



# ANNUAL REPORT 2009



## FINANCIAL CALENDAR

Preliminary Results FY 2009	02.02.2010
Annual General Shareholders Meeting	28.04.2010
Annual Financial Statements IFRS FY 2009	29.04.2010
First Quarter Results 2010	29.04.2010
Registration Date	14.05.2010
Half - Year Financial Statements 2010	09.08.2010
Third Quarter Results 2010	27.10.2010

**MISSION STATEMENT**

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

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

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## HIGHLIGHTS 2009 - IFRS

ANNUAL  
REPORT  
2009

### Balance Sheet

thousand RON

	2009	2008
Total Assets	19,613,030	17,148,725
Loans, net	11,481,759	10,884,901
Customers' deposits	14,989,199	12,097,091
Shareholders' equity	1,838,034	1,656,337
Share Capital	1,176,237	1,149,595

### Income Statement

thousand RON

	2009	2008
Net interest income	754,329	592,684
Impairment loss on loans, net	490,784	157,564
Net commission income	370,805	381,154
Foreign exchange income, net	143,201	69,511
General administrative expenses	717,123	743,263
Net profit from continuing operations	136,715	359,987
- from discontinued operations	48,894	240,233
Profit for the year	136,715	359,987

### Data about BT shares

	2009	2008
Outstanding common shares	1,086,337,883	10,596,961,830
Nominal value (RON)	1.00	0.1
Book value per share	1.6749	0.1637
Market capitalization (mil. RON)	2,313	2,776
High	2.4	0.91
Low	0.61	0.254
Closing Price	2.13	0.262
Earnings per share (EPS)		
- yield per share *	0.3031	0.0353
- dividend per share **	-	0.0047
Price-earning ratio (PER)	7.03	7.43
Price to book value (PBV)	1.27	1.60
Operating result per share	0.0570	0.0374

\*) computations are performed against the net profit + other amounts distributed to the shareholders (issue premiums, conversion premiums, other reserves)

\*\*) calculated according to dividends distributed

### Additional Information

	2009	2008
Number of employees	6,126	6,466
Branches and agencies	515	482
ATMs	766	763
POSs	12,613	10,292



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

Everybody knew that 2009 would be a challenging year. Strategies needed to be reconsidered, business models reviewed and working tools rendered more efficient.

2009 has been a year of consolidation for Banca Transilvania. Our operating profit was 96 percent higher than in 2008 and the cost-income ratio improved to 55 percent versus 70 percent the year before.

Liquidity remained at comfortable level, with loan to deposit ratio below one and a strong position in terms of raised deposits on the domestic market. We maintained capital requirements at high standards (14 percent), significantly above the 8 percent minimum limit imposed by the National Regulatory Authority.

To cope with business environment uncertainties, we implemented a coherent and aggressive provisioning policy, with enhanced protective measures over the loan portfolio. Additional loan loss provisions against future economic deterioration were created, non-deductibles accounting for 17.6 percent of total provisions, while EUR 126 million was the total amount allocated for the increase in net risk cost.

Banca Transilvania realized that time has come to adapt, reinforcing the range of services and making room for innovative business products. In this context, flexibility and customer facing solutions were key words for BT to reclaim market share, meet revenue and margin targets.

*The Anti-Crisis Platform* was designed, setting the foundation for opportune services, much needed in the marketplace flooded by concerns. We facilitated access to financing resources, improved cash-flow and reduced operational costs.

In this unsettled economic environment it is important to create strong partnerships with the public sectors. The National Guarantee Fund for SMEs is our business associate in two important projects. A premiere on the Romanian banking market, *Creditul Gata Garantat* - the Ready Secured Loan - is a co-branded product designed to solve the entrepreneurs' liquidity and

collateral difficulties, providing financing based on state guarantees. The second project - *Prima Casa* - is a program created by the Romanian Government in order to expand the mortgage lending pace. BT enrolled in the project and placed EUR 30 million in total.

Another aspect revealed by the crisis was the importance of financial support from the EU, materialized in the form of structural funds. Further to these, BT has decided to set up another important platform - the *EU Structural Funds Platform*. Our clients are provided with advisory services and co-financing for business turnaround or new investment projects.

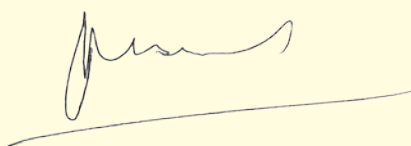
All our 2009 endeavors benefited from the EBRD's ongoing support as shareholder and business partner and we welcomed the arrival of new key shareholders, IFC - a *World Bank Division* - and Bank of Cyprus.

Steeled by a challenging 2009, we cautiously look at 2010. We are aware that this will not be an easy year, but BT, as the Bank for Entrepreneurial People, will continue to act with courage, intelligence and responsibility, relying on sound stakeholders and partners, professional team players, local approach and loyal customers.

Horia Ciorcila  
Chairman



Robert C. Rekkers  
Chief Executive Officer



## CORPORATE & SME BANKING

The row of consecutive years with tremendous GDP growth, with booming sectors and optimistic investment projects, was interrupted in 2009 when Romania had to suddenly face a contraction of the real economy.

Within such context, our mindset always ready for change proved to be a valuable tool. Building on our quality as the Bank of Romanian Entrepreneurs, Banca Transilvania rapidly upgraded the business model adapting to new conditions, meeting market expectations. 2009 mission statement was PROACTIVENESS.



The first result was the **Anti-Crisis Platform for SMEs**, an integrated solution, based on three pillars:

- (1) *Loan Restructuring Facilities* - to improve clients' cash-flow;
- (2) *SME Banking Subscription* - to reduce operational costs;
- (3) *Romanian Entrepreneurs Club* - to provide advisory services for business turnaround.

Other new products shaped according to needs shored up this platform mid 2009. Thus, *Creditul Gata Garantat* (the Ready Secured Loan) was a real alternative in times of great concern, solving the entrepreneurs' liquidity and collateral problems. This co-branded one-stop-product, in partnership with the National Loan Guarantee Fund for SMEs (FNGC IMM) provided access to loans based on the state guarantee.

▶ Over 2,900 Ready Secured Loans were granted by BT from June to December 2009



Our commitment in helping our customers continue their business even amidst economic uncertainty continued in the last part of 2009, when the fundamentals for another important project - EU Structural Funds Platform - were set. Our endeavor has been to offer consultancy and co-financing and we have been actively involved in the respective awareness campaigns.

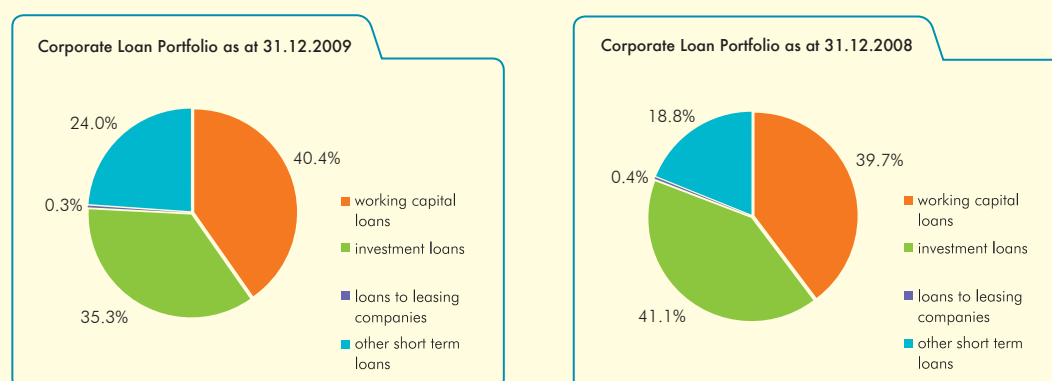
Also, as year beginnings are usually apprehended to be slower periods for most businesses, we



launched *iesirea din iarna* (*Getting through winter*) a solution offered to improve clients' cash-flow, and deal with adverse business conditions during the first month of the year.

Besides adapting our banking products to help clients weather the crisis, we also streamlined the bank's strategy in terms of customer risk profile in order to build a more robust SME client base and acquire corporate clients with seminal business models.

All these actions proved successful, the number of corporate and SME clients grew last year by 6% to 194,100, corporate placements being 14% above the 2008 value, while in terms of deposits, we recorded a year-on-year 17% growth.



Furthermore, the previous year mission statement to capitalize our position as operational friendly bank was kept. Thus, we managed to have one of the best cash collection services (over-the-counter, ATM, direct debit), but, most importantly, we have become a valued partner for Romanian utility suppliers. Invoice payment cooperation agreements with major national and regional suppliers were signed, creating traffic in BT's units and subsequent business with our retail customers.

In all our actions we aimed to improve operational efficiency in sales, by valuing our relevant expertise in SME lending and by cultivating the entrepreneurial spirit of our sales people specifically in the area of own initiative and ability to identify cross-selling opportunities.

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



Training sessions on topics of interest to the business community, networking programs, assistance in applying for EU structural funds and financial & banking consultancy services were frontlines in our 2009 activity.

The Club counted almost 12,000 members at the end of 2009, with approximately 1,800 newcomers over the previous 12 months.

In 2009, the Club applied for EU structural funds, either as main applicant or as co-participant. As most of the projects were approved we managed to raise significant funds, proving once again that we act upon our statements.

The website [www.btclub.ro](http://www.btclub.ro) was upgraded, with new tools and functions in order to increase attractiveness and accessibility.

In June 2009, the product **"Site-ul meu pe BT Club" (My site on BT Club)** was launched for companies that did not have their own website. As a result, 213 web pages were designed and are currently hosted on the CIR site.

Furthermore, Google partnered with CIR to grant 100 RON vouchers for Google AdWords campaigns, which were used by approximately 130 companies.

### Training Programs and Events

More than 360 training sessions were organized, since the Club was established three and a half years ago. 41 events were held in 2009 and professional speakers, either from Banca Transilvania or consulting companies took the floor. 6,000 participants attended these seminars in 21 towns, getting acquainted with both the traditional business topics and the challenges imposed by the 21<sup>st</sup> century.

Feed-back provided by participants encouraged us to strengthen our efforts in this area. Thus, the Club established "mobile consulting offices" in six towns, offering support to SMEs which would like to take advantage of the EU structural funds.

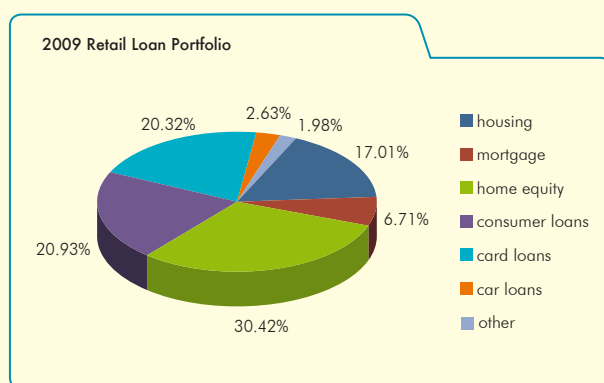


## RETAIL

### Loans and Deposits, simple products

Over the past 10 years, Banca Transilvania's focus on Retail Banking has been reinforced year after year so that end of 2009, the retail customer base counted one million eight hundred thousand clients. The extensive growth in terms of client number was complemented by intensive growth strategies, the average number of products per client developing from 2.12 to 2.37, that is a 12% increase.

We provided loan and deposit packages with features triggered by the economic background. New mortgage loans and updated home equity lending products were launched, aimed at raising retail customers' appetite for credit, given the abrupt consumption downslope.



Moreover, to supply our clients with the necessary funds and simultaneously sustain the real estate market, we enrolled, in partnership with the National Guarantee Fund, in the *Prima Casa Program*. As part of this project, we managed to grant 753 loans, equivalent of EUR 30 million.

In 2009, people's behavior faced a migration from consumerism to savings. Backed by our retail business focus, expertise and reputation, we continued to embrace a dispersed liquidity model and a heterogeneous customer breakdown, preserving a loan to deposit ratio constantly below one. Further to this, during 2009, our retail deposits grew by 24%, standing for 66% of total deposits.

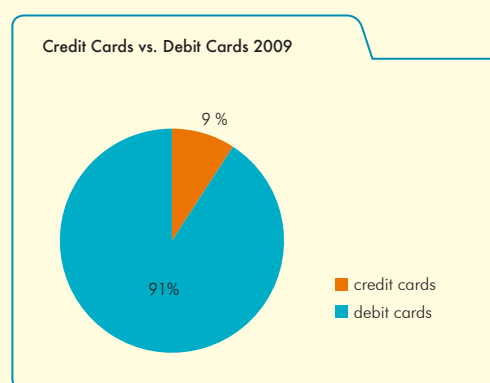
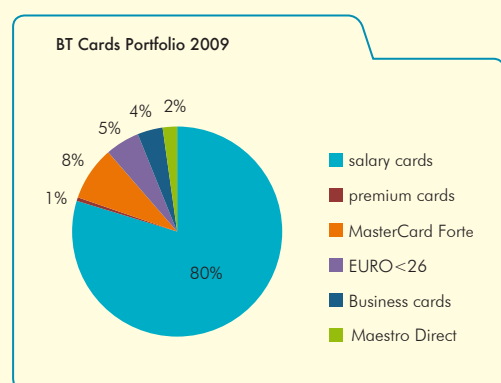
### Combined Services, lined up with market requirements

In 2009 we expanded the channels to insurance products. *The Savings and Protection Plan*, launched in partnership with AEGON Romania, met the requirements of a savings-prone and risk-averse market. This co-branded financial solution combined the advantages of a savings account with those of a life insurance facility within a customized investment program.

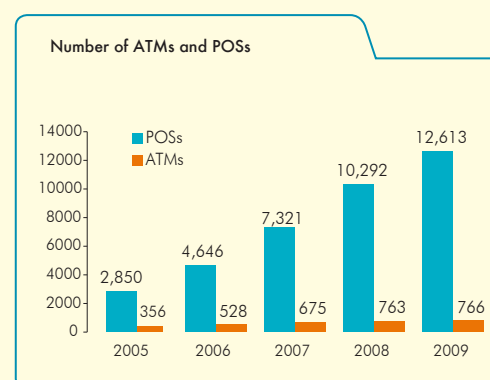
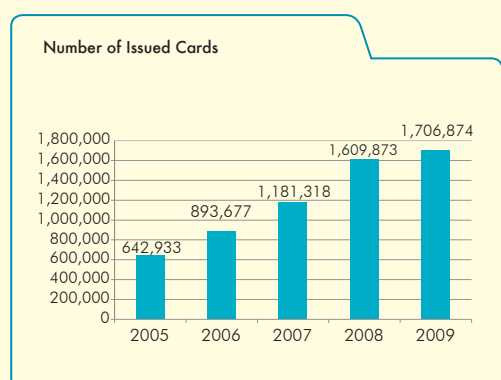


## Card Platform

Being the fourth largest issuer in Romania, we maintained our key player position with straightforward and client-friendly products. 14% market share reflects that cards have remained a staying power for BT, with a portfolio of 1,700,000. More than that, we are market leaders for premium cards under the Visa brand (Platinum & Gold), with almost 10,000 issues end of December 2009.

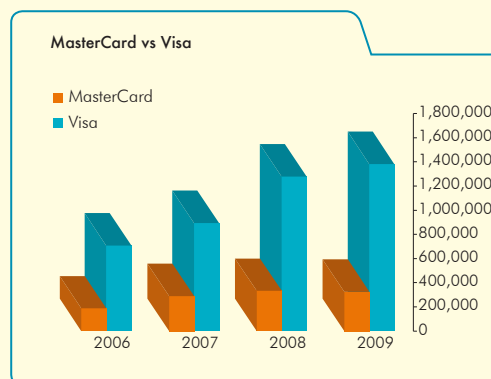


Due to an extensive purpose range, VISA ELECTRON gained the status of *Daily Card*. The 1,200,000 portfolio and the 22.7% increase in POS purchases during the second half of 2009 were among the main reasons to receive two important awards within the NOCASH GALA, 9th edition: *The Best Sold Debit Card & The Shopping Card of the Year*. Furthermore, Visa confirmed the commercial value of our Visa – *Your Daily Card* usage campaign, by selecting BT for a success story case study.



In its turn, MasterCard is the other milestone in our portfolio, with a total of 325,000 cards reflected particularly in the 144,000 issues in 2009.

Besides the cards for retail customers, we developed VISA BUSINESS SILVER CREDIT CARD & VISA BUSINESS GOLD CREDIT CARD. These cards provide easy access to money for any type of payments, as well as additional advantages such as travel assistance services, emergency cash, medical and legal assistance.



### Internet Banking - BT 24

Our Internet Banking provides easy access to banking services and products and includes many features to help customers manage their accounts online.

Based on feedback and suggestions provided by our customers, we continued to improve the relevance parameters of displayed information in the application reports, especially with respect to card accounts and payment status. Also, we extended the number of predefined payment orders, which simplifies the payment process and brings cost reduction for clients.



The number of Internet banking subscribers increased 1.6 times as compared to the previous year, reaching over 127,000 associate users for a number of close to 119,000 subscribers.

Our clients' constant interest in Internet-Banking usage is confirmed by the number of transactions, which increased by more than 80% in 2009 against 2008, as well as by the value of transactions processed via BT 24 which grew rapidly with approximately 50% as compared to the year before.

**BT 24 Advantages****@ Privacy and security**

Keep accounts [safe and secure](#)

**@ Swiftness**

Check account balance, transfer money, [pay bills](#) in minutes

**@ Key features**

[Manage accounts](#) and save time and money.

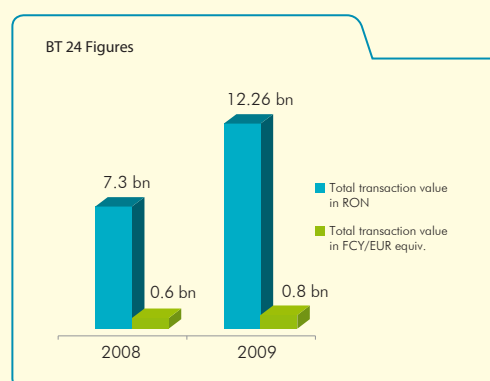
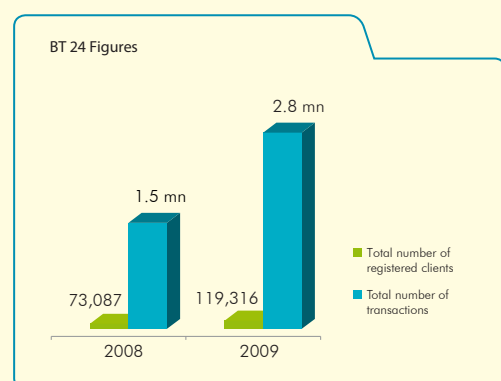
- payment order predefinition/import/export
- account statement view and print options
- account balance graphs

**@ Switch to e-statements**

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**Key Figures**

## THE HEALTHCARE DIVISION

In 2009 Banca Transilvania's Healthcare Division continued to support the Romanian healthcare professionals offering a customized range of products and services via a specialized team of physicians and financial consultants. The initial packages - *Rezident*, *Specialist*, *Praxis* – were supplemented with other specialized products targeting dental technicians.

Our Healthcare Division ended the year with a customer base of more than 18,000 clients, managing a portfolio of over 8,000 loans totaling about EUR 100 million.

The business model of our Healthcare Division relies on:

- a package of four lending products exclusively dedicated to the Healthcare sector;
- specialized sales people - doctors & financial consultants - and credit analysts;
- a network of consulting companies, which offer support for opening a medical practice or receiving the authorized individual status;
- a network of accounting firms, offering fiscal assistance.

In 2009 BT was the official bank of the Romanian Society of Cardiology and Romanian Heart Foundation, for the support offered in fighting cardiovascular diseases. Moreover, during the *Medica Gala* organized by the Romanian College of Physicians, we were rewarded with *The Best Banking Initiative* prize.



Another important achievement for the Healthcare Division was the EUR 50 million facility from IFC to finance the private healthcare sector in Romania, available also to medium size clinics, and individual practitioners. This credit line underlines that Banca Transilvania's endeavor to assist the improvement of the Romanian healthcare system is recognized by top international players. Furthermore, the contributions of the Healthcare Division to the operational income of the bank have become significant.



## RISK MANAGEMENT

2009 was marked by the global economic crisis. Most banks suffered from the volatile market surroundings and the bulk of the corporate sector showed poor financial results in all sectors due to the sharp downturn of the real economy. While the economies of France and Germany emerged from recession faster than expected, other Western and CEE countries ended the year with severe shrinkages of GDPs.

The international banking system was under constant pressure, caused by substantial non-performing loans which had an adverse effect on the lending capacity. Tackling this challenge became the main concern of banks all over the world. Central Banks interfered, adjusting the monetary policy, reducing interest rates and developing programs to ensure the necessary liquidity. But as the year ended concerns about sovereign and commercial debts continued to fuel anxiety, triggering a continued reluctance of investors.

Within this macroeconomic context, the Romanian National Bank initiated several support measures to ensure the liquidity of the Romanian banking market, keeping inflation and exchange rate volatility under control.

If governments and financial supervising authorities placed their attention on measures meant to combat and balance systemic malfunctions, Banca Transilvania adapted its business model enhancing the risk management framework to better assist the organization to adequately process and report risk related information.

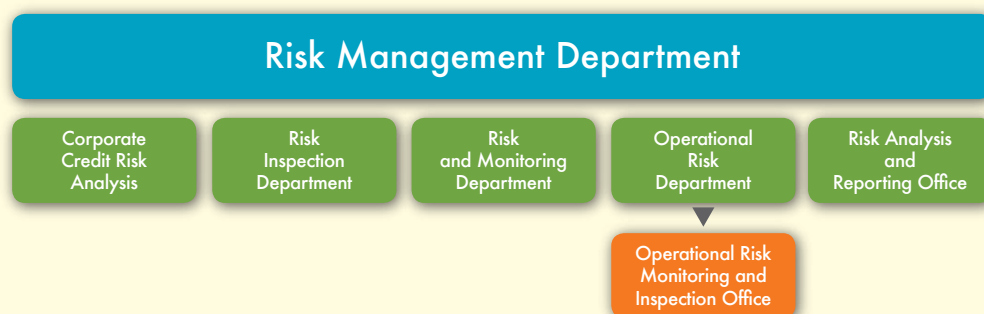
Formally, Banca Transilvania classifies risk into the following main categories: (1) credit risk, (2) liquidity risk, (3) market risk with its main components: (3.1) currency risk and (3.2) interest risk, (4) operational risk and (5) reputational risk, (6) compliance risk. In fact, the bank's endeavors are to assess and recognize the potential risk related to any single transaction or operation, quantifying their impact in terms of capital requirements.

Several scenarios and their impact on capital adequacy were regularly screened and overall 2009 targets were defined accordingly.

The main risk management principles followed by the bank when defining its yearly strategy:

- Financial stability protection: limiting the impact of potential adverse events on capital and income;
- Independent perspective: risk management, as well as the legal and compliance functions operate fully independently, ensuring the integrity of the bank's control processes;
- Investments diversification to avoid risk concentration;
- Uniform approach of risk monitoring within the bank and its subsidiaries;
- Constant review of risk scenarios adapted to current situations.

## Risk Management System



## Credit risk

One of the main decisions prompted by the economic surroundings in the first part of 2009 was linked to BT's lending approval process which was shifted to headquarter level, that is credit authority at branch network level was temporary suspended. After the necessary accommodation process to the new macroeconomic conditions was completed, i.e. adjustment of lending policies, product terms and conditions and eligibility criteria, the branch network regained gradually its lending approval limits. Today, additional monitoring and early warning systems have been implemented, to avoid adverse effects caused by negative developments of the existing, as well as newly acquired portfolio.

The basic credit risk management components such as:

- individual counterparty rating system;
- transaction risk assessment system;
- regional /sectoral concentration limits;
- pricing methodology based on risks;

were enhanced by:

- an active management of loan portfolio;
- new post-approval monitoring systems (reports & on-site visits);
- stringent credit risk provisioning policy, including non-deductible provisions (from the fiscal perspective), counting for 17.6% of total loan provisions, according to RAS.

## Market risk

In order to reduce market risks inherent to financial operations, the Bank adopted a prudent but proactive approach to protect expected transaction profits from any market volatility in interest and exchange rates.

Banca Transilvania fine-tuned its securities portfolio by concentrating on less volatile, liquid and well-dispersed (in terms of maturity and risk profile) assets.

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 is to enhance a pro-active management, especially as the profile set by the bank for the market risk is "low/conservative". As a general strategy, BT opts for plain vanilla operations, strictly limiting any open positions.

During 2009 the National Bank of Romania actively used one of its main monetary levers, reducing the interest reference rate from 10% to 8% and preparing a further decrease in January 2010 to 7.5%. These decisions, intended to stimulate the economic come-back, were immediately translated by Banca Transilvania which acted as trend setter among the commercial banks, diminishing lending rates.

### **Liquidity risk**

The annual liquidity management strategy sets prudential ratio limits and guidelines for the balance sheet structure, so as to ensure compliance with the best practices and the specific norms, while balancing the maintenance of sufficient liquidity with projected operational profit.

Liquidity management relies on 3 components:

- *Strategic Component* - balance sheet structure and annual liquidity management strategy, with optimal levels of ratios assumed by the bank during the year;
- *Management Component* - monitoring and approving the short and medium term actions, on a monthly and quarterly basis;
- *Operational Component* - daily actions within pre-defined competence limits;

In terms of liquidity ratios observed by BT, especially cash and cash equivalents, liquid assets to total assets and the loan-to-deposit ratio are of utmost importance. Their levels are permanently monitored and the Assets and Liability Committee meets and discusses on a weekly basis the actions to be taken to keep these ratios within the limits set by the annual liquidity strategy.

From a liquidity risk perspective, making use of its large network, the bank always focused on raising retail deposits instead of wholesale funding. BT traditionally relied on this broad retail depositors' base, constantly maintaining a loan to deposit ratio below one.

Furthermore, 2009 was marked by a shift in consumer behavior, triggered by the fast expanding crisis. In this climate, people spent less and saved more. This new situation was clearly to BT's benefit, causing retail deposits to record a staggering increase of 22% yoy.

Moreover, the National Regulatory Authority reduced the minimum reserve requirement on deposits both in RON and foreign currency, making available more liquidity to the domestic economic system. Preferring a sound risk profile, BT opted for safe and liquid investments, placing available funds in Treasury Bills with an adequate maturity mix, consequently boosting the weight of liquid assets in total assets.

### **Operational risk**

BT developed an internal mechanism to automatically generate reports on any event that can be classified according to operational risk definitions based on its own operational risk events statistics, national regulations, international standards, recommendations and system statistical data.

Besides the electronic monitoring tools verifying the compliance with operational risk management procedures, a specialized team, part of the Operational Risk Department, performs on-site controls rating the quality of operational risk management at each unit/department.

Banca Transilvania is continuously building new features to its operational risk management system:

- Ensuring that the bank-level policies and procedures are written accordingly with the operational risk management principles and controls;
- Performing operational risk assessment for the bank's products and processes and identifying the aggregate level of residual risk for these elements;
- Modeling and maintaining the business continuity plan; the primary solution site (Data Center) is fully backed by the secondary one (Data Recovery Center); the Disaster Recovery Site is able to sustain all the Bank's main activities; specific business continuity plans for each subsystem are in place tested on a regular basis;
- Continuously enhancing operational risk management for better capital allocation;
- Limiting the effects of operational risk, via specific insurance policies.

In terms of capital allocation to cover the operational risk our bank used for 2009 the basic indicator approach (BIA).

**Reputational risk**

The efficient management of reputational risk represents a key marker of BT's strategy, impacting the bank's financial position at a less foreseeable level, on short, medium and long term.

Monitoring of this type of risk is based on specific ratios and takes into account the reporting of reputational risk events affecting the management and supervision function of the bank. By adopting such measures, BT takes action towards an efficient management of potential events generating reputational risk and sets up clear objectives in order to counteract this risk, to prevent brand awareness depreciation and loss of customer confidence.

**Compliance risk**

The year 2009 was impacted by the NBR project targeting the implementation of credit institutions' activity management framework, the internal process of capital adequacy assessment, as well as outsourcing conditions.

The element of novelty brought by this regulation approved in September 2009 is the definition of compliance function and of compliance risk.

Compliance risk awareness has determined to rethink organizational and management structures by creating the compliance coordination function, by drafting and applying assessment methodologies for compliance risk, by using activity performance ratios and by assigning new compliance risk responsibilities related to the management and supervision function.

The implementation of this project is to be finalized by the end of H1 2010. This will render more efficient the compliance risk management process, as it is defined by the NBR Regulation no. 18/2009.

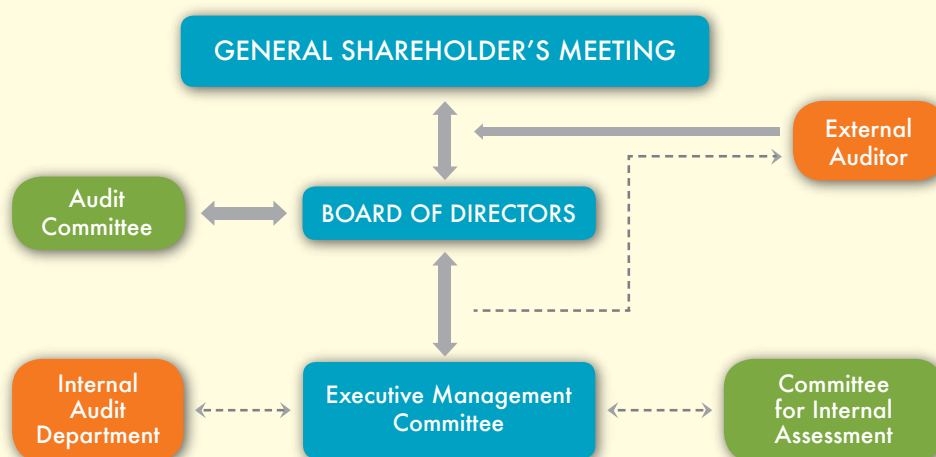
## INTERNAL AUDIT SYSTEM

Banca Transilvania's **Internal Audit Department** conducts the internal audit of the Group's operations, contributing to the optimal management of all systems. The Department's activities are built on the **Annual Audit Plan** approved by the Board of Directors.

The Audit Department ensures the proper conduct of the Group's operations, being responsible for the overall supervision of internal systems.

The audit unit within Banca Transilvania works to apply best practices, performing risk based audits on past data inspections. Audits are not only limited to verifying and controlling deficiencies, but they also point out compliance and risk management problems and make recommendations for required future actions.

### Audit Reporting and Subordination



The **Audit Committee** was established to streamline the audit process. The committee meets every month and discusses important matters relating to internal auditing, based on reports prepared by the audit unit. Functionally, the audit reports are handed over both to the Audit Committee and Executive Management to assess the findings and provide the best lines of reaction.

The internal audit procedures are designed and updated to ensure the communication flow between the Board, Audit Committee, the bank's Executive Management and the external financial auditor.

### Internal Audit principles within Banca Transilvania

- *Permanence*
- *Independence*
- *Objectivity & Impartiality*
- *Integrity & Professional Competence*
- *Confidentiality*

### Internal Audit Ratings within Banca Transilvania

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

## COMPLIANCE

### Anti-Money Laundering, Know-Your-Customer & Counter Terrorism Financing Legislation

The crisis has made certain financial systems more vulnerable to money laundering and terrorist financing threats. In this gloomy context, the rise of “intelligent” criminals and money launderers rendered such activities more and more difficult to detect in spite of their apparent legitimacy.

Compliance with money laundering obligations is one of the greatest challenges nowadays. Governments and supervisory authorities worldwide are introducing new laws and regulations imposing new requirements in order to provide a robust defense against money laundering. A major issue to be addressed by financial institutions is the need to comply with enhanced anti-money laundering and suspicious transaction reporting laws. Thus, the compliance agenda for most banks and financial institutions has rapidly shifted from an arbitrary commitment to a mandatory one.

In light of the new legislation, BT grants further attention to the “compliance function”, underlining its role in assisting the management bodies in the identification, assessment, monitoring and reporting of compliance risk, ensuring the compliance organizational structure, reviewing and drafting the internal regulations to properly implement compliance standards.

In 2009, we continued supervising the implementation of the 3rd European Directive (Directive 2005/60/EC) on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, the requirements of which are transposed into NBR Regulation no. 9/2008 and Law no. 656/2002. Through the application of these regulations, the client portfolio of Banca Transilvania is reviewed and updated in accordance with the new legal requirements concerning beneficial owners and politically exposed persons.

► Problem noticed  
Action taken  
Crisis solved

### KYC and AML Systems

- **defining and prioritizing KYC data quality requirements:** working closely with regulatory experts in anti-money laundering compliance and data management;
- **focusing on key areas:** critical KYC data fields necessary to detect unusual transactions, identify and risk-rate customers and prevent financial crime; getting participation from key personnel in compliance, operations, IT and front office;
- **sustaining data quality over time:** once the data has been cleansed and integrated, develop sustained measures to ensure that data quality continues to meet or exceed required levels over time. These measures should include data monitoring programs, development of appropriate policies and procedures, and control implementations for all key systems;
- **assigning individual responsibility** to the involved personnel.

In summary, data quality and data integration play a crucial role in rendering KYC and AML strategies functional, engaging quickly and comprehensively proactive responses.



## SUSTAINABLE BANKING

### Environmental Performance

Banca Transilvania decided to be a supporter of environmental initiatives, a corporate citizen who believes in efficiently implementing a coordinated environmental risk management framework.

Banca Transilvania's environmental approach focuses on two dimensions:

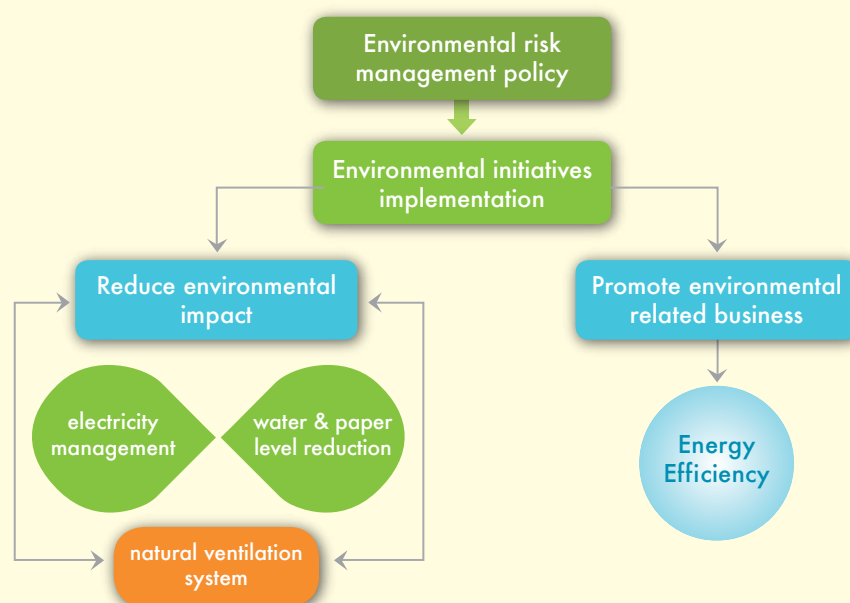
1. Defining, controlling and reducing its own environmental impact arising from operational activity:

- Electricity management;
- Water & paper consumption;
- Use of natural ventilation systems vs. air conditioning.

Proactive solutions are acknowledged by Banca Transilvania employees, who voluntarily make efforts to minimize the environmental impacts of their daily activities at work. Since 2008, BT started the renovation of the headquarters building to optimize the consumption in terms of electricity, water, fuel, gas, paper and other waste.

2. Sustainable banking via products and services:

- Financing renewable energy;
- Energy efficiency platform;
- Environment investments.



In 2008, Banca Transilvania proposed to engage its customers and partners in advancing smarter energy efficiency practices. In line with this commitment, BT's 2009 aim was to frame the

environmental impacts regarding financed projects and support clients to minimize the undesired environmental effects.

Within this context, a new risk evaluation model, a screening process, was designed to identify the potential environmental issues associated with a project, so as to recognize both the negative aspects of certain undertakings, as well as positive outcomes.

Energy Efficiency facilities at competitive rates, with grants for successful finalization of the investment were offered to our clients. We also provided free technical assistance for these projects, with on-line support, the customers' sole concern being their commitment towards viable energy saving solutions.

With its specialized banking products and services, Banca Transilvania will continue to support innovative technologies and energy saving projects to contribute to maintaining an ecologically balanced environment.

### Corporate Social Responsibility

Banca Transilvania preserved in a transparent and ethical manner its 2009 social involvement, regardless of the economic environment.

We managed to assist:

- 115 students to improve their grades
- 26 students to pass their finals
- 41 youths to qualify for a job
- 69 teenagers to find a job



The most important project continued to be **Clujul are Suflet**, which has gained by now its own identity. With over two years of experience, the project reaching the maturity stage, managed to engage as many Cluj citizens as possible. This undertaking in partnership with Romanian Foundation for Children, Community and Family - Cluj (FRCCF), helped and supported over 500 teenagers to reintegrate socially. In addition to the direct material aid offered by BT, during September – December 2009 for each payment with a BT card, 1 RON was donated to the Foundation.

BT's total donations were RON 450,000, of which RON 250,000 via Fundatia Transilvania and the rest as a consequence of the card payment campaign.

Our efforts were acknowledged by Forbes magazine, which placed BT third in 2009 amongst the most generous Romanian companies. We also received the Excellency award granted by TVR Cluj for "efficient management of emotional capital and civic spirit" at Media Excellency awards.

**Clujul are Suflet** was an inspiration not only for Cluj citizens but for our Bucharest colleagues as well. They helped the less fortunate, with a small scale undertaking, but with great affective impact. New furniture was supplied to Fundeni Hospital, Pediatric Oncology Department, so that the children could enjoy a new colorful environment.

### **Social welfare**

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

### **Community projects**

Banca Transilvania also provides support for students via "**Student Plus**" program. Highly attractive platform, allowing youths with Omnipass and Visa Electron Euro<26 cards to benefit from certain price discounts (such as public transportation) matching their lifestyle. We were joined in this undertaking by prestigious local institutions, such as the Technical University, Babeş-Bolyai University and the Local Town-Hall and Council.

### **CSR in the medical field**

Banca Transilvania offered support to the medical sector, even more so since BT has a dedicated business line to assist the Romanian medical system. We encouraged and helped a series of specific programs, thus contributing to the success of certain physician's initiatives with entrepreneurial spirit.

#### Projects:

- First private geriatrics center in Arad
- State of the art medical imaging in Giurgiu, Galați, Satu Mare, Baia Mare and Pitești Hospitals
- First private gastroenterology center in Cluj-Napoca
- First dental chair in a small village in Tulcea
- Financing a private stem cell bank in Bucharest

### CSR for entrepreneurs

**Support the Romanian businesses!** showed our commitment and involvement in the social life of Cluj citizens, supporting the jump start of micro - businesses. Together with the online publication HotNews.ro, we organized a contest meant to reward the best business initiative, and so we did. **"Carry me, mommy"** had great impact, as it proposed an easy and inventive way to help young mothers carry their babies, by using baby slings. BT will offer support via financial consultancy services, design of a professional site and promotion on Google AdWords.

### CSR for employees

In October 2009, BT organized the 11<sup>th</sup> edition of the running contest – **Crosul BT**, by now an official trademark of the bank, which had Gabriela Szabo, multiple international athletics champion, as special guest. The 4km race was held for amateur sportsmen and BT employees.



*Dear participants,*  
*I was happy to learn that the tradition of this running competition was revived. This is why I will be by your side at the start line, to get to know you and cheer you on.*  
*I look forward to giving the official start to this wonderful health training program!*

*All the best,*  
*Gabi Szabo*

▶ BT's social responsibility "comes from the inside", from its team driven by involvement, commitment and proactive attitude combined with responsibility.

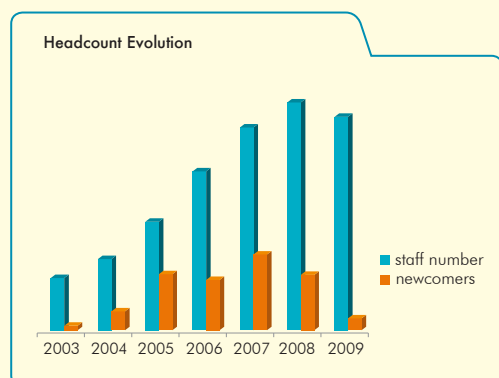
## HUMAN RESOURCES

Even if 2009 brought a shift in HR priorities, BT continued to focus on efficient human resource services, so that the bank's near term objectives could be balanced with long term business requirements.

With companies and banking institutions reducing their work force, we were ready to adapt quickly to the changing business priorities, retaining and developing our existing employees' core base.

To be among the winners, the executive management, together with our HR Department considered the best practices to provide a moving forward balanced approach, by including both cost reduction measures, and smart investments in talents as well.

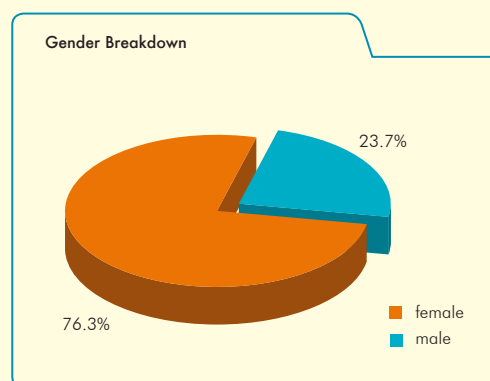
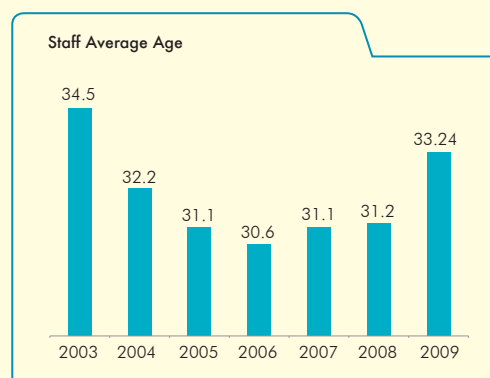
### Staff profile



Skill and competence were our assets in times of crisis. 2009 human resources strategy was centered on key personnel. Communication, initiative and talent were rewarded and encouraged, so as to maintain BT's competitive edge.

### HR in figures: 2008 vs. 2009

	Dec 2009	Dec 2008
Total Headcount	6,126	6,507
Active Employees	5,285	6,036

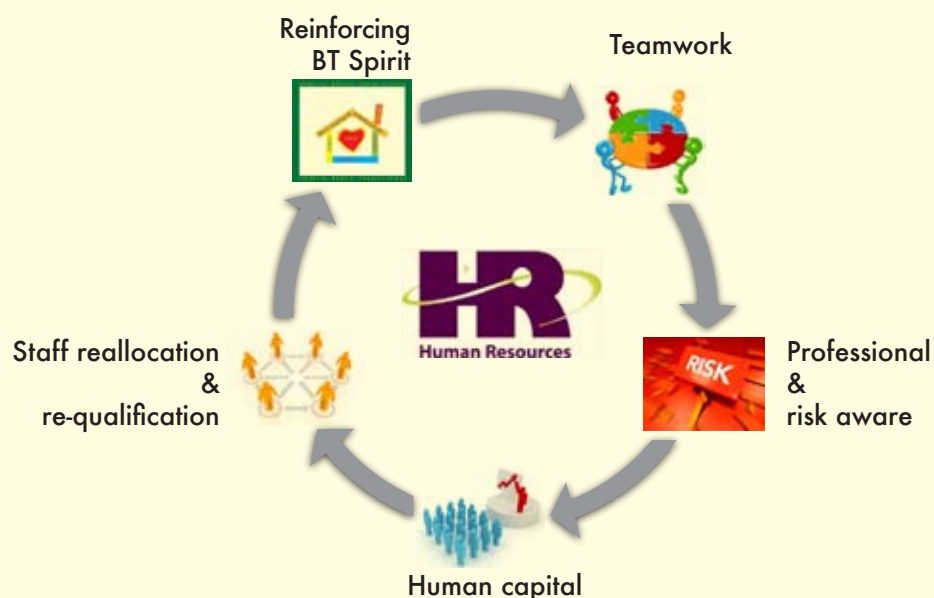


Within this context, the activity of **BT Academy** capitalized on the existing talent pool, identifying, retaining and rewarding via training programs, the employees that make a difference.

Financial analysis and credit risk management were the two main training directions of 2009. **650 corporate and SME division employees** were engaged in specific training programs moderated by outside speakers and BT specialists. The seminars were targeted at raising employees' awareness with respect to Basel II requirements and compliance with the vast array of regulations imposed by the supervision authority.

A solid operational risk management training platform was built up by the top management together with Compliance professionals, so as to support the high velocity changes imposed by the 2009 climate. Consequently, **850** colleagues attended training sessions on fraud identification and prevention, know-your-customer and operational risk management.

As products and services set us apart from our competitors, we developed multiple courses meant to enhance our employees' customer care skills. **Training on products and services** comprises a large range of sessions provided to our staff to become thoroughly accustomed with the best possible practices to ensure customer satisfaction.



HR Department within Banca Transilvania is continually being challenged to provide **management programs** intended to raise expertise, efficiency and competence of key personnel and enhance communication skills and interpersonal rapports at different hierarchical levels. As a result, MBA programs, leadership and communication courses were implemented during 2009.

## MARKETING AND COMMUNICATION

The **Bank for Entrepreneurial People** concept continued to be promoted during 2009 throughout all marketing projects rolled out by Banca Transilvania. Not only did we convey to the public the message that BT supports entrepreneurial people, but we also acted “entrepreneurial” through large scale advertisement campaigns and specific, punctual activities, being both innovative and efficient.

The acknowledgement of our efforts was reflected in a **Synovate study** where Banca Transilvania was placed among the five most well-known brands in Romania, in the Banking–Insurance category.



As the crisis determined several banking players to retreat our two TV campaigns promoting the SME dedicated products: **Banking Subscription** and the **Ready Secured Loan** monopolized the TV communication (93%).

In times of great difficulty, BT offered support to small entrepreneurs, extending products with advantageous fee structures, the *Fairy Man* cutting banking expenses for SMEs.

**The Banking Subscription Campaign** enjoyed the attention of the public. Over 12,600 new subscriptions were entered from February to August 2009, accounting for 27% of total subscriptions granted since product launch.



**The campaign for the Ready Secured Loan**, product developed together with the National Guarantee Fund for SMEs, one of the first private-public partnerships in Romania launched to defend SMEs against the hostile macroeconomic environment, had the expected impact on the market. This **Campaign** was rewarded with the prestigious **Silver Effie** award, BT's 4th Effie prize. This is the highest honour for the financial banking sector in 2009 (as there was no Gold Effie winner), based on ad campaign efficiency.

While the marketing activity for corporate clients focused mainly on their needs to overcome the crisis, retail customers target was aimed mainly to enhance the use of products and services already existing in the portfolio: cards, BT 24.



Cards were again star products, a significant part of the marketing activity targeted this segment. **VISA ELECTRON, Your Daily Card Campaign** positioned the use of cards as a day-by-day instrument, even for small payments. In fact, increase in POS card usage fulfilled our expectations for 2009 and recorded a **22.7% rise in December 2009 vs. June 2009**.

Besides the “classical” promotion tools, over 400 ATMs were redesigned to display specific campaign logos.

During the **Win in 3 Moves!** campaign, the *Fairy Man* offered prizes to customers who used three out of five BT products. This program contributed significantly to the intensive use of

products by the existing customer base.

Moreover in 2009, we strengthened the concept of **“The Bank for utilities”**. **Pay your bills at Banca Transilvania** was launched for our customers to make bill payment an easy, line free activity.

The co-branded **BT - Western Union** campaign made proof of simplicity and reliability to the best of our customers. Thus, the market share on this segment increased to 20.35%.

In online marketing, we continued to improve Internet brand awareness and sales.

A new type of online communication was initiated by creating a BT profile on Facebook, the largest social networking website. Our presence in this type of environment enhances BT’s online visibility, placing the bank in the spotlight.



We were the **Bank for Entrepreneurial people** on the Internet as well. Hundreds of Romanian entrepreneurs benefited from advertising space in Google AdWords, following the **Google Friend Campaign**.

Another ingenious initiative was **BT - Daily Planner**, an online application helping our clients to efficiently manage their daily tasks.



During 2009, the site had 1,644,742 sole visitors with 5,402, 288 logins

www.bancatransilvania.ro was viewed 14 million times  
Each visit lasted in average 2 minutes

**Public relations** continued to support the Bank's integrated communication, focusing on the relationship with the mass-media. For a consistent and transparent communication, several press releases were sent per week, thus ensuring an outstanding information flow between Banca Transilvania and the press. The topics covered information on the bank's financial results, business line results, financings received from strategic partners (IFC, EBRD), partnerships, **Clubul Întreprinzătorului Român** activities.



Internal communication played an important role in Banca Transilvania too, great emphasis being placed on keeping our employees permanently updated.

PR strategy in 2009 targeted awareness and reputation preservation, as well as the promotion of BT as the Bank

for Entrepreneurial People.

**Integrated communication** was the key to success in 2009, achieved by efficient means, via marketing and PR initiatives, in environments meant to create visibility and brand awareness.



## OPERATIONS AND IT

### 2009 main achievements

We had a good business evolution in 2009, marked by the increase and consolidation of market share in several segments (domestic payments, cards, debit instruments) reaching values close to 15%.

Due to technical staff with high level expertise, we succeeded in developing adequate IT support, while maintaining low operational costs.

Worth mentioning is the change of the Card System IT platform and the acquisition of Exadata V2 equipment provided by Oracle&Sun, in order to increase performance related to Data Warehouse and MIS.

### 2010 priorities and objectives

For the year to come, we intend to develop new and more sophisticated banking products offered via various distribution channels. Therefore, it is essential to increase efficiency and performance in our core banking system to support the bank's intensive growth and the high transaction volumes, but also to comply with the superior quality standards set for our clients, the National Bank and the Auditors.

Our operational initiatives consist in:

- **business reengineering**, through activity centralization and cost control using e-channels;
- **quality management** in terms of products and services and product life cycles.

In terms of technologies, we analyze the opportunity of implementing a new, scalable Core-Banking system and an enhanced Internet Banking solution.

Among our IT strategic goals, we mention:

- customer service enhancement, expressing our efforts to respond to customer needs in a timely and effective manner;
- alignment and agility, because we set priorities based on business drivers and we adapt to changing customer needs;
- financial contribution, for the purpose of accurate cost estimation and efficient resource allocation;
- updated technology in order to ensure confidentiality, security and data integrity;
- enterprise architecture, meaning our attempts to simplify the environment to ensure stable and efficient performance for crucial applications.

## MAIN SUBSIDIARIES

### BT Leasing Transilvania IFN S.A.

With over 14 years of experience, staff professionalism and client-tailored financial solutions, BT Leasing offers accessible and advantageous funding for the acquisition of goods by means of finance lease.

In 2009, BTL had 2,475 clients serviced via 25 branches throughout the country. Our business model is strategically connected to Banca Transilvania's, creating inter-group synergy and cross-selling opportunities.

The leasing products are designed as complementary to BT's banking offer:

- Leasing Standard – basic product;
- Leasing Rapid - designed for corporate clients;
- Leasing Take and Go - both for retail and corporate clients;
- Refinance Leasing - unique product fully adapted to the client's needs;
- Lease-Back/Cash In - product which allows companies to enjoy the benefits of working capital, while still using the "Sale & Lease back" goods;

Our continued success in the market in 2009 was highlighted by the increase in share capital RON 3,643,321, reaching RON 39,910,314, while the turnover rose to RON 43,276,225, compared to RON 38,368,887 at the end of 2008.

### BT Securities S.A.

2009 activity started with clear cut, well-defined objectives, so as to reflect the consolidation process on the primary capital market. Increasing market share, raising efficiency, improving risk management activity, and developing the IT infrastructure, in order to accommodate the substantial work load were the guiding principles throughout the year.

In terms of market share and network BT Securities was among the leading institutions. In the area of stock trading and brokerage houses on Bucharest Stock Exchange, BTS was ranked 1<sup>st</sup> in 2009, with a market share of 9.87%. Moreover, 16 Romanian Counties are covered by BT Securities network, the most extensive platform of any brokerage company in Romania.

In 2009, BT Securities maintained its status as the only intermediary in Romania which offered its clients margin and direct transactions on the Vienna Stock Exchange (Wiener Börse).

Capital market development fully confirmed the accuracy of the company's market research reports, encouraging its specialists to continue on the same path.

BTS carried on its strategy by active involvement on the primary capital market, by means of:

- issuing municipal bonds for Alba-Iulia Town Hall & County Council, Focșani, Orăștie and Năvodari Town Halls;
- winning the tender for financing Botoșani Town Hall;
- finalizing five public tender offers initiated by different listed companies;
- starting the initial public offering, followed by listing on the BSE, for 3 international airports: "Henri Coandă" in Bucharest, "Mihail Kogălniceanu" in Constanța and "Traian Vuia" in Timișoara.

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

BT Asset Management, the biggest equity fund manager on the Romanian market, ranked fourth in the asset management business with a market share of 5.5%. It specializes in fund and individual investment accounts management.

At the end of 2009, the assets under the company's management amounted to RON 171 milion, representing a 136.52% rise compared to 2008. The number of clients also increased to over 6,500 in 2009.

	2008	2009	%
Assets under Management	72,355,608	171,135,214	136.52
Number of clients	2,237	6,521	191.51

In 2009, there was a significant boost in managed assets, on the background of the increased attractiveness of our products given their appealing yields.

YIELD, 2009	BT Obligatiuni	14.01%
	BT Clasic	25.84%
	BT Index	50.11%
	BT Maxim	62.78%

**Medicredit Leasing IFN S.A.**

Established in 2003 as a non-banking financial institution, Medicredit Leasing has managed to gain the status of leader on the private medical market, with a 54% market share in 2009 in terms of medical equipment leasing.

Over the years, the company succeeded in addressing different needs, whether clients wished to expand existing medical businesses or required technical-financial solutions for a start-up company.

Medicredit Leasing provides to its customers integrated technical-financial solutions through package offers, consisting of technical advice on medical equipment, business and managerial consultancy, followed by financial support.

Banca Transilvania became a shareholder in 2006, increasing its participation to 57.39% in 2008. Starting with 2010 Medicredit Leasing is fully owned by BT, the bank completing its product offer for the Healthcare Division, adding leasing facilities to the banking products and services.

Due to its expertise in the medical field and trust gained amongst physicians, Medicredit extended its activity countrywide in 2009 servicing 29 large clinics, 5 new screening centers, as well as a new multidisciplinary medical center.

**BT Direct IFN S.A.**

Specialized in consumer finance, BT Direct portfolio dynamics in 2009 showed a total financing value of RON 16.3 million for 7,767 new contracts, with the following breakdown: RON 6 million finance leasing agreements and RON 10.3 million lending contracts.

BT Direct collaborates with 460 partner stores and finances over 18,600 clients.

**FINANCIAL HIGHLIGHTS, 2009**

	RON	
	2009	2008
Total income from financing operations	5,931,218	4,805,492
Total income	6,581,418	5,403,547
Gross profit	1,548,816	432,885
Tax on profit	203,480	252,588
Net profit	1,345,336	180,297