

**Annual Report pursuant to National Securities Commission (NSC)
Regulation no. 1/2006, Annex 32, as subsequently amended and
supplemented**

For the financial year: 2017

Report date: 22.03.2018

Name of the company: BANCA TRANSILVANIA S.A.

Registered office: CLUJ-NAPOCA str. G. Baritiu nr.8

Phone/fax no.: 0264.407.150; 0264.407.179

Tax identification no.: RO5022670

Trade Register no.: J12/4155/1993

The regulated market where the issued securities are traded: Bucharest Stock Exchange

Registered capital, subscribed and paid: 4,341,439,404 RON

Main features of the securities issued by the company:

- 4,341,439,404 NOMINAL SHARES, at the value of RON 1/share.

1. Analysis of the Bank's Activity

a) Description of the Bank's main activity:

Banca Transilvania S.A. is a joint-stock company headquartered in Cluj-Napoca, 8 G. Baritiu Street, Cluj county, Romania.

The Bank operates pursuant to Company Law no. 31/1990 and 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 main field of activity is represented by "other monetary intermediation activities".

b) The Bank's establishment date:

Banca Transilvania S.A. was incorporated in December 1993 and became effectively operational on February 16, 1994. The Bank was recorded with the Trade Register under no. J12/4155/1993 on 16.12.1993; the Bank's tax identification number is RO5022670. The Bank was recorded with the Bank Register under no. RB-PJR-12-019 on 18.02.1999.

c) Significant mergers and reorganizations of the Bank, its subsidiaries or controlled companies during the financial year:

BT is a joint-stock banking institution (with foreign and domestic shareholders). At the present, Banca Transilvania does not have a major shareholder.

In 2017, Banca Transilvania increased its direct stake in the entity BT Microfinantare SA by RON 19,960,000, up to RON 31,702,400, this amount representing 99.81864% of the entity's share capital.

In 2017, Compania de Factoring merged with Improvement Credit Collection SRL.

The Group subsidiaries where BT has direct and indirect shareholding are: BT Capital Partners S.A., BT Leasing Transilvania IFN S.A., BT Investments S.R.L., BT Direct IFN S.A., BT Building S.R.L., BT Asset Management SAI S.A., BT Solution Agent de Asigurare S.R.L., BT Asiom Agent de Asigurare S.R.L., BT Safe Agent de Asigurare S.R.L., BT Intermedieri Agent de Asigurare S.R.L., BT Compania de Factoring S.R.L., BT Operational Leasing S.A., BT Leasing Moldova(MD) S.R.L., BT Microfinantare IFN S.A., BT Transilvania Imagistica S.A., Improvement Credit Collection S.R.L., Sinteza S.A. and Chimprod S.R.L.

The Group's fields of activity are: banking through Banca Transilvania S.A. (the "Bank"), investment and brokerage through Capital Partners SRL, leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., BT Operational Leasing S.A., BT Direct IFN S.A., BT Microfinanțare IFN S.A. and BT Leasing MD S.R.L., asset management through BT Asset Management S.A.I S.A. Moreover, the Bank controls 2 investments funds, notably BT Invest1 and BT Euro Fix, that are also included in the consolidation.

As at 31 December 2017, the Group controls but does not include in the consolidation the company SC Timesafe SRL, an entity providing "information technology services". The subsidiary was not included in the consolidation because of its immateriality in terms of total assets (31 December 2017: RON 558 thousand), shareholders' equity (31 December 2017: RON 80 thousand) and losses (31 December 2017: - RON 418 thousand) in the Group's total assets, shareholders' equity and profit.

The activity of the subsidiaries and the Bank's shareholding in the subsidiaries are presented in ANNEX 1 of the present report.

d) Description of the acquisitions and/or sales of assets:

As at the end of 2017, the gross value of Banca Transilvania's investments in the group, in accordance with the International Financial Reporting Standards endorsed by the European Union, increased by approximately 14.6% versus 2016, respectively from RON 136.67 million to 156.63 million.

Banca Transilvania is engaged in ensuring that its subsidiaries have an adequate CAR level, contributing to the improvement of risk management, by involving the audit and compliance functions from within the Bank.

e) The main results of the assessment of the Bank's activity:

EXTERNAL AUDIT

The external auditor of the Bank - PricewaterhouseCoopers Audit SRL - has audited the financial statements of the Bank as at December 31, 2017.

According to the audit opinion, the separate and consolidated financial statements reflect in all significant aspects the Bank's separate financial position, the separate results and cash flows according to the International Financial Reporting Standards, endorsed by the European Union.

INTERNAL AUDIT

The Audit Committee is formed by non-executive members of the Board of Directors and carries out its activity according to the applicable legal framework, notably: International Audit Standards ISA 260-18, 2005-CAFR; the Company law - Law 31/1990; Banca Transilvania's Rules of organization and administration.

The number of committee members and their competence are approved by the Board of Directors; the committee has 3 non-executive Board members;

The responsibilities of the Audit Committee are related to: financial statements - important aspects regarding the accounting principles and the presentation of financial statements, including any significant change in the Bank's decision in terms of selecting or applying the accounting principles; internal control - assessment of the internal control by the internal and external audit function as concerns the financial statements and the obtention of reports and recommendations on the findings; internal audit; external audit; reporting and other responsibilities.

The internal audit function (Internal Audit Department) is subordinated to the supervisory function (Board of Directors). The Internal Audit Department is operationally subordinated to the CEO.

The direct management (coordination) of the internal audit function (Internal Audit Department) is ensured by the Internal Audit Manager appointed by the supervisory function to the Board of Directors.

The members of the Board of Directors in 2017 were the following:

Ivo Gueorguiev – Audit Committee chairman; independent non-executive director with audit experience;

Thomas Grasse – Audit Committee member; independent non-executive member with audit experience;

Lionachescu Costel Doru – Member; independent non-executive member with audit experience;

The temporary vacant position due to the decease of one of the Board members was filled by Mr Lionachescu Costel Doru in January 2017.

The Audit Committee held 8 meetings during 2017, as well as several conference calls and meetings in absentia, in order to review, discuss and approve a number of topics ad-hoc.

In 2017, the Audit Committee undertook the following actions during its meetings:

- Approval of the independent auditor and the pricing paid in connection with the auditor's services;
- Consideration of the IFRS Financial Statements and the external audit report for 2016, review of significant accounting and financial reporting aspects as well as their impact on the Bank's Financial Statements;
- Monitoring the efficiency of the Bank's internal control, internal audit and risk management functions, by analyzing the specific reports provided by such functions and other relevant reports;
- Review of NBR reports and implementation of recommendations.
- Implementation of external auditor's management letter recommendations.
- Supervision of affiliated and related party transactions.

The Committee in 2017 regularly met the Bank's newly appointed external auditor PwC and worked with the Chief Financial Officer on all audited and auditor-reviewed financial releases of the Bank, making recommendations to the Board of Directors approving these.

Audit planning and reporting meetings were held with the external auditor including sessions without management presence. The Committee also discussed the updated information received from the external auditor and Bank's Management on the changes to the Romanian law with impact on banks, in particular the current and forthcoming amendments to the IFRS accounting standards and the adoption of IFRS9, that became effective on 1 January 2018.

The Committee also reviewed the soundness of the Bank's internal controls, by cooperating both with the external and the internal audit teams in order to closely monitor any identified deficiencies and the related follow-up process, and by maintaining a focused analysis. Furthermore, the Audit Committee obtained information on external regulatory inspections (carried out by the authorized institutions).

The Committee is responsible for assessment of the performance, objectivity and independence of the external IFRS auditor and delivery of quality audits. The Committee considered in 2017 suitability of the lead engagement partner and wider teams as well as the remuneration and engagement terms of the appointed auditor. Based on the auditor's declaration of independence obtained by the Audit Committee and its own assessment the Committee remains satisfied that PwC is independent in providing their audit services to Banca Transilvania and will continue to deal with requests for the auditors to perform non-audit services.

1.1.1. General items of the assessment for the financial year ended December 31, 2017

Banca Transilvania recorded very good results in 2017. The separate and consolidated financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union (NBR Order no. 27/2010, as subsequently amended and supplemented) are presented below:

▪ Gross profit	RON 1,378.50 million
▪ Net profit	RON 1,185.98 million
▪ Total Assets	RON 59,302.08 million
▪ CAR	21.10% (17.43% without profit)
▪ Return on equity (ROE)	18.34%
▪ Market share in terms of assets	13.90%
▪ Liquidity ratio according to the NBR regulations	between 2.50-25.23 on the 5 maturity bands

1.1.2. Assessment of the Bank's at operational level

The unit network of Banca Transilvania S.A. as at 31 December 2017: 495 functional units (excluding the Headquarters and the Regional Office in Bucharest) and the end of the year, compared to 543 functional units at 31 December 2016. At the present, the Bank has also 3 branches in Italy.

At the end of 2017, the Bank had a number of 1,247 terminals (of which 214 multi-functional machines and 1,033 ATMs) and 42,066 POSs installed. The total number of cards issued by BT as at 31 December 2017 was 3,020,911.

Description of the main products supplied and/or services rendered:

The offer of Banca Transilvania has expanded during the current financial year with products, services and campaigns aimed at individuals and companies, and one of the objectives attained this year by BT was the launching of solutions designed to effectively and continuously support its client's activities.

RON operations

- cash operations;
- settlement operations;
- current accounts;
- deposits;
- loans to companies and individuals;
- letters of guarantee;
- payments through the Direct Debit and Standing Order systems;
- the BT Ultra-Multicash electronic service;
- the BT24 Internet Banking service;
- the electronic confirmation service for customs payments (Vama On-Line);
- the Trezo Direct service;
- the Voice Teller and Fax Teller automatic services for banking information;

- depositing and keeping in the vault of items and other valuables that require vault storage;
- economic and financial consultancy, technical support, services at the Payment Incidents Register;
- services at the Central Credit Register;
- information on exchange rates applied for the previous period;
- operations with government securities;
- card operations in RON;
- factoring;
- project co-financing with EU Funds;
- new payment facilities via Mobile Banking;
- Phone Banking, etc.
- payments with the BT watch or the BT contactless sticker, which replace traditional cards when shopping in Romania or abroad, etc.

FCY operations

- operations on the FX market;
- deposits;
- loans to companies and individuals;
- cheque operations;
- payment order operations;
- operations with documentary letters of credit (export and import);
- incasso operations;
- guarantee based operations;
- transmission of letters of credit, letters of guarantee, amendments, investigations (SWIFT fees);
- transfer of FCY amounts (Western Union);
- travel visa fee payment;
- BT Money Connect;
- FCY card operations, etc.

In addition to the above data related to the description of the products, we would like to point out the following:

a) the main markets for each product and service, as well as the methods of distribution are the domestic and international banking markets;

The entire range of financial products, including banking products and the products offered by the subsidiaries of the Group, are provided to the clients through a single distribution network integrated under the BT logo.

b) the weight of each product or service type in the Bank's revenues and total turnover are presented in the Report from the Board of Directors of Banca Transilvania S.A., attached hereto;

c) the new products and services considered, for which a substantial volume of assets will be allocated in the next financial year, are those related to:

- the BT Pay mobile wallet application for shopping and money transfers – launched in January 2018, this is a contactless payment application that uses a mobile phone storing all the cards held by a BT client at one single location called digital card wallet;
- other digital banking projects;
- continuing the projects related to the Bank of the Future, BT Express and BT Express Plus;
- upgrading the card system infrastructure and increasing the card transaction processing capacity;
- launching product and service packages for retail and company clients.

1.1.3. Assessment of the technical and material supply activities (domestic and foreign sources)

This item is not significant for the Bank.

1.1.4. Assessment of the sales activity

As at 31.12.2017, the evolution of the sequential sales on the domestic and/or foreign market and the medium and long-term sales perspectives, as well as the competition in the Bank's field of activity, the market share of the products and services of the Bank and of its main competitors is as follows:

BUSINESS LINE PERFORMANCE IN 2017

The Bank's operational efficiency continued its positive trend, considering the increasing volume of transactions and the reduction of customer charges.

CLIENT BASE EVOLUTION:

The number of active clients increased by 7.07% in 2017, as compared with 2016, from 2.27 million to 2.43 million.

The number of active clients structured per business lines is the following:

Active BT clients*	31.12.2017	31.12.2016	2017/2016
Large Corporate clients	1,315	1,305	0.8%
Mid Corporate clients	7,349	7,072	3.9%
SME clients	14,231	12,463	14.2%
Micro Business clients	221,849	198,406	11.8%
Retail	2,183,335	2,048,573	6.6%
TOTAL	2,428,079	2,267,819	7.1%

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

2017 was the year when Banca Transilvania exceeded the threshold of 3 million issued cards and the volume of transactions via the Bank increased by 20%, considering that 40% of the companies newly established in Romania chose to work with Banca Transilvania.

Apart from the services that the Bank provides to its customers by means of its operating units, more than 937 thousand clients use Banca Transilvania's internet banking application and more than 370 thousand clients use the Bank's mobile banking platform.

Large Corporate clients

This segment comprises 1300 large and sophisticated business clients which are assisted by a centralized team of relationship managers and structured finance experts. This organization manner ensures the specialization on various industries as well as a professional approach from customer to customer. The positive outcomes in the first year of using this model are translated into RON 2.79 billion new loans, a 15.3% increase in commission incomes as compared to the

previous year and a 10.4% increase in deposits. The balance of the loans granted to this client segment reached RON 5.2 billion at the end of 2017.

Mid Corporate clients

More than 7,300 mid corporate clients are served by the Bank's 54 branches through the local teams and by using a customized approach. The new loans generated in 2017 amounted to RON 2.82 billion. The loan balance increased by 4.8%, reaching RON 5.6 billion. The deposit balance increased by 25.5%, reaching RON 5.95 billion at the end of the year. Incomes were 2% higher versus the precedent year. BT Ultra Web, BT Ultra ERP, BT Ultra Mobile, BT Eliberare de Instrumente de Debit Online (online issuance of debit instruments) and the digital signature are a few of the digital and automated solutions launched in 2017, leading to a more productive relationship between the clients and the Bank, but also their business partners.

Small and Medium Enterprises (SME)

This business segment comprises more than 14,000 active clients. The business model was enhanced through the implementation of credit analysis systems, with remarkable results as concerns the time of response to client requests. Consequently, almost 4,000 new loans were granted last year, totaling RON 1 billion. Based on this result, the loan balance increased by 9.1% compared to the previous year, reaching RON 1.54 billion. Another remarkable outcome in 2017 is the increase by 11% in incomes and by 10.9% in deposit balance (equaling RON 1.47 billion at the end of the period) as compared to the precedent year. Banca Transilvania uses a diversified support system in relation to SME clients; 3 out of 5 Romanian SMEs work with Banca Transilvania.

Micro Business clients

The Micro Business segment comprises almost 222,000 active clients. The quick finance model ensures a better performance in terms of lending, the balance of credit facilities increasing by 17.7% in the reference year, up to RON 2.73 billion.

BT is involved in the Start-Up Nation governmental program. Thus, the Bank has become the partner of 4,500 start-up companies enrolled in the program, granting 1,500 bridge loans.

In the operational area, the current account "Unlimited" package was launched. This is the first operational package that includes an unlimited number of online transactions between BT company clients.

Other performance key figures: deposit balance 28.3% higher (reaching RON 6.21 billion at the end of the year) and incomes 25% higher versus the previous year.

Retail

2017 brought the most relevant increase in traded volumes as concerns the card-related business. The volumes in absolute value were RON 10.33 billion (notably 26.15%) higher in 2017 versus 2016.

Retail deposits amounted to RON 30.4 billion in 2017, representing a 15.4% increase versus 2016 (RON 26.4 billion).

At 31 December 2017, Banca Transilvania, a leader on the card market, had a portfolio counting 3.02 million cards, which generated a number of transactions 27.37% higher as compared to 2016. The Bank's market share based on the card transactions' volume is of over 20%. Banca Transilvania's portfolio counts 383,726 credit cards.

The Bank cooperates with more than 962 e-commerce merchants.

The number of BT24 Internet Banking users at the end of 2017 exceeded 937 thousand, that is 29% more versus 2016. At the same time, the number of clients using BT24 Mobile Banking is over 370 thousand, increasing by 54.17% compared to last year.

2017 was a year of innovation in the card activity. In 2017, BT launched the contactless watch in cooperation with Mondaine, OT-Morpho and Mastercard, which is a payment instrument that may replace the card when shopping in the country or abroad. The watch operates based on the contactless technology, which allows a faster and more secure payment.

The end of 2017 was marked by a new initiative, notably the release of BT Pay sticker. Any object on which the sticker is attached becomes a payment instrument used for shopping at merchants. The payment Sticker, the payment Bracelet launched in 2016 and the BT Watch are the contactless payment accessories included in the BT Pay Collection available to clients for shopping in the country or abroad.

In 2017 the Bank also launched the STAR card shopping application, which can be used by the holders of STAR cards issued by BT. The application provides information on the general, but also the exclusive offers available at more than 11,000 merchants enrolled in the Bank's STAR loyalty program.

In terms of client interaction, a new channel was launched in 2017 via Facebook Messenger and Skype, notably a smart assistant named Livia, through which the clients may find out information on their accounts, products and services provided by BT.

The chatbot is a premiere in Romania, being available non-stop and free of charge and providing information that could previously be obtained only with the assistance of BT teams in the branches, agencies and call center, such as: IBAN and balance of current accounts in RON, EUR or USD; due amounts related to credit cards; number of loyalty points accrued on the STAR shopping card; details regarding credit installments, interest and fees, account attachments, exchange rates.

In 2017, the BT24 Mobile Banking platform was enhanced with new options: quick access to the transaction history and to BT account details, background customization. This is a step forward as concerns the customers' mobile banking experience.

2017 was also a year of awards as concerns the card activity:

Banca Transilvania was designated for the 7th time in the last 8 years as the „Bank of the Year” in the cards business, based on the following criteria: number of cards issued, volume of transactions, new products, merchant agreements for payment card acceptance, etc.

The loans granted to this client segment were 10.6% higher compared to the precedent year, reaching RON 16.7 billion. The income generated by the retail segment decreased by 9% versus 2016, but excluding the profit resulting from the Visa Europe transaction, the positive variation of +9% against 2016.

Treasury

Banca Transilvania's treasury activities are additional to the other products and services provided to the clients of the five business lines of the Bank.

The principles and strategic objectives of the treasury activity are:

-Prudence - refers to the management of the Bank's excess of liquidity, the maturity of assets and liabilities, the interest rate structure and the market risks to which the Bank is exposed, in compliance with the risk limits defined in the Bank's Risk strategy and/or with the regulations governing the Romanian banking sector;

- Dispersion - as concerns counterparty exposures arising from all specific treasury operations;
- Income maximization - under prudent conditions and by taking into consideration the estimated multiannual evolution of various cyclical macroeconomic factors.

In line with the overall growth in the number of operations, the currency exchange activity also increased by almost 26% compared to last year, reaching RON 217 million in 2017.

2017 statement of financial position

The situation of the financial position in 2017 in accordance with the International Financial Reporting Standards adopted by the European Union (NBR's Order No. 27/2010 as subsequently amended and supplemented) is presented below:

Banca Transilvania ended the year 2017 with total assets amounting to RON 59,302.08 million (RON 51,769.60 million in 2016), 14.55% higher than total assets end of 2016. At consolidated level, the total assets amounted to RON 59,804.97 million.

The most significant increase in terms of assets as compared to 2016 was noticed with respect to the placements with banks (101.18%), followed by intangible assets (60.42%) and financial assets at fair value through profit and derivative instruments (40.98%).

The Bank exceeded its budgeted figures related to total assets by 9.59%.

Loan portfolio At the end of 2017, the gross loan balance of Banca Transilvania was 7.87% higher versus the same period of 2016, although the 2017 write-offs amounted to RON 904 million. The segments that generated new exposures were diverse both in terms of industries and debtor groups.

Non-performing loans PAR>90 represent 3.05% of the total loan portfolio, much better than the 4.62% at the end of 2016, while non-performing loans according to EBA definition represent 6.03% at December 2017.

Provisions balance: In 2017 Banca Transilvania recorded net income with allowances on financial assets, provisions for other risks and loan commitments in amount of RON 1.35 million (including write-off recoveries). The provisions booked in 2017 are in line with the Bank's prudent approach as concerns the management of credit risk. The coverage of non-performing loans with mortgage collateral and specific provisions continues to stay at a comfortable level of 127.01%, in accordance with the Bank's risk appetite. The total balance of impairment allowances amounts to RON 1,778.80 million at 31.12.2017, 18% lower compared to the previous year. The provisions for risks and charges include mainly provisions for non-performing loans and other risks taken over after the merger with Volksbank Romania and they amount to RON 269 million.

Current liquidity: At the end of 2017, the liquidity ratio is 53.66%. Current liquidity amounts to RON 11,939.98 million, 48.50% higher compared to the previous year and above the minimum acceptable level required to cover liquidity risk. Current liquidity includes cash, as well as deposits with central banks and credit institutions, 44.82% of these amounts (RON 5,351.11 million) representing the minimum regulatory reserve available with the NBR.

Securities: Securities recorded an increase of more than 6.16% YOY, reaching RON 16,115.75 million at Bank level as at 31 December 2017 as compared to RON 15,180.41 million as at 31.12.2016. The securities issued by the Romanian Government have the largest weight in this category, amounting to RON 15,227 million.

Fixed assets: Fixed assets increased by 17.88% versus 2016, up to RON 690.04 million, this evolution being due to the higher volume of equity investments. Tangible assets amount to RON 407.65 million (land and buildings: RON 181 million), intangible assets amount to RON 125.76 million, whereas financial assets amount to RON 156.63 million.

Customer deposits: Customer deposits recorded a spectacular growth of 17.32% year over year, much higher than the 10% overall rate in the banking sector. As at December 31, 2017, 62% of customer deposits are retail deposits, while 38% represent company deposits.

Loan/deposit ratio was 64.5% at the end of 2017, gross loans amounting to RON 31,692.84 million, whereas customer deposits stood at RON 49,099.20 million. This ratio is lower compared to the 70.2% recorded in 2016 (this trend being noticeable across the entire banking system) and still below the value recorded at the level of the banking system (76.7%). The new minimum historical values confirm the excess of liquidity in the domestic economy and the structural changes in the banking sector.

The prudential ratios ensure a favorable position of BT in the banking system. BT has a consistent deposit base, which allowed for an optimum liquidity ratio. Thus, the **liquidity ratio** as at 31.12.2017 ranged between 2.50 and 25.23 (1.89 - 17.54 as at 31.12.2016) on the 5 maturity bands, much above the minimum level required by the NBR regulations.

The **capital adequacy ratio** of Banca Transilvania S.A. in 2017 stood at a comfortable level of 21.10%, with the annual profit included (17.43% without profit). The Bank preserved an adequate level of capital and of general financial ratios, in accordance with the prudent banking practices. The return on assets, respectively on equity recorded a positive evolution.

The **shareholders' equity** of BT as at 31.12.2017 was in amount of RON 6,970,073,547, of which:

- The share capital registered with the Trade Register is represented by 4,341,439,404 shares with a par value of 1 RON/share plus RON 86,501,040 as capital adjustment to inflation and surplus from the revaluation of fixed assets, used for the share capital increase but not realized until the date of the transition to the International Financial Reporting Standards adopted by the European Union;
- Premiums for the conversion of bonds into shares: RON 28,380,553
- Statutory reserves: RON 413,521,730
- Banking risk reserves: RON 77,892,714

- Reserves from revaluation of securities available for sale: RON 52,176,192
- Reserves from revaluation of tangible and intangible assets: RON 20,415,897
- Retained earnings (without current profit and profit distribution): RON 864,831,308
- Own shares: RON (32,139,518)
- Profit: RON 1,185,979,233
- Profit distribution: RON (68,925,006)

At the end of 2017, the **gross profit** amounted to RON 1,378.50 million at Bank level vs. RON 1,442.62 million at the level of Banca Transilvania Financial Group , which means an increase by 38%, respectively 36% versus the precedent year.

The **net profit** of Banca Transilvania amounted to RON 1,185.98 million, whereas that of Banca Transilvania Financial Group amounted to RON 1,242.47 million.

Cost/Income ratio reached 48.5% in 2017, considering the operating expenses generated by the acquisition projects undertaken by Banca Transilvania (BancPost, Victoriabank etc.). This ratio is under strict supervision, the Bank's objective for 2018 being to achieve enhanced operating efficiency.

Operating incomes end of 2017 amount to RON 2,675.46 million, versus RON 2,804.80 million as at 31.12.2016, declining by 4.6% from the precedent year, when the RON 185 million Visa Europe transaction was concluded. The Bank recorded operating incomes 5% lower than the budgeted level.

Most relevant income categories:

-Net interest income: RON 1,808.45 million in 2017, 5.71% higher compared to the previous year. Out of this amount, the income related to securities has a significant weight of 15%, notably RON 263 million. The trend at Group level was similar to that of the Bank.

-Net commission income: Net commission income grew by 14.03% reaching RON 580.95 million, close to the budgeted level. The number of operations carried out through BT accounts grew by 20%, given the fact that the Bank provided services at lower costs compared to 2016.

-Net trading income: The increase in the net trading income was of 22% for the Bank and of 41% for the Group, considering that the net income from foreign exchange transactions increased by 26% both for the Bank and for the Group. A consistent development was also recorded at Group level with respect to the net income from financial assets at fair value through profit or loss.

-The net income from the sale of financial instruments available for sale was of RON 4.1 million, lower than in 2016 (RON 402.2 million), when the gain resulting from the Visa Europe transaction of RON 185 million was booked.

Operating expenses before net impairment allowance and provisions for other risks and loan commitments amounted to RON 1,298.32 million end of 2017, versus RON 1,151.36 million end of 2016. The increase in operating expenses was related to the Bank's acquisition projects of 2017 and to the initiatives of digitalization and optimization of banking processes. The evolution of BT Group's operating expenses was mainly influenced by those of the Bank.

Operating profit amounted to RON 1,377.15 million, 17% lower than in the previous year.

Net provision expenses amounted to RON 1.35 million, versus RON 654.22 million in 2016.

Gross profit at Bank level was of RON 1,378.50 million in 2017, versus RON 999.12 million in the previous year. Gross profit at Group level was of RON 1,442.62 million, versus RON 1058.84 million in 2016.

Net profit of Banca Transilvania S.A. amounted to RON 1,185.98 million in 2017, versus RON 1,228.44 million in 2016.. The net profit of Banca Transilvania Financial Group amounted to RON 1,242.47 million, versus RON 1,277.01 million in the previous year.

1.1.5. Assessment of the aspects related to the Bank's and the Group's employees/staff

The Bank's total number of employees as at 31 December 2017 was 7,719 (31 December 2016: 7,680).

The Bank's average number of employees in 2017 was 6,989 (2016: 6,934).

The Bank's number of active employees at 31 December 2017 was 7,007 (2016: 7,014 employees).

The Group's number of active employees as at 31 December 2017 was 7,513 (7,522 as at 31 December 2016).

The average age of the employees in 2017 was 36.38 years (in 2016 - 36.03 years). Gender breakdown in 2017: 75.61% women and 24.39% men (in 2016 - 75.85% women and 24.15% men).

The manager-employee work relationship and any other conflict-related aspects are regulated by the Collective Labor Agreement for 2016-2018 no. 277/25.07.2016.

In 2017, the priorities of the HR activity were the following: making the best use of interpersonal relationships and of the employees' entrepreneurial spirit, professional development and well-being, encouraging performance and profitability, improving the organizational environment.

1.1.6. Assessment of the aspects related to the environmental impact of the issuer's main activity

BT pays attention to the compliance with the environmental and social legislation in force and to the use of appropriate social and environmental practices, as important factors of effective business management.

In line with its policy on social responsibility, volunteering and environment protection, Banca Transilvania carried on the reforestation process in 2017. Two such missions are:

- Padurea Transilvania 4.0 (Transylvania Forest 4.0);
- Trittenii de Jos, 53 km far away from Cluj-Napoca: 40,000 seedlings were planted on an area of 10 hectares (October 2017, in cooperation with Tasuleasa Social Association).

The Bank holds an international “green building” certificate, for some of its business spaces and for the choice of last generation technologies and equipment, with higher energetic efficiency and lower environmental impact.

Banca Transilvania has implemented a management system of environmental, social responsibility, respect for human rights and fighting corruption and of bribery, based on best practices and the principles published and adopted by institutions such as the EBRD and IFC.

As concerns the implementation of social responsibility policies, Banca Transilvania takes all requisite efforts to ensure that fundamental human rights are observed at all times, encouraging and developing on an ongoing basis the good practices in this field.

In relation to the community, the efforts of Banca Transilvania and its subsidiaries envisage the achievement of high human right standards. Moreover, through the activity of its foundations (Cluj Has Soul Foundation, BT Charity Foundation etc.), Banca Transilvania shares its values across the community, providing support and encouraging social communication and tolerance.

The Bank grants particular attention when selecting its third-party business partners, in order to make sure that cooperation is initiated only with entities which abide by the principles herein, and constantly monitoring their activities in line with the applicable legal provisions.

1.1.7. Assessment of the research and development activities

The research and development activities consist in the diversification and improvement of computer programs.

1.1.8. Assessment of the Bank’s activity regarding risk management

Description of the Bank’s policies and objectives regarding risk management:

RISK MANAGEMENT

The objective of Banca Transilvania Financial Group in terms of risk management is the integration of the assumed average risk appetite within the Bank’s decision making process, by promoting the adequate balance between the assumed risks, the available capital and the performance targets, considering at the same time the tolerance to financial and non-financial risks. In determining the appetite and tolerance to risk, the Group takes into account all significant risks to which it is exposed given the specificity of its activity, a major influence being linked to the credit risk.

Risk management is part of all the decision-making and business processes in Banca Transilvania. In this respect, the Bank’s management:

- Continuously assesses the risks which affect or are likely to affect the Bank's business and goals and takes actions whenever any changes appear in its business conditions;
- Ensures the existence of an adequate activity management framework within the Bank, considering both internal factors (the complexity of the organizational structure, the nature of the activity, staff quality and fluctuation) and external factors (macroeconomic factors, legislation changes, competition changes in the banking sector, technological progress), The risk management framework includes internal regulations, limits and controls that

ensure the identification, assessment, monitoring, mitigation and reporting of the risks arising from the Bank's activity overall and, where applicable, at the level of business lines.

- 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 methodology for specific credit risk provisions, assumptions regarding the future evolution of assets' value, etc.
- Risk monitoring and control: The policy and the procedures implemented for an effective risk management are meant to mitigate risks inherent in 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: For the specific risk categories, the Bank has established transparent regular reporting mechanisms, so that the management body and all the relevant units are provided with precise, concise, intelligible and significant reports in due time, and are able to exchange relevant information on risk identification, quantification or assessment and monitoring.
- 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. Banca Transilvania continuously calculates and assesses its internal capital and internal capital requirements, in order to cover the Bank's business needs and related risks.

Main categories of risks to which the Group is exposed:

- Credit risk
- Liquidity risk
- Operational risk
- Market risk
- Interest rate risk outside the trading book
- Reputation risk
- Risk of excessive leverage
- Strategic risk
- Compliance risk.

Credit risk

The credit risk management framework 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;
- Integrated IT systems for the management of client relationships and loan origination, both for companies and individuals.
- Individual counterparty rating system;
- Risk assessment system for transactions;
- A model validation process;
- Risk assessment system for new credit products / significant changes in the existing products;
- Active management of loan portfolio;
- Concentration limits per client / group of clients / products / regions /sectors/ guarantee suppliers / guarantee types;
- Pricing methodology based on risks;
- Methodology for loan monitoring / review after granting;
- Methodology for credit risk provisioning;
- Methodology for the calculation of prudential adjustments;
- Methodology for the early identification of effective or potential credit risk increase (early warning);
- Methodology for the identification and management of high risk assets;
- Proactive management of fraud risk;
- Continuous improvement of the overdue credit collection process;
- Back-testing methodology for provisions allocated to the Bank's loan portfolio regarding the adequacy of the probability of default indicator, the default status and the provision level;

The management of credit risk consists mainly in:

- The organization of a proper system of norms and procedures in this field, establishing the regulatory framework for the lending process in order to avoid or to minimize risk occurrence; - development / improvement of credit risk management procedures (strategy, policies, norms related to credit risk management); ongoing improvement of the credit approval / granting process;
- The maintenance of an adequate process for credit management, control and monitoring;
- Organizational structure of the Bank – there are departments and committees with responsibilities in credit risk supervision and management.

The credit risk appetite determined *a priori* for 2017 was “medium”.

Liquidity risk

The liquidity risk appetite in 2017 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, but also due to the weight of stable resources raised from clients in total funds; the liquidity risk profile is determined in a conscious manner and in line with the international and domestic market conditions, but also by considering the Bank’s sound development under the current legal circumstances, with the purpose to achieve both prudential and profitability requirements. 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 investment portfolio diversification (over 5 types/categories), considering the reversed correlation between the risk degree and the liquidity level, establishing minimum and/or maximum accepted levels for the relevant categories of investments, granting special attention to liquid assets easily convertible into cash that are eligible for collateral, without materially affecting the initial yield of investments, notably their profitability.

For a sound management of liquidity risk, the Bank is constantly focused on raising liquidities via treasury operations, external financing, capital markets, etc., by taking into account various factors such as the issuer’s rating, the issuance maturity and volume, trading markets.

The operative management of liquidity occurs also on an intraday basis, so as to ensure the execution of all settlements / payments of the Bank carried out in its own name or on behalf of its customers, in RON or FCY, on accounts or in cash, within the internal, legal and mandatory limits.

Moreover, the Bank also applies a liquidity buffer for the purpose to cover the additional liquidity needs that may occur on a short period of time under stress conditions.

During 2017, the Bank recorded 1st rating liquidity ratios, indicating a more than comfortable liquidity position in a still fragile general economic context.

Attention is given to:

- correlation of the growth rate of resources/loans;
- diversification of the range of instruments correlated with the institution's risk appetite;
- liquidity coverage ratio (LCR);
- adequate capital allocation;

Operational risk

Operational risk represents the risk to incur losses from defective processes, errors generated by the internal systems, inadequate employee activities and other external events.

In order to identify, assess, monitor and mitigate operational risk, the Bank:

- assesses on an ongoing basis the exposure to operational risk, based on historical data
- assesses the products, processes and systems in order to determine their associated risk levels and the measures required for the removal / diminishment of such risks to acceptable levels

In order to mitigate the inherent risks arising from the Bank’s operating activities, it is necessary to continuously monitor the controls implemented at different levels, to assess their efficiency, and to implement adequate measures for the reduction of the impact of operational risk events.

Banca Transilvania's Strategy for the diminishment of operational risk exposures is based mainly on the permanent update of regulatory documentation in line with the legal regulations and market conditions, staff training, efficiency of internal control systems (organization and exercise), 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), application of measures to limit and to mitigate the effects of operational risk incidents, such as: current activity standardization, automation of processes to the largest possible extent, with control keys monitored on a permanent basis; reduction of redundant data collected by the Bank's related entities; evaluation of products, processes and systems in order to determine sensitivities to operational risk, implementation of the recommendations and the conclusions resulting from the controls carried out by internal and external bodies, the update, evaluation and testing of business continuity plans on a regular basis.

The operational risk assessment is closely related to the Bank's overall risk management process: its results are part of the operational risk monitoring and control process and are constantly compared with the risk profile defined in the Bank's risk management strategy.

The risk appetite of Banca Transilvania related to operational risk and determined a priori for the year 2017 was medium-low.

Market risk

In 2017 Banca Transilvania's market risk appetite was "medium-low" due to the structure and the size of the trading portfolio, the prudential approach of all operations subject to 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, interest rates and exchange rates on the market, which represent exogenous, external, independent factors. The Bank implements a series of principles in terms of quality, maturity, diversity and risk degree of the constitutive elements.

Banca Transilvania performs a daily evaluation of all banking positions, marking to market its trading book, of the positions at the directly available closing prices, coming from independent sources, such as: prices on the stock exchange, electronic quotations, quotations from several independent, well-known brokers, in accordance with the applicable internal regulations and monitors the "warning" or "alert" levels, using backup plans in case of unstable market conditions. The market risk analysis is based on the 3 main risk sub-categories below, with the purpose of combining prudential and profitability requirements:

Interest and pricing risk The management of such risk is adapted and permanently adjusted to the Romanian and international financial and banking market conditions, as well as to the overall economic context. The interest rate risk is analyzed within the stress tests performed for the portfolio of securities held by the Bank and the price risk is analyzed within the stress tests related to the share and fund unit portfolio held by the Bank.

Currency risk The Bank applies a series of rules with regard to operations sensitive to exchange rate fluctuations, the realization, registration and mark-to-market thereof, as well as the impact of exchange rates on the Bank's assets, liabilities and balance sheet.

Settlement risk Settlement risk represents a possible loss that could occur because of a wrong settlement of treasury operations; the purpose of managing this risk is to adopt a prudent policy regarding the selection of counterparties, custodians, the management of counterparty operations and the maturities of such transactions.

Interest rate risk outside the trading book

In 2017, Banca Transilvania's appetite to interest rate risk outside the trading book was "low". The Bank has established a set of strict principles for the management and supervision of this risk and implemented a risk management process so as to ensure that interest rates are maintained within prudential limits. The interest rate risk management is to minimize the possible negative impact on net income, as well as to preserve the economic value of the equity under the conditions of adverse fluctuations of the interest rates.

The Bank uses management tools such as GAP analysis, static or dynamic and the economic value of assets, forecasts regarding the interest rate trends, the interest types and levels of the Bank's products, depending on currency and maturity, the volumes of different balance-sheet items sensitive to interest rates, fees and commissions, directly or indirectly influenced by interest rate changes, limits recommended in the interest rate gap management.

Reputation risk

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. In 2017 the reputation risk appetite has been established as "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 performed by way of: undertakings in order to attract the best partners, both clients and suppliers; recruitment and retention of best employees; minimizing litigations; strict regulations; prevention of crisis situations; and the consolidation of the Bank's credibility and the shareholders' confidence; ongoing improvement of the relationship with shareholders; establishing a more favorable environment for investments and access to capital; continuous and open communication with stakeholders (shareholders, mass-media, clients, partners, employees, authorities, etc.).

Risk of excessive leverage

The concept of "leverage" represents - in connection with an institution's own funds - a relative measurement of the institution's assets, off-balance and contingent commitments to make a payment, to supply a service or to provide collateral, including commitments arising from borrowings, undertaken commitments, derivative instruments or repo agreements, except for those obligations that can be executed only upon the liquidation of the institution.

Banca Transilvania treats with caution the matter of excessive leverage, by taking into consideration the potential increase in the risk of excessive leverage caused by the diminishment of the Bank's own funds due to expected or realized losses, according to the applicable accounting regulations. In 2017, Banca Transilvania's appetite to the risk of excessive leverage determined a priori was "low", due to the use of quantitative methods of assessment and diminishment.

Strategic risk

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. During 2017 the strategic risk appetite has been established as "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

In accordance with the requirements of NBR's Regulation no. 5/2013 on prudential requirements for credit institutions, Banca Transilvania ensures the ongoing development of the compliance activity, thus providing a permanent and efficient compliance risk management framework.

In this respect, the compliance function, as an integral part of the Bank's control functions, has provided the management body with consultancy on the implementation of the legal and regulatory framework and on the standards that the Bank had to observe. Through the involvement and support of this function, the potential impact of any legal and regulatory changes on the Bank's activities has been assessed on an ongoing basis.

The main tools for an efficient management of compliance risk are:

- (1) the determination of exposure limits within an ongoing process and the supervision of those indicators that reflect in an operative manner the Bank's processes subject to compliance risk;
- (2) the use of efficient software, in line with the Bank's development strategy and with the new legal requirements;
- (3) training sessions in order to raise the employees' awareness regarding compliance risk events in order to mitigate this type of risk;
- (4) periodical internal audit of the compliance function, in order to ensure the control over the implementation of legal requirements;
- (5) implementation and/or transfer to the compliance framework of certain processes in order to ensure a more efficient management of the requirements regarding the conflict of interest.

The relevant ratios for the management of the requirements of the compliance function refer to KYC and AML / terrorist financing, as well international sanctions.

Through a consistent approach strategy for compliance risk management, the process has been extended to the level of the BT Group.

Capital adequacy

The internal process for the assessment of capital adequacy to risks is integrated in the administration and management process of Banca Transilvania and in its decision making culture, according to which the management body must ensure the proper identification, measurement, aggregation and monitoring of risks, the preservation of internal capital levels adjusted to the Bank's risk profile, as well as the use and development of sound risk management systems.

The Bank and the Group use the following calculation methods for the determination of capital requirements:

- Credit risk: risk-weighted assets are calculated based on the standard method;
- Market risk: capital requirements with respect to the exchange risk and the trading portfolio are calculated based on the standard method;
- Operational risk: capital requirements for the coverage of operational risk are calculated according to the base method.

The Group manages its capital base in a dynamic manner, by monitoring regulatory capital ratios, by anticipating the adequate adjustments required for the achievement of its objectives, as well as by optimizing the structure of assets and shareholders' equity.

Planning and monitoring take into consideration the total own funds (core tier 1, additional tier 1 and tier 2) on the one hand and risk-weighted assets (RWA) on the other hand.

Internal and external audit

The general objectives of the 2017 audit focused mainly on risk management, as well as on the assessment of the overall control system implemented on transactions and / or processes / flows, covering the entire range of risks. The control system assessment was carried out in line with the internal audit methodology, one of the main objectives being that of ensuring the reliability and integrity of financial and operational data, as a result of an independent and objective evaluation of the internal control system and of the risk management systems in connection with the financial reporting process.

The internal control framework of the Bank is structured on three levels, respectively the functions that are exposed to and manage risks (operational units), the functions of risk supervision (the risk management function and compliance function) and the function that provides an independent assessment, respectively the internal audit function.

Thus, the first control level is linked to the operational units, which are responsible for ensuring an appropriate risk control and prevention environment within each operational structure/activity, as part of their daily operations; the second and third control levels are associated with the three independent control functions, as follows:

- the risk management function ensures the management and control of identified risks by means of specific assessment processes;
- the compliance function ensures the management of compliance / operational / credit risks;

- the financial function assures the management and control of the financial risk;
- the internal audit function ensures the objective examination of the Bank's overall activities, for the purpose of an independent evaluation of risk management, of the internal control system, of the management and execution processes, in order to support the achievement of objectives; it also issues recommendations for the improvement of such activities.

1.1.9. Aspects related to the perspectives of the Bank's activity

INFORMATION ABOUT THE PROJECTED EVOLUTION OF THE GROUP IN 2018

Banca Transilvania Financial Group intends to develop in 2018 a new microfinance model to further support the Romanian entrepreneurial spirit.

QUALITY OBJECTIVES for 2018:

- Bancpost integration in BT's business structure;
- Extension of BT's business model in the Republic of Moldova via Victoriabank;
- Consolidation of the Bank's organic growth;
- Further investments in technology, digitalization, innovation and simplification in terms of banking processes;
- Enhancing customer relationships in order to ensure optimal experience with BT.

QUANTITY OBJECTIVES for 2018:

- Total assets: 6.4% increase
- Total gross loans: 7.3% increase
- Total deposits from customers: 3.5% increase
- Cost / Income: 46.95%
- Loans / Deposits: 66.9%

DEVELOPMENT PLAN FOR 2018

Total investments - BT Group, RON thousand, VAT included	366,597
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PROPOSALS REGARDING THE FINANCIAL POSITION IN 2018

The assumptions related to the 2018 financial ratios considered an average inflation rate of 2.5% and an average RON/EURO exchange rate of 4.6558.

The assets are expected to increase by 6.4% as compared to the 2017 level (up to RON 63,091 million). As concerns the estimated asset structure, gross loans represent 53.9%, current liquidities 17.01%, whereas investment securities represent 28.2%.

As concerns the 2018 estimated structure of liabilities and shareholders' equity, the Bank considered a 3.5% increase in deposits from non-banking customers versus 2017, representing 80.6% of total liabilities.

The 2018 budgeted ratios subject to the GMS approval are determined so as to support the business objectives and are correlated with the specific prudential and supervisory standards.

The Bank estimates the obtention in 2018 of a gross profit of RON 1,208 million and a net profit of RON 1,015 million.

Banca Transilvania's organic growth strategy will be consolidated through the merger with Bancpost and the stake acquired in Victoriabank as of 2018. Until the approval of the NBR and of the Competition Council, Bancpost and Banca Transilvania will operate independently.

As a shareholder of Victoriabank, Banca Transilvania intends:

- To support the private business environment in the Republic of Moldova and particularly the SME and Micro segment;
- To develop a diverse range of products and services for retail customers;
- To align the organizational culture and corporate governance of Victoriabank with those of Banca Transilvania Financial Group;
- To invest in the personal and professional development of the Moldovan entrepreneurs.

2. The Bank's tangible assets

2.1. Location and properties of the main production capacities owned by the Bank:

The Bank currently owns tangible assets in the form of buildings, which represent the offices of its subsidiaries/agencies located in: Arad, Bistrita, Brasov, Bucharest Obor, Bucharest Unirii, Bucharest Regional Office, Cluj-Napoca, Constanta, Dej, Deva, Drobeta Turnu-Severin, Galati, Giurgiu, Miercurea-Ciuc, Oradea, Ramnicu-Valcea, Târgu-Mures, Timisoara, Turda, Zalau, Suceava, Iasi, Braila, as well as four buildings accommodating the Bank's Headquarters. The other locations where BT units are currently operating are rented offices.

In December 2017, a building owned by the Bank's Head Office was sold at the price of EUR 6.2 million, of which EUR 4.87 million - the Bank and EUR 1.32 million - BT Building.

2.2. Description and analysis of the degree of wear and tear of the Bank's properties:

The net tangible assets as at 31 December 2017 amount to RON 408 million, of which 48.28% are buildings and land. The majority of real estate properties were recently built or refurbished.

A detailed analysis of the Bank's fixed assets is presented in the Notes to the Financial Statements.

2.3. Notes on the potential issues related to the ownership of the Bank's tangible assets.

Not applicable.

3. The stock exchange where the securities issued by the company are traded

3.1. Romanian and foreign markets where the securities issued by the Bank are traded

As of 15.10.1997 (the first trading day), Banca Transilvania became the first Romanian banking institution listed on the Bucharest Stock Exchange. The Bank's shares are indivisible common dematerialized nominal shares.

At the beginning of 2017, the share capital recorded with the Trade Register amounted to RON 3,646,047,792; during the year, it was supplemented according to the Decision of the General Meeting of Shareholders, with the amount of RON 695,388,129 representing reserves from the 2016 net profit, but also according to the Resolution of the Board of Directors from 07.09.2017, with the amount of RON 3,483 through the issuance of 3,483 shares at a nominal value of RON 1/share, following the conversion of 3,537 bonds into shares. At the end of 2017, the share capital recorded with the Trade Register reached RON 4,341,439,404, and the legal proceedings for the registration of the share capital increase with the capital market authorities (Financial Supervisory Authority, Central Depository) were completed by the end of 2017.

The share capital structure as at 31.12.2017 vs. 31.12.2016:

Shareholders	31 Dec 2017	31 Dec 2016
European Bank for Reconstruction and Development (EBRD)	8.60%	8.60%
Romanian individuals	19.75%	16.97%
Romanian companies	30.97%	29.32%
Foreign individuals	1.80%	1.82%
Foreign companies	38.88%	43.29%
Total	100.00%	100.00%

The Bank's market cap as at 31 December 2017 was RON 9.25 billion, respectively EUR 1.98 billion (31 December 2016: RON 8.70 billion, respectively EUR 1.91 billion).

3.2. The Bank's policy regarding dividends

In 2017, BT distributed cash dividends in amount of RON 219,000,000 from the profit of 2016, the gross value of the dividend per share being RON 0.060065.

In 2016, BT distributed cash dividends in amount of RON 1,200 million from the profit of 2015, the gross value of the dividend per share being RON 0.396558.

BT also distributed cash dividends in amount of RON 50 million from the profit of 2008, when the gross value of the dividend per share was RON 0.047200.

In the other years, the policy of Banca Transilvania regarding profit distribution was focused on capitalization.

Proposals regarding the distribution of profit for the financial year 2017 and the share capital increase

The Board of Directors of the Bank submits to the General Meeting of Shareholders the proposal for the distribution of profit in amount of RON 1.185.979.233, according to the following scheme:

PROPOSAL FOR PROFIT DISTRIBUTION 2017	AMOUNTS (RON)
Gross profit	1,378,500,129
Current/deferred income tax	(192,520,895)
Net profit	1,185,979,233
5% Statutory reserve fund from gross profit	(68,925,006)
Net profit reserves before IFRS 9	(36,012,567)
Net distributable profit	1,081,041,660

The dividend distribution is based on the GMS decision following the initiative of the Board of Directors and it depends on the amount of distributable profit and the future capitalization needs of the Bank. Dividends are distributed to the shareholders proportionally with their shareholding percentage. Dividend income is subject to withholding tax. The dividend payment is made in line with the applicable legal provisions and the Decision of the General Meeting of Shareholders regarding profit distribution and dividend calculation. The Bank paid dividends to its shareholders both from the 2015 profit and from the 2016 profit.

The Board of Directors submits for approval the distribution of profit by granting dividends in amount of RON 610.000.000. The gross dividend per share is **0.1405063951**.

The Board of Directors also submits for approval the share capital increase from RON 4,341,439,404 to RON 4,812,481,064, notably with the amount of RON 471,041,660 representing 2017 net profit reserves.

PROPOSAL FOR PROFIT DISTRIBUTION 2017	AMOUNTS (RON)
Total reserves available for distribution	1.081,041,660
Capitalization of net profit reserves 2017	471,041,660
Share capital at the reference date	4,341,439,404
Earnings / share % capitalization	0.1084989600

As a result of the share capital increase by RON 471,041,660, for every 100 shares held, other **10.84989600** new shares will be assigned (respectively a number of new shares corresponding to the ratio RON 471,041,660/RON 4,341,439,404).

3.3. The Bank's share buyback activities:

The share buyback from 2017 was in line with the schedule approved by the Decisions of the Ordinary General Meeting of Shareholders of Banca Transilvania S.A. dated 26.04.2017.

As at 31.12.2017, Banca Transilvania counted 15 million own shares in amount of RON 32,140 thousand, repurchased in order to be granted as remuneration to the employees.

In 2017, the Bank did not acquire own shares in order to dispose of them for profit.

3.4. The number and nominal value of the shares issued by the parent company and owned by the subsidiaries:

As at 31.12.2017, BT Group counts 26.5 million own shares amounting to RON 47,427 thousand, of which 11.5 million shares are held by BT INVEST¹, a Group subsidiary.

BT subsidiary	No. of shares held	Nominal value at 31.12.2017	Percentage held of the Bank's share capital as at 31.12.2017
BT INVEST ¹	11,488,696	11,488,696	0.264629%
TOTAL BT SHARES held	11,488,696	11,488,696	0.264629%

3.5. Bonds issued by the Bank:

In 2013 Banca Transilvania S.A. issued a number of 50,000,000 unsecured subordinated convertible bonds, due in 2020, each with a nominal value of EUR 0.60, and a total nominal value of EUR 30,000,000. These are nominal, dematerialized bonds.

As at 31 December 2013 the Bank had a balance of issued subordinated term bonds of EUR 30 million.

On 3.11.2014, BT converted 33,453,730 bonds with a nominal value of EUR 20,072,238 into 49,444,546 shares.

As at 31 December 2014, the Bank counted 16,546,270 outstanding subordinated bonds, amounting to EUR 9,927,762.

As at 31 December 2015, the Bank counted the same 16,546,270 outstanding subordinated bonds, amounting to EUR 9,927,762.

As at 31 December 2016, the Bank had a balance of 16,507,930 issued subordinated bonds, amounting to EUR 9,904,758.

During 2017, the Bank converted bonds amounting to EUR 2,122 (9,683 RON equivalent), amount that was used as follows: RON 3,483 for the share capital increase and RON 6,200 for share premiums.

The value of convertible bonds as at 31.12.2017 was EUR 9,902,635.8, equivalent of RON 46,143,312 (31.12.2016: EUR 9,904,758, equivalent of RON 44,978,497).

As at 31 December 2017, the Bank had a balance of 16,504,393 issued subordinated bonds, amounting to EUR 9,902,635.8.

4. Bank management

CORPORATE GOVERNANCE

Corporate governance represents the set of responsibilities and practices of the company's management, aiming at providing a strategic direction and ensuring that the set objectives will be achieved, that risks are properly managed and that the company's resources are responsibly used, while maintaining proper conduct in relation to third parties.

Banca Transilvania SA uses the Code of Corporate Governance of the Bucharest Stock Exchange, considering the former's capacity as issuer on the capital market. The Code of Corporate Governance of BSE is available on the official website of BSE (www.bvb.ro). There are currently no aspects in which Banca Transilvania fails to comply with the provisions laid down in the Code of Corporate Governance of BSE.

Banca Transilvania's management: The General Meeting of Shareholders (GMS)

The strategic management of the Bank is ensured by the General Meeting of Shareholders which is in charge of establishing strategic organizational objectives and of allocating the required resources for the achievement thereof.

The Board of Directors

Banca Transilvania's management structure includes the supervisory management body, i.e. the Board of Directors and the top management bodies, i.e. the Leaders/Leaders' Committee.

BT's supervisory management is entrusted by the General Meeting of Shareholders to a Board of Directors elected for a mandate of 4 years, consisting of 7 directors, elected by the shareholders during the GMS – either upon the expiry of the mandate, or on a case by case basis, if there is one or several vacant positions.

In line with the NBR regulatory provisions, the Board of Directors is a body with advisory, coordination, supervisory and control functions.

In Banca Transilvania, the BoD has the following structure:

- 1 Chairman;
- 6 members.

Following the approval of the members by the shareholders during the GMS and prior to the effective commencement of their mandate, the new BoD members must obtain the approval of the National Bank of Romania.

The Board members are not involved in operating activities – this responsibility belongs to the top management exclusively.

4.1. List of Bank Directors:

No resignations were registered among the members of the Board of Directors and the executive management in 2017.

A new Board member has been appointed in the person of Ms. Bordea Mirela Ileana. During 2017, the Members of the Board of Directors (BoD) as at 31.12.2017 are:

Name	Position	Percentage held of the Bank's share capital as at 31.12.2017
Ciorcila Horia	Chairman of the Board of Directors	4.345859% directly and together with BT shareholders, Castorius Limited and Thelteck Limited
Grasse Thomas	Non-executive Member of the Board of Directors	0
Gueorguiev Ivo	Non-executive Member of the Board of Directors	0.038568
Ceocea Costel	Non-executive Member of the Board of Directors	0.030256
Puscas Vasile	Non-executive Member of the Board of Directors	0.016313
Lionachescu Costel Doru	Non-executive Member of the Board of Directors	0.004940
Bordea Mirela Ileana	Non-executive Member of the Board of Directors	0

Ciorcila Horia was born in 1963 in Cluj-Napoca and graduated from the Faculty of Automation and Computers, at the Polytechnic Institute of Cluj-Napoca, in 1989. He participated, as a founding member, to the establishment of Banca Transilvania S.A. and of several companies from Banca Transilvania S.A. Group, operating in the finance sector (insurance, leasing, etc.) since 1993. He also contributed, as a founding member, to the establishment of companies such as the groups Astral TV, Maestro Industries and RomVioCons-Omniconstruct. He was also a Board member of BT Asigurari SA, BT Asset Management SAI and Chairman of the Board for BT Aegon. He is currently in the Boards of ACI SA and SIF MOLDOVA SA.

He has been a member of the Board of Directors of Banca Transilvania S.A. since its founding, and, starting with 2002, he has been the Chairman of the Bank's Board of Directors.

Grasse Thomas was born in 1955. He has a degree in banking. He graduated from the Business School of Finance and Management of Bankakademie, Frankfurt, Germany, in 1977. He started his career in banking at Hypo-Bank Mannheim Branch, Germany. He has held different management and top management positions in the banking sector, within Hypo-Bank Munchen, Hypo-Bank Landshut/Rosenheim Germany, Bayerische Hypo und Vereinsbank AG Munchen Germany, Unicredit CAIB Poland, Specta Group Moscow, and Banca Intesa Moscow, Russia. He is currently on the Board of Directors of JSC Alliance Bank, Almaty, Kazakhstan and also a member of the Supervisory Board (EBRD nominee), of the Strategy and Capital Markets Committee, and of the Audit and Risk Committee from the Credit Bank of Moscow, Russia.

He has been a member of the Board of Directors of Banca Transilvania S.A. since 29.04.2014. The NBR approval was granted on 30.12.2014.

Gueorguiev Ivo was born in 1964. He graduated from the University of National and World Economy of Sofia, Bulgaria, in 1990 and holds an MBA from Alberta University of Edmonton, Canada since 1993. He has held many other positions, such as: Management Consultant of Varsity Consulting Group Edmonton, Canada, Principal Banker of the EBRD for the Baltics/Belarus Group, Chairman of the Management Board of Hermis Finance - Lithuania, Deputy Chairman of the Management Board Hermis Bank – Lithuania, Senior Banker of the EBRD for the Financial Institutions Group, Managing Director and Chairman of the Management Board of TBIF Financial Services BV, Chairman of the Supervisory Board of TBI Bank.

He has been on several Boards of Directors: Chairman of Hermis Finance Lituania, Vice-Chairman of Hermis Bank Lithuania, Board member of the Baltics Small Equity Fund, Export & Credit Bank Macedonia, and of the Bulgarian Insurance and Pension Holding, Chairman of the Board for TBI Broker doo Serbia, Chairman of TBI Lizing doo Serbia, Board Chairman of TBI Bulgaria, CEO member of the Board of TBIF Bulgaria, Chairman of the Board - TBI Invest / Asset Management Bulgaria, Vice-chairman of the Board - TBI Credit SA Romania, Vice-chairman of the Board - TBI Credit SA Romania, Chairman of the Board - TBI Credit EAD Bulgaria, Chairman of the Board - TBI Leasing AD Bulgaria;

He has also been a member of numerous Supervisory Councils (SC), in the capacity of: Member of the SCs of Energo SA Poland, Pension Fund Doverie Bulgaria, Chairman of the SC for Sympatia Finance Slovakia, Member of the SCs of Sovcom Bank Russia, TBI Holding Company - Netherlands, and Arka Consumer Finance Russia, Vice-Chairman of the Supervisory Council of VABank Ukraine, and SC Chairman for TBI Bank Bulgaria.

At the present, he is a private investor and member of the Board of Directors of Credibul AD Sofia Bulgaria. He has been a member of the Board of Directors of Banca Transilvania S.A. since 29.04.2014; the NBR approval was obtained on 27.11.2014.

Ceocea Costel was born in 1956 in Buzau. He is a graduate of the Faculty of Economics from “Alexandru Ioan Cuza” University of Iasi, having majored in the Economy of Industry, Constructions and Transportation, he has a Master’s Degree in Business Management and Administration from the “Gheorghe Asachi” Technical University of Iasi and he is also a PhD applicant for a degree in Industrial Engineering from the aforementioned Technical University. He started his activity in 1976, within the company CCH Letea Bacau. From 1981 to 1990, he worked for the Bacau County Council. In 1990, he was a clerk at IFET/SEPPL Bacau. He was hired by the Bacau Chamber of Commerce and Industry as Specialist Advisor in 1991, being later promoted to Head of Department - Internal and International Affairs. In 1994, he transferred to the Financial Investment Company Moldova SA (alias SIF Moldova), acting as Specialist Advisor, Head of Department (1997), Manager (2001), and Deputy Chairman and Deputy CEO (2005) within the same institution. In 2008, he became Chairman and Chief Executive Officer of the BoD Steering Committee of SIF Moldova, position held until present.

He has been a member of the Board of Directors of Banca Transilvania S.A. since April 2010.

Puscas Vasile was born in 1952, in the town of Surduc, Salaj County. He graduated from the Faculty of History and Philosophy of Babeş-Bolyai University, Cluj-Napoca, holding a Bachelor Degree in History and Social Sciences. He obtained a PhD in History from Babeş-Bolyai University, Cluj-Napoca, and, since 1995, he is a Professor at the Faculty of History and Philosophy, the Department of Contemporary History and International Affairs, Babeş-Bolyai University. During the period December 2000 - December 2004, he served as Minister Delegate for the Nastase

Government and as Chief Negotiator of Romania to the European Union. In December 2008, he was appointed State Secretary within the Department for European Affairs (DEA), and, at the beginning of 2009, his position was upgraded to Head of the DEA Department, with the rank of Minister. From 2009 to 2013, he acted as Main Advisor for the Department of European Affairs. Since 2012, he is also a Professor within the European Studies Department of the University. Starting from 1999 he has also been the Director of the Institute for International Studies within the Faculty of History and Philosophy, Babes-Bolyai University. From 2002, he has been a member of the National Commission for the Certification of Titles and Degrees (Ministry of Education and Research). Since 2011, he is an “Ad Personam Jean Monnet Chair” and coordinates the Negotiation and European Policy module within the Department of International Studies and Contemporary History of Babes-Bolyai University, Cluj-Napoca.

He has been a member of the Board of Directors of Banca Transilvania S.A. since November 2013.

Lionachescu Costel Doru was born in 1963, in Curtea de Arges, Arges County. He is a graduate of the Electronics and Telecommunication Faculty within the Polytechnic Institute Bucharest (class of 1988). He holds an Executive MBA – ASEBUSS, program offered by the University of Washington, Seattle, USA, in cooperation with ASE – Academy of Economics, Bucharest. He is also studying for a Master’s Degree in Electronics and Telecommunication from the Polytechnic Institute Bucharest. For nearly 11 years, he has held various top management positions in the banking sector, starting with ING Bank, then as Vice President of Citibank NA and later as Deputy CEO of Bancpost. He was the Chairman – Founder and Principal Partner of Capital Partners SRL. After Capital Partners was acquired by BT Securities in March 2016, he became a Board member of BT Capital Partners S.A., the investment banking subsidiary of Banca Transilvania.

He has been a member of the Board of Directors of Banca Transilvania S.A. since 27.04.2016, after the position became vacant (NBR Approval for Board membership was granted on 30.12.2016).

Bordea Mirela Ileana graduated from the Bucharest Academy of Economic Studies - Faculty of Commerce - Foreign Trade specialization in 1978. She started her professional activity as an economist at SARO Targoviste. Between 1985-1991 she worked at the Ministry of Foreign Trade as a commercial representative with the Brussels economic agency. Between 1992-1993 she held the position of financial manager at SC Comex SRL. She joined the banking system in 1993 - starting with Banca de Credit Industrial și Comercial, Finansbank and Credit Europe Bank. Her banking career started with the credit activity and continued until 2002, when she took over the non-performing loan recovery department. In June 2003 she was appointed Vice-President of the bank and of the Board of Directors. In her position as Executive Vice-President, she coordinated the Risk Management and Control Division.

In 2014, she was elected as a Board member of the Romanian Association of Banks (ARB).

She was appointed as a member of the Board of Directors of Banca Transilvania S.A. on 26.04.2017, filling a vacant position for the remaining period of the current mandate of the Board, notably until April 2018 (NBR Approval for Board membership was granted on 21.09.2017).

The list of affiliated persons is available in ANNEX 2 to this report.

4.2. The Bank's executive management:

The Management Committee is in charge of the Bank management, having the following structure:

Name	Position	Percentage held of the Bank's share capital as at 31.12.2017
Tetik Ömer	Chief Executive Officer	0.059924
Runcan Luminita	Deputy Chief Executive Officer, CRO	0.062385
Toderici Leontin	Deputy Chief Executive Officer, COO	0.090929
Nistor Gabriela Cristina	Deputy Chief Executive Officer, Retail Banking	0.045232
Dudoiu Andrei	Deputy Chief Executive Officer, Companies	0.046311
Calinescu George	Deputy CEO, CFO	0.010301
Moisa Tiberiu	Deputy Chief Executive Officer, SME Banking	0.025168

The other members of the Executive Management Committee are:

Name	Position
Pojoca Lucia Ana	Regional Executive Manager - Oradea (DEO)
Bucur Ioan Calin	Executive Manager Risk Management (DEMR)
Nadasan Mihaela Simona	Executive Manager - Financial Institutions and International Relations (DEIFRI)
Doca Nevenca Zoranca	Executive Manager - Human Resources (DERU)
Olanescu Ioana	Executive Manager - Corporate Governance and Contentious (DEGCC)
Plesuvescu Bogdan	Executive Manager - Legal, Workout and Insolvency (DEJWI)
Banu Dragos Mihai	Treasury Executive Manager (DET)
-	Executive Manager - BT Group Coordination and Strategy (DESCG)

4.3. As concerns all the persons indicated at 4.1. and 4.2., any litigation or administrative proceedings in which they have been involved in the last 5 years with regard to their activity within the Bank, as well as other aspects related to the capacity of the said persons to perform their duties within the Bank shall be specified.

The Bank issued current informative reports to the Bucharest Stock Exchange, hence promptly and correctly informing all shareholders on any significant changes occurring in the financial statements, the structure of management, potential litigations involving them or any litigation related to the Bank activity.

5. Statement of financial position

The information presented in the separate financial statements for the 2017 financial year is based on the rules for accounting organization and management, in accordance with Law no. 82/1991, as subsequently republished and the Government Emergency Ordinance no. 99/2006, NBR Order no. 27/2010 approving the accounting rules under International Financial Reporting Standards adopted by the European Union, as amended and supplemented by NBR Order no. 29/29.12.2011, NBR Order no. 2/7.03.2013, Order No. 7/30.10.2014, Order no. 7/20.07.2015, Order no. 7/3.10.2016 and Order no. 8/11.08.2017 as well as other NBR instructions in the field.

The balance sheet records are in line with the data in the trial balance related to sub-accounts and they reflect the actual status of assets and liabilities based on the inventory.

Events subsequent to the date of the consolidated statement of financial position

In November 2017, Banca Transilvania S.A. announced its initiative to invest in the Republic of Moldova and received in the following period the acquisition approval from the Romanian and Moldovan supervisory authorities - the National Bank of Romania, the National Bank of Moldova and the Competition Council of the Republic of Moldova.

Following the balance sheet date, notably on January 19, 2018, Banca Transilvania S.A. became a shareholder of Victoriabank S.A., the third largest bank in the Republic of Moldova, with an indirect stake exceeding 39.20%. Between 14.02 - 24.04.2018, Banca Transilvania S.A. launched a mandatory tender offer to take over the securities issued by Victoriabank S.A., in accordance with the Moldovan capital market legislation; the offer was addressed exclusively to the current minority shareholders of Victoriabank S.A.

The objective of the tender offer was the acquisition of the remaining 8,308,673 shares issued by Victoriabank S.A., representing 33.23% of the total number of nominal ordinary shares with voting rights, in accordance with the approval of the National Commission for Financial Markets in the Republic of Moldova.

Moreover, a process was initiated for the appointment of the representatives of the new shareholder in the management committee and the Board of Directors of Victoriabank S.A., a process estimated to be completed in April 2018.

In November 2017, the Board of Directors of Banca Transilvania S.A. also approved the execution of the transaction for the acquisition of the majority stake (99.15%) held by Eurobank Group in the share capital of Bancpost S.A., the agreement being signed on November 24, 2017. According to the transaction, Banca Transilvania Financial Group will also acquire the full equity participations in the Eurobank Group subsidiaries located in Romania, notably ERB Retail Services IFN S.A. and ERB Leasing IFN S.A.

At mid-March 2018, BT received all the necessary approvals from the NBR and the Competition Council regarding the transaction for the acquisition of Bancpost, ERB Retail Services IFN and ERB Leasing IFN. The transaction will be closed in the first half of April 2018, when BT will become the owner of the shares held by Eurobank in the three mentioned entities and will commence their integration in the structure of BT Group with the cooperation of mixed BT and Bancpost teams.

Until the date of approval and release of the consolidated financial statements, Banca Transilvania S.A. has not obtained all the authorizations necessary to acquire control pursuant to IFRS, and the consolidated financial statements herein have not been impacted by these transactions.

The Bank calculated and paid its monthly duties to the public budget and to the special funds, as well as the quarterly and bi-annual duties to the local budget; as concerns the income tax, the Bank made quarterly prepayments in accordance with the applicable law.

The analysis of the economic and financial situation of the Bank and of the Group, based on the financial statements, as compared to the last 3 years, is presented below:

Thd RON

a) The Bank's and the Group's statement of financial position:

RATIO	Bank Dec-2017	Bank Dec-2016	Bank Dec-2015	Group Dec-2017	Group Dec-2016	Group Dec-2015
Cash and cash equivalents at the National Bank	6,637,692	5,293,635	4,997,896	6,637,725	5,293,660	4,997,930
Loans to banks	5,302,292	2,746,582	3,889,483	5,348,074	2,785,505	3,908,864
Financial assets at fair value through profit or loss	83,135	59,890	56,819	274,850	163,520	161,028
Loans and advances granted to clients	29,914,039	27,209,976	25,107,527	29,463,632	26,710,402	24,894,560
Net lease investments	-	-	-	785,330	523,643	331,054
Investment securities available-for-sale	16,032,612	15,120,524	12,332,576	15,821,300	14,993,828	12,242,959
Investment securities held-to-maturity	-	-	-	-	20,691	12,942
Investments in shares	156,631	136,671	84,886	-	-	-
Tangible assets and investment property	407,649	370,305	337,076	633,668	558,734	452,266
Intangible assets	125,761	78,396	72,425	133,255	86,600	74,472
Goodwill	-	-	-	2,774	2,774	376
Current tax receivables	148,594	125,055	133,769	146,858	119,103	132,651
Deferred tax receivables	173,243	373,940	111,162	187,145	378,716	113,906
Other assets	320,427	254,627	219,046	370,358	307,048	256,084
Total assets	59,302,075	51,769,601	47,342,665	59,804,969	51,944,224	47,579,092
Deposits from banks	127,946	247,268	388,425	127,646	247,268	388,425
Deposits from clients	49,099,201	41,851,773	38,395,292	48,932,195	41,681,475	38,301,741
Loans from banks and other financial institutions	1,099,891	2,246,461	985,142	1,487,022	2,304,911	1,129,702
Subordinated liabilities	414,578	424,111	416,352	414,578	424,111	416,424
Provisions for other risks and loan commitments	373,117	506,955	705,596	382,849	514,582	708,199
Other liabilities	1,217,269	508,945	334,097	1,300,144	581,844	360,140

Total liabilities excluding financial liabilities to holders of fund units	52,332,002	45,785,513	41,224,904	52,644,734	45,754,191	41,304,631
Financial liabilities to holders of fund units	-	-	-	20,123	37,326	33,648
Total liabilities	52,332,002	45,785,513	41,224,904	52,664,857	45,791,517	41,338,279
Share capital	4,427,940	3,732,549	3,112,505	4,427,940	3,732,549	3,112,505
Own shares	(32,140)	(16,546)	-	(47,427)	(29,993)	(11,806)
Capital premiums	28,381	28,374	28,316	28,381	28,374	28,316
Retained earnings	1,981,886	1,779,244	2,389,102	2,202,764	1,954,073	2,523,109
Revaluation reserve	20,416	27,188	27,377	17,524	26,227	26,470
Reserve from available-for-sale assets	52,176	10,790	187,928	(6,247)	(8,791)	175,511
Other reserves	491,414	422,489	372,533	502,487	432,061	380,588
Total equity attributable to equity holders of the Bank	6,970,073	5,984,088	6,117,761	7,125,422	6,134,500	6,234,693
Non-controlling interest	-	-	-	14,690	18,207	6,120
Total equity	6,970,073	5,984,088	6,117,761	7,140,112	6,152,707	6,240,813
Total liabilities and equity	59,302,075	51,769,601	47,342,665	59,804,969	51,944,224	47,579,092

End of 2017, the weight of Banca Transilvania S.A.'s assets in the total assets of BT Group is 99.16% (2016: 99.66% and 2015: 99.50%).

b) Statement of profit and loss:

Thd RON

RATIO	Bank Dec-2017	Bank Dec-2016	Bank Dec-2015	Group Dec-2017	Group Dec-2016	Group Dec-2015
Interest income	2,018,571	1,971,229	2,369,872	2,102,621	2,027,566	2,416,977
Interest expenses	(210,122)	(260,495)	(460,088)	(211,802)	(263,533)	(464,802)
Net interest income	1,808,449	1,710,734	1,909,784	1,890,819	1,764,033	1,952,175
Fee and commission income	704,571	624,114	582,247	744,313	652,900	603,085
Fee and commission expenses	(123,621)	(114,651)	(124,731)	(117,516)	(106,629)	(116,099)
Net fee and commission income	580,950	509,463	457,516	626,797	546,271	486,986
Net trading income	223,667	183,493	179,428	278,339	197,383	179,877
Net loss(-)/Net gain from the sale of financial instruments available for sale	(4,102)	402,226	222,086	(3,206)	401,691	222,208
Contribution to the Guarantee Fund and Resolution Fund	(49,696)	(72,792)	(95,308)	(49,696)	(72,792)	(95,308)
Other operating income	116,196	71,583	81,879	173,823	135,916	108,212

Operating income	2,675,464	2,804,707	2,755,385	2,916,876	2,972,502	2,854,150
Net loss(-)/Net gain impairment allowance on assets, provisions for other risks and loan commitments	1,353	(654,223)	(794,954)	(29,221)	(658,087)	(797,514)
Personnel expenses	(715,390)	(631,487)	(650,324)	(763,227)	(665,818)	(676,742)
Amortization expenses	(90,106)	(72,358)	(77,616)	(125,024)	(93,911)	(91,662)
Other operating expenses	(492,821)	(447,516)	(617,962)	(556,782)	(495,849)	(638,117)
Operating expenses	(1,296,964)	(1,805,584)	(2,140,856)	(1,474,254)	(1,913,665)	(2,204,035)
Profit before provisions	1,378,500	999,123	2,265,129	1,442,622	1,058,837	2,300,715
Loss(-)/Income tax revenue/expense	(192,521)	229,317	152,539	(200,154)	218,176	147,302
Profit for the year	1,185,979	1,228,440	2,417,668	1,242,468	1,277,013	2,448,017
Group's profit attributable to the equity holders of the Bank				1,239,452	1,272,422	2,446,129
Group's profit attributable to non-controlling interest				3,016	4,591	1,888
Profit for the year	1,185,979	1,228,440	2,417,668	1,242,468	1,277,013	2,448,017

End of 2017, the weight of Banca Transilvania S.A.'s profit in the Group's total profit is 95.45% (2016: 96.20% and 2015: 98.76%).

c) Cash flow: Statement of Cash Flows:

Thd RON

RATIO	Bank Dec-2017	Bank Dec-2016	Bank Dec-2015	Group Dec-2017	Group Dec-2016	Group Dec-2015
Cash and cash equivalents at the beginning of the period	7,627,754	8,597,019	6,381,816	7,641,059	8,607,236	6,398,180
Net cash from/ (used in) operating activities	4,808,377	2,989,970	2,537,710	4,567,980	3,098,967	2,578,412
± Net cash from/(used in) the investment activity	(737,895)	(2,813,026)	(265,061)	(822,057)	(2,828,332)	(351,916)
± Net cash from/(used in) the investment activity	(276,046)	(1,146,209)	(57,446)	43,882	(1,236,812)	(17,440)
Cash and cash equivalents at the end of the period	11,422,190	7,627,754	8,597,019	11,430,864	7,641,059	8,607,236

The statement of financial position is detailed in the Financial statements enclosed.

The following documents are enclosed to this report:

- The Separate and consolidated Report of the Board of Directors of BANCA TRANSILVANIA S.A, for the year 2017;

- The management statement on taking responsibility for drafting the financial statements for the year 2017;
- The financial statements, at individual and consolidated IFRS level, together with explanatory notes;
- The Independent Auditor's Report PriceWaterhouseCoopers Audit SRL, to the IFRS separate and consolidated financial statements.

The annual report shall be accompanied by copies of the following documents:

a) copies of supporting documents for all amendments made to the Articles of Association in the second half of 2017;

Please note that the decisions of the General Meeting of Shareholders have been transposed into the Articles of Association, they have been implemented and approved by the competent bodies.

b) major agreements concluded in 2017; There were no major agreements for acquisition, merger or division signed by BT in 2017. However, there were preliminary agreements for the obtention of qualified stakes (without the completion of the transfer of property of the shareholding) in the share capital of Victoriabank SA (credit institution based in the Republic of Moldova), respectively in the share capital of Bancpost SA, ERB Retail Services IFN S.A. and ERB Leasing IFN S.A.

There was no information available regarding major agreements between BT and any persons acting in concert or involving such persons in 2017.

c) resignation/dismissal documents regarding the members of the Board of Directors, executive management - As concerns the executive management, the individual employment contract of Mr. Radu Hanga, Executive Manager BT Group Coordination and Strategy (DESCG) ceased by mutual agreement of the parties on 15.06.2017 (the position is vacant at the moment). There are no other changes regarding the members of BT's Board of Directors, executive management, supervisory board etc.

d) list of Bank subsidiaries and of the companies controlled by the Bank - The list of BT Subsidiaries is enclosed as an Annex to this report (ANNEX 1);

e) list of Bank affiliates - The list of related persons of BT is enclosed as an Annex to this report (ANNEX 2).

**CHAIRMAN OF THE
BOARD OF
DIRECTORS
HORIA CIORCILA**

**CHIEF EXECUTIVE
OFFICER
ÖMER TETIK**

**DEPUTY CHIEF EXECUTIVE
OFFICER
GEORGE CALINESCU**

Banca Transilvania Group (“Group”) includes the Parent-company, Banca Transilvania S.A. (“Bank”) and its subsidiaries, based in Romania and in the Republic of Moldova. The consolidated and separate financial statements as at 31.12.2017 comprise Banca Transilvania S.A (“Parent company” or “BT”) and its subsidiaries (hereinafter referred to as the “Group”).

The Group’s subsidiaries are represented by the following entities:

Subsidiary	Field of activity	December 31, 2017	December 31, 2016
BT Capital Partners S.A.	investments	99.59%	99.59%
BT Leasing Transilvania IFN S.A.	leasing	100.00%	100.00%
BT Investments S.R.L.	investments	100.00%	100.00%
BT Direct IFN S.A.	consumer loans	100.00%	100.00%
BT Building S.R.L.	investments	100.00%	100.00%
BT Asset Management SAI. S.A.	management of assets	80.00%	80.00%
BT Solution Agent de Asigurare S.R.L.	insurance broker	99.95%	99.95%
BT Asiom Agent de Asigurare S.R.L.	insurance broker	99.95%	99.95%
BT Safe Agent de Asigurare S.R.L.	insurance broker	99.99%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	insurance broker	99.99%	99.99%
BT Compania de Factoring S.R.L.	factoring	-	100.00%
BT Operational Leasing S.A.	leasing	94.73%	94.73%
BT Leasing MD SRL	leasing	100.00%	100.00%
BT Microfinantare IFN S.A.	consumer loans	100.00%	100.00%
BT Transilvania Imagistica S.A.	other healthcare activities	96.64%	89.71%
Improvement Credit Collection SRL	activity of the collection agents and credit reporting bureaus	100.00%	100.00%
Sinteza S.A.	manufacture of other basic organic chemicals	50.15%	46.98%
Chimprod S.R.L.	manufacture of basic pharmaceutical products	50.03%	46.87%

THE BANK'S RELATED PARTIES
as at 31.12.2017

REF. NO.	NAME
1	BANCA TRANSILVANIA SA
2	A C I CLUJ SA
3	ACERO BPIE SRL
4	ADMIN DEVELOPMENT DESIGN
5	ALSIRA CONSULTING SRL
6	ANDOVIV IMO SRL
7	ANTREPRIZA CLUJ ZALAU SA
8	ASOC. CLUSTERUL DE IND.CREATIVE TRANSILVANIA
9	ASOC.UNIV.BABES-BOLYAI - EXECUTIVE EDUCATION
10	ASOCIATIA "COSTACHE NEGRI 2005 BACAU"
	ASOCIATIA BUCURESTIUL ARE SUFLET
12	ASOCIATIA CLUB SPORTIV U-BT
13	ASOCIATIA SPHERIK
14	AUREL VLAICU SA
15	BANU DRAGOS MIHAI
16	BANU IULIANA
17	BIRLE IOAN
18	BIRLE LILIANA DORINA
19	BORDEA ALEXANDRU
20	BORDEA MIRELA ILEANA
21	BT ASIOM AGENT DE ASIGURARE SRL
22	BT ASSET MANAGEMENT S A I SA
23	BT BUILDING SRL
24	BT CAPITAL PARTNERS
25	BT DIRECT IFN SA
26	BT INTERMEDIERI-AGENT DE ASIGURARE SRL
27	BT INVESTMENTS SRL
28	BT LEASING MD
29	BT LEASING TRANSILVANIA SA
30	BT MICROFINANTARE IFN S.A.
31	BT OPERATIONAL LEASING SA
32	BT SAFE-AGENT DE ASIGURARE SRL
33	BT SOLUTION-AGENT DE ASIGURARE SRL
34	BUCUR CALIN IOAN
35	BUCUR MARIUTA DANIELA
36	CALINESCU DANIELA MIHAELA
37	CALINESCU GEORGE RAZVAN

38	CANTINA DEJ SA
39	CASTORIUS LIMITED
40	CENZ EXPERT SRL
41	CEOCEA ALEXANDRU
42	CEOCEA CONSTANTA SILVIA
43	CEOCEA COSTEL
44	CEOCEA RALUCA ALEXANDRA
45	CHIMPROD S.A.
46	CIORCILA HORIA
47	CIORCILA PATRICK
48	CIORCILA SIMONA NICULINA
49	CONSTRUCTII DEJ SA
50	CONSTRUCTII MONTAJ SA
51	DENTYS CARE SRL
52	DOCA NEVENCA ZORANCA
53	DUDOIU ANDREI
54	DUDOIU MONICA
55	DUMITRESCU IOANA
56	DUNCA A. ISABELA- CABINET MEDICAL DE MEDICINA DE FAMILIE
57	DUNCA ISABELA
58	DUNCA NELU
59	ELBA NOVO SRL
60	EUR CONSULT SRL
61	FUNDATIA CENTRUL DE DEZVOLTARE MANAGERIALA
62	FUNDATIA CLUBUL INTREPRINZATORULUI ROMAN
63	FUNDATIA CLUJUL ARE SUFLET
64	FUNDATIA TRANSILVANIA
65	GEAINV SA
66	GRASSE BURKLE PAULA
67	GRASSE KATHARINA
68	GRASSE THOMAS GUNTHER
69	GRASSE TOBIAS
70	GUEORGUIEV IVO ALEXANDROV
71	GUEORGUIEV OLIVER
72	GUEORGUIEVA LARA
73	GUEORGUIEVA SANDRA
74	IMPROVEMENT CREDIT COLLECTION SRL
75	JILOAN CORNELIA
76	LACATUS EMILIA
77	LACATUS MIHAI CALIN
78	LACATUS VIOREL DORIN
79	LION CAPITAL SRL

80	LIONACHESCU AIDA
81	LIONACHESCU ANDREI
82	LIONACHESCU COSTEL
83	LĂCĂTUȘ V. VIOREL-DORIN - EXPERT CONTABIL, AUDITOR
84	MATES MARIA
85	MATYUS ECATERINA ELENA
86	MLAD CONSULT SRL
87	MOISA EMILIA SANDA
88	MOISA TIBERIU
89	MONDUKO SOLUTION SRL
90	NADASAN MIHAELA SIMONA
91	NARIA INVEST SA
92	NASTASE VICTOR DANIEL
93	NISTOR GABRIELA CRISTINA
94	NISTOR STELIAN MIHAI
95	OLANESCU IOANA FLORINA
96	OLTEAN ANDREI
97	OLTEAN IOAN CRISTIAN
98	OLTEAN SANDA ADINA
99	OMNICONSTRUCT SA
100	OPRIS SIMONA ALINA
101	PAYNETICS EAD
102	PICARI AGNESE
103	PICARI FEDERICA
104	PICARI GIUSEPPE
105	PLESUVESCU BOGDAN
106	POJOCA LUCIA ANA
107	POJOCA VIRGIL
108	POJOCA VIRGIL SORIN
109	PUSCAS MARIANA
110	PUSCAS MARIANA CABINET MEDICAL
111	PUSCAS MARIUS EMIL
112	PUSCAS VASILE
113	RUNCAN ANDRA
114	RUNCAN LUMINITA DELIA
115	RUNCAN MIREL
116	SANTI NICOLETTA
117	SC FASTCOM SA
118	SIGUR AUTOTRANSPORT SRL
119	SINTEZA SA
120	SPL INVEST SA
121	SPO INVEST SA

122	TEHNOFRIG CENTER SA
123	TEHNOFRIG SA
124	TENT JUDITH STEFANIA
125	TENT SERGIU BOGDAN
126	TETIK ALEXANDRA
127	TETIK OMER
128	THELTECK LIMITED
129	TODERICI AURELIA ELVIRA
130	TODERICI DAN
131	TODERICI LEONTIN
132	TRANSILVANIA IMAGISTICA SRL
133	URS PETRU
134	VALEVA GLORIA
135	VASILACHE ANNEMARIE
136	VASILACHE DANIEL GEORGE
137	WINNERS CENTER SA
138	WINNERS EVENTS SRL-D
139	WINNERS PARCUL ROZELOR SA