



**BANCA TRANSILVANIA®**

SWIFT: BTRLR022  
Capitalul social: 3.026.003.679 lei  
C.U.I. RO 50 22 670  
R.B. - P.J.R. - 12 - 019 - 18.02.1999  
Nr. Inreg. Reg. Com.: J12 / 4155 / 1993

## **TERMS OF REFERENCE FOR CORPORATE GOVERNANCE IN BANCA TRANSILVANIA**

### **Sediul Central**

Str. G. Barițiu nr. 8  
Cluj-Napoca 400027, România  
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[www.bancatransilvania.ro](http://www.bancatransilvania.ro)

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## CORPORATE GOVERNANCE

Corporate governance represents the set of the management's responsibilities and practices aiming at providing a strategic direction and ensuring that its goals are achieved, risks are managed properly and company resources are used responsibly.

Banca Transilvania S.A. is a joint stock company incorporated in Romania and registered with the Trade Registry under no. J12/4155/1993 with the tax identification no. RO5022670.

The bank has its head office in Cluj-Napoca, str. G. Barițiu, nr. 8, Cluj County.

The bank operates pursuant to Law no. 31/1990 on companies (as subsequently amended) and the Government Emergency Ordinance No. 99/2006 on credit institutions and capital adequacy (as subsequently amended). According to Article 6 in the bank's Articles of Association, its fields of activity may be summarized under the term of banking activities.

The risk identification, assessment, monitoring, control and reporting system has been developed and applied by the bank including in its internal control and management of risks related to financial reporting processes, in order to furnish trustworthy, relevant and complete information to the structures involved in the decision making process and to external users as well as to ensure compliance with the legal framework for financial reporting and the internal policies and procedures.

### I. 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. 297/ 2004 on the capital market.

The bank issues regular reports for the purpose of informing all the bank's shareholders.

### II. Organizational structure

The Bank's strategic management is ensured by the General Meeting of Shareholders (GMS). Its main task is to establish strategic and organizational goals and to 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 and executive operational structure (head office and operational units). The management structure includes the governing body with supervising function (the Board of Directors), as well as higher governing bodies (the Leaders Committee which can delegate tasks/responsibilities towards specific committees). The execution structure includes the head office, which is divided into Divisions and Departments, as well as the nationwide network of operational units.

### III. 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.

#### a) 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 a significant shareholder - the European Bank for Reconstruction and Development - EBRD (in accordance with the applicable law and authorized by the NBR to exercise this capacity) - 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: 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; approves the individual exposures to related parties within the limits set by the Board; 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

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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.

The members of the Board of Directors and their professional background as of December 31, 2015:

- Horia Ciorcila - Non-executive Director, Chairman - Polytechnic Institute in Cluj-Napoca, Faculty of Computer Science and Automation;
- Roberto Marco Marzanati - Independent Non-executive Director, Vice-Chairman - Business Administration in Turin, Italy;
- Thomas Grasse - 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 - Non-executive Director, Board member; Faculty of History and Philosophy, "Babeş-Bolyai" University, Cluj-Napoca, Ph.D. in history

#### **b) Audit Committee**

The Audit Committee consists of Board members who do not have management positions. It operates under the legal framework, i.e. the 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 and has the following structure:

The Audit Committee comprises:

- Ivo Gueorguiev - Independent Non-executive Director, Chairman of the Audit Committee
- Roberto Marzanati - Independent Non-executive Director
- Thomas Grasse - 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.

Competence (best practice):

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

The Audit Committee has responsibilities regarding 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.

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### c) Remuneration and Appointment Committee

The remuneration committee is subordinated to the Board and has been created to provide independent opinions on the remuneration policies and practices, on the incentives for risk management, the bank's capital and liquidity, on the appointment policies and to exercise the powers mandated by the Board of Directors in this field of activity.

Composition of the Remuneration Committee:

- Horia Ciorcila - Non-executive Director
- Roberto Marzanati - Independent Non-executive Director
- Ivo Gueorguiev - 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.

### IV. BT remuneration policy

#### CONNECTION BETWEEN TOTAL REMUNERATION AND PERFORMANCE

The remuneration policy includes:

- a fixed remuneration, determined by the level of responsibility assumed, which is a relevant part of total remuneration;
- a variable remuneration, depending on the achievement of pre-set objectives and the prudential management of risks. This is based on planning incentives tailored to the long-term interests of the Bank, by taking into account future risks.

If the remuneration is correlated with performance, total remuneration is based on a combination between the evaluation of individual performance and unit performance as well as the overall results of the credit institution. When assessing individual performance are taken into account both financial criteria as well as non-financial criteria, such as knowledge/qualifications, personal development, compliance with systems and controls, involvement in business strategies and significant policies of the credit institution and contribution to team performance;

The performance evaluation is multiannual in order to ensure that the assessment process is based on long-term performance and that actual payment of performance-based remuneration is spread over a period which takes into account the business cycle of the credit institution and the risks specific to its business;

#### DEFERRAL POLICY:

If the necessary criteria are met, the deferral policy is as follows:

- in the current year (for the previous year performance) - 60% of variable remuneration.
- the remaining 40% is deferred in equal portions, each of 13.33%, for a minimum period of 36 months and will be granted providing the following criteria are met:
- the gross profit target for the previous year is achieved at least 85%;
- the overall risk profile for the previous year is observed;

In case of a variable remuneration component is in a particularly high amount at least 60% of the amount is deferred. The length of the deferral period is established in accordance with the business cycle, business nature, its risks and the activities of the staff concerned, but minimum 36 months.

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#### CRITERIA USED IN MEASURING PERFORMANCE AND ADJUSTMENT TO RISKS:

- gross profit target for the previous year is achieved;
- good liquidity, with liquidity coverage ratio at the limit of assumed risk;
- solvency is in line with the internal process of capital adequacy to risks;
- match of the bank's overall risk profile with the assumed appetite risk.

#### LINK BETWEEN FIXED REMUNERATION AND VARIABLE REMUNERATION

The total annual remuneration for categories of staff whose professional activities have a material impact on the risk profile of the bank is made up of a fixed component and a variable component, which may not exceed 100% of the fixed component of the total annual remuneration.

The fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration so as to allow the application of a fully flexible policy for the variable remuneration components, including the possibility of not paying any part of it.

#### INFORMATION ABOUT PERFORMANCE CRITERIA ON WHICH ENTITLEMENT TO SHARES, OPTIONS OR OTHER VARIABLE REMUNERATION COMPONENT IS BASED

- the gross profit target for the current year and/or the previous year is achieved (basic part), on which appraisal is based;
- a good liquidity is maintained with liquidity coverage ratio at the limit of assumed risk for the current year (basic part) and/or the previous year (deferred part)
- the solvency level is in line with the internal process of capital adequacy to risks
- the bank's overall risk profile matches the assumed appetite risk for the current year (basic part) and/or the previous year (deferred part)

#### PRINCIPAL PARAMETERS AND SUBSTANTIATION OF THE VARIABLE REMUNERATION COMPONENT

The measurement of performance used to calculate variable remuneration components includes an adjustment for all types of current and future risks and takes into account the cost of capital and liquidity required;

The allocation of variable remuneration components is based on all current and future risks;

A substantial portion, which in all cases represents at least 50% of any variable remuneration, shall consist of an appropriate ratio between

(a) cash;

and

(b) shares or other instruments that can be fully converted into instruments as those included in Tier 1 equity instruments, which must be adequate to be used for variable remuneration.

#### REMUNERATION FOR THE FINANCIAL YEAR 2014

Total gross remuneration			
Total gross remuneration (RON thd., gross)	of which Gross fixed remuneration (RON thd., gross)	of which Gross variable remuneration (RON thd., gross)	No. of beneficiaries
26,082	18,866	7,217	53

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## DISTRIBUTION OF VARIABLE REMUNERATION

### Gross variable remuneration distributed in cash

Total gross remuneration (RON thd., gross)	Gross Variable Remuneration granted in TLV shares (RON thd., gross)	Gross variable remuneration granted in share-related instruments (RON thd., gross)	Gross variable remuneration granted in other types of instruments
124	3,998	0	0

## DEFERRED, DUE AND UNPAID REMUNERATION

There was no such event.

## DEFERRED REMUNERATION GRANTED DURING THE FINANCIAL YEAR, PAID AND REDUCED BY MEANS OF PERFORMANCE ADJUSTMENTS

No events were recorded by which the deferred remuneration reduced by means of performance adjustments was not paid as a result of the actions of the members of management bodies and staff members having a significant impact on the institution's risk profile.

## PAYMENTS RELATED TO NEW EMPLOYMENTS AND COMPENSATORY PAYMENTS UPON THE TERMINATION OF THE WORK RELATIONSHIP

In the financial year 2014 and with respect to the members of management bodies and staff members whose actions have a significant impact on the institution's risk profile, payments were granted upon new employments in the form of appointment premiums (for 1 such employee). In the financial year 2014, no compensatory payments were granted upon the termination of the work relationship with respect to the members of management bodies and staff members whose actions have a significant impact on the institution's risk profile.

## COMPENSATORY PAYMENTS UPON THE TERMINATION OF THE WORK RELATIONSHIP

In the financial year 2014, no compensatory payments were granted upon the termination of the work relationship with respect to the members of management bodies and staff members whose actions have a significant impact on the institution's risk profile.

## NUMBER OF PERSONS WHO RECEIVED REMUNERATION OF EUR 1 MILLION OR MORE DURING THE FINANCIAL YEAR

There was no staff member or member of the management bodies classified in this category.

### V. 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;

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- d) 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;
- e) 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;
- f) 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;
- g) 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;
- h) to observe strictly the competence limits granted by the bank for the fulfilment of job attributions;
- i) 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;
- j) 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 2<sup>nd</sup> degree) is a shareholder/partner or exercises an administrative/management function within such entity (regardless of activity object);
- k) 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;
- l) 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 2<sup>nd</sup> degree, other relatives or related parties.
- m) 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.

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