



20

20

19

**The Year of Endurance
and Solidarity**
Board Report

A message for our shareholders

People say that we create our own present, but 2020 has presented us with an exception from that rule. It was an odd year for everyone, both unprecedented and challenging. BT Financial Group has managed, however, to turn it into a year of endurance and solidarity, in which we have steadily moved forward. We have set ourselves a conservative forecast for our initial budget, which we have thankfully managed to exceed despite the tough year. BT's customer support strategy was reflected in the increase in both operations and business volumes, and 2020 was an overall lesson in accelerated learning.

The pandemic found the banking sector in a much stronger position than in 2008; banks have provided the needed resources to support the continuity & the relaunch of the businesses. BT has successfully offered support to the Romanian businesses, entrepreneurs and households. When it truly mattered, BT was prepared for the challenges which all of us have been facing since the beginning of 2020, due to the fact that in our almost 30-year long history, we have reinvested most of its profits back in Romania.

This report is meant to give you an outline of what and how we did last year – either from our countrywide offices or from homes.. It is about BT's direction, priorities, organization, results, social involvement and resources allocated, and it is mostly about our impact on the economy, the communities and the Romanian society at large. It is about Human Banking in a year when despite having to socially distance, we understood the need to keep close to each other.

For the Wellbeing of the Romanians, of the Economy and of Romania

From the onset of the pandemic, Banca Transilvania has focused on implementing the necessary measures to prevent the spreading of COVID-19, on ensuring business continuity through our agencies, branches and digital channels, as well as on finding the best ways we could offer our help where needed.

Looking back, what matters is that we have kept our promises made in March 2020. Our message then - [-We will have a proactive, supportive attitude, because solidarity has now become our main goal](#) - was about our effort as a market leader in doing our best for the wellbeing of Romanians, the economy and of Romania. Banca Transilvania was the first bank on the market to announce support measures regarding loans for its customers affected by the pandemic. We offered the most consistent support package, the measures implemented by our company exceeded the mandatory legal framework by a significant margin and we stood by our clients throughout this challenging period.



Additionally to these extraordinary measures, our day-to-day work continued: BT ensured the continuation of its operations, we launched commercial campaigns and maintained the pace of network modernization projects and pursued the diversification of customer-bank interaction options. We are grateful for being able to be part of the solution, making full use of the synergies between the business environment, the banking system, the public sector administration including the National Bank and the population at large.

The Fourth Reinvention of BT. Adapting to the Pandemic Context

For our bank, the pandemic prompted a redesign of the business model. Being the largest lender for the Romanian economy, the role played by Banca Transilvania was a crucial one. We quickly realized that there would be disruptions in the economic flows and that the lockdown would translate into delays in the companies' cash flows, a decrease in consumption in some areas, but also that the new restrictions would bring about behavioral changes that we had to account for.

Throughout it all, our customers were always on our mind and BT continued to engage them, putting ourselves in their place, so we knew that we could have a role in helping the economy and a lot of jobs at stake. Adapting to the new status quo was a challenge especially because we knew that we had to change the traditional methods of business analysis. What the banking sector usually does is look at previous years' performance to extrapolate the future, but in 2020 we understood the importance of making

choices for the present moment. When the first lockdowns were imposed, we knew we had to set off with a new mindset. After the first months of the pandemic, our message to our shareholders and other stakeholders in April 2020 was *We are navigating this period with confidence. Courage, Romania!*

The Operations Growth in 2020 Reinforces the Bank's Role as the Main Pillar for the Romanian Economy in 2021

If we were to summarize 2020 in ten topics, they would be:

- At the end of last year, the assets of the BT Financial Group reached over RON 107 billion.
- The net consolidated profit of the BT Financial Group amounts to RON 1,424 million, of which RON 1,197 million is attributable to the bank. The bank's operating profit increased to RON 2,155 million.
- The already robust capitalization of our bank reached RON 9.5 billion total equity, higher by 12% compared to 2019.
- BT Group's loans increased to RON 42 billion, and deposits reached RON 91 billion, of which RON 62 billion RON attributed to retail clients and RON 29 billion to companies. The bank granted over 145,000 loans in a year.
- In 2020, over 10,200 Romanians bought a house with the help of BT, being financed with approximately RON 2.5 billion. The outstanding balance of mortgage/real estate loans reached RON 13.3 billion.
- Through SME Invest, BT granted over 10,000 loans, supporting companies in providing approximately 100,000 jobs especially in retail, transportation and construction fields



- Almost 340 million transactions were made with BT cards, up by 22% compared to 2019.
- BT's CAR in 2020 is 19.94% (profit excluded) and 22.24% (profit included).
- We refurbished almost 70 branches and agencies in 50 cities.
- During the state of emergency, the bank contributed with over EUR 2 million to the prevention and limitation of the pandemic and to increasing the access to testing and treatment.

Ready for the Relaunch

We have prepared a number of different scenarios for 2021, taking into account every signal, figure and trend. We expect a return in business, with an annual growth rate that can easily reach 5% in terms of YoY trends, but it is clear that are very much dependent on the evolution of the pandemic, the vaccination efforts, restrictions in travel and reduced consumption, both at home and in the other European countries. Romania has a complex economy, being strongly interconnected with the rest of Europe, and the recovery pace will be correlated with that of the larger European economy.

BT's goal for 2021 is **relaunch**. We want to be as proactive as possible and play a major role in supporting companies, the economy and the people.

Opportunities for Romania

We believe that new opportunities may also arise from less developed business sectors or from the reinvention of certain industries. Certainly the pandemic has accelerated structural changes and while most industries are not favored by this context, some are prone to growing in the coming period. As Romania's largest lender, we look at those areas where the country provides a cluster of skills, such as IT and agriculture, but also at areas where we could benefit from an economically or geographically competitive position.

Although we are a developed member of the European Union, we are still to close the gap with the West and this will bring both a purchasing power and consumption increase. There is still a lot of room for growth and we intend to be part of it, supporting any business that can contribute to social development and the wellbeing of people and the economy.

Agriculture, IT, infrastructure, the medical sector and trade are among the areas that are showing signs growth and where we expect significant lending. We are also keeping an eye on the green economy and on sustainable development – these areas merit careful ongoing examination and we think that investments here will be rewarded in time. Joining the learning loop as soon as possible is essential for becoming first movers.

For 2021 we know that Romanians are carefully planning their future and taking into account the low level of the real financing costs and the excess of liquidity in banking sector, we are expecting to see an increase in lending throughout the year. We however anticipate a decrease in the loan portfolio quality for the following quarters, which would mean an increase in non-performing loans.

We're keeping our attention on emerging trends, but also on opportunities which may arise and we are confident about BT's future. We maintain our firm commitment to contribute to the relaunch of the business environment and creating added value for the +34,000 shareholders of the bank, for Romanians and for Romania.

Horia Ciorcilă
Chairman
Banca Transilvania

Ömer Tetik
Chief Executive Officer
Banca Transilvania

S U M M A R Y

1. BT's Business Model and Top Management

- 11 BT's Business Model
- 12 Board of Directors
- 13 Leaders' Committee

2. 2020, an Unusual Year for Everyone

- 15 Macroeconomic Climate
- 18 Romanian Banking System
- 20 BT's Impact on Economy and Society in 2020. Infographic
- 21 Banca Transilvania's Involvement in the COVID-19 Context
- 22 How our Employees and Clients See Us
- 25 Awards and Recognition

3. Banca Transilvania & the Shareholders

- 27 BT's Communication with the Shareholders
- 28 Banca Transilvania on the Capital Market in 2020
- 29 Financial Calendar 2021
- 30 Profit Distribution and Share Capital Increase Proposals for the Financial Year 2020

4. Banca Transilvania Financial Group

- 32 Financial Results. Summary
- 33 BT Financial Group's Companies
 - 33 Banca Transilvania S.A.
 - 34 BT Capital Partners S.A.
 - 35 BT Asset Management SAI S.A.
 - 35 BT Pensii
 - 35 BT Microfinanțare IFN S.A.
 - 35 BT Leasing Transilvania IFN S.A.
 - 36 BT Direct IFN S.A.
 - 36 BT Building S.R.L.
 - 36 Improvement Credit Collection S.R.L.
 - 36 BT Leasing MD S.R.L.
 - 36 Victoriabank S.A.
- 37 Strategy Achievement in 2020
- 39 New Strategic Objectives
- 39 Development Plan for 2021
- 40 Proposals regarding the Financial Position and the Profit and Loss Account 2021

5. Management Report

42	Banca Transilvania Financial Group's Performance
42	Banca Transilvania's and Banca Transilvania Financial Group's Statement of Financial Position
45	Profit and Loss Account
46	Banking Prudential Ratios
47	Performance of the Bank's Business Lines
47	Large Corporate Clients
47	Medium Corporate Clients
47	SME Clients
48	Micro Business Clients
48	Retail Clients
48	Treasury

6. The People of BT. Management of Human Resources

50	Figures mean people
50	Employees' Health, Protection and Safety
51	Personal Development
51	Performance Review
52	Benefits
52	Recruitment

7. Risk Management

55	Credit Risk
57	Liquidity Risk
58	Operational Risk
58	Market Risk
59	Interest Rate Risk Arising from Non-trading Book Activities
59	Reputational Risk
59	Risk of Excessive Leverage
59	Strategic Risk
60	Systemic Risk
60	Compliance Risk
60	Capital Adequacy
60	Internal and External Audit

8. Corporate Governance

63	General Meeting of Shareholders
65	Banca Transilvania's Board of Directors
68	Committees of BT's Board of Directors
69	Audit Committee
69	Audit Committee's Report 2020
71	Remuneration and Nomination Committee
71	Remuneration and Nomination Committee's Report 2020
73	Risk Management Committee
73	Risk Management Committee's Report
76	Leaders' Committee
77	Assets and Liabilities Management Committee
77	Procurement Committee
77	Human Resources Committee
77	Credit Policy and Approval Committee
77	BT HQ Credit and Risk Committees
77	Committees Specific to the Activity of the Credit Recovery Department and the Workout, Insolvency and Bankruptcy Department
77	Enforcement Monitoring and Asset Realization Committee
77	Special Committee for the Approval of the Initiation of Enforcement/Litigation Proceedings
77	Financial Institutions Credit Committee
78	Credit and Risk Committee - Branches
78	Data Monitoring and Business Intelligence Committee
78	Policy on Diversity
80	Human Rights Principles
81	Practices for the Prevention of Corruption and Bribery
82	Anti-money Laundering Protection
83	Conclusions
84	Additional Resources
85	Annex: Non-financial statement



BT's Business Model and top management

BT's Business Model

Our activity at BT is important for the growth of the whole economy and impacts millions of persons. We are a universal bank, with solutions for both retail clients and companies. We finance ideas, people and business.

Added value for our clients	We contribute to the prosperity of people and companies alike. We support ideas, digital solutions, proximity, expertise, consultancy, customized products.		
Resources	Employees, equity, interest income, fees and commissions, etc. Partnerships with financing institutions, network, ATMs, POSs, apps, brand awareness.		
Client segments	<p>Retail clients - Freemium Approach Free - basic products accessed by the large majority of clients (current accounts, debit cards). The approach ensures a critical mass of clients that can be subsequently approached for cross/up-selling.</p> <p>Premium - additionally requested products and services, against charges (credit cards, SMS Alert, Internet and Mobile Banking).</p>	<p>Companies - Segmented approach Specialization per business segments depending of the size of the enterprise (Large Corporate, MidCorporate, SME, Micro) and the field of activity: physicians and agribusiness.</p> <p>The specialization develops our competences, the relationship with the clients and contributes to the development of the largest ecosystem for the support of the entrepreneurs in Romania.</p>	
Relationship with the clients	Consultancy & support in the branches/agencies and call center, via chatbots, self-service and internet banking, mobile banking, apps, customized services, social media Integrated offer: banking, microfinancing, consumer finance, leasing, asset management, etc.		
Channels (Omnichannel)	Branches/agencies, call center, electronic services		
Key activities	BT is a universal bank that provides banking services and products to individuals and companies.		
Key partners	Service, solution and technology providers, fintechs, associations, authorities		
Cost structure	Technology and digitalization, business unit modernization, taxes		
Income	Interest, fees and commissions		
Business model pillars	The Bank for Entrepreneurial People	Responsible growth	Anywhere, anytime
	We support entrepreneurs and plans to turn into achievements.	We finance ideas with a positive impact on the Romanians' lives, society and environment.	We build omnichannel experience. We provide different interaction options.

We contribute to the development of the country's banking penetration and digitalization and to the creation of jobs. We create value for our stakeholders. We support Romania.



Board of Directors



Horia Ciorcilă



Thomas Grasse



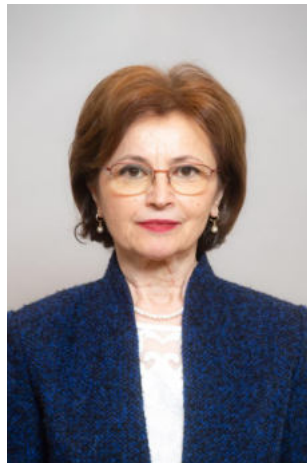
Ivo Gueorguiev



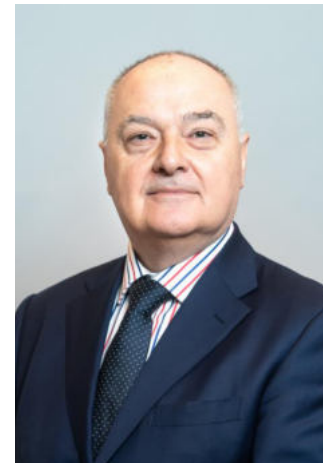
Costel Ceocea



Vasile Pușcaș



Mirela Bordea



Costel Lionăchescu



Leaders' Committee



Ömer Tetik
Chief Executive Officer

since June 2013



Luminița Runcan
Deputy CEO, Chief Risk Officer

since September 2014



Leontin Toderici
Deputy CEO, Chief Operations Officer

since August 2013



George Călinescu
Deputy CEO, Chief Financial Officer

since September 2013



Mihaela Nădășan
Deputy CEO FI & Financial Markets

since October 2018



Gabriela Nistor
Deputy CEO, Retail Banking

since August 2013



Tiberiu Moisă
Deputy CEO MidCorporate and SMEs

since May 2016



2020, an Atypical Year for everybody

- [Macroeconomic Climate](#)
- [Romanian Banking System](#)
- [BT's Impact on Economy and Society in 2020. Infographic](#)
- [Banca Transilvania's Involvement in the COVID-19 Context](#)
- [How our Employees and Clients See Us](#)
- [Awards and Recognition](#)

Macroeconomic considerations

2020 was dominated by the context of the pandemic, it was a shock that affected the entire planet and had asymmetric implications, depending on the reaction of each country, both in terms of health measures and those launched to counteract the economic impact.

Worldwide Economy

The authorities responsible for implementing global economic policies have reacted with unprecedented measures to an even more unprecedented shock. The cumulative volume of unconventional monetary and fiscal-budgetary programs and revenues reached about 20 trillion dollars, representing over 20% of world GDP.

We have assisted to a rapid transition from a post-crisis economic cycle to a new economic cycle. According to PMI, Purchasing Managers' Index, the worldwide economy increased for the seventh consecutive month in January 2021. International Monetary Fund estimates released in January 2021 indicate the prospect of adjusting world GDP at an annual rate of 3.5% in 2020, the most severe since the end of World War II.

USA

The GDP decreased by 3.5% YOY in 2020, according to preliminary estimates of the Department of Commerce, an evolution determined by the adjustment of domestic demand.

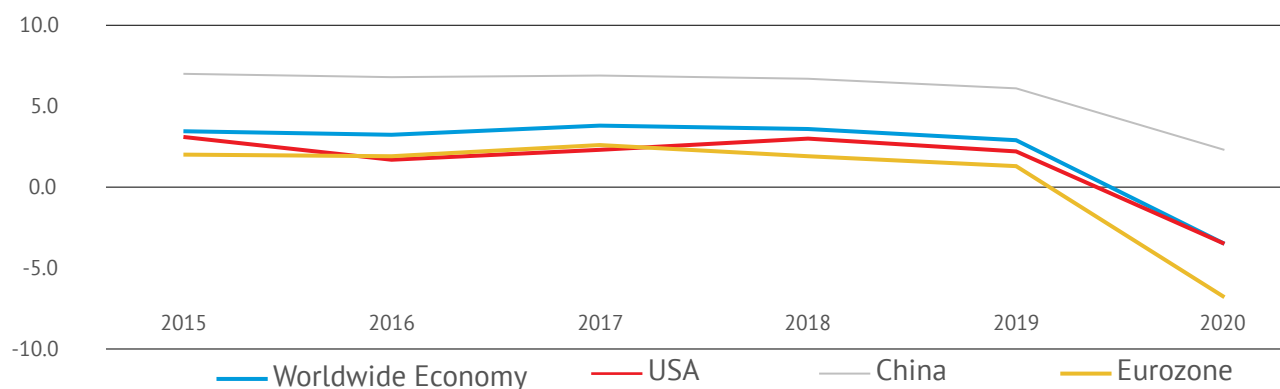
China

The GDP increased in 2020, due to the success achieved in counteracting the pandemic and implementing new measures to support the economy. Preliminary estimates show a growth of the Chinese economy by 2.3% YOY in 2020, decelerating from 6.1% YOY in 2019, the weakest evolution since 1976. The recent evolution of Purchasing Managers' Index indicate an increase of the Chinese economy for the 9th consecutive time in January 2021.

Eurozone

GDP adjusted by 6.8% YoY in 2020 according to the preliminary assumptions of Eurostat. The main countries in the region reintroduced restrictions in December 2020, amid intensifying pandemic indicators. Eurozone economy decreased for the fourth consecutive month in February 2021, as per PMI Compozit indicator.

GDP Evolution (% , YOY)



Source: International Monetary Fund, Eurostat and Bloomberg

Financial Economy

We have witnessed the decrease of financing costs in 2020, in the context of unprecedented relaxation measures implemented by the central banks after the incidence of the health crisis:

- LIBOR/3 months decreased by 87.5% (December 2019 - December 2020), to 0.238%;
- EURIBOR/3 months was -0.545% at the end of 2020, diminishing by 16.2 basic points since the beginning of the year.

At securities market level, interest rates over a 10-year maturity decreased in 2020 to historic annual lows (0.89% in the US and -0.51% in Germany, respectively), in the context of large unconventional monetary programs implemented by banks central.

România

According to the flash estimates released by the National Institute of Statistics the Romanian economy adjusted by 3.9% YoY in 2020. However, we point out that the contraction pace for Romanian economy was less severe compared with the dynamics in Euroland, an evolution influenced by the better management of the pandemic and by the lower cumulated weight in GDP of the sectors mostly affected by the health crisis and restrictions introduced.

Evolutions by sector:

- Constructions: an increase of the volume by 15.9% YoY.
- Retail sales: up by 2.2% YoY during January-December 2020, the weakest pace since 2013, according to NIS data.
- Industrial production adjusted by 9.2% YoY during January-December 2020.

The unemployment rate presented an average annual level of 5% in 2020 (up by 1.1pp YoY), the highest level since 2016.

Romanian economy continued to be confronted with the twin deficits challenge. There can be noticed the widening of the budget deficit (as a % of GDP) from 4.58% in 2019 to 9.79% in 2020 (according to the figures released by the Ministry of Finance), an evolution determined by the contraction of the real economy and the implementation of measures to counter the economic impact of the health crisis.

At the same time, the current account deficit (as % of GDP) stood at around 5% in 2020 (the highest level since 2011), up from 4.7% in 2019.

The average YoY pace of the consumer prices decelerated from 3.8% in 2019 to 2.6% in 2020.

After the severe adjustment since the incidence of the pandemic, stock markets had an upward trend and registered record values at the end of 2020, an evolution influenced by both the relaxed mixture of economic policies and the wave of optimism generated by the launch of medical solutions and the start of vaccination campaigns. The growth of the American stock market is visible: the S&P 500 index rose by 16.3%, to 3,756.1 points in 2020.

Last but not least, in 2020 we witnessed a change of EUR/RON trend evolution with EUR appreciating significantly in the second half of the year towards the highest levels since the beginning of 2018.

Romania was the only member of the EU that presented a positive YoY dynamics of the gross fixed capital formation in the first three quarters of 2020



The evolution of key micro-financial ratios

	2015	2016	2017	2018	2019	2020
Real GDP (% YoY)	3.0	4.7	7.3	4.5	4.1	(3.9)
Inflation rate, IPC (% YoY, annual average)	(0.6)	(1.6)	1.3	4.6	3.8	2.6
Unemployment rate (average, %)	6.8	5.9	4.9	4.2	3.9	5.0
Monetary policy interest rate (% end of year)	1.75	1.75	1.75	2.50	2.50	1.50
ROBOR (3M) (% annual average)	1.33	0.78	1.15	2.79	3.13	2.38
ROBOR (6M) (% annual average)	1.58	1.03	1.33	3.00	3.25	2.46
EURIBOR (3M) (% annual average)	(0.02)	(0.26)	(0.33)	(0.32)	(0.36)	(0.43)
EURIBOR (6M) (% annual average)	0.05	(0.17)	(0.26)	(0.27)	(0.30)	(0.37)
EURO/RON, end of year	4.5245	4.5411	4.6597	4.6639	4.7793	4.8694
USD/RON, end of year	4.1477	4.3033	3.8915	4.0736	4.2608	3.9660

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

Unprecedented measures implemented by the policymakers in Romania

The National Bank of Romania (NBR) cut the policy rate from 2.5% to 1.5% (a record low level) and implemented non-standard measures, including the acquisition of T-Bonds on the secondary market (total volume of RON 5.3bn) and the launch of a *repo* line with European Central Bank (volume of EUR 4.5bn) in order to counter the risks in terms of financial stability.

We have witnessed lower interest rates and the continuation of the gradual upward trend for the EUR/RON exchange rate in the 2020 pandemic year, developments influenced by both international and domestic economic policy decisions.

ROBOR at three, respectively at six months closed 2020 at 2.03%, and 2.10%, diminishing by 36.2% and by 35.2% as compared to 2019 year end values. This evolution was triggered by the monetary easing measures implemented by the NBR after the incidence of the pandemic.

On the securities market, the interest rate with a 10-year maturity was 2.965% at the end of 2020, diminishing by 32.8% YoY. In 2020 this ratio registered an average level of 3.93%, decreasing from 4.53% in 2019 a minimum in 2016.

As for the foreign exchange market, the EUR/ RON exchange rate continued its gradual growth trend in 2020, an evolution determined by the challenges faced by the real and financial dimensions of the Romanian economy after the pandemic, partially counterbalanced by the measures adopted by the NBR. Consequently, EUR/RON fluctuated in the interval (4.7642-4.8750), at the NBR rate in 2020, with a medium level of 4.8371 (historical maximum), growing by 1.94% YoY.

BET index adjusted with 1.7% to 9,805.6 points in 2020, evolution influenced by the pandemic and its shock consequences. The rate of decline for the BET stock index was lower than the Pan-European EuroStoxx 600 index (4%). On the other hand, the internal capital market performance was weaker as compared to the one in the States, where S&P 500 index registered a jump start of 16.3% to 3,756.1 points.

Romanian Banking System

The banking sector presented resilience to the outbreak of the pandemic in 2020, an evolution determined by the strong financial stance and the implementation of an unprecedented expansionary policy-mix.

Non-government loans

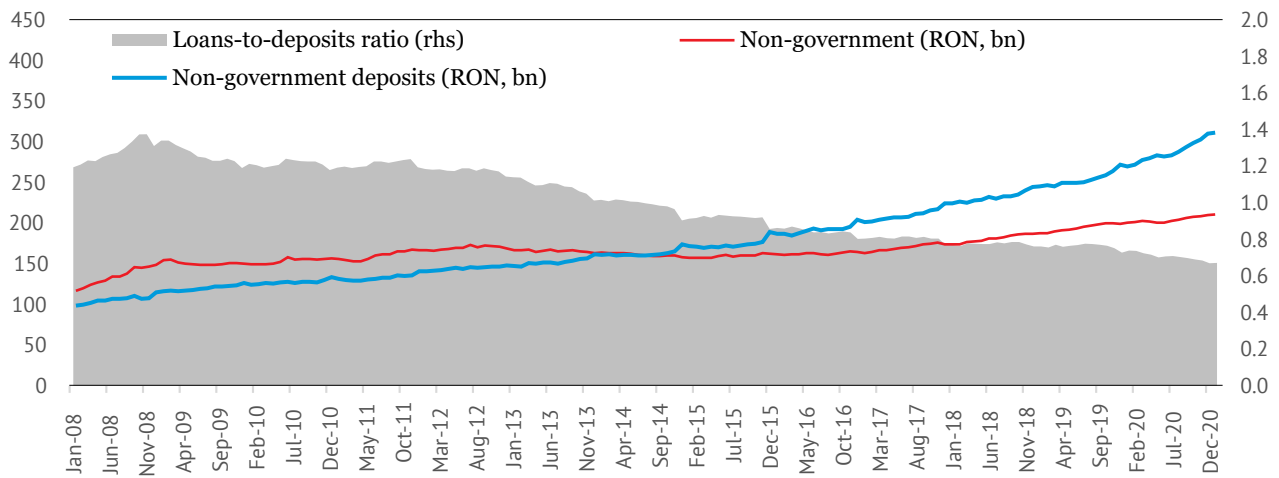
- The total average balance non-governmental loan increased by 5.1% YOY in 2020, the weakest evolution since 2017, decelerating from 7.6% YOY in 2019.
- The RON-denominated loans advanced by 7.6% YoY in 2020, an evolution supported by the low level of the real financing costs and by the measures implemented by the Administration.
- The Population and Companies components rose year by year by 11.3%, respectively 2.4%.
- The FX-denominated non-government loans stagnated YoY on average in 2020, as the contraction of the Population component by 8.5% YoY was counterbalanced by the increase of the corporate segment by 6% YoY (given the low level of the EUR financing costs).
- The household loans rose by 6.1% YoY, while the corporate segment advanced by 3.9% YoY on average in 2020.
- In December the non-government loans stood at RON 282.4bn, up by 5.5% YoY.
- At the end of 2020 the non-government deposits stood at RON 420.8bn (record high level), up by 14.4% YoY.
- The non-government deposits rose by 13.4% YoY on average: the RON and FX segments increased by 11.5% YoY and by 17.1% YoY, respectively.
- The household deposits rose by 14.3% YoY, while the corporate deposits climbed by 12% YoY on average in 2020.
- The loans-to-deposits ratio continued the downward trend in 2020, to 67.1% in December (a record low level), down by 5.7pp YoY.
- The non-performing loans ratio declined from 4.09% in December 2019 to 3.83% in December 2020 (the minimum since 2009).
- The total net assets of the domestic banking sector rose by 13.4% YoY on average to RON 532.6bn (EUR 110.1bn) in 2020, a record high level.
- The net aggregate profit of the domestic banking sector adjusted by 17.1% YoY to RON 5.2bn (EUR 1.1bn) in 2020.
- In 2020 the ROA and ROE indicators declined to the lowest levels since 2014: 0.98% and 8.86%, respectively.
- The capital adequacy ratio increased from 22% at the end of 2019 to 23.18% (a record high level) at the end of 2020.

Non-government deposits

- The upward trend for the non-government deposits continued in 2020, an evolution supported by the increase of the savings ratio, the expansionary income policy implemented by the Administration and the appreciation of the EUR/RON.



Non-government loans and deposits



Source: National Bank of Romania (NBR)

The most recent macro-financial developments point to the entry of the economy into a new cycle, a perspective supported by the positive climate across the banking sector, which is part of the solution for the recovery (on the contrary to the previous shocks).



BT's Impact in Economy and Society in 2020

145,000

granted loans

41,000

retail and company clients had their installments deferred

10,200

Romanians bought a house with BT's help (RON 2.5 billion)

67,300

consumer loans (RON 2.4 billion)

340

million BT card transactions, +22% vs. 2019

Peste 10,000

financings with IMM Invest, offering support to companies, leading to 100,000 jobs

500,000

clients who performed their first online transaction with the card in 2020

12

transactions / second with BT's

EUR 2 million

contribution to the prevention and limitation of the pandemic, but also to increasing access to testing and treatment

1.1

million persons use BT Pay application

Banca Transilvania's Involvement in the COVID-19 Context

In an atypical year, our priorities were:

- The bank mobilized the forces right from the first wave of the medical crisis with money and equipment.
- BT was the first bank in Romania to announce measures to support customers with loans affected by the pandemic and launched the most consistent package to support them, the measures implemented by the bank far exceeding the mandatory legal framework. Over 41,000 individuals and companies benefited from deferral of loan installments and over 400,000 cards were exempted for 3 months worth of payments of the minimum monthly obligation.
- In parallel, business as usual continued: the bank ensured operations continuity, launched commercial campaigns, diversified the interaction options for the customers with the bank and maintained the pace of network modernization projects.
- The bank accelerated the launch of over 20 on-line banking facilities, to allow permanent access to products and services.
- BT's communication with all the stakeholders was open and uninterrupted. On [Newsroom BT](#) the bank presented all the novelties regarding the bank's involvement, appearing in the categories Communication in the context of COVID-19 and Together against COVID-19, the latter being updated in real time as concerns hospital sponsorships.

Care for the employees

- RON 15 million for protective equipment for employees
- RON 330,000 - Covid-19 tests and flu shots
- Around 3,500 employees were in telework during the state of emergency and subsequently, until the end of 2020.
- Teams were divided into two/three persons, working in different locations, to reduce disruption of work, should isolation measures be imposed.
- Launching a series of workshops, video tutorials and on-line courses to help BT's employees to overcome the emotional challenges of 2020 more easily.
- 997 BT Group employees, who had COVID-19, benefited from BT's support, which went as far as renting medical equipment and allocating funds for medicines.

Care for the doctors and communities

- The Bank donated directly or through partners over EUR 2 million for 38 hospitals in 30 locations.
- Some organizations which were offered support are: Asociația Dăruiește Viața, SMURD Cluj-Napoca, Fundația eMAG, Asociația Beard Brothers, Organizația Studenților la Medicină din Cluj-Napoca, CERT Transilvania etc.
- Doctors in need of financial advice from BT had priority via BT's Call Center.



Care for individuals

- Extending the grace period for the credit cards, starting with March 2020, the first payment obligations being due only in May 2020. The measure was taken so that more than 500,000 customers would not have to go the bank.
- The possibility of deferring the minimum payment amount for the credit and cutting in half the interest for the customers who did not transfer on their credit card the equivalent value of the credit used until the end of April 2020.
- The possibility of deferring up to 3 loan installments before the entry into force of the Emergency Ordinance on deferring bank installments, which allowed payment obligations roll over up to 9 months. The solution meant the extension of the lending period, without additional costs, by the equivalent number of months.
- BT presented on its web site the daily status of: the number of demands for installments deferral, favorable outcomes, negative/positive answers.
- Over 70,000 cards were delivered to BT's customers, free of charge. This facility was offered to the customers with expired cards, to avoid a trip to the bank.

- Over 90,000 persons applied for the 5 discount campaigns:
 - #Sambata29
 - #GoodVibesOnly
 - #SummerVibes
 - #HappyHomeDays
 - #MissionPossible

Care for companies

- BT, the main bank in the IMM Invest program: over 10,000 granted facilities, supporting 100,000 jobs.
- Campaigns and initiatives to support local entrepreneurs, such as:
 - [Cumpără de la o afacere mică](#)
 - [#CumparaDeLangaTine](#), to encourage people to buy from small businesses, to support the local economy
 - [#VreauOnline](#), to teach the entrepreneurs to reinvent their business, by shifting to on-line solutions
 - [#Directlatine](#) and [#InMiscare](#), on-line shopping hubs launched together with customers



How our Employees and Clients see Us

For us, at Banca Transilvania, it is highly essential to know how our stakeholders see us, but also how we stand in relation to the market, to know what we are doing well, what our impact is, but also if there is room for improvement.

In 2020 we continued to take the pulse of the relationship with customers and employees, through specific studies to see, depending on the experience with BT, what is the Net Promoter Score (NPS), the degree of satisfaction and recommendation of the bank to others, respectively the perception regarding our involvement in the context of the pandemic:

- NPS study (performed monthly internally and by Kantar Romania)
- The Study: Perceptions of the population regarding banks, in the context of the pandemic (performed by Quantix Romania)
- The Study *BT Employee Experience Index* (performed by We Love Surveys, Great Britain)

● NPS

The NPS studies are performed internally, on a monthly basis, amongst individuals and corporate BT clients. In 2020, a 3-stage study was conducted among clients, *Romanians' perceptions regarding the banks' initiatives in the context of the pandemic*, conducted by Kantar Romania, immediately after interacting with the bank's agencies and branches.

As in the last two years, the results show that BT's recommendation score to other persons is higher than the market average, and surpasses the scoring of the other players in the system.

Results:

- BT is a leader as concerns the recommendation degree in the case of companies and ranks second amongst individuals.
- The main strengths, considering the customers' influence whilst recommending BT and the difference vs. the market average are: reputation, fees, the products and services offer.
- The satisfaction index was based on 41,670 feedback over the phone and 7,570 e-mails.

The score for recommending BT to other individuals is higher than the market average and exceeds that of other large banks.

BT is in the lead in terms of the degree of recommendation for companies and holds the second position in terms of individual clients.

NPS studies are conducted both internally and externally.



BT maintains its leading position in terms of image: the greatest advantage for two important attributes in context and positioning – the support of Romanians, respectively of SMEs.

The study on the perception of Romanians regarding the initiatives of banks during the pandemic was carried out by Quantix.

● **BT Employee Experience Index. eNPS, +17.84 points (2020 vs 2019)**

Through this internal study, conducted amongst BT Group employees twice a year, we analyze the quality of the relationship between manager and coordinated colleagues - Coaching, Communication and Care, respectively eNPS, an indicator that shows the degree of recommendation of the bank to others. Also, this offers the opportunity to collect proposals for actions from employees, so that BT should be a more attractive work place.

- +17.6 eNPS points: from 25.6 eNPS (January 2019) to 43.2 eNPS (January 2020)
- +17.84 eNPS points: from 33.1 eNPS (June 2019) to 50.94 eNPS (June 2020)
- almost 90% is the participation rate of Group employees to this study.

● **BT dominant position in terms of initiative in the context of the pandemic**

The study conducted in 2020 with Quantix, *Romanians perceptions regarding banks' initiatives in the context of the pandemic*, shows the following:

- BT maintains its leading market position: is most frequently associated with diverse initiatives, most of them referring to the deferral of payments and donations.
- BT competitive advantage: donations and extension of the grace period for credit cards or shopping cards (twice as many mentions vs. the next competitor in the study).
- BT is maintaining its leading position in terms of image: the biggest advantage on two important attributes in terms of context and positioning - supporting Romanians, respectively small and medium companies.

**+17.6 eNPS points:
from 25.6 to 43.2 eNPS
(January 2020 vs. January 2019)**

**+17.84 eNPS points:
from 33.1 eNPS to 50.94 eNPS
(July 2020 vs July 2019)**

Awards and recognition

Best Bank in Romania

Euromoney award for 2019 results

Bank of the Year

Piața Financiară award for 2020 results

Investor Relations Communication

Rating index VEKTOR maximum (10) for investor relations communication in 2020, acc. to evaluations

The Association for Investor Relations in Romania (ARIR)

Bucharest Stock Exchange Performance

BT, the most traded share on the main market in 2020

Capital Partners, Participant of the year 2020 on the securities segment

Community Involvement, in the COVID-19 context

The award for supporting Romanians in the context of the pandemic - Sustainability Awards Gala, organized by BIZ magazine.

Brand value

+19% brand value, reaching to USD 441 million, as per the ranking performed by [Brand Finance Banking 500 2021](#), where the bank 302 place from 339 in 2019.

Pioneer in remote banking

“Pioneer Award”, for launching the option of withdrawing money from the ATMs by phone, through the BT Pay and Apple Pay applications - No-Cash Gala

Best Place to Work in România

BT received the international certification for the Best Place to Work for in Romania, as a result of the internal and external evaluation of the bank, on criteria such as leadership, employee involvement, professional and personal development, etc.

The largest movement for entrepreneurs

#CumparaDeLangaTine Challenge was a campaign launched by BT to support the local businesses through which over 500 entrepreneurs were promoted.

The campaign turned into the largest solidarity movement in Romania, with thousands of people posting on social media their message to support the entrepreneurs, for neighborhood and soul businesses.

People from the bank

- Horia Ciorcilă, Chairman of the Board of Directors BT, Ömer Tetik, CEO BT and Aurel Bernat, Chief Executive Officer, BT Asset Management, received the vote of the business community, amongst the 10 most admired people in the business – Gala CEO Awards 2020, Business Magazin.
- Ömer Tetik, CEO Banca Transilvania, Banker of the Year of the 25 years of the Financial Market
- Mihaela Nădășan, Deputy CEO, International Relations and Capital Markets, awarded the Best IRO in 2020, for the second consecutive year, ARIR Gala.
- Gabriela Nistor, Deputy CEO, Retail Banking, amongst the most 100 powerful women in the business – Business Magazine.



Banca Transilvania & Shareholders

- **BT's Communication with the Shareholders**
- **Banca Transilvania on the Capital Market in 2020**
- **Financial Calendar 2021**
- **Profit Distribution and Share Capital Increase
Proposals for the Financial Year 2020**

BT's Communication with the Shareholders

Because we are a company listed on the Bucharest Stock Exchange, shareholders are one of the most relevant stakeholder and we strive for best practices in dealing with them.

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

- BT issues periodical reports, providing relevant information to the Bank's shareholders and investors.
- In 2020, the bank organized 4 conference calls with investors, as well as an extraordinary call on the measures taken by Banca Transilvania in the context of the COVID-19 pandemic.
- From 2020, BT has a new platform for communication with shareholders and investors on the [BT/relații-investitori](#) website.
- Banca Transilvania prepares a yearly financial communication calendar, published in January both on the BT site, as well as on the website of the Bucharest Stock Exchange.

The contact details for Investors Relations are the following:

investor.relations@btrl.ro

Tel: + 40 264 407 150

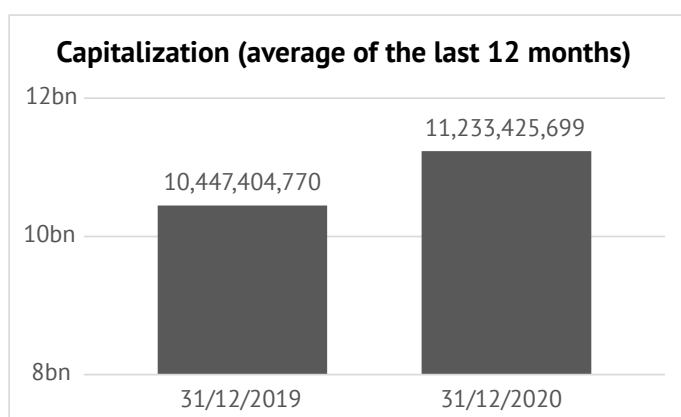
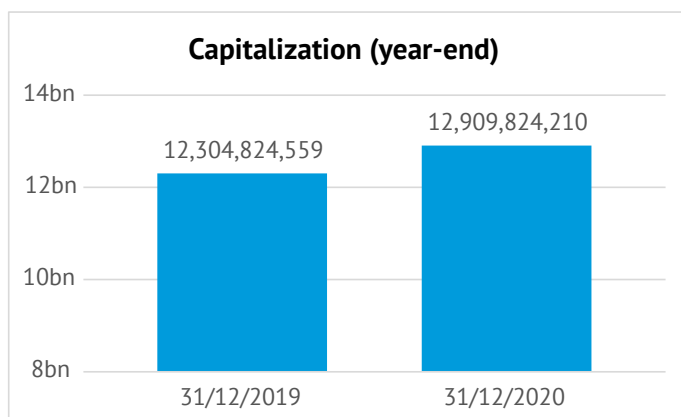
Fax: + 40 264 301 128

www.bancatransilvania.ro/relatii-investitori

www.bancatransilvania.ro

BT on the capital market in 2020

BT's market capitalization in 2020



Similarly to other areas of the economy, the banking sector has felt the impact of the pandemic generated turmoil. The unforeseen situation has prompted countries around the world to impose restrictions that have heightened the negative economic effects of the pandemic, which were reflected over a short period of time, but also leading to a significant decline in the share prices. This was followed by a period of recovery, as a result of the confirmation that this medical crisis would not necessarily trigger a financial crisis, as companies and individuals still needed financing, especially as the low levels of interest maintained the attractiveness of lending.

BT has maintained its strategy to pay cash dividends and allocate free shares to investors, as well as maintaining a high level of profitability despite the economic slowdown, so BT's adjusted capitalization increased in 2020 both at the end of the year, as well as comparing the year-round average of 2020 to that of 2019.

BT's market capitalization

Year	Price (adjusted for the cash dividend)	Shares no.	Capitalization (billion RON)	Capitalization (billion EUR)
2020	2.2500	5,737,699,649	12.9	2.7
2019	2.3591	5,215,917,925	12.3	2.6
2018	1.6827	4,812,481,064	8.1	1.7

*The numbers prior to 2020 are historically adjusted to take into account the cash dividends' payment

**All figures correspond to the year-end

Shareholding structure as at 31.12.2020

Equity holders	31.12.2020	31.12.2019
NN Group*	10.14%	8.12%
European Bank for Reconstruction and Development	6.87%	8.60%
Romanian individuals	20.47%	19.79%
Romanian companies	40.10%	37.36%
Foreign individuals	1.09%	1.06%
Foreign companies	21.33%	25.07%
Total	100%	100%

*NN Group N.V. and the pension funds administered by NN Pensii, SAFAP S.A. and NN Asigurări de Viață S.A

Highlights 2020:

- BT is one of the two companies that qualified Romania for the status of Secondary Emerging Market category, up from the Frontier Market category. The Bank has joined the FTSE Global Equities Index Series (2020).
- Rating: Maximum VEKTOR Index (10) for communication with investors in 2020, according to the ARIR evaluation. This aspect is specified on the [BSE/BT site](#).
- In 2020, the bank contributed to a new occupation in Romania, namely Specialist/Director for Investor Relations, included by the Ministry of Labor and Social Protection in the COR (Romanian Occupations Classifier).
- The latest awards for performance on the Bucharest Stock Exchange, awarded by the BSE during the 2020 [Performers on the capital market event](#):
 - BT, Most Traded Share on the BSE's Main Market in 2020
 - Capital Partners, 2020 Best Participant on the bond segment

Financial Communication Calendar 2021

1. Presentation of the preliminary annual financial results 2020	February 25
2. Conference call for presentation of results	March 1
3. General Meeting of Shareholders for approving the annual financial results	28 April (first convening) 29 April (second convening)
4. Presentation of the annual financial results, separate and consolidated	April 29
5. Presentation of the Q1 2021 financial results	April 29
6. Conference call for the presentation of results	May 5
7. Presentation of the H1 2021 financial results	August 23
8. Conference call for the presentation of results	August 24
9. Presentation of the Q3 2021 financial results	November 12
10. Conference call for the presentation of results	November 15

Proposals for profit allocation for the financial year 2020 and for share capital increase

The Board of Directors of the Bank submits for approval to the General Meeting of Shareholders the proposal for the distribution of profits in the amount of 1,197,304,582 lei, according to the following:

Proposal for profit distribution 2020	Amounts (RON)
Gross Profit	1,371,035,514
Income tax paid/recovered	-173,730,932
Net profit	1,197,304,582
5% Legal reserve fund from gross profit	-68,551,776
Reserves from reinvested profit	-129,228,558
Net profit for distribution:	999,524,248

The ECB / 2020/62 Recommendation was issued on 15 December 2020, requiring to the credit institutions to perform extreme caution with regard to the dividend payments and the buy-back of own shares. This recommendation also includes the outcome of the 2020 financial year. The ECB / 2020/62 recommendation is due to expire in September 2021, when the ECB will re-assess the economic status of the sector. Based on these events and if no new regulations are issued, the Board of Directors will re-evaluate the profit-sharing policy by granting dividends.

The Board of Directors also submits for approval the share capital increase from RON 5,737,699,709 to RON 6,311,469,680, namely with the amount of RON 573,769,971, representing 2020 net profit reserves.

Proposal for 2020 profit distribution	Amounts (RON)
Total reserves available for distribution	999,524,248
Revaluation reserves (2020)	425,754,277
Dividends	-
Capitalization of net profit reserves 2020	573,769,971
Share capital at the reference date*	5,737,699,709
Earnings / share % capitalization	0.1000000000

**The share capital registered with the Trade Register amounts to 5,737,699,709 shares with a nominal value of 1 RON / share, to which is added RON 86,501,040 - adjustment according to the inflation of the share capital and surplus from the re-valuation of fixed assets used to increase the share capital, but which was not realized until the application of the International Financial Reporting Standards adopted by the European Union*

As a result of the share capital increase by RON 573,769,971, for every 100 shares held, another 10 shares will be assigned (respectively a number of new shares corresponding to the ratio RON 573,769,971 / RON 5,737,699,709).

Banca Transilvania's Financial Group

- **Financial Results. Summary**
- **BT Financial Group's Companies**
 - Banca Transilvania S.A.
 - BT Capital Partners S.A.
 - BT Asset Management SAI S.A.
 - BT Microfinanțare IFN S.A.
 - BT Pensii
 - BT Leasing Transilvania IFN S.A.
 - BT Direct IFN S.A.
 - BT Building S.R.L.
 - Improvement Credit Collection S.R.L.
 - BT Leasing MD S.R.L.
 - Victoriabank S.A.
- **Strategy Achievement in 2020**
- **New Strategic Objectives**
- **Development Plan for 2021**
- **Proposals regarding the Financial Position and the Profit and Loss Account 2021**

BT Financial Group's Companies

Summary of the financial results	Banca Transilvania		BT's Financial Group	
	2020	2019	2020	2019
Financial information of the Group				
ROE (net profit/ average of shareholder equity)	13.67%	20.26%	14.51%	21.10%
ROA (net profit/ average net assets)	1.26%	2.03%	1.39%	2.18%
Cost/Income	45.27%	47.01%	45.16%	47.38%
Total net income, RON thousand	3,937,204	4,023,250	4,537,632	4,606,966
Provisions for credit risk, RON thousand	(783,884)	(244,729)	(865,840)	(292,646)
Gross profit, RON thousand	1,371,036	1,887,146	1,622,428	2,131,583
Net profit, RON thousand	1,197,305	1,620,512	1,424,078	1,847,893
Basic earnings per share			0.2411	0.3423
Diluted earnings per share			0.2408	0.3415
Tier 1 own funds, RON million	10,067	7,821	10,574	8,188
Risk Weighted Assets, RON million	52,174	46,989	57,544	51,581
Total Assets, RON million	103,355	87,438	107,492	91,722
Total shareholders' equity, RON million	9,523	8,496	10,414	9,214
Other information				
No. of branches	511	508		
No of active employees	8,359	7,997	10,009	9,690

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

The Group's subsidiaries

Banca Transilvania Financial Group is the largest ecosystem for supporting Romanian entrepreneurs through integrated banking, brokerage, leasing investment management, consumer financing and voluntary pensions services.

The Group includes the parent company, BT and its subsidiaries, with locations in Romania, Italy and the Republic of Moldova, and has a workforce of 10,009 employees (2019: 9,690 employees).

Banca Transilvania S.A.

[Banca Transilvania](#) is the largest bank in Romania, based on its total assets.

Over 3.3 million customers

Network: 50 branches, 431 agencies, 21 work-points, 7 healthcare division units, 2 private banking agencies, 1 branch in Italy, 1 regional office located in Bucharest and the Headquarter (Cluj-Napoca).

Registered office: Cluj-Napoca, str. George Barițiu, no. 8

Founded in 1993 and started its activity in 1994.

The Group's subsidiaries are represented by the following entities in which the Bank holds direct and indirect participations:

Subsidiary	Field of Activity	2020	2019
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%
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	90,00%	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%
VB Investment Holding B.V.	Holding activities	61,81%	61,81%
Timesafe SRL	IT services	51,12%	51,12%
Sinteza S.A.	Manufacture of other basic organic chemical products	31,08%	33,87%
BT Pensii S.A.	Management of pension funds (except for those in the public system)	90,49%	90,49%

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%
BT Investments S.R.L.	Investments	100%	100%
BT Direct IFN S.A.	Consumer loans	98.34%	100%
BT Building S.R.L.	Investments	98.94%	100%
BT Asset Management SAI S.A.	Asset Management	90%	90%
BT Leasing MD S.R.L.	Leasing	100%	100%
Improvement Credit Collection S.R.L.	Activity of the Collection Agents and Credit Reporting Bureaus	99.89%	100%
BT Microfinanțare IFN S.A.	Consumer Loans	67.80%	100%

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)	
	2020	2019	2020	2019
BT Capital Partners S.A.	219,574	171,916	578	573
BT Leasing Transilvania IFN S.A.	1,229,056	1,169,699	57,881	48,766
BT Investments S.R.L.	78,629	78,781	(178)	73
BT Direct IFN S.A.	531,717	474,988	9,309	(2,887)
BT Building S.R.L.	255,912	127,881	(945)	(270)
BT Asset Management SAI S.A.	73,240	59,357	14,377	18,825
BT Leasing MD S.R.L.	138,217	133,607	9,208	6,580
Improvement Credit Collection S.R.L.	17,378	17,060	3,803	2,837
BT Microfinanțare IFN S.A.	513,325	509,841	26,341	28,534

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

BT Capital Partners S.A.

BT Capital Partners is the investment banking and capital markets division of Banca Transilvania Financial Group. The company provides assistance in attracting financing through the capital market, brokerage services, mergers and acquisitions consulting, structuring complex financing and market research. BT Capital Partners is the exclusive member of Oaklins, the world's leading alliance of M&A professionals.

- BT Capital Partners ended 2020 on the 1st place in the top of intermediaries at the Bucharest Stock Exchange and on the 2nd place in the share ranking;
- In 2020, BT Capital Partners brokered issues of corporate bonds and government securities worth more than EUR 1 billion;
- BT Capital Partners & private bond placements in 2020:
 - The first issue Vivre, one of the largest online retailers of furniture and decorations in Central and Eastern Europe;
 - The first bond issue of Lăptăria cu Caimac;
 - The first issue of Fidelis government securities, through which the Ministry of Public Finance attracted over RON 2 billion;
 - Lead Manager on the second issue of Fidelis, when the State attracted RON 2.7 billion from investors.
- BT Capital Partners has 52 active employees and 8 work units (31.12.2020);
- Registered office: Cluj-Napoca, str. Constantin Brâncuși no. 74-76;
- BT Capital Partners is active since 2016, when BT Securities, the brokerage company of the BT Financial Group, took over the investment banking activity of Capital Partners, the most important Romanian independent consulting firm in the field of M&A and Corporate Finance.

BT Asset Management SAI S.A.

BT Asset Management is an investment management company and manages open-end and closed-end investment funds. The company 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 and USA; placements can be made in RON, EUR and US dollars.

- As at December 31, 2020, BT Asset Management SAI managed 16 investment funds, of which: 14 open-end funds and 2 closed-end funds, counting over 45,000 investors and assets under management of more than RON 4,1 billion;
- Number of active employees: 32;
- Registered office: Cluj-Napoca, str. Emil Racoviță, no. 22;
- Year of establishment: 2005.

BT Pensii S.A.

BT Pensii is the newest company of the BT Group, which manages the optional pension fund Pensia Mea. BT expanded its financial services in the field of private pensions through the acquisition of Certinvest Pensii, in 2019, which became BT Pensii in June 2020.

- Is the only Romanian company for the administration of voluntary pensions;
- Banca Transilvania clients have the opportunity to contribute to the optional pension fund Pensia Mea through over 500 branches and agencies of Banca Transilvania;
- At the end of 2020, the number of participants in Pensia Mea fund increased to over 16,000, and the amount under management to RON 92.6 million.

BT Microfinanțare IFN S.A.

BT Microfinanțare (BT Mic) is a non-banking financial institution with the purpose of financing small business, including start-ups, which completes the role of Banca Transilvania in supporting Romanian entrepreneurs. The company addresses to entrepreneurs with a turnover of up to RON 1 million, regardless of the field of activity and the form of organization.

- In 2020, approximately 3,000

micro-enterprises received funding from BT Microfinance for the support and development of daily activities, purchase of goods, payment of suppliers, investments in work points and / or opening of new ones, purchase of machines / equipment and so on;

- The balance of loans at the end of 2020 was RON 515.6 million (2019: RON 481.8 million);
- Financing diversity: the company supports over 400 types of activities;
- For 70% of customers, BT Microfinanțare is the first creditor;
- Number of active employees: 167;
- BT Microfinanțare was founded in 2016;
- Registered office: Bucharest, Highway. București – Ploiești, no. 43.

BT Leasing Transilvania IFN S.A.

BT Leasing Transilvania offers a wide range of vehicles, production equipment and other equipment in leasing.

- In more than 20 years since it has been on the market, it has financed over 15,000 customers and concluded over 30,000 contracts;
- Number of active employees: 123 (31.12.2020);
- In 2019, BT Leasing bonds started trading, thus being the second company within the Group which uses the financing mechanisms of the Bucharest Stock Exchange;
- Registered office: Cluj-Napoca, str. Constantin Brâncuși, no. 74-76;
- Year of establishment: 1995. The original name was LT Leasing Transilvania S.A.

BT Direct IFN S.A.

BT Direct is a company designed to provide consumer loans to individual customers.

- BT Direct has over 200,000 customers, 150,000 credit cards and 8.3% market share (31.12.2020);
- BT Direct IFN S.A. and ERB Retail Services IFN S.A. have become the same company starting with August 1, 2019, keeping the name BT Direct IFN S.A..
- ERB Retail Services IFN was acquired by Banca Transilvania from Eurobank Group in 2018, together with Bancpost and ERB Leasing;
- Number of active employees: 162 (31.12.2020);
- Registered office: Cluj-Napoca, Str. Constantin Brâncuși, no. 74-76.



BT Building S.R.L.

BT Building is focused on renting and subleasing of its own and rented real estate assets. It is a limited liability company and carries out its activity in accordance with the Articles of Incorporation, Law no. 31/1990 on companies, republished, with subsequent amendments and completions and the Romanian legislation in force. Year of establishment: 2003.

Improvement Credit Collection S.R.L.

The company's business is receivables collection.

- Net profit 31.12.2020: RON 3,803 thousand (2019: RON 2,837 thousand);
- The share capital was increased by co-opting BT Investment SRL as a new partner, registering on December 31, 2020 a value of RON 901,010, and the registered office moved from Bucharest to Cluj-Napoca, George Baritiu Street, no. 1 (2016);
- Year of establishment: 2013.

BT Leasing MD S.R.L., Republica Moldova

BT Leasing MD is the first company opened by the Group in the Republic of Moldova, market leader according to the size of the leasing portfolio - financing of fixed assets granted from leasing.

- Net profit BT Leasing MD, 31.12.2020: RON 9,208 thousand (2019: RON 6,580 thousand);
- It currently operates with 36 employees;
- Registered office: Chişinău city, str. Puşkin 60/2.
- Year of establishment: 2008.

B.C. Victoriabank S.A., Republic of Moldova

Victoriabank is the third largest bank in the Republic of Moldova in terms of total assets. The entry of Banca Transilvania in the Victoriabank shareholding in 2018 was at that time the first investment in the last 10 years of a bank in the Republic of Moldova.

- The net profit (31.12.2020) reached Moldovan lei 261.8 million;
- Over 260,000 customers work with Victoriabank, and there are over 1,000 people in the team.
- The bank has almost 100 branches in 30 locations in the Republic of Moldova.
- It is the banking institution that brought in the Republic of Moldova cards, ATMs, POS and contactless payment with phone and smartwatch.
- Victoriabank is listed on the Moldovan Stock Exchange and is the first commercial bank in the Republic of Moldova.
- Registered office: Chişinău, str. 31 August 1989, no. 141
- Year of establishment: 1989.



Realization of 2020 Strategy

What we targeted for 2020

- 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;
- Digitization of banking experience;
- Development of financial products to support customers after the end of the pandemic crisis;
- Creating intelligent operating systems, innovation and process simplification;
- Continuous and interactive support provided to clients and employees;
- Customer relationship optimization to give them the best experience with BT.

What we accomplished

Qualitative objectives:

- **Customer support in the context of the pandemic:**
 - Banca Transilvania has launched its own customer support measures, in addition to those announced by the public moratorium, postponed loan installments and reduced fees;
 - More than 41,000 individuals and companies benefited from the postponement of rates;
 - Over 400,000 cards were exempted for 3 months from the payment of the monthly obligation due to the extended grace period;
 - Through IMM Invest, a government program in which it was the main bank, BT provided over 10,000 loans, supporting companies that mean about 100,000 jobs, especially in the fields of wholesale and retail trade, transport and construction.
- **Accelerate remote banking:**
 - 500,000 customers made the first online card transaction in 2020;
 - Almost 340 million transactions were made with BT cards, + 22% compared to 2019;
 - 1.1 million people use the BT Pay application for everyday banking.
- **Community, team and network involvement:**
 - BT was the first company to announce significant donations in the context of the pandemic;
 - During the state of emergency, the bank contributed over EUR 2 million to the prevention and limitation of the epidemic, but also to the increase of access to testing and treatment;
 - Almost 70 branches and agencies in 50 localities have been modernized;
 - BT Pay has contributed to the formation of new behaviors: contactless shopping at merchants, money transfers and donations, all by phone.
- **Quality increase of the loan portfolio as measured by the non-performing loan rate according to the EBA (NPE rate):**
 - 3.46% at the end of 2020, compared to 4.36% at the end of 2019;
- **Better communication with shareholders:**
 - Launch of a new platform on the [BT website](#).



- **Digitization acceleration through future releases:**

- NEO – internet and mobile banking;
- Online platform for updating customer data on the bank's website;
- Open Banking solutions, by integrating in NEO and BTPay the option of aggregating accounts from other banks / online platforms;
- INO chatbot with functionalities for updating customer data, status requests, deferred installments;
- New facility for the Raul chatbot from BT to BT Mic, online credit application
- Integration of the chatbot Raul in WhatsApp and developing new functionalities: updating the data of legal entities;
- Extending the options in the BT Visual application for online information about account balance and transaction history, postponing rates, opening 100% online accounts for PFAs, initiating the refusal to pay associated with card transactions, updating data, etc.;
- New facilities at BT Express multifunction ATMs: scanning and payment of the payment order, payment of road taxes, credit information for BT Mic customers;
- Launch of the PSD2 platform for the application of the provisions of the European Directive on Online Payment Services (PSD2).

Quantitative objectives

Indicator	Budget	Actuals
Total Assets	RON 87.92 billion, increasing with 1% vs. 2019	RON 103.35 billion, increasing with 18% vs. 2019
Gross profit	RON 607.62 million	RON 1,371.04 million, higher with 126% vs. budgeted value for 2020
Deposits from customers	RON 74.49 billion, slight increase of 0.2% vs. 2019	RON 88.30 billion, increasing with 19% vs. 2019
Loans to customers	RON 40.65 billion, slight decrease of 1% vs. 2019	RON 43.55 billion, increasing with 6% vs. 2019
Total equity	RON 7.69 billion	RON 9.52 billion, an increase of 12% compared to 2019
Cards issued at the end of the year 2020	4.35 million cards	4.39 million cards
Loan/Deposit ratio	0.55	0.49
Investment budget	RON 323 million (VAT included)	RON 282 million (VAT included)



New Strategic Objectives

Qualitative objectives:

- **Sustainability:** intensive program of awareness of the Romanian business environment regarding the importance of sustainable development;
- **Financing:** focus on complete online credit flows;
- **Customer support:** maintaining a balanced approach oriented towards customer support, given the existing context;
- **Financial solutions:** development of financial products to support customers after the end of the pandemic crisis;
- **Building intelligent operating systems,**

innovation and process simplification;

- **Digitization** of the banking experience;
- **Continuous and interactive support provided to customers and employees;**
- **Optimizing the relationship with customers** to provide better experience with BT.

Quantitative objectives:

- Total assets: 11.3% increase;
- Total loans, gross: 7.9% increase;
- Total deposits from customers: 11.6% increase;
- Cost/Income ratio: 49.3%;
- Loans/Deposit ratio: 47.9%.

Development Plan for 2021

In projecting indicators for 2021, it has been considered an average inflation rate of 2.5% and an average exchange rate of 4.89 RON\EURO.

Total Assets:

We estimate an increase of total assets by 11.3% compared to the level registered in 2020, up to RON 115,022 million. In the structure of assets were considered:

- 41% weight of gross loans
- 21.8% weight of immediate liquidity
- 37.9% weight of investments in securities

Total liabilities and equity

For the structure of debts and equity provided for 2021, was considered an increase of resources attracted from non-bank customers by 11.6% compared to 2020, which means a share of 94.2% in total debt. The 2021 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.

Investment budget for 2021 (RON million)

Buildings – agencies and branches	64.60
Investments IT and cards, of which:	234.49
<i>Hardware IT</i>	34.85
<i>Software IT</i>	167.10
Retail and cards, of which:	32.54
<i>Hardware retail cards</i>	12.56
<i>Software retail cards</i>	19.98
Security	11.77
Cash processing center	14.95
Digital initiatives	46.86
Other	28.21
Total Investments RON million, VAT included	400.88



Projections of the Financial Position and Profit and Loss Account for 2021:

Statement of Financial Position (RON mil.)	Budget proposal 2021
Cash and cash equivalents	25,028
Investment securities	43,609
Loans and advances to customers (gross)	47,206
Loans provisions	(4,081)
Fixed assets	1,937
Equity investments	500
Other assets	824
Total assets	115,022
Deposits from customers	98,524
Loans from financial institutions	1,408
Subordinated liabilities	2,175
Other liabilities	2,525
Total liabilities	104,631
Total equity	9,115
Profit/Loss for the year	1,276
Total equity	10,391
Total liabilities and equity	115,022

Profit and Loss Account (RON mil.)	Budget proposal 2021
Interest income	3,415
Interest expenses	(507)
Net interest income	2,908
Net commission income	725
Net trading income	500
Contribution to the Guarantee Fund	(86)
Other income	102
Total Income	4,149
Personnel expenses	(1,073)
Other operating expenses	(562)
Depreciation and amortization	(359)
Other liabilities	(50)
Total Expenses	(2,043)
Net impairment charges	(590)
Profit Before Tax	1,516
Income tax	(239)
Net Income	1,276

Management Report

- **Banca Transilvania Financial Group's Performance**
 - Banca Transilvania's and Banca Transilvania Financial Group's Statement of Financial Position
 - Profit and Loss Account
 - Banking Prudential Ratios
- **Performance of the Bank's Business Lines**
 - Large Corporate Clients
 - Medium Corporate Clients
 - SME Clients
 - Micro Business Clients
 - Retail Clients
 - Treasury

Performance of Banca Transilvania Financial Group

Banca Transilvania's operating efficiency continued to follow a positive trend, given the proper management of costs and the increase in the volume of operations. 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 BT Bank and Group (31.12.2020 vs 31.12.2019)

- Banca Transilvania ended the year 2020 with total assets of RON 103,355 million, +18%;
- Gross loans to customers +6%;
- Deposits from customers +19%;
- The bank exceeded the budgeted level of assets by 18%;
- At consolidated level, the total assets were RON 107,492 million

Financial position at the end of 2020:

RON million	Banca Transilvania				BT's Financial Group		
	"Realized 2020"	"Budget 2020"	Realized 2019	Δ 2020/2019	Realized 2020	Realized 2019	Δ 2020/2019
	(1)	(2)	(3)	(4)=(1)/(3)-1	(5)	(6)	(7)=(5)/(6)-1
Loans to customers	43,554	40,646	41,135	5.9%	45,619	43,135	5.8%
Loans provisions	(3,190)	(3,667)	(2,533)	26.0%	(3,498)	(2,781)	25.8%
Cash and cash equivalents	27,615	19,020	20,476	34.9%	29,356	22,358	31.3%
Securities	32,401	29,309	25,986	24.7%	33,322	26,782	24.4%
Fixed assets	2,096	1,777	1,630	28.6%	1,660	1,354	22.6%
-Tangible, intangible and right-of-use assets	1,596	1,204	1,144	39.6%	1,658	1,351	22.8%
-Investments in associates	500	573	486	2.7%	2	3	-54.7%
Other assets	879	837	745	18.0%	1,034	874	18.3%
Total Assets	103,355	87,923	87,438	18.2%	107,492	91,722	17.2%
Total equity	9,523	7,693	8,496	12.1%	10,414	9,214	13.0%
Subordinated loan	1,664	1,874	1,697	-1.9%	1,668	1,700	-1.9%
Deposits from customers	88,297	74,488	74,354	18.8%	90,942	77,037	18.1%
Deposits from banks	1,488	1,900	1,200	24.0%	2,011	1,770	13.6%
Other liabilities	2,383	1,968	1,691	40.9%	2,457	2,001	22.8%
Total liabilities and equity	103,355	87,923	87,438	18.2%	107,492	91,722	17.2%

Gross loan/deposit ratio (31.12.2020):

- Loan/deposit ratio: 49.3%;
- Gross loans: RON 43,554 million;
- Deposits from customers: RON 88,297 million;
- The loan/deposit ratio decreased compared to 2019 (when it registered 55.3%), a trend that can be observed at the entire banking system, but is still below the value recorded for the banking system (67.1%);
- The new minimum historical values confirm the excess of liquidity in the domestic economy and the structural changes in the banking sector.

Loans portfolio (31.12.2020):

- The balance of the bank's gross loans: +6% higher than the balance at the end of 2019, although in 2020 loans in the amount of RON 398 million were written-off. The areas in which new exposures have been created are still diverse, both in terms of sectors of activity and in terms of groups of debtors.
- Non-performing loans overdue for more than 90 days represents 2% of BT's total loan portfolio, decreasing as compared to 2019, when the ratio was 2.79%, while non-performing exposures according to EBA requirements was 3.46% as at December 2020.

Provision balance (31.12.2020):

- Net impairment allowance on financial assets on other risks and loan commitments: RON 783.9 million (including recoveries from previously written-off loans).
- The high level of provisioning reflects the bank's prudent and preventive approach, as well as the change in methodology in calculating provisions taking into account the NBR and EBA recommendations.
- The coverage of non-performing loans with mortgage collateral and specific provisions continues to stay at a comfortable level of 128%, in accordance with BT's risk appetite.
- Total balance of provisions: RON 3,190 million, +26% compared to 2019. 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 201 million.

Cash and cash equivalents (31.12.2020):

- Liquidity ratio: 65.47%;
- Cash and cash equivalents: RON 27,615 million, +35% compared to 2019, 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 67% of the total balance (RON 18,559 million) being represented by the minimum required reserve held with the NBR.

Securities (31.12.2020):

- Securities and derivative financial instruments: +25% as compared to previous year, reaching RON 32,401 million at the bank's level.
- Securities issued by the Central Administrations have the largest weight in this category, amounting to RON 29,209 million.

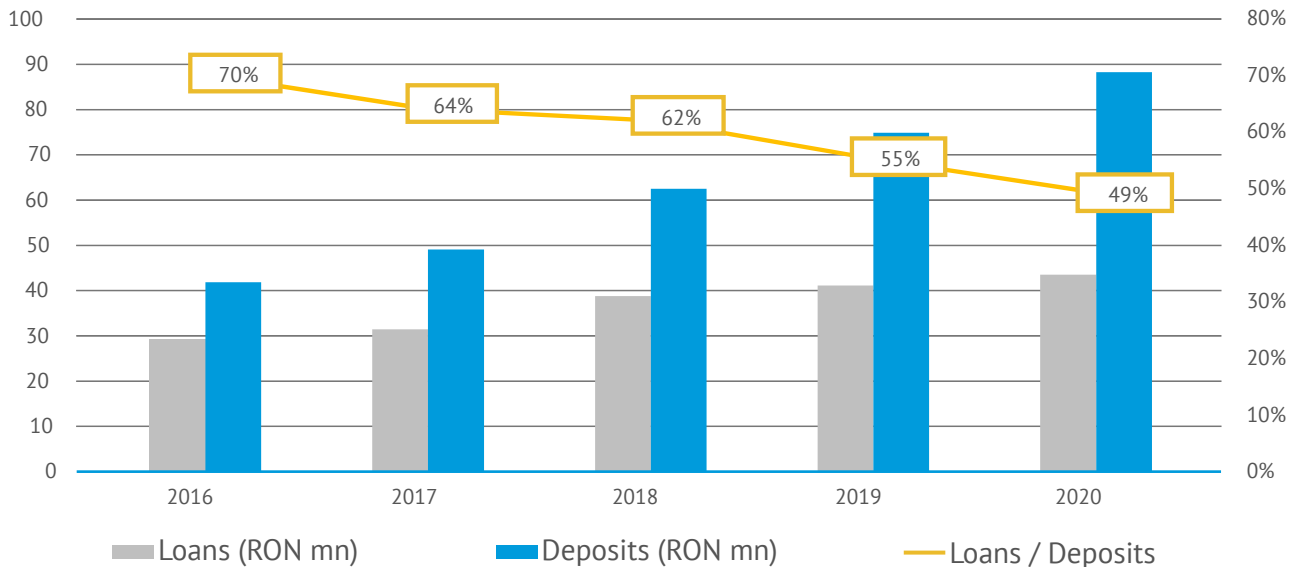
Fixed assets (31.12.2020):

- +29% compared to 2019, increasing to RON 2,096 million. Right-of-use assets have an important share, on December 31, 2020 amounting to RON 709 million at the Bank level, respectively RON 449 million at the Group level. Also, the increase of IT investments for digitization and optimization of banking processes was reflected in the balance of fixed assets at the end of 2020. Tangible fixed assets represent RON 619 million (land and buildings: RON 278 million), intangible assets amount to RON 269 million, while financial assets are RON 500 million.

Customer deposits (31.12.2020):

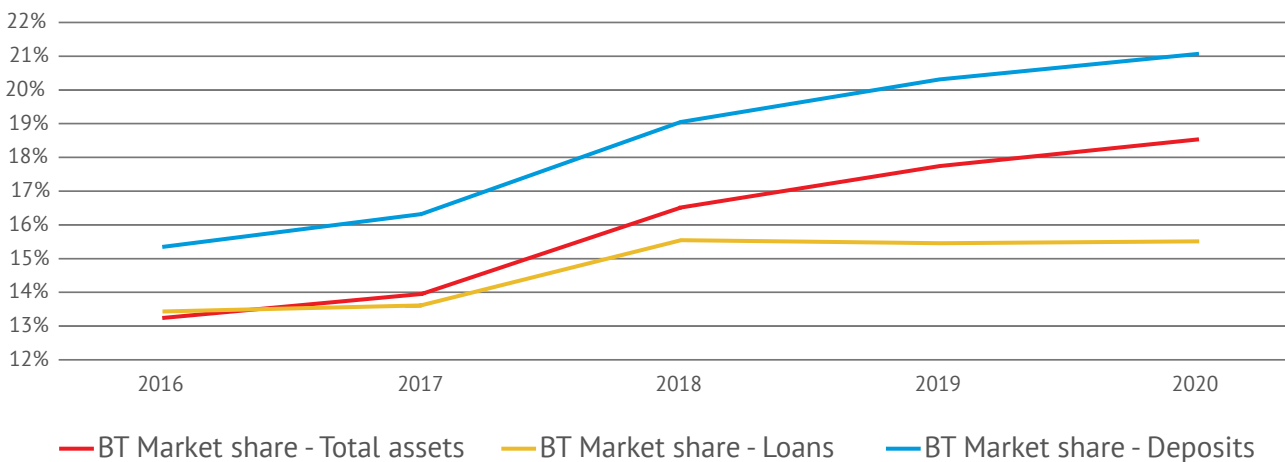
- Deposits increased significantly: +19% compared to 2019, being above the 14% general growth rate recorded at the banking system level.
- 68% of customer deposits are retail deposits, while 32% represent company deposits.

Loans / Deposits 2016 - 2020



Market share (31.12.2020):

- The Bank has 18.4% market share based on total assets



The equity of Banca Transilvania as of 31.12.2020 amounted to RON 9,522,867,682, of which:

- The share capital registered with the Trade Register is represented by 5,737,699,649 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 28,613,899;
- Statutory reserves: RON 658,553,070;
- 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 518,557,717;
- Reserves from the revaluation of tangible and intangible assets, net of deferred tax: RON 48,516,842;
- Retained earnings (excluding the profit for the year and profit distribution): RON 1,367,008,503;
- Own shares: RON 0;
- Profit for the year: 1,197,304,582;
- Profit distribution: RON (197,780,334).

At 31.12.2020, Banca Transilvania Financial Group had on its balance RON 15,287 thousand, representing the value of own shares (15.2 million shares), while Banca Transilvania did not have own shares in its balance sheet at this date.

During 2020, the Bank did not acquire own shares with the purpose of disposal for consideration.

Statement of Profit or Loss

Items in the statement of profit or loss for the year 31 December 2020, as compared with the previous year and budgeted figures:

RON million	Banca Transilvania				BT's Financial Group		
	Realized 2020	Budget 2020	Realized 2019	Δ 2020/2019	Realized 2020	Realized 2019	Δ 2020/2019
	(1)	(2)	(3)	(4)=(1)/(3)-1	(5)	(6)	(7)=(5)/(6)-1
Total operating income of which	3,937	3,404	4,023	-2.1%	4,538	4,607	-1.5%
- Net interest income	2,580	2,399	2,685	-3.9%	2,977	3,074	-3.1%
- Net commission income	656	643	715	-8.2%	776	823	-5.6%
Operating expenses	(1,782)	(1,841)	(1,891)	-5.8%	(2,049)	(2,183)	-6.1%
Operational result	2,155	1,563	2,132	1.1%	2,488	2,424	2.6%
Net impairment	(784)	(955)	(245)	220.3%	(866)	(293)	195.9%
Gross profit	1,371	608	1,887	-27.3%	1,622	2,132	23.9%

Gross profit (31.12.2020):

- Banca Transilvania: RON 1,371 million, 27% lower than in 2019
- BT Group: RON 1,622 million, 24% lower, below 2019 level

Net Profit (31.12.2020):

- Banca Transilvania: RON 1,197 million
- BT Group: RON 1,424 million

Cost/Income ratio (31.12.2020):

- Reached 45.3% level
- 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 2019, of 47.01%.

Operating income (31.12.2020):

- was RON 3,937 million, -2% lower than in 2019, as a result of the business environment affected by the pandemic context.
- +16% increase in the operating income as compared to the budgeted level. The most important income categories are the following:

- Net interest income: RON 2,580 million in 2020, 4% lower compared to the previous year. Out of this amount, the income related to securities had a significant weight of 27%, representing RON 687 million. At the Group level, net interest income decreased by (3%) as compared to previous year.
- Net commission income: the evolution of these revenues was also affected by the COVID-19 pandemic, reflecting a decrease of 8%, amounting RON 656 million, exceeding the budgeted level by 2%. The number of transactions carried out through BT accounts increased by 16% compared to the previous year, considering the fact that the bank offered solutions for remote banking and more efficient solutions for online banking to respond to a business environment with reduced mobility.
- Net trading income: The decrease in the net trading income was of 3% for the Bank while the Group recorded a 16% decrease. The decreases are due both to the net income from derivatives and to the negative result generated by the financial assets held for trading.

- Net gains/(losses) on financial assets designated at fair value through other comprehensive income was RON 300.6 million at the Bank level.
- Net gains/(losses) on financial assets designated mandatorily at fair value through profit or loss was RON 42.5 million at the Bank level.

Operating expenses before the net impairment allowance and provisions for other risks and charges and loan commitments amounted to RON 1,782 million as at the end of the year, versus RON 1,891 million as at the end of 2019. The decrease in operating expenses was mainly related to recognition in expenses of the tax on assets in 2019, but also by the increase in operational efficiency in 2020. At the Group level, the operating expenses were mainly influenced by the Bank's operating expenses.

Personnel expenses: Both for Group and the Bank, the personnel expenses increased with 6% and 7% respectively vs. the previous year, as a result of increasing the employee base and

expanding benefits for them. 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.

Operational result: +1% above the previous year, reaching RON 2,155 million at the Bank level, despite the difficult year, marked by unprecedented economic and social measures.

Net provision expenses: RON 784 million, over three times higher than in 2019, as a result of the COVID-19 pandemic, which determined the change of the methodology in the calculation of the provisions in order to adapt to the new economic situation, but also taking into account the recommendations of the NBR and EBA.

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 31.12.20	BT Level 31.12.19
Liquidity Ratio	Min =1	1.89-29.40	1.90-22.35
Capital adequacy ratio (CAR)*	> 8%	22.24%	20.00%

*CAR was computed taking into account the net profit as at 31.12.2020 (without profit, this ratio is 19.94%)

The solvency ratio is at a comfortable level of 22.24%, 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.

Banca Transilvania's Business Lines Performance

Because in 2020 solidarity became the main goal for BT, the bank came for all business segments with solutions - either for the continuation or relaunch of the activity, or for personal plans.

The evolution of the client base: +4% in 2020 vs 2019

The number of active clients per business lines, for which Banca Transilvania is the main bank, + 4% increase in 2020 compared to 2019, and the structure is as follows:

BT active clients*	31.12.2020	31.12.2019	2020/2019
Large Corporate Clients	1,456	1,483	-1.8%
Mid Corporate Clients	9,074	8,985	1.0%
SME Clients	18,538	18,593	-0.3%
Micro Business Clients	329,740	298,152	10.6%
Retail Clients	3,038,548	2,931,894	3.6%
TOTAL	3,397,356	3,259,107	4.2%

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

Large Corporate Clients

- RON 3.3 billion new loans related to large corporate clients
- 50% of the loans were for existing customers and 50% for new customers
- RON 7 billion amounts the balance of the loans

The bank has strengthened its role as a strong supporter of the local corporate sector by providing financing solutions for both investment projects and the creation of a liquidity buffer either downstream or upstream in the supply chain.

The strategic approach continued to be towards sectors such as health, telecommunications, utilities, consumer goods, as well as local infrastructure projects. There has been an increased number of co-financing programs with local municipalities to finance local or regional infrastructure projects, as well as local projects with a strong sustainability impact.

Mid Corporate Clients

- +7% increase in the loans balance at individual and consolidated level, reaching RON 6.3 billion, and respectively RON 6.7 billion (2020 vs 2019)

- +22% growth in customer deposits, reaching RON 6.9 billion (2020 vs 2019)

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.

Small and Mediul Enterprises (SMEs)

- Over 1,700 new loans: over RON 1.3 billion
- +20% increase in the total balance of SMEs loans (2020 vs 2019), reaching RON 2.6 billion

The Bank has the most diversified ecosystem of supporting SMEs in Romania, through its approach, teams, products and services. The priority was to ensure the continuity of banking services and products in the pandemic context, with a component of operations in the front-office area and with a relationship management component.

Supporting the Romanian business segment through public and private moratoriums was another priority of the bank where this line of business made important efforts to help BT customers, we mention here the facility to exempt the condition of turnover for 2 months on business credit cards.

This business line was involved in all government programs to support SMEs in Romania, with a minimum of 50% market share on each program - IMM Invest with the three grant measures.

Also in 2020, an agreement was finalized and signed with the EIF on the COSME risk-sharing program in order to continue lending to ensure the continuity of the business of Romanian entrepreneurs.

Micro Business Clients

- +11% increase in the number of clients (2020 vs 2019), approaching near 330,000 clients
- 7,700 new loans
- RON 1.6 billion represents the value of new loans
- +9% growth in the balance of loans (2020 vs 2019)
- +31% increase in customer deposits (2020 vs 2019)

To support access to finance, the microfinance subsidiary, BT Mic, played an important role (BT Microfinanțare). Micro Business clients have benefited from government programs to support Romanian entrepreneurship, IMM Invest, public moratoriums but also private moratoriums. The bank anticipated potential financial blockages generated by the late collection of invoices issued by SMEs and launched the MicroFactoring product.

Retail Clients

- +4% increase in the number of clients (2020 vs 2019), reaching over 3 million
- +22% increase in the number of BT cards' transactions (2020 vs 2019)
- +64% growth in the volume of cards' online transactions (March – December 2020 vs 2019)
- 50 million cards' online transactions (March – December 2020)
- 4.39 million of cards
- 1.3 million of cards are also in digital format
- 1,738 ATMs, of which 542 are BT Express Plus multifunction ATMs
- 72.000 POS
- Home banking solutions and solutions to

overcome the pandemic more easily have been launched:

- Enrollment, account opening and issuance of 100% debit cards online, through NEO account;
- Digital card in BT Pay - the possibility to add reissued/newly issued cards in BT Pay before they are physically received;
- Possibility to add in BT Pay the cards issued by other banks and fintechs in Romania;
- Cash withdrawal based on code generated from BT Pay;
- Inclusion in the coverage of travel insurance abroad for premium and business cards of the risk COVID-19;
- Updating personal data online: on the site, through chatbots and recently through BT Pay.

Treasury

The Treasury activities in BT 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 over 10% on a consolidated level compared to the previous year, reaching a level of RON 365 million in 2020.



BT People

Management of Human Resources

- **Figures mean people**
- **Employees' Health, Protection and Safety**
- **Personal Development**
- **Performance Review**
- **Benefits**
- **Recruitment**

BT People

Management of Human Resources

In 2020, BT's priorities for the bank's team were related to the health, protection and safety of employees and their families; quality selection and recruitment; continuous professional and personal development of all colleagues; career management for colleagues with potential; management and leadership skills for all levels of management.

Figures Mean People

- 9,098 total number of employees: (2019: 8,731)
- 8,359 number of active employees (2019: 7,797)
- 988 new employees in 2020
- 37 years the average age
- 73% female and 27% male
- Staff turnover: from 15.64% to 6.82% (2020 vs. 2019). The banking system average on 2020 was 17%.

The Health, Protection and Safety of Employees

On the background of the pandemic, the bank accelerated the implementation of the Health & Wellbeing program within the Banca Transilvania Financial Group, by adopting measures to secure employees on all levels: social, emotional, professional, financial and family related. BT agencies and branches have been available to customers on a permanent basis, given BT's important role in the Romanian economy, including in the context of the pandemic.

#SafePeopleofBT includes a number of actions to maintain the health of the team, in all its forms:

- **Physical health:** work from home, COVID-19 protection measures, PCR testing, purchase of oxygen concentrators, weekly communications, workout sessions with internal training staff, flu vaccination campaign, etc.
- **Emotional and mental health:** psychological counseling, cognitive therapy, implementation of the kit for maintaining emotional balance, mindfulness sessions, webinars on emotional agility, online courses for developing skills required to work from home.
- **Financial health:** financial education courses for adults and children, adapted to the realities of 2020.



Professional Development

Banca Transilvania has undertaken a key role in the professional development of its employees, as well as students who are interested in a future career in banking.

Employee development programs

In addition to programs already implemented in the bank, which address specific needs in the hard skills area (products, services, lending, methodologies/workflows, platforms and software applications, etc.), a number of programs for development in the soft skills area have also been created.

Record figures were registered for participation in development programs (over 300,000 cumulative participations: classroom, webinars, e-Learning). Most sessions during 2020 addressed hard skills (98%): knowledge of products and services, applications, workflows, specific skills (financial analysis, project management, legal, IT, etc.).

- **Pilot project:** GROW X, for skills mapping and career plans development in BT, with the aim of contributing to the creation of motivated and successful teams.
- **The BT career plan**, developed to ensure predictability and transparency of the possibilities for promotion and professional development in BT. This program has been active in the bank's network, benefiting almost 300 promoted employees.
- The **Learn from Home program** (during the lockdown): more than 4,100 employees have learned new things from home.

Internship for students: BT Journey

In 2020, BT continued its internship programs, this time using European funds, for the period 2020-2022. The new project, "Come to the internship program smiling!", began in 2020 and is scheduled to run for 2 years, for 325 students (bachelor and master's degree level) from 10 university centers, with the help of 325 tutors from the bank's team. The first internship program took place in 7 cities and included 84 students, with activities organized both online and at BT locations.

Performance evaluation

In 2020, new features were brought in the online evaluation process to best reflect the results, the performance of employees. Performance management is expected to be reviewed in 2021, to ensure that the focus is on continuous and rapid skills growth, through re-skilling, up-skilling or other development methods.



Benefits

At Banca Transilvania, one of the main concerns is to motivate employees, so that BT can be the place where people have the opportunity to learn, develop and feel good as part of the team.

In 2020, the bank came up with some new benefits for employees, some of which were in the context of the pandemic:

- Adapting the program by working from home. Nearly 3,500 people took part in the work from home program in 2020.
- Paid days for self-isolation, for colleagues who were at risk for contamination but were unable to obtain sick leave;
- Flu vaccine and COVID-19 tests
- Additional annual benefit, with the possibility of choosing to direct the money either to the optional Pillar III pension fund or to a medical insurance fund (which subsequently also covered the risk of Covid-19 infection);
- Screening saves lives, a program to prevent the most common types of cancers, run together with the Regina Maria Private Health Network. BT is the only company in Romania that runs such a program, available for free to all its employees. There were more than 1,200 screenings carried out in 2020;
- Two days off for each birthday.

Remuneration policy

The remuneration policy must be approved by the Board of Directors. The Bank ensures fair and competitive remuneration, with respect for competence and performance.

Staff recruitment

In 2020, the bank kept the profile of the candidates selected for vacant positions: communication and collaboration skills, autonomy, customer care and adaptability.

The Bank also carried out a number of pilot projects in the field of recruitment: Dora, an artificial intelligence robot that provides support in sourcing candidates applying for a job in BT through social media is just one of the initiatives to digitize and innovate this activity.



Risk Management

- Credit Risk
- Liquidity Risk
- Operational Risk
- Market Risk
- Interest Rate Risk Arising from Non-trading Book Activities
- Reputational Risk
- Risk of Excessive Leverage
- Strategic Risk
- Systemic Risk
- Compliance Risk
- Capital Adequacy
- Internal and External Audit

Risk Management

The objective of Banca Transilvania Financial Group in terms of risk management is the integration of the assumed *average-low* risk appetite 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. In determining the risk appetite and tolerance, the BT Group takes into consideration all the material risks it is exposed to, given its specific activity and its strategic and operational objectives, being mainly influenced by the credit risk.

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

- Continuously assess the risks that may affect the achievement of the BT's objectives and take action on any changes that occur to the conditions under which the bank operates;
- Identifies and assesses significant risks and ensures an adequate framework for managing the activity within the Group, taking into account: internal factors: the complexity of the organizational structure, the nature of the activities carried out, quality of the staff and the level of staff fluctuation; external factors: macro-economic factors, legislative changes, changes related to the competitive environment in the banking sector, technological progresses.

The risk management framework includes the Capital adequacy internal regulations, risk limits and risk control mechanisms that ensure the proper, timely and continuous identification, assessment, monitoring, mitigation and reporting of the risks related to the bank's activities as a whole, as well as at the level of the business lines (large-corporate, mid-corporate, SME, micro and retail).

- **risk identification:** exposure to inherent risks through day-to-day operations and transactions (including lending, dealing, capital market activity, asset management and other specific activities) is identified and aggregated through the risk management infrastructure;
- **assessing/measuring risks:** the bank performs an evaluation of the 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.
- **Monitors and controls the risks:** The policy and the procedures implemented for an effective risk management are meant to mitigate risks inherent in the bank's business. The bank 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 operations.
- **Risk reporting:** Regular and transparent reporting mechanisms have been established for specific risk categories, so that management and all the relevant structures benefit from accurate and timely reporting, but can also exchange relevant information on the risks' identification, measurement/assessment and monitoring;

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;
- Reputation risk;
- The risk associated with excessive usage of leverage;
- Strategic risk;

- System risk;
- Compliance risk.

Credit risk

The management of credit risk 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 companies and individuals.
- An efficient credit risk rating process capable of rendering the variable level, nature and determining factors related to credit risk, which could occur in time, so as to ensure in a reasonable manner that all the credit exposures are properly monitored and the ECL-related allowances are properly measured;
- A model validation process, the related framework defining: the structure of the model validation process in terms of responsibility and reporting, internal regulations on the evaluation and approval of the changes brought to the models, and reporting the results of the model validation;
- A system for assessing the risk exposure through transactions;
- Pricing methodology based on risks;
- An efficient process of Active management of the loan portfolio, that includes an adequate reporting system;
- Concentration limits per client / group of clients / products / regions /sectors/ guarantee suppliers / guarantee types;
- Proactive management of fraud risk mechanism;
- Elaborating the methodology for the early identification of higher real or potential credit risks;
- Methodology for loan monitoring / review after granting;
- Processes systematically and consistently applied in order to establish proper allowances for the loss in accordance with the applicable accounting regulations in the field of credit risk;
- 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 loan portfolio;

The methodologies used to assess credit risk and to determine the level of loss adjustments according to the type of exposure particularly focus on:

- include a robust process designed to increase the BT's ability to identify the level, nature and factors of the credit risk at the time of the credit exposure initial recognition, but also to ensure that the subsequent changes in the credit risk can be identified and quantified ;
- include criteria that take into account the impact of forward-looking information, including macroeconomic factors;
- include a process for assessing the adequacy of the significant inputs and assumptions related to the chosen method of establishing the ECL level;
- take into account relevant internal and external factors that may affect the ECL estimates;
- ensure that the ECL estimates incorporate forward-looking information, including macroeconomic factors, that have not already been taken into account in the calculation of adjustments for individual exposure-measured losses;
- involve a process for assessing the overall adequacy of loss adjustments in accordance with the relevant accounting regulations, including a regular review of the ECL models.

The credit risk management at the level of the BT Group is realized by:

- The organization of an internal system of norms and procedures in this field, establishing the regulatory framework for the lending process in order to avoid or to mitigate the risks occurrence; - development / improvement

of the credit risk management procedures (strategy, policies, norms related to credit risk management); ongoing improvement of the credit approval / loans 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 the credit risk supervision and management.

The credit risk appetite determined a priori for 2020 was *medium-low*.

Liquidity risk

The liquidity risk appetite for 2020 was set low, taking into account the structural correlation of the bank's assets and liabilities. The purpose of the liquidity risk management is to obtain the expected return on the assets, through a proper management of the liquidities, consciously assumed and adapted to the domestic and international market conditions, the growth of the institution and the general current legal framework. BT performs a centralized liquidity management that aims to combine prudential requirements with profitability requirements.

In liquidity management, Banca Transilvania applies a series of principles regarding the quality, maturity, diversity and degree of the assets risks, while establishing carefully monitored sets of limits to ensure the compliance with the principles and also with the set returns (concentration, liquid, eligible assets etc.) .

For a sound liquidity risk management, BT is constantly focused on obtaining 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 and the trading markets.

The operative (intraday) liquidity management is realized through all the operations carried out by the bank's departments, so as to ensure the performance of all the settlements / payments of the bank carried out by the bank on its behalf or

on behalf of its customers, in RON or FCY, on the accounts or in cash, within the internal, legal and mandatory limits.

BT also takes into account a liquidity reserve, in order to cover the additional liquidity need that may arise over a short period of time, under stress conditions, periodically tested based on different crisis scenarios.

During 2020, the bank recorded very good levels of liquidity indicators thus demonstrating a solid position, registering a more than comfortable liquidity level in a fragile overall economic context.

As well, attention is given to:

- correlation of the growth rate of resources/loans;
- diversification of the range of instruments used and of the IT systems, correlated with the institution's risk appetite;
- Monitoring of liquidity coverage ratio (LCR)
- adequate capital allocation;

Operational risk

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

The objective of the operational risk management is to ensure the general framework and action directions for establishing a complete risk management in Banca Transilvania, by integrating a specific management system in the current risk management processes. BT aims to continuously improve the risk management processes by working towards an integrated risk management system to support the decision-making process.

The operational risk management framework implemented at the level of the entire bank is in accordance with the established business objectives and the assumed risk appetite, as well as with the observance with the provisions of the legislation in the field and of the internal regulations in force.

Banca Transilvania monitors and manages:

- the risk related to banking products, which focus on the development of new markets, products and services, as well as significant changes of the existing ones and the development of exceptional transactions, from the perspective of product consistency and changes in accordance with the risk strategy;
- the conduct risk and the risk determinant factors associated with this category, paying particular attention to its extent, its relevance and its possible prudential impact;
- information technology (ICT) risks, the bank has processes and controls to ensure that all risks are identified, analyzed, measured, monitored, managed, reported and maintained within the limits of the risk appetite and that the projects and systems it delivers and the activities they perform are in accordance with the external and internal requirements.

Banca Transilvania also defines and assigns relevant roles, key responsibilities and reporting lines, in order to ensure the effectiveness of the ICT and security risk management framework, this framework being integrated in its own regulatory framework, in the operational framework related to the ICT security and in the risk management framework.

In order to identify, evaluate, monitor and reduce the banking operational risk, Banca Transilvania:

- permanently assesses the exposures to the operational risk, based on historical data, managing the conduct risk, as well as the risk factors associated with this category;
- assesses the products, processes and systems responsible for developing new markets, products and services, as well as significant changes to the existing ones and conducting exceptional transactions, in order to determine the associated risk levels and measures to eliminate / reduce them to accepted levels.

In order to reduce the risks inherent in the bank's operational activity, it is necessary to constantly monitor the controls implemented at different levels, to evaluate their efficiency, as well as to

introduce methods to reduce the effects of the operational risk events.

The strategy of Banca Transilvania to diminish the exposure to operational risks is mainly based on:

- constant compliance of the normative documents with the legal regulations and to the market conditions;
- personnel training;
- efficiency of the internal control systems (organization and implementation);
- continuous improvement of the IT solutions and strengthening of BT information security systems;
- using complementary means to reduce risks: concluding specific insurance policies against risks, outsourcing activities;
- the implementation of measures for the limitation and reduction of the effects of the identified operational risk incidents, such as: standardization of the current activity, automation of most processes with permanently monitored control points; reduction of redundant data volumes collected at the level of different entities of the bank; assessment of the products, processes and systems in order to determine the associated risks and measures to eliminate / mitigate them;
- the application of the recommendations and the conclusions resulting from on-going supervision;
- the update, evaluation and testing of business continuity plans on a regular basis, in particular of those systems that support the critical operational processes of the bank;

The operational risk assessment process is closely correlated with the overall risk management process. Its outcome is part of the operational risk monitoring and control processes and is constantly compared to the risk appetite established by the risk management strategy.

The operational risk appetite of Banca Transilvania determined a priori for 2020 was *medium-low*.

Market risk

In 2020 Banca Transilvania's market risk appetite was *medium-low* due to the structure and the 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 activity. In order to reduce market risk, 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 evaluation of all banking positions, marking to market its 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 backup plans, immediately applicable, 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 the prudential and profitability requirements:

Interest rate and price risk The management of this type of risk is adapted and permanently adjusted to the Romanian and international financial-banking market conditions and the general economic background. The interest rate risk is monitored daily and tested in crisis simulations performed for the bank's securities portfolio, and the price risk is also monitored daily and tested in crisis simulations related to the portfolios of shares and funds units held by the bank.

Foreign Exchange Risk It represents the risk of recording losses related to the on-balance sheet and off-balance sheet positions due to

unfavorable market fluctuations in the exchange rates. the Bank applies a series of rules with regard 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 and liabilities.

Settlement risk 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 from activities outside the trading book;

The appetite for interest rate risk from activities outside the trading book in Banca Transilvania was set in 2020 as low. The Bank has established a set of strict principles for managing and monitoring this type of risk, based on a risk management process that keeps interest rates within prudential limits. The interest rate risk management is to minimize the possible negative impact on the 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 static analysis as well as the economic value of the 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 management.

A detailed analysis of the credit, liquidity, market and interest rate risks is available in the consolidated financial statements of the BT Group. These were within the risk limits assumed in the bank's decision-making process, promoting an adequate alignment of the assumed risks,

available capital and performance targets and at the same time taking into account the tolerance to both financial and non-financial risks.

Reputation risk

The reputation risk represents the current or future risk that the profit and capital may be negatively affected by the clients'/counterparties'/shareholders'/investors'/supervisory authorities' unfavorable perception of the Bank's image. The appetite for reputation risk in Banca Transilvania was set in 2020 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 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, including the obligation resulting from the financing received, assumed commitments, derivative instruments or repo transactions, excluding the obligations that can only be performed during the liquidation of an institution, in relation to the institution's own funds.

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 applicable accounting regulations. The risk appetite associated with the risk associated with the excessive use of leverage in BT, established a priori, was set as low in 2020, by using

quantitative methods of assessment and mitigation.

Strategic risk

The Strategic risk is the current or future risk for profits and capital to be negatively affected by changes in the business environment, by unfavorable business decisions, improper implementation of decisions or the low adaptability to changes in the business environment. During 2020 the strategic risk appetite has been established as *low* based on the following aspects: risk management practices are part of the 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.

System risk

The system risk is the risk of disrupting the financial system, which can have very serious negative consequences for the financial system and the real economy.

Banca Transilvania's objective is to ensure the general framework for establishing an adequate management of the system risk, in the sense of preventing and protecting Banca Transilvania both against possible negative effects that the system may have on the institution, and vice versa. In this respect, BT has comprehensive regulations on risk management, which include in addition to the general risk management policy and strategy, financing plans in crisis and recovery conditions, which aim to control risks, and in case of situations stabilize the institution and restore its financial position as soon as possible, without adversely affecting the market.

At the same time, in order to protect itself from the system risk generated by the other market participants, the bank has established exposure limits towards its counterparties and constantly monitors the exposure towards them.



Compliance risk

Compliance risk is the current or future risk to damage profits and capital, which may result in fines, damages and / or termination of contracts or that may affect the bank's reputation as a result of violations or non-compliance with the legal and regulatory framework, agreements, recommended practices or ethical standards.

Banca Transilvania objective regarding the compliance risk management is to avoid the current or future risk of affecting profits and capital, which may lead to fines, damages and / or termination of contracts or which may damage the bank's reputation as a result of violations or non-compliance with the legal and regulatory framework, agreements, best practices or ethical standards.

Continuous monitoring and adherence to the following principles ensure the prerequisites for the correct compliance risk management:

- development and application of the compliance risk assessment methodologies through the use of risk indicators;
- monitoring the compliance and presenting the results according to the BT reporting lines;
- analysis of those situations with potential conflict of interest at the bank and subsidiaries level;
- periodic review of the indicators' limit, motivated by the occurrence of new risk events that were not taken into account in the initial assessment;
- formulating proposals of measures leading to the mitigation / elimination of risk events that generated the increase of the indicators level.

Capital adequacy

The internal assessment process of capital adequacy to risks is integrated in the administration and management process of BT 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.

For the assessment of the capital requirement, Banca Transilvania and Banca Transilvania Financial Group use the following calculation methods:

- 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: the basic indicator method is used to calculate the capital requirement to cover the operational risk.

BT Group dynamically manages its capital base by monitoring capital rates according to Regulation no. 575/2013, as well as the capital rates disposed following the monitoring and assessment process carried out by the supervisory authority, anticipating the appropriate changes necessary to achieve its objectives, as well as optimizing the structure of assets and equity.

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

Internal and external audit

The general objectives of the 2020 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 BT Group is structured on three levels:

- functions that hold and manage risks (operational units);
- risk supervisory functions (risk management function and compliance function);

- the function that ensures an independent examination, namely 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 BT'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 the objectives; it also issues recommendations for the improvement of such activities.

The external auditor of the bank - KPMG Audit SRL - has audited the individual and consolidated financial statements of the bank as at December 31, 2020.

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



Corporate Governance

- **General Meeting of Shareholders**
- **Banca Transilvania's Board of Directors**
- **Audit Committee**
 - Audit Committee's Report 2020
- **Remuneration and Nomination Committee**
 - Remuneration and Nomination Committee's Report 2020
- **Risk Management Committee**
 - Risk Management Committee's Report
- **Leaders' Committee**
- **Assets and Liabilities Management Committee**
- **Procurement Committee**
- **Human Resources Committee**
- **Credit Policy and Approval Committee**
- **BT HQ Credit and Risk Committees**
- **Committees Specific to the Activity of the Credit Recovery Department and the Workout, Insolvency and Bankruptcy Department**
- **Enforcement Monitoring and Asset Realization Committee**
- **Special Committee for the Approval of the Initiation of Enforcement/Litigation Proceedings**
- **Financial Institutions Credit Committee**
- **Credit and Risk Committee - Branches**
- **Data Monitoring and Business Intelligence Committee**
- **Policy on Diversity**
- **Human Rights Principles**
- **Practices for the Prevention of Corruption and Bribery**
- **Anti-money Laundering Protection**

Corporate Governance

Governance plays an essential role in increasing BT's performance. It provides strategic direction, ensures that goals are met, risks are properly managed and resources are responsibly employed. It is the foundation of BT's business model sustainable, with a positive impact.

Banca Transilvania has adhered to the Code of Corporate Governance of the Bucharest Stock Exchange, being an issuer on the capital market and enforcing the defined principles of such market. The Code of Corporate Governance of BSE is available on the official website BVB. There are currently no provisions in the Code that BT fails to comply with.

General Meeting of Shareholders

The General Meeting of Shareholders (GMS) is the authority that ensures the bank's strategic management, being responsible for the definition of the strategic organizational objectives and the allocation of the resources required for the achievement thereof.

The General Meeting of Shareholders represents all the shareholders, whereby its decisions made in accordance with the applicable law and the provisions in the bank's Articles of Association are mandatory for all the shareholders, including for the ones that have not taken part in the meetings.

Every shareholder can participate in the General Meetings, either personally or by special letter of attorney for another persons, whether that person is a BT shareholder or not, in accordance with the applicable legal provisions. In accordance with the provisions laid down in the Articles of Association, the letter of attorney must be provided to Banca Transilvania 5 days before the meeting date (GMS). Legal entities are represented in the General Meetings by their legal representatives or other authorized representatives, appointed in accordance with the provisions in their statutory documents.

The General Meetings shall be held at the headquarters of the Bank or at another venue, made known in time through a convening notice.

The General Meetings can be Ordinary and Extraordinary and shall be convened by the Board of Directors, according to the law.

The GMS convening notice shall be published in the Official Gazette, in one of the newspapers with national coverage and shall contain information about the place and date of the Meeting, as well as the agenda. The meeting date shall not be earlier than 30 days as of the convening date.

The General Meetings take place at least once a year and the annual Ordinary General Meeting is held not later than four months as of the end of the financial year. In addition to the topics in the agenda, these Meetings must:

- discuss, approve or amend the annual financial statements, based on the reports presented by the Board of Directors, or, as applicable, the financial auditor, as well as establish the dividend;
- elect and revoke the members of the Board of Directors;
- establish the minimum duration of the financial audit agreement, as well as revoke the financial auditor;
- establish the remuneration of the Board members for the current financial year, unless it is established through the Articles of Association;
- decide on the management of the Board of Directors;
- establish the Budget and the Activity Plan for the following financial year;
- decide on the pledge, opening or dissolution of one or several bank units.

With regard to the redemption of own shares, the Board of Directors can initiate the redemption procedure only subject to the decision of the

Extraordinary General Meeting of Shareholders, under Law No. 31/1990, as well as the legislation governing the capital market. For the decisions to be valid, the Ordinary General Meetings 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 issue relating to their personal or management performance.

In order for the Extraordinary General Meeting to be valid, the presence of the shareholders representing at least 35% of the share capital is required, whereby the decisions are to be made with the majority of votes held by the present or represented shareholders (in accordance with Article 115(2) of 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 the 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 represented shareholders (under Article 115 (2) of Law no.31/1990). The Board of Directors must convene the Ordinary or Extraordinary General Meeting upon the request of the shareholders representing at least 5% of the share capital, request that must be submitted in writing and justified. If the Board of Directors does not convene a general meeting, the competent court in the area of the bank headquarters will be able to order the convening, by 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 obligatory

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 of Banca Transilvania.

The General Meetings of Shareholders 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 be also designated to verify the attendance, to indicate the share capital represented by each attending or represented shareholder, 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's shareholders have all the rights conferred by the law and the Articles of Association of BT, including Law no. 31/1990, the banking and capital market laws, within the limits established by the law and the Articles of Association.

Such rights include without limitation:

- The right to information on the occasion of the GMS - conferred to every shareholder. It implies access to the annual financial statements, BoD/auditor/censor reports;
- The right to address written questions prior to the GMS;
- The right to ongoing information - conferred to every shareholder. It implies access to the Register of GMS Decisions, as well as to other company enrollment documents, within the limits of the law;
- The right to vote - every shareholder 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 cancellation of the decision of the General Meeting of
- Shareholders - conferred to the shareholder who has voted against or has abstained during the GMS, within the limits of the law;
- The right to convene the GMS - shareholder

- holding at least 5%;
- The right to add new topic on the GMS agenda - shareholder holding at least 5%;
- The right to complain about censurable deeds - only at the request of the shareholder holding at least 5%, whereby the auditors are obliged to undertake the appropriate verifications.

Banca Transilvania's shareholders can exercise all the rights conferred by the law and the Articles of Association of BT, including Law no. 31/1990, the banking and capital market laws.

Additional details about the General Meeting of Shareholders, as well as about the shareholders' rights are available in Banca Transilvania's Articles of Association, available on the Bank's website, under the Investor Relations section, in the [Corporate Governance](#) category.

Details about the GMS procedure are available in the Convening Notice, on BT's website, under the Investor Relations section, in the [GMS](#) category.

Board of Directors

The management body of Banca Transilvania includes the management team responsible for the supervision, the Board of Directors and the top management - the Leaders' Committee.

The top management of the bank is ensured by the individuals who are entrusted with the current management of the credit institution and who are liable for the fulfillment thereof before the management body, based on the management agreements, the relevant NBR regulations, the provisions of Law No. 31/1990 and the internal rules.

The administration 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 directors, elected by the shareholders during the GSM, either on the expiry of the mandate or, on a case by case basis, in the event of one or more vacancies. In accordance with the provisions of the applicable regulations issued by the NBR, the

Board of Directors is the body in charge of the steering, coordination, supervision and control. Its structure within Banca Transilvania is:

- Chairman of the Board of Directors;
- Vice-Chairman of the Board of Directors;
- 5 directors - members of the Board of Directors;

The eligibility criteria for the Board of Directors are those stipulated in the specific legislation (law no. 31/1990 - the Company Law, GEO no. 99/2006 and the specific regulations of the NBR), as well as those stipulated in the Articles of Incorporation of Banca Transilvania.

After the approval of the shareholders within the GMS and before the actual exercise of the mandate, the new Board members must obtain the prior approval of the National Bank of Romania.

The Board members are not involved in the fulfillment of the operational tasks - as they are exclusively the responsibility of the Leaders' Committee.

Responsibilities of the Board of Directors:

- To ensure the achievement of the strategy and of the objectives laid down in the policy statement adopted by the General Meeting of Shareholders, and of the medium-term Strategic Plan, to approve and review the general strategies and policies of the bank at least once a year;
- To adopt the Activity Plan and the Budget, the Investment Programme and the Profit And Loss Account, to prepare the Report regarding the bank's activity, which are all presented for approval in the General Meeting of Shareholders, to prepare proposals for the distribution of the net profit, to be submitted for approval to the General Meeting of Shareholders;
- To approve and to implement a strategic plan for a minimum period of 2 years which is to be reviewed at least annually;
- To approve the Rules of Organization and Administration, the Code of Ethics and Conduct, the organizational structure, as well as the salary and employee loyalty principles, to

approve individual exposures to a related party of the bank, within the limits established by the Board of Directors;

- To supervise the management of the compliance risk;
- To create the necessary conditions for an independent, permanent and efficient compliance function;
- Ongoing review of the capital adequacy, with capital allocations in line with the risks assumed both for the credit institution and for the subsidiaries;
- To approve the accounting policies, the financial control policies, as well as the significant risk management policies;
- To approve other internal policies and norms, in accordance with the bank's Rules of Organization and Administration.

The Board of Directors shall meet at the headquarters of the Bank at least once a month or any time it is considered to be necessary, with an attendance of at least half of the number of its members and can exercise its specific responsibilities via certain committees created

at BoD level and consisting of 2-3 members based on the awarded mandates and in line with the applicable legal provisions. The committees created at the level of the Board of Directors are: The Risk Management Committee, the Remuneration and Nomination Committee, the the Risk Management Committee. The Board of Directors and its committees are governed by the reference terms on corporate governance published on BT's website.

In 2020, the Board of Directors held 11 physical meetings. In determining the attendance degree of the meetings presented below, one has taken into account both the physical presence and the reasonably justified absences, in accordance with the bank's practices.

With regard to the Board of Directors, following the GMS Decision of 25.04.2018, the current Board members have been reelected for a new 4-year mandate. The structure of BT's Board of Directors and their professional expertise as at December 31, 2020, is:

Member	Position	Personal data
<p>Horia Ciorcilă</p> <p>Date of first election: April 2002 Duration of the current mandate: April 2018- April 2022 Non-executive director BoD attendance in 2020: 11 out of 11 meetings</p>	Chairman	Technical University of Cluj-Napoca, The Faculty of Automatic Control and Computers. The CV including information about other current positions held is available here .
<p>Thomas Grasse</p> <p>Date of first election: April 2014 Duration of the current mandate: April 2018- April 2022 Independent non-executive director BoD attendance in 2020: 11 out of 11 meetings</p>	Vice-Chairman	Bankakademie Frankfurt-Business School of Finance and Management and HYPO-Bank Mannheim Branch, Apprenticeship in Banking. The CV including information about other current positions held is available here .
<p>Ivo Gueorguiev</p> <p>Date of first election: April 2014 Duration of the current mandate: April 2018- April 2022 Independent non-executive director BoD attendance in 2020: 11 out of 11 meetings</p>	Member	Alberta University, Edmonton, Canada. The CV including information about other current positions held is available here .

Member	Position	Personal data
Costel Ceocea Date of first election: April 2010 Duration of the current mandate: April 2018- April 2022 Non-executive director BoD attendance in 2020: 11 out of 11 meetings	Member	Al.I. Cuza University Iași, Faculty of Economics and PhD, in Industrial Engineering. The CV including information about other current positions held is available here .
Vasile Pușcaș Date of first election: April 2012 Duration of the current mandate: April 2018- April 2022 Independent non-executive director BoD attendance in 2020: 11 out of 11 meetings	Member	The Faculty of History and Philosophy, Babeș-Bolyai University Cluj-Napoca, PhD. in History. The CV including information about other current positions held is available here .
Costel Lionăchescu Date of first election: April 2016, Duration of the current mandate: April 2018 - April 2022 Independent non-executive director BoD attendance in 2020: 11 out of 11 meetings	Member	The Faculty of Electronics and Telecommunications, Technical University Bucharest. The CV including information about other current positions held is available here .
Mirela Ileana Bordea Date of first election: April 2017 Duration of the current mandate: April 2018 - April 2022 Independent non-executive director BoD attendance in 2020: 11 out of 11 meetings	Member	Bucharest University of Economic Studies, External Trade Department. The CV including information about other current positions held is available here .

The secretariat of the Board of Directors, as well as of the Board Committees is ensured by a secretary, i.e. Ms. Ioana Olanescu, Senior Executive Manager - Corporate Governance and Contentious Department.

The Board of Directors currently comprises 5 independent directors and only non-executive directors,

In 2020, the Remuneration and Nomination Committee assessed the suitability of the Board of Directors and of its committees for the financial year 2020. No significant problems

have been identified and the minor issues that require adjustment have been analyzed within the Board of Directors, with solutions for the resolution thereof in 2021, in order to optimize the activity of the Board of Directors and of the related committees.

Banca Transilvania has implemented a policy for the assessment of the Board, which can be accessed on BT's website, under the Investor Relations section, Corporate Governance, Declaration of Conformity category. There, you can also find information about the remuneration policy of BT.

Committees Reporting to the Board of Directors

Audit Committee

Ivo Gueorguiev
Chairman

Thomas Grasse
Member

Costel Lionăchescu
Member

Remuneration and Nomination Committee

Vasile Pușcaș
Chairman

Horia Ciorcilă
Member

Ivo Gueorguiev
Member

Risk Management Committee

Thomas Grasse
Chairman

Ivo Gueorguiev
Membru

Costel Ceoceă
Member



Audit Committee

The Audit Committee within the Board of Directors carries out its activity based on the applicable legal framework: Company Law - Law no. 31/1990 and the corporate governance system of Banca Transilvania. The number of the members and their competences are approved by the Board of Directors.

The Audit Committee supervises the performance of the external auditors, makes recommendations with regard to their appointment and remuneration, assesses the internal audit system developed by the head of the internal control, who is responsible for this system before the Board of Directors. The committee has the right to make recommendations to the Board of Directors with regard to the efficiency of the internal audit department, as well as with regard to the remuneration of the head and staff of this department.

The members have regular meetings with the bank's external auditor and discuss every topic concerning the audit activities, as well as the answers of BT's executive management, and assess the degree of objectivity and independence of the opinions expressed by the external auditors. The committee monitors the compliance with the Romanian legal provisions regarding the financial statements and accounting principles, the compliance with the provisions of the National Bank of Romania, assesses the report of the external auditor regarding the IFRS statements, reviews and pre-approves the bank's IFRS financial statements. The full list of the committee's responsibilities is available in the Rules of Operation of the Audit Committee, published on the bank's website.

Audit Committee's Report 2020

The Audit Committee consisting of 3 independent non-executive members, held 10 physical meetings in 2020 (including within the selection process for the external auditor), and had a series of the phone conferences and non-physical meetings to review, discuss and approve numerous ad-hoc topics. The attendance degree of the meetings presented below has taken into account both the physical presence and the reasonably justified absences, in accordance with the bank's practices.

Structure of the Committee in 2020:

- Ivo Gueorguiev – Chairman of the Audit Committee; Independent non-executive director with extensive audit experience, attending 10 out of 10 meetings;
- Thomas Grasse – Member; Independent non-executive director with extensive audit experience, attending 10 out of 10 meetings;
- Costel Lionăchescu – Member; Independent non-executive director with extensive audit experience, attending 10 out of 10 meetings;

- During the meetings of 2020, the Audit Committee had in view the following aspects:
- Analysis of the financial statements and the report prepared by the external auditor for the year 2019, focusing on the significant accounting and reporting aspects and the impact thereof on the financial statements;
- Monitoring the efficiency of the internal control, internal audit and risk management by analyzing the specific reports prepared by the Bank's control functions and other relevant reports;
- Analysis of the specific aspects in NBR's reports and implementation of the related recommendations;
- Implementation of the significant recommendations in the external auditor's management letter;

- Updating the external auditor selection procedure;
- Carrying out a procedure for the selection of the external auditor, within the limits of the committee's responsibilities.

In 2020, the Audit Committee completed the selection procedure for Banca Transilvania's new external auditor, selecting KPMG Audit SRL for the auditing of the bank's financial statements for the financial years 2020-2023, prepared in accordance with the International Financial Reporting Standards, pursuant to NBR Order No. 27/2010, through the decision of the General Meeting of Shareholders of 29.04.2020.

The Audit Committee met with the bank's external auditor and worked together with the Deputy CFO regarding the bank's financial results, audited and revised by the financial auditor, and prepared recommendations for the Board of Directors with regard to the approval thereof.

Meetings for audit planning and reporting took place with the external auditor and without the presence of the management team. The committee also discussed the updated information received from the external auditor and the bank's management with regard to the amendments of the Romanian legislation impacting credit institutions, particularly the present and future amendments of the IFRS accounting standards and the adoption of IFRS9.

Likewise, the committee examined the efficiency of the bank's internal controls, working together with the external and internal auditors in order to closely monitor every identified deficiencies and to control the remediation thereof, by attentive analyses. Additionally, the Audit Committee obtained information about the regulatory external controls (of the competent authorities).

The committee is responsible for the assessment of the performance, objectivity and independence of the external auditor and of the delivery by such auditor of quality audit reports. For 2019, the Committee considered that both the main partner and the extended teams, along with the remuneration and employment terms applicable to the appointed auditor were appropriate for approval.

Based on the declaration of independence obtained by the Audit Committee and on the committee's own assessment of the auditor, the Committee concluded that the external auditor is independent in the provision of the audit services to Banca Transilvania and that they can also be entrusted with services outside the scope of audit.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is a consultative body 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, on the nomination policies and exercise of the attributions mandated by the Board of Directors in this field of activity.

The Remuneration and Nomination Committee consists of the:

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

This committee analyzes and makes sure that the general remuneration and incentive principles and policies are in line with Banca Transilvania's long-term business strategy, values and objectives. The Remuneration and Nomination Committee meets at least twice a year or an time this is necessary, upon the request of one of its members or of the bank's leaders.

Remuneration and Nomination Committee's Report 2020

As at 31.12.2020, the Remuneration and Nomination Committee consists of:

- Horia Ciorcilă
- Ivo Gueorguiev
- Vasile Pușcaș

and the percentage of independent members is 66.66%.

In 2020, the Remuneration and Nomination Committee met (physically or via electronic means) 4 times with the attendance of all its members. The attendance degree of the meetings presented below has taken into account both the physical presence and the reasonably justified absences, in accordance with the bank's practices. The Chairman of the Risk Committee was invited to the meetings in order to make sure that the remuneration practices are in line with the bank's risk management requirements.

During the meetings of 2020, the Remuneration and Nomination Committee had in view the following:

- The committee analyzed and made sure that the general remuneration and incentive principles and policies are in line with the long-term business strategy, values and objectives of the BT Financial Group. Within this context, the management:
 - They analyzed and endorsed the staff remuneration policy;
 - Ensured the compliance with the legal requirements on:
 - the involvement of the internal control functions (audit, risk and compliance) and of the HR Department in the preparation of the remuneration policy;
 - ensuring that the bank's staff has access to the remuneration policy, and that the performance review process is properly and transparently formalized for the employees;
 - promoting a remuneration policy that ensures sound and efficient risk management;
 - correlating the remuneration policy with the long-term business strategy, objectives, values and interests of the bank, including the implementation of measures to prevent the conflict of interests.
 - assessing the mechanisms and systems implemented in order to make sure that the remuneration system takes into account all the risk types, the liquidity and capital level and that the general remuneration policy is in line with the bank's strategy and promotes sound and efficient risk management and complies with the institution's long-term business strategy, objectives, culture and corporate values and interests.



- The committee analyzed the general principles of the Remuneration policy and informed the Board of Directors about the implementation method; it also ensured the centralized independent internal evaluation of the compliance with the Remuneration policy;
- It directly supervised the remuneration level of the coordinators of the risk management, compliance and audit functions (managers and deputy managers of the risk management, internal audit and compliance departments);
- It prepared the remuneration decisions, including the decisions that impact the risk management within BT;
- It revised the total annual remuneration of the Leaders' Committee members and approved the remuneration of the executive managers;
- The committee analyzed and made sure that the general nomination principles and policies are in line with the long-term business strategy, values and objectives of Banca Transilvania, and in this respects it:
 - identified and recommended for approval by the management the extension of the mandates of the management body members that would expire (including in terms of the new durations of their mandates), assessed the balance of knowledge, competences, diversity and experience within the management body;
 - assessed the structure, size, structure and performance of the management body and made modification recommendations to the management body;
 - assesses the knowledge, competences and the experience of every management member and reported the results. The knowledge of sound ESG (Environmental, Social and Corporate Governance) principles and practices was also considered in the suitability assessment process.



Risk Management Committee

The Risk Management Committee is a body subordinated to the Board of Directors, in charge of the independent review, the assessment and recommendation of actions regarding the bank's risk strategy, profile, appetite and tolerance, the risk management system, the risk policies, as well as the capital adequacy in relation to the assumed risks.

The committee monitors the compliance with the NBR regulations and recommendations with regard to the risk management and compliance functions, both of which are subordinated to the Deputy CEO in charge of risk management.

The number of the members and their competences are determined by the Board of Directors. The full list of the committee's responsibilities is available in the Rules of Operation of the Risk Committee, published on the bank's website.

Risk Management Committee's Report 2020

In 2020, the Risk Management Committee continued its proactive approach of risk management through the attentive monitoring and discussions regarding the internal and external challenges faced by the BT Group. In addition to the usual information about the risk profile, risk management practices and results, the committee also focused on a series of other problems summarized in the activity report for 2020.

The committee consists of three non-executive and mainly independent members of the Board of Directors. The Group considers that all the members of the Risk Management Committee of Banca Transilvania continue to demonstrate a fully independent judgement in all the aspects related to their functions. The committee held 10 physical meetings in 2020, and several phone conferences for ad-hoc issues. Urgent resolutions were also approved based on votes received via e-mail. In such meetings, the Committee examined the bank's standing in terms of the assumed risks, the management thereof, as well as the compliance of the risk management system.

The Committee's discussions resulted in the preparation of recommendations for the Board of Directors regarding the Group's risk appetite limits for:

- the monitoring of the risk profile and ensuring that it observes the established limits;
- the review and assessment of the actions that the Board of Directors must undertake with regard to the risk management strategy at the level of the BT Group and to the risk management system and related policies.

In 2020, the attendance of the members in the committee's meetings, either in person or by phone, was 100%. The Internal Audit Manager participated in the meetings, as well.

In 2020, Risk Management Committee consisted of:

- Thomas Grasse: Chairman; Independent non-executive director with extensive risk management experience, attending 10 out of 10 meetings;
- Ivo Gueorguiev: member; Independent non-executive director with extensive risk management experience, attending 10 out of 10 meetings;
- Costel Ceocea: member; Non-executive director with extensive risk management experience, attending 10 out of 10 meetings;



During the meetings of 2020, the Risk Management Committee had in view the following aspects:

- it reviewed and assessed the robustness, adequacy and efficiency of the risk management system in Banca Transilvania and BT Group, focusing on the risk management strategies and policies for 2020, based on the reports prepared by the functions in charge of the bank's risk management;
- it supervised and made recommendations with regard to the implementation of the proposed risk management strategy by the Leaders' Committee;
- it analyzed the risk management reports for credit risk, market risk, liquidity risk, operational risk, compliance risk and strategic risk;
- it supervised and assessed the internal capital allocation principles, in compliance with the Basel and NBR provisions;
- it analyzed the reports on non-performing and restructured loans, as well as the results obtained by the departments in charge of recovery and debt collection;
- it closely monitored the macroeconomic environment, thus requesting reviews of the calculation parameters for the estimated loss acc. to IFRS9, with a higher frequency;
- considering the fact that the governmental support measures - through the installment deferral legislation, plus the financing of the sectors affected by the pandemic - resulted in the delay of delinquency and of the recognition of non-performing loans, the committee analyzed and decided to apply post model adjustments for the calculation of the collective provisions and to lower the thresholds for the individual analysis of significant clients;
- it supervised, assessed and made recommendations with regard to the remodeling of the risk management and compliance functions in order to adapt the structures to the current size of the bank;
- in close cooperation with other internal bodies, it made sure that the remuneration policy was in line with the bank's policy and promotes sound and efficient risk management;
- it attentively assessed the business continuity management within the context of the pandemic;
- it managed the IT&C risks inherent to the technological adaptation and digitalization efforts made by the bank in order to continue the servicing of its clients;

Another objective of 2020 resided in the supervision, together with other committees of the Board of Directors, of the integration of Victoriabank in the BT Financial Group. The committee was involved in this project, received and reviewed the regular progress reports, as well as the risk reports and closely monitored the implementation status of the AML programme.

As a result of BT Group's extension, the committee placed particular emphasis in 2020 on the review of the risk management initiatives and the implementation thereof, especially for BT Group's exposures and for large exposures.

The committee reviewed the performance of BT Financial Group's loan portfolio in every meeting in 2020, based on the reports about the structure of the portfolio and sub-portfolios of the Group, in particular of the non-performing or restructured ones. Likewise, it received a detailed update from the Deputy CRO and the Corporate business line regarding the individual significant exposures, as well the transaction with related parties.

The regular risk reports also contain regulatory reports.

The Risk Management Committee continued to review the allocation of capital and the bank's risk profile and closely monitored the observance of the regulatory reports within different macroeconomic scenarios. The results of the stress tests impacting the bank's risk profile and capital adequacy were reviewed, discussed and assessed in every meeting.



Particular emphasis was placed in the close monitoring of the economic environment of the expectations regarding its trends in the upcoming period. Reviews of the calculation parameters for the estimated loss acc. to IFRS9 were requested with a higher frequency.

Considering the fact that the governmental support measures, through the installment deferral legislation, plus the financing of the sectors affected by the pandemic, resulted in the delay of delinquency and of the recognition of non-performing loans, management overlay decision were made in order to reflect the expected credit risk increase as fairly as possible.

2020 was a reference year for the efforts of the business continuity team, as well as for the IT security team. Such aspects were closely monitored and coordinated by the committee members. The Risk Management Committee examined key initiatives relevant to risk management by analyzing the impact thereof on the standing and capital performance of the BT Group.

Both the Risk Management Committee and the Audit Committee invited the CFO and CRO, the specialized teams in the risk and financing areas, as well as external consultants to provide updates and support materials.

The risk management departments subordinated to the Risk Management Coordinating Manager operate as an independent entity within the bank, supporting a wide range of controls that cover the risk identification and management process. The committee reviewed the main documents that cover the risk policies and procedures and monitored the observance thereof.

The risk management committee receives sufficient materials in due time from the executive management, both proactively, and when the committee requests additional information. The communication lines with the executive management are open for constructive and permanent dialogue. There were no significant divergent opinions between the Risk Management Committee and the Board of Directors or the Leaders' Committee in 2020.

The chairman of the committee is invited to every meeting of the Remuneration Committee, which enables the Risk Management Committee to follow the remuneration policies and to make sure that there are no incentives that could weaken the risk management decisions, the monitoring and control of the credit portfolio or introduce possible misconceptions regarding the loan provisions and the performance of the assessments.

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 operate after approval.

Member	Position	Personal Data
Ömer Tetik Since June 2013	Chief Executive Officer	Middle East Technical University, Ankara, The Faculty of Economic Sciences, Honors Student. CV and bio here .
Leontin Toderici Since September 2014	Deputy Chief Executive Officer (COO)	Technical University Cluj-Napoca, Faculty of Automation and Computer Science. Babes-Bolyai University, Faculty of Economic Sciences. CV and bio here .
Luminița Runcan Since August 2013	Director General Adjunct Risc (CRO)	Babes-Bolyai University of Cluj-Napoca, Faculty of Economic Sciences. Babes Bolyai University, Faculty of Law. CV and bio here .
George Călinescu Since September 2013	Deputy Chief Executive Officer (CFO)	"Al. I. Cuza" University, The Faculty of Economics and Business Administration, The American University in Bulgaria, Blagoevgrad, Bulgaria; Applied Economics, Business Administration. CV and bio here .
Gabriela Nistor Since September 2013	Deputy Chief Executive Officer, Retail Banking	"Al. I. Cuza" University, The Faculty of Economics. Institute of Financial Services, UK & Visa International. University of Oxford, Said Business School. CV and bio here .
Tiberiu Moisă since May 2016	Deputy Chief Executive Officer, MidCorporate & SME	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. CV and bio here .
Mihaela Nădășan since October 2018	Deputy Chief Executive Officer, Financial Institutions and Financial Markets	Executive Master of Business Administration - L'Institut d'Études du Développement Economique et Social (Conservatoire National des Arts et Métiers – Paris și ASE – Bucharest). CV and bio here .

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

Assets and Liabilities Committee

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 requested by any member of the committee.

The Assets and Liabilities Committee receives informative materials and reports from the specialized departments within the Bank, it analyzes 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 Procurement Committee is to decide the procurement policy in BT and to approve all investments involving costs outside the contractual framework, as per the competence limits established through internal norms.

Human Resources Committee

Contributes to the development and increase of efficiency while taking decisions referring to BT employees.

Committee for Credit Policy and Approval (CPAC)

This Committee has as main objective to establish BT's credit policy and to approve the 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 Committee is to analyze and approve loans, respectively loan restructuring based on the granted competences. The Committee for Credit Policy and Approval authorizes CCR1, CCR2 and the Mediation Committee (CM) to approve loans, the competence being established by specific internal regulations.

The Specific committees for the Loan Recovery Department and the Workout, Insolvency and Bankruptcy Department (CW1, CW2, CRS, CR1, CR2 and CRW)

The main purpose of these Committees is to analyze and make decisions for the implementation of the recovery solutions proposed by the Loan Recovery Department and the Workout, Insolvency and Bankruptcy Department. The recovery solutions target mainly the customers in payment difficulty, with the purpose of maximizing their capacity to reimburse the granted exposures by the bank, while the workout solutions are meant to monitor the recovery degree in terms of exposure. CW1, CW2, CRS, CR1 and CR2 manage the activities established through internal norms.

Committee for Monitoring Debt Enforcement and Realization of Assets (CMESVA)

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

Special Committee for Approval of Legal Enforcement / Litigation Status (CAES)

This committee has as main objective the analysis and decision-making on triggering forced execution procedures for customers proposed by debit collection officers within the Debt Collection Division.

Financial Institutions Credit Committee (CCIF)

This Committee supervises the activities involving BT's loan exposure to financial institutions in Romania and abroad. CCIF approves all the derogations from the applicable internal rules and procedures in force establishing the work flow between BT and other financial institutions in Romania or abroad.

Branch Credit and Risk Committee (CCRS)

This Committee supervises the activities involving BT's loan exposure to financial institutions in Romania and a broad. CCIF



approves all the derogations from the applicable internal rules and procedures in force establishing the work flow between Banca Transilvania and other financial institutions in Romania or abroad.

Data and Business Intelligence Steering Committee

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

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

The BT Group Policy regarding diversity

This policy aims to promote diversity within the management body of the BT Group (Board of Directors and Leaders' Committee). Banca Transilvania Financial Group recognizes and embraces the benefits of diversity to improve performance. BT's principles are also applied to entities within the BT Financial Group;

The administration of BT is entrusted by the General Meeting of Shareholders to a Board of Directors elected for a four-year term of office, consisting of 7 directors, elected by the shareholders during the GSM, either on the expiry of the mandate or, on a case by case basis, in the event of one or more vacancies. The eligibility criteria for 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 level of BT, the management is represented by the members of the Board of Directors and the Leaders' Committee.

In order to achieve sustainable and balanced development, Banca Transilvania considers increasing diversity at the management level, as an essential element in supporting the achievement of its strategic objectives. In designing the structure of the management body, considering diversity issues, we also took into account several criteria, among which: gender, age, cultural and educational profile, ethnicity, professional experience, skills, knowledge and work experience. All appointments to the management body are based on meritocracy, and applicants will be considered on the basis of objective criteria, taking into account the benefits of diversity.

For Banca Transilvania, 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 mainly, on the grounds of race, color, gender, 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 the global nature of banking, Banca Transilvania's managers and directors are citizens of Romania as well as citizens and residents of other states. Most BT managers and directors come from national and international banking environments.

Banca Transilvania believes that, while the governing body should not adhere to a fixed number of directors, a governing body of 6-14 members represents a sufficiently large and diverse group, in order 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 managers and directors of Banca Transilvania must have been in management



positions, either in various organizations or within Banca Transilvania, demonstrating their ability to exercise top management responsibilities and capacity to steer the Bank. These members have been senior executives in prestigious international institutions, where they developed skills and experience in terms of strategy and business 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 regarding 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 the members of the management body also have significant experience in corporate governance and complex business supervision through their status of executive managers, board members, managers or other relevant positions within other large institutions.

Some of the bank's board members 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 for encouraging the bank's development, enabling directors and managers to provide diverse perspectives, valuable advice and critical points of view about new business opportunities, product launches, approaching 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 the standards of diversity in the management body of Banca Transilvania

skills, knowledge and work experience. The final decision will be based on the merit and contribution that the selected candidates will bring to the governing body. The structure (gender, ethnicity, age, seniority) will be communicated periodically through the BT's website.

The Board of Directors and the Leaders' Committee of Banca Transilvania perceive diversity as a factor in choosing members of the management body, acknowledging that the diversity promoted at this level brings significant benefits to the Bank. Remuneration and Nomination Committee use a series of criteria for the selection of the directors and managers, including the diversity.

Banca Transilvania 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 also encourages the presence of female members within the governing body, in order to ensure the balance and high performance of society. However, Banca Transilvania 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 the male counterparts.

In 2020 the number of female employees attending trainings for professional development was 73% of the total number of employees. We also mention that, at the level of middle management employment, 50% of those appointed in these positions were female. As such BT's target to increase female representatives amongst the management body is considered achieved.

Banca Transilvania considers that the Leaders Committee, in its current structure fulfils the overall diversity requirements, in accordance with the diversity practices at the bank's level.

Banca Transilvania created a space of sustainable growth for its employees through professional



courses that are offered without discrimination of any kind to employees based on needs, types of performed work and exercised functions.

Process monitoring

The Remuneration and Nomination Committee will regularly ensure the compliance with the European requirements regarding the membership of the management from the 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 considers that diversity in terms of cultural profile, experience, abilities, race, gender and national origin is an important element in the governing body. The Remuneration and Nomination Committee discusses diversity considerations with 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 the light of its current membership. This assessment includes aspects related to expertise (including international and financial and banking experience), independence, integrity, diversity and age, as well as technical abilities linked to banking operations, production, finance, marketing, technology and public politics. The main eligibility criteria considered are those arising from legal requirements, 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 business, sustainable growth, quality, solidarity, responsibility, involvement and building positive relationships with stakeholders, other than banking. In implementing social responsibility policies, Banca Transilvania makes the best of its efforts to ensure a continued respect for fundamental human rights by encouraging and developing good practices in this area.

Banca Transilvania is a credit institution registered in Romania, operating in Romania and Italy. 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 compliance with European and national requirements on the protection of human rights, including but not limited to the rights set forth in the European Convention on Human Rights.

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

- In connection with the employees of the Financial Group Banca Transilvania, Banca Transilvania and its subsidiaries respect all the requirements for the protection 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 compliance with these requirements in their relationships with customers and beyond. Any violation of fundamental human rights by employees of the Financial Group Banca Transilvania is sanctioned in accordance with the legal provisions and internal rules.



- In relation to the community, Banca Transilvania and its subsidiaries make every effort to ensure a high standard of respect for human rights. Moreover, through the activities of its foundations (the Clujul are Suflet Foundation, BT Caritatea Foundation, etc.), Banca Transilvania supports the community in reaching the values supported by BT, providing the community with support and with a better communication and understanding at the social level.
- In relation to the companies with which they enter into business relations, in the process of selecting third parties, the maximum attention is paid to initiating collaborations only with those entities that assume compliance with the human rights principles mentioned above, their activities being adequately monitored, in compliance with the applicable legal provisions.

Practices for the prevention of corruption and bribery

Companies within the Financial Group Banca Transilvania do not tolerate any form of bribery and / or corruption. No employee / member of the governing body of any company within the Financial Group Banca Transilvania will accept or grant any inappropriate advantage of any kind (incentives), regardless of whether the person providing or requesting such an advantage works in the public sector or private sector. It is also forbidden to offer or receive any form of bribery, 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 perform their work duties or to intervene with an employee / manager to perform or not anything related to their duties;
- Payment or offering a benefit that violates domestic laws or regulations;
- Payment or offering a benefit to *getting* a business.

Employees / members of the governing bodies of any of the companies with the Financial Group

Banca Transilvania will not make any kind of facilitation payments; Facilitated payments are *payments performed to accelerate things or additional fees*, usually small amounts of money, unofficial, handed over to civil servants or government officials in order to obtain, urgent or postpone a routine action to which someone has access under a legal right (e.g. issuing a permit, a license, an agreement or an immigration visa, scheduling an inspection associated with the execution of the contract, the provision of services or the release of products withheld in customs).

The companies within the Financial Group have designed a fair and formal framework for selecting suppliers, collaborators, brokers, consultants, intermediaries and all other third parties acting on behalf of group companies or are supporting group companies in the conduct of their business.

In relation to the companies with which they enter into business relations, in the process of selecting third parties, the maximum attention is paid to initiating collaborations only with those entities that assume compliance with the human rights principles mentioned above, their activities being adequately monitored, in compliance with the applicable legal provisions.

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 anti-money laundering

For protection against money laundering activities, the bank ensured transaction monitoring through AML Mantas, an Oracle provider until November 2020 and from December 2020 the new monitoring application Siron AML was implemented, the provider of the solution being Fico Tombeller through Printec Romania. The AML activity is also supervised through an internal control process applied to the client portfolio, based on pre-defined criteria.



Report details

In view of the facts herein, we call under discussion the activity carried out by Banca Transilvania in 2020 and propose the approval of the following statements by the General Meeting of Shareholders:

- Notes to the separate and consolidated financial statements:
 - Separate and consolidated profit and loss account;
 - Separate and consolidated statement of other comprehensive income
 - Separate and consolidated statement of financial position;
 - Separate and consolidated Statement of Changes in Equity;
 - Separate and consolidated statement of cash flows, prepared in accordance NBR's Order 27/2010 approving the accounting rules under International Financial Reporting Standards adopted by the European Union, as further amended and supplemented, Accounting Law No. 82/1991, as republished and Emergency Government Ordinance 99/2006, accompanied by the Report of the Board of Directors and the Independent Auditor's Report;
- Proposal for the Income and Expenses Budget and the Development Plan for 2021
- Other items on the Shareholders' Meeting Agenda.

The information in this report has been audited and reviewed by our bank's external auditor, KPMG Audit S.R.L. The report was approved by the Board of Directors of Banca Transilvania on March 25, 2021.

Horia Ciorcilă
Chairman of the Board of Directors
Banca Transilvania



Conclusions

- 2020 was a year of resistance and solidarity for Banca Transilvania Financial Group.
- Our results exceeded the conservative forecasts of the initial budget, so we have reason to be satisfied. BT's strategy to support the customers was visible in the increase of operations volume and business. Overall it has been an accelerated learning process.
- The pandemic has caught us, as a banking system, in a much stronger position than in 2008, therefore banks have the necessary resources to support the relaunch of the business.
- In the 20 years since our story began, Banca Transilvania has reinvested in Romania, in responsible and sustainable growth, almost all the profit obtained and we have managed to support the economy, companies, entrepreneurs and dreams of the Romanians. All of this has prepared us for challenges such as the ones we are all going through today.
- Customer deposits at Group level reached RON 107 billion;
- The net consolidated profit of Banca Transilvania Financial Group amounts to RON 1,424 million, whereas that of the bank amounts to RON 1,197 million. The bank's operating profit grew to RON 2,155 million due to business streamlining and consolidation.
- The results for 2019 reflect the robust capitalization of Banca Transilvania, reaching an equity of 9.5 billion RON, +12% compared to 2019.
- The latest macro-financial developments confirm the entry into a new economic cycle, a perspective also supported by the positive climate in the banking sector, which, unlike previous crises, is part of the relaunch solution.
- Despite the challenges of 2020, there are short and medium-term opportunities for Romania, including the prospect of modernizing critical infrastructure with European funding (large programs launched by the European Union in 2020), the possibility of joining the Organization for Economic Cooperation and Development (OECD) and accession to the Eurozone.
- Activity growth in 2020 supports the role of the bank as the main pillar of Romanian economy's relaunch in 2021.



Additional services

- [BT platform for the communication with the shareholders](#)
- [General Meeting of Shareholders](#)
- [Intermediary results](#)
- [Risk reports](#)
- [BT Sustainability Report 2019-2020](#)



Non-financial statement

Reporting methodology

For the preparation of this statement we took into account the requirements of the Ministry of Public Finance Order 3,456 / 2018 and of the National Bank of Romania Order no. 7/2016. The methodology follows the Global Reporting Initiative Standards.

As a whole, the content of the statement refers to Banca Transilvania and its representative subsidiaries in Romania, but in terms of financial information, they were presented in a consolidated manner at the level of the entire BT Financial Group, for reasons of consistency with the IFRS financial statements.

The information in the report refers to the following companies from the BT Financial Group: Banca Transilvania, BT Mic, BT Leasing, BT Asset Management, BT Capital Partners, BT Direct and Improvement Credit Collection. Where the information presented is relevant to a single GFBT company, this has been mentioned in that section.

In order to facilitate the presentation of the numerical information, some of the indicators presented have been rounded or converted from one unit of measurement to another / from EUR to RON. Therefore, there is a possibility that in certain situations, there may be small differences between the values presented and the absolute figures. The conversion factors used in the transformations were mentioned during the report in the relevant sections.

Information regarding the business model

Banca Transilvania's story started almost 30 years ago, at the initiative of some business people from Cluj. We turned the challenges encountered along the way into opportunities and we grew step by step, together with the Romanian business environment, guided by the desire to do things well, with responsibility for our clients and partners. BT became the largest bank in South-Eastern Europe and the main lender of the Romanian economy.

Mission: to support the business environment and communities anywhere and anytime, online and through the territorial network, offering them positive experiences and helping them turn their dreams into reality.

Vision: we want to have a strong impact and contribute to the sustainable development of Romania, through responsible lending and banking, and all this cannot be achieved without a set of strong values, deeply rooted in the BT's culture and tradition.

Banca Transilvania Financial Group (hereinafter referred to as *Group*) includes the parent-company, Banca Transilvania S.A. (*Bank*) and its subsidiaries, based in Romania and in the Republic of Moldova.

The Group's fields of activity are: banking through Banca Transilvania S.A. (hereinafter referred to as *the Bank*) and Victoriabank S.A.; leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., ERB Retail Services IFN S.A., BT Direct IFN S.A., BT Microfinanțare IFN S.A. and BT Leasing MD S.R.L.; asset management through BT Asset Management S.A.I S.A. and financial investment services through BT Capital Partners SA. The Bank also controls over five investment funds, which it also consolidates.

GFBT Structure

Name of the company	Active in	Included in the reporting	Reason for non-including it in the reporting
Banca Transilvania S.A.	Romania	✓	-
BT Microfinanțare IFN S.A.	Romania	✓	-
BT Leasing Transilvania IFN S.A.	Romania	✓	-
BT Direct IFN S.A.	Romania	✓	-
BT Asset Management S.A.I. S.A.	Romania	✓	-
BT Capital Partners S.A.	Romania	✓	-
Improvement Credit Collection S.R.L.	Romania	✓	-
BT Building S.R.L.	Romania	*	insignificant activity:
BT Solution Agent de Asigurare S.R.L.	Romania	*	insignificant activity:
BT Asiom Agent de Asigurare S.R.L.	Romania	*	insignificant activity:
BT Safe Agent de Asigurare S.R.L.	Romania	*	insignificant activity:
BT Intermedieri Agent de Asigurare S.R.L.	Romania	*	insignificant activity:
Timesafe S.R.L.	Romania	*	insignificant activity:
BT Pensii SAFPF	Romania	*	insignificant activity:
BT Investment	Romania	*	insignificant activity:
VB Investment Holding	The Netherlands	*	insignificant activity:
Victoriabank S.A.	Moldavia	*	Operates in the Republic of Moldova (EU third party country) and is subject to different legal regulations regarding the non-financial reporting.
BT Leasing MD S.R.L.	Moldavia	*	Operates in the Republic of Moldova (EU third party country) and is subject to different legal regulations regarding the non-financial reporting.

* Were included only in the presentation of financial information

Information regarding the respect for human rights and the fight against corruption

We are one of the most important Romanian brands, evaluated by Brand Finance at 441 million USD, + 19% increase compared to 2019. This also means a great responsibility: to maintain the trust given to us by our over 3.2 million customers, shareholders, our partners and the Romanian society. BT growth is based on strong mechanisms, based on solid ethical principles, which guide the actions of the entire team in relation to all our stakeholders.

The set of fundamental principles that the bank's employees must observe in their relations with the Bank's stakeholders are defined in the Code of Ethics and Conduct, which is meant to guide the employees in their daily activity.

Corruption is a phenomenon with serious negative implications for the development of a society, contributing to the poverty increase, to environmental damage, to human rights abuses, to misdirected investments, to violations of the democratic principles and much more.

We know that the responsibility of being the main lender of the Romanian economy requires strict measures in this direction, therefore, within the companies that are part of Banca Transilvania Financial Group, acts of corruption or bribery are not tolerated in any form.

It is strictly forbidden for any employee or member of the management structures within the Group companies to accept or grant inappropriate benefits of any kind (incentives), regardless if the person offering 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.

At the same time, it is strictly forbidden to receive money or other benefits from clients or third parties for the performance of working duties or to intervene with an employee / manager to do or not do something that falls within his/her working duties, payment or granting a benefit that violates the internal laws or regulations, payment or granting a benefit for "obtaining" a business or any kind of facilitated payments.

We also pay a special attention to the partners with which GFBT companies work, so we select and collaborate only with partners who comply with the anti-corruption principles, monitoring their activities properly, in accordance with the applicable internal procedures.

All members of our management body and employees have access to and are informed about the Group's policies and principles on combating corruption and bribery.

The specialized departments from the Group provide training and are responsible for assessing the level of standard knowledge of these issues by the persons holding relevant positions within the Group. Moreover, whenever the regulatory framework in this area is updated, those concerned shall be informed and the new norms are made available to them.

In 2019, we provided training courses on anti-corruption practices offered by third parties for the staff specialized in the field. In this regard, in 2019, 53 employees benefited from such professional trainings, of which 40 were employees from the Bank's headquarters and 13 were employees from the network.

Our requirements for anti-corruption conduct are very strict, and this has been demonstrated over the years by the good results we have achieved in this direction. We make sure that our employees know the internal policies by organizing regular training sessions. Because we want to expand the number of trained employees, in 2020, the internal training platforms have been developed to include the online course module on anti-corruption policies and procedures.

2020

Training and information regarding the anti-corruption policies and procedures *	Number of people informed about the anti-corruption policies and procedures	Number of people trained on anti-corruption policies and procedures (online training)	Number of people trained on anti-corruption policies and procedures (on-site training)
Membri Conducere		25	4
Directori Regionali Sucursale	Toate persoanele vizate în categoriile analizate	6	6
Angajați Centrală		1,612	57
Angajați Rețea		4,835	59
TOTAL		6,478	126

*The information provided in the table above refers only to the activity of Banca Transilvania, given that only this activity is considered to have a significant impact on the level of Banca Transilvania Financial Group, considering the credit institution's position in the Romanian financial sector .

¹Facilitated 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, expedite or postpone a routine action to which someone has access based on a legal right (e.g. issuing a permit, a license, an agreement or an immigration visa, scheduling an inspection associated with the performance of the contract, the provision of services or the release of products withheld in customs).



In 2020, a total of 6,604 employees were trained on anti-corruption policies and procedures.

In 2020, at the level of Banca Transilvania Financial Group:

- there have been no confirmed incidents of corruption involving employees of the Group's companies, leading to their dismissal or disciplinary sanction.
- there have been no confirmed incidents of corruption leading to the termination of the collaboration with business partners.
- there have been no lawsuits against the Group companies or their employees alleging concerning corruption situations.

Regarding money laundering, 100% of the transactions performed through the bank are monitored to identify potential suspicions with an impact in this area.

Conflict of interest

Conflict of interest and the way in which these situations are managed are regulated internally through the Policy for the Prevention and Management of Conflict of Interest, last revised in June 2020. The objective of this policy is to establish, implement and maintain effective criteria for identifying the current and potential conflicts of interest, by identifying the Bank's relationships, services, activities or transactions from which situations of conflict of interest may result, as well as their reporting and management manner. All employees and members of the management structures are obliged to comply with the provisions included in this policy and to inform the Compliance Department of any situation that could represent a potential conflict of interest.

In 2020, there were no conflict of interest situations.

Respect for Human Rights

We consider that respect for human rights is a fundamental responsibility in all business relationships we have with our stakeholders - with our employees, customers and business partners - so therefore we grant a significant importance to this issue in all the activities

carried out. At the same time, we demand the same from them, and any violation of the human rights is considered unacceptable.

We respect the European and national regulations on the protection of human rights, including but not being limited to the rights stated in the European Convention on Human Rights. Banca Transilvania makes the best of its efforts to ensure a continued respect for fundamental human rights by encouraging and developing good practices in this area.

At the employees' level, we discourage any internal practices that could affect and / or harm the fundamental rights of the people part of the GFBT team. We also encourage the development of our employees' knowledge regarding human rights, to ensure that these requirements are met in their business relationships with the bank's customers and beyond.

The commitments assumed so as to ensure the respect for human rights include:

- respecting the association freedom and the effective recognition of the right to collective negotiations (through the existence of a collective labor agreement and of the employees' representatives structure);
- elimination of all forms of forced or compulsory labor (including the effective abolition of child labor); elimination of discrimination regarding employment;
- taking measures to assert these rights through dissemination and access to information and training (through dedicated trainings);
- promoting a corporate culture of awareness and respect for human rights;
- the employees have access to complaint resolution mechanisms, which are in line with the human rights principles, through which complaints and disputes are effectively resolved.

Any violation of the fundamental human rights by the BT Financial Group employees is sanctioned in accordance with the legal provisions and the internal rules of the Bank.

In relation to the companies with which they enter into business relations, in the process of selecting third parties, maximum attention is paid to initiating collaborations only with those entities that assume compliance with the human rights principles mentioned above, their activities being adequately monitored, in compliance with the applicable legal provisions. The business relations with the bank's customers are subject to human rights requirements and include: the customer's acceptance process, the provision of the financial products and services by Banca Transilvania and its subsidiaries. Additionally, we ensure that the human rights principles are also taken into account in the acquisition or merger initiatives.

The process through which we ensure that the human rights are not violated during the working activity involves: identifying and assessing the actual and potential impact of the human rights; integration and action on the results; monitoring the effectiveness of the response and communicating the ways of addressing the human rights.

The process varies in complexity depending on the operations context, the size of the entity (client, collaborator, partner, etc.), the risk of a severe impact on the human rights and on the nature and focuses on adverse effects on the individuals and communities and their rights, in addition to their own risks (challenging or contributing to a potential negative impact on respecting for human rights through the carried out activities).

In the event that, despite the principles and policies for respecting for human rights, we cause or contribute to a negative impact, we undertake to remedy or cooperate in order to remedy the impact caused by legitimate processes.

Reporting mechanisms

The internal mechanisms that the Bank makes available to its employees to report the incidents / complaints, referrals about the existence of unethical or illegal behavior that may affect the

organizational integrity, are described in the Warning Procedure regarding the ensuring of an appropriate framework for managing the Banca Transilvania Financial Group (GFBT) activity, updated in 2018.

The procedure has among its objectives:

- providing support for the internal alert mechanism, which can be used by GFBT staff to transmit the legitimate and substantive concerns,
- provide information and guide the employees in reporting the violations of the internal regulations or irregularities within the Bank,
- support the company's commitment to ensure an efficient management, in which the managers and the employees respect the highest ethical standards,
- encourage the reporting of behaviors / situations that may have serious consequences for GFBT, while ensuring the confidentiality and security of the employees who report risk situations, in order to avoid repercussions on them.

The channels made available to employees for reporting incidents of unethical or illegal behaviors are:

- dedicated email address, MyAlert;
- MyAlert - internal application, available from the GFBT Network

All notifications received on these channels are analyzed by a group composed of the following members: General Manager - CEO, the Deputy Chief Executive Officer - Chief Risk Officer and the Executive Manager Corporate Governance and Legal Department. They receive, analyze and send for settlement each case, to the competent structure from the organization.

The verifications' result is presented to the Group's members by the department to which the alert was generated, in the form of a report containing all the information on the invalidation / confirmation of the reported incident and of the activities carried out/ evidence, as well as the necessary recommendations / proposals to facilitate a correct and objective decision, or the



decisions / measures taken. The result of the verifications and the recommendations are introduced in the MyAlert application by the Manager of the Anti-Fraud Department.

If in 2019, 38 complaints were registered on the MyAlert channel, out of which 9 referred to an inappropriate (unethical) behavior of some employees or managers towards colleagues. In 2020, 32 complaints were received, of which 8 referred to the same type of behavior.

All the complaints were verified and resolved according to the internal procedures.

Shareholders and investors have the e-mail address at their disposal to submit notifications, complaints on the email address investor.relations@bancatransilvania.ro, as well

The number of employees based on labor contract type	Men	Women
For indefinite period.	2,180	6,349
For fixed-term period.	249	845
Total number of employees	2,429	7,194

Remuneration policy

At the level of each company from the GFBT, there is a remuneration norm that regulates the forms of remuneration that apply according to the European directives, then transposed into the national legislation. Its objectives are:

- to encourage team work and cooperation between colleagues;
- to ensure a strong connection between remuneration and performance, while fulfilling the interests of the customers;
- to foster mentality of rewarding based on individual and team performance;
- attracting, retaining and motivating those employees holding key positions;
- ensuring flexibility so that the team can adapt quickly to the Bank's objectives, in the context of complying with the legal framework;

The Remuneration Policy is approved by the Board of Directors. The Bank ensures a fair and

the alternative communication channels available on the bank's website.

In 2020 there were no complaints received on these channels.

Information on social and labor issues

Our team

BT means people. What we do every day at the office is directly related to over 3 million customers. We've helped some of them have their first home, others to have the first banking application of their lives or their first business. We have something special, which cannot be copied: The BT spirit.

No of employees 2020: 9.623
74,76% women | 25,24% men

Number of employees by type of employment relationship	Men	Women	Total
Full time	2,368	7,096	9,464
Part time (<8h)	61	98	159
Total	2,429	7,194	9,623

competitive remuneration, strictly respecting the skills and performance, with two components, properly balanced: the fixed component and the variable component.

The ratio between the minimum wage in the company and the existing minimum wage at national level (gross) 2020:

1.53 men | 1.53 women

Professional Development

We encourage the continuous professional development, offering the employees both internal and external learning/training programs. We thus ensure that all members of our team evolve and develop in line with the trends in the banking system and best practices in the field.

The responsibility for the training process at the Bank's level has a dual character, being in charge of both the employer and the employee.

The training needs of each employee are analyzed, in particular, during the annual evaluation and planning of objectives for the forthcoming period. All the training needs thus identified, which must be relevant to the position that the employee holds and to the objectives that he/she has to achieve, are mentioned in the evaluation form of each employee. Subsequently, they are included in the annual training plan designed by Academia BT, being subject to analysis and approval by the Human Resources Committee, depending on the annual training budget approved by the Board of Directors.

Among the training methods are: temporary moves to other positions; transfers for certain periods in different departments / services / Divisions; participation in projects; training on the job for newly hired colleagues, new colleagues for a job; courses organized in the bank, conducted by trainers inside or outside the bank; courses organized by specialized

companies from Romania or from abroad; webinars conducted by trainers inside or outside the bank; individual training through online courses developed in BT or through various providers.

In 2019 and 2020, our employees benefited, on average, from approximately 16 hours of training / employee.

Diversity and equal opportunities

Diversity, equal opportunities and inclusion are key elements that underpin the organizational culture of the GFBT companies. We want to have a diverse work environment, in which all the people in our team feel included, equally involved and supported, regardless of the position they hold in the company. Beyond all this, equal opportunities and equal treatment regardless of gender are one of the human rights' fundamental principles, which we strictly respect in our daily work.

The total number of employees based on their position, gender and age:	2020							
	Men			Total	Women			Total
	<30	30-50	>50		<30	30-50	>50	
First management level	0	20	3	23	0	14	7	21
Other management positions	5	83	372	460	5	597	153	755
Specialists - Headquarters	223	595	85	903	507	1,231	157	1,895
Specialists - Network	226	718	99	1,043	1,134	3,009	380	4,523
Total	454	1,416	559	2,429	1,646	4,851	697	7,194

At the Bank's level, in 2020 the Policy on equal opportunities and treatment between women and men was created and implemented, which falls under the responsibility of the Human Resources Department. The policy is based on legislative regulations provided by the republished Labor Code, with its subsequent amendments and completions, Law 202 of 19 April 2002 on equal opportunities and treatment between women and men, with its subsequent amendments, OG 137/2000 on prevention and sanctioning of all forms of discrimination, with its subsequent amendments and completions and Law no. 62/2011 of social dialogue.

To train employees in this direction, the Bank organized an online course, "Equal Opportunities", the minimum duration of the program and the related test being one day long. The course was launched towards the end of 2019, and after its launch, we have also initiated internal awareness campaigns, continued throughout 2020. As a result, in 2020, the level of participation has increased considerably, reaching 7,521 participants and over 60,000 class hours.

Combating discrimination

In Banca Transilvania, it is prohibited any form of discrimination consisting of any distinction, exclusion, restriction or preference, based on race,

nationality, ethnicity, language, religion, social category, beliefs, sex, sexual orientation, age, disability, chronic non-communicable disease, membership of a disadvantaged group, and any other criterion having as its object or effect the restriction, removal of the recognition, use or equal performance of the human rights and fundamental freedoms or of the rights recognized by law in the political, economic, social, cultural field or in any other field of public life.

Mechanisms for recording and resolving complaints and notifications

The employees have the right to report any treatment or conduct deemed discriminatory that may be classified as harassment. The mechanisms for notifying these cases are:

- direct notification to the direct manager. Each manager receiving such a notification has the obligation to inform the Human Resources Department / the designated employee from the Human Resources Department within 24 hours from the moment of receiving a complaint;
- direct referral to the designated employee of the Human Resources Department with responsibilities in the field of equal opportunities and treatment between women and men, who will offer guidance and provide the necessary assistance;
- through the whistleblower internal app *MyAlert*.

In the first two situations described above, the employee submitting the complaint may do it in writing or verbally if he/she is unable to write, describing the nature of the discrimination / harassment and the details of the incident, as well as any other information regarding witnesses or other complainants.

In 2020, at the level of employees in the organization, there were no incidents of discrimination.

Implication and Social Responsibility

As a provider of financial products and services, we play an important role in the lives of our

communities. Thus, beyond the direct contribution we have to support the Romanian economy, we want to be an engine of change in the society as a whole, a model for all our partners, and together with them to build projects with long-term impact.

Our projects, that address the needs of the community, are developed either by teams of employees from the Bank, or with non-governmental partners supported through sponsorships, volunteering programs or know-how. The main social involvement directions which the bank follows when building or choose to support projects are:

- Supporting the Romanian economy and the entrepreneurs
 - Involvement in the life of the BT community
 - Supporting new ideas
 - Facilitating the communities' access to information, know-how
- Support, solidarity

At the BT level, the policy and procedures through which we grant sponsorships fall under the responsibility of the Marketing, Communication and PR Department. The main sectors we support are: cultural, artistic, educational, scientific - basic and applied research, humanitarian, religious, philanthropic, sports, human rights protection, medical, health care and social services, environmental protection, social and community, representing professional associations, as well as the maintenance, restoration, conservation and enhancement of the historical monuments.

BT's involvement in 2020

- Total value of the investment budget: 24 million RON
- Total number of supported projects: 105 projects out of which 38 dedicated to hospitals (during the pandemic)
- Total number of partner organizations: 37

Responsible acquisitions;

Within the GFBT, the procurement of goods and services is regulated by specific internal regulations, being divided into several categories: Investments and Logistics, IT, Human Resources,



Marketing and Communication, Information Security, Retail, Legal Services.

The procurement process is regulated internally by the norm and procedure for procurement of works, goods and services in Banca Transilvania, updated and modified in 2020.

The Procurement, Investments and Logistics Department is responsible for all procurements in BT, except for the purchase of goods, IT services and software, licenses and related maintenance, the purchase of goods, licenses and related maintenance, which are performed by the IT Security Department, the purchase of equipment, products and services used in the process of issuing and accepting cards, legal assistance, human resources services and the acquisition of marketing and advertising services, a process that falls under the responsibility of each department's manager.

The procurement process is periodically internally audited, all the resulting recommendations being implemented in the shortest time.

2020 93.9% of the total expenditures with suppliers were made with the 96.3% local suppliers

Information on environmental issues

In order to improve our environmental performance in all operations, thus reducing our footprint and contribution to climate change, we are committed to taking action in this regard and in our daily work. Among the risks identified as relevant for the environment in which we operate, are the climate crisis that generates problems such as shortage of raw materials and lack of natural resources, water availability, loss of biodiversity and ecosystems, pollution of the environmental factors.

Waste

Our industry involves a low consumption of resources in the current activity, the materials we frequently use being paper, printer cartridges, electronic equipment and lighting devices.

Our activities towards the efficient management of waste from operations include the collection, transport, treatment / disposal of waste, together with the monitoring and regulation of the process as a whole. All the resulting waste is disposed / recovered according to Law 426/2001, and their record is kept in accordance with the List of waste at national level established by the GD 856 / 16.08.2002 with its subsequent amendments. DBA Waste (batteries and accumulators) and DEEE (waste resulting from electrical and electronic equipment) have a special route, being collected for a period of up to 3 months, after which they are handed over to authorized agents. The Bank's department, responsible for waste management, is the Procurement, Investment and Logistics Department which has a Waste Management Specialist. This specialist draws up monthly records which are then reported to the Environment Protection Agency. The waste management activity is carried out based on the policy of waste management (PL.9.28.1).

Thus, at the Bank level, our objectives focus on:

- Limiting the printing on paper by the employees and the usage of recycled paper;
- Promoting digital solutions in document management, both the internal ones and those related to the commercial relations with the bank's customers, suppliers and other collaborators;
- Selective waste collection, depending on the type and disposal method, by providing the necessary infrastructure;
- Quantify, monitor and report on the progress of these initiatives.

The Measures to reduce paper consumption have resulted in savings of 93,580 kg of paper in 2020.

Energy consumption

We are taking steps to reduce our carbon footprint and streamline the energy consumption as the main source of direct greenhouse gas (GHG) emissions from our operations. Thus, currently, at the bank's level, there is a collaboration with an energy auditor for establishing the direct amount of GHG emissions.

Total fuel consumption from conventional sources	2020	
	GJ	tep
Petrol	6685.1	159.7
Diesel	11.132	265.9
Natural gas	35.129	839.2
Total fuel consumption	52946.1	1264.8

Conversion factors

1 tep = 41,86 GJ

Electric energy consumption	2020	
	(MWh)	tep
Electric energy	20.111	1.729,6

1 MWh = 3,6 GJ

Total energy consumption (Total fuel consumption + electric energy consumption)	2020	
	GJ	tep
	125.345,7	2.994,4

$$\frac{\text{Consumul total de energie}}{\text{Valoarea totală a producției anuale}} = \frac{2.994,4 \text{ tep}}{5.181.880 \text{ thousand RON}} = \frac{5,78 \cdot 10^{-4}}{\text{RON thousand}}$$

Energy intensity 2020

In 2020, the energy intensity decreased by 6.64%, compared to 2019. This decrease also results from the reduction in the number of internal trips.

The strategy to make energy efficient and reduce its carbon footprint includes measures such as:

- the exclusive use of energy-efficient electronic equipment, monitors and computers with high environmental standards in terms of environmental protection;
- using an actions measuring, optimizing and monitoring system, aimed to reduce the total energy consumption;
- implementation of an efficient energy management framework in order to reduce the use of natural resources and prevent pollution; the use of sustainable practices in the design and management of the real estates, including conducting energy assessment analyzes for the premises where we operate and certifying a list of the premises as *green buildings* (on a system of certification BREEAM, LEED, DGNB); establishing procedures for the renovation and redevelopment of used premises that shall include local renewable sources for the self-consumption. More specifically, in headquarters and data centers, we will implement co / tri-generating facilities to significantly reduce the energy consumption and costs as well as the greenhouse gas emissions;
- developing and promoting internal information documents to raise the awareness of one's environmental footprint (good

practice manuals, energy efficiency promotion guidelines, information materials in physical and digital format) and providing clear and simple measures for our employees, for an efficient implementation;

- maintaining a proactive communication about our commitments for the environment protection and about the achieved progresses;
- continuing the afforestation initiatives with the involvement of our employees and collaborators;
- on the medium term, establishing the directions and the procedures for improving the fuel consumption for own fleet vehicles; installing electric vehicle charging stations in all public car parking owned by the BT premises in order to stimulate clean mobility;
- encouraging safe cycling and providing a bicycle parking.

Over time, following the energy audit processes that we carry out periodically, we have implemented a series of measures that have contributed to reducing the amount of energy and fuel consumed. All these measures are documented and monitored in the existing Energy Efficiency Improvement Program at the Bank's level.

Emissions

Emisii GES	2020 (tone CO2)
Scopul 1	3.332,2
Scopul 2	5.829,2
Total	9.164,4

Goal 1 includes emissions from the combustion of fuels in own equipment: petrol and diesel for the transport of employees and natural gas for combustion in thermal power plants.

The estimation of the emissions resulting from the petrol and diesel consumption was made by referring to the amount of fuel consumed, without taking into account the technical characteristics of the car engines in the company's fleet. For the forthcoming years, our goal is to implement a system for collecting data on the employees' transportation, which will allow us to make an accurate inventory of the emissions resulting from the fuel consumption of our own fleet.

The used emission factors were selected from the Order no. 2641/2017 on amending and supplementing the technical regulation "Methodology for the calculation of the buildings energy performance", approved by the Order of the Minister of Transport, Construction and Tourism no. 157/2007, as follows:

FE Petrol 1 l = 2,392 kg CO₂
FE Diesel 1 l = 2,640 kg CO₂
FE Natural gas 1 l = 0,205 kg CO₂

Goal 2 includes greenhouse gas emissions from the electricity purchased from the supplier.

For the calculation, we used the market level approach, using the emission factor selected from the Order no. 2641/2017 on amending and supplementing the technical regulation "Methodology for calculating the buildings energy performance", approved through the Order of the Minister of Transport, Construction and Tourism no. 157/2007, as follows:

FE Electric energy 1 KWh = 0, 28985 kg CO₂

Information on the sustainable financing policy and Analysis of the social and environmental risk

Our goal is to support the customers in all their projects, supporting both their development and adaptation to the sustainability context, the two objectives being often interconnected.

We are aware that we cannot gain the trust of our partners, unless we generate added value through the activity we carry out and contribute to the well-being of the community in which we live. We want to be more than a bank, we want to be part of the community.

At the GFBT level, there are currently products and services dedicated to projects that generate a positive environmental or social impact, as follows:

- without classifying them as green lending and marking them separately in the internal systems, we have an important history in financing energy efficiency projects in multiple fields, from thermal rehabilitation, to replacement of fleets of transportation means or various production equipment.
- we are also very active in financing agriculture, with various solutions for streamlining the consumption of resources and irrigation
- we contribute to the financing of the circular economy by encouraging the reuse and recycling of waste.
- we support small businesses, social and financial inclusion, education, creative fields (art, culture).
- we finance replacements and acquisitions of new medical equipment, the construction of hospitals and old care centers, we are both financing partners for small medical offices, as well as the medical market leaders.
- we finance renewable energy projects.
- we have partnerships with various energy efficiency funds operating in Romania.
- we finance the purchase of electric / hybrid vehicles on advantageous terms.
- we do not finance the production and trade of weapons, harmful chemicals (dangerous or banned), unsustainable exploitation of forests, gambling, etc. We are strict in excluding from financing those projects with harmful impact on the environment, being regulated within the Banca Transilvania Financial Group a list of exclusions of high risk areas from the perspective of environmental implications.



On the medium term, our objectives in terms of sustainable financing are:

- developing financing portfolios in sustainable areas, where we can stimulate innovation and create a positive impact on the communities (agriculture, medical and education, production and services, creative industries, energy efficiency),
- maintaining the leading position in financing entrepreneurial businesses, boosting the growth of those companies, from start-up companies to local champions,
- ensuring the financial inclusion by financing micro-enterprises, PFAs, family businesses, establishing the carbon footprint of our portfolio and progressively reducing it through specific objectives, with ongoing monitoring,
- development of a green / climate finance loans portfolio. Establishing the eligibility of a financing for its inclusion in the green category will be performed based on a methodology developed by the International Financial Corporation by using the platform Climate Assessment for Financial Institutions
- applying an advantageous pricing system for those customers carrying out activities and / or undertaking projects with a positive impact on the environment,
- regular review of the list of excluded activities by completing new areas or setting exposure limits for areas with potentially negative effects on the environment,
- expanding the expertise of non-financial risk assessment for the entire team of risk and credit analysts,
- extending the detailed non-financial analysis model currently used for large corporate clients, SMART (environmental and social risk assessment) to other categories of legal entities clients, to the entire portfolio level,
- development of integrated products, with a component of financial education of the population,
- launching a credit product for the entrepreneurs in the field of education (kindergartens, schools, children's activity centers - private), the purpose being to facilitate the access to financing for a category that is not normally eligible and has not been

included in the recent state aid schemes (BT Mic),

- launching a financing line dedicated mainly to female entrepreneurship, together with IFC - the financing division of the World Bank (BT Mic).

Considering the quality of being the lender of an important part of the economy, we are aware that in addition to our business carbon footprint, the influence of BT Financial Group is much wider, including the business environment and the communities in which we are present. We understand and assume the role of advising and directing our clients in the transition to the most sustainable possible business models, which will prove to have important competitive advantages in the near future.

Benchmarks for BT environmental and social risk (E&S)

At Group level, BT implemented an environmental and social management applied to the entire portfolio, each transaction being reported to the following aspects:

- Exclusion list
- The EBRD reference list
- Classification of environmental risk
- Checklist for projects with environmental /social high risk
- IFC performance standards
- Laws and national regulations in force on environment, health, and safety

However, the assessment also takes into account the principle of proportionality, the environmental and social risks being assessed separately, by reference to the customer category, value and duration of the transaction.

The Bank signed a cooperation protocol with IFC to increase the expertise in terms of environmental & social risk through periodical training programs and the adjustment of the Environmental and social risk assessment policy in accordance with IFC standards.

In the context of this cooperation, starting with 2019 the Bank introduced a detailed analysis of



environmental and social risk (which applies to transactions in category 1), based on the completion by customers of a questionnaire containing questions on the management system for the environmental and social risk, the human resources policy, the efficiency of resource management, management of risks associated with the procurement chain, the impact of the activity on biodiversity, etc. The questions are grouped into categories that meet IFC's environmental and social risk performance standards. Following this analysis for each transaction an environmental and social risk degree is provided:

High social & environmental risk activities

The activities on this list, due to their inherent complexity (diversity of raw materials and products and waste flows) and their characteristics, have the potential to cause a significant and / or long-term impact on the environment or have associated environmental obligations, whose extent would be difficult to quantify when granting / analyzing the loan.

Moderate social & environmental risk activities
These activities have a more quantifiable impact over the environment and can be easily prevented and / or managed.

Low social & environmental risk activities
 Small or reduced impact over the environment

Type of client	Numărul total de împrumuturi la 31 decembrie 2020	Numărul cumulativ de avize de mediu și social și excluderi	Procent din total clienți persoane juridice	No. of loans with risk		
				Low	Moderate	High
Micro Business Clients	37,985	2,625	39.07%	30,525	6,521	939
Small and medium enterprises	12,363	1,803	26.83%	8,989	2,610	764
Mid Corporate Clients	4,993	2,037	30.32%	3,270	1,257	466
Large Corporate Clients	254	254	3.78%	142	74	38
Total	55,595	6,719	100.00%	42,926	10,462	2,207
				77.21%	18.82%	3.97%

Each risk analyst has the responsibility to assess E&S risks which is performed with the support of the E&S Risk Analysis Department, within the Corporate Credit Risk Analysis Division (DARCC), within the BT Headquarters.

The E&S Risk Analysis Department currently comprises 4 persons, 2 having technical expertise, with a degree in Environmental Engineering. The E&S risk analysts benefited from specialized training programs from IFC regarding the extended use of E&S risk analysis. Also, the in-house trainers organize training programs on this theme for the sales and analysis teams of the Bank. In 2020, a part of E&S analysts together with colleagues from other departments participated to the training course organized by Moody's regarding the E&S risks and corporate governance integration into the risk analysis (ESG risk assessment for Lenders and Asset Managers).

Sustainable financing via BT Mic

BT Mic has a simple business model, with a personalized approach of each client, involving a discussion with each customer and a visit of the business. Each financing means a financial education and consulting process where the customer receives clear and transparent information, in a simple manner. More than that, during the entire lending process, BT is close to its customers, with financial/ non-financial information useful for the business with tailored solutions anytime the client has a request. We consider that the compliance with the E&S legislation and the enforcement of adequate E&S practices represent important factors in demonstrating an efficient business management. Thus, all the received loan requests are assessed based on the internal Exclusion List, the EBRD Reference List and the national legislation and regulations in force.

Types of Clients	No. of loans in the portfolio 2020	Total no. of loans from the E&S risk perspective	No. of loans assessed from the E&S risk perspective in 2020	No. of loans with risk			Incidents reported to the bank	On site visits to assess E&S aspects
				Low	Moderate	High		
MSE Companies*	7,984	7,984	1,983	6,832	1,062	90	0	7,984
MSE companies* owned by women	4,991	4,991	1,163	4,580	379	32	0	4,991
Total	12,975	12,975	3,146	11,412	1,441	122	0	12,975

*micro and small companies

Sustainable financing via BT Leasing

We continuously monitor the integration of environmental and social risk assessment into the normal risk assessment flow for projects financed by BT Leasing, to ensure that: all funded activities comply with national environmental, health and safety laws and regulations in the field, all funded activities are outside the scope of EBRD/IFC activities, the environmental and social risks associated with each funded activity or project are properly assessed, documented and monitored, the exposure per sector / industry in total exposure does not exceed the limits set according to internal rules of BT Leasing.

Types of Clients 2020	No. of loans in the portfolio	Total no. of loans from the E&S risk perspective	No. of loans assessed from the E&S risk perspective in 2020
MSE Companies	14,170	14,170	3,606

Our commitment on responsibility

We are aware that we have the power to generate change, to amplify the positive impact we have had so far through the way we do things, but also to be better in terms of environmental protection and closeness to our communities. Thus, because we are one of the forces able to set in motion the Romanian transition to a green economy, we have assumed a series of objectives that come to strengthen our commitment to a sustainable future, in line with the three pillars of our sustainability policy.

Performance

Corporate Governance

- BT: Integration of specific ESG criteria (KPIs), regarding both objectives and reporting process, in the proceeding of assessing the individual and collective adequacy of the

management body, including at the level of the Board committees. Although an ESG component has been integrated into the current adequacy assessment process, supplementing it with new objectives in this assessment will ensure a better continuous verification of the management body's expertise, so as to reflect the relevant changes in economic activities, sustainability strategies and strategies ESG and risk profile of the institution.

- BT: Integration of at least one specific ESG criterion (KPI) in the list of individual performance targets set for each member of senior management, as well as the executive ones in order to determine the amount of variable remuneration paid. Each individual criterion will relate to the ESG objectives that are set in the member's area of activity and expertise, so as to ensure the alignment of remuneration with the Bank's sustainability objectives, facilitating an organic growth of ESG initiatives to achieve specific sustainability objectives.

Ethics and compliance

- BT: Training of all Group employees in the field of processing and protection of personal data, at least once a year, through a course followed by knowledge testing, in order to continuously train and improve employees knowledge in this field, to ensure a level of high data protection to prevent breaches of the security of such data.
- We commit in establishing clear criteria necessary to cooperate with our suppliers to comply with social and environmental standards, by implementing a new assessment methodology by the end of 2021.

Portfolio and Products

- BT: Using the CAFI application (Climate Assessment for Financial Institutions) to verify the eligibility of funding for green category - investment funding, with potential characteristics for green funding, above a certain threshold (RON 100 thousand) will be tested to verify inclusion eligibility in the fields defined in the methodology.
- BT: increase of expertise for the risk team in terms of nonfinancial risk assessment. the team of environmental analysts from the HQ will participate in at least one specialized external training in 2021.
- each member team will participate in an internal course organized by the environmental risk analysts in the HQ in 2021.
- BT: extension of the detailed ESG risk analysis model currently used for transactions over EUR 5 million at the level of the eligible portfolio, by the end of 2023.
- GFBT: launching dedicated products and completing the current range of products with green financing components, financial education and a positive social impact (in 2021).
- Launch marketing campaigns responsible for promoting our products, including those with green funding components and positive social impact

People and the Community

- Facilitating staff recruitment within communities through internship programs and partnerships with educational institutions.
- Implementing, in 2021, a program to raise awareness regarding aspects of diversity and equal opportunities by means of campaigns and training sessions
- Conducting an impact study to measure the positive impact that the Bank generates through community investments until 2023.
- Awareness and promotion campaigns for a healthy lifestyle in 2021, by means of the wallet app

Medium

- Reducing greenhouse effect gas emissions, associated with the GFBT fleet of motor vehicles (emissions from Goal 1), by 20% until 2023, compared to 2018 as reference year
- Increasing the share of renewable energy within GFBT's total electricity consumption up to 75% (emissions from Goal 2) by 2021, reaching the 85% threshold by 2023
- Achieving the indirect emission inventory (Goal 3) by 2023
- Reducing paper consumption by 10% until 2023, by implementing digital flows for obtaining certain products, digital signatures.
- In 2021, the bank will start issuing new cards from recycled materials
- Ensuring network infrastructure at GFBT level and carrying out information and awareness campaigns on the importance of selective waste collection, in 2021



21

20

19