BANCA TRANSILVANIA
Annual Report
2004

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Financial Calendar

Preliminary Results 2004	Tuesday, February 1, 2005
Annual General Meeting	Tuesday, April 12, 2005
Annual Financial Statements	Wednesday, April 13, 2005
First quarter results 2005	Friday, April 22, 2005
Registration Date	Wednesday, April 29, 2005
Half-year financial statements 2005	Tuesday, August 2, 2005
Third quarter results 2005	Monday, October 31, 2005

Mission Statement

Banca Transilvania is an integrated Romanian Financial Group, established in Transilvania, focused on Corporate and Retail Banking and offering quality services through a nation wide network. Being the partner that keeps its promises, our mission is to provide superior returns to the shareholders, to be a good corporate citizen and to be a bank where we work with pride and professionalism.

Profile

Two main strategic business units:

Corporate & Commercial Banking

Retail Banking

Strong roots in Transylvania

Nationwide distribution network

Local bank providing flexibility

Integrated financial services group

Committed staff

Blue chip of the Bucharest Stock Exchange

Contents

1994 – 2004, TEN YEARS OF EXISTENCE

1994 – Ideas, start
Market economy needed private banking, therefore Banca Transilvania was established.

1995 – Expansion in Transylvania
The bank was concentrated to cover the main Transylvanian cities.

1996 – Products and services: enhancement of basic banking services
Banca Transilvania, as private local bank, showed initiative in drafting new products to better serve its customers.

1997 – First bank to be listed on the Bucharest Stock Exchange
By becoming public, the bank proved its ability to face exigent standards of profitability and disclosure.

1998 – Increasing the capital to increase confidence
Banca Transilvania was strengthening its market position and its financial standing.

1999 – Establishing the relationship with EBRD
Through the SME dedicated financing line agreement signed with the European Bank for Reconstruction and Development, Banca Transilvania not only got access to medium term foreign currency funding to finance the investment projects of its SME customers, but also established the start of a flourishing, strategic relationship.

2000 – Entering the cards market
Banca Transilvania was among the early players on the Romanian cards market.

2001 – EBRD became shareholder of the bank
By acquiring 15% of the share capital, besides being the most valuable business partner the European Bank for Reconstruction and Development became the most significant shareholder of Banca Transilvania.

2002 – New strategy and new management team
Transition and focus on becoming a modern, ambitious and dynamic bank.

2003 – Reorganization / re-branding / modernization and standardization process
The organizational structure of the bank was reengineered, managing change in an efficient way and placing the customer in the center of the bank's activity.

2004 – Keeping momentum and increasing the market share
The performance during 2004 brought to the Bank's shareholders a return of 161.92% in ROL. BT had excellent results, increasing its market share and entering top ten banks in Romania.

HIGHLIGHTS 2004 - IAS

ROL mill.

	2004	2003
Total Assets	26,517,420	14,298,216
Loans, net	13,956,112	8,177,977
Customers' deposits	19,457,599	10,602,725
Shareholders' equity	2,984,488	2,061,984
Share Capital	1,334,937	970,863

Income Statement

	2004	2003
Net interest income	1,496,335	977,349
Impairment loss on loans, net	120,163	21,205
Net commission income	832,572	531,319
Foreign exchange income, net	175,424	139,550
General administrative expenses	1,763,586	1,068,413
Net operating result	780,382	592,267
Gross profit	780,382	426,358
Net profit	604,959	313,184

Ratios & Key Figures

Return on equity %	20.27	15.18
Return on assets %	2.28	2.19
Capital adequacy %	24.23	29.44
Leverage ratio	8.88	6.94

Data about BT shares

Number of shares		
Outstanding common shares	1,334,937,124	970,863,164
Nominal value	1,000	1,000
Book value per share	2,236	2,123
Market capitalization (mill. ROL)	12,615,156	4,465,970
Share Price		
High	9,450	4,700
Low	3,500	2,950
Closing Price	9,450	4,600
Share Ratios		
Earnings per share (EPS)	557	372
Price-earning ratio (PER)	16.97	12.37
Price to book value (PBV)	4.23	2.17
Operating result per share	585	610

Additional Information

	2004	2003
Number of employees	2,032	1,491
Branches and agencies	115	71
ATMs	241	157
POS	1,363	672

Chairman's letter to the shareholders

Dear Shareholder,

In 2004 the ambitious targets established through our strategic plan were successfully achieved. With the strong support of the shareholders and with our committed staff, Banca Transilvania managed to grow, winning a stronger position on the banking market. The assets almost doubled, from EUR 360.49 million to EUR 668.56 million and the net profit reached EUR 15.3 million, increasing by 93%.

During 2004, Banca Transilvania proved that it could successfully realize its strategic vision to become a national bank and one of the major players in Romania.

Banca Transilvania's financial soundness together with facts like:

- continuous increase in market share
- stronger capital base
- modern national network and capable IT platform
- lending capacity extension supported by long-term financing agreement concluded with strategic partners and reputable financial institutions

give us strong determination that promises a superior future growth.

Since the establishment of Banca Transilvania Financial Group, we have been promoting an excellent collaboration between the member companies, in all financial sectors approached by the Group, taking advantage of the synergies in order strengthen our Group's business, this goal being a key priority. Our future strategy is to further promote the successful cooperation, to enhance the Group's profitability through new projects and also by tackling new business areas like asset management and mutual funds.

For 2005, our plan is to enhance our profitability by speeding up the offensive in the strategic areas, further strengthening the competitive advantages in the areas where we have competences: SME and Retail sector.

We thank you for your continuous commitment and support and we look forward to your encouragement as we take steps toward the next stage of our development.

May 2005

Horia Ciorcilă
Chairman of the Council of Administration

CEO's Statement

I am pleased to present you Banca Transilvania's Annual Report for 2004, summarizing our activities and results during last year.

Our core priorities were the continuous growth of the bank and strengthening the reputation as reliable, flexible and fast decision taking bank, while in the same time enhancing the quality of the services provided.

BT started the year 2004 with a strong momentum carried over from 2003.

Our territorial network was developed by adding 44 new units. 10 of our existing branches have been refurbished, continuing the modernization and standardization process started one year before. The implementation of Bankmaster, our new core-banking centralized IT system, was successfully completed, facilitating uniform processing and customer service. Also, we invested heavily in introducing electronic and internet banking services to our clients.

The Corporate side of our business counts for 60% of our total loans, while the number of new customers, Corporate and SMEs grew by 23%. Next to our existing products and services we introduced tailor made solutions for our clients in terms of cash management and lending products.

Our Retail business active customer base grew to 500,000, our mortgage loans market share reached 10%, the number of active cards grew by 57% to 450,000 and we continued to launch new products and services on the market.

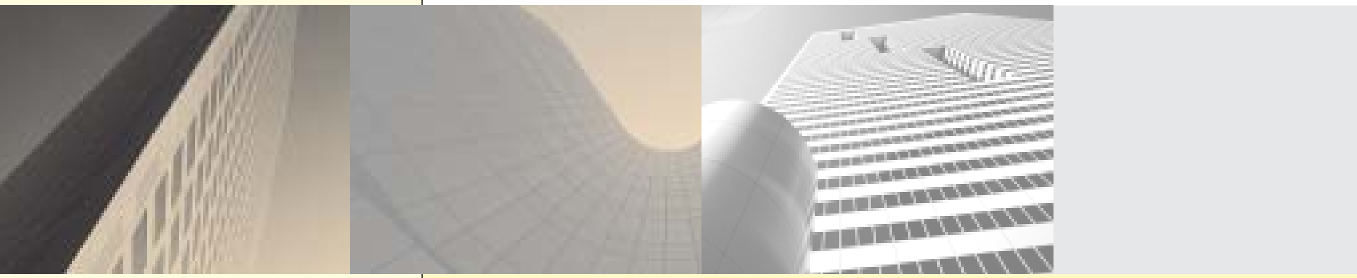
Retail banking and lending to SME's were the most significant growth drivers of Banca Transilvania, contributing clearly to achieving higher returns and profitability.

2004 has been a year of major progress and we feel that the market perceives us as a strong and reliable partner.
Our plans for 2005 are to accelerate the bank's organic growth, horizontally and vertically, reinforcing the competitive position on the market by:

- creating a nationwide network of at least 180 units which strengthens our focus on the retail and commercial banking sector,
- becoming Number 1 Bank for SMEs in Romania, having specialized products and professional people understanding the business
- increasing cross-selling in Banca Transilvania's Financial Group and developing new financial activities.
- creating BT Academy a new entity inside the Human Resources Department, dedicated to the training and to the professional development of its employees.

In the end I would like to thank our staff for their dedication and huge effort, also our shareholders and other strategic partners, like EBRD and IFC, for their great support.

Robert C. Rekkers
Chief Executive Officer



REPORT ON THE BANK'S EVOLUTION IN 2004

The Bank's evolution in 2004

In 2004, Banca Transilvania operated in line with its objective of increasingly adding value for shareholders and customers, by taking the most of the business opportunities in the market, encouraging financial innovation and ensuring an adequate quality for all processes. During 2004, Banca Transilvania had a strong growth of its market share and network. The number of operational units increased in 2004 with 44 units, out of which 4 branches, in counties like Botosani, Tulcea and Gorj, which have never been covered before by Banca Transilvania.

The number of employees increased in 2004, reaching a total number of 2,032, increasing with over 500 against 2003. The increasing trend of the Bank has also been followed by the ATM and POS network, reaching a number of 241 ATM (against 157 in 2003) and 1,363 POS (against 672 in 2003).

During 2004, Banca Transilvania managed to raise long-term funds from important financial institutions, like EBRD, IFC, FMO DEG, BSTDB, leading to a better answer of the Bank regarding the customers' ever growing requirements. The financing lines had as target both the mortgage market and the fueling of the SME sector.

The projects carried out by Banca Transilvania in 2004 intended to streamline processes and, above all, to develop the range of products and services in line with the most demanding quality standards in order to solve the customers' needs by a quick response from our Bank.

Banca Transilvania Financial Group

The strategy of our bank is to consolidate its market position by developing Banca Transilvania Financial Group. The success of Banca Transilvania Financial Group is built on a foundation of satisfied customers served by more than 2,200 talented employees, while maximizing value for the shareholders as the ultimate proof of, and condition for success.

We aim for sustainable growth of which will benefit our customers, shareholders, employees and the community.

The main subsidiaries of Banca Transilvania Financial Group are:

- **BT Asigurari** (insurance);
- **BT Leasing Transilvania** (leasing);
- **BT Securities** (brokerage);
- **BT Direct** (consumer finance);

The Group's financial services and products offer consist of:

- Corporate and Retail Banking: serving corporate and retail banking customers;
- Insurance: providing life and non-life insurance to private and corporate customers;
- Leasing;
- Brokerage: serving private and corporate customers, providing securities underwriting, sales and trading;
- Consumer finance;

Banca Transilvania's Network

The Bank's strategic plan to expand the territorial network continued during 2004, 44 new business units becoming operational (35% growth against 2003). Banca Transilvania has promoted its corporate identity, becoming more visible and continuing the territorial expansion by inaugurating new operational units.

Number of customers

The number of customers increased continuously, by the end of 2004 we counted for 570,000 active customers, out of which 500,000 are individuals and 70,000 SMEs and corporates. The increase of the customers' number compared with 2003 has been triggered by both the improvement of the Bank's financial services quality and the extension of the territorial coverage.

Awards gained in 2004

"Most improved bank in Romania"
from Euromoney magazine on July 28, 2004

"The Bank of the Year 2004", award, from "Piata Financiara" magazine on December 7, 2004

"Best in Consumer Banking" award, from "Bucharest Business Week" magazine on November 22, 2004

"The award for management"
regarding BT Cafe project from V.I.P magazine on August 30, 2004

"The Most Transparent Bucharest Stock Exchange Company"
October 26, 2004

CORPORATE & SME BANKING

From the start, Banca Transilvania has been an attractive provider of financial services for companies. Our long-term commitment and consistent approach has earned us the trust of our customers, especially SMEs, in a wide range of economic sectors.

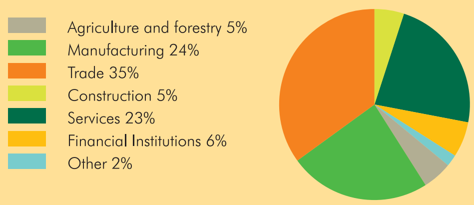
As a commercial bank, Banca Transilvania aims to identify its customers' needs at an early stage and develops cash management proposals and lending products to offer the appropriate solution. The client service approach is combined with the product know-how and the market knowledge and understanding.

We have specialists in a number of areas, including capital markets, treasury services, lending, international and domestic settlements services, leasing and insurance.

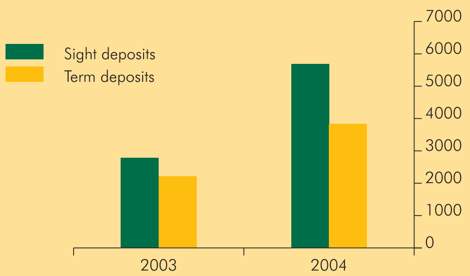
The bank's countrywide network ensures efficient distribution, being close to clients and businesses. Dedicated relationship managers are assigned to our clients, ensuring a direct relation, professional expertise and relevant knowledge in the client's field of activity.

The financing programs extended in cooperation with international financial institutions contributed effectively to the active support of the Romanian SME and corporate sector.

Corporate & SME Loan Portfolio, 2004



Deposits from Corporate Customers
ROL billion (equivalent)



Beside the traditional programs designated to the SME segment and fuelled by partners like EBRD and DEG, in 2004 Banca Transilvania entered the Rural Financing Program developed by the World Bank in cooperation with the Romanian Finance Ministry.

Close to the yearend, another financing line, coming from FMO, was added to the sources to finance the investment projects of the bank's SME customers.

Our lending philosophy is to deliver:

- Value to our clients
- Rapid response to all queries and requests
- Consistent criteria in lending policy
- Flexible, problem solving approach
- Customer based, personalized service
- Loyalty when facing difficulties

Our client base represents various sectors:

- Trade
- Construction
- Industry
- Leasing
- Services
- Agriculture & Forestry

Banca Transilvania is working on ways of making its services even more convenient; therefore, the platform of the electronic banking product, BT Ultra, was changed to a higher performance one, expanding the range of operations possible. The product was launched in May 2004 and the number of transactions processed increased from less than 1,000 in the first month to 40,000 in December 2004.

As a supplement to banking services, through Banca Transilvania Financial Group, a number of other financial services, such as leasing, insurance, brokerage and asset management are offered.

RETAIL BANKING

The best business proposition

Our Bank is addressing this market segment with utmost seriousness, continuing the business proposition committed in the recent years. Our focus is both on the family and personal needs, offering a wide range of products dedicated to individuals and continuously tailoring the offer in order to best fit the most complex desires.

Several new retail products and services were successfully launched in 2004:

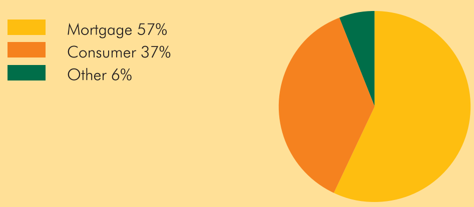
- deposit for 111, respectively for 210 days
- Kid Account Deposit both in ROL and FCY
- tourist loan with a tenor of 2 years
- loan for studies in Romania
- Visa Business cared with related account both in EURO and USD
- MasterCard Forte

Starting with 2003, the development of the Romanian economic environment allowed a boom in the real estate industry, which continued in 2004 and will not stop soon according to the forecasts. Helped by the wide territorial network, continuously expanded during the last two years, Banca Transilvania has a strong presence on the housing and mortgage long term loans market. Our market share in terms of loans granted in this sector reaches to 9.69%.

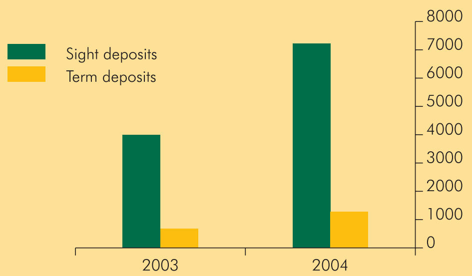
Foreign financial institutions and development banks continued to support Banca Transilvania's mortgage loans activity. IFC and EBRD provided for a total of EUR 30 million for this purpose.

In this way, the mortgage facility for individuals became the core retail product in Banca Transilvania, weighting 57% in the total retail loans portfolio.

Retail Loans Portfolio, 2004



Deposits from Retail Customers
ROL billion (equivalent)

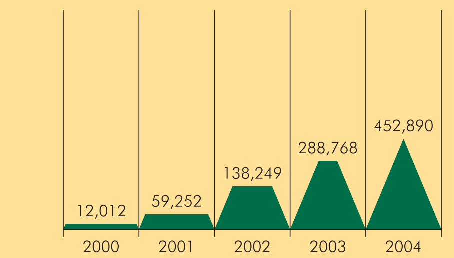




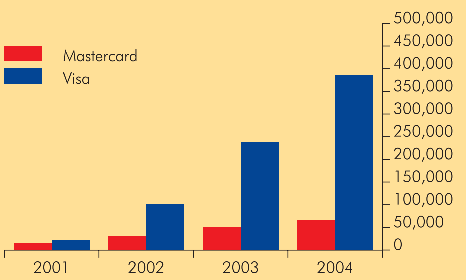
Next to the mortgage loans, the consumer loans performance was constantly enhanced, Banca Transilvania was given the award "Best in Consumer Banking" from Bucharest Business Week magazine. Consumer loans are weighting 37% in the retail loans portfolio.

Other retail loans, including car loans, tourist loans, loans for studies and other loans are weighting 6% in the retail loans portfolio.

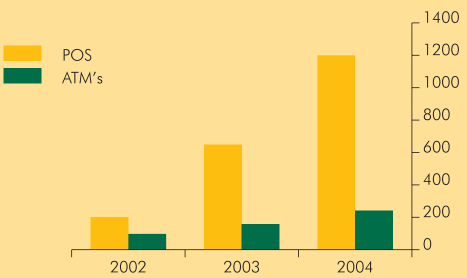
Number of BT Cards Issued



MASTERCARD vs VISA



Number of ATM's and POS



Cards

Since year-end 2003, the number of cards issued has increased significantly, boosted by the market's appetite for such banking products.

The credit cards business, even if it is at an early beginning on the Romanian market, proves to be one of the most attractive markets in CEE due to the high growth potential. Banca Transilvania started a major successfully credit card campaign in December 2004, for the credit card MasterCard Forte, in the national written media, with a great effect on the product's image and implicitly on the sales. We have issued 3.000 credit cards and the number of applications is continuously growing.

Continuing the development of its card offer, Banca Transilvania did all the preparations in order to launch in 2005 the Visa Gold credit card, a premium product which addresses the segment of clients with high incomes and offers them increased benefits associated with the bank's first international Visa premium product.

In spite of the intense competition on the cards market, Banca Transilvania, with a number of 452,890 cards issued at the end of 2004, has a market share of 7.89%, being in the top 5 of Romanian cards issuers. This performance achieved was also possible through the development of the bank's ATM and POS network. At the end of 2004 the bank had:

- 1.206 POS's at BT retailers
- 802 retailers accepting payments by cards
- 43 Imprinters
- 103 POS's at BT branches/agencies
- 241 ATM's

RISK MANAGEMENT AND CONTROL

The way that Banca Transilvania conducts its Risk Management and Control activity shows the strong commitment of the bank to comply with the best practices in the field and also with the NBR's standards and regulations in force.

The entity responsible for identifying, measuring and controlling risks within Banca Transilvania is the Risk Management Division, whose principles to be employed in risk management are established in the Rules for Risk Management and Control.

Corporate Credit Risk Analysis Department

Credit risk is the most significant risk to which banks are exposed. The aim in this specific risk area is to keep the credit risk exposure to the minimum level possible, in order to maintain the soundness of assets and to ensure adequate returns.

The most important achievement in this area was the continuous training of the credit risk analysts and the introduction of a detailed and clear Risk Assessment form which ends with a recommendation for the Credit Committee members. With the implementation of the new Risk Assessment form, the level of critical thought amongst the Credit Risk Analysts has increased. Each credit application is discussed individually by the Risk Management Director with the responsible Credit Risk Analyst, the scope being to go beyond liquidity risk, leverage risk, down to analyzing the effects of competition, risks related to management, to the business as a whole, collateral risk, risks related to the group (if the case).

Another achievement is the creation of an internal database which tracks all incoming credit applications, time needed for loan approval, special conditions, and specific review dates.

Risk Inspection Department

Banca Transilvania has 2 inspection teams which carry out missions at every branch throughout the year, ensuring coverage of the entire Bank's network.

The focus of this department is to monitor and control the credit risk area, as requested by the Standard no. 17/2003, but also to give feedback on the credit process and adequacy of the

internal rules. The focus is also to support the branches in showing them how to maintain the risk profiles at acceptable levels and help correct deficiencies as early as possible.
The department has created an internal database which allows efficient registration and tracking of the deficiencies and generates automatically the required reports.

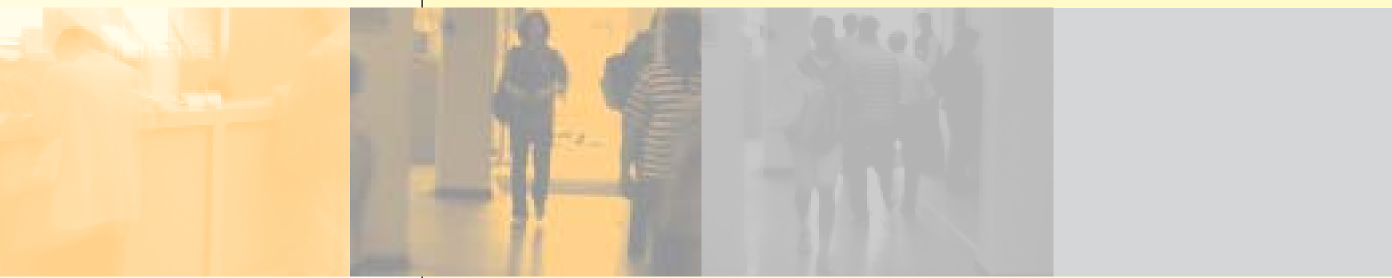
The Collections Department

The Collections Department is tracking all overdue loans from Day 1 to Day 60, after which they are passed over to Legal and Recovery giving their best efforts in order to recuperate the debts, offering customer service support if necessary, monitoring that the payment agreements have been met in due time, detecting fraudulent cases and preparing the necessary reports.

The Collections department has created an internal database for tracking all overdue accounts, setting collections actions and payment agreements and monitoring account evolution. The database can generate automatically collections reports.

Starting with August 2004, credit risk reports are delivered on a monthly basis to Banca Transilvania's management. The credit risk reports contain the roll rates by volume and by accounts, with forecasts for the following 6 months.

Currently, Risk Management is working on extending the collections function to the entire retail portfolio.



Card Risk Management and Fraud Control

In order to be able to monitor the operational risks linked to the cards business, the Card Risk Management and Fraud Control Department has the following main tasks:

- monitors, analyzes and investigates daily transactions and payments with potential risk or fraud profile
- monitors settlement risk with other banks
- checks and investigates our merchants in order to reduce financial losses determined by acceptance activity
- analyzes and makes recommendations related to internal services and product rules developed by the Cards Sales Department
- leads investigations at bank management requests
- develops and implements new risk solutions in accordance with market fraud trend
- manages all disputes with other banks, both at issuer and acquirer level.

We have developed a risk policy to cover the cards area, as per the requirements of Standard no. 17/2003 of National Bank of Romania. This policy became effective as of 20th of August, 2004.

Operational risk, legal risk, reputation risk issues

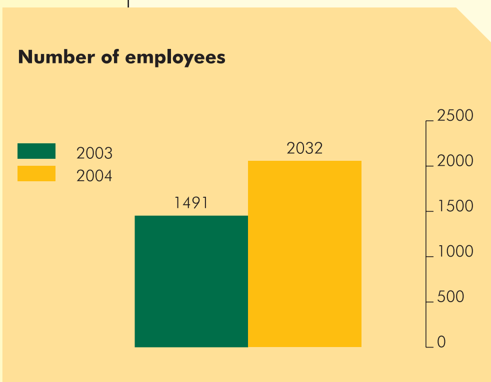
Banca Transilvania has a dedicated team covering the operational risks linked to the cards business. Currently, other operational risks are monitored and managed at each department level, as well as at branch level. Reports on operational risks are presented and discussed within the Operational Risk Committee.

Reputational risk is monitored especially by the branches, at the level of account opening and transaction monitoring and by the Organization and Compliance Division, through the internal procedures and reports related to the Know Your Customer Policy.

HUMAN RESOURCES

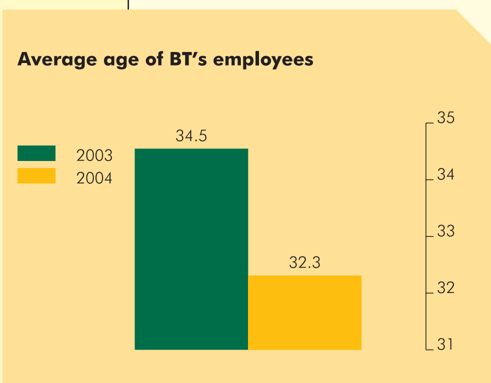
Promoting Talents and Opening up Career Opportunities

The Human Resources in Banca Transilvania have the role to support the bank's management to achieve its strategic objectives by providing it with competitive advantage through its people within the right set-up and the right cost, building a sense of belonging for staff and a strong reputation as an "employer of choice" in the market.



Aiming to offer our clients the best possible financial products and services, Banca Transilvania is treating its employees as the key factor of success in this regard. Therefore we need talented young staff enabling us to master the challenges that lie ahead. During 2004, 541 new employees have joined Banca Transilvania, decreasing the average age from 34.5 to 32.3.

Training and educational programs are increasing both the external and the internal ones, assisting employees in taking part in on-the-job qualification schemes. A total of 1980 employees have benefited, during 2004, from training and educational programs, all cathegories and specializations being covered.



Human resources statistics:

▪ Gender ratio	32%M	68%F
▪ Management gender ratio	39%M	61%F
▪ Average age	32.3	
▪ Total headcount increase during 2004	36.28%	

Close to the end of 2004, BT put in place the bases of BT Academy a new entity inside the Human Resources Department, dedicated to the training and to the professional development of its employees.

This entity is managed by a "Dean", has the headquarters in Cluj-Napoca and will handle all the details related to the training plan and its implementation within the bank.

In premiere, the BT Academy will launch in 2005 the Program Star BT, dedicated mainly to the fresh employees but also to the other employees who want to attend and to benefit of the advantages of such personal development program. Star BT represents both an opportunity and a necessity within Banca Transilvania, due to the extraordinary expansion of the bank both in terms of business and in terms of employees' number. Moreover, the bank is willing to offer to its employees the chance to grow and to develop professionally to become more competitive on the banking field.

IT

In the third quarter of 2004, Banca Transilvania finalized successfully the implementation in all BT units of the new IT system, Bankmaster, provided by Misys Company.

Banca Transilvania is a fast, flexible and innovative bank, exploiting real economies of scale, helped by a performing IT system, "Bankmaster" which gives the bank a powerful platform on which to build a business that is efficient, capable of extraordinary growth, and easier to manage.

Our new products are attracting new customers and Misys technology, together with BT strategy, is giving us the opportunity of focus on customers' needs. We have one of the most important advantages that a bank can offer it to its clients: access to self account from every BT unit. To be on-line means to appreciate the clients' time by efficiency and mobility. Banca Transilvania invested and will continue to invest in IT and to improve its operational platform because these mean a key infrastructure element for a bank wanting to offer quality services.

During 2004 the IT team of Banca Transilvania realized a new Data Center and continued the standardization of IT infrastructure (stations, servers, printers, network equipments).

The IT infrastructure has migrated from an isolated Novell structure in each branch to a centralized one, based on Microsoft Active Directory. A new electronic communications system has been implemented also based on Active Directory infrastructure.

New electronic payment products have been launched: Multicash based BT Ultra (Electronic Banking) and BT24 (Internet Banking).

CORPORATE GOVERNANCE

Information on corporate governance

Banca Transilvania's system of corporate governance has been designated in line with best practices with regard to the internal organization of banks in Romania, reviewing periodically its principles and implementing a process to monitor compliance.

Banca Transilvania is a joint stock company with a paid in capital of 1,334,937 million ROL divided in common shares with a face value of 1,000 ROL. Pursuant to the Bank's Charter no shareholder, other than EBRD, can hold over 5%.

On December 31, 2004 Banca Transilvania's shareholders structure was as follows:

- Romanian investors: 65.57%, among which four of the Romanian Financial Investment Companies (SIF) hold together 13.78%
- Foreign investors: 34.43%, the most important being the European Bank for Reconstruction and Development (EBRD) with 15%

In order to have a stable growth of value for all our shareholders, a good corporate governance system is needed. The corporate governance has to place a greater emphasis on the bank's long term development than on short-term success on the stock market, accomplished through a responsible management put into action.

In order to ensure a sound and transparent management, Banca Transilvania segregated the two functions of the management: the executive side, at the operational level and the supervision of the bank's management. Therefore, the executive officers appointed by the Council of Administration are responsible for operational tasks, while the supervisory function is carried out mainly by the Council of Administration.

Banca Transilvania, through the excellent cooperation between its supervisory and its executive structures together with the efficient internal and external communication, proves its consistency in subscribing to and applying the best practices in terms of corporate governance. The openness and transparency in its communication with the Stock Exchange and implicitly with its shareholders, was awarded by the Bucharest Stock Exchange, on the occasion of the Capital Market Gala, receiving the "Most Transparent Issuer" award.

The internal audit and control system has been enhanced, with the purpose to realize the optimal management of the bank and to ensure the soundness of assets. Against this background, the Internal Audit Department under the direct supervision of the Internal Audit Committee – whose members are elected amongst the Board's members – conducts internal audits of operations in all units and departments, with the additional aim of verifying that the bank's internal control system, including compliance and risk management are appropriate and effective.

The reports of audits and monitoring are periodically reported to the Management Committee and the Council of Administration.

Our corporate values and business principles

Our corporate values provide a framework that guides the way we interact with each other, our customers, our shareholders, our suppliers and the community. Our principles allow us to work with our customers and communities in order to identify their needs and be able to achieve success for both our customers and shareholders.

We are an organisation based on integrity and loyalty. We are honest in all our dealings and accountable for our actions, acknowledging and quickly fixing our mistakes. All our employees actively support and promote Banca Transilvania Financial Group by finding innovative solutions to help our customers and partners. All our relations are analyzed in a long-term perspective, the customers' interests always coming first.

We ask from our partners and provide to our customers trust and respect. Trust is the key word in our business, and as a result, we honestly communicate across all parts of our bank and with our partners or customers. We also ensure customer privacy and security. In order to fulfill our targets; we are constructive in our approach to one another, making time for people, listen and respond in ways that build understanding and meet the needs of those we are dealing with. Main respect that we can offer to our partners is to recognize each partner's contribution to the performances that we achieve through our activity.

Organization

During 2004 all internal workflows, procedures and organizational structures have been reviewed and updated to accommodate with the challenges of the business model and of the external environment. One of the aims during 2004 was to enhance the efficiency of banking procedures and services. A key component for achieving this goal is the upgrade of both the physical aspect of the network (opening new units, standardization and modernization, refurbishment) and the professional quality of the staff.

The bank’s policy in 2004 was characterized by two main directions:

- Maintenance of margins and levels of profitability within a complex economic scenario featuring an unfavorable trend in interest rates;
- Continued organic growth, horizontally and vertically, reinforcing the competitive position on the market by means of:
  - Specialization of sales and marketing efforts in line with the bank’s divisional structure
  - Sales strategies that optimize both retail and the corporate client base
  - Continuous increase of operational branches number, covering the whole country
  - Introduction of new risk management structures and procedures, reducing the risk profile of our operations
  - A strong boost to development of the multi-channel approach with a view to raising efficiency and improving services provided to customers.

PR and Communication

From the very beginning we have made the commitment to build an efficient internal and external communication system in order to ensure our transparency on the banking market. Our bank highly values standard and timely communication both inside the BT network and with its clients, shareholders, partners, media and the general community. Press releases, communications and reports are realized, providing information on the bank’s situation. Information having impact on the bank’s share price is published with the previous Bucharest Stock Exchange approval in the national media being also available on the bank’s website at www.bancatransilvania.ro.

THE COUNCIL OF ADMINISTRATION

EXECUTIVE MEMBERS

Robert C. Rekkers – Chief Executive Officer

Ionuț Pătrăhău – Deputy Chief Executive Officer

NON – EXECUTIVE MEMBERS

Horia Ciorcilă – Chairman of the Council of Administration

Roberto Marzanati – Vice-Chairman of the Council of Administration

Claudiu Silaghi – Member of the Council of Administration

Constantin Jeican – Member of the Council of Administration

Gabriela Grigore – Member of the Council of Administration

EXECUTIVE MANAGEMENT – THE MANAGEMENT COMMITTEE

Robert C. Rekkers – Chief Executive Officer

Ionuț Pătrăhău – Deputy Chief Executive Officer

Nicolae Ploață – Executive Manager Chief Operations Officer & IT

Nicolae Tarcea – Executive Manager Head of Legal, Credit Administration & Compliance

Dorel Piti – Executive Manager

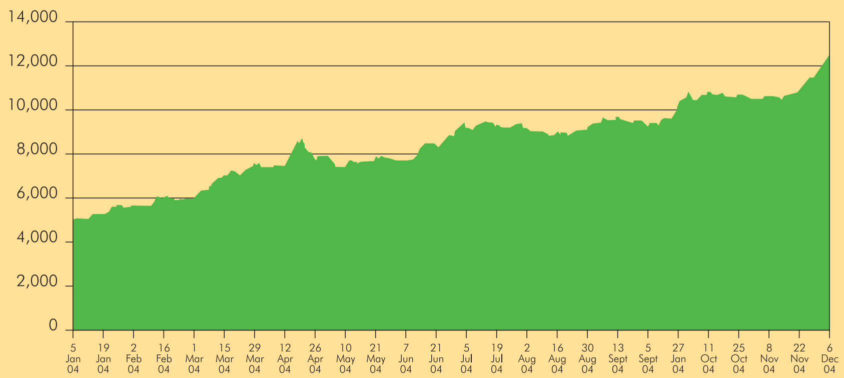
Lucia Pojoca – Executive Manager

SHAREHOLDERS INFORMATION

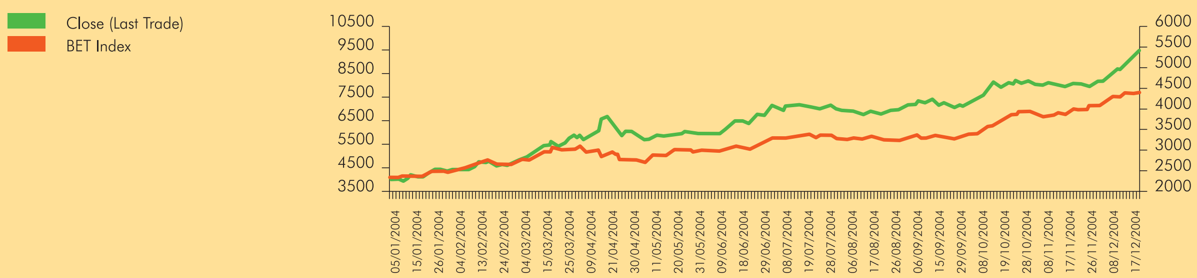
In a year to year comparison, Banca Transilvania's market value surged from USD 138.39 million to USD 434 million, an increasing similar to that of the overall market capitalization that climbed from USD 3.71 billion in 2003 to USD 11.74 billion in 2004.

The performance during 2004 brought to the Bank's shareholders a return of 161.92% in ROL respectively 193.72% in USD, taking into account the stock dividends allocated (27.5% in 2004) through the capitalization of the profit.

Stock market capitalization Banca Transilvania between January 2004 – December 2004 (ROL bn.)



TLV share price vs. BET Index January 2004 – December 2004

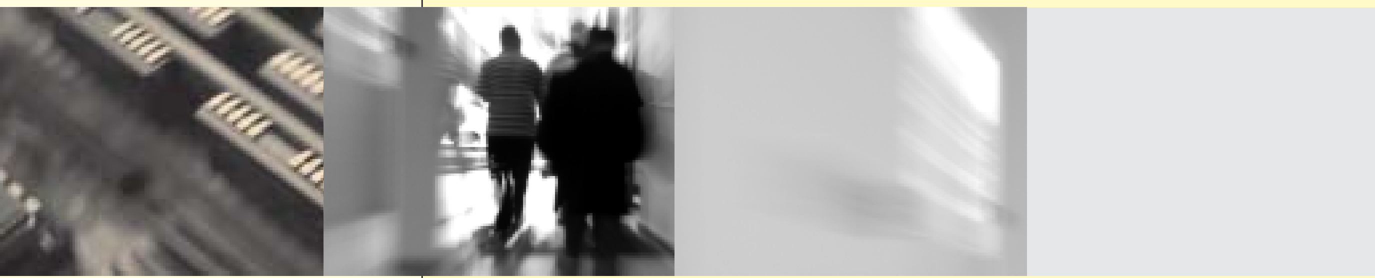


SUBSIDIARIES

BT Asigurari Transilvania

Being a joint stock company, BT Asigurari Transilvania has among its shareholders a modern bank with a continuous growth: Banca Transilvania holding 86.5% from the shares, the rest of 13.5% belonging to domestic and foreign individuals.

The company had in 2004 its 10 years of existence anniversary, each year bringing significant financial results and a continuous diversity of the products range offered.



Being aware of the long-term commitments and willing to build a solid company, both the shareholders and the executive management decided to permanently increase the share capital by reinvesting the entire profit.

The guarantee for all commitments assumed by the company is given both by its financial strength and by the reinsurance agreements concluded with powerful companies abroad.

Its continuous growth shows the prudential spirit a true Insurer must prove.

Financial Highlights

Thousand ROL

	2004	**2003**	**Increase (%)**
Total Assets minus current net debts	533,440,059	324,409,016	64.43
Shareholders' Equity	90,780,366	85,692,000	5.94
Share Capital	82,300,000	55,700,000	47.76
Gross Profit	68,479,176	36,642,370	86.89
Net Profit	57,398,916	28,312,812	102.73

BT Leasing Transilvania

BT Leasing is specialized in financial and operational leasing for a extensive range of goods such as: utility vehicles, cars, IT, and printing equipment, medical devices, office equipment and many others, its increasing clients' portfolio including companies, authorized individuals (medical offices, lawyers, notaries) and individuals.

During 2004, BT Leasing Transilvania increased its share capital from ROL 37.5 billion to ROL 60.3 billion, both by capitalization of retained earnings and by cash inflows from the shareholders.

The good quality image gained by BT Leasing Transilvania and its future potential were factors which eased the Company's access to foreign currency funding.

Financial Highlights

Thousand ROL

	2004	2003	Increase (%)
Total Assets minus current net debts	675,728,792	409,857,055	64.87
Shareholders' Equity	106,433,871	63,591,298	67.37
Share Capital	60,365,000	37,500,000	60.97
Net Turnover	441,341,730	276,935,316	59.37
Operational Result	7,476,362	64,706,047	-88.45
Current Result	55,317,013	32,109,378	72.28
Total Incomes	565,059,356	388,692,011	45.37
Total Expenses	509,742,343	356,582,633	42.95
Gross Profit	55,317,013	32,109,378	72.28
Net Profit	42,842,573	24,470,746	75.08

BT Securities

During the last years, the positive macroeconomic climate that prevailed in Romania (increase of trading volumes on BSE and stock values) impacted positively the company's profitability. Despite the intensified competition due to the launch of a large number of new brokerage firms in Romania, BT Securities managed to increase its market share and clients base.

The total volume of transactions performed by BT Securities increased significantly from ROL 1,048 billion in 2003 to ROL 2,245 billion in 2004 representing an increase of 214.06%.

In 2004, the company mediated 17 public offers to take over companies and also carried out 2 public offers for selling out municipality bonds for Cluj-Napoca and Targu-Ocna.

According to data provided by the National Company for Deposits, Clearing and Settlements, in 2004, BT Securities had a market share of 4.10% on BSE with a total transaction volume of ROL 1,934 billion and 3.10% on BER with a total transaction volume of ROL 310 billion.

Whit respect to the profitability of placements the company concentrated on an efficient management of funds in order to ensure an adequate level of return. Based on this sound management, the value of BT Securities portfolio increased from ROL 8,789 million (2003) to ROL 17,848 million (2004), representing an increase of 103%.

The company's growth strategy aims to broaden the customer's base yet further, upgrade operations and enhance synergies with the other members of the BT Financial Group.

Financial Highlights

ROL Thousands

	2003	**2004**	**Increase (%)**
Total assets	18,049,329	30,700,484	70.09
Share Capital	12,444,446	16,959,537	36.28
Shareholders' equity	17,664,268	30,700,484	73.80
Net turnover	15,363,068	30,564,911	98.95
Operational Result	2,058,109	5,041,885	144.98
Financial Result	4,801,335	11,746,612	144.65
Current Result	6,859,444	16,788,497	144.75
Total incomes	24,089,717	44,518,962	84.80
Total Expenses	17,230,273	27,730,465	60.94
Gross Result	6,859,444	16,788,497	144.75
Income Tax	1,423,054	3,752,282	163.68
Net Result	5,436,390	13,036,215	139.80

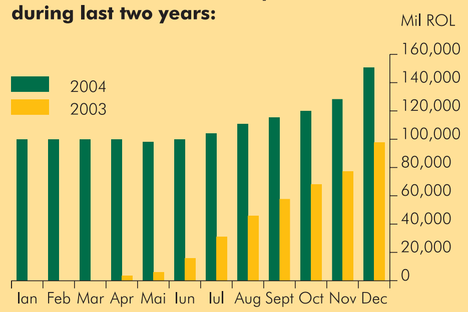
BT Direct

The mission of BT Direct is to become and to be acknowledged on the market as a national company providing the most convenient consumer finance services.

The strategy of BT Direct is to benefit from the real consumer finance market opportunities. The financing activity will create value for the shareholders and will also increase the satisfaction of the consumers' meeting their need for the long use goods, through financial programs with competitive advantages against the other competitors on the market.

During last year, the Company has shown its profitability, increasing its net profit to ROL 27.5 billion, doubling the total number loans in portfolio (in value of over ROL 213 billion).

The evolution of the loans portfolio during last two years:



Financial Highlights

ROL million

Financed Value	**102,886**
Total Operational Income	41,448
Total income	45,364
Total expenses	9,114
Gross Profit	36,250
Net Profit	27,574

BANCA TRANSILVANIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2004

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS

TOGETHER WITH THE REPORT OF
INDEPENDENT AUDITORS

REPORT OF INDEPENDENT AUDITORS

To the Shareholders of Banca Transilvania S.A.:

1. We have audited the accompanying consolidated balance sheet of Banca Transilvania S.A. (The Bank) and its subsidiaries (The Group) as of 31 December 2004, and the related statements of income, and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. This report is made solely to the Bank's shareholders, as a body. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an audit report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our work, or for this report, or for the opinion we have formed.

3. Except as discussed in the following paragraph, we conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

4. The scope of our engagement as of 31 December 2004 did not include the audit of certain subsidiaries, consolidated in financial statements, that represent 3.03% of consolidated total assets and 2.47% of net income. In addition, we were unable to obtain audited financial statements, prepared in accordance with International Financial Reporting Standards of these subsidiaries.

5. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we audited or had audited financial statements prepared in accordance with International Financial Reporting Standards of all consolidated subsidiaries existed, the financial statements referred to in the first paragraph above present fairly in all material respects the financial position ot the Group as of 31 December 2004 and of the results of its operators and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Assurance Services SRL

Bucharest, Romania
Date: 25 February 2005

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2004

(Amounts in millions of ROL in terms of purchasing power as of December 31, 2004, unless otherwise indicated)

	Note	ROL 2004	ROL 2003	EUR 2004	EUR 2003
ASSETS					
Cash and cash equivalents		577,186	477,907	14,552,253	12,049,189
Current accounts and deposits with banks	5	977,141	646,794	24,636,084	16,307,238
Accounts with the Central Bank	6	5,773,541	2,724,622	145,564,909	68,694,299
Financial assets at fair value through profit or loss	7	2,516,639	574,746	63,450,546	14,490,734
Loans, net	9	13,956,112	8,177,977	351,867,282	206,186,547
Lease receivables, net	12	706,907	511,176	17,822,832	12,887,981
Equity investments	10	98,473	27,675	2,482,742	697,754
Held to maturity securities	8	217,790	280,328	5,491,012	7,067,746
Associates	10	42,904	41,482	1,081,713	1,045,861
Tangible and intangible assets, net	11	1,206,151	774,616	30,409,979	19,529,940
Premium receivables		105,817	–	2,667,902	–
Goodwill,	13	169,084	3,761	4,263,016	94,824
Deferred tax asset, net	20	10,538	–	265,688	–
Other assets, net	14	159,137	57,132	4,012,228	1,440,436
Total Assets		**26,517,420**	**14,298,216**	**668,568,186**	**360,492,549**
LIABILITIES AND EQUITY					
Customers' deposits					
Demand deposits	15	5,437,713	3,274,827	137,097,875	82,566,296
Time deposits	16	14,019,886	7,327,898	353,475,177	184,754,002
Total deposits		19,457,599	10,602,725	490,573,052	267,320,298
Borrowings	17	3,665,113	1,518,048	92,406,348	38,273,656
Leasing liabilities	18	10,646	8,053	268,411	203,036
Deferred tax liability, net	20	–	205	–	5,169
Technical reserves		186,059	–	4,690,997	–
Other liabilities	19	213,515	107,201	5,383,229	2,702,796
Total Liabilities		**23,532,932**	**12,236,232**	**593,322,037**	**308,504,955**
Equity					
Share capital					
Share capital, nominal	21	1,334,937	970,863	33,656,985	24,477,800
Share capital restatement surplus		898,992	898,992	22,665,759	22,665,759
Total share capital		2,233,929	1,869,855	56,322,744	47,143,559
Treasury shares	21	(39,580)	–	(997,907)	–
Share premium		251,209	–	6,333,585	–
Retained earnings		531,769	191,309	13,407,181	4,823,362
Minority interest		7,161	820	180,546	20,673
Total Equity		**2,984,488**	**2,061,984**	**75,246,149**	**51,987,594**
Total Liabilities and Equity		**26,517,420**	**14,298,216**	**668,568,186**	**360,492,549**

The financial statements on pages 2 to 39 were approved by the management on February 25, 2005 and signed on its behalf by:

Robert Rekkers
Chief Executive Officer

Maria Moldovan
Chief Financial Officer

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

(Amounts in millions of ROL in terms of purchasing power as of December 31, 2004, unless otherwise indicated)

	Note	ROL 2004	ROL 2003	EU 2004	EUR 2003
Interest income					
Interest on loans		2,091,299	1,072,233	52,726,697	27,033,583
Interest on deposits with banks		274,190	229,957	6,912,992	5,797,771
Interest on securities		295,132	173,318	7,440,990	4,369,765
Interest on leases		105,739	60,711	2,665,936	1,530,671
Other interest		2,012	18,822	50,727	474,548
Total interest income		2,768,372	1,555,041	69,797,342	39,206,338
Interest expense	23	(1,272,037)	(577,692)	(32,071,124)	(14,565,010)
Net interest income		1,496,335	977,349	37,726,218	24,641,328
Impairment loss on loans, net	9	(120,163)	(21,205)	(3,029,599)	(534,629)
Net interest income less provision for impairment of loans		1,376,172	956,144	34,696,619	24,106,699
Non-interest income/(expense)					
Foreign exchange income, net		175,424	139,550	4,422,863	3,518,392
Fee and commission income, net	24	832,572	531,319	20,991,150	13,395,835
Premium revenue, net		20,309	–	512,039	–
Dividend income outside the group		28,034	5,743	706,805	144,795
Other income		111,457	27,924	2,810,100	704,031
Total non–interest income		1,167,796	704,536	29,442,957	17,763,053
Income before non-interest expense		2,543,968	1,660,680	64,139,576	41,869,752
Non-interest expense					
Salaries and related expenses	25	(786,986)	(558,739)	(19,841,817)	(14,087,159)
Other provisions		–	(10,118)	–	(255,099)
Other operating expenses	26	(976,600)	(499,556)	(24,622,444)	(12,595,013)
Total non-interest expense		(1,763,586)	(1,068,413)	(44,464,261)	(26,937,271)
Net operating profit		780,382	592,267	19,675,315	14,932,481
Loss on net monetary position		–	(165,909)	–	(4,182,966)
Profit before income tax expense		780,382	426,358	19,675,315	10,749,515
Income tax expense					
Current income tax (expense)	20	(186,166)	(99,169)	(4,693,694)	(2,500,290)
Deferred income tax (expense)/revenue	20	10,743	(14,005)	270,857	(353,100)
Total income tax expense		(175,423)	(113,174)	(4,422,837)	(2,853,390)
Net profit for the year		604,959	313,184	15,252,478	7,896,125
Profit/(loss) attributable to minority interest		(2,489)	205	(62,754)	5,169
Profit attributable to equity holders of the parent		607,448	312,979	15,315,232	7,890,956
Earnings per share (in ROL)		557	372		

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR END 31 DECEMBER 2004

(Amounts in millions of ROL in terms of purchasing power as of December 31, 2004, unless otherwise indicated)

Cash flows from/(used in) operating activities	**2004**	**2003**
Operating profit before loss on net monetary position and income tax	780,382	592,062
Adjustments for non-cash items:		
Depreciation expense	147,041	75,477
Net loss from disposals of tangible and intangible assets	43,356	2,557
Impairment of loans	120,163	21,205
Other provisions	857	10,118
Other adjustmemts	165,046	(3,887)
Total adjustments for non-cash items	476,464	105,470
Net profit adjusted for non-cash items	1,256,846	697,532
Changes in operating assets and liabilities		
Compulsory reserves with the Central Bank	(2,379,609)	(688,417)
Collateral deposits at banks	(1,514)	(188)
Treasury securities	(1,705,416)	604,420
Investments held for trading	(97,842)	(40,116)
Loans and leasing	(6,093,172)	(4,273,604)
Other assets	(93,812)	8,688
Demand deposits	2,162,886	870,683
Time deposits	6,691,988	2,563,479
Unearned income and other liabilities	89,861	(12,578)
Income tax paid	(183,940)	(88,608)
Total changes in operating assets and liabilities	(1,610,570)	(1,056,241)
Net cash from operating activities	(353,724)	(358,709)
Cash flows from/(used in) investing activities		
Increase in equity investments	(37,737)	(3,050)
Dividends received	–	5,743
Acquisition of tangible and intangible assets	(595,483)	(355,190)
Proceeds from sale of tangible and intangible assets	4,149	1,354
Acquisition of subsidiary, net of cash acquired	(102,720)	–
Cash subscriptions to share capital	97,086	–
Increase in treasury shares	(39,580)	–
Net cash used in investing activities	(674,285)	(351,143)
Cash flows from financing activities		
Subscriptions to share capital		
Leasing	10,481	(14,932)
Increase in borrowings	2,122,965	879,293
Net cash from financing activities	2,133,446	864,361
Monetary loss on cash transactions	–	(165,909)
Net increase in cash and cash equivalents	1,105,437	(11,400)
Cash and cash equivalents at beginning of period	1,728,802	1,740,202
Cash and cash equivalents at end of period	2,834,239	1,728,802
Additional information regarding cash flows:		
Interest paid during the period		650,599
Interest received during the period		1,613,763
Dividends received during the period		5,730
Cash and cash equivalents		
Cash and cash equivalents	577,186	477,907
Current accounts and deposits at banks	977,141	644,461
Deposits with the Central Bank	1,275,744	606,434
Total cash and cash equivalents	2,830,071	1,728,802

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR END 31 DECEMBER 2004

(Amounts in millions of ROL in terms of purchasing power as of December 31, 2004, unless otherwise indicated)

The cash flow from acquisition of BT Asigurari is as follows:

Net assets aquired	
Cash and cash equivalents	77,019
Treasury securities	59,416
Investments in equities	33,061
Tangible and intangible assets, net	18,593
Premium receivable	97,495
Other assets	18,209
Borrowings	(24,100)
Technical reserves	(167,968)
Other liabilities	(46,171)
Total Net Assets	65,554
Aquired share	86.53%
Net assets aquired	56,724
Goodwill	138,598
Consideration	195,322
Shares aquired before 2004	15,583
Cash paid in 2004	179,739
Total cosideration	195,322
Cash paid	179,739
Cash of the subsidiary	(77,019)
Cash flow on acquisition net of cash aquired	102,720

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR END 31 DECEMBER 2004

(Amounts in millions of ROL in terms of purchasing power as of December 31, 2004, unless otherwise indicated)

	Share capital	Treasury shares	Share capital restatement reserve	Share premium	Retained earnings	Minority interest	Total
Balance as of Dec. 31, 2002	713,088	–	878,889	–	155,088	1,120	1,748,185
Increase in share capital through appropriation of retained earnings	257,775	–	20,103	–	(277,878)	–	–
Minority interest	–	–	–	–	1,120	(300)	820
Net profit of the year	–	–	–	–	312,979	–	312,979
Balance as of Dec. 31, 2003	970,863	–	898,992	–	191,309	820	2,061,984
Increase in share capital through appropriation of retained earnings	266,988	–	–	–	(266,988)	–	–
Subscriptions in cash during 2004	97,086	–	–	251,209	–	–	348,295
Treasury shares movement	–	(39,580)	–	–	–	–	(39,580)
Minority interest from acquisitions	–	–	–	–	–	8,830	8,830
Net profit of the year	–	–	–	–	607,448	(2,489)	604,959
Balance as of Dec. 31, 2004	1,334,937	(39,580)	898,992	251,209	531,769	7,161	2,984,488

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

(Amounts in millions of ROL in terms of purchasing power as of December 31, 2004, unless otherwise indicated)

1. Background and general information

Banca Transilvania (the "Bank") is the holding company of Banca Transilvania Group ("the Group") which consists of the following entities:

Subsidiaries	Field of activity	Percentage of ownership or control
BT Securities S.A.	Brokerage	95.50%
BT Investments SRL	Investments	100%
BT Leasing Transilvania S.A.	Leasing	100%
BT Direct SRL	Leasing	100%
BT Building SRL	Leasing	100%
BT Logistic SRL	Leasing	100%
BT Management SRL	Leasing	100%
BT Asigurari Transilvania S.A.	Insurance	86.53%
BT Marketing SRL	Leasing	100%
BT Member SRL	Leasing	100%
BT Util SRL	Leasing	100%
BT Economic SRL	Leasing	100%
BT Program SRL	Leasing	100%
BT Concret SRL	Leasing	100%
BT Capital SRL	Leasing	100%
BT Account SRL	Leasing	100%
BT Business SRL	Leasing	100%
BT Partner SRL	Leasing	100%

The Group has two principal areas of business activity: banking and financial services and life and general insurance business.

The Bank was established in 1994 through public subscription, and is currently listed on the first tier of the Bucharest Stock Exchange ("BSE").

The registered address of the Bank is George Baritiu St. 8, Cluj-Napoca, Romania.

The Bank offers a full range of commercial and individual banking services allowed by law. The Bank accepts deposits from the public and grants loans, carries out funds transfer in Romania and abroad, exchanges currencies and provides banking services for its commercial and retail customers.

The Bank serves customers throughout Romania from 40 branches, 71 agencies and 4 exchange houses (36 branches and 31 agencies in 2003).

The Bank's capital was owned by 9,361 shareholders as of December 31, 2004 (2003 - 5,418) with the following structure:

	2004	2003
European Bank for Reconstruction and Development ("EBRD")	15.00%	15.00%
Romanian individuals	43.74%	38.98%
Domestic companies	21.83%	22.33%
Foreign individuals	6.51%	7.15%
Foreign companies	12.92%	16.54%
Total share capital	100%	100%

2. Basis of presentation

The consolidated financial statements are presented in million of Romanian Leu ("ROL"), the currency of the country in which the Bank operates. The Bank maintains its accounting records and prepares a separate set of financial statements in accordance with Accounting Regulations Harmonised with the European Economic Community's Directive no. 86/635/CEE and with the International Accounting Standards ("IAS BNR") and the Romanian Banking Act. The statutory financial statements have been prepared under the historical cost convention, except for the statutory revaluation of tangible assets. These financial statements are based on the statutory records and include adjustments and restatements for the changes in the general purchasing power of ROL and other adjustments for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS").

Set forth below is a summary of the significant differences in net profit and total equity as recorded under IAS - NBR with the net profit and total equity in the IFRS financial statements:

	Year ended December 31, 2004		Year ended December 31, 2003	
	Net profit	Equity	Net profit	Equity
Net profit/equity under IAS - BNR	608,284	3,018,038	467,846	2,061,448
Adjustments to restate equity items:				
-restatement of share capital (a)	–	–	(215,255)	(1,595)
-restatement of retained earnings (a)	–	–	–	–
	–	–	(215,255)	(1,595)
Adjustments to restate tangibles and intangibles:				
-restatement of tangible assets (a)	18,606	101,687	84,355	79,756
-restatement of intangible assets (a)	–	–	–	3,355
	18,606	101,687	84,355	83,111
-restatement of investments in equities (a)	(33,764)	5,434	26,411	58,121
Other adjustments:				
-loan impairment reserve (b)	(47,159)	(128,023)	(3,080)	(80,864)
-deferred tax, net (c)	–	918	(15,370)	918
-other adjustments	61,481	26,014	(31,928)	(59,155)
	14,322	(101,091)	(50,378)	(139,101)
Net effect of adjustments	(836)	6,030	(154,867)	536
Net profit/equity under IFRS	607,448	3,024,068	312,979	2,061,984

a) impact of inflation quantified in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies";

b) additional reserve for loans;

c) deferred tax expense/revenue recorded in accordance with IAS 12 "Income Taxes" (see Note 19).

3. Summary of significant accounting policies

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the IASB and Standing Interpretations Committee interpretations approved by the IASC that remain in effect.

b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that the Bank has adopted those standards designed to form the 'stable platform' intended to be mandatory for financial years beginning on or after 1 January 2005. The principal effects of this decision are discussed below.

IFRS 3 'Business Combinations', IAS 36 'Impairment of Assets' and IAS 38 'Intangible Assets'

IFRS 3 applies to accounting for business combinations for which the agreement date is on or after 31 March 2004. The effect of the adoption of IFRS 3 upon the Bank's accounting policies has impacted the recognition of restructuring provisions arising upon an acquisition. The Bank is now only permitted to recognise an existing liability contained in the acquiree's financial statements on acquisition. Previously this type of restructuring provision could be recognised by the acquirer regardless of whether the acquiree had recognised this type of liability or not.
Further, upon acquisition the Bank initially measures the identifiable assets and liabilities acquired at their fair values as at the acquisition date hence causing any minority interest in the acquiree to be stated at the minority's proportions of the net fair values of those items.
Additionally, the adoption of IFRS 3 and IAS 36 has resulted in the Bank ceasing annual goodwill amortisation and to test for impairment annually at the cash generating unit level (unless an event occurs during the year which requires the goodwill to be tested more frequently) from 1 January 2004. The transitional provisions of IFRS 3 have required the Bank to eliminate the carrying amount of the accumulated amortisation by 2003 with a corresponding entry to goodwill.

Moreover, the useful life of intangible assets is now assessed at the individual asset level as having either a finite or indefinite life. Where an intangible asset has a finite life, it has been amortised over its useful life. Amortisation years and methods for intangible assets with finite useful lives are reviewed at the earlier of annually or where an indicator of impairment exists. Intangibles assessed as having indefinite useful lives are not amortised, as there is no foreseeable limit to the year over which the asset is expected to generate net cash inflows for the Bank. However, intangibles with indefinite useful lives are reviewed annually to ensure the carrying value does not exceed the recoverable amount regardless of whether an indicator of impairment is present.

c) Early adoption of other International Financial Reporting Standards

In addition to the standards referred to above, the Bank has resolved to early adopt the following revised standards during the year.

IAS 1 Presentation of Financial Statements (amended 2004)
IAS 7 Cash Flow Statements (amended 2003)
IAS 17 Leases (amended 2004)
IAS 32 Financial Instruments: Disclosure and Presentation (amended 2004)
IAS 39 Financial Instruments: Recognition and Measurement (amended 2004)

No significant adjustments arose due to the early adoption of these standards

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Banca Transilvania SA and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.
All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.
Subsidiaries are consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which control is transferred out of the Bank. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which Banca Transivania SA has control.
Minority interests represent the interests in BT Securities and BT Asigurari, not held 100% by the Bank.

e) Life assurance business

Income from long-term life assurance business, including the provision of life, health and accident assurance, consists of (a) any surplus from the operations that is attributed to the shareholders including investment management fees and other expenses charged to the long-term business funds, and (b) the change in the present value of the net future income from the insurance contracts in force. The change in the present value of in-force business is determined on a post tax basis. For presentation purposes, the change in value is grossed up at the underlying rate of tax.

Staff costs and other administrative expenses are included in the relevant captions in the income statement. All premiums, income from investments, claims of policyholders and expenses are accounted for within the related long-term business funds. Any surplus or deficit from assurance business, which is determined on the basis of an annual actuarial valuation, is distributed to the policyholders and the shareholders according to the terms of the insurance contracts.

f) General insurance business

Income from general insurance business in the income statement is the net amount of the gross insurance premiums less reinsurance premiums, net claims and agents' commissions, and the increase/decrease in insurance business funds. Staff costs and other administrative expenses are included in the relevant captions in the income statement. Premium income is recognised in the period in which insurance cover is provided to the customer. Premiums received relating to future periods are deferred and only recognised in the income statement when earned. Reinsurance premiums are recognized on the same basis as the related premium income.

g) Current accounts and deposits with banks

These are stated at amortised cost, less any amounts written off and provision for impairment.

h) Financial instruments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.
After initial recognition, investments, which are classified as held for trading, are measured at fair value. Gains or losses on investments held for trading are recognised in income.
Investments are classified as held-to-maturity when those are non derivatives with fixed or determinable payments and fixed maturity that the Group has positive intention and ability to hold to maturity.
Investments intended to be held for an undefined period are not included in this classification.
Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity.
For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.
For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.
All regular way purchases and sales of financial assets are recognised on the settlement date i.e. the date that the transaction is made. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Fair value of financial instruments

Fair value is the amount for which an instrument could be exchanged between knowledgeable and willing parties in an arms length transaction. It represents a general approximation of possible value and may never be effectively realized.

The fair value is subject to fluctuations of many economic variables including:

a) exchange rate of foreign currency against the ROL;
b) market price of similar products;
c) interest rates;
d) devaluation of the purchasing power of the ROL.

The Bank's financial instruments, as defined in accordance with applicable requirements, include financial assets and liabilities recorded in the balance sheet as well as off-balance sheet instruments such as guarantees and letters of credit. All regular way purchases and sales of financial instruments are recognized at settlement date, which is the date on which the transaction is settled.

The Bank's short term funds, treasury bills and customer settlement accounts are carried in the financial statements at cost, because these instruments have short maturity terms and are convertible into cash or are settled without significant transaction costs. The loans and advances, bills of exchange, guarantees, letters of credit and term deposits are reported at cost less an estimate for impairment. These items have predominantly short re-pricing terms and carry interest rates that reflect current market conditions.

A market does not presently exist for most of these financial instruments which would facilitate obtaining prices for comparative instruments and if sold or settled prior to their stated maturity dates, these instruments would bear transaction costs in the form of fees or discounts. Because of the short-term maturity of these financial instruments, the Bank's management estimates fair value based on their nominal or face value. The Bank's investments in companies which have no quoted market price are carried at restated cost less an estimate for impairment. These financial investments generally represent equity in companies for which there is no reliable comparative information for estimating market value.

i) Treasury shares

If an entity reacquires its own equity instruments, those instruments ('treasury shares') shall be deducted from equity. No gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received shall be recognised directly in equity.

j) Loans

Loans originated by the Bank by providing money directly to a borrower are categorised as loans originated by the Bank and are carried at amortised cost. All loans and other advances are recognised when cash is advanced to borrowers.

Loans and other advances to customers are stated net of impairment reserves. A provision for impairment is established when there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the provision for impairment is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception.
When there is indication of impairment in a group of similar assets and the impairment can not be identified with an individual asset of that group, the Bank records a general impairment reserve. This is estimated based upon the historical patterns of losses in each component, the credit ratings allocated to borrowers and the current economic climate.

Bad debts are written off when there is no realistic prospect of recovery. The loan is written off against the related impairment reserve and any difference is taken to the income statement as part of the provision for the year. Subsequent recoveries of bad debts written off are credited to the provision for impairment in the income statement.

k) Leases

Finance leases – Bank as a lessor
Finance leases, which transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item, are recognised as assets at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments, excluding costs for services, reduce both the principal and the unearned finance income. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

Finance leases – Bank as a lessee

At the commencement of the lease term, lessees shall recognise finance leases as assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct costs of the lessee are added to the amount recognised as an asset.

Operating leases – the Bank as a lessor

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

l) Investments in an associate

The Bank's investment in its associates is accounted for under the equity method of accounting. This is an entity in which the Bank has significant influence and which is neither a subsidiary nor a joint venture. The financial statements of the associate are used by the Bank to apply the equity method. The reporting dates of the associate and the Bank are identical and both use consistent accounting policies.
The investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Bank's share of net assets of the associate, less any impairment in value. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the associates' equity, the Bank recognises its share of any changes and discloses this, when applicable in the statement of changes in equity.

m) Tangible and intangible assets

Buildings and other tangible assets are stated at cost less accumulated depreciation, and any impairment in value.
They are restated from the date of purchase of each item to December 31,2003, using the change in the general price index, to account for hyperinflation.

Depreciation is calculated on a straight-line basis at rates designed to write-off the restated cost value of the assets over their estimated useful lives, as presented below.

Asset type	**Years**
Buildings	50
Computers and equipment	3-6
Furniture and other assets	10
Vehicles	5

Land is not depreciated. Assets-in-progress are not depreciated until they are placed into use. Maintenance and repairs are expensed when incurred and improvements are capitalized.

Intangibles consist of purchased and in-house developed software. These are stated at restated cost less accumulated amortization, over their estimated useful life of 5 years.

The carrying values of property, equipment and software are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

n) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill on acquisitions after 31 March 2004 is not amortised and goodwill already carried in the balance sheet is not amortised after 1 January 2004. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.
As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

o) Accounting for hyperinflation and change in accounting policy

IFRS require that financial statements prepared on a historical cost basis should be adjusted to take account of the effects of inflation, if this has been significant. IAS 29 provides guidance on how financial information should be prepared in such circumstances. In summary it requires that financial statements should be restated in terms of measuring unit current at the balance sheet date and that any gain or loss on the net monetary position should be included in the income statement and disclosed separately. The restatement of financial statements in accordance with IAS 29 requires the use of a general price index that reflects changes in general purchasing power.

IAS 29 suggests that economies should be regarded as hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years is approaching, or exceeds, 100%. The annual increase in the general price index as issued by the "Institutul National de Statistica si Studii Economice" ("INSSE") over the years 2002 to 2004 was:

	Movement in consumer price index	Increase in the exchange rate of the EUR vs. ROL
Year ended 31 December 2002	17.8%	25.2%
Year ended 31 December 2003	14.1%	17.7%
Year ended 31 December 2004	9.3%	(3.54%)

There are other factors to be considered when deciding whether the restatement of financial statements in accordance with IAS 29 is necessary include, but are not limited to the following: the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency and amounts of local currency held are immediately invested to maintain purchasing power; the general population regards monetary amounts not in terms of local currency but in terms of a relatively stable foreign currency and prices may be quoted in that currency; sales and or purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short; interest rates, wages and prices are linked to a price index.

However, over the last years, a significant change in the economic behavior occurred, that together with the decreasing trend of inflation, led to the cessation of hyperinflation accounting as at 1 January 2004. In addition, with the EU accession planned for 2007, an increasing priority of the Romanian government is the stabilization of the Romanian economy which will involve, among others, a commitment to curb inflation to single digit annual inflation from 2004.

The Bank has therefore ceased to apply hyperinflation accounting from 1 January 2004. The Romanian economy has been officially declared as ceasing to be hyperinflationary as at 1 July 2004.

p) Foreign currency translation

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in the foreign currencies are reported using the closing exchange rate.

	December 31, 2004	December 31, 2003
USD/ROL	29,067	32,595
EUR/ROL	39,663	41,117

Exchange differences arising on the settlement of the transactions at rates different from those at the date of the transaction, and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the income statement.

q) Income and expense recognition

Interest income and expenses are recognized on an accrual basis.

Loan origination fees, such as evaluating the borrowers' financial condition, guarantees, collateral and other security arrangements, are deferred and subsequently recognized in income as an adjustment to the effective yield.
Commissions on foreign currency transactions are credited to income on receipt. Other commissions and fees charged to customers are credited to income at the time transactions are performed.

r) Taxation

The current tax is the amount of income taxes payable in respect of the taxable profit, reported in the statutory financial statements, computed in accordance with Romanian tax rules and accrued for in the period to which it relates.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

s) Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

t) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash, current accounts and deposits at banks and the Central Bank, with an original maturity of three months or less. Restricted assets, including compulsory reserves, are excluded.

u) Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but is disclosed when an inflow of economic benefits is probable.

v) Provisions

A provision is recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

w) Related parties

Parties are considered related when one party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly or indirectly control or significantly influence the other party. Related parties also include individuals that are principal owners, management, and members of the Bank's Board of Directors and members of their families.

x) Employee benefits

Short-term employee benefits:
Short-term employee benefits include wages, salaries and social security contributions. Short-term employee benefits are recognised as expenses as services are rendered.

Post-employment benefits:
Both the Bank and its employees are legally obliged to make defined contributions (included in the social security contributions) to the National Pension Fund, managed by the Romanian State Social Security. The Bank has no further obligation to pay benefits due to its own employees by the Fund. The Bank's contributions relating to defined contribution plans are charged to income in the year to which they relate.

Termination benefits:
As required by the Romanian Law, the Bank pays termination indemnities in cases of termination of employment within the framework of a reduction in labour force, connected or not with reorganisation. Expenses related to termination indemnities are accrued when management decides to adopt a plan that will result in future payments of termination benefits and by the balance sheet date either starts to implement the restructuring plan or communicates the restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation that the Bank will carry out the restructuring.

y) Earnings per share

Earnings per share ("EPS") are determined by dividing net income by the weighted average number of shares that have been outstanding during the related year.

In Romania, companies may increase their share capital by making a pro rata distribution of shares ("bonus shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the EPS calculation such bonus share issues are regarded as stock dividends.

z) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically and changes in estimates are recognized in the periods in which they become known.

aa) Comparative amounts

Certain comparative amounts were reclassified to conform with changes in presentation in the current year. Such reclassifications had no impact on Group profit, total assets or equity.

bb) Subsequent events

Post-period-end events that provide additional information about the Bank's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

cc) Reader's convenience translation

The financial statements are expressed in ROL. The translations of ROL into EUR are included solely for the convenience of the reader, using the official exchange rate communicated by the National Bank of Romania at December 31, 2004, which was ROL/EUR 39,663. The convenience translations should not be construed as representations that the ROL amounts have been, could have been, or could in the future be, converted into EUR at this or any other rate of exchange.

4. Segmental analysis

The group has two principal areas of business activity: banking and financial services and life and general insurance business.

	Banking and financial services	Insurance business	Total
Turnover	4,053,449	32,781	4,086,230
Profit before tax			
As per income statement	792,138	(11,756)	780,382
Expenses included above:			
Provisions for bad and doubtful debts	120,163	–	
Profit before provisions	912,301	(11,756)	780,382
Assets	26,178,901	357,865	26,536,766
Inter-segment assets			(19,346)
Total assets			26,517,420
Liabilities	23,215,033	317,899	23,532,932
Inter-segment liabilities			–
Total liabilities			23,532,932

5. Current accounts and deposits with banks

	2004	2003
Current accounts at banks	283,345	119,025
Deposits at banks	693,796	527,769
Total current accounts and deposits at banks	977,141	646,794

As of December 31, 2004, deposits in amount of 3,846, (2003 – 2,332) are restricted in use, representing collateral for EUROPAY card transactions.

6. Accounts with the Central Bank – National Bank of Romania

	2004	2003
Compulsory reserves and demand deposits	4,497,797	2,118,188
Time deposits	1,275,744	606,434
Total accounts with the Central Bank	5,773,541	2,724,622

The National Bank of Romania ("NBR") requires Romanian commercial banks to maintain certain reserves computed in accordance with specific regulations ("compulsory reserve") as a stated percentage for all types of deposits, other borrowed funds and amounts in transit. As of December 31, 2004, the rates of ROL and foreign currency compulsory reserves were 18% and 30% (18% and 25% as of December 31, 2003).

The interest rate paid by the National Bank of Romania for compulsory reserves during the year 2004 were 6% for ROL (6% to 7% during 2003), and 0.75% for USD (0.75% to 1% during 2003).

7. Financial assets at fair value through profit or loss

	2004	2003
Treasury bills	2,297,158	481,844
Shares in listed companies	139,241	43,370
Investment units in Transilvania Fund	67,583	49,532
Other short term investments	12,657	–
Total financial assets at fair value through profit or loss	2,516,639	574,746

Treasury bills have been issued by the Romanian Ministry of Finance and are denominated in ROL.

As of December 31, 2004, treasury securities in amount of 200,272 (2003 - 227,290) are restricted in use settlement by the National Clearing and Settlement Company ("SNCDD"), by BSE, multilateral settlements at the Central Bank and for card transactions settlement to EUROPAY.

SNCDD acts as a clearing and settlement agent of securities transactions performed on RASDAQ.

As of December 31, 2004 most of shares are represented by quoted shares acquired from Bucharest Stock Exchange and RASDAQ.

The investments units (2004: 291,043) in Transilvania Fund are administrated by Banc Post, which has published a year-end quotation of 211,935 ROL per unit at December 31, 2004.

8. Held-to-maturity securities

	2004	2003
Treasury bills	–	279,420
Treasury bonds	217,790	908
Total held-to-maturity securities	217,790	280,328

Treasury securities held to maturity as of December 31, 2004 consists bills issued by the Ministry of Public Finance during 2003, that have been purchased at interest rates between 12% and 15%.

9. Loans, net

	2004	2003
Loans, gross	14,142,545	8,297,246
Impairment reserve for loans	(186,433)	(119,269)
Total current accounts and deposits at banks	13,956,112	8,177,977

Interest rates for ROL loans granted by the Bank ranged between 15% – 35% during 2004 (2003 - 16% - 45%).
Interest rates for foreign currency loans ranged between 5% - 16% during 2004 (2003 - 5% - 19%).
The distribution by business sectors of the loans granted by the Bank was as follows:

Business sector	2004	2003
Agriculture and forestry	3.04%	1.64%
Industry	14.46%	13.80%
Trade	20.87%	22.47%
Construction	3.16%	2.34%
Services	13.61%	12.82%
Financial institutions	3.26%	6.52%
Individuals	39.86%	34.18%
Other	1.74%	6.23%
Total	100.00%	100.00%

The changes in the impairment reserve for loans during the year was:

	2004	2003
Balance at the beginning of the year	**119,269**	**94,653**
Monetary gain	–	(11,695)
Write off of non-performing loans, net of recoveries	(52,999)	15,106
Impairment expense	120,163	21,205
Balance at the end of the year	186,433	119,269

10. Equity investments

Company	Field of activity	%	Dec.31, 2003 (before consolidation)	Dec.31, 2003 (consolidated)	Additions	Disposals	Consolidation	Dec.31, 2004
Subsidiaries								
BT Securities S.A.	Brokerage	95.50%	10,890	–	–	–	(10,890)	–
BT Investments SRL	Investments	100%	90,916	–	60,000	–	(150,916)	–
BT Leasing Transilvania S.A.	Leasing	20%*	8,062	–	–	–	(8,062)	–
BT Direct SRL	Leasing	93.70%	99,094	–	–	–	(99,094)	–
BT Building SRL	Leasing	4.17%*	–	–	125	–	(125)	–
BT Logistic SRL	Leasing	99.99%	–	–	4,800	–	(4,800)	–
BT Management SRL	Leasing	99.99%	–	–	4,800	–	(4,800)	–
BT Asigurari Transilvania S.A.	Insurance	86.53%	15,583	15,583	179,739	–	(195,323)	–
BT Marketing SRL**	Leasing	100%*	–	–	–	–	–	–
BT Member SRL**	Leasing	100%*	–	–	–	–	–	–
BT Util SRL**	Leasing	100%*	–	–	–	–	–	–
BT Economic SRL**	Leasing	100%*	–	–	–	–	–	–
BT Program SRL**	Leasing	100%*	–	–	–	–	–	–
BT Concret SRL**	Leasing	100%*	–	–	–	–	–	–
BT Capital SRL**	Leasing	100%*	–	–	–	–	–	–
BT Account SRL**	Leasing	100%*	–	–	–	–	–	–
BT Business SRL**	Leasing	100%*	–	–	–	–	–	–
BT Partner SRL**	Leasing	100%*	–	–	–	–	–	–
Investments and associates								
ASIBAN S.A.	Insurance	20.00%	25,899	25,899	17,000	–	–	42,899
S.C.S. Club Fotbal Municipal Universitatea Cluj S.A.	Football	20.00%	–	–	5	–	–	5
Other								
Registrul Miorita	Custodian	10.22%	1,077	1,081	–	–	–	1,081
Interoil S.A.	Oil production	5.80%	21,018	21,018	–	–	–	21,018
S.N.C.D.D.	Clearing	2.27%	492	492	–	–	–	492
Bursa de Marfuri Sibiu	Futures exchange	1.25%	202	202	–	–	–	202
Piata de Gros S.A. Cluj	Consumer goods	3.87%	86	86	–	(30)	–	56
Casa Romana de Compensatie S.A. Sibiu	Clearing	1.12%	83	83	–	–	–	83
SWIFT Belgia	Clearing	0.01%	442	442	–	–	–	442
Biroul de Credit		3.75%	–	–	1,498	–	–	1,498
LCS Invest S.A.		3.15%	–	–	201	–	–	201
LCS Edil S.A.		3.15%	–	–	108	–	–	108
LCS Falla S.A.		3.15%	–	–	332	–	–	332
LCS CLUB S.A.		3.15%	–	–	147	–	–	147
Transfond S.A.	Clearing	2.80%	4,271	4,271	–	–	–	4,271
Investments held by subsidiaries								68,542
Total investments in equities			278,115	69,157	268,754	(30)	(474,009)	141,377

*The Bank controls directly or indirectly 100% of voting power in the above-mentioned subsidiaries.

The Bank held in BT Building 0.01% of share capital for which were attributed 4.17% of voting power.

Non consolidated equity participations are classified as financial assets at fair value through profit and loss.

11. Tangible and intangible assets, net

	Land and buildings	Computers and equipment	Vehicles	Construction in progress	Intangibles	Total
Gross book value as of December 31, 2003	444,582	514,797	71,548	13,465	157,233	1,201,625
Additions	217,141	220,674	25,397	49,894	87,534	600,640
Additions from BT Asigurari	10,013	17,865	–	–	–	
Disposals	(91,491)	(30,157)	(4,717)	(2,471)	(1,795)	(130,631)
Transfers	3,214	1,361	–	(9,315)	4,739	–
Gross book value as of December 31, 2004	583,459	724,540	92,228	51,573	247,711	1,671,634
Accumulated depreciation as of December 31, 2003	(93,878)	(217,266)	(32,793)	–	(83,072)	(427,009)
Depreciation and amortization	(40,020)	(57,328)	(9,424)	–	(40,269)	(147,041)
Additions from BT Asigurari	(1,228)	(5,357)	–	–	–	(6,585)
Accumulated depreciation of disposals	56,528	26,050	2,924	–	1,772	87,275
Accumulated depreciation as of December 31, 2004	(78,598)	(253,901)	(39,293)	–	(121,569)	(493,361)
Net book value as of December 31, 2003	350,704	297,531	38,755	13,465	74,161	774,616
Net book value as of December 31, 2004	504,861	470,640	52,935	51,573	126,142	1,206,151

12. Lease receivables, net

The breakdown of investment in leases and related reserves according to their maturity is presented below:

	2004	2003
Investment in leases less than 1 year, gross	423,126	277,750
Investment in leases 1 - 5 years, gross	466,156	375,455
Total investment in leases, gross	889,282	653,205
Unearned finance income	(175,706)	(136,217)
Total investment in leases, net	713,576	516,988
Reserves for leases	(6,669)	(5,812)
Total lease receivable, net	706,907	511,176

The lease contract are generated and managed through BT Leasing and BT Direct.

13. Goodwill, net

	2004	2003
Cost as at 1 January net of accumulated amortisation	3,761	4,797
Acquisition of subsidiary	165,323	795
Impairment	–	(1,122)
At 31 December	169,084	4,470
At 1 January		
Gross carrying amount	5,764	5,006
Accumulated amortisation and impairment	(2,003)	(209)
Net carrying amount	3,761	4,797
At 31 December		
Gross carrying amount	169,084	3,761
Impairment	–	–
Net carrying amount	169,084	3,761

14. Other assets

	2004	2003
Sundry debtors	13,665	17,558
Prepaid expenses	115,285	15,055
Inventories	15,757	7,147
Other assets	14,430	17,372
Total	159,137	57,132

15. Demand deposits

The composition of the demand deposits was:

	2004	2003
From individuals and legal entities	4,994,074	3,042,549
From banks	443,639	232,278
Total demand deposits	5,437,713	3,274,827

In 2004 the interest rates granted by the Bank on demand deposits ranged between 0.75% for EUR deposits, 0.5% for USD and 1-2% for ROL deposits.

In 2003 the interest rates granted by the Bank on demand deposits ranged between 0.75% – 1% for EUR deposits, 0.5%-0.75% for USD and 1.5-2% for ROL deposits.

16. Time deposits

	2004	2003
From individuals and legal entities	13,100,974	7,031,141
From banks	918,912	296,757
Total time deposits	14,019,886	7,327,898

Interest rates granted by the Bank on ROL time deposits ranged between 14 – 18 % during 2004 (2003 – 12% to 20%). Interest rates granted by the Bank on foreign currency time deposits ranged between 2- 4.5% during 2004 (2003 – 2.25% to 4.25%).

17. Borrowings

Borrower	Amount granted (in FCY)	FCY	2004	2003
Borrowings taken by Banca Transilvania				
EBRD	15,000,000	EUR	645,074	319,893
EBRD	10,000,000	USD	178,852	207,549
FMO	10,000,000	EUR	–	–
FMO	10,000,000	USD	328,176	344,893
DEG	15,000,000	EUR	588,402	112,237
IFC	20,000,000	EUR	394,677	–
EXIMBANK	107,000,000,000	ROL	80,351	–
BLACK SEE TRADE AND DEVELOPMENT BANK	5,000,000	EUR	–	–
MINISTRY OF FINANCE	10,000,000	USD	98,858	–
ABSA Bank	3,000,000	USD	87,201	–
American Express FFT/M	2,500,000	USD	72,668	–
American Express FFT/M	3,000,000	EUR	118,989	–
Anglo Romana London	2,500,000	EUR	99,158	97,785
Bank Austria Wien	2,000,000	USD	58,134	–
Bank of New York	1,000,000	USD	29,067	–
Bayerische Hypo	2,000,000	EUR	81,056	–
Finans Bank Holland	2,000,000	USD	58,134	–
Finans Bank Holland	2,000,000	EUR	79,326	–
Garanti Bank Amsterdam	1,500,000	USD	44,069	–
London Forfaiting	1,000,000	USD	29,067	–
London Forfaiting	1,000,000	EUR	40,254	–
Sumitomo Mitsui	3,000,000	EUR	117,674	–
Sumitomo Mitsui	3,000,000	USD	87,201	211,868
Standard Bank	3,000,000	USD	–	97,787
			3,316,388	1,392,012
Borrowings taken by subsidiaries				
HVB	1,500,000	EUR	42,829	46,414
HVB	420,000	USD	25,135	3,909
Romexterra	92,952	EUR	1,000	962
Bancpost	57,534	EUR		357
Alpha Bank	1,700,000	EUR	40,051	64,115
EBRD	5,000,000	EUR	178,484	10,279
Garanti	2,500,000	EUR	60,928	
Piraeus	1,800,000	EUR	297	
			348,724	126,036
Total borrowings			3,665,112	1,518,048

The outstanding interest rates for borrowings taken by the Bank, denominated in EUR, varies between 4.835% and 5.997% and for those taken by subsidiaries varies between 4.71% and 14%.

For borrowings denominated in USD, the interest rates are between 3.87% and 5.02% for those received by the Bank and for the one received by one of subsidiary the interest rate is Libor 1M+5%.

18. Leasing liabilities

As of December 31, 2004 leasing liabilities mainly relates to acquisition of a server and software with a residual life between 7 – 18 months.

19. Other liabilities

	2004	2003
Collector accounts	33,221	15,613
Sundry creditors	19,294	56,901
Taxes payable	25,842	12,052
Unearned premium	46,946	-
Other sundry liabilities	88,212	22,635
Total	213,515	107,201

The unearned premium is the insurance premium received by BT Asigurari, related to future periods.

The sundry liabilities includes the premium payable by BT Asigurari to reinsurance companies amounting to 40,947 and a tax liability of 10,365.

20. Taxation

As of December 31, 2004 and 2003, the income tax expense consisted of:

	2004	2003
Income tax, current	186,166	99,169
Income tax, deferred	(10,743)	14,005
Total income tax expense	175,423	113,174

A reconciliation between income tax expense and the accounting profit is presented below:

	Year ended December 31, 2004		Year ended December 31, 2003	
	Actual amount	Tax effect	Actual amount	Tax effect
Profit before income tax under IFRS	780,382	124,861	312,979	78,245
Temporary differences	316,012	50,562	139,716	34,929
Notional profit under IFRS/Income tax expense	1,096,394	175,423	452,695	113,174

The movement in deferred tax for the year is as follows:

	2004	2003
Deferred tax liability, net at beginning of the year	(205)	17,481
Monetary loss	–	(3,681)
Deferred tax revenue	10,743	(14,005)
Deferred tax asset, net at the end of the year	10,538	(205)

The deferred tax asset/(liability) reconciliation at December 31, 2004 is reconciled as follows:

	2004		2003	
	Temporary difference	Tax effect	Temporary difference	Tax effect
Adjustments to restate tangibles and intangibles:				
-restatement of tangible assets	101,687	16,270	79,756	19,939
-restatement of intangible assets	–	–	3,355	839
	101,687	16,270	83,111	20,778
-restatement of investments in equities	58,150	9,304	58,121	14,530
Other adjustments:				
-loan impairment reserve	(128,023)	(20,484)	(80,864)	(20,216)
-other adjustments	(97,681)	(15,628)	(59,547)	(14,887)
	(225,705)	(36,112)	(140,411)	(35,103)
Additional taxable / (deductible) items under IAS 12	(65,868)	(10,538)	821	205

The Bank has computed the deferred tax using the statutory rate of 16%.

The accounting profit before tax under IFRS and tax charge for 2004 may be reconciled as follows:

	2004	2003
Accounting (loss) / profit before tax	780,382	426,358
Tax at 16% / 25%	(124,861)	(106,590)
Statutory non-deductible/non-taxable items	(49,644)	(6,584)
Effect of change in tax rate	(918)	–
Total	(175,423)	(113,174)

The Bank's tax returns are subject to review and correction by the tax authorities for a period generally of five years subsequent to their filing (consequently, the Bank's tax returns for the years 2000-2004 are still subject to such review).

21. Share capital

Authorized and issued share capital as of December 31, 2004 is 1,334,937,124 shares (2003 - 970,863,164 shares) with a par value of ROL 1,000 per share, fully paid in. The movements in share capital during 2004 are summarized below:

	Subscribed shares	Treasury shares
Share capital as of December 31, 2002, nominal	713,088	–
Increase through appropriation of retained earnings	257,775	–
Share capital as of December 31, 2003, nominal	970,863	–
Increase through appropriation of retained earnings	266,988	–
Subscription in cash during 2004	97,086	–
Shares held by subsidiaries	–	(39,580)
Share capital as of December 31, 2004, nominal	1,334,937	(39,580)

All share capital increases were made in compliance with the provisions of Government Ordinance No. 40/1997, were authorized by the Central Bank and certified by the Securities National Commission.

The impact of hyperinflation on share capital is included as a component of the share capital restatement surplus, in amount of 899,362 (2003 – 899,362).

Starting with 2001 a subsidiary of the Bank, BT Asigurari, has periodically bought shares in Banca Transilvania S.A. on the Bucharest Stock Exchange. As at December 2004 those shares were presented at cost, as treasury shares, for consolidation purposes.

22. Capital adequacy

The Bank monitors the adequacy of its capital using ratios established by the Bank for International Settlements, based upon its financial statements prepared in accordance with IFRS. Tier 1 and Tier 2 capital adequacy ratios as of December 31, 2004 were 24.23% (2003 – 29.44%), and 23.82% (2003 – 28.75%).

23. Interest expense

	2004	2003
Time deposits	1,089,601	496,129
Demand deposits	64,149	30,922
Long-term borrowings	96,483	42,333
Other	21,804	8,308
Total interest expense	1,272,037	577,692

Interest rates applied by the Bank are presented in Notes 15 and 16.

24. Commission income, net

	2004	2003
Commissions from lending activity	370,313	192,588
Commissions from payment processing	481,528	330,761
Commissions from cash deposit of special clients	56,132	69,664
Other commissions and fees	74,661	51,566
Total commissions and fees income	982,634	644,579
Commissions and fees (expense)	(150,062)	(113,260)
Total commissions and fees income, net	832,572	531,319

25. Salaries and related expenses

	2004	2003
Salaries	578,590	381,798
Salaries-related expenses	208,396	176,941
Total salaries and related expenses	786,986	558,739

26. Other expenses

	2004	2003
Depreciation and amortisation	147,041	75,477
Telecommunication	102,891	75,166
Rent	102,477	50,114
Advertising and protocol	77,143	43,712
Maintenance	212,811	115,948
Security	89,374	46,485
Sundry taxes	57,910	35,132
Other sundry expenses	186,953	57,522
Total other expense	976,600	499,556

27. Earnings per share (“EPS”)

	2004	2003
Net profit attributable to shareholders	607,448	312,979
Weighted average number of ordinary shares	1,090,941,984	841,975,664
Basic earnings per shares - ROL/share	557	372

28. Guarantees and other financial commitments

	2004	2003
Letters of guarantee	1,935,197	946,835
Credits and letters of credit	2,574,523	1,334,104
Other commitments	597,576	282,907
Total guarantees and other financial commitments	5,107,296	2,563,846

29. Concentration of assets due by Government and the Central Bank

	2004	2003
Accounts with the Central Bank (Note 5)	5,773,541	2,724,622
Treasury securities (Notes 7 and 8)	2,514,948	762,172
Total	8,288,489	3,486,794

30. Balance sheet structure by currency

The amounts in ROL and FCY representing the assets and liabilities of the Bank as of December 31, 2004 are as follows:

December 31, 2004	Total	ROL	FCY
ASSETS			
Cash and cash equivalents	577,186	452,799	124,387
Current accounts and deposits at banks	977,141	588,167	388,974
Accounts with the NBR	5,773,541	3,362,341	2,411,200
Financial assets at fair value through profit or loss	2,516,639	2,516,639	0
Loans, net	13,956,112	6,252,789	7,703,323
Leasing, net	706,907	22,904	684,003
Equity investments	98,473	98,031	442
Held to maturity securities	217,790	217,790	0
Associates	42,904	42,904	0
Tangible and intangible assets, net	1,206,151	1,206,151	0
Premium receivable	105,817	105,817	
Goodwill, net	169,084	169,084	0
Deferred tax asset, net	10,538	10,538	0
Other assets	159,137	72,929	86,208
Total assets	**26,517,420**	**15,118,883**	**11,398,537**
LIABILITIES			
Demand deposits	5,437,713	3,393,858	2,043,855
Time deposits	14,019,886	8,655,124	5,364,762
Long-term borrowings	3,665,113	8,375	3,656,738
Leasing liabilities	10,646		10,646
Technical reserves	186,059	186,059	
Deferred tax liability, net	0	0	0
Other liabilities	213,515	197,707	15,808
Total liabilities	**23,532,932**	**12,441,123**	**11,091,809**
Equity	**2,977,327**	**2,977,327**	**0**
Minority interest	**7,161**	**7,161**	**0**
Total liabilities and equity	**26,517,420**	**15,425,611**	**11,091,809**

The amounts in ROL and FCY representing the assets and liabilities of the Bank as of December 31, 2003 are as follows:

December 31, 2003	Total	ROL	FCY
ASSETS			
Cash and cash equivalents	477,907	363,208	114,699
Current accounts and deposits at banks	646,794	191,032	455,762
Accounts with the NBR	2,724,622	1,429,580	1,295,042
Treasury securities	762,172	762,172	–
Other securities	92,902	92,902	–
Loans, net	8,177,977	4,013,988	4,163,989
Leasing, net	511,176	84,182	426,994
Equity investments	69,157	68,715	442
Tangible and intangible assets, net	774,616	774,616	–
Goodwill, net	3,761	3,761	–
Other assets	57,132	46,263	10,869
Total assets	**14,298,216**	**7,830,419**	**6,467,797**
LIABILITIES			
Demand deposits	3,274,827	2,144,670	1,130,157
Time deposits	7,327,898	4,011,216	3,316,682
Long-term borrowings	1,518,048	–	1,518,048
Leasing liabilities	8,053	–	8,053
Deferred tax liability, net	205	205	–
Other liabilities	107,201	23,152	84,049
Total liabilities	**12,236,232**	**6,179,243**	**6,056,989**
Equity	**2,061,164**	**2,061,164**	**–**
Minority interest	**820**	**820**	**–**
Total liabilities and equity	**14,298,216**	**8,241,227**	**6,056,989**

31. Related parties

The Bank engages also in transactions with its subsidiaries and associates. Related-party transactions were made on substantially the same terms, including interest rates and collateral requirements, as those prevailing for similar transactions with unrelated parties.

Balances with related parties as of December 31, 2004 and 2003 were as follows:

	2004	2003
Loans	268,919	201,639
Demand deposits	41,063	52,091
Time deposits	80,170	28,439
Borrowings	822,965	537,719
Total balance sheet exposure	1,213,117	819,888
Interest and commissions income	32,055	2,953
Interest and commissions expense	(53,241)	(3,038)
Total interest and commission expense, net	(21,186)	(85)

32. Contingencies

The Bank is subject to routine litigation and arbitration matters in the normal course of its business. Management is of the opinion that the ultimate disposition of these matters will not have a material adverse impact on the Bank's financial statements.

33. Maturity structure

The maturity structures of Bank's assets and liabilities as of December 31, 2004 are as follows:

December 31, 2004	Total	0-1 month	1-3 months	3-12 months	1-5 years	Above 5 years	No fixed maturity
ASSETS							
Cash and cash equivalents	577,186	577,186	–	–	–	–	–
Current accounts and deposits at banks	977,141	977,141	–	–	–	–	–
Accounts with the Central Bank	5,773,541	5,773,541	–	–	–	–	–
Financial assets at fair value through profit or loss	2,516,639	477,857	595,380	1,017,738	376,737	48,927	–
Loans, net	13,956,112	515,314	1,492,089	5,511,117	4,422,669	2,014,923	–
Leasing, net	706,907	3,494	3,141	54,777	645,495		
Equity investments	98,473	–	–	–	–	–	98,473
Held to maturity securities	217,790	79,734	–	84,249	53,807	–	–
Associates	42,904	–	–	–	–	–	42,904
Tangible and intangible assets, net	1,206,151	–	–	–	–	–	1,206,151
Premium receivable	105,817	20,946	28,967	55,828	76		
Goodwill, net	169,084	–	–	–	–	–	169,084
Deferred tax asset, net	10,538	–	–	–	10,538	–	–
Other assets	159,137	159,137	–	–	–	–	–
Total assets	26,517,420	8,584,350	2,119,577	6,723,709	5,509,322	2,063,850	1,516,612
LIABILITIES							
Demand deposits	5,437,713	5,437,713	–	–	–		–
Time deposits	14,019,886	8,265,951	2,754,828	2,823,833	126,020	49,254	–
Borrowings	3,665,113	10,453	73,674	1,071,190	1,191,164	1,318,632	
Leasing liabilities	10,646	6,488	1,030	3,128			
Deferred tax liability, net	–	–	–	–			
Technical reserves	186,059						186,059
Other liabilities	213,515	213,515	–	–	–		–
Total liabilities	23,532,932	13,934,120	2,829,532	3,898,151	1,317,184	1,367,886	186,059
Equity	2,977,327	–	–	–	–		2,977,327
Total liabilities and Equity	26,510,259	13,934,120	2,829,532	3,898,151	1,317,184	1,367,886	3,163,386
Minority interest	7,161	–	–	–	7,161	–	–
GAP		(5,349,770)	(709,955)	2,825,558	4,192,138	695,964	(1,646,774)

December 31, 2003	Total	0-1 month	1-3 months	3-12 months	1-5 years	Above 5 years	No fixed maturity
ASSETS							
Cash and cash equivalents	477,907	477,907	–	–	–	–	–
Current accounts and deposits at banks	646,794	646,794	–	–	–	–	–
Accounts with the Central Bank	2,724,622	2,724,622	–	–	–	–	–
Treasury securities	762,172	152,170	142,668	270,160	197,174	–	–
Investments held for trading	92,902	92,902	–	–	–	–	–
Loans, net	8,177,977	333,489	978,650	3,176,983	2,589,674	1,099,181	–
Leasing, net	511,176	19,977	38,045	55,126	148,447	249,581	–
Investments in equities	69,157	–	–	–	–	–	69,157
Tangible and intangible assets, net	774,616	–	–	–	–	–	774,616
Goodwill, net	3,761	–	–	–	–	–	3,761
Other assets	57,132	57,132	–	–	–	–	–
Total assets	**14,298,216**	**4,504,993**	**1,159,363**	**3,502,269**	**2,935,295**	**1,348,762**	**847,534**
LIABILITIES							
Demand deposits	3,274,827	3,274,827	–	–	–		–
Time deposits	7,327,898	3,940,960	1,640,080	1,684,211	60,148	2,499	
Borrowings	1,518,048	5,554	201,108	751,574	350,206	209,606	
Leasing liabilities	8,053	–	–	2,280	5,773		–
Deferred tax liability, net	205	–	–	–	205		–
Other liabilities	107,201	107,071	16	53	43	18	–
Total liabilities	**12,236,232**	**7,328,412**	**1,841,204**	**2,438,118**	**416,375**	**212,123**	**–**
Equity	2,061,984	–	–	–	–	–	2,061,984
Total liabilities and Equity	**14,298,216**	**7,328,412**	**1,841,204**	**2,438,118**	**416,375**	**212,123**	**2,061,984**
Minority interest	**820**	**–**	**–**	**–**	**820**	**–**	**–**
GAP		(2,823,419)	(681,841)	1,064,152	2,518,919	1,136,639	(1,214,450)
Cumulative GAP		(2,823,419)	(3,505,260)	(2,441,109)	77,811	1,214,450	(0)

34. Interest rate sensitivity

The tables below provide information on the extent of the Bank's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market interest rate before maturity, the next re-pricing date. It is the policy of Bank's directors to manage Bank exposure to fluctuations in net interest income arising from changes in interest rates by the degree of repricing mismatch in the balance sheet.

December 31, 2004	0-1 month	1-3 months	3-12 months	1-5 years	Not sensitive	Total
ASSETS						
Cash and cash equivalents	577,186					577,186
Current accounts and deposits at banks	977,141					977,141
Accounts with the Central Bank	5,773,541					5,773,541
Financial assets at fair value through profit or loss	261,183	1,696,366	261,994	340,000		2,559,543
Loans, net	13,956,112					13,956,112
Leasing, net	3,494	3,141	54,777	645,495		706,907
Equity investments					98,473	98,473
Held to maturity securities	217,790					217,790
Associates						-
Tangible and intangible assets, net					1,206,151	1,206,151
Premium receivable	20,946	28,967	55,828	76		105,817
Goodwill, net					169,084	169,084
Deferred tax asset, net					10,538	10,538
Other assets					159,137	159,137
Total assets	21,787,393	1,728,474	372,599	985,571	1,643,383	26,517,420
LIABILITIES						
Demand deposits	5,437,713	–	–	–	–	5,437,713
Time deposits	8,265,951	2,754,828	2,823,833	126,020	49,254	14,019,886
Borrowings	10,453	73,674	1,071,190	1,191,164	1,318,632	3,665,113
Leasing liabilities	6,488	1,030	3,128	–	–	10,646
Deferred tax liability, net	–	–	–	–	–	–
Technical reserves	–	–	–	–	186,059	186,059
Other liabilities	213,515	–	–	–	–	213,515
Total liabilities	13,934,120	2,829,532	3,898,151	1,317,184	1,553,945	23,532,932
Net assets interest rate sensitivity	7,853,273	(1,101,058)	(3,525,552)	(331,613)	89,438	2,984,488
Net assets cumulative interest rate sensitivity	7,853,273	6,752,215	3,226,663	2,895,050	2,984,488	–

December 31, 2003	0-1 month	1-3 months	3-12 months	1-5 years	Not sensitive	Total
ASSETS						
Cash and cash equivalents	477,907	–	–	–	–	477,907
Current accounts and deposits at banks	646,794	–	–	–	–	646,794
Accounts with the Central Bank	2,724,622	–	–	–	–	2,724,622
Treasury securities	152,170	142,668	270,160	197,174	–	762,172
Investments held for trading	–	–	–	–	92,902	92,902
Loans, net	8,177,977	–	–	–	–	8,177,977
Leasing, net	–	–	–	511,176	–	511,176
Investments in equities	–	–	–	–	69,157	69,157
Tangible and intangible assets, net	–	–	–	–	774,616	774,616
Goodwill, net	–	–	–	–	3,761	3,761
Other assets	–	–	–	–	57,132	57,132
Total assets	12,179,470	142,668	270,160	708,350	997,568	14,298,216
LIABILITIES						
Demand deposits	3,274,827	–	–	–	–	3,274,827
Time deposits	3,940,960	1,640,080	1,684,211	60,148	2,499	7,327,898
Borrowings	–	–	1,518,048	–	–	1,518,048
Leasing liabilities	–	–	4,738	3,315	–	8,053
Deferred tax liability, net	–	–	–	205	–	205
Other liabilities	107,201	–	–	–	–	107,201
Total liabilities	7,322,988	1,640,080	3,206,997	63,668	2,499	12,236,232
Net assets interest rate sensitivity	4,856,482	1,497,412	2,936,837	644,682	995,069	2,061,984
Net assets cumulative interest rate sensitivity	4,856,482	3,359,070	422,233	1,066,915	2,061,984	–

35. Risk management

Currency risk

The Romanian economy is currently undergoing a restructuring and development process that influences directly and indirectly the financial-banking sector. The last year was characterized by a decrease in the inflation, the rate being at the end of 2004 9.3% according to the Romanian authorities. The strengthening of ROL induces the risk of losses in value in respect of the net monetary assets held in foreign currency. The Bank is not substantially exposed to other currency risk. The Bank manages its exposure to movements in exchange rates by modifying its assets and liabilities mix.

The aggregated structure of assets and liabilities denominated in ROL and foreign currencies is included in Note 30

Interest rate risk

The interest rate risk refers to the fluctuation in the value of financial instruments due to changes in market interest rates. This risk can have a significant adverse effect on highly leveraged businesses.

The Bank manages its interest rate position by setting short term variable interest rates on its borrowing and lending. Average rates applicable to the major components of the balance sheet have been disclosed within the notes relating to these components, and the Bank's sensitivity to interest rate changes is detailed in Note 34

Market risk

The Romanian market economy is at an early stage of development and there is a considerable degree of uncertainty surrounding the likely future direction of domestic economic policy and political development. Financial market exposures are therefore a major risk management concern for companies with investment portfolios, such as financial institutions.

It is difficult to predict what changes in condition will take place in Romania and what effect these might have on the financial position and results of operations and cash flows of the Bank. In order to manage market risk, the NBR and the Bank have established limits on trading.

Credit risk

The credit risk is associated to all facilities and loans granted by the Bank, being the risk that a party to a financial transaction will be unable to fulfill its obligations thus causing financial losses to the other party. The Romanian unstable environment generates significant risks related to credit default, credit concentration and credit collateral.

The Bank minimizes its credit risks through careful and continuous assessment of the borrowers, establishment of exposure and authority limits by groups of debtors. The relevant analyses are included in the appropriate notes.

Liquidity risk

The liquidity risk is associated either to the difficulty of an enterprise to raise necessary funds in order to meet commitments or to its inability to sell a financial asset quickly at close to its fair value.

The Bank mitigates the liquidity risk through resources and placements monitoring. The GAP analysis of the Bank's assets and liabilities based on their maturity structure is presented in Note 33

Cash flow risk

The cash flow risk is deriving primarily from the liquidity risk and secondarily from the interest rate risk and market risk. As discussed in the paragraphs above, the Bank is adequately planning and monitoring its cash flows and their influence factors.

36. Fair value of financial instruments

Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than forced sale or liquidation. The fair value is best evidenced by a quoted market price, if such exists.

The following methods and assumptions were used to estimate the fair value of the Bank's financial instruments.

Financial assets

Deposits with banks, loans originated by the Bank and treasury securities are measured at amortised cost using the effective interest rates less any impairment reserve.

For deposits with banks, amortised cost is estimated to approximate fair value due to their short–term nature, interest rates reflecting current market conditions and no significant transaction costs. The amortised cost of treasury securities was not materially different from their quoted prices.

The remeasured cost net of any reserve for impairment of investments that are not listed at the stock exchange is estimated to approximate their fair value.

The amortised cost of loans, net of impairment is estimated to approximate their fair value.

Financial liabilities

The amortised cost of customer deposits is considered to approximate their respective fair values, since these items have predominantly short re-pricing terms, carry interest rates reflecting current market conditions and are settled without significant transaction costs.

37. Subsequent events

The EUR exchange rate as of March 21, 2005 was 36,505.

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