



BT Governance

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Corporate Governance

Corporate governance refers to the responsibilities and practices of the BT management for:

- providing a strategic direction;
- ensuring that its objectives will be achieved;
- proper risk management;
- responsible use of the company's resources.

Banca Transilvania has its **registered office** in Cluj-Napoca, on G. Baritiu street, no. 8.

The Bank operates based on the Companies Law No. 31/1990 (with its subsequent amendments) and of the Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy (with its subsequent amendments).

The **object of the BT activity** is the development of the banking activities (Art. 6 of the BT Articles of Association).

The system for identifying, evaluating, monitoring, controlling and reporting risks has been developed and is applied by the bank on internal control and risk management related to the financial reporting processes.

Objectives:

- To provide credible, relevant and complete information to the structures involved in the decision-making process both from BT and externally
- To ensure the compliance of the banking activities with the legal framework for financial reporting and with the bank's internal policies and procedures.



Relationship with the Shareholders/Investors

The General Meetings of Shareholders, as well as the regulations regarding the shareholders' rights and obligations are regulated pursuant to the Law no. 31/1990 on companies and the Law no. 24/2017 on issuers and market operations.

The bank issues regular reports for the purpose of informing all the bank's shareholders. These can be consulted on the [Bucharest Stock Exchange](#) website, and other information of interest to shareholders, on our bank's website, [Investor Relations](#) page.

Organizational structure

The Bank's strategic management is ensured by the **General Meeting of Shareholders (GMS)**, with the following main attributions:

- establish strategic and organizational goals;
- allocate the necessary resources for their accomplishment

The responsibilities of the ordinary and extraordinary general meetings are those expressly stated in the legislation in force and within the Bank's Articles of Association.

At organizational level, Banca Transilvania is composed of:

- the management structure
- executive operational structure.

Management structure includes:

- The Board of Directors - with supervising function;
- The Leaders' Committee - which can delegate tasks/responsibilities towards specific committees.

Executive operational includes:

- The head office which is divided into Divisions and Departments;
- Nationwide network of operational units.



Organization of the Management Structure

Organization of the **Management Structure**

Banca Transilvania is a joint stock company, which uses the unitary board system.

The Bank's strategic management is ensured by the **General Meeting of Shareholders (GMS)** which delegates this responsibility to the Bank's Board of Directors (BoD). The Board of Directors exercises the supervision function and is responsible for how GMS decisions are enforced, being also in charge with the guidance, coordination, supervision and control of the bank's activity.

The **management function** is exercised by the **Leaders' Committee**, which includes the Chief Executive Officer and Deputy CEOs, all with the competence of unipersonal management bodies.

Through their management and guidance, they ensure the necessary connection among departments in order to carry out the strategic plans approved by the Board of Directors. The management and administration of the daily activity flows at the level of branches are ensured by the branch management board consisting of the coordinating manager/branch manager/regional manager (for the issues of the assigned branches) and deputy managers.



Board of Directors

BT's management is entrusted by the General Meeting of Shareholders to a Board of Directors elected for a mandate of four years, consisting of seven directors, elected by the shareholders at GMS's, either upon the mandate expiry or on a case-by-case basis, in case of one or more vacancies.

In accordance with specific regulations issued by the NBR, the Board of Directors is the supervision authority and has the following structure:

- Chairman of BT's Board;
- Vice-chairman of BT's Board;
- 5 members.

The eligibility criteria are set out in the specific legislation (Law no. 31/1990 on companies, Government Emergency Ordinance No. 99/2006 and the specific regulations of the NBR) and the provisions in Banca Transilvania's Articles of Association.

Currently, Banca Transilvania has no significant shareholder, i.e. a shareholder which holds more than 10%. After the approval of the shareholders within the GMS and before the actual start of their mandate, the new Board members must obtain the prior approval by the national Bank of Romania.



The Board of Directors (BoD) looks into and intervenes whenever necessary, by any means and at any time, for any field of activity and at any hierarchical level, with regards to any issues it considers of interest for the proper functioning of the bank. The Board of Directors exercises the supervision function and is responsible for how GMS decisions are enforced, the BoD being also responsible with the guidance, coordination, supervision and control of the Bank's activity.

The Board of Directors attributions:

- supervises the achievement of the strategies and objectives provided in the declaration of policies adopted by the GMS, respectively the medium-term strategic plan;

- approves and reviews the general strategies and policies regarding the bank's activity, at least on an annual basis;
- adopts the activity plan and the revenues and expenditure budget, the investment program, profit and loss accounts and drafts the Bank's report subsequently submitted for approval by the GSM;
- prepares the proposals for the distribution of the net profit and submits them for approval to the General Meeting of Shareholders;
- approves and implements a strategic plan for minimum 2 years, which should be reviewed at least annually;



- approves the Rules of Organization and Management, the Code of Ethics and Conduct and the organizational charts, number of employees, their remuneration and additional incentives;
- supervises the compliance risk management and creates the conditions for an independent, permanent and efficient compliance function;
- assesses the capital adequacy in relation to risks, performing adequate capital allocations to the assumed risks, both for the bank and for the Group companies;
- approves the recording as loss of debits for which all recovery means were exhausted or debits whose recovery could not be performed within economic conditions as a normal business risk in line with the competence limits set in the Bank's specific rules;
- observes through the Corporate Secretary the way in which the leaders and managers comply with provisions in the Code of ethics and conduct and decisions' compliance with bank's strategy, politics and relevant regulations, to ensure the legal framework, risk efficiency and control (both strategy and image) meant to prevent any potential losses arising from these aspects related to the bank's activity.

The Board of Directors delegates the approval of remuneration policy for the BT staff to the Remuneration Committee.

The Board of Directors meets at least once a month and whenever it is necessary in the presence of at least half of its members.





Horia Ciorcila

Non-executive Director
Chairman – Polytechnic Institute in
Cluj-Napoca, Faculty of Computer
Science and Automation



Thomas Grasse

Independent Non-executive Director,
Board member; Bankakademie
Frankfurt -Business School of Finance
and Management and HYPO-Bank
Mannheim Branch, Apprenticeship in
Banking



Ivo Gueorguiev

Independent Non-executive
Director, Board member;
University of Alberta,
Edmonton, Canada



Costel Ceocea

Non-executive
Director, Board
member – University
“Al.I. Cuza” in Iasi,
Faculty of Economics,
Ph.D. in industrial
engineering



Vasile Puscas

Independent Non-
executive Director, Board
member; Faculty of
History and Philosophy,
“Babeş-Bolyai”
University, Cluj-Napoca,
Ph.D. in history



Costel Lionachescu

Independent Non-
executive Director,
Member - Faculty of
electronics and
telecommunication,
Polytechnic Institute
Bucharest



Mirela Bordea

Independent Non-
executive Director,
Member - International
Economic Relations
Department, Foreign Trade
Faculty, the Bucharest
Academy of Economic
Studies.



Audit Committee

The Audit Committee consists of Board members who do not have management positions.

Responsibilities:

- Financial Statements - examination of significant accounting issues as well as reporting and understanding their impact on financial statements; such issues include: accounting principles, the presentation of financial statements with any changes in the Bank's decision for the selection or the application accounting principles;
- Internal Control - Understanding the internal and the external audit of the internal control of financials and receiving reports and recommendations about the findings together with management responses (best practice);
- Internal Audit, External Audit and reporting.

Structure: 3 members CA neexecutivi

It operates under the legal framework:

- International Standards on Auditing, ISA 260-18, 2005-CFAR, the Company Law no. 31/1990;
- NBR's Regulation no. 5 of September 17, 2013 concerning the management of credit institutions, the internal assessment of capital adequacy and the outsourcing terms and conditions;
- BT's Rules of Organization and Management BT



The Audit Committee comprises of:

- **Ivo Gueorguiev** - Independent Non-executive Director, Chairman of the Audit Committee
- **Costel Lionachescu** - Independent Non-executive Director
- **Thomas Grasse** - Independent Non-executive Director

The Audit Committee is headed by a chairman and meets any time necessary, recording in writing the discussions held. The Corporate Secretary must ensure the Committee's secretariat activities and has additional responsibilities, such as drafting the meeting minutes, transmitting orders/decisions to the relevant bodies, receiving from every department the documentation to be presented before the Committee, monitoring how the Committee's orders/decisions are put to practice within the specified time limits, the preparation of reports for the Board of Directors.

The Committee approves in advance all audit and non-audit services provided by the external auditor.

Responsibilities:

- Financial statements- Examination of significant accounting issues as well as reporting and understanding their impact on financial statements; such issues include:
 - accounting principles, the presentation of financial statements with any changes in the Bank's decision for the selection or the application accounting principles;
 - Review of reports made by the management and/or the financial auditor about financial statements, including the analysis of alternative GAAP methods and effects on the financial statements.

Internal Control - Understanding the internal and the external audit of the internal control of financials and receiving reports and recommendations about the findings together with management responses (best practice).

Internal Audit - Examination together with the management and the audit manager of the audit operation, plans and activities as well as the audit personnel and structure.

External Audit:

- Examination of the external auditor's proposals regarding the audit scope and approach method, including the coordination of the external auditor's efforts with the internal audit work;
- Making sure that the external auditor's independence is in line with International Audit Standards;

- Periodical meetings with the external auditor are arranged to discuss any issues which the committee or the auditors consider that should be discussed privately.

Reporting - Ensuring open channels of communication between internal audit representatives, external auditors and the Board of Directors.

The internal audit function is ensured by the Internal Audit Department, an independent body. The management is responsible for setting and reviewing an adequate and effective framework for internal control including internal audit function. The internal audit function reports directly its findings and proposals for significant improvement of internal controls to the management and the Audit Committee. The Audit Committee reports directly to the Board of Directors any information necessary for the exercise of its powers.

Remuneration and Nomination Committee

The remuneration committee is subordinated to the Board.

The Committee has been created to provide independent opinions on the:

- remuneration policies and practices;
- incentives for risk management;
- the bank's capital and liquidity;
- appointment policies and to exercise the powers mandated by the Board of Directors in this field of activity.

Composition:

- **Horia Ciorcila** - Non-executive Director
- **Ivo Gueorguiev** – Independent Non-executive Director
- **Vasile Puscas** – Independent Non-executive Director

The committee examines and ensures that the general principles and policies for staff remuneration and benefits correspond to the business strategy, values and long-term objectives of Banca Transilvania.

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

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.

Composition:

- **Thomas Grasse** – Chairman, non-executive independent director with risk management experience;
- **Ivo Gueorguiev** – Member, non-executive independent director with risk management experience;
- **Costel Ceocea** – Member, non-executive director with risk management experience.

Remuneration and Nomination Committee

The main objective of Banca Transilvania Financial Group with regard to remuneration is to respect the principle of equity, taking into account the following, without encouraging excessive risk-taking and promote a viable and efficient risk administration:

- business strategy;
- the risk strategy of the institution;
- culture and corporate values;
- long-term interests of the institution;
- measures used to avoid conflicts of interest.

The remuneration framework supports the group in achieving and maintaining a viable capital base. In terms of remuneration, persons whose professional activities have a material impact on the risk profile of the group were called "Identified Staff" and their identification is performed in accordance with Regulation no. 604/2014 of the European Commission.

The group performs assessments in order to identify all the staff members whose professional activities have a material impact on the risk profile of the group.



Internal structures with responsibilities regarding remuneration:

Board of Directors is responsible for adopting and maintaining the institution's remuneration policy and overseeing its implementation to ensure that it is fully functional.

The Remuneration And Nomination Committee holds the main responsibilities with regard to the remuneration policies and ensures that the general principles and policies of staff remuneration and benefits correspond with the business strategy, objectives, values and long-term interests of the Group.

Risk Committee holds specific responsibilities regarding the assessment of risks in the remuneration field and ensures, without influencing the tasks of the

Remuneration and Nomination Committee if incentives provided by the compensation system take into consideration risks, capital, liquidity as well as the likelihood and timing of profits in order to support adequate remuneration policies and practices.

Human Resources Committee holds specific responsibilities in terms of developing and increasing efficiency in the process of decisions making in relation to the employees.

Human Resources Department holds attributions regarding, among other things, providing human resources necessary to accomplish the strategic objectives of the bank/ subsidiaries of the bank and a competitive and fair remuneration and reward system.

Risk Administration Department proposes, if necessary and in order to ensure that incentives for risk taking are balanced by incentives for risk management, adjustment of variable remuneration for all current and future risks undertaken, following the completion of risk alignment process, which includes: the process of measuring the performance and the risks and remuneration granting and payment processes, as well as additional duties in accordance with the rules of organization and administration of Banca Transilvania (R.12.8._.) and the provisions of this policy.

Compliance Department assists and advises the management body (BoD/Leaders' Committee) in the implementation of this policy, as well as additional responsibilities in accordance with the Rules

of organization and organization of Banca Transilvania (R.12.8._.) and the provisions of this policy and also - through compliance function - analyzes how the remuneration policy affecting the institution compliance with laws, regulations and internal risk culture endorsing the document signed by the Director of each approval, revision and supervision.

The aforementioned attributions are supplemented by additional responsibilities specific to each structure, that are described in the Group's regulatory framework.

The Remuneration and Nomination Committee (REMCO) is subordinated to the Board of Directors and issues competent and independent opinions on the remuneration policies and practices, on the incentives for risk management, capital adequacy and liquidity management, on the nomination policies and to exercise the powers mandated by the Board of Directors in this field of activity.

Composition:

- Chairman of the Board of Directors
- maximum 2 BoD members.

The Remuneration and Nomination Committee (REMCO) meets at least twice a year or whenever it is needed at the request of one of its members or the Bank's executive directors. In fiscal year 2018, REMCO met three times (physically and/or online).

The Chairman of the Risk Management Committee participated in the meetings, as a guest, who ensured the establishment of remuneration practices in accordance with the risk management requirements of the credit institution. After each meeting of the Remuneration and Nomination Committee, information is sent to the Board of Directors regarding the decisions taken.

Link between the total remuneration and performance

In accordance with the legislation in force on sound remuneration policies, there are two types of remuneration paid, fixed and variable, according to the following principles:

Remuneration is fixed where the conditions for its award and its amount:

- are based on predetermined criteria;
- are non-discretionary reflecting the level of professional experience and seniority of staff;
- are transparent with respect to the individual amount awarded to the individual staff member;
- are permanent, i.e. maintained over a period tied to the specific role and organisational responsibilities;

- are non-revocable; the permanent amount is only changed via collective bargaining or following renegotiation in line with national criteria on wage setting; nu prevad stimulente pentru asumarea riscurilor;
- cannot be reduced, suspended or cancelled by the institution;
- do not provide incentives for risk assumption;
- do not depend on performance

The **remuneration is variable** when it does not meet the above conditions for including it in the fixed remuneration category.

If the remuneration is correlated with the performance, the amount of the total remuneration is based on the combined assessment of the individual performance, the performance of the respective operational unit and the general results of the group, whereby the assessment of the individual performance takes into account both financial and nonfinancial aspects, such as:

- gained knowledge/obtained qualifications;
- personal development;
- compliance with the systems and controls of the Group, involvement in the business strategies and significant policies of the entity within the Group;
- the contribution to the team's performance.

Performance assessment takes place within a multi-annual framework, in order to make sure that the assessment process is based on the long-term performance and that the

actual payment of the performance-based remuneration components is spread over a period that considers the business cycle of the group and the specific risks of its entities' activity.

In order to establish the variable part of the annual remuneration of the "Identified Staff", limitation of excessive risk taking is being considered. Thus, the annual objectives set by the Board of Directors for this purpose include ratios meant to discourage excessive risk taking.

The remuneration of independent control functions is mainly fixed. In case a variable remuneration is established, it will be granted without being linked to the budgetary objectives of the organization and the performance of activities monitored and controlled by the function, but correlated with objectives related to those functions.

BT remuneration policy

Provided the vesting criteria are met, the deferral policy for the Identified Personnel is:

- A substantial part of the variable component of the total remuneration, in all cases at least 40%, is deferred for a period of 3 years and is properly correlated with the activity nature, the risks and the responsibilities of the respective staff;
- up to 100% of the total variable remuneration can be subject to “malus” or „clawback” arrangements;
- Identified Staff members are vested with respect to the remuneration due according to deferral arrangements no earlier than on pro rata basis;
- The Identified Staff is paid for or is vested with respect to the variable remuneration, including the deferred portion, only if the variable remuneration can be supported by the overall financial standing of Banca Transilvania Financial Group and can be justified according to the performance of the bank, of the operational structure concerned and that of the individual;
- Where the annual variable remuneration is of a particularly high amount, exceeding 1,000,000 lei net, at least 60% of the amount is deferred for a period of minimum 5 years.



Criteria used for performance measurement and risk adjustment (cumulative):

- Achievement of the gross profit target;
- Keeping liquidity at an optimum level, while maintaining the quick ratio within the limit of the adopted risk appetite;
- Keeping the solvability level (calculated in relation to the internal capital) compliant with the Internal Process for the Adjustment of Capital to Risks;
- Alignment between the bank's general risk profile and the risk appetite;

Ratios between fixed and variable remuneration

The total annual remuneration of the personnel category the professional activity of whom have a significant impact on the bank's risk profile consists of a fixed component and a variable one that cannot exceed 100% of the fixed component of the total annual remuneration.

The fixed and variable component of the total remuneration are properly balanced and the fixed component represents a share sufficiently large from the total remuneration, so as to allow for a fully flexible policy regarding the components of the variable remuneration, including the possibility of not paying any component thereof.

Information on the performance criteria on which the entitlement to shares, options or variable components or remuneration is based (cumulative)

- Achieving the gross profit target for the assessed year (for the basic part) and/or for the previous year (for the deferred part);
- Keeping liquidity at an optimum level, while maintaining the quick ratio within the limit of the risk appetite adopted for the assessed year (for the basic part) and/or for the previous year (for the deferred part);
- Keeping the solvability level (calculated in relation to the internal capital) compliant with the Internal Process for the Adjustment of Capital to Risks for the assessed year (for the basic part);
- Alignment between the bank's general risk profile and the risk appetite adopted in the assessed year (for the basic part) and/or for the previous year (for the deferred part).

Main parameters and rationale for the structure of the variable remuneration

The performance measurement used to calculate the components of the variable remuneration or the component portfolios of the variable remuneration includes an adjustment for all current and future risk types and takes into account the cost of capital and required liquidity. The allocation of the variable remuneration components in BT Group also considers all current and future risk types.

At least 50% of any variable remuneration must be represented by a balanced combination of the following elements: (A) shares; AND (b) if possible, other instruments, such as additional Tier 1 instruments or Tier 2 instruments (under Article 52 or 63 of Regulation (EU) no. 575/2013), or other instruments convertible into core or reduced Tier 1 instruments, which adequately reflect in each case the credit quality of the Group on an ongoing basis and are suitable to be used for variable remuneration.

The policy regarding the transactions with related parties

As concerns the transactions with related parties, the bank imposes the following conduct requirements applicable to the members of BT's Board of Directors:

- not to aim at any personal financial interest, which is in conflict with or likely to affect the bank's interests and results and to act only in the interest of the bank, of the bank's shareholders and clients;;
- not to aim at any personal interest as a result of the service provided to the customer or of a transaction on the customer's account, which is different from the client's interest related to such result;
- not to lend money from the customers' own funds, either directly or via intermediaries, and not to request / accept borrowings from the bank's customers;
- not to offer other services, except for the services of the bank, of BT Financial Group or of its partners, according to the attributions established in the job description or by the direct managers;
- not to seek benefits or advantages resulting from the position of director, not to use the information obtained based on the quality of bank director for the personal benefit or the benefit of a third person, directly or indirectly, and to strictly observe the rules regarding transaction confidentiality;
- not to participate directly or indirectly in financial/commercial transactions in order to obtain a personal benefit, as a result of the information obtained based on the quality of bank director;

- not to use the bank's assets or corporate marks (emblem, header, logo etc.) for personal purposes and not to commit the bank's name in any personal business;
- to observe strictly the competence limits granted by the bank for the fulfilment of job attributions;
- not to accept / not to offer remunerations, gifts, rewards or benefits of any kind from/to customers, partners, suppliers, in order to facilitate the obtention/offering of services or advantages. Exception: symbolic gifts (nominal value of maximum 100 EUR or equivalent, but not in cash) and event participations which might affect the bank's relationship with the client if denied, provided that the prior approval of the direct manager is obtained;
- not to offer or guarantee loans, not to conclude business transactions with any entity - BT client, supplier or consultant - on behalf of the bank or of the entities within BT group, if the bank director or a member of its family (spouse, relatives or in-laws up to the 2nd degree) is a shareholder/partner or exercises an administrative/management function within such entity (regardless of activity object);
- not to perform transactions by using the customers' funds or transactions on behalf of customers without their prior approval, or transactions by using the bank's funds, other than the regulated transactions;
- BT employees and members of BT's Board of Directors are forbidden to take part in the promotion, analysis, negotiation, authorisation or approval of loans, operations or transactions in which they have or may have a personal benefit, directly or indirectly, for themselves or for their spouse, relatives or in-laws up to the 2nd degree, other relatives or related parties;
- any transaction of the company with any closely related entity, for an amount equal to or higher than 5% of the company's net assets, must be approved by the Board of Directors based on the mandatory opinion issued by the audit committee.

The transactions with related parties within BT Financial Group are regulated in an internal policy approved by the Board of Directors. The transactions with related parties shall be disclosed in accordance with the applicable legal provisions.

Banca oamenilor
întreprinzători



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