

# CONSOLIDATED DIRECTORS' REPORT

## BANCA TRANSILVANIA FINANCIAL GROUP 2013

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## GENERAL INFORMATION

The BT Financial Group offers banking products and services, investment management, financial and operational leasing services as well as capital market services on the local financial market. Banca Transilvania is the core company of the BT Financial Group and the distribution network for Banca Transilvania Financial Group.

The entire range of financial services, both banking products and products offered by the group's subsidiaries, are offered to clients by means of a unique distribution network, under the renowned BT logo.

Besides the organic growth strategy of the main pillar, Banca Transilvania, BT Financial Group also focuses on the development of cross-selling, combining the entire range of products offered by the member companies, along with the development of the subsidiaries' activity by targeting certain new client segments and developing customized products and services.

At the end of 2013, in accordance with the International Financial Reporting Standards adopted by the European Union, the gross value of Banca Transilvania's direct investment within the group reached RON 115.96 million, which is 32% lower than in 2012, when it was RON 171.25 million (due to the merger of BT Medical Leasing with BT Leasing).

BT subsidiaries use about 4.6% of the capital of BT Financial Group.

The bank's direct equity investments in the group's subsidiaries:

Subsidiary	Field of activity	% Direct equity investment	% Total investment
BT Securities SA	Investments /brokerage	98.68%	98.68%
BT Leasing Transilvania IFN SA	Leasing	51.72%	100.00%
BT Investments SRL	Investments	100.00%	100.00%
BT Direct IFN SA	Consumer finance	93.70%	100.00%
BT Building SRL	Real Estate	4.17%	100.00%
BT Asset Management SAI SA	Asset Management	80.00%	80.00%
BT Compania de Factoring SRL	Factoring	99.46%	100.00%
BT Leasing MD SRL	Leasing	100.00%	100.00%

In the year 2013 the following changes occurred in BT's direct investments:

- Medical Leasing IFN SA merged by absorption with BT Leasing IFN SA; following this process the investment in BT Leasing IFN SA reached RON 17.8 million (at the end of 2012 it was RON 11.82 million)
- Compania de factoring SRL: increase in the direct equity investment in Q4, in total amount of RON 19 million;

The Bank also has holdings of more than 50 % in 4 investment funds and a significant influence in other three.

Legally speaking, in 2013 the number of subsidiaries was reduced by the liquidation of two companies (Rent a Med SRL and Medical Leasing IFN SA, which merged with BT Leasing IFN SA). In 2013 a new company - Improvement Loan Collection SRL - was founded, 100% owned by the Bank through Compania de Factoring SRL.

The year 2013 was one of the best years in terms of the coordination of the sales activities between the bank and the subsidiaries, yielding significant increases in relation to:

- BT Asset Management, BT Securities and BT Leasing

Additionally, BT Direct supplemented its offer of loans for individuals by loans for the purchase of consumer products.

## THE MAIN ACHIEVEMENTS OF THE SUBSIDIARIES IN 2013 AND ESTIMATES FOR 2014

### **BT LEASING TRANSILVANIA S.A**

In 2013 BT Leasing Transilvania IFN SA merged with BT Medical Leasing IFN SA. Following the merger, on 30.06.2013 BT Leasing Transilvania IFN SA, as absorbing company, took over the assets and liabilities of the absorbed company, BT Medical Leasing IFN SA, acquiring its rights and being bound by its obligations.

BT Medical Leasing IFN SA was dissolved by absorption.

BT Leasing IFN Transilvania S.A. is currently operating as a non-banking financial institution, its main field of activity residing in financing the leasing purchases of property, plant and equipment.

The address of the company is Str. George Baritiu nr.1. Cluj Napoca.

BT Leasing has offices in several Romanian towns: Cluj, Bucuresti, Oradea, Satu-Mare, Arad, Timisoara, Deva, Tg. Jiu, Sibiu, Alba Iulia, Tg. Mures, Brasov, Craiova, Ploiesti, Braila, Focsani, Constanta, Iasi, Piatra Neamt, Vaslui, Giurgiu.

The company offers financing solutions for clients wishing to have rapid and simple access to financial support, as well as customized offers and financial consultancy to choose the best solution.

The number of active employees as at 31.12.2013 was 101, almost the same as in the previous year.

At the end of 2013, BT Leasing had 2,140 outstanding agreements, (2,182 as at 31.12.2012), meaning leasing receivables (principal without VAT) in amount of RON 275 million (RON 188 million in 2012).

Under the difficult conditions still existing on the Romanian leasing market, the company sets the following objectives for 2014:

- to considerably diminish the stock of goods recovered from defaulted agreements, which are to be sold in cash or turned into the object of new leasing contracts;
- new financing amounting to EUR 48 million;
- to reduce the default rate;
- to improve its market share.

## BT SECURITIES

The company's field of activity is brokerage and management of funds (financial brokerage) and activities auxiliary to financial brokerage.

In 2013, the focus of the company was to increase and to diversify its revenues to come back to profit. Thus, operating income increased by 36%, financial income by 39% and operating expenses decreased by 1%.

BT Securities continued its business in 2013 on a capital market with higher quotations due to macro-economic stability, but such results were not reflected in higher trading volumes. The brokerage activity featured a low level of transaction values and a further decrease of the fees charged from clients, determined by the competitors' actions in this respect.

For the years 2014 and 2015 pressure on fees is expected to be lower given the downward trend in the number of brokerage companies operating in Romania.

The main achievements of BT Securities in 2013 were the following:

- ✓ Successful intermediation for the public offers of SNTGN Transgaz S.A. and SN Nuclearelectrica S.A.;
- ✓ In 2013 BT Securities realized a gross profit of RON 768,450, which is 381 % above the budgeted level;

- ✓ The turnover was 42 % over the 2012 level;
- ✓ The trading volumes on the BSE was RON 788,073,098.15;
- ✓ The trading volumes on the Viena Stock Exchange in 2013 was EURO 4,206,843.40;

The main objectives of BT Securities for 2014 are:

- to improve the financial results of the company;
- to increase its market share;
- to continue the successful development of public offers.

## BT LEASING MOLDOVA

The activity of BT Leasing Moldova is carried out in compliance with a set of rules and procedures prepared after the model of BT Leasing Romania, adjusted to the market conditions in Moldova.

In 2013, BT Leasing MD has financed goods in amount of:

- 5.4 million euro (entry value),
- 3.8 million euro (financed value) and signed
- 181 leasing contracts

As at 31 December 2013, the leasing portfolio had a value of EUR 4.43 million.

## BT ASSET MANAGEMENT

BT Asset Management is a company of the BT Financial Group specialized in asset management, with activities in the management of open and closed investment funds.

It can also perform activities related to the management of investment portfolios, including those held by pension funds as well as additional investment advisory services regarding financial instruments.

At the end of 2013, in terms of managed assets, BT Asset Management SAI had a market share of 4.81% being ranked the 5<sup>th</sup> amongst investment fund management companies in Romania. At the end of 2013, assets under management amounted to RON 728.3 million, which is 63.53% higher than those in 2012.

Banca Transilvania holds more than 80% in the share capital of BT Asset Management.

The number of investors at the end of 2013 was 64% higher as compared to 2012, more than half of the investors chose the fixed income product (BT Obligatiuni = BT Bonds), an excellent alternative to bank deposit savings.

It is also worth noting the evolution of the BT Clasic fund with a diversified investment policy, which in 2013 doubled its assets and number of investors.

In addition to the fixed-income funds, BT Asset Management also offers share funds, being one of the most important players on the share fund market.

The opening to the capital market is ensured for our clients by investments in Romania and Austria, both in RON and EUR.

The trend of significant increase in the value of managed assets was continued in 2013 by preserving the company's attractive products, as the entire range of promoted products displayed convincing returns.

Regarding the realization of the budget targets in 2013, the situation is the following:

- ✓ The gross result was realized 118.14%;
- ✓ The operational result was realized 105.85%;
- ✓ The financial result was realized 180.60%.

For 2014, the company proposes:

- to steady growth of managed assets;
- to increase the number of clients by a better use of distribution channels;
- to continue to improve the cross-selling process within the Banca Transilvania Financial Group;
- to diversify the product and services portfolio

## BT DIRECT IFN SA

BT Direct IFN S.A. is a non-banking financial institution specialized in providing consumer loans to retail customers.

In 2013 BT Direct IFN S.A. signed 10,211 consumer loan agreements (specific consumer loans and personal needs loan) totaling RON 43.63 million, which is 6.73% over the value in the previous year. Out of 10,211 loan agreements, 5,029 agreements are specific consumer loans (credit for procurement of goods / services from partner retailers), totaling RON 10.63 million and 5,182 agreements are for personal needs loans worth of RON 33 million.

On 31 December 2013, the *financing portfolio* recorded a total balance of receivables (overdue + outstanding capital) amounting to RON 66.23 million, which was 18.02% higher than in the same period in 2012.

*Total revenues* from financing operations amounted to RON 13.11 million, recording an increase of 16% as compared to the value of the previous year.

In 2013 the *gross profit* amounted to RON 2,783,018 which is 13.25% lower than the value of the previous year.

After fulfilling the provisions of Law nr.93/2009 (article 33) and Regulation nr.20/2009 on non-banking financial institutions (article 26), BT Direct IFN SA was registered in the Special Register starting with August 5, 2013, being subject to prudential supervision by the National Bank of Romania.

## BT INVESTMENT

The company BT INVESTMENTS SRL, based in Cluj Napoca, B-dul Eroilor, nr 36 was established in 2002 by BANCA TRANSILVANIA SA Cluj Napoca, its main field of activity residing in agreement-based lending; in 2006 the company redefined its NACE code, i.e. 6619 - auxiliary financial brokerage (except for insurances and pension funds).

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*Banca oamenilor întreprinzători*

From its establishment, the company successively increased its share capital by cash contribution or reserve capitalization, thus on 31.12.2013 its share capital was RON 50,939,900.

In 2013, the investment structure of BT Investment SRL changed, as a result of the merger between BT MEDICAL LEASING IFN and BT LEASING TRANSILVANIA IFN and of the assignment of 25 shares totaling RON 2.5 by its shareholder Robert Cornelis Rekkers. Also, the equity investment in BT OPERATIONAL LEASING increased in 2013 by RON 1,200,000.

As a result of these transactions, as at 31.12.2013 the equity investment of BT INVESTMENTS SRL was:

- In companies of the Group (RON)		
	2012	2013
BT LEASING	4,374,122	24,374,134
BT DIRECT	1,693,472	1,693,472
BT BUILDING	3,321,892	3,321,892
COMPANIA DE FACTORING	200,000	200,000
BT OPERATIONAL LEASING	2,884,997	4,084,997
BT MEDICAL LEASING	411	-
- In companies outside the Group (RON)		
RADIO NAPOCA	12,550	12,550

At the end of 2013, the results of BT Investments SRL was:

- ✓ total revenues: RON 776,975
- ✓ total expenses: RON 283,493
- ✓ result - net profit: RON 376,403

## COMPANIA DE FACTORING SRL

Compania de Factoring S.R.L. is a limited liability company founded in 2006, providing factoring services.

Given the intention of having the factoring activity integrated into Banca Transilvania, as of March 2010, Compania de Factoring became a limited liability company, having as main field of activity the collection of the financing facilities granted before the transfer of the factoring activities to the Bank.

In 2013, the company's activity focused primarily on improving the recovery of the past-due amounts and at rescheduling certain exposures.

In 2014 the company aims to identify and select appropriate strategies for the recovery of the outstanding amounts and to minimize collection costs.

## BT OPERATIONAL LEASING S.R.L.

BT Operational Leasing is a member of BT Financial Group, having as main activity the operational leasing - leasing of cars and light road vehicles.

BT Operational Leasing offers outsourced management solutions for all operations that a car fleet depends on, self-financing solutions based on the current fleet - or own assets, short and medium-term car rental and used vehicle sales.

2013 was a difficult year for BT Operational Leasing SRL, reflecting the situation of the auto market. The value of new business decreased by half vs. the previous year, however the company has remained profitable.

In 2014 BT Operational Leasing aims at supplementing its rental car fleet, and at advancing towards the top 5 operational leasing companies in terms of leased vehicles.

## RISK MANAGEMENT AT THE LEVEL OF BANCA TRANSILVANIA FINANCIAL GROUP

Risk management is part of all decision-making and business processes in Banca Transilvania Financial Group. The management of the Group continuously assesses the risks likely to affect the Group's business and goals and takes actions whenever any changes appear in its business conditions.

The objectives regarding the management of significant risks are meant to ensure capital adequacy to the bank's risk profile and to achieve the estimated budget ratios under controlled risk conditions, in order to ensure continuity of the bank's business on a sound basis and to protect the interests of shareholders and clients.

For an adequate management of significant risks, the group uses a system of procedures to authorize operations likely to be affected by such risks, a system to determine risk exposure limits and monitoring, a risk exposure reporting system as well as staff training programs in this respect. These are translated into rules and procedures.

To ensure the most effective internal control, the Group constantly identifies and assesses significant risks, both at Group level and at the level of organisational structures and subsidiary level, considering internal factors (business nature, complexity of organizational structure, staff quality and turnover, etc.) and external factors (macro-economic conditions, changes in the competition and in the legislation, technological progress etc.).

Risks are (mainly) assessed by taking into consideration the possible occurrence of certain risks/events, their incidence on business activities, as well as their classification into categories of significant risks.

The bank's capital adequacy is governed by local regulations in compliance with European Directives. For assessing the internal capital adequacy to risks, the group identifies and evaluates all significant risks to which it may be exposed. The Group continuously calculates and assesses its internal capital and capital requirements to cover the bank's business needs and related risks.

During 2013 the Group was concerned with the study of Basel III / CRD IV and the analysis of legislative changes' impact on risk management in general, on capital adequacy and liquidity in particular.

#### MANAGEMENT AND CONTROL OF CREDIT RISK

The main objectives of the group in terms of credit risk management are to maintain a reasonable balance between profitability and credit risk exposures considering the margin volatility on the market and the bank's efforts to maximize profits.

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

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

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

The Group determines competence limits for the bank units nationwide and for the Head Office, which represent the maximum limits for loan approval, guarantee agreements, endorsements, etc.

#### LIQUIDITY RISK MANAGEMENT AND CONTROL

The group strategy for liquidity management provides the main elements (principles, ratios, management techniques etc.) for liquidity management in order to obtain the expected returns on assets under appropriate, prudent, consciously assumed conditions of liquidity management, in accordance with the market conditions and development targets, while also being in line with

the current legal provisions. The Group permanently controls liquidity risk, by identifying and monitoring financing changes and by diversifying the financing base.

Liquidity management is structured on 3 components:

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

The supervision and limitation of liquidity risk is based on the daily monitoring of a set of relevant liquidity ratios.

#### MARKET RISK MANAGEMENT AND CONTROL

The Group's objectives in market risk management concern the obtention of high returns from portfolio trading under relatively low market risk conditions, consciously assumed and adapted to the market and group development conditions.

The strategy for the market risk management is in line with the changes of the internal and international legislation imposed by the international financial crisis, but also considering the Group's recent experience on the financial market in general and on the banking market in particular.

The Group practices a flexible approach in the management of foreign currency position within the acceptable limits for this ratio.

The Group / Bank is constantly involved in the improvement of market risk management techniques, methods and current practices.

#### MANAGEMENT AND CONTROL OF INTEREST RATE RISK OUTSIDE THE TRADE BOOK

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

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

#### MANAGEMENT AND CONTROL OF OPERATIONAL RISK

The Group's objectives in terms of operational risk management are meant to reduce the effects of operational risk events, to maintain a low level of incidents and losses caused by operational risk and to ensure protection against risks which are not exclusively under the Group's control.

The management of operational risks is compulsory at all organizational levels and risk management policies are consistent with the particularities of each business line.

The identification, evaluation and monitoring of operational risks is a continuous process based on:

- permanent control (permanent supervision of sensitive activities, accounting/financial supervision by implementing a dual control system, segregation of tasks, specific responsibilities at different management levels, etc.) and specific instructions regarding operational risks (ex: collection and monitoring of operational losses);
- periodical control.

Exposure to operational risks is diminished through a permanent adjustment of regulations to legal provisions and market conditions, staff training, continuous improvement of IT solutions and consolidation of information security systems, measures to limit / reduce the effects of operational risk incidents, implementation of recommendations and conclusions resulting from the abovementioned controls, use of business continuity plans.

In order to limit the operational risk effects, specific insurance policies are concluded.

## MANAGEMENT AND CONTROL OF REPUTATION RISK

The Group's objectives concerning reputation risk management are meant to maintain/consolidate the brand image of the group in accordance with its strategy and values. It represents the current or future risk for profits and capital to be affected by the unfavourable perception of the bank's image by clients, counterparties, shareholders, investors or supervisory authorities.

The management of reputation risk is carried out by specific structures through actions aimed at maximizing the Group's reputation within a permanent process, which should integrate the ongoing development of the Group's business.

## MANAGEMENT AND CONTROL OF STRATEGIC RISK

The strategic risk is the current or future risk for profits and capital to be negatively affected by changes in the business environment, by unfavourable business decisions, improper implementation of decisions or the low adaptability to changes in the business environment. Strategic risks are addressed based on the following elements:

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

## BUSINESS STRATEGY OF BANCA TRANSILVANIA FINANCIAL GROUP

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

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

Banca Transilvania is the core component of Banca Transilvania Financial Group, providing the distribution platform for the entire range of products and services and maintaining a balance between service portfolio and risk profile, while ensuring operational efficiency in order to keep a steady development pace and a satisfactory profitability level on long term in the difficult current internal and external economic context.

## INTERNAL AND EXTERNAL AUDIT

The general audit objectives in 2013 focused mainly on risk management as well as the assessment of the overall control system implemented on transactions and / or flows. The audit process concerned risks relating to:

### *Compliance:*

- Contractual compliance (contracts with third parties and clients);
- Legal compliance (compliance with legislation and internal norms)

*Controls of flows and transactions:* evaluation of control systems implemented for transactions and flows.

*Financial statements:* compliance with legal provisions in the preparation of financial statements.

The audit was carried out in line with the Audit Statute of Banca Transilvania Financial Group and the principles provided in the International Audit Standards.

The consolidated financial statements of Banca Transilvania Financial Group for the financial year ended on 31 December 2013 were audited by the external auditor KPMG Audit SRL.

According to the audit opinion, the financial statements reflect in all significant aspects the bank's financial position, the operational results and cash flows in accordance with the International standards of Financial Reporting adopted by the European Union the bank's financial position, the individual result and cash flows in conformity with the International Standards of Financial Reporting endorsed by the European Union.

## THE CONSOLIDATED FINANCIAL STATEMENTS OF BT GROUP ACCORDING TO IFRS

In compliance with the Accounting Law no. 82/1991 (republished) and with the NBR Order no. 27/2010 with the subsequent amendments, Banca Transilvania Financial Group prepared consolidated financial statements for the year ended on 31.12.2013, in conformity with the International Financial Reporting Standards and the accounting policies of the group. At individual level, the Bank also prepared a set of financial statements in conformity with the International Financial Reporting Standards.

The Group's consolidated financial statements prepared according to the International Financial Reporting Standards (IFRS) adopted by the European Union, in force at the date of annual reporting, 31 December 2013, describe the financial position of Banca Transilvania SA and its subsidiaries, being presented as if they were a single economic entity.

The consolidated financial statements include:

- consolidated statement of financial position;
- consolidated statement of income and consolidated statement of comprehensive income;
- consolidated statement of cash-flows;
- consolidated statements of changes in shareholders' equity;
- explanatory notes to the annual consolidated financial statements.

## EVOLUTION OF THE MAIN FINANCIAL RATIOS UNDER IFRS

*The consolidated statement of the financial position and The consolidated statement of income and consolidated statement of comprehensive income as at 31.12.2013, prepared under IFRS, are presented in Annex 1, respectively Annex 2.*

The evolution of the main financial ratios of BT Group as at 31 December 2013 compared to 2012 is presented below:

BT GROUP	31.12.2013	31.12.2012	2013/2012 (%)
Total Assets	32,244,082	29,711,196	9%
Total Liabilities	29,034,924	26,896,185	8%
Total Shareholders' Equity	3,209,158	2,815,011	14%
Operating income	1,759,621	1,587,336	11%
Operating expenses	-1,286,174	-1,217,503	6%
Gross profit for the financial year	479,384	371,002	29%
<i>Tax on profit</i>	<i>-70,827</i>	<i>-24,546</i>	<i>188%</i>
Net profit	408,557	346,456	18%

In 2013, *total assets* increased by 9%, from RON 29,711,196 thousand to RON 32,244,082 thousand, Banca Transilvania's assets having the highest weight. The market share of Banca Transilvania in terms of assets was 8.85% at the end of 2013, BT being ranked 3<sup>rd</sup> according to the NBR classification (2012: 8.08%).

The portfolio of *loans to customers* maintained the same structure in 2013 being denominated mainly in RON, and increased by 8% from the precedent year. Loans increased mainly in the last quarter of 2013, from RON 15,361,263 thousand to RON 16,583,398 thousand, due to the bank's stronger presence on the credit market and due to the portfolio diversification. Loans' weight in total assets at the end of 2013 was 51% (2012:52%).

Provisions for loans, leasing and other assets increased by 18% in 2013, from RON 2,250,018 thousand to RON 2,658,788 thousand, the quality of the loan portfolio in 2013 being negatively affected by the deterioration of the foreign economic environment.

As concerns *Security investments*, the main share is represented by T-bills. Security investments totalled RON 8,920,997 thousand as at 31.12.2013, being 36% higher compared to the previous year (2012: RON 6,545,905 thousand) and keeping a balance among various categories of assets.

*Cash and due from banks* decreased by 16 % from the previous year (from RON 6,984,261 thousand, to RON 5,866,101 thousand).

*Tangible and intangible assets* in 2013 amounted to RON 412,457 thousand, 1% lower than last year (2012: RON 416,020 thousand).

*Liabilities* reached RON 29,034,924 thousand as at 31.12.2013, being 8% higher than in the previous year. The increase is due to the higher volume of customer deposits, which exceeded by 11% the level in 2012 (from RON 23,167,128 thousand to RON 25,736,216 thousand).

*Borrowings* from banks and other financial institutions decreased by 29% as at 31.12.2013 compared to the previous year (from RON 3,035,944 thousand to RON 2,146,743 thousand).

*The shareholders' equity* at Group level increased by 14% in 2013, from RON 2,815,011 thousand to RON 3,209,158 thousand.

The *gross profit* of the group was RON 479,384 thousand as at 31.12.2013 vs. RON 371,002 thousand in the previous year. The 29% increase was due to the bank's organic growth. Net profit increased by 18%, from RON 346,456 thousand to RON 408,557 thousand.

*Operating income* amounted to RON 1,759,621 thousand, 11% higher compared to 2012. The increase was due to an upward trend in income from interests, fees and trading.

*Net interest income* was 6 % higher compared to last year (RON 967,732 thousand in 2012 vs. RON 1,026,767 thousand in 2013), mainly due to higher income from securities.

*Net fee and commission income* increased by 2% compared to 2012, due to the increase in the number of clients and transactions.

*Net trading income* was similar to the previous year's level (RON 146,954 thousand).

*Operating expenses* before provisions amounted to RON 1,286,174 thousand, being 6% higher than in the previous year (RON 1,217,503 thousand in 2012) due to the extension of group activities and the evolution of exchange rate for FCY services.

*Staff expenses* amounted to RON 462,214 thousand at the end of 2013, which is 6% higher than in the previous year due to the extension of group activities and the granting of performance bonuses to employees.

*Expenses with depreciation* at group level amounted to RON 65,243 thousand, being 19% higher compared to the precedent year, considering that Tetarom Data Centre started to operate in 2013 and investments were made with the new core banking system Oracle Flexcube.

Other operating expenses, including taxes, rents, maintenance and repair expenses and other items were approximately at the 2012 level, namely RON 344,437 thousand.

Profitability ratios recorded higher values in 2013. Return on assets (ROA) was 1.31% (2012: 1.18%) and the return on equity (ROE) was 13.15% (2012: 12.64%).

Capital adequacy ratio at group level calculated in accordance with the applicable regulations (including group profit for 2013) was 15.22% (13,50% as at 31.12.2012).

#### **CORPORATE SOCIAL RESPONSIBILITY**

In addition to its business goals, Banca Transilvania is socially involved in the following foundations: "Cluj has Soul", "BT Charity" and "Transilvania". "Cluj has Soul" is the greatest social responsibility project initiated and developed by Banca Transilvania, helping young people aged between 14 and 20 years (who are under the social protection system or come from underprivileged families) to have a better life. In over 6 years of activity, the foundation assisted 1.600 teenagers.

Another example is the environmental project "Transylvania reforestation" taking place in the village of Vistea, Cluj County, in which Banca Transilvania got directly involved, by planting approximately 40.000 trees on 10 ha of land.

"Crosul BT" is a traditional running competition sponsored by Banca Transilvania, which had a humanitarian component in 2013.

Banca Transilvania Financial Group has been involved in other projects through donations in sports activities, educational projects on financial issues (for pupils or students) and direct involvement in projects in order to provide financial and emotional support to sick children.

COUNT on education! - one of the newest projects of social involvement supported by BT. The program consists of courses in financial and entrepreneurial education to nearly 2,000 students aged between 7 and 18 years, from 16 schools in the counties of Cluj, Alba, Bihor, Salaj, Maramures, Sibiu, Satu-Mare and Bistrita-Nasaud.

### **ENVIRONMENTAL PROTECTION POLICY**

BT Financial Group complies with environmental protection legislation in all its activities. The Group has environmental concerns, being guided by “green principles” in terms of using resources as responsibly as possible.

The bank has developed a partnership with the European Bank for Reconstruction and Development financing company projects in order to ensure production efficiency and to reduce energy consumption.

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

### **EVENTS SUBSEQUENT TO FINANCIAL EXERCISE CLOSING**

No events occurred after the end of the financial exercise likely to have an impact on the 2013 financial statements.

### **OTHER INFORMATION REGARDING THE PREPARATION OF FINANCIAL STATEMENTS**

The entities in Banca Transilvania Financial Group fulfilled their legal obligations regarding the accurate organization and records in accounting books, the compliance with accounting principles as well as the observance of rules and methods stipulated by regulations in force.

In 2013, the obligations to the state and local budget and special funds were complied with, all relevant transfers being performed in accordance with the legal provisions in force.

The economic and financial operations for the year 2013 were correctly recorded based on documents legally prepared.

The Management Report presented in the General Shareholders Meeting by each entity in the Group contains a realistic analysis of its own business during the financial exercise as well as its financial position at the end of 2013.

#### **FORECASTS REGARDING THE EVOLUTION OF BANCA TRANSILVANIA FINANCIAL GROUP IN 2014**

Banca Transilvania Financial Group has the following objectives for 2014:

- The long term objective of BT Financial Group subsidiaries is to increase return on equity up to a level comparable to that of Banca Transilvania (min. 13%);
- Assets increase by 7% at group level;
- Optimization of capital spending by maintaining a sound risk profile;
- Increase of leverage in the subsidiaries by increasing placements;
- Optimization of group structure in order to adapt to new regulatory and reporting requirements and in order to make better use of capital at group level in the context of the enforcement of CRD IV provisions
- Increasing assets of management companies and developing the sales support network;
- Maintaining current liquidity at optimal level;
- Sustained increase of activity and number of customers;
- Developing the offer of products and services for clients and diversifying the revenue base;
- Diversification and streamlining of distribution channels;
- Further improvement of cross-selling capacity within the group.

According to the investment budget of the bank proposed for 2014, new resources will be assigned for the capitalization of the subsidiaries within the group:

**Investment budget for 2014:**

• Branches + buildings	RON 41.68 million
• IT investment and cards	RON 55.92 million
• Other	RON 12.07 million
<b>Total Investments</b>	<b>RON 109.67 million</b>
<b>Investments in subsidiaries for 2014</b>	<b>RON 6.00 million</b>

Considering all the information presented in this report, we submit for approval to the General Meeting of Shareholders the Consolidated Financial Statements of BT Financial Group, prepared in compliance with NBR Order no. 27/2010, as further amended, and the International Financial Reporting Standards applicable to credit institutions, adopted by the European Union, together with the Consolidated Directors' Report and the Independent Auditor's Report, specifying that all other aspects included in the individual reports of the Group's entities remain valid.

BOARD OF DIRECTORS  
CHAIRMAN  
HORIA CIORCILA

## ANNEX 1

## Consolidated statement of financial position as at 31 December 2013

	Informative conversion			
	2013	2012	2013	2012
Assets	Th. RON	Th. RON	Th. EUR	Th. EUR
Cash and cash equivalents	4.105.584	5.579.088	915.465	1.259.757
Placements with banks	1.760.517	1.405.173	392.561	317.288
Financial assets at fair value through profit and loss	103.556	125.851	23.091	28.417
Loans and advances to customers	16.583.398	15.361.263	3.697.772	3.468.572
Net leasing investments	243.151	202.686	54.218	45.766
Investment securities available for sale	8.817.441	6.420.054	1.966.116	1.449.648
Investment in associates	49.778	25.858	11.100	5.839
Property and equipment	328.227	334.587	73.188	75.550
Intangible assets	84.230	81.433	18.782	18.388
Goodwill	376	376	84	85
Other assets	167.824	174.827	37.421	39.475
<b>Total assets</b>	<b>32.244.082</b>	<b>29.711.196</b>	<b>7.189.798</b>	<b>6.708.785</b>
<b>Liabilities</b>				
Deposits from banks	418.755	45.953	93.374	10.376
Deposits from customers	25.736.216	23.167.128	5.738.671	5.231.135
Loans from banks and other financial institutions	2.146.743	3.035.944	478.682	685.516
Other subordinated liabilities	338.124	288.810	75.395	65.213
Deferred tax liabilities	57.723	27.527	12.871	6.216
Other liabilities	337.363	330.823	75.226	74.700
<b>Total liabilities</b>	<b>29.034.924</b>	<b>26.896.185</b>	<b>6.474.219</b>	<b>6.073.156</b>
<b>Equity</b>				
Share capital	2.292.937	1.989.543	511.280	449.239
Treasury shares	-1.490	-9.853	-332	-2.225
Retained earnings	539.116	460.334	120.212	103.943
Revaluation reserve	30.218	39.496	6.738	8.918
Other reserve	319.234	299.864	71.183	67.709
<b>Total equity attributable to equity holders of the Bank</b>	<b>3.180.015</b>	<b>2.779.384</b>	<b>709.081</b>	<b>627.584</b>
Non-controlling interest	29.143	35.627	6.498	8.045
<b>Total equity</b>	<b>3.209.158</b>	<b>2.815.011</b>	<b>715.579</b>	<b>635.629</b>
<b>Total liabilities and equity</b>	<b>32.244.082</b>	<b>29.711.196</b>	<b>7.189.798</b>	<b>6.708.785</b>

## ANNEX 2

## Consolidated statement of income and Consolidated statement of comprehensive income as at 31 December 2013

## Informative conversion

	2013	2012	2013	2012
	Th. RON	Th. RON	Th. EUR	Th. EUR
Interest income	1.882.489	2.010.114	425.999	451.103
Interest expense	-855.722	-1.042.382	-193.646	-233.928
<b>Net interest income</b>	<b>1.026.767</b>	<b>967.732</b>	<b>232.353</b>	<b>217.175</b>
Fee and commission income	446.116	428.439	100.954	96.149
Fee and commission expense	-75.038	-64.963	-16.981	-14.579
<b>Net fee and commission income</b>	<b>371.078</b>	<b>363.476</b>	<b>83.973</b>	<b>81.570</b>
Net trading income	146.954	147.666	33.255	33.139
Net gain from sale of available for sale financial instruments	202.817	74.687	45.897	16.761
Contribution to the Banking Deposits Guarantee Fund	-64.398	-54.045	-14.573	-12.129
Other operating income	76.403	87.820	17.290	19.708
<b>Operating income</b>	<b>1.759.621</b>	<b>1.587.336</b>	<b>398.195</b>	<b>356.224</b>
Net impairments on assets, other liabilities and loan commitments	-414.280	-379.536	-93.750	-85.174
Personnel expenses	-462.214	-436.980	-104.597	-98.066
Depreciation and amortization	-65.243	-54.710	-14.764	-12.278
Other operating expenses	-344.437	-346.277	-77.945	-77.708
<b>Operating expenses</b>	<b>-1.286.174</b>	<b>-1.217.503</b>	<b>-291.056</b>	<b>-273.226</b>
Share of profits in associates	5.937	1.169	1.344	262
Income tax expense	-70.827	-24.546	-16.028	-5.509
<b>Profit for the year attributable to:</b>	<b>408.557</b>	<b>346.456</b>	<b>92.455</b>	<b>77.751</b>
Equity holders of the Bank	404.942	341.529	91.637	76.645
Non-controlling interests	3.615	4.927	818	1.106
<b>Profit of the year</b>	<b>408.557</b>	<b>346.456</b>	<b>92.455</b>	<b>77.751</b>
Basic earnings per share	0,1967	0,1589		
Diluted earnings per share	0,1967	0,1589		

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*Banca oamenilor întreprinzători*