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REPORT OF ADMINISTRATORS for the year 2007

SEDIUL CENTRAL

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Introduction

In 2007, Banca Transilvania recorded a remarkable progress as reflected both in its financial results considerably over the values in the precedent years and in the increase of its client portfolio, market share, network expansion and business development by promoting products and solutions financially integrated, flexible and tailored to the client's needs.

The strategy for the bank development in 2007 concentrated on its efforts to extend and to consolidate business on the four business segments, individually monitored and managed by a dedicated team. The four business lines of Banca Transilvania S.A. are Corporate, SME, Retail and Medical Division.

The management's efforts and ability to sustain the bank's development on the market in a mostly unfavorable context marked by adverse events generating instability on international markets as it was internationally recognized by specialized magazines such as The Banker and Euromoney.

Performance in 2007: OBJECTIVES vs. ACHIEVEMENTS

QUANTITY OBJECTIVES 2007

PROPOSED VS. ACHIEVED

▪ Increased number of active clients:	1,000,000	1,020,500
▪ Value of assets:	EUR 3.5 billion	EUR 3.84 billion
▪ Expansion of BT network:	100 new units	116 new units
▪ Market share:	>5%	5.5%
▪ Credit portfolio:	EUR 2.2 billion	EUR 2.4 billion
	<i>of which: Retail 41%; SME:16%; Corporate: 43%;</i>	
▪ Issued cards:	1.05 millions	1.18 millions
▪ Employees:	5,600 employees	5,792 employees
▪ Gross profit:	160 millions lei (20% higher than 2006)	403.13 millions lei (230.65 mil lei without BTA sale)
▪ Expansion of BT network in Bucharest:	60 units in total	62 units
▪ Investments in premises and equipment	48,6 mil EUR	achieved

QUALITY OBJECTIVES ACHIEVED IN 2007

- By opening a branch in Cyprus in October 2007, the bank penetrated the international market adding value to its bank services offered on the market;
- Important projects implemented or started in 2007:
 - Call Center solution to ensure a permanent contact with clients;
 - CRM solution to improve the management of client relationships;
 - Review and upgrade of BCP (Business Continuity Plan);
 - Continuous improvement of the computer system and the card system capacity to meet the enhanced number of operations and deals;
 - ATM migration for acquiring CHIP cards;
 - Implementation of international standards for accounting and financial reporting;
 - Preparation and implementation of the Basel II requirements for a unitary management of risks;
- In 2007, Banca Transilvania S.A. was ranked among the first 1000 banks in the world according to the classification made by the magazine "The Banker" and also received one of the "Best Managed Banks in Central & Eastern Europe" awards from the prestigious magazine Euromoney.

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Corporative governance

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 fiscal registration number 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 object of activity 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 taking process and to external users as well as to ensure compliance with the legal framework for financial reporting and the internal policies and procedures.

Governing bodies

Council of Administration

The Council of Administration is formed of 7 members elected by the General Shareholders Meeting from among its shareholders or their representatives.

The chairman of the Administration Board is by Mr. Horia CIORCILA.

The board determines the directions in the bank business and monitors their realizations. According to the Constitutional Act the Council of Administration examines the strategy of the bank, its investment plan and decides on any modifications brought to the management structure and the operations likely to affect the institution's results, the balance sheet structure or its risk profile.

The Council of Administration meets at the bank's business place at least once a month.

The members of the Council of Administration and their professional background as of 31 December 2007:

- **Ciorcila Horia** - chairman - Polytechnic Institute in Cluj, Faculty of Industrial Automations;
- **Marzanati Roberto** - chairman -Business Administration in Turin, Italy;
- **Rekkers Robert Cornelis** - CA member /general manager - University of Business Erasmus Rotterdam, Faculty of Law, enrolled in a PH.D program in business administration;
- **Patraha Ionut Octavian** - CA member /deputy general manager - Academy of Economic Sciences in Bucharest -Faculty of Finance, Credits and Accounting, Section of Finance Banks and Stock Exchanges;
- **Jeican Constantin** - CA member (non-executive) - Polytechnic Institute in Cluj, Faculty of Mechanics;
- **Silaghi Claudiu** - CA member (non-executive) - Institute for Petrol and Gas, Faculty of chemical technology for petrol and gas;
- **Grigore Gabriela** - CA member (non-executive) - Faculty of Economic Sciences in Timisoara-Section for Industry, Commerce and Transportation.

Management Committee

The Management Committee consists of 6 members and coordinates the implementation of the strategy determined by the Council of Administration regularly informing the Council about the implementation progress. The committee is led by the general manager and in its absence by the deputy general manager or an executive manager expressly designated for this purpose. The Management Committee meets weekly or whenever it is necessary and the meeting agenda is communicated by e-mail to its members. They have the authority to commit the bank under the law.

The Management Committee consists of the following members:

- **Robert Cornelis REKKERS** -general manager;
- **Ionut PATRAHAU** - deputy general manager;
- **Nicolae TARCEA** - executive manager (HLAC);

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- Leontin TODERICI - executive manager (COO);
- Lucia POJOCA - executive manager /coordination in Oradea (DEO);
- Andrei DUDOIU - executive manager / coordination in Bucharest (DEB);

Committee for management of bank risks

The committee is appointed by the Council of Administration and consists of 4 members, meeting monthly or any time it is needed to analyze the reports/materials prepared by departments and to take the appropriate decisions.

The Committee of bank risk management is formed of the general manager, the deputy general manager the executive manager (HLAC) and the executive manager (COO);

Committee for asset and liability management

The principal objective of the committee for asset and liability management is to manage the bank's assets and liabilities. The Committee for asset and liability management is subordinated to the Management Committee and has the following membership: general manager, deputy general manager, financial manager, international relations manager, treasury manager, manager for budget and planning, and the risk manager.

Committee for operational risks

The main objective of the committee for bank operations risks is to manage risks in operations.

The Committee for operation risks is subordinated to the Management Committee, is led by the general manager and has the following membership: general manager, executive manager (HLAC), executive manager (COO) and the risk manager.

Credit committee

The Credit committee determines the bank's policy and strategy in lending by putting in practice the measures determined by the Management Committee. The Credit Committee at the HO level has as its main objective to define the lending policy of BT and has the following membership: general manager, deputy general manager, executive manager (HLAC), manager for corporate credits / manager for retail credits and the risk manager.

Audit committee

The Audit committee is permanently subordinated to the Council of Administration and has a consultative function. The Audit committee is elected by the Council of Administration from among its members and consists of 3 non executive members. The Audit committee meets quarterly or whenever it is necessary. Currently, the Audit committee is composed of Mr. Roberto Marzanati, Mr. Ciorcila Horia and Mrs. Grigore Gabriela.

Relations with shareholders/ investors

The shareholding department 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. Any financial information or of other nature with a significant impact on the price of shares listed on the Stock Exchange is made public and available to investors through the Stock Exchange in Bucharest and the National Securities Committee.

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.

Calendar of financial communications in 2008:

Each year Banca Transilvania prepares a financial communication calendar made public on the site of the Stock Exchange in Bucharest.

The calendar for the year 2008 is the following:

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Presentation of annual preliminary financial results	30.01.2008
General shareholders meeting to approve the annual financial results	First convening:22.04.2008 Second convening:23.04.2008
Presentation of annual financial results	24.04.2008
Presentation of financial results for the first quarter	30.04.2008
Presentation of bi-annual financial results	04.08.2008
Presentation of financial results for the third quarter	30.10.2008

Performance on business lines in 2007

In order to evaluate the bank's activity and to take decisions about the future allocation of resources by the bank's management, even if not binding under the legal provisions in force, the Bank presents the financial information structured on business segments. Companies are framed into the corporate or SME categories according to the Bank's internal rules defining the conditions for classifying clients into business segments.

On 31 December 2007, Banca had 4 business segments: Corporate, Small and Medium Size Companies (SME's), Individuals and the Medical division.

CORPORATE BANKING:

- Placements increased 76% in 2007 compared to 2006 from 2.099 mil lei (2006) to 3.701 mil lei (2007);
- BT Ultra users: over 3.800 clients;
- Average movements of corporate clients in accounts open with BT were 45,5% higher than in 2006
- Active corporate clients on 31 December 2007 : 9,617, rising by 20% from 31 Dec 2006
- The corporate team consists of almost 300 employees.

Small and medium size companies (IMM):

- SME placements increased 108% (from 679 mil. lei to 1,411 mil. lei);
- The sale network for SME's includes more than 450 employees;
- New 5 products dedicated to SME's, of which
 - Product 8: Real estate on firms, Credit with no advance launched on 15 December 2006 sold to 2.500 clients;
 - Product 6: Bank subscription for SME's - a product not competed on the market with 20.000 subscribers;
- Active SME clients on 31 Dec 2007: 98,888, 26% higher than in December 2006.

RETAIL BANKING:

- Retail credit portfolio: 40.99% of total BT placements;
- Cards issued till the end of 2007: 1,181,318 , of which 1,045,948 debit cards and 135,370 credit cards;
- 675 ATM's in operation and more than 7,321 POS's at retailers;
- BT 24: 38,358 users;
- Increase in credit portfolio:
 - to 3,556.9 mil. lei in 2007 from 2,132.6 mil lei in 2006
 - Clients with credits 384,439 in 2007 compared to 279,808 in 2006, of whom clients with credits on cards 250,894 in 2007 from 153,498 in 2006;
- Retail active clients on 31 Dec 2007 911,994 - 46% higher than Dec 2006.

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MEDICAL DIVISION:

- In September the Medical Division was officially launched in addition to the three main business lines; not presented separately in the Notes to the financial statements given its insignificant results on 31/12/ 2008;
- In October, the first agency dedicated to physicians was opened in Iasi; (currently, there are 5 agencies dedicated to this business: Iasi, Oradea, Cluj, Tg. Mures, Craiova.)
- Around 300 credits were given in only three 3 months;
- There is a network of consultants at national level with a team of around 50 persons.

Operational performance in 2007

Banca Transilvania continues to develop the operational system in order to sustain the bank's business in full expansion, to improve the quality in services, to minimize risks and to enhance productivity.

IT OPERATIONS:

The bank strategy in 2007 provided for the development and the implementation of new projects to modernize the operational model by adopting new technologies and work methods. Thus, in 2007 the bank marked the following achievements:

- Finalization of the project for acquiring Chip cards;
- Preparation and start of operations in the Cyprus branch;
- Implementation of the Call Center application to ensure contacts with clients;
- Implementation of the CRM application, management of client relationships;

Network of Banca Transilvania on 31 December 2007

Operational units - 457

- Of which:
- branches 57
 - agencies 371
 - bank units 28
 - Settlement Center in Bucharest, Consumer Finance, Regional center in Bucharest
 - BT head office, representative office

The BT network expanded in 2007 with 116 new units, involving a number of 5,792 employees of whom 904 - for Retail, 453 for SME's and 284 dedicated to corporate clients.

At the end of the year 2007, the bank had 675 ATM's in operation and more than 7,321 POS at retailers.

Human Resources:

- 5 regional centers for training were set up to meet the training needs of the staff and to better integrate the newcomers;
- The self training system on internet + training sessions continued;
- The internal competition on business lines continued;
- The development pace and the high quality standards determined an increase in expenses with salaries and training;
- Number of employees as at 31.12.2007: 5,792 (27.52% increase from December 2006)
- Weight of women/men: 75.4 % F/ 24.6 %B;
- Average age: 31.11 years;
- Growth rate: 12.4% (source: BNR)

Evolution of client base:

The total client base increased 1.32 times from the end of 2006, from 1,154,648 to 1,524,863 clients;

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Individuals stood for an increase of 33.91% (from 1,015,534 la 1,359,934) while companies increased by 18,56% (from 139,114 to 164,929).

Active clients on business lines, for whom Banca Transilvania S.A. represents the principal bank

BT Active clients	31.12.2006	31.12.2007	Growth 2007/2006
Corporate	8,038	9,617	1.20 %
SME	78,330	98,888	1.26 %
Retail	619,943	911,994	1.47 %
TOTAL	706,311	1,020,499	1.44 %

Risk Management

Business risks need an enhanced attention through an adequate risk management and governance organization structure to ensure extended and complete controls in order to reduce any major risks inherent to the bank business.

- **Risk identification:** the bank's exposure to the business related risks in its daily operations and deals (including forex dealing, credit and capital market operations) is identified and aggregated by the risk management infrastructure of the bank: internal controls, operational monitoring, hierarchical levels for approving and validating transactions in the computer system of the bank.
- **Risk appraisal:** the bank performs an evaluation of identified risks by specific models and calculation methods: calculation of specific risk provisions, estimation of future evolution in 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 for 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 bank business.

There are 6 categories of risks at the bank level: credit risk, operation risk, market risk, forex risks, interest rate risk and liquidity risk.

CREDIT RISK

The management of credit risk consists mainly in:

- developing/improving the procedural framework of the credit risk management (strategy, policies, norms for credit risk management);
- calculation of provisions for estimated loan losses and the management of own funds (monitoring of the aggregate exposure to own funds);
- performing simulations in respect of capital requirements under Basel II and preparing internal rules in compliance with Basel II (policy and procedure) regarding capital adequacy;
- implementation of a hierarchical system for approving the exposure limits in lending;
- monitoring risk credits on business lines and aggregately at portfolio level;
- management of critical exposures (clients with credits classified into inferior performance categories, credits with impairment signals (reduced recoverable value), etc).

Regarding the retail credit portfolio, new lending norms and procedures were prepared for a better credit risk management, scoring models were implemented for all products as well as risk categories for classifying clients based on which the indebtedness degree and the credit access limit are determined.

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

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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 operation risk management, thus improving its specific governance and also continued the training program of the staff. Necessary actions were taken to implement an action plan that would be put in practice in case of disasters or errors generated by the computer system.

MARKET RISK

In order to reduce the market risk, the bank adopted a prudential approach in order to protect its profits from the variations of 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".

FOREX RISK

The bank's approach of the forex risk management is prudential with the maximum and the minimum limits of the forex position set at prudent levels; for over 80% of cases the effective position is under 75% of the approved limits and the traded currencies and the types of instruments currently used are low in number.

INTEREST RATE RISK

The profile of the interest rate risk is "moderate", the bank having a set of strict management principles in monitoring this type of risk. The bank uses such management instruments as GAP, static or dynamic analyses as well as the economic value analysis for assets.

LIQUIDITY RISK

The liquidity risk is generated by the necessary financing in the bank business and the asset and liability management

The liquidity risk has a "moderate" profile 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 their profitability and liquidity.

In order to improve 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 values framing at least into the second category (under CAMPL system).

At the same time attention is given to:

- correlate the growth pace of resources/ placements;
- invest in assets with lower risks (ex. fast credits without guarantee were reduced in favor of credits with guarantees);
- control the increase in credit portfolio;
- adequate capital allocation.

Internal and external audit

The objective of the internal audit is to improve the bank business, to monitor controls and to implement the bank's norms and procedures.

In 2007 the Department for Internal Audit audited 28 branches, 169 agencies, the departments in the HO, 4 subsidiaries realizing the whole audit plan proposed for the year 2007.

The general audit objectives in 2007 were focused especially on the risk management and the evaluation of the general control system on deals and/ or flows:

- remediation of deficiencies identified during previous controls;
- legal risk (legal audit)
- credit risk (audit of lending activity)

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- operation risk (audit of inter-bank and among branches settlements)
- asset depreciation 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 Audit Department had 14 employees at the end of 2007.

The external auditor of the bank, KPMG Audit SRL, performed a limited review of the quarterly financial statements (as at 31 March, 30 June and 30 September 2007) as well as the annual audit of the financial statements as at 31 December 2007.

The audit opinion showed that the financial statements were prepared adequately in all significant aspects in conformity with the Order of the NBR Governor no. 5/2005, as further modified and completed, and the accounting policies described in the notes to the financial statements.

Long term financing sources

Banca Transilvania benefited in 2007 from an important support of several international financial institutions entering into various contracts for average and long-term financing such as:

- facility in value of EUR 15 mil dedicated to micro-companies and
- facility in value of EUR 10 mil dedicated to rural areas (contract with EBRD);
- facility in value of EUR 20 mil from EFSE - house credits for SME's and retail clients;
- general facility in value of EUR 60 mil from ABN Amro Bank Romania.

Policy in the group

Banca Transilvania remains the main component in the BT financial group promoting a continuous strategy at the group level to develop its business, to extend the range of financial services offered to clients and to maintain a high level of profitability. Banca Transilvania operates in complementary financial sectors: banking, insurance, investment management, consumer financing, leasing and real estate.

Members of the BT group

The total value of investments in the group, at the end of 2007, was 1.07 times higher than in 2006, respectively from 106 mil lei to 113 mil lei.

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

	Business profile	Participation %
BT Securities SRL	Investments/brokerage	95.50%
BT Leasing IFN	Leasing	20.00%
BT Investments SRL	Investments	100.00%
BT Direct SRL	Consumer finance	93.70%
BT Building	Real estate	4.17%
BT Asset Management SAI	Asset management	80.00%
Compania de Factoring IFN SA	Factoring	45.71%
Medicredit Leasing IFN	Leasing	57.39%
BT Evaluator SRL	Financial intermediation	9.96%
BT Consultant SRL	Financial intermediation	7.45%
BT Aegon SA	Private pensions	50.00%

In July 2007, Banca Transilvania SA together with Aegon Woningen Nova Holland set up the BT Aegon

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Fond de Pensii SA, each having a participation of 50%, the initial investment of the bank being 11.5 mil lei. In December 2007 BT Aegon increased its share capital by an equal contribution in cash of the two shareholders, the bank participating with 6.6 mil lei to reach a total value of 18.1 mil lei at the end of the year.

In 2007, Banca Transilvania procured 18.5 % of the share capital of Medicredit Leasing IFN to reach at the end of the year a participation of 57.39% in the company's capital.

In December 2007 the following companies were set up:

-BT Evaluator SRL by the merger of BT Beta and BT Management;

-BT Consultant SRL by the merger of BT Alpha and BT Logistic,

So the participation held by the bank in BT Logistic and BT Management was transferred to the new companies.

At the end of the year 2007 the value of BT investment in ASIBAN was 33.73 mil lei, representing 25% of the company's capital.

At the end of December 2007, Banca Transilvania sold the company BT Asigurari to Groupama International SA at the price of 90 mil EUR, 85 % of the selling price being collected in December 2007 and the remaining 15 % being blocked in an escrow account till the final IFRS financial results of BT Asigurari.

The net gain from selling BT Asigurari recorded on 31 December 2007 after deducting the equity participation and the related fees represents 173.5 mil lei.

Economic and financial results in 2007

INTERNATIONAL CONTEXT

The evolution of the international economic environment in the year 2007 was marked by events with a destabilizing impact on banks and capital markets which culminated with the sub prime mortgage crisis in United States. This crisis was generated by liquidity exceeds, a low return rate of funds, investments in financial instruments with higher returns and implicitly higher risks, insufficient coverage of risks. The total losses caused by the fall of the American mortgage market are estimated to reach 400 billion dollars

In addition to that, turbulences on the world financial markets were an opportunity for the governmental investment funds from Asia and Middle East to make investments of tens of billions of dollars in big banks of United States and Europe.

Total losses of banks due to sub prime crisis:

Bank	loss (billion \$)	Bank	loss (billion \$)
City group	18.0	Bank of America	3.0
Merrill Lynch	14.1	Barclays	2.6
UBS	13.5	Royal Bank of Scotland	2.6
Morgan Stanley	9.4	IKB	2.6
HSBC	3.4	Freddie Mac	2.0
Bear Stearns	3.2	Wachovia	1.1
Deutsche Bank	3.2	Credit Suisse	1.1
JP Morgan	3.2	BNP Paribas	0.19

The assets denominated in USD at global level reflected write downs in value following the depreciation of the US currency against the main currencies on the market.

Last year, EURO appreciated 18% against U.S. dollar, which affected the competitiveness of European exports.

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The Central European Bank warned the financial institutions in the Euro zone about new risks in lending on short and medium terms on the real estate market whose exposures grew significantly over the last months in parallel with new vulnerability indicators on this market.

NATIONAL ECONOMY

The banking system in Romania underwent major changes in 2007, both in respect of the new players appearing on the market and especially due to the new products and services offered to clients. Five important institutions made their entry on the financial and bank market in Romania: Bank of Cyprus, the Spanish bank La Caixa, Fortis Bank from Belgium, Blom Bank France Paris, Finicredito a member of the Portuguese group Finibanco and the Portuguese bank Millennium, which after failing to buy Banca Comerciala Romana in competition with Erste Bank from Austria, had a full force entry on the Romanian market starting its investments from scratch.

In this context, last year the Romanian banks realized a cumulated net profit of 2.74 billions lei, 24.5% higher than in 2006, according to the reports of credit institutions to the central bank.

Such results were obtained in the context of an economic environment characterized by:

- Annual inflation rate in 2007 of 6.6 %;
- Depreciation of the national currency of 4.33 % against American dollar in 2007, compared to the appreciation rate of 17.39 % in 2006 as well as an annual depreciation of 6.76 % against EUR (+8.03 % in 2006);
- Increase in the annual interest rate for the minimum reserve requirement from 1.90 to 2.35 for LEI, from 0.80 to 1.10 for EUR, respectively from 1.00 to 1.20 for USD. In 2007 the minimum reserve requirement was maintained by the NBR at a high rate: 20% for LEI (for resources with residual maturities under 2 years) and 40% for foreign currencies (for all resources irrespective of maturities);
- High volatility in fiscal legislation due to changes in the national laws but also after aligning the national laws to the EU legislation.

Below is the analysis of the 2007 results, based on the financial statements prepared under the NBR order nr.5/2005 and compared with the results in 2006:

BALANCE SHEET:

The bank's target for 2007 was to reach a total level of assets of 3.50 billion EUR, at an exchange rate EUR/LEI of 3.40 at year end and an inflation rate of around 5 %.

Compared to the budget for revenues and expenditures the assets were realized in proportion of 110 %, respectively 3.84 billion EUR (at an exchange rate EUR / LEI at year end of 3.6102 and an inflation rate of 6.57 %); compared with December 2006 (2,39 billion EUR) the growth in assets was around 1.45 billion EUR which represents a 61 % growth.

As regards the **exposure to credits**, the intention was to diversify the portfolio for the bank to avoid any major exposure to certain specific credit risks (dependence on groups of clients, high exposure to industrial sectors, business concentrated on a low number of products, etc).

So the structure of the credit portfolio as at 31.12.2007 was the following:

- on types of clients:
 - 59.01% companies; 40.99% individuals;
- on types of currencies:

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- 67.70% in lei; 32.30% in forex;
- on business profile:
 - 16.97% trading;
 - 22.38% manufacturing (industries);
 - 17.51% services;
 - 40.99% household; 2.14% others;
- on due terms:
 - 29.14% short term; 18.92% medium term; 51.94% long term

The provisions created to cover the credit risk, outstanding as at 31.12.2007, represented 1.33 % of the credit value (0.86 % in 2006).

The increase is explained by the legislative modifications and the 75% increase in the credit portfolio from 2006 and also by the supplementary measures taken in view of a prudential credit risk management.

Off-balance receivables were in amount of 63.89 mil LEI on 31 12 2007, representing 0.74 % of the total credit portfolio (1.33% in 2006).

Shareholders' equity: 1.484,515,254 lei on 31.12.2007 of which:

- Share capital 611,079,770 , standing for 6,110,797,700 shares with a face value of 0.1 LEI/ share;
- Subordinated loan 270,358,032 lei ;
- Equity premium 98,601,649 lei;
- Legal reserve 73,432,796 lei;
- Risk reserve 77,892,714 lei;
- Revaluation reserve 26,896,100 lei;

In 2007, **the share capital** was increased from 393,354,862 lei to 611,079,770 lei as approved by the GSM of 25.04.2007 , by using the following sources:

- reserves from net profit : 84,037,115.55 lei;
- cash contribution: 39,335,487 lei;
- issue premiums: 88,873,733.08 lei;
- bond into share conversion premiums: 5,325,206.05 lei;
- other funds(previous years): 127,517.32 lei;
- conversion of 212 bonds into shares in amount of 25,849 lei;

The share capital increase with the amount of 25,849 lei was recorded with the Shareholders' Register at the beginning of the year 2008 according to the CNVM procedures.

On 31.12.2007, the share capital had the following structure:

	31 Dec 2006	31 Dec 2007
European Bank for Reconstruction and Development("EBRD")	15,00%	14,97%
Romanian individuals	48,01%	41,90%
Romanian companies	20,16%	20,14%
Foreign individuals	5,50%	4,17%
Foreign companies	11,33%	18,82%
Total	100,00%	100,00%

Share repurchase:

In 2007, a number of 11.95 million own shares outstanding as at 31.12.2006 were assigned to employees, at the price of 0.36 LEI. The difference between the market value and the distribution price was charged to the account "Other expenses with staff" in amount of 8.5 mil lei. At the end of 2007, the bank did not have any outstanding shares.

Realization of the Budget for Revenues and Expenditure:

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<i>Millions LEI</i>	Budget for 2007	Achievements in 2007	% budget realization
Loans	7,497	8,677	116%
Immediate liquidities	3,338	4,177	125%
Securities	466	578	124%
Fixed and financial assets	548	434	79%
- tangible and intangible assets	367	286	78%
- participations	181	148	82%
Other assets	51	10	20%
Total assets	11,900	13,876	117%
Shareholders' equity	981	1,210	123%
Subordinated loan	265	275	104%
Resources from clients	8,943	10,358	116%
Resources from banks	553	738	133%
Long term borrowings	999	904	90%
Other liabilities	159	391	248%
Total liabilities	11,900	13,876	117%

Evolution of balance sheet in 2007:

- Compared to 2006, at the end of 2007 Banca Transilvania recorded a growth of 1.72 times in assets expressed in LEI. In the same period, the growth in assets in the whole Romanian banking system was 1.48 times.
- The market share of Banca Transilvania as regards assets rose from 4.61 % at the end of 2006 to 5.34 % at the end of 2007.
- In the whole banking system the nongovernmental credits increased 1.60 times while the BT credits increased 1.76 times, the market share of the bank being 5.86 %.
- As regards deposits from non bank clients the increase in the system was 1.34 times while that of Banca Transilvania was 1.83 times, the weight on the market being 8.03 %.

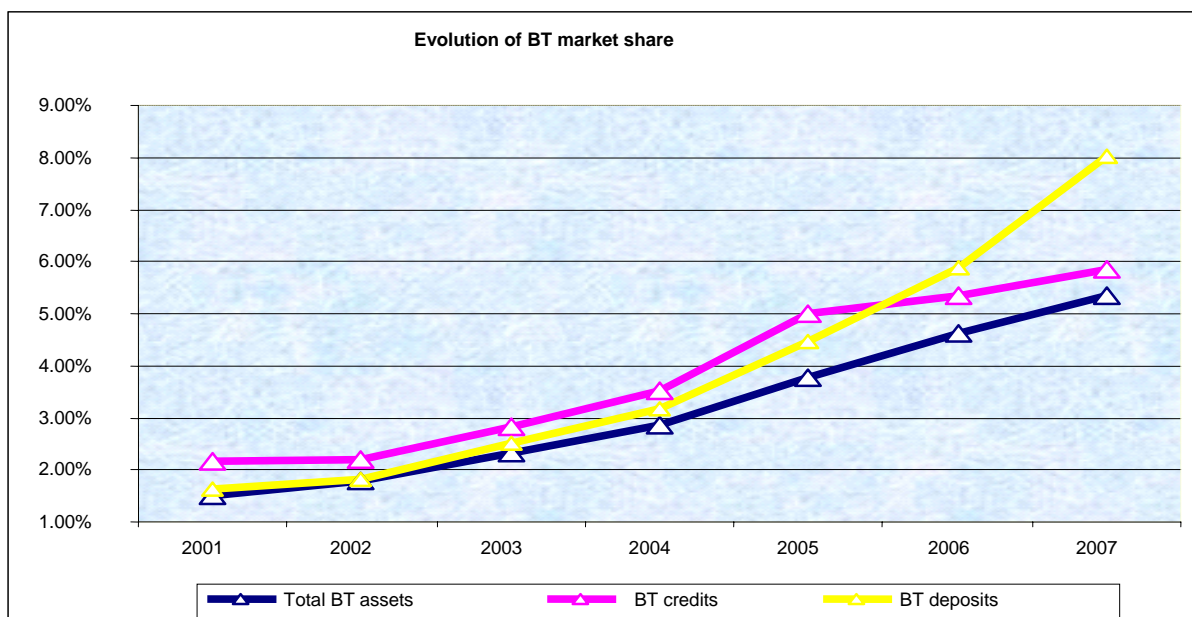
The evolution of the balance sheet structures in 2006 and 2007 is the following:

No.	<i>Million LEI</i>	2006	2007	Growth 2007/2006
1	Loans	4,934	8,677	1.76
2	Immediate liquidities	2,623	4,177	1.59
3	Securities	123	578	4.70
4	Fixed assets	347	434	1.25
4.1	Tangible and intangible assets	223	286	1.28
4.2	Participations	124	148	1.19
5	Other assets	59	10	0.17
	TOTAL ASSETS	8,086	13,876	1.72
1	Shareholders' equity(including the subordinated loan)	964	1,485	1.54
	- share capital	393	611	1.55
2	Resources from clients	5,671	10,358	1.83
3	Resources from banks	410	738	1.80
4	Long term borrowings	826	904	1.09
5	Other liabilities	215	391	1.82
	TOTAL LIABILITIES	8,086	13,876	1.72

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As regards total assets, credits and resources, the bank's position in the banking system has an upward trend as shown below:



PROFIT AND LOSS ACCOUNT:

The realization of the incomes, the expenses and the profit in 2007, compared to the year 2006 and the budget projections are shown below:

<i>Millions LEI</i>					
PROFIT AND LOSS ACCOUNT	Budget for 2007	Achieved in 2006	Achieved in 2007	Growth 2007/2006	% budget realization
INCOME	796,79	547,21	1.017,49	1,87	128%
Net income from securities	30,32	28,63	44,52	1,74	147%
Net income from interests	358,62	276,69	413,13	1,49	115%
Net income from commissions	309,77	163,39	271,33	1,66	88%
Income(loss) on the forex market	82,56	57,33	96,50	1,68	117%
Other incomes	15,53	21,17	192,01	9,07	1.237%
EXPENSES	561,79	380,13	537,93	1,42	96%
Expenses with staff	281,30	185,77	266,39	1,43	95%

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Operational expenses	195,00	137,50	190,69	1,39	98%
Expenses with advertising	12,38	9,17	10,68	1,16	86%
Expenses with depreciation	60,24	37,17	45,73	1,23	76%
Other expenses	12,87	10,52	24,44	2,32	190%
Provisions, net	75,00	34,56	76,41	2,21	102%
PROFIT / LOSS	160,00	132,52	403,15	3,04	252%

The **income** increased 1.87 times from 2006 to reach the level of 1,017.49 millions LEI. The projections in the budget were realized in proportion of 128 %.

Compared to 2006 the highest incomes were recorded on the following income categories:

- income from interests - increase of 1.49 times;
- income on forex market - increase of 1.68 times;
- income from commissions - increase of 1.66 times and
- net income from securities 1.74 times;

The increase in the income from interests was largely due to the 76 % growth of the credit portfolio in 2007 from 2006.

The net income on the forex market was 68 % higher than the last year and was determined by the increase in the number and volume of foreign exchange operations (50 % respectively 38 % from 2006) as well as the gains from the revaluation of forex assets and liabilities.

Net income from commissions in 2007 was 66 % higher than that in 2006 owing to the increased number of client operations and deposits as well as the increased number and volume in the credit portfolio.

In 2007, after the application of IAS 18, the commissions collected from credit implementation were spread over the credit tenor resulting in a net unfavorable influence on the profit account of 52,574 thousand LEI. At the end of 2007, the balance of deferred commissions was in amount of 125,118 thousand LEI.

Total expenses made in 2007 amounted to 537.93 millions LEI, being 1.42 times higher than in the precedent year. The budget projections were not exceeded and the expenses were 96 % against the budget. The increase in the number of new units in 2007 contributed to an increase of 1.39 times in the operational expenses, of 1.43 times in the expenses with staff and of 1.23 times with depreciation expenses from the last year.

Expenses with sponsorships amounted to 4,484 thousand lei, using the facility provided by the Law 571/2003, which is proposed by the Council of Administration to be continued in 2008.

In 2007, the Council of Administration, on account of art 13 letter f) in the Constitutional Act, approved to write off 280 defaults in amount of 684.66 thousand lei and 79,540 EURO for which all legal enforcement procedures were exhausted.

The **gross profit** realized in 2007, including the branch in Cyprus was **403.15 millions lei** (229.65 millions lei without BTA), exceeding the level provided by the budget. Compared to the year 2006, the gross profit grew 3.04 times (an increase of 1.73 times without BTA).

In compliance with the legal provisions, the bank calculated and paid its fiscal obligations monthly to the state budget and special funds as well as its quarterly and bi-annual obligations to the local budget and for the tax on profit it made anticipated payments quarterly.

BANKING PRUDENCE 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:

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Nr crt	Ratio	Level	Rating	BT level 31.12.04	BT level 31.12.05	BT level 31.12.06	BT level 31.12.07
1	Liquidity ratio	Min =1		2.76	2.61	2.74	2.77
2	Solvency ratio	> 8%	1	14.53%	13.64%	14.56%	12.18%
3	ROA (net profit/total assets, net value)	> 5%	1				
		4 - 4.9%	2				
		3-3.9%	3				
		0.6%-2.9%	4	2.34%	2.03%	1.49%	2.45%
4	* ROE (net profit/ shareholders' equity)	> 11%	1	20.16%	21.52%	17.14%	28.10%
		8 - 10.9%	2				

* The shareholders' equity include: share capital, capital related premiums, reserves, retained earnings.

The level of CAMPL ratios as at 31.12.2007 is over the limits imposed by the current law. The liquidity ratio determined on 31.12.2007 was at a level of 2.77 against the minimum 1, as provided in the NBR norm nr 1/2001.

Proposed Profit Distribution

The Council of Administration submits to the approval of the General Meeting of Shareholders the proposal to distribute the profit as shown in the table below and to increase the share capital with 418,062,426.3 lei, respectively for each 100 shares 68.41372381 new shares to be distributed (respectively a number of new shares to be allotted under the ratio 418,062,426.3 lei / 6 110 797 702 shares).

The share capital increase from 611,079,770.2 lei to 1,029,142,196.5 lei, respectively with the amount of 418,062,426.3 lei to be performed from the following sources:

- incorporation of net reserves constituted from the 2007 profit in amount of 319,460,777.01 lei;
- issue premiums in amount of 98,396,564. 29 lei outstanding as at 31.12.2007;
- bond/ issue conversion premiums in amount of 205,085 lei outstanding as at 31.12.2007.

PROPOSED PROFIT DISTRIBUTION 2007	AMOUNT (LEI)
Gross profit	403,146,037
Tax	63,174,600.80
Net profit	339,971,436.20
Distribution from gross profit	
1% General risk fund	-
5% Legal reserve fund	20,510,660.31
Net profit to be distributed	319,460,775
Issue premiums	98,396,564
Bond/ share of conversion premiums	205,085
Other funds from profit net in previous years	-
Total to be distributed	418,062,424
Share capital	611,079,770.20
Return LEI/ share	0,06841372344

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Events after the close of the financial exercise

No events occurred after the balance sheet date likely to have an impact on the financial statements for the year 2007.

Policy for environment protection

Banca Transilvania complies with the legal provisions for environmental protection in developing its activity.

Corporative social responsibility

Banca Transilvania continued in 2007 to support community with its financial and human resources and concrete solutions. Support was granted to projects in various areas such as environment, health, education etc.

The incorporation of the Foundation „Clujul Are Suflet” was an initiative of the CSR addressing young people aged between 14 and 20 years coming from poor families. The foundation stone was put by Banca Transilvania by making donations of 230.000 de EUR through educational and professional training programs, psychological advising etc. dedicated to those teenagers. The young people attending this center in Cluj-Napoca are expected to resume their studies and those with poor results in educational programs to be reoriented towards jobs matching the interests, aspirations and offers on the work market.

The program „You make the choice, Banca Transilvania gets involved” started in 2006, in Alba Iulia, Bistrita, Deva and Sibiu, as a local objective selected by the citizens in those towns to which BT allotted the total amount of 280, 000 EUR had different progress stages in each town.

Both projects will be continued in 2008.

Other information regarding the preparation of financial statements and the development of the economic and financial activity

The financial statements for the year 2007 were prepared in compliance with the Law no. 82/1991 as further modified and updated, the Order of the NBR Governor No. 5/2005, as further modified and completed, and other NBR rules in the field.

The legal obligations as regards the organization and the conduct of accounting records, the compliance with accounting principles, methods and rules were met.

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.

The financial operations during the 2007 exercise were correctly recorded based on documents legally prepared.

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 provisions in the exhibit to the Order 5/2005, 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 inventory was carried according to the Accounting Law no. 82/1991, as further modified and completed, the Governmental Order no. 99/2006 published in the Official Monitor under no.1027 of 27.12.2006, as further modified and completed, the Law 15/1994 as further modified and

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completed, the Order 1753/2004, as further modified and completed, its results being truthfully reflected in the balance sheet.

The revenues, the expenses and the financial results in the year 2007 are fairly reflected in the profit and loss account and the net profit distribution was proposed according to the legal provisions in force.

Information about the probable evolution of the bank in 2008:

Quantity objectives for 2008

- Profit increase - 25% higher than the operational gross profit in 2007;
- Realization of an asset level of 19.4 billion lei , 40 % higher than in 2007;
- Increase in client resources - 45% higher than in 2007;
- Increase in credit portfolio - 40% higher than in 2007;
- Total number of clients - 20% higher than 2007 ;
- Cards issued at the end of 2008 - 1,500,000 ;
- POS's at retailers 12,000;
- Continuing the investment plan by opening 80 new units, combined with maintaining a high return rate;
- Consolidation of the position on the retail market for all products to reach a market share of 7%, with an emphasis on cards and consumer loans maintaining the leader position for the premium cards;
- An investment budget of 46.35 mil EUR +VAT

Quality objectives for 2008

- To ensure profitability of the newly started business;
- To align the risk management to the Basel II standards;
- To have in place a stricter control by strengthening the internal audit, with more ample inspections and organization of operation risk inspections;
- In the context of the last events on the international financial markets (sub-prime crisis, liquidity problems of big investment banks) the risk parameters for the current year were determined at levels more prudential than in 2007, with monitoring procedures and action plans for cases of deviation from the determined standards, very rigorously prepared and implemented;
- Simplification of lending products;
- Finalization of the application for monitoring credit analysis in managing client relations (CRM/Mioritix);
- Connecting to the European settlement systems: Target2 and SEPA;
- Project to replace the current bank software (Core-Banking) imposed by:
 - the bank's accelerated growth: clients/ operations/users/risks;
 - the need to modernize and to increase security: modern banking concepts, e-banking; self-banking;
- Development and implementation of the program to issue chip cards;
- Improvement of staff qualifications by continuing the training programs in the training regional centers set up in 2007;
- Employment of new staff members will continue both in the units open in 2008 as well as for the new business;
- Attention will be given to identify and to reward employees with high performances and to redirection those with constant sub-standard achievements;
- Analysis of the opportunity to open a BT branch in the Republic of Moldova in partnership with EBRD, IFC and other credit institutions;
- Continuous support to the Romanian Entrepreneur's Club;
- Involvement of corporate clients in the program of the Romanian Entrepreneur's Club

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SHARE CAPITAL INCREASE:

In order to sustain the bank's growth plan, new funding will be necessary, including new share capital, to permanently meet the prudent level of the capital adequacy rate.

In addition to the share capital increase from the net profit, we propose to the General Shareholders Meeting to approve the capital increase by new cash contributions by the shareholders registered with the Shareholders Register kept by the Stock Exchange in Bucharest on the registration date (proposed to be 16 May 2008) in amount of 30,553,988.80 lei, respectively to issue a number of 305,539,888 new shares, with a face value of 0.1 lei/ share. The issue price proposed for such shares would be 0.35 lei/ share.

Considering all this presented in the report, we submit to discussion the activity developed by the bank in 2007 and we propose to the General Meeting of Shareholders to approve the report of the Council of Administration as well as the following statements:

- Individual financial statements prepared in compliance with the NBR Order nr.5/2005, as further modified and completed, the Governmental Order no. 99/2006 made public in the Official Monitor under no.1027 of 27.12.2006, as further modified and completed and other NBR rules in the field (balance sheet, profit and loss account, the statements for treasury flows, the modifications in the shareholders' equity, the accounting policies and the explanatory notes);
- Distribution of the 2007 profit;
- Share capital increase by cash contribution in value of 30,553, 988.80 lei;
- Budget for revenues and expenditures for the year 2008.

Council of administration

Chairman

HORIA CIORCILA

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