

Annual Report, according to ASF Regulation no.5 / 2018 Annex 15

For the financial year: 2018

Report date: 22.03.2019

Name of the company: BANCA TRANSILVANIA S.A.

Registered office: CLUJ-NAPOCA str.G. Barițiu nr.8

Phone/fax: 0264.407.150; 0264.407.179

Tax identification no.: RO5022670

Trade Register no. : J12/4155/1993

The regulated market where the issued securities are traded: Bursa de Valori București

Registered capital, subscribed and paid: 4.812.481.064 lei

Main features of the securities issued by the company:

4.812.481.064 NOMINAL SHARES, at the value of RON 1/share.

1. Analysis of the Bank's Activity

a) Description of the Bank's main activity

Banca Transilvania S.A. („the Bank” or „BT”) is a joint-stock company headquartered in Cluj-Napoca, 8 G. Baritiu Street, Cluj county, Romania

The Bank operates pursuant to Company Law no. 31/1990 and Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy (as subsequently amended). According to Article 6 in the Bank's Articles of Association, its main field of activity is represented by “other monetary intermediation activities”.

b) The Bank's establishment date

Banca Transilvania S.A. was incorporated in December 1993 and became effectively operational on February 16, 1994. The Bank was recorded with the Trade Register under no. J12/4155/1993 on 16.12.1993; the Bank's tax identification number is RO5022670. The Bank was recorded with the Bank Register under no. RB-PJR-12-019 on 18.02.1999.

c) Significant mergers and reorganizations of the Bank, its subsidiaries or controlled companies during the financial year

BT is a joint-stock banking institution (with foreign and domestic shareholders). At the present, Banca Transilvania does not have a majority shareholder.

Banca Transilvania is part of Transilvania Bank Group („the Group”). The Group subsidiaries where BT has direct and indirect shareholding are: BT Capital Partners S.A., BT Leasing Transilvania IFN S.A., BT Investments S.R.L., ERB Retail Services IFN S.A., BT Direct IFN S.A., BT Building S.R.L., BT Asset Management SAI S.A., BT Solution Agent de Asigurare S.R.L., BT Asiom Agent de Asigurare S.R.L., BT Safe Agent de Asigurare S.R.L., BT Intermedieri Agent de Asigurare S.R.L., BT Compania de Factoring S.R.L., BT Operational Leasing S.A., BT Leasing Moldova(MD) S.R.L., BT Microfinantare IFN S.A., BT Transilvania Imagistica S.A., Improvement Credit Collection S.R.L., Sinteza S.A. and Chimprod S.R.L.

The Group’s fields of activity are: banking through Banca Transilvania S.A. (the “Bank”), investment and brokerage through Capital Partners SRL, leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., ERB Retail Services IFN S.A., BT Operational Leasing S.A., BT Direct IFN S.A., BT Microfinanțare IFN S.A. and BT Leasing MD S.R.L., asset management through BT Asset Management S.A.I S.A. Moreover, the Bank controls an investment fund that is also included in the consolidation.

As at 31 December 2018, the Group controls but does not include in the consolidation the company SC Timesafe SRL, an entity providing “information technology services”. The subsidiary was not included in the consolidation because of its immateriality in terms of total assets (31 December 2018: RON 978 thousand), shareholders’ equity (31 December 2018: RON -1,587 thousand) and losses (31 December 2018: RON -1,669 thousand) in the Group’s total assets, shareholders’ equity and profit.

During 2018, at the Extraordinary General Meeting of Shareholders’ meeting from 17.08.2018, it was approved the merger through absorbion between BT Leasing Transilvania IFN SA (as acquiring company) and ERB LEASING IFN SA (as acquired company) in accordance with the Merger Project drawn up on 04.07.2018 and published in the Official Gazette of Romania on 16.07.2018, the merger having as effect the transfer of the entire movable and immovable property, with all the assets and liabilities, all the agreements, all the rights and obligations of the acquired company (ERB LEASING IFN SA) to BT Leasing Transilvania IFN SA.

For BT Direct IFN S.A. - in the EGMS meeting from 10.08.2018 it was approved (in principle) the merger through absorbtion between ERB RETAIL SERVICES IFN S.A. (as an acquiring company) and BT DIRECT IFN SA (as an acquired company) and the drawn up of the merger project.

For BT Microfinance IFN SA there was a share capital increase through the Extraordinary General Meeting of the Shareholders from January 26, 2018, with cash contribution from the shareholder BT Investments SRL, amounting to RON 15,000,000, representing 15,000,000 shares, thus the new value of the share capital being RON 46,760,000 divided into 46,760,000 shares with a nominal value of 1 RON each.

The activity of the subsidiaries and the Bank's shareholding in the subsidiaries are presented in ANNEX 1 of the present report.

d) Description of the acquisitions and/or sales of assets

As at the end of 2018, the gross value of Banca Transilvania's investments in the group, in accordance with the International Financial Reporting Standards endorsed by the European Union, increased by approximately 243% versus 2017, respectively from RON 156,67 million to 537,68 million.

Banca Transilvania is engaged in ensuring that its subsidiaries have an adequate CAR level, contributing to the improvement of risk management, by involving the audit and compliance functions from within the Bank.

e) The main results of the assessment of the Bank's activity

External Audit

The external auditor of the Bank - PricewaterhouseCoopers Audit SRL - has audited the financial statements of the Bank as at December 31, 2018.

According to the audit opinion, the separate and consolidated financial statements reflect in all significant aspects the Bank's separate financial position, the separate results and cash flows according to the International Financial Reporting Standards, endorsed by the European Union.

Internal Audit

The Audit Committee is formed by non-executive members of the Board of Directors and carries out its activity according to the applicable legal framework, notably: International Audit Standards ISA 260-18, 2005-CAFR; the Company law - Law 31/1990; Banca Transilvania's Rules of organization and administration.

The number of committee members and their competence are approved by the Board of Directors; the committee has 3 non-executive Board members.

The responsibilities of the Audit Committee are related to: financial statements - important aspects regarding the accounting principles and the presentation of financial statements, including any significant change in the Bank's decision in terms of selecting or applying the accounting principles; internal control - assessment of the internal control by the internal and external audit function as concerns the financial statements and the obtention of reports and recommendations on the findings; internal audit; external audit; reporting and other responsibilities.

The internal audit function (Internal Audit Department) is subordinated to the supervisory function (Board of Directors). The Internal Audit Department is operationally subordinated to the CEO.

The direct management (coordination) of the internal audit function (Internal Audit Department) is ensured by the Internal Audit Manager appointed by the supervisory function to the Board of Directors.

The Audit Committee held 8 meetings during 2018, as well as several conference calls and meetings in absentia, in order to review, discuss and approve a number of topics ad-hoc.

The members of the Board of Directors in 2018 were the following:

- Ivo Gueorguiev – Audit Committee chairman; independent non-executive director with audit experience, attending 8 out of 8 meetings;
- Thomas Grasse – Audit Committee member; independent non-executive member with audit experience, attending 8 out of 8 meetings;
- Costel Lionăchescu – Audit Committee member; independent non-executive member with audit experience, attending 8 out of 8 meetings.

In 2018, the Audit Committee undertook the following actions during its meetings:

- Consideration of the IFRS Financial Statements and the external audit report for 2017, review of significant accounting and financial reporting aspects as well as their impact on the Bank's Financial Statements;
- Monitoring the efficiency of the Bank's internal control, internal audit and risk management functions, by analyzing the specific reports provided by such functions and other relevant reports;
- Review of NBR reports and implementation of recommendations;
- Implementation of external auditor's management letter recommendations.
- Supervision of affiliated and related party transactions.

The Committee in 2018 regularly met the Bank's external auditor PwC and worked with the Chief Financial Officer on all audited and auditor-reviewed financial releases of the Bank, making recommendations to the Board of Directors approving these.

Audit planning and reporting meetings were held with the external auditor including sessions without management presence. The Committee also discussed the updated information received from the external auditor and Bank's Management on the changes to the Romanian law with impact on banks, in particular the current and forthcoming amendments to the IFRS accounting standards and the adoption of IFRS9, that became effective on 1 January 2018.

The Committee also reviewed the soundness of the Bank's internal controls, by cooperating both with the external and the internal audit teams in order to closely monitor any identified deficiencies and the related follow-up process, and by maintaining a focused analysis. Furthermore, the Audit Committee obtained information on external regulatory inspections (carried out by the authorized institutions).

The Committee is responsible for assessment of the performance, objectivity and independence of the external IFRS auditor and delivery of quality audits. The Committee considered in 2017 suitability of the lead engagement partner and wider teams as well as the remuneration and engagement terms of the appointed auditor. Based on the auditor's declaration of independence obtained by the Audit Committee and its own assessment the Committee remains satisfied that

PwC is independent in providing their audit services to Banca Transilvania and will continue to deal with requests for the auditors to perform non-audit services.

1.1.1. General items of the assessment for the financial year ended December 31, 2018

Banca Transilvania recorded very good results in 2018. The separate and consolidated financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union (NBR Order no. 27/2010, as subsequently amended and supplemented) are presented below:

▪ Gross profit	RON 1,642.45 million
▪ Net profit	RON 1,219.40 million
▪ Total assets	RON 74,119 million
▪ Capital adequacy ration (CAR)	21.53 % (18.59% <i>without profit</i>)
▪ Return on equity (ROE)	17.17%
▪ Market share in terms of assets	16.43%
▪ Liquidity ratio according to the NBR regulations	between 2.00-18.11 on the 5 maturity bands

1.1.2. Assessment of the Bank's at operational level

The unit network of Banca Transilvania as at 31 December 2018: 518 functional units (excluding the Headquarters and the Regional Office in Bucharest) and the end of the year, compared to 495 functional units at 31 December 2017. At the present, the Bank has also one branch in Italy.

At the end of 2018, the Bank had a number of 1,511 terminals and 50,000 POSs installed. The total number of cards issued by BT as at 31 December 2018 was 3,748,039.

Description of the main products supplied and/or services rendered:

The offer of Banca Transilvania has expanded during the current financial year with products, services and campaigns aimed at individuals and companies, and one of the objectives attained this year by BT was the launching of solutions designed to effectively and continuously support its client's activities.

RON operations

- cash operations;
- settlement operations;
- current accounts;
- deposits;
- loans to companies and individuals;
- online credit for individuals
- letters of guarantee;

- payments through the Direct Debit and Standing Order systems;
- the BT Ultra-Multicash electronic service;
- the BT24 Internet Banking service;
- the electronic confirmation service for customs payments (Vama On-Line);
- the Trezo Direct service;
- the Voice Teller and Fax Teller automatic services for banking information;
- depositing and keeping in the vault of items and other valuables that require vault storage;
- economic and financial consultancy, technical support, services at the Payment Incidents Register;
- services at the Central Credit Register;
- information on exchange rates applied for the previous period;
- operations with government securities;
- card operations in RON;
- factoring;
- project co-financing with EU Funds;
- new payment facilities via Mobile Banking;
- Phone Banking,
- BT Pay-wallet
- payments with the BT watch or the BT contactless sticker, which replace traditional cards when shopping in Romania or abroad, etc.

FCY operations

- deposits;
- loans to companies and individuals;
- cheque operations;
- payment order operations;
- operations with documentary letters of credit (export and import);
- incasso operations;
- guarantee based operations;
- transmission of letters of credit, letters of guarantee, amendments, investigations (SWIFT fees);
- transfer of FCY amounts (Western Union);
- travel visa fee payment;
- BT Money Connect;
- FCY card operations, etc.

In addition to the above data related to the description of the products, we would like to point out the following:

- a) the main markets for each product and service, as well as the methods of distribution are the domestic and international banking markets.
- b) the weight of each product or service type in the Bank's revenues and total turnover are presented in the Report from the Board of Directors of Banca Transilvania S.A., attached hereto;
- c) the new products and services considered, for which a substantial volume of assets will be allocated in the next financial year, are those related to:
 - Online Credit for Legal Entities which is planned to be launched in mid-2019;

- Preparing and testing the settlement of instant payments solution in relation to other banks, estimated to become operational in 2019;
- Expanding Amex cards' acceptance capabilities;
- Technical upgrade of the card management solution for large volume settlement with other banks
- Active participation in the simplification projects related to the way our clients interact with the Bank;

1.1.3. Assessment of the technical and material supply activities (domestic and foreign sources)

This item is not significant for the Bank.

1.1.4. Assessment of the sales activity

As at 31.12.2018, the evolution of the sequential sales on the domestic and/or foreign market and the medium and long-term sales perspectives, as well as the competition in the Bank's field of activity, the market share of the products and services of the Bank and of its main competitors is as follows:

The Bank's operational efficiency continued its positive trend, considering the increasing volume of transactions, the reduction of customer charges and Bancpost integration costs.

The number of active clients increased by 17% in 2018, as compared with 2017, from 2.43 million to 2.84 million.

The number of active clients structured per business lines is the following:

Active BT clients*	31.12.2018	31.12.2017	2018/2017
Large Corporate clients	1.365	1.315	3,80%
Mid Corporate clients	7.929	7.349	7,90%
SME clients	17.7	14.231	24,40%
Micro Business clients	256.972	221.849	15,80%
Retail	2.560.651	2.183.335	17,30%
TOTAL	2.844.617	2.428.079	17,20%

* The classification of legal persons in the category of large companies or SME's is regulated by internal rules which set the conditions for the classification of clients per business segments.

At the end of 2018 the Bank has on its portfolio 3.7 million cards, which means 21% market share for the cards issued in Romania.

Besides the use of services provided by the Bank to its customers through the units network, over one million customers use internet banking from Banca Transilvania, a 14% increase compared to

last year and over 560,000 customers use the mobile banking platform offered by the Bank, an increase of 34% compared to last year.

Business Lines Performance

Large Corporate Customers

Within this structure, over 1,300 customers with large and sophisticated businesses are assisted by a centralized team of relationship managers and experts for structured financing. This type of setup ensures both a dedicated and careful approach to the strategic sectors and a professional individual approach.

The positive results for the first year of the implementation of this internal setup are highlighted through a total of RON 3.2 billion granted as new loans and through a growth of 4.8% of the deposits balance. The loans balance of the business line reached RON 6.9 billion at the end of 2018.

Mid Corporate Clients

Over 7,900 Mid Corporate companies are serviced in the Bank's network of 54 branches. Each customer benefits from the support of a dedicated relationship manager.

The loans balance increased at a consolidated level by 10.4% reaching RON 6 billion due to Victoriabank consolidation. The balance of the deposits decreased by 7.3%, reaching at the end of the year the value of RON 5.5 billion. Total revenue at a Group level increased by 20.5% as compared to previous year.

In addition to the financing granted from its own funds, BT has actively participated in the EIB and POIMM funding programs with significant pricing benefits for the customers.

In terms of improving the customer experience, significant steps towards digitalization were made in 2018. By implementing BT Sign for mobile log-in and authorization of payments through BT Ultra, by sending the account statements via e-mail, giving online updates of the delegates data on the customers' accounts, BT facilitated the ongoing banking activities for its customers.

Small and Medium Enterprises (SMEs)

This business segment records the most significant increase of the active customers approaching to 18,000 active customers. The focus of the business line has materialized in granting over 3,600 new loans, amounting to RON 1.1 billion.

Based on this result and on Victoriabank consolidation, the loans balance exceeded RON 2.1 billion increasing by 43% as compared to the previous year.

As an important performance in 2018, we also mention the significant increase in the deposits balance, which reached RON 3 billion at the consolidated level, 107% higher compared to the previous year.

Micro Business Clients

For the Micro Business business line we exceeded the benchmark of 250,000 active customers during 2018.

The rapid lending platform materialized in more than 15,700 loans granted worth over RON 1.9 billion. To support access to finance, the microfinance subsidiary, BT Mic, played an important role. 2018 was a year of strong growth of this type of funding offered by the BT Financial Group to micro-companies.

BT was the main partner of the Romanian state in the governmental program Start-Up Nation. BT became the partner of 4,672 start-up companies, participating in this program, and granted 2,119 bridge loans. About 55% of the participants in the program chose BT as an implementation bank and 50% opted for bridge credit.

For the entrepreneurs participating in this program, the BT Start-up Nation Package was created with advantageous and easy-to-access products and services.

In 2018, the revenue generated by Micro Business at a consolidated level grew with 43% compared to the previous year. An important performance was also achieved in terms of deposits, their balance increasing by 30.5% in comparison to the last year.

In 2018, the beta version of the BT Store was launched, a generous support platform containing a number of non-banking solutions for the entrepreneurs:

- It is dedicated to SME and Micro Business customers but can be accessed by any legal entity customer. This includes the non-banking services and products of various partners previously verified by the Bank. Their products and services are designed to meet the business needs of most Romanian entrepreneurs.
- Some of the areas covered by the solutions already present in the BT Store are: billing-management, accounting, human resources and medical services for entrepreneurs and their employees, company start-ups and changes, cash flow management, document management and commercial agreements.
- BT Store solutions are solely online scalable solutions with the interconnection possibility (by default with the BT applications, especially after the PSD2 implementation).

From the customer interaction point of view in 2018 a new online communication channel, a chatbot called "Raul de la BT", was launched. It provides an easy communication of the entrepreneurs with the Bank, through Facebook Messenger or Skype. Raul from BT offers to the entrepreneurs 24/7 and free of charge information about: the current account/card balance in RON and foreign currency, the balance of the STAR card loyalty points, credit card payment details, details of credits, checks/ promissory notes payment details, account attachments, details of the Nelimitat package in BT network as well as the attached additional options, the exchange rate, etc.

Retail Customers

The volumes traded with BT cards increased in 2018 compared to 2017, with RON 15.83 billion, meaning 31.8%.

As at December 31, 2018, Banca Transilvania's portfolio counted 3.74 million cards, generating transactions with almost 34% higher in comparison to previous year. The Bank's market share in terms of the volume of credit card transactions at retailers is 35%. The Financial Group Banca Transilvania counts over 475,000 credit cards enrolled in its portfolio at the end of 2018.

The Bank owns a network of 1,511 ATMs and multifunctional (1,161 ATMs and 350 multifunction machines), approximately 50,000 POS and works with over 1,100 e-commerce merchants.

At the end of 2018, there were over 1,000,000 customers using BT24 Internet Banking, about 14% more than in 2017. At the same time, the number of BT24 Mobile Banking users reached 560,000, increasing by approximately 34% compared to previous year.

In January 2018 BT Pay was launched, the first wallet in Romania which enables contactless payments based on the smart payment technology Visa Token Service and MasterCard Digital Enablement Service. During the year, we've developed 12 BT Pay functionalities, all of which help customers manage easily and 4/7 through their mobile phone the cards and money, having extra comfort and mobility:

- Contactless phone purchases in Romania and abroad for all the user cards: both the cards of individuals and legal entities, debit cards and credit cards. The functionality is valid for smartphones having Android operating systems. The IOS operating system does not allow NFC (Near Field Communication) access for third-party applications.
- Money transfer between your own cards and other people using BT Pay;
- Access to details about the transactions realized with the BT cards enrolled in BT Pay, the balance and the STAR loyalty points gained in case of shopping cards;
- Split the Bill between several people - either equally or differently;
- Request money from people in your phone contact list, who use BT Pay;
- Send money to more people in the phone contact list, who use the app;
- Access to BT offers and to offers of the partners of the Loyalty Program STAR;
- Monitoring, on categories, of the purchases and payments made with the cards registered in the application, which means a better money management (home shopping, restaurant payments, invoices, etc.);
- Set trading limits for digital or physical BT cards for payments at retailers or online, respectively for cash withdrawals from Bank Transilvania's ATMs;
- The temporary or permanent blocking of the BT cards, directly from BT Pay, in the event of their loss;

- Information regarding the payment obligations for credit cards, updated online, including the ability to charge the credit card with the minimum or maximum amount required monthly - automatically, upon maturity or at any time;
- Connecting the Fitbit account into the application. The customers benefit from special offers based on the number of steps made;

In November, Banca Transilvania launched for the first time on the Romanian market, together with Garmin, the option of contactless payments through smartwatch: the possibility of shopping with the Garmin smartwatch that has the Pay option, by connecting the Visa BT cards with it.

After the premiere of contactless payments with Garmin SmartWatch, we have tried to bring other payment experiences to our customers. Thus, in December we became the first bank in Romania to offer contactless payments through Fitbit Pay with Visa BT cards.

With these launches, Banca Transilvania has taken another step towards digitalization and offering positive experiences to its customers, who now have no less than 6 payment alternatives of their purchases: with the physical card, with the digital card in the BT Pay application, with one of the accessories from BT Pay Collection (watch, bracelet, sticker - all contactless) and from now on including the Garmin and Fitbit smartwatch.

In July, we launched the BT Meal Card, an electronic food voucher, offering customers a more convenient way to pay their daily meals and grocery shopping cart. The BT card is the first meal card that can be loaded into a payment wallet. Starting with October, it can be loaded into the BT Pay application, customers having the ability to check the amounts on the card and the transactions history with it on iOS, and on Android including the possibility to make payments with the phone on the Bank's partners network.

2018 was also a year of awards received by the Bank for its cards activity.

At the No-Cash gala in May 2018 we received the following awards:

- Bank of the Year in the card market - the most important and "wanted" prize, already 9 times won by BT
- Credit card - Star Forte - the shopping card of the year;
- Business Cards - the best adoption.

And if we talk about innovation we are talking about the product of the year already prized 2 times in 4 months since its launch - BT PAY:

- BT Pay – Innovation of the year, Visa, Visa Forum, March 2018
- BT Pay – Best Innovative Online Services, Finmedia, Gala Online Banking, April 2018

In April 2018, BT launched the Online Credit, a new, easy way to apply for consumer loans. During 2018, 13.5% of BT's consumer loans were initiated online.

Banca Transilvania and EBRD continued to support investments in energy efficient dwellings, through the Green Credits program. Credits of over EUR 17 million were granted during 2018 under this program

Treasury

The Treasury activities in Banca Transilvania are complementary to other products and services offered to the customers of the Bank's five business lines.

The principles and the strategic objectives linked to the treasury activities are:

- The principle of precaution - with respect to the management of the Bank's liquidity surplus, the maturity date of assets and debts, the interest rate structure and the market risks to which the bank is exposed, in accordance with the risk limits established in the bank's Risk Strategy and/or the regulations governing the Romanian banking sector;
- The principle of dispersion- concerning the counterparty exposures resulting from all specific treasury operations;
- Income maximization - under prudent conditions and taking into account the estimated multiannual evolution of the cyclical macroeconomic indicators.
- Following the general trend of the increasing the number of operations at the entire bank's level, the foreign currency exchange was also stimulated, showing an increase of the net income, which grew with approximately 17% on a consolidated level compared to the previous year, reaching a level of RON 255 million in 2018.

2018 Statement of Financial Position

The situation of the financial position in 2018 in accordance with the International Financial Reporting Standards adopted by the European Union (NBR's Order No. 27/2010 as subsequently amended and supplemented) is presented below:

BT ended the year 2018 with total assets amounting to RON 74,119 million, notably 25% higher compared to 2017. At consolidated level, the total assets amounted to RON 77,897 million.

The Bank exceeded the budgeted total assets with 0.4%.

Loans portfolio: At the end of 2018, Banca Transilvania's gross loan portfolio balance was 23% higher than at the end of 2017, in spite of the fact that in 2018 write-offs were performed amounting to RON 243 million. New exposures were created for diverse activity domains and also for diverse groups of debtors.

Non-performing loans overdue for more than 90 days represented 3.09% of Banca Transilvania's total loan portfolio, approximately at the same level as in 2017, when the ratio was 3.05%. Non-performing exposures according to EBA requirements was 4.97% as at December 2018.

Provision balance: In 2018 Banca Transilvania recorded a net impairment allowance on financial assets on other risks and loan commitments in amount of RON 230.8 million (including recoveries from previously written off loans).

The provisions booked in 2018 are in line with the Bank's prudent approach as per the management of credit risk. The coverage of non-performing loans with mortgage collateral and specific provisions continues to stay at a comfortable level of 133.19%, in accordance with the Bank's risk appetite. The total balance of adjustments (impairment allowances) was RON 2,459 million as at December 31, 2018, decreasing with 42% vs. the previous year. The provisions for other risks and charges include mainly provisions for litigations and for other risks taken over after the merger with Volksbank Romania and Bancpost and amount to RON 242 million.

Cash and cash equivalents: at the end of 2018, the liquidity ratio is 54.15%. Cash and cash equivalents in amount of RON 13,515 million are 13% higher compared to the previous year and above the minimum acceptable level required to cover liquidity risk. Cash and cash equivalents consist of mainly cash on hand, placements with central banks and other financial institutions, approximatively 52% of the total balance (RON 7,091 million) being represented by the minimum required reserve held with the NBR.

Securities: Securities and derivative financial instruments increased by more than 36% vs. last year, reaching RON 21,989 million, at the Bank's level. The securities issued by the Romanian Government have the largest weight in this category, amounting to RON 21,034 million.

Fixed assets: Fixed assets increased with 85% vs. 2017 to RON 1,274 million, with an important weight of equity instruments held in "VICTORIABANK" S.A. and in ERB Retail IFN S.A. starting with 2018. Also, IT investments for the purpose of digitalization and enhancement of banking processes are reflected in the fixed assets at the end of 2018. Property, plant and equipment represent RON 482 million (land and buildings: RON 225 million), intangible assets increased to RON 254 million and financial assets to RON 538 million.

Customer deposits: Deposits increased significantly by 27% vs. the previous year, being above the 9% general growth rate recorded at the banking system level. As at December 31, 2018, 67% of customer deposits are retail deposits, while 33% represent company deposits.

Loan/deposit ratio was 62.1% at the end of 2018, gross loans amounting to RON 38,815 million, whereas customer deposits stood at RON 62,522 million.

This ratio dropped vs. 2017 (when it was 64.1%), this trend being observed also across the entire banking system but being still below the value recorded for the banking system (73.6%). The new minimum historical values confirm the excess of liquidity in the domestic economy and the structural changes in the banking sector.

The prudential ratios ensure a favorable position of BT in the banking system. BT has a consistent deposit base, which allowed for an optimum liquidity ratio. Thus, the **liquidity ratio** as at

31.12.2018 ranged between 2,00-18,11 (2,50-25,23 as at 31.12.2017) on the 5 maturity bands, much above the minimum level required by the NBR regulations.

The capital adequacy ratio of Banca Transilvania in 2018 stood at a comfortable level of 21.53%, with the annual profit included (18.59% without profit). The Bank preserved an adequate level of capital and of general financial ratios, in accordance with the prudent banking practices.

The equity of Banca Transilvania as of 31.12.2018 amounted to 7,411,215,978 lei, of which:

- The share capital registered with the Trade Register is represented by 4,812,481,064 shares with a par value of 1 RON/share plus RON 86,501,040 as capital adjustment to inflation and surplus from the revaluation of fixed assets, used for the share capital increase but not realized until the date of the transition to the International Financial Reporting Standards adopted by the European Union;
- Premiums for conversion of bonds into shares: RON 28,380,553;
- Statutory reserves: RON 495,644,021;
- Banking risks reserves: RON 77,892,714;
- Reserves from change in fair value of financial assets measured at fair value through other comprehensive income, net of tax: RON (162,604,813);
- Reserves from the revaluation of tangible and intangible assets, net of tax: RON 20,722,271;
- Retained earnings (excluding the profit for the year and profit distribution): RON 1,040,775,160;
- Own shares: RON (23,271,197);
- Profit for year: RON 1,219,390,604;
- Profit distribution: RON (184,695,440).

The gross profit of Banca Transilvania as at the end of 2018 is RON 1,642.45 million, while the Group profit is RON 1,7006.83 million, increasing by 19% and 18% respectively 18%, as compared with previous year.

The net profit of Banca Transilvania amounted to RON 1,219 million, while that of the Group was RON 1,261 million.

Cost/Income ratio reached 49.9% in 2018, considering the operating expenses generated by the acquisition projects undertaken by the Bank (Bancpost, Victoriabank etc.). This ratio is under strict supervision, the Bank's objective for 2019 being to achieve enhanced operating efficiency.

Operating income was RON 3,593.98 million in 2018 with 36% more than the previous year. This increase is owed both to the merger with Bancpost and to the organic growth of the Bank of approximately 19%. As compared to the budgeted level, the Bank recorded an operating income with 9% lower.

The most important income categories are the following:

-Net interest income: RON 2,477.91 million in 2018, 37% higher compared to the previous year, of which 18% is due to organic growth. Out of this amount, the income related to securities had a significant weight of 14%, representing RON 409 million. The same trend was maintained also at the Group level.

-Net commission income: Net commission income growth is 25% in 2018 reaching RON 694.67 million, close to the budgeted level. The number of operations carried out through BT accounts grew by 26% in the context in which the Bank provided services at lower costs compared to 2017.

-Net trading income: The increase in the net trading income was of 18% for the Bank while the Group recorded a 9% decrease. Even if the net FX trading income grew with 22% at the Bank level and with 33% at Group level, the financial assets held for trading generated a negative result, affecting the net trading income achieved at the Group level.

-Net gains/losses on financial assets designated at fair value through other comprehensive income was RON (7.8) million at the Bank level.

-Net gains/losses on financial assets designated mandatorily at fair value through profit or loss was RON (40.5) million at the Bank level.

Operating expenses before the net impairment allowance and provisions for other risks and charges and loan commitments amounted to RON 1,801.41 million as at the end of the year, versus RON 1,377.15 million as at the end of 2017. The increase in operating expenses was related to the Bank's acquisition projects and Bancpost integration and also to the efforts of digitalization and optimization of banking processes. At the Group level, the operating expenses were mainly influenced by the Bank's operating expenses.

Personnel expenses: Both for Group and the Bank, the personnel expenses increased with 35% and 40% respectively vs. the previous year. These increases surged in the context of the acquisition and integration of Bancpost.

Operational result is with 31% above the previous year, reaching RON 1,801.41 million

Net provision expenses: amounted to RON 230.79 million versus the positive value of RON 1.35 million recorded in 2017 and related to provisions release and to recoveries from previously written off loans.

Gross profit for 2018 was of RON 1,642.45 million versus RON 1,378.50 million in the previous year at the Bank level. At Group level, the gross profit was RON 1,706.83 million, as compared to RON 1,442.62 million in the previous year.

The net profit of Banca Transilvania amounted to RON 1.219,39 million whereas that of Banca Transilvania Financial Group amounted to RON 1.260,68 million.

1.1.5. Assessment of the aspects related to the Bank's and the Group's employees/staff

The total number of staff in Banca Transilvania as at 31 December 2018 was 8,263 employees (31 December 2017: 7,719 employees).

The average number of employees during 2018 was 6,923 in Banca Transilvania (in 2017: 6,989 employees).

The Bank's number of active employees as at December 31, 2018 was 7,355 following the merger with Bancpost (2017: 7,007 employees).

The average age of employees in 2018 was 36.81 years (2017: 36.38 years). Breakdown per genders 2018: 75.70% women and 24.30% men (2017: 75.61% women and 24.39% men).

The average age of employees in 2018 was 36.81 years (2017: 36.38 years). Breakdown per genders 2018: 75.70% women and 24.30% men (2017: 75.61% women and 24.39% men).

The manager-employee work relationship and any other conflict-related aspects are regulated by the Collective Labor Agreement for 2016-2018 no. 277/25.07.2016.

In 2018 the priorities of human resources activities were: to increase the engagement of the colleagues employed in the BT Group companies, to continue the professional development and well-being of each colleague, to support performance and profitability and to achieve the specific objectives set in the merger project Bancpost - Banca Transilvania.

1.1.6. Assessment of the aspects related to the environmental impact of the issuer's main activity

BT pays attention to the compliance with the environmental and social legislation in force and to the use of appropriate social and environmental practices, as important factors of effective business management.

The Bank benefits from an international "green building" certificate as, for certain spaces where it carries-out its activities, it chose state-of-the-art equipment, endowments and technologies with increased energy efficiency to minimize environmental impact.

As concerns the implementation of social responsibility policies, Banca Transilvania takes all requisite efforts to ensure that fundamental human rights are observed at all times, encouraging and developing on an ongoing basis the good practices in this field.

In relation to the community, the efforts of Banca Transilvania and its subsidiaries envisage the achievement of high human right standards. Moreover, through the activity of its foundations (Cluj Has Soul Foundation, BT Charity Foundation etc.), Banca Transilvania shares its values across the community, providing support and encouraging social communication and tolerance.

Banca Transilvania as part of the community was involved in 2018 in over 1,000 financial & entrepreneurial education programs, as well as sport, cultural and social events, with a total contribution of RON 23 million.

Social responsibility projects in 2018:

- Contribution to EMBA University of Hull, 100% Cluj Napoca business school, with BT amongst founding member. EUR 15,000 scholarship for both years of study
- iXperiment the first start-up accelerator created for Romanian high school students, initiative which connects the private educational system.
- Reactor Cluj and the launching the idea of a private theatre.
- Activities dedicated to the Centenary of the Great Union, including the lighting of Trajan's Column in Rome, respectively the Book Festival.
- BT continued to get involved in sports, investing in sports programs, competitions, clubs. BT was the biggest basketball fan, by supporting the Romanian Basketball Federation, the national team, U-Banca Transilvania Cluj-Napoca club, including the basketball academy, which offers support to over 600 children who play basketball. BT offers support also to baby and mini basket competitions gathering over 1,000 children annually.
- The centre of interest, dedicated to contemporary art and culture, conceived as a space in which contemporary art is brought into the middle of the community.
- Contribution to launch the book Conversations with King Mihai by Stelian Tanase, published by Corint Publishing House.
- Contribution to launch Albumului Reginei Maria, published by Corint Publishing House. Over EUR 200,000 for 5,000 patients were raised at the launch Gala, who benefitted from free medical services or with significant discounts in Regina Maria Network.
- Cluj has Soul, the largest social involvement project continued to offer support to underprivileged youths to attend school, get qualified and find a work place.
- The Bank donated to MagicPay Campaign via e-wallet BT Pay app, the purpose of this campaign was to help children with oncological problems.
- Support the Little people Association and Cluj has Soul, Banca Transilvania launched the option to donate via POS with contactless cards.
- A new afforestation activity was volunteered in Bucharest, that is Bucharest Forest 2.0. 800 persons participated at this event, and 3 hectares of forest were covered

1.1.7. Assessment of the research and development activities

The research and development activities consists of investments in technology, digitization, innovation and process improvement/simplification

1.1.8. Assessment of the Bank's activity regarding risk management

Description of the Bank's policies and objectives regarding risk management:

The objective of Banca Transilvania Financial Group in terms of risk management is to integrate the assumed medium-risk appetite in the Bank's decision-making process, by promoting a proper alignment between assumed risks, available capital and performance targets, while also considering the tolerance to financial and non-financial risks. In determining the appetite and tolerance to risk, the Group takes into consideration all significant risks to which it is exposed given the specificity of its activity, a major influence being linked to the credit risk.

Risk management is part of all decisional and business processes that take place in Banca Transilvania Financial Group. Within this context, BT's management:

- Continuously assesses the risks which affect or are likely to affect the Group's business and targets and takes actions if any changes appear in the business conditions where the Group performs its activity;
- Ensures the existence of an adequate activity management framework within the Group, considering both internal factors (the complexity of the organizational structure, the nature of the activity, staff quality and fluctuation) and external factors (macroeconomic factors, legislation changes, competition changes in the banking sector, technological progress). The risk management framework includes internal regulations, applicable for both the entire Group but also independently for the Bank or any subsidiary, limits and controls that ensure the identification, assessment, monitoring, mitigation and reporting of the risks arising from the overall activities and, where applicable, at the level of business lines.
- Risk identification: The exposure to business-related risks in its daily operations and transactions (including lending, dealing, capital market operations, assets management and other specific activities) is identified and aggregated in the bank's risk management infrastructure;
- Risk evaluation/measurement: It is realized an evaluation of identified risks by specific models and calculation methods: a system of ratios with related limits, a methodology for assessing the risk events likely to generate losses, calculation methodology for specific credit risk provisions, assumptions regarding the future evolution of assets' value, etc.;
- Risk monitoring and control: The policy and the procedures implemented for an efficient risk management are meant to mitigate the inherent risks in the bank's business. There are implemented procedures for the supervision and approval of decision and trading limits per person/ unit/ product etc. Such limits are monitored daily/ weekly/ monthly depending on the operations characteristics.
- Risk reporting: For the specific risk categories, the Bank has established transparent regular reporting mechanisms, so that the management body and all the relevant units are provided with precise, concise, intelligible and significant reports in due time, and are able to exchange relevant information on identification, quantification or assessment and monitoring the risks;
- Calculation and assessment of internal capital and capital requirements: For the assessment of capital adequacy to risks, the Bank identifies and evaluates all significant risks to which it is or might be exposed. Banca Transilvania continuously calculates and

assesses its internal capital and internal capital requirements, in order to cover the Bank's business needs and risks.

The main risk categories to which the Group is exposed to, are:

- Credit risk
- Liquidity risk
- Operational risk
- Market risk
- Interest rate risk from activities outside the trading book
- Reputational risk
- The risk associated with excessive usage of leverage
- Strategic risk
- Compliance risk

Credit Risk

The credit risk framework is periodically updated and improved. It is designed to cover all credit exposures deriving from the banking business and includes the following basic components:

- Risk assessment system for new credit products / significant changes in the existing products;
- Lending methodology to ensure a healthy credit portfolio;
- Integrated IT systems for the management of client relationships and loan origination, both for the credits granted to companies as well as those granted to individuals;
- Effective credit risk rating process that presents the variable level, nature and the determinant factors of credit risk that may occur over time and that ensure, in a reasonable manner, that all credit exposures are duly monitored and that the loss adjustments related ECLs are appropriately measured;
- A model validation process, which defines the structure of the validation process model regarding the responsibility and reporting, the internal regulations regarding the assessment and approval of the model changes, as well as the reporting of the model validation results;
- Risk assessment system for transactions;
- Pricing methodology based on risks;
- An efficient active management process of loan portfolio, which includes an adequate reporting system;
- Concentration limits per client / group of clients / products / regions /sectors/ guarantee suppliers / guarantee types;
- Proactive mechanism of fraud risk management;
- Methodology for the early identification of effective or potential credit risk increases (early warning alerts);

- Methodology for loan monitoring/review after granting;
- Processes applied systematically and consistently to establish appropriate loss adjustments in accordance with the applicable credit risk accounting regulations;
- Continuous improvement of the overdue credit collection process;
- Back-testing methodology regarding the adequacy of the default probability parameter, the non-repayment status and the provision level, related to the Bank's loans portfolio.

The methodologies used for the credit risk assessment and the determination of the loss-adjusted level by type of exposure, follow in particular:

- a) include a robust process, designed to endow the bank with the possibility of identifying the level, nature and determinants of credit risk, from the moment of the initial recognition of the credit exposure, and ensure that the subsequent changes in credit risk can be identified and quantified;
- b) include criteria that takes into account, adequately, the impact of the forward-looking information, including the macroeconomic factors;
- c) include criteria that takes into account, adequately, the impact of the forward-looking information, including the macroeconomic factors;
- d) include a process for assessing the inputs adequacy and the significant assumptions, related to the chosen ECL level determination method;
- e) take into consideration the relevant internal and external factors that may affect the ECL estimates;
- f) involve a process for assessing the overall suitability of loss adjustments in accordance with relevant accounting regulations, including a periodic review of the ECL models.

The management of credit risk consists mainly in:

- The organization of a proper system of norms and procedures in this field, establishing the regulatory framework for the lending process in order to avoid or to minimize risk occurrence; development / improvement of credit risk management procedures (strategy, policies, norms related to credit risk management); ongoing improvement of the credit approval / granting process;
- Maintaining an adequate process for credit management, control and monitoring;
- Organizational structure of the Bank – there are departments and committees with responsibilities in credit risk supervision and management.

The credit risk appetite determined a priori for 2018 was “medium”.

Liquidity Risk

The appetite for liquidity risk for the year 2018 has been established as “medium-low” taking into account the structural correlation of the Bank's assets and liabilities. The purpose of liquidity risk management is to obtain the expected returns on assets by capitalizing the temporary liquidity surpluses, and the efficient resources allocation attracted from clients, in the context of a proper management, consciously assumed and adapted to the market conditions and the current

legislative framework. The liquidity management is realized centrally and aims to combine the prudential requirements with the profitability requirements.

For liquidity management, the bank applies a set of principles that concern the quality, maturity, diversity and risk of assets, establishing a set of limits, carefully monitored, to ensure the compliance with the principles and also with the targeted returns (concentration, liquid assets, eligible assets, etc.).

For a sound management of liquidity risk, the Bank is constantly focused on raising liquidities via treasury operations, external financing, capital markets, etc., by taking into account various factors such as the issuer's rating, the issuance maturity and volume, trading markets.

The operative management of liquidity occurs also on an intraday basis, to ensure the execution of all settlements / payments of the bank carried out in its own name or on behalf of its customers, in RON or FCY, on accounts or in cash, within the internal, legal and mandatory limits.

Moreover, the Bank also applies a liquidity buffer for the purpose of covering the additional liquidity needs that may occur on a short period of time under stress conditions, periodically tested based on different crisis scenarios.

During 2018, the Bank recorded good levels of liquidity ratios, indicating a more than comfortable liquidity position in a fragile general economic context.

Attention is given to:

- correlation of the growth rate of resources/loans;
- diversification of the range of instruments correlated with the institution's risk appetite;
- monitoring of liquidity coverage ratio (LCR);
- adequate capital allocation.

Operational Risk

Operational risk is the risk that the Bank's practices, policies and internal systems are not adequate to prevent a loss due to market conditions or operational difficulties.

To identify, evaluate, monitor and diminish the operational banking risk, the Bank:

- permanently assesses the operational risk exposures based on historical data, managing the conduct risk as a sub-category of operational risk, as well as the risk-determining factors, associated with this category, paying a particular attention because of its expansion degree, relevance and possible prudential impact of it;
- assesses the products, processes and systems which aim to develop new markets, products and services, as well as significant changes to the existing ones and performing exceptional transactions to determine their associated risk levels and the measures required for the removal / diminishment of such risks to acceptable levels.

In order to mitigate the inherent risks arising from the Bank's operating activities, it is necessary to continuously monitor the controls implemented at different levels, to assess their efficiency and to implement adequate measures for the reduction of the impact of operational risk events.

The Group's strategy for mitigating risk exposure is based mainly on permanent compliance with legal documents in force and market condition, personnel training, the efficiency of the internal control systems (organization and implementation), continuous improvement of IT systems and consolidation of IT security systems of the bank, usage of alternative means to reduce the risks (signing of specific insurance policies, implementing measures to limit and reduce the effects of identified operational risk incidents via current activity standardization, automation of a large number of processes, continuously monitored; reducing the redundant data volume collocated at the level of different entities of the Bank; assessment of products, processes and systems in order to determine the significant ones in terms of inherent operational risk), capitalizing the recommendations and conclusions resulted as a consequence of performed controls by internal and external bodies in the operational risk field, update of continuity plans, as well as the assessment and testing of the processes on a regular basis.

The operational risk assessment is closely related to the Bank's overall risk management process. Its results are part of the operational risk monitoring and control process and are constantly compared with the risk profile defined in the Bank's risk management strategy.

The operational risk appetite in Banca Transilvania, determined a priori for 2018, was "medium-low".

Market Risk

In 2018 Banca Transilvania's market risk appetite was "medium-low" due to the structure and size of the trading portfolio, the prudential approach of all operations subject to such a risk and the numerous limits implemented and daily monitored within the bank's current business. In order to reduce the market risks, the bank adopted a prudential approach to protect its profits from fluctuations in prices, interest rates and exchange rates on the market, which all represent exogenous, external, independent factors. The Bank implements a series of principles in terms of quality, maturity, diversity and risk degree of the constitutive elements.

Banca Transilvania performs a daily assessment of all banking positions, marking to market the trading book, of the positions at the directly available closing prices, coming from independent sources, such as: prices on the stock exchange, electronic quotations, quotations from several independent, well-known brokers, in accordance with the applicable internal regulations and monitors the "warning" or "alert" levels, using adequate backup plans able to be implemented immediately in case of unstable market conditions.

The market risk analysis is based on the three main risk sub-categories below, with the purpose of combining prudential and profitability requirements:

Interest rate and price risk. The management of such risk is adapted and permanently adjusted to the Romanian and international financial and banking market conditions, as well as to the overall political and economic context. The interest rate risk is monitored on a daily basis and tested in crisis simulations conducted for the Bank's securities portfolio, and the price risk is also daily monitored and tested in crisis simulations of shares portfolios and fund units held by the Bank.

Foreign Currency risk. It represents the risk of registering losses on the balance sheet and off-balance sheet positions, due to unfavourable market fluctuations of the exchange rates. The Bank applies a series of rules regarding to operations/positions sensitive to exchange rate fluctuations, the realization, registration and mark-to-market thereof, as well as the impact of exchange rates on the bank's assets, liabilities and balance sheet.

Settlement risk. It represents a possible loss that could occur because of a wrong settlement of the treasury operations; the purpose of this risk management type is to adopt a prudent policy regarding the selection of counter-parties, custodians, the management of counter-party operations and the maturities of the related operations.

Interest Rate Risk Outside the Trading Book

In 2018, Banca Transilvania's appetite to interest rate risk outside the trading book was "low". The bank adopting a set of strict principles for the management and monitoring of such risk, based on a risk management process capable to keep interest rates within prudential limits. The interest rate risk management purpose is to minimize the possible negative impact on net income, as well as to preserve the economic value of the equity under the conditions of adverse fluctuations of the interest rates.

The bank uses management tools such as GAP analysis, economic value of assets, forecasts regarding the interest rate trends, the interest types and levels of the bank's products depending on currency and maturity, the volumes of different balance-sheet items sensitive to interest rates, fees and commissions, directly or indirectly influenced by interest rate changes, limits recommended and periodically updated in the interest rate risk management.

A detailed analysis of credit, liquidity, market and interest rate risks is available in the Group's consolidated financial statements. The Group met the average risk limits assumed within the bank's decision making process, by promoting the adequate balance between the assumed risks, the available capital and the performance targets, considering at the same time the tolerance to financial and non-financial risks.

Reputation risk

The reputation risk is the risk to incur losses or to fail in achieving estimated profits due to the lack of public confidence in the integrity of the Group. In 2018 the appetite on reputation risk has been established as "low" by maintaining the confidence of the public and of the business partners in Banca Transilvania's integrity and on its' economic and financial position. The management of the reputation risk is performed by way of: undertakings in order to attract the best partners, both clients and suppliers; recruitment and retention of the best employees; minimizing litigations; strict regulations; prevention of crisis situations; and the consolidation of the bank's credibility and the shareholders' confidence; ongoing improvement of the relationship with shareholders; establishing amore favourable environment for investments and access to capital; continuous and open communication with stakeholders (shareholders, mass-media, clients, partners, employees, authorities, etc.).

Leverage Related Risk

The leverage concept represents the relative dimension of assets, off balance-sheet commitments and contingent obligations to pay, to render a service or to grant real guarantees, inclusive of

obligation arising from the financing received, assumed commitments, derivative instruments or repo transactions and exclusive of obligations that can only be executed during the liquidation of the institution, in relation to the own funds of the institution.

Banca Transilvania treats cautiously the issue of leverage related risk, taking into consideration the potential increases of this risk as a result of own funds deterioration due to expected or incurred losses in accordance with the applicable accounting regulations. The a priori risk appetite of Banca Transilvania, towards the leverage related risk was set to “low” in 2018, determined through the utilization of some quantitative methods for evaluation and mitigation.

Strategic Risk

Strategic risk is the current or future risk for profits and capital to be negatively affected by changes in the business environment, by unfavourable business decisions, improper implementation of decisions or the low adaptability to changes in the business environment. During 2018 the strategic risk appetite has been established as “low” based on the following aspects: risk management practices are part of BT’s strategic planning, 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.

Compliance Risk

In accordance with the requirements of NBR’s Regulation no. 5/2013 on prudential requirements for credit institutions, the Group ensures the ongoing development of the compliance activity, providing a permanent and efficient compliance risk management framework.

In this respect, the compliance function, as an integral part of the Group’s control functions, has provided the management body with consultancy on the implementation of the legal and regulatory framework and on the standards that the Group had to fulfil. Thanks to the involvement and support of this function, the possible impact of any legal and regulatory changes on the Group’s activities has been assessed on an ongoing basis.

The main tools for an efficient management of the compliance risk, are:

- (1) the aggregation, as a continuous process of certain exposure limits, and the monitoring of ratios that effectively reflect the processes within the Group, exposed to compliance risk;
- (2) continuous monitoring regarding the efficient use of certain performant IT applications, able to align to the Group’s development strategy and to the new legal requirements;
- (3) training sessions to raise the employees’ awareness regarding the compliance risk events in order to mitigate this type of risk;
- (4) periodical internal and external audit of the compliance function, ensuring the control over the implementation manner of the legal requirements in force;
- (5) implementing of certain processes which should lead to an effective management of the requirements on conflicts of interest.

The relevant ratios managing the compliance function also target the KYC (“know your customer”) area for the purpose of preventing and fighting money laundering and terrorism financing as well as the area of international sanctions.

Through a consistent approach strategy for compliance risk management, the process has been extended to the level of the BT Group.

Capital Adequacy

The internal process for the assessment of capital adequacy to risks is integrated in the administration and management process of Banca Transilvania and in its decision-making culture, according to which the management body must ensure the proper identification, measurement, aggregation and monitoring of risks, the preservation of internal capital levels adjusted to the Bank's risk profile, as well as the use and development of sound risk management systems.

The Bank and the Group use the following calculation methods for the evaluation of needed capital:

- Credit risk: risk-weighted assets are calculated based on the standard method;
- Market risk: capital requirements with respect to the exchange risk and the trading portfolio are calculated based on the standard method;
- Operational risk: capital requirements for the coverage of operational risk are calculated according to the basic indicator approach.

The Group manages its capital base in a flexible manner, by monitoring regulatory capital requirements according to the Regulation no. 575/2013 and as well as of the capital rates disposed following the supervision and assessment process performed by the supervisory authority, by anticipating the adequate adjustments required for the achievement of its objectives, as well as by optimizing the structure of assets and equity.

Planning and monitoring take into consideration the total own funds (own funds tier 1, own funds additional tier 1 and own funds tier 2) on the one hand and risk-weighted assets (RWA) on the other hand.

Internal and External Audit

The general objectives of the 2018 audit focused mainly on risk management, as well as on the assessment of the overall control system implemented on transactions and/or processes/flows, covering the entire range of risks. The control system assessment was carried out in line with the internal audit methodology, one of the main objectives being that of ensuring the reliability and integrity of financial and operational data, as a result of an independent and objective evaluation of the internal control system and of the risk management systems in connection with the financial reporting process.

The internal control framework of the Group is structured on three levels, respectively the positions that are exposed to and manage risks (operational units), the functions of risk supervision (the risk management function and the compliance function) and the function that provides an independent assessment, respectively the internal audit function.

Thus, the 1st control level is linked to the operational units, which are responsible for ensuring an appropriate risk control and prevention environment within each operational structure/activity, as part of their daily operations; the 2nd and 3rd control levels are associated with the three independent control functions, as follows:

- the risk management function ensures the management and control of identified risks by means of specific assessment processes;

- the compliance function ensures the management of compliance / operational / credit risks;
- the internal audit function ensures the objective examination of the Bank's overall activities, for the purpose of an independent evaluation of risk management, of the internal control system, of the management and execution processes, in order to support the achievement of objectives; it also issues recommendations for the improvement of such activities;

1.1.9. Aspects related to the perspectives of the Bank's activity

For the year 2019, the Bank set the following qualitative and quantitative objectives:

- Consolidation of BT's organic growth;
- Extending BT business model in the Republic of Moldova through Victoriabank;
- Continue to invest in technologies, digitalization, innovation and process simplification;
- Customer relationship optimization to give them the best experience with BT.
- Total assets: 7.1% increase;
- Total loans, gross: 7% increase;
- Total deposits from customers: 8.1% increase;
- Cost/Income ratio: 52%; Cost/Income ratio w/o "greed tax": 47.4%;
- Loans/Deposit ratio: 61.5%.

Development Plan for 2019

Investment budget for 2019	Amount (RON million)
Buildings – agencies and branches	69.33
Investments IT and cards, of which:	112.45
<i>Hardware IT</i>	25.8
<i>Software IT</i>	86.65
Retail and cards, of which:	33.59
<i>Hardware, retail cards</i>	15.15
<i>Software, retail cards</i>	18.44
Security	12.17
Other	20.8
Special projects	37.88
Total Investments RON million, VAT included	286.22

With regards to the Projections of the Financial Position and Profit and Loss Account for 2019 the followings are mentioned:

In projecting indicators for 2019, it has been considered an average inflation rate of 2.5% and an average exchange rate of 4,779 RON\EURO.

The Bank estimates a growth rate of 7.09% for total assets as compared with previous period (up to RON 79.371 million). The structure of assets is envisaged to comprise a weight of 52.34% of gross loans, a weight of 19.09% of cash and cash equivalents and a weight of 28.17% of investments in treasury bills.

Regarding the structure of liabilities and equity forecasted for 2019, the Bank considered a growth rate of resources from non-banking clients of 8.06% as compared with 2018, meaning a weight in total liabilities of 85.12%.

The 2019 budgeted ratios subject to the GMS approval are determined so as to support the business objectives and are correlated with the specific prudential and supervisory standards.

The Bank estimates the obtain in 2019 of a gross profit of RON 1,438 million and a net profit of RON 1,198 million.

As a shareholder in Victoriabank, Banca Transilvania aims in 2019 to continue what it had started in 2018:

- Support the private business sector in the Republic of Moldova, mainly the small medium entities and the micro businesses;
- Develop a wide range of products and services for individuals;
- Align the organisational culture and corporate governance of Victoriabank to those of the Financial Group Banca Transilvania;
- Invest in the personal and professional development of entrepreneurs in the Republic of Moldova.

2. The Bank's Tangible Assets

2.1. Location and properties of the main production capacities owned by the Bank:

The Bank currently owns tangible assets in the form of buildings, which represent the offices of its subsidiaries/agencies located in: Arad, Bistrita, Brasov, Bucharest Obor, Bucharest Unirii, Bucharest Regional Office, Cluj-Napoca, Constanta, Dej, Deva, Drobeta Turnu-Severin, Galati, Giurgiu, Miercurea-Ciuc, Oradea, Ramnicu-Valcea, Targu-Mures, Timisoara, Turda, Zalau, Suceava, Iasi, Braila, as well as four buildings accommodating the Bank's Headquarters. The other locations where BT units are currently operating are rented offices.

2.2. Description and analysis of the degree of wear and tear of the Bank's properties

The net tangible assets as at 31 December 2018 amount to RON 482,32 million, of which 46,68% are buildings and land. The majority of real estate properties were recently built or refurbished. A detailed analysis of the Bank's fixed assets is presented in the Notes to the Financial Statements.

2.3. Notes on the potential issues related to the ownership of the Bank's tangible assets

Not applicable.

3. The stock exchange where the securities issued by the company are traded

3.1. Romanian and foreign markets where the securities issued by the Bank are traded

As of 15.10.1997 (the first trading day), Banca Transilvania became the first Romanian banking institution listed on the Bucharest Stock Exchange. The Bank's shares are indivisible common dematerialized nominal shares.

At the beginning of 2018 the share capital registered with the Trade Register was RON 4,341,439,404, which was later increased during the year, according to the Decision of the Ordinary General Meeting of Shareholders with the amount of RON 471,041,660 representing reserves from the 2017 net profit by issuing a number of 471,041,660 shares, with a face value of 1 RON/share, for the benefit of the shareholders registered in the Shareholders' Registry held by the Central Depository, on the date of registration established by the GMS. Each shareholder registered at the registration date, 03.08.2018, received, free of charge, for each 100 shares owned, a total number of shares, calculated using the following formula $100 \times (471.041.660 / 4.341.439.404)$ RON). At the end of 2018, the share capital registered with the Trade Register reached the amount of RON 4,812,481,064.

The share capital structure as at 31.12.2018 vs. 31.12.2017:

Shareholders	31-Dec-18	31-Dec-17
European Bank for Reconstruction and Development (EBRD)	8.60%	8.60%
Romanian individuals	20.05%	19.75%
Romanian companies	38.97%	30.97%
Foreign individuals	1.18%	1.80%
Foreign companies	31.20%	38.88%
Total	100.00%	100.00%

The Bank's market cap as at 31 December 2018 was RON 9.6 billion, respectively EUR 2.1 billion (31 December 2017: RON 9.2 billion, respectively EUR 2 billion).

3.2. The Bank's policy regarding dividends

In 2018, BT distributed cash dividends in amount of RON 610,000,000 from the profit of 2017, the gross value of the dividend per share being RON 0,140506.

In 2017, BT distributed cash dividends in amount of RON 219,000,000 from the profit of 2016, the gross value of the dividend per share being RON 0.060065.

In 2016, BT distributed cash dividends in amount of RON 1,200 million from the profit of 2015, the gross value of the dividend per share being RON 0.396558.

BT also distributed cash dividends in amount of RON 50 million from the profit of 2008, when the gross value of the dividend per share was RON 0.047200.

In the other years, the policy of Banca Transilvania regarding profit distribution was focused on capitalization.

Proposals regarding the distribution of profit for the financial year 2018 and the share capital increase

The Board of Directors of the Bank submits to the General Meeting of Shareholders the proposal for the distribution of profit in amount of RON 1,219,390,604, according to the following scheme:

Proposal for 2018 profit distribution	Amounts (RON)
Gross profit	1,642,445,810
Current/deferred income tax	(423,055,206)
Net profit	1,219,390,604
Income tax reserve Bancpost	(11,492,875)
5% Legal reserve fund from gross profit	(82,122,291)
Reinvested profit reserve	(102,573,149)
Net profit to be distributed	1,023,202,289

The dividend distribution is based on the GMS decision following the initiative of the Board of Directors and it depends on the amount of distributable profit and the future capitalization needs of the Bank. Dividends are distributed to the shareholders proportionally with their shareholding percentage. Dividend income is subject to withholding tax. The dividend payment is made in line with the applicable legal provisions and the Decision of the General Meeting of Shareholders regarding profit distribution and dividend calculation. Banca a achitat dividend acționarilor din profitul anului 2015, din profitul anului 2016 și din profitul anului 2017.

The Board of Directors proposes for approval the distribution of profits by granting dividends amounting to RON 818,565,850. The gross dividend per share amounts to 0,17.

The Board also proposes for approval to increase the Bank's share capital from RON 4,815,093,171 to RON 5,215,917,925, with the amount of RON 400,824,754, representing reserves from the 2018 net profit.

Proposal for 2018 profit distribution	Amounts (RON)
Total available reserves for distribution	1,023,202,289
Previous years reserves	196,188,315
Total to be distributed	1,219,390,604
Dividends	818,565,850
Capitalisation of 2018 net profit reserves	400,824,754
Share capital at recording date	4,815,093,171
Yield per share % capitalisation	0.0832434056

As a result of the share capital increase by RON 400,824,754 for each 100 shares held another 8.3243405651 new shares will be assigned (respectively a number of new shares are assigned corresponding to the ratio RON 400,824,754/RON 4,815,093,171).

3.3. The Bank's share buyback activities

The share buyback from 2018 was in line with the schedule approved by the Decisions of the Ordinary General Meeting of Shareholders of Banca Transilvania dated 25.04.2018.

As at 31.12.2018, Banca Transilvania counted 10 million own shares in amount of RON 23,271 thousand, repurchased in order to be granted as remuneration to the employees.

In 2018, the Bank did not acquire own shares in order to dispose of them for profit.

3.4. The number and nominal value of the shares issued by the parent company and owned by the subsidiaries

As at 31.12.2018, BT Group counts 22.7 million own shares amounting to RON 38,558 thousand, of which 12.7 million shares are held by BT INVEST1, a Group subsidiary.

BT group subsidiary	Nominal value at 31.12.2018	Nominal value at 31.12.2018	Percentage held of the Bank's share capital as at 31.12.2018
BT INVEST1	12,735,207	15,287,061	0.26%
Total BT shares held	12,735,207	15,287,061	0.26%

3.5. Bonds issued by the Bank

In 2013 Banca Transilvania issued a number of 50,000,000 unsecured subordinated convertible bonds, due in 2020, each with a nominal value of EUR 0.60, and a total nominal value of EUR 30,000,000. These are nominal, dematerialized bonds.

As at 31 December 2013 the Bank had a balance of issued subordinated term bonds of EUR 30 million.

On 3.11.2014, BT converted 33,453,730 bonds with a nominal value of EUR 20,072,238 into 49,444,546 shares.

As at 31 December 2014, the Bank counted 16,546,270 outstanding subordinated bonds, amounting to EUR 9,927,762.

As at 31 December 2015, the Bank counted the same 16,546,270 outstanding subordinated bonds, amounting to EUR 9,927,762.

As at 31 December 2016, the Bank had a balance of 16,507,930 issued subordinated bonds, amounting to EUR 9,904,758.

The value of convertible bonds as at 31.12.2017 was EUR 9,902,635, equivalent of RON 46,143,312 (31.12.2016: EUR 9,904,758, equivalent of RON 44,978,497).

As at 31 December 2017, the Bank had a balance of 16,504,393 issued subordinated bonds, amounting to EUR 9,902,635.8.

As at 31 December 2018, the Bank had a balance of 16,504,393 issued subordinated bonds, amounting to EUR 9,902,635.8, equivalent of RON 46,184,903, plus 2,850 bonds with a nominal value of EUR 100,000 (31.12.2017: EUR 9,902,636 equivalent of RON 44,978,497).

During 2018, Banca Transilvania S.A. issued 2850 bonds, with a nominal value of one bond amounting to EUR 100,000. The bonds were made available for subscription through private placements to a limited number of eligible investors. The private placement of Equity Tier 2 bonds, subordinated unsecured, denominated in EUR, with a interests equal to the EURIBOR6M + 3.75% per year, maturity in 2028, with a total face value of EUR 285,000,000, was finalized on 26 June 2018, the settlement date being June 28 2018, and the maturity date June 28 2028. The bonds became tradable on the regulated spot market managed by the Bucharest Stock Exchange under the ISIN code ROTLVADBC023 and the TLV28E symbol starting with 6 July 2018.

As at 31 December 2018, in the balance there were subordinated bonds issued by the Bank amounting to EUR 294,902,635.80, equivalent of RON 1,375,396,403.11.

4. Bank Management

Corporate governance represents the set of responsibilities and practices of the company's management, aiming at providing a strategic direction and ensuring that the set objectives will be achieved, that risks are properly managed and that the company's resources are responsibly used, having in the same time an adequate behaviour towards third parties.

Banca Transilvania uses the Code of Corporate Governance of the Bucharest Stock Exchange, considering the former's capacity as issuer on the capital market and applies the principles defined by the latter. The Code of Corporate Governance of BSE is available of the official website of BSE ([ww.bvb.ro](http://www.bvb.ro)). Currently, there are no provisions of the Code for which compliance is not ensured by Banca Transilvania.

The General Meeting of Shareholders (GMS)

The strategic management of the Bank is ensured by the General Meeting of Shareholders which is in charge of establishing strategic organizational objectives and of allocating the required resources for the achievement thereof.

The Board of Directors

Banca Transilvania's management structure includes the supervisory management body, i.e. the Board of Directors and the top management bodies, i.e. the Leaders/Leaders' Committee.

The Bank's top management is ensured by individuals, who are mandated with the current management activity of the credit institution and are responsible for the fulfilment of these responsibilities towards the management body, based on the management agreements, the relevant NBR regulations, the legal requirements of Law 31/1990 and the internal rules.

The management of Banca Transilvania is entrusted by the General Meeting of Shareholders to a Board of Directors, elected for a four-year term of office, consisting of 7 administrators elected by the shareholders at the GMS, either on the expiry of the mandate or specifically, in the event of one or more vacancies. The Board of Directors (BOD) is the body responsible with the guidance, coordination, supervision and control functions, as stipulated by the specific regulations issued by the NBR. In Banca Transilvania, the Board of Directors has the following structure:

- Chairman of the Board of Directors of BT;
- 6 administrators - members of the Bank's Board of Directors;

The eligibility criteria for joining the Board of Directors are those stipulated in the specific legislation (Law no.31/1990- company law, Gov. Ordinance no.99/2006 and the specific NBR regulations), as well as those stipulated in Banca Transilvania S.A.'s Articles of Association.

Currently, Banca Transilvania does not have a significant shareholder. Subsequent to the shareholders approval within the GMS and before the beginning of the mandate, the newly appointed members must obtain the approval from the National Bank of Romania.

The Board of Directors' members are not involved in the fulfilment of operational tasks

- this being a responsibility awarded to the top management.

4.1. List of Bank Directors

The GSM from 25.04.2018 elected the new Board of Directors for the mandate 2018 - 2022, having the following composition as of 31.12.2018:

Nume	Funcție	Procent deținut din capitalul social al Băncii la data de 31.12.2018
Ciorcilă Horia	Chairman of the Board of Directors	4,420812% directly and together with BT shareholder Castorius Limited
Grasee Thomas	No-executive Vice-Chairman of the Board of Directors	0%
Gueorguiev Ivo	Non-executive Member of the Board of Directors	0,012200%
Ceocea Costel	Non-executive Member of the Board of Directors	0,047501%
Pușcaș Vasile	Non-executive Member of the Board of Directors	0,023114%
Lionăchescu Costel	Non-executive Member of the Board of Directors	0,013037%
Bordea Mirela Ileana	Non-executive Member of the Board of Directors	0,001382%

Ciorcilă Horia was born in 1963 in Cluj-Napoca and graduated from the Faculty of Automation and Computers, at the Polytechnic Institute of Cluj-Napoca, in 1989. He participated, as a founding member, to the establishment of Banca Transilvania S.A. and of several companies from Banca Transilvania S.A. Group, operating in the finance sector (insurance, leasing, etc.) since 1993. He also contributed, as a founding member, to the establishment of companies such as the groups Astral TV, Maestro Industries and RomVioCons-Omniconstruct. He was also a Board member of BT Asigurari SA, BT Asset Management SAI and Chairman of the Board for BT Aegon. He is currently in the Boards of ACI SA and SIF MOLDOVA SA.

He has been a member of the Board of Directors of Banca Transilvania since its founding, and, starting with 2002, he has been the Chairman of the Bank's Board of Directors.

Grasee Thomas was born in 1955. He has a degree in banking. He graduated from the Business School of Finance and Management of Bankakademie, Frankfurt, Germany, in 1977. He started his career in banking at Hypo-Bank Mannheim Branch, Germany. He has held different management and top management positions in the banking sector, within Hypo-Bank Munchen, Hypo-Bank Landshut/Rosenheim Germany, Bayerische Hypo und Vereinsbank AG Munchen Germany, Unicredit CAIB Poland, Specta Group Moscow, and Banca Intesa Moscow, Russia. He is currently on the Board of Directors of JSC Alliance Bank, Almaty, Kazakhstan and also a member of the Supervisory Board (EBRD nominee), of the Strategy and Capital Markets Committee, and of the Audit and Risk Committee from the Credit Bank of Moscow, Russia.

He has been a member of the Board of Directors of Banca Transilvania since 29.04.2014. The NBR approval was granted on 30.12.2014.

Gueorguiev Ivo was born in 1964. He graduated from the University of National and World Economy of Sofia, Bulgaria, in 1990 and holds an MBA from Alberta University of Edmonton,

Canada since 1993. He has held many other positions, such as: Management Consultant of Varsity Consulting Group Edmonton, Canada, Principal Banker of the EBRD for the Baltics/Belarus Group, Chairman of the Management Board of Hermis Finance - Lithuania, Deputy Chairman of the Management Board Hermis Bank – Lithuania, Senior Banker of the EBRD for the Financial Institutions Group, Managing Director and Chairman of the Management Board of TBIF Financial Services BV, Chairman of the Supervisory Board of TBI Bank.

He has been on several Boards of Directors: Chairman of Hermis Finance Lituania, Vice-Chairman of Hermis Bank Lithuania, Board member of the Baltics Small Equity Fund, Export & Credit Bank Macedonia, and of the Bulgarian Insurance and Pension Holding, Chairman of the Board for TBI Broker doo Serbia, Chairman of TBI Lizing doo Serbia, Board Chairman of TBI Bulgaria, CEO member of the Board of TBIF Bulgaria, Chairman of the Board - TBI Invest / Asset Management Bulgaria, Vice-chairman of the Board - TBI Credit SA Romania, Vice-chairman of the Board - TBI Credit SA Romania, Chairman of the Board - TBI Credit EAD Bulgaria, Chairman of the Board - TBI Leasing AD Bulgaria;

He has also been a member of numerous Supervisory Councils (SC), in the capacity of: Member of the SCs of Energo SA Poland, Pension Fund Doverie Bulgaria, Chairman of the SC for Sympatia Finance Slovakia, Member of the SCs of Sovcom Bank Russia, TBI Holding Company - Netherlands, and Arka Consumer Finance Russia, Vice-Chairman of the Supervisory Council of VABank Ukraine, and SC Chairman for TBI Bank Bulgaria.

At the present, he is a private investor and member of the Board of Directors of Credibul AD Sofia Bulgaria. He has been a member of the Board of Directors of Banca Transilvania since 29.04.2014; the NBR approval was obtained on 27.11.2014

Ceocea Costel was born in 1956 in Buzau. He is a graduate of the Faculty of Economics from “Alexandru Ioan Cuza” University of Iasi, having majored in the Economy of Industry, Constructions and Transportation, he has a Master’s Degree in Business Management and Administration from the “Gheorghe Asachi” Technical University of Iasi and he is also a PhD applicant for a degree in Industrial Engineering from the aforementioned Technical University. He started his activity in 1976, within the company CCH Letea Bacau. From 1981 to 1990, he worked for the Bacau County Council. In 1990, he was a clerk at IFET/SEPPL Bacau. He was hired by the Bacau Chamber of Commerce and Industry as Specialist Advisor in 1991, being later promoted to Head of Department - Internal and International Affairs. In 1994, he transferred to the Financial Investment Company Moldova SA (alias SIF Moldova), acting as Specialist Advisor, Head of Department (1997), Manager (2001), and Deputy Chairman and Deputy CEO (2005) within the same institution. In 2008, he became Chairman and Chief Executive Officer of the BoD Steering Committee of SIF Moldova, position held until present.

He has been a member of the Board of Directors of Banca Transilvania since April 2010.

Puşcaş Vasile was born in 1952, in the town of Surduc, Salaj County. He graduated from the Faculty of History and Philosophy of Babeş-Bolyai University, Cluj-Napoca, holding a Bachelor Degree in History and Social Sciences. He obtained a PhD in History from Babeş-Bolyai University, Cluj-Napoca, and, since 1995, he is a Professor at the Faculty of History and Philosophy, the Department of Contemporary History and International Affairs, Babeş-Bolyai University. During the period December 2000 - December 2004, he served as Minister Delegate for the Nastase Government and as Chief Negotiator of Romania to the European Union. In December 2008, he was appointed State Secretary within the Department for European Affairs (DEA), and, at the beginning of 2009, his position was upgraded to Head of the DEA Department, with the rank of

Minister. From 2009 to 2013, he acted as Main Advisor for the Department of European Affairs. Since 2012, he is also a Professor within the European Studies Department of the University. Starting from 1999 he has also been the Director of the Institute for International Studies within the Faculty of History and Philosophy, Babes-Bolyai University. From 2002, he has been a member of the National Commission for the Certification of Titles and Degrees (Ministry of Education and Research). Since 2011, he is an “Ad Personam Jean Monnet Chair” and coordinates the Negotiation and European Policy module within the Department of International Studies and Contemporary History of Babes-Bolyai University, Cluj-Napoca.

He has been a member of the Board of Directors of Banca Transilvania since November 2013.

Lionăchescu Costel Doru was born in 1963, in Curtea de Arges, Arges County. He is a graduate of the Electronics and Telecommunication Faculty within the Polytechnic Institute Bucharest (class of 1988). He holds an Executive MBA – ASEBUSS, program offered by the University of Washington, Seattle, USA, in cooperation with ASE – Academy of Economics, Bucharest. He is also studying for a Master’s Degree in Electronics and Telecommunication from the Polytechnic Institute Bucharest. For nearly 11 years, he has held various top management positions in the banking sector, starting with ING Bank, then as Vice President of Citibank NA and later as Deputy CEO of Bancpost. He was the Chairman – Founder and Principal Partner of Capital Partners SRL. After Capital Partners was acquired by BT Securities in March 2016, he became a Board member of BT Capital Partners S.A., the investment banking subsidiary of Banca Transilvania.

He has been a member of the Board of Directors of Banca Transilvania since 27.04.2016, after the position became vacant (NBR Approval for Board membership was granted on 30.12.2016).

Bordea Mirela Ileana graduated from the Bucharest Academy of Economic Studies - Faculty of Commerce - Foreign Trade specialization in 1978. She started her professional activity as an economist at SARO Targoviste. Between 1985-1991 she worked at the Ministry of Foreign Trade as a commercial representative with the Brussels economic agency. Between 1992-1993 she held the position of financial manager at SC Comex SRL. She joined the banking system in 1993 - starting with Banca de Credit Industrial și Comercial, Finansbank and Credit Europe Bank. Her banking career started with the credit activity and continued until 2002, when she took over the non-performing loan recovery department. In June 2003 she was appointed Vice-President of the bank and of the Board of Directors. In her position as Executive Vice-President, she coordinated the Risk Management and Control Division.

In 2014, she was elected as a Board member of the Romanian Association of Banks (ARB).

She was appointed as a member of the Board of Directors of Banca Transilvania on 26.04.2017, filling a vacant position.

There is no information on any agreement, understanding or family relationship between the members of the Board of Directors and other persons to help appoint the respective persons in the position of member of the Board of Directors in 2018.

The list of affiliated persons is available in ANNEX 2 to this report.

4.2. The Bank's executive management

The Management Committee, in charge with the Bank management, is having the following structure:

Name	Position	Percentage held of the Bank's share capital as at December 31, 2018	End of mandate
Tetik Ömer	Chief Executive Officer	0.079384%	June 30, 2019
Runcan Luminița	Deputy Chief Executive Officer, CRO	0.072075%	June 30, 2019
Toderici Leontin	Deputy Chief Executive Officer, COO	0.086666%	December 31, 2019
Călinescu George	Deputy CEO, CFO	0.005854%	December 31, 2019
Nistor Gabriela Cristina	Deputy Chief Executive Officer, Retail Banking	0.055490%	December 31, 2019
Moisă Tiberiu	Deputy Chief Executive Officer, SME Banking	0.023688%	December 31, 2019
Nădășan Mihaela	Deputy Chief Executive Officer, Institutions and Financial Markets - starting with October 1, 2018 (former member of CEM, Executive Director of Institutions and Financial Markets)	0.008313%	June 30, 2022

There is no information on any agreement, understanding, or family relationship between executive members and other people to help appoint the respective person to the executive board in 2018.

4.3. For all the persons included at 4.1. and 4.2. must be presented any possible litigation or administrative proceedings in which they have been involved in the last 5 years with regard to their activity within the Bank, as well as other aspects related to their capacity to perform their duties within the Bank

There are no such events to be declared.

5. Statement of financial position

The information presented in the individual financial statements for 2018 is based on the rules for accounting organization and management, in accordance with Law no. 82/1991 republished and the Government Emergency Ordinance no. 99/2006, NBR Order no. 27/2010 approving the accounting rules under International Financial Reporting Standards adopted by the European Union, amended and supplemented by NBR Order no. 29/29.12.2011, NBR Order no. 2/7.03.2013,

Order No. 7/30.10.2014, Order no. 7/20.07.2015, Order no. 7/3.10.2016, Order no. 8/11.08.2017 and Order no. 10/31.12.2018, as well as other NBR instructions in the field.

The balance sheet records are in line with the information presented in trial balance and they reflect the actual status of assets and liabilities based on the inventory.

Subsequent events to the date of the consolidated statement of financial position

The share capital identified in the Articles of Incorporation was modified as a result of the merger between Banca Transilvania and Bancpost on December 31, 2018. Thus, through the CA's Resolution on October 23, 2018 was decided to convert Bancpost shares into TLV shares with the reference date of October 1, 2018, applying the exchange rate of 0.1169 BT shares for a Bancpost share, under merger terms. As a result, it was approved the increase of Banca Transilvania's share capital with the amount of RON 2.602.278 by issuing 2.602.278 TLV shares with a nominal value of 1 RON / share. The new share capital is RON 4.815.083.342 and the legal procedures for registering the capital increase at the capital market authorities (Financial Supervisory Authority, Central Depository) were finalized in 2019.

The Bank calculated and paid its monthly duties to the public budget and to the special funds, as well as the quarterly and half-yearly duties to the local budget; related to the income tax, the Bank made quarterly prepayments in accordance with the applicable law.

The analysis of the economic and financial situation of the Bank and of the Group, based on the financial statements, as compared to the last 3 years, is presented below:

a) The Bank's and the Group's statement of financial position

Indicators (RON th.)	Bank			Group		
	Dec-18	Dec-17	Dec-16	Dec-18	Dec-17	Dec-16
Cash and cash equivalents at National Bank	9,083,471	6,637,692	5,293,635	10,322,121	6,637,725	5,293,660
Loans to banks	4,431,515	5,302,292	2,746,582	5,732,555	5,348,074	2,785,505
Financial assets at fair value through profit or loss	15,648	83,135	59,89	213,527	274,850	163,520
Loans and advances to customers	36,355,974	29,737,293	27,209,976	36,796,502	29,286,886	26,710,402
Net lease investments	-	-	-	1,020,582	785,330	523,643
Investment securities available-for-sale	-	16,032,612	15,120,524	-	15,821,300	14,993,828
Investment securities held-to-maturity	-	-	-	-	-	20,691
Financial assets at fair value through other comprehensive income	21,363,908	-	-	21,374,708	-	-
Financial assets at fair value through profit or loss	609,638	-	-	456,127	-	-
Investments in shares	537,677	156,631	136,671	-	-	-
Tangible assets and investments in property	482,321	407,649	370,305	593,903	633,668	558,734
Intangible assets	253,847	125,761	78,396	283,219	133,255	86,600
Goodwill	-	-	-	4,295	2,774	2,774
Current tax receivables	-	148,594	125,055	-	146,858	119,103
Deferred tax receivables	48,687	173,243	373,94	73,920	187,145	378,716
Other assets	936,228	497,173	254,627	1,025,295	547,104	307,048
Total assets	74,118,914	59,302,075	51,769,601	77,896,754	59,804,969	51,944,224
Deposits from banks	207,608	127,946	247,268	195,348	127,646	247,268
Deposits from clients	62,522,369	49,099,201	41,851,773	65,160,466	48,932,195	41,681,475

Loans from banks and other financial institutions	1,185,556	1,099,891	2,246,461	1,703,551	1,487,022	2,304,911
Subordinated liabilities	1,651,518	414,578	424,111	1,655,377	414,578	424,111
Provisions for other risks and loan commitments	444,673	373,117	506,955	472,722	382,849	514,582
Other liabilities	695,974	1,217,269	508,945	827,440	1,300,014	581,844
Total liabilities excluding financial liabilities to holders of fund units	66,707,698	52,332,002	45,785,513	70,014,904	52,644,734	45,754,191
Financial liabilities to holders of fund units	-	-	-	1,777	20,123	37,326
Total liabilities	66,707,698	52,332,002	45,785,513	70,016,681	52,664,857	45,791,517
Share capital	4,898,982	4,427,940	3,732,549	4,898,982	4,427,940	3,732,549
Own shares	(23,271)	(32,140)	(16,546)	(38,558)	(47,427)	(29,993)
Capital premiums	28,381	28,381	28,374	28,381	28,381	28,374
Retained earnings	2,075,470	1,981,886	1,779,244	2,257,065	2,202,764	1,954,073
Revaluation reserve	20,722	20,416	27,188	17,847	17,524	26,227
Reserve for available-for-sale assets	-	52,176	10,790	-	(6,247)	(8,791)
Reserve for financial assets at fair value through other comprehensive income	(162,605)	-	-	(162,841)	-	-
Other reserves	573,537	491,414	422,489	586,660	502,487	432,061
Total equity attributable to equity holders of the Bank	7,411,216	6,970,073	5,984,088	7,587,536	7,125,422	6,134,500
Non-controlling interest	-	-	-	292,537	14,690	18,207
Total equity	7,411,216	6,970,073	5,984,088	7,880,073	7,140,112	6,152,707
Total liabilities and equity	74,118,914	59,302,075	51,769,601	77,896,754	59,804,969	51,944,224

At the end of 2018, the weight of Banca Transilvania's assets in the total assets of BT Group is 95.15% (2017: 99.16% and 2016: 99.66%).

b) Statement of profit and loss

Indicators (RON th.)	Bank			Group		
	Dec-18	Dec-17	Dec-16	Dec-18	Dec-17	Dec-16
Interest income	2,855,070	2,018,571	1,971,229	3,182,049	2,102,621	2,027,566
Interest expenses	(377,162)	(210,122)	(260,495)	(432,5)	(211,802)	(263,533)
Net interest income	2,477,908	1,808,449	1,710,734	2,749,549	1,890,819	1,764,033
Fee and commission income	923,948	704,571	624,114	1,029,941	744,313	652,9
Fee and commission expenses	(229,276)	(149,905)	(114,651)	(252,233)	(143,800)	(106,629)
Net fee and commission income	694,672	554,666	509,463	777,708	600,513	546,271
Net trading income	263,448	223,667	183,493	252,163	278,339	197,383
Net loss(-)/Net gain from the sale of financial instruments available for sale	-	(4,102)	402,226	-	(3,206)	401,691
Net gains/losses on financial assets at fair value through other comprehensive income	(7,774)	-	-	(7,555)	-	-
Net gains/losses on financial assets at fair value through profit or loss	(40,529)	-	-	(2,57)	-	-
Contribution to the Guarantee Fund and Resolution Fund	(39,164)	(49,696)	(72,792)	(41,423)	(49,696)	(72,792)
Other operating income	245,419	116,196	71,583	217,591	173,823	135,916
Operating income	3,593,980	2,649,180	2,804,707	3,945,463	2,890,592	2,972,502

Net loss(-)/Net gain impairment allowance on assets, provisions for other risks and loan commitments	(230,791)	1,353	(654,223)	(364,421)	(29,221)	(658,087)
Personnel expenses	(965,972)	(715,39)	(631,487)	(1,065,162)	(763,227)	(665,818)
Amortization expenses	(129,25)	(90,106)	(72,358)	(162,514)	(125,024)	(93,911)
Other operating expenses	(697,351)	(466,537)	(447,516)	(806,615)	(530,498)	(495,849)
Operating expenses	(2,023,364)	(1,270,680)	-1,805,584	(2,398,712)	(1,447,970)	(1,913,665)
Gain from acquisition	71,83			160,077		
Profit before tax	1,642,446	1,378,500	999,123	1,706,828	1,442,622	1,058,837
Loss(-)/Income tax revenue/expense	(423,055)	(192,521)	229,317	(446,148)	(200,154)	218,176
Profit for the year	1,219,391	1,185,979	1,228,440	1,260,680	1,242,468	1,277,013
Group's profit attributable to the equity holders of the Bank	1,219,391			1,249,740	1,239,452	1,272,422
Group's profit attributable to non-controlling interest	-			10,940	3,016	4,591
Profit for the year	1,219,391	1,185,979	1,228,440	1,260,680	1,242,468	1,277,013

At the end of 2018, the weight of Banca Transilvania's profit in the Group's total profit is 96,72% (95,45% in 2017 and 96,20% in 2016).

c) Cash flow: Statement of Cash Flows

Indicators (RON th.)	Bank			Group		
	Dec-18	Dec-17	Dec-16	Dec-18	Dec-17	Dec-16
Cash and cash equivalents at the beginning of the period	11,422,190	7,627,754	8,597,019	11,430,864	7,641,059	8,607,236
Net cash from/ (used in) operating activities	5,569,086	4,808,377	2,989,970	7,274,706	4,567,980	3,098,967
± Net cash from/(used in) the investment activity	(4,311,543)	(737,895)	(2,813,026)	(4,248,245)	(822,057)	(2,828,332)
± Net cash from/(used in) the financing activity	613,127	(276,046)	(1,146,209)	700,977	43,882	(1,236,812)
Cash and cash equivalents at the end of the period	13,292,860	11,422,190	7,627,754	15,156,390	11,430,864	7,641,059

The statement of financial position is detailed in the Financial statements enclosed.

The following documents are enclosed to this report:

- The Separate and consolidated Report of the Board of Directors of Banca Transilvania for the year 2018;
- The management statement on taking responsibility for drafting the financial statements for the year 2018;
- The financial statements, at individual and consolidated IFRS level, together with explanatory notes;
- The Independent Auditor's Report PriceWaterhouseCoopers Audit SRL, to the IFRS separate and consolidated financial statements,

The annual report shall be accompanied by copies of the following documents:

a) copies of supporting documents for all amendments made to the Articles of Association in the second half of 2018;

Please note that the decisions of the General Meeting of Shareholders have been transposed into the Articles of Association, they have been implemented and approved by the competent bodies,

b) major agreements concluded in 2018

BT signed important contracts in 2018 regarding the acquisition of qualified holdings (with the transfer of ownership) within the social capital of Victoriabank S.A. (credit institution from the Republic of Moldova) and within the share capital of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A.

It was approved in principle the merger through absorption between Banca Transilvania S.A. (as acquiring company) and Bancpost S.A. (as acquired company) by the General Meeting of Shareholders of Banca Transilvania S.A. and Bancpost S.A., respectively.

Banca Transilvania, launched an offer to acquire minority interests in Bancpost SA. The takeover bid targets the acquisition of 25,146,694 shares of Bancpost SA, which represents 0,88525% of the total number of shares with voting rights.

Moreover, the procedures related to the sale of the 100% indirect holding of the share capital of BT.

The share capital identified in the Articles of Incorporation was modified as a result of the merger between Banca Transilvania and Bancpost on December 31, 2018. Thus, through the CA's Resolution on October 23, 2018 was decided to convert Bancpost shares into TLV shares with the reference date of October 1, 2018. As a result, it was approved the increase of Banca Transilvania's share capital with the amount of RON 2.602.278 by issuing 2.602.278 TLV shares with a nominal value of 1 RON / share. The new share capital is RON 4.815.083.342 and the legal procedures for registering the capital increase at the capital market authorities (Financial Supervisory Authority, Central Depository) were finalized in 2019.

Operational Leasing SA to the companies in the Autonomous Group have been completed.

c) resignation/dismissal documents regarding the members of the Board of Directors, executive management

There were no acts of dismissal/resignation,

d) list of Bank subsidiaries and of the companies controlled by the Bank - The list of BT Subsidiaries is enclosed as an Annex to this report (ANNEX 1)

e) list of Bank affiliates - The list of related persons of BT is enclosed as an Annex to this report (ANNEX 2).

**CHAIRMAN OF THE
BOARD OF
DIRECTORS
HORIA CIORCILĂ**

**CHIEF EXECUTIVE
OFFICER
ÖMER TETİK**

**DEPUTY CHIEF
EXECUTIVE OFFICER
GEORGE CĂLINESCU**

Banca Transilvania Group (“Group”) includes the Parent-company, Banca Transilvania S.A. (“Bank”) and its subsidiaries, based in Romania and in the Republic of Moldova, The consolidated and separate financial statements as at 31,12,2018 comprise Banca Transilvania S.A. (“Parent company” or “BT”) and its subsidiaries (hereinafter referred to as the “Group”),

The Group’s subsidiaries are represented by the following entities:

Subsidiary	Field of activity	2018	2017
Victoriabank S.A.	Financial-banking activity and licensed investment activities	44.63%	-
BT Capital Partners S.A.	Investments	99.59%	99.59%
BT Leasing Transilvania IFN S.A.	Leasing	100.00%	100.00%
BT Investments S.R.L.	Investments	100.00%	100.00%
ERB Retail Services IFN S.A.	Consumer Loans through Credit Cards	100.00%	-
BT Direct IFN S.A.	Consumer Loans	100.00%	100.00%
BT Building S.R.L.	Investments	100.00%	100.00%
BT Asset Management SAI S.A.	Asset Management	80.00%	80.00%
BT Solution Agent de Asigurare S.R.L.	Insurance Broker	99.95%	99.95%
BT Asiom Agent de Asigurare S.R.L.	Insurance Broker	99.95%	99.95%
BT Safe Agent de Asigurare S.R.L.	Insurance Broker	99.99%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance Broker	99.99%	99.99%
BT Operational Leasing S.A.	Leasing	-	94.73%
BT Leasing MD S.R.L.	Leasing	100.00%	100.00%
BT Microfinantare IFN S.A.	Consumer Loans	100.00%	100.00%
BT Transilvania Imagistica S.A.	Other Healthcare Activities	-	96.64%
Improvement Credit Collection S.R.L.	Activity of the Collection Agents and Credit Reporting Bureaus	100.00%	100.00%
Sinteza S.A.	Manufacture of Other Organic Basic Chemicals	51.47%	50.15%
Chimprod S.R.L.	Manufacture of Basic Pharmaceutical Products	51.35%	50.03%

THE BANK'S RELATED PARTIES
as at 31.12.2018

REF, NO,	NAME
1	BANCA TRANSILVANIA S.A.
2	A C I CLUJ S.A.
3	ADMIN DEVELOPMENT DESIGN
4	ALSIRA CONSULTING S.R.L.
5	ANTREPRIZA CLUJ ZALAU SA
6	ASOCIATIA "COSTACHE NEGRI 2005 BACAU"
7	ASOCIATIA CLUB SPORTIV U-BT
8	ASOCIATIA CLUB SPORTIV WINNERS TENNIS CLUB
9	ASOCIATIA CORPUL OPERATORILOR ARHIVEI ELECTRONICE
10	ASOCIATIA SPHERIK
11	ASOCIATIA TRANSILVANIA EXECUTIVE-EDUCATION
12	AUREL VLAICU S.A.
13	BANU DRAGOS MIHAI
14	BANU IULIANA
15	BERINDEAN ALEXIA
16	BERINDEAN CATALIN VASILE
17	BERINDEAN MONICA IOANA
18	BILLIE BG
19	BILLIE UK
20	BIRLE ALEXANDRA IULIA
21	BIRLE IOAN
22	BIRLE LILIANA DORINA
23	BORDEA ALEXANDRU
24	BORDEA MIRELA ILEANA
25	BT ASIOM AGENT DE ASIGURARE S.R.L.
26	BT ASSET MANAGEMENT S.A.I. S.A.
27	BT BUILDING SRL
28	BT CAPITAL PARTNERS
29	BT DIRECT IFN S.A.
30	BT INTERMEDIERI-AGENT DE ASIGURARE SRL
31	BT INVESTMENTS SRL
32	BT LEASING MD
33	BT LEASING TRANSILVANIA S.A.
34	BT MICROFINANTARE IFN S.A.
35	BT SAFE-AGENT DE ASIGURARE S.R.L.
36	BT SOLUTION-AGENT DE ASIGURARE S.R.L.
37	BUCUR CALIN IOAN
38	BUCUR IULIA ANDREEA

39	BUCUR MARIUTA DANIELA
40	CALIN COSMIN ANTOINE CONSTANTIN
41	CALINESCU DANIELA MIHAELA
42	CALINESCU GEORGE RAZVAN
43	CANTINA DEJ S.A.
44	CASTORIUS LIMITED
45	CC ADVANCED TEAM SRL
46	CC PRO LEVEL S.R.L.
47	CENZ EXPERT S.R.L.
48	CEOCEA ALEXANDRU
49	CEOCEA CONSTANTA SILVIA
50	CEOCEA COSTEL
51	CEOCEA RALUCA ALEXANDRA
52	CHIMPROD S.A.
53	CIORCILA HORIA
54	CIORCILA PATRICK
55	CIORCILA SIMONA NICULINA
56	CIRM
57	CONSTRUCTII DEJ S.A.
58	CONSTRUCTII MONTAJ S.A.
59	CREDEX PAY S.R.L.
60	DOCA NEVENCA ZORANCA
61	DREAM GOLF RESIDENCE
62	DUMITRESCU IOANA
63	DUNCA A, ISABELA- CABINET MEDICAL DE MEDICINA DE F
64	DUNCA ISABELA
65	DUNCA NELU
66	ELBA NOVO S.R.L.
67	ERB RETAIL SERVICES IFN S.A.
68	EUR CONSULT S.R.L.
69	FUNDATIA BANCPOST
70	FUNDATIA CENTRUL DE DEZVOLTARE MANAGERIALA
71	FUNDATIA CLUBUL INTREPRINZATORULUI ROMAN
72	FUNDATIA CLUJUL ARE SUFLET
73	FUNDATIA TRANSILVANIA
74	GEAINV S.A.
75	GRASSE BURKLE PAULA
76	GRASSE KATHARINA
77	GRASSE THOMAS GUNTHER
78	GRASSE TOBIAS
79	GUEORGUIEV IVO ALEXANDROV
80	GUEORGUIEV OLIVER

81	GUEORGUIEVA LARA
82	GUEORGUIEVA SANDRA
83	HOTEL SPORT CLUJ S.A.
84	IG INVEST LTD
85	IMPROVEMENT CREDIT COLLECTION S.R.L.
86	INTERA FINANCIAL SERVICES
87	INTUITIVE TEACHING CENTER S.R.L.
88	LACATUS EMILIA
89	LACATUS MIHAI CALIN
90	LACATUS VIOREL DORIN
91	LIONACHESCU AIDA
92	LIONACHESCU ANDREI
93	LIONACHESCU COSTEL
94	MATES MARIA
95	MATYUS ECATERINA ELENA
96	MICROCREDIT AD
97	MLAD CONSULT S.R.L.
98	MOISA EMILIA SANDA
99	MOISA TIBERIU
100	MOVEMENT TEAM S.R.L.
101	NADASAN MIHAELA SIMONA
102	NADASAN SEBASTIAN MIHAIL
103	NISTOR GABRIELA CRISTINA
104	NISTOR STELIAN MIHAI
105	OLANESCU IOANA FLORINA
106	PALECREST BULGARIA
107	PAYNETICS EAD
108	PHOS SERVICES LTD
109	PHYRE AD
110	PICARI AGNESE
111	PICARI FEDERICA
112	PICARI GIUSEPPE
113	PIRVU MIHAELA NINA
114	PLAYFIELD TEAM S.R.L.
115	PLOIESTI LOGISTICS S.R.L.
116	PUSCAS MARIANA
117	PUSCAS MARIANA CABINET MEDICAL
118	PUSCAS MARIUS EMIL
119	PUSCAS VASILE
120	ROMOTO GmbH
121	RUNCAN ANDRA
122	RUNCAN LUMINITA DELIA

123	RUNCAN MIREL
124	SANTI NICOLETTA
125	SIGUR AUTOTRANSPORT S.R.L.
126	SINTEZA S.A.
127	TEHNOFRIG CENTER S.A.
128	TENT I SERGIU BOGDAN PFA
129	TENT JUDITH STEFANIA
130	TENT SERGIU BOGDAN
131	TETIK ALEXANDRA
132	TETIK OMER
133	TODERICI AURELIA ELVIRA
134	TODERICI DAN
135	TODERICI LEONTIN
136	URBAN ROOTS S.R.L.
137	URS PETRU
138	VALEVA GLORIA
139	VASILACHE ANNEMARIE
140	VASILACHE DANIEL GEORGE
141	VB INVESTMENT HOLDING BV
142	VICTORIABANK S.A.
143	WINNERS CENTER S.A.
144	WINNERS EVENTS SRL-D
145	WINNERS PARCUL ROZELOR S.A.
146	WINNERS PARK INVEST S.R.L.
147	WINNERS RESOURCES S.R.L.