2014 was the year of balance between loans and deposits in the Romanian banking system, under the influence of the following factors: severe decline of interest rates (to new minimum historical levels) and the maintenance of a relaxed monetary policy in a medium-term perspective; the adjustment of the financial and banking sector and the continuation of the disintermediation process (at internal level mainly the FCY component); persistence of a difficult investment climate in the real economy, reflected in the decline of total lending to companies (by 4.2%/year).

Thus, in 2014, the total non-governmental credit decreased on average by 2.9% /year (to RON 211.7 billion), evolution determined by the drop of the FCY component (by 8.7%/year, to RON 119 billion). On the other hand, the non-governmental credit in RON increased by 6.6%/year, to RON 92.6 billion.

Non-governmental deposits increased on average by 6.9%/year in 2014, with an obvious dynamics in RON deposits (+9.1%/year): retail deposits increased by 6.3% and company deposits by 13.3%. Moreover, FCY deposits also grew in 2014 by an average of 3% per year. The increase was of 2.2%/year on retail and 4.4%/year on company deposits.

The loans/deposits ratio dropped from 101.3% in December 2013 to 91.3% in December 2014 (minimum historical level). The loans/deposits ratio with respect to RON was of 59.8% in December 2014, slowing down from 60.1% as at December 2013. On the FCY side, the loans/deposits ratio dropped from 180.8% in December 2013 to 154.6% in December 2014.

The NBR figures indicate a volume of assets in the Romanian banking system amounting to RON 351.4 billion at the end of Q3 2014 (0.3% lower as compared to Q2, 0.6% lower as compared to Q3 2013, respectively 3% lower as compared to the end of 2013).

The acceleration of the process linked to non-performing assets restructuring (started in the spring of 2014) was reflected in the decrease of NPL ratio at national level from 20% in Q1 to 14.95% in November 2014.

The recent evolution of prudential ratios confirms the stabilisation and gradual recovery of the banking system.

The Romanian banking system returned to loss in 2014 (RON 3.6 billion in January-November), after the profit of RON 497 million in 2013. This evolution was caused by the intensification of the process related to non-performing assets restructuring, upon the NBR recommendation.

Nevertheless, the national banking sector is overall stable, given the high solvency ratio: 17.06% at the end of September 2014, much above the minimum recommended levels.

BANCA TRANSILVANIA IN 2014: OBJECTIVES VS. ACHIEVEMENTS

On the 10th of December 2014, the bank signed a contract for the purchase of 99.999% of the Volksbank Romania SA share capital, a transaction which is scheduled to be fulfilled during the year 2015. The acquisition of Volksbank is an opportunity for Banca Transilvania and the alternative conversion solutions are a social responsibility for our Bank to support of the clients in difficulty conditions of Volksbank Romania and not an obligation derived from any court decisions.

Based on the volume of assets, the market share rose to 9.78% at the end of 2014, Banca Transilvania consolidating its third position among the top banks in the Romanian banking system.

The most important awards obtained by Banca Transilvania in 2014 were:

- Best Bank in Romania, Global Finance;
- BT, Bank of the Year 2014, Financial Market;
- 3 awards in the area of cards:
 - Debit Champion from Visa;
 - Romania Excellence Award for Involvement in Financial Education from the Visa;
 - Romania and best results of a program on the card market for the STAR Program from Finmedia;

- Award "For the largest growth in the banking system" from Ziarul Financiar;
- Omer Tetik, General Manager of BT, "Manager of the Year 2014", Gala Wall Street;

QUALITY OBJECTIVES established and achieved by BT in 2014:

- Implementation of the new IT solutions (CRM Oracle Siebel) aiming at increasing sales efficiency;
- Maintaining and strengthening its top position, ranked the 3rd in the banking system, in terms of assets going up from 8.85% to 9.78%;
- Continuous growth in traditional business lines (Retail and SME);
- Development and certification of contactless cards and including them on the Bank's offers;
- Maintaining/improving the loan portfolio quality;
- Focus on the agriculture sector and co-financing projects with EU funds;
- Improving risk management and control systems;

QUANTITATIVE OBJECTIVES assumed and achieved by BT in 2014:

ITEMS	PROPOSED	ACHIEVED
Total Assets	34.35 billion RON, 4 % higher than in 2013	35.62 billion RON, 11% higher than in 2013
Gross profit	511 million RON, 15 % higher than in in 2013	505 million RON, 14% higher than in 2013
Deposits from clients	28.13 billion RON, 9 % higher than in 2013	30.05 billion RON, 16 % higher than in 2013
Loans and advances to customers	20.86 billion RON, 8.8% higher than in 2013	20 billion RON, 4% higher than in 2013
Shareholders' equity	13% higher than in 2013	3,702 million RON, 20 % higher than in 2013
Cards issued in 2014	2.2 million cards	2.3 million cards
BT 24	500,000 users	520,946 users
Loan/deposit ratio	under 0.74	0.67
BT24 Transactions Internet banking and Mobile Banking	BT24 Internet Banking transaction processing and 24/7 Mobile Banking	Achieved
Internet Banking and Western Union	Extension of the Western Union platform to Mobile Banking	Achieved, premiere on Romanian market
Investment budget	24.92 million euro (VAT included)	10.27 million euro (VAT included)

BUSINESS LINES PERFORMANCES IN 2014

CLIENT BASE EVOLUTION:

The number of active clients per business lines increased in 2014 by 7% as compared to the previous year, being structured as followed:

BT Clients	31.12.2014	31.12.2013	2014/2013
Corporate*	9,840	9,336	5%
SME*	165,993	152,174	9%
Retail	1,718,191	1,602,771	7%
TOTAL	1,894,024	1,764,281	7%

** 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.*

In 2014 the first tranche of the EUR 20 million funding under the JEREMIE program of the European Investment Fund was drawn, the first tranche of the EUR 10 million under the ROSEFF program signed with EBRD was committed, EUR 15 million loans were granted of under the EEEF program signed with Deutsche Bank.

CORPORATE BANKING

In 2014 the corporate business line developed an efficient activity having a constant growth both in loans balance and account movements made by corporate and large corporate clients. The corporate loan portfolio grew by 1% in 2014 from the previous year, reaching a loan volume of 9,975 million RON, despite a higher credit balance in off-balance and provisions in proportion of 100% (382 million RON) for bad loans. New loans in cash were 5.3 billion (of which 1 billion RON to the Agribusiness sector), while the non-cash facilities were in value of 1.3 billion RON. The resources raised from corporate clients by the end of 2014 were 35% higher than those in 2013, reaching 7,833 million RON. On the 31th of December 2014, the Corporate business line had a portfolio of 9,840 active clients. An important aspect of risk portfolio is the average ticket for corporate loans (cash and non-cash), which was 842 thousand RON, which indicates a good dispersion of risks. Were awarded a total of 7,800 new loans to corporate clients.

SMALL AND MEDIUM ENTERPRISES (SME'S):

On 31.12.2014, the number of active SME clients was 165,993 which is 9% higher than in 2013. The resources generated by the SME business line increased by 24% in 2014, reaching 3,617 million RON. The income from operations increased by 22.3% vs. 2013. The SME loan portfolio was 2,579 million RON at the end of 2014, which is 4% higher than in the previous year by (despite the bad loans recorded in off-balance and provisions in proportion of 100% in value of 239 million RON). More than 18,200 new loans were granted in 2014 totalling over 1.8 billion RON, with an average value of less than 100 thousand RON. The campaign launched in February 2014 named "All for SME's", which consisted in offering a payment free period of 3 months for new products, brought the bank more than 6,800 new SME clients.

EVOLUTION OF BUSINESS SECTORS

The business sectors had a very dynamic development in 2014, contributing substantially to the increase both in balance of loans to companies and the account movements as well as non-credit products accessed by clients as follows:

The *Healthcare Department* reached a balance of 973 million RON, which is 8% higher than in 2013 with 2,605 new loans granted to medical offices.

The *Agribusiness sector* recorded an exponential growth of 80% vs. 2013, reaching a credit balance of over 1.4 billion RON in total 1,940 loans granted last year.

The year 2014 was very good for European co-financing, which increased by 114% vs. 2013, reaching over 531 million RON.

Financing in the factoring system totalled almost 1 billion RON, which is 19% higher than in 2013.

The *Transaction Banking Department* in 2014 brought a 17% increase to total income from operations in all business lines for companies

RETAIL BANKING

In 2014 the retail area brought consistent growth for the bank, value of total retail loans being 2,099 million RON. The loans related to this segment increased BT retail investments by 10% vs. the previous year, reaching 7,467 million RON, given the write-off loans in amount of 138 million RON. The resources from retail clients in 2014 amounted to 18,595 million RON, which is 9% higher than the level recorded in 2013 (17,079 million RON).

In 2014 BT consolidated its third position as a card issuer both in the number of cards (2,346,194) and volumes, where its market share reached 17.9%. The card portfolio increased by 21% in the last 12 months. The Star BT program increased transactions with retailers on credit cards by 58% in 2014 vs. 2013.

The bank had a number of 929 ATM's, 21,159 POS's and collaborated with more than 450 retailers using e-commerce. The BT 24 internet banking rose by more than 33% to reach a number of almost 520,946 clients in 2013. The number of clients using mobile banking BT24 rose from 58,000 in the previous year to more than 83,000 clients on 31.12.2013.

On 31 December 2014, the active retail clients were 1.718.191, which is 7% over the number in 2013.

TREASURY:

Due to higher liquidities on financial markets and considerable growth in volumes traded on stock market (bonds, T-bills), the bank managed to fructify such opportunities by increasing both its holdings with 21.40% and the income from these activities by 66.40% vs. the previous year.

Due to increase of treasury operations the FX volume activity was raised by 12% over the level of previous year and the number of operations was higher with 21% than previous year.

The treasury activity increased in 2014 primarily based on higher operations volume with fixed income instruments, so the AFS portfolio increased by 21%.

OPERATIONAL / IT PERFORMANCES:

The objectives proposed and achieved in 2014 were:

- The first module of the CRM Oracle-Siebel application was implemented in April 2014. The second module of the application dedicated to loans for companies is expected to be implemented in the second half of 2015;
- Centralization of processing attachments;
- Implementation of new solutions for centralized management of overdue amounts collection;
- In-house issue of contactless cards;
- Issuing PINs for card activation via SMS;
- Implementation of the SEPA settlement module in relation with Transfond both in RON and EUR for the bank in Italy.

HUMAN RESOURCES:

On 31 December 2014, the total number of BT employees was 6,811 people (on 31 December 2013: 6,629 people).

The average number of BT employees in 2014 was 6,161 people (2013: 6,107.42 people).

Number of employees as at 31 December 2014 was 6,236 people (on 31 December 2013: 6,041 persons).

The average age of employees was 35.25 years (in 2013-35 years). Distribution by gender: 76% women and 24% men (in 2013 - 75% women and 25% men).

With regard to the career plan, several programs for personal training and development were organized in 2014.

- Sales and negotiation programs for staff in business lines (more than 2,500 attendees) and sales management programs for managers (more than 700 attendees)
- Programs for credit analysis and flows for staff in business lines (more than 900 attendees)
- Programs for new employees in operations (~ 300 attendees)
- Programs for CRM Siebel and Capone debt collection applications in daily business (~ 1,600 attendees)
- Various programs for HO staff such as Project Management Complete Guide (72 attendees) and Essential of Business Analysis (31 attendees).
- Training on IFRS issues with focus on new standards that will come into operation as well as some aspects of interest (70 attendees).

FINANCING SOURCES

Under the Operational Programme "Increase of Economic Competitiveness", co-financed by the European Regional Fund for Development, Banca Transilvania granted JEREMIE loans (Joint European Resources for Micro to Medium Enterprises) in amount of 11 million euros. The European Investment Bank and the European Commission hold the majority capital in the European Investment Fund. Its mission is to support SME's by facilitating their access to financing through banks and non-banking financial institutions.

- Banca Transilvania supplemented with 10 million EUR the Jeremie financing in 2014;
- The Bank signed a contract with BEI in value of 150 million EUR;
- A new financing agreement with EBRD - ROSEFF was signed in value of 15 million EUR;

BANCA TRANSILVANIA'S NETWORK AS AT DECEMBER 31, 2014:

The Bank operates through its head office located in Cluj-Napoca, 60 branches, 438 agencies, 31 units, 9 healthcare units. At the end of the last year, 538 units were operational (apart from HO).

ECONOMIC AND FINANCIAL RESULTS IN 2014

FINANCIAL POSITION

Despite lower interest rates and NIM levels, Banca Transilvania obtained very good results in 2014. 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 the year 2014 with total assets amounting to 35,619 million RON, which is 11% higher than those at the end of 2013. The largest increase as compared to 2013 was recorded in assets available for sale, i.e. 21.4%, followed by loans to clients, which increased by 4%. The bank's balance-sheet assets provided in the budget for 2014 were 34,348 million RON. The Bank exceeded this target by 4%.

Balance sheet structure, end of 2014:

<i>Million RON</i>	Achieved 2013	Budget 2014	Achieved 2014	Increase/ Decrease 2014/2013 %	Budget Increase/ Decrease %
	(1)	(2)	(3)	(4)=(3)/(1)-1	(5)=(3)/(2)-1
Loans	19,160	20,861	20,020	4%	-4%
Provisions	-2,493	-2,899	-2,503	0%	-14%
Cash and cash equivalents	5,768	5,836	6,442	12%	10%
Securities	9,040	9,800	11,068	22%	13%
Fixed assets	446	561	435	-2%	-22%
- tangible and intangible assets	372	482	360	-3%	-25%
- equity investments	74	79	75	1%	-5%
Other assets	145	189	157	8%	-17%
Total Assets	32,066	34,348	35,619	11%	4%
Shareholders' capital	3,082	3,485	3,702	20%	6%
Subordinated loan	338	561	395	17%	-30%
Resources from clients	25,804	28,133	30,045	16%	7%
Resources from banks	2,486	1,956	1,082	-56%	-45%
Other liabilities	356	213	395	11%	85%
Total liabilities	32,066	34,348	35,619	11%	4%

The loan/deposit ratio at the end of 2014 (20,020 million RON/30,045 million RON), ensures a favourable position in the banking system, being 66.6%, compared to 90.71% in the system.

The loan portfolio In 2014 Banca Transilvania granted 146,000 new loans in total value of 9,095 million RON. The lending policy in BT is prudential, with a focus on risk dispersion, keeping its structure mainly in RON, with 65% of the total loans to companies and 35% loans to individuals. In 2014 the loan portfolio grew, on 31 December its balance being 4% higher than that in the previous year. Banca Transilvania continued its portfolio diversification strategy, both in respect of sectors and groups of borrowers.

The structure of the loan portfolio as at 31.12.2014 is:

- by types of currencies: 71.53% in RON; 28.47% in FX;
- by types of business: 15.01% trade; 30.80% industries 14.86% services; 37.30% households; 2.03% others;
- by maturity terms: 37,34% short term; 20,33% medium term; 42,33% long term.

The non-performing loans PAR>90 days represent 10.87% of the total loan portfolio as at December 31, 2014 as compared to 12.57% at the end of 2013, continuing to be under the average of the banking system in Romania.

In line with the NBR recommendations, in 2014 the bank wrote off loans with a debt service over 360 days, fully covered by impairment adjustments in amount of 759 million RON.

Provision balance: Despite the fully provisioned loans taken in off-balance sheet, in 2014 BT recorded net expenses with provisions for assets and commitments in amount of 667 million RON. The coverage degree of non-performing loans with mortgage guarantees and related provisions represented 126.8%, which is a constant value over the past two years. The balance of provisions represented 12.5% of total loans and increased from 2,493 million RON in 2013 to 2,503 million RON at the end of 2014.

Cash and cash equivalents. At the end of 2014, the liquidity coverage ratio was 55.28%, significantly higher than the average in the system, the bank being over liquid. Cash and cash equivalents were in amount of 6,442 million RON, which is 12% higher than in the previous year and over the minimum level considered to be 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 (3,532 million RON) being held by the minimum required reserve with the NBR.

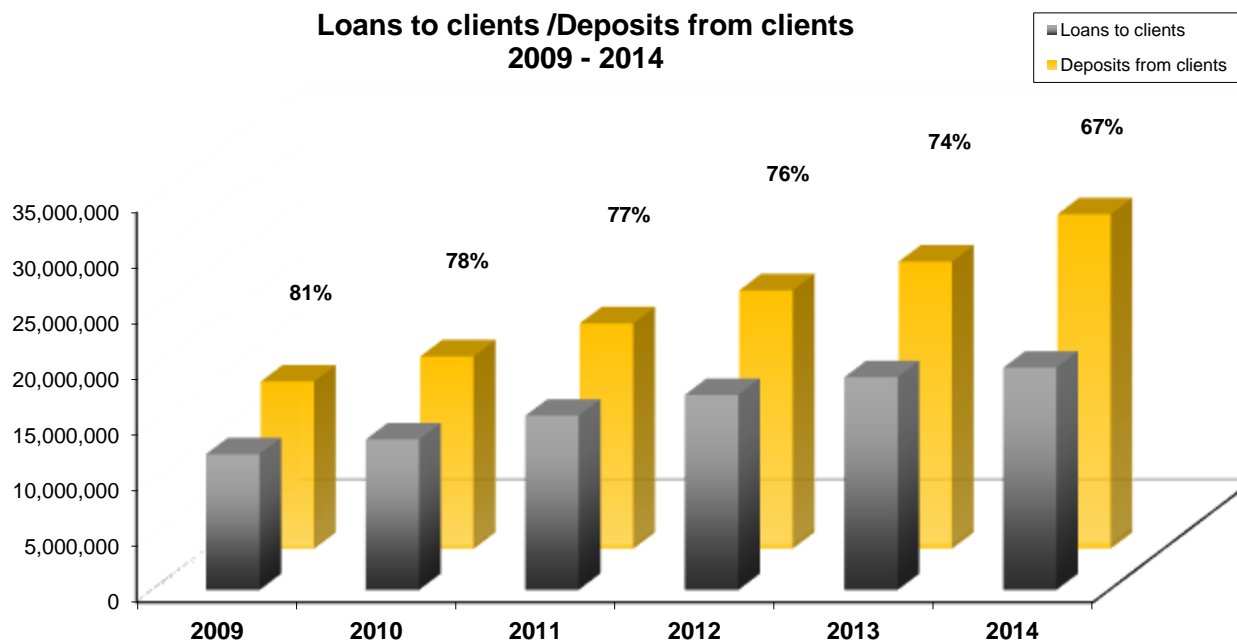
Securities increased by more than 22% vs. last year, reaching 11,068 million RON, as at December 31, 2014. The weight in this group (10,519 mil.) is held by T-bills.

The non-current assets dropped by 2% from 2013 to reach 435 million RON, due to intangible assets which were made available for use in 2014 and due to recoverability of the carrying amount. Tangible assets represented 290 million RON (land and buildings in value of 200 million RON), intangible assets of 70 million RON and long term financial assets of 75 million RON.

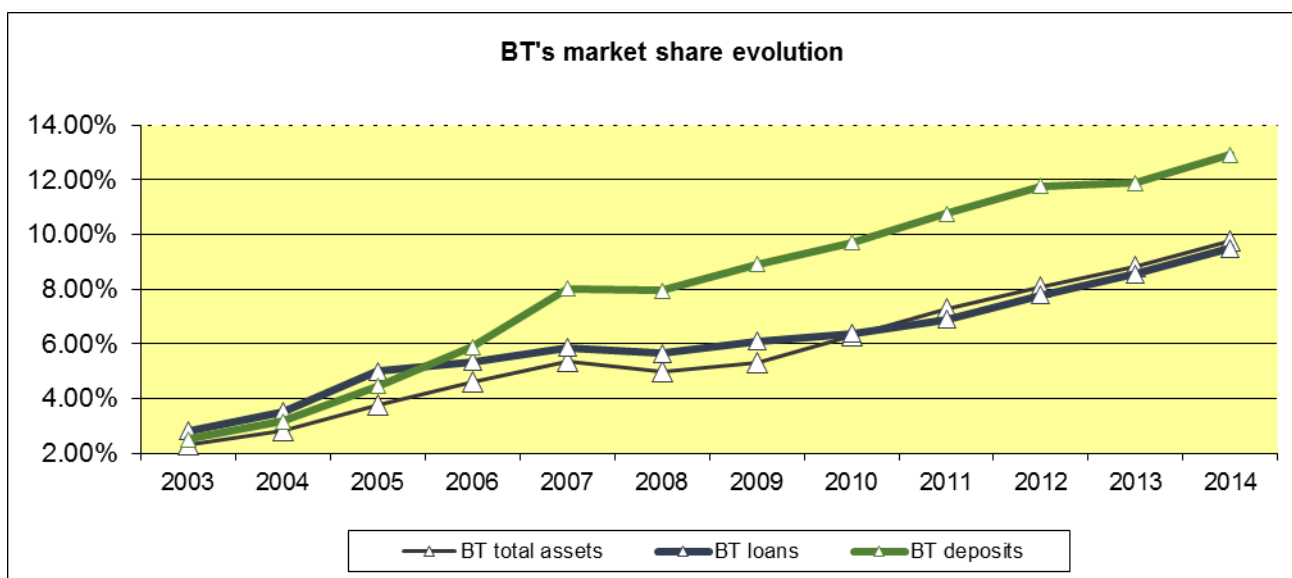
Deposits from clients

As at December 31, 2014, 65% of the deposits were in RON and 35% in FX. Deposits increased in 2014 by 16% vs. the previous year, the pace being above the 8% general growth recorded at the level of the banking system.

Loans to clients /Deposits from clients 2009 - 2014



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



As at 31.12.2014, the shareholders' equity was in amount of 3,701,961,772 RON, of which:

- share capital recorded with the Trade Registry representing 2,608,623,861 shares with a par value of 1 RON/share to which 86,501,040 million RON 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.
- premiums for conversion of bonds into shares: 38,873,301 RON;
- legal reserves: 181,384,104 RON;
- reserves for bank risks: 77,892,714 RON;

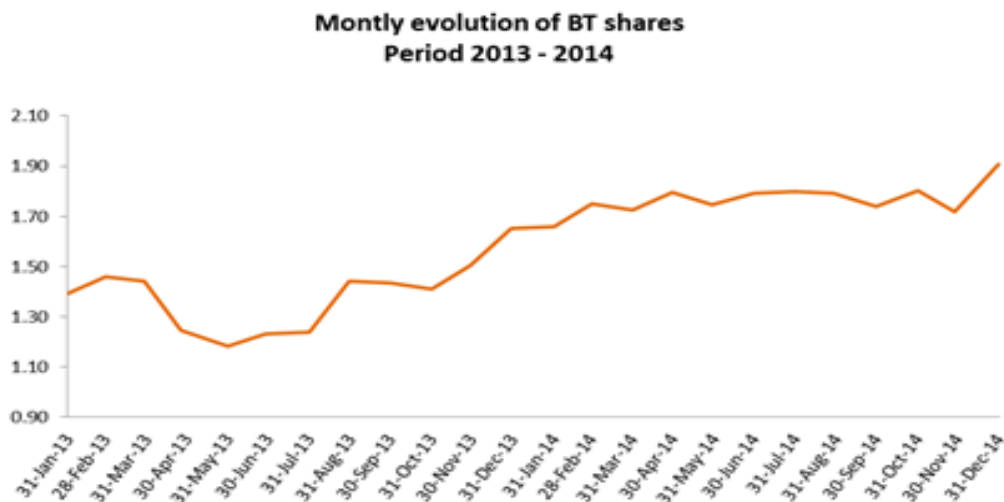
- reserves from revaluation of securities available for sale: 201,142,147 RON;
- reserves from revaluation of tangible and intangible assets: 27,852,357 RON;
- treasury shares: : -10,467,618 RON;
- retained earnings: 81,082,317 RON;
- profit: 434,329,895 RON;
- profit distribution: -25,252,346 RON;

The share capital recorded with the Trade Registry in early 2014 was 2,206,436,324 RON and was increased under the decision of the General Extraordinary Shareholders' Meeting with 402,187,537 RON (352,742,991 RON reserves from 2013 net profit and 49,444,546 RON capital increase from conversion of bonds into shares). At the end of the year, the share capital recorded with the Trade Registry reached the value of 2,608,623,861 RON.

Share capital structure as at 31.12.2014:

	31-Dec-13	31-Dec-14
European Bank for Reconstruction and Development (EBRD)	14.61%	14.33%
Romanian individuals	19.56%	17.70%
Romanian companies	24.64%	31.30%
Foreign individuals	2.33%	2.00%
Foreign companies	38.86%	34.67%
Total	100.00%	100.00%

The bank's market cap of 31 December 2014 was 4.98 billion RON respectively 1.11 billion euro (31 December 2013: 3.64 billion RON respectively 812 million euro).



PROFIT AND LOSS ACCOUNT:

The elements of the profit and loss account as at 31 December 2014, compared to 2013 and the budget projections are summarized below:

PROFIT AND LOSS ACCOUNT	Achieved 2013 (1)	Budget 2014 (2)	Achieved 2014 (3)	% Growth 2014/2013 (4)=(3)/(1)-1	% Achieved Budget (5)=(3)/(2)-1
NET INCOME	1,659.34	1,776.71	2,000.48	21%	13%
of which					
- net interest income	990.38	1,157.21	1,137.60	15%	-2%
- net fee and commission income	361.74	400.57	408.38	13%	2%
OPERATING EXPENSES	808.85	835.26	828.37	2%	-1%
OPERATING RESULT	850.49	941.45	1,172.11	38%	25%
Provisions, net	407.38	430.02	667.06	64%	55%
GROSS PROFIT	443.10	511.43	505.05	14%	-1%

Due to the development of new products and services, focusing on activity growth in all areas of business, the **operating income** increased to 2,000.48 million RON in 2014, by 21% more than the previous year. The bank achieved a growth of 13% of the operating income over the projected level.

The positive outcome, registered in 2014, was the result of cost control measures and efficiency of activities, which led to an improvement of cost/income ratio, reaching 41.40% in 2014 (48.7% in 2013). **The operating result** is 38% higher than the previous year. In 2014 the operating result was 1,172.11 million RON.

As at 31.12.2014, the **gross profit** of Banca Transilvania was 505.05 million vs. 443.10 million RON on 31.12.2013. The net profit in 2014 was 434.33 million RON, which is 16% higher than that in 2013.

The most important income categories are:

- Net interest margin was 3.37% in 2014. *Net interest income* was 1,137.60 million RON in 2014, which is 15 % higher than in the previous year. Gross interest income in amount 1,757 million RON decreased with 4.8% compared with 2013, and the interest expenses decreased compared with 2013 with 28%, due to lower margins. A significant weight of 18% in this income belongs to securities income in amount of 315 million RON.

- *Fee and commission income*: 408.38 million RON, which is 13% higher than in 2013 and 2% over the budget level.

- *Net income from available for sale financial instruments*: amounted to 338.78 million RON as compared to 203.61 million RON in 2013. The growth resulted from the transaction volumes with such instruments.

- *Net income from trading*: in 2014 an income of 126.81 million was achieved, which is 1.6 % under the level of the previous year. The weight is given by the income from FX operations. An increase with 2% of **operational expenses** was determined by organic growth of the bank's activity and by the evolution of RON/EUR exchange rate. These expenses were at the end of last year in amount of 828.33 million RON, compared with 808.85 million RON recorded in 2013.

- *Staff expenses*: compared to the amounts provided in the budget, the salary expenses are reduced by 1.6%. In 2014 there were 451.58 million RON. The 2.3% exceeding as compared to last year is due to the organic growth of the bank's activity.

In 2014 the Bank provided a total of 11 million shares to employees and directors with a vesting period of up to 3 years. This generated costs in amount of 20.07 million last year. As at December 31, 2014, the Bank used the provision for the employees' benefits in amount of 35.8 million registered in the previous year and the bank accrued the same level of provision.

- *Operating expenses*: 319.41 million RON in 2014, at the level of the previous year, 15% under the budget level.

- *Advertising expenses* were in amount of 15.7 million RON, which is 5 % over the budget.

- *Sponsorship expenses*: 6.87 million RON, according to the provisions for the full deduction from the due income tax, according to the applicable laws. The Board of Directors intends to benefit from the respective facility in 2015, as well.

- *Expenses with depreciation* were in amount of 57.39 million, which is 1% higher than in the previous year, due to acquisition of a new IT software.

- *Other expenses*: In 2014 the expenses related to foreclosure assets were in amount of 3.5 million RON.

The net provision expense: 667.06 million RON, which is 64% higher than in 2013, of which the net credit risk cost was 653.19 million RON vs. 386.51 million RON in 2013.

BANKING PRUDENTIAL RATIOS (CAMPL):

Banca Transilvania continues to have liquidity excess compared to the average of the system.

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	31.12.14	31.12.13	31.12.12
1	Liquidity ratio	Min =1		2.77-22.57	2.12-23.59	2.11-19.28
2	Solvency ratio*	> 8%	1	17.32%	13.78%	12.16%
3	ROA (net profit/total assets, net value)	0.6%-2.9%	4	1,36%	1.25%	1.14%
4	ROE (net profit/ shareholders' equity)	> 11% 8 -10.9%	5	13.21%	12.79%	12.51%

Note: the solvency ratio was determined by taking into account the net profit as at 31.12.2014 (without profit, the ratio is 15.24%);

The prudential ratios ensure a favourable 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 31.12.2014 ranged between 2.77 and 22.57 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 17.32%, 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 2014 PROFIT DISTRIBUTION AND SHARE CAPITAL INCREASE

The Board of Directors submits the proposal to distribute the profit in amount of 406,823,021 RON:

PROPOSED PROFIT DISTRIBUTION 2014	AMOUNT (RON)
Gross profit	505,046,917.82
Income tax	70,717,023.32
Net profit	434,329,894.50
5% legal reserve fund from gross profit	25,252,346.00
Reserve reinvested profit	2,254,527.50
Net profit to be distributed to reserves	406,823,021.00

The Board of Directors proposes to increase the bank's share capital from 2,608,623,861 RON to 3,026,003,679 RON, with the amount of 417,379,818 RON, representing reserves from the 2014

net profit in amount of 406.823.021 RON and the sum of 10.556.797 RON representing premiums for conversion of bonds into shares.

PROPOSED SOURCES FOR SHARE CAPITAL INCREASE	AMOUNTS (RON)
Reserves from the net profit of 2014	406,823,021,00
Reserve from conversion of bonds into shares	10,556,797.00
TOTAL RESERVES AVAILABLE FOR CAPITAL INCREASE	417,379,818.00
Share capital at record date	2,608,623,861.00
Yield / share %	16,0000000%

After the share capital increase with 417,379,818 RON, for each 100 shares 16,0000000 new shares will be assigned (respectively a number of new shares corresponding to the ratio 417,379,818 RON/2,608,623,861 shares).

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.Baritui, 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.

Governing body of Banca Transilvania:

The strategic management is ensured by the General Meeting of Shareholders, which has the responsibility to establish strategic objectives for the organization and to allocate the resources necessary for the implementation thereof.

The governing structure of Banca Transilvania includes the body with a supervisory function - the Board of Directors and top management bodies - Leaders / Leaders' Committee. The top management of the bank is ensured by individuals with powers for the current management of the bank, who are responsible for its fulfilment to the governing body, based on management contracts, relevant NBR regulations, the provisions in the law 31 / 1990 and internal regulations.

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 guidance, coordination supervision and control body 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 a strategic plan for a period of 2 years, which should be reviewed at least annually; 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; supervises the compliance risk management; ensures that the Bank can rely on permanent and independent compliance function; 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; approves writing off debits for which all ways of recovery have been exhausted, the recovery of which cannot be achieved in economic conditions as well as losses caused by employees as a consequence of the normal bank risk in the current activity; certifies the accounting policies and financial control system and significant risk management

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 and may delegate specific responsibilities to committees composed of 2-3 members in line with applicable legal requirements. The committees established by the Board of Directors are: Audit Committee, Remuneration Committee and Nomination Committee risk.

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;
- **Thomas Grasse** - Board member
 - Bankakademie Frankfurt -Business School of Finance and Management and HYPO-Bank Mannheim Branch, Apprenticeship in Banking
- **Ivo Gueorguiev**- Board member ;
 - Alberta university, Edmonton, Canada;

- **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, 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 and Nomination Committee

Remuneration and Nomination 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 Operations Officer (COO);
- Deputy CEO- Retail Banking;
- Deputy CEO - Corporate & SME;
- Deputy CEO - Chief Financial Officer (CFO);
- Deputy CEO - Network and Business Development

The Leaders Committee analyses, endorses, approves or forwards for approval to the Board of Directors the following: regulations, reports about costs monitoring, the budget of revenues and expenditures, investment projects, balance sheet, profit and loss account, report on the bank's activity.

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, analyses them and makes 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.

Procurement Committee

The Procurement Committee has as main objective to establish the procurement policy of BT and to approve all investments involving expenditure outside a contractual framework or exceeds of cost limits of costs contractually regulated with amounts higher than 1000 euro / request.

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: appointment for the positions of agency manager, head of agency / bank unit, head of department, head of office, deputy ops manager; endorsement for the positions of deputy manager for companies, deputy manager - commercial companies; deputy manager for loans to companies; branch manager; regional manager and forwarding to the Leaders' Committee/Board for approval; approval of the policy for remuneration and benefits to be further approved by the Remuneration Committee; modification of payment schemes, bonuses and fringe benefits for employees; approves promotions and transfers according to the remuneration policy of the bank approved by the Remuneration Committee validation of the annual appraisals for employees.

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 also approve loans that are under the competence of credit committees in branches not having unanimous votes in committees. The approval of credits is given in meetings or through internal memos and is valid if it meets the majority of attending members.

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 analyse 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).

CCRC2 may approve credit values not exceeding 10% of its own competence limit for clients who at the time of analysis exceeded already the CCRC2 competence for individual or group exposures and are under the competence of CPAC.

Committee for Loan Remediation and Workout (CRW)

The Committee for Loan Remediation and Workout is mainly focused on analysing 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 remediating 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. The approval of solutions is given in meetings or through internal memos and is valid if it meets the majority of attending members.

Committee for monitoring enforcement and sale of assets (CMESVA)

The Committee for monitoring enforcement and sale of assets is established by the Leaders' Committee and its primary responsibility is to oversee the management of real estate assets that are in enforcement process or come from the sale of guarantees of loans given to natural or legal persons.

Committee for credits to Financial Institutions (CCIF)

Committee for credits to Financial Institutions has the role to supervise BT credit exposures to financial institutions in Romania and abroad.

CCIF approves all derogations to the internal regulations and procedures that determine the way of working with other financial institutions in the country and abroad.

Loan and Risk Committee in the branches (CCRS)

The main objective of the Loan and Risk Committees in the branches is to analyse 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.

b. Loan and Risk Committee for the approval of loans to SME clients: no. of members, 3 persons.

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

The decisions of the committees are made by consensus (voting yes / no by all members).

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 FOR 2015

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

The calendar for 2015 is presented below:

1. Presentation of the preliminary annual financial results 2014	13.02.2015
2. Conference call for presentation of financial results	16.02.2015
3. General Meeting of Shareholders to approve the 2014 financial results	29.04.2015 (first convocation) 30.04.2015 (second convocation)
4. Presentation of the 2014 financial results	30.04.2015
5. Presentation of the financial results - Q I 2015	30.04.2015
6. Conference call for presentation of financial results	30.04.2015
7. Presentation of the financial results - Q II 2015	04.08.2015
8. Conference call for presentation of financial results	05.08.2015
9. Presentation of the financial results as at 30.09.2015	10.11.2015
10. Conference call for presentation of financial results	11.11.2015

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.

The main risk categories to which the bank is exposed are credit risk, liquidity risk, operational risk, market risk, interest rate risk outside the trading portfolio, reputation risk, strategic risk and compliance 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:

- lending methodology to ensure a healthy credit portfolio
- individual counterparty rating system
- 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/guarantee suppliers/types
- pricing methodology based on risks
- methodology for loan monitoring / review after credit granting
- methodology for credit risk provisioning
- methodology for the calculation of prudential adjustments
- methodology for identifying higher real or potential risk (early warning)
- methodology for identifying and management of high risk assets
- management of fraud risk
- improvement of the overdues' collection process

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)
- 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 2014 was "low to medium" 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 2014, 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

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 analysed 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 "low to medium" 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 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, the establishment of a more favourable 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 unfavourable 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 is the current or future risk to damage profits and capital, which may result in fines, damages and / or termination of contracts or that may affect the bank's reputation as a result of violations or non-compliance with the legal and regulatory framework, agreements, recommended practices or ethical standards.

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 labour law and work safety and protection legislation, quality in constructions, prevention of fires, etc.

The objectives of compliance risk management are: identification of compliance risks, compliance risk assessment, compliance risk monitoring, 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 provide for mechanisms to ensure a close cooperation between these three functions.

INTERNAL AND EXTERNAL AUDIT

In 2014 the Internal Audit Department audited 29 branches (21 branches - full audit topics, 6 branches - partial topics (loans), 2 branches - partial topics (loans and operations), including related agencies, 172 agencies, HQ departments and 8 subsidiaries, covering the whole audit plan proposed for the year 2014.

The general objectives of the 2014 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 was performed 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, 2014.

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

The BT Group is a financial group with distinct activities dedicated to corporate clients, SME and Retail Banking, created to provide quality services through a nationwide network and by a professional staff.

The concept in the BT group's business is "client servicing" based on cross-selling of products, flexibility in meeting client's requirements and use of centralized information systems.

BT is the core (parent company) of the BT Group with a majority position in its subsidiaries.

All subsidiaries of BT Financial Group bear the BT brand and corporate identity.

In the last quarter of 2014 a contract was signed to take over 100% of the Volksbank stocks. As a result, it is expected to increase the retail segment by approx. 190,000 clients.

The main objectives of the group are:

- Strengthening the cross-selling relationship with the bank and increase of transactions by 50% focusing on the automotive area for BT Operational Leasing;
- Sustained growth of sales through the retail network of the bank, the lending target is 5% more than the previous year for BT Direct;
- Target asset management in amount of 2 billion RON in 2015 + 35% for BT Asset Management.

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 2014, according to the International Standards for Financial Reporting adopted by the European Union, increased by 1% in 2014 vs. 2013, respectively from 115.96 million RON to 116.86 million RON.

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%
Improvement Credit Collection	Credit collection and reporting	99,89%	100,00%

In 2014 the share capital of Improvement Credit Collection was increased by the direct participation of Banca Transilvania with 900 thousand RON, thus reaching 99.89%.

ENVIRONMENTAL POLICY

Banca Transilvania develops actions involving its social responsibility in environmental protection through the program "Banca Transilvania - environmentally friendly," by which it proposes to contribute to the protection of the natural environment. Thus in 2014, the project "Transylvania reforestation" continued by planting over 40,000 trees on an area of 10 hectares, in Budești-Fanate, between Cluj and Bistrita. The BT partner in this action was Tasuleasa Social Association and the Budești-Fanate was chosen to meet the needs of the community, one of the poorest villages in forests in Transylvania, with only 4% of forest area. The action will continue in 2015 with the participation of volunteers of the entire BT group in the same area, offering an appropriate occasion to encourage volunteerism and provide an example of good practice to community with such a project dedicated to future generations.

BT pays attention to compliance with environmental and social legislation in force and the use of appropriate social and environmental practices, as important factors in proving an 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 "Transylvania". 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 7 years of activity, the foundation provided assistance to 1.700 teenagers.

Other projects in which the Bank was involved:

1. "Crosul BT" - a traditional running competition, which had a humanitarian component in 2013.
2. My Money Week - a project for students in secondary schools in Cluj-Napoca, started by the International School in Cluj, aiming to raise awareness of young people about personal finance management.
3. Excellence Gala "10 Cluj - Cluj juniors, City hopes", fifth edition, where BT is a traditional partner. Gala is a cultural, artistic and educational event dedicated to the young generation.
4. Student Month in Cluj, the largest event dedicated to students, organized by

- Student Consortium in Cluj. Total participants was estimated at 20.000 youth.
5. Ghita Muresan Summer Camp Tour - basketball dedicated program in Romania, especially to children and their parents, conceived as a summer camp. The event was conducted in Cluj-Napoca.
 6. International Film Festival of Comedy "Comedy Cluj", an event which promotes artistic talents of the area of film / comedy section.
 7. Transylvania Forest, the largest forestation event in Romania.
 8. International Theatre Festival in Sibiu, considered the most important annual event in the field of arts in Romania and third in scope and importance in Europe.

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 2014 exercise is based on the accounting rules provided by the Law no. 82/1991, as further amended and completed, the BNR 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 BNR Order no. 29/20.12. 2011, BNR Order no.1/30.01.2013 and other BNR 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 2014 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 2014 financial statements. Only a part of the conditions in the contract for buying Volksbank Romania S.A. have been met by the date when the financial statements are approved. The deal is estimated to come to an end in the second quarter of 2015.

INFORMATION ABOUT THE PROJECTED EVOLUTION OF THE BANK IN 2015

QUANTITY OBJECTIVES FOR 2015:

- Total assets: 4% increase
- Total loans: 10% increase
- Total deposits from clients: 6% increase
- Cost / Income: maximum 43.1%
- Loans / Deposits: 70%
- Maximizing return on capital (ROE);
- Consolidation of the 3rd position on the cards market -> 2,500,000 carduri;
- Centralization of retail activity
- Creating alternative products to traditional deposits with decreased interest rates to encourage clients to take other products: fund units; insurance; other investments;
- An agriculture department to provide expert advice in the network
- Focus on-line and digital products

QUALITY OBJECTIVES FOR 2015

- Application of new European funding schemes for 2014-2020;
- Development of factoring for customers and focus on strategic sectors;
- Specific implementation steps, specific adaptations for the new CRM Oracle-Siebel application, application of the Loan Origination module throughout the bank's network;
- Ability to access applications on smartphone and tablets by developing a secure and controlled management;
- Developing a new BT24 platform and preparation for bulk salary processing;
- 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

INVESTMENT PLAN FOR 2015

Investment budget for 2015

- | | |
|----------------------------|-------------------|
| • Branches + buildings | 48.85 million RON |
| • IT investments and Cards | 69.13 million RON |
| • Other | 10.74 million RON |
| • Security | 12.57 million RON |

Bank investments **141.29 million RON**

PROPOSED BALANCE SHEET AND INCOME STATEMENT FOR 2015

The estimation of ratios for the year 2015 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.

For 2015 budget projection we took into consideration certain assumptions, including those related to inflation dynamics and exchange rate. It was used an average annual inflation rate of 2.5% per year and an average exchange rate of 4.35 RON/EUR, according to monthly assessments of macroeconomic process which were compiled by BT at the end of 2014. For the first quarter of year 2015 it was assessed an exchange rate of approximately 4.40 RON/EUR based on macroeconomic forecasts brought up-to-date. After certain analysis appears that the exchange rate difference doesn't have a significant impact upon the budget.

The assets are expected to increase by 4% compared to the 2014 level (up to 37,000 million RON). In the assets structure, the estimated loan weight is over 56.2 %, cash and cash equivalents of 17.3 % and security investments of 27 %.

As regards the structure of liabilities in 2015, the increase of customer deposits vs. 2014 is estimated to be 6%, with a weight of 85.7 % in total liabilities.

The budget ratios for 2015 submitted to the GSM approval are determined in order to support the proposed business objectives and are correlated with prudential and supervisory standards.

BUDGET OF REVENUES AND EXPENSES 2015

Million RON

BALANCE SHEET	Realized 2014	Budgeted 2015
Cash and cash equivalents	6,442	6,438
Securities	11,068	10,059
Loans to customers	20,020	22,102
Loan provisions	(2,503)	(2,356)
Fixed assets	360	531
Equity investments	75	79
Other assets	157	147
Total Assets	35,619	37,000
Shareholders' equity	3,702	4,193
Subordinated loan	395	405
Deposits from customers	30,045	31,716
Deposits from banks	1,085	461
Other liabilities	395	225
Total Liabilities	35,619	37,000

PROFIT & LOSS ACCOUNT	Realized 2014	Budgeted 2015
Net income from securities	647	512
Net interest income	823	928
Net commission income	408	441
Trading profit/loss	133	150
Contribution to guarantee fund	(73)	(80)
Other income	62	64
TOTAL OPERATING INCOME	2,000	2,015
Staff expenses	451	488
EXPENSES	377	381
OPERATIONAL EXPENSES	828	869
PROFIT BEFORE PROVISIONS	1,172	1,146
Provisions	667	550
TOTAL EXPENSES	1,495	1,419
GROSS PROFIT	505	596

Considering the information presented in this report, we submit to discussion the activity performed by the bank in 2014 and we propose to the General Shareholders Meeting the approval of the following statements:

- Individual financial statements
 1. Individual Profit and loss account

2. Individual Statement of income
3. Individual Statement of financial position
4. Individual Statement of changes in shareholders' equity
5. 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 2014 profit;
- Proposed share capital increase;
- Proposed Budget of revenues and expenses and the Investment plan for 2015

Board of Directors
Chairman
HORIA CIORCILA