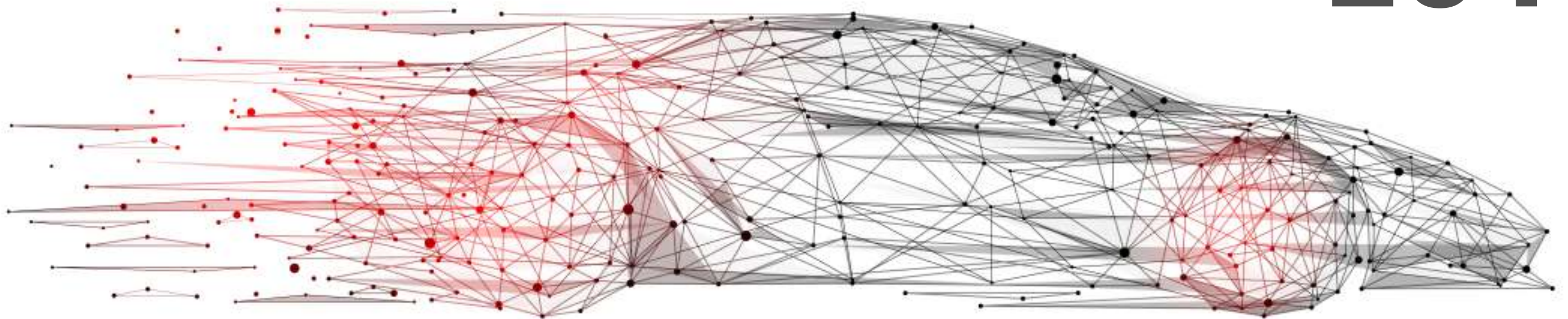


TRANSFOND

ANNUAL
REPORT
2019





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ACH	Automated Clearing House
ARB	Romanian Association of Banks
NBR	National Bank of Romania
EACHA	European Automated Clearing Houses Association
e-Arhiv@	TRANSFOND Electronic documents Archiving Service
e-Factur@	TRANSFOND Electronic Invoicing Service
e-Business	The complementary-to-payments infrastructure business line of 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
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
EPS	Electronic Payments System
SEPA	Single Euro Payment Area
TRANSFOND	Company for Funds Transfer and Settlement - TRANSFOND S.A.



The “name of the game” in 2019 was Instant Payments, the launch of the first domestic real time processing of retail payments, the new standard, or the new normal, as the Instant Payments were coined across the payments industry, all over the world.

Thus, in April 2019 TRANSFOND, together with Banca Transilvania and CEC Bank, launched Plăți Instant (Instant Payments) in the interbank space, a new, innovating service, meant to add Romania on the map with the fastest payment services countries in the world. The service sets a new horizon for the users of financial services, be them consumers or businesses, or banks and other payment service providers which want to operate on the local market. It was in 2019 as well that Libra Internet Bank and Banca Comercială Română (Romanian Commercial Bank) decided to join the new infrastructure and offer their own customers the possibility to use this service.

Instant Payments in Romania as an interbank infrastructure is the crowning result of efforts made throughout the project, by TRANSFOND’s specialists, experts of payment institutions, the National Bank of Romania and the Romanian Association of Banks.

In 2019 TRANSFOND also successfully completed the development of AliasPay – an additional service for retail payments infrastructure, both traditional and real time payments. This service consists of a Standard Proxy Look-up database which allows matching the IBAN account of customers who want to initiate an instant or traditional payment, with the telephone numbers, the payment being thus initiated independently of the knowledge of the IBAN code of the recipient client, by the initiating customer.

As the new infrastructure for interbank retail payments allows instant “*account-to-account*” payments, irrespective of banks locations or payment establishments where the accounts are held, the parties involved in the Romanian payment activity have a very attractive platform for end-users service innovation at their disposal, a “*game-changer*”. The new payment services for businesses and consumers thus developed will meet the requirements of present and future generations of users and allow traditional payments providers to remain competitive in the face of challenges posed by unconventional suppliers of such services.

In terms of e-Business services, TRANSFOND has remained market leader in the banking financial segment, for electronic documents archiving service. As far as our e-Invoicing service is concerned, the number of processed invoices and the number of recipient customers ready to receive invoices in electronic format are constantly growing.

The main starting point in establishing and implementing TRANSFOND’s development directions was and will remain the permanent communication with the members of the financial and banking community, with the central bank and with all those interested and involved in the company’s activity.

Thus, for 2020 we wish to maintain the interest of the financial community alert for new developments in the field of payments for the local market and we hope that the efforts to increase the level of more banked payments in Romania will bear more consistent results.

Sabin Carantină
General Manager



THE STRATEGIC PERSPECTIVE OF THE COMPANY

C H A P T E R

01

TRANSFOND



VISION

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

In accordance with the requirements of the PFMI¹ and of the NBR Regulation no. 3 /2018, TRANSFOND's mission is a permanent one and focuses on the following:

- ensuring the safety and efficiency of the Automatic Clearing House for interbank retail payments;
- supporting broad-based financial stability in the general public interest, including taking into account the needs of all stakeholders to the Automatic Clearing House (National Bank of Romania, direct and indirect participants, end-users of retail payments services);
- the development of local retail payments as a whole.

VALUES

Integrity, respect and equality of chance

Everything we do is guided by integrity and correctness, respecting the legal provisions in force, as well as the anticorruption policy of the company, 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, 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 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 environmentally 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.

¹ PFMI – Principles for Financial Market Infrastructures



ORGANIZATION AND GOVERNANCE

C H A P T E R

02



1	THE NATIONAL BANK OF ROMANIA
2	BANCA TRANSILVANIA S.A.
3	UNICREDIT BANK S.A.
4	PATRIA BANK S.A.
5	BRD - GROUP SOCIETE GENERALE S.A.
6	RAIFFEISEN BANK S.A.
7	ROMANIAN COMMERCIAL BANK S.A.
8	ALPHA BANK ROMÂNIA S.A.
9	BANCA ROMÂNEASCĂ S.A.
10	ING BANK N.V.
11	C.E.C. BANK S.A.
12	LIBRA INTERNET BANK S.A.
13	FIRST BANK S.A.
14	BLOM BANK FRANCE S.A.
15	CREDIT AGRICOLE BANK ROMÂNIA S.A.
16	INTESA SANPAOLO ROMÂNIA S.A.
17	CREDIT EUROPE BANK ROMÂNIA S.A.
18	CITIBANK EUROPE PLC
19	THE ROMANIAN IMPORT EXPORT BANK EXIMBANK S.A.
20	IDEA BANK S.A.



THE BOARD OF DIRECTORS OF TRANSFOND

DAN COSTIN NIȚESCU
President

RADU GRAȚIAN GHEȚEA
Vice-president

LEONTIN TODERICI
Vice-president

MEMBERS

GABRIELA MIHAILOVICI

ELENA GEORGESCU

MIHAI BOGZA

DAN CORNELIU PASCARIU

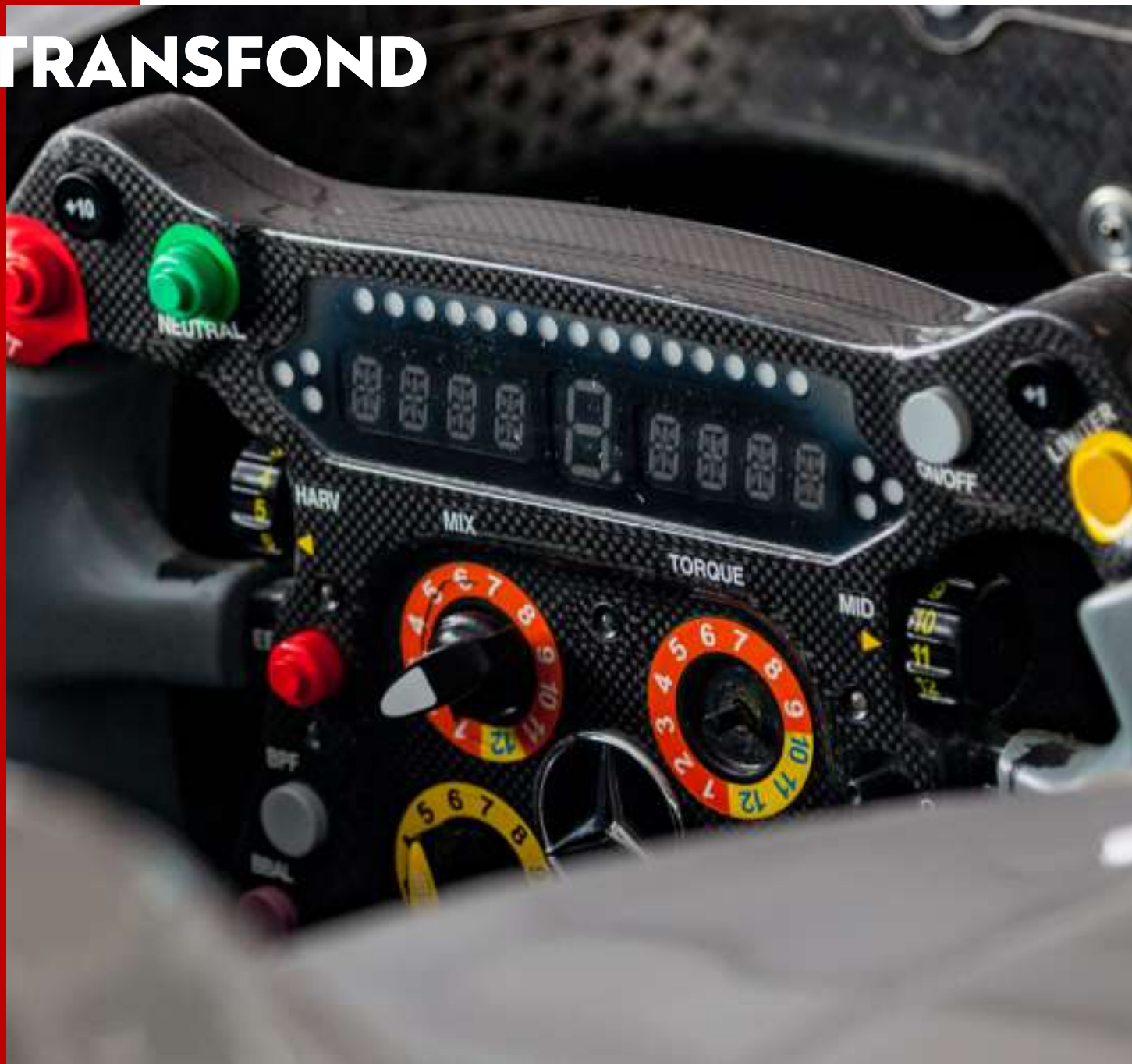
MIȘU NEGRÎTOIU

DORU BEBE BULATĂ

EXECUTIVE MANAGEMENT OF TRANSFOND

SABIN CARANTINĂ
Chief Executive Officer

MIRELA RAȚIU
Deputy Chief Executive Officer



CORPORATE GOVERNANCE. SUPERVISION AND MONITORING OF THE INTERBANK PAYMENT SYSTEM

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

The governing mechanisms of TRANSFOND comply with the provisions of the NBR Regulation no. 3/2018 regarding monitoring of the financial market infrastructures and of payment instruments. At the same time, TRANSFOND is an organization operating in agreement with the companies' law no. 31/1990 with further amendments and supplements, under the management of its shareholders. According to the company's bylaws, its shareholders can only be credit institutions, together with the central bank.

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 shareholders of the company.

The Board of Directors governs the company's activities and together with the company's executive management have the role and responsibility to establish and follow the achievement of stability and continuity objectives of the Automatic Clearing House for interbank payments, as well as the development of new services.

The value of TRANSFOND's management mechanism is reflected by the performance achieved in delivering the interbank electronic payments services, as well as by the capacity to develop and diversify its business.

TRANSFOND maintains a permanent dialogue with the authority for monitoring and resolution of the payment systems within the NBR.

SOCIAL RESPONSIBILITY

For TRANSFOND, given its specific basic activity, whose growth can be exclusively influenced by the general social and economic development of the market it serves, social responsibility is a natural concern.

Therefore, the company carries out certain activities with an emphasis on community involvement such as social solidarity, financial education, quality development of the medical act, as well as in the field of culture.

In 2019, TRANSFOND supported the cultural project of *Magazin Istoric*, with the purpose of encouraging research and publishing of scientific works with historical character.

The company also offered financial support to the *Invest in Health* Association and to the Upledger Romania Association for solving serious medical cases.

The company also offered financial aid to the Association for Emotional Support and Psychotherapy, in order to carry out projects for the education of disadvantaged children with developmental problems, as well as the Charity Association St. Justin (The Children's Foster House of Mărcuș Monastery) and Casa Lidia Association (The Children's Foster House of Domnești), to cover the needs of the children hosted by these two establishments.



FINANCIAL STATEMENTS

C H A P T E R

03



ANNUAL BALANCE SHEET

AS OF 31 OF DECEMBER 2019	LEI
ASSETS	
FIXED ASSETS	21.901.812
Intangible fixed assets	1.148.556
Tangible fixed assets	20.695.356
Financial fixed assets	57.900
CURRENT ASSETS	41.983.462
Stocks	65.234
Receivables	6.456.325
Short term financial investments	0
Cash and Accounts in banks	35.461.903
PRE-PAID EXPENSES	2.220.052
LIABILITIES	
Debts payable within one year	5.568.040
Debts payable within a period exceeding one year	270.282
Provisions for contingent charges	2.132.387
Pre-paid income	143.433
Capitals	57.991.184

PROFIT AND LOSS ACCOUNT

AS OF 31 OF DECEMBER 2019	LEI
TOTAL INCOME	
Operating income	67.541.774
Financial income	745.718
TOTAL EXPENDITURE	41.832.376
Operating expenses	41.782.221
Financial expenses	50.155
GROSS RESULTS	26.455.116
Income tax	4.218.418
NET PROFIT FOR THE FINANCIAL YEAR	22.236.698



THE QUALITY MANAGEMENT, INFORMATION SECURITY AND OPERATIONAL CONTINUITY SYSTEM

C H A P T E R

04



QUALITY MANAGEMENT

The permanent concern for maintaining the highest quality standards for the activities developed within the company has materialized in the continuous improvement of the Quality Management System, implemented and certified as proven by the last external audit carried out in May 2018 by the certification body SC. INTERTEK LABTEST SRL, with a UKAS accreditation (The United Kingdom Accreditation Service). This was a recertification audit of the quality management system and it was completed with the recertification of the company for a new three-year period. We must mention that TRANSFOND holds this certification since 2009, followed by 3 consecutive recertifications: 2012, 2015, 2018. In 2019 a surveillance audit was performed, finalized in a report without non-compliances or observations, following which TRANSFOND maintained its certification.

Maintaining the certification of the management, quality and information security systems represents the efforts of the entire organization towards providing the highest quality services to its clients and constitutes the expression of the organization's competence in offering value to all interested parties: customers, shareholders, employees, suppliers, community.

INFORMATION SECURITY

The implementation and certification of an ISO 27001 Information Security Management System (ISMS) is a strategic decision for any organization because it gives an important guarantee regarding the security of the certified company, but also of the clients' and business partners'

information. 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 information security. TRANSFOND has been in line with the requirements of the new version of the ISO 27001: 2013 standard since 2015.

In March 2019, the ISMS surveillance audit was conducted, and ended with a report in which the auditors noticed that the information security management system is fully effective and in compliance with the requirements of the ISO 27001:2013 standard, therefore they proposed the certification body maintain the certification. In March - April 2020, the certification was renewed for another three years.

Maintaining the ISMS certification ensures the best practices for planning, installing, configuring, using and maintaining information systems have been applied.

In accordance with best practices for ensuring information security and increased cyber resilience, in December 2019, penetration tests were planned and performed for the websites managed by TRANSFOND, as well as for SENT, e-Arhiv@ and e-Factur@. The test results were positive and showed that both the specific information security requirements and their implementation for these systems created a high level of protection, and the risk of a successful cyber-attack on the tested routes is very low.



BUSINESS CONTINUITY

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

The process of improving the business continuity management system and updating the business continuity plan is ongoing. As a result of the internal regulatory framework requirements, in the second semester of 2019, the annual testing of the Business Continuity Plan for the SENT, e-Archiv@ and e-Factur@ systems was performed. The exercises were carried out successfully, completely according to the planned conditions, without any incidents, all the proposed objectives being achieved.

The joint efforts of the systemic elements minimize the impact of possible crisis situations on the company and allow TRANSFOND to quickly resume appropriate operation of its critical processes such as the payment systems and financial instrument settlement systems, as well as other services offered by the company.

In the difficult context created by the COVID-19 pandemic at the beginning of 2020, until the date when this report was published, TRANSFOND identified and implemented effective business continuity measures which enabled proper performance in the company's activity.

RISKS 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, which can affect achieving our objectives, are analyzed and monitored, and measures are taken regarding any change in the conditions it operates in.

In 2019, risk management activity has been focused mainly on one-off risk analyses, with a global risk analysis (annual analysis) also being concluded.

Following this analysis, we may conclude that TRANSFOND, by applying 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. From the point of view of internal control, the system worked according to the planned parameters.



COMPANY ACTIVITY

C H A P T E R

05

THE AUTOMATED CLEARING HOUSE – SENT

TRANSFOND was founded in 2000 with the purpose to develop and assume the role of technical operator of the Electronic Payments System in Romania. It was commissioned in 2005, in three stages, for its three components (The Automated Clearing House – SENT, The Real Time Gross Settlement System – ReGIS and the Government Securities Depository and Settlement System – SaFIR), followed by the launch of the component for electronic processing of debit instruments (checks, bills of exchange and promissory notes) within SENT, in 2008. The system was developed for the adoption of the European standards, by launching the SEPA Program, during 2012 – 2016. Starting March 2018, the technical operation of ReGIS and SaFIR is provided by the National Bank of Romania.

SENT has registered a continuous development process, in its endeavour to adopt European standards, as well as in order to meet the requirements and needs of payment institutions, current or future – in preparation for the scenario of adoption of the single currency – Euro. Therefore, in November 2012, TRANSFOND has released a new processing service of payment orders in SEPA format, in local currency, and in December 2013, the company has operationalized the EURO Component of SENT dedicated to processing domestic and cross-border payments in Euro currency with the settlement in TARGET2, for the same level of fees as the one used for RON (respectively 0.51 RON/payment and 0 RON/collection).

Following these developments, on April 11, 2016, the processing of Direct Debit in SEPA format in national currency (SDD) went live. The SDD component includes an additional service for centralized management of interbank direct debit mandates – RUM. Adjacent, TRANSFOND provides end users an application for issuing direct debit orders – AM.

Moreover, following the development of the SENT Automatic Clearing House, in April 2019 TRANSFOND launched the instant payments processing component in national currency.



HISTORY

1991	The National Bank of Romania initiated the reform of the Romanian payment system.
1995	The interbank payments system in national currency paper based, with pre-defined settlement time ranges was commissioned.
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 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 (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, thus enabling the Romanian party 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 (September)	The State Treasury became a participant in the payments 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 Component 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.
2018 (March)	Starting with this date, the technical administration and operation of the ReGIS and SaFIR systems are provided by the National Bank of Romania.
2019 (April)	The Instant Payments service in lei was launched – as a component of SENT.

Along with the operationalization of the Automated Clearing House, registered under the name SENT, in 2005, TRANSFOND became a central point of the financial and banking infrastructure, by ensuring the processing of low value² payment orders and of debit payment instruments, irrespective of their value, in national currency ‘these payments are commonly known as “retail payments”’. The system currently processes 95% of the total

interbank domestic payments ‘according to the number of operations’. This aspect, as well as the care for ensuring services at the highest quality standards, with a high degree of availability, security and safety, corroborated with the encouragement for migrating cash payments towards the electronic environment, represents the main concern of TRANSFOND’s specialists.

● Bellow the value of 50.000 lei (exclusively)

SENT – TRADITIONAL PAYMENTS IN RON AND EUR

The evolution of SENT– The Multiple Payments in RON component (processing of traditional payments) experienced an increase in the volume of operations by 13% and their value by 11% in 2019, compared to the previous year, due to the slight improvement of the economy. A maximum of transactions processed in 2019 was reached on December 13, when more than 1 million operations were processed in SENT.

The evolution of the traditional payments processed through SENT may be synthesized as follows:

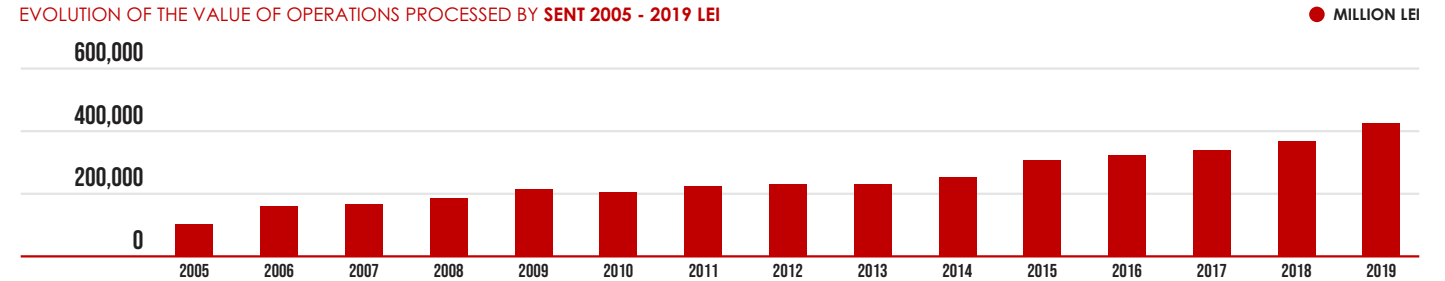
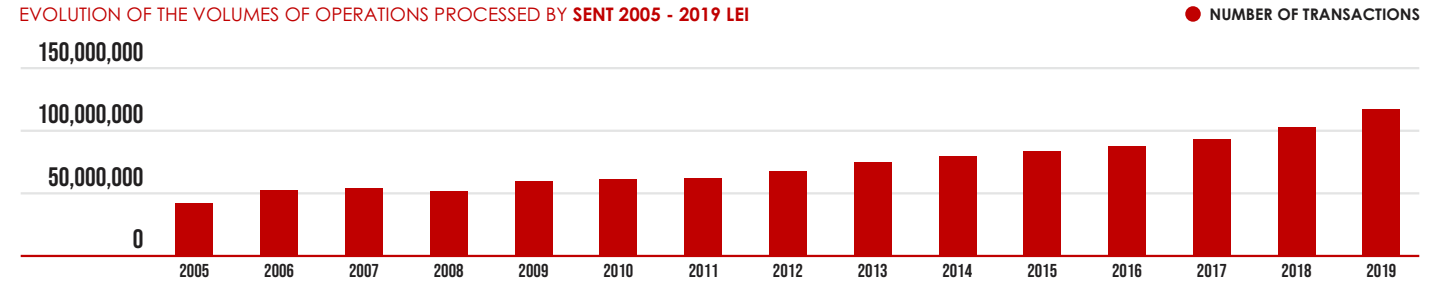
- the volume of low value payment orders has increased by approximately 14%, and their value by more than 12%;
- the volume of debit instruments diminished by almost 9%, and their value increased by more than 2%;
- the volume of direct debits increased by almost 14%, and their value increased by almost 33%.

The downward trend in the volume of debit instruments has maintained, in particular due to the redirection of some interbank payments to intra-banking solutions, the migration from checks (with prohibitions on the use of this type of instrument by issuers

for periods of one year at a time, in the event incidents occur in their payment) to payments in cash or by card and, last but not least, due to a tendency to reduce the payment acceptance of this instruments, determined by the immediate liquidity need of suppliers.

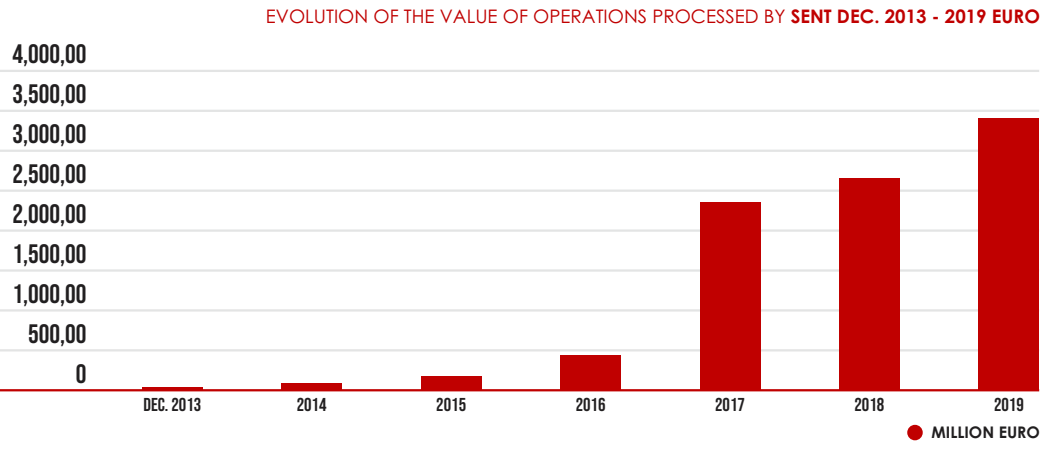
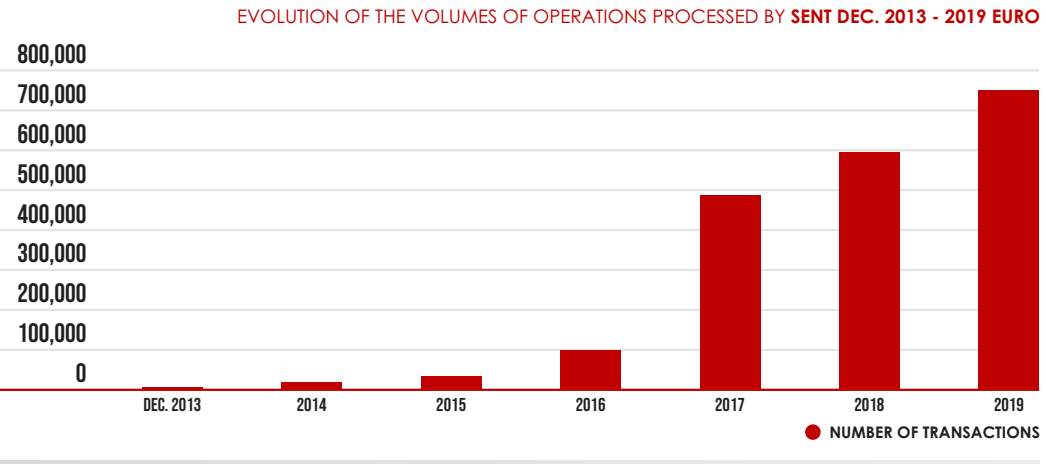
The increase by almost 14% in volume of direct debits compared to 2018 was determined by the expansion of the use of this type of instrument by consumers, following promotion campaigns made by some participants among beneficiaries, which also materialized at the level of SENT through an increase of 16% in the number of active creditors and 59% in the number of direct debit mandates generated in RUM, for the same period.

The direct debit mandate issuance activity was also supported by TRANSFOND via a 24/7 solution, available to the participants who do not have their own solution, namely the application for Mandates Assistance (MA), designed to generate the standard mandate forms pre-filled in with the creditor's data.





With regard to the transactions processed through **SENT - Multiple Payments Component in Euro**, their volume increased by 25% and their value by 28%, due to a 29% increase in the volume of cross-border collections received from TRANSFOND's partner clearing house (equensWorldline) and a 19% volume increase in payments of SENT participants. The maximum volume processed in 2019 in one day was 5,578 operations, on April 23, 2019.



The evolution of the volume and of the value of the payment instruments processed through the SENT system – Multiple Payment Components in RON and EUR, graphically illustrated below, is detailed in the Statistics Section.

SENT - THE INSTANT PAYMENT COMPONENT IN LEI

At international level, as well as at European level in particular, the authorities in the field, together with industry experts, consider that instant payment processing is becoming the new standard for processing any kind of payments, especially the retail type.

In this context, on April 22, 2019 TRANSFOND together with the first clients launched Instant Payments, a service which offers the banking community and payment institutions a new product, capable of processing payments 24/7/365 within a maximum of 10 seconds, account-2-account, in accordance with the European standards in the field. The service became operational at launch date for Banca Transilvania and CEC Bank, credit institutions open to innovation, which have chosen to adopt the new payments processing standard. They were followed, in the same year, by Libra Internet Bank and BCR , who decided to join this initiative and offer their own customers the possibility to use this service. The assimilation of this new service, both for consumers and banks, knows a gradual increase, due to the pronounced novelty character, as well as the relatively short time from the date of operationalization.

The context for the launch of Instant Payments by TRANSFOND was a complex one: on the one hand, the European and global payments industry is rapidly moving towards the Instant Payments standard (including both traditional banks and PSPs, as well as FinTechs), and on the other hand, the local payments market is, compared to the rest of the European Union, the last in category of electronic payments per capita, which indicates a massive deficit of financial education and practice, manifested both at the level of individual consumers and institutional payments services users.

The three defining attributes of Instant Payments: SPEED, SAFETY AND CONTINUOUS SERVICE

Speed is provided by the use of the highest technologies in service delivery and the compliance with relevant European standards.

Safety and security reside in the fact that instant payments are transferred inter-bank by TRANSFOND (the administrator and the operator of the Automated Clearing House for interbanking payments) and have the final and irrevocable settlement provided by the National Bank of Romania. In addition, the service is provided to end users by banks and other payments institutions authorized and prudentially supervised by the NBR, so that payment processing and the management of the information attached to them are guaranteed in complete security.

The delivery of *continuous* payments services, 24/7, is the decisive factor for its adoption by the new generations of consumers and business and/or institution managers. The technology selected for building the interbank infrastructure unequivocally ensures its full-time operation, and in parallel, stimulates the adjustment and even optimization of the banks' internal processes, in order to meet the same requirements.

SENT - ADDITIONAL SERVICES

Throughout 2019, the development of the auxiliary application **AliasPay** was completed – a SPL type application – Standard Proxy Lookup, which allows the initiation of payments via mobile devices, only knowing the beneficiary's mobile telephone number, instead of his/her IBAN. Using AliasPay, payment service customers will be able to initiate or collect various amounts of money, up to the RON 50,000 limit, either via Instant Payments, or as traditional payment orders. The operationalization of **AliasPay** application will be carried out during 2020 with the first credit institutions.

FEES CHARGED IN SENT

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 high volumes of payments from cash to the electronic environment.

The fees charged in SENT have been periodically reduced since 2005 to date. Thus, in the direct relation with the banking system, they reached approximately 24% of the value of fees charged for paper-based operations. The company has been able to absorb this financial impact by implementing systematic cost-control policies, including through consistent reorganization of the activity, along with the efficient management of SENT, with an availability of more than 99.99%, during all the 14 years of operation. Since the last fee lowering in the SENT, we have currently reached a diminishing of this fee in real terms by more than 25%.

The evolution of the fees charged by TRANSFOND for the payment operations is found in the Statistics Section.



e-BUSINESS SERVICES

In addition to its main concern in the field of payments, the company offers cutting-edge technological solutions for the financial and 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 sphere, such as e-Arhiv@ and e-Factur@, both premieres for the Romanian market, at the time of their go-live.

e-Arhiv@ – ELECTRONIC DOCUMENTS ARCHIVING



Starting July 8th, 2009, TRANSFOND became the first accredited electronic archive administrator in Romania, by launching **e-Arhiv@**, being entitled to perform electronic archive management activities under Law no. 135/2007 concerning the electronic archiving, its data centres obtaining the necessary authorizations, every 3 years since its authorization, respectively 2012, 2015 and 2018. The reauthorization has always involved a prior external audit carried out by an auditor appointed by the Ministry of Communication and Information Society, according to the effective legal regulations.

By supplying 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.

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 over 85% on the banking segment for e-Arhiv@ in 2019, the company thus maintaining the market leader position in this sector.

e-Arhiv@ continued to register a high level of availability, of 99.86% in 2019, compared to the undertaken contractual level of 95%.

e-Factur@ – ELECTRONIC INVOICING SYSTEM

The electronic invoicing service **e-Factur@**, launched in 2010 by TRANSFOND, allows businesses to issue, archive and deliver 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-Factur@ as a service provided to the real economy by TRANSFOND, through collaborating banks, was based originally on the European and global trend in the field (both, in general, disfavoured the use of paper based documents in favour of the electronic ones and in particular, the optimization 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 – administrator of the Automated Clearing House.

e-Factur@ 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-Factur@, Invoice e-Archive, through e-Arhiv@ (for archiving electronically generated invoices).

The number of electronic invoice recipients (with an account in e-Factur@) has increased by 24% compared to the previous year, reaching 33.271, for viewing and downloading of the invoices. The increase is due to the effort of existing issuers to extend the electronic invoicing service to as many clients as possible.

In 2019, the volume of invoice issued in e-Factur@ increased by 6% compared to the volume processed in 2018, exceeding 2 million invoices/year.

The availability of e-Factur@ in 2019 had a high level, of 99.96%, much higher than the 95% contractual level.

TRANSFOND has continued to pursue the efforts of bringing awareness to the general public regarding the electronic invoicing services in 2019. 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 (Enterprise 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 we must emphasize both the optimization of processes for invoice issuers, as well as important savings regarding the issuing, archiving and delivery/transmission of the 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. There is also a cash flow optimization, both for the invoice issuer, as well as the recipient.





OTHER SERVICES

Connectivity services

TRANSFOND has developed, since the operationalization of the Automated Clearing House - SENT, a proprietary network, called **TFDNet**, used to interconnect all SENT participants with TRANSFOND headquarters. The connectivity services offered by TRANSFOND are based on the IP VPN technology which allows customers to benefit from a high level of quality, safety and security for data connections.

The TFDNet network is used as a data transport solution for all the services offered by TRANSFOND to the financial community.

Also, for all other services offered by TRANSFOND from the e-Business range, the company offers connectivity solutions according to customer requirements and needs.

The connectivity solutions offered by TRANSFOND to its banking customers use high availability architectures and equipment, maximizing the benefit offered by multiple data centers. In 2019, the availability of the connectivity services offered by TRANSFOND was 100%.

Hosting services

TRANSFOND also offers hosting services for systems used by members of the banking and financial community. They provide a safe operating environment, with a high availability level.

TRANSFOND's hosting services have been designed for customers who want to offer their applications in a structured and secure environment, accessible to a well-defined community.

CLIENTS' SATISFACTION

TRANSFOND annually performs a study regarding customer satisfaction. In 2019, the questionnaires concerning TRANSFOND's customers have focused on studying their degree of satisfaction regarding the services offered by the company, with the following investigated areas: The Automated Clearing House - SENT, electronic archiving system - e-Arhiv@ and the electronic invoicing service - e-Factur@.

Regarding SENT, the total satisfaction percentage is 96.63%, similar to the one registered during the previous year (96,73%).

For the e-Factur@ (including the e-Arhiv@ component), we have questioned the customers in operation in December 2019. The

total satisfaction percentage is 95.37%, registering an increase compared to the previous year (89.23%).

For e-Arhiv@, we have questioned the customers in operation in December 2019. The total satisfaction percentage is 97.51%, registering an increase compared to the previous year (95.45%).

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 2019 is a positive one, reflecting the efforts of the company to permanently improve its activity.



STATISTICS SECTION

C H A P T E R

06



PAYMENTS STATISTICS

Volumes and values of electronic payments in Lei processed during 2005 (May) – 2019		
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

Volumes and values of electronic payments in Euro processed during 2013 (December) – 2019		
YEAR	NUMBER OF OPERATIONS	MILLION EURO
2013 DEC.	353	0.73
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

OBS.:
* On May 13th, 2005 the SENT system went live
** On October 10th, 2008, the electronic processing of debit instruments module went live.

PERFORMANCE OF THE TRANSFOND SERVICES IN 2019

The operation of SENT in 2019 has been executed within normal parameters, in compliance with the laws, regulations and the related contractual framework.

The average availability in 2019 was 100% for SENT technical services and over 99,94% in terms of IT application and customer perception of SENT services provided.



EVOLUTION OF FEES CHARGED BY TRANSFOND
FOR OPERATIONS PROCESSED IN SENT

OBS.:
* On May 13, 2005 the SENT system went live
** On October 10th, 2008, the electronic processing of debit instruments module went live
*** On April 22nd, 2019, Instant Payments part of SENT) went live

SYSTEM	FEE TYPE	FEE VALUE VALID FROM... (LEI)									
		BEFORE SENT GO-LIVE	AFTER SENT GO-LIVE *	8/8/2005	1/3/2006	2/10/2006	1/2/2007	10/10/2008 **	1/7/2009	1/1/2010	22/4/2019 ***
SENT	Total fee/payment transactions, charged as follows	2,09	1,65	1,10	0,75	0,64	0,61	0,58 CT and DD	0,55 CT and DD	0,51 CT and DD	0,9 - instant payment processed
								1 - DI electronically processed	0,95 - DI electronically processed	0,88 - DI electronically processed	
	Payment order – payer	1,045	1,10	1,10	0,75	0,64	0,61	0,58 - CT	0,55 - CT	0,51 - CT	0,45 - IP
	Payment order – beneficiary	1,045	0,55	—	—	—	—	0,58 - DD	0,55 - DD	0,51 - DD	0,45 - IP
								1 - DI electronically processed	0,95 - DI electronically processed	0,88 - DI electronically processed	