

**Report
of the Board of Directors
Banca Transilvania**

2018



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Banca Transilvania Financial Group

Summary of the Financial Results

	BANK		GROUP	
Financial Information of the Group	2018	2017	2018	2017
ROE (net profit/annual average of shareholder equity)	17.17%	18.34%	16.56%	18.42%
ROA (net profit/annual average net assets)	1.92%	2.21%	1.73%	2.26%
Cost/Income	49.88%	48.02%	51.56%	49.08%
Total net income, RON thousand	3,593,980	2,649,180	3,945,463	2,890,592
Provisions for credit risk, RON thousand	(230,791)	1,353	(364,421)	(29,221)
Gross profit, RON thousand	1,642,446	1,378,500	1,706,828	1,442,622
Net profit, RON thousand	1,219,391	1,185,979	1,260,680	1,242,468
Basic earnings per share			0.2602	0.2584
Diluted earnings per share			0.2598	0.2581
Tier 1 own funds, RON million	7,344	5,903	7,562	6,072
Risk Weighted Assets, RON million	41,557	32,338	46,105	33,062
Total Assets, RON million	74,119	59,302	77,897	59,805
Total shareholders' equity, RON million	7,411	6,970	7,880	7,140
Other information				
No. of branches	518	495		
No of active employees	7,355	7,007	9,014	7,513

* Due to rounding differences, the number presented in this document might not add up to the total, and the presented percentages might not reflect the absolute figure.

The CEO's Message to the Shareholders

2018 for Banca Transilvania: Organic Growth and Two Banks Integrated in the BT Financial Group

For Banca Transilvania, 2018 was another year of responsible organic growth, a year of investments in our clients' digital experience, along with the integration of Bancpost and the start of the implementation of our business model in Victoriabank, the Republic of Moldova.

2018 in figures:

- The Group's assets at the end of the year amounted to RON 77.9 billion and loans went up to RON 37.82 billion. BT Group's net consolidated profit is RON 1,260.68 million, of which RON 1,219.39 million for the bank, a result that also includes the significant integration expenses related to Bancpost.
- The bank's operating profit increased to RON 1,801.41 million thanks to business streamlining and consolidation.
- Deposits from customers at the Group level count RON 65.16 billion, of which RON 43.34 billion are deposits from individuals and RON 21.82 billion deposits from companies.
- 196,000 loans for companies and individuals were granted in 2018.
- More than RON 9 billion went to loans granted to companies in Romania.
- 3.7 million cards in BT's portfolio, which means a 21% market share in terms of cards issued in Romania.
- As compared to the previous year, the number of BT24 Internet Banking users increased by 14%, exceeding 1 million, and the number of Mobile Banking users increased by 34%, reaching 560,000 users.
- 2 million operations/day was BT's average last year.
- 125 BT units all over the country were refurbished in 2018.

Apart from these results that mirror BT's and its team's performance, we started to develop in 2018 digital projects that are to be launched this year, all meant to boost the clients' positive experience in relation to the bank. One of these projects is NEO, a revolutionary internet-banking and mobile-banking application in Romania, which will mark the onset of a new BT pioneering approach in the field of digitalization and omni-channel.

Our efforts have always been directed towards becoming a better bank for investors, clients and the team and we shall continue in line with this objective.

Ömer Tetik
Chief Executive Officer
Banca Transilvania

Leaders' Committee Structure



Ömer Tetik

since June 2013
Chief Executive Officer (CEO)



Luminița Runcan

since September 2014
Deputy CEO - Chief Risk Officer (CRO)



Gabriela Nistor

since August 2013
Deputy CEO, Retail Banking



Leontin Toderici

since August 2013
Deputy CEO Chief
Operations Officer (COO)



Tiberiu Moisă

since May 2016
Deputy CEO, Banking for SMEs



George Călinescu

since September 2013
Deputy CEO Chief Financial Officer (CFO)



Mihaela Nădășan

since October 2018
Deputy CEO, FI & Financial Markets



Message from the Chairman of the Board of Directors

Banca Transilvania Continues to be the Largest Financer of the Romanian Economy

Dear Shareholders,

On behalf of Banca Transilvania's Board of Directors, I am honored to deliver this message accompanying the release of the Board of Directors' Report for 2018 and in view of the approaching General Meeting of Shareholders.

Thank you for trusting Banca Transilvania, its objectives and accomplishments.

In 2018, our bank continued to be the most active player in the banking sector, supporting the Romanian economy with the capital and the competence gained in its 25-year existence, here, in our country. During all these years we have increased the bank's capital base through the capitalization of profits, capital increases supported by the shareholders, subordinated loans so as to maintain the rapid lending pace to the benefit all the clients - from SMEs, start-ups to individuals.

As the largest financial group in Romania, we are perfectly aware of our responsibility towards the Romanian economy, towards our more than 3 million clients, of which 700,000 credited clients, towards our more than 31,000 Romanian individual shareholders, investors on the Bucharest Stock Exchange, as well as towards the 7 million indirect shareholders via the pension scheme Pillar II.

The story goes on.

Horia Ciorcilă

Chairman, Board of Directors
Banca Transilvania

The Structure of the Board of Directors



Horia Ciorcilă

Chairman



Thomas Grasse

Vice-chairman



Vasile Pușcaș

Member



Ivo Gueorguiev

Member



Doru Costel Lionăchescu

Member



Costel Ceocea

Member



Mirela Ileana Bordea

Member



The Board of Directors Committees

Comitetul de Audit

Ivo Gueorguiev

Chairman

Thomas Grasse

Member

Doru Costel Lionăchescu

Member

Remuneration and Nomination Committee

Horia Ciorcilă

Chairman

Ivo Gueorguiev

Member

Vasile Pușcaș

Member

The Risk Management Committee

Thomas Grasse

Chairman

Ivo Gueorguiev

Member

Costel Ceocea

Member

The Relationship with Shareholders/Investors

The General Shareholders' Meetings, as well as the shareholders' rights and obligations, are governed by the Law no. 31/1990 for trading companies, by the Law no. 297/ 2004 for the capital market and also by other related regulations.

The Bank issues periodical reports providing relevant information to the Bank's shareholders and investors.

During the year 2018, there were 4 conference calls with investors.

- Tel: + 40 264 407 150
- Fax: + 40 264 407 179
- investor.relations@btrl.ro
- www.bancatransilvania.ro/en/investor-relations
- www.bancatransilvania.ro
- facebook.com/BancaTransilvania
- twitter.com/b_Transilvania
- linkedin.com/company/banca-transilvania

Banca Transilvania prepares yearly a financial communication calendar to inform its shareholders. The calendar is published both on the BT site (www.bancatransilvania.ro/en/investor-relations/financial-calendar/) and on the BVB site (www.bvb.ro).

The calendar for 2019 is as following:

1. Presentation of the preliminary financial results for 2018	February 27, 2019
2. Conference call for the presentation of the results	March 4, 2019
3. Annual General Shareholders' Meeting held to approve the 2018 annual financial results	April 24, 2019(first call) April 25, 2019(second call)
4. Presentation of the financial results for 2018, individual and consolidated	April 25, 2019
5 Presentation of the individual financial results for Q1 2019	April 25, 2019
6. Presentation of the consolidated financial results for Q1 2019	May 8, 2019
7. Conference call - Presentation of the financial results – Q1, 2019	May 10, 2019
8. Presentation of the financial results for the first semester 2019	August 14, 2019
9. Conference call – Presentation of the financial results for the first semester 2019	August 19, 2019
10. Presentation of the financial results for Q3 2019	November 14, 2019
11. Conference call - Presentation of the financial results for Q3 2019	November 15, 2019

Proposals Regarding 2018 Profit Distribution and Share Capital Increase

The Board of Directors submitted for approval by the General Shareholders' Meeting (GSM) the proposal to distribute the profit amounting to RON 1,219,390,604 RON, as follows:

Proposal for Profit Distribution 2018

Proposal for Profit Distribution 2018	Amount (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 dividends distribution is performed based on GSM decision, at the proposal of the Board of Directors and depends on the value of the distributable profit and the future capitalization needs of the Bank.

The dividends are distributed to the shareholders proportionally with the participation quota to the share capital. The income generated by dividends is subject to withholding tax. The payment of dividends is performed based on the legal requirements in force and based on the GSM decision regarding the profit distribution and the settled level of the dividend. The Bank paid dividends to its shareholders from the profit registered in 2015, 2016 and 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 and reserves from the net profit of the previous years.

Proposal for 2018 profit distribution	Amounts (RON)
Total available reserves for distribution	1,023,202,289
Reserves - from the net profit of the previous years	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).

Short Presentation of the Group

Banca Transilvania S.A

Banca Transilvania S.A. (the “Bank”) is a joint-stock company registered in Romania. The Bank started its activity as a banking institution in 1993 and is licensed by the National Bank of Romania to conduct banking activities. The Bank started its activity in 1994 and its main operations involve banking services for legal entities and individuals.

The Group Banca Transilvania (“Group”) includes the parent-company, Banca Transilvania S.A. 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 (the “parent company” or “BT”) and its subsidiaries (hereinafter referred to as the “Group”).

The Group has the following fields of activity: banking carried out by Banca Transilvania S.A. and Victoriabank S.A., leasing and consumer loans carried by BT Leasing Transilvania IFN S.A., ERB Retail Service IFN S.A., BT Direct IFN S.A., BT Microfinanțare IFN S.A and BT Leasing MD S.R.L., asset management carried by BT Asset Management S.A.I. S.A. The Bank has also control over an investment fund which is also consolidated through the global consolidation method.

The Bank carries out its banking activity through its head office located in Cluj-Napoca, 54 branches, 435 agencies, 20 work-points, 7 healthcare division units, 2 private banking agencies in Romania and Italy and 1 regional office located in Bucharest (2017: 54 branches, 413 agencies, 19 work-points, 7 healthcare division units and 2 private banking agencies in Romania and Italy and 1 regional center located in Bucharest). Of the 435 agencies, 23 were taken over as a result of the merger with Bancpost.

In 2013 the Bank opened a branch in Italy, which began its operational activity in 2014. Currently it is the only branch that the Bank has in Italy.

The Group’s number of active employees as at December 31, 2018 was 9,014 (2017: 7,513 employees).

The Bank’s number of active employees as at December 31, 2018 was 7,355 (2017: 7,007 employees).

The registered address of the Bank is no.8 George Barițiu str., Cluj-Napoca, Romania.

The share capital had the following structure:

Equity holders of the Bank	31.12.2018	31.12.2017
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 Group's subsidiaries are represented by the following entities in which the Bank holds direct and indirect participations:

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 Asiguri- rare 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 Microfinanțare IFN S.A.	Consumer Loans	100.00%	100.00%
BT Transilvania Imagistică 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%

As at December 31, 2018 the Group controls but does not consolidate S.C. Timesafe S.R.L., a company active in the financial technology field.

The Group did not include this company in its consolidated financial statements due to immateriality of its total assets as at December 31, 2018 in amount of RON 978 thousand (December 31, 2017: RON 558 thousand) of its share capital RON (1,587) thousand (December 31, 2017: RON 80 thousand) and of its loss of RON (1,669) thousand (December 31, 2017: RON (418) thousand) in total assets, share capital and profit of the Group.

The most relevant subsidiaries of the Group where the Bank holds direct participations are the following:

Subsidiary	Field of Activity	% Direct Equity	% Total Equity
BT Capital Partners S.A.	Investments	99.59%	99.59%
BT Leasing Transilvania IFN S.A.	Leasing	62.97%	100.00%
BT Investments S.R.L.	Investments	100.00%	100.00%
BT Direct IFN S.A.	Consumer Finance	93.70%	100.00%
BT Building S.R.L.	Investments	98.94%	100.00%
BT Asset Management SAI S.A.	Asset Management	80.00%	80.00%
BT Leasing MD S.R.L.	Leasing	100.00%	100.00%
Improvement Credit Collection S.R.L.	Activity of the Collection Agents and Credit Reporting Bureaus	99.89%	100.00%
BT Microfinanțare IFN S.A.	Consumer Loans	67.80%	100.00%
ERB Retail Services IFN S.A.	Other Activities: Consumer Loans through Credit Cards	100.00%	100.00%

Total assets and net profit of the most relevant subsidiaries in which the Bank holds direct participation is presented below

Subsidiary	Total Assets (RON thousand)		Net profit (RON thousand)	
	2018	2017	2018	2017
BT Leasing Transilvania IFN S.A.	994,602	781,908	33,042	20,187
BT Asset Management SAI S.A.	39,318	41,808	17,454	17,361
BT Investments S.R.L.	78,632	56,339	22,293	4,906
Improvement Credit Collection S.R.L.	18,740	12,911	4,821	3,250
BT Direct IFN S.A.	162,363	138,105	3,723	2,696
BT Leasing MD S.R.L.	107,325	82,034	3,850	2,075
BT Capital Partners S.A.	97,001	62,545	1,646	1,820
BT Microfinanțare IFN S.A.	345,456	171,277	4,543	(752)
BT Building S.R.L.	80,726	79,743	(14)	(3,031)
ERB Retail Services IFN S.A.	218,417		2,316	

*Figures presented according to Romania Accounting Standards (RAS)

BT Capital Partners S.A.

At the beginning of 2016, BT Securities – the brokerage company of Banca Transilvania Financial Group – became BT Capital Partners S.A., after taking over the investment banking activity of Capital Partners, the most important independent consulting Romanian company in the field of M&A and Corporate Finance. BT Capital Partners is the exclusive member of Oaklins, the world's leading alliance of M&A professionals.

In its new formula, BT Capital Partners S.A. provides consultancy services for funds raising on the capital market, consultancy on mergers and acquisitions, brokerage services, attracting and structuring of complex financing schemes and strategic management counselling, market research and strategic advisory.

As at 31 December 2018 the Company had 55 active employees (2017: 57 employees). The company undertakes its activity through its headquarters located in Cluj-Napoca, no. 74-76 Constantin Brâncuși Street, ground floor, Cluj County, Romania, and through 11 work units.

BT Leasing Transilvania IFN S.A.

BT Leasing Transilvania IFN S.A. was registered in 1995 as a privately owned joint-stock company, established under the Romanian laws. It was initially incorporated under the name of BT Leasing Transilvania S.A., which was changed to the current name in February 2003.

The company operates through its head office located in Cluj-Napoca, 1 agency and 11 working points (2017: 1 agency and 11 work-points) throughout the country. The company leases a wide range of vehicles and technical equipment.

The number of active employees at December 31, 2018 was 115 (2017: 115 employees).

The registered address of BT Leasing Transilvania IFN S.A. is: no. 74-76 Constantin Brancusi Street, first floor, Cluj-Napoca, Romania.

BT Direct IFN S.A.

BT Direct IFN S.A. is a non-banking financial institution set up in 2003. The company's activity object is represented by retail financing, through consumer loans granted to individuals.

During 2018, BT Direct IFN S.A. increased its loan portfolio (comprising consumer loans and personal needs loans), amounting to RON 110 million, the balance of total loans as at the end of 2018 being of RON 180 million, with 11% higher vs. 2017.

As at December 31, 2018, the number of active employees was 65 (2017: 44 active employees).

BT Direct IFN S.A. operates through its head office located at the following address: 74-76 Constantin Brancusi Street, 3rd floor, Cluj-Napoca, Romania.

BT Building S.R.L.

BT Building S.R.L is a Romanian limited liability company, performing its activity based on its Constitutive Act, Law no.31/1990 for companies, republished with subsequent amendments and the Romanian legislation in force. The company is closed and self-administered in a unitary system. The main object of activity is the lease and sub-lease of own or rented property.

BT Asset Management SAI S.A.

BT Asset Management SAI S.A is an investment management company, member of Banca Transilvania Financial Group, authorized by the National Securities Commission (currently the Financial Supervisory Authority, hereinafter referred to as „ASF”) by decision no. 903/29.03.2005, ASF Public Register No. PJR05SAIR/120016 dated 29.03.2005.

BT Asset Management SAI manages open-end and closed-end investment funds. As at December 31, 2018, BT Asset Management SAI managed 11 investment funds, of which: 9 open-end funds and 2 closed-end funds, counting over 47,000 investors and assets under management of more than RON 3.655 billion.

BT Asset Management SAI S.A offers a full range of investment products, from fixed income funds, mixed funds and index funds, to equity funds. The opening to the capital market is provided to customers through investments in Romania, as well as in the EU countries (mainly Austria); placements can be made both in RON and in EUR.

The number of active employees at December 31, 2018 was 30 (2017: 27 employees).

The company's registered address is: Cluj-Napoca, no. 22 Emil Racoviță Street, 1st floor+mansard, Cluj County.

BT Microfinanțare IFN S.A.

BT Microfinanțare IFN S.A. is a non-banking financial institution set up in 2016 with the purpose of financing small business. The company has its headquarters located in Bucharest, no. 43 Sos. București – Ploiești.

The number of active employees at December 31, 2018 was 139 (2017: 127 employees).

In 2018 approx. 4,600 micro-companies received funding from BT Microfinanțare IFN S.A. (working capital loans, purchase of goods, payment of suppliers, investment in business units and/or opening of new units, equipment), the balance of the loans at the end of 2018 being RON 327.2 million (2017: RON 159.8 million).

BT Leasing MD S.R.L.

BT Leasing MD S.R.L., based in Republic of Moldova, Chișinău, was established in 2008 by Banca Transilvania. The company's activity object is financial leasing.

At the end of 2018 BT Leasing MD S.R.L. registered a profit of RON 3,850 thousand (2017: RON 2,075 thousand).

Improvement Credit Collection S.R.L.

Improvement Credit Collection S.R.L., having its registered office in no. 1, George Barițiu Street, Cluj-Napoca, Cluj County, Romania, with the fiscal identification code 32011970 and the registration code at the Trade Register no. J12/1240/2016, recorded a share capital of RON 901,010 at December 31, 2018.

Improvement Credit Collection S.R.L. was set-up in 2013, the share capital increasing by co-partnering with BT Investment S.R.L., and its headquarter moved from Bucharest to Cluj-Napoca in 2016. The object of its activity is defined by the NACE code 8291 – Activities of collection agents and credit reporting bureaus/ debit collection activity.

In 2018 Improvement Credit Collection S.R.L. registered a net profit in the amount of RON 4,821 thousand vs. RON 3,250 thousand in 2017.

B.C. „Victoriabank” S.A.

B.C. “VICTORIABANK” S.A. was founded on December 22, 1989, being the first commercial bank in the Republic of Moldova to be registered on the State Central Bank of the USSR on February 22, 1990, and on August 22, 1991 was reorganized into a joint stock company (joint stock banking company).

On November 29, 2002 the Bank was re-registered as a commercial bank, an open joint-stock company, and its shares were registered and listed on the Moldovan Stock Exchange. The Bank is authorized to conduct banking activities under the License of the National Bank of Moldova.

The Bank operates both through the Bank’s headquarters, located on no. 141, 31 August 1989 street, Chisinau, as well as through 34 branches and 59 agencies located all over the Republic of Moldova.

The total number of Bank’s employees as at December 31, 2018 was 1,161 employees.

The Share Capital of B.C. “VICTORIABANK” S.A. represents MDL 250,000,910, divided into 25,000,091 ordinary registered Class I shares, with voting rights at a face value of 10 MDL/share. The ordinary registered shares issued by the Bank (ISIN: MD14VCTB1004) are admitted to trading on the regulated market on the Moldovan Stock Exchange (www.moldse.md).

Main Events in 2018

2018 was a year full of important events, ranging from the launch of new products, the digitalization of the processes, and also the involvement of Banca Transilvania Financial Group into activities with an important social, cultural and economic impact. Here are the main events of the year:

January:

Banca Transilvania launched the first banking wallet from Romania, BT Pay. The application offers the possibility of making payments with the mobile phone, free money transfer between BT customers, modifying card trading limits, etc.

Banca Transilvania S.A. became a shareholder of Victoriabank S.A., the third largest bank in the Republic of Moldova.

February:

Banca Transilvania has entered the Brand Finance Banking 500 ranking, which includes the most valuable banking brands in the world. The ranking is realized by Brand Finance, the world's largest branding and brand strategy company, and is published by The Banker magazine.

BT has introduced new, free of charge facilities to the BT Express payment machines, namely: cash deposit (RON, EURO or USD) into the account opened with BT and foreign currency exchange. The new digital options simplify the customer access on two of the major banking operations.

EMBA University of Hull created the fourth generation of trainees: 1 out of 4 is an entrepreneur with his/her own business. BT is among the founders of this 100% British business school, the only one of its kind in Cluj-Napoca.

March:

BT has launched a partnership with Personetics to integrate the artificial intelligence into its services.

Banca Transilvania Financial Group, through BT Investments, is the main investor in a EUR 300,000 financing project launched by Ebriza. BT has made this investment to support the entrepreneurs who can now better manage their business thanks to the software developed by Ebriza.

The Bank is taking another step towards digitization by launching the Online Credit. BT was the partner of Gopo Gala, the most prestigious artistic event of the film industry.

April:

Banca Transilvania acquired Eurobank's majority stake in Bancpost, respectively the ERB Retail Services and ERB Leasing companies, and started their integration into the BT Financial Group.

The BT Cross, the longest BT trademark event, took place and had more than 3,000

participants in the 2018 edition. The cross has reached the 18th edition.

BT was the partner of a new Creativo edition, an event dedicated to young entrepreneurs in the creative industries.

It takes place a new forestry voluntary action, supported by the Bank: Bucharest Forest 2.0. Approximately 800 people attended the event and an area of 3 hectares was planted.

May:

Premiere in Romania: Banca Transilvania has launched the Contactless Donations option through dedicated POS to the Little People Association and for Clujul are Suflet.

Banca Transilvania and Blugento, a Cluj-based company specialized in providing e-commerce solutions based on the Magento platform, launched GoOnline, a complete solution for SMEs, to create online stores.

BT launched the “Mentorat pe Bune” events, for entrepreneurs from different cities: Cluj-Napoca, Timișoara, Iași, Craiova.

BT was the official partner of the Ro-Wine The Wine Festival of Romania, dedicated to the Horeca industry. At this event the book “The wine book of Romania” by Marinela Vasilica Ardeleanu was released.

June:

BT was the main partner of Techsylvania, the largest tech event in Southeast Europe. Banca Transilvania was the main partner of TIFF - the Transylvania International Film Festival.

For the fourth year in a row, BT was the main partner of the Electric Castle festival, organized in Cluj-Bonțida.

July:

BT was the partner of the International Mathematics Olympiad, at its 59th edition, organized in Cluj-Napoca. Over 600 contestants from more than 100 countries participated in the Olympiad.

The Bank has launched the BT Meal card, which is the digital version of the printed food vouchers.

August:

The Bank launched BT Store - an online hub of non-banking solutions for entrepreneurs, complementing the banking solutions.

Premiere in Romania - the Bank launched the Chatbot for the entrepreneurs, named Raul, which provides information on Facebook Messenger and Skype.

The BT & Untold story continued also last year, being the fourth edition on which BT is the official Bank of the largest music festival in Romania, organized in Cluj-Napoca.

For the second consecutive year, BT joined the Summer Well festival, organized in Bucharest.

September:

BT Leasing MD, one of the largest leasing companies in the Republic of Moldova and part of the BT Financial Group, celebrated its 10 years anniversary.

The largest multipurpose indoor sports arena in Romania, the one in Cluj-Napoca, has the Banca Transilvania brand on it, the BT Arena.

Banca Transilvania and the Association Societatea de Salvare București launched the Blood Bank, a long-term initiative that aims to contribute to the creation of an online community of constant donors.

October:

BT has become the first local company to use integrated automation and artificial intelligence technologies for its team, through the integrated use of UbiPath (RPA- Roboti Process Automation) and Druid (enterprise chatbots) platforms.

BT Leasing and ERB Leasing merged and became one company, BT Leasing. ERB Leasing was acquired by Banca Transilvania from Eurobank Group in April 2018, together with Bancpost and ERB Retail Services, and the merger represents the end of the integration phase.

Banca Transilvania and the Văcărești Natural Park Association have launched a corporate social responsibility project, Ranger Urban, in the Văcărești Natural Park.

BT has joined as the main partner of the IAA Global Conference, organized in Bucharest and dedicated to the advertising industry.

November:

BT has joined as the main partner of the IAA Global Conference, organized in Bucharest and dedicated to the advertising industry.

December:

BT has launched the Fitbit Pay service for the first time, enabling contactless payments with Fitbit compatible bracelets and VISA cards issued by BT.

The Bank has been engaged in the MagiCAMP project, through a donation campaign run via BT Pay, to contribute to an emergency fund, which helps the children with oncological diseases.

Banca Transilvania has started an image partnership with Simona Halep.

On December 31, 2018, the merger between BT and Bancpost took place.

Realization of 2018 Strategy

What we targeted for 2018:

- Bancpost integration into the BT business;
- Expansion of the BT business model in the Republic of Moldova through Victoriabank;
- Strengthening the organic growth of the Bank;
- Continue the investments in technology, digitization, innovation and simplifying the processes;
- Optimization of the relationship with the clients in order to offer them the best experience with BT.

What we accomplished:

1. Qualitative objectives:

- Banca Transilvania has become the owner of the majority shareholding (99.15%) owned by Eurobank Group at Bancpost, respectively of the shares held at ERB Retail Services IFN and ERB Leasing IFN, becoming at the end of the first semester the largest banking group in Romania;
- In 2018 Banca Transilvania focused on the integration of Bancpost, which began in April and was successfully completed in December when the two banks merged. In addition to the merger between Banca Transilvania and Bancpost, the merger between BT Leasing and ERB Leasing took place, a company acquired from Eurobank Group together with Bancpost and ERB Retail Services. BT Direct and ERB Retail Services, non-banking institutions having as object of activity the granting of consumer loans, will merge in the first part of 2019;
- 2018 represented for Victoriabank, the third largest bank in Moldova, both a reconfiguration of its business and strategy and also positive results. During this first year, a reorganization plan of the bank was applied, by implementing in Victoriabank BT's best practices on customers, products and services, technology and team, therefore the positive results have emerged. Thus, the expansion of the BT business model in the Republic of Moldova through Victoriabank brought many benefits in 2018, among which we mention: the number of clients grew by almost 10%, reaching over 620,000, the portfolio of loans for individuals increased by 26% reached MLD 844 thousand, amounting to approximately RON 211 thousand. Victoriabank also realized an increase regarding the cards: the number of cards issued in 2018 compared to 2017 increased by 30% and reached approximately 310,000 cards;
- Banca Transilvania continued in 2018 its sustained organic growth, based on lending to companies and the population. BT continued to support the Romanian entrepreneurs and the local economy, generating added value for the shareholders, customers and team. The SMEs loan portfolio (SMEs according to the European definition) reached RON 15.5 billion and the balance of mortgage /real estate loans reached RON 11 billion;
- During 2018 BT continued its investments in digitalization. Thus, in January, BT Pay, the first wallet application in Romania, was launched. During a period of 10 months, 12 features for BT Pay were developed - as well as features for managing money and cards

24/7, such as: contactless payments, money transfer, monitoring the purchases made with the card on categories, permanent or temporary blocking of the cards, etc.;

- In 2018 the Bank also launched BT Store - an online hub of non-banking solutions for entrepreneurs, complementing the banking ones. This hub is dedicated to the 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;
- 125 BT units, spread across the whole country, were refurbished during 2018 to offer customers the best experience with BT, consolidating the brand of Banca Transilvania as a strong Romanian brand and positioning it as a SME's Bank;
- The increase of the loans portfolio quality, measured by the non-performing loan ratio as defined by EBA (NPE ratio): 4.97% at the end of 2018, compared to 6.03% at the end of 2017;
- BT moved up 50 positions in the Brand Finance Banking 500 2019 ranking, published by The Banker, registering a 39% increase of the brand value, up to USD 242 million, respectively of the rating from A+ to AA, compared to 2018. Banca Transilvania is the only Romanian banking brand on the ranking published this year.

In 2018, the Bank obtained scores above the average in terms of the satisfaction indicator, calculated internally, based on the feedback received from the customers of Banca Transilvania (52,413 customers submitted their feedback via telephone and 9,358 via e-mails). The customers have been included in the Satisfaction Surveys, after they have interacted with one of BT's agencies/ branches.

Therefore, we mention:

-NPS BT (Level of Recommendation for the Bank) *: 73.62

-Average Indicator regarding the Quality of the Services Provided by the Employees (Human Interaction)**: 9.59

-Average Indicator products and processes (degree of satisfaction and ease of operating) **: 9.24

-Average Indicator assessed unit aspect **: 9.50

-Average Indicator general collaboration with BT **: 9.30

* The recommendation Score (NPS) can range from -100 to +100;

** The average satisfaction indicators can range from 1 to 10.

The external study regarding the recommendation level of the Bank (the NPS study) was realized in 2018 by the agency Kantar Millward Brown. As in the previous year, Banca Transilvania ranked second regarding the recommendation score, both on the residential and corporate sectors. It also emerged that BT's recommendation score was higher than the market average and exceeded that of other comparable banks.

2.Operational/IT performance:

- 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;
- The preparation and migration through consolidation of the Bancpost IT systems;
- The preparation and migration through consolidation of the IT ERB Leasing systems with BT Leasing;
- The development of 12 features for BT Pay, all to help customers to manage easily and 24/7, with their mobile phone, their cards and money, offering them extra comfort and mobility;
- Launching a new online communication channel, called “Raul de la BT”. It ensures an easy communication of the entrepreneurs with the Bank, through Facebook Messenger or Skype.

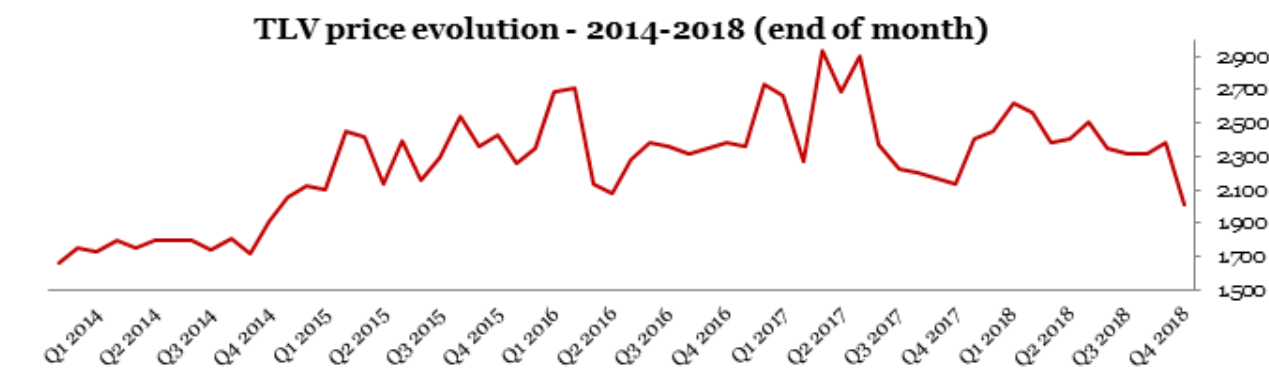
3.Quantitative objectives:

INDICATOR	BUDGET	ACTUALS
Total Assets	RON 73.84 billion, increasing with 25% vs. 2017	RON 74.12 billion, increasing with 25% vs. 2017
Gross profit	RON 1,700.67 million	RON 1,642.45 million, lower with 3% vs. budgeted value for 2018
Deposits from customers	RON 60.17 billion, increasing with 23% vs. 2017	RON 62.52 billion, increasing with 27% vs. 2017
Loans to customers	RON 39.46 billion, increasing with 25% vs. 2017	RON 38.82 billion, increasing with 23% vs. 2017
Total equity	RON 7.34 billion	RON 7.41 billion, increasing with 6% vs. 2017
Cards issued at the end of the year 2018	3.5 million cards	RON 3.74 million cards
Loan / Deposit ratio	0.66	0,62
Investment budget	RON 392 million (VAT included)	RON 213.14 million, (VAT included)

Based on the total assets, the market share increased to 16.4% as at the end of 2018, Banca Transilvania becoming the first bank of the Romanian banking system.

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

The evolution of the Bank's shares, during January 2014-December 2018, is presented in the chart below:



New Strategic Objectives

Qualitative 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;

Quantitative objectives:

- Total assets: 7.9% increase;
- Total loans, gross: 7% increase;
- Total deposits from customers: 8.1% increase;
- Cost/Income ratio: 51%; Cost/Income ratio w/o "asset tax": 47.3%;
- Loans/Deposit ratio: 61.5%.

Development Plan for 2019

Investment budget for 2019 (RON million)	
Buildings – agencies and branches	69.33
Investments IT and cards, of which:	112.45
<i>Hardware IT</i>	25.80
<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	20.80
Special projects	37.88
Total Investments RON million, VAT included	286.22

Projections of the Financial Position and Profit and Loss Account for 2019

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 7.9% for total assets as compared with previous period (up to RON 79.972 million). The structure of assets is envisaged to comprise a weight of 51.9% of gross loans, a weight of 19.7% of cash and cash equivalents and a weight of 28% 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 84.5%.

The 2019 revenue and expenditure budget indicators that are subject of GSM approval are designed in such a way as to support the business objectives and are correlated with the specific prudential and regulatory legislation requirements.

The elements of the Statement of Financial Position and of the Profit and Loss Account forecasted for 2019 are presented below:

Statement of Financial Position (RON mil.)	Budget proposal 2019
Cash and cash equivalents	15,753
Investment securities	22,362
Loans and advances to customers (gross)	41,545
Loans provisions	(2,511)
Fixed assets	1,493
Equity investments	538
Other assets	793
Total assets	79,972
Deposits from customers	67,558
Loans from financial institutions	1,402
Subordinated liabilities	1,681
Other liabilities	1,607
Total liabilities	72,248
Total equity	6,525
Profit/Loss for the year	1,198
Total equity	7,724
Total liabilities and equity	79,972

Profit and Loss Account (RON mil.)	Budget proposal 2019
Interest income	3,120
Interest expenses	(428)
Net interest income	2,691
Net commission income	711
Net trading income	313
Contribution to the Guarantee Fund	(100)
Other income	95
Total Income	3,711
Personnel expenses	(886)
Other operating expenses	(545)
Depreciation and amortization	(284)
Other liabilities	(176)
Total Expenses	(1,891)
Net impairment charges	(377)
Profit Before Tax	1,443
Income tax	(245)
Net Income	1,198

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

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

Management Report

Macroeconomic Climate

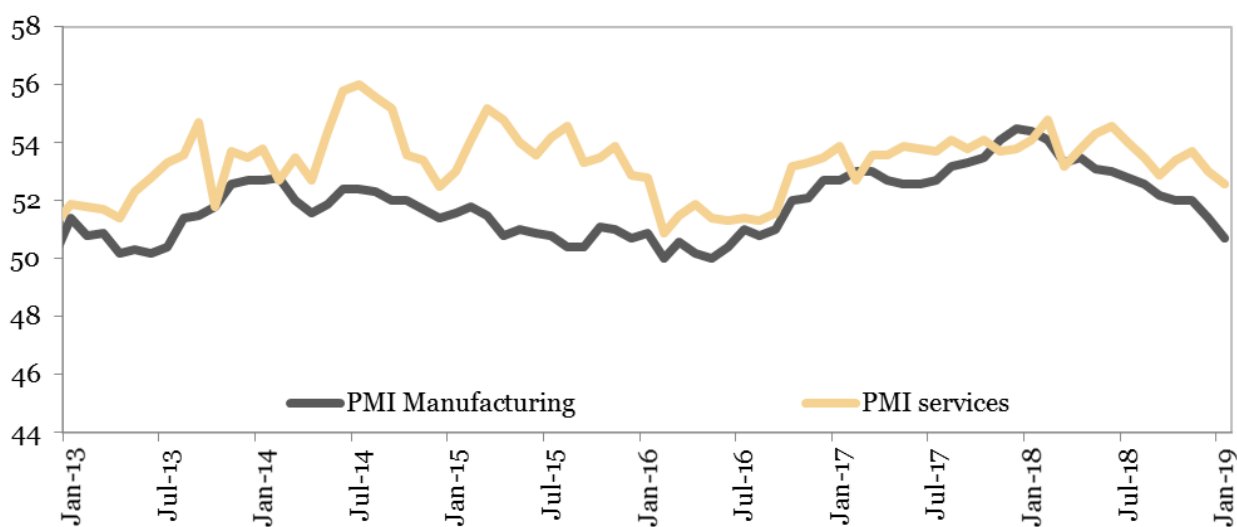
In 2018 the global economy was confronted with the escalation of the trade tensions, the divergences among the main countries and the deterioration of the climate on the international financial markets.

The YoY dynamics of the global GDP decelerated from 3.8% in 2017 to 3.7% in 2018, according to the preliminary estimates of the International Monetary Fund.

There can be noticed the pronounced deceleration during second half of last year. According to the Purchasing Managers' Index (PMI) Composite indicator (computed by JPMorgan and Markit Economics) in December the global economy grew by the slowest pace since the autumn of 2016.

On the one hand, the manufacturing was negatively influenced by the deterioration of the global trade. On the other hand, the services sector was confronted with the maturity phase of the post-crisis investment cycle.

PMI indicators in the global economy (points)



Source: Bloomberg

There can be noticed the acceleration of the US economy, determined by the implementation of the fiscal reform and by the affordable level of the real financing costs. The first economy of the world (representing 25% of the global GDP) rose by around 3% YoY in 2018, as the fixed investments accelerated, with spill-over impact.

On the other hand, the YoY growth pace in Euro Zone (the main economic partner of Romania) diminished from 2.4% in 2017 to 1.8% in 2018 (the slowest since 2014), according to the preliminary estimates published by Eurostat. This evolution was influenced by several factors: the global trade tensions, the fading out of the unprecedented expansionary monetary policy implemented by the European Central Bank and the accumulation of challenges in terms of European economic integration (Brexit, the euro-scepticism and the weakening stance of the public finance in Italy).

At the same time, the GDP of China (the second economy of the world) rose by only 6.6% YoY in 2018, the weakest pace since 1990.

As regards the financial side of the economy there can be noticed the increase of the financing costs, due to the continuity of the post-crisis monetary cycle in USA (the Federal Reserve hiked the policy rate by 1pp in 2018), with spill-over effect on the global markets.

On the other hand, the stock markets adjusted last year, being noticed the decline during December (the most severe since the Great Depression), determined by the deterioration of the macroeconomic outlook in the short-run (the end of the post-crisis cycle).

In 2018 the S&P 500 index contracted by 6.2%, while the pan-European Dow Jones Stoxx 600 declined by 13.2%.

The Romanian economy grew by 4.1% YoY in 2018, slowing down from 7% YoY in 2017, according to the preliminary estimates of the National Institute of Statistics.

The deceleration process (in convergence towards potential) was determined by the normalisation of the private consumption and by the challenges in terms of the investment climate, in a context dominated by the maturity of the European economic cycle and the incidence of several domestic factors: the acceleration of inflation, the deterioration of the macroeconomic equilibria and the aggressive state intervention in the economy.

The main macro-financial indicators	2014	2015	2016	2017	2018
GDP (% YoY)	3.40	3.90	4.80	7.00	4.10
Inflation RO standards (% YoY, average)	1.07	(0.59)	(1.53)	1.34	4.64
Unemployment rate (% average)	6.80	6.83	5.88	4.93	4.17
NBR policy rate (% eoy)	2.75	1.75	1.75	1.75	2.50
ROBOR (3M) (% average)	2.53	1.33	0.78	1.15	2.77
ROBOR (6M) (% average)	2.84	1.58	1.04	1.34	2.99
EURIBOR (3M) (% average)	0.21	(0.02)	(0.26)	(0.33)	(0.32)
EURIBOR (6M) (% average)	0.31	0.05	0.17	(0.26)	(0.27)
EURO/Lei (eoy)	4.4821	4.5245	4.5411	4.6597	4.6639
USD/Lei (eoy)	3.6868	4.1477	4.3033	3.8915	4.0736
EUR/USD (eoy)	1.2141	1.0887	1.0541	1.1993	1.1450

* Institutul Național de Statistică, Banca Națională a României, Banca Centrală Europeană, Eurostat

On the one hand, the dynamics of the private consumption (the main component of the GDP) decelerated in 2018, given the fading out of the impact of the New Fiscal Act and the acceleration of inflation.

On the other hand, the evolution of the fixed investments was unfavourable influenced by the maturity of the post-crisis cycle (global and European), the intensification of the cost pressures and the accumulation of risks in terms of macro-financial stability in Romania. Last, but not least, the net foreign demand continued to have an unfavourable contribution to the YoY dynamics of GDP in 2018.

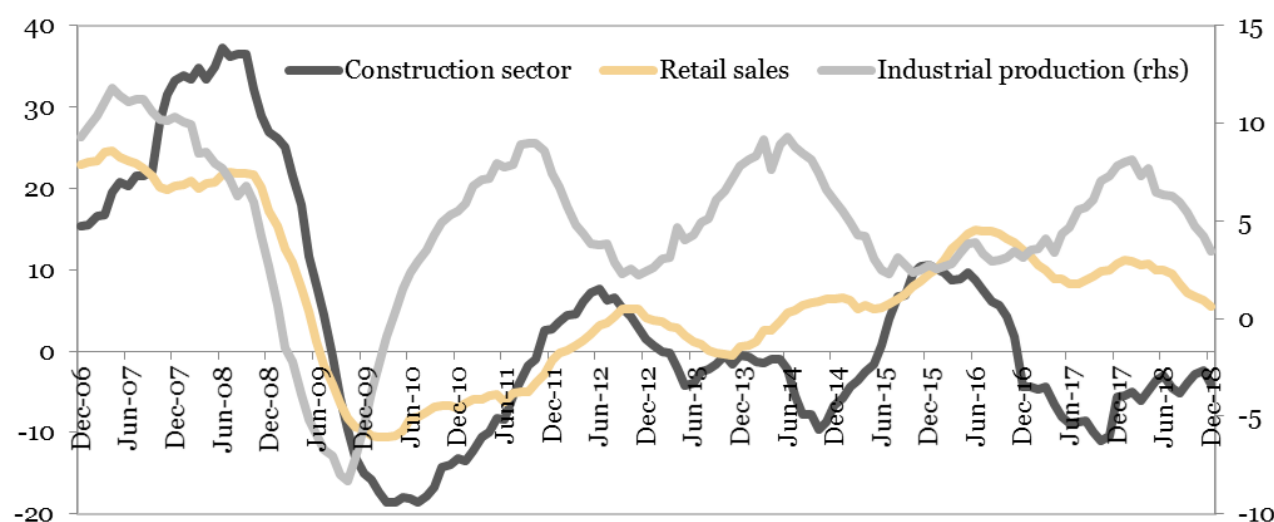
The net foreign demand continued to have an unfavourable contribution to the YoY dynamics of GDP in 2018.

As regards the aggregate supply there can be noticed the slowing-down of the domestic industry (from 7.8% in 2017 to 3.5% in 2018), given the incidence of several factors: the deceleration in the Euroland, the deterioration of the international competitiveness and the domestic macro-financial uncertainties.

At the same time, the YoY dynamics of the retail trade decelerated from 10.8% in 2017 to 5.4% in 2018, due to the slowing-down of the real disposable income of the population.

Last, but not least, the constructions (capital and labour intensive sector) continued the decline in 2018 (for the third year in a row), given the divergence between the contraction of the residential component and the increase of the civil engineering.

The main economic sectors (MA12, %, YoY)



Source: National Institute of Statistics (NIS)

As regards the labour market the climate continued the improvement trend in 2018: the average annual unemployment rate diminished to 4.2%, the lowest level since the 1990s.

Overall, in 2018 Romania continued to be among the EU countries with the highest dynamics of the GDP, an evolution influenced by the persistence of an expansionary policy-mix.

However, the risks in terms of macro-financial stability intensified in Romania last year.

On the one hand, average annual inflation accelerated from 1.3% in 2017 to 4.6% in 2018, the highest level since 2011, given the incidence of supply-side shocks.

On the other hand, the current account deficit continued the widening trend in 2018, to around 5% of GDP, the highest since 2012.

At the same time, the budget deficit/GDP maintained close to the 3% limit of the Stability and Growth Pact.

The acceleration of inflation and the accumulation of risks in terms of financial stability determined the National Bank of Romania (NBR) to hike the monetary policy rate from 1.75% to 2.50% in 2018.

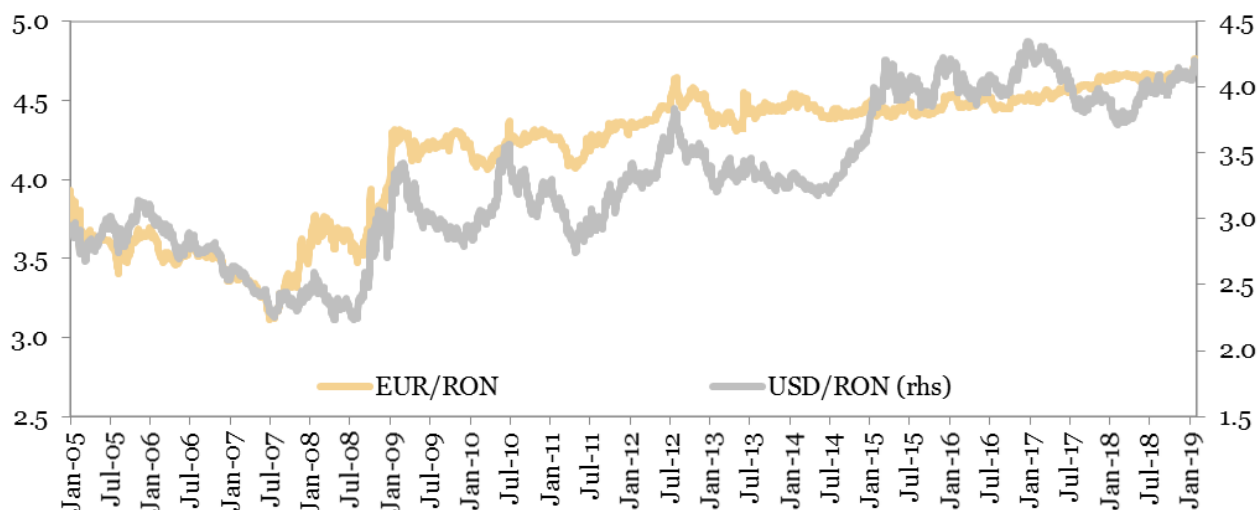
The dynamics on the international financial markets and the domestic challenges in terms of macroeconomic equilibria were the main factors supporting the increase of the financing costs in Romania in 2018.

At the end of last year 3M ROBOR and 6M ROBOR stood at 3.02% and 3.30%, respectively, up by 47.3% and 45.4% ytd.

Furthermore, the yield curve continued the upward movement in 2018, an evolution influenced by the increase of the global financing costs and by domestic factors: the acceleration of inflation and the challenges in terms of macroeconomic equilibria. The annual average yield for the 10YR Bonds (a barometer for the financing cost in the economy) stood at around 4.7% in 2018 in Romania, higher by 1.8 pp and 4.3 pp compared with the levels in US and Germany.

At the same time, the EUR/RON continued the upward trend in 2018, due to the volatility on the international financial markets and to the domestic factors: the deterioration of the macroeconomic equilibria and the aggressive state intervention in the economy. The EUR/RON fluctuated in the interval (4.6206 – 4.6695) at the NBR reference, with an annual average level of 4.6535 (a record high), up by 1.9% YoY.

EUR /RON vs. USD/RON



Source: National Bank of Romania (NBR)

Last, but not least, the risk perception on the domestic stock market intensified in 2018, due to the adjustments on the global markets and to the decisions of the Administration to introduce a special tax on banking, energy and telecom sectors starting 2019. BET index contracted by 14.8% in December and by 4.8% in 2018.

Romanian Banking Sector

According to the statistics of the National Bank of Romania (NBR) the financial performance of the Romanian banking sector continued the improvement trend last year.

This evolution was determined by the acceleration of the loans (due to the dynamics of the economy around potential and to the affordable level of the financing costs) and by the decline of the non-performing loans.

The non-government loans accelerated last year, an evolution supported by several factors: the positive climate on the labour market, the First House Program, the affordable level of the real financing costs and the improvement of the supply of banking services.

The figures of the National Bank of Romania show the increase of the non-government loans by an annual average pace of 6.6% in 2018. This evolution was determined by the advance of the RON loans by 14.8% YoY on average. On the other hand, the FX denominated loans contracted by 5.7% YoY.

There can be noticed the increase of the household loans by 9.4% YoY on average, an evolution influenced by the improvement of the real disposable income of the population and by the First House Program.

The corporate loans advanced by only 3.7% YoY on average in 2018, given the accumulation of challenges for the investment climate.

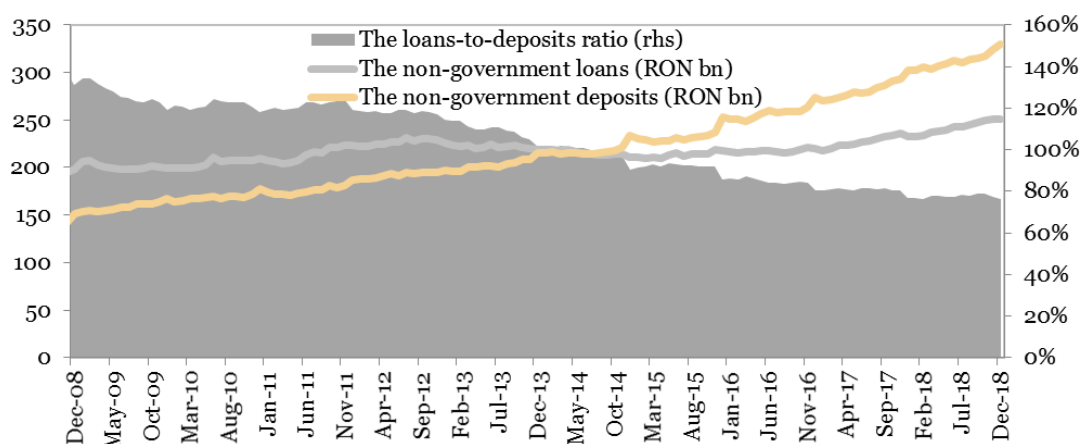
At the end of 2018 the non-government loans stood at RON 251.1bn (a record high level), up by 7.9% YoY.

The NBR statistics also show the continuity of the upward trend for the non-government deposits in 2018, due to the increase of the disposable income, the prudent investment approach of the companies and the gradual increase of the interest rates. According to NBR data de non-government deposits stood at RON 329.7bn at the end of 2018 (a record level), up by 9% YoY.

Last year the non-government deposits rose on average by 10.8% YoY: the household and corporate components climbed by 10.9% YoY and 10.6% YoY, respectively.

Consequently, the loans-to-deposits ratio continued the downward trend in 2018, to 76.2% at the end of 2018 (a record low level).

Non-government loans and deposits



Source: BNR

The non-performing loans continued the downward trend in 2018, towards 4.95% in December. Last year this indicator presented an average level of 5.71%, down from 8.42% in 2017.

In this context, the average volume of the total assets in the Romanian banking sector stood at RON 440.7bn in 2018 (a record high level), up by 8.4% YoY.

The banking sector had an aggregate net profit of RON 7bn in 2018 (a record level), up by 32.5% YoY (the ROA and ROE stood at 1.59% and 14.85%, respectively).

Performance of Banca Transilvania Financial Group

Banca Transilvania's operating efficiency continued to follow a positive trend, with higher volumes of operations and lower costs for customers.

The individual and consolidated financial statements are prepared in accordance with the International Financial Reporting Standards adopted by the European Union (NBR Order no. 27/2010, as subsequently amended and supplemented).

Statement of Financial Position of the Bank and Group

BT ended the year 2018 with total assets amounting to RON 74,119 million, notably 25% higher compared to 2017. Gross loans to customers increased with 23% as compared with 2017, while customer deposits grew by 27%. The Bank exceeded the budgeted total assets with 0.4%. At consolidated level, the total assets amounted to RON 77,897 million.

BT's statement of financial position at the end of 2018 is presented below:

	BANK				GROUP		
(RON million)	Realised 2018	Budget 2018	Realised 2017	Δ 2018/ 2017	Realised 2018	Realised 2017	Δ 2018/ 2017
	(1)	(2)	(3)	(4)=(1)/ (3)-1	(5)	(6)	(7)=(5)/ (6)-1
Loans to customers	38,815	39,459	31,469	23%	40,490	31,897	27%
Loans provisions	(2,459)	(2,370)	(1,732)	42%	(2,673)	(1,825)	47%
Cash and cash equivalents	13,515	11,223	11,940	13%	16,055	11,986	34%
Securities	21,989	23,689	16,116	36%	22,044	16,096	37%
Fixed assets	1,274	1,253	690	85%	877	767	14%
-Property and equipment and intangible assets	736	730	533	38%	877	767	14%
-Investments in associates	538	523	157	243%	0	0	
Other assets	985	584	819	20%	1,104	884	25%
Total assets	74,119	73,838	59,302	25%	77,897	59,805	30%
Total equity	7,411	7,340	6,970	6%	7,880	7,140	10%
Subordinated loan	1,652	1,736	415	298%	1,655	415	299%
Deposits from customers	62,522	60,171	49,099	27%	65,160	48,932	33%
Deposits from banks	1,393	2,866	1,228	13%	1,899	1,615	18%
Other liabilities	1,141	1,726	1,590	(28%)	1,302	1,703	(24%)
Total liabilities and equity	74,119	73,838	59,302	25%	77,897	59,805	30%

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.

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.

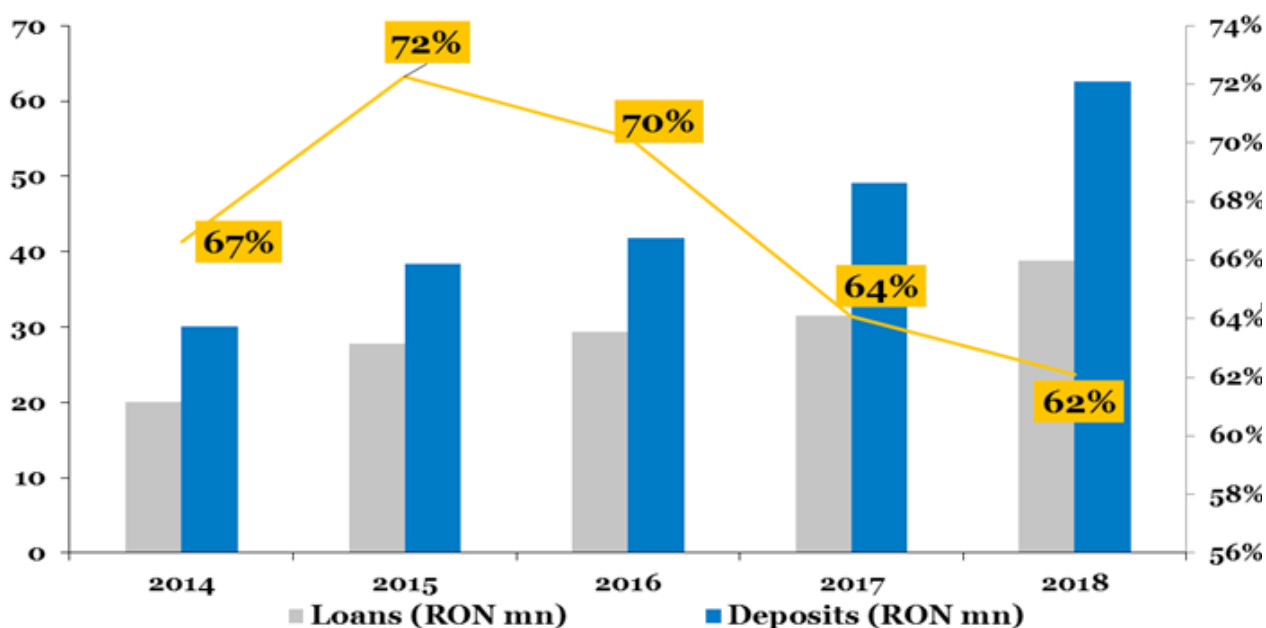
Cash and cash equivalents: at the end of 2018, the liquidity ratio is 54.15%. Cash and cash equivalents in amount of RON 13,515 million are 13% higher compared to the previous year and above the minimum acceptable level required to cover liquidity risk. Cash and cash equivalents consist of mainly cash 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.

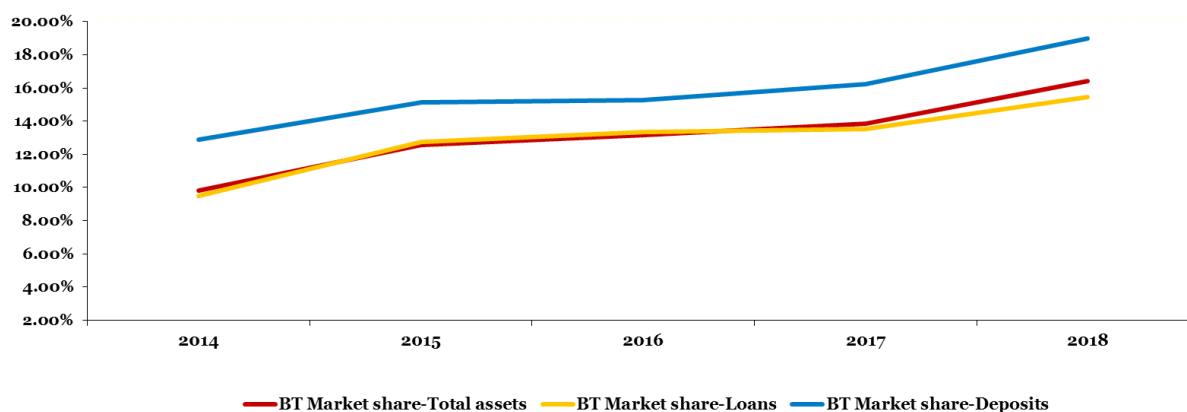
Customer deposits: Deposits increased significantly by 27% vs. the previous year, being above the 9% general growth rate recorded at the banking system level. As at December 31, 2018, 67% of customer deposits are retail deposits, while 33% represent company deposits.

Loans and Deposits 2014-2018



Market share calculated based of total assets is 16.4% as at 31.12.2018. The Bank's position in the banking system from the point of view of total assets, loans and deposits is the following:

BT Market Share Evolution



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).

At 31.12.2018 the Group had on its balance RON 38,558 thousand representing the value of own shares (22.7 million shares), while BT had on its balance the amount of RON 23,271 thousand representing the value of 10 million own shares. Banca Transilvania repurchased the shares with the purpose of granting them as remuneration to the employees.

In 2018, the Bank did not acquire own shares with the purpose of disposal for consideration.

Statement of Profit and Loss of the Bank and Group

Items in the statement of profit and loss for the year ended 31 December 2018, as compared with the previous year and budgeted figures are underlined below:

	BANK				GROUP		
(RON million)	Realised 2018	Budget 2018	Realised 2017	Δ 2018/ 2017	Realised 2018	Realised 2017	Δ 2018/ 2017
	(1)	(2)	(3)	(4)=(1)/ (3)-1	(5)	(6)	(7)=(5)/ (6)-1
Total operating income	3,593.98	3,940.02	2,649.18	36%	3,945.46	2,890.59	36%
of which							
- Net interest income	2,477.91	2,539.30	1,808.45	37%	2,749.55	1,890.82	45%
-Net commission income	694.67	706.34	554.67	25%	777.71	600.51	30%
Operating expenses	(1,792.57)	(2,059.37)	(1,272.03)	41%	(2,034.29)	(1,418.75)	43%
Operational result	1,801.41	1,880.65	1,377.15	31%	1,911.17	1,471.84	30%
Gain from acquisition	71.83	28.13			160.08		
Net impairment	(230.79)	(208.10)	1.35		(364.42)	(29.22)	1147%
Gross profit	1,642.45	1,700.67	1,378.50	19%	1,706.83	1,442.62	18%

The gross profit of Banca Transilvania as at the end of 2018 is RON 1,642.45 million, while the Group profit is RON 1,706.83 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.

The Bank continued the program for performance rewarding, the Stock Options Plan, based on which the employees with good performances may exercise their right and option to purchase a number of shares issued by the Bank. The granting terms and conditions are related to the achievement of performance/prudential ratios in 2018, as well as the accomplishment of certain individual eligibility and/or performance criteria, in accordance with the applicable remuneration policy related to the year for which shares are granted. The program generated both for the Group and for the Bank expenses worth of RON 66.7 million, equivalent of 25,018,125 shares.

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.

Banking Prudential Ratios

Among the significant ratios monitored by the National Bank of Romania through the prudential monitoring system, the most significant to assess the Bank evolution are presented below:

Ratio	Level	BT Level 31.12.18	BT Level 31.12.17
Liquidity ratio	Min =1	2.00-18.11	2.50-25.23
Capital adequacy ratio(CAR)*	> 8%	21.53%	19.21%

Note: *CAR was computed taking into account the net profit as at 31.12.2018 (without profit, this ratio is 18.59%).

The solvency ratio is at a comfortable level of 21.53%, with the annual profit included. An adequate level of the capital and the general financial ratios was maintained, in line with the banking prudence principles.

Business Lines Performance

The year of 2018 was characterized by the continuation of the strategy of supporting the Romanian entrepreneurship, on all levels of economic agents, from microbusiness to multinational corporations. In fact, 2018 represents the year in which the internal segmentation on business lines implemented in 2017 was validated, all business lines recording profit for the end of the year.

The evolution of the client base

The number of active clients per business lines increased in 2018 by 17% as compared to the previous year being structured as follows:

BT active customers *	31.12.2018	31.12.2017	2018/2017
Large Corporate Customers	1,365	1,315	3.8%
Mid Corporate Customers	7,929	7,349	7.9%
SME Customers	17,700	14,231	24.4%
Micro Business Customers	256,972	211,849	15.8%
Retail customers	2,560,651	2,183,335	17.3%
TOTAL	2,844,617	2,428,079	17.2%

* The classification of legal entities within business lines is regulated by internal rules

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.

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, 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 24/7 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.

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 in the Group consists mainly in:

- The organization of a proper system of norms and procedures in this field, is 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 as 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 a more 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.

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 an accurate picture, in all significant aspects, of the separate and consolidated financial position, as well as of the separate and consolidated results and the separate and consolidated cash-flows, according to the International Financial Reporting Standards, endorsed by the European Union.

The Management of Human Resources

The total number of employees 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).

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.

The merger project Bancpost-Banca Transilvania “Emerald” - the most important project of 2018. Human Resources Department, strategic partner.

In April 2018, Banca Transilvania signed the merger with Bancpost, ERB Retail Services and ERB Leasing agreement, thus becoming the major shareholder of these entities. From the human resources activities flow perspective within the project, there were some major elements, as follows:

- Ensuring the continuity of Bancpost's activity until the merger;
- Keeping the Bancpost employees until the end of 2018 was considered to be critical for the successful completion of the necessary merger activities within all departments involved;
- Keeping after the merger of the Bancpost employees considered to be “key talents”;
- Priority recruitment from Bancpost for Vacancies at Banca Transilvania;
- Ensuring a permanent, professional and authentic dialogue with the representatives of the Bancpost Trade Union and its employees in general;
- Avoiding work conflicts.

The integration of human resources has been of critical importance for Banca Transilvania, to secure the talents identified in the Bancpost team and to integrate them into the future structures of Banca Transilvania, as well as to maintain the critical resources for the continuous and optimal operation, until the completion of the merger. The rigorous planning and complete execution of all the steps were of critical importance in order to minimize the employees' demotivation and the negative public perceptions. In the process of integrating the human resources, it was also extremely important to approach properly the differences between the two organizations at the level of: compensation and benefit policies, organizational structures, units/ headquarters and organizational culture, the latter being one of the focus points for 2019.

During the project period, April - December 2018, the internal project team was composed of:

- Human resources “Ambassadors” from Banca Transilvania, detached in Bancpost - 4 persons;
- Involvement of several HR colleagues from Banca Transilvania and Bancpost in the project, approximately 20 people, in various positions: recruitment, administrative, payroll, training, compensation and benefits, etc.

Throughout the entire period of the project, cross-feedback tools, real-life assessment centers (e.g. for the CHF sub-project of converting the credits granted in CHF, when mixed teams Bancpost - Banca Transilvania worked together), internally developed digital platforms (e.g.: the “volunteer exit” management platform, onboarding/training platform).

It is worth mentioning the magnitude of the project, with two large organizations, one with over 7,800 employees and one with ~ 2,000 employees. The optimal communication based on trust and mutual respect with the Bancpost trade union and with other Bancpost’s colleagues, led to advantageous solutions implemented for employees, who had a five-six months buffer period to prepare their next career steps, avoiding dismissals and running exclusively the voluntary exit program.

The merger between Banca Transilvania and Bancpost was successfully completed on December 31, 2018, and actions and objectives have been established to ensure the sustainability of the results, which continue to be monitored, until the end of 2019.

Recruitment

For the recruitment activity, the year 2018 was a challenging one, the fluctuation rate of the staff being 14.01%. The total volume of recruitment activities reached 5,262, out of which 1,165 were recruited from exterior sources and 4,097 were internally recruited (transfers and promotions).

In order to grow the BT employer’s brand, in 2018, we signed the first promotion agreement with LinkedIn and created the first employer page of Banca Transilvania on this platform, which represents the number one professional networking option in social media. The outcome of this action resulted in: an increase regarding the visibility of vacancies in BT, improving the quality of applications received and easier access to specialists, both banking and IT specialists, one of the main tools used in recruitment last year being the direct, pro-active (head-hunting) approach of experienced candidates.

Given the need to hire new colleagues in specific areas in the Bank, combined with a continuing need to launch the opportunities we have in the Bank, we continued to organize internships as part of the recruitment process to ensure best talents, carefully selected and prepared.

The Bank’s internship program runs under the BT Journey brand and, thanks to its success over the past two years, BT together with BT Club, managed to obtain EU funding in 2018 to finance the project: “Take the first step towards a successful career “, amounting to EUR 480,000.

The purpose of this project is to increase the employability rate of 240 students from the North-West, West, Center, North-East, South-East, South-West-Oltenia and South-Munte-
nia areas by participating in training (learning-by-doing) programs, directly at the work-
place, both in the Banking and IT fields.

Internship in the IT and BT Digital Transformation departments

During July-September 2018, we had 2 internship programs, comprising a total number of 15 students with technical background/IT. The students had the chance to participate at an internship in the IT and BT Digital Transformation departments.

The whole program was a success. As resulted from the feedbacks received, the students were able to accumulate many valuable knowledge and information, destined to prepare them for a smooth and easy integration, when employed.

Internship for students with economic background

During November-December 2018, we also organized an internship for 55 students with an economic background.

- The students had the opportunity to learn banking -theory and practice- from Banca Transilvania's team, within branches, units, or BT Headquarters.
- Internship period: 3 weeks.

The solutions proposed in this project were: the development of partnerships between employers and universities, dissemination of good practices and the information, counseling and career guidance of the selected students.

BT Collaboration – academic environment

- In October, BT signed collaboration agreements with the 11 universities in the project (Cluj, Arad, Timisoara, Oradea, Sibiu, Brasov, Targoviste, Iasi, Bacau, Craiova, Constanta).
- 15 october – 5 november we ran an important promotion campaign in universities - 4 Human Resources Department consultants visited each university.
- 15 October - 12 November: 60 students from all 11 university were selected for the economics/banking internship.
- November 26 - we started the internships in banking - 3 weeks duration

The press release on BT practice, posted on BT's website on October 19, 2018, was accessed in one day, by 441 users. The program was promoted in mass-media, articles about it were published on Ziarul Financiar, Săptămâna Financiară (<https://www.sfin.ro/actualitate/comunicate-de-presa/stagii-de-practica-remunerate-la-bt-pentru-studenti/>), Fiinzoom (<http://www.finzoom.ro/articole/comunicat-presa/stagii-de-practica-r~33ab5673-86da-4444-9321-e73e37bea385/>), BankingNews (<http://www.bankingnews.ro/stagii-de-practica-banca-transilvania.html>), etc.

Between July and October 2018, we received more than 600 student applications following

the promotion of the program at “Internship@btrl.ro”.

The above mentioned actions have once again been validated by the success of BT’s internship programs in 2018.

Professional Development

The year 2018 was a challenging year in terms of professional development. In the context of the many changes that both the banking market and the labor market have crossed, Banca Transilvania has played a key role in the professional development of its employees. Several programs and projects have been developed, in order to bring added value to both employees and the organization.

- In February 2018, we launched the first comprehensive training program for new managers in BT - First Time Manager. This program has developed from the need of building a common language and values for all colleagues who are at their first management experience, addressing three basic components: Communication, Coaching, “Care”
- In April 2018, the old eLearning platform of the bank was replaced by the Oracle’s Taleo Learn solution (a complete solution for delivering, tracking, managing and reporting of the learning programs). From the launch date to the end of the year, we had more than 3,000 colleagues accessing the platform, more than 2,100 colleagues completed minimum one course on the platform and we registered over 48,000 course promotion records.

In the digital learning area, over 97 new courses and over 90 video tutorials have been developed.

- In May 2018, the most extensive development program dedicated to experienced managers from Banca Transilvania (Managers, Deputy Managers, Regional Manager from the Network and Headquarters) - BT DEP - BT Managers’ Exchange Program was launched. The whole program was a success, having over 210 colleagues registered and numerous requests to continue the program in 2019.
- In October (October 2-5, 2018) we organized the biggest event dedicated to BT Group employees, colleagues from Bancpost and Victoriabank - BT Con(vention). BT Con was thought as a festival exclusively dedicated to BT employees, which includes the “fun” component, the team-building component as well as the learning and social responsibility components. The project was one of the biggest challenges Banca Transilvania undertook in 2018. The whole project enjoyed a big success among colleagues in BT with more than 2,800 participants.

Organizational Climate

The Human Resources Department aims to offer a superior experience to colleagues by making Banca Transilvania a valued workplace, where employees work with pleasure and feel that they develop both professionally and personally.

To achieve this goal, the largest evaluation study regarding the employees satisfaction level was launched in June last year - BT Employee Experience Index (BT EEI) The study

was based on three main objectives: measuring the Net Promotion Score by the employer (eNPS), measuring the quality of the interaction between managers and the members of the team they coordinate, and collecting proposals/recommendations that would increase the employees satisfaction. This initiative resulted in a series of changes that improved significantly the organizational climate (according to the results obtained in the second measurement of the same study).

Performance Evaluation

In 2018, the evaluation process was managed on the BTHuB platform and had the following objectives: to develop and implement a performance management system for the employees of Banca Transilvania that allows real-time feedback in an interactive way; simplifying the performance assessment process; increasing the commitment, motivation, results and professionalism of both BT employees and managers and customization by positions/roles.

In 2018, the performance management process was developed and implemented in VictoriaBank.

Between June 19th and August 31st, Victoriabank's performance assessment program for the previous year was carried out for the first time, based on a system of behavior-individual and budgeted objectives, aggregated and set for all employees.

Benefits

The well-being of BT team was and remains a priority for the bank management, as a basis for the "human banking" concept that the Bank aims for, in order to motivate employees and to become a working place where all colleagues have the opportunity to learn, grow and feel good as part of the team.

Thus, following the proposals received from our colleagues, flexible working hours were introduced in 2018.

The Screening Life Saving Program - developed and run with our partner: Regina Maria Clinics Network, is a program to prevent the most common types of cancer. The program is offered to every employee of the Banca Transilvania Financial Group and consists of free access, once every two years, to tests and early detection investigations of the most common types of cancer: cervix, breast, skin and colon - for women, respectively, of colon, skin and prostate cancer- for men. This unique program in Romania, has been running in Banca Transilvania for 20 months, with 2.404 employees accessing the program so far. The results are overwhelming:

- **645 medical cases have been discovered in early stages of cancer**, thus painful operations, chemotherapy or radiotherapy treatments, dramatic decrease in the quality of life, amputations, irreversible and negative health status, have been avoided;
- **67 medical cases** have been diagnosed with malignant disease already installed which have been taken over and monitored by dedicated physicians.

The conclusion of the doctor coordinating the program: "Banca Transilvania saved 645 lives and contributed to the extension and preservation of a better quality of life for 67 other colleagues".

Remuneration Policy

The Remuneration Policy is approved by the Board of Directors. The Bank ensures a fair and competitive remuneration, with strict correlation to the skills and performance, with two components, properly balanced: the fixed component and the variable component.

The fixed remuneration reflects the relevant professional experience and the organizational responsibility as set out in the employee's job sheet, as part of the terms of employment. The fixed remuneration is sufficiently consistent and represents a sufficiently large proportion of total remuneration so as to allow the application of a fully flexible policy on variable remuneration components, including the possibility of not paying any of its components.

The variable remuneration reflects a sustainable and risk-adjusted performance, as well as a performance that exceeds the performance required to meet the employee's job description as part of the employment terms. The variable remuneration is not automatically guaranteed or carried over, from one year to another. The distribution mechanism of the variable remuneration component does not guarantee amounts to be paid over several years. Thus, the variable remuneration is subject to an annual, fair, review process.

The Bank identified the persons that compose the specified group (identified personnel of the Bank) considering the requirements of the NBR Regulation no. 5/2013, EU Regulation no. 575/2013, EUR Directive no. 36/2013 and EU Delegated Regulation no. 604/2014.

Social Responsibility and Environmental Protection

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.

EDUCATION

- Through BT Club, the bank held last year 60 conferences, seminars attended by nearly 7,000 entrepreneurs. The club members have the opportunity to learn about time management, eCommerce, communication, marketing, online, financial education, start-up and sales.
- The Bank continued the program "Bucureștiul Întreprinzător" with mentoring sessions and the presentation of famous people who were willing to share insights from their celebrity to less known entrepreneurs from Bucharest.
- BT continued its partnership with the Romanian Business Leaders Foundation, through the program "Vreau sa fiu antreprenor". More than 30 events were organized in 30 counties, where nearly 4,000 young people had the opportunity to learn directly from the entrepreneurs.
- Contribution to the growth of the EMBA University of Hull, 100% Cluj Napoca business school, with BT amongst founding members. Also, the bank offered in 2018 a EUR 15,000 scholarship, which covers both years of study, so as to encourage the young entrepreneurs.

CENTENARY OF THE UNIFICATION DAY

- Supporting the realization of the documentary Maria-Heart of Romania, which brought to light information from 11 international archives, the first color images with Queen Maria, as well as recordings with her voice.
- Supporting a symbolic event for the Romanian community from Italy: the lighting in the Romanian colours of the Trajan's Column in Rome.

SPORT

- 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.

ART AND CULTURE

- 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 throughout the country.
- Contribution to launch of the Queen Maria Album, published in a limited edition. Over EUR 200,000 for 5,000 patients were raised at the Launch Gala, who benefitted from free medical services or significant discounts in the Regina Maria Network.

SOCIAL CAUSES

- Cluj are Suflet, the largest BT social involvement project, continued to offer support to underprivileged youths to attend school, get qualified and find a job.
- The MagicPay campaign, run through the e-wallet BT Pay, through which the bank made easier the donations to MagiCamp. For each donation, the bank had its own contribution, the purpose being to help children with oncological diseases.

BT, A FRIEND TO THE ENVIRONMENT

- BT planted in 2018 the second forest near Bucharest. The action took place in collaboration with the Association “Mai Mult Verde” and over 500 people participated at this event. A surface of 3 hectares of forest was covered with 15,000 trees.
- Together with the Văcărești Natural Park Association, BT has launched a new CSR project, Ranger Urban. It is a volunteer program to participate in the park and fauna maintenance actions.

BT also pays attention to complying with environmental and social legislation in force, using appropriate environmental and social practices as relevant factors in demonstrating 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.



Corporate Governance

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 SA 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 (www.bvb.ro). Currently, there are no provisions of the Code for which compliance is not ensured by Banca Transilvania.

General Shareholders Meeting

The General Shareholders' Meeting (GSM) is the authority which ensures the strategic management of the Bank, responsible with setting up of strategic organizational objectives and the allocation of resources necessary for the fulfilment of these objectives.

The General Shareholders' Meeting represents all shareholders and its decisions, taken in compliance with the law and the provisions of the Articles of Association, shall be binding upon all shareholders, including those shareholders who have not attended the meetings.

Each shareholder is entitled to participate to the General Shareholders' Meeting, via a special power of attorney in original copy, handed over to another person, shareholder or not of the Bank, complying with the legal requirements in force. In accordance with the provisions of the Articles of Association, the power of attorney shall be submitted to the Bank five days before the date scheduled for the meeting. Legal entities are represented in the general meetings of shareholders by their legal representatives or other authorized persons, designated in accordance with their internal regulations.

The General Shareholders' Meeting shall be held at the headquarters of the Bank or in another appropriate place, made known in time through a convening notice.

The General Shareholders' Meeting shall be convened by the Board of Directors, according to the law.

The convening notice for any GSM shall be published in the Official Gazette and in one of the newspapers with national circulation and shall include the date and place of the meeting and the agenda, clearly indicating all the issues to be debated. The deadline for meeting shall not be earlier than 30 days after the publication of the convening notice.

The Ordinary General Shareholders' Meeting shall be held at least once a year, not later than four months after the closing of each financial year. In addition to the items on the agenda, such meetings shall:

- discuss, approve or modify the annual financial statements, based on the reports presented by the Board of Directors, or as the case may be, by the financial auditor as well as to determine the dividends;

- appoint and revoke the Board of Directors members;
- appoint and revoke the financial auditor and determine the minimum duration of the financial audit contract;
- determine the remuneration of the members in the Board of Directors for the current exercise, if not established in the Articles of Association;
- decide on the performance of the Board of Directors;
- approve the budget for revenues and expenditure and the activity program for the financial exercise to come;
- decide on the pledge, opening or dissolution of one or several bank units.

As concerns own share repurchase, the Board may initiate the repurchase procedure, based on EGMS decision, and under the conditions stipulated by Law no. 31/1990 and by the relevant capital market legislation. For the decisions to be valid, the Ordinary General Meetings of Shareholders require the presence of shareholders representing at least 35 % of the share capital. The decisions shall be taken with the majority of votes. On the date set for the second convening, the meeting can take place irrespective of the percentage of share capital represented by the attending shareholders and the decisions shall be taken with the majority of the present votes.

The BoD members may not vote at the ordinary General Meetings, either personally or by a power of attorney, in respect of their discharge or any aspects relating to their personal or management performance.

For an Extraordinary General Meeting to be valid, it is required the presence of shareholders representing at least 35 % of the share capital and the decisions shall be taken with the majority of the votes held by the attending or the mandated shareholders (in accordance with Article 115(2) in the Law no. 31/1990). If, upon the first convening, the above quorum is not met, a second meeting shall be held where the presence of shareholders representing at least the fifth part of the share capital is required and the decisions on the issues included in the agenda of the previous Extraordinary General Meeting shall be taken with the majority of votes held by the attending or mandated shareholders (in accordance with Article 115(2) in the Law no. 31/1990). The Board of Directors shall be obliged to convene an Ordinary or an Extraordinary General Meeting of Shareholders at the request of shareholders representing at least 5 % of the share capital. Such a request shall be made in writing and shall be motivated. If the Board of Directors does not convene a general meeting of shareholders, the competent court in the area of the Bank's headquarters will be able to order the convening appointing a person from among the shareholders to chair the meeting.

The decisions of the General Meeting shall be taken by open vote. Secret voting is mandatory for the election or the dismissal of any BoD members as well as to adopt decisions about the accountability of the members in the governing, management or control bodies.

The General Shareholders' Meeting shall be chaired by the chairman of the Board of Directors or a representative appointed by the chairman from among the BoD Members.

One to three secretaries from the attendees shall also be designated to verify the attendance, to indicate the share capital represented by each attendee, to verify the minutes prepared by the technical secretary concerning the number of shares represented at the meeting and compliance with all formalities required by the law and the Articles of Association in respect of the meeting.

Banca Transilvania shareholders dispose from all the rights awarded by the law and BT incorporation document, including Law no. 31/1990, banking and capital market legislation, within the limits established by the law and the Articles of association.

Amongst the aforementioned rights, the following are listed (non-exhaustive list):

- The right to be informed on the occasion of GSM - awarded to each shareholder; Access to the annual financial statements of the Bank, Board of Directors'/ auditors'/ censors' reports;
- The right to address written questions prior to GSM;
- The right to be permanently informed - awarded to each shareholder; Access to the GSM's Debates Registry and to other incorporation documents within the limits of the law;
- The right to vote - any shareholders, based on the principle one share - one vote;
- The right to dividends, if the legal requirements are met;
- The right to bring an action for the annulment of the General Shareholders' Meeting (GSM) decision - granted to the shareholder who voted against or abstained from voting within the GSM, within the limits set by law;
- The right to convene the GSM - shareholder holding at least 5%;
- The right to add new items on the GSM's agenda - shareholder holding at least 5%;
- The right to denounce censorship facts - in the case of a shareholder holding at least 5%, the censors and auditors must verify;

Banca Transilvania's shareholders dispose from all the rights awarded by the law and BT's Articles of Association, including Law no. 31/1990, banking and capital market legislation.

Additional information regarding the General Meeting of Shareholders, as well as the rights of the shareholders can be found in Banca Transilvania's Articles of Association that can be downloaded from the Bank's website Investors Relations section, Corporate Governance tab.

Details regarding the GSM performance can be downloaded from the BT's website, at Investors Relations section, GSM tab.

Board of Directors

Banca Transilvania's management structure includes the supervision management body, i.e. The Board of Directors, and the top management body, 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 GSM, 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 GSM 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.

Responsibilities of the Board of Directors

- Monitoring the achievement of the strategy and of the objectives stipulated in the policy statement approved by the General Shareholders' Meeting, respectively the medium term strategic plan, approving and reviewing, at least once a year, the general strategies and policies related to the Bank's activity;
- Adoption of the draft activity program, of the Budget of Revenues and Expenses, of the investment program and of the Profit and Loss Account, drafting the report on the the Bank's activity, which will be submitted for approval to the General Meeting of Shareholders, drafting the proposals for the distribution of the net profit, submitted for approval to the General Meeting of Shareholders;
- Approving and implementing a strategic plan for at least two years, to be reviewed at least annually;

- Approving the Organization and Administration Regulation, the Code of Ethics and Conduct, the organizational structure and the principles for remuneration and loyalty of staff, approving the individual exposures towards a person who is in special relations with the Bank, within the limits set by the Board of Directors;
- Supervising the compliance risk management;
- Ensuring the necessary conditions for an independent, permanent and effective compliance activity;
- Constantly assessing the capital adequacy towards risks, allocating capital in an appropriate manner towards the risks assumed by the credit institution and by the subsidiary companies;
- Approving as loss the debts for which all recovery paths have been exhausted or those that cannot be recovered under economic conditions, as well as losses caused by employees as a consequence of the normal operational risk, within the limits approved by the specific internal regulations of the Bank;
- Supervising, through the Corporate Secretary, of the manner in which the leaders and other executive managers adhere to the provisions of the Code of Ethics and Conduct and the compliance of their decisions and activities with the Bank's relevant strategy, policies and regulations so as to ensure a framework for legality, efficiency and risk control (strategic and reputational) and to prevent any potential losses arising from these aspects on the Bank's activity;
- Approving the accounting policies, the financial control policies and policies for the management of significant risks.

The Board of Directors usually meets on a monthly basis and whenever necessary, in the presence of at least half of its members, and can exercise its specific tasks through committees set up at BoD level and composed of 2-3 members, on the basis of the mandate and in compliance with the legal requirements applicable to that body. The committees set up at the level of the Board of Directors are: the Audit Committee, the Remuneration and Nomination Committee and the Risk Management Committee. The Board of Directors and the committees set up by it are governed by corporate governance reference terms published on the Bank's website.

In 2018, the Board of Directors met 10 times. In determining the attendance percentage at the meetings, as indicated below, were considered both physical presence as well as the objectively justified absences, in accordance with the Bank's regulations.

At the Board of Directors' level, following the GMS decision from April 25, 2018, the current BoD members were re-elected for a new four-year term. The members of Banca Transilvania's Board of Directors and the professional training of its members as at 31 December 2018, is as follows:

Member	Position	Personal information
Horia Ciorcilă Date of first election: April 2002 Term of current mandate: April 2018 – April 2022 Non-executive Director Presence in BoD during 2018: 10 out of 10 meetings	Chairman	Polytechnic Institute of Cluj-Napoca, Faculty of Automation and Computers. Full biography (including current position occupied within other companies) is available on the Bank's website at: https://www.bancatransilvania.ro/en/about-us/
Thomas Grasse Date of first election: April 2014 Term of current mandate: April 2018 – April 2022 Non-executive independent Director Presence in BoD during 2018: 10 out of 10 meetings	Vice-chairman	Bankakademie Frankfurt – Business School of Finance and Management and HYPO-Bank Mannheim Branch, Apprenticeship in Banking. Full biography (including current position occupied within other companies) is available on the Bank's website at: https://www.bancatransilvania.ro/en/about-us/
Ivo Gueorguiev Date of first election: April 2014 Term of current mandate: April 2018 – April 2022 Non-executive independent Director Presence in BoD during 2018: 10 out of 10 meetings	Member	Alberta University, Edmonton, Canada. Full biography (including current position occupied within other companies) is available on the Bank's website at: https://www.bancatransilvania.ro/en/about-us/
Costel Ceoceă Date of first election: April 2010 Term of current mandate: April 2018 – April 2022 Non-executive Director Presence in BoD during 2018: 10 out of 10 meetings	Member	Al.I. Cuza University, Iași, Faculty of Economic Sciences and PhD in industrial engineering. Full biography (including current position occupied within other companies) is available on the Bank's website at: https://www.bancatransilvania.ro/en/about-us/
Vasile Pușcaș Date of first election: April 2012 Term of current mandate: April 2018 – April 2022 Non-executive independent Director Presence in BoD during 2018: 10 out of 10 meetings	Member	Babeș-Bolyai University, Cluj-Napoca, Faculty of History and Philosophy and PhD in History. Full biography (including current position occupied within other companies) is available on the Bank's website at: https://www.bancatransilvania.ro/en/about-us/
Doru Costel Lionăchescu Date of first election: April 2016 Term of current mandate: April 2018 – April 2022 Non-executive independent Director Presence in BoD during 2018: 10 out of 10 meetings	Member	The Faculty of Electronics and Telecommunications within the Technical University of Bucharest. Full biography (including current position occupied within other companies) is available on the Bank's website at: https://www.bancatransilvania.ro/en/about-us/

Membru	Funcție	Date personale
Mirela Ileana Bordea Date of first election: April 2017 Term of current mandate: April 2018 – April 2022 Non-executive independent Director Presence in BoD during 2018: 9 out of 10 meetings	Member	International Economic Relations Department, Foreign Trade Faculty, the Bucharest Academy of Economic Studies. Full biography (including current position occupied within other companies) is available to the Bank's website at: https://www.bancatransilvania.ro/en/about-us/ http://www.bancatransilvania.ro/despre-noi/

The Secretariat of the Board of Directors as well as that of the committees established at the BoD level is assured by a secretary, a position exercised by Ioana Olănescu – Executive Manager of the Corporate Governance and Legal Division.

Currently, the Board of Directors consists of 5 independent administrators and is composed entirely of non-executive administrators.

Please note that in 2018, the Remuneration and Nomination Committee assessed the Board of Directors and its committees' activity, for the financial year 2018. No significant issues were identified and the minor issues requiring adjustments were analysed within the Board of Directors, along with relevant solutions to be implemented in 2019 in order to optimize the activity of the Board of Directors and its committees.

Banca Transilvania SA implemented a policy regarding the assessment of the Board of Directors that can be accessed at the following link: <https://www.bancatransilvania.ro/en/investor-relations/corporate-governance/>, Publishing Requirements tab.

By accessing the same link you can obtain information on the current situation of the Bank at the level of remuneration practices.

Audit Committee

The Audit Committee of the Board of Directors operates under the applicable legal framework: The Law on Commercial Companies – Law 31/1990 and the Corporate Governance System of Banca Transilvania.

The number of members and competencies of the Risk Management Committee are approved by the Board of Directors.

The Audit Committee supervises the performance of the external auditors, makes recommendations on their appointment and remuneration, and reviews the internal audit system developed by the Head of the Internal Audit Department, who reports to the Board of Directors for this system. The Committee has the right to make recommendations to the Board of Directors on the effectiveness of the Internal Audit Department's performance and on the remuneration of the head and staff of that department.

The members of the Audit Committee meet regularly with the external auditor of the Bank to discuss any issues related to the auditing activities, as well as the Bank's executive management answers, on these meetings being also assessed the degree of objectivity and independence of the opinions expressed by the external auditors. The Committee monitors the compliance with the legal provisions in Romania regarding the financial statements and accounting principles, compliance with the provisions of the National Bank of Romania, assesses the external auditor's report on the financial consolidate statements (IFRS), reviews and pre-approves the financial consolidated statements (IFRS) of the Bank. The full list of responsibilities delegated to the Audit Committee is mentioned in the Regulation of the Audit Committee, a regulation published on the Bank's website.

Audit Committee's Report for the 2018 Financial Year

The Audit Committee, composed of 3 non-executive independent members, met eight times during 2018, having in addition several telephone conferences and in-absentia meetings to review, discuss and approve numerous topics ad-hoc. In determining the attendance percentage at the meetings, as indicated below, were considered both physical presence as well as the objectively justified absences, in accordance with the Bank's regulations.

The members of the Audit Committee during the year 2018 were:

- Ivo Gueorguiev: Chairman of the Audit Committee; Non-executive independent administrator with audit experience, attending 8 out of 8 meetings;
- Thomas Grasse: Member, non-executive independent administrator with audit experience, attending 8 out of 8 meetings;
- Costel Lionăchescu: Member, non-executive independent administrator with audit experience, attending 8 out of 8 meetings.

During the meetings held in 2018, the Audit Committee carried out the following actions:

- Analysis of the financial statements and audit report prepared by the external auditor for the year 2017, analysing the significant accounting and reporting aspects and their impact on the financial statements;
- Monitoring of the internal control efficiency, internal audit and risk management

by analysing the specific reports provided by the Bank's control functions and other relevant reports;

- Analysing the NBR reports and implementing the communicated recommendations;
- Implementing the recommendations of the external auditor's letter addressed to management;
- Supervision of the transactions with affiliated parties and parties having a special relation with the Bank.

During 2018, the Audit Committee met with PwC, the Bank's external auditor, and worked, together with the Deputy Chief Executive Officer- CFO on the Bank's financial results, audited and reviewed by the external financial auditor, making recommendations to the Board of Directors regarding their approval.

Audit planning and reporting meetings were held with the external auditor also in absence of the management team. The Audit Committee discussed the updated information received from the external auditor and from the Bank's management regarding the Romanian legislative changes with impact on the banking system, notably the current and future changes of the IFRS accounting standards and the implementation of IFRS9.

The Audit Committee also examined the robustness of the Bank's internal controls, working both with the external auditor and with the internal auditor to closely monitor any deficiencies identified in the internal control and to observe the follow-up of such deficiencies by careful analysis of their remediation. Moreover, the Audit Committee has obtained information regarding the external regulatory controls (of the authorized institutions).

The Audit Committee is responsible for assessing the performance, objectivity and independence of the external auditor and for the delivery of quality audit reports. For 2018, the Audit Committee considered that both the main partner, the extended teams, as well as the terms of remuneration and engagement of the appointed auditor, are appropriate for approval.

On the basis of the independence statement obtained by the Audit Committee and its own assessment of the auditor, the Audit Committee concluded that PwC is independent in its audit engagement granted by Banca Transilvania and that it can also carry out services outside the audit area.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is a body subordinated to the Board of Directors, created in order to give independent opinions on the remuneration policies and practices, on the incentives created to manage the risk, capital and liquidity of the Bank, on nomination policies and to carry out the duties mandated by the Board of Directors on this area of activity.

The members of the Remuneration and Nomination Committee are:

- Chairman of the Board of Directors;

- maximum of 2 BoD members.

This Committee analyzes and ensures that the general principles and the remuneration policies and staff benefits are in line with the Banca Transilvania's business strategy, long-term corporate values and objectives. The Remuneration and Nomination Committee meets at least twice a year or whenever needed upon the request of one of its members or of the Bank's executive leaders.

Remuneration and Nomination Committee Report for 2018:

As at 31 December 2018, the Remuneration and Nomination Committee members are:

- Vasile Pușcaș
- Horia Ciorcilă
- Ivo Gueorguiev

while the percentage of independent members is 66.66%.

The Remuneration and Nomination Committee met 3 times during 2018 (physically and/or via electronic means) in the presence of all its members. In determining the presence, both physical presence and the objectively justified absences were considered, in accordance with the Bank's regulations. The Chairman of the Risk Management Committee participated as guest at the meetings, ensuring that the remuneration practices are established in line with the credit institution's risk management requirements. Mr. Vasile Pușcaș was appointed in the Remuneration and Nomination Committee in May 2018, participating at all the meetings subsequent to his appointment.

During the meetings held in 2018, the Remuneration and Nomination Committee carried out the following actions:

- Analyzed and ensured that the general principles and the remuneration policies and staff benefits are in line with the business strategy, objectives, values and long-term interests of the Group. In this regard:
- Analyzed and approved the staff remuneration policy;
- Monitored the fulfilment of the requirements related to:
 - Involvement of the internal control system staff (audit, risk and compliance) and the HR staff in thereof in the elaboration of the remuneration policy;
 - Ensuring the conditions for the Bank staff to have access to the remuneration policy, and the performance evaluation process to be properly and transparently formalized for employees;
 - Promoting a remuneration policy that ensures healthy and effective risk management;
 - Correlation of the remuneration policy with the Bank's business strategy, objectives, values and long-term interests, including implementation of measures to avoid con-

flict of interest;

- Evaluating the mechanisms and systems adopted to ensure that the remuneration system properly takes into account all types of risk, liquidity and capital levels, that
- the general remuneration policy is in line with the Bank's strategy and it promotes sound and effective risk management and that it is aligned with the business strategy, objectives, culture and corporate values and long-term interests of the institution;
- Analyzed the general principles of the remuneration policy and informed the Board of Directors on how this was implemented; ensured that the independent internal staff evaluation at centralized level was realized, in compliance with the remuneration policy;
- Directly supervised the level of remuneration of the risk management, compliance and audit coordinators (Managers and Deputy Managers of the Risk Management, Internal Audit and Compliance Division);
- Prepared decisions on remuneration, including decisions that have implications from a risk and risk management perspective within BT (in preparation of decisions, the Remuneration and Nomination Committee should consider the type of risk events affecting the remuneration conditions for the Bank's employees, including those who hold key positions and should take into account the long-term interests of shareholders, investors and other interest holders within the Bank);
- Endorsed the total annual remuneration of the members of the Executive Board / Leaders' Committee and approved the remuneration of the executive managers;
- Has analyzed and ensured that the general principles and policies regarding the staff nomination are in line with the business strategy, objectives, values and long-term interests of Banca Transilvania. In this respect:
 - Identified and recommended for the approval of the governing body candidates for vacant positions within the management body, assessed the balance of knowledge, skills, diversity and experience within the governing body, prepared a description of roles and capabilities for the appointment of a particular position and assessed expectations regarding the time allocated to the job;
 - assessed the structure, size, composition and performance of the governing body and made recommendations to the governing body about any changes;
 - assessed the knowledge, skills and experience of each member of the governing body and the management body as a whole and reported accordingly to the governing body the results obtained;
 - regularly reviewed the policy of the management body as regards to the selection and appointment of senior management and made recommendations to the governing body.

Risk Management Committee

The Risk Management Committee is a body subordinated to the Board of Directors, being responsible for the independent review, evaluating and recommending actions on the Bank's risk strategy, profile, appetite and risk tolerance, risk management system, risk policies, as well as being responsible for the adequacy of the capital to the risks assumed.

The Risk Management Committee monitors the compliance with the NBR regulations and its recommendations on risk management and compliance functions within the Bank, both of which are subordinated to the Deputy Chief Executive Officer - Chief Risk Officer.

The number of members and competencies of the Risk Management Committee are established by the Board of Directors. The full list of responsibilities of the Committee is determined by the Organization Regulation of the Risk Management Committee published on the Bank's website.

Risk Management Committee report for 2018

Throughout 2018, the Risk Management Committee continued to take a proactive approach to risk management by closely monitoring and discussing the internal and external challenges facing Banca Transilvania Financial Group. Along with regular information regarding the Group's risk profile, risk management practices and results, the committee focused on several other issues summarized in its activities report for the year below.

The Risk Management Committee is composed of three non-executive members of the Board of Directors, with majority being independent members. The group believes that the Risk Management Committee of Banca Transilvania and all of its members continue to exercise fully independent judgement in all matters related to their functions. It met 9 times during 2018, in addition to several telephone conferences on ad-hoc issues. Emergency resolutions have also been passed, based on votes by e-mail. During its meetings, the Risk Management Committee carefully examined the Bank's position with regards to the risks assumed, their management and the compliance with the risk management system.

Through these discussions the Committee prepared recommendations to the Board of Directors for the Group's risk appetite limits, for monitoring the risk profile to make sure that it complies with established limits, for review and assessment of any actions for the Board of Directors to take regarding the Group's overall risk management strategy, as well as the risk management system and associated policies.

In 2018 the attendance level of members at meetings of the Risk Management Committee, either physically in person or via telephone conference, was 100%. The Head of Internal Audit attended Risk Management Committee meetings.

In 2018, the Risk Management Committee was composed of:

- Thomas Grasse: Chairman, non-executive independent administrator with risk management experience, attending 9 out of 9 meetings;
- Ivo Gueorguiev: Member, non-executive independent administrator with risk management experience, attending 9 out of 9 meetings;
- Costel Ceoceca: Member, non-executive administrator with risk management experience, attending 9 out of 9 meetings.

During the meetings held in 2018, the Risk Management Committee covered the following topics:

- reviewed and evaluated the robustness, adequacy and effectiveness of the risk management system in Banca Transilvania and within the Group, focusing on the risk strategies and policies for 2018 based on the reports prepared by the responsible risk management structures within the Bank;

- supervised and made recommendations on the implementation of the risk management proposed strategy by the Executive Committee;
- refined the risk management policy framework by addressing risk management methodologies, risk management processes and assessing their impact on the Bank's financial statements;
- reviewed credit, market, liquidity, operational, compliance and strategic risk management reports;
- supervised and evaluated the principles of internal capital allocation, in accordance with the Basel and NBR provisions;
- assessed the reports on the non-performing and restructured loans, as well as the results obtained by the recovery and collection departments;
- supervised, evaluated and made recommendations on the re-modeling of risk management and compliance functions in order to adapt structures to the current size of the Bank;
- working closely with other internal bodies has ensured that remuneration policy is in line with the Bank's strategy and promotes a robust and effective risk management;
- assessed business continuity management and plans to restore the Bank's liquidity position.

In 2018 one of the top priorities of the committee, together with other committees of the Board of Directors, was to oversee and ensure a smooth integration process with Bancpost. It closely monitored alignment of all Risk Management processes, reviewed periodical update reports on asset and portfolio quality dynamics as well as individual significant loan exposures to Bancpost customers. Additionally the committee assessed potential implications for the Group's risk profile, capital and liquidity position as a result of the merger with Bancpost which was successfully completed as of 31 December 2018.

Another focus in 2018 was overseeing, together with other committees of the Board of Directors, the post-acquisition and integration process of B.C. 'Victoriabank' S.A. The committee was actively involved in this project, received and reviewed periodical progress- as well as risk reports and closely monitored status of the compliance and anti-money laundering programme's implementation.

As a result of the enlarged BT Financial Group committee put a specific focus in 2018 on reviewing Group risk management initiatives and their implementation, particularly for BT Group exposures and BT Group wide limit system.

The committee reviewed the performance of the Group's loan book at each meeting in 2018 based on reports covering structure of the Group's portfolio and sub-portfolios, particularly those that were underperforming or restructured. It also received a detailed update from the CRO, and Corporate business director about significant individual exposures as well as those transactions with related and affiliated parties.

The periodical risk reports also contain regulatory ratios. The Risk Management Committee continued to review the internal capital allocation process and Bank's risk profile and closely monitored compliance with regulatory ratios under different macroeconomic scenarios. Stress testing results with impact on Bank's risk profile and internal capital adequacy were reviewed, discussed and assessed at each committee meeting.

During the reporting period the National Bank of Romania introduced, among other initiatives,

capital buffers compliant with Basle III regulatory framework. The Risk Management Committee examined key initiatives that were relevant for risk management by analyzing their impact on the Group's capital position and performance.

The Risk Management Committee, together with the Audit Committee, oversaw the Group's implementation of IFRS9 which was one of the most significant projects in 2018. Both the Risk Management Committee and the Audit Committee at regular intervals invited the CFO, CRO and dedicated Credit Risk and Finance team as well as external consultants to provide the committee with updates and supporting materials especially on key IFRS9 model methodologies, for key judgements and assumptions in the Group's estimates of expected credit losses, model testing and validation as well as the governance process implemented for this new accounting standard effective 1 January 2018.

The Risk Management Committee is of the opinion that the Bank's IFRS9 provisioning policies enhanced further the Company's already robust approach to credit risk and that Banca Transilvania will continue to constantly calibrate and further optimise its credit risk methodologies and models to adequately capture BT Group's expected loss.

The Risk Management Division functions as an independent entity within the Bank. The department supports a broad set of controls covering the identification and risk management process. The committee reviewed the main documents covering risk policies and procedures and monitors their compliance. Another focus of committee work 2018 was IT Security Operating model update project aimed to further strengthen bank's protection against cyber-risks, review of operational risk events loss data base, backtesting results analysis for monitoring expected behaviour of risk management and credit scoring models output against measured outcomes, extensive review of Group's compliance program, especially the status of KYC and anti-money laundering programme's implementation, further development and information on subsidiaries supervision, follow-up of corrective measures. The committee also reviewed implications from MIFID2 introduction.

The Risk Management Committee receives sufficient and timely materials from Executive Management both proactively and when the Committee make additional information requests. The communication lines with the Executive Management are open with constructive, candid and continual dialogue taking place throughout the year. In 2018, there were no significant or enduring points of difference in opinions between the Risk Committee and the Board of Directors or Executive Management.

Apart from the above activities, the committee maintained its focus on monitoring the Group's risk management processes, promoting progress in risk management tools and techniques, and implementing mitigation actions against prevailing risks. In addition, the Committee also took into account the risk assessment of the Bank in the opinion of the regulator.

Based on our assessment we are comfortable that we have a continuous process of identifying, assessing and managing the risks to which the Bank and the Group is exposed.

The Committee Chairman is invited as guest to each Remuneration Committee meeting which allows the Risk Management Committee to track remuneration policies and ensure that there are no incentives which could weaken Risk Management decisions, loan portfolio monitoring and control or introduce Management bias in connection with loan provisioning and valuations.

Executive Committee/Leaders' Committee

The Bank's leaders are appointed by the Board of Directors and are required to meet the legal conditions in force and to be approved by the NBR prior to starting their mandate according to their position. Under the relevant legal provisions, the Board of Directors

mandated the Bank Leaders jointly (and with some exceptions, individually) with the exercise of the Bank's organizational and steering duties. The rules and procedures of the Leaders' Committee are approved by the Board of Directors. Any amendment to this document must be adopted by the Board of Directors and will be processed after approval.

The members of Banca Transilvania's Executive Committee and the professional training of its members as at 31 December 2018, is as follows:

Member	Position	Personal information
Ömer Tetik Since June 2013	Chief Executive Officer (CEO)	Middle East Technical University, Ankara, The Faculty of Economic Sciences, Honour Student. Full biography is available by accessing the following link: http://www.bancatransilvania.ro/despre-noi/ https://www.bancatransilvania.ro/en/about-us/
Luminița Runcan Since September 2014	Deputy CEO, Chief Risk Officer (CRO)	Babes-Bolyai University of Cluj-Napoca, Faculty of Economic Sciences. Babes Bolyai University, Faculty of Law. Full biography is available by accessing the following link: https://www.bancatransilvania.ro/en/about-us/
Leontin Toderici Since August 2013	Deputy CEO, Chief Operations Officer (COO)	Technical University Cluj-Napoca, Faculty of Automation and Computer Science. Babes-Bolyai University, Faculty of Economic Sciences. Full biography is available by accessing the following link: https://www.bancatransilvania.ro/en/about-us/
George Călinescu Since September 2013	Deputy CEO, Chief Financial Officer (CFO)	"Al. I. Cuza" University, Iasi, Romania, The Faculty of Economics and Business Administration, The American University in Bulgaria, Blagoevgrad, Bulgaria; Applied Economics, Business Administration. Full biography is available by accessing the following link: https://www.bancatransilvania.ro/en/about-us/
Gabriela Nistor Since August 2013	Deputy CEO, Retail Banking	Faculty of Economics, "Al. I. Cuza" University of Iasi, Institute of Financial Services & Visa International. Full biography is available by accessing the following link: https://www.bancatransilvania.ro/en/about-us/
Tiberiu Moisa Since May 2016	Deputy CEO, Banking for SMEs	The Bucharest University of Economic Studies Finance, Banking and Stock Exchange. INDE (ASE Romania & CNAM France) – Executive MBA. Executive MBA, Sheffield University (UK) – Postgraduate Diploma. Full biography is available by accessing the following link: https://www.bancatransilvania.ro/en/about-us/
Mihaela Nădășan Since October 2018	Deputy CEO FI & Financial Markets	Executive Master of Business Administration - L'Institut d'Études du Développement Economique et Social (Conservatoire National des Arts et Métiers – Paris si ASE – Bucharest). Full biography is available by accessing the following link: https://www.bancatransilvania.ro/en/about-us/

The Leaders' Committee analyses, endorses, approves or submits to the Board of Directors for approval the following: internal regulations, cost monitoring reports, the budget of revenues and expenses project, investment programs, balance sheet, profit and loss account, report on the Bank's activity.

Assets and Liabilities Committee (ALCO)

The main objective of the Assets and Liabilities Committee is the management of the Bank's assets and liabilities. The Committee is appointed by the Leaders' Committee.

The meetings of the Assets and Liabilities Committee occur on a periodical basis (regularly monthly) or whenever required at the request of a committee member.

The Assets and Liabilities Committee receives informative materials and reports from the specialized departments within the Bank, it analyses them and adopts decisions with respect to the management of the interest risk / FX risk / liquidity risk / price risk and the related activity segments, for the purpose of an adequate management of the Bank's assets and liabilities. The decisions contain implementation terms and specific responsibilities.

Procurement Committee

The main objective of the Acquisition Committee is to decide the procurement policy in BT and to approve all investments involving costs outside the contractual framework or exceeding the cost limits stipulated by contract by more than EUR 1.000 / request.

Human Resources Committee (HRC)

Comitetul de Resurse Umane este un organism creat pentru dezvoltarea și creșterea The HR Committee is established to develop and increase the efficiency of the decision making process in connection to BT's employees.

Loan Policy and Credit Approval Committee (CPAC)

Loan Policy and Credit Approval Committee has as main objective the setting of BT's credit policy and the approval of credit facilities which exceed in terms of value or conditions the competences of other bodies or employees of the Bank.

Head Office Credit and Risk Committees (CCR1 / CCR2)

The main purpose of the Head Office Credit and Risk Committees is to analyse and approve loans, respectively to restructure loans based on the granted competences.

The Committee for Credit Policy and Approval authorizes CCR1, CCR2 and Mediation Committee (CM) to approve loans (the competence is established by specific internal regulations).

Remedy and Workout Committee (CWIR1, CWIR2 si CRW)

The main purpose of the Remedy and Workout Committee is to analyse and take decisions for the implementation of the recovery solutions proposed by the Workout and Remedy Department. The recovery solutions are aimed mainly at the improvement of the situation of the customers in default who can no longer sustain the debt service from their current activity, or at the identification of adequate solutions ensuring a better recovery of the amounts due to the Bank. The Workout, Insolvency and Remedy Committee 2 has as main

objective the accomplishment of the strategy approved in CRW, while the The Workout, Insolvency and Remedy Committee 1 (CWIR1) manages the activities established via internal norms.

Monitoring Committee for Debt Enforcement and Assets Realization (CMESVA)

The Monitoring Committee for Debt Enforcement and Assets Realization is appointed by the Leaders' Committee and its main responsibility is to supervise the entire function of real estate assets under debt enforcement or arisen from the enforcement of guarantees established for the loans granted to retail or company clients.

Special Approval Committee for Debt Enforcement and Litigation Proceedings (CAES)

The Special Approval Committee for Debt Enforcement and Litigation proceedings (CAES) has as main objective the analysis and decision-making process regarding the debt enforcement procedures for customers proposed by the debt collection officers within the Debt Collection Department. Individuals and legal entities are targeted, having arrears that can no longer be recovered amicably.

Financial Institutions Credit Committee (CCIF)

The purpose of the Financial Institutions Credit Committee is to supervise the activities involving the credit exposure of Banca Transilvania in relation to Romanian or foreign financial institutions.

CCIF approves all the derogations from the internal regulations and procedures in force, establishing the working manner between Banca Transilvania and other financial institutions in the country and abroad.

Branch Credit and Risk Committee (CCRS)

The main purpose of the Branch Credit and Risk Committees is to analyse and approve loans, respectively to restructure loans based on the granted competences.

The componence of the Branch Credit and Risk Committee is designed to meet the requirements relating to the size and structure of staff within Banca Transilvania's branches.

Data & BI Steering Committee

The Data and Business Intelligence Steering Committee reflects the commitment of the Bank's management to the data governance and strategic monitoring of the implementation program named Data Warehouse (DW) and Business Intelligence (BI).

The Committee establishes, supports and monitors the data management within the Bank and represents the point where problems or decisions impacting one or more areas or functions are escalated.

Group Policy on Diversity

This policy aims to establish how to promote diversity within the Group within the governing bodies (the Board of Directors and the Executive Committee). The Financial Group Banca Transilvania recognizes and embraces the benefits of a diversified management body in order to enhance the quality of its performance.

The principles described herein are applicable to all entities within the BT Financial Group.

The management of Banca Transilvania is entrusted by the General Shareholders' Meeting to a Board of Directors, elected for a four-year term of office, consisting of 7 administrators, elected by the shareholders at the GSM, either on the expiry of the mandate or specifically, in the event of one or more vacancies. The eligibility criteria in the Board of Directors are those stipulated in the specific legislation, as well as those stipulated in the Articles of Incorporation of Banca Transilvania S.A.

The Board of Directors shall designate the members of the Leaders' Committee taking into account the recommendations of the Remuneration and Nomination Committee. At the Bank's level, the management body is represented by the members of the Board of Directors and the Leaders' Committee.

In order to achieve a sustainable and balanced development, Banca Transilvania perceives the increased leadership diversity as an essential element in supporting the achievement of its strategic objectives. In designing the management body structure taking into account the diversity considerations, the following were included by BT, but without being limited to: gender, age, cultural and educational profile, ethnicity, professional experience, skills, knowledge and working experience. All appointments within the governing body are based on meritocracy, and candidates will be considered on the basis of objective criteria, taking into account the benefits brought by diversity of this body.

Banca Transilvania S.A. points out that, although the diversity and variety of experiences and views represented in the management body should always be taken into account, a candidate should not be selected or excluded, either exclusively or largely, on the grounds of race, colour, sex, national origin or sexual orientation. In selecting a candidate, the Remuneration and Nomination Committee shall prioritize the skills, national and international experience or cultural profile that would complement the existing governing body, recognizing that the Bank's activities and operations are diverse and of a national nature with a global impact.

Reflecting on the global character of banking activities, the directors and administrators of Banca Transilvania are citizens of Romania, as well as citizens and residents in other member states. Most BT directors and managers come from domestic and international banking environments.

Banca Transilvania S.A. believes that while the governing body should not adhere to a fixed number of directors, a governing body of 6-14 members, generally, provides a large and diverse group to address the important issues faced by the credit institution, being at the same time small enough to encourage personal involvement and constructive discussion.

The current directors and administrators of Banca Transilvania S.A. must have been

in management positions in various organizations or within Banca Transilvania, demonstrating their ability to exercise top management responsibilities and to manage the Bank. They have been executive members of prestigious international institutions, where they have developed their skills and experience in business strategy and development, innovation, operations, brand management, finance, compliance, decision-making and risk management. These skills, as well as the accumulated experience, enable them to provide a sound judgment of the problems faced by an international company in today's environment, by ensuring that these areas are supervised in the Bank and thus assessing BT's performance.

All members of the management body also have significant experience in corporate governance and complex business supervision through their status of executive managers, directors, administrators or other relevant functions within other large institutions.

Some Bank directors have gained experience in areas relevant to financial and banking institutions such as audit, risk management and stock markets. All of these skills and experiences are relevant to current strategies, as well as to encourage Bank development, enabling administrators and directors to provide diverse perspectives, valuable advice and critical points about new business opportunities, product launches, new markets, solutions for the problems faced by the institution, as well as those faced by the banking system at both local and national level.

Measurable objectives concerning the maintenance of diversity standards in the management body of Banca Transilvania

The selection of candidates will be based on a range of diversity perspectives, including, but not limited to, gender, age, cultural and educational profile, ethnicity, professional experience, skills, knowledge and seniority. The final decision will be based on the merit and contribution that the selected candidates will bring to the governing body. The members of the governing body (including gender, ethnicity, age, seniority) will be communicated periodically through the Bank's website.

The Board of Directors and the Leaders' Committee of Banca Transilvania perceive diversity as a factor in selecting members of the management body, acknowledging that the diversity promoted amongst its members, provides significant benefits to the Bank. The Remuneration and Nomination Committee uses a number of criteria in selecting candidates for the position of administrator, director or manager, including background diversity.

Banca Transilvania S.A. considers that a possible eligible member of the management body should be able to work in a collegial way with people from different educational, cultural and business backgrounds and must have skills that complement the attributes of existing members.

Banca Transilvania S.A. also encourages the presence of female members within the governing body in order to ensure the balance and high performance of the Bank. However, Banca Transilvania S.A. believes that the appointment of a member within the governing body cannot be done solely on the basis of gender, as such practices lead to the discrediting of its competence and independence.

Therefore, we believe that the efficient and sustainable development of the Bank can be achieved by providing a framework for personal growth and development of female employees (under the same conditions as men).

In this respect, we mention that during 2018, the number of female employees attending trainings for professional development was 76.96% of the total number of employees. We also mention that, at the level of middle management employment, 50% of those appointed in these positions were female. At the level of the Leaders' Committee, the vacancy was occupied by a female who has the necessary experience to fill this position and who was validated by the Remuneration and Nomination Committee. Banca Transilvania's target of increasing the representation of female gender within the governing body of the Bank was thus, fulfilled. At the Board of Directors' level, following the GSM decision from April 25, 2018, the current BoD members were re-elected for a new four-year term. BT considers the management body, under its current form, fulfils the diversity requirements, as per the diversity practices currently in force in the Bank.

Banca Transilvania S.A. already ensures a space of sustainable growth of its employees through professional courses that are offered without discrimination of any kind, based on: the needs of its employees, the types of work performed and the functions exercised.

Monitoring and reporting

The Remuneration and Nomination Committee will regularly monitor the European requirements related to the composition of the management body from a diversity perspective.

In order to maintain and develop a balanced, functional and efficient management body, the Remuneration and Nominalization Committee (when appointing a candidate) may, from time to time, consider other attributes, experiences or competences it considers relevant at the time of the decision.

Thus, the Remuneration and Nomination Committee may consider diversity in the evaluation of candidates for membership in the governing body. Banca Transilvania S.A. considers that diversity in terms of cultural profile, experience, abilities, race, gender and national origin is an important element in the composition of the governing body. The Remuneration and Nomination Committee discusses diversity considerations with regard to each candidate, as well as, periodically, with regard to the composition of the management body as a whole.

The Remuneration and Nomination Committee outlines a pattern of proper abilities and characteristics required by members of the governing body, in light of its current composition. This assessment includes expertise (including international and financial / banking experience), independence, integrity, diversity and age, as well as technical abilities linked to banking, production, finance, marketing, technology and public politics. The main eligibility criteria considered are those arising from legal requirements, with the Committee ensuring that part of the management body remains independent.

Human Rights Principles

These principles lay down guidelines on the observance of human rights in the activities carried-out by Banca Transilvania, as well as by the companies within the Banca Transilvania Financial Group.

The Bank supports, through social responsibility practices, the Romanian entrepreneurial spirit, responsible businesses, sustainable growth, quality, solidarity, responsibility, involvement and building positive relationships with interested parties, other than the banking ones. When implementing the social responsibility policies, Banca Transilvania makes the best of its efforts to ensure a continued observance of the fundamental human rights by encouraging and developing good practices in this field.

Banca Transilvania is a credit institution registered in Romania, operating in Romania and Italy. The subsidiaries of Banca Transilvania operate in Romania, as well as in the Republic of Moldova. In this context, Banca Transilvania and its subsidiaries reaffirm their commitment to respect the European and the national regulations on the observance of human rights, including but not being limited to the rights set forth in the European Convention for Human Rights.

In this respect, Banca Transilvania and the companies within the BT Financial Group fulfill:

- In connection to **the employees of the Banca Transilvania Financial Group**, Banca Transilvania and its subsidiaries respect all the requirements for the observance of human rights, discourage any internal practice that might affect and/or damage the fundamental rights of its employees. Also, Banca Transilvania encourages its employees to develop their knowledge on the human rights, so as to ensure the compliance of these requirements in their relationships with customers and not only. Any violation of the fundamental human rights by the employees of Banca Transilvania Financial Group is sanctioned in accordance with the legal provisions and the Bank's internal regulations.
- In relation to **the community**, Banca Transilvania and its subsidiaries make every effort to ensure a high standard of observance of the human rights. Moreover, through the activities of its charity organisations (the Clujul are Suflet Charity, BT Caritatea Charity, etc.), Banca Transilvania supports the community in reaching the values promoted by BT, providing the community with support and a better communication and understanding at social level.
- In relation to **the companies with which the Bank enters into business relations**, in the process of selecting third parties collaborators, is paid maximum attention when initiating collaborations only with those entities that commit to respect the principles of this document, their activities being adequately monitored, in accordance with the applicable legal regulations.

Practices for the Prevention of Corruption and Bribery

The entities part of Banca Transilvania Financial Group **do not tolerate any form of bribery and/or corruption**. No employee/ member of the management body of any company part of Banca Transilvania Financial Group will accept or grant an inappropriate advantage of any kind (incentives), regardless of the fact that the person providing or requesting such an advantage works in the public or private sector. It is also forbidden to offer or receive any form of bribe, or to practice traffic of influence, either directly or through intermediaries.

Therefore, any of the following **activities** are **strictly forbidden**:

- Receiving money or other benefits from clients or third parties to fulfill their duties or to ask an employee/ manager to do or not to do anything that is in their job duties;
- Payment or offering a benefit that violates the laws or the internal regulations;
- Payment or offering a benefit to „obtain” a business/deal.

Employees/members of the BT financial Group companies' Management Board will not perform any facilitates payments; Facilitated payments are “accelerated payments” or „additional fees”, usually small amounts of money, unofficial, handed over to civil servants or government officials in order to obtain urgently or to postpone a regular action, to which someone has access under a legal right (e.g. issuing a license, an agreement or an immigration visa, scheduling an inspection associated with the performance of the agreement, the provision of services or the release of products withheld in customs).

The entities part of Banca Transilvania Financial Group have created a correct and formal framework for selecting the suppliers, collaborators, brokers, consultants, intermediaries and all other third parties acting on behalf of the group companies or which support the group companies in carrying out their activity.

A particular attention is paid to the selection process of third parties, in order to initiate collaborations only with those entities that commit to respect the principles of this document, their activities will be properly monitored in accordance with the applicable internal procedures.

Note: The Bank applies the above requirements in accordance with legal provisions and in accordance with applicable internal rules and regulations. These principles are complemented by the aforementioned normative acts and documents.

Protection Against Money Laundering

Banca Transilvania monitors transactions through AML Mantas application, offered by Oracle. Appropriate scenarios providing immediate protection against money laundering are implemented within the application, through an appropriate monitoring of:

- 1) high risk entities;
- 2) fast transfers of funds;
- 3) high value transactions;
- 4) networks of accounts, entities and customers;
- 5) structuring/avoiding the reporting threshold.

The way in which money laundering prevention and control is carried out is also pursued through an internal control process of the client portfolio based on predefined criteria.

Taking into account the ones mentioned in the present report, the activity carried out by Banca Transilvania in the financial year 2018 is subject to a discussion and the following situations are proposed to the General Shareholders' Meeting for approval:

- Individual and consolidated financial statements:

1. Individual and consolidated profit and loss statement;
2. Individual and consolidated statement of the other elements of comprehensive result;
3. Individual and consolidated statement of financial position;
4. Individual and consolidated statement of changes in equity;
5. Individual and consolidated cash flow statement, prepared in accordance with the NBR Order no. 27/2010 for the approval of the Accounting Regulations in compliance with the International Financial Reporting Standards adopted by the European Union, with subsequent amendments, The Accounting Law no. 82/1991, republished and O.U.G. 99/2006, together with the Report of the Board of Directors and the Independent Auditor's Report;

- Allocation of profit for the financial year 2018;
- Proposal to increase the share capital;
- Proposals for the Revenues and Expenditures Budget and the Development Plan for 2019.

This annual report was prepared in compliance with the provisions of Order no. 27/2010 for the approval of the Accounting Regulations in compliance with the International Financial Reporting Standards adopted by the European Union with subsequent amendments.

The Board of Directors
Chairman,
Horia Ciorcilă

