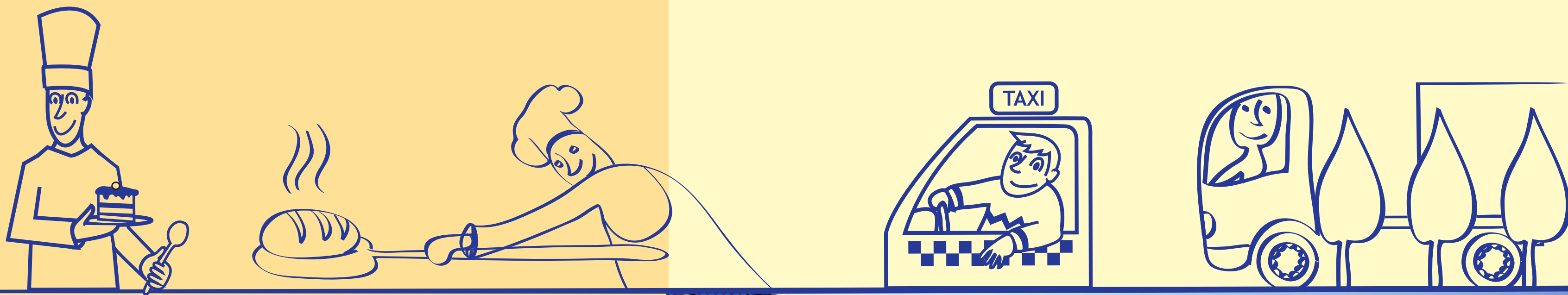
BANCA TRANSILVANIA®

Annual Report

2008



Banca Transilvania
Annual Report
2008

FINANCIAL CALENDAR

Preliminary Results FY 2008	29.01.2009
Annual General Meeting	30.04.2009
Annual Financial Statements IFRS FY 2008	30.04.2009
First Quarter Results 2009	30.04.2009
Registration Date	20.05.2009
Half-year Financial Statements 2009	14.08.2009
Third Quarter Results 2009	30.10.2009

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

	2008	2007
		thousand RON
Total Assets	17,148,753	14,083,485
Loans, net	10,884,901	8,484,048
Customers' deposits	12,097,075	10,390,347
Shareholders' equity	1,656,337	1,273,174
Share Capital	1,149,595	700,979

Income Statement

	2008	2007
		thousand RON
Net interest income	582,406	436,598
Impairment loss on loans, net	157,535	116,517
Net commission income	393,953	299,918
Foreign exchange income, net	69,511	121,733
General administrative expenses	745,813	565,524
Net profit from continuing operations	359,987	165,423
Net profit from discontinued operations	225,727	144,021
Profit for the year	359,987	309,444

Data about BT shares*

	2008	2007
Outstanding common shares	10,596,961,830	6,110,797,702
Nominal value	0.1	0.1
Book value per share	0.1637	0.2086
Market capitalization (mil. ROL)	2,776	5,500
High	0.91	1.15
Low	0.254	0.71
Closing Price	0.262	0.9
Earnings per share (EPS)		
- yield per share	0.0353	0.0684
- dividend per share	0.0047	-
Price-earning ratio (PER)	7.43	13.16
Price to book value (PBV)	1.60	4.31
Operating result per share	0.0374	0.556

* computations were performed before the reverse split operation.
* In September 2008, The General Shareholders Meeting decided to consolidate the nominal value of Banca Transilvania shares, respectively the transition from the nominal value of RON 0.1 to RON 1.

Additional Information

	2008	2007
Number of employees	6,466	5,792
Branches and agencies	482	456
ATMs	763	675
POSs	10,292	7,321

Chairman's and Chief Executive Officer's Statement

In the fall of 2008, the credit crunch, which had emerged a little more than a year before, developed into the biggest crisis since the Great Depression. Losses suffered by the financial industry determined many banks to question their strategy and value drivers, rethinking their business models.

As the spillovers of the crisis were moving from West to East, the level of distrust in the economies of Central and S-E Europe rushed up hectically, obstructing financial services and the flow of credit through economies. This impacted on the one hand banks already present on these markets and on the other hand potential investors who were reluctant to initiate new business.

From this perspective, the reality of the Romanian banking sector was quite different from the one of the developed markets where financial innovations have outpaced the risk management tools.

Notwithstanding the stormy times of Eastern Europe economies, Banca Transilvania managed to hold the line and that was due to our bank's core philosophy. We put our success down to our traditional business model based on lending what we raise, on strong customer relationships, on our strengths and on clearly defined roles. We focused on products fit to spot and respond to the current changes, on profitability at the level of each operating unit and on long-term benefits instead of short-term gains.

All 4 business lines: retail, SME, corporate and the Medical Division jointly contributed to outstanding accomplishments. BT consolidated its position as "the Bank for entrepreneurs", being the choice of over 1,500,000 customers who wish to borrow or deposit money with Banca Transilvania, thus benefiting from the bank's customized offer for entrepreneurs.

Banca Transilvania Financial Group recorded a net profit of over EUR 97.7 million in 2008, with total assets of EUR 4,3 billion, maintaining an overall market share in excess of 5% and with the shareholders' equity amounting to EUR 415 million.

BT ended 2008 with a solid Capital Adequacy Ratio of over 15%, outstanding liquidity ratios and a loan to deposit ratio of about 0.9.

Top financial institutions such as the EBRD, IFC, DEG, further extended their support in 2008. EBRD, 15% shareholder of BT and one of the main funding providers granted us total credit lines of EUR 105 million for the SME sector and energy efficiency. With this, EBRD proves to be a solid partner firmly supporting BT's strategy and business plans. Another strategic partner, IFC, was the lender of record for an A/B syndicated loan, BT raising in this transaction EUR 102.5 million.

All in all, we can say that 2008 was a year of strategy adjustment, BT consolidating its market position. Efficient management of operational expenses, increased risk management and constant communication with the market were just a few mitigation measures taken to tackle the effects generated by the economic upheaval.

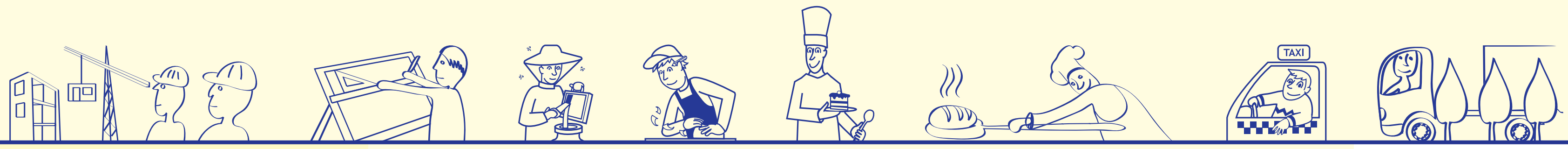
As for 2009, discussions will revolve around the deployment of the capital we hold, the duration and sources of our funding, the quality of the assets. We will continue to monitor the soundness of loan portfolio and aspects pertaining to liquidity and risk management. We will pay great attention to cost reduction and try to constantly mould on market realities.

The bank and its clients are part of the real economy; therefore BT is not immune to the crisis. However, being flexible, prudent and capable to adjust our business model to the new market conditions, we feel that we will be able to safely pass these turbulent times.

Moreover, counting on the valuable support of our strategic partners and shareholders, we remain committed to sustain the local economy, being the largest privately-owned bank with majority Romanian capital.

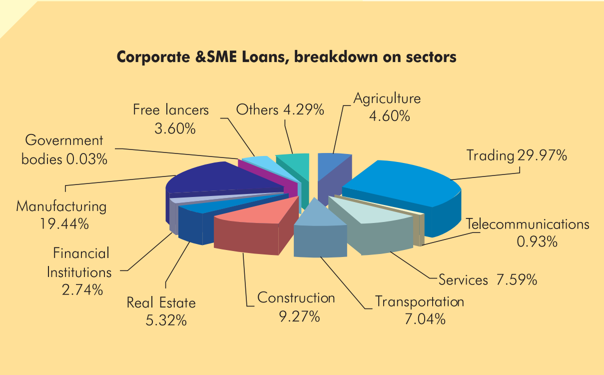
Horia Ciorcila
Chairman

Robert C. Rekkers
Chief Executive Officer



CORPORATE & SME BANKING

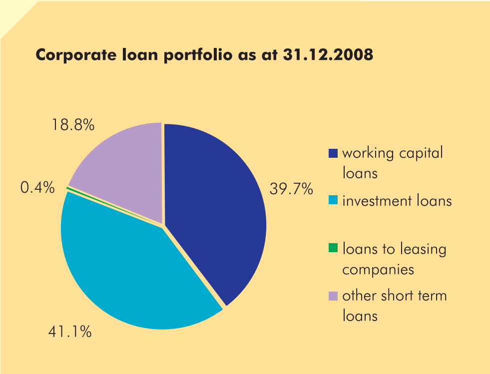
At the end of 2008, Banca Transilvania was the main bank for more than 14% of corporate and SME customers in Romania. Moreover, the percentage of companies holding accounts with BT in 2008 levelled 23% of the total market. Based on the number of customers, Banca Transilvania is ranked 3rd on the corporate market, respectively 4th on the SME market.



As 2008 was still a year of high GDP growth, with significant investment projects in Romania, the volume of corporate placements reached RON 4,542 million, 23% over the value scored in 2007 of RON 3,692 million.

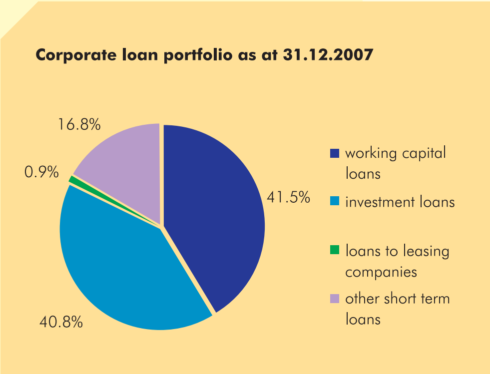
The weight of Corporate and SME loans in the loan book of Banca Transilvania remained quite stable during 2008, counting for 58% of the total portfolio.

Apart from the credit driven business, we carried on the development of our Business Banking division, launching new non-credit products, such as *„OP-uri fara comision"* (for every performed payment through their accounts with BT, customers get one payment processed for free) and „BT Alert" (clients receive various notifications via Mail & SMS or BT Ultra&BT24 one day prior to due date), which determined a boost in the account turnover of corporate clients via BT by 16% compared to 2007.



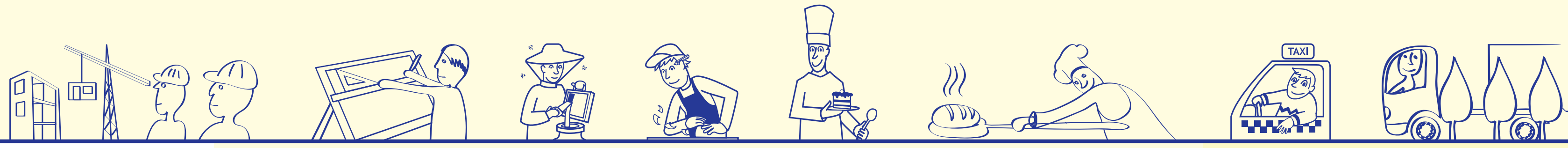
We continued to promote alternative banking channels in 2008, the number of BT Ultra electronic payment service users growing by 7% as compared to 2007.

Our SME division performed well in 2008, managing to consolidate its client portfolio and diversify the range of banking services provided to customers. Thus, we enhanced our lending basis, comprising solutions in response to the needs of our SME clients. For this purpose, respecting the promise made by BT in 2006 regarding our endeavour to actively support the SME sector, we launched in 2008 our first standardized non-cash credit product - **Bid Bonds**, which marked a real success, certified by about 2,000 subscribers.



During the global economic downturn, our priorities for 2009 are to ensure an adequate risk management, carefully monitoring the existing loan exposures, keeping a watchful eye on liquidity and optimising operational cost.

We proactively introduced solutions for corporates affected by the economic crunch launching an anti-crisis product platform based on i) loan restructuring facilities, ii) Banking Subscription, as a tool for our clients to better manage their banking related fees and iii) advisory services via our *Romanian Entrepreneurs Club* which provides access to consulting services and knowledge of EU loan programs for corporates and SMEs to over 10,000 members.



In 2009 we intend to capitalize on our position as operational-friendly bank, having one of the best cash collection services (over the counter, ATM, direct debit, payment order, internet banking) on the market for national and regional utility providers. We target a higher operating volume by a minimum of 10% and double the number of utility-related transactions.

The SME division will focus on launching more specific products meant to help entrepreneurs in the current economic conditions. In this respect, we will extend our initial business model, coming-up with an integrated service proposition for the Romanian companies, their owners and employees.

Clubul Întreprinzătorului Român - CIR (The Romanian Entrepreneurs Club)

Clubul Întreprinzătorului Român was founded by Banca Transilvania in September 2006, with the purpose of supporting entrepreneurs all over the country and contributing, together with other well-known BT brands, to consolidating the image of Banca Transilvania as the bank for entrepreneurs.

CIR activities include training sessions on areas of interest for the business community networking, assistance in applying for EU structural funds, as well as financial & banking consultancy services.

At the end of 2008, the Club had almost **10,000 members**, representing SMEs across the country, mostly BT clients. For 2009, CIR aims to increase the number of members up to 15,000.

Starting with 2009, Banca Transilvania corporate cards will also display the CIR logo, an additional sign for the synergy between the two brands, which brings recognition both to CIR, as SME partner and supporter, and Banca Transilvania, as the bank for entrepreneurs.

1. Training Sessions and Events – CIR National Presence

Training programs represent the Club's most beneficial and appreciated product. Events are held both by experts within Banca Transilvania Financial Group, as well as by CIR professional partners.

Training sessions also provide the opportunity for clients and Bank's representatives to meet, a platform for interaction and opinion exchange among entrepreneurs, as well as the possibility to gather new information on the business environment and on running and developing successful businesses.

During 2008, more than 4,500 honoured our **86 events** which were organized in **39 cities** all over the country, reaching a total of 325 business activities since the Club was created.

Throughout **2009**, CIR intends to continue this tradition, organizing training sessions and events meant to provide a better insight regarding the global economic crisis & its spillovers on Romania, but also topics related to EU Structural Funds.

2. The Networking Program

The Program was launched in June 2008, aiming to support nationwide networking among CIR members, backed by exclusive membership benefits.

At present, there are almost 100 partners across the country offering discounts that range from 1% to 30%, covering a large variety of products and services: e.g. office supplies, ventilation & air conditioning, construction materials, home appliances, professional training, IT, marketing and advertising, mailing services, consultancy, business tourism, transportation etc.

More than 500 membership cards were issued, to enable members to benefit from discounts provided by the program partners.

During 2009, our two main goals are to constantly increase the number of partners and membership card holders and to promote the program, thus raising awareness at national level.

3. Special Projects: CIR – Beneficiary of European Funds

BISNet Transylvania is a partnership which aims to establish a Service Network for Sustaining Innovation and Business Development in Central and North-Western regions, within the Competitiveness and Innovation Program framework. The European Commission approved a three year implementation period, between January 1, 2008 and December 31, 2010.

Through CIR, Banca Transilvania is part of the consortium formed to create development opportunities for SMEs in the above-mentioned regions, by identifying business partners in Europe. At the same time, SME access to information is facilitated in the areas of European policies and legislation regarding the business environment, information and specialized assistance on the programs and existing financing opportunities in the field of research, innovation and business development, support for SME participation to fairs and promotional events organized by similar institutions in Europe.

In 2009, CIR intends to apply for EU structural training funds, in order to organize numerous activities meant to promote entrepreneurship, by addressing topics that are essential for their day-to-day business.

4. Miscellaneous

The Club provides both financial and banking consultancy, as well as other services to its members, via the toll free number 0800 800 466, by e-mail and through its website www.btclub.ro.

Also, a wide range of topics of interest for entrepreneurs around the country were approached and debated in newsletters that CIR sends to its members (7 newsletters in 2008) on a regular basis.

In 2009, the Club intends to diversify activities meant to support its members, by intensifying online activities and enlarging the range of services in the area of accessing EU structural funds. The Club also wishes to provide information to SMEs, to assist them in overcoming challenges faced on account of the current global economic crisis.

THE MEDICAL DIVISION

We, at Banca Transilvania understand the challenges physicians face in managing their practice and created **the Medical Division** to help address their needs. We offer a customized range of products and services designed to ease the challenges imposed on the healthcare sector and are committed to further promote the entrepreneurial spirit of Romanian doctors by addressing their personal financial needs.

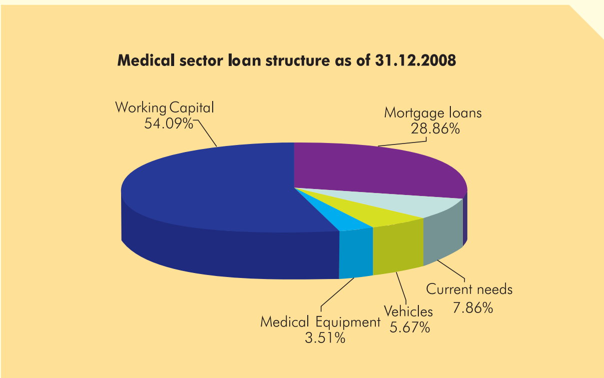
Launched at the end of 2007, the Medical Division evolved in 2008 beyond expectations, proving once more its success due to its main two ingredients: a specialized team of employees & customized lending products based on qualitative criteria.

We opened personalized agencies in important medical centers all over the country, our network currently extending to 9 units in: Bucharest, Cluj, Oradea, Targu Mures, Timisoara, Iasi, Craiova, Galati and Constanta. We have won the trust of 8,700 customers and extended over 2,500 loans, amounting to RON 350 million. More than 1,000 specially designed credit cards were issued in 2008, along with a series of specialized packages of products for various groups of doctors: "*Rezident*", "*Specialist*", "*Praxis*" and "*Tehnicieni Dentari*" (*Dental Technician)*.

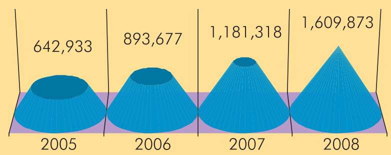
Being one of the only Romanian banks which understands the mentality and needs of medical doctors we even succeeded in becoming the banking partner of 45 medical associations by complying with a few basic principles:

- **Transparency and stability** – no hidden fees as well as transparent and easy to understand loan agreements;
- **Flexibility** - product adaptability;
- **Kind and assertive employees** - providing full information in an accessible language.

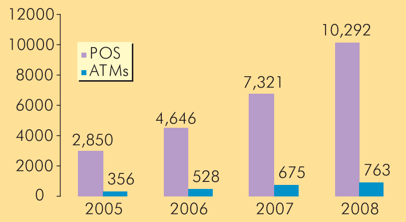
In 2009, the Medical Division is targeting a further network extension, in an effort to convince at least another 2,500 doctors of our excellent services, while continuously addressing their special needs.



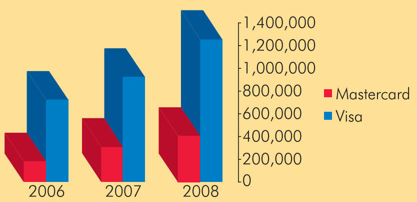
Number of BT cards issued



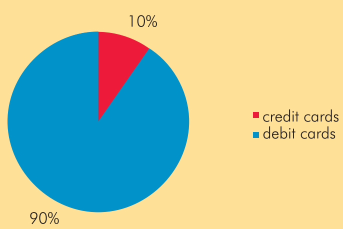
Number of ATM's and POSs



MASTERCARD vs VISA



Credit cards vs. debit cards 2008



Did you know that...

- ... every 0.6 seconds takes place a transaction with a BT card
- ... every 3.54 seconds a BT card is used for transactions at retailers

Cards

With a number of 1,610,000 active cards at the end of 2008 (Visa and MasterCard), Banca Transilvania is the fourth largest card issuer in Romania.

Year after year, the cards related activity proved to be successful for BT, market share growing constantly to over 13.3% end of 2008, vs. 11% in 2007 in terms of active cards and 9% market share in terms of ATMs network.

The endeavour to become one of the key players on the Romanian cards market has been acknowledged over time, BT being today:

- The most dynamic issuer on the Romanian card market
- The largest Visa issuer in Romania (with more than 1 million issued cards)
- Market leader in premium cards (Visa Gold and Visa Platinum - the first Platinum card program in Romania)

Against this background, Banca Transilvania received "The Bank of the Year" cards award in 2008 at "*The No-Cash Awards*" in Bucharest. It is the second consecutive year when the bank receives this prize, proving once again BT's excellent results on this segment.

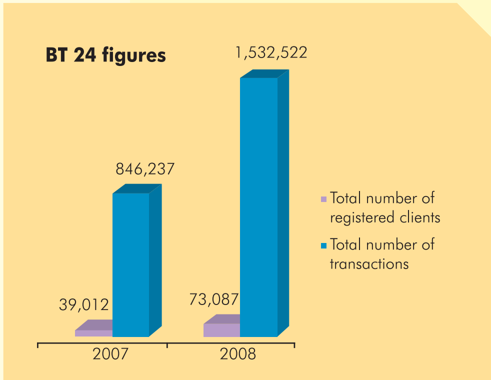
2008 facts:

- New cards issued: **430,000**, bottom line 1,600,000 active cards
- New installed ATMs: **88**, totaling 760 at year end
- New installed POSs: **3,053**, reaching 10,700 at year end
- Newly launched products: Medical Division credit card, Visa Ambient co-branded credit card
- Cards operations volume: **61.6%** increase vs. 2007, totaling 35 million operations
- Value of transactions with BT cards: **83.56%** increase vs. 2007, representing RON 13.4 million

Banca Transilvania remarkable evolution on Visa card segment was confirmed also by the appointment of Mrs. Gabriela Nistor, Executive Manager of the Retail Division in Banca Transilvania as President of the Visa Member Forum Romania, body established in 2008. The main objective of this organization is to address in a noncompeting manner Visa cards market development in Romania, defining viable plans and strategies.

Internet banking - BT 24

BT 24, the internet service of Banca Transilvania offers a comfortable and simple solution for the clients who want their banking transactions to be processed very quickly and with maximum efficiency.



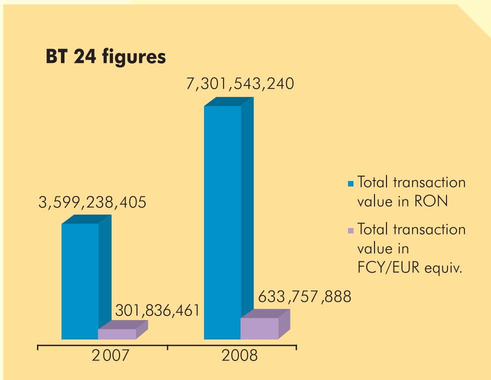
Following our customer requests and recommendations, we increased the relevance degree of information displayed in the application reports, especially with respect to card accounts, as well as the number of predefined utilities settlements.

Also, new options have been implemented for individuals – monthly credit card statements – and for companies – statements of cheques and promissory notes – options that allow a more efficient cash management for our clients.

As a result of implementing the Customer Relationship Management (CRM) software-based approach for handling customer relationships and access data analysis, the maximum time in which a new BT 24 client receives its access information is five banking days after submitting the application (regardless of location).

The constantly growing client interest in Internet-Banking is demonstrated by the higher number of subscribers – which doubled compared to the previous year, reaching over 77,000 associated subscribers and 73.000 initial subscribers.

Apart from the users' number, transactions also grew rapidly recording 81% year on year boost in 2008, while the value of transactions processed via BT24 in 2008 totaled RON 7,301 million and represented 106% increase vs. 2007.



Interest for online banking is projected to grow over the next years in a market with significant development potential.

RISK MANAGEMENT

The aggravation of the international economic environment in 2008 was a direct result of the credit crunch, which had emerged a year before, triggering the collapse of leading international investment banks, as well as universal and saving banks, which negatively reshaped the global banking sector and the entire financial system.

In this context, risk management became a matter of utmost importance for financial institutions. Each bank tried to implement compensatory measures, so as to counterbalance possible losses.

The Romanian banking system was indirectly affected by the US sub-prime mortgage crisis, witnessing spillover effects i.e. corrections in the equity market, increased funding cost, exchange rate fluctuations, liquidity squeezes.

Within this context, the activity of identifying, measuring, monitoring and controlling risks continues to be of major importance for Banca Transilvania. Risk positions are constantly reviewed and subject to regular assessment by top management, internal and external auditors, as well as representatives of the banking supervision.

Types of risk

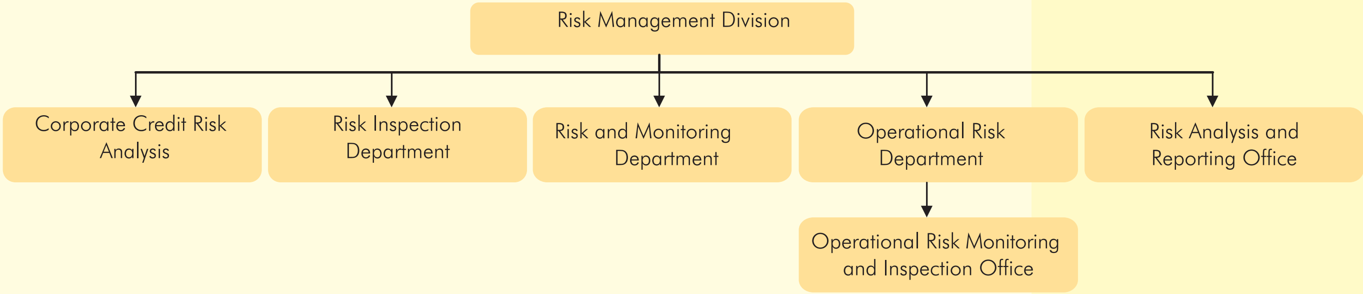
Banca Transilvania categorises the monitoring and controlling process associated with risk management as follows:

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

For each of these risk categories, Banca Transilvania has a stringent evaluation system in place which is based on the recommendation of the National Bank of Romania. This system enables BT to closely monitor any deterioration of risk and to attune the necessary steps in a timely manner.

Each risk category is monitored independently in order to handle all the risks in a comprehensive and systematic manner. Nevertheless, all responsible departments interact in addressing and managing potential risks.

The decision-making process related to credit, market, liquidity and operational risks is strengthened by the *Risk Management Committee* which monitors sub-committees such as the Asset-Liability Committee, Credit Risk Committee and Operational Risk Committee.



Risk management principles and methods

Risk management principles in Banca Transilvania:

- Financial stability protection: Banca Transilvania controls risk in order to limit the impact of potential adverse events on capital and income.
- Independent perspective: risk management is a structured process which identifies, assesses, monitors and reports risk; risk management, as well as the legal and compliance functions operate independently of the front office in order to ensure the integrity of the bank's control processes.
- Portfolio diversification in order to avoid exposure concentration risk.
- Overall approach and global risk monitoring by the bank.
- Constant reviewing of risk appetite adapted to the available financial resources and economic environment

The systematic review of the main risk elements and methods is performed periodically to guarantee that policies enforced at any time are the most appropriate. These methods include the use of quantification methods, the performance of risk management on a consolidated accounting basis, the existence of contingency planning for emergency situations, their application being consistent with the business strategy.

Following the regulations and recommendations of Romania's National Bank in 2008 Banca Transilvania successfully adopted the Basel II standardized approach regarding the computation of minimum capital requirements for credit, market and operational risk.

Credit Risk

Banca Transilvania's main objective regarding credit risk management is to ensure a reasonable balance between risk and return, provided the volatility of the interest rate margins and the continuous effort to maximize return for our shareholders.

Credit risk framework is periodically reviewed and improved, being conceived to cover all types of credit risk exposure consisting of:

- a counterparty rating system
- loan transactions risk evaluation system
- exposure limits
- pricing methodology, considering the risk
- methodology for monitoring/review existing loans
- provisioning methodology
- active portfolio management;

To effectively manage the credit portfolio, Banca Transilvania assesses the credit risk posed by each borrower using an internal rating system, so as to quantify the risk for control purposes.

Accordingly, corporate clients are grouped in five performance categories, from A to E, using quantitative and qualitative ratios to frame them certain performance categories. As concerns the retail credit portfolio, new lending norms and procedures were prepared and scoring models were implemented for all the products, for a better credit risk management.

For 2008-2009 Banca Transilvania's goal concerning credit risk management is to continuously improve the risk profile by:

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

Market risk

Banca Transilvania's market risk profile is considered low, due to a prudential approach to all operations falling under this type of risk. The bank manages market risk by evaluating all positions daily, marking to market and signalling the reach of predefined "attention" or "critical" levels.

Market risk involves several elements: foreign exchange rate, interest rate, equity price; the bank manages each of these categories by employing suitable methods based on certain ratios, such as the basic-point-value indicator (BPV), which measures the potential change in earnings or GAP analysis, which computes the interest margin for the following financial year.

Although, Banca Transilvania does not have a Value-at-Risk system, simulations (*stress tests*) are constantly performed to prepare for unforeseeable market swings and to properly manage this risk. The role of stress testing, within the process of market risk management, is to enhance the risk profile, via a pro-active management and a better monitoring of control processes, to modernize the techniques, and to monitor the used instruments.

Currency risk in Banca Transilvania is considered low, due to prudent open position limits and plain vanilla transactions. The currencies that the bank deals with are permanently correlated with the bank's development and market evolution.
Upon addressing interest rate risk, the bank establishes a set of strict management and monitoring principles. In general, BT tries to maintain a positive net position for interest bearing financial instruments.

Liquidity risk

At Banca Transilvania, liquidity risk is of major concern. BT's liquidity risk management is based on a framework which consists of guidelines establishing correction measures for balance sheet structures, so as to eliminate unacceptable deviations.

In daily risk management operations, Banca Transilvania sets and monitors a more complex set of liquidity ratios with "tighter" levels than those stipulated by legal regulations in force, while for emergency situations, there are well-developed, effective and useful contingency funding plans, which incorporate reasonable assumptions, scenarios, and crisis management planning, tailored to the bank's needs.

To counteract market crisis, Banca Transilvania has highly liquid assets, such as placements with banks, accounts with the National Bank of Romania, T- Bills, as well as other borrowing facilities in place, which makes it one of the most viable players on the market.

Operational risk

Managing such risk is an important quality 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 manner. It can also affect the interests of the bank by its dealers, lending officers or other staff exceeding their authority or conducting business in an unethical or risky manner. Other aspects of operational risk include major failure of information technology systems or events such as major fires or other disasters.

The operational risk management approach is depending on the bank's size and sophistication, the nature and complexity of its activities. According to these parameters, 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 planning are all crucial elements of the banks operational risk management structure.

In the same manner, as for the 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;
- Following 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; these topics include direct and remote branch controls and monitoring using software applications
- The development and implementation of the bank's operational risk assessment methodology;
- The development and implementation of a risk-reporting system for operational risk;
- Modelling and maintaining the business continuity plan;
- Continuously enhancing operational risk management for better capital allocation.

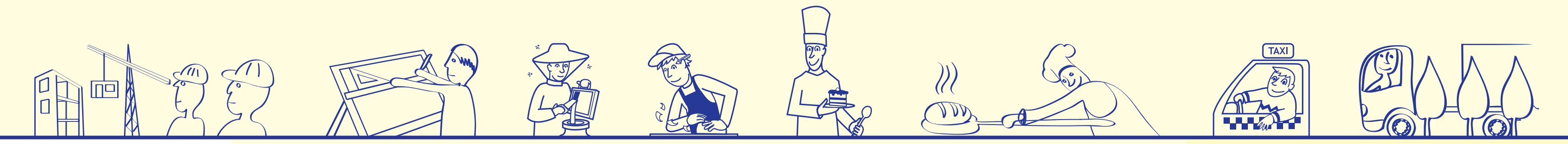
As part of the bank operational risk management system, the relevant operational risk data, including material losses are systematically tracked. This information is regularly reported to management committees, senior management and to the board of directors. Our operational risk assessment system is closely integrated into the risk management processes of the bank. The output is an integral part of the process of monitoring and controlling the banks operational risk profile.

COMPLIANCE POLICY IN BANCA TRANSILVANIA

The concept of "compliance"

Compliance stands at the basis of Banca Transilvania's *Business Ethics*, granting value to the principle of transparency that we follow. It is the expression of our bank's permanent efforts related to the banking activity supervision and the adoption of sound practices throughout the entire Group, in order to ensure success despite tough economic times. Therefore, reinforcing this activity has become one of our top management priorities.

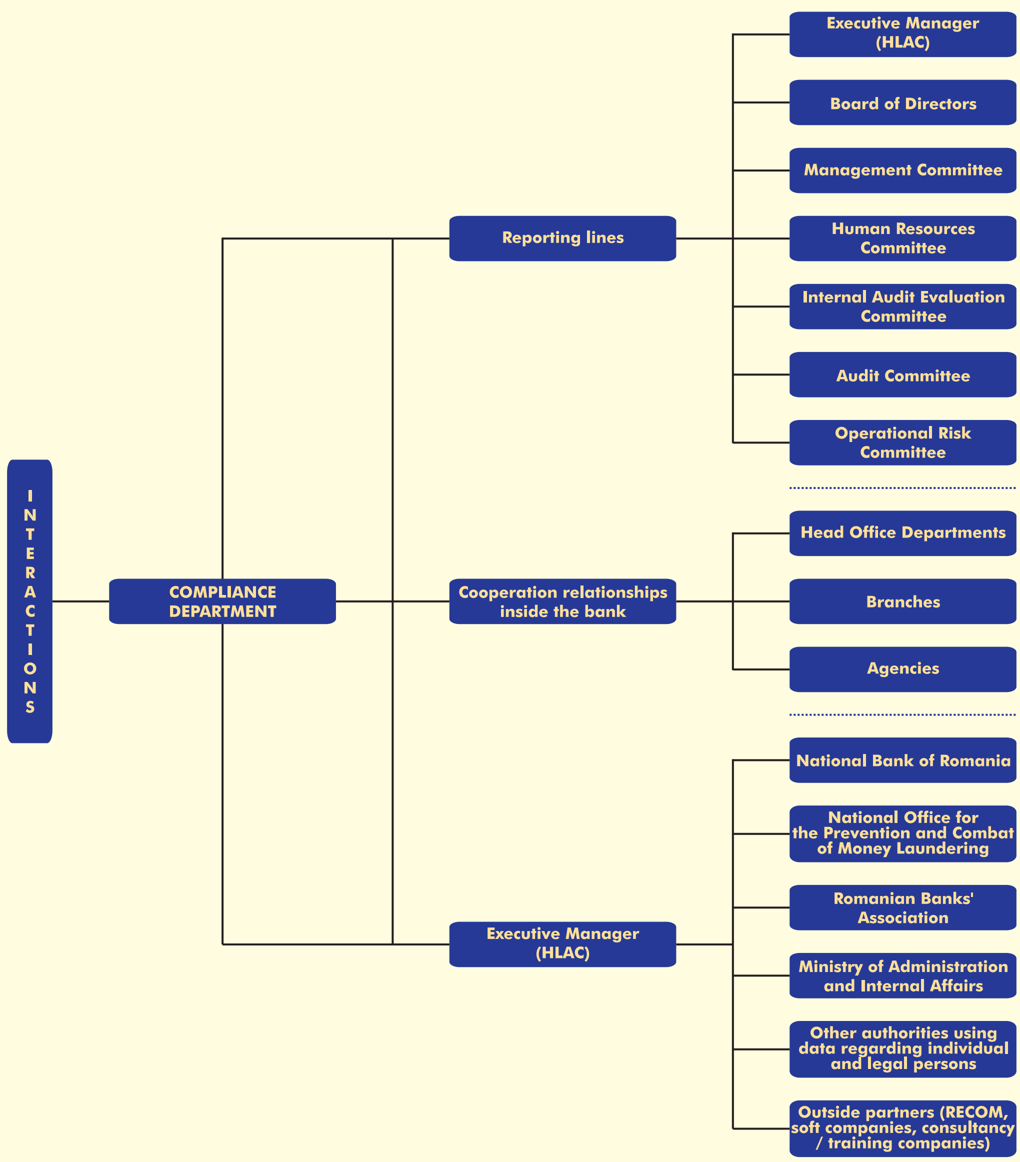
In Banca Transilvania, the compliance policy is moulded on the *FATF Recommendations*, the *Basel Committee* report on customer due diligence, the *Wolfsberg Group Principles*, the *Third EU Money Laundering Directive* and last but not least, on the *national legal framework* regulating the activity for the prevention and combat of money laundering and of terrorism financing (Law no. 656/2002 issued by the National Bank of Romania). All these prerequisites are appropriately translated in our internal strategy adopted by the Board of Directors, with a view to observing market behaviour standards, managing the conflict of interest, ensuring fair and proper client treatment and counseling.



The compliance function

The compliance function has a specific position within our bank, enjoying authority and independence and being approached separately from all other functions; however, the bank's internal rules generated the proper mechanisms for a close cooperation among them.

Considering the prominence and complexity of this domain, Banca Transilvania appointed a Compliance Manager responsible for the compliance activity and directly subordinated to the Executive Manager (Head of Legal and Compliance). Moreover, dedicated staff with clear-cut roles and responsibilities is employed in order to manage and supervise the AML activity of the Head Office, branches and subsidiaries level.



In particular, the Compliance team is in charge with daily reporting of transactions to the authorities, preparation of Suspicious Transaction Reports, as the case may be, and the mandatory delivery of information to the competent entities, balancing however AML commitments with data protection and client confidentiality.

In terms of know-your-customer procedures, we carry out a risk-based approach for the purpose of client breakdown into risk categories, in order to minimise exposure to money laundering. We also strive to mitigate foreign trade risks through effective profiling and monitoring of our customers and partners, in order to protect our bank from unwittingly facilitating the flow of corruption and bribery proceeds. This process is steered up to the identification, management and monitoring of the Beneficial Owner and of Politically Exposed Persons.

Our institution assigns a considerable amount of concern in rendering all its employees aware of compliance laws, regulations and standards. Therefore, designing a coherent and relevant AML training program is a key element for effective money laundering and terrorist financing deterrence and detection.

Interaction with the risk management function / internal audit function / legal function

Compliance current activities in our bank are performed in collaboration with the risk management, internal audit and legal department, concerning the authorization of the bank's internal rules, but also in order to prepare the annual reports submitted to the National Bank of Romania according to the legal provisions in force, regarding the management of significant risks to which the bank is exposed and internal control performance.

ENVIRONMENTAL PERFORMANCE

Banca Transilvania seeks to ensure through its environmental assessment that financed projects are environmentally sound and in compliance with national environmental laws and regulations, as well as EBRD guidelines.

Screening process

BT incorporates environment risk assessment in the credit screening process to identify potential environmental issues associated with a proposed project.

Screening is carried out to identify both negative aspects of certain projects, such as adverse environmental impacts and regulatory non-compliance, as well as positive aspects or potential environmental benefits, such as: energy efficiency, waste reduction, decrease in greenhouse gas emissions and enhancing biodiversity.

Energy Efficiency is an area Banca Transilvania feels strongly about. To prove once again our commitment to environmental related issues, we signed an *Energy Efficiency Facility* with the EBRD, amounting to a total of EUR 5 million.

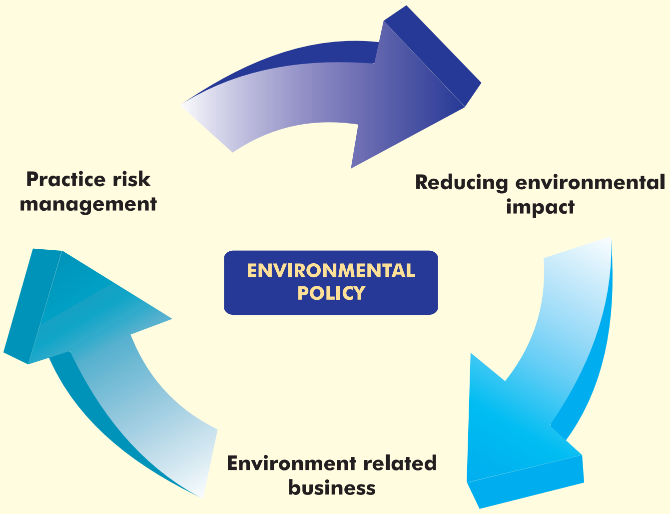
Despite the many uncertainties sure to emerge as we strive for greater energy efficiency, Banca Transilvania is set to follow this road and, at the same time, we intend to also engage our clients and partners in advancing smarter energy practices.

Environmental preservation initiatives within the Bank

Banca Transilvania is making continuous efforts to harmonize environmental preservation, contributing to the general well being of the society. In line with the above the bank will pursue best practices in environmental management, including energy and resource efficiency, waste reduction, recycling and fighting pollution.

Banca Transilvania is focusing on three major initiatives:

1 Reduce environmental impact
   - Energy saving
   - Paper consumption diminishment
2. Practice environmental risk management via the screening process
3. Promote environment related business with highly favourable cost of funding vs. market conditions



SOCIAL PROTECTION

We, at Banca Transilvania, consider social protection a top priority. As the number of employees grew, so did our concern for the welfare of the staff. Currently our social Protection Plan envisages the following main areas:

Social Protection Program

LABOR →	Training →	Enhances work quality motivation and results
HEALTH →	Compulsory medical examination →	Creates a safe working environment
SOCIAL SECURITY →	Retirement plan →	Builds up the confidence of a safer future

MARKETING AND COMMUNICATION

2008 marketing and communication activities focused on the undertakings to consolidate the newly acquired position as *The Bank for Entrepreneurs*. This status confirmed by specialized studies, validated the previous years results and highlighted once again that Banca Transilvania is not only the bank for SMEs, but the bank of those who regardless of being an individual or a company, have entrepreneurial spirit.

A 2008 "Synovate study" shows that Banca Transilvania maintained its **fourth position** within the **Romanian brand awareness ranking**, in the category *Banks – Insurance*.

Banca Transilvania is amongst the first three most visible banks within the country by customer perception, efficiency and impact of integrated communication, according to a BrandRate study.

During 2008, the entire promotion activity was adapted to market conditions in close connection to the commercial objectives of the year. Despite of the tough economic environment, our efforts were recognized in 2008 as well, Banca Transilvania winning the **Bronze Effie Award**.

All image campaigns and those designed for promoting products for companies, individuals or the medical sector were created with the intention to maximize efficiency of all available marketing resources.

A customized campaign for loyal customers was created for the 15th anniversary of the Bank. The promotion "Anniversary with prizes" reached its goal, to reward loyal customers both via consistent awards and a wide range of saving facilities. The results were obvious, the offered products were turning customers' heads with hard to resist package deals. Thus, at the end of the campaign, around 143,000 clients had at least 3 BT products, and in the last quarter of 2008, 53,000 deposits accounts were opened.

Spring brought a **powerful retail campaign** - *Mastercard Forte, Holiday without interest* - which resulted in over 21,000 newly issued cards. This marketing initiative revolved around the well-liked characters, Mister Percent, Miss Zero and the Fairy Man who have become famous figures in the universe of banking advertisements.

In 2008 we addressed the citizens of Cluj **via a special communication, as we, at Banca Transilvania, consider Cluj Napoca our HOME.** One of the main messages of the campaign was "One out of two Cluj citizens chose Banca Transilvania", along with the slogan "BT - the Bank of Cluj citizens", highlighting the fact that BT is a leader on the Cluj banking market, with a significant market share in Transylvania.

As always, flexibility and innovation to anticipate and find new solutions for the customers' needs are important advantages which we conveyed in the **campaigns designed for SME clients**. The *Banking subscription*, a cost-reduction service which inspiredly captured the current needs of Romanian entrepreneurs, enjoyed a real success with significant increases in the number of clients. Campaign's results along with the direct sales efforts were directly reflected in the higher number of subscribers which grew by over 5,000 in the final quarter of 2008.

The medical sector benefited from a special marketing program as well. All our promotion activities were targeted to enhance brand awareness of the *The Medical Division* among physicians. We applied most efficient communication channels to reach our goal: such as advertising during medical conferences, in specialized magazines and different medical related websites.

The general approach, focused on the efficient usage of resources was applied as well for the **co-branded products**. Thus, the campaigns performed together with Western Union contributed significantly to the increase of BT's market share in this segment from 18,84% to 20,22%.

As for **online marketing, BT launched in the second half of 2008, a more attractive and user-friendly website** with additional features and tools. Amongst these tools is the **deposit calculator**, which proved to be extremely useful for the customers, considering the return simulation feature. The bank's website was again an important image and communication instrument, but also an alternative sales channel. During 2008, www.bancatransilvania.ro had over **4,300,000 visitors**, escalating by 55% year-on-year.

Public relations, as part of the integrated communication, focused mainly on external communication via mass-media to support the campaigns and on BT brand awareness. In spite of the less favorable economic banking environment, BT continued to stress the principle **Don't Stop Communicating**. Released information mainly focussed on the bank's financial results, business lines, financings received from strategic partners (IFC, EBRD), different partnerships, Clubul Intreprinzătorului Român and the Medical Division activity.

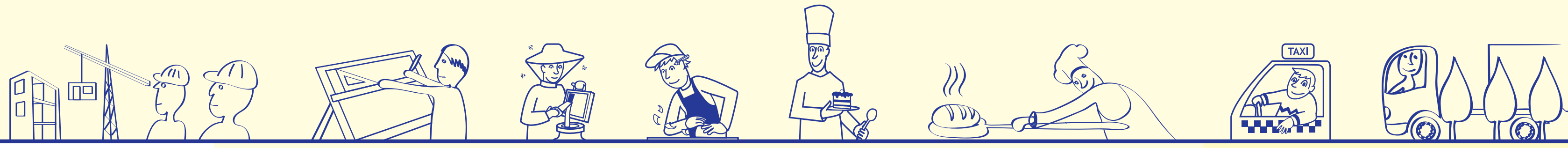
For a consistent and transparent communication with the mass media, several press releases were sent per week, thus ensuring an outstanding information flow between Banca Transilvania and the press. A **press center** was also developed on the bank's website, containing besides a vast archive, an image gallery and details about BT brand. **17,000 visits were recorded**, since launch.

PR strategy in 2008 targeted awareness and reputation preservation and the promotion of BT as the Bank for Entrepreneurs. **Integrated communication** was the winning recipe in 2008, via marketing and PR initiatives, achieved by efficient means and in environments meant to create visibility and add value to our undertakings for brand message conveyance.

CORPORATE SOCIAL RESPONSIBILITY

We, at Banca Transilvania understand that a strong corporate culture is one of the main drivers of our business success. We made a commitment to respect all citizens, and not just our customers, as responsibility has less to do with duty, but with giving respect to the community we are a part of.

Our approach to Corporate Social Responsibility covers several elements. Each aspect is based on a strong management system, proving once again that we continuously strive for continuous improvement.



Banca Transilvania is amongst the companies which invested the most in social projects in 2008, ranked second in the *Top of Corporate Awards*, organized by Romanian Donors' Forum.

Amid the most noteworthy projects launched in 2007, Banca Transilvania prides itself with *Clujul are Suflet*, (Cluj Has Soul) by now, a well-known brand for Cluj citizens. Our purpose was to ease the social re-integration process for young citizens aged between 14 and 20, with a troubled background or previously institutionalised.

In 2008 *Clujul are Suflet* enjoyed an increasing level of awareness, developing tangible and intangible symbols, which help win the support of over 100,000 persons. More than 100 volunteers – including the bank's employees – collected signatures for the campaign. But most importantly, we created a broader social commitment, raising feelings of responsibility, duty and involvement among Cluj citizens.

In order to ensure that services provided at the Day Care Center had the desired efficiency, we entrusted the children care to the Romanian Foundation for Children, Community and Family (FRCCF - Fundația Română pentru Copii, Comunitate şi Familie - www.frccf.org.ro). Activities carried out by *Clujul are Suflet* come as a natural follow-up to the support of youngsters confronted with the difficulties of teenage years.

A few quick facts:

- 57 out of the 65 teenagers successfully passed the school year 2007-2008
- 6 out of 7 teenagers who had abandoned school were re-integrated
- 43 out of the 80 teenagers benefited from social-assistance services, psychological counselling and psychotherapy
- 37 teenagers who graduated from Junior High School and were offered professional counselling decided in favour of professional schools, high-schools or even college,
- 46 out of the 60 teenagers, who were at least 16 years old, were able to find a job

Clujul are Suflet foundation has become the home of teenagers, who otherwise risked ending up in social isolation. A welcoming environment was created, where children are able to find their place in the community and receive support to overcome social hardships.

To support internal CSR activities, Banca Transilvania established *BT Charity Foundation* for employees, sustained by a large number of colleagues.

Banca Transilvania is a company whose vision comes alive every day, an entity characterized by a unique spirit and warm environment. BT is the bank of and for people.

HUMAN RESOURCES

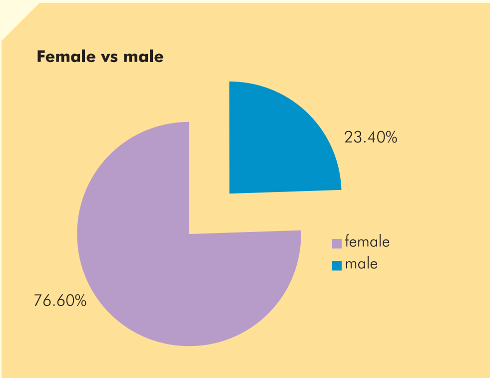
HR main achievements

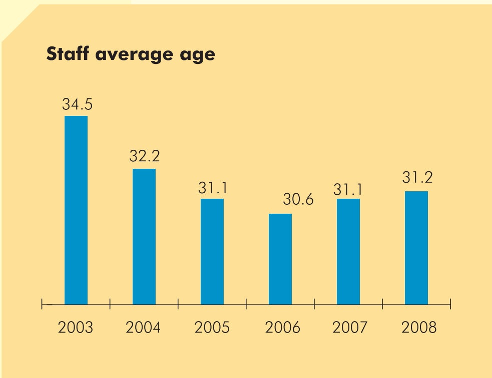
2008 was the year of successful growth for our bank. However, we managed to keep efficiency and cost control well balanced, on the background of the economic crisis about to emerge.

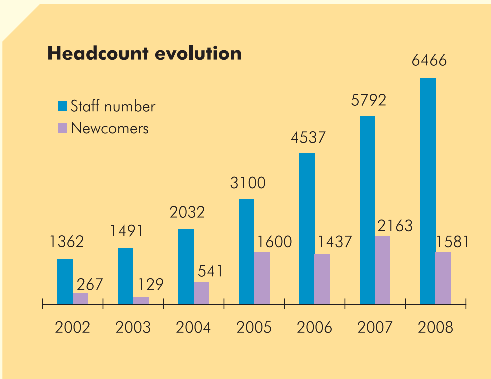
We continued the staffing of the 76 new units, hiring 1,581 employees. The staff number as at 31 December 2008 reached **6,466**, 11% higher than in 2007. Human capital variation, turnover and job rotation lessened in 2008, thus leading to a higher degree of specialization among our employees.

	2007	2008
HC variation	+27.60%	+10.43%
T/O	13.88%	13.5%
Job rotation	1,593	1,437

Staff number evolution within the last few years, as well as the breakdown on age and gender among our employees are depicted in the charts below.





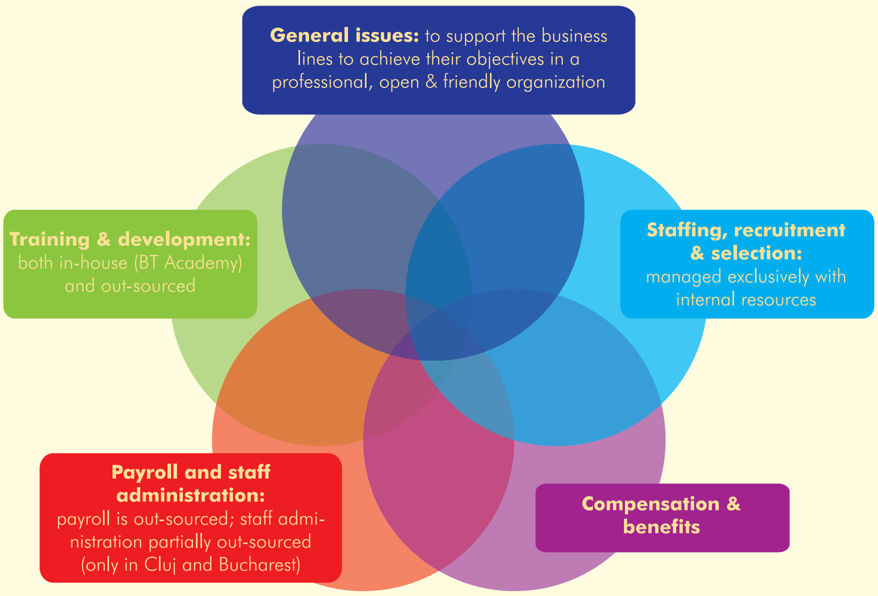


Voted "**best banking employer in Romania**" on an independent INTERNET site. Banca Transilvania is known to be an attractive employer on the market and this is due not only to "standard" benefits, but also to our concern for the interests of our employees. In order to enhance group cohesion, in 2008 we provided teambuilding and socializing activities, as well as opportunities for our staff members to participate at in-house and outsourced trainings. With the same view to motivating our staff, we encouraged promotion inside the bank and granted salary incentives, trying to build confidence in a sound and stable job environment, ensuring personal and professional advancement.

HR Target Scheme

Our focus for 2009 is to qualify and improve staffing according to the current needs shaped by the crisis. In this respect, we will try to keep efficiency at high levels based on existing resources in terms of human capital and funding availabilities (efficiency ratio objective: 60%). Key staff retention and the careful monitoring and control of HR related expenses will be among the defining elements of our strategy for the following year.

Our Strategy



BT Academy

It is our belief that people are the greatest resource of any organization and that supporting those people to become as effective as possible is the best investment for the employee and our bank in these challenging times. Our training and development programs were created with that very purpose in mind.

New colleagues or employees entrusted with **additional or different responsibilities** (over 1,400 people) underwent training programs such as *Operations ABC and Beginner's Guide* (for Cashiers and Front Office personnel), *Induction*, and *Banking ABC*, which contributed to increased performance on the job.

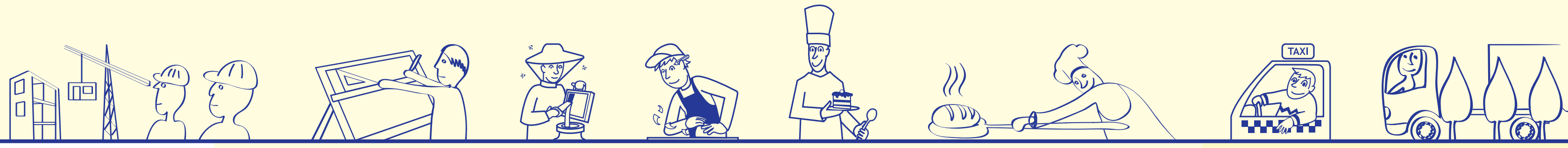
More than 600 colleagues went to training courses on **financial analysis and credit risk**, namely programs regarding structures and themes specific to employees in Retail, SME and Corporate Departments or Heads of Agencies. Of these, approximately 136 colleagues attended *Rural Credit Analysis* courses, while 22 colleagues benefited from a *Credit Analysis & Negotiation program* held in London by ILX Group.
The following courses are part of the **specific training on products and services, as well as special job requirements**: *Front Office Commercial Reflex*, *Bancassurance*, *Debit Instruments*, *Western Union*, *Identifying false cash*, *Methods for payment and payment guarantee*, *Risk management for credit administration*, and *Debt collection*.

Certain employees working in agencies, involved in Retail activities and Operations, also benefited from **training on the job** programs. At the same time, over 1,000 employees attended courses on developing communication, sales and negotiation skills, such as *Customer Care*, *Speaking on the phone*, *Sales Techniques*, *Commercial negotiation*, *Presentation Skills*, and *Training Trainers*.

In addition, more than 380 colleagues were enrolled in **Management programs**, which included courses with structures and themes specific to different categories of managers, designed according to business lines or to the level of management, respectively *Management for Heads of Offices*, *Performance/Time Management*, *LeaderShip*, and *Practical LeaderShip & Employeeship*.

There were also **training programs attended individually** by more than 150 BT specialists from Headquarters and throughout the network, while 6 Senior Managers and specialists from HQ concluded **MBA programs** whose costs were partly covered by the bank.

We are confident that training and development programs will continue to enjoy the attention they deserve and that BT will further raise quality standards for this type of services.



The current financial market crisis and economic recession demands stringent control processes to avoid negative impact to the bank and to save it from fraudulent activities. In order to be on the safe side, Banca Transilvania continued to develop its operational system with the purpose to support the bank's business, to improve quality in services, to minimize risks and to increase productivity. This involved, for example, implementing IT security measures and constantly investing in a robust and flexible IT and back-office infrastructure in order to ensure the flexibility, cost-efficiency and ability to control operational risks, also with a view to serving our customers.

2008 main achievements

- Credit analysis monitoring application for the management of client relations was finalized (Microsoft CRM/ Mioritix);
- Connection to the European settlement systems: Target 2 and SEPA;
- The selection process for the bank software was completed (Core-Banking);
- Chip cards project development and implementation.

Operational Risk Management and Control

The Group monitors this type of risk by reviewing the main categories of operational risks (system capacity, loss/missing key personnel, internal fraud, compliance, external fraud, etc) and by creating the necessary framework for risk identification, evaluation and reporting.

In addition, bearing in mind the challenging times we are currently undergoing, cost control related measures were taken and the Cost Executive Committee was implemented, with clearly defined cost monitoring targets.

2009 Priorities and Objectives

- Upgrading the Core-Banking technical platform and the Card Management Application;
- Chip card issuance;
- Reviewing products and processes in order to optimize costs and enhance performances;
- Upgrading/replacing BT24 electronic products and the Card Management Application;
- Maximizing the use of our network;
- Building BT's image as the Bank for utilities/payment centre;
- No red tape!
- Turning banking subscription and cards into star products;
- Lower staff turnover should lead to better professionals and better services.

MAIN SUBSIDIARIES

BT Leasing ™

BT Leasing Transilvania offers solutions designed to meet the expectations of customers who need a simplified and swift financial support. The team’s professionalism and dedication managed to streamline the business operations, optimizing cost structure and increasing efficiency of rendered services.

BT Leasing Transilvania S.A is present in all important economic centers with a national leasing network and a portfolio of 7,000 individual, corporate and SME clients.

A top priority for our subsidiary company is to continuously enhance the services, so that quality should make the difference. Thus, our products, *Leasing Standard*, *Lease Bank/Cash In* are two leasing solutions serving different purposes, meeting however all customer requirements.

In 2008, BT Leasing achieved a net profit of lei 3,345,447 with over 6,130 leasing contracts in progress.

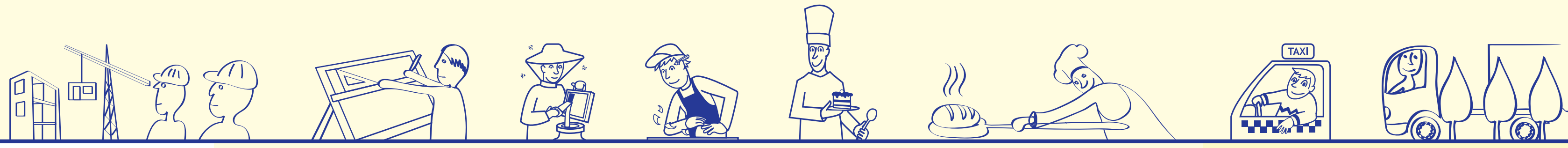
BT Securities ™

BT SECURITIES activity in 2008 performed under a deteriorating domestic capital market. Main listed companies recorded steep declines with strong decreases of traded volumes.

	BSE Transactions value (RON)
2007	13,802,680,643.77
2008	6,950,399,787.38
2008/2007	-50%

	BET index
2007	9,825.38
2008	2,901.10
2008/2007	-70%

BT Securities (BTS) is the first broker in Romania authorized to trade directly on Vienna Stock Exchange starting from June 2009. Wiener Börse has 83 authorised brokerage companies, 3 electronic trading systems and over EUR 700 million daily turnover.



Trading activity on Wiener Börse generated an additional turnover of Euro 12,623,300 in 2008.

In 2008, order flows to the BSE were automated by eliminating human intervention and the internet based BT Trade platform was further developed.

To constantly keep our customers informed we drafted additional technical (IndexWatch) and fundamental (SIFs Monthly Review) analysis reports to supplement the existing ones.

BT Securities market share on Bucharest Stock Exchange increased from 5.07% in 2007, to 5.96% in 2008.

Also, BT Securities went up in the ranking of BSE brokerage companies, from 6th place in 2007 to 4th place in 2008, being the most important retail brokerage company trading on BSE.

In 2008, BT Securities consolidated its position on the Romanian primary capital market, by means of:

- Carrying out municipal bond issue for Iasi and Târgu Mureș
- Winning the bid to intermediate bond issues for two city halls, Turda and Hateg
- Completing five public offers initiated by several listed companies
- Closing contracts for the initial public offer procedure, followed by BSE listing of C.N. Aeroportul Internațional Henri Coandă București S.A., S.N. Aeroportul Internațional Mihail Kogălniceanu – Constanța S.A. and S.N. Aeroportul Internațional Timișoara-Traian Vuia S.A.

BT Asset Management ™

The core business of our subsidiary consists in the management of investment funds and individual investment accounts. In this respect, at the end of 2008 the company was managing assets in amount of RON 72,355 thousand.

Investment funds	70.221.850 lei
Individual investment accounts	2.133.758 lei
TOTAL	72.355.608 lei

As at 31.12.2008, by means of its investment funds (BT Maxim, BT Clasic, BT Index and BT Obligatiuni), BT Asset Management held a market share of 6.51% on the segment of open investment funds, being ranked the 5th based on the managed asset value.

Medicredit Leasing IFN S.A.

Medicredit Leasing IFN SA is a market leader in the field of Medical Equipment Leasing Industry and, as a new comer in Banca Transilvania Financial Group, became visible via a specialized product: technical – financial solutions for physicians.

Medicredit Leasing addresses both the needs of doctors and investors wishing to develop a specialized business in the medical field, financing projects ranging from EUR 5,000 to EUR 10 million.

Due to the extensive experience in the medical field and the trust of physicians gained over the years, Medicredit Leasing managed to extend its activity nationwide. A specialized sales team with experienced people and a solid back office were the main elements which led to the growing number of signed leasing agreements in 2008, approx. 42% more than in 2007 (174 in 2007 vs. 246 in 2008). A similar trend was recorded in case of financed values for medical equipments, with a 75% increase in 2008 vs. 2007. Thus, in 2008 the company recorded a net profit of LEI 2,545,060.

Market Share:

	Medicredit Leasing IFN SA
Share of the medical leasing market	55%
Share of the medical equipment financing market	28%
Share of the entire medical equipment market	16%

BT Aegon Fond de Pensii

Aegon Woningen Nova BV Netherlands, an international life insurance, pension and Investment Company, with businesses in over twenty markets in the Americas, Europe and Asia, started a joint venture with Banca Transilvania SA in July 2007. Through this partnership, Banca Transilvania extended its portfolio of products and services, entering the competition on the Romanian private pension market, backed by a company, deeply rooted in the life insurance market.

In terms of positioning in 2008, BT Aegon was ranked 8th among the 14 pension administration companies active on the market, with 119,950 participants. The subscription campaign to the second Pillar was performed using BT's broad network of branches, as an effective distribution platform.

At the end of 2008, BT has decided to sell its 50% stake to Aegon, in order to focus on its core banking activities. As part of the transaction, the two companies will sign a distribution agreement covering both life insurance and pension products. This deal will allow both BT and Aegon to benefit from the further growth expected in the Romanian pension and life insurance markets in the coming years. The transaction is expected to be closed in the second quarter of 2009, subject to prior regulatory approval.

BANCA TRANSILVANIA S.A.

Consolidated Financial Statements
31 December 2008

Prepared in accordance with the
International Financial Reporting Standards
as endorsed 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 comprise the consolidated balance sheet as at 31 December 2008, 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.

Management's responsibility for the consolidated financial statements

2 The Bank's 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

3 Our responsibility is to express an opinion on the consolidated financial statements of the Group based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. 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.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 Group'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 consolidated financial statements.

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

Opinion

6 In our opinion, the accompanying consolidated financial statements of Banca Transilvania S.A. present fairly, in all material respects, the financial position of the Group as at 31 December 2008, financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

[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.

Emphasis of matters

7 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 316,073 thousand based on the internal methodologies developed and applied as at 31 December 2008. Because of the inherent limitations mentioned in Note 3j, and due to the uncertainties on the local and international financial market regarding assets valuation mentioned in note 4f to the consolidated financial statements, that estimate could be revised after the date of the approval of the consolidated financial statements.

- 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 Lei in the consolidated balance sheet and in the consolidated income statement. This presentation does not form part of the audited financial statements.

Other Matters

8 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.

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 2008. The administrators' report as presented from page 1 to 22 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 2008.

Refer to the original signed Romanian version

For and on behalf of KPMG Audit SRL:

Toader Serban-Cristian

Registered with the Chamber of Financial Auditors in Romania under no 1502/2003

KPMG Audit SRL

Registered with the Chamber of Financial Auditors in Romania under no 9/2001

Bucharest, Romania
23 March 2009

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

	Note	2008 RON thousand	2007 RON thousand	Convenience Translation* 2008 EUR thousand	Convenience Translation* 2007 EUR thousand
Interest income		1,535,806	910,928	417,033	272,954
Interest expense		(953,400)	(474,330)	(258,886)	(142,130)
Net interest income	9	582,406	436,598	158,147	130,824
Fee and commission income		438,468	332,072	119,062	99,503
Fee and commission expense		(44,515)	(32,853)	(12,088)	(9,844)
Net fee and commission income	10	393,953	299,219	106,974	89,659
Net trading income	11	69,511	121,733	18,875	36,476
Other operating income	12	42,977	18,740	11,670	5,615
Operating income		1,088,847	876,290	295,666	262,574
Net impairment losses on assets	13	(157,535)	(116,517)	(42,778)	(34,913)
Personnel expenses	14	(386,033)	(281,935)	(104,823)	(84,480)
Depreciation and amortization	24, 25	(63,137)	(48,321)	(17,144)	(14,479)
Other operating expenses	15	(296,643)	(235,268)	(80,550)	(70,496)
Operating expenses		(903,348)	(682,041)	(245,295)	(204,368)
Share of losses in associates	23	(28,581)	(727)	(7,761)	(218)
Profit from sale of associates	23	268,814	-	72,993	
Profit before income tax		425,732	193,522	115,603	57,988
Income tax expense	16	(65,745)	(28,099)	(17,852)	(8,420)
Profit from continuing operations		359,987	165,423	97,751	49,568
Discontinued operations					
Gain from discontinued operations	8	-	173,560	-	52,006
Income tax expense from discontinued operations	16	-	(29,539)	-	(8,851)
Profit for the year		359,987	309,444	97,751	92,723
Attributable to:					
Equity holders of the Bank		361,672	307,823	98,209	92,237
Minority interest		(1,685)	1,621	(458)	486
Profit for the year		359,987	309,444	97,751	92,723
Basic earnings per share	38	0.3454	0.3085		
Diluted earnings per share		0.3029	0.2943		
Basic earnings per share – continuing operations		0.3454	0.1641		
Diluted earnings per share – continuing operations		0.3029	0.1583		

* Refer to Note 2c

The consolidated financial statements were approved by the Board of Directors on 23.03.2009 and were signed on its behalf by:

Horia Ciorcila
Chairman

Maria Moldovan
Chief Financial Officer

CONSOLIDATED BALANCE SHEET
As at 31 December

	Note	2008 RON thousand	2007 RON thousand	Convenience Translation* 2008 EUR thousand	Convenience Translation* 2007 EUR thousand
Assets					
Cash and cash equivalents	17	3,698,738	3,017,299	928,119	835,770
Placements with banks	18	828,608	1,182,975	207,922	327,676
Financial assets at fair value through profit and loss	19	14,522	63,067	3,644	17,469
Loans and advances to customers	20	10,884,901	8,484,048	2,731,331	2,350,022
Net lease investments	21	380,779	298,107	95,548	82,574
Investment securities, available-for-sale	22	798,250	580,881	200,304	160,900
Investment securities, held to maturity	22	11,655	12,672	2,925	3,510
Investments in associates	23	28,663	68,670	7,192	19,021
Property and equipment	24	385,404	299,919	96,709	83,075
Intangible assets	25	14,628	8,366	3,671	2,317
Goodwill	25	8,369	8,369	2,100	2,318
Deferred tax asset	26	21,068	-	5,287	-
Other assets	27	73,168	59,112	18,358	16,374
Total assets		17,148,753	14,083,485	4,303,110	3,901,026
Liabilities					
Deposits from banks	28	38,325	76,251	9,617	21,120
Deposits from customers	29	12,097,075	10,390,347	3,035,500	2,878,053
Loans from banks and other financial institutions	30	2,877,809	1,873,797	722,124	519,029
Other subordinated liabilities	31	239,685	216,988	60,144	60,104
Debt securities issued	32	63,601	55,622	15,959	15,407
Deferred tax liabilities	26	-	685	-	190
Other liabilities	33	175,921	196,621	44,144	54,463
Total liabilities		15,492,416	12,810,311	3,887,488	3,548,366
Equity					
Share capital	34	1,149,595	700,979	288,466	194,166
Treasury shares		(200)	-	(50)	-
Share premiums		76,566	98,602	19,213	27,312
Retained earnings		265,677	266,371	66,665	73,783
Reevaluation reserve		23,852	24,061	5,985	6,665
Other reserves	35	130,427	172,957	32,728	47,908
Total equity attributable to equity holders of the Bank		1,645,917	1,262,970	413,007	349,834
Minority interest		10,420	10,204	2,615	2,826
Total equity		1,656,337	1,273,174	415,622	352,660
Total liabilities and equity		17,148,753	14,083,485	4,303,110	3,901,026

* Refer to Note 2c

The consolidated financial statements were approved by the Board of Directors on 23.03.2009 and were signed on its behalf by:

Horia Ciorcila
Chairman

Maria Moldovan
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2008

In RON thousand	Attributable to equity holders of the Bank							
	Share capital	Treasury shares	Share premiums	Revaluation reserves	Other reserves	Retained earnings	Minority interest	Total
Balance at 31 December 2007	700,979	-	98,602	24,061	172,957	266,371	10,204	1,273,174
Increase in share capital through appropriation of retained earnings	319,461	-	-	-	-	(319,461)	-	-
Increase in share capital through incorporation of share premiums	98,602	-	(98,602)	-	-	-	-	-
Cash contribution to share capital	30,553	-	76,566	-	-	-	-	107,119
Distribution to statutory reserves	-	-	-	-	23,360	(23,360)	-	-
Acquisition of treasury shares	-	(200)	-	-	-	-	-	(200)
Transfer from revaluation surplus to retained earnings	-	-	-	(209)	-	209	-	-
Fair values losses from available for sale investments (net of deferred tax)	-	-	-	-	(65,890)	-	-	(65,890)
Profit for the year	-	-	-	-	-	361,672	(1,685)	359,987
Other changes	-	-	-	-	-	(19,754)	1,901	(17,853)
Balance at 31 December 2008	1,149,595	(200)	76,566	23,852	130,427	265,677	10,420	1,656,337

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

In RON thousand	Attributable to equity holders of the Bank							
	Share capital	Treasury shares	Share premiums	Revaluation reserves	Other reserves	Retained earnings	Minority interest	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

In RON thousand	Note	2008	2007
Cash flow from/ (used in) operating activities			
Profit for the year		359,987	309,444
Adjustments for:			
Depreciation and amortization	24, 25	63,137	48,321
Impairments and write-offs of financial assets		161,492	124,740
Share of profit in associate, net of dividends		28,581	727
Fair value adjustment of financial assets at fair value through profit and loss		51,208	(3,846)
Profit from discontinued operations sold	8	-	(275,577)
Profit from sale of associates		(268,814)	-
Income tax expense	16	65,745	57,638
Other adjustment		36,995	18,489
Net profit adjusted with non-monetary elements		498,331	279,936
Changes in operating assets and liabilities			
Change in investment securities		(371,893)	(467,934)
Change in placement with banks		(4,000)	207,976
Change in loans and advances to customers		(2,537,511)	(3,747,572)
Change in net lease investments		(89,164)	(116,767)
Change in financial assets at fair value through profit and loss		(1,912)	31,749
Change in other assets		(20,350)	(24,815)
Change in deposits from banks and customers		1,618,937	4,764,754
Change in other liabilities		8,450	25,551
Income tax paid		(106,280)	(13,896)
Net cash from/ (used in) operating activities		(1,005,392)	938,982
Cash flow from / (used in) investing activities			
Net acquisitions of property and equipment and intangible assets		(154,035)	(105,985)
Net proceeds from sale of discontinued operations (net of cash disposed of)	8	-	200,590
Net proceeds from sale of associates	23	299,330	-
Proceeds from sale of equity investments		721	-
Acquisition of subsidiaries (net of cash acquired) and investments in associates		(4,696)	(25,531)
Dividends collected		4,338	-
Net cash flow from investing activities		145,658	69,074
Cash flow from /(used in) financing activities			
Proceeds from increase of share capital		107,119	145,291
Subscription of minority interest to the share capital of subsidiaries		584	-
Proceeds from loans from banks and other financial institutions, subordinated liabilities and debt securities issued, net of payments		1,014,407	584,726
Net cash flow from financing activities		1,122,110	730,017
Net increase in cash and cash equivalents		262,376	1,738,073
Cash and cash equivalents at 1 January		4,200,274	2,462,201
Cash and cash equivalents as at 31 December		4,462,650	4,200,274

Analysis of cash and cash equivalents

In RON thousand	Note	31 December 2008	31 December 2007
Cash and cash equivalents include:			
Cash at hand and accounts held with banks	17	277,761	288,002
Balances with National Bank of Romania – less than 3 months	17, 18	3,418,331	3,229,297
Placements with other banks – less than 3 months	18	766,558	682,975
Total		4,462,650	4,200,274

Reconciliation of cash and cash equivalents to balance sheet

In RON thousand	Note	31 December 2008	31 December 2007
Cash and cash equivalents	4c	3,698,738	3,017,299
Placements with banks, less than 3 months maturity	4c	770,649	1,182,975
Less accrued interest		(6,737)	-
Cash and cash equivalents in the cash flow statement		4,462,650	4,200,274

Cash flows from operating activities include:

In RON thousand	2008	2007
Interest collected	1,537,442	896,074
Interest paid	875,854	408,310

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 and Moldova. The consolidated financial statements of the Group for the year ended 31 December 2008 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 2008	31 December 2007
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 (consumer loans)	100.00%	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 SAFE Agent de Asigurare S.R.L.	Insurance	99.98%	99.98%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance	99.99%	99.99%
BT Account Agent de Asigurare S.R.L.	Investments	100.00%	100.00%
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%	50.00%
BT Consultant S.R.L.	Financial brokering	100.00%	100.00%
BT Evaluator S.R.L.	Financial brokering	100.00%	100.00%
Medicredit Leasing IFN S.A.	Leasing	57.39%	57.39%
Rent-a-med S.R.L.	Rental of medical equipments	57.39%	57.39%
BT Leasing MD SRL (Moldova)	Leasing	100.00%	-

The Group has the following principal areas of business activity: banking, which is performed by Banca Transilvania S.A. ("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. and BT Direct IFN S.A., advisory services provided by Rent-a Med S.R.L., asset management which is performed by BT Asset Management S.A. (in which the Bank holds between 78.49% and 92.17 %) 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, 63 branches, 419 agencies and 49 working points (2007: 57 branches, 371 agencies and 28 working points) 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 Cyprus branch financial information as at 31 December 2008 was as follows: total assets – RON 22,851 thousand (31 December 2007: RON 2,722 thousand), total liabilities – RON 23,166 thousand (31 December 2007: RON 3,213 thousand), loss – RON 1,200 thousand (2007: loss – RON 491 thousand),

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 2008 was 6,466 employees (31 December 2007: 5,792 employees).

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 2008	**31 December 2007**
The European Bank for Reconstruction and Development ("EBRD")	14.97%	14.97%
Individuals, citizens of Romania	39.91%	41.90%
Domestic companies	21.77%	20.14%
Foreign individuals	6.01%	4.17%
Foreign companies	17.34%	18.82%
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. It 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, 1 branch and 31 working points (2007: 1 branches and 34 working points) throughout the country. The company leases various types of vehicles and technical equipment.

The number of employees as at 31 December 2008 was 127 employees (2007: 105 employees),

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

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") as endorsed by the European Union, effective at the Group's annual reporting date, 31 December 2008.

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 the National Bank of Romania and the National Bank of Cyprus's banking regulations.

The subsidiaries maintain their accounting records in accordance with Romanian and Moldavian 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 as endorsed 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 was 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");
- setting up = provisions 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, for financial assets and liabilities held at fair value through profit and loss and available-for-sale instruments, except fro 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 to 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 presented in 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 part of the audited financial statements.

According to IAS 21, since the functional currency is leu, 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 2008: 3.9852 RON/EUR; 31 December 2007: 3.6102 RON/EUR);
- Income and expense item 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 2008: 3.6827 RON/EUR; average exchange rate in 2006: 3.3373 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 as endorsed by the European Union implies that the management uses estimation and judgments that affect the application 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 judgments are reviewed on an ongoing basis. The review of the accounting estimates are recognized in the period in which the estimate is reviewed if the review affects only that period or in the period of the review and future periods if the review affects both current and future periods.

Information about estimates used in the application 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 2007 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 control starts until the date 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 over the financial and operational policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates using the equity method, from the date that significant influence commences until the date 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.

Banca Transilvania's shares in these investment funds varies between 23.88% and 35.%.

The Bank held an investment of 25% in Asiban S.A., an insurance company which was sold during August 2008 for EUR 87,500 thousand.

The Grup included its share from the associates' losses and gains according to IAS 28 "Investment in associates".

(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 provisions of IAS 31 „Interests in joined ventures".

As at 31 December 2008, the jointly controlled entities owned by the Group were: 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 entity. 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 booked in RON at the official exchange rate 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.

The gains and losses related to the settlement and translations of these balances using the exchange rate at the end of the financial year are recognized in the profit and loss accounts, except for the ones booked in equity as a result of accounting for risk management.

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 expense item 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 2008	31 December 2007	Variation %
Euro (EUR)	1: RON 3.9852	1: RON 3.6102	10.38%
US Dollar (USD)	1: RON 2.8342	1: RON 2.4564	15.4%

c) Accounting method for the effect of hyperinflation

According to IAS 29 and IAS 21, the financial statements of an entity whose functional 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 January 1, 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 expense

Interest income and expense related to financial investments 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 commissions 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 held for risk management and other financial assets and liabilities held at fair value are presented in the net result from other financial instruments held at fair value through profit and loss account. Fair value changes of other financial assets and liabilities at fair value through profit and loss are presented as interest income and expenses.

e) Net fee and commission income

Fee 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 commitment 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 in the profit and loss. Other fee 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 as endorsed 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 relates to equity elements.

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 2008 is 16% (31 December 2007: 16%).

j) Financial assets and liabilities

(i) Classifications

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 derivative instruments.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on 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 and net lease investments.

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. As at 31 December 2008 and 31 December 2007 the Group included in this category certain treasury bills issued by the Ministry of Public Finance.

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 financial 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) Amortized 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, less 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 estimated, equity instruments that do not have a quoted market price on 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 or a group of 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, specified in the contract. The asset's accounting value can be decreased directly or by using an impairment account. The expense with the impairment loss is recognized in the income statement.

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 impairment 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 included observable data on the following loss events 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 to customers and net lease investments 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 released directly 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 released 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 released 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 through profit and loss.

(viii) Designation at fair value through profit and loss

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

- it 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 at 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. As at 31 December 2007 the Group does not had 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 loans 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.

The Group considered that the effective transaction prices would be between the informative BID-ASK quotations obtained, which are rather an interval within which the Group could have realistically negotiated the quotations for each series and taking into account the volume of its portfolio, and thus, the Bank used in its estimation an average price for each series.

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.

Change in accounting policy

In October 2008 the International Accounting Standards Board ("IASB") issued Reclassification of Financial Assets (Amendments to IAS 39 "*Financial instruments: Recognition and Measurement and IFRS 7 Financial instruments: Disclosures*"). The amendment to IAS 39 permits an entity to transfer from the available-for-sale category to the loans and receivables category a non-derivative financial asset that otherwise would have met the definition of loans and receivables if the entity has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

The amendment to IFRS 7 introduces additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendment to IAS 39. The amendments are effective retrospectively from 1 July 2008.

Pursuant to these amendments, the Group reclassified certain non-derivatives financial assets out of available-for-sale investment securities into placement with banks. For details on the impact of this reclassification, see note 22.

p) 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.

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.

q) Intangible assets

(i) Goodwill and negative goodwill

Goodwill / (negative goodwill) arise 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.

r) 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.

s) 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.

t) 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.

u) 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.

v) 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.

w) 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).

x) Employee benefits

(i) Short term 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 makes 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 invested.

y) 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.

z) 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.

aa) 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.

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

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements:

- Amendment to IFRS 2 "*Share-based Payment*" (effective starting 1 January 2009). The amendments to the Standard clarify the definition of vesting conditions and introduce the concept of non-vesting conditions. Non-vesting conditions are to be reflected in grant-date fair value and failure to meet non-vesting conditions will generally result in treatment as a cancellation. The amendments to IFRS 2 are not relevant to the Group's operations as the Group does not have any share-based compensation plans.
- Revised IFRS 3 "*Business Combinations*" (effective for annual periods beginning on or after 1 July 2009). The scope of the revised Standard has been amended and the definition of a business has been expanded. The revised Standard also includes a number of other potentially significant changes including:
    1. all items of consideration transferred by the acquirer are recognised and measured at fair value as of the acquisition date, including contingent consideration;
    2. subsequent change in contingent consideration will be recognized in profit or loss;
    3. transaction costs, other than share and debt issuance costs, will be expensed as incurred;
    4. the acquirer can elect to measure any non-controlling interest at fair value at the acquisition date (full goodwill), or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquired party, on a transaction-by-transaction basis.

  As the revised Standard should not be applied to business combinations prior to the date of adoption, the revised Standard is expected to have no impact on the financial statements with respect to business combinations that occur before the date of adoption of the revised Standard.
- IAS 23 (Revised), "*Borrowing costs*" (effective starting 1 January 2009). The revised Standard removes the option to expense borrowing costs and requires the capitalization of borrowing costs that relate to qualifying assets (those that take a substantial period of time to get ready for use or sale). Currently this is not applicable to the Group as there are no qualifying assets.
- IFRS 8, "*Operating segments*" (effective starting 1 January 2009). The Standard introduces the "management approach" for segment reporting and requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity for which separate financial information is available that is evaluated regularly by the Group's Chief Operating Decision Maker in deciding how to allocate resources and for assessing performance.
- Revised IAS 1 "*Presentation of Financial Statements*" (effective from 1 January 2009). The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either as a single statement of comprehensive income (effectively combining the income statement and all non-owner changes in equity in a single statement), or as two separate statements (a separate income statement followed by a statement of comprehensive income). The Group is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.
- Amendments to IAS 27, "*Consolidated and Separate Financial Statements*" (effective for annual periods beginning on or after 1 January 2009). The amendments remove the definition of "cost method" currently set out in IAS 27, and instead require all dividends from a subsidiary, jointly controlled entity or associate to be recognised as income in the separate financial statements of the investor when the right to receive the dividend is established. In addition, the amendments provide guidance when the receipt of dividend income is deemed to be an indicator of impairment. The amendments to IAS 27 are not expected to have any impact on these separate financial statements when adopted as the amendments apply prospectively.
- Revised IAS 27 "*Consolidated and Separate Financial Statements*" (effective for annual periods beginning on or after 1 July 2009). In the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling

interest. Revised IAS 27 is not relevant to the Bank's operations as the Group does not have any interests in subsidiaries that will be affected by the revisions to the Standard.

- Amendments to IAS 32 "*Financial Instruments: Presentation*", and IAS 1, "*Presentation of Financial Statements*" (effective for annual periods beginning on or after 1 January 2009). The amendments introduce an exemption to the principle otherwise applied in IAS 32 for the classification of instruments as equity; the amendments allow certain puttable instruments issued by an entity that would normally be classified as liabilities to be classified as equity if, and only if, they meet certain conditions. The amendments are not relevant to the Group's financial statements as none of the Group entities have in the past issued puttable instruments that would be affected by the amendments.
- Amendment to IAS 39,"*Financial Instruments: Recognition and Measurement*" (effective for annual periods beginning on or after 1 July 2009). The amended Standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances. The amendments to IAS 39 are not relevant to the Group's operations as the Group does not apply hedge accounting.
- IAS 40, "*Investment Property*" (effective for annual periods beginning on or after 1 January 2009). IAS 40 is amended to include property under construction or development for future use as investment property in its definition of "investment property". This results in such property being within the scope of IAS 40; previously it was within the scope of IAS 16
- IFRIC 13 "*Customer Loyalty Programmes*" (effective for annual periods beginning on or after 1 July 2008). The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. The Group does not expect the Interpretation to have any impact on the financial statements.
- IFRIC 15 "*Agreements for the Construction of Real Estate*" (effective for annual periods beginning on or after 1 January 2009). IFRIC 15 clarifies that revenue arising from agreements for the construction of real estate is recognised by reference to the stage of completion of the contract activity in the following cases:
    1. the agreement meets the definition of a construction contract in accordance with IAS 11.3;
    2. the agreement is only for the rendering of services in accordance with IAS 18 (e.g., the entity is not required to supply construction materials); and
    3. the agreement is for the sale of goods but the revenue recognition criteria of IAS 18.14 are met continuously as construction progresses.

  In all other cases, revenue is recognised when all of the revenue recognition criteria of IAS 18.14 are satisfied (e.g., upon completion of construction or upon delivery). IFRIC 15 is not relevant to the Group's operations as the Group does not provide real estate construction services or develop real estate for sale.
- IFRIC 16 "*Hedges of a Net Investment in a Foreign Operation*" (effective for annual periods beginning on or after 1 October 2008). The Interpretation explains the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation. The Standard is not applicable to the Group.
- IFRIC 17 "*Distributions of Non-cash Assets to Owners*" (effective prospectively for annual periods beginning on or after 15 July 2009). The Interpretation applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be re-measured at each reporting date, with any changes in the carrying amount recognised in equity as adjustments to the amount of the distribution. When the dividend payable is settled the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss. As the interpretation is applicable only from the date of application, it will not impact on the financial statements for periods prior to the date of adoption of the interpretation.

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 note provides details of the Group's exposure towards 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 risk management is an important part of all the decisional and business processes within the Group.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors established the Management Board and the Asset and Liability Committee (ALCO), Credit Risk Committee and Operational Risk Committee from the Bank's Head Office (loans approval), Credit Committee and Risk from Branches/ Agencies, which are responsible for developing and monitoring risk management policies in their specified areas. The Board of Directors periodically reviews the activity of these committees.

The Board of Directors monitors the compliance with Group risk policies and improvement of the general risk management framework in connection to risks that the Group is exposed to.

Banca Transilvania S.A. strategy regarding significant risk management focuses on the performance of estimated ratios in a controlled risk environment which ensures both the normal continuity of the business and the protection of the shareholders and clients' interest. Banca Transilvania S.A. guarantees that its risk management strategy is adequate in terms of undertaken risk profile, nature, size and business complexity and also in correlation with its business plan.

Risk management policies and systems are reviewed regularly (mainly annually) with the participation of the Management Committee, Risk Management Committee and involved persons from different Departments, in order to reflect the changes in the market conditions, products and services provided.

The Group's Audit Committee reports to 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.

The Board of Directors and management committees of BT Leasing IFN S.A., Compania de Factoring IFN S.A. and Medicredit Leasing IFN S.A. have responsibilities regarding significant risk management in correlation with their business characteristics and the legislation in force.

b) Credit risk

(i) Credit risk management

The Group is exposed to credit risk through its trading, lending, leasing and investment activities when it acts as intermediary on behalf of customers or third parties or when 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 by selecting counterparties of good credit standings and monitoring their activities and ratings and by the use of exposure limits and when appropriate by requiring collateral.

The Group's primary exposure to credit risk arises from its loans and advances to customers. The amount of credit exposure in this regard is represented by the carrying amounts of 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 to 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 loan granting, in order to monitor the customers' payment capacity (principal and interest) during the entire lending process.

The Board of Directors delegated the responsibility for credit risk management to the Management Committee, Banking Risk Management Committee ("CARB"), Credit Committee (lending 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 Department, which reports to the central committee previously presented and has the following responsibilities:

- Identifying and assessing of specific risks within the lending activity;
- Complying with internal regulations specific for the lending activity;
- Elaborating proposals for reducing specific risks, in order to maintain sound standards for the lending activity;
- Monitoring 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 lending activity;
- Approving and exploiting ratio computation in respect to granting / modifying the branches' competencies of granting loans, according to specific internal policies;
- Periodical review and recommendation to the Banking Risk Management Committee, concerning the acceptable risk levels for Banca Transilvania S.A.;
- Identifying, monitoring and controlling the credit risk at branch level;
- Ensuring compliance with the internal regulations, the NBR norms and the legislation in force for the lending activity carried out by the local units;
- Drafting of proposals for reducing specific risks, in order to maintain loan granting standards at each branch level;
- Risk analysis for existing / modified credit products, including recommendations from the involved departments;
- Large exposure risk analysis / credit portfolios, including recommendations to the Risk Management Committee, Management Committee and Board of Directors;
- Approving exposure limits computation for counterparties;
- Receives proposals from the involved departments and cooperates with them for updating the Regulation regarding organization, functioning, management and control of specific risks;
- Periodically presents reports to the Board of Directors and CARB 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 the credit portfolio and for monitoring and controlling all credit risks, including those subject to central approval.

The Internal Audit Department and the Risk Inspection Department with the Risk Management Department carry out periodical reviews 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 relationship with the customers. The scoring system reflects different levels of the default risk. The Credit Management Department is responsible for the classification criteria and the scoring system, which is reviewed periodically.

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 2008	**31 December 2007**
Individuals	39.25%	39.12%
Trading	17.42%	17.22%
Production	12.89%	12.66%
Construction	6.91%	7.44%
Transport	4.68%	7.12%
Services	4.54%	4.07%
Real estate	2.71%	2.64%
Agriculture	2.31%	1.73%
Financial institutions	1.77%	2.31%
Freelancers	1.64%	0.36%
Chemical industry	1.47%	1.39%
Mining industry	0.75%	0.79%
Telecommunications	0.49%	0.46%
Energy industry	0.37%	0.59%
Fishing industry	0.06%	0.04%
Governmental bodies	0.02%	0.02%
Others	2.72%	2.04%
Total	100.0%	100.0%

At 31 December 2008, total on and off balance sheet exposures was RON 14,295,182 thousand (31 December 2007: RON 10,473,56 thousand).

The amounts reflected in the previous paragraph reflect the maximum accounting loss that would be recognized at reporting date if the customers failed completely to perform contractual obligations and if any collateral or security proved to be of no value

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 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.

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 class 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 2008 and 2007 are presented below:

		Loans and advances granted to customers and net lease investment	
In RON thousand	**Note**	**31 December 2008**	**31 December 2007**
Past due and individually impaired			
Class 4		433,850	227,972
Class 5		275,786	75,104
Class 6		182,292	76,242
Gross amount		891,928	379,318
Allowance for impairment	20, 21	(179,758)	(103,121)
Carrying amount		712,170	276,197
Past due but not individually impaired			
Class 1-2		53,030	102,741
Class 3		127,484	47,043
Class 4		-	509
Class 5		-	481
Gross amount		180,514	150,774
Allowance for impairment	20, 21	(2,372)	(1,519)
Carrying amount		178,142	149,255
Past-due			
15-30 days		110,992	41,036
30-60 days		69,522	97,266
60-90 days		-	11,990
90-180 days		-	482
Gross amount		180,514	150,774
Neither past due nor impaired			
Class 1		9,611,209	7,838,943
Class 3		898,102	575,339
Gross amount		10,509,311	8,414,282
Allowance for impairment	20, 21	(133,943)	(57,579)
Carrying amount		10,375,368	8,356,703
Total carrying amount		11,265,680	8,782,155

Past due and individually impaired loans

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 / security 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.

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

In thousand RON	**Gross amount**	**Carrying amount**
31 December 2008		
Class 4	433,850	423,198
Class 5	275,786	262,943
Class 6	182,292	26,029
Total	891,928	712,170
31 December 2007		
Class 4	227,972	165,996
Class 5	75,104	54,686
Class 6	76,242	55,515
Total	379,318	276,197

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:

In thousand RON	**31 December 2008**	**31 December 2007**
Related to past due and individually impaired		
Property	890,222	315,110
Debt securities	155,943	47,061
Other	27,578	82,611
	1,073,742	444,782
Related to past due but not individually impaired		
Property	1,359,921	53,196
Debt securities	91,536	4,020
Other	16,965	11,579
	1,468,423	68,795
Related to neither past due nor impaired		
Property	10,128,060	7,526,894
Debt securities	808,906	775,401
Other	212,929	1,435,862
	11,149,895	9,738,157
Total	13,692,060	10,251,734

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 one 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 2008 as follows:

In RON thousand	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 – 5 years	Over 5 years	Without maturity	Total
31 December 2008								
Financial assets								
Cash and cash equivalents	3,698,738	-	-	-	-	-	-	3,698,738
Placements with banks	770,649	4,833	137	30,108	22,881	-	-	828,608
Financial assets at fair value through profit and loss	-	-	-	-	-	-	14,522	14,522
Loans and advances to customers	1,282,126	1,031,805	1,629,430	1,884,016	1,092,347	3,965,177	-	10,884,901
Net lease investments	55,691	35,940	67,463	186,019	35,666	-	-	380,779
Financial assets available for sale	212,910	141,199	107,653	233,019	60,660	25,717	17,092	798,250
Held-to-maturity investments	9	566	-	10,300	780	-	-	11,655
Investment in associates	-	-	-	-	-	-	28,663	28,663
Other assets	68,836	1,346	1,110	658	1,218	-	-	73,168
Total financial assets	6,088,959	1,215,689	1,805,793	2,344,120	1,213,552	3,990,894	60,277	16,719,284
Financial liabilities								
Deposits from banks	36,183	2,142	-	-	-	-	-	38,325
Deposits from customers	8,682,469	814,280	237,087	600,326	1,741,549	21,364	-	12,097,075
Loans from banks and other financial institutions, other subordinated loans and debt securities issued	381,495	306,357	584,733	1,054,652	641,699	212,159	-	3,181,095
Other liabilities	174,281	196	325	1,119	-	-	-	175,921
Total financial liabilities	9,274,428	1,122,975	822,145	1,656,097	2,383,248	233,523	-	15,492,416
Maturity surplus / (shortfall)	(3,185,469)	92,714	983,648	688,023	(1,169,696)	3,757,371	60,277	1,226,868

In RON thousand	**Up to 3 months**	**3 – 6 months**	**6 – 12 months**	**1 – 3 years**	**3 – 5 years**	**Over 5 years**	**Without maturity**	**Total**
31 December 2007								
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	747,936	1,107,424	1,381,486	996,864	2,835,812	-	8,484,048
Net lease investments	46,816	28,440	52,870	148,872	20,987	122	-	298,107
Financial assets available for sale	10,198	4,450	13,639	298,126	108,089	37,388	108,991	580,881
Held-to-maturity investments	592	,	1,000	10,300	780	-	-	12,672
Investment in associates	-	-	-	-	-	-	68,670	68,670
Other assets	41,362	1,570	2,026	1,927	1,482	8,141	2,604	59,112
Total financial assets	5,713,768	782,396	1,176,959	1,840,711	1,128,202	2,881,463	243,332	13,766,831
Financial liabilities								
Deposits from banks	76,251	-	-	-	-	-		76,251
Deposits from customers	7,322,290	859,401	270,562	222,929	1,698,277	16,888	-	10,390,347
Loans from banks and other financial institutions, other subordinated loans and debt securities issued	42,445	194,296	481,515	668,935	266,499	392,717	-	2,146,407
Other liabilities	193,199	432	713	1,890	387	-	-	196,621
Total financial liabilities	7,734,185	1,054,129	752,790	893,754	1,965,163	409,605	-	12,809,626
Maturity surplus / (shortfall)	(2,020,417)	(271,733)	424,169	946,957	(836,961)	2,471,858	243,332	957,205

d) Market risk

Market risk refers to changes in interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) which may 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 instruments because of a change in market interest rates. Interest rate risk is managed principally by 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.

Interest rate risk

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 by 100 and 200 basis 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 basis points Increase RON thousand	**200 basis points Decrease RON thousand**	**100 basis points Increase RON thousand**	**100 basis points Decrease RON thousand**
At 31 December 2008				
Average for the period	(7,386)	7,386	(3,693)	3,693
Minimum for the period	(47,072)	2	(23,536)	1
Maximum for the period	(2)	47,072	(1)	23,536
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

In the sensitivity analysis regarding interest rate variation the Bank has computed the impact over the interest margin over the future financial exercise by taking into consideration the interest rate resetting date for assets and liabilities recorded in the balance sheet as follows: the Bank divided the assets and liabilities bearing fixed interest rate from the ones bearing variable interest rate and for each category the following split was made: less than 1 week, 1 week – 3 months, 3 – 6 months, 6 – 12 months, 1 – 3 years and 3 – 4 years; for the assets and liabilities with variable interest rate the future interest cash flows were recomputed by modifying the interest rate by +/- 100 and 200 basis points.

Based on the Bank's sensitivity analysis according to the methodology presented above it can be observed that the impact over the Bank's profit over the next 3 years is limited. The most significant impact is recorded between 3 and 4 years, which gives the Bank enough time to adjust to current market conditions. The average for the period included in the table above represents the average monthly impact of the change in interest rates over the Bank's profit (according to the methodology presented above) and the minimum and maximum included represents the annual potential impact over the profit for the time interval 3 – 4 years.

The Group is exposed to interest rate risk mainly from exposures 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 more sensitive to 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. 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 reset to market rates or, if earlier, the dates on which the instruments mature.

The interest rates related to the local currency and major foreign currencies as at 31 December 2008 and 2007 were as follows:

Currency	**Interest rate**	**31 December 2008**	**31 December 2007**
Leu (RON)	Robor 3 months	15.46%	8.38%
Euro (EUR)	Euribor 3 months	2.89%	4.68%
Euro (EUR)	Euribor 6 months	2.97%	4.70%
US Dollar (USD)	Libor 6 months	1.75%	4.59%

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 2008:

	RON Range		**USD Range**		**EUR Range**	
Assets	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
Cash and cash equivalents	0%	7%	0%	1.3%	0%	4%
Placements with banks	2%	65%	1%	6.5%	1.4%	7.5%
Loans and advances to customers	0%	38%	4.6%	13.5%	0%	17.5%
Net lease investments	0%	38%	-	-	5.4%	18.3%
Investment securities	6%	14.2%	-	-	-	-
Liabilities						
Deposits from banks	2%	27.5%	1%	5.8%	4.2%	7.3%
Deposits from customers	0%	23.2%	0.1%	5%	0%	10%

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 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%	2.3%	0%	5%	0%	4.5%
Placements with banks	1%	60%	4.1%	7%	3%	6.3%
Loans and advances to customers	0%	35%	4.5%	14%	1%	17.5%
Net lease investments	8.5%	25%	-	-	6.8%	17.7%
Investment securities	6%	11%	-	-	-	-
Liabilities						
Deposits from banks	1.2%	44.8%	5.2%	6.9%	3%	5.9%
Deposits from customers	6.2%	8%	3.5%	4.5%	3.7%	5.5%

A summary of the Group's interest rate gap position on interest bearing instruments as at 31 December 2008 is as follows:

In RON thousand	Less than 6 months	6 – 12 months	1 – 3 years	3 – 5 years	More than 5 years	Non sensitive	Total
31 December 2008							
Financial assets							
Cash and cash equivalents	3,698,738	-	-	-	-	-	3,698,738
Placements with banks	775,482	137	30,108	22,881	-	-	828,608
Financial assets at fair value through profit and loss	14,522	-	-	-	-		14,522
Loans and advances to customers	6,670,084	3,907,556	307,261	-	-	-	10,884,901
Net lease investments	291,367	76,462	12,238	712	-	-	380,779
Financial assets available for sale	370,785	103,047	233,019	60,469	24,284	6,646	798,250
Held-to-maturity investments	875	-	10,000	780	-	-	11,655
	11,821,853	4,087,202	592,626	84,842	24,284	6,646	16,617,453
Financial liabilities							
Deposits from banks	38,325	-	-	-	-	-	38,325
Deposits from customers	9,483,779	2,495,658	93,119	3,704	20,815	-	12,097,075
Loans from banks and other financial institutions, other subordinated loans and debt securities	2,929,806	240,083	11,206	-	-	-	3,181,095
	12,451,910	2,735,741	104,325	3,704	20,815	-	15,316,495
Net position	(630,057)	1,351,461	488,301	81,138	3,469	6,646	1,300,958

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 6 months	6 – 12 months	1 – 3 years	3 – 5 years	More than 5 years	Non sensitive	Total
31 December 2007							
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	5,264,159	2,911,231	308,658	-	-	-	8,484,048
Net lease investments	79,415	87,137	113,355	18,079	121	-	298,107
Financial assets available-for-sale	133,891	13,639	292,823	107,987	29,746	2,795	580,881
Held-to-maturity investments	892	1,000	10,000	780	-	-	12,672
	9,741,698	3,013,007	724,836	126,846	29,867	2,795	13,639,049
Financial liabilities							
Deposits from banks	76,251	-	-	-	-	-	76,251
Deposits from customers	8,181,692	1,959,606	222,928	9,233	16,888	-	10,390,347
Loans from banks and other financial institutions, other subordinated loans and debt securities	1,878,927	264,457	2,373	650	-	-	2,146,407
	10,136,870	2,224,063	225,301	9,883	16,886	-	12,613,005
Net position	(395,172)	788,944	499,535	116,963	12,979	2,795	1,026,044

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 may 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 2008 are presented below:

In RON thousand	RON	EUR	USD	Other	Total
Monetary assets					
Cash and cash equivalents	1,383,312	2,122,928	181,106	11,392	3,698,738
Placement with banks	371,658	351,960	73,839	31,151	828,608
Financial assets at fair value through profit and loss	14,522	-	-	-	14,522
Loans and advances to customers	7,221,483	3,468,753	194,665	-	10,884,901
Net lease investments	49,016	331,360	-	403	380,779
Financial assets available-for-sale	798,087	163	-	-	798,250
Held-to-maturity investments	11,655	-	-	-	11,655
Investments in associates	28,663	-	-	-	28,663
Other assets	55,240	15,531	916	1,481	73,168
Total monetary assets	9,933,636	6,290,695	450,526	44,427	16,719,284
Monetary liabilities					
Deposits from banks	13,506	24,543	276	-	38,325
Deposits from customers	8,249,144	3,453,631	371,627	22,673	12,097,075
Loans from banks and other financial institutions, other subordinated loans and debt securities issued	333,068	2,742,629	105,398	-	3,181,095
Other debts	135,323	35,452	3,630	1,516	175,921
Total monetary liabilities	8,731,041	6,256,255	480,931	24,189	15,492,416
Net currency position	1,202,595	34,440	(30,405)	20,238	1,226,868

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

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

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 application of changes in the European legislation.

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.

f) Operating environment

The process of risk repricing during 2007 and 2008 in the international financial markets severely affected the performance of those markets, including the Romanian financial and banking market, and fostered heightened uncertainty with regard to future economic developments.

The ongoing global credit and liquidity crisis which commenced in the middle of 2008 has resulted in, among other things, lower level and difficult access to the capital market funding, lower liquidity levels across the Romanian banking sector, and higher interbank lending rates. The significant losses experienced in the global financial market could affect the ability of the Group to obtain new borrowings and refinance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

Identification and valuation of investments influenced by a lending market with low liquidities, the determination of compliance with debt agreement and other contract covenants, and the evaluation of significant uncertainties, bring their own challenges.

The Group's debtors may also be affected by the lower liquidity situation which could in turn impact their ability to repay their outstanding loans. The deterioration of operating conditions for borrowers may also have an impact on the management cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has reflected revised estimates of expected future cash flows in its impairment assessment.

Such ongoing concerns regarding the depreciation of financial conditions and a further retrenchment in confidence, prompted a coordinated effort of governments and central banks to adopt special measures aimed at countering a vicious circle of growing risk aversion and at minimizing the effects of the financial crisis and finally restoring normal market functioning.

Management is unable to predict all developments which could have an impact on the Romanian banking sector and consequently the effects, if any, they could have on these financial statements.

Management is unable to reliably estimate the effects on the Group's financial statements of any further deterioration in the liquidity of the financial markets, devaluation of financial assets influenced by the illiquid credit market conditions and the increased volatility in the currency and equity markets.

Management believes it is taking all the necessary measures to support the sustainability and growth of the Bank's business in the current circumstances by:

- preparing liquidity crisis strategy and establishing specific measures to address potential liquidity crisis;
- daily monitoring its liquidity position;
- forecasting on short-term basis its net liquidity position;
- monitoring incoming and outgoing cash flows on daily basis and assessing the effects on its borrowers of the limited access to funding and the sustainability of growing businesses in Romania.

The national economy is constantly presenting the characteristics of an emerging market: significant current account deficit, the difference between Romania and the other EU Member States, undeveloped market, low infrastructure and fluctuations in the exchange rate.

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 than the ones associated with credit, market and liquidity risk such as legal requirements or generally accepted corporative policies. 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 their damage to the Group's reputation with overall cost effectiveness and the prevention of control procedures that restrict initiative and creativity.

Main 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 incurred, and the adequacy of controls and procedures to address the risks identified;
- requirements for reporting operational losses and proposed remedial action;
- a formalized approach to business continuity with a focus on IT infrastructure (public services, hardware, software, human resources) due to its high degree of support during the activity;
- training and professional development for all business lines and for all the Group employees; development of ethical and business standards.

The limitation of the risk by using insurance, upon case, 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

The Bank's regulatory capital based on the legal requirements in force regarding capital management includes

- Tier 1 capital, which includes ordinary share capital, share premium, eligible reserves (for 31 December 2008 the computation was performed based on the National Bank of Romania ("NBR") regulation 18/2006 modified by NBR Regulation 10/2008 which excludes from the eligible reserves the current year profit until its distribution by the General Shareholders' Meeting) after deductions of intangible assets, 50% of shares' value and other financial investments that exceed 10% from share capital and 50% of the investments held in insurance companies;
- Tier 2 capital, which includes subordinated liabilities, fixed assets revaluation reserves after deduction of 50% of shares' value and other financial investments that exceed 10% from share capital and 50% of the investments held in insurance companies.

Until 31 December 2007 The Bank computed the minimum capital requirements based on NBR Norm 12/2003 and 5/2004.

Starting 2008 the Bank applied NBR Regulation 13/2006 regarding the computation of the minimal capital requirements and adopted:

- the standard approach regarding credit risk based on Regulation 14/2006;
- the standard approach based on appendix I, II and IV of the NBR Regulation 22/2006 for the computation of the minimal capital requirements for the position risk, foreign exchange risk and merchandise risk;
- the standards approach for the minimal capital requirements regarding operational risk based on NBR Regulation 24/2006.

The Bank's regulatory capital position in accordance with the statutory regulations issued by the National Bank of Romania at 31 December 2008 and 2007 was as follows:

In RON thousand	**31 December 2008**	**31 December 2007**
Tier I	1,158,433	1,076,703
Tier II	199,362	196,898
Total Bank's capital	1,357,795	1,273,601
Risk weighted assets	n/a	10,459,290
Capital requirement for credit risk, counterparty risk, decrease in receivables and for incomplete transactions	797,949	n/a
Capital requirements for foreign exchange position and commodities	20,217	n/a
Capital requirements for operational risk	88,500	n/a
Total capital requirements	906,666	n/a

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

As at 31 December 2008, the current year profit is not included in the eligible reserves computation of RON 396,853 thousand. If the profit had been included the own funds would have been RON 1,754,648 thousand.

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 investment 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. The loan impairment assessment considers the visible effects of current market conditions on the individual / collective assessment of loans and advances to customers' impairment. Hence, the Group has estimated the impairment loss provision for loans and advances to customers based on the internal methodology harmonized with Group policies and assessed that no further provision for impairment losses is required except as already provided for in the financial statements.

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 overestimated by RON 11,215 thousand or underestimated by RON 8,001 thousand (31 December 2007: overestimated by RON 2,855 thousand or underestimated by RON 2,855 thousand).

Fair value of financial instruments

The fair value of financial instruments that are not traded on 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 on active markets.

In RON thousand	**Note**	**Quoted market prices on active markets**	**Valuation techniques – observable inputs**	**Valuation techniques – unobservable inputs**	**Total**
31 December 2008					
Financial assets at fair value through profit and loss	19	14,522	-	-	14,522
Investments securities, available-for-sale	22	10,446	787,804	-	798,250
31 December 2007					
Financial assets at fair value through profit and loss	19	63,067	-	-	63,067
Investments securities, available-for-sale	22	68,202	512,679	-	580,881

Financial assets and liabilities

The Group considered that the effective transaction prices would be situated between the informative BID-ASK quotations obtained, which are rather an interval within which the Group could have realistically negotiated the quotations for each series and taking into account the volume of its portfolio, and thus, the bank used in its estimation an average price for each series.

The Group's accounting policies provide scope for assets and liabilities to be designated on insertion 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 its accounting policy.

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 and 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 consultancy, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions.
- *Retail and SME banking*. The Group provides individuals and SMEs with a range of banking products and services, including lending (consumer loans, vehicle 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.

The allocation method of the Group income and expenses on segments was improved during 2008 in order to eliminate the limitation imposed by the IT system in the previous periods.

Business segments

In RON thousand	Corporate banking		Retail Banking and SME		Leasing and consumer finance		Other		Eliminations		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Net interest income	145,004	194,952	350,491	207,703	21,891	20,241	92,111	37,109	(27,091)	(23,407)	**582,406**	**436,598**
Net fee and commission income	130,667	95,007	270,653	175,879	6,468	924	14,656	35,612	(28,491)	(8,203)	**393,953**	**299,219**
Net trading income	24,947	19,922	43,152	39,920	2,746	-	72,253	67,359	(73,587)	(5,468)	**69,511**	**121,733**
Other operating income	-	-	-	-	39,700	35,989	336,054	338,759	(90,859)	(184,796)	**284,895**	**189,952**
Total income	300,618	309,881	664,296	423,502	70,805	57,154	515,074	478,839	(220,028)	(221,874)	1,330,765	1,047,502
Personnel expenses	98,344	77,260	196,819	165,315	12,069	6,428	78,617	32,558	184	374	**386,033**	**281,935**
Other operating expenses	69,375	55,306	139,749	118,339	35,102	-	101,994	146,853	(70,620)	-	**275,600**	**320,498**
Publicity expenses	3,016	3,096	6,133	6,625	778	-	11,642	954	(526)	-	**21,043**	**10,675**
Depreciation and amortization	15,634	13,262	31,512	28,377	4,679	-	11,852	6,682	(540)	-	**63,137**	**48,321**
Other expenses	6,300	7,187	12,657	15,379	-	45,657	4,257	3,174	(23,214)	(167,302)	**-**	**(95,905)**
Total	192,669	156,111	386,870	334,035	52,628	52,085	208,362	190,221	(94,716)	(166,928)	745,813	565,524
Impairment losses on assets	27,129	17,810	77,474	58,604	11,785	-	80,719	40,103	(39,572)	-	157,535	116,517
Gross profit attributable to equity holders of the Bank	80,820	135,960	199,952	30,863	6,392	5,069	225,993	248,515	(85,740)	(54,946)	427,417	365,461

Business segments

In RON thousand	Corporate banking		Retail Banking and SME		Leasing and consumer finance		Other		Eliminations		Unallocated		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Segment assets	4,789,727	3,861,471	6,843,303	5,228,146	651,737	451,050	5,428,742	4,794,484	(564,756)	(445,231)	-	-	17,148,753	13,889,920
Unallocated assets	-	-	-	-	-	-	-	193,565	-	-	-	-	-	193,565
Total assets	4,789,727	3,861,471	6,843,303	5,228,146	651,737	451,050	5,428,742	4,988,049	(564,756)	(445,231)	-	-	17,148,753	14,083,485
Segment liabilities	3,396,564	3,244,204	10,201,863	8,032,708	664,339	214,597	1,794,406	1,389,627	(564,756)	(389,019)	-	197,306	15,492,416	12,689,423
Unallocated liabilities	-	-	-	-	-	-	-	120,888	-	-	-	-	-	120,888
Total liabilities	3,396,564	3,244,204	10,201,863	8,032,708	664,339	214,597	1,794,406	1,510,515	(564,756)	(389,019)	-	197,306	15,492,416	12,810,311
Equity	-	-	-	-	-	-	-	-	-	-	1,656,337	1,273,174	1,656,337	1,273,174
Total equity and liabilities	3,396,564	3,244,204	10,201,863	8,032,708	664,339	214,597	1,794,406	1,510,515	(564,756)	(389,019)	1,656,337	1,470,480	17,148,753	14,083,485

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 amortized cost	Total carrying amount	Fair value
31 December 2008								
Financial Assets								
Cash and cash equivalents	17	-	-	-	-	3,698,738	3,698,738	3,698,738
Placements with banks	18	-	-	-	-	828,608	828,608	828,608
Financial assets at fair value through profit and loss	19	14,522	-	-	-	-	14,522	14,522
Loans and advances to customers	20	-	-	10,884,901	-	-	10,884,901	10,884,901
Net lease investments	21	-	-	380,779	-	-	380,779	380,779
Investment securities	22	-	11,655	-	798,250	-	809,905	808,957
Total financial assets		14,522	11,655	11,265,680	798,250	4,527,346	16,617,453	16,616,505
Financial Liabilities								
Deposits from banks	28	-	-	-	-	38,325	38,325	38,325
Deposits from customers	29	-	-	-	-	12,097,075	12,097,075	12,087,959
Loans from banks and other financial institutions	30	-	-	-	-	2,877,809	2,877,809	2,877,809
Other subordinated loans	31	-	-	-	-	239,685	239,685	239,685
Debt securities issued	32	-	-	-	-	63,601	63,601	63,601
Total financial liabilities		-	-	-	-	15,316,495	15,316,495	15,307,379

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 amortized 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
Investment 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
Debt securities issued	32	-	-	-	-	55,622	55,622	55,622
Total financial liabilities		-	-	-	-	12,613,005	12,613,005	12,612,631

8. Discontinued operation

In December 2007, the Group sold BT Asigurari S.A. to Groupama.

Profit and loss for the discontinued operations included:

In RON thousand	**2007**
Operating loss, net of income tax	(131,556)
Gain on sale of discontinued operations	305,116
Profit from sale of discontinued operations	173,560
Income tax on gain on sale of discontinued operations	(29,539)
Profit/(loss) for the year	144,021
Basic earnings/(loss) per share	0.1444
Diluted earnings/(loss) per share	0.1360

Profit and loss for the discontinued operations included:

In RON thousand	**2007**
Net cash from operating activities	(24,117)
Net cash from investment activities	34,294
Net cash from financing activities	81,000
Net cash from discontinued operations	91,177

The disposal of BT Asigurari S.A. had the following effect on the financial position of the Group:

In RON thousand	**2007**
Net identifiable assets and liabilities	(73,666)
Net cash inflows	(200,590)

9. Net interest income

In RON thousand	**2008**	**2007**
Interest income		
Loans and advances to customers	1,310,597	786,526
Current accounts held with banks	77,805	31,114
Held-for-trading securities	52,347	41,019
Placements with banks	48,236	24,952
Net lease investments	46,821	27,317
Total interest income	1,535,806	910,928
Interest expense		
Deposits from customers	745,032	352,792
Loans from banks and other financial institutions	170,101	111,400
Deposits from banks	38,267	10,138
Total interest expense	953,400	474,330
Net interest income	582,406	436,598

10. Net fee and commission income

In RON thousand	2008	2007
Fee and commission income		
Transactions	262,029	205,189
Loan management and guarantee issuance	162,694	121,608
Others	13,745	5,275
Total fee and commission income	438,468	332,072
Fee and commission expense		
Bank commissions	37,430	26,921
Transactions	7,085	5,932
Total fee and commission expense	44,515	32,853
Net fee and commission income	393,953	299,219

11. Net trading income

In RON thousand	2008	2007
Net income from foreign exchange transactions (i)	138,936	97,859
Net income/ (expense) from financial assets through profit and loss	(65,693)	25,128
Net expense from revaluation of assets and liabilities held in foreign currency	(3,732)	(1,254)
Net trading income	69,511	121,733

(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

In RON thousand	2008	2007
Rent income	7,801	2,423
Dividend income	5,268	2,122
Other operating income	29,908	14,195
Total	42,977	18,740

13. Impairment losses on financial assets

In RON thousand	2008	2007
Net charge of impairment losses on financial assets (i)	158,811	122,373
Loans and net lease investments written-off	2,681	2,367
Recoveries from loans previously written off	(3,957)	(8,223)
Net impairment losses on financial assets	157,535	116,517

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

In RON thousand	**Note**	**2008**	**2007**
Loans and advances to customers	20	144,756	117,295
Net lease investments	21	9,266	2,877
Investment securities	22	348	2,101
Other assets	27	4,296	100
Fixed assets	24	145	-
Net charge with impairment losses		158,811	122,373

14. Personnel expenses

In RON thousand	**2008**	**2007**
Wages and salaries	286,908	197,398
Contribution to social security	55,867	38,497
Meal tickets and other taxes related to personnel	21,034	19,276
Contribution to health fund	19,473	14,264
Contribution to unemployment fund	2,751	3,943
Cash settled share-based payments	-	8,557
Total	386,033	281,935

The Group's number of employees at 31 December 2008 was 6,866 persons (31 December 2007: 6,173 persons).

15. Other expenses

In RON thousand	**2008**	**2007**
Operating lease	81,420	56,383
Repairs and maintenance	32,922	22,783
Materials and consumables	39,164	26,901
Postage and telecommunications	35,743	26,185
Advertising and promotional expenses	21,044	20,753
Security and protection	20,005	14,532
Taxes	13,208	9,170
Electricity and heating	12,488	9,685
Travel and transport	2,642	1,507
Legal, advisory and consulting	14,909	12,990
Loss on sale of property and equipment	1,113	1,418
Other	21,985	32,961
Total	296,643	235,268

16. Income tax expense

In RON thousand	Note	2008	2007
Current tax expense at 16% (2007: 16%) of taxable profits determined in accordance with Romanian Law		75,122	37,426
Deferred tax revenue / (expense)		(9,377)	(9,327)
Income tax expense without tax per gain from discontinued operations sold		65,745	28,099
Income tax on gain on sale of discontinued operations	8	-	29,539
Total income tax expense		65,745	57,638

Tax reconciliation

In RON thousand	2008	2007
Profit before tax	425,732	367,082
Taxation at statutory rate of 16% (2007: 16%)	68,117	58,733
Non-deductible expenses and non-taxable revenues and other permanent differences	(2,165)	(1,040)
Effect of carried forward losses	(207)	(55)
Taxation in the income statement	65,745	57,638

17. Cash and cash equivalents

In RON thousand	31 December 2008	31 December 2007
Minimum mandatory reserve (i)	3,420,964	2,729,297
Cash on hand	259,532	229,535
Current accounts held with other banks (ii)	18,242	58,467
Total	3,698,738	3,017,299

(i) At 31 December 2008 the minimum mandatory reserve, held with the Central Bank, was established at 18% for RON and 40% for USD or EUR (31 December 2007: 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 2,5% – 5,6% p.a. for RON denominated reserves, 1.25% - 2.8% p.a. for EUR and 0.8% - 1.3% p.a. for US Dollars denominated reserves. The mandatory reserve can be used for the Bank's day-to-day activities provided that the average balance for the month is maintained within required limits.

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

18. Placements with banks

In RON thousand	31 December 2008	31 December 2007
Term deposits placed at the National Bank of Romania	-	500.000
Sight and term deposits placed at other banks	774,008	682,975
Loans and advances to banks (i)	54,600	-
Total	828,608	1,182,975

(i) Investment securities reclassified by the Group during 2008 from assets available for sale into loans and advances (see note 22 (iii)).

19. Financial assets at fair value through profit and loss

In RON thousand	31 December 2008	31 December 2007
Trading assets		
Listed equity investments (i)	14,522	63,067
Total	14,522	63,067

i) All shares in listed companies are quoted on the Bucharest Stock Exchange.

As at 31 December 2008, the Group owns significant investments in the following companies: SIF Banat-Crisana S.A. (RON 4,551 thousand) (31 December 2007: RON 27,158 thousand), SIF Moldova S.A. (RON 1,564 thousand) (31 December 2007: RON 4,002 thousand), SIF Oltenia S.A. (RON 2,164 thousand) (31 December 2007: RON 4,131 thousand), SIF Muntenia S.A. (RON 1,531 thousand) (31 December 2007: RON 4,338 thousand), SIF Transilvania S.A. (RON 68 thousand), BRD-Societe Generale S.A. (RON 371 thousand) (31 December 2007: RON 5,180 thousand), Armax Medias (RON 351 thousand) (31 December 2007: RON 3,075 thousand), Prodplast S.A. (31 December 2007: RON 2,223 thousand), SNP Petrom S.A. (RON 1,466 thousand) and Argus Constanta S.A. (RON 540 thousand).

20. Loans and advances to customers

The Group's commercial lending is concentrated on companies and individuals domiciled in Romania and Cyprus. Economic sector risk concentrations within the customer's loan portfolio as at 31 December 2008 and 31 December 2007, were as follows:

In RON thousand	31 December 2008	31 December 2007
Individuals	4,739,605	3,525,979
Trading	1,941,568	1,476,132
Manufacturing	1,259,192	1,049,659
Construction	596,094	495,851
Services	490,600	383,339
Transport	455,537	644,074
Real estate	344,005	247,165
Agriculture	289,953	142,983
Freelancers	231,318	33,509
Chemical industry	201,881	138,742
Mining industry	95,495	72,647
Telecommunications	59,918	30,536
Financial institutions	86,535	170,335
Energy industry	36,494	32,894
Fishing industry	7,160	3,878
Governmental bodies	1,847	1,713
Others	348,690	190,847
Total loans and advances to customers before provisions	11,185,892	8,640,283
Less provisions for impairment losses on loans	(300,991)	(156,235)
Total loans and advances to customers, net of provisions	10,884,901	8,484,048

Movements in loss impairment provisions for loans and advances to customers had the following outcome:

In RON thousand	**2008**	**2007**
Balance at 1 January	156,235	38,940
Net impairment provision expense	144,756	117,295
Balance at 31 December	300,991	156,235

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, RON and MDL and typically run for a period of two to 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 lease based on fixed interest rates. The lease receivables are secured by the underlying assets and by other collateral. The breakdown of lease investments according to their maturity is presented below:

In RON thousand	**31 December 2008**	**31 December 2007**
Lease investments below one year	208,664	135,834
Lease investments between one and five years	248,860	182,194
Total lease investments, gross	457,524	318,028
Unearned finance income	(61,663)	(13,937)
Total lease investments, net	395,861	304,091
Impairment provisions	(15,082)	(5,984)
Total	380,779	298,107

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

Provisions for net lease investments can be further analyzed as follows:

In RON thousand	**2008**	**2007**
Balance at beginning of the year	5,984	2,912
Net impairment provision expenses	9,266	2,877
Provision balance for acquired subsidiaries	-	195
Foreign exchange difference	(168)	-
Balance at end of the year	15,082	5,984

22. Investment securities

In RON thousand	31 December 2008	31 December 2007
Investment securities available-for-sale		
Unlisted debt and other fixed income instruments:		
T-bills issued by the Government of Romania (i)	761,468	396,634
Bonds issued by the World Bank	9,281	9,917
Bonds and Eurobonds (ii)	10,409	65,336
Fund units (iii)	-	37,997
Listed equity securities (iv)	10,446	68,202
Equity investment (v)	6,646	2,795
Equity investment, gross	9,095	4,896
Impairment provision on equity investment	(2,449)	(2,101)
Total investment securities available-for-sale	798,250	580,881
Investment securities held-to-maturity		
T-bills issued by the Government of Romania	11,655	12,672
Total investment securities held-to-maturity	11,655	12,672
Total investment securities	809,905	593,553

i) T-bills 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 2008 treasury securities were in amount of RON 482,577 thousand (31 December 2007: RON 49,191 thousand) out of which RON 39,350 thousand (31 December 2007: RON 36,127 thousand) were pledged for other current operations (National Bank of Romania, MASTERCARD and VISA).
As at 31 December 2008 benchmark bonds issued by the Ministry of Finance in amount of RON 278,891 thousand (31 December 2007: RON 347,443 thousand) mature in 2011 and 2013. The bonds issued by the World Bank are due on 18 September 2009 and are issued with a fixed interest of 6.5%.

ii) As at 31 December 2008 the Group had the following bonds issued by Ralfi IFN S.A.(RON 7.208 thousand) (31 December 2007: RON 7.101 thousand), International Leasing IFN S.A.(RON 207 thousand) (31 December 2007: RON 408 thousand), Alba Iulia municipality (RON 876 thousand) (31 December 2007: RON 915 thousand), Iasi City Hall (RON 1.658 thousand) and Banca Comerciala Romana S.A. (RON 460 thousand).
The RON-bonds issued by Ralfi IFN S.A. bear a floating interest rate of Robor 6M+1.75% (i.e. 31 December 2008: 19.72%, 31 December 2007: 9.54%) and mature in 2009, the bonds issued by Alba Iulia municipality bear a floating interest rate of Robor 6M+Robor 6M)/2+1.5% (31 December 2008: 15.5%, 31 December 2007: 8.5%) and mature in 2025, the bonds issued by International Leasing IFN S.A. bear a floating interest rate of Robor 6M+2.25% (31 December 2008: 15.71%, 31 December 2007: 9.66%) and mature in 2009 and the bonds issued by Iasi City Hall bear a variable interest of (Robid 6M + Robor 6M)/2 +0.65% (31 December 2008: 13.69%) and mature in 2028. BCR bonds were issued with a fixed interest and mature in 2009.

Reclassification of available-for-sale investment securities into loans and advances

The eurobonds were acquired in 2007 and include the fixed interest bonds issued by BRD S.A. amounting RON 31.566 thousand, with maturity in 2011, by Alpha Bank Romania S.A. amounting RON 15.305 thousand, with maturity in 2012 and by Erste Bank amounting RON 10.041 thousand, with maturity in 2012.

Pursuant to the amendments to IAS 39 "Financial instruments: Recognition and Measurement" and IFRS 7 "Financial instruments: Disclosure" (described in accounting policy (o) (iii)), the Group reclassified certain available-for-sale investment securities to loans and advances. The Group identified financial assets that met the definition of loans and receivables (non-derivative financial assets with fixed payments or determined which are not quoted on an active market) and the ability to hold them for the foreseeable future.

In RON thousand	1 July 2008 Carrying value	Market value	31 December 2008 Carrying value
Available-for-sale investment securities reclassified to loans and advances	54,227	54,227	54,600

As at 31 December 2008 eurobonds did not have an active market. Consequently, the fair value could not be reliably estimated.

The table below sets out the amounts registered in the profit and loss account and reserves before and after reclassification :

In RON thousand	Profit or Loss	Reserve
Period before reclassification		
Interest income	2,151	
Net change in fair value		(5,806)
Period after reclassification		
Interest income	2,871	
Amount transferred from fair value reserve to profit & loss account		826

During 2007 the Group recorded interest income in amount of RON 3,336 thousand and decrease in revaluation reserve (equity) in amount of RON 2,792 thousand in respect of the financial assets reclassified from available-for-sale investment securities to placement to banks during 2008.

iii) During 2008 Group's investments held in BT Index, BT Clasic, BT Maxim, FdI Transilvania and Fondul Privat Comercial were accounted and presented as investments in associates.

iv) At 31 December 2008 the Group owned significant investment in the following companies: SIF Banat Crisana (RON 10,268 thousand) (31 December 2007: RON 66,878 thousand) and SIF Oltenia (RON 178 thousand) (31 December 2007: RON 1,324 thousand).

v) During 2008, the Group sold its investment held in Interoil for RON 721 thousand.

The provision for equity investments can be further analyzed as follows:

In RON thousand	2008	2007
Balance at the beginning of the year	2,101	-
Net impairment provision expense	348	2,101
Balance at the end of the year	2,449	2,101

The movement in investment securities may be summarised as follows:

In RON thousand	Available for Sale	Held to Maturity
At 1 January 2008	580,881	12,672
Additions (acquisitions and increase in value)	1,191,837	7,987
Disposals (sale, redemption and decrease in value)	974,468	9,004
At 31 December 2008	798,250	11,655
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

23. Investment in associates

In RON thousand	31 December 2008	31 December 2007
Balance as at 1 January 2008	68,670	27,938
Additions	38,828	29,528
Share of other increases in associates' equity	-	11,931
Share of profit / (loss)	(28,581)	(727)
Disposals	(50,254)	-
Balance as at 31 December 2008	28,663	68,670

The investment held by the Group as at 31 December 2007 in ASIBAN S.A. was sold during the second half of 2008 to Groupama International for EUR 87,500 thousand. The amount was collected in August 2008.

The table below provides information regarding the Group associates as at 31 December 2008:

In RON thousand	2008		2007	
	min	max	min	max
Interest held	23,88%	35,90%	25%	30,32%
Assets	4,534	18,867	27,757	931,732
Liabilities	9	12,632	36	758,816
Revenues	292	10,423	3,181	958,716

Revenues comprise net earned insurance premiums, trading and increase in fund asset value.

24. Property and equipment

In RON thousand	Land and buildings	Computers and equipments	Vehicles	Assets in progress	Total
Cost					
Balance at 1 January 2007	120,264	121,007	23,763	45,680	310,714
Additions	70,698	36,213	16,969	23,384	147,264
Disposals	(3,523)	(11,203)	(9,789)	(24,462)	(48,977)
Balance at 31 December 2007	187,439	146,017	30,943	44,602	409,001
Balance at 1 January 2008	187,439	146,017	30,943	44,602	409,001
Additions	1,316	56,374	15,486	80,361	153,537
Transfers from investment in progress	48,417	10,272	7,058	-	65,747
Disposals	(732)	(7,625)	(1,825)	(72,894)	(83,076)
Balance at 31 December 2008	236,440	205,038	51,662	52,069	545,209
Depreciation and impairment losses					
Balance at 1 January 2007	21,427	47,246	7,523	-	76,196
Charge for the year	14,965	23,313	3,903	-	42,181
Net accumulated depreciation related to subsidiaries sold/ acquired	1,506	595	884	-	2,985
Accumulated depreciation of disposals	(1,127)	(8,336)	(2,817)	-	(12,280)
Balance at 31 December 2007	36,771	62,818	9,493	-	109,082
Balance at 1 January 2008	36,771	62,818	9,493	-	109,082
Charge for the year	23,161	26,769	7,655	-	57,585
Accumulated depreciation of disposals	(329)	(6,148)	(530)	-	(7,007)
Impairment	-	-	145	-	145
Balance at 31 December 2008	59,603	83,439	16,763	-	159,805
Carrying value					
As at 1 January 2008	150,668	83,199	21,450	44,602	299,919
As at 31 December 2008	176,837	121,599	34,899	52,069	385,404

At 31 December 2008 the Group included in property and equipment the amount of RON 401 thousand (31 December 2007: RON 496 thousand) representing vehicles and equipments acquired through financial leasing. The Group included under the tangible assets the amount of RON 33,283 thousand (31 December 2007: RON 12,128 thousand), representing vehicles and equipments acquired from the suppliers for financing such assets through finance lease. At 31 December 2008 the Group had no pledged property, equipment or intangible assets.

25. Intangible assets (including goodwill)

In RON thousand	Goodwill	Software
Cost		
Balance at 1 January 2007	13,780	30,528
Additions	7,993	5,003
Disposals	(13,404)	(909)
Balance at 31 December 2007	8,369	34,622
Balance at 1 January 2008	8,369	34,622
Additions	-	22,568
Disposals		(13,577)
Balance at 31 December 2008	8,369	43,613
Accumulated amortisation		
Balance at 1 January 2007	-	20,644
Charge for the year	-	6,140
Net accumulated depreciation related to subsidiaries sold/ acquired	-	132
Disposals	-	(660)
Balance at 31 December 2007	-	26,256
Balance at 1 January 2008	-	26,256
Charge for the year	-	5,552
Disposals	-	(2,823)
Balance at 31 December 2008	-	28,985
Carrying amount		
As at 1 January 2008	8,369	8,366
As at 31 December 2008	8,369	14,628

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 8,269 thousand was allocated to BT Leasing IFN S.A. (RON 376 thousand) and to the unit formed by the acquired subsidiary Medicredit Leasing IFN S.A. (RON 7,993 thousand),

26. Deferred tax assets and liabilities

In RON thousand	31 December 2008		
	Asset	Liability	Net
Loans and advances to customers (including net lease investments)	47,854	-	(47,854)
Investment securities, available-for-sale	57,204	-	(57,204)
Investment in associates	26,180	-	(26,180)
Other assets	440	-	(440)
Total	131,678	-	(131,678)
Net temporary differences			131,678
Deferred tax asset at 16%			(21,068)

In RON thousand	31 December 2007		
	Asset	**Liability**	**Net**
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

27. Other assets

In RON thousand	**31 December 2008**	**31 December 2007**
Amounts under settlement	29,148	14,887
Assets repossessed	13,082	17,055
Prepayments	11,307	10,573
Sundry debtors	10,403	9,130
VAT receivable	7,312	5,403
Other assets	6,839	2,691
Less provision for other assets	(4,923)	(627)
Total	73,168	59,112

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

In RON thousand	**2008**	**2007**
Balance at 1 January	627	210
Net provision expense (Note 13)	4,296	100
Balance provision of acquired subsidiaries	-	317
Balance at 31 December	4,923	627

28. Deposits from banks

In RON thousand	**31 December 2008**	**31 December 2007**
Sight deposits	1,176	32,677
Term deposits	37,149	43,574
Total	38,325	76,251

29. Deposits from customers

In RON thousand	**31 December 2008**	**31 December 2007**
Current accounts	2,128,314	2,939,582
Sight deposits	392,290	-
Term deposits	9,324,445	7,259,041
Collateral deposits	252,026	191,724
Total	12,097,075	10,390,347

Deposits from customers can be also analysed as follows:

In RON thousand	31 December 2008	31 December 2007
Retail customers	7,600,845	5,814,379
Corporate customers	4,496,230	4,575,968
Total	12,097,075	10,390,347

30. Loans from banks and other financial institutions

In RON thousand	31 December 2008	31 December 2007
Loans from commercial banks	1,025,833	1,219,724
Romanian banks	574,139	450,682
Foreign banks	451,694	769,042
Loans from development banks (EBRD, IFC)	1,298,901	432,955
Other funds from financial institutions	553,075	221,118
Total	2,877,809	1,873,797

The interest rates range for loans from banks and financial institutions was as follows:

	2008		2007	
	min	max	min	max
EUR	Euribor 6M+0.65%	Variable 9.65% + 1%	5.14%	Euribor 6M + 6%
RON	14.25%	Robor 3M + 5%	Robor 1M+0.15%; Robor 1M+0.95%	Robor 6M + 3%
USD	Libor 6M+0.38%	Libor 6M + 3%	5.80%	Libor 6M + 3%

31. Other subordinated liabilities

In 2006, the Group contracted a subordinated loan agreement with five credit institutions for EUR 60 million bearing an inter-banking interest rate available during the respective period + 3,4%. 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, Brussels time. The loan shall be repaid by one installment at the seventh anniversary from the contract date.

The payments of any amounts due 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 are admitted in such cases.

32. Debt securities issued

In September 2005 the Bank issued 2.290 convertible bonds at a par value of USD 10.000 each. The interest is payable semi-annually starting from 15 January 2006 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 rate for USD deposits offered by the British Banker Association: plus (ii) a margin applicable to such period by reference to the higher rating between the foreign currency credit rating given to Romania by S&P or the long term rating 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 the bonds into common shares of the Bank starting from 1 November 2006 to 15 June 2010. The minimum convertible value per bondholder is USD 500 thousand and the total number of shares of a bondholder 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 bondholders exercised their right of converting the bonds into shares. At that date 10 bonds in amount of USD 100 thousand were converted into shares. The number of shares was determined by dividing the RON equivalent of the principal outstanding that the bondholders decided to convert based on the 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 by RON 25,849. Also, the Group booked conversion premiums in amount of RON 205,085.

At 31 December 2008 and 31 December 2007 there were 2,188 bonds amounting USD 21,880 thousand.

33. Other liabilities

In RON thousand	**31 December 2008**	**31 December 2007**
Amounts under settlement	93,707	82,868
Other fees payable	44,234	70,631
Sundry creditors	24,688	29,439
Leasing liabilities (i)	1,932	2,265
Other liabilities	11,360	11,418
Total	175,921	196,621

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

In RON thousand	**31 December 2008**	**31 December 2007**
Minimum lease payments		
2008	-	1,032
2009	930	639
2010	736	510
2011	400	263
2012	126	109
Total minimum lease payments	2,192	2,553
Less future interest	(260)	(288)
Present value of minimum lease payments	1,932	2,265

34. Share capital

The statutory share capital of the Bank as of 31 December 2008 was represented by 1,059,696,183 ordinary shares of RON 1 each (31 December 2007: 6,110,797,702 shares of RON 0.1 each), The shareholders structure of the Bank is presented in Note 1.

During 2008 the Bank changed the number of shares by increasing the nominal value of a share from 0.1 RON to 1 RON.

35. Other reserves

As at 31 December 2008 and 31 December 2007 the reserves include the following:

In RON thousand	**31 December 2008**	**31 December 2007**
General banking risks (i)	77,893	77,893
Statutory reserve (ii)	100,589	77,229
Fair value gains/ (losses) taken to equity (net of tax) on available-for-sale investments	(48,055)	17,835
Total	130,427	172,957

Statutory reserves

In RON thousand	**2008**	**2007**
At 1 January	77,229	55,627
Appropriations from profit	23,360	21,602
Total	100,589	77,229

(i) The general banking risks reserves includes amounts set aside in accordance with local banking regulations for future losses and other unforeseen risks or contingencies. They 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 of its subsidiaries to be transferred to a non-distributable statutory reserve until this reserve represents 20% of the Bank's share capital.

The statutory reserves are not distributable.

36. Related party transactions

Transactions with shareholders

During the year ended 31 December 2008, the following banking transactions were carried out with the shareholders:

In RON thousand	**2008**	**2007**
Assets		
Loans to shareholders granted by Banca Transilvania SA, related interest and provisions	2,507	2,342
Liabilities		
Current accounts at BT, deposits, related	23,370	47,163
Loans from financial institutions	538,679	143,395
Subordinated loans	47,937	43,322
Commitments to shareholders	-	337
Income statement		
Interest income	310	288
Performance commission income	190	317
Interest, commission expense	17,564	11,757

Transactions with key management personnel

During the year ended 31 December 2008, the following banking transactions were carried out with key personnel:

In RON thousand	**2008**	**2007**
Assets		
Loans to key personnel granted by Banca Transilvania SA, related interest and provisions	74,148	37,180
Liabilities		
Current accounts at BT, deposits, related	24,894	11,210
Commitments to key personnel	2,769	3,315
Income statement		
Interest income	6,465	2,548
Commission expense	2,723	529

During 2008 the total salaries paid by the Bank to the Board of Director's members and executive management amounted to RON 3,018 thousand (2007: RON: 3,120 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.

In RON thousand	31 December 2008	31 December 2007
Guarantees issued	683,520	436,907
Loan commitments	1,880,552	1,529,282
Total	2,564,072	1,966,189

At 31 December 2008 the outstanding forward transactions in foreign currencies were sale transactions amounting EUR 47,370 thousand (31 December 2007: EUR 4,250 thousand and USD 10,395 thousand) and buy transactions amounting EUR 370 thousand (31 December 2007: EUR 3,200 thousand). The transactions outstanding at 31 December 2008 matured in April 2009.

Litigations

As at 31 December 2007 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.

38. Earnings per share

Basic earnings per share

The calculation of earnings per share (basic and diluted) was based on net profit attributable to ordinary shareholders of RON 361,672 thousand (31 December 2007: RON 307,823 thousand) and the weighted average number of the ordinary shares outstanding during the year calculated as follows:

	2008	2007*
Ordinary shares issued at 1 January	611,079,770	393,354,862
Effect of shares issued during the year	436,042,053	186,528,329
Weighted average number of shares as at 31 December	1,047,121,823	579,883,191
Weighted average number of shares as at 31 December 2007 retreated	n/a	997,945,615

* The number of shares related to 2007 was adjusted retrospectively (including the influence of shares nominal value modification during 2008 from RON 0.1 to RON 1).

Diluted earnings per share

The potential ordinary shares of the Bank are represented by the outstanding 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 which is the same as the basic earnings per share.

39. Changes in the Group's structure

In the second part of 2008 the Bank set up a lease company BT Leasing MD SRL which activates in the Republic of Moldova. Ownership was 100% and the investment value was RON 1,269 thousand.

During 2008 BT Building SRL merged by absorption with SAR Building SRL based on the merger balance sheet as at 31 December 2007.

During 2008 two new companies were included the consolidation premise: BT Invest 1 and BT Obligatiuni.

40. Reconciliation of profit under IFRS and Romanian Accounting Standards

In RON thousand	2008	2007
Net profit under Romanian Accounting Standards	362.501	355.597
Fair value adjustment for investment securities	69,069	19,063
Reversal of dividends from subsidiaries	(27,923)	(17,589)
Adjustment to amortized cost and impairment of loans to customers	(31,332)	(43,793)
Deferred tax income	9,371	9,327
Brokerage commission income/ (expense)	12,840	(7,907)
Investment in associates(loss)	(25,362)	(4,964)
Income/ (loss) from consolidated funds	(9,198)	1,209
Other items	21	(1,499)
Net profit under IFRS	359,987	309,444

41. Reconciliation of equity under IFRS and Romanian Accounting Standards

In RON thousand	31 December 2008	31 December 2007
Equity under Romanian Accounting Standards	1,684,863	1,239,487
Loan related adjustments	(49,355)	(15,508)
Equity investment adjustments	-	2,809
Revaluation of available-for-sale investments	2,272	37,919
Equity method adjustments	-	18,905
Deferred tax	21,088	(685)
Brokerage commission	-	(8,116)
Other items	(2,531)	(1,637)
Equity under IFRS	1,656,337	1,273,174

42. Subsequent events

During 2009 the Bank decided to sell the investment held in BT Aegon S.A.

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