



BANCA TRANSILVANIA®

SWIFT: BTRLR022

Capitalul social: 1.773.658.066 lei

C.U.I. RO 50 22 670

R.B. - P.J.R. - 12 - 019 - 18.02.1999

Nr. Inreg. Registrul Comertului: J12 / 4155 / 1993

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

- 2011 -

CONTENTS

INTRODUCTION.....	3
YEAR 2011: OBJECTIVES VS. ACHIEVEMENTS.....	6
PERFORMANCES ON BUSINESS LINES IN 2011	7
ECONOMIC AND FINANCIAL RESULTS IN 2011.....	11
BANKING PRUDENTIAL RATIOS (CAMPL):	17
PROPOSED PROFIT DISTRIBUTION FOR 2011, AND SHARE CAPITAL INCREASE	18
CORPORATIVE GOVERNANCE	18
RELATIONS WITH SHAREHOLDERS AND INVESTORS.....	26
CALENDAR OF FINANCIAL COMMUNICATIONS IN 2012:.....	26
RISK MANAGEMENT	27
INTERNAL AND EXTERNAL AUDIT	31
POLICY WITHIN THE GROUP.....	31
MEMBERS OF THE BT GROUP	32
ENVIRONMENTAL POLICY.....	32
CORPORATIVE SOCIAL RESPONSIBILITY.....	33
OTHER INFORMATION ABOUT FINANCIAL STATEMENTS AND THE DEVELOPMENT OF THE ECONOMIC AND FINANCIAL ACTIVITY	34
INFORMATION ABOUT THE PROJECTED EVOLUTION OF THE BANK IN 2012	35
PROPOSED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR 2012.....	37

INTRODUCTION

The global macroeconomic environment remained difficult in 2011 and the international financial system continued to show a high degree of fragility bringing several corrections on international markets. The European Central Bank operated the first increase in the monetary policy interest rate in April (from 1% to 1.25%) to fight inflation, followed by a second increase in July to 1.50%. The rating agencies lowered the ratings for several banks and European countries.

Sovereign debt crisis began to affect significantly banks in the euro area, which were forced to mark losses in Greece and Portugal and the unsustainable yields in Italy and Spain jeopardized the capital of banks. In October EU leaders signed a statement on recapitalization of banks with the purpose of medium-term financing of banks so as to ensure medium term credit flows in the real economy.

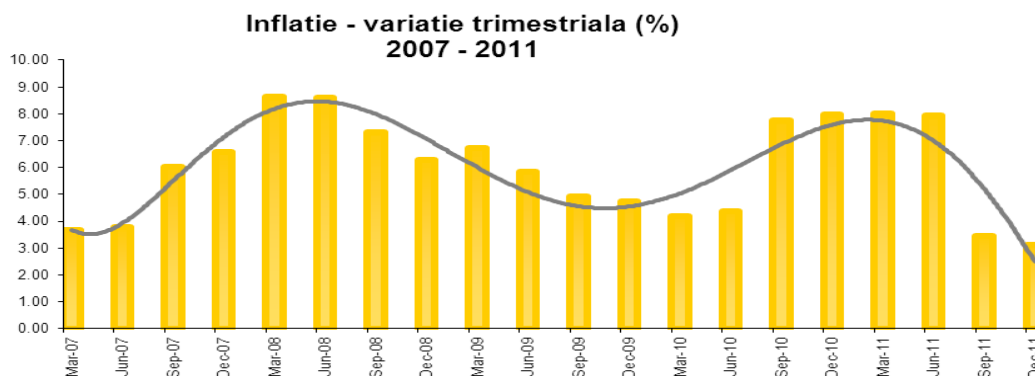
The last three months of 2011 were marked by ample negotiations of the European leaders in cooperation with the International Monetary Fund for seeking a solution to sovereign debt crisis. The European Central Bank decision to cut the monetary policy interest rate to 1% in December and the decision to provide a loan facility for three years with unlimited value amount increased confidence in the banking sector.

Coordinates of the Romanian economic environment during 2011:

The results in the banking sector did not have a linear evolution in 2011.

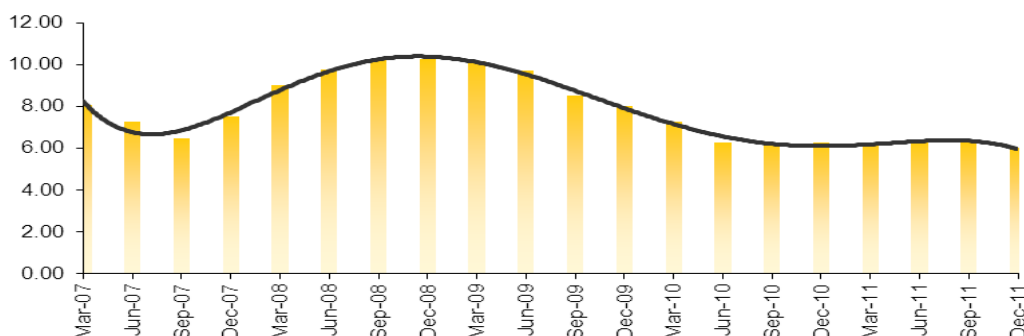
The banking system recorded a positive result in the first half of 2011, but in the third quarter the banking system incurred again losses due to accumulation of new bad loans and a higher level of provisioning, indicating negative results by the year end.

- The annual inflation rate in 2011 fell to 3.14% (from 7.96% in December 2010) hitting a record low in the last 22 years, according to the National Statistics Institute (INS), mainly due to stagnation in food prices and the disappearance of the VAT increase effect.

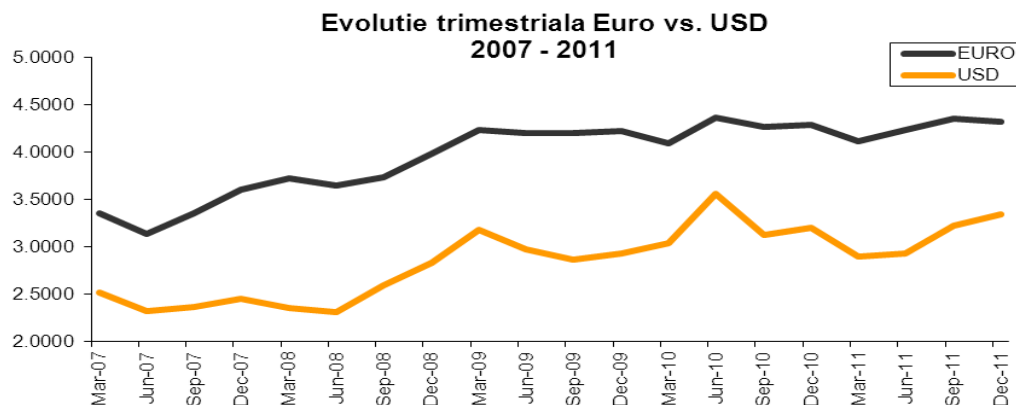


- The budgetary deficit of Romania was in 2011 slightly below the target imposed by the IMF. The data for the whole year revealed that the budgetary deficit was 4.35% of GDP, slightly below the target set by the IMF i.e. 4.4% of GDP.
- The Gross Domestic Product (GDP) grew by 2.5% in 2011, after an advance of 1.9% in the last quarter compared to the same period in 2010. The IMF economic growth forecast was 1.5% in 2011 for Romania, but after the early year mission it revised its estimate upward to more than 2%.
- For the banking system the year 2011 continued to be marked by losses (after losses recorded in the system first time in 2010 since 1999), as provisions created by banks were high, in some cases exceeding the operating profits.
- Total net assets in the banking system climbed last year by almost 3.5% to 354 billion lei, according to the data released by the National Bank. In December 2011, the banking system comprised 41 banks of which eight were branches of foreign banks. The last year advance in net assets of 3.5% was the lowest in the last four years, while the growth rate in 2010 was 3.6%, compared to 5% in 2009 and 25.1% in 2008.
- In the top 10 banks **Banca Transilvania** was ranked the third in terms of net assets with a percent of 7.27% .
- As regards the gross value of clients loans/deposits, its level advanced from 113.46% in December 2010 to 116.70% at the end of last year as parent banks ensured the necessary liquidities.
- The National Bank of Romania made a single change in the monetary policy interest rate in November 2011, when the interest rate was lowered to 6.00% from 6.25%. The decision was motivated by sensitive improvement of inflation perspectives on short term.

**Dobanda de referinta - Evolutie trimestriala
2007 - 2011**



- In order to continue the gradual alignment to the industry standards set by the European Central Bank, the National Bank of Romania decided to reduce starting from April 2011 the minimum reserve requirements applicable to foreign currency liabilities with under two years residual maturity to 20% from 25%. The minimum reserve requirements applicable to RON liabilities remained unchanged during 2011 at the level of 15%.
- The average solvency rate, calculated as a ratio between own funds and net exposure, recorded in 2011 a slight increase from 31 December 2010. In 2011 the solvency ratio in the total system increased by nearly one percent due to increase in the share capital imposed by the Central Bank to commercial banks
- The Eur/leu exchange rate was at a record low of 4.0735 lei/euro on 26 April 2011 and a record high of 4.362 lei/euro on 25 November 2011. The euro/leu rate was 4.2848 lei/ euro at the beginning of the year and 4.3197 lei/ euro at the end of the year. Although early in the year it seemed to fall steadily, in the second half it increased significantly amid worsening economic conditions worldwide.



On 31.12.2011, the leu/USD parity was 3.3393. The national currency depreciated against the US dollar in 2011 by 4.2%, (9.1% in 2010), the minimum value being 2.7408 lei/ USD in April and the maximum value of 3.3423 lei/USD in December.

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

YEAR 2011: OBJECTIVES VS. ACHIEVEMENTS

In this difficult context, BT has confirmed once again that its business followed a positive trend, as annual results were at the expected level.

The bank's offer was broadened with products, services and campaigns dedicated to individuals and companies, one of the BT goals achieved in the year was the provision of solutions to support really and continuously the clients' business.

The analysis of the results obtained in 2011, based on the financial statements prepared under the Romanian accounting standards (NBR Order no.13/2008 with subsequent amendments) are presented below:

QUANTITY OBJECTIVES realized in 2011:

INDICATOR	PROPOSED	ACHIEVED
Total Assets	24 bn. lei, 11% higher than in 2010	25.74 bn, 19% higher than in 2010
Gross profit	180 mil. lei, 33% higher than in 2010	185.77 mil lei, 38% higher than in 2010
Resources from clients	18.86 bn lei, 10% higher than in 2010	20.14 bn 17% higher than in 2010
Credit Portfolio	15.09 bne lei, 13% higher than in 2010	15.35 bn lei, 15% higher than in 2010
Shareholders' equity	7% higher than in 2010	2,128 mil lei, 7% higher than in 2010
Cards issued at the end of 2011	2,000,000 cards	1,905,333 cards
BT 24	200,000 users	221,331 users
BT MONEY CONNECT	Electronic channel for foreign exchange and deposits at clients business places	Realized
Oracle FLEXCUBE Universal Banking	First part of the implementation process of Oracle FLEXCUBE Universal Banking	Realized
Internet Banking and Mobile Banking	Migration on live to the new Internet Banking and Mobile Banking	Realized
Data Center	Construction of a new data center in Cluj to be finalized in 2012	The construction is started
BT network	Moderate development in 2011	553 units, 20 new units in 2011
Investment budget	26.17 mil EUR, VAT included	19.33 mil EUR, VAT included (81,904 mii lei)

QUALITY OBJECTIVES REALIZED in 2011

- **3rd place in the top banks** in Romania in 2011 with a market share of 7.27% in terms of total assets;
- Improvement of the assets quality and reducing the net cost of credit risk; in 2011 the bank reduced by 23% net cost of credit risk from the previous year;
- Maintaining an adequate level of capital, liquidity and general financial ratios;
- Continuous improvement of operational costs and performance; maintaining the cost / income ratio at a low level (51.65%);
- Adequate risk management and organization structure of bank governance to ensure extensive and complete controls;
- Maintaining the position of market leader in the medical sector;
- Increased efficiency in retail sales by segmented customer approach and by CRM; further approach to corporate clients;
- Implementation of the real estate solution;
- Improvement of the product range by upgrading BT24 and introducing BT Money Connect products, factoring, etc.;
- Developing and expanding the "machine pay" project.

The most important awards obtained by Banca Transilvania in 2011

- *First Global Exadata in Financial Services* and *First Oracle on Oracle* (Oracle Day Romania)
- *Best profit dynamics in the banking systyem* (Gala Bancheri de top)
- *Bronze Effie Award* pentru campania Practic BT (Effie Awards Romania)
- *Bank of the year on the card market in Romania* (Gala No-Cash)
- *Intervention with the largest impact on communit* , by sponsorship for the social project „Cluj has soal ” (Gala Oameni Pentru Oameni)

PERFORMANCES ON BUSINESS LINES IN 2011

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.

On 31 December 2011, the bank's activity was structured on the main business lines: large companies (Corporate), small and medium enterprises (SME's), Retail, Medical Division and Treasury.

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.

CORPORATE BANKING:

- The Corporate loan portfolio grew in 2011 by 21% from the previous year, reaching a net investments volume of 6,656 million RON;
- The resources from corporate clients at the end of 2011 recorded an 8% increase from 2010 to reach 4,540 millions lei;
- On December 31, 2011 the Corporate Division had 9,495 active clients after attracting major clients in 2011;
- A platform was created for lending to the agricultural sector, BT reaching a market share of 6.17% ;
- A Factoring platform was launched in December BT with investments of over 1 billion RON with PAR 90 <1%;
- 48% of total corporate clients use electronic payment channels, Ultra BT or BT 24.
- BT consolidated its position as a payment center in 2011 recording an increase of almost 25% in the number of invoices paid at the bank's cash desks.

SMALL AND MEDIUM ENTERPRISES (SME's):

- The resources generated by the SME business line rose by 22% in 2011, reaching 2,182 millions lei;
- The loans to SME clients were in value of 1,311 millions lei at the end of the year 2011, which is 12% more than in the previous year;
- 6,000 new credits were given and more than 20,700 new share capital accounts were opened compared to 12,600 in 2010.
- The number of SME clients as at 31 December, 2011 was 122,517, which is 8% more than in the previous year;
- A new credit named "Fast without collaterals" was introduced, with over 1.900 credits granted by December 31, 2011;
- The SME platform 3.0 was introduced with criteria adapted to current circumstances and with an emphasis on dispersion and volume;
- The Non-credit package "Share Capital Account" was introduced.

RETAIL BANKING :

- The retail credit portfolio increased by 5 % from the previous year reaching 5,169 mil lei;
- 27,169 non-card credits were granted in value of 1.19 bn. lei compared to 1.14 bn. lei in the budget;

- The resources raised from retail in 2011 were 12,994 mn, which is 20% more from the level recorded in 2010 (10,845 million lei);
- The market share increased from 10.60% in December 2010 to 11.74% in December 2011;
- Cards issued in late 2011: 1,905,333; as a result of the evolution in number of cards, BT entered the top 3 cards issued on the Romanian market and 15% market share by number of transactions;
- For the 3rd time in last four years, "The most dynamic of bank in the card industry" award received at the No-Cash Gala; ATM's : 840; POS's: 16,500;
- Internet Banking BT 24: 221,331 users;
- Retail Clients on 31 December 2011: 1,407,422, which is 9 % more than in 2010;
- The StarBT program: more than 2,200 POS's enrolled in the program in 6 months and 33,000 credit cards were sold.

MEDICAL DIVISION:

- In 2011 the Medical Division maintained its leader position in the medical sector;
- 20,280 clients in the medical sector at the end of 2011;
- The value of investments in the medical sector reached 677 mil lei;
- The total value of resources from this sector increased to 430 mil lei;
- The dedicated products were the competitive advantage for this business line;
- 5,360 total credits, 5,900 cards, 24,000 accounts.
- "The best bank product and the best initiative for medical doctors" - award offered by Association of physicians in Romania.

TREASURY:

- Treasury Revenues in 2011 were in amount of 151,903 thousand lei broken down on components: net interest income 24,576 thousand lei, income from foreign exchange operations 51,461 thousand lei and income from securities 75,866 thousand lei;
- Investments in securities recorded an upward trend, in amount of 5,953 million lei on 31 December 2011 and 50% above the level in previous year.
- The Bank invested in several types of financial instruments, thus ensuring risk dispersion.

OPERATIONAL PERFORMANCES / IT

- First part of the implementation process of Oracle FLEXCUBE Universal Banking was completed (the program will come to an end in the second part of 2012);
- Migration on live to the new Internet Banking and Mobile Banking;
- Construction of a new data center in Cluj started to be finalized in the first part of the 2012;
- BT MONEY CONNECT - Electronic channel for foreign exchange and deposits at clients business places;

- Developing and expanding the "machine pay" project.
- International settlements under Target-BNR.

BT NETWORK as at 31 December 2011:

Operating units: 553 (of which 63 branches), head-office of BT, respectively the Regional Center in Bucharest;

Banca Transilvania resumed the network expansion process in 2011 by opening 20 units last year.

HUMAN RESOURCES

- In 2011 the efficient distribution of resources with an emphasis on cost control was continued;
- The number of employees with labor contracts increased by 5% from 5,737 to 6,051 at the end of 2011, due to opening of new units;
- Expenditure with staff increased by the same percentage- 5%, from 350,865 thousand lei in 2010 to 368,317 thousand lei in 2011. Staff turnover in 2011 was 8.19% from 7.32% in 2010, higher in Bucharest. Characteristic for this year was that a significant leave percentage (25%) left the banking system, preferring other areas, including entrepreneurship;
- The training programs partially financed from the European Structural Funds were successfully completed and a series of programs were developed and implemented by internal trainers. In 2011 more than 3,500 attended such trainings;
- The average age of employees was kept at 33 years broken down on 75.5% -women and 24.5 % - men

EVOLUTION OF CLIENT BASE:

In 2011 the client base remained at the same level as in the previous year with a total of 1,931,592 clients of whom individuals 1,722,672 and legal persons 208,920. The active clients on business lines, for whom Banca Transilvania SA represents the main bank, rose in 2011 by 9% from the previous year being structured as follows:

BT active clients	31.12.2011	31.12.2010	2011/2010
Corporate	9,495	9,526	100 %
SME	112,517	103,955	108 %
Retail	1,407,422	1,295,373	109 %
Medical Division	20,280	18,203	111 %
TOTAL	1,549,714	1,427,057	109 %

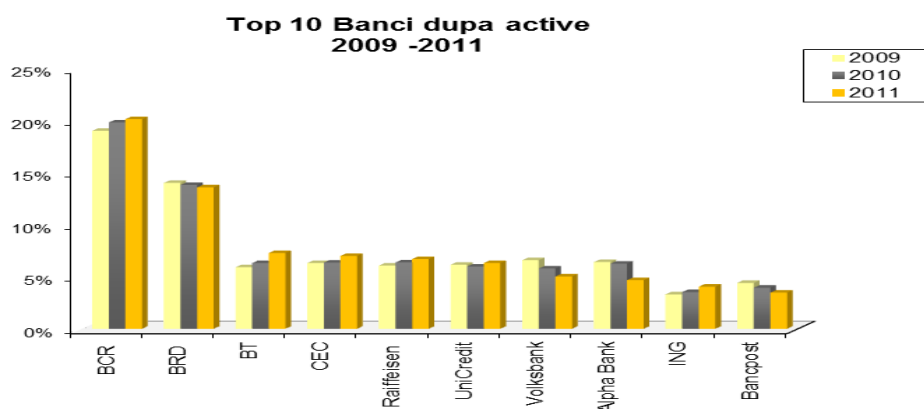
Financing sources:

As the liquidity ratio of the Bank was adequate throughout the year of 2011, no new loans from financial institutions were contracted. Discussions with various international institutions are under way to be materialized in 2012.

ECONOMIC AND FINANCIAL RESULTS IN 2011

EVOLUTION OF BALANCE SHEET

A total assets level of 24 bn. lei was projected for the year 2011. This objective was realized in proportion of 107%, the assets value at the end of the year being 25.74 bn. lei. Compared with 2010, the assets recorded at the end of 2011 were 19 % higher. In terms of net assets, at the end of 2011 Banca Transilvania was ranked the third bank with a 7.27% market share.



In projecting the ratios for 2011 an average inflation rate of 4.8% and a 4.30 EUR / LEI exchange rate were taken into consideration.

At the end of 2011 the lei/euro rate was 4.3197, while the inflation rate was 3.14%.

Evolution of balance sheet structure in 2011:

Millions LEI	Realized 2010	Budget 2011	Realized 2011	% Realized 2011/2010	% Realized /Budget
Loans	13,365	15,097	15,358	115%	102%
Provisions	-1,356	(1,933)	-1,806	133%	93%
Current liquidities	4,703	4,698	5,111	109%	109%
Securities	3,935	5,099	5,953	151%	117%
Non-current assets	467	564	465	100%	82%
- tangible and intangible assets	308	414	340	110%	82%
- participations	159	149	125	79%	84%
Other assets	475	476	664	140%	139%
Total Assets	21,589	24,000	25,745	119%	107%
Shareholders' capital	1,995	2,133	2,128	107%	100%
Subordinated loan	257	265	259	101%	98%

Resources from clients	17,219	18,860	20,147	117%	107%
Resources from banks	485	689	1,677	346%	243%
LT borrowings	1,249	1,558	1,038	83%	67%
Other liabilities	384	495	496	129%	100%
Total liabilities	21,589	24,000	25,745	119%	107%

The credit portfolio of Banca Transilvania grew constantly recording a value of 15.358 millions lei on 31.12.2011, which was 15 % higher than in the previous year and 2% over the projected level. 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 31.12.2011:

- on types of clients: 62.95% companies; 37.05% individuals;
- on types of currencies: 63.72% in lei; 36.28% in FX;
- on types of business: 17.12% trade; 30.63% industries; 13.51% services; 7.05% household; 1.70 % others;
- on maturity terms: 38.64% short term; 17.07% medium term; 44.29% long term.

Defaults over 90 days, representing 8.62% of total loan portfolio of BT at 31 December 2011 compared to 7.37% in 2010.

During 2011, the Board of Directors, pursuant to art. 13f in the Constitutional Act approved to charge off 178 bad loans in amount of 9,204 thousand lei, 404,945 euros and 254,119 USD, for which all legal recovery ways were exhausted.

Regarding the level of bad loans, BT is below the average in the banking system, according to the Central Bank's statistics (i.e. 14.10%).

The provisions in lending increased from the previous year, from 1,356 million lei to 1,806 million lei, of which 354 million represented 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 114.12 %, ensuring an adequate coverage in the current period.

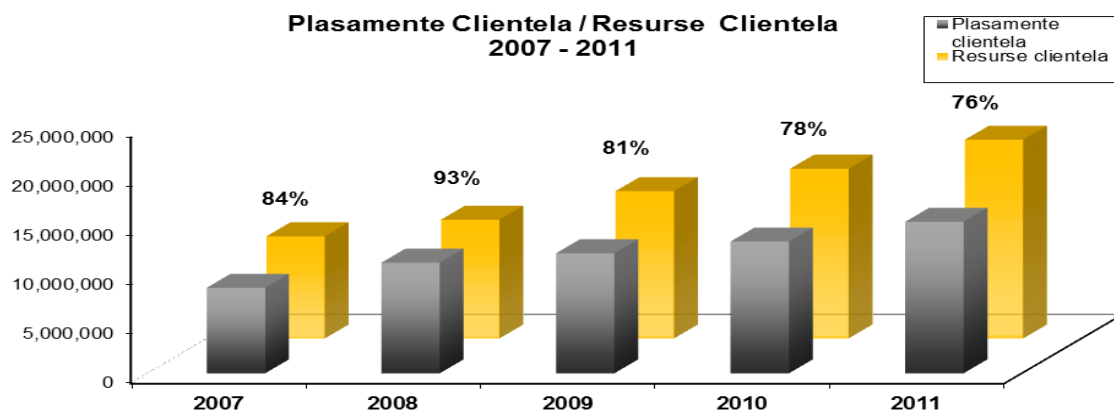
Current liquidities, including cash and funds with central banks and credit institutions were in amount of 5,111 million lei, which is 9% more than in the previous year and compared to the projected figure. The weight in this group (4,177 mil lei) is held by the minimum compulsory reserve with the NBR.

Securities recorded an increase of 50% from the last year and 17% over the budgeted level, reaching 5,953 mil on December 31, 2011. The weight in this group (5,591 mil) is represented by the government securities

Net non-current assets remained at the last year level in amount of 465 million, of which tangible assets were 271 million (land and buildings 172 mil), intangible assets were 69 mil and financial assets were 125 mil.

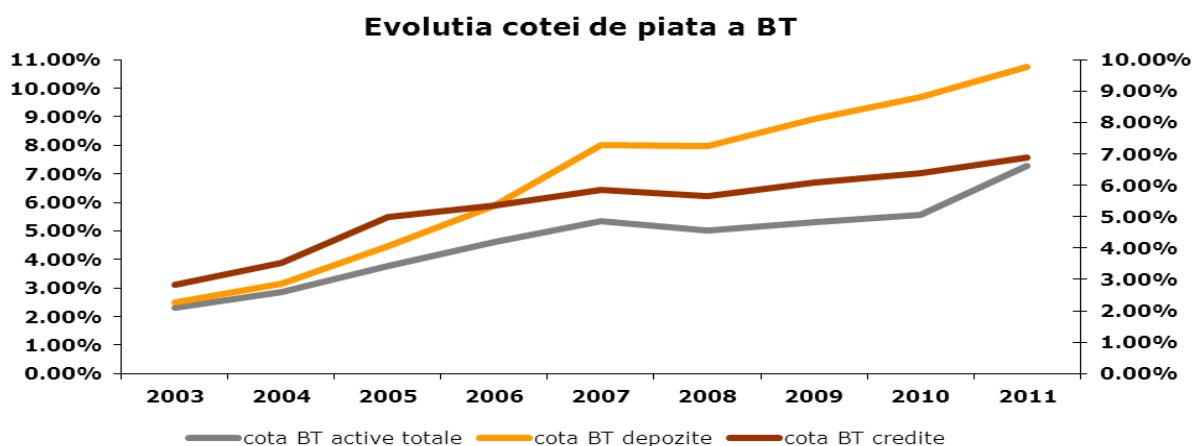
In terms of **non-bank customer deposits**, the balance recorded at the end of the year was 20,147 million lei, which is 17% more than in the previous year and 7% above the expected level. In terms of the deposits currency, 65% were in lei and 35% in FCY.

The **credits / deposits ratio** recorded a subunit level of 0.76 (0.78 in 2010), while in the banking system it was 116.7% on 31.12.2011 (113.46% in in 2010). BT maintained an optimum liquidity rate, due to its substantial resource base.



At the same time, it maintained an adequate level of capital and the general financial ratios consistently with sound banking principles; the solvency ratio was 11.87% with profits included

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



On 31.12.2011 the shareholders' equity was de 2,127,700,059 lei, of which:

- share capital 1,773,658,066 lei, representing 1,773,658,066 actiuni shares in value of 1 lei/share;
- legal reserves: 116,938,676 lei;
- reserves for bank risks: 77,892,714 lei;
- other reserves: 5,420,791 lei;
- revaluation reserves: 30,000,070 lei;
- own shares: - 1,903,848 lei;
- retained earnings: 3,165,051 lei;
- profit : 131,870,976 lei;
- profit allocation: -9,342,437.

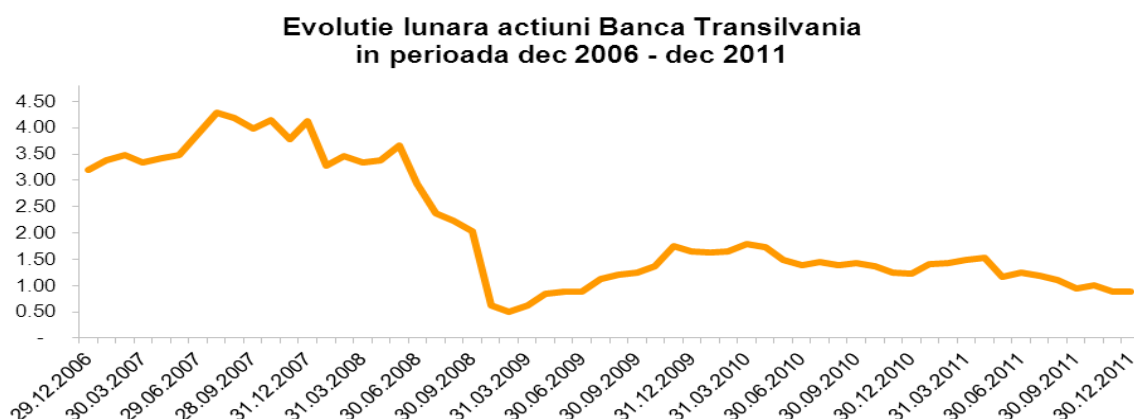
The share capital at the beginning of 2011 was 1,470,600,998 lei and was increased by 303,057,068 lei reaching 1,773,658,066 lei at year end in accordance with the decision of the Extraordinary General Meeting of Shareholders, of which , by incorporating reserves from net profit in total amount of 295.735.713 lei.

On 31.12.2011 the share capital structure was as follows:

	31 Dec 2010	31 12 2011
European Bank for Reconstruction and Development ("EBRD")	14.68%	14.61%
Romanian individuals	28.46%	25.98%
Romanian companies	22.57%	26.35%
Foreign individuals	2.60%	2.21%
Foreign companies	31.69%	30.85%
Total	100.00%	100.00%

On 31 December 2011 the bank's capitalization on the Stock Exchange was 1.56 bn lei respectively 363 mil. EURO (on 31 December 2010: 1.8 bn lei respectively 422 mil euro).

The evolution of BT shares in 2011 is shown in the following chart:



PROFIT AND LOSS ACCOUNT:

Revenues, expenses and profits in 2011, broken down on components, compared with 2010 and the budget projections are summarized below:

PROFIT AND LOSS ACCOUNT milions LEI	BVC 2011	Realized 2010	Realized 2011	% Growth 2011/2010	%Realized BVC
INCOME	1,506.40	1,487.05	1,484.28	100%	99%
Net income from securities	254.43	259.34	262.70	101%	103%
Net income from interests	750.10	741.07	716.58	97%	96%
Net income from commissions	368.44	357.36	368.72	103%	100%
Income(loss) on the forex market	113.98	107.15	110.25	102%	97%
Other incomes	19.45	22.13	26.03	118%	133%
	751.40	711.97	766.74	108%	102%
EXPENSES					
Expenses with staff	366.00	350.86	368.92	105%	101%
Operational expenses	263.00	253.67	269.41	106%	102%
Expenses with advertising	15.00	12.41	14.82	119%	99%
Expenses with depreciation	53.40	54.21	49.26	91%	92%
Other expenses	54.00	40.82	64.33	158%	119%
OPERATIONAL RESULT	755.00	775.08	717.54	93%	95%
Provisions, net	575.00	640.05	531.77	83%	92%
GROSS PROFIT	180.00	135.02	185.77	138%	103%

The operational income recorded a value over 1,484 millions lei on 31.12.2011, a level close to that in the previous year. It was realized 99% of the projected level.

The most important income categories are:

- *Net income from interests*: in total amount of 716,58 mil lei in 2011, lower by 3% compared to previous year, and 4% under the projected level; This decrease in the rate of revenue growth is due to interest margins decline in a difficult economic environment in which lending had a slow evolution.

- *Income from commissions*: a positive evolution in 2011 in value of 368.72 mil.lei which is 3% more than the amount in 2010 and slightly over the projected level. The commissions collected from the lending process were in value of 282 mil.lei and the commissions from operations were 86 mil.lei.

The commissions collected in credits implementation were in value of 120 mil.lei and were 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 slightly increased (realized 262.7 mil lei against 259.34 mil lei in 2010) 3% over the projected level.

- *Income on the forex market:* in 2011 an income of 110.25 mil lei was realized on the forex market, which was 2% over the last year level and 3% under the projected level in the budget (113.98 mil. lei);

The operational expenses in 2011 were in amount of 766.74 mil. lei, which was 2% over the projected level. Compared to the previous year the operational expenses recorded a slight exceed (8%) due to the business extension and the 5% increase in VAT.

- *Expenses with staff and training:* represented 368.92 mil. lei. The 5 % exceed from the last year expenses was 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 higher by 1%.

- *Operating expenses:* were in sum of 269.41 millei in 2011 with 2% over the proposed level and 6% more than those in 2010. The exceed of expenses in 2011 vs. 2010 is justified by the network expansion with 20 units and 5% higher staff number than in the previous year.

- *Advertising costs:* the amount of 14.8 mil is within the limits expected.

- *Sponsorship expenses* incurred in 2011 were 7.3 mil. Lei, the conditions provided by the Law 571/2003 being respected with the facility of integral deduction on the due taxes being fully used. The Board aims to benefit from these facilities also in 2012.

- *Expenses with amortization:* the amount of 49.26 mil. lei are, of which 42.4 million lei represents amortization of tangible and 6.8 million lei represents amortization of intangible assets; compared with the previous year and the budgeted level, the depreciation decreased by 8%, due to the smaller volume of investment made in 2011.

- *Other expenses:* are in sum of 64.33 million lei, the share being held by the contribution to the guarantee fund for bank deposits (45 mil).

The operational result of Banca Transilvania was 717.54 milioane lei, with 7% lower than in the previous year and 5% above the budget projection, because of lower interest margins.

On 31.12.2011 the cost / income ratio was 51.65% (48% in 2010) as a result of intensified cost control measures.

The net expenses with provisions decreased from the last year to 531.77 milion lei in 2011, compared with 640 milion in the previous year, of which 461 milion represented the net cost for credit risk, compared with 598 milion in 2010. 110 milion lei accounted for expenses with provisions, fiscally non - deductible, the bank having a prudent credit risk management.

The Gross profit of BT in 2011 (including Cyprus branch) was 185.77 million lei compared with 135.02 million in the previous year, the growth being 38%. The Net profit reached 131.87 million lei, which was 35% higher than in 2010. Compared with the budgetary previous for 2011, the gross profit was realized in proportion of 103 %.

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	Nivel 31.12.09	BT Nivel 31.12.10	BT Nivel 31.12.11
1	Liquidity ratio	Min =1		3.13	2.43	2.32
2	Solvency ratio	> 8%	1	14.00%	13.66%	11.87
3	ROA (net profit/total assets net value)	0.6%-2.9%	4	0.33%	0.49%	0.58%
4	* ROE (net profit/ shareholders' equity)	> 11% 10.9%	5	3.64%	5.33%	6.38%

Note: the solvency ratio was determined by taking into calculation the net profit as at 31. 12.2011 proposed for capitalization (without profit, the ratio is 11.06%);

The level of CAMPL ratios as at 31.12.2011 is over the limits imposed by the NBR, the bank maintaining an adequate level, in compliance with the banking principles of solidity and balance.

BT has a solid resource basis, which allowed maintaining an optimal rate of liquidity. The liquidity ratio recorded on 31.12.2011 was 2.32 compared to minimum 1, as provided in the BNR rule nr. 24/2009, which indicates very good liquidity for the bank.

The solvency ratio (ratio between own funds and risk-weighted assets) was 11.87% at the end of 2011 including profit, preserving a high level throughout 2011, even with increased costs with.

PROPOSED PROFIT DISTRIBUTION FOR 2011, AND SHARE CAPITAL INCREASE

The Council of Administration submits to the approval of the General Meeting of Shareholders the proposal to distribute the profit of 185,770,618 lei as shown in the table below.

It also proposes to increase the share capital with 129,384,347 lei and for each 100 shares to assign a number of 7,2947739 new shares (respectively to assign new shares corresponding to the ratio of 129,384,347 lei / 1,773,658,066 shares).

Share capital increase from 1,773,658,066 lei to 1,903,042,413 lei, respectively with the amount of 129,384,347 lei is to be made from the following sources:

- Incorporation of reserves from the net profit of the previous years outstanding on 31.12.2011 in amount of 6,123,673 lei;
- Share premiums in amount of 732,135;
- Incorporation of reserves from the 2011 net profit in amount of 122,528,539 lei.

PROPOSED PROFIT DISTRIBUTION 2011	AMOUNTS (LEI)
Gross profit	185,770,618
Tax	53,899,642
Net profit	131,870,976
5% legal reserve fund from gross profit	9,342,437
Net profit to be distributed to reserves	122,528,539

PROPOSED SOURCES FOR SHARE CAPITAL INCREASE	AMOUNTS (LEI)
Share Premiums	732,135
Reserves from previous years	6,123,673
Reserves from net profit of 2011	122,528,539
TOTAL RESERVES AVAILABLE FOR SHARE INCREASE	129,384,347
Share capital at reference date	1,773,658,066
Yield / share %	7.2947739

CORPORATIVE GOVERNANCE

The corporate governance is a set of responsibilities and management practices aiming to provide a strategic direction and to ensure 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 or noncompliance with the provisions in the Corporate Governance Code)

Governing bodies

Council of Administration

The General Shareholders Meeting appoints the Council of Administration consisting of seven members elected for a four year mandate from among its shareholders, either at the mandate end or to fill any vacancy. In compliance with the specific rules of the NBR, the Council of Administration is a supervision body having the following structure:

- the chairman of the Administration Board of BT;
- the vice-chairman of the Administration Board
- five members

The eligibility criteria for the CA members are provided in the specific legislation (Law no.31/1990- on companies, the Gov. Order no.99/2006), other specific rules of NBR and the Constitutional Act of Banca Transilvania.

The Council of Administration's responsibilities:

To follow the achievement of the strategy and the goals provided in the Policy Statement adopted by the General Shareholders Meeting, respectively in the medium term strategic plan;

To approve and to revise at least annually the general strategies and policies for the bank's business;

To adopt the draft activity program and the draft revenue and expenditure budget, the investment program, the profit and loss account and to prepare the report on the activity of the Bank to be submitted for approval to the General Meeting;

To prepare proposals for the distribution of the net profit to be submitted for approval to the General Meeting;

To approve the Rules for Organization and Management, the Code of Ethics and Conduct, the Internal Rules and the organization charts, the staffing levels, wages and bonuses;

To determine the treatment of signatories and authorized representatives within the Bank; In accordance with the requirements under the BNR Reg. no 18/2009 CA make their self-appraisal linked to their performance under the Code of Ethics and Conduct and the Rules of Organization and Management of Bt; the self-appraisals are based on the "Statement / self-appraisal on compliance with the Code of Ethics and conduct and Rules of Organization and Management of BT";

To approve individual exposures to related parties within the limits established by CA;

To evaluate capital adequacy to risks making capital distributions in an appropriate manner in terms of risks both for the credit institution and the subsidiary companies;

The Council of Administration approves the internal rules package of BT. The CA Board delegates the approval to staff remuneration policy to the Remuneration Committee.

The CA meets at least once a month and whenever 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 2011:

- Ciorcila Horia - chairman - Polytechnic Institute in Cluj, Faculty of Computers and Automations;
- Marzanati Roberto - vice-chairman - Business Administration in Turin, Italy;
- Franklin Peter - CA member - Oxford University, Great Britain;
- Rekkers Robert Cornelis - CA member - University of Business Erasmus Rotterdam, Faculty of Law Rotterdam (resigned in January 2012);
- 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

Audit Committee:

The Audit Committee includes Board members without executive positions, who perform their activity under a legal framework: International Standards on Auditing, ISA 260-2005-CAFR, Law on Companies- Law 31/1990, NBR Regulation No. 18/17 September 2009 on the management of credit institutions, their internal capital adequacy and requirements for outsourcing activities;

Rules of Organization and Management of BT and has the following structure: -3 non-executive CA members.

The Committee has responsibilities regarding: *financial statements* - any important issues of accounting principles and reporting the financial statements including any significant changes in the bank decision on selection or application of accounting principles, *internal control*- examination by internal and external auditors of the internal control in terms of the financial statements and reporting and making recommendations regarding the findings; *internal audit*, *external audit*, *reporting* and other responsibilities.

Remuneration Committee

This Committee is subordinated to the Board and its mission is to give competent and independent opinions on remuneration policies and practices.

Membership of the Remuneration Committee:

- Chairman of the CA
- 2 CA members

The Committee analyzes and ensures that the general principles and policies of remuneration and benefits to staff are in line with the business strategy, the goals, the values and the long-term interests of BT.

The Remuneration Committee meets at least twice a year or whenever necessary, at the request of one of its members or the bank's leaders.

Executive Management Committee (CEM)

The EMC members should manage the bank on their own responsibility in such a manner as required by best business practice and the best interests of the Bank, taking into account the interests of shareholders as a whole, the bank's image and public interest in the spirit of openness, honesty, prudence and profit maximization.

EMC members are jointly and individually responsible and accountable to CA for exercising their responsibilities.

The Management Committee consists of 11 members: the general manager, the deputy general manager, the executive director (COO), the executive director (CC&IMM), the executive director (RB), the regional executive director (DEB), the regional executive director (DEO), executive director /Risk Management (secretary of the technical committee) and the executive director /Treasury; executive director / Financial Institutions and International Relations; executive director / Human Resources

The Decisions are communicated to Departments, Committees / Technical Committees in HO Central and branches by the EMC Secretary, indicating the terms and responsibilities established for their implementation.

Committee for analysis of internal rules

The Committee is composed of:

- a CA non-executive member;
- General manager;
- Deputy general manager

The Committee presents a summary of changes or new regulations proposed for approval. CA shall ensure that from the level of the Leaders' Committee, respectively EMC members such internal regulations are implemented based on monthly reports to highlight the results of the effective implementation based on specific indicators.

Technical Committee for Management of Banking Risks (CTARB)

The Technical Committee is appointed by the EMC and consists of 7 members: Deputy General Manager (head of risk management function), General Manager, Executive Director (COO), Regional Executive Director (DEB), Regional Executive Director (DEO), Executive Director - Risk Management (Executive Secretary of the Technical Committee) and Executive Director - Treasury.

This Technical Committee exercises as a collective body the risk management function and its members exercise a part of specific risk management. The Committee meets and analyzes, usually monthly, or whenever the concrete situation so requires, the reports / materials from departments about any special events or the evolution of ratios and phenomena which are different from policies, forecasts and indicators set by the bank as being relevant to its normal evolution (with reference to predetermined limits) taking appropriate decisions.

Technical Committee for asset and liability management (CT ALCO)

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, executive 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 Technical Committee for asset and liability management receives briefings and reports from departments for analysis and adopts decisions for the management of interest rate risk, currency risk, liquidity risk, price risk and related fields for the purpose of proper management of assets and liabilities. Decisions will include concrete deadlines and responsibilities

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

The committee is composed of 5 members: deputy general manager (coordinator of the internal control system - executive secretary of the committee), general manager, executive risk manager, regional executive manager (DEO) and regional executive manager in Bucharest (DEB);

The decisions of Technical Committee for audit, compliance and internal control are taken by half plus one of the members on the committee. The Committee analyzes the control acts of the Internal Audit Department, Department for Credit Risk Inspection, Compliance Directorate, Department for Electronic Channels, Operational Risk Management and other related risks and bodies with responsibilities for internal control and decisions to remedy deficiencies.

Technical Committee for approving internal regulations (CTARI):

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

The Technical Committee receives from the committee secretary the documentation of internal regulations to be examined in compliance with the legislation.

Technical Committee for Operational Risk (CTRO)

The Technical Committee for operational risks is mainly focused on risk management in operations and its membership is the following: deputy general manager ; executive director (COO) ;executive secretary of the Technical Committee ; executive director - Risk Management.

The Technical Committee for operational risks rreceives information and reports from the departments in the HO and branches to be analyzed and take decisions in its field of activity or submit proposals to other technical committees according to competence limits;

it communicates the measures adopted to be implemented by departments in the HO and branches and monitors their implementation deadlines.

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

Technical Committee for Human Resources (CTRU)

The role of the Human Resources Committee is to increase efficiency in taking decisions regarding the BT employees.

The Technical Committee for Human Resources is composed of: general manager ;deputy general manager ; executive director (COO);executive director for Retail Banking; executive director for Corporate & SME's; regional executive director (DEB); executive director for Human Resources - executive secretary of the committee;

Attendees: deputy manager for Human Resources and a representative of the employment.

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 for staff size and structure in BT branches.

There are 3 types of credit and risk committees at branch level:

- a) Credit and Risk Committee for approving loans to Corporate clients - no. of members: at least 3 persons.
- b) Credit and Risk Committee for approving loans to SME’s, family associations or authorized natural persons - no. of members: 3 persons.
- c) Credit and Risk Committee for approving loans to individuals

CCR 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.

The decision to grant lending competences operates as long as the head of agency is present, otherwise the credit documentation is submitted for approval to the Credit and Risk Committee of the Branch.

The SME Advisor and Retail Banking Advisor are interchangeable, when one of them is missing.

Committee for cost control

The Cost Control Committee has been created at the initiative of the Executive Management Committee and is composed of: President : financial manager; Members :

general manager; executive Director (COO); head of Office for Financial Analysis; manager of Investments and Logistic department - executive secretary of the committee .

The committee meets at least once a month or whenever it is necessary.

Responsibilities: examination of costs level with a focus on the segments incurring the highest expenses, identification of causes for unjustified costs, makes proposals for cost cut measures.

Operations Steering Committee) -OSC

OSC is responsible for coordinating, recommending and reviewing changes in various operational areas in order to streamline the BT activity.

The committee members are: general manager, deputy general manager, Executive Director COO, Executive Director for Retail Banking, Executive Director for Corporate and SME clients Executive for Business Banking, managers for project management and IT. Any department manger may attend the meetings.

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 2012:

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 2012 is the following:

Presentation of annual preliminary financial results	01.02.2012
General shareholders meeting to approve the annual financial results	first convening: 27.04.2012 second convening: 28.04.2012
Presentation of 2011 annual financial results	28.04.2012
Presentation of financial results for the first quarter 2012	28.04.2012
Presentation of 2012 bi-annual financial results	01.08.2012
Presentation of financial results as at 30.09.2012	26.10.2012

RISK MANAGEMENT

Risk management is an integral part of all decision-making and business processes in Banca Transilvania. 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 corresponding to the bank's structure and inherent risks by own regulatory system (strategies, policies, rules, procedures, regulations) and control (by individuals, departments, committees) and operational flows.

- **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.

- **Risk evaluation/measurement:** the bank performs an evaluation of identified risks by specific models and calculation methods: a system of ratios with related limits, a methodology for assessing risk events likely to generate losses, 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.

Internal capital calculation and assessment, and internal capital adequacy requirements: In order to assess the internal capital adequacy to risks, the bank identifies and evaluates the most significant risks to which it is or may be exposed. Bank calculates and continuously assesses the internal capital and internal capital requirements to cover the bank's business needs and risks.

There are 7 categories of significant risks at the bank level: credit risk, liquidity risk, operational risk, market risk, interest rate risk except for 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
- client/groups of clients/product/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, 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 the 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 EXCEPT FOR 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 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 of management only with 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, 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 2011 the Department for Internal Audit audited 35 branches, 235 agencies, the departments in the HO, the Regional Centre in Bucharest and 7 subsidiaries realizing the whole audit plan proposed for the year 2011. At the end of 2011 the Audit Department had 20 employees.

The general audit objectives in 2011 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 2011.

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 such financial sectors as banking, investment management, consumer financing, leasing and real estate.

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 2011 rose by 8.78% from 2010, respectively from 202.41 milion lei to 220.19 milioane. 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%	100.00%
BT Asset Management SAI	Management of assets	80.00%	80.00%
Compania de Factoring IFN SA	Factoring	99.18%	100.00%
Medical 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 2011, the direct investments were modified as follows:

- Medical Leasing: increase in BT participation with 16,500 mii lei, the holding percent in this company being 99.99 % (99.99% in 2010);
- BT Direct: increase in BT participation with 1.274 mii lei by reserve incorporation .

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.

CORPORATIVE SOCIAL RESPONSIBILITY

Banca Transilvania is part of the community. From this point of view, the principle “a company is going well if in its turn does well” returning to the community what receives from its day by day. The year 2011 was another year when the bank supported various areas, such as culture, education or sport. BT also contributed to assisting several medical cases.

The most important social responsibility project of the bank also in 2011 was the “Cluj Has Soul” Foundation that was aimed at young people from families with modest financial situation or the child care system. Its mission is to help teenagers to choose a better life through education. In its 4 years of activity, nearly 1,200 young people were assisted by “Cluj Has Soul”.

Thus, BT donated only in 2011 over 500,000 lei for social and educational programs developed by this foundation. In recognizing the continuity of the program, the “Cluj Has a Soul” was awarded the prize of “The intervention with most impact on the community by sponsorship,” in one of the most important NGO events in Romania - *Gala for People*. ”

Other projects in which the bank was involved:

1. Cross-ul BT - the BT competition, which in 2011 had a humanitarian component. For each participant enrolled in the competition, BT donated 5 euros to the “Cluj has Soul” Foundation.
2. My Money Week - project for university students from Cluj-Napoca, started by the International School, which was aimed at making aware youth about the importance of personal finance management. The program consisted in organizing specific activities for a week dedicated to financial education activities;
3. Business Simulation - School Leadership program initiated in Brasov, where the participating students had the opportunity to develop leadership skills and entrepreneurial innovation;
4. International Film Festival in Transylvania - the most important film festival in Romania. BT is a traditional partner in the event, supporting TIFF since the first edition;
5. International Festival of Comedy Films “Comedy Cluj” - is an event that promotes the artistic talents of the field;

6. Association of Little People - a project which seeks to psychic rehabilitation of children and young people who have had cancer and its related effects. Little People means volunteers who work daily in pediatric oncology wards of Romania (Iasi - Timisoara - Cluj - Bucharest), covering 80% of all cancer patients in the country. The Association provides educational and therapeutic activities that help children to adapt to a hospital environment, providing information to parents and families about cancer and patient rights.

7. Ghita Muresan Summer Camp Tour - a popular basketball program in Romania, especially among children and their parents. The project is designed as a free summer camp for children, for basketball training, demonstrations and competitions. The event was held in important cities of Romania: Cluj-Napoca, Timisoara, Sibiu, Bucharest and Constanta;

8. Cross-ul Companiilor - Sport event, where the bank participated in 2011 to promote a healthy lifestyle by practicing jogging .

OTHER INFORMATION ABOUT FINANCIAL STATEMENTS AND THE DEVELOPMENT OF THE ECONOMIC AND FINANCIAL ACTIVITY

The information in the financial statements for the 2011 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 bank calculated and paid monthly its fiscal obligations to the state budget and special funds as well as its quarterly and bi-annual fiscal obligations to the local budget while tax on profit was paid in advance, quarterly, according to the law.

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.2861/2009, 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 2011 financial statements.

In accordance with the Order of the National Bank of Romania no. 27/2010 for approval of accounting regulations in accordance with International Financial Reporting Standards, as of January 1, 2012 the Bank has ceased the preparation of financial statements in accordance with the Order of the Chairman of the Board of National Bank of Romania no.13/2008, with subsequent amendments ("Order 13/2008"). Starting with January 1, 2012, the International Financial Reporting Standards adopted by the European Union ("IFRS") become the single reporting framework for credit institutions in Romania.

In addition to the preparation of financial statements in accordance with Order 13/2008, the Bank prepared a set of financial statements under the Order of the National Bank of Romania no. 15/2009 regarding the preparation by the credit institutions of individual annual financial statements in compliance with the International Financial Reporting Standards adopted by the European Union.

INFORMATION ABOUT THE PROJECTED EVOLUTION OF THE BANK IN 2012

Quantity objectives for 2012

- Rise in the asset level: 11%;
- Rise in total credits: 11%;
- Cost / Income: maximum 52%;
- Credits / Deposits : under 0,85;
- Maximization of return on equity (ROE);

- Increase in corporate investments with 1 bn lei, outstanding;
- Consolidation of the third position on the card market -> 2.050.000 cards ;
- A department for agriculture to give specialized consultancy
- Finalization of Oracle FLEXCUBE Universal Banking implementation ;
- Extension of the platform for transfers by Western Union and Internet Banking;
- Start of implementation of CRM Oracle-Siebel solution;
- Finalization of new Data Center and Operational-Building;
- Migration to a new automated platform CIP-BNR.

Quality objectives for 2012:

- Improving the quality of loan portfolio;
- Increased market value of the bank;
- Efficient use of existing resources;
- Consolidation of commercial position;
- Increased efficiency and return on equity;
- Support to implement the new core banking system;
- Increased efficiency by keeping the same resources;
- Keeping BT in the top preferred employers in Romania;
- Maintaining leadership in the medical field;
- Maintaining lending pace and portfolio quality;
- Provision of private banking services to physicians.

Investment plan for 2012

Investment budget for 2012:

• Branches + buildings	41,021 th. lei
• IT+ Cards	48,510 th. lei
-IT CORE + CRM	29,667 th. lei
• Vehicles	1,888 th. lei
• Various	7,226 th. lei
Bank investments	98,645 th. lei
<u>Investments in subsidiaries</u>	<u>15,225 th. lei</u>
Total investments (VAT included)	113,870 th. lei

PROPOSED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR 2012

The financial ratios projection for 2012 has been done based on the individual annual financial statements in compliance with the International Financial Reporting Standards adopted by the European Union, which became the unique reporting framework for financial institutions of Romania starting January 2012.

In designing the ratios for 2012, it was considered an average inflation rate of 3.5 % and exchange rates of EUR / LEI 4.35 and EUR / USD 1.30.

The assets are expected to rise 11 % compared to 2011 level (up to 28,530 millions lei). In the asset structure the weight of credits is projected to be 61 %, current liquidities 20% and investments in securities 23 %.

As regards the structure of liabilities in 2012, resources from non banking clients are provided to be 11% over the 2011 level with a weight of 79% in total liabilities.

The budget ratios for 2012 submitted to the GSM approval are projected to support the proposed business objectives and are correlated with norms specific to banking prudence and supervision.

The Balance sheet and Profit & Loss account projected for 2012 are presented as follows:

BUDGET OF REVENUES AND EXPENDITURE 2012

Milions lei	
BALANCE SHEET	Projected 2012 (IFRS)
Current liquidities	5,677
Securities	6,812
Loans to clients	17,400
Provisions for credits	-2,059
Fixed assets	434
Participations	73
Other assets	193
Total Assets	28,530
Shareholders equity	2,594
Subordinated loan	399
Sources raised from clients	22,584
LT Borrowings & resources from banks	2,715
Other liabilities	238
Total Liabilities	28,530
PROFIT & LOSS ACCOUNT	Projected 2012 (IFRS)
Net income from securities	305.50
Net income from interests	680.00
Net income from commissions	410.00
Profit/loss on the forex market	135.00
Other incomes	25.40
TOTAL OPERATIONAL INCOME	1,555.90
Expenses with staff	396.00
Operating expenses	400.20
EXPENSES	796.20
PROFIT BEFORE PROVISIONING	759.70
Provisions	425.00
TOTAL EXPENSES	1,221.20
GROSS PROFIT	334.70
Euro / Leu Rate in December	4.35
Average Euro / Leu rate	4.35

Considering all this presented in the report, we submit to discussion the activity developed by the bank in 2011 and we propose to the General Meeting of Shareholders to approve the following statements:

- Statutory 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 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 2011 profit;
- Proposed share capital increase;
- Proposed Budget for revenues and expenditures and the Investment plan for the year 2012.

Council of administration
Chairman
HORIA CIORCILA