BANCA TRANSILVANIA®

Annual Report

2007

Banca Transilvania

Annual Report

2007

Financial Calendar

Preliminary Results 2007	30.01.2008
Annual General Meeting	22.04.2008
Annual Financial Statements	24.04.2008
First quarter results 2008	30.04.2008
Registration Date	16.05.2008
Half-year financial statements 2008	04.08.2008
Third quarter results 2008	30.10.2008

Mission Statement

Banca Transilvania is an integrated Romanian Financial Group, established in Transylvania, focused on Entrepreneurial 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 close to the community we belong to and a bank where we work with pride and professionalism.

Profile

Four main strategic business lines:

- Corporate Banking
- SME Banking
- Medical Division
- Retail Banking

supported by a strong operational platform

Nationwide distribution network

Strong roots in Transylvania

Local bank providing flexibility

Integrated financial services group

Committed staff

Blue chip of the Bucharest Stock Exchange

Contents

Financial Calendar 2
Mission statement 3
Highlights 5
The Council of Administration 6
The Management Committee 7
Chairman's & CEO's Statement 8
Performance in 2007 10
- Corporate Banking 10
- SME Banking 11
  - Clubul Intreprinzătorului Român 12
- The Medical Division 13
- Retail Banking 13
  - Cards 14
  - Internet Banking - BT 24 15

Risk Management 16
Marketing 19
- Public Relations 21
- Corporate Social Responsibility 22

Human Resources 23
- BT Academy 23

Operations and IT 25
Subsidiaries 26
- BT Leasing Transilvania 27
- BT Securities 28
- BT Asset Management 29
- Compania de Factoring 30
- BT Direct 31
- BT AEGON 32

Auditor's Report 33
Banca Transilvania and Subsidiaries – Addresses and Contacts 99

	2007	2006
		thousand RON
Total Assets	14,083,485	8,330,628
Loans, net	8,484,048	4,833,106
Customers' deposits	10,390,347	5,645,304
Shareholders' equity	1,273,174	795,393
Share Capital	700,979	483,254

Income Statement

	2007	2006
		thousand RON
Net interest income	436,598	340,415
Impairment loss on loans, net	116,517	40,672
Net commission income	299,918	175,003
Foreign exchange income, net	121,733	86,048
General administrative expenses	565,524	412,427
Net profit from continuing operations	165,432	141,753
Net profit (loss) from discontinued operation	144,021	(33,156)
Profit for the year	309,444	108,597

Data about BT shares

	2007	2006
Outstanding common shares	6,110,797,702	3,933,548,620
Nominal value	0.1	0.1
Book value per share	0.2083	0.2025
Market capitalization (mln. RON)	5,500	3,960
High	1.15	1.51
Low	0.71	0.85
Closing Price	0.9	1.01
Earnings per share (EPS)	0.0684	0.0309
Price-earning ratio (PER)	13.15	32.69
Price to book value (PBV)	4.31	4.99
Operating result per share	0.556	0.0326

Additional Information

	2007	2006
Number of employees	5,792	4,537
Branches and agencies	456	341
ATMs	675	475
POSs	7,321	4,646

THE COUNCIL OF ADMINISTRATION


Horia Ciorcilă - Chairman


Robert C. Rekkers - CEO


Roberto Marzanati - Vice-Chairman


Ionut Pătrăhău - Deputy CEO


Claudiu Silaghi - Member


Gabriela Grigore - Member


Constantin Jeican - Member

THE MANAGEMENT COMMITTEE


Robert C. Rekkers - CEO


Ionut Pătrăhău - Deputy CEO


Nicolae Tarcea - Executive Manager


Leontin Toderici - Executive Manager


Lucia Pojoca - Executive Manager


Gabriela Nistor - Executive Manager


Andrei Dudoiu - Executive Manager


Tiberiu Moisa - Executive Manager

Chairman's and Chief Executive Officer's Statement

Banca Transilvania had an outstanding evolution in 2007, achieving the highest operational profit in its history.

Evidence of our success is the solid base of over one million active clients and a well developed countrywide network of 480 operational units.

The bank's capital base grew to EUR 353 million. Assets increased by 62.5%, to EUR 3.9 billion, a figure placing Banca Transilvania as forth among banks in Romania.

In 2007 value creation for Banca Transilvania's customers and shareholders was further enhanced by specialized products designed for our core business lines: Corporate, SME, the Medical Division and Retail.

Growth in the corporate client sector is based on increasing the quality of loan portfolio while focusing on competencies – flexibility, swiftness, quality - and on developing Treasury and Business Banking products for our more than 9,600 active corporate clients.

Being acknowledged as the Bank for Romanian entrepreneurs, in 2007 Banca Transilvania continued to focus on the needs of our 100,000 SME & Micro clients. Loans granted to SMEs increased significantly to EUR 412 million emphasizing once again our role of top entrepreneurs' supporter. Last year, BT's market share in terms of SME & Micro clients grew to 18%, ranked second among banks targeting this sector.

After addressing the needs of entrepreneurs, Banca Transilvania comes with an even more specialized offer, attending to the needs of physicians. It is to this end that Banca Transilvania established a forth business line, BT MEDICAL DIVISION, meant to enhance the entrepreneurial spirit of Romanian physicians and to actively support the development of the private medical sector in Romania. The Division was launched in October 2007 in several important Academic Centers having specialized locations, personnel and products.

With regard to retail banking, a key segment of our business, Banca Transilvania serves more than 900,000 active clients, representing a 50% increase on the previous year.

In addition to the above mentioned bank's performance, we would like to outline the important changes and developments within BT Financial Group.

In this respect, there was a strategic reorientation, on the one hand by the sale of our 90% participation in BT Asigurări to Grupama International SA, and on the other hand by the establishment of a joint venture with the Dutch insurance company, Aegon N.V., The Netherlands, in the field of private mandatory pensions.

Moreover, Banca Transilvania opened its first branch abroad, in Nicosia, Cyprus, thus adding value to its bank services.

2008 started well for BT, even though the Romanian economy is facing uncertainties and challenging external events, spillovers of the sub-prime mortgage crisis. We set for this year new ambitious targets concentrating on further profit enhancement.

We will continue our organic growth, further improve our loan portfolio quality, launch new products, and last but not least, we will conclude the selection process for a new IT platform to cater for our future growth.

The successful fulfillment of our business goals depends mostly on our committed employees. Together we will be able to continuously exploit the full growth potential of Banca Transilvania.

We would like to close by thanking our clients, staff, collaborators and stakeholders for their continued trust and ongoing support and dedication.

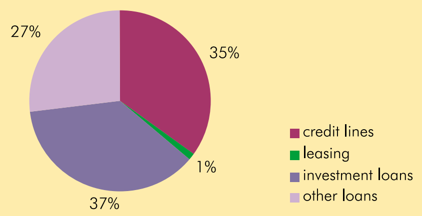
Horia Ciorcila
Chairman

Robert C. Rekkers
Chief Executive Officer

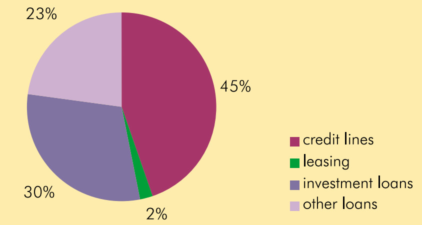
CORPORATE BANKING

In 2007, as in previous years, we strived to make further differentiation within our service approach and range of products, which are geared to the needs of various corporate customers.

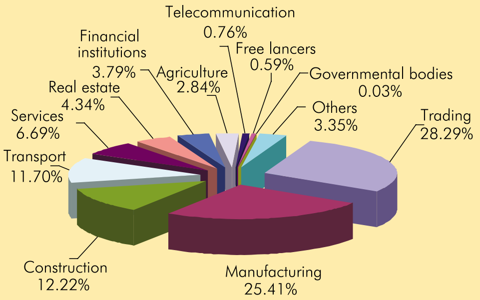
Corporate loan portfolio as at 31.12.2007



Corporate loan portfolio as at 31.12.2006



Corporate and SME loans on sectors in 2007



In figures, BT's corporate performance means at the end of 2007: over 9,600 active corporate clients, 41.85% of the bank's total loan portfolio; placements increased by 76% in 2007 compared to 2006, from 2,099 mil lei (2006) to 3,701 mil lei (2007).

During 2007, we concentrated on the one hand on the development of Business Banking non-credit products for:
- cash management – *"Trezo Direct"*, *"Electronic Accountant"*
- treasury – *"FX Negotiation"*, *"FX Opportunity"*
- trade finance

and on the other hand we targeted a double approach to clients: a tailor-made and a wholesale approach. The latter is intended to increase turnover through BT accounts for existing and new clients, generating increased volumes and sustainable fee income.

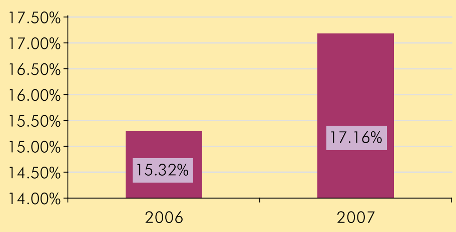
Apart from its dedicated Relationship Managers who assist Corporate Clients throughout Banca Transilvania's network, our bank also provides an electronic transaction system – BT ULTRA - available 24 hours a day, a time-saving operational platform accessed by more than 3,660 subscribers. A series of improvements, such as processing intervals extension and external platform usage for remote interventions – Webex – were implemented. Moreover, we created BT Ultra Plus, which includes a package of high-performance banking applications.

SME BANKING

As the regional economy has witnessed substantial growth in recent years, mainly based on private entrepreneurial projects, banks have begun to address more and more the specific needs of their SME customers. The bank adopted a business model that is not only in line with the clients' needs, but is also a driver of financial performance and a management tool that enables and safeguards long-term growth and earnings.

Instead of addressing them as pure 'credit risk' Banca Transilvania has increasingly viewed smaller businesses as an opportunity for economic growth. Against this background, we dedicated professional teams, know-how and resources to address their needs.

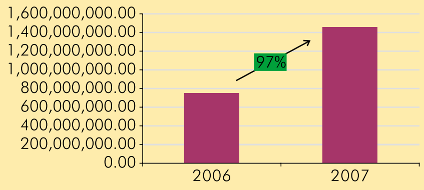
Weight in the total loan portfolio



After several years of SME banking experience, Banca Transilvania has undoubtedly gained a strong position in providing support to growing businesses in emerging markets.

Small and Medium Enterprises represent a strategic priority for Banca Transilvania and therefore, in our role as top supporter of Romanian entrepreneurs we are continuously engaged in bringing new specialized solutions to the market, thus constantly increasing our dedicated SME product portfolio.

Loans to SMEs



Loans granted to SME clients increased significantly from RON 755 million in 2006 to RON 1,489 million in 2007, representing 17.16% of the bank's total loan portfolio.

The friendly, open and prompt approach, the awareness and transparency, as well as the simple, rapid and non-bureaucratic range of products, together with our dedicated sales team, all contributed to the achievement of the targeted objectives. At the end of 2007, our bank counted a number close to 99,000 active SME clients compared to 78,300 at the end of 2006.

Credit, non-credit products and initiatives provided to our SME customers:

- *1 H* loan for:
  - Working capital
  - Investments
- *START UP* loan granted to newly incorporated businesses or having less than 6-month in operation
- *0 interest* loan, designed to cover short term payment peaks
- *100% discount*, improving cash-flow by discounting receivables
- *Banking subscription* – through this service, companies can perform unlimited payment operations by paying a monthly fixed commission.
- *Clubul Intreprinzătorului Român (Romanian Entrepreneurs' Club)* - offers support and consultancy to Romanian entrepreneurs
- *Real estate for companies*
- *Leasing 1 Oră*, fast track leasing for established customers

For the year 2008, Banca Transilvania envisages the launch of new innovative products serving the SME business line and targets a 70% increase in the SME loan portfolio, along with further facilitation of lending processes, and last but not least, the ongoing support for the SME network through "Clubul Intreprinzătorului Român" (the Romanian Entrepreneurs Club).

Clubul Intreprinzătorului Român (CIR)

Established in September 2006, Clubul Intreprinzătorului Român (the Romanian Entrepreneurs Club) is one of the most recognized initiatives undertaken by Banca Transilvania.

Unique in Romania, CIR offers support for Romanian entrepreneurs, which is a responsibility arising from the role undertaken by Banca Transilvania as the Bank for SMEs in Romania.

During 2007, the Club organized over 150 events in 55 cities, involving 6,500 SMEs in 25 training programs. At the end of last year, the Club had close to 8,500 members all over Romania.

All CIR events were organized in cooperation with BT branches and each of them were good opportunities both for Banca Transilvania to meet its clients in an informal environment and strengthen the relationships with them and for the Club's members to accumulate new information and interact. Networking is also facilitated, at the end of each event, all contact details being distributed to every participant.

All topics addressed by tutorials enjoyed a real interest, among them we mention: structural funds, strategic and financial management, leadership, general banking operations, treasury operations, sales.

A green line - 0800 800 466 - , the Internet site - www.btclub.ro - with its forums and newsletters are other alternatives for members, and not only, to become familiarized with topics they are interested in.

Besides the regular meetings, CIR intends to offer each year a major event to its members. In June 2007, Jack Trout was invited to Bucharest to address entrepreneurs on the efforts that should be undertaken by local companies in the "battle" against multinationals. The event was a great success, enjoying wide participation.

Joining the Club is easy, fast and free of charge. The application form and further information are available on: www.btclub.ro

BT MEDICAL DIVISION

After having launched a series of products to the benefit of small entrepreneurs, Banca Transilvania comes with an even more specialized offer, addressing the needs of physicians. It is to this end that Banca Transilvania established a forth business line, THE MEDICAL DIVISION, the most specialized approach to the Romanian healthcare sector within the banking environment, meant to enhance the entrepreneurial spirit of Romanian physicians.

The Medical Division was launched in October 2007 and its early success is due to the main ingredients: a specialized team & customized lending products based on qualitative criteria. We have opened customer-tailored agencies in several important medical centers in the country: Cluj-Napoca, Iași, Târgu Mureș and Oradea, which are staffed, besides banking specialists, with physicians. In only 3 months more than 400 loans totaling EUR 15 million were granted.

Banca Transilvania knows that today's complex financial and regulatory environment can make the physicians' job of managing their medical practice a difficult task. We understand the every day challenges of doctors and we are offering solutions to allow them to more efficiently run their practice and make their job easier. Accordingly, we have created a series of specialized packages of products according to seniority: "Rezident", "Specialist" and "Praxis"; even more, via a specialized network of companies, we offer consultancy and support for opening medical practices or for obtaining the authorized individual status, while providing assistance during the entire activity span.

RETAIL BANKING

In brief, during 2007, we continued to enhance proximity to our clients, achieving at the same time sustainable improvement in results.

Optimizing customer satisfaction was and still is one of our declared strategic objectives. We believe that our nationwide branch network, combined with an appropriate product range is key to it.

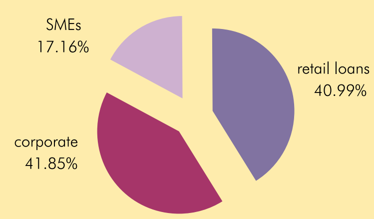
Following the recently introduced "active client" internal definition, Banca Transilvania had at the end of 2007, 912,000 active retail clients, 50% more than at the end of the previous year.

Strong growth was record in 2007 with regard to the retail loan portfolio, which mounted to RON 3.6 billion from RON 2.1 billion one year ago. Retail loans represented, at the end of 2007, 41% of BT's total loans.

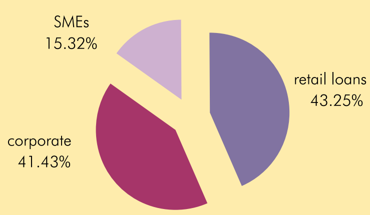
On the liability side, the aggregate amount of sight and term retail deposits equaled EUR 1,750 million, weighting 55% of total deposits from clients.

The main objective for 2008 is to consolidate our market share and to capitalize on our investments in retail banking – with a focus on cards and consumer loans.

Loan portfolio structure in 2007



Loan portfolio structure in 2006



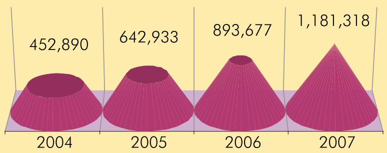
Did you know that...

- ...every 1.5 seconds ... a person withdraws money from a BT ATM?
- ...every 1.14 seconds ... a BT card is used for transactions?
- ...every 5.48 seconds ... a BT card is used for shopping?

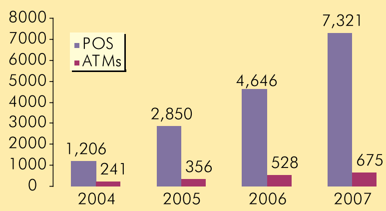
CARDS

At the end of 2007, Banca Transilvania had 1,180,000 active cards, thus recording a market share of 11%. Two new products were added to the bank's card portfolio, namely Visa Platinum and a co-branded card issued by BT in partnership with Centrofarm pharmacy network.

Number of BT cards issued

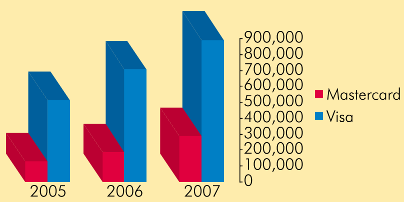


Number of ATM's and POS

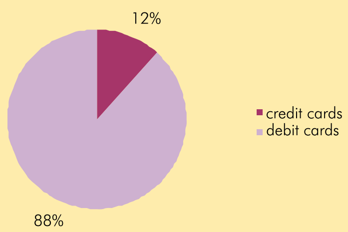


2007 was a successful year where cards are concerned, Banca Transilvania being ranked first in terms of premium cards and MasterCard transaction volumes.

MASTERCARD vs VISA



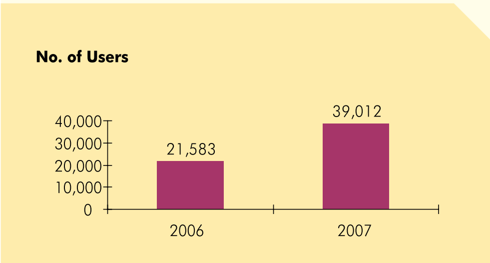
Credit cards vs. debit cards 2007



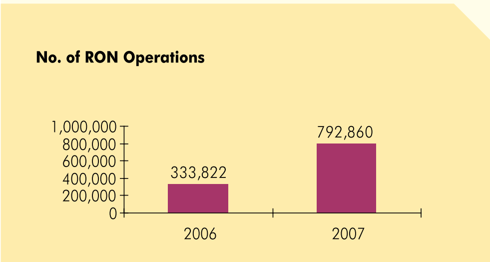
INTERNET BANKING - BT 24

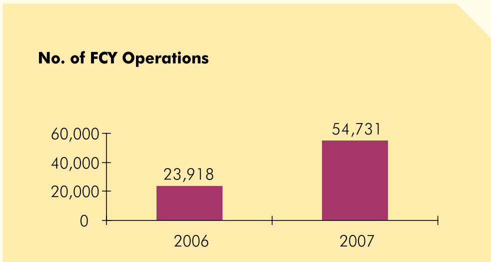
As use of the Internet continues to increase in Romania, more and more banking customers turn to on-line products and services. Internet banking services offered by Banca Transilvania - BT 24 was further improved every year, following our customer requests and recommendations, broadening use options, promptness in executing operations, as well as higher relevance of displayed information. These enhanced capabilities allow for a more efficient cash management for our clients.

We record each year significant customer increase rates: in 2007, the number of internet-banking users doubled compared to the year before, reaching over 50,000 associate users for a number of close to 40,000 subscribers. The emergent relevance of on-line payment services is demonstrated by the 2.5 times increase in the number of processed operations in 2007 compared to 2006.



Interest for online banking will continue to grow over the next years within a market with significant development potential, becoming much more than a simple customer retention tool.





RISK MANAGEMENT

The evolution of the international economic environment in the year 2007 was marked by events with a destabilizing impact on banks and capital markets, started by the sub-prime mortgage crisis in the United States.

In this context, risk management became a matter of the utmost importance for financial institutions, each bank involved trying to implement compensatory measures, so as to counterbalance possible loss.

Even though the banking system in Romania was not directly exposed to the sub-prime mortgage crisis, it experienced spillover effects: corrections in equity market, spreads widening, exchange rate fluctuations.

Within this context, combining general market developments with the rapid growth of Banca Transilvania in the past years, increasing risks are to be faced. Therefore, the activity of identifying, measuring, monitoring and controlling risks continues to be of major importance for the bank's management.

As changes are continuous in an emerging environment, risk categories are constantly reviewed in Banca Transilvania, which is trying to improve and refine its risk management and control instruments. The bank's risk management system is subject to regular reviews by management, internal and external auditors and supervisors.

Types of risk

Banca Transilvania divides the monitoring and controlling process associated with risk management in the following major categories:

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk

The principles of risk management in Banca Transilvania are:

- ensuring the financial stability of Banca Transilvania by minimizing the potential adverse effects of different potential risks on capital and income
- independence of risk management and legal departments from front office, ensuring proper segregation of duties
- portfolio diversification to avoid concentration
- overall approach of risks faced by the Bank.

The decision-making process for addressing credit, market, liquidity and operational risk is strengthened by the Risk Management Committee, which bases its activity on specific risk monitoring sub-committees such as ALCO, Credit Risk Committee and Operational Risk Committee.

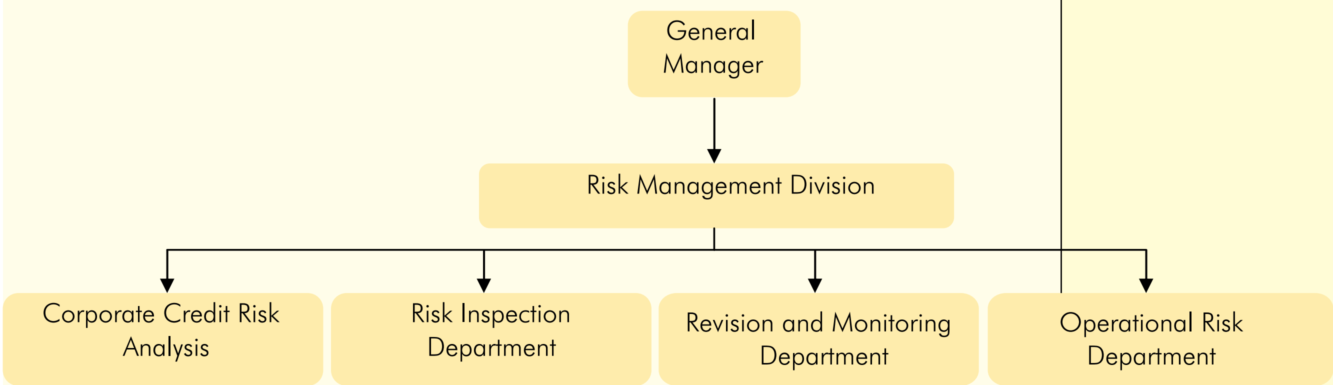
Credit Risk

In 2007, the Board reviewed and adopted the objectives and the strategy for risk management for the period 2007-2009. These are going to be periodically reviewed by the Board and the Management Committee.

Banca Transilvania's objective for 2007-2009 concerning credit risk management is to continuously improve the risk profile by:

- improving the internal procedures regarding risk management,
- adopting a pro-active management style,
- improving the risk monitoring procedures and tools,
- developing capital application tools in line with Basel II,
- improving the internal procedures to prevent money laundering.

Following the regulations and recommendations of Romania's National Bank, in November 2007 Banca Transilvania successfully completed the first capital allocation according to Basel II requirements (a test computation compulsory for the whole Romanian banking system). Several offers were analyzed regarding software for capital allocation in line with Basel II requirements, but after carefully weighing the pros and cons, Banca Transilvania opted for in-house software development.



Market risk

Banca Transilvania's market risk profile is considered low, due to a prudent approach to all operations falling under this type of risk, as well as the numerous types of limits implemented and monitored daily in the bank's current activity. The purpose of this prudential approach is to be protected against market price, interest rates and currency rates volatilities, all of them, external and independent factors.

Market risk management encompasses activities such as:

- setting risk limits
- establishing an efficient, at least dual, control system
- instating a clear segregation of duties.

Although, Banca Transilvania does not have a Value-at-Risk system, it uses different software for the daily evaluations of all bank's positions, marking to market and signaling the reach of predefined "attention" or "critical" levels.

Currency risk in Banca Transilvania is considered low with prudent open position limits and with plain vanilla transactions.

Upon addressing interest rate risk, the bank establishes a set of strict management and monitoring principles. Interest rate risk approach is performed in the bank as a neutral position against interest rate risk of the main foreign currencies – EUR and USD and a more pro-active management only for the local currency.

Liquidity risk

Liquidity risk is stemming from the lack of marketability of an investment that cannot be sold quickly enough to prevent or minimize loss.

In line with banking standards, Banca Transilvania deals with liquidity risk by monitoring changes in the asset and liability structure, diversifying the funding base, with limited dependence on one source of funds, seeking to enhance funding flexibility and continuity, and launching new products to minimize maturity gap.

Operational risk

Managing such risk is becoming an important qualification of sound risk management practice in modern financial markets in line with Basel II requirements. Operational risk involves mostly breakdowns in internal controls and corporate governance which can lead to financial losses through error, fraud or failure to perform transactions in a timely and correct manner. It can also negatively affect the interests of the bank if dealers, lending officers or other staff exceed their authority or conduct business in an unethical or risky way. Other aspects of operational risk include major failure of information technology systems or other disasters.

The individual operational risk management approach of each bank depends on its size and sophistication, the nature and complexity of its activities. However, despite these differences, clear strategies and supervision by the Board and senior management, strong operational and internal control culture (including clear lines of responsibility and segregation of duties), effective reporting tools and contingency plans are core to all banks operational risk management structure.

Similar to other aspects of risk management, Banca Transilvania is continuously building an appropriate operational risk management environment:

- Maintaining and developing an independent management function of operational risk within Risk Management Department, with clear responsibilities;
- Maintaining and developing the necessary governance to ensure the performance base of operational risk management activities;
- Observing compliance with norms and rules imposed by national and international authorities;
- Codifying bank-level policies and procedures concerning operational risk management and controls;
- The development of strategies to identify, assess, monitor and control/mitigate operational risk;
- The design and implementation of the bank's operational risk assessment methodology;
- The design and implementation of a risk-reporting system for operational risk;
- Drafting the business continuity plan;
- Implementing best practices in the field of operational risk;
- Continuously enhancing operational risk management for better capital allocation.

Regarding capital adequacy, our bank is applying the recommendation of the regulatory institutions, but intends to further develop its operational risk measurement systems.

MARKETING

In 2007, marketing activities focused on reinforcing Banca Transilvania's image as a reliable partner, offering its clients support when needed.

Among marketing & PR activities in 2007, we would like to mention some of the most successful campaigns, which contributed to the outstanding results recorded by the bank and to the improvement of customer convenience.

We had several **promotion campaigns, for retail and SME products**, dedicated to both existing products, like mortgage loans & real estate loans for SMEs, credit cards, deposits and to newly launched products, like Visa Platinum - the first premium credit card on the domestic market.

The smile and charisma of the "*Fairy Man*" character, BT's marketing head figure, played its part again in different campaigns, triggering sales increases.

Proving the accomplishments recorded by the MasterCard FORTE "Domnul Dobânda" campaign in 2007, Banca Transilvania was awarded the Bronze Effie prize for the PROMOTIONS NON-FMCG PRODUCTS category, 2008 edition.

Local campaigns - the need for enhancing BT's image and sales in Bucharest led to an innovative campaign, using once again the "Fairy man" to communicate our message:

"BT – 50 units in Bucharest". The bank's awareness in the region increased due to the integrated outdoor campaign and its success can be measured by the impressive number of new clients. Besides this campaign in Bucharest, we used "Guerilla" marketing in different specific locations, thus improving our market position.

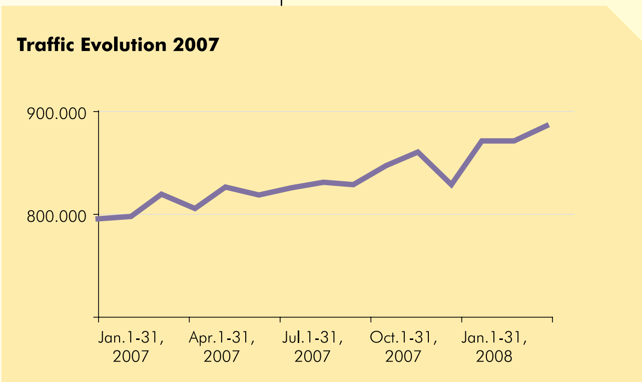
Co-branded activities - Co-branded cards & Western Union money transfer activities. The continuous marketing and promotional activities paid off, BT's Western Union money transfers market share increased to 19% being a landmark success.

The Medical Division – the 4th business line, benefited from an extensive campaign. Banca Transilvania has advertised the Medical Division and the benefits offered to medical doctors using specialized publications, medical events, internet - www.diviziapentrumedici.ro, outdoor and POS promotion material.

Each opening event of a dedicated unit represents a new opportunity for Banca Transilvania to promote the Medical Division by inviting the local healthcare community.

Cluj Has Soul - Banca Transilvania's community project, intensely advertised, used both internal and external communication channels such as: news and internal messages, local press, online publications, television, radio channels, niche websites (www.responsabilitatesociala.ro, www.csr-romania.ro, www.prwave.ro), the bank's website - sections „News", respectively „CSR" (www.bancatransilvania.ro), the project site (www.clujularesuflet.ro), leaflets and drop-mailing.

Online marketing – during 2007 BT succeeded to increase its online traffic on the main website, www.bancatransilvania.ro. The traffic counter registered more than 890.000 visitors, making BT's website one of the top 3 bank websites in Romania.
The online presence was completed by three more niche websites: www.creditpecard.ro (credit cards), www.creditnevoipersonale.ro (consumer loans) and www.imobiliare-ipotecare.ro (mortgage and housing loans).



Social contribution activities

As a responsible corporate citizen, Banca Transilvania sustained a wide range of activities, particularly in the field of education, social work, culture and sports, supporting more than 150 welfare projects.

PR – part of Banca Transilvania's integrated communication.

Public Relations & Communication in Banca Transilvania are an integrated component of the Marketing Division, which ensure constant and coherent contact with the public regarding the bank's activity, a tool for image building and maintaining brand awareness.

During 2007, besides the regular press releases and communications, more than 70 events were organized. We refer to press conferences, where new products and services were revealed or important partnerships made public - Banca Transilvania's entrance on the private pensions market, through the joint-venture with the Dutch company Aegon N.V., official openings of BT and Medical Division units, as well as the launch of BT Café™ in Cluj-Napoca. One important event in 2007 was marked by the inauguration of Banca Transilvania Financial Group Headquarters in Cluj-Napoca and another by the opening of BT's unit number 400. As for BT Golf Cup™, the 5th tournament enjoyed an even larger success than the previous ones.

Communication is key to Banca Transilvania in an continuous effort to increase transparency, towards our shareholders, clients and employees.

CORPORATE SOCIAL RESPONSIBILITY

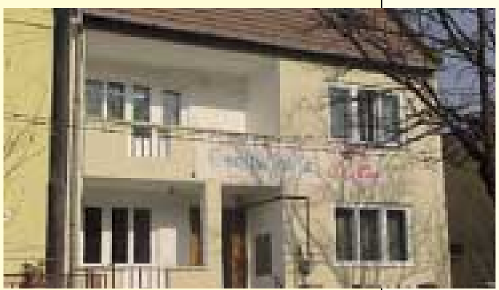
Banca Transilvania became involved in the life of communities it belongs to, by building a long term commitment, distinguished via involvement, dialogue, transparency and ethics.

Cluj Has Soul proved to be one of the most rewarding projects initiated by Banca Transilvania, a social commitment campaign without local precedent, in terms of complexity and approach.

The aim is to bring hope and happiness to teenagers coming from poor families or living in childcare institutions, for whom worries and deprivations have replaced the joy of life.

In order to support this initiative, Banca Transilvania chose as partner the Romanian Foundation for Children, Community and Family in Cluj (www.frccf.org.ro) one of the most famous non-governmental Romanian organizations, whose purpose of activity is child care.

Banca Transilvania managed to establish a day care center, **3 Gh. Doja Street, Cluj-Napoca, becoming not just an ordinary address**, but a home for many underprivileged teens, where educational, professional and self-improvement training programs were offered so that every teenager could become more self-confident and prepared, not only for work, but more importantly for life.



Banca Transilvania will continue to undertake social contribution activities with the aim of creating a better society for all of us and future generations.

In 2007, Banca Transilvania obtained the "Award for Solving Social Issues" during the "Corporate Social Responsibility Awards" Gala.

Environmental Preservation Initiatives

Banca Transilvania is making continuous efforts to further environmental preservation, contributing to the general well being of the society. Accordingly, we are trying to reduce the negative environmental impacts through resource conservation, energy saving and waste reduction and we are constantly making efforts to improve our contribution to environmental preservation.

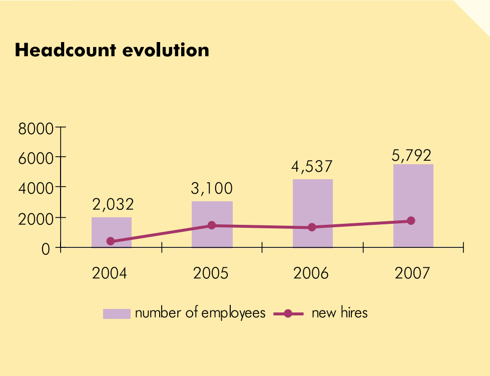
In line with the above, Banca Transilvania is focusing on two major initiatives:

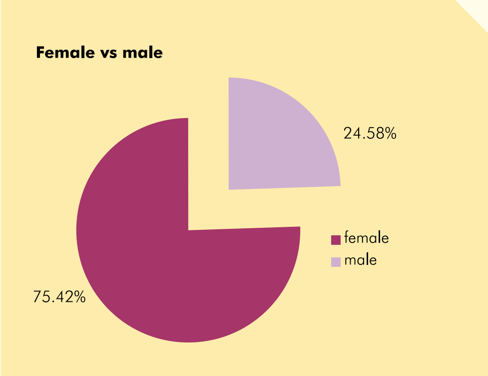
- Paper consumption reduction – aiming for a paperless office
- Energy saving - mainly electric power

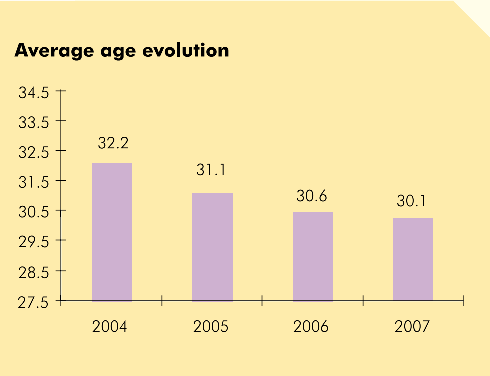
Recognizing the importance of responsible and sustainable development, Banca Transilvania is making efforts to reduce the levels of environmental risks posed by our own activities, understanding that waste reduction, energy saving and paper recycling lead to a better, cleaner environment, thus also inducing similar behavior to its customers.

The HR related strategy for 2007 came to confirm once again the bank's mission statement – "to be an employer of choice for all its employees".

This achievement has been verified as well by the impressive pace of new hires during 2007, in line with the strong increase of the bank's network. Banca Transilvania reached a total number of 5,792 employees, the following graphs showing the distribution between female and male, as well as the average age of BT's employees in 2007.







Regarding the efforts to conduct a staff related strategy appropriate for the bank's growth, BT's management combined remuneration policies with training facilities and career opportunities, developing a corporate culture which imprints a sense of belonging to the bank's family.

BT ACADEMY

To enhance the effectiveness of our personnel and create a corporate culture of excellence, Banca Transilvania set up BT Academy, a special entity meant to provide training and education, available to the bank's employees.

Training

To help our staff acquire both practical knowledge and skills necessary for effectively filling each position, we provide a full range of training courses. The purpose behind the courses is to support the bank's business models and enhance our entire portfolio of products and services, in order to provide customers with competent and comprehensive advice.

In 2006, a training initiative was developed, with a sales related program – "*Sales Academy*" continued in 2007 on different levels for all business lines. The program covers three sections:

1) **Integrated Training for Sales in Agencies** an in - house program with a number of 300 employees participating and with the purpose of developing an adequate qualified pool of employees, the trainer being Banca Transilvania's Deputy CEO, Ionut Patrahau;
2) **sales techniques** to develop and broaden individual expertise in line with the job profile, a number of 770 employees consolidated their sales approach in the day-to-day routine;
3) **commercial negotiations** for 60 corporate seniors.

In addition, a series of corporate and retail dedicated courses were provided for the staff, being specifically tailored for each department. Consequently, 130 colleagues from the Corporate Banking Department (analysts and relationship managers) attended financial analysis courses for a better management of credit risk, 390 Retail Service Providers focused on Western Union training programs and 220 junior Retail Bankers attended customer care seminars.

Apprenticeships and Mentoring Courses

Training young employees for banking careers has been a priority of Banca Transilvania, therefore we offered a training session called *ABC of Operations*, a 5-day course organized for 1,100 employees in 8 centers – Cluj (2), Bucharest (2), Oradea, Timișoara, Craiova, Constanța, Galați and Iași. The program supplied knowledge about the banking sector - payment system, clearing system, loans, cards, risk management, treasury products and trade finance - with the purpose of supporting the personnel in recognizing and using their potential, in order to deliver excellent services and high level performance. The course was mentored by in-house trainers, experienced front office personnel of the bank, who had the capacity to equip the trainees with standard banking knowledge and skills.

Leadership

In 2007, we launched a leadership program for the development of middle and top management, offering MBAs, negotiation sessions, English courses, and Kaizen philosophy sessions, for 300 managers. Our goal was to provide the staff with a challenging and rewarding working environment and what better way than to make changes starting from the top.

We trust that our continuous investments to increase employee proficiency will lead to corporate excellence and performance for the entire Group.

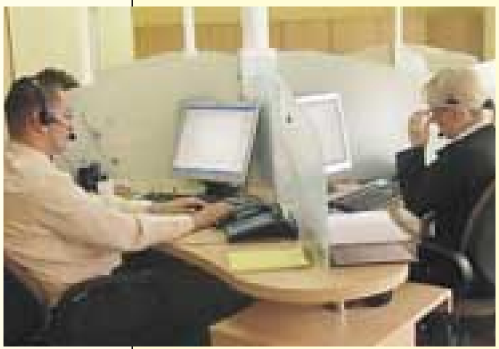
Banca Transilvania continues to develop the operational system in order to sustain the bank's business during expansion, to improve the quality of services, to minimize risks and to enhance productivity.

Banca Transilvania highly values the expansion and enhancement of technological infrastructure, adopting a firm orientation towards efficiency and data security.

Thus, in 2007 the bank marked the following achievements:

Acceptance of chip cards – Banca Transilvania's ATMs and POSs were programed to read information saved on chip cards, thus ensuring increased safety for accepted transactions.

Developing the Call Center – service developed to optimize the customers' access to banking information.



Implementation of secured electronic commerce (E-commerce) – a modern and secure service offered to retailers, exploiting a market segment which developed exponentially over the past years.

New credit cards processing application – facilitates the introduction of data for all credit card agreements at branch level, streamlining the processing flow.

Application to monitor debit and credit cards issuing process - card issuing process becomes much more transparent, BT branches and agencies managing to have an optimal control of involved flows and operations.

Growing and diversifying BT's technological infrastructure, network architecture, privacy issues and security standards will still be present on our target list in 2008.

Core-banking - Banca Transilvania's objective to grow up to 2.5 million customers and 10 million accounts by 2009 needs to be supported by an efficient, cost-effective and secure system. This is one of the key reasons why the Bank is planning to invest in a new generation core-banking system, ensuring business agility, operational efficiency with a lower TCO.

The selection process of core-banking solutions started in May 2007. In this respect, BT screened the core-banking system market and finally short-listed three vendors, who are world leaders in terms of core-banking solutions. In order to better estimate the business impact and the customization effort involved, the Bank is conducting a limited gap analysis with the finalists, a decision being expected in June 2008.

BANCA TRANSILVANIA®

Financial Group Structure

JOINT VENTURES

Compania de Factoring

a partnership with Intermarket Bank Austria

AEGON pensii private

a partnership Banca Transilvania & Aegon N.V.

SUBSIDIARIES

BT ASSET MANAGEMENT S.A.I.

BT SECURITIES

BT LEASING™

BT DIRECT

MEDICREDIT LEASING IFN S.A.

BT Leasing IFN S.A. continued to pursue a growth path in 2007 with significant earnings, benefiting from Banca Transilvania's support. It is worth mentioning that assets increased to RON 258,706,212 and net profit reached RON 5,413,555, growing by 65% year on year.

As part of its strategy to improve market position, BT Leasing continued to make investments in new and promising lines of business, launching new products in 2007- among these "Leasing 1 ORĂ", a financing solution offered to small entrepreneurs.

In 2007 the company managed to improve customer service due to a rise in the number of service units – 34 – and succeeded in streamlining the business processes, thus optimizing cost structures and increasing efficiency.

Financial highlights 2007 (RAS)

		RON
	2007	**2006**
Assets	258,706,212	130,434,569
Equity	21,579,412	16,165,858
(of which) Share Capital	19,837,566	14,980,753
Debts	237,126,799	114,268,711
Total Operating Income	27,903,375	18,295,974
Total Operating Expenses	22,939,247	15,163,871
Net Profit	5,413,555	3,276,360

BT Securities S.A.

BT Securities S.A. recorded another successful year in 2007, despite the significant fluctuations in share prices and transaction volumes recorded on the domestic stock market.

BT Securities S.A. experienced a 51% turnover increase in 2007 versus 2006 (rising from RON 11,534,853 to RON 17,416,158), as well as a 39% net profit increase (from RON 4,144,707 to RON 5,774,648).

A high focus was placed on consolidating market position, furthering the positive image and improving the consultancy and assistance component of the activity. As a result, the transaction volume rose by 70.23% from RON 1,128,495,960 in 2006 to RON 1,921,010,470 in 2007.

In 2007, the national network was extended from 12 to 23 agencies, with year end results for new agencies reaching over 9% of total profits.

The Internet based BT Trade platform was enriched with extended functions and optimizations, for the purpose of providing best services and all necessary information at any given time, to improve client's satisfaction. Among the best improvements are the reduction in access time to data bases and the capacity increase to accommodate a growing number of processed transactions.

Position in the market

	Bucharest Stock Exchange	Sibiu Monetary Financial and Commodities Exchange
2006	5	3
2007	6	5

Market share

2006	5.65%
2007	5.07%

Highlights 2007, RAS

RON

	2006	**2007**
Operational Profit	3,532,165	4,422,099
Financial Profit	1,314,673	2,334,691
Gross Profit	4,846,838	6,756,790
Tax on Profit	702,131	982,142
Net Profit	4,144,707	5,774,648

BT Asset Management SAI S.A.

BT Asset Management SAI S.A. started its activity in the second part of 2005 focusing on two main business lines: management of individual investment accounts and fund management.

In 2007, BT Asset Management registered a turnover of over RON 2,800,000, a rise of 165% against 2006 (RON 1,066,580).

On 31.12.2007, by means of its investment funds - BT Maxim, BT Clasic and BT Index -, BT Asset Management had a market share of 15.44% in the segment of open investment funds, occupying the second position in terms of managed assets value.

At the end of 2007, the company was managing assets amounting to RON 177,229,000, 194% higher than in 2006.

Financial highlights, 2007 (RAS)

		RON
	2007	**2006**
Operational income	2,869,132	1,066,580
Operational expenses	1,482,795	754,697
Operational profit (loss)	1,386,337	311,883
Financial income	4,441,533	821,831
Financial expenses	90,013	188,493
Financial profit (2)	4,351,520	633,338
Gross result (1+2)	5,737,857	945,221

Compania de Factoring IFN S.A.

Compania de Factoring IFN S.A. is a joint venture established in 2006 by Intermarket Bank AG and Banca Transilvania.

The company runs its business through its main office located in Bucharest, and its sales force in Cluj, Arad and Suceava, providing factoring services, collection and financing of receivables, debt management and default risk insurance. The main clients are small enterprises with a turnover of less than Euro 10 million (over 97% of their portfolio) and medium size enterprises with a turnover of more than Euro 10 million (3%), for which the following range of products was designed, to suit their specific economic needs:

- Factoring
  – only financing of receivables
- Plus Factoring
  – financing of receivables plus debt management
- Premium Factoring
  – financing of receivables plus credit insurance and debt management
- Export Factoring
  – financing of export receivables plus 100% credit insurance and debt management
- Import Factoring
  – risk coverage

In 2007, the institution was ranked 4th among the main factoring market players, with a market share of 8% of the EUR 1,420 mil total market volume.

Financial highlights, 2007 (RAS)

Thousand RON	2007	2006
Assets	108,442	20,771
Shareholders' Equity	6,913	6,183
Share Capital	7,000	7,000
Profit	1,734	(817)

BT Direct IFN S.A. is another subsidiary of Banca Transilvania, member of Banca Transilvania Financial Group, which focuses on consumer finance.

The portfolio for 2007 consists of more than 6,500 consumer loans totaling RON 14.1 million, representing a 21.5% increase versus 2006.

BT Direct has extended its partner network, which currently encompasses 355 partner stores, thus enhancing its competitive advantages summarized as follows:

- efficiency in assessing customers' credit worthiness;
- life and product insurance;
- discount on interest related to Loan-to-Value;
- speedy processing of loan applications;

Highlights 2007, RAS

		RON
	2007	**2006**
Assets	26,400,000	18,516,264
Share Capital	18,700,000	16,400,000
Total income	20,922,053	13,615,748
Gross Profit	6,659,548	2,832,829
Tax on profit	978,637	417,470
Net Profit	5,680,911	2,415,359

BT Aegon Fond de Pensii S.A.

BT Aegon Fond de Pensii S.A. is the newest entity within BT Financial Group, being founded in July 2007 as a joint venture between Banca Transilvania SA and Aegon N.V., The Netherlands. Through this partnership, Banca Transilvania extended its portfolio of products and services, entering the competition on the Romanian private pension market.

BT AEGON = Banca Transilvania (50%) + AEGON (50%)

BT Aegon Fond de Pensii S.A. is a pension fund manager operating in the mandatory private pensions arena (2nd Pillar) and managing VITAL privately administered pension fund. At national level, the distribution network of BT Aegon Fond de Pensii S.A. consists of 6239 individual agents and 11 company agents authorized in the sale of privately administered pensions.

In terms of 2007 achievements, BT Aegon became one of the first seven companies in the field, with more than 130,000 clients.

Financial highlights, 2007 (RAS)

RON	
Assets	33,700,901
(of which) Current assets	8,801,158
Debts	11,228,079
Share Capital	36,247,300
(of which) Shareholders' Equity	22,472,822
Total Income	112,890
Total Expenses	13,887,368
Gross Profit	(13,774,478)
Tax on profit	0
Net Profit	(13,774,478)

BANCA TRANSILVANIA S.A.

Consolidated Financial Statements
31 December 2007

Prepared in accordance with the
International Financial Reporting Standards
adopted by the European Union

TRANSLATOR'S EXPLANATORY NOTE:
The above translation of the consolidated financial statements is provided as a free translation from Romanian which is the official and binding version.

INDEPENDENT AUDITORS' REPORT
(free translation[1])

The Shareholders'
Banca Transilvania S.A.

Report on the consolidated financial statements

1 We have audited the accompanying consolidated financial statements of Banca Transilvania S.A. (the "Bank") and its subsidiaries (the "Group"), which comprises the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 auditor's 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 audit work, for this report, or for the opinions we have formed.

Management's responsibility for the consolidated financial statements

3 Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

4 The financial statements of one consolidated company, which statements reflect total assets constituting RON 5,148 thousand and a negative financial performance constituting RON 19.749 thousand as of and for the year ended 31 December 2007, were audited by other auditors whose report have been furnished to us. Our audit report, insofar as it relates to the amounts included for those consolidated company, is based solely on the furnished report of the other auditors.

5 Our responsibility is to express an opinion on the consolidated financial statements of the Group based on our audit and the audits of other auditors. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

6 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

7 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[1] TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

Opinion

8 In our opinion, the accompanying consolidated financial statements of Banca Transilvania S.A.'s Group present fairly, in all material respects, the financial position of the Group as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Emphasis of matters

9 Without qualifying our opinion, we draw attention to the following:

- As presented in Notes 3j and 20 and 21 to the consolidated financial statements, the Group has estimated the impairment loss provision for loans and advances to customers and net lease investments at RON 162,219 thousand based on the internal methodologies developed and applied as at 31 December 2007. Because of the limitations mentioned in Note 3j related to the information management and analysis of important aspects of the methodologies applied in obtaining future estimated cash flows from loans and advances to customers and net lease investments, that estimate may differ from the value that would have been obtained if the Group would have had an information system with the necessary features required to obtain qualitative estimates regarding the timing and amounts of the expected future cash flows.

- As presented in Note 2c to the consolidated financial statements, the Group has presented in Euros for the convenience of readers the amounts reported in RON in the consolidated balance sheet and in the consolidated income statement. This presentation does not form part of the audited consolidated financial statements.

Report on conformity of the administrators' report with the consolidated financial statements

In accordance with the Order of the National Bank of Romania no. 5/2005, article no. 175, point 2) we have read the accompanying administrators' report on the consolidated financial statements of Banca Transilvania S.A. and its subsidiaries (the "Group") prepared in accordance with International Financial Reporting Standards as endorsed by the European Union as at and for the year ended 31 December 2007. The administrators' report as presented from page 1 to 19 is not a part of the Group's consolidated financial statements. In the administrators' report we have not identified any financial information which is not consistent, in all material respects, with the information presented in the Group's consolidated financial statements as at 31 December 2007.

Refer to the original signed Romanian version

K

KPMG Audit SRL
Bucharest, Romania
21 March 2008

CONSOLIDATED INCOME STATEMENT
For the year ended on 31 December

	Note	2007 RON thousand	2006 RON thousand	Convenience Translation* 2007 EUR thousand	2006 EUR thousand
Interest income		910,928	613,391	272,954	174,036
Interest expense		(474,330)	(272,976)	(142,130)	(77,451)
Net interest income	9	436,598	340,415	130,824	96,585
Fee and commission income		332,072	199,643	99,503	56,644
Fee and commission expense		(32,853)	(24,640)	(9,844)	(6,991)
Net fee and commission income	10	299,219	175,003	89,659	49,653
Net trading income	11	121,733	86,048	36,476	24,414
Other operating income	12	18,740	13,126	5,615	3,724
Operating income		876,290	614,592	262,574	174,376
Impairment losses on financial assets	13	(116,517)	(40,672)	(34,913)	(11,540)
Personnel expenses	14	(281,935)	(195,141)	(84,480)	(55,367)
Depreciation and amortization	24, 25	(48,321)	(40,372)	(14,479)	(11,455)
Other operating expenses	15	(235,268)	(176,914)	(70,496)	(50,196)
Operating expenses		(682,041)	(453,099)	(204,368)	(128,558)
Share of profit / (loss) in associates	23	(727)	400	(218)	113
Profit before income tax		193,522	161,893	57,988	45,931
Income tax expense	16	(28,099)	(20,140)	(8,420)	(5,714)
Profit from continuing operations		165,423	141,753	49,568	40,217
Discontinued operations					
Profit / (loss) from discontinued operation (net of income tax)	8	144,021	(33,156)	43,155	(9,407)
Profit for the year		309,444	108,597	92,723	30,810
Attributable to:					
Equity holders of the Bank		307,823	114,448	92,237	32,472
Minority interest		1,621	(5,851)	486	(1,662)
Profit for the year		309,444	108,597	92,723	30,810
Basic earnings per share	38	0.0531	0.0208		
Diluted earnings per share		0.0531	0.0208		
Basic earnings per share – continuing operations		0.0282	0.0257		
Diluted earnings per share – continuing operations		0.0282	0.0257		

* refer to Note 2c

The consolidated financial statements were approved by the Board of Directors on 21.03.2008 and were signed on its behalf by:

Horia Ciorcila
Chairman

Maria Moldovan
Chief Financial Officer

CONSOLIDATED BALANCE SHEET
As at 31 December

	Note	2007 RON thousand	2006 RON thousand	Convenience Translation* 2007 EUR thousand	Convenience Translation* 2006 EUR thousand
Assets					
Cash and cash equivalents	17	3,017,299	1,995,168	835,770	589,990
Placements with banks	18	1,182,975	675,009	327,676	199,606
Financial assets at fair value through profit and loss	19	63,067	95,976	17,469	28,381
Insurance premiums receivables		-	47,021	-	13,905
Loans and advances to customers	20	8,484,048	4,833,106	2,350,022	1,429,194
Net lease investments	21	298,107	135,405	82,574	40,041
Investment securities, available for sale	22	580,881	133,511	160,900	39,480
Investment securities, held to maturity	22	12,672	22,151	3,510	6,550
Investments in associates	23	68,670	27,938	19,021	8,262
Property and equipment	24	299,919	234,518	83,075	69,349
Intangible assets	25	8,366	9,884	2,317	2,923
Goodwill	25	8,369	13,780	2,318	4,075
Other assets	27	59,112	107,161	16,374	31,689
Total assets		14,083,485	8,330,628	3,901,026	2,463,444
Liabilities					
Deposits from banks	28	76,251	56,541	21,121	16,720
Deposits from customers	29	10,390,347	5,645,304	2,878,053	1,669,369
Loans from banks and other financial institutions	30	1,873,797	1,268,422	519,029	375,084
Other subordinated liabilities	31	216,988	201,583	60,104	59,610
Debt – securities issued	32	55,622	58,522	15,407	17,305
Technical insurance reserves		-	133,517	-	39,482
Deferred tax liabilities	26	685	12,074	190	3,570
Other liabilities	33	196,621	159,272	54,463	47,098
Total liabilities		12,810,311	7,535,235	3,548,366	2,228,239
Equity					
Share capital	34	700,979	483,254	194,166	142,903
Treasury shares		-	(7,559)	-	(2,235)
Share premiums		98,602	96,995	27,312	28,682
Retained earnings		266,371	30,769	73,783	9,099
Reevaluation reserve		24,061	6,665	6,665	1,971
Other reserves	35	172,957	178,238	47,908	52,707
Total equity attributable to equity holders of the Bank		1,262,970	788,362	349,834	233,126
Minority interest		10,204	7,031	2,826	2,079
Total equity		1,273,174	795,393	352,660	235,205
Total liabilities and equity		14,083,485	8,330,628	3,901,026	2,463,444

* refer to Note 2c

The consolidated financial statements were approved by the Board of Directors on 21.03.2008 and were signed on its behalf by:

Horia Ciorcila
Chairman

Maria Moldovan
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended on 31 December 2006

In RON thousand	Attributable to equity holders of the Bank							
	Share capital	**Treasury shares**	**Share premiums**	**Revaluation reserve**	**Other reserves**	**Retained earnings**	**Minority interests**	**Total**
Balance at 31 December 2005	326,632	(4,333)	40,071	6,555	141,377	3,174	2,671	516,147
Increase in share capital through appropriation of statutory retained earnings	80,485	-	-	-	-	(80,485)	-	-
Increase in share capital through incorporation of share premium	40,071	-	(40,071)	-	-	-	-	-
Cash contribution to share capital	35,510	-	91,670	-	-	-	704	127,884
Distribution to statutory reserves	-	-	-	-	37,215	(37,215)	-	-
Increase in share capital through conversion of bonds	556	-	-	-	-	-	-	556
Acquisition of treasury shares, net of shares sold	-	(3,226)	-	-	-	-	-	(3,226)
Shares premiums from conversion of bonds into share capital	-	-	5,325	-	-	-	-	5,325
Transfer from minority interest to reevaluation reserves	-	-	-	110	-	-	(110)	-
Transfer to liability of the equity component from the bonds issued	-	-	-	-	(822)	-	-	(822)
Share of the increase in associate's equity	-	-	-	-	-	7,806	-	7,806
Fair values gains from available for sale investments (net of tax)	-	-	-	-	468	23,467	6,381	30,316
Profit for the year	-	-	-	-	-	114,448	(5,851)	108,597
Part of the reserves attributed to minority interest	-	-	-	-	-	(426)	3,236	2,810
Balance at 31 December 2006	483,254	(7,559)	96,995	6,665	178,238	30,769	7,031	795,393

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended on 31 December 2007

In RON thousand	Attributable to equity holders of the Bank							
	Share capital	**Treasury shares**	**Share premiums**	**Revaluation reserve**	**Other reserves**	**Retained earnings**	**Minority interests**	**Total**
Balance at 31 December 2006	483,254	(7,559)	96,995	6,665	178,238	30,769	7,031	795,393
Increase in share capital through appropriation of retained earnings	84,165	-	-	-	-	(84,165)	-	-
Increase in share capital through incorporation of share premium	94,199	-	(94,199)	-	-	-	-	-
Cash contribution to share capital	39,335	-	98,398	-	-	-	-	137,733
Distribution to statutory reserves	-	-	-	-	22,084	(22,084)	-	-
Increase in share capital through conversion of bonds	26	-	205	-	-	-	-	231
Treasury shares sold	-	7,559	-	-	-	7,581	-	15,140
Increase in reevaluation reserves	-	-	-	17,396	-	-	-	17,396
Share of the increase in associate's equity	-	-	-	-	-	11,932	-	11,932
Loss from changes in fair value of available for sale investments (net of tax)	-	-	-	-	(15,172)	-	-	(15,172)
Transfer of reserves related to discontinued operation	-	-	(2,797)	-	(12,193)	12,193	-	(2,797)
Profit for the year	-	-	-	-	-	307,823	1,621	309,444
Other changes	-	-	-	-	-	790	-	790
Net increases from acquisition of subsidiaries and discontinued operations	-	-	-	-	-	1,532	1,552	3,084
Balance at 31 December 2007	700,979	-	98,602	24,061	172,957	266,371	10,204	1,273,174

CONSOLIDATED CASH FLOW STATEMENT
for the year ended on 31 December

	Note	2007 RON thousand	2006 RON thousand
Cash flows from operating activities			
Profit for the year		309,444	108,597
Adjustments for:			
Depreciation and amortization	24, 25	48,321	40,372
Impairments and written offs on financial assets		124,740	56,033
Share of profit in associates, net of dividends		727	(340)
Technical insurance reserves		-	59,993
Profit on disposal of investments available for sale		(7,632)	(9,684)
Fair value adjustment of financial assets at fair value through profit and loss		(3,846)	(20,557)
Foreign exchange difference on convertible debentures		(2,669)	(11,873)
Gain from discontinued operations sold (net of profit tax)	8	(275,577)	-
Profit tax expense	16	57,638	20,140
Other adjustment		28,790	(8,482)
Net profit adjusted with non-monetary elements		279,936	234,199
Changes in operating assets and liabilities			
Change in investment securities		(467,934)	183,545
Change in placement with banks		207,976	(205,115)
Change in loans and advances to customers		(3,747,572)	(1,971,064)
Change in net lease investments		(116,767)	(40,593)
Change in financial assets at fair value through profit and loss		31,749	301
Change in insurance premiums receivables		-	(8,803)
Change in other assets		(24,815)	(66,030)
Change in deposits from banks and customers		4,764,754	2,104,318
Change in other liabilities		25,551	116,685
Income tax paid		(13,896)	(12,356)
Net cash from operating activities		938,982	335,087
Cash flows from / used for investing activities			
Net acquisitions of property and equipment and intangible assets		(105,985)	(103,225)
Collections from sold discontinued operation (net of payments)	8	200,590	-
Acquisition of affiliates (net of absorbed cash) and investments in associates		(25,531)	-
Net cash flow used for investing activities		69,074	(103,225)
Cash flows from / used for financing activities			
Collections from increase in equity		145,291	127,180
Subscription of minority interest to affiliates share capital		-	2,011
Collections from loans from banks and other financial institutions, subordinated liabilities and debentures issued, net of payments		584,726	710,256
Acquisitions of treasury shares		-	(6,658)
Net cash flow from / used for financing activities		730,017	832,789
Net increase in cash and cash equivalents		1,738,073	1,064,651
Cash and cash equivalents at 1 January		2,462,201	1,397,550
Cash and cash equivalents at 31 December		4,200,274	2,462,201

Analysis of cash and cash equivalents

	Note	2007 RON thousand	2006 RON thousand
Cash and cash equivalents include:			
Cash at hand and accounts held with banks	17	288,002	178,418
Balances with National Bank of Romania – less than 3 months	17, 18	3,229,297	1,816,750
Placements with other banks – less than 3 months	18	682,975	467,033
Total		4,200,274	2,462,201

Reconciliation of cash and cash equivalents to balance sheet

	Note	31 December 2007 RON thousand	31 December 2006 RON thousand
Cash and cash equivalents	17	3,017,299	1,995,168
Placements with banks	18	1,182,975	675,009
Less placements with banks – more than 3 months		-	(207,976)
Cash and cash equivalents in the cash flow statement		4,200,274	2,462,201

Cash flows from operating activities include:

In RON thousand	2007	2006
Interest collected	896,074	603,692
Interest paid	408,310	256,104

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Banca Transilvania Group (the "Group") includes the parent bank, Banca Transilvania S.A. (the "Bank") and its subsidiaries domiciled in Romania. The consolidated financial statements of the Group for the year ended 31 December 2007 include the Bank's and its subsidiaries' (together referred to as the "Group") financial statements. The subsidiaries include the following companies:

Branch	Field of activity	31 December 2007	31 December 2006
BT Securities S.R.L.	Investments	95.50%	95.50%
BT Leasing Transilvania IFN S.A.	Leasing	100.00%	100.00%
BT Investments S.R.L.	Investments	100.00%	100.00%
BT Direct IFN S.A.	Leasing	100.00%	100.00%
BT Asigurari Transilvania S.A.	Insurance	-	79.89%
BT Management S.R.L.	Investments	-	100.00%
BT Logistic S.R.L.	Investments	-	100.00%
BT Building S.R.L.	Investments	100.00%	100.00%
BT Asset Management S.A.I S.A.	Asset management	80.00%	80.00%
BT Solution Agent de Asigurare S.R.L.	Insurance	95.00%	95.00%
BT S.A.fe Agent de Asigurare S.R.L.	Insurance	99.98%	95.00%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance	99.99%	95.00%
S.A.R Building S.R.L.	Leasing	100.00%	100.00%
BT Asist S.R.L.	Insurance	-	79.88%
BT Advice S.R.L.	Consultancy	-	80.90%
BT Strategy S.R.L.	Consultancy	-	80.90%
BT Evolution S.R.L.	Consultancy	-	80.90%
BT Consulting S.R.L.	Consultancy	-	80.90%
BT Alpha S.R.L.	Investments	-	100.00%
BT Beta S.R.L.	Investments	-	100.00%
BT Gamma S.R.L.	Investments	-	100.00%
BT Account Agent de Asigurare S.R.L.	Investments	100.00%	100.00%
BT Compania de Factoring IFN S.A.	Factoring	50.00%	50.00%
BT Finop Leasing S.A.	Leasing	51.00%	51.00%
BT Aegon S.A.	Pension	50.00%	-
BT Consultant S.R.L.	Financial brokering	100.00%	-
BT Evaluator S.R.L.	Financial brokering	100.00%	-
Medicredit Leasing IFN S.A.	Leasing	57.39%	-
Rent-a-med S.R.L.	Rental of medical equipment	57.39%	-
BT Invest 1	Investment fund	54.92%	-

The Group has the following principal areas of business activity: banking, which is performed by the Bank, leasing and consumer finance, which is performed mainly by BT Leasing Transilvania S.A., BT Finop Leasing S.A., Medicredit Leasing IFN S.A., Rent-a-med S.R.L. and BT Direct S.R.L., insurance interrupted in December 2007 and performed by BT Asigurari Transilvania S.A., asset management, investment funds and investments on capital markets, which are performed by the other subsidiaries presented above.

Banca Transilvania S.A.

Banca Transilvania S.A., was incorporated in Romania in 1993 and is licensed by the National Bank of Romania to conduct banking activities. The Bank started its operations in 1994 and its main operations involve corporate and retail banking operations in Romania. The Bank operates through its Head Office located in Cluj-Napoca, 57 branches, 371 agencies and 28 working points (2006: 52 branches, 282 agencies, 6 working points and 2 foreign exchange offices) throughout the country and in Cyprus (a branch opened in 2007). The Bank accepts deposits and grants loans, carries out fund transfers in Romania and abroad, exchanges currencies and provides banking services for its corporate and retail customers.

The principal activity of the Bank is to provide day-to-day banking and other financial services to corporate and individual clients. These include: customer deposits, domestic and international payments, foreign exchange transactions, working capital finance, medium term facilities, bank guarantees, letters of credit and also financial consultancy for micro and small enterprises operating in Romania.

The Bank's number of employees as at 31 December 2007 was 5,792 (31 December 2006: 4,537).

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

The structure of the equity holders of the Bank is presented below:

	31 December 2007	31 December 2006
The European Bank for Reconstruction and Development ("EBRD")	14.97%	15.00%
Individuals, citizens of Romania	41.90%	48.01%
Domestic companies	20.14%	20.16%
Foreign individuals	4.17%	5.50%
Foreign companies	18.82%	11.33%
Total	100.00%	100.00%

The Bank's shares are listed on the Bucharest Stock Exchange and are traded under the symbol TLV.

BT Leasing Transilvania S.A.

BT Leasing Transilvania IFN S.A. was incorporated in 1995 as a privately owned joint-stock company, established under Romanian laws. The company was initially incorporated under the name of LT Leasing Transilvania S.A., which was changed to the current name in February 2003. The company operates through its Head Office located in Cluj-Napoca, 7 branches and one agency (2005: 7 branches and one agency) throughout the country. The company leases various types of vehicles, manufacturing and other equipment.

The number of employees as at 31 December 2007 was 105 (2006: 72).

The registered address of BT Leasing Transilvania IFN S.A. is: 1st Baritiu Street, Cluj-Napoca, Romania.

BT Direct IFN S.A.

BT Direct SRL was incorporated in 2003 as a liability limited company, established under Romanian laws. The company grants consumer finance loans mainly for domestic electric appliances.

The number of employees as at 31 December 2007 was 22 (2006: 17).

The registered address of BT Direct IFN S.A. is: 36 Eroilor Boulevard, Cluj Napoca, Romania.

BT Asigurari S.A.

BT Asigurari Transilvania S.A. ("BT Asigurari S.A.") was incorporated in 1994 and is licensed by the Insurance Supervisory Committee to conduct insurance activities. In 2004 the company was acquired by Banca Transilvania S.A. In 21 December 2007 BT Asigurari S.A. was entirely sold to a company outside the Group. During the year 2007, BT Asigurari S.A. operated in the field of life and health insurance, as well as in the field of general insurance. The company offers the entire range of general insurance: car, home, travel, credit and liability insurance, representing the majority of the company's operations.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union, effective at the Group's annual reporting date, 31 December 2007.

In estimating impairment losses for loans and receivables and net lease investments, the Group has applied the internal methodology described in Note 3 (j) (vii) in order to assess impairment for loans and advances to customers and net lease investments.

Differences between IFRS and statutory financial statements

The accounting records of the Bank are maintained in RON in accordance with Romanian accounting law and National Bank of Romania's banking regulations.

The subsidiaries maintain their accounting records in accordance with Romanian accounting law. All these accounts of the Bank and subsidiaries are defined hereafter as the statutory accounts.

These accounts have been restated to reflect the differences between the statutory accounts and IFRS. Accordingly, adjustments have been made to the statutory accounts, where considered necessary, to bring the financial statements into line, in all material aspects, with the IFRS.
The major changes applied to the statutory financial statements in order to bring them into line with the International Financial Reporting Standards adopted by the European Union are:

- grouping of numerous detailed items into broader captions;
- restatement adjustments required in accordance with IAS 29 ("Financial Reporting in Hyperinflationary Economies") due to the fact that Romanian economy has been hyperinflationary until 31 December 2003 (refer to Note 3c);
- fair value and impairment adjustments required in accordance with IAS 39 ("Financial Instruments – Recognition and Measurement');
- impairments for deferred tax and
- presenting the necessary information in accordance with the IFRS.

(b) Basis of measurement

The consolidated financial statements of the Group are prepared on a fair value basis, financial assets and liabilities held at fair value through profit and loss and available-for-sale instruments, except those for which a reliable measure of fair value is not available.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost, revaluated amount or historical cost. Non-current assets held for sale are stated at the lower of net book value and fair value, less cost of sale.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are prepared and presented in Romanian Lei ("RON"), which is the Bank's functional and presentation currency, rounded to the nearest thousand.

Convenience translation

For the user's information, the restated RON figures have been presented in EUR, following the requirement of IAS 21 "The Effect of Changes in Foreign Exchange Rates". This presentation is not a part of the audited financial statements.

According to IAS 21, since the measurement currency is RON, for translation from RON to EUR the following procedures were followed:

- Assets, liabilities and equity items for all balance sheet items presented (i.e. including comparatives) were translated at the closing rate existing at the date of each balance sheet presented (31 December 2007: 3.6102 RON/EUR; 31 December 2006: 3.3817 RON/EUR);
- Income and expenses items for current period presented were translated at the exchange rates existing at the dates of the transactions or a rate that approximates the actual exchange rates (average exchange rate in 2007: 3.3373 RON/EUR; average exchange rate in 2006: 3.5245 RON/EUR);
- All exchange differences resulting from translation in the current period are recognized directly in equity.

The restatement and presentation procedures used according to IAS 21, "The Effects of Changes in Foreign Exchange Rates", could result in differences between the amounts presented in EUR and the real values.

(d) Use of significant estimates and judgments

The preparation of financial statements in accordance with IFRS adopted by the European Union implies that the management uses estimation and judgments that affect the appliance of accounting policies, as well as the reported value of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of the judgments used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about estimates used in the appliance of the accounting policies which carry a significant impact on the financial statements, as well as the estimates which involve a significant degree of uncertainty, are described in Notes 4 and 5.

3. Significant accounting policies and methods

Significant accounting policies and methods have been applied consistently by the Group entities to all periods presented in the consolidated financial statements.

In respect of comparative information, certain items from the consolidated financial statements as at 31 December 2006 have been reclassified to conform to current presentation..

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those companies controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. When assessing control, potential voting rights that presently are exercisable or convertible must be taken into consideration. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control starts until the date that control ceases.

The Bank consolidates the financial statements of its subsidiaries in accordance with IAS 27 "Consolidated and separate financial statements". The list of the Group's branches is presented in Note 1.

(ii) Investment funds management

The Group manages and administrates assets invested in unit funds on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity by holding an interest higher than 50% in the respective unit fund.

(iii) Associates

Associates are those companies on which the Group may exercise a significant influence, but not control on financial and operational policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. If the Group's share of losses from associates exceeds the carrying amount of the investment, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

The Bank holds a 25% (2006: 25%) investment in an associate Asiban S.A, an insurance company providing non-life and life insurance services to Romanian individuals and corporate customers. The Group included the share of total recognized gains and losses of this associate in accordance with IAS 28 "Investment in Associates".

Furthermore, the Group holds securities in the following investment funds:

- BT Clasic – 30.32% (managed by BT Asset Management);
- Fond Privat Comercial – 26.31%.

(iv) Jointly controlled entities

Jointly controlled entities are those enterprises where there is a contractually agreed sharing of control over the economic activities of the respective entities, and exist only when the strategic financial and operating decisions relating to the activities require the unanimous consent of the parties sharing control. The consolidated financial statements include the Group's share of interest in a jointly controlled entity using proportionate consolidation in accordance with the stipulations of IAS 31 „Interests in joined ventures".

At 31 December 2007, the jointly controlled entities owned by the Group are: Compania de Factoring IFN S.A. and BT Aegon S.A.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions as well as any unrealized gains resulted from the intra-group transactions have been eliminated in preparing the consolidated financial statements. Unrealized gains resulted from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the enterprise. Unrealized gains resulted from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group entities at exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investments hedges.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rate valid at the date the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale financial assets which are included in the fair value reserve in equity.

ii) Translation of foreign operations

The result and financial position of foreign operations, which have a functional currency different from the functional and presentation currency of the Group, are translated into the presentation currency as follows:

- assets and liabilities, both monetary and non-monetary, of this entity have been translated at the closing rate;
- income and expenses items of these operations have been translated at the average exchange rate of the period, as an estimated for the exchange rates from the dates of the transactions; and
- all resulting exchange difference have been classified as equity until the disposal of the investment.

The exchange rates of major foreign currencies were:

Currency	**31 December 2007**	**31 December 2006**	**Increase/ (Decrease) %**
Euro (EUR)	1: RON 3.6102	1: RON 3.3817	6.7%
US Dollar (USD)	1: RON 2.4564	1: RON 2.5676	(4.3%)

c) Accounting method for the effect of hyperinflation

According to IAS 29 and IAS 21, the financial statements of an enterprise whose functional currency is the currency of a hyperinflationary economy should be stated in terms of measuring unit current at the balance sheet date i.e. non monetary items are restated using a general price index from the date of acquisition or contribution.

IAS 29 suggests that economies should be regarded as hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years exceeds 100%.

The continuously decreasing inflation rates and other factors related to the characteristics of the economic environment in Romania indicate that the economy whose functional currency was adopted by the Group ceased to be hyperinflationary, effective for financial periods starting at 1 January 2004. Therefore, the provisions of IAS 29 have no longer been adopted in preparing these financial statements.

Accordingly, the amounts expressed in measuring unit current at 31 December 2003 are treated as the basis for the carrying amounts in these consolidated financial statements and do not represent appraised value, replacement cost, or any other measure of the current value of assets or the prices at which transactions would take place currently.

d) Interest income and expenses

Interest income and expenses are recognized in the income statement at amortized cost using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Fair value changes of derivative instruments are presented in net trading income. Fair value changes of other financial assets and liabilities at fair value through profit and loss are presented as interest income and expenses.

e) Fees and commission income

Fees and commission income arises on financial services provided by the Group including loan origination, commitment fees, card fees, cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services.

Fee and commission directly attributable to the financial asset or liability origination, both income and expense, that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Loan commitments fees that are likely to be drawn down, are deferred, together with the related direct costs, and are recognized as an adjustment to the effective interest rate of the loan.

Other fee and commission income arising on the financial services provided by the Group including investment management services, brokerage services, and account services fees is recognized as the related service is provided. Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

f) Net trading income

Net trading income represents the difference between the gain and loss related to the trading assets and liabilities and comprises all fair value changes realized and unrealized and net foreign exchange differences.

g) Dividends

Dividend income is recognized when the right to receive income is established. Income from equity investments and other non-fixed income investments is recognized as dividend income when it accrues. Dividends are reflected as a component of other operating income.

Dividends are treated as an appropriation of profit in the period they are declared and approved by the General Assembly of Shareholders. The only profit available for distribution is the profit for the year recorded in the Romanian statutory accounts, which differs from the profit in these financial statements, prepared in accordance with IFRS, due to the differences between the applicable Romanian Accounting Regulations and IFRS adopted by the European Union.

h) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. Operating lease expense is recognized as a component of the operating expenses.

Minimum lease payments made under finance leases are apportioned between the interest expense and the reduction of the outstanding liability. The interest expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

i) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of prior periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of the goodwill, the initial recognition of the assets and liabilities that come from transactions other than business mergers and which have no impact on the accounting profit nor on the fiscal one and differences related to investments in subsidiaries, as long as they are not considered to be reversed in the near future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

The tax rate used to calculate the current and deferred tax position at 31 December 2007 is 16% (2006: 16%).

j) Financial assets and liabilities

(i) Classification

The Group classifies its financial assets and liabilities in the following categories:

Financial assets or financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial instrument is classified in this category if acquired principally for the purpose of short term profit-taking or if so designated by management. Derivatives are also categorized as held for trading unless the derivative is a designated and effective hedging instrument. The financial instruments at fair value through profit or loss comprise listed equity securities and derivatives instruments.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term, those that the Group, upon initial recognition, designates as at fair value through profit and loss, those that the Group, upon initial recognition, designates as available for sale or those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. Loans and receivables comprise loans and advances to banks and customers.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group had included in this category certain treasury bills issued by the Ministry of Public Finance of Romania.

Available-for-sale financial assets are those financial assets that are designated as available for sale or are not classified as loans and advances, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale instruments include treasury bonds and other bonds eligible for discounting with central banks, investments in unit funds, equity investments and other investment securities that are not at fair value through profit and loss or held-to-maturity.

(ii) Recognition

Financial assets and financial liabilities are initially recognized at fair value plus, in case of financial assets and financial liabilities not carried at fair value through profit or loss, directly attributable transaction costs.

The Group initially recognizes: loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(iii) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when, and only when, the Group has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis, or realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) Amortised cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date. Where a fair value cannot be reliably be estimated, unquoted equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

(vii) Identification and measurement of impairment

Assets held at amortized cost
At each balance sheet date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset ("loss generating event"), and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

It is probable that the identification of a single event responsible for the impairment is difficult. Impairment may have been caused by the combined effect of multiple events. The losses expected as a result of the future events, regardless of their probability, are not recognized.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the variable interest rate at current rate. When a subsequent event causes the amount of impairment to decrease, the impairment loss is reversed through profit and loss.

If during a future period, an event that took place after the date of the impairment recognition generates decrease in the impairment expense, the formerly recognized impairment loss is reversed either directly or through the adjustment of an accruals account. The impairment decrease is recognized through profit and loss.

Loans and advances to customers and net lease investments

The Group, based on its internal impairment assessment methodology, has included observable data on the following loss events that comes to its attention as objective evidence that loans and advances to customers and net lease investments or groups of assets are impaired:

(a) significant financial difficulty of the borrower (lessee) determined in accordance with the Group’s internal rating system;
(b) a breach of contract, such as a default or delinquency in interest or principal payments of the borrowers (individually and in the same group of borrowers);
(c) the lender, for economic or legal reasons relating to the borrower's or lessee’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider such as the rescheduling of the interest or principal payments;
(d) is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
(e) credible information indicating a measurable decrease in the estimated future cash flows of a group of financial assets from the date of the initial recognition, regardless of the fact that the decrease cannot be identified for each asset, including:
    i) unfavorable change in the payment behavior of the Group’s debtors, or
    ii) national or local economic circumstances that can be correlated to the loss / depreciation of the Group’s assets.

The Group first assesses whether objective evidence of impairment exists as described above, individually for loans to customers and net lease investments that are individually significant, and individually or collectively for loans that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the loans to customers and net lease investments in groups with similar credit risk characteristics and collectively assesses them for impairment. Loans and advances to customers and net lease investments that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The calculation of the present value of the estimated future cash flows of a collateralized loan and net lease investments reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, loans and advances to customers and net lease investments are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of the industry for corporate clients and small and medium enterprises and on the basis of significant types of products for individuals).

Management considers that these characteristics chosen are the best estimate of similar credit risk characteristics relevant to the estimation of future cash flows for groups of such loans and net lease investments by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of loans and advances to customers and net lease investments that are collectively evaluated for impairment are estimated on the basis of historical loss experience for loans and net lease investments with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The methodology of assessing the loss related to the loans and advances to customers and net lease investments implies the existence of a dedicated informatics support which uses the effective interest rate method in the computation of the current value of future cash flows generated by these financial assets, facilitates their consistent grouping at Group level, on risk segments with similar features and offers relevant information regarding the experience of historical losses from these categories of financial assets with similar risk features. As a result of the inherent limitations mentioned above, the estimated amount of depreciation may differ from the one obtained if the Group had an informatics organizer to support the methodology of estimating loss related to loans and advances to customers and net lease investment.

The Group reviews on a regular basis the methodology and the premises used for estimating the future cash flows in order to diminish the differences between the estimated losses and the real ones.

Available for sale financial assets

For financial assets classified as available-for-sale, when a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss even though the financial asset has not been derecognized.

The amount of the cumulative loss that is removed from equity and recognized in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(viii) Designation at fair value through profit and loss

The Group has designated financial assets and liabilities at fair value through profit and loss when:

- eliminates or significantly reduces an evaluation or recognition mismatch ("accounting error") which might have arisen from the measurement of the assets and liabilities or from the recognition of their gain or loss based on different principles;
- they are part of a group of financial assets or liabilities managed, evaluated and reported to the management on a fair value basis according to the risk management documentation / investment strategy; or
- they are hybrid contracts through which an entity can reflect the entire contract at fair value through in profit and loss.

k) Cash and cash equivalents

Cash and cash equivalents comprise: cash on hand, unrestricted balances held with the National Bank of Romania and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value. Cash and cash equivalents are carried at amortized cost in the balance sheet.

l) Financial assets and liabilities held for trading

Held for trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the balance sheet with transaction costs taken directly to profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

m) Derivatives

(i) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the balance sheet.

When a derivate is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit and loss as a component of net trading income. At 31 December 2007 the Group doesn't own derivatives held for risk management purposes.

(ii) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Group accounts for embedded derivatives separately from the host contract when the host contract is not itself carried through profit and loss, and the characteristics of the embedded derivatives are not clearly and closely related to the host contract. Separate embedded derivatives are accounted for depending on their classification, and are presented in the balance sheet together with the host contract.

n) Loans and advances and net lease investments

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. When the Group is the lessor in a lease agreement that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances. Consumer finance facilities granted to customers are also included in net lease investments. Loans and advances and net lease investments are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method as described in the accounting policy 3(d) above, except when the Group chooses to carry the loans and advances and net lease investments at fair value through profit or loss as described in accounting policy 3(j)(viii) above.

Loans and advances and net lease investments are presented net of provision for impairment losses. Provision for impairment losses are made against the carrying amount of loans and advances and net lease investments that are identified as being impaired based on regular reviews of outstanding balances to reduce these assets to their recoverable amounts.

o) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit and loss or available-for-sale.

(i) Held to maturity

Held-to-maturity investments are carried at amortized cost using the linear method. The linear amortization method used to determine the amortized cost for held-to-maturity investments represent the management's best estimate for the value of the corresponding amortization and the impact of applying the effective interest rate method would not be material. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

(ii) Fair value through profit and loss

The Group carries some investment securities at fair value, with fair value changes recognized immediately in profit or loss as described in accounting policy 3(l).

(iii) Available-for-sale

Debt securities such as treasury bills issued by the Government of Romania are classified as available-for-sale assets.

Debt securities issued by the Government of Romania do not have an active market to support the assessment of their fair value. Consequently, the fair value of these securities was estimated using discounted cash-flow techniques applying the prevailing reference rates for similar placements on the local inter-banking market commonly used by market participants in Romania.

Other securities such as investments in unit funds are classified as available-for-sale assets and are carried at their market prices.

Other equity investments in listed or unlisted companies are classified as available-for-sale assets and are carried at the fair value. Where no reliable estimate of fair value is available, equity investments are stated at restated cost less impairment.

Interest income is recognized in profit and loss using effective interest method. Dividend income is recognized in profit and loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit and loss.

Other fair value changes are recognized directly in equity until the investment is sold or impaired and the balance in equity is recognized in profit or loss.

p) Insurance contracts

(i) General insurance contracts

Revenue
The gross written premiums include all amounts due according to insurance contracts. If the insurance contract's duration is longer than 1 year, the gross written premium represents the amounts due during one calendar year from the insurance contract, with the exception of the single premiums contracts, for which the gross written premium represents the value of the single premium. The Group recognizes in gross written premium, the premium income from motor third party liability policies concluded during December current financial year, with vesting period starting with January next year, and create provisions for unearned premium in proportion of 100% of premium income. The gross written premium in respect of these policies will be earned starting with 1st of January next year.

Claims
The claims contain the payments made and additional costs and the prejudice in balance for events that took place during the financial year together with the adjustments of the claims reserve related to the previous year.

(ii) Life insurance

Revenue
The gross written premiums include all amounts due according to insurance contracts. If the insurance contract's duration is higher than 1 year the gross written premium represents the amounts due during one calendar year from the insurance contract, with the exception of the single premiums contracts, for which the gross written premium represents the value of the single premium.

Claims
Claims include maturities, surrenders and death claims, and policyholder bonuses allocated in anticipation of a bonus declaration. Maturity claims are recognized as an expense when due for payment. Surrender claims are recognized when paid. Death claims are recognized when notified.

r) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at their cost or revalued amount less accumulated depreciation value and impairment losses. Capital expenditure on property and equipment in the course of construction is capitalized and depreciated once the assets enter into use.

In 2007 the Group revaluated the land and buildings, using an independent valuator, Darian Rom Suisse S.R.L. The value for each item was estimated by applying the working methodology recommended by the National Association of Evaluators of Romania (ANEVAR) and by the International Valuation Standards Committee.

Leases in term of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

(ii) Subsequent costs

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Leasehold improvements (average)	7 years
Computers	3 years
Furniture and equipments	3 – 20 years
Vehicles	4 – 5 years

The leasehold improvements are depreciated over the rental contract period, which varies between 1 and 52 years. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

s) Intangible assets

(i) Goodwill and negative goodwill

Goodwill / (negative goodwill) arises on the acquisition of subsidiaries. Goodwill represents the difference between the cost of the acquisition and the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. When the difference is negative (negative goodwill), it is recognized immediately in profit and loss, after reanalyzing the manner of identification and valuation of the assets, liabilities and identifiable contingent liabilities and measurement of the acquisition cost.

Acquisition of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of buy.

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses. Negative goodwill is recognized immediately in the income statement, after reassessment of the identification and measurement of the identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the acquisition.

(ii) Software

Costs associated with developing or maintaining software programs are recognized as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software is three years.

t) Financial lease – lessee

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and, except for investment property, the leased assets are not recognized on the Group's balance sheet.

u) Impairment of non-financial assets

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

v) Deposits from customers
Deposits from customers are initially measured at fair value plus transaction costs, and subsequently measured at amortized cost using the effective interest method.

x) Debt securities issued and loans from banks and other financial institutions

Borrowings such as loans from banks and other financial institutions and debt securities issued are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs occurred. Debt securities and loans from banks and other financial institutions are subsequently stated at amortized cost.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

y) Provisions

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

z) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guarantee has become probable).

aa) Employee benefits

(i) Short term service benefits

Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are recognized as expense when services are rendered.

(ii) Defined contribution plans

The Bank and its subsidiaries, in the normal course of business make payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Bank and its subsidiaries are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the income statement as incurred. The Bank and its subsidiaries do not have any further obligations.

The Bank and its subsidiaries do not operate any independent pension scheme and, consequently, have no obligation in respect of pensions. The Bank and its subsidiaries do not operate any other post retirement benefit plan. The Bank and its subsidiaries have no obligation to provide further services to current or former employees.

(iii) Share-based payment

The Bank has two types of share-based payment transactions:

- Shares granted to employees at a price different from the quoted market price of the Bank's shares at the granting date;
- Share options granted to employees subject to certain vesting conditions. The difference between the grant date fair value of the Bank's shares and the considerations paid by the employees for these share options is recognized as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest.

ab) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

ac) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

ad) Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

ae) Standards, interpretations and amendments to the IFRS not yet adopted

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but which the Group has not early adopted. Management considered the following new standards, amendments and interpretations to existing standards:

- *Amendments to IFRS 2 "Share based payment" and IFRIC 11 "Group and treasury share transactions"*. They require share-based and cash payments made by the mother company to a supplier of goods and services (including employees) of a branch in the branche's financial statements. IASB did not specify a proposed date for beginning the application; however a proposal was made to apply the amendment retroactively according to the requirements of transition to IFRS. The Group is analyzing the impact of this reviewed standard.
- *IFRS 3 (reviewed) "Business combinations"* (applicable starting 1 January 2009). The reviewed standard includes a series of potentially significant changes including:
    - All the items transferred by the buyer are recognized and measured at fair value from the date of the acquisition, also comprising the transferred contingents.
    - Transaction costs are not included in recording the acquisition.
    - The buyer may choose to measure any interest without control at its fair value at the acquisition date (complete goodwill), or at a pro-rata applied to the fair value of the identifiable assets and liabilities of the acquired part.
    - The acquisition of interests without additional control after business combination must be recorded as a joint share acquisition. The Group did not finalize the analysis of the future impact of this standard's revision on the recording method of business combinations.
- *IAS 1 (reviewed) "Presentation of financial statements – presentation of equity"* (applicable starting 1 January 2009). The reviewed standard requires the grouping of the information from the financial statements based on common features and introduces the comprehensive profit Statement. The income and expenses items and the components of other comprehensive profits can be reflected either inside of a single statement of the comprehensive profit with subtotals, or inside of two separate statements (a profit and loss statement followed by a comprehensive profit statement). The Group currently assesses whether to present a single statement of the comprehensive profit or two separate statements.
- *IAS 23 (modified) "Borrowing costs"* (applicable starting 1 January 2009). This standard requires that entities capitalize the borrowing costs which are directly attributable to the acquisition, building or production of a term asset (an asset that requires a substantial period of time in order to be ready for use or sale) as a component of that particular asset's cost. The option to recognize the borrowing costs as an expense of the period in which they arose, will be eliminated. The Group will apply IAS 23 (modified), if necessary, starting 1 January 2009. Currently, this does not apply to the Group as there are no term assets.
- *IAS 27 (reviewed) "Consolidated and Separate Financial Statements"* (applicable starting 1 July 2009). In the reviewed standard, the term "minority interest" was replaced with "interest without control", and is defined as "interest in a branch that is not attributable, directly or indirectly to a mother company". The reviewed standard also modifies the manner in which the interest without control, the loss of control on a branch and the allocation of the profit / (loss) and other comprehensive profits between interest with or without control. The Group has not yet analyzed the impact of this reviewed standard.
- *IAS 32 (modified) „Financial instruments: presentation" and IAS 1"Presentation of financial statements"* (applicable starting 1 January 2009). The amendment introduces an exception to the principle applicable in IAS 32 relating to the classification of the equity items; the amendment permits deliverable instruments issued by an entity which normally would be classified as liabilities to be classified as equity

only if certain requirements are fulfilled. These modifications are not relevant for the Group's consolidated financial statements since the entities from the Group have not issued deliverable instruments that might be affected by these changes.

- *IFRS 8 "Operating segments"* (applicable starting 1 January 2009). IFRS 8 replaces IAS 14 and aligns the reporting standards with the requirements of the USA standards – SFAS 131 "Disclosures about Segments of an Enterprise and Related Information". This new standard requires a "management approach", based on which the segments information is presented the same way as internal reporting for establishing performance. The Group will apply IFRS 8 starting 1 January 2009. The impact of this standard is still analyzed by the management.
- *IFRIC 14, IAS 19 "The limit on a defined benefit asset, minimum funding requirements and their interaction"* (applicable starting 1 January 2008). IFRIC 14 comes with recommendation regarding the analysis of the limits from IAS 19 relating to the value of a benefit that may be recognized as an asset. It also explains the manner in which a pension receivable or debt can be affected by the statutory or minimum financing requirements. The Group will apply IFRIC 14 starting 1 January 2008, but no impact on the financial statements is expected.
- *IFRIC 12 "Service Concession Arrangements"* (applicable starting 1 January 2008). IFRIC 12 applies to contractual arrangements based on which an operator from the private system takes part in the development, financing, functioning and maintenance of the service infrastructure from the public system. IFRIC 12 is not relevant for the Group operations since the Group does not provide services to the public system.
- *IFRIC 13 "Customer loyalty programs"* (applicable starting 1 July 2008). IFRIC 13 clarifies that where goods and services are sold together with an incentive of customer loyalty, the arrangements have multiple elements and the appreciation received from the customers is included in those elements when using the fair value. IFRIC 13 is not relevant for the Group operations since the Group does not use loyalty programs.

4. Financial Risk management

a) Introduction

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Taxation risk

This section provides details of the Group's exposure to risk and describes the methods used by management to control risk. The most important types of financial risk to which the Group is exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and equity price risk.

Risk management framework

The Board of Directors of the Bank has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors of the Bank has established the Management Board and the Asset and Liability Committee (ALCO), Credit Risk and Operational Risk committees, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All committees report regularly to the Management Board.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services provided. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank's Audit Committee reports to the Board of Directors and is responsible for monitoring compliance with the Bank's risk management procedures. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

b) Credit risk

(i) Credit risk management
The Group is exposed to credit risk through its trading, lending, leasing and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or it issues guarantees.

Credit risk associated with trading and investing activities is managed through the Group's market risk management process. The risk is mitigated through selecting counterparties of good credit standings and monitoring their activities and ratings and through the use of exposure limits and when appropriate, obtains collateral.

The Group's primary exposure to credit risk arises through its loans and advances to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The Group is exposed to credit risk on various other financial assets, including derivative instruments and debt investments, the current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. In addition, the Group is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued (see Note 37).

In order to minimize the risk, the Group has certain procedures meant to assess the clients before granting the loans, to observe their capacity of reimbursing the principal and related interests during the entire period of the loans and to establish exposure limits.

The Board of Directors through the Direction Committee delegated the responsibility for credit risk management to the Management Committee, Banking Risk Management Committee, Credit Committee (loans policy), credit and risk committee from the Bank's headquarters (approval of credits), credit and risk committees from the branches / agencies at local level. Furthermore, inside the Group operates the Risk Management Direction, which reports to the central committee previously presented and has attributions regarding:

- Identification and assessment of specific risks within the loan activity;
- Following the internal regulations specific for the loan activity;
- Providing support and consultancy to the branches and departments / directions involved in the loan activity;
- Elaborating proposals for reducing specific risks, in order to maintain healthy standards for the loan activity;
- Monitoring the granted loans, in accordance with the client's financial performance, the type of the credit, the nature of the collateral and debt service, according to the internal norms of the loan activity;
- Approval and exploitation of the indicator computation in respect of granting / modifying the branches' competencies of granting loans, according to specific internal policies;
- Periodical review and recommendation to the Banking Risk Management Committee, of the acceptable risk levels for Banca Transilvania;
- Identifying, monitoring and controlling the credit risk at branch level;
- Insuring the compliance with the internal regulations, the BNR norms and the active legislation for the loan activity carried out by the local units;

Informing the management of the Bank and of the involved directions relating to the major risks generated by the loan activity carried out by the branches;

- Elaboration of propositions for reducing specific risks, in order to maintain certain loan granting standards at each branch level;
- Risk analysis for new credit products / changes of credit products, including recommendations to the involved directions;
- Risk analysis per great exposures / credit portfolios, including recommendations to the Risk Management Committee, Management Committee and Board of Directors;
- Approval of the computation for the exposure limits per counterparties;
- Receives proposals from the specialty directions and collaborates with them for updating the Regulation regarding organization, functioning, management and control of specific risks;
- Periodically presents reports to the Board of Directors regarding the evolution of the significant risks (the implications of risk correlation, forecasts etc).

Each Branch / Agency implements at local level the Group policies and regulations regarding the credit risk, having loan approval competencies established by the Management Committee. Each Branch is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

The Internal Audit Department and the Risk Inspection Department inside the Risk Management Direction carrie out periodical verifications of the branches and agencies.

The Group classified the exposures according to the risk level of the potential financial losses. The risk classification system is used for assessing the risk monitoring activities and the rapport with the customers. The scoring system reflects different levels of the non-payment risk. The responsibility of drawing up the classification grille goes to the Credit Management Department and to the authorities with approval competencies. The scoring system is periodically reviewed.

Credit risk exposure

Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Group's loans and advances, commitments to extend credit and guarantees issued.

Total on and off balance sheet economic sector risk concentrations are presented in the table below:

	31 December 2007	**31 December 2006**
Individuals	39.12%	39.70%
Trading	17.22%	19.90%
Manufacturing	12.66%	12.60%
Construction	7.44%	6.00%
Transport	7.12%	7.00%
Services	4.07%	3.50%
Real estate	2.64%	1.70%
Financial institutions	2.31%	1.80%
Agriculture	1.73%	1.80%
Chemical industry	1.39%	2.60%
Mining industry	0.79%	0.10%
Energy industry	0.59%	0.40%
Telecommunication	0.46%	0.30%
Free lancers	0.36%	0.50%
Fishing industry	0.04%	0.00%
Governmental bodies	0.02%	0.10%
Others	2.04%	2.00%
Total	100.0%	100.0%

At 31 December 2007, total on and off balance sheet exposures were 10,473,656 thousand RON (31 December 2006: 6,017,740 thousand RON).

The amounts reflected in the previous paragraph reflect the maximum accounting loss that would be recognized at reporting date if the customers stopped respecting the contractual terms and any guarantee became invalid. The presented values therefore exceed the estimated losses that were included in the loans provision.

The Group holds collateral against loans and advances to customers in the form of pledge over cash deposits, mortgage interests over property, guarantees and other pledge over equipments and/or receivables. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks.

The Group writes off a loan / security balance (and any related allowances for impairment losses) when it determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position so that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

The Group uses ratings associated with financial performance for the individually tested loans as well as for the collective assessed ones. According to Group policies, each credit risk grade can be associated with a certain rating, starting with the lowest risk rating (1) to the category of loans for which legal procedures of debt recovery were initiated (6).

The credit risk exposures for loans and advances to customers and net lease investments at 31 December 2007 and 2006 are presented below:

		Loans and advances granted to customers and net lease investment	
In RON thousand	**Note**	**31 December 2007**	**31 December 2006**
Past due and individually impaired			
Grade 4		227,972	102,948
Grade 5		75,104	39,022
Grade 6		76,242	11,396
Gross amount		379,318	153,366
Allowance for impairment	21	(103,121)	(31,981)
Carrying amount		276,197	121,385
Past due but not individually impaired			
Grade 1-2		102,741	34,928
Grade 3		47,043	-
Grade 4		509	20,666
Grade 5		481	-
Gross amount		150,774	55,594
Allowance for impairment	21	(1,519)	(175)
Carrying amount		149,255	55,419
Past-due comprises			
15-30 days		41,036	18,126
30-60 days		97,266	36,032
60-90 days		11,990	1,436
90-180 days		482	-
180 days +		-	-
Gross amount		150,774	55,594
Neither past due nor impaired			
Grade 1		7,838,943	4,497,305
Grade 3		575,339	303,998
Gross amount		8,414,282	4,801,403
Allowance for impairment	21	(57,579)	(9,696)
Carrying amount		8,356,703	4,791,707
Total carrying amount		8,782,155	4,968,511

Past due and individually impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement.

Past due but not individually impaired loans

Loans and securities where contractual interest or principal payments are past due but the Group believes that an individual impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Allowances for impairment

The Group sets an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are an individual loan loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when Group Risk Committee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade:

	Gross amount RON thousand	Carrying amount RON thousand
31 December 2007		
Grade 4	227,972	165,996
Grade 5	75,104	54,686
Grade 6	76,242	55,515
Total	379,318	276,197
31 December 2006		
Grade 4	102,948	81,480
Grade 5	39,022	30,885
Grade 6	11,395	9,020
Total	153,365	121,385

The Group holds collateral against loans and advances to customers in the form of mortgages, pledges over assets, and other guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. The Group owns no collateral held over loans and advances to banks.

An analysis of the collateral held against loans granted to customers is shown below:

	31 December 2007 RON thousand	31 December 2006 RON thousand
Against past due and individually impaired		
Property	315,110	153,189
Debt securities	47,061	21,291
Other	82,611	46,267
	444,782	220,747
Against past due but not individually impaired		
Property	53,196	16,791
Debt securities	4,020	2,675
Other	11,579	5,643
	68,795	25,109
Against neither past due nor impaired		
Property	7,526,894	4,312,471
Debt securities	775,401	522,977
Other	1,435,862	1,014,964
	9,738,157	5,850,412
Total	10,251,734	6,096,268

c) Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of the asset positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, borrowings, bonds issued and share capital. This enhances funding flexibility, limits dependence on any source of funds and generally lowers the cost of funds. The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Group continually assesses liquidity risk by identifying and monitoring changes in funding, and diversifying the funding base.

The financial assets and liabilities of the Group analyzed over the remaining period from the balance sheet date to contractual maturity are as at 31 December 2007 as follows:

In RON thousand	**Up to 3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Without maturity**	**Total**
Financial Assets						
Cash and cash equivalents	3,017,299	-	-	-	-	3,017,299
Placements with banks	1,182,975	-	-	-	-	1,182,975
Financial assets at fair value through profit and loss	-	-	-	-	63,067	63,067
Loans and advances to customers	1,414,526	1,855,360	2,378,350	2,835,812	-	8,484,048
Net lease investments	46,816	81,310	169,859	122	-	298,107
Financial assets available for sale	10,198	18,089	406,215	37,388	108,991	580,881
Held-to-maturity investments	592	1,000	11,080	-	-	12,672
Investment associates	-	-	-	-	68,670	68,670
Other assets	41,362	3,596	3,409	8,141	2,604	59,112
Total financial assets	5,713,768	1,959,355	2,968,913	2,881,463	243,332	13,766,831
Financial Liabilities						
Deposits from banks	76,251	-	-	-	-	76,251
Deposits from customers	7,322,290	1,129,963	1,921,206	16,888	-	10,390,347
Loans from banks and other financial institutions, other subordinated loans and debt securities issued	142,445	675,811	935,434	392,717	-	2,146,407
Other liabilities	193,199	1,145	2,277	-	-	196,621
Total financial liabilities	7,734,185	1,806,919	2,858,917	409,605	-	12,809,626
Maturity surplus/ (shortfall)	(2,020,417)	152,436	109,996	2,471,858	243,332	957,205

The financial assets and liabilities of the Group analyzed over the remaining period from the balance sheet date to contractual maturity are as at 31 December 2006 as follows:

In RON thousand	**Up to 3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Without maturity**	**Total**
Financial Assets						
Cash and cash equivalents	1,995,168	-	-	-	-	**1,995,168**
Placements with banks	675,009	-	-	-	-	**675,009**
Financial assets at fair value through profit and loss	-	-	-	-	95,976	**95,976**
Insurance premium receivables	28,497	18,524	-	-	-	**47,021**
Loans and advances to customers	717,546	1,521,571	1,419,124	1,174,865	-	**4,833,106**
Net lease investments	17,726	52,719	64,960	-	-	**135,405**
Financial assets available for sale	-	739	16,074	7,684	109,014	**133,511**
Held-to-maturity investments	5	10,066	11,300	780		**22,151**
Investment associates	-	-	-	-	27,938	**27,938**
Other assets	77,534	21,592	3,775	943	3,317	**107,161**
Total financial assets	3,511,485	1,625,211	1,515,233	1,184,272	236,245	8,072,446
Financial Liabilities						
Deposits from banks	56,541	-	-	-	-	**56,541**
Deposits from customers	4,090,838	610,568	934,892	9,006	-	**5,645,304**
Loans from banks and other financial institutions, other subordinated loans and debt securities issued	36,430	385,364	780,973	325,760	-	**1,528,527**
Technical insurance reserves	71,967	46,279	11,071	4,194	6	**133,517**
Other liabilities	153,131	2,767	2,956	-	418	**159,272**
Total financial liabilities	4,408,907	1,044,978	1,729,892	338,960	424	7,523,161
Maturity surplus/ (shortfall)	(897,422)	580,233	(214,659)	845,312	235,821	549,285

d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Exposure to market risk – trading portfolio

The Group controls its exposure to market risk by daily monitoring the market value of the trading portfolio relating to a system of limits of "stop loss" type approved by the Assets and Liabilities Committee. The trading portfolio comprises shares issued by Romanian entities traded on the Bucharest Stock Exchange that are not directly exposed to interest and foreign exchange risk, being exposed to price risk.

Exposure to interest rate risk –non-trading portfolio

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities.

Managing interest rate risk within the variation limits of the interest rate is supplemented by monitoring the sensitivity of the Group financial assets and liabilities in different standard scenarios of interest rate. The monthly standard scenarios include the parallel decrease or increase of the interest curve with 100 and 200 basic points.

An analysis of the Bank's interest carrying assets and liabilities sensitivity to the increase or decrease in the market interest rates is set out below:

	200 basic points RON thousand	200 basic points RON thousand	100 basic points RON thousand	100 basic points RON thousand
At 31 December 2007				
Average for the period	(24,780)	24,780	(12,396)	12,396
Minimum for the period	(41,823)	(27,156)	(20,911)	(13,578)
Maximum for the period	27,156	41,823	13,578	20,911
At 31 December 2006				
Average for the period	(12,528)	12,528	(6,265)	6,265
Minimum for the period	(15,174)	(11,092)	(7,587)	(5,546)
Maximum for the period	11,092	15,174	5,546	7,587

Interest rate risk

The Group incurs interest rate risk principally in the form of exposure to adverse changes in the market interest rates to the extent that interest-earning assets and interest-earning liabilities mature or re-price at different times or in differing amounts. The main sources of interest rate risk are imperfect correlation between the maturity (for fixed interest rates) or re-pricing date (for floating interest rates) of the interest-bearing assets and liabilities, adverse evolution of the slope and shape of the yield curve (the unparallel evolution of the interest rate yields of the interest-earning assets and interest-earning liabilities), imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics and the options embedded in the Group's products.

Asset-liability risk management activities are conducted in the context of the Group's sensitivity to interest rate changes. In general, the Group is liability sensitive on foreign currency instruments because its foreign currency interest-earning assets have a longer duration and re-price less frequently than foreign currency interest-bearing liabilities. This means that in rising interest rate environments, margins earned will narrow as foreign currency liabilities re-price. However the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within re-pricing periods and among currencies. The Group is less sensitive to local currency instruments as most of the assets and liabilities bear floating rates.

The Group attempts to maintain a net positive position for interest-bearing financial instruments. To achieve this, the Group uses a mix of fixed and floating rate interest instruments on which it attempts to control the mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature.

The interest rates related to the local currency and the major foreign currencies as at 31 December 2007 and 2006 were as follows:

Currencies	Interest rate	31 December 2007	31 December 2006
Leu (RON)	BUBOR 3 months	8.38%	8.60%
Euro (EUR)	Euribor 3 months	4.68%	3.70%
Euro (EUR)	Euribor 6 months	4.70%	3.80%
US Dollar (USD)	Libor 6 months	4.59%	5.40%

Range of interest rates

The following table shows the interest rates per annum obtained or offered by the Group for its interest-bearing assets and liabilities during financial year 2007:

	RON Range		USD Range		EUR Range	
Assets	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
Cash and cash equivalents	0.0%	2.3%	0.0%	5.0%	0.0%	4.5%
Placements with banks	1.0%	60.0%	4.1%	7.0%	3.0%	6.3%
Loans and advances to customers	0.0%	35.0%	4.5%	14.0%	1.0%	17.5%
Net lease investments	8.5%	25.0%	-	-	6.8%	17.7%
Investment securities	6.0%	11.0%	-	-	-	-
Liabilities						
Deposits from banks	1.2%	44.8%	5.2%	6.9%	3.0%	5.9%
Deposits from customers	6.2%	8.0%	3.5%	4.5%	3.7%	5.5%

Interest rates on loans from banks and other financial institutions, subordinated loans and debt securities are presented in the notes 30, 31 and 32 respectively.

The following table shows the interest rates per annum obtained or offered by the Bank for its interest-bearing assets and liabilities during financial year 2006:

	RON Range		USD Range		EUR Range	
Assets	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
Cash and cash equivalents	1.5%	1.9%	0.9%	1.0%	0.7%	0.8%
Placements with banks	1.0%	25.0%	4.2%	7.0%	2.1%	6.5%
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Loans and advances to customers	1.0%	30.0%	1.0%	15.5%	1.0%	17.5%
Net lease investments	8.5%	28.0%	-	-	7.8%	16.0%
Investment securities	6.5%	14.0%	-	-	-	-
Liabilities						
Deposits from banks	0.5%	23.0%	4.5%	6.9%	2.4%	6.5%

Interest rates on loans from banks and other financial institutions, subordinated loans and debt securities are presented in the notes 30, 31 and 32 respectively.

A summary of the Group's interest rate gap position on interest bearing instruments as at 31 December 2007 is as follows:

In RON thousand	Less than 3 months	3 – 12 months	1 – 5 years	More than 5 years	Non sensitive	Total
Financial assets						
Cash and cash equivalents	3,017,299	-	-	-	-	3,017,299
Placements with banks	1,182,975	-	-	-	-	1,182,975
Financial assets at fair value through profit and loss	63,067	-	-	-	-	63,067
Insurance premiums receivables	-	-	-	-	-	-
Loans and advances to customers	3,949,242	4,226,148	308,658	-	-	8,484,048
Net lease investments	53,192	113,360	131,434	121	-	298,107
Financial assets available for sale	116,394	31,136	400,810	29,746	2,795	580,881
Held to maturity investments	592	1,300	10,780	-	-	12,672
	8,382,761	4,371,944	851,682	29,867	2,795	13,639,049
Financial liabilities						
Deposits from banks	76,251	-	-	-	-	76,251
Deposits from customers	4,353,823	5,787,475	232,161	16,888	-	10,390,347
Loans from banks and other financial institutions, other subordinated loans and debt securities	666,502	1,476,882	3,023	-	-	2,146,407
	5,096,576	7,264,357	235,184	16,888	-	12,613,005
Net position	3,286,185	(2,892,413)	616,498	12,979	2,795	1,026,044

A summary of the Group's interest rate gap position on interest bearing instruments as at 31 December 2006 is as follows:

In RON thousand	Less than 3 months	3 – 12 months	1 – 5 years	More than 5 years	Non sensitivity	Total
Cash and cash equivalents	1,995,168	-	-	-	-	1,995,168
Placements with banks	675,009	-	-	-	-	675,009
Financial assets at fair value through profit and loss	95,976	-	-	-	-	95,976
Loans and advances to customers	251,301	4,446,259	135,546	-	-	4,833,106
Net lease investments	17,374	53,057	64,974	-	-	135,405
Financial assets available for sale	105,132	14,037	3,470	6,990	3,882	133,511
Held to maturity investments	5	11,366	10,000	780	-	22,151
	3,139,965	4,524,719	213,990	7,770	3,882	7,890,326
Deposits from banks	56,541	-	-	-	-	56,541
Deposits from customers	2,382,764	3,140,907	112,627	9,006	-	5,645,304
Loans from banks and other financial institutions, other subordinated loans and debt securities	377,069	1,151,458	-	-		1,528,527
	2,816,374	4,292,365	112,627	9,006	-	7,230,372
Total interest sensitivity gap	323,591	232,354	101,363	(1,236)	3,882	659,954

Currency risk

The Group is exposed to currency risk through transactions in foreign currencies against RON. There is also a balance sheet risk that the net monetary assets and liabilities in foreign currencies will take a different value when translated into RON as a result of currency movements.

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2007 are presented below:

In RON thousand	**RON**	**USD**	**EUR**	**Other**	**Total**
Monetary assets					
Cash and cash equivalents	1,100,864	152,569	1,739,835	24,031	3,017,299
Placement with banks	874,225	-	298,999	9,751	1,182,975
Financial assets at fair value through profit and loss	63,067	-	-	-	63,067
Loans and advances to customers	5,731,032	208,838	2,543,500	678	8,484,048
Insurance premium receivables	45,244	-	252,863	-	298,107
Net lease investments	580,704	-	177	-	580,881
Financial assets available for sale	12,672	-	-	-	12,672
Held-to-maturity investments	68,670	-	-	-	68,670
Investments in associates	50,038	1,831	6,711	532	59,112
Total monetary assets	8,526,516	363,238	4,842,085	34,992	13,766,831
Monetary liabilities					
Deposits from banks	60,361	7,629	8,261	-	76,251
Deposits from customers	7,354,529	241,869	2,772,284	21,665	10,390,347
Loans from banks and other financial institutions, other subordinated loans and debt securities issued	21,508	99,662	2,025,237	-	2,146,407
Other debts	161,348	9,628	24,752	893	196,621
Total monetary liabilities	7,597,746	358,788	4,830,534	22,558	12,809,626
Net currency position	928,770	4,450	11,551	12,434	957,205

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2006 are presented below:

In RON thousand	**RON**	**USD**	**EUR**	**Other**	**Total**
Monetary assets					
Cash and cash equivalents	826,311	182,951	966,149	19,757	1,995,168
Placement with banks	518,989	20,556	133,490	1,974	675,009
Financial assets at fair value through profit and loss	95,976	-	-	-	95,976
Insurance premium receivables	31,365	1,606	14,050	-	47,021
Loans and advances to customers	3,178,467	242,783	1,411,305	551	4,833,106
Net lease investments	30,611	-	104,794	-	135,405
Financial assets available for sale	133,511	-	-	-	133,511
Held-to-maturity investments	22,151	-	-	-	22,151
Investments in associates	27,938	-	-	-	27,938
Other assets	101,500	728	4,509	424	107,161
Total monetary assets	4,966,819	448,624	2,634,297	22,706	8,072,446
Monetary liabilities					
Deposits from banks	4,212	5,671	46,650	8	56,541
Deposits from customers	4,118,649	283,369	1,225,810	17,476	5,645,304
Loans from banks and other financial institutions, other subordinated loans and debt securities issued	137	160,788	1,367,602	-	1,528,527
Technical reserves	133,517	-	-	-	133,517
Other liabilities	140,613	4,688	12,817	1,154	159,272
Total monetary liabilities	4,397,128	454,516	2,652,852	18,638	7,523,161
Net currency position	569,691	(5,892)	(18,582)	4,068	549,285

e) Taxation risk

Starting 1 January 2007, as a result of Romania's accession to the European Union, the Bank had to adopt the regulations of the European Union, and as a result has prepared for the appliance of the changes in the European legislation. The Group implemented these changes, but their implementation manner stays open to the fiscal audit for 5 years.

Text interpretation and practical implementation of the procedures related to the new applicable fiscal regulations might vary from entity to entity and the existent risk is that in certain situations the fiscal authorities adopt a different position from the one chosen by the Group.

Furthermore, the Romania Government owns a number of agencies authorized to carry on the audit (control) of the companies operating in Romania. These controls are similar to the fiscal audits from other countries and can cover not only fiscal aspects but also legal and regulating ones that are of interest to these agencies. It is possible that the Group be subject to fiscal controls as new fiscal regulations are issued.

f) Operating environment

Starting January 2007, the regulations applicable to the financial institutions were adopted in accordance with the complex requirements of the treaties, regulations and directives of the European Union.

Although member of the European Union, the Romanian economy continues to have the features of an emergent market such as a high deficit of current account, a financial market relatively undeveloped and fluctuations in the foreign exchange.

Starting mid 2007 until now the international financial markets have felt some effects of the mortgage market decline (sub-prime) in the United States. These effects vary from reserves concerning the value of some assets at the basis of these financial instruments to the impact generated by the growth in the risk margin for loans and the crisis of liquidity in the financial market, and the inability of the financial institutions to fulfill their financial obligations in time and at a low cost.

These effects were felt on the Romanian financial market in the form of the capital market drop and a forecasted growth in the interest rates for medium term financing due to the global liquidity crisis. Furthermore, given the market circumstances and the uncertainty that will dominate the first part of 2008, effects will be noticeable after the date of these financial statements.

g) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other then credit, market and liquidity risk such those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;

- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a program of periodical reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

h) Capital management

National Bank of Romania ("NBR") sets and monitors capital requirements for the Bank as a whole.

In implementing current capital requirements, NBR requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets. The Bank's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, translation reserve and minority interests after deductions for goodwill and intangible assets and 50% of the interest in financial and insurance companies.
- Tier 2 capital, which includes qualifying subordinated liabilities, fixed assets revaluation reserves after deduction of 50% of the interest in financial and insurance companies.

The Bank's regulatory capital position* in accordance with the statutory regulations issued by the National Bank of Romania at 31 December 2007 and 2006 was as follows:

In RON thousand	**31 December 2007**	**31 December 2006**
Tier 1 capital		
Share capital	611,080	393,355
Share premium	98,601	94,199
Translation reserves	447,902	216,601
Less intangible assets	(7,397)	(9,056)
Less 50% of the interest in financial companies	(73,483)	(35,868)
Total	1,076,703	659,231
Tier 2 capital		
Revaluation reserves	26,896	9,855
Subordinated liabilities	243,485	236,764
Less 50% of the interest in financial companies	(73,483)	(35,868)
Total	196,898	210,751
Total regulatory capital	1,273,601	869,982

* The computation is based on the individual financial statements of Banca Transilvania SA.

In RON thousand	**31 December 2007**	**31 December 2006**
Risk weighted assets	10,459,289	5,958,940
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	12.18%	14.60%
Total tier 1 capital expressed as a percentage of risk-weighted assets	10.29%	11.06%

Capital allocation

a) Credit risk: Up to 31 December 2007, the Bank applied the regulatory capital requirements in accordance with Basel I. Starting 2008, the Basel II requirements relative to capital allocation are compulsory for the Romanian bank system;
b) Market risk: Capital allocation for the currency risk is computed based on the standard model;
c) Operational risk: Starting 2008 the Bank will compute the capital requirements for the operational risk based on the basic indicator model.

5. Use of estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances

The Group reviews its loan and net lease investments portfolios to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and net lease investments before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers (lessees) in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5 percent, the impairment provision for loans and advances to customers would be estimated RON 2,855 thousand higher or RON 2,855 thousand lower (31 December 2006: RON 2,377 thousand higher or RON 2,336 thousand lower).

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, unlisted treasury securities, bonds and certificates of deposit) is determined by using valuation techniques. The Group uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analysis for the available-for-sale financial instruments that were not traded in active markets.

The carrying amount of available-for-sale financial assets would not be significantly different were the analyzed cash flow to differ by +/- 5% from management's estimate.

Financial assets and liabilities

- The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:
- In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 3(j);
- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3(j).

If the Group fails to keep these investments to maturity other than for the specific circumstances mentioned in IAS 39, it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortized cost. If the entire class of held-to-maturity investments is tainted, the fair value would not be significantly different from the carrying amount.

6. Segment reporting

The business segment reporting format is the Group's primary basis of segment reporting. Transactions between business segments are conducted at arm's length.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group's segment reporting comprises the following main business segments:

- *Corporate banking*. Within corporate banking the Group provides corporations with a range of banking products and services, including lending and deposit taking, providing cash management, foreign commercial business, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions.
- *Retail and SME banking*. The Group provides individuals and SME's with a range of banking products and services, including lending (consumer loans, vehicles purchase, personal needs, and mortgages), savings and deposit taking business, payment services and securities business.
- *Other*. Within other the Group incorporates financial products and services provided to or by financial institutions including: management of securities, brokerage, factoring, logistic, real estate.
- *Leasing and customer finance*. Within leasing the Group includes financial products and services provided by the leasing and consumer finance arm of the Group.
- *Insurance*. Within insurance the Group includes financial products and services provided by the insurance arm of the Group which was sold in December 2007.

Business segments
As at 31 December 2006

In RON thousand	Corporate banking		Retail Banking and SME		Leasing consumer finance		Insurance discontinued operation		Other		Eliminations		Unallocated		Group		Less: discontinued operation		Continuing operation	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2008**
Interest income	293,097	191,581	451,158	282,084	31,512	12,996	-	-	31,739	89,720	(12,121)	-	-	75,524	795,385	651,905	-	-	795,385	651,905
Commission income	136,738	90,328	231,236	131,743	924	2,859	-	-	2,828	7,817	(8,203)	(33,104)	-	-	363,523	199,643	-	-	363,523	199,643
Insurance income	-	-	-	-	-	-	160,086	137,455	-	-	-	-	-	-	160,086	137,455	(160,086)	(137,455)	-	-
Foreign exchange gains	337,745	-	727,698	-	-	-	-	-	-	-	(5,468)	-	-	-	1,059,975	-	-	-	1,059,975	-
Unallocated income	89,193	144,388	265,904	311,094	35,989	16,399	27,990	105,485	4,464	812	(184,797)	(481,363)	-	-	238,743	96,815	(27,990)	(105,485)	210,753	(8,670)
Total income	856,773	426,297	1,675,996	724,921	68,425	32,254	188,076	242,940	39,031	98,349	(210,589)	(514,467)	-	75,524	2,617,712	1,085,818	(188,076)	(242,940)	2,429,636	842,878
Interest expense	126,474	-	281,007	-	11,271	-	-	-	23,705	-	11,286	-	-	-	453,743	-	-	-	453,743	-
Salaries and other related expenses	22,392	-	47,941	-	6,428	-	-	-	614	405	374	-	-	-	77,749	405	-	-	77,749	405
Unallocated costs	572,214	-	1,253,094	-	45,657	-	319,632	276,096	959	538	(167,302)	-	-	680,042	2,024,254	956,676	(319,632)	(276,096)	1,704,622	680,580
Total expenses	721,080	-	1,582,042	-	63,356	-	319,632	276,096	25,278	943	(155,642)	-	-	680,042	2,555,746	957,081	(319,632)	(276,096)	2,236,114	680,98
Profit before tax															61,966	128,737	131,556	33,156	193,522	161,893
Income tax expense															(28,099)	(20,140)	-	-	(28,099)	(20,140)
Gain on sale of discontinued operation (net of income tax)															275,577	-	(275,577)			
Profit for the period															309,444	108,597	(144,021)	33,156	165,423	141,753

In RON thousand	Corporate banking		Retail Banking and SME		Leasing consumer finance		Insurance (discontinued operation)		Other		Eliminations		Unallocated		Group	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Segment assets	5,279,655	2,113,273	8,596,353	2,779,841	451,050	121,199	-	86,309	8,094	2,949,753	(445,231)	(60,008)	-	-	13,889,921	7,990,367
Unallocated assets	-	-	-	-	-	9,790	-	142,581	193,564	-	-	(44,605)	-	232,495	193,564	340,261
Total assets	5,279,655	2,113,273	8,596,353	2,779,841	451,050	130,989	-	228,890	201,658	2,949,753	(445,231)	(104,613)	-	232,495	14,083,485	8,330,628
Segment liabilities	3,930,303	1,865,710	8,468,129	3,804,932	214,597	130,989	-	228,890	441	1,585,068	(389,019)	(283,329)	197,306	-	12,421,757	7,332,260
Unallocated liabilities	-	-	-	-	-	-	-	-	388,554	-	-	-	-	202,975	388,554	202,975
Total liabilities	3,930,303	1,865,710	8,468,129	3,804,932	214,597	130,989	-	228,890	388,995	1,585,068	(389,019)	(283,329)	197,306	202,975	12,810,311	7,535,235

7. Financial assets and liabilities

Accounting classifications and fair values

In RON thousand	Note	Financial assets at fair value through profit and loss	Held to maturity	Loans and receivables (including net lease investments)	Available for sale	Other amortised cost	Total carrying amount	Fair value
31 December 2007								
Financial Assets								
Cash and cash equivalents	17	-	-	-	-	3,017,299	3,017,299	3,017,299
Placements with banks	18	-	-	-	-	1,182,975	1,182,975	1,182,975
Financial assets at fair value through profit and loss	19	63,067	-	-	-	-	63,067	63,067
Loans and advances to customers	20	-	-	8,484,048	-	-	8,484,048	8,581,908
Net lease investments	21	-	-	298,107	-	-	298,107	286,036
Investments securities	22	-	12,672	-	580,881	-	593,553	593,197
Total financial assets		63,067	12,672	8,782,155	580,881	4,200,274	13,639,049	13,724,482
Financial Liabilities								
Deposits from banks	28	-	-	-	-	76,251	76,251	76,251
Deposits from customers	29	-	-	-	-	10,390,347	10,390,347	10,389,973
Loans from banks and other financial institutions	30	-	-	-	-	1,873,797	1,873,797	1,873,797
Other subordinated loans	31	-	-	-	-	216,988	216,988	216,988
Debts securities issued	32	-	-	-	-	55,622	55,622	55,622
Total financial liabilities		-	-	-	-	12,613,005	12,613,005	12,612,631

8. Net interest income

In December 2007, the Group sold the entire business line in the insurance field by selling the affiliate BT Asigurari to the company Groupama.

The insurance segment was not a discontinued operation or classified as held for sale as at 31 December 2006; for this reason the comparatives from the profit and loss have been re-presented to show the discontinued operation separately from continuing operations.

Profit and loss for the discontinued operations included:

In RON thousand	2007	2006
Insurance premium income, net of reinsurance	160,086	137,455
Other operating income	27,990	10,641
Net expenses from claims	(177,784)	(77,215)
Other operating expense	(141,848)	(104,037)
Operating loss	(131,556)	(33,156)
Income tax expense	-	-
Operating loss, net of income tax	(131,556)	(33,156)
Gain on sale of discontinued operation	305,116	-
Income tax on gain on sale of discontinued operation	(29,539)	-
Profit/(loss) for the year	144,021	(33,156)
Basic earnings/(loss) per share	0.0248	(0.0049)
Diluted earnings/(loss) per share	0.0248	(0.0049)

Cash flow related to discontinued operations included:

RON thousand	**2007**	**2006**
Net cash from operating activities	(24,117)	35,906
Net cash from investment activities	34,294	(22,745)
Net cash from financing activities	81,000	14,218
Net cash from discontinued operations	91,177	27,379

Effect of disposal on the financial position of the Group:

In RON thousand	**2007**
Cash and cash equivalents	59,078
Property and equipment	8,496
Other receivables	195,840
Other debts	(337,080)
Net identifiable assets and liabilities	(73,666)
Consideration received, satisfied in cash	(259,668)
Cash disposed of	59,078
Net cash inflow	(200,590)

9. Net interest income

	2007 RON thousand	**2006 RON thousand**
Interest income		
Current accounts held with banks	31,114	15,369
Placements with banks	24,952	12,837
Loans and advances to customers	786,526	543,786
Net lease investments	27,317	18,777
Held for trading securities	41,019	22,622
Total interest income	910,928	613,391
Interest expense		
Deposits from banks	10,138	5,489
Deposits from customers	352,792	201,392
Loans from banks and other financial institutions	111,400	66,095
Total interest expense	474,330	272,976
Net interest income	436,598	340,415

10. Net fee and commission income

	2007 RON thousand	2006 RON thousand
Fee and commission income		
Transactions	205,189	136,920
Loans and guarantees management	121,608	59,939
Others	5,275	2,784
Total fee and commission income	332,072	199,643
Fee and commission expense		
Bank commissions	26,921	18,692
Transactions	5,932	5,948
Total fee and commission expense	32,853	24,640
Net fee and commission income	299,219	175,003

11. Net trading income

	2007 RON thousand	2006 RON thousand
Net income from foreign exchange	97,859	59,937
Net income / (expense) from revaluation of assets and liabilities held in foreign currency	(1,254)	3,268
Net income from financial assets through profit and loss	25,128	22,843
Net trading income	121,733	86,048

(i) Net income from foreign exchange transactions also include the realized and unrealized gain and loss from spot and forward contracts.

12. Other operating income

	2007 RON thousand	2006 RON thousand
Operating income	2,423	4,114
Dividend income	2,122	4,004
Other operating income	14,195	4,387
Gain from investment securities sold	-	621
Total	18,740	13,126

13. Impairment losses on financial assets

	2007 RON thousand	2006 RON thousand
Net charge of impairment losses to income statement (i)	122,373	16,854
Recoveries from loans previously written-off	(8,223)	(15,361)
Loans and net lease investments written-off	2,367	39,179
Net impairment losses on financial assets	116,517	40,672

(i) Net charge with impairment losses contains the following:

	2007 RON thousand	2006 RON thousand
Loans and advances to customers	117,295	14,123
Net lease investment	2,877	2,192
Investment securities	2,101	-
Other assets	100	200
Advances to suppliers	-	437
Net charge with impairment losses	**122,373**	**16,854**

14. Personnel expenses

	2007 RON thousand	2006 RON thousand
Wages and salaries	197,398	133,496
Contribution to social security	38,497	26,508
Contribution to unemployment fund	3,943	3,264
Contribution to health fund	14,264	10,780
Meal tickets and other taxes related to personnel	19,276	12,610
Cash settled share-based payments	8,557	8,483
Total	281,935	195,141

The Group's number of employees at 31 December 2007 was 6,173 persons (31 December 2006: 6,225 persons). At the end of 2006 and during 2007 the Bank granted treasury shares to employees at a lower price than the market price. The difference was recorded by the Group as a personnel expense amounting RON 8,557 thousand in 2007 (2006: RON 8,483 thousand). The number of shares instruments available to employees amounted to 11,950,000 (31 December 2006: 13,050,000).

15. Other expenses

	2007 RON thousand	2006 RON thousand
Operating lease	56,383	32,512
Advertising and promotional expenses	20,753	20,404
Taxes	9,170	10,478
Materials and consumables	26,901	21,893
Postage and telecommunications	26,185	17,598
Electricity and heating	9,685	4,548
Travel and transport	1,507	861
Legal, advisory and consulting	12,990	24,635
Loss on sale of property and equipment	1,418	352
Other	70,276	43,633
Total	235,268	176,914

16. Income tax expense

	2007 RON thousand	2006 RON thousand
Current tax expense at 16% (2006: 16%) of taxable profits determined in accordance with Romanian Law	37,426	15,421
Deferred tax revenue / (expense)	(9,327)	4,719
Income tax expense without tax per gain from discontinued operations sold	28,099	20,140
Income tax on gain on sale of discontinued operation	29,539	-
Total income tax expense	57,638	20,140

Tax reconciliation

In RON thousand	2007 RON thousand	2006 RON thousand
Profit before tax	367,082	128,737
Taxation at statutory rate of 16% (2006: 16%)	58,733	20,598
Non-deductible expenses and non-taxable revenues and other permanent differences	(1,040)	(4,965)
Effect of carried forward losses	(55)	4,507
Taxation in the income statement	57,638	20,140

17. Cash and cash equivalents

	31 December 2007 RON thousand	31 December 2006 RON thousand
Cash on hand	229,535	148,712
Minimum compulsory reserve (i)	2,729,297	1,816,750
Current accounts held with other banks (ii)	58,467	29,706
Total	3,017,299	1,995,168

(i) At 31 December 2007 the minimum compulsory reserve, held with the Central Bank, was established at 20% for RON and 40% for USD or EUR (31 December 2006: 20% for RON and 40% for USD or EUR) denominated funds. The balance of mandatory reserve can vary on a daily basis. The interest paid by the Central Bank for the reserve held by banks was 1.9% p.a. for RON denominated reserves, 0.8% p.a. for EUR and 1% p.a. for US Dollars denominated reserves. The mandatory reserve can be used by the Bank's day to day activities providing the average balance for the month is maintained within required formula.

(ii) Current accounts held with other banks are at immediate disposal of the Bank and unencumbered.

18. Placements with banks

As at 31 December 2007, placements with banks included term deposits held at National Bank of Romania amounting RON 500,000 thousand (31 December 2006: RON 192,494 thousand) and sight and term deposits held with other banks amounting RON 682,975 thousand (31 December 2006: RON 482,515 thousand).

19. Financial assets at fair value through profit and loss

	31 December 2007 RON thousand	31 December 2006 RON thousand
Trading assets		
Listed equity investments (i)	63,067	95,976
Total	63,067	95,976

i) All shares in listed companies are quoted on the Bucharest Stock Exchange.
As at 31 December 2007, the Group owns significant investments in the following companies: SIF Banat-Crisana S.A. (RON 27,158 thousand) (31 December 2006: RON 54,438 thousand), SIF Moldova S.A. (RON 4,002 thousand) (31 December 2006: RON 5,297 thousand), SIF Oltenia S.A. (RON 4,131 thousand) (31 December 2006: RON 4,413 thousand), SIF Muntenia S.A. (RON 4,338 thousand) (31 December 2006: nil), BRD-Societe Generale S.A. (RON 5,180 thousand) (31 December 2006: RON 10,175 thousand), Armax Medias (RON 3,075 thousand) (31 December 2006: nil) and Prodplast (RON 2,223 thousand) (31 December 2006: nil).

20. Loans and advances to customers

The Group's commercial lending is concentrated on companies and individuals domiciled in Romania. Economic sector risk concentrations within the customer's loan portfolio as at 31 December 2007 and 31 December 2006, were as follows:

	31 December 2007 RON thousand	31 December 2006 RON thousand
Individuals	3,525,979	2,110,827
Trading	1,476,132	919,902
Manufacturing	1,049,659	640,501
Transport	644,074	330,773
Construction	495,851	214,970
Services	383,339	183,464
Real estate	247,165	69,527
Financial institutions	170,335	64,103
Agriculture	142,983	91,635
Chemical industry	138,742	108,422
Mining industry	72,647	6,963
Free lancers	33,509	19,377
Energy industry	32,894	7,079
Telecommunication	30,536	13,990
Fishing industry	3,878	791
Governmental bodies	1,713	3,077
Others	190,847	86,645
Total loans and advances to customers before provisions	8,640,283	4,872,046
Less provisions for impairment losses on loans	(156,235)	(38,940)
Total loans and advances to customers, net of provisions	8,484,048	4,833,106

Movement in provision for impairment loss on loans and advances to customers granted was as follows:

	2007 RON thousand	2006 RON thousand
Balance at 1 January	38,940	24,817
Change of impairment losses	117,295	14,123
Balance at 31 December	156,235	38,940

21. Net lease investments

The Group acts as a lessor under finance lease, mainly of motor vehicles and equipments. The leases are denominated in EUR and RON and typically run for a period between two and five years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the leased based on fixed interest rates. The lease receivables are secured by the underlying assets and by other collateral. The breakdown of investments in leases according to their maturity is presented below:

	2007 RON thousand	2006 RON thousand
Investments in leases less than one year	135,834	75,774
Investments in leases between one and five years	182,194	69,874
Total investment in leases, gross	318,028	145,648
Unearned finance income	(13,937)	(7,331)
Total investments in leases, net	304,091	138,317
Impairment provisions	(5,984)	(2,912)
Total	298,107	135,405

The lease contracts are generated and managed through BT Leasing Transilvania IFN S.A., Medicredit Leasing IFN S.A. and BT Finop Leasing S.A. Net lease investments include also consumer finance facilities granted to the Group's customers by BT Direct IFN SA.

The provision for net lease investments can be further analyzed as follows:

	2007 RON thousand	2006 RON thousand
Balance at beginning of the year	2,912	828
Impairment provision expense	2,877	2,084
Provision balance for acquired subsidiaries	195	-
Balance at end of the year	5,984	2,912

22. Investment securities

	31 December 2007 RON thousand	31 December 2006 RON thousand
Investment securities available-for-sale		
Unlisted debt and other fixed income instruments:		
Treasury securities issued by the Government of Romania (i)	396,634	15,842
Bonds issued by the World Bank (ii)	9,917	-
Bonds and Eurobonds (iii)	65,336	8,698
Unit funds (iv)	37,997	36,955
Listed equity securities (v)	68,202	68,134
Equity investment, gross	4,896	-
Impairment provision on equity investment	(2,101)	-
Equity investment (vi)	2,795	3,882
Total investment securities available-for-sale	580,881	133,511
Investment securities held-to-maturity		
Treasury securities issued by the Government of Romania (i)	12,672	22,151
Total investment securities held-to-maturity	12,672	22,151
Total investment securities	593,553	155,662

i) Treasury securities issued by the Government of Romania include discount and coupon securities denominated in RON and Benchmark bonds. Discount treasury bills bear fixed interest rates. As at 31 December 2007 treasury securities were in amount of RON 61,863 thousand out of which RON 36,127 thousand were pledged for other current operations (National Bank of Romania, MASTERCARD and VISA). As at 31 December 2006 treasury securities were in amount of RON 37,993 out of which RON 30,880 thousand were pledged for other current operations (National Bank of Romania, BVB, SENT, Mastercard and VISA). Income from debt instruments is recognized in interest and similar income. Benchmark bonds are issued by the Ministry of Finance and the significant holdings amounting RON 286,877 thousand mature in 2010 and 2012 and have a yield of 6%.

ii) The bonds issued by the World Bank mature in 18 September 2009 and are issued with a fixed interest of 6.5%.

iii) The Group has as at 31 December 2007 the following bonds issued by Estima Finance (RON 7,101 thousand) (31 December 2006: RON 7,114 thousand), International Leasing (RON 408 thousand) (31 December 2006: RON 615 thousand) and Alba Iulia municipality (RON 915 thousand) (31 December 2006: RON 969 thousand). The RON-bonds issued by Estima Finance bear a floating interest rate of BUBOR 6M+1.75% (i.e. 9.54% as at 31 December 2007) and mature in 2009, the bonds issued by Alba Iulia municipality bear a floating interest rate of BUBID 6M+BUBOR 6M)/2+1.5% (i.e. 8.5% as at 31 December 2007) and mature in 2025 and the ones issued by International Leasing bear a floating interest rate of BUBOR 6M+2.25% (i.e. 9.66% as at 31 December 2007) and mature in 2009.

The Eurobonds were acquired in 2007 and include the fixed interest bonds issued by BRD amounting RON 31,566 thousand, with maturity in 2011, by Alpha Bank amounting RON 15,305 thousand, with maturity in 2012 and by Erste Bank amounting RON 10,041 thousand, with maturity in 2012.

iv) The Group has the following structure of the unit funds:

Funds	**Unit funds number**		**Fair value**	
	31 December 2007	**31 December 2006**	**31 December 2007**	**31 December 2006**
BT INDEX	525,835	320,202	6,037	3,215
BT INVEST 1	-	268	-	3,817
BT CLASIC	-	540,157	-	6,271
BT MAXIM	1,287,058	623,586	21,828	8,487
Fondul Mutual Transilvania	207,224	229,042	10,132	10,319
Fondul Privat Comercial	-	25,416	-	4,526
FMT-Fapt	-	125	-	320
TOTAL			37,997	36,955

During 2007 the Group investment in BT Clasic and Fondul Privat Comercial were recognized and presented as investments in associates. BT Invest fund was also consolidated at 31 December 2007.

v) At 31 December 2007 the Group owned significant investment in the following companies: SIF Banat Crisana (RON 66,878 thousand) (31 December 2006: RON 67,958 thousand) and SIF Oltenia (RON 1,324 thousand) (31 December 2006: RON 176 thousand).

vi) At 31 December 2007 the Group recorded a provision for Interoil SRL amounting to RON 2,101 thousand.

The movement in investment securities may be summarised as follows:

	Available for Sale RON thousand	**Held to Maturity RON thousand**
At 1 January 2007	133,511	22,151
Additions (acquisitions and increase in value)	1,064,896	2,605
Disposals (sale, redemption and decrease in value)	617,526	12,084
At 31 December 2007	580,881	12,672
At 1 January 2006	264,195	26,521
Additions (acquisitions and increase in value)	369,646	1,791
Disposals (sale, redemption and decrease in value)	500,330	6,161
At 31 December 2006	133,511	22,151

23. Investment in associates

	ASIBAN S.A.	BT Clasic	Fondul Privat Comercial	Total RON thousand
Interest held as at 31 December 2007	25.00%	30.32%	26.31%	
Balance at 1 January 2006	19,241	-	-	19,241
Additions	-	-	-	-
Share of other increases in associates' equity	8,297	-	-	8,297
Share of profit	400	-	-	400
Balance at 31 December 2006	27,938	-	-	27,938
Additions	15,750	7,672	6,106	29,528
Share of other increases in associates' equity	11,931	-	-	11,931
Share of profit / (loss)	(2,979)	1,085	1,167	(727)
Balance at 31 December 2007	52,640	8,757	7,273	68,670

The Group's investments in associates include 25% interest (2006: 25%) in ASIBAN S.A., an unlisted insurance company, 30.32% interest in BT Clasic and 26.31% interest in Fondul Privat Comercial, whose financial information is presented below:

In RON thousand	Assets	Liabilities	Revenues*	(Loss)/profit	% interest held
2007					
Asiban S.A	931,732	758,816	958,716	(11,916)	25.00%
BT Clasic	28,918	36	3,181	3,578	30.32%
Fondul Privat Comercial	27,757	116	17,240	4,436	26.31%
2006					
Asiban S.A.	638,740	519,632	(650,868)	1,600	25.00%

* Revenues comprise net earned insurance premiums, trading and fund's asset value.

Impairment test for associates

For the purpose of impairment testing, the investment in ASIBAN S.A. was tested based on the fair value less cost to sell model. In the past year competing businesses in the same sector were bought and sold to companies in the industry as part of the ongoing industry consolidation. The Group considered the fair value less cost to sell of similar recent transactions in the Romanian insurance market for which the price of the transactions exceeded the net assets of the respective entities. Based on this model, the Group did not record any provision related to the impairment of its investment in ASIBAN S.A.

24. Property and equipment

In RON thousand	**Land and buildings**	**Computers and equipments**	**Vehicles**	**Assets in progress**	**Total**
Cost					
Balance at 1 January 2006	85,069	100,374	14,889	32,850	233,182
Additions	36,778	41,795	10,584	89,099	178,256
Disposals	(1,583)	(21,162)	(1,710)	(76,269)	(100,724)
Balance at 31 December 2006	120,264	121,007	23,763	45,680	310,714
Balance at 1 January 2007	120,264	121,007	23,763	45,680	310,714
Additions	435	23,565	15,155	87,692	126,847
Transfers from investment in progress	51,505	12,236	567	(64,308)	-
Additions discontinued operations	849	130	353	-	1,332
Revaluation	17,909	-	-	-	17,909
Additions related to subsidiaries acquired during the year	-	282	894	-	1,176
Disposals	(446)	(6,758)	(1,134)	(24,320)	(32,658)
Disposals discontinued operations	(3,077)	(4,445)	(8,655)	(142)	(16,319)
Balance at 31 December 2007	187,439	146,017	30,943	44,602	409,001
Depreciation and impairment losses					
Balance at 1 January 2006	11,951	47,160	6,522	-	65,633
Charge for the year	10,031	19,909	3,665	-	33,605
Accumulated depreciation of disposals	(555)	(19,823)	(2,664)	-	(23,042)
Balance at 31 December 2006	21,427	47,246	7,523	-	76,196
Balance at 1 January 2007	11,951	47,160	6,522	-	65,633
Charge for the year	14,965	23,313	3,903	-	42,181
Charge for the year relating to discontinued operations	421	478	585		1,484
Accumulated depreciation related to acquired subsidiaries	-	117	299	-	416
Revaluation	1,085	-	-	-	1,085
Accumulated depreciation of disposals	(408)	(6,374)	(413)	-	(7,195)
Accumulated depreciation of discontinued operations	(719)	(1,962)	(2,404)	-	(5,085)
Balance at 31 December 2007	36,771	62,818	9,493	-	109,082
Carrying value					
As at 1 January 2007	98,837	73,761	16,240	45,680	234,518
As at 31 December 2007	150,668	83,199	21,450	44,602	299,919

At 31 December 2007 the Group included in property and equipment the amount of RON 496 thousand (at 31 December 2006: RON 6,188 thousand) representing vehicles and equipments acquired through financial leasing. At 31 December 2007 the Group had no pledged property, equipment or intangible assets. At the end of 2007, the Bank revaluated the land and buildings based on evaluation reports realized by the independent valuator Darian Rom Suisse S.R.L. The positive differences were recorded as revaluation reserves.

25. Intangible assets (including goodwill)

	Goodwill RON thousand	Software RON thousand
Cost		
Balance at 1 January 2006	16,452	30,616
Additions	-	7,805
Disposals	(2,672)	(7,893)
Balance at 31 December 2006	13,780	30,528
Balance at 1 January 2007	13,780	30,528
Additions	7,993	4,893
Additions discontinued operations	-	40
Additions related to subsidiaries acquired during the year	-	70
Disposals	-	(284)
Disposals discontinued operations	(13,404)	(625)
Balance at 31 December 2007	8,369	34,622
Accumulated amortisation		
Balance at 1 January 2006	-	19,288
Charge for the year	-	6,767
Disposals	-	(5,411)
Balance at 31 December 2006	-	20,644
Balance at 1 January 2007	-	20,644
Charge for the year	-	6,140
Charge for the year relating to discontinued operations	-	114
Accumulated depreciation related to acquired subsidiaries	-	18
Disposals	-	(249)
Disposals for discontinued operations	-	(411)
Balance at 31 December 2007	-	26,256
Carrying amount		
As at 1 January 2007	13,780	9,884
As at 31 December 2007	8,369	8,366

Impairment testing for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management.

The carrying amount of the goodwill RON 7,993 thousand was allocated to the unit formed by the acquired subsidiary, Medicredit Leasing IFN S.A. (acquisition took place in 2007).

26. Deferred tax assets and liabilities

	31 December 2007 Asset RON thousand	Liability RON thousand	Net RON thousand
Loans and advances to customers (including net lease investments)	13,484	-	(13,484)
Investment securities, available-for-sale	-	20,104	20,104
Other assets	2,341	-	(2,341)
Total	15,825	20,104	4,279
Net temporary differences			4,279
Deferred tax liability at 16%			685

In RON thousand	31 December 2006 Asset	Liability	Net
Property and equipment	-	7,970	7,970
Loans and advances to customers (including net lease investments)	-	31,326	31,326
Investment securities, available-for-sale	-	26,297	26,297
Other assets	-	9,872	9,872
Total		75,465	75,465
Net temporary differences			75,465
Deferred tax liability at 16%			12,074

27. Other assets

	31 December 2007 RON thousand	31 December 2006 RON thousand
Tax receivable	5,403	307
Prepayments	10,573	34,904
Sundry debtors	9,130	28,524
Overdue and doubtful debtors	-	30,474
Assets repossessed	17,055	3,762
Other assets	17,578	9,400
Less provision for other assets	(627)	(210)
Total	59,112	107,161

Movement in provision for impairment loss on other assets for the year was as follows:

	2007 RON thousand	2006 RON thousand
Balance at 1 January	210	-
Provision expense (Note 13)	100	210
Balance provision of acquired subsidiaries	317	-
Balance at 31 December	627	210

28. Deposits from banks

	31 December 2007 RON thousand	31 December 2006 RON thousand
Sight deposits	32,677	1,668
Term deposits	43,574	54,873
Total	76,251	56,541

29. Deposits from customers

	31 December 2007 RON thousand	31 December 2006 RON thousand
Current accounts	2,939,582	1,708,543
Term deposits	7,259,041	3,813,231
Collateral deposits	191,724	123,506
Certificates of deposit	-	24
Total	10,390,347	5,645,304

Deposits from customers can be also analysed as follows:

	31 December 2007 RON thousand	31 December 2006 RON thousand
Retail customers	5,814,379	2,915,754
Corporate customers	4,575,968	2,729,550
Total	10,390,347	5,645,304

30. Loans from banks and other financial institutions[1]

	2007 RON thousand	2006 RON thousand
Loans from banks (i)	1,361,028	1,023,958
Loans from other financial institutions (ii)	293,052	93,142
Other funds from financial institutions (iii)	219,717	151,322
Total	1,873,797	1,268,422

Lender	FCY	Amount granted (in "000" CCY)		Maturity		Outstanding balance as at 31 December	
						RON thousand	RON thousand
(i) Loans from Banks		**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Austria Bank Vienna	USD	-	2,000	-	2007	-	4,979
E.B.R.D.	USD	829	2,223	-	2008	2,048	5,810
Sumitomo Mitsui Banking Corporate	USD	-	5,000	-	2007	-	12,287
F.M.O.- Banca pentru Dezvoltare	USD	2,000	2,500	-	2011	5,015	6,555
IFC _ Banca Mondiala	USD	1,972	2,301	-	2014	4,860	5,930
EBRD-Mortgage contract	USD	498	564	-	2015	1,244	1,474
West LB AG London Branch	USD	-	3,000	-	2007	-	7,608
Banque Marocaine Du Commerce Ex	USD	-	1,000	-	2007	-	2,536
Bankhaus Neelmeyer – Bremen	USD	-	1,000	-	2007	-	2,465
The Economy Bank NV	USD	-	1,000	-	2007	-	2,536
Landesbank Rheinland Pfalz	USD	-	3,000	-	2007	-	7,432
Landesbank Rheinland Pfalz	USD	-	3,000	-	2007	-	7,431
Austria Bank Vienna	EUR	4,743	4,000	2008	2007	17,630	13,259
Austria Bank Vienna	EUR	64,286	75,000	-	2012	230,526	251,585
Wachovia Bank NA London	EUR	4,707	-	2008	2007	17,344	-
Bayerische Hypo- Vereinsbank	EUR	10,424	9,500	2008	2007	38,725	31,707
State Bank of India	EUR	-	5,000	-	2007	-	16,416
Abn Amro Bank N.V.	EUR	-	4,000	-	2007	-	13,296
Zuercher KantonalBank	EUR	2,836	-	2008	-	10,414	-
Bank of Montreal	EUR	-	4,000	-	2007	-	13,243
B.E.R.D.	EUR	21,498	20,544	-	2012	77,749	69,635
United Garanti Bank International	EUR	1,893	8,200	2008	2007	7,055	27,338
Landesbank Berlin AG	EUR	5,000	5,000	2009	2007	18,380	17,164
Otp Bank Hungary	EUR	4,715	-	2008	-	17,319	-
Sumitomo Mitsui Banking	EUR	4,712	-	2008	-	17,345	-
Kommunal Kredit Austria AG	EUR	-	4,000	-	2007	-	13,111
Tokyo-Mitsubishi Ufj LTD London	EUR	6,994	3,000	2008	2007	25,929	9,867
F.M.O.- Banca pentru Dezvoltare	EUR	3,200	4,000	2011	2011	11,563	13,753
F.M.O.- Banca pentru Dezvoltare	EUR	8,000	10,000	2011	2011	29,062	33,775
Bank Sepah International PLC	EUR	-	1,000	-	2007	-	3,278
IFC _ Banca Mondiala	EUR	14,750	17,000	-		52,639	57,388
IFC _ Banca Mondiala	EUR	9,375	10,000	-	2015	34,538	34,301
IFC _ Banca Mondiala	EUR	10,000	10,000	-	2016	37,251	34,267
EBRD – Mortgage contract	EUR	7,500	8,500	-	2015	27,515	29,140
Credit Europe Bank N.V	EUR	-	5,000	-	2007	-	16,522
Dresdner Bank AG Frankfurt	EUR	5,213	5,000	2008	2007	19,402	16,582
Oyak Anker Bank Gmbh	EUR	3,789	-	2008	-	14,019	-
London Forfaiting CO FI Bank	EUR	4,500	-	2008	-	16,256	-
ICICI Bank UK Limited	EUR	25,000	25,000	-	2008	90,823	84,357
Black Sea Trade& Development	EUR	-	1,958	-	2007	-	6,690
Oberbank AG Austria	EUR	3,000	3,000	2008	2007	10,837	9,948
Intesa Soditic Trade Finance	EUR	12,285	-	2008	-	44,909	-
Bankkgesellschaft Berlin	EUR	-	5,000	-	2007	-	16,922
Anglo Irish Bank Corporation	EUR	20,788	4,200	2011	2007	74,820	11,817
KfW Bank	EUR	24,444	15,000	-	2015	88,320	50,751
Mizrahi Tefahot Bank-Israel	EUR	1,412	-	2008	-	5,203	-
Banque Marocaine Du Commerce Exterieur	EUR	943	1,000	2008	2007	3,471	3,386
Bank Muscat International	EUR	-	2,000	-	2007	-	6,555
Mashreq Bank PSC Dubai	EUR	2,827	-	2008	-	10,348	-
Magyar Kereskedelmi Bank	EUR	-	5,000	-	2007	-	17,145
Bankhaus Neelmeyer-Bremen	EUR	-	1,000	-	2007	-	3,317
The Economy Bank	EUR	2,833	1,000	2008	2007	10,469	3,316
Landesbank Rheinland Pfalz	EUR	10,408	4,000	2008	2007	38,385	13,100
Landesbank Baden	EUR	4,725	-	2008	-	17,356	-
Habib Allied International Bank	EUR	4,715	3,000	2008	2007	17,319	9,833
ABN Amro Bank	EUR	60,000	-	2009	-	214,940	-
EximBank	EUR	-	1,203	-	2007	-	4,151
Total						1,361,028	1,023,958

Lender	FCY	Amount granted (in "000" CCY)		Maturity		Outstanding balance as at 31 December RON thousand	RON thousand
(ii) Loans from financial institutions		**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
HVB Bank	EUR	1,500	328	2008	2008	368	1,110
Alpha Bank Romania	EUR	5,000	431	2013	2008	17,930	1,459
E.B.R.D	EUR	5,000	1,456	2009	2009	9,049	13,232
E.B.R.D	EUR	5,000	2,911	2012	2012	18,110	1,535
Garanti Bank	EUR	6,500	3,652	2012	2009	21,570	12,350
Piraeus Bank	EUR	10,000	2,863	2012	2007	36,083	9,683
Anglo Romanian Bank	EUR	5,000	4,156	2009	2009	6,530	13,829
Anglo Romanian Bank	EUR	3,000	2,294	2013	2010	10,892	7,758
Volksbank Romania	EUR	5,800	2,147	2014	2011	19,532	7,259
Raiffeisen Bank Romania S.A.	EUR	3,856	1,932	2011	2011	10,550	6,534
BancPost S.A.	EUR	4,000	3,892	2010	2010	10,249	13,161
Unicredit Tiriac Bank S.A.	EUR	6,000	1,297	2012	2011	21,416	4,387
EFSE	EUR	10,000	-	2013	-	14,220	-
FMO	EUR	5,000	-	2011	-	18,097	-
Intermarket Austria	EUR	750	250	2008	2007	1,813	845
Alpha Bank Romania S.A.	RON	16,591	-	2008	-	10,510	-
Unicredit Tiriac Bank S.A.	RON	7,500	-	2008	-	7,480	-
E.B.R.D.	EUR	2,000	-	-	-	3,997	-
E.B.R.D.	EUR	1,250	-	-	-	4,456	-
BCR S.A.	EUR	224	-	2010	-	807	-
BCR S.A.	EUR	10,705	-	2012	-	33,790	-
BCR S.A.	EUR	10,000	-	2013	-	3,541	-
BCR S.A.	EUR	2,007	-	2012	-	7,244	-
BCR S.A.	EUR	1,525	-	2012	-	3,825	-
BCR S.A.	EUR	275	-	2012	-	993	-
Total						293,052	93,142

Lender	FCY	Amount granted (in "000" CCY)		Maturity		Outstanding balance as at 31 December RON thousand	RON thousand
(iii) Other funds from financial institutions		**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Ministry of Public Finance	USD	12,166	13,386	2017	2017	30,868	35,222
Ministry of Public Finance	EUR	870	870	2009	2009	3,141	2,942
E.F.S.E.	EUR	30,000	10,000	2016	2016	109,148	34,132
D.E.G.	EUR	19,592	22,319	2017	2017	71,179	75,767
BCR S.A.	EUR	232	435	2011	2013	839	1,470
BCR S.A.	RON	135	232	2010	2010	135	232
Alpha Bank S.A.	EUR	127	346	2009	2008	457	1,173
Alpha Bank S.A.	EUR	769	-	2012	-	2,400	-
Unicredit Tiriac Bank S.A.	EUR	8	100	2008	2007	32	340
Unicredit Tiriac Bank S.A.	EUR	500	-	2012	-	1,510	-
Shareholders	RON	8	44	-	-	8	44
Total						219,717	151,322

No assets of the Group have been pledge as collaterals for these loans.

In the above table the following abbreviations for the financial institutions were used:

E.B.R.D. – European Bank for Reconstruction and Development
D.E.G. – Deutsche Investitions und Entwicklungsgesellschaft
E.F.S.E. – European Fund for Southeast Europe
F.M.O. – The Neederlands Development Finance Company
I.F.C. – World Bank – International Financial Corporation
KfW – Kreditanstalt Fur Wiederaufbau

31. Other subordinated liabilities

In 2006, the Group contracted a subordinated loan agreement with five credit institutions for EUR 60,000,000, bearing an inter-banking interest rate available during the respective period + a margin. The inter-banking rate is, for each period, the annual interest rate offered for deposits in the respective currency, which is published on the reference page at 11:00 am, Bruxelles time. The loan shall be repaid by one installment at the seventh anniversary from the contract date.

The payments of any amounts payable under this contract are subordinated to the payment of all Senior Indebtedness, so that no amount shall be paid in respect of the loan in such bankruptcy, insolvency, winding-up or liquidation of the borrower or in any other similar event affecting the borrower, until all claims in respect of Senior Indebtedness admitted in such cases.

32. Debt securities issued

In September 2005 the Bank issued 2,290 convertible bonds with a par value of USD 10,000 each. The interest is payable semi-annually starting from 15 January 2005 until 15 July 2010. The rate for the first interest period was set at LIBOR USD 6 months + 3% and for subsequent interest periods, the rate will be established by the Payment Agent on the basis of: (i) LIBOR for such a period taking as a reference the inter-banking offered rate for USD deposits by the British Banker Association: plus (ii) a margin applicable to such period by reference to either the highest foreign currency credit rating given to Romania by S&P or the long term ratings in foreign currency given by Moody's on the Romanian government bonds applicable on the payment date.

The bonds cannot be prepaid or redeemed before the redemption date and the bond holder will not have the option of anticipated redemption, except in the case of bank liquidation. The redemption value is the par value.

The bondholders can convert at their discretion to common shares of the Bank starting from 1 November 2006 to 15 June 2010. The minimum convertible value per bondholder is USD 500,000 and the total number of shares of a bond holder cannot exceed after the conversion 5% of the existing number of shares at the date of conversion. The conversion price will be determined at the date of conversion based on the average price between the daily maximum and minimum prices of the Bank's shares weighted to the daily volume of transactions during the previous 90 working days of the Bucharest Stock Exchange.

At 1 November 2007, the price establishing date, part of the bond holders exercised their rights of converting the bonds into shares. At that date 10 bonds in amount of USD 100,000 were converted into shares. The number of shares was determined by dividing the RON equivalent of the principal outstanding that the bond holders decided to convert based on a spot exchange rate on the conversion date.

The communicated price was RON 0.8934 per share and the USD exchanged rate published by NBR on 1 November 2007 was RON 2.3094 per USD.

From the conversion resulted 258,490 shares, the share capital was increased with RON 25,849. Also, the Group booked conversion premiums in amount of RON 205.085.

At 31 December 2007 there were 2,188 bonds (31 December 2006: 2,198) amounting USD 21,880,000 (at 31 December 2006: USD 21,980,000).

33. Other liabilities

	31 December 2007 RON thousand	31 December 2006 RON thousand
Amounts under settlement	82,868	86,455
Sundry creditors	29,439	28,558
Debts regarding reinsurance	-	18,898
Other fees payable	70,631	12,385
Leasing liabilities (i)	2,265	1,116
Other liabilities	11,418	11,860
Total	196,621	159,272

(i) Future minimum lease payments under finance leases and the present value of the net minimum lease payments are as follows:

	31 December 2007 RON thousand	31 December 2006 RON thousand
Minimum lease payments		
2007	-	730
2008	881	323
2009	566	63
2010	468	-
2011	246	-
2012	104	-
Total minimum lease payments	2,265	1,116
Less future interest	-	-
Present value of minimum lease payments	2,265	1,116

34. Share capital

The statutory share capital of the Bank as of 31 December 2007 was represented by 6,110,797,702 ordinary shares of RON 0.1 each (at 31 December 2006: 3,933,548,622 shares of RON 0.1 each). The shareholders structure of the Bank is presented in Note 1.

35. Other reserves

As at 31 December 2007 and 31 December 2006 the reserves include the following:

In RON thousand	31 December 2007 RON thousand	31 December 2006 RON thousand
General banking risks (i)		
Statutory reserve (ii)		
Fair value gains taken to equity (net of tax) on available for sale investments		
Total	172,957	178,238

Reserves for general banking risks

	2007 RON thousand	2006 RON thousand
At 1 January	77,893	47,293
Appropriations from profit	-	30,600
At 31 December	77,893	77,893

Statutory reserves

	2007 RON thousand	2006 RON thousand
At 1 January	55,627	49,010
Appropriations from profit	21,602	6,617
Total	77,229	55,627

(i) The general banking risks reserve include amounts set aside in accordance with local banking regulations for future losses and other unforeseen risks or contingencies, are separately disclosed as appropriations of profit. The general banking risks reserve is appropriated from the statutory gross profit at the rate of 1% of the balance of the assets carrying specific banking risks. The general banking risks reserve was set up, starting financial year 2004 up to the end of financial year 2006.

(ii) Statutory reserves represent accumulated transfers from retained earnings in accordance with local banking regulations that require 5% of the Bank's net profit and its subsidiaries to be transferred to a non-distributable statutory reserve until such time this reserve represents 20% of the Bank's share capital.

The statutory reserves are not distributable.

36. Related party transactions

Transactions with shareholders

During 2006, the Group entered into a number of banking transactions with its shareholders in the normal course of business.

During the year ended 31 December 2007, the following banking transactions were carried out with the shareholders:

	2007 RON thousand	2006 RON thousand
Assets		
Loans to shareholders granted by Banca Transilvania SA, related interest and provisions	2,342	1,662
Liabilities		
Current accounts at BT, deposits, related	47,163	51,156
Loans from financial institutions	143,395	121,806
Subordinated loans	43,322	40,717
Commitments to shareholders	337	114
Income statement		
Interest income	288	110
Performance commission income	317	733
Interest, commission expense	11,757	13,763

Transactions with key management personnel

During the year ended 31 December 2007, the following banking transactions were carried out with key personnel:

	2007 RON thousand	2006 RON thousand
Assets		
Loans to key personnel granted by Banca Transilvania SA, related interest and provisions	23,381	11,423
Liabilities		
Current accounts at BT, deposits, related	9,723	3,549
Commitments to key personnel	1,477	1.267
Income statement		
Interest income	1,351	923
Commission expense	533	246

During 2007 the total salaries paid by the Bank to the Board of Director's members and executive management amounting to RON 3,120 thousand (2006: RON 2,648 thousand).

37. Commitments and contingencies

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one month to one year.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Expirations are not concentrated in any period.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table as commitments assume that amounts are fully advanced. The amounts reflected in the table as guarantees and letters of credit represent the maximum accounting loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted.

	31 December 2007 RON thousand	31 December 2006 RON thousand
Guarantees issued	436,907	236,868
Loan commitments	1,529,282	1,007,377
Total	1,966,189	1,244,245

At 31 December 2007 the outstanding forward transactions in foreign currencies were sale transactions amounting EUR 4,250,000 and USD 10,395,000 (31 December 2006: EUR 600,000) and buy transactions amounting EUR 3,200,000 (31 December 2006: EUR 2,200,000). The transactions outstanding at 31 December 2007 matured in January 2008.

Litigations

As at 31 December 2007 the Group is involved in a number of litigations. The management of the Group, based upon legal advice, assessed the outstanding claims in progress and decided not to record a provision for such claims due to low probability of generating cash outflows in the foreseeable future.

Discontinued operations

The selling agreement of the equity investment in BT Asigurari S.A., signed by Banca Transilvania S.A. and Groupama International S.A. (France), states the finalization of this transaction by the payment of a price difference which will take into consideration the value of net assets that will be reflected in the financial statements of BT Asigurari S.A. at 31 December 2007, prepared in accordance with the International Financial Reporting Standards, the actuarial report relating to technical reserves and an official confirmation between the two parties of the net assets value and the price difference for BT Asigurari S.A. Due to the uncertainties referring to the future events mentioned above which are not entirely under the control of the Bank, the value of the net assets for BT Asigurari S.A. and of the related price difference could not be assessed at the issuance date of these financial statements.

Groupama International SA has deposited EUR 13,500,000 in an escrow account to be used for the settlement of the price difference.

38. Earnings per share

Basic earnings per share

The calculation of basic earnings per share (basic and diluted) was based on net profit attributable to ordinary shareholders of RON 307,823 thousand (31 December 2006: RON 114,448 thousand) and the weighted average number of the ordinary shares outstanding during the year calculated as follows:

	2007	**2006**
Ordinary shares issued at 1 January	3,933,548,622	2,367,330,000
Effect of shares issued during the period	1,865,283,292	3,123,172,418
Weighted average number of shares as at 31 December	5,798,831,914	5,490,502,418

Diluted earnings per share

The potential ordinary shares of the Bank are represented by the outstanding as at convertible bonds (please refer to Note 32). The potential ordinary shares are anti-dilutive because their conversion to ordinary shares would increase earnings per share.

Because the calculation of the diluted earnings per share does not assume conversion of potential ordinary shares that would have an anti-dilutive effect, this is the same as the basic earnings per share.

39. Acquisition and mergers of subsidiaries

Acquisitions

In December 2007 the Group acquired 57.39% of the share capital of Medicredit Leasing IFN S.A., a Romanian incorporated company providing finance lease services to Romanian individuals and corporate customers. At that date the acquired subsidiary owned 100% share in Rent-a-Med S.R.L., a Romanian incorporated company providing rental services of medical equipment.

The positive goodwill was recognized in the consolidated balance sheet for the positive exceeding of cost created by this acquisition compared to the net fair value of the identifiable assets, liabilities and contingent liabilities of Medicredit Leasing IFN S.A.

The acquisition had the following effect on the Group's assets and liabilities:

	Medicredit Leasing	Rent-a-Med In RON thousand
Net assets acquired		
Cash and cash equivalents	2,729	603
Placements with banks	2,265	-
Property and equipment	12,639	3
Intangible assets	52	3
Net lease investments	48,812	-
Securities available for sale	1,086	-
Other assets	2,786	3,073
Loans from banks	(50,200)	-
Leasing liabilities	(162)	-
Other liabilities	(12,352)	(1,026)
Net assets and liabilities	7,655	2,656
Acquired interest	57.39%	57.39%
Share of net identifiable assets and liabilities acquired	4,393	1,524
Negative goodwill on acquisition	7,993	-
Consideration paid	(12,386)	-
Cash acquired	4,993	603
Net cash inflow / (outflow)	(7,393)	603

In July 2007 the Group also contributed with 50% in the initial share capital at BT Aegon S.A., a Romanian incorporated company providing services of private pension. The Group considered this company as a jointly controlled entity.

In the last six months of the financial year ended at 31 December 2007 the subsidiary brought a loss of RON 19,743 thousand to the annual consolidated profit of the Group.

The Group's share of interest in the entity's assets, liabilities, revenues and expenses are presented below:

	In RON thousand
Cash and cash equivalents	4,282
Property and equipment	375
Intangible assets	484
Other assets	8,124
Other liabilities	(6,768)
Net assets	6,497
Interest income	55
Commission expense	(3)
Trading net loss	(16)
Other income	301
Administrative expenses	(11,964)
Net loss	(11,627)

Mergers

In 2007 the following changes took place in the BT Group structure:

- BT Aegon Fond de Pensii S.A., Medicredit Leasing IFN and Rent a Med SRL joined the consolidation area;
- BT Asigurari took over BT Advice, BT Consulting, BT Evolution and BT Strategy, as a result of absorption merger;
- Banca Transilvania SA signed a selling agreement with Groupama International for the investment securities owned in BT Asigurari S.A.;
- BT Beta and BT Management merged into BT Evaluator;
- BT Alpha and BT Logistic IFN merged into BT Consultant;
- BT Account Agent de Asigurare SRL took over BT Gamma IFN, as a result of absorption merger.

40. Reconciliation of profit under IFRS and Romanian Accounting Standards

In RON thousand	**2007**	**2006**
Net profit under RAS	355,597	160,171
Fair value adjustment for investment securities	17,919	(11,009)
Net release/(charge) on provision for impairment losses	(210)	(1,120)
Reversal of dividends from subsidiaries	(19,589)	(47,245)
Adjustment to amortised cost of loans to customers	(42,531)	28,190
Elimination of statutory insurance provision	-	(2,405)
Deferred tax expense	9,327	(6,537)
Acquisition of Bank's shares from BT Asigurari SA	-	(7,353)
Brokerage commissions expense for BT Aegon	(7,907)	-
Other items	(3,162)	(4,095)
Net profit under IFRS	309,444	108,597

41. Reconciliation of equity under IFRS and Romanian Accounting Standards

In RON thousand	**31 December 2007**	**31 December 2006**
Equity under RAS	1,239,487	727,501
Loans related adjustments	(13,485)	30,494
Fixed assets related adjustments	2,809	6,665
Revaluation of available-for-sale investments	16,887	32,542
Equity method adjustments	16,759	10,162
Cancelling of the income from sales of treasury shares between subsidiaries	-	(7,352)
Other items	10,717	(4,619)
Equity under IFRS	1,273,174	795,393

42. Subsequent events

In March 2008, Banca Transilvania has initiated the selling process of the 25% investment in the insurance company Asiban S.A. to the French group Groupama.

BANCA TRANSILVANIA S.A.
HEAD OFFICE

8 G. Baritiu St.
400027 Cluj-Napoca, Romania
Ph: +40 264 407150
Fax: +40 264 407179
bancatransilvania@bancatransilvania.ro
SWIFT: BTRLRO22
www.bancatransilvania.ro

BT LEASING TRANSILVANIA IFN S.A.

1 G. Baritiu St.
1st floor, 400027 Cluj-Napoca, Romania
Ph: +40 264 438816
Fax: +40 264 444150
btleasing@btleasing.ro
www.btleasing.ro

BT ASSET MANAGEMENT SAI S.A.
MAESTRO BUSINESS CENTER

104, 21 Decembrie 1989 Blvd.
4th Floor, 400127 Cluj-Napoca, Romania
Ph: +40 264 407150
Fax: +40 264 301035
btam@btassetmanagement.ro
www.btassetmanagement.ro

BT AEGON FOND DE PENSII S.A.

98 - 100 Calea Dorobantilor
2nd floor, 400691 Cluj-Napoca, Romania
Ph: +40 264 302200
Fax: +40 264 302290
office@btaegon.ro
www.btaegon.ro

BT SECURITIES S.A.
MAESTRO BUSINESS CENTER

104, 21 Decembrie 1989 Blvd.
1st Floor, 400127 Cluj-Napoca, Romania
Ph: +40 264 430564
+40 264 431747
Fax: +40 264 431718
office@btsecurities.ro
www.btsecurities.ro

BT DIRECT IFN S.A.

1 G. Baritiu St.
400027 Cluj-Napoca, Romania
Ph: +40 264 301485
Fax: +40 264 301343
office@btdirect.ro
www.btdirect.ro

COMPANIA DE FACTORING IFN S.A.

8 George Calinescu St.
Sector 1, 011693 Bucharest, Romania
Ph: +40 21 2315577
Fax: +40 21 2315580
info@companiadefactoring.ro
www.companiadefactoring.ro

IDEA DESIGN & PRINT Cluj, 2008

BANCA TRANSILVANIA S.A.
HEAD OFFICE

8, G. Baritiu St.
400027 Cluj-Napoca, Romania
Ph: +(40) 264 407150
Fax: +(40) 264 407179
bancatransilvania@bancatransilvania.ro
SWIFT: BTRLRO22
www.bancatransilvania.ro

BT AEGON FOND DE PENSII S.A.

98 - 100, Calea Dorobantilor
2nd floor, 400691 Cluj-Napoca, Romania
Ph: +(40) 264 302200
Fax: +(40) 264 302290
office@btaegon.ro
www.btaegon.ro

BT LEASING S.A.

1, G. Baritiu St.
1st floor, 400027 Cluj-Napoca, Romania
Ph: +(40) 264 438816
Fax: +(40) 264 444150
btleasing@btleasing.ro
www.btleasing.ro

BT SECURITIES S.A.
MAESTRO BUSINESS CENTER

104, 21 Decembrie 1989 Blvd.
1st floor, 400127 Cluj-Napoca, Romania
Ph: +(40) 264 430564
+(40) 264 431747
Fax: +(40) 264 431718
office@btsecurities.ro
www.btsecurities.ro

BT DIRECT S.A.

1, G. Baritiu St.
400027 Cluj-Napoca , Romania
Ph: +(40) 264 301485
Fax: +(40) 264 301343
office@btdirect.ro
www.btdirect.ro

BT ASSET MANAGEMENT S.A.I.
MAESTRO BUSINESS CENTER

104, 21 Decembrie 1989 Blvd.
4th floor, 400127 Cluj-Napoca, Romania
Ph: +(40) 264 407150
Fax: +(40) 264 301035
btam@btassetmanagement.ro
www.btassetmanagement.ro

COMPANIA DE FACTORING IFN S.A.

8, George Calinescu St.
Sector 1, 011693 Bucharest, Romania
Ph: +(40) 21 2315577
Fax: +(40) 21 2315580
info@companiadefactoring.ro
www.companiadefactoring.ro

IDEA 40 264 594634