



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

Financial Calendar	2
Mission Statement	3
Highlights	5
Chairman and CEO Statement	6
Corporate & SME Banking	8
Clubul Întreprinzătorului Român	9
The Medical Division	10
Retail Banking	12
Cards	12
Internet Banking BT 24	13
Risk Management	14
Compliance Policy	18
Environmental Performance	20
Social Protection	22
Marketing and Communication	22
Corporate Social Responsibility	24
Human Resources	26
BT Academy	28
Operations and IT	29
Main Subsidiaries	
BT Leasing TM	30
BT Securities TM	30
BT Asset Management TM	31
Medicredit Leasing IFN S.A.	32
BT Aegon Fond de Pensii	32
Auditor's Report	33
Banca Transilvania and Subsidiaries – Addresses and Contacts	95

HIGHLIGHTS 2008 - IFRS

	thousand RON	
	2008	2007
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

	thousand RON	
	2008	2007
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

A handwritten signature in black ink, appearing to read 'Horia Ciorcila', written over a horizontal line.

Robert C. Rekkers
Chief Executive Officer

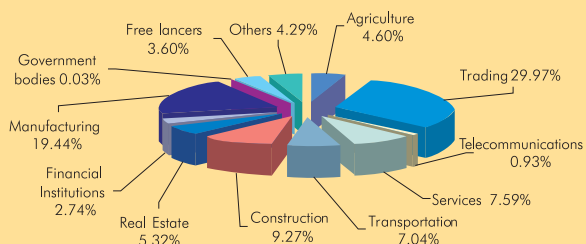
A handwritten signature in black ink, appearing to read 'Robert C. Rekkers', written over a horizontal line.



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.

Corporate & SME Loans, breakdown on sectors



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.

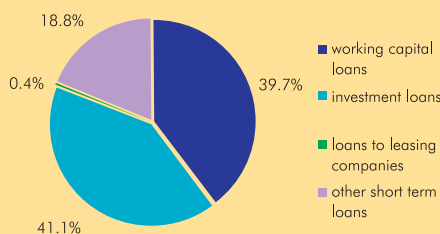
We continued to promote alternative banking channels in 2008, the number of BT Ultra electronic payment service users growing by 7% as compared to 2007.

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.

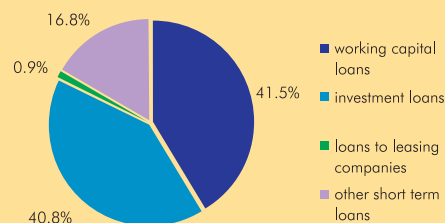
During the global economic downturn, our priorities for 2009 are to ensure an adequate risk management, carefully monitoring the existing loan exposures, keeping a watchful eye on liquidity and optimising operational cost.

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.

Corporate loan portfolio as at 31.12.2008



Corporate loan portfolio as at 31.12.2007





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.

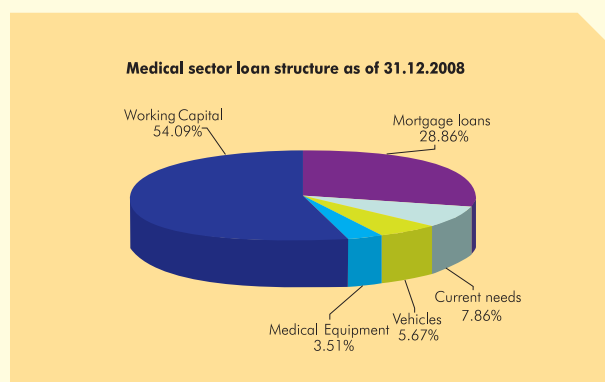
Launched at the end of 2007, the Medical Division evolved in 2008 beyond expectations, proving once more its success due to its main two ingredients: a specialized team of employees & customized lending products based on qualitative criteria.

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 "Tehnicienii 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:

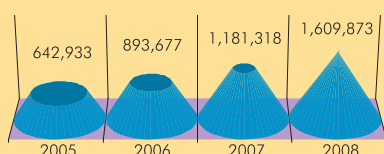
- **Transparency and stability** – no hidden fees as well as transparent and easy to understand loan agreements;
- **Flexibility** - product adaptability;
- **Kind and assertive employees** - providing full information in an accessible language.

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.



RETAIL BANKING

Number of BT cards issued



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.

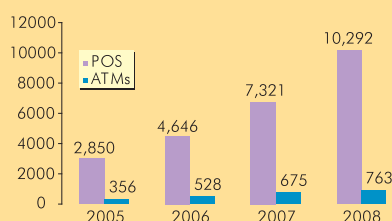
Year after year, the cards related activity proved to be successful for BT, market share growing constantly to over 13.3% end of 2008, vs. 11% in 2007 in terms of active cards and 9% market share in terms of ATMs network.

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

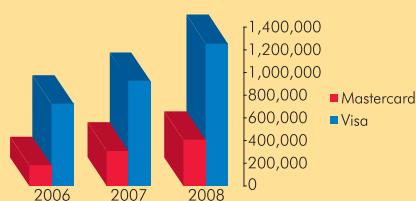
- The most dynamic issuer on the Romanian card market
- The largest Visa issuer in Romania (with more than 1 million issued cards)
- Market leader in premium cards (Visa Gold and Visa Platinum - the first Platinum card program in Romania)

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.

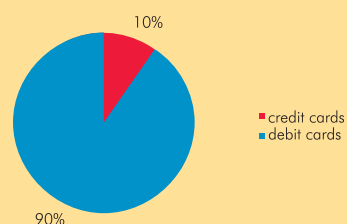
Number of ATM's and POSs



MASTERCARD vs VISA



Credit cards vs. debit cards 2008



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.

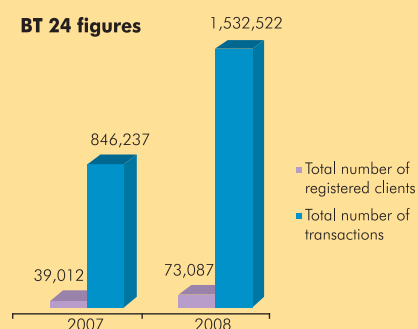
As a result of implementing the Customer Relationship Management (CRM) software-based approach for handling customer relationships and access data analysis, the maximum time in which a new BT 24 client receives its access information is five banking days after submitting the application (regardless of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

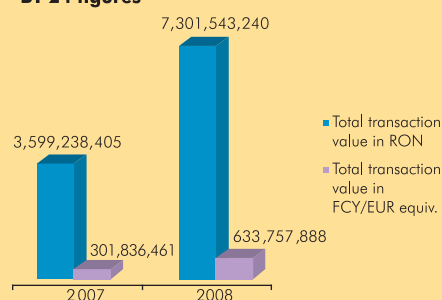
Apart from the users' number, transactions also grew rapidly recording 81% year on year boost in 2008, while the value of transactions processed via BT24 in 2008 totaled RON 7,301 million and represented 106% increase vs. 2007.

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

BT 24 figures



BT 24 figures





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

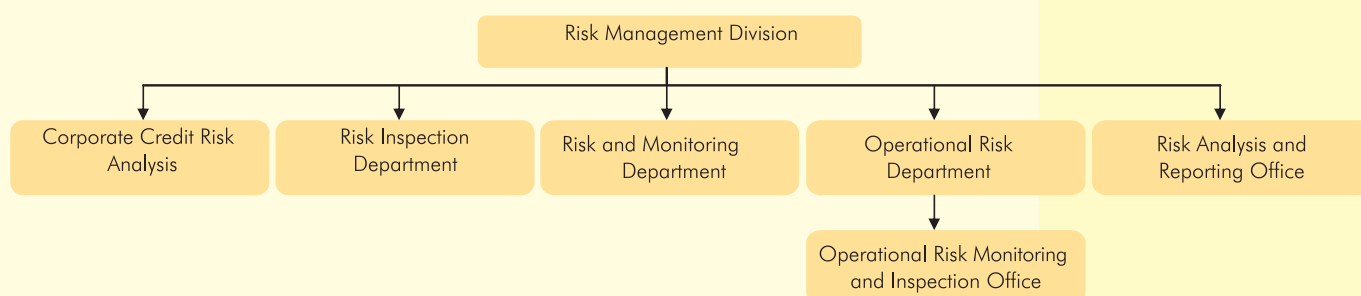
Banca Transilvania categorises the monitoring and controlling process associated with risk management as follows:

- 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.

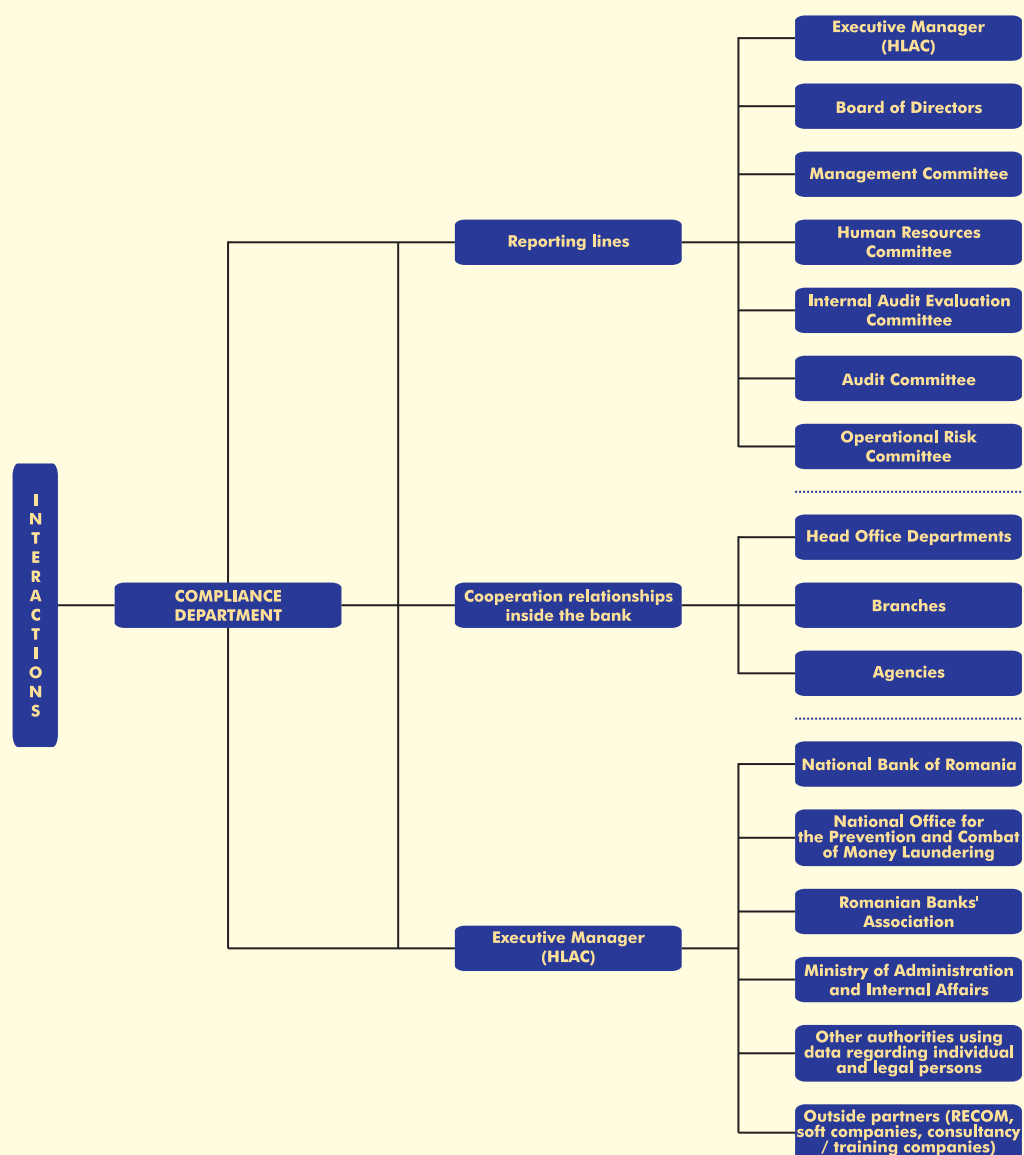
In Banca Transilvania, the compliance policy is moulded on the *FATF Recommendations*, the *Basel Committee* report on customer due diligence, the *Wolfsberg Group Principles*, the *Third EU Money Laundering Directive* and last but not least, on the *national legal framework* regulating the activity 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.

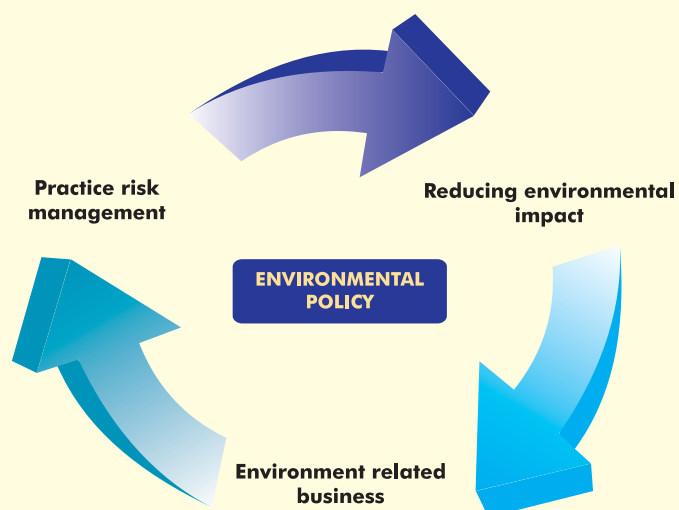
Despite the many uncertainties sure to emerge as we strive for greater energy efficiency, Banca Transilvania is set to follow this road and, at the same time, we intend to also engage our clients and partners in advancing smarter energy practices.

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

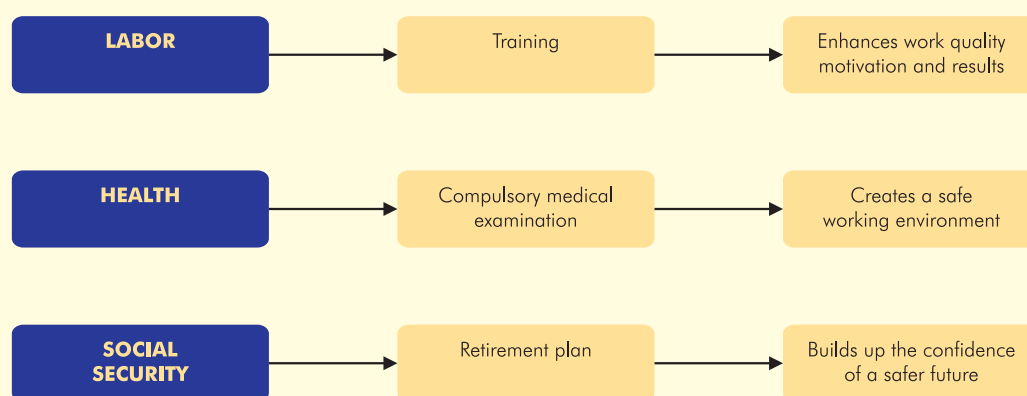




SOCIAL PROTECTION

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



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.



HUMAN RESOURCES

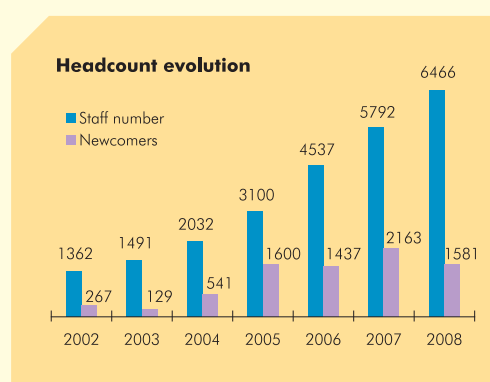
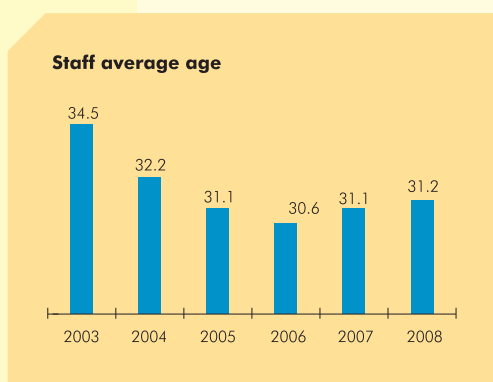
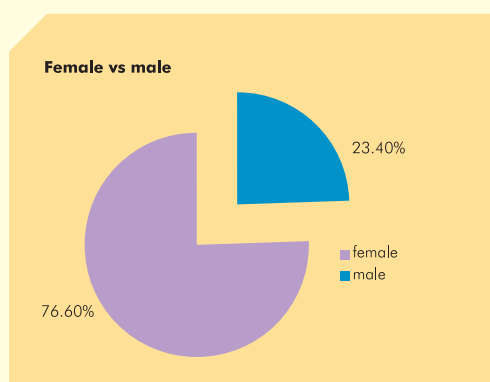
HR main achievements

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.



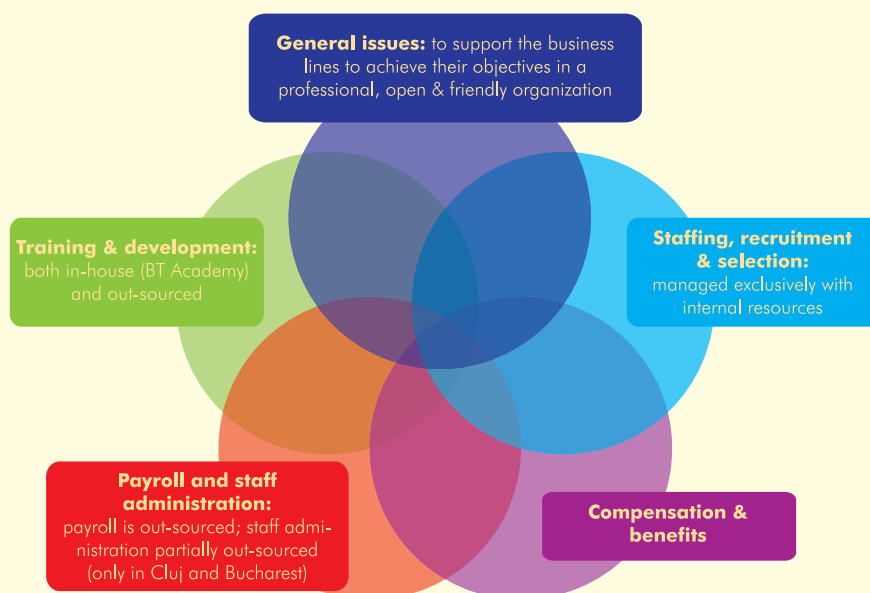


Voted “**best banking employer in Romania**” on an independent INTERNET site. Banca Transilvania is known to be an attractive employer on the market and this is due not only to “standard” benefits, but also to our concern for the interests of our employees. In order to enhance group cohesion, in 2008 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.



OPERATIONS AND IT

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 TM

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 TM

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 TM

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.