

TRANSFOND

A high-angle, top-down photograph of a kayaker in a red wetsuit paddling a white kayak on a dark river. The kayak features purple and blue decorative patterns. The water is dark with ripples and reflections. The word 'TRANSFOND' is printed in large white letters at the top.

ANNUAL REPORT
2016

TRANSFOND



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TRANSFOND



MESSAGE OF THE GENERAL MANAGER

The year 2016 brought to the attention of the Romanian banking community two important infrastructure developments, meant to improve the activity of both the financial institutions as well as the one of end consumers of payments services.

During the past years, TRANSFOND made strong efforts to maintain the highest levels of quality in operating the interbank payments infrastructure, as well as its adjustment to European standards. Thus, in the process of alignment to the requirements of the Single Payment Area within the European Union, in addition to adopting these standards for the RON and EURO payment orders, TRANSFOND has worked together with RBA and the commercial banks to operationalize the interbank Direct Debit in RON in SEPA format, starting April 2016. This new service is accompanied by an additional element - the Unique Mandates Register. Thus, the interbank payments infrastructure in our country, as well as the one of participant banks, is currently fully prepared for the adoption of the single currency, with respect to the infrastructure of non-card retail payments. Moreover, Romania has become the first member state of the European Union outside the Euro area which has completely applied the SEPA standards for payments in national currency.

On the same note, in October 2016, TRANSFOND has concluded a new interoperability agreement with equensWorldline, which allows the interconnection of participants to the SENT system - the EURO component, to 79% of the European Union member states (22 countries, including Romania), for processing cross-border payments, thus increasing the number of banks which can be directly reached for EURO cross-border payments to 3400.

Given these considerations, we express our belief that, in the following period, more local bank and financial institutions will join the EURO payment scheme offered by the company, TRANSFOND services being competitive and offering the highest quality and safety standards.

In terms of e-Business services, TRANSFOND remains the market leader for the financial - banking segment, for Electronic Documents Archiving Services, and for the Electronic Invoicing, the number of clients is steadily growing, especially in the leasing sector, as well as other sectors of the economy, which, with the support of the collaborating banks, the company has attracted towards modernization and efficiency.

At the same time, TRANSFOND continues to work towards compliance with European and international trends, bringing a new series of interesting proposals to the attention of the financial & banking system, primarily through the initiative of a real-time retail payments system - Instant Payments, available 24/7/365. This system represents an infrastructure component which will create the basis for the development of retail payment services through a series of alternative channels, such as payments through mobile devices and it will bring significant benefits to the Romanian banks, by increasing the number of electronic payments in the economy and by correctly and timely positioning themselves in competition with non-bank payments services providers.

During 2017, TRANSFOND wishes to maintain the financial community's interest for new developments in the field of payments and related services for the local market, and hope the efforts of the financial and banking community to increase the payments' degree of transfer to the electronic environment in Romania will yield more results. The constant communication with the members of the financial & banking community remains the main starting factor in establishing and updating TRANSFOND's development lines.



SABIN CARANTINĂ
GENERAL MANAGER

ABBREVIATIONS

ACH	Automated Clearing House
RBA	Romanian Banking Association
EACHA	European Automated Clearing House Association
e-Arhiv@	Archiving Services for Documents in Electronic Format provided by TRANSFOND
e-Factur@	Electronic Invoicing Service offered by TRANSFOND
PEACH	Pan-European Automated Clearing House
ReGIS	"Real Time Electronic Gross Interbank Settlement" - Real time gross settlement system for large value or urgent payments in lei (in excess of 50.000 lei), provided by NBR
SaFIR	"Settlement and Financial Instruments Registration" - Government securities depository and settlement system, provided by NBR
SAP	Participants Management Service offered by TRANSFOND
SCT	SEPA Credit Transfer
SDD	SEPA Direct Debit/ Debit Direct în format SEPA
SENT	"The electronic system for net based settlement of TRANSFOND/ Sistemul Electronic de decontare pe bază Netă al TRANSFOND" - Automated Clearing House (the electronic system for the processing low value payments, less than 50,000 RON), provided by TRANSFOND
EPS	Electronic Payments System
SEPA	Single Euro Payment Area
TRANSFOND	Company for Funds Transfer and Settlement – TRANSFOND S.A.

TRANSFOND



CHAPTER 1

THE STRATEGIC PERSPECTIVE OF THE COMPANY

THE STRATEGIC PERSPECTIVE OF THE COMPANY

View

TRANSFOND has taken on the role of main partner of the Romanian financial and banking community in the field of payments and additional/complementary services to interbank payments, by capitalizing on the available infrastructure and know-how.

Mission

TRANSFOND answers the needs and requirements of the financial sector, by providing innovative solutions and services with a high degree of safety and availability, while turning to account the economy-of-scale potential. Along with the National Bank of Romania, as well as all professional associations of the banking community, we advocate deeper interbank cooperation on the Romanian market, to the benefit of our shareholders and of the other members of the local financial and banking community.

Values

Integrity, respect and chances equality

Everything we do is guided by integrity and correctness, showing respect to our team members, customers, partners and suppliers. Equality of chance is a fundamental value promoted by TRANSFOND, by applying a policy that encourages consideration of employees and partners, regardless of gender, age, ethnic origin, religion, disabilities, political beliefs or social origin, promoting their equal treatment.

Client-oriented

We dedicate our resources to understanding and satisfying customer needs. We are accountable to our customers, as well as to the environment we conduct our business in.

Team work

We encourage and acknowledge teamwork, mutual support within teams, our employees' availability to collaborate with and provide unconditional support to

their colleagues who need help, with a view to solving all problems. All our employees are encouraged to share the knowledge and experience they have accumulated, just like their own opinions and ideas, across the company. As a rule, we celebrate individual and collective success.

Flexibility and dynamism

We adapt our procedures, programs and actions to our customers and market's needs as well as to technology changes.

Innovation

We encourage and appreciate the creativity of our people and we take into account innovative development ideas.

Credibility

We respect the promises made to our customers and to our partners.

Respect for the environment

TRANSFOND invests in new environmental friendly technologies, respectively in those technologies that determine the decrease of environmental impact, by considerably removing paper as well as related processes (transport, packaging, storage, archiving etc.). Promoting these principles is carried out by the environmental policy undertaken by the company both in its entirety as well as at the level of each employee.

Corporate social responsibility

The company undertakes activities in order to support social solidarity, financial education, development of the quality of the medical act, as well as the cultural field, in accordance with the social responsibility policy adopted.



TRANSFOND

CHAPTER 2

THE INTERBANK ELECTRONIC
PAYMENTS SYSTEM

THE INTERBANK ELECTRONIC PAYMENTS SYSTEM

The year 2016 has marked an important accomplishment for the interbank Electronic Payment System, by completing the adoption of the SEPA standards. Thus, in April 2016, TRANSFOND, with the support and collaboration of ARB, launched the component for processing of Direct Debits in SEPA format, accompanied by an additional service, meant to facilitate the use of this tool both for the end consumers - natural individuals, and economic agents - invoices issuers, more specifically the Unique Mandates Register.

The Electronic Payments System, technically operated by TRANSFOND, was made operational in 2005, in three stages, for its three components (the Automated Clearing House - SENT, The Real Time Gross-Based Settlement System - ReGIS and the Government Securities Depository and Settlement System - SaFIR), followed by the launch of the electronic processing component of the debit instruments (cheques, bills of exchange and promissory notes) within the SENT system in 2008. The EPS has also been developed in order to adopt European standards, by launching the SEPA program, during 2012 - 2016.

BACKGROUND

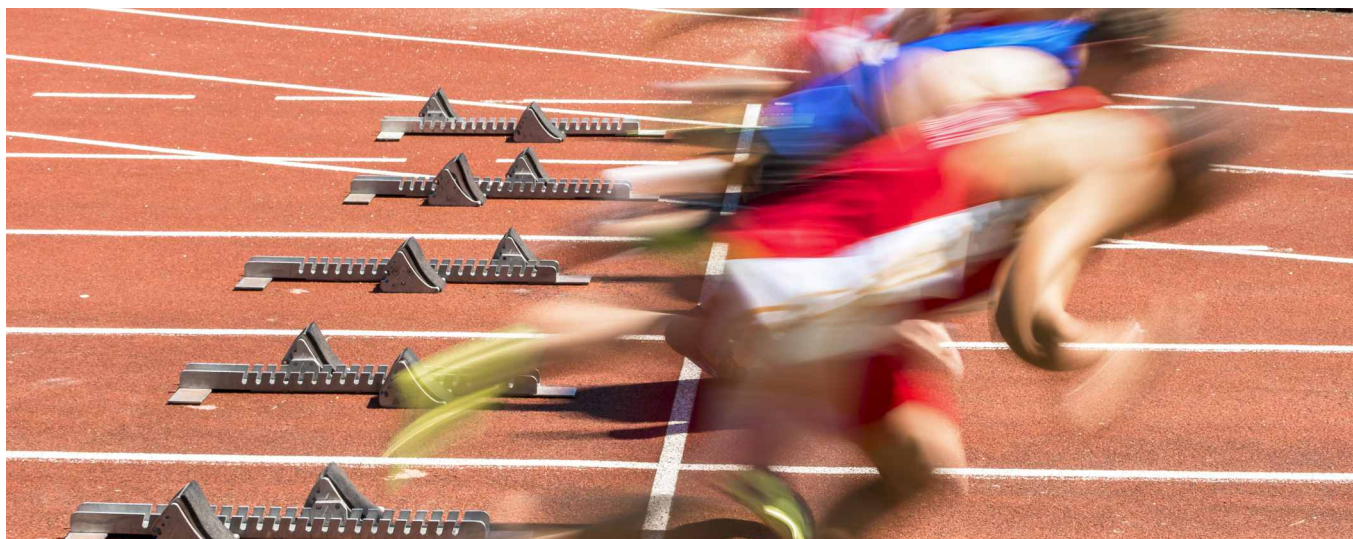
1991	The National Bank of Romania initiated the reform of the Romanian payment system.
1995	Commissioning of the interbank payment system in national currency on paper, having predefined settlement periods.
1999	The National Bank of Romania has decided to outsource the transfer of interbank funds in national currency with settlement in the central bank's money.
2000 (July)	The Romanian banking community and NBR established, in accordance with the commitments undertaken toward the European Union, the Company for Funds Transfer and Settlement - TRANSFOND S.A., as operator of the payment system.
2001 (May)	NBR's outsourcing of the payment activity to TRANSFOND (except for the transfer of funds related to the State Treasury) went live.
2002 (November)	The European Commission Delegation in Bucharest concluded the specific procedures for PHARE projects, the Romanian party becoming thus able to begin the implementation stage of the EPS project.
2003 (June)	Centralization of high value interbank payments at a single point for each bank, processed by TRANSFOND central unit.
2003 (September)	The State Treasury became a participant in the payment system operated by TRANSFOND.
2005 (April)	ReGIS system went live.
2005 (May)	SENT system went live.
2005 (October)	SaFIR system went live.
2008 (October)	The SENT module for electronic processing of Interbank Debit Instruments (cheques, bills of exchange and promissory notes) went live.
2012 (November)	The SENT service for processing payment orders in lei in SEPA format went live.
2013 (December)	The EURO Component of SENT for processing payment orders in euro currency with settlement in TARGET2 system went live.
2016 (April)	The SENT Component for the processing interbank Direct Debits in SEPA format in national currency went live.

THE SENT SYSTEM



Once SENT - the Automated Clearing House went live in 2005 TRANSFOND became a central point of the financial-banking infrastructure, ensuring the processing of low value payment orders¹, as well as all-value direct debits and debit payment instruments in local currency. The systems is currently processing 95% of the total interbank payments on the Romanian territory (according to the number of operations), the remainder of 5% being payments technically operated by TRANSFOND as well, through ReGIS. This aspect, as well as the concern for the provision of the highest quality level services, with a high degree of availability and safety, corroborated with the encouragement of the migration of the cash payments to the electronic environment represents the main preoccupation of the TRANSFOND specialists.

The SENT system of TRANSFOND recorded a continuous development process, in the field of adopting the European standards, as well as with a view to meeting the requirements and the needs of the payment institutions, both currently and in the future, at the same time with the adoption of the single currency - the Euro. Thus, in November 2012, TRANSFOND launched the new processing service for the SEPA payment orders, in the local currency, and in December 2013, the company turned operational the EURO component of SENT meant to process the national and cross-border payments in Euro with disbursement in the TARGET2 system, at the same level of the fee with the one applied in the RON Component (respectively RON 0.51/payment and RON 0/collection).



The latest service offered by SENT, respectively the processing of the SEPA Direct Debits in national currency (SDD) (includes an additional centralized management service of the interbank direct debit mandates - RUM), went live on April 11th, 2016. Romania has thus become the first non-Euro UE member country to fully apply the SEPA standards for national currency payments. In this transition process to SEPA standards for retail payments infrastructure in national currency, the Romanian Banking Association has become the administrator of the SEPA schemes for payments in Lei, following their agreement with the European Payments Council (EPC).

For the cross-border payments in Euro, TRANSFOND has concluded in 2013 an interoperability contract based on SEPA standards and the frame defined by the European Automated Clearing House Association (EACHA), with the processor equensWorldline from the Netherlands, the most important pan-European automated clearing house (PEACH) from the mentioned association. In October 2016, TRANSFOND has extended the interoperability agreement with equensWorldline, which allowed the interconnection of the participants to the SENT system - the EURO component, to 79% of the members of the European Union (22 states, Romania included), for the processing of the cross-border payments, amounting the number of the banks which can be reached directly for EURO cross-border payments to 3400. In this context, the number of the participants to the SENT system - the Euro Component increased from 8 to 13, by the end of 2016.

¹ Below the 50,000 RON value (exclusively)

On 31 December 2016, the number of the direct participants registered in SENT - the RON component was 40, following the accession of Alior Bank to the system.

In 2016, at the level of SENT - the RON Component, the migration of participants from the national standard payment order to the SCT product continued, so that the number of SCT participants increased from 31 at the end of the year 2015, to 33 at the end of 2016. For the rest of the participants, TRANSFOND performed the conversion of the messages for payment orders from/in the national format into/from SEPA format.

As far as the operations processed through SENT are concerned, in 2016 they developed as follows:

- The volume of the small value payment orders increased by 8.1%, and their value by 7.4%;
- The volume of the debit instruments decreased by 7.5%, and their value by 10.8%;
- The volume of the direct debit operations decreased by 33.5%, and their value increased by 7.1%.

The total volume increase in SENT - the RON component was 7.0% and the value increase was 4.3% in 2016, compared to the same period of the previous year, which was based on the slight improvement of the economy.

In the case of the direct debits there was a decrease of the processed volumes (of 33.5% as compared to the same period of the previous year), mainly caused by the migration to the SEPA standards, as well as by the implementing of a new means of administration of the afferent mandates. Nevertheless, the value of the processed direct debits registered a 7.1% increase as compared to 2015.

The payment orders processed within SENT - Euro component have recorded an increase in 2016 both in terms of volume by 338.9% as well as value by 514.0%, as compared to 2015, but are still kept at a low level, the majority of payments in the total number of operations in EUR representing cross-border collections (77.6% as far as the volume is concerned and 48.9% as far as their value is concerned).

In order to align the provisions of Directive 2007/64/CE of the European Parliament and Council concerning the



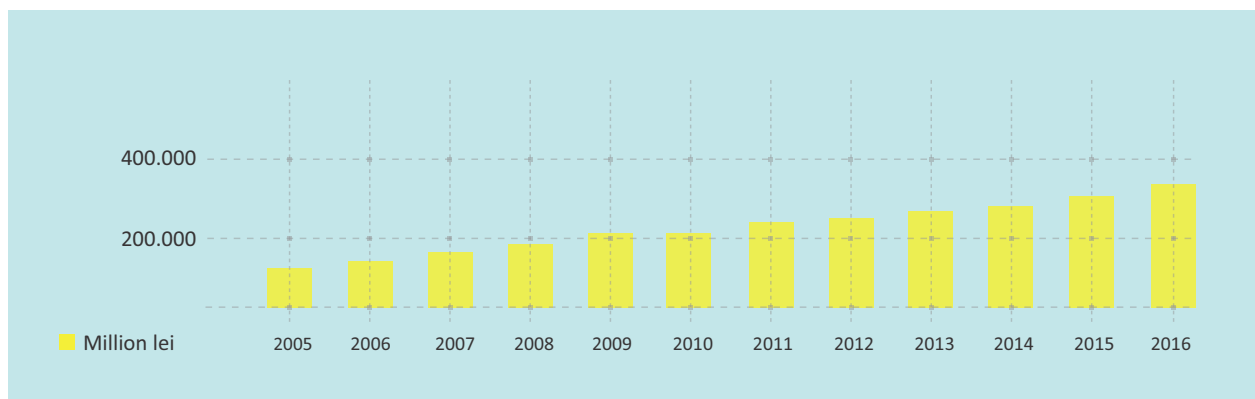
payment services within the internal market, transposed in the Romanian legislation through the Government Emergency Ordinance no. 113/2009 for the payment services, approved through Law no. 197/2010, SENT was opened as of 2012 for all payment services providers categories.

The evolution of the volume and of the value of the payment instruments processed through the SENT system, between 2005 - 2016, graphically illustrated below, is presented in detail in the Statistics Section.

Evolution of the volume of transactions processed through SENT
2005 - 2016



Evolution of the value of transactions processed through SENT
2005 - 2016



TECHNICAL SERVICES FOR THE EPS COMPONENTS ADMINISTERED BY THE NATIONAL BANK OF ROMANIA

ReGIS

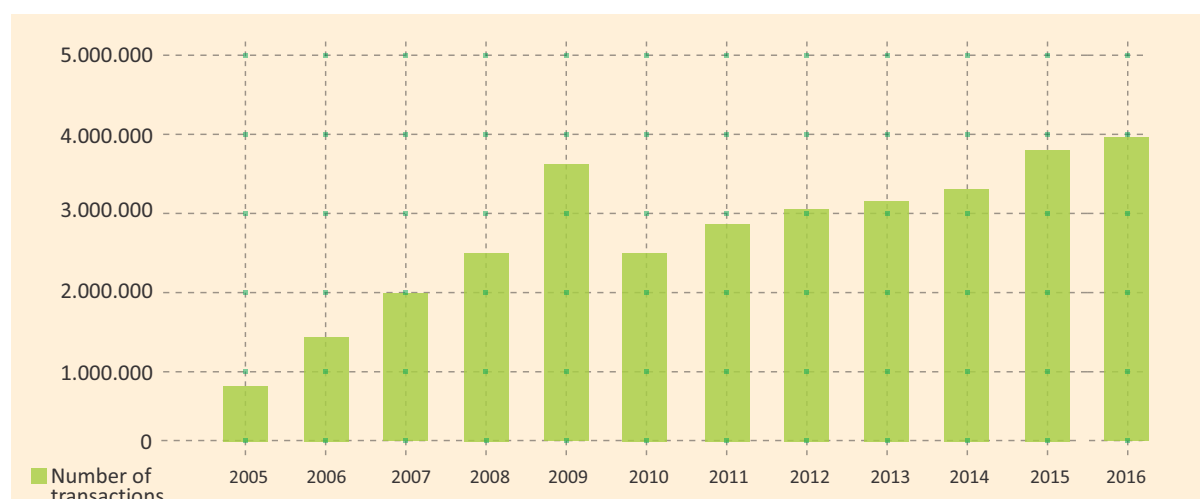
ReGIS– essential component of the Electronic Payment System – is the system which ensures real time gross settlement of the high value or urgent payments in Lei (individual payments processing), settlement of operations on the money market, foreign currency market and central bank operations, as well as the final settlement of domestic interbank clearing houses operations (including SENT).

Within this system, TRANSFOND's role is that of a technical operator within the existing contractual limit between NBR and TRANSFOND.

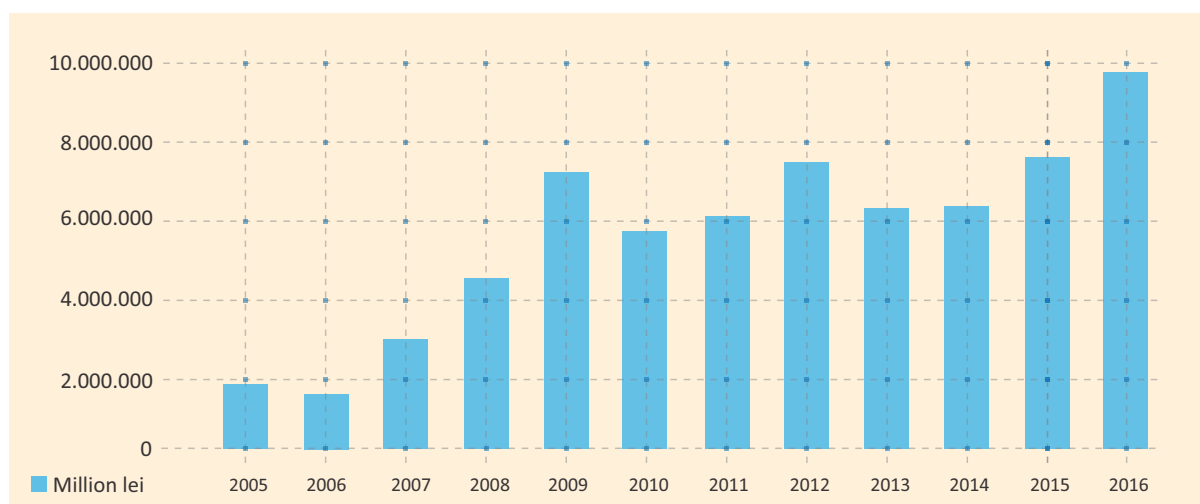
The volume of the operations processed through ReGIS in 2016, compared to the previous year, has increased by 5.6% and its value by 30.7%.

The evolution of the volume and of the value of the operations processed through ReGIS, between 2005 - 2016, graphically illustrated below is presented in numerical detail in the Statistics Section.

Evolution of the volume of transactions processed through ReGIS
2005 - 2016



Evolution of the value of transactions processed through ReGIS
2005 - 2016



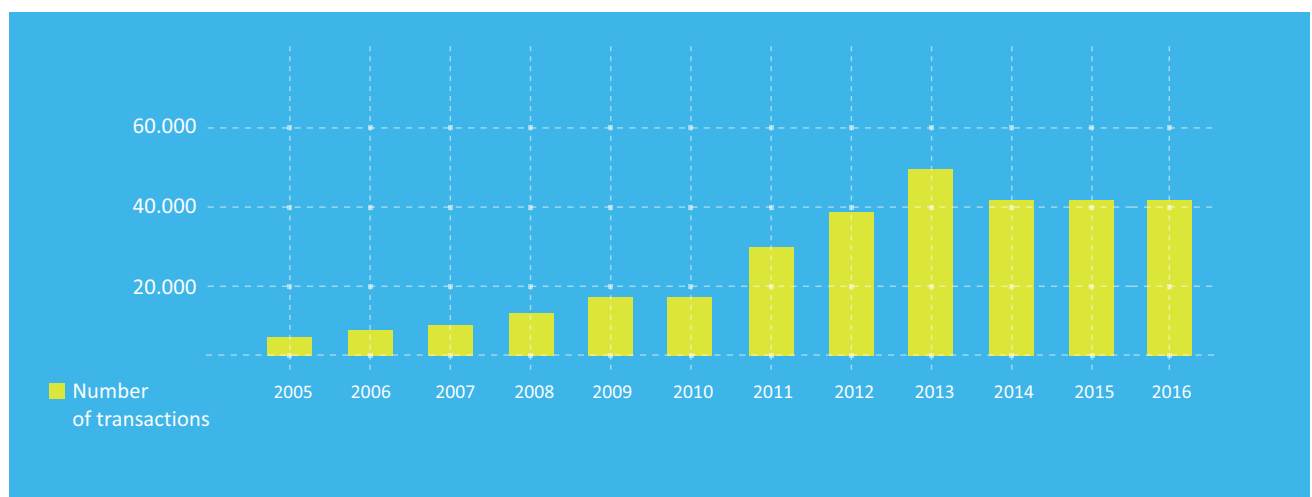
Sistemul SaFIR

As a result of the banking system's concern for total automation of interbank payments made in the Romanian economy, SaFIR became operational in October 2005. The system is technically operated by TRANSFOND and is functionally managed by the National Bank of Romania.

The volume of the operations with financial instruments registered in SaFIR decreased by approximately 0.2% in 2016 compared to 2015.

The volume evolution of financial instruments operations issued by the Ministry of Public Finance and the National Bank of Romania registered in SaFIR between 2005 and 2016, graphically illustrated below, is detailed in the Statistics Section.

Evolution of the volume of transactions processed through SaFIR
2005 - 2016



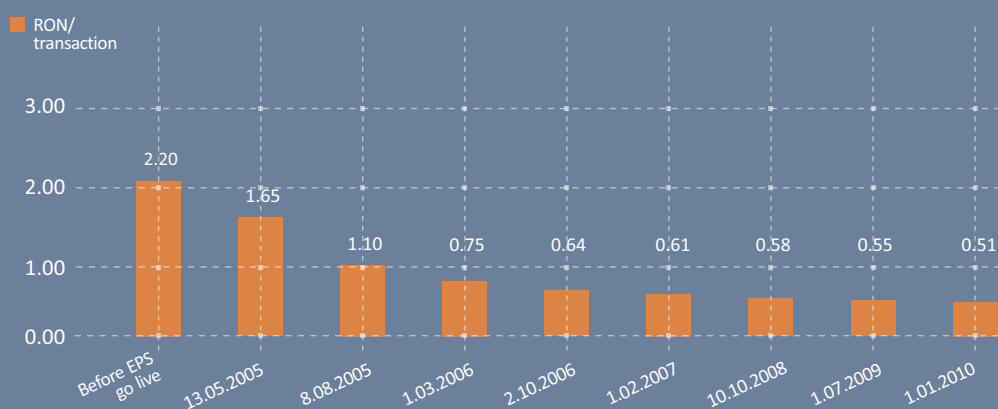
Details regarding the availability of SENT, ReGIS and SaFIR can be found in the Statistics Section.

FEES CHARGED IN THE EPS

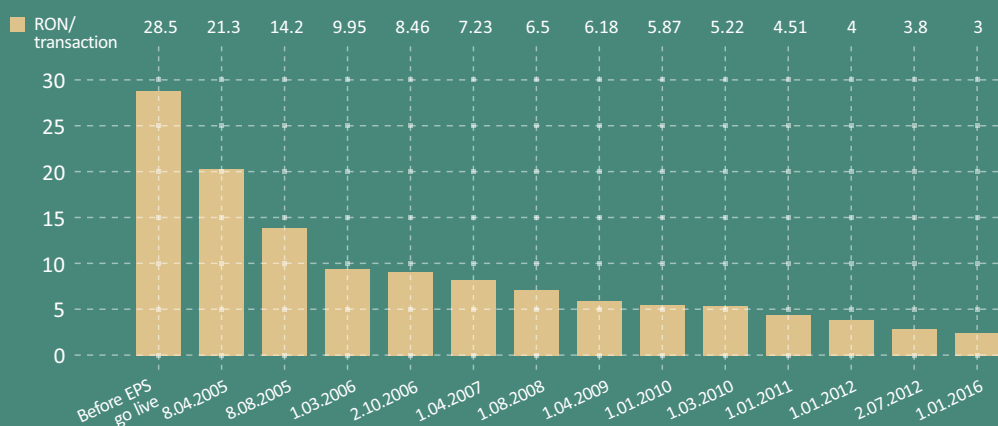
In an effort to offer a complex and complete array of services to the Romanian banking community, that would streamline the undertakings' activity by reducing the transaction costs, TRANSFOND initiated along with the commissioning of the Electronic Payment System, a sustained campaign for the reduction of the fees charged in all three components. The efforts made in order to reduce fees and ensure a shorter time for making the transfer also aimed at attracting a high volume of payments from cash to the electronic environment.

The fees charged in the EPS have been periodically diminished since 2005 up to the present, being reduced by 89.47% in ReGIS and by 73.67% in SaFIR, in relation with the National Bank of Romania, and by 76% in SENT, for the direct relation with the banking community. The company was able to absorb this financial impact by applying certain systematic cost control policies, including a considerable reorganization of the activity and an efficient management of the EPS, with an availability of more than 99.99%, during all the 11 years of operation.

Evolution of the fees for the small amount payments (payment orders and direct debits, RON) - SENT -



Evolution of the fees for the large amount payments (RON) - ReGIS -



TRAINING CLIENTS (TRAINING PROGRAMS)

In order to ensure a wider access for the employees of financial and banking institutions to training and certification for ReGIS and SENT users, TRANSFOND has continued to regularly organize (spring and fall) or upon participants' express request, training and certification sessions.

Therefore, in 2016, TRANSFOND organized two training and certification sessions for ReGIS users for a number of 23 employees of the participants and two training and certification sessions for SENT users, attended by 17 trainees.

Also, upon the request of several payment institutions, two extraordinary ReGIS training sessions and an extraordinary SENT training session were organized.





CHAPTER 3

**E-BUSINESS
SERVICES**

E-BUSINESS SERVICES

In addition to its main concern in the field of payments, the company offers cutting-edge technological solutions for the financial-banking community in Romania, completely integrated in the value chain of services developed until the present day. The innovative character of the organization is proved by the in-house development of high standard services in the digital field, such as e-Arhiv@ and e-Factur@, both premieres on the Romanian market, at the time of their go-live.

In the case of e-Arhiv@, which is periodically authorized and audited by the communication and information society authorities, TRANSFOND was chronologically the first authorized supplier of electronic archiving services in Romania, according to the provisions of Law 135/2007 and it is the leader for this type of services for the financial - banking system.

E-ARHIV@ ARCHIVING OF DOCUMENTS IN ELECTRONIC FORMAT



Starting July 8th, 2009, TRANSFOND became the first electronic archive administrator accredited in Romania, by launching e-Arhiv@, according to the Order of the Minister of Communications and Information Society no. 522/08.07.2009, being entitled to perform electronic archive management activities under Law no. 135/2007 concerning the electronic archiving, its data centres obtaining the necessary authorizations, by the Orders of the Minister of Communications and Informational Society no. 521/08.07.2009 and no. 571/10.10.2012. In July 2015, as a result of the favourable report issued by the authorized auditor of the Ministry of Communication and Informational Society, the Order MSI no. 391/17.07.2015 has been issued, renewing the authorization of TRANSFOND data centres dedicated to electronic archiving.

By offering e-Arhiv@, TRANSFOND ensures its customers' relief from the obligations of fulfilling the legal and technological accreditation requirements as electronic archive administrator and archive hosting data centre, as well as of the high investment and operational costs related to the implementation of an electronic archiving solution in accordance with the effective legal provisions.

In order to meet the expectations of all potential customers, TRANSFOND provides an electronic archiving service, respectively **EXCLUSIVE e-ARCHIVE** with two components:

- **manual archiving**, search and retrieval of electronic documents - the archiving of documents being performed according to every institution's archiving classified lists;
- **customized automated archiving**, search and retrieval - that provides customers with optional automation solutions for documents' transmission processes, including LOTUS messages in the participants' users mailboxes, for their archiving in e-Arhiv@.

The range of documents' storage services in electronic environment has been completed by the storage, search and retrieval service of electronically generated documents or of documents transposed from paper support to electronic format - **e- STORAGE**.

Both in case of stored documents as well as archived documents, TRANSFOND provides disaster recovery, by replicating the information in the secondary data center.

The high performance level of the services offered by TRANSFOND, corroborated with its reputation for proven safety and professionalism in services administration, led to a market share of 90% on the banking segment for e-Arhiv@ in 2016, the company thus maintaining the market leader position in this sector.

In 2016, e-Arhiv@ and e-Storage have registered an availability level of 99.96%, compared to the assumed contractual level of 95%.

E-FACTOR@ ELECTRONIC INVOICING SERVICES



The electronic invoicing service **e-Factor@**, launched in 2010 by TRANSFOND, allows businesses to issue, archive and deliver the invoices in electronic format, completely or partially replacing the similar process on paper, depending on the issuing customer's or the payer's needs.

The service offered by TRANSFOND, part of Additional Optional Services to the payments systems according to SEPA at European level, brings important economic benefits as an integral part of the sale flow within a company, as well as an improvement of the use of human resources and time required to perform actions related to the invoicing process.

The development of e-Factor@ as a service provided to the real economy by TRANSFOND, through the collaborating banks, was based originally on the European and global trend in the field (both, in general, disfavoring the use of paper based documents in favour of the electronic ones and in particular, the optimisation of internal processes of any business by reducing invoicing costs), as well as on the fact that, in Europe, the service has been increasingly established as a banking product. Moreover, the invoice being most often the initiator of a payment, a direct connection has been shaped with the basic activity of TRANSFOND - the one of technical operator of the Electronic Payments System.

The e-Factor@ service has been developed based on a modular platform, in the form of a unique secured application, to which both the invoice issuers as well as their recipients can connect.

Regarding the archiving component of the electronic invoices, TRANSFOND provides, as an integral part of e-Factor@, **Invoice e-Archive**, through e-Arhiv@.

The number of recipients of the invoices increased by more than 70% in 2016, reaching 12,680, compared to approximately 7,400 recipients at the end of 2015.

In 2016, the electronic invoicing system of TRANSFOND has registered an average availability level of 99.98%, compared to a contractually undertaken level of 95%.

TRANSFOND has continued to pursue the efforts of bringing awareness to the general public regarding the electronic invoicing services in 2016. The importance of e-Business services both for a better businesses management and for environmental protection is a constant focus of the company. The potential benefits that an electronic invoice brings to all parties involved, constitute one of the reasons that led to TRANSFOND developing this business line.

By its nature, e-Factur@ can be interfaced with ERP systems (Entreprise Resource Management) used by companies that issue invoices, as well as by their recipients (in the business-to-business relation), for enhancing automation of internal financial processes, thus substantially reducing processing cost and time. The central application is completely managed by TRANSFOND, both technically as well as functionally, so that the clients can direct their efforts to other business areas.

As benefits of adopting such a service the following should be emphasised: the optimization of processes for invoice issuers, as well as important savings regarding the issuing, archiving and delivery/transmission of invoices.

As invoices recipients are concerned, mention should be made that the invoice is assuredly delivered in short time and the risk of any errors that may occur in its processing, related to human intervention, is significantly reduced. Also the cash flow for both the invoice issuers, as well as for their recipients becomes efficient.

**THE QUALITY MANAGEMENT SYSTEM,
INFORMATION SECURITY AND
OPERATIONAL CONTINUITY**



THE QUALITY MANAGEMENT SYSTEM, INFORMATION SECURITY AND OPERATIONAL CONTINUITY

■ QUALITY MANAGEMENT

The constant concern for maintaining the highest quality standards for the activities carried out within the company has materialized in the continuous improvement of the Quality Management System, implemented and certified as proven by the last audit report resulted from the supervision audit carried out between the 25 and the 26.05.2016, by the certification body SC INTERTEK LABTEST SRL, with UKAS (The United Kingdom Accreditation Service) accreditation. This was a supervisory audit of the quality management system following which the company kept the certification for the first year from the third three years cycle. We must mention that TRANSFOND has had this certification since 2009, and the latest recertification was obtained in May 2015.

In accordance with TRANSFOND's focus, all objectives related to the Quality Management System have been maintained in 2016, for offering the clients services that are used with a high satisfaction degree, covering all their requirements and expectations.

■ INFORMATION SECURITY

The implementation and certification of an Information Security Management System (ISMS) according to ISO 27001 is a strategic decision for any organization as it provides reasonable assurance with regard to the security of the information of the certified company and also of the customers and business partners. TRANSFOND's ISMS system is based on a risk approach to which the organization is exposed and has the purpose to establish, implement, operate, monitor, review, maintain and improve the information security.

As a result of the fact that ISO 27001:2005 has been replaced with a new version, ISO 27001:2013, TRANSFOND has made efforts to align to the requirement of the new standard version.

In 2015, TRANSFOND aligned the requirements of the new version of the standard ISO 27001:2013, and after the surveillance audit performed at the end of March 2016, the auditors acknowledged full compliance with the standard and subsequently recommended granting of a new certificate in accordance with the new standard, to the certification body.

■ BUSINESS CONTINUITY

TRANSFOND's role within the financial and banking system, the dependence on technology and the specific threatens to the environment in which the company operates are significant factors that have led to the implementation of a business continuity management system, in line with the BS 25999 requirements.

Ensuring the continuity of infrastructure services has been one of the major concerns of the company in 2016, the use of the alternative facilities in the two company premises being carried on in order to ensure disaster recovery capacity.

In 2016 continuity documents (Risks analysis concerning the continuity of the business, the Plan for restoring the information technology resources) were brought up to date and a new impact analysis (BIA) was performed. Also in 2016, the necessary documentation for the certification of the business continuity management system was prepared, according to ISO 22301.



The joint efforts of the systemic elements minimize the impact of such situations on the company and allow TRANSFOND to quickly resume its critical processes so as the payment systems and financial instrument settlement systems operate appropriately

■ LEVEL OF CUSTOMER SATISFACTION

TRANSFOND annually performs a study regarding customer satisfaction. In 2016, the areas investigated included: the Electronic Payment System, the electronic archiving service - e-Arhiv@, the electronic invoicing service - e-Factur@.

Regarding the EPS, the reaction percentage of the questioned entities was 100%, with a total number of 43 institutions. The respondents have been represented by EPS contacts. The total satisfaction percentage is 95.6%, higher compared to the 94.4% registered in the previous year.

For e-Factur@ (including the e-Arhiv@ component), we have questioned the customers in operation in December 2016, all of them offering answers. The total satisfaction percentage is 90.9%, registering a slight decrease compared to the previous year, when the percentage was 93.8%.

Regarding e-Arhiv@ we have questioned the customers in operation in December 2016 and 100% of them have provided answers; the total satisfaction percentage is 93.3%, similar to the one recorded during the previous year, of 93.4%.

We can conclude that the general reaction of the banks of the other categories of customers questioned in relation to the services offered by TRANSFOND in 2016 is a positive one, reflecting the efforts of the company to permanently improve its activity.



A close-up, action shot of a swimmer in a pool. The water is a vibrant blue, and there is a significant splash of white water around the swimmer's head and arms. The swimmer's skin is wet and glistening. The background shows the lane lines of the pool, which are dark blue and slightly out of focus. The overall scene is dynamic and energetic.

TRANSFOND

CHAPTER 5

**ORGANIZATION
AND GOVERNANCE**

ORGANIZATION AND GOVERNANCE

SHAREHOLDERS²

LIST OF SHAREHOLDERS, THE RELATED SHARES AND THEIR WEIGHT IN THE SOCIAL CAPITAL OF STFD - TRANSFOND S.A.³

No.	Shareholder's name	No. of shares	%	Total Value - RON
1.	THE NATIONAL BANK OF ROMANIA	2.240	33,33	2.240.000
2.	BLOM BANK FRANCE S.A.	166	2,47	166.000
3.	BRD - GROUPE SOCIETE GENERALE S.A.	235	3,5	235.000
4.	ROMANIAN COMMERCIAL BANK S.A.	218	3,24	218.000
5.	UNICREDIT BANK S.A.	540	8,04	540.000
6.	BANCPPOST S.A.	271	4,03	271.000
7.	THE ROMANIAN IMPORT EXPORT BANK EXIMBANK S.A.	160	2,38	160.000
8.	BANCA ROMÂNEASCĂ S.A. MEMBER OF THE NATIONAL BANK OF GREECE GROUP	187	2,78	187.000
9.	CREDIT EUROPE BANK ROMANIA S.A.	164	2,44	164.000
10.	BANCA TRANSILVANIA S.A.	371	5,52	371.000
11.	PATRIA BANK S.A.	382	5,69	382.000
12.	ALPHA BANK ROMÂNIA S.A.	200	2,97	200.000
13.	ING BANK N.V.	183	2,72	183.000
14.	PIRAEUS BANK ROMÂNIA S.A.	170	2,53	170.000
15.	CITIBANK EUROPE PLC	160	2,38	160.000
16.	THE COMMERCIAL BANK INTESA SANPAOLO ROMANIA S.A.	166	2,47	166.000
17.	CREDIT AGRICOLE BANK ROMANIA S.A.	166	2,47	166.000
18.	LIBRA INTERNET BANK S.A.	172	2,56	172.000
19.	RAIFFEISEN BANK S.A.	228	3,39	228.000
20.	IDEA BANK S.A.	160	2,38	160.000
21.	CEC BANK S.A.	181	2,69	181.000
	TOTAL	6.720	100%	6.720.000

² The shareholders are presented in its updated structure (June 2017).

³ In the order mentioned in the Articles of Incorporation of the company.

THE BOARD OF DIRECTORS OF TRANSFOND

- **President** – **Nicolae Dănilă**, Strategy Counselor of the Governor, the National Bank of Romania
- **Vice-president** – **Radu Grațian Ghețea**, President of CEC Bank
- **Vice-president** – **Leontin Toderici**, Deputy General Manager of Banca Transilvania

Members:

- **Gabriela Mihailovici** – Strategy Advisor of the National Bank of Romania
- **Beatrice Aurelia Popescu** – Advisor to the Executive Management - the National Bank of Romania, replaced in October 2016 by Elena Georgescu – Advisor to the Prime Vice-Governor - the National Bank of Romania
- **Mihai Bogza** – Chairman of the Board of directors at Bancpost
- **Dan Corneliu Pascariu** – President of the Supervisory Board of Unicredit Bank
- **Paul Ursăciuc** – Erste Group
- **Doru Bebe Bulată** – Advisor of the President, EximBank

EXECUTIVE MANAGEMENT OF TRANSFOND

- **Sabin Carantină** – Chief Executive Officer
- **Mirela Rațiu** – Deputy Chief Executive Officer

CORPORATE GOVERNANCE. SUPERVISION OF THE INTERBANK PAYMENT SYSTEM

TRANSFOND believes that a solid governance mechanism maximizes the company's capability to diversify and improve the quality of the services offered, to the benefit of its shareholders and customers.

TRANSFOND is an organization that operates in accordance with the companies' law no. 31/1990 as further amended and supplemented, and is managed by its shareholders. In accordance with the company's by-laws, besides the central bank, only credit institutions can become shareholders. The shareholders appoint and elect, every 4 years, a Board of Directors made up of 9 members – individuals who represent *intuitu personae* each and all of the company shareholders.

The Board of Directors governs the company business and, together with the company executive management, has as role and accountability to establish and follow up the achievement of objectives, alongside the development of new services.

The value of TRANSFOND governance mechanism reflects in the performance achieved in the delivery of interbank electronic payment services, as well as in TRANSFOND's capacity to develop and diversify its business.

TRANSFOND has an on-going dialogue with the payment systems supervisory authorities. In accordance with the laws in force, the National Bank of Romania supervises the payment systems of systemic importance, including those managed and /or operated by TRANSFOND.



TRANSFOND

CHAPTER 6

FINANCIAL
STATEMENTS

FINANCIAL STATEMENTS

Annual Balance Sheet

As of 31 of December 2016	Lei
ASSETS	
FIXED ASSETS	16.172.436
Intangible fixed assets	1.337.611
Tangible fixed assets	14.680.540
Financial fixed assets	154.285
CURRENT ASSETS	42.355.611
Stocks	60.954
Accounts Receivable	6.220.546
Short term financial investments	0
Cash and Accounts in banks	36.074.111
PRE-PAID EXPENSES	2.230.571
TOTAL ASSETS	60.758.618
LIABILITIES	
Debts payable within one year	3.843.514
Debts payable within a period exceeding one year	0
Provisions for contingent charges	1.103.873
Pre-paid income	14.889
Capitals	55.796.342
TOTAL LIABILITIES	60.758.618

Profit and Loss Account

As of 31 of December 2016	Lei
TOTAL INCOME	65.534.471
Operating income	64.382.162
Financial income	1.152.309
TOTAL EXPENDITURE	40.361.827
Operating expenses	40.204.635
Financial expenses	157.192
GROSS RESULTS	25.172.644
GROSS RESULTS	3.839.114
NET PROFIT FOR THE FINANCIAL YEAR	21.333.530



TRANSFOND

CHAPTER 7

STATISTICS
SECTION

Payments Statistics

Volume of electronic payments during 2005 (April) – 2016 (number of operations)			
Anul	ReGIS	SENT (OP+DD+ID)	SaFIR
2005	891,183	31,934,558	1,464
2006	1,561,380	54,796,193	4,489
2007	2,110,412	55,434,395	5,529
2008	2,790,520	51,694,644	8,928
2009	3,751,508	55,439,612	18,962
2010	2,618,315	56,683,175	18,919
2011	2,952,431	57,414,143	33,895
2012	3,195,966	58,837,613	41,024
2013	3,344,650	62,010,032	51,796
2014	3,530,670	68,535,783	44,988
2015	3,851,078	76,708,532	44,321
2016	4,063,521	82,098,172	44,249

Notes:

*) On April 8, 2005 the ReGIS system went live.

**) On May 13, 2005 the SENT system went live.

***) On October 3, 2005 the SaFIR system went live.

****) On October 10th, 2008, the electronic processing of debit instruments module went live.

Value of electronic payments during 2005 (april) – 2016
(million Lei)

Anul	ReGIS	SENT (OP+DD+ID)
2005	2,102,558	81,284
2006	1,927,255	143,067
2007	3,529,912	167,321
2008	4,922,697	206,118
2009	7,521,174	233,049
2010	5,928,232	231,329
2011	6,365,028	248,036
2012	7,608,329	259,187
2013	6,754,630	262,726
2014	6,725,360	278,328
2015	7,599,312	304,883
2016	9,829,404	317,904

Notes:

*) On April 8, 2005 the ReGIS system went live.

**) On May 13, 2005 the SENT system went live.

***) On October 3, 2005 the SaFIR system went live.

****) On October 10th, 2008, the electronic processing of debit instruments module went live.

Performance of TRANSFOND services in 2016

The average availability for the technical services of the Payments Electronic System in 2016 was 100%. Thus, from the point of view of the clients' perception of these services, the availability was higher than 99.99% for each of the EPS components.

According to the availability levels achieved, compared to the minimum level of the EPS component availability contractually undertaken (99%), we can conclude that the EPS, from all points of view (information system, infrastructure services and technical operation) provides a very high level of quality for the supplied services.

The evolution of the availability of the EPS components

Indicator	2015	2016
Availability of technical services		
ReGIS	100%	100%
SENT – RON Component	100%	100%
SENT – EURO Component	100%	100%
SaFIR	100%	100%
Availability towards the clients		
ReGIS	99,995%	99,999%
SENT – RON Component	99,997%	99,998%
SENT – EURO Component	99,998%	99,998%
SaFIR	99,999%	99,993%

THE EVOLUTION OF FEES CHARGED BY TRANSFOND FOR PAYMENT OPERATIONS

System	Fee type							
		Before EPS go-live	After EPS go-live	8/08/2005	1/03/2006	2/10/2006	1/02/2007	1/04/2007
ReGIS	Total fee/payment transactions, charged as follows:	28,5	21,3*)	14,2	9,95	8,46	-	7,23
	Payment order – payer	14,25	14,2	14,2	9,95	8,46	-	7,23
	Payment order – beneficiary	14,25	7,1	-	-	-	-	-
SENT	Total fee/payment transactions, charged as follows:	2,09	1,65**)	1,10	0,75	0,64	0,61	-
	Payment order – payer	1,045	1,10	1,10	0,75	0,64	0,61	-
	Payment order – beneficiary	1,045	0,55	-	-	-	-	-
SaFIR	DvP transaction fee	0	150***)	-	75	-	-	-

*) On April 8, 2005 the ReGIS system went live.

**) On May 13, 2005 the SENT system went live.

***) On October 3, 2005 the SaFIR system went live.

****) On October 10th, 2008, the electronic processing of debit instruments module went live.

Fee value valid from

1/08/ 2008	10/10/ 2008****)	1/04/ 2009	1/07/ 2009	1/01/ 2010	1/03/ 2010	1/01/ 2011	1/01/ 2012	2/07/ 2012	1/01/ 2016
6,5	-	6,18	-	5,87	5,22	4,51	4	3,81	3
6,5	-	6,18	-	5,87	5,22	4,51	4	3,81	3
-	-	-	-	-	-	-	-	-	-
-	0,58 → CT and DD 1 → DI / electronically processed	-	0,55 → CT and DD 0,95 → DI / electronically processed	0,51 → CT and DD 0,88 → DI / electronically processed	-	-	-	-	-
-	0,58 → OP/CT	-	0,55 → OP	0,51 → OP	-	-	-	-	-
-	0,58 → DD 1 → DI / electronically processed	-	0,55 → DD 0,95 → DI / electronically processed	0,51 → DD 0,88 → DI / electronically processed	-	-	-	-	-
-	-	-	-	-	-	-	-	-	39,5

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