

ANNUAL  
REPORT  
2010



*Banca sasenilor întreprinzători*

## FINANCIAL CALENDAR

Preliminary Results FY 2010	01.02.2011
Annual General Shareholders Meeting	28.04.2011
Annual Financial Statements IFRS FY 2010	29.04.2011
First Quarter Results 2011	29.04.2011
Registration Date	20.05.2011
Half - Year Financial Statements 2011	01.08.2011
Third Quarter Results 2011	27.10.2011

## MISSION STATEMENT

*Banca Transilvania is the bank for entrepreneurial people in Romania.*

*Our mission, as a privately owned Romanian bank, is to support business environment development through innovative products and services offered with professionalism. We believe in a mentality aimed at finding solutions for our clients. There is soul and energy in everything we do, motivated by the respect for our clients and a responsibility to the community.*

## TABLE OF CONTENTS

<b>Financial Calendar</b> .....	2
<b>Mission Statement</b> .....	3
<b>Highlights</b> .....	5
<b>The Board of Directors</b> .....	6
<b>Chairman and CEO Statement</b> .....	8
<b>Corporate &amp; SME Banking</b> .....	10
Clubul Întreprinzătorului Român - CIR (The Romanian Entrepreneurs Club) .....	12
<b>Retail Banking</b> .....	14
Card Platform .....	15
Electronic channels – BT 24 .....	17
<b>The Healthcare Division</b> .....	18
<b>Internal Control System</b> .....	18
Risk Management .....	19
Compliance Function .....	23
Internal Audit Function .....	23
<b>Operations and IT</b> .....	25
<b>Sustainable Banking</b> .....	26
Economic dimension .....	26
Environmental governance .....	27
Corporate Social Responsibility .....	28
<b>Marketing &amp; Communication</b> .....	30
<b>Human Resources</b> .....	32
BT Academy .....	33
<b>Main Subsidiaries</b> .....	34
BT Leasing Transilvania IFN S.A.....	34
BT Securities S.A. ....	34
BT Asset Management S.A.I. S.A. ....	35
BT Medical Leasing IFN S.A. ....	35
BT Leasing MD S.R.L. ....	36
BT Direct IFN S.A. ....	36
<b>Consolidated Financial Statements</b> .....	39

**HIGHLIGHTS 2010 - IFRS**

thousand RON

	<b>2010</b>	<b>2009</b>
Total Assets	21,730,252	19,613,030
Loans, net	12,215,792	11,481,759
Customers' deposits	17,279,132	14,989,199
Shareholders' equity	2,089,964	1,838,034
Share Capital	1,560,500	1,176,237

**Income Statement**

thousand RON

	<b>2010</b>	<b>2009</b>
Net interest income	996,297	754,329
Impairment loss on loans, net	646,965	490,784
Net commission income	382,666	370,805
Foreign exchange income, net	118,969	143,201
General administrative expenses	741,156	717,123
Net profit from continuing operations	133,984	136,715
- from discontinued operations	N/A	48,894
Profit for the year	133,984	136,715

**Data about BT shares**

	<b>2010</b>	<b>2009</b>
Outstanding common shares	1,470,600,998	1,086,337,883
Nominal value (RON)	1.00	1.00
Book value per share	1.4588	1.6749
Market capitalization (mil. RON)	1,806	2,313
High		
Low	2.39	2.4
Closing Price	1.19	0.61
	1.228	2.13
Earnings per share (EPS)		
- yield per share *	0.2001	0.3031
- dividend per share	-	-
Price-earning ratio (PER)*	6.14	7.03
Price to book value (PBV)	0.84	1.27
Operating result per share	0.0663	0.0570

\*this ratio is calculated based on the share capital as at the reference date (20.05.2011) in amount of RON 1,477,922,353.00 which also influenced PER.

**Additional Information**

	<b>2010</b>	<b>2009</b>
Number of employees	6,584	6,126
Branches and agencies	535	515
ATMs	805	766
POSs	14,821	12,613

## BOARD OF DIRECTORS

Horia Ciorcilă  
Chairman



Roberto Marzanati  
Vicechairman



Robert C. Rekkers  
Member & CEO



Peter Morris Franklin  
Member



Carmen Retegan  
Member



Radu D. Palagheanu  
Member



Costel Ceocea  
Member



## Chairman's and Chief Executive Officer's Statement

Looking at Romania's business environment marked by economic and political uncertainties, we strongly believe that our bank has to reinforce its mission, providing fundamental services such as smooth supply of funds, cash management and advisory services in order to meet the needs of our entrepreneurial clients. We increased the know-how and capabilities of our employees to identify and capture business opportunities, while enhancing cross-selling capacities among business lines as well as with group companies.

This was our line of action throughout 2010, thus adapting and customizing the organizational structure and business model to mirror the challenges triggered by the market.

Even though 2010 was a second year of economic contraction in Romania, Banca Transilvania managed to expand its balance sheet and operations, ending the period among top 5 banks in terms of total assets, with an overall market share of 6.3% (versus 5.8% the year before).

Our bank improved its year-on-year earnings and it was rewarding to see all our business lines develop efficiently. Demand for corporate loans has gradually rebounded and our gross corporate loan portfolio grew by 16% in 2010. This improved net interest income, although tougher competition reduced average margins on our corporate loan portfolio.

We preserved the SME loan portfolio, over 3,000 loans *Creditul Gata Garantat* being extended in partnership with the National Guarantee Fund for SME Loans.

Simple and low cost products represented the progress drivers of our Retail Business in 2010. With over 1.8 million cards, Banca Transilvania is among the top 3 card issuers in Romania, having a market share of 15% in this field. Gross retail loans grew by 5% last year.

By contributing to the development of our clients, we also achieved our own progress.

Banca Transilvania's operational performance confirmed by the significantly higher figures in terms of total transactions (28% in 2009 vs. 2008, respectively 13% in 2010 vs. 2009) will continue in the years to come, being accompanied by the addition of new active clients and the maintenance of the current client portfolio, which can be better capitalized through intelligent cross-selling activity.

Our operating profit for 2010 increased much better than a year ago, while gross profit rose by more than 55%. As a result of the improved operational efficiency program, the cost/income ratio dropped from 55% in 2009 to 48% in 2010.

The Romanian economy is expected to recover in 2011, which will ensure significant growth potential. Our strong capital base and diverse range of services provide us with good opportunities to meet the extensive requirements of our clients.

Banca Transilvania starts 2011 with a mature team and the adequate infrastructure for a turning year when the capacity to act will make the difference. In this respect, we aim to position ourselves as active players, sustaining the economic well-being of the country.

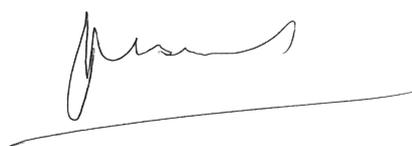
In conclusion, we would like to express our thanks to the shareholders, clients and business partners for their trust, ongoing support and cooperation.

Last but not least, we extend our recognition to our team for the high competence, devotion and ambitious work, being convinced that efficient performance is the key to our future progress.

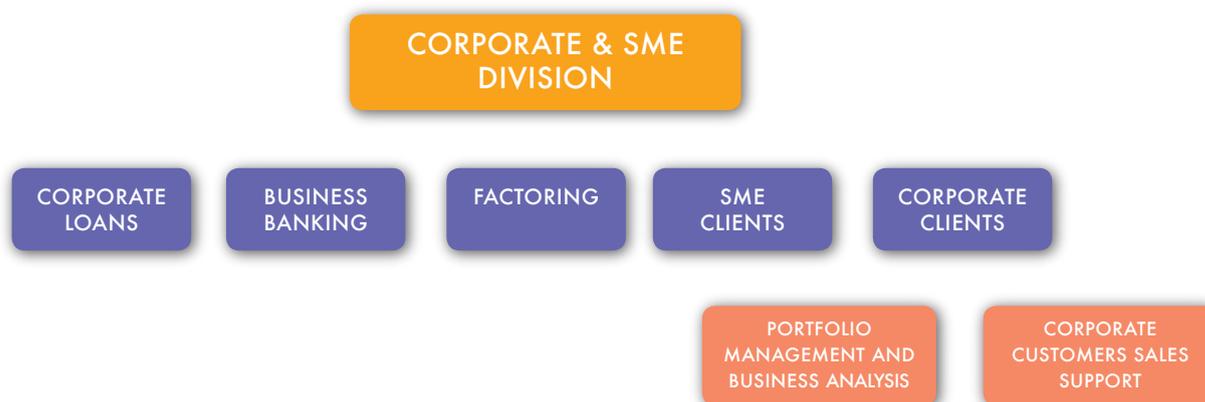
Horia Ciorcilă  
Chairman



Robert C. Rekkers  
Chief Executive Officer



## CORPORATE & SME BANKING



Our efforts during 2010 continued to be integrated under the *bank for entrepreneurial people* umbrella, sustaining our corporate clients both with our ongoing adjusted products and services, but also with loan restructuring programs for reliable customers facing temporary difficulties.

In this respect we enhanced our client service concept, based on cross selling, pertinent solutions and high quality operational systems.

We grouped all the activities on four main priorities:

- portfolio quality
- deposit raising
- generating income
- cost reduction

### BT Corporate & SME Banking highlights:

- 45% of BT loan portfolio (corporate)
- diversified portfolio in terms of type and industry exposure
- Over 11,000 corporate clients and 178,000 SME clients
- No. 1 bank for SMEs
- significant market shares on various segments, exceeds the market share on total assets:
  - 15% market share in micro and SME clients

Corporate loan portfolio grew by 16% in 2010, to RON 6,059 million, representing 45.33% in total bank's loan portfolio, while average turnover through the corporate accounts increased by 15% versus 2009.

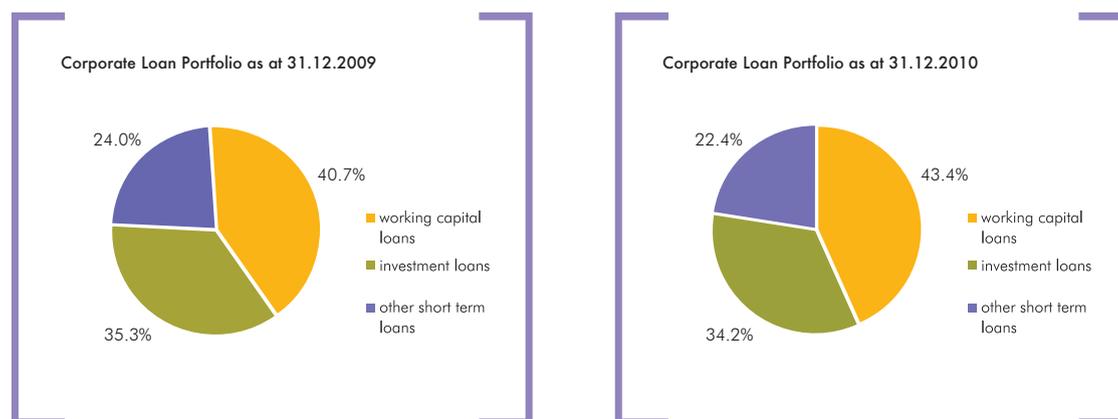
Furthermore, BT consolidated its status as a preferred utilities payment center, concluding partnerships with all important local and national suppliers (electricity, water-sewage, heating, waste management), which triggered a 42% bill payment growth at BT's counters.

On the SME segment, we focused on quality & quantity. The business model was updated and tested on more robust clients, shifting the focal point from scoring models to classical loan analysis.

We continued to support the SME clients, using different financing tools. The partnership with the National Loan Guarantee Fund for SMEs (FNGCIMM) was maintained in 2010 as well, more than 3000 loans being approved under this program.

BT's commitment toward the SMEs sector was re-affirmed last year, Banca Transilvania being awarded as the bank with "the best attitude towards clients during the crisis". The survey organized by [www.bankingnews.ro](http://www.bankingnews.ro) showed once more that our clients appreciate our business approach and efforts.

Additionally, in May 2010, BT received the award *Romanian Business Champion* in the category *Financial support programs for SMEs investment projects* within The National Business and Civic Forum.



### European Programs Department – EPD

This department was founded by Banca Transilvania with the purpose of facilitating the access to non-refundable structural funds. Even though the segment has been approached by most banking institutions, no other bank has an integrated business model, which would position it as interface between project beneficiaries and the fund management authorities.

Therefore, the partnership platform promoted by the EPD, namely: client – BT – consulting company – management authority was used in order to eliminate all obstacles to the successful implementation of projects. Reuniting consultancy services, marketing, lending, guarantees and know-how under the same umbrella brings real added value to the client and facilitates access to EU funds.

In 2010, over 122 cash and non-cash loans were granted, in the amount of RON 127 mil, and more than 200 requests for funding were processed throughout the BT network. The value of co-financed projects reached

approximately RON 250 mil. and over 700 clients were counseled on how to access structural funds. At the same time, BT and the Romanian Entrepreneurs Club were awarded a total of EUR 3 mil non-refundable EU funds to be used in 4 different projects.

The EPD supported BT's network by creating a group of specialists and offering training services, by organizing a road show of regional presentations, by sending newsletters to all employees, as well as having discussions during monthly meetings with relationship / branch managers and SME specialists.

Amongst its efforts to support the absorption of European funds, the EPD partnered with *Ziarul Financiar* and *Bursa* newspapers, as well as intermediate bodies within the Ministry of Regional Development and Tourism, the Ministry of Economy and the Rural Development Agency.

### Clubul Întreprinzătorului Român - CIR (The Romanian Entrepreneurs Club)



Clubul Întreprinzătorului Român continued to support entrepreneurs throughout the country, by offering training sessions, networking programs, financial & banking consultancy services, as well as assistance in applying for EU structural funds.

CIR itself became involved in two additional European funded projects, through the Sectoral Operational Program Human Resources Development (SOP HRD), contributing either as main applicant or co-participant.

The Club's success was also reflected in having attracted 1,400 new entrants in one year, reaching over 13,100 members in December 2010. Furthermore, in 2010 almost 160 CIR members requested custom made web pages to be hosted on the Club's site, a facility provided through **Site-ul meu pe BT Club (My Site on BT Club) project**.

At the same time, under the coordination of BT's Marketing and Communication Department, the [www.btclub.ro](http://www.btclub.ro) site went through several upgrades in order to maximize online traffic and visibility levels.

Over 450 companies benefited from the Club's partnership with Google, receiving vouchers to start *Google Adwords campaigns*.

### Training Programs and Events

Four and a half years since the Club was started, it can pride itself on having organized over 420 programs and events. Of these, 56 were held in 2010, with the assistance of consulting companies, BT representatives, as well

as in partnership with selected institutions. Over 2,200 participants benefited from presentations held in 32 cities on traditional or innovative business topics.

Building on previous successful events, on March 23, CIR and Google organized *Google comes to Bucharest. How to make money using Google Adwords*, which was attended or followed as live internet broadcast by over 1,600 people.

As part of the Sectoral Operational Program *Increase of Economic Competitiveness (SOP IEC)*, the Club worked with Banca Transilvania's European Program Department and the National Office for SMEs on the project *SOP IEC – a chance for your business*. Over 100 participants attended the related events organized in Cluj on June 23 and Bucharest on July 13, 2010.

Another well-received seminar was *Leading in Challenging Economic Times*, held in Cluj-Napoca on November 23 by Mr. Anthony Silard, CEO of the Executive Leadership Institute from the United States. The event was organized in partnership with the Post-Privatization Foundation, with over 200 participants and more than 1,500 internet users who tuned into the live broadcast.

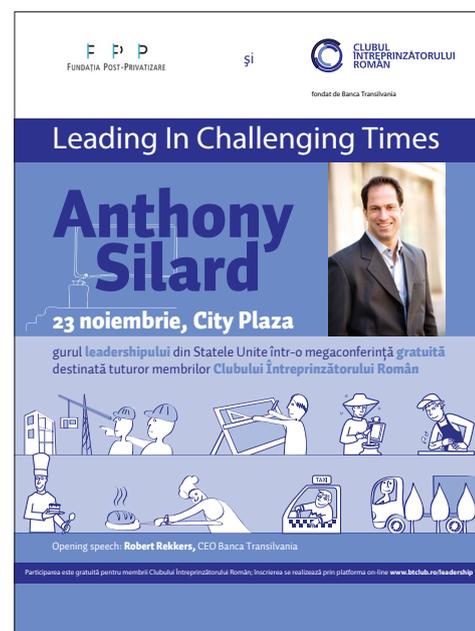
On November 25, the conference *Agriculture – from problems to solutions* debated the situation of agriculture investors, bringing to Târgu Mures speakers from around the country.

All topics were met with great interest, especially structural funds, as entrepreneurs were eager to learn details regarding accessing methods and eligibility criteria.

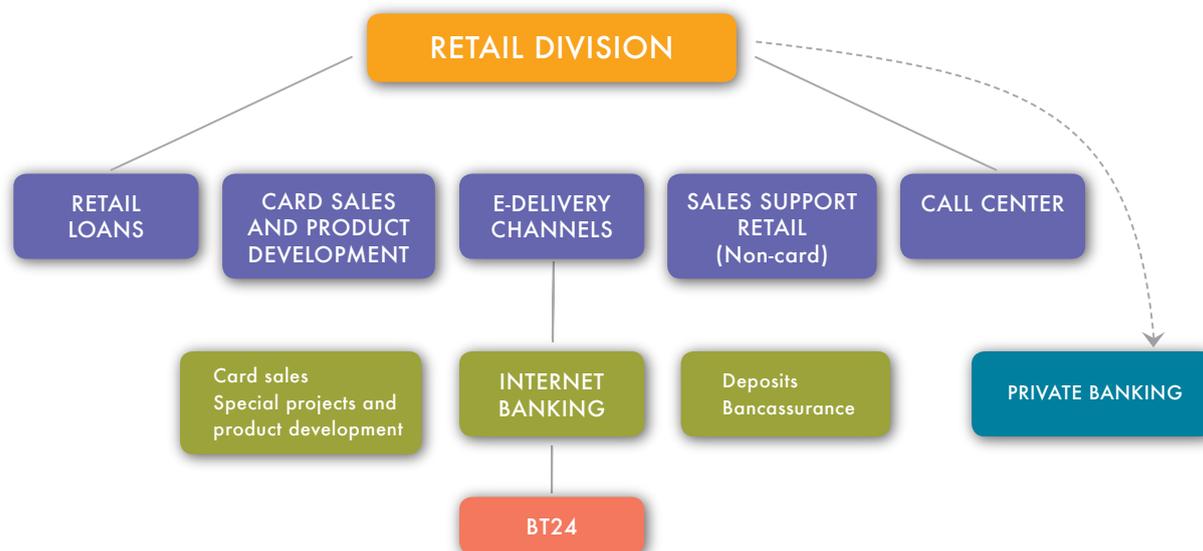
### The Networking Program

This initiative supports nationwide networking among CIR members and offers BT Club card holders exclusive benefits.

There are more than 150 partners across the country, offering discounts ranging from 1% to 50% for a wide range of products and services.



## RETAIL BANKING



Retail Banking is a segment where Banca Transilvania grew stronger every year. BT renders simple but consistent services and products to a wide customer base reaching 1.7 million active retail clients end of 2010.

Retail client segmentation and product package sales dedicated to specific categories were among the new business approaches in 2010. The focus shifted from extensive to intensive growth, increasing the average products number per client to 2.38.

### BT Retail Banking segment within 2010 economic context:

- 40% of BT loan portfolio
- 1.8 million cards
- 15,100 POSs
- 150,600 BT24 users
- New products: Visa Gold Rotary, MC Gold Debit, MC Business EUR
- The market share on various retail products exceeds the market share on total assets:
  - 15% cards (16.5% in transaction volumes)
  - 10.61% deposits

Overall, the volume of retail loans rose by 5.6% (to RON 5.4 bn) and our market share for retail loans rose to 5.5% from 5.3%.

We continued in 2010 our partnership with the National Guarantee Fund, for the *Prima Casa* Programs, total mortgage loans granted under this partnership amounting to EUR 53 mill.

On the liabilities side, Banca Transilvania increased retail deposits by 13% versus 2009, weighting 64.5% (RON 10.88 bn) in total bank's resources. Market share for retail deposits in RON reached 10.6%.

Our Call Center became more important in 2010 for telesales to existing clients (cross-selling, up-selling) or potential clients, as well as pre-sales activities (forwarding sales opportunities to the network), the purpose being to attract new retail clients, as well as to increase the number of banking products per client. Customer care, information and feed-back gathering campaigns are part of the Call Center activities too.

### Card Platform

Our bank holds a strong position on this market, ranking 3<sup>rd</sup> in the Romanian card industry, with over 1.8 million cards issued and a market share of 15% in terms of cards (16.5% in transaction volumes).

We launched new products, both debit and credit cards, completing the existing range.



- The co-branded credit card VISA GOLD BT – ROTARY - first specifically designated card for Rotary Club members. The card was awarded a prize on the occasion of *Cards Forum* event organized by Finmedia in Bucharest. For each payment with this card, BT donates 0.2% from the payment value to the Rotary Association, and another 50 lei from the annual management fee to be applied to the Visa Gold BT – Rotary account holders.

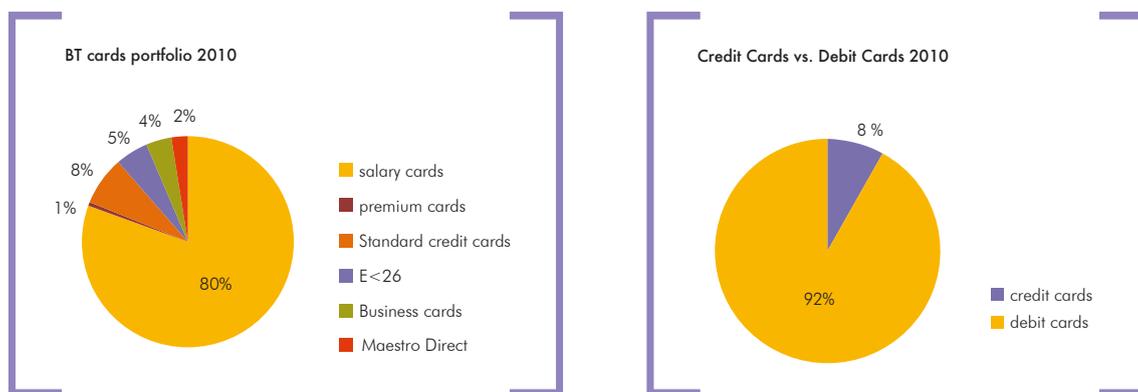


- The MasterCard Gold Debit Card - is a premium product, with multiple advantages and a comprehensive package of services during trips.

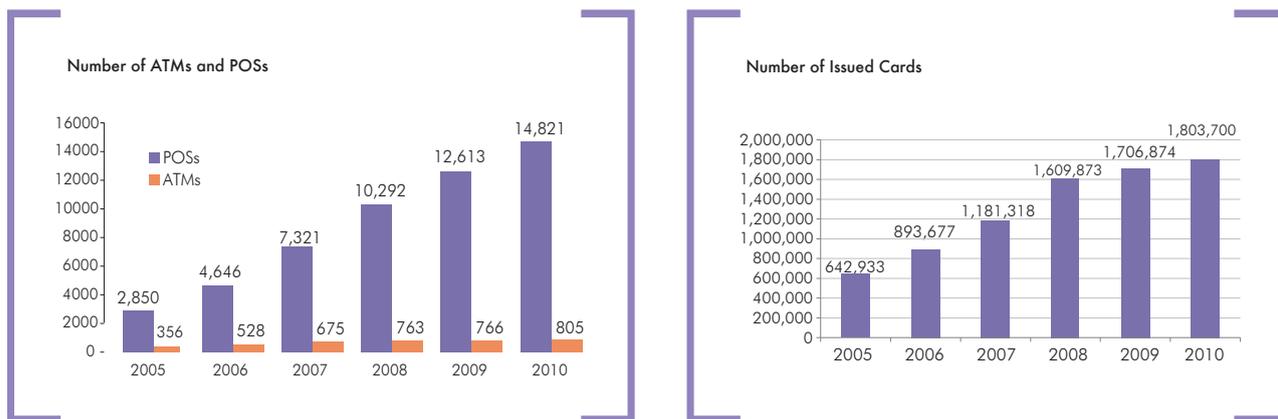
- The MasterCard Business EUR card - suited for corporate employees that travel abroad or handle corporate purchases.



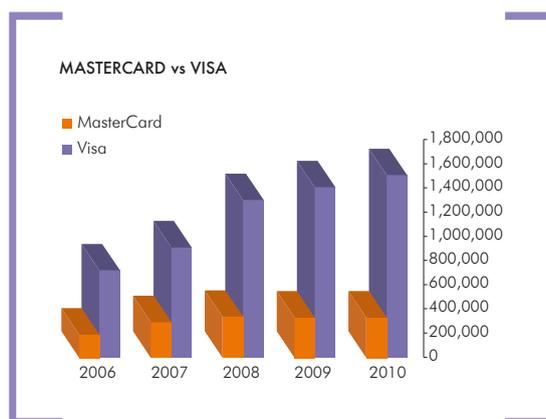
All of them are meant to provide easy access to money for any type of payments, together with broad advantages, such as travel assistance, emergency cash, medical and legal assistance etc.



In 2010, Visa granted Banca Transilvania the *Acquiring Development Champion* award, based on remarkable results in developing the card payment infrastructure for local taxes.



Banca Transilvania was declared *Bank of the Year* on the cards market, during the *No-Cash Gala* organized in Bucharest, in June 2011 which brought BT a total of three new prestigious awards for the results achieved in 2010. In addition to *Bank of the Year*, Banca Transilvania also received the titles *Best Debit Card*, *Visa Electron*, and *Premiere of the Year*, for the world premiere launch of Western Union money transfer service via ATM.



## Electronic channels – BT24

BT started in 2010 a large upgrading project of the Internet Banking Platform, process to be completed mid-2011.

The software solution was selected considering that the application has to be easily accessible, but also stable and functional. Online or on site, clients are welcomed in the same friendly manner.



Therefore, BT@24 means: easy, intuitive and friendly access to application menus, marketing messages regarding the latest products, services or campaigns, as well as timely notifications: functionalities related to cards, alert settings and a *Personal Finance Management* module.

We focused on operations performed most often by our clients, so now even bill payments are more fun, fast, and intuitive, which is exactly the way they should be.

Furthermore, our clients will be able to access BT@24 via their mobile phones too.



## Private Banking

We have Private Banking offices in Cluj and Bucharest, servicing over 1,200 clients in 2010 with products developed by the bank or by its subsidiaries (mainly BT Asset Management). Assets under management exceeded EUR 300 million.

The quality of our Private Banking services was publicly recognized by a Euromoney Magazine survey, Banca Transilvania ranking first in terms of Relationship Management and fourth in terms of Best Private Banking Services Overall.

## HEALTHCARE DIVISION

Medical practice within the current economic environment determines physicians to think about their careers as businesses which require appropriate management.

The most important strengths of the Division consist in its experienced team of doctors and financial consultants, specialized products (in terms of lending, cards and deposits), well-organized sales network, flexible and quick scoring model, established brand awareness, as well as innovative advertising.

There were over 18,000 active clients in 2010, accounting for a 14% year-on-year growth. The Healthcare Division granted loans of over RON 540 mil. (22% increase versus 2009) and attracted deposits reaching RON 372 mil. (35% increase versus 2009).

In October 2010, Banca Transilvania opened a new Healthcare Division Agency in Brasov, currently having 10 units that operate in the most important medical centers in Romania.

One of the Division's most significant projects was to fully finance the first private geriatrics center in Arad, the investment amounting to EUR 1,352,000. This state of the art medical center became operational in October 2010.

BT's *Banking Subscription for Doctors* received the *Best product for doctors* award within the *Medica Gala - 2010* edition, a highly prestigious event organized by the Romanian College of Physicians. Another public recognition of the Healthcare Division's efforts was receiving the *Most sustained endeavor to support the private medical center in Romania* award from the *FinMedia Gala*.

## INTERNAL CONTROL SYSTEM

In order to achieve goals and objectives, management needs to effectively balance risks and controls. If excessive risks lead to loss of assets, poor decision making, non-compliance, regulations or reputation damage, excessive controls – on the other hand – may result in high bureaucracy, low productivity, no-value activities and time-consuming processes. In order to achieve a balance between risk and controls, internal controls should be proactive, value-added and cost-effective.

Adequate internal control should be able to provide reasonable assurance regarding operations' effectiveness and efficiency, reliability of financial reporting and adhesion to applicable laws and regulations.

However, one remark is worth being made at this point. Internal control is, to some extent, everyone's responsibility, at every institutional level. Management is responsible for "setting the tone" in the organization, whereas employees must keep up the pace.

## Risk Management Function

2010 international economic outlook improved randomly, with fragile recoveries throughout Europe. Uneven progress was sensed all over member states, with better performing countries such as Germany and France and worse affected, fringe nations with deep structural problems.

Romania continued to face contractions of real GDP and capital inflow decreases.

On this background, the National Bank of Romania initiated several support measures, while the anti-crisis programs supported by the International Monetary Fund, the World Bank and the European Union continued to play a very important role to stabilize the created imbalances.

The banking system surpassed the crisis relatively well, in spite of non-performing loans increase and the low growth perspectives.

Banca Transilvania continued to adjust its business model and improve the risk management framework, to assist the organization in adequately processing and reporting risk related information.

Banca Transilvania's objective regarding significant risk administration is to ensure the necessary capital adequacy and to meet budgets under controlled risk conditions, providing sound continuity of banking activities and the protection of shareholder and client interests.

## Risk management

Risk management is part of all decision making and business processes within Banca Transilvania. Since we provide financial services, our activity is exposed to a variety of risks. BT's management constantly evaluates the risks that might prevent the bank from reaching its objectives and takes measures with regard to any change of its business environment.

Risk administration is based on the following principles, which apply to all activities and types of risk:

- Protection of financial stability: Banca Transilvania controls risk in order to limit the impact of potentially adverse events on capital and revenues; the bank's risk appetite must match its financial resources.
- Independent perspective: the risk administration function is structured in order to identify, evaluate, monitor and report risks; risk administration, compliance and audit functions operate independently from the lines of activity they monitor and control, ensuring the integrity of the bank's control processes.
- Portfolio diversity avoiding risk concentration.
- Homogenous approach and global monitoring of risks at bank level.
- Avoiding activities in jurisdictions with low transparency (such as off-shore territories) or through structures which reduce transparency levels.

A systematic revision of the main elements for bank risk management is performed periodically (usually once a year), with the participation of Executive Management Committee / Technical Risk Management Committee members and responsible persons within the relevant Departments.

## Risks

The Bank classifies risk into the following main categories: (1) credit risk, (2) liquidity risk, (3) market risk with its main components: (3.1) currency risk and (3.2) interest rate risk, (4) operational risk, (5) reputational risk, and (6) strategic risk. The bank focuses on assessing and recognizing the potential risks related to any single transaction or operation, quantifying the impact in terms of capital requirements.

### Credit risk

Banca Transilvania's main objective regarding credit risk management is to ensure a reasonable balance between risk and return.

During 2010 Banca Transilvania's credit approval process remained partially centralized at Head Office level. However, the branch network gradually regained local credit approval limits, with particular attention paid to monitoring credit decision quality.

Banca Transilvania's credit risk profile is considered "medium", being mainly determined by the PAR 90 level.

Banca Transilvania organizes credit risk management independently, but it considers the connection between credit risk and other types of risk as well.

Its internal norms and standards are periodically updated, promoting best practices in terms of credit risk management.

Credit risk management is periodically updated and improved, being designed to cover all credit exposures. It includes the following basic components:

- individual counterparty rating system;
- transaction risk assessment system;
- regional / sectorial concentration limits;
- pricing methodology based on risks;
- active management of loan portfolio;
- methodology for monitoring / post reviewing;
- methodology for credit risk provisioning;

### Liquidity risk

The liquidity risk profile for 2010 was "low" due to the structure of the bank's assets and liabilities, namely the mix of instruments used to generate income from temporary liquidity excess levels, but also the weight of stable resources within total acquired resources. The bank manages liquidity at central level.

While assessing liquidity risk, Banca Transilvania monitors the following elements:

- correlation between resources and loans growth paces
- loans / deposits ratio to be always below 1

- liquid assets in total assets, minimum 25%
- significant T-bills portfolio eligible for NBR and ECB repo operations

### **Market risk**

The bank has adopted a prudential approach to protect the bank's profit from market variations in terms of prices, interest rates, exchange rates, which are all exogenous, external, independent factors. Banca Transilvania performs on a daily basis the evaluation of all the bank's positions, marking to market the trading book portfolio and monitors the levels which are defined as "attention" or "critical".

The bank uses management instruments such as GAP analysis, static or dynamic, as well as the economic value of assets.

### **Operational risk**

Banca Transilvania's objectives regarding operational risk administration are to control operational risk events which may occur in the bank's activity and to maintain a low level of operational risk related incidents.

The operational risk profile is adopted as "medium-low".

Operational risks are innate to all activities, products, work methods and systems of the bank, all departments and network units having the entire responsibility in terms of identifying, evaluating, following and reporting such risks. Managing operational risks is compulsory at every organization level.

The identification, evaluation and monitoring of operational risks is a continuous process, via permanent control (ongoing supervision of sensitive activities and formalized accounting supervision), specific instructions (e.g. collecting and monitoring operational losses), as well as periodic reviews.

In order to recognize, assess, supervise and diminish operational risk, the bank permanently evaluates exposures to operational risk using historical information; evaluates activities and determines processes vulnerable to operational risk.

Phishing attacks or identity theft on the Internet in particular have given a new meaning to the concept of risk management. Consequently, the Office for Cards Dispute & Fraud Prevention was created to monitor potential fraudulent activities, notify legitimate customers and take immediate prevention actions.

Banca Transilvania's strategy for lowering exposure to operational risk is mainly based on:

- permanent compliance of normative documents with legal regulations;
- personnel training;
- efficiency of internal control systems (structures and flows);
- IT upgrades and consolidation of security systems;

- complementary means to reduce risks: closing insurance policies against risks, outsourcing certain activities;
- applying measures to limit, reduce the effects of identified operational risk incidents;
- applying recommendations and conclusions resulted from permanent supervision;
- updating continuity plans, evaluating and testing them regularly, especially for those systems which support critical operational processes for the bank;
- evaluating products, processes and systems and determining those which are significant in terms of intrinsic operational risk;

### **Reputational risk**

Reputation is a prized, yet highly vulnerable and difficult to protect corporate asset. If compliance failures are the biggest source of reputational risk, good communication is vital to protecting against and sometimes repairing reputational damage.

Reputational risk affects the bank's ability to maintain or establish business relationships and to access funding sources, due to a distorted or negative perception on the part of customers, counterparties, shareholders, investors or regulators.

Banca Transilvania's objective regarding reputational risk administration is to ensure the maintenance and consolidation of the bank's good brand image, following the bank's strategy and values.

BT's requisite is to maintain the trust of the public and business partners in the bank's integrity and economic-financial position.

Reputational risk profile is "low", the bank using qualitative evaluation and level decrease methods.

### **Strategic risk**

Strategic risk is the impact on earnings or capital arising from adverse business decisions, improper decision implementation, or lack of responsiveness to economic changes. This risk is associated to core business-related deficiencies, more specifically to the excessive/exclusive reliance on technology, strategic choice, resource deployment, human error, quality of implementation.

Banca Transilvania's strategic risk profile is adopted "low", based on the following qualitative elements:

- risk management practices are a part of strategic planning;
- exposure to strategic risk reflects planned objectives which are not excessively aggressive and are compatible with the business policies;
- business initiatives are well conceived and supported through adequate communication channels, operating systems and delivery networks.

## Compliance Function

In addition to the risk management and audit function, compliance is one of the three basic precepts underlying effective internal control that remain unchanged despite the sophistication degree or progress in the banking industry.

In line with the regulatory compliance process initiated in 2010, our endeavors in this field were aimed at achieving the full implementation of two legal texts which are crucial for the compliance activity:

- NBR Regulation no. 18/2009 with regard to the framework for the management of credit institutions activity, the internal process of assessing the adequacy of capital to risks and the conditions to outsource their activity

In applying this legal requirement, Banca Transilvania ensured the establishment of the compliance function and the general framework for compliance risk management, essential component both at bank and group level.

- NBR Regulation no. 28/2009 on the supervision of the manner used to enforce international fund blocking sanctions.

This regulation ensured the alignment to legal European standards of efforts to manage the supervisory process. The undertakings in this respect were designed to protect BT's interest and reputation against various transfer attempts subject to fund blocking/freezing sanctions.

On the know-your-customer side, which is of utmost importance for the compliance function, in 2010 we took the final steps in the implementation of the 3<sup>rd</sup> European Directive 2005/60/EC of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

In order to mitigate the risk for the bank to be used for routing operations which might fall into the category of suspicious transactions, we have implemented permanent monitoring and supervision systems supported by a coherent normative framework and qualified personnel.

## Internal Audit Function

Internal audit has both revisory and advisory function within the organization, assessing whether the actions adopted by management address risks in the manner and to the intended extent and identifying weaknesses, on one hand; on the other hand, it recommends improvements and changes to existing or newly set up systems.

Banca Transilvania's Internal Audit Department routinely monitors the performance of the bank's system and prepares risk-based reports on activities and past data inspections either on regular, or on exceptional basis. The Department's activities are built on the Annual Audit Plan approved by the Board of Directors.

The Audit Committee was established to streamline the audit process. The committee meets every month and discusses important matters relating to internal auditing, based on reports prepared by the audit unit. Functionally,

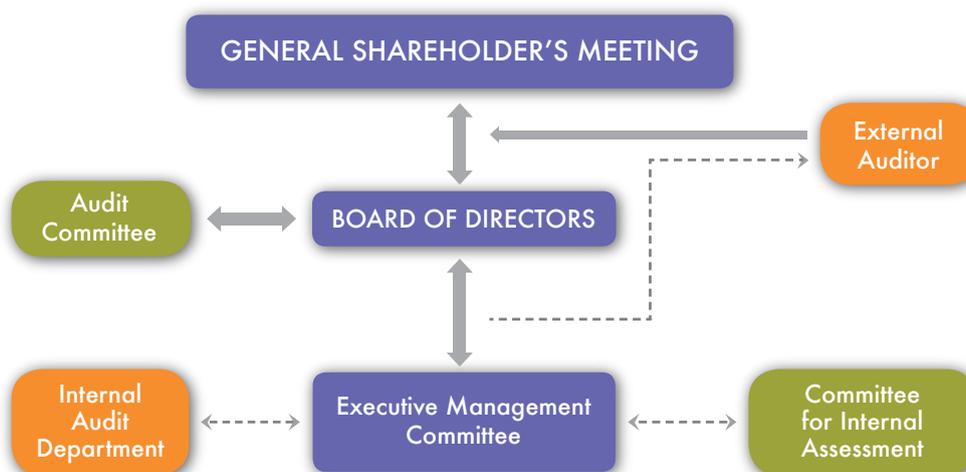
the audit reports are handed over both to the Audit Committee and Executive Management to assess the findings and provide the best recommendations.

We have established a continuous communication flow between the Board, Audit Committee, the bank's executive management and the internal audit department.

### Internal Audit Ratings within Banca Transilvania

- **Excellent** - risks & processes are correctly controlled
- **Satisfactory** - minor problems, risks & processes controlled adequately
- **Marginally satisfactory** - significant problems, still a control level of risks & processes
- **Unsatisfactory** - serious problems, risks & processes controlled inadequately;
- **Unacceptable** - major problems, risks & processes are not controlled

### Audit Reporting and Subordination



### Internal audit prerequisites

There are at least five major assumptions defining the scope of internal audit. Firstly, auditor independence implies unrestricted access to data for the purpose of performing an objective and impartial evaluation, free from conflicts of interest or other pressures that could inhibit assessment, bias reporting, or compromise recommendations.

Professional ethics is the assumption that the persons responsible for the internal audit function possess the adequate education, experience, and proficiency to perform competently. Furthermore, the audit activity, as well as its proceeds and reports are governed by strict confidentiality requirements.

The segregation principle means that audit and management functions work in tandem based on a "say-and-play" scenario. Audit evaluations and conclusions provide indicative action lines for the management and the board, whereas the choice to act belongs to the latter.

## OPERATIONS AND IT

The year 2010 was marked by positive results in terms of operations processed through the bank's systems, which were 13% higher than the year before (number of operations: 14,551,795 in 2009 vs. 16,237,719 in 2010). An upward trend was noticed with regards to all categories of transactions in general, with higher percentages in cards and FX transactions (10% each), cash operations (16%), Western Union (17%), FCY clearing (19%). The highest growth level was registered by utility service bills (47%) paid via BT network.

If 2010 was considered the *Year of Excellence in Operations*, 2011 is the *Year of Major Projects*. In this respect, we stick to the achievement of key objectives, among which:

- initiating the implementation process for the new Core Banking solution in partnership with Oracle
- implementation of a new Internet & Mobile-banking platform
- setting up a new card system with enhanced features - further steps in the implementation of the SmartVista solution
- new Data Center & Operations location building

On the IT side, our goal is to develop robust and flexible systems enabling the fast processing of high transaction volumes and easy upload of products and services. We also aim to provide an extended range of banking services on alternative channels - Internet, ATMs, e-commerce, mobile banking, call center.

### IT strategic goals

**Customer Service** - responding to customer needs in a timely and effective manner;

**Alignment and Agility** - setting priorities based on business drivers and adapting to changing needs;

**Financial Contribution** - accurate cost/resource estimates;

**Updated Technology** - use of technology to ensure confidentiality, security and data integrity;

**The enterprise architecture** - simplifying the environment to ensure stable and efficient performance for critical applications;

In December 2010, BT received the award for *Best IT & C in Banking Project* within the *Mobile Communications Gala*. The award was granted to Banca Transilvania as the first bank in the world, and implicitly, the first organization in Romania to use Exadata Database Machine V2 integrated system. This system, product of Oracle Sun, is recognized to be the fastest server for data storage, online transactions processing and data warehousing applications.

## SUSTAINABLE BANKING

The vision of sustainable finance was expressed in the Collevocchio Declaration of January 2003, which remains the benchmark for the measurement of the banking sector's commitment to sustainability. Its principles provide a tool for financial institutions to evaluate, mitigate or avoid environmental and social risks associated with projects they finance.

The six principles of the Declaration also inspired Banca Transilvania's strategy:

- commitment to sustainability – integrating sustainability goals in our bank's mission, corporate strategy and core business;
- commitment to 'do no harm' – minimizing environmentally and socially detrimental impacts of our activity;
- responsibility – fully bear, fully pay and fairly share the financial risks, the environmental and social costs that we generate;
- accountability – assuming responsibility towards our shareholders;
- transparency – informational openness, but still observing confidentiality
- commitment to sustainable markets and governance – supporting public policy, regulatory and market mechanisms, discouraging inadequate tax advantages and other market speculations causing instability.

Banca Transilvania's 2010 sustainable banking value system continued to promote the interests of our customers, to be proactive and take steps to contribute to society and environment development.

Banca Transilvania's environmental approach focused on four pillars:

- Economic Dimension
- Environmental Governance
- Corporate Social Responsibility
- Social Contribution Activities

### Economic Dimension

The most important aspect of BT's sustainability program is managing and assessing the impact on the financial sector of launched products and services. We wanted to offer customers what they needed in a fair and transparent manner, to contribute to the overall economic growth and stability with minimal impact on the environment.

In spite of 2010 economic context, sustainable banking was centered on two important aspects. On the one hand, we continued the lending process, at a slower pace, to robust SME and corporate customers, in order to contribute to the growth of real economy. On the other hand we developed and launched new products and services that met the customer's needs in difficult times. Plan B, a refinancing facility, and the Ready Secured Loan, a working capital solution, are BT's commitments towards our customers to weather the current financial crisis.

The EUR 9.4 million investment in the largest Liquid Petroleum Gas (LPG) Marine Terminal in Constanta harbor was another BT promise kept to the community and environment. LPG usage means low emissions of carbon

dioxide, limited air pollution, as well as higher levels of energy efficiency and saving. The fully automated terminal, which complies with all European safety and environment protection norms, will ensure a new way of attracting raw energy resources in Romania, as an alternative to existing ones.

*“The initiative caught our eye since the early stages and we see it as an opportunity both for the community, as well as local development”.* Robert C. Rekkers

### **Environmental Governance**

Defining, controlling and minimizing the negative environmental impact arising from operational activity have been our main priorities over the years.

We placed great emphasis on climate friendly actions making efforts to minimize the environmental impact of our daily activities. Electricity management, water and paper consumption, use of natural ventilation systems vs. air conditioning, recycling programs were proactive solutions acknowledged by all employees.

Moreover, we continued to invest in optimizing our headquarters in terms of consumption, in order to continuously increase the level of efficiency.

Our efforts are paying off, as the level of environmental awareness is constantly growing, proving that the negative effects of our everyday tasks can be significantly reduced.

In line with our 2009 commitment - advance smarter energy efficiency practices for our customers and partners - we kept on financing and investing in renewable energy programs built for the customers, to minimize the unwanted environmental effects.

The Energy Efficiency Facility finances investments at competitive rates, offers a 15% grant for successful finalization of the investment and also provides free technical assistance with on-line support. The Customer's sole concern is to propose a solid project.

In terms of business analytics framework, we adopted the IFC's Social and Environmental Management System (SEMS), which provides detailed guidelines on how we can identify, reduce and manage environmental and social risks arising from our products, services and operations.

The fundamental elements of this framework include:

- defining the bank's social and environmental policy;
- assigning risk categories;
- conducting due diligences;
- internal monitoring & record keeping;
- external reporting;

## Corporate Social Responsibility

2010 marked a new stage for our biggest social involvement venture, **Cluj has Soul (Clujul are Suflet)**.

**Facts:**  
 123 students improved their school performance;  
 26 students passed their finals;  
 90 teenagers found a job;  
 21 teenagers were admitted to university;  
 65 youth graduated a vocational school;

This year we tried to raise the project a notch by involving 14 Foundation teenagers into a national environmental awareness program meant to transform our surroundings in a cleaner and safer Romania.

*Let's do it Romania!* was created for people who are ready to take action by making real changes in cleaning up the illegal waste littering along the countryside. This initiative had the full support of **Cluj has Soul** youths who learned an important lesson: cleaner surroundings mean a healthier life.

The Foundation's communication efforts were acknowledged within the *European Information Multipliers Gala* organized by the North West Regional Development Agency. **Cluj has Soul** was awarded the grand prize in the section *Most active information multiplier in the business community*.

## Social welfare

Before major holidays (such as Christmas, Easter, March 1<sup>st</sup> – the beginning of spring, March 8<sup>th</sup> – International Women's Day) the bank's ground floor becomes a souvenir shop, where the headquarters employees can purchase cards and ornaments, which are skillfully crafted by children with special needs (either physical, psychological or social). BT's management strongly supports these activities and the employees enjoy acquiring beautiful handicrafts, while making a contribution to providing little artists with a better future.

## Social Contribution Activities

In 2010, Banca Transilvania was the promoter of several key festivals, flagship events for Cluj and Sibiu citizens and for all art lovers.

*Transylvania International Film Festival (TIFF)*, the first international feature film festival in Romania, has become a well-known local brand and one of the most important Eastern - European movie festivals. We joined this project, from the very beginning, acknowledging the importance of cultural and artistic infrastructure.



*Comedy Cluj International Film Festival* was the second thematic event we were involved in as partners. We were extremely happy to contribute once more to such a high class event which reconfirms the status of Cluj-Napoca as an important cultural center of Europe.

*Sibiu International Theatre Festival (SibFest)* was another milestone event that we just had to be a part of. The cultural offer was extraordinary: 350 events (theatre, dance, street, music performances) in more than 70 locations. Furthermore, as we want to encourage the creativity in the young generation we supported *Armonia International Music Festival for Children and Youth* and *Cluj Student Festival*.

### Sporting Activities for Partners and Employees

Banca Transilvania, as the community bank, is the supporter of sports with three sub-brands promoting tennis (**BT Tennis Cup**), cross (**BT Cross**) and golf (**BT Golf Cup**).



**BT Golf Cup**, a signature event of Banca Transilvania reached its 8th edition. This golfing championship was designed to bring together not only golf lovers, but those passionate about sports and outdoor activities. Everyone involved in this stylish sporting event experienced the benefits of a remarkable game.

*"Golf and business go hand in hand, and BT Golf Cup is a wonderful experience. I myself will participate in this championship, just as I did in all previous editions".*  
Robert C. Rekkers

2010 was the year of sporting events in Banca Transilvania. After golf we decided to support tennis, via a tournament under the BT brand. At its first edition, **BT Tennis Cup** was a real success. Over 100 players from 20 cities competed in 5 categories in one of the biggest tennis clubs in the country. Our goal was to promote tennis both as a pass time activity and a mean to transmit to the younger generation the passion for this noble sport.



**BT TENNIS CUP™**



BT understands the importance and benefits of sports for the community, thus we intend to enhance our involvement, teaming up with some of the most famous Romanian sports champions. The first partnership was in 2009 when Gabriela Szabo supported our annual running contest **Crosul BT**, while in 2010 the athlete initiated the *Sports for Life – Bucharest Playground Arenas* project, having us as the backup team. The playground arenas were created both for parents and children to enjoy and practice sports together, a health concept which has our full support.

## MARKETING AND COMMUNICATION

In 2010 Banca Transilvania continued to be the *Bank for Entrepreneurial People* as concerns marketing and public relations activities. The communication strategy, with aggressive promotion campaigns, contributed directly to strengthening BT's position both on the segment of small and medium entrepreneurs and retail market.

Both our 2010 corporate campaigns and individual activities were "entrepreneurial", in terms of innovation and maximum efficiency.



**CÂND AI NEVOIE DE SPRIJIN,  
TE AJUTĂ PLANUL B DE LA BT**

**CREDIT DE REFINANȚARE  
PENTRU COMPANII**

Treci mai ușor peste criză cu o refinanțare prietenoasă: ai rate mai mici, iar în primul an plătești cu planul la 50% mai puțin.

Banca oamenilor întreprinzători.  
www.bt.ro

**Plan B from BT**, a custom-made solution for companies, was specially designed to overcome the 2010 economic difficulties, reaffirming the constant support we grant to entrepreneurs. This refinancing facility, developed to support the growth of real economy, was shaped to help companies use their resources more efficiently. The media mix used in the promotion campaign ensured an outstanding visibility, facilitating the sales.

The marketing activity for individuals targeted both BT's position consolidation as *The Bank for utilities* and the increase of active clients' number. To this end we launched two campaigns - **Pay your bills at Banca Transilvania** and the **Free of Charge Current Account** - designed to ease our customer's daily operations.

**Pay your bills at Banca Transilvania** campaign was redirected towards alternative non-cash payment methods. As a consequence, the number of non-cash transactions registered a constant boost. Thus, there was an 80% rise in POS transactions, 20% for ATMs, 52% for Direct Debit, and the highest jump was recorded by BT 24, our Internet banking platform, with a doubling in the number of operations. (Reference figures: January 2010 and December 2010)

The tough market environment with frequent legal modifications and the customers' ever more increasing lack of credibility in the banking system determined us to reinvent our retail strategy and launch a new product, **PRACTIC BT**. The loan campaign, performed in two waves, spring and autumn, was backed by two powerful messages: the smallest interest & the most transparent loan existing on the market. Visibility wise, we were extremely present in the national press and BT units, through aggressive merchandise. During campaign period 7,500 loans were granted, 5,200 only in the spring of 2010.



**CREDITE FĂRĂ SECRETE**

**APROBAT**

Prețuri accesibile și toate mențiunile la vedere

Facem așa încât să vezi bine ce semeni. Pentru că așa-i corect pentru tine.

Banca oamenilor întreprinzători.  
www.bancastransilvania.ro



**MAI MULT  
CONFORT LA  
PLATA FACTURII**

**BT24 • DIRECT DEBIT • ATM**

**În plus, poți câștiga  
100 de euro, săptămânal.**

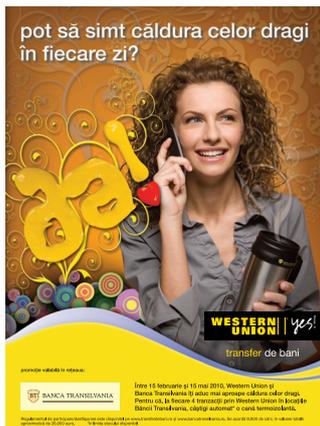
Folosește modalitățile alternative de plată a facturii, oferite de Banca Transilvania BT24, Direct Debit și ATM.

Poți câștiga 100 de euro, săptămânal.

Mai comod, mai simplu și la fel de sigur.

Banca oamenilor întreprinzători.  
www.bancastransilvania.ro

Another 2010 objective was to fill a new market niche, a first step in this direction being to consolidate the relationship with the town halls all over the country. In this regard, at the beginning of the year we performed a campaign meant to encourage local taxes and fees payment with a Banca Transilvania card at the town halls cash desks. This promotion had outstanding results, 44% of total payments at national level during campaign period were with BT cards.



The co-branded Banca Transilvania - Western Union campaign, along with our two retention campaigns for the existing customers, lead to a 21.16% market share in this segment at the end of the year, with a record transactions number in December 2010.

In on-line marketing, we continued to improve Internet brand awareness by positioning our bank amongst the most visible institutions in this environment.



[www.bancatransilvania.ro](http://www.bancatransilvania.ro) in 2010:

1,919,774 sole visitors, translating into a 16% increase vs. 2009;  
6 million logs, that is a 12% rise as compared with 2009;  
The site was viewed 15 million times, representing a 9% boost vs. 2010;

Web advertising in 2010 was upgraded with BT's new mobile friendly site version. <http://m.btrl.ro/> can be accessed by mobile phone users to find information about the bank. End of 2010, the site had 38,000 sole visitors with 58,000 logs.

In December 2010 we also launched a BT application designed exclusively for iPhones and Android operating system phones, introducing features such as geolocation for BT units and ATMs, loan and deposit simulation, safe box for personal data, FX rates and investment fund value.

*"We have premiered the mobile web experience, offering a new communication and promotion solution. We target a new and highly effective communication environment, in which we strongly believe, with increased visibility in the future". Robert C. Rekkers*

**Agenda BT**, application launched at the beginning of 2010 was also well received. Over 11,000 persons out of 26,000 sole visitors downloaded the application, the feedback form being filled in by 300 individuals, most of whom were happy to enjoy the provided features.

## Public Relations

To work with and for one of the most powerful 50 Romanian brands, according to the 2010 Unlock Market Research for Biz Magazine, is one of BT's team challenges, especially concerning marketing and PR activities.

External communication via mass media channels was our main PR activity in 2010. We released to the press information primarily related to BT's products, services, campaigns, financial results and CSR actions.

In 2010, Banca Transilvania marked two worldwide premieres, in the fields of IT and rapid money transfers. By being highly active and involved in both of these events, BT increased its visibility and brand awareness levels, thus improving its PR position.

## HUMAN RESOURCES

A slight comeback was recorded in the recruiting activity, both on the background of volume increase and of the replacement of personnel benefitting from maternity leave/childcare (which could not be supported from inside the organization, because of the personnel decrease in 2009).

Training related activities/professional development increased with focus on in-house training programs, thus ensuring higher efficiency and added value.

	2008	2009	2010
Total employees	6,462	6,095	6,625
Active employees	6,036	5,285	5,731

### HR objectives:

1. updating remuneration policies further to the new EU/NBR policies;
2. successful implementation of personnel development programs co-financed from Structural European Funds;
3. retention of qualified employees with key positions;
4. cost control & efficient resources increase by strictly monitoring activities and available resources;
5. "BT spirit" preservation to maintain a low level of personnel rotation and the high quality of services and positive attitude towards customers;

## **BT Academy**

Promoting a resource-wise approach, we used in-house trainers certified by the National Council for Professional Training and specific programs for each of our business lines.

For our Corporate and SME Divisions, professional and development trainings were performed within the Intelligent Army program. The coaching sessions were aimed at increasing the sales and the credit risk assessing skills.

The Corporate sales team participated in loan assessment courses – 9 Correlations, problems and solutions – and in complex sales programs – Banking as a profession. Loan analysts attended specific corporate assessment programs, such as Problem solving and critical thinking, and lectures presenting the economic meltdown effects on customers – Insolvency practices. Corporate team managers, members in the loan committees were part of training sessions debating Decision quality in the lending process.

2010 professional training for the Healthcare Division focused on two coordinates. On the one hand general skills acquirement necessary in the relationship with the customers, such as Conflict management, Client Portfolio Management, Presentation Skills and on the other hand enhancing professional sale abilities of our managers to introduce more sophisticated products to our clients.

The following courses were part of the specific training on products and services as well as special job requirements: Bancassurance, Debit Instruments, Western Union, Identifying false cash, Cash Management & Trade Finance and Risk management for credit administration.

New colleagues or employees entrusted with additional or different responsibilities underwent training programs such as Operations ABC and Beginner's Guide (for Cashiers and Front Office personnel), Induction, Banking ABC, Customer Care and Time Management.

Our Agency managers also benefited from training on-the-job, which pursued three lines of actions. First and foremost operational risk management programs, secondly personalized coaching sessions based on the agency's profile and customer portfolio and thirdly a briefing on the bank's strategy to achieve the bank's proposed targets.

A very important program for 2010 was Operational risk prevention and management. Over 1,000 BT employees, operations managers and heads of agency took part in customized courses focusing on the approach and mitigation of operational risk events.

We are confident that training and development programs will continue to enjoy the attention they deserve and we will further raise the quality standard of our services.

## MAIN SUBSIDIARIES

### BT Leasing Transilvania IFN S.A.

The leasing market in Romania underwent important declines over the past 2 years, dropping from 4.7 billion in 2008 to 1.2 billion in 2010. Nevertheless, BT Group's leasing company was constant in its growth oriented approach, showing progress in terms of sales, but also financial ratios, such as profitability and liquidity.

As a result, the company gained a position amongst top 10 leasing market players, moving up considerably from 14<sup>th</sup> place in 2009 to 7<sup>th</sup> in 2010, while holding a 3.2 % market share.

Throughout 2010, BT Leasing applied a flexible policy with regard to businesses that were affected by the crisis. By using customized solutions, the number of non-performing lease agreements dropped by 50%.

As part of its 2010 strategy, BT Leasing aimed to consolidate its portfolio and attract new clients, especially SMEs. Based on know your customer strategies and identifying real needs, the company developed additional products, better adapted to the current economic environment.

The new leasing product package (which includes *Take & Go Leasing*, *Refinancing Leasing* or *Rapid Leasing*) offers the possibility of real refinancing based on specific cash flow levels, while also generating working capital or liquidities.

The year 2010 represents a positive reference point and the validation of a strategy which will be continued and improved in 2011.

### BT Securities S.A.

Despite the capital market's somewhat reserved evolution in 2010, BT Securities consolidated its position by:

- issuing municipal bonds (for Botosani and Iasi Town Halls),
- participating in the tender for the admission to trading of shares issued by Fondul Proprietatea and the Bucharest Stock Exchange, as well as
- concluding five IPOs on the BSE.

The company focused on increasing market share, promoting trading through the BT Trade electronic platform and the Vienna Stock Exchange alongside BSE, raising efficiency through cost reduction, expanding the product portfolio, improving risk management measures and its IT infrastructure.

Developments in 2010 continued to confirm the accuracy of market studies issued by the Analysis Department of BT Securities.

BT Securities was the largest retail broker in Romania in 2010, being 2<sup>nd</sup> amongst intermediaries on the Bucharest Stock Exchange and holding a 7.30% market share.

### **BT Asset Management S.A.I. S.A.**

Specialized in the management of funds and individual investment accounts, BT Asset Management had a portfolio of 261.5 million lei in 2010, 52.8% higher than the year before.

BTAM is the largest equity fund manager on the Romanian market and it was ranked fourth in terms of local asset management business, with a market share of 4.56% in 2010.

The company's offer includes 5 open-end funds (BT Obligatiuni, BT Clasic, BT Index, BT Index Austria ATX, BT Maxim) and 2 closed-end funds, which altogether cover the entire range of investments, respectively stocks, bonds, and cash.

Although the economic environment continued to be difficult in 2010, by preserving the attractiveness of the company's products, BT Asset Management continued to considerably increase the value of managed assets.

A significant event was the launch in November 2010 of the first Euro-denominated investment fund with exposure to foreign markets – BT Index Austria ATX – built on the structure of the Vienna Stock Exchange index.

For 2011, the company intends to continue increasing the level of assets under management, as well as the number of customers, to diversify its distribution network, to improve its cross-selling with BT and also to broaden its product and service portfolio.

### **BT Medical Leasing IFN S.A.**

During 2010, Banca Transilvania bought shares from Medical Leasing IFN minority shareholders, making a lei 46.85 million investment and increasing its participation from 57.39% to 99.99%. As a result, the company name was changed to BT Medical Leasing (BTML), defining a new brand and completing the inclusion within the Banca Transilvania Financial Group.

Initially based in Bucharest, the company acquired experience over the years, thus expanding its business nationwide. In 2010, BT Medical Leasing headquarters were relocated to Banca Transilvania's Regional Center in Bucharest, while the activity of the company was fully harmonized with BT's operations and corporate values.

The new BTML business model is based on 4 elements:

- Specialization: exclusive approach of the medical sector;
- Synergy: defining and implementing synergies with the bank's Healthcare Division (HD), through integrated products and workflows;
- Consulting: key component of the Corporate product;
- Integrated solution: combined with all other HD or BT products.

The company's mission states that it wishes to become a leader on the medical equipment leasing market and to contribute to an integrated approach of professional categories related to medical services, together with BT's Healthcare Division.

#### **BT LEASING MD S.R.L.**

The company started to operate in November 2008, with the opening of the head office and sole branch in the capital of Moldova, Chisinau. Its activity is based on the BT Leasing Transilvania model, but the norms and procedures are adjusted to the legal requirements and market conditions of Moldova.

BT Leasing MD targets mainly corporate and SME clients, conducting most of its activities in the capital, where 80% of all business deals are performed.

Basing its activity on best practices in terms of risk assessment and know-your-customer procedures, BTL Moldova registered a clean record in terms of non-performing contracts in 2010.

The company had a 6.5% market share end of 2010 and closed 180 new agreements, increasing its leasing portfolio level to EUR 2.55 mil.

In 2010, BTL MD financed goods with EUR 4.18 mil entrance value, reaching 3<sup>rd</sup> position amongst Moldovan leasing companies in terms of newly signed deals on the auto segment. This performance is due to the excellent cooperation with car retailers, but also to the elaborate leasing products developed for this specific field.

#### **BT Direct IFN S.A.**

With a small yet dynamic team, Banca Transilvania's consumer lending subsidiary continued to develop its activity in 2010. The company signed 8,167 lending agreements, amounting to RON 16.7 mil., a 2.4% value increase against the previous year.

BT Direct has cooperation agreements signed with more than 744 retailers, representing a considerable 62% boost against 2009 figures.

Total income for 2010 was RON 7,182,766, 9.14% more than in 2009 and also 4.09% higher than the amount forecasted for the year. At the same time, the net total expenses with default risk provisions and losses were 7.66% below the previous annual value.

Despite a tough economic environment, BT Direct reached a net profit of RON 1,442,989, accounting for a 7.26% year on year increase.

