

TRANSFOND

ANNUAL REPORT 2023



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TRANSFOND

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AliasPay Payment initiation service using the recipient's phone number instead of their IBAN

e-Arhiv@ TRANSFOND Electronic Documents Archiving Service

e-Factor@ TRANSFOND Electronic Invoicing Service

RO e-Factura National electronic invoicing service

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

SCT SEPA Credit Transfer

SCTInst SEPA Instant Credit Transfer

SDD SEPA Direct Debit

SENT Electronic System for Net basis settlement of TRANSFOND - Automated Clearing House (the electronic system for the processing of low value payments, less than 50,000 RON), provided by TRANSFOND

SEP Electronic Payments System

SEPA Single Euro Payment Area

TRANSFOND The Company for Funds Transfer and Settlement – TRANSFOND S.A.

MESSAGE FROM THE GENERAL MANAGER

TRANSFOND's main objective is to provide **low value electronic interbank payments** at an optimal level within the Romanian banking system. In order to achieve this goal, the company **manages and operates the infrastructure for interbank payments** under the conditions of high performance, maximum security and economic efficiency. In addition, TRANSFOND **constantly strives to adapt** to the European payment standards both by developing new services, in line with the latest trends in the area and subsequently made available to payment service providers in Romania, and by maintaining the **highest levels of quality** for current services.

The data shows that while Romania has made some progress in **reducing the shadow economy** over the last decade, sustained efforts are still needed to **mitigate the effects from the multiple crises** facing the business environment and economy. Among the measures to combat the effects of the shadow economy, there is the **increased use of digital services** in general, as well as of electronic means of payment. Thanks to the quality of services offered within the Retail Interbank Payments Clearing House - SENT, TRANSFOND **contributes to increasing the number of electronic transactions** and decreasing cash transactions in the economy.

In this context, the management of the Automated Clearing House - SENT including the Instant Payments element, TRANSFOND's "core-business", **recorded a positive development** in terms of payment volumes processed in 2023. This development is reflected both in the company's financial statements, which showed the results of a **solid and efficient management** in recent years, and in the satisfaction of our customers, which is over 98% for each of the services offered in 2023.

Also, during 2023, as related to achieving performance, the Instant Payments service **increased more than fivefold** in terms of volumes compared to 2022, demonstrating both the utility of the service for end consumers, **ease of use and the growth** of the local market for payment services, which follows the pattern of retail payment trends seen at European and global level. By the end of 2023, the service **covered approximately 80% of the total banking market** in terms of assets.

In support of the endeavour to **increase the number of digital payments**, TRANSFOND will launch RoPay starting in 2024, the first payment initiation

scheme in Romania, based on the central interbank instant payment infrastructure. The service will be **usable in various payment situations**, including payment to traders, online commerce payment and payments for exchanges with friends. Payment will be initiated through RoPay by scanning a QR code, or using a deep-link (as for m-commerce), or an alias (as for remote P2P). The QR code RoPay will use, is standardised, it is adopted by the banking community and **compatible with the European reference standard**, which will make it easier in the near future for cross border interoperability. Payees will see their receipts reflected in their accounts in real time relative to the time of payment, 24/7/365.

Through RoPay, instant payments may be initiated both **between accounts at different banks and between accounts at the same bank**. The target customers for RoPay are the consumers and traders who are interested in **making and receiving instant electronic payments** with more cost efficiency than other payment methods. TRANSFOND makes RoPay available together with the banks offering the Instant Payments service.

The service is governed by a payment system **jointly managed by the Romanian Association of Banks and TRANSFOND** and authorised by the National Bank of Romania; designed according to all relevant European functional standards and **based on the vision of the banking community** regarding the development of retail payments in Romania in the coming years. By materialising this vision, **RoPay service aims to decrease the volume of cash payments** to more reasonable levels, offering to banks, other payment service providers, traders and consumers the necessary conditions for reduced costs for digital payments. RoPay service will be interconnected with equivalent solutions in EU member states.

In this way, TRANSFOND, together with the Romanian payment service providers, **will continue to develop the electronic payment infrastructure**, and contribute supporting a solid economy to the benefit of consumers, companies, authorities and payment institutions.

Sabin Caratină
Director General



The Company's Strategic Perspective

TRANSFOND

01

CHAPTER





THE COMPANY'S STRATEGIC PERSPECTIVE

TRANSFOND

VISION

TRANSFOND aims to be the main partner of the Romanian banking community in the field of payments and additional or complementary services for interbank retail payments, making the best use of the infrastructure and know-how at its disposal.

MISSION

In accordance with the requirements of NBR Regulation No. 3/2018 on the monitoring of financial market infrastructures and payment instruments, and subsequent amendments and additions, TRANSFOND's mission is to: ensure the safety and efficiency of the Automated Clearing House of retail interbank payments. support financial stability in the broadest sense, in the public interest, including taking into account the needs of all parties involved and relevant to the Automated Clearing House (National Bank of Romania, direct and indirect participants, and end users of retail payment services). participate in the development of the local retail payments market as a whole.

VALUES

Integrity, respect and equal opportunities

We act with integrity and fairness in everything we do, complying with applicable legal provisions in force and the company's anti-corruption policy, showing respect to team members, customers, partners and suppliers. Equality of opportunity is a fundamental value promoted by TRANSFOND through the application of a specific policy, that promotes the consideration of employees and partners, regardless of gender, age, ethnic origin, religion, disability, political choice, or social origin, promoting their equal treatment.

Customer orientation

We use our resources to understand and meet the needs of our customers. We take responsibility for our customers, and for the environment in which we operate.

Teamwork

We encourage and recognize teamwork, mutual support of efforts within the team, the willingness of our employees to work together, and the unconditional support of colleagues who ask for it to resolve situations they face. All employees are encouraged to share their knowledge and experience, their own opinions and ideas within the company. We all celebrate individual and collective successes

Flexibility and dynamism

We adapt our internal regulations, procedures, programmes and actions to the needs of our customer and the market, and to changes in technology and legislation.

Innovation

We encourage and appreciate the creativity of our people and consider innovative ideas for development.

Credibility

We keep the promises made to our clients and partners.

Respect for the Environment

TRANSFOND invests in environmentally friendly technologies, specifically those that significantly reduce the impact on the environment by substantially eliminating the use of paper and processes related to paper processing (transport, packaging, storage, archiving, etc.). These principles are promoted through the environmental policy adopted by the company and its employees.

Corporate Social Responsibility

The company carries out support activities primarily in the field of social solidarity, financial education, the development of the quality of medical care, as well as in the field of culture, in accordance with the adopted social responsibility policy.

TRANSFOND

Organisation and Governance

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CHAPTER





TRANSFOND

SHAREHOLDERS

- | | | | |
|----|-----------------------------------|----|------------------------------|
| 1 | BANCA NAȚIONALĂ A ROMÂNIEI | 11 | C.E.C. BANK S.A. |
| 2 | BANCA TRANSILVANIA S.A. | 12 | LIBRA INTERNET BANK S.A. |
| 3 | UNICREDIT BANK S.A. | 13 | FIRST BANK S.A. |
| 4 | PATRIA BANK S.A. | 14 | BANQUE BANORIENT FRANCE S.A. |
| 5 | EXIM BANCA ROMÂNEASCĂ S.A. | 15 | INTESA SANPAOLO ROMÂNIA S.A. |
| 6 | BRD - GROUP SOCIETE GENERALE S.A. | 16 | VISTA BANK S.A. |
| 7 | RAIFFEISEN BANK S.A. | 17 | CREDIT EUROPE BANK S.A. |
| 8 | BANCA COMERCIALĂ ROMÂNĂ S.A. | 18 | CITIBANK EUROPE PLC |
| 9 | ALPHA BANK ROMÂNIA S.A. | 19 | SALT BANK S.A. |
| 10 | ING BANK S.A. | | |

BOARD OF DIRECTORS

DAN COSTIN NIȚESCU
President

RADU GRAȚIAN GHETEA
Vice-President

LEONTIN TODERICI
Vice-President

MEMBERS

GABRIELA MIHAILOVICI

DAN CORNELIU PASCARIU

ELENA GEORGESCU

MIȘU NEGRÎTOIU

MIHAI BOGZA

DORU BEBE BULATĂ

EXECUTIVE MANAGEMENT

SABIN CARANTINĂ
Chief Executive Officer

MIRELA RAȚIU
Deputy Chief Executive Officer

A cheetah is standing on a fallen log in a savanna landscape. The cheetah is facing left, looking towards the horizon. The background is a blurred view of a savanna with green grass and distant hills. The sky is a pale blue. The cheetah's fur is a mix of tan and black spots. The log is light brown and has some bark missing. The grass is tall and green.

TRANSFOND

THE MANAGEMENT MECHANISM OF THE COMPANY. SUPERVISION AND MONITORING OF THE AUTOMATED CLEARING HOUSE SYSTEM FOR INTERBANK RETAIL PAYMENTS

For the benefit of the company's shareholders and clients, TRANSFOND has implemented a solid governance mechanism that maximizes the company's ability to ensure the stability of the Automated Clearing House system for low-value interbank payments (non-card retail payments), as well as to diversify and improve the quality of the services offered.

TRANSFOND's governance mechanisms comply with the provisions of the NBR Regulation No. 3/2018 on

the monitoring of financial market infrastructures and payment instruments, with subsequent amendments and completions. Furthermore, TRANSFOND operates in accordance with the Companies Act No. 31/1990 with all subsequent amendments and completions, under the leadership of its shareholders. According to the company's articles of association (Art. 1, para. 2), its shareholders can only be credit institutions regulated by banking legislation, alongside the central bank.

SOCIAL RESPONSIBILITY

Given the specific nature of its core activity, whose growth is likely to be influenced almost exclusively by general socio-economic development, social responsibility is an important concern for TRANSFOND.

Thus, in 2023, the company continued its community involvement activities, being active in supporting children's homes, providing assistance for special medical cases, and supporting educational and cultural projects.

The shareholders designate and elect a Board of Directors every 4 years, consisting of 9 members – individuals who represent *intuitu personae* each and all of the company's shareholders.

The Board of Directors governs the company's activities and, together with the executive management, has the role and responsibility of establishing and monitoring the achievement of the stability and continuity objectives of the SENT system, in accordance with the laws and regulations in force, as well as the development of new related services under conditions of efficient risk management.

The value of TRANSFOND's governance mechanism is reflected in the performance recorded in the delivery of interbank electronic payment services, the capacity for development and diversification of TRANSFOND's activities, and, not least, in the financial results.



Financial Situations

'03

CHAPTER

TRANSFOND



TRANSFOND

ANNUAL BALANCE SHEET

As of 31st of December 2023

LEI

ASSETS

FIXED ASSETS	25.531.590
Intangible fixed assets	2.649.239
Tangible fixed assets	22.824.451
Financial fixed assets	57.900
CURRENT ASSETS	80.399.874
Stocks	88.524
Receivables	13.141.757
Short term financial investments	64.300.000
Cash and Accounts in banks	2.869.593
PRE-PAID EXPENSES	2.714.992

LIABILITIES

Debts payable within one year	8.376.953
Debts payable within a period exceeding one year	-
Provisions for contingent charges	5.142.261
Pre-paid income	103.439
Capitals	95.023.803

PROFIT AND LOSS ACCOUNT

As of 31st of December 2021

LEI

TOTAL INCOME

126.358.912

Operating income	122.489.410
Financial income	3.869.502

TOTAL EXPENDITURE

57.976.595

Operating expenses	57.919.405
Financial expenses	57.190

GROSS RESULTS

68.382.227

Income tax	10.114.090
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NET PROFIT FOR THE FINANCIAL YEAR

58.268.227

Risk Management,
Information Security,
Business Continuity and
Quality Management System

‘04

CHAPTER





TRANSFOND

RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL

Risk management is an integral part of all decision-making and business processes within the company. In this respect, the risks to which the company's activity is or may be exposed that are likely to affect the achievement of its objectives are analysed and monitored, and measures are taken to minimise these risks so that they can be kept under control.

During the first half of 2023, a global risk analysis (undertaken every year) was carried out. This analysis showed that TRANSFOND, through the application of control measures, falls into the category of companies with a low risk in the short term and moderate risk in the medium and long term.

Specific risk analyses were also carried out in the first semester (e.g., updating the Recovery Plan and/or orderly liquidation to comply with BNR Regulation no. 3/2018).

In the second half of 2023, at the request of the National Bank of Romania, the cyber risk analysis model and the related part of the Risk Analysis Methodology were modified, and these changes were approved by the National Bank of Romania in November 2023.

As regards internal control, the system functioned in accordance with the planned parameters, with no violations of the implemented internal controls being reported.

INFORMATION SECURITY MANAGEMENT SYSTEM

In February 2023, security audits (penetration tests) were carried out for the SENT system (CPM lei, CPM Euro and CPI Lei components) and the auxiliary applications AliasPay and RUM, as part of the NIS audit. The test results were analysed by the Department of Information Technology of TRANSFOND and all aspects identified were addressed and closed.

Between 27.04 and 05.05.2023, the recertification audit of SMSI was carried out by the certification body SC INTERTEK LABTEST SRL, with UKAS (The United Kingdom Accreditation Service) accreditation, which ended with an audit report in which the auditors mentioned the compliance

with ISO 27001:2013 and proposed to the certification body to recertify the system for another three-year period.

Maintaining SMSI certification provides assurance that best practices have been applied to the planning, installation, configuration, use and maintenance of information systems, under the conditions of efficient management of the risks faced by the company.

During 2023 the procedural framework was updated.

OPERATIONAL CONTINUITY MANAGEMENT SYSTEM

The process of improving the business continuity management system and updating the business continuity plan is performed without interruption. There were updates to the continuity plan documents in the first half of 2023, followed by further continuity tests in the second half of the year.

The annual test of the Business Continuity Plan for the SENT, e-Arhiv@ and e-Factur@ systems was carried out in the last trimester of 2023.

The test for the SENT system took place on 10 November 2023. The exercise was successful, and all proposed objectives achieved.

The e-Arhiv@ system was tested on the production environment on 14 and 15.11.2023. The operational objectives were fully achieved and no incidents or complaints from customers of this service were recorded.

For the e-Factur@ system, the test was carried out on 21-22.11.2023 in the production environment. The continuity exercise was an integrated (technical and operational) exercise for this system, and was also successfully completed.

Due to the geopolitical situation facing us today, the development of the system was continuously monitored to ensure that the continuity of the company's activity is not being compromised. The Board of Directors was informed on a monthly basis about the effectiveness of the measures taken by the company.

Up to this point, the measures taken have proved to be effective, and the continuity of business operations has not been affected.

QUALITY MANAGEMENT SYSTEM

In the period 30-31.05.2023, the surveillance audit II of the Quality Management System (QMS) was carried out by the certification body SC INTERTEK LABTEST SRL, with UKAS (The United Kingdom Accreditation Service) accreditation, and concluded with a report in which no instances of non-compliance or observations were found, and as a result the company was able to maintain its QMS certification until the surveillance audit II. We mention that TRANSFOND has held this certification since 2009.

Maintaining the certification for the management systems, quality and information security, represents the culmination of the effort of the entire organisation, which aims to offer the best quality services to its customers and to express the organisation's competence to offer value to all interested parties: customers, shareholders, employees, suppliers and the community.

TRANSFOND

The Company's Activity

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CHAPTER



AUTOMATED CLEARING HOUSE - SENT

TRANSFOND



TRANSFOND is the operator and manager of the Automated Clearing House, registered under the name SENT. The infrastructure made available to banks ensures the processing of low-value payment orders and debit payment instruments, regardless of their value, in national currency (these payments are also referred to in the literature as "retail payments"). The system currently processes 95% of all cardless interbank payments in Romania (according to the number of transactions carried out). Preoccupation with offering services at the highest standards with a high level of availability and security, combined with the promotion of the migration of cash payments to the digital environment, are the main points of concern for specialists at TRANSFOND.

TRANSFOND was founded in 2000 with the main objective of operating and technically developing the Electronic Payment System (EPS) in Romania, which was put into operation in 2005 in three phases, for the three components (Automated Clearing House - SENT, Real-Time Gross Settlement System - ReGIS and System for Registration and Settlement of Transactions with Government Bonds - SaFIR). The SENT system has been managed and operated by TRANSFOND since the year in which SEP was launched, while the management and operation of the ReGIS and SaFIR systems has been fully ensured by the National Bank of Romania since March 2018.

The introduction of European payment standards and the fulfilment of the requirements and needs of current and future payment institutions have been the basis of the continuous development process of TRANSFOND's SENT system over the 18 years of unceasing activity in the Romanian financial-banking community.

Chronologically, the development of the payment infrastructure continued with the launch of the new service for the processing of payment orders in SEPA format, in local currency, in November 2012, and in December 2013, with the launch of the Multiple Payments Component in Euro of the SENT system, which is intended for the processing of national and cross-border payments in European currency, with

settlement in the TARGET2 system, at the same fee as that applied in the Multiple Payments Component in Lei (respectively 0.51 lei/payment and 0 lei/collection). Subsequently, in April 2016, the processing of Direct Debits in SEPA format in national currency (SDD) went into operation. The SENT processing of direct debits in SEPA format includes an additional centralised management service for interbank direct debit mandates - RUM. TRANSFOND also provides end users with an application for the issue of direct debit mandates - AM. Also, in April 2019, TRANSFOND launched the Instant Payments Component in Lei within the SENT system.

In September 2020, TRANSFOND launched AliasPay, a service related to the payment methods already offered in the SENT system - through which consumers and clients of payment service providers participating in the Clearing House can initiate extremely simple payments between two accounts opened at institutions (service participants) with different credit cards, using only the mobile phone number of the payee. The first participants of this AliasPay service were operationalised in March 2021.

BNDS - Beneficiary Name Display Service has been made available for Romanian banks since November 2022. Through this service, financial and banking institutions can implement a secure mechanism to prevent payment fraud by verifying the identity of the beneficiary (holder of a specific IBAN) before or at the time the payer initiates the payment.

Further key data on the development of the SENT system managed by TRANSFOND can be found in the table below.



2000 (Iulie)	The Romanian banking community and the NBR established, in accordance with the commitments undertaken toward the European Union and in order to comply with the requirements of the PSAL II Agreement with the World Bank, the Company for Funds Transfer and Settlement - TRANSFOND S.A., as operator of the payment system.
2001 (Mai)	NBR's outsourcing of the payment activity to TRANSFOND (except for the transfer of funds related to the State Treasury) went live.
2002 (Noiembrie)	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. The project started under the coordination of the National Bank of Romania and in the implementation of TRANSFOND S.A.
2003 (Septembrie)	The State Treasury became a participant in the payment system operated by TRANSFOND.
2005 (Aprilie)	ReGIS component of SEP went live.
2005 (Mai)	SENT component of SEP went live.
2005 (Octombrie)	SaFIR component of SEP went live.
2008 (Octombrie)	The SENT module for electronic processing of Interbank Debit Instruments (cheques, bills of exchange and promissory notes) went live.
2012 (Noiembrie)	The SENT service for processing payment orders in lei in SEPA format went live.
2013 (Decembrie)	The EURO Component of SENT for processing payment orders in euro currency with settlement in TARGET2 system went live.
2016 (Aprilie)	The SENT Component for the processing Interbank Direct Debits in SEPA format for national currency went live.
2018 (Martie)	Starting with this date, the technical administration and operation of ReGIS and SaFIR systems is provided by the National Bank of Romania.
2019 (Aprilie)	The Instant Payments in RON service was launched - as a component of SENT.
2020 (Septembrie)	AliasPay was launched - an auxiliary SPL type application (Standardized Proxy Lookup), which allows the initiation of payments via mobile devices, knowing only the beneficiary's mobile phone number, instead of his/her IBAN.
2022 (Noiembrie)	The Beneficiary Name Display Service (SANB) was launched - through which the identify of the beneficiary (holder of a specific IBAN) is verified.

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SENT - INSTANT AND TRADITIONAL PAYMENTS IN LEI AND EURO

In 2023, the volume of transactions processed in the SENT system – Instant Payments Component Lei (CPI Lei) – recorded an increase of more than five times compared to the previous year, exceeding 75 million financial operations, which is due to the joining of participants with significant market shares and promotion of this product by participants, in the second half of 2022, but also in 2023. The maximum number of transactions processed in 2023 was reached on 15 December, when the Instant Payments service of the SENT system processed more than 548,133 transactions.

Based on this significant increase in the volume of instant payments, the traditional transactions processed by TRANSFOND via the SENT system - Multiple Payments in Lei Component (CPM Lei) have developed as follows:

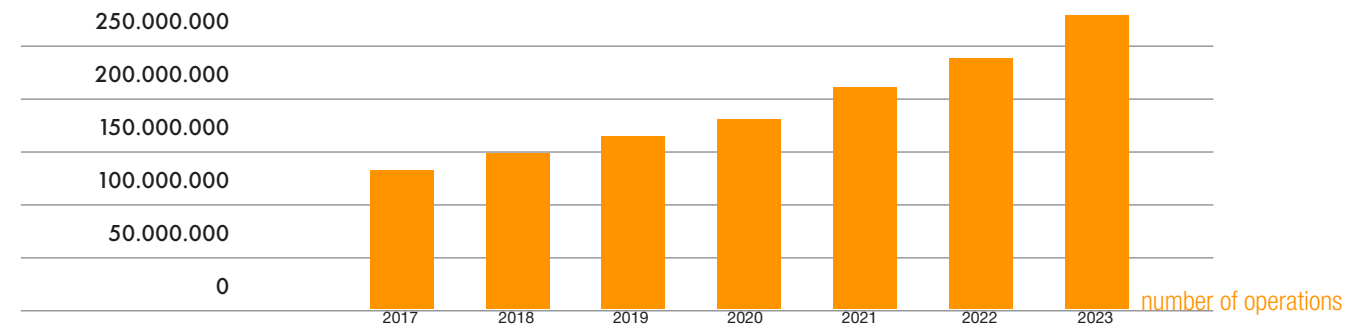
- volume of low-value payment orders increased by 9%, and their value by 3%;

- volume of debit payment instruments decreased by 9%, but their value increased by over 2%;
- volume of direct debits increased by almost 7%, with their value increasing by more than 73%

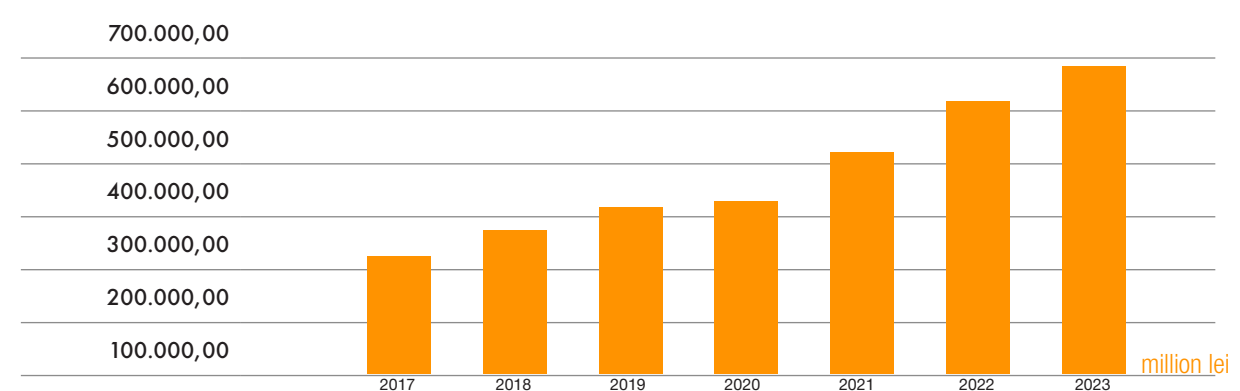
The decrease by almost 9% in the volume of low-value payment orders compared to 2022 was due to the migration of a significant volume of transactions to instant payments processed via SENT – CPI Lei (Instant Payments Component Lei).

The volume of transactions in the SENT system - Multiple Payments Component in euro currency (CPM Euro) recorded an increase in the number of payment orders processed, by almost 15%, following the increase in the volume of cross-border receipts received from TRANSFOND's partner clearing house (equensWorldline), but also of the SENT participants' payments.

DEVELOPMENT OF THE TOTAL VOLUME OF OPERATIONS IN LEI PROCESSED THROUGH SENT 2017 - 2023

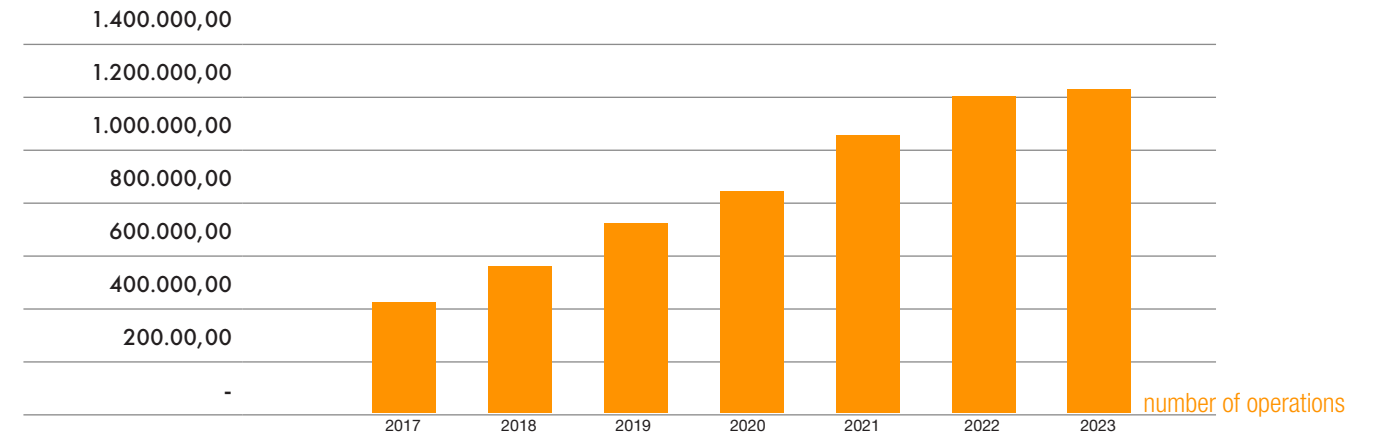


DEVELOPMENT OF THE VALUE OF THE OPERATIONS IN LEI PROCESSED THROUGH SENT 2017 - 2023

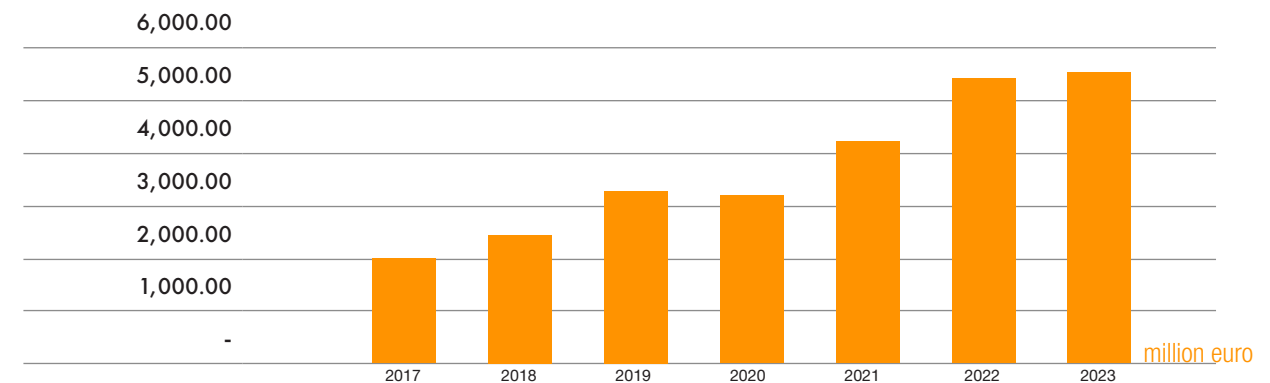


The volume of operations in the SENT system - the Multiple Payments Component in Euro currency (CPM Euro) recorded an increase in the number of payment orders processed by more than 15%, following the increase in the volume of cross-border receipts received from the partner clearinghouse TRANSFOND (equensWorldline), as well as the volume of SENT participants' payments.

DEVELOPMENT OF THE TOTAL VOLUME OF OPERATIONS EUR PROCESSED THROUGH SENT 2017 - 2023



DEVELOPMENT OF THE VALUE OF OPERATIONS IN EUR PROCESSED THROUGH SENT 2017 - 2023



The TRANSFOND logo is displayed in white, bold, uppercase letters. It is positioned on the left side of the page, overlaid on a large orange triangle that points towards the top-left corner. The background of the entire page is a sunset scene with a silhouette of a cheetah running across the horizon.

SENT - LEI INSTANT PAYMENTS COMPONENT

In the timeline of the service, the first phase was the development and finalisation of the Instant Payments application by TRANSFOND in October 2017, followed by internal testing in the period November 2017 - February 2018. The project team first coordinated the testing with banks (February 2018 – the opening of the test environment for banks) and then the service was launched on 22 April 2019.

The first partners in providing the service were Banca Transilvania and CEC Bank, starting on 22 April 2019, and the participants' number reached 11 by the end of 2023 with the joining of Libra Internet Bank, BCR, Vista

Bank, Patria Bank, Raiffeisen Bank, BRD Groupe Societe Generale, Intesa Sanpaolo Bank, ING Bank and Alpha Bank.

The Instant Payments service ensures the transfer of money from the payer's bank account to that of the beneficiary at a different bank or vice versa, taking a maximum of 10 seconds at ANY moment (24/7/365). In practice, since the launch, any transfer between two participating banks is executed within 4 seconds. The payer's bank card is not required for Instant Payments.

INSTANT PAYMENTS: SPEED, SECURITY AND CONTINUOUS IN CHARACTER

By ensuring customer satisfaction and anticipating customer needs, their loyalty will be definitely secured and the bank's reputation in the market further enhanced. The Instant Payments service can certainly play a decisive role for the participating banks in achieving these goals. Being included in the range of services of the most innovative payment system that operates between accounts from different banks can be an aim for any financial institution.

the fact that it is managed by TRANSFOND, the operator of the Clearing House for interbank retail payments in Romania and that it is offered to consumers by banks and other payment institutions authorised and prudently supervised by the National Bank of Romania.

The transfer speed is ensured by the latest technologies in the provisioning of the service and also by the European standards compliance. The provision of continuous payment services, 24/7, plays a key role in its adoption by new generations of consumers, business managers and institutions. The technology chosen to build the profile interbank infrastructure clearly ensures the operation of the service around the clock and at the same time incentivises the adjustment and even optimisation of the internal processes of the participants to meet the same requirements.

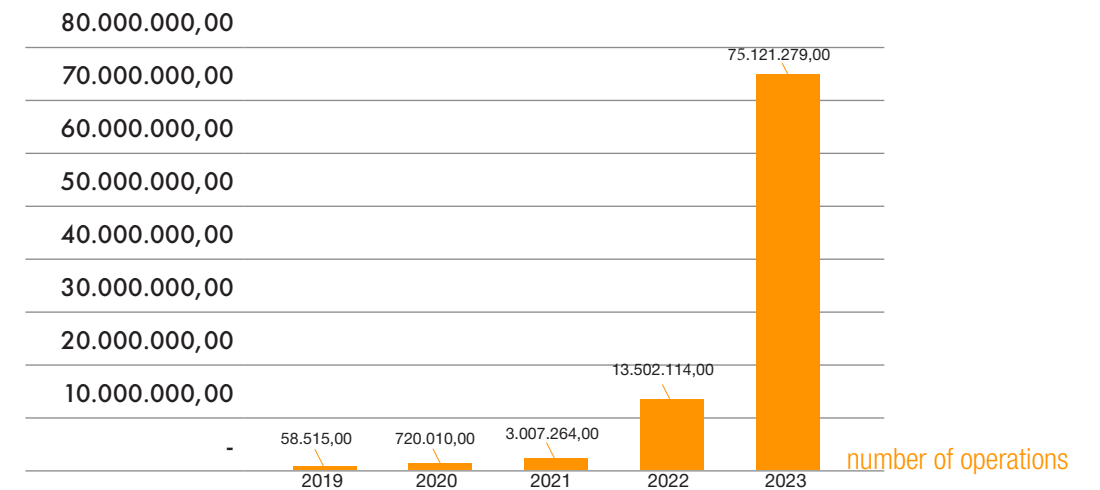
In the European and international context of the promotion of digital means of payment, the Instant Payments service creates the conditions for the development of the new payment ecosystem in Romania, which includes modern payment solutions, without bank cards, such as QR Code payments (for money transfers between individuals, for e-commerce payments or for payments at the traders - physical stores), solutions that will be launched on the market in the coming period. This ecosystem already includes payment methods that use the customers' mobile phone number instead of their IBAN (AliasPay) – in addition to the types of instant fund transfers that add value to the customer's payment experience.

The service guarantees that the payments and the management of the related information take place under fully operational IT security conditions, both in light of

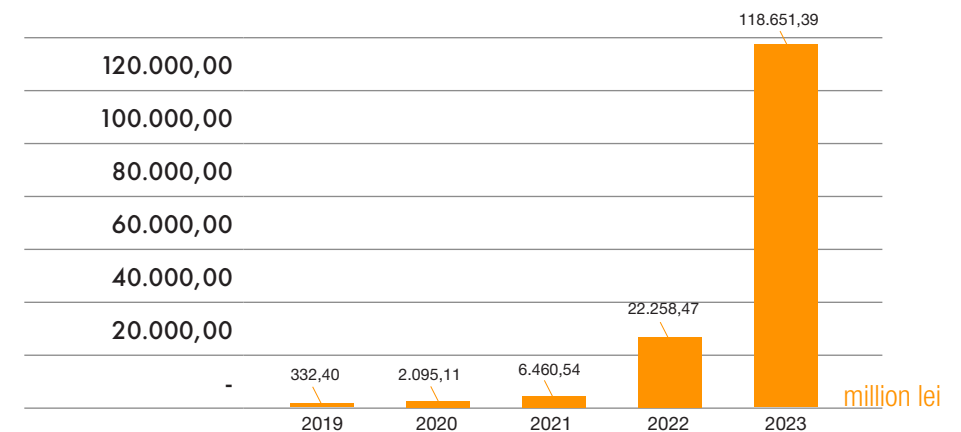
TRANSFOND

The development of the volumes and values of the payment transactions processed via the SENT system - Instant Payments, Multiple Lei and Euro Payment Components, that have been graphically illustrated, are shown in detail in the Statistics Section.

EVOLUTION OF THE VOLUME OF INSTANT PAYMENT 2019 - 2024



EVOLUTION OF THE VALUE OF THE OPERATIONS OF INSTANT PAYMENTS PROCESSED 2019 - 2024



TRANSFOND

SENT - OTHER FUNCTIONALITIES

The AliasPay (SPL) service allows bank customers to initiate interbank payments using the mobile phone number of the payee instead of IBAN. The service became operational in September 2020, and was launched for end consumers on 18 March 2021 in collaboration with Banca Transilvania and CEC Bank. ING Bank joined the service in September 2021 and BCR implemented AliasPay on 31 March 2023.

End users of financial services in Romania can use AliasPay if the banks they opened an account with (payment service providers) participate in the service.

To become a beneficiary of payments via AliasPay service, each customer of a participating bank must first activate the service. In order to use AliasPay, the AliasPay data is transmitted to TRANSFOND so that from that moment on customers are able

to receive funds in their account easily based on their phone number, which is used to initiate the payment by any customer of a participating bank.

For banks and other payment service providers, the AliasPay service brings several advantages: operational security, efficiency, interoperability at SEPA level without the participant having to make any developments, electronic archiving (optional), round-the-clock HelpDesk availability and reuse of the communication networks through which payment institutions are already connected to the SENT system, managed by TRANSFOND. The level of security and availability of the service is consistent with that guaranteed by TRANSFOND for the operation of the Interbank Payments Clearing House. The response time for requests to AliasPay is less than 2 seconds.

BENEFICIARY NAME DISPLAY SERVICE

The SANB service is an integrated IT solution for all interbank payment service providers that, as of November 2022, will minimise the risk of erroneous payments to fraudulent payees by implementing one of the most effective security measures – the verification of the payee's identity (holder of a specific IBAN) before or at the time the payer initiates the payment, so that the payer may decide whether or not to initiate the payment, based on confirmation of the actual identity of the payee making the request. This validation takes place via the SANB service (Beneficiary Name Display Service), which ensures the provision and automatic display of the first name and initial of the beneficiary of the payment when the payer enters the beneficiary's IBAN account. If a legal entity is the beneficiary of the payment, part of its name and the type of organisation (SRL, SA, etc.) will be displayed for verification.

Before SANB, there was no verification of the payee's name when a payment was collected. There was therefore a potential risk that a cybercriminal would ask the payer (via email, SMS, etc.) to pay bills on behalf of known recipients (utility providers, service or goods providers), providing IBAN codes for their own accounts (different from those of authorised recipients). Finally, there was a risk that some payers would follow these instructions without carefully checking the details and pay into the specified account, mistaking it for the rightful recipient.

Such fraud can have a direct impact on the bank, both financially and/or in terms of its reputation, public confidence in the banking system and on cashless payments in general via the (inter)banking system. Beneficiary verification is also an important link in the development of new components of the payment ecosystem in Romania.

The Beneficiary Name Display service was developed by TRANSFOND, and the SANB Scheme is managed by ARB as an optional add-on service to the SEPA RON Credit Transfer Schemes based on the Convention on National Payment Schemes and the mandate given by the National Bank of Romania.



TRANSFOND

FEES CHARGED IN THE SENT SYSTEM

Since the launch of the Electronic Payment System, TRANSFOND has launched a sustained campaign to reduce the fees charged, with the aim of providing the banking community in Romania with a range of complex and comprehensive services that streamline the activity of economic operators, including by reducing transaction costs. The efforts to reduce commissions and shorten transfer time were also intended to attract the largest possible volume of payments from cash to the electronic environment.

As a result, the commissions charged in SENT have been periodically reduced since 2005. In the direct relationship with the banking system, they reached approximately 24% of the value of the original fees charged for operations processed on paper. The company has been able to absorb this financial impact through systematic cost-cutting policies, including a significant restructuring of its activity, in parallel

with the efficient management of SENT, under the conditions of over 99.9% availability in all 18 years of operation in business.

Since November 2021, TRANSFOND has also reduced the fees for processing instant payments, once again supporting payment institutions to encourage the use of this type of payment. Thus, TRANSFOND offers Romanian financial institutions payments with real-time execution at a lower price than traditional SCT, namely 0.45 lei/SCTInst (compared to 0.51 lei - the cost of processing an SCT). Instant payments have thus become the cheapest retail payment infrastructure service offered by TRANSFOND. The commission per transaction in the instant payment infrastructure has decreased by 11.8% compared to the previous level and to traditional SEPA payment orders.

SENT SYSTEM PERFORMANCE IN 2023

In 2023, the SENT system operated within normal parameters, pursuant to the laws, regulations and related contractual framework.

The SENT system (computer application, infrastructure services and technical operation), has ensured a particularly high quality of service. In 2023, average availability was 100% for SENT technical services and over 99.98% in terms of IT

application and customer perception of services provided by SENT.

The auxiliary applications RUM, AliasPay and SANB have overall registered a 100% availability level throughout the reporting period.



TRANSFOND

E-BUSINESS SERVICES

Alongside its main activity as operator and manager of the Automated Clearing House, TRANSFOND aims to provide superior technological solutions to the financial and banking community in Romania, fully integrated in the value chain of payment services. The innovative character of the organisation is proven by its in-house development of high-performance services in the digital sphere, e-Arhiv@, e-Storage and e-Factur@.

E-ARHIV@ SYSTEM

As of July 2009, TRANSFOND has become the first accredited electronic archive administrator in Romania. So, by launching the e-Arhiv@ service, it acquired the right to carry out electronic archive management activities under the conditions of Law no. 135/2007 on electronic archiving, its data centres obtaining all subsequent reauthorisations every 3 years, namely in 2012, 2015, 2018 and 2023. Reauthorisation has always required a prior external audit performed by an auditor appointed by the Ministry of Communications and Information Society, in accordance with the legal regulations in force.

By offering the e-Arhiv@ service, TRANSFOND relieves its clients of their obligations to meet the legal and technological requirements for accreditation as an administrator of an electronic archive and authorisation of the data centre for hosting electronic archives, as well as of the high investment and operating

costs of implementing an electronic archiving solution in accordance with the applicable legal provisions.

The high performance of the services offered by TRANSFOND, combined with the renown for security and professionalism demonstrated in the administration of its services, allowed it to maintain a market share of approximately 97% in the banking segment for the e-Arhiv@ service in 2023, the company thus retaining its position as market leader in this sector.

The e-Arhiv@ system continued to record a high availability level of 99.96% in 2023, compared to the contract level of 95%.

² pursuant to Order no. 522/08.07.2009 of the Minister of Communications and Information Society.

TRANSFOND



E-FACTUR@ SYSTEM

The importance of e-Business services both for improved business administration and for protecting the environment is a permanent concern of the company. The potential benefits that the electronic invoice brings to all involved parties are one of the reasons that led to the development of this line of business by TRANSFOND.

The e-Factur@ electronic invoicing service, launched in 2010 by TRANSFOND, allows economic agents to issue, deliver and archive invoices in an electronic environment, replacing some or all of the equivalent paper process, depending on the needs of the issuing client, as well as those of the payer.

The development of e-Factur@ as a service made available to the real economy by TRANSFOND through collaborating banks, originated of course from the European and world trend in the matter (both in general - the abandonment of paper documents in favour of electronic ones, and in particular - the optimisation of the internal processes of any business by reducing invoicing costs), as well as the fact that, on our continent, the service has established itself more and more as a banking product. Moreover, with the invoice being the most frequent initiator of a payment, a direct connection was drawn with the basic activity of TRANSFOND - that of operator of the SENT system.

The service offered by TRANSFOND, which falls under the category of additional optional services for payment systems, in accordance with the SEPA regulations at the European level, brings important economic benefits as an integral part of the sales flow within a company, as well as an optimisation of the use of human resources and of the time required to perform the actions related to the invoicing process. The e-Factur@ service was developed based on a modular platform, in the form of a single secure application, to which both invoice issuers and their recipients can connect.

As for the archiving component of electronic invoices, TRANSFOND makes the e-Arhiv@ service (for archiving

electronically generated invoices) available to invoice issuers as an integral part of the e-Factur@ service.

The e-Factur@ system went through an intense adaptation process in 2022 to allow interconnection with the national RO e-Factura system, so that the invoices intended for the entities involved in the public procurement process (B2G) could be converted to the format accepted by the national system and transmitted within this system, according to the new legal framework in force.

The availability of the e-Factur@ system in 2023 was 99.90%, well above the contract level of 95%.

By its nature, e-Factur@ can be interfaced with ERP (Enterprise Resource Management) systems used by invoicing companies, as well as their recipients (in a business-to-business relationship), to facilitate the automation of internal financial processes, thus substantially reducing costs and processing times. The central application is completely managed by TRANSFOND, both technically and functionally, so customers can direct their efforts to other business areas.

As benefits of adopting such a service, it is worth highlighting both the optimisation of processes for invoice issuers as well as important savings in terms of issuing, archiving and delivery/transmission of invoices.

In the case of invoice recipients, it should be emphasised that invoice delivery is guaranteed and very quick, with the risk of error due to human intervention that can occur during processing significantly reduced. Cash flow is also made more efficient for both invoice issuers and their recipients.



TRANSFOND

CUSTOMER SATISFACTION LEVEL

TRANSFOND carries out an annual study on the level of customer satisfaction, and in 2023, the customer survey aimed to elicit their degree of satisfaction with the services offered by TRANSFOND, covering as areas of investigation the Automated Clearing House – SENT, the electronic archiving service – e-Arhiv@ and the electronic invoicing service – e-Factur@.

Regarding SENT, from the perspective of the reaction, 100% of the surveyed subjects answered, respectively 33 out of 33 participating customers. The total satisfaction percentage was 98.80%, similar to the previous year (98.86 %).

For the e-Factur@ service (including the e-Arhiv@ element), in December 2023 a study was made on customers in the production context. The total

satisfaction percentage was 100%, an increase compared to the previous year, when it was 97.89 %. In the case of the e-Arhiv@ service, the total satisfaction percentage was 98.49%, similar to the one of the previous year (99.18%).

Following the analysis, we concluded that the general reaction of the banks and the other categories of customers surveyed in relation to the services offered by TRANSFOND in 2023 is still positive, with increased satisfaction compared to the previous year. Based on the customer feedback, the company will continue to improve its work in the future.

Statistics Section

06

CHAPTER

TRANSFOND



SENT STATISTICS

MULTIPLE PAYMENTS IN LEI COMPONENT

Volumes and values of electronic payments in LEI processed during 2005 (April) - 2023		
Year	Number of operations	Million Lei
2005	31.934.558	81.284
2006	54.796.193	143.067
2007	55.434.395	167.321
2008	51.694.644	206.118
2009	55.439.612	233.049
2010	56.683.175	231.329
2011	57.414.143	248.036
2012	58.837.613	259.187
2013	62.010.032	262.726
2014	68.535.783	278.328
2015	76.708.532	304.883
2016	82.098.172	317.904
2017	91.450.060	344.223
2018	105.886.325	383.444
2019	119.434.133	426.408
2020	135.303.866	447.395
2021	161.890.262	522.414
2022	173.600.173	595.638
2023	158.222.484	564.404

INSTANT PAYMENTS COMPONENT

Volumes and values of INSTANT PAYMENTS electronically processed annually during 2019 - 2023		
Year	Number of operations	Million Lei
2019	58.515	332,40
2020	720.010	2.095,11
2021	3.007.264	6.460,54
2022	13.502.114	22.258,47
2023	75.121.279	118.651,39



TRANSFOND

SENT STATISTICS

MULTIPLE PAYMENTS IN EURO COMPONENT

Volumes and values of electronic payments in Euro processed during 2014 (December) - 2023		
Year	Number of operations	Million Euro
2014	15,895	44,51
2015	26,446	86,55
2016	116,048	531,44
2017	518,224	2.470,98
2018	614,138	2.775,10
2019	767,413	3.538,78
2020	911.143	3.540,69
2021	1.133.378	4.617,73
2022	1.245.420	5.743,76
2023	1.287.178	5.826,77

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