



BANCA TRANSILVANIA®

SWIFT: BTRLR022

Capitalul social: 1.477.922.353 lei

C.U.I. RO 50 22 670

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**Report of the Council of Administration
of Banca Transilvania**

- 2010 -

CONTENT

INTRODUCTION	ERROR! BOOKMARK NOT DEFINED.
YEAR 2010 OBJECTIVES VS. ACHIEVMENTS	ERROR! BOOKMARK NOT DEFINED.
PERFORMANCES ON BUSINESS LINES IN 2010	ERROR! BOOKMARK NOT DEFINED.
ECONOMIC AND FINANCIAL RESULTS IN 2010	11
BANKING PRUDENCE RATIOS (CAMPL)	
PROPOSED DISTRIBUTION OF PROFIT AND SHARE CAPITAL INCREASE	17
CORPORATIVE GOVERNANCE	ERROR! BOOKMARK NOT DEFINED.
RELATIONS WITH SHAREHOLDERS/INVESTORS	
RISK MANAGEMENT	ERROR! BOOKMARK NOT DEFINED.
INTERNAL AND EXTERNAL AUDIT	30
POLICY OF THE BANCA TRANSILVANIA FINANCIAL GROUP	31
ENVIRONMENTAL POLICY	ERROR! BOOKMARK NOT DEFINED.
CORPORATIVE SOCIAL RESPONSIBILITY	ERROR! BOOKMARK NOT DEFINED.
OTHER INFORMATION	ERROR! BOOKMARK NOT DEFINED.
INFORMATION ABOUT THE BANK'S PERSPECTIVES IN 2011:.....	ERROR! BOOKMARK NOT DEFINED.
PROPOSED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT IN 2011	ERROR! BOOKMARK NOT DEFINED.

INTRODUCTION

In 2010 the international financial system had to face some harsh stress tests as well as criticism to authorities and civil society worldwide.

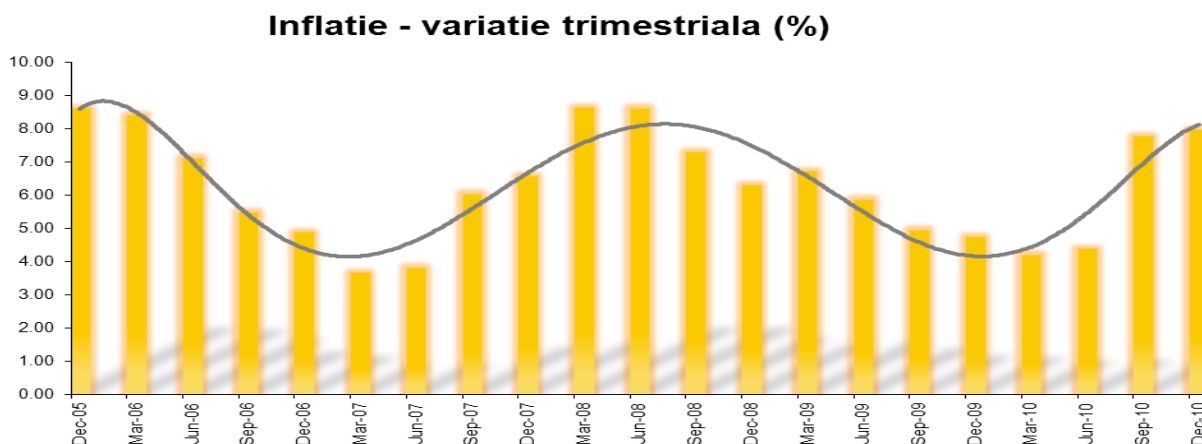
Romania was throughout the year 2010 in recession and the economic environment deteriorated negatively influencing the banking system.

The austerity measures adopted the Government in mid 2010, respectively the 5% increase in VAT, the 25% salary reductions and the confusion about the adoption of Ordinance 50/2010 determined the lending process to stagnate.

According to the annual results at an aggregate level, 2010 was the most difficult year for banks in Romania after 1999, a year marked by bankruptcies, legal reorganizations or mergers of companies, but also by cleansing the banking market and strengthening the surveillance system.

Coordinates of the Romanian economic environment during 2010:

- The annual inflation rate climbed to 7.96% in December 2010 in line with the Central Bank forecasts, but significantly above the upper limit of the variation range of the target. The increased annual rate of inflation in 2010 (from 4.74% in December 2009) was mainly the result of the 5 % VAT increase starting with the second half of the year.



- The budgetary deficit of Romania in 2010 was 33.3 bn. lei, lower than in 2009 from 7.4% to 6.5% of GDP.
- The GDP dropped by 1.2%, less than the official estimate of the authorities who were anticipating a reduction of 1.9-2%.

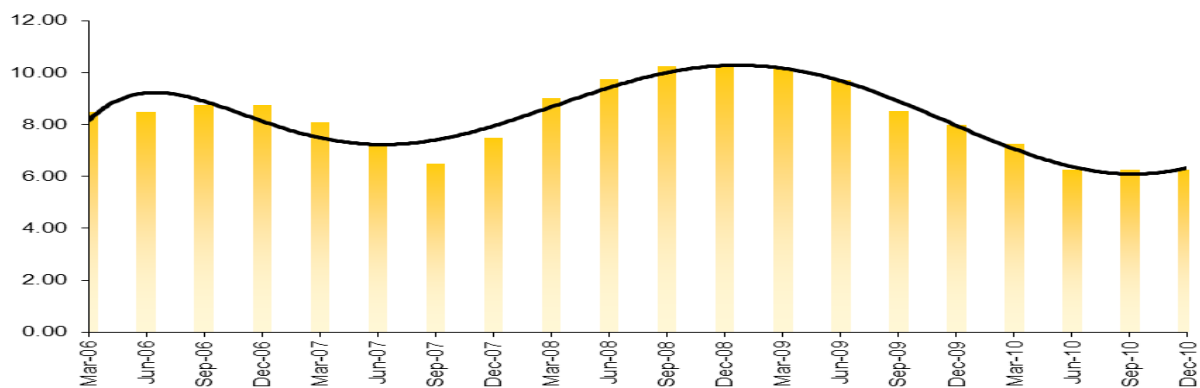
- The banking system closed the year 2010, for the first time from 1999, with a net loss 307 millions lei, compared to the cumulated gains of 815 millions lei in 2009;

- The banking assets rose 3.5% last year to reach 341.8 billion lei at the end of December, the lowest growth rate since the start of the crisis, while in 2009 the advance was over 5% (330.6 billion). In the top 10 banks, Banca Transilvania is ranked the fifth with 6.3% in total net assets in the banking system.

- As regards the gross value of clients loans/deposits, its level advanced from 112.8% in December 2009 to 113.46% at the end of last year, showing a lack in the necessary financing.

- From the start of 2010, the National Bank of Romania reduced the key interest rate three times with 0.5%, from 8% to 6.50%, and then again with 0.25% to reach 6.25% in the present.

Dobanda de referinta - Evolutie trimestriala 2006 - 2010

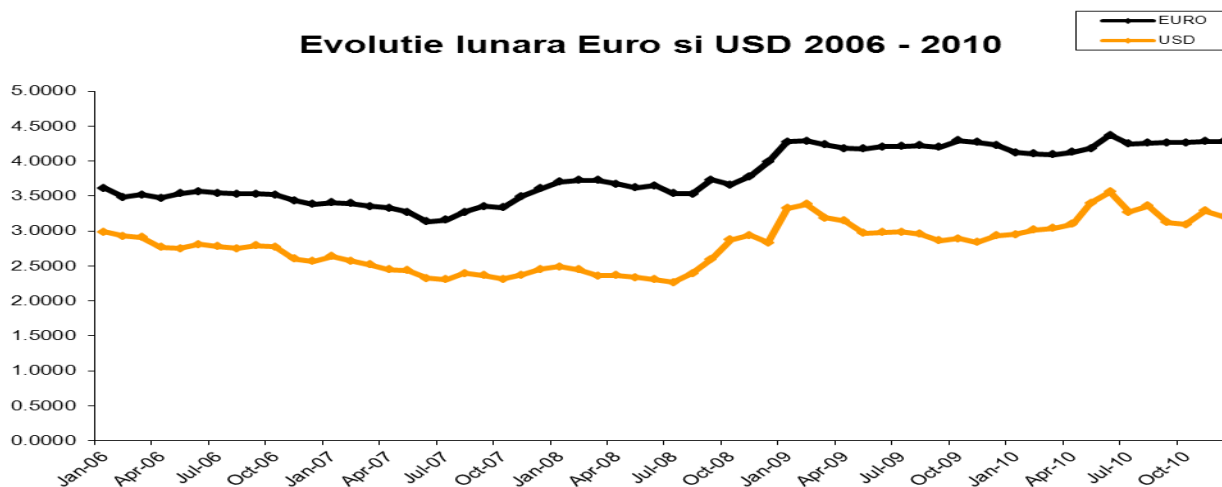


Automatically the Romanian National Bank reduced the interest rates to the credit facility (Lombard credit) from 12% to 10.25% per annum and to the deposit facility from 4% to 2.25%, which are in a range of 4% plus/minus to the monetary policy interest rate.

- During the year 2010, the Central Bank kept unchanged the minimum reserve requirements for funds in domestic and foreign currency held by the National Bank of Romania, which were 15% for RON and 25% for foreign currency.

- The average solvency rate, calculated as a ratio between own funds and net exposure, stood at 14.66%, significantly above the 8% limit imposed by the National Bank of Romania (14% in 2009).

- The Eur/leu exchange rate was 4.2282 lei/1 Eur at the beginning of the year and 4.2848 lei/1 Eur at the end of the year. During the year the rate reached highs of 4.3688 lei/1 euro in June, the lowest 4.0653 lei/1euro being in March.



The national currency depreciated against the US dollar in 2010 in percent of 9.1%, (3.6% in 2009), the minimum value being 2.8388 lei/ USD in January and the maximum of 3.5697 lei/USD in June. On 31.12.2010, the leu/USD rate was 3.2045.

- The contribution of credit institutions to the Guarantee Fund in 2010 was 0.2% of total guaranteed deposits, the guarantee level per depositor and per credit institution being 50,000 euros in lei equivalent. Starting from January 1, 2011, the deposits guarantee fund increased the contribution to 0.3% and the guarantee level doubled to 100,000 EUR in lei equivalent. The deadline for the contribution payment was reduced to 20 days from the date when deposits become unavailable.

Year 2010: Objectives vs. Achievements

The year 2010 continued to be a difficult year for the banking system when the crisis effects were heavier on clients adding to the austerity measures taken by the authorities.

In such conditions Banca Transilvania developed strategic projects such as refinancing and restructuring credits and new products and services primarily for access of companies to European funds

Despite the difficult economic context, in 2010 Banca Transilvania continued the lending process consolidating its market share, managing prudently all business lines and developing an anti-crisis program dedicated both to companies and individuals.

The analysis of the results obtained in 2010, based on the financial statements prepared under the Romanian accounting standards (NBR Order no.13/2008 with subsequent amendments) are presented below:

QUANTITY OBJECTIVES 2010:

OBJECTIVES 2010	PROPOSED	ACHIEVED
Assets as at 31.12.2010	22.50 bn. lei, 16% higher than in 2009	21.59 bn. lei, 11% higher than in 2009
Gross profit	150 bn. lei, 74% higher than in 2009	135.02 mil lei, 57% higher than in 2009
Resources from clients	18% higher than in 2009	17.2 bn, 15% higher than in 2009
Credit Portfolio	14.25 bn lei , 17% higher than in 2009	13.37 bn lei, 10% higher than in 2009
POS's	15,000	Realized
Cards	1,800,000	Realized
BT 24 in 2009	150,000 users	Realized , 150,591 users
Program dedicated to European funds beneficiaries	Launch of a new credit products for SME's for access to European funds and MF	Realized, co financed 120 projects
Shareholders' equity	14% higher than in 2009	1,995 mil lei, 12% higher than in 2009
BT network	Moderate development in 2010	536 units, opening more than 20 units in 2010
Investment budget	23.8 mil EUR, VAT included	20.6 mil EUR, VAT included

QUALITY OBJECTIVES REALIZED in 2010

- Streamlining operational costs and improving performances: on 31.12.2010 the cost / income ratio was 48%, better than that on 31.12.2009, when it was 55%;

- Balanced and disciplined growth in lending: the gross credit balance increased 10% from the last year, of which only 38% in forex credits and more than 62% in lei credits; the nonperforming loans represented 7.37% of the credit portfolio;
- Pursue of quality in the credit portfolio by implementing performing lending policies;
- Maintaining prudential ratios within the set limits;
- Extension of the bank for utilities concept;
- Continuing investments in technology and innovative products, being the first bank to procure the integrated system of Exadata Database Machine Version 2 ;
- Banca Transilvania was the first bank to launch the service of money transfer through ATM's in the Western Union network;
- The project of implementing a new Internet Banking solution was started, with an emphasis on diversifying security mechanisms ;
- The 5th place in the top of banks in Romania at the end of 2010 in terms of total assets of 6.31%, which is 5.8% higher than the value at the end of the year 2009;
- The third place in the system in terms of issued cards and number of transactions.

The most important awards obtained by Banca Transilvania in 2010:

- Special award for progress and innovation in 2010 - from the newspaper "Nine O'Clock";
- The Banker of the year - from the review Piața Financiară;
- BT - one of the most generous 5 companies in Romania - according to the Forbes classification;
- Banca Transilvania, in the top of the strongest 50 Romanian brands - study realized by BIZ review and the Unlock Research agency;
- Silver Effie for efficiency of the advertising campaign named the "Credit already secured", dedicated to SME's - Gall of Effie awards;
- Best IT&C in Banking Project award - from the review "Mobile Communications";
- Award for Visa Gold Card BT - Rotary for its involvement in supporting projects dedicated to the local community - from Finmedia.

PERFORMANCES ON BUSINESS LINES IN 2010

On 31 December 2010, the bank's activity was structured on the main business lines: large companies, small and medium enterprises (SME), Retail, Medical Division and Treasury.

In 2010 the Bank continued to manage prudently and effectively the four main business lines, developing an anti-crisis program dedicated both to companies and individuals.

The classification of the legal persons into the category of large companies or SME's is regulated by internal rules setting the conditions for classifying the clients on business segments.

Without being an obligatory compliance to the rules in force, for an internal evaluation of the bank's business and in order to decide the future allocation of resources, BT presents the financial information structured on business lines.

CORPORATE BANKING:

- In 2010 Banca Transilvania consolidated its market position by attracting large and robust companies so that the corporate investments in 2010 rose by 16% from the previous year to reach a total investment volume of 5,658 mil RON, which accounts for 45% of the BT portfolio at the end of 2010;
- The resources from corporate clients at the end of 2010 recorded a 16% increase from 2009 reaching 4,216 millions lei;
- On 31 Dec. 2010 the Corporate division had 9,526 active clients, which was 15% below the previous year (11,143 clients in 2009) as in April the conditions for classifying clients into business categories changed and many clients were framed into the SME category;
- Significant increases, more than 15% from 2009, were recorded in the account movements of corporate clients with BT; the bank saw an increase of almost 42% in the number of bills settled at the bank's cash desks, with a monthly average 1.4 millions bills; new partnerships were signed with national and local service providers.

SMALL AND MEDIUM ENTERPRISES (SME's):

- The resources generated by the SME business line rose by 29% in the year 2010, reaching 1,786 millions lei;
- Loans to SME clients were in value of 1,170 millions lei at the end of the year 2010, lower than in the previous year due to the deterioration of economic conditions and the problems facing SME's;
The new credit product on the market named the „Credit already secured”, co branded with the National Guarantee Fund for SME credits (FNGCIMM), had a positive evolution in 2010, being combined with almost 2,000 traditional credits;
- The number of SME clients as at 31 Dec. 2010 was 103,955;
- The cost of SME credits although at a high level in 2010 fell by 8% from 2009.

RETAIL BANKING :

- The retail credit portfolio reached the value of 5,042 mil lei in 2010 (510,379 client credits, of which credits on cards 328,395), representing 40% of the total BT loans, which is 3.3% higher than the value recorded in 2009; the growth in the retail lending was due to a credit promotion campaign during the year; at the end of the year the lending process saw a slight

stagnation due to the consequences generated by the implementation of Gov. Order 50/2010 f on credit contracts with clients;

- The resources raised by the Retail segment in 2010 were 10,845 mil lei (64% of total resources from clients), which is 13% higher than level record in 2009 (9,920 mil lei);
- Cards issued at the end of the year 2010: 1,803,705, of which 1,653,122 debit cards and 150,583 credit cards; the evolution in the number of BT cards placed the bank on the third place on the Romanian market;
- ATM's : 805; POS's : 15,094 ;
- Internet Banking BT 24: 150,591 users;
- Retail clients on 31 Dec. 2010: 1,295,373, which is 4 % below from the number on 31 Dec. 2009:

MEDICAL DIVISION:

In 2010 the Medical Division maintained its leader position in the medical sector by keeping its unique approach in the banking system. The dedicated products and the team of experts constitute a competitive advantage of this business line.

- In 2010 the Medical Division raised more than 2,700 clients from the medical sector and the volume of loans to the private medical system rose by 19% to reach 615 mil ron (516 mil lei in 2009).
- The saving card launched at the end of the year 2010 is a product combining the deposit benefits with the current account flexibility. The total volume of resources rose by 35% from 2009 reaching 372 mil lei.
- “The most sustained assistance to the private medical sector in Romania” “ The best bank product for medical doctors”, “ The most complex financial products dedicated to medical doctors” are the most important awards obtained in 2010.
- the Medical Division attended more than 20 national conferences and congresses being a real partner to the medical firms.

OPERATIONAL PERFORMANCES / IT

- Enhanced operational performance reflected by the increase in processed volumes and collected commissions;
- BT migration to a new card management system provided by the BPC company in the first quarter of 2010;
- Implementation of the integrated system “Exadata Database Machine” Version 2 for financial reporting and reports to management;
- Provider selection and starting the implementation of a new Internet banking system to include

the Mobile Banking component;

- Launch of money transfer service through ATM's in the Western Union network;
- Implementation of a solution for early detection of fraud attempts in card transactions;
- Acquisition of technology to deliver on-site chip cards;
- Completion of the selection process for the future core banking solution (signing the purchase contract in the first quarter in 2011);

BT NETWORK as at 31 December 2010:

Operating units: 536 (of which 63 branches), head-office of BT, respectively the Regional Center in Bucharest;

Banca Transilvania resumed the network expansion process in 2010 by opening more than 20 units both in the country and in Cyprus, at Limassol.

HUMAN RESOURCES

- As regards the human resources management 2010 saw an efficient distribution of resources with an emphasis on cost control;
- There was a slight rebound in recruitment and selection of employees due to increased volumes and replacement of employees on maternity leave/child care. Thus, the number of active employees with work contracts increased by 8% to 5,737 from 5,285 at the end of 2009;
 - New programs in training / professional development were organized by internal trainers, which proved to be more effective in terms of added value/investment. In 2010 participations in training programs were over 5,100 ;
 - The average age of employees was kept at 33 years broken down on 75.9% -women and 24.1% -men

EVOLUTION OF CLIENT BASE:

From the end of the previous year, the client base grew 1.04 times from 1,856,666 to 1,939,944 clients. Individuals increased by 4,22% (from 1,671,916 to 1,742,485), while legal companies increased by 7% (from 184,741 to 197,459).

Active clients on business lines:

BT active clients	31.12.2010	31.12.2009	2010/2009
Corporate	9,526	11,143	85%
SME	103,955	103,996	100 %
Retail	1,295,373	1,240,634	104 %
Medical Division	18,203	15,488	118 %
TOTAL	1,427,057	1,371,261	104%

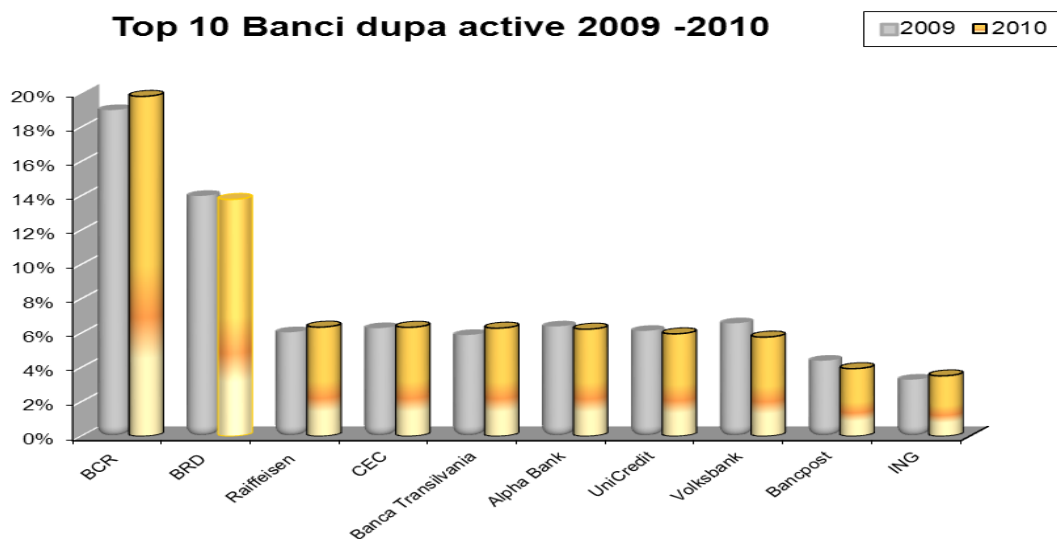
Financing sources:

Banca Transilvania has an ongoing facility in value of 50 million euros from IFC, dedicated to finance the medical sector as well as a financing facility to the rural sector from BERD. Due to the constant growth rate of resources from customers and the lower lending pace, at the end of 2010 the bank had a very good liquidity. Discussions with various international institutions are under way to access in the second half of 2011 credit lines for SME's and energy efficiency projects.

Economic and financial results in 2010

EVOLUTION OF BALANCE SHEET

A total assets level of 22.5 bn. lei was projected for the year 2010. This objective was realized in proportion of 96%, the assets value at the end of the year being 21.58 bn. lei. Compared with 2009, the assets recorded at the end of 2010 were 11% higher, while in the same period the assets in the Romanian banking system increased only by 3.5%, which is the lowest level in the last decade. In terms of net assets, at the end of 2010 Banca Transilvania was ranked the fifth bank with a 6.3% market share.



In projecting the ratios for 2010 an average inflation rate of 4% and a 4.15 EUR / LEI exchange rate were taken into consideration.

At the end of 2010 the lei/euro rate was 4.2848 , while the inflation rate was 7.9 %.

Evolution of balance sheet structure in 2010

<i>Millions LEI</i>	BVC 2010	Realized 2009	Realized 2010	% 2010/2009	% BVC
Loans	14,250	12,171	13,365	110%	94 %
Provisions	-1,345	-752	-1,356	180%	101 %
Current liquidities	5,323	4,618	4,703	102%	88 %
Securities	3,200	2,640	3,935	149%	123 %
Fixed assets	576	433	467	108%	81 %
- tangible and intangible assets	386	287	308	107%	80 %
- participations	190	146	159	109%	84 %
Other assets	496	362	475	131%	96 %
Total Assets	22,500	19,472	21,589	111%	96 %
Shareholders' capital	2,028	1,776	1,995	112%	98 %
Subordinated loan	249	254	257	101%	103 %
Resources from clients	17,663	14,942	17,219	115%	97 %
Resources from banks	343	650	485	75%	141 %
LT borrowings	1,748	1,477	1,249	85%	71 %
Other liabilities	469	373	384	103%	82 %
Total liabilities	22,500	19,472	21,589	111%	96 %

The credit portfolio of Banca Transilvania grew constantly recording a value of 13,365 millions lei on 31.12.2010, which was 10% higher than in the previous year, while in the banking system the credit balance to individuals and companies increased only by 4.7%, the growth in the system being sustained in principal by the 9.8% increase in forex credits.

As regards the exposure to credits the weight is 60.22% for credits to companies and 39.78% for credits to individuals, respectively 61.83% credits in national currency 38.17% credits in foreign exchange.

The purpose was to diversify the portfolio so that the bank should not have a major exposure to a certain specific credit risk (risk arising from reliance on a group of customers, major exposure to an industrial segment, concentration on a small number of products etc.)

Structure of the credit portfolio as at 31.12.2010:

- on types of clients: 60.22 % companies: 39.78 % individuals;
- on types of currencies: 61.83 % in lei; 38.17 % in FX;
- on types of business: 16.66% trade; 27.81% industries; 14.19% services; 39.78% household; 1.55 % others;

- on maturity terms: 36.03 % short term; 17.70% medium term; 46.27 % long term.

The provisions in lending increased from the previous year, from 752 million lei to 1,356 million lei, of which 243 million represent non-deductible provisions. They were additionally created for reasons of prudential risk management in the existing market conditions.

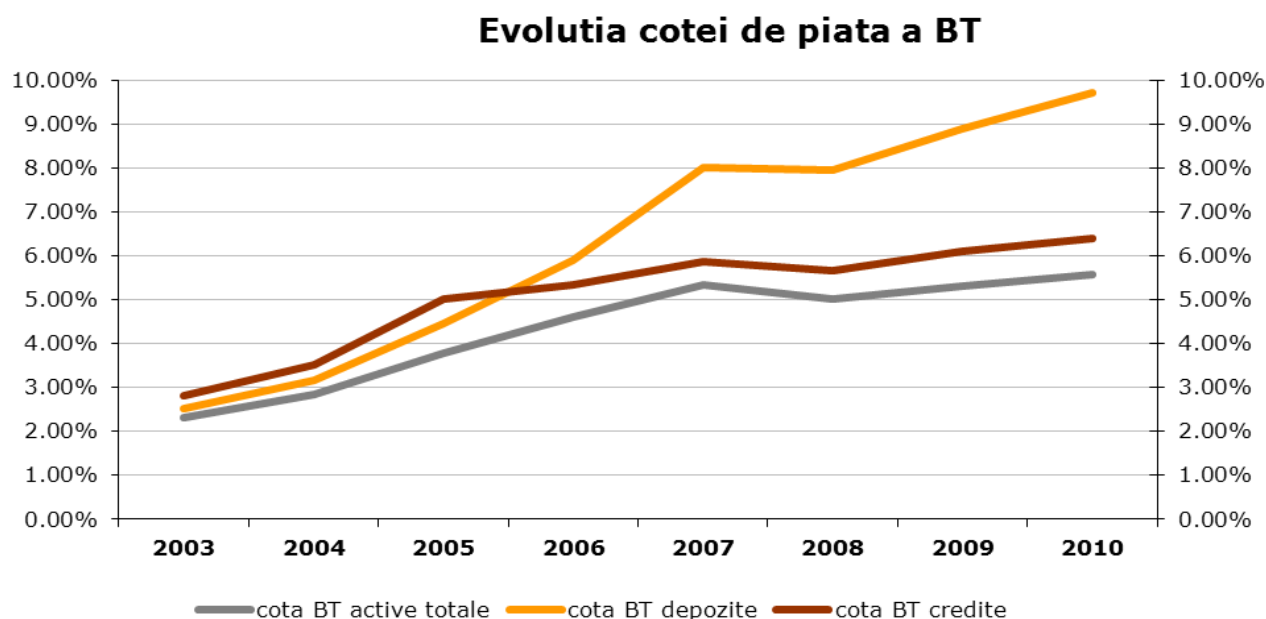
The ratio of total provisions/non-performing loans was 138% ensuring an adequate coverage in the current period.

In terms of deposits from non-bank customers, the increase compared with the previous year was 15%, while in the banking system bank deposits increased by 5.8%.

The credits / deposits ratio recorded a subunit level of 0.78 (0.81 in 2009) while in the banking system on 31.12.2010 it was 113.46% (112.80% in 2009). BT maintained an optimum liquidity rate, due to its substantial resource base.

At the same time, it maintained an adequate level of capital and general financial ratios consistently with sound banking principles; the solvency ratio was 13.66% with profits included (14.66% in the total banking system).

In terms of total assets, loans and resources, the bank's position in the banking system is presented in the following chart:



On 31.12.2010 the shareholders' equity was 1,994,840 th. lei, of which:

- share capital 1,470,600,998 lei, representing 1,470,600,998 shares in value of 1 lei/share;
- legal reserves: 107,650,144 lei;
- reserves for bank risks: 77,892,714 lei;
- other reserves: 214,839,948 lei;
- revaluation reserves: 31,080,101 lei.

The share capital was increased in 2010 with the amount of 384,263,115 lei (from 1,086,337,883 lei to 1,470,600,998 lei) in accordance with the decision of the Extraordinary General Meeting of Shareholders, the increase sources being capital reserves, share premium and contribution in cash from shareholders.

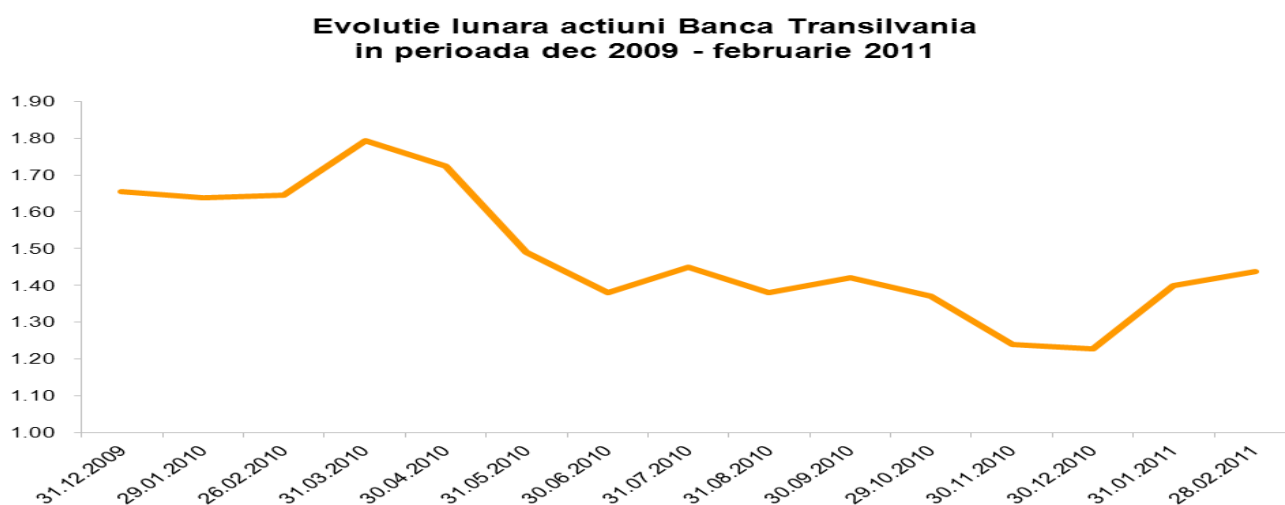
Shareholders were offered for subscription a total of 120 million shares at the price of 1 leu/share and at the end of the subscription period 7,321,355 shares remained unsubscribed. Under the mandate in the GSM decision of 28.04.2010, the Board determined that a number of 6,000,000 shares to be included in the stock option plan (for a period of three years) and the remaining 1,321,355 shares to be offered to less than 100 investors at the subscription price of 1.1 lei per share.

This action was completed in early 2011, the share capital amounting to 1,477,922,353 lei. On 31.12.2010 the share capital structure was as follows:

	31 Dec 2009	31 Dec 2010
European Bank for Reconstruction and Development (“EBRD”)	14.61%	14.68%
Romanian individuals	31.33%	28.46%
Romanian companies	20.01%	22.57%
Foreign individuals	3.52%	2.60%
Foreign companies	30.53%	31.69%
Total	100.00%	100.00%

On 31 December 2010 the bank’s capitalization on the Stock Exchange was 1.8 bn lei respectively 422 mil. EURO (on 31 December 2009, 2.3 bn lei and 545 mil euro).

The evolution of BT shares in 2010 is shown in the following chart:



PROFIT AND LOSS ACCOUNT:

Revenues, expenses and profits in 2010, broken down on components, compared with 2009 and the budget projections are summarized below:

PROFIT AND LOSS ACCOUNT	BVC 2010	Realized 2009	Realized 2010	% growth 2010/2009	% BVC
INCOME	1,501.00	1,301.80	1,487.05	114%	99 %
Net income from securities	250.00	230.76	259.34	112%	104 %
Net income from interests	718.00	562.41	741.07	132%	103 %
Net income from commissions	388.00	353.54	357.36	101%	92 %
Income(loss) on the forex market	125.00	124.80	107.15	86%	86 %
Other incomes	20.00	30.29	22.13	73%	111 %
EXPENSES	758.00	683.08	711.97	104%	94 %
Expenses with staff	366.10	326.00	350.86	108%	96 %
Operational expenses	274.00	246.96	253.67	103%	93 %
Expenses with advertising	15.00	9.82	12.41	126%	83 %
Expenses with depreciation	65.00	61.15	54.21	89%	83 %
Other expenses	37.90	39.15	40.82	104%	108 %
OPERATIONAL RESULT	743.00	618.72	775.08	125%	104
Provisions, net	593.00	532.70	640.05	120%	108 %
GROSS PROFIT	150.00	86.02	135.02	157%	90 %

The operational income recorded a value over 1.487 millions lei, which was 14% higher than the income in 2009; it was realized 99% of the projected level.

The most important income categories are:

- *Net income from interests*: 32% higher in 2010 than in the previous year (741 mil lei realized in 2010 compared to 562 mil. lei in 2009) and 3% higher than proposed;

- *Income from commissions*: a slight increase from 2009 was recorded (357 mil lei vs. 353 mil lei) and 8% under the projected level. During 2010, the lending commissions dropped but the income from operation commissions had a positive evolution (25% more than in 2009) due to a higher number of transactions;

The commissions collected from the lending process were in value of 138 mil lei and spread over the lending period affecting the revenues in the periods to come;

- *Net income from securities and participations*: compared with the previous year, the income from securities increased by 12% (realized 259.34 mil lei vs. 230.76 mil lei in 2009); 4% over the projected level;

- *Income on the forex market*: in 2010 an income of 107.15 mil lei was realized on the forex market, which was 14% under the level in the previous year and with the same percent under the projected level (125 mil lei);

The operational expenses in 2010 were in amount of 711.97 mil. lei, which was 6% compared to the projected level as a result of the undertaken cost cut measures. Compared to the previous year the operational expenses recorded a slight exceed (4%) due to the business extension and the 5% increase in VAT;

Expenses with staff and training: represented 350.86 mil lei in 2010. The 8% exceed from the last year expenses is due to the higher number of units and implicitly higher number of employees. Compared with the amounts provided in the budget, the expenses with salaries were lower with 4%;

Operating expenses: compared to the projected level, a 7% saving was recorded due to cost cut measures. The 3% exceed of expenses in 2010 vs. 2009 is justified by the network expansion with more than 20 units.

The operational result of Banca Transilvania was 775.08 millions lei, which was 25% higher than that in the previous year as a result of a more rigorous business management.

On 31.12.2010 the cost / income ratio was 48%, better than in the previous year when it was 55% as a result of intensified cost control measures.

The net expenses with provisions increased from the last year to reach 640 millions lei in 2010, of which 598 millions lei represented the net cost for credit risk. 133 millions lei accounted for expenses with provisions, fiscally non - deductible.

Although the level of operational income increased and the operational expenses were kept at a lower level, the bank's profitability was negatively influenced by nonperforming loans and provisions.

The gross profit realized by BT in 2010 (including the branch in Cyprus) was 135.02 millions lei, compared to 86.02 millions in the last year, while the **net profit** reached 97.49 millions lei, which was 57% higher than that in 2009. In terms of budget projections the gross profit was realized in proportion of 90%.

The expenses with sponsorships in the year 2010 were in amount of 6,960 thousand lei, in compliance with the provisions in the Law 571/2003 providing for the deduction facility for tax on profits. The Council of Administration proposes to benefit from the respective facility also in 2011.

In compliance with the legal provisions, monthly the bank calculated and paid its fiscal obligations to the state budget and special funds as well as the bi-annual and quarterly obligations to the local budget and for the tax on profit anticipated payments were made, quarterly in compliance with legal provisions.

During 2010, under art. 13f in the Constitutional Act, the Council of Administration approved to charge to the P& L account 158 nonperforming loans in amount of 3,973 thousand lei and 69,378 euro for which all legal ways of enforcement were exhausted.

Banking prudential ratios (CAMPL):

Among the ratios monitored by the NBR under the prudential supervision system, the most significant for the bank's evolution are presented below:

No.	Ratio	Level	Rating	31.12.08	31.12.09	31.12.10
1	Liquidity ratio	Min =1		3.83	3.13	2.43
2	Solvency ratio	> 8%	1	15.04%	14.00%	13.66%
3	ROA (net profit/total assets, net value)	> 5%	1			
		4 - 4,9%	2			
		3-3,9%	3			
		0,6%-2,9%	4	2.33%	0.33%	0.49%
4	* ROE (net profit/ shareholders' equity)	> 11% ⁸ - 10,9%	5	23.16%	3.64%	5.33%

Note: the solvency ratio was determined by taking into calculation the net profit as at 31. 12.2010 proposed for capitalization (without profit, the ratio is 12.95%);

The level of CAMPL ratios as at 31.12.2010 is over the limits imposed by the NBR, the bank maintaining an adequate level, in compliance with the banking principles of solidity and balance. The liquidity ratio recorded on 31.12.2010 was 2.43 compared to minimum 1, as provided in the BNR rule nr. 24/2009, which indicates a very good liquidity for the bank.

The solvency ratio (ratio between own funds and risk-weighted assets) was 13.66% at the end of 2010 including profit, preserving a high level throughout 2010, even with increased provisions due to higher arrears.

PROPOSED PROFIT DISTRIBUTION AND SHARE CAPITAL INCREASE

The Council of Administration submits to the approval of the General Meeting of Shareholders the proposal to distribute the profit as shown in the table below and to increase the share capital with 295,735,713 lei and for each 100 shares to assign a number of 20,01023 new shares (respectively to assign new shares corresponding to the ratio of 295,735,713 lei / 1,477,922,353 shares).

Share capital increase from 1.477,922,353 lei to 1,773,658,066 lei, respectively with the amount of 295.735.713 lei from the following sources:

- Incorporation of reserves from the net profit of the previous years outstanding on 31.12.2010 in amount of 206.967.080 lei;
- Incorporation of reserves from the 2010 net profit in amount of 88.768.633 lei.

PROPOSED PROFIT DISTRIBUTION 2010	AMOUNTS (LEI)
Gross profit	135.021.511
Tax	37.528.422
Net profit	97.493.089
5% legal reserve fund from gross profit	6.751.076
Reserve fund related to reinvested profit	1.973.380
Net profit to be distributed to reserves	88.768.633
PROPOSED SOURCES FOR SHARE CAPITAL INCREASE	AMOUNTS (LEI)
Reserves from net profit of previous years	206.967.080
Reserves from net profit of 2010	88.768.633
Total amounts to be distributed	295.735.713
Share capital 31 12 2010	1.477,922,353
Yield / share	0,2001023

Corporative governance

The corporate governance is a set of responsibilities and management practices aiming to provide a strategic direction and assurance that its goals will be achieved, namely to ensure that risks are managed properly and that company resources are used responsibly.

Banca Transilvania S.A. is a joint stock company incorporated in Romania and registered with the Trade Registry under no.J12/4155/1993 with the fiscal registration number 5022670.

The bank has its head office in Cluj-Napoca, str. G.Baritiu, nr.8, Cluj County.

The bank operates under the Law no.31/1990 on companies (as further modified) and the Governmental Order no.99/2006 for credit institutions and capital adequacy (as further modified) and the Gov. Order no.99/2006 regarding credit institutions and capital adequacy (as further amended). According to the article 6 in the Constitutional Act of the bank, its object of activity may be summarized as being the development of banking activities.

The system to identify, assess, monitor, control and report risks as shown in the section of risk management has been developed and applied by the bank both in its internal control and management of risks in the process of financial reporting for the purpose to furnish credible, relevant and complete information to the structures involved in the decision taking process and to external users as well as to ensure compliance with the legal framework for financial reporting and the internal policies and procedures (Annex: declaration about compliance noncompliance with the provisions in the Corporate Governance Code)

Governing bodies

Council of Administration

The Council of Administration is formed of 7 members elected by the General Shareholders Meeting from among its shareholders or their representatives.

The chairman of the Administration Board is by Mr. Horia CIORCILA. The board determines the directions in the bank business and monitors their realization. According to the Constitutional Act the Council of Administration examines the strategy of the bank, its investment plan and decides on any modifications brought to the management structure and the operations likely to affect the institution's results, the balance sheet structure or its risk profile. The Council of Administration meets at the bank's business place at least once a month and whenever it is necessary in the presence of at least half of its members.

The members of the Council of Administration and their professional background as of 31 December 2010:

- Ciorcila Horia - chairman - Polytechnic Institute in Cluj, Faculty of Computers and Automations;
- Marzanati Roberto - vice-chairman -Business Administration in Turin, Italy;
- Rekkers Robert Cornelis - CA member /general manager - University of Business Erasmus Rotterdam, Faculty of Law Rotterdam;
- Franklin Peter - CA member - Oxford University, Great Britain;

- Retegan Carmen - CA member - Technical University in Bucharest - Faculty of Electronics and Tele-communications; University of Rochester- Business Administration William E. Simon ;
- Palagheanu Radu - CA member - Polytechnic Institute of Cluj Napoca, Faculty of Electrotehnics;
- Ceocea Costel - CA member - University „Al.I. Cuza” in Iasi, Faculty of Economic Sciences, PH.D. in industrial engineering

Leaders' Committee

The responsibilities of the Leaders' Committee are to implement the strategic decisions set by the Council of Administration, respectively the Audit Committee. It prepares the bank's strategy and submits it to CA for approval and ensures the implementation of the approved version.

The members of the Leaders' Committee are:

- General manager - Robert Rekkers
- Deputy general manager - Nicolae Tarcea

Audit Committee

The Audit Committee ensures assistance in fulfilling the internal audit responsibilities of the Council of Administration.

The Audit Committee includes Board members with no executive management function. The number and the members of the committee are approved by the Board. Currently the committee has 3 members.

The financial auditor, external consultants or other persons with a relevant activity may attend the meetings of the Audit Committee.

The Audit Committee is chaired by the committee's president and meets whenever it is necessary recording in writing the discussions.

The membership of the Audit Committee:

- Ciorcila Horia - CA chairman;
- Franklin Peter- CA member;
- Marzanati Roberto - CA member.

Committee for Planning the Succession of key executives (CPSP)

The Committee for planning the succession of key executives was created to approve and to ensure the implementation of the Succession Plan for key posts.

The Committee for Planning the Succession of key executives is composed of:

- CA chairman - Horia Ciorcila
- CA member - Roberto Marzanati;
- General Manager - Robert Rekkers;
- Deputy general manager - Nicolae Tarcea.

The executive director for human resources is the executive secretary of the Committee- Nevenca Doca

Executive Management Committee (CEM)

The Management Committee consists of 11 members and coordinates the implementation of the strategy determined by the Council of Administration regularly informing the Council about the implementation progress. The committee is led by the general manager and in his absence by the deputy general manager or an executive manager expressly designated for this purpose. The Executive Management Committee meets weekly or whenever it is necessary.

The Management Committee consists of the following members:

- Robert Cornelis REKKERS - general manager;
- Nicolae TARCEA- deputy general manager;
- Leontin TODERICI - executive director /Operations (COO);
- Lucia POJOCA - executive director /Coordination in Oradea (DEO);
- Andrei DUDOIU - executive director / Coordination in Bucharest (DEB);
- Gabriela NISTOR - executive director / Retail ;
- Tiberiu MOISA - executive director / Corporate &SME's
- Calin BUCUR - executive director /Risk Management;
- Luminita RUNCAN - executive director /Treasury;
- Mihaela NADASAN - executive director / Financial Institutions and International Relations;
- Nevenca DOCA - executive director / Human Resources.

Technical Committee for Risk Management

The Technical Committee for Risk Management as a collective body exercises the risk management function and its members exercise specific risk management rights in their business area.

The committee is appointed by the Council of Administration and consists of 7 members, meeting monthly or any time it is needed to analyze the reports/materials prepared by departments when special events are identified or the evolution of certain ratios and phenomena is different than those determined by the bank in its policies and forecasts and

relevant to its normal evolution (with reference to predetermined limits) taking appropriate decisions.

The Technical Committee for bank risk management is formed of the deputy general manager (responsible for risk management), the general manager, the executive director (COO), the regional executive director (DEB), the regional executive director (DEO), the executive director for Risk Management (also executive secretary of the committee) and the executive director for Treasury.

Technical Committee for asset and liability management

The principal objective of the Committee for asset and liability management is to manage the bank's assets and liabilities. The Technical Committee for asset and liability management is subordinated to the Executive Management Committee and has the following membership: general manager, deputy general manager, financial director COO, executive director for Risk Management, executive director for Retail Banking, executive director for Corporate & SME's, executive director for Financial institutions and International relations, executive director for Treasury, manager for Budget and Planning.

The financial manager and the manager for Budget and Planning are permanent attendees.

Committee for cost control

The Cost Control Committee is a lever by which an adequate and efficient control system of costs is in place.

The committee examines the costs level with a focus on the segments incurring the highest expenses. It informs periodically the Executive Management Committee and the Council of Administration about the analysis results and the measures taken to cut costs.

The membership of the cost control committee:

- President : financial manager
- Member : general manager
- Member : executive Director (COO)
- Member : head of Office for Financial Analysis
- Secretary : manager of Investments and Logistic department - executive secretary of the committee

Technical Committee for Human Resources (CTRU)

The role of the Human Resources Committee 1 is to increase efficiency in taking decisions regarding the BT employees and may delegate a part of its duties strictly in relation with the executive staff in Bucharest and Ilfov county to another subordinated technical committee: Technical Committee for Human Resources 2.

The Technical Committee for Human Resources in the HO (1) is composed of:

- general manager
- deputy general manager
- executive director (COO)
- executive director for Retail Banking
- executive director for Corporate & SME's,
- executive director for Human Resources - executive secretary of the committee

Attendees: deputy manager for Human Resources and a representative of the employment. The role of the Technical Committee for Human Resources in Bucharest (2) is to increase efficiency in taking decisions regarding the BT employees in Bucharest and Ilfov county and is subordinated to the Technical Committee for Human Resources 1.

Technical Committee for Human Resources in Bucharest (2) is composed of:

1. general manager
2. executive regional manager in Bucharest (DEB)
3. executive manager for HR - executive secretary of the committee

Attendees: regional manager in Bucharest, deputy manager for HR Regional Centre in Bucharest, manager for Business Banking.

Credit and Risk Committees in the Head Office (CCR1 and CCR2)

The main objective of the Credit and Risk Committees in the Head Office is to analyze and to approve loans, respectively to restructure loans (the term "loan approval" will be used generically) according to the competencies approved by the EMC.

The Technical Committee on credit policy and approval mandates CCR1 and CCR2 with the power to approve loans (the competence is set in specific internal regulations).

Membership of the Credit and Risk Committee 1 (CCR 1)

- deputy manager of DMRC/coordinator of risk analysts / designated substitutes
- management of the Corporate Loans Department, SME Department, Healthcare Division
- legal advisor / designated substitute

Membership of the Credit and Risk Committee 2 (CCR 2)

- deputy general manager / designated substitute
- manager for Risk Management, deputy manager of DMRC/designated substitute
- management of the Corporate Loans Department, SME Department, Healthcare Division
- legal advisor / designated substitute

Credit and Risk Committee in branches/agencies (CCRS/CCRA)

The main objective of the Credit and Risk Committees in branches/agencies is to analyze and to approve loans, respectively to restructure loans (the term “loan approval” will be used generically) according to the competencies approved by the EMC.

The Credit and Risk Committee is conceived to meet the requirements of staff size and structure in BT branches.

There are 2 types of credit and risk committees at branch level:

Credit and Risk Committee approving loans to company clients, family associations or authorized natural persons - no. of members: at least 3 persons.

Members:

- branch manager;
- deputy branch manager / senior relationship manager / relationship manager;
- head of SME office (SME Coordinator) - exclusively in case of loans granted to SME clients;
- head of loan analysis/credit analyst
- legal advisor (at the request of the Credit and Risk Committee)

Credit and Risk Committee approving loans granted to individuals

Members:

- branch manager / deputy branch manager;
- head of Retail/ Retail coordinator /Head of retail loans;
- credit analyst/client counselor/ head of agency;
- legal advisor (at the request of the Credit and Risk Committee without voting right);

Members of the Credit and Risk Committee in Agencies:

The structure of the Credit and Risk Committee at agency level is the following:

- head of agency;
- SME counselor (credit analyst) / retail counselor.

Technical committee for audit, compliance and internal control (CTACCI)

In order to promptly take measures to remediate the deficiencies identified by the departments with internal control duties, CEM delegates its specific responsibilities to a Technical Committee for audit, compliance and internal control. The committee is composed of 5 members:

- general Manager;

- deputy General Manager (coordinator of the internal control system - executive secretary of the committee);
- executive risk manager
- regional executive manager (DEO);
- regional executive manager in Bucharest (DEB);

CTACCI meetings are attended by the following persons:

- audit manager
- compliance Manager
- deputy manager - Operational Risk Department
- deputy Manager - Risk Inspection Department
- manager of E-channels Department

Technical Committee for approving internal regulations (CTARI):

The meetings of the Technical Committee for approving internal regulations take place weekly and whenever necessary (at the request of the Compliance Department).

Membership:

- deputy general manager (executive secretary of the Technical Committee)
- executive manager (COO)
- executive manager (Corporate Clients & SME's)
- executive manager (RB)
- executive manager - Risk Management

The meetings of the Technical Committee for approving internal regulations may be attended by the compliance manager who promotes the internal rules for approval.

Technical Committee for Operational Risk (CTRO)

The mission of the Technical Committee for Operational Risk is to manage the operational risk.

Membership:

- general Manager
- deputy general manager
- executive manager (COO) - executive secretary of the Technical Committee
- executive manager - Risk Management

The meetings of the committee may be attended by:

- manager of E-channels Department
- deputy manager - Operational Risk Department
- manager - Department for Coordinating Branch Operations

Technical Committee for credit policy and approval (CTPAC)

The mission of the Technical Committee for credit policy and approval (CTPAC) in the Head Office is to establish the BT's lending policy and to approve loans with value or conditions exceeding the powers granted to other bodies or persons within the Bank.

Membership:

- general manager;
- deputy general manager
- executive manager - Corporate Clients & SME's (for legal persons) - executive secretary of the technical committee
- executive manager RB (for natural persons)
- executive manager - Risk Management
- executive manager - COO
- regional executive manager (DEB)
- regional executive manager (DEO)

Relations with shareholders and investors

The development of the General Meetings of Shareholders as well as the rights and obligations of the shareholders are ruled by the Law no. 31/1990 on commercial companies and the Law no. 297/ 2004 on the capital market.

The bank issues periodical reports to inform all the bank shareholders promptly and correctly about any significant changes in the financial statements, the management membership or the bank's business.

Calendar of financial communications in 2011:

Each year Banca Transilvania prepares a calendar for financial communication and in order to inform its shareholders this calendar is made public on the site of the Bucharest Stock Exchange.

The calendar for 2011 is the following.

Presentation of annual preliminary financial results	01.02.2011
General shareholders meeting to approve the annual financial results	first convening: 28.04.2011 second convening: 29.04.2011
Presentation of 2010 annual financial results	29.04.2011
Presentation of financial results for the first quarter 2011	29.04.2011
Presentation of 2011 bi-annual financial results	01.08.2011
Presentation of financial results for the third quarter in 2011	27.10.2011

Risk Management

Risk management is an integral part of all decision-making and business processes in Banca Transilvania. As a provider of financial services, the bank's business is exposed to a wide variety of risks. The BT management continuously evaluates the risks likely to affect the bank's goals and takes actions whenever any changes appear in its business conditions. BT management ensures a suitable framework for risk management, policies and mechanisms for this activity corresponding to the bank's structure and inherent risks.

- **Risk identification:** the bank's exposure to the business related risks in its daily operations and deals (including forex dealing, lending and capital market operations) is identified and aggregated by the risk management infrastructure of the bank: internal controls, operational monitoring, hierarchical levels for approving and validating transactions in the computer system of the bank.

- **Risk evaluation/measurement:** the bank performs an evaluation of identified risks by specific models and calculation methods: a system of ratios with related limits, calculation of specific risk provisions, estimation of future evolution of the assets value, etc.

- **Risk monitoring and control:** the policies and the procedures implemented for an effective risk management are meant to mitigate risks inherent to the bank business. The bank implemented procedures to supervise and to approve the limits of decisions and deals by person/ unit/ product etc. Such limits are daily/ weekly/ monthly monitored depending on operations.

- **Risk reporting:** the internal reporting of risks is performed by departments on business lines and consolidated at the level of the whole bank. The bank management is informed permanently about the risks inherent to the bank business.

There are 7 categories of significant risks at the bank level: credit risk, liquidity risk, operational risk, market risk, interest rate risk outside the trade book, reputation risk and strategic risk.

CREDIT RISK

The management of the credit risk is periodically updated and improved, it is designed to cover all credit exposures in the banking business and includes the following basic components:

- an individual counterparty rating system
- an assessment system of transaction risks

- a risk assessment system for new credit products / significant changes in the existing products
- regional /sectorial concentration limits
- a pricing methodology based on risks
- active management of loan portfolio;
- a methodology for monitoring / review of credit post granting
- a methodology for credit risk provisioning

The management of credit risk consists mainly in:

- Organization of a proper system of rules and procedures in the field to create the regulatory framework for the lending process in order to avoid or to minimize risks;
- Developing/improving the procedural framework of the credit risk management (strategy, policies, norms for credit risk management), management of own funds (monitoring of aggregate exposures vs own funds), performing simulations in respect of capital requirements under Basel II and preparing internal rules in compliance with Basel II (policy and procedure) regarding capital adequacy;
- existence and periodical review of a hierarchical system for approving the exposure limits in lending;
- monitoring credit risk on business lines and aggregately at the portfolio level;
- management of critical exposures (clients with credits classified into inferior performance categories, credits with impairment signals (reduced recoverable value), etc).
- organization structure of the bank - there are departments and committees with responsibilities in the supervision and the administration of the credit risk.

LIQUIDITY RISK

The liquidity risk in 2010 had a "moderate" profile due to the structure of the bank's assets and liabilities, namely the mixture of instruments to fructify temporary liquidity exceeds and the weight of stable resources raised from clients in the total funding. The bank manages liquidities at a centralized level.

The main principles in determining the types of instruments used by the Treasury to fructify the temporary liquidity exceeds are ensuring quick liquidity without affecting the initial yield of investments and their profitability.

For a healthy management of the liquidity risk, the bank is constantly concerned with raising liquidities by treasury operations, external financing, capital markets, etc. The liquidity ratios of Banca Transilvania are maintained at least at the second category values (under CAMPL system).

At the same time attention is given to:

- correlate the growth pace of resources/loans;
- diversification of the range of instruments linked to the institution's risk appetite
- adequate capital allocation.

OPERATIONAL RISK

The operational risk represents the risk of loss in the development of certain processes, errors generated by the computer system, losses resulting from an inadequate activity of employees and other external events.

The bank monitors continuously the operational risks relating to the current business of clients, bank practices, frauds, application of the management decisions, ethical aspects involving BT employees.

In order to reduce such risks, the bank implemented new policies, norms and procedures for the operational risk management, thus improving its specific governance.

Reducing operational risk exposures is done by permanent update of regulatory documentation to the legal regulations and market conditions, staff training, implementation of IT development and consolidation of bank security systems, the use of additional means to reduce risks (insurance policies against risks), the application of measures to limit and to mitigate the effects of operational risk incidents, the application of the recommendations and the conclusions resulting from continuous monitoring, updating the business continuity plans, their regular evaluation and testing .

MARKET RISK

In order to reduce the market risk the bank adopted a prudential approach in order to protect its profits from variations in prices, interests and exchange rates on the market, all being external and independent factors. Daily, Banca Transilvania performs an evaluation of all bank positions, marking to market its trading book portfolio and pursuing the levels defined as “needing attention” or “critical”.

INTEREST RATE RISK OUTSIDE THE TRADE BOOK

Interest rate risk profile in activities outside the trade book of BT is adopted as being “low”, the bank having a set of strict principles for the management and monitoring of such risk.

The interest rate risk is addressed starting from the bank’s wish to have a neutral position towards interest rate risk in major currencies - EUR and USD and an “aggressive” type management only of the national currency. The bank uses management tools such as GAP analysis, static or dynamic and the economic value of assets.

REPUTATION RISK

The reputation risk is the risk of recording losses or failing to raise the estimated profits due to lack of public confidence in the integrity of the bank. The reputation risk profile was "prudently" adopted by maintaining the public's and the business partners' confidence in the integrity and the economic and financial position of the bank.

The management of the reputation risk is realized by taking steps to attract the best partners both as regards clients and suppliers, reducing barriers to new markets, ensuring an optimum pricing for products and/or services, recruiting and retaining the best employees, minimizing disputes and stringent regulations, reducing crisis situations and consolidating the bank's credibility and the shareholders' confidence, improving the relationships with shareholders, creating a more favorable environment for investments and access to capital.

STRATEGIC RISK

The strategic risk is the current or future risk of negatively affecting the profits and the capital due to changes in business or adverse business decisions, improper implementation of decisions or lack of reaction to changes in business environment. The bank's strategic risk profile is adopted as "low" based on the following: risk management practices are an integral part of strategic planning in BT, the exposure to strategic risk reflects strategic goals that are not excessively aggressive and are compatible with the developed business strategies, the business initiatives are well designed and supported by communication channels, operating systems and adequate delivery networks.

Internal and external audit

In 2010 the Department for Internal Audit audited 37 branches, 253 agencies, the departments in the HO, the Regional Centre in Bucharest and 9 subsidiaries realizing the whole audit plan proposed for the year 2010. At the end of 2010 the Audit Department had 20 employees.

The general audit objectives in 2010 were focused especially on the risk management and the evaluation of the general control system on deals and/ or flows:

- control of remediation of deficiencies identified during previous controls;
- legal and compliance risk
- security risk
- credit risk
- operational risk
- audit of asset management

The evaluation of the control system referred both to support areas and business lines, according to the Statute of the Internal Audit and the principles in the International Audit Standards.

The external auditor of the bank KPMG Audit SRL performed the annual audit of the financial statements as at 31 December 2009.

The audit opinion showed that the financial statements were prepared adequately in all significant aspects, in conformity with the Order of the NBR Governor no. 13/2008, as further modified and completed, and the accounting policies described in the notes to the financial statements.

Policy within the group

Banca Transilvania is the main component in the BT financial group promoting the strategy at the group level to develop its business, to extend the range of integrated financial services offered to its clients. The group operates in complementary financial sectors: banking, investment management, consumer financing, leasing and real estate.

After expanding its network and making its mark on the market, the main target of the group is to promote the whole range of services among its clients, including the products of subsidiaries through a unique distribution network under the BT logo.

Members of the BT group

The Bank provides an adequate level of capitalization to its subsidiaries contributing to their risk management by involving the bank's audit and compliance functions.

The gross value of investments into the group at the end of 2010 was 35.5%, higher than in 2009, respectively from 149.39 mil. lei to 202.41 mil. lei.

The subsidiaries in the group where BT has direct participations are:

Subsidiary	Business profile	Direct Participation %	Total Participation %
BT Securities SRL	Investments /brokerage	95.50%	95.50%
BT Leasing IFN	Leasing	44.30%	100.00%
BT Investments SRL	Investments	100.00%	100.00%
BT Direct SRL	Consumer finance	93.70%	100.00%
BT Building	Real estate	4.17%	10.00%
BT Asset Management SAI	Management of assets	80.00%	80.00%
Compania de Factoring IFN SA	Factoring	99.18%	100.00%
Medicredit Leasing IFN	Leasing	99.99%	100.00%
BT Evaluator SRL	Financial intermediation	9.96%	100.00%
BT Consultant SRL	Financial intermediation	7.45%	100.00%
BT Leasing Moldova	Leasing	100.00%	100.00%

In 2010, the direct investments were modified as follows:

- Medical Leasing: increase in BT participation with 46,853 th. lei, the holding percent in this company being 99.99 % (57.39% in 2009);
- BT Leasing Moldova: increase in BT participation with 650,000 euro (2,793,180 lei), in September, the holding percent in this company being 100%;
- BT Direct: increase in BT participation with 1,360 th lei
- BT Investment increase in BT participation with 1,700 th lei and
- BT Securities increase in BT participation with 405 th lei.

Environmental policy

In developing its activity, Banca Transilvania complies with the legislation for the protection of environment.

The bank has a partnership with the European Bank for Reconstruction and Development to finance projects for companies wishing to reduce energy consumption.

The Bank has implemented an environmental and social risk management aiming to identify and to monitor environmental and social risks associated with projects financed by the bank. As regards the bank's customers, compliance with environmental and social legislation in force and the use of appropriate social and environmental practices are important factors in demonstrating effective business management.

Corporate social responsibility

Banca Transilvania, as part of the community continued to be socially involved also in 2010, marking a new stage in its CSR program (Corporate Social Responsibility) The bank's target in this regard was to respect its commitment of social responsibility in a transparent and ethical way. Last year, BT supported culture, education and sports and brought its contribution in assisting certain medical cases, etc. The bank's most important projects in 2010 were:

- "Cluj has a Soul": the greatest social project initiated and developed by BT. The project targets young people from families with modest financial situation or from the child assistance system, the mission of "Cluj has a soul" is to help teenagers to improve themselves and to have a better life. So far, nearly 1,000 young people were helped by the BT foundation. In addition, the Bank launched for the Cluj area, in the period from September to December 2010, a campaign to encourage the spirit of solidarity: for each payment of utility bill made at the BT counters, the bank donated 1 leu to the foundation to reach 600,000 lei so, the amount being used for social and educational programs

- BT Project -Rotary Association: last year, Banca Transilvania in collaboration with Rotary International District 2241 - launched a credit card in support of the local community: VISA GOLD BT - Rotary. The mere use of this new product in paying the retailers contributes to supporting the Rotary plans for the local community. For each payment Banca Transilvania transfers into the organization's account a certain percentage of the respective payments. In addition to that, BT transfers to the same organization a part of the annual tax for the VISA GOLD BT - Rotary to support community projects.

Other information about financial statements and the development of the economic and financial activity

The information in the financial statements for the 2010 exercise is based on the accounting rules provided by the Law no. 82/1991, as further amended and completed, the BNR Order no.13/2008 for approving the accounting rules in line with the European directives applicable to credit institutions, non-banking financial institutions and the Deposit Guarantee Fund, as modified and completed by the BNR Order no. 16/2009 and other BNR instructions in the field. The legal obligations as regards the organization and the conduct of accounting records, compliance with accounting principles, methods and rules were met. The operations are recognized at the time when they are carried and recorded in accounts in chronological order, based on legal documents.

Currently, the preventive financial control is organized according to the legal provisions in force. The obligations to the state and local budget, special funds were correctly determined and the related payments were made.

We should add that the balance sheet, the profit and loss account, the treasury statements, the modifications in the shareholders' equity, the accounting policies and the explanatory notes were prepared in compliance with the provisions in the exhibit to the Order 13/2008, as further modified and completed and the items in the balance sheets correspond with the data in the trial balance and truthfully reflect the assets determined under the annual inventory.

The inventory process was carried out according to the Accounting Law no. 82/1991, as further modified and completed, the Governmental Order no. 99/2006, as further modified and completed, the Order no.1753/2004, as further modified and completed, its results being truthfully reflected in the balance sheet.

No events were recorded after the balance sheet date that would have an impact on the 2010 financial statements.

In compliance with the Order of the National Bank of Romania no. 9 / 2010, starting with financial year 2012, credit institutions must apply the International Financial Reporting Standards, both as an accounting basis and for preparation of annual individual financial statements.

Information about the projected evolution of the bank in 2011

Quantity objectives for 2011

- Rise in the asset level with 11 % vs 2010;
- Increase in the gross profit with 33 % vs 2010;
- Increase in client resources with 10% vs. 2010;
- Increase in credit portfolio with 13 % vs 2010;
- Increased market share;
- Cards issued at the end of 2011: 2,000,000;
- POS's at retailers: 17,000;
- BT 24, in 2011: 200,000 users;
- Launch of MONEY BT CONNECT - an electronic communication channel through which a client can perform operations from its offices and foreign exchange and deposit operations;
- Completion of the first part of the implementation process of Oracle solution FLEXCUBE Universal Banking (scheduled to end in the second half of 2012);
- Migration to new solutions for Internet Banking and Mobile Banking;
- Construction of a new data center in Cluj, with commissioning in early 2012;
- Allocation of an investment budget for the bank of 26.17 euros

Quality objectives for 2011

- Asset quality and net cost reduction of the credit risk;
- Further streamlining of operational costs and improved performance;
- Maintenance of the cost / income ratio at a low level;
- Adequate risk management and governance organization structure to ensure extensive and complete controls;
- Maintaining an adequate level of capital, liquidity and general financial ratios;
- Launch of the e-card;
- Development and expansion of the "Automatic Payment" project;
- Increase of sales effectiveness by addressing retail clients through CRM;
- Implement of buildings solution;
- Maintaining the position as market leader in the health sector;

- Update staff remuneration policies under the new regulations NBR / EU;
- Continuous addressing of large customers;
- Professional products by re-launching BT24, factoring, BT Money Connect

Investment plan for 2011

Investment budget for 2011 :

• Branches	7.44 mil. EUR
• Hardware	1.55 mil. EUR
• Software	1.86 mil. EUR
• Cards	1.52 mil. EUR
• Vehicles	0.37 mil. EUR
• Various	1.55 mil. EUR
• Guarantee enforcement - buildings	3.70 mil. EUR
• IT CORE	7.19 mil. EUR
• <u>Internet Banking BT24</u>	<u>0.99 mil. EUR</u>
Bank investments	26.17 mil. EUR
<u>Investments in subsidiaries</u>	<u>6.00 mil. EUR</u>
Total investments including VAT	32.17 mil. EUR

PROPOSED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR 2011

In designing the ratios for 2011, it was considered an average inflation rate of 4.80 % and exchange rates of EUR / LEI 4.30 and EUR / USD 1.35.

The assets are expected to rise 11 % from the 2010 level (up to 24,000 millions lei). In the asset structure the weight of credits is projected to be 58 %, current liquidities of 19.57 % and security investments of 20 %.

As regards the structure of liabilities in 2011, resources from non banking clients are provided to be 10% over the 2010 level with a weight of 78.58 % in total liabilities. Long-term borrowings are provided to rise with 25 % while the shareholders' equity with 7%.

The budget ratios for 2011 submitted to the GSM approval are projected to support the proposed business objectives and are correlated with norms specific to banking prudence and supervision.

BUDGET OF REVENUES AND EXPENDITURE 2011

Millions lei			
BALANCE SHEET	Realized 2010	Projected 2011	Growth 2011/2010
Current liquidities	4,703	4,698	100%
Securities	3,964	5,114	129%
Provisions for securities	- 29	- 15	52%
Loans to clients	13,365	15,097	113%
Provisions for credits	-1,356	-1,933	143%
Fixed assets	308	414	134%
Participations	159	149	94%
Other assets	475	476	100%
Total Assets	21,589	24,000	111%
Shareholders equity	1,995	2,133	107%
Subordinated loan	257	265	103%
Sources raised from clients	17,219	18,860	110%
LT Borrowings	1,249	1,558	125%
Resources from banks	485	689	142%
Other assets	384	495	129%
Total Liabilities	21,589	24,000	111%
PROFIT & LOSS ACCOUNT	Realized 2010	Projected 2011	Growth 2011/2010
Net income from securities	223.57	254.43	114%
Net income from interests	741.07	750.10	101%
Net income from commissions	357,36	368.44	103%
Profit/loss on the forex market	107.15	113.98	106%
Other incomes	18.03	19.45	108%
TOTAL OPERATIONAL INCOME	1,447.17	1.506,40	104%
Expenses with staff	350.86	366.00	104%
Operating expenses	253.67	263.00	104%
Advertising	12.41	15.00	121%
Depreciation	54.21	53.40	99%
Other expenses	40.82	54.00	132%
Provisions	600.18	575.00	96%
TOTAL EXPENSES	1,312.15	1,326.4	101%
GROSS PROFIT	135.02	180.00	133%
Euro / Leu Rate in December	4.2848	4.30	
Average Euro / Leu rate	4.1900	4.30	

Note: For reasons of presentation of the 2011 BVC, certain elements of the structure of balance sheet and profit and loss account have been reclassified.

Considering all this presented in the report, we submit to discussion the activity developed by the bank in 2010 and we propose to the General Meeting of Shareholders to approve the following statements:

- Statutory and IFRS financial statements (balance sheet, profit and loss account, the statements for treasury flows, the modifications in the shareholders' equity, the accounting policies and the explanatory notes) prepared in compliance with the NBR Order nr.13/2008, as further modified and completed, the BNR Order no. 16/2009, the Accounting Law no. 82/1991, the Gov. Order 99/2006 together with the report of the Board and the Independent Auditor's Report
- Distribution of the 2010 profit;
- Proposed share capital increase;
- Proposed Budget for revenues and expenditures and the Investment plan for the year 2011.

Council of administration

Chairman

HORIA CIORCILA