



BANCA TRANSILVANIA®

## Q3 2014 - FINANCIAL RESULTS IFRS individual

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*Banca oamenilor întreprinzători*



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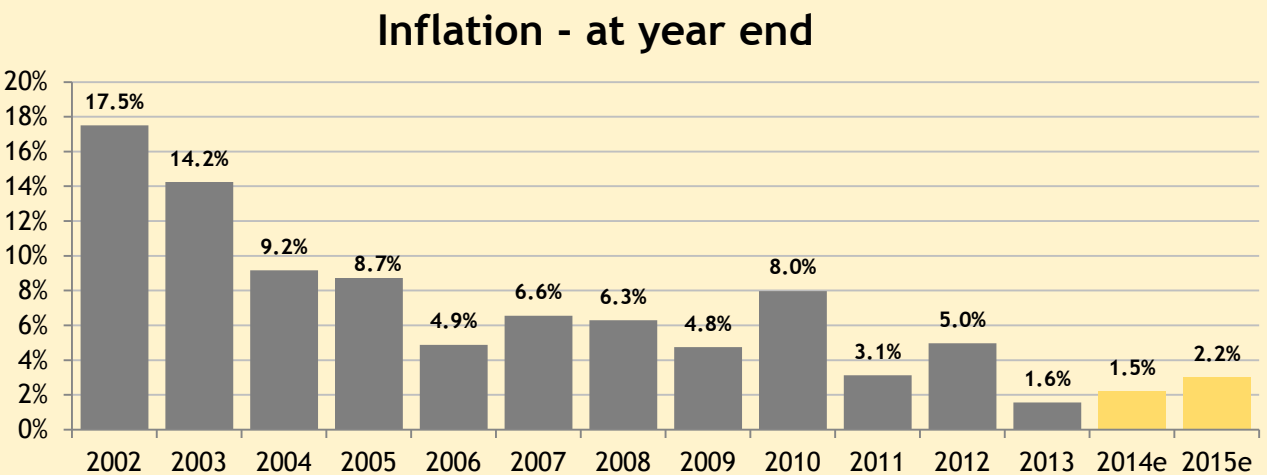
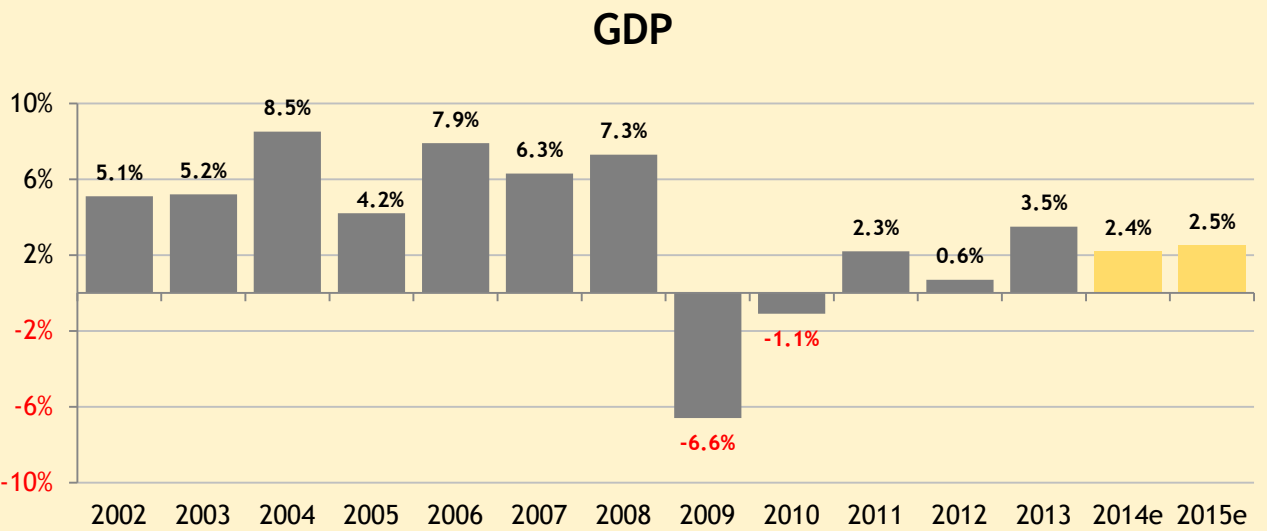


# PRESENTATION TOPICS

- **Macroeconomic environment**
- BANCA TRANSILVANIA on its home market
- Overview of business lines
- Q3 2014 results
- 2013 financial highlights
- Conclusions



# Macroeconomic environment

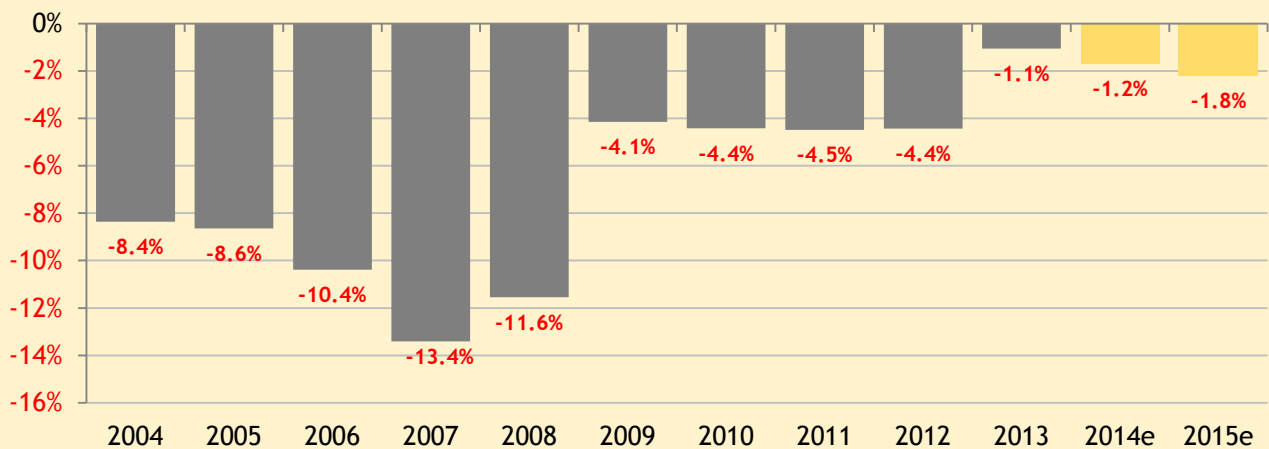


- After the recession in 1H14, the economy stabilized in 3Q14, due to the dynamics of the macroeconomic indicators in September.
- To be noticed the dynamics of the net trade and public investments (with impact on construction sector).
- IMF forecasts economy to decelerate to 2.4% YoY in 2014 and gradually accelerate afterwards.
- Inflation accelerated to 1.5% YoY in September (highest level in 2014) and 1.1% YoY in 3Q14, but persists below the NBR's multi-annual target.
- In this context, NBR reduced the inflation forecasts for the end of 2014 (1.5% YoY) and 2015 (to 2.2% YoY) and continued to relax the monetary policy: it cut the interest rate to 2.75% and the FX MRR to 14%.

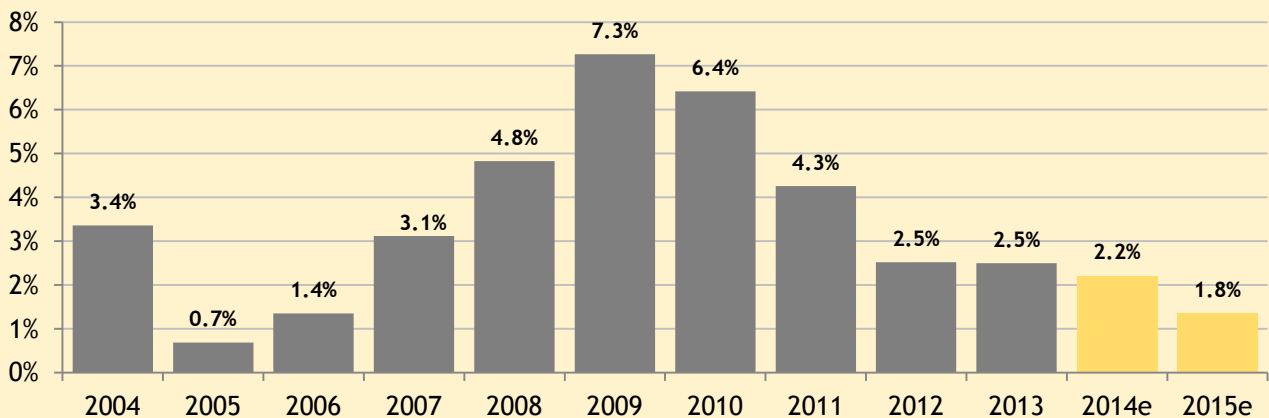


# Macroeconomic environment

## Current Account - % of GDP



## Budget deficit - % of GDP

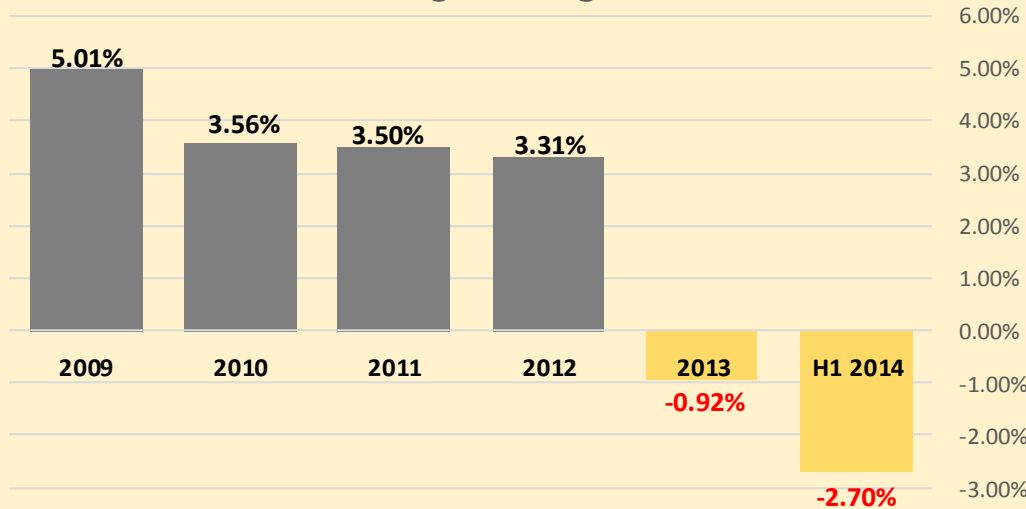


- After adjusting in the past 6 years the current account deteriorated in 2014.
- During 8M2014 the current account deficit intensified by 93% YoY to EUR 945 mln, as the primary income deteriorated (a deficit of EUR 2.4 bn) and the secondary income surplus diminished by 21% YoY to EUR 1.1 bn.
- IMF forecasts a gradual increase of the current account deficit in the mid-run, to 1.8% of GDP in 2015.
- The fiscal consolidation continued in 2014 (surplus of 0.06% of GDP during 9M), supported by the record low interest rates, the introduction of new taxes and the CAPEX reduction.
- However, the cut of the social security contribution by 5pp starting October and the gradual re-launch of the CAPEX would deteriorate the public finance in 4Q14.

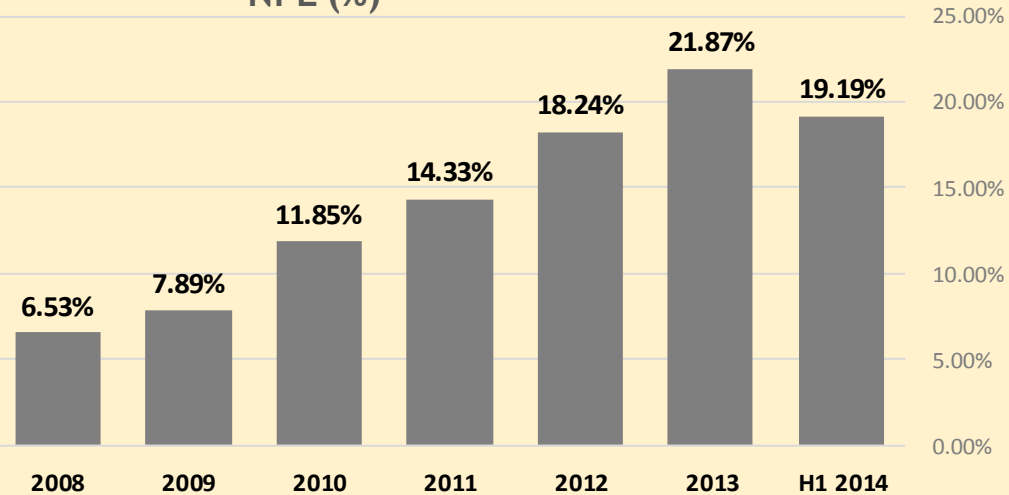


# Romanian Banking System

Total banking assets growth rates



NPL (%)



- BT achieved 8.4% growth during 2013 and 6.2% increase during 3Q 2014.

- BT benchmarks well at 11.47% as at Q3 2014.



# Romanian Banking System

- **Conservative and strong Central Bank**
- **Rather concentrated: Top 7 banks hold 66% of total assets, Top 3 banks weight around 40%**
  - H1 2014 the 40 banks operating on the market recorded a profit of RON 223 mill. (for the end of 2013, the cumulative profit was corrected at RON 49 mill., compared to a loss of RON 2.3 bn in 2012, following restatements performed by auditors to several important banks.
  - 5 of top 10 banks registered profit (BT ranks 1st in terms of profitability)
- **Despite the NPL level, the banking system is solid:**
  - average CAR: 14%
  - no government bail-outs
  - 22.26% average NPL ratio (PAR 90) for H1 2014 (BT at 12.3% in H1 and 11.47% Q3 2014)



# PRESENTATION TOPICS

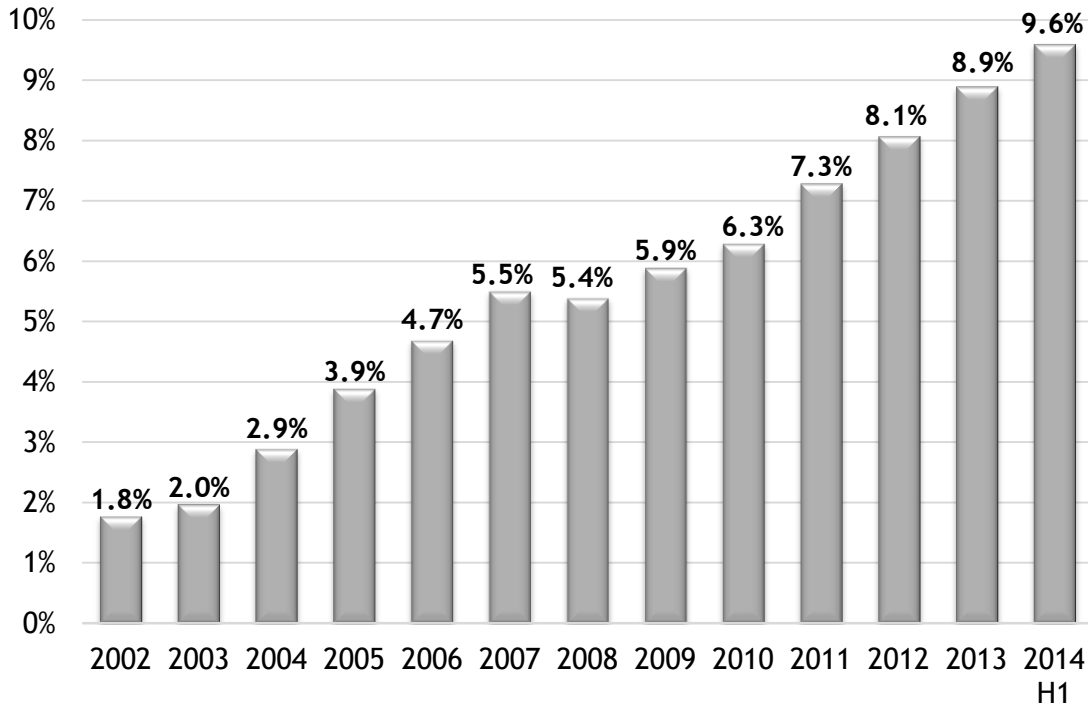
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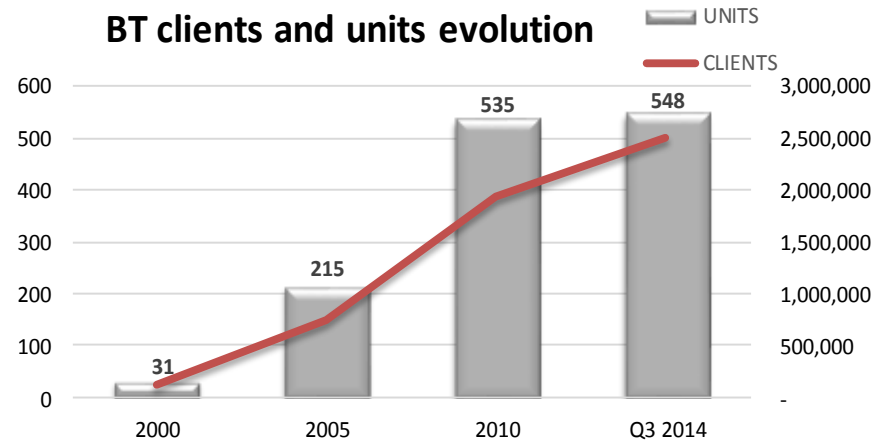
# Banca Transilvania's growth path

### BT market share on assets



Source: NBR

### BT clients and units evolution



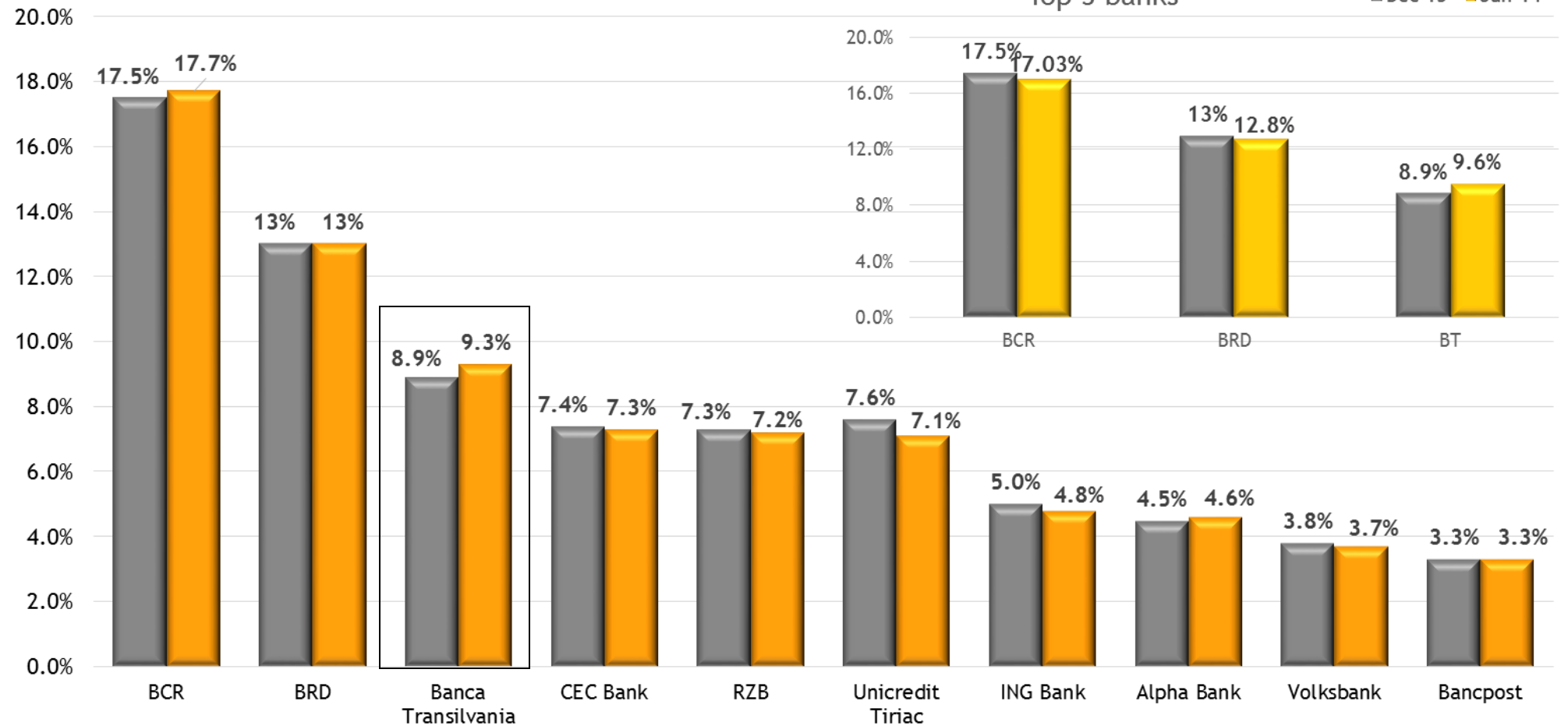


# Banca Transilvania on its home market

### Market shares by total assets

### Top 3 banks

■ Dec-13 ■ Jun-14



Source: NBR

■ Dec-13 ■ Q1 2014



# Our Business Model

- ✓ Traditional banking
- ✓ Diverse revenue streams
- ✓ Broad spread of risk
- ✓ Wide branch coverage
- ✓ Deposit funded
- ✓ Romania HQ

**Successful track record**



# Banca Transilvania's strengths

- Strong roots in Romania, one of the least banked CEE countries
- The leading SME bank... The Bank for Entrepreneurial People
- Nationwide distribution network with 548 branches and agencies
- Solid capitalization (CAR 15.82%, Q3 2014) and good funding structure
- Loan / deposit ratio: 73.13% end of Q3 2014
- Local currency focus (65% of total loans in RON)
- Decentralized decision-making, but with strong internal controls
- Blue chip company on the Bucharest Stock Exchange since 1997



# Our rating

## Fitch Ratings - BT rating reaffirmed, June 2014

Long term IDR	BB-
Short-Term	B
Outlook	Stable
Individual	D
Support	3



# Shareholder structure, Sept. 2014

	No. of shareholders	No. of shares	%
<b>Romanian capital</b>	<b>26,789</b>	<b>1,289,560,456</b>	<b>50.39</b>
individuals	26,156	465,312,367	18.18
companies	633	833,032,527	32.21
<b>Foreign capital</b>	<b>781</b>	<b>1,269,618,859</b>	<b>49.61</b>
individuals	627	53,779,370	2.10
companies	154	1,215,839,489	47.51
<b>TOTAL</b>	<b>27,570</b>	<b>2,559,179,315</b>	<b>100</b>

Strategic partners: EBRD - 14.61%; IFC 3.53%



# Group structure

## Banca Transilvania

Leasing

Consumer  
Finance

Banking services

Brokerage

Asset  
management



Business lines

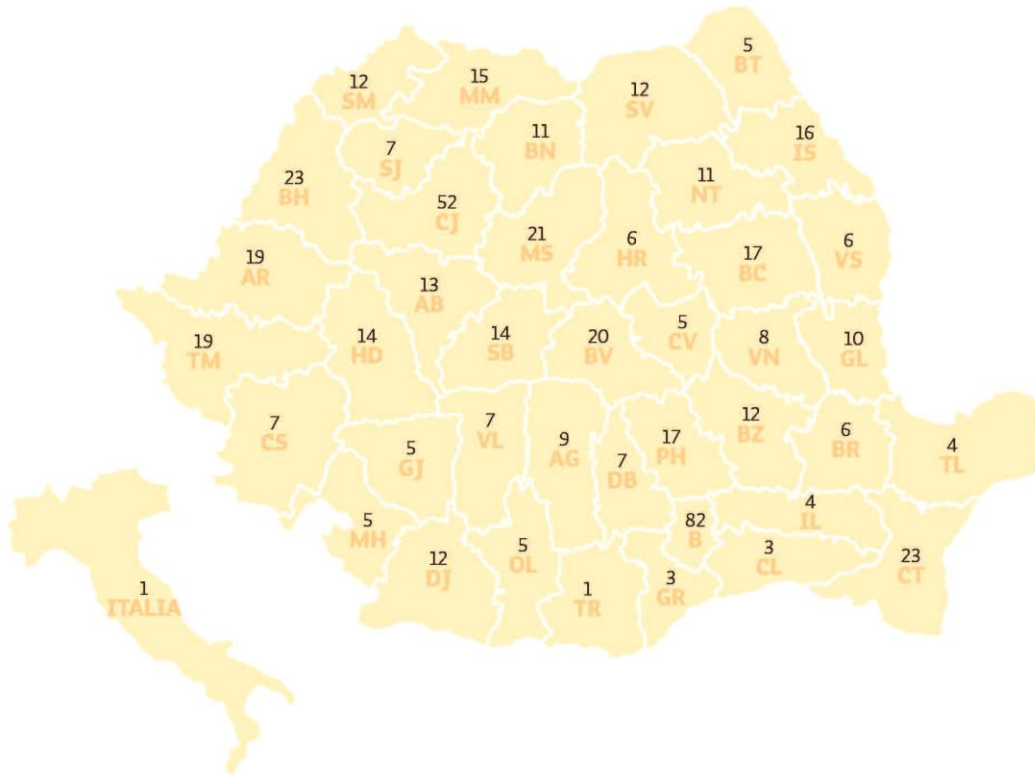
SME

Corporate

Retail



# Geographical coverage



## Key statistics

**No. of units: 548**

**No. of customers: over 2.5 million**

## Market shares, H1 2014

**Market share by assets: 9.6%**

**Deposits (lei): 13.46%**

**Loans (lei): 14.79%**



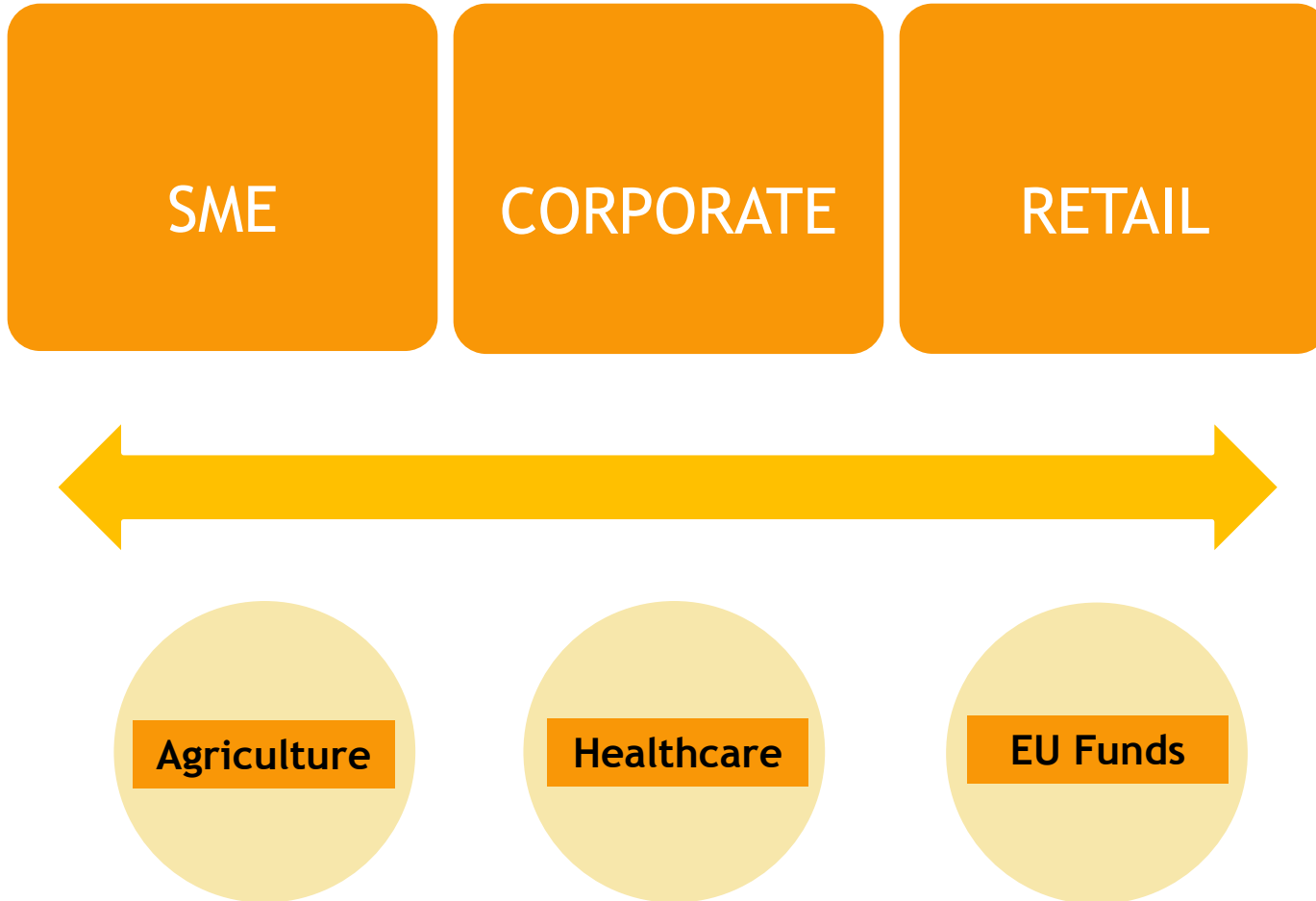


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# Business Lines & Sectorial Approaches



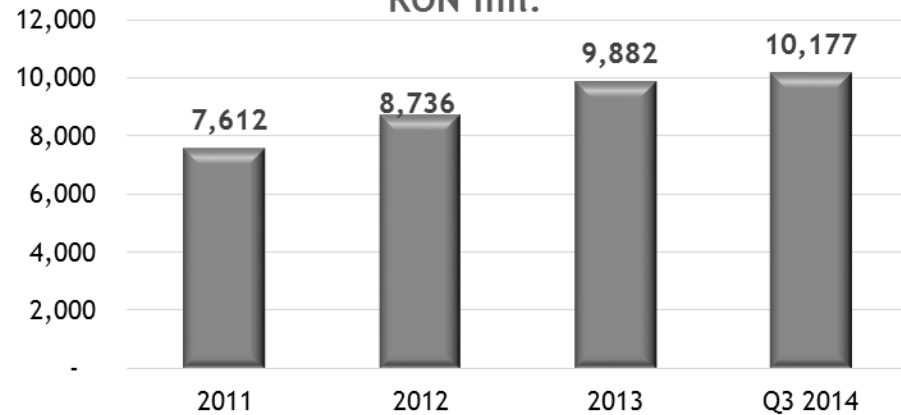


# Overview of business lines

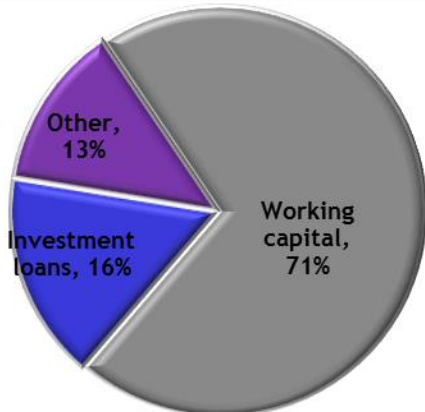
## Corporate Clients

- well diversified portfolio in terms of type and industry exposure; trade is slowly declining, while manufacturing and agriculture are advancing;
- domestic currency lending is dominant;
- loan portfolio end of Q3 2014 amounts to RON 10,177 mill. representing 51% of total BT loans.

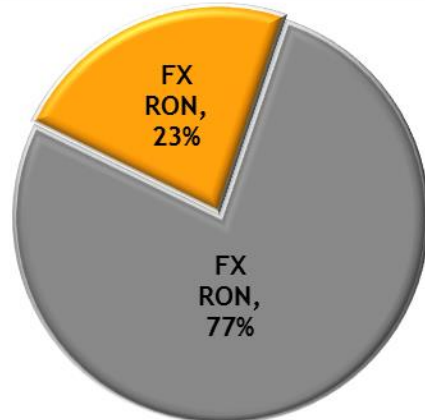
Loans: Corporate Portfolio Breakdown, RON mil.



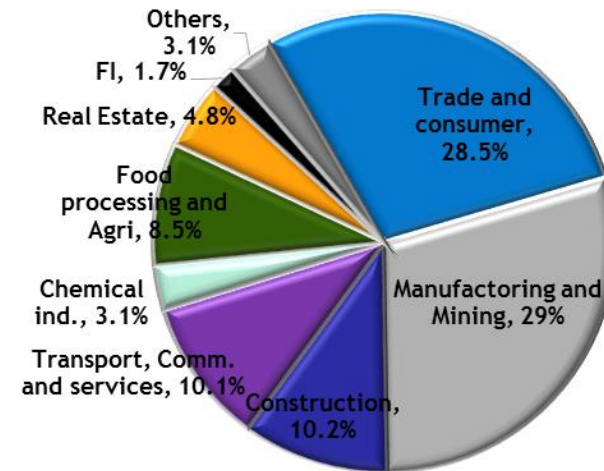
By type



By currency



By industry





# Overview of business lines

## SME Banking

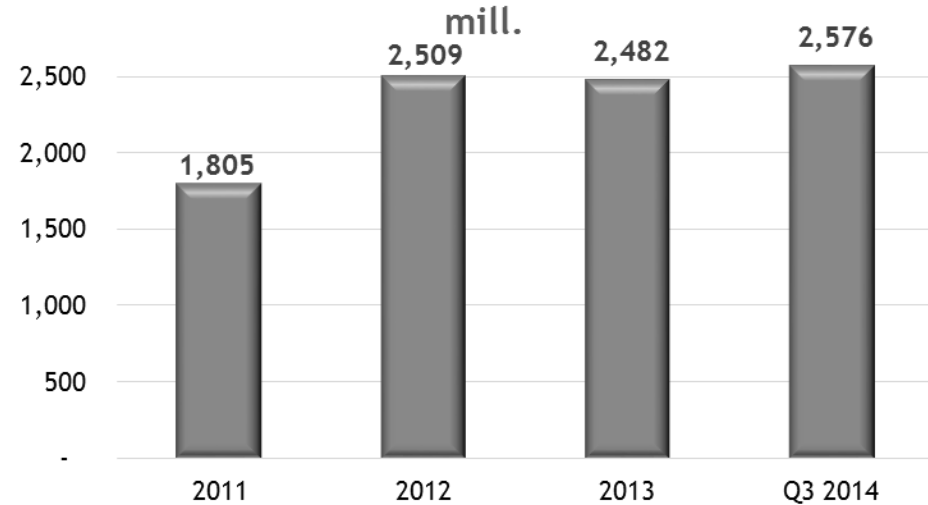
### SME Services

- 20 SME-dedicated products launched so far;
- Loan portfolio reaching RON 2,576 mil. end of Q3 2014
- over 200,000 active clients.

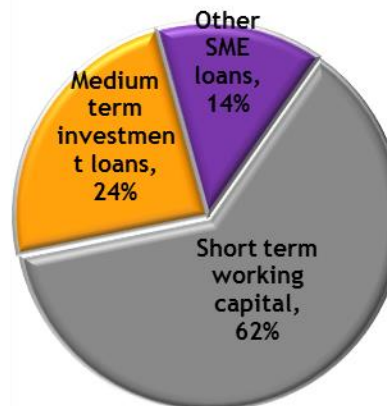
### SME Loans

- Remodeling the SME credit approach starting with 2011 within a new platform (SME 3.0).
- Dispersion, small debts, limiting the no. of loans per client, the winning principles of SME 3.0 platform (PAR 90 is 1.5% in the last 2 years).
- The Bank's extensive branch network is ideally fit for this customer profile.

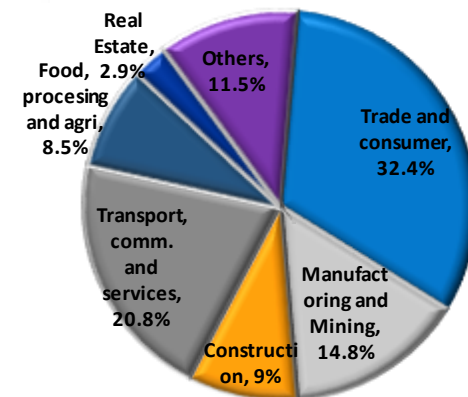
SME Loan Evolution and Breakdown, RON mill.



By type



By industry





# Overview of business lines

## SME Banking

### Commitment to the SME sector

- Starting with 2002, together with the reorganization of the sales activity by business lines, Banca Transilvania has positioned itself as *the SME Bank* in Romania
- This strategic goal was supported by a SME specialized products and & services platform, which was / is permanently updated in order to both meet client expectations and to mitigate the related risks for the bank
- Over the time, we entered / accessed SME dedicated programs developed by DFIs like: EBRD, FMO, DEG, IFC, BSTDB, EIF
- BT kept its promise towards the SME sector, during good and hard times, and never ceased to lend to this sector (BT was the 1<sup>st</sup> bank which developed a relationship with FNGCIMM, offering an alternative guaranteeing scheme to its SME clients)



# Overview of business lines

## SME Banking

- Besides specialized banking services, we have tried to provide to our SME clients training and networking opportunities, free of charge, via Clubul Intreprinzatorului Roman, club established in 2006 which counts now 17,000 members
- All these initiatives brought us a consistent number of SME clients, more than 150,000 SME companies have their main bank account with BT (15% market share in terms of active SMEs)
- Only 10% of them have loans => significant growth potential on an existing client base
- The expertise gathered during more than 10 years of banking with SME clients, is a valuable asset for BT, difficult to be challenged by our competition



# Overview of business lines

## Retail Banking

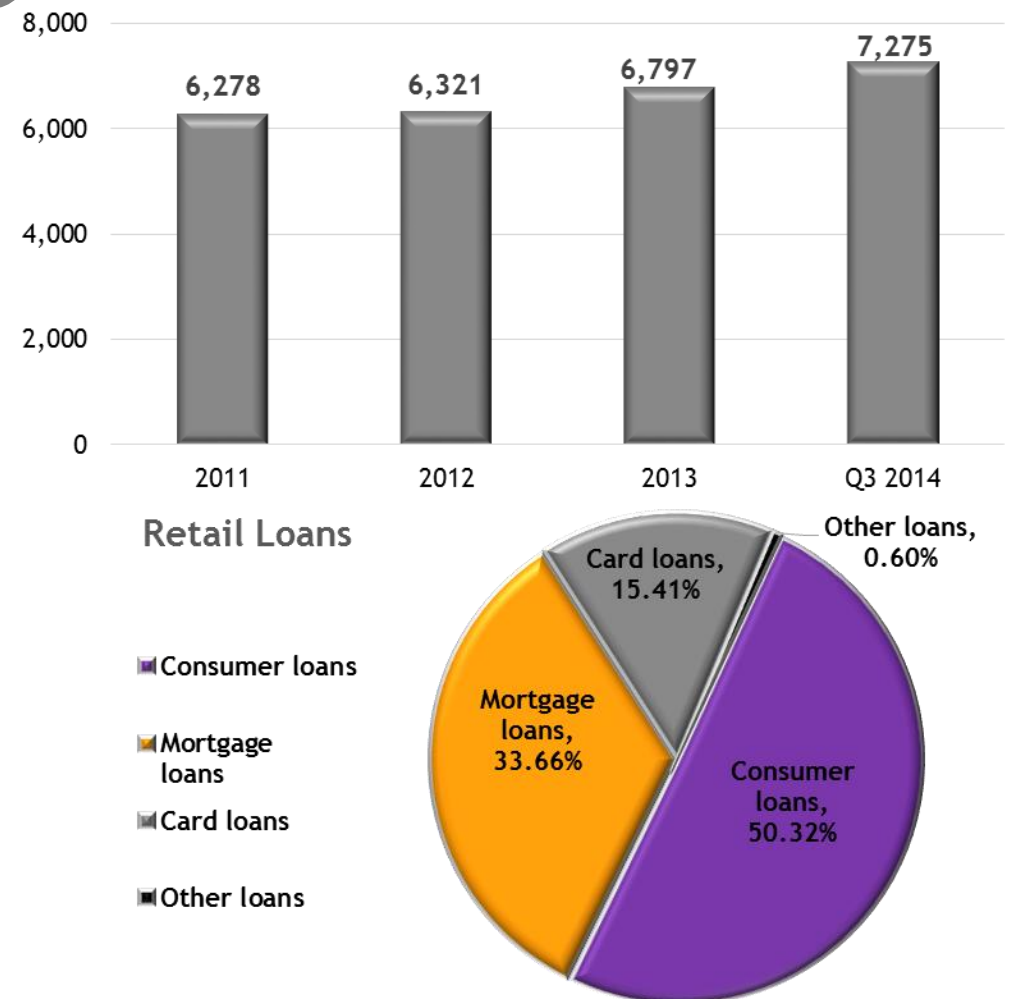
### Strategy

The strategy for this year - 3 main pillars:

- To consolidate our Top 3 position in cards in Romania
- Client segmentation
- More revenues from “operational” products and value added services

End of Q3 2014 the Retail loan portfolio reached RON 7,275 mill, counting for 36% of the total loan portfolio

Retail Loan Growth and Breakdown, RON mill.



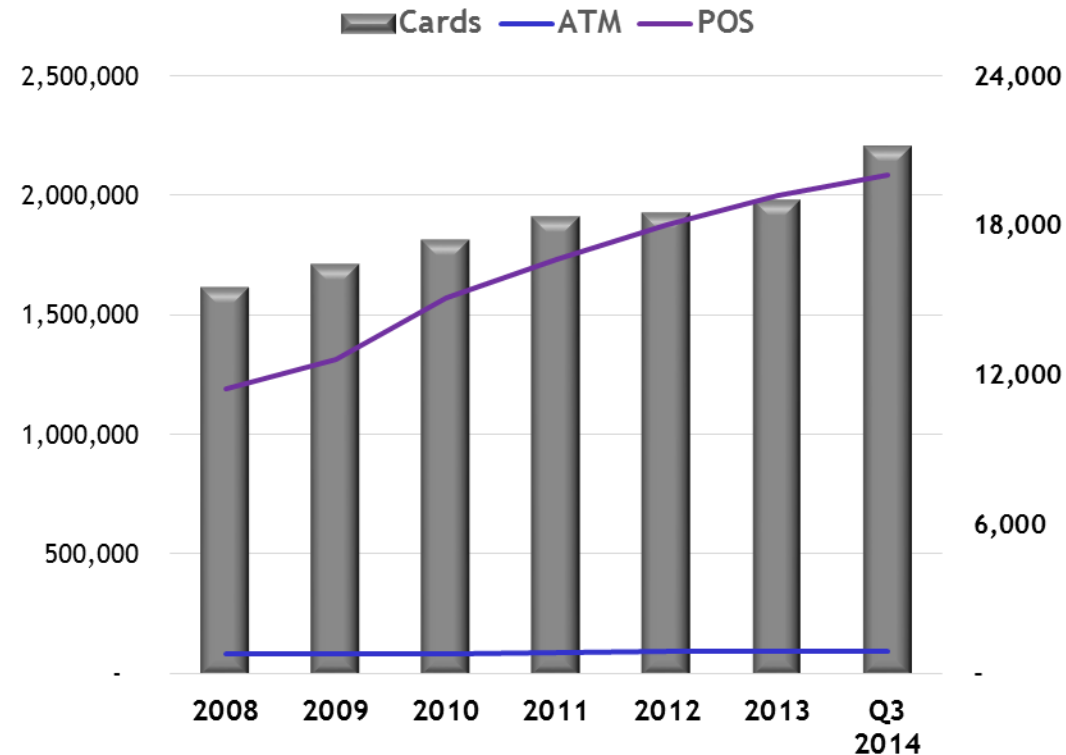


# Overview of business lines

## Retail Banking

### Bank Cards & ATMs

- 3<sup>rd</sup> largest issuer of credit/debit cards in Romania
  - over 2.2 million Visa and MasterCard issued
  - 16.5% market share - cards issued
  - 17.7% market share - transactions volume
  - The largest Visa issuer in Romania
- Market leader in premium cards
- Strong loyalty program for credit cards
- STAR CARD - over 5,500 POSs terminals enrolled in the program
- Over 20,000 POS terminals
- 920 ATMs, 8.4% market share in terms of ATM network



Source: Company Data





# Overview by sector

## Healthcare

### Strategy

- Dedicated team (doctors and bankers)
- Special Credit Scoring System Design
- First credit card only for doctors
- Maintaining our leading position within the medical sector through our 9 Dedicated Units
- Romanian College of Physicians- Official Endorsement

### Approach

- Transparency - costs
- Stability - terms and conditions
- Flexibility - product packages
- Friendly and assertive people - common language and proactive approach
- Specialized team

### Results

- ✓ Over 29,400 active clients
- ✓ Over 9,000 loans, RON 935 mill.
- ✓ 5,394 dedicated credit cards
- ✓ Deposits totaling RON 661 mil.



# Overview by sector

## Agribusiness

### Strategy

- Dedicated products for agriculture and agribusiness
- Long term partnership with farmer associations
- Loan portfolio dispersion

### Approach

- Specialized team
- Qualitative and technical overview
- Integrated chain overview

### Results

- More than 10% market share in agriculture (loans)
- More than 22,000 agribusiness customers
- More than 800 mil. RON subsidies routed yearly via BT



# Overview by sector

## EU Structural funds

### Strategy

- Consolidating BT position as EU funds specialist
- Enhancing partnerships with consultants acting in EU funds sector
- Active member of EU funds committee within Romanian Banks Association
- Important contribution to the 2014-2020 financial framework

### Approach

- Specialized team
- Flexible financing products + consulting
- Integrated services following the project cycle

### Results

- 2,300 EU projects
- RON 4.03 bn. bank facilities
- Over RON 1.1 bn. outstanding



# PRESENTATION TOPICS

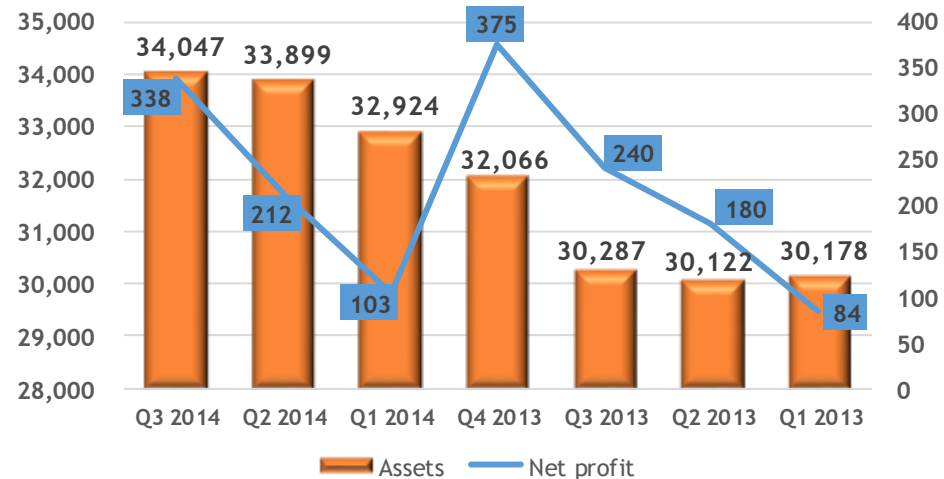
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# Summary Q3 - 2014

- ✓ Net Profit: RON 338 million
- ✓ Cost / Income: 42.31%
- ✓ ROE: 13.87%
- ✓ Loan portfolio: + 5.6% vs. Dec.13

Net Profit & Assets Evolution (RON million)



Key Indicators (RON million)	Q3 2014	H1 2014	Q1 2014	FY 2013	Q3 2013	H1 2013
Total Loans & Accruals	20,029	19,773	19,641	19,160	18,415	17,723
PAR 90 (%)	11.47%	12.3%	13.0%	12.6%	13.2%	11.9%
Cost / Income (YTD)	42.31%	44.6%	46.9%	48.7%	50.7%	52.1%
NIM (YTD)	3.43	3.45%	3.36%	3.24%	3.20%	3.10%
Net Profit (YTD) *	338	212	103	375	240	180
Annualized ROE	13.87%	13.62%	14.00%	12.79%	11.24%	13.08%

\* Net profits represent cumulated net profits.



## Q3 2014 financial highlights (IFRS non-consolidated)

m RON	30.09.2014	31.12.2013	Δ
Cash and cash equivalents	4,529	4,102	10.4%
Placements with banks	1,658	1,666	-0.5%
T bills and securities	9,655	9,040	%
Loans to customers, net	17,593	16,667	5.6%
Fixed assets and participations	435	446	-2.46%
Other assets	177	145	22.1%
<b>Total assets</b>	<b>34,047</b>	<b>32,066</b>	<b>6.2%</b>
<b>Shareholders' equity</b>	<b>3,474</b>	<b>3,083</b>	<b>12.7%</b>
Subordinated loan	332	338	-1.9%
Due to customers	27,387	25,804	6.1%
Due to banks and FIs	2,271	2,486	-8.64%
Other liabilities	583	355	51.2%
<b>Total liabilities</b>	<b>34,047</b>	<b>32,066</b>	<b>6.2%</b>



# Q3 2014 financial highlights (IFRS non-consolidated)

## Income statement

m RON	30.09.2014	30.09.2013	Δ
Net interest income	854	717	19%
Net commissions income	299	259	15.5%
Other operating income	296	172	72%
<b>Operating income</b>	<b>1,449</b>	<b>1,148</b>	<b>26.3%</b>
Operating expenses	613	583	5.2%
<b>Profit before provisions</b>	<b>836</b>	<b>565</b>	<b>48%</b>
Provisions	442	281	57.6%
<b>Gross profit</b>	<b>394</b>	<b>285</b>	<b>38.5%</b>
<b>Net profit</b>	<b>338</b>	<b>240</b>	<b>40.8%</b>



## 2013 vs 2012 - IFRS, non-consolidated

m RON	31.12.2013	31.12.2012	y/y
Cash and cash equivalents	4,102	5,576	-26.4%
Placements with banks	1,666	1,305	27.7%
T bills and securities	9,040	6,648	35.98%
Loans to customers, net	16,667	15,457	7.8%
Fixed assets and participations	446	444	0.45%
Other assets	145	142	1.7%
<b>Total assets</b>	<b>32,066</b>	<b>29,572</b>	<b>8.43</b>
<b>Shareholders' equity</b>	<b>3,083</b>	<b>2,695</b>	<b>14.4%</b>
Subordinated loan	338	289	17%
Due to customers	25,804	23,233	11.1%
Due to banks and FIs	2,486	3,015	-17.54%
Other liabilities	355	340	4.41%
<b>Total liabilities</b>	<b>32,066</b>	<b>29,572</b>	<b>8.43%</b>





## 2013 vs 2012 (IFRS non-consolidated)

<b>m RON</b>	<b>31.12.2013</b>	<b>31.12.2012</b>	<b>Y/Y</b>
Net interest income	1,194	938	27%
Net commissions income	362	425	-15%
Other operating income	168	175	-4%
<b>Operating income</b>	<b>1,659</b>	<b>1,484</b>	<b>12%</b>
<b>Operating expenses</b>	<b>809</b>	<b>769</b>	<b>5%</b>
Provisions	407	375	9%
<b>Gross profit</b>	<b>443</b>	<b>341</b>	<b>30%</b>
<b>Net profit</b>	<b>375</b>	<b>320</b>	<b>17%</b>



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# Conclusions

- We defend our position as 3<sup>rd</sup> bank in the system and we keep our entrepreneurial profile
- We aim a market share of 10 - 11% in 2 - 3 years, but we keep a strong eye on efficiency
- We continue to support the Romanian economy, targeting both organic growth and portfolio acquisitions (especially Retail loan portfolios)
- We keep our focus on business segments and sectors where we have expertise: SMEs, Retail, Healthcare, Agriculture, EU structural funds



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