

**Report
of the Board of Directors
Banca Transilvania
2019**



CONTENT

Banca Transilvania Financial Group	4
Summary of the Financial Results	4
Message from the Chairman of the Board of Directors	5
The Structure of the Board of Directors	6
The Board of Directors Committees	7
The CEO's Message to the Shareholders	8
Leaders' Committee Structure	9
The Relationship with Shareholders/Investors	10
Proposals Regarding 2019 Profit Distribution and Share Capital Increase	11
Short Presentation of the Group	12
Banca Transilvania S.A.	12
BT Capital Partners S.A.	15
BT Leasing Transilvania IFN S.A.	15
BT Direct IFN S.A.	15
BT Building S.R.L.	16
BT Asset Management SAI S.A.	16
BT Microfinanțare IFN S.A.	16
BT Leasing MD S.R.L.	16
Improvement Credit Collection S.R.L.	17
B.C. „Victoriabank” S.A.	17
Main Events in 2019	18
Realization of 2019 Strategy	21
New Strategic Objectives	25
Development Plan for 2020	26
Projections of the Financial Position and Profit and Loss Account for 2020	26
Management Report	28
Macroeconomic Climate	28
Romanian Banking Sector	32
Performance of Banca Transilvania Financial Group	34
Statement of Financial Position of the Bank and Group	34
Statement of Profit and Loss of the Bank and Group	38
Banking Prudential Ratios	40
Business Lines Performance	41
Large Corporate Customers	41
Mid Corporate Clients	41
Small and Medium Enterprises (SMEs)	42
Micro Business Clients	42
Retail Customers	43
Treasury	43
Risk Management	43
Credit Risk	45
Liquidity Risk	47
Operational Risk	48

■	Market Risk.....	48
■	Interest Rate Risk Outside the Trading Book.....	49
■	Reputation Risk.....	50
■	Leverage Related Risk.....	50
■	Strategic Risk.....	50
■	Systemic Risk.....	50
■	Compliance Risk.....	51
■	Capital Adequacy.....	52
■	Internal and External Audit.....	52
■	The Management of Human Resources.....	54
■	Organizational Changes.....	54
■	Recruitment.....	54
■	Professional Development.....	55
■	Organizational Climate.....	56
■	Performance Evaluation.....	57
■	Benefits.....	57
■	Remuneration Policy.....	57
■	Corporate Governance.....	59
■	General Shareholders Meeting.....	59
■	Board of Directors.....	62
■	Audit Committee.....	65
■	Audit Committee's Report for the 2019 Financial Year.....	66
■	Remuneration and Nomination Committee.....	67
■	Remuneration and Nomination Committee Report for 2019.....	67
■	Risk Management Committee.....	69
■	Risk Management Committee Report for 2019.....	70
■	Executive Committee/Leaders' Committee.....	73
■	Assets and Liabilities Committee (ALCO).....	74
■	Procurement Committee.....	74
■	Human Resources Committee (HRC).....	74
■	Loan Policy and Credit Approval Committee (CPAC).....	74
■	Head Office Credit and Risk Committees (Mediation Committee CCR1 / CCR2).....	74
■	Remedy and Workout Committee (CWIR1, CWIR2 and CRW).....	75
■	Monitoring Committee for Debt Enforcement and Assets Realization (CMESVA).....	75
■	Special Approval Committee for Debt Enforcement and Litigation Proceedings (CAES).....	75
■	Financial Institutions Credit Committee (CCIF).....	75
■	Branch Credit and Risk Committee (CCRS).....	75
■	Data & BI Steering Committee.....	76
■	Group Policy on Diversity.....	77
■	Human Rights Principles.....	80
■	Practices for the Prevention of Corruption and Bribery.....	81
■	Protection Against Money Laundering.....	82

Banca Transilvania Financial Group

Summary of the Financial Results

	BANK		GROUP	
Financial Information of the Group	2019	2018	2019	2018
ROE (net profit/annual average of shareholder equity)	20.26%	17.17%	21.10%	16.60%
ROA (net profit/annual average net assets)	2.03%	1.92%	2.18%	1.74%
Cost/Income	47.12%	49.88%	47.47%	51.56%
Total net income, RON thousand	4,031,270	3,593,980	4,614,986	3,945,463
Provisions for credit risk, RON thousand	(244,729)	(230,791)	(292,646)	(364,421)
Gross profit, RON thousand	1,887,146	1,642,446	2,131,583	1,706,828
Net profit, RON thousand	1,620,512	1,219,391	1,847,893	1,260,680
Basic earnings per share			0.3423	0.2402
Diluted earnings per share			0.3415	0.2399
Tier 1 own funds, RON million	8,421	6,525	8,788	6,744
Risk Weighted Assets, RON million	46,989	41,557	51,581	46,105
Total Assets, RON million	87,438	74,119	91,722	77,897
Total shareholders' equity, RON million	8,496	7,411	9,214	7,880
Other information				
No. of branches	508	518		
No of active employees	7,997	7,355	9,690	9,014

* 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.

Message from the Chairman of the Board of Directors

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 2019. Thank you for your trust in Banca Transilvania.

2019 has been a good year, we achieved our goals, we have grown sustainably, and the Bank's results demonstrate the BT's solid financial position. As market leader we have important responsibilities towards Romania and we know that our role is essential in financing the economy and the Romanians. We have a strong organizational culture, and our team is very experienced and dedicated.

2020 is proving to be as challenging as we can all see it. We are proactive in supporting the companies and clients who have loans at BT, we announced specific facilities because now solidarity has become the main objective.

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 CEO's Message to the Shareholders

Banca Transilvania, the main lender of the economy in 2019

Banca Transilvania registered positive results in 2019, being another year in which it made a significant contribution to the economy. The number of active clients increased by 15%, reaching about 3.3 million, and the number of those who receive the revenues at BT increased by 64%, to 1.8 million, also due to the Bank's merger with Bancpost.

How we supported the Romanians and the economy:

- 223,000 loans were granted to companies and individuals;
- The companies were financed with over RON 10.5 billion, the Bank supporting their development, economic growth and job creation in fields such as: production, trade, IT, medical, agriculture and construction;
- More than 9,600 Romanians bought a home with the help of Banca Transilvania;
- We have reached 500,000 credit cards with over 22 million transactions during the last year;
- The SME loans' portfolio reached RON 16.5 billion;
- The balance of the mortgages / real estate loans amounts to RON 11.8 billion;
- Half of the 10,000 entrepreneurs who are at the beginning of their business road, were financed in 2019 by BT Mic.

We continued to get involved in the community, therefore approximately RON 25 million were invested in over 1,000 social programs.

We are based and we rely on our values - Respect, Courage, Responsibility, Ethics and Friendly Bank - because at BT we are what we do.

As market leaders and because Banca Transilvania means people, we are here to do everything possible, in order to overcome the crisis generated by the Covid-19 context, together with our customers and partners.

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



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 2019, there were 4 conference calls with investors.

- Tel: + 40 264 407 150
- Fax: + 40 264 301 128
- 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 2020 is as following:

1. Presentation of the preliminary financial results for 2019	February 27, 2020
2. Conference call for the presentation of the results	March 2, 2020
3. Annual General Shareholders' Meeting held to approve annual financial results	April 29, 2020(first call) April 30, 2020(second call)
4. Presentation of the annual financial results, individual and consolidated	April 30, 2020
5. Presentation of the financial results for Q1 2020	April 30, 2020
6. Conference call for the presentation of the results	May 4, 2020
7. Presentation of the financial results for the first semester 2020	August 14, 2020
8. Conference call for the presentation of the results	August 17, 2020
9. Presentation of the financial results for Q3 2020	November 13, 2020
10. Conference call for the presentation of the results	November 16, 2020

Proposals Regarding 2019 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 1,620,511,500, as follows:

Proposal for Profit Distribution 2019

Proposal for Profit Distribution 2019	Amount (RON)
Gross profit	1,887,145,433
Current/deferred income tax	(266,633,933)
Net profit	1,620,511,500
5% Legal reserve fund from gross profit	(94,357,272)
Reinvested profit reserve	(137,009,351)
Net profit to be distributed	1,389,144,877

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, 2017 and 2018.

The Board of Directors proposes for approval the distribution of profits by granting dividends amounting to RON 600,000,000. The gross dividend per share amounts to 0.1150286771.

The Board also proposes for approval to increase the Bank's share capital from RON 5,216,090,590 to RON 5,737,699,649, with the amount of RON 521,609,059, representing reserves from the 2019 net profit.

Proposal for 2019 profit distribution	Amounts (RON)
Total available reserves for distribution	1,389,144,877
Reserves from 2019 net profit	267,535,818
Dividends	600,000,000
Capitalisation of 2019 net profit reserves	521,609,059
Share capital at recording date	5,216,090,590
Yield per share % capitalisation	0.1000000000

As a result of the share capital increase by RON 521,609,059, for each 100 shares held another 10 new shares will be assigned (respectively a number of new shares are assigned corresponding to the ratio RON 521,609,059/RON 5,216,090,590).

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 31.12.2019 comprise Banca Transilvania S.A (the “parent company” or “BT”) and its subsidiaries (hereinafter referred to as the “Group”).

The main fields of activity of the Group subsidiaries are the following: banking carried out by Banca Transilvania S.A. and Victoriabank S.A., leasing and consumer loans carried by BT Leasing Transilvania 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 five investment funds which are also consolidated through the global consolidation method.

The Bank carries out its banking activity through its head office located in Cluj-Napoca, 52 branches, 427 agencies, 20 work-points, 7 healthcare division units, 2 private banking agencies in Romania and Italy and 1 regional office located in Bucharest (2018: 54 branches, 435 agencies, 20 work-points, 7 healthcare division units and 2 private banking agencies in Romania and Italy and 1 regional center located in Bucharest).

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, 2019 was 9,690 (2018: 9,014 employees).

The Bank’s number of active employees as at December 31, 2019 was 7,997 (2018: 7,355 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	31.12.2019	31.12.2018
European Bank for Reconstruction and Development (EBRD)	8.60%	8.60%
Romanian individuals	19.79%	20.05%
Romanian companies	44.86%	38.97%
Foreign individuals	1.06%	1.18%
Foreign companies	25.69%	31.20%
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	2019	2018
Victoriabank S.A.	Financial-banking activity and licensed investment activities	44.63%	44.63%
BT Capital Partners S.A.	Investments	99.59%	99.59%
BT Leasing Transilvania IFN S.A.	Leasing	100.00%	100.00%
BT Investments S.R.L.	Investments	100.00%	100.00%
ERB Retail Services IFN S.A.	Consumer Loans through Credit Cards	-	100.00%
BT Direct IFN S.A.	Consumer Loans	100.00%	100.00%
BT Building S.R.L.	Investments	100.00%	100.00%
BT Asset Management SAI. S.A.	Asset Management	80.00%	80.00%
BT Solution Agent de Asigurare S.R.L.	Insurance Broker	99.95%	99.95%
BT Asiom Agent de Asigurare S.R.L.	Insurance Broker	99.95%	99.95%
BT Safe Agent de Asigurare S.R.L.	Insurance Broker	99.99%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance Broker	99.99%	99.99%
BT Leasing MD S.R.L.	Leasing	100.00%	100.00%
BT Microfinanțare IFN S.A.	Consumer Loans	100.00%	100.00%
Improvement Credit Collection S.R.L.	Activity of the Collection Agents and Credit Reporting Bureaus	100.00%	100.00%
Timesafe SRL	Service activities in information technology	51.12%	-
Sinteza S.A.	Manufacture of Other Organic Basic Chemicals	33.87%	51.47%
Chimprod S.R.L.	Manufacture of Basic Pharmaceutical Products	-	51.35%

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	98.34%	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%

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)	
	2019	2018	2019	2018
BT Capital Partners S.A.	171,916	97,001	573	1,646
BT Leasing Transilvania IFN S.A.	1,169,699	994,611	48,766	33,042
BT Investments S.R.L.	78,781	78,632	73	22,293
BT Direct IFN S.A.	474,988	162,363	(2,887)	3,723
BT Building S.R.L.	127,881	80,726	(270)	(14)
BT Asset Management SAI S.A.	59,357	39,318	18,825	17,454
BT Leasing MD S.R.L.	133,607	107,325	6,580	3,850
Improvement Credit Collection S.R.L.	17,060	18,740	2,837	4,821
BT Microfinanțare IFN S.A.	509,841	364,911	28,534	14,156
ERB Retail Services IFN S.A.	-	218,417	-	6,550

*Figures presented according to the local accounting standards applied for each entity

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 2019 the Company had 55 active employees (2018: 55 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 12 working points (2018: 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, 2019 was 120 (2018: 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 authorized by the National Bank of Romania to carry out lending operations to individuals through credit cards as well as through consumer loans, having as object the activity of financing individuals.

BT Direct IFN S.A. and ERB Retail Services IFN S.A have become the same company starting with August 1, 2019. Following the merger by absorption of BT Direct IFN S.A., ERB Retail Services IFN S.A. has become part of the Group keeping the name BT Direct IFN S.A.

The number of active employees at 31 December 2019 was 159 (2018: 168 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 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, 2019, BT Asset Management SAI managed 16 investment funds, of which: 14 open-end funds and 2 closed-end funds, counting over 45,844 investors and assets under management of more than RON 4,158 billion under IFRS, and over RON 4,138 billion as per ASF regulations.

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, 2019 was 32 (2018: 30 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, 2019 was 160 (2018: 139 employees).

In 2019 approx. 5,300 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 2019 being RON 481.8 million (2018: RON 327.2 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 2019 BT Leasing MD S.R.L. registered a profit of RON 6,580 thousand (2018: RON 3,850 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, 2019.

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 2019 Improvement Credit Collection S.R.L. registered a net profit in the amount of RON 2,837 thousand vs. RON 4,821 thousand in 2018.

B.C. „Victoriabank” S.A.

B.C. “VICTORIABANK” S.A.(the “Bank”) 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 its headquarters, located on no. 141, 31 August 1989 street, Chisinau, as well as through 34 branches and 57 agencies located all over the Republic of Moldova (2018: 34 branches and 59 agencies).

The total number of Bank’s employees as at December 31, 2019 was 1,143 employees (2018: 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 2019

2019 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 and Bancpost became one bank, following the successful merger on 31st of December 2018 and the completion of an ambitious integration plan of Bancpost into BT's business, during a period of only nine months.

Banca Transilvania has climbed almost 50 places in the Brand Finance Banking 500 2019 ranking published by The Banker. The survey points to a 39% increase for Banca Transilvania brand value, which means up to USD 242 million. The Bank's rating has also increased from A+ to AA. BT is the only Romanian brand included in the ranking in 2019.

Banca Transilvania launches a mentoring program for start-ups offering financial services for SMEs within the Techcelerator. This is an acceleration program that addresses the potential Romanian start-ups, in the Minimum Viable Product (MVP) stage, in industries such as: software, cyber security, artificial intelligence, digital transformation, machine learning (AML), IT solutions for health (MedTech), AgTech, FinTech etc.

February:

Banca Transilvania celebrates 25 years of existence. 25 years ago, with responsibility, great courage and a capital of USD 2,000,000, 46 entrepreneurs founded one of the most successful Romanian capital development stories - Banca Transilvania, nowadays, the largest financial group in Romania, with over 31,000 shareholders.

During the Inauguration of 2019 Stock Exchange Year, supported by the Bucharest Stock Exchange (BVB), BT Capital Partners received the award for "The most active brokerage company on bonds market in 2018", and Banca Transilvania received the award for "The most traded stock".

Bucharest Stock Exchange (BVB), Banca Transilvania Financial Group and other partners of the Made in Romania mentoring program: BVB League launched a new edition, to encourage Romanian entrepreneurship.

March:

Banca Transilvania has launched the BT Open Banking platform (BT Api Store), which allows fintechs and other technology companies to test integration with BT in order to present the Bank services such as: online balance display, history of transactions, and the initiation of transactions through external platforms towards Banca Transilvania.

Transylvania Forest continues with a volunteer action in the village of Sânmihaiu de Câmpie in Bistrița-Năsăud county, covering an area of 10ha with 40,000 seedlings. Victoriabank, part of BT Financial Group also organized an afforestation action for the plantation of Victoriabank Forest, which took place in Budești, 15 km from Chișinău.

April:

Banca Transilvania was triple awarded at the Human Resources Excellence Awards Gala, organized by HR Club Romania:

- Special award for the prevention program “Screening saves lives”, carried out by BT together with the Regina Maria Health Network. Started in 2017, it is the largest cancer prevention program in a company, in Romania;
- The award for the CEO team - HR Manager of the year for major projects, with major impact, carried out in 2018;
- Special Generation Z Award - for BT Con(vention), an event launched by BT in 2018 and dedicated to its team.

Banca Transilvania extends the BT Club initiative in the Republic of Moldova and launches Victoriabank Club with Victoriabank. This is a personal and professional development program for entrepreneurs and consist in trainings, conferences, consulting and networking.

Transfond, Banca Transilvania and CEC Bank launched Instant Payments service, which ensures the transfer of money in less than 10 seconds between banks. Such payment can be made at any time (24/7/365). The single value of a payment made through Instant Payments should be of maximum RON 50,000.

May:

Banca Transilvania and Victoriabank granted the first syndicated loan Romania - Republic of Moldova, worthig 21 million euros, to the MallDova shopping center, developed by Lemi Invest S.A., a joint venture between Fiba Holding S.A. and Summa Turizm Yatirimciligi S.A., Victoriabank’s client for more than 10 years.

The project “Business from Zero”, was launched by the Ziarul Financiar and supported by Banca Transilvania, with the purpose of generating entrepreneurial ideas and bringing in to the spotlight businesses and business ideas that have grown beautifully and have come to enjoy success. The project is dedicated to small entrepreneurs, and each article is actually a story about ambition, courage and determination. Their stories will be published daily in Ziarul Finaciar and on the online platform.

June:

Banca Transilvania, one of the first banks through which Apple Pay was launched in Romania.

BT is the largest bank in South East Europe in terms of 2018 assets and profits, according to Top 100 Southeast European Commercial Banks, created and published by SeeNews.

Banca Transilvania is declared also in 2019, the most valuable banking brand in Romania, according to the ranking of Brand Finance Romania 50.

Victoriabank opened three new branches in 2019, expanding the network to nearly 100 units.

July:

Banca Transilvania's clients can withdraw money from the ATM with the phone, through BT Pay and Apple Pay.

BT Capital Partners, the investment banking and capital markets division of Banca Transilvania Financial Group and an exclusive member in Romania of Oaklins International Alliance, assisted the Eurolines Group in the largest exit transaction in the Romanian tourism industry.

Banca Transilvania, the Civil Society Development Foundation and the Bucharest Communities Foundation support Pago - the application for managing and paying utility bills, electronic charging of prepaid cards and concluding insurance - in launching a new functionality within the application, intended for donations to NGOs, without commissions.

BT Capital Partners (BTCP) assisted Brise Group in successfully completing a transaction marking the entry into the Romanian market of agribusiness of China Central and Eastern Europe Investment Cooperation Fund (CEE Equity Partners), a private equity investment fund.

August:

BT Direct (BTD) and ERB Retail Services, institutions for granting consumer loans, have become the same company.

BT is in top 10 most wanted employers, according to the ranking published by Capital Media Production - "The Best 100 Employers in the Economy". The ranking criteria were the following: the number of employees, the average net wages, the benefits offered to the team and the employer branding.

Banca Transilvania supports the charity competition Walking Month, aimed at all those who want to move more and to contribute at the same time to a social cause.

BT is launching contactless donation boxes together with the Ronald McDonald Children's Foundation, continuing the initiative to support people.

Banca Transilvania continues to support education at international business schools in Romania by offering, from 2019, the BT Roberto Marzanati Scholarship to the Executive MBA University of Hull. The scholarship is worth 15,000 euros and fully covers the tax for both years of schooling.

September:

Banca Transilvania expands online services for entrepreneurs by launching the option "Deschidere" and 100%" online administration of the share capital account. Through this facility, BT supports entrepreneurs who want to start a SRL or SRL-D business in order to make the start-up phase as easy as possible.

Banca Transilvania is also in 2019 one of the strongest Romanian brands, according to the ranking made by Unlock Market Research for BIZ magazine. BT has climbed 5 places reaching position 19, compared to 2018.

October:

Banca Transilvania Financial Group extends its financial services to over 3 million clients through an investment in the area of privately managed pensions: BT Asset Management S.A.I. (BTAM) and BT Investments purchased 100% of Certinvest Pensii.

BT Capital Partners has closed in advance the private placement of bonds through which the network of Dental Clinics Dr. Leahu attracted 10 million lei, at an interest of 7.5%.

Customers of Banca Transilvania have the opportunity to manage their money including through a last generation ATM, 100% contactless, without card slot. It is located in Bucharest, at Promenada Mall. The money can be withdrawn with the phone, through the BT Pay and Apple Pay application, with any of the accessories of the BT Pay collection and with the BT contactless cards.

November:

The institutional investors active on the Romanian capital market evaluated the companies listed on the Bucharest Stock Exchange, and the resulting ranking brought 5 prizes to the Banca Transilvania. BT was named Best Company for Investor Relations.

December:

Little People Romania Association and Banca Transilvania launch the program “I am OK!”, The first teletherapy platform dedicated to children and young patients, through which online therapy sessions are offered.

BT Leasing (BTL) bonds started to be traded on the regulated market managed by the Bucharest Stock Exchange, and BTL becomes the second company of the Financial Group Banca Transilvania, which uses the financing mechanisms of the Bucharest Stock Exchange.

Realization of 2019 Strategy

What we targeted for 2019:

- Strengthening the organic growth of the Bank;
- Expansion of the BT business model in the Republic of Moldova through Victoriabank;
- 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:**

- In 2019, Banca Transilvania continued to consolidate its organic growth after the merger and integration of Bancpost since the end of 2018. BT thus continued to

support Romanian entrepreneurs and the local economy, creating added value for shareholders, customers and team. The loan portfolio of SMEs (SME according to the European definition) reached RON 16.5 billion and the balance of mortgage/real estate loans reached RON 11.8 billion;

- The results of the investments in digitization continued to show also in 2019:
 - for 20% of the loans granted last year, the clients individuals applied online;
 - 30% of the deposits opened in 2019 are through BT24 Internet Banking;
 - 10 self-banking solutions are available to BT customers through applications, internet banking, mobile banking, chatbots and multifunctional ATMs. Customers prefer the phone for self-banking. 35% of BT customer requests through Contact Center & Consumer Care were solved through self-banking in 2019
- At the end of the year, BT had almost 500 BT Express Plus multifunctional ATMs, which allow self-banking operations and over 1,200 ATMs for cash withdrawals distributed nationwide;
- Banca Transilvania is the largest lender to the Romanian agriculture; following the focus on supporting entrepreneurs and a sustainable growth, agribusiness was one of 2019 priorities and will continue to be also in the next year;
- In 2019, Banca Transilvania is the leader lender on the health market with a portfolio of 48,000 clients;
- The Financial Group Banca Transilvania extends its financial services to over 3 million clients through an investment in the area of privately managed pensions: BT Asset Management S.A.I. (BTAM) and BT Investments purchase 100% of Certinvest Pensii;
- At the beginning of August 2019, BT Direct (BTD) and ERB Retail Services, institutions for granting consumer loans, became the same company. BT Direct now has over 200,000 customers, 150,000 credit cards and 7% market share;
- In 2019 Victoriabank, the third largest bank in Moldova, continued to reconfigure its business and strategy with positive results. This year a number of BT projects and brands have been launched at Victoriabank, of which we can list:
 - Victoriabank Club a personal and professional development program for entrepreneurs. At the Victoriabank Club meetings, participants have the opportunity to learn more about management, start-ups, team motivation, sales, marketing, but also about different business development solutions;
 - The STAR shopping card - a product that incorporates three cards: the credit card, a card that allows the payment of certain products in installments and a card that allows the accumulation of loyalty points, which customers can use to purchase other products from the partners in the network of Victoriabank;
 - Unlimited package for SMEs;
 - Victoriabank Forest - an area of 3 hectares has been afforested in Budești;
 - Victoriabank Friday - online banking shopping campaign;
- Victoriabank has almost 270 thousand clients, 100 offices in over 30 localities in the Republic of Moldova, as well as a team of nearly 1,100 persons;

- The increased quality of the loan portfolio measured by the non-performing loan rate according to EBA (NPE rate): 4.36% at the end of 2019 compared to 4.97% at the end of 2018;
- BT has climbed 100 positions in the ranking Brand Finance Banking 500 2020, published by The Banker, and is in the top 10 globally as growth rate of brand value and strength with a 53% increase in brand value up to USD 370 million respectively of the rating from AA to triple -A compared to 2018.

Same as in 2018, the Bank obtained in 2019 above average scores regarding the satisfaction indicators measured internally based on the feedback collected from the customers of the Bank (54,882 customers transmitted the feedback by telephone and 11,030 by e-mail). As in previous years, clients were included in satisfaction surveys after interacting with BT Network agencies/branches.

Therefore, we mention:

- NPS BT (Level of Recommendation for the Bank) *: 73.80
- Average Indicator regarding the Quality of the Services Provided by the Employees (Human Interaction)**: 9.58
- Average Indicator products and processes (degree of satisfaction and ease of operating) **: 9.30
- Average Indicator for assessed unit aspect **: 9.48
- 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 for measuring the Bank's recommendation level (NPS study) was conducted in 2019 by the Kantar Romania agency. According to this study, Banca Transilvania is on the second place in the segment of individuals and on the first place in the segment of legal entities. Also, as in the last 2 years, it turned out that the recommendation score of BT is higher than the market average and exceeds that of banks of comparable size.

2.Operational/IT performance:

- Upgrade card infrastructure so that we can accommodate more than 100 transactions per second;
- Implementation of the SD-WAN Viptela solution, a solution that allows easier network management, maximizing the control, availability and security of the communication;
- Launch of the platform necessary to accommodate the provisions of the European Directive on Online Payment Services (PSD2): API Store: <https://apistorebt.ro>;
- Official launch of BT Visual Help, a very useful self-banking option for 3 of the most accessed services related to Bank cards: card locking, re-issuing of the card after final locking and changing the trading limits with the card;
- Launching in Private Beta of the new digital banking platform BT NeoWeb and BT NeoMobile;

- Implementation of the pilot project in 3 BT units consisting of self-service “cash deposit” terminals - cash deposits for companies (large values);
- Launch iPay - BT’s own e-commerce solution for managing online merchants;
- Implementation of 32 robotic RPA processes at BT and Victoriabank with an estimated saving of 95,000 hours / year;
- Enrollment of BT cards in Apple Pay and development of new functionalities, actions that complement the BT Pay experience, offering the possibility to make payments directly with the phone through NFC technology; extension of P2P payments on the BTPay virtual payment keyboard available in the main messaging applications;
- Developing fast and simple flows for customer in product granting applications and improving the performance of the notification flows dedicated to BT customers;
- Diversification of the channels dedicated to taking over the clients’ options in order to comply with the regulations in force regarding the management of personal data;
- Extending the functionality for the BT Express payment machine with creating deposits and issuing payment orders, in order to encourage self-banking;
- The use of machine learning methods in the payment flow of the garnishments, by optimizing the calculation of blocked amounts and the initialization of the payment operations of the garnishments;
- Implementation of the “Digital Hour” concept, with a positive impact for both external and internal customers;
- Development of new features/improvements for the Retail Lending Factory application in order to support lending campaigns;
- Active participation in projects to simplify the way our clients interact with the Bank (e.g. a single front office support channel, launching a new e-mail transmission channel of daily statements for corporate clients).

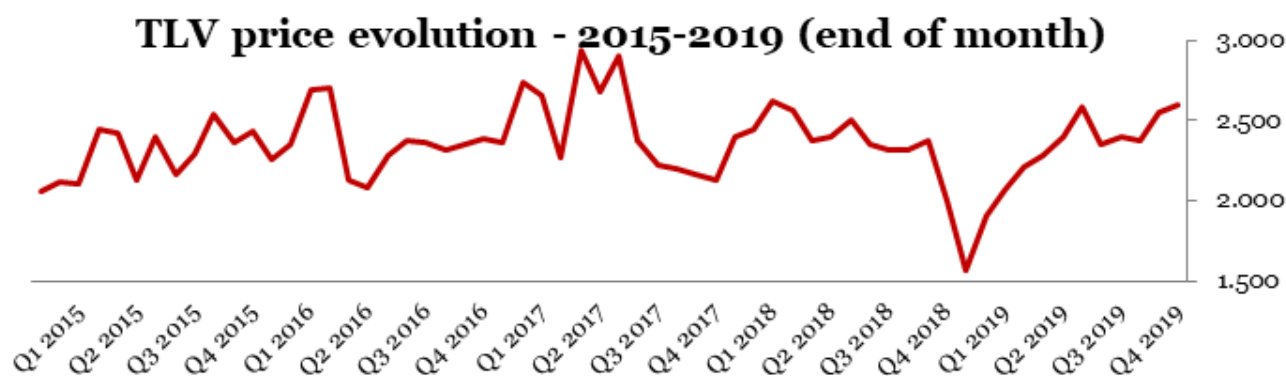
3.Quantitative objectives:

INDICATOR	BUDGET	ACTUALS
Total Assets	RON 79.97 billion, increasing with 8% vs. 2018	RON 87.44 billion, increasing with 18% vs. 2018
Gross profit	RON 1,443.29 million	RON 1,887.15 million, higher with 31% vs. budgeted value for 2019
Deposits from customers	RON 67.56 billion, increasing with 8% vs. 2018	RON 74.35 billion, increasing with 19% vs. 2018
Loans to customers	RON 41.55 billion, increasing with 7% vs. 2018	RON 41.13 billion, increasing with 6% vs. 2018
Total equity	RON 7.72 billion	RON 8.50 billion, increasing with 15% vs. 2018
Cards issued at the end of the year 2019	4 million cards	RON 4.10 million cards
Loan/Deposit ratio	0.61	0.55
Investment budget	RON 286 million (VAT included)	RON 259 million, (VAT included)

Based on the total assets, the market share increased to 17.7% as at the end of 2019, Banca Transilvania remaining the first bank of the Romanian banking system.

The Bank's market capitalization as at December 31, 2019 was RON 13.5 billion respectively EUR 2.8 billion (December 31, 2018: RON 9.6 billion respectively EUR 2.1 billion).

The evolution of the Bank's shares, during January 2015-December 2019, is presented in the chart below:



New Strategic Objectives

Qualitative objectives:

- Maintaining the Bank's market share under the current conditions;
- Focus on online and alternative services;
- Maintaining a balanced approach and supportive to clients given the existing context;
- Development of financial products to support customers after the end of the pandemic crisis;
- Creating intelligent operating systems, innovation and process simplification;
- Digitization of banking experience;

- Continuous and interactive support provided to clients and employees;
- Customer relationship optimization to give them the best experience with BT;

Quantitative objectives:

- Total assets: 0.6% increase;
- Total loans, gross: 1.75% decrease;
- Total deposits from customers: 0.2% increase;
- Cost/Income ratio: 53.7%;
- Loans/Deposit ratio: 54.4%.

Development Plan for 2020

Investment budget for 2020 (RON million)	
Buildings – agencies and branches	47.93
Investments IT and cards, of which:	182.80
<i>Hardware IT</i>	50.07
<i>Software IT</i>	114.11
Retail and cards, of which:	18.63
<i>Hardware retail cards</i>	8.80
<i>Software retail cards</i>	9.82
Security	10.39
Cash processing center	31.24
Digital initiatives	33.10
Other	17.61
Total Investments RON million, VAT included	323.07

Projections of the Financial Position and Profit and Loss Account for 2020

In projecting indicators for 2020, it has been considered an average inflation rate of 1.74% and an average exchange rate of 4.85 RON\EURO.

The Bank estimates a growth rate of 0.6% for total assets as compared with previous period (up to RON 87.923 million). In the structure of assets is estimated that a weight of 46.1% is for gross loans, a weight of 21.6% for cash and cash equivalents and a weight of 33.3% for investments in treasury bills.

Regarding the structure of liabilities and equity forecasted for 2020, the Bank considered a growth rate of resources from non-banking clients of 0.2% as compared with 2019, meaning a weight in total liabilities of 92.8%.

The 2020 revenue and expenditure budget indicators that are subject of GSM approval are determined so that they support the business objectives and are correlated with the specific prudential and supervision legislation requirements.

The elements of the Statement of Financial Position and of the Profit and Loss Account forecasted for 2020 are presented below:

Statement of Financial Position (RON mil.)	Budget proposal 2020
Cash and cash equivalents	19,020
Investment securities	29,309
Loans and advances to customers (gross)	40,509
Loans provisions	(3,530)
Fixed assets	1,204
Equity investments	573
Other assets	837
Total assets	87,923
Deposits from customers	74,488
Loans from financial institutions	1,900
Subordinated liabilities	1,874
Other liabilities	1,968
Total liabilities	80,230
Total equity	7,179
Profit/Loss for the year	514
Total equity	7,693
Total liabilities and equity	87,923

Profit and Loss Account (RON mil.)	Budget proposal 2020
Interest income	2,907
Interest expenses	(510)
Net interest income	2,398
Net commission income	643
Net trading income	285
Contribution to the Guarantee Fund	(70)
Other income	148
Total Income	3,404
Personnel expenses	(996)
Other operating expenses	(477)
Depreciation and amortization	(330)
Other liabilities	(38)
Total Expenses	(1,841)
Net impairment charges	(955)
Profit Before Tax	608
Income tax	(94)
Net Income	514

Banca Transilvania is monitoring the coronavirus situation very closely and liaising with National Bank of Romania, Romanian government and with public health officials. As the largest bank in Romania, we have an immense responsibility to contribute to the well-being of our customers, colleagues, and communities, especially during this time of uncertainty. The unpredictability of the spread of COVID-19 and its overall impact does not alter our focus on continuing to serve our clients. Banca Transilvania's financial strength, coupled with our advanced technology, prepares us well for navigating through these uncertain and turbulent times. We are putting all our forces into action and we are committed to doing what we can to help minimize the spread of COVID-19 while providing continued comprehensive banking solutions. Our goal is to provide increased flexibility so that we can collectively emerge from this crisis more united and stronger than ever. Within this context, the budget proposal for 2020 includes our current estimations, on a best effort basis, regarding the potential economic impact of the pandemic and our response capacity.

Management Report

Macroeconomic Climate

The economic year 2019 was dominated by the US-China trade negotiations (these economies contribute by around 40% to the global GDP), the implementation of additional expansionary monetary policies and the gap between the positive climate on the financial markets and the deceleration of the growth pace in the real economy.

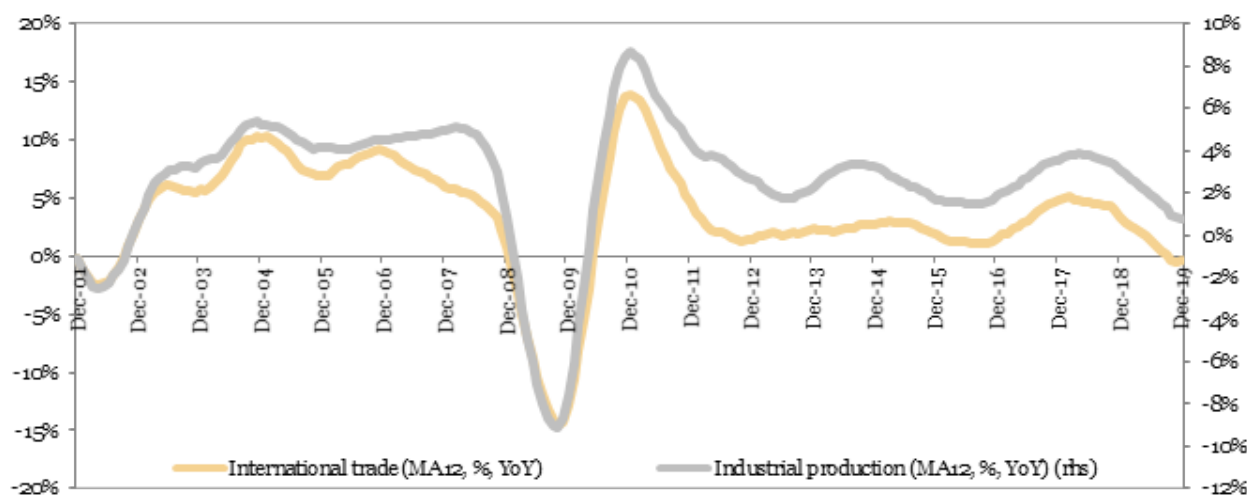
From the nominal perspective in 2019 the GDP of China outpaced the GDP of Euroland, considered the equilibrium point of an unbalanced global economy over the past decades.

The persistence of the trade tensions among the main economies of the world had a negative impact for the global trade in 2019 (contraction by 0.4% YoY), with spill-over effect for the world industrial production (increase by only 0.8% YoY, the weakest performance since 2009).

At the same time, the services sector decelerated in 2019, due to the deterioration of the investment climate, partially counterbalanced by the positive dynamics on the labour market and the continuity of the Digital Revolution.

According to the estimates of the International Monetary Fund (IMF) the global economy grew by only 2.9% YoY in 2019, the slowest pace since 2009.

Global trade vs. industrial production



Source: Bloomberg

In US (the largest economy of the world, contributing by around 25% to the global GDP) the growth pace decelerated from 2.9% YoY in 2018 (the best dynamics since 2005) to 2.3% YoY in 2019, an evolution, mainly determined by the deterioration of the investment climate.

At the same time, the growth pace in the Euroland deteriorated from 1.9% YoY in 2018 to 1.2% YoY in 2019.

The negative output gap and the persistence of inflation at a low level (below the target)

determined the European Central Bank to implement additional expansionary measures in September 2019.

In China the YoY growth pace continued the deceleration process in 2019, to 6.1%, the slowest since 1990.

As regards the financial side of the economy there can be noticed the decline of the financing costs in 2019, due to the implementation of additional expansionary monetary measures in US (FED cut the policy rate by 0.75pp), Euro Area and China.

At the same time, the climate on the international financial markets was supported by the expansionary policy-mix across across the world and the optimism induced by US-China trade negotiations (a partial agreement was signed at the beginning of 2020).

In 2019 the Dow Jones rose by 22.3%, while the pan-european index EuroStoxx 50 advanced by 24.8%.

According to the flash estimate of the National Institute of Statistics the Romanian economy grew by 4.1% YoY in 2019, slowing down from 4.4% YoY in 2018.

The main macro-financial indicators	2015	2016	2017	2018	2019
GDP (real) (% YoY)	3.90	4.80	7.10	4.40	4.10
Inflation (IPC) (% YoY, annual average)	(0.59)	(1.53)	1.34	4.64	3.83
Unemployment rate (average, %)	6.81	5.88	4.94	4.19	3.94
Monetary policy rate (% eoy)	1.75	1.75	1.75	2.50	2.50
ROBOR (3M) (% , annual average)	1.33	0.78	1.15	2.77	3.13
ROBOR (6M) (% , annual average)	1.58	1.04	1.34	2.99	3.25
EURIBOR (3M) (% , annual average)	(0.02)	(0.26)	(0.33)	(0.32)	(0.36)
EURIBOR (6M) (% , annual average)	0.05	(0.17)	(0.26)	(0.27)	(0.30)
EUR/RON, (eoy)	4.5245	4.5411	4.6597	4.6639	4.7793
USD/RON, (eoy)	4.1477	4.3033	3.8915	4.0736	4.2608
EUR/USD, (eoy)	1.0887	1.0541	1.1993	1.1450	1.1234

*National Institute of Statistics, National Bank of Romania, European Central Bank

The growth of the Romanian economy in 2019 continued to be determined by the contribution of the domestic demand, supported by the low level of the real financing costs and by the expansionary fiscal and income policies.

There can be noticed the re-launch of the fixed investments, given the improvement of the risk perception, the low level of the real interest rates and the mid-run development opportunities in Romania.

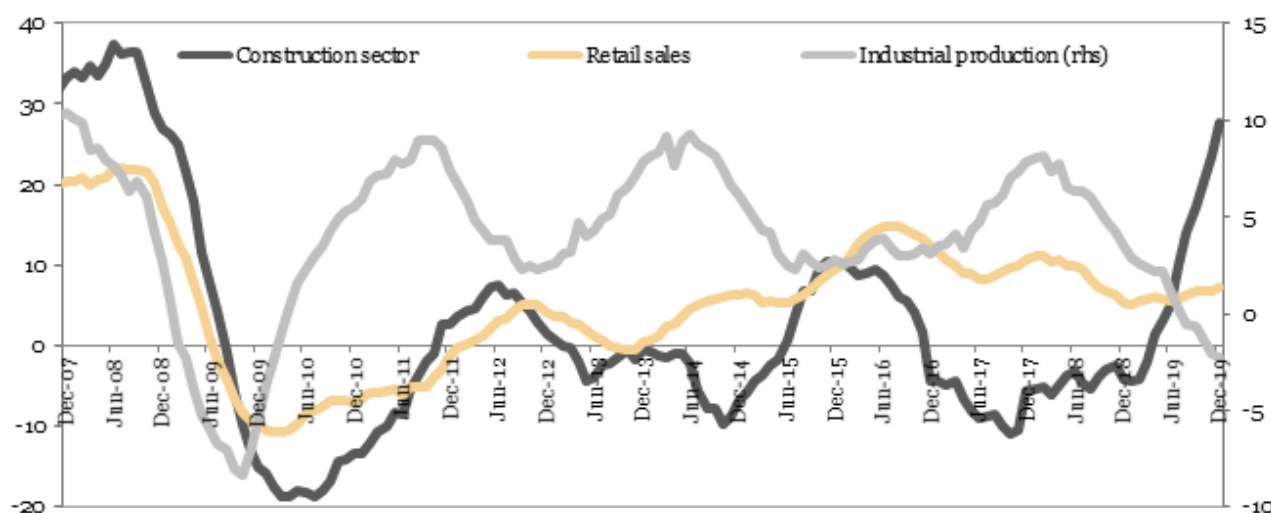
On the other hand, the trade deficit widened in 2019, reflecting the deterioration of the international competitiveness, in the context of the pro-cyclical and unsustainable policy-mix.

According to the analysis from the supply-side perspective the constructions advanced by 27.6% YoY in 2019 (after contracting for three years in a row) (the best dynamics since 2007), given the low level of the real financing costs, the continuity of the First House Program and the improvement of the public investments.

Furthermore, the retail sales (the proxy for the private consumption, the main component of the GDP) accelerated to 7.2% YoY in 2019, an evolution supported by the positive climate on labour and credit markets.

On the other hand, the industry adjusted by 2.3% YoY in 2019, given the contraction of the European industry and the domestic challenges in terms of macroeconomic equilibria.

The dynamics of the main sectors (MA12, %, YoY)



Source: National Institute of Statistics (NIS)

The positive climate on the labour market consolidated in 2019, an evolution supported by the re-launch of the fixed investments. The annual average rate of unemployment diminished from 4.2% in 2018 to 3.9% in 2019, the lowest level since 1991.

In 2019 Romania continued to be among the EU countries with a high level of the growth pace, an evolution mainly influenced by the expansionary policy-mix.

However, the twin deficits (budget and current account) continued the widening trend past year.

For instance, the budget deficit/GDP ratio stood at 4.6% in 2019 (the highest since 2011) and above the 3% threshold of the Stability and Growth Pact, an evolution that determined the European Commission to launch the Excessive Deficit Procedure in February 2020.

At the same time, the current account deficit widened by 16.9% YoY to EUR 10.5bn in 2019, due to the intensifying deficit of the trade balance with goods by 17.3% YoY to EUR 17.4bn, according to the preliminary statistics published by the National Bank of Romania (NBR).

On the other hand, the YoY dynamics of the consumer prices decelerated from 4.6% in 2018 to 3.8% in 2019.

The convergence of inflation towards the target and the slowing down of the growth pace in Romania and the monetary policy outlook in US, Euro Area and the region determined the central bank to keep the reference rate at 2.50% in 2019. However, NBR decided to maintain the strict control over money market liquidity, due to the persistence of inflation above the target and to the domestic challenges in terms of macroeconomic equilibria.

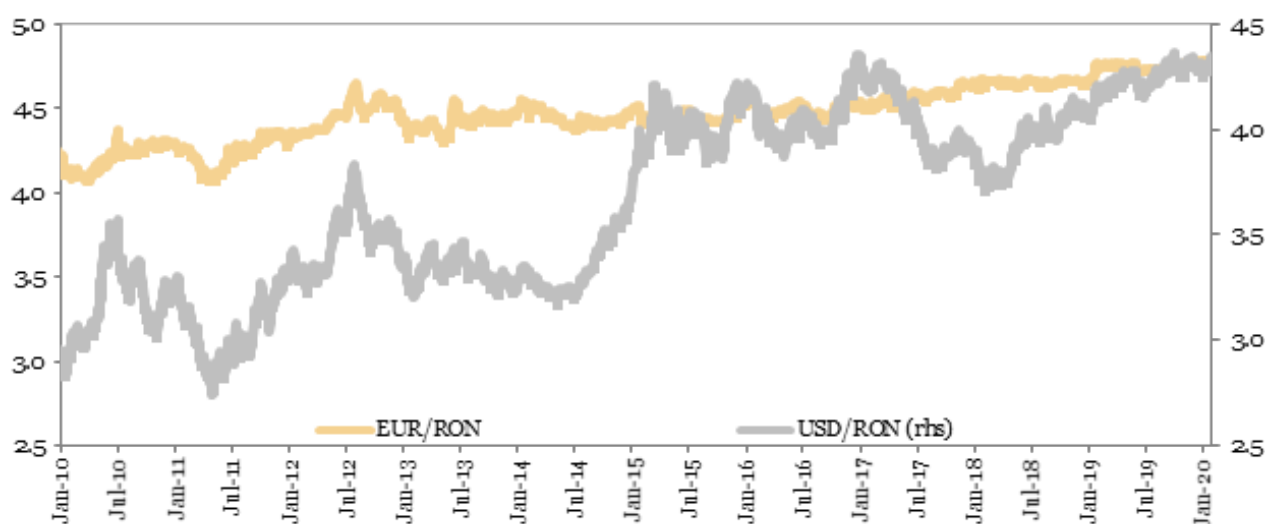
The financial side of the economy incorporated the international macro-financial climate and the domestic economic and political news in 2019.

On the money market the interest rates presented divergent dynamics: 3M ROBOR continued the upward trend to 3.18% at the end of the year, up by 5.3% YoY; 6M ROBOR contracted by 1.8% between the end of 2018 and the end of 2019 to 3.24%.

Divergent evolutions of the interest rates were also registered across the yield curve past year: increase on the short-run maturities, given the challenges in terms of macroeconomic equilibria; decline on mid and long-run maturities, an evolution in line with the international markets. The yield on 10YR Bonds ended 2019 at 4.41%, decreasing by 8% YoY. In 2019 this indicator presented an average level of 4.53%, down by around 4% YoY.

On FX market EUR/RON continued the upward trend last year, due to the widening of the twin deficits and the challenges in terms of policy-mix in an electoral context. EUR/RON fluctuated in the interval (4.6634-4.7808) at NBR in 2019, presenting an average level of 4.7452 (a record high level), up by 2% YoY.

EUR /RON vs. USD/RON



Source: National Bank of Romania (NBR)

On the other hand, the stock market significantly increased in 2019 (the BET index by 35.1%), an evolution determined by the positive climate on the international markets and by the domestic factors, including the change of the special tax on banking assets and the decision of FTSE Russell to upgrade the Romanian capital market from frontier to the emerging status.

Banking Sector in Romania

According to the figures released by the National Bank of Romania (NBR) the positive trend for the financial performance of the banking sector consolidated in 2019, an evolution influenced by the change of the special tax on banking assets and the expansionary policy-mix.

For instance, the non-government loans continued the acceleration trend, climbing by an average annual pace of 7.6% in 2019 (the best dynamics since 2009), an evolution determined by the positive climate on the labor market, the First House Program, the low level of the real financing costs and the intensifying competition, with positive impact for the supply of financial services.

There can be noticed the increase of the RON denominated loans by an annual average pace of 10.5%. At the same time, the FX denominated loans rose by 2.3% YoY on average.

The household loans grew by an average annual pace of 7.7% in 2019, an evolution supported by the increase of the disposable income, the continuity of the First House Program and the low level of the real financing costs.

At the same time, the corporate loans advanced by 7.5% YoY on average, an evolution influenced by the re-launch of the fixed investments and the low level of the real interest rates.

At the end of December 2019, the outstanding non-government loans stood at RON 267.6bn, up by 6.6% YoY.

The NBR statistics also show the continuity of the upward trend for the non-government deposits in 2019, an evolution supported by the increase of the disposable income of the population, the high level of the savings rate, the upward trend for the interest rates and the depreciation of the RON.

The outstanding non-government deposits stood at RON 367.7bn at the end of December 2019, up by 11.5% YoY.

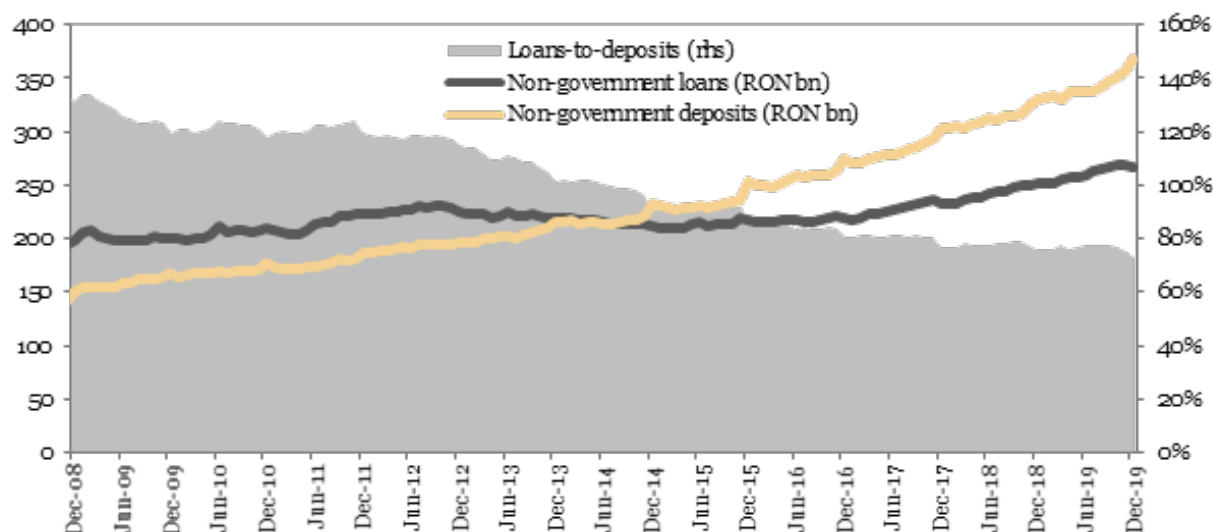
In 2019 the non-government deposits advanced by 9.5% YoY on average (the slowest pace since 2015): the household and corporate segments rose by 11.6% YoY and 6.3% YoY, respectively.

The loans-to-deposits ratio continued the downward trend in 2019, to 72.8%, the lowest level of the past decades.

According to the NBR data the non-performing loans ratio declined in 2019, to 4.08% in December (the minimum since 2009), an evolution determined by the positive climate on the domestic demand, in the context of the expansionary policy-mix.

The volume of the net assets of the domestic banking sector rose by 4.7% QoQ and 9.8% YoY to RON 495.3bn in 4Q2019 (EUR 103.6bn), a record high level.

Non-government loans and deposits



Source: National Bank of Romania (NBR)

On the other hand, the net aggregate profit of the Romanian banking sector adjusted by 7.1% YoY to RON 6.3bn (EUR 1.3bn) in 2019, an evolution also influenced by the introduction of the special tax on banking assets.

In 2019 the average levels of ROE and ROA stood at 12.32% and 1.35%, respectively.

However, the capital adequacy ratio rose from 19.73% in 3Q to 20.00% in 4Q2019, a level highly above the minimum requirements.

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 2019 with total assets amounting to RON 87,438 million, 18% higher compared to 2018. Gross loans to customers increased with 6% as compared with 2018, while customer deposits grew by 19%. The Bank exceeded the budgeted total assets with 9%. At consolidated level, the total assets amounted to RON 91,722 million.

BT's statement of financial position at the end of 2019 is presented below:

	BANK				GROUP		
(RON million)	Realised 2019	Budget 2019	Realised 2018	Δ 2019/2018	Realised 2019	Realised 2018	Δ 2019/2018
	(1)	(2)	(3)	(4)=(1)/(3)-1	(5)	(6)	(7)=(5)/(6)-1
Loans to customers	41,135	41,545	38,815	6%	43,135	40,490	7%
Loans provisions	(2,533)	(2,511)	(2,459)	3%	(2,781)	(2,673)	4%
Cash and cash equivalents	20,476	15,753	13,084	56%	22,358	14,972	49%
Securities	25,986	22,362	22,420	16%	26,782	23,127	16%
Fixed assets	1,630	2,031	1,274	28%	1,365	881	55%
-Property and equipment and intangible assets	1,144	1,493	736	55%	1,351	877	54%
-Investments in associates	486	538	538	-10%	3	0	
Other assets	745	793	985	-24%	864	1,099	-21%
Total assets	87,438	79,972	74,119	18%	91,722	77,897	18%
Total equity	8,496	7,724	7,411	15%	9,214	7,880	17%
Subordinated loan	1,697	1,681	1,652	3%	1,700	1,655	3%
Deposits from customers	74,354	67,558	62,522	19%	77,037	65,160	18%
Deposits from banks	1,200	1,402	1,393	-14%	1,770	1,899	-7%
Other liabilities	1,691	1,607	1,141	48%	2,001	1,302	54%
Total liabilities and equity	87,438	79,972	74,119	18%	91,722	77,897	18%

Loan/deposit ratio was 55.3% at the end of 2019, gross loans amounting to RON 41,135 million, whereas customer deposits amounting to RON 74,354 million.

This ratio dropped vs. 2018 (when it was 62.1%), this trend being observed also across the entire banking system but being still below the value recorded for the banking system (70.98%). 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 2019, Banca Transilvania's gross loan portfolio balance was 6% higher than at the end of 2018, in spite of the fact that in 2019 write-offs were

performed amounting to RON 344 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 2.79% of Banca Transilvania's total loan portfolio, decreasing as compared to 2018, when the ratio was 3.09%. Non-performing exposures according to EBA requirements was 4.36% as at December 2019.

Provision balance: In 2019 Banca Transilvania recorded a net impairment allowance on financial assets on other risks and loan commitments in amount of RON 244.7 million (including recoveries from previously written off loans).

The provisions booked in 2019 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 128%, in accordance with the Bank's risk appetite. The total balance of adjustments (impairment allowances) was RON 2,533 million as at December 31, 2019, increasing with 3% 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 208 million.

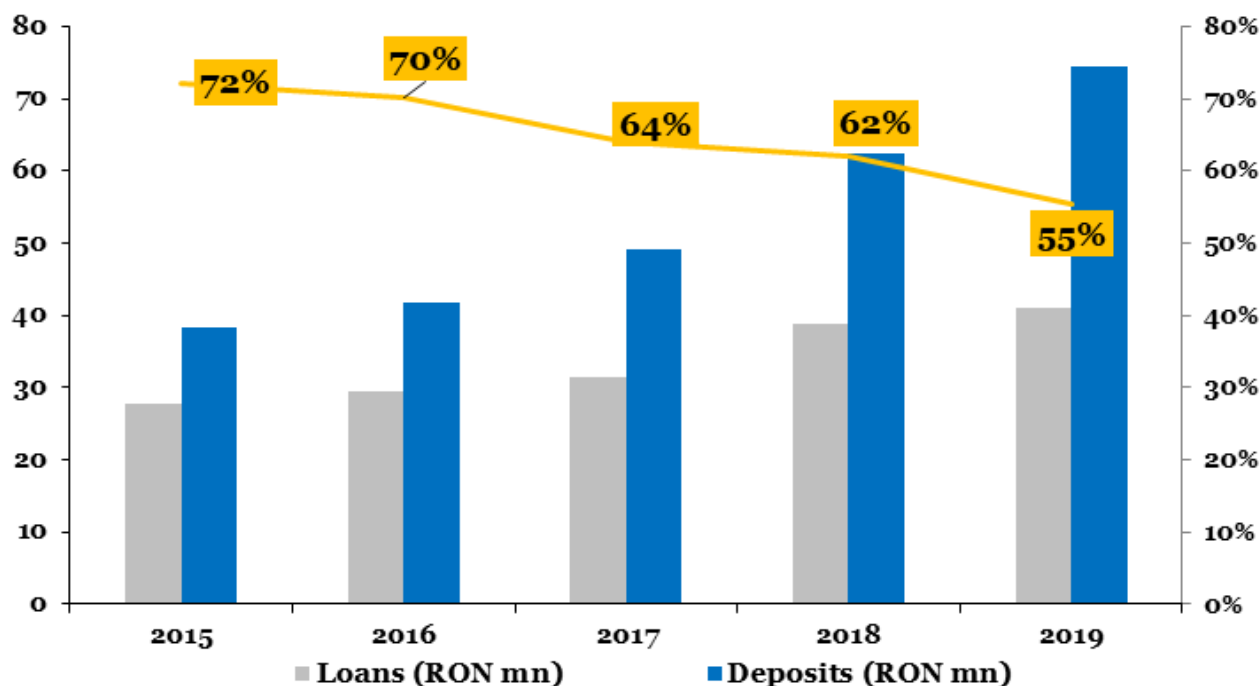
Cash and cash equivalents: at the end of 2019, the liquidity ratio is 60.48%. Cash and cash equivalents in amount of RON 20,476 million are 56% higher compared to the previous year and above the minimum acceptable level required to cover liquidity risk. Cash and cash equivalents consist of mainly cash on hand, placements with central banks and other financial institutions, approximatively 52% of the total balance (RON 10,586 million) being represented by the minimum required reserve held with the NBR.

Securities: Securities and derivative financial instruments increased by more than 16% vs. last year, reaching RON 25,986 million, at the Bank's level. The securities issued by the Romanian Government have the largest weight in this category, amounting to RON 22,386 million.

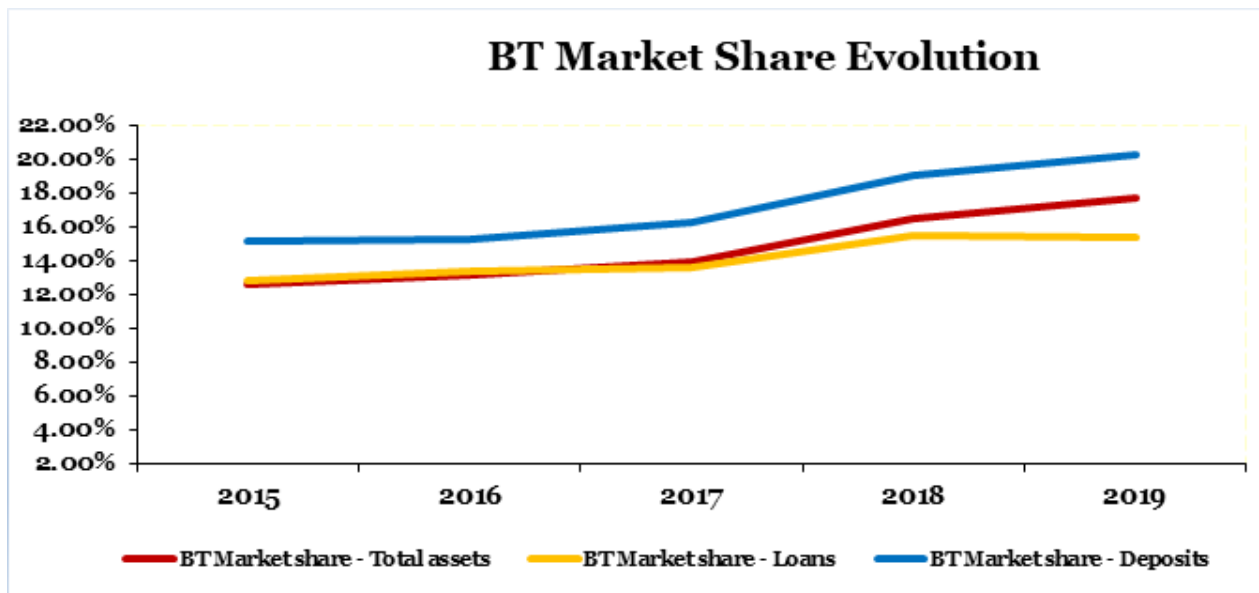
Fixed assets: Fixed assets increased with 28% vs. 2018 to RON 1,630 million, with an important weight of equity instruments held in "VICTORIABANK" S.A. starting with 2018. Also, the IT investments for the purpose of digitalization and enhancement of banking processes are reflected in the fixed assets category at the end of 2019. Property, plant and equipment represent RON 575 million (land and buildings: RON 242 million), intangible assets are in amount of RON 202 million while the financial assets are in amount of RON 486 million. Starting with 2019, following the adoption and implementation of IFRS 16 "Leases", the Bank and the Group present under the fixed assets category also the right of use assets which at the end of 2019 were in amount of RON 366 million at the Bank level and in amount of RON 388 million at Group level.

Customer deposits: Deposits increased significantly by 19% vs. the previous year, being above the 12% general growth rate recorded at the banking system level. As at December 31, 2019, 68% of customer deposits are retail deposits, while 32% represent company deposits.

Loans and Deposits 2015-2019



Market share calculated based of total assets is 17.7% as at 31.12.2019. The Bank's position in the banking system from the point of view of total assets, loans and deposits is the following:



The equity of Banca Transilvania as of 31.12.2019 amounted to RON 8,496,442,262, of which:

- The share capital registered with the Trade Register is represented by 5,215,917,925 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 28,395,512;
- Statutory reserves: RON 590,001,294;
- 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 148,834,324;
- Reserves from the revaluation of tangible and intangible assets, net of tax: RON 20,710,227;
- Retained earnings (excluding the profit for the year and profit distribution): RON 987,699,170;
- Own shares: RON (48,654,821);
- Profit for year: RON 1,620,511,500;
- Profit distribution: RON (231,366,623).

At 31.12.2019 the Group had on its balance RON 63,942 thousand representing the value of own shares (33.1 million shares), while BT had on its balance the amount of RON 48,655 thousand representing the value of 19,3 million own shares. Banca Transilvania repurchased the shares with the purpose of granting them as remuneration to the employees.

In 2019, the Bank did not acquire own shares with the purpose of disposal for consideration.

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

Late in 2019 news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months of 2020 the virus had spread globally and its negative impact has gained momentum.

Management considers this outbreak to be a non-adjusting post balance sheet event. While this is still an evolving situation at the time of issuing these consolidated and separate financial statements, to date there has been no discernible impact on the Group's and Bank's financial situation, however the future effects cannot be predicted. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

As the situation is still developing, management considers it impracticable to provide a quantitative estimate of the potential impact of this outbreak on the Group and the Bank. The impact will be incorporated into the Group's and the Bank's impairments and expected credit loss provisions in 2020.

Statement of Profit and Loss of the Bank and Group

Items in the statement of profit and loss for the year ended 31 December 2019, as compared with the previous year and budgeted figures are underlined below:

	BANK				GROUP		
(RON million)	Realised 2019	Budget 2019	Realised 2018	Δ 2019/2018	Realised 2019	Realised 2018	Δ 2019/2018
	(1)	(2)	(3)	(4)=(1)/(3)-1	(5)	(6)	(7)=(5)/(6)-1
Total operating income	4,031	3,711	3,594	12%	4,615	3,945	17%
of which							
- Net interest income	2,685	2,693	2,490	8%	3,074	2,761	11%
-Net commission income	713	711	683	4%	820	766	7%
Operating expenses	(1,899)	(1,891)	(1,793)	6%	(2,191)	(2,034)	8%
Operational result	2,132	1,820	1,801	18%	2,424	1,911	27%
Gain from acquisition	-	-	72		-	160	
Net impairment	(245)	(377)	(231)	6%	(293)	(364)	-20%
Gross profit	1,887	1,443	1,642	15%	2,132	1,707	25%

The gross profit of Banca Transilvania as at the end of 2019 is RON 1,887 million, while the Group profit is RON 2,132 million, increasing by 15% respectively 25%, as compared with previous year. The net profit of Banca Transilvania amounted to RON 1,621 million, while that of the Group was RON 1,848 million.

Cost/Income ratio reached 47.1% in 2019, considering that the operating expenses were affected by the booking of the tax on assets expense. This ratio is under strict supervision, one of the Bank's objective being to achieve enhanced operating efficiency, reflected also in the evolution of this ratio as compared to the previous year (2018 Cost/Income ratio: 49.9%)

Operating income was RON 4,031 million in 2019 with 12% more than the previous year. This increase is owed to the organic growth of the Bank. As compared to the budgeted level, the Bank recorded an operating income with 9% higher.

The most important income categories are the following:

- Net interest income: RON 2,685 million in 2019, 8% higher compared to the previous year. Out of this amount, the income related to securities had a significant weight of 18%, representing RON 487 million. At the Group level the increase was even higher, with 11% than the previous year;
- Net commission income: Net commission income growth is 4% in 2019 reaching RON 713 million, exceeding the budgeted level. The number of operations carried out through BT accounts grew by 37% in the context in which the Bank provided services at lower costs compared to 2018;

- Net trading income: The increase in the net trading income was of 21% for the Bank while the Group recorded a notably 63% increase. The significant increases are mainly related to the FX trading income which was 23% higher at the Bank level and 27% higher at the Group level than the previous year. Furthermore, also the financial assets held for trading generated a positive result reflected in net trading income;
- Net gains/(losses) on financial assets designated at fair value through other comprehensive income was RON 116.8 million at the Bank level;
- Net gains/(losses) on financial assets designated mandatorily at fair value through profit or loss was RON 165.1 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 1,899 million as at the end of the year, versus RON 1,793 million as at the end of 2018. The increase in operating expenses was mainly related to the amortisation impact generated by the right of use assets, to the recognition in expenses of the tax on assets as well as to the effort of optimization and digitalization of the Bank 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 decreased with 7% and 3% respectively vs. the previous year. These personnel expenses related to 2018 were influenced by 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 2019, to the accomplishment of certain individual eligibility and/or performance criteria as well to the criteria of being an employee at the execution date (starting with 01.06.2020), 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 59.3 million, equivalent of 30,035,756 shares.

Operational result is with 18% above the previous year, reaching RON 2,132 million at the Bank level.

Net provision expenses amounted to RON 245 million, 6% higher than the ones booked in 2018.

Gross profit for 2019 was of RON 1,887 million versus RON 1,642 million in the previous year at the Bank level. At Group level, the gross profit was RON 2,132 million, as compared to RON 1,707 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 31.12.19	BT Level 31.12.18
Liquidity ratio	Min =1	1.90-22.35	2.00-18.11
Capital adequacy ratio(CAR)*	> 8%	21.28%	19.56%

Note: *CAR was computed taking into account the net profit as at 31.12.2019 (without profit, this ratio is 17.83%)

The solvency ratio is at a comfortable level of 21.28%, 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 2019 was characterized by the continuation of the strategy of supporting the Romanian entrepreneurship, on all levels of economic agents, from microbusiness to multinational corporations. 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 2019 by 15% as compared to the previous year being structured as follows:

BT active customers *	31.12.2019	31.12.2018	2019/2018
Large Corporate Customers	1,483	1,365	8.6%
Mid Corporate Customers	8,985	7,929	13.3%
SME Customers	18,593	17,700	5.0%
Micro Business Customers	298,152	256,972	16.0%
Retail customers	2,931,894	2,560,651	14.5%
TOTAL	3,259,107	2,844,617	14.6%

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

At the end of 2019 the Bank has on its portfolio 4.1 million cards, which means 23% 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 1.2 million customers use internet banking from Banca Transilvania, a 18% increase compared to last year, and over 780,000 customers use the mobile banking platform offered by the Bank, an increase of 40% compared to last year.

Large Corporate Customers

Within this structure, over 1,400 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.

New loans for large corporate clients were in amount of RON 3.6 billion and the balance of the gross loans reached RON 6.8 billion at the end of 2019.

Mid Corporate Clients

Over 8,900 Mid Corporate companies are serviced in the Bank's network of 52 branches. Each customer benefits from the support of a dedicated relationship manager.

The loans balance increased at a consolidated level by 4% reaching RON 6.3 billion due to Victoriabank consolidation. The customer deposits increased by the same level as the gross loans balance meaning by 4%, reaching at the end of the year the value of RON 5.8 billion. Total revenue at a Group level increased by 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 2019. 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.

At the end of 2019, Banca Transilvania also extended for Mid Corporate clients with a turnover less than RON 25 million, the benefit of the current account package - Unlimited all inclusive.

Small and Medium Enterprises (SMEs)

This business segment has a base of over 18,500 active customers. The focus of the business line has materialized in granting over 3,800 new loans, amounting to RON 1.1 billion. Total loans balance at a Group level exceeded RON 2.3 billion, representing an increase of 11% as compared to the previous year.

As an important performance in 2019, we mention the significant increase in the deposits balance, which reached RON 4 billion at the consolidated level, 32% higher compared to the previous year.

The Bank has the most diversified ecosystem of supporting SMEs in Romania, through its approach, teams, products and services. The most important programs and facilities complementary to banking for entrepreneurs are the following:

BT Club - offers financial education courses for over 25,000 members;

“Întreb BT” - is an online platform with 1,000 questions and answers about banking, products and services;

Chatbot Raul - is one of the real-time communication channels, through Facebook Messenger and Skype, regarding BT accounts, products and services;

Bucureștiul Întreprinzător - is an online platform that presents people and ideas that have contributed to the transformation of the capital of Romania into the most entrepreneurial city in Romania;

BT Store - is periodically updated with ideas, partners and offers, to best meet the needs of an SME business in 360 °.

Micro Business Clients

Micro Business line is approaching near the benchmark of 300,000 active customers. The number of active customers was over 290 thousand at the end of 2019.

The rapid lending platform materialized in more than 17,200 loans granted with a worth of over RON 2.1 billion. To support access to finance, the microfinance subsidiary, BT Mic, played an important role. As well as 2018, 2019 was a year of strong growth for this type of funding offered by the BT Financial Group to micro-companies.

In 2019, the revenue generated by Micro Business at a consolidated level grew with 2% compared to the previous year. The balance of gross loans increased with 7% while the deposits increased with 20% as compared to last year.

Retail Customers

Banca Transilvania, the leader in the card market, has as at December 31, 2019, a portfolio of 4.10 million cards, generating transactions with almost 44% higher than in 2018. In 2019, individual customers preferred the credit cards – for shopping and travel – therefore over 100,000 credit cards were issued. The Financial Group Banca Transilvania counts over 500,000 credit cards enrolled in its portfolio at the end of 2019.

The Bank owns a network of 1,698 ATMs and multifunctional, approximately 59,600 POS and works with over 1,200 e-commerce merchants.

At the end of 2019, there were over 1,200,000 customers using BT24 Internet Banking, about 19% more than in 2018. At the same time, the number of BT24 Mobile Banking users reached 780,000, increasing by approximately 40% compared to previous year.

At the same time, the number of customers using BT Pay reached almost 550,000, meaning a 3.6 times increase in 2019 compared to 2018.

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 27% on a consolidated level compared to the previous year, reaching a level of RON 331 million in 2019.

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 the Bank's targets and takes actions if any changes appear in the business conditions where the Bank performs its activity;
- Identifies and evaluates significant risks, considering both internal factors (the complexity of the organizational structure, the nature of the activity, staff quality and fluctuation) and external factors (legislation changes, competition changes in the banking sector, technological progress). The risk management framework includes internal regulations, 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 (large corporate, mid corporate, SMEs, micro and retail);
- 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;

- Continuously assesses the risks that affect the achievement of the Bank's objectives and takes measures regarding any changes in the conditions in which it operates.

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
- Systemic 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 a process for assessing the inputs adequacy and the significant assumptions, related to the chosen ECL level determination method;
- d). take into consideration the relevant internal and external factors that may affect the ECL estimates;
- e). to ensure that ECL estimates properly incorporate forward-looking information, including macroeconomic factors, that have not already been taken into account in calculating the adjustments for losses measured at individual exposure level;
- 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 2019 was “medium”.

Liquidity Risk

The appetite for liquidity risk for the year 2019 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 2019, the Bank recorded very good levels of liquidity ratios, proving a strong position, indicating a more than comfortable liquidity level.

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 2019, was "medium-low".

Market Risk

In 2019 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 2019, 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 present and future risk to negative impact on profits and equity due to the lack of public (clients, counterparties, shareholders, investors or supervisors) confidence in the integrity of the Group. In 2019 the appetite on reputation risk has been established as "low". 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 favorable 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 2019, 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 2019 the strategic risk appetite has been established as "low" based on the following aspects: risk management practices are part of Bank'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.

Systemic Risk

Systemic risk is the risk of disruption of the financial system which can have serious negative

consequences for the financial system and for the real economy.

The objective of the Bank is to provide the general framework for establishing an adequate management of the systemic risk, in the sense of anticipating and protecting the Bank both against the possible negative effects that the system can have on the institution, as well as in the opposite direction. In this regard, the Bank has comprehensive risk management regulations, which include in addition to the general risk management policy and strategy, crisis and recovery financing plans, which aim to control risks, and in the case of some special situations, stabilizing the institution and restoring its financial position in the shortest time, without negatively impacting the market.

At the same time, in order to protect itself from the systemic risk generated by the other market participants, the Bank has established exposure limits to its counterparties and permanently monitors its exposure to them.

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/automations which should lead to an effective management of the requirements on conflicts of interest.

The relevant ratios managing the compliance function also target the client knowledge 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 2019 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, 2019.

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 2019 was 8,826 employees (31 December 2018: 8,263 employees).

The Bank's number of active employees as at December 31, 2019 was 7,997 employees, including 336 employees from Bancpost (2018: 7,355 employees).

The average age of employees in 2019 was 36.65 years (2018: 36.81 years). Breakdown per genders 2019: 75.30% women and 24.70% men (2018: 75.70% women and 24.30% men).

During 2019, there was a number of 1,842 new employees, out of which 625 new employees in head office and 1,217 new employees in Bank's network.

In 2019 the priorities of human resources activities were: quality and timely selection and recruitment; continuous professional and personal development of all employees; career management for potential employees; developing leadership and personalized management skills for each level of management; completing and diversifying the benefits package and not least facilitating the implementation of a new structure and organization of technical departments.

All these aspects had an important impact on the performance of the organization and on increasing the retention and commitment of our colleagues towards the Bank.

Organizational changes

In 2019, an important project was the reorganization of the Technical Department in order to increase the project delivery time and to prepare the BT Financial Group for the future.

As a result of the reorganization, new positions were defined and new competencies were identified, for the development of which learning programs were organized.

Recruitment

Staff recruitment was also an important item on the Human Resources Department's agenda in 2019. It was maintained the same profile of the candidates selected for the vacancies: good communication skills, customer care and attention to detail. The three criteria are an important element in terms of recruitment within the Bank.

The total fluctuation rate of the staff was 15.64% (3.69% in head office and 11.95% in network)

BT's career plan is a program developed to ensure predictability and transparency regarding the possibilities of promotion and salary increase within the same position. It was designed for the operational, commercial and analytical functions for the staff from network; a similar program will be implemented for the BT's head office staff.

The program started in September 2019 with the first financial year resulting in 273 employees promoted (Customer Service Specialist, Customer Relations Manager -

individuals, Customer Relations Manager - SME & Microbusiness, Customer Relations Manager - MidCorporate, Credit Analyst - SME and Analyst Loans - MidCorporate).

Professional Development

The year 2019 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, but also in the development of the students interested in a future career in banking.

Development programs dedicated to employees

In addition to the programs already implemented in the Bank, which address specific needs in the hard skills area (products, services, lending, methodologies / workflows, etc.), a number of programs have been developed that address development needs in the soft skills area.

GROW (Get Ready Open Wings) is a complex development project for all Bank's managers. The differentiating factor of this project is the high level of personalization, especially for the management positions in the network, allocating a large number of resources (human, time and financial) to the development needs analysis stage. This program aims to re-evaluate the match between the managerial skills needed for the management functions of the business lines in the network and the skills actually owned by our managers, the final objective being the construction of concrete individual development plans to reduce / eliminate the differences between the ideal skills profile (Best Fit) and the real one. The Best Fit profiles have been constructed in such a way as to include those behaviors that contribute constructively to the good / success of a team and which aim to achieve positive results (business and wellbeing).

All the programs within the GROW project are based on three main elements on which BT builds its relationship with its employees: **Coaching, Communication, Care**. The following development programs fall under the umbrella of the project:

- **START Growing:**
 - Program dedicated to the new managers of BT, managers from **the first level of management**, who exclusively have in subordination execution functions. It lasts for 3 months, including different learning methods: experiential workshop, online learning modules and support for transferring knowledge into practice;
- **Keep Growing:**
 - Program for **the second level of management**, developed in collaboration with a top training company in Romania; the program is carried out over a year, based on the same elements presented above, but customized to the job specificity;
- **Enjoy Growth:**
 - Program for **senior managers** in collaboration with teachers from a prestigious business school in London, whose main objective is to prepare them for managing a growing and more complex organization. The program is carried out over one year and covers topics such as: Innovation, Decision Making, Exploiting Disruption in a Digital World, Leading Businesses into the Future, etc.

Internship programs for students - BT Journey

The BT Journey project, addressed to students and masters, a program fully paid by Banca Transilvania, continued in 2019. The students had the opportunity to know the banking environment from inside and to observe and assimilate as many banking concepts as possible.

During the year, 4 internships were organized, one dedicated to students with technical profile and 3 dedicated to students with economic profile.

The internship program, addressed to students with a technical profile, was carried out during two months, between 15.07.2019-09.09.2019, with a total number of 20 participants, students from the Technical University of Cluj-Napoca. During the 8 weeks, the students, guided by tutors and supported by BT experts, had the opportunity to know the activity of our colleagues from the IT department, respectively Digital Transformation. Of the 20 students, 5 were part of the program funded by the European Union "Take the first step towards a successful career".

After the completion of the internship, 8 students remained in Bank, employed in the technical departments.

Also, there were 3 internships for students with economic profile, through which the participants had the opportunity to learn banking - theory and practice - from the Bank's team, both within the territorial units and at the Bank' headquarter. Each internship lasted 3 weeks, as follows:

- 50 students between 20.05.2019 – 07.06.2019 in the university centers from Arad, Cluj, Constanța and Sibiu;
- 23 students between 08.07.2019 – 26.07.2019 in the university center from Cluj;
- 80 students between 02.12.2019 – 23.12.2019 in the university centers from Arad, Bacau, Cluj, Iași, Sibiu and Timișoara.

Of the total number of students who were in internship during the year 2019 in Banca Transilvania, 60 were employed on full-time, part-time or for different projects for a fixed period.

Organizational Climate

Permanently preoccupied in creating a better organizational climate and by making Banca Transilvania a valued workplace, where employees work with pleasure, we have continued in 2019, the BT Employee Experience Index (BT EEI) study.

BT EEI is a biannual project 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 measure helps us ensure that all colleagues benefits from a fair and complete

communication, that they are professionally supported and that the managers of the Bank know how to take care of their colleagues.

The information gathered from the data analysis, helped us in outlining an efficient strategy, in implementing punctual actions to support the employees. The project will continue in 2020.

The participation rate of employees within the Banca Transilvania Group (including Subsidiaries) increased by 8%, from 72% (in the first edition), to 80% during the last measurement of July-August 2019.

The eNPS score also had a positive evolution of 6.5 points: from 25.6 eNPS registered in the July-August 2019 edition, to 33.1 eNPS registered in the July-August 2019 edition.

Performance Evaluation

In 2019, the evaluation process continues to be brought closer to people, and in this sense new functionalities have been developed in the BTHuB platform.

The performance management process is to be revised in 2020, the aim being to make it even more flexible, in real time, about people and their results, with a focus on the continuous and rapid growth of skills, through re-skilling and up-skilling or other methods of development.

Benefits

At Banca Transilvania, one of our major concerns for employees is to build their motivation mechanisms, the ultimate goal being to make BT the place where people have the opportunity to learn, grow and feel better as a team.

Thus, following the proposals received from colleagues and the decisions made by the Bank's management, in 2019 there were added benefits in the field of health care and prevention of illness, both in terms of employees and their minor children and also extra free time.

The Screening Life Saving Program - developed and run with our partner: Regina Maria Network, a program to prevent the most common types of cancer continued in 2019 as well. 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.

We pride ourselves on the fact that Banca Transilvania is the first and only company in Romania to carry out such a program available to all its employees. All investigations in the program are free of charge, every two years.

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.

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 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 2019, 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 2019: 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 2019: 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 2019: 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 Ceocea Date of first election: April 2010 Term of current mandate: April 2018 – April 2022 Non-executive Director Presence in BoD during 2019: 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 2019: 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 2019: 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/
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 2019: 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 – Senior 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 2019, the Remuneration and Nomination Committee assessed the Board of Directors and its committees' activity, for the financial year 2019. 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 2020 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 2019 Financial Year

The Audit Committee, composed of 3 non-executive independent members, met 13 times during 2019 (including the external auditor selection process), 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 2019 were:

- Ivo Gueorguiev: Chairman of the Audit Committee; Non-executive independent administrator with audit experience, attending 13 out of 13 meetings;
- Thomas Grasse: Member, non-executive independent administrator with audit experience, attending 13 out of 13 meetings;
- Costel Lionăchescu: Member, non-executive independent administrator with audit experience, attending 13 out of 13 meetings.

During the meetings held in 2019, the Audit Committee carried out the following actions:

- Analysis of the financial statements and audit report prepared by the external auditor for the year 2018, 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;
- Updating the selection procedure of the external auditor;
- Conducting a procedure for selecting the external auditor, within the limits of the Committee's responsibilities.

During 2019, 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 2019, 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 2019:

As at 31 December 2019, 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 4 times during 2019 (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.

During the meetings held in 2019, 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 conflict 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 the extension of the mandates of the members of the governing body that were at the end of the period (including the perspective of the new durations of their mandates), evaluated the knowledge, competences, diversity and experience within the governing body;
 - 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;

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 2019

Throughout 2019, 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 2019.

The Risk Management Committee is composed of three non-executive and majority independent 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 2019, 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;
- 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 2019 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 2019, the Risk Management Committee was composed of:

- Thomas Grasse: Chairman, non-executive independent administrator with risk management experience, attending 10 out of 10 meetings;
- Ivo Gueorguiev: Member, non-executive independent administrator with risk management experience, attending 10 out of 10 meetings;
- Costel Ceoceca: Member, non-executive administrator with risk management experience, attending 10 out of 10 meetings.

During the meetings held in 2019, 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 2019 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.

Another focus in 2019 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 program's implementation.

As a result of the enlarged BT Financial Group committee put a specific focus in 2019 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 2019 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.

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.

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.

The Risk Management Division functions as an independent entity within the Bank - 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.

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 2019, 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 2019, 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 Moisă 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.

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)

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 (Mediation Committee 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 and 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 Remedy Department and Workout, Insolvency and Bankruptcy Department. The recovery solutions are aimed mainly at the improvement of the situation of the customers in default, in order to maximize their ability to repay the exposures granted by the Bank, while the workout solutions aims to increase the recovery of the Bank's exposure.

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.

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 for companies, respectively to restructure loans for companies (the term of approve loans will be used) according to the granted competences, respectively the management and monitoring of the loan portfolio of individuals.

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 2019, the number of female employees attending trainings for professional development was approximately 76% of the total number of employees. We also mention that, at the level of executive employment, approximately 80% of those appointed in these positions were female. Banca Transilvania's target of increasing the representation of female gender within the governing body of the Bank was thus, fulfilled. At the Executive Committee' level, BoD decided to renew the mandates of the following directors: Ömer Tetik, Luminița-Delia Runcan, Gabriela-Cristina Nistor, Leontin Toderici, George-Răzvan Călinescu, Tiberiu Moisa, the mandates related to the other members of the body remaining in force and unchanged. BT considers the Executive Committee, 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 2019 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, applicable to credit institutions, republished, 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 2019;
- Proposal to increase the share capital;
- Proposals for the Revenues and Expenditures Budget and the Development Plan for 2020.

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, applicable to credit institutions, republished, with subsequent amendments.

The Board of Directors
Chairman,
Horia Ciorcilă

