BANCA TRANSILVANIA®

SWIFT: BTRLRO22
Capitalul social: 1.903.042.413 lei
C.U.I. RO 50 22 670
R.B. - P.J.R. - 12 - 019 - 18.02.1999
Nr. Inreg. Registrul Comertului: J12 / 4155 / 1993

Report of the Board of Directors
of Banca Transilvania
- 2012 -

INTRODUCTION

The countries in the Monetary union experienced an economic slowdown in 2012, most implementing comprehensive structural reforms in an effort to reduce their debts. Restrictive fiscal policies, tighter credit standards and lower indebtedness degrees, as appropriate and immediate measures to mitigate the risks associated with recession had a negative contribution to the economic growth in 2012.

The year 2012 was marked by efforts to stabilize the economic and monetary union in the euro zone by more aggressive interventions of central banks. Through the purchase of bonds on the secondary market, the European Central Bank provided resources to protect the Euro zone, which substantially reduced the market risk of the banks in the most indebted countries.

Although the global economy showed signs of improvement in early 2012, the macroeconomic data from the second half of the year showed signs of decline and in some countries the situation worsened with economic decline to be expected in 2013. Domestic demand was reduced, companies and consumers being discouraged by uncertainty about the debt crisis. The decrease in exports was felt in most countries, which was the main explanation for the economic data under expectations in the fourth quarter.

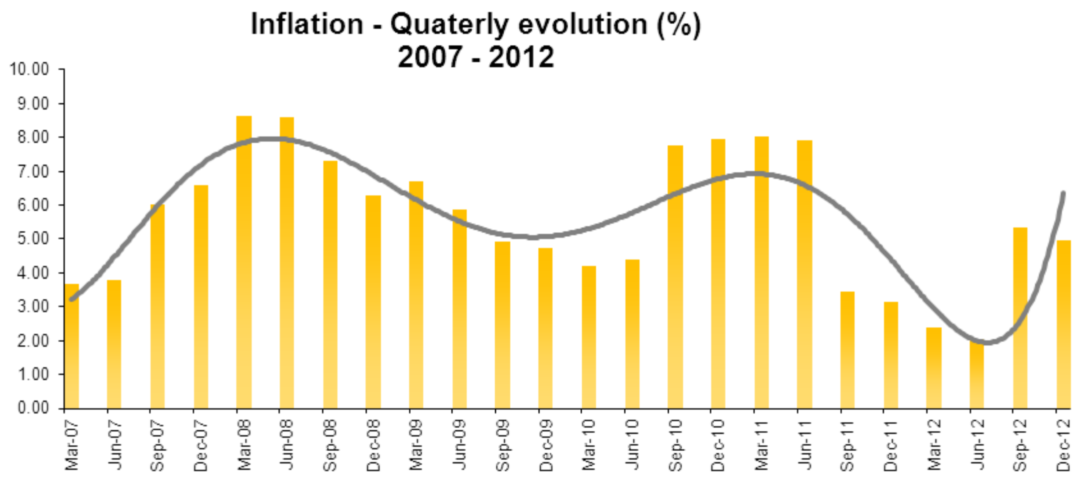
The European leaders have recognized that the monetary union must be completed by a financial, fiscal and economic union and ultimately by a deeper political union. The European Central Bank estimates that the Eurozone economy will contract by 0.3% in 2013 and the markets remain sceptical about the ability of the countries with weak economies, such as Spain and Italy, to avoid official financial support programs.

Coordinates of the Romanian economic environment during 2012:

- Starting with 1 January 2012, the banking system in Romania adopted the International Financial Reporting Standards (IFRS), a condition included in the agreement with the International Monetary Fund (IMF). The adoption of IFRS by credit institutions imposed the review of the prudential and statistical regulation framework and the review of computer applications used by banks and the National Bank of Romania, involving additional costs for the banking sector. The main advantages of the IFRS reporting system are a truthful perception of banks, avoidance of competitive disadvantages on the global market, transparency and correct comparability.

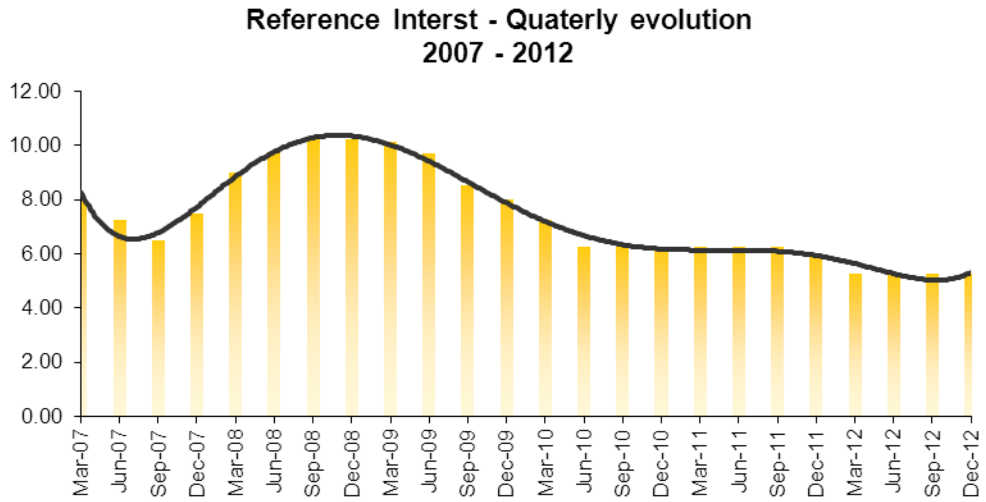
After the transition to IFRS, the National Bank of Romania and the International Monetary Fund (IMF) agreed to have a prudent attitude to bank solvency and to eliminate immediate taxation of gains from the release of provisions after the adoption of the new reporting system. The aggregate annual results show that 2012 was a difficult period for banks in Romania. The Romanian banking market in 2012 was characterized by an increase in household deposits and a slow lending pace. The household deposits rose by 8.4% from 2011, while lending rose by only 0.2% in 2012 compared to 2011.

- The annual inflation rate in 2012 climbed to 4.95% (from 3.14% in Dec. 2011), which was 1.81 pp higher than in the last year, according to the National Statistics Institute (INS), mainly due to 7% higher food prices and 6% for non-food products.



- Romania's budget deficit fell from 4.3% of GDP in 2011 to 2.5% of GDP in 2012 and the execution of the consolidated general budget ended with a deficit of 14,8 billion lei in 2012 compared to 23,9 billion lei in the previous year;
- According to the data published by the National Statistics Institute (INS) the GDP estimated for the whole year 2012 was 0.3% on the increase as compared to 2011.
- In 2012 the losses in the banking system increased to reach an average value of 53 million as a result of increased credit risk costs, in some cases exceeding the operating profit.
- The total net assets in the banking system rose during the past year by 3.39% to reach 366 billion lei, according to the data released by the National Bank. In December 2012, the banking system included 40 credit institutions, of which eight branches of foreign banks.
- The gross loan value /deposits ratio in the banking system deteriorated from 116.70% in December 2011 to 120.12% at the end of the last year, indicating the insurance of the necessary liquidity from mother banks.
- The National Bank of Romania had a single change in the interest rate policy during 2012, in March, when the interest rate was decreased to 5.25% from 6.00% as it was at the

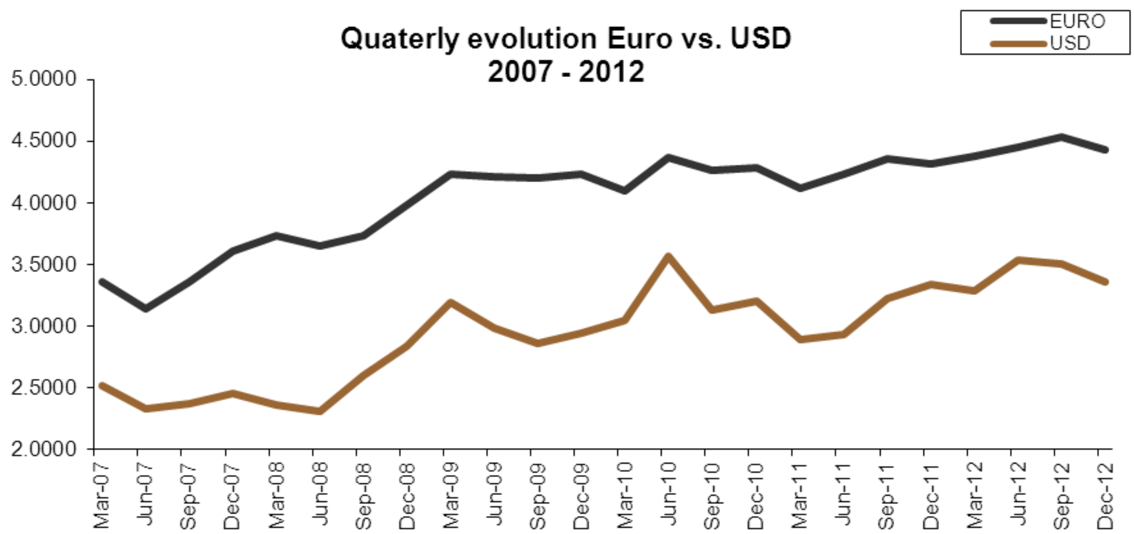
year start. The decision was motivated by a sensitive improvement of the short-term inflation perspectives.



• During the year 2012, the Central Bank kept unchanged the minimum reserve requirements for liabilities in domestic and foreign currency at the level of 15% for RON and 20% for foreign currency liabilities with residual maturity of up to two years.

• The solvency ratio in the banking system influenced by prudential filters and calculated as a ratio between own funds and net exposure was in 2012 at a level of 14.64%, slightly lower than in 2011 when it recorded a value of 14.87%.

• During 2012 the RON/EUR exchange rate grew steadily from a low of 4.3219 RON / EUR on January 4, 2012 to reach a peak of 4.6481 RON / EUR on 03 August 2012, but towards the end of the year there was a slight drop due to political stability to be at year end 4.4287 RON / euro.



The national currency depreciated against the US dollar in 2012 in percent of 5.5%, (4.2% in 2011), the minimum value being 3.2357 lei/ USD on 29 February 2012 and the maximum of 3.8343 lei/USD on 24 July 2012. At year end the RON/USD rate was 3.3575.

- In 2012, the contribution of credit institutions to the Guarantee Fund was maintained at 0.3% of total guaranteed deposits, the guarantee level per depositor and per credit institution being 100,000 euro in lei equivalent. This is the maximum payable to a depositor in case of unavailability. Payout period is 20 days from the date when deposits become unavailable.

BANCA TRANSILVANIA IN 2012: OBJECTIVES VS. ACHIEVEMENTS

Banca Transilvania continued in 2012 to be ranked the third bank in the top 10 banks in terms of assets, with a market share of 8.08% in total net assets in the banking system.

BT achieved its objectives proposed for 2012 despite a pronounced volatility and multiple uncertainties in the economic environment on local and European level. BT's offer was completed with products and services dedicated to individuals and companies, one of the BT objectives achieved this year being the launch of solutions to support customers' business effectively and continuously.

The analysis of the results obtained in 2010, based on the financial statements prepared under the International Financial Reporting Standards (NBR Order nr.27/2010 with subsequent amendments) are presented below:

QUALITY OBJECTIVES achieved in 2012

- Strengthening its leading commercial position, ranked the 3rd in the banking system in 2012, with a market share of 8.08% in terms of assets.
- Control of the loan portfolio quality;
- Ensuring support in the implementation of the new core banking system;
- Expanding the " Payment Machine" project;
- Implementation of the Western Union transfer solution via Mobile Banking;
- International settlements through the SEPA - Transfond component;
- Orientation towards the agricultural sector and co-financing projects from EU funds;
- Efficient use of existing resources, increasing business efficiency;
- Increased efficiency and return on investments;
- Improving risk management and control systems;
- Maintaining BT in the top of preferred employers in Romania;
- Maintaining its leading position in the medical field;
- Provision of private banking services for physicians;

QUANTITY OBJECTIVES achieved in 2012

Objective	Proposed	Achieved
Total Assets	28.5 bn lei, 11% higher than in 2011	29.6 bn, 15% higher than in 2011
Gross profit	335 mil lei, 20% higher than in 2011	340.7 mil lei, 22% higher than in 2011
Resources from clients	22.6 bn lei, 11% higher than in 2011	23.2 bn, 15% higher than in 2011
Loans to clients	17.4 bn lei, 11% higher than in 2011	17.6 bn lei, 12% higher than in 2011
Shareholders' equity	11% higher than in 2011	2,695 mil lei, 16% higher than in 2011
Cards issued in 2012	2,050,000 cards	1,918,247 cards
BT 24	220,000 users	291,755 users
Credits/deposits ratio	Under 0.85	0.74
CIP-BNR automatic solution	Migration to the new CIP-BNR automatic solution	Realized
Oracle FLEXCUBE Universal Banking	Implementation of the Oracle Flexcube Universal Banking solution	Realized
Internet Banking and Western Union	Extension of Western Union transfers by Internet Banking	Realized
Investment budget	22.67 mil EUR, VAT included	16.64 mil EUR, VAT included (73,703 th. lei)

The most important awards obtained by Banca Transilvania in 2012

- Bank of the Year in corporate business from the Financial Market magazine
- Retail Bank of the Year by the "Business Arena Magazine"
- Award for "Most cards with 3D Secure" and "The largest number of merchants enrolled in the 3D Secure" - eCommerce Awards
- BT, the 3rd among the most valuable Romanian companies - Financial Market magazine
- BT in "Top 100 cool- brands of the new generation" - Forbes magazine;
- The best product and the best banking initiative for physicians "for loans dedicated to Praxis acquisition - prize offered by the College of Physicians of Romania -" Gala Medica 2012 "
- Private Banking services of BT are again in the top of the Euromoney magazine (www.euromoney.com). According to the Private Banking Market Survey 2012, conducted

annually by this magazine, BT is the first in the category of Lending / Financing Solutions (Financial Solutions / loans) and ranked the second in the section Specialized Services - Entrepreneurs.

PERFORMANCES ON BUSINESS LINES IN 2012

The increase in the number of clients along with peak values for the number of operations consolidated the bank's business lines: Retail banking, SMEs, Corporate banking, respectively the Healthcare Division (DpM) and Treasury.

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

EVOLUTION OF THE CLIENT PORTFOLIO:

In 2012, the total client portfolio increased by 8% versus the previous year, recording a total of 2,079,458 clients, of whom 1,867,761 individuals and 211,697 legal entities. **Active clients** per business lines

BT active clients	31.12.2012	31.12.2011	2012/2011
Corporate	9,261	9,495	98%
SME	125,126	112,517	111%
Retail	1,514,089	1,407,422	108%
Healthcare Division	22,171	20,280	109%
TOTAL	1,670,647	1,549,714	108%

CORPORATE BANKING:

- The division's loan portfolio grew by 15% in 2012 from the previous year to reach a volume of investments of 8,654 million lei;
- The resources raised from corporate clients in 2012 recorded an increase of 11% from 2011, reaching 5,075 million lei;
-On December 31, 2012, the Corporate Division had a portfolio of 9,261 active clients;
-The number of farmer clients grew in 2012 by 17% and at the end of 2012 the bank's exposure to agriculture was 25% higher than in 2011;
-Electronic payment channels, BT Ultra or BT 24 are used by 75% of the total corporate clients.

SMALL AND MEDIUM ENTERPRISES (SME'S):

- The resources generated by the SME business line rose by 8% in 2012, reaching 2,363 million lei;
- Loans to SME clients were in value of 1,851 million lei at the end of the year 2012, which is 8% higher than in the previous year with 8,000 new credits;
- On 31.12.2012, the number of SME clients was 125,126, which is 11% higher than in 2011;
- The package " First Year Free Account " released in the fourth quarter cumulated 1980 products sold by the end of 2012, of which 1586 to new clients.
- The product "Offer for Self-employed" was launched to attract self-employed individuals and 5,350 new clients accessed this product;
- Fast Factoring – a new product for SME financing.

RETAIL BANKING:

- The resources raised by the Retail segment in 2012 were 15,286 million lei, which is 17% higher than in 2011 (12,994 million lei);
- The retail credit portfolio reached the value of 6,224 million lei, which is 8 % higher than in the last year;
- 29,739 non-card credits were granted in value of 1,10 bn. lei.
- The market share in terms of resources raised from clients increased from 11.74% to 12.70%, term deposits increased from 12.91% to 13.85%, while retail credits increased from 5.76% to 6.22%.
- Cards issued by year end: 1,918,247; BT consolidated its third position both in the number of cards and volumes, where its market share reached 16.63%;
-ATM's : 868; POS's: 17,518, e-commerce: 278 retailers;
-Internet Banking BT 24: 291,755 clients, which is 30% more than the number of 31.12.2011;
-Mobile banking mBT24: 28,351 clients, which is the double of the number recorded on 31.12.2011;
- Retail clients on 31 December 2012: 1,514,089, which is 8 % more than in 2011;
- StarBT Program: 1,300 retailers were enrolled in the program with more than 4,350 POS's. Credit card transactions at retailers increased by 30% in 2012 vs. 2011.

HEALTHCARE DIVISION:

- In 2012 the Medical Division maintained its leader position in the medical sector;

- At the end of 2012 there were a number of 22,171 active clients in the medical sector;

- The volume of loans to the private medical system reached 840 million lei;
- The total value of resources from this sector grew by 17% to reach 509 million lei;
- The dedicated products constituted a competitive advantage of this business line;
- More than 5,500 cards were issued to the medical sector.

TREASURY:

- The Treasury revenues in 2012 were 63% higher than in 2011, mainly due to income from the fixed-income instrument portfolio and income from foreign exchange operations.
-Investments in securities recorded a rising trend, in amount of 6,647 million lei on 31.12.2012, which is 8% higher than in the previous year;
- The Bank invested in several types of financial instruments, thereby providing risk dispersion.

OPERATIONAL PERFORMANCES / IT:

- Steps in implementing the Oracle FLEXCUBE Universal Banking solution were made with acceptance tests, staff training, data migration, performance tests, alignment procedures;
- Implementation of WU transfer solution via Internet Banking;
- Finalization of the construction and commissioning of the new IT data center;
- Expansion of the "automatic payment" project;
- International Settlements through the SEPA- Transfond component.

BT NETWORK AS AT 31 DECEMBER 2012:

In 2012 Banca Transilvania opened 3 units and closed 6 units to have at year end 550 operational units, of which 63 branches, BT Head Office and the Regional Centre in Bucharest.

HUMAN RESOURCES:

- The training / professional development programs were focused on the implementation of the new banking applications used by BT. Thus, over 4,500 employees were trained using internal trainers, for the use of FlexCube system. In addition, another 3,000 attended internal or external training programs.
- The human resources management also concentrated on an efficient distribution of resources with an emphasis on cost control;
- The number of active employees with work contracts increased by 1.8% to reach 6,160 staff members from 6,051 at the end of 2011.
- The staff related expenses increased by 11% from 368,916 thousand lei in 2011 to 409,595 thousand lei in 2012, due to the organic growth of the bank' business and the number of staff increased by 5%. Staff turnover in 2012 was 7.38% compared to 8.19% in 2011, continuing to be much higher in Bucharest.
- The average age of employees increased to 34 years from 33 years in 2011: 75% women– 25% men.

FINANCING SOURCES

In 2012 BT signed three financing agreements in total value of 469 million lei as follows:
- European Investment Fund (EIF) - a contract aimed at providing microcredits to entrepreneurs;
- EBRD - financing contract for lending to SME's;
- Another contract with EBRD,for financing programs for energy efficiency and renewable energy.

Also in 2012, BT signed a framework agreement with IFC, by which our bank joined the Global Trade Finance Program, under the IFC umbrella;
- European Fund for Southern Europe S.A.- subordinated loan.

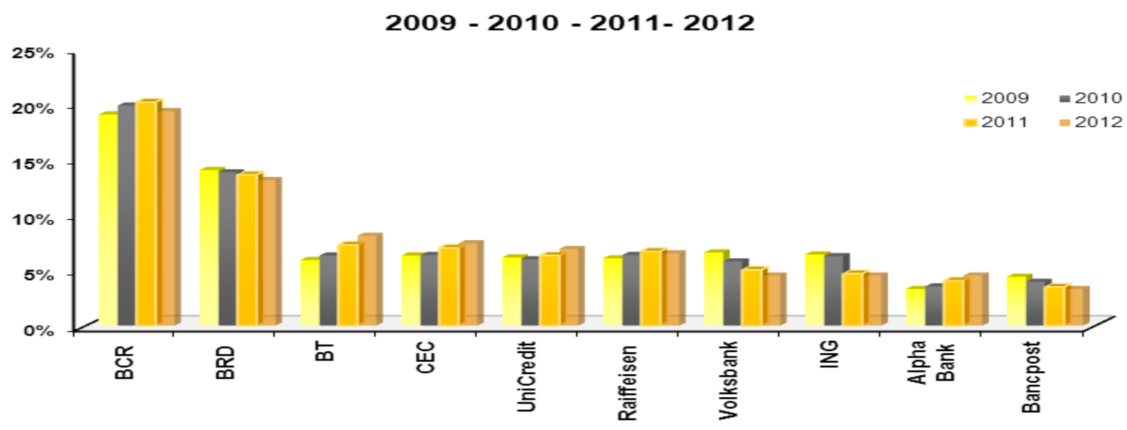
Under this program, IFC provides a facility designed to support international trade.

ECONOMIC AND FINANCIAL RESULTS 2012

BALANCE SHEET EVOLUTION

At the end of December 2012, the balance sheet assets of BT were 29,572 million lei, which is 15% higher than the assets of 31.12.2011. The positions increased, keeping the balance between different types of investments: investments in assets available for sale, placements with banks, loans respectively. The projected value for 2012 was 28.5 billion lei. This objective was achieved in proportion of 104%. In terms of the volume of assets at the end of 2012, Banca Transilvania was ranked the third with a market share of 8.08%.

Top 10 banks in terms of assets



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Evolution of the balance sheet structure in 2012

Million LEI	**Realized 2011**	**Budget 2012**	**Realized 2012**	**% Realized 2012/2011**	**% Realized / Budget**
Loans	15,695	17,400	17,569	112%	101%
Provisions	-1,659	-2,059	-2,111	127%	103%
Current liquidities	5,113	5,677	6,881	135%	121%
Securities	6,136	6,812	6,647	108%	98%
Fixed assets	406	507	444	109%	88%
- tangible and intangible assets	*336*	434	370	*110%*	*85%*
- participations	70	73	74	106%	101%
Other assets	127	193	142	112%	74%
Total Assets	**25,818**	**28,530**	**29,572**	**115%**	**104%**
Shareholders' capital	2,320	2,594	2,695	116%	104%
Subordinated loan	260	399	289	111%	72%
Resources from clients	20,280	22,584	23,233	115%	103%
Resources from banks	2,720	2,715	3,015	111%	111%
Other liabilities	238	238	340	143%	143%
Total liabilities	**25,818**	**28,530**	**29,572**	**115%**	**104%**

The credit portfolio of Banca Transilvania is stable, mainly in RON and the balance is 17,569 billion lei: 64% of loans belong to companies and 36% to individuals. The credit portfolio grew at a steady pace, its balance as at December 31, 2012 being 12% higher than in the previous year and 1% above the projected level. BT increased its loan portfolio every year and intensified its lending by diversifying its portfolio so that the bank should not have a major exposure to a certain specific credit risk (risk arising from reliance on a group of customers, major exposure to an industrial segment, concentration on a small number of products etc.)

Structure of the credit portfolio as at 31.12.2012:

- on types of currencies: 65.99% in lei; 34.01% in FX;
- on types of business:16.41% trade; 28.70% industries; 14.85% services; 36.00% household; 1.86% others;
- on maturity terms: 35.44% on short term; 18.21% on medium term; 46.35% on long term.

The non-performing loans with defaults longer than 90 days represents 11.31% of the total loan portfolio as at 31 December 2012 BT compared to 8.62% in 2011.

During 2012, the Board of Directors, pursuant to art. 13f in the Constitutional Act, approved to write off 255 cases of non-performing loans in amount of 13,594 thousand lei, 787,924 euros and 34,951 USD, for which all ways of legal pursuit were exhausted.

In terms of the NPL, BT is below the average in the banking system, according to Central Bank statistics (which is the 14,10%).

The balance of provisions - after adopting IFRS, BT applied the provisioning methodology specific to these financial standards. The outstanding provisions increased from 1,659 million lei in 2011 to 2,111 million lei at the end of 2012, BT ensuring an adequate level of defaults coverage with provisions, i.e. 108.05%.

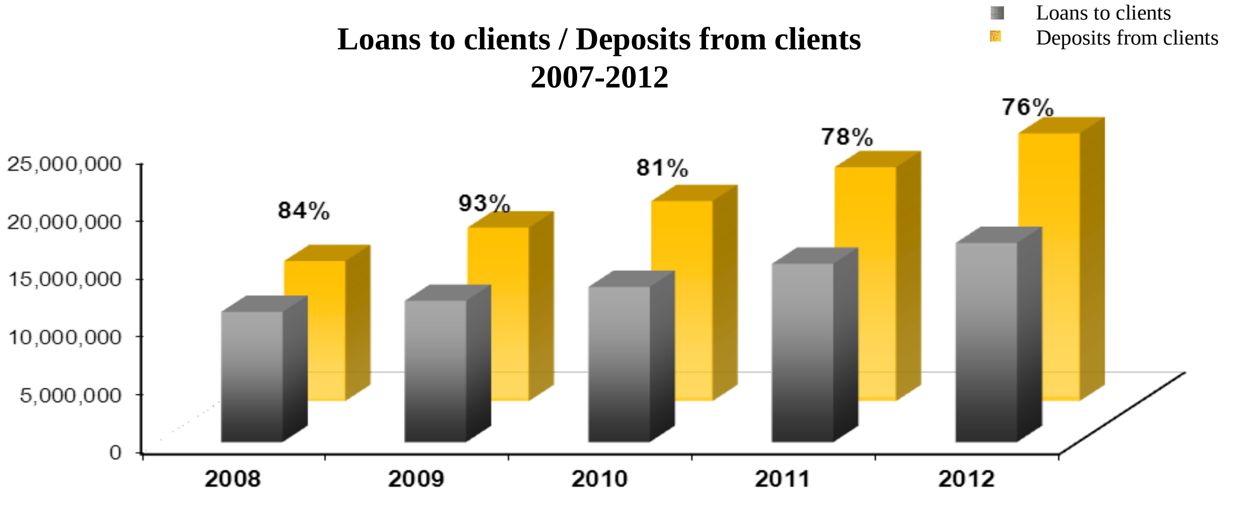
The credits / deposits ratio was 0.74 (0.76 in 2011), a value ensuring a favourable position in the banking system. Banca Transilvania maintained a very good liquidity. In the banking system the ratio was 120.12% on 31.12.2012 (116.7% in 2011).

Current liquidities are in amount 6,881 mill. lei, 35% higher than in the precedent year and above the minimum level considered acceptable by the bank in terms of liquidity risk. Current liquidities include mainly cash at hand, funds with central banks and credit institutions, the weight in this group (4,974 million lei) being held by the minimum compulsory reserve with the Central Bank.

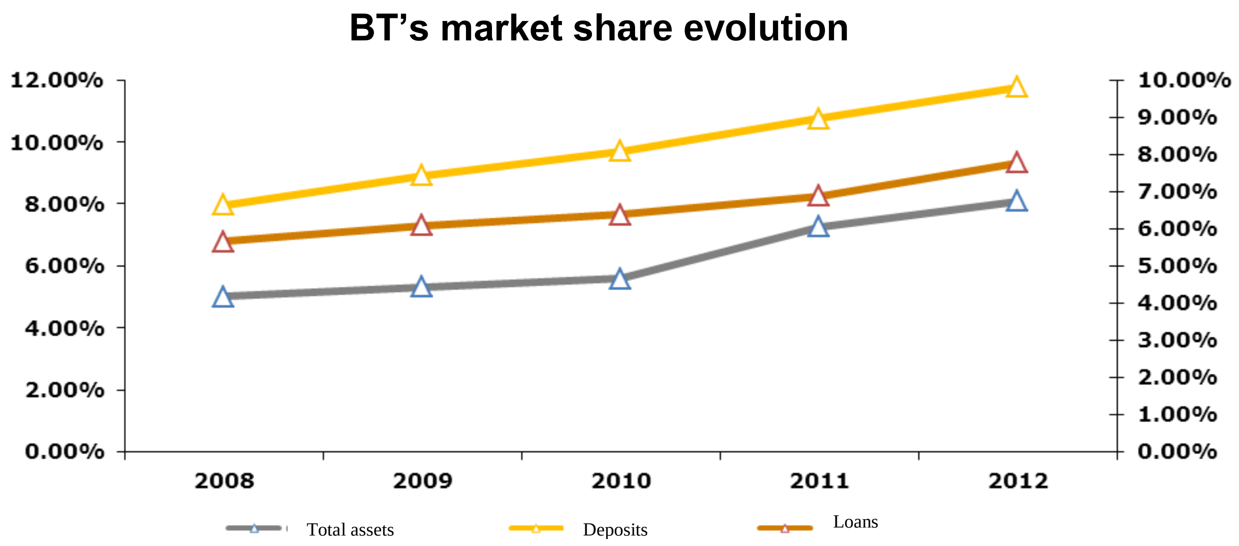
Securities increased by 8% from the last year reaching 6,647 million lei on 31 December 2012. The weight in this group (6,373 million lei) is held by T-bills.

Fixed assets increased 9% from the last year reaching 444 million lei, of which tangible assets represented 290 million lei (land and buildings 201 million lei), intangible assets standing for 80 million lei and long term financial assets being 74 million lei.

In terms of deposits from non-bank customers, the increase compared with the previous year was 15% (23.233 million lei), while in the banking system bank deposits increased by 5 %. In terms of currency the deposits were 60% in lei and 40% in FX.



The BT solvency is at a comfortable level of 12.16%, with the annual profit included. At the same time, it maintained an adequate level of capital and general financial ratios consistently with sound banking principles. In terms of total assets, loans and resources, the bank's position in the banking system is presented in the following chart:



On 31.12.2012 **the shareholders' equity** was of 2,694,937,962 lei, of which:

- share capital 1,903,042,413 lei, representing 1,903,042,413 shares in par value of 1 lei/share to which 86,501,040 lei is added as capital adjustment to inflation and the surplus from the revaluation of fixed assets, which was not made until the transition to the International Financial Reporting Standards.
- legal reserves: 133,976,645 lei;
- reserves for bank risks: 77,892,714 lei;
- reserves from revaluation of securities available for sale: 87,007,445 lei;
- reserves from revaluation of tangible assets: 38,124,770 lei;
- own shares: -7,751,982 lei;
- Retained earnings: 72,751,006 lei;
- profit : 320,431,880 lei;
- profit distribution: -17,037,969 lei.

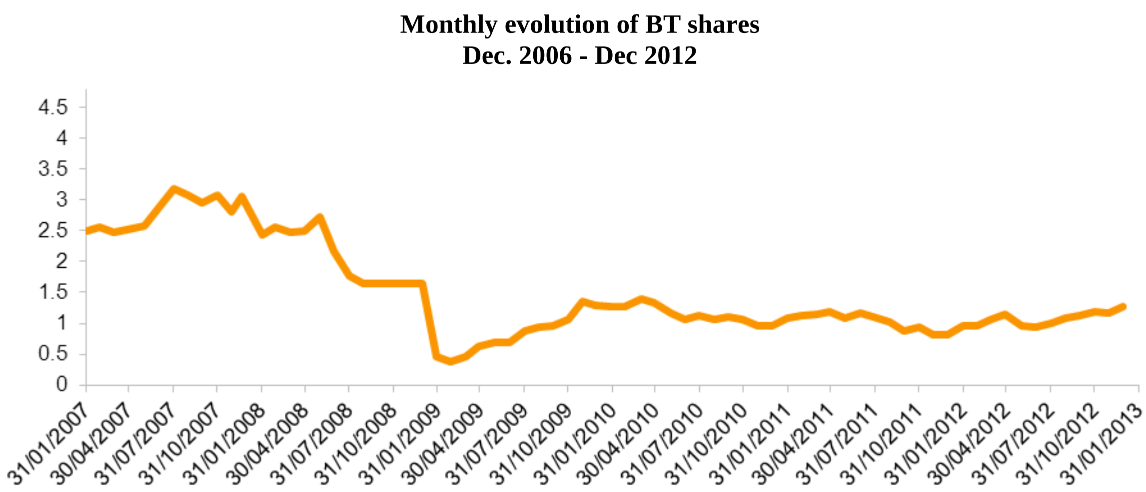
The share capital recorded with Trade Registry in early 2012 was 1,773,658,066 lei and was increased under the decision of the General Extraordinary Shareholders' Meeting with 129,384,347 lei by including the reserves from 2012 profit , 122,528,539 lei, the reserves created in previous years 6,123,673 lei and 732,135 lei from share premiums. At the end of the year the share capital recorded with the Trade Registry reached the value of 1,903,042,413 lei.

On 31.12.2012, the share capital structure was as follows:

	31 Dec 2011	31 DEC 2012
European Bank for Reconstruction and Development (“EBRD”)	14.61%	14.61%
Romanian individuals	25.98%	23.06%
Romanian companies	26.35%	26.32%
Foreign individuals	2.21%	2.84%
Foreign companies	30.85%	33.17%
Total	100.00%	100.00%

On 31 December 2012, the bank’s capitalization on the Stock Exchange was 2.42 bn lei, respectively 546 million EURO (31 December 2011: 1.56 bn lei respectively 363 mil euro).

The evolution of BT shares in 2012 is shown in the following chart:



PROFIT AND LOSS ACCOUNT:

The elements of the profit and loss account as at 31December 2012, compared with 2011 and the budget projections are summarized below:

PROFIT AND LOSS ACCOUNT *Mil lei*	Realized 2011	Budget 2012	Realized 2012	% growth 2012/2011	% Realized Revenue and expense budget
INCOME	**1,402.51**	**1,555.90**	**1.536.55**	**110%**	**99%**
Net income from interests	871.88	985.50	937.87	108%	95%
- of which from securities	271.58	305.50	486.51	179%	159%
Net income from commissions	389.27	410.00	424.70	109%	104%
Net income from trading	117.09	135.00	131.17	112%	97%
Other incomes	24.43	25.40	42.81	176%	168%
EXPENSES	**743.63**	**821.20**	**816.36**	**110%**	**99%**
Expenses with staff	368.92	396.00	409.60	111%	103%
Operational expenses	296.38	343.20	323.42	109%	94%
Expenses with advertising	14.63	15.00	14.10	96%	94%
Expenses with depreciation	49.26	52.00	46.42	94%	89%
Other expenses	14.44	15.00	22.83	160%	152%
OPERATIONAL RESULT	**659.04**	**734.7**	**720.19**	**109%**	**98%**
Provisions, net	380.80	400.00	379.43	**99%**	**94%**
GROSS PROFIT	**278.24**	**334.70**	**340.76**	**122%**	**102%**

The gross profit was 340,76 mil lei vs. 278,24 mil lei on 31.12.2011. The net profit in 2012 was 40% higher than in 2011, in value of 320,43 mil lei.

The operational income was 1,537 mil lei on 31.12.2012, which is 10% higher than in the precedent year; it was realized 99% of the projected level.

The most important income categories are:

- *Net income from interests*: in amount of 937.87 mil lei in 2012, which is 8% higher than in the previous year. The gross income from interests amounted to 2,012 mil lei (12% higher than in 2012) of which 24% is represented by income from securities. The income from securities at yearend was: 411.17 mil lei from interests and 75.34 mil lei net income from securities available for sale.

- *Income from commissions:* 424.70 mil lei, which is 9% higher than in 2011 slightly exceeding the projections. The incomes from commissions for operations were 309.98 mil lei and fees from lending were 114.72 mil lei.

- *Net income from trading*: in 2012 an income of 131.16 mil lei was realized, which is 12% higher than in the previous year and 3% under the projected level (135.00 million lei). 17.26 mil lei represent net income from securities held for trading.

Operational expenses of BT were in amount of 816.36 mil lei, compared to 743.47 mil lei in 2011. The 10% increase was determined both by the business growth and the euro / leu exchange rate.

- *Expenses with staff* in 2012 amounted to 409.60 mil lei. The 10% exceed from the last year expenses is due to the higher business volume and implicitly higher number of employees. Compared with the amounts provided in the budget, the expenses with salaries were 3% higher. In 2012 the Bank provided a total of 14 million shares to employees and directors with a commissioning period of up to 3 years. This generated costs in amount of 14.6 mil lei in 2012. On 31 December 2012 the Bank used the provision for the employees' benefits in amount of 20 million created in the previous year and also made a provision amounting to 26.5 million.

- *Operating expenses:* were in amount of 323.36 mil lei in 2012, under the budgeted level by 6% and 9% higher than the 2011 expenses. The exceed is justified both by the business growth and the number of employees, 5% higher than in the previous year.

-*Advertising expenses:* were in amount of 14.1 mil lei within the projected limits.

-*Expenses with sponsorships in* 2012 were in amount of 3.9 mil lei, in line with the Law 571/2003 and deduction facility from the tax on profit. The Board of Directors intends to benefit also in 2013 of the respective facility.

- *Expenses with depreciation*: were in amount of 46.42 mil lei, 6% lower than in the last year, due to the investments made in 2012 top be commissioned in 2013 (TETAROM building and core banking intangible asset).

-*Other expenses*: were in amount of 22.83 mil lei, the weight being held by the counter value of forced sales (11.8 mil lei).

The operational result of Banca Transilvania was 9% over that in the previous year. In 2012 the operational profit was in value of 720.19 mil lei, as a result of intensified cost control measures. The cost / income ratio was 53.13%, on 31.12.2012 (51.65% in 2011) after continuing streamlining costs.

The net expenses with provisions were in amount of 379.43 mil lei, of which the credit risk related cost was 368.14 mil lei compared to 324.50 in 2011. In 2011 the net expenses with provisions were 380.80 mil lei, approximately at the same level with 2012. The changes in the accounting regulations in 2012 led to the creation of reserves available to BT in amount of 353 million lei, supporting equity and coming from provisions additionally established in the previous years.

The gross profit realized by BT in 2012 (including the branch in Cyprus) was 340.76 mil lei compared to 278.24 mil lei in the last year, the increase being 22%.
In terms of budget projections the gross profit was realized in proportion of 122%.

BANKING PRUDENTIAL RATIOS (CAMPL)

Among the ratios monitored by the NBR under the prudential supervision system, the most significant for the bank's evolution are presented below:

Nr crt	Ratio	Level	Rating	31.12.10	31.12.11	31.12.12
1	Liquidity ratio	Min =1		2.43	2.32	2.11-19.28
2	Solvency ratio	> 8%	1	14.30%	12.37%	12.16%
3	ROA (net profit/total assets, net value)	0,6%-2,9%	4	0.50%	0.97%	1.14%
4	* ROE (net profit/ shareholders' equity)	> 11%8 -10,9%	5	5.25%	10.26%	12.51%

Note: the solvency ratio was determined by taking into calculation the net profit as at 31. 12.2012 (without profit, the ratio is 11.20%).

The prudential ratios ensure a favourable positioning of the bank in the banking system, the bank maintaining an adequate level of ratios in compliance with the banking principles of solidity and balance. BT has a consistent base of raised resources, which permitted an optimum liquidity ratio. So, on 31.12.2012, it ranged between 2.11 and 19.28 on the 5 maturity bands, well above the minimum required by the NBR regulation (NBR Norm no. 24/2009). BT solvency is still at a comfortable level of 12.16%, with profit included. The Bank benefited from tax incentives in 2012, following the application of prudential filters imposed by the NBR Order No. 29 of 28.12.2011.

PROPOSED PROFIT DISTRIBUTION AND SHARE CAPITAL INCREASE

The Board of Directors submits for approval by the General Meeting of Shareholders the proposal to distribute the profit in amount of 340,759,377 lei, as shown in the table below and to increase the share capital with 303,393,911 lei, for each 100 shares to assign a number of 15.94257221 new shares (respectively to assign new shares corresponding to the ratio of 303,393,911 lei / 1,903,042,413 shares).

The share capital increase from 1,903,042,413 lei to 2,206,436,324 lei, respectively with the amount of 303,393,911 lei will be based on the incorporation of reserves from the 2012 net profit.

PROPOSED PROFIT DISTRIBUTION 2012	AMOUNTS (LEI)
Gross profit	**340,759,377**
Tax	20,327,497
Net profit	320,431,880
5% legal reserve fund from gross profit	17,037,969
Net profit to be distributed to reserves	303,393,911

PROPOSED SOURCES FOR SHARE CAPITAL INCREASE	AMOUNTS (LEI)
Reserves from the net profit of 2012	**303,393,911**
Share capital	**1,903,042,413**
Yield / share %	**15.94257221**

CORPORATIVE GOVERNANCE

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

Banca Transilvania S.A. is a joint stock company incorporated in Romania and registered with the Trade Registry under no.J12/4155/1993 with the tax identification no 5022670.
The bank has its head office in Cluj-Napoca, str. G.Baritiu, nr.8, Cluj County.
The bank operates under the Law no.31/1990 on companies (as further modified) and the Governmental Order no.99/2006 for credit institutions and capital adequacy (as further modified). According to the article 6 in the Constitutional Act of the bank, its business line may be summarized as being the development of banking activities.

The system to identify, assess, monitor, control and report risks as shown in the section of risk management has been developed and applied by the bank both in its internal control and management of risks in the process of financial reporting for the purpose to furnish credible, relevant and complete information to the structures involved in the decision making process and to external users as well as to ensure compliance with the legal framework for financial reporting and the internal policies and procedures (Annex: declaration about compliance or noncompliance with the provisions in the Corporate Governance Code)

Governing bodies

Council of Administration

The BT administration is entrusted by the General Meeting of Shareholders to the Board of Directors elected for a mandate of four years, consisting of seven directors, elected by shareholders at the GSM at the expiration of the mandate or in case of one or more vacancies. The Board of Directors is in accordance with specific regulations issued by the NBR, as the supervision authority and has the following structure:

- Chairman of the BT Board;
- Vice -chairman of the BT Board;
- 5 members.

The eligibility criteria are set out in the specific legislation (Law no.31/1990 - Law for companies, Gov. Order No.99/2006 and specific regulations of NBR) and the provisions in the Constitutional Act of Banca Transilvania SA.

The Board responsibilities are: to realize the strategies and the objectives provided in the declaration of policies adopted by the GSM, respectively the strategic plan for medium term; to approve and to review annually the strategies and the policies regarding the bank's activity; to adopt the activity plan and the revenues and expenditure budget, the investment program, profit and loss accounts and to draft the Bank's report subsequently handed over to the GSM; to prepares proposals for the distribution of the net profit to be submitted to the General Meeting for approval; to approve the Regulation of Organization and Management, Code of Ethics and Conduct and schemes of organization, number of employees, their remuneration; to establishes the framework for the list of authorized signatures and Bank's mandated persons; According to the BNR rules no. 18/2009 the CA members evaluate themselves; the self-evaluation of the CA members related to the performance in the activity carried out under the provisions in the Code of Ethics and Conduct and the BT Rules of Organization and Management is based on the "Declaration / Self- evaluation in respect with the compliance with / observance of the Code of Ethics and Conduct and the Rules of Organization and Management of BT''; to approve the individual exposures associated with related parties within the limits set by the Board; to assess capital adequacy to the risks assumed by the bank and its subsidiaries.

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

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

The members of the Board of Directors and their professional background as of 31 December 2012:

- Ciorcila Horia – chairman – Polytechnic Institute in Cluj, Faculty of Computers and Automations;
- Marzanati Roberto – vice-chairman -Business Administration in Turin, Italy;
- Franklin Peter - CA member - Oxford University, Great Britain;
- Retegan Carmen - CA member – Technical University in Bucharest – Faculty of Electronics and Tele- communications; University of Rochester- Business Administration William E. Simon ;
- Palagheanu Radu - CA member - Polytechnic Institute of Cluj Napoca, Faculty of Electrotechnics;
- Ceocea Costel - CA member – University „Al.I. Cuza" in Iasi, Faculty of Economic Sciences, PH.D. in industrial engineering

Audit Committee

The Audit Committee is composed of members of the Board of Directors who do not have management positions. It operates under the legal framework: International Standards on Auditing, ISA 260-2005-CFAR, the Company Law, the Law 31/1990, the NBR Regulation no. 18 *) of 17 September 2009 concerning the management of credit institutions, the internal assessment of capital adequacy and conditions of outsourcing their activities; Rules of Organization and Management at BT and has the following structure: -3 non-executive members.

It has responsibilities regarding: financial statements, important issues regarding accounting principles and presentation of financial statements, including any significant changes in the bank's selection or application of accounting principles; internal control, internal audit and examination by external and internal control of financial statements and obtaining financial reports with findings and recommendations identified by the audit team, external audit, reporting and other responsibilities.

Remuneration Committee

It is subordinated to the Board and is designed to deliver competent and independent views on remuneration policies and practices.

Composition of the remuneration committee:

-Chairman of the Board

-2 Board Members

The committee examine and ensures that the general principles and policies for staff remuneration and benefits correspond with business strategy, objectives, values and long-term

interests of BT.
The remuneration committee meets at least twice a year or whenever necessary at the request of one of its members or bank manager.

Executive Management Committee (CEM)

The CM members must manage the bank on their own responsibility according to the best business practice and in the best interests of the bank, taking into account the overall interests of the shareholders, the bank image and the public interest in the spirit of transparency, honesty, prudence and profit maximization.
The CM members are responsible jointly and individually and accountable to the CA for the management of the bank.
The Management Committee consists of 11 members: general manager, deputy general managers and 8 executive directors: executive director /Operations (COO); executive director / Corporate &SME's; executive director (RB); executive regional director (DEO); executive director /Risk Management; executive director / Financial Institutions and International Relations; executive director / Human Resources.

Technical Committee for Risk Management (CTARB):

The committee is appointed by CEM and consists of 7 members,: deputy general manager 1 (responsible for risk management), general manager, deputy general manager 2, executive director (COO), executive regional director (DEB), executive regional director (DEO), executive director /Risk Management (committee secretary).
The Technical Committee for Risk Management as a collective body exercises the risk management function and its members exercise specific risk management rights in their business area.
The Risk Management Committee meets and analyzes CIB, usually monthly or whenever required, the reports / materials from departments about special events or the evolution of different indicators and policies, forecasts and ratios set by the bank as relevant to its normal evolution (with reference to pre- determined limits), taking appropriate decisions.

Technical Committee for asset and liability management (CT ALCO)

The Technical Committee for asset and liability management is appointed by the Executive Management Committee and has the following membership: general manager, deputy general manager 1, financial director COO, executive director for Risk Management, executive director for Retail Banking, executive director for Corporate & SME's, executive director for Financial institutions and International relations, executive director for Treasury, manager for Budget and Planning.

The financial manager and the manager for Budget and Planning are permanent attendees.

The Technical Committee for asset and liability management receives information and reports from specialized departments to analyse and to take decisions in the management of interest rate risk, currency risk, liquidity risk, price risk and related fields for a proper management of assets and liabilities of the bank. Decisions will contain specific deadlines and responsibilities..

Technical committee for audit, compliance and internal control (CTACCI)

The committee is composed of 5 members: deputy general manager 1 (coordinator of the internal control system), general Manager, executive director for Risk Management, executive regional director (DEB), executive regional director (DEO)

The decisions of the Technical Committee for audit, compliance and internal control (CTACCI) are taken by half plus one of the members who compose the committee. The Technical Committee analyzes the control acts of the Internal Audit, Credit Risk Inspection Department, Compliance Department, Electronic Channels, Operational Risk Management and other bodies with responsibilities for internal control and take decisions to remedy the deficiencies.

Technical Committee for approving internal regulations (CTARI):

The composition of the committee: deputy general manager 1 (committee secretary); executive director (COO); executive director for Corporate & SME's; executive director (RB); executive director for Risk Management. It reviews/approves the internal rules in compliance with the legal and the provisions and rules.

Technical Committee for Operational Risk (CTRO)

The mission of the Technical Committee for Operational Risk is to manage the operational risk. Membership: general Manager, deputy general manager 1, executive director (COO) - committee secretary, executive director for Risk Management

The Committee receives information and reports from departments in HO and branches to be analyzed and to take decisions in this field of activity or to advance proposals for other technical committees or EMC; it transmits the measures adopted for implementation by departments / branches and follows up their implementation.

Technical Committee for credit policy and approval (CTPAC)

The mission of the Technical Committee for credit policy and approval (CTPAC) in the Head Office is to establish the BT's lending policy and to approve loans with value or conditions exceeding the powers granted to other bodies or persons within the Bank.
Membership: general manager,deputy general manager 1, executive director for Corporate & SME's (for legal persons), executive manager (RB) for retail, executive director for Risk Management, executive director (COO), regional executive manager (DEB), executive regional director (DEO)

Technical Committee for Human Resources (CTRU)

The role of the Human Resources Committee is to increase efficiency in taking decisions regarding the BT employees. The Technical Committee for Human Resources is composed of:
general manager, deputy general manager, executive director (COO) , executive director for Retail Banking, executive director for Corporate & SME's, executive director for Human Resources (executive secretary of the committee)
Attendees: deputy manager for Human Resources, deputy manager for Human Resources in Bucharest and a representative of the employment.

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

The main objective of the Credit and Risk Committees in the Head Office is to analyze and to approve loans, respectively to restructure loans.
The Technical Committee on credit policy and approval mandates CCR1 and CCR2 with the power to approve loans (the competence is set in specific internal regulations).

Membership of the Credit and Risk Committee 1 (CCR 1)

- deputy manager of DMRC/coordinator of risk analysts / designated substitutes
- management of the Corporate Loans Department, SME Department, Healthcare Division, retail credits,
- Heads of offices in DCCC / manager for Corporate Clients Loans; DCIMM manager/ Deputy manager for SME loans / replacement nominated for SME; deputy manager for DPM loans / designated replacement for DPM clients, deputy manager for retail loans / designated replacement for retail customers l
- legal advisor / designated substitute

Membership of the Credit and Risk Committee 2 (CCR 2)

- deputy general manager / designated substitute
- manager for Risk Management, deputy manager of DMRC/designated substitute

- management of the Corporate Loans Department, SME Department, Healthcare Division, retail manager and
- legal advisor / designated substitute

Credit and Risk Committee in branches/agencies (CCRS/CCRA)

The main objective of the Credit and Risk Committees in branches/agencies is to analyse and to approve loans, respectively to restructure loans according to the competencies approved by the EMC.

The Credit and Risk Committee is conceived to meet the requirements of staff size and structure in BT branches.

There are 3 types of credit and risk committees at branch level:

a. Credit and Risk Committee approving loans to company clients of corporate type – no. of members: at least 3 persons.
b. Credit and Risk Committee approving loans to company clients of SME type, family associations or authorized natural persons - no. of members: at least 3 persons.
c. Credit Committee for retail credits

Members:

- branch manager/deputy branch manager
- head of retail/head of retail office
- credit analyst/client counsellor/ head of agency;
- legal advisor(at the request of the Credit and Risk Committee)

senior relationship manager / relationship manager;

- head of SME office (SME Coordinator) – exclusively in case of loans granted to SME clients;
- head of loan analysis/credit analyst
- legal advisor (at the request of the Credit and Risk Committee)

Members of the Credit and Risk Committee in Agencies:

The structure of the Credit and Risk Committee at agency level is the following:

- head of agency;
- SME counsellor (credit analyst) / retail counsellor.

The decision of lending belongs to the head of agency if present in the agency, otherwise the credit documentation submitted for approval to the Credit and Risk Committee of the Branch. The SME Advisor and Retail Advisor are interchangeable, when one of them is missing.

Committee for cost control (CMC)

The Cost Control Committee is a lever by which an adequate and efficient control system of costs is in place.

The membership of the cost control committee:

- President : financial manager
- Member : general manager
- Member : executive Director (COO)
- Member : head of Office for Financial Analysis
- Secretary : manager of Investments and Logistic department - executive secretary of the committee

The Committee meets at least once a month or whenever required. It has the following functions: to analyse the actual operating cost components, focusing on groups of higher costs, to identify causes that may cause unjustified increase in costs, to formulate proposals and to take decisions on cost-cutting measures.

Operations Steering Committee –OSC

OSC is responsible for coordinating, recommending and reviewing changes in various operational areas in order to make efficient the BT work.

The members of the committee are: General manager, Deputy manager I, executive Director (COO), Executive Director Retail Banking, Executive Director Corporate and SME Clients / Director of Business Banking, manager for Project Management, IT manger. Any manager may attend the meetings.

RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

The bank issues periodical reports to inform all the bank shareholders promptly and correctly about any significant changes in the financial statements, the management membership or the bank’s business.

CALENDAR OF FINANCIAL COMMUNICATIONS ON 2013

Each year Banca Transilvania prepares a calendar for financial communication and in order to inform its shareholders this calendar is made public on the site of the Bucharest Stock Exchange.
The calendar for 2013 is the following.

Presentation of annual preliminary financial results	12.02.2013
General shareholders meeting to approve the annual financial results	first convening: 29.04.2013 second convening: 30.04.2013
Presentation of 2012 financial results	30.04.2013
Presentation of financial results for the first quarter 2013	03.05.2013
Presentation of 2013 bi-annual financial results	01.08.2013
Presentation of financial results as at 30.09.2013	29.10.2013

RISK MANAGEMENT

Risk management is an integral part of all decision-making and business processes in Banca Transilvania. The BT management continuously evaluates the risks likely to affect the bank's goals and takes actions whenever any changes appear in its business conditions. BT management ensures a suitable framework for risk management, policies and mechanisms for this activity corresponding to the bank’s structure and inherent risks.
- Risk identification: the bank’s exposure to the business related risks in its daily operations and deals (including forex dealing, lending and capital market operations) is identified and aggregated by the risk management infrastructure of the bank
- Risk evaluation/measurement: the bank performs an evaluation of identified risks by specific models and calculation methods: a system of ratios with related limits, calculation of specific risk provisions, estimation of future evolution of the assets value, etc.
- Risk monitoring and control: the policies and the procedures implemented for an effective risk management are meant to mitigate risks inherent to the bank business. The bank implemented procedures to supervise and to approve the limits of decisions and deals by person/ unit/ product etc. Such limits are daily/ weekly/ monthly monitored depending on operations.
- Risk reporting: the internal reporting of risks is performed by departments on business lines and consolidated at the level of the whole bank. The bank management is informed permanently about the risks inherent to the bank business.
-Calculation and assessment of capital and capital requirements: For internal assessment of capital adequacy to risks, the Bank identifies and evaluates all significant risks to which it is or

might be exposed. The Bank continuously calculates and assesses its internal capital and internal capital requirements to cover the bank's business needs and risks.

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

CREDIT RISK

The management of the credit risk is periodically updated and improved, it is designed to cover all credit exposures in the banking business and includes the following basic components:

- an individual counterparty rating system
- an assessment system of transaction risks
- a risk assessment system for new credit products / significant changes in the existing products
- regional /sectorial/ product/client concentration limits
- a pricing methodology based on risks
- active management of loan portfolio;
- a methodology for monitoring / review of credit post granting
- a methodology for credit risk provisioning

The management of credit risk resides mainly in:

- Organization of a proper system of rules and procedures in the field to create the regulatory framework for the lending process in order to avoid or to minimize risks;
- Developing/improving the procedural framework of the credit risk management (strategy, policies, norms for credit risk management), management of own funds (monitoring of aggregate exposures vs. own funds), performing simulations in respect of capital requirements under Basel II and preparing internal rules in compliance with Basel II; internal assessment of capital adequacy to risks
- existence and periodical review of a hierarchical system for approving the exposure limits in lending;
- monitoring credit risk on business lines and aggregately at the portfolio level;
- management of critical exposures (clients with credits classified into inferior performance categories, credits with impairment signals , etc.).
- organization structure of the bank – there are departments and committees with responsibilities in the supervision and the administration of the credit risk.

Liquidity risk

The risk profile of liquidity adopted in 2012 was ”low to medium” due to the structure of the bank’s assets and liabilities, namely the mixture of instruments to fructify temporary liquidity exceeds and the weight of stable resources raised from clients in the total funding. The bank manages liquidities at a centralized level.

The main principles in determining the types of instruments used by the Treasury to fructify the temporary liquidity exceeds are ensuring quick liquidity without affecting the initial yield of investments and their profitability.
For a healthy management of the liquidity risk, the bank is constantly concerned with raising liquidities by treasury operations, external financing, capital markets, etc. The liquidity ratios of Banca Transilvania are maintained at least at the second category values (under CAMPL system).
However, during 2012, the Bank recorded levels of liquidity ratios of rating 1, demonstrating a strong position, enjoying a more than comfortable liquidity in a general context still fragile.
At the same time attention is given to:
- correlate the growth pace of resources/loans;
- diversification of the range of instruments linked to the institution's risk appetite
- adequate capital allocation.

OPERATIONAL RISK
The operational risk represents the risk of loss in the development of certain processes, errors generated by the computer system, losses resulting from an inadequate activity of employees and other external events.

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

In order to reduce such risks, the bank implemented new policies, norms and procedures for the operational risk management, thus improving its specific governance.

Reducing operational risk exposures is done by permanent update of regulatory documentation to the legal regulations and market conditions, staff training, implementation of IT development and consolidation of bank security systems, the use of additional means to reduce risks (insurance policies against risks), use of applications and specific mechanisms to monitor transactions and banking activities in general in order to mitigate operational risks, including the risk of internal and external fraud, the application of measures to limit and to mitigate the effects of

operational risk incidents, the application of the recommendations and the conclusions resulting from continuous monitoring, updating the business continuity plans, their regular evaluation and testing .
Relevant information in the field of operational risks, including the material losses are tracked and analysed systematically, these activities being a part of the risk management system of the bank. This information is translated into specific reports (which contain graphics, quantitative and qualitative developments) that are periodically presented to the internal control committees, the Executive Management Committee and Board of Directors. The operational risk assessment is closely related to the bank's overall risk management: its result is part of the process of monitoring and controlling operational risks and is constantly compared with the risk profile set in risk management strategy.

Market risk
In order to reduce the market risk the bank adopted a prudential approach in order to protect its profits from variations in prices, interests and exchange rates on the market, all being external and independent factors. Daily, Banca Transilvania performs an evaluation of all bank positions, marking to market its trading book portfolio and pursuing the levels defined as “needing attention” or “critical”, having in place plans in case of turbulence conditions.

INTEREST RATE RISK OUTSIDE THE TRADE BOOK

Interest rate risk profile in activities outside the trade book of BT is adopted as being “low", the bank having a set of strict principles for the management and monitoring of such risk. The interest rate risk is addressed starting from the bank’s wish to have a neutral position towards interest rate risk in major currencies - EUR and USD and an "aggressive” type management only of the national currency. The bank uses management tools such as GAP analysis, static or dynamic and the economic value of assets.
REPUTATION RISK
The reputation risk is the risk of recording losses or failing to raise the estimated profits due to lack of public confidence in the integrity of the bank. The reputation risk profile was adopted as “low” by maintaining the public’s and the business partners’ confidence in the integrity and the economic and financial position of the bank.

The management of the reputation risk is realized by taking steps to attract the best partners both as regards clients and suppliers, recruiting and retaining the best employees, minimizing disputes and stringent regulations, reducing crisis situations and consolidating the bank’s credibility and the shareholders' confidence, improving the relationships with shareholders, creating a more favourable environment for investments and access to capital.

STRATEGIC RISK

The strategic risk is the current or future risk of negatively affecting the profits and the capital due to changes in business or adverse business decisions, improper implementation of decisions or lack of reaction to changes in business environment. The bank's strategic risk profile is adopted as “low" based on the following: risk management practices are an integral part of strategic planning in BT, 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.

Internal and external audit

In 2012 the Department for Internal Audit audited 35 branches (24 on full themes, 11 branches on partial themes (credits and/or operations at agencies), 316 agencies on full themes, 115 agencies – flash control, Regional Centre in Bucharest, departments in HO, 9 subsidiaries realizing the whole audit plan proposed for the year 2012. At the end of 2012 the Audit Department had 26 employees.

The general audit objectives in 2010 were focused especially on the risk management and the evaluation of the general control system on deals and/ or flows:

- control of remediation of deficiencies identified during previous controls;
- legal and compliance risk
- security risk
- credit risk
- operational risk
- audit of asset management

The evaluation of the control system referred both to support areas and business lines, according to the Statute of the Internal Audit and the principles in the International Audit Standards.

The external auditor of the bank KPMG Audit SRL performed the annual audit of the financial statements as at 31 December 2012.

Audit opinion that individual financial statement present fairly, in all material respects, the financial position (individual) Bank, and the result (single) and individual cash flows in accordance with International Financial Reporting Standards adopted the European Union.

POLICY WITHIN THE GROUP

Banca Transilvania is the main component in the BT financial group promoting the strategy at the group level to develop its business, to extend the range of integrated financial services offered to its clients. The group operates in complementary financial sectors: banking, investment management, consumer financing, leasing and real estate.

After expanding its network and making its mark on the market, the main target of the group is to promote the whole range of services among its clients, including the products of subsidiaries through a unique distribution network under the BT logo.

Members of the BT group

The Bank provides an adequate level of capitalization to its subsidiaries contributing to their risk management by involving the bank's audit and compliance functions.

The gross value of investments into the group at the end of 2012 was 2,44% higher than in 2011, respectively from 167,18 mil. lei to 171,25 mil. lei.

The subsidiaries in the group where BT has direct participations are:

Subsidiary	Business profile	% Direct Participation	% Total Participation
BT Securities SA	Investments /brokerage	98.68%	98.68%
BT Leasing IFN	Leasing	44.30%	100.00%
BT Investments SRL	Investments	100.00%	100.00%
BT Direct SRL	Consumer finance	93.70%	100.00%
BT Building	Real estate	4.17%	100.00%
BT Asset Management SAI	Management of assets	80.00%	80.00%
Compania de Factoring IFN SA	Factoring	99.18%	100.00%
Medicredit Leasing IFN	Leasing	99.99%	100.00%
BT Leasing Moldova	Leasing	100.00%	100.00%

In 2012, the direct investments were modified as follows:

- Medical Leasing: increase in BT participation with 2,230 thousand lei holding percent in this company being 99.99% (99.99% in 2011);
- shares were acquired from minority shareholders BT Securities amounting to 2,805 thousand lei, percentage of ownership being 98.68% in this company (95.50% in 2011);
- two companies fully owned by the Bank were closed respectively BT Consultant (BT investment in this company being 479.99 thousand lei) and BT Evaluator (BT investment in this company being 479.99 thousand. lei).

ENVIRONMENTAL POLICY

In developing its activity, Banca Transilvania complies with the legislation for the protection of environment.

The bank has a partnership with the European Bank for Reconstruction and Development to finance projects for companies wishing to reduce energy consumption.

The Bank has implemented an environmental and social risk management aiming to identify and to monitor environmental and social risks associated with projects financed by the bank. As regards the bank's customers, compliance with environmental and social legislation in force and the use of appropriate social and environmental practices are important factors in demonstrating effective business management.

CORPORATIVE SOCIAL RESPONSIBILITY

The "Cluj has Soul" Foundation is the greatest social project initiated and developed by BT.

In its 5 years of life, the BT foundations help to improve themselves, to continue school, to find jobs and to have a better life.

In the year 2012, nearly 400 teenagers were given assistance, so 22 young people passed their baccalaureate exam and continue their studies, 18 of them went to colleges suitable to their interests and skills and 4 young people attended post-secondary schools. 46 young people were helped to find jobs this year, even seasonally during holidays.

Other projects in which the Bank was involved:

1. BT Running Competition, in 2012, had a humanitarian component. For each participant in the competition, the BT Foundation donated 5 euros each.

2. My Money Week - project for students from schools in Cluj-Napoca, started at the International School, which was aimed at teaching youth about personal finance management.

3. 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 counties: Cluj, Alba, Bihor, Salaj, Maramures, Sibiu, Satu-Mare and Bistrita-Nasaud

4. Excellence Gala "10 for Cluj - Cluj Juniors – young hopes ", fourth edition, BT being a traditional partner. Gala is a cultural, artistic and educational event dedicated to the young generation.

5. Month of Cluj Students, the largest event for students, with total participants estimated to 20,000 young people.

7. Tennis Winners Cup - BT supported the organization of 10 national and international tournaments.

8. Ghita Muresan Summer Camp Tour - basketball program popular in Romania, especially among children and their parents, designed as a summer camp. The event took place in major cities in Romania: Cluj-Napoca, Timisoara, Sibiu, Bucharest and Constanta;

9. International Film Festival of Comedy "Comedy Cluj" - is an event that promotes the artistic talents of the film / comedy section;

10. Association Little People - a project which strive for the psychological rehabilitation of children and young people suffering from cancer and its related effects.

OTHER INFORMATION

The information in the financial statements for the 2012 exercise is based on the accounting rules provided by the Law no. 82/1991, as further amended and completed, the BNR Order no.27/2010 for approving the accounting rules under IFRS, as modified and completed by the BNR Order no. 29/2011 and other BNR instructions in the field.

The legal obligations as regards the organization and the conduct of accounting records, compliance with accounting principles, methods and rules were met. The operations are recognized at the time when they are carried and recorded in accounts in chronological order, based on legal documents.

Currently, the preventive financial control is organized according to the legal provisions in force. The obligations to the state and local budget, special funds were correctly determined and the related payments were made.

We should add that the balance sheet, the profit and loss account, the treasury statements, the modifications in the shareholders' equity, the accounting policies and the explanatory notes were prepared in compliance with the Order 27/2010, as further modified and completed and the items in the balance sheets correspond with the data in the trial balance and truthfully reflect the assets determined under the annual inventory.

The revenues, expenditures and financial results for 2012 are reflected accurately in the profit and loss account and the proposals for net profit distribution are in accordance with the laws in force.

The Bank calculated and paid monthly its tax obligations to the state budget and special funds and quarterly and half-yearly obligations to the local budget and made anticipated payments on account of the tax profit, quarterly, in accordance with legal regulations.

The inventory process was carried out according to the Accounting Law no. 82/1991, as further modified and completed, the Governmental Order no. 99/2006, as further modified and completed, the Order no.2861/2004, as further modified and completed, its results being truthfully reflected in the balance sheet.

No events were recorded after the balance sheet date likely to have an impact on the 2012 financial statements.

INFORMATION ABOUT THE PROJECT EVOLUTION OF THE BANK IN 2013

Quantity objectives for 2013

- Total assets: 8% increase
- Total credits: 8% increase
- Total resources from clients: 10% increase
- Cost / Income: maximum 52%
- Credits / Deposits: 74.63%
- Maximizing return on capital (ROE);
- 1 billion lei increase in corporate placements;
- Consolidation of the 3rd position on the cards market -> 2,170,000 cards;
- An active agriculture department in the network, providing expert advice
- Extension of Western Union transfers via mobile Banking;
- Completion of the new Data Center and Operational-Building;
- BT24 and MB online transaction processing system and 24/7;

Quality objectives for 2013 :

- Consolidation of the 3rd position in the top of banks in terms of assets;
- Increased quality of the loan portfolio;
- Orientation to the agriculture sector and to co-financing projects from EU funds;
- BT24 and MB online transaction processing system and 24/7;
- Simplification of client enrolment process with forms filled in the new application with client signing;
- A new solution for bank statements;
- Implementation of Western Union transfers via mobile Banking;
- Issue of Contact less cards;
- Implementation of the new CRM Oracle-Siebel solution;
- Opening a BT branch in Italy in Rome.

INVESTMENT PLAN FOR 2013

Investment budget for 2013:

• Branches + buildings	13.65 th lei
• IT investments and Cards	40.95 th lei
Bank investments	**54.60 th lei**
Investments in subsidiaries	**9.70 th lei**
Total investments including VAT	**64.30 th lei**

PROPOSED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR 2013

The design of ratios for the year 2013 was based on financial statements prepared in accordance with International Financial Reporting Standards adopted by the European Union, this becoming single reporting framework for credit institutions in Romania since January 1, 2012.
In designing the ratios for 2013, it was considered an average inflation rate of 4.26%, and exchange rates of EUR / LEI 4.55 and EUR / USD 1.24.
The assets are expected to rise 8% from the 2012 level (to 31,800 mil lei). In the asset structure the weight of credits is projected to be 60 %, current liquidities of 23 % and security investments of 23 %.
As regards the structure of liabilities in 2013, resources from non-banking clients are provided to be 10% over the 2012 level with a weight of 80 % in total liabilities.
The budget ratios for 2013 submitted to the GSM approval are projected to support the proposed business objectives and are correlated with norms specific to banking prudence and supervision.

BUDGET OF REVENUES AND EXPENDITURE 2013

Millions lei

BALANCE SHEET	Projected 2013 (IFRS)
Current liquidities	7,364
Securities	7,200
Loans to clients	19,060
Provisions for credits	-2,536
Fixed assets	447
Participations	84
Other assets	181
Total Assets	**31,800**
Shareholders equity	3,076
Subordinated loan	323
Resources raised from clients	25,538
Resources from banks	2,635
Other liabilities	228
Total Liabilities	**31,800**
PROFIT & LOSS ACCOUNT	**Projected 2013 (IFRS)**
Net income from securities	460.30
Net income from interests	598.20
Net income from commissions	475.00
Profit/loss on the forex market	118.00
Other incomes	27.50
TOTAL OPERATIONAL INCOME	**1,679.00**
Expenses with staff	431.50
Operating expenses	414.50
EXPENSES	**846.00**
PROFIT before PROVISIONS	**833.00**
Provisions	445.00
TOTAL EXPENSES	**1,291.00**
GROSS PROFIT	**388.00**
Euro / Leu Rate December	4.55

Considering all this presented in the report, we submit to discussion the activity developed by the bank in 2012 and we propose to the General Meeting of Shareholders to approve the following statements:

1. Profit and loss individual account
2. Individual situation of comprehensive
3. Individual situation of financial position
4. The modifications in the shareholders' equity
5. The statements for treasury flows

prepared in compliance with the NBR Order nr.27/2010, as further modified and completed, the Accounting Law no. 82/1991, the Gov. Order 99/2006 together with the report of the Board and the Independent Auditor's Report

- Distribution of the 2012 profit;
- Proposed share capital increase;
- Proposed Budget for revenues and expenditures and the Investment plan for the year 2013.

Council of administration
Chairman
HORIA CIORCILA