

PROSPECTUS FOR ADMISSION TO TRADING

SECURITY COVER

BT LEASING TRANSILVANIA IFN S.A.

(a joint stock company (societate pe acțiuni) incorporated under the laws of Romania, with its registered office at 74 – 76 Constantin Brancusi Street, Brancusi Business Center, 1st Floor, Cluj-Napoca, Cluj County, Romania, registered with the Cluj Trade Registry under no. J12/1096/1995, European Unique Identifier (EUID): ROONRC J12/1096/1995, sole registration code 7424119, registered with the National Bank of Romania General Registry of non-bank financial institutions under no. RG-PJR-13-110079/13.07.2016)

The Admission to trading on the Regulated Market operated by the Bucharest Stock Exchange of unsecured bonds, denominated in EUR, issued in two tranches (each tranche, a “Tranche”), having a maturity of six (6) years (“Tranche A”), and, respectively, five (5) years (“Tranche B”), with a total nominal value of up to EUR 40,000,000 (the “Bonds”)

**International Securities Identification Number (ISIN): ROXNROBKQV28 for Tranche A and
ROGDVS5SSKL4 for Tranche B**

This document contains a prospectus (“**Prospectus**”) within the meaning set forth by Article 6 par. (3) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “**Prospectus Regulation**”). The Prospectus was prepared in accordance with Law no. 24/2017 concerning issuers of financial instruments and market operations (“**Law no. 24/2017**”), Regulation 5/2018 concerning issuers and securities transactions (as amended) (“**Regulation 5/2018**”), Prospectus Regulation, Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Commission Regulation (EC) No. 809/2004 (“**Delegated Regulation 2019/980**”) and other applicable legal provisions.

This Prospectus has been prepared exclusively in connection with the admission to trading (the “**Admission**”) on the regulated market operated by the Bucharest Stock Exchange S.A. (the “**BSE**”) of a total number of 400 nominative, non-convertible, unsecured bonds, denominated in EUR, dematerialized pursuant to their registration in an account, which were issued on 12 December 2019 by BT Leasing Transilvania IFN S.A., a joint-stock company incorporated and existing under the laws of Romania (the “**Issuer**”) within a private placement in accordance with the provisions of art. 8 of Delegated Regulation 2019/980, in two (2) tranches (each, a “**Tranche**”), of which a Tranche that contains Bonds with a maturity of six (6) years, addressed to International Finance Corporation, member of World Bank Group (“**IFC**”), as Eligible Investor (as such term is defined in this Prospectus (“**Tranche A**”) and, respectively, a Tranche that contains Bonds with a maturity of five (5) years, addressed to Eligible Investors (others than IFC), having an individual nominal value of EUR 100,000 and a total nominal value of EUR 40,000,000 (the “**Bonds**”).

The Prospectus will be subject to the approval of the Financial Supervisory Authority (the “**FSA**”) for the purposes of the admission of the Bonds to trading on the regulated spot market operated by BSE. The FSA will send a notification regarding the approval of the Prospectus to the European Securities and Markets Authority, in accordance with the provisions of Article 18 para. (2) of Regulation 5/2018. It is expected that the Admission and trading on the Bucharest Stock Exchange will take place on or around the date of 23 December 2019. The Issuer will not submit any request with the view of having the Bonds admitted to trading on any other regulated market.

Prospective investors should read this Prospectus in its entirety. See “Risk Factors” in Part 1 for a discussion of certain risks and other factors that should be considered prior to any investment in the Bonds.

The Bonds have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States.

MIFID II product governance / Retail investors, professional investors and ECPs – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties, professional clients and retail clients, each as defined in MiFID II; (ii) retail clients are only considered target market if they have a) the ability to understand relevant financial products and transactions and their risks ; (b) knowledge regarding investments, (c) knowledge regarding trading procedures (d) financial industry experience, interest, and knowledge; (e) understands that he/she can incur capital losses (iii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iv) the following channels for distribution of the Bonds to retail clients are appropriate - investment advice, portfolio management, non-advised sales and pure execution services, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable. The product is incompatible for any client outside the positive target market identified above. Any person subsequently offering, selling or recommending the Bonds (a distributor) should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable.

The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

THIS PROSPECTUS WAS APPROVED BY FSA AS A COMPETENT AUTHORITY, BY DECISION NO. _____ AS OF _____ 2019. THE APPROVAL VISA APPLIED ON THE PROSPECTUS HAS NO WARRANTY VALUE AND DOES NOT REPRESENT ANOTHER FORM OF FSA’S APPRECIATION WITH REGARD TO THE OPPORTUNITY, ADVANTAGES OR DISADVANTAGES, PROFITS OR RISK THAT MAY BE INVOLVED BY THE ACCEPTANCE TO TRADING OF THE BONDS, SUBJECT OF THE APPROVAL DECISION; THE APPROVAL DECISION CERTIFIES ONLY THE REGULARITY OF THE PROSPECTUS WITH REGARD TO THE REQUIREMENTS OF THE LAW AND THE RULES ADOPTED IN APPLYING THIS.

Manager

BT CAPITAL PARTNERS S.A.



The date of this Prospectus is 11 December 2019

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

This document contains a prospectus on the admission of the Bonds by the Issuer within the meaning of the Prospectus Directive.

RESPONSIBILITY STATEMENT

The Issuer, **BT Leasing Transilvania IFN S.A.**, a joint stock company (in Romanian, *societate pe acțiuni*) incorporated under the laws of the Romania, with its registered office at 74 – 76 Constantin Brancusi Street, Brancusi Business Center, 1st Floor, Cluj-Napoca, Cluj County, Romania, registered with the Cluj Trade Registry attached to Cluj Tribunal under no. J12/1096/1995, European Unique Identifier (EUID): ROONRC J12/1096/1995, sole registration code 7424119, registered with the National Bank of Romania General Registry of non-bank financial institutions under no. RG-PJR-13-110079/13.07.2016 and, respectively, the National Bank of Romania Special Registry of non-bank financial institutions under no. PJR-13-110012/13.07.2016, accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (who has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

The Manager does not accept any responsibility whatsoever for the contents of this Prospectus or for any other statements made or purported to be made by it or on its behalf in connection with the Issuer, the Bonds or the Admission. The Manager accordingly disclaims, to the fullest extent permitted by applicable law, all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

No person is authorised to give any information or to make any representation in connection with the Admission of the Bonds, other than as contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Manager or their respective affiliates. If anyone provides any investor with different or inconsistent information compared to the one included in this Prospectus, such investor should not rely on such information.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Manager that any recipient of this Prospectus should purchase the Bonds. No representation or warranty, express or implied, is made by the Manager or any of its affiliates or advisors as to the accuracy or completeness of any information contained in this Prospectus or the corporate, financial or commercial standing of the Issuer, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Manager as to the past or the future. Any reproduction or distribution of this Prospectus, in whole or in part, any disclosure of its contents, except to the extent that such contents are otherwise publicly available, and any use of any information herein for any purpose other than considering an investment in the Bonds, is prohibited. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the Issuer's affairs since the date hereof, or that the information contained herein is correct at any time subsequent to such date. Each prospective investor, by accepting delivery of this Prospectus, agrees to the foregoing.

The Manager makes no representation, express or implied, with respect to the accuracy or completeness of any of the information in this Prospectus. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Prospectus, and its purchase of the Bonds should be based upon such investigation, as it deems necessary, including the assessment of risks involved and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors that may be relevant to such investor in connection with the purchase of the Bonds.

Without prejudice to any obligation of the Issuer (for which the Manager assumes no responsibility) to publish a supplement to the prospectus in accordance with the provisions of Law 24/2017, Regulation 5/2018 and Commission Delegated Regulation (EU) 2019/979 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council regarding the regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301, as well as with any other applicable laws and regulations, neither the delivery of this Prospectus nor any purchase made in connection therewith shall, under any circumstances, create

any implication that there has been no change in the affairs of the Issuer since, or that information contained herein is correct as at any time subsequent to, the date of this Prospectus.

Prospective investors should not consider any information in this Prospectus to be investment, legal or tax advice. Each prospective investor should consult its own legal counsel, financial adviser, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the Bonds. Neither of the Issuer or the Manager makes any representation to any offeree or purchaser of the Bonds regarding the legality of an investment in the Bonds by such offeree or purchaser under appropriate investment or similar laws. Any person who decides to subscribe for or purchase the Bonds is required to know and comply with the restrictions and limitations of this Prospectus. By purchasing the Bonds, investors assume any liability arising in the event that such purchase is deemed unlawful in their country of residence.

Information on the Issuer's website, any website mentioned in this Prospectus or any website directly or indirectly linked to the Issuer's website is not incorporated by reference into this Prospectus and any decision to subscribe for or purchase the Bonds should not be made in reliance on such information.

This Prospectus will be made available on the Issuer's website, at www.btleasing.ro, on the website of the Bucharest Stock Exchange, at www.bvb.ro and on the Manager's website, at www.btcapitalpartners.ro, and the printed versions will be made available free of charge, upon request, during the normal working hours, at the Issuer's headquarters in Str. Constantin Brâncuși no. 74 - 76, Brâncuși Business Center, 1st floor, Cluj-Napoca, Cluj county, Romania and at the Manager's headquarters in Str. Constantin Brâncuși no. 74 - 76, Brâncuși Business Center, ground floor, Cluj-Napoca, Cluj county, Romania. The information in this Prospectus is accurate only on the date mentioned on the first page of this Prospectus. Changes in the affairs and financial situation of the Issuer since that date may have occurred.

PRESENTATION OF FINANCIAL INFORMATION

Financial information

Unless otherwise indicated, the financial information in this Prospectus relating to the Issuer and its consolidated subsidiaries (the “**Group**”) has been derived from (i) the audited consolidated financial statements of the Group for the financial year ended 31 December 2018 that include the comparative figures for the year ended 31 December 2017 (the “**Annual Consolidated Financial Statements**”), accompanied by the independent auditor's report and (ii) the Group's condensed interim consolidated financial statements as of and for the nine months ended 30 September 2019 prepared in accordance with IAS 34 “Interim Financial Reporting” (the “**Condensed Interim Consolidated Financial Statements**”).

The Group's Annual Consolidated Financial Statements and Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (“**IFRS**”). The significant accounting methods and policies that apply to the Group's financial information are consistently applied to the financial information in this document. However, the following standards were introduced in the period covered by the historical financial information included in the Prospectus: IFRS 9 “Financial Instruments” applied by the Group starting with 1 January 2018 with no restatement performed on the comparative information for 31 December 2017 as presented in Note 3 of the Annual Consolidated Financial Statements and IFRS 16 “Leases” applied by the Group starting with 1 January 2019 as presented in Note 3 of the Condensed Interim Consolidated Financial Statements. As a result, comparability of financial data for periods discussed in this Prospectus may be limited.

The Group's financial year ends on 31 December and references in this Prospectus to any specific year are to the 12-month period ended on 31 December of such year.

The Group's presentation and functional currency is RON. Accordingly, the Annual Consolidated Financial Statements and Condensed Interim Consolidated Financial Statements included in this Prospectus are presented in RON, unless otherwise stipulated.

The Annual Consolidated Financial Statements of the Group for the year ended 31 December 2018, included in this Prospectus, have been audited by PricewaterhouseCoopers Audit S.R.L (the “**Auditor**”), as stated in their report attached hereto.

The Auditor has neither audited, reviewed, nor performed any procedures with respect to the Condensed Interim Consolidated Financial Statements included in this Prospectus and, accordingly, the Auditor does not express an opinion or any other form of assurance on such information. The Auditor assumes no responsibility for and denies any association with or responsibility for the Condensed Interim Consolidated Financial Statements or any other information derived therefrom included elsewhere in this Prospectus.

The Auditor's audit report attached in this Prospectus refers exclusively to the Group's audited Annual Consolidated Financial Statements for the financial year ended 31 December 2018. It does not extend to the Group's unaudited and unreviewed Condensed Interim Consolidated Financial Statements as of and for the nine months ended 30 September 2019 and should not be read to do so.

Currency presentation

Unless otherwise indicated, all references in this document to "RON", "Romanian leu", "leu" (singular) or "lei" (plural) are to the lawful currency of Romania. All references to euro, "euro" "EUR" "cents" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to "U.S. dollars" or "US\$", "dollars" are to the lawful currency of the United States.

No representation is made that any specific currency amount in this Prospectus could have been converted into any of the other currencies presented in this Prospectus at any particular rate or at all. There are limited markets for the Romanian leu outside Romania. The limited availability of such currencies may lead to volatility of exchange rates.

The following table sets out the period end, high, average and low exchange rates, for the periods and dates indicated, of the Romanian leu against the euro and the U.S. dollar, in each case as published by the National Bank of Romania for the relevant periods.

Average rate against the RON

Year	Euro			
	High	Low	Average	Period End
2017	4.6597	4.4888	4.5681	4.6597
2018	4.6695	4.6206	4.6535	4.6639
30 September ⁰⁹ -2019	4.7648	4.6634	4.7376	4.7511

Source: The National Bank of Romania.

Year	U.S. dollar			
	High	Low	Average	Period End
2017	4.3408	3.8116	4.0525	3.8915
2018	4.1469	3.7170	3.9416	4.0736
30 September ⁰⁹ -2019	4.3488	4.0573	4.3026	4.3488

Source: The National Bank of Romania.

Roundings

Certain data in this document, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%. The calculations, variations and other percentages may differ slightly from their actual calculations due to rounding's of underlying financial, statistical and operating information.

Market, economic and industry data

Information regarding macroeconomic trends, market position and other industry data pertaining to the Issuer's business contained in this Prospectus under the captions "Risk Factors" and "Description of the Issuer" has been

extracted from official and industry sources, data compiled by professional organizations and analysts, data from other external sources and the Issuer's knowledge of its market. Sources of such information, data and statistics include independent industry publications (including the National Bank of Romania reports and statistics), market research, internal surveys, reports and estimates, and other publicly available information. These data are subject to change and cannot be verified with complete certainty due to limits on the availability and certainty of the raw data and other limitations and uncertainties inherent in any statistical survey.

Whilst the Issuer believes the third-party information included herein is reliable, it has not independently verified such third-party information, and neither the Issuer, nor the Manager make any representation or warranty as to the accuracy or completeness of such information as set forth in this Prospectus. The Issuer confirms that all third-party data contained in this Prospectus has been accurately reproduced and, so far as it is aware and able to ascertain from information published by that third-party, no facts have been omitted that would render the reproduced information inaccurate or misleading

Where third-party information has been used in this Prospectus the source of such information has been identified.

Service of process and enforcement of civil liabilities

The Issuer has been incorporated under and is subject to Romanian law. The laws of Romania permit an action to be brought before a court of competent jurisdiction in Romania for the recognition and enforcement of a final and conclusive judgment *in personam* rendered by a court from an European Union („EU”) member state, provided that the relevant conditions set forth in EU Regulation No. 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters are met. However, other conditions may be applicable with respect to specific matters, under special Romanian legislation or international conventions. Similar rules on the recognition and enforcement of foreign court judgments apply to judgments issued in non-EU member states which are parties to the 2007 Lugano Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

Judgments rendered by courts in non-EU member states and which are not parties to the 2007 Lugano Convention are subject to different requirements and may be more difficult to enforce. Subject to special internal legislation (including ratified international conventions) regulating the recognition and enforcement of foreign judgments on specific matters, Romanian law allows an action to be brought before a court of competent jurisdiction in Romania for the recognition of a judgment *in personam* rendered by a court of a non-EU member state, provided that the relevant conditions in respect of recognition of foreign judgments set out under the Romanian Civil Procedure Code are met. Furthermore, the recognition and enforcement of foreign judgments in administrative, customs, criminal or other public law related matters is subject to special legislation and certain conditions may need to be fulfilled.

Definitions and glossary

Unless the context otherwise requires, references in this Prospectus to **we**, **our** and **us** refer to the Issuer. References in this Prospectus to “Cluj-Napoca” are to the city of Cluj-Napoca, Romania.

Certain terms used in this document, including all capitalized terms and certain technical and other items, are defined and explained in “Part 7—Definitions and Glossary.”

Information not contained in this document

No person has been authorized to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorized. Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this document or that the information in this document is correct as of any time subsequent to the date hereof.

Information regarding forward-looking statements

This document includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Issuer's control and all of which are based on the Issuer's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as “believe”, “expects”, “may”, “will”, “could”, “should”, “shall”, “risk”, “intends”, “estimates”, “aims”, “plans”, “predicts”, “continues”, “assumes”, “positioned” or “anticipates” or the

negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Issuer concerning, among other things, the results of operations, financial condition, liquidity, prospects, growth and strategies of the Group and the industry in which it operates. In particular, the statements under the headings “*Risk Factors*” and “*Description of the Issuer*” regarding the Issuer’s strategy and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Issuer. New risks can emerge from time to time, and it is not possible for us to predict all such risks. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements. Such forward-looking statements contained in this document speak only as of the date of this document. The Issuer expressly disclaims any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Prospectus Regulation or the disclosure and transparency rules of the Romanian law or of the Regulated Market operated by the Bucharest Stock Exchange.

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PART 1

RISK FACTORS

Any investment in the Bonds is subject to a number of risks. Prior to investing in the Bonds, prospective investors should carefully consider the risk factors associated with any investment in the Bonds, the Issuer's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below.

The occurrence of any of the following events could have a material adverse effect on Issuer's business, prospects, results of operations and financial conditions. The risk factors described below are not an exhaustive list or explanation of all risks which investors may face when making an investment in the Bonds and should be used as guidance only. Additional risks and uncertainties relating to the Bonds that are not currently known to the Issuer, or that the Issuer currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Issuer's business, results of operations and/or financial condition and, if any such risk should occur, the price of the Bonds may decline and investors could lose all or part of their investment. An investment in the Bonds involves complex financial risks and is suitable only for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Investors should consider carefully whether an investment in the Bonds is suitable for them in the light of the information in this Prospectus and their personal circumstances.

RISKS RELATING TO THE BUSINESS OF THE ISSUER

The Issuer faces intense competition, which could result in decreases in the number of current and potential customers, revenue and profitability.

The Issuer is in competition with a large number of financial institutions, of both international and local calibre, competition that is expected to intensify further. Increased competition may encourage Issuer's current clients, as well as prospective clients, to use the services and products of our competitors and, consequently, adversely affect our revenues and profitability.

These competitors, as well as other competitors that may enter the market in the future, may enjoy certain competitive advantages that the Issuer does not enjoy, such as having greater economies of scale, larger financial and non-financial resources and portfolios, access to advanced technological and operational resources, more comprehensive product offerings in certain business lines, greater personnel resources, greater brand name recognition and more experience or longer-established relationships with regulatory authorities and clients. In particular, the majority of Issuer's principal competitors in the Romanian non-banking sector are part of much larger international financial groups, such as the local subsidiaries of UniCredit Group (UniCredit Leasing Corporation IFN S.A.), Erste Group (BCR Leasing IFN S.A.), Société Générale (BRD Sogelease IFN S.A.), Raiffeisen (Raiffeisen Leasing IFN S.A.) etc. Due to their global presence, such competitors might seem more attractive for clients, particularly for institutional clients which are clients of the banks and other entities providing financial services within the territory of Romania of the respective international financial groups. In addition, in the context of the development of the Romanian financial services market in recent years, local financial institutions specialised in financial leasing, both international and local (e.g. Impuls Leasing IFN S.A., subsidiary of the Austrian group IMPULS-Leasing International GmbH, Porsche Finance Group, subsidiary of Porsche Holding, specialised in financing and auto insurance services, Idea Leasing IFN S.A., controlled by the Polish group Getin Holding and Țiriac Leasing IFN S.A., part of Țiriac Holdings) have gained important market shares.

Strong competition may lead to increased pressure on the Issuer in connection with prices for products and services offered to clients, which may have an impact on the Issuer's capacity to maintain or increase its profitability. The competitiveness of the Issuer in the current competitive environment will depend largely on its capacity to adapt quickly to the market's new developments and tendencies. To the extent the Issuer will not be able to effectively

compete with its competitors, whether local or part of international groups, this fact may have an adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Dependence on the Parent Company

The Issuer is 100% owned, directly and indirectly, by Banca Transilvania S.A. (the “**Parent Company**”, “**BT**”) and the funding received from the Parent Company is a key source of funding for the Issuer.

The Parent Company controls the Issuer and the Issuer's decisions, to the extent these fall under the category of reserved matters for the general meeting of shareholders. From this perspective, any potential impairment of the legal, financial or economic situation of the Parent Company may affect the Issuer's situation. As an example, if the financial situation of the Parent Company would deteriorate, the Parent Company may become unable to provide capital to the Issuer, which may restrict or make more difficult the Issuer's access to funding, which could in its turn have a material adverse effect on the Issuer's business, prospects, results of operations and financial condition.

The Issuer may be adversely affected by changes in interest rates.

The Issuer derives the majority of its operating income from net interest income, the risk regarding the interest rate being the main risk to which the Issuer's non-traded portfolios are exposed. Interest rates are sensitive to many factors beyond the Issuer's control, such as inflation, monetary policies set by the National Bank of Romania (the “**NBR**”) and by the Romanian government, monetary policy decisions of the European Central Bank (“**ECB**”) in connection with the EUR, the liberalisation of financial services, increased competition, as well as domestic and international economic and political conditions. Changes in the absolute level of interest rates can affect the spread between the rate of interest that a financial institution pays to borrow funds from its depositors and other lenders and the rate of interest that it charges on loans it extends to its customers. To the extent the interest margin decreases, net interest income will also decrease, unless the Issuer is able to compensate such decrease by increasing the total amount of funds it lends to its customers. Low interest rate monetary policy accompanied by quantitative easing brings additional challenges to interest margin stability as the potential to re-price customers' financings might be exhausted sooner than lending rates find their new equilibrium. An increase in rates charged to customers can also negatively impact interest income if it reduces the amount of financial leasing agreements concluded with customers.

Finally, the change of the structure of interest-bearing assets in any given period could, in the event of changes in interest rates, reduce the Issuer's net interest margin and have a material adverse effect on its net interest income and, consequently, its business, financial condition, results of operations, liquidity or prospects.

The Romanian Leu can be subject to high levels of volatility in exchange rates and inflation. Fluctuations in exchange rates could adversely affect the Issuer's results of operations.

A significant portion of the Issuer's assets and liabilities is denominated in foreign currencies, particularly in EUR. The Issuer translates such assets and liabilities, as well as interest earned or paid on such assets and liabilities, to RON in preparing its financial statements. Although the Issuer complies with appropriate limits and performs measures aimed at reducing exchange rate risk, fluctuations in the rate of exchange of such currencies into RON may have a negative impact on the Issuer's reported results of operations, financial position and yearly cash flows.

The Romanian Leu is subject to a managed-variable exchange rate regime, whereby its value against foreign currencies is determined in the interbank foreign exchange market. The monetary policy of the NBR is inflation-targeting. The managed-variable exchange rate regime is in line with using inflation targets as a nominal anchor for monetary policy and allowing for a flexible policy response to unpredicted shocks likely to affect the economy. The NBR does not target any level or range for the exchange rate. The ability of the NBR to limit volatility of the Romanian Leu is contingent on a number of economic and political factors, including the availability of foreign currency reserves and foreign direct investment inflows, as well as developments in market sentiment and investors' risk aversion.

Any changes to global investors' perceptions of Romanian or global economic prospects may lead to further depreciation of the Romanian Leu. A significant depreciation of the Romanian Leu could adversely affect the country's economic and financial condition. Any higher than expected inflation resulting from the depreciation of the Leu could lead to a reduction in customer purchasing power and erosion of customer confidence, which may have a material adverse effect on the Issuer's business, results of operations and financial condition.

The Issuer may in the future experience deterioration in its financing portfolio, particularly as a result of financial crises or economic downturns.

The Issuer is, and may in the future continue to be, exposed to the risk that clients may not repay their loans granted through financial leasing agreements according to their contractual terms, that income stream securing the payment may be insufficient, or that legislation imposes fixed exchange rates for financial leasing agreements in foreign currencies.

The effects of the global economic and financial crisis, such as stagnating or declining growth rates or negative Gross Domestic Product (“GDP”) development, may significantly reduce private consumption and investment and therefore, may have a negative effect on the size or the quality of the Issuer’s portfolio. This is particularly true for financial leasing agreements concluded in currencies other than the local currency (in principal EUR and USD). As the value of the local currency declines versus the foreign currencies of such agreements, as occurred in certain Central and Eastern Europe (“CEE”) countries during the economic downturn, the effective cost of the respective currency denominated loans to the local customer may increase substantially, which can lead to delinquent payments and, ultimately, increases in the volume of non-performing financial leasing agreements.

Deterioration in the quality of the Issuer’s portfolio and increases in the number of non-performing agreements may result in increased risk costs for the Issuer. The Issuer’s risk costs are based on, among other things, its analysis of current and historical probabilities of default and the valuation of leased assets and expected available income of clients, as well as other management assumptions. The Issuer’s analyses and assumptions may prove to be inadequate and might result in inaccurate predictions of financial leasing agreements performance.

In line with regulatory requirements and accounting standards the Issuer evaluates the need and allocates credit risk provisions on its balance sheet to cover expected losses on its portfolio. Provisions are determined by updating cash flows using an update rate that reflects the amount of time the financial resources are committed to the Issuer’s financial leasing activity.

The Issuer’s provisioning policy is, in management’s judgement, appropriate to cover potential losses resulting from borrowing granted to its clients. However, there can be no assurances that the current provisioning ratio will not increase in the future, that annual risk costs will not increase or that the coverage ratio for the associated risks will prove to be sufficient.

Each of the above factors could have in the future a material adverse effect on the Issuer’s results of operations, financial condition and capital base.

The Issuer is subject to restrictive debt covenants that may limit its ability to finance future operations and capital needs and to pursue business opportunities and activities.

The Issuer has concluded several financing agreements that also include debt covenants. For further details regarding the Issuer’s financing agreements, please see “Part 2 Description of the Issuer. Financing sources.”

Although all of these limitations are subject to significant exceptions and qualifications, these covenants could limit the Issuer’s ability to finance its future operations and capital needs and its ability to pursue acquisitions and other business activities that may be in its interest.

If the Issuer fails to comply with any of these covenants, it will be in default under its financial indebtedness and the relevant trustee, holders of the indebtedness or the applicable lenders could declare the principal and accrued interest on the Bonds or the applicable loans due and payable, after any applicable cure period. These restrictions could materially adversely affect the Issuer’s ability to finance future operations or capital needs or engage in other business activities that may be in the Issuer’s best interest.

The Issuer is subject to the risk that liquidity may not be readily available.

As borrowings provider, the Issuer is exposed to market liquidity risk or market disruption risk. The Issuer is also exposed to funding liquidity risk, which is an exposure to losses arising out of a change in the cost of financing or refinancing its activities, which may result in difficulties in meeting its objectives on time or on economically beneficial terms.

If the Issuer has difficulty in securing adequate sources of short and long-term liquidity, this would have a material adverse effect on its business, financial condition and results of operations.

The Issuer is subject to operational risks.

The Issuer's businesses are dependent on the ability to process a large number of financial leasing transactions efficiently and accurately. Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, Issuer's computer equipment failures or natural disasters. Although the Issuer has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is not possible to implement procedures that are fully effective in controlling each of the operational risks. The Issuer may also suffer service interruptions from time to time due to failures by third-parties service providers and natural disasters, which are beyond its control. Such interruptions may affect the services provided to clients. If the Issuer would have such difficulties in its operational activity, this would have a material adverse effect on its business, financial condition and results of operations.

The Issuer may not be able to preserve its customer base.

The Issuer's success depends on its capacity to maintain the loyalty among its customer and commercial partners base and to offer a wide range of competitive and high-quality products and services to its customers. In order to pursue these objectives, the Issuer has adopted a strategy aimed at serving the various needs of each client segment in the most suitable manner. Moreover, the Issuer seeks to maintain long-term relations with its customers through the sale of products and services that are adjacent to its financial leasing activity (such as auto assurance products) and the capitalization of its position as significant member within the Banca Transilvania Financial Group (the "BT Group"). Nevertheless, high levels of competition and an increased emphasis in cost reduction may result in an inability to maintain high loyalty levels of the Issuer's customer base, in providing competitive products and services, or of maintaining high customer service standards, each of which may adversely affect the Issuer's business, financial condition, results of operations and prospects.

If the Issuer does not maintain or improve its reputation for the quality of its service, its ability to attract new customers and retain existing customers may be harmed, which could adversely affect its business, financial condition, results of operation and prospects.

Reputational risk is inherent to the Issuer's business activity. The ability to retain customers and to attract new customers depends in part on the Issuer's and Parent Group's brand recognition and its reputation for the quality of service. Negative public opinion towards the Issuer, Parent Group or the financial services sector as a whole could result from real or perceived practices in the financial leasing sector in general, such as negligence during the provision of financial products or services, or even from the way that the Issuer conducts, or is perceived to conduct, its business. In addition, the Issuer's reputation is strongly linked to the reputation of Parent Group, meaning that any objective or perceived negative aspects of Parent Group's business, financial condition, results of operations and prospects could in its turn have an adverse effect on the Issuer's reputation.

Although the Issuer makes all possible efforts to comply with the regulatory instructions in force and to increase the positive perception of its clients and prospective clients regarding its services, negative publicity and negative public opinion could adversely affect the Issuer's ability to maintain and attract customers, which could have a material adverse effect on the Issuer's business, financial condition and prospects.

The Issuer may be subject to onerous tax liabilities.

In its business activities, the Issuer is required to pay various taxes and contributions, such as profit tax, value added tax, various social contributions and others. While the Issuer believes it has paid its taxes when due, interpretation of applicable rules by tax authorities may differ. In practice, tax inspections typically result in tax authorities requiring payment of additional amounts as well as interest and/or penalties. Recently, both the Romanian Government and EU institutions have applied significant pressure in relation to taxes paid or payable by non-banking financial institutions, such a potential qualification of financial leasing operations as deliveries of goods following the European Court of Justice decision of October 2017, pronounced in the Mercedes-Benz Financial Services case. Since decisions of the European Court of Justice for the interpretation of the European provisions regarding VAT are binding for all the EU Member States, there might be a shift in the qualification of financial leasing agreements from VAT regime

perspective according to the Fiscal Code. Whether as a result of such pressure from the fiscal authorities or in the ordinary course of business, it is likely that the Issuer will be subject to one or more tax inspections during the term of the Bonds. The results of such tax inspections may be the imposition of material additional amounts on the Issuer and this may have a material and adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Issuer's hedging strategies may not prevent losses.

The Issuer may utilise a range of instruments and strategies to hedge risks. Unforeseen market developments may have a significant impact on the effectiveness of hedging measures. If any of the variety of instruments and strategies that are used to economically hedge exposure to market risk is not effective, the Issuer may incur losses. Unexpected market developments which cannot be correlated with the Issuer's historical trading patterns may adversely affect the effectiveness of these hedging strategies, the results, the operations and the Issuer's perspectives.

The Issuer's operational systems and networks have been, and will continue to be, vulnerable to an increasing risk of continually evolving cyber security or other technological risks which could result in the disclosure of confidential client or customer information, damage to the Issuer's reputation, additional costs to the Issuer, penalties and financial losses.

A significant portion of the Issuer's operations rely heavily on the secure processing, storage and transmission of confidential and other information. The Issuer stores an extensive amount of information (including personal data) specific to its clients (natural or legal persons). The proper functioning of the Issuer's services systems and of other IT systems, as well as the communication networks existent between the branches and working points of the Issuer and its main data processing centres is critical to the Issuer's operations.

Furthermore, the Issuer is currently in the process of upgrading its internal operational software (i.e. Charisma), through which is envisioned the integration of the internal back office and databases system, with the view to automate as many processes with permanently monitored controlled points as possible, and, respectively, to accelerate Issuer's activities (a significant enhancement will be represented by the integration of the redundant data which are collected from different departments of the Issuer); the estimate deadline of the project is the end of the first trimester of 2020.

If the upgrading and/or the transfer of data and the integration of third party systems is not completed in the contemplated timeframe and/or manner, as well as if the respective services cannot be supplied uninterruptedly, particularly in the case in which updated might be necessary for a proper delivery of new or extended products and services, then these systems might not support entirely the extension of the Issuer's activity as this activity is conditional upon their continuous and uninterrupted performance.

These activities have been, and will continue to be, subject to an increasing risk of cyber-attacks, the nature of which is continually evolving. The Issuer's computer systems, software and networks have been and will continue to be vulnerable to unauthorised access, loss or destruction of data (including confidential client information), unavailability of service, computer viruses or other malicious code, cyber-attacks and other events. These threats may derive from human error, fraud or malice on the part of employees or third parties or may result from accidental technological failure. If one or more of these events occurs, it could result in the disclosure of confidential client information, damage to the Issuer's reputation with its clients and the market, additional costs to the Issuer (such as repairing systems or adding new personnel or protection technologies), regulatory penalties and financial losses, to the Issuer. Such events could also cause interruptions or malfunctions in the operations of the Issuer. Disaster recovery, security and service continuity protection measures that the Issuer has undertaken or may undertake in the future may be insufficient to prevent losses caused. Moreover, certain errors or actions may be repeated or compounded before they are discovered and rectified, which would further increase these costs and consequences.

In addition, third parties with which the Issuer does business under stringent contractual agreements may also be sources of cyber security or other technological risks. Although the Issuer adopts a range of actions to eliminate the risks, such as not allowing third party access to the production systems and operating a highly controlled IT environment, unauthorised access, loss or destruction of data or other cyber incidents could occur, resulting in similar costs and consequences to the Issuer as those discussed above. The risks associated to cyber security and other technological risks might generate disruptions, that, if persistent, might significantly the Issuer's business, prospects, results of operations and financial condition.

Handling sensitive customer data represents a significant part of the Issuer's daily activity, and a leakage of such data might violate the applicable laws and regulations. Any other breach of data security, as well as any other incomplete observance of the legislation in force regarding data protection may lead to fines, reputational damage and other negative effects upon the Issuer.

The Issuer accumulates, stores and uses in its operations data which are protected by data protection laws. Although the Issuer takes precautions to protect customer data in accordance with the applicable privacy requirements, it is possible that there may be data leakages in the future. In addition, the Issuer works with service providers or third-party commercial partners, which may not fully comply with the relevant contractual terms and all data protection obligations imposed on them.

The financial services sector (including the financial leasing sector) has become increasingly digitalized, automated and online-based in recent years, increasing the Issuer's exposure to risks of unauthorized or unintended data release through hacking and general information technology system failures. Unanticipated information technology problems, system failures, computer viruses, intentional/unintentional misuses, hacker attacks or unauthorized access to the Issuer's network or other failures could result in a failure to maintain and protect customer data in accordance with applicable regulations and requirements and could affect the quality of the Issuer's services, compromise the confidentiality of its customer data or cause service interruptions, and may result in the imposition of fines and other penalties. Also, following the enactment of the General Data Protection Regulation (EU) 2016/679 on 25 May 2018, the Issuer became the subject of extensive data processing requirements, the breach of which may entail several types of sanctions, including fines of up to EUR 20 million or up to 4% of the overall turnover (whichever is the greater); in addition, if they have suffered damage, the persons concerned may obtain compensation to cover the amount of such damage and their rights may also be represented by collective bodies.

Therefore, should any violations of data protection laws be identified to have been committed by the Issuer, they may result in fines, claims for damages, prosecution of relevant employees and managers, reputational damage and loss of customers and may have a material adverse effect on our business, prospects, results of operation and financial condition.

The Issuer may be unable to attract and retain key personnel, directors, managers, employees and other individuals without whom the Issuer may not be able to manage its business effectively.

The Issuer depends on the availability and continued service of a relatively small number of key managers, employees and other individuals. These key individuals are heavily involved in the daily operation of Issuer's business and are, at the same time, required to make strategic decisions, ensure their implementation and manage and supervise Issuer's development. The loss of any of these key individuals could significantly impede our financial plans, product development, network expansion, marketing and other plans. In addition, competition for qualified executives in the Romanian financial services industry is intense. The Issuer's future results depend, in a significant part, upon the continued contributions of its existing management and its ability to expand the senior management team by adding highly skilled new members, who may be difficult to identify and recruit. If any of the Issuer's senior executives or other key individuals ceases their employment or engagement, the Issuer's business, prospects, results of operation and financial condition could be materially adversely affected.

The Issuer may undertake future acquisitions on an opportunistic basis.

The Issuer or, if the case, any entities from the Parent Group, may undertake, on an opportunistic basis, additional acquisitions in the future in the existing business lines of the Issuer or in other businesses complementary to them (with the view to integrate the respective business lines in the Issuer's activity). However, the estimate of the financial effects of any such transactions on the Issuer's business may not be successful, especially as its acquisitions may prove more difficult to integrate. In addition, acquisitions may divert management attention or financial or other resources away from the existing business of the Issuer or require additional expenditures. Such developments could have a material adverse effect on the Issuer's business, results of operations and financial condition.

The acquisition of new businesses or assets may be limited by many factors, including availability of financing, the prevalence of complex ownership structures among potential targets, government regulation and competition from other potential acquirers. If acquisitions are made, there can be no assurance that the Issuer will be able to maintain the customer base of businesses it acquires, generate expected margins or cash flows or realize the anticipated benefits

of such acquisitions, including growth or expected synergies. The analyses conducted in relation to potential acquisition targets are subject to a number of assumptions concerning profitability, growth, interest rates and valuations. There can be no assurance that the Issuer's assessments of and assumptions regarding acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations.

Even if the Issuer or, if the case, other entities of Parent Group, successfully acquire new businesses, the integration of new businesses may be difficult for a variety of reasons, including differing management styles and systems, inadequate infrastructure and poor records or internal controls. In addition, integrating any potential acquisitions may require significant initial cash investments and present significant costs, as well as tax liabilities or regulatory fines. The process of integrating businesses may be disruptive to Issuer's operations and may cause an interruption of, or a loss of momentum in, such businesses or a decrease in our operating results as a result of costs, challenges, difficulties or risks, including:

- realizing economies of scale; eliminating duplicative overhead expenses;
- integrating personnel, financial and operational systems;
- unforeseen legal, regulatory, contractual and other issues;
- unforeseen challenges from operating in new geographic areas, as the case may be; and
- the diversion of management's attention from our day-to-day business as a result of the need to deal with the foregoing challenges, disruptions and difficulties.

Furthermore, even if the Issuer is successful in integrating its existing and new businesses, expected synergies and cost savings may not materialize as anticipated or at all, resulting in lower than expected margins. There is no assurance that the Issuer will be successful in acquiring new businesses or realizing any of the anticipated benefits of the companies that it may acquire in the future. If the Issuer undertakes acquisitions, but does not realise these benefits, the Issuer's business, prospects, results of operation and financial condition could be materially adversely affected.

RISKS RELATING TO LEGAL AND REGULATORY MATTERS AND LITIGATION

The Issuer may be subject to competition law investigations and claims.

The Issuer may be the subject of claims regarding alleged anticompetitive behaviour on the market where it operates, to restrict competition and limit consumer choice.

For example, in November 2017 the Romanian Competition Council (the "CC") launched an investigation on the market for financial leasing and consumer loans, alleging that members of the Financial Companies' Association – ALB Romania ("ALB"), of which the Issuer is a member, have engaged in unlawful exchange of sensitive commercial information, the Issuer receiving a request for information from the CC in connection with this investigation on 15 June 2019.

As a result of this investigation, the Issuer has received on 17 October 2019 an investigation report from the CC investigation team, which contains a fine proposal of 8.399% of the Issuer's turnover for 2018 (*i.e.*, approximately RON 6.51 million or approximately EUR 1.37 million) and 8.233% of the turnover of ERB Leasing IFN S.A. (*i.e.* RON 0.19 million or approximately EUR 0.04 million). The CC has had the same approach for sanctioning all the other leasing company members of ALB (*i.e.*, 33 companies).

Regarding the procedural steps to be taken next, the parties' observations and counter arguments to the report must have been submitted until 2 December 2019, with the hearings to be held on 14 January 2020 in front of the CC plenum. As a result of these hearings, the CC plenum may decide any of the following:

- maintain the conclusion of the investigation report – with the CC plenum being the one in power to set the definitive percentage of the fine (while of course observing the case team's proposal) they may decide to lower it after considering potential mitigating factors that were not taken into account before; or
- request an additional analysis of the initial findings – which would mean the investigation to be continued by the case team until properly addressing any other necessary aspects as requested by the CC plenum; or
- reject the report while also closing the investigation without imposing any fines to the parties.

Considering the above the Issuer has recorded as at 30 September 2019 a provision for litigations in amount of RON 6,698,992, this being considered the best estimate for the amount required to settle the probable sanction proposed by the CC. The value of the provision was based on the product of the percentage of 8.399% (for the Issuer) or 8.233% (for ERB Leasing IFN S.A., merged into the Issuer in October 2018) (as specified in the report received from the CC) multiplied with the value of the income from leasing operations as it was recorded during the financial year ended 31 December 2018 by the Issuer and by ERB Leasing IFN S.A. (merged into the Issuer in October 2018). To the extent the above-described situation is subject to any further developments until 31 December 2019, the Issuer will reassess the value of the relevant provision.

Although the Issuer is prepared to fight these sanctions proposed by the CC case team during the investigation, there is no assurance that the CC will not impose on the Issuer the proposed fine, or even a higher fine.

Also, there is no assurance that the CC will not conduct further investigations on the Issuer or, if it does, that it will not impose sanctions on the Issuer as a result of such investigations. Such sanctions may include fines of up to 1% of total turnover in the year prior to the decision if the Issuer fails to provide accurate and complete information to the CC within the terms indicated by it or imposed by applicable law and up to 10% of total turnover in the year prior to the decision per individual violation of competition law, which could have a material adverse effect on the Issuer's business, prospects, results of operations or financial condition.

The Issuer is subject to substantial regulation and regulatory and governmental oversight. Any new governmental or regulatory requirements could subject the Issuer to increased requirements or obligations and can lead in the future to a decrease in profit margins and an increase in the costs to which the Issuer is subject to in its activity.

As a non-banking financial institution, the Issuer is subject to extensive regulation, as well as to certain administrative measures and policies. Moreover, the Issuer holds an authorisation issued by the NBR, which supervises its activity. Applicable legal provisions address, *inter alia*, interest adequacy and risk management. The fulfilment of these regulations implies substantial costs and could significantly limit potential operations. Furthermore, national regulatory authorities have substantial discretion in implementing the regulatory framework, and this discretion has been increasing during recent years. Regulations may be imposed on an ad hoc basis by governments and regulators in response to a financial crisis, and these may affect, among others, the financial institutions such as the Issuer. These factors could, in different ways, to generate a decrease of the profit margins and to an increase in the costs that the Issuer incurs in its activity.

Moreover, regulatory authorities (such as NBR) conduct continuous or periodic analysis regarding the Issuer's operations. In the case that regulatory authorities identify a breach of law, whether it is intentional or not, different sanctions may be applied, including withdrawal of the operating authorisation of the Issuer. As a rule, the NBR has a range of constraining measures at its disposal in case of failure to comply with the applicable regulations. Therefore, the Issuer or the members its board of directors/manager may be subject to measures applied by the NBR so that the deficiencies and their causes are resolved, as well as to sanctions, such as (i) written notice to the Issuer; (ii) fine applied to the Issuer, ranging from 0.01% to 0.5% of the minimum share capital required by law; (iii) fine applied to the members of the board of directors or managers, ranging between one and six net incomes, at the income level registered in the month previous to the date in which the violation was discovered; (iv) temporary adjournment or limitation to conduct one or more activities; and/or (v) deregistration from the register in which the Issuer is mentioned and, consequently, the prohibition to conduct crediting activities.

Among the most important provisions and regulations, governmental or issued by the authorities, which might have a negative impact on the Issuer are included the amendments brought to NBR Regulation no. 20/2009 regarding non-banking financial institutions ("**Regulation 20/2009**") through NBR Regulation no. 1/2017 for the modification and amendment of Regulation 20/2009, though which the criteria for the classification of the assets according to credit risk categories have been modified (the requirements regarding the net exposure resulted from the assets as reflected in the balance sheets becoming this way more stringent).

In addition, the Issuer may be negatively affected by a potential consideration of the financial leasing activities as goods deliveries, following the European Court of Justice decision of October 2017, pronounced in Mercedes-Benz Financial Services case. Since decisions of the European Court of Justice for the interpretation of European provisions regarding VAT are binding for all the EU Member States, there might be a shift in the qualification of financial leasing

agreements from the perspective of VAT regime according to the Fiscal Code.

Any legislative or regulatory actions and any required changes to the business operations of the Issuer resulting from such legislation and regulations, as well as any deficiencies in the Issuer's compliance with such legislation and regulation, could result in significant loss of revenue, limit the ability of the Issuer to pursue business opportunities in which it might otherwise consider engaging and provide certain products and services, affect the value of assets that it holds, require the Issuer to increase its prices for the services it provides and therefore reduce demand for its products and services, impose additional compliance and other costs on the Issuer or otherwise adversely affect its business.

Applicable Romanian insolvency and bankruptcy laws, as well as other laws and regulations governing creditors' rights may limit the Issuer's ability to obtain payments on defaulted loans and advances.

Romanian bankruptcy and enforcement laws may not offer in all respect the same level of rights, remedies and protections that creditors enjoy under the legal regimes in other EU jurisdictions. In particular, Romanian bankruptcy and enforcement laws and practice may make it comparatively more difficult and time-consuming for the Issuer to recover amounts in respect of its secured and unsecured claims before the Romanian courts. In recent years, insolvency in Romania witnessed mixed dynamics, *i.e.*, the number of companies having declared themselves insolvent shrank by half, yet this favourable evolution was offset by a larger incidence of such cases among large companies. Insolvent companies, as well as the companies reporting net losses, have largely been responsible for the worsening payment discipline across the economy. Considering that a significant part of the Issuer's assets are due from debtors and/or secured by assets that are or are likely to be in the future subject to Romanian bankruptcy and enforcement laws, the above could adversely affect the Issuer's business, financial condition, results of operations, liquidity or prospects and its ability to make payment under the Bonds.

Inability to obtain effective legal remedies in a reasonably timely manner may adversely affect the Issuer's business, financial condition, results of operations, liquidity or prospects.

The governments in Central and Eastern Europe countries, including Romania, may react to economic and financial crises with increased protectionist measures.

The governments in Central and Eastern Europe countries, such as Romania, could take various measures to protect the national economy, currency or fiscal income in response to financial and economic crises, including among other things:

- order loans denominated in foreign currencies (such as EUR or USD) to be converted into local currencies at set interest and/or exchange rates, in some cases below market rates (such as happened in Hungary), or allow loans to be assumed by government entities, potentially resulting in a reduction in value of such loans;
- set out regulations limiting interest rates and fees for services that can be charged and other terms and conditions; and
- introduce or amend laws and regulations, as well as extend measures previously introduced on a temporary basis or apply additional regulatory obligations on financial institutions.

Any of these or similar governmental actions could have a material adverse effect on the Issuer's business, financial condition, results of operations, liquidity or prospects.

The Issuer may be subject to fines, awards of damages or other penalties arising from legal proceedings, contractual claims and disputes, as well as negative publicity arising therefrom.

In the context of its day-to-day operations the Issuer is exposed to litigation risk, among others, as a result of changing and developing consumer protection legislation and legislation on the provision of financial leasing services.

The Issuer may be adversely affected by other contractual claims, complaints and litigation, including from counterparties with whom it has contractual relationships, customers, competitors or regulatory authorities, as well as any adverse publicity that it may attract. Any such litigation, complaints, contractual claims, or adverse publicity could have a material adverse effect on the Issuer's business, reputation, results of operation and financial condition.

RISKS RELATING TO INVESTMENTS IN ROMANIA AS AN EMERGING MARKET

The economy of Romania is more vulnerable to fluctuations in the global economy than developed markets.

The Romanian economy is vulnerable to major global market downturns or economic slowdowns. The impact of global economic developments is often felt more strongly in emerging markets, such as Romania, than it is in more mature markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment and the Romanian economy could thus face severe liquidity constraints, causing it to, among other things, raise tax rates or impose new taxes, with a negative impact on the Issuer's business, reputation, operational results and financial position.

Romania has undergone substantial political, economic and social change in recent years. As is typical of emerging markets, they do not possess the full business, legal and regulatory infrastructure that would generally exist in more mature free market economies. In addition, the tax legislation in Romania is subject to varying interpretations and changes, which can occur frequently.

Moreover, Romania has experienced periods with significant political instability. In particular, for the past several years, the political environment in Romania has been unstable, dominated by political conflict and under significant pressure from massive street protests. Conflicts between the Government, the Parliament and the country's President may lead to further political and social turmoil, which could hinder policymaking, as well as slow down economic development and institutional reforms.

The future economic direction of Romania remains largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by its government, together with tax, legal, regulatory, and political developments. Any potential Issuer's failure to manage the risks associated with its business in emerging markets could have a material adverse effect on its operations. Any such development may adversely affect the Issuer's business, reputation, operational results and financial position.

The current and upcoming social, political and military conflicts in the region may have consequences, which may adversely affect the Issuer's business.

The ongoing political and military instability in the regions neighbouring Romania (marked by the conflict between Ukraine and the Russian Federation, as well as by the increased political instability in the Republic of Moldova), although without a significant impact on Romania, may cause materially adverse economic conditions, social turmoil or, in a worse case, military confrontation in the region.

Effects are to a large extent unpredictable but may include drop in investments caused by uncertainty in the region, causing also significant currency fluctuations, increases in interest rates, decreases in the availability of credit, trading and capital flows and increases in energy prices.

These and other unforeseen negative effects of the crises in the region could have a material adverse effect on the Issuer's business, prospects, operational results and financial position.

Corruption could create a difficult business climate in Romania.

Corruption is one of the main risks confronting companies with business operations in Romania. International and local media, as well as international organizations, have issued numerous alerting reports on the level of corruption. For example, the 2018 Transparency International Corruption Perceptions Index, which evaluates data on corruption in countries throughout the world and ranks countries from 0 (least corrupt) to 100 (most corrupt), ranked Romania in the 59th position (2017: 48; 2016: 48).

Corruption has been reported to affect the judicial systems and some of the regulatory and administrative bodies in Romania, which may be relevant for the Issuer's business. Although it is difficult to predict all of the effects of corruption on the Issuer's operations, it can, among other things, slow down approvals of regulatory permits and licenses needed to conduct the business. Therefore, corruption could have an adverse effect on the Issuer's business, prospects, operational results or financial position.

Any downgrade of Romania's credit ratings by an international rating agency could have a negative impact on the Issuer

The long-term foreign and domestic currency debt of Romania is currently rated BBB- (stable) by S&P, Baa3 (stable) by Moody's and BBB- by Fitch. Any adverse revisions to Romania's credit ratings for domestic or international debt by these or similar international rating agencies may materially adversely impact the Issuer's credit rating, its ability to raise additional financing and the interest rates and other commercial terms under which such additional financing is available. This could hamper the Issuer's ability to obtain financing, which could have an adverse effect on our business, prospects, operational results and financial position.

The UK referendum resulting in a vote to have the United Kingdom of Great Britain and Northern Ireland leave the European Union could create political and economic uncertainty and risks which may negatively affect the European financial markets and the Issuer's business

The referendum resulting in a vote for the United Kingdom of Great Britain and Northern Ireland to leave the European Union ("Brexit"), has created volatility in the global financial markets and could contribute to prolonged uncertainty around certain aspects of the European and global economies, as well as European companies and consumers. Brexit is currently expected to take place until 31 January 2020 and is likely to adversely affect European and worldwide economic conditions, and could contribute to greater instability, in the global financial markets before and after the terms of the United Kingdom's future relationship with the European Union are set. Brexit could also affect the general political environment in the European Union, as well as the stability and standing of the European Union as a single market.

Until more clarity is available around the legal, political and economic realities and requirements for Brexit, political and economic uncertainty, notably in European markets, may occur, which could lead to a downturn in the markets in which the Issuer operates and a decrease in spending and investment.

Romania's difficulties related to its post-accession process to the European Union may adversely affect the Issuer.

Romania entered the European Union in January 2007 and continues to undergo legislative changes due to its accession to and its continued integration with the EU. As part of the accession process, the European Union has established a series of measures for Romania in order to fulfil basic EU membership requirements. The European Commission was tasked with monitoring Romania's progress, which it does by issuing annual compliance reports. Although the European Commission's progress report on the Co-operation and Verification Mechanism with Romania published on 25 January 2017 praised the country's progress in some areas (e.g., its efforts to combat corruption, increased independence of the judicial system, integrity framework for civil servants, etc.), it also highlighted a number of issues that need to be further addressed. On 15 November 2017, the European Commission has issued its follow-up report concerning the issues previously identified. The report notes that progress has been achieved on a number of previous recommendations, in particular the recommendation to set up a system for checks on conflicts of interest in public procurement has been satisfactorily implemented and progress on other recommendations, subject to practical implementation. At the same time, the European Commission noted that the overall reform momentum in the course of 2017 has stalled, slowing down the fulfilment of the remaining recommendations, and with a risk of re-opening issues which the January 2017 report had considered as closed. The reports issued on 13 November 2018 and on 22 October 2019, respectively, show that developments since the January 2017 report have reversed the course of progress on issues which the European Commission considered positively in January 2017. This concerns progress on judicial independence and judicial reform and tackling high-level corruption and, as a result, additional recommendations were made.

Unless satisfactory actions are taken, Romania could face EU sanctions, which could have a material adverse effect on financial operations, investments and capital flows in the country, and consequently, on the Issuer's business, prospects, operational results and financial position, as well as on the trading price of the Bonds. Such sanctions may take the form, for example, of a temporary suspension of the application of relevant provisions governing the relations of Romania with any other EU member state or member states or the suspension of member states' obligations to recognize and enforce, under the conditions laid down in EU law, Romanian judgments and judicial decisions.

The legal and judicial system in Romania is less familiar with this type of transactions by comparison with other European countries, which makes an investment in the Bonds riskier than investments in securities of an issuer that operates in a more developed legal and judicial system.

The legal and judicial system in Romania is less familiar with this type of transactions than those of other European countries. Commercial law, competition law, securities law, company law, bankruptcy law and other areas of law are relatively new to local judges while such related legal provisions have been and continue to be subject to constant changes as new laws are being adopted in order to keep pace with the transition to a market economy and EU legislation. Existing laws and regulations in Romania may be applied inconsistently or may be interpreted in a manner that is restrictive and non-commercial. It may not be possible, in certain circumstances, to obtain legal remedies in a timely manner in these countries. The relatively limited experience of a significant number of the magistrates practicing in these markets, specifically with regard to capital markets issues, and the existence of a number of issues relating to the independence of the judiciary system may lead to ungrounded decisions or to decisions based on considerations that are not grounded in the law.

In addition to the foregoing, resolving cases may at times involve very considerable delays. The court system in Romania is underfunded relative to those of other European countries. The enforcement of judgments may also prove difficult, which means that the enforcement of rights through court systems may be laborious, especially where such judgments may lead to closure of businesses or job losses. This lack of legal certainty and the inability to obtain effective legal remedies in a timely manner may adversely affect the Issuer's business and may also make it difficult for investors in the Bonds to address any claims that they may have.

Bondholders may be unable to effect service of process or enforce foreign judgments against the Issuer or its assets in the jurisdictions in which it operates.

The Issuer is incorporated in Romania and the Bonds are issued pursuant to Romanian law, which may limit the legal recourse investors in the Bonds may enjoy against it.

Romanian law may require additional formalities to be performed or conditions to be met in order to enforce judgments against the Issuer that were obtained in foreign courts. The laws of Romania permit an action to be brought before a court of competent jurisdiction in Romania for the recognition and enforcement of a final and conclusive judgment *in personam* rendered by a court from an EU member state, provided that the relevant conditions set forth in EC Regulation No. 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters are met. However, other conditions may be applicable with respect to specific matters, under special Romanian legislation or international conventions. Similar rules on the recognition and enforcement of foreign court judgments apply to judgments issued in non-EU member states which are parties to the 2007 Lugano Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

Judgments rendered by courts in the United States and other non-EU member states which are not parties to the 2007 Lugano Convention are subject to different requirements and may be more difficult to enforce. Subject to special internal legislation (including ratified international conventions) regulating the recognition and enforcement of foreign judgments on specific matters, Romanian law allows an action to be brought before a court of competent jurisdiction in Romania for the recognition of a judgment *in personam* rendered by a court of a non-EU member state, provided that the relevant conditions in respect of recognition of foreign judgments set out under the Romanian Civil Procedure Code are met. Furthermore, the recognition and enforcement of foreign judgments in administrative, customs, criminal or other public law related matters is subject to special legislation and certain conditions may need to be fulfilled. The limitations set out above may deprive investors in the Bonds of effective legal recourse for claims related to their investment.

Changes to IFRS for recognition and measurement methods for financial instruments may adversely affect the Issuer's financial results.

Changes to IFRS have been proposed in recent years, and further changes may be proposed in the future. Prospective changes in accounting standards as well as those imposing stricter or more extensive requirements to carry assets at fair value, could also impact the Group's capital needs.

The Group's accounting policies and methods are fundamental to how it records and reports its financial condition and results of operations. From time to time amendments are adopted to the applicable financial accounting and

reporting standards that govern the preparation of the Group's financial statements. The new standards and interpretations which have already been endorsed by the EU and which are applied starting with 2018 and reflected in the Group's audited Annual Consolidated Financial Statements consist of, in particular:

- the new standard IFRS 9: Financial Instruments (effective for annual periods beginning on 1 January 2018 or after that date);
- IFRS 15: Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018); and

Additionally, the new standards and interpretations which have already been endorsed by the EU and which are applied by the Group starting with 1 January 2019, as reflected in the Condensed Interim Consolidated Financial Statements consist of, in particular:

- IFRS 16: Leases (effective for annual periods beginning on 1 January 2019 or after that date).

As a result of these changes to the IFRS, the comparability of the financial information across the periods presented in this Prospectus is limited.

Any amendment to IFRS which, in future, is endorsed by the EU and which concerns the valuation of the balance sheet, off-balance sheet items, disclosures of creating write-downs and provisions, may have a negative impact on the presentation of the financial position of the Group and consequently on its ability to perform its obligations under the Bonds.

RISKS RELATING TO THE BONDS

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the merits and risks of investing in the Bonds;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investors' currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect their investment and their ability to bear the applicable risks.

Potential investors should not invest in the Bonds unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio. The investment activities of investors are subject to applicable investment laws and regulations and/or review or regulation by certain authorities and each potential investor should consult its legal advisers or the appropriate regulators.

The market value of the Bonds could experience unfavourable developments.

The market price formation of the Bonds depends upon several factors, including, inter alia, (i) the change of the interest rates on the market, (ii) the policies of central banks, (iii) the general economic developments, (iv) the inflation rates, (v) the lack/excess of demand for the relevant type of bonds or (vi) changes in the investors' view. As consequence, the Bondholders are exposed to the risk of unfavourable developments of the market price of the Bonds, which materializes if the holders of the Bonds sell the Bonds prior to their final maturity. If the holders of the Bonds decide to hold them until final maturity, the Bonds will be redeemed at the amount set out in the Issue Terms.

Also, the market value of the Bonds could decrease if the Issuer creditworthiness worsens. Thus, the market value of the Bonds will suffer if the market perceives the Issuer to be less likely to fully perform all obligations under the Bonds when they fall due. This could occur, for example, because of the materialization of any of the risks listed in this section. Even if the Issuer's ability to fully perform all obligations under the Bonds when they fall due does not decrease, market participants could nevertheless have a different perception. In addition, market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business as the Issuer could adversely change, causing the market value of the Bonds to fall. If any of these events occurs, third parties would only be willing to purchase the Bonds for a lower price than before the materialization of these risks. Under these circumstances, the market value of the Bonds could decrease.

In case of an early redemption of any Bonds, there is a risk that holders of Bonds may not be able to reinvest proceeds from the Bonds in such a way that they earn the same rate of return.

Holders of Bonds may be subject to the risk that interest earned from an investment in the Bonds, in the event of an early redemption of any Bonds, may not be able to be reinvested in such a way that they earn the same rate of return as the redeemed Bonds.

The Bonds are not secured and, in case of insolvency, may be subordinated to other obligations of the Issuer.

The holders of the Bonds will have an unsecured claim for any claim under the Bonds. In the event of competing claims or a sale of assets in bankruptcy, the claim of the holders of Bonds will be subject to the mandatory distribution order set out by Romanian law for the order of preference in certain events of enforcement and in bankruptcy liquidation for unsecured claims, *i.e.* they will be subordinated to:

- charges, stamp duties or any expenses related to the insolvency proceedings, including expenses with the conservation and administration of the debtor's assets, with the continuation of the debtor's activity, as well as with the remuneration of the persons involved in the proceedings;
- claims arising from financings granted during the observance period in order to perform current activities;
- employees' claims;
- claims (i) resulting from the continuation of the debtor's activity after the commencement of the proceedings, (ii) representing damages arising out of the unilateral termination by the judicial administrator / liquidator of agreements entered into by the debtor prior to the opening of the proceedings; or (iii) of good faith third party acquirers (Romanian: *terț dobânditor și terț subdobânditor*) arising from the return of the assets or the value thereof to the insolvency estate in case of annulment of acts concluded by the debtor before the opening of proceedings;
- budgetary claims; and
- claims representing amounts owed to third parties, based on alimony obligations, or any obligations of regular payment intended to ensure basic means of survival.

As a result, the ability of the holders of the Bonds to obtain recovery against the Issuer on any of their claims may be limited.

Romanian law contains mandatory bondholder meetings and representative requirements.

Romanian law contains mandatory bondholders' meeting and representative requirements which cannot be disappplied.

Bondholders' meetings are vested with the following powers: (i) to appoint a bondholder representative and one or more deputies, having the right to represent them in front of the relevant issuer and the court, and to decide upon their remuneration; (ii) to perform all the acts for the supervision and the defence of the bondholders' common interests and to authorise a bondholder representative in this respect; (iii) to establish a fund that may be made up of the interest due to the bondholders, in order to cope with the expenses necessary for the defence of their rights, establishing at the same time the rules for the management of such a fund; (iv) to oppose to any amendment to the articles of association of the relevant issuer or to the terms of the bonds that may adversely affect bondholders' rights; and (v) to express their opinion upon the issue of new bonds.

Any enforcement steps / actions that are contrary to an express bondholders' meeting resolution will not be respected

by Romanian courts and any enforcement steps / actions may also be challenged in court for not having been run through a bondholders' meeting in advance (*i.e.*, as the exercise, without authorization, of a bondholders' meeting prerogative)

For the validity of deliberations stipulated at points (i) to (iii) above, decisions are passed with a majority representing at least of 1/3 (one third) of the issued and outstanding bonds; in the other cases, at least 2/3 (two thirds) of outstanding bonds is required for quorum and at least 4/5 (four fifths) of those present to vote the decision. Higher thresholds could be set by the bondholders, but these may be under risk of challenge.

These provisions permit defined majorities mentioned above to bind all holders of Bonds who did not attend and vote at the relevant meeting and holders of Bonds who voted in a manner contrary to the majority. This may lead to financial losses, among others, to holders of Bonds, including such holders of Bonds who did not attend and vote at the relevant meeting and holders of Bonds who voted in a manner contrary to the majority.

Risks related to floating interest rate Bonds.

The Bonds bear a floating interest rate.

In particular, securities with floating or variable interest rates can be less sensitive to interest rate changes than securities with fixed interest rates but may decline in value if their coupon rates do not reset as high, or as quickly, as comparable market interest rates, and generally carry lower yields than fixed notes of the same maturity. Although floating rate notes are less sensitive to interest rate risk than fixed rate securities, they are subject to credit risk and default risk, which could impair their value. The interest rate for a floating rate note resets or adjusts periodically by reference to a benchmark interest rate. Benchmark interest rates may not accurately track market interest rates.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Issuer. The credit ratings address the Issuer's ability to perform its obligations under the terms of the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds. The ratings may not reflect the potential impact of all risks related to the structure, the market, other risk factors discussed in this Prospectus and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if in its judgment circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Bonds by one or more of the credit rating agencies may adversely affect the value and trading of the Bonds. As of the date of this Prospectus, no credit rating has been allocated to the Issuer or the Bonds.

Transfers of the Bonds will be subject to certain restrictions.

The Issuer has not agreed to register and does not intend to register the Bonds under the U.S. Securities Act or any securities laws of any state or any other jurisdiction of the United States. The Bondholders may not offer to sell the Bonds, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or any other jurisdiction of the United States. The Issuer has not undertaken to register the Bonds or to effect any exchange offer for the Bonds in the future. Furthermore, the Issuer has not registered and does not intend to register the Bonds under any country's securities laws, other than Romania. It is the obligation of the investors in the Bonds to ensure that their subscription for or subsequent offers, sales or transfers of the Bonds within any countries, other than Romania, comply with any applicable securities laws in the respective jurisdictions.

The Bonds may not become, or remain, listed on the Bucharest Stock Exchange.

Though the Issuer undertakes to use all reasonable endeavours to obtain the admission and trading of the Bonds on the Regulated Market operated by the Bucharest Stock Exchange, such admission and, trading, respectively, require the fulfilment of several requirements. The Issuer intends to take all necessary steps to ensure that the Bonds are admitted to trading on the Regulated Market operated by the Bucharest Stock Exchange as soon as possible after the approval of the Prospectus. However, there is no guarantee that, should the admission conditions for the approval by

the Bucharest Stock Exchange change, all such listing and/or trading conditions will be met. Consequently, there is no assurance that the Bonds will be admitted to trading on the Regulated Market operated by the Bucharest Stock Exchange on the estimated date or at a later date.

There is no established trading market for the Bonds and no assurance that the holders of the Bonds will be able to sell them.

There is no existing market for the Bonds. The Issuer will make an application to the BSE to list the Bonds and admit them to trading on its Regulated Market, but cannot guarantee the liquidity of any market that may develop for the Bonds, the ability of the Bondholders to sell such Bonds or the price at which they may be able to sell such Bonds. Liquidity and future trading prices of the Bonds depend on many factors, including, among other things, prevailing interest rates, results of operations, the market for similar securities and general economic conditions. In addition, changes in the overall market for high yield securities and changes in the Issuer's financial performance in the markets in which we operate may adversely affect the liquidity of any trading market in the Bonds that does develop and any market price quoted for the Bonds. As a result, the Issuer cannot ensure that an active trading market will actually develop for the Bonds.

Therefore, the fact that the Bonds might be listed does not necessarily lead to a higher liquidity comparative to non-listed debt instruments. In case the Bonds will not be traded on the Regulated Market operated by the BSE, information on the price of the Bonds might be more difficult to obtain, which might negatively affect the liquidity of the Bonds. On an illiquid market, there is a possibility for an investor to not be able to sell the Bonds at the fair market price.

Trading on the Bucharest Stock Exchange may be suspended.

The FSA is authorized to suspend securities from trading or to request the Bucharest Stock Exchange to suspend the trading of securities of a company listed on the Bucharest Stock Exchange if such continuation of trading would negatively affect investors' interests, based on the measures taken against market manipulation and transactions carried out based on inside information. The Bucharest Stock Exchange must suspend trading in securities that do not meet the requirements of the regulated market, unless such action could materially adversely affect the investors' interests or the proper functioning of the market. If the Bucharest Stock Exchange does not take such action, the FSA may request the suspension of trading in securities if this serves the proper functioning of the market and does not affect the investors' interests. Also, the Bucharest Stock Exchange is entitled to suspend from trading Bonds in other circumstances, in accordance with its own regulations. Any suspension could affect the Bonds' trading price and would impair their transfer.

Prospective investors may face foreign exchange risks by investing in the Bonds.

The Bonds are denominated and payable in EUR or the equivalent of this sum in any other currency. If prospective investors measure their investment returns by reference to a currency other than the EUR, respectively, an investment in the Bonds entails foreign exchange related risks due to, among other factors, possible significant changes in the value of the EUR, relative to the currency by reference to which such prospective investors measure their returns because of economic, political or other factors over which the Issuer has no control. Depreciation of the EUR, against the currency by reference to which prospective investors measure their respective investment returns could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss to investors when the return of the Bonds is translated into the currency by reference to which such investors measure their investment returns. There may be tax consequences for prospective investors as a result of any foreign exchange gains or losses for any investment in the Bonds.

The Bondholders are subject to Romanian tax legislation related to the trading of the Bonds and distributions made by the Issuer in connection with them.

Prospective investors in the Bonds may be required to pay taxes or charges in accordance with the laws of Romania. Prospective investors should consult their advisors regarding the tax consequences of the acquisition, holding, trading and redemption of the Bonds and not rely solely upon the taxation considerations set out in this Prospectus, as other conditions may apply to their particular situation.

The interests of the Issuer's majority shareholder may not always coincide with those of the holders of the Bonds.

The Parent Company privately holds the majority of the Issuer's share capital. As a result, the Parent Company has,

and will continue to have, directly or indirectly, the power, among other things, to affect the Issuer's legal and capital structure and its day-to-day operations, as well as the ability to elect and change the Issuer's management and to approve or prevent any other changes to the Issuer's operations. There may be circumstances in which the Parent Company may have different objectives from the holders of the Bonds, particularly if the Issuer encounters financial difficulties or is unable to pay its debts when due. The Parent Company could also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in his judgment, could enhance its equity investment, although such transactions might involve risks to the holders of the Bonds. In addition, the Issuer might not be aware of all related party transactions, which may involve risks of conflicts of interest that result in concluding transactions on less favourable terms than could be obtained in arm's length transactions.

Even if the Parent Company, as current controlling shareholder makes divestitures such that it controls less than a majority of the Issuer's equity, it may still be able to effectively control or strongly influence the Issuer's decisions.

PART 2

DESCRIPTION OF THE ISSUER

General Information

Identification data

The legal name of the Issuer is BT LEASING TRANSILVANIA IFN S.A. The Issuer is organized as a joint-stock company, is incorporated and carries out its activity in accordance with the Romanian legislation. The Issuer is registered with the Trade Registry Office under the number J12/1096/1995, European Unique Identifier (EUID): ROONRC J12/1096/1995, sole registration code 7424119 and is a Romanian tax resident. According to the Articles of Association, the subscribed and paid-up share capital of the Issuer is RON 58,674,211.30, divided into 586,742,113 shares, each having a nominal value of RON 0.10. The Issuer operates for an indefinite period.

The registered office of the Issuer is located at 74-76 Constantin Brâncuși Street, first floor, Cluj-Napoca, Cluj County, Romania, telephone number: +40 264 438 816.

The main activity of the Issuer is the financing of the purchase under leasing financing of motor vehicles and equipment by legal and natural persons from Romania. The Issuer has a number of immaterial subsidiaries which collectively make up the Group. The Issuer in its turn is part of the Parent Group.

As a result of the entry into force of Government Ordinance no. 28 dated 26 January 2006 on the regulation of certain financial and fiscal measures, during the year 2007, the Issuer was registered with the General Register and Special Register of the NBR as a non-banking financial institution and operates on the basis of the regulations issued by the NBR under Registration Number RG-PJR-13-110079 of 13.07.2016 and, respectively, RS- PJR-13-110012/13.07.2016. On the basis of the registration number, the Issuer offers financing for commercial transactions, financial leasing and guarantee services.

History

LT Leasing Transilvania S.A., a wholly Romanian owned company, was established in June 1995 by 8 shareholders natural persons (Jeican Constantin Miron, Poienaru Ioan Nistor, Uioreanu Horea Dorin, Nicoara Titus Liviu, Iliescu Cecilia Mariana, Trenca Ioan, Pop Iosif, Ciurchea Ioan Marius) and concluded its first contract in August 1995. In September 1995, Banca Transilvania S.A. joined the shareholding structure, along with other new shareholders.

At the end of 2002, Banca Transilvania SA became sole shareholder and the name of the company was changed to BT Leasing Transilvania S.A.

In 2003, the Issuer benefited from credit lines from the European Bank for Reconstruction and Development (“EBRD”) and from the European Union, facilities which were intended for small and medium-sized enterprises. One year later, the Issuer became a leading member of the Financial Companies Association – ALB Romania (“ALB”), ever since its incorporation. Also, in 2004, the Issuer’s activity was extended through the opening of a working point in Bucharest.

In 2006, the Issuer became a non-banking financial institution, the acronym “IFN” (“NBFI”) being added to its name and was registered with the General Register and Special Register of the NBR.

In the context of the financial crisis of 2008, the Issuer has attracted a total funding of EUR 55 million and reached a market share of 1.12%, which it doubled over the next two years, moving upwards five positions in the hierarchy according to the data provided by ALB. In 2015, the Issuer’s market share reached 3.4% and its integration into the Parent Group began to produce its own synergies, i.e. the Issuer’s customers became able to access leasing facilities through BT’s agencies.

According to ALB’s latest statistics, dated as of the third quarter of 2017, the Issuer has attracted a total funding of EUR 92.3 million and reached a market share of 5.43%, from a total amount of EUR 1.7 million attracted on the leasing market.

On 17 August 2018, the merger between the Issuer and ERB Leasing IFN S.A. was approved by the shareholders, according to the merger plan dated 4 July 2018. Following this merger dated 12 October 2018, the Issuer has absorbed

ERB Leasing IFN S.A., which was also part of BT Group prior to the merger.

Recent events which are to a material extent relevant to the evaluation of the Issuer's solvency

As of the date of this Prospectus, there is no information with respect to any recent events that may affect the Issuer's solvency in the context of the Admission.

Until the Final Maturity Date, according to the current contractual conditions, nine financing agreements are due, with a total value of approximatively EUR 94.9 million, as follows:

- (i) at the beginning of 2020 two financing facilities amounting EUR 35.9 million will became due;
- (ii) at the end of 2021 two financing facilities amounting EUR 4.9 million will became due;
- (iii) at the end of 2022 two financing facilities amounting in total EUR 28 million will became due;
- (iv) at the end of 2023 two financing facilities amounting in total EUR 22.7 million will became due; and
- (v) at the end of 2025 one financing facility amounting in total EUR 3.4 million will became due.

Also, after the Final Maturity Date, at the end of 2030, one financing facility amounting in total EUR 79.9 million will become due.

General presentation of the activity

Main activities and markets

The main activity of the Issuer is to finance clients based on financial leasing agreements for the purchase of motor vehicles and various types of equipment. Therefore, the main activity of the Issuer is the Financial Leasing (NACE Code: 649 - Other financial service activities, except insurance and pension funding, 6491 – Financial leasing).

Additionally, according to the Articles of Association and General Register of the NBR, the Issuer may also carry out certain secondary activities, other than lending. These secondary activities will only be carried out insofar as they are related to the lending activity of the main object of activity.

On 31 December 2018, the number of employees of the Issuer was 125 up from 118, the number of employees as of 31 December 2017. The Issuer's key personnel consists of highly qualified professionals with experience in the financial sector and many years of service within the Issuer.

On 31 December 2018, the Issuer was operating through its headquarters in Cluj-Napoca, an agency and 11 points of sale across the country.

Main products and services

The Issuer's activity consists exclusively in the financing through leasing contracts. The Issuer provides leasing financing for the purchase of new or second-hand fixed assets for a period of between 1 year and 5 years, with a down-payment on the part of the purchaser between 0% and 50% and a residual value between 1% and 30% of the value of the purchased asset. Based on the Board's opinion, the financing period may extend up to 7 years for equipment and motor vehicles and up to 10 years for real estate leasing.

The category of fixed assets includes mainly motor vehicles, equipment and machinery, immovable properties, as well as any other asset that can be classified as a fixed asset in accordance with the financial and accounting regulations, only assets that can be secured being accepted for financing. Thus, the leasing products offered by the Issuer are also classified according to the financed assets, as follows: motor vehicles, equipment and immovable properties.

Clients and potential clients

The Issuer grants leasing facilities to the following type of beneficiaries (i) economic agents (trade companies or agricultural companies established according to the applicable regulations), (ii) individual companies or family companies, (iii) authorized natural persons ("PFA"), including PFA carrying out a self-employed activity, (iv) non-banking financial institutions, (v) other institutions established according to the applicable legislation in force (such as autonomous companies (in Romanian, *regii autonome*), national companies, national and multinational companies, etc.) and (vi) professionals and other categories of clients, in accordance with the law.

Position of the Issuer on the local market

According to ALB, the year 2017 was a good year for the financial leasing industry in Romania, with a total financing of over RON 7,627 million in the first nine months of the year, which represents a 14% increase over the same period of the last year. In the case of the Issuer, the financing granted by it increased by 57.4% in the first nine months of 2017, i.e. from RON 297 million in the first nine months of 2016, to RON 424 million in the first nine months of 2017. Therefore, the market share at the end of 2016 reached 5.55%, representing a 38% increase compared to the previous year.

The information provided by the Issuer and ALB indicate that the structure of financing by industry is similar to the structure of the Issuer's financing by category of assets, meaning that vehicle financing (including motor vehicles) accounts for about 75% of the total financing, the remaining 25% being represented by the financing of equipment and immovable properties.

Finance lease portfolio

The Issuer has a clear and comprehensive risk management culture as regards the conclusion of leasing agreements, which is compliant with the applicable legal requirements and correlated with its overall strategic objectives, such as: adequate and prudent risk management, product diversification, mitigation of the negative impact generated by the economic environment, maximizing the long-term value generation capacity.

Leasing agreements portfolio by financed goods

The table below presents a breakdown of the Issuer's financial leasing agreements portfolio by product type on 31 December 2017, as well as on 31 December 2018:

<i>- in RON -</i>	As at 31 December	
	2018	2017
Motor vehicles	653,967,716	487,556,800
Equipment	267,998,949	243,205,594
Immovable properties	84,186,508	39,054,729
Total financial leasing agreements portfolio	1,006,153,173	769,817,123

Source: Issuer's data, unaudited

Leasing agreements portfolio by types of clients and currency

As for the currency, the exposure is to EUR and RON. The transactions denominated in foreign currency are recorded in RON at the official exchange rate on the date of settlement of the transaction.

The table below presents a breakdown of the portfolio of the financing granted by the Issuer, by currency, as of 31 December 2017 and, respectively, 31 December 2018 (represented as a percentage of the total value of the portfolio):

	As at 31 December	
	2018	2017
	(%)	(%)
RON	33.73	48.01
EUR	66.27	51.99

Source: Issuer's data, unaudited

Financial leasing agreements portfolio by industry/sector

The table below presents a breakdown of the financial leasing agreements portfolio granted by the Issuer, by industry, as of 31 December 2017, as well as of 31 December 2018 (represented as a percentage of the total value of the portfolio):

	As at 31 December	
	2018 (%)	2017 (%)
Transport	25.8	26.7
Trade	19.6	17.7
Manufacturing	15.1	18.5
Construction	10.9	11.2
Services	7.3	6.8
Agriculture and Forestry	6.6	6.5
Mining	3.4	2.5
Real-Estate	3.1	1.8
Financial institutions	2.3	2.5
Other	2.0	1.8
Authorized person	1.8	2.0
Telecommunications	1.0	0.9
Natural persons (retail clients)	0.7	0.5
Chemical	0.2	0.3
Energy	0.1	0.4
Fisheries	0.1	0.1
Governmental bodies	0.02	0.03
Total Finance Lease Portfolio	100	100

Source: Issuer's data, unaudited

Financing sources

The Issuer has a diversified financing base. The funds needed to carry out its business are obtained through the use of a wide range of instruments, including share capital, bank loans and loans from other financial institutions.

Funding by the Parent Company

In line with the Issuer's strategy to develop its autonomy in ensuring financing, over the last few years, the Issuer has reduced the financing from the Parent Company.

Thus, at 30 September 2019, the balance of the amounts due to the Parent Company amounted to EUR 93.156 million (RON 442.6 million), representing the amounts based on a multiple currency financing agreement, consisting of a tranche of financing in EUR and a tranche of financing in RON. This amount marks an increase compared to 31 December 2018, when the balance of the borrowings granted to the Issuer by the Parent Company amounted to approximately RON 326 million (approximately EUR 68.975 million).

The funds are granted by the Parent Company on the basis of a revolving ceiling for the financing/refinancing of leasing operations, in a maximum amount of EUR 137 million, contracted in 2011, with maturity in 2030, and based on the financing granted for the current activity with a maximum limit of EUR 15 million, contracted also in 2011, with maturity in March 2020, as at 30 September 2018.

International financial institutions

The Issuer maintains a long-term relationship with the international financial institutions.

On 23 April 2018, the Issuer entered into a credit facility with the European Fund for Southeast Europe for the amount of EUR 20 million. This facility is unsecured and is due in 15 June 2023.

On 7 June 2017, the Issuer entered into a loan agreement with the EBRD to finance leasing agreements with a maximum amount of EUR 20 million and with maturity in August 2022. On 31 December 2018, the balance of the amounts used under this loan agreement amounted to approximately EUR 17.6 million. On 31 December 2018, the Issuer was in full compliance with the commitments assumed and agreed with the international financial institutions.

The EBRD also supported the Issuer's activities in the past through the financing granted in 2006, 2012 and respectively, 2013, the total value of which amounted to EUR 25 million. All three financing facilities were aimed to

support the Issuer's activity and have been repaid up to date.

The Issuer also concluded a partnership with the International Investment Bank ("IIB"). In 2013, the IIB provided a total financing of EUR 10 million, which was fully repaid in 2017.

In 2013, Black Sea Development Bank provided the Issuer with financing of EUR 5 million. The maturity of this loan was 2018, but the Issuer repaid the entire amount, in advance, in 2017.

Another reputed institution that provided the Issuer with financing is the European Fund for Southeast Europe ("EFSE"). In the period 2007-2013, EFSE financed the Issuer with EUR 10 million.

Other loans

In addition to the loans granted by the Parent Company and by the international financial institutions, the Issuer also concluded financing agreements with other Romanian banking institutions, both in EUR and in RON. The aggregated maximum ceiling is of approximately EUR 75 million as at 31 December 2018, divided into EUR 25 million and RON 230 million, with maturities extending until 2028, the closest being January 2020. On 31 December 2018, the balance of the loans from other banking institutions in Romania amounted to RON 193 million.

Strategy/Projects

The main objective of the Issuer is to become the third company in the Romanian leasing market by 2020, with a targeted market share of approximately 9%.

The Issuer's mission is to provide its clients with quality financing services at competitive prices. During the period 2019-2020, the central elements of the Issuer's strategy will be the degree of client and employee satisfaction in the relationship with the company and the efficiency gains in the Issuer's operational activity.

In the relationship with its clients, the Issuer aims to increase the clients' degree of satisfaction. The Issuer plans to achieve this objective by undertaking the following actions:

- (i) periodically questioning client's satisfaction at different stages of the financing process and monitoring the client's satisfaction questionnaire (Net Promoter Score),
- (ii) increasing/improving client's accessibility to funding by supplementing the alternative access means with an online self-service platform (i.e. MyLeasing) for managing agreements and making online payments. In order to promote the MyLeasing platform, the Issuer will provide its clients with the opportunity to apply online for leasing at preferential costs. Also, the Issuer's services will continue to be promoted among retail customers via the Parent Company's distribution network. It is envisaged to extend/strengthen the direct access to financing, both through the branches and agencies of the Parent Company, as well as through the car dealers,
- (iii) shortening the time needed to approve the financing agreements with the Parent Group's clients to 24/48 hours, by developing flexible products intended for clients as part of "All motor vehicles financed by leasing" programme, and
- (iv) diversifying the range of products offered to clients by including in the leasing offer as many services as possible, such as roadside assistance or damage advice, developed with strategic partners in the automotive or insurance domains. These services will be managed by clients online or through mobile applications.

Regarding the relationship with its own employees and efficiency gains in the operational activities, the Issuer intends to increase the level of motivation and the degree of dedication/involvement of the employees in the next years. To this end, the Issuer is in the process of changing the performance evaluation system, a project that is being developed together with the Human Resources Department of the Parent Company. Also, in order to achieve this goal, the Issuer's organizational chart has already been updated and adjustments are made to the operational flows by imposing standards for each process and by focusing on delegating the freedom of action and empowering the employees. Another action is to update the back-office system and internal databases, Charisma, to automate as many processes as possible with permanently monitored control points. An important aspect of this phase is the integration of redundant data collected at the level of the various departments. This update project started in September 2019 and has a 6-month deadline for completion.

The strategic objectives mentioned above are designed to support the expansion of the Issuer's business in order to achieve its long-term primary objective of becoming leader of the Romanian leasing market.

In terms of new financings, the Issuer aims for a motor vehicle financing share of 75% of the total financing for 2019, the remaining 25% being represented by the financing of equipment (about 22%) and immovable properties (about 3%). In terms of distribution, it is estimated that in 2019, 60% of the business will be generated by Parent Group's clients, while 20% will be generated by partner dealers and 30% by its own sales network.

Description of the Parent Group

The Parent Group, with total assets of approximately RON 78 billion as of 31 December 2018, is formed of the Parent Company (*i.e.*, Banca Transilvania S.A.), its subsidiaries and branches, and offers a wide range of high quality financial products and services, including retail banking operations, banking operations for small and medium-sized enterprises ("SMEs") and corporations, investment management and private banking services, insurance products distribution, financial consultancy services, brokerage services, leasing and consumer loans.

The Parent Company ranks first in the top banks of Romania, in terms of assets, according to the NBR annual report for the year ended at 31 December 2018. The Parent Company's mission is to support the development of the business environment through innovative products and services offered in a professional manner.

The history of the Parent Company started in Cluj-Napoca in 1994, at the initiative of businessmen from Cluj. The entrepreneurial spirit of the founders led to the consolidation of Banca Transilvania's position, first in Cluj and then at regional and national level. The bank has focused its activity on the SMEs sector from the outset and, due to market demand, it soon began to focus on retail.

In 1997, Banca Transilvania became the first banking institution in Romania, which was listed on the Bucharest Stock Exchange.

Position of the Issuer within the Parent Group

Based on the consolidated financial statements of the Parent Group as at 31 December 2018, the Issuer accounted for approximately 1.77% of the Parent Group's total operating income.

The Issuer is 100% owned, directly and indirectly, by the Parent Company and its funding is a key source of funding.

In accordance with the Romanian legislation, as well as the internal policies and procedures of the Issuer, the existing control between the Issuer and the Parent Company complies with the legal provisions that require the avoidance of conflict of interest. The Issuer's administrative and management bodies shall conduct a thorough analysis of the importance of the Parent Group's decisions, taking into account the market specificity and regulatory framework, in order to permanently maintain a capital base and solid risk indicators in line with the various regulatory requirements.

Subsidiaries and associated entities of the Issuer

The Issuer holds majority stakes in and controls the following subsidiaries: BT Intermedieri Agent de Asigurare S.R.L., BT Solution Agent de Asigurare S.R.L., BT Safe Agent de Asigurări S.R.L. and BT Asirom Agent de Asigurare S.R.L.

Also, according to the Annual Consolidated Financial Statements for 2018 the Issuer held, as at 31 December 2018, the following shareholdings, provided in the table below:

Entity name	Net value of the investment (RON)	Shareholding (%)
BT Intermedieri Agent de Asigurare S.R.L.	25,530	99.99802
BT Solution Agent de Asigurare S.R.L.	19,990	99.95000
BT Safe Agent de Asigurări S.R.L.	4,010	99.98694
BT Asirom Agent de Asigurare S.R.L.	19,990	99.95000
BT Asset Management SAI S.A.	3	0.000040
BT Direct IFN S.A.	16	0.000060
Total	69,539	-

Source: Annual Consolidated Financial Statements

As at 30 September 2019, the Issuer held the following shareholdings, provided in the table below:

Entity name	Net value of the investment (RON)	Shareholding (%)
BT Intermedieri Agent de Asigurare S.R.L.	25,530	99.99802
BT Solution Agent de Asigurare S.R.L.	19,990	99.95000
BT Safe Agent de Asigurări S.R.L.	4,010	99.98694
BT Asiom Agent de Asigurare S.R.L.	19,990	99.95000
BT Asset Management SAI S.A.	3	0.000040
BT Direct IFN S.A.	16	0.000060
Total	69,539	-

Source: Condensed Interim Consolidated Financial Statements

Administrative, management and supervisory bodies

Board of Directors

The management and administration of the Issuer are entrusted to a Board of Directors, which shall be composed of 3 (three) members, with 4-year mandates, with a possibility of re-election.

On the date of this Prospectus, the members of the Issuer's Board of Directors and their function within the Issuer are as follows:

Name	Date of appointment	Date of expiry of the mandate	Function in the Board of Directors	Functions held in other Boards of Directors
Hanga Radu	04.09.2013	08.04.2023	President	President of the Board of Directors – BT Direct IFN SA, member of the Board of Directors – Bursa de Valori Bucuresti SA, member of the Board of Directors – SIF Oltenia SA, director – Metis Advisory SRL
Moisa Tiberiu	08.04.2011	08.04.2023	Member	President of the Board of Directors - BT Microfinantare IFN SA.
Szekely Daniel	08.05.2017	08.04.2023	Member	Not applicable

None of the members of the Board of Directors hold shares within the Issuer's share capital.

The professional addresses of the members of the Board of Directors are at the Issuer's headquarters located in Cluj-Napoca, 74-76 Constantin Brâncuși Street, first floor.

Executive Committee

The Executive Committee is composed of 3 (three) members. On the date of this Prospectus, the members of the Issuer's Executive Committee and their function within the Issuer are the following:

Name	Date of appointment	Date of expiry of the mandate	Function held	Membership to an Issuer's committee
Morar Ionuț Calin	01.01.2014	06.03.2023	General Manager	Member of the Risk Committee
Sopon Simona	22.09.2006	06.03.2022	Deputy General Manager	Member of the Risk Committee
Moraru Mihai	01.09.2016	06.03.2022	Deputy General Manager	Member of the Risk Committee

None of the Executive Committee members presented above have function in the Board of Directors of the Issuer nor in the board of directors of other entities.

The professional addresses of the members of the Board of Directors are at the Issuer's headquarters located in Cluj-Napoca, 74-76 Constantin Brâncuși Street, first floor.

Conflict of interest

Based on the information available to the Issuer at the date of this Prospectus, there is no conflict between the duties of the Board of Directors and those of the Executive Committee concerning the Issuer and their private interests and/or other duties.

The Issuer also applies the Parent Group's internal policies regarding the conflict of interest.

Some of the members of the Issuer's management bodies have or may have similar functions in the future within the Parent Group or other affiliated entities, a situation that may give rise to potential conflicts of interest, in so far as the Issuer engages in business relationships with such entities. To the extent that such potential conflicts of interest are likely to arise, the relevant persons will fully comply with the applicable legal provisions and internal regulations on the conflicts of interest.

Committees

The activities of the Issuer's committees are detailed below.

Audit Committee

The Audit Committee is formed of members of the Board of Directors and has as its objective the monitoring, review and evaluation of the adequacy and efficacy of the internal control system in order to improve the functioning and efficiency of the Issuer. Within the limits of its competences, the Audit Committee provides the Issuer's management with advice and assistance. The Audit Committee is also assisted in fulfilling its functions by the Internal Audit that performs both regular reviews and ad hoc reviews of risk controls and risk management procedures.

The Audit Committee is responsible for overseeing the financial reporting process, internal control system, internal and external audit, compliance with the law. The Code of conduct/ethics is established at the level of the group and applies to all group subsidiaries.

Risk Management Committee

The Risk Management Committee of the Issuer was created as an advisory and delegated body of the Board of Directors, in order to advise on and implement the Board of Directors' guidelines on the Issuer's overall risk management strategy and current and future risk profile and support the Board of Directors in monitoring the implementation of this strategy.

The Risk Management Committee performs assessments of the adequacy and efficacy of the Issuer's risk management policies. These assessments are performed annually or more frequently, as deemed necessary by the Risk Management Committee.

The Risk Management Committee is formed of five members: the General Manager, the two Deputy General Managers, the Financial Analysis and Leasing Evaluation Manager and the Sales Manager.

Risk Management

The Issuer is exposed to the following main risks: the credit risk, liquidity risk, market risk (including interest rate risk, foreign currency risk and equity instruments price risk), operational risk and tax related risk.

The Issuer's Board of Directors has overall responsibility for establishing and monitoring the overall risk management framework within the Issuer. The Board of Directors has delegated to the Risk Committee and Audit Committee responsibilities regarding the development and monitoring of risk management policies in specific areas of expertise. In addition, for each of the risks mentioned above, the Issuer has defined specific strategies and objectives, as well as policies and procedures for correct assessment, control mechanisms and mitigation measures. Therefore, detailed steps and related tools for identifying, measuring, monitoring and controlling each of the material risks outlined above, but also for determining and maintaining the appropriate capital are in place to hedge these risks.

The policies and the risk management system are periodically reviewed to reflect the changes in market conditions, products and services offered. The Issuer aims to develop a disciplined and constructive control environment in which all employees understand their risks and obligations, through training courses, standards and management procedures.

Credit risk

The credit risk represents the Issuer's risk to record financial losses as a result of the failure by the client or counterparty to fulfil the contractual obligations and derives mainly from the leasing financing granted to the clients and from the investment titles. For the purposes of reporting the risk management activity, the Issuer analyses and consolidates all elements of the credit risk exposure.

To minimize credit risk, the Issuer has in place procedures for assessing the clients prior to the approval of the leasing agreements, for setting exposure limits, monitoring their ability to repay the principal and related interests during the term of the leasing agreement.

The Board of Directors has delegated to the Risk Committee the responsibility for managing the credit risk. Also, a Leasing Division is responsible for (i) drafting the credit policies regarding the collateralised loans, leasing evaluation, risk classification and reporting, legal and documentation procedures and compliance with the statutory and regulatory requirements, (ii) establishing the structure for authorizing the leasing agreements, the authorizing limits being allocated by levels of the Credit Committee, (iii) limiting the exposure concentration, (iv) developing and maintaining the risk classification system, (v) reviewing, verifying the compliance of the unit with the established exposure limits, and (vi) providing information, guidance and experts for the units to promote the best practice for the Issuer.

The credit risk concentration exists for groups of clients or other third parties that have similar economic characteristics and whose ability to repay credits is similarly affected by the changes in the economic environment. The main concentration of credit risk derives from the individual exposure and by client categories.

The table below summarizes the portfolio of financial lease provided by the Issuer, by sectors/industries:

	As at 31 December	
	2018	2017
	(%)	(%)
Transport	25.8	26.7
Trade	19.6	17.7
Manufacturing	15.1	18.5
Construction	10.9	11.2
Services	7.3	6.8
Agriculture and Forestry	6.6	6.5
Mining	3.4	2.5
Real-Estate	3.1	1.8
Financial institutions	2.3	2.5
Other	2.0	1.8
Authorized person	1.8	2.0

Telecommunications	1.0	0.9
Natural persons (retail clients)	0.7	0.5
Chemical	0.2	0.3
Energy	0.1	0.4
Fisheries	0.1	0.1
Governmental bodies	0.02	0.03
Total Financing	100	100

Source: Issuer's data, unaudited

Also, the Issuer's finance lease portfolio is classified based on degrees of risk. According to the internal policies, a corresponding rating may be assigned to each degree of credit risk, which ranges from the lowest degree of risk to the category of the credits for which debt recovery procedures have been initiated. The Issuer uses ratings associated with the debt service, both for individually and collectively assessed finance lease receivables.

The tables below shows the Issuer's exposure to credit risk, depending on the rating classes as of 1 January 2018 and 31 December 2018:

- RON -

As at 1 January 2018

At amortized cost	Receivables from finance lease agreements which are not impaired, class I - stage 2	Impaired finance lease receivables at reporting date, class II - stage 3	Receivables from finance lease agreements impaired at initial recognition (POCI)	Total
Vehicles	460,022,862	27,406,868	127,070	487,556,800
- in RON	196,916,904	12,068,895	23,689	209,009,488
up to 3 years	79,453,748	4,852,104	23,689	84,329,541
between 3-5 years	116,712,056	7,216,791	-	123,928,847
more than 5 years	751,100	-	-	751,100
- in foreign currency	263,105,958	15,337,973	103,381	278,547,312
up to 3 years	99,371,231	13,079,403	103,381	112,554,015
between 3-5 years	163,251,677	2,258,570	-	165,510,247
more than 5 years	483,050	-	-	483,050
Equipment	194,278,325	33,770,591	15,156,678	243,205,594
- in RON	123,376,280	10,495,202	3,310,797	137,182,279
up to 3 years	50,532,887	6,968,764	-	57,501,651
between 3-5 years	72,456,417	2,199,796	3,310,797	77,967,010
more than 5 years	386,976	1,326,642	-	1,713,618
- in foreign currency	70,902,045	23,275,389	11,845,881	106,023,315
up to 3 years	36,004,622	16,675,894	5,266,091	57,946,607
between 3-5 years	33,795,215	6,599,495	6,579,790	46,974,500
more than 5 years	1,102,208	-	-	1,102,208
Buildings	34,663,338	4,391,391	-	39,054,729
- in RON	19,032,388	4,391,391	-	23,423,779
up to 3 years	2,419,488	-	-	2,419,488
between 3-5 years	5,684,992	4,391,391	-	10,076,383
more than 5 years	10,927,908	-	-	10,927,908
- in foreign currency	15,630,950	-	-	15,630,950
up to 3 years	131,219	-	-	131,219
between 3-5 years	3,791,955	-	-	3,791,955
more than 5 years	11,707,776	-	-	11,707,776
Total receivables from finance lease agreements before impairment adjustments	688,964,525	65,568,850	15,283,748	769,817,123
Impairment allowance related to finance lease receivables	(10,162,222)	(42,212,037)	(10,463,145)	(62,837,404)
Total finance lease receivables	678,802,303	23,356,813	4,820,603	706,979,719

Source: Annual Consolidated Financial Statements of the Issuer

- RON -

As at 31 December 2018

At amortized cost	Receivables from finance lease agreements which are not impaired, class I - stage 2	Impaired finance lease receivables at reporting date, class II - stage 3	Receivables from finance lease agreements impaired at initial recognition (POCI)	Total
Vehicles	617,601,369	35,453,119	913,228	653,967,716
- in RON	182,570,800	16,078,175	268,289	198,917,264
up to 3 years	98,943,336	13,710,542	165,204	112,819,082
between 3-5 years	83,421,341	2,367,633	103,085	85,892,059
more than 5 years	206,123	-	-	206,123
- in foreign currency	435,030,569	19,374,944	644,939	455,050,452
up to 3 years	159,436,395	17,315,531	341,593	177,093,519
between 3-5 years	275,091,589	2,059,413	303,346	277,454,348
more than 5 years	502,585	-	-	502,585
Equipment	201,560,611	36,162,406	30,275,932	267,998,949
- in RON	105,972,707	13,387,768	293,363	119,653,838
up to 3 years	52,963,414	10,201,461	293,363	63,458,238
between 3-5 years	53,009,293	3,186,307	-	56,195,600
more than 5 years	-	-	-	-
- in foreign currency	95,587,904	22,774,638	29,982,569	148,345,111
up to 3 years	41,186,899	15,835,489	24,598,409	81,620,797
between 3-5 years	54,280,966	6,939,149	5,384,160	66,604,275
more than 5 years	120,039	-	-	120,039
Buildings	80,880,230	3,291,247	15,031	84,186,508
- in RON	17,832,937	3,010,241	-	20,843,178
up to 3 years	1,753,069	-	-	1,753,069
between 3-5 years	7,419,141	3,010,241	-	10,429,382
more than 5 years	8,660,727	-	-	8,660,727
- in foreign currency	63,047,293	281,006	15,031	63,343,330
up to 3 years	8,282,818	281,006	5,696	8,569,520
between 3-5 years	11,178,119	-	8,493	11,186,612
more than 5 years	43,586,356	-	842	43,587,198
Total receivables from finance lease agreements before impairment adjustments	900,042,210	74,906,772	31,204,191	1,006,153,173
Impairment allowance related to finance lease receivables	(16,252,022)	(47,069,043)	(23,572,059)	(86,893,124)
Total finance lease receivables	883,790,188	27,837,729	7,632,132	919,260,049

Source: Annual Consolidated Financial Statements of the Issuer

Another way of monitoring the credit risk is based on the calculation of the PAR90 ratio for permanent monitoring. The table below shows the credit exposure of the credits with a debit balance of more than 90 days, contaminated at customer level and related to the total exposure to loans:

- in RON -

	As at 31 December	
	2018	2017
PAR90 finance lease receivables	56,944,375	45,590,121
Total finance lease receivables	1,006,153,173	769,817,123
PAR90	5.66%	5.92%

Source: Issuer's data, unaudited

Collateral

One of the credit risk mitigation measures consists of acquiring the ownership titles over the goods purchased under financial leasing, over other collateral and pledges on future cash flows.

An estimate of the fair value of the collateral in respect of financial assets is presented in the table below for the year ended 31 December 2018:

-in RON-	As at 31 December 2018	
	Under - collateralised	Over - collateralised
Gross exposure		
Vehicles		
Gross exposure	225,698,495	428,269,220
Collaterals	187,111,105	741,000,150
Equipment		
Gross exposure	145,320,173	122,678,776
Collaterals	114,930,497	202,009,564
Buildings		
Gross exposure	3,918,406	80,268,103
Collaterals	2,170,473	147,255,047
Total Gross exposure	374,973,074	631,216,099
Total collaterals	304,212,075	1,090,264,761

Source: Annual Consolidated Financial Statements of the Issuer

An estimate of the fair value of the collateral in respect of financial assets is presented in the table below for the year ended 31 December 2017:

-in RON-

As at 31 December 2017

Collateral in respect of impaired and individually or collectively adjusted for impairment receivables

Vehicles	28,167,210
Other collaterals	39,955,211

Collateral in respect of non-impaired and collectively adjusted for impairment receivables

Vehicles	604,288,943
Other collaterals	251,864,571

Total	924,275,935
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Source: Annual Consolidated Financial Statements of the Issuer

Impairment allowance related to finance lease receivables

For the purpose of assessing impairment, the Issuer uses the simplified approach in accordance with IFRS 9, grouping portfolios into risk classes (class I - also called stage 2 and risk class II - also called stage 3), each class having a specific calculation method of the adjustment. The simplified approach was implemented in accordance with IFRS 9 art 5.5.15.

The simplified approach eliminates the need to calculate the 12-month ECL ("**12-month ECL**") and the need to assess whether a significant increase in credit risk related to financial assets and receivables from finance lease contracts is identified.

The ECL is determined after initial recognition and throughout the contractual period so as to reflect the ECL for the entire lifetime ("**Lifetime ECL**").

The calculation of the impairment adjustment is made at individual level for the significant exposures (exposure greater than RON 2,200,000) from risk classes I and II and at collective level for the other exposures from the loans.

- Risk class I includes all financial assets held and which are not impaired. For these, the Lifetime ECL impairment adjustment is computed.
- Risk class II includes the financial assets which are already impaired, and for these the Lifetime ECL is determined, a PD of 100% being used.

In calculating expected credit losses, at the reporting date, the effective interest rate established at the initial recognition or an approximation thereof is used. If a financial asset has a variable interest rate, the expected credit losses must be determined using the current effective interest rate. For financial assets purchased or originated credit-impaired as a result of credit risk, expected credit losses must be determined using the credit-adjusted effective interest rate determined at initial recognition.

Establishing the need for specific credit risk adjustments is done in two stages:

- determining the required expected credit losses computed on an individual basis as the difference between the present value of the exposure and the present value of future cash flows (determined by estimated recoveries from the use of collateral, scenarios that consider the probability of repayment of the debt from finance lease contracts from the sale of collaterals as well as the estimated recovery period); and
- determining the required expected credit losses calculated at the collective level, which is calculated for the clients that are not analysed individually being the result of the discounting of the product between the probability of default ("**PD**"), the exposure at default ("**EAD**") and the rate of loss given default ("**LGD**").

PD represents the likelihood of a borrower defaulting on its financial obligation (as per the definitions of default and impairment) over the remaining lifetime of the obligation ("**Lifetime PD**"). EAD is based on the amounts the Issuer expects to be owed at the time of default over the remaining lifetime of the obligation ("**Lifetime EAD**"). The Loss Given Default represents the Issuer's expected amount of loss on a defaulted exposure. LGD varies by type of counterparty and availability of collateral or other credit support. The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. The ECL for each future month is then discounted back to the reporting date and summed up.

Derecognition of the leasing agreement

When a financial leasing receivable is considered irrecoverable, the Issuer removes it from the accounting records. This conclusion is reached after assessing the significant changes that occurred in the client's financial position, changes that led to the failure to fulfil the obligation or to insufficient sums from the recovery of the collateral to cover the entire exposure. Recourse to derecognition is made only after all legal possibilities for recovery have been exhausted. The financial leasing receivables are derecognised by the Issuer in the following cases: (i) on the date when the equivalent value of the receivable invoiced to the client according to the schedule of payment of the financial leasing agreement is collected, (ii) upon the recovery of the asset, in the case of terminated agreements and (iii) when all legal possibilities for recovery have been exhausted.

Restructuring of leasing contracts

The financial leasing contracts are restructured at the clients' request and after an analysis of their financial situation. All agreements for which restructuring or rescheduling operations have been undertaken are included in the category of restructured agreements. The classification category for a restructured agreement will remain the same as before the restructuring. Restructured loans are included in the receivables from financial leasing operations.

Provisioning for other charges policy

The provisions for other charges are recognized in the balance sheet when the Issuer has a legal or implied obligation as a result of a past event and it is likely that a future benefits outflow will be required to settle such obligation. If the effect is significant, provisions are determined by updating the cash flows using a discount rate that reflects the value of money over time and, where appropriate, the specific risks.

Counterparty's credit risk

The counterparty's credit risk is the risk that occurs when a counterparty fails to meet its obligations before the final settlement of all cash flows related to the existing transactions. An economic loss would occur if the portfolio of transactions with the counterparty had a positive economic value for the Issuer at the time of the failure by the counterparty to fulfil its obligations.

Market risk

The most important market risks faced by the Issuer are the interest rate, the currency risk and the risk of other financial ratios. The changes in the level of the interest rates, yield curves and spreads may affect the net interest margin between the lending and borrowing costs. The changes in the foreign exchange rates affect the value of foreign currency-denominated assets and liabilities and may have an impact on the revenues from foreign exchange transactions.

The Issuer has implemented risk management methods to mitigate and control these risks and other market risks to which it is exposed and the exposures are constantly measured and monitored. However, it is difficult to accurately forecast changes in the economic or market conditions and anticipate the effects that such changes may have on the Issuer's financial performance and activity.

Currency risk

The Issuer is exposed to currency risk through the transactions in currencies other than RON. There is a balance sheet risk related to the possibility of variation of the net foreign currency monetary assets or liabilities, as a result of the changes in the currency exchange rate.

The Issuer manages the currency risk mainly by aligning the level of foreign currency debts with the level of foreign currency assets, foreign currency financial leasing agreements being based on financing obtained by the Issuer in the same currency.

The currency to which the Issuer is most exposed is EUR, and the proportion of the financing granted as at 31 December 2018 is of approximately 67% EUR and 33% RON.

The table below presents the financial position of the Issuer, divided on the main currencies in which the Issuer obtains financing and, respectively, grants financing, at the end of the last two financial years:

<i>-in RON-</i>	As at 31 December	
	2018	2017
The net financial position (RON): net asset/(net liability)		
EUR	135,967,522	(14,315,382)
RON	21,533,625	108,508,085
Other currencies	4,048	4,128
Total in RON, including other currencies (insignificant values)	157,505,195	94,196,831

Source: Annual Consolidated Financial Statements of the Issuer

Interest rate risk

The Issuer undertakes the interest rate risk from its financial intermediation activity, mainly in the form of exposure to unfavourable changes in the interest rates on the market. This interest rate risk is the main risk to which the Issuer's non-traded portfolios are exposed.

The interest rate risk is managed mainly by monitoring the interest rate gap and through a system of limits approved for the price recalculation ranges. The Risk Management Department monitors the compliance with these limits.

The main way of managing this risk is to align the interest rates in the leasing agreements with those provided in the financing/refinancing agreements. In general, fixed interest rate debts are used to finance fixed interest rate leasing agreements and floating rate debts are used to finance floating rate leasing agreements. Where debts have a variable interest rate, the lessor retains the right to change the interest rate of the leasing agreement if the floating interest rate changes by more than 0.2%.

Liquidity risk

The liquidity risk is the risk for the Issuer to face difficulties in meeting the potential obligations arising from the payment of its financial liabilities through the delivery of cash or disposal of another financial asset when such obligations become due.

The liquidity risk is generated by the attracted resource management policy. Such policy involves the risk for the Issuer to face difficulties arising from the inability to collect an asset at a value close to its fair value within a reasonable time. The Issuer has access to diversified financing sources and strives to maintain a balance between the continuity and flexibility of attracting funds, through contracting debts with different maturities. The Issuer constantly controls the liquidity risk by identifying and monitoring the attracted financing and diversifying the financing base.

The table below shows the Group's financial assets and liabilities, analysed on the basis of the remaining period, as of 31 December 2018:

- in RON -	< 3 months	3-6 months	6-12 months	1-3 years	3-5 years	>5 years	Total
Financial assets							
Cash on hand	5,376	-	-	-	-	-	5,376
Placements with banks	9,163,298	-	-	-	-	-	9,163,298
Financial lease receivables	188,231,006	85,262,320	167,291,943	489,321,906	147,327,059	17,842,054	1,095,276,288
Other financial assets	9,583,886	-	-	-	-	-	9,583,886
Total financial assets	206,983,566	85,262,320	167,291,943	489,321,906	147,327,059	17,842,054	1,114,028,848
Financial liabilities							
Loans from banks and other financial institutions	53,569,658	59,569,173	104,643,820	447,483,694	130,584,500	4,523,685	800,374,530
Other financial liabilities	9,356,376	-	-	-	-	-	9,356,376
Total financial liabilities	62,926,034	59,569,173	104,643,820	447,483,694	130,584,500	4,523,685	809,730,906
Net position	144,057,532	25,693,147	62,648,123	41,838,212	16,742,559	13,318,369	304,297,942

Source: Annual Consolidated Financial Statements of the Issuer

The table below shows the Group's financial assets and liabilities, analysed on the basis of the remaining period, as of 31 December 2017:

-in RON -	< 3 months	3-6 months	6-12 months	1-3 years	3-5 years	>5 years	Total
Financial assets							
Cash on hand	2,183	-	-	-	-	-	2,183
Placements with banks	25,930,509	-	-	-	-	-	25,930,509
Financial lease receivables	141,864,952	66,062,878	133,268,747	367,904,096	118,706,068	7,272,918	835,079,659
Other financial assets	5,393,974	-	-	-	-	-	5,393,974
Total financial assets	173,191,618	66,062,878	133,268,747	367,904,096	118,706,068	7,272,918	866,406,325
Financial liabilities							
Loans from banks and other financial institutions	62,315,183	37,314,421	213,206,247	218,000,950	115,423,270	854,843	647,114,914
Other financial liabilities	29,115,437	-	-	-	-	-	29,115,437
Total financial liabilities	91,430,620	37,314,421	213,206,247	218,000,950	115,423,270	854,843	676,230,351
Net position	81,760,998	28,748,457	(79,937,500)	149,903,146	3,282,798	6,418,075	190,175,974

Source: Annual Consolidated Financial Statements of the Issuer

Operational risk

The operational risk is the risk determined by an event, with or without financial impact, resulting from inadequate or defective internal processes, IT systems, human errors (intentional or unintended) and external events. The operational risk also includes the legal risk associated with legally erroneous actions and uncertainty about the laws that may lead to inappropriate interpretation.

In this context, and in order to ensure effective operational risk management, the Issuer has adopted and implemented an operational risk framework that is aligned with the Parent Group's operational risk strategy and regulatory framework and applies at all levels.

The identification and management of the operational risk is aimed at maintaining a steady flow of information and strengthening the decision-making process.

The main means of defence of the Issuer against the operational risk are its policies, procedures and internal controls.

The Issuer has created an appropriate organisational structure, with clearly defined roles and responsibilities for its staff and units, in order to manage operational risk issues.

The Issuer also regularly reports to the Parent Group certain pre-determined operational risk indicators. These indicators refer to the staff turnover, the rapid growth indicator and the operational risk events report. For each of the three indicators mentioned above, percentage variation limits have been laid down in the internal procedures.

There were no operational risk events registered as of 31 December 2018. With regard to the staff turnover rate, during the year 2018, there was an increase in the average number of employees compared to the previous year and the average number of employees who left the Issuer voluntarily or involuntarily reached 16 in 2018.

Capital adequacy

The Issuer is a legal entity subject to EU Regulation no. 575/2013 and NBR Regulation no. 5/2013, respectively Regulation 20/2009 on non-banking financial institutions, as subsequently amended. Consequently, and in view of its capacity as member of Parent Group, the Issuer regularly reports to the Parent Company on the adequacy of the capital at risk.

By Regulation 20/2009, the NBR requires the maintenance of a level of own funds of at least EUR 200,000, which the Issuer observed each year after the entry into force of the regulation. The same regulation imposes a larger exposure (as defined by the regulation) to own funds of maximum 600%. The aggregate exposure to own funds may not exceed 1,500%.

Material agreements

The main agreements concluded by the Issuer are, on one side, the financial leasing agreements through which the economic agents obtain funds from the Issuer, and, on the other side, the lending contracts through which the Issuer raises funds to support its main activity.

The main financing agreements of the Issuer, as of 31 December 2018, were concluded with the Parent Company (please refer to the section *Financing Sources – Financing from the Parent Company*), with local financial and banking entities and international financial institutions (please refer to section *Financing sources – International financial institutions*). With regards to the volume of the incurred funds, the Parent Company is the main financing partner, taking into account the budget allotted to revolving credit facilities destined to financing/refinancing through leasing activities, having an aggregate amount of EUR 137 million. In addition, Credit Europe Bank provided the Issuer with a credit facility amounting to RON 130 million, with maturity in January 2020. The rest of the financing contracts in which the Issuer acts as debtor do not exceed, regarded individually, the sum of RON 100 million or its equivalent in another currency.

The leasing contracts represent by far the most important contractual relationships of the Issuer given the object of its activity. The contractual clauses are standard, differing however on the basis of the specifics of the product offered to the client. Contract values differ as well from client to client.

With respect to the contracts concluded with third parties, the most significant of this kind (judging by the value criterion) is the one concluded with the Auditor having as object the annual financial audit services.

Trend Information

As of the date of this Prospectus, the Issuer is not aware of any trends, uncertainties, requests, commitments or known facts that may reasonably affect the Issuer's perspectives.

However, the Issuer's intention is to keep pace with the market tendencies and with the most recent technologies so that it offers the clients, both extern and intern (mainly employees, but also another involved/interested parties), best quality and up to date services. Therefore, the Issuer invests in the development and updating of its software programs. Investment in computer services was the main financed area over the past financial exercise and it is estimated that for the following period this trend to be maintained.

For 2019, a major investment for updating the operational program Charisma started in September 2019. The program integrates the back office and intern database systems for the most complete automation of processes with permanently monitored control points. A significant improvement will be obtained through the integration of redundant data collected from different departments. The project has a 6-months period for implementation.

Another scheduled investments for the following period are those in connection to My Leasing platform and to the electronic archiving project started by the Issuer. My Leasing is a self-service platform designed for the clients' support. However, these investments are not considered significant given their costs. To the present moment, there is no information related to other investment plans of the Issuer.

As regards the digitalisation and investments projects, the Issuer benefits from the Parent Group's support in connection with both operational, IT and financial resources, as the case may be.

Selected financial information

The financial information in this Prospectus, unless noted otherwise, was derived from the audited consolidated financial statements of the Issuer and its subsidiaries as at and for the year ended 31 December 2018 that include the comparative figures for the year ended 31 December 2017 (the “**Annual Consolidated Financial Statements**”) and the Group’s unaudited, unreviewed condensed interim consolidated financial statements as of and for the nine months ended 30 September 2019 prepared in accordance with IAS 34 “Interim Financial Reporting” (the “**Condensed Interim Consolidated Financial Statements**”). The financial information included herein has to be read together with the financial statements and the accompanying notes.

The Group’s Annual Consolidated Financial Statements and Condensed Interim Consolidated Financial Statements have been prepared in accordance with IFRS and their presentation currency is RON. The Annual Consolidated Financial Statements included herein have been audited by the Auditor while the Condensed Interim Consolidated Financial Statements were neither audited nor reviewed.

Financial information extracted from the Annual Consolidated Financial Statements

Consolidated statement of financial position as at 31 December 2017 and 31 December 2018, respectively

The table below presents the consolidated statement of financial position of the Group as at 31 December 2018 and 31 December 2017:

- in RON -	As at 31 December	
	2018	2017
ASSETS <u>Assets</u>		
Cash on hand	5,376	2,183
Placements with banks	9,163,298	25,930,509
Finance lease receivables	919,260,049	714,248,839
Other financial assets	9,583,886	5,393,974
Inventory	7,799,443	7,630,833
Equity investments	19	69,539
Premises and equipments	1,438,139	1,885,629
Intangible assets	280,621	52,596
Current tax assets	3,976,569	-
Deferred tax assets	3,524,568	1,325,250
Other assets	223,294	3,062,680
Total assets	955,255,262	759,602,032
Liabilities		
Loans from banks and other financial institutions	771,151,038	622,263,237
Provisions for liabilities and charges	3,758,608	2,421,527
Other financial liabilities	9,356,376	29,115,437
Other liabilities	3,439,964	1,853,782
Total liabilities	787,705,986	655,653,983
Equity		
Share capital	59,572,544	45,899,509
Legal reserves and other reserves	8,203,447	5,638,444
Retained earnings	99,771,771	52,410,096
Total equity attributable to Issuer’s owners	167,547,702	103,948,049
Total equity and liabilities	955,255,262	759,602,032

Source: Annual Consolidated Financial Statements of the Issuer

The evolution of the main financial indicators of the statement of financial position

Evolution of assets

The Group's total assets have increased by 25.76% as at 31 December 2018, from RON 759.6 million as at 31 December 2017 to RON 955.3 million as at 31 December 2018. This increase is mainly due to an increase by 28.70% of net finance lease receivables, in particular those with a 1 to 5 years maturity (from a net value of RON 419.82 million as at 31 December 2017 to RON 539.42 million as at 31 December 2018). The percentage of net finance lease receivables in the total assets of the Group was of 96.23% as at 31 December 2018, representing a 2.2% increase from 31 December 2017, when the proportion of net finance lease receivables was at 94.03%.

Cash and cash equivalents have continued to decrease, so that at 31 December 2018, it amounted RON 9.1 million, with a 64.6% decrease when compared to their value registered in December 2017 (RON 25.93 million). The Issuer has opened in 2018 term deposits in RON and EUR, their purpose being one of using the value of the available liquidity.

Over the same period, premises and equipments registered a decrease of 23.73%, compared to 2017, while intangible assets have continued to increase, registering a 433.54% increase. The inventory has registered a 2.21% increase from year to year (from RON 7.63 million as at 31 December 2017, to RON 7.8 million as at 31 December 2018). Such assets include *Third party inventories*, *Inventories held for sale* and *Impairment adjustments for inventories*. Inventories are consisting mainly of goods recovered from leases that have not yet been re-placed or sold, goods adjudged in execution process and goods to be leased.

Evolution of equity and liabilities

As at 31 December 2018, the Group's equity was RON 167.5 million, registering an increase by 61.19% when compared to the value of the equity as at 31 December 2017, *i.e.* RON 103.95 million. The Group's equity as at 31 December 2018 is represented in proportion of 35.6% by its share capital, 59.5% by retained earnings and 4.9% by legal reserves and other reserves, compared to 44.16%, 50.42% and 5.42% respectively as at 31 December 2017.

The share capital has increased by 29.79% as compared to the year ended 31 December 2017, reaching the level of RON 59.8 million as a result of the merger of the Issuer with ERB Leasing IFN S.A. in October 2018. The retained earnings of the Group have increased with RON 47.36 million (*i.e.* by 90.37%) as a result of the result of the year recorded by the Group and also the amounts recorded as a result of the merger.

From the total liabilities of the Group as at 31 December 2018, 97.9% was represented by *Loans from banks and other financial institutions*, which in monetary terms means RON 771.2 million, increasing by approx. 23.93% compared to the previous year, when their share was of 94.91%, which means RON 622.26 million. The loans are used for financing the Issuer's activity and the interest rates applicable as at 31 December 2018 vary between 1.17% and 2.75% for loans in EUR and between 4.23% and 4.39% for loans in RON, increasing from the interest rates registered as at 31 December 2017 (between 1.17% and 2.50% for loans in EUR and between 1.20% and 3.34% for loans in RON). Interest rates corresponding to the term loans received by the Issuer as at 31 December 2018 from related parties range from 1.75% to 2.75% for loans in EUR and 4.3% for loans in RON increasing from the interest rates registered as of 31 December 2017 (1.75% for loans in EUR and 2.69% for loans in RON).

As at 31 December 2018, the Group's financial liabilities which are due within less than a year represented 28.05% of the Group's total financial liabilities.

Interim Consolidated Statements of Financial Position as at 30 September 2019 and 31 December 2018

The table below presents the Group's consolidated statement of financial position as at 30 September 2019 and, respectively, 31 December 2018:

- in RON -

	As at 30 September 2019 (unaudited)	As at 31 December 2018 (audited)
ASSETS		
Cash on hand	3,649	5,376
Placements with banks	19,242,679	9,163,298
Finance lease receivables	1,012,498,629	919,260,049
Other financial assets	9,202,107	9,583,886
Inventory	14,175,426	7,799,443
Equity investments	19	19
Premises and equipments	1,376,395	1,438,139
Intangible assets	291,262	280,621
Right-of-use assets	2,401,794	-
Current tax assets	-	3,976,569
Deferred tax assets	2,662,516	3,524,568
Other assets	1,141,334	223,294
Total assets	1,062,995,810	955,255,262
Liabilities		
Loans from banks and other financial institutions	830,516,910	771,151,038
Lease liabilities	2,453,979	-
Provisions for liabilities and charges	7,545,651	3,758,608
Other financial liabilities	8,275,378	9,356,376
Current tax liabilities	1,575,321	-
Other liabilities	6,236,001	3,439,964
Total liabilities	856,603,240	787,705,986
Equity		
Share capital	59,572,544	59,572,544
Legal reserves and other reserves	10,686,887	8,203,447
Retained earnings	136,131,422	99,771,771
Total equity attributable to Issuer's owners	206,390,853	167,547,702
Non-controlling interest	1,717	1,574
Total equity	206,392,570	167,549,276
Total equity and liabilities	1,062,995,810	955,255,262

Source: Condensed Interim Consolidated Financial Statements

The evolution of the main financial indicators of the statement of financial position

Evolution of assets

As at 30 September 2019, the total assets of the Group have registered a further increase of 11.3%, reaching a total value of RON 1.06 billion. This growth was mainly driven by the increase of financial leasing receivables by 10.1%, from RON 919 million as at 31 December 2018 to RON 1.01 billion as at 30 September 2019. Similarly to 2018, this evolution came from the increase in receivables with a 1 to 5 years maturity (from RON 539.4 million to RON 621.8 million). As at 30 September 2019, the percentage of financial leasing receivables in the total assets was 95.2%, recording a 1% decrease from 31 December 2018.

The cash and cash equivalent increased by 110% as at 30 September 2019, compared to 31 December 2018, reaching RON 19.2 million.

Premises and equipments continued decreasing by 4.3% as at 30 September 2019, compared to 31 December 2018, while intangible assets increased by 3.8% over the same period. Additionally, as at 30 September 2019 the Group has recorded right-of-use assets of RON 2.4 million as a result of IFRS 16 adoption starting with 1 January 2019.

As at 30 September 2019, the inventory was 82% higher than at 31 December 2018 (from RON 7.8 million to RON 14.2 million). The equity investments did not record any changes.

Evolution of equity and liabilities

The Group's equity was RON 206.4 million as at 30 September 2019, representing an increase of 23.2% compared to 31 December 2018, when the value of equity was RON 167.5 million. The Group's equity as at 30 September 2019 is represented in proportion of 28.9% by its share capital, 66% by retained earnings and 5.2% by reserves, compared to 35.6%, 59.5% and 4.9%, respectively, as at 31 December 2018.

The share of equity in total liabilities and equity increased to 19.4% as at 30 September 2019, compared to 17.5% as at 31 December 2018. As in previous years, this increase is mainly due to the evolution of retained earnings, which increased by 36.4% compared to 31 December 2018.

According to the situation reported as at 30 September 2019, the Group's liabilities registered an increase of 8.75%, reaching RON 856.6 million. Of the liabilities, 97.0% represented *Loans from banks and other financial institution*, which, in monetary terms, means RON 830.51 million, increasing by 7.7% compared to the previous year, when they represented 97.9% which means RON 771.15 million. The long-term loans from banks and other financial institutions have as their sole purpose the financing of the Issuer's activity and their interest rates as of 30 September 2019 vary between 1.17% and 2.14% for loans in EUR and between 3.08% and 4.29% for loans in RON, decreasing from the interest rates registered as of 31 December 2018 (between 1.17% and 2.75% for loans in EUR and between 4.23% and 4.39% for loans in RON). Interest rates corresponding to the term loans received by the Issuer as at 30 September 2019 from related parties range from 1.17% to 2.4% for loans in EUR and 3.08% to 4.29% for loans in RON, decreasing from the interest rates registered as of 31 December 2018 (between 1.75% and 2.75% for loans in EUR and 4.3% for loans in RON).

Consolidated Statements of Profit or Loss for the year ended 31 December 2018 and 31 December 2017, respectively

The table below presents the Group's consolidated statement of profit or loss as at 31 December 2018 and, respectively, 31 December 2017:

<i>- in RON -</i>	Group	
	for the year ended 31 December	
	2018	2017
	<i>(audited)</i>	<i>(audited)</i>
Interest income	76,663,199	56,029,395
Interest expenses	(19,066,626)	(10,757,152)
Net interest income	57,596,573	45,272,243
Fee and commission income	9,434,123	155,551
Fee and commission expense	(292,524)	(270,712)
Net fee and commission income/(expense)	9,141,599	(115,161)
Net gain from foreign currency translation	3,391,027	3,236,946
Other operating income	4,372,818	7,977,046
Revenue from sale of assets previously leased to customers	1,625,146	863,790
Cost of inventory/assets repossessed from lease agreements	(2,138,403)	(675,741)
Net impairment charges of financial assets	(17,446,343)	(12,668,749)

Net expense relating to provisions	(71,218)	(614,695)
Personnel expenses	(15,641,155)	(12,848,490)
Depreciation expense	(843,949)	(834,727)
Other operating expenses	(8,052,012)	(6,476,427)
Profit before tax	31,934,083	23,116,035
Income and tax (expense)/credit	951,802	(3,221,761)
Net profit for the year	32,885,885	19,894,274

Source: Annual Consolidated Financial Statements of the Issuer

Evolution of the main financial indicators in the profit or loss statement

Evolution of operating revenues and expenditures

The Group's income is represented of Interest income, Fee and commission income, Other net financial income, other operating income and revenue from sale of assets previously leased to customers. The interest income increased by 36.83% from RON 56.03 million as at 31 December 2017 to RON 76.6 million as at 31 December 2018.

At the same time, interest expenses increased from RON 10.76 million as at 31 December 2017 to RON 19.06 million as at 31 December 2018, the registered increase being of 77.25% year to year.

Fee and commission income, which represents commissions collected according to the leasing agreements and insurance brokerage commission, registered a significant increase during the analysed period. This income has registered an increase from RON 0.156 million in 2017 to RON 9.4 million in 2018. Fees and commissions expenses, representing commissions paid under loan agreements, did not register significant changes year on year, from RON 0.27 million as at 31 December 2017 to RON 0.292 million in 2018 (8.06% increase).

Net gain from foreign currency translation continued to grow with an increase of 4.76%, from RON 3.24 million as at 31 December 2017 to RON 3.39 million as at 31 December 2018.

At 31 December 2018, other operating income recorded a value of RON 4.37 million, with 45.18% less than at 31 December 2017, when their registered value was of RON 7.97 million. Other operating income include amounts obtained from the re-invoicing of various registration services, insurance services etc., of the leased assets, from the compensation received from the insurance companies, from damages accrued from the cancelled lease contracts or from other income.

Revenue from sale of assets previously leased to customers represent the proceeds from the sale of vehicles and equipment for which the contract has ended. These revenues increased from RON 0.86 million as at 31 December 2017 to 1.63 million as at 31 December 2018, representing an increase of 88.14%. Net expenses from inventory increased by 216.45%, from RON 0.68 million as at 31 December 2017 to RON 2.14 million as at 31 December 2018.

Regarding the net expense from impairment of financial assets, these have recorded an increase in the year ended 31 December 2018 when compared to the year ended 31 December 2017. These expenses are presented as follows:

<i>- in RON -</i>	For the year ended 31 December	
	2018	2017
Cost of impairment for finance lease receivables	(65,154,019)	(39,909,436)
Income from release of impairment for finance lease receivables	41,527,006	15,709,030
Income from early terminated contracts and repossessed assets	6,774,576	12,798,163
Net expense from valuation adjustments	(571,995)	-
Impairment expense adjustments for other assets	(75,984)	(1,397,732)
Income from reversal/cancellations of impairment adjustments of other assets	54,073	131,226
Net expense with adjustments for impairment of financial assets	(17,446,343)	(12,668,749)

Source: Annual Consolidated Financial Statements of the Issuer

In principal, the increase in net expenses for impairment of financial assets is due to the increase of 63.25% in the cost of impairment for finance lease receivables.

In 2018, the Issuer recorded net expenses with other adjustments for impairment and other provisions of approximately RON 0.07 million, compared to an expense of RON 0.6 million registered in 2017. This is due to the decrease in provisions for litigations expenses of RON 0.08 compared to the expense of RON 0.6 million registered in 2017.

Personnel expenditure continued the ascending trend, registering an increase of 21.74% and reaching RON 15.64 million in 2018, from RON 12.85 million as of the end of the year 2017.

Other operating expenses also continued to increase in 2018, reaching almost RON 8.05 million as at 31 December 2018, the increase being of 24.33%. Other operating expenses include the following:

- in RON -	For the year ended 31 December	
	2018	2017
Tax and duties expenses	(442,362)	(56,852)
Rental expenses	(869,558)	(771,346)
Utilities, repairs and other maintenance services expenses	(658,614)	(645,114)
Advertising, protocol and sponsorship expenses	(1,222,097)	(922,010)
Postage, telecommunications and texting expenses	(448,083)	(387,325)
Materials and consumables expenses	(761,656)	(727,816)
Electricity and heating expenses	(328,166)	(299,650)
Collaborator expenses	(667)	(22,475)
Transportation, travel and secondment expenses	(165,782)	(105,347)
Losses from the assignment and disposal of premises and equipment and intangible assets	(33,272)	(93,590)
Other operating expenses	(3,121,755)	(2,444,902)
Total	(8,052,012)	(6,476,427)

Source: Annual Consolidated Financial Statements of the Issuer

Other expenses include mainly maintenance and repair expenses, amounting, various services rendered by third parties, indemnities, fines and penalties etc.

Depreciation expenses have increased by only 1.1% from RON 0.83 million as at 31 December 2017 to RON 0.84 million as at 31 December 2018. This includes both depreciation of premises and equipments and intangible assets.

As at 31 December 2018, the income tax registered a credit value of RON 0.95 million, mainly as a result of the effect of the fiscal loss taken over by the Issuer following the merger with ERB Leasing IFN SA.

The Group has registered a net profit of RON 32.89 million as at 31 December 2018, representing an increase of 65.3% from RON 19.89 million registered as at 31 December 2017.

Interim Consolidated Statements of Profit or Loss for the nine-month period ending 30 September 2019 and 30 September 2018

The table below presents the Group's interim consolidated statement of profit or loss for the nine-month period ending 30 September 2019 and, respectively, 30 September 2018:

- in RON -	Group nine-months ending 30 September	
	2019 (unaudited)	2018 (unaudited)
Interest income	69,005,913	54,558,315
Interest expense	(15,799,622)	(13,607,291)
Net interest income	53,206,291	40,951,024
Fee and commission income	8,487,952	6,605,225
Fee and commission expense	(226,938)	(213,985)
Net fee and commission income	8,261,014	6,391,240
Net gain from foreign currency translation	6,139,495	2,250,365
Other operating income	3,522,001	3,371,698
Revenue from sale of assets previously leased to customers	1,907,107	1,189,548
Cost of inventory/assets repossessed from lease agreements	(4,321,025)	(2,051,332)
Net impairment income/(charges) of financial assets	1,286,839	(8,928,633)
Net expense relating to provisions	(6,698,992)	-
Personnel expenses	(9,467,767)	(9,157,044)
Depreciation expense	(1,453,262)	(638,077)
Other operating expenses	(7,047,741)	(5,648,645)
Profit before tax	43,333,960	27,730,144
Income tax expense	(6,464,196)	(4,025,734)
Net profit for the period	38,869,764	23,704,410
Other elements of global result comprehensive results	-	-
Total global result	38,869,764	23,704,410

Source: Condensed Interim Consolidated Financial Statements

For the nine-months period ended 30 September 2019, the Group's income was comprised of Interest income, Fee and commission income, other net gain from foreign currency translation, other operating income and revenue from sale of assets previously leased to customers. The highest weight in total income is represented by the Interest income, which increased by 26.48%, from RON 50.56 million as at 30 September 2018 to RON 69.0 million as at 30 September 2019.

Interest expenses have increased from RON 13.6 million as at 30 September 2018 up to RON 15.8 million as at 30 September 2019, representing an increase of 16.1%. Overall the net interest income have increased by 29.93% from RON 40.95 million as at 30 September 2018 to RON 53.21 million as at 30 September 2019.

At the same time, the fee and commission income, which represent commissions charged on leasing agreements and insurance brokerage commission registered an increase of 28.5%, from RON 6.61 million as at 30 September 2018 to RON 8.49 million as at 30 September 2019.

The fee and commission expense, representing commissions paid under loan agreements, did not recorded significant changes, increasing from RON 0.21 million as at 30 September 2018, to RON 0.23 million as at 30 September 2019, which translates into a 6.05% increase.

Net gain from foreign currency translation registered a significant increase, from RON 2.25 million as at 30 September 2018 to RON 6.14 million as at 30 September 2019, representing a 172.82% increase, this is due to the increase in the foreign currency rate for EUR as a significant part of the assets are denominated in EUR.

Other operating income registered a value of RON 3.52 million as at 30 September 2019, increasing by 4.5% compared to 30 September 2018 when the value was RON 3.37 million. Other operating income include amounts obtained from the re-invoicing of various registration services, insurance services and other for the leased assets, income from the compensation received from the insurance companies, from damages accrued from the cancelled lease contracts or from other income.

Revenue from sale of assets previously leased to customers increased from RON 1.19 million as at 30 September 2018 to RON 1.9 million as at 30 September 2019, representing an increase of 60.32%.

For the nine-months period ended 30 September 2019, net expenses from inventory registered a value of RON 4.32 million, being 110% higher than those as at 30 September 2018, when they registered a value of RON 2.05 million.

Regarding the net impairment expense/income of financial assets, these have registered a decrease as at 30 September 2019 compared to the same period in 2018. These expenses can be itemised as follows:

- in RON -	Group nine-months ending 30 September	
	2019 (unaudited)	2018 (unaudited)
Cost of impairment for finance lease receivables	(73,282,045)	(38,916,299)
Income from release of impairment for finance lease receivables	71,188,507	24,135,139
Income from early terminated contracts and repossessed assets	1,345,730	5,885,185
Net expense from valuation adjustments	(733,176)	-
Impairment expense adjustments for other assets	(30,198)	(67,729)
Income from reversal/cancellations of impairment adjustments of other assets	2,798,021	35,071
Net income/(expense) with adjustments for impairment of financial assets	1,286,839	(8,928,633)

Source: Condensed Interim Consolidated Financial Statements

For the nine-months period ended 30 September 2019, the Group recorded net expenses relating to provisions amounting to RON 6.7 million, representing provisions for litigation expenses.

Fixed asset depreciation expenses registered an increase of 127.8% as at 30 September 2019, representing a value of RON 1.45 million, compared to the same period in 2018, when they amounted to RON 0.64 million, the increase being due to the depreciation recorded for the right-of-use assets during the nine-months period ending 30 September 2019.

Other operating expenses continued to increase, so that as at 30 September 2019 they amounted to approx. RON 7.1 million from RON 5.6 million as at 30 September 2018, representing a 24.77% increase. General and administrative expenses include the following:

- in RON -	Group nine-months ending 30 September	
	2019 (unaudited)	2018 (unaudited)
Tax and duties expenses	(173,687)	(107,302)
Utilities, repairs and other maintenance services expenses	(1,066,690)	(456,662)
Advertising, protocol and sponsorship expenses	(1,230,962)	(800,502)

Postage, telecommunications and texting expenses	(381,648)	(336,419)
Materials and consumables expenses	(620,376)	(572,730)
Electricity and heating expenses	(200,100)	(246,188)
Collaborator expenses	(24,428)	-
Transportation, travel and secondment expenses	(167,220)	(103,891)
Losses from the assignment and disposal of premises and equipment and intangible assets	-	(33,272)
Other operating expenses	(3,182,630)	(2,991,679)
Total	(7,047,741)	(5,648,645)

Source: Condensed Interim Consolidated Financial Statements

For the nine-months period ended 30 September 2019, the income tax expense recorded an increase by 60.57%, from a value of RON 4.02 million in the same period of 2018, to RON 6.46 million in 2019.

The Group has recorded a net profit for the nine-months period ended 30 September 2019 of RON 38.87 million, representing an increase by 64% compared to the same period ending 30 September 2018, when the net profit was RON 23.7 million.

Risk portfolio

The risk portfolio (“**PAR**”) represents the value of agreements which are ongoing, where one or more payments has been delayed over a specified number of days. This is usually calculated as a ratio and has several categories, depending on the number of days the payment has been delayed.

The risk portfolio is the most widely recognised metric for the quality of a loan portfolio. This includes the entire outstanding amount due by the client, as well as delayed and future payments, but excluding interest that is due. The risk portfolio for 90 days (“**PAR90**”) indicates the value of ongoing agreements, where one or more payments has been delayed by more than 90 days.

The table below includes the evolution of PAR90 as at 31 December 2018 and 31 December 2017, respectively:

- in RON -	As at 31 December	
	2018	2017
PAR90 finance lease receivables	56,944,375	45,590,121
Total finance lease receivables	1,006,153,173	769,817,123
PAR90	5.66	5.92%

Source: Issuer's data, unaudited

Consolidated statements of cash flows as at 31 December 2018 and 31 December 2017

The table below includes individual statement of cash flows used in operating activities, from investing activities and financing activities, for the years ended 31 December 2017 and 2018, respectively:

- in RON -	For the year ended 31 December	
	2018	2017
Operating activities		
Profit before tax	31,934,083	23,116,035
Adjustments for non-monetary items		
Depreciation expense of premises and equipment and intangible assets	843,949	834,727
Net impairment charges for finance lease receivables	23,627,013	24,200,406
Net impairment expenses for other assets	21,912	1,266,506
Net expense from valuation adjustments	571,995	-

Net release of provisions for repossessed inventory	(1,545,650)	(2,780,757)
Interest income from banks	(191,733)	(48,260)
Interest expense	18,574,197	10,479,144
Dividend income	(10,824)	(2,839,226)
Income tax	3,856,583	2,822,796
Other adjustments for non-cash items	1,184,267	3,511,028
Operating profit before the change in operating assets and liabilities	78,865,793	60,562,399
(Increase) in net finance lease receivables	(169,899,281)	(257,640,195)
(Increase) in other assets	(4,912,975)	(220,694)
(Increase) / Decrease in inventory	(2,800,163)	2,780,259
Increase / (Decrease) of trade payables and other liabilities	(18,982,698)	18,675,511
Interest expense paid	(18,395,502)	(10,177,125)
Income tax paid	(5,104,099)	(3,221,761)
Net cash flow used in operating activities	(141,228,925)	(189,241,606)
Investing activities		
Acquisition of premises, equipment and intangible assets	(870,362)	(914,633)
Proceeds from disposal of premises, equipment and intangible assets	94,891	79,616
Cash arising from the merger	5,108,204	-
Interest received from banks	192,539	48,780
Dividends received	10,824	2,839,226
Net cash flow from investing activities	4,536,096	2,052,989
Financing activities		
Net receipts of loans and other borrowings	119,929,618	194,940,024
Dividends paid	-	(10,000,000)
Net cash flow from financing activities	119,929,618	184,940,024
Cash and cash equivalents at the beginning of the period	25,930,844	28,179,437
Net increase in cash and cash equivalents	(16,763,211)	(2,248,593)
Cash and cash equivalents at the end of period	9,167,633	25,930,844

Source: Annual Consolidated Financial Statements of the Issuer

Evolution of the main cash flow indicators

Operating profit before the change in operating assets and liabilities increased by 30.22% in the last year, from RON 60.56 million in 2017 to RON 78.86 million in 2018. This increase was mainly caused by the increase in the gross profit, from RON 23.12 million in 2017 to RON 31.9 million in 2018.

The net cash flow used in operating activities recorded as at 31 December 2018 was of RON 141.22 million, as compared to RON 189.24 million, registered in the previous financial year. The net finance lease receivables recorded during the financial year ended as at 31 December 2018 was of RON 169.9 million as compared to the amount of RON 257.64 million recorded for the financial year ended 31 December 2017 (decrease of RON 87.74 million, i.e. 34.06%).

The net cash flow from investment activities recorded an increase of 120.95%, from RON 2.05 million in 2017 to RON 4.54 million in 2018.

Regarding the financing activities, in 2018 the Group did not pay dividends compared to 2017 when the dividends paid amounted to RON 10 million. The net cash flow from financing activities is mainly represented by the Net receipts of loans and other borrowings which amounted to RON 119.9 million in 2018.

At the end of the financial year ended 31 December 2018, cash and cash equivalents amounted RON 9.17 million, with 64.65% less than at 31 December 2017.

Interim Consolidated statements of cash flows for the nine-months period ending 30 September 2019 and 30 September 2018

The table below includes consolidated cash flows used in operating activities, cash flows (used in)/from investing activities and cash flows from/(used in) financing activities, according to the Condensed Interim Financial Statements, respectively:

<i>- in RON -</i>	Group	
	nine-months ending 30 September	
	2019	2018
	<i>(unaudited)</i>	<i>(unaudited)</i>
Operating activities		
<i>Profit before tax</i>	45,333,960	27,730,144
Adjustments for non-monetary items		
Depreciation expense of premises and equipment and intangible assets	1,453,262	638,077
Net impairment charges/(income) for finance lease receivables	(2,987,441)	16,114,480
Net impairment expenses/(income) for other assets	(2,767,823)	32,658
Net release of provisions for repossessed inventory	(7,818,232)	(1,198,244)
Provisions for other debts	3,787,043	(1,882,856)
Interest income from banks	(253,944)	(144,753)
Interest expense	15,794,300	13,607,291
Dividend income	(2)	(10,822)
Income tax	(6,438,325)	(771,146)
Other adjustments for non-cash items	(305,979)	(2,800,614)
Operating profit before the change in operating assets and liabilities	45,796,819	51,314,215
(Increase) in net finance lease receivables	(90,251,139)	(155,403,135)
(Increase)/Decrease in other assets	3,806,338	(257,955)
Decrease in inventory	1,442,249	2,024,558
Increase of trade payables and other liabilities	5,744,340	227,818
Interest expense paid	(15,794,300)	(13,607,291)
Income tax paid	(25,871)	(3,254,587)
Net cash flow used in operating activities	(49,281,564)	(118,956,377)
Investing activities		
Acquisition of premises, equipment and intangible assets	(468,294)	(40,139)
Proceeds from disposal of premises, equipment and intangible assets	207,694	86,284
Interest received from banks	253,944	144,753
Dividends received	2	10,822
Net cash flow from investing activities	(6,654)	201,720

Financing activities		
Net receipts of loans and other borrowings	56,365,872	99,033,206
Net cash flow from financing activities	56,365,872	99,033,206
Cash and cash equivalents at the beginning of the period		
	9,168,674	25,932,692
Net increase/(decrease) in cash and cash equivalents	10,077,653	(19,721,451)
Cash and cash equivalents at the end of period	19,246,328	6,211,241

Source: *Condensed Interim Consolidated Financial Statements*

Evolution of the main cash flow indicators for the Group

For the nine-months period ended 30 September 2019, the operating profit before the change in assets and liabilities decreased by 10.75% compared to the same period in 2018, from RON 51.3 million to RON 45.8 million. The main factors that generated this decrease were *Net impairment charges for finance lease receivables* which decreased by 118.5% as at 30 September 2019 compared to 30 September 2018 (from charges of RON 16.1 million to income of RON 3 million recorded for the nine-months period ended 30 September 2019), *Net release of provisions for repossessed inventory* that registered a 552% increase, resulting in RON 7.8 million as at 30 September 2019, compared to RON 1.2 million as at 30 September 2018, and the *Income tax*, which was 734.9% higher over the analysed period (from RON 0.77 million to RON 6.44 million).

The net cash flow used in operating activities as at 30 September 2019 amounted to RON 49.3 million, compared to RON 118.96 million registered as at 30 September 2018. The most significant contribution to this evolution is due to the *Increase in net finance lease investment*, which recorded a value of RON 90.2 million as at 30 September 2019, while in the same period of 2018 amounted to RON 155.4 million.

The net cash flow from/(used in) investing activities recorded a decrease of 103.3%, from net cash flow from investing activities of RON 0.2 million for the nine-months period ended 30 September 2018 to net cash flow used in investing activities of RON 0.006 million for the nine-months period ended 30 September 2019.

The net cash flow from financing activities also registered a decrease of 40.05% for the nine-months period ended 30 September 2019 due to the *Net receipts of loans and other borrowings* which amounted to RON 59.37 million, compared to RON 99.03 million for the nine-months period ended 30 September 2018.

As at 30 September 2019, cash and cash equivalents amounted to RON 19.25 million, recording an increase by 209.9% compared to the same period of 2018.

Loans contracted by the Group

Loans contracted from financial institutions

As at 31 October 2019, the situation of loans contracted from financial institutions was the following:

Financing party	Currency	Maturity	Maximum amount available, in original currency	Outstanding amount, in original currency
Banca Transilvania (revolving loan for financing/refinancing of leasing activities)	EUR	17.03.2030	137,000,000	81,063,909
Banca Transilvania (financing current activities)	EUR	31.03.2020	15,000,000	11,276,565

Banca Transilvania	EUR	30.05.2025	4,000,000	3,350,000
Banca Transilvania	EUR	31.12.2021	2,200,000	1,250,000
Garanti Bank – revolving facility	EUR	30.06.2023	10,000,000	4,940,719
ING Bank – non-revolving facility	EUR	01.11.2021	15,000,000	3,446,383
BERD	EUR	22.08.2022	20,000,000	14,117,647
EFSE	EUR	15.06.2023	20,000,000	17,649,000
EXIMBANK	RON	12.07.2022	100,000,000	64,406,779
Credit Europe Bank	RON	10.01.2020	130,000,000	129,815,117

Source: Issuer's data, unaudited

As of the date of this Prospectus and as a result of the termination of the Issuer's collaterals and/or security interests created in favour of the Parent Company, only 25% of the Issuer's loans contracted from financial institutions are secured with security interests (consisting of assignment of receivables) with its net investments in leasing agreements. Certain security interests secure an amount which is higher than the amount of the relevant loan (up to 115% by reference to the loan principal). In case of insolvency of the Issuer, such secured loans will rank higher than the Bondholders' receivables against the Issuer arising from the Bonds.

Litigation

As at 31 December 2018, the Issuer was involved in several litigations, including litigation proceedings related to the Issuer's financial leasing activity. Save as disclosed herein, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer.

Investigation of the Romanian Competition Council ("CC") against the Issuer

The Issuer was subject to a competition law investigation launched by the CC in November 2017 on the market for financial leasing and consumer loans, alleging that members of the ALB, of which the Issuer is a member, have engaged in unlawful exchange of sensitive commercial information, the Issuer receiving a request for information from the CC in connection with this investigation on 15 June 2019.

As a result of this investigation, the Issuer has received on 17 October 2019 an investigation report from the CC investigation team, which contains a fine proposal of 8.399% of the Issuer's turnover for 2018 (*i.e.*, approximately RON 6.51 million or approximately EUR 1.37 million) and 8.233% of the turnover of ERB Leasing IFN S.A. (*i.e.* RON 0.19 million or approximately EUR 0.04 million). The RCC has had the same approach for sanctioning the all the other leasing company members of ALB (*i.e.*, 33 companies).

Regarding the procedural steps to be taken next, the parties' observations and counter arguments to the report must have been submitted until 2 December 2019, with the hearings to be held on 14 January 2020 in front of the CC plenum. As a result of these hearings, the CC plenum may decide any of the following:

- maintain the conclusion of the investigation report – with the CC plenum being the one in power to set the definitive percentage of the fine (while of course observing the case team's proposal) they may decide to lower it after considering potential mitigating factors that were not taken into account before; or
- request an additional analysis of the initial findings – which would mean the investigation to be continued by the case team until properly addressing any other necessary aspects as requested by the CC plenum; or
- reject the report while also closing the investigation without imposing any fines to the parties.

Considering the above the Issuer has recorded as provision for litigations the amount of RON 6,698,992, this being considered the best estimate for the amount required to settle the probable sanction proposed by the CC. The value of the provision was based on the product of the percentage of 8.399% (for the Issuer) or 8.233% (for ERB Leasing IFN SA, merged into the Issuer in October 2018) (as specified in the report received from the CC) multiplied with the value of the income from leasing operations as it was recorded during the financial year ended 31 December 2018 by the Issuer and by ERB Leasing IFN SA (merged into the Issuer in October 2018). To the extent the above-described situation is subject to any further developments until 31 December 2019, the Issuer will reassess the value of the relevant provision.

Although the Issuer is prepared to fight these sanctions proposed by the CC case team during the investigation, there is no assurance that the CC will not impose on the Issuer the proposed fine, or even a higher fine.

Information in connection with the Group's accounting policies

The Group's accounting policies applied in preparing the Annual Consolidated Financial Statements are described in Note 3 to the Annual Consolidated Financial Statements while for the Condensed Interim Consolidated Financial Statements are described in Note 3 also.

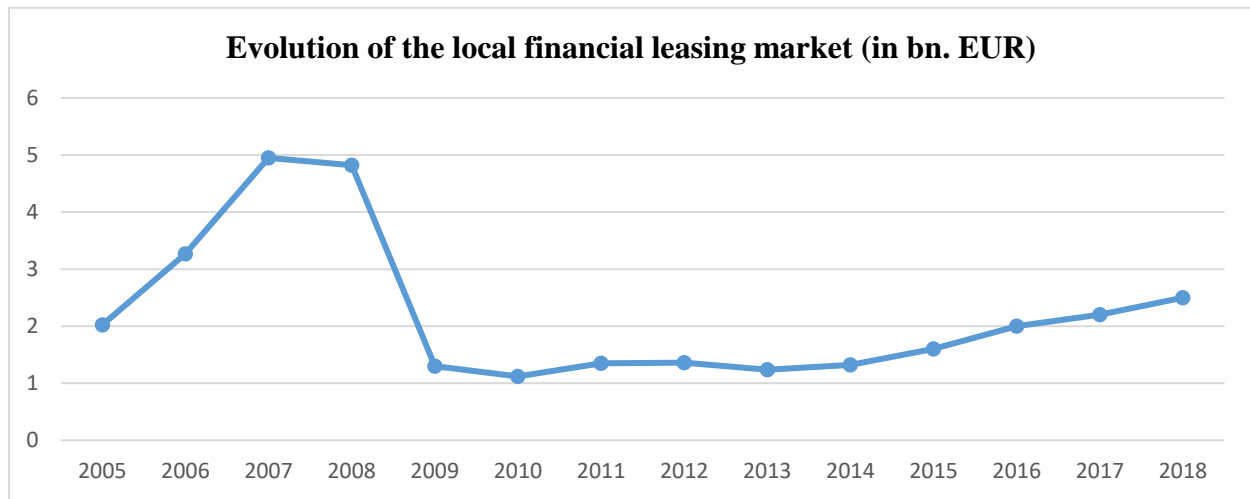
PART 3

OVERVIEW OF THE ROMANIAN FINANCIAL LEASING INDUSTRY

1. Overview

The Financial Leasing Market in Romania recorded impressive growth rates almost every year until 2009. Towards the end of 2009, the “new volume per year” indicator decreased by 4 times compared to 2008, from EUR 4.8 billion to 1.3 billion. The level of the new volume per year remained at about the same level until 2012, and then started to grow and reached EUR 2.5 billion in 2018, recording a 14% increase compared to the same period of 2017.

Source: ALB, the Issuer, Ziarul Financiar



However, the leap forward of the leasing market saw a more moderate growth compared to 2016, when new financing showed a growth rate of approx. 25%. For the coming years, it is expected that this growth will remain around 10%.

In terms of composition of the financial leasing portfolio for the new financing, approximately 73% of the new financing were concluded for vehicles (which includes personal, light and heavy commercial vehicles). It is important to point out that in the past years, the weight of commercial vehicles financing has increased constantly. The remaining 27% of new financing represent leasing contracts for equipment and real estate assets.

2. Prospects

Currently, the share of financial leasing in Romania is about 2% of the GDP, while in other EU countries this accounts for a larger percentage (Source: www.piatafinanciara.ro). Therefore, in the years to come, Romania has the potential to record growth, thus replicating the model of Western countries, where leasing is very well developed, mainly in the automotive and equipment sectors.

Leasing companies are SME-oriented, as SMEs, according to the annual report for 2017/2018 of the European Commission on European SMEs, made a significant contribution to the recovery and subsequent expansion of the EU economy. They accounted for 47% of the total increase in value added generated by the non-financial business sector, as well as 52% of the cumulative increase in employment after the 2008 economic crisis. For these enterprises - especially for SMEs active in the agricultural field - access to finance through leasing is easier than other available types of financing.

Leasing is a product more manageable at macro level than a credit, and leasing companies are less affected by a potential crisis than a bank, therefore, the potential for development is higher.

3. Strategic partnerships in the leasing market

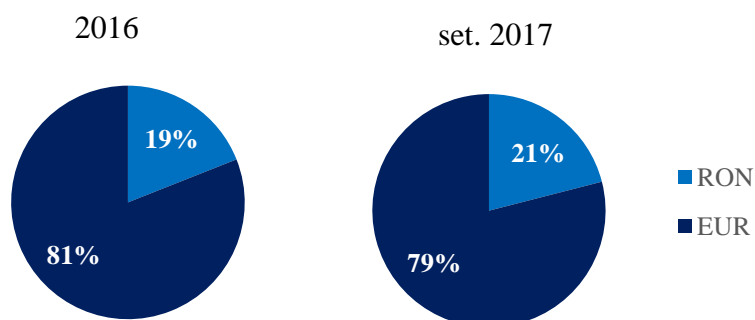
The main channel for promoting leasing is the network of automotive dealers or suppliers of goods (motor vehicles/trucks, etc.) / equipment, depending on the strategy of each individual company. For example, if the company focuses on the agricultural sector, it will set up strategic partnerships with the companies selling agricultural equipment.

Also, the suppliers (or dealers) of goods represent an important resource for the development and expansion of the services of a leasing company, due to the fact that through the dealers' distribution network, the company has a facilitated access at the national level for providing its services.

4. Competitors

Given that the leasing market, by reference to the aggregated amounts of the leasing contracts that were granted, is denominated in Euro, competitors - who are part of an international financial group – benefit from lower costs. However, in recent years, the National Bank of Romania has conducted a policy for changing the share of the EUR-denominated crediting into RON-denominated crediting, the restrictions applying to foreign currency financing applying also to leasing companies. According to the latest report available from ALB, as of September 2017, RON-denominated crediting represented 21% of the total financing, resulting in a 2% increase compared to 2016.

Structure of new financing under financial leasing, depending on the currency in which financing is granted



Source: ALB, the Issuer

5. The activity of leasing companies

The leasing companies may be divided into two large groups: (i) leasing companies (including automotive manufacturers) using exclusively automotive dealers and (ii) leasing companies affiliated to major international financial groups, targeting the group's clients and having also a relationship with the dealers.

Some companies affiliated to major international financial groups focus exclusively on the group's network, others use a mix of the two strategies: focus on the group's clients and collaboration with automotive dealers, giving them equal weight. In the latter case, the company has (i) a sales network which is responsible for the relationship with the group entities and (ii) a separate sales network, which is responsible for the distribution channel of automotive dealers. Therefore, this strategy provides the companies applying it with a competitive advantage over the companies focusing only on one of the two distribution channels.

The leasing market is currently very fragmented, the consolidation of the leasing market being anticipated to accompany the consolidation of the banking system in Romania. As a result of the recent crisis, many leasing companies have exited from the market and those who remained in the market have an interest in continuing their business independently.

6. Regulatory environment

6.1 Overview

The Romanian fiscal code, approved through Law 227/2015, as amended to date, makes a distinction between financial leasing agreements and operational leasing agreements. Both types transfer the risks and benefits of the ownership over an asset to the lessee, however the operational leasing does not transfer the risk of capitalization of the asset at its residual value. Furthermore, the financial leasing complies with certain other conditions which are not met by operational leasing, such as expressly providing the transfer of the ownership over the asset upon the expiry of the agreement or having a period which exceeds 80% of the normal maximal functioning duration of the leased asset.

The distinction between the two types of leasing is important to establish what type of entity can take on the lessor role. The capacity of lessor under an operational leasing agreement can be held by leasing companies which are incorporated and functioning in accordance with the provisions of Law 31/1990 on companies, as amended to date. These leasing companies are required to observe, additionally, certain minimum share capital requirements included in Government Ordinance 51/1997 concerning leasing operations and leasing companies, as amended to date.

Financial leasing activities, on the other hand, can only be performed by joint-stock companies registered as non-banking financial institutions (a “**NBFI**”). The regulatory framework for NBFIs is set out in Law 93/2009 on non-banking financial institutions (“**Law 93/2009**”) and the NBR Regulation 20/2009 on non-banking financial institutions (the “**NBFI Regulation**”), together with the secondary regulations and orders issued in connection with these.

6.2 Permitted activities and restrictions

Romanian NBFIs must comply with certain requirements set out in the Law 93/2009 and detailed in the NBFI Regulation:

- a) minimum share capital: at least EUR 200,000 (in RON equivalent) or at least EUR 3,000,000 (in RON equivalent) if the entity grants mortgage loans;
- b) only nominative shares can be issued (bearer shares not allowed);
- c) the wording “non-banking financial institution” (in Romanian: *institutie financiara nebancara*) or the abbreviation “NBFI” (in Romanian: *IFN*) must be included in the legal entity’s name (with the exception of those entities listed in the Evidence Register);
- d) business object - only the following activities are allowed: granting of loans (consumer loans, mortgage loans, real estate loans, microcrediting, financing of commercial transactions, factoring operations, discounting, forfaiting), financial leasing, issuing of guarantees, undertaking guarantee commitments, undertaking financing commitments, granting loans against pledged assets (including pawning), granting loans towards members of associations without a commercial purpose established by employees or pensioners for the support of their members (mutual assistance associations) and other financing activities through loans. NBFI’s are allowed to undertake connected and ancillary activities in relation to the lending activity and their own functioning;
- e) expressly prohibited activities: attracting deposits or other reimbursable funds from the public, issuing bonds (other than public offers addressed towards qualified investors), operations with movable and immovable assets (other than those connected to the lending activity or necessary for the functioning of the NBFI), granting loans conditional upon the selling or purchasing of shares in the NBFI, granting loans conditional upon the acceptance by the client of services which are not related to that lending activity;
- f) incompatibilities related to the founders, shareholders, leaders, directors, members of the supervisory board or auditors, related to persons who have connections with terrorism or who have been sentenced for certain crimes (such as corruption, tax evasion, money laundering).

6.3 Types of NBFIs

6.3.1 NBFIs registered in the General Register

A NBFI is registered in the General Register further to a notification submitted to the NBR. The NBR will check the entity's compliance with the share capital requirements, the permitted activities included in the business object, the incompatibility of the shareholders, the reputation and professional experience of the leaders and the existence of an audit committee.

These NBFIs are required to prepare internal norms concerning the lending activity, in accordance with the rules of a prudent and sound practice.

6.3.2 NBFIs registered in the Special Register

The NBR will register a NBFI in the Special Register (in addition to the registration in the General Register) once its activity reaches certain levels which require a closer supervision of their stability. The current criteria for the registration relates to the level of the NBFI's fiscal value, volume of loans, indebtedness ratio, total assets, own capital. Once these criteria have been met, the relevant NBFI has an obligation to continue to meet them in order to remain registered in the Special Register.

The NBFIs included in the Special Register must comply with additional requirements concerning the quality of the significant shareholders and the good standing of the leaders, directors or members of the supervisory board. The appointment of two leaders is mandatory when the NBFI is managed in an unitary system, as is the preparation of internal norms regulating aspects such as the NBFI's own funds, exposure towards a debtor and aggregate exposure, exposure towards individuals having a special relationship with the NBFI, organization, internal audit and risk management of the NBFI.

6.3.3 NBFIs registered in the Evidence Register

The NBFIs subject to registration in this registry are: the entities performing a crediting activity exclusively from public funds made available under intergovernmental agreements, the pawn shops and the mutual assistance associations.

6.4 **Supervision of the Romanian NBFIs**

The NBR is the authority responsible with the supervision of the NBFIs.

Entities registered in the General Register are primarily monitored by the NBR on the basis of the information supplied through the various reports they submit. NBR also has the right to perform inspections at their headquarters and their territorial units, when it deems it necessary.

As for entities registered also in the Special Register, these are subject to the prudential supervision of the NBR which is based both on the various reports they submit to the NBR but also on the inspections performed at their headquarters and their territorial units.

NBR is also the only authority which has the competence to determine whether an entity performs crediting activities on a professional basis and, consequently, whether the entity should be subject to registration as a NBFI.

NBR monitors compliance with the NBFI Law and the NBFI Regulation, as well as the secondary legislation and has the right to apply sanctions against the NBFI or against its directors/leaders/members of the supervisory board when it determines that they have breached the applicable legal provisions.

6.5 **Prudential requirements**

Prudential requirements are applicable only in respect of NBFIs registered in the Special Register and they refer to:

- a) the methodology employed in the calculation of the own funds and their minim level. NBFI's own funds are represented by its own capital (i.e., among others, subscribed social capital, statutory or contractual reserves), subject to certain deductions, and the supplementary capital (i.e., among others, special reserves and funds, subordinated loans). Participations of NBFIs in other entities

which surpass 10% of their share capital and subordinated loans towards these entities are also deducted from the total value of own funds;

- b) maximum exposure towards counterparties. In case of NBFIs, an exposure towards a single debtor or towards a person in a special relationship with the NBFI is considered a large exposure if its gross value is equal to, or greater than, 10% of the NBFIs own funds. Large exposures are subject to special internal approval requirements and monitoring. The aggregate large exposures towards a single debtor and persons having a special relationship with the NBFI cannot exceed 600% of the value of the NBFIs own funds, while the aggregate exposure of an NBFI is limited to 1,500% of own funds;
- c) general framework for the organization, internal control, internal audit and management of the significant risks. In connection with this requirement, NBFIs are required to maintain an internal risk management committee and to manage the credit risk, market risk, operational risk and prudential risk. Internal audit activities can only be externalized towards the mother company, if this company is a credit institution or a financial institution.

6.6 Loan classification

Loans granted by the NBFIs are classified from an exposure perspective into five categories: standard, watch, sub-standard, doubtful and loss. Provisioning quotas are specified for each of these categories, ranging from 0.7 (for foreign currency loans)/0 (other loans) for “standard” to 1 for “loss”. Determining the necessary credit risk provisions is performed taking into account the debt service and the commencement of legal proceedings against the debtor, deducting the secured exposures, according to certain rules and, subsequently, applying the provisioning quotas.

NBFIs must send quarterly reports concerning the classification of exposures and the necessary credit risk provisions to the NBR, no later than 25 days after the end of the quarter reflected in the report.

6.7 Reporting

NBFIs in Romania must regularly file reports with the NBR, including, but not limited to:

- a) the structure of credit portfolio and any information requested by NBR for statistical and analysis purposes (applicable for both NBFIs registered in the General Registry and NBFIs registered in the Special Registry);
- b) quarterly reports concerning large exposures and aggregate exposures (only NBFIs registered in the Special Register);
- c) quarterly reports concerning the classification of exposures and the necessary credit risk provisions; and
- d) quarterly statistical reports concerning the assets and debts included in the balance sheet.

PART 4

USE OF PROCEEDS

The Issuer will incur various expenses in connection with the admission to trading of the Bonds on the Regulated Market operated by the BSE, including, *inter alia*, legal counsel fees, broker fees, audit costs and. The total estimated cost for admission to trading of the Bonds on the Regulated Market operated by the BSE amounts to RON 10,700.

The net proceeds of the Bonds offering which took place on 12 December 2019, after paying the commissions, fees and other expenses, will be used for general funding purposes of the Issuer's activity, including refinancing and to expand lending operations to small and medium enterprises, to support renewable energy and energy efficiency projects. The estimated net proceeds amount to EUR 39,771,000.

PART 5

TERMS AND CONDITIONS OF THE BONDS ISSUED UNDER THE BONDS OFFERING

Prospective investors should carefully review the information contained in the Prospectus and the information incorporated by reference herein, as well as the information found elsewhere relevant for an investment in the Bonds (as such term is defined below) thereunder. Prospective Bondholders are likewise encouraged to consult their legal and financial counsels in order to be better advised of the circumstances surrounding the Bonds.

The terms and conditions set forth below relate to the bonds (as such term is defined below) issued by **BT Leasing Transilvania IFN S.A.**, a joint stock company (in Romanian, *societate pe acțiuni*) incorporated under the laws of the Romania, with its registered office at 74 – 76 Constantin Brancusi Street, Brancusi Business Center, 1st Floor, Cluj-Napoca, Cluj County, Romania, registered with the Cluj Trade Registry under no. J12/1096/1995, European Unique Identifier (EUID):ROONRC J12/1096/1995, sole registration code 7424119, registered with the National Bank of Romania General Registry of non-bank financial institutions under no. RG-PJR-13-110079/13.07.2016 and, respectively, the National Bank of Romania Special Registry of non-bank financial institutions under no. PJR-13-110012/13.07.2016 (the “**Issuer**”), in a private placement that took place on 12 December 2019, in accordance with the provisions of art. 8 of the Delegated Regulation 2019/980, in two (2) tranches (each one a “**Tranche**”), of which one contains Bonds with a maturity of six (6) years, subscribed by the International Finance Corporation, member of the World Bank Group (“**IFC**”), as Eligible Investor (as such term is defined in this Prospectus) (“**Tranche A**”) and, respectively, a Tranche that comprises Bonds having a maturity of five (5) years and which is addressed to Eligible Investors (others than IFC) (“**Tranche B**”), having an individual nominal value of EUR 100,000 and a total nominal value of EUR 40,000,000.

The Issuer confirms that this Prospectus was prepared exclusively for the admission to trading of the Bonds on the Regulated Spot Market of the Bucharest Stock Exchange.

1. LEGAL BASIS OF THE BONDS OFFERING AND OF THE BONDS ISSUED THEREUNDER

- 1.1. The Bonds are issued under: (i) a private placement pursuant to Law 24/2017 and Regulation 5/2018, (ii) the resolution of the extraordinary general meeting of shareholders of the Issuer dated 12 November 2019 on the issuance and placement of Bonds and approving the Issue Terms (as such terms is defined below); and (iii) the relevant resolution of the Issuer’s Board of Directors approving the final terms of the Bonds and of each Tranche.
- 1.2. The Issue Terms shall be governed by Romanian law. The competent courts in the event of litigation will be the competent courts in Bucharest, unless otherwise provided by the Romanian Civil Procedure Code.
- 1.3. Proceeds from the issue of the Bonds shall be used for general funding purposes of the Issuer’s activity.

2. DEFINITIONS

In these Terms & Conditions, the following terms will have the following meaning:

“ Bondholder ”	has the meaning ascribed to it under Section 7.2 below;
“ Bonds ”	means the unsecured, nominative and dematerialised bonds, denominated in EUR, with a nominal value of EUR 100,000 each and a total nominal value of EUR 40,000,000 and “ Bond ” means any of them;
“ Bonds Account ”	means the Registry of Bondholders or the account opened with a Participant registered in the Registry of Bondholders, as the case may be;
“ BSE ”	means the Bucharest Stock Exchange S.A., a Romanian joint stock company having its registered office at 34–36 Carol I Blvd., 14th floor, district 2, Bucharest, Romania;

“BSE Regulations”	means the rules and other regulations in force relating to the regulated market of the BSE and/or the securities or issuers of securities admitted to trading on this market;
“Business Day”	means a day, other than Saturday or Sunday or a public holiday, on which the Central Depository carries out its business operations in a manner that enables performance of activities defined in these Issue Terms, including operations in the TARGET2 system, to which it is a participant;
“Calculation Agent”	the initial calculation agent in connection with the Bonds is BT Capital Partners S.A.; the term “Calculation Agent” shall include any successor Calculation Agent, as appointed from time to time by the Issuer and other than the Issuer;
“Category A Activity”	means any activity of a current or proposed client, lessee or recipient of financing from the Issuer, which is likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented, and which includes, for the avoidance of doubt, activities involving (i) involuntary resettlement; (ii) risk of adverse impacts on indigenous peoples; (iii) significant risks to or impacts on the environment, community health and safety, biodiversity, cultural heritage; or (iv) significant occupational health and safety risks (risk of serious injury or fatality to workers);
“Central Depository”	means Depozitarul Central S.A., a Romanian joint stock company having its registered office at 34-36 Carol I Blvd., 3rd, 8th and 9th floors, Bucharest, 020922, Romania;
“Central Depository Regulations”	means rules and regulations, resolutions, procedures and other regulations adopted by the Central Depository, defining the conduct of the Central Depository system, in particular the code of the Central Depository;
“Change of Control”	means any change in the Issuer’s ownership following which Banca Transilvania S.A. ceases to hold, directly or indirectly, (i) at least 52 per cent. of all shares in, or of the voting rights that might be cast at a general meeting of the shareholders of, the Issuer, or (ii) the power to appoint or remove at least the majority of the directors of the Issuer;
“Coal Related Activities”	means the following economic activity by any sub-borrower, client or recipient of financing from the Issuer: coal mining, coal transportation, coal-fired power plants, or infrastructure services exclusively dedicated to support any of these activities;
“Company Law”	means the Law no. 31/1990 on companies, republished, as amended and restated from time to time;
“Early Redemption Date”	has the meaning ascribed to it in Section 13.1 of these Issue Terms;
“Eligible Investor”	means (i) certain institutional and professional investors (legal persons) in the European Economic Area (the „EEA”) (including Romania), who are “Qualified Investors” within the meaning of Article 2 (c) of the Prospectus Regulation; in addition, in the United Kingdom, Qualified Investors (a) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “ Order ”) and Qualified Investors falling within Article 49(2)(a) to (d) of the Order, and (b) to whom Bonds may otherwise lawfully be distributed (all such persons together being referred to as “ Relevant Persons ”); and/or (ii) fewer than 150 legal persons, other than Qualified Investors per Member State; and/or (iii) investors to whom the Bonds may be otherwise lawfully distributed, according to the exemptions in reliance of Regulation S (“ Regulation S ”) under the U.S. Securities Act of 1933, as amended (the “ U.S. Securities Act ”);
“Eligible Recipient”	has the meaning ascribed to it in Section 8.3.1 of these Issue Terms;
“Euribor 6M”	means the higher of nil and (i) the 6-month the interbank offered rates for deposits in the EUR which appear, on page EURIBOR01 of the Reuters Service

	<p>or, if not available, on the relevant pages of any other service (such as Bloomberg Financial Markets Service) that displays such rates) on the relevant Interest Determination Date, as of 11:00 AM Brussels time; or (ii) if the rate set out at item (i) above is not available, the Calculation Agent shall instead determine the Interest Rate by calculating the arithmetic mean (rounded upward to the nearest three decimal places) of the offered rates advised to the Calculation Agent for deposits in EUR by any four (4) major banks active in the EUR in the Euro-zone interbank market, selected by the Calculation Agent; provided that if less than four quotations are received, the Calculation Agent may rely on the quotations so received if not less than two (2); or if less than two (2) quotations are received from the banks in accordance with this item (ii) above, on the Interest Determination Date, by calculating the arithmetic mean (rounded upward to the nearest three decimal places) of the offered rates advised to the Calculation Agent as of 11:00 AM Brussels time, for loans in the EUR by a major bank active in the EUR in the Euro-zone interbank market.</p>
“Eurosysteem”	means the European Central Bank and the national central banks of those Member States that have adopted the EUR as their lawful currency;
“Event of Default”	means any of the events referred to in Sections 13.1.1-13.1.4 of these Issue Terms;
“Final Maturity Date”	means, in relation to a particular Tranche of Bonds, the due date of the final redemption of the Bonds under each Tranche, as indicated in the Pricing Notification, <i>i.e.</i> , 12 December 2025 for Bonds under Tranche A and 12 December 2024 for Bonds under Tranche B;
“Fiscal Redemption Date”	has the meaning ascribed to it under Section 14 of these Issue Terms;
“FSA”	means the Romanian Financial Supervisory Authority;
“General Meeting”	means a meeting of Bondholders held on the principles specified in Annex A (Representation of Bondholders) to these Issue Terms;
“Interest”	means the variable amount of interest payable by the Issuer for Bonds issued under a particular Tranche;
“Interest Payment Dates”	means 12 June and 12 December of each year (except for 12 December 2019) in relation to Bonds under each Tranche;
“Interest Period”	means the period for which interest is calculated, determined in accordance with Section 9.7 (<i>Interest Periods</i>) of these Issue Terms;
“Interest Period for Fiscal Early Redemption”	has the meaning ascribed to it under Section 14.2 of these Issue Terms;
“Interest Rate”	means the variable value expressed as a <i>per annum</i> percentage, based on which the calculation of the Interest takes place, in accordance with Section 9.3 (<i>Interest Rate</i>) of these Issue Terms;
“Issue Date”	means, in relation to a particular Tranche, the second Business Day following the Transaction Date, when the Bonds were delivered to the Bondholders pursuant to these Issue Terms and as further specified in the Pricing Notification, <i>i.e.</i> , 12 December 2019;
“Issue Terms”	means these Issue Terms together with the final terms applicable to the Bonds, as specified in the Pricing Notification;
“Issuer’s Website”	means the website with the address www.btleasing.ro ;
“Law 24/2017”	means Law no. 24/2017 on issuers of financial instruments and market operations;
“Manager”	means BT Capital Partners S.A., 74-76 Constantin Brancusi Street, Brancusi Business Center, ground floor, Cluj-Napoca, Cluj county, Romania;
“Notice regarding Early Redemption for Tax Purposes”	has the meaning ascribed to it under Section 14 of these Issue Terms;
“Participant”	means any entity authorized to open securities accounts with the Central Depository, whether on its own behalf or on behalf of its clients;

“Paying Agent”	means Banca Transilvania S.A. a Romanian joint stock company having its registered office at G. Barițiu nr. 8, 400027 Cluj-Napoca, Cluj county, Romania;
“Paying Agency Agreement”	means the agreement entered into between the Issuer and the Paying Agent;
“Payment Date”	means, depending on the context, each Interest Payment Date, the Final Maturity Date, an Option Date, or the date on which payments should be made as per the Issue Terms as a result of redemption on an Early Redemption Date;
“Pricing Notification”	means the notification which was published on the Issuer’s website: www.btleasing.ro and on the website of the Bucharest Stock Exchange www.bvb.ro , on 10 December 2019, where the Issuer and the Manager inter alia announced the Interest Rate for the Bonds in each Tranche to investors;
“Procedures”	has the meaning ascribed to it under Section 8.4.1 of these Issue Terms;
“Prospectus”	means this prospectus prepared by the Issuer, submitted for approval to the FSA in view of the admission of the Bonds to trading on the Regulated Market operated by the BSE, together with the annexes, update messages and supplements thereto;
“Prospectus Regulation”	means Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC;
“Qualified Investor”	persons who are “qualified investors” within the meaning of Article 2(e) of the Prospectus Regulation;
“Record Date”	means the date on which Bondholders which are entitled to payments under the Bonds are determined, being (i) in relation to the Final Redemption Date, or each Interest Payment Date, the date falling 15 Business Day prior to the respective date, and (ii) in relation to an Early Redemption Date, that particular date, in each case provided that, in case such date does not comply with BSE Regulations and/or Central Depository Regulations, it will be postponed to the immediately following Business Date which corresponds to such Regulations;
“Record Date for EURIBOR6M”	means the second Business Day preceding the beginning of an Interest Period (except for the first Interest Period, where it is the Transaction Date, <i>i.e.</i> , 10 December 2019), unless any applicable law or regulation establishes otherwise;
“Reference Date”	means the calendar date which serves to identify the Bondholders who are entitled to participate and vote in the Bondholders’ Meeting;
“Registry of Bondholders”	means the registry of bondholders maintained electronically by the Central Depository on the basis of the contractual arrangements entered into with the Issuer;
“Regulation 5/2018”	means FSA Regulation no. 5/2018 on issuers of financial instruments and market operations;
“Representative”	has the meaning ascribed to it in <u>Annex A</u> of these Issue Terms;
“Sanctionable Practice”	means any corrupt practice, fraudulent practice, coercive practice, collusive practice, or obstructive practice, as those terms are defined herein and interpreted in accordance with the IFC Anti-corruption guideline issued in 1 November 2012, available at https://www.ifc.org ;
“TARGET 2” (Trans-European Automated Real-time Gross Settlement Express Transfer system)	means the real-time gross settlement system for euro payments, offered by the Eurosystem;
“Tranche”	means any of the tranches of Bonds issued under the Offering;
“Tranche A”	means the Tranche addressed to IFC, having a 6 years maturity and certain specific terms and conditions as reflected in these Issue Terms;

“Tranche B”	means the Tranche addressed to Eligible Investors (other than IFC), , having a 5 years maturity and certain specific terms and conditions as reflected in these Issue Terms;
“Transaction Date”	means the date on which trades in relation to the Bonds were executed through the Bucharest Stock Exchange electronic system, <i>i.e.</i> 10 December 2019; and
“Transparency Directive”	means Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC.

3. INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE BONDS OFFERING

The Manager and/or certain of their affiliates have provided and/or may provide in the future various financial, investment, marketing and other services to the Issuer or its subsidiaries, their shareholders or their directors in exchange for which they have received or will receive compensation.

4. REASONS FOR THE BONDS OFFERING AND USE OF PROCEEDS

The proceeds from the Bonds Offering will be used for general funding purposes of the Issuer’s activity.

5. INFORMATION CONCERNING BONDS

5.1. Form

The Bonds are issued in registered form and evidenced by book-entry (in Romanian: *obligatiuni nominative in forma dematerializata*). The entity in charge of keeping the records of the Bonds is the Romanian Central Depository, a Romanian joint stock company having its registered office at 34-36 Carol I Blvd., 3rd, 8th and 9th floors, Bucharest, 020922, Romania. The Bonds shall be registered in the system of the Central Depository in accordance with the regulations thereof, by the crediting of the accounts of the Bondholders opened with the Central Depository, directly or through a Participant.

The Bonds will be issued and delivered to Bondholders on the Issue Date. Upon their issue, application will be made for the Bonds to be registered with the FSA registry and inscribed in the books of the Central Depository, which will credit, at the option of the Bondholder: (i) the Bondholder’s individual accounts (*cont individual*) opened by the Bondholder or by a Participant on behalf of the Bondholder with the Central Depository, (ii) the omnibus account (*cont global*) opened by a Participant (as indicated by the relevant Bondholder) with the Central Depository or (iii) an account otherwise opened by the Bondholder, directly or indirectly, with the Central Depository.

5.2. Denomination

The Bonds will be denominated and traded in EUR and have denomination of EUR 100,000 each and a total nominal value of EUR 40,000,000.

5.3. Bond Tranches

5.3.1. The Bonds are issued in two Tranches, out of which

- (a) Tranche A comprises 185 Bonds, with an aggregate nominal value of EUR 18,500,000 and having a six (6)-years maturity is addressed to IFC, in its capacity as Eligible Investor; and
- (b) Tranche B comprises 215 Bonds, with an aggregate nominal value of EUR 21,500,000 and having a five (5)-years maturity, is addressed to Eligible Investors (other than IFC).

5.3.2. The ISIN code for Bonds issued under Tranche A is ROXNROBKQV28 for and ROGDVS5SSKL4 for Bonds issued under Tranche B.

5.3.3. The Bonds issued under each Tranche were offered to Eligible Investors.

Tranche A was addressed to IFC as Eligible Investor and Tranche B was addressed to Eligible Investors, other than IFC.

5.4. Collaterals

The Bonds are unsecured.

5.5. Ranking

The obligations under the Bonds will constitute direct, unsecured, unconditional and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and as to the order of their satisfaction and at least *pari passu* to all other current and future direct, unsecured, unconditional and unsubordinated obligations of the Issuer, except for those obligations of the Issuer so identified by the mandatory provisions of law.

5.6. Negative Pledge

For as long as any Bond is outstanding, the Issuer shall not create or permit to subsist any security interest (i) on more than 25% of all its asset and property, and/or (ii) in favour of the Parent Company or any other entity from the Parent Group.

6. GOVERNING LAW AND JURISDICTION

The Bonds have been issued in accordance with the laws of Romania, and the Issue Terms will be governed by Romanian law. The competent courts in the event of litigation will be the competent courts in Bucharest, unless otherwise provided by the Romanian Civil Procedure Code.

7. RIGHTS ARISING FROM BONDS

7.1. Creation of rights

Rights under the Bonds (for each Tranche) were created as of the Issue Date.

7.2. Entitlement to rights

The Bondholders are the persons registered as owners of the Bonds as of the Record Date (i) in the Registry of Bondholders or (ii) in the internal account of a Participant registered in the Registry of Bondholders (each such person being hereinafter referred to as a “**Bondholder**”). In this latter case, the Issuer reserves the right to rely on the authority of each Participant to fully represent (directly or indirectly) the Bondholder and perform vis-a-vis the Issuer and to the account of the Bondholder all legal acts (either in the Bondholder’s name or in its own name) associated with the Bonds as if this person were their owner. Unless the laws or a decision of the court delivered to the Issuer provides otherwise, the Issuer and the Paying Agent will deem every Bondholder the authorized owner of the Bonds in all respects and make the payments under the Bonds to that Bondholder.

7.3. Transfer of rights

7.3.1. Transferability of the Bonds and the rights attached to the Bonds are not restricted, except for any general restrictions applicable to creditor rights in general and the individual restrictions applicable to each Bondholder (if any).

7.3.2. The ownership right over the Bonds is transferred on a delivery versus payment basis (i.e., the securities being delivered only if the corresponding purchase price is paid), by the registration of the

Bonds in the relevant account of the Bondholders, in accordance with the regulations of the Central Depository and the applicable legislation. All costs related to the transfer of the Bonds are incurred by the relevant Bondholder.

- 7.3.3. No rights of exchange or pre-emption rights are attached to the Bonds.
- 7.3.4. No transfer of Bonds may be registered in the Registry of Bondholders starting with and including the Business Day preceding a Record Date which is immediately prior to the Final Maturity Date and until and including the Final Maturity Date.

8. PAYMENTS UNDER THE BONDS

8.1. Payment obligation of the Issuer

The Issuer undertakes to pay each Bondholder the nominal value of the Bonds held by the respective Bondholder and the applicable Interest on such Bonds, in accordance with the relevant Issue Terms.

8.2. Payment Dates

- 8.2.1. All payments under the Bonds will be made by the Payment Agent, on the Payment Dates determined in accordance with the Issue Terms, in accordance with the Section 8.4 below.
- 8.2.2. If the day in which a payment under the Bonds should be made is not a Business Day, the payment will be made in the next Business Day after that day, without the right to claim interest for late payment or delay or any other additional payments.

8.3. Determination of the right to receive payments

- 8.3.1. All payments under the Bonds will be made to the entities registered as Bondholders in the Bonds Accounts at end of business hours of the relevant Record Date (the “**Eligible Recipient**”). All payments made to Eligible Recipients shall be deemed as effective and irrevocable discharge of the Issuer’s and the Paying Agent’s payment obligations towards Bondholders on the relevant Payment Dates.
- 8.3.2. For the purposes of the determination of the Eligible Recipients, neither the Issuer nor the Paying Agent will take into consideration any transfers of Bonds occurring after the Record Date and until the relevant Payment Date and the respective transferee shall not have the right to claim or receive the relevant payment for the purposes of which they were not duly registered as Bondholders by the aforementioned time on the Record Date.

8.4. Making of payments

- 8.4.1. The Paying Agent will make all payments under the Bonds in accordance with the applicable law, the procedures set out in the agreement to be concluded between the Central Depository and the Issuer and/or notified to the Bondholders by the Central Depository and/or the Paying Agent with respect to payments under the Bonds (the “**Procedures**”).
- 8.4.2. The obligation to pay any amount under the Bonds is deemed to be satisfied properly and on time if, on the relevant due date, the relevant amount is transferred to the Eligible Recipients in accordance with the Procedures.
- 8.4.3. The Issuer and the Paying Agent are under no obligation to effect payments to Eligible Recipients unless and until such persons have provided all relevant information requested to be provided by them in accordance with the Procedures and neither the Issuer nor the Calculation Agent or the Paying Agent is liable for any delay in paying any outstanding amount due to (i) Central

Depository's or the Eligible Recipients' failure to deliver proper information or other documents or information under the Procedures and the Issue Terms on time, (ii) any relevant documents or information having been incomplete, incorrect or untrue, or (iii) the delay having been caused by circumstances outside the control of the Issuer or the Paying Agent or the Calculation Agent. In these cases, the Bondholders do not become entitled to any extra payment or interest for the delay of that payment.

- 8.4.4. For the avoidance of doubt, Central Depository fees payable upon the effectuation payments in respect of the Bonds shall be incurred by the Issuer.

8.5. Final repayment

If the Bonds do not become early payable under the Issue Terms, their nominal value is payable as a bullet payment on the respective Final Maturity Date.

9. INTEREST

9.1. Interest payments

The Issuer will pay Interest on all of Bonds under a particular Tranche on each Interest Payment Date.

9.2. Interest

The Bonds under a particular Tranche bear variable Interest.

9.3. Interest Rate

The Interest Rate:

- 9.3.1. for Tranche A is equal to EURIBOR6M + 2% per annum; and
9.3.2. for Tranche B is equal to EURIBOR6M + 1.75% per annum.

9.4. Calculation of interest

Interest for the issued Bonds accrues from and including the Issue Date and up to and excluding the Final Maturity Date.

Save for manifest error, the calculation of Interest on the Bonds in accordance with the rules set forth in the Issue Terms by the Calculation Agent will be final and binding on all Bondholders, and Bondholders shall have no right to contest or oppose such calculation.

9.5. Interest calculation convention

The "Actual/360" interest calculation convention will be used (i.e., for the purposes of calculation of interest income, the actual number of days in the relevant Interest Period will be taken into account, but a year is deemed to have 360 (three hundred and sixty) days.

9.6. Interest Payment Dates

Interest is payable on each Interest Payment Date.

9.7. Interest Periods

The Interest shall be calculated separately for each Interest Period. Interest Period for Bonds of a particular Tranche means the period beginning on the Issue Date (inclusive) and ending on the first relevant Interest Payment Date

(exclusive) and each following period beginning on an Interest Payment Date (inclusive) and ending on the next following Interest Payment Date (exclusive), until and excluding the Final Maturity Date.

Bonds will cease to bear interest from, and including, the date provided for their redemption, unless the Issuer defaults in making their redemption on such date. In such event, interest will continue to accrue on the nominal amount of such Bonds at the Interest Rate (both before and after the relevant judicial decision, as the case may be) until whichever is the earlier of (i) the day on which all sums due in respect of such Bonds up to that day are received by or on behalf of the relevant Bondholder or (ii) the day after the Paying Agent has notified the Bondholders in accordance with Section 16 (“**Notices**”) of receipt of all sums due in respect of all the Bonds up to that day. In this case, interest will not be capitalised and there will be no interest payable upon interest.

9.8. Interest for incomplete periods

If the interest needs to be calculated for a period shorter than a full Interest Period, it will be calculated based on the actual number of days in that period from and including the preceding Interest Payment Date or Issue Date (if no such preceding Interest Payment Date exists) and until but excluding the last day of that period.

9.9. Default Interest

If the Issuer fails to pay any amount payable by it as interest or principal under these Issue Terms (including interest payable by it under this Section), interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which, is 2 per cent per annum higher than the rate which would have been otherwise payable for the respective Tranche. Any interest accruing under this Section 9.9 shall be immediately payable by the Issuer on demand by the Representative (or, if more than one Representative has been appointed, by all Representatives, acting jointly), or, if not demanded, on each Interest Payment Date falling after the overdue amount became due.

10. METHOD FOR THE CALCULATION OF THE ISSUE YIELD

10.1. The gross yield at the time of issue is equal to the Interest Rate, assuming that no early redemption is performed.

10.2. The yield for each Tranche will be calculated on the basis of the Interest Rate applicable to each Tranche.

11. NO GROSS-UP

11.1. All payments under the Bonds shall be made in accordance with these Issue Terms and applicable tax and other laws of Romania as valid and effective at the time of making of the payment.

11.2. All payments made under the Bonds will be made without deduction or collection of taxes, fees or other public law liabilities imposed by virtue of regulations issued in the territory of Romania in respect of the Bonds, unless such deduction or collection of taxes, fees or other public law liabilities is mandatory under the applicable law in which case the Issuer will not refund any additional amounts to compensate for the respective deduction or collected taxes, fees or other public law liabilities.

11.3. The Bondholder shall transmit to the Paying Agent information and documents necessary to service liabilities of the Bondholder under the income tax to the extent and within the deadline required by the applicable laws and regulations, including, inter alia, a tax residence certificate as requested under the applicable law.

11.4. If the Bondholder does not provide all information and documents necessary for the application of a reduced or zero rate of the income tax in accordance with the applicable laws, the Income Tax will be charged in the full amount.

12. REDEMPTION OF BONDS

- 12.1. The bonds will be redeemed on the Final Redemption Date or on the Early Redemption Date in accordance with Section [12.343](#) (*Early Redemption on Event of Default*) or Section 14.2 (*Early Redemption for Tax Purposes*).
- 12.2. Bonds redeemed on the dates mentioned above will be cancelled and removed from the registry of securities held by the Central Depository.
- 12.3. For Tranche A Bonds, the Issuer will pay the relevant Bondholder, within 5 Business Days, as a result of the Issuer: (i) failing to issue the Bonds in accordance with the offering circular dated 6 December 2019 (this case is no longer applicable); (ii) failing to early pay, repay, prepay or redeem in accordance with a notice of early payment, repayment, prepayment or redemption; (iii) paying, repaying, prepaying or redeeming all or any portion of a Bonds on a date other than an Interest Payment Date; or (iv) after acceleration of (any part of) the Bonds, paying all or a part of the Bonds on a date other than an Interest Payment Date, any costs, expenses or losses documented by the relevant Bondholder.

For the purposes of this Section 12.3, “costs, expenses or losses” will include any premium, penalty or expense incurred to liquidate or obtain third party deposits, borrowings, hedges or swaps in order to make, maintain, fund or hedge all or any part of any Bond or early payment, repayment, prepayment or redemption of any Bonds, or any payment, repayment or redemption of all or part of any Bonds upon acceleration, as well as Bucharest Stock Exchange fees and brokerage fees incurred in connection with the relevant early payment, repayment, prepayment or redemption of Bonds.

13. EARLY REDEMPTION ON EVENT OF DEFAULT

- 13.1. The following are events of default (each, an “**Event of Default**”):

- 13.1.1. Non-payment: The Issuer not having paid on the relevant due date any amount payable under the Bonds unless such default is due to technical reasons external to the Issuer and provided that such default shall not have been remedied within 5 Business Days; or
- 13.1.2. Discontinuation of business operations: The Issuer having ceased its core business activities, as such were conducted upon the Issue Date of the relevant Bonds or it is or becomes unlawful for the Issuer to continue such core business activities or a receiver or other similar officer having been appointed in respect to the Issuer; or
- 13.1.3. Breach of other obligations: There is a default by the Issuer in the due performance of any other provision of the Bonds below, and such default shall not have been cured or waived within 45 calendar days after receipt by the Issuer of written notice of default given by a Representative or by any Bondholder; or
- 13.1.4. Insolvency: (i) The opening of the insolvency procedure with regard to the Issuer as determined by a competent court of law; or (ii) the Issuer applying for the appointment of the ad hoc mandate authorised person (*mandatar ad hoc*) for the purpose of opening the ad hoc mandate proceedings; or (iii) the Issuer applying for the opening of the preventive composition proceedings (*concordat preventiv*); or (iv) the Issuer being wound up or dissolved, the opening of a voluntary liquidation by the Issuer, otherwise than for the purposes of reconstruction, merger or amalgamation, where the successor entity assumes all the legal obligations of the Issuer in connections with the Bonds; or
- 13.1.5. Illegality: It is or becomes unlawful for the Issuer to perform or to comply with any of its material obligations under or in relation to the Bonds; or
- 13.1.6. Nationalisation: Any government or governmental authority condemns, nationalises, seizes or otherwise expropriates all or any substantial or significant part of the property or other assets of the Issuer or assumes custody or control of such property or other assets or of the business or operations of the Issuer; or

- 13.1.7. **Misrepresentation:** A representation made by the Issuer proves to have been incorrect or misleading in any material respect when made or deemed to have been made; or
- 13.1.8. **Cross-default:** The Issuer fails to make any payment in relation to any of its financial indebtedness (other than the Bonds) in excess of EUR 2,000,000 or to perform any of its obligations under any agreement pursuant to which there is outstanding any financial indebtedness in excess of EUR 2,000,000, and any such failure continues for more than any applicable period of grace or (iii) any financial indebtedness in excess of EUR 2,000,000 becomes prematurely due and payable or is placed on demand, subject to any applicable period of grace.

Whenever an Event of Default shall have occurred and (other than in the case of 13.1.1 above) is continuing for more than 5 Business Days, any Bondholder may, by written notice to the Issuer and the Paying Agent, declare the Bonds to be due and payable at their nominal amount together with any accrued interest thereon upon the date that such written notice is received by or on behalf of the Issuer and the Paying Agent (the “**Early Redemption Date**”), provided however that, as concerns the Events of Default listed under 13.1.1 to 13.1.8 above, any notice declaring the Bonds due shall become effective only when the Issuer receives such notices from at least one quarter of the outstanding nominal amount of the Bonds.

- 13.2. The Issuer shall be obliged to pay the relevant Bondholder the nominal value of the Bonds early redeemed in accordance with this Section ~~12.343~~ plus Interest accrued and unpaid until the Early Redemption Date, within 10 Business Days after the Early Redemption Date.

14. EARLY REDEMPTION FOR CHANGE OF CONTROL OR FOR TAX PURPOSES

14.1. Early redemption at the option of Bondholders following a Change of Control

If at any time while any Bond remains outstanding, there occurs a Change of Control, each Bondholder will have the option to require the Issuer to repurchase all of the Bonds held by such Bondholder on the Control Option Date (as defined below). Such option (the “**Change of Control Put Option**”) shall operate as set out below.

Promptly upon the Issuer becoming aware that a Change of Control has occurred, but no later than [5] Business Days from the date when the Issuer becomes or should have been aware that a Change of Control has occurred, the Issuer shall give notice (a “**Change of Control Notice**”) to the Bondholders in accordance with Section 16 (*Notices*) specifying: the nature of the Change of Control and the circumstances giving rise to it. Such notice shall also specify the date, being no fewer than 15 days and no more than 60 days, after a Change of Control Notice is given, by which the Put Option Exercise Notices must be delivered to the Issuer (the “**Option Date**”) as well as the detailed procedure that will ensure the transfer of the Bonds in relation to which the Bondholders elect to exercise their Change of Control Put Option. This procedure shall, in accordance with the legislation and regulations concerning bond trades applicable at such time, allow Bondholders to exercise the Change of Control Put Option, at nominal value plus accrued interest, if any, for the period, in calendar days, commencing on, and including, the last Interest Payment Date and ending on, but excluding, the Option Date (the “**Change of Control Interest Period**”) as follows:

Change of Control Redemption Amount = nominal value of the Bonds * ((1 + (Change of Control Interest Period / no. of days of the year) * Interest Rate)).

The date on which the trades through which payments under the Change of Control Put Option are expected to be settled may not be set to fall during the period between a Reference Date and the corresponding Interest Payment Date.

14.2. Early redemption for tax purposes

The Bondholders irrevocably agree that the Issuer may, without having the obligation to, early redeem all, and not partially, the Bonds, at any moment, with at least 30 days prior notice sent in accordance with 16 (*Notices*) and any applicable legal provisions (“**Notice regarding the Early Redemption for Tax Purposes**”). This

option of the Issuer is applicable in case the Issuer is or will be required to pay additional amounts on the next Interest Payment Date, as a result of any changes or amendments of the Romanian laws and regulations or any changes at the level of any Romanian authority having fiscal competences or any changes in the official applicability or interpretation of such laws or regulations (including any relevant court decisions). Such changes or amendments became applicable on or after the Issue Date and such obligation cannot be avoided by the Issuer by taking reasonable measures at its disposal.

The Notice regarding the Redemption for Tax Purposes will indicate the redemption procedure in detail. This procedure will specify the date on which the Bonds will be redeemed (the “**Fiscal Redemption Date**”), in accordance with the applicable laws and regulations on bonds transactions. In case of Early Redemption for Tax Purposes, the Bonds will be redeemed at their nominal value, plus the accrued Interest, if applicable, for the period calculated in calendar days, beginning on the last Interest Payment Date (inclusive) and ending on the Fiscal Redemption Date (the “**Interest Period for Fiscal Early Redemption**”) as follows:

Fiscal Redemption Value = nominal value of the Bonds * ((1 + (Interest Period for Fiscal Redemption / 360) * Interest Rate))

15. CALCULATION AGENT AND PAYING AGENT

- 15.1.** In matters relating to the Bonds, the Calculation Agent and the Paying Agent act solely as agents of the Issuer and shall have no liability to the Bondholders in respect of payments under the Bonds and/or any other obligations of the Issuer under the Bonds and/or any other aspects under or relating to the Bonds.
- 15.2.** Additionally, the Calculation Agent and the Paying Agent (whether individually or jointly), acting in these capacities:
 - 15.2.1. are not responsible for the correctness, completeness and reliability of the representations and warranties of the Issuer in connection with the Bonds;
 - 15.2.2. do not provide advisory services in connection with the Bonds to Bondholders, nor in connection with any legal, tax and accounting issues related to the Bonds;
 - 15.2.3. make no recommendations regarding the purchase of Bonds, nor are they required to assess or monitor the legal and/or financial standing of the Issuer and/or the risks associated with the purchase of the Bonds; if they make such assessment for their own purposes, they are not required to share the results with Bondholders; and
 - 15.2.4. may purchase Bonds on their own account.
- 15.3.** By virtue of the services provided by them, each of the Calculation Agent and the Paying Agent may have or gain access to information regarding the Issuer and its ability to meet its obligations resulting from the Bonds, however without having the right to share it with Bondholders. Each of the Calculation Agent and the Paying Agent, as well as any affiliate thereof may, from time to time, provide other services to the Issuer, advise the Issuer or cooperate with the Issuer in any other scope or form, without being required to disclose such to Bondholders.
- 15.4.** The applicable Interest payable to Bondholders on the Bonds in accordance with these Issue Terms shall be calculated, and the determination of the variable Interest Rate (where the case), shall be made by the Calculation Agent. The Calculation Agent shall not be liable for the damage suffered by the Bondholder in respect of miscalculation of Interest or the variable Interest Rate (if the case), including due to the inaccuracy of the data received from the reference banks, unless an error is solely due to wilful misconduct or gross negligence of the Calculation Agent.
- 15.5.** The Issuer may appoint another or an additional calculation agent and, respectively, paying agent in accordance with the contractual arrangements entered into with the Calculation Agent and, respectively, the Paying Agent. Any such change shall be notified to the Bondholders.

- 15.6.** The Issuer may not dispose of the funds paid by the Issuer to the account opened with the Paying Agent to be used to make payments on the Bonds. These funds are not owned by the Paying Agent; the Paying Agent must use them only for payments to Bondholders in accordance with these Issue Terms.
- 15.7.** Copies of the agreements whereby the calculation agent(s) and the paying agent(s) are appointed in such capacity (capacities) in respect of the Bonds shall be available for inspection by the Bondholders at the respective addresses of the Paying Agent and, respectively the Calculation Agent, the mentioned herein or otherwise notified to the Bondholders in accordance with Section 16 (*Notices*) below, during normal business hours.

16. NOTICES

- 16.1.** Any notices addressed to Bondholders will be published on the Issuer's Website and/or the website of the BSE www.bvb.ro. If a law or regulation or these Issue Terms require its publication by other means, the notice will be published also by those other means. If a notice is published by several means, the publication date of such notice will be deemed to be the date of its first publication. The date of publication is also deemed to be the date of delivery of the notice to the Bondholders. Notices will be published in English language (unless Romanian language is required under law).
- 16.2.** Any notice from Bondholders to the Issuer will be deemed effective if sent by registered mail or courier and delivered to the address mentioned below, or to such other address notified to the Bondholders:

BT Leasing Transilvania IFN S.A.

74 – 76 Constantin Brancusi Street, Brancusi Business Center, 1st Floor,

Cluj Napoca, Cluj county

Romania

- 16.3.** Any notice from Bondholders to the Paying Agent will be deemed effective if sent by registered mail or courier and delivered to the address mentioned below, or to such other address notified to the Bondholders:

Banca Transilvania S.A.

~~89~~ George Barițiu Street

400027 Cluj-Napoca, Cluj county

Romania.

- 16.4.** Any notice from Bondholders to the Calculation Agent will be deemed effective if sent by registered mail or courier and delivered to the address mentioned below, or to such other address notified to the Bondholders:

BT Capital Partners S.A.

74 – 76 Constantin Brancusi Street, Brancusi Business Center, ground Floor,

Cluj Napoca, Cluj county

Romania

- 16.5.** If a notice is delivered (or published by the Issuer) after 5.00 pm on a Business Day or on a day which is not a Business Day, it will be deemed to have been delivered on the first Business Day following the day on which such notice was actually delivered (or published).

17. AFFIRMATIVE COVENANTS

As long as any Bond remains outstanding, the Issuer shall ensure that:

- all transactions with Affiliates and Related Parties are on terms and conditions no more favorable than those extended to similarly outside Persons;
- its annual financial statements will be prepared in accordance with International Financial Reporting Standards.

18. NEGATIVE COVENANTS

As long as any Bond remains outstanding, without the Bondholders approval, the Issuer shall not:

- declare or pay any dividend or make any distributions on its share capital, unless the proposed distribution is out of net income of the Issuer from profits registered for the financial year preceding the distribution (excluding any amount resulting from the revaluation of any of the Issuer's assets) and no event of default has occurred and is then continuing;
- enter into transactions with a value exceeding EUR 1,000,000, except in the ordinary course of business on ordinary commercial terms and on arm's length basis;
- enter into any management, partnership, profit sharing, royalty agreement or other similar arrangement whereby the Issuer's business or operations are managed by, or its income or profits are shared with any other person, except for payment and distribution of dividends approved pursuant to the applicable laws and if permitted under these Issue Terms;
- purchase, redeem or otherwise acquire any shares of the Issuer or any option over them;
- change its constitutive documents regarding the form of the company, its financial year, or the nature or scope of its business or operations;
- merge, consolidate, reorganize, or dispose of its assets which exceed 10% of the total assets of the Issuer, other than assets acquired in the enforcement of security created in favour of the Issuer in the ordinary course of its business;
- prepay (whether voluntarily or involuntarily) or repurchase any debt with an initial maturity of at least 1 (one) year and with a principal amount of at least EUR 2,000,000 (other than the Bonds), other than for the purposes of replacing with better financing conditions or at least substantially comparable with the refinanced debt, unless the Issuer gives the Bondholders at least 30 days' advance notice of its intention to make the proposed prepayment and, if Bondholders representing at least 1/3 of the outstanding Bonds so require, contemporaneously makes a proportional prepayment of the Bonds except that there shall be no minimum amount or advance notice period for that prepayment;
- form or maintain any subsidiary, whose assets exceeds 10% of the total assets of the Issuer or whose share capital exceeds 10% of the share capital of the Issuer.

19. ESM&AML COVENANTS

As long as any Bond remains outstanding, the Issuer shall:

- institute, maintain and comply with appropriate internal procedures and controls to ensure that any financial institution with which the Issuer conducts business or enters into any transaction, or through which the Issuer transmits any funds, does not have correspondent banking relationships with any Shell Bank;
- consistent with its business and customer profile, institute, maintain and comply with internal policies, procedures and controls for anti-money laundering and combating the financing of terrorism (AML/CFT) that are in compliance with national laws and regulations and in furtherance of applicable international AML/CFT best practice;

- institute, maintain and comply with internal policies, procedures and controls consistent with its business and customer profile, for the purpose of ensuring that it will not enter into any transaction (i) with, or for the benefit of, any of the persons or entities named on lists promulgated by, or (ii) related to any activity prohibited by, the United Nations Security Council or its committees pursuant to any resolution under Chapter VII of the United Nations Charter;
- maintain Insurance Requirements for the Issuer's business and assets;
- implement the environmental and social management plan, ensure the continuing operation of the environmental and social management system in compliance with the environmental and social requirements including, without limitation, any requirements implied by applicable law, the Exclusion List, the Performance Standards and review the environmental and social performance of the Eligible Lessees of the Issuer;
- periodically deliver staff training on environmental and social requirements as may have been identified in the environmental and social plan, so as to ensure that staff is able to identify, assess and manage the environmental and social aspects of the relevant financing operations on an ongoing basis;

As long as any Bond remains outstanding, the Issuer shall not:

- amend the environmental and social management system or provide Eligible Sub-leases to Eligible Lessees engaged in Category A Activities and Coal Related Activities, and any activities on the Exclusion List;
- engage in (nor authorize or permit any Affiliate, any Eligible Lessees or any other Person acting on its or their behalf to engage in) with respect to its NBFIs license or any transaction contemplated by this Prospectus, any Sanctionable Practices;
- conduct business with a Shell Bank or enter into any transaction with, or transmit any funds through a Shell Bank;

20. INFORMATION AND REPORTING COVENANTS

20.1. As long as any Bond remains outstanding, the Issuer will be subject to ongoing transparency and disclosure obligations, as set out in Directive 2004/109/EC (also known as the Transparency Directive, as amended by Directive 2010/73/EU), as implemented in the Romanian law by the Law 24/2017 and Regulation 5/2018, including (but not limited to):

- 20.1.1. publication of an annual report, including the Issuer's annual consolidated financial statements prepared in accordance with IFRS, together with the report of the Board of Directors, the statement of responsible persons, as well as the independent auditor's report, within four months after the end of each financial year; and
- 20.1.2. publication of a half-year report, including the Issuer's unaudited, unreviewed half-year condensed interim consolidated financial statements prepared in accordance with IAS 34 "Interim Financial Reporting" together with the report of the Board of Directors, within three months after the end of the first six months of each financial year.

20.2. The Issuer undertakes to notify the Bondholders of the occurrence of an Event of Default.

21. STATUTE OF LIMITATIONS

The rights under the Bonds are subject to statute of limitations (in Romanian: prescriptie extinctiva) of three years from their respective due date.

22. FURTHER ISSUES AND PURCHASES ON SECONDARY MARKET

- 22.1.** The Issuer may at any time issue further bonds under terms and conditions similar to or different to the Bonds issued under the Bonds Offering, such bonds representing a different issue than the Bonds. The Issuer may sell any number of such bonds by any means, and at any such price, the Issuer may deem fit in its sole discretion.
- 22.2.** The Issuer may at any time purchase any Bonds on the secondary market, under any conditions and for any market price. The Bonds thus purchased by the Issuer shall not cease to exist and may be kept, resold or cancelled by the Issuer, at its sole discretion. The rights and obligations under the Bonds purchased by the Issuer shall cease to exist due to their amalgamation in a single person at the earlier of: (i) cancellation by the Issuer and (ii) their respective Final Maturity Date.

23. AMENDMENTS

These Issue Terms may be amended, in any manner which does not adversely affect the interests of the Bondholders, without the consent of the Bondholders for the purposes of the rectification of manifest errors and for the purposes of aligning the wording required to be added by the regulator, of technical, non-substantive nature, in the context of granting its approval of the Prospectus for the listing of the Bonds on the Bucharest Stock Exchange.

In addition, the Issuer and the Paying Agent, as parties to the Paying Agency Agreement, may agree to modify any provision thereof, for the purpose of rectification of manifest *errors*, which does not adversely affect the interests of the Bondholders. Any amendment to these Issue Terms will be published in Romanian and in English language on the Issuer's Website and/or the website of the Bucharest Stock Exchange www.bvb.ro.

24. REPRESENTATION OF THE ISSUER

The Issuer represents to each Bondholder that all information in these Issue Terms is true and complete.

The Issuer further represents to each Bondholder that:

- (i) Organization and authority: the Issuer is duly incorporated, licensed and validly existing under the laws of the Country and has the power to own its assets and operate its business;
- (ii) Validity: All documents in connection therewith have been duly authorized, executed and delivered and, subject to any limitations arising from bankruptcy, insolvency, liquidation, moratorium, ad-hoc mandate and preventive concordat, reorganisation and other laws of general application relating to or affecting the rights of creditors, is enforceable;
- (iii) No conflict: the performance of its obligations under or in connection with the Bonds will not conflict with Issuer's constitutive documents, laws and agreements;
- (iv) Status of authorizations: the authorizations the Issuer needs to conduct its business and to enter into and fulfil its obligations under the Bonds, the Offering Circular and any other documents in connection therewith have been obtained;
- (v) No amendments to the articles of association: the articles of association of the Issuer attached to this Prospectus have not been amended since 1 April 2019;
- (vi) No immunity: neither the Issuer nor its assets has any right of immunity from legal process;
- (vii) Disclosure: the Offering Circular and all documents in connection therewith are accurate in all material respects;
- (viii) Financial condition: except as disclosed elsewhere in this Prospectus, there has been no material adverse change in the Issuer's financial position since the date of the Issuer's last audited Annual Consolidated Financial Statements and the last unaudited, unreviewed condensed interim consolidated financial statements prepared for the 9-months period ended on 30 September 2019;

- (ix) Financial statements: the Issuer's Annual Consolidated Financial Statements have been prepared in accordance with IFRS;
- (x) Compliance with the law: except as disclosed elsewhere in this Prospectus, the Issuer is in material compliance with the Applicable Law;
- (xi) Environmental matters: (A) to the best of the Issuer's knowledge and belief, after due inquiry, there are no material environmental or social risks or issues in respect of the Issuer's business, other than those identified by the environmental and social management system; and (B) the Issuer has not received nor is aware of (i) any existing or threatened complaint, order, directive, claim, citation or notice from any Authority; or (ii) any material written communication from any person concerning the failure by any Eligible Lessees to undertake its operations and activities in accordance with the environmental and social requirements;
- (xii) Litigation: except as disclosed elsewhere in this Prospectus, the Issuer is not engaged in or threatened by any litigation or other proceeding that, if decided adversely, can be expected to have a material adverse change in the Issuer's financial position;
- (xiii) Title to assets: the Issuer has good title to its material assets, to the Issuer's best knowledge;
- (xiv) Taxes: to the best of the Issuer's knowledge and belief, after due inquiry, all tax returns have been filed and all taxes due have been paid;
- (xv) Sanctionable practices: neither the Issuer, nor any of its subsidiaries, nor any of their respective Affiliates, nor any Person acting on its or any of their behalf, has committed or engaged in, with respect to its banking license or any transaction contemplated by this Prospectus, any Sanctionable Practice; and
- (xvi) UN Security Council Resolutions: the Issuer maintains and applies policies and procedures for sanctions complying with applicable laws and regulations and with the financial sanctions promulgated pursuant to resolutions of the United Nations Security Council under Chapter VII of the United Nations Charter.

ANNEX A REPRESENTATION OF BONDHOLDERS

The Bondholders may meet in general meetings of the Bondholders (a “**General Meeting**”) in order to take decisions in accordance with their interests.

The conduct and powers of the General Meeting will be governed by the provisions of the Company Law, Law 24/2017 and Regulation 5/2018. The amendment or replacement of such relevant legal provisions may result in changes to the conduct and powers of the General Meeting.

1. **CALLING OF THE GENERAL MEETING**

The General Meeting may be called at the request of one or more Bondholders representing at least one quarter of the issued and outstanding nominal amount of Bonds, or after the appointment of the representatives of the Bondholders (the “**Representatives**”), upon the request of such Representatives.

The convening notice for the General Meeting shall be (i) published in the Official Gazette and in a newspaper of general circulation in Bucharest or (ii) served through registered post to the relevant Bondholders at the addresses shown in the Registry of Bondholders, as well as, in either case, on the Issuer’s Website www.btleasing.ro and on the BSE website at www.bvb.ro. The convening notice for the General Meeting shall be published at least 30 days prior to the date on which the General Meeting is scheduled to take place. The convening notice shall indicate the reference date, location and date of the General Meeting as well as the agenda. The convening notice may include the date and time for a second General Meeting, in the event that the first one cannot be validly held.

One or more Bondholders representing, individually or jointly, at least 5% of the issued and outstanding nominal amount of the Bonds has the right to introduce new matters into the agenda of the General Meeting, within 15 days as of the date when the convening notice was published. The revised agenda must be published in accordance with the provisions for convening the General Meeting at least 10 days prior to the date of the General Meeting.

The Bondholders may be represented by attorneys-at-fact, other than, as applicable, the directors, managers, members of the board of directors, auditors or officers (in Romanian, *funcționari*) of the Issuer. The powers of attorney shall be submitted, in original at least 48 hours in advance of the meeting or such other term as may be set forth in the Articles of Association at the relevant time. Failure to submit such original powers of attorney in the allotted time will result in the relevant Bondholder losing its right to vote in that General Meeting.

The resolutions of the General Meeting are adopted by open vote.

2. **REPRESENTATIVE(S)**

The General Meeting may appoint one Representative of the Bondholders and one or more substitute Representatives.

The Representative and the substitute Representative(s) cannot be involved in the management of the Issuer.

The office of Representative may be conferred on a person of any nationality.

In the event of incompatibility, resignation or revocation of a Representative, the General Meeting will elect a replacement representative unless a substitute Representative exists which shall assume the role of Representative.

All interested parties will at all times have the right to obtain the name and address of the Representative(s) at the primary business office of the Issuer.

3. POWERS OF THE REPRESENTATIVE(S)

The Representative(s) shall have the right to represent the Bondholders before the Issuer and the courts of justice. The Representative(s) may also be entrusted by the General Meeting to perform supervisory actions and to protect the common interests of the Bondholders.

4. POWERS OF GENERAL MEETINGS

A General Meeting is empowered to deliberate on the fixing of the remuneration of the Representative and of the substitute Representatives and on their dismissal and replacement, and also may act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Bonds, including authorising the Representative to act at law as plaintiff or defendant.

A General Meeting has the following powers:

- (i). to fulfil all supervisory actions and actions for the protection of the common interests of the Bondholders or to authorise a representative to fulfil such actions;
- (ii). to create a fund, which may be funded by the amounts representing interest to which the Bondholders are entitled, in order to cover the expenses associated with the protection of their rights, as well as establishing the rules for the management of such fund;
- (iii). to oppose any amendment of the Articles of Association or of the terms and conditions of the Bonds which may affect the rights of the Bondholders; and
- (iv). to pronounce itself on the issuance of new bonds by the Issuer.

General Meetings may take a valid decision on the appointment of the Representative and the substitute Representatives and on items (i) and (ii) above only with a majority representing at least one third of the issued and outstanding nominal amount of the Bonds represented at the General Meeting. In any other case, the General Meeting may validly take a decision in the presence of Bondholders representing at least two thirds of the issued and outstanding nominal amount of the Bonds and with a majority of at least four fifths]of the issued and outstanding nominal amount of the Bonds represented at the General Meeting.

The right of each Bondholder to participate in General Meetings will be evidenced by the entries in the books of the relevant Account Holder of the name of such Bondholder as of the record date mentioned in the notice calling the General Meeting.

Decisions of the General Meeting are binding on all Bondholders including those who did not participate or vote at such meeting.

5. INFORMATION TO THE BONDHOLDERS

As of the calling of the General Meeting, each Bondholder or representative thereof will have the right to consult or make a copy of the text of the resolutions which will be proposed and of the reports (if any) which will be presented at the meeting, which will be available for inspection at the principal office of the Issuer and at any other place specified in the notice of meeting.

6. EXPENSES

The Issuer will pay all expenses relating to the calling and holding of meetings and more generally all administrative expenses resolved upon by a General Meeting of the Bondholders, it being expressly stipulated that no expenses may be imputed against interest payable on the Bonds.

7. NOTICE OF DECISIONS

The Issuer shall be informed of the decisions of the General Meetings within a maximum of three days as of their adoption. The Issuer shall thereafter comply with any reporting obligations it may have under applicable law in relation to such decisions.

PART 6

TAXATION

Potential purchasers and sellers of the Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are transferred or other jurisdictions. Potential investors are advised to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition and sale of Bonds. Only these advisers are in a position to duly consider the specific situation of the potential investor.

PART 7 DEFINITIONS AND GLOSSARY

“Admission”	admission of the Bonds to trading on the Regulated Spot Market of the Bucharest Stock Exchange
“Affiliate”	means with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with, such Person (where "control" means the power to direct the management or policies of a Person, directly or indirectly, provided that the direct or indirect ownership of twenty per cent (20%) or more of the voting share capital of a Person is deemed to constitute control of such Person, and "controlling" and "controlled" have corresponding meanings)
“ALB”	Financial Companies Association – ALB Romania
“AML”	means Anti-Money Laundering
“Annual Consolidated Financial Statements”	means the Issuer and its consolidated subsidiaries (the “Group”) audited consolidated financial statements for the year ended 31 December 2018 that include the comparative figures for the year ended 31 December 2017, prepared in accordance with IFRS
“Articles of Association”	the articles of association of the Issuer
“Board of Directors”	the board of directors of the Issuer
“Bondholder”	a person or an entity registered as holder of Bonds with the Registry of Bondholders
“Bonds”	means the bonds issued by the Issuer on 12 December 2019 and a “Bond” means any of them;
“Brexit”	the United Kingdom referendum resulting in a vote for the United Kingdom to leave the European Union
“BSE” or “BVB”	Bucharest Stock Exchange, a Romanian joint stock company having its registered office at 34–36 Carol I Blvd., 14th floor, district 2, Bucharest, Romania
“BSE Regulations”	the rules and other regulations in force relating to the regulated market of the BSE and/or the securities or issuers of securities admitted to trading on this market
“Business Day”	means a day, other than Saturday or Sunday or a public holiday, on which the Central Depository carries out its business operations in a manner that enables performance of activities defined in the Issue Terms, including operations in the TARGET2 system, to which it is a participant;
“Calculation Agent”	BT Capital Partners S.A.
“Category A Activity”	means any activity of a current or proposed client, lessee or recipient of financing from the Issuer, which is likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented, and which includes, for the avoidance of doubt, activities involving (i) involuntary resettlement; (ii) risk of adverse impacts on indigenous peoples; (iii) significant risks to or impacts on the environment, community health and

	safety, biodiversity, cultural heritage; or (iv) significant occupational health and safety risks (risk of serious injury or fatality to workers);
“Central Depository” or “Romanian Central Depository”	Depozitarul Central S.A., a Romanian joint stock company having its registered office at 34-36 Carol I Blvd., 3rd, 8th and 9th floors, Bucharest, 020922, Romania
“Central Depository Regulations”	rules and regulations, resolutions, procedures and other regulations adopted by the Central Depository, defining the conduct of the Central Depository system, in particular the code of the Central Depository
“Change of Control”	means any change in the Issuer’s ownership following which Banca Transilvania S.A. ceases to hold, directly or indirectly, (i) at least 52 per cent. of all shares in, or of the voting rights that might be cast at a general meeting of the shareholders of, the Issuer, or (ii) the power to appoint or remove at least the majority of the directors of the Issuer;
“Coal Related Activities”	means the following economic activity by any sub-borrower, client or recipient of financing from the Borrower: coal mining, coal transportation, coal-fired power plants, or infrastructure services exclusively dedicated to support any of these activities;
“Company Law”	Law no. 31/1990 on companies, republished, as amended and restated from time to time
“Condensed Interim Consolidated Financial Statements”	means the Group’s unaudited, unreviewed condensed interim consolidated financial statements as of and for the nine months ended 30 September 2019 prepared in accordance with IAS 34 “Interim Financial Reporting
“Delegated Regulation 2019/980”	Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Commission Regulation (EC) No. 809/2004
“Director”	a member of the Board of Directors
“EBRD”	the European Bank for Reconstruction and Development
“EEA”	the European Economic Area
“Early Redemption Date”	has the meaning ascribed to it in Section 13.2 of the Issue Terms
“Eligible Investor”	means (i) certain institutional and professional investors (legal persons) of the European Economic Area (“ EEA ”) (including Romania) who are “Qualified Investors” within the meaning of Article 2(e) of the Prospectus Regulation; additionally, in Great Britain it is intended for Qualified Investors (a) having professional experience in investments that observe the provisions of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion), Order 2005, as further amended and supplemented (“ Order ”) and that comply with the provisions of Article 49(2)(a)-(d) of the Order, and (b) that are legally permitted to be notified in any other way (all these persons being collectively referred to as the “ Relevant Persons ”); and/or (ii) less than 150 natural and legal persons, other than Qualified Investors, per Member State; and/or investors that may legally receive Bonds by any other means, in accordance

with the exceptions under Regulation S (“**Regulation S**”) stipulated in the Securities Act.

“ Eligible Lessee ”	means: for SME financing an SME
“ Eligible Recipient ”	has the meaning ascribed to it in Section 8.3.1 of the Issue Terms
“ Eligible Sub-lease ”	Means any lease, loan or credit investment to or in an Eligible Lessee;
“ Event of Default ”	means any of the events referred to in Sections 13.1.1-13.1.8 of the Issue Terms;
“ EU ”	the European Union
“ EURIBOR ”	the Euro Interbank Offered Rate
“ EURIBOR 6M ”	means the higher of nil and (i) the 6-month interbank offered rates for deposits in EUR which appear, on page EURIBOR01 of the Reuters Service or, if not available, on the relevant pages of any other service (such as Bloomberg Financial Markets Service) that displays such rates) on the relevant interest determination date, as of 11:00, Brussels time; or (ii) if the rate set out at item (i) above is not available, the Calculation Agent shall instead determine the interest rate by calculating the arithmetic mean (rounded upward to the nearest three decimal places) of the offered rates advised to the Calculation Agent for deposits in EUR by any four (4) major banks active in EUR in the Euro-zone interbank market, selected by the Calculation Agent; provided that if less than four quotations are received, the Calculation Agent may rely on the quotations so received if not less than two (2); or if less than two (2) quotations are received from the banks in accordance with this item (ii) above, on the interest determination date, by calculating the arithmetic mean (rounded upward to the nearest three decimal places) of the offered rates advised to the Calculation Agent as of 11:00, Brussels time, for loans in EUR by a major bank active in EUR in the Euro-zone interbank market
“ EUR ”/ “ cents ”/ “ € ”/ “ EUR ”	means references to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended
“ Eurosystem ”	means the European Central Bank and the national central banks of those Member States that have adopted the EUR as their lawful currency;
“ Exclusion List ”	means: production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES; production or trade in weapons and munitions (this does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations); production or trade in alcoholic beverages (excluding beer and wine) (this does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations);

production or trade in tobacco (this does not apply to project sponsors who are not substantially involved in these activities. “Not substantially involved” means that the activity concerned is ancillary to a project sponsor's primary operations);

gambling, casinos and equivalent enterprises (this does not apply to project sponsors who are not substantially involved in these activities. “Not substantially involved” means that the activity concerned is ancillary to a project sponsor's primary operations);

production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded;

production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%;

drift net fishing in the marine environment using nets in excess of 2.5 km. in length;

production or activities involving harmful or exploitative forms of forced labor (*i.e.*, all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty) / harmful child labor (*i.e.*, the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.);

commercial logging operations for use in primary tropical moist forest;

production or trade in wood or other forestry products other than from sustainably managed forests;

Coal Related Activities; and

Category A Activity.

“Fitch”

Fitch Ratings Ltd

“Final Maturity Date”

means, in relation to a particular Tranche, the due date of the final redemption of the Bonds, as indicated in the Pricing Notification;

“Fiscal Code”

means law no. 227/2015 on the Fiscal code, with subsequent amendments and completions;

“FSA”

the Romanian Financial Supervisory Authority

“General Data Protection Regulation”

Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC

“General Meeting”

has the meaning ascribed to it in **Annex A** to the Issue Terms herein

“Group”

means the Issuer and its consolidated subsidiaries

“IAS”

International Accounting Standard

“IAS 39”	International Accounting Standard 39 “Financial Instruments: Recognition and Measurement
“IASB”	International Accounting Standards Board
“IFC”	International Finance Corporation
“IFRS”	International Financial Reporting Standards, as adopted by the European Union
“IFRS 9”	International Financial Reporting Standard IFRS 9 “Financial Instruments”
“Implementing Rules”	Government Decision No. 1/2016 regarding the Implementing Rules of the Fiscal Code, as subsequently amended and supplemented
“Interest”	means the variable amount of interest payable by the Issuer for Bonds issued
“Interest Payment Dates”	means 12 June and 12 December of each year of the Interest Period in relation to Bonds under each Tranche
“Interest Period”	means the period for which interest is calculated, determined in accordance with Section 9.7 (<i>Interest Periods</i>) of the Issue Terms herein
“Interest Rate”	means the variable value expressed as a per annum percentage, based on which the calculation of the Interest takes place, in accordance with Section 9.3 (<i>Interest Rate</i>) of the Issue Terms;
“ISIN”	International Security Identification Number, that is an international identification code assigned to securities issued in financial markets
“Issue Date”	means, the second Business Day following the Transaction Date, when the Bonds are delivered to the Bondholders pursuant to the Issue Term
“Issuer” or “Company”	BT Leasing Transilvania IFN S.A.
“Issuer’s Website”	the website with the address http://btleasing.ro
“Issue Terms”	means the terms and conditions of the Bonds as stipulated in part 5 of this Prospectus;
“Law 24/2017”	Law No. 24/2017 on issuers of financial instruments and market operations
“Law 93/2009”	Law 93/2009 on non-banking financial institutions
“Manager” or “Intermediary”	BT Capital Partners S.A., 74-76 Constantin Brancusi Street, Brancusi Business Center, ground floor, Cluj-Napoca, Cluj county, Romania
“Markets in Financial Instruments Directive”	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU Markets in Financial Instruments Directive
“Member State”	a member state of the EEA
“Moody’s”	Moody's Investors Service, Inc.
“MSME”	Means micro, small and medium enterprises

“NBFI”	Non-Banking Financial Institution
“NBFI Regulation”	NBR Regulation 20/2009 on non-banking financial institutions
“NBR”	National Bank of Romania
“Notices”	means the notices sent by the Paying Agent to the Bondholders in accordance with Section 21 of the Issue Terms herein
“Notice regarding Early Redemption for Tax Purposes”	has the meaning ascribed to it under Section 14.2 of the Issue Terms;
“Order”	means Order 2005 on Financial Promotion, as further amended and supplemented
“Paying Agent”	Banca Transilvania S.A. a Romanian joint stock company having its registered office at G. Barițiu nr. 8, 400027 Cluj-Napoca, Cluj county, Romania
“Paying Agency Agreement”	means the agreement entered into between the Issuer and the Paying Agent;
“Payment Date”	means, depending on the context, each Interest Payment Date, the Final Maturity Date, an Option Date, or the date on which payments should be made as per the Issue Terms as a result of redemption on an Early Redemption Date
“Parent Company” or “BT”	means Banca Transilvania S.A.
“Parent Group”	means Banca Transilvania Financial Group
“Participant”	an entity entitled to open securities’ accounts with the Central Depository, in its own name or in its name and on behalf of its clients
“Performance Standards”	IFC’s Performance Standards on Social and Environmental Sustainability, dated 1 January 2012 and available at http://www.ifc.org/performancestandards
“Pricing Notification”	means the notification which was published on the Issuer’s website: www.btleasing.ro and on the website of the Bucharest Stock Exchange www.bvb.ro , on 10 December 2019, where the Issuer and the Manager inter alia announced the Interest Rate for the Bonds to investors;
“Procedures”	has the meaning ascribed to it under Section 8.4.1 of these Issue Terms
“Prospectus”	this document which comprises a prospectus for the purposes of the Prospectus Regulation prepared by the Issuer and approved by the FSA in view of the admission of the Bonds to trading on the regulated market of the BSE, together with the annexes, update messages and supplements thereto
“Prospectus Regulation”	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC
“Qualified Investors”	persons who are “qualified investors” within the meaning of Article 2(e) of the Prospectus Regulation

“Record Date for EURIBOR6M”	means the second Business Day preceding the beginning of an Interest Period (except for the first Interest Period, where it was the Transaction Date), unless any applicable law or regulation establishes otherwise
“Reference Date”	means the calendar date which serves to identify the Bondholders who are entitled to participate and vote in the Bondholders’ Meeting
“Securities Act”	United States Securities Act of 1933, as further amended
“SME”	small and medium enterprise
“SEE”	South Eastern Europe
“Shell Bank”	means a bank incorporated in a jurisdiction in which it has no physical presence and which is not an Affiliate of (i) a regulated bank or of (ii) a financial group
“Record Date”	means the date on which Bondholders which are entitled to payments under the Bonds are determined, being (i) in relation to the Final Redemption Date, or each Interest Payment Date, the date falling 15 Business Day prior to the respective date, and (ii) in relation to an Early Redemption Date, that particular date, in each case provided that, in case such date does not comply with BSE Regulations and/or Central Depository Regulations, it will be postponed to the immediately following Business Date which corresponds to such Regulations;
“Registry of Bondholders”	the registry of bondholders maintained electronically by the Central Depository on the basis of the contractual arrangements entered into with the Issuer
“Regulation 5/2018”	Regulation 5/2018 on issuers and operations with securities
“Regulation S”	Regulation S under the Securities Act
“Representative”	has the meaning ascribed to it in <u>Annex A</u> to the Issue Terms
“RON”	the currency of Romania
“Sanctionable Practice”	means any corrupt practice, fraudulent practice, coercive practice, collusive practice, or obstructive practice, as those terms are defined herein and interpreted in accordance with the IFC Anti-corruption guideline issued in 1 November 2012, available at https://www.ifc.org ;
“Related Parties”	means with respect to any Person, any other person meeting any of the following criteria: (i) each member of such Person’s board of directors, supervisory board or equivalent body; (ii) each member of such Person’s executive management; (iii) each Person holding, directly or indirectly, more than 5% of the voting or non-voting share capital of such Person; (iv) each of the parents, children and siblings of the Persons falling under clauses (i) through (iii) above; (v) each of the spouses of the Persons falling under clauses (i) through (iv) above; and (vi) each of the Affiliates of the Persons falling under clauses (i) through (v) above
“TARGET 2” (Trans-European Automated Real-time Gross Settlement Express Transfer system)	means the real-time gross settlement system for euro payments, offered by the Eurosystem;

PART 8

GENERAL INFORMATION

Authorisation

The issue of the Bonds was authorised by resolution of the extraordinary general meeting of shareholders dated 12 November 2019 and by decision of the Board of Directors no. 1 dated 6 December 2019 of the Issuer. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds and their admission to trading on the Regulated Market operated by the Bucharest Stock Exchange.

Legal and Arbitration Proceedings

Save as disclosed in this Prospectus, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer.

Significant/Material Change

Save as disclosed in this Prospectus, since 31 December 2018 there has been no material adverse change in the prospects of the Issuer, nor any significant change in the financial or trading position of the Issuer.

Incorporation of Certain Information by Reference

This Prospectus incorporates by reference, and should be read and construed in conjunction with, the following information:

1. The audited consolidated financial statements of the Group for the years ended 31 December 2017 and 31 December 2018, respectively; and
2. The unaudited unreviewed condensed interim consolidated financial statements of the Group for the period ended as at 30 September 2019; and
3. The Articles of Association.

The information contained in each document incorporated by reference herein is given as of the date of such document. Such information shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Auditors

The Annual Consolidated Financial Statements of the Group for the years ended 31 December **2017 and 31 December 2018**, respectively, included in this Prospectus, have been audited by PricewaterhouseCoopers Audit S.R.L., as stated in their report herein.

The Auditor has neither audited, reviewed, nor performed any procedures with respect to the Group's unaudited, unreviewed condensed interim consolidated financial statements as of and for the nine months ended 30 September 2019 prepared in accordance with IAS 34 "Interim Financial Reporting" (the "**Condensed Interim Consolidated Financial Statements**") attached to this Prospectus and, accordingly, the Auditor does not express an opinion or any other form of assurance on such information. The Auditor assumes no responsibility for and denies any association with or responsibility for the Condensed Interim Consolidated Financial as of and for the nine months ended 30 September 2019 or any other information derived therefrom included elsewhere in this Prospectus.

The Auditor's audit report included in this Prospectus refers exclusively to the Group's audited Annual Consolidated Financial Statements. It does not extend to the Group's unaudited, unreviewed condensed interim consolidated financial statements as of and for the nine months ended 30 September 2019 and should not be read to do so.

Documents on display

Copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the offices of the Issuer (74 – 76 Constantin Brancusi Street, Brancusi Business Center, First Floor, Cluj-Napoca, Cluj County) or the Manager (74-76, Constantin Brancusi, Street, Brancusi Business Center, Ground Floor, Cluj-Napoca, Cluj County, Romania) as well as in electronic form on Issuer's website www.btleasing.ro, on the Manager's website www.btcapitalpartners.ro and on the BSE's website www.bvb.ro.

1. The Prospectus;
2. The audited consolidated financial statements of the Group for the year ended 31 December 2017 and 31 December 2018, respectively;
3. The unaudited unreviewed condensed interim consolidated financial statements of the Group for the period ended 30 September 2019;
4. The Articles of Association.

THE ISSUER

BT LEASING TRANSILVANIA IFN S.A.

By: Ionuț Călin Morar

THE MANAGER

BT CAPITAL PARTNERS S.A.

By: Daniela Secară

Signature:_____

Signature:_____

REGISTERED OFFICE OF THE ISSUER

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74 – 76 Constantin Brâncuși Street
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400462, Cluj-Napoca, Cluj County
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BT CAPITAL PARTNERS S.A.

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PAYING AGENT

BANCA TRANSILVANIA S.A.

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CALCULATION AGENT

BT CAPITAL PARTNERS S.A.

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