

REPORT OF ADMINISTRATORS
for the year 2008

SEDIUL CENTRAL

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Introduction

In 2008, the banking and the financial system underwent an international financial crisis, which resulted in drastic decreases in the value of the assets held by financial and banking institutions, while the financing costs were maintained at a high level with an acute lack of liquidity on the market.

The domestic monetary policy managed by the National Bank of Romania was adapted to the major changes on the international market bringing significant variations in the evolution of the main reference rates, which had a visible impact on the financial results of financial institutions.

In such unfavorable conditions for an ascending trend, in 2008 Banca Transilvania maintained a balanced evolution, without any significant variations generated by the difficult market conditions, constantly enjoying the support of such solid financial institutions as EBRD, IFC - a Division of the World Bank and DEG.

In 2008, Banca Transilvania S.A. achieved positive financial results.

Through a sustained market policy, the Bank continued in 2008 to promote products and integrated financial solutions, flexible and customized to the needs of its clients on the four business lines: Corporate, SME, Retail and Medical Division.

In 2008 the management focused on a prudent management of the business engaged by the bank. Special attention was given to the risk management, to maintain the credit portfolio quality, efficiency in resource allocation and to keep a high liquidity ratio (on 31 December 2008: 3.83%).

International and National Conditions

INTERNATIONAL CONDITIONS

The evolution of the international economic environment in the year 2008 was marked by events with a destabilizing impact on banks and capital markets, which brought about excessive deposit and lending interest rates, a fragile structure of the financing systems and unexpected changes in the main exchange rates.

In the second half of 2008, the access to funding sources decreased significantly as liquidities were less available to credit institutions, while interest rates increased exponentially, such tendency being maintained in the financial projections for 2009.

Banks were also exposed to currency risks arising from significant fluctuations in the exchange rates for major currencies. The EUR/USD rate was 1.3917 on 31 December 2008 (based on the exchange rates calculated by the European Central Bank), its fluctuations during the year being between a minimum value of 1.246 on 27 October and a maximum value of 1.599 recorded on 15 July.

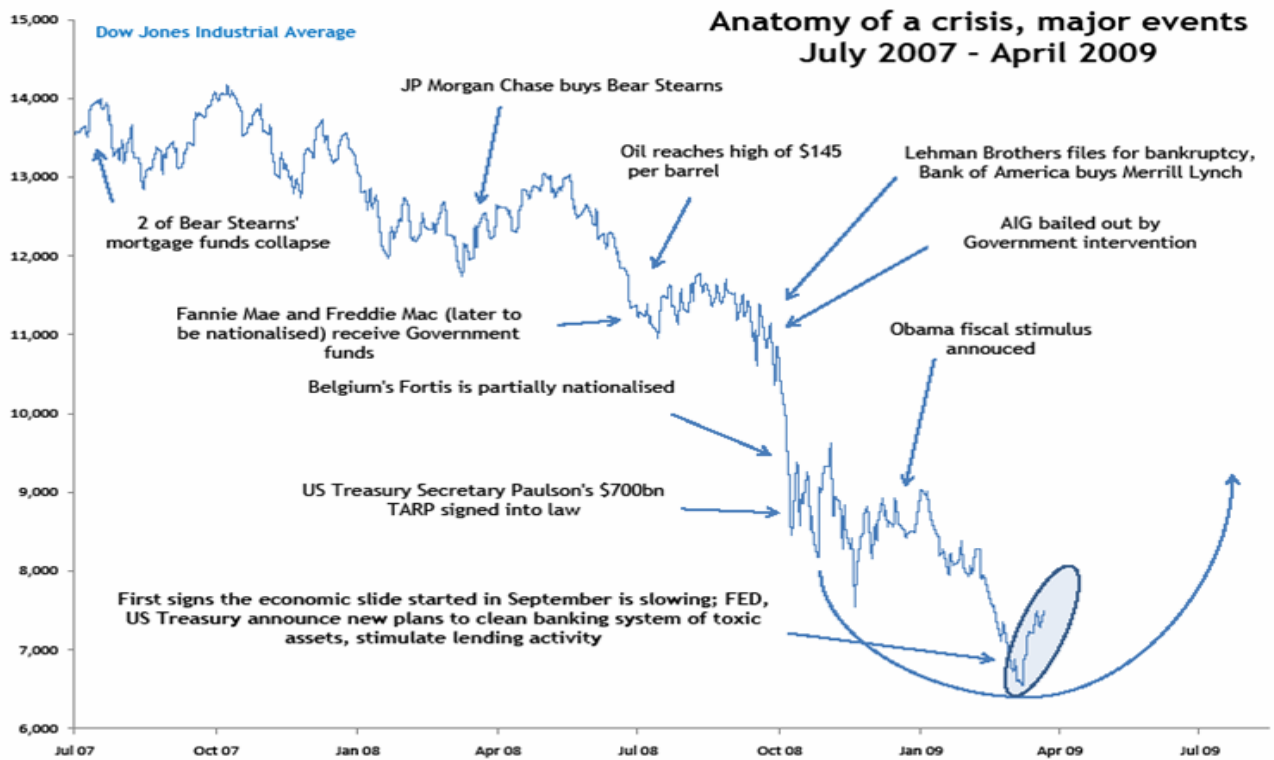
The exchange rates of the currencies in the Eastern Europe countries against EUR and USD, recorded depreciation of 5% to 20% in the last quarter of 2008 and continued to have a downward trend in early 2009.

With the downturn of companies, the volume of non-performing loans reported by banks in Eastern Europe in the fourth quarter increased to 5%, a trend likely to go up in early 2009.

In order to revigorate their national economies certain governments in Eastern Europe, namely Ukraine, Hungary and Latvia have implemented a governmental financing scheme, releasing over 45 billion USD from state reserves, with a significant proportion of this amount being allocated to the banking system. Estimates of financial analysts show that such measures which involve either government loans or loans from the International Monetary Fund.

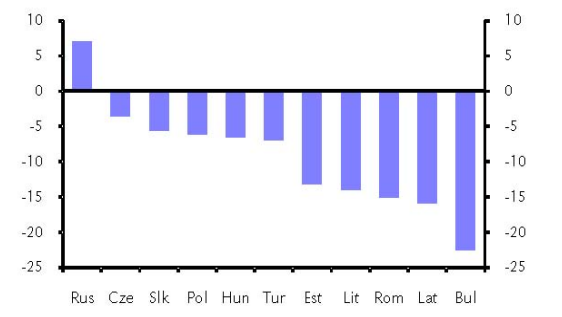
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Conditions for the financial crisis to worsen in 2008 in Eastern Europe:

- Current account deficit (2008, % din PIB)



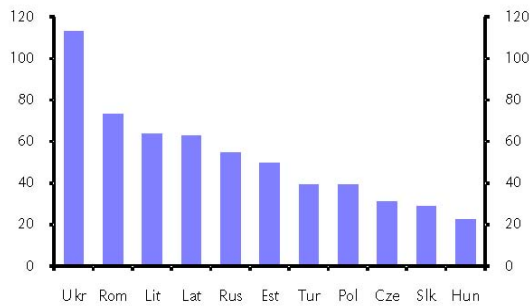
Romania: third place among the Eastern European countries with a current account deficit of more than -15% of GDP;

The current account deficit is partially covered by capital infusion of foreign investors, but specifically for Eastern Europe more than 80% of this deficit is covered by bank loans.

- Exponential increase in lending to the retail sector

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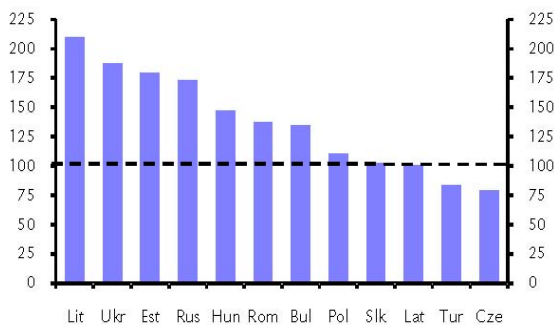


Romania: second place among countries with a significant increase in retail lending

Compared to the average in the Romanian bank system (39%), the increase reported by BT in the retail sector was 32% in 2008 against 2007.

Risk factors in 2008 and 2009:

- Poor internal financing. Funding by external loans.



The Credits/Deposits ratio at the end of 2008 shows that most countries in the region are depending on the international financing, except for several countries in Central Europe.

Romania: 6th place, C/D ratio >1,25

BT reports a favorable subunit ratio of 0,92%, significantly under the average in the Romanian banking system.

NATIONAL ECONOMIC CONDITIONS

Effects of the global crisis are manifestly pregnant on all emerging markets including Romania by a considerable decrease of access to funding, increase in costs financing operations along with a considerable appreciation in the held assets.

In such instability conditions on the international markets, the regulators in Romania, namely the government and the National Bank of Romania, adopted a set of anti-crisis measures to protect the national currency and to support the banking system.

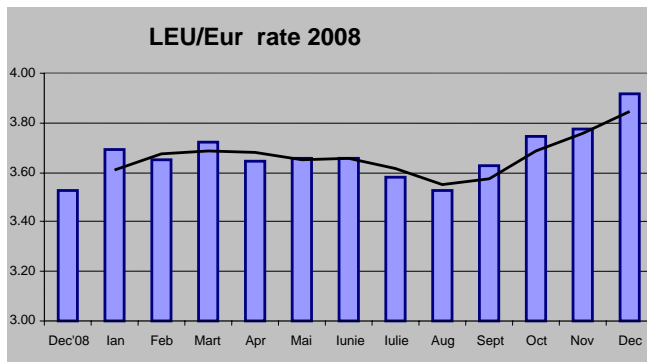
For this purpose the government and the National Bank of Romania teamed up to prepare a Master Plan with measures to support the banking operations along with the program for economic growth and to maintain jobs.

The economic environment in the Romania in the year 2008 has the following main characteristics:

- Annual inflation rate in 2008 - 6,3 %;

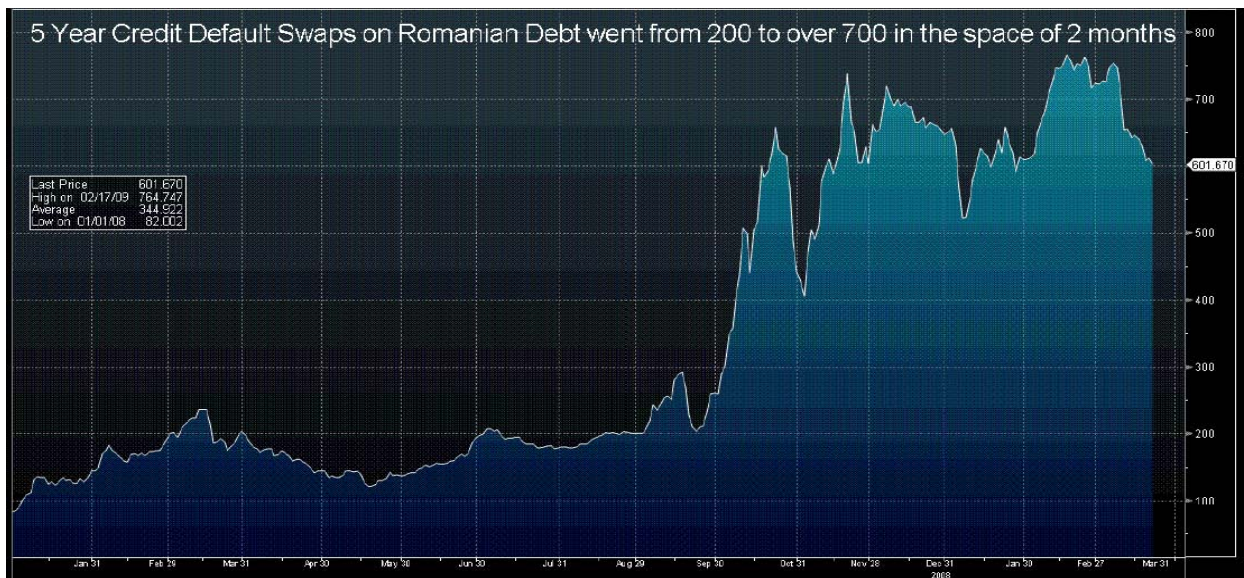
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- 11 % depreciation of the national currency against EUR (75% in 2007), with rate fluctuations between 3, 4719 LEI/EUR and 3,9964 LEI/EUR. On 31.12.2008, the LEI/EUR rate was 3,9852;

- 16% depreciation of the national currency against U.S. dollar in 2008, compared with a 4,33 % appreciation rate in 2007, the minimum value of the US dollar in 2008 being 2,2319 lei/ USD and the maximum value of 3,0628 lei/ USD. On 31.12.2008 , the lei/USD rate was 2,8342;
- The annual interest rate for the minimum reserve requirement in 2008 was increased from 2,35% to 5,6% for lei, from 1,10% to 2,8% for EUR, dropping from 1,20% to 1,05% for USD;
- In the Romanian banking system the rate of nonperforming loans/total credit portfolio rose in the fourth quarter to 2,84%;



- In 2008, the minimum reserve requirement was maintained by NBR at a high level: 18% (31 Dec. 2007: 20%) for lei (for resources with maturities under 2 years) and 40% for forex (for the whole resource value whatever its maturity);
- In order to cover the immediate liquidity needs, the NNR made available to banks credit facilities with an interest rate fluctuating in 2008 between 12% and 14,25%, significantly under the interest rates on the bank market for inter-bank deposits;
- For deposits from banks BNR paid interests varying from 2% at the beginning of the year to 6,25 % in the first quarter of 2008;
- High volatility in fiscal legislation due to changes in the national laws but also after aligning the national laws to the EU legislation.

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2008: Objectives vs. Achievements

The analysis of the 2008 results, based on the financial statements prepared in compliance with the NBR Order nr.5/2005 (as further modified and completed), compared with the 2007 results, are presented below:

QUANTITY OBJECTIVES IN 2008	PROPOSED	ACHIEVED
▪ Value of assets:	LEI 19,4 billions	LEI 17,01 billions
▪ Expansion of BT network:	80 new units	77 new units
▪ Market share:	>5%	>5%
▪ Credit portfolio:	LEI 12,15 billions	LEI 11,21 billions
of which: Retail 42,4 %;SME 16,5 %; Corporate 41,1 %;		
▪ Issued cards:	1,5 millions	1,6 millions
▪ POS	12 thousand	10,8 thousand
▪ ATM	850	760
▪ Employees:	6.700 employees	6.466 employees
▪ Gross profit:	300 millions lei	470,37 millions lei (204,66 mil lei without profit from Asiban sale)
	(30% > 2007)	
▪ BT investments	LEI 104,02 mill	LEI 106,8 mill

QUALITY OBJECTIVES REALIZED IN 2008

- Implementation of risk management in compliance with the **Basel II** standards;
- Monitoring financial and operational risks associated with the bank business;
- Consolidation of the **internal audit** by more ample inspections, organization of operational risk inspections;
- Determination at levels as prudent as possible of the **risk parameters**, the monitoring procedures and the action plans for any deviation from the determined levels being rigorously elaborated and implemented;
- Simplification of credit products and streamlining of the lending process;
- Consultation of the position of a "Bank for entrepreneurs";
- VISA no. 1 bank in Romania as regards the number of cards and the volume of card transactions;
- BT continues to be the leader of premium cards;
- Consolidation of the bank's position on the retail market for the most products (market share of individual resources - 9%; market share for cards - 13%; market share for credits 5%);
- Maintaining the liquidity level over the minimum limits provided by the NBR.

In 2008, the bank received the „Award for performance and quality of e-commerce services”, at the Gall for e-Commerce awards, as well as the award „Corporate Bank of the Year”, BBW Financial Awards 2008 - at the Gall for financial rewards in Romania from the economic review Bucharest Business Week.

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 2008, Banca had 4 business lines: Corporate, Small and Medium Size Companies (SME's), Individuals and the Medical division.

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CORPORATE BANKING:

- In 2008 placements increased to reach 4.542 mil lei, which is 23% over the value recorded in 2007 (3.692 mil lei), representing 41% of the BT portfolio at the end of 2008;
- BT Ultra users: over 3.887 clients;
- Average movements of corporate clients in accounts open with BT were 16% higher than in 2007;
- Active corporate clients as at 31 December 2007: 10.919, rising by 14% from 31 Dec 2007 (9.617).

SMALL AND MEDIUM SIZE COMPANIES (IMM):

- SME placements increased 32% in 2008 (from 1.384 mil. lei to 1.832 mil. lei), representing 17% of the credit portfolio at the end of 2008;
- Active SME clients on 31 Dec 2008 : 116.024, which is 17% higher than those on 31 Dec 2007: 98.888; The leader position of the bank was consolidated.

RETAIL BANKING:

- The retail credit for portfolio reached in 2008 the value of 4.693 mil lei, accounting for 42% of BT investments, which is 33% higher than the values recorded in 2007: 3.540 mil lei;
- The value of resources on the retail segment in 2008 was 7.532 mil lei (63% of the resources raised from the BT clients), which is 30% higher than the volume in 2007 (5.781 mil lei);
- Cards issued till the end of 2008: 1.609.873, of which 1.456.356 debit cards and 153.517 credit cards;
- ATM's in operation: 763 and 10.780 installed POS's ;
- BT 24: 73.087 users;
- Increase in credit portfolio:
 - 4.693 mil. lei in 2008 vs. 3.540 mil lei in 2007;
 - Clients with credits 451.884 in 2008 vs. 384.439 in 2007, of whom clients with credits on cards 323.555 in 2008 compared to 250.894 in 2007;
- Active retail clients on 31 Dec. 2008: 1.146.046, which is 37% higher than those existing on 31 Dec. 2007: 834.652.

MEDICAL DIVISION:

Officially launched at the end of 2007, the Medical Division had in 2008 an evolution over the budget objectives: 8.727 clients with a network expanded to 8 units located in towns with a high potential: Bucuresti, Cluj, Oradea, Tg. Mures, Timisoara, Iasi, Craiova and Galati.

- More than 2.500 credits were granted in 2008 in total balance of over 350 mil. lei;
- More than 1.000 credit cards especially designed for medical staff, sold in the period from July to December;
- More than 45 medical organizations and associations carried out their activity through Banca Transilvania.

OPERATIONS/ IT:

Banca Transilvania continued to develop its operational system with the purpose to support the bank's business, to improve quality in services, to minimize risks and to increase productivity.

- Finalization of the application for monitoring credit analysis regarding the management of client relations (Microsoft CRM/ Mioritix);
- Connection to the European settlement systems: Target 2 and SEPA;
- Finalization of the selection process for the bank software (Core-Banking);
- Development and implementation of the project for Chip cards;

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BANK NETWORK as at 31 December 2008

Operational units - 532 (of which 63 branches);

Regional center in Bucharest;
BT head-office, representative office.

The BT network expanded in 2008 with 77 new units.
At the end of the year 2008, the bank had 763 ATM's in operation and more than 10.700 POS's.

HUMAN RESOURCES:

In first part of the year the priority was to ensure competent and highly qualified human capital necessary for the new units. The last part of the year was characterized by an intense increase in the cost efficiency and control.

- Number of employees as at 31.12.2008: 6.466 (11,6% more than in December 2007)
- New employees 1.581
- Weight of women/ men: 76,6 % women/ 23,4 % men;
- Average age: 31,22 years;
- 5.850 employees were trained, the expenses with training being 27% higher than in 2007.

Evolution of client base:

The total client base increased 1.16 times from the end of 2007 from 1.524.863 to 1.775.499 clients. Individuals stood for an increase of 17, 09% (from 1.359.934 to 1.592.399), while companies increased by 11,02% (from 164.929 to 183.100).

Active clients on business lines for whom Banca Transilvania S.A. represents their main bank:

BT Active clients	31.12.2007	31.12.2008	2008/2007
Corporate	9.617	10.919	114 %
SME	98.888	116.024	117 %
Retail	834.652	1.146.046	137 %
TOTAL	948.622	1.281.716	135 %
of which: Medical Division	5.465	8.727	159%

Long term financing sources

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

- facility in value of EUR 5 mil. dedicated to energy efficiency (contract with EBRD);
- facility in value of EUR 20 mil. dedicated to SME's (contract with DEG);
- facility from EBRD, in value of EUR 100 mil. dedicated to SME's;
- general financing in value of EUR 102.5 mil., a syndicated loan with an A/B structure, arranged by IFC.

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Economic and financial results in 2008

BALANCE SHEET:

The bank's target in 2008 was to reach a total level of assets of 19,4 billions lei and by the end of December 2008 they accounted for 17,01 billions lei. Compared with December 2007 (13,88 billions LEI) the assets increased with approx. 3,13 billions lei, which represented a 23% appreciation.

The 2008 budget for expenditure and revenues was based on an estimated Lei/Eur exchange rate of 3,55 and an inflation ratio of around 6%. At the end of 2008 the Lei/Eur exchange rate was 3,9852 and inflation ratio of 6,3%.

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 31.12.2008 was the following:

- by types of clients:
 - 57,78 % companies; 42,22 % individuals;
- by types of currencies:
 - 66,24 % in lei ; 33,76 % in forex;
- by business profile:
 - 17,32% trading;
 - 22,21% manufacturing (industries);
 - 15,77% services;
 - 42,22 % household; 2.48 % others;
- by due terms:
 - 26,42 % short term; 17,96% medium term; 55,62 % long term.

The provisions created to cover the credit risk, outstanding as at 31.12.2008, represented 1.84 % of the credit value (1.33 % in 2007).

The increase is explained by the legislative modifications and the 30% increase in the credit portfolio from 2007 and also by the supplementary measures taken in view of a prudential credit risk management.

Off-balance receivables were in amount of 61,54 mil. lei as at 31 12 2008 representing 0,55 % of the total credit portfolio (0,74% in 2007).

Shareholders' equity: 1.713.827.927 lei on 31 12 2008, of which:

- Share capital of 1.059.696.183 lei standing for 1.059.696.183 shares with a face value of 1 LEU /share;
- Capital premiums 76.565.608 lei;
- Legal reserve 96.598.016 lei;
- Risk reserve 77.892.714 lei;
- Revaluation reserve 26.687.156 lei.

In 2008, the **share capital** was increased from 611.079.770 lei to 1.059.696.183 lei, as approved by the GSM of 22.04.2008, by using the following sources:

- reserves from net profit: 319.460.775 lei;
- contribution in cash: 30.553.989 lei;
- issue premiums: 98.396.564 lei;
- bond into share conversion premiums: 205.085 lei;

On 31.12.2008, the share capital had the following structure:

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	31 Dec 2007	31 Dec 2008
European Bank for Reconstruction and Development("EBRD")	14,97%	14,97%
Romanian individuals	41,90%	39,91%
Romanian companies	20,14%	21,77%
Foreign individuals	4,17%	6,01%
Foreign companies	18,82%	17,34%
Total	100,00%	100,00%

Realization of the Budget for Revenues and Expenditure:

<i>Millions LEI</i>	Budget for 2008	Achievements in 2008	% budget realization
Loans	12.148	11.215	92%
Provisions	-220	-206	93%
Immediate liquidities	5.717	4.448	78%
Securities	867	871	101%
Fixed and financial assets	645	502	78%
- tangible and intangible assets	463	333	72%
- participations	182	169	93%
Other assets	243	184	76%
Total assets	19.400	17.014	88%
Shareholders' equity	1.551	1.714	111%
Subordinated loan	265	301	113%
Resources from clients	15.019	12.048	80%
Resources from banks	959	337	35%
Long term borrowings	1.166	2.169	186%
Other liabilities	440	445	102%
Total liabilities	19.400	17.014	88%

Evolution of balance sheet in 2008:

- Compared to 2007, at the end of 2008 Banca Transilvania recorded a growth of 1.23 times in assets expressed in LEI. In the same period, the growth in assets in the whole Romanian banking system was 1.31 times.
- The market share of Banca Transilvania as regards assets was 5.01 % at the end of 2008.
- In the whole banking system the nongovernmental credits increased 1.34 times while the BT credits increased 1.29 times, the market share of the bank being 5.66 %.
- As regards deposits from non banking clients, the increase in the system was 1.17 times while that of Banca Transilvania was 1.16 times, the weight on the market being 7.96 %.

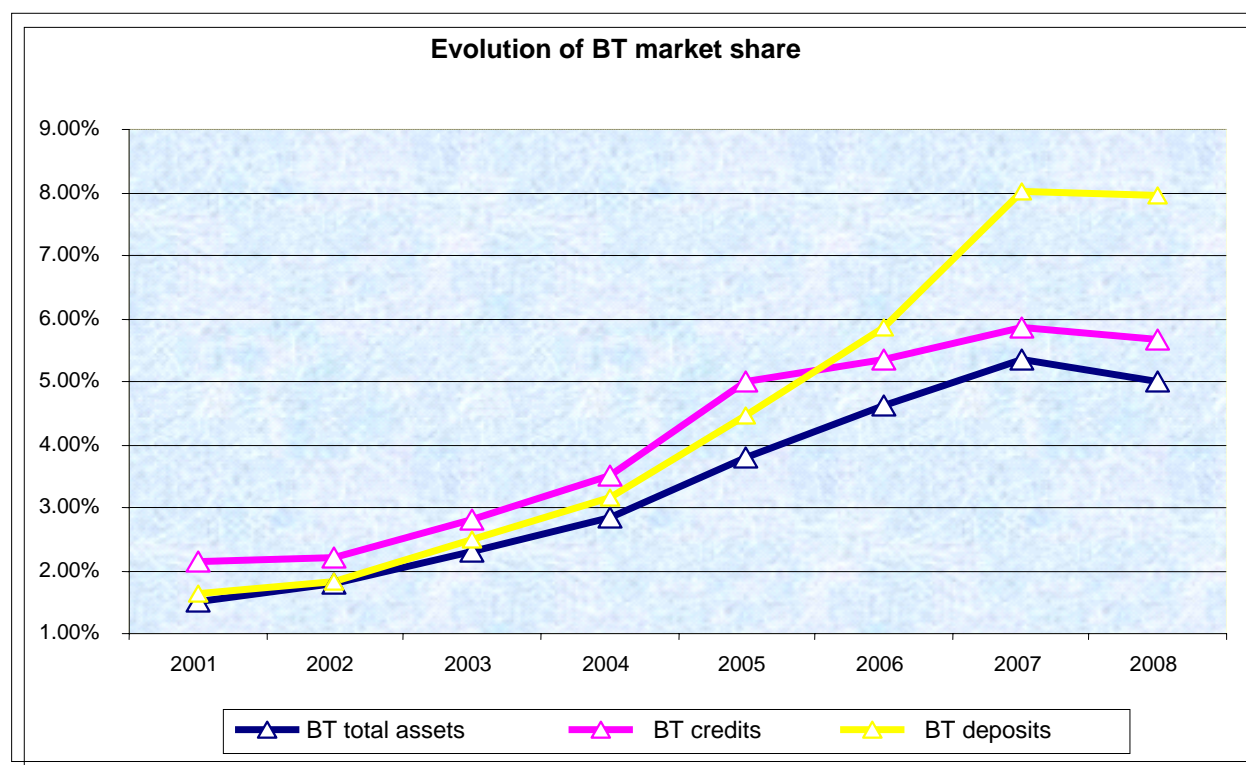
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The evolution of the balance sheet structures in 2007 and 2008 is the following:

Nr. Crt	Million LEI	Achieved in 2007	Achieved in 2008	Increase 2008 / 2007
1	Loans	8.677	11.215	1,29
	Provisions	-116	-206	1,78
2	Immediate liquidities	4.177	4.448	1,06
3	Securities	578	871	1,51
4	Fixed assets	434	502	1,16
4.1	Tangible and intangible assets	286	333	1,16
4.2	Participations	148	169	1,14
5	Other assets	126	184	1,36
	/TOTAL ASSETS	13.876	17.014	1,23
1	Shareholders' equity	1.210	1.714	1,42
	-share capital	611	1.060	1,73
2	Subordinated loan	275	301	1,09
3	Resources from clients	10.358	12.048	1,16
4	Resources from banks	738	336	0,46
5	Long term borrowings	904	2.169	2,40
6	Other liabilities	391	446	1,14
	TOTAL LIABILITIES	13.876	17.014	1,23

As regards total assets, credits and resources, the bank's position in the banking system is shown below:



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PROFIT AND LOSS ACCOUNT:

The realization of the incomes, the expenses and the profit in 2008, compared to the year 2007 and the budget projections is shown below:

<i>Millions LEI</i>					
PROFIT AND LOSS ACCOUNT	% budget realization 2008	Achieved in 2007	Achieved in 2008	Growth 2008/2007	% budget realization
INCOME	1.194,20	1.017,49	1.294,30	1,27	86%
Net income from securities	50,00	44,52	-37,05		
Net income from interests	574,30	413,13	550,78	1,33	96%
Net income from commissions	431,20	271,33	363,02	1,34	84%
Income(loss) on the forex market	118,70	96,50	131,19	1,36	111%
Other incomes	20,00	18,51	20,64	1,12	103%
BTA / Asiban		173,50	265,71		
EXPENSES	894,20	614,34	823,93	1,34	92%
Expenses with staff	413,70	266,39	361,59	1,36	87%
Operational expenses	256,60	190,69	259,27	1,36	101%
Expenses with advertising	17,04	10,68	15,14	1,42	89%
Expenses with depreciation	58,70	45,73	57,88	1,27	99%
Other expenses	28,16	24,44	23,56	0,96	84%
Provisions, net	120,00	76,41	106,49	1,39	89%
PROFIT / LOSS	300,00	229,65	204,66	0,89	68%
PROFIT with BTA / Asiban		403,15	470,37	1,17	

Note: the column of Revenues, % Budget Realization does not include the income from the Asiban sale

The income increased 1,27 times from 2007 to reach the level of 1.294,30 millions lei.

Compared to 2007 the highest incomes were recorded on the following income categories:

- income on forex market - increase of 1,36 times;
- income from commissions - increase of 1,34 times;
- income from interests - increase of 1,33 times;

The increase in the income from interests was largely due to the 29 % growth of the credit portfolio in 2008 from 2007.

The net income on the forex market was 36 % higher than the last year and was determined by the 10% increase in the volume of transactions as well as the profit margin per operation.

Net income from commissions in 2008 was 34 % higher than that in 2007 owing to the increased number of client operations as well as the increased number and volume in the credit portfolio.

In 2008, the commissions collected from credit implementation were spread over the credit tenor resulting in a net unfavorable influence on the profit account of 19.689 thousand lei. At the end of 2008, the balance of deferred commissions was in amount of 144.781 thousand lei.

The operational expenses made in 2008 amounted to 823,93 millions lei, being 1,34 times higher than in the precedent year. The budget projections were not exceeded and the expenses accounted for 92% against the budget. The increase in the number of new units in 2008 contributed to an increase of 1.36 times in the operational expenses, 1,36 times in the expenses with staff and 1,27 times with depreciation expenses from the last year.

Expenses with sponsorships amounted to 4.719 thousand lei, using the facility provided by the Law 571/2003, which is proposed by the Council of Administration to be continued in 2009.

In 2008, the Council of Administration, on account of art 13 letter f) in the Constitutional Act, approved

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to write off 171 defaults in amount of 3.287 thousand lei, for which all legal enforcement procedures were exhausted.

The gross profit realized in 2008, including the branch in Cyprus was 470,37 millions lei (204,66 millions lei without Asiban), failing to realize the level provided by the budget (300 mil lei). Compared to the year 2007, the gross profit grew 1,17 times (excluding Asiban the gross profit dropped - 89 % against the GP in 2007).

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 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	As at 31.12.05	As at 31.12.06	As at 31.12.07	As at 31.12.08
1	Liquidity ratio	Min =1		2,61	2,74	2,77	3,83
2	Solvency ratio	> 8%	1	13,64%	14,56%	12,18%	15,04%
3	ROA (net profit/total assets, net value)	> 5%	1				
		4 - 4.9%	2				
		3-3.9%	3				
		0.6%-2.9%	4	2,03%	1,49%	2,45%	2,33%
4	* ROE (net profit/ shareholders' equity)	> 11% - 10.9%	12	21,52%	17,14%	28,10%	23,16%

Note: the solvency ratio was determined by taking into calculation the profit proposed for capitalization as at 31 12 2008. The ratio value excluding the profit is 11,98%.

The level of CAMPL ratios as at 31.12.2008 is over the limits imposed by the current law. The liquidity ratio determined on 31.12.2008 was at a level of 3.83 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:

PROPOSED PROFIT DISTRIBUTION 2008	AMOUNTS (LEI)
Gross profit	470.371.578,33
Tax	73.518.463,45
Net profit	396.853.114,88
5% legal reserve fund from gross profit	23.165.220,45
Profit distribution	
Net profit to be distributed	373.687.894,43
<i>Dividends to shareholders</i>	<i>50.000.000,00</i>
<i>Reserves from net profit</i>	<i>323.687.894,43</i>
Share capital	1.059.696.183,00
Dividend / share	0,0471833349

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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 2008:

- **Ciorcila Horia** - chairman - Polytechnic Institute in Cluj, Faculty of Industrial Automations;
- **Marzanati Roberto** - vice-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 Finances, 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 8 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);
- **Leontin TODERICI** - executive manager (COO);
- **Lucia POJOCA** - executive manager /coordination in Oradea (DEO);

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- **Andrei DUDOIU** - executive manager / coordination in Bucharest (DEB);
- **Gabriela NISTOR** - executive manager/ retail ;
- **Tiberiu MOISA** - executive manager / Corporate&SME's.

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 cost control

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

The membership of the cost control committee: CA chairman, general manager, 2 CA members; manager for budget and planning.

Executive Committee for costs

The executive committee for costs examines the cost level estimated for each activity with a focus on the segments incurring the highest expenses.

It informs periodically the Management Committee and the Cost committee about the analysis results and the taken measures.

It is subordinated to the Management committee and has the following membership: general manager, executive manager COO, financial manager, financial analysts, investment manager.

Committee for operational risks

The main objective of the committee for bank operation 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 CA or 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), executive manager/coordination in Bucharest (DEB); executive manager / Corporate&SME's; manager for corporate credits / manager for retail credits; the risk manager and manager for credit administration.

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.

Human resources committee

The role of the Human Resources committee is to increase efficiency in taking decisions regarding the BT employees and is subordinated to the Management committee.

The membership of the human resources committee: general manager; deputy general manager; executive manager (HLAC); executive manager(COO); executive manager for Retail Banking; executive manager for corporate clients and SME's; HR manager; deputy HR manager.

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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.

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 2009:

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:

Presentation of annual preliminary financial results	29.01.2009
General shareholders meeting to approve the annual financial results	first convening :29.04.2009 second convening :30.04.2009
Presentation of annual financial results	30.04.2009
Presentation of financial results for the first quarter	30.04.2009
Presentation of bi-annual financial results	14.08.2009
Presentation of financial results for the third quarter	30.10.2009

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: a system of ratios with related limits, 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;

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- 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 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 and also continued the training program for the staff. Efforts were made 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 maximum and 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
- control the increase in credit portfolio;
- adequate capital allocation.

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Internal and external audit

In 2008 the Department for Internal Audit audited 34 branches, 234 agencies, the departments in the HO and 7 subsidiaries realizing the whole audit plan proposed for the year 2008. The Audit Department had 19 employees at the end of 2008.

The general audit objectives in 2008 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 and compliance risk (legal audit)
- credit risk (audit of lending activity)
- 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 external auditor of the bank, KPMG Audit SRL, performed a limited review of the financial statements for the first semester 2008 as well as the annual audit of the financial statements as at 31 December 2008.

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.

Policy within 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 integrated financial services offered to its clients. Banca Transilvania operates in complementary financial sectors: banking, 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 2008 was 1.13 times higher than in 2007, respectively from 140 mil lei to 167 mil lei.

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

Subsidiary	Business profile	Participation %
BT Securities SRL	Investments/brokerage	95.50%
BT Leasing IFN	Leasing	44.30%
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	48.87%
Medicredit Leasing IFN	Leasing	57.39%
BT Evaluator SRL	Financial intermediation	9.96%
BT Consultant SRL	Financial intermediation	7.45%
BT Aegon SA	Pensii Private	50.00%
BT Leasing Moldova	Leasing	100.00%

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In the first quarter of 2008, the company BT Building SRL merged with SAR Building SRL taking over its whole assets existing on 31.12.2007.

In 2008, Banca Transilvania participated by cash contribution in the capital increase of the following companies in the group:

- Compania de Factoring IFN: 9,800,000 lei in January and April 2008, thus having a participation of 48,87% in this company;
- BT Leasing IFN : 11,017,200 lei in June, the participation being now 44,30 %;
- BT Aegon SA: 12,776,350.00 lei in March and July 2008, having a 50% holding in this company;
- BT Leasing Moldova: 335,690 EUR, equivalent of 4.833.600 Moldavian lei in September 2008, the percentage being 100%.

In August 2008, Banca Transilvania sold its 25% participation, in value of 33,73 mil. lei held in ASIBAN, making a net profit of 225,5 mil. lei.

In the second part of the fourth quarter in 2008, Banca Transilvania started the process of selling its 50% participation in BT Aegon SA to Aegon N.V. to be finalized in 2009.

Environmental policy

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

Corporative social responsibility

In 2008 Banca Transilvania continued to support community with financial and human resources and concrete solutions.

In 2008, the "Cluj has a soul" Foundation, set up by the bank in 2007 and implemented by the Romanian Foundation for Children, Community and Family (FRCCF), helped in its first 6 months of activity no less than **145 teenagers in the Cluj area** from families with very low revenues and the social assistance system.

The results were remarkable: 90% of the young people finished the school year successfully, 31 teenagers found their work place and 8 young men who came to the foundation are learning a trade.

Young people benefit from counseling services and support (social, psychological, medical assistance and counseling for health education and psychotherapy), educational services (tutoring in Romanian language and literature, mathematics, English and French, but also psycho-pedagogical assistance) and socialization services (sports activities, organization of parties at birthdays, going to theater, cinema, competitions, watching movies, courses in good manners, arts group, etc.). The foundation team consists of social workers, teachers, a psychotherapist, a psychologist, a medical adviser, psycho-pedagogical experts, a socio-educational animator and a coordinator of the center.

The foundation has proposed to provide a better life to young people aged between 14 and 20 years, this being a model of social involvement without precedent in Cluj by its scale and approach. 100 volunteers have collected over 100,000 signatures in Cluj as a sign of adherence. Even from its inception in 2007, this idea of Banca Transilvania attracted the media attention and became a subject of on-line debate within the community. "Cluj has soul" was nominated in 2008 as "the Month project" by the site of visitors (www.responsabilitatesociala.ro) as an additional argument for the sympathy enjoyed by the project, even at a national level.

Other information about financial statements and the development of the economic and financial activity in 2008

The financial statements for the year 2008 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

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completed, for approving the accounting rules in compliance with the European directives applicable to credit institutions, as further modified and compared with the Order no. 24/2006 and the Order 11/2007, the chart of accounts for banks and the norms for its utilization under MF/NBR Order no.5/2005, as further modified and compared, 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 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

- Realization of an asset level of 20 billion lei - 18 % higher than in 2008;
- Increase in client resources - 22% higher than in 2008;
- Increase in credit portfolio - 16% higher than in 2008;
- Cards issued at the end of 2009: 1.800.000;
- POS's at retailers: 15.000;
- BT 24 in 2009: 100.000 users;
- Launch of products dedicated to the medical sector;
- Creation of the first platform for anti-crisis products, based on 3 pillars:
 - i) Facilities of credit restructuring in case of companies with difficulties, but with real chances of revigoration;
 - ii) Bank subscription for SME's, a product likely to reduce costs for bank operations and
 - iii) Romanian Entrepreneur Club with more than 10.000 members offering consultancy services / access to European funds.
- Launch of other 2 anti-crisis products, one for operations and another for credits;
- Consolidation of the market position attracting a number of potential clients as big as possible in the medical sector;
- Allocation of an investment budget of 5,05 mil. EUR +VAT.

Quality objectives for 2009

- Continous focus on reducing expenses and increasing economic efficiency;
- Balance and disciplined increase in lending;
- Maintaining a favourable liquidity level;
- Credit portfolio quality;

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- Training adequate to the current economic reality;
- Retention and motivation of key employees;
- Review of products and processes to optimize costs and to improve performances;
- Intensification of risk inspections: audit, lending, operational;
- Introduction of performance criteria for employment in activity;
- Continuing activity for the Romanian Entrepreneur Club;
- Development of cross selling with subsidiaries;
- Upgrading /replacing BT24 electronic products and the card management application;
- Upgrading the technical platform (hardware) for the bank software (Core-Banking) and the card management application;
- Issue of chip cards.

Development plan for 2009

Investment budget 2009:

• Branches	1,75 mil. EUR
• Hardware	2,00 mil. EUR
• Software	0,75 mil. EUR
• <u>Internet Banking BT24</u>	<u>0,55 mil. EUR</u>
Bank investments	5,05 mil. EUR
(Total investments including VAT	6,01 mil EUR)
<u>Compania de factoring SA</u>	<u>5,00 mil. EUR</u>
Investments in subsidiaries	5,00 mil. EUR

On account of the above, we submit the 2008 bank's activity to discussion and propose to the shareholders's meeting to approve the CA report as well as the following statements:

- Statutory financial statements and IFRS prepared under the NBR order no.5/2005, as further modified and completed, the Gov. Order 99/2006 published in the Official Monitor no.1027 on 27.12.2006, as further modified and completed, and other NBR instructions (balance sheet, profit and loss account, treasury flow statements, shareholders' equity, the accounting policies and the explanatory notes);
- 2008 profit distribution;
- Development plan for 2009.

**COUNCIL OF ADMINISTRATION
CHAIRMAN**

HORIA CIORCILA

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