

**COUNCIL OF ADMINISTRATION****REPORT OF BT ADMINISTRATORS  
FOR THE YEAR 2006**

In the year 2006, Banca Transilvania recorded positive results exceeding the proposed objectives as resulted from the financial statements prepared in accordance with the NBR Order nr.5/2005.

**The main directions of action in the year 2006 were:**

- Business development by opening more than 125 new units so that by the end of the year 2006 the network of Banca Transilvania reached to 341 units;
- Realization of an asset level of 2,4 bn EUR;
- Market share as to total assets, at the end of the year 2006, was 4,61 % , being ranked among the first 5 banks in Romania;
- 20% increase in gross profit from the year 2005;
- Investments made in value of 93 mil RON;
- Important projects implemented or started in 2006:
  - IT upgrade: BM6; BM7 + 7 characters;
  - Card system upgrade: TP Gold;
  - Quality upgrade: automation of procedures (cards, credit administration) with streamlining the decisional process in agencies;
- Raising new forex funds under long-term contracts from banks and financial institutions;
- Development of the BT group by capital investments.

The financial results made in 2006 are based on the strategy implemented at the level of the three business lines in Banca Transilvania: retail, SME and corporate.

**Corporate Banking:**

- Corporate credits: 41 % higher than in 2005 (from 1.504 mil RON to 2.123 mil RON);
- Clients BT Ultra: 3.200;
- Business account: the bank developed a package of premium services dedicated to corporate clients;
- 250 employees for corporate sales;
- Monthly movements of more than 1 billion EUR through the BT accounts;

**Small and medium size enterprises (SME):**

- Market share as to the number of clients: 16% and the second place in the banking system (Irsop market research);
- SME credits: 106 % higher than in the year 2005 (from 329 mil RON to 679 mil RON);
- Credit files: 22.700 ;
- Automation of the approval flow for rapid credits (Mioritix);
- Product 7: Romanian Entrepreneur Club; more than 5000 members; the bank offers consultancy and training to the club members;

- Product 8: Immovable Property on Firms, the first product in the market dedicated to the immovable investments of companies.

### **Retail banking:**

- Issued cards: 893.677 , of which:
  - 833.694 debit cards;
  - 59.983 credit cards;
- ATM's in number of 528 and over 4.500 POS's at retailers;
- BT 24 : 21.438 users;
- Retail credit portfolio: 43,25% of total BT credits;
- Credit portfolio increase:
  - to 2.132,6 mil. RON in 2006 from 1.150 mil RON in 2005;
  - clients with credits 279.808 in 2006 from 213.001 in 2005;
  - (of which clients with credits on cards 153.498 in 2006 from 54.003 in 2005);

### **Operations/ IT:**

- Upgrade of Bankmaster 7+ 7 digits;
- Card solution migration to Oracle 10G;
- Automated solution for the issue of cards.
- Number of transactions 53,5 % higher than in 2005 ( from 14,6 mil to 22,4 mil transactions);

### **Human resources:**

- focus on increase in service quality in all sectors of activity;
- self training on internet + training sessions;
- number of employees as of 31.12.2006 : 4.542 ;
- new employees in 2006: 1.958;
- average age 30,6 years;
- F/M percentage in management: 61% women; 39% men.

### **Risk management:**

The structure of the risk management was completed with:

- Risk officer for treasury operations with main responsibilities in following compliance with the internal norms and rules;
- SME credit assistant with main responsibilities in following and collecting overdues in the SME credit portfolios;

The main targeted risk areas:

- in lending the emphasis was put on improving the risk assessment process at the HO level and strengthening the credit risk inspection in branches;
- in the area of operational risk the focus was on continually improving the evaluation and the management of computer risks, the development of the procedure framework and the infrastructure;
- compliance with the NBR requirements for assuming the regulations, staff training and preparation of conditions for implementing the requirements of the Basel II Accord regarding capital adequacy (credit, operational and market risks).

#### **SEDIUL CENTRAL**

Str. G. Baritiu nr. 8, Cluj-Napoca, Romania  
 Tel: +(40.264) 40.71.50  
 Fax: +(40.264) 40.71.79  
 web-site: www.bancatransilvania.ro

**Internal and external audit:**

The objective of the internal audit was to improve the bank activity.

In 2006 the internal audit department performed the review of 30 branches, 127 agencies, HO departments and 5 subsidiaries.

The audit plan for the year 2006 was realized.

The general audit themes were:

- audit of the way of redressing deficiencies found at previous reviews;
- legal audit;
- audit of the lending activity;
- audit of inter bank and inter branch settlements (lei and forex);
- audit of property management.

The internal audit covers all activities in the bank according to the bylaws and in compliance with the specific audit procedures.

Quarterly, on 31 March 2006, 30 June 2006 and 30 September 2006, the external auditor Ernst&Young performed a limited review of the bank's financial statements.

The annual review of the financial statements was carried out at the end of the financial exercise on 31 December 2006 by the external auditor KPMG according to the audit report. The replacement of the auditor Ernst&Young with KPMG was approved by the General Shareholders Meeting of 23.02.2007 and the National Bank of Romania.

**Evolution of client base:**

In 2006 the total client base increased 1,27 times from the end of the year 2005. Individual clients increased with 27% and companies with 26%.

Active clients on business lines:

<b><u>Active BT clients</u></b>	<b><u>31.12.2005</u></b>	<b><u>31.12.2006</u></b>	<b><u>Increase 2006/2005</u></b>
Corporate	6.766	8.038	1,19
Retail	344.733	619.943	1,80
SME	53.077	78.330	1,48
TOTAL	404.576	706.311	1,75

**Long-term financing contracts:**

In the year 2006, Banca Transilvania entered several financing contracts with international institutions, among which Kreditanstalt Fur Wiederaufbau (KfW) in value of 10 mil. EUR and European Fund for Southeast Europe (EFSE), in value of 10 mil. EUR, the funds being dedicated to mortgage loans. Last year, Banca Transilvania obtained a subordinated credit in total amount of 60 million EUR, the partners being: European Bank For Reconstruction and Development (BERD), Nederlands Development Finance Company (FMO), Deutsche Investitions Und Entwicklungsgesellschaft (DEG), International Finance Company (IFC) and European Fund for Southeast Europe (EFSE), each having a participation of 12 million EUR.

**Members of BT group:**

The value of investments in the group by the end of 2006 increased 1,24 times from 2005,

**SEDIUL CENTRAL**

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respectively from 85,6 mil RON to 106 mil RON.

The subsidiaries where BT has direct participations are:

<b>Subsidiary</b>	<b>Business type</b>
BT Securities SRL	Investments/ brokerage
BT Leasing	Leasing
BT Investments SRL	Investments
BT Direct SRL	Consumer finance
BT Asigurari	Insurance
BT Management	Investments
BT Logistic	Logistic
BT Building	Immovables
BT Asset Management SAI	Asset management
Compania de Factoring IFN SA	Factoring

In the year 2006, Banca Transilvania together with Intermarket Bank AG established the Factoring Company IFN SA, the participation of BT group to the share capital being 50% , respectively 3.500 thousand RON.

At the same time the value of the BT investment in ASIBAN, at the end of the year 2006, was 15,98 mil RON. During the year the bank contributed to the share capital increase of ASIBAN, with 10,75 mil RON, an amount in the debtors account at the end of the year 2006, because the registration with the Trade Registry was not finalized.

In December 2006, Banca Transilvania acquired 38.89% of the share capital of Medicredit Leasing S.A by paying 5.993.400 RON and became a shareholder at the start of the year 2007.

### **Financial results in 2006**

The monetary background for the bank's financial results in the year 2006 is characterized by the following:

- The annual inflation rate in 2006 was 4,87 %;
- The national currency appreciated annually 17,39 % against dollar in the year 2006, compared to the depreciation rate of 6,92 % in 2005 , as well as an annual appreciation of 8,03 % against EUR when in 2005 the appreciation rate was 7,29 %;
- The annual interest rate for the obligatory minimum reserve rose from 1,50 to 1,90 for RON, from 0,70 to 0,80 for EUR, respectively from 0,95 to 1,00 for USD.
- In the year 2006 the obligatory minimum reserve was maintained by NBR at a high rate: 20% for RON and 40% for forex;
- High volatility of the fiscal legislation continued during the year.

The analysis of the results in 2006, based on the financial statements prepared in accordance with the NBR Order nr.5/2005, compared to 2005 is presented below:

### **Balance sheet :**

The target of the bank for 2006 was to achieve a total level of assets of 2 billion EUR, at an exchange rate EUR / RON estimated for the end of the year of 3,50 and an inflation rate of around 7 % .

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In the year 2006 - in the month of September - when the „Strategic plan for the period 2006 – 2009” was prepared, the budget was rectified as concerns the asset target to be realized at year end. Considering the growth pace in the first 8 months, the total asset target for the end of the year was estimated to be ~ 2,3 billion EUR at a rate EUR / RON of 3,40 .

Against the rectified budget, the assets were achieved in proportion of 104 %, respectively 2,391 billion EUR (at a year end rate EUR / RON of 3,3817 and with an inflation rate of 4,87 %); compared to December 2005 ( 1,341 billion EUR ) the asset growth represented around 1 billion EUR, that is a 78 % increase.

As regards the exposure to credits, the focus was on credit portfolio dispersion so that the credit structure as of 31.12.2006 was the following:

- on types of clients:  
58,22 % companies; 41,78 % individuals;
- on types of currencies:  
69% in lei ; 31% in forex;
- on business fields:  
19,42 % trading;  
16,89 % production ( industry);  
17,73 % services;  
41,78 % individuals; 4,18 % others;
- on maturity terms:  
42,37 % short term; 22,55 % average term; 35,08 % long term;

The provisions constituted to cover the credit risks, outstanding as of 31.12.2006, represent 0,86 % of the credit value, (0,92% in 2005) which indicates an improvement in the quality of the credit portfolio with provisions previously created to be further recorded as revenues.

The off-balance receivables as of 31 12 2006 were in amount of 65,92 mil RON, representing 1,33% of the total credit portfolio (1,43% in 2005).

On 31.12.2006, the shareholders' equity of the bank was 964.455 thousand RON of which:

- Share capital 393.355 thousand, represented by 3.933.548.622 shares with a face value of 0,1 RON/ share;
- Subordinated loan of 259.338 thousand RON;

In the year 2006, the share capital was increased from 236.733.000 RON to 393.354.862 RON as approved by the GSM of 27.04.2006:

- reserves from net profit : 80.485.001 RON;
- contribution in cash: 35.509.950 RON;
- issue premiums: 40.071.450 RON;
- conversion of a number of 212 bonds into shares in value of 555.461 RON.

The share capital increase with the amount of 555.461 RON was registered in the Shareholders' Register at the beginning of January under the CNVM procedures.

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On 31.12.2006, the share capital structure was the following:

	31 December 2005	31 December 2006
European Bank for Reconstruction and Development (“EBRD”)	15,00%	15,00%
Romanian individuals	44,42%	48,01%
Romanian companies	22,17%	20,16%
Foreign individuals	6,48%	5,50%
Foreign companies	11,93%	11,33%
<b>Total</b>	<b>100,00%</b>	<b>100,00%</b>

#### Repurchased shares:

According to the GSM decision, in the course of the year 2006, the bank repurchased a number of 25.000.000 shares at a price of 1 RON/ share in order of assigning them to the employees in the period 2006-2007 under the stock option plan.

By the end of the year 2006, a number of 13.050.000 shares were assigned to the employees at the price of 0,36 RON. The difference between the market value (1,01) and the distribution price of (0,36) was recorded in the account of “Other expenses with staff” . On 31 December 2006, the outstanding shares were 11.950.000.

#### Achievement of budget ratios:

Millions RON

	<b>BVC 2006</b>	<b>2006</b>	<b>% BVC</b>
Credits	4.953	4.934	100%
Cash& Banks	2.218	2.623	118%
Securities	172	123	72%
Long-term values	391	347	89%
- fixed assets	267	223	84%
- participations	124	124	100%
Other assets	66	59	88%
<b>Total assets</b>	<b>7.800</b>	<b>8.086</b>	<b>104%</b>
Shareholders equity	698	705	101%
Subordinated loan	328	259	79%
Client deposits	5.229	5.671	108%
Long term loans	1.213	826	68%
Banks	216	410	190%
Other liabilities	116	215	185%
<b>Total liabilities</b>	<b>7.800</b>	<b>8.086</b>	<b>104%</b>

Compared to 2005, at the end of 2006 Banca Transilvania recorded a 1,64 times increase in assets in RON. In the same period the increase of assets on the Romanian banking system was 1,35 times.

The market share of Banca Transilvania in terms of assets rose from 3,8 % at the end of 2005 to 4,61 % at the end of 2006. In the overall banking system the non-governmental credits increased 1,54 times while the credits of Banca Transilvania increased 1,65 times, representing 5,29 % of the

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Str. G. Baritiu nr. 8, Cluj-Napoca, Romania

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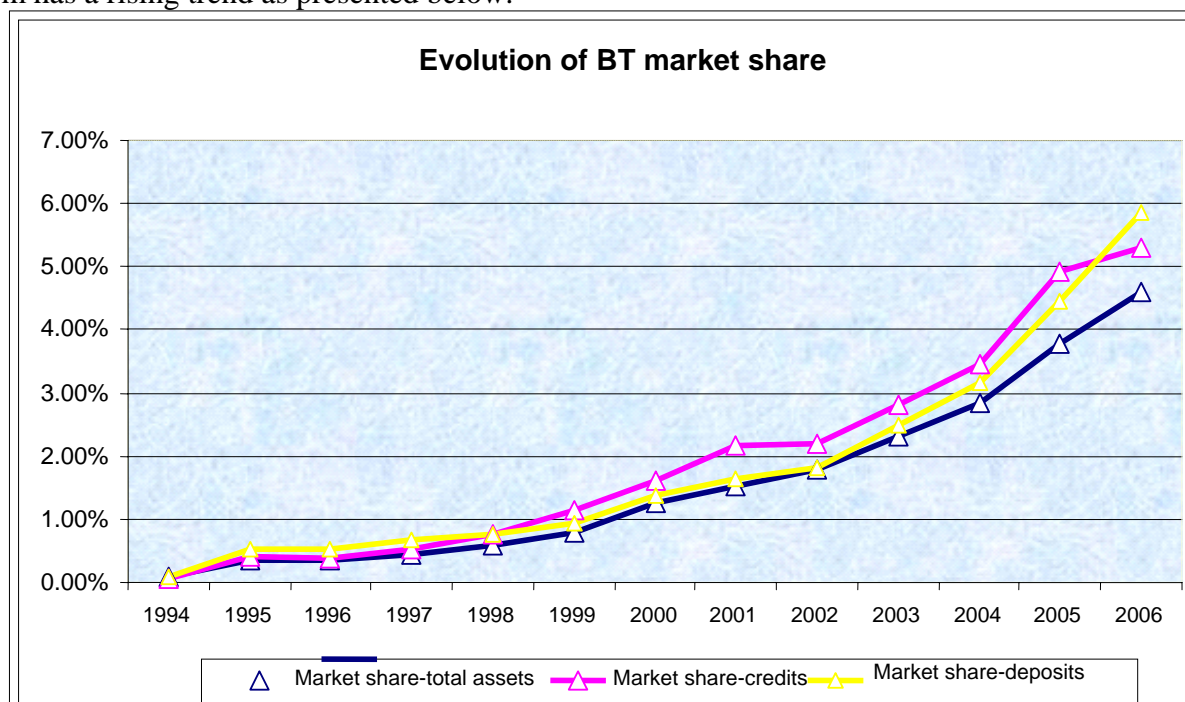
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market. As concerns deposits from non-banking clients the increase in the system was 1,29 times while the BT increase was 1,70 times, the weight on the market being 5,87 %.

Evolution of balance sheet structures in 2005 and 2006:

		Millions of RON		
No		2005	2006	Increase 2006/2005
1	Credits	2.991	4.934	1,65
2	Cash at hand	1.368	2.623	1,92
3	Bank investments ( securities)	251	123	0,49
4	Fixed assets	271	347	1,28
4.1	Tangible and intangible assets	169	223	1,32
4.2	Participations	102	124	1,22
5	Other assets	51	59	1,16
	<b>TOTAL ASSETS</b>	<b>4.932</b>	<b>8.086</b>	<b>1,64</b>
1	Shareholders' equity	541	964	1,78
	Shared capital	237	393	1,66
2	Due to clients	3.340	5.671	1,70
3	Due to banks	228	410	1,80
4	Long-term loans	706	826	1,17
5	Other liabilities	117	215	1,85
	<b>TOTAL LIABILITIES</b>	<b>4.932</b>	<b>8.086</b>	<b>1,64</b>

As concerns the bank's total assets, credits and resources, the bank's position in the banking system has a rising trend as presented below:



### **Profit and loss account:**

Incomes, expenses and profit in the year 2006 on components, compared to 2005 and projections in the budget:

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**Millions  
RON**

<b>PROFIT AND LOSS ACCOUNT</b>	<b>BVC 2006</b>	<b>Achievements 2005</b>	<b>Achievements 2006</b>	<b>Increase 2006/2005</b>	<b>% budget Achievements</b>
<b>Revenues</b>	<b>515,03</b>	<b>386,60</b>	<b>547,21</b>	<b>1,42</b>	<b>106%</b>
Net income from Gov. bills	18,87	36,35	28,63	0,79	152%
Net interest income	252,00	183,53	233,80	1,27	93%
Commissions	161,06	109,74	206,28	1,88	128%
Income (loss) on forex market	52,31	40,40	57,33	1,42	110%
Other incomes	30,79	16,58	21,17	1,28	69%
<b>EXPENSES</b>	<b>334,91</b>	<b>241,70</b>	<b>380,13</b>	<b>1,57</b>	<b>114%</b>
Expenses with staff	150,03	108,71	185,77	1,71	124%
Operational expenses	120,75	78,21	137,50	1,76	114%
Advertising expenses	8,75	5,45	9,17	1,68	105%
Expenses with depreciation	40,50	26,29	37,17	1,41	92%
Other expenses	14,88	23,04	10,52	0,46	71%
Net provisions	48,12	34,88	34,56	0,99	72%
<b>PROFIT / LOSS</b>	<b>132,00</b>	<b>110,02</b>	<b>132,52</b>	<b>1,20</b>	<b>100%</b>

**Incomes** increased 1,42 times from the year 2005 to reach the level of 547,21 million RON. The budget projections were achieved in proportion of 106 %.

From the year 2005 the highest increase was recorded in the following income categories: commissions -1,88 times, incomes on the forex market -1,42 times and net interest income -1,27 times.

The increase in interest income was mainly due to the 65 % growth of the credit portfolio in 2006 from 2005 and the volume growth of bank deposits and reserves with NBR.

The net commission income in 2006 was 88 % higher than in 2005, due to the higher number of operations with clients, the increase in deposits and the credit portfolio in number and volume.

The positive evolution of incomes on the forex market was determined by the rising number and volume of exchange operations, 31 %, respectively 44 % higher than in 2005 as well as the gains from the revaluation of forex assets and liabilities - 42 % higher than last year.

In 2006 following the application of IAS 18, the credit commissions were spread out during the credit periods, generating an unfavorable net influence on the profit account of 40.533 thousand RON. At the end of the year 2006, the balance of deferred commissions was in amount of 72.544 thousand RON.

**Total expenses** in 2006 amounted to 380,13 million RON, being 1,57 times higher than in the precedent year. The budget projections were exceeded by 14 %. The bigger number of new units in 2006 contributed to an increase of 1,76 times in operational expenses, of 1,71 times in expenses with staff and of 1,41 times in expenses with depreciation from the precedent year.

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Expenses with sponsorships were in amount of 2.264 thousand RON, the bank benefiting from the facility provided in the Law 571/2003 and the Council of Administration intends to continue to benefit from it in 2007, too.

In the year 2006, the Council of Administration, on account of the art 13 letter f.) in the Constitutional Act, approved the write off of 377 nonperforming credits in value of 977 thousand RON, for which all legal enforcement actions were exhausted.

**The gross profit** realized in 2006 was 132,52 million RON, exceeding the level projected in the budget. In comparison with the year 2005 the gross profit grew 1,20 times.

The bank calculated and paid monthly the tax on profit and the other fiscal obligations to the state budget, the local budget and special funds in compliance with the legal requirements.

### **Bank Ratios (CAMPL):**

The most significant ratios for the bank evolution are presented below:

No	Ratio	Level	Rating	BT level 31.12.04	BT level 31.12.05	BT level 31.12.06
1	Solvency ratio 1	>15%	1			
2	Solvency ratio 2	> 10%	1	14.53%	13.64%	14.56%
3	ROA (net profit / total assets net val)	> 5%	1			
		4 - 4.9%	2			
		3-3.9%	3			
		0.6%-2.9%	4	2.34%	2.03%	1.49%
4	* ROE (net profit / shareholders equity)	> 11%	1	20.16%	21.52%	17.14%
		8 - 10.9%	2			

\* Shareholders' equity includes share capital, capital related premiums, reserves and retained earnings.

The level of CAMPL ratios calculated on 31.12.2006 is over the limits imposed by the current laws.

The liquidity ratio set on 31.12.2006 recorded a level of 2,74 from the minimum 1, which is provided in the NBR norm nr 1/2001.

### **Proposal regarding the distribution of the 2006 profit**

The Council of Administration submits to the approval of the General Meeting of Shareholders the proposal to distribute the profit as shown below and to increase the bank's share capital with the amount of 178.363.572 RON, respectively 45,34 new shares to be assigned for each 100 shares already held.

The share capital increase from 393.354.862,20 RON to 571.718.434,20 RON, that is the amount of 178.363.572 RON would come from the following sources:

- incorporation of net reserves from the 2006 profit in amount of 84.037.115,55 RON;
- amounts from the net profits of the precedent years in value of 127.517,32 RON (profit share fund allocated from the net profit, but not distributed in 2001 to the employees of the branch in Bacau);

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- issue premiums in amount of 88.873.733,08 RON outstanding as of 31.12.2006;
- conversion premiums (bonds into shares) in amount of 5.325.206,05 RON outstanding as of 31.12.2006.

<b>PROPOSED PROFIT DISTRIBUTION</b>	<b>AMOUNTS (RON)</b>
<b>Gross profit</b>	<b>132.516.588,86</b>
Tax	12.304.179,31
<b>Net profit</b>	<b>120.212.409,55</b>
<b>Gross profit distribution</b>	
1% general risk fund	30.599.758,00
5% legal reserve fund	5.575.536,00
<b>Net profit remained to be distributed</b>	<b>84.037.115,55</b>
<b>Issue premiums</b>	<b>88.873.733,08</b>
<b>Conversion premiums of bonds into shares</b>	<b>5.325.206,05</b>
<b>Other net profit funds from the precedent years</b>	<b>127.517,32</b>
<b>Total to be distributed</b>	<b>178.363.572,00</b>
Share capital	393.354.862,20
<b>Lei/ share yield</b>	<b>453,44</b>
<b>RON/ share yield</b>	<b>0,0453</b>

#### **Events incurred after the financial exercise close**

No events were recorded after the balance sheet date likely to have an impact on the 2006 financial statements.

#### **Policy for environmental protection:**

In all its activity, Banca Transilvania complies with the legal requirements for the environment protection.

#### **Other financial information. Objectives in the preparation of the budget:**

The information presented in relation with the close of the 2006 financial exercise is based on the accounting organization provided in the Law no. 82/1991, the Order 5/2005, the banking law and other NBR rules in the field.

The legal requirements were fulfilled as concerns the organization and the correct conduct of accounts, compliance with the accounting policies, accounting rules and methods provided in the current laws.

Currently, the preventive financial control is carried out in accordance with the existing legal requirements.

The obligations to the state and local budgets and to the special funds were correctly determined and effectively paid.

The financial obligations referring to the 2006 financial exercise were correctly recorded based on legal documents.

The balance sheet, the profit or loss account, the cash flows, the shareholders equity, the accounting policies and the related notes were prepared in accordance with the provisions in the Order 5/2005 and the items in the balance sheet correspond with the positions in the trial balance

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giving a truthful image of the property in the inventory..

The inventory of property was carried out in compliance with the Accounting Law no.82 / 1991, the banking law no. 58/1998, the law 15/1994, the order 1753/2004 and its results are truthfully reflected in the balance sheet.

We also add that the revenues, the expenses and the financial results in 2006 are truthfully reflected in the profit and loss account.

The proposal of the net profit distribution is in compliance with the current legal provisions.

The membership of the Council of Administration of Banca Transilvania as well as the professional background of its members as of 31 December 2006 is the following:

Ciorcila Horia – Technical University in Cluj, Faculty of Industrial Automation.

Marzanati Roberto – Business Administration Torino, Italy;

Rekkers Robert - University of Business Erasmus Rotterdam, Faculty of Law, enrolled in a PHD Program in economy;

Patrahau Ionut Octavian - Academy of Economic Studies in Bucharest – Faculty of Finances, Credit and Accounting, Section of Finances, Banks and Stock Exchanges;

Jeican Constantin - Technical University in Cluj, Faculty of Mechanics;

Silaghi Claudiu – Institute of Petroleum and Gas, Faculty of Chemical Technology of Oil and Gas

Grigore Gabriela- Faculty of Economic Sciences in Timisoara - Section of Industry, Commerce and Transports

## **Information about the possible evolution of the bank in 2007:**

### **Quantity objectives 2007:**

- Evolution in the number of clients: 1.000.000 active clients in 2007;
- To reach a level of assets 47% higher than in 2006 of 3,5 bn EUR;
- 52% increase in the credit portfolio from the year 2006;
- Business development: the investment plan will continue by opening more than 100 new units;
- Increase of the investment budget to 48,6 mil EUR;
- Issued cards: 1.050.000;
- To launch the first product on the market dedicated to immovable investments of companies, granted without advance, for a period of 15 years;
- To launch the house credit in lei with a flat interest of 6,5% in the first 3 years;
- To launch the product 9 - „ Two times the house” designed for the current needs of SME’s and individuals;
- Three new lending products for SME’s are to be launched with the target to keep the number one position on the market for SME’s in 2007;
- Promotion of co-branded cards;
- More and better trained staff members (5.600 employees by the end of 2007).

### **Quality objectives in 2007:**

- To continue the focus on quality enhancing;
- Local bank with a large network;
- Flexibility/ efficiency/rapidity;
- Improved card system: TPGold and Chip Card;
- BCP (Business Continuity Plan) review and upgrade;

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- Call Center solution: ensuring a permanent contact with clients;
- CRM solution: improved management of client relationships;
- Electronic solution for scanning and processing debit instruments (cheques, promissory notes);
- BASEL II: implementation and application;
- Aligning with International Accounting and Reporting Standards;
- Support and stability from the part of shareholders;
- Increase of expenses with remuneration and training => allotted budget of RON 5,9 million;
- 5 regional centers will be developed for training around 1.500 employees.

### **Policy at group level:**

Crossed and integrated sales at the level of the BT Group in respect of HR, marketing, risk management, accounting and reporting, IT applications;

Quarterly consolidation of financial statements at the group level in accordance with the International Reporting Standards.

In 2007, Banca Transilvania and AEGON will start a partnership to create a company for the management of pension funds. The reasons for BT to start this partnership are related mainly to the importance and the potential of the target fields, the opportunity to associate with a global player with a high reputation in the field, the target market well represented among BT clients, the opportunity to extend the range of financial services offered by the bank, the approach of a new generation of clients, all these adding value to the financial group Banca Transilvania.

### **Share capital increase:**

- The plans for the bank's growth involve more funding including new capital to constantly keep a prudent level of capital adequacy.
- Besides the sources for the share capital increase from the net profit, we propose to the General Shareholders' Meeting new contributions in cash by the shareholders registered with the Shareholders' Register kept by the Bucharest Stock Exchange at the registration date (proposed 11 May 2007) in amount of 39.335.487 lei, respectively the issue of 393.354.870 new shares, with a face value of 0,1 lei/ share. The issue price proposed for this increase source is 0,35 lei/ share.

### **Plan for 2007:**

#### **Investment budget for 2007:**

- |   |                       |
|---|-----------------------|
| • Branches                                    | 15,705 mil. EUR       |
| • Hardware                                    | 6,935 mil. EUR        |
| • Software                                    | 2,355 mil. EUR        |
| • Cars  | 1,175 mil. EUR        |
| • Miscellaneous                               | 0,417 mil. EUR        |
| • Bucharest investment                        | 6,935 mil. EUR        |
| • <u>Refurbishment of Romtelecom building</u> | <u>2,078 mil. EUR</u> |

<b><i>Bank investments</i></b>	<b><i>35,600 mil. EUR</i></b>
Subsidiaries	8,500 mil. EUR
Pension fund	3,500 mil. EUR
<u>Medicredit</u>	<u>1,000 mil. EUR</u>

#### ***Investments in subsidiaries*** ***13,000 mil. EUR***

##### **SEDIUL CENTRAL**

Str. G. Baritiu nr. 8, Cluj-Napoca, Romania

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Fax: +(40.264) 40.71.79

web-site: [www.bancatransilvania.ro](http://www.bancatransilvania.ro)

**Total investments** **48,600 mil. EUR**

**Proposals for the balance sheet and the profit and loss account:**

In projecting the ratios for 2007, it was considered an average inflation rate of 5%, exchange rates EUR / RON 3,4 and EUR / USD 1,26.

We propose to increase assets more than 1,47 times from the level in 2006 (up to 3,5 billion EUR). In the asset structure the credits will have a weight of 63 %, that is an increase of 1,52 times. The fixed assets will grow 1,65 times and their weight in total assets will be around 3,08 %, while the participations will hold a weight of 1,52 % in total assets.

As regards the structure of liabilities projected for 2007, we had in view an increase in funds raised from non-banking clients of 1,58 times with a weight in total liabilities of ~ 75,15 %, an increase of 1,21 times in long-term borrowings as well as an increase of 1,39 times in the shareholders equity.

The budget ratios for 2007 submitted to GSM for approval are designed to support the proposed business objectives and are in line with the specific prudence and bank supervision standards.

**BUDGET FOR REVENUES AND EXPENDITURE (BVC) 2007**

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**Millions RON**

<b>Balance sheet</b>	<b>Achieved in 2006</b>	<b>Projected for 2007</b>	<b>Increase from 2006</b>
Cash at hand	2.623	3.338	1,27
Bank investments – securities	123	466	3,79
Credits	4.934	7.497	1,52
Fixed assets	223	367	1,65
Participations	124	181	1,46
Other assets	59	51	0,86
<b>Total assets</b>	<b>8.086</b>	<b>11.900</b>	<b>1,47</b>
Shareholders' equity	705	981	1,39
Subordinated loan	259	265	1,02
Due to clients	5.671	8.943	1,58
Long term borrowings	826	999	1,21
Banks	410	553	1,35
Other liabilities	215	159	0,74
<b>Total liabilities</b>	<b>8.086</b>	<b>11.900</b>	<b>1,47</b>

<b>PROFIT AND LOSS ACCOUNT</b>	<b>Achieved in 2006</b>	<b>Projected for 2007</b>	<b>Increase from 2006</b>
Net income from securities	28,63	30,32	1,06
Net interest income	233,80	358,62	1,53
Commissions	206,28	309,76	1,50
Forex market	57,33	82,56	1,44
Other incomes	21,17	15,53	0,73
<b>Revenues</b>	<b>547,21</b>	<b>796,79</b>	<b>1,46</b>
Expenses with staff	181,33	275,40	1,52
Training	4,44	5,90	1,33
Operational expenses	137,50	195,00	1,42
Expenses with advertising	9,17	12,38	1,35
Expenses with depreciation	37,17	60,24	1,62
Other expenses	10,52	12,87	1,22
<b>Expenses</b>	<b>380,13</b>	<b>561,79</b>	<b>1,48</b>
Provisions	34,56	75,00	2,17
<b>TOTAL EXPENSES</b>	<b>414,69</b>	<b>636,79</b>	<b>1,54</b>
<b>GROSS PROFIT</b>	<b>132,52</b>	<b>160,00</b>	<b>1,21</b>

Rate Euro / Ron year end                      3,3817                      3,4000  
Rate Euro / Ron average                      3,5251                      3,4000

On account of the above we submit to discussion the activity developed by the bank in the

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year 2006 and we propose to the General Meeting of Shareholders to approve the financial statements prepared in accordance with the NBR Order nr.5/2005 (balance sheet, profit and loss account, cash flows, shareholders' equity, explanatory notes), the proposed profit distribution as well as the Budget for Revenues and Expenditure in the year 2007.

**COUNCIL OF ADMINISTRATION**

**HORIA CIORCILA**

**Chairman**

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