2021

The Year of Relaunch

Board Report

BT's message to shareholders

2021 was the year of relaunch

Dear Shareholders,

this time last year we had various scenarios prepared for 2021, taking into account signals, figures and trends. We have chosen the **relaunch scenario**, as shown by the pandemic evolution and the consumption registered in other European countries.

The Year of Relaunch was also the 2021 headline for Banca Transilvania and represented in the best way possible what we proposed to do last year: to be as proactive as possible and play a major role in supporting the companies, the people and the economy.

As a bank, we have grown above the market average in terms of lending and operations: over 1 million loans outstanding and managing sharply increasing operational volumes, such as 1.2 billion card transactions. We ended up with more than 300,000 Nelimitat packages for the entrepreneurs, which proves that we are by far the largest provider of financial services for businesses in Romania. It was also the best year for credit cards, with over 100,000 new cards.

We have continued being a relevant partner in government and other European programs, with loans amounting to over RON 2.6 billion through IMM Invest and RON 2 billion through grant programs and European funds. This performance shows the strength of the bank and its role for the economy, for the country.

2021 was another year in which we were concerned and focused on introducing ESG criteria in everything Banca Transilvania means and in our relationship with stakeholders - shareholders, clients, employees, partners, etc.

Another milestone was also the acquisition of Idea::Bank and of the other companies operating under the Idea brand in Romania, which is another step towards the consolidation of the banking system.

BT has a robust capitalisation, 72% Romanian capital and almost 39,000 direct individual investors.

Results show BT's contribution to the economic relaunch in 2021

In 2021, despite an unpredictable climate, we, at BT, have maintained our optimism and firm commitment to contribute to the Romanian economy relaunch, and today we are happy that the figures confirm our expectations:

- BT Financial Group's assets reached RON 132.5 billion.
- The net consolidated profit of BT Financial Group amounts to RON 2,024.53 million, of which the bank's net profit amounts to RON 1,782.70 million. The bank's operating profit increased to the level of RON 2,257.20 million.
- The operational efficiency (cost/income ratio) remained at a comfortable level of 48.1% due to a sound cost management and efficiency obtained through the digitisation of processes.
- BT's CAR with the profit included is 26.15%.
- Gross consolidated loans increased to RON 60.1 billion and deposits reached RON 108 billion, of which RON 71.89 billion are those of individual customers and RON 36.13 billion of legal entities.
- BT provided financing to companies amounting to RON 13.1 billion and to individuals amounting to RON 8.3 billion.
- With nearly 240,000 loans granted in 2021, the bank reached over 1 million loans in balance.
- Banca Transilvania is the market leader on the cards market, with 4.7 million cards in its portfolio, of which over 560,000 credit cards. With over 100,000 new cards, it was the best year for credit cards.
- The bank granted around 15,000 new loans amounting to RON 3.7 billion to more than 18,000 SME&Micro clients. The SME loan portfolio (according to the European SME definition) reached RON 19.2 billion.
- Doctors division doubled its loans volume in comparison to 2020 (1.2 billion placements).

- Banca Transilvania has over 2.7 million unique digitised customers, i.e. 75% of the total active customers.
- The BT Pay app had almost 2 million users at the end of 2021, and the number of phone payments doubled in 2021 compared to 2020, reaching a level of 68 million.

In terms of the non-performing exposure ratio, this ratio is 2.71% as at 31 December 2021 and the total provision coverage of the non-performing exposures is 166%, according to the EBA indicator.

Banca Transilvania is a local champion and an example that when you have ambition, courage and professionalism, you succeed. In 2022 we continue to invest in people, facilities and technology to provide to our customers the best banking experience and to continue growing our business and lending. As the leader of the Romanian financial market, our firm commitment is to continue promoting and implementing the *sustainable banking* concept, to be a *trend setter*, an example of best ESG practices.

Thank you for your trust. Courage, Romania!

Horia Ciorcilă,
Chairman,
Board of Directors

Ömer Tetik,
Chief Executive Officer

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- Remuneration and Nomination Committee's Report 2021

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- Risk Management Committee's Report

Leaders' Committee

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BT's Business Model and Top Management

- Banca Transilvania's Business Model
- Board of Directors
- Leaders' Committee

BT's Business Model and Top Management

BT's Business Model

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

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

Value for customers	We contribute to the prosperity of people and companies. We support ideas, digital solutions, proximity, expertise, consultancy, customized products	
Resources	Employees, equity, interest income, fee and commission income, etc. Partnership with financing institutions, network, ATMs, POS terminals, apps, brand awareness	
Client segments	**Retail –** Freemium Free approach – basic products accessed by the large mass of customers (current accounts, debit cards). The approach ensures a critical mass of clients who can be subsequently contacted for cross/up-selling. Premium – additionally chargeable products and services (credit cards, SMS Alert, Internet and Mobile Banking).	**Companies** – Segmented approach. Specialization per business segments depending on the size of the business (Large Corporate, Mid Corporate, SME, Micro) and per field of activity: physicians and agribusiness. Through specialization, we grow competences, develop the relationship with the clients and contribute to the creation of the largest ecosystem for the support of the Romanian entrepreneurs.
Relationship with the clients	Consultancy & support in branches/agencies and call center, support via chatbots, self-service via internet banking, mobile banking, apps, customized services, social media Integrated offer: banking, microfinance, consumer finance, lease, asset management, etc.	
Channels (Omnichannel)	Branches/Agencies, call center, electronic services	
Key activities	BT is a universal bank that provides banking services and products to individuals and companies	
Key partners	Service providers, solutions and technologies, fintechs, associations, authorities	
Cost structure	Technology, digitalization, modernization of premises, taxes	
Income	Interest, fees and commissions	
Pillars of the business model	**The Bank of Entrepreneurial People** We support entrepreneurs and plans to come true.	**Responsible Growth** We finance ideas with a positive impact on the Romanians' lives, the society and the environment.
		Anywhere, Anytime We build the omnichannel experience. We offer different options for the interaction with the bank.

Board of Directors

Horia Ciorcilă

Thomas Grasse

Ivo Gueorguiev

Costel Ceocea

Vasile Pușcaș

Mirela Bordea

Costel Lionăchescu

Leaders' Committee

Ömer Tetik
Chief Executive Officer
since June 2013

Luminița Runcan
Deputy CEO, Chief Risk Officer
since September 2014

Leontin Toderici
Deputy CEO, Chief Operations Officer
since August 2013

George Călinescu
Deputy CEO, Chief Financial Officer
since September 2013

Mihaela Nădășan
Deputy CEO FI & Financial Markets
since October 2018

Gabriela Nistor
Deputy CEO, Retail Banking
since August 2013

Tiberiu Moisă
Deputy CEO MidCorporate and SMEs
since May 2016

2021, year of relaunch

- Macroeconomic climate
- Romanian Banking System
- BT's Impact on Economy and Society in 2021. Infographic
- How our Employees and Clients See Us
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2

2021, year of relaunch

Macroeconomic climate

2021 was the first year of the post-pandemic economic relaunch, a process supported by the vaccination campaign and the policy-mix under implementation over the past quarters, across the developed countries and the emerging and developing states (including the low level of the real financing costs).

One can notice the resilience of the real economy in a context of the persistent health crisis and the significant increase on the prices on the international commodities markets, factors that contributed to the acceleration of the inflationary pressures (towards the highest levels of the past decades).

World economy

According to the recent estimates of the international financial institutions the global economy advanced by over 5% YoY in 2021, the best dynamics of the past decades, as reflected by the following chart.

This evolution was determined by the rebound of the gross fixed capital formation (the engine of the economy – with spill-over impact for the other components of the GDP), supported by the low level of the real financing costs, in the context of the unprecedented expansionary monetary policy implemented across the largest economies (USA, China and Euroland).

The PMI Composite indicator (Purchasing Managers' Index), computed by JPMorgan and Markit Economics, expresses the increase of the global economy for the 19th month in a row in January 2022, but with a slowing-down pace (the weakest dynamics since July 2020), given the persistence of the health crisis and the overlapping supply-side shocks (including the significant increase of the energy prices).

The recent forecasts of the International Monetary Fund (IMF) show the prospects for the world economy to increase by YoY paces of 4.4% in 2022 and 3.8% in 2023.

USA

The largest economy of the world (with a nominal GDP of USD 23tn in 2021) advanced by 5.7% YoY in 2021 (a strong rebound after contracting by 3.4% YoY in 2020), an evolution determined by the contribution of the domestic demand, supported by the reopening process and the expansionary policy-mix (including the low level of the real financing costs).

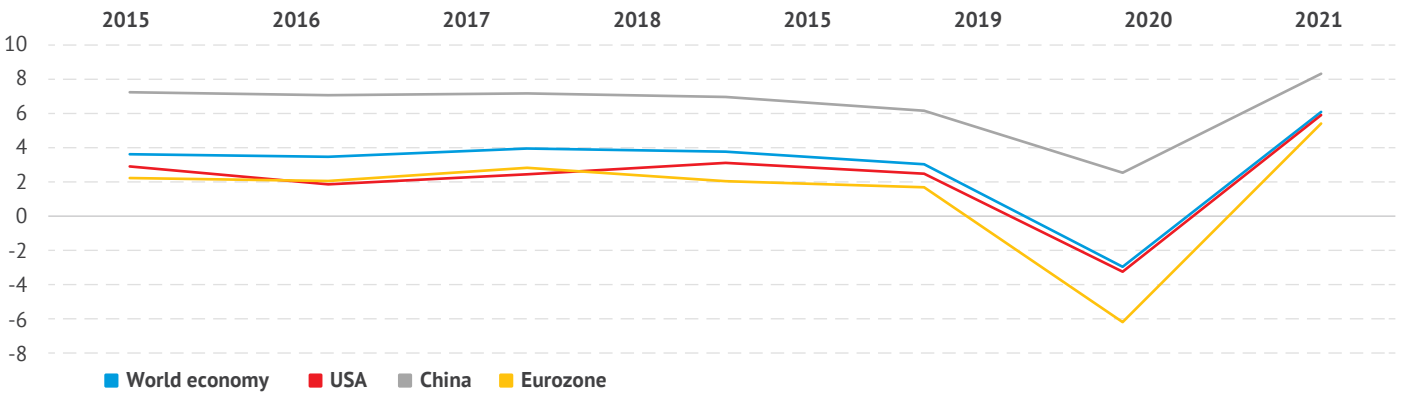
China

The GDP of the second largest economy of the world (with a nominal dimension of USD 17.7tn in 2021) accelerated from 2.3% YoY in 2020 to 8.1% YoY in 2021 (the best dynamics since 2011), on the back of the base effect and of the expansionary policy-mix.

Eurozone

The economy of Euro Area (the main economic partner of Romania) climbed by over 5% YoY in 2021 (according to the preliminary estimates of Eurostat), after contracting by over 6% YoY in 2020, an evolution supported by the vaccination campaign (which allowed the gradual elimination of the restrictions) and the low level of the real financing costs (in the context of the unprecedented expansionary monetary policy implemented by the European Central Bank).

GDP dynamics (%, YoY)



Sources: International Monetary Fund (IMF), Eurostat and Bloomberg

Financial side of the economy

As regards the financial side of the economy, 2021 was the year of the change of the trend for the interest rates (in the context of the inflationary pressures, with impact for the monetary policy outlook), of the significant increase across the stock markets and of the appreciation of the US dollar (given the signals launched by FED regarding the normalisation cycle).

- 3M LIBOR stood at 0.2091% at the end of 2021, down by 12.3% YoY – however, there can be noticed the change of the trend, after a record low level hit at the beginning of September.
- 3M EURIBOR presented a level of -0.5720% at the end of 2021, down by 3bps YoY.

Government securities

The yield on 10YR Bonds rose in 2021 (after the record low levels hit during the pandemic year 2020), an evolution determined by the rebound of the nominal GDP and the accumulation of signals regarding the change of the direction in terms of the monetary policy in USA (in the context of the intensifying inflationary pressures, towards the highest level since 1980s). The average annual yield on 10YR Bonds (a benchmark for the financing costs in the economy) presented levels of 1.44% in USA (up from 0.88% in 2020) and -0.31% in Germany (the engine of the EU and Euroland economies) (up from -0.47% in 2020).

Stock market

Across the stock markets the upward trend (started in March 2020) consolidated in 2021, an evolution supported by the recovery of the real economy (with positive impact for the financial results of the companies) and by the low level of the real financing costs. In USA the S&P 500 index rose by 26.9%, while in Europe the EuroStoxx 600 index advanced by 22.2% last year.

Last, but not least, on the FX market 2021 was the year of the appreciation of the US dollar against the EUR, on the back of the signals of the Federal Reserve (FED), regarding the normalisation of the monetary policy in USA, sooner and more aggressively compared to the outlook for the monetary policy of the European Central Bank.

Romania: +5.6% economic growth year/year in 2021

According to the flash estimate of the National Institute of Statistics the Romanian economy advanced by 5.6% YoY in 2021 (rebounding following the contraction by 3.7% YoY in 2020), an evolution supported by the reopening process (given the vaccination campaign), the recovery of the world and Euroland economies and the low level of the real financing costs.

We point out that the Romanian economy continued to present a better performance compared to that across the Euroland in 2021, an evolution influenced by the dynamics of the pandemic and

the lower weight of the sectors mostly affected by the health crisis.

The average annual rate of unemployment declined from 6.1% in 2020 to 5.5% in 2021.

- Romanian economy continued to be confronted with the persistence of the twin deficits in 2021, an evolution also influenced by the discontinuity of the structural reforms and the high level of the savings following the outbreak of the pandemic.

However, one can notice the start of the adjustment process in terms of public finance – according to the figures released by the Ministry of Finance the budget deficit/GDP ratio stood at 6.7% in 2021, down from 9.4% in 2020 – this evolution was supported by the rebound of the real economy and the intensifying inflationary pressures.

- The current account deficit / GDP ratio intensified from 5% in 2020 to 7.1% in 2021.
- The YoY average annual pace of inflation accelerated from 2.6% in 2020 to 5.0% in 2021.

The dynamics of the main macro-financial indicators	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Real GDP (% YoY)	3.0	4.7	7.3	4.5	4.2	-3.7	5.6
Inflation (ICP) (% YoY, annual average)	-0.6	-1.6	1.3	4.6	3.8	2.6	5.0
Unemployment rate (average, %)	8.4	7.2	6.1	5.3	4.9	6.1	5.5
Monetary policy rate (% eoy)	1.75	1.75	1.75	2.50	2.50	1.50	1.75
ROBOR (3M) (%, annual average)	1.33	0.78	1.15	2.79	3.13	2.38	1.82
ROBOR (6M) (%, annual average)	1.58	1.03	1.33	3.00	3.25	2.46	1.94
EURIBOR (3M) (%, annual average)	-0.02	-0.26	-0.33	-0.32	-0.36	-0.43	-0.55
EURIBOR (6M) (%, annual average)	0.05	-0.16	-0.26	-0.27	-0.30	-0.36	-0.52
EURO/RON, eoy	4.5245	4.5411	4.6597	4.6639	4.7793	4.8694	4.9481
USD/RON, eoy	4.1477	4.3033	3.8915	4.0736	4.2608	3.9660	4.3707
EUR/USD, eoy	1.0887	1.0541	1.1993	1.1450	1.1234	1.2271	1.1326

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

The acceleration of the inflationary pressures determined the National Bank of Romania (NBR) to launch a new monetary cycle

In 2021 the inflationary pressures intensified in Romania, an evolution mainly determined by the overlapping supply-side shocks, in a context dominated by the post-pandemic economic recovery (supported by the vaccination campaign and the low level of the real financing costs).

Consequently, the National Bank of Romania (NBR) launched a new monetary cycle, by increasing the policy rate from 1.25% to 1.75% at the end of 2021, to counter the inflationary pressures and to anchor the mid-run inflation expectations in convergence towards the target of the central bank.

NBR continued the monetary cycle in 2022, by increasing the policy rate by 25bps in January and by 50bsp in February.

The decisions and signals of the NBR determined the increase of the interest rates on the money market in 2021, towards the highest levels of the past years.

At the end of 2021 the 3M ROBOR and the 6M ROBOR presented levels of 3.01% and 3.13%, respectively, up by 0.98pps YoY and by 1.03pps YoY.

The yield on 10YR bonds (a benchmark for the financing costs in the economy) declined at the beginning of 2021, but initiated an upward trend afterwards, in an evolution determined by the rebound of the real economy and the intensification of the inflationary pressures. In 2021 this indicator presented an average level of 3.7%, down from 3.9% in 2020.

As regards the FX market, the EUR/RON consolidated on the historical upward trend in 2021, an evolution determined by the persistence of the trade deficit and of the current account deficit. In 2021 the EUR/RON fluctuated within the interval (4.8691 – 4.9495) at the National Bank of Romania (NBR), presenting an average level of 4.92 (a record), up from 4.84 in the pandemic year 2020.

Last, but not least, on the stock market the BET index rose by 33.2% to 13,190.1 points in 2021, a growth pace above those presented by Dow Jones, S&P 500 and EuroStoxx 600. The performance of the BET index was supported in 2021 by the measures implemented to improve the supply of financial instruments, including the high number of the new listed companies.

Evolution by sectors:

- Retail sales – up by 10.1% YoY in 2021, an evolution supported by the reopening process and the low level of the real financing costs;
- Industrial production – up by 7.1% YoY during January-December, given the relaunch of the global and European economies;
- Constructions – down by 0.6% YoY in 2021.

Romanian Banking System

The positive climate on the domestic banking sector consolidated in 2021, given the rebound of the real economy and the decline of the non-performing loans ratio (toward a record low level), in a context dominated by the low/affordable level of the real financing costs.

The non-government loans

- According to the data published by the National Bank of Romania (NBR) the non-government loans rose by 10.7% YoY in 2021, accelerating from 5.1% YoY in 2020.
- There can be noticed the increase of the RON-denominated loans by 15.5% YoY, on the back of the reopening of the economy, the low level of the real financing costs and the implementation of the measures by the Government to support the economy during the health crisis.
- The household and corporate segments rose by YoY average annual paces of 12.8% and 19.8% in 2021.
- At the same time, the FX-denominated loans climbed by 0.5% YoY in 2021, as the increase of the corporate component by 7.4% YoY counterbalanced the adjustment of the household segment by 10.9% YoY.
- Overall, in 2021 the household and the corporate loans advanced by YoY average annual paces of 7.5% and 14.4%, on the back of the post-pandemic recovery across the real economy and the low level of the real financing costs.
- In December 2021 the non-government loans stood at RON 324.2bn, up by 14.8% YoY.

Non-government deposits:

- The upward trend for the non-government deposits consolidated in 2021, an evolution determined by the high level of the savings rate, the improvement of the household income and of the financial results of the companies and by the upward trend for the EUR/RON.

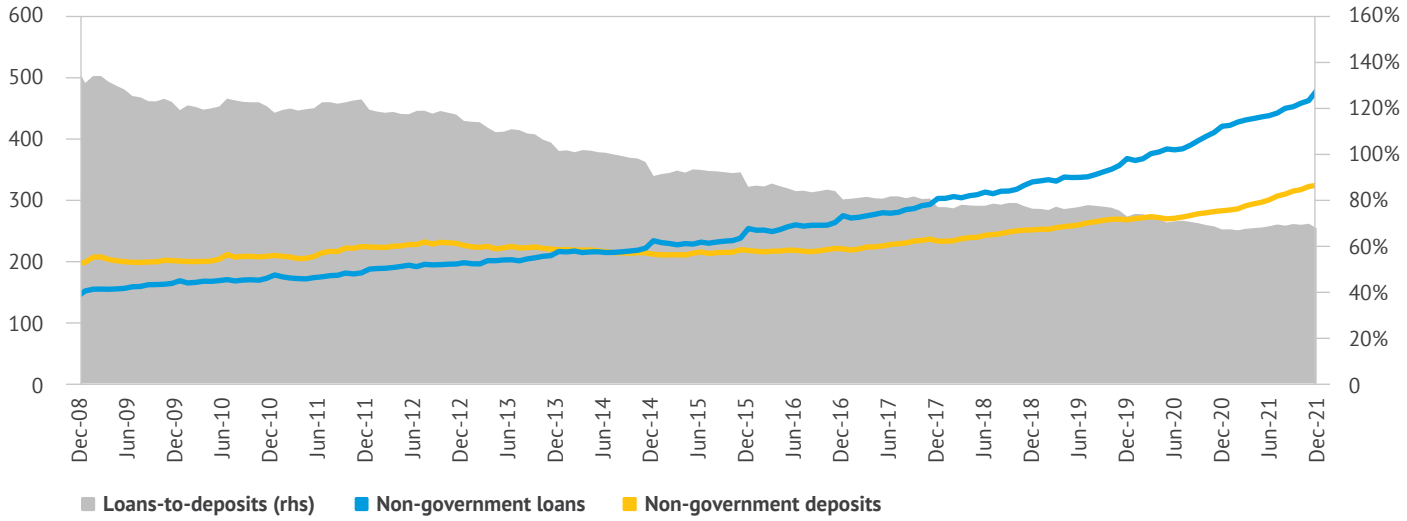
- The non-government deposits stood at RON 479.3bn in December 2021 (a record high level), up by 13.9% YoY.
- Consequently, in 2021 the non-government deposits advanced by 14.5% YoY on average: the RON and FX segments rose by average annual paces of 15.2% and 13.3%, respectively.
- Overall, the household deposits rose by 12.6% YoY, while the corporate deposits climbed by 17.5% YoY in 2021.

Considering the evolutions of the non-government loans and of the non-government deposits, the loans-to-deposits ratio rose from 67.1% in December 2020 to 67.6% in December 2021. This evolution was determined by the increase of the RON loans-to-deposits ratio by 3.9pps to 75.4% in December. On the other hand, the FX loans-to-deposits ratio continued the adjustment trend in 2021, towards a record low level of 53.2% (down by 5.5pps YoY).

The non-performing loans ratio on the Romanian banking sector continued the downward trend in 2021, an evolution supported by the rebound of the real economy and the low level of the real financing costs. This indicator diminished from 3.83% in December 2020 to 3.35% in December 2021, according to NBR data.

The total assets of the domestic banking sector rose by 12.81% YoY on average in 2021, to RON 600.8bn (EUR 122.1bn), a record high level. At the end of 2021 the total assets presented a level of RON 639.7bn (EUR 129.3bn), up by 14.2% YoY. The net aggregate profit of the Romanian banking sector rose by 63.9% YoY to RON 8.29bn (EUR 1.68bn) in 2021, an evolution supported by the post-pandemic economic recovery and the decline of the non-performing loans ratio (to the record low level of 3.35%). The ROA and ROE indicators improved to 1.38% and 13.45%, respectively. On the other hand, the capital-adequacy-ratio declined from 25.14% in December 2020 to 22.26% in December 2021.

Non-government loans vs. non-government deposits



Source: National Bank of Romania (NBR)

The recent developments of the indicators across the real and financial sides of the economy express the continuity of the post-pandemic investment cycle in 2022, a scenario supported by the low level of the real financing costs and by the implementation of the programs launched by the European Union after the outbreak of the health crisis (Next Generation and the EU multiannual financial framework 2021-2027).

We underline the fact that the launch of the negotiations to join the OECD represents an opportunity for Romania to accelerate the structural reforms, with positive consequences for the growth, development, and EU economic convergence processes.

BT's Impact on Economy and Society in 2021. Infographic

240,000
granted loans

Over
14,000
persons bought a house with the help of BT

Over
100,000
consumer loans
(~4 bln RON)

100,000
newly issued credit cards
(the best year in terms of credit cards)

2.7 mil
2.7 digitalized clients
(75% of the total active customers)

+35%
card transactions

1.9 mil
persons use BT Pay

Over
19,000
payments through governmental grants
(2 bln RON)

Over
4,000
financings through IMM Invest and Agro IMM Invest
(2.6 bln RON)

500,000,000 RON
financing for agriculture projects thorough APIA

1.2 bln RON
placements through the Medical Doctors Division (the loans volume doubled in 2021 in comparison to 2020)

300,000
NELIMITAT account packages for the entrepreneurs

Banca Transilvania's involvement in the second year of the pandemic

Despite the challenges of the pandemic, we continued to stand by our customers:

- BT has offered several solutions in terms of transparency and open banking, speed and responsiveness in the working systems, so as to allow the access to products and services tailored to the customers' needs, with a focus on launching and developing online banking facilities and platforms.
- BT as a pillar of the Romanian economy relaunch: ensured the continuation of the operations, launched commercial campaigns, diversified the options for customer interaction with the bank and continued the plan to modernize the units network.
- BT's communication was open and constant with all our shareholders.

Care for employees

- Preventive actions have been taken since the beginning of the pandemic, through measures to secure employees on all levels.
- In addition to the existing programs, a number of context-specific actions have been implemented: work from home, protection measures against SARS-VOC-2 infection, rapid PCR testing of employees, granting a bonus for vaccinated employees, etc.
- The program for maintaining emotional balance included therapy and psychological support services for anxiety and stress issues, as well as a number of articles and pieces of advice in the psychology area.

Care for communities

- The bank has joined the NGO Mentoring Program, through which nearly 9,000 people from various vulnerable social backgrounds benefit from the program's activities.
- BT has donated 30 contactless POS to the Hope and Homes for Children Foundation to facilitate donations for those who want to help vulnerable children.
- Banca Transilvania doubled the donations made in July through the BT website to PEDITEL.
- Banca Transilvania has joined the Carpathia Conservation Foundation, and, as a first step, a day center will be built, in which about 200 children from rural areas will have the chance to be educated every year.
- Banca Transilvania contributes to the education and society sustainable development through the *Skills & Education* lending program with external guarantee from the European Investment Fund, intended for companies / institutions with activity in education.
- BT and the Bucharest Community Foundation launched *Inclusiv in cartier*, a financing program, amounting to a total value of EUR 50,000, for the development of projects in neighborhood communities from the capital, being supported 3-5 projects with activities in education, social or environmental areas.
- BT became the official partner of the Romanian football, through a partnership with the Romanian Football Federation to support the national junior teams.
- BT has launched a financial education solution, an online research center, where reports are available showing current macro-financial developments in Romania, the Eurozone, the US, the world economy, as well as short and medium term trends, thus reaching investment or consumption decisions that are as sound as possible.

Care For Individual clients

- Launch of the AliasPay solution that simplifies daily online banking and allows you to send or receive money by phone.
- New features in BT Pay that offer to the customers more convenience:
  - Management and payment of utility bills;
  - STAR Forte card 100% online - access to money and the card is available in about 10 minutes.

Care For legal entities clients

- BT granted over 4,200 loans under the government programs IMM Invest and AGRO IMM Invest, and through the HoReCa scheme over 10,000 payments were made for 6,000 beneficiaries.
- BT supports entrepreneurs through the initiative for the solidarity of Romanians, *Bucurestiul Intreprinzator 3.0*.
- The initiatives started in 2020 have been continued:
  - #Cumpărădelaoafaceremică
  - #Cumpărădelângătine, to encourage people to buy from small businesses, to support the economy.

How our Employees and Clients See Us

It is essential for us to know how our shareholders see us, but also where we are in relation to the market, to know what we do well, which are the reasons our customers appreciate us, what our impact is and where there is room for improvement. In 2021 we continued to take the pulse of the relationship with customers and employees, through specific studies, through which we can see, depending on the experience with BT, which is the NPS (Net Promoter Score, the degree of satisfaction and recommendation of the bank to other people):

- NPS study (conducted monthly internally)
- Banca Transilvania Image Study (conducted by Quantix Marketing Consulting)
- BT Employee Experience Index Study (realized by We Love Surveys, Great Britain)

NPS, Internal Customer Study

The NPS studies are conducted internally, each month, among the individual and legal entities clients of BT, immediately after they have interacted with the bank's agencies and branches. Result:

- The BT referral score for other persons, is 77.3, an increase to the figures from last year.
- The clients mention as strong points: the reputation, the offer of products and services, respectively the interaction with the bank's team.
- Satisfaction indicators were based on almost 54,000 feedbacks by telephone and almost 13,000 by e-mail.

Quantix Marketing Consulting Study: 32.4% of the customers would recommend BT due to the bank positive image

From the study conducted in 2021 by Quantix Marketing Consulting, related to the image of Banca Transilvania, it resulted the following:

- The main reason why people choose BT for banking (22.9%): good banking, seriousness, trust, communication, positive image
- There is a stability of the degree of recommendation of BT in relation to 2020. Net recommendation score:
  - 2021: 29.7%
  - 2020: 29.7%
  - 2019: 7.6%
- Reasons why customers would recommend Banca Transilvania: positive experiences from the past and the brand component are the main aspects, spontaneously mentioned, as factors for recommending BT:
  - Image (32.4%)
  - Positive experiences (29.3%)
  - Online applications, products and services (15.7%)

BT Employee Experience Index. eNPS, +11.92 points (2022 vs 2021)

Through this internal study, conducted among BT Group employees twice a year, we analyze the quality of the relationship between the manager and coordinated colleagues - Coaching, Communication and Care, respectively the eNPS, an indicator that shows the degree of recommendation of the bank to others. It is also an opportunity to collect proposals for action from employees, so BT is an increasingly attractive job. The upward trend of this index has continued.

- +17.6 eNPS points: from 25.6 eNPS (January 2019) to 43.2 eNPS (January 2020)

- +17.84 eNPS points: from 33.1 eNPS (July 2019) to 50.94 eNPS (July 2020)
- +11.92 eNPS points: from 44.39 eNPS (July 2021) to 56.31 eNPS (July 2022)
- 92% is the participation rate of the BT Group's employees in the study

Awards and Recognition

The largest bank in South East Europe - SeeNews publication award, based on asset value and individual annual financial statements obtained. Banca Transilvania ranks first, for the third yeard in a row.

Best Bank in Romania – Prize awarded by Euromoney for the financial results obtained in 2021. This is the fifth year when BT receives this prize.

Bank of the year - Prize from the magazine Piaţa Financiară for the results obtained in 2021.

Investor Relations

Banca Transilvania obtained a maximum VEKTOR rating (10) for the communication with investors in 2021, following the evaluation of the Association for Investor Relations on the Romanian Stock Exchange (ARIR). This is the third consecutive year when Banca Transilvania obtains the maximum score.

The Performers of the Bucharest Stock Exchange

Banca Transilvania and BT Capital Partners received two awards from the Bucharest Stock Exchange for the results recorded last year, as follows:

- Banca Transilvania - The most traded share on the BVB main market in 2021
- BT Capital Partners - The most active broker on both BVB markets in 2021

Brand

Banca Transilvania brand entered AAA + territory in 2021, according to Brand Finance Banking 2022. With a 19% increase, the brand strength (Brand Strength Index) ranks Banca Transilvania in the top 10 global banking in this indicator.

Services

The first bank in Romania with ISO9001: 2015 certification - The certification granted by SGS Romania certifies the quality standards for card acceptance activities for payment through POS and eCommerce activities.

Sustainability

Gold Level Recognition - 2020 Banca Transilvania's Sustainability Report obtained Gold Level Recognition following the Romania CST Index evaluation. This is the only ranking for performance and transparency from the perspective of corporate sustainability in Romania.

HR

Award for Excellence in Human Resources - Award granted by HR Club for the Health & Wellbeing #SafePeopleofBT program.

People from the Bank

Horia Ciorcilă, Chairman of the Board of Directors, Banca Transilvania, and Ömer Tetik, CEO, Banca Transilvania, in "*Top 100 Most Admired CEOs in Romania 2021*", ranking made by Business Magazin magazine.

Gabriela Nistor, Deputy Chief Executive Officer Retail Banking, among the strongest "*100 women in business*" for the second year in a row.

Mihaela Nădășan, Deputy CEO Financial Institutions and Capital Markets, named "*Best Professional in Investor Relations*" for the third consecutive year.

Luminița Runcan, Deputy Chief Executive Officer Risk, in "*Top 100 Successful Women*" in 2021, ranking realized by Capital magazine.

Banca Transilvania & the Shareholders

- BT's Communication with the Shareholders
- Banca Transilvania on the Capital Market in 2021
- Financial Communication Calendar 2022
- Profit Distribution and Share Capital Increase Proposals for the Financial Year 2021

3

Banca Transilvania & the Shareholders

BT's Communication with the Shareholders

Because we are a company listed on the Bucharest Stock Exchange, shareholders are one of the most relevant stakeholders / group of interest, and our effort is to have the best practices in relation to them.

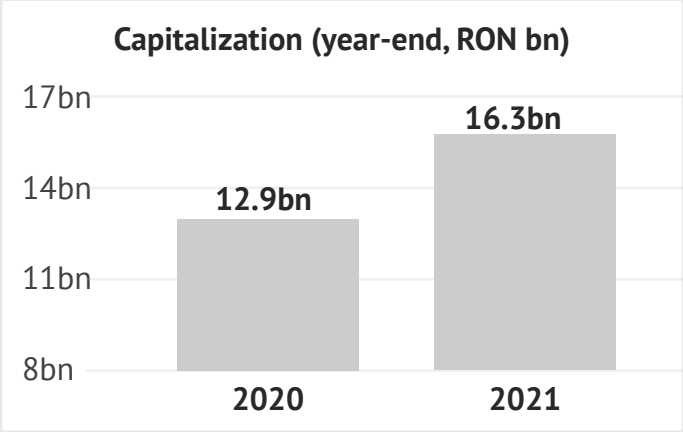
The General Meetings of Shareholders, as well as the shareholders' rights and obligations, are governed by Law no. 31/1990 on trading companies and Law no. 297/ 2004 on the capital market and also by other related regulations in the field.

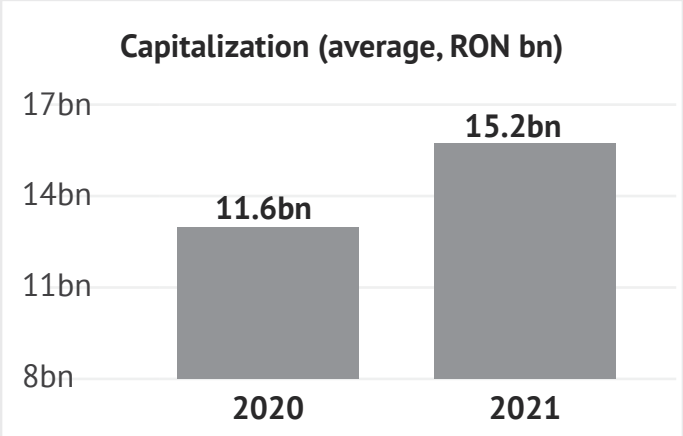
- BT issues periodic information reports informing the bank's shareholders and investors.
- During 2021, there were 4 teleconferences held with the bank's investors.
- Banca Transilvania announces every year a financial communication calendar, published in January both on the BT website and on the Bucharest Stock Exchange website.
- The main communication channels with shareholders include the Investor Relations platform on the bank's website and the regular online meetings.

The contact details for Investors Relations are the following:
investor.relations@btrl.ro
Tel: + 40 264 407 150
Fax: + 40 264 301 128
www.bancatransilvania.ro/relatii-investitori
www.bancatransilvania.ro

The evolution of BT's capitalization in 2021

The evolution of BT's capitalization in 2021





In 2021 we witnessed an economic recovery from the effects of the pandemic that began in 2020. The positive development came in the context of the implementation and extension of the measures intended to support the economic recovery by both the Romanian Government and the European Union.

Banks were much better prepared to deal with the high risks associated with this period, than they were during the 2008 global financial crisis. Even in the difficult health crisis context, which is characterized by a high level of uncertainty, banks have continued to lend the economy, consolidating their role as the main lender of the national economy. Investors have been confident in the sector's ability to play this role successfully, so we have seen a steady rise in stock prices. Although the end of 2021 was marked by turbulence which ultimately led to accelerated inflation, the medium and long-term growth forecasts of the banking sector remain strong.

Banca Transilvania has maintained its strategy of paying cash dividends and allocating free of charge shares to investors, while increasing profitability. The bank's capitalization has grown sharply in 2021.creștere a profitabilității, iar capitalizarea băncii a crescut puternic în 2021.

The evolution of BT's capitalization

YEAR	Price (adjusted, except for cash dividends)	No. of shares	Capitalization (unadjusted, billion RON)	Capitalization (unadjusted, billion EUR)
2021	2.5800	6,311,469,680	16.3	3.3
2020	2.0471	5,737,699,649	12.9	2.7
2019	2.1464	5,215,917,925	13.5	2.8
2018	1.5309	4,812,481,064	9.6	2.1

**The numbers prior to 2021 are historically adjusted to eliminate the effect of changing the number of shares.*

***All figures correspond to the year-end.*

Shareholding structure as at 31.12.2021

Shareholding structure	31.12.2021	31.12.2020
NN Group *	10.29%	10.14%
the European Bank for Reconstruction and Development.	6.87%	6.87%
Romanian individuals shareholders	21.23%	20.47%
Romanian companies	41.41%	40.10%
Foreign individuals shareholders	0.98%	1.09%
Foreign companies	19.22%	21.33%
Total	100%	100%

** NN Group N.V. şi fondurile de pensii administrate de NN Pensii SAFPAP S.A. și NN Asigurări de Viață S.A*

Financial Communication Calendar 2022

1. Presentation of the preliminary financial results for 2021	February 25
2. Conference call for the presentation of the results	March 1
3. Annual General Meeting of Shareholders held to approve the annual financial results	April 28 (first convening) April 29 (second convening)
4. Presentation of the approved, individual and consolidated annual financial results	April 29
5. Presentation of the Q1 2022 financial results	May 6
6. Conference call for the presentation of the results	May 9
7. Presentation of H1 2022 financial results	August 26
8. Conference call for the presentation of the results	August 29
9. Presentation of the Q3 2021 financial results	November 11
10. Conference call for the presentation of the results	November 14

Profit Distribution and Share Capital Increase Proposals for the Financial Year 2021

The Board of Directors submitted for approval by the General Shareholders' Meeting (GSM) the proposal to distribute the profit amounting to RON 1,782,703,612, as follows:

Proposal for Profit Distribution

Proposal for 2021 Profit Distribution	Amounts (RON)
Gross profit	2,022,367,212
Current/deferred income tax	(239,663,600)
Net profit	1,782,703,612
5% Legal reserve fund from gross profit	(101,118,361)
Reinvested profit reserve	(116,472,600)
Net profit to be distributed	1,565,112,651

The Board of Directors proposes for approval to increase the Bank's share capital from RON 6,311,469,680 to RON 7,076,582,330, with the amount of RON 765,112,650, representing reserves from the 2021 net profit.

The increase in the share capital will be carried out through the capitalization of reserves from the net profit of the year 2021, in amount of 765,112,650, by issuing a number of 765,112,650 shares, with a nominal value of RON 1/share in the benefit of the shareholders registered with the Shareholding Register held by the Central Depository at the registration date that will be established by the GSM, following that the price for the compensation of the fractions of shares resulting from the application of the algorithm and the rounding of the results, to be determined in accordance with the legal provisions in force.

The Board of Directors proposes for approval the distribution of profits by granting dividends amounting to RON 800,000,000. The gross dividend per share amounts to 0.1267533618.

Proposal for 2021 profit distribution	Amounts (RON)
Total available reserves for distribution	1,565,112,651
Reserves from 2021 net profit	1
Dividends	800,000,000
Capitalisation of 2021 net profit reserves	765,112,650
Share capital at recording date	6,311,469,680
Yield per share % capitalisation	0.12122575070

* The share capital registered with the Trade Register amounts to 6,311,469,680 shares with a nominal value of 1 RON / share, to which is added RON 86,501,040 - adjustment according to the inflation of the share capital and surplus from the re-evaluation of fixed assets used to increase the share capital, but which was not realized until the application of the International Financial Reporting Standards adopted by the European Union

Banca Transilvania Financial Group

- Financial Results. Summary
- BT Financial Group's Companies
  - Banca Transilvania S.A.
  - BT Capital Partners S.A.
  - BT Asset Management SAI S.A.
  - BT Pensii
  - BT Microfinanţare IFN S.A.
  - BT Leasing Transilvania IFN S.A.
  - BT Direc IFN S.A.
  - BT Building S.R.L.
  - Improvement Credit Collection S.R.L.
  - BT Leasing MD S.R.L.
  - Victoriabank S.A.
  - Idea::Bank
- Strategy Achievement in 2021
- New Strategic Objectives
- Development Plan for 2022
- Proposals regarding the Financial Position and the Profit and Loss Account 2022

Banca Transilvania Financial Group

Financial Results. Summary

	The Bank		The Group	
Financial Information of the Group	**2021**	**2020**	**2021**	**2020**
ROE (Net profit/ average equity)	18.04%	13.67%	18.45%	14.73%
ROA (net profit/annual average of total assets at net value)	1.60%	1.26%	1.69%	1.41%
Cost/income	48.09%	45.27%	48.28%	45.15%
Total net income, RON thousand	4,348,178	3,937,204	4,934,037	4,536,165
Provisions for credit risk, RON thousand	(234,827)	(783,884)	(256,616)	(865,840)
Gross profit, RON thousand	2,022,368	1,371,036	2,302,798	1,622,428
Net profit, RON thousand	1,782,704	1,197,305	2,024,533	1,424,078
Basic earnings per share			0.31461	0.21913
Diluted earnings per share			0.31461	0.21892
Tier 1 own funds, RON million	10,976	10,067	11,638	10,574
Risk Weighted Assets, RON million	47,741	52,174	51,729	57,544
Total Assets, RON million	125,062	103,355	132,501	107,492
Total equity, RON million	9,353	9,523	10,564	10,414
Other information				
Number of agencies, branches and offices	507	509		
No of active employees	8,651	8,359	10,800	10,009

** Due to rounding, the numbers presented in this document may not add up exactly to the total presented and the percentages may not accurately reflect absolute numbers.*

BT Financial Group's Companies

Banca Transilvania Financial Group is the largest ecosystem for supporting the Romanian entrepreneurs through integrated banking, brokerage, leasing investment management, consumer financing and voluntary pensions services. The group includes the parent company, Banca Transilvania and its subsidiaries, with headquarters in Romania, Italy and the Republic of Moldova, and within it work 10,800 employees (31.12.2021 vs 2020: 10,009 employees).

Banca Transilvania S.A.

Banca Transilvania is the largest bank in Romania in terms of assets.

- Over 3.6 million customers
- Network 47 branches, 443 agencies, 6 work points, 8 agencies Division for Doctors, 2 private banking agencies, 1 branch in Italy and 1 regional office located in Bucharest
- Headquarters: Cluj-Napoca, 30-36 Calea Dorobanților Street, 400117
- Founded in 1993 and the activity started in 1994

The subsidiaries of BT Financial Group are the following, in which the bank has direct and indirect participations:

Subsidiary	Field of activity	2021	2020
Victoriabank S.A.	financial and banking activities and investments subject to license	44.63%	44.63%
BT Capital Partners S.A.	Investments	99.59%	99.59%
BT Leasing Transilvania IFN S.A.	leasing	100.00%	100.00%
BT Investments S.R.L.	investments	100.00%	100.00%
BT Direct IFN S.A.	consumer loans	100.00%	100.00%
BT Building S.R.L.	investments	100.00%	100.00%
BT Asset Management SAI. S.A.	asset management	100.00%	90.00%
BT Solution Agent de Asigurare S.R.L.	ancillary activities insurance companies and pensions funds	99.95%	99.95%
BT Asiom Agent de Asigurare S.R.L.	ancillary activities insurance companies and pensions funds	99.95%	99.95%
BT Safe Agent de Asigurare S.R.L.	ancillary activities insurance companies and pensions funds	99.99%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	ancillary activities insurance companies and pensions funds	99.99%	99.99%
BT Leasing MD SRL	leasing	100.00%	100.00%
BT Microfinanţare IFN S.A.	consumer loans	100.00%	100.00%
Improvement Credit Collection S.R.L.	activity of the collection agents and credit reporting bureaus	100.00%	100.00%
VB Investment Holding B.V.	holding activities	61.81%	61.81%
Timesafe S.R.L.	IT services activities	51.12%	51.12%
BT Pensii S.A.	administration of pension funds (except for those in the public system)	100.00%	90.49%

Idea Bank S.A.	other activities of monetary intermediation	100.00%	-
Idea Investments S.A.	management consulting activities	100.00%	-
Idea Leasing IFN S.A.	financial leasing	100.00%	-
Idea Broker de Asigurări S.R.L.	activities of insurance agents and brokers	100.00%	-

The most relevant subsidiaries of the BT Group, in which the bank has direct participation:

Subsidiary	**Field of activity**	**% Direct participation**	**% Total Participation**
BT Capital Partners S.A.	Investments	99.59%	99.59%
BT Leasing Transilvania IFN S.A.	Leasing	62.97%	100%
BT Investments S.R.L.	Investments	100%	100%
BT Direct IFN S.A.	Consumer loans	98.34%	100%
BT Building S.R.L.	Investments	98.94%	100%
BT Asset Management SAI S.A.	Asset management	100%	100%
BT Leasing MD SRL	Leasing	100%	100%
Improvement Credit Collection S.R.L.	Activities of collection agents and credit reporting bureaus	99.89%	100%
BT Microfinanţare IFN S.A.	Consumer loans	67.80%	100%
Idea Bank S.A.	Other activities of monetary intermediation	100%	100%

Assets and net profits of the most relevant subsidiaries in which the bank holds direct participation:

Subsidiary*	**Total Assets (RON thousand)**		**Net profit, (RON thousand)**	
	2021	2020	2021	**2020**
BT Capital Partners S.A.	331,350	219,679	10,014	578
BT Leasing Transilvania IFN S.A.	1,402,341	1,229,056	61,574	57,881
BT Investments S.R.L.	81,591	78,629	2,989	(178)
BT Direct IFN S.A.	610,196	531,717	23,362	9,478
BT Building S.R.L.	288,640	255,912	5,517	(945)
BT Asset Management SAI S.A.	76,594	73,240	20,356	14,377
BT Leasing MD SRL	153,325	138,217	5,691	7,418
Improvement Credit Collection S.R.L.	21,016	17,378	6,821	3,803
BT Microfinanţare IFN S.A.	625,374	513,325	38,798	38,781
Idea Bank S.A.**	2,489,460	-	1,864	-

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

*** Net profit of Idea Bank S.A. is represented by the performance of November and December 2021*

BT Capital Partners S.A.

BT Capital Partners is the investment banking and capital markets division of Banca Transilvania Financial Group. BT Capital Partners offers consulting services for fund raising on the capital market, consultancy on mergers and acquisitions, brokerage services, structuring of complex financing schemes, market research and strategic advisory. BT Capital Partners is also exclusive member in Romania of Oaklins, the world's most important alliance of professionals for companies' M&A.

- BT Capital Partners realized, in 2021, the fourth bonds issue for International Investment Bank, being the leader of the consortium, together with BRD - Groupe Societe Generale and ING Bank.
- In 2021, BT Capital Partners successfully coordinated the sale of the largest manufacturer of decorative stone cladding solutions in Europe.
- BT Capital Partners was the Victoriabank's consultant, the financial intermediary of the first municipal bond issues in the Republic of Moldova.
- With the support of BT Capital Partners, in 2021, the Simtel Team company made a private shares placement, attracting RON 13.7 million from investors and listing on BVB.
- BT Capital Partners & Private Bond and Equity Investments in 2021:
  - SelfPay, the first fintech business to list bonds on the AeRO and BVB markets, attracting EUR 3 million;
  - BitSoft, a company that develops and distributes integrated end-to-end solutions for the hospitality industry, attracted EUR 1.5 million;
  - Laptaria cu Caimac raised EUR 4 million through a private shares placement;
  - The third issue of Fidelis government bonds, through which the Ministry of Public Finance raised over RON 940 million.
- BT Capital Partners has been on the market since 2016, when BT Securities, the brokerage company of the BT Financial Group, took over the investment banking activity of Capital Partners, the most important Romanian independent consulting firm in the field of M&A and Corporate Finance.
- BT Capital Partners has 58 active employees and 7 working points (31.12.2021)
- Headquarters: Cluj-Napoca, 74-76 Constantin Brâncuşi Street, ground floor

BT Asset Management SAI S.A.

BT Asset Management is the open and closed funds investment management subsidiary of the BT Group. It offers a full range of investment products - fixed income funds, diversified funds, index type funds, shares funds and a real estate fund. The access to the capital market is ensured to the clients through investments both in Romania and in Europe and the USA, through RON investments, as well as EUR, USD and GBP investments.

- At the end of 2021, the company managed 17 investment funds, of which: 14 open funds and 3 closed funds, counting over 75,000 investors and assets under management of more than RON 5 billion.
- No of active employees 34
- Year of establishment: 2005
- Headquarters: Cluj-Napoca, 22 Emil Racoviţă Street, first floor

BT Pensii

BT Pensii is the newest subsidiary of the BT Group, which manages the optional pension fund My Pension - Pensia mea. BT expanded its financial services in the field of private pensions through the acquisition of Certinvest Pensii, in 2019, and Certinvest Pensii became BT Pensii in June 2020.

- It is the only Romanian company for the administration of optional pensions
- The clients of Banca Transilvania have the opportunity to contribute to the My pension optional pension fund through the over 500 Banca Transilvania branches and agencies
- At the end of 2021, the number of participants in the My Pension fund increased to over 22,000, and the amount managed to RON 124.8 million
- Headquarters: București, 75-77 Buzești Street, 10th floor, 2nd office

BT Microfinanțare IFN S.A.

BT Microfinantare (BT Mic) is a non-banking financial institution dedicated to financing small businesses, including start-ups, which complements the role of Banca Transilvania in supporting the Romanian entrepreneurs. It addresses those entrepreneurs with a turnover of up to RON 1 million, regardless of the field of activity and legal form.

- BT Microfinancing is the largest microfinance company in Romania, working with over 13,000 small businesses in 3,000 municipalities, to support and develop the daily activity, purchase of goods, payment of suppliers, investments in work points and / or opening new ones, the purchase of machines / equipment, etc.
- Since the beginning of the pandemic, BT Microfinancing has financed over 5,000 companies
- In 2021, BT Microfinancing obtained a loan amounting to EUR 10 million from the European Fund for South-Eastern Europe, which will accelerate the financial inclusion of small companies by providing financing in RON
- In 2021, approximately 5,229 micro-companies received financing from BT Microfinancing IFN S.A.
- The loans balance at the end of 2021 was RON 628.3 million (2020: RON 515.6 million)
- Diversifying the financing: the company supports over 400 types of activities
- No of active employees: 184
- BT Microfinantare was founded in 2016
- Headquarters: Bucharest, 43 Bucureşti – Ploieşti Street

BT Leasing Transilvania IFN S.A.

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

- No of active employees: 127 (31.12.2021)
- In 2019, BT Leasing bonds started trading, thus being the second company of the BT Group which uses the Bucharest Stock Exchange financing mechanisms
- Year of establishment: 1995. The original name of the company was LT Leasing Transilvania S.A.
- Headquarters: Cluj-Napoca, 74-76 Constantin Brâncuşi Street, first floor

BT Direct IFN S.A.

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

- BT Direct has over 200,000 customers, 150,000 credit cards and a 9.4% market share (31.12.2021)
- BT Direct and ERB Retail Services IFN S.A. merged by absorption on August 1, 2019, and the name BT Direct IFN S.A. has been preserved. ERB Retail Services was acquired by Banca Transilvania from Eurobank Group in 2018, together with Bancpost and ERB Leasing
- No of active employees: 171 (31.12.2021)
- Headquarters: Cluj-Napoca, 74-76 Constantin Brâncuşi Street, 3rd floor

BT Building S.R.L.

BT Building's field of activity is in renting and subletting its own and leased real estate. BT Building S.R.L is a Romanian limited liability company, performing its activity based on its Incorporation document, Law no.31/1990 on companies, republished with subsequent amendments and the Romanian legislation in force.

- Year of establishment: 2003.
- Headquarters: Cluj-Napoca, Calea Dorobanților nr. 30 - 36

Improvement Credit Collection S.R.L.

The company's field of activity is debt collection, through extra-judicial proceedings and through judicial proceedings.

- Net profit as at 31.12.2021: RON 6,821 thousand (2020: RON 3,803 thousand)
- The share capital was increased by attracting BT Investment SRL as a new shareholder, registering on December 31, 2021 a value of RON 901 thousand
- Year of establishment: 2013

- Headquarters: Cluj-Napoca, 1 George Bariţiu Street

BT Leasing MD SRL, Republic of Moldova

BT Leasing MD is the first company opened by Banca Transilvania Financial Group in the Republic of Moldova, the market leader in terms of the leasing portfolio size - fixed assets financing from leasing, starting from 2017.

- Profit of BT Leasing MD, as at 31.12.2021: RON 5.691 thousand (2020: RON 7,418 thousand)
- Year of establishment: 2008
- No of active employees: 41 (31.12.2021)
- Headquarters: Republic of Moldova, Chişinău, 60 A, Puşkin Street

B.C. Banca Comercială VICTORIABANK S.A., Rep. of Moldova

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

- Net profit (as at 31.12.2021) reached 278.2 million MDL
- Over 280,000 customers work with Victoriabank, and there are over 1,000 people on the team
- The bank has 75 branches in 34 localities in the Republic of Moldova
- It is the banking institution that brought to the Republic of Moldova cards, ATMs, POS and contactless payments with phone and smartwatch
- Victoriabank is listed on the Moldovan Stock Exchange and is the first commercial bank in the Republic of Moldova
- Year of establishment: 1989
- Headquarters: Republic of Moldova, Chișinău, 141 31 August 1989 Street

Idea Bank S.A.

IDEA Bank S.A. is a bank that was acquired together with the other companies having the IDEA brand in Romania, during 2021, by Banca Transilvania, which became the only shareholder (directly and indirectly) starting with October 29, 2021. The new entity will be a digital banking hub.

- Year of establishment: 1998
- Headquarters: Bulevardul Dimitrie Pompeiu, 5-7, floor 6, sector 2, Bucharest, Romania
- No of employees: 383 (31.12.2021)
- The bank's network consists of 33 branches and agencies +3 working points (as at 31 December 2020: 33 branches and agencies +3 working points), located in Bucharest and in the other counties of Romania.

The banking and financial services provided by the bank include, but are not limited to, current accounts, deposit-taking, lending, day-to-day financing, medium- and long-term financing, letters of guarantee and documentary credits, internal payment services, and foreign exchange, foreign exchange operations, storage services.

Strategy Achievement in 2021

What we targeted for 2021

- **Sustainability**: intensive awareness program of the Romanian business environment regarding the importance of sustainable development;
- **Financing**: focus on complete online credit flows;
- **Customer support**: maintaining a balanced and customer support approach, given the existing context;
- **Financial solutions**: development of financial products to support customers after the end of the pandemic crisis;
- **Development of smart operating systems, innovation and process streamlining**;
- **Digitalization** of the banking experience;
- **Ongoing and interactive support** for clients and employees;
- **Optimization of the relationship with the clients** for the best banking experience with BT.

What we accomplished

Qualitative objectives

- **Supporting customers in the context of the pandemic challenges:**
  - Through the government programs IMM Invest and AGRO IMM Invest, BT granted loans amounting to RON 1,925 million and RON 685 million, respectively;
  - Financial support from non-reimbursable foreign funds through government grants amounted to over RON 2 billion;
  - The HoReCa scheme counted over 10,000 payments, totaling RON 1.3 billion;
  - The bank continued the initiatives of solidarity of the Romanians started in 2020, through which it aims to support local businesses.
- **Accelerating remote banking:**
  - more than 2.7 million unique digitized customers, +31% compared to 2020, representing 75% of the active customers base;
  - + 35% number of transactions made with the BT cards (2021 vs 2020);
  - 68 million payments by phone, double compared to 2020;
  - 2.1 million unique cards are enrolled in BT Pay, Apple Pay, Google Pay, Fitbit Pay and Garmin Pay wallets.
- **Involvement into the community, bank team and network**
  - BT has joined initiatives to support education and people from different socially vulnerable backgrounds;
  - BT helped vulnerable children both by contactless POS donations and by doubling the donations made in July through the bank's website;
  - The bank has launched a financial education solution, an online research center, to help make the most informed investment or consumption decisions.
- **Increasing the quality of the loan portfolio as measured by the non-performing loan rate, according to the EBA (NPE rate):**
  - 2.71% at the end of 2021, compared to 3.46% at the end of 2020;
- **The main launches of online solutions:**
  - New features for BT Pay: access to the digital card before having the physical card, the possibility to withdraw money from all BT ATMs based on the codes generated by the application, requesting the STAR Forte shopping card directly from BT Pay, direct payment of invoices of utilities bills and their management, respectively the updating of personal data in the application.
  - Integration of the online programming solution in all units of the BT network.
  - Possibility to open a current account with BT, 100% online, for entrepreneurs, without the company's documents, based on the ID only.
  - Accessing the Unlimited (Nelimitat) Current Account Package online. The new feature addresses both new and existing customers who already have the package and want to apply for extra options.

Quantitative objectives:

RATIO	PROPOSAL	ACHIEVEMENTS
Total assets	RON 115.02 billion, increasing by 11.3% vs. 2020	RON 125.06 billion, increasing by 21% vs. 2020
Gross profit	RON 1,276 million	RON 1,783 million, higher by 40% vs. budgeted value for 2021
Deposits from customers	RON 98.52 billion, increasing by 11.6% vs. 2020	RON 102.70 billion, increasing by 16% vs. 2020
Loans from customers	RON 47.21 billion, increasing by 8% vs. 2020	RON 55.85 billion, increasing by 28% vs. 2020
Equity	RON 10.39 billion	RON 9.35 billion, a decrease of 2% vs. 2020
Cards issued at the end of the year 2021	4.7 million cards	4.74 million cards
Loan / Deposit ratio	0.46	0.54
Investment budget	RON 401 million (VAT included)	RON 326 million (VAT included)

New Strategic Objectives

Qualitative objectives:

- **Sustainability:** implementation of the 2022 stage of the multi-annual plan for sustainable growth; incorporating a set of principles of sustainable development for environmentally friendly banking and the community we belong to; accession to UNEP
- **Digital:** continue to develop customer interaction flows, fully digitized
- **Digital:** further development of intelligent operating systems, innovation and process simplification
- **Customer relations:** the omnichannel experience
- **Support and active participation in programs to support the Romanian economy** (IMM Invest, Noua Casă, European Union Grants Program)
- **Maintaining interest in acquisitions or mergers with entities** that can complement the value offered to our customers

Quantitative objectives:

- Total assets: 9.7% increase;
- Total loans, gross: 8.9% increase;
- Total deposits from customers: 12.4% increase;
- Cost/Income ratio: 46.7%;
- Loans/Deposits ratio: 53.2%.

Development Plan for 2022

Investment budget for 2022 (RON million)	
Buildings – agencies and branches	108.62
Investments IT and cards, of which:	333.81
Hardware IT	46.93
Software IT	230.70
Retail and cards, of which:	56.19
Hardware retail cards	11.71
Software retail cards	44.48
Security	10.26
Cash processing center	8.68
Digital initiatives	53.25
Other	41.55
Total Investments RON million, VAT included	**556.17**

Proposals regarding the Financial Position and the Profit and Loss Account 2022

In projecting indicators for 2021, it has been considered an average inflation rate of 6.9% and an average exchange rate of 4.99 RON\EURO.

We estimate an increase of total assets by 9.7% compared to the level registered in 2021 (up to RON 137,148 million). In the structure of assets were considered: 44.8% weight of gross loans, 22.5% weight of immediate liquidity 33.0% weight of investments in securities.

For the structure of debts and equity provided for 2022, was considered an increase of resources attracted from non-bank customers by 12.4% compared to 2021, which means a share of 90.4% in total debt.

The 2022 revenue and expenditure budget indicators that are subject of GSM approval are determined so that they support the business objectives and are correlated with the specific prudential and supervision legislation requirements.

The elements of the Statement of Financial Position and of the Profit and Loss Account forecasted for 2022 are presented below:

Statement of Financial Position (RON mil.)	Budget proposal 2022
Cash and cash equivalents	30,906
Investment securities	45,255
Loans and advances to customers (gross)	61,443
Loans provisions	(4,151)
Fixed assets	2,002
Equity investments	735
Other assets	957
Total assets	**137,148**
Deposits from customers	115,471
Loans from financial institutions	7,580
Subordinated liabilities	1,706
Other liabilities	2,984
Total liabilities	**127,741**
Total equity	7,303
Profit/Loss for the year	2,104
Total equity	**9,407**
Total liabilities and equity	**137,148**

Profit and Loss Account (RON mil.)	Budget proposal 2022
Interest income	4,351
Interest expenses	(588)
Net interest income	3,763
Net commission income	969
Net trading income	524
Contribution to the Guarantee Fund	(138)
Other income	215
TOTAL INCOME	**5,333**
Personnel expenses	(1,358)
Other operating expenses	(713)
Depreciation and amortization	(376)
Other liabilities	(46)
TOTAL EXPENSES	**(2,493)**
Net impairment charges	(365)
PROFIT BEFORE TAX	**2,475**
Income tax	(371)
NET INCOME	**2,104**

Management Report

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

Banca Transilvania Financial Group's Performance

The bank's operating efficiency was maintained at a comfortable level, thanks to the proper cost management and process streamlining through digitalization. The separate and consolidated financial statements are prepared in accordance with the International Financial Reporting Standards adopted by the European Union (NBR Order no. 27/2010, as subsequently amended and supplemented).

Banca Transilvania's and Banca Transilvania Financial Group's Statement of Financial Position (31.12.2021 vs. 31.12.2020)

- Banca Transilvania ended the year 2021 with total assets amounting to RON 125,062 million, +21%;
- Gross loans to customers +28%;
- Deposits from customers +16%;
- The Bank exceeded the budget targets by 9%;
- Total consolidated assets amounted to RON 132,501 million.

Financial standing end of 2021:

	BANK				GROUP		
RON million	**Realized 2021**	**Budget 2021**	**Realized 2020**	**Δ 2021/ 2020**	**Realized 2021**	**Realized 2020**	**Δ 2021/ 2020**
	(1)	(2)	(3)	(4)=(1)/ (3)-1	(5)	(6)	(7)=(5)/ (6)-1
Cash and cash equivalents with the Central Bank	16,764	14,399	20,979	-20.1%	18,321	22,133	-17.2%
Placements with banks and public institutions	9,613	10,628	6,636	44.8%	10,394	7,223	43.9%
Loans and advances to customers	55,853	47,207	43,554	28.2%	60,054	45,619	31.6%
Provisions for loans and advances to customers	(3,614)	(4,081)	(3,190)	13.3%	(3,936)	(3,498)	12.5%
Portfolio of debt instruments, equity instruments, and derivatives, net of provisions	42.786	43.609	32.401	32,1%	44.204	33.322	32,7%
Intangible assets	2,429	2,436	2,096	15.9%	1,967	1,660	18.5%

-Tangible, intangible assets and assets related to the rights of use	1,694	1,937	1,596	6.1%	1,962	1,658	18.3%
- Shareholdings	735	500	500	47.2%	4	2	196.9%
Other assets	1,232	824	879	40.1%	1,497	1,034	44.8%
Total Assets	**125,062**	**115,022**	**103,355**	**21.0%**	**132,501**	**107,492**	**23.3%**
Equity	9,353	10,391	9,523	-1.8%	10,564	10,414	1.4%
Subordinated loans	1,706	2,175	1,664	2.5%	1,762	1,668	5.7%
Deposits from customers	102,698	98,524	88,297	16.3%	108,022	90,942	18.8%
Deposits from banks	8,410	1,408	1,488	465.3%	8,954	2,011	345.3%
Other liabilities	2,894	2,525	2,383	21.5%	3,199	2,457	30.2%
Total Liabilities and Equity	**125,062**	**115,022**	**103,355**	**21.0%**	**132,501**	**107,492**	**23.3%**
Total Liabilities and Equity	**125,062**	**115,022**	**103,355**	**21.0%**	**132,501**	**107,492**	**23.3%**

Gross loans/deposits ratio (31.12.2021):

- Loan / Deposit ratio: 54.4%;
- Gross loans: RON 55,853 million
- Deposits from customers: RON 102,698 million
- The loan/deposit ratio continues to be below the level of the banking system (67.6%);
- The recorded values confirm the excess liquidity in the domestic economy and the structural changes in the banking sector, as well as the confidence depositors have in Banca Transilvania as a pillar supporting the economy and the society.

Loan portfolio (31.12.2021):

- Bank's gross loan balance: +28% higher than the balance at the end of 2020, although in 2021 loans amounting to RON 175 million were taken off balance sheet. The fields in which new exposures were created are still diverse in terms of both the business sectors and the borrower groups.
- Non-performing loans overdue for more than 90 days represents 1.77% of Banca Transilvania's total loan portfolio, decreasing as compared to 2020, when the ratio was 2% and the NPE ratio (according to EBA) is 2.71% as at December 2021.

Provision balance (31.12.2021):

- Net expense on adjustments for financial assets, other risks and loan commitments: RON 234.8 million (including recoveries from off-balance sheet loans) significantly lower vs. the allocation in 2020, given the signals of economic recovery, but still maintaining a prudent risk approach.
- The coverage of non-performing loans with specific provisions and mortgage collateral remains at a comfortable level of 125% and in line with BT's risk approach.
- Total provision balance: RON 3,614 million, +13% vs. 2020. The category of provisions for other risks and loan commitments reflects a 16% decrease year-on-year due to the decrease in provisions for risks and expenses which also includes provisions for litigations.

Cash and cash equivalents with the Central Bank (31.12.2021)

- The liquidity ratio was of 47.79% at the end of 2021. Cash and cash equivalents with the Central Bank amounted to RON 16,764 million at bank level, -20% compared to 2020, but above the minimum level considered acceptable by the bank in terms of liquidity risk. Approximately 81% of the amounts in this group (RON 13,586 million) were represented by the minimum reserve requirement kept on the account with the NBR.

Placements with banks and public institutions (31.12.2021)

- +45% vs. 2020, to RON 9,613 million. The increase is mainly due to the position of demand deposits, collateral and term deposits with other banks and public institutions.

Securities (31.12.2021):

- Portfolio of securities and derivatives: +32% vs. last year, amounting to RON 42,786 million at bank level.
- The main weight in this group is represented by securities issued by central governments, amounting to RON 37,910 million.

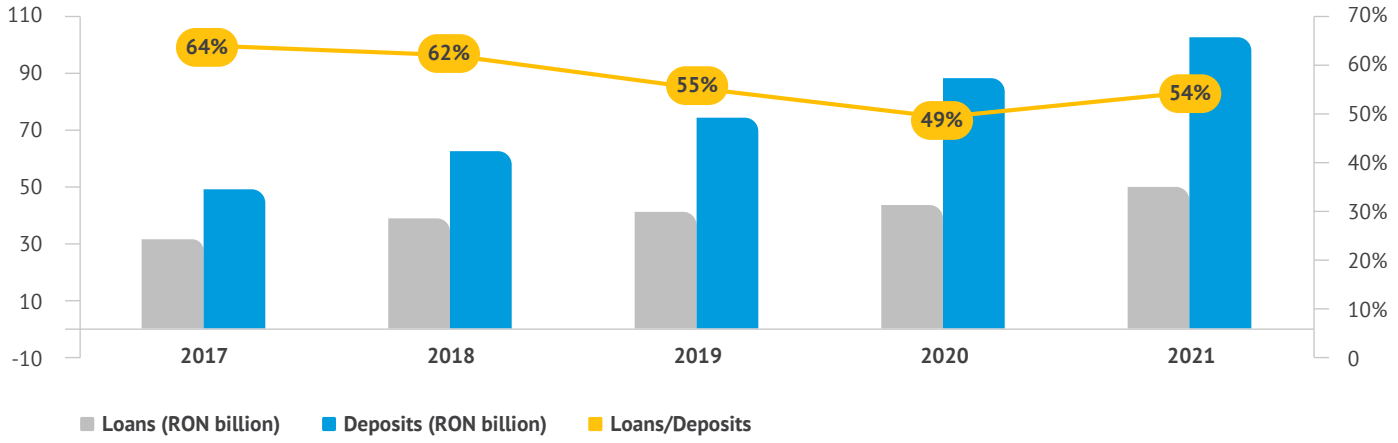
Fixed assets (31.12.2021):

- +16% vs. 2020, to RON 2,429 million. A significant weight is represented by the assets related to the right of use, which as at 31 December 2021 totaled RON 707 million at bank level and RON 492 million at BT Group level. Likewise, the increase in the volume of IT investments for digitization and the optimization of the banking processes was reflected in the balance of intangible assets at the end of 2021. Tangible assets represent RON 653 million (land and buildings: RON 284 million), intangible assets amount to RON 335 million RON and financial assets to RON 735 million.

Customer deposits (31.12.2021):

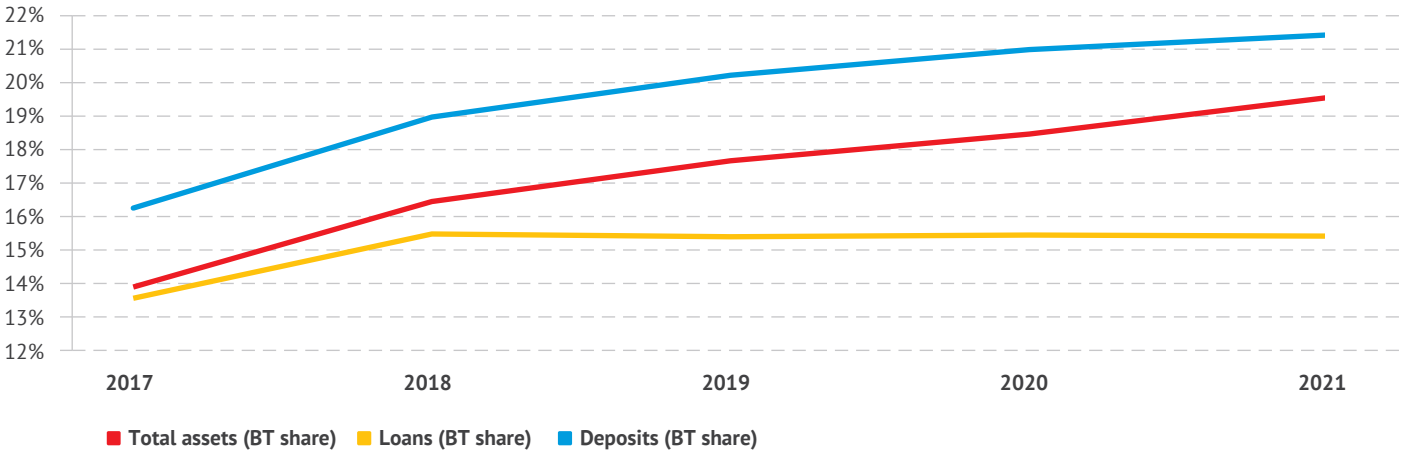
- Deposits increased significantly: +16% vs. 2020, the pace being above the 14% general growth recorded at the level of the banking system.
- 67% of the deposits from clients come from individuals and 33% from companies.

Loan / Deposit ratio 2017– 2021



Market share (31.12.2021): The Bank's market share in terms of assets is of 19.6%.

Trends of BT's market share



As at 31.12.2021, the shareholders' equity of Banca Transilvania was in amount of RON 9,353,125,686, of which:

- The share capital registered with the Trade Register represents 6,311,469,680 shares with a par value of 1 RON/share plus RON 86,501,040 as capital adjustment to inflation and surplus from the revaluation of fixed assets, used for the capital increase, which was not achieved by the date of the transition to the International Financial Reporting Standards adopted by the European Union;
- Premiums for conversion of bonds into shares: RON 28,613,972;
- Legal reserves: RON 759,671,430;
- Reserves for bank risks: RON 77,892,714;
- Reserves from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax: RON -1,004,667,093;
- Reserves from the revaluation of tangible and intangible assets, net of deferred tax: RON 42,234,498;
- Retained earnings (without current profit and profit distribution): RON 1,486,296,793;
- Individual actions: RON 0;
- Profit: RON 1,782,703,612;
- Profit allocation: RON -217,590,961.

As at 31.12.2021, Banca Transilvania Financial Group has a balance of RON 15,287 thousand, representing own shares at the acquisition value (16.7 million shares), while Banca Transilvania does not have any outstanding own shares as at this date.

During 2021, the Bank did not acquire any own shares for the purpose of disposal for consideration.

Profit and Loss Account

Items of the statement of profit or loss as at 31 December 2021, as compared to 2020 and the budgeted figures:

	BANK				GROUP		
RON million	**Realized 2021**	**Realized 2020**	**Realizări 2020**	**Δ 2021/ 2020**	**Realized 2021**	**Realized 2020**	**Δ 2021/ 2020**
	(1)	(2)	(3)	(4)=(1)/ (3)-1	(5)	(6)	(7)=(5)/ (6)-1
Total Operating Income	**4,348**	**4,149**	**3,937**	**10.4%**	**4,934**	**4,536**	**8.8%**
of which							
net interest income	*2,740*	*2,915*	*2,580*	*6.2%*	*3,142*	*2,977*	*5.5%*
net commission income	*806*	*725*	*656*	*22.8%*	*961*	*776*	*23.8%*
Operating expenses	**(2,091)**	**(2,043)**	**(1,782)**	**17.3%**	**(2,382)**	**(2,048)**	**16.3%**
Operating Income	**2,257**	**2,106**	**2,155**	**4.7%**	**2,552**	**2,488**	**2.6%**
Net provisions	(235)	(590)	(784)	-70.0%	(257)	(866)	-70.4%
Gross profit	**2,022**	**1,516**	**1,371**	**47.5%**	**2,303**	**1,622**	**41.9%**

Gross Profit (31.12.2021):

- Banca Transilvania: RON 2,022 million, +48% vs. 2020
- BT Financial Group: RON 2,303 million, +42% vs. 2020

Net profit (31.12.2021):

- Banca Transilvania: RON 1,783 million
- Banca Transilvania Financial Group: RON 2,025 million

Cost/Income Ratio (31.12.2021):

- Reached 48.1%, increasing as compared to 2020 (45.3%)
- This ratio is closely monitored and one of the bank's objectives in increased operating efficiency

Operating income (31.12.2021):

- Amounts to RON 4,348 million, +10.4% vs. 2020, as a result of a larger business volume, both through loans to individuals and companies and through the volume of operations performed via bank.
- +5% operating income vs. the budgeted level. The most important income categories are the following:
  - Net interest income: RON 2,740 million in 2021, an increase by 6.2% as compared to the previous year, both at bank and Group level. Of this income, a significant share of 31% is accounted for by revenues from securities amounting to RON 852 million.
  - Fee and commission income: increased strongly by 23% to RON 806 million, exceeding the budgeted level by 11%. Card transactions increased by 35% compared to the previous year, as the bank offered more solutions for transparency and open banking, speed and responsiveness in working systems and customer service and support.
  - Net trading income: This income increased by 49% at bank level and 53% at group level.

The increases are mainly due to net FX income and net income from derivatives.

- Net profit/(loss) from financial assets measured at fair value through comprehensive income reached RON 179.0 million at bank level.
- Net income/(loss) from financial assets which are required to be measured at fair value through profit or loss amounted to RON 64.5 million at bank level.

Operating expenses before net expenses with impairment allowance and provisions for other risks and loan commitments amounted to RON 2,091 million, vs. RON 1,782 million (2021 vs. 2020). At BT Group level, the evolution of operating expenses was mainly influenced by the evolution of the bank's expenses.

Personnel expenses: +21% at BT Group and bank level (2021 vs 2020), due to the expansion of the employee base and of the related benefits. The Bank continued the Stock Option Plan, rewarding the performance of the employees, whereby performing employees can exercise their right and option to purchase a number of shares issued by the bank, generating expenses at bank level of RON 122 million in 2021, double as compared to 2020.

Operating income +5% in 2021 compared to 2020, reaching RON 2,257 million at BT level, due to higher operating income as a result of the economic recovery from the effects generated by the pandemic, in the context of implementing economic and social measures both at national level and UE level.

Net Provision Expenses: RON 235 million, decrease by 70% compared to 2020, due to the positive effect of the recovery of the Romanian economy.

Banking Prudential Ratios

Among the indicators monitored by the National Bank of Romania through the prudential supervision system, the most significant for the assessment of the bank's evolution are:

Ratio	Level	BT level 31.12.21	BT level 31.12.20
Liquidity ratio	Min =1	1.55-25.36	1.89-29.40
CAR	> 8%	26.15%	22.24%

The solvency ratio is at a comfortable level of 26.15%, with the annual profit included. An adequate level of the capital and the general financial ratios was maintained, in accordance with the prudent banking practices.

Performance of the Bank's Business Lines

In 2021, despite the unpredictable climate, BT maintained its commitment to contribute to the recovery of the Romanian economy and came up with solutions for all the business segments - supporting business, consumption and the economy.

Client base evolution: +7% in 2021 vs. 2020
Number of active clients per business lines, for whom Banca Transilvania is the main bank, +7% in 2021 vs. 2020, with the following structure:

BT Active clients*	31.12.2021	31.12.2020	2021/2020
Large Corporate Clients	1,464	1,456	0.5%
Medium Corporate Clients	9,766	9,074	7.6%
SME Clients	20,423	18,538	10.2%
Micro Business Clients	356,441	329,740	8.1%
Retail Clients	3,247,963	3,038,548	6.9%
TOTAL	**3,636,057**	**3,397,356**	**7.0%**

** The classification of legal persons into segments is regulated by internal standards which set the conditions for the classification of clients per business segments.*

Large Corporate Clients

- RON 4.8 billion - new loan production related to large corporate clients
- RON 9 billion at the end of 2021 - the balance of the business line's loans at bank level

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

The strategic approach focused on sectors such as healthcare, industrial production, agribusiness, utilities and FMCG. Public sector financing generated a new origination of around 50% at an annual rate, confirming BT's strategic support for the development of the municipalities.

Medium Corporate Clients

- +14% loan balance at bank level and +16% at consolidated level, reaching RON 7.3 billion and RON 7.8 billion, respectively (2021 vs 2020)
- +21% deposits balance, reaching RON 8.3 billion (2021 vs 2020)

In addition to the financing provided from its own funds, BT actively participated in conveying to the business environment the benefits offered by financing programmes with price or guarantee advantages - IMM Invest, POIIMM, COSME and loans from EIB sources.

SME Clients

- More than 2,400 new loans (more than RON 1.6 billion)
- +19% SME loan balance (2021 vs. 2020), reaching above RON 3.0 billion

The bank has the most diversified SME support ecosystem in Romania, in terms of approach, team, products and services.

More than 4,200 loans were granted during 2021 withing the governmental programmes - IMM Invest and AGRO IMM Invest, BT in amount of RON 1,925 million and RON 685 million, respectively.

Besides the active involvement in government support programmes, initiatives to improve the digital experience were also prioritized in 2021: the launch of the loan origination and management platform and the "*Unlimited*" package which counts more than 300 thousand customers and can be set up and managed 100% online.

Micro Business Clients

- +8% number of active clients (2021 vs 2020), reaching above 356,000
- above 12,600 loans granted
- RON 2 billion granted loans
- +3% loan balance (2021 vs. 2020)
- +19% deposit balance (2021 vs. 2020)

In supporting the access to financing, an important role was played by the microfinance subsidiary, BT Mic (BT Microfinance).

Micro business clients enjoyed the government programmes meant to support Romanian entrepreneurship.

Retail Clients

- +7% number of clients (2021 vs 2020), reaching above 3.2 million
- +31% number of unique digitalized clients, reaching above 2.7 million
- +35% number of transactions made with BT cards (2021 vs 2020)
- 4.74 million cards
- 2.1 million unique cards are in the BT Pay, Apple Pay, Google Pay, Fitbit Pay and Garmin Pay wallets
- 68 million payments by phone, doubled vs. 2020
- 1,775 ATMs, of which 567 multifunctional ATMS, BT Express Plus
- above 84,000 POS terminals
- more than 14,000 Romanians bought a house with the help of BT, the amount granted exceeding RON 3.7 billion, with a balance of mortgage loans of RON 15.5 billion
- more than 100,000 consumer loans were granted, amounting to approximately RON 4 billion. The balance of these loans reached RON 11.4 billion

The accelerated digitization process continued in 2021, with the launch of digital solutions tailored to customer needs, such as:

- Consumer Loans 100% online;
- New functionalities in BT Pay, such as the payment of utility invoices and the online issue of credit cards;
- BT One subscriptions are now available to all the retail customers, including the existing customers; by the end of 2021 there were over 100 thousand such subscriptions attached to new customers.

Treasury

The bank's treasury activities complement other products and services offered to customers through the five business lines. The principles and strategic objectives related to the treasury activity are:

- Prudence - managing BT's liquidity surplus, the maturity of assets and liabilities, the interest rate structure and the market risks to which the bank is exposed, in line with the risk limits established in BT's Risk Strategy and/ or the regulations governing the Romanian banking sector;
- Dispersion: limits on counterparty exposures resulting from all types of specific treasury operations;
- Maximizing revenues, prudently and taking into account the estimated multi-annual evolution of the various cyclical macroeconomic ratios.

In line with the increase in the number of bank-wide operations, the FX activity was also stimulated, where net revenues increased at consolidated level by almost 21% vs. 2020, reaching a level of RON 441 million in 2021.

ESG & Sustainability

- ESG is for BT a commitment, as well as a business model
- Sustainability landscape
- BT's commintement for a susteneable growth
- Materiality analysis

6

ESG & Sustainability

In 2021 throughout all the Group's activities the focus has been to generate a positive impact in the economy and society, and for stakeholders to contribute to this leverage effect, all the more so as it has been another year marked by the pandemic.

BT continued to contribute to the growth and consolidation of the banking industry - on the one hand through results and initiatives, access to services and products for more than 3 million customers, and on the other hand through a new acquisition, Idea::Bank.

ESG is for BT a commitment, as well as a business model

Basically, we have shifted from a voluntary model, started many years ago, to a coordinated practice, which reports both our initiatives and progress, backed by the intensification of European and local legislation in this field, but also by the incresed expectations of our stakeholders.

The presentation of non-financial indicators are in line with the Global Reporting Initiative standards (GRI Standards 2016) and complies with the provisions of Ministry of Public Finance Order 3456/2018 and the National Bank of Romania Order 7/2016. At the same time, the a dedicated section on the Assessment and Management of Climate-Related Risks and Opportunities complies with the TCFD, that is: Task Force on Climate-related Financial Disclosures recommendations. The information reflects how the Group manages the material topics, as identified through the materiality review process conducted between January and February 2022.

Sustainability landscape

Society	• BT Supports the Romanian entrepreneurial spirit • It contributes to the development and transformation of many industries
Banking industry	• BT contributes to the growth of the banking industry • Access to services and products • Trendsetter
Community	• BT gives something back to the community • BT, a good citizen and a good neighbour
Banca Transilvania	• Good business • Human Banking

BT's commitment for a sustainable growth

We have the courage to change things. In order to make such a change, we want to shift the manner we perceive, day in, day out, the have world around us: people, environment, transparency, ethics and accountability. About what we are leaving behind and especially about what is next. This is our mathematics: #maimultdecatbanking. We support the ambitions of the Romanians. We are growing Romania.

Materiality analysis

At GFBT level, materiality analysis forms the basis for sustainability reporting, as the process that helps us identify material issues. Basically, external and internal stakeholders were consulted to assess the extent of BT Group's economic, social and environmental impact through its business and business relationships. A total of 847 responses were received and each stakeholder category had an equal weighting in determining the final score.

The role of the materiality analysis:

- creates benchmarks for sustainability reporting
- helps us better understand the risks and opportunities that arise from an ESG perspective
- contributes to improved stakeholder engagement and dialogue processes.

The material themes identified for 2021 are:

- Generated economic value
- Compliance, ethics and business responsibility
- Sustainable Financing
- Policy on acquisition
- Risk Management
- Resource consumption and waste management
- Actions on climate change
- Access to financial services, inclusion and financial education
- Digitalization and cyber security
- Responsible employer
- Investments for the community

ESG – Environment. Concern for the environment

At the level of the financial banking system the environmental impact is generated by:

- the projects that Banca Transilvania finances and the objectives related to sustainable financing
- day-to-day adminsitartive activity generates impact on nature

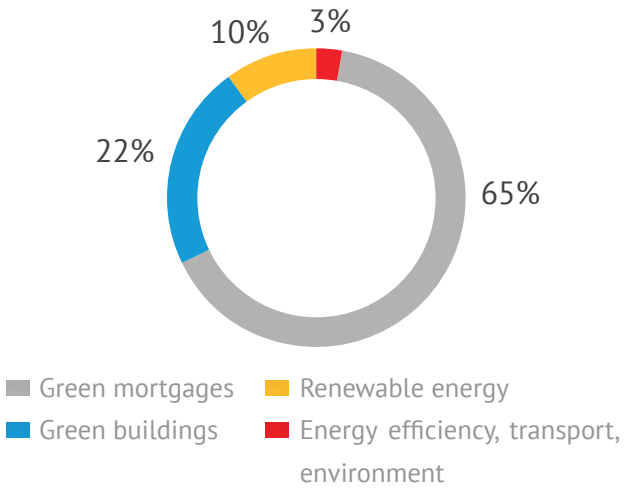
Sustainable Financing

The transition to a sustainable economic model is a challange for companies in the banking sector. As a market leader in the Romanian banking system, we have a responsibility to develop products and services that support our clients in this transition, financing projects with a positive environmental and social impact.

In 2021 we granted green loans to legal entities (Corporate and SME) amounting to RON 538,140,533 for destinations benefitting the environment:

- green constructions RON 340.46 million;
- renewable energy production (especially electricity generation): RON 153.87 million;
- energy efficiency, loans for equipment and machinery, leading to a decrease in energy consumption by at least 15%, worth RON 33.5 million;
- transportation RON 9.8 million;
- special environmental funding: RON 400 thousand.

Share of green finance by sector in 2021 as assessed by CAFI (Climate Assessment for Financial Institutions)



The green financing of companies is performed through a dedicated green credit IT application (CAFI), developed by IFC and implemented in BT from 2020. Basically, based on criteria set in line with best practice, any new funding that has a potential positive impact on the environment is tested with this application and designated as green funding if and only if it is clearly proven, through related calculations, to generate a positive environmental impact.

At the same time, under the umbrella of green credit products offered to individuals, we granted 3,459 loans for the purchase of eco-friendly buildings, worth over RON 1 billion. This achievement comes as a result of our pioneering green financing: BT was one of the first participants in the Romania's Green Economy Financing Facility ("GEFF") programme, supporting families in Romania with EUR 37.7 million for the purchase of green buildings and EUR 2.3 million for the purchase of green technologies for their homes. We will continue our approach for responsible purchasing, promoting the "buy locally" concept and solidarity with small, local companies.

In 2021 we continued to launch green products and campaigns, whether they are solutions to encourage a healthy lifestyle among our customers, such as Practic BT Verde, a personal needs loan, or campaigns dedicated to companies that want to make their business more efficient through energy efficiency approaches.

As for us, we are aware that genuine sustainable finance means a new mindset and a dedicated skill base. While our strategic positioning is aimed at funding smaller companies, we strongly believe that each and every one of us is relevant to the bigger picture on climate change. That is why we are continually developing and, in 2021, we have produced a series of 26 webinars dedicated to nearly 1,000 colleagues who can support clients in their sustainable development efforts.

We are confident that our entire loan portfolio reflects our mission and values close to BT's spirit and we have the ability to set a clear strategy and objectives on the road to sustainability and the determination to report information that is transparent, relevant and compliant with the rigours of sustainability regulation. Even if the current regulations do not yet include quantification of funding supporting the social objectives, BT Financial Group will continue to assist entrepreneurship in Romania, start-up companies or those willing to reach the next level, as well as sectors in the social sphere: education, health, etc.

Paper, plastics, electrical and electronic equipment waste, batteries and accumulators, lighting devices, printer cartridges and household waste are the main waste materials included in the waste management process.

Waste management

Banca Transilvania places great emphasis on the way in which waste is managed, seeking continuous modernization of all processes to reduce the amount of generated waste, in particular by reducing the consumption of resources and by selective and efficient waste collection.

We are aware of the significant impact plastic has on the environment. Since 2021, a large share of the cards issued are made from recycled plastic and biodegradable elements. We plan to continue issuing cards made of this material, abandoning traditional cards altogether.

Recycled waste (Banca Transilvania)	2021 (tons)
Paper waste	93.93
Lighting fixtures	0.12
Oil	0
Batteries	0.05
Plastic	19.31
WEEE	4.04

Electricity consumption

All BT's employees activities involve the use of electricity - from lighting offices, agencies and branches to ensuring the functionality of equipment.

The most important measures to reduce environmental impact:

- Relocation to offices with recognised certifications to reduced environmental impact (BREEAM);
- Smart building lighting - implemented in every renovated or upgraded facility;
- Replacement of used equipment in our daily activity, with upscaled energetic performance;
- Construction/refurbishment of buildings for energy efficient locations;
- Replacement of equipment used for cooling and heating of the building with more efficient ones;
- Training of employees to have an appropriate/ adequate approach/behaviour regarding electricity consumption.

Total fuel consumption from conventional sources (fuel for combustion in boilers, furnaces, incinerators, generators, vehicles, etc.)	2021
Type of fuel	[MJ]
Gas	15,179
Diesel	15,136
Natural gas	446,616,000
Electric Energy	681,044,364

Assessing and managing climate change risks and opportunities

The impact of climate change and accelerating regulatory and public policy initiatives are contributing to a growing concern in the financial services sector on identifying and managing the associated risks.

BT has identified the following risks associated with climate change:

- natural risk (drought, floods affecting agricultural companies);
- transition risk (arising from regulatory requirements or investment needs, additional costs with pollution charges or the need to change the business model to accommodate changes in consumer behaviour towards lower carbon footprint products).

How we manage the risks associated with climate change:

- at client level, as part of the credit risk analysis process, the impact of climate risk on the company's activity and the extent to which its activity affects the environment (emissions to water, air, soil) is assessed. This analysis also takes into account the scale and complexity of the project, company activity or requested funding;
- by using the list of sectoral exclusions, not funding, for example, the fossil fuel energy industry. Thus, BT has no exposure to the mining sector or the production of energy based on the fossil fuel having implemented an exit strategy in these areas in recent years;
- by mapping the entire financing portfolio according to environmental, social and governance risks for each sector of activity (such as agriculture, construction, transport, etc.). In this way, we identify the necessary measures to mitigate the potential negative impacts of climate change.

Opportunities arising from the increasing focus on climate change and related trends are linked to the growth of green finance, in renewable energy, agriculture (e.g. for irrigation systems), transport and mobility, low-impact building construction and energy efficiency projects that ultimately contribute positively both to the performance of the companies we support and to a cleaner, greener environment.

Environmental and community partnerships

Our bank has joined the Carpathia Conservation Foundation, recognized for its environmentally friendly initiatives, which contribute to improving the lives of its inhabitants and preserving the ecosystem in the Făgăraș Mountains area.

ESG – Society. People

As part of the community, we continued in 2021 to be a act as a good citizen and at society level, we went on supportting the Romanian entrepreneurship and help develop and transform several industries.

We know that we cannot help fund a sustainable future without a team of professionals guided by strong values and most importantly, the BT Spirit. We are aware of the role we play in the Romanian society, so we know that we also have a responsibility to get involved and contribute to the welfare of local communities.

BT team

In 2021, there were 11,314 employees in the BT Group team, as follows:

- 9,940 employees in Romania, of which 7,339 women and 2,601 men
- 1,374 employees in Moldova, of which 1,092 women and 282 men

Remuneration policy

A work environment supported by fair compensation contributes to increased employee satisfaction, with a direct impact on retention and turnover. At the level of each GFBT company, there is a remuneration norm that regulates the forms of remuneration that apply according to European directives, subsequently transposed into national legislation.

Ratio of the minimum wage in BT vs. national minimum wage	Banca Transilvania		Victoriabank		BT Leasing Moldova	
	Men	Women	Men	Women	Men	Women
	1.86	1.86	2.39	2.39	1.70	1.70

Employees' Development

We want the people who work with us to benefit from all the channels and tools they need to develop both professionally and personally. We encourage continuous professional development by offering employees both internal and external learning programmes. We make sure that all team members evolve and develop in line with the banking trends and the best practices in the industry.

In 2021, a total of 824 training modules were made available to BT Financial Group employees, comprising both training necessary for carrying out employees' work (use of applications, application of work methodologies, approaching regulatory and legislative news, digital skills) and personal development programmes (from emotional agility to collaboration skills, managing conflict and anxiety-generating situations or foreign languages). Attendance at these trainings has been a success, with over 270,000 visits. Thus, Banca Transilvania's employees benefited, on average, from approximately 34 hours of training/ employee, and Banca Transilvania Financial Group employees benefited from approximately 30 hours of training/employee. Victoriabank employees received on average about 30 hours of training/ employee, while employees of BT Leasing Moldova received on average 24 hours of training/employee.

Group Diversity

Our aim is to have a fair and equitable working environment, marked by diversity, inclusion and equal opportunities - principles that are fundamental to the way we do business. Within the Group, the Policy on the Gender Equality in force since 2020, is designed to guide employees so that they:

- understand what discrimination and harassment mean, what their roles and responsibilities are and what the procedures are if there are concerns about harassment;
- correct those attitudes and behaviors that may lead to the exclusion or marginalization of people of either sex and promote the benefits of building an inclusive and non-discriminatory society, in which the gender dimension is integrated, so as to bring real benefits to the lives of all persons and to eliminate all forms of discrimination and violence;
- lay down the provisions for the implementation of the equal opportunities principle, concerning the access to employment, promotion, vocational training, working conditions, remuneration, social security, as well as specific measures to implement this principle.

In addition to the formal framework in place, all colleagues were informed, through the provision of an equal opportunities training module, about the basic principles of gender non-discrimination.

Total number of employees based on age, gender and category (Romania)

Romania	Men				Women			
	<30	30-50	>50	Total	<30	30-50	>50	Total
First level of management	0	12	3	15	0	6	4	10
Second level of management	0	6	2	8	0	6	2	8
Other management positions	4	396	68	468	6	600	149	755
Professionals - Headquarters	307	844	118	1,269	641	1,617	188	2,446
Professionals - Branch	208	567	66	841	1,037	2,747	336	4,120
Total	**519**	**1,825**	**257**	**2,601**	**1,684**	**4,976**	**679**	**7,339**

Number of employees with disabilities, by category	2021					
	Romania		Victoriabank		BT Leasing Moldova	
	Men	Women	Men	Women	Men	Women
First level of management	0	0	0	0	0	0
Other management positions	0	2	1	0	0	0
Professionals - Headquarters	5	12	1	1	0	0
Professionals - Branch	6	14	0	7	0	0
Total	**11**	**28**	**2**	**8**	**0**	**0**

Employees in senior management positions recruited from local communities	2021					
	Romania		Victoriabank		BT Leasing Moldova	
	Number	%	Number	%	Number	%
	25	100	2	40	0	0

In the case of Banca Tansilvania and Victoriabank, senior management is represented by the members of the Leaders' Committee, and in the case of the subsidiaries by the manager and deputy manager.

Local Community= Romania/ Republic of Moldova

Community Involvement

Our community engagement strategy is based on five strands:

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

The policies and procedures by which we grant sponsorships are the responsibility of the Marketing, Communication and PR Department. The main sectors we support are: cultural, artistic, educational, scientific - basic and applied research, humanitarian, religious, philanthropic, sports, protection of human rights, medical, welfare and social services, environmental protection, social and community, representation of professional associations, as well as maintenance, restoration, conservation and enhancement of historical monuments. Also, BT branches receive annually a sponsorship budget to use in compliance with the internal norms for projects and initiatives with local impact. The sponsorship thresholds and the branches receiving these funds will be approved annually at the Leaders Committee.

Banca Transilvania

Total value of the investment budget: RON 27 mil.
Total number of supported projects: 125
Total number of partner organizations: 115

BT Financial Group's subsidiaries manage their investment budget in line with the principles of group-wide strategy, but have flexibility to support different projects:

	Total value of the investment budget
BT Asset Management	RON 270,000
BT Direct	RON 775,000
BT Improvement Credit Collection	RON 100,000
BT Mic	RON 700,000
BT Leasing	RON 1,020,000

Procurements: in 2021, 90% of the expenses with suppliers were performed with local suppliers.

At GFBT, the procurement process is regulated internally by the norm and procedure for the procurement of works, goods and services in Banca Transilvania, updated and amended in 2020 and 2021 respectively. The procured products are divided into several categories, such as: Investment and Logistics, IT, Human Resources, Marketing and Communication, Information Security, Retail, Legal Services.

- As a rule, purchases are made by choosing the supplier on the basis of at least three offers obtained from the same number of different and independent bidders. The suppliers selection process is performed using the Oracle Fusion Cloud Procurement, implemented in 2020.
- For the newly engaged services agreements with an estimated value exceeding a certain limit, the approval of the Compliance Division-Compliance Risk Management Service is required in terms of possible potential conflicts of interest and reputational risk existence.
- In the selection process or verification of the new suppliers, ISO14001 Certification is an important component of suppliers quality assessment for the offered goods and services. In 2021, 15 suppliers were assessed on the basis of a criterion that verified the existence of this certification. In the period to come, Victoriabank shall undergo the same selection process.

In 2021, there were no significant changes in the supply chain at the GFBT level.

Expense with the suppliers, BT Group in Romania

	Expense with local suppliers	Expense with other suppliers	Total
Total	1,177,963,820.49	88,088,465.33	1,266,052,285.82

Supporting education with European guaranteed funding

In 2021, BT Group continued to support education by funding private schools and kindergartens. Through BT Mic, it launched the Education Loan, designed to support entrepreneurs running a private school or nursery. The loan means access, in just a few days, to amounts of up to RON 200,000, with a European guarantee. The launch came at a challenging time for schools and nurseries, for education in general, especially as access to funding in this business niche is limited. The financial solution was also a message of confidence for the entrepreneurs who, despite the context of the pandemic, have plans for the future, thus contributing to the development of education in Romania.

Supporting projects for neighbourhood communities in Bucharest

Together with the Bucharest Community Foundation, the Inclusiv in Cartier initiative was launched in 2021 to support projects in neighbourhood communities. The total value of the funding programme was EUR 50,000 for projects carrying out activities in the fields of education, social and/or environment in a neighbourhood from Bucharest. The way a neighbourhood, and then the whole city, works, has a direct impact on the quality of life and the well-being of its inhabitants. The sense of belonging is also reflected in the frequency and quality of social interactions and personal links within the community, in the willingness to get involved in joint actions.

BT put the entrepreneurs on the map to support neighbourhood businesses in Bucharest

Banca Transilvania launched in 2021 a new initiative called Bucureştiul Întreprinzător, an online platform about the people and business ideas that have transformed the capital into the most entrepreneurial city in Romania. It is a business map of Bucharest, with popular neighbourhood brands, that can register online to become as well known as possible. Through Bucurestiul Intreprinzator 3.0, the bank aims to help strengthen the sense of belonging of the 17 neighbourhoods included in the campaign. For the same reason, the campaign also includes visual messages that will reach out to Bucharest businesses, in line with the branding, positioning of each neighbourhood to which they belong: Piața Victoriei neighbourhood - All roads lead to Victorie(i), Băneasa - Mon glamour, Colentina - A local bazaar with international flair, Berceni – Street is the soul of commerce, Pipera - Tunari - A festival of business, etc. Some of the businesses registered online in the Bucureştiul Întreprinzător platform were also promoted by the bank through its own communication channels. BT thus continued the initiatives started in 2020, #CumparaDeLangaTine and CumparaDeLaoAfacereMica, through which it aimed to bring Romanians together to support local businesses. 85% of Bucharest residents prefer to buy from businesses located near their homes, according to a survey conducted by Reveal Marketing Research and BT.

Bringing Romanians closer through dedicated call center and remote banking solutions

We are facilitating access to our services and assistance offered by the Call Center team for Romanians from all over the world by launching a dedicated phone number in 2021, +40264 303 003. Assistance is available in Romanian and English, 24 hours a day for the most used products and services (cards, BT Pay and BT24/NEO Internet Banking and Mobile Banking), from 8.00 to 20.00, daily, for information about accounts, loans or other general information. Contacting the bank via the universal Call Centre number (+40264 308 028) from a telephone number located abroad ensures automatic routing to the dedicated diaspora number. BT also offers around 70 services for remote banking.

Information on corporate governance, as part of the ESG, is detailed in Chapter 9 of this report.

The People of BT. Management of Human Resources

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

7

The People of BT. Management of Human Resources

The Human Resources Department, in the context generated by the pandemic, continued to be in 2021 the health, protection and safety of the employees and their families, quality selection and recruitment, continuous professional and personal development of all team members (the number of online training increased exponentially) hours of online training), career management for people with potential, development of management and leadership skills for all levels of coordination and leadership. All this had a decisive impact on the bank's performance, on increasing the retention and commitment of employees to the bank.

Figures mean people

- Total number of BT employees: 9,337 people
- No of active employees of the bank: 8,651 people
- Employees' average age: 37 years;
- 74% women and 26% men
- Staff turnover (2021 vs 2020): 12%

Employees' Health, Protection and Safety

The pandemic generated by SARS-COV-2 accelerated the rapid and efficient development of the Health & Wellbeing program, implemented in the Banca Transilvania Financial Group. The approach has been in support of the prevention since the beginning of the pandemic, through measures destined to secure the employees at all levels: social, emotional, professional, financial and personal. Over-delivering on our colleagues expectations was the bank's strategy in 2021 in terms of human resources. The BT team from the agencies and branches was permanently available to the clients, and the employees from the Bank's Headquarters worked in a hybrid system.

Through the **#SafePeopleofBT** project, a series of actions were carried out to maintain the health of the employees, in all its forms, with a holistic approach:

- Physical health: in addition to the existing programs (eg medical subscription, Screening saves lives program, MRI, CT and physical therapy services). A number of context-specific actions were implemented: teleworking, SARS-COV-2 infection protection measures, rapid PCR testing for employees, granting a bonus to vaccinated colleagues, purchase of oxygen concentrators, specific weekly communications, interviews with specialists in the medical and psychological field, workout sessions with internal personal trainer, influenza vaccination campaign, etc.
- Emotional health: psychological counseling, cognitive therapy, implementation of the kit for maintaining the emotional balance, mindfulness sessions, yoga, webinars of emotional agility, etc.

Program designed to maintain the emotional balance

It started in 2020, after the COVID-19 pandemic brought to the HR agenda a number of topics, including how it can help or intervene to reduce ambiguity, anxiety, stress and identify effective ways to manage problems. The following were added in 2021:

- Therapeutic services and psychological assistance for problems related to anxiety, stress, etc. Their accessibility level has increased almost 5 times in 2021 compared to 2020.
- A series of articles and advice in the field of psychology, under the "Wellbeing" umbrella, which can be accessed on the bank's intranet (BT Hub).

Personal Development

Banca Transilvania has continued to play a key role in the professional development of its employees. Record figures for participation in development programs were recorded: over 272,000 cumulative participations: classroom, webinars, e-Learning. Most trainings were about hard skills (97%), namely knowledge related to products and services, applications, workflows, specific skills (financial analysis, project management, legal, IT, etc.).

Development programs for the employees

In addition to the programs already implemented in the bank, regarding specific needs in the area of hard skills (products, services, lending products, methodologies / workflows, platforms and software applications, etc.), a series of programs have been developed that address the development needs in the soft skills area. Through the implementation of the Learn from Home program (in 2021), almost 1,500 BT employees had access to courses.

Organizational climate BT Employee Experience Index

Constantly concerned with building the best possible organizational climate and making Banca Transilvania a workplace where employees come with pleasure, BT continued to conduct the BT Employee Experience Index (BT EEI). It has a bi-annual frequency and three main objectives:

- measuring the Net Promoter Employer Score (eNPS);
- measuring the quality of the interaction between managers and members of the teams they coordinate;
- collecting proposals / recommendations that can increase the employees' satisfaction level.

The information collected after analyzing the data has helped the bank come up with timely actions for the employees. Nearly 5,000 suggestions were received, of which five high-impact initiatives were prioritized and implemented in the second half period of last year. The participation rate of the employees from Banca Transilvania Group was 88% in the study carried out in July-August 2021.

Performance Evaluation

In 2021, the process of assessing the employees' performance continued to be brought closer to people, and in this regard we have developed new features in the existing specific platform. The performance management process will be reviewed in 2022, with the aim of making it even more flexible, in real time, to target people and their results, with a focus on continuous and rapid growth of skills, through re-skilling and up-skilling or other development methods.

Benefits

At Banca Transilvania, one of the concerns is to build mechanisms to motivate the employees, to be the place where people have the opportunity to learn, grow and feel better in the team.

Examples:

- Following the proposals received from people in the bank's team and the decisions taken by the BT's management team, starting with 2021 the team has a new financial benefit, an **additional EUR 100 per year / employee, with the possibility, upon individual choice**, to direct these funds either to the optional pension pillar 3 or to a health insurance (which also covered the Covid-19 risk).
- The **Screening Saves Lives** Program - developed and run with our partner: Regina Maria Clinics Network, is a program to prevent the most common types of cancer. Banca Transilvania is the only company in Romania that carries out such a program available to all its employees, and all investigations in the program are carried out free of charge. In 2021, more than 1,200 screenings were performed, following which, in those cases where cellular changes were

detected, which were treated in time, lives were saved.

- For BT employees, a dedicated page has been created on the internal communication platform (BTHub) - *For You* - where all the materials addressed to colleagues have been posted, grouped on three main dimensions: physical health / financial health / mental health. Also, a dedicated section has been created for the employees' children, *For You and Your Child,* which includes a collection of useful materials and websites from various fields, such as: Art and culture, Theater, Games & Art & Craft, Sports, virtual travel, etc.

Recruitment

Bringing new people to the BT team was also a priority in 2021 on the Human Resources Department agenda, on this profile: good collaboration skills, autonomy, customer care and adaptability.

In 2021, we continued a series of projects with an impact in the area of recruitment / retention / engagement:

- *The BT career plan* is developed to ensure predictability and transparency of the promotion and career development oportunities in BT. This program is active in the BT network, benefiting from it more than 700 employees in 2021.
- *GROW X(perience)* is a project to map professional skills and to create a career plan for all positions in BT, to help forming motivated and high-performing teams.
- BT Internship:
  - *Hai la practică, cu ZÂMBT*, is one of the internship programs from European funds, which takes place between 2020 and 2022. The program includes 325 students (bachelor's and master's level) from 10 universities, but also 325 tutors from the network and from the Bank's headquarters. In 2021, more than 160 students from various universities participated, with more than 5,300 applications and 600 selection interviews.
  - *Internship on different areas*: legal, audit and front office: almost 50 participants, of which over 30 remained in BT.
- *BTransformers* is a reskilling program dedicated to BT employees through which participants learned the methodologies & technologies used in the technical area of the bank and were supported to make a career change. The objective of this program is the professional reconversion to three fields, through the courses supported by the IT Informal school: Business Analyst (BA), Automated Testing (QA Automation) and Manual Testing (QA Manual). There were over 200 applications and over 50 BT employees selected in the program.
- *Expansion of the geographical area for IT recruitment and establishment of IT Hubs in Oradea, Alba Iulia, Suceava and Constanţa.*
- *Schedule for parents returning from maternity leave.*

This project is intended for those BT employees who are parents and who return to the office from maternity leave, and the benefit of it is the gradual integration of the employee after an absence of approximately 2 years. Parents have a flexible schedule during the first month after returning to the office.

Remuneration policy

The Remuneration Policy is approved by the Board of Directors. The Bank ensures a fair and competitive remuneration, strictly respecting the skills and performance, with two components, properly balanced: the fixed component and the variable component.

- **The fixed remuneration** reflects relevant professional experience and organizational responsibility as set out in the employee's job sheet, as part of the terms of employment. The fixed remuneration is sufficiently consistent and represents a sufficiently large proportion of the total remuneration so as to allow the application of a fully flexible policy on variable

remuneration components, including the possibility of not paying any of its components.

- **The variable remuneration** reflects a sustainable and risk-adjusted performance, as well as a result that exceeds the performance required to meet the employee's job description as part of the employment terms. The variable remuneration is not automatically guaranteed or carried over from one year to the next. The distribution mechanism of the variable remuneration component does not guarantee amounts to be paid over several years. Thus, the variable remuneration is subject to an annual, fair, review process.

The Bank takes into account the provisions of the NBR Regulation no. 5/2013, with the subsequent amendments and completions, Directive (EU) no. 36/2013 and of the Delegated Regulation (EU) no. 923/2021.

Risk management

- Credit Risk
- Liquidity and credit risk
- Operational Risk
- Market Risk
- Interest rate risk from activities outside the trading book
- Reputational Risk
- Risk of Excessive Leverage
- Strategic risk
- Systemic Risk
- Compliance Risk
- Capital Adequacy
- Internal And External Audit

8

Risk management

The objective of Banca Transilvania Financial Group in terms of risk management is the integration of the assumed *average-low* risk appetite within the bank's decision making process, by promoting the adequate balance between the assumed risks, the available capital and the performance targets, considering at the same time the tolerance to financial and non-financial risks. In determining its appetite, capacity and risk tolerance, the BT Group shall take into account all material risks to which it is exposed taking into consideration the specificity of its business, business model, strategic and operational objectives, and applicable capital and liquidity requirements, its own risk management and control capacities, as well as the regulatory constraints, being mainly influenced by the credit risk.

The risk management framework within the BT Group is based on the following principles that apply to all activities and risk types:

- the existence of a solid culture in terms of risk management, both at the level of the BT Group's structures and at the level of its business lines;
- protection of the financial stability: Banca Transilvania controls the risk in order to limit the impact of potential adverse events on the capital and profitability;
- limiting the excessive risk taking;
- ensuring a solid and sustainable capital and financing base;
- independent perspective: the risk management function is structured so as to identify, assess, monitor and report risks; the risk management function, as well as the compliance and internal audit functions operate independently of the activity lines that they monitor and control, in order to ensure the integrity of the bank's control processes;
- portfolio diversity in order to prevent dangerous concentration risks;
- limiting the concentration and volatility of the income sources;
- homogenous approach and global risk monitoring at BT Group level;
- compliance with the norms and regulations imposed by the national and international authorities in the field;
- the existence of business continuity plans for the banking activities;
- issuance and periodic revision of the recovery plan at the level of the BT financial group;
- Banca Transilvania Financial Group does not carry out activities in jurisdictions that reduce transparency, such as off-shore jurisdictions, or via certain structures that decrease transparency.

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

- Continuously assesses the risks likely to affect the bank's business and goals and takes actions whenever any changes appear in its business conditions.
- Ensures the existence of an adequate activity management framework within the BT Group, considering both internal factors (the complexity of the organizational structure, the nature of the activity, staff quality and fluctuation) and external factors (macroeconomic factors, legislation changes, competition changes in the banking sector, technological progress),
- Risk identification: exposure to inherent risks through day-to-day operations and transactions (including lending, dealing, capital market activity, asset management and other specific activities) is identified and aggregated through the risk management infrastructure implemented at the Group Level;
- Assessing/measuring risks: the Group performs an evaluation of the identified risks through

specific models and calculation methods: a system of ratios with related limits, a methodology for assessing the risk events likely to generate losses, calculation methodology for specific credit risk provisions, assumptions regarding the future evolution of assets' value, etc.

- The policy and the procedures implemented for an effective risk management are meant to mitigate risks inherent in the bank's business. The bank implemented procedures for the supervision and approval of decision and trading limits per person/ unit/ product etc. Such limits are monitored daily/ weekly/ monthly depending on operations.
- Reporting risks: Periodic and transparent reporting mechanisms have been established for specific risk categories so that the management body and all relevant structures benefit in a timely manner from accurate, concise, intelligible and meaningful reporting, but can also exchange relevant information on the identification, measurement or assessment and monitoring of risks;
- Calculates and evaluates internal capital and internal capital needs: In order to assess the adequacy of the internal capital to risks, the bank identifies and assesses all significant risks to which it is or may be exposed and continuously assesses the internal capital and the internal capital needs to cover the bank's business needs and of the related risks, including through stress tests.

The risk management framework includes internal regulations, risk limits and risk control mechanisms, adapted to the proper functioning, financial soundness, capital base and strategic objectives of the credit institution, which ensure proper, timely and continuous identification, assessment, monitoring, mitigation and reporting of the risks related to the bank's activities, as a whole, as well as at the business lines' level (Large Corporate, Mid-Corporate, SME, Micro and Retail).

The main risk categories to which the BT Group is exposed to, are:

- Credit Risk;
- Liquidity and credit risk;
- Operational risk;
- Market Risk;
- Interest rate risk from activities outside the trading book;
- Reputation risk;
- The risk associated with excessive usage of leverage;
- Strategic risk;
- System risk;
- Compliance risk.

Credit Risk

The credit risk management framework is regularly updated and improved, being designed to cover all credit exposures in the banking activity and includes, among others, the following basic components:

- A risk assessment system for new credit products / significant changes in the existing products;
- Lending methodology to ensure a healthy loan book;
- Integrated IT systems for the client relationships and loan origination management, both for companies and individuals.
- An efficient credit risk rating process capable of rendering the variable level, nature and determining factors related to credit risk, which could occur in time, so as to ensure in a reasonable manner that all the credit exposures are properly monitored and the ECL-related allowances are properly measured;
- A model validation process, the related framework defining: the structure of the model validation process in terms of responsibility and reporting, internal regulations on the evaluation and approval of the changes brought to the models, and reporting the results of the model validation;
- A system for assessing the risk exposure through transactions;

- Pricing methodology based on risks;
- An efficient process of Active management of the loan portfolio, that includes an adequate reporting system;
- Concentration limits per client / group of clients / products / regions /sectors/ guarantee suppliers / guarantee types;
- Proactive management of fraud risk mechanism;
- Elaborating the methodology for the early identification of higher real or potential credit risks;
- Methodology for loan monitoring / review after granting;
- Processes systematically and consistently applied in order to establish proper allowances for the loss in accordance with the applicable accounting regulations in the field of credit risk;
- Continuous improvement of the overdue credit collection process;
- Back-testing methodology regarding the adequacy of the default probability parameter, the non-repayment status and the provision level related to the Bank's loan portfolio;

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

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

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

- The organization of an internal system of norms and procedures in this field, establishing the regulatory framework for the lending process in order to avoid or to mitigate the risks occurrence; development / improvement of the credit risk management procedures (strategy, policies, norms related to credit risk management); ongoing improvement of the credit approval / loans granting process;
- Maintaining an adequate process for credit management, control and monitoring;
- Organizational structure of the bank – there are departments and committees with responsibilities in the credit risk supervision and management.

The credit risk appetite determined a priori for 2021 was "*medium-low*".

Liquidity and credit risk

The liquidity risk appetite for 2021 was set as *low*, taking into account the structural correlation of the bank's assets and liabilities. The purpose of liquidity risk management is to obtain the expected returns on assets by taking advantage of temporary excess liquidity and though an efficient allocation of the resources attracted from customers, in the context of a proper management, consciously assumed and adapted to the market conditions and the current legal framework. Liquidity management is realized centrally and aims to combine prudential requirements with profitability requirements.

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

For a sound liquidity risk management, BT is constantly focused on obtaining liquidities via treasury operations, external financing, capital markets, etc., by taking into account various factors such as the issuer's rating, the issuance maturity and volume of the exposures and the analysis of the markets on which it trades.

The operative (intraday) liquidity management is realized through all the operations carried out by the bank's departments, so as to ensure the performance of all the settlements / payments of the bank carried out by the bank on its behalf or on behalf of its customers, in RON or FCY, on the accounts or in cash, within the internal, legal and mandatory limits.

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

During 2021, the bank recorded very good levels of liquidity indicators thus demonstrating a solid position, registering a more than comfortable liquidity level in a fragile overall economic context.

As well, attention is given to:

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

Operational Risk

Operational risk is the risk that considers those inadequate practices, policies and systems unable to prevent a loss due to market conditions or operational difficulties.

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

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

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

- continuously assesses exposures to operational risk, based on historical data, monitoring and managing the **conduct risk**, as a subcategory of the operational risk, as well as the risk determinants associated with this category, paying particular attention to its scope, relevance and the possible prudential impact;
- evaluates and monitors products, processes and systems aimed for developing new markets, **products and services**, as well as significant changes to existing ones and the conduct of exceptional transactions, from the perspective of product consistency and changes in line with the risk strategy;
- identifies, assesses, monitors and manages the risks associated with **information technology**

(ICT), the bank has appropriate processes and controls in place to ensure that all risks are identified, analyzed, measured, monitored, managed, reported and maintained within the risk appetite and that the projects and systems they deliver and the activities they perform are in line with the external and internal requirements; also, the Bank also defines and assigns relevant roles, key responsibilities and reporting lines to ensure the effectiveness of the ICT and Security Risk Management Framework, which is integrated into its own regulatory framework, operational framework for ICT security and into the risk management framework.

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

The strategy of BT Group to diminish the exposure to operational risks is mainly based on:

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

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

The operational risk appetite of Banca Transilvania determined a priori for 2021 was "*medium-low*".

Market Risk

In 2021, Banca Transilvania's market risk appetite was set as *medium-low* due to the structure and the size of the trading portfolio, the prudential approach of all operations subject to such a risk and the numerous limits implemented and daily monitored within the bank's current business activity. In order to reduce the market risk, the bank adopted a prudential approach to protect its profits from fluctuations in prices, interest rates and exchange rates on the market, which all represent exogenous, external, independent factors. The Bank implements a series of principles in terms of quality, maturity, diversity and risk degree of the constitutive elements.

Banca Transilvania performs a daily evaluation of all banking positions, marking to market its trading book, of the positions at the directly available closing prices, coming from independent sources, such as: prices on the stock exchange, electronic quotations, quotations from several independent, well-known brokers, in accordance with the applicable internal regulations and monitors the "warning" or "alert" levels, using backup plans,

immediately applicable, in case of unstable market conditions.

The market risk analysis is based on the three main risk sub-categories listed below, with the purpose of combining the prudential and profitability requirements:

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

FCY Exchange Risk It represents the risk of recording losses related to the on-balance sheet and off-balance sheet positions due to unfavorable market fluctuations in the exchange rates. The Bank applies a series of rules with regard to operations/ positions sensitive to exchange rate fluctuations, the realization, registration and mark-to-market thereof, as well as the impact of exchange rates on the bank's assets and liabilities.

Counterparty credit risk and settlement risk from exposures resulting from derivative financial instruments and from transactions with financial instruments:
Represents a possible loss that may occur due to improper settlement of the treasury operations, the objective of Banca Transilvania regarding the management of the counterparty credit risk and the settlement risk being the adoption of a prudent policy regarding the selection of counterparties, custodians, management of the counterparty operations and of the maturities of the related operations.

Interest rate risk from activities outside the trading book;
The appetite for the interest rate risk from activities outside the trading book in Banca Transilvania was set in 2021 as *low*. The Bank has established a set of strict principles for managing and monitoring this type of risk, based on a risk management process that keeps interest rates within the prudential limits. The interest rate risk management is to minimize the possible negative impact on the net income, as well as to preserve the economic value of the equity under the conditions of adverse fluctuations of the interest rates.

The bank uses management tools such as GAP static analysis as well as the economic value of the assets, forecasts regarding the interest rate trends, the interest types and levels of the bank's products, depending on currency and maturity, the volumes of different balance-sheet items sensitive to interest rates, fees and commissions, directly or indirectly influenced by interest rate changes, limits recommended and periodically updated in the interest rate management.

A detailed analysis of the credit, liquidity, market and interest rate risks is available in the consolidated financial statements of the BT Group. These were within the risk limits assumed in the bank's decision-making process, promoting an adequate alignment of the assumed risks, available capital and performance targets and at the same time taking into account the tolerance to both financial and non-financial risks.

Reputational Risk

The reputation risk represents the current or future risk that the profit and capital may be negatively affected by the clients'/counterparties'/ shareholders'/investors'/supervisory authorities' unfavorable perception of the BT Group's image. The appetite for the reputation risk in Banca Transilvania Financial Group was set in 2021 as

low. Reputational risk management is performed through efforts to attract the best partners, both in terms of customers and suppliers, recruiting and retaining the best employees, minimizing disputes, rigorous regulation of the activity, prevention of crisis situations, respectively permanent consolidation of the credibility of Banca Transilvania and the trust of the shareholders, the permanent improvement of the relations with the shareholders, the creation of a favorable environment for investments and access to capital, continuous and open communication with shareholders (shareholders, media, clients, partners, employees, authorities, etc.).

Risk of Excessive Leverage

The leverage concept represents the relative dimension of assets, off balance-sheet commitments and contingent obligations to pay, to render a service or to grant real guarantees, including the obligation resulting from the financing received, assumed commitments, derivative instruments or repo transactions, excluding the obligations that can only be performed during the liquidation of an institution, in relation to the institution's own funds.

Banca Transilvania treats cautiously the issue of leverage related risk, taking into consideration the potential increases of this risk as a result of own funds deterioration due to expected or incurred losses in accordance with applicable accounting regulations. The risk appetite associated with the risk associated with the excessive use of leverage in BT, established a priori, was set as low in 2021, by using quantitative methods of assessment and mitigation. Banca Transilvania has implemented a risk management framework associated with the excessive use of leverage, the main objectives of which are to protect the financial stability of the bank, limit excessive risk-taking, limit concentrations and diversify the portfolio, as well as ensuring a solid and sustainable capital and financing base.

Strategic risk

The Strategic risk is the current or future risk for profits and capital to be negatively affected by changes in the business environment, by unfavorable business decisions, improper implementation of decisions or the low adaptability to changes in the business environment. During 2021 the strategic risk appetite has been established as *low* based on the following aspects: risk management practices are part of the bank's strategic planning, the exposure to strategic risk reflects strategic goals that are not excessively aggressive and are compatible with the developed business strategies, the business initiatives are well designed and supported by communication channels, operating systems and adequate delivery networks.

In order to ensure sound strategic risk management, the BT Group conducts regular reassessments of its business strategy, draws up plans for the introduction of new business lines, products and services, for the expansion of existing services and for the infrastructure consolidation. The BT Group also performs analyzes of the environment in which it operates in order to highlight the strategic risk factors to which it is exposed.

Systemic Risk

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

Banca Transilvania's objective is to ensure the general framework for establishing an adequate management of the systemic risk, in the sense of preventing and protecting the bank both against possible negative effects that the system may have on the institution, and vice versa. In this respect, BT has comprehensive regulations on risk management, which include, in addition to the general risk management policy and strategy, financing plans in crisis and recovery conditions,

which aim to control risks, and in case of special situations can stabilize the institution and restore its financial position as soon as possible, without adversely affecting the market.

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

Compliance risk

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

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

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

The appetite for compliance risk in Banca Transilvania was set in 2021 as *low*.

Capital adequacy

The internal assessment process of capital adequacy to risks is integrated in the administration and management process of Banca Transilvania and in its decision making culture, according to which the management body must ensure the proper identification, measurement, aggregation and monitoring of risks, the preservation of internal capital levels adjusted to the bank's risk profile, as well as the use and development of sound risk management systems.

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

- Credit risk: risk-weighted assets are calculated based on the standard method;
- Market risk: capital requirements with respect to the exchange risk and the trading portfolio are calculated based on the standard method;
- Operational risk: the basic indicator method is used to calculate the capital requirement to cover the operational risk.

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

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

Internal and external audit

The general objectives of the 2021 audit focused mainly on risk management, as well as on the assessment of the overall control system implemented on transactions and / or processes / flows, covering the entire range of risks. The control system assessment was carried out in line with the internal audit methodology, one of the main objectives being that of ensuring the reliability and integrity of financial and operational data, as a result of an independent and objective evaluation of the internal control system and of the risk management systems in connection with the financial reporting process.

The internal control framework of the BT Group is structured on three levels:

- functions that hold and manage risks (operational units);
- risk supervisory functions (risk management function and compliance function);
- the function that ensures an independent examination, namely the internal audit function.

Thus, the 1st control level is realized by the operational units, which are responsible for ensuring an appropriate risk control and prevention environment within each operational structure/ activity, as part of their daily operations; the 2nd and 3rd control levels are associated with the three independent control functions, as follows:

- the risk management function ensures the management and control of identified risks by means of specific assessment processes;
- the compliance function ensures the management of compliance / operational / credit risks;
- the internal audit function ensures the objective examination of the BT's overall activities, for the purpose of an independent assessment of risk management, of the internal control system, of the management and execution processes, in order to support the achievement of the objectives; it also issues recommendations for the improvement of such activities.

The external auditor of the bank - KPMG Audit SRL - has audited the individual and consolidatated financial statements of the bank as at December 31, 2021.

Corporate Governance

- General Meeting of Shareholders
- Board of Directors
- Committees of BT's Board of Directors
- Audit Committee
  - Audit Committee's Report 2021
- Remuneration and Nomination Committee
  - Remuneration and Nomination Committee's Report 2021
- Risk Management Committee
  - Risk Management Committee's Report
- Leaders' Committee
- Assets and Liabilities Management Committee
- Procurement Committee
- Human Resources Committee
- Credit Policy and Approval Committee from the BT Headquarters
- BT HQ Credit and Risk Committees
- Committees Specific to the Activity of the Credit Recovery Department and the Workout, Insolvency and Bankruptcy Department
- Enforcement Monitoring and Asset Realization Committee
- Special Committee for the Approval of the Initiation of Enforcement/Litigation Proceedings
- Financial Institutions Credit Committee
- Credit and Risk Committee - Branches
- Data Monitoring and Business Intelligence Committee
- Operational Risk Committee
- Line 2 Control Committee
- The Group Policy regarding diversity
- Human Rights Principles
- Practices for the Prevention of Corruption and Bribery
- Anti-money Laundering Protection

Corporate Governance

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

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

General Meeting of Shareholders

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

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

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

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

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

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

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

- discuss, approve or amend the annual financial statements, based on the reports presented by the Board of Directors, or, as applicable, the financial auditor, as well as establish the dividend;
- elect and revoke the members of the Board of Directors;
- establish the minimum duration of the financial audit agreement, as well as revoke the financial auditor;
- establish the remuneration of the Board members for the current financial year, unless it is established through the Articles of Association;
- decide on the management of the Board of Directors;

- establish the Budget and the Activity Plan for the following financial year;
- decide on the pledge, opening or dissolution of one or several bank units.

With regard to the redemption of own shares, the Board of Directors can initiate the redemption procedure only subject to the decision of the Extraordinary General Meeting of Shareholders, under Law No. 31/1990, as well as the legislation governing the capital market. For the decisions to be valid, the Ordinary General Meetings require the presence of shareholders representing at least 35 % of the share capital. The decisions shall be taken with the majority of votes. On the date set for the second convening, the meeting can take place irrespective of the percentage of share capital represented by the attending shareholders and the decisions shall be taken with the majority of the present votes.

The BoD members may not vote at the Ordinary General Meetings, either personally or by a power of attorney, in respect of their discharge or any issue relating to their personal or management performance.

In order for the Extraordinary General Meeting to be valid, the presence of the shareholders representing at least 35% of the share capital is required, whereby the decisions are to be made with the majority of votes held by the present or represented shareholders (in accordance with Article 115(2) of Law No. 31/1990). If, upon the first convening, the above quorum is not met, a second meeting shall be held where the presence of the shareholders representing at least the fifth part of the share capital is required and the decisions on the issues included in the agenda of the previous Extraordinary General Meeting shall be taken with the majority of votes held by the attending or represented shareholders (under Article 115 (2) of Law no.31/1990). The Board of Directors must convene the Ordinary or Extraordinary General Meeting upon the request of the shareholders representing at least 5% of the share capital, request that must be submitted in writing and justified. If the Board of Directors does not convene a general meeting, the competent court in the area of the bank headquarters will be able to order the convening, by appointing a person from among the shareholders to chair the meeting.

The decisions of the General Meeting shall be taken by open vote. Secret voting is obligatory for the election or the dismissal of any BoD members as well as to adopt decisions about the accountability of the members in the governing, management or control bodies of Banca Transilvania.

The General Meetings of Shareholders shall be chaired by the chairman of the Board of Directors or a representative appointed by the chairman from among the BoD Members. One to three secretaries from the attendees shall be also designated to verify the attendance, to indicate the share capital represented by each attending or represented shareholder, to verify the minutes prepared by the technical secretary concerning the number of shares represented at the meeting and compliance with all formalities required by the law and the Articles of Association in respect of the meeting.

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

Such rights include without limitation:

- The right to information on the occasion of the GMS - conferred to every shareholder. It implies access to the annual financial statements, BoD/auditor/censor reports;
- The right to address written questions prior to the GMS;
- The right to ongoing information - conferred to every shareholder. It implies access to the Register of GMS Decisions, as well as to other

company enrollment documents, within the limits of the law;
- The right to vote of any shareholders, based on the one share principle - one vote;
- The right to dividends if the legal requirements are met;
- The right to bring an action for the cancellation of the decision of the General Meeting of Shareholders - conferred to the shareholder who has voted against or has abstained during the GMS, within the limits of the law;
- The right to convene the GMS - shareholder holding at least 5%;
- The right to add new topic on the GMS agenda - shareholder holding at least 5%;
- The right to complain about censurable deeds - only at the request of the shareholder holding at least 5%, whereby the auditors are obliged to undertake the appropriate verifications.

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

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

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

Board of Directors

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

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

The management of Banca Transilvania is entrusted by the General Meeting of Shareholders to a Board of Directors elected for a four-year term of office, consisting of 7 directors elected by the shareholders at the GSM, either on the expiry of the mandate or specifically, in the event of one or more vacancies. In accordance with the provisions of the applicable regulations issued by the NBR, the Board of Directors is the body in charge of the steering, coordination, supervision and control. Its structure within Banca Transilvania is:
- Chairman of the Board of Directors;
- 6 directors - members of the Board of Directors;

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

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

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

Atribuţiile Consiliului de Administraţie:
- To ensure the achievement of the strategy and of the objectives laid down in the policy statement adopted by the General Meeting of Shareholders, and of the medium-term Strategic Plan, to approve and review the general strategies and policies of the bank at least once a year;

- To adopt the Activity Plan and the Budget, the Investment Programme and the Profit And Loss Account, to prepare the Report regarding the bank's activity, which are all presented for approval in the General Meeting of Shareholders, to prepare proposals for the distribution of the net profit, to be submitted for approval to the General Meeting of Shareholders;
- To approve and to implement a strategic plan for a minimum period of 2 years which is to be reviewed at least annually;
- To approve the Rules of Organization and Administration, the Code of Ethics and Conduct, the organizational structure, as well as the salary and employee loyalty principles, to approve individual exposures to a related party of the bank, within the limits established by the Board of Directors;
- To supervise the management of the compliance risk;
- To create the necessary conditions for an independent, permanent and efficient compliance function;
- Ongoing review of the capital adequacy, with capital allocations in line with the risks assumed both for the credit institution and for the subsidiaries;
- To approve the accounting policies, the financial control policies, as well as the significant risk management policies;
- To approve other internal policies and norms, in accordance with the bank's Rules of Organization and Administration.

The Board of Directors shall meet at the headquarters of the Bank at least once a month or any time it is considered to be necessary, with an attendance of at least half of the number of its members and can exercise its specific responsibilities via certain committees created at BoD level and consisting of 2-3 members based on the awarded mandates and in line with the applicable legal provisions. The committees created at the level of the Board of Directors are: The Risk Management Committee, the Remuneration and Nomination Committee, the Risk Management Committee. The Board of Directors and its committees are governed by the reference terms on corporate governance published on BT's website.

In 2021, the Board of Directors held 11 physical meetings. In determining the attendance degree of the meetings presented below, one has taken into account both the physical presence and the reasonably justified absences, in accordance with the bank's practices.

With regard to the Board of Directors, following the GMS Decision of 25.04.2018, the current Board members have been reelected for a new 4-year mandate. The structure of Banca Transilvania's Board of Directors and their professional expertise as at December 31, 2021, is:

Member	Position	Personal Data
Horia Ciorcilă Date of first election: April 2002 Duration of the current mandate: April 2018-April 2022 Non-executive director BoD attendance in 2021: 11 out of 11 meetings	Chairman	Technical University of Cluj-Napoca, The Faculty of Automatic Control and Computers. The CV including information about other current positions held is available here.
Thomas Grasse Date of first election: April 2014 Duration of the current mandate: April 2018-April 2022 Independent non-executive director BoD attendance in 2021: 11 out of 11 meetings	Vice-Chairman	Bankakademie Frankfurt-Business School of Finance and Management and HYPO-Bank Mannheim Branch, Apprenticeship in Banking. The CV including information about other current positions held is available here.

Member	Position	Personal Data
Ivo Gueorguiev Date of first election: April 2014 Duration of the current mandate: April 2018-April 2022 Independent non-executive director. BoD attendance in 2021: 11 out of 11 meetings	Member	Alberta University, Edmonton, Canada. The CV including information about other current positions held is available here.
Costel Ceocea Date of first election: April 2010 Duration of the current mandate: April 2018-April 2022 Non-executive director BoD attendance in 2021: 11 out of 11 meetings	Member	Al.I. Cuza University Iași, Faculty of Economics and PhD, in Industrial Engineering. The CV including information about other current positions held is available here.
Vasile Pușcaș Date of first election: April 2012 Duration of the current mandate: April 2018-April 2022 Independent non-executive director. BoD attendance in 2021: 11 out of 11 meetings	Member	Babeş- Bolyai University, Cluj-Napoca, Faculty of History and Philosophy and PhD in History. The CV including information about other current positions held is available here.
Costel Lionăchescu Date of first election: April 2016, Duration of the current mandate: April 2018-April 2022 Independent non-executive director BoD attendance in 2021: 11 out of 11 meetings	Member	The Faculty of Electronics and Telecommunications, Technical University Bucharest. The CV including information about other current positions held is available here.
Mirela Bordea Date of first election: April 2017 Duration of the current mandate: April 2018-April 2022 Independent non-executive director BoD attendance in 2021: 11 out of 11 meetings	Member	Bucharest University of Economic Studies, External Trade Department. The CV including information about other current positions held is available here.

Committees reporting to the Board of Directors

Audit Committee

- Ivo Gueorguiev - Chairman;
- Thomas Grasse - Member;
- Costel Lionăchescu - Member

Remuneration and Nomination Committee

- Vasile Puşcaş - Chairman;
- Horia Ciorcilă - Member;
- Ivo Gueorguiev - Member

Risk Management Committee

- Thomas Grasse - Chairman;
- Ivo Gueorguiev - Member;
- Costel Ceocea - Member

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

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

In 2021, the Remuneration and Nomination Committee assessed the suitability of the Board of Directors and of its committees for the financial year 2020. No significant problems have been identified and the minor issues that require adjustment have been analyzed within the Board of Directors, with solutions for the resolution thereof in 2021, in order to optimize the activity of the Board of Directors and of the related committees.

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

Audit Committee

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

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

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

Audit Committee's Report 2021

The Audit Committee consisting of 3 independent non-executive members, held 12 physical meetings in 2021, and had a series of the phone conferences and non-physical meetings to review, discuss and approve numerous ad-hoc topics. The attendance degree of the meetings presented below has taken into account both the physical presence and the reasonably justified absences, in accordance with the bank's practices.

Structure of the Committee in 2021:

- Ivo Gueorguiev – Chairman of the Audit Committee; Independent non-executive director with extensive audit experience, attending 12 out of 12 meetings;
- Thomas Grasse – Member; Independent non-executive director with extensive audit experience, attending 12 out of 12 meetings;
- Costel Lionăchescu – Member; Independent non-executive director with extensive audit experience, attending 12 out of 12 meetings;

During the meetings of 2021, the Audit Committee had in view the following aspects:

- Analysis of the financial statements and the report prepared by the external auditor for the year 2020, focusing on the significant accounting

and reporting aspects and the impact thereof on the financial statements;
- Monitoring the efficiency of the internal control, internal audit and risk management by analyzing the specific reports prepared by the Bank's control functions and other relevant reports;
- Analysis of the specific aspects in NBR's reports and implementation of the related recommendations;
- Implementation of the significant recommendations in the external auditor's management letter.

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

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

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

The Committee monitors the statutory audit and is responsible for assessing and monitoring the independence and objectivity of the external auditor and for delivering quality audit reports. For 2021, the Committee considered that both the main partner and the extended teams, along with the remuneration and employment terms applicable to the appointed auditor were appropriate for approval.

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

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is a consultative body subordinated to the Board of Directors and issues competent and independent opinions on the remuneration policies and practices, on the incentives for risk management, capital adequacy and liquidity management, on the nomination policies and to exercise the powers mandated by the Board of Directors in this field of activity, on the nomination policies and exercise of the attributions mandated by the Board of Directors in this field of activity.

The Remuneration and Nomination Committee consists of the:
- Chairman of the Board of Directors;
- maximum 2 BoD members.

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

Remuneration and Nomination Committee's Report 2021

As at 31.12.2021, the Remuneration and Nomination Committee consists of:

- Horia Ciorcilă
- Ivo Gueorguiev
- Vasile Pușcaș

And the percentage of independent members is 66.66%.

In 2021, the Remuneration and Nomination Committee met (physically or via electronic means) 10 times with the attendance of all its members. The attendance degree of the meetings presented below has taken into account both the physical presence and the reasonably justified absences, in accordance with the bank's practices. The Chairman of the Risk Committee was invited to the meetings in order to make sure that the remuneration practices are in line with the bank's risk management requirements.

During the meetings of 2021, the Remuneration and Nomination Committee had in view the following aspects:

- The committee analyzed and made sure that the general remuneration and incentive principles and policies are in line with the long-term business strategy, values and objectives of the BT Financial Group. In this respect:
- They analyzed and endorsed the staff remuneration policy;
- Ensured the compliance with the legal requirements on:
  - the involvement of the internal control functions (audit, risk and compliance) and of the HR Department in the preparation of the remuneration policy;
  - ensuring that the bank's staff has access to the remuneration policy, and that the performance review process is properly and transparently formalized for the employees;
  - promoting a remuneration policy that ensures sound and efficient risk management;
  - correlating the remuneration policy with the long-term business strategy, objectives, values and interests of the bank, including the implementation of measures to prevent the conflict of interests.
  - assessing the mechanisms and systems implemented in order to make sure that the remuneration system takes into account all the risk types, the liquidity and capital level and that the general remuneration policy is in line with the bank's strategy and promotes sound and efficient risk management and complies with the institution's long-term business strategy, objectives, culture and corporate values and the long term interests of the institution.
- The committee analyzed the general principles of the Remuneration policy and informed the Board of Directors about the implementation method; it also ensured the centralized independent internal evaluation of the compliance with the Remuneration policy;
- It directly supervised the remuneration level of the coordinators of the risk management, compliance and audit functions (managers and deputy managers of the risk management, internal audit and compliance departments);
- It prepared the remuneration decisions, including the decisions that impact the risk management within BT;
- Supervised the process of drafting, internal approval and submission for approval of the Extraordinary General Meeting of the remuneration policy regarding the bank's governing body;
- It revised the total annual remuneration of the Leaders' Committee members and approved the remuneration of the executive managers;
- The committee analyzed and made sure that the general nomination principles and policies are in line with the long-term business strategy, values and objectives of Banca Transilvania, and in this respects it:
  - identified and recommended for approval by the management the extension of the

mandates of the management body members that would expire (including in terms of the new durations of their mandates), assessed the balance of knowledge, competences, diversity and experience within the management body;
- assessed the structure, size, structure and performance of the management body and made modification recommendations to the management body;
- assesses the knowledge, competences and the experience of every management member and reported the results. The knowledge of sound ESG (Environmental, Social and Corporate Governance) principles and practices was also considered in the suitability assessment process.

Risk Management Committee

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

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

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

Risk Management Committee's Report 2021

In 2021, the Risk Management Committee continued its proactive approach of risk management through the attentive monitoring and discussions regarding the internal and external challenges faced by the BT Group. In addition to the usual information about the risk profile, risk management practices and results, the committee also focused on a series of other problems summarized in the activity report for 2021.

The committee consists of three non-executive and mainly independent members of the Board of Directors. The Group considers that all the members of the Risk Management Committee of Banca Transilvania continue to demonstrate a fully independent judgement in all the aspects related to their functions. The committee held 10 physical meetings in 2021, and several phone conferences for ad-hoc issues. Urgent resolutions were also approved based on votes received via e-mail. In such meetings, the Committee examined the bank's standing in terms of the assumed risks, the management thereof, as well as the compliance of the risk management system.

The Committee's discussions resulted in the preparation of recommendations for the Board of Directors regarding the Group's risk appetite limits for:
- the monitoring of the risk profile and ensuring that it observes the established limits;
- the review and assessment of the actions that the Board of Directors must undertake with regard to the risk management strategy at the level of the BT Group and to the risk management system and related policies.

In 2021, the attendance of the members in the committee's meetings, either in person or by phone, was 100%. The Internal Audit Manager participated in the meetings, as well.

In 2021, Risk Management Committee consisted of:

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

During the meetings of 2021, the Risk Management Committee had in view the following aspects:

- it reviewed and assessed the robustness, adequacy and efficiency of the risk management system in Banca Transilvania and BT Group, focusing on the risk management strategies and policies for 2021, based on the reports prepared by the functions in charge of the bank's risk management;
- it supervised and made recommendations with regard to the implementation of the proposed risk management strategy by the Leaders' Committee;
- it analyzed the risk management reports for credit risk, market risk, liquidity risk, operational risk, compliance risk and strategic risk;
- it supervised and assessed the internal capital allocation principles, in compliance with the Basel and NBR provisions;
- it analyzed the reports on non-performing and restructured loans, as well as the results obtained by the departments in charge of recovery and debt collection;
- it closely monitored the macroeconomic environment, thus requesting reviews of the calculation parameters for the estimated loss acc. to IFRS9, with a higher frequency;
- considering the fact that the governmental support measures - through the installment deferral legislation, plus the financing of the sectors affected by the pandemic - resulted in the delay of delinquency and of the recognition of non-performing loans, the committee analyzed and decided to apply post model adjustments for the calculation of the provisions;
- it supervised, assessed and made recommendations with regard to the remodeling of the risk management and compliance functions in order to adapt the structures to the current size of the bank;
- in close cooperation with other internal bodies, it made sure that the remuneration policy was in line with the bank's policy and promotes sound and efficient risk management;
- it attentively assessed the business continuity management within the context of the pandemic;
- it managed the IT&C risks inherent to the technological adaptation and digitalization efforts made by the bank in order to continue offering to its clients safe digital solutions;

Another objective of 2021 resided in the supervision, together with other committees of the Board of Directors, of the integration of Victoriabank in the BT Financial Group. The committee was involved in this project, received and reviewed the regular progress reports, as well as the risk reports and closely monitored the implementation status of the AML programme.

As a result of BT Group's extension, the committee placed particular emphasis in 2021 on the review of the risk management initiatives and the implementation thereof, especially for BT Group's exposures and for large exposures.

The committee reviewed the performance of BT Financial Group's loan portfolio in every meeting in 2021, based on the reports about the structure of the portfolio and sub-portfolios of the Group, in particular of the non-performing or restructured ones. Likewise, it received a detailed update from the Deputy CRO and the Corporate business line regarding the individual significant exposures, as well the transaction with related parties.

The regular risk reports also contain regulatory reports.

The Risk Management Committee continued to review the allocation of capital and the bank's risk profile and closely monitored the observance of the regulatory reports within different macroeconomic scenarios. The results of the stress tests impacting the bank's risk profile and capital adequacy were reviewed, discussed and assessed in every meeting. Particular emphasis was placed in the close monitoring of the economic environment of the expectations regarding its trends in the upcoming period. Reviews of the calculation parameters for the estimated loss acc. to IFRS9 were requested with a higher frequency.

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

2021 was a reference year for the efforts of the business continuity team, as well as for the IT security team. Such aspects were closely monitored and coordinated by the committee members.

The Risk Management Committee examined key initiatives relevant to risk management by analyzing the impact thereof on the standing and capital performance of the BT Group.

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

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

The risk management committee receives sufficient materials in due time from the executive management, both proactively, and when the committee requests additional information. The communication lines with the executive management are open for constructive and permanent dialogue. There were no significant divergent opinions between the Risk Management Committee and the Board of Directors or the Leaders' Committee in 2021.

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

Leaders' Committee

The Bank's leaders are appointed by the Board of Directors and are required to meet the legal conditions in force and to be approved by the NBR prior to starting their mandate according to their position. Under the relevant legal provisions, the Board of Directors mandated the Bank Leaders jointly (and with some exceptions, individually) with the exercise of the Bank's organizational and steering duties. The Rules and procedures of the Leaders' Committee are approved by the Board of Directors. Any amendment to this document must be adopted by the Board of Directors and will operate after approval.

The structure of Banca Transilvania's Leaders Committee and their professional expertise as at December 31, 2021, is:

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

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

Assets and Liabilities Management Committee

The main objective of the Assets and Liabilities Committee is the management of the Bank's assets and liabilities. The Committee is appointed by the Leaders' Committee.

The meetings of the Assets and Liabilities Committee occur on a periodical basis (regularly monthly) or whenever required by any member of the committee.

The Assets and Liabilities Committee receives informative materials and reports from the specialized departments within the Bank, it analyzes them and adopts decisions with respect to the management of the interest risk/FX risk/liquidity risk/price risk and the related activity segments, for the purpose of an adequate management of the Bank's assets and liabilities.

Procurement Committee

The main objective of the Procurement Committee is to decide the procurement policy in BT and to approve all investments involving costs outside the contractual framework or exceeding the cost limits stipulated by contract, according to the competence limits established through internal norms.

Human Resources Committee

Contributes to the development and increase of efficiency in decision-making regarding BT employees.

Committee for Credit Policy and Approval (CPAC) from BT Headquarters

The Committee for Credit Policy and Approval has as main objective to establish BT's credit policy and to approve the credit facilities which exceed in terms of value or conditions the competences of other bodies or employees of the Bank.

Credit Risk Committees from the BT Headquarters (Mediation Committee, CCR1 and CCR2)

Their main objective is the analysis and approval of loans, respectively the restructuring of loans according to the competencies granted. The Committee for Credit Policy and Approval authorizes CCR1, CCR2 and Mediation Committee (CM) to approve loans (the competence is established by specific internal regulations).

Committees Specific to the Activity of the Credit Recovery Department and the Workout, Insolvency and Bankruptcy Department (CW1, CW2, CRS, CR1, CR2 şi CRW)

Its main objective is the analysis and decision-making regarding the implementation of the remediation/workout solutions proposed by the Credit Recovery Department (CRD) and the Workout, Insolvency and Bankruptcy Department (WIBD). The remedy solutions aim in particular to address the situation of customers in difficulty, in order to maximize their ability to repay the exposures granted by the bank, while the workout solutions aim to increase the recovery level of the bank's exposure. CW1, CW2, CRS, CR1 and CR2 manage the activities established by the internal regulations.

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

It is appointed by the Leaders' Committee and has as its main responsibility to supervise the entire management function of real estate assets under enforcement procedures or resulting from the execution of guarantees established for loans granted to individuals or legal entities.

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

Its main objective is to analyze and make decisions regarding the initiation of enforcement procedures for customers proposed by debt collection officers within the Debt Collection Department.

Financial Institutions Credit Committee (CCIF)

Supervises the activities involving the credit exposure of Banca Transilvania to financial institutions in Romania and abroad. CCIF approves all derogations from the internal regulations and procedures in force that establish the workflow between BT and other financial institutions from Romania and abroad.

Branch Credit and Risk Committee (CCRS)

Their main objective is the analysis and approval of legal entity loans, the restructuring of legal entity loans (the notion of loan approval will be used generically) according to the competencies granted, respectively the management and monitoring of the individual loan portfolio.

Data Monitoring and Business Intelligence Steering Committee

Helps meet the bank's commitment to data governance and strategic supervision of the Data Warehouse (DW) and Business Intelligence (BI) implementation program.

It establishes, supports and monitors the data management capabilities of the bank and is the escalating point for issues or decisions that could have an impact in several areas or functions.

Operational Risk Committee

Assists in assessing the operational risk resulting from the Bank's activities, ensuring that each organizational structure implements specific operational risk control policies and procedures and takes remedial action whenever a high-risk level area is identified and then monitors their implementation.

It ensures that the formalization and complexity of operational risk and information technology risks are appropriate to the bank's risk profile and business strategy and examines future technology trends that may affect the bank's strategic plans, including monitoring emerging technologies and how to mitigate the risks in the field of IT security associated with them.

Line 2 Control Committee

It helps capitalizing on the results of the control missions carried out periodically at the level of the bank's territorial units by line no. 2, by analyzing and evaluating the conclusions presented by the specialized departments, following the control activities carried out, in order to manage specific risks.

The Group's Policy regarding diversity

This policy aims to promote diversity within Banca Transilvania Financial Group's management body (Board of Directors and Leaders' Committee). The Banca Transilvania Financial Group recognizes and embraces the benefits of a diversified management body as a pathway to improve the quality of its performance. The BT principles also apply to the entities within the BT Financial Group.

The management of Banca Transilvania is entrusted by the General Meeting of Shareholders to a Board of Directors elected for a four-year term of office, consisting of 7 directors elected by the shareholders at the GMS, either on the expiry of the mandate or specifically, in the event of one or more vacancies. The eligibility criteria in the Board of Directors are

those stipulated in the specific legislation, as well as those stipulated in the Articles of Incorporation of Banca Transilvania.

The Board of Directors shall designate the members of the Leaders' Committee, taking into account the recommendations of the Remuneration and Nomination Committee. At the BT Level, the management body is represented by the members of the Board of Directors and the Leaders' Committee.

In order to achieve sustainable and balanced development, Banca Transilvania considers the increased leadership diversity as an essential element in supporting the achievement of its strategic objectives.

In designing the structure of the management body, in regard to issues of diversity we considered several criteria, among which (but not limited to): gender, age, cultural and educational profile, ethnicity, professional experience, skills, knowledge and work experience. All appointments to the management body are based on meritocracy, and applicants will be considered on the basis of objective criteria, taking into account the benefits of diversity within the body.

Banca Transilvania points out that, although the diversity and variety of experiences and views represented in the management body should always be taken into account, a candidate should not be selected or excluded, either exclusively or largely, on the grounds of race, color, gender, national origin or sexual orientation. In selecting a candidate, the Remuneration and Nomination Committee shall prioritize the skills, national and international experience or cultural profile that would complement the existing governing body, recognizing that the Bank's activities and operations are diverse and of a national nature with a global impact.

Reflecting the international nature of banking, Banca Transilvania's directors and Executive Officers are citizens of Romania as well as citizens and residents of other Member States. Most BT directors and managers come from domestic and international banking environments.

For Banca Transilvania, while the governing body should not adhere to a fixed number of directors, a governing body of 6-14 members, generally, provides a large and diverse group to address the important issues faced by the bank, being at the same time small enough to encourage personal involvement and constructive discussion.

The current directors and managers of Banca Transilvania have been in management positions in various organizations or within Banca Transilvania, demonstrating their ability to exercise top management responsibilities and to steer the Bank. They were senior executives in the prestigious international institutions, where they developed skills and experience in terms of strategy and business development, innovation, operations, brand management, finance, compliance, decision-making and risk management. These skills, as well as the accumulated experience, enable them to provide a sound judgment of the problems faced by an international company in today's environment, by ensuring that these areas are supervised in the Bank and thus assessing BT's performance.

All members of the management body have also significant experience in corporate governance and complex business supervision through their status of executive managers, directors, administrators or other relevant functions within other large institutions.

Some bank directors have gained experience in areas relevant to financial and banking institutions such as audit, risk management and stock markets. All these skills and experiences are relevant to current strategies as well as to encourage Bank development, enabling managers and directors to

provide diverse perspectives, valuable advice and critical points about new business opportunities, product launches, new markets, solutions for the problems faced by the institution, as well as those faced by the banking system at both local and national level.

Measurable objectives concerning the maintenance of the standards of diversity in the management body of Banca Transilvania

The selection of candidates will be based on a range of diversity perspectives, including, but not limited to, gender, age, cultural and educational profile, ethnicity, professional experience, skills, knowledge and seniority. The final decision will be based on the merit and contribution that the selected candidates will bring to the governing body. The composition of the governing body (including gender, ethnicity, age, seniority) will be communicated periodically through the Banca Transilvania's website.

The Board of Directors and the Executive Committee of Banca Transilvania perceive diversity as a factor in choosing members of the management body, acknowledging that the diversity promoted in its composition provides significant benefits to the Bank. The Remuneration and Nomination Committee uses several criteria in selecting candidates for the position of an administrator, director or manager, including background diversity.

Banca Transilvania considers that a possible eligible member of the management body should be able to work in an effective manner with people from different educational, cultural and business backgrounds and must have skills that complement the attributes of existing members.

Banca Transilvania also encourages the presence of women members within the governing body to ensure the balance and high performance of society. However, Banca Transilvania believes that the appointment of a member within the governing body cannot be done solely on the basis of gender, as such practices lead to the discrediting of its competence and independence. Therefore, BT believes that the efficient and sustainable development of the Bank can be achieved by providing a framework for personal growth and development of women employees (under the same conditions as men).

During 2021, the number of women employees attending trainings for professional development was 73% of the total number of employees. We also mention that, at the level of middle management employment, 33.3% of those appointed in these positions were women. Thus, the goal of Banca Transilvania to increase the representation of women in the BT governing body is considered fulfilled.

Banca Transilvania considered that the Board of Directors, in its current composition, meets the diversity requirements as a whole, in accordance with the diversity practices at the bank level.
Banca Transilvania already ensures a space of sustainable growth of its employees through professional courses that are offered without discrimination of any kind based on: the needs of its employees, the types of work performed and the functions exercised.

Monitoring and reporting

The Remuneration and Nomination Committee will regularly monitor the European requirements related to the composition of the management body from a diversity perspective. In order to maintain and develop a balanced, functional and efficient management body, the Remuneration and Nominalization Committee (when appointing a candidate) may, from time to time, consider other attributes, experiences or competences it considers relevant at the time of the decision. Thus, the Remuneration and Nomination Committee may consider diversity in the evaluation of candidates for membership in the governing body. Banca Transilvania considers that diversity in terms of cultural profile, experience, abilities, race, gender

and national origin is an important element in the composition of the management body. The Remuneration and Nomination Committee discusses diversity considerations with regard to each candidate, as well as, periodically, with regard to the composition of the management body as a whole.

The Remuneration and Nomination Committee outlines a pattern of proper abilities and characteristics required by members of the governing body, in light of its current composition. This assessment includes expertise (including international and financial/banking experience), independence, integrity, diversity and age, as well as technical abilities linked to banking, production, finance, marketing, technology and public politics. The main eligibility criteria considered are those arising from legal requirements, with the Committee ensuring that part of the management body remains independent.

Human rights principles

These principles lay down guidelines on the observance of human rights in the activities carried out by Banca Transilvania, as well as by the companies within the Financial Group Banca Transilvania

The Bank supports, through social responsibility practices, the Romanian entrepreneurial spirit, responsible business, sustainable growth, quality, solidarity, responsibility, involvement and building positive relationships with stakeholders, other than banking. In implementing social responsibility policies, Banca Transilvania makes the best of its efforts to ensure a continued respect for fundamental human rights by encouraging and developing good practices in this area.

Banca Transilvania is a credit institution registered in Romania, operating in Romania and Italy. Subsidiaries of Banca Transilvania operate in Romania, as well as in the Republic of Moldova. (Victoriabank, BT Leasing Moldova) In this context, Banca Transilvania and its subsidiaries reaffirm their commitment to compliance with European and national requirements on the protection of human rights, including but not limited to the rights set forth in the European Convention on Human Rights.

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

- In connection with the employees of the Financial Group Banca Transilvania, Banca Transilvania and its subsidiaries respect all the requirements for the protection of human rights, discourage any internal practice that might affect and/or damage the fundamental rights of its employees. Also, Banca Transilvania encourages its employees to develop their knowledge on the human rights, so as to ensure compliance with these requirements in their relationships with customers and beyond. Any violation of the fundamental human rights by the BT Financial Group employees is sanctioned in accordance with the legal provisions and the internal rules of the Bank.
- In relation to the community, Banca Transilvania and its subsidiaries make every effort to ensure a high standard of respect for human rights. Moreover, through the activity of its foundations (Clujul are Suflet, BT Charity, etc.), Banca Transilvania supports the community to achieve the values supported by the bank.
- In relation to the companies with which they enter into business relations, in the process of selecting third parties, the maximum attention is paid to initiating collaborations only with those entities that assume compliance with the human rights principles mentioned above, their activities being adequately monitored, in compliance with the applicable legal provisions.

Practices for the prevention of corruption and bribery

Companies within the Financial Group Banca Transilvania do not tolerate any form of bribery and /or corruption. No employee/member of the

governing body of any company within the Financial Group Banca Transilvania will accept or grant any inappropriate advantage of any kind (incentives), regardless of whether the person providing or requesting such an advantage works in the public sector or private sector. It is also forbidden to offer or receive any form of bribe, or to practice traffic of influence, either directly or through intermediaries.

Therefore, any of the following activities are strictly forbidden:

- Receiving money or other benefits from clients or third parties to perform their duties or to intervene to an employee/manager to do or not to do anything in their job duties;
- Payment or offering a benefit that violates domestic laws or regulations;
- Payment or offering a benefit to „getting" a business.

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

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

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

The Bank applies the above requirements in accordance with legal provisions and in accordance with applicable internal rules and regulations. These principles are complemented by the aforementioned normative acts and documents.

Protection against anti-money laundering

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

In view of the facts herein, we call under discussion the activity carried out by Banca Transilvania in 2021 and propose the approval of the following statements by the General Meeting of Shareholders:

- Notes to the separate and consolidated financial statements:
  - 1. Separate and consolidated profit and loss account;
  - 2. Consolidated and separate statement of other comprehensive income
  - 3. Separate and consolidated statement of financial position;
  - 4. Separate and consolidated Statement of Changes in Equity;
  - 5. Separate and consolidated statement of cash flows, prepared in accordance NBR's Order 27/2010 approving the accounting rules under International Financial Reporting Standards adopted by the European Union, applicable to credit institutions, republished, as further amended and supplemented, Accounting Law No. 82/1991, as republished and Emergency Government Ordinance 99/2006, accompanied

by the Report of the Board of Directors and the Independent Auditor's Report;

- Proposal for the Income and Expenses Budget and the Development Plan for 2022.
- Further topics on the agenda, according to the GMS Convening Notice.

The information in this report have been audited and reviewed by the external auditor of our bank, i.e. KPMG Audit S.R.L. The Report was approved by the Board of Directors of Banca Transilvania on March 25, 2022.

Horia Ciorcilă
Chairman of the Board of Directors
Banca Transilvania

Conclusions

- 2021 was the year of relaunch in the context of the pandemic both for Banca Transilvania Financial Group and for Romania.

- The economic recovery was supported by the vaccination campaign, by the mix of economic policies being implemented in the last quarters in developed countries and in emerging or developing countries, and by the low level of real financing costs.

- The real economy has withstand the persistence of the health crisis and the rise in commodity prices, which have pushed inflationary pressures to their highest levels in decades.

- Romania's economy, according to the NSI, grew by 5.6% y/y in 2021 (rebounding from the 3.7% y/y adjustment in 2020), a trend supported by the reopening (in the context of the vaccination campaign), the global and European economic recovery and the low level of real financing costs.

- The positive climate in the domestic banking sector strengthened in 2021, in a development supported by the recovery of the real economy and the decrease in non-performing exposures (towards a historical low), in a context characterized by a low level of real financing costs.

- Non-performing exposures in the Romanian banking sector continued to decline in 2021, a development supported by the recovery of the real economy and the low level of real financing costs. This ratio decreased from 3.83% in December 2020 to 3.35% in December 2021, according to NBR's data.

- Despite an unpredictable climate, Banca Transilvania kept its optimism and firm commitment to contribute to the recovery of the Romanian economy.

- Our results confirm BT's contribution to the recovery of the economy: Banca Transilvania ended 2021 with figures above the market average in terms of lending and operating volumes. BT Group's net consolidated profit is RON 2,024.53 million, out of which the Bank's profit amounts to RON 1,782.70 million.

2022, The Year of Doing

We want 2022 to be **The Year of Doing**, where we continue to be anywhere and anytime for our stakeholders.

How we started the year. News after the consolidated financial statements' date:

The crisis in Ukraine

We stand by the Ukrainians and we are involved on many levels.

- **Support with financial services** for clients coming from Ukraine. The first steps taken were on the area of services, products and facilities/ free of charge products:
  - a current account in RON with no fees for its' opening and management, together with a debit card in RON, which can be used in Romania and abroad, including in Ukraine;
  - current account in EUR or USD;
  - no fee for withdrawing money from BT ATMs;
  - the possibility to access the bank's website in Ukrainian;
  - launch of a section on the website, BT for Ukrainians, https://www.bancatransilvania.ro/bt-pentru-ucraineni;
  - launch of a call center in Ukrainian (+40264 308 000, ucraina@btrl.ro).
- **Humanitarian involvement,** through donations made so far and the possibility to make donations through theBT Pay app to NGO helping Ukrainians.

- **Hiring at BT:** we are open to hire Ukrainians with banking experience, Romanian or English speakers, all over the country, to help those who want to stay in Romania integrate more easily.

- BT takes into account the current inflation upward trend, exchange rates and interest rate developments.
- Our bank has no relevant exposures in the countries directly involved in this conflict.

Sustainability

- We are part of the most relevant international cooperation in banking regarding the sustainability topic, by adhering to the Principles for a Responsible Banking System. These were established through a partnership between the UN - through the United Nations Environment Programme Finance Initiative (UNEP FI) - and the international banking community, composed of over 250 banks.

New acquisitions

- **Acquisitions continue:** Banca Transilvania and the Țiriac Group signed in January 2022 an agreement to acquire Țiriac Leasing. The transaction is expected to be finalized in the first part of the year and is subject to review and approval by the competent authority [as at March 2022]. BT's plan with this strategic step is both to get directly involved in a niche business model that makes a difference in the automotive market and to strengthen its market position with alternative financing services.

Partnerships

- BT's partnership with the Romanian Basketball Federation goes on: we continue the partnership with FRB started in 2016, to support the performance and to inspire children and young people. We support the work and plans of the Romanian federation, of the national teams, as

well as basketball volunteer and educational projects. The collaboration so far has had a positive impact for over 30,000 registered athletes, starting with the very young ones of 7-8 years old.

- We support Romanian athletes at the Olympic Games: we are, for a period of three years, Official Partner - Official Bank of the Olympic Team, by starting the partnership with the Romanian Olympic and Sports Committee. We support the performance and the Romanian athletes participating in the Olympic Games and other competitions held under the Olympic circles.
- The Bank has become a member of the National Confederation for Women Entrepreneurship, a partnership that will enable us to translate the principles of CONAF into actions aimed to support women entrepreneurs. Nearly 35% of the corporate clients with accounts held with Banca Transilvania have exclusively female administrators.

Going digital

- **We will have our own technology company**, **Code Crafters**, through which we want to increase the development capacity of the BT's IT solutions. The company starts in April 2022, with a team of people with strong experience in both technology and outsourcing companies and banking. Code Crafters' structure is similar to the one of the companies in the industry, centred around small, autonomous teams, passionate about technology and innovation.

- **2 million people use BT Pay** for everyday banking. Every second card issued by Banca Transilvania is in digital format, enrolled in BT Pay. BT Pay has become a banking and payments super-app, including complementary options: donations, offers and health.

- **We launched the** BTPOS App**, which turns a retailer's Android OS device into a POS** that accepts contactless payments by card, phone or other payment accessories.

- **The BT Pay app has a new feature,** 100% online overdraft, which means that you can apply through BT Pay and receive a credit line of up to RON 25,000 in your current account in about 10 minutes.

Additional Resources

BT platform for the communication with the shareholders
General Meeting of Shareholders 2022
Financial results 2021
Current BT reports
BT Sustainability Report 2021

Annex 1: Non-financial statement

Non-financial reporting in BT

The content of this statement describes how environmental, social and governance issues are integrated into our business strategy, and the information presented includes indicators on people, human rights, anti-corruption and anti-bribery, such as: a description of our business model, a description of our policies on the above issues, the due diligence procedures in place, the results of the policies, the main risks related to these issues arising from our operations, and key non-financial performance indicators relevant to our business.

The presentation of non-financial indicators is in line with the Global Reporting Initiative standards (GRI Standards 2016) and complies with the provisions of Ministry of Public Finance Order 3.456/2018 and the National Bank of Romania Order 7/2016. At the same time, the section The Assessment and and Management of Climate-Related Risks and Opportunities complies with the Task Force on Climate-related Financial Disclosures recommendations.

The content of the statement reflects how the Group manages the material topics, as identified through the materiality review process conducted between January and February 2022.

The statement provides information on the activity of Banca Transilvania, Victoriabank and their representative subsidiaries in Romania and Moldova: BT Mic, BT Leasing, BT Pensii, BT Asset Management, BT Capital Partners, BT Direct și Improvement Credit Collection și BT Leasing Moldova.

If the information presented is relevant to a single GFBT company, this has been noted in the respective section.

When the information refers to Romania or the Republic of Moldova, it only describes the activity of the companies in that country, and when no specific mention is included with reference to a particular company, the disclosed information is applicable to all Group companies.

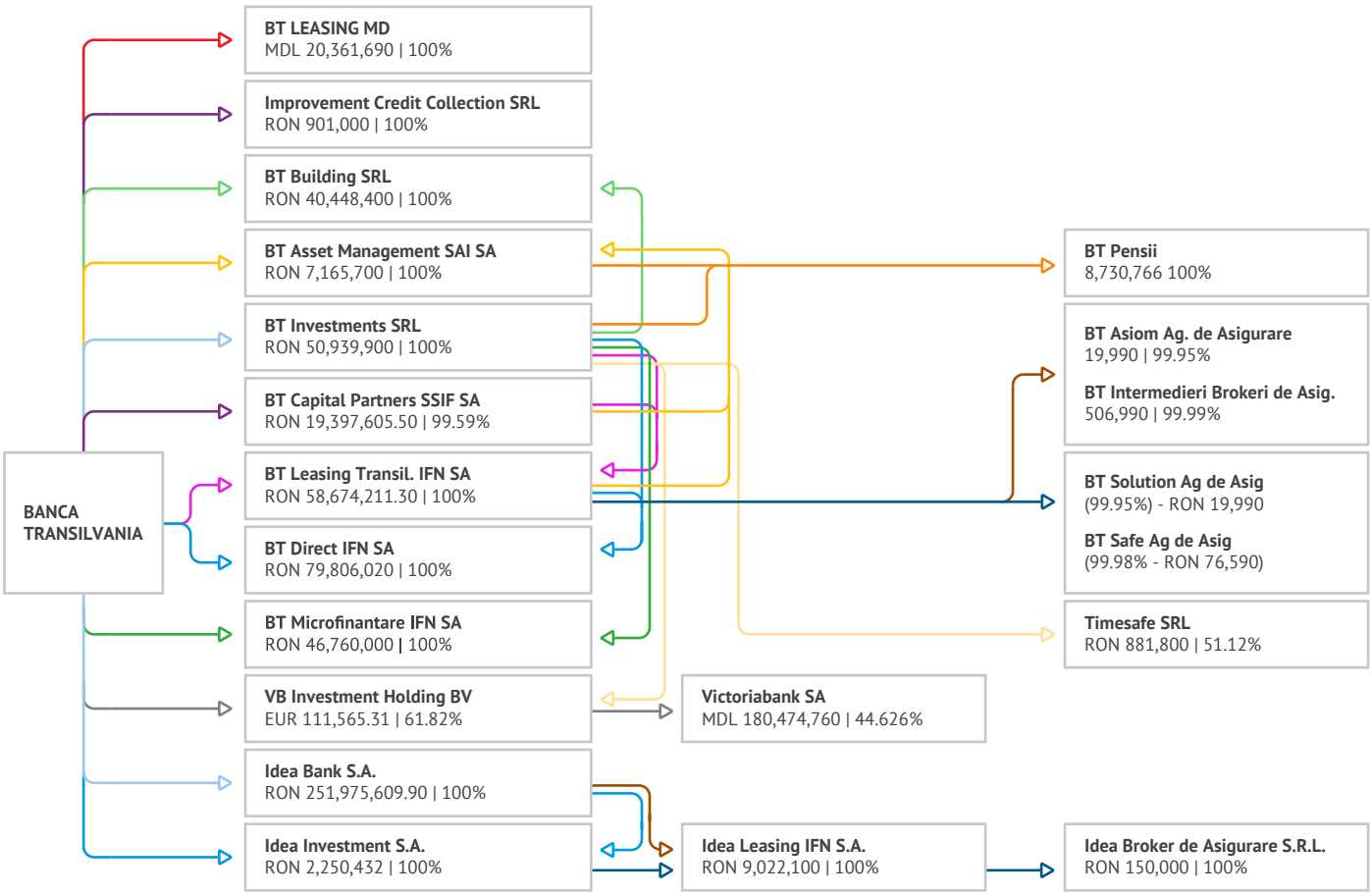
To facilitate the presentation of information, some of the presented indicators in the report have been rounded or converted from one unit of measure to another/from EUR to RON. Therefore, the possibility that in some cases small differences between the values presented and the absolute figures may arise. The conversion factors used in the transformations have been mentioned throughout the report in the relevant sections.

BT Financial Group: Romania, Italy and the Republic of Moldova

Guided by strong values such as respect, courage, responsibility, openness and honesty in our relationship with all our partners, our mission is to support businesses and communities anywhere and anytime, online and through our network, creating for our customers positive experiences and helping them turn their dreams into reality.

Banca Transilvania Financial Group is present in 3 countries, the most significant activity being recorded in Romania with over 97% of total business. The other two countries in which the Group operates are the Republic of Moldova, where the Group offers banking and financial leasing services, and Italy (through a dedicated bank branch).

The structure of Banca Transilvania Financial Group



In October 2021, Banca Transilvania finalized the acquisition of its third bank, after Bancpost in 2018 and Volksbank in 2015, by taking over the shares held by the Polish Group Getin Holding in Idea::Bank, Idea::Leasing and Idea:: Broker de Asigurare.

Materiality analysis

At GFBT level, materiality analysis forms the basis for sustainability reporting, as the process that helps us identify material issues. Material themes are those that reflect the economic, social and environmental impact that Banca Transilvania Financial Group generates through its activities.

Moreover, the materiality analysis process helps BT strengthen the know-how related to created impact, to understand better the risks and opportunities that arise from an ESG (Environment, Social, Governance) perspective and improve our stakeholder engagement and dialogue processes.

The analysis is based on assessments resulted from the consultation process of all categories of external stakeholders, grouped into 11 categories, as well as management and specialists' evaluations within GFBT (Board and Leaders' Committee Members and Department Managers). By means of two online questionnaires, they were asked to assess the extent of the economic, social and environmental impact that GFBT has through its business and business relationships.

- The main starting point for this analysis was to identify potential material themes, those themes and topics where GFBT, through its work and business relationships, generates impact. The list of potential material topics was developed starting from an analysis of current global and national trends (technological developments, health crisis, climate disruption, etc.), industry best practices, local and legislative background, and other sustainability reporting standards, such as SASB (Sustainability Accounting Standards Board).

- Based on the list of potential material topics, two online questionnaires were sent to stakeholders in this assesment process: a questionnaire distributed to stakeholder identified by the GFBT team (external analysis) and a questionnaire distributed to GFBT management and specialists (internal analysis). The entire process unfolded in the period January-February 2022.

- A total of 847 responses were recorded, which were centralized and analyzed to highlight the extent of impact perceived both by the external stakeholders and the internal footprint. Each category of stakeholders had an equal impute in establishing the final grade.

Evaluations and feedback from stakeholders, both external and internal, help us understand their expectations and needs and priorities effectively material issues based on the extent of generated impact on the economy, environment and society, through BT's products and services and generated business relationships.

The categories of stakeholders identified by the GFBT team and consulted in the process were:
- GFBT Employees
- Retail Clients
- Corporate Clients
- Stakeholder
- Government Agency/Regulator
- Financial institutions
- Investor/Analyst
- Supplier
- Business partner
- Non- governmental Organization
- Association

The questionnaire also allowed the selection of the Other category option for respondents who felt that they did not fit into any of the categories identified by the Group, but there was only one response to this option.

At the same time, in order to ensure that the analysis would provide us with a comprehensive view of the economic, social and environmental impacts generated by our work, respondents were also provided with an open-ended question section, allowing them to mention and detail other forms of impact not covered by the potentially material topics under consultation. The assessment of the open-end questions did not outline any other impact area.

The material themes resulting from the analysis (defined internally as those with high or very high impact) have been divided into 3 categories, and the size of the positive or negative impact, as a result of the analysis is graphed in the materiality matrix below.

Impact means: the effect that an organisation has or could have on the economy, the environment or people as a result of its activities or business relationships. Impact can be negative or positive and actual or potential, short-term or long-term, intended or unintended, reversible or irreversible.

Thus, the identified material themes were:
- Generated economic value
- Compliance, ethics and business responsibility
- Sustainable Financing
- Policy on acquisition
- Risk Management
- Resource consumption and waste management
- Actions on climate change
- Access to financial services, inclusion and financial education
- Digitalization and cyber security
- Responsible employer
- Investments for the community

Antibribery and Corruption Policy

Companies within the Financial Group Banca Transilvania do not tolerate any form of bribery and/or corruption. No employee/member of the governing body of any company within the

Financial Group Banca Transilvania will accept or grant any inappropriate advantage of any kind (incentives), regardless of whether the person providing or requesting such an advantage works in the public sector or private sector. It is also forbidden to offer or receive any form of bribery, or to practice traffic of influence, either directly or through intermediaries. It is strictly forbidden to receive money or other benefits from customers or third parties for the performance of work duties or to persuade an employee/manager to do or not something that falls within his/her job duties, to pay or offer a benefit that contravenes laws or internal regulations, to pay or offer a benefit for "obtaining" business or any kind of facilitation payments.

All members of management of any kind, together with employees, have access to and are informed of the Group's policies in this area. The involved Departments within the Group proceed to the instruction and assessment of the ABC standard. In addition, when the regulatory framework in this area is updated, the targeted personnel are informed and provided with the relevant norms.

Instructions and/or information on ABC policies and procedures 2021			
Categories	**Number of persons informed on ABC policies and procedures**	**Number of persons trained on ABC policies and procedures (online training)**	**Number of persons trained on ABC policies and procedures (on-site training)**
Leaders' Committee	Targeted persons in the assessed categories	7	0
Executive managers		20	2
Department Managers		88	18
Regional branch managers		69	29
HQ employees		3,313	139
Network Employees		5,488	1,162

In 2021 at the level of Banca Transilvania Financial Group:

- there have been no confirmed incidents of corruption involving employees of Group companies leading to their dismissal or disciplinary action;
- there have been no confirmed incidents of corruption leading to the termination or interruption of working relationships with business partners;
- there have been no legal actions against Group companies or their employees relating to corruption.

Conflict of interest

Conflicts of interest and how they are managed are regulated internally by the Policy on Conflict of Interest Prevention and Management. The objective of this policy is to establish, implement

and maintain effective criteria to identify actual and potential conflicts of interest by identifying relationships, services, activities or transactions of the Bank where conflicts of interest may arise, as well as the manner to manage such conflict of interest. All employees and members of management are required to comply with the provisions contained in this policy and to bring to the attention of the Compliance Department any situation that may represent a potential conflict of interest.

In 2021, no situations constituting conflicts of interest were recorded at Group level.

Reporting requirements

At Group level, the process for reporting situations of internal regulations/legal provisions violations or the lack of compliance within the Bank and its subsidiaries provisions is described by the Whistleblowing Procedure designed to ensure an appropriate framework for the management of Banca Transilvania Financial Group's activity. The objectives of the procedure include providing support for an internal whistleblowing mechanism, which can be used by the Group staff to communicate legitimate and material concerns about its business management framework and to encourage the reporting of behavior /situations that may have serious consequences for the Group, while ensuring the confidentiality and security of employees who report situations of risk to the bank/ subsidiary in order to avoid possible repercussions.

The communication means made available for the employees are:

- myalert@btrl.ro - dedicated e-mail address;
- MyAlert - internal Group application.

In 2021, 36 complaints were registered through the reporting channels, of which 8 concerned inappropriate (unethical) behavior of some employees or superiors towards colleagues.

Shareholders and investors can submit complaints and claims by e-mail to investor.relations@bancatransilvania.ro, as well as through the alternative channels available on the Bank's website.

In 2021 no complaints were received from the stakeholders on this communication channel.

For other stakeholder categories, complaints are registered via the BT Call Center.

Information security and personal data protection

In the context of increasing digitalization processes in the financial banking sector, information security and personal data protection are key issues for the safe conduct of day-to-day business.

All internal Bank-wide information security regulations are developed in accordance with ISO 27001 and the Information Security Management System is developed in accordance with these requirements.

Responsibilities in the area of information security are assigned to a dedicated Departments, subordinated to the Chief Risk Officer (CRO), which has the following organizational components:

- Cybersecurity
- Management of vulnerabilities
- Information Governance and Security
- Digital Identity Management

As the number of cyber-attacks increased worldwide in 2021, we stepped up our efforts to inform and educate customers on best practices for the security of personal information and money.

Within Victoriabank, information security processes are described in the IT/SEC Policies and Procedures. The Information Security Department manages the collection of security events from

all systems and network equipment, alerting and preventing of confidential information leakage; marking and classification of digital information/ documents, as well as vulnerability scanning solutions, etc. Victoriabank is currently in the process of strengthening its IT/SEC controls and in this regard a consultancy project is underway to develop and approve an IT/SEC strategy to increase IT/SEC maturity.

With regard to the protection of personal data, each GFBT entity has a public policy on the processing and protection of personal data (Privacy Policy), which is made available to the general public via the website of each GFBT entity.

Through the privacy policy, each entity of GFBT informs data subjects about issues related to the processing of their personal data in accordance with the provisions of Articles 13-14 of the General Data Protection Regulation (GDPR). There is also a specific policy on the processing and protection of personal data belonging to employees of GFBT companies, made available to all employees.

We continuously make efforts to ensure that our employees comply with the policies, procedures and mechanisms implemented internally to provide cybersecurity and personal data protection by conducting mandatory training programs for our teams.

Thus, in 2021, at the level of Banca Transilvania, our employees completed a total of more than 22,500 course hours of training on personal data protection and more than 6,900 course hours of training on information security issues.

No losses, leaks of information or thefts of personal data were recorded, while the number of complaints derived from GDPR in terms of rights provided for in the Regulation was 11,881, of which 4,970 were resolved in favor of data subjects (including data processed in the Credit Bureau's files).

BT team

We know that we cannot help fund a sustainable future without a team of professionals guided by strong values and most importantly, the BT Spirit. Our year-on-year performance and good results would not be possible without our people, who work every day to provide customers with the best financial products and services. Our growth is directly proportional to the development and growth of our employees, which is why we focus on giving them the resources they need to reach their potential.

In 2021, the GFBT team had 11,314 employees, as follows:

- 9,940 employees in Romania, of which 7,339 women and 2,601 men
- 1,374 employees in Moldova, of which 1,092 women and 282 men

The number of employees based on the type of agreement	Romania		Moldova		Total
	Men	Women	Men	Women	
Indefinite period	2,387	6,528	277	814	10,006
Definite period	214	811	5	278	1,308

Number of employees by type of employment relationship	Romania		Moldova		Total
	Men	Women	Men	Women	
Full norm	2,568	7,264	282	1,092	11,206
Part time (<8h)	33	75	0	0	108

No of new employees and personnel turnover (Moldova)	Victoriabank				BT Leasing Moldova			
	New Employees		Employees leaving the company		New Employees		Employees leaving the company	
Gender	**Number**	**Rate**	**Number**	**Rate**	**Number**	**Rate**	**Number**	**Rate**
Women	204	20.08	236	23.23	9	24.32	2	5.40
Men	63	6.20	79	7.77	1	2.70	3	8.11
Total	**267**	**26.28**	**315**	**31.00**	**10**	**27.02**	**5**	**13.51**
Age group								
< 30	167	16.44	120	11.81	8	21.62	4	10.82
30 - 50	90	8.86	174	17.12	2	5.40	1	2.70
>50	10	0.98	21	2.07	0	0	0	0
Total	**267**	**26.28**	**315**	**31.00**	**10**	**27.02**	**5**	**13.51**
Location								
Offices	95	9.35	103	10.14				
Network/agencies	172	16.93	212	20.86				
Total	**267**	**26.28**	**315**	**31.00**				

Employees representative

Employee representatives are elected by a free vote of BT team members. Any employee of Banca Transilvania with an indefinite work agreement may apply for the role of representative, and the application must be submitted in person. The vote is electronic. The last employee election process was held in 2021 and involved open candidates. The employee representatives were appointed by votes from 4,600 colleagues. 9 candidates were elected as Employee Representatives out of the total number of candidates.

In the context in which Banca Transilvania is the largest financial group in Romania, employees' representatives are a dialogue partner with the members of top management, taking part in decision making process directly related to the team and organizational culture at BT.

Employees' representatives are responsible, among other things, for negotiating the collective work agreement, ensuring that employees' rights are respected, promoting employees' interests in terms of wages, working conditions, working time and holidays, job stability and any other professional, economic and social interests related to work relations, participating in the drafting of internal rules. Employees' representatives are responsible for aggregating proposals from colleagues and negotiating them with the representative of the management.

Remuneration policy

Fair remuneration for all our employees is a core principle of GFBT's human resources strategy. A work environment supported by fair compensation contributes to increased employee satisfaction, with a direct impact on retention and turnover.

At the level of each GFBT company, there is a remuneration norm that regulates the forms of remuneration that apply according to European directives, subsequently transposed into national legislation.

The remuneration policy of Banca Transilvania and its subsidiaries stipulates the objectives in this direction: encouraging teamwork and cooperation between colleagues, ensuring a strong link between remuneration and performance, while respecting clients' interests, building a mentality prone to benefits corelated with individual and team performance, attracting, retaining and motivating employees in key positions, ensuring flexibility so that the team can adapt quickly according to the Bank's objectives, in the context of compliance with the legislative framework.

At Victoriabank level, the objectives of the remuneration policy aim towards performance - evaluating results, fairness - assessing and rewarding bank employees in strict accordance with their performance, following managerial procedures and avoiding subjective attitudes and interaction - interpreting results as a product of the team, fairness - offering equal opportunities for promotion and remuneration to all bank employees and respecting staff interests - disciplinary satisfaction, psychological comfort, promotion perspective.

Ratio of the minimum wage in BT vs. national minimum wage	Banca Transilvania		Victoriabank		BT Leasing Moldova	
	Men	Women	Men	Women	Men	Women
	1.86	1.86	2.39	2.39	1.70	1.70

Men/Women Wage	Banca Transilvania*	Victoriabank	BT Leasing Moldova
First level of management	1.29	Not applicable	Not applicable
Second level of management	0.96	Not applicable	Not applicable
Other management positions	1.21	1.51	0.94
Professionals - Headquarters	1.22	0.99	1.29
Professionals - Branch	1.07	1.05	Not applicable

*the information covers only the Bank's employees, without the subsidiaries in Romania

Employees' Development

We want the people who work with us to benefit from all the channels and tools they need to develop both professionally and personally. We encourage continuous professional development by offering employees both internal and external learning programmes. We make sure that all team members evolve and develop in line with the banking trends and the best practices in the industry.

Although 2021 was once again a challenging year in terms of professional development, we continued to build projects for the professional development of colleagues, as well as students interested in a future career in banking.

The responsibility for the training process is dual, both the role of the employer and employee.

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

At Victoriabank, the process of training and development of employees is outlined by the Procedure on staff training, which governs the process of identifying the training needs in order to continuously improve the professional skills of employees, with the aim of general development, obtaining new skills, as well as improving existing ones. Also, the main objectives of the procedure are to integrate new employees in the activity, increase competitiveness, create favorable conditions for the development and fulfilment of professional potential. Training is carried out through courses held in house by internal trainers or organized by other institutions, either in the country or abroad. At the same time, *the Procedure on the Order and Work Conditions of the Employees* in the network establishes the work conditions practice for Front Office staff with the main purposes of training specialists in banking operations and training of workplace skills.

In 2021, employees of Banca Transilvania and Victoriabank received on average about 30 hours of training/employee*, while employees of BT Leasing Moldova received on average 24 hours of training/employee.

*does not include average training hours for employees in the subsidiaries in Romania

Development programs offered to employees

Since 2018, Banca Transilvania has launched an application dedicated to all employees at group level for training, both through classroom courses and e-learning sessions. Thus, each employee is notified of the mandatory courses and the deadlines to be met, but, moreover, personnel can choose to enroll in various online courses offered by Banca Transilvania.

In addition to the programs already implemented in the bank, targeting hard skills needs (products, services, lending, methodologies/workflows, regulations, internal rules, work security, confidentiality and other ethical issues, software platforms and applications, etc.), a number of programs have also been developed to address the soft skills area needs.

Record figures have been registered linked with the participation to the development programmes: 272,356 total participations: classroom, webinars, e-Learning. Most sessions during 2021 addressed hard skills (97%): content related to products and services, applications, workflows, specific skills (financial analysis, project management, legal, IT, etc.).

Group Diversity

We work with our colleagues in a fair and equitable working environment marked by diversity, inclusion and equal opportunities - principles that are fundamental to the way we do business. Within the Group, the Policy on the Gender Equality in force since 2020, is designed to guide employees so that they:

- understand what discrimination and harassment mean, what their roles and responsibilities are and what the procedures are if there are concerns about harassment;
- correct those attitudes and behaviors that may lead to the exclusion or marginalization of people of either sex and promote the benefits of building an inclusive and non-discriminatory society, in which the gender dimension is integrated, so as to bring real benefits to the lives of all persons and to eliminate all forms of discrimination and violence;
- lay down the provisions for the implementation of the equal opportunities principle, concerning the access to employment, promotion, vocational training, working conditions, remuneration, social security, as well as specific measures to implement this principle.

At the same time, issues relating to diversity, inclusion and equal opportunities describe the behavior we are expecting from all people in our team, aspects also included in BT Financial Group's Internal Rules and the Code of Ethics and Conduct.

At Victoriabank level, the Internal Regulations provide for the employer's responsibility to ensure equal opportunities and treatment for all employees and fair access to training and promotion in an objective and non-discriminatory manner. The fundamental principles underlying any employment relationship are the principle of equal treatment of all employees, the principle of non-discrimination and the principle of equal opportunities between women and men.

Employees in senior management positions recruited from local communities	2021					
	Bank Transilvania and subsidiaries in Romania		Victoriabank		BT Leasing MD	
	Number	%	Number	%	Number	%
	25	100	2	40	0	0

In the case of Banca Tansilvania and Victoriabank, senior management is represented by the members of the Leaders' Committee, and in the case of the subsidiaries by the manager and deputy manager.
Local Community= Romania/ Republic of Moldova

Total number of employees based on age, gender and category (Romania)

Romania	Men				Women			
	<30	30-50	>50	Total	<30	30-50	>50	Total
First level of management	0	12	3	15	0	6	4	10
Second level of management	0	6	2	8	0	6	2	8
Other management positions	4	396	68	468	6	600	149	755
Professionals - Headquarters	307	844	118	1,269	641	1,617	188	2,446
Professionals - branch	208	567	66	841	1,037	2,747	336	4,120
Total	**519**	**1,825**	**257**	**2,601**	**1,684**	**4,976**	**679**	**7,339**

Moldova	Men				Women			
	<30	30-50	>50	Total	<30	30-50	>50	Total
First level of management	0	7	2	9	0	1	0	1
Other management positions	3	46	6	55	15	131	26	172
Professionals - Headquarters	37	87	50	174	80	180	23	283
Professionals - branch	29	14	1	44	229	392	14	635
Total	**69**	**154**	**59**	**282**	**324**	**704**	**63**	**1,091**

Number of employees with disabilities, by category	2021					
	Romania		Victoriabank		BT LEASING MD	
	Men	Women	Men	Women	Men	Women
First level of management	0	0	0	0	0	0
Other management positions	0	2	1	0	0	0
Professionals - Headquarters	5	12	1	1	0	0
Professionals - Branch	6	14	0	7	0	0
Total	**11**	**28**	**2**	**8**	**0**	**0**

All our employees have the right and are encouraged to report any alleged harassment or discrimination situation. Employees may use different channels to notify such discrimination cases:

- direct notification of the superior Each manager who receives such a complaint is obliged to inform the Human Resources Division/ designated HR employee within 24 hours from receiving a complaint;
- direct reporting to the designated employee in the Human Resources Department responsible for equal opportunities and equal treatment of women and men, who will provide guidance and assistance;
- via the internal "MyAlert" whistleblower application.

In 2021, 2 incidents of discrimination were recorded at Banca Transilvania. The complaints were investigated in accordance with internal procedures and were found to be unfounded.

Community Involvement

We are aware of the role we play in the Romanian society, so we know that we also have a responsibility to get involved and contribute to the welfare of local communities. Our community engagement strategy is based on five strands:

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

The policies and procedures by which we grant sponsorships are the responsibility of the Marketing, Communication and PR Department. The main sectors we support are: cultural, artistic, educational, scientific - basic and applied research, humanitarian, religious, philanthropic, sports, protection of human rights, medical, welfare and social services, environmental protection, social and community, representation of professional associations, as well as maintenance, restoration, conservation and enhancement of historical monuments.

Also, BT branches receive annually a sponsorship budget to use in compliance with the internal norms for projects and initiatives with local impact. The sponsorship thresholds and the branches receiving these funds will be approved annually at the Leaders Committee.

Banca Transilvania

Total value of the investment budget: RON 27 million
Total number of supported projects: 125
Total number of partner organizations: 115

Victoriabank

Total value of the investment budget: RON 119,701
Total number of supported projects: 11
Total number of partner organizations: 15

*508,500 MDL, average exchange rate 2021 1 MDL = RON 0.2354

	Total value of the investment budget	Total number of supported projects	Total number of partner organizations
BT Asset Management	RON 270,000	1 Clubul Sportiv U-BT Cluj Napoca, together with the Bank	1
BT Direct	RON 775,000	2 Inimă de Copil Foundation, Club Sportiv U – BT Association Cluj-Napoca	2
BT Improvement Credit Collection	RON 100,000	1 Club Sportiv U-BT Association	1
BT Mic	RON 700,000	1 BT Club	1
Leasing	RON 1,020,000	1 Club Sportiv U-BT Association	1

Acquisitions

At GFBT, the procurement process is regulated internally by the norm and procedure for the procurement of works, goods and services in Banca Transilvania, updated and amended in 2020 and 2021 respectively. The procured products are divided into several categories, such as: Investment and Logistics, IT, Human Resources, Marketing and Communication, Information Security, Retail, Legal Services.

The Procurement, Investment and Logistics Department is responsible for the overall purchasing in BT with a few exceptions, such as: the procurement of goods, IT services and software, licenses and related maintenance, related maintenance performed by the Information Security Department, the procurement of equipment, products and services used in the card issuing and acceptance process, legal assistance, human resources services and the procurement of marketing and advertising services, which is the responsibility of the Division managers.

As a rule, purchases are made by choosing the supplier on the basis of at least three offers obtained from the same number of different and independent bidders. The suppliers' selection process is performed using the Oracle Fusion Cloud Procurement, implemented in 2020.

For the newly engaged services agreements with an estimated value exceeding a certain limit, the approval of the Compliance Division- Compliance Risk Management Service is required in terms of possible potential conflicts of interest and reputational risk existence.

The Group suppliers adhere to the principles of business continuity, providing services and supplies for both critical and non-critical activities at all times. With regard to the other entities within the Group, the suppliers who participated in the tender selections organized by the Bank accepted that the contractual terms and offered prices would be extended to other Group entities.

In 2021, there were no significant changes in the supply chain at the GFBT level.

In the selection process or verification of the new suppliers, ISO14001 Certification is an important component of suppliers' quality assessment for the offered goods and services. In 2021, 15 suppliers were assessed on the basis of a criterion that verified the existence of this certification. In the

period to come, Victoriabank shall undergo the same selection process.

As part of the same supplier selection and verification process, GFBT does not use social and environmental criteria, but aims for the next period to introduce both a statement by the suppliers' legal representatives on compliance with social criteria such as child labor, equal opportunities, non-discrimination or negative social impact in the non-financial evaluation of tenders and a methodology for evaluating suppliers from an environmental impact perspective.

Expense with the suppliers

GFBT in Romania

	Expense with local suppliers	Expense with other suppliers	Total
Total	1,177,963,820.49	88,088,465.33	1,266,052,285.82

In 2021, 90% of the expenses with suppliers were performed with local suppliers.

GFBT in Moldova

	Expense with local suppliers	Expense with other suppliers	Total
Total	9,392,269.47	3,676,287.97	13,068,557.44

*At an average exchange rate 2021 1 MDL = RON 0.2354

In 2021, 72% of the expenses with suppliers were performed with local suppliers.

Environment protection

Although at the level of the banking system the environmental impact is largely indirect, generated by the projects that the Bank chooses to finance, the daily administrative activity also generates negative impact on the natural environment, especially through the consumption of materials and waste generated. Proper management and a low rate of waste going to landfill or being incinerated without energy recovery helps to reduce negative impacts.

At GFBT, the generated waste comes from both employee activity and operations carried out every day in all banking units. Paper, plastics, electrical and electronic equipment waste, batteries and accumulators, lighting devices, printer cartridges and household waste are the main waste materials included in the waste management process. The vast majority of the bank's processes involve the use of paper and plastic to create documents, issue cards to customers or send communications by registered post. Waste batteries and accumulators, printer cartridges and WEEE (end-of-life electrical and electronic equipment) are an integrated part of employees' work. Improperly managed, this waste can contaminate the environment, impact wildlife or even human health.

For these reasons, Banca Transilvania places great emphasis on the way in which waste is managed, seeking continuous modernization of all processes to reduce the amount of generated waste, in particular by reducing the consumption of resources and by selective and efficient waste collection.

We are aware of the significant impact that plastic has on the environment and that is why, since 2021, we have started a process of raw material substitution: a good part of the cards issued in the last calendar year were made of recycled plastic

and biodegradable elements. We plan to continue issuing cards made of this material, abandoning traditional cards altogether.

Recycled waste	2021, tons
Paper waste	93.93
Lighting fixtures	0.12
Oil	0
Batteries	0.05
Plastic	19.31
WEEE	4.04

Electricity consumption issues are set out in the Bank's Environmental Policy. The Purchasing, Investment and Logistics Department is responsible with the monitoring consumption and reporting to the Board of Directors and other relevant departments. All the daily activities of our employees involve the use of electricity in one form or another: from lighting the workbenches to ensuring the functionality of the equipment used, which is why careful monitoring of consumption and continuous modernization of our units are essential elements in making energy consumption more efficient. This is also our goal: to reduce our environmental impact, by reducing energy consumption as well. Some of the most important measures to achieve this goal:

- Smart building lighting - implemented in every renovated or upgraded facility;
- Replacement of used equipment in our daily activity, with upscaled energetic performance;
- Building and modernization of buildings - we aim to have energy efficient buildings;
- Replacement of equipment used for cooling and heating of the building with more efficient ones;
- Training of employees to have an appropriate electricity consumption behavior.

Total fuel consumption from conventional sources (fuel for combustion in boilers, furnaces, incinerators, generators, vehicles, etc.)	2021
Type of fuel	[MJ]
Gas	15,179
Diesel	15,136
Natural gas	446,616,000
Electric Energy	681,044,364

Assessing and managing climate change risks and opportunities

The impact of climate change and the acceleration of initiatives at the level of regulators, as well as at the level of public policies, contribute to a growing concern of the financial services sector on the identification and management of related risks, more so as financial institutions is expected to play an important role in the transition to a sustainable economy. Without being regarded as a separate category of risk, climate risk is an accelerator of the risks traditionally managed by the Group (such as credit, market, liquidity risk, etc.).

Climate risk is assessed within the bank from two perspectives:

- at client level, as part of the environmental and social risk analysis, the impact of climate risk on the company's activity and the extent to which its activity affects the environment (emissions to water, air, soil) is analyzed - based on the principle of double materiality;
- at portfolio level, on the basis of a heat map reflecting the environmental, social and governance risks associated with the sectoral distribution of the loan portfolio, the exposure of the portfolio to these risks, including climate risk; in the case of BT, climate risk is mainly related to agriculture sector exposure (about 9% of total exposure to legal entities) in counties

potentially affected by drought/floods, as such the exposure is relatively low.

The risks associated with climate change are both **natural** (droughts, floods affecting companies operating in the agricultural sector) and **transitional** (stemming from regulatory requirements or investment needs, additional costs with pollution charges or the need to change the business model to accommodate changes in consumer behavior towards lower carbon footprint products).

To manage these risks, the Bank performs an environmental risk factor analysis on any credit application, based on an internal matrix, adapted to the value of the transaction and the risk level of the sector. The assessment is performed through questions addressed to the client, with the client's answers critically evaluated by the credit/ risk analyst based on internal rules and specific environmental, social and governance risk analysis guidelines. The risks identified are factored into the internal analysis models (e.g. by including an additional Capex for the implementation of a drip irrigation system for an agricultural activity).

The internal risk factor assessment models are in line with the best practice and are built on IFC performance standards. The internal lending rules provide for the possibility of impacting the client's internal rating following the performed environmental and social risk analysis.

Following the analysis of environmental and social risks (including climate risk) an E&S risk is associated with the exposure, which translates into: additional cash flow scenarios impacting the lending decision, impact in the client's internal rating and consequently in the collateral level or price level.

The Board of Directors is informed at transaction level (in terms of exposures) on the climate risk. Regular Board briefings are also made on the implementation of the sustainability strategy, with the assessment of the portfolio's exposure to environmental risks (including climate risk).

Opportunities arising from exposure to climate risk are related to increased financing in the agriculture sector (e.g. implementation of irrigation systems), as well as an overall increase in green financing, expected to have a low environmental impact. Green rating is done through an application developed by IFC (CAFI) and transactions are classified into 7 categories: renewable energy, energy efficiency, sustainable transport, climate change adaptation, water efficiency, green buildings and special environmental transactions.

The Bank has no exposure to the mining/fossil fuel based energy production sector, having implemented an exit strategy in these areas in recent years.

The environmental and social risk analysis department in the Risk Department has relevant expertise in climate risk analysis (3 out of 5 people have technical degrees, including a PhD in environmental protection); in the last year, sustained efforts have been made to raise awareness throughout the organization on the importance of quantifying the potential impact of climate risk on the credit portfolio through specific training for credit analysts, but also for the sales force that interacts directly with customers.

Concerning the real estate collateral portfolio, the Bank does not accept assets located in areas with potential risk of flooding or near watercourses/ wetlands, which may affect the structural strength of buildings, so from the perspective of the real estate collateral portfolio we do not estimate substantial risks from natural risks associated with climate change.

Regarding the targets set by the organization for managing the risks and opportunities associated with climate change and the performance of these targets, by the end of this year we aim to conduct

an elaborate analysis of the portfolio's exposure to climate change risks.

At the same time, **in 2022 we plan to start the impact analysis as part of the PRB (Principles for Responsible Banking) process of adherence to the UNEP FI (United Nations Environmental Program - Finance Initiative)** to identify the main sectors in the portfolio with a negative impact on the environment, i.e. areas with potential added value in mitigating climate risk.

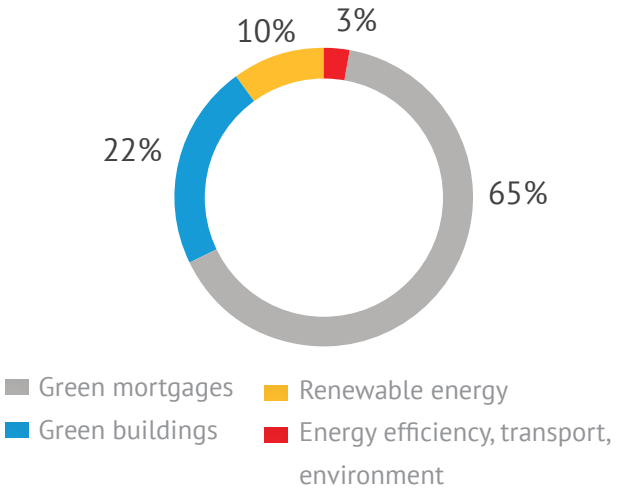
Another objective for the end of 2022 is to establish and implement a methodology to determine Scope 3 greenhouse gas emissions, while on a short run we aim to increase the share of green finance in the total portfolio so that GAR (Green Asset Ratio) reaches a minimum of 5% in no more than 3 years (by progressive increases from the previous year).

Sustainable Financing

The transition to a sustainable economic model is a challange for companies in the banking sector. As a market leader in the Romanian banking system, we have a responsibility to develop products and services that support our clients in this transition, financing projects with a positive environmental and social impact.

In 2021, loans were granted to legal entities (Corporate and SME) in the amount of RON 538 million for the following types of destinations that benefit the environment: green construction - RON 340.5 million, production of energy from renewable resources (especially electricity production) - RON 153.9 million, energy efficiency, loans for equipment and machinery that replace others and lead to a decrease in energy consumption by at least 15%, amounting to RON 33.5 million, transport - RON 9.8 million, and special environmental financing - RON 400 thousand.

Share of green finance by sector in 2021 as assessed by CAFI (Climate Assessment for Financial Institutions)



As of December 31, 2021, the impact funding portfolio also includes:

- financing of BREEAM certified real estate projects: RON 360 million;
- loans granted for optimizing energy consumption: RON 46 million;
- loans granted to individuals, within a partnership with the EBRD, for the purchase of residential properties or goods with superior energy performance: RON 144 million;
- financing in the amount of RON 959 million under the aegis of the product Green real estate-mortgage loan;
- financing granted to companies in the field of waste recycling: RON 71.5 million;
- car leasing for electric or hybrid vehicles: RON 253 million.

In BT, funding with an impact also means our positive footprint in financing key areas for the development of communities and society, whether we are talking about specific sectors where we focus (such as health, agriculture, education) or whether our funding activity has a pronounced social dimension. More specifically, we consider it a priority to support, by offering access to financing, start-ups or companies with less than 12 months of activity or to encourage female entrepreneurship in Romania.

Detailed information on BT Group's specific non-financial key performance indicators, our objectives and sustainability strategy in 2021 can be found by accessing the 2021 Sustainability Report, available on the BT website, Investor Relations section.

EU Taxonomy

We support the steps taken at the European Union level towards the transition to a sustainable economy and we are aware of the role we have, as part of the financial sector in Romania, to allocate capital to projects or causes that contribute positively to this transition. In this regard, we welcome the benefits of the EU Reporting Taxonomy that provides aligned principles and definitions across industries and companies for coherent and consistent non-financial reporting.

At the same time, this is the first step in the implementation process of the EU Taxonomy requirements, and, while we are confident that our entire portfolio as at 31 December 2021 reflects our mission and values, only certain financings and investments represent exposures to eligible economic activities, while other types of impact financings, such as those contributing to social objectives, are not yet incorporated into the taxonomy. In addition, as of this date, no information has been collected from our clients regarding the eligibility with the taxonomy.

Based on the requirements of the EU Taxonomy Regulation (EU Regulation 2020/852), the information as at 31.12.2021 is presented below at individual and consolidated level, taking Annex VI thereto as a starting point:

	Individual	Group
Total assets	**125,058**	**132,501**
Exposures to eligible economic activities	5,589	6,340
Proportion of exposures to eligible economic activities in total assets	*4.47%*	*4.78%*
Exposures to non-eligible economic activities	59,990	63,721
Proportion of exposures to non-eligible economic activities in total assets	*47.97%*	*48.09%*
Exposures referred to in Article 7(1) and (2): central governments, central banks, supranational issuers and derivatives	64,058	66,576
Proportion of exposures referred to in Article 7(1) and (2) in total assets	*51.22%*	*50.25%*
Financial assets held for trading	31	32
Proportion of assets held for trading in total assets	*0.02%*	*0.02%*
Exposures referred to in Article 7(3) to undertakings not subject to the obligation to publish non-financial information under Article 19a or 29a of Directive 2013/34/EU	59,665	64,043
Proportion of exposures referred to in Article 7(3) in total assets	*47.71%*	*48.33%*

For the reporting at individual level, the exposures represent gross carrying amounts, not reduced by impairment allowances, as per the Financial Reporting for Regulatory Purposes (FINREP). For the reporting at consolidated level, the exposures represent gross carrying amounts, not reduced by impairment allowances, as per the IFRS financial statements.

Exposures to eligible economic activities have been identified based on the client's CAEN level 4 code, with the related limitations, given that the eligibility based on the CAEN code may differ from the eligibility determined following a further analysis of the financing. Therefore, we have also included in the category of eligible exposures the green loans granted in 2021 to companies according to the CAFI assessment, the financing of BREEAM certified real estate projects and the financing granted to companies for energy optimisation under dedicated programmes run by the European Energy Efficiency Fund and EBRD through the RoSEFF programme (Romania - SME Sustainable Energy Efficiency Financing facility). Please note that these exposures do not include any type of financing granted to retail customers, regardless of the lending product or the related real estate guarantees. The 4.47% and 4.78% ratio, respectively, have been calculated by reference to total assets, regardless of their type ("covered" or "uncovered").

Exposures to non-eligible business activities were determined as the difference between the value of the loan book and exposures to eligible business activities.

The exposures referred to in Article 7(1) and (2) shall include all types of exposures to central governments, central banks, supranational issuers as well as financial derivatives instruments.

The exposures referred to in Article 7(3) are exposures to undertakings which are not subject to the obligation to publish non-financial information under Article 19a or 29a of Directive 2013/34/EU, namely loans to companies with less than 500 employees, but excluding those companies which are part of a group which, at consolidated level, has more than 500 employees.

In order to comply with the reporting obligations, but also to provide as transparently as possible the information required by the EU Taxonomy, certain reported data have been subject to value judgements that have been described above. Moreover, compliance with the EU Regulation (EU) 2020/852 is embedded in BT Group's business strategy and sustainability strategy, through the implementation of initiatives that address product design processes, collaboration with customers and counterparties so as to ensure the highest degree of compliance and relevance to the EU Taxonomy requirements.

Annex 2

Remuneration report 2021

Contents

1. Remuneration policy and its mechanisms
2. Remuneration Principles and Criteria
3. Sustainability as performance objective
4. Remuneration of the BoD Members
5. Chapter about the LC (Leaders' Committee)
6. Malus and Clawback

Overview

Banca Transilvania SA is a joint-stock company, using the unitary management system, being managed by a Board of Directors, consisting of 7 directors, elected by the shareholders, within the GMS, which exercises the supervisory function and is responsible for the way its decisions are implemented in practice. The main duty of the Board of Directors is to guide, coordinate, supervise and control the bank's activity between two General Meetings. Likewise, they perform analyses and establish programmes for the sub-periods of the financial year in order to ensure that the bank performs well on the market. The powers of the Board of Directors are expressly mentioned in the Bank's Articles of Association and in the specific applicable legal provisions.

In terms of organization, the Bank includes the management structure (Board of Directors and Leaders' Committee) and the operating executive structure (head office and units forming the territorial network).

The management includes the management body with their supervisory function (the Board of Directors) and the top management structures ensuring the management function (the Leaders/Leaders' Committee).

The top management of the bank is ensured by the individuals who hold management functions within the credit institution and who are entrusted with the current management of the credit institution and are liable for the fulfillment thereof before the management body. The top management is represented by the Bank's Leaders. In Banca Transilvania S.A., the bank's Board of Directors has implemented an activity management framework that ensures the compliance with the following principles:

- The Board of Directors shall have full responsibility for the credit institution and shall approve and supervise the implementation of the strategic objectives, the risk management strategy and the activity management framework of the credit institution;

- The Board of Directors must ensure the integrity of the accounting and financial reporting systems, including the financial and operational controls and the compliance with the relevant legislation and standards;

- The Board of Directors must oversee the disclosure and communication process;

- The Board of Directors must ensure the effective supervision of the top management.

The institutional management function of the Bank's Leaders/Leaders' Committee is exercised under management contracts, relevant NBR regulations, the provisions of Law 31/1990 and these regulations, which establish the legal status of these functions, the limits of the mandates, the powers, competences, and specific responsibilities. The management contracts and individual job descriptions are added to these regulations creating the legal framework applicable to the management function. The Chief Executive Officer and Deputy Chief Executive Officers have the capacity of one-man management bodies.

The bank's leaders are appointed by the Board of Directors and must meet the legal requirements, i.e. be approved by the NBR before they start exercising their function. Pursuant to the relevant legal provisions, the Board of Directors has mandated the Bank's Leaders jointly (and, with some exceptions, individually) to exercise the powers of organization and management of the Bank's activity. The rules and procedures of the Leaders' Committee are approved by the Board of Directors.

The management body, within the meaning of the law applicable to this report, is composed of the BoD Members and the members of the Leaders' Committee (Chief Executive Officer and Deputy Chief Executive Officers). Both the members of the Board of Directors and those of the Leaders' Committee are considered "Identified Staff", within the meaning of the national and European banking legislation as well as leaders within the meaning of the law on issuers.

This remuneration report contains information about the remuneration paid in 2021, in accordance with the remuneration policy approved by the General Meeting of Shareholders in April 2021. As the remuneration policy has implemented a consolidated remuneration framework in line with sound remuneration practices in the field, this report will refer to the remuneration paid according to this framework, this being the first year of reporting.

Remuneration policy and its mechanisms

The remuneration policy for Banca Transilvania's Management Body is periodically reviewed by the General Meeting of Shareholders, in accordance with the applicable legal provisions.

The policy establishes the general principles governing the remuneration of the management body members, in compliance with the principles stated in the applicable national and European regulations. The main objective of Banca Transilvania in terms of remuneration is to observe the principle of fairness, taking into account the business and risk strategy of the institution, the corporate culture and corporate values, the long-term interests of the institution and the measures used to avoid the conflicts of interests, without encouraging excessive risk-taking approaches and by promoting viable and efficient risk management. The internal remuneration framework supports the institution in creating and maintaining a viable capital base. When assessing whether the capital base is sound, the bank considers its total own funds and in particular core tier 1 own funds and the distribution restrictions set out in Article 141 of Directive 2013/36/EU which apply to the variable remuneration of the whole staff, as well as the outcome of the internal capital adequacy assessment process. Banca Transilvania periodically updates and improves its internal rules and standards in order to promote the best practices regarding staff remuneration.

The regular assessment of the way in which the incentives offered by the remuneration system consider the risks, capital, liquidity, as well as the profit probability and schedule will be performed according to the internal regulatory framework, taking into account certain relevant risk ratios. BT's remuneration system considers a viable risk management, including of the risk of conduct, as defined in the applicable internal regulations, so that the Bank ensures a strong connection between remuneration and performance. The analysis ensures that none of these ratios reach the alert / warning thresholds defined in the internal regulations on risk management. Likewise, prior to every issuance of deferred tranches of financial instruments for which the Beneficiary has exercised its option, a report on the fulfillment of the stipulated performance criteria shall be prepared.

The Board of Directors is responsible for the endorsement and maintenance of the remuneration policy for the management body and for the monitoring of its implementation so as to ensure that it is fully operational, in order to submit it for approval to the General Meeting of Shareholders. long-term interests and sustainability of the issuer as a whole or to ensure its viability. Additionally, the Board of Directors approves any subsequent significant exceptions from the remuneration policy, granted to a member of the management body, and carefully examines and monitors their effects, determining the duration of the derogation, as well as the grounds of such derogation. Derogations may cover both the fixed and the variable remuneration, including the type of remuneration paid and the specific performance conditions, within the relevant legal framework and to serve the long-term interests and sustainability of the issuer, in its entirety, or to ensure its viability. No derogations from the provisions above were approved in 2021.

The Remuneration and Nomination Committee is a consultative body subordinated to the Board of Directors and issues competent and independent opinions on the remuneration policies and practices,

on the incentives for risk management, capital adequacy and liquidity management, on the nomination policies and to exercise the powers mandated by the Board of Directors in this field of activity, on the nomination policies and exercise of the attributions mandated by the Board of Directors in this field of activity.

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

In 2021, the Remuneration and Nomination Committee met (physically or via electronic means) with the attendance of all its members. The Chairman of the Risk Committee was invited to the meetings in order to make sure that the remuneration practices are in line with the bank's risk management requirements.

During the meetings of 2021, the Remuneration and Nomination Committee had in view the following aspects:

- The committee analyzed and made sure that the general remuneration and incentive principles and policies are in line with the long-term business strategy, values and objectives of the BT Financial Group. In this respect:
  - They analyzed and endorsed the staff remuneration policy;
  - Ensured the compliance with the legal requirements on:
  - the involvement of the internal control functions (audit, risk and compliance) and of the HR Department in the preparation of the remuneration policy;
  - ensuring that the bank's staff has access to the remuneration policy, and that the performance review process is properly and transparently formalized for the employees;
  - promoting a remuneration policy that ensures sound and efficient risk management;
  - correlating the remuneration policy with the long-term business strategy, objectives, values, and interests of the bank, including the implementation of measures to prevent the conflict of interests.
  - assessing the mechanisms and systems implemented in order to make sure that the remuneration system takes into account all the risk types, the liquidity and capital level and that the general remuneration policy is in line with the bank's strategy and promotes sound and efficient risk management and complies with the institution's long-term business strategy, objectives, culture and corporate values and interests.
- The committee analyzed the general principles of the Remuneration policy and informed the Board of Directors about the implementation method; it also ensured the centralized independent internal evaluation of the compliance with the Remuneration policy;
- It directly supervised the remuneration level of the coordinators of the risk management, compliance, and audit functions (managers and deputy managers of the risk management, internal audit and compliance departments);
- It prepared the remuneration decisions, including the decisions that impact the risk management within BT;
- They supervised the preparation, internal endorsement and submission for approval by the Extraordinary General Meeting of Shareholders of the Remuneration Policy for the Bank's Management Body;
- It revised the total annual remuneration of the Leaders' Committee members and approved the remuneration of the executive managers;

- The committee analyzed and made sure that the general nomination principles and policies are in line with the long-term business strategy, values and objectives of Banca Transilvania, and in this respect, it:
  - identified and recommended for approval by the management the extension of the mandates of the management body members that would expire (including in terms of the new durations of their mandates), assessed the balance of knowledge, competences, diversity, and experience within the management body;
  - assessed the structure, size, structure, and performance of the management body and made modification recommendations to the management body;
  - assesses the knowledge, competences and the experience of every management member and reported the results. The knowledge of sound ESG (Environmental, Social and Corporate Governance) principles and practices was also considered in the suitability assessment process.

The Risk Committee executes specific duties regarding the assessment of risks in the remuneration field and ensures, without influencing the tasks of the Remuneration and Nomination Committee if incentives provided by the remuneration system take into consideration the risks, capital, liquidity as well as the likelihood and timing of profits in order to support adequate remuneration policies and practices.

The Audit Committee, together with the Remuneration and Nomination Committee, the Risk Committee, as well as the internal audit function, is directly involved in reviewing the remuneration policy and practices to ensure the appropriate alignment with the Bank's risk policy, in supporting the creation of sound remuneration policies and practices.

Remuneration Principles and Criteria

In accordance with the applicable legal provisions on sound remuneration policies, there are two types of remuneration, i.e. fixed and variable.

The remuneration is fixed when the conditions for the awarding thereof and its value:

- The remuneration is fixed when the conditions for the awarding thereof and its value:
  - i. are based on predetermined criteria;
  - ii. are non-discretionary, reflecting the staff's professional experience and seniority;
  - iii. are transparent in terms of the individual amount awarded to the individual staff member;
  - iv. are permanent, i.e. they are maintained for the period of the specific role and of the organizational responsibilities;
  - v. are non-revokable; the permanent value is not changed other than by collective negotiation or after a renegotiation in accordance with the national criteria on salaries;
  - vi. cannot be reduced, suspended, or cancelled by the institution;
  - vii. do not consider risk-taking incentives;
  - viii. do not depend on the performance.

- The remuneration is variable when it does not meet the abovementioned conditions for the classification as fixed remuneration. The variable component is awarded only under the following principles:
  - i. Upon the measurement of the financial and non-financial ratios in order to establish the remuneration, one considers both individual management aspects and the Bank's objects, in its entirety.
  - ii. The variable component cannot exceed 100% of the fixed component of the total annual remuneration;
  - iii. In order to support the creation of healthy remuneration practices and practices, the Risk Committee must check, notwithstanding the responsibilities of the Remuneration and Nomination Committee, whether the incentives offered by the remuneration system consider the risks, capital, liquidity, as well as the profit probability and schedule, and, following such analysis, must issue an advisory opinion to be submitted to the Board of Directors;
  - iv. The performance evaluation takes place in a multiannual framework in order to make sure that the evaluation process is based on long-term performance and that the actual payment of the performance-based remuneration components cover a period that considers the business cycle of the credit institution and the specific risks related to its activity;
  - v. The total variable remuneration does not limit BT's capacity to maintain a sound capital base;
  - vi. The fixed and variable components of the total remuneration are properly balanced and the fixed component represents a sufficiently high share of the total remuneration, so as to enable the enforcement of a completely flexible policy regarding the components of the variable remuneration, including the possibility to not pay any component of the variable remuneration;
  - vii. Payments regarding the early termination of an agreement reflect the performance achieved in time and are designed so as not to reward failure of unprofessional conduct;
  - viii. The guaranteed variable remuneration is exceptional in nature and occurs only within the context of new employment, being limited to the first year of employment;
  - ix. The remuneration packages that are related to the rewarding or the takeover of the rights due under the agreements concluded

for previous employment periods must be in line with the long-term interests of the credit institution, including the mechanisms regarding the retention, deferral and claw-back arrangements;

- x. The measurement of the performance used to calculate the components of the variable remuneration, or the component portfolios of the variable remuneration includes an adjustment for all the types of current and future risks and takes into account the cost of capital and necessary liquidity;
- xi. The establishment of the variable remuneration components within Banca Transilvania also considers all the current and future risk types;
- xii. For the members of the Identified Staff, at least 50% of every variable remuneration must represent a balanced combination between shares and, if possible, other instruments, such as additional tier 1 own funds or tier 2 own funds (in accordance with Article 52 or 63 of (EU) Regulation no. 575/2013), or other instruments that can be fully transformed into core tier 1 own funds or reduced, which, properly reflect, in each case, the ongoing quality of the Bank's credit and are adequate to be used for the purpose of the variable remuneration. Thus, at least 50% of the annual performance-related variable remuneration is paid in BT shares, purchased by the Bank for this purpose and awarded via a Stock Option Plan.
- xiii. When establishing the actual deferral period and the share to be deferred, the management body, exercising their supervision function, consider:
  - the responsibilities and authorities of the identified staff and the duties that they have fulfilled;
  - the institution's economic cycle and type of activities;
  - expected fluctuations in the economic activity, performance and risks of the institution and of the operating unit, as well as the impact of the identified staff on such fluctuations;
  - the approved ratio between the variable and fixed components of the total remuneration and the absolute value of the variable remuneration, considering the principle of proportionality. When the vesting criteria for the deferred share are nor met, up to 100% of the variable remuneration awarded under such conditions shall be subject to "malus" arrangements.

- xiv. If a certain amount of the annual variable remuneration granted to the Identified Staff (including the members of the management body) is exceeded, at least 60% of the amount is deferred for a period of minimum 5 years.
- xv. The retirement policy is aligned to the long-term business strategy, objectives, values and interest of the credit institution;
- xvi. The Identified Staff undertakes not to use personal strategies to hedge away the risk or insurance policies related to the remuneration and liability in order to counteract the risk alignment effects laid down in their remuneration agreements;
- xvii. The tax treatment applicable to the remuneration shall be in line with the applicable legal regulations at the payment date.

Sustainability as performance objective

The concept of sustainability is recognized by Banca Transilvania as a factor embedded in any activity and undertaking, being essential to sustainable growth, progress and the responsible performance of our financial activities. Therefore, we are committed to an inclusive development of the Romanian economy, through our sustained efforts to generate positive impact in the economy and society, both in our organization and through initiatives for our clients that multiply, in their turn, this impact for a healthy economy.

#Humanbanking and our recognition as the bank of Romanian entrepreneurs have been long-standing principles during our 27-year journey, a journey that has taken us to the top of the Romanian financial sector. Now, more than ever, we understand the responsibility we have towards our society and everything around us. Our story will continue, guided by the principles that build long-term relationships, we will prioritize transparency and a sustainable mindset at the core of all our strategic directions and objectives.

A sustainable financial environment includes a wide range of environmental, social and governance principles that are becoming increasingly important to our investors, clients and employees. Integrating these principles into our operating model and business strategy is beneficial to our performance as an organization, with a focus on sustainability already a general priority, including on the part of BT's shareholders.

The bank's sustainable approach has three pillars:

People

Performance

Environment

The main drivers of an appropriate sustainability agenda are the undertakings to reduce negative environmental impacts, and climate change caused by nuclear or fossil energy production, maritime exploration, or aggressive deforestation. Equally important, responsible lending is in fact a mission that goes beyond the economic sector through our active involvement in educating and raising awareness of the concept of sustainability among entrepreneurs, small and medium-sized enterprises, and the population as a whole.

Last but not least, social concerns such as diversity, human rights or consumer protection, as well as corporate governance concerns such as management structure, recruitment, staff and board remuneration, are considered in detail in each of our business objectives. Promoting transparency and long-term thinking in the financial sector becomes essential for our own business and for the prosperity of the society as a whole, and is closely monitored by shareholders.

Seeking to offer services and products tailored to our customers and supporting the development of the Romanian entrepreneurial sector have been the principles that have guided us on our path from the Bank's incorporation to our current position as a leader of the Romanian banking system. With approximately 3.25 million active retail customers, over 376,000 active SME and Micro customers and over 11,200 active corporate customers, we want to remain the first choice as a financial service provider, for the population, entrepreneurs, and the communities we are part of. Banca Transilvania is close to the people and business, including through its territorial presence: over 500 branches and agencies, with private banking agencies in Romania and Italy and a regional center in Bucharest.

We are aware that our leadership position comes with extended responsibilities towards our customers, but also towards the environment and the community. Therefore, we aim to make our financing sustainable in terms of environmental impact, complementing the traditional analysis with an assessment of our clients' compliance with legal requirements in terms of environmental protection and employee health/protection.

In this complex process of defining and integrating sustainability standards, we take into account all the stakeholders whose objectives we will consider:

- Shareholders
- Authorities
- Employees
- Clients
- Partner/providers
- Mass media
- Online communities (social media)
- Organizations, foundations, associations
- Future clients
- Future employees

Equally important, responsible lending means a mission to improve people's access to finance, increase financial intermediation and support

social and economic inclusion through our active involvement in the financial education of the population, entrepreneurs, and small businesses.
We have thus developed a diverse range of products, which we are constantly adapting to include changing realities. At the same time, we have included the analysis of non-financial factors, i.e. environmental, social and corporate governance risks, in the assessment of our clients to determine their eligibility for financing.

We have solutions for all the sectors, through customized products to reflect industry specificity, and our employees have relevant sectoral expertise: agriculture and food industry, health and education, creative industries (arts and culture), trade, manufacturing, IT and services. We are the largest financier of the Romanian agriculture and the market leader in healthcare financing with over 48 thousand clients.

We finance working capital needs through our lending, factoring, instrument discounting, short-term loans or non-cash facilities. Likewise, we support ambitious investment projects, through short or medium/long term loans (>5 years), of start-ups or mature companies, market leaders in their fields.

We have a large portfolio of cards, with Banca Transilvania holding the relevant market share for cards issued on the local market. We have developed a lending platform that also takes into account transactional data and involves a simplified scoring analysis to allow quick access to limited-value financing products for all our clients.

Our aim is to support clients in all their projects, supporting both their development and the adaptation to an ever-changing environment. We are aware that we cannot gain the trust of our partners if we do not generate added value through the work we do and contribute to the good of the community in which we are present. We are more than a bank, we are part of the community.

Therefore, in order to assess the performance of the issuer's management body, besides the specific objectives, specific ESG criteria (KPIs) regarding both the objectives and the reporting process, have been included in the assessment of the individual and collective suitability of the management body, including the BoD committees. Although the current suitability analysis process includes an ESG component, the addition of new objectives within this analysis will ensure a better ongoing verification of the management body' expertise, so as to reflect the relevant changes at the level of the economic activity, sustainability /ESG strategies and the risk profile of the institution.

Remuneration of the BoD Members

The level of the fixed cash remuneration (allowance) of the BoD members is established through the Decision of the General Meeting of Shareholders that takes place once a year and in line with the applicable legal provisions of the publicity of the GMS Decisions. Following the GMS Decision of 25.04.2018, the current BoD members have been reelected for a new 4-year mandate. The structure of Banca Transilvania's Board of Directors and their professional expertise as at December 31, 2021, is:

Member	Position	Personal Data
Horia Ciorcilă Date of first election: April 2002 Duration of the current mandate: April 2018-April 2022 Non-executive director BoD attendance in 2021: 11 out of 11 meetings	Chairman of the Board, RemCO Member	Technical University of Cluj-Napoca, The Faculty of Automatic Control and Computers. The CV including information about other current positions held is available here.
Thomas Grasse Date of first election: April 2014 Duration of the current mandate: April 2018- April 2022 - Independent non-executive director BoD attendance in 2021: 11 out of 11 meetings	Vice-Chairman of the Board, Chairman of the RC	Bankakademie Frankfurt-Business School of Finance and Management and HYPO-Bank Mannheim Branch, Apprenticeship in Banking. The CV including information about other current positions held is available here.
Ivo Gueorguiev Date of first election: April 2014 Duration of the current mandate: April 2018-April 2022 Independent non-executive director BoD attendance in 2021: 11 out of 11 meetings	BoD Member, Chairman of the AC	Alberta University, Edmonton, Canada. The CV including information about other current positions held is available here.
Costel Ceocea Date of first election: April 2010 Duration of the current mandate: April 2018-April 2022 Non-executive director BoD attendance in 2021: 11 out of 11 meetings	BoD Member, RC Member	Al.I. Cuza University Iași, Faculty of Economics and PhD, in Industrial Engineering. The CV including information about other current positions held is available here.
Vasile Pușcaș Date of first election: April 2012 Duration of the current mandate: April 2018-April 2022 Independent non-executive director BoD attendance in 2021: 11 out of 11 meetings	BoD Member, Chairman of the RemCO	The Faculty of History and Philosophy, Babeş-Bolyai University Cluj-Napoca, PhD. in History The CV including information about other current positions held is available here.

Member	Position	Personal Data
Costel Lionăchescu Date of first election: April 2016, Duration of the current mandate: April 2018-April 2022 Independent non-executive director BoD attendance in 2021: 11 out of 11 meetings	BoD Member, AC Member	The Faculty of Electronics and Telecommunications, Technical University Bucharest. The CV including information about other current positions held is available here.
Mirela Bordea Date of first election: April 2017 Duration of the current mandate: April 2018-April 2022 Independent non-executive director BoD attendance in 2021: 11 out of 11 meeting	BoD Member	Bucharest University of Economic Studies, External Trade Department. The CV including information about other current positions held is available here.

**BoD = Board of Directors, RemCO = Remuneration and Nomination Committee, RC = Risk Committee; AC = Audit Committee;*

In accordance with the applicable legal provisions on sound remuneration policies, the members of the management body, as the supervision function (Board of Directors) shall be remunerated exclusively with a fixed remuneration.

The fixed remuneration of the BoD members has been paid both in cash and shares of the issuer, i.e. Banca Transilvania, granted via the stock option plan (fixed shares), within the limits of the maximum thresholds approved by the General Meeting of Shareholders.

Regardless of the form of the fixed remuneration (cash or shares), are surely granted to directors, being in no way connected or dependent on the performance of the credit institution and without any conditions or any decreases/increases in the remuneration levels as a direct result of the performance achieved by the directors at individual level or within a specified period.

In accordance with the provisions of the mandate contract, this policy and the applicable legal provisions (Romanian and European), the director only has a fixed remuneration, consisting of a fixed monthly remuneration and an additional fixed remuneration. In order to fulfil the specific duties of the mandate, the members of the management body, as the supervisory function, are provided with technical equipment (laptop, telephone, etc.) and means of transport and/or the settlement of the actual transport, in order to fulfil the specific duties in the best way, correlated with the conclusion of an individual Directors and Officers Liability Insurance policy, in accordance with the legal provisions applicable to companies.

The fixed monthly remuneration is paid in RON, and the additional remuneration of the BoD members is allocated under the Stock Option Plan. The granting of the additional remuneration was made in compliance with the legal provisions on the mechanism for the allocation of shares under the Stock Option Plan and the requirements of the EBA guidelines.

The remuneration level (including the level of the additional remuneration) is proposed by the Remuneration and Nomination Committee, endorsed by the Risk Committee and approved through the

decision of the Board of Directors. The Board of Directors can change the remuneration level proposed by the Remuneration and Nomination Committee with a qualified majority of 2/3 of the BoD members.

Regardless of the situation, the Board of Directors shall not be able to approve a total remuneration level exceeding the maximum limits annually approved by the General Meeting of Shareholders.

The amount of the additional remuneration was revised in 2021 by the Board of Directors, following the proposal of the Remuneration and Nomination Committee and pursuant to the opinion of the Risk Committee. In accordance with the applicable legal provisions, the amount of the additional remuneration is determined in cash, and the actual payment is made in shares, by allocating them on the name of director within the Stock Option Plan.

Thus, the assessment process to determine the additional remuneration, within the limits and in accordance with the principles decided by the GMS, was successfully completed, and no situations requiring possible adjustments were identified in the supervision activity of the Board of Directors.

Consequently, the total fixed remuneration granted to the Board of Directors in 2021 represented 20.94% of the total remuneration paid to persons holding key positions within the Group, according to the annual financial statements as of 31.12.2021, including the additional remuneration approved by the General Meeting of Shareholders.

Thus, the gross fixed total remuneration, granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021 and cashed by a BoD member who is not active in any other advisory committee created at the level of the Board of Directors represented 1.69% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020[1] and 1.25% of the total remuneration paid to persons holding key positions within the Group[2]. Moreover, such member did not receive any form of variable remuneration, in accordance with the abovementioned principles, and within the BTFG, the member did not get any other gross fixed remuneration in cash and/or other instruments, specifically granted to the members of the management bodies of BT's subsidiaries. The fixed additional remuneration determined in cash and paid in shares represented 0.57% of the number of shares allocated in the SOP and paid in 2021, i.e. 0.61% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price)[3].

The Remuneration and Nomination Committee is responsible for the assessment of each director at the end of each year in order to determine the annual additional fixed remuneration due. The results thus obtained were forwarded to the Chairman of the Risk Committee for validation and final approval. In

[1] *The remuneration being paid in 2021, we will take into account the equity that was presented in the annual financial statements as of 31.12.2020, a level that was taken into account by the General Meeting of Shareholders from 28.04.2021 on approval of additional remuneration.*

[2] *It refers to the 2021 remuneration*

[3] *As this is the first year in which the report is prepared in accordance with the remuneration policy approved by the GMS, comparable data in terms of remuneration and its variance are not available for the previous 5 financial years.*

order to achieve the above-mentioned objective, the Chairman of the Risk Committee may request any information or support from any competent department within Banca Transilvania.

The Remuneration and Nomination Committee at the date of this report consists of the:
- Chairman of the Committee;
- 2 BoD Members (i.e. the Chairman of the Board and the Chairman of the AC)

Thus, the gross fixed total remuneration, granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021 and cashed by the Chairman of the RemCO represented 1.92% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 1.41% of the total remuneration paid to persons holding key positions within the Group. Moreover, such member did not receive any form of variable remuneration, in accordance with the abovementioned principles, and within the BTFG, the member did not get any other gross fixed remuneration in cash and/or other instruments, specifically granted to the members of the management bodies of BT's subsidiaries. The fixed additional remuneration determined in cash and paid in shares represented 0.78% of the number of shares allocated in the SOP and paid in 2021, i.e. 0.84% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

Thus, for the RemCO Member, who is also the Chairman of the AC, the gross fixed total remuneration, granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021 and cashed by the member represented 4.91% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 3.62% of the total remuneration paid to persons holding key positions within the Group. Moreover, such member did not receive any form of variable remuneration, in accordance with the abovementioned principles, and within the BTFG, the member did not get any other gross fixed remuneration in cash and/or other instruments, specifically granted to the members of the management bodies of BT's subsidiaries. The fixed additional remuneration determined in cash and paid in shares represented 3.93% of the number of shares allocated in the SOP and paid in 2021, i.e. 4.21% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

For the RemCO Member, who is also the Chairman of the BoD, the gross fixed total remuneration, granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021 and cashed by the member represented 9.80% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 7.23% of the total remuneration paid to persons holding key positions within the Group. Moreover, such member did not receive any form of variable remuneration, in accordance with the abovementioned principles, and within the BTFG, the member did not get any other gross fixed remuneration in cash and/or other instruments, specifically granted to the members of the management bodies of BT's subsidiaries. The fixed additional remuneration determined in cash and paid in shares represented 7.72% of the number of shares allocated in the SOP and paid in 2021, i.e. 8.26% of the

maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

Besides the abovementioned members, we mention that the Chairman of the Risk Committee is also a permanent guest of this committee, being responsible for the validation of the risk aspects in relation to the remuneration. Thus, the gross fixed total remuneration, granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021 and cashed by the him represented 5.66% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 4.17% of the total remuneration paid to persons holding key positions within the Group. Moreover, the member did not receive any form of variable remuneration, in accordance with the abovementioned principles, and within the BTFG subsidiaries, the member got a gross fixed remuneration in cash representing 0.27% of the total remuneration paid to persons holding key positions within the Group. The fixed additional remuneration determined in cash and paid in shares represented 3.93% of the number of shares allocated in the SOP and paid in 2021, i.e. 4.21% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

The Risk Committee bears the main responsibility for the assessment of the risks implied by the remuneration system and, if necessary and in order to ensure that the risk-taking incentives are balanced with risk-management incentives, proposes the adjustment of the variable remuneration for all the present and future risks undertaken, following the completion of the risk alignment process that can include: the risk measurement process, the awarding process and the payment process, making sure that the remuneration of the staff complies with the applicable rules, the best practices and the bank's strategy. Likewise, the Risk Committee checks and certifies the effective and efficient involvement of the internal control function in assessing the compliance of the remuneration system.

The Risk Committee at the date of this report consists of the:
- Chairman of the Committee;
- 2 BoD Members (the Chairman of the AC included)

For the RC Member, who is only a BoD Member, the gross fixed total remuneration, granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021 and cashed by the member represented 1.87% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 1.38% of the total remuneration paid to persons holding key positions within the Group. Moreover, such member did not receive any form of variable remuneration, in accordance with the abovementioned principles, and within the BTFG, the member did not get any other gross fixed remuneration in cash and/or other instruments, specifically granted to the members of the management bodies of BT's subsidiaries. The fixed additional remuneration determined in cash and paid in shares represented 0.74% of the number of shares allocated in the SOP and paid in 2021, i.e. 0.80% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free

shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price). The remunerations of the remaining RC members have been stated above, within the presentation of the RemCO structure.

Last but not least, the Audit Committee, with their duties in terms of the remuneration, as shown above and detailed in the remuneration policy for BT's management body, consisting of 3 independent non-executive members held physical meetings in 2021 and had a series of the phone conferences and non-physical meetings to review, discuss and approve ad-hoc topics.

The Audit Committee at the date of this report consists of the:
- Chairman of the Committee;
- 2 BoD Members (the Chairman of the RC included)

For the AC Member, who is only a BoD Member, the gross fixed total remuneration, granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021 and cashed by the member represented 2.14% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 1.58% of the total remuneration paid to persons holding key positions within the Group. Moreover, the member did not receive any form of variable remuneration, in accordance with the abovementioned principles, and within the BTFG subsidiaries, the member got a gross fixed remuneration in cash representing 0.03% of the total remuneration paid to persons holding key positions within the Group. The fixed additional remuneration determined in cash and paid in shares represented 0.95% of the number of shares allocated in the SOP and paid in 2021, i.e. 1.02% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price). The remunerations of the remaining AC members have been stated above, within the presentation of the RemCO or RC structure.

Chapter about the LC (Leaders' Committee)

The Leaders' Committee is in charge of the organization and management of the Bank's activity. The rules and procedures of the Leaders' Committee are approved by the Board of Directors. The structure of Banca Transilvania's Leaders' Committee and their professional expertise as at December 31, 2021, is:

Member	Position	Personal Data
Ömer Tetik since June 2013	Chief Executive Officer	Middle East Technical University, Ankara, the Faculty of Economics, honor student. CV and biography here.
Luminița Runcan since September, 2014	Director General Adjunct Risc (CRO)	Babeș-Bolyai University, Cluj Napoca, The Faculty of Economics Babeș-Bolyai University, Law School CV and biography here.
Leontin Toderici Since August 2013	Deputy Chief Executive Officer (COO)	Technical University of Cluj-Napoca, The Faculty of Automatic Control and Computers. Babeș-Bolyai University, Faculty of Economics CV and biography here.
George Călinescu since September, 2013	Deputy Chief Executive Officer (CFO)	Al.I. Cuza University, Iași, Faculty of Economics and Business Administration, American University in Bulgaria, Blagoevgrad, Bachelor of Company Management. CV and biography here.
Gabriela Nistor Since August 2013	Deputy CEO, Retail Banking	A.I.Cuza University, Iași, Faculty of Economics, Institute of Financial Services & Visa International. CV and biography here.
Tiberiu Moisă since May, 2016	Deputy Chief Executive Officer MidCorporate & SME	Faculty of Finance and Banking, Bucharest University of Economic Studies INDE (ASE Romania & CNAM France) – Executive MBA. Executive MBA, Sheffield University (UK) - Postgraduate Diploma. CV and biography here.
Mihaela Nădășan as of October, 2018	Deputy CEO Institutions and Financial Markets	Executive Master of Business Administration - L'Institut d'Études du Développement Economique et Social (Conservatoire National des Arts et Métiers – Paris and ASE – Bucharest). CV and biography here.

The remuneration policy for the top management is in line with the size and the organization of Banca Transilvania, as well as the nature, complexity and scope of business activities.

Through the remuneration policy, BT envisages the retention and development of the best top management body in terms of professional skills, education and moral conduct - qualities that bring added value to the Bank and its subsidiaries, the motivation and encouragement of the top management, of the staff of the bank and of the subsidiaries, so as to optimize the individual and collective work performance, to consolidate its culture based on the objective evaluation of each and everyone's personal contribution and on the reward of performance, ensuring the consistency between

remuneration and business strategy, the risk policy, and the long-term values and objectives of the Bank and of its subsidiaries.

The policy allows for and promotes sound and efficient risk management, without encouraging the taking of risks beyond the institution's risk tolerance level, thus preventing the award of incentives for excessive risk taking and for other behaviors contrary to the interests of the credit institution.
Banca Transilvania has designed a remuneration system for the top management body that is applied based on the arm's length transaction principle for the whole staff, adapted to different levels of responsibility and to the professional development per each position. The leaders are awarded a monthly fixed remuneration approved in accordance with the previously detailed corporate and legal rules. As part of the fixed remuneration, BT's Leaders are also awarded a vacation allowance, the equivalent of one taxable gross salary (in the month of the request), awarded once a year upon the granting of the 10-working day share of the annual vacation. For the leaders who do not work one complete year with Banca Transilvania, the vacation allowance is awarded commensurate with the actually worked period, regardless of the number of vacation days the person is entitled to. In order to fulfil the specific duties, the members of the top management are provided with technical equipment (laptop, telephone, etc.) and means of transport and/or the settlement of the actual transport, in correlation with the conclusion of an individual Directors and Officers Liability Insurance policy, in accordance with the legal provisions applicable to companies.

The variable remuneration of the Bank' Leaders' Committee is established and supervised by the Bank's Board of Directors, in accordance with the remuneration policy. Their remuneration is granted according to the general remuneration principles, as presented above, with the following additional notes:

For the members of the Bank's Leaders' Committee, the deferred part of the total variable remuneration is significant, in accordance with the applicable law, being established by the management body in its capacity of supervision body (regardless of the situation, the deferral shall be be of minimum 40%). The deferral period is of 5 years and is properly correlated with the nature of the activity, the risks and the responsibilities of the respective staff, as follows:

- 1/5 of the deferred variable part shall be paid in T+1
- 1/5 of the deferred variable part shall be paid in T+2
- 1/5 of the deferred variable part shall be paid in T+3
- 1/5 of the deferred variable part shall be paid in T+4
- 1/5 of the deferred variable part shall be paid in T+5

where T is the moment when the corresponding part of the awarded variable remuneration is immediately paid. The deferral period can be extended according to the Decision of the Board of Directors. Upon the expiry of each deferral period for the members of the Bank's Leaders' Committee, a retention period of 12 months applies, i.e. a period after the vesting of the shares granted as variable remuneration, in which the shares cannot be sold or accessed without the Board of Directors' approval.

The individual annual performance of the members of the Leaders' Committee have been determined in accordance with the rules established in the internal methodology. The rules used for the evaluation of the annual performance are based on the SMART objectives methodology. These principles underly the methodology used for the criteria determination rules.

The performance evaluation criteria have considered a sufficiently long period of time in order to measure the real performance, with quantifiable criteria, both qualitatively and quantitatively. Sustainability and responsibility/ESG objectives have been assigned to the leaders (as applicable). The use of such individual performance objectives has ensured the alignment between the bank's remuneration practices, the interests of the top management and the general sustainability and responsibility / ESG objectives of the bank. Wit regard to the approval of the results, the SMART methodology establishes the evaluation of the performance based on the set objectives, with a rating from 1 to 5, 1 being unacceptable (the set level of performance is not achieved) and 5 being excellent (the set level of performance is exceeded). The above score is allocated to each qualitative and quantitative criterion for each person. The overall score determining the final rating is calculated as the mean value of the individual scores for each objective. The mean value resulting from the individual objectives of each leader indicated an excellent scoring regarding the achievement of the objectives proposed for him/her, showing that the level of performance achieved exceeded the level of performance initially proposed.

The objectives of the top management mainly considered areas such as:

- improving the quality of the services;
- improvement of the capital and liquidity ratios,
- ongoing digitalization of the retail and company sectors,
- improving the quality of the loan portfolio,
- strategic and business integration of the BTFG's subsidiaries,
- improving cyber security,
- correlated with the setting of sustainability and sustainable development objectives for each member of the top management, including without limitation: decreasing greenhouse gas emissions, increasing the share of renewable energy in total consumption, continuous implementation of digital flows, issuing new sustainable products.

This integration of at least one ESG-specific criterion (KPI) in the list of individual performance objectives assigned to each top management body in order to determine the paid variable remuneration. Each of these individual criteria have related to the ESG objectives that are established within the member's area of activity and expertise, so as to ensure the alignment of the remuneration to the Bank's sustainability objectives, thus enabling an organic growth of the ESG initiatives in order to achieve the specific sustainability objectives.

In 2021, Banca Transilvania, through its leaders, had a series of very ambitious development and innovation objectives, with different scenarios being prepared considering each and every signal, figure and market trend.

In terms of technology, the digitization of the legacy banking services gained momentum by upgrading the software and hardware infrastructure to respond to large-scale operations, combined with the allocation of resources to develop applications for different business areas (such as the online customer onboarding process). 2021 also marked the movement of the whole HQ activity to a new building and the start of the refurbishment of many agencies and branches. These objectives were successfully managed by the Deputy CEO - COO. Based on the achieved performance, his total remuneration was granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021, observing the ratio between the fixed remuneration and the variable remuneration

established in such policy (20.63%). Thus, the fixed remuneration represented 3.92% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 2.89% of the total remuneration paid to persons holding key positions within the Group. Likewise, the variable remuneration represented 0.81% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on the above mentioned reference date and 0.60% of the total remuneration paid to persons holding key positions within the Group. Within the BTFG subsidiaries, he got a gross fixed remuneration in cash representing 0.05% of the total remuneration paid to persons holding key positions within the Group. The remuneration paid in shares represented 1.85% of the number of shares allocated in the SOP and paid in 2021, i.e. 1.99% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price)[4].

From a financial perspective, the focus was on improving the use of data and the quality of data from the internal Business Intelligence and Data Warehouse systems, combined with the implementation of new accounting and reporting standards in the group's subsidiaries through IFRS9 and the implementation of cost management modules. These objectives were directly and successfully managed by the Deputy CEO - CFO, who earned a total remuneration in line with the achieved performance, granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021, observing the ratio between the fixed remuneration and the variable remuneration established in such policy (20.56%). Thus, the fixed remuneration represented 3.89% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 2.87% of the total remuneration paid to persons holding key positions within the Group. Likewise, the variable remuneration represented 0.80% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on the above mentioned reference date and 0.59% of the total remuneration paid to persons holding key positions within the Group. Within the BTFG subsidiaries, he got a gross fixed remuneration in cash representing 0.03% of the total remuneration paid to persons holding key positions within the Group. The remuneration paid in shares represented 1.85% of the number of shares allocated in the SOP and paid in 2021, i.e. 1.98% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

Moving from the financial-operational area to the business area, we show that 2021 was a challenging year, especially as a result of the SARS Cov-2 pandemic and its related effects, in relation to bank's customers and their expectations. The objectives set for this purpose were mainly aimed at increasing the number of granted loans, the number of issued cards and authorized digital payments, increasing the profit generated from distributed insurance products, decreasing the number of inactive customers, aiming at complying with AML standards, achieving the set budgets, both by sector of activity and in

[4]As this is the first year in which the report is prepared in accordance with the remuneration policy approved by the GMS, comparable data in terms of remuneration and its variance are not available for the previous 5 financial years.

relation to the issuer's financially active subsidiaries, all of which was doubled by the undertaken social and environmental initiatives (regarding the offered loan products, but also the use of recycled materials for the issued cards or the issuing of digital cards). These objectives were directly and successfully managed by both the Deputy CEO - Retail Banking and the Deputy CEO - MidCorporate & SME.

For the Deputy CEO - Retail, based on the achieved performance, his total remuneration was granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021, observing the ratio between the fixed remuneration and the variable remuneration established in such policy (20.51%). Thus, the fixed remuneration represented 3.92% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 2.89% of the total remuneration paid to persons holding key positions within the Group. Likewise, the variable remuneration represented 0.80% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on the above mentioned reference date and 0.59% of the total remuneration paid to persons holding key positions within the Group. Within the BTFG subsidiaries, he got a gross fixed remuneration in cash representing 0.07% of the total remuneration paid to persons holding key positions within the Group. The remuneration paid in shares represented 1.85% of the number of shares allocated in the SOP and paid in 2021, i.e. 1.98% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

For the Deputy CEO - MidCorporate & SME, based on the achieved performance, his total remuneration was granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021, observing the ratio between the fixed remuneration and the variable remuneration established in such policy (19.41%). Thus, the fixed remuneration represented 4.14% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 3.05% of the total remuneration paid to persons holding key positions within the Group. Likewise, the variable remuneration represented 0.80% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on the above mentioned reference date and 0.59% of the total remuneration paid to persons holding key positions within the Group. Within the BTFG subsidiaries, he got a gross fixed remuneration in cash representing 0.34% of the total remuneration paid to persons holding key positions within the Group. The remuneration paid in shares represented 1.85% of the number of shares allocated in the SOP and paid in 2021, i.e. 1.98% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

With regard to the integration of the group entities, the fulfilment of the treasury revenue budget, project management and procurement projects, the objectives were successfully achieved by the Deputy CEO - Financial Institutions and Markets. Based on the achieved performance, his total remuneration was granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021, observing the ratio between the fixed remuneration and the variable remuneration established in such policy (22.14%). Thus, the fixed remuneration represented 3.63% of

the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 2.67% of the total remuneration paid to persons holding key positions within the Group. Likewise, the variable remuneration represented 0.80% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on the above mentioned reference date and 0.59% of the total remuneration paid to persons holding key positions within the Group. Within the BTFG subsidiaries, he got a gross fixed remuneration in cash representing 0.08% of the total remuneration paid to persons holding key positions within the Group. The remuneration paid in shares represented 1.85% of the number of shares allocated in the SOP and paid in 2021, i.e. 1.98% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

In order to ensure a sound risk management framework, in line with the regulations issued by the EBA and the NBR, in conjunction with the improvement of the internal capital adequacy framework and the ongoing alignment of the subsidiaries to the group's policies in terms of internal control, specific objectives were established and were directly coordinated by the Deputy CEO - CRO. The set objectives were successfully achieved, and thus, based on the achieved performance, the CRO's total remuneration was granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021, observing the ratio between the fixed remuneration and the variable remuneration established in such policy (19.86%). Thus, the fixed remuneration represented 4.03% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 2.97% of the total remuneration paid to persons holding key positions within the Group. Likewise, the variable remuneration represented 0.80% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on the above mentioned reference date and 0.59% of the total remuneration paid to persons holding key positions within the Group. Within the BTFG subsidiaries, he got a gross fixed remuneration in cash representing 0.14% of the total remuneration paid to persons holding key positions within the Group. The remuneration paid in shares represented 1.85% of the number of shares allocated in the SOP and paid in 2021, i.e. 1.98% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

As a corollary to all the achievements that the issuer attained in 2021, we show that all the areas of activity discussed above and all their related objectives were directly supervised by the CEO. Additionally, the objectives set in relation to large corporate clients, the speeding-up of the business development and the strategic integration of BTFG's subsidiaries and the implementation of a model to improve the Bank's income, correlated with a better cost control, should also be considered. The set objectives were successfully achieved, and thus, based on the achieved performance, the CEO's total remuneration was granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021, observing the ratio between the fixed remuneration and the variable remuneration established in such policy (30.47%). Thus, the fixed remuneration represented 10.24% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 7.55% of the total remuneration paid

to persons holding key positions within the Group. Likewise, the variable remuneration represented 3.12% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on the above mentioned reference date and 2.30% of the total remuneration paid to persons holding key positions within the Group. Within the BTFG subsidiaries, he got a gross fixed remuneration in cash representing 0.03% of the total remuneration paid to persons holding key positions within the Group. The remuneration paid in shares represented 6.35% of the number of shares allocated in the SOP and paid in 2021, i.e. 6.80% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

Malus and Clawback

The variable remuneration is established based on the assessment of the performance and of the risks assumed by the institution, in accordance with the internal rules. The risk adjustment before the award (ex-ante adjustment) is based on risk ratios and ensures that the variable remuneration is fully aligned with the risks undertaken. The criteria used for the ex-ante risk adjustment are sufficiently granular in order to reflect all the relevant risks and are based on measures used for other risk management purposes.

Ex-post risk adjustments (after the establishment of the remuneration level) represent explicit risk alignment mechanisms by which the institution itself adjusts the remuneration of the leaders by means of malus or clawback clauses and are always related to performance or risks and occur as a result of the analysis performed in order to certify that the initial ex-ante risk adjustments were sufficient, if applicable, or whether new risks or unexpected loss has occurred. The extent to which an ex-post risk adjustment is required depends on the accuracy of the ex-ante risk adjustment and is established based on the ex-post testing (back-testing).

Up to 100% of the total variable remuneration can be subject to malus or clawback arrangements, based on certain criteria that must cover in particular the situations in which the person under consideration:

a. took part in a conduct that resulted in significant loss for BT or was liable for such conduct;
b. failed to observe the appropriate good reputation and adequate experience standards.

Thus, the Bank has the right to cancel the variable remuneration awarded to a leader, in whole or in part:

a. if the bank suffers a significant failure in terms of risk management;
b. in the case of important increases of the economic or regulated capital base of the bank;
c. in the case of a regulated sanction in which the conduct of the Leaders' Committee member contributed to the sanction;
d. in the case of proven fraud in which such leader was involved;
e. if the assessment of the leader's performance is based on information that is subsequently proven to be significantly wrong;
f. if the leader has failed to observe the appropriate good reputation and adequate experience standards.

The Risk Committee bears the main responsibility for the assessment of the risks implied by the remuneration system and, if necessary and in order to ensure that the risk-taking incentives are balanced with risk-management incentives, proposes the adjustment of the variable remuneration for all the present and future risks undertaken, following the completion of the risk alignment process that can include: the performance and risk measurement process, the awarding process and the payment process.

The malus/clawback clauses shall be updated in accordance with any legal changes of the applicable legal framework.

Malus/Clawback clauses were also included in the agreements that regulate the variable remuneration paid in 2021, subject to such conditions. We show that there were no causes or situations leading to the enforcement of malus or clawback clauses in connection with the issuer's top management, as the

review of the assumed risks, carried out by the Risk Committee, does not evidence the need to adjust the variable remuneration and hence to activate malus/clawback clauses.

This Report has been prepared in accordance with the requirements of Law No. 24/2017 and has been favorably endorsed by the Board of Directors and shall be subject to the advisory vote during the annual Ordinary General Meeting of Shareholders, laid down in Article 111 of Law No. 31/1990, whereby the shareholders' opinion expressed in the general meeting about the Remuneration Report, resulting from the voting, has an advisory nature. This document represents the first remuneration report prepared by Banca Transilvania in accordance with the above-mentioned legal grounds, and there is no such vote of the bank's shareholders to be considered in the preparation of this document, in accordance with Article 107(6) of Law No. 24/2017.

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ANNUAL REPORT

for the financial year 2021

In compliance with the Financial Supervision Authority's Regulation no. 5/2018

Head Office: 30-36 Calea Dorobanţilor street, 400117, Cluj-Napoca
Tel: + 40 264 407 150; Fax: + 40 264 301 128; www.bancatransilvania.ro

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Issuer Identification Data

Report date: 28.03.2022
Name of the company: BANCA TRANSILVANIA S.A.
Registered office: 30-36 Calea Dorobanţilor street, Cluj-Napoca, Cluj county, code 400117
Phone/fax: 0264.407.150; 0264.301.128
Tax identification no.: RO5022670
Trade Register no. : J12/4155/1993
Registered capital, subscribed and paid: 6,311,469,680 RON
The regulated market where the issued securities are traded: Bucharest Stock Exchange
Main features of the securities issued by the company:
6,311,469,680 NOMINAL SHARES, at the value of RON 1/share.

1. Analysis of the Bank's Activity

a) Description of the Bank's main activity

Banca Transilvania S.A. („the Bank" or „BT") is a joint-stock company headquartered in Cluj-Napoca, 30-36 Calea Dorobanţilor, Cluj county, Romania.

The Bank operates pursuant to Company Law no. 31/1990 and Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy (as subsequently amended). According to Article 6 in the Bank's Articles of Association, its main field of activity is represented by "other monetary intermediation activities".

b) The Bank's establishment date

Banca Transilvania S.A. was incorporated in December 1993 and became effectively operational on February 16, 1994. The Bank was recorded with the Trade Register under no. J12/4155/1993 on 16.12.1993; the Bank's tax identification number is RO5022670. The Bank was recorded with the Bank Register under no. RB-PJR-12-019 on 18.02.1999.

c) Significant mergers and reorganizations of the Bank, its subsidiaries or controlled companies during the financial year

BANCA TANSILVANIA S.A.

BT is a joint-stock banking institution (with foreign and domestic shareholders).
Banca Transilvania Financial Group ("the Group" or "BT Group") was established in 2003, Banca Transilvania being the main entity and parent company. The Group subsidiaries where BT has direct and indirect shareholding at the 31st of December 2021 are: Victoriabank S.A., BT Capital Partners S.A., BT Leasing Transilvania IFN S.A., BT Investments S.R.L., BT Direct IFN S.A., BT Building S.R.L., BT Asset Management SAI S.A., BT Solution Agent de Asigurare S.R.L., BT Asiom Agent de Asigurare S.R.L., BT Safe Agent de Asigurare S.R.L., BT Intermedieri Agent de Asigurare S.R.L., BT Leasing Moldova(MD) S.R.L., BT Microfinanţare IFN S.A., VB Investment Holding B.V.,

Improvement Credit Collection S.R.L., Timesafe S.R.L, Idea Bank S.A., Idea Investements S.A., Idea Leasing IFN S.A., Idea Broker de Asigurări S.R.L. and BT Pensii S.A..

The Group's main fields of activity are: banking through Banca Transilvania S.A., Victoriabank S.A. and Idea Bank S.A., leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., Idea Leasing IFN, BT Direct IFN S.A., BT Microfinanţare IFN S.A. and BT Leasing MD S.R.L., asset management through BT Asset Management S.A.I S.A., investment and brokerage through BT Capital Partners S.A. and administration of pension funds (except for those in the public system) through BT Pensii S.A.. Moreover, the Bank controls three investment funds that are also included in the consolidation and holds 31.12% shares in Sinteza S.A..

On June 2, 2021 Banca Transilvania S.A. signed the acquisition agreement for the full shareholding (100%) held by Getin Holding Spolka Akcyjna and Getin International Spolka Akcyjna in the share capital of Idea Bank S.A. During the transaction, Banca Transilvania Financial Group acquired direct and indirect control over the subsidiaries owned by Idea Bank in Romania, respectively Idea Investment S.A., Idea Leasing IFN S.A., Idea Broker de Asigurare SRL.

During the subsequent period, the necessary approvals were obtained for concluding the acquisition transaction from the Competition Council (Non-objection decision no. 61 of September 7, 2021 on the economic concentration operation carried out by acquiring direct control over Idea Bank SA and indirect control over Idea Investment SA, Idea Leasing IFN SA and Idea Broker de Asigurare SRL) and from National Bank of Romania. The Group took control of these companies on October 29, 2021, when the consideration was transferred in exchange for the package of shares held by the Getin group.

At the subsidiaries level the following changes took place:

BT ASSET MANAGEMENT SAI SA

- The increase of Banca Transilvania's participation from 89.99992% to 99.99992% through the acquisition of the shares owned by SIF Banat-Crişana.

The activity of the subsidiaries and the Bank's shareholding in the subsidiaries are presented in ANNEX 1 of the present report.

d) Description of the acquisitions and/or sales of assets

As at the end of 2021, the gross value of Banca Transilvania's investments in the Group, in accordance with the International Financial Reporting Standards endorsed by the European Union, increased by approximately 47.2% versus 2020, respectively from RON 499.7 million to RON 735.5 million.

Banca Transilvania is engaged in ensuring that its subsidiaries have an adequate CAR (Capital Adequacy Ratio) level, contributing to the improvement of risk management, by involving the audit and compliance functions from within the Bank.

e) The main results of the assessment of the Bank's activity

External Audit

The external auditor of the Bank - KPMG Audit S.R.L. - has audited the separate and consolidated financial statements as at December 31, 2021.

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

Internal Audit

The Audit Committee carries out its activity according to the applicable legal framework, notably: the Company law - Law 31/1990 and Banca Transilvania's Rules of organization and administration. The number of committee members and their competence are approved by the Board of Directors.

The Audit Committee supervises the performance of the external auditors, makes recommendations on their appointment and remuneration, and reviews the internal audit system developed by the Head of the Internal Audit Department, who reports to the Board of Directors for this system. The Committee has the right to make recommendations to the Board of Directors on the effectiveness of the Internal Audit Department's performance and on the remuneration of the head and staff of that department.

The members of the Audit Committee meet regularly with the external auditor of the Bank to discuss any issues related to the auditing activities, as well as the Bank's executive management answers, on these meetings being also assessed the degree of objectivity and independence of the opinions expressed by the external auditors. The Committee monitors the compliance with the legal provisions in Romania regarding the financial statements and accounting principles, compliance with the provisions of the National Bank of Romania, assesses the external auditor's report on the financial consolidate statements (IFRS), reviews and pre-approves the financial consolidated statements (IFRS) of the Bank. The full list of responsibilities delegated to the Audit Committee is mentioned in the Regulation of the Audit Committee, a regulation published on the Bank's website.

Audit Committee's Report for 2021

Audit Committee, consisting of 3 non-executive independent members, held 12 physical meetings during 2021, as well as several conference calls and meetings in absentia, in order to review, discuss and approve a number of topics ad-hoc. The degree of presence in the meetings, mentioned bellow, has been determined taking into consideration the physical presence but also the justified absences according to the Bank's policy.

The members of the Audit Committee in 2021 were the following:

- Ivo Gueorguiev – Audit Committee chairman; independent non-executive director with audit experience, attending 12 out of 12 meetings;
- Thomas Grasse – Audit Committee member; independent non-executive director with audit experience, attending 12 out of 12 meetings;

- Costel Lionăchescu – Audit Committee member; independent non-executive director with audit experience, attending 12 out of 12 meetings.

During the meetings held in 2021, the Audit Committee carried out the following actions:

- Analysis of the financial statements and audit report prepared by the external auditor for the year 2020, analyzing the significant accounting and reporting aspects and their impact on the financial statements;
- Monitoring of the internal control efficiency, internal audit and risk management by analyzing the specific reports provided by the Bank's control functions and other relevant reports;
- Analyzing the NBR reports and implementing the communicated recommendations;
- Implementing the recommendations of the external auditor's letter addressed to management.

The Audit Committee met the Bank's external auditor, and worked, together with the Deputy Chief Executive Officer-CFO on the Bank's financial results, audited and reviewed by the external financial auditor, making recommendations to the Board of Directors regarding their approval.

Audit planning and reporting meetings were held with the external auditor including sessions without management presence. The Committee also discussed the updated information received from the external auditor and Bank's Management on the changes to the Romanian law with impact on banks, in particular the current and forthcoming amendments to the IFRS accounting standards and the adoption of IFRS9.

The Audit Committee also examined the robustness of the Bank's internal controls, working both with the external auditor and with the internal auditor to closely monitor any deficiencies identified in the internal control and to observe the follow-up of such deficiencies by careful analysing their remediation. Moreover, the Audit Committee has obtained information regarding the external regulatory controls (of the authorized institutions).

The Audit Committee is responsible for assessing the performance, objectivity and independence of the external auditor and for the delivery of quality audit reports. For 2021, the Audit Committee considered that both the main partner, the extended teams, as well as the terms of remuneration and engagement of the appointed auditor, are appropriate for approval.

Based on the auditor's declaration of independence obtained by the Audit Committee and its own assessment the Committee remains satisfied that the Bank's external auditor is independent in providing their audit services to Banca Transilvania and will continue to deal with requests for the auditors to perform non-audit services, in the limits imposed by regulation.

1.1. General items of the assessment for the financial year ended December 31, 2021

Banca Transilvania recorded good results in 2021 as well, registering a boost sustained by the economical environment which started to recover after a long period of pandemic impact. The separate and consolidated financial statements prepared in accordance with the International

Financial Reporting Standards adopted by the European Union (NBR Order no. 27/2010, as subsequently amended and supplemented) are presented below:

▪ Gross profit	RON 2,022.4 million
▪ Net profit	RON 1,782.7 million
▪ Total assets	RON 125,062.0 million
▪ Capital adequacy ration (CAR)	26.15% (25.45*% at the Group level)*
▪ Return on equity (ROE)	18.04%
▪ Market share in terms of assets	19.55%
▪ Liquidity ratio according to the NBR regulations	between 1.55-25.36 on the 5 maturity bands

1.2. Assessment of the Bank's operational level

The unit network of Banca Transilvania as at 31 December 2021: 507 functional units (excluding the Headquarters and the Regional Office in Bucharest) at the end of the year, compared to 509 functional units at 31 December 2020. At the present, the Bank has also one branch in Italy.

At the end of December 2021, the Bank had a number of 1,775 ATM terminals out of which 567 multifunctional through which self-banking can be performed – from cash deposits in local or foreign currency to foreign exchange or contactless/code based withdrwals. Also, the Bank has 500 BT Express terminals used for various operations, bills payments inclusive, over 84,000 POSs installed and collaborates with approximately 3,900 e-commerce merchants.

Banca Transilvania is a leader on the card market with a total number of 4.74 million cards issued, out of which 560,000 credit cards. The number of transactions performed with cards increased by 35% in 2021 versus 2020.

Description of the main products supplied and/or services rendered:

The offer of Banca Transilvania has expanded during 2021 with products, services and campaigns aimed at individuals and companies, to support its client's activities effectively and continuously.

RON operations

- cash operations;
- settlement operations;
- current accounts;
- deposits;
- loans to companies and individuals;
- online credit for individuals;
- letters of guarantee;
- payments through the Direct Debit and Standing Order systems;
- the BT Ultra-Multicash electronic service;
- the BT24 Internet Banking service;
- the electronic confirmation service for customs payments (Vama On-Line);

- the Trezo Direct service;
- the Voice Teller and Fax Teller automatic services for banking information;
- depositing and keeping in the vault of items and other valuables that require vault storage;
- economic and financial consultancy, technical support, services at the Payment Incidents Register;
- services at the Central Credit Register;
- information on exchange rates applied for the previous period;
- operations with government securities;
- card operations in RON;
- factoring;
- project co-financing with EU Funds;
- new payment facilities via Mobile Banking;
- Phone Banking;
- BT Pay-wallet;
- payments with the BT watch or the BT contactless sticker, which replace traditional cards when shopping in Romania or abroad, etc.

FCY operations

- operations on foreign exchange markets;
- deposits;
- loans to companies and individuals;
- cheque operations;
- payment order operations;
- operations with documentary letters of credit (export and import);
- incasso operations;
- guarantee based operations;
- transmission of letters of credit, letters of guarantee, amendments, investigations (SWIFT fees);
- transfer of FCY amounts (Western Union);
- travel visa fee payment;
- BT Money Connect;
- FCY card operations, etc.

New products launched in 2021:

- Subscriptions for individuals;
- Consumer loans 100% online;
- Star Forte throught BT Pay.

In addition to the above data related to the description of the products, to the following should be point out:

a) the main markets for each product and service, as well as the methods of distribution are the domestic and international banking markets; the entire range of financial products, provided by BT and the Group's subsidiaries, are offered to customers through a unique distribution network embedded under the recognized logo of BT;

b) the weight of each product or service type in the Bank's revenues and total turnover are presented in the Consolidated and Separate Financial Statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, for the financial exercise closed on the 31st of December 2021;
c) the new products and services considered, for which a substantial volume of assets will be allocated in the next financial year, are those related to:
   - Overdraft 100% online through BT Pay;
   - Setting of online subscriptions for individuals;
   - BTPOS-app software;
   - Online loans for entities.

1.3. Assessment of the technical and material supply activities (domestic and foreign sources)

This item is not significant for the Bank.

1.4. Assessment of the sales activity

In 2021, solidarity became the main objective in BT, which proactively intervened in supporting individual clients and Romanian entrepreneurship during this special period.

The Bank's operational efficiency continued its positive trend, considering the increasing volume of transactions and the reduction of customer charges.

The number of active clients increased by 7 % in 2021, as compared with 2020, from 3.40 million to 3.64 million.

The number of active clients structured per business lines is the following:

Active BT clients*	31.12.2021	31.12.2020	2021/2020
Large Corporate clients	1,464	1,456	0.55%
Mid Corporate clients	9,766	9,074	7.63%
SME clients	20,423	18,538	10.17%
Micro Business clients	356,441	329,740	8.10%
Retail	3,247,963	3,038,548	6.89%
TOTAL	**3,636,057**	**3,397,356**	**7.03%**

* The classification of legal persons within the segments is regulated by internal rules which set the conditions for the classification of clients per business segments.

Banca Transilvania Financial Group Business Lines Performance

Large Corporate Customers

Within this structure, over 1,460 customers with large and sophisticated businesses are assisted by a centralized team of relationship managers and experts for structured financing. This type of setup ensures both a dedicated and careful approach to the strategic sectors and a professional individual approach.

In 2021, the revenue generated by Large Corporate at a consolidated level grew by 22% compared to the previous year. At the Bank's level, new loans for large corporate clients were in amount of RON 4.8 billion and the balance of the gross loans reached RON 9.0 billion at the end of 2021.

Mid Corporate Clients

Over 9,700 Mid Corporate companies are serviced in the Bank's network of 50 branches. Each customer benefits from the support of a dedicated relationship manager, who offers personalized services to the clients' needs. The loans balance increased at a consolidated level by 16% reaching RON 7.8 billion. The customer deposits increased by 25%, reaching at the end of the year the value of RON 8.7 billion.

Small and Medium Enterprises (SMEs)

This business segment has a base of over 20,000 active customers. The focus of the business line has materialized in granting approximately RON 1.7 billion new loans. Total loans balance at a Group level exceeded RON 3.5 billion, representing an increase of 34% as compared to the previous year.

As an important performance in 2021, we mention the significant increase in the deposits balance, which exceeded RON 6.1 billion at the consolidated level, 25% higher compared to the previous year.

The Bank has the most diversified ecosystem of supporting SMEs in Romania, through its approach, teams, products and services, and the main priority in 2021 was to sustaine the economic environment as the economic revival emerged after the effects of the pandemic context diminished. During the pandemic, important steps were taken to help BT customers, in order to support this business segment through public and private moratoriums. Over 4,200 of loans have been granted in 2021 under the umbrella of IMM Invest and AGRO IMM Invest, accounting for RON 1,925 million and RON 685 million, respectivelly and over RON 500 milllions were destined for financing agriculture projects through APIA program.

Micro Business Clients

Micro Business line is approaching near the benchmark of 350,000 active customers, with 8.10% higher than in 2020. The rapid lending platform materialized in more RON 2 million the volume of loans granted. To support access to finance, the microfinance subsidiary, BT Mic, played an important role. The Medical Doctors Division has doubled the volume of new loans compared to 2020 (RON 1.2 billion in investments).
In the pandemic context, Micro business clients also benefited from government programs to support Romanian entrepreneurship.
The consolidated balance of gross loans increased with 14% while the deposits increased by 22% as compared to last year.

Retail Customers

BT has 2.7 million of digitized customers representing 75% of the active clients. This is one of the indicators closely monitored reflecting the Bank's level of digital progress. These clients use at least one of the Bank's digital solutions – BT Pay, Internet Baking or Mobile Banking.

Banca Transilvania, the leader in the card market, has as at December 31, 2021, a portfolio of 4.74 million cards, out of which 560,000 are credit cards. With over 100,000 new credit cards, it has been the best year for credit cards. BT reached 2.1 million unique cards in the BT Pay, Apple Pay, Google Pay, Fitbit Pay and Garmin Pay wallets. The number of payments by phone doubled in 2021 by comparison with 2020 reaching 68 million.

In 2021, Banca Transilvania continued to enlarge its ATM network, reaching 1,775 ATMs (by comparison with 1,738 in 2020), of which over 567 are multifunctional. The Bank also has over 500 BT Express terminals that are used for various operations, including utility payments. In 2021, the number of cash deposits through BT Express Plus exceeded 13 million.
Over 1 million cash withdrawls were performed by phone, with the help of BT Pay from the Bank's ATMs in 2021.
66% more interactions with BT Visual Help were registered in 2021 versus previous year. The month-to-month growth has been constant, achieving almost 1.5 million in 2021.
At the end of 2021 there were approximately 1.8 million Internet Banking customers, about 29% more than in 2020. The volume of transactions through Internet Banking and Mobile Banking grew with 35% by comparison with the level registered in 2020.
More than 100,000 consumer loans have been granted in 2021. The total balance of gross consumer loans reached RON 11.4 billion. Over 14,000 Romanians bought a house in 2021 with BT's help, the mortgage loans balance going up to RON 15.5 billion.

Treasury

The Treasury activities in Banca Transilvania are complementary to other products and services offered to the customers of the Bank's five business lines.

The principles and the strategic objectives linked to the treasury activities are:

- The principle of precaution - with respect to the management of the Bank's liquidity surplus, the maturity date of assets and debts, the interest rate structure and the market risks to which the Bank is exposed, in accordance with the risk limits established in the Bank's Risk Strategy and/or the regulations governing the Romanian banking sector;
- The principle of dispersion - concerning the counterparty exposures resulting from all specific treasury operations;
- Income maximization - under prudent conditions and considering the estimated multiannual evolution of the cyclical macroeconomic indicators.

Following the general trend of the increasing number of operations at the entire Bank's level, the foreign currency exchange was also stimulated, showing an increase of the net income, which grew with approximately 21% on a consolidated level compared to the previous year, reaching a level of RON 441 million in 2021.

2021 Statement of Financial Position

The situation of the financial position in 2021 in accordance with the International Financial Reporting Standards adopted by the European Union (NBR's Order No. 27/2010 as subsequently amended and supplemented) is presented below:

BT ended the year 2021 with total assets amounting to RON 125,062 million, notably 21% higher compared to 2020. At consolidated level, the total assets amounted to RON 132,501 million.

Loans portfolio: At the end of 2021, Banca Transilvania's gross loan portfolio balance was 28.2% higher than at the end of 2020, despite the fact that in 2021 write-offs in amount of RON 175.11 million were performed. With regard to the areas in which the new exposures have been created, they have shifted to sustainable and impact areas: renewable energy, energy efficiency, mobility/transport, green buildings, adaptation to climate risks, special environmental funding.

Non-performing loans overdue for more than 90 days represented 1.77% of Banca Transilvania's total loan portfolio, decreasing as compared to 2020, when the ratio was 2.00%; non-performing exposures according to EBA requirements was 2.71% as at December 2021.

Provision balance: In 2021, Banca Transilvania recorded a net impairment allowance on financial assets on other risks and loan commitments in amount of RON 234.83 million (including recoveries from previously written-off loans).

The high level of provisioning reflects the Bank's prudent and preventive approach as well as the change in methodology in calculating provisions taking into account the recommendations of the NBR and EBA.

The coverage of non-performing loans with mortgage collateral and specific provisions continues to stay at a comfortable level of 125%, in accordance with the Bank's risk appetite. The total balance of adjustments (impairment allowances) was RON 3,614 million as at December 31, 2021, increasing by 13.3% versus the previous year. The category Provisions for other risks and loan commitments decreased by 16% year-on-year as a consequence of the decrease of provisions for risks and expenses including the provisions for litigations.

Cash and current accounts with Central Bank: At the end of 2021, the liquidity ratio is 47.79%. Cash and current accounts with Central Bank in amount of RON 16,764 million are 20% lower compared to the previous year and above the minimum acceptable level required by the Bank to cover liquidity risk. Cash and current accounts with Central Bank consist of mainly cash on hand, placements with central banks approximatively 81% of the total balance (RON 13,586 million) being represented by the minimum required reserve held with the NBR.

Placements to banks: At December, 31 2021, placements to banks include rever-repo bills, term deposits, loans and advances to credit insititions with maturity lower than three months which all are included in the individual and consolidated cash flows and represent RON 9,613 million, 45% higher than the last year's value, the growth being mainly caused by Sight and term deposits with other banks.

Securities: Securities and derivative financial instruments increased by more than 32% versus last year, reaching RON 42,786 million, at the Bank's level. The securities issued by the Central Administrations have the largest weight in this category, amounting to RON 37,910 million.

Fixed assets: Fixed assets increased by 16% versus 2020, to RON 2,429 million, with an important weight related to the right-of-use assets, which on December 31, 2021 amount RON 707 million, respectively RON 492 million at Group level. Also, the IT investments for the purpose of digitalization and enhancement of banking processes are reflected in the fixed assets category at the end of 2021. Tangible fixed assets represent RON 653 million (land and buildings: RON 284 million), intangible assets are in amount of RON 335 million while the financial assets are in amount of RON 735 million.

Customer deposits: Deposits increased significantly by 16% vs. the previous year, being above the 14% general growth rate recorded at the banking system level. As at December 31, 2021, 67% of customer deposits are retail deposits, while 33% represent company deposits.

Loan/deposit ratio was 54.4% at the end of 2021.

The prudential ratios ensure a favorable position of BT in the banking system. BT has a consistent deposit base, which allowed for an optimum liquidity ratio. Thus, the **liquidity ratio** as at 31.12.2021 ranged between 1.55-25.36 (1.89-29.40 as at 31.12.2020) on the 5 maturity bands, much above the minimum level required by the NBR regulations.

The capital adequacy ratio of Banca Transilvania in 2021 stood at a comfortable level of 26.15%, with the annual profit included. The Bank preserved an adequate level of capital and of general financial ratios, in accordance with the prudent banking practices.

The equity of Banca Transilvania as of 31.12.2021 amounted to RON 9,353,125,686, of which:

- The share capital registered with the Trade Register is represented by 6,311,469,680 shares with a par value of 1 RON/share plus RON 86,501,040 as capital adjustment to inflation and surplus from the revaluation of fixed assets, used for the share capital increase but not realized until the date of the transition to the International Financial Reporting Standards adopted by the European Union;
- Premiums for conversion of bonds into shares: RON 28,613,972;
- Statutory reserves: RON 759,671,430;
- Banking risks reserves: RON 77,892,714;
- Reserves from change in fair value of financial assets measured at fair value through other comprehensive income, net of tax: RON (1,004,667,093);
- Reserves from the revaluation of tangible and intangible assets, net of tax: RON 42,234,498;
- Retained earnings (excluding the profit for the year and profit distribution): RON 1,486,296,793;
- Own shares: RON 0;
- Profit for year: RON 1,782,703,612;
- Profit distribution: RON (217,590,961).

Cost/Income ratio recorded a comfortable level of 48.09% in 2021, increasing from 45.27% at the end of the previous year. This ratio is under strict supervision, one of the Bank's objective for 2022 being to achieve enhanced operating efficiency but without compromising the quality of services provided to clients.

Operating income was RON 4,348 million in 2021, higher by 10.4% than the previous year as a result of the business environment affected by the COVID-19 pandemic.

As compared to the budgeted level, the Bank recorded an operating income 4.8% higher.

The most important income categories are the following:

- Net interest income: RON 2,740 million in 2021, 6% more compared to the previous year. Out of this amount, the income related to securities had a significant weight of 31%, representing RON 852 million. At the Group level the net interest income increased by approx. 6%. The increase in net interest income was impacted by a higher number of loans granted.
- Net commission income: Net commission income increased by 23%, reaching RON 806 million, exceeding the budgeted level by 11%. The transfer of transactions to the online and card-based environment determined the favorable evolution of this category of income. The number of operations carried out through BT accounts grew by 31% since the Bank offered solutions for remote banking and more efficient solutions for online banking to respond to a business environment with reduced mobility.
- Net trading income: The increase in the net trading income was of 49% for the Bank and 53% for the Group. Although FX net trading income increased by 26% at Bank level and by 21% at Group level, all the derivatives and financial assets held for trading generated a positive result.
- Net gains/(losses) on financial assets measured at fair value through other comprehensive income was RON 179 million at the Bank level.
- Net gains/(losses) on financial assets designated mandatorily at fair value through profit or loss was RON 64 million at the Bank level.

Operating expenses before the net impairment allowance and provisions for other risks and charges and loan commitments amounted to RON 2,091 million as at the end of the year, versus RON 1,782 million as at the end of 2020. The increase in operating expenses was mainly influenced by the pandemic environment, the continued digitization, the social involvement but also by the increase of the operational efficiency in 2021. At the Group level, the operating expenses were mainly influenced by the Bank's operating expenses**.**

Personnel expenses: Both for Group and the Bank, the personnel expenses increased by 21% versus the previous year, as a result of increasing the employee base and expanding their benefits.

The Bank continued the program for performance rewarding, the Stock Options Plan, based on which the employees with good performances may exercise their right to purchase at a preferential price or to receive free of charge a certain number of shares issued by the Bank. The granting terms and conditions are related to the achievement of performance/prudential ratios in 2021, to the accomplishment of certain individual eligibility and/or performance criteria as well to the criteria of being an employee at the execution date, in accordance with the applicable remuneration policy related to the year for which shares are granted. On the 2nd of September 2021, based on the Stock

Option Plan programme 23.65 millions shares were granted. The program generated for the Bank expenses worth of RON 122.2 million.

Operational result is with 5% above the previous year, reaching RON 2,257 million at the Bank level, result influenced by the economic recovery after unprecedented economic and social measures as a result of the pandemic situation.

Net provision expenses: amounted to RON 235 million, less than half of the last year's level, considering the economic relaunching effects but taking into consideration the recoveries as well as the changes in the methodology of provisioning, starting from a prudent and preventive approach of the risk policy of the Bank.

Gross profit for 2021 was of RON 2,022 million versus RON 1,371 million in the previous year at the Bank level. At Group level, the gross profit was RON 2,303 million, as compared to RON 1,622 million in the previous year**.**

The net profit of Banca Transilvania amounted to RON 1,783 million, compared to RON 1,197 million in 2020, whereas that of Banca Transilvania Financial Group amounted to RON 2,025 million compared to RON 1,424 million recorded in 2020.

1.5. Assessment of the aspects related to the Bank's and the Group's employees/staff

The total number of staff in Banca Transilvania as at 31 December 2021 was 9,337 employees (31 December 2020: 9,098 employees).

The average number of employees during 2021 was 8,349 in Banca Transilvania (in 2020: 8,029 employees).

The Bank's number of active employees as at December 31, 2021 was 8,651 (2020: 8,359 employees). The values include the number of employees of BT Italy.

The Group's number of active employees as at December 31, 2021 was 10,800 (2020: 10,009 employees).

The average age of employees in 2021 was 37 years (2020: 37 years). Breakdown per genders 2021: 74% women and 26% men (2020: 73% women and 27% men).

The manager-employee work relationship and any other conflict-related aspects were regulated in 2021 by the Collective Labor Agreement no. 319/09.12.2019.

In 2021, the priorities of the human resources department, in all this context generated by the pandemic, continued to be: the health, protection and safety of Bank's employees and their families; quality and timely selection and recruitment; the continuous professional and personal development of all colleagues (where the number of training hours in the online environment has increased exponentially); career management for potential colleagues; developing management and leadership skills for all levels of management. All these aspects had an important impact on

the performance of the organization and on increasing the retention and commitment of our colleagues towards the Bank.

1.6. Assessment of the aspects related to the environmental impact of the issuer's main activity

It is said that if you want to change the world, you have to start with yourself and that is precisely what Banca Transilvania has tried to do, through the social involvement projects. BT started with small things and gradually got involved in big and very big projects.

Banca Transilvania, as part of the community, was involved in 2021 in financial & entrepreneurial education programs, as well as sport, cultural and social events, with a total contribution of RON 27 million.

Education

BT continued in 2021 the financial & entrepreneurial education programs started in previous years (ClujHub, Spark Week), but also joined other initiatives:

- **The BT | Communitate podcast** is a BT show with and about good deeds. A kind of diary in which discussions with beautiful people are taking place, NGOs, in which they tell how they got to do so many good things for the communities around them, what keeps them afloat and what it's like knowing that you have done over a day so many good things for the people around you;

- **Oamenii de la bancă** - In 2021, more than 90 articles were posted about BT colleagues in the network, which brought a lot of visibility. In 2022, the Bank wants to develop the People of the Bank project and to promote the area of colleagues from upper management through short articles that will be posted only on LinkedIn.

Sport

As with other sports associations - Simona Halep, U-BT, Horia Tecău, or other BT ambassadors, the Bank's partnerships follow the values of the organization and not overcrowded categories of partners and sponsors or a fad of the moment:

- **Sa creștem curajos România!** Campaign announcing the association of BT with the U21 and junior teams of the national football team;
- **Winners Open (02-08.08.2021).** The WTA tournament, probably the biggest summer sports event in Cluj, has put the city on the international tennis map. Players from all over the world were present, 32 athletes participated in singles and doubles events, including players from Romania: Miki Buzarnescu, Gabriela Ruse, Ana Bogdan;
- **Transylvania Open (23-31.10.2021).** WTA 250 tournament, the penultimate tournament of the year, before the Champions Tournament, a great opportunity for players to improve their place in the official standings. Thus, important players from the top 50 participated in the tournament - Simona Halep, Emma Răducanu and Anett Kontaveit.

Art and Culture

BT has supported projects and continued the traditional partnerships of previous years, but has also responded positively to the invitation to join new ideas:

- **Cluj Book Festival (16-19.09.2021)** The Transylvania International Book Festival is an international festival that supports Romanian culture. The most important national and international publishing houses are present at the festival. Over 50,000 participants;

- **Northern Days (27-29.10.2021)** Music, arts, sports, and travel festival hosted in Darabani, on the corner of the three borders: Romania, Ukraine and the Republic of Moldova. Over 2,000 participants;

- **BT podcast** There were 10 episodes of BT Talks with Andi Moisescu, but also 7 episodes filmed during the TIFF event in which the guests talked about cinema in Romania, Romanian theater, and acting life. Also, from the BT Talks series, 7 episodes were filmed during the Electric Castle festival, in which the host of the show Adrian Despot talked to contemporary artists from the world of music.

Social causes

The year 2021 was an atypical one from all points of view, during which, more than ever, BT came to the aid of those in difficult situations. Among the most important are:

- **Viața în culori pentru nevăzători. Donează și tu!** Scripor Association supports the education and social inclusion of blind people. The campaign received 290 donations through BT Pay and Landing Page, BT doubled all donations. The money was used to make ABC-colored gifts for the blind;
- **Building Good House headquarters in Nucșoara**, a day center for children in rural areas built together with the Carpathia Conservation Foundation - Donation 50,000 euros for the construction of a day center for children from disadvantaged families. Here they will receive a hot meal, they will be able to do their homework, meditations, counseling;
- **One more year at school, one more chance in the future.** SOS Children's Villages provides long-term care and education to children who have lost the support of the biological family and helps those at risk of separation to remain in the biological family - the Bank doubled all donations and supplemented with a donation of 30,000 euros, thus more than 350 children were able to benefit;
- **Christmas Campaign** - Choose what good deed you want to do. It is important to help. Donation campaign with 5 associations: Give Wings, SOS Children's Villages, Save the Children, Tasuleasa Social and Hope and Homes for Children;

BT, a friend to the environment

BT also pays close attention to compliance with existing environmental and social legislation, the use of appropriate environmental and social practices, and the emphasize of the relevant factors in demonstrating effective business management. BT has an international “green building” certificate for certain spaces intended for the activity, for which it has chosen state-of-the-art facilities, equipment and technologies, with increased energy efficiency, in order to minimize the impact on the environment.

- In 2021, 75% of the Bank’s energy consumption came from clean sources, from renewable energy. This performance expected to be increased in 2022 and 2023.
- In 2021, a 10% decrease in paper use was registered, being replaced by digital alternatives.
- Banca Transilvania is the first bank in Romania certified for the electronic archive.

- In 2021 the campaign for issuing cards on recycled material was lunched.

1.7. Assessment of the research and development activities

The research and development activity consists of investments in technology, digitization, innovation, and process improvement/simplification.

1.8. Assessment of the Bank's activity regarding risk management

The objective of Banca Transilvania Financial Group in terms of risk management is the integration of the assumed average-low risk appetite within the Bank's decision making process, by promoting the adequate balance between the assumed risks, the available capital and the performance targets, considering at the same time the tolerance to financial and non-financial risks. In determining its appetite, capacity and risk tolerance, the BT Group shall take into account all material risks to which it is exposed taking into consideration the specificity of its business, business model, strategic and operational objectives, and applicable capital and liquidity requirements, its own risk management and control capacities, as well as the regulatory constraints, being mainly influenced by the credit risk.

The risk management framework within the BT Group is based on the following principles that apply to all activities and risk types:

- the existence of a solid culture in terms of risk management, both at the level of the BT Group's structures and at the level of its business lines;
- protection of the financial stability: Banca Transilvania controls the risk in order to limit the impact of potential adverse events on the capital and profitability;
- limiting the excessive risk taking;
- ensuring a solid and sustainable capital and financing base;
- independent perspective: the risk management function is structured so as to identify, assess, monitor and report risks; the risk management function, as well as the compliance and internal audit functions operate independently of the activity lines that they monitor and control, in order to ensure the integrity of the Bank's control processes;
- portfolio diversity in order to prevent dangerous concentration risks;
- limiting the concentration and volatility of the income sources;
- homogenous approach and global risk monitoring at BT Group level;
- compliance with the norms and regulations imposed by the national and international authorities in the field;
- the existence of business continuity plans for the banking activities;
- issuance and periodic revision of the recovery plan at the level of the BT financial group;
- Banca Transilvania Financial Group does not carry out activities in jurisdictions that reduce transparency, such as *off-shore* jurisdictions, or via certain structures that decrease transparency.

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

- Continuously assesses the risks likely to affect the Bank's business and goals and takes actions whenever any changes appear in its business conditions;
- Ensures the existence of an adequate activity management framework within the BT Group, considering both internal factors (the complexity of the organizational structure, the nature

of the activity, staff quality and fluctuation) and external factors (macroeconomic factors, legislation changes, competition changes in the banking sector, technological progress);

- Risk identification: exposure to inherent risks through day-to-day operations and transactions (including lending, dealing, capital market activity, asset management and other specific activities) is identified and aggregated through the risk management infrastructure implemented at the Group Level;
- Assessing/measuring risks: the Group performs an evaluation of the identified risks through specific models and calculation methods: a system of ratios with related limits, a methodology for assessing the risk events likely to generate losses, calculation methodology for specific credit risk provisions, assumptions regarding the future evolution of assets' value, etc;
- The policy and the procedures implemented for an effective risk management are meant to mitigate risks inherent in the Bank's business. The Bank implemented procedures for the supervision and approval of decision and trading limits per person/ unit/ product etc. Such limits are monitored daily/ weekly/ monthly depending on operations;
- Reporting risks: Periodic and transparent reporting mechanisms have been established for specific risk categories so that the management body and all relevant structures benefit in a timely manner from accurate, concise, intelligible and meaningful reporting, but can also exchange relevant information on the identification, measurement or assessment and monitoring of risks;
- Calculates and evaluates internal capital and internal capital needs: To assess the adequacy of the internal capital to risks, the Bank identifies and assesses all significant risks to which it is or may be exposed and continuously assesses the internal capital and the internal capital needs to cover the Bank's business needs and of the related risks, including through stress tests.

The risk management framework includes internal regulations, risk limits and risk control mechanisms, adapted to the proper functioning, financial soundness, capital base and strategic objectives of the credit institution, which ensure proper, timely and continuous identification, assessment, monitoring, mitigation and reporting of the risks related to the Bank's activities, as a whole, as well as at the business lines' level (Large Corporate, Mid-Corporate, SME, micro and retail).

The main risk categories to which the BT Group is exposed to, are:

- Credit Risk;
- Liquidity and credit risk;
- Operational risk;
- Market Risk;
- Interest rate risk from activities outside the trading book;
- Reputation risk;
- The risk associated with excessive usage of leverage;
- Strategic risk;
- System risk;
- Compliance risk.

Credit Risk

The credit risk management framework is regularly updated and improved, being designed to cover all credit exposures in the banking activity and includes, among others, the following basic components:

- A risk assessment system for new credit products / significant changes in the existing products;
- Lending methodology to ensure a healthy loan book;
- Integrated IT systems for the client relationships and loan origination management, both for companies and individuals;
- An efficient credit risk rating process capable of rendering the variable level, nature and determining factors related to credit risk, which could occur in time, so as to ensure in a reasonable manner that all the credit exposures are properly monitored and the ECL-related allowances are properly measured;
- A model validation process, the related framework defining: the structure of the model validation process in terms of responsibility and reporting, internal regulations on the evaluation and approval of the changes brought to the models, and reporting the results of the model validation;
- A system for assessing the risk exposure through transactions;
- Pricing methodology based on risks;
- An efficient process of Active management of the loan portfolio, that includes an adequate reporting system;
- Concentration limits per client/ group of clients/ products/ regions/ sectors/ guarantee suppliers/ guarantee types;
- Proactive management of fraud risk mechanism;
- Elaborating the methodology for the early identification of higher real or potential credit risks;
- Methodology for loan monitoring / review after granting;
- Processes systematically and consistently applied in order to establish proper allowances for the loss in accordance with the applicable accounting regulations in the field of credit risk;
- Continuous improvement of the overdue credit collection process;
- *Backtesting* methodology regarding the adequacy of the *default* probability parameter, the non-repayment status and the provision level related to the Bank's loan portfolio.

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

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

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

- The organization of an internal system of norms and procedures in this field, establishing the regulatory framework for the lending process in order to avoid or to mitigate the risks occurrence; development/ improvement of the credit risk management procedures (strategy, policies, norms related to credit risk management); ongoing improvement of the credit approval / loans granting process;
- Maintaining an adequate process for credit management, control and monitoring;
- Organizational structure of the Bank – there are departments and committees with responsibilities in the credit risk supervision and management.

The credit risk appetite determined *a priori* for 2021 was *medium-low*.

Liquidity and credit risk

The liquidity risk appetite for 2021 was set as low, taking into account the structural correlation of the Bank's assets and liabilities. The purpose of liquidity risk management is to obtain the expected returns on assets by taking advantage of temporary excess liquidity and though an efficient allocation of the resources attracted from customers, in the context of a proper management, consciously assumed and adapted to the market conditions and the current legal framework. Liquidity management is realized centrally and aims to combine prudential requirements with profitability requirements.

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

For a sound liquidity risk management, BT is constantly focused on obtaining liquidities via treasury operations, external financing, capital markets, etc., by taking into account various factors such as the issuer's rating, the issuance maturity and volume of the exposures and the analysis of the markets on which it trades.

The operative (*intraday*) liquidity management is realized through all the operations carried out by the Bank's departments, so as to ensure the performance of all the settlements / payments of the bank carried out by the Bank on its behalf or on behalf of its customers, in RON or FCY, on the accounts or in cash, within the internal, legal and mandatory limits.

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

During 2021, the Bank recorded very good levels of liquidity indicators thus demonstrating a solid position, registering a more than comfortable liquidity level in a fragile overall economic context.

As well, attention is given to:
- correlation of the growth rate of resources/loans;
- diversification of the range of instruments used and of the IT systems, correlated with the institution's risk appetite;
- monitoring of liquidity coverage ratio (LCR);
- adequate capital allocation.

Operational Risk

Operational risk is the risk that considers those inadequate practices, policies and systems unable to prevent a loss due to market conditions or operational difficulties.

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

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

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

- continuously assesses exposures to operational risk, based on historical data, monitoring and managing the conduct risk, as a subcategory of the operational risk, as well as the risk determinants associated with this category, paying particular attention to its scope, relevance and the possible prudential impact;
- evaluates and monitors products, processes and systems aimed for developing new markets, products and services, as well as significant changes to existing ones and the conduct of exceptional transactions, from the perspective of product consistency and changes in line with the risk strategy;
- identifies, assesses, monitors and manages the risks associated with information technology (ICT), the Bank has appropriate processes and controls in place to ensure that all risks are identified, analyzed, measured, monitored, managed, reported and maintained within the risk appetite and that the projects and systems they deliver and the activities they perform are in line with the external and internal requirements; The Bank also defines and assigns relevant roles, key responsibilities and reporting lines to ensure the effectiveness of the ICT and Security Risk Management Framework, which is integrated into its own regulatory framework, operational framework for ICT security and into the risk management framework.

In order to reduce the risks inherent in the Bank's operational activity, it is necessary to constantly monitor the controls implemented at different levels, to evaluate their efficiency, as well as to introduce methods to reduce the effects of the operational risk events.

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

- constant compliance of the normative documents with the legal regulations and to the market conditions;
- personnel training;
- efficiency of the internal control systems (organization and implementation);
- continuous improvement of the IT solutions and strengthening of BT information security systems;
- using complementary means to reduce risks: concluding specific insurance policies against risks, outsourcing activities;

- the implementation of the measures for the limitation and reduction of the effects of the identified operational risk incidents, such as: standardization of the current activity, automation of most processes with permanently monitored control points; reduction of redundant data volumes collected at the level of different entities of the Bank; assessment of the products, processes and systems in order to determine the associated risks and measures to eliminate / mitigate them;
- the application of the recommendations and the conclusions resulting from on-going supervision;
- the update, evaluation and testing of business continuity plans on a regular basis, of those systems that support the critical operational processes of the Bank.

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

The operational risk appetite of Banca Transilvania determined *a priori* for 2021 was *medium-low*.

Market Risk

In 2021, Banca Transilvania's market risk appetite was set as *medium-low* due to the structure and the size of the trading portfolio, the prudential approach of all operations subject to such a risk and the numerous limits implemented and daily monitored within the Bank's current business activity. In order to reduce the market risk, the Bank adopted a prudential approach to protect its profits from fluctuations in prices, interest rates and exchange rates on the market, which all represent exogenous, external, independent factors. The Bank implements a series of principles in terms of quality, maturity, diversity and risk degree of the constitutive elements.

Banca Transilvania performs a daily evaluation of all banking positions, marking to market its *trading book*, of the positions at the directly available closing prices, coming from independent sources, such as: prices on the stock exchange, electronic quotations, quotations from several independent, well-known brokers, in accordance with the applicable internal regulations and monitors the "warning" or "alert" levels, using backup plans, immediately applicable, in case of unstable market conditions.

The market risk analysis is based on the three main risk sub-categories listed below, with the purpose of combining the prudential and profitability requirements:

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

FCY Exchange Risk: It represents the risk of recording losses related to the on-balance sheet and off-balance sheet positions due to unfavorable market fluctuations in the exchange rates. The Bank applies a series of rules with regard to operations/positions sensitive to exchange rate fluctuations, the realization, registration and mark-to-market there of, as well as the impact of exchange rates on the Bank's assets and liabilities.

Counterparty credit risk and settlement risk from exposures resulting from derivative financial instruments and from transactions with financial instruments:
Represents a possible loss that may occur due to improper settlement of the treasury operations, the objective of Banca Transilvania regarding the management of the counterparty credit risk and the settlement risk being the adoption of a prudent policy regarding the selection of counterparties, custodians, management of the counterparty operations and of the maturities of the related operations.

Interest rate risk from activities outside the trading book:
The appetite for the interest rate risk from activities outside the trading book in Banca Transilvania was set in 2021 as *low*. The Bank has established a set of strict principles for managing and monitoring this type of risk, based on a risk management process that keeps interest rates within the prudential limits. The interest rate risk management is to minimize the possible negative impact on the net income, as well as to preserve the economic value of the equity under the conditions of adverse fluctuations of the interest rates.

The Bank uses management tools such as GAP static analysis as well as the economic value of the assets, forecasts regarding the interest rate trends, the interest types and levels of the Bank's products, depending on currency and maturity, the volumes of different balance-sheet items sensitive to interest rates, fees and commissions, directly or indirectly influenced by interest rate changes, limits recommended and periodically updated in the interest rate management.

A detailed analysis of the credit, liquidity, market and interest rate risks is available in the consolidated financial statements of the BT Group. These were within the risk limits assumed in the Bank's decision-making process, promoting an adequate alignment of the assumed risks, available capital and performance targets and at the same time taking into account the tolerance to both financial and non-financial risks.

Reputational Risk
The reputation risk represents the current or future risk that the profit and capital may be negatively affected by the clients'/counterparties'/shareholders'/investors'/supervisory authorities' unfavorable perception of the BT Group's image. The appetite for the reputation risk in Banca Transilvania Financial Group was set in 2021 as *low*. Reputational risk management is performed through efforts to attract the best partners, both in terms of customers and suppliers, recruiting and retaining the best employees, minimizing disputes, rigorous regulation of the activity, prevention of crisis situations, respectively permanent consolidation of the credibility of Banca Transilvania and the trust of the shareholders, the permanent improvement of the relations with the shareholders, the creation of a favorable environment for investments and access to capital, continuous and open communication with shareholders (shareholders, media, clients, partners, employees, authorities, etc.).

Risk of Excessive Leverage
The leverage concept represents the relative dimension of assets, off balance-sheet commitments and contingent obligations to pay, to render a service or to grant real guarantees, including the obligation resulting from the financing received, assumed commitments, derivative instruments or repo transactions, excluding the obligations that can only be performed during the liquidation of an institution, in relation to the institution's own funds.

Banca Transilvania treats cautiously the issue of leverage related risk, taking into consideration the potential increases of this risk as a result of own funds deterioration due to expected or incurred

losses in accordance with applicable accounting regulations. The risk appetite associated with the risk associated with the excessive use of leverage in BT, established *a priori*, was set as *low* in 2021, by using quantitative methods of assessment and mitigation. Banca Transilvania has implemented a risk management framework associated with the excessive use of leverage, the main objectives of which are to protect the financial stability of the Bank, limit excessive risk-taking, limit concentrations and diversify the portfolio, as well as ensuring a solid and sustainable capital and financing base.

Strategic Risk

The Strategic risk is the current or future risk for profits and capital to be negatively affected by changes in the business environment, by unfavorable business decisions, improper implementation of decisions or the low adaptability to changes in the business environment. During 2021 the strategic risk appetite has been established as *low* based on the following aspects: risk management practices are part of the Bank's strategic planning, the exposure to strategic risk reflects strategic goals that are not excessively "aggressive" and are compatible with the developed business strategies, the business initiatives are well designed and supported by communication channels, operating systems and adequate delivery networks.

In order to ensure sound strategic risk management, the BT Group conducts regular reassessments of its business strategy, draws up plans for the introduction of new business lines, products and services, for the expansion of existing services and for the infrastructure consolidation. The BT Group also performs analyzes of the environment in which it operates in order to highlight the strategic risk factors to which it is exposed.

Systemic Risk

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

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

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

Compliance Risk

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

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

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

The appetite for compliance risk in Banca Transilvania was set in 2021 as *low*.

Capital Adequacy

The internal assessment process of capital adequacy to risks is integrated in the administration and management process of Banca Transilvania and in its decision making culture, according to which the management body must ensure the proper identification, measurement, aggregation and monitoring of risks, the preservation of internal capital levels adjusted to the Bank's risk profile, as well as the use and development of sound risk management systems.

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

- **Credit risk**: risk-weighted assets are calculated based on the standard method;
- **Market risk**: capital requirements with respect to the exchange risk and the trading portfolio are calculated based on the standard method;
- **Operational risk**: the basic indicator method is used to calculate the capital requirement to cover the operational risk.

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

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

Internal and External Audit

The general objectives of the 2021 audit focused mainly on risk management, as well as on the assessment of the overall control system implemented on transactions and/or processes/flows, covering the entire range of risks. The control system assessment was carried out in line with the internal audit methodology, one of the main objectives being that of ensuring the reliability and integrity of financial and operational data, as a result of an independent and objective evaluation of the internal control system and of the risk management systems in connection with the financial reporting process.

The internal control framework of the BT Group is structured on three levels:

- functions that hold and manage risks (operational units);
- risk supervisory functions (risk management function and compliance function);
- the function that ensures an independent examination, namely the internal audit function.

Thus, the 1st control level is realized by the operational units, which are responsible for ensuring an appropriate risk control and prevention environment within each operational structure/activity, as part of their daily operations; the 2nd and 3rd control levels are associated with the three independent control functions, as follows:

- the risk management function ensures the management and control of identified risks by means of specific assessment processes;
- the compliance function ensures the management of compliance / operational / credit risks;
- the internal audit function ensures the objective examination of the BT's overall activities, for the purpose of an independent assessment of risk management, of the internal control system, of the management and execution processes, to support the achievement of the objectives; it also issues recommendations for the improvement of such activities.

The external auditor of the Bank - KPMG Audit SRL - has audited the individual and consolidated financial statements of the Bank as at December 31, 2021.

1.9. Aspects related to the perspectives of the Bank's activity

The year 2021, for Banca Transilvania, represented a year of position consolidation on the Romanian market through acquisitions. Banca Transilvania completed the transaction for the acquisition of the entire share package (100%) owned by Getin Holding Group in the share capital of Idea Bank S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare S.R.L.. Idea Bank is the third bank purchased by Banca Transilvania, after Bancpost (2018) and Volksbank Romania (2015). Idea Bank will become a digital banking hub, beyond the scope of traditional commercial banks and continuing BT's efforts of digitalizing the services and products offered. All the three entities known under the Idea brand will have new corporate identities. The positive impact in economy and society of this acquisition is more than just another step for the consolidation of the banking sector or the reposition of the Bank as a digital platform, it also derives from the ESG agenda of all the areas.

In 2022, Banca Transilvania continued the acquisitions from the Romanian market, the Board of Directors of Banca Transilvania S.A. approving on 14.01.2022, the completion of the transaction regarding the acquisition of the total holding owned by Molesey Holdings Limited and Hyundai Auto Romania S.R.L. in the capital of Tiriac Leasing IFN S.A.. This transaction does not represent a significant change in the financial position of Banca Transilvania, the assets to be added representing less than 1% of the assets of the BT Group. Also, the field of activity already exists within the BT Financial Group.

After a period of more than two years, in which the personal, microeconomic, and macroeconomic challenges were unprecedented, the pandemic period seems to reduce its impact on the business environment but without being able to speak of a return to normal. During this period, the Bank focused on ensuring the prevention of the spread of COVID-19, on the continuity of operations through agencies, branches, and digital channels, as well as on finding the best ways to contribute to the well-being of customers, employees and of the community.

Russia's military aggression against Ukraine began on February 24, 2022 and resulted in a series of economic and individual sanctions, mainly imposed by the EU and the United States. This event has created geopolitical instability and volatility in the financial and energy markets and the economic consequences are already manifested in price increases mainly for energy and food.

For 2022, Banca Transilvania has prepared different scenarios, considering the signals and trends and expects a return with an annual growth rate that it depends a lot on the evolution of the armed conflict, of the pandemic, travel and the level of consumption in European countries. Romania has a complex economy and strongly interconnected with Europe, and the pace of recovery will be correlated with that of large European economies.

The financial stability of Banca Transilvania, together with the internally developed electronic systems are the pillars on which it is based in these moments of uncertainty. With all the resources at its disposal, the Bank is ready to do whatever it takes to continue to provide comprehensive banking services. Therefore, for 2022, Banca Transilvania plans to be as proactive as possible and to play a major role in supporting companies, people, and the economy.

Banca Transilvania is monitoring the coronavirus situation very closely and liaising with National Bank of Romania, Romanian government and with public health officials.

For the year 2022, the Bank set the following qualitative and quantitative objectives:

- Sustainability – the implementation of the 2022 step from the multi-yearly plan of sustainable growth; incorporation of a series of principals of sustainable development for a friendly banking with the environment and for the community of which it is part of; UNEP membership;
- Digital: development of fully digital interaction flows with the clients;
- Digital: continues of development of intelligent operation systems, innovation and processes reengineering;
- Client relationship: the omnichannel experience;
- Sustaining and active participating in the programs for sustaining the Romanian economy (IMM Invest, Noua casă – New Home, European Union grant program;
- Maintaining a high interest for the mergers or acquisition with entities which can complete the added value offered to our clients.
- Total assets: +9.7% increase;
- Total loans, gross: +8.9% increase;
- Total deposits from customers: +12.4% increase;
- Cost/Income ratio: 46.7%;
- Loans/Deposit ratio: 53.2%.

The investment budget for 2022 is presented in the table below:

Investment budget for 2022:	**Amount (RON million)**
Buildings – agencies and branches	108,62
Investments IT and cards, of which:	333,81
Hardware IT	46,93
Software IT	230,70
Retail and cards, of which:	56,19
Hardware, retail cards	11,71
Software, retail cards	44,48
Security	10,26
Cash processing center	8,68
Digital initiatives	53,25
Other	41,55
Total Investments RON million, VAT included	**556,17**

In projecting indicators for 2022, it has been considered an average inflation rate of 6.9% and an average exchange rate of 4.99 RON\EURO.

The Bank estimates a growth rate of 9.7% for total assets as compared with previous period (up to RON 137,148 million). The structure of assets is projected to comprise a weight of 44.8% of gross loans, a weight of 22.5% of cash and cash equivalents and a weight of 33.0% of investments in treasury bills.

Regarding the structure of liabilities and equity forecasted for 2022, the Bank considered a growth rate of resources from non-banking clients of 12.4% as compared with 2021, meaning a weight in total liabilities of 90.4%.

The 2021 budgeted ratios subject to the GMS approval are determined so as to support the business objectives and are correlated with the specific prudential and supervisory standards.

2. The Bank's Tangible Assets

2.1. Location and properties of the main production capacities owned by the Bank:

Until now, the Bank currently owns tangible assets in the form of buildings, which represent the offices of its subsidiaries/agencies located in: Bistriţa, Braşov, Bucharest Obor, Bucharest Unirii, Bucharest Regional Office, Bucharest Cash Processing Center, Cluj-Napoca, Cluj-Napoca Cash Processing Center, Constanţa, Dej, Deva, Drobeta Turnu-Severin, Giurgiu, Miercurea-Ciuc, Râmnicu-Vâlcea, Turda, Zălau, Suceava, Iaşi, as well as four buildings accommodating the Bank's Headquarters. The other locations where BT units are currently operating are rented offices.

2.2. Description and analysis of the degree of wear and tear of the Bank's properties

The net tangible assets as at 31 December 2021 amount to RON 652.58 million, of which 44% are buildings and land. The majority of real estate properties were recently built or refurbished.

A detailed analysis of the Bank's fixed assets is presented in the Notes to the Financial Statements.

Tangible assets do not include rights-of-use assets recorded in accordance with IFRS 16.

2.3. Notes on the potential issues related to the ownership of the Bank's tangible assets

Not applicable.

3. The stock exchange where the securities issued by the company are traded

3.1. Romanian and foreign markets where the securities issued by the Bank are traded

As of 15.10.1997 (the first trading day), Banca Transilvania became the first Romanian banking institution listed on the Bucharest Stock Exchange. The Bank's shares are indivisible common dematerialized nominal shares.

At the beginning of 2021, the share capital registered with the Trade Register was RON 5,737,699,709.
According to the EGMS Decision of 27.04.2012 and 30.10.2012, as an effect of the conversion into shares of the issued bonds, in January 2021 the legal procedures for registering the capital increase at ASF and the Central Depository were completed with a number of 60 shares with a nominal value of RON 1.00/ share as a result of the Decision of the Board of Directors of 28.10.2020.

The share capital was increased during the year, according to the Decision adopted by the Ordinary and Extraordinary General Shareholders' Meetings of Banca Transilvania on 28th of April 2021, with the amount of RON 573,769,971, through the capitalization of reserves from the net profit of the year 2020, in amount of RON 573,769,971, by issuing a number of 573,769,971 shares, with a nominal value of RON 1/share in the benefit of the shareholders registered with the Shareholding Register held by the Central Depository at the registration date that will be established by the GSM. Considering the above, each shareholder registered on the registration date, September 10th 2021, received free of charge, for each 100 shares owned, a total number of shares calculated as follows: 100x(573,769,971/RON 5,737,699,709). The legal procedures to register the share capital increase with ASF and Central Depository were finalized in the first part of September 2021.

The purpose of the capital increase is to sustain the current activity of the company.
Following the increase, the Bank's share capital amounts to RON 6,311,469,680, divided into 6,311,469,680 shares with a nominal value of RON 1/share.

The share capital structure as at 31.12.2021 and 31.12.2020 was as follows:

Shareholders	31-Dec-21	31-Dec-20
NN Group (*)	10.29%	10.14%
European Bank for Reconstruction and Development (EBRD)	6.87%	6.87%
Romanian individuals	21.23%	20.47%
Romanian companies	41.41%	40.10%
Foreign individuals	0.98%	1.09%
Foreign companies	19.22%	21.33%
Total	100.00%	100.00%

(*)NN Group N.V. and pension funds managed by NN Pensii SAFPAP S.A. and NN Life Insurance S.A.

The Bank's market cap as at 31 December 2021 was RON 16.3 billion, respectively EUR 3.3 billion (31 December 2020: RON 12.9 billion, respectively EUR 2.7 billion).

3.2. The Bank's policy regarding dividends

In 2021, the Bank distributed the profit of 2020 (RON 425,754,277) as well as part of the reserves of the previous years (RON 74,245,723 from the net profit reserves of the previous years – 2019) as cash dividends in a total amount of RON 500,000,000, the gross value of the dividend per share being RON 0.0792210443.

In 2020, the Bank distributed cash dividends in amount of RON 600,000,000 from the profit of 2019, the gross value of the dividend per share being RON 0.1150286771.

In 2019, BT distributed cash dividends in amount of RON 818,565,850 from the profit of 2018, the gross value of the dividend per share being RON 0.17.

In 2018, BT distributed cash dividends in amount of RON 610,000,000 from the profit of 2017, the gross value of the dividend per share being RON 0.140506.

In 2017, BT distributed cash dividends in amount of RON 219,000,000 from the profit of 2016, the gross value of the dividend per share being RON 0.060065.

In 2016, BT distributed cash dividends in amount of RON 1,200 million from the profit of 2015, the gross value of the dividend per share being RON 0.396558.

BT also distributed cash dividends in amount of RON 50 million from the profit of 2008, when the gross value of the dividend per share was RON 0.047200.

In the other years, the policy of Banca Transilvania regarding profit distribution was focused on capitalization.

Proposals regarding the distribution of profit for the financial year 2021 and the share capital increase

Proposal for 2021 profit distribution	Amounts (RON)
Gross profit	2,022,367,212
Current/deferred income tax	(239,663,600)
Net profit	1,782,703,612
5% Legal reserve fund from gross profit	(101,118,361)
Reinvested profit reserve	(116,472,600)
Net profit to be distributed	1,565,112,651

The Board proposes for approval to increase the Bank's share capital from RON 6,311,469,680 to RON 7,076,582,330, with the amount of RON 765,112,650, representing reserves from the 2021 net profit.

The increase in the share capital will be carried out through issuing a number of 765,112,650 shares, with a nominal value of RON 1/share in the benefit of the shareholders registered with the Shareholding Register held by the Central Depository at the registration date that will be established by the GSM, following that the price for the compensation of the fractions of shares resulting from the application of the algorithm and the rounding of the results, to be determined in accordance with the legal provisions in force.

The Board of Directors proposes for approval the distribution of profits by granting dividends amounting to RON 800,000,000. The gross dividend per share amounts to 0.1267533618.

Proposal for 2021 profit distribution	Amounts (RON)
Total available reserves for distribution	1,565,112,651
Reserves from 2021 net profit	1
Dividends	800,000,000
Capitalization of 2021 net profit reserves	765,112,650
Share capital at recording date*	6,311,469,680
Yield per share % capitalization	0,12122575070

*The share capital registered with the Trade Register is represented by 6,311,469,680 shares with the nominal value of RON1/ share, to which is added the RON 86,501,040 the adjustment according to inflation of the share capital and surplus from the revaluation of fixed assets used to increase the share capital , but which was not achieved until the date of transition to the application of the International Financial Reporting Standards adopted by the European Union.

3.3. The Bank's share buyback activities

The share buyback from 2021 are part of the program approved by the Decisions of the Ordinary General Meeting of Shareholders of Banca Transilvania dated 29.04.2020.
Through its decision of 08.03.2021, the Board of Directors of Banca Transilvania S.A. has approved the buyback of a maximum of 35,000,000 BT (TLV) shares (0.67% of the total of shares composing the share capital at the moment of approaval) at a nominal value of 1 RON per share as well as at a price at least equal with the BSE market price at the moment of the acquisition and at a maximum price of 4 lei, in accordance with the daily transaction price on BSE for the period of share buyback.

As at 31.12.2021, Banca Transilvania does not have any own shares in its balance. Banca Transilvania repurchased the shares as part of a stock option plan with the purpose of implementing a remuneration program and a personnel incentive program for a period of at least 3 years as well as the payment of fixed remuneration.

3.4. The number and nominal value of the shares issued by the parent company and owned by the subsidiaries

As at 31.12.2021, BT Group counts 16,7 million own shares amounting to RON 15.3 million acquisition value, which are held by BT INVEST1, a Group subsidiary.

BT group subsidiary	Number of shares held	Nominal value at 31.12.2021	Percentage held of the Bank's share

			capital as at 31.12.2021
BT INVEST1	16,692,347	16,692,347	0.26%
Total BT Invest1 shares held	**16,692,347**	**16,692,347**	**0.26%**

3.5. Bonds issued by the Bank

In 2013 Banca Transilvania issued a number of 50,000,000 unsecured subordinated convertible bonds, due in 2020, each with a nominal value of EUR 0.60, and a total nominal value of EUR 30,000,000. These are nominal, dematerialized bonds.

As at 31 December 2013 the Bank had a balance of issued subordinated term bonds of EUR 30 million.

On 3.11.2014, BT converted 33,453,730 bonds with a nominal value of EUR 20,072,238 into 49,444,546 shares.

As at 31 December 2014, the Bank counted 16,546,270 outstanding subordinated bonds, amounting to EUR 9,927,762.

As at 31 December 2015, the Bank counted the same 16,546,270 outstanding subordinated bonds, amounting to EUR 9,927,762.

As at 31 December 2016, the Bank had a balance of 16,507,930 issued subordinated bonds, amounting to EUR 9,904,758.

In 2017, the Bank converted bonds in amount of EUR 2,122, equivalent to RON 9,683, amount that was used as follows: RON 3,483 for the increase of the share capital and RON 6,200 for the constitution of the capital premiums.

The value of convertible bonds as at 31.12.2017 was EUR 9,902,636, equivalent of RON 46,143,312 (31.12.2016: EUR 9,904,758, equivalent of RON 44,978,497).

As at 31 December 2017, the Bank had a balance of 16,504,393 issued subordinated bonds, amounting to EUR 9,902,635.8.

As at 31 December 2018, the Bank had a balance of 16,504,393 issued subordinated bonds, amounting to EUR 9,902,635.8, equivalent of RON 46,184,903, plus 2,850 bonds with a nominal value of EUR 100,000 (31.12.2017: EUR 9,902,636 equivalent of RON 44,978,497).

During 2018, Banca Transilvania S.A. issued 2,850 bonds, with a nominal value of one bond amounting to EUR 100,000. The bonds were made available for subscription through private placements to a limited number of eligible investors. The private placement of Equity Tier 2 bonds, subordinated unsecured, denominated in EUR, with a interests equal to the EURIBOR6M + 3.75% per year, maturity in 2028, with a total face value of EUR 285,000,000, was finalized on 26 June 2018, the settlement date being June 28 2018, and the maturity date June 28 2028. The bonds

became tradable on the regulated spot market managed by the Bucharest Stock Exchange under the ISIN code ROTLVADBC023 and the TLV28E symbol starting with 6 July 2018.

As at 31 December 2018, in the balance there were subordinated bonds issued by the Bank amounting to EUR 294,902,635.80, equivalent of RON 1,375,396,403.11.

In 2019, the Bank converted a total of 8,920 bonds amounting EUR 2,122, equivalent of RON 9,829, amount that was used to increase the share capital.

As at 31 December 2019, in the balance there were subordinated bonds issued by the Bank amounting to EUR 294,897,283.8, equivalent of RON 1,409,402,588.5.

As at 31 December 2020, in the balance there were subordinated bonds issued by the Bank amounting to EUR 285,000,000, equivalent of RON 1,387,779,000.

In 2020, the Bank converted bonds amounting to EUR 83 thousand, equivalent to RON 391 thousand, an amount that was allocated as follows: RON 173 thousand to increase the share capital and RON 218 thousand to share premiums.

The balance of convertible bonds in amount of EUR 9,814 thousand, equivalent to RON 47,523 thousand, was repaid on 22 May 2020. At 31 December 2020 the balance of convertible bonds was RON 0 (zero).

During 2021, the Bank did not issue bonds.

4. Bank Management

Corporate governance plays an essential role in increasing the performance of Banca Transilvania. Gives a strategic direction, helpd to achive the goals, to properly manage the riscks and resources to be used responsibly. It is the fundamental of BT's business model: sustainable with possitive impact.

Banca Transilvania uses the Code of Corporate Governance of the Bucharest Stock Exchange, considering the former's capacity as issuer on the capital market and applies the principles defined by the latter. The Code of Corporate Governance of BSE is available of the official website of BSE (ww.bvb.ro). Currently, there are no provisions of the Code for which compliance is not ensured by Banca Transilvania.

The General Meeting of Shareholders (GMS)

The strategic management of the Bank is ensured by the General Meeting of Shareholders which is in charge of establishing strategic organizational objectives and of allocating the required resources for the achievement thereof.

The Board of Directors

Banca Transilvania's management structure includes the supervisory management body, i.e. the Board of Directors and the top management bodies, i.e. the Leaders/Leaders' Committee.

The Bank's top management is ensured by individuals, who are mandated with the current management activity of the credit institution and are responsible for the fulfilment of these responsibilities towards the management body, based on the management agreements, the relevant NBR regulations, the legal requirements of Law 31/1990 and the internal rules.

The management of Banca Transilvania is entrusted by the General Meeting of Shareholders to a Board of Directors, elected for a four-year term of office, consisting of 7 administrators elected by the shareholders at the GMS, either on the expiry of the mandate or specifically, in the event of one or more vacancies. The Board of Directors (BOD) is the body responsible with the guidance, coordination, supervision and control functions, as stipulated by the specific regulations issued by the NBR.
In Banca Transilvania, the Board of Directors has the following structure:

- Chairman of the Board of Directors of BT;

- 6 administrators - members of the Bank's Board of Directors.

The eligibility criteria for joining the Board of Directors are those stipulated in the specific legislation (Law no.31/1990- company law, Gov. Ordinance no.99/2006 and the specific NBR regulations), as well as those stipulated in Banca Transilvania S.A.'s Articles of Association.

Subsequent to the shareholders approval within the GMS and before the beginning of the mandate, the newly appointed members must obtain the approval from the National Bank of Romania.

The Board of Directors' members are not involved in the fulfilment of operational tasks - this being a responsibility awarded to the top management.

Board of Directors' Attributions:

- Follows the completion of the strategy and the established objectives mentioned in the policy statement approved by Shareholders General Assembly and in the midterm Strategic Plan, approves and revises, at least once a year, the general strategies and the policies related to Bank's activity;
- Approves the Business Plan and of the income and expenditure budget, the Investment Program and the profit and loss account, prepares the Report regarding the Bank's activity, which is presented to approval to the General Meeting of Shareholders, prepares the proposals for net profit distribution, presented to approval of the General Meeting of Shareholders;
- Approves and follows the implementation of two-years strategic plan which should be revised annually;
- Approves Organization and Administration Regulations, the Code of Ethics and Conduct Code, the organizational structure, as well as the principles of staff remuneration and loyalty programs, approves the individual exposures to a person in special relations with the Bank, within the limits established by the Board of Directors;
- Supervises compliance risk management;
- Creates the proper required conditions for an independent, efficient, permanent compliance function;
- Evaluates permanently the capital adequacy to risks, originating the capital distribution in an appropriate manner with the assumed risks both for the Bank and for its subsidiaries;
- Approves the accounting policies, the ones of the financial controlling as well as the ones for significant risks management;

- Approves other internal norms and policies in accordance with the Bank's Organization and Administration Regulations.

The Board of Directors usually meets once a month and whenever necessary, in the presence of at least half of its members, and may exercise its specific duties also through committees set up at the level of the Board of Directors and consisting of 2-3 members based on the mandate and in compliance with the legal requirements applicable to forum. The committees set up at the level of the Board of Directors are: the Audit Committee, the Remuneration and Nomination Committee, the Risk Management Committee. The Board of Directors and its committees are governed by the terms of reference on corporate governance published on the BT website.

4.1. List of Bank Directors

During the year 2021 there were no resignation among the members of the Board of Directors and the executive management. The members of the Board of Directors (BoD) on 31.12.2021 are:

Name	Position	Percentage held of the share capital of the Bank as of 31.12.2021
Ciorcilă Horia	Chairman of the Board of Directors	4.561480% directly and together with shareholder BT Castorius Limited
Grasee Thomas Gunther	Vice-Chairman of the Board of Directors	0.000000%
Gueorguiev Ivo	Non-executive Member of the Board of Directors	0.055031%
Ceocea Costel	Non-executive Member of the Board of Directors	0.059902%
Puşcaş Vasile	Non-executive Member of the Board of Directors	0.037250%
Lionăchescu Costel	Non-executive Member of the Board of Directors	0.026048%
Bordea Mirela Ileana	Non-executive Member of the Board of Directors	0.007924%

At the Bord of Directos' level, following the decision of the General Meeting of Shareholders from 25.04.2018, the current members of the Bord of Directors were reelected for four years. The members of Banca Transilvania's Bord of Directors and their professional training, on the 31st of December 2021, are as follows:

Ciorcilă Horia was born in 1963 in Cluj-Napoca and graduated from the Faculty of Automation and Computers, at the Polytechnic Institute of Cluj-Napoca, in 1989. He participated, as a founding member, to the establishment of Banca Transilvania S.A. and of several companies from Banca Transilvania S.A. Group, operating in the finance sector (insurance, leasing, etc.) since 1993. He also contributed, as a founding member, to the establishment of companies such as the groups Astral TV, Maestro Industries and RomVioCons-Omniconstruct. He was also a Board member of BT Asigurari SA, BT Asset Management SAI and Chairman of the Board for BT Aegon. He is currently in the Boards of ACI SA and SIF MOLDOVA SA.
He has been a member of the Board of Directors of Banca Transilvania since its founding, and, starting with 2002, he has been the Chairman of the Bank's Board of Directors.

Grasee Thomas was born in 1955. He has a degree in banking. He graduated from the Business School of Finance and Management of Bankakademie, Frankfurt, Germany, in 1977. He started his career in banking at Hypo-Bank Mannheim Branch, Germany. He has held different management and top management positions in the banking sector, within Hypo-Bank Munchen, Hypo-Bank Landshut/Rosenheim Germany, Bayerische Hypo und Vereinsbank AG Munchen Germany, Unicredit CAIB Poland, Specta Group Moscow, and Banca Intesa Moscow, Russia. He is currently on the Board of Directors of JSC Alliance Bank, Almaty, Kazakhstan and also a member of the Supervisory Board (EBRD nominee), of the Strategy and Capital Markets Committee, and of the Audit and Risk Committee from the Credit Bank of Moscow, Russia.
He has been a member of the Board of Directors of Banca Transilvania since 29.04.2014. The NBR approval was granted on 30.12.2014.

Gueorguiev Ivo was born in 1964. He graduated from the University of National and World Economy of Sofia, Bulgaria, in 1990 and holds an MBA from Alberta University of Edmonton, Canada since 1993. He has held many other positions, such as: Management Consultant of Varsity Consulting Group Edmonton, Canada, Principal Banker of the EBRD for the Baltics/Belarus Group, Chairman of the Management Board of Hermis Finance - Lithuania, Deputy Chairman of the Management Board Hermis Bank – Lithuania, Senior Banker of the EBRD for the Financial Institutions Group, Managing Director and Chairman of the Management Board of TBIF Financial Services BV, Chairman of the Supervisory Board of TBI Bank.
He has been on several Boards of Directors: Chairman of Hermis Finance Lituania, Vice-Chairman of Hermis Bank Lithuania, Board member of the Baltics Small Equity Fund, Export & Credit Bank Macedonia, and of the Bulgarian Insurance and Pension Holding, Chairman of the Board for TBI Broker doo Serbia, Chairman of TBI Lizing doo Serbia, Board Chairman of TBI Bulgaria, CEO member of the Board of TBIF Bulgaria, Chairman of the Board - TBI Invest / Asset Management Bulgaria, Vice-chairman of the Board - TBI Credit SA Romania, Vice-chairman of the Board - TBI Credit SA Romania, Chairman of the Board - TBI Credit EAD Bulgaria, Chairman of the Board - TBI Leasing AD Bulgaria.
He has also been a member of numerous Supervisory Councils (SC), in the capacity of: Member of the SCs of Energo SA Poland, Pension Fund Doverie Bulgaria, Chairman of the SC for Sympatia Finance Slovakia, Member of the SCs of Sovcom Bank Russia, TBI Holding Company - Netherlands, and Arka Consumer Finance Russia, Vice-Chairman of the Supervisory Council of VABank Ukraine, and SC Chairman for TBI Bank Bulgaria.
At the present, he is a private investor and member of the Board of Directors of Credibul AD Sofia Bulgaria. He has been a member of the Board of Directors of Banca Transilvania since 29.04.2014; the NBR approval was obtained on 27.11.2014

Ceocea Costel was born in 1956 in Buzau. He is a graduate of the Faculty of Economics from "Alexandru Ioan Cuza" University of Iasi, having majored in the Economy of Industry, Constructions and Transportation, he has a Master's Degree in Business Management and Administration from the "Gheorghe Asachi" Technical University of Iasi and he is also a PhD applicant for a degree in Industrial Engineering from the aforementioned Technical University. He started his activity in 1976, within the company CCH Letea Bacau. From 1981 to 1990, he worked for the Bacau County Council. In 1990, he was a clerk at IFET/SEPPL Bacau. He was hired by the Bacau Chamber of Commerce and Industry as Specialist Advisor in 1991, being later promoted to Head of Department - Internal and International Affairs. In 1994, he transferred to the Financial Investment Company Moldova SA (alias SIF Moldova), acting as Specialist Advisor, Head of Department (1997), Manager (2001), and Deputy Chairman and Deputy CEO (2005) within the

same institution. In 2008, he became Chairman and Chief Executive Officer of the BoD Steering Committee of SIF Moldova, position held until present.
He has been a member of the Board of Directors of Banca Transilvania since April 2010.

Puşcaş Vasile was born in 1952, in the town of Surduc, Salaj County. He graduated from the Faculty of History and Philosophy of Babeş-Bolyai University, Cluj-Napoca, holding a Bachelor Degree in History and Social Sciences. He obtained a PhD in History from Babeş-Bolyai University, Cluj-Napoca, and, since 1995, he is a Professor at the Faculty of History and Philosophy, the Department of Contemporary History and International Affairs, Babeş-Bolyai University. During the period December 2000 - December 2004, he served as Minister Delegate for the Nastase Government and as Chief Negotiator of Romania to the European Union. In December 2008, he was appointed State Secretary within the Department for European Affairs (DEA), and, at the beginning of 2009, his position was upgraded to Head of the DEA Department, with the rank of Minister. From 2009 to 2013, he acted as Main Advisor for the Department of European Affairs. Since 2012, he is also a Professor within the European Studies Department of the University. Starting from 1999 he has also been the Director of the Institute for International Studies within the Faculty of History and Philosophy, Babes-Bolyai University. From 2002, he has been a member of the National Commission for the Certification of Titles and Degrees (Ministry of Education and Research). Since 2011, he is an "Ad Personam Jean Monnet Chair" and coordinates the Negotiation and European Policy module within the Department of International Studies and Contemporary History of Babes-Bolyai University, Cluj-Napoca.
He has been a member of the Board of Directors of Banca Transilvania since November 2013.

Lionăchescu Costel Doru was born in 1963, in Curtea de Arges, Arges County. He is a graduate of the Electronics and Telecommunication Faculty within the Polytechnic Institute Bucharest (class of 1988). He holds an Executive MBA – ASEBUSS, program offered by the University of Washington, Seattle, USA, in cooperation with ASE – Academy of Economics, Bucharest. He is also studying for a Master's Degree in Electronics and Telecommunication from the Polytechnic Institute Bucharest. For nearly 11 years, he has held various top management positions in the banking sector, starting with ING Bank, then as Vice President of Citibank NA and later as Deputy CEO of Bancpost. He was the Chairman – Founder and Principal Partner of Capital Partners SRL. After Capital Partners was acquired by BT Securities in March 2016, he became a Board member of BT Capital Partners S.A., the investment banking subsidiary of Banca Transilvania.
He has been a member of the Board of Directors of Banca Transilvania since 27.04.2016, after the position became vacant (NBR Approval for Board membership was granted on 30.12.2016).

Bordea Mirela Ileana graduated from the Bucharest Academy of Economic Studies - Faculty of Commerce - Foreign Trade specialization in 1978. She started her professional activity as an economist at SARO Targoviste. Between 1985-1991 she worked at the Ministry of Foreign Trade as a commercial representative with the Brussels economic agency. Between 1992-1993 she held the position of financial manager at SC Comex SRL. She joined the banking system in 1993 - starting with Banca de Credit Industrial şi Comercial, Finansbank and Credit Europe Bank. Her banking career started with the credit activity and continued until 2002, when she took over the non-performing loan recovery department. In June 2003 she was appointed Vice-President of the bank and of the Board of Directors. In her position as Executive Vice-President, she coordinated the Risk Management and Control Division.
In 2014, she was elected as a Board member of the Romanian Association of Banks (ARB).
She was appointed as a member of the Board of Directors of Banca Transilvania on 26.04.2017, filling a vacant position.

There is no information on any agreement, understanding or family relationship between the members of the Board of Directors and other persons to help appoint the respective persons in the position of member of the Board of Directors in 2021.

The list of affiliated persons is available in ANNEX 2 to this report.

4.2. The Bank's executive management

The Bank's management, organization and curent activity coordination is assured by the Leaders Committee with the following structure:

Name	Position	Percentage held of the Bank's share capital as at December 31, 2021
Tetik Ömer	Chief Executive Officer	0.158955%
Runcan Luminița	Deputy Chief Executive Officer, CRO	0.101109%
Toderici Leontin	Deputy Chief Executive Officer, COO	0.101148%
Călinescu George	Deputy Chief Executive Officer, CFO	0.013266%
Nistor Gabriela Cristina	Deputy Chief Executive Officer, Retail Banking	0.074975%
Moisă Tiberiu	Deputy Chief Executive Officer, SME Banking	0.054128%
Nădășan Mihaela	Deputy Chief Executive Officer, Institutions and Financial Markets - starting with October 1st 2018 (former member of CEM, Executive Director of Institutions and Financial Markets)	0.020950%

There is no information on any agreement, understanding, or family relationship between executive members and other people to help appoint the respective person to the executive board in 2021.

4.3. For all the persons included at 4.1. and 4.2. must be presented any possible litigation or administrative proceedings in which they have been involved in the last 5 years with regard to their activity within the Bank, as well as other aspects related to their capacity to perform their duties within the Bank

There are no such events to be declared.

5. Statement of financial position

The information presented in the individual financial statements for 2021 is based on the rules for accounting organization and management, in accordance with Law no. 82/1991 republished with subsequent amendments, the Government Emergency Ordinance no. 99/2006 regading the financial institutions and capital adequacy with subsequant amendments, NBR Order no. 27/2010

approving the accounting rules under International Financial Reporting Standards adopted by the European Union applicable to financial institutions with subsesequant amendments as well as other NBR instructions in the field.

Subsequent events to the date of the consolidated statement of financial position

After the date of consolidated financial position statement, the Board of Directors of Banca Transilvania S.A. has approved, on 14.01.2022, the completion of the transaction regarding the acquisition of the total holding owned by Molesey Holdings Limited and Hyundai Auto Romania S.R.L. in the capital of Tiriac Leasing IFN S.A.. Tiriac Leasing IFN SA will continue to operate as a separate entity until the completion of the acquisition procedures, and only after this date will the integration process within the BT Financial Group commence.

The Russian-Ukrainian war, which began on February 24, 2022, when the Russian Federation launched a ground, air and naval invasion against Ukraine, led the EU, the US and Britain to impose a series of economic sanctions on Russia, targeting Russian-owned companies such as and individuals of Russian nationality. These measures create distortions that are expected to spread to several economic sectors, with the immediate impact being felt in the increased volatility of capital markets and exchange rates, as well as in energy and commodity prices. BT was reserved in quantifying the potential impact, but without ignoring the current trend of rising inflation, exchange rates or the evolution of interest rates. BT does not have relevant exposures in the countries directly involved in the conflict.
The social impact of the conflict has generated waves of Ukrainian refugees entering Romania, and BT has taken humanitarian action in this direction, through donations made to support Ukrainian refugees, including the possibility of making donations through BT Pay to organizations that help Ukrainian refugees. BT also recently announced that it is open to hiring Ukrainians with banking experience, Romanian or English speakers, to help those who want to stay in Romania integrate more easily.
The Bank calculated and paid its monthly duties to the public budget and to the special funds, as well as the quarterly and half-yearly duties to the local budget; related to the income tax, the Bank made quarterly prepayments in accordance with the applicable law.
The analysis of the economic and financial situation of the Bank and of the Group, based on the financial statements, comparatively in the last 3 years, is presented below:

a) The Bank's and the Group's statement of financial position

	Bank			Group		
Indicators (RONmn)	**Dec-21**	**Dec-20**	**Dec-19**	**Dec-21**	**Dec-20**	**Dec-19**
Cash and current accounts with Central Bank	16,764	20,979	13,480	18,321	22,133	14,583
Placements with banks and public institutions	9,613	6,636	6,995	10,394	7,223	7,775
Treasury financial instruments	42,786	32,401	25,986	44,204	33,322	26,782
Loans and advances to customers, net	52,239	40,364	38,602	54,630	40,893	39,175
Finance lease receivables	-	-	-	1,488	1,228	1,178
Tangible and intangible assets	2,429	2,096	1,630	1,989	1,676	1,365
Other assets	1,232	879	745	1,475	1,018	864
Total assets	**125,062**	**103,355**	**87,438**	**132,501**	**107,492**	**91,722**

Deposits from customers	102,698	88,297	74,354	108,022	90,942	77,037
Deposits from banks	952	312	304	1,024	319	296
Loans from banks and other financial institutions	7,458	1,176	896	7,930	1,692	1,474
Subordinated loans	1,706	1,664	1,697	1,762	1,668	1,700
Other liabilities	2,894	2,383	1,691	3,199	2,457	2,001
Total liabilities	**115,709**	**93,832**	**78,942**	**121,937**	**97,078**	**82,508**
Equity	9,353	9,523	8,496	10,564	10,414	9,214
Total liabilities and equity	**125,062**	**103,355**	**87,438**	**132,501**	**107,492**	**91,722**

At the end of 2021, Banca Transilvania's assets weight in the total assets of BT Group is 94.39% (2020: 96.15% and 2019: 95.33%).

b) Statement of profit and loss

	Bank			Group		
Indicators (RONmn)	**Dec-21**	**Dec-20**	**Dec-19**	**Dec-21**	**Dec-20**	**Dec-19**
Net interest income	2,740	2,580	2,685	3,142	2,977	3,074
Net fees and commission income	806	656	715	961	776	823
Net trading income	461	310	319	529	345	411
Net income from financial assets measured at fair value through comprehensive income	179	301	117	179	301	117
Net income from financial assets which are required to be measured at fair value	64	43	165	38	74	126
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(82)	(70)	(108)	(90)	(74)	(111)
Other operating income	179	117	130	174	137	168
Total operating income	**4,348**	**3,937**	**4,023**	**4,934**	**4,536**	**4,607**
Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	(235)	(784)	(245)	(257)	(866)	(293)
Personnel expenses	(1,159)	(959)	(899)	(1,328)	(1,097)	(1,038)
Depreciation and amortization	(341)	(304)	(287)	(358)	(328)	(311)
Other operating expenses	(591)	(520)	(705)	(696)	(623)	(833)
Total operating expenses	**(2,326)**	**(2,566)**	**(2,136)**	**(2,639)**	**(2,914)**	**(2,475)**
Bargain gain	-	-	-	7	-	-
Profit before income tax	**2,022**	**1,371**	**1,887**	**2,303**	**1,622**	**2,132**
Income tax expense	(240)	(174)	(267)	(278)	(198)	(284)
Net profit	**1,783**	**1,197**	**1,621**	**2,025**	**1,424**	**1,848**
Profit of the Group attributable to equity holders of the Bank	1,783	1,197	1,621	1,983	1,380	1,781
Profit of the Group attributable to non-controlling interests	-	-	-	41	44	67
Net profit	**1,783**	**1,197**	**1,621**	**2,025**	**1,424**	**1,848**

At the end of 2021, Banca Transilvania's profit weighted 88.06% in the Group's total profit (84.08% in 2020 and 87.70% in 2019).

c) Cash flow: Statement of Cash Flows

	Bank			Group		
Indicators (RON thousands)	**Dec-21**	**Dec-20**	**Dec-19**	**Dec-21**	**Dec-20**	**Dec-19**
Cash and cash equivalents at the beginning of the period	**24,802,742**	**18,761,413**	**13,292,860**	**26,649,622**	**20,510,000**	**15,156,390**
± Net cash from /(used in) operating activities	12,095,906	13,073,727	7,985,214	13,251,940	13,455,322	7,957,833
± Net cash from / (used in) the investment activity	(11,079,720)	(6,327,873)	(1,351,267)	(11,471,436)	(6,500,398)	(1,464,080)
± Net cash from/(used in) the financing activity	(938,834)	(704,525)	(1,165,394)	(1,073,381)	(815,302)	(1,140,143)
Cash and cash equivalents at the end of the period	**24,880,094**	**24,802,742**	**18,761,413**	**27,356,745**	**26,649,622**	**20,510,000**

The statement of financial position is detailed in the Financial statements enclosed.

The following documents are enclosed to this report:

- The Separate and consolidated Report of the Board of Directors of Banca Transilvania for the year 2021 which includes also the non-financial statement on environmental, social and personnel issues, respect for human rights and the fight against corruption and bribery;
- The management statement on taking responsibility for drafting the financial statements for the year 2021;
- The financial statements, at individual and consolidated IFRS level, together with explanatory notes;
- The Independent Auditor's Report KPMG Audit S.R.L., to the IFRS separate and consolidated financial statements.

The annual report shall be accompanied by copies of the following documents:

a) copies of supporting documents for all amendments made to the Articles of Association in the second half of 2021;
Please note that the decisions of the General Shareholders Meeting have been transposed into the Articles of Association, they have been implemented and approved by the competent bodies.

b) major agreements concluded in 2021:
Resolution of Board of Directors dated 02.06.2021 for the approval of the acquisition of Getin Holdings shares in Idea Bank, Idea Leasing and Idea Insurance Broker;
Complition certificate dated 29.10.2021 for the the acquisition of Getin Holdings shares in Idea Bank, Idea Leasing and Idea Insurance Broker.

c) resignation/dismissal documents regarding the members of the Board of Directors, executive management:
There were no acts of dismissal/resignation.

d) list of Bank's subsidiaries and companies controlled by the Bank - The list of BT Subsidiaries is enclosed as an Annex to this report (ANNEX 1) ;

e) list of Bank's affiliates - The list of related persons of BT is enclosed as an Annex to this report (ANNEX 2).

CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER	DEPUTY CHIEF EXECUTIVE OFFICER
HORIA CIORCILĂ	ÖMER TETIK	GEORGE CĂLINESCU

ANNEX 1

Banca Transilvania Group (the "Group") includes the Parent-company, Banca Transilvania S.A. (the "Bank") and its subsidiaries, based in Romania and in the Republic of Moldova. The individual and consolidated financial statements as at 31.12.2021 comprise Banca Transilvania S.A. (the "Parent company" or "BT") and its subsidiaries (hereinafter referred to as the "Group").

The Group's subsidiaries are represented by the following entities:

Subsidiary	Field of activity	2021	2020
Victoriabank S.A.	Financial-banking activity and licensed investment activities	44.63%	44.63%
BT Capital Partners S.A.	Investments	99.59%	99.59%
BT Leasing Transilvania IFN S.A.	Leasing	100.00%	100.00%
BT Investments S.R.L.	Investments	100.00%	100.00%
BT Direct IFN S.A.	Consumer Loans	100.00%	100.00%
BT Building S.R.L.	Investments	100.00%	100.00%
BT Asset Management SAI. S.A.	Asset Management	100.00%	90.00%
BT Solution Agent de Asigurare S.R.L.	Insurance Broker	99.95%	99.95%
BT Asiom Agent de Asigurare S.R.L.	Insurance Broker	99.95%	99.95%
BT Safe Agent de Asigurare S.R.L.	Insurance Broker	99.99%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance Broker	99.99%	99.99%
BT Leasing MD S.R.L.	Leasing	100.00%	100.00%
BT Microfinanţare IFN S.A.	Consumer Loans	100.00%	100.00%
Improvement Credit Collection S.R.L	Activity of the Collection Agents and Credit Reporting Bureaus	100.00%	100.00%
VB Investment Holding B.V.	Activities of holdings	61.81%	61.81%
Timesafe SRL	Service activities in information technology	51.12%	51.12%
BT Pensii S.A.	Administration of pension funds (except for those in the public system)	100.00%	90.49%
Idea Bank S.A.	Services of financial and monetary intermediation	100.00%	-
Idea Investments S.A.	Management consultancy	100.00%	-
Idea Leasing IFN S.A.	Leasing	100.00%	-
Idea Broker de Asigurări S.R.L.	Insurance Broker	100.00%	-

ANNEX 2

THE BANK'S RELATED PARTIES
as at 31.12.2021

REF. NO.	NAME
1	A C I CLUJ SA
2	ACT MANAGEMENT SERVICES B.V.
3	ADMIN DEVELOPMENT DESIGN SRL
4	ALEXANDRU VALENTINA
5	ALL PLUS IT SRL
6	ALSIRA CONSULTING SRL
7	ANTREPRIZA CLUJ ZALAU SA
8	ARCADE INVEST LLC
9	ARCADE TRUST LLC
10	ASOCIATIA "COSTACHE NEGRI 2005 BACAU"
11	ASOCIATIA CAVALERII MOLDAVI
12	ASOCIATIA CLUB SPORTIV U-BT
13	ASOCIATIA CLUB SPORTIV WINNERS TENNIS CLUB
14	ASOCIATIA CORPUL OPERATORILOR ARHIVEI ELECTRONICE
15	ASOCIATIA LURNIA
16	ASOCIATIA PLAYFIELD
17	ASOCIATIA TRANSILVANIA EXECUTIVE-EDUCATION
18	BANCA TRANSILVANIA SA
19	BANU DRAGOS MIHAI
20	BANU IULIANA
21	BERINDEAN CATALIN VASILE
22	BERINDEAN CATALIN VASILE PFA
23	BERINDEAN MONICA IOANA
24	BERNAT AUREL
25	BERNAT LIGIA MARIA
26	BETTER BREAD S R L
27	BILLIE BG
28	BILLIE UK
29	BIRLE IOAN
30	BIRLE LILIANA DORINA
31	BORDEA MIRELA ILEANA
32	BOTT CONSTANTIN CATALIN
33	BOTT NICOLETA
34	BOUTIQUE DEVELOPMENT SRL
35	BT ASIOM AGENT DE ASIGURARE SRL
36	BT ASSET MANAGEMENT S A I SA
37	BT BUILDING SRL
38	BT CAPITAL PARTNERS
39	BT DIRECT IFN SA
40	BT INTERMEDIERI-AGENT DE ASIGURARE SRL
41	BT INVESTMENTS SRL

42	BT LEASING MD
43	BT LEASING TRANSILVANIA SA
44	BT MICROFINANTARE IFN S.A.
45	BT PENSII - SOCIETATE DE ADMINISTRARE A FONDURILOR DE PENSII FACULTATIVE S.A.
46	BT SAFE-AGENT DE ASIGURARE SRL
47	BT SOLUTION-AGENT DE ASIGURARE SRL
48	BUCUR CALIN IOAN
49	BUCUR MARIUTA DANIELA
50	BUDUROIU MIRELA LENUTA
51	BUNEA IOANA CATALINA
52	CA&BI CONT SRL
53	CALIN COSMIN ANTOINE CONSTANTIN
54	CALINESCU DANIELA MIHAELA
55	CALINESCU GEORGE RAZVAN
56	CANTINA DEJ SA
57	CASTORIUS LIMITED
58	CC ADVANCED TEAM SRL
59	CC PRO LEVEL SRL
60	CENTRS A LLC
61	CENZ EXPERT SRL
62	CEOCEA CONSTANTA SILVIA
63	CEOCEA COSTEL
64	CHERECHESIU ANCA CRISTINA
65	CHESA RUXANDRA LAURA
66	CHINDRIS ADRIAN
67	CHINDRIS MARIANA
68	CIGHI ADRIAN
69	CIGHI FLORINA DIANA
70	CIGHI V FLORINA-DIANA PFA
71	CIMPIAN VIRGIL FLORIAN
72	CIORCILA HORIA
73	CIORCILA PATRICK
74	CIORCILA SIMONA NICULINA
75	CIUCESCU ION GELU
76	CIUCESCU MARIA MELANIA
77	CLEVERSOFT
78	CODEWORKS APP
79	COJOCARU CORINA-MADALINA
80	COJOCARU DANIEL
81	COJOCARU DAN-IOAN
82	CONDOR ANNAMARIA KATALIN
83	CONDOR CALIN PAUL
84	CONSTRUCTII DEJ SA
85	CONSTRUCTII MONTAJ SA
86	CORNICIUC VITALIE
87	COSMA DANA

88	COSMA HORATIU AURELIAN
89	COSMOTOP IMPEX SRL
90	CRACIUN ANCA EUGENIA
91	CRACIUNAS ANDREEA SORANA
92	CRACIUNAS MARIUS CALIN
93	DACRI BUSINESS CONSULTING S.R.L.
94	DASCAL SERGIU DAN
95	DETALMOB SRL
96	DICAMO CONSULTING
97	DONICA VASILE
98	DRAGOMIR RALUCA-IRINA
99	DRAGOMIR STEFAN DAN
100	DREAM GOLF RESIDENCE
101	DUDOIU ANDREI
102	DUDOIU MONICA
103	DUNCA A. ISABELA- CABINET MEDICAL DE MEDICINA DE F
104	DUNCA ISABELA
105	DUNCA NELU
106	ELBA NOVO SRL
107	ENE ANA MARIA
108	ENE MARIAN
109	EUR CONSULT SRL
110	FINAS CENTRAL SRL
111	FLOREA ALINA
112	FODOROIU ALIN DANIEL
113	FRANKLIN PETER MORRIS
114	FUNDATIA BANCPOST
115	FUNDATIA CENTRUL DE DEZVOLTARE MANAGERIALA
116	FUNDATIA CLUBUL INTREPRINZATORULUI ROMAN
117	FUNDATIA CLUJUL ARE SUFLET
118	FUNDATIA TRANSILVANIA
119	GAP ADVISORS
120	GEAINV SA
121	GIURGIU BIANCA VIORICA
122	GOGU DANIELA
123	GOGU GABRIEL
124	GRASSE BURKLE PAULA
125	GRASSE THOMAS GUNTHER
126	GUEORGUIEV IVO ALEXANDROV
127	HUMAN TRUST S.R.L.
128	IDEA BANK SA
129	IDEA BROKER DE ASIGURARE SRL
130	IDEA INVESTMENT SA
131	IDEA LEASING IFN SA
132	IG CAPITAL EOOD
133	ILAS DAN GEORGE

134	ILAS IOANA MIHAELA
135	IMPROVEMENT CREDIT COLLECTION SRL
136	INTERA FINANCIAL SERVICES
137	INTUITIVE TEACHING CENTER SRL
138	JEKABPILS PARKS LLC
139	KAFSINKAF SRL
140	KRASLAVAS KRUSTOJUMS LLC
141	LACATUS EMILIA
142	LACATUS V. VIOREL-DORIN - EXPERT CONTABIL, AUDITOR
143	LACATUS VIOREL DORIN
144	LAPUSAN ELENA FIRUTA
145	LAPUSAN SEVER VASILE
146	LIGHTHOUSE INVESTMENT SRL
147	LIMUZINE TRANSILVANIA SRL
148	LIONACHESCU AIDA
149	LIONACHESCU AIDA PFA
150	LIONACHESCU COSTEL
151	M&B 2003 SRL
152	MALOS ELENA IONELA
153	MANCINSKA MADARA
154	MANCINSKIS MARIS
155	MANOLESCU DAN
156	MANSOUR TATIANA
157	MATES MARIA
158	MATYUS ECATERINA ELENA
159	MICROCREDIT AD
160	MIHACHER SRL
161	MILCHIS ADINA
162	MILCHIS VASILE MIHAI
163	MIRZA GABRIEL HORATIU
164	MIRZA LIDIA
165	MIT SERV SRL
166	MLAD CONSULT SRL
167	MOISA EMILIA SANDA
168	MOISA TIBERIU
169	MOLDOVAN SABINA
170	MORADIS CONSULTING SRL
171	MORAR ADINA IULIA
172	MORAR IONUT CALIN
173	MORARU IULIANA AURELIA
174	MORARU MIHAI STEFAN
175	MOVEMENT TEAM S.R.L.
176	MUNTEANU-CRISAN DELIA
177	MUNTEANU-CRISAN MIHAI-PAUL
178	NADASAN MIHAELA SIMONA
179	NISTOR GABRIELA CRISTINA

180	NISTOR IOAN ALIN
181	NISTOR ROXANA MARIA
182	NISTOR STELIAN MIHAI
183	OBLU EXIM S.R.L.
184	OLANESCU IOANA FLORINA
185	OPRIS SIMONA ALINA
186	PALECREST BULGARIA
187	PASCU RADU
188	PAYNETICS EAD
189	PAYNETICS UK LTD
190	PHOS BULGARIA EOOD
191	PHOS SERVICES LTD
192	PHYRE AD
193	PHYRE NEXT LEVEL
194	PINTILIE IOANA
195	PINTILIE VLAD
196	PIRVU MIHAELA NINA
197	PLAYFIELD TEAM SRL
198	PLESUVESCU BOGDAN
199	POPESCU A ALEXANDRU-GALA PERSOANA
200	POPESCU ALEXANDRU - GALA
201	POPESCU MIOARA
202	PORTASE CORINA
203	PORTASE RAZVAN-FLORIN
204	PROMOMAX SRL
205	PUSCAS MARIANA
206	PUSCAS MARIANA CABINET MEDICAL
207	PUSCAS VASILE
208	QUALEX CONSULT SRL
209	QUATTRO CONSULTING SRL
210	REDSTONE REAL ESTATE INVESTMENT LTD
211	RENAISSANCE NAILS SRL
212	ROMOTO GmbH
213	ROXMAR SRL
214	RUNCAN LUMINITA DELIA
215	RUNCAN MIREL
216	SABAZ MEHMET MURAT
217	SABAZ OZLEM
218	SALZBERGWERK RESSOURCEN UND INVESTITIONEN SRL
219	SAVIN ALEXANDRU
220	SCHIOPU IRINA NARCISA
221	SECARA DANIELA
222	SECRET BOX EVENTS S.R.L.
223	SEEDBLINK CROWD SRL
224	SERBAN LAVINIA-FLORINA
225	SERBAN LIVIU ONUT

226	SERBAN SORIN
227	SIGUR AUTOTRANSPORT SRL
228	SILVANIA IMOBILIARE SRL
229	SINDILE CRISTINA DALIA
230	SINDILE MARIUS
231	SINTEZA SA
232	SOPON SERGIU
233	SOPON SERGIU MIHAI INTREPRINDERE INDIVIDUALA
234	SOPON SIMONA
235	SOTER SRL
236	SPECTA-GROUP AG
237	SPOIALA IGOR
238	SPOIALA OLGA GHEORGHE
239	STOIA LIVIA
240	STOIA TUDOR IOAN
241	SZEKELY DANIEL
242	TEHNOFRIG CENTER SA
243	TENT I SERGIU BOGDAN PFA
244	TENT JUDITH STEFANIA
245	TENT SERGIU BOGDAN
246	TETIK ALEXANDRA
247	TETIK OMER
248	TIMESAFE SRL
249	TODERICI AURELIA ELVIRA
250	TODERICI LEONTIN
251	TUPA PAUL
252	TURCAN VICTOR
253	URBAN ROOTS SRL
254	URS PETRU
255	VALEVA GLORIA
256	VASILACHE ANNEMARIE
257	VASILACHE DANIEL GEORGE
258	VB INVESTMENT HOLDING BV
259	VICTORIABANK SA
260	VOUILLOUX ANNIE JEANNE
261	WINNERS CENTER SA
262	WINNERS EVENTS SRL-D
263	WINNERS FIRST SA
264	WINNERS HOLDING INVESTMENTS S.R.L.
265	WINNERS PARCUL ROZELOR SA
266	WINNERS RESOURCES SRL

Code provisions	Complies	Does not comply or partially complies	Reason for non-compliance
A.1 All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	Complies		
A.2 Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	Complies		
A.3 The Board of Directors or the Supervisory Board should have at least five members.	Complies		

A.4 The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice and according to the following criteria: **A.4.1.** Not to be the CEO/executive officer of the company or of a company controlled by it and not have been in such position for the previous five years; **A.4.2.** Not to be an employee of the company or of a company controlled by it and not have been in such position for the previous five (5) years; **A.4.3.** Not to receive and not have received additional remuneration or other advantages from the company or from a company controlled by it, apart from those corresponding to the quality of non-executive director; **A.4.4.** Is not or has not been an employee of, or has not or had not any contractual relationship, during the previous year, with a significant shareholder of the company, controlling more than 10% of voting rights or with a company controlled by it; **A.4.5.** Not to have and not have had during the previous year a business or professional relationship with the company or with a company controlled by it, either directly or as a customer, partner, shareholder, member of the Board/ Director, CEO/executive officer or employee of a company having such a relationship if, by its substantial character, this relationship could affect his/her objectivity;	Complies		

A.4.6. Not to be and not have been in the last three years the external or internal auditor or a partner or salaried associate of the current external financial or internal auditor of the company or a company controlled by it; **A.4.7.** Not to be a CEO/executive officer in another company where another CEO/executive officer of the company is a non-executive director; **A.4.8.** Not to have been a non-executive director of the company for more than twelve years; **A.4.9.** Not to have family ties with a person in the situations referred to at points A.4.1. and A.4.4.			
A.5 A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	Complies		
A.6 Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	Complies		
A.7 The company should appoint a Board secretary responsible for supporting the work of the Board.	Complies		
A.8 The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	Complies		
A.9 The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	Complies		
A.10 The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	Complies		

A.11 The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	Complies		
B.1 The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	Complies		
B.2 The audit committee should be chaired by an independent non-executive member.	Complies		
B.3 Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	Complies		
B.4 The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	Complies		
B.5 The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	Complies		
B.6 The audit committee should evaluate the efficiency of the internal control system and risk management system.	Complies		
B.7 The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	Complies		
B.8 Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	Complies		
B.9 No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	Complies		

B.10 The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	Complies		
B.11 The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	Complies		
B.12 To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	Complies		
C.1 The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.	Complies		

D.1 The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	Complies		
D.1.1 Principal corporate regulations: the articles of association, general shareholders' meeting procedures;	Complies		
D.1.2 Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	Complies		
D.1.3 Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	Complies		
D.1.4 Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	Complies		
D.1.5 Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	Complies		
D.1.6 The name and contact data of a person who should be able to provide knowledgeable information on request;	Complies		
D.1.7 Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	Complies		

D.2 A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	Complies		
D.3 A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	Complies		
D.4 The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	Complies		
D.5 The external auditors should attend the shareholders' meetings when their reports are presented there.	Complies		
D.6 The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	Complies		
D.7 Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	Complies		
D.8 The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	Complies		
D.9 A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/ conference calls.	Complies		

D.10 If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	Complies		

Banca Transilvania S.A.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Prepared in accordance with the
International Financial Reporting Standards as adopted by the European Union

For the year ended 31 December 2021

Banca Transilvania S.A.

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The English version of the consolidated and separate financial statements is a translation from the Romanian official version. In case of discrepancies, the Romanian official version will prevail.

Banca Transilvania S.A.

Consolidated and Separate Statement of Profit or Loss

For the year ended 31 December

	Notes	Group		Bank	
		2021	**2020**	**2021**	**2020**
		RON thousand	***RON thousand***	***RON thousand***	***RON thousand***
Interest income calculated using the effective interest method		3,570,594	3,495,215	3,236,110	3,199,035
Other interest like income		125,159	165,210	11,668	11,673
Interest expense calculated using the effective interest method		(552,281)	(681,981)	(501,261)	(629,232)
Other interest like expense		(1,353)	(1,351)	(6,681)	(1,409)
Net interest income	8	**3,142,119**	**2,977,093**	**2,739,836**	**2,580,067**
Fee and commission income		1,432,875	1,151,940	1,219,845	986,887
Fee and commission expense		(471,518)	(375,479)	(413,569)	(330,447)
Net fee and commission income	9	**961,357**	**776,461**	**806,276**	**656,440**
Net trading income	10	528,682	345,119	461,286	310,121
Net gain / loss (-) from financial assets measured at fair value through other items of comprehensive income	11	179,023	300,665	178,960	300,610
Net gain / loss (-) from financial assets which are required to be measured at fair value through profit and loss	12	38,409	74,110	64,488	42,500
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	13	(90,000)	(74,446)	(82,022)	(69,795)
Other operating income	14	174,447	137,163	179,354	117,261
Operating income		**4,934,037**	**4,536,165**	**4,348,178**	**3,937,204**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	15a.	(385,844)	(870,775)	(354,630)	(795,113)
(Other) Provisions and reversal of provisions	15b.	129,228	4,935	119,803	11,229
Personnel expenses	16	(1,328,277)	(1,097,491)	(1,159,065)	(958,853)
Depreciation and amortization		(357,831)	(327,721)	(340,579)	(303,672)
Other operating expenses	17	(695,892)	(622,685)	(591,339)	(519,759)
Operating expenses		**(2,638,616)**	**(2,913,737)**	**(2,325,810)**	**(2,566,168)**
Bargain gain		7,377	-	**-**	-
Profit before income tax		**2,302,798**	**1,622,428**	**2,022,368**	**1,371,036**
Income tax expense (-)	18	(278,265)	(198,350)	(239,664)	(173,731)
Net profit for the year		**2,024,533**	**1,424,078**	**1,782,704**	**1,197,305**
Net Profit of the Group attributable to:					
Equity holders of the Bank		1,983,335	1,380,148	-	-
Non-controlling interests		41,198	43,930	-	-
Net Profit for the year		**2,024,533**	**1,424,078**	**1,782,704**	**1,197,305**

Consolidated and Separate Statement of Other Comprehensive Income

For the year ended 31 December

	Notes	Group		Bank	
		2021	**2020**	**2021**	**2020**
		RON thousand	***RON thousand***	***RON thousand***	***RON thousand***
Net Profit for the year		**2,024,533**	**1,424,078**	**1,782,704**	**1,197,305**
Items that will not be reclassified as profit or loss, net of tax		**41,704**	**29,011**	**7,800**	**29,012**
Increase from property and equipment and intangible assets revaluation		48,626	34,565	10,047	34,565
Other elements of comprehensive income		(685)	(24)	(639)	(23)
Tax related to items that will not be reclassified to profit or loss		(6,237)	(5,530)	(1,608)	(5,530)
Items which are or may be reclassified to profit or loss		**(1,522,430)**	**331,490**	**(1,523,693)**	**369,173**
Fair value reserve (financial assets measured at fair value through other items of comprehensive income), of which:		**(1,815,411)**	**439,356**	**(1,826,342)**	**439,704**
Net gain / loss (-) from disposal of financial assets measured at fair value through other items of comprehensive income, transferred to profit and loss account		(179,023)	(300,665)	(178,960)	(300,610)
Fair value changes of financial assets measured at fair value through other items of comprehensive income		(1,636,388)	740,021	(1,647,382)	740,314
Translation of financial information of foreign operations to presentation currency		**(10,000)**	**(45,166)**	**(557)**	**(655)**
Income tax on items which are or may be reclassified to profit or loss		**302,981**	**(62,700)**	**303,206**	**(69,876)**
Total comprehensive income for the period		**543,807**	**1,784,579**	**266,811**	**1,595,490**
Total comprehensive income attributable to:					
Equity holders of the Bank		502,609	1,740,649	-	-
Non-controlling interest		41,198	43,930	-	-
Total comprehensive income for the period		**543,807**	**1,784,579**	**266,811**	**1,595,490**
Basic earnings per share		0.3146	0.2191	-	-
Diluted earnings per share		0.3146	0.2189	-	-

The financial statements were approved by the Board of Directors on March 25, 2022 and were signed on its behalf by:

Horia CIORCILĂ
Chairman

George CĂLINESCU
Deputy CEO

Consolidated and Separate Statement of Financial Position

At 31 December		Group		Bank	
	Note	**2021**	**2020**	**2021**	**2020**
Assets		***RON thousand***	***RON thousand***	***RON thousand***	***RON thousand***
Cash and curent accounts with Central Banks	19	18,320,913	22,133,211	16,763,625	20,978,633
Derivatives	43	80,927	22,090	79,842	22,090
Financial assets held for trading and measured at fair value through profit and loss	21	338,450	346,472	31,207	17,572
Non-trading financial assets mandatorily at fair value through profit or loss	21	1,108,316	1,085,714	1,465,497	1,349,673
Financial assets measured at fair value through other items of comprehensive income	24	41,193,373	30,877,177	40,853,784	30,850,770
- of which pledged securities (repo agreements)		6,526,812	83,798	6,526,812	83,798
Financial assets at amortized cost - of which:		67,562,066	49,966,032	63,090,715	47,922,311
- Placements with banks and public institutions	20	10,394,297	7,223,277	9,612,690	6,636,395
- Loans and advances to customers	22	54,629,754	40,892,544	52,238,523	40,363,909
- Debt instruments	24	1,483,111	990,106	355,331	160,874
- Other financial assets	30	1,054,904	860,105	884,171	761,133
Finance lease receivables	23	1,488,031	1,227,716	-	-
Investments in subsidiaries	25	-	-	735,486	499,690
Investment in associates		4,459	1,502	-	-
Property and equipment and investment property	26	1,064,215	904,297	652,581	619,041
Intangible assets	27	406,244	305,205	334,783	268,651
Goodwill	27	22,424	16,319	-	-
Right-of-use assets	28	492,021	448,852	706,647	708,505
Current tax receivables		-	9,654	-	8,585
Deferred tax assets	29	257,885	-	227,724	-
Other non-financial assets	31	161,866	148,156	120,142	109,464
Total assets		**132,501,190**	**107,492,397**	**125,062,033**	**103,354,985**

Consolidated and Separate Statement of Financial Position

At 31 December	Notes	Group		Bank	
		2021	**2020**	**2021**	**2020**
		RON thousand	***RON thousand***	***RON thousand***	***RON thousand***
Liabilities					
Derivatives	43	39,179	34,817	38,689	34,817
Deposits from banks	32	1,024,259	318,944	952,453	311,822
Deposits from customers	33	108,021,629	90,942,415	102,698,085	88,297,146
Loans from banks and other financial institutions	34	7,929,500	1,691,668	7,457,843	1,176,066
Subordinated liabilities	35	1,762,484	1,667,761	1,706,234	1,664,464
Lease liabilities	28	498,597	454,792	716,569	709,269
Other financial liabilities	37	1,826,081	1,161,789	1,440,467	907,681
Current tax liability		68,357	-	62,076	-
Deferred tax liability		-	55,015	-	85,665
Provisions for other risks and loan commitments	36	538,460	615,952	493,006	589,237
Other non-financial liabilities	38	194,087	86,359	143,486	55,949
Total liabilities excluding financial liabilities to holders of fund units		**121,902,633**	**97,029,512**	**115,708,908**	**93,832,116**
Financial liabilities to holders of fund units		34,423	48,527	-	-
Total liabilities		**121,937,056**	**97,078,039**	**115,708,908**	**93,832,116**
Equity					
Share capital	39	6,397,971	5,824,201	6,397,971	5,824,201
Treasury shares		(15,287)	(15,287)	-	-
Share premiums		31,235	31,235	28,614	28,614
Retained earnings		3,736,875	2,858,479	3,051,409	2,366,533
Revaluation reserves from tangible assets		73,292	45,625	42,234	48,517
Reserves on financial assets measured at fair value through other items of comprehensive income		(996,697)	517,335	(1,004,667)	518,558
Other reserves		864,893	759,715	837,564	736,446
Total equity attributable to equity holders of the Bank		**10,092,282**	**10,021,303**	**9,353,125**	**9,522,869**
Non-controlling interest	3a(ii)	471,852	393,055	-	-
Total equity		**10,564,134**	**10,414,358**	**9,353,125**	**9,522,869**
Total liabilities and equity		**132,501,190**	**107,492,397**	**125,062,033**	**103,354,985**

The financial statements were approved by the Board of Directors on March 25, 2022 and were signed on its behalf by:

Horia CIORCILĂ
Chairman

George CĂLINESCU
Deputy CEO

Banca Transilvania S.A.

Consolidated Statement of Changes in Equity

For the year ended 31 December

Group

In RON thousand	Note	Attributable to the equity holders of the Bank									
		Share capital	**Treasury shares**	**Share premiums**	**Revaluation reserves**	**Reserves from financial assets measured at fair value through other items of comprehensive income**	**Other reserves**	**Retained earnings**	**Total attributable to the equity holders of the Bank**	**Non-controlling interest**	**Total**
Balance as at 01 January 2021		**5,824,201**	**(15,287)**	**31,235**	**45,625**	**517,335**	**759,715**	**2,858,479**	**10,021,303**	**393,055**	**10,414,358**
Profit for the year		-	-	-	-	-	-	1,983,335	1,983,335	41,198	**2,024,533**
Losses from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(1,514,032)	-	-	(1,514,032)	-	**(1,514,032)**
Revaluation of property and equipment, intangible assets, net of tax		-	-	-	42,389	-	-	-	42,389	-	**42,389**
Retained earnings from revaluation reserves		-	-	-	(14,722)	-	-	14,722	-	-	**-**
Distribution to statutory reserves		-	-	-	-	-	105,178	(105,178)	-	-	**-**
Foreign currency translation of foreign operations		-	-	-	-	-	-	(8,398)	(8,398)	-	**(8,398)**
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(685)	(685)	-	**(685)**
Total comprehensive income for the period		**-**	**-**	**-**	**27,667**	**(1,514,032)**	**105,178**	**1,883,796**	**502,609**	**41,198**	**543,807**
Contributions of/distributions to the shareholders											
Increase in share capital through the conversion of retained earnings	39	573,770	-	-	-	-	-	(573,770)	-	-	-
Acquisition of treasury shares		-	(61,658)	-	-	-	-	-	(61,658)	-	**(61,658)**
Payments of treasury shares		-	61,658	-	-	-	-	-	61,658	-	**61,658**
Dividends distributed to shareholders		-	-	-	**-**	**-**	**-**	(500,000)	(500,000)	-	**(500,000)**
SOP 2021 Scheme		-	-	-	**-**	**-**	**-**	63,445	63,445	-	**63,445**
Transfer of retained earnings to liabilities to holders of fund units		-	-	-	-	**-**	**-**	1,709	1,709	-	**1,709**
Other items		-	-	-	-	**-**	**-**	3,216	3,216	37,599	**40,815**
Total contributions of/distributions to the shareholders		**573,770**	**-**	**-**	**-**	**-**	**-**	**(1,005,400)**	**(431,630)**	**37,599**	**(394,031)**
Balance at 31 December 2021		**6,397,971**	**(15,287)**	**31,235**	**73,292**	**(996,697)**	**864,893**	**3,736,875**	**10,092,282**	**471,852**	**10,564,134**

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 31 December

Group

In RON thousand	Notes	Attributable to the equity holders of the Bank									
		Share capital	**Treasury shares**	**Share premiums**	**Revaluation reserves**	**Reserves from financial assets measured at fair value through other items of comprehensive income**	**Other reserves**	**Retained earnings**	**Total attributable to the equity holders of the Bank**	**Non-controlling interest**	**Total**
Balance as at 01 January 2020		**5,302,419**	**(63,942)**	**31,016**	**17,818**	**147,904**	**687,727**	**2,708,300**	**8,831,242**	**382,594**	**9,213,836**
Profit for the year		-	-	-	-	-	-	1,380,148	1,380,148	43,930	**1,424,078**
Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	369,431	-	-	369,431	-	**369,431**
Revaluation of property and equipment, net of tax		-	-	-	29,035	-	-	-	29,035	-	**29,035**
Retained earnings from revaluation reserves		-	-	-	(1,228)	-	-	1,228	-	-	-
Distribution to statutory reserves		-	-	-	-	-	71,988	(71,988)	-	-	-
Foreign currency translation of foreign operations		-	-	-	-	-	-	(37,941)	(37,941)	-	(37,941)
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(24)	(24)	-	**(24)**
Total comprehensive income for the period		**-**	**-**	**-**	**27,807**	**369,431**	**71,988**	**1,271,423**	**1,740,649**	**43,930**	**1,784,579**
Contributions of/distributions to the shareholders											
Increase in share capital through the conversion of retained earnings	39	521,609	-	-	-	-	-	(521,609)	-	-	-
Increase in share capital through the conversion of debt	39	173	-	219	-	-	-	-	392	-	**392**
Acquisition of treasury shares	39	-	(36,466)	-	-	-	-	-	(36,466)	-	**(36,466)**
Payments of treasury shares		-	85,121	-	-	-	-	-	85,121	-	**85,121**
Dividends distributed to shareholders		-	-	-	-	-	-	(600,000)	(600,000)	-	**(600,000)**
SOP 2020 Scheme		-	-	-	-	-	-	(18,110)	(18,110)	-	**(18,110)**
Transfer of retained earnings to liabilities to holders of fund units		-	-	-	-	-	-	8,274	8,274	-	**8,274**
Other items		-	-	-	-	-	-	10,201	10,201	(33,469)	**(23,268)**
Total contributions of/distributions to the shareholders		**521,782**	**48,655**	**219**	**-**	**-**	**-**	**(1,121,244)**	**(550,588)**	**(33,469)**	**(584,057)**
Balance at 31 December 2020		**5,824,201**	**(15,287)**	**31,235**	**45,625**	**517,335**	**759,715**	**2,858,479**	**10,021,303**	**393,055**	**10,414,358**

Banca Transilvania S.A.

Separate Statement of Changes in Equity
For the year ended 31 December

Bank

In RON thousand	Notes	Attributable to the equity holders of the Bank							
		Share capital	**Treasury shares**	**Share premiums**	**Revaluation reserves**	**Reserves from financial assets measured at fair value through other items of comprehensive income**	**Other reserves**	**Retained earnings**	**Total**
Balance as at January 1, 2021		**5,824,201**	**-**	**28,614**	**48,517**	**518,558**	**736,446**	**2,366,533**	**9,522,869**
		-	-	-	-	-	-		
Profit for the year		-	-	-	-	-	-	1,782,704	**1,782,704**
Losses from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(1,523,225)	-	-	**(1,523,225)**
Revaluation of property and equipment, intangible assets, net of tax		-	-	-	8,439	-	-	-	**8,439**
Retained earnings from revaluation reserves		-	-	-	(14,722)	-	-	(14,722)	-
Distribution to statutory reserves		-	-	-	-	-	101,118	(101,118)	-
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(1,107)	**(1,107)**
Statement of comprehensive income for the period		**-**	**-**	**-**	**(6,283)**	**(1,523,225)**	**101,118**	**1,695,201**	**266,811**
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of retained earnings	39	573,770	-	-	-	-	-	(573,770)	-
Increase in share capital through the conversion of debt	39	-	-	-	-	-	-	-	**-**
Acquisition of treasury shares		-	(61,658)	-	-	-	-	-	**(61,658)**
Payments of treasury shares to the employees		-	61,658	-	-	-	-	-	**61,658**
Dividends distributed to shareholders		-	-	-	-	-	-	(500,000)	**(500,000)**
SOP 2021 Scheme		-	-	-	-	-	-	63,445	**63,445**
Other items		-	-	-	-	-	-	-	-
Total contributions of/distributions to the shareholders		**573,770**	**-**	-	-	-	-	**(1,010,325)**	**(436,555)**
Balance at 31 December 2021		**6,397,971**	**-**	**28,614**	**42,234**	**(1,004,667)**	**837,564**	**3,051,409**	**9,353,125**

Separate Statement of Changes in Equity *(continued)*

For the year ended 31 December

Bank

In RON thousand	Notes	Attributable to the equity holders of the Bank							
		Share capital	Treasury shares	Share premiums	Revaluation reserves	Reserves from financial assets measured at fair value through other items of comprehensive income	Other reserves	Retained earnings	Total
Balance as at January 1, 2020		**5,302,419**	**(48,655)**	**28,396**	**20,710**	**148,834**	**667,894**	**2,376,845**	**8,496,443**
Profit for the year		-	-	-	-	-	-	1,197,305	**1,197,305**
Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	369,724	-	-	**369,724**
Revaluation of property and equipment, net of income tax		-	-	-	29,035	-	-	-	**29,035**
Retained earnings from revaluation reserves		-	-	-	(1,228)	-	-	1,228	**-**
Distribution to statutory reserves		-	-	-	-	-	68,552	(68,552)	**-**
Other items of comprehensive income, net of tax		-	-	-	-	-		(574)	**(574)**
Statement of comprehensive income for the period		**-**	**-**	**-**	**27,807**	**369,724**	**68,552**	**1,129,407**	**1,595,490**
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of retained earnings	39	521,609	-	-	-	-	-	(521,609)	**-**
Increase in share capital through the conversion of debt	39	173	-	218	-	-	-	-	**391**
Acquisition of treasury shares		**-**	(36,466)	-	**-**	**-**	**-**	-	**(36,466)**
Payments of treasury shares to the employees		**-**	85,121	-	**-**	**-**	**-**	-	**85,121**
Dividends distributed to shareholders		**-**	-	-	**-**	**-**	**-**	(600,000)	**(600,000)**
SOP 2020 Scheme		**-**	-	-	**-**	**-**	**-**	(18,110)	**(18,110)**
Other items		**-**	-	-	**-**	**-**	**-**	-	**-**
Total contributions of/distributions to the shareholders		**521,782**	**48,655**	**218**	**-**	**-**	**-**	**(1,139,719)**	**(569,064)**
Balance at 31 December 2020		**5,824,201**	**-**	**28,614**	**48,517**	**518,558**	**736,446**	**2,366,533**	**9,522,869**

Consolidated and Separate Statement of Cash Flows

For the year ended 31 December

		Group		Bank	
In RON thousand	**Note**	**2021**	**2020**	**2021**	**2020**
Cash-flow from operating activities					
Profit for the year		**2,024,533**	**1,424,078**	**1,782,704**	**1,197,305**
Adjustments for:					
Depreciation and amortization	26,27, 28	357,831	327,721	340,579	303,672
Impairment allowance, expected losses and write-offs of financial assets, provisions for other risks and loan commitments		554,764	1,109,988	522,064	1,011,710
Adjustment of financial assets at fair value through profit and loss		(38,409)	(74,110)	(64,488)	(42,500)
Income tax expense	18	278,265	198,350	239,664	173,731
Interest income	8	(3,695,753)	(3,660,425)	(3,247,778)	(3,210,708)
Interest expense	8	553,634	683,332	507,942	630,641
Other adjustments		(29,763)	8,377	(295,621)	80,284
Net profit adjusted with non-monetary elements		**5,102**	**17,311**	**(214,934)**	**144,135**
Changes in operating assets and liabilities(*)					
Change in financial assets at amortized cost and placements with banks		846,325	117,430	1,121,609	(82,198)
Change in loans and advances to customers		(14,315,591)	(2,569,534)	(12,425,595)	(2,539,863)
Change in finance lease receivables		(251,991)	(58,891)	-	-
Change in financial assets at fair value through profit or loss		15,807	(133,615)	(51,336)	(158,482)
Change in financial assets held for trading and measured at fair value through profit or loss - derivatives		(58,837)	(17,287)	(57,752)	(17,287)
Change in equity instruments		20,824	(82,097)	(13,635)	(63)
Changes in debt instruments		(12,802)	8,232	-	-
Change in other financial assets		(178,497)	(216,308)	(108,195)	(114,776)
Change in other assets		(54,260)	(39,898)	(61,966)	(47,905)
Change in deposits from customers		17,117,458	13,897,980	14,449,467	13,934,396
Change in deposits from banks		705,175	22,816	640,501	7,371
Change in financial liabilities held-for-trading		4,361	22,487	3,872	22,486
Change in repo operations		6,416,160	83,543	6,416,160	83,543
Change in other financial liabilities		636,575	224,731	497,909	193,428
Change in other liabilities		107,729	(25,654)	83,278	(22,946)
Income tax (paid)/recovered		(213,079)	(245,552)	(180,793)	(218,086)
Interest received		2,887,284	3,043,464	2,475,000	2,447,359
Interest paid		(425,771)	(593,836)	(477,673)	(557,385)
Net cash-flow from operating activities		**13,251,972**	**13,455,322**	**12,095,917**	**13,073,727**

Consolidated and Separate Statement of Cash Flows

For the year ended 31 December

In RON thousand	Notes	Group 2021	Group 2020	Bank 2021	Bank 2020
Cash-flow used in investment activities					
Acquisition of financial assets measured at fair value through other items of comprehensive income		(29,200,861)	(28,866,644)	(28,870,381)	(28,857,677)
Sale/redemption of financial assets measured at fair value through other items of comprehensive income		17,118,712	21,854,578	17,091,639	21,854,408
Net acquisitions of property and equipment		(202,665)	(269,384)	(150,211)	(130,923)
Net acquisitions intangible assets		(158,719)	(136,436)	(149,740)	(125,661)
Proceeds from disposal of property and equipment and intangible assets		2,709	1,144	2,049	853
Acquisition of equity investments		(225,000)	(23,500)	(225,000)	(11,001)
Dividends collected	14	3,243	2,974	33,808	6,939
Interest received		1,191,145	936,870	1,188,116	935,189
Net cash-flow used in investment activities		**(11,471,436)**	**(6,500,398)**	**(11,079,720)**	**(6,327,873)**
Cash-flow from financing activities					
Gross proceeds from loans from banks and other financial institutions	44	81,502	349,841	-	311,976
Gross payments from loans from banks and other financial institutions	44	(368,333)	(242,654)	(152,045)	(135,009)
Gross payments from subordinated loans from banks and other financial institutions	44	-	(47,918)	-	(47,918)
Repayment of the principal portion of the lease liabilities		(138,319)	(146,948)	(151,727)	(119,485)
Dividend payments		(496,614)	(596,118)	(496,614)	(596,118)
Payments for treasury shares		(61,658)	(36,466)	(61,658)	(36,466)
Interest paid		(89,991)	(95,039)	(76,801)	(81,505)
Net cash-flow from / (used in) financing activities		**(1,073,413)**	**(815,302)**	**(938,845)**	**(704,525)**

In RON thousand	Note	Group 2021	Group 2020	Bank 2021	Bank 2020
Cash and cash equivalents at January 1		**26,649,622**	**20,510,000**	**24,802,742**	**18,761,413**
The impact of exchange rate variations on cash and cash equivalents		35,906	89,188	30,654	84,456
Net increase/decrease (-) in cash and cash equivalents		671,217	6,050,434	46,698	5,956,873
Cash and cash equivalents as at December 31	19	**27,356,745**	**26,649,622**	**24,880,094**	**24,802,742**

Notes to the consolidated and separate financial statements

1. Reporting entity

Banca Transilvania S.A.

Banca Transilvania S.A. (the "Parent company", "The Bank") is a joint-stock company incorporated in Romania. The Bank started its activity as a banking institution in 1993 and is licensed by the National Bank of Romania ("BNR", the "Central Bank") to conduct banking activities. The Bank started its activity in 1994 and its main operations involve banking services for legal entities and individuals.

Banca Transilvania Group (the "Group") includes the Parent company and its subsidiaries, based in Romania and in the Republic of Moldova. The consolidated and separate financial statements as at 31 December 2021 comprise the Parent company and its subsidiaries (hereinafter referred to as the "Group").

The Group's fields of activity are: banking through Banca Transilvania S.A., Victoriabank S.A. and Idea Bank S.A., leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., Idea Leasing IFN S.A., BT Direct IFN S.A., BT Microfinanţare IFN S.A. and BT Leasing MD S.R.L., asset management through BT Asset Management S.A.I. S.A. brokerage and investments through BT Capital Partners S.A, and pension funds management BT Pensii S.A. Additionally, the Bank also has control over three investment funds it consolidates and is associated in Sinteza .A. with a holding percentage of 31.12%.

The Bank carries out its banking activity through its head office located in Cluj-Napoca and 47 branches, 443 agencies, 6 work units, 8 healthcare division units, 2 private banking agencies in Romania, 1 branch in Italy and 1 regional office located in Bucharest (2020: 50 branches, 431 agencies, 21 bank units, 7 healthcare division units, 2 private banking agencies in Romania and 1 branch in Italy and 1 regional office located in Bucharest).

The Group's number of active employees as at 31 December 2021 was 10,800 (2020: 10,009 employees).

The Bank's number of active employees as at 31 December 2021 was 8,651 (2020: 8,359 employees).

The registered address of the Bank is 30-36 Calea Dorobanților, Cluj-Napoca, Romania.

The ownership structure of the Bank is presented below:

	2021	2020
NN Group (*)	10.29%	10.14%
The European Bank for Reconstruction and Development ("EBRD")	6.87%	6.87%
Romanian individuals	21.23%	20.47%
Romanian companies	41.41%	40.10%
Foreign individuals	0.98%	1.09%
Foreign companies	19.22%	21.33%
Total	**100%**	**100%**

(*) NN Group N.V. and the pension funds managed by NN Pensii SAFPAP S.A. and NN Asigurări de Viaţă S.A.

The Bank's shares are listed on the Bucharest Stock Exchange and are traded under the symbol TLV.

Notes to the consolidated and separate financial statements

1. Reporting entity *(continued)*

The Group's subsidiaries are represented by the following entities:

Subsidiary	Field of activity	Percentage of direct and indirect stake 2021	Percentage of direct and indirect stake 2020
Victoriabank S.A.	Financial and banking activities and investments subject to license	44.63%	44.63%
BT Capital Partners S.A.	Investments	99.59%	99.59%
BT Leasing Transilvania IFN S.A.	leasing	100%	100%
BT Investments S.R.L.	Investments	100%	100%
BT Direct IFN S.A.	consumer loans	100%	100%
BT Building S.R.L.	Investments	100%	100%
BT Asset Management SAI S.A.	Asset management	100%	90.00%
BT Solution Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Asiom Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Safe Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Leasing MD S.R.L.	leasing	100%	100%
BT Microfinanţare IFN S.A.	Consumer loans	100%	100%
Improvement Credit Collection S.R.L.	Activities of collection agents and Credit reporting bureaus	100%	100%
VB Investment Holding B.V.	Activities of holdings	61.81%	61.81%
Timesafe S.R.L.	Activities of software to order	51.12%	51.12%
BT Pensii S.A.	Activities of pension funds (except those in the public social security system)	100%	90.49%
Idea Bank S.A.	Financial and banking activities	100%	-
Idea Investments S.A.	Management consultancy activities	100%	-
Idea Leasing IFN S.A.	Financial leasing	100%	-
Idea Broker de Asigurare S.R.L.	Activities of insurance agents and brokers	100%	-

(*) The Group lost control of this subsidiary in October 2019, thus becoming an associate.

BT Leasing Transilvania IFN S.A.

BT Leasing Transilvania IFN S.A. operates through its head office located in Cluj-Napoca, 1 agency and 21 work units (2020: 1 agency and 18 work units) throughout the country. The company is authorized by the National Bank of Romania to provide leases for various types of vehicles, technical and other types of equipment. The number of active employees as at 31 December 2021 was 127 (2020: 123 employees). The registered address of BT Leasing Transilvania IFN S.A. is 74-76 Constantin Brâncuşi Street, 1st floor, Cluj-Napoca, Romania.

1. Reporting entity *(continued)*

BT Asset Management SAI S.A.

BT Asset Management SAI S.A. is an investment management company, member of Banca Transilvania Financial Group, authorized by the National Securities Commission (currently the Financial Supervisory Authority, also named „ASF") through the decision No. 903/29.03.2005, ASF Public Register No. PJR05SAIR/120016 dated 29.03.2005.

BT Asset Management SAI S.A. manages both open and closed investment funds. As at 31 December 2021, BT Asset Management SAI S.A. managed 17 investment funds, of which: 14 open funds and 3 closed funds.

BT Asset Management SAI S.A. offers a full range of investment products, from fixed income funds, mixed funds and index funds, to equity and one real estates funds. The access to the capital market is provided to customers through investments in Romania, as well as in the EU countries (mainly Austria); placements can be made in lei, euro, dollars and pounds.
The number of active employees as at 31 December 2021 was 34 (2020: 32 employees). The company's registered address is in Cluj-Napoca, 22 Emil Racoviţă Street, 1st floor + garret, Cluj county, Romania.

BT Capital Partners S.A.

At the beginning of 2016, BT Securities – the brokerage company of Banca Transilvania Financial Group – became BT Capital Partners S.A., after taking over the investment banking activity of Capital Partners, the most important independent consulting Romanian company in the field of M&A and Corporate Finance, BT Capital Partners is also an exclusive member in Romania of Oaklins, the world's most important alliance of M&A professionals.
In its new formula, BT Capital Partners offers consulting services for raising funds via the capital market, consultancy on mergers and acquisitions, brokerage services, structuring of complex financing schemes, market research and strategic advisory.

At 31 December 2021 the company counted 58 active employees (2020: 52 employees). The company undertakes its activity through its headquarters located in Cluj-Napoca, 74-76 Constantin Brâncuşi Street, ground floor, Cluj county, Romania, and through 7 work units.

BT Direct IFN S.A.

BT Direct IFN S.A. it is authorized by the National Bank of Romania to carry out lending operations to individuals through credit cards as well as through consumer loans, having as object of activity the financing of natural persons.
BT Direct IFN S.A. and ERB Retail Services IFN S.A. have become the same company starting with August 1, 2019. Following the merger by absorption of BT Direct IFN S.A., ERB Retail Services IFN S.A. has become part of the Group keeping the name BT Direct IFN S.A..
As at December 31, 2021, the company has a registered office for the purpose of payroll taxes in Bucharest and another 95 offices in the locations of the main partners (2020: 95 offices).

The number of active employees at 31 December 2021 was 171 (2020: 162 employees). The company operates through its head office located in Cluj-Napoca, 74-76 Constantin Brâncuşi Street, 3rd floor, Cluj county, Romania.

Notes to the consolidated and separate financial statements

1. Reporting entity *(continued)*

BT Microfinanţare IFN S.A.

BT Microfinanţare IFN S.A. is a non-banking financial institution authorized by the National Bank of Romania established in 2016. The company's object of activity is financing small businesses. The company's registered address is Bucharest, 43 Bucureşti – Ploieşti Street.

The number of active employees as at 31 December 2021 was 184 (2020: 167 employees).
In 2021, BT Microfinanţare IFN S.A. financed around 5,229 micro-enterprises (loans for the support and development of current activities, procurement loans, loans for supplier payments, investment loans for existent and/or new work units, loans for the acquisition of machinery/equipment etc.). The outstanding balance for loans at the end of 2021 was RON 628.3 million (2020: RON 515.6 million).

B.C. „VICTORIABANK" S.A.

B.C. „VICTORIABANK" S.A. was founded on 22 December 1989, being the first commercial bank in the Republic of Moldova to be registered with the Central Bank of USSR on 22 February 1990, being reorganized on 26 August 1991 into a joint-stock company (joint-stock commercial bank).

On 29 November 2002, the Bank was re-registered as a commercial bank, open joint-stock company, and its shares were registered and listed on the Moldova Stock Exchange.

The Bank is authorized to carry out banking activities pursuant to its license issued by the National Bank of Moldova.

The Bank carries out its activity through its headquarters located in Chişinău, 31 August 1989 Street No 141, and through 30 branches and 45 agencies throughout the Republic of Moldova (2020: 30 branches and 57 agencies).

The number of active employees as at 31 December 2021 was 1,048 (2020: 1,064 employees).

The share capital of B.C. „VICTORIABANK" S.A. consists of MDL 250,000,910, divided into 25,000,091 class I nominal ordinary shares, with voting rights, at a face value of MDL 10/share. The nominal ordinary shares issued by the bank (ISIN: MD14VCTB1004) are admitted to trading on the regulated market at the Moldova Stock Exchange.

IDEA Bank S.A.

IDEA Bank S.A. was founded in 1998, and during 2021, was bought by Banca Transilvania, a Romanian credit institution, which, starting with 29 October 2021 became the sole shareholder (direct and indirect) of this entity.

Currently, the Bank runs banking and financial services operations with individuals and legal entities. These include: current accounts, raise deposits, loan lending, financing for current activities, medium and long term financing, letters of guarantee and documentary credits, internal and external payment services, foreign exchange operations, deposits services.

The Bank operates through its headquarter located in Bucharest, and through 33 branches and agencies and also 3 work units, located in Bucharest and other cities in Romania.
Its headquarter is situated on Dimitrie Pompeiu Boulevard, No.5-7, 6th floor, Sector 2, Bucharest, Romania. As at 31 December 2021 the Bank had 383 employees.

Notes to the consolidated and separate financial statements

1. Reporting entity *(continued)*

IDEA Leasing IFN S.A.

IDEA Leasing IFN S.A. ("Idea Leasing") is a Romanian entity founded in 2000. The main activitity of Idea Leasing represents crediting based on contract - CAEN code 6491 and mostly financial leasing for legal entities, having under the lease agreements vehicles and equipments.

The headquarter of Idea Leasing is located on 19-21 Bucureşti-Ploieşti Street, 2nd floor, Sector 1, Bucharest, Romania. As of 31 December 2021, Idea Leasing had 118 employees.

2. Basis of preparation

a) Statement of compliance

The consolidated and separate financial statements of the Group and of the Bank have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union, effective as at the Group's and Bank's annual reporting date, 31 December 2021.

b) Basis of measurement

The consolidated and separate financial statements were prepared on historical cost basis, except for the financial instruments recognized at fair value through profit or loss, the financial instruments at fair value through other items of comprehensive income and the revaluation of property and equipment, intangible assets and investment property.

c) Functional and presentation currency – "RON"

The items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the entities within the Group is the Romanian leu "RON", "EUR" and the Moldovan leu "MDL". The separate and consolidated financial statements are presented in Romanian lei "RON", rounded to the nearest thousand.

d) Use of estimates and judgements

The preparation of the consolidated and separate financial statements in accordance with the IFRS as endorsed by the European Union implies that the management uses estimations and judgements that affect the application of accounting policies, as well as the reported value of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical data and various other factors that are believed to be relevant under the given circumstances. The result of which forms the basis of the judgements used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates.The estimates and assumptions are reviewed on an ongoing basis.

The review of the accounting estimates is recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods.
Information about estimates used in the application of the accounting policies which have a significant impact on the consolidated and separate financial statements, as well as the estimates involving a significant degree of uncertainty, are described in Note 5.

3. Significant accounting policies

The significant accounting policies set out below have been applied consistently by the Group and the Bank entities throughout all the periods presented in these consolidated and separate financial statements.

a) Basis for consolidation

According to IFRS 10, control means that an investor has: 1) power over the investee; 2) exposure, or rights to variable returns from its involvement within the investee; 3) the ability to use its power over the investee to affect the amount of the investor's returns. The list of the Group's subsidiaries is presented in Note 1.

(i) Business Combinations

A business combination is accounted using the acquisition method at the date when the control is acquired, except for the cases when the combination involves entities or parties under common control or the acquired entity is a subsidiary of an investment entity.

Each identifiable asset and acquired asset and assumed liability is evaluated at fair value at the acquisition date. The non-controlling interests in the acquired entity, which represent current ownership interest and entitle the holder to a proportional share of the entity's net assets in the event of liquidation, are measured either at fair value or proportionally with the acquired ownership interest in the entity's net identifiable assets. Non-controlling interests that are not current ownership interests are measured at fair value.

Goodwill is measured by deducting the identifiable net assets acquired from the aggregate of the consideration transferred, any non-controlling interests in the acquired entity and the fair value at the acquisition date of the equity participation in the acquired entity previously held by the acquiring entity. If the acquirer obtains a gain from a bargain purchase, this gain is recognized in the profit and loss after the management reassesses whether all the assets were acquired and all liabilities and contingent liabilities were assumed based on appropriate measurement.

The consideration transferred in a business combination is measured at the fair value of the assets transferred by the acquirer, the liabilities incurred or assumed and the equity instruments issued, but excludes the costs related to intermediation, advisory, legal, accounting, valuation and other professional or consulting services, general administrative costs that are recognized in the profit or loss.

(ii) Subsidiaries

The Group's subsidiaries are the entities under the Group's direct and indirect management. The management of an entity is reflected by the group's capacity to exercise its authority in order to influence any variable return to which the Group is exposed based on its involvement in the entity.

The factors that the Group must consider when deciding to include an entity in the consolidation are the following:

- the purpose and relevant activity of the entity;
- the entity's relevant activities and the manner in which they are determined;
- whether the Group's rights ensure its capacity to manage the entity's relevant activities;
- whether the Group is exposed or entitled to variable returns;
- whether the Group can use its capacity in order to influence returns.

If voting rights are relevant, the Group is considered to be in control if it holds, directly or indirectly, more than half of the voting rights of an entity, except when there is proof that another investor has the capacity of control over the relevant activities. Potential voting rights considered as substantial are also taken into account when determining the control of the entity. Moreover, the Group controls an entity even if it does not hold the majority of the voting rights, but however has the effective capacity to control the entity's relevant activities.

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(ii) Subsidiaries(continued)

This situation may occur when the dimension and dispersion of the shareholders' participations give authority to the Group to control the activities subject to investment. The subsidiaries are included in the consolidation starting from the date when the control is transferred to the Group.
The Group revaluates on an ongoing basis the control over the entities subject to investment, at least upon each quarterly reporting date. Therefore, any structural modification leading to the change of one or several control parameters is subject to revaluation. Such modification may include the change of the decision-making rights, changes in the contractual terms, financial or capital structure modifications, modifications caused by an event anticipated upon the initial documentation.

(iii) Non-controlling interest

The Group presents the non-controlling interest in its consolidated financial position within equity, separated from the equity of the parent company's shareholders. The non-controlling interest is measured proportionally with the percentage held in the net assets of the subsidiary. Changes in ownership interest which do not result in the loss of parent control of the subsidiary, are reflected as equity transactions.

(iv) Loss of control

If the parent loses the control of a subsidiary, it derecognizes the assets (including goodwill). The liabilities and the book value of any non-controlling interest at the date such control is lost. Any gain or loss arising from the loss of control is recognized in the profit or loss account.
Upon the loss of control over a subsidiary, the Group: a) derecognizes the assets (including the attributable goodwill) and liabilities of the subsidiary at their book value, b) derecognizes the book value of any non-controlling interests held in the former subsidiary, c) recognizes the consideration received at fair value, as well as any distribution of the subsidiary's shares, d) recognizes any investment in the former subsidiary at fair value and e) recognizes any difference resulting from the above elements as gain or loss in the income statement. Any amounts recognized in the previous periods as other items of comprehensive income in relation to the respective subsidiary, shall be either reclassified in the consolidated statement of profit or loss or transferred to retained earnings, if required by other IFRS standards.

(v) Investments in associates

An associate is an entity over which the Group exercises significant influence in terms of financial and operating policy decision making, but without controlling the entity. Significant influence is when the Group holds between 20% and 50% of the voting rights. The existence and impact of the potential rights that are currently enforceable or convertible are also taken into consideration in order to determine whether the Group exercises significant influence. Other factors taken into consideration in order to determine whether the Group exercises significant influence are the representation in the Board of Directors and the inter-company relevant transactions. The existence of such factors may require the application of the equity method of accounting for a certain investment, even if the Group's investment in voting shares is lower than 20%.Investments in associates are booked according to the equity method. The share of the Group resulting from the association is adjusted in order to be in line with the Group's accounting policies and is booked in the consolidated statement of profit or loss as net investment income (loss) according to the equity method. The Group's share in the profits or losses of the related parties resulting from inter-company sales is removed from the consolidation basis.

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(iv) Investments in associates (continued)

In accordance with the equity method, the Group's investments in associates and jointly controlled entities are initially booked at cost, including any costs directly connected with transactions, and are subsequently increased (or decreased) to reflect both the proportional share of the Group after the acquisition and the net income (or loss) of the related entity or of the jointly controlled entity, as well as other direct changes in the shareholders' equity of the related entity or of the jointly controlled entity. The goodwill generated by the acquisition of a related entity or of a jointly controlled entity is included in the investment book value. Since goodwill is not reported separately, it is not tested for impairment. In fact, the whole investment accounted based on the equity method is tested for depreciation upon each balance sheet preparation.

At the date when the Group ceases to have significant influence on the associates or the jointly controlled entity. The Group shall determine the profit or loss from the assignment of the investment based on the equity method, which shall be equal to the difference between the fair value of each investment held and the income obtained from the sale of the related entity participation, and the investment book value.

(v) Management of investment funds

The Group manages and administrates assets invested in fund units on behalf of investors. The financial statements of these entities are not included in the consolidated financial statements, except when the Group controls the entity by holding authority, exposure or rights over variable incomes based on its participation of more than 50% in the open investment fund units. In line with the Group's strategy to develop open investment funds and to attract new investors, the Group removes from the consolidation basis the open funds managed by BT Asset Management SAI S.A., if the percentage of fund unit holdings decreases below 40% during two financial years.

As concerns the closed funds managed by BT Asset Management SAI S.A.. The Group removes from the consolidation basis the holdings for which there is no significant influence of more than 20%.

If the Group holds units in open or closed investment funds managed by an investment management company which is not included in the consolidation, the funds shall not be consolidated because the Group does not have the authority and decision-making power regarding the relevant activities of such entity.

(vi) Transactions eliminated from consolidation

Intra-group settlements and transactions, as well as any unrealized gains resulted from the intra-group transactions have been fully eliminated in the preparation of the consolidated financial statements. Unrealized gains resulted from transactions with equity accounted investees are eliminated in correlation with the investment in the related entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(vii) Presentation of the legal merger through absorption in the financial statements

The Group applies IFRS 3 requirements "Business combination" to record the merger by absorption operations in the separate financial statement of the absorbed entity. The separate financial statements of the absorbing entity after merger are a continuation of the consolidated financial statements prepared starting with the date of acquisition of the absorbed entity.

Notes to the consolidated and separate financial statements

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(vii) Presentation of the legal merger through absorption in the financial statements (continued)

The profit or loss and other comprehensive income of the absorbing entity includes the revenues and expenses as they were booked by the absorbed entity at individual level, for the period between the date of gaining the control (or the end of the last financial period) and the merger date.

Due to the lack of specific requirements in the IFRS related to legal mergers through absorption, the Bank decided to present the book value of the acquired identifiable assets and undertaken liabilities in the separate financial statements at the legal merger date, after their initial recognition at fair value at the date when the control was acquired.

b) Foreign currency transactions

(i) Foreign currency transactions

Transactions in foreign currency are recorded in RON at the official exchange rate at the date of the transaction. The exchange rate differences resulting from such transactions denominated in foreign currency are reflected in the statement of profit or loss at the transaction date and using the exchange rate valid at the respective date.

Monetary assets and liabilities denominated in foreign currencies at the date of the consolidated and separate statement of financial position are translated to the functional currency at the exchange rate valid at that date.

FX differences are recognized in profit or loss.
Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated in the functional currency by using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rate valid at the date when the fair value is determined.

(ii) Translation of foreign currency operations

The result and financial position of operations denominated in a currency different from the functional and presentation currency of the Group are translated into the presentation currency as follows:

- the assets and liabilities of this entity, both monetary and non-monetary, were translated at the closing rate at date of the consolidated and separate statement of financial position;
- income and expense items of these operations were translated at the average exchange rate of the period, as an estimate of the exchange rates at the dates of the transactions; and
- all resulting exchange differences have been classified as OCI until the disposal of the investment.

The exchange rates for the major foreign currencies were:

Currency	31 December 2021	31 December 2020	Variation %
Euro (“EUR”)	1: LEU 4.9481	1:RON 4.8694	1.62%
United States Dollar (“USD”)	1: LEU 4.3707	1: RON 3.9660	10.20%

3. Significant accounting policies *(continued)*

c) Interest income and expenses

Recognition of interest income and expenses

Interest income and expense are recorded for all loans and debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination.

The Group does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost, net of the expected credit loss provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit adjusted effective interest rate is applied to the amortised cost.

d) Fee and commission income

Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes fee income in the banking units (*transactional fees, brokerage and execution fees, syndication fees* etc.), fee income from capital markets (*advisory fees which are generated from wealth management services and investment banking advisory services fee, income from investment activities, brokerage and execution fees, underwriting fees, custodial fees*), fee income in wealth management, fee income related to leasing activity, etc. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, fees for cash settlements, collection or cash disbursements, as well as, commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Notes to the consolidated and separate financial statements

3. Significant accounting policies *(continued)*

e) Net trading income

Net trading income represents the difference between the gain and loss related to financial assets held-for trading, foreign exchange transactions, derivatives and foreign exchange position revaluation.

f) Net loss/gain related to financial assets measured at fair value through other items of comprehensive income

The net loss/gain related to financial assets measured at fair value through other items of comprehensive income comprises the gain and loss from the sale of financial assets measured at fair value through other items of comprehensive income. Net gain and loss from the sale of financial assets measured at fair value through other items of comprehensive income are recognized in the income statement at the moment of their sale. They represent the difference between the obtained price and the amortized cost of the financial assets measured at fair value through other items of comprehensive income.

g) Net loss/gain from financial assets which are required to be measured at fair value through profit and loss

The net loss/ gain from financial assets which are required to be measured at fair value through profit and loss includes the gain and loss both from the revaluation at fair value and the sale of financial assets which are required to be measured at fair value through profit and loss.

h) Dividend income

Dividend income is recognized in profit or loss at the date when the right to receive such income is established and it is probable that the dividends will be collected. Dividends are reflected as a component of other operating income.
For some of the Bank's subsidiaries, the only profit available for distribution is the profit for the year recorded in the Romanian statutory accounts, which differs from the profit in these consolidated and separate financial statements prepared in accordance with IFRS, as endorsed by European Union, due to the differences between the applicable Romanian Accounting Standards and IFRS, as endorsed by the European Union.

i) Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund

The retail deposits and certain legal entity deposits, including SME deposits, are guaranteed up to EUR 100,000 by the Bank Deposit Guarantee Fund (the "FGDB") according to the regulations in force (Law 311/2015 regarding the deposit guarantee scheme and the Deposit Guarantee Fund).

The Romanian credit institutions are obliged to pay an annual contribution to the Deposit Guarantee Fund ("FGBD-Fondul de Garantare a Depozitelor Bancare"), in order to guarantee the clients' deposits in case of the credit institution's insolvency, as well as an annual contribution to the Resolution Fund ("Fondul de Rezolutie").

The Group and the Bank applied IFRIC 21 "Levies", as this contribution to the FGDB corresponds to a tax that needs to be fully recognized as an expense at the time the obligating event occurs.

3. Significant accounting policies *(continued)*

j) Lease assets and liabilities

Group applies IFRS 16 provisions to all leases, including leases of right-of-use assets in a sublease, except for:

a) leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources;
b) leases of biological assets within the scope of IAS 41 Agriculture held by a lessee;
c) service concession arrangements within the scope of IFRIC 12 Service Concession Arrangements;
d) licenses of intellectual property granted by a lessor within the scope of IFRS 15 Revenue from Contracts with Customers; and
e) rights held by a lessee under licensing agreements within the scope of IAS 38 Intangible Assets for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

The Group presents in this financial statements, lease assets and liabilities for the following types of transactions:

a) as a lessee:

- Lease of properties used for financial activities;
- Lease of land;
- Lease of vehicles;
- Lease of other low-value items.

b) as a lessor:

- Finance lease of vehicles and equipment;
- Finance lease of real estate.

Identification of a lease contract

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the Group reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.
To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group shall assess whether, throughout the period of use, the customer has both of the following:
a) the right to obtain substantially all of the economic benefits from use of the identified asset and
b) the right to direct the use of the identified asset.

a) The Group as a lessee

As per IFRS 16 provisions, a lessee no longer differentiates between finance leases and operating leases and is required to recognise a right-of-use asset and a lease liability at the initial recognition of the contract.

Right of use – initial measurement

The right-of-use asset shall comprise:
(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

3. Significant accounting policies *(continued)*

j) Lease assets and liabilities *(continued)*

Lease liability – initial measurement

Represents the present value of the lease payments that are not paid at commencement date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:
(a) fixed payments, less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option (assessed considering all the relevant factors); and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent measurement - Right-of-use asset

The Group shall measure the right-of-use asset at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability due to lease contract.

If the lease transfers ownership of the underlying asset to the Group as a lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Subsequent measurement - Lease liability

The Group measure the lease liability by:
a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications.

After the commencement date, the Group remeasure the lease liability to reflect changes to the lease payments. The Group recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, it recognise any remaining amount of the remeasurement in the statement of profit or loss.

3. Significant accounting policies *(continued)*

j) Lease assets and liabilities *(continued)*

a) The Group as a lessor

Initial measurement

At the commencement date, the Group, as a lessor, recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The lessor uses the interest rate implicit in the lease to measure the net investment in the lease.
The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the net investment in the lease.
The lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- fixed payments less any lease incentives payable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent measurement
The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.
The Group aims to allocate finance income over the lease term on a systematic and rational basis and shall apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

The Group apply the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. It reviews regularly estimated unguaranteed residual values used in computing the gross investment in the lease. If there has been a reduction in the estimated unguaranteed residual value, the Group revise the income allocation over the lease term and recognise immediately any reduction in respect of amounts accrued.

k) Income tax expense

Income tax for the year includes the current tax and the deferred tax. The income tax is recognized in the result for the year or in the shareholders' equity, if the tax is related to shareholders' equity items.
Current tax is the tax payable with respect to the profit for the period, determined based on the percentages applied at the date of the consolidated and separate statement of financial position and all the adjustments related to the previous periods. The adjustments which influence the fiscal base of the current tax are: non-deductible expenses, non-taxable income, similar expense/ income items and other tax deductions.

3. Significant accounting policies *(continued)*

k) Income tax expense (continueted)

Deferred tax is determined based on the balance sheet liability method for the temporary differences between the fiscal base for the calculation of the tax on assets and liabilities and their accounting value used for reporting under the consolidated and separate financial statements.
Deferred tax is not recognized for the following temporary differences: initial recognition of goodwill, initial recognition of assets and liabilities resulting from transactions which are not business combinations and do not affect the accounting or tax profit and differences resulting from investments in subsidiaries, provided that they are not reversed in the near future and the moment of reversal is being controlled by the entity.
The temporary differences may arise in a business combination, so that an entity may recognize any resulting deferred tax assets or liabilities as identifiable assets and liabilities at the acquisition date. The temporary differences arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination.

According to the local tax regulations, the fiscal loss of the entity that ceases to exist further to a legal merger through absorption can be acquired and recovered by the absorbing entity. The annual fiscal loss starting 2009, established through the tax statement shall be recovered from the taxable income of the next 7 consecutive years.
To report the unutilized fiscal losses, the deferred tax claims are recognized only to the extent to which it is probable to obtain taxable profit in the future after compensation with the tax loss from the previous years and with the recoverable tax on profit. Deferred tax claims are diminished to the extent to which the related tax benefits are unlikely to be achieved.
For the Bank and its local entities the tax rate used to calculate the current and deferred tax position at December 31, 2021 is 16% (2020: 16%). For Victoriabank S.A. and BT Leasing Moldova S.R.L. the tax rate used at December 31, 2021 is 12% (2020: 12%).

l) Financial assets

The Group and the Bank classify the financial assets based on the cash flow characteristics of each instrument and the business model within which an asset is held. A business model reflects how the Group and the Bank manage the financial assets in order to achieve its business objectives. There are three types of business models:

"Hold to collect" business model:

This business model refers to financial assets that are classified in order to collect cash flows (for example: loans, government securities, bonds held outside the trading portfolio). If these assets pass the SPPI test, they are measured at amortized cost and included in the periodical calculation of expected credit losses.
There is no requirement that the assets classified in this category should be held until their maturity; sales are acceptable; if they are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent), when the risk profile of such instruments increases or is no longer in line with the Group's and the Bank's investment policy. A higher frequency of sales during a certain period is not necessarily in contradiction with this business model, if the Group and the Bank are able to justify the reasons for such sales and to prove that such sales do not reflect a change in the current business model.

"Hold to collect and sell" business model:

Under this business model, financial assets are held to collect the contractual cash flows, but they may also be sold in order to cover liquidity requirements or to maintain a certain interest return on the portfolio. They are measured at fair value through other items of comprehensive income (reserves) and may include government securities and bonds.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

Other business models: are those which do not meeting the criteria of the business models mentioned above, for example business models in which the primary objective is realizing cash flows through sale, held for trading business models, business models under which assets are managed on a fair value basis, business models under which financial assets are acquired for sale/trading and measured through profit or loss (tradable securities, tradable shares, etc.). The portfolio is managed based on the market value evolution in respect of the assets concerned and includes frequent sales and purchases for the purpose of maximizing profit.
The Group and the Bank recognize all financial assets and liabilities at the transaction date. The transaction date is the date when the Group and the Bank undertake to buy or to sell an asset.

At initial recognition, a financial asset can be classified as:

a) measured at amortized cost, provided that the following conditions are cumulatively fulfilled:

- the asset is held under a business model in which the primary objective is to collect contractual cash flows;
- the contractual terms of the financial asset generate cash flows at specific dates, representing solely payments of principal and interest.

b) measured at fair value through other comprehensive income are provided that the following conditions are cumulatively fulfilled:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) measured at fair value through profit and loss, if financial assets do not meet the criteria according to which the contractual cash flows need to be Solely Payments of Principal and Interest (the SPPI test) or if the assets are held for trading (for example derivatives or fund units).
Embedded derivatives are no longer separated from the host financial assets, but will be assessed in their entirety together with the non-derivative financial asset, for the purpose of the contractual cash flow characteristics test.

Investments in equity instruments are always measured at fair value through profit and loss, However, provided that such instruments are not held for trading, the Group and Bank management can make an irrevocable election to present changes in fair value in other comprehensive income (except for dividend income which is recognised in profit or loss).

Therefore, if equity instruments are measured at fair value through other comprehensive income, such instruments will not be classified as monetary items and the accumulated profit or loss, including that resulting from currency exchange, will be transferred to the entity's equity upon the derecognition of such instruments.

If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
The gains and losses from investments in equity instruments measured at fair value through profit or loss are included in the statement of profit and loss under "Net trading income" for held for trading equity instruments.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

Investments in equity instruments, representing usually strategic investments which are not planned to be disposed of in the foreseeable future and are not included in the trading portfolio, have been classified as financial assets required to be measured at fair value through other comprehensive income. In this case, the Group and the Bank have irrevocably decided to present fair value changes under comprehensive income, whereas the gains or losses related to the respective instruments will be transferred directly to the Group's equity, without being reclassified (or recycled) to profit or loss.

Government bonds, municipal bonds and other bonds issued by financial and non-financial institutions are measured at fair value through other items of comprehensive income, under the provisions of the SPPI test criteria and the "hold to collect and sell" business model. Starting from 1 January 2018, the Group and the Bank recognize an allowance for expected credit losses related to such assets measured at fair value through other items of comprehensive income. This provision will be recognized under other comprehensive income and does not diminish the book value of the financial asset.

Bonds issued by credit institutions and other financial institutions which meet the SPPI test criteria and the "hold to collect" business model are measured at amortized cost. The Group and the Bank recognize impairment allowances related to financial assets measured at amortized cost.

Fund units held with mutual funds which fail the solely payments of principal and interest ("SPPI") criterion are mandatorily measured at fair value through profit and loss.
In the separate statement of financial position, equity instruments representing investments in subsidiaries continue to be measured at cost, according to IAS 27 - "Separate Financial Statements".

Derivative instruments are measured at fair value through profit or loss.

Impairment requirements under IFRS 9 are based on expected credit losses and imply the timely recognition of forthcoming estimated credit losses.

The Group and the Bank assesses on forward-looking basics the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and fair value through other items of the comprehensive income and the exposure from loan commitments and financial guarantee contracts.

In order to measure expected credit losses, the Group and the Bank are grouping their assets into three categories: stage 1 (assets with no increase in credit risk from initial recognition), stage 2 (assets for which significant increase in credit risk from initial recognition has been observed) and stage 3 (credit-impaired – assets that the Group and the Bank are considering to be nonperforming). More details about how the Group and the Bank are grouping their financial assets can be found in Note 4 "Risk management".

The determination of expected losses at the reporting date relies on the effective interest rate established upon the initial recognition, except financial assets with variable interest rate, for which the expected credit losses must be determined based on the current effective interest rate. As concerns the purchased or originated financial assets that are credit-impaired, the expected credit losses must be determined based on the credit-adjusted effective interest rate established upon the initial recognition.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

Under IFRS 9, *a financial asset is credit-impaired* when one or more events have occurred and have a significant impact on the expected future cash flows of the respective financial asset.
The proof that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or past-due event;
- the lender, for economic or contractual reasons relating to the borrower's financial difficulty, grants the borrower a concession that would not otherwise be considered;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for the financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

A financial asset classified as impaired upon initial recognition will be maintained as such until its derecognition.
The expected credit losses are calculated at each reporting date and they reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Some financial instruments include both a loan and an undrawn commitment component and the Bank's and Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's and the Bank's exposure to credit losses to the contractual notice period.

For such financial instruments, and only those financial instruments, the Group and the Bank shall measure expected credit losses over the period that the Group and the Bank are exposed to credit risk and expected credit losses would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. Also, the Group and the Bank recognize a loss allowance for expected credit losses also for financial guarantee accordingly to IFRS9 principles.

Provisions for credit risk associated with loan commitments are considered and recognised at the time when the Group and the Bank records in their off balance sheet records a commitment with the risk of being converted into a loan. The calculation basis for these provisions includes exposures from commitments related to letters of credit, letter of guarantee, uncommitted amount of the loans granted by the Group and the Bank and factoring commitments. The expected credit loss calculation is made according to IFRS 9 and is based on the probability of conversion into credit, the probability of default and loss given default.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

Derecognition policy

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and

- the Group and the Bank transfer substantially all the risks and rewards of ownership, or
- the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and the Group and the Bank did not retain control.

The Group and the Bank shall directly reduce the gross carrying amount of a financial asset when they have no reasonable expectations of recovering this financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event (IFRS 9.5.4.4).
Other events that lead to a derecognition are:

- Debt forgiveness or receivable write-off;
- Sale/assignment of receivables to a third party;
- Sale of loan portfolios.

Based on an analysis, the Group and the Bank may decide to derecognize an impaired asset by presenting it off-balance sheet (write-off). These assets will continue to be subject to recovery procedures. The assessment of whether a write-off is necessary and appropriate is based on several factors, including debt service analysis and the existence of collateral or other debt recovery sources.

The Group and the Bank enter into transactions where they retain the contractual rights to receive cash flows from assets but assume a contractual obligation to pay those cash flows to other entities and transfer substantially all of the risks and rewards.

The transactions are accounted for as 'pass through' transfers that result in derecognition if the Group and the Bank:

- Have no obligation to make payments unless they collect equivalent amounts from the assets;
- Are prohibited from selling or pledging the assets; and
- Have an obligation to remit any cash they collect from the assets without material delay.

Collateral (shares and bonds) pledged by the Group and the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group and the Bank retain substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

The Bank derecognizes a transferred financial asset if it transfers substantially all the risks and rewards of ownership of the financial asset. The criteria set at Group level to evaluate modifications leading to derecognition of financial assets, are developed having in mind that they must reflect modifications that are substantial enough (either quantitatively or qualitatively) to satisfy the derecognition requirements in IFRS 9.3.2.3. On the quantitative side, these criteria refer to a significance threshold of 10% by analogy to the de-recognition trigger set by IFRS 9.B3.3.6 for modifications of financial liabilities. On the qualitative side, these criteria refer to contractual modifications that are substantially changing the nature of lender's risks associated with the pre-existing loan contract.

3. Significant accounting policies *(continued)*

m) Financial liabilities

Financial liabilities are classified after the initial measurement at amortized cost, except for derivatives which are measured at fair value through profit or loss. Embedded derivatives are separated from the host contract if the separation criteria mentioned by IFRS 9 are met.
The Group and the Bank do not hold financial liabilities designated at fair value through profit and loss. Financial liabilities cannot be reclassified.

n) Cash and cash equivalents

Cash and cash equivalents include: cash at hand, unrestricted balances held with National Bank of Romania, National Bank of Moldova and National Bank of Italy and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of fair value changes.

Cash and cash equivalents are carried at amortized cost in the consolidated and separate statement of financial position.

o) Tangible assets

(i) Recognition and measurement

Tangible assets are stated at the revalued amount less accumulated depreciation.

Measurement upon initial recognition
The cost of a fixed asset item consists in:

a) the acquisition price, including customs charges and non-refundable acquisition costs, after the deduction of all commercial discounts;
b) any costs directly incurred in order to bring the asset at the adequate location or condition required by the management for proper functioning.

Subsequent measurement
All tangible assets are stated at the revalued amount, less the accumulated depreciation and impairment losses.
The costs of tangible assets under construction are capitalized if the criteria for tangible asset recognition are met, notably: they generate future economic benefits, they can be measured reliably and they lead to the improvement of technical parameters, ensuring an ongoing use of the assets under normal conditions. The costs for maintenance and current repairs are not recognized under assets.
Tangible assets under construction are starting to be depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by management. This condition is fulfilled when there is a sign-off for reception and deployment by the asset's users.
The carrying amounts of assets are analyzed during the revaluation process upon the issuance of the statement of financial position. The Group and the Bank shall annually reassess all tangible assets with an external evaluator, who is not an employee of the Group or the Bank.

For revalued assets, if an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss, except the case when the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

3. Significant accounting policies *(continued)*

o) Tangible assets (continued)

When an item of property and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.
The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realized on the retirement or disposal of the asset.

(ii) Subsequent costs

The Group and the Bank recognise in the carrying amount of tangible assets the cost of replacing such an item when that cost is incurred or if it is probable that the future economic benefits embodied with the item may be transferred to the Group and to the Bank and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of each item of tangible assets. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	50 years
Leasehold improvements (average)	6 years
Computers	4 years
Equipment	2 - 24 years
Furniture	3 - 20 years
Vehicles	4 - 5 years

The leasehold improvements are depreciated over the lease term, which varies between 1 and 15 years. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

p) Investment property

Investment property is property (land, buildings or parts of a building) held by the Group and the Bank to earn rent, for capital appreciation or both, rather than for:

- the use in production, the supply of goods or services or for administrative purposes; or
- the sale in the ordinary course of business.

(i) Recognition and measurement

Investment property is recognized as an asset when:

- it is probable that the future economic benefits that are associated with the investment may flow to the Group and to the Bank;
- the cost of the investment property can be measured reliably.

An investment property is measured initially at cost, including transaction costs. The cost of an investment property includes its purchase price (if purchased) and other directly attributable expenses (e.g. fees for legal services, property transfer taxes and other transaction costs).

(ii) Subsequent measurement

The accounting policy for the subsequent measurement of the investment properties of the Group and the Bank is based on the fair value model. This policy is applied consistently for all the investment properties held by the Group and the Bank.

3. Significant accounting policies *(continued)*

p) Investment property (continued)

(ii) Subsequent measurement (continued)

When the Group and the Bank, as lessees use the fair value model to measure an investment property that is held as a right-of-use asset, they shall measure the right-of-use asset, and not the underlying property, at fair value.
Gains or losses from the change in the fair value of the investment properties are recognized in profit or loss in the period in which they arise.
The fair value of the investment properties reflects the market conditions at the reporting date.

(iii) Transfers

Transfers to or from investment property are made when, and only when, there is a change in use of the asse. For the transfer of an investment property, measured at fair value, to tangible assets, the property's deemed cost for subsequent accounting is its fair value at the date of the change in use.

An investment property is derecognized on disposal or when it is permanently withdrawn from use and no future benefits are expected from its disposal.

The gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the period of the retirement or disposal.

(iv) Disposals

Derecognition of an investment property will be triggered by a change in use or by sale or disposal or when it is permanently withdrawn from use and has no future economic value. When an investment property is disposed of, it is eliminated from the statement of financial position, while the gain or loss on the retirement or disposal of an investment property is recognized in the statement of profit or loss in the period the disposal is related to. The gain or loss arising on disposal is determined as the difference between any disposal proceeds and the carrying amount.

q) Intangible assets

Upon their initial recognition, intangible assets are measured at cost.

The cost elements of intangible assets under construction are capitalized if criteria for intangible asset recognition is being met: future economic benefits associated with the item will flow to the entity, cost of the item can be reliably measured, the result will increase the future performance rate and the asset is separately identifiable within an economic activity. Maintenance costs and technical support are recognized in profit or loss as these are being incurred. Intangible assets in progress are recognized as intangible assets at the moment of reception and deployment.

(i) Goodwill and negative goodwill

Goodwill and negative goodwill arise on the acquisition of a new subsidiary by means of business combination. Goodwill represents the difference between the cost of acquisition and the net fair value of the acquired identifiable assets and assumed liabilities and contingent liabilities.

Subsequent measurement

Goodwill is measured at cost, less accumulated impairment losses. Negative goodwill is immediately recognized in profit and loss (bargain gain), after reanalyzing the manner of identification and fair valuation of the assets, liabilities and identifiable contingent liabilities at the acquisition date and the measurement of the acquisition cost.

3. Significant accounting policies *(continued)*

q) Intangible assets (continued)

(ii) Software

Costs associated with the development and maintenance of software programs are recognized as an expense when incurred.
Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and the Bank, and that will probably generate economic benefits exceeding production costs for a period exceeding one year, are recognized as intangible assets.
Subsequent expenditure on software assets is capitalized only if it increases the future performance of such assets, beyond initial specifications and lifespan. All other expenditure is reflected as an expense as incurred.

Amortization is recognized in the income statement on a straight-line basis over the estimated useful life of the intangible asset. The estimated useful lives of intangible assets are reviewed at the reporting date and range between 1 and 5 years. The useful life of intangible assets derived from contractual rights should not exceed the validity period of such contractual rights, but it may be shorter depending on the estimated period of use of such assets by the entity.

Intangible assets in progress are not amortized before they are put into service.

Subsequent measurement

After initial recognition, an intangible asset is carried at revalued amount, which is its fair value at the date of revaluation less accumulated depreciation and impairment adjustments. For the purpose of revaluation, fair value is determined on the basis of data from an active market. The frequency of revaluations depends on the volatility of the fair values of the revalued intangible assets. If the fair value of a revalued intangible asset differs significantly from its carrying amount, a new revaluation is required.
The Group's accounting policy regarding the measurement of intangible assets after initial recognition is the revaluation model.

When revaluing an intangible asset, the accumulated depreciation at the revaluation date is recalculated in proportion to the change in the gross carrying amount of the asset, so that the carrying amount of the asset, after revaluation, is equal to its revalued amount.

In this case, the amount of the reserve transferred is the difference between the depreciation calculated on the basis of the revalued carrying amount and the amount of the depreciation calculated on the basis of the initial cost of the asset.

r) Fixed assets held-for-sale

An asset is considered as a fixed asset held-for-sale if the following conditions are met: the asset value is recovered through sale and not by its continuous use, the asset must be available for immediate sale and the sale of the asset must be likely to happen, the probability of sale is justified by means of a sales plan at the level of the Group's and the Bank's management and by the active involvement of the Group and the Bank in identifying a buyer.

If the asset is reclassified from tangible assets according to IAS 16, the period between the date of reclassification and the date of sale should not exceed 12 months; the valuation of the asset classified as available-for-sale shall consider the lower value between the book value and the fair value, minus the sales-related costs.

Notes to the consolidated and separate financial statements

3. Significant accounting policies *(continued)*

s) Impairment of non-financial assets

An impairment loss is recognized if the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group generating cash flows and largely independent from other assets and groups.
Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of any goodwill allocated to the respective cash-generating unit (group of units) and then to reduce the carrying amount of any other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value, less the cost of sale of such asset or unit. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments and the risks specific to the asset.

In respect of other non-financial assets, impairment losses are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss in other non-financial assets than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss on assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

t) Deposits from customers

Customer deposits are initially measured at fair value, minus incremental direct transaction costs, and are subsequently measured at amortized cost by using the effective interest method.

u) Issued bonds, loans from banks and financial institutions

Borrowings such as loans from banks and other financial institutions and issued bonds are initially recognized at fair value, notably as proceeds resulting from such instruments (fair value of consideration received), net of transaction costs incurre. Issued bonds and loans from banks and other financial institutions are subsequently carried at amortized cost. The Group and the Bank classify these instruments as financial liabilities or equity instruments in accordance with the contractual terms of the instrument.

v) Provisions

Provisions for other risks are recognized in the consolidated and separate statement of financial position when the Group and the Bank acquire an obligation as a result of a past event and it is probable that an outflow of economic resources may be required in the future to settle the obligation, such obligation being measured reliably.

The provisions' value is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market conditions and the risks specific to the respective liability.
This category includes mainly provisions for employees benefits (as described in section 3x), for litigations in which the Bank is involved estimated based on the loss probability for the Bank and provisions for abusive clauses of credit contracts (as described in section 5c).

3. Significant accounting policies *(continued)*

w) Financial guarantees

Financial guarantees are contracts that require the Group and the Bank to make specific payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the lifespan of the financial guarantee. The guarantee liability is subsequently carried at the higher of the amortized amount and the value of the expected credit loss determined in accordance with IFRS 9.

x) Employee benefits

(i) Short-term benefits

Short-term employee benefits include wages, salaries and social security contributions. Short-term employee benefits are recognized as expense as the services are rendered.

(ii) Defined contribution plan

In the normal course of business, the Bank and its subsidiaries make payments to the Romanian or Republic of Moldova public pension funds on behalf of their employees for retirement, healthcare and unemployment allowances.

All the employees of the Bank and its subsidiaries are members and are also legally obliged to make specific contributions (included in the social security contributions) to the Romanian public pension plan (a State defined contribution plan). All relevant contributions to the Romanian public pension plan are recognized as an expense in the income statement as incurred. The Bank and its subsidiaries do not have any further obligations.

(iii) Other benefits

The Bank and its subsidiaries from Romania are enrolled in an optional pension scheme Pillar III, within an established limit, for the employees eligible at the payment date, in accordance with the applicable Romanian legal provisions. The Bank and its subsidiaries, pursuant to the collective employment agreement, must pay the equivalent of three gross monthly salaries to the employees, upon retirement. The debt related to this benefit scheme is calculated on an actuarial basis, considering the salary estimated at the retirement date and the number of activity years of each individual employee.

The fixed and variable remuneration may also be granted by means of a stock option plan, in the form of shares. The variable component of the total remuneration represents the remuneration that can be granted by the Bank in addition to the fixed remuneration, on condition that certain performance ratios are achieved. The variable remuneration may be granted either in cash or in the Bank's shares (TLV). In the case of the identified staff, in the establishment of the annual variable remuneration, one shall aim at limiting excessive risk-taking. A substantial part of the variable component of the total remuneration, in all cases at least 40%, is deferred for a period at least 3 years in the Remuneration Report and is correlated with the activity nature, the risks and the responsibilities of the respective staff.

Based on the decision of the shareholders, the Board of Directors of the Bank decides in respect of the number of shares included in the employee loyalty plan. The fair value upon the vesting date of share-based awards - stock options – to employees is recognized as personnel expenses, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

The amount recognized as an expense is adjusted to reflect the value of awards for which the related services and non-market related performance conditions are expected to be fulfilled, so that the amount ultimately recognized as an expense is based on the actual compensation for the services and performance conditions which are not related to the market at the vesting date.

Notes to the consolidated and separate financial statements

3. Significant accounting policies *(continued)*

y) Segment reporting

An operational segment is a component of the Group and of the Bank:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity's decision maker in order to make decisions about resources to be allocated to the segment and to assess its performance;
- for which discrete financial information is available.

The Group's and the Bank's format for segment reporting is presented in note 6.

z) Earnings per share

The Group and the Bank presents basic and diluted earnings per share ("EPS") for its ordinary shares, Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible bonds and share options granted to employees.

aa) Treasury shares

Repurchased own equity instruments (treasury shares) are deducted from shareholders' equity. No gain or loss is recognized in the income statement from the purchase, sale, re-issue or cancellation of the Bank's own equity instruments.

ab) Implementation of new or reviewed standards and interpretations

The following new standards, as well as updates to existing standards, came into force for annual periods beginning after January 1, 2021 and may be applied earlier.

Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions beyond 30 June 2021. (Effective for annual periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not authorised for issue at 31 March 2021)

The amendments extends by one year the application period of the optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee applies the amendments retrospectively and recognizes the cumulative effect of initially applying them in the opening retained earnings of the reporting period in which they are first applied. The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

3. Significant accounting policies *(continued)*

ab) New or amended standards and interpretations that are effective as of annual period or after 1 January 2022

Amendment to IAS 16 Property, Plant and Equipment Property, Plant and Equipment – Proceeds before Intended Use (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary). The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Onerous Contracts – Cost of Fulfilling a Contract. (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. The amendment clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.
An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction. (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted)

The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decomissioning liabilities. For leases and decomissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

3. Significant accounting policies *(continued)*

ab) New or amended standards and interpretations that are effective as of annual period or after 1 January 2022 *(continued)*

Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction. (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted) *(continued)*

The entity accounts for deferred tax on leases and decommissioning liabilities applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the entity will recognise a separate deferred tax asset and a deferred tax liability.

There will be no impact on retained earnings on adoption of the amendments.

Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current. (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)

The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the entity's right to defer settlement at the end of the reporting period. The entity's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability. The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments. (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies. The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)

The amendments introduced a definition of 'accounting estimates' and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs. The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

3. Significant accounting policies *(continued)*

ab) New or amended standards and interpretations that are effective as of annual period or after 1 January 2022 *(continued)*

Annual Improvements to IFRS Standards 2018-2020. (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)

Amendment to IFRS 9 Financial Instruments

The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Amendment to Illustrative Examples accompanying IFRS 16 Leases

The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement.
The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Notes to the consolidated and separate financial statements

4. Financial risk management

a) Introduction

The Group and the Bank have exposures to the following risks derived from the use of financial instruments:

- Credit Risk;
- Liquidity risk;
- Market risk;
- Operational risk;
- Climatic risk.

This note presents information about the Group's and the Bank's exposure to each of the above risks. The Group's and the Bank's objectives, policies and processes for measuring and managing risk. The most important types of financial risk to which the Group and the Bank are exposed: credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and equity instruments' price risk.

Risk management is part of all decisional and business processes that take place in the Group's and the Bank's activity. The Board of Directors has the responsibility regarding the definition and monitoring of the general risk management framework for the Group and the Bank.

The risk management in Banca Transilvania S.A. is performed at 2 levels: a strategic level represented by the Board of Directors and the Leaders' Committee and an operational level represented by: Assets - Liabilities Committee ("ALCO"), Credit Policy and Approval Committee, Head Office Credit and Risk Committees (loan approval), Credit and Risk Committee of the branches/agencies, Workout Committee ("CRW"), the Bank's Leaders, Executive Directors and risk management structures within the Bank that are responsible for the definition and/or monitoring of risk management policies in their field of expertise. The Board of Directors periodically reviews the activity of these committees.

The Board of Directors monitors the compliance with the Group's and the Bank's risk policies and the adequacy of the general risk management framework in connection with the risks to which the Group and the Bank are exposed to.

The Risk Management Committee advises the Board of Directors regarding the risk appetite and the global strategy regarding the management of the current and future risks and assists the Board of Directors in overseeing the implementation of the strategy by the Leaders' Committee.

The Group's objective in terms of risk management is to integrate the assumed medium-risk appetite in the decision-making process, by promoting a proper alignment between assumed risks, available capital and performance targets, while also considering the tolerance to financial and non-financial risks. In determining the risk appetite and tolerance, the Group takes into consideration all the material risks it is exposed to, given its specific activity and being mainly influenced by the credit risk.

Risk management policies and systems are reviewed regularly (mainly annually) with the participation of the Leaders' Committee and the responsible persons from different Departments involved, in order to reflect the changes in the market conditions, the products and services provided.

The crisis simulation program (stress testing) is an integral part of the risk management framework and of the internal risk capital adequacy assessment process.

The Bank reviews the crisis simulation program regularly, at least semi-annually, and assesses its efficiency and adequacy to the defined purposes/objectives.

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk

The Group's and the Bank's Audit Committees reports to the Board of Directors and are responsible for monitoring compliance with the Bank's risk management procedures. The Audit Committees is assisted in these functions by the Internal Audit. The Internal Audit department undertakes both regular and ad-hoc reviews of risk management controls and procedures. The results of which are reported to the Audit Committee.

The Board of Directors and the Management of the subsidiaries which constitute the Group have responsibilities regarding significant risk management in correlation with their specific business characteristics and applicable laws and regulations.

(i) Credit risk management

The objective of the Group and of the Bank as concerns the management of credit risk is to ensure a balanced distribution of capital among various business lines, which allows the achievement of comfortable RAROC (Risk-adjusted return on capital) levels considering the proportion of the lending activity in the Bank's assets and its commercial bank profile.

The Group and the Bank are exposed to credit risk through the trading, lending, investment and guarantee issuing activities. The credit risk arising from trading and investment activities is mitigated by selecting only counterparties with good credit standing and by monitoring their activities and ratings, by using exposure limits and, when necessary, by requesting collaterals.
The Group's and the Bank's primary exposure to credit risk arises from loans and advances to customers.

The amount of credit risk exposure is represented by the carrying amounts of the assets on the separate individual and consolidated statement of financial position. The Group and the Bank are exposed to credit risk derived from other financial assets, including derivative instruments and debt investments; the current credit risk exposure in respect of these instruments is equal to the carrying amount of the assets in the consolidated and separate statement of financial position.

In addition, the Group and the Bank are exposed to off balance sheet credit risk from credit and guarantee commitments (see Note 41).

In order to minimize the risk, the Group and the Bank have defined procedures to assess customers before loan granting, to monitor their capacity to reimburse the principal and related interest during the entire loan period and to define exposure limits. In addition, the Group and the Bank have implemented procedures for monitoring the risks related to the loan portfolio and have defined exposure limits by types of loans, economic sectors, types of collateral, maturity, etc.

The Board of Directors has assigned the responsibility for credit risk management to the Leaders' Committee, Credit Policy and Approval Committee, Head Office Credit and Risk committees (credit approval), Remedy and Workout Committee at HQ level and Credit and Risk Committees in branches/ agencies. Moreover, several departments with risk attributions operate within the Bank, reporting to the Head Office Committees with respect to:

- The analysis, assessment and monitoring of specific risks within the lending activity;
- The risk analysis of the loan portfolio/large exposures, with recommendations submitted to the Leaders' Committee/Board of Directors;
- Monitoring the observance of internal policies specific to the lending activities;

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(i) Credit risk management (continued)

- Elaborating proposals for the reduction of specific risks, in order to maintain healthy standards in the lending activity;
- Elaborating an efficient credit risk rating process capable of rendering the variable level, nature and determining factors related to credit risk, which could occur in time, so as to ensure in a reasonable manner that all the credit exposures are properly monitored and the ECL-related allowances are properly measured;
- Monitoring the granted loans, in accordance with the client's financial performance, loan type, collateral type and debt service, in accordance with the internal lending policies and procedures;
- The approval and monitoring of ratios related to the establishment/modification of the branches' lending competences, according to specific internal policies;
- The periodic reviews and recommendations to the Leaders' Committee on the risk levels accepted by the Group and the Bank;
- Identifying, monitoring and controlling the credit risk at branch level and subsidiary level;
- The risk analysis with respect to new lending products/changes of loan products, including recommendations to the involved Departments;
- The periodical reporting to the Deputy CEO - Chief Risk Officer, Leaders' Committee, Risk Management Committee and the Board of Directors on the evolution of significant risks (the implications of risk correlation, forecasts etc.);
- Elaborating the methodology for the early identification of credit risks deterioration (early warning system);
- Elaborating processes to be systematically and consistently applied in order to establish proper allowances for the loss in accordance with the applicable accounting regulations in the field of credit risk;
- Establishing and reviewing the back-testing methodology regarding the adequacy of the default probability parameter, the non-repayment status and the provision level related to the Bank's loan portfolio.

Each branch/agency implements at local level the Group's and the Bank's policies and regulations regarding credit risk, having loan approval competences established by the Leaders' Committee. Each branch/agency is responsible for the quality and performance of its loan portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Head Office approval.

The Internal Audit Department and the Internal Control Department carry out periodical reviews of the branches and agencies.

(ii) Credit risk exposure

Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Group's and the Bank's loans and advances, loan commitments, finance lease and guarantees issued.

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The table below contains the on-balance and off-balance sheet exposures (loans and advances to customers and financial lease receivables), split by economic sector concentration:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Retail	47.14%	53.57%	46.16%	53.01%
Trading	11.58%	11.60%	10.99%	11.03%
Production	6.98%	8.28%	6.74%	8.03%
Constructions	3.53%	3.93%	3.13%	3.68%
Services	3.32%	4.77%	3.31%	4.58%
Agriculture	4.11%	3.80%	3.79%	3.73%
Real estate	2.76%	3.08%	3.13%	3.43%
Transportation	3.92%	4.05%	3.05%	3.49%
Others	1.91%	1.99%	1.70%	1.86%
Self-employed	1.32%	1.51%	1.07%	1.22%
Financial institutions	1.02%	1.22%	3.67%	3.81%
Energy	1.65%	1.18%	1.78%	1.24%
Telecommunications	0.52%	0.20%	0.49%	0.19%
Mining	0.22%	0.30%	0.17%	0.24%
Chemical industry	0.13%	0.21%	0.14%	0.22%
Public institutions	9.85%	0.27%	10.64%	0.20%
Fishing	0.04%	0.04%	0.04%	0.04%
	100%	**100%**	**100%**	**100%**

The table below presents the concentration by class of the on-balance sheet exposures related to the Bank's and Group's loan and leasing portfolio:

	Group		Bank	
RON thousand	**2021**	**2020**	**2021**	**2020**
Corporate and public institutions	20,973,391	12,368,857	22,183,126	13,361,424
Small and medium enterprises	7,717,422	6,245,232	6,775,254	6,148,658
Consumer loans and card loans granted to retail customers	12,295,685	10,949,378	11,359,134	10,742,582
Mortgage loans	16,095,360	13,568,648	15,493,560	13,266,162
Loans and finance lease receivables granted by non-banking financial institutions	2,919,558	2,445,052	-	-
Other	52,088	41,391	41,686	35,135
Total loans and advances to customers and financial lease receivables before impairment allowance	**60,053,504**	**45,618,558**	**55,852,760**	**43,553,961**
Allowances for impairment losses on loans and financial lease receivables	(3,935,719)	(3,498,298)	(3,614,237)	(3,190,052)
Total loans and advances to customers and financial lease receivables net of impairment allowance	**56,117,785**	**42,120,260**	**52,238,523**	**40,363,909**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

At 31 December 2021, the total on-balance and irrevocable off-balance sheet exposure was of RON 63,214,752 thousand (2020: RON 47,954,924 thousand) for the Group and RON 58,240,841 thousand (2020: RON 45,339,625 thousand) for the Bank. The amounts presented above reflect the maximum accounting loss that would be recognized at the reporting date if the customers failed completely to perform their contractual obligations and if any collateral or security proved to be of no value.

The Group and the Bank hold guarantees for loans and advances to customers in the form of pledge over cash deposits, mortgage over property, guarantees and other pledges over equipment and/or receivables. The estimates of fair value are based on the collateral value assessed at the date of lending, except when a loan is individually assessed subsequently. Collateral is generally not held over loans and advances to banks.

The Group and the Bank use risk grades for loans both individually and collectively assessed. According to the Group's and the Bank's policies, a loan can be assigned a corresponding risk grade based on a 6-level classification: very low risk, low risk, moderate risk, sensitive risk, high risk and the highest risk for non-performing loans (default).

The classification of loans into groups is mainly based on the client scoring systems of the Group and the Bank.

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The exposures to credit risk for loans and advances to customers and financial lease receivables at Group consolidated level, as at 31 December 2021, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2021
In RON thousand					
Corporate and public institutions	16,733,256	3,157,146	901,088	181,901	**20,973,391**
Small and medium enterprises	4,584,773	2,739,928	352,509	40,212	**7,717,422**
Consumer loans and card loans granted to retail customers	8,775,418	2,817,343	597,477	105,447	**12,295,685**
Mortgage loans	14,670,751	1,199,768	177,340	47,501	**16,095,360**
Loans and finance lease receivables granted to non-banking financial institutions	1,097,359	1,516,141	270,964	35,094	**2,919,558**
Other	178	38,014	12,014	1,882	**52,088**
Total loans and advances to customers and financial lease receivables before impairment allowance	**45,861,735**	**11,468,340**	**2,311,392**	**412,037**	**60,053,504**
Allowances for impairment losses on loans and financial lease receivables	(797,921)	(1,563,364)	(1,479,197)	(95,237)	**(3,935,719)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**45,063,814**	**9,904,976**	**832,195**	**316,800**	**56,117,785**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**Very low risk**	**Low risk**	**Moderate risk**	**Sensitive risk**	**Total 2021**
Corporate and public institutions	10,165,555	4,836,477	1,657,104	74,120	**16,733,256**
Small and medium enterprises	2,335,198	1,879,677	369,284	614	**4,584,773**
Consumer loans and card loans granted to retail customers	4,802,350	3,507,644	430,726	34,698	**8,775,418**
Mortgage loans	8,034,932	5,788,132	709,198	138,489	**14,670,751**
Loans and finance lease receivables granted by non-banking financial institutions	602,729	494,630	-	-	**1,097,359**
Other	-	-	31	147	**178**
Total loans and advances to customers and financial lease receivables before impairment allowance	**25,940,764**	**16,506,560**	**3,166,343**	**248,068**	**45,861,735**
Allowances for impairment losses on loans and financial lease receivables	(194,638)	(381,722)	(202,123)	(19,438)	(797,921)
Total loans and advances to customers and financial lease receivables net of impairment allowance	**25,746,126**	**16,124,838**	**2,964,220**	**228,630**	**45,063,814**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2021**
Corporate and public institutions	16,716,497	10,873	5,886	**16,733,256**
Small and medium enterprises	4,432,708	115,773	36,292	**4,584,773**
Consumer loans and card loans granted to retail customers	8,545,698	190,868	38,852	**8,775,418**
Mortgage loans	14,417,333	205,160	48,258	**14,670,751**
Loans and finance lease receivables granted by non-banking financial institutions	1,058,283	29,464	9,612	**1,097,359**
Other	178	-	-	**178**
Total loans and advances to customers and financial lease receivables before impairment allowance	**45,170,697**	**552,138**	**138,900**	**45,861,735**
Allowances for impairment losses on loans and financial lease receivables	(785,350)	(10,567)	(2,004)	(797,921)
Total loans and advances to customers and financial lease receivables net of impairment allowance	**44,385,347**	**541,571**	**136,896**	**45,063,814**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2021**
Corporate and public institutions	2,588,154	206,789	362,203	**3,157,146**
Small and medium enterprises	2,256,188	253,096	230,644	**2,739,928**
Consumer loans and card loans granted to retail customers	1,886,988	595,645	334,710	**2,817,343**
Mortgage loans	817,730	228,564	153,474	**1,199,768**
Loans and finance lease receivables granted by non-banking financial institutions	1,490,845	17,861	7,435	**1,516,141**
Other	8,957	29,057	-	**38,014**
Total loans and advances to customers and financial lease receivables before impairment allowance	**9,048,862**	**1,331,012**	**1,088,466**	**11,468,340**
Allowances for impairment losses on loans and financial lease receivables	(813,193)	(353,542)	(396,629)	**(1,563,364)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**8,235,669**	**977,470**	**691,837**	**9,904,976**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**0-30 days**	**31-60 days**	**61-90 days**	**Total 2021**
Corporate and public institutions	3,151,721	5,342	83	**3,157,146**
Small and medium enterprises	2,689,169	38,370	12,389	**2,739,928**
Consumer loans and card loans granted to retail customers	2,701,225	92,910	23,208	**2,817,343**
Mortgage loans	1,144,664	46,044	9,060	**1,199,768**
Loans and finance lease receivables granted by non-banking financial institutions	1,490,845	18,021	7,275	**1,516,141**
Other	37,867	41	106	**38,014**
Total loans and advances to customers and financial lease receivables before impairment allowance	**11,215,491**	**200,728**	**52,121**	**11,468,340**
Allowances for impairment losses on loans and financial lease receivables	(1,491,904)	(52,302)	(19,158)	**(1,563,364)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**9,723,587**	**148,426**	**32,963**	**9,904,976**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, impaired, Stage 3	**0-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total 2021**
Corporate and public institutions	522,016	-	11,604	367,468	**901,088**
Small and medium enterprises	115,754	28,768	12,652	195,335	**352,509**
Consumer loans and card loans granted to retail customers	154,744	65,635	59,629	317,469	**597,477**
Mortgage loans	72,999	31,274	17,995	55,072	**177,340**
Loans and finance lease receivables granted by non-banking financial institutions	83,121	11,218	13,319	163,306	**270,964**
Other	11,003	14	24	973	**12,014**
Total loans and advances to customers and financial lease receivables before impairment allowance	**959,637**	**136,909**	**115,223**	**1,099,623**	**2,311,392**
Allowances for impairment losses on loans and financial lease receivables	(523,887)	(65,076)	(63,562)	(826,672)	**(1,479,197)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**435,750**	**71,833**	**51,661**	**272,951**	**832,195**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The exposures to credit risk for loans and advances to customers and financial lease receivables at Group consolidated level, as at 31 December 2020, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2020
In RON thousand					
Corporate and public institutions	8,727,385	2,432,789	1,006,758	201,925	**12,368,857**
Small and medium enterprises	4,399,455	1,489,405	324,900	31,472	**6,245,232**
Consumer loans and card loans granted to retail customers	8,778,977	1,377,463	690,472	102,466	**10,949,378**
Mortgage loans	12,642,711	679,781	200,669	45,487	**13,568,648**
Loans and finance lease receivables granted to non-banking financial institutions	434,693	1,719,595	259,020	31,744	**2,445,052**
Other	201	34,846	4,140	2,204	**41,391**
Total loans and advances to customers and financial lease receivables before impairment allowance	**34,983,422**	**7,733,879**	**2,485,959**	**415,298**	**45,618,558**
Allowances for impairment losses on loans and financial lease receivables	(712,219)	(1,162,281)	(1,533,024)	(90,774)	**(3,498,298)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**34,271,203**	**6,571,598**	**952,935**	**324,524**	**42,120,260**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**Very low risk**	**Low risk**	**Moderate risk**	**Sensitive risk**	**Total 2020**
Corporate and public institutions	1,883,475	4,781,894	2,018,294	43,722	**8,727,385**
Small and medium enterprises	2,630,204	1,394,472	352,704	22,075	**4,399,455**
Consumer loans and card loans granted to retail customers	3,955,078	4,360,734	338,869	124,296	**8,778,977**
Mortgage loans	4,892,303	7,311,840	337,827	100,741	**12,642,711**
Loans and finance lease receivables granted by non-banking financial institutions	-	434,693	-	-	**434,693**
Other	-	-	18	183	**201**
Total loans and advances to customers and financial lease receivables before impairment allowance	**13,361,060**	**18,283,633**	**3,047,712**	**291,017**	**34,983,422**
Allowances for impairment losses on loans and financial lease receivables	(137,288)	(353,071)	(204,079)	(17,781)	**(712,219)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**13,223,772**	**17,930,562**	**2,843,633**	**273,236**	**34,271,203**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2020**
Corporate and public institutions	8,725,052	2,333	-	**8,727,385**
Small and medium enterprises	4,374,193	23,641	1,621	**4,399,455**
Consumer loans and card loans granted to retail customers	8,443,269	272,090	63,618	**8,778,977**
Mortgage loans	12,340,806	237,638	64,267	**12,642,711**
Loans and finance lease receivables granted by non-banking financial institutions	403,701	23,255	7,737	**434,693**
Other	201	-	-	**201**
Total loans and advances to customers and financial lease receivables before impairment allowance	**34,287,222**	**558,957**	**137,243**	**34,983,422**
Allowances for impairment losses on loans and financial lease receivables	(702,154)	(8,030)	(2,035)	**(712,219)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**33,585,068**	**550,927**	**135,208**	**34,271,203**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2020**
Corporate and public institutions	1,928,849	396,320	107,620	**2,432,789**
Small and medium enterprises	468,181	788,169	233,055	**1,489,405**
Consumer loans and card loans granted to retail customers	575,168	497,934	304,361	**1,377,463**
Mortgage loans	299,740	263,346	116,695	**679,781**
Loans and finance lease receivables granted by non-banking financial institutions	1,691,825	21,785	5,985	**1,719,595**
Other	4,654	30,192	-	**34,846**
Total loans and advances to customers and financial lease receivables before impairment allowance	**4,968,417**	**1,997,746**	**767,716**	**7,733,879**
Allowances for impairment losses on loans and financial lease receivables	(443,108)	(477,710)	(241,463)	**(1,162,281)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**4,525,309**	**1,520,036**	**526,253**	**6,571,598**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**0-30 days**	**31-60 days**	**61-90 days**	**Total 2020**
Corporate and public institutions	2,430,511	1,819	459	**2,432,789**
Small and medium enterprises	1,459,427	22,816	7,162	**1,489,405**
Consumer loans and card loans granted to retail customers	1,293,053	68,837	15,573	**1,377,463**
Mortgage loans	631,430	43,515	4,836	**679,781**
Loans and finance lease receivables granted by non-banking financial institutions	1,691,825	19,045	8,725	**1,719,595**
Other	34,812	28	6	**34,846**
Total loans and advances to customers and financial lease receivables before impairment allowance	**7,541,058**	**156,060**	**36,761**	**7,733,879**
Allowances for impairment losses on loans and financial lease receivables	(1,111,582)	(36,517)	(14,182)	**(1,162,281)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**6,429,476**	**119,543**	**22,579**	**6,571,598**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, impaired, Stage 3	**0-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total 2020**
Corporate and public institutions	689,752	20,678	5,363	290,965	**1,006,758**
Small and medium enterprises	109,639	16,978	16,207	182,076	**324,900**
Consumer loans and card loans granted to retail customers	227,063	62,481	43,148	357,780	**690,472**
Mortgage loans	112,635	16,713	9,312	62,009	**200,669**
Loans and finance lease receivables granted by non-banking financial institutions	69,946	7,257	9,684	172,133	**259,020**
Other	3,077	2	3	1,058	**4,140**
Total loans and advances to customers and financial lease receivables before impairment allowance	**1,212,112**	**124,109**	**83,717**	**1,066,021**	**2,485,959**
Allowances for impairment losses on loans and financial lease receivables	(660,022)	(57,259)	(45,056)	(770,687)	**(1,533,024)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**552,090**	**66,850**	**38,661**	**295,334**	**952,935**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The exposures to credit risk for loans and advances to customers at Bank level, as at 31 December 2021, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2021
In RON thousand					
Corporate and public institutions	18,164,093	3,043,157	870,738	105,138	**22,183,126**
Small and medium enterprises	3,761,573	2,648,088	344,398	21,195	**6,775,254**
Consumer loans and card loans granted to retail customers	7,885,516	2,799,838	579,332	94,448	**11,359,134**
Mortgage loans	14,075,750	1,196,593	174,390	46,827	**15,493,560**
Other	178	29,256	11,955	297	**41,686**
Total loans and advances to customers before impairment allowance	**43,887,110**	**9,716,932**	**1,980,813**	**267,905**	**55,852,760**
Allowances for impairment losses on loans	(791,352)	(1,505,695)	(1,270,134)	(47,056)	(3,614,237)
Total loans and advances to customers net of impairment allowance	**43,095,758**	**8,211,237**	**710,679**	**220,849**	**52,238,523**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 1	**Very low risk**	**Low risk**	**Moderate risk**	**Sensitive risk**	**Total 2021**
Corporate and public institutions	11,134,132	5,298,756	1,657,104	74,101	**18,164,093**
Small and medium enterprises	1,625,360	1,766,813	369,284	116	**3,761,573**
Consumer loans and card loans granted to retail customers	4,802,350	2,620,296	428,173	34,697	**7,885,516**
Mortgage loans	8,034,932	5,195,150	707,179	138,489	**14,075,750**
Other	-	-	31	147	**178**
Total loans and advances to customers before impairment allowance	**25,596,774**	**14,881,015**	**3,161,771**	**247,550**	**43,887,110**
Allowances for impairment losses on loans	(205,131)	(364,944)	(201,839)	(19,438)	**(791,352)**
Total loans and advances to customers net of impairment allowance	**25,391,643**	**14,516,071**	**2,959,932**	**228,112**	**43,095,758**

Gross value of loans and advances granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2021**
Corporate and public institutions	18,164,093	-	-	**18,164,093**
Small and medium enterprises	3,742,729	18,452	392	**3,761,573**
Consumer loans and card loans granted to retail customers	7,709,667	146,987	28,862	**7,885,516**
Mortgage loans	13,836,461	194,201	45,088	**14,075,750**
Other	178	-	-	**178**
Total loans and advances to customers before impairment allowance	**43,453,128**	**359,640**	**74,342**	**43,887,110**
Allowances for impairment losses on loans	(784,778)	(5,410)	(1,164)	**(791,352)**
Total loans and advances to customers net of impairment allowance	**42,668,350**	**354,230**	**73,178**	**43,095,758**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 2	Low-moderate risk	Sensitive risk	High risk	Total 2021
Corporate and public institutions	2,475,313	206,292	361,552	**3,043,157**
Small and medium enterprises	2,179,960	238,950	229,178	**2,648,088**
Consumer loans and card loans granted to retail customers	1,880,952	587,068	331,818	**2,799,838**
Mortgage loans	816,825	226,831	152,937	**1,196,593**
Other	199	29,057	-	**29,256**
Total loans and advances to customers before impairment allowance	**7,353,249**	**1,288,198**	**1,075,485**	**9,716,932**
Allowances for impairment losses on loans	(761,672)	(343,260)	(394,763)	**(1,505,695)**
Total loans and advances to customers net of impairment allowance	**6,591,577**	**938,938**	**680,722**	**8,211,237**

Gross value of loans and advances granted to clients, not impaired, Stage 2	0-30 days	31-60 days	61-90 days	Total 2021
Corporate and public institutions	3,038,879	4,278	-	**3,043,157**
Small and medium enterprises	2,612,941	23,915	11,232	**2,648,088**
Consumer loans and card loans granted to retail customers	2,695,188	84,333	20,317	**2,799,838**
Mortgage loans	1,143,759	44,311	8,523	**1,196,593**
Other	29,109	41	106	**29,256**
Total loans and advances to customers before impairment allowance	**9,519,876**	**156,878**	**40,178**	**9,716,932**
Allowances for impairment losses on loans	(1,440,385)	(47,889)	(17,421)	**(1,505,695)**
Total loans and advances to customers net of impairment allowance	**8,079,491**	**108,989**	**22,757**	**8,211,237**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, impaired, Stage 3	0-30 days	31-60 days	61-90 days	over 90 days	Total 2021
Corporate and public institutions	520,831	-	11,604	338,303	**870,738**
Small and medium enterprises	114,397	28,463	12,423	189,115	**344,398**
Consumer loans and card loans granted to retail customers	151,285	64,704	57,790	305,553	**579,332**
Mortgage loans	72,584	31,210	17,581	53,015	**174,390**
Other	11,003	14	24	914	**11,955**
Total loans and advances to customers before impairment allowance	**870,100**	**124,391**	**99,422**	**886,900**	**1,980,813**
Allowances for impairment losses on loans	(489,888)	(59,475)	(56,238)	(664,533)	**(1,270,134)**
Total loans and advances to customers net of impairment allowance	**380,212**	**64,916**	**43,184**	**222,367**	**710,679**

The exposures to credit risk for loans and advances to customers at Bank level, as at 31 December 2020, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2020
In RON thousand					
Corporate and public institutions	9,955,054	2,316,808	974,340	115,222	**13,361,424**
Small and medium enterprises	4,344,865	1,455,709	319,086	28,998	**6,148,658**
Consumer loans and card loans granted to retail customers	8,590,139	1,373,518	676,938	101,987	**10,742,582**
Mortgage loans	12,348,376	676,371	196,102	45,313	**13,266,162**
Other	201	30,371	4,081	482	**35,135**
Total loans and advances to customers before impairment allowance	**35,238,635**	**5,852,777**	**2,170,547**	**292,002**	**43,553,961**
Allowances for impairment losses on loans	(718,881)	(1,068,022)	(1,348,193)	(54,956)	**(3,190,052)**
Total loans and advances to customers net of impairment allowance	**34,519,754**	**4,784,755**	**822,354**	**237,046**	**40,363,909**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 1	**Very low risk**	**Low risk**	**Moderate risk**	**Sensitive risk**	**Total 2020**
Corporate and public institutions	2,401,118	5,491,920	2,018,294	43,722	**9,955,054**
Small and medium enterprises	2,630,204	1,339,882	352,704	22,075	**4,344,865**
Consumer loans and card loans granted to retail customers	3,955,235	4,173,768	336,844	124,292	**8,590,139**
Mortgage loans	4,892,305	7,019,899	335,431	100,741	**12,348,376**
Other	-	-	18	183	**201**
Total loans and advances to customers before impairment allowance	**13,878,862**	**18,025,469**	**3,043,291**	**291,013**	**35,238,635**
Allowances for impairment losses on loans	(152,826)	(344,365)	(203,909)	(17,781)	**(718,881)**
Total loans and advances to customers net of impairment allowance	**13,726,036**	**17,681,104**	**2,839,382**	**273,232**	**34,519,754**

Gross value of loans and advances granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2020**
Corporate and public institutions	9,953,729	1,325	-	**9,955,054**
Small and medium enterprises	4,320,940	22,325	1,600	**4,344,865**
Consumer loans and card loans granted to retail customers	8,263,547	264,999	61,593	**8,590,139**
Mortgage loans	12,057,182	229,322	61,872	**12,348,376**
Other	201	-	-	**201**
Total loans and advances to customers before impairment allowance	**34,595,599**	**517,971**	**125,065**	**35,238,635**
Allowances for impairment losses on loans	(712,317)	(5,030)	(1,534)	**(718,881)**
Total loans and advances to customers net of impairment allowance	**33,883,282**	**512,941**	**123,531**	**34,519,754**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 2	Low-moderate risk	Sensitive risk	High risk	Total 2020
Corporate and public institutions	1,813,820	396,320	106,668	**2,316,808**
Small and medium enterprises	435,247	788,169	232,293	**1,455,709**
Consumer loans and card loans granted to retail customers	573,634	495,523	304,361	**1,373,518**
Mortgage loans	298,099	261,577	116,695	**676,371**
Other	179	30,192	-	**30,371**
Total loans and advances to customers before impairment allowance	**3,120,979**	**1,971,781**	**760,017**	**5,852,777**
Allowances for impairment losses on loans	(354,669)	(472,343)	(241,010)	**(1,068,022)**
Total loans and advances to customers net of impairment allowance	**2,766,310**	**1,499,438**	**519,007**	**4,784,755**

Gross value of loans and advances granted to clients, not impaired, Stage 2	0-30 days	31-60 days	61-90 days	Total 2020
Corporate and public institutions	2,315,482	867	459	**2,316,808**
Small and medium enterprises	1,426,493	22,249	6,967	**1,455,709**
Consumer loans and card loans granted to retail customers	1,291,519	66,426	15,573	**1,373,518**
Mortgage loans	629,789	42,133	4,449	**676,371**
Other	30,337	28	6	**30,371**
Total loans and advances to customers before impairment allowance	**5,693,620**	**131,703**	**27,454**	**5,852,777**
Allowances for impairment losses on loans	(1,023,142)	(32,084)	(12,796)	**(1,068,022)**
Total loans and advances to customers net of impairment allowance	**4,670,478**	**99,619**	**14,658**	**4,784,755**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, impaired, Stage 3	0-30 days	31-60 days	61-90 days	over 90 days	Total 2020
Corporate and public institutions	688,498	20,678	5,363	259,801	**974,340**
Small and medium enterprises	106,418	16,954	16,207	179,507	**319,086**
Consumer loans and card loans granted to retail customers	223,820	61,570	41,359	350,189	**676,938**
Mortgage loans	111,408	16,490	9,111	59,093	**196,102**
Other	3,076	2	3	1,000	**4,081**
Total loans and advances to customers before impairment allowance	**1,133,220**	**115,694**	**72,043**	**849,590**	**2,170,547**
Allowances for impairment losses on loans	(633,718)	(52,637)	(37,378)	(624,460)	**(1,348,193)**
Total loans and advances to customers net of impairment allowance	**499,502**	**63,057**	**34,665**	**225,130**	**822,354**

As at 31 December 2021, the financial assets which are required to be measured at fair value through other items of comprehensive income include treasury bills and bonds issued by the Government of Romania, with BBB- rating, bonds issued by the Ministry of Finance of the Republic of Moldova with a sovereign rating B3, bonds issued by the Ministry of Finance of Italy with a rating of BBB-, bonds issued by municipalities with a rating of BBB- and BB+, bonds issued by credit institutions and other financial institutions rated A, A-, AA+, BBB, BBB- and BBB+ and bonds issued by other non-financial institutions rated B- (note 24).

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Impairment allowances

Based on future scenarios, the Group assesses the expected credit loss ("ECL") related to the loans and advances to customers and financial lease receivables, assets in the form debt instruments measured at amortized cost.

Loan collateral policy
The Group and the Bank hold collateral against loans and advances to customers in the form of mortgages over land and buildings, pledges on equipment and inventories, letter of guarantees, insurance policies and other guarantees. The Group and the Bank have ownership rights over these guarantees until the end of the contract. The estimates of fair value are based on the collateral value assessed on the loan granting date and periodically updated during the lifespan of the loan, at least annually, regardless of the collateral type.

The pledges presented below comprise pledges without dispossession and do not include guarantees related to the lease contracts granted by BT Leasing IFN S.A.

Property includes land, residential and commercial buildings, "Security interests in movable property" includes pledges on movable assets (cars, equipment, inventories etc.) and the category "Other collateral" includes collateral deposits and other guarantees received.

An analysis of the collateral values split per types of loans and advances and lease receivables granted to customers is presented below:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Collaterals related to loans and lease receivables with moderate, sensitive and high risk and impaired loans				
Property	9,484,573	7,896,883	9,038,518	7,441,712
Security interests in movable property	1,059,577	965,493	950,791	908,126
Other collateral	1,831,869	734,801	1,795,529	566,497
Total	**12,376,019**	**9,597,177**	**11,784,838**	**8,916,335**
Collaterals related to loans and lease receivables with very low risk and low risk				
Property	35,766,802	29,924,177	34,961,234	29,522,793
Security interests in movable property	3,248,806	1,130,415	2,262,186	1,112,411
Other collateral	5,019,968	4,799,175	4,616,823	4,702,816
	44,035,576	**35,853,767**	**41,840,243**	**35,338,020**
Total	**56,411,595**	**45,450,944**	**53,625,081**	**44,254,355**

The financial effect of the Bank's and Group's collateral is presented separately highlighting the collateral values, as follows:

(i) for those assets in which the collateral is equal to or higher than the book value of the asset ("over-collateralization of assets") and
(ii) for those assets in which the collateral is lower than the book value of the asset ("under-collateralization of assets").

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The financial effect of the Group guarantee as at 31 December 2021 is the following:

	Group 2021							
	Exposures stage 1		Exposures stage 2		Exposures stage 3		POCI	
In RON thousand	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization
Corporate								
- Gross exposure	13,067,881	3,665,375	1,866,867	1,290,279	455,337	445,751	64,002	117,899
- Collateral	2,313,400	7,215,036	736,799	2,626,403	203,542	920,919	42,672	265,920
Small and medium enterprises								
- Gross exposure	2,979,698	1,605,075	2,023,123	716,805	234,151	118,358	4,250	35,862
- Collateral	1,404,972	3,244,493	918,339	1,816,275	46,724	332,186	2,139	94,238
Consumer loans and card loans granted to retail customers								
- Gross exposure	6,992,456	1,782,962	2,254,836	562,507	444,054	153,423	33,409	72,038
- Collateral	116,858	5,517,585	132,787	1,375,384	80,464	347,649	10,123	157,493
Mortgage loans								
- Gross exposure	667,695	14,003,056	123,535	1,076,233	70,901	106,439	17,669	29,832
- Collateral	531,101	23,382,236	88,765	1,786,493	43,209	216,773	12,559	56,991
Loans and finance lease receivables granted by non-banking financial institutions								
- Gross exposure	1,077,058	20,301	1,514,449	1,692	269,385	1,579	34,337	757
- Collateral	254,723	55,173	29,814	5,541	6,931	5,027	-	3,263
Other								
- Gross exposure	178	-	32,640	5,374	12,014	-	1,882	-
- Collateral	-	-	2,748	7,848	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The financial effect of the Group guarantee as at 31 December 2020 is the following:

	Group 2020							
	Exposures stage 1		Exposures stage 2		Exposures stage 3		POCI	
In RON thousand	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization
Corporate								
- Gross exposure	6,488,541	2,238,844	1,266,478	1,166,311	653,673	353,085	54,049	147,876
- Collateral	2,339,673	4,083,842	505,052	2,381,707	290,956	623,221	24,429	261,698
Small and medium enterprises								
- Gross exposure	3,082,197	1,317,258	990,761	498,644	206,942	117,958	4,717	26,755
- Collateral	1,434,740	2,730,684	318,047	1,215,946	46,673	330,105	3,246	74,243
Consumer loans and card loans granted to retail customers								
- Gross exposure	6,825,521	1,953,456	837,727	539,736	527,528	162,944	27,800	74,666
- Collateral	174,965	5,493,063	225,778	1,165,478	102,437	389,137	10,186	147,698
Mortgage loans								
- Gross exposure	675,130	11,967,581	170,733	509,048	90,809	109,860	17,631	27,856
- Collateral	536,478	19,060,322	119,211	814,124	52,033	202,094	11,722	50,268
Loans and finance lease receivables granted by non-banking financial institutions								
- Gross exposure	434,693	-	1,698,100	21,495	257,513	1,507	31,742	2
- Collateral	-	-	169,189	46,434	4,178	3,568	-	15
Other								
- Gross exposure	201	-	31,219	3,627	4,136	4	2,204	-
- Collateral	-	-	634	7,670	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The financial effect of the Bank guarantee as at 31 December 2021 is the following:

	Bank 2021							
	Exposures stage 1		Exposures stage 2		Exposures stage 3		POCI	
In RON thousand	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization
Corporate								
- Gross exposure	14,621,747	3,542,346	1,831,296	1,211,861	431,766	438,972	16,490	88,648
- Collateral	2,236,862	6,974,381	725,729	2,357,865	188,354	906,350	6,422	224,144
Small and medium enterprises								
- Gross exposure	2,498,105	1,263,468	1,958,940	689,148	230,393	114,005	3,001	18,194
- Collateral	1,024,470	2,756,792	882,183	1,761,918	44,823	325,314	1,705	63,636
Consumer loans and card loans granted to retail customers								
- Gross exposure	6,114,379	1,771,137	2,237,551	562,287	426,282	153,050	22,484	71,964
- Collateral	113,799	5,492,688	132,769	1,374,482	80,464	346,366	10,123	157,357
Mortgage loans								
- Gross exposure	294,590	13,781,160	122,076	1,074,517	68,632	105,758	17,669	29,158
- Collateral	199,006	23,042,245	87,444	1,782,781	41,244	214,963	12,559	55,843
Other								
- Gross exposure	178	-	29,256	-	11,955	-	297	-
- Collateral	-	-	-	-	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The financial effect of the Bank guarantee as at 31 December 2020 is the following:

	Bank 2020							
	Exposures stage 1		Exposures stage 2		Exposures stage 3		POCI	
In RON thousand	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization
Corporate								
- Gross exposure	7,746,564	2,208,490	1,231,447	1,085,361	631,164	343,176	27,368	87,854
- Collateral	2,314,138	4,010,728	490,223	2,154,213	275,476	605,141	7,653	175,360
Small and medium enterprises								
- Gross exposure	3,042,059	1,302,806	969,260	486,449	204,342	114,744	4,486	24,512
- Collateral	1,420,853	2,675,313	307,834	1,185,667	45,017	324,484	3,018	71,394
Consumer loans and card loans granted to retail customers								
- Gross exposure	6,643,404	1,946,735	833,986	539,532	514,574	162,364	27,799	74,188
- Collateral	172,739	5,478,272	225,703	1,165,136	101,934	386,211	10,186	146,637
Mortgage loans								
- Gross exposure	466,758	11,881,618	169,847	506,524	87,334	108,768	17,631	27,682
- Collateral	356,553	18,909,424	118,411	807,225	49,417	198,664	11,722	49,609
Other								
- Gross exposure	201	-	30,371	-	4,077	4	482	-
- Collateral	-	-	-	-	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The exposure representing credit risk refers to the following balance-sheet and off balance-sheet items:

- Cash with Central Banks and Deposits with banks and public institutions;
- Financial assets measured at amortized cost - loans and advances to customers;
- Financial assets measured at amortized cost - finance lease receivables
- Financial assets measured at amortised cost- debt securities (see note 24a);
- Contingent liabilities representing credit risk (irrevocable financial guarantees and uncommitted irrevocable loan commitments).

The tables below show the reconciliation between the gross carrying amount and the net carrying amount of the individual components, of the risk exposure, consolidated as at 31 December 2021 and 31 December 2020:

		Group					
In RON thousand		2021			2020		
Assets	Notes	**Gross carrying amount**	**Loss allowance**	**Carrying amount**	**Gross carrying amount**	**Loss allowance**	**Carrying amount**
Cash and curent accounts with Central Banks	19	14,634,423	2,724	14,631,699	19,290,211	993	19,289,218
Placements with banks and public institutions	20	10,397,828	3,531	10,394,297	7,223,906	629	7,223,277
Loans and advances to customers	22	58,459,285	3,829,531	54,629,754	44,286,658	3,394,114	40,892,544
Finance lease receivables	23	1,594,219	106,188	1,488,031	1,331,900	104,184	1,227,716
Financial assets measured at amortized cost - debt securities	24b	1,500,357	17,246	1,483,111	997,409	7,303	990,106
Total on-balance sheet		**86,586,112**	**3,959,220**	**82,626,892**	**73,130,084**	**3,507,223**	**69,622,861**
Irrevocable commitments given		898,809	31,859	866,950	619,781	17,873	601,908
Irrevocable financial guarantees given		4,217,124	136,998	4,080,126	3,367,483	137,967	3,229,516
Total off-balance sheet		**5,115,933**	**168,857**	**4,947,076**	**3,987,264**	**155,840**	**3,831,424**
Total on and off-balance sheet		**91,702,045**	**4,128,077**	**87,573,968**	**77,117,348**	**3,663,063**	**73,454,285**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The tables below show the reconciliation between the Gross carrying amount and the net book value of the individual components, of the risk exposure, separate as at 31 December 2021 and 31 December 2020:

In RON thousand		Bank					
		2021			2020		
Assets	Notes	**Gross carrying amount**	**Loss allowance**	**Carrying amount**	**Gross carrying amount**	**Loss allowance**	**Carrying amount**
Cash and curent accounts with Central Banks	19	13,587,793	1,889	13,585,904	18,559,012	272	18,558,740
Placements with banks and public institutions	20	9,615,859	3,169	9,612,690	6,636,731	336	6,636,395
Loans and advances to customers	22	55,852,760	3,614,237	52,238,523	43,553,961	3,190,052	40,363,909
Financial assets measured at amortized cost - debt securities	24b	361,156	5,825	355,331	160,887	13	160,874
Total on-balance sheet		**79,417,568**	**3,625,120**	**75,792,448**	**68,910,591**	**3,190,673**	**65,719,918**
Irrevocable commitments given		142,238	20,378	121,860	96,941	11,699	85,242
Irrevocable financial guarantees given		4,200,495	136,619	4,063,876	3,339,621	137,301	3,202,320
Total off-balance sheet		**4,342,733**	**156,997**	**4,185,736**	**3,436,562**	**149,000**	**3,287,562**
Total on and off-balance sheet		**83,760,301**	**3,782,117**	**79,978,184**	**72,347,153**	**3,339,673**	**69,007,480**

Below we present the gross book value and the provisions related to the exposure of off-balance sheet risk at consolidated and individual level as of December 31, 2021:

	Grup				Bancă			
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Irrevocable commitments given								
- Gross carrying amount	575,677	277,843	45,289	**898,809**	107,135	18,100	17,003	**142,238**
- Loss allowance	(8,276)	(3,697)	(19,886)	**(31,859)**	(4,234)	(79)	(16,065)	**(20,378)**
Irrevocable financial guarantees given								
- Gross carrying amount	3,884,578	221,334	111,212	**4,217,124**	3,867,949	221,334	111,212	**4,200,495**
- Loss allowance	(51,973)	(16,735)	(68,290)	**(136,998)**	(51,594)	(16,735)	(68,290)	**(136,619)**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Below we present the gross book value and the provisions related to the exposure of off-balance sheet risk at consolidated and individual level as of December 31, 2020:

	Grup				Bancă			
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Irrevocable commitments given								
- Gross carrying amount	482,648	97,667	39,466	619,781	65,935	19,264	11,742	**96,941**
- Loss allowance	(2,102)	(2,722)	(13,049)	(17,873)	(522)	(33)	(11,144)	**(11,699)**
Irrevocable financial guarantees given								
- Gross carrying amount	3,054,171	191,644	121,668	3,367,483	3,026,310	191,644	121,667	**3,339,621**
- Loss allowance	(43,320)	(9,031)	(85,616)	(137,967)	(42,654)	(9,031)	(85,616)	**(137,301)**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Exposure to high-risk Eurozone countries

The economy of Euroland (the main economic partner of Romania) rebounded in 2021, an evolution supported by the reopening process (in the context of the vaccination campaign) and the policy-mix implemented over the past quarters (including the low level of the real financing costs).
According to the preliminary estimates of Eurostat the economy of Euroland rose by 5.2% YoY in 2021, an evolution determined by the contribution of the domestic demand – the fixed investments and the private consumption rebounded, given the gradual elimination of the health restrictions and the low level of the real financing costs.
As regards the financial dimension of Euro Area there can be noticed the acceleration of the YoY average dynamics of the consumer prices from 0.3% in 2020 (the lowest since 2016) to 2.6% in 2021 (the highest since 2011). This evolution was mainly determined by the overlapping supply-side shocks, including the significant increase of the energy prices. The core inflation accelerated from 0.7% in 2020 to 1.5% in 2021, the maximum since 2008.
During the pandemic year 2021 the European Central Bank (ECB) kept the accommodative approach of the monetary policy, which contributed to the consolidation of the downward trend for the interest rates on the money market, 3M EURIBOR hit a record low level of -0.605% on 14th of December 2021. However, the intensifying inflationary pressures and the prospects for the continuity of the post-pandemic recovery process determined the European Central Bank to signal the gradual normalisation of the monetary policy in 2022, by adjusting the non-standard measures.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. The likelihood of customers defaulting and the resulting losses).
The financial assets that are the subject of this chapter are:

- Loans and advances to customers at amortized cost;
- Finance lease recivables;
- lending commitments and financial guarantees offered by the Group and the Bank (e.g. letter of credit, letter of guarantees);
- placements made in other banks, including mandatory minimum reserves (RMO) and loans to other bank institutions;
- portfolio of financial instruments measured at FVOCI (e.g. government bonds, corporate or municipal bonds, etc.);
- financial instrument portfolio measured at amortized cost (corporate bonds).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for ECL.

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Measurement of the expected credit loss allowance (continued)

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition or, for that assets there are no indicators fulfilled to presume that has been "an increase in credit risk" is classified in 'Stage 1';
- If a significant increase in credit risk ('SICR') since initial recognition is identified. The financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired;
- If the financial instrument is credit-impaired. The financial instrument is then moved to 'Stage 3'.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

A general approach in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired "above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

Loss Given Default (LGD) represents a Group's expectation of the extent 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.

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Measurement of the expected credit loss allowance (continued)

Parameters used in the calculation of ECL are determined by considering the grouping of financial asset portfolios according to similar characteristics considered decisive in originating and monitoring credit risk, respectively the type of counterparty (debtor), products and currencies.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 months or lifetime basis.
- For revolving products and other commitments, for determining the exposure in default, the unused part is taken into account, being applied a credit conversion factor, estimated by the Bank, based on its own historical analysis.

Significant increase in Credit Risk

In determining whether a significant increase in credit risk occurred since initial recognition the Group considers reasonable and supportable information that is relevant and can be obtained without undue cost and effort. The assessment of the significant increase of the risk is made at individual level, analyzing the criteria of each asset.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognized, so that it exceeds the relevant threshold (assessed also via the movements between various rating notches and also via comparing the PD curves).

These thresholds (relative and absolutes levels) have been determined separately for different portfolio types, by assessing how the Lifetime PD moves prior to an instrument becoming delinquent. The Lifetime PD movements on instruments which do not subsequently become delinquent have also been assessed, to identify the 'natural' movement in Lifetime PD which is not indicative of a significant increase in credit risk.

Qualitative criteria for retail portfolios (individuals):

- Significant increase in credit risk perceived by the risk analysis team for individually assessed exposures;
- It is classified as performing restructured;
- LTV analysis for secured retail loans (above a relative threshold combined with days past due indicator);
- Denominated in high-risk currency category;
- Loan products with higher associated risk
- High-risk facilities owned by customers who have accessed payment moratoriums;
- Change in rating grade;
- The number of days past due recorded by the debtor.

Qualitative criteria for company portfolios:

- Significant increase in credit risk perceived by the risk analysis team for individually assessed exposures (debtor level), concluded through including these in the Bank's Watch List;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates (rating deterioration);

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Measurement of the expected credit loss allowance (continued)

- Actual or expected forbearance operation;
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans;
- The borrower is assigned to Remediation department;
- Customers operating in an industry sensitive to the effects of the pandemic and energy prices;
- The number of days past due recorded by the debtor.

The assessment of SICR incorporates forward-looking information.
If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1 (this is not applied to forbearance criteria - see below). If an exposure has been transferred to Stage 2 based on a mentioned indicator, the Group monitors whether that indicator continues to exist or has changed.
In relation to Treasury financial instruments, where a Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.
If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognized, the Bank assesses whether there has been a significant increase in the credit risk of the financial instrument, compared to:

a) the risk of a default occurring at the reporting date (based on the modified contractual terms); and
b) the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

Especially for forborne loans (restructured operation made for debtors that are facing financial difficulties), the Bank considers them to have “significant increase in credit risk” implied. These types of operations determining that those assets are classified as stage 2 or stage 3 and the ECL is calculate on lifetime basis. The classification in Stage 3 is made accordingly to the type and nature of the restructuring, considering in this sense the provisions of the prudential regulations (EBA Guideline 2016-07 on the definition of default establishes when a restructuring is considered to be in a state of "default"). At the same time, when a new restructuring is applied to the exposure during the trial period or the debt service exceeds 30 days, that exposure will be reclassified in Stage 3.
For performing forborne financial assets, the Bank establishes a healing period (at least 2 years after the concluding event), in which the ECL lifetime mode is kept. After those 2 years mentioned, the Bank is analyzing the financial standing of the borrower and the payments that have been made after the event (frequency and volume) and is concluding if the status should be changed and if so, then ECL calculation is made on 12 months basis.
Backstops
A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.
Also, when the whole outstanding amount of the loan becomes overdue (its final maturity date is passed), then it will be classified in stage 2.
Low credit risk exemption
The Group is using the low credit risk exemption only for debt financial instruments (e.g. sovereign bonds, municipal bonds, corporate bond and bonds issued by financial institutions). All financial assets with an assigned rating (at the reporting date) of an investment grade nature are classified as Stage 1.

4. Financial risk management (*continued*)
b) Credit risk *(continued)*

Measurement of the expected credit loss (continued)

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

- The exposure is more than 90 days past due on its contractual payments (also including the new default definition which is referring to significant overdue amount*);
- Exposures for which it is unlikely that the debtor will fully fulfill his payment obligations without the execution of guarantees, regardless of the existence of outstanding amounts or the number of days of delay in payment, respectively:
    - Significant financial difficulty of the issuer or the borrower;
    - The borrower is in nonperforming forbearance situation due to concessions that have been made by the Group and the Bank relating to the borrower's financial difficulty;
    - The borrower is in insolvency status or bankruptcy (or other type of judicial reorganization, both retail and companies) or is becoming probable that the borrower will enter bankruptcy;
    - The borrower for whom legal procedures have started (forced execution started by the Group and the Bank);
    - The borrower and/or the mortgage guarantor sent notification for "payment in kind";
    - The debtor is managed by the special recovery structures of the Bank (Workout unit etc.);
    - Stopped interest calculation;
    - Write off (total/partial) or sale;
    - Establishment of specific adjustments for credit risk due to the deterioration of credit quality, on the background of the exposure in Stage 3 (according to IFRS9).
- An active market for that financial asset has disappeared because of financial difficulties;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

Exposures which are considered to be in default status for regulatory purposes (CRR art 178) will always be considered stage 3 exposures. Further on, stage 3 exposure are fully aligned with non-performing exposure (the entire amount of the customer's exposure is considered to be non-performing).

*Bank and its local subsidiaries have implemented at the end of 2020 the European Banking Authority's (the EBA's) definition of default (GL 2016-07), also considering the significance threshold of overdue obligation** established by National Bank of Romania in order to comply with art 178 CRR. This new indicator is considered a new "add-on" to default definition applied by the Group (we do not exclude/ eliminate the day past due indicator considering contractual payment schedules). The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes.

** Threshold for assessing the material significance of a credit obligation, as provided for in Article 178 (1) (b) of Regulation (EU) No 1095/2010, 575/2013, consists of an absolute component and a relative component. The absolute component is expressed as the maximum value of the sum of all the overdues amounts that a debtor owes to the Bank. The relative component is expressed as a percentage that reflects the ratio between the value of the overdues loan obligations and the total exposures to that debtor.

4. Financial risk management *(continued)*
b) Credit risk *(continued)*

Measurement of the expected credit loss (continued)

For this indicator, it is considered that the debtor is in default when both the limit expressed as the absolute component of the significance threshold and the limit expressed as the relative component of the significance threshold are exceeded for 90 consecutive days. According to NBR Regulation 5/2018, the level of the relative component and the level of the absolute component of the significance threshold is as follows:

- For retail exposures:
  - The level of the relative component of the significance threshold is 1%;
  - The level of the absolute component of the significance threshold is RON 150.
- For other types of exposures than retail exposures:
  - The level of the relative component of the significance threshold is 1%;
  - The level of the absolute component of the significance threshold is RON 1,000.

The above criteria have been applied to all financial instruments held by the Group and are consistent with the definition of the default condition used for internal credit risk management purposes. An instrument is considered to no longer be *in default* (i.e. has been "cured") when it no longer meets any of the default criteria for a consistent period of time, depending on the main trigger for the default classification.

This period has been determined applying the minimum requirements regulated by the EBA Guideline 2016-07 on the definition of default, considering also the expert's opinion. For example, the healing period for the loans in default status based on the days past due criteria start at 3 months while the healing period for nonperforming forborne asset start at one year.

Forward-looking economic information is also included in determining the 12-months and lifetime ECL. These assumptions vary by product type.

In normal market conditions, the assumptions underlying the ECL are monitored and reviewed on a bi-annual basis.

Forward-looking information incorporated in the ECL models

The assessment of SICR and measurement of ECL incorporates forward-looking information.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Expert judgment has also been applied in this process.

Forecasts of these economic variables are provided by the Group's Economics Research team and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used. The impact of these economic variables has been determined by performing statistical regression analysis.
The estimation of expected credit losses involves forecasting future economic conditions over 3 years. The incorporation of forward-looking elements reflects the expectations of the Bank and involves the creation of scenarios, including an assessment of the probability for each scenario.

Usually, the Bank uses three scenarios: base scenario (which is the most probable scenario of the economic environment), optimistic and adverse scenario (which is not necessarily a crisis scenario).

4. Financial risk management *(continued)*
b) Credit risk *(continued)*

Measurement of the expected credit loss (continued)

The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking into account the range of possible representative outcomes for each chosen scenario.

Due to Covid-19 pandemic, for 2020 the Group decided to be more prudent regarding the economic recovery and divided the single pessimist scenario in two pessimist scenarios, first pessimist covering a "V" shape evolution and the second pessimist expressing an "U" shape of the GDP evolution.

The macroeconomic scenarios applied for 2021 have changed from those used in the fourth quarter of 2020 to reflect the improving macroeconomic outlook following evolution of COVID-19 pandemic.

Scenarios weights, for the Bank:

	Optimist	Base case	Pessimist_1	Pessimist_2
Y2020	5%	50%	25%	20%
Y2021	15%	70%	15%	-

The effect of the coronavirus pandemic began to affect the Group's and Bank's loan portfolio in the first quarter of 2020. Based on the measures taken by governments across the countries to contain the virus (aggressive lock down), economies were seeing lower activity in the short term, although the activity in many sectors was back to a normal activity level already in the second quarter of 2020 after the reopening of economies.

Subsequent developments have been sinusoidal for some sectors of the economy, due to the evolution of the pandemic in waves, amid the emergence of new strains of the virus - being imposed various restrictions in certain periods of time. The spread of the virus could not be stopped, and the vaccination program was not successful and the expected coverage - which led to the extension of restrictions to limit the pressure on the health system. The economies continue to be supported by government support packages, whose value increases against the background of new events triggering major macroeconomic imbalances.

The economic recovery for 2021 is under pressure from the inflationary surge generated by the turbulence manifested on the energy market and disruptions in global supply chains. Inflationary pressure will also manifest itself in 2022, eroding the economies of the population and the profit margins of companies. The economic activity is likely to be impacted in the shorter term and it is yet unknown to which extent governments will continue to support the economies. Further credit deterioration remains to be seen, as the effect is currently limited and mitigated by the continued government support packages. However, the Group and the Bank believes that the economy has already incorporated the pandemic shock, companies and the population can adapt to the emergence of new waves of the health crisis. Moreover, recent macro-financial developments (international and domestic) express the resilience of economies to the persistence of the health crisis, the intensification of inflation and the distortions in the sphere of global production chains.

In the central macroeconomic scenario, the Group and the Bank anticipate the continuation of the post-pandemic economic recovery process, with robust annual rates in the coming quarters, a prospect supported by signs of improvement in investment flows, amid low levels of real financing costs and implementation of EU programs for the health crisis (Next Generation and the multiannual financial framework 2021-2027).

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*
b) Credit risk *(continued)*

Measurement of the expected credit loss (continued)

The favorable developments in the international financial markets, the acceleration of lending to Romanian companies in 2021 and the prospect of continuing some programs of the Government to support the economy until mid-2022 are important elements that express favorable prospects for productive investments in the Romanian economy in the coming quarters. At the same time, the Group and the Bank forecast the persistence of inflationary pressures at a high level in the short term, an evolution determined mainly by the accumulation of supply shocks, in a context characterized by the post-pandemic economic recovery. The persistence of high inflationary pressures and the continuation of the economic recovery process will cause the central bank to continue the post-pandemic money cycle in the coming quarters, through further increases in the reference interest rate, but also by widening the interest rate corridor to facilities around the reference interest rate.

In the adverse scenario, the mainte

nance of a high degree of uncertainty was factored, especially in the context of risk factors: the persistence of the health crisis (with more aggressive virus strains), the possibility to witness at any time a wave of adjustments on international financial markets (after the sharp rise in inflation in recent quarters, soon followed by rising interest rates, energy prices and transport costs) .

In the optimistic macroeconomic scenario, we expect the growth of the Romanian economy with annual dynamics of 5.3% in 2022, 5.5% in 2023 and 5.1% in 2024, against the background of the evolution of productive investments with higher rates, with favorable consequences for the labor market and private consumption.

For the Bank and its local subsidiaries the most important assumption affecting the ECL allowance are as follows:

For Retail loans:

1. GDP
2. Unemployment rate
3. Inflation rate
4. Interest rate evolution (EURIBOR/ ROBOR)

For Companies:

1. GDP
2. Inflation rate
3. Unemployment rate
4. Interest rate evolution (EURIBOR/ ROBOR)

Optimist scenario Macro indicators	**2022**	**2023**	**2024**
Real GDP (%, YoY)	5.30	5.50	5.10
Unemployment rate (%)	4.50	4.40	4.40
Inflation (HICP) (%, year to year)	4.60	3.00	2.80
Key interest rate ROBOR 3M (%)	2.60	2.40	2.30
Key interest rate EURIBOR 3M (%)	-0.60	-0.60	-0.40
Base/central scenario Macro indicators	**2022**	**2023**	**2024**
Real GDP (%, YoY)	5.16	4.89	4.46
Unemployment rate (%)	4.80	4.80	4.80
Inflation (HICP) (%, year to year)	4.94	3.61	3.56
Key interest rate ROBOR 3M (%)	2.94	2.94	3.08
Key interest rate EURIBOR 3M (%)	-0.50	-0.43	-0.39

4. Financial risk management *(continued)*
b) Credit risk *(continued)*
Measurement of the expected credit loss (continued)

Pessimist scenario Macro indicators	2022	2023	2024
Real GDP (%, YoY)	0.60	1.40	1.50
Unemployment rate (%)	5.20	5.20	5.20
Inflation (HICP) (%, year to year)	5.60	4.70	5.00
Key interest rate ROBOR 3M (%)	3.60	4.10	4.60
Key interest rate EURIBOR 3M (%)	-0.40	-0.30	-0.30

The table below illustrates the impact of changing scenarios weights for optimistic and adverse scenario, at the Bank level:

Changes in weights	100% pessimist	100% baseline	100% optimistic
ECL movement	+45.2 mill RON	(7.2) mill RON	(33.3) mill RON

Considering that the applied scenarios differ from the scenarios used at 31 December 2020, the changes in sensitivities from end of 2020 to end of 2021 are therefore not directly comparable.

For example, the macroeconomic indicators used in the financial year 2020, for the baseline scenario are:

	2021	2022	2023
Real GDP (%, YoY)	4.5	5.1	4.1
Unemployment rate (%)	5.7	5.7	5.6
Inflation (HICP) (%)	2.5	2.8	2.8
Key interest rate ROBOR 3M (%)	1.8	1.8	1.8
Key interest rate EURIBOR 3M (%)	-0.5	-0.5	-0.5

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

c) Liquidity risk

Liquidity risk represents the current or future risk that the profit and capital may be negatively affected as a result of the Bank's incapacity to pay its due and payable debts when they become due.

Liquidity risk has 2 components: the difficulty in procuring funds at maturity in order to refinance current assets or the inability to convert an asset into cash at a value near its fair value in a reasonable period of time.

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

c) Liquidity risk *(continued)*

The purpose of the liquidity risk management is to obtain the expected return on assets, through a proper management of the liquidities, consciously assumed and adapted to the domestic and international market conditions, the growth of the institution and the general current legal framework.

The Group and the Bank are continuously acting to manage this type of risk.

The Group and the Bank have access to a diverse funding base. Funds are raised by using a broad range of instruments, including deposits from customers or from banks, loans from development institutions and financial institutions and share capital. Access to diverse funding sources improves the flexibility to attract funds, limiting the dependence on one type of financing and on one type of partner and leading to an overall decrease of financing costs.

The Group and the Bank try to maintain a balance between continuity and flexibility in attracting funds, by signing financing contracts with different maturities and in different currencies. The Group and the Bank continually assess liquidity risk by identifying and monitoring changes in the financing contracts, and by diversifying the funding sources.

The operational liquidity management is also performed intraday, so as to ensure all the settlements/payments assumed by the Group and the Bank, on their own behalf or on behalf of their clients, in RON or FCY, on account or in cash, within the internal, legal and mandatory limits.

The Assets and Liabilities Management Committee of the Bank is responsible with the periodic review of liquidity indicators and with the establishment of corrective measures regarding balance sheet figures, so as to eliminate unacceptable deviations in terms of liquidity risk.

Crisis simulation scenarios have been elaborated by considering various severity levels, various probabilities and different periods of occurrence. Their purpose is to identify / assess potential losses and the potential impact of events or the factors that may generate a liquidity crisis. Additionally, they offer information regarding the impact of liquidity risk determinants on the Group's and Bank's capacity to provide liquidity to its customers and to maintain adequate liquidity levels.

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)
c) Liquidity risk *(continued)*

The assets and liabilities of the Group as at 31 December 2021, analyzed as per the period remaining until the contractual maturity, on models based on the contractual maturity related to the liquidity band, are the following:

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	1,024,259	(1,024,370)	(903,528)	(437)	(24,741)	(95,664)	-	-	-
Deposits from customers	108,021,629	(108,180,777)	(60,909,118)	(5,865,254)	(8,468,691)	(30,065,290)	(2,261,684)	(610,740)	-
Loans from banks and other financial institutions	7,929,500	(7,115,443)	(6,513,693)	(33,323)	(55,189)	(285,613)	(49,957)	(177,668)	-
Subordinated liabilities and issued bonds	1,762,484	(2,148,031)	(1,073)	(36,768)	(62,611)	(451,576)	(107,235)	(1,488,768)	-
Financial liabilities held-for-trading	39,179	(39,179)	(16,939)	(5,951)	(2,829)	(922)	(9,744)	(2,794)	-
Lease liabilities	498,597	(504,748)	(36,454)	(32,472)	(65,047)	(215,723)	(105,690)	(49,362)	-
Other financial liabilities	1,826,081	(1,826,081)	(1,826,081)	-	-	-	-	-	-
Total financial liabilities	**121,101,729**	**(120,838,629)**	**(70,206,886)**	**(5,974,205)**	**(8,679,108)**	**(31,114,788)**	**(2,534,310)**	**(2,329,332)**	**-**
Financial assets									
Cash and curent accounts with Central Banks	18,320,913	18,323,587	18,323,587	-	-	-	-	-	-
Placements with banks and public institutions	10,394,297	10,415,366	9,345,503	27,411	12,676	992,874	1,472	35,430	-
Financial assets held for trading and measured at fair value through profit and loss	338,450	338,450	182,539	-	-	-	-	-	155,911
Derivatives	80,927	80,927	6,423	4,785	19,168	19,512	18,641	12,398	-
Loans and advances to customers	54,629,754	71,881,620	5,107,671	3,861,580	7,061,723	24,395,794	8,872,360	22,582,492	-
Finance lease receivables	1,488,031	1,734,078	219,687	155,588	297,242	781,323	277,228	3,010	-
Financial assets measured at fair value through other items of comprehensive income	41,193,373	46,403,882	36,552,931	504,922	990,960	3,342,226	2,214,559	2,748,379	49,905
Financial assets which are required to be measured at fair value through profit or loss	1,108,316	1,107,394	638,456	1,065	5,279	111,887	-	-	350,707
Financial assets at amortized cost - debt instruments	1,483,111	1,541,515	498,444	307,447	191,002	184,753	358,902	967	-
Other financial assets	1,054,904	1,076,215	972,942	78,258	25,015	-	-	-	-
Total financial assets	**130,092,076**	**152,903,034**	**71,848,183**	**4,941,056**	**8,603,065**	**29,828,369**	**11,743,162**	**25,382,676**	**556,523**
Net balance sheet position		**32,064,405**	**1,641,297**	**(1,033,149)**	**(76,043)**	**(1,286,419)**	**9,208,852**	**23,053,344**	**556,523**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Group - *In RON thousand*	Carrying amount	Gross value (inflow /outflow)	Up to 3 months	3-6 months	6-12 months	1-3 years	3 - 5 years	Over 5 years	No maturity
31 December 2021									
Off-balance sheet									
Irrevocable commitments given	866,950	898,809	322,650	73,216	176,193	146,821	100,971	78,958	-
Irrevocable financial guarantees given	4,080,126	4,217,124	503,366	638,940	567,989	1,955,182	156,992	394,655	-
Gross value of swap and forward contracts									
- Deliverable amounts	(3,469,094)	(3,469,094)	(1,680,366)	(367,915)	(549,673)	(334,340)	(289,300)	(247,500)	-
- Receivable amounts	3,705,137	3,705,137	1,672,312	372,114	583,797	372,557	456,952	247,405	-
Net position of derivatives	**236,043**	**236,043**	**(8,054)**	**4,199**	**34,124**	**38,217**	**167,652**	**(95)**	-
Total off-balance sheet		**5,351,976**	**817,962**	**716,355**	**778,306**	**2,140,220**	**425,615**	**473,518**	**-**
Total net on- and off-balance sheet position		**37,416,381**	**2,459,259**	**(316,794)**	**702,263**	**853,801**	**9,634,467**	**23,526,862**	**556,523**

The assets and liabilities of the Group as at 31 December 2020, analyzed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behavior typologies and on conventional assumptions concerning certain balance sheet items are the following:

Group - *In RON thousand*	Carrying amount	Gross value (inflow /outflow)	Up to 3 months	3-6 months	6-12 months	1-3 years	3 - 5 years	Over 5 years	No maturity
Financial liabilities									
Deposits from banks	318,944	(318,948)	(198,937)	-	(24,347)	(95,664)	-	-	-
Deposits from customers	90,942,415	(91,111,321)	(49,944,419)	(5,326,274)	(7,791,230)	(25,179,633)	(2,188,194)	(681,571)	-
Loans from banks and other financial institutions	1,691,668	(1,736,227)	(239,779)	(67,468)	(134,942)	(492,415)	(537,859)	(263,764)	-
Subordinated liabilities and issued bonds	1,667,761	(2,110,127)	-	(34,777)	(35,003)	(417,092)	(105,674)	(1,517,581)	-
Financial liabilities held-for-trading	34,817	(34,817)	(621)	(626)	(383)	(13,558)	(18,866)	(763)	-
Lease liabilities	454,792	(457,105)	(29,904)	(28,636)	(58,202)	(198,369)	(105,163)	(36,831)	-
Other financial liabilities	1,161,789	(1,161,789)	(1,161,738)	(32)	(6)	(13)	-	-	-
Total financial liabilities	**96,272,186**	**(96,930,334)**	**(51,575,398)**	**(5,457,813)**	**(8,044,113)**	**(26,396,744)**	**(2,955,756)**	**(2,500,510)**	**-**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Group - *In RON thousand*	Carrying amount	Gross value (inflow /outflow)	Up to 3 months	3-6 months	6-12 months	1-3 years	3 - 5 years	Over 5 years	No maturity
Financial assets									
Cash and curent accounts with Central Banks	22,133,211	22,134,204	22,134,204	-	-	-	-	-	-
Placements with banks and public institutions	7,223,277	7,227,762	5,395,599	555,593	35,986	1,218,697	-	21,887	-
Financial assets held for trading and measured at fair value through profit and loss	346,472	346,472	185,269	-	-	-	-	-	161,203
Derivatives	22,090	22,090	7,016	6,443	383	8,189	49	10	-
Loans and advances to customers	40,892,544	57,052,521	4,227,284	3,388,382	6,842,719	15,026,706	6,942,586	20,624,844	-
Finance lease receivables	1,227,716	1,455,167	201,664	130,010	247,728	650,926	221,336	3,503	-
Financial assets measured at fair value through other items of comprehensive income	30,877,177	32,294,280	26,437,055	368,383	592,354	3,220,389	1,211,985	431,427	32,687
Financial assets which are required to be measured at fair value through profit or loss	1,085,714	1,086,880	647,135	1,067	1,373	117,181	-	-	320,124
Financial assets at amortized cost - debt instruments	990,106	1,038,448	335,671	197,554	285,445	130,408	88,354	1,016	-
Other financial assets	860,105	880,170	808,943	34,849	35,268	818	292	-	-
Total financial assets	**105,658,412**	**123,537,994**	**60,379,840**	**4,682,281**	**8,041,256**	**20,373,314**	**8,464,602**	**21,082,687**	**514,014**
Net balance sheet position		**26,607,660**	**8,804,442**	**(775,532)**	**(2,857)**	**(6,023,430)**	**5,508,846**	**18,582,177**	**514,014**
Off-balance sheet									
Irrevocable commitments given	601,908	619,781	238,650	43,540	117,686	107,502	73,419	38,984	-
Irrevocable financial guarantees given	3,229,516	3,367,483	337,664	205,126	655,964	1,324,244	573,675	270,810	-
Gross value of swap and forward contracts									
- Deliverable amounts	(4,403,444)	(4,403,444)	(2,691,477)	(458,545)	-	(964,122)	(289,300)	-	-
- Receivable amounts	4,683,806	4,683,806	2,704,189	464,852	138,836	1,011,960	327,878	36,091	-
Net position of derivatives	280,362	280,362	12,712	6,307	138,836	47,838	38,578	36,091	-
Total off-balance sheet	**4,111,786**	**4,267,626**	**589,026**	**254,973**	**912,486**	**1,479,584**	**685,672**	**345,885**	**-**
Total net on- and off-balance sheet position		**30,875,286**	**9,393,468**	**(520,559)**	**909,629**	**(4,543,846)**	**6,194,518**	**18,928,062**	**514,014**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

The assets and liabilities of the Bank as at 31 December 2021, analyzed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behavior typologies and on conventional assumptions concerning certain balance sheet items are the following:

Bank – *In RON thousand* **Financial liabilities**	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Deposits from banks	952,453	(952,547)	(831,705)	(437)	(24,741)	(95,664)	-	-	-
Deposits from customers	102,698,085	(102,824,349)	(57,267,473)	(5,235,543)	(7,604,131)	(29,856,796)	(2,252,065)	(608,341)	-
Loans from banks and other financial institutions	7,457,843	(7,482,239)	(6,553,384)	(58,128)	(101,773)	(348,032)	(248,129)	(172,793)	-
Subordinated liabilities and issued bonds	1,706,234	(2,085,582)	-	(35,538)	(35,772)	(421,228)	(107,235)	(1,485,809)	-
Financial liabilities held-for-trading	38,689	(38,689)	(16,449)	(5,951)	(2,829)	(922)	(9,744)	(2,794)	-
Lease liabilities	716,569	(761,320)	(35,072)	(35,199)	(70,420)	(241,470)	(141,954)	(237,205)	-
Other financial liabilities	1,440,467	(1,440,467)	(1,440,467)	-	-	-	-	-	-
Total financial liabilities	**115,010,340**	**(115,585,193)**	**(66,144,550)**	**(5,370,796)**	**(7,839,666)**	**(30,964,112)**	**(2,759,127)**	**(2,506,942)**	**-**
Financial assets									
Cash and curent accounts with Central Banks	16,763,625	16,765,514	16,765,514	-	-	-	-	-	-
Placements with banks and public institutions	9,612,690	9,633,299	8,611,930	5,242	12,180	991,207	1,460	11,280	-
Financial assets at amortized cost - debt instruments	355,331	388,549	1,290	1,343	4,582	49,270	332,064	-	-
Derivatives	79,842	79,842	5,338	4,785	19,168	19,512	18,641	12,398	-
Equity instruments	31,207	31,207	15,603	-	-	-	-	-	15,604
Loans and advances to customers	52,238,523	68,165,569	4,552,748	3,610,775	6,557,701	23,498,256	8,061,039	21,885,050	-
Financial assets measured at fair value through other items of comprehensive income	40,853,784	46,049,586	36,275,446	503,950	979,721	3,320,552	2,207,907	2,746,106	15,904
Financial assets which are required to be measured at fair value through profit or loss	1,465,497	1,464,576	852,810	1,065	5,279	111,887	-	-	493,535
Equity investments	735,486	735,486	-	-	-	-	-	-	735,486
Other financial assets	884,171	905,477	802,204	78,258	25,015	-	-	-	-
Total financial assets	**123,020,156**	**144,219,105**	**67,882,883**	**4,205,418**	**7,603,646**	**27,990,684**	**10,621,111**	**24,654,834**	**1,260,529**
Net balance sheet position		**28,633,912**	**1,738,333**	**(1,165,378)**	**(236,020)**	**(2,973,428)**	**7,861,984**	**22,147,892**	**1,260,529**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Bank – *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
31 December 2021									
Off-balance sheet									
Irrevocable commitments given	121,860	142,238	5,834	13,734	57,069	22,167	3,022	40,412	-
Irrevocable financial guarantees given	4,063,876	4,200,495	501,427	635,405	1,020,251	1,491,769	156,988	394,655	-
Gross value of swap and forward contracts									
- Deliverable amounts	(3,304,338)	(3,304,338)	(1,515,610)	(367,915)	(549,673)	(334,340)	(289,300)	(247,500)	-
- Receivable amounts	3,539,666	3,539,666	1,506,841	372,114	583,797	372,557	456,952	247,405	-
Net position of derivatives	235,328	235,328	(8,769)	4,199	34,124	38,217	167,652	(95)	-
Total off-balance sheet	**4,421,064**	**4,578,061**	**498,492**	**653,338**	**1,111,444**	**1,552,153**	**327,662**	**434,972**	**-**
Total net on- and off-balance sheet position		**33,211,973**	**2,236,825**	**(512,040)**	**875,424**	**(1,421,275)**	**8,189,646**	**22,582,864**	**1,260,529**

The negative gaps between various balance sheet and off-balance sheet items, as they are presented above, are easy to manage due to the financial assets measured at fair value through other items of comprehensive income, which ensure a high level of flexibility through their diversification and possibility of trading on an active and liquid market.

The assets and liabilities of the Bank as at 31 December 2020, analyzed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behavior typologies and on conventional assumptions concerning certain balance sheet items are the following:

Bank - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	311,822	(311,825)	(191,814)	-	(24,347)	(95,664)	-	-	-
Deposits from customers	88,297,146	(88,464,198)	(47,944,522)	(5,189,646)	(7,469,668)	(25,010,203)	(2,170,212)	(679,947)	-
Loans from banks and other financial institutions	1,176,066	(1,196,984)	(106,424)	(43,516)	(80,026)	(372,202)	(332,132)	(262,684)	-
Subordinated liabilities and issued bonds	1,664,464	(2,106,830)	-	(34,778)	(35,003)	(417,092)	(105,674)	(1,514,283)	-
Financial liabilities held-for-trading	34,817	(34,818)	(621)	(626)	(383)	(13,559)	(18,866)	(763)	-
Lease liabilities	709,270	(755,927)	(34,591)	(33,249)	(67,231)	(230,574)	(145,276)	(245,006)	-
Other financial liabilities	907,681	(907,681)	(907,681)	-	-	-	-	-	-
Total financial liabilities	**93,101,266**	**(93,778,263)**	**(49,185,653)**	**(5,301,815)**	**(7,676,658)**	**(26,139,294)**	**(2,772,160)**	**(2,702,683)**	**-**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Bank – *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial assets									
Cash and curent accounts with Central Banks	20,978,633	20,978,904	20,978,904	-	-	-	-	-	-
Placements with banks and public institutions	6,636,395	6,640,464	4,885,963	523,716	12,088	1,218,697	-	-	-
Financial assets at amortized cost - debt instruments	160,874	175,116	1,290	1,329	98,814	7,310	66,373	-	-
Derivatives	22,090	22,090	7,016	6,443	383	8,189	49	10	-
Equity instruments	17,572	17,572	8,786	-	-	-	-	-	8,786
Loans and advances to customers	40,363,909	55,731,097	3,856,200	3,303,985	6,718,760	14,672,428	6,785,772	20,393,952	-
Financial assets measured at fair value through other items of comprehensive income	30,850,770	32,266,914	26,431,822	367,662	591,281	3,219,005	1,211,539	430,789	14,816
Financial assets which are required to be measured at fair value through profit or loss	1,349,673	1,350,840	805,548	1,067	1,373	117,181	-	-	425,671
Equity investments	499,690	499,690	-	-	-	-	-	-	499,690
Other financial assets	761,133	776,494	705,595	34,849	35,265	785	-	-	-
Total financial assets	**101,640,739**	**118,459,181**	**57,681,124**	**4,239,051**	**7,457,964**	**19,243,595**	**8,063,733**	**20,824,751**	**948,963**
Net balance sheet position		**24,680,918**	**8,495,471**	**(1,062,764)**	**(218,694)**	**(6,895,699)**	**5,291,573**	**18,122,068**	**948,963**
Off-balance sheet									
Irrevocable commitments given	85,242	96,941	4,250	9,009	35,403	10,895	21,676	15,708	-
Irrevocable financial guarantees given	3,202,320	3,339,621	334,786	200,828	641,244	1,318,470	573,483	270,810	-
Gross value of swap and forward contracts									
- Deliverable amounts	(4,403,444)	(4,403,444)	(2,691,477)	(458,545)	-	(964,122)	(289,300)	-	-
- Receivable amounts	4,683,806	4,683,806	2,704,189	464,852	138,836	1,011,960	327,878	36,091	-
Net position of derivatives	280,362	280,362	12,712	6,307	138,836	47,838	38,578	36,091	-
Total off-balance sheet	**3,567,924**	**3,716,924**	**351,748**	**216,144**	**815,483**	**1,377,203**	**633,737**	**322,609**	**-**
Total net on- and off-balance sheet position		**28,397,842**	**8,847,219**	**(846,620)**	**596,789**	**(5,518,496)**	**5,925,310**	**18,444,677**	**948,963**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk

Market risk represents the risk that the earnings of the Group and the Bank or the value of financial instruments held may be negatively affected by adverse market changes in interest rates, foreign exchange rates or other financial ratios. The objective of market risk management is to monitor and maintain financial instrument portfolio exposures within acceptable risk parameters, while optimizing the return on investments.

d1) Interest rate risk from the banking book

Interest rate risk represents the current or future risk for profit and capital to be negatively affected as a result of adverse changes in interest rates.

The Group and the Bank undertake the interest rate risk resulting from funds raised and placed in relation to non-bank customers (interest rate risk from banking activities).
The main sources of interest rate risk are represented by the imperfect correlation between maturity dates (for fixed interest rates) or pricing reset dates (for variable interest rates) with respect to interest bearing assets and liabilities, the adverse changes of the yield curve (un-parallel shift of interest rate curves related to interest bearing assets and liabilities).

The management of interest bearing assets and liabilities is carried out in the context of the Group's/the Bank's exposure to interest rate fluctuations. The Group and the Bank use a mix of fixed and variable interest bearing instruments to control the mismatch between the dates on which the interest on assets and liabilities is adjusted to the market rates or the maturity mismatch between assets and liabilities.

Interest rate risk is managed by monitoring the interest rate GAP (mismatch) and by means of a system of limits and indicators well diversified.
The Assets and Liabilities Management Committee is the body that monitors the compliance with these limits, being assisted in the daily monitoring by the Treasury Department.

Interest rate risk management within the limits is accompanied by a sensitivity analysis of the Group's/the Bank's financial assets and liabilities to various standard interest rate scenarios.

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

An analysis of the interest bearing assets' and liabilities' sensitivity to interest rate increases or decreases on the market is set out below at Group/Bank level:

	Group				Bank			
In RON thousand	**200 basis points**	**200 basis points**	**100 basis points**	**100 basis points**	**200 basis points**	**200 basis points**	**100 basis points**	**100 basis points**
	Increase	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
31 December 2021								
Average for the period	9,574	(9,574)	4,787	(4,787)	10,653	(10,653)	5,326	(5,326)
Minimum for the period	(180,008)	115	(90,004)	58	(186,182)	220	(93,091)	110
Maximum for the period	357,363	(1,954)	178,681	(977)	357,352	(5,155)	178,676	(2,577)
31 December 2020								
Average for the period	(3,098)	3,098	(1,549)	1,549	(3,274)	3,274	(1,637)	1,637
Minimum for the period	(162,247)	122	(81,123)	61	(163,309)	122	(81,654)	61
Maximum for the period	53,747	(269)	26,874	(135)	50,569	(269)	25,285	(135)

In the sensitivity analysis regarding interest rate variation, the Group and the Bank have calculated the impact of potential market interest rate changes on the interest margin for the future financial periods, by taking into consideration the interest rate resetting / re-fixing date with respect to the balance sheet assets and liabilities.

The potential change of the Bank's economic value due to changes of the interest rate levels based on the standardized method is presented in the table below:

In RON thousand	**2021**	**2020**
Own funds	10,828,043	10,404,627
Potential decline in ec value +/- 200bp		
Absolute value	687,615	255,719
Impact on own funds	6.35%	2.46%

The potential change of the Group's economic value based on the standardized method is presented in the table below:

In RON thousand	**2021**	**2020**
Own funds	11,306,117	10,717,290
Potential decline in ec value +/- 200bp		
Absolute value	746,805	251,607
Impact on own funds	6.61%	2.35%

By undertaking GAP analyses, the Group and the Bank intended to reduce the gap between assets and liabilities that are sensitive to interest rate fluctuations, both overall and on various time intervals, so that the impact of interest rate fluctuations on the net incomes should be minimized.

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the Group's banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at 31 December 2021:

In RON thousand	Up to 6 months	6 - 12 months	1-3 years	3 - 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and curent accounts with Central Banks	18,320,913	-	-	-	-	-	18,320,913
Placements with banks and public institutions	9,396,673	-	989,639	-	7,985	-	10,394,297
Financial assets measured at amortized cost - debt instruments	796,529	180,450	162,056	343,138	938	-	1,483,111
Loans and advances to customers	40,388,852	3,048,282	9,252,892	1,634,773	304,955	-	54,629,754
Finance lease receivables	1,444,278	4,407	21,070	17,947	329	-	1,488,031
Other financial assets	238,496	22,036	-	-	-	794,372	1,054,904
Total financial assets	**70,585,741**	**3,255,175**	**10,425,657**	**1,995,858**	**314,207**	**794,372**	**87,371,010**
Financial liabilities							
Deposits from banks	903,854	24,741	95,664	-	-	-	1,024,259
Deposits from customers	94,450,883	12,343,993	1,221,538	523	4,692	-	108,021,629
Loans from banks and other financial institutions, subordinated debt and issued bonds	8,861,801	114,022	299,738	244,979	171,444	-	9,691,984
Lease liabilities	68,157	64,380	213,936	104,724	47,400	-	498,597
Other financial liabilities	-	-	-	-	-	1,826,081	1,826,081
Total financial liabilities	**104,284,695**	**12,547,136**	**1,830,876**	**350,226**	**223,536**	**1,826,081**	**121,062,550**
Net position	**(33,698,954)**	**(9,291,961)**	**8,594,781**	**1,645,632**	**90,671**	**(1,031,709)**	**(33,691,540)**
Irrevocable commitments given	385,516	173,503	144,487	100,502	62,942	-	866,950
Irrevocable financial guarantees given	1,087,549	527,196	1,929,625	152,647	383,109	-	4,080,126
Total off-balance sheet	1,473,065	700,699	2,074,112	253,149	446,051	-	4,947,076
Net position on- and off-balance sheet	**(32,225,889)**	**(8,591,262)**	**10,668,893**	**1,898,781**	**536,722**	**(1,031,709)**	**(28,744,464)**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the Group's banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at 31 December 2020:

In RON thousand	Up to 6 months	6 - 12 months	1-3 years	3 - 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and curent accounts with Central Banks	22,133,211	-	-	-	-	-	**22,133,211**
Placements with banks and public institutions	6,214,795	34,613	973,869	-	-	-	**7,223,277**
Financial assets measured at amortized cost - debt instruments	529,394	270,511	107,954	81,296	951	-	**990,106**
Loans and advances to customers	33,694,925	2,751,427	2,789,535	1,285,168	371,489	-	**40,892,544**
Finance lease receivables	366,061	182,404	495,316	180,858	3,077	-	**1,227,716**
Other financial assets	182,821	2,995	-	-	-	674,289	**860,105**
Total financial assets	**63,121,207**	**3,241,950**	**4,366,674**	**1,547,322**	**375,517**	**674,289**	**73,326,959**
Financial liabilities							
Deposits from banks	198,933	24,347	95,664	-	-	-	**318,944**
Deposits from customers	77,515,916	11,154,643	2,177,276	19,640	74,940	-	**90,942,415**
Loans from banks and other financial institutions, subordinated debt and issued bonds	2,388,080	72,390	339,146	299,643	260,170	-	**3,359,429**
Lease liabilities	58,079	57,795	197,447	104,792	36,679	-	**454,792**
Other financial liabilities	-	-	-	-	-	1,161,789	**1,161,789**
Total financial liabilities	**80,161,008**	**11,309,175**	**2,809,533**	**424,075**	**371,789**	**1,161,789**	**96,237,369**
Net position	**(17,039,801)**	**(8,067,225)**	**1,557,141**	**1,123,247**	**3,728**	**(487,500)**	**(22,910,410)**
Irrevocable commitments given	278,745	116,890	105,176	73,281	27,816	-	**601,908**
Irrevocable financial guarantees given	485,111	610,046	1,299,802	570,378	264,179	-	**3,229,516**
Total off-balance sheet	**763,856**	**726,936**	**1,404,978**	**643,659**	**291,995**	**-**	**3,831,424**
Net position on- and off-balance sheet	**(16,275,945)**	**(7,340,289)**	**2,962,119**	**1,766,906**	**295,723**	**(487,500)**	**(19,078,986)**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the Bank's banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at 31 December 2021:

In RON thousand	Up to 6 months	6 - 12 months	1-3 years	3 - 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and curent accounts with Central Banks	16,763,625	-	-	-	-	-	**16,763,625**
Placements with banks and public institutions	8,615,066	145	989,494	-	7,985	-	**9,612,690**
Financial assets at amortized cost - debt instruments	2,494	-	34,792	318,045	-	-	**355,331**
Loans and advances to customers	38,692,647	2,893,360	8,936,256	1,414,325	301,935	-	**52,238,523**
Net lease investments	-	-	-	-	-	-	**-**
Other financial assets	238,496	22,036	-	-	-	623,639	**884,171**
Total financial assets	**64,312,328**	**2,915,541**	**9,960,542**	**1,732,370**	**309,920**	**623,639**	**79,854,340**
Financial liabilities							
Deposits from banks	832,048	24,741	95,664	-	-	-	**952,453**
Deposits from customers	89,843,297	11,714,057	1,136,096	370	4,265	-	**102,698,085**
Loans from banks and other financial institutions, subordinated debt and issued bonds	8,391,635	71,204	284,815	244,979	171,444	-	**9,164,077**
Lease liabilities	67,026	67,221	230,283	133,118	218,921	-	**716,569**
Other financial liabilities	-	-	-	-	-	1,440,467	**1,440,467**
Total financial liabilities	**99,134,006**	**11,877,223**	**1,746,858**	**378,467**	**394,630**	**1,440,467**	**114,971,651**
Net position	**(34,821,678)**	**(8,961,682)**	**8,213,684**	**1,353,903**	**(84,710)**	**(816,828)**	**(35,117,311)**
Irrevocable commitments given	17,007	55,940	21,437	3,005	24,471	-	121,860
Irrevocable financial guarantees given	1,082,333	979,489	1,466,304	152,641	383,109	-	4,063,876
Total off-balance sheet	**1,099,340**	**1,035,429**	**1,487,741**	**155,646**	**407,580**	**-**	**4,185,736**
Net position on- and off-balance sheet	**(33,722,338)**	**(7,926,253)**	**9,701,425**	**1,509,549**	**322,870**	**(816,828)**	**(30,931,575)**

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the Bank's banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at 31 December 2020:

In RON thousand	Up to 6 months	6 – 12 months	1-3 years	3 – 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and curent accounts with Central Banks	20,978,633	-	-	-	-	-	**20,978,633**
Placements with banks and public institutions	5,651,685	10,841	973,869	-	-	-	**6,636,395**
Financial assets at amortized cost – debt instruments	1,969	97,382	-	61,523	-	-	**160,874**
Loans and advances to customers	33,385,178	2,692,892	2,671,247	1,243,801	370,791	-	**40,363,909**
Net lease investments	-	-	-	-	-	-	**-**
Other financial assets	182,821	2,995	-	-	-	575,317	**761,133**
Total financial assets	**60,200,286**	**2,804,110**	**3,645,116**	**1,305,324**	**370,791**	**575,317**	**68,900,944**
Financial liabilities							
Deposits from banks	191,811	24,347	95,664	-	-	-	**311,822**
Deposits from customers	74,869,674	11,157,387	2,176,873	18,272	74,940	-	**88,297,146**
Loans from banks and other financial institutions, subordinated debt and issued bonds	1,950,954	49,485	280,278	299,643	260,170	-	**2,840,530**
Lease liabilities	64,689	64,080	219,515	136,270	224,715	-	**709,269**
Other financial liabilities	-	-	-	-	-	907,681	**907,681**
Total financial liabilities	**77,077,128**	**11,295,299**	**2,772,330**	**454,185**	**559,825**	**907,681**	**93,066,448**
Net position	**(16,876,842)**	**(8,491,189)**	**872,786**	**851,139**	**(189,034)**	**(332,364)**	**(24,165,504)**
Irrevocable commitments given	13,010	35,001	10,894	21,676	4,661	-	85,242
Irrevocable financial guarantees given	478,035	595,800	1,294,108	570,198	264,179	-	3,202,320
Total off-balance sheet	**491,045**	**630,801**	**1,305,002**	**591,874**	**268,840**	**-**	**3,287,562**
Net position on- and off-balance sheet	**(16,385,797)**	**(7,860,388)**	**2,177,788**	**1,443,013**	**79,806**	**(332,364)**	**(20,877,942)**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d2) Currency risk

The Group and the Bank are exposed to currency risk through open positions generated by FX transactions. There is also a risk that the net values of monetary assets and liabilities in foreign currency may change, as a result of exchange rate variation.

The Group and the Bank manage the currency risk based both on classic approach as strict currency position and "stop-loss" limits monitored in real time but also based on VaR type calculations to assess possible changes in the assets and liabilities values.

The Group's monetary assets and liabilities denominated in RON and FCY at 31 December 2021 are presented below:

In RON thousand	**RON**	**EUR**	**USD**	**Other currencies**	**Total**
Monetary assets					
Cash and curent accounts with Central Banks	7,555,659	9,707,159	221,581	836,514	18,320,913
Placements with banks and public institutions	6,527,116	2,281,069	757,175	828,937	10,394,297
Financial assets held for trading and measured at fair value through profit and loss	112,642	20,495	-	-	133,137
Derivatives	80,600	327	-	-	80,927
Loans and advances to customers	39,077,527	14,021,505	208,404	1,322,318	54,629,754
Finance lease receivables	210,649	1,277,291	91	-	1,488,031
Financial assets measured at fair value through other items of comprehensive income	23,882,789	14,089,943	3,080,624	87,365	41,140,721
Financial assets which are required to be measured at fair value through profit or loss	344,370	502,880	23,046	-	870,296
Financial assets at amortized cost - debt instruments	54,980	336,462	-	1,091,669	1,483,111
Other financial assets	765,988	160,458	108,469	19,989	1,054,904
Total monetary assets	**78,612,320**	**42,397,589**	**4,399,390**	**4,186,792**	**129,596,091**
Monetary liabilities					
Deposits from banks	771,139	57,819	194,072	1,229	1,024,259
Deposits from customers	61,127,622	39,811,831	4,111,859	2,970,317	108,021,629
Loans from banks and other financial institutions, subordinated debt	6,576,362	2,927,116	176,616	11,890	9,691,984
Financial liabilities held-for-trading	38,420	319	440	-	39,179
Lease liabilities	12,389	484,701	825	682	498,597
Other financial liabilities	1,612,053	131,688	52,927	29,413	1,826,081
Total monetary liabilities	**70,137,985**	**43,413,474**	**4,536,739**	**3,013,531**	**121,101,729**
Net currency position	**8,474,335**	**(1,015,885)**	**(137,349)**	**1,173,261**	**8,494,362**
Gross value of swap and forward contracts					
- Deliverable amounts	(1,926,264)	(1,065,114)	(154,546)	(323,170)	(3,469,094)
- Receivable amounts	1,293,821	2,403,886	7,430	-	3,705,137
Net position of derivatives	**(632,443)**	**1,338,772**	**(147,116)**	**(323,170)**	**236,043**
Net on- and off-balance sheet position	**7,841,892**	**322,887**	**(284,465)**	**850,091**	**8,730,405**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d2) Currency risk (continued)

The Group's monetary assets and liabilities denominated in RON and FCY at 31 December 2020 are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and curent accounts with Central Banks	7,981,161	13,073,700	174,605	903,745	**22,133,211**
Placements with banks and public institutions	1,607,811	3,410,304	1,564,021	641,141	**7,223,277**
Financial assets held for trading and measured at fair value through profit and loss	92,342	27,993	-	-	**120,335**
Derivatives	21,870	220	-	-	**22,090**
Loans and advances to customers	32,420,438	7,056,849	197,139	1,218,118	**40,892,544**
Finance lease receivables	215,290	1,012,077	349	-	**1,227,716**
Financial assets measured at fair value through other items of comprehensive income	18,018,477	11,152,504	1,669,637	3,872	**30,844,490**
Financial assets which are required to be measured at fair value through profit or loss	382,612	464,499	21,039	-	**868,150**
Financial assets at amortized cost - debt instruments	52,331	172,222	-	765,553	**990,106**
Other financial assets	654,074	123,254	65,985	16,792	**860,105**
Total monetary assets	**61,446,406**	**36,493,622**	**3,692,775**	**3,549,221**	**105,182,024**
Monetary liabilities					
Deposits from banks	155,474	32,482	130,726	262	**318,944**
Deposits from customers	53,127,989	31,897,871	3,438,065	2,478,490	**90,942,415**
Loans from banks and other financial institutions, subordinated debt	256,091	2,939,574	160,242	3,522	**3,359,429**
Financial liabilities held-for-trading	34,368	151	298	-	**34,817**
Lease liabilities	12,838	439,642	1,354	958	**454,792**
Other financial liabilities	999,809	103,441	32,145	26,394	**1,161,789**
Total monetary liabilities	**54,586,569**	**35,413,161**	**3,762,830**	**2,509,626**	**96,272,186**
Net currency position	**6,859,837**	**1,080,461**	**(70,055)**	**1,039,595**	**8,909,838**
Gross value of swap and forward contracts					
- Deliverable amounts	(1,228,805)	(2,657,491)	(140,355)	(376,793)	**(4,403,444)**
- Receivable amounts	2,741,493	1,941,123	1,190	-	**4,683,806**
Net position of derivatives	**1,512,688**	**(716,368)**	**(139,165)**	**(376,793)**	**280,362**
Net on- and off-balance sheet position	**8,372,525**	**364,093**	**(209,220)**	**662,802**	**9,190,200**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d2) Currency risk (continued)

The Bank's monetary assets and liabilities denominated in RON and foreign currencies at 31 December 2021 are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and curent accounts with Central Banks	7,335,234	9,159,870	85,498	183,023	**16,763,625**
Placements with banks and public institutions	6,391,663	1,847,933	557,606	815,488	**9,612,690**
Financial assets at amortized cost - debt instruments	48,715	306,616	-	-	**355,331**
Derivatives	79,515	327	-	-	**79,842**
Loans and advances to customers	37,773,388	13,884,948	181,749	398,438	**52,238,523**
Financial assets measured at fair value through other items of comprehensive income	23,664,357	14,009,948	3,080,624	82,951	**40,837,880**
Financial assets which are required to be measured at fair value through profit or loss	630,962	574,571	22,386	-	**1,227,919**
Other financial assets	711,933	143,496	28,384	358	**884,171**
Total monetary assets	**76,635,767**	**39,927,709**	**3,956,247**	**1,480,258**	**21,999,981**
Monetary liabilities					
Deposits from banks	738,027	31,459	180,858	2,109	**952,453**
Deposits from customers	59,998,316	37,953,876	3,656,977	1,088,916	**102,698,085**
Loans from banks and other financial institutions, subordinated debt	6,507,490	2,479,971	176,616	-	**9,164,077**
Financial liabilities held-for-trading	37,930	319	440	-	**38,689**
Lease liabilities	11,985	703,809	775	-	**716,569**
Other financial liabilities	1,275,128	110,964	46,437	7,938	**1,440,467**
Total monetary liabilities	**68,568,876**	**41,280,398**	**4,062,103**	**1,098,963**	**115,010,340**
Net currency position	**8,066,891**	**(1,352,689)**	**(105,856)**	**381,295**	**6,989,641**
Gross value of swap and forward contracts					
- Deliverable amounts	(1,761,508)	(1,065,114)	(154,546)	(323,170)	**(3,304,338)**
- Receivable amounts	1,128,350	2,403,886	7,430	-	**3,539,666**
Net position of derivatives	**(633,158)**	**1,338,772**	**(147,116)**	**(323,170)**	**235,328**
Net on- and off-balance sheet position	**7,433,733**	**(13,917)**	**(252,972)**	**58,125**	**7,224,969**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d2) Currency risk (continued)

The Bank's monetary assets and liabilities denominated in RON and foreign currencies at 31 December 2020 are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and curent accounts with Central Banks	7,980,179	12,724,152	68,354	205,948	**20,978,633**
Placements with banks and public institutions	1,473,971	3,112,717	1,412,067	637,640	**6,636,395**
Financial assets at amortized cost - debt instruments	48,724	112,150	-	-	**160,874**
Derivatives	21,870	220	-	-	**22,090**
Loans and advances to customers	32,193,785	7,526,152	169,741	474,231	**40,363,909**
Financial assets measured at fair value through other items of comprehensive income	18,013,814	11,152,504	1,669,637	-	**30,835,955**
Financial assets which are required to be measured at fair value through profit or loss	627,450	484,787	20,244	-	**1,132,481**
Other financial assets	640,245	110,387	10,365	136	**761,133**
Total monetary assets	**61,000,038**	**35,223,069**	**3,350,408**	**1,317,955**	**100,891,470**
Monetary liabilities					
Deposits from banks	156,113	36,989	117,469	1,251	**311,822**
Deposits from customers	53,191,642	31,079,279	3,151,549	874,676	**88,297,146**
Loans from banks and other financial institutions, subordinated debt	102,929	2,577,526	160,075	-	**2,840,530**
Financial liabilities held-for-trading	34,368	151	298	-	**34,817**
Lease liabilities	12,838	695,086	1,346	-	**709,270**
Other financial liabilities	793,070	77,794	28,563	8,254	**907,681**
Total monetary liabilities	**54,290,960**	**34,466,825**	**3,459,300**	**884,181**	**93,101,266**
Net currency position	**6,709,078**	**756,244**	**(108,892)**	**433,774**	**7,790,204**
Gross value of swap and forward contracts					
- Deliverable amounts	(1,228,805)	(2,657,491)	(140,355)	(376,793)	**(4,403,444)**
- Receivable amounts	2,741,493	1,941,123	1,190	-	**4,683,806**
Net position of derivatives	**1,512,688**	**(716,368)**	**(139,165)**	**(376,793)**	**280,362**
Net on- and off-balance sheet position	**8,221,766**	**39,876**	**(248,057)**	**56,981**	**8,070,566**

By determining and monitoring the net FCY positions and the exchange rate volatility, the Bank has aimed to create a portfolio that is optimally correlated in terms of FCY assets and liabilities, as well as a balanced approach to trading operations on the foreign exchange market.
The table below presents the Profit/Loss sensitivity in the event of potential changes of the exchange rates applicable at the end of the reporting period in relation to the functional currency of the Group entities, considering that all the other variables remain constant:

	Impact on Profit and Loss	
In RON thousand	**2021**	**2020**
EUR increase by up to 20%	23,691	27,709
EUR decrease by up to 20%	(23,691)	(27,709)
USD increase by up to 20%	1,666	8,338
USD decrease by up to 20%	(1,666)	(8,338)

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d3) Market risk related to trading activity

The main purpose of market risk management is to achieve the expected performance of the trading portfolio, with a proper management of the inherent market risk, consciously assumed and adapted to the market conditions and development of the Group and the Bank, and last but not least to the current legal framework.

General principles applied in order to ensure the adequate management of market risk are:

- Market risk management is adapted and adjusted constantly to the Romanian and the international financial and banking market conditions and to the general economic context.
- In the management of market risk, the Bank applies clear principles regarding the suitability, maturity, diversity and risk degree of the component elements.
- Market risk is analyzed within the stress tests operated on the bond, equity and collective investment units portfolios held by the Bank.

The Group and the Bank manage the exposure to market risk by monitoring on a daily basis the market value of the held-for-trading portfolio in relation to a system of risk limits approved by the Assets and Liabilities Committee. The held-for-trading portfolio includes fixed-income securities issued on the Romanian or the European market (sovereign, municipal and corporate bonds), denominated in RON, EUR and USD, as well as shares issued by Romanian or European entities traded on the Bucharest Stock Exchange or Vienna Stock Exchange (which are not directly exposed to interest rate and currency risk, but are exposed to price risk) and collective investment units issued by Romanian entities.

Exposure to market risk related to trading activities

Exposure represents market risk relates mainly to the following balance sheet items:

- Held-for-trading financial assets measured at fair value through profit or loss;
- Derivatives;
- Financial assets which are required to be measured at fair value through profit or loss;
- Financial assets measured at fair value through other items of comprehensive income.

The risk exposure on a consolidated and separate basis as at 31 December 2021, respectively 31 December 2020 is presented below:

		Group		Bank	
In RON thousand		**2021**	**2020**	**2021**	**2020**
Assets	Notes	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**
Held-for-trading financial assets measured at fair value through profit or loss	21	133,137	120,335	-	-
Derivatives	43	80,927	22,090	79,842	22,090
Financial assets which are required to be measured at fair value through profit or loss	21	870,296	868,150	1,227,919	1,132,481
Financial assets measured at fair value through other items of comprehensive income	24	41,140,721	30,844,490	40,837,880	30,835,955
Total on-balance sheet		**42,225,081**	**31,855,065**	**42,145,641**	**31,990,526**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d3) Market risk related to trading activity (continued)

Exposure to market risk related to trading activities (continued)

The following table presents the sensitivity impact of a possible change in interest rates of +/- 1.00% and a decrease in market prices of +/- 10% at equity level and P&L level, considering that all the other variables remain constant:

Group	**31 December 2021**		**31 December 2020**	
In RON thousand	**Impact in profit or loss**	**Impact in equity**	**Impact in profit or loss**	**Impact in equity**
Shares	(3,226)	-	(1,899)	-
OTC derivatives	(98,388)	-	(84,914)	-
Bonds and T-bills	-	(1,310,707)	-	(153,944)
Total impact	**(101,615)**	**(1,310,707)**	**(86,813)**	**(153,944)**

Bank	**31 December 2021**		**31 December 2020**	
In RON thousand	**Impact in profit or loss**	**Impact in equity**	**Impact in profit or loss**	**Impact in equity**
Shares	(3,121)	-	(1,757)	-
OTC derivatives	(93,687)	-	(79,269)	-
Bonds and T-bills	-	(1,309,930)	-	(152,585)
Total impact	**(96,807)**	**(1,309,930)**	**(81,026)**	**(152,585)**

e) Capital management

The Bank's Board of Directors approves the conceptual design of the internal process for the assessment of the capital adequacy to risks, at least the scope, methodology and general objectives, and establishes the strategy regarding the planning of the capital, own funds and the capital adequacy to risks in Banca Transilvania S.A..

The Board of Directors makes decisions regarding the directions to be followed within the capital adequacy process, establishes the main projects in the field to be implemented, as well as the main objectives to be met for the best control of the correlation of the risks to which the Bank is exposed and the necessary shareholders' equity required to cover them and the development of sound risk management systems. The National Bank of Romania monitors capital requirements both at Group and Bank level.
Capital adequacy is determined according to the Regulation (EU) No 575/2013 of the European Parliament and of the Council and requires a minimum mandatory own funds level of:

- 4.5% for core tier 1 own funds;
- 6.0% for tier 1 own funds;
- 8.0% for total own funds.

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

e) Capital management (*continued*)

Likewise, pursuant to the regulated approaches for the determination of the minimum capital requirements and the EU Regulation 575/2013 corroborated with the provisions of the NBR Regulation 5/2013 and considering the capital buffers required by the NBR, the Group and the Bank maintain:

- a capital preservation buffer of 2.5% of the total value of the risk-weighted exposures between 01 January 2021-31 December 2021;
- an O-SII buffer of 2% of the total risk weighted exposures;
- a systemic risk buffer of 2% of the total value of the risk-weighted exposures (buffer imposed starting with the adequacy ratio calculated for 30 June 2018).

Own funds adequacy

The Group and the Bank use the following calculation methods in order to determine own fund requirements:

- Credit risk: standardized method;
- Market risk: capital requirements with respect to the foreign exchange risk and the trading portfolio are calculated based on the standard method;
- Operational risk: own fund requirements for the coverage of operational risk are calculated according to the base method.

The Group and the Bank comply with the above regulations. The level of the capital adequacy ratio exceeding the minimum mandatory requirements imposed by the law.
As at 31 December 2021 and 31 December 2020, as well as during the years 2021 and 2020, the Group and the Bank complied with all the capital adequacy requirements.

Under the current capital requirements set by the European Banking Authority, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level.
The amount of capital that the Group managed was RON 13,164,500 thousand as of 31 December 2021 (2020: RON 12,108,132 thousand), regulatory capital amounts to RON 7,500,635 thousand as of December 2021 (2020: RON 7,192,994 thousand) and the Group and the Bank have complied with all externally imposed capital requirements throughout 2021 and 2020.

According to the applicable legal requirements on regulatory capital, the Group's and the Bank's own funds include:

- Tier I, which includes subscribed and paid in capital, share premiums, eligible reserves, retained earnings and deductions laid down in the applicable legal provisions;
- Tier II own funds, which include subordinated loans and deductions laid down in the applicable legal provisions.

The Group and the Bank manage its capital base in a flexible manner, by monitoring regulatory capital requirements, by anticipating the adequate adjustments required for the achievement of its objectives as well as by optimizing the structure of assets and shareholders' equity.

The planning and monitoring activity takes into consideration the total own funds, on the one hand and the requirements of own funds, on the other hand.

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

e) Capital management *(continued)*

The level and the requirements of own funds as at 31 December 2021 and 31 December 2020 are as follow:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Tier 1 own funds	11,638,319	10,573,525	10,975,774	10,067,481
Tier 2 own funds	1,526,181	1,534,607	1,509,052	1,534,607
Total own funds	**13,164,500**	**12,108,132**	**12,484,826**	**11,602,088**
Credit risk exposure	38,469,262	38,863,240	35,219,316	35,204,814
Market risk, FX risk, delivery risk exposure	4,594,414	10,664,643	4,244,943	9,716,036
Operational risk exposure	8,524,365	7,984,598	8,136,656	7,221,969
Risk exposure for the adjustment of credit assessment	140,479	31,470	140,479	31,470
Total risk exposure	**51,728,520**	**57,543,951**	**47,741,394**	**52,174,289**

The capital adequacy ratio (CAR) is calculated as a ratio between own funds and total risk-weighted assets:

	Group		Bank	
In %	**2021**	**2020**	**2021**	**2020**
Core tier one ratio	22.50	18.37	22.99	19.30
Tier 1 ratio	22.50	18.37	22.99	19.30
CAR	25.45	21.04	26.15	22.24

Note: The calculation of the Group's and the Bank's own funds takes into account the statutory profit of the Group, respectively of the Bank for the financial years ended on 31 December 2021 and on 31 December 2020. Regulatory capital as at 31 December 2021 and 31 December 2020 was calculated according to the IFRS endorsed by the European Union.

f) Operational risk

Operational risk is the risk that considers those inadequate practices, policies and systems unable to prevent a loss due to market conditions or operational difficulties.

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

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

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

f) Operational risk (continued)

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

- continuously assesses exposures to operational risk, based on historical data, monitoring and managing the conduct risk, as a subcategory of the operational risk, as well as the risk determinants associated with this category, paying particular attention to its scope, relevance and the possible prudential impact;
- evaluates and monitors products, processes and systems aimed for developing new markets, products and services, as well as significant changes to existing ones and the conduct of exceptional transactions, from the perspective of product consistency and changes in line with the risk strategy;
- identifies, assesses, monitors and manages the risks associated with information technology (ICT), the bank has appropriate processes and controls in place to ensure that all risks are identified, analyzed, measured, monitored, managed, reported and maintained within the risk appetite and that the projects and systems they deliver and the activities they perform are in line with the external and internal requirements;

The Bank also defines and assigns relevant roles, key responsibilities and reporting lines to ensure the effectiveness of the ICT and Security Risk Management Framework, which is integrated into its own regulatory framework, operational framework for ICT security and into the risk management framework.

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

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

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

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

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

g) Climatic risk

The impact of climate change and the acceleration of regulatory and public policy initiatives are contributing to a growing concern in the financial services sector about identifying and managing related risks, especially as financial institutions are expected to play an important role in the transition to a sustainable economy.

Without being seen as a separate category of risks, climate risks are accelerators of the risks traditionally managed by the Group, whether we refer to physical risk or transition risk.

Physical risk is driven either by extreme weather events related to temperature, wind, water (such as floods, hurricanes, fires) or long-term changes in weather patterns (such as high temperatures sustained over a longer time horizon, heat waves, droughts or sea level rise).

Transition risk arises as a result of measures taken to mitigate the effects of climate change and the transition to a low-carbon economy (such as changes in laws and regulations, litigation due to failure to mitigate or adapt to climate change), as well as changes in demand and supply for certain goods, products and services due to changes in consumer behaviour and investor demand.

To manage these climate risks, the Group uses the list of sectorial exclusions aligned with IFC/EBRD recommendations. In addition, the Group uses processes and tools for the identification and assessment of environmental risk in line with best practices and IFC/EBRD standards in its corporate credit analysis, which are translated into internal working instructions that are regularly reviewed. This analyses the impact of the company applying for financing on the environment (water, soil and emissions) and the impact of climate change on the company's activities. The level of detail and complexity of this analysis is also determined by criteria related to the size of the company, project or transaction.

The Group is continuously refining the mapping of the entire financing and investment portfolio according to environmental, social and governance risks for each sector of activity (such as agriculture, construction, transport, etc.) in order to identify the necessary measures to mitigate the potential negative impacts of climate change on outstanding portfolio. This mapping can contribute to the adoption of measures in the Group's lending activity so that the negative impact on the environment is reduced and the positive impact on the environment, as well as on the society and communities we are part of, is increased.

Last but not least, Banca Transilvania aims to strengthen its skills in analysing these risks by allocating specialised resources, such as the team of experts dedicated to environmental risk and the training of credit analysts through courses held by internal experts or external specialists in this field. In addition to closely monitoring all regulations that are or will come into force in the future, the Group is actively involved in working groups at national and European level. The Bank and its subsidiaries follow the initiatives of task forces (such as TCFD) or the private sector (UNEPFI-PRB) to improve the reporting of non-financial information.

Notes to the consolidated and separate financial statements

5. Accounting estimates and significant judgements

The Group and the Bank make estimates and assumptions that affect the amounts of assets and liabilities reported within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the given circumstances.

a) Impairment losses on loans and advances to customers

The Group and the Bank review their loan and finance lease receivables portfolio in order to assess the impairment thereof, at least bi-annually (on a monthly basis for the Bank). In determining whether an impairment loss should be recorded, the Group and the Bank make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows related to a portfolio of loans and finance lease, before such decrease can be identified with respect to an individual loan/lease investment in that portfolio. For example, the observable data might be the unfavorable changes in the payment behavior of certain debtors within a group or in the economic, national or local circumstances, which correlate with default incidents affecting the debtors' group.

When scheduling future cash flows, the management uses estimates based on the past experience related to losses from loans with similar risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any gaps between estimated losses and actual losses, but also to assess the effects of the local financial market uncertainties on the valuation of assets and the debtors' operating environment. The loan loss estimation considers the visible effects of the current and future expected market conditions on the individual/collective assessment of expected credit losses on loans and advances to customers. Hence, the Group and the Bank have estimated the expected credit losses for loans and advances to customers and receivables from finance lease based on the internal methodology and assessed that no further expected credit losses is required except as already provided for in the consolidated and separate financial statements.

Individually significant assets are assessed and monitored individually, regardless of the stage allocation, determined using the automated criteria. Thus, a specialized team of experts uses professional judgement to assess the unlikeliness to pay and determine the scenarios used to compute the ECL.

The three-stage expected credit loss impairment model in IFRS 9 depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the impairment charge equals the expected credit losses resulting from default events that are possible within the next 12 months (stage 1). If the credit risk has increased significantly, the loan is more than 30 days past due, or the loan is in default or otherwise impaired, the impairment charge equals the lifetime expected credit losses.

In determining the impairment for expected credit losses, management incorporates forward-looking information, exercises judgement and uses estimates and assumptions.
The estimation of expected credit losses involves forecasting future economic conditions over 3 years.

The macroeconomic scenarios applied have been changed from those applied in Q4 2020 to reflect the improvement of the macroeconomic outlook even if the COVID 19 pandemic is still ongoing.

More details about assumptions made, scenarios used, weights applied to each scenario is described in Note 4b Credit risk. The incorporation of forward-looking elements reflects the expectations of the Group and the Bank and involves the creation of scenarios, including an assessment of the probability for each scenario.

Notes to the consolidated and separate financial statements

5. Accounting estimates and significant judgements *(continued)*

a) Impairment losses on loans and advances to customers (continued)

A large part of the impact on the expected credit losses in 2020 is resulting from the COVID-19 pandemic referring to changes to the forward-looking information, the situation was also recorded in 2021, in which uncertainties caused by the evolution of the pandemic were added new turbulences manifested in the economy (rising inflation, rising energy market prices, difficulties in the supply chain, semiconductor crisis, etc.).
Also, due to the COVID-19 pandemic, management applies supplementary judgement when determining the need for post-model adjustments to better reflect the context and own expectations in credit risk modeling.

The post-model adjustments applied in 2020 to estimate the effect of the pandemic event were largely preserved in 2021, with new value judgments being added against the background of new pandemic waves and new events generating new risks (inflation generated the turbulence in the energy market, the delays in the supply chain, etc.). The Group and the Bank have decided to keep this approach as it is not yet known how long the government aid will remain active or will be supplemented.

The internal analyzes that determined additional adjustments were based on the available information. In this respect, we mention the public centralized information, referring to the companies that requested certificates in the state of emergency, attesting that they faced difficulties, various analyzes of the public institutions (including the N.B.R.). At the same time, the Group and the Bank also examined the information from the Bank's own databases, related to the borrowed clients, including thoses who applied to payment deferral program (financial information etc). All this has led to the consideration of some sectors as being more sensitive/affected by pandemic crisis (eg hospitality and leisure sector) or significantly exposed to the energy price crisis, product portfolios with higher associated credit risk and type of customers with low quality ratings, which could be affected to a greater extent by current events. An area of increased attention was also represented by the portfolio of loans/clients that requested the deferral of payment during this period - various value judgments being used / applied for a better coverage of the afferent risks.

During 2020-2021, the Group and the Bank reviewed the rating and PD assumptions to get faster response taking into account the events that occurred (regardless of the crisis severity). Another main consideration of the introduction of post-model adjustments is the fact that the prediction of internal rating assessment models can be affected by aid measures provided by governments, the latter preventing the occurrence of non-payment events at the level of debtors who, otherwise, would have faced difficulties in servicing debts to various creditors.

Another source of the post-model adjustments that determined the increase in the expected credit losses is the expert individual analysis of significant exposures, performed to reflect and better understand the situations and difficulties faced by borrowers that could affect their ability to meet their obligations.

Borrowers could request during 2020, and also during 2021, the postponement of rates and interest until the end of 2021. Based on Romanian legislation OUG 37/2020 (with subsequent amendments), the government granted to certain categories of debtors, individuals or companies. The possibility to request the suspension of the payment of the due installments related to the loans representing installments of capital, interest and commissions, for up to 9 months, but not more than December 31, 2021. This facility benefited borrowers with outstanding loans, for which the Bank did not denounce the contract (and especially, for companies, is not entered into an insolvency state). Considering the legislative provisions, the Group and the Bank no longer have contracts in force on December 31, 2021, for which the deferral of payment is still active.

Notes to the consolidated and separate financial statements

5. Accounting estimates and significant judgements *(continued)*

a) Impairment losses on loans and advances to customers (continued)

During 2020 and 2021 the Group's forbearance practices have been updated to pay particular attention to customers affected by the COVID-19 pandemic. These practices include additional guidance to ensure that COVID-19 concessions are fully complied with EBA/ NBR decision on moratoria operations respectively it is considered that the operations will not automatically generate a stricter classification of exposures (should not be considered as an automatic trigger, but should be considered in correlation with other risk indicators), and the Group should develop and strengthen its own mechanisms to identify in early stages, increase of credit risk and unlikeliness to pay situation.

As mentioned, moratoria program did not have an impact on stage-ing (is not considered a trigger for a significant increase in credit risk). The definition of forborne credit modification was not changed and continues to identify restructuring operation request by clients in financial difficulties who did not access the moratoria program.
Due to the COVID-19 pandemic, the financial markets were very volatile producing short-term challenges in cash-flow management and also significant variations in mark to market.
Bank stands on a very good position of liquidity, therefore the market disruptions didn't have a significant impact on it. In terms of interest rate risk, the pressure was felt on net interest margin due to interest rates levels and the provisions regarding payment moratoria.
The trading book of the Group and the Bank consist of bonds, equities, collective investment units and derivatives, whose valuation was affected by market volatilities, reserves registering a downward trend and reaching in the negative zone. The most significant part of the trading book is represented by bonds, of which the majority are kept at fair value through other comprehensive income, thus allowing that market-to-market impact to be observable in other comprehensive income and not in Consolidated and Separate Statement of Profit or Loss, Note 4 provides more details on the fair value measurement of financial instruments.

b) Anticipated individual fiscal solutions ("AIFS")

The Bank requested the Romanian fiscal authorities to issue an official opinion on the fiscal treatment of the VBRO bargain gain ("AIFS"). The Bank proposed the consideration of the bargain gain as non-taxable income by taking into account all the arguments, calculating a lower tax debt with the amount of RON thousand 264,096.

The Romanian fiscal authorities issued a negative opinion, considering that the bargain gain is taxable (as recorded based on IFRS). The sole argument to sustain this position being that the bargain gain is not included in the list of non-taxable income elements specifically stipulated in the Fiscal Code applicable as of December 31, 2015.

The Bank considered the bargain gain as non-taxable income for the calculation of the comprehensive income, based on solid arguments such as:

- Non-correlation of the fiscal legislation with the accounting legislation: The Fiscal Code does not contain specific provisions regarding the merger of two or several taxpayers that apply IFRS as the basis for accounting and the fiscal legislation is not correlated with the accounting legislation;
- Starting 1 Jan 2016, in the Rewritten Fiscal Code, the provisions for domestic mergers were updated and harmonized also in line with Directive 2009/133/EC and in this respect, clearly the intention of the lawmaker was that the specific taxation rules (taking in account the tax neutrality of the merger) should prevail over the general taxation rules;
- The merger with VBRO was based on sound economic grounds (it was not undertaken for certain fiscal benefits). The merger should be neutral from a tax point of view i.e. the bargain gain should not be taxable;

Notes to the consolidated and separate financial statements

5. Accounting estimates and significant judgements *(continued)*

b) Anticipated individual fiscal solutions ("AIFS") (continued)

- The fiscal treatment should be balanced: considering the opposite case, whereby the purchase price is higher than the value of acquired identifiable assets and liabilities, a positive goodwill would have been recorded, which, as per Romanian fiscal legislation is not to be amortized for fiscal purposes and hence does not have any fiscal impact;
- Avoidance of double taxation;
- European jurisprudence – which stipulates that the EU legislation should prevail when the fiscal legislation of a member state is unclear or lacks specific provisions.

The Bank initiated court proceedings in this respect in 2017. The case was submitted to the Court of Appeal of Cluj in April 2017. In November 2017, the Court of Appeal of Cluj admitted the case at trial and issued a judgment in favor of the Bank, confirming the Bank's approach to consider the bargain gain as non-taxable income.

On June 23, 2020, the High Court of Cassation and Justice ruled in the case file pending, admitting ANAF's appeal against the sentence of the Cluj Court of Appeal, annulled the first instance decision, retrialed the case and in retrial rejected the action filed by Banca Transilvania as not founded.

On 12 October 2021, the High Court of Cassation and Justice of Romania suspended the judgement of the review request and the Court of Justice of European Union was notified.
The Bank has not recognized a provision in this case, but will monitor the evolution of the topic at each reporting date, in accordance with the relevant provisions of the accounting regulations.

c) Risk provisions for abusive clauses

The provision for abusive clauses is an estimated amount for potential litigations facing the Bank derived from the retail credit contracts inherited from Volksbank Romania and Bancpost S.A. merger. The provision is periodically reviewed by the Bank by incorporating historical data regarding new litigations in the last years (a show-up ratio) and the loss probability for such cases (calculated as a historical positive versus negative outcome of litigations).

The last review for abusive clauses provision has been performed as of 31 December 2021 when the Bank adjusted the provision based on the trend of such new litigations (show-up ratio) and the probability loss estimated at this date.

d) Other significant litigation

The Bank's subsidiary, Victoria Bank S.A., was notified on July 6, 2020 that it is being investigated in a case instrumented by the Prosecutor's Office of the Republic of Moldova, and on August 6, 2020, a precautionary seizure was placed on some of the subsidiary's assets. In order to cover the claims in the file - amounting to approximately RON 460 million in equivalent. Given the nature of the case and the legal limitations related to the investigation, the Bank and and its subsidiary possesses limited information about this case, by also considering the lawyers' analysis of the content of the indictment related to these investigations. Given the stage of the investigation, that relates to a period before the Bank was a shareholder of the subsidiary, the Group and the Bank did not recognize a provision for this case, but will monitor the evolution of the topic at each reporting date, in accordance with the relevant provisions of the accounting regulations.

Notes to the consolidated and separate financial statements

5. Accounting estimates and significant judgements *(continued)*

d) Other significant litigation (continued)

For other significant litigation and regulatory enforcement matters, the Group believes the possibility of an outflow of funds is more than remote and less than probable but the amount can not be reliably estimated, and accordingly such matters are not included in the contingent liability estimates.
The Group and the Bank will monitor the evolution of the topics at each reporting date, in accordance with the relevant provisions of the accounting regulations.

6. Segment reporting

The Group segment reporting is compliant with the management requirements use. The reporting segments are presented in a manner which is consistent with the internal reporting documentation submitted to the Leaders' Committee. The Leaders' Committee, with the assistance of the Board of Directors, is responsible for the allocation of resources and the assessment of the reporting segments' performance, being considered as an operational decision making factor.

The reporting format is based on the internal management reporting format. All items of assets and liabilities, incomes and expenses are allocated to the reporting segments either directly or based on reasonable criteria established by the management.

The clients of Victoriabank and Idea Bank, are classified according to the Bank's standards. The segment "Leasing and loans to non-banking financial institutions" includes the leasing and consumer finance companies, as described in Note 1.

The remaining non-banking subsidiaries are included in the segment "Other-Group". The "Intra-group eliminations & adjustments" segment comprises intra-group operations.

The reporting segments are organized and managed separately, depending on the nature of products and services provided, each segment being specialized on certain products and operating on different markets.

A business segment is a component of the Group:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity);
- The operating results of which are reviewed regularly by the entity's decision maker in order to make decisions about resources to be allocated to the segment and to assess its performance;
- For which distinct financial information is available.

The reporting segment of the Group as described below:

Large Corporate Clients („LaCo"): The Group and the Bank include in this category mainly companies/group of companies with an annual turnover exceeding RON 100 million, as well as legal entities created to serve a particular function (SPV), public entities and financial institutions included in this category based on specific classification criteria. The companies in this category usually have specific and sophisticated needs. Through its centralized and customized approach, the Bank seeks to ensure high operational efficiency, a prompt assessment of the specific needs of this type of clients in order to offer the appropriate customized solutions, but also an in-depth perspective of the risk profile in order to maintain a high quality loan portfolio.

6. Segment reporting *(continued)*

The Large Corporate clients have access to an all-inclusive package of banking products and services. The incomes generated by this segment resulting from lending operations, current business operations (transaction banking, Treasury, trade finance and retail products) and other related services (leasing, asset management, consultancy on mergers and acquisitions, capital market advisory services). Through the services provided, the Bank aims at extending its cooperation to the business partners of the LaCo segment - clients/suppliers/employees - by focusing on the increase of non-risk income.

Medium Corporate Customers („MidCo"): The Group and the Bank include in this category mainly the companies with an annual turnover between 9 and 100 million RON. By setting such value thresholds in the classification of MidCo clients, the Bank is able to address the most frequent requests coming from this category of clients: tailored financing solutions, access to a wide range of banking services, pricing based on financial performance, dedicated and flexible relationship management, operational agility. Depending on the activity type, the customized approach related to customers is supported by two existent specializations, notably Agribusiness and Healthcare.
The MidCo segment includes also entities operating in the public sector, financial institutions or legal entities serving particular functions, included in this category based on specific classification criteria.

The Bank offers a full array of financial services to its Mid Corporate clients, including lending facilities, current operations, treasury services, but also additional services such as bonus packages for employees, structured finance, co-financing of EU funded projects; the Bank also facilitates the access to the services provided by the Group subsidiaries, such as bancassurance, consultancy on mergers and acquisitions, asset management, financial and operating lease, with the purpose to increase its profitability and non-risk income.

SME clients - companies with an annual turnover between 2 and 9 million RON. These are companies that have undergone the incipient growth stages and whose business activity requires further attention. Consequently, the needs of such companies become more specific, with priority for financing.

Micro Business clients – company customers with an annual turnover up to 2 million RON.
This category comprises the largest number of companies and the most diverse types of entities, such as limited liability companies, freelancers, sole proprietorships, etc.
The business lifespan (many such clients are fresh companies), the entrepreneur's expertise and the market on which the company operates generate certain needs that the Group and the Bank attempt to serve through product and service packages dedicated to this category of customers, which have become a hallmark in the banking sector over the years.

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Lending products are accessed more frequently as the Micro or SME business takes shape: loans for working capital or investments, letters of guarantee, EU project co-financing, credit cards, leasing, invoice discounting or factoring.
Another important category of products refers to general operations, incoming and outgoing payments, cheques, promissory notes, FX operations, salary payment agreements or bancassurance services. Increased attention is given to the digitalization of our products and services, our clients showing more and more interest in internet & mobile banking, e-commerce, last generation POSs and the integration of financial data in the proprietary accounting systems.

Retail customers The Group and the Bank provide individuals with a wide range of banking products and services, including loans (consumer loans, car purchase loans, personal need loans and mortgage loans), savings and deposit accounts, payment services and securities trading.

Treasury: The Group and the Bank comprise in this category the treasury services.

Leasing and consumer finance granted by non-banking financial institutions: the Group includes in this category financial products and services such as lease facilities, consumer loans and microfinance provided by the non-banking financial institutions of the Group.

Other: The Group and the Bank incorporate in this category the services offered by other financial entities within the Group: asset management, brokerage, factoring and real estate , as well as elements that do not fall into the existing categories and result from financial and strategic decisions taken centrally.

In terms of geographical distribution, the Group and the Bank cover mainly the Romanian territory, except for the Italy branch operations linked to the Bank while at the Group level there is the banking activity of Victoriabank and the financial lease activity of BT Leasing Moldova; however, the impact of these entities on the balance sheet and income statement is not material at Group level. There is no further information regarding the geographical distribution used by the management of the Group and the Bank; therefore it is not presented here.

As at 31 December 2021 and 31 December 2020, the Bank or the Group did not record income exceeding 10% of total incomes in relation to a single customer.

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

The table below presents financial information per segments regarding the consolidated statement of financial position and the operating profit before net expenses with the impairment allowance for loans and advances to customers, for the financial year ended at 31 December 2021, and comparative data for 2020:

Reporting segments as at 31 December 2021

Group *In RON thousand*	**Large Corporate**	**Mid Corporate**	**SME**	**Micro**	**Retail**	**Treasury**	**Leasing and consumer loans granted by non-banking financial institutions**	**Other - Group**	**Intra-group eliminations & adjustments**	**Total**
Gross loans and finance lease receivables	9,026,678	7,810,256	3,582,273	4,120,221	28,454,621	-	2,929,671	5,948,267	(1,818,483)	**60,053,504**
Provisions for principal	(810,766)	(827,187)	(294,632)	(503,230)	(1,249,340)	-	(302,877)	(13,418)	65,731	**(3,935,719)**
Loans and finance lease receivables net of provisions	8,215,912	6,983,069	3,287,641	3,616,991	27,205,281	-	2,626,794	5,934,849	(1,752,752)	**56,117,785**
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	-	44,120,816	-	401,085	(317,724)	**44,204,177**
Treasury and inter-bank operations	-	-	-	-	-	28,505,564	49,499	424,876	(264,729)	**34,641,649**
Property and equipment and investment property, Intangible assets and goodwill	67,846	157,105	82,984	194,163	618,925	41,065	12,014	331,802	(8,562)	**1,497,342**
Right-of-use assets	30,505	61,692	32,017	85,004	244,802	16,233	10,919	16,412	(5,563)	**492,021**
Other assets	229,912	212,691	91,574	98,804	730,326	0	80,534	96,319	(65,505)	**1,474,655**
Total assets	**8,544,175**	**7,414,557**	**3,494,216**	**3,994,962**	**28,799,334**	**72,683,678**	**2,779,760**	**7,205,343**	**(2,414,835)**	**132,501,190**
Deposits from customers and current accounts	6,026,098	8,701,281	6,151,819	15,493,031	71,889,830	1,047,310	-	696	(264,177)	**109,045,888**
Loans from banks and other financial institutions	136,702	543,683	88,708	111,399	112,343	6,526,809	2,019,081	232,901	(1,842,126)	**7,929,500**
Subordinated liabilities	-	-	-	-	-	1,780,464	-	-	(17,980)	**1,762,484**
Lease liabilities	84,216	71,299	33,004	37,418	263,189	630	11,096	3,498	(5,753)	**498,597**
Other liabilities	527,530	373,990	123,885	147,877	1,060,014	692	122,170	370,781	(26,352)	**2,700,587**
Total liabilities	**6,774,546**	**9,690,253**	**6,397,416**	**15,789,725**	**73,325,376**	**9,355,905**	**2,152,347**	**607,876**	**(2,156,388)**	**121,937,056**
Equity and related items	-	-	-	-	-	-	-	10,564,134	-	**10,564,134**
Total liabilities and equity	**6,774,546**	**9,690,253**	**6,397,416**	**15,789,725**	**73,325,376**	**9,355,905**	**2,152,347**	**11,172,010**	**(2,156,388)**	**132,501,190**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2020

Group *In RON thousand*	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Intra-group eliminations & adjustments	Total
Gross loans and finance lease receivables	7,024,155	6,734,327	2,663,702	3,609,606	24,527,003	-	2,450,243	6,255	(1,396,733)	**45,618,558**
Provisions for principal	(765,340)	(770,768)	(249,906)	(410,067)	(1,057,664)	-	(293,705)	(1,877)	51,029	**(3,498,298)**
Loans and finance lease receivables net of provisions	6,258,815	5,963,559	2,413,796	3,199,539	23,469,339	-	2,156,538	4,378	(1,345,704)	**42,120,260**
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	-	33,144,340	-	414,278	(237,059)	**33,321,559**
Treasury and inter-bank operations	-	-	-	-	-	29,188,356	48,986	243,295	(124,149)	**29,356,488**
Property and equipment and investment property, Intangible assets and goodwill	57,034	138,923	72,658	164,021	482,583	21,949	8,080	289,031	(6,956)	**1,227,323**
Right-of-use assets	27,702	55,831	29,112	79,667	226,937	9,607	6,573	17,513	(4,090)	**448,852**
Other assets	144,596	166,129	60,035	72,576	530,653	-	24,065	88,463	(68,602)	**1,017,915**
Total assets	**6,488,147**	**6,324,442**	**2,575,601**	**3,515,803**	**24,709,512**	**62,364,252**	**2,244,242**	**1,056,958**	**(1,786,560)**	**107,492,397**
Deposits from customers and current accounts	4,474,760	6,983,527	4,936,113	12,732,126	61,940,642	314,837	-	1,902	(122,548)	**91,261,359**
Loans from banks and other financial institutions	42,291	613,906	142,557	162,108	147,647	83,564	1,722,445	200,310	(1,423,160)	**1,691,668**
Subordinated liabilities	-	-	-	-	-	1,664,463	-	-	3,298	**1,667,761**
Lease liabilities	72,079	68,685	28,360	35,912	244,405	454	6,754	2,302	(4,159)	**454,792**
Other liabilities	372,251	292,662	83,099	106,312	866,374	536	44,236	262,956	(25,967)	**2,002,459**
Total liabilities	**4,961,381**	**7,958,780**	**5,190,129**	**13,036,458**	**63,199,068**	**2,063,854**	**1,773,435**	**467,470**	**(1,572,536)**	**97,078,039**
Equity and related items	-	-	-	-	-	-	-	10,414,358	-	**10,414,358**
Total liabilities and equity	**4,961,381**	**7,958,780**	**5,190,129**	**13,036,458**	**63,199,068**	**2,063,854**	**1,773,435**	**10,881,828**	**(1,572,536)**	**107,492,397**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2021

Group	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Intra-group eliminations & adjustments	Total
In RON thousand										
Net interest income	130,786	257,173	148,385	238,063	1,031,522	380,333	255,797	691,193	8,867	**3,142,119**
Net commission income	66,117	115,636	76,390	283,785	325,666	(2,331)	13,491	84,205	(1,602)	**961,357**
Net trading income	9,992	43,076	44,877	84,960	173,328	141,552	5,126	21,031	4,740	**528,682**
Net loss (-) / gain from financial assets measured through comprehensive income	-	-	-	-	-	91,327	-	87,690	6	**179,023**
Net loss / gain (-) from financial assets which are required to be measured through profit and loss	-	-	-	-	-	34,721	-	3,688	-	**38,409**
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(4,160)	(7,880)	(5,021)	(11,824)	(61,115)	-	-	-	-	**(90,000)**
Other operating income	24,420	21,192	11,151	7,704	105,124	127	16,834	67,317	(72,045)	**181,824**
Total income	**227,155**	**429,197**	**275,782**	**602,688**	**1,574,525**	**645,729**	**291,248**	**955,124**	**(60,034)**	**4,941,414**
Personnel expenses	(74,661)	(186,995)	(96,854)	(206,880)	(545,548)	(29,772)	(67,805)	(119,762)	-	**(1,328,277)**
Other operating expenses	(31,784)	(63,482)	(32,887)	(76,972)	(286,990)	(22,906)	(41,339)	(152,402)	12,870	**(695,892)**
Depreciation and amortization	(23,926)	(45,637)	(24,467)	(64,377)	(184,952)	(9,820)	(7,672)	(17,096)	20,116	**(357,831)**
Total Expenses	**(130,371)**	**(296,114)**	**(154,208)**	**(348,229)**	**(1,017,490)**	**(62,498)**	**(116,816)**	**(289,260)**	**32,986**	**(2,382,000)**
Operating profit before net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	**96,784**	**133,083**	**121,574**	**254,459**	**557,035**	**583,231**	**174,432**	**665,864**	**(27,048)**	**2,559,414**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2020

Group	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Intra-group eliminations & adjustments	Total
In RON thousand										
Net interest income	115,072	227,292	189,660	229,457	971,555	199,982	220,459	821,917	1,699	**2,977,093**
Net commission income	50,194	112,401	69,501	233,110	242,264	(2,211)	7,080	66,133	(2,011)	**776,461**
Net trading income	9,116	38,587	34,841	64,907	129,462	78,311	9,142	(18,740)	(507)	**345,119**
Net loss (-) / gain from financial assets measured through comprehensive income	-	-	-	-	-	153,366	-	147,299	-	**300,665**
Net loss / gain (-) from financial assets which are required to be measured through profit and loss	-	-	-	-	-	76,560	-	(2,450)	-	**74,110**
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(4,648)	(5,417)	(3,855)	(9,156)	(51,370)	-	-	-	-	**(74,446)**
Other operating income	17,045	15,041	4,928	1,700	65,445	122	11,293	36,662	(15,073)	**137,163**
Total income	**186,779**	**387,904**	**295,075**	**520,018**	**1,357,356**	**506,130**	**247,974**	**1,050,821**	**(15,892)**	**4,536,165**
Personnel expenses	(62,565)	(173,722)	(92,150)	(180,354)	(417,752)	(19,909)	(51,064)	(99,983)	8	**(1,097,491)**
Other operating expenses	(30,238)	(68,424)	(35,425)	(70,317)	(239,562)	(20,258)	(43,476)	(125,562)	10,577	**(622,685)**
Depreciation and amortization	(19,221)	(43,186)	(23,774)	(60,275)	(158,127)	(6,719)	(6,566)	(12,821)	2,968	**(327,721)**
Total Expenses	**(112,024)**	**(285,332)**	**(151,349)**	**(310,946)**	**(815,441)**	**(46,886)**	**(101,106)**	**(238,366)**	**13,553**	**(2,047,897)**
Operating profit before net, expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	**74,755**	**102,572**	**143,726**	**209,072**	**541,915**	**459,244**	**146,868**	**812,455**	**(2,339)**	**2,488,268**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities

a) Accounting classifications and fair value

Group, as at 31 December 2021					Retail						Non-Retail			
					in RON		in FCY				in RON		in FCY	
In RON thousand	Total carrying amount 2021	Total fair value 2021	Total carrying amount retail customers	Total fair value retail customers	Carrying amount	Fair value	Carrying amount	Fair value	Total carrying amount companies	Total fair value companies	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	419,377	419,377	-	-	-	-	-	-	419,377	419,377	390,904	390,904	28,473	28,473
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,108,316	1,108,316	-	-	-	-	-	-	1,108,316	1,108,316	344,812	344,812	763,504	763,504
- Equity instruments	*238,020*	*238,020*	-	-	-	-	-	-	*238,020*	*238,020*	*442*	*442*	*237,578*	*237,578*
- Debt instruments	*870,296*	*870,296*	-	-	-	-	-	-	*870,296*	*870,296*	*344,370*	*344,370*	*525,926*	*525,926*
Financial assets carried at amortized cost	87,371,010	87,711,357	27,883,616	28,233,299	23,557,709	23,782,721	4,325,907	4,450,578	59,487,394	59,478,058	30,634,227	30,634,996	28,853,167	28,843,062
Financial assets measured at fair value through other items of comprehensive income	41,193,373	41,193,373	-	-	-	-	-	-	41,193,373	41,193,373	23,920	23,920	17,272,613	17,272,613
- Equity instruments	*52,652*	*52,652*	-	-	-	-	-	-	*52,652*	*52,652*	*37,972*	*37,972*	*14,680*	*14,680*
- Debt instruments	*41,110,777*	*41,110,777*	-	-	-	-	-	-	*41,110,777*	*41,110,777*	*23,882,788*	*23,882,788*	*17,227,989*	*17,227,989*
- Loans and advances	*29,944*	*29,944*	-	-	-	-	-	-	*29,944*	*29,944*	-	-	*29,944*	*29,944*
Total financial assets	**130,092,076**	**130,432,423**	**27,883,616**	**28,233,299**	**23,557,709**	**23,782,721**	**4,325,907**	**4,450,578**	**102,208,460**	**102,199,124**	**55,290,703**	**55,291,472**	**46,917,757**	**46,907,652**
Financial liabilities														
Financial liabilities held-for-trading	39,179	39,179	-	-	-	-	-	-	39,179	39,179	38,420	38,420	759	759
Financial liabilities measured at amortized cost	121,062,550	121,074,647	72,421,343	72,408,424	36,102,362	36,092,222	36,318,981	36,316,202	48,641,207	48,666,223	33,997,255	34,021,973	14,643,952	14,644,250
Total financial liabilities	**121,101,729**	**121,113,826**	**72,421,343**	**72,408,424**	**36,102,362**	**36,092,222**	**36,318,981**	**36,316,202**	**48,680,386**	**48,705,402**	**34,035,675**	**34,060,393**	**14,644,711**	**14,645,009**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Group, as at 31 December 2020					Retail						Non-Retail			
					in RON		in FCY				in RON		in FCY	
In RON thousand	Total carrying amount 2020	Total fair value 2020	Total carrying amount retail customers	Total fair value retail customers	Carrying amount	Fair value	Carrying amount	Fair value	Total carrying amount companies	Total fair value companies	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	368,562	368,562	-	-	-	-	-	-	368,562	368,562	329,208	329,208	39,354	39,354
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,085,714	1,085,714	-	-	-	-	-	-	1,085,714	1,085,714	382,985	382,985	702,729	702,729
- Equity instruments	*217,564*	*217,564*	-	-	-	-	-	-	*217,564*	*217,564*	*372*	*372*	*217,192*	*217,192*
- Debt instruments	*868,150*	*868,150*	-	-	-	-	-	-	*868,150*	*868,150*	*382,613*	*382,613*	*485,537*	*485,537*
Financial assets carried at amortized cost	73,326,959	73,144,906	24,065,107	23,888,462	19,464,236	19,182,232	4,600,871	4,706,230	49,261,852	49,256,444	23,468,803	23,491,370	25,793,049	25,765,074
Financial assets measured at fair value through other items of comprehensive income	30,877,177	30,877,177	-	-	-	-	-	-	30,877,177	30,877,177	18,043,325	18,043,325	12,833,852	12,833,852
- Equity instruments	*32,687*	*32,687*	-	-	-	-	-	-	*32,687*	*32,687*	*24,848*	*24,848*	*7,839*	*7,839*
- Debt instruments	*30,813,652*	*30,813,652*	-	-	-	-	-	-	*30,813,652*	*30,813,652*	*18,018,477*	*18,018,477*	*12,795,175*	*12,795,175*
- Loans and advances	*30,838*	*30,838*	-	-	-	-	-	-	*30,838*	*30,838*	-	-	*30,838*	*30,838*
Total financial assets	**105,658,412**	**105,476,359**	**24,065,107**	**23,888,462**	**19,464,236**	**19,182,232**	**4,600,871**	**4,706,230**	**81,593,305**	**81,587,897**	**42,224,321**	**42,246,888**	**39,368,984**	**39,341,009**
Financial liabilities														
Financial liabilities held-for-trading	34,817	34,817	-	-	-	-	-	-	34,817	34,817	34,368	34,368	449	449
Financial liabilities measured at amortized cost	96,237,369	96,241,743	62,522,396	62,526,546	32,708,431	32,726,394	29,813,965	29,800,152	33,714,973	33,715,197	21,795,516	21,796,386	11,919,457	11,918,811
Total financial liabilities	**96,272,186**	**96,276,560**	**62,522,396**	**62,526,546**	**32,708,431**	**32,726,394**	**29,813,965**	**29,800,152**	**33,749,790**	**33,750,014**	**21,829,884**	**21,830,754**	**11,919,906**	**11,919,260**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Bank, as at 31 December 2021 *In RON thousand*	Total carrying amount 2021	Total fair value 2021	Retail						Non-Retail					
			Total carrying amount retail customers	Total fair value retail customers	in RON		in FCY		Total carrying amount companies	Total fair value companies	in RON		in FCY	
					Carrying amount	Fair value	Carrying amount	Fair value			Carrying amount	Fair value	Carrying amount	Fair value
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	111,049	111,049	-	-	-	-	-	-	111,049	111,049	110,098	110,098	951	951
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,465,497	1,465,497	-	-	-	-	-	-	1,465,497	1,465,497	630,961	630,961	834,536	834,536
- Equity instruments	*237,578*	*237,578*	-	-	-	-	-	-	*237,578*	*237,578*	-	-	*237,578*	*237,578*
- Debt instruments	*1,227,919*	*1,227,919*	-	-	-	-	-	-	*1,227,919*	*1,227,919*	*630,961*	*630,961*	*596,958*	*596,958*
Financial assets carried at amortized cost	*79,854,340*	*80,271,135*	*25,713,324*	*26,101,762*	*22,113,078*	*22,366,311*	*3,600,246*	*3,735,451*	*54,141,016*	*54,169,373*	*30,147,875*	*30,162,010*	*23,993,141*	*24,007,363*
Financial assets measured at fair value through other items of comprehensive income	40,853,784	40,853,784	-	-	-	-	-	-	40,853,784	40,853,784	23,676,995	23,676,995	17,176,789	17,176,789
- Equity instruments	*15,904*	*15,904*	-	-	-	-	-	-	*15,904*	*15,904*	*12,638*	*12,638*	*3,266*	*3,266*
- Debt instruments	40,807,937	40,807,937	-	-	-	-	-	-	40,807,937	40,807,937	*23,664,357*	*23,664,357*	*17,143,580*	*17,143,580*
- Loans and receivables	*29,943*	*29,943*	-	-	-	-	-	-	*29,943*	*29,943*	-	-	*29,943*	*29,943*
Total financial assets	**122,284,670**	**122,701,465**	**25,713,324**	**26,101,762**	**22,113,078**	**22,366,311**	**3,600,246**	**3,735,451**	**96,571,346**	**96,599,703**	**54,565,929**	**54,580,064**	**42,005,417**	**42,019,639**
Financial liabilities														
Financial liabilities held-for-trading	38,689	38,689	-	-	-	-	-	-	38,689	38,689	37,930	37,930	759	759
Financial liabilities measured at amortized cost	114,971,651	114,986,259	68,694,066	68,683,959	35,205,529	35,195,389	33,488,537	33,488,570	46,277,585	46,302,300	33,325,414	33,350,132	12,952,171	12,952,168
Total financial liabilities	**115,010,340**	**115,024,948**	**68,694,066**	**68,683,959**	**35,205,529**	**35,195,389**	**33,488,537**	**33,488,570**	**46,316,274**	**46,340,989**	**33,363,344**	**33,388,062**	**12,952,930**	**12,952,927**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Bank, as at 31 December 2020					Retail						Non-Retail			
					in RON		in FCY				in RON		in FCY	
In RON thousand	Total carrying amount 2020	Total fair value 2020	Total carrying amount retail customers	Total fair value retail customers	Carrying amount	Fair value	Carrying amount	Fair value	Total carrying amount companies	Total fair value companies	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	39,662	39,662	-	-	-	-	-	-	39,662	39,662	39,015	39,015	647	647
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,349,673	1,349,673	-	-	-	-	-	-	1,349,673	1,349,673	627,450	627,450	722,223	722,223
- Equity instruments	217,192	217,192	-	-	-	-	-	-	217,192	217,192	-	-	217,192	217,192
- Debt instruments	1,132,481	1,132,481	-	-	-	-	-	-	1,132,481	1,132,481	627,450	627,450	505,031	505,031
Financial assets carried at amortized cost	68,900,944	68,728,286	23,016,535	22,841,200	18,978,860	18,717,024	4,037,675	4,124,176	45,884,409	45,887,086	23,358,015	23,378,066	22,526,394	22,509,020
Financial assets measured at fair value through other items of comprehensive income	30,850,770	30,850,770	-	-	-	-	-	-	30,850,770	30,850,770	18,026,435	18,026,435	12,824,335	12,824,335
- Equity instruments	14,816	14,816	-	-	-	-	-	-	14,816	14,816	12,621	12,621	2,195	2,195
- Debt instruments	30,805,116	30,805,116	-	-	-	-	-	-	30,805,116	30,805,116	18,013,814	18,013,814	12,791,302	12,791,302
- Loans and receivables	30,838	30,838	-	-	-	-	-	-	30,838	30,838	-	-	30,838	30,838
Total financial assets	**101,141,049**	**100,968,391**	**23,016,535**	**22,841,200**	**18,978,860**	**18,717,024**	**4,037,675**	**4,124,176**	**78,124,514**	**78,127,191**	**42,050,915**	**42,070,966**	**36,073,599**	**36,056,225**
Financial liabilities														
Financial liabilities held-for-trading	34,817	34,817	-	-	-	-	-	-	34,817	34,817	34,369	34,369	449	449
Financial liabilities measured at amortized cost	93,066,448	93,085,577	60,645,207	60,663,465	32,580,419	32,598,381	28,064,788	28,065,084	32,421,241	32,422,112	21,676,172	21,677,043	10,745,069	10,745,069
Total financial liabilities	**93,101,265**	**93,120,394**	**60,645,207**	**60,663,465**	**32,580,419**	**32,598,381**	**28,064,788**	**28,065,084**	**32,456,058**	**32,456,929**	**21,710,541**	**21,711,412**	**10,745,518**	**10,745,518**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities

The Group and the Bank measure the fair value of financial instruments by using the following fair value hierarchy:

Level 1 in the fair value hierarchy
The fair value of financial assets and liabilities included in Level 1 in the fair value hierarchy is determined based on quoted prices in active markets for identical assets or liabilities. Quoted prices that are being applied must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 in the fair value hierarchy
The fair value of financial assets and liabilities included in Level 2 in the fair value hierarchy is determined by using evaluation methods which contain observable market data when market prices are not available. Level 2 evaluations generally use observable market parameters, such as interest rates and yield curves observable at commonly quoted intervals, preset volatilities and credit spreads.

Level 3 in the fair value hierarchy
The fair value of financial assets and liabilities included in Level 3 in the fair value hierarchy is determined by using input data that are not based on observable market information (unobservable data inputs shall reflect the assumptions made by the market participants to establish the price of an asset or a liability, including risk assumptions).
The objective of valuation techniques is to derive the fair value that reflects a price for the financial instrument at the reporting date, price that would be obtained by the market participants acting at arm's length.

The availability of observable market data and models reduces the need for the Management to operate judgements and estimations and also reduces the uncertainty associated with the determination of the fair value. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The management uses its judgment to select the valuation method and makes assumptions that are mainly based on market conditions existing at the date of the consolidated/ separate statement of the financial position.

i) Fair value hierarchy analysis of financial instruments carried at fair value

At level 1 in the fair value hierarchy, the Group and the Bank included in the category of assets: equity instruments and debt instruments held at fair value through profit or loss, bonds classified as assets measured at fair value through other items of comprehensive income, except for the bonds issued by Municipalities.

At level 2 in the fair value hierarchy, the Group and the Bank included in the category of assets: derivatives held at fair value through profit or loss, bonds classified as assets measured at fair value through other items of comprehensive income issued by Municipalities and in the category of liabilities: derivatives classified as financial liabilities held for trading.

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

i) Fair value hierarchy analysis of financial instruments carried at fair value *(continued)*

At level 3 in the fair value hierarchy, the Group and the Bank included in the category of assets: equity instruments , fixed assets and investment property.

The table below presents the financial instruments measured at fair value in the statement of financial position, at the end of the reporting period, by fair value levels:

***Group** - In RON thousand*	**Notes**	**Level 1 - Quoted market prices in active markets**	**Level 2 - Valuation techniques – observable inputs**	**Level 3 - Valuation techniques – unobservable inputs**	**Total**
31 December 2021					
Financial assets held for trading and measured at fair value through profit or loss, of which:	*21.a)*	**317,955**	**-**	**20,495**	**338,450**
- Equity instruments		*205,313*	-	-	***205,313***
- Debt instruments		*112,642*	-	20,495	***133,137***
Derivatives	*43*	**-**	**80,927**	**-**	**80,927**
Financial assets measured at fair value through other items of comprehensive income	*24*	**41,002,496**	**602**	**190,275**	**41,193,373**
- Equity instruments		**-**	**-**	**52,652**	**52,652**
- Debt instruments		**41,002,496**	**602**	**107,679**	**41,110,777**
- Loans and advances		**-**	**-**	**29,944**	**29,944**
Financial assets which are required to be measured at fair value through profit or loss, of which:		**817,263**	**10,191**	**280,862**	**1,108,316**
- Equity instruments	*21.b)*	**238,020**	**-**	**-**	**238,020**
- Debt instruments		**579,243**	**10,191**	**280,862**	**870,296**
Total financial assets measured at fair value in the statement of financial position		**42,137,714**	**91,720**	**491,632**	**42,721,066**
Non-financial assets at fair value		-	-	**1,064,215**	**1,064,215**
- Property and equipment and investment property	*26*	-	-	*1,064,215*	*1,064,215*
Total assets measured at fair value in the statement of financial position		**42,137,714**	**91,720**	**1,555,847**	**43,785,281**
Financial liabilities held-for-trading	*43*	**-**	**39,179**	**-**	**39,179**
31 December 2020					
Financial assets held for trading and measured at fair value through profit or loss, of which:	*21.a)*	**346,472**	**-**	**-**	**346,472**
- Equity instruments		226,137	-	-	**226,137**
- Debt instruments		120,335	-	-	**120,335**
Derivatives	*43*	**-**	**22,090**	**-**	**22,090**
Financial assets measured at fair value through other items of comprehensive income	*24*	**30,812,897**	**755**	**63,525**	**30,877,177**
- Equity instruments		-	-	32,687	**32,687**
- Debt instruments		30,812,897	755	-	**30,813,652**
- Loans and advances		-	-	30,838	**30,838**
Financial assets which are required to be measured at fair value through profit or loss, of which:	*21.b)*	**745,920**	**62,226**	**277,568**	**1,085,714**
- Equity instruments		217,564	-	-	**217,564**
- Debt instruments		528,356	62,226	277,568	**868,150**
Total financial assets measured at fair value in the statement of financial position		**31,905,289**	**85,071**	**341,093**	**32,331,453**
Non-financial assets at fair value		**-**	**-**	**904,297**	**904,297**
- Property and equipment and investment property	*26*	-	-	904,297	**904,297**
Total assets measured at fair value in the statement of financial position		**31,905,289**	**85,071**	**1,245,390**	**33,235,750**
Financial liabilities held-for-trading	*43*	**-**	**34,817**	**-**	**34,817**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

i) Fair value hierarchy analysis of financial instruments carried at fair value *(continued)*

Bank - *In RON thousand* **31 December 2021**	**Notes**	**Level 1 - Quoted market prices in active markets**	**Level 2 - Valuation techniques – observable inputs**	**Level 3 - Valuation techniques – unobservable inputs**	**Total**
Financial assets held for trading and measured at fair value through profit or loss, of which:	21.a)	**31,207**	**-**	**-**	**31,207**
- Equity instruments		31,207	-	-	**31,207**
Derivatives	43	**-**	**79,842**	**-**	**79,842**
Financial assets measured at fair value through other items of comprehensive income	24	**40,699,656**	**602**	**153,526**	**40,853,784**
- Equity instruments		-	-	15,904	**15,904**
- Debt instruments		40,699,656	602	107,679	**40,807,937**
- Loans and receivables		-	-	29,943	**29,943**
Financial assets which are required to be measured at fair value through profit or loss, of which:		**1,174,444**	**10,191**	**280,862**	**1,465,497**
- Equity instruments	21.b)	237,578	-	-	**237,578**
- Debt instruments		936,866	10,191	280,862	**1,227,919**
Total financial assets measured at fair value in the statement of financial position		**41,905,307**	**90,635**	**434,388**	**42,430,330**
Non-financial assets at fair value		**-**	**-**	**652,581**	**652,581**
- Property and equipment and investment property	26	-	-	652,581	**652,581**
Total assets measured at fair value in the statement of financial position		**41,905,307**	**90,635**	**1,086,969**	**43,082,911**
Financial liabilities held-for-trading	43	**-**	**38,689**	**-**	**38,689**
31 December 2020					
Financial assets held for trading and measured at fair value through profit or loss, of which:	21.a)	**17,572**	**-**	**-**	**17,572**
- Equity instruments		*17,572*	**-**	**-**	***17,572***
Derivatives	43	**-**	**22,090**	**-**	***20,090***
Financial assets measured at fair value through other items of comprehensive income	24	**30,804,361**	**755**	**45,654**	***30,850,770***
- Equity instruments		**-**	-	14,816	**14,816**
- Debt instruments		30,804,361	755	-	**30,805,116**
- Loans and receivables		-	-	*30,838*	***30,838***
Financial assets which are required to be measured at fair value through profit or loss, of which:	21.b)	***1,009,879***	**62,226**	**277,568**	***1,349,673***
- Equity instruments		217,192	-	**-**	***217,192***
- Debt instruments		792,687	62,226	277,568	**1,132,481**
Total financial assets measured at fair value in the statement of financial position		***31,831,812***	**85,071**	**323,222**	***32,240,105***
Non-financial assets at fair value		**-**	**-**	***619,041***	***619,041***
- Property and equipment and investment property	26	-	-	619,041	**619,041**
Total assets measured at fair value in the statement of financial position		**31,831,812**	**85,071**	**942,263**	**32,859,146**
Financial liabilities held-for-trading	43	-	**34,817**	**-**	***34,817***

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

ii) Financial instruments not carried at fair value

At level 2 in the fair value hierarchy, the Group and the Bank included in the category of assets that are not held at fair value: placements with banks and public institutions, financial assets measured at amortized cost - debt instruments and in the category of liabilities: deposits from banks and from customers.

At level 3 in the fair value hierarchy, the Group and the Bank included in the category of assets: loans and advances and finance lease receivables and other financial assets; and in the category of liabilities: loans from banks and other financial institutions, subordinated loans and other financial liabilities.

The table below presents the fair value and the fair value hierarchy for the financial assets and liabilities that are not measured at fair value in the statement of financial position at 31 December 2021:

RON thousand	Note	Group					Bank				
		Carrying amount	Fair value	Fair value hierarchy			Carrying amount	Fair value	Fair value hierarchy		
				Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets											
Placements with banks and public institutions	20	10,394,297	10,394,297	-	10,394,297	-	9,612,690	9,612,690	-	9,612,690	-
Loans and advances to customers	22	54,629,754	54,965,684	-	-	54,965,684	52,238,523	52,649,069	-	-	52,649,069
Finance lease receivables	23	1,488,031	1,487,603	-	-	1,487,603	-	-	-	-	-
Financial assets at amortized cost - debt instruments	24	1,483,111	1,487,956	51,103	1,436,853	-	355,331	361,580	-	361,580	-
Other financial assets	30	1,054,904	1,054,904	-	-	1,054,904	884,171	884,171	-	-	884,171
Total assets		**69,050,097**	**69,390,444**	**51,103**	**11,831,150**	**57,508,191**	**63,090,715**	**63,507,510**	**-**	**9,974,270**	**53,533,240**
Liabilities											
Deposits from banks	32	1,024,259	1,024,259	-	1,024,259	-	952,453	952,453	-	952,453	-
Deposits from customers	33	108,021,629	108,007,480	-	108,007,480	-	102,698,085	102,686,447	-	102,686,447	-
Loans from banks and other financial institutions	34	7,929,500	7,955,746	-	-	7,955,746	7,457,843	7,484,089	-	-	7,484,089
Subordinated liabilities	35	1,762,484	1,762,484	-	-	1,762,484	1,706,234	1,706,234	-	-	1,706,234
Lease liabilities		498,597	498,597	-	-	498,597	716,569	716,569	-	-	716,569
Other financial liabilities	37	1,826,081	1,826,081	-	-	1,826,081	1,440,467	1,440,467	-	-	1,440,467

Total liabilities	**121,062,550**	**121,074,647**	**-**	**109,031,739**	**12,042,908**	**114,971,651**	**114,986,259**	**-**	**103,638,900**	**11,347,359**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

ii) Financial instruments not carried at fair value (continued)

The table below presents the fair value and the fair value hierarchy for the financial assets and liabilities that are not measured at fair value in the statement of financial position at 31 December 2020:

RON thousand	Note	Group					Bank				
		Carrying amount	Fair value	Fair value hierarchy			Carrying amount	Fair value	Fair value hierarchy		
				Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets											
Placements with banks and public institutions	20	7,223,277	7,223,277	-	7,223,277	-	6,636,395	6,636,395	-	6,636,395	-
Loans and advances to customers	22	40,892,544	40,692,694	-	-	40,692,694	40,363,909	40,185,867	-	-	40,185,867
Finance lease receivables	23	1,227,716	1,230,658	-	-	1,230,658	-	-	-	-	-
Financial assets at amortized cost - debt instruments	24	990,106	1,004,961	58,212	946,749	-	160,874	166,258	-	166,258	-
Other financial assets	30	860,105	860,105	-	-	860,105	761,133	761,133	-	-	761,133
Total assets		**51,193,748**	**51,011,695**	**58,212**	**8,170,026**	**42,783,457**	**47,922,311**	**47,749,653**	**-**	**6,802,653**	**40,947,000**
Liabilities											
Deposits from banks	32	318,944	318,944	-	318,944	-	311,822	311,822	-	311,822	-
Deposits from customers	33	90,942,415	90,946,555	-	90,946,555	-	88,297,146	88,316,041	-	88,316,041	-
Loans from banks and other financial institutions	34	1,691,668	1,691,902	-	-	1,691,902	1,176,066	1,176,300	-	-	1,176,300
Subordinated liabilities	35	1,667,761	1,667,761	-	-	1,667,761	1,664,464	1,664,464	-	-	1,664,464
Lease liabilities		454,792	454,792	-	-	454,792	709,269	709,269	-	-	709,269
Other financial liabilities	37	1,161,789	1,161,789	-	-	1,161,789	907,681	907,681	-	-	907,681
Total liabilities		**96,237,369**	**96,241,743**	**-**	**91,265,499**	**4,976,244**	**93,066,448**	**93,085,577**	**-**	**88,627,863**	**4,457,714**

Notes to the consolidated and separate financial statements

8. Net interest income

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Interest income calculated using the effective interest method	**3,570,594**	**3,495,215**	**3,236,110**	**3,199,035**
- Cash and curent accounts with Central Banks at AC	10,401	14,200	5,491	10,173
- Placements with banks and public institutions at AC	37,336	103,783	36,857	101,660
- Loans and advances to customers at AC	2,619,094	2,646,980	2,342,226	2,399,967
- Debt instruments at FVOCI	848,476	683,257	846,945	682,900
- Debt instruments at AC	55,287	46,995	4,591	4,335
Other similar income	**125,159**	**165,210**	**11,668**	**11,673**
- Finance lease receivables	113,491	97,969	-	-
- Non-recourse factoring receivables	11,668	67,241	11,668	11,673
Total interest income	**3,695,753**	**3,660,425**	**3,247,778**	**3,210,708**
Interest expense related to financial liabilities measured at amortized cost	**552,281**	**681,981**	**501,261**	**629,232**
- Cash and curent accounts with Central Banks	49,951	54,120	49,829	54,112
- Deposits from banks	12,619	16,752	11,072	15,025
- Deposits from customers	384,134	471,095	347,713	436,103
- Loans from banks and other financial institutions	105,577	140,014	92,647	123,992
Other similar expense	**1,353**	**1,351**	**6,681**	**1,409**
- Lease liabilities	1,353	1,351	6,681	1,409
Total interest expense	**553,634**	**683,332**	**507,942**	**630,641**
Net interest income	**3,142,119**	**2,977,093**	**2,739,836**	**2,580,067**

(i) Interest income for the year ended at 31 December 2021 includes the net interest income on impaired financial assets amounting RON 117,617 thousand (2020: RON 121,832 thousand) for the Group and RON 90,721 thousand (2020: RON 96,164 thousand) for the Bank.

The interest income and expense related to the financial assets and liabilities, other than those held at fair value through profit and loss, are determined using the effective interest rate method.

9. Net fee and commission income

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Fee and commission income				
Commissions from treasury and inter-bank operations	179,922	132,711	179,725	132,711
Client transactions	1,205,291	980,128	999,450	819,098
Lending activity *(i)*	41,127	34,902	40,139	34,420
Finance lease management	1,926	51	-	-
Other fee and commission income	4,609	4,148	531	658
Total fee and commission income	***1,432,875***	***1,151,940***	***1,219,845***	***986,887***
Fee and commission expense				
Commissions from treasury and inter-bank operations	322,353	248,841	270,861	213,191
Client transactions	119,614	100,460	98,076	78,155
Lending activity *(i)*	27,419	24,010	42,375	36,891
Other fees and commissions	2,132	2,168	2,257	2,210
Total fee and commission expense	***471,518***	***375,479***	***413,569***	***330,447***
Net fee and commission income	**961,357**	**776,461**	**806,276**	**656,440**

(i) *Lending-related fees include guarantee assessment and amendment fees, debt recovery fees.*

Notes to the consolidated and separate financial statements

10. Net trading income

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Net income from foreign exchange transactions	440,666	365,139	398,361	315,137
Net expense from derivatives	28,283	(28,181)	27,831	(28,178)
Net income/(expense) from financial assets held-for-trading	37,904	(15,650)	14,744	1,151
Net income from foreign exchange position revaluation	21,829	23,811	20,350	22,011
Net trading income	**528,682**	**345,119**	**461,286**	**310,121**

11. Net gain/loss(-) from the sale of financial assets measured at fair value through other items of comprehensive income

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Income from the sale of financial assets measured at fair value through other items of comprehensive income	198,939	305,442	198,876	305,387
Losses from the sale of financial assets measured at fair value through other items of comprehensive income	(19,916)	(4,777)	(19,916)	(4,777)
Net gain/loss(-) from the sale of financial assets measured at fair value through other items of comprehensive income	**179,023**	**300,665**	**178,960**	**300,610**

12. Net gain/loss(-) from financial assets which are required to be measured at fair value through profit or loss

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Losses from financial assets which are required to be measured at fair value through profit or loss	(156,760)	(194,251)	(163,837)	(308,330)
Income from financial assets which are required to be measured at fair value through profit or loss	195,169	268,361	228,325	350,830
Net gain/loss(-) from financial assets which are required to be measured at fair value through profit or loss	**38,409**	**74,110**	**64,488**	**42,500**

13. Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund

The impact of the breakdown of the annual contribution to the two funds, as reflected in the separate and consolidated statement of profit or loss, is the following:

	Group		Bank	
	2021	**2020**	**2021**	**2020**
Contribution to the Bank Deposit Guarantee Fund	30,500	33,093	27,767	30,551
Bank Resolution Fund	59,500	41,353	54,255	39,244
Total	**90,000**	**74,446**	**82,022**	**69,795**

14. Other operating income

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Dividend income	3,243	2,974	33,808	6,939
Income from insurance intermediation	106,559	69,248	85,534	53,911
Income from VISA, MASTERCARD, WU services	16,456	15,719	16,456	15,719
Income from indemnities, fines and penalties	9,132	9,863	6,657	6,818
Other operating income *(i)*	39,057	39,359	36,899	33,874
Total	**174,447**	**137,163**	**179,354**	**117,261**

(i) The category "Other operating income" includes the following types of income: debt recoveries related to closed accounts, cash at hand differences, income from recovered legal expenses, other recoveries from operating expenses.

15. Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments

(a) *Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss*

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Net impairment allowance on assets (i)	665,926	1,027,374	631,299	916,710
Loans written off	16,736	5,259	1	1
Finance lease receivables written off	10,422	16,947	-	-
Provisions for other risks and loan commitments	17,151	97,568	10,567	106,228
Recoveries from loans written off	(298,148)	(244,148)	(287,237)	(227,826)
Recoveries from finance lease receivables written off	(26,243)	(32,225)	-	-
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	**385,844**	**870,775**	**354,630**	**795,113**

(i) Net impairment losses on assets include the following:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Loans and advances to customers	560,446	984,194	549,203	911,369
Treasury and inter-bank operations	4,554	93	4,442	403
Finance lease receivables	16,708	32,929	-	-
Investment securities	76,296	4,481	72,751	2,312
Other financial assets	7,922	5,677	4,903	2,626
Net impairment allowance on assets	**665,926**	**1,027,374**	**631,299**	**916,710**

(b*) (Other) Provisions and reversal of provisions*

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Other non-financial assets	(11,517)	4,105	(1,583)	(2,831)
Litigation and other risks	(117,711)	(9,040)	(118,220)	(8,398)
(Other) Provisions and reversal of provisions	**(129,228)**	**(4,935)**	**(119,803)**	**(11,229)**

16. Personnel expenses

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Gross salaries	1,055,620	933,974	918,262	817,659
Social protection contribution	44,433	39,795	29,302	26,491
Share payments to employees	123,142	62,894	122,225	60,564
Pension contribution Pillar III	15,619	12,005	14,600	11,256
Other staff expenses	71,543	52,928	65,089	47,642
Net income/(expense) with provisions for untaken holiday and other benefits	17,920	(4,105)	9,587	(4,759)
Total	**1,328,277**	**1,097,491**	**1,159,065**	**958,853**

The average number of new employees within the Group and the Bank during 2021 and 2020 was:

Category	**Monthly average number of persons employed during 2021**		**Monthly average number of persons employed during 2020**	
	Group	**Bank**	**Group**	**Bank**
Management positions	2.08	0.17	1.08	0.08
Operational positions	145.50	108.58	108.25	82.33
Total	**147.58**	**108.75**	**108.67**	**82.42**

The Bank has established a Stock Option Plan (SOP) program, within which the Bank's staff can exercise their right and option to acquire a number of shares issued by the Bank.
Vesting conditions for 2022 related to SOP 2021:

- Achievement of performance and prudential indicators during 2021;
- Compliance with certain individual eligibility and/or performance criteria, in accordance with the applicable remuneration policy and standard, related to the year for which shares are granted;
- Being an employee upon the granting of the SOP right (31 May 2022) and when exercising such right (starting from 01 June 2022).

Contractual vesting period for the shares granted for the year 2021 through SOP:

- Release after 01 June 2022;
- Deferral period for the identified personnel subject to applicable restrictions, pursuant to internal regulations in force.

The impact in profit or loss of a possible value change of the shares which are to be granted to the employees under the Stock Option Plan for 2020, by a maximum of +/-15.00% regulated by the Bucharest Stock Exchange, would be of RON +/- 15,830 thousand.

The movement in transactions relating to share-based payments during 2021 and 2020 is presented below:

In RON thousand	**2021**	**2020**
Balance as at January 1	**8,817**	**26,927**
Rights granted during the year	(58,780)	(78,675)
Expense with employee benefits in the form of share-based payments	122,225	60,565
Closing balance at the end of period	**72,262**	**8,817**

16. Personnel expenses *(continued)*

23,788,728 shares were granted to employees and shareholders in 2021; during the year 2020, a number of 35,068,919 shares was granted to the employees and shareholders:

Granting date	Number of shares	Contractual vesting period	Vesting conditions
Shares granted to employees for the year 2021	22,657,211	With immediate release on 02 September 2021	Achievement of performance and prudential indicators during 2020. Compliance with the conditions stipulated in the applicable remuneration policy and standard, related to the year for which shares are granted, as well as with the conditions of the trust agreement.
	1,131,517	Deferral by trust agreement for 3-5 years	

17. Other operating expenses

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Rent and lease expense	8,086	8,496	6,411	6,893
Repairs and maintenance expenses	189,483	164,513	174,727	148,505
Advertising, marketing, entertainment and sponsorship expenses	90,653	83,613	77,569	73,554
Mail, telecommunication and SMS traffic expenses	63,958	54,899	48,341	42,885
Materials and stationery	75,654	66,997	64,993	61,090
Other professional fees, including legal expenses	35,579	27,114	24,385	13,183
Expenses regarding movable and immovable assets resulting from debt enforcement	-	3,389	61	3,000
Electricity and heating	24,772	22,735	22,800	20,944
Business travel, transportation and temporary relocation expenses	38,157	24,581	36,701	23,710
Insurance costs	21,863	21,262	19,542	18,263
Taxes	28,129	23,912	26,164	22,025
Write-off and loss on disposal of property and equipment and intangible assets	1,258	6,838	1,473	4,574
Security and protection	14,452	13,537	13,088	11,986
Expenses related to archiving services	17,336	15,734	17,169	15,540
Expenses related to database queries from the Trade Register and the Credit Bureau	7,224	5,699	5,883	4,669
Expenses with foreclosed assets	5,768	5,324	5,368	5,324
Audit, advisory and other services provided by the independent auditor	6,789	6,297	3,525	3,298
- statutory and group audit fees	5,595	5,154	*3,446*	*2,979*
- special audit services or other non-audit services as required by the local rules or legislation	1,194	1,143	*79*	*319*
Net expenses from the sale of leased goods	4,349	2,360	-	-
Other operating expenses	62,382	65,385	43,139	40,316
Total other operating expenses	**695,892**	**622,685**	**591,339**	**519,759**

Notes to the consolidated and separate financial statements

18. Income tax expense

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Gross Profit	**2,302,798**	**1,622,428**	**2,022,368**	**1,371,036**
Statutory tax rate (2021: 16%; 2020: 16%)	***(368,448)***	***(259,588)***	***(323,579)***	***(219,366)***
Fiscal effect of income tax on the following elements:	***90,183***	***61,238***	***83,915***	***45,635***
- *Non-taxable income*	*103,156*	*96,625*	*121,489*	*82,965*
- *Non-deductible expense*	*(126,263)*	*(169,907)*	*(147,255)*	*(169,160)*
- *Tax deductions*	*123,021*	*142,909*	*119,585*	*140,219*
- *Income like items*	*(9,870)*	*(8,389)*	*(9,904)*	*(8,389)*
- *Expense like items*	*139*	-	-	-
Income tax expense	**(278,265)**	**(198,350)**	**(239,664)**	**(173,731)**

19. Cash and curent accounts with Central Banks

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Minimum reserve requirement	14,631,699	19,289,218	13,585,904	18,558,740
Cash on hand and other values	3,689,214	2,843,993	3,177,721	2,419,893
Total	**18,320,913**	**22,133,211**	**16,763,625**	**20,978,633**

During 2021, the minimum reserve requirements ratio at the National Bank of Romania was 8% for RON denominated balances and 5% for EUR denominated balances (2020: 8% for funds denominated in RON and EUR). The minimum reserve balance may fluctuate on a daily basis. The interest paid by the National Bank of Romania for the reserves held by the banks was 0.18% - 0.13% per year for the reserves in RON, 0.00% per year for reserves denominated in EUR and 0.01% per year for reserves denominated in USD. The minimum required reserve can be used by the Bank for its daily activities as long as the average monthly balance is maintained within the required limits.
Also, for 2021, the minimum reserve requirements of the National Bank of Moldova was 26% for MDL denominated balances and 30% of the calculation base for freely convertible currency (2020, December 31: 32% for MDL and 30% for freely convertible currency).

Reconciliation of cash and cash equivalents with the separate and consolidated statement of financial position:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Cash and curent accounts with Central Banks(*)	18,320,178	22,134,426	16,764,278	20,979,902
Placements with banks - maturity below 3 months	8,619,503	4,188,689	7,910,017	3,704,585
Reverse-repo transactions	166,670	30,623	166,670	30,623
Loans and advances to credit institutions	39,129	87,632	39,129	87,632
Financial assets measured at fair value through other items of comprehensive income	243	69	-	-
Financial assets measured at amortized cost – debt instruments	211,022	208,183	-	-
Cash and cash equivalents in the cash flow statement	**27,356,745**	**26,649,622**	**24,880,094**	**24,802,742**

(*) At Group level, the cash and curent accounts with Central Banks do not include the accrual and interest receivable in the amount of RON 735 thousand (2020: RON (1,215) thousand) and at the level of the Bank in the amount of RON (653) thousand (2020: RON (1,269) thousand).

20. Placements with banks and public institutions

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Current accounts with other banks	1,085,546	1,067,035	437,394	641,225
Term deposit at the National Bank	-	-	-	-
Sight, collateral and term deposits with other banks	7,857,552	4,721,926	7,724,097	4,560,854
Reverse repo transactions	1,156,469	1,102,885	1,156,469	1,102,885
Loans and advances to credit institutions	294,730	331,431	294,730	331,431
Total	**10,394,297**	**7,223,277**	**9,612,690**	**6,636,395**

As at 31 December 2021, the placements with banks included reverse-repo securities, term deposits and loans and advances to credit institutions with maturity up to 3 months, which are also included in the separate and consolidated statement of cash flows, as follows: reverse-repo in amount of RON 166,670 thousand, deposits in amount of RON 7,083,657 thousand and loans and advances to credit institutions of RON 39,129 thousand at Group level, and reverse-repo in amount of RON 166,670 thousand, deposits in amount of RON 7,089,404 thousand and loans and advances to credit institutions in amount of RON 39,129 thousand at Bank level (2020: reverse-repo in amount of RON 30,623 thousand and deposits in amount of RON 2,588,532 thousand at Group level, and reverse-repo of RON 30,623 thousand, deposits in amount of RON 2,574,808 thousand at Bank level; loans and advances to credit institutions in amount of RON 87,632 for both the Group and the Bank).

Except for sale and reverse-repo agreements, the amounts due from other banks are not guaranteed. The quality analysis of the placements with banks as at 31 December 2021 and 31 December 2020, according to the rating agencies is detailed below:

Group	**2021**		**2020**	
In RON thousand	**Placements with banks**	**Reverse repo transactions**	**Placements with banks**	**Reverse repo transactions**
Investment grade	8,837,556	1,156,469	5,879,949	1,102,885
Non-investment grade	400,272		240,443	-
Total	9,237,828	1,156,469	**6,120,392**	**1,102,885**

Bank	**2021**		**2020**	
In RON thousand	**Placements with banks**	**Reverse repo transactions**	**Placements with banks**	**Reverse repo transactions**
Investment grade	8,038,468	1,156,469	5,297,517	1,102,885
Non-investment grade	417,753	-	235,993	-
Total	**8,456,221**	**1,156,469**	**5,533,510**	**1,102,885**

The qualitative analysis regarding the placements with banks was based on the credit ratings issued by Standard & Poor's, Moody's and Fitch, if available. As concerns the Group's/Bank's placements with credit institutions that are not rated by Standard & Poor's, Moody's or Fitch, The Standard & Poor's and Moody's sovereign rating was used.

The Investment-grade category includes the Group's/Bank's placements with credit institutions having the following ratings: AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB and BBB-.

The non-investment grade category includes the Group's/Bank's placements with credit institutions having the following ratings: BB+, BB-, B+, B, B-, B3 ,CCC+ and CCC-.

Notes to the consolidated and separate financial statements

21. Financial assets at fair value through profit or loss

a) Held-for-trading financial assets measured at fair value through profit or loss

The structure of financial assets held-for-trading and measured at fair value through profit or loss is presented in the table below:

In RON thousand	Group		Bank	
	2021	**2020**	**2021**	**2020**
Equity instruments	205,313	226,137	31,207	17,572
Debt instruments	133,137	120,335	-	-
Total	**338,450**	**346,472**	**31,207**	**17,572**

As at 31 December 2021, the Group held shares listed on the Bucharest Stock Exchange and on the main Stocks from Europe.
As at 31 December 2021, the Group owned significant investments amounting to RON 166,102 thousand in the following entities: Evergent Investments S.A. and SIF Transilvania S.A. (2020: RON 168,498 thousand).

A qualitative analysis financial assets held-for-trading and measured at fair value through profit or loss for the Group and of the Bank as at 31 December 2021 and 31 December 2020 is presented below:

In RON thousand	Group		Bank	
	2021	**2020**	**2021**	**2020**
Investment-grade	25,370	18,989	20,911	1,924
Non-investment grade	1,610	1,763	512	434
No rating(*)	311,470	325,720	9,784	15,214
Total	**338,450**	**346,472**	**31,207**	**17,572**

(*) They mainly represent the Group's investments in fund units and Romanian financial investment companies,

The analysis of the quality of the financial assets held-for-trading and measured at fair value through profit or loss is based on the Standard & Poor's rating, if available, or Moody's rating converted into the nearest equivalent rating according to the scale of Standard & Poor.
The Investment-grade category includes financial assets at fair value through profit or loss with the following ratings: AA, A+, A, A-, A1, BBB+, BBB, BBB-.

The Non-Investment-grade category includes financial assets at fair value through profit or loss with rating BB+, BB si BB-.
The 'no rating' category includes financial assets at fair value through profit or loss the issuers of which are not rated.

b) Financial assets which are required to be measured at fair value through profit and loss

The structure of financial assets which are required to be measured at fair value through profit or loss is presented in the table below:

In RON thousand	Group		Bank	
	2021	**2020**	**2021**	**2020**
Equity instruments	238,020	217,564	237,578	217,192
Debt instruments	870,296	868,150	1,227,919	1,132,481
Total	**1,108,316**	**1,085,714**	**1,465,497**	**1,349,673**

Notes to the consolidated and separate financial statements

21. Financial assets at fair value through profit or loss

b) Financial assets which are required to be measured at fair value through profit and loss

The following is an analysis of the quality of the Group's and the Bank's portfolio of the debt instruments which are required to be measured at fair value through profit and loss as at December 2021,31 and as at December 2020,31.

	Group		Bank	
În mii lei	**2021**	**2020**	**2021**	**2020**
Investment-grade	280,861	329,576	280,861	329,576
Non-investment grade	10,191	10,218	10,191	10,218
N/A	579,244	528,356	936,867	792,687
Total	870,296	868,150	**1,227,919**	**1,132,481**

(*) The vast majority of these represent the Group's investments in Romanian fund units and financial investment companies.

22. Loans and advances to customers

The Group's and Bank's commercial lending is concentrated on Romanian companies and individuals. The risk distribution of the credit portfolio per sectors, as at **31 December 2021** and **31 December 2020**, is the following:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Retail	29,130,528	25,156,881	26,894,374	24,043,882
Trading	6,318,563	4,777,850	5,757,419	4,499,473
Manufacturing	3,929,228	3,505,721	3,690,153	3,392,014
Agriculture	1,988,276	1,714,603	1,889,405	1,642,772
Services	2,383,956	2,106,291	2,163,455	2,003,490
Real Estate	1,673,157	1,429,018	1,786,098	1,538,348
Constructions	1,417,488	1,310,351	1,237,201	1,268,154
Transportation	2,082,996	1,643,595	1,722,122	1,550,082
Self-employed	770,848	679,872	620,870	548,929
Others	925,361	718,567	792,989	669,836
Financial Institutions	592,150	528,063	2,127,328	1,722,119
Telecommunications	173,456	76,957	139,867	73,325
Energy	645,839	306,706	644,820	306,667
Mining	97,663	91,578	93,414	91,079
Chemical Industry	78,024	95,152	76,328	94,589
Government Institutions	6,228,802	126,422	6,194,759	90,522
Fishing	22,950	19,031	22,158	18,680
Total loans and advances to customers before impairment allowance (*)	**58,459,285**	**44,286,658**	**55,852,760**	**43,553,961**
Allowances for impairment losses on loans	(3,829,531)	(3,394,114)	(3,614,237)	(3,190,052)
Total loans and advances to customers, net of impairment allowance	**54,629,754**	**40,892,544**	**52,238,523**	**40,363,909**

(*) Total loans and advances to customers before impairment allowance are diminished by the fair value adjustments for the portfolio of loans taken over through acquisitions, determined on the basis of the purchase price allocation report.

22. Loans and advances to customers (continued)

The structure of the credit portfolio of the Group and the Bank as at 31 December 2021 and 31 December 2020 is the following:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Corporate and government institutions	20,973,390	12,368,857	22,183,126	13,361,424
Small and medium enterprises	7,717,422	6,245,232	6,775,254	6,148,658
Consumer loans and card loans granted to retail customers	12,295,686	10,949,378	11,359,134	10,742,582
Mortgage loans	16,095,360	13,568,648	15,493,560	13,266,162
Loans granted by non-banking financial institutions	1,325,339	1,113,152	-	-
Other	52,088	41,391	41,686	35,135
Total loans and advances to customers before impairment allowance	**58,459,285**	**44,286,658**	**55,852,760**	**43,553,961**
Allowances for impairment losses on loans	(3,829,531)	(3,394,114)	(3,614,237)	(3,190,052)
Total loans and advances to customers net of impairment allowance	**54,629,754**	**40,892,544**	**52,238,523**	**40,363,909**

Notes to the consolidated and separate financial statements

22. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at Group level in 2021 was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2021	**(712,219)**	**(1,121,314)**	**(1,486,623)**	**(73,958)**	**(3,394,114)**
Increase due to issue or acquisition	(766,657)	(440,867)	(234,029)	-	**(1,441,553)**
Decrease due to derecognition	367,405	361,036	369,339	4,769	**1,102,549**
Increase or decrease due to the change in credit risk (net) and transfers	178,090	(417,221)	(314,448)	(6,442)	**(560,021)**
Increase or decrease due to changes without derecognition (net)	137,346	64,750	46,630	(29,283)	**(219,443)**
Changes due to update in the institution's methodology for estimation	-	-	-	-	**-**
Decrease of impairment allowances due to write-offs	668	27,321	203,615	29,734	**261,338**
Other adjustments	(2,510)	(5,658)	(8,212)	(793)	**(17,173)**
Closing balance as at 31 December 2021	**(797,877)**	**(1,531,953)**	**(1,423,728)**	**(75,973)**	**(3,829,531)**

Notes to the consolidated and separate financial statements

22. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at Bank level in 2021 was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2021	**(718,881)**	**(1,068,022)**	**(1,348,193)**	**(54,956)**	**(3,190,052)**
Increase due to issue or acquisition	(737,459)	(431,741)	(228,791)	-	**(1,397,991)**
Decrease due to derecognition	360,446	358,447	350,785	4,555	**1,074,233**
Increase or decrease due to the change in credit risk (net) and transfers	185,142	(446,721)	(276,873)	(3,786)	**(542,238)**
Increase or decrease due to changes without derecognition (net)	121,697	60,667	48,136	(21,799)	**(208,701)**
Decrease of impairment allowances due to write-offs	630	27,288	192,992	29,723	**250,633**
Other adjustments	(2,927)	(5,613)	(8,190)	(793)	**(17,523)**
Closing balance as at 31 December 2021	**(791,352)**	**(1,505,695)**	**(1,270,134)**	**(47,056)**	**(3,614,237)**

Notes to the consolidated and separate financial statements

22. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at Group level in 2020 was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2020	**(453,853)**	**(604,154)**	**(1,549,320)**	**(89,654)**	**(2,696,981)**
Increase due to issue or acquisition	(334,241)	(290,402)	(170,356)	-	**(794,999)**
Decrease due to derecognition	183,587	302,195	191,891	7,466	**685,139**
Increase or decrease due to the change in credit risk (net) and transfers	166,497	(313,092)	(320,265)	(2,976)	**(469,836)**
Increase or decrease due to changes without derecognition (net)	(272,031)	(252,172)	42,738	(76,092)	**(557,557)**
Changes due to update in the institution's methodology for estimation	(10,203)	-	-	-	**(10,203)**
Decrease of impairment allowances due to write-offs	8,573	36,418	325,427	87,678	**458,096**
Other adjustments	(548)	(107)	(6,738)	(380)	**(7,773)**
Closing balance as at 31 December 2020	**(712,219)**	**(1,121,314)**	**(1,486,623)**	**(73,958)**	**(3,394,114)**

Notes to the consolidated and separate financial statements

22. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at Bank level in 2020 was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2020	**(466,217)**	**(527,628)**	**(1,467,876)**	**(70,952)**	**(2,532,673)**
Increase due to issue or acquisition	(328,992)	(279,100)	(165,366)	-	**(775,458)**
Decrease due to derecognition	185,447	295,937	184,113	4,730	**670,227**
Increase or decrease due to the change in credit risk (net) and transfers	165,793	(345,445)	(271,876)	(2,051)	**(453,579)**
Increase or decrease due to changes without derecognition (net)	(282,767)	(248,115)	54,423	(73,585)	**(550,044)**
Decrease of impairment allowances due to write-offs	8,573	36,418	325,026	87,282	**457,299**
Other adjustments	(718)	(89)	(6,637)	(380)	**(7,824)**
Closing balance as at 31 December 2020	**(718,881)**	**(1,068,022)**	**(1,348,193)**	**(54,956)**	**(3,190,052)**

Notes to the consolidated and separate financial statements

23. Finance lease receivables

The Group acts as a lessor under finance lease agreements, concluded mainly for financing motor vehicles and equipment. The lease agreements are denominated in EUR, RON and USD and typically run for a period between 2 and maximum 10 years, with the transfer of ownership over the leased assets upon the termination of the lease agreement.

The lease receivables are secured by the underlying assets and by other collateral. The breakdown of finance lease receivables according to their maturity is presented below:

In RON thousand	**2021**	**2020**
Finance lease receivables with maturity below 1 year, gross	543,973	575,064
Finance lease receivables with maturity between 1-10 years, gross	1,171,374	868,059
Total finance lease receivables, gross	**1,715,347**	**1,443,123**
Future interest related to finance lease receivables	(121,128)	(111,223)
Total finance lease receivables, net of future interest	1,594,219	1,331,900
Impairment allowances for finance lease receivables	(106,188)	(104,184)
Total finance lease receivables	**1,488,031**	**1,227,716**

The lease contracts are originated and managed by BT Leasing Transilvania IFN S.A., BT Leasing Moldova S.R.L and Idea Leasing IFN S.A.

Notes to the consolidated and separate financial statements

23. Finance lease receivables *(continued)*

The movement in impairment allowances on finance lease receivable at Group level in 2021 was the following:

	Allowances for expected credit losses related to lease receivables for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses related to lease receivables for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on finance lease receivable to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2021	**-**	**(40,967)**	**(46,401)**	**(16,816)**	**(104,184)**
Increase due to issue or acquisition	(44)	(21,546)	(264)	-	**(21,854)**
Decrease due to derecognition	-	1,351	4,767	2	**6,120**
Increase or decrease due to the change in credit risk (net) and transfers	-	29,888	(13,506)	(909)	**15,473**
Increase or decrease due to changes without derecognition (net)	-	(116)	(11)	(1,614)	**(1,741)**
Decrease of impairment allowances due to write-offs	-	-	-	-	**-**
Other adjustments	-	(21)	(54)	73	**(2)**
Closing balance as at 31 December 2021	**(44)**	**(31,411)**	**(55,469)**	**(19,264)**	**(106,188)**

23. Finance lease receivables *(continued)*

The movement in impairment allowances on finance lease receivable at Group level in 2020 was the following:

	Allowances for expected credit losses related to lease receivables for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses related to lease receivables for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on finance lease receivable to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2020	**-**	**(21,347)**	**(42,409)**	**(20,295)**	**(84,051)**
Increase due to issue or acquisition	-	(18,765)	(8,346)	-	**(27,111)**
Decrease due to derecognition	-	5,989	6,235	3,582	**15,806**
Increase or decrease due to the change in credit risk (net) and transfers	-	(6,797)	(1,928)	(502)	**(9,227)**
Increase or decrease due to changes without derecognition (net)	-	26	(26)	398	**398**
Decrease of impairment allowances due to write-offs	-	-	-	-	**-**
Other adjustments	-	(73)	73	1	**1**
Closing balance as at 31 December 2020	**-**	**(40,967)**	**(46,401)**	**(16,816)**	**(104,184)**

Notes to the consolidated and separate financial statements

24. Investment securities

a) Financial assets measured at fair value through other items of comprehensive income

In RON thousand	Group		Bank	
	2021	**2020**	**2021**	**2020**
Debt instruments, of which	**41,110,778**	**30,813,652**	**40,807,937**	**30,805,116**
- Central administrations	38,212,947	29,217,230	37,910,106	29,208,694
- Credit institutions	2,646,621	1,167,034	2,646,621	1,167,034
- Other financial companies	236,061	413,048	236,061	413,048
- Non-financial institutions	15,149	16,340	15,149	16,340
Equity instruments, of which:	**52,652**	**32,687**	**15,904**	**14,816**
- Other financial companies	28,639	22,754	15,904	14,816
- Non-financial institutions	24,013	9,933	-	-
Loans and advances to customers	**29,943**	**30,838**	**29,943**	**30,838**
- Central administrations	29,943	30,838	29,943	30,838
Total	**41,193,373**	**30,877,177**	**40,853,784**	**30,850,770**

As at 31 December 2021, for these categories of securities, the Group and the Bank hold equity instruments valued at fair value through other items of comprehensive income under the form of participations in Transfond, Biroul de Credit, Swift Belgium, CCP,RO BUCHAREST S.A. and Depozitarul Central S.A. The investment in such equity instruments as at 31 December 2021 at Group level amounted to RON 52,652 thousand (2020: RON 32,687 thousand) and at Bank level RON 15,904 thousand (2020: RON 14,816 thousand). During 2021, the dividends received by the Group for these equity instruments investment were in the amount of RON 3,204 thousands (2020: RON 2,974 thousand), and at the level of the Bank in the amount of RON 3,077 thousand (2020: RON 2,852 thousand).

24. Investment securities *(continued)*

a) Financial assets measured at fair value through other items of comprehensive income (continued)

Qualitative analysis of the bonds held by the Group and the Bank as at 31 December 2021, classified as "Financial assets measured at fair value through other items of comprehensive income", depending on the issuer's rating:

	Group					Bank				
In RON thousand	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total
Debt instruments, of which	**38,212,947**	**2,646,621**	**236,061**	**15,149**	**41,110,778**	**37,910,106**	**2,646,621**	**236,061**	**15,149**	**40,807,937**
A	-	329,535	182,896	-	**512,431**	-	329,535	182,896	-	**512,431**
A-	-	1,169,057	-	-	**1,169,057**	-	1,169,056	-	-	**1,169,056**
A+	-	198,393	-	-	**198,393**	-	198,394	-	-	**198,394**
AAA	-	82,951	-	-	**82,951**	-	82,951	-	-	**82,951**
B	-	-	-	15,149	**15,149**	-	-	-	15,149	**15,149**
B-	4,415	-	-	-	**4,415**	-	-	-	-	**-**
BB+	292	-	-	-	**292**	292	-	-	-	**292**
BBB	454,951	714,746	-	-	**1,169,697**	454,951	714,746	-	-	**1,169,697**
BBB-	37,753,289	107,679	53,165	-	**37,914,133**	37,454,863	107,679	53,165	-	**37,615,707**
BBB+	-	44,260	-	-	**44,260**	-	44,260	-	-	**44,260**
Loans and advances, of which	**29,943**	**-**	-	-	**29,943**	**29,943**	**-**	**-**	**-**	**29,943**
BB-	29,943	-	-	-	**29,943**	29,943	-	-	-	**29,943**

Notes to the consolidated and separate financial statements

24. Investment securities *(continued)*

a) Financial assets measured at fair value through other items of comprehensive income (continued)

Qualitative analysis of the bonds held by the Group and the Bank as at 31 December 2020, classified as "Financial assets measured at fair value through other items of comprehensive income", depending on the issuer's rating:

	Group					Bank				
In RON thousand	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total
Debt instruments, of which	**29,217,230**	**1,167,034**	**413,048**	**16,340**	**30,813,652**	**29,208,694**	**1,167,034**	**413,048**	**16,340**	**30,805,116**
A-	-	196,407	-	-	**196,407**	-	196,407	-	-	**196,407**
A+	-	580,070	107,176	-	**687,246**	-	580,070	107,176	-	**687,246**
B	-	124,722	-	-	**124,722**	-	124,722	-	-	**124,722**
BB-	3,872	-	-	16,340	**20,212**	-	-	-	16,340	**16,340**
BB+	382	-	-	-	**382**	382	-	-	-	**382**
BBB	48,440	265,835	-	-	**314,275**	48,440	265,835	-	-	**314,275**
BBB-	29,164,536	-	52,492	-	**29,217,028**	29,159,872	-	52,492	-	**29,212,364**
BBB+	-	-	253,380	-	**253,380**	-	-	253,380	-	**253,380**
Loans and advances, of which	**30,838**	**-**	-	-	**-**	**30,838**	**-**	**-**	**-**	**30,838**
BB-	30,838	-	-	-	-	30,838	-	-	-	30,838

As at 31 December 2021 and 31 December 2020, the Group and the Bank did not hold past due or impaired debt instruments classified as „Financial assets measured at fair value through other items of comprehensive income".

Evolution of securities in the category "Financial assets measured at fair value through other items of comprehensive income":

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
As at January 1	**30,877,177**	**23,658,311**	**30,850,770**	**23,637,807**
Acquisitions	29,200,861	28,866,644	28,870,381	28,860,051
Sales and repurchases	(17,118,712)	(21,854,578)	(17,091,639)	(21,854,408)
Coupon and amortization in P&L during the year (Note 8)	848,476	683,257	846,945	682,900
Coupon collected at term during the year	(1,191,145)	(936,870)	(1,188,116)	(936,615)
Gain/(Loss) from the measurement at fair value	(1,882,465)	437,019	(1,893,369)	437,380
Exchange rate differences	459,181	23,394	458,812	23,655
As at 31 December	**41,193,373**	**30,877,177**	**40,853,784**	**30,850,770**

Notes to the consolidated and separate financial statements

24. Investment securities *(continued)*

a) Financial assets measured at fair value through other items of comprehensive income (continued)

As at 31 December 2021, out of the treasury securities held by the Bank, the amount of RON 77,000 thousand (2020: RON 77,000 thousand) was pledged for current operations (RoCLEAR, SENT, MASTERCARD and VISA).
The treasury securities and bonds issued by the Romanian Government have maturities between 2022 and 2051.

As at 31 December 2021, the Bank concluded repo transactions with other financial institutions, backed by financial assets measured at fair value through other items of comprehensive income in amount of RON 6,526,812 thousand (2020: RON 83,798 thousand). The securities pledged under repo agreements may be sold or re-pledged by the counterparty.

The interest rates on financial assets measured at fair value through other comprehensive income were within the following ranges:

	2021		2020	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	0.03%	5.89%	0.31%	5.89%
RON	0.00%	5.85%	0.00%	5.95%
USD	1.40%	6.75%	3.00%	6.75%
MDL	0.00%	7.00%	0.00%	7.00%
PLN	1.00%	1.00%	-	-

b) Financial assets at amortized cost - debt instruments

In 2021, the Group holds and classifies as financial assets measures at amortized cost - debt instruments, bonds in amount of RON 1,483,111 thousand (2020: RON 990,106 thousand) and the Bank acquired bonds in amount of RON 355,331 thousand (2020: RON 160,874 thousand).

In RON thousand	Group		Bank	
	2021	**2020**	**2021**	**2020**
Debt instruments, of which				
- Central banks	189,121	207,095	-	-
- Central administrations	953,526	606,276	-	-
- Credit institutions	286,174	166,611	301,041	150,750
- Other financial companies	10,120	10,124	10,120	10,124
- Non-financial institutions	44,170	-	44,170	-
Total	**1,483,111**	**990,106**	**355,331**	**160,874**

Notes to the consolidated and separate financial statements

24. Investment securities *(continued)*

b) Financial assets at amortized cost - debt instruments (continued)

Qualitative analysis of the financial assets measures at amortized cost - debt instruments held by the Group as at 31 December 2021 and 31 December 2020, depending on the issuer's rating:

31 December 2021	Group					
In RON thousand	Central banks	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total
Debt instruments, of which	**189,121**	**953,526**	**286,174**	**10,120**	**44,170**	**1,483,111**
A-	**-**	-	17,388	-	-	**17,388**
B	**-**	-	-	-	44,170	**44,170**
B-	189,121	902,550	-	-	-	**1,091,671**
BBB	**-**	-	268,786	-	-	**268,786**
BBB-	**-**	50,976	-	-	-	**50,976**
BBB+	**-**	-	-	10,120	-	**10,120**

31 December 2020	Group					
In RON thousand	Central banks	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total
Debt instruments, of which	**207,095**	**606,276**	**166,611**	**10,124**	**-**	**990,106**
A-	-	-	27,130	-	-	**27,130**
A	-	-	-	-	-	**-**
A+	-	-	-	-	-	**-**
B-	207,095	558,458	-	-	-	**765,553**
BBB	-	-	21,225	-	-	**21,225**
BBB-	-	47,818	20,758	-	-	**68,576**
BBB+	**-**	**-**	97,498	10,124	-	**107,622**

Qualitative analysis of the financial assets measures at amortized cost - debt instruments held by the Bank as at 31 December 2021 and 31 December 2020, depending on the issuer's rating:

31 December 2021	Bank				
In RON thousand	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total
Debt instruments, of which	**-**	**301,041**	**10,120**	**44,170**	**355,331**
A-	-	17,388	**-**	**-**	**17,388**
B	-	**-**	**-**	44,170	**44,170**
BBB	-	268,786	**-**	**-**	**268,786**
BBB-	-	14,867	**-**	**-**	**14,867**
BBB+	-	**-**	10,120	**-**	**10,120**

24. Investment securities *(continued)*

b) Financial assets at amortized cost - debt instruments (continued)

31 December 2020	Bank				
In RON thousand	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total
Debt instruments, of which	**-**	**150,750**	**10,124**	**-**	**160,874**
A-	-	17,374	-	-	**17,374**
BBB	-	21,225	-	-	**21,225**
BBB-	-	14,653	-	-	**14,653**
BBB+	-	97,498	10,124	-	**107,622**

The movement of securities in the category of financial assets measured at amortized cost - debt instruments is presented in the table below:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
As at January 1	990,106	1,968,031	160,874	1,176,834
Acquisitions	6,995,365	9,516,247	296,893	-
Sales and repurchases	(6,591,991)	(10,494,870)	(98,888)	(1,037,337)
Reclassification	-	-	-	-
Coupon and amortization in P&L during the year (Note 8)	55,287	46,995	4,591	4,335
Coupon collected at term during the year	(14,177)	(12,501)	(4,065)	(4,492)
Recognition of expected credit losses (ECL) in accordance with IFRS 9	(9,944)	(1,660)	(5,812)	(1)
Exchange rate differences	58,465	(32,136)	1,738	21,535
As at 31 December	**1,483,111**	**990,106**	**355,331**	**160,874**

Notes to the consolidated and separate financial statements

25. Equity investments

As at 31 December 2021 the Bank had direct stakes in subsidiaries in amount of RON 735,486 thousand (2020: RON 499,690 thousand) and the impairment allowance amounted to RON 51,317 thousand (2020: RON 51,317 thousand).

On 31 December 2021 the Bank has subsidiaries which directly and indirectly holdings are:

Entity	Head Office	% of shares owned	Share capital	Reserves	Profit/(Loss) as at 31 December 2021
BT Leasing Transilvania IFN S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	100%	58,674	11,891	61,574
BT Capital Partners S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, ground floor	99.59%	19,478	1,095	10,014
BT Direct IFN S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, 3rd floor	100%	79,806	19,113	23,362
BT Building S.R.L.	Cluj-Napoca, 30-36 Calea Dorobantilor Street	100%	40,448	719	5,517
BT Investments S.R.L.	Cluj-Napoca, 36 Eroilor Boulevard	100%	50,940	2,025	2,989
BT Asset Management SAI S.A.	Cluj-Napoca, 22 Emil Racoviţă Street, first floor	100%	7,166	42,282	20,356
BT Solution Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.95%	20	4	2,698
BT Safe Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.99%	77	15	2,142
BT Intermedieri Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.99%	507	101	3,971
BT Leasing Moldova S.R.L.	Republic of Moldova, Chişinău, 60 A,Puşkin Street	100%	5,015	-	5,691
BT Asiom Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.95%	20	4	5,252
BT Microfinanţare IFN S.A.	București, 43 București-Ploiești Boulevard	100%	46,760	8,655	36,396
Improvement Credit Collection S.R.L.	Cluj-Napoca, 1 George Barițiu Street	100%	901	1,740	6,822
B.C. VICTORIABANK S.A.	Republic of Moldova, Chișinău, 141 31 August 1989 Street	44.63%	61,575	6,158	65,468
Timesafe S.R.L.	Voluntari, 87-2F Erou Iancu Nicolae Street	51.12%	1,725	18	66
BT Pensii S.A.	București, 75-77 Buzești Street, 10th floor, 2nd office	100%	8,731	82	302
Idea Bank S.A.	București, Sector 2, 5-7 Dimitrie Pompei Boulevard, 6th floor	100%	294,150	6,829	1,865
Idea Investment S.A.	București, Sector 2, 5-7 Dimitrie Pompei Boulevard, 6th floor	100%	2,250	-	65
Idea Leasing IFN S.A.	București, sector 1, 19-21 București-Ploiești Boulevard, Băneasa Business Center, 2nd floor	100%	9,503	1,877	2,418
Idea Broker de Asigurare S.R.L.	București, sector 1, 19-21 București-Ploiești Boulevard, Băneasa Business Center, 2nd floor	100%	150	30	1,590
Total			**687,896**	**102,638**	**258,558**

Notes to the consolidated and separate financial statements

25. Equity investments *(continued)*

On 31 December 2020 the Bank has subsidiaries which directly and indirectly holdings were:

Entity	Head Office	% of shares owned	Share capital	Reserves	Profit/(Loss) as at 31 December 2020
BT Leasing Transilvania IFN S.A..	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	100%	58,674	11,891	57,881
BT Capital Partners S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, ground floor	99.59%	19,478	491	578
BT Direct IFN S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, 3rd floor	100%	79,806	19,113	9,309
BT Building S.R.L.	Cluj-Napoca, 8 George Bariţiu Street	100%	40,448	325	(945)
BT Investments S.R.L.	Cluj-Napoca, 36 Eroilor Boulevard	100%	50,940	1,875	(178)
BT Asset Management SAI S.A.	Cluj-Napoca, 22 Emil Racoviţă Street, first floor	90.00%	7,166	47,905	14,377
BT Solution Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.95%	20	4	2,562
BT Safe Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.99%	77	15	2,118
BT Intermedieri Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.99%	507	101	3,684
BT Leasing Moldova S.R.L.	Republic of Moldova, Chişinău, 60 A,Puşkin Street	100%	4,693	-	9,208
BT Asiom Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.95%	20	4	3,882
BT Microfinanţare IFN S.A.	Bucureşti, 43 Bucureşti-Ploieşti Boulevard	100%	46,760	5,845	26,341
Improvement Credit Collection S.R.L.	Cluj-Napoca, 1 George Bariţiu Street	100%	901	1,740	3,803
B.C. VICTORIABANK S.A.	Republic of Moldova, Chişinău, 141 31 August 1989 Street	44.63%	57,625	5,763	57,984
Timesafe S.R.L.	Voluntari, 87-2F Erou Iancu Nicolae Street	51.12%	1,725	18	(1,542)
BT Pensii S.A.	București, 75-77 Buzești Street, 10th floor, 2nd office	90.49%	8,731	82	(336)
Total			**377,571**	**95,172**	**188,726**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property

***Group** - In RON thousand*

Gross carrying amount	**Investment property**	**Land & buildings**	**Computers and equipment**	**Vehicles**	**Fixed assets in progress**	**Total**
Balance as at 1 January 2020	**30,472**	**418,178**	**576,789**	**35,969**	**129,441**	**1,190,849**
Acquisitions of tangible assets and investment property	-	1,285	56,965	2,450	239,082	**299,782**
Tangible assets related to acquisition	-	-	331	-	-	**331**
Reclassification from investments in progress	-	67,953	37,164	5,114	(110,231)	**-**
Revaluation (impact on reserve)	-	932	5,720	3,638	-	**10,290**
Revaluation (impact on profit and loss statement)	196	(817)	-	-	-	**(621)**
Disposals	-	(26,603)	(64,383)	(2,914)	(16,624)	**(110,524)**
Tangible assets from IFRS 16 leasing	-	-	-	84	-	**84**
Reclassification of investment property into tangible assets	(28,617)	28,617	-	-	-	**-**
Balance at 31 December 2020	**2,051**	**489,545**	**612,586**	**44,341**	**241,668**	**1,390,191**
Balance as at January 1, 2021	**2,051**	**489,545**	**612,586**	**44,341**	**241,668**	**1,390,191**
Acquisitions of tangible assets and investment property	-	8,470	34,805	2,828	183,007	**229,110**
Tangible assets related to acquisition	2,678	24,309	30,496	13,827	25	**71,335**
Reclassification from investments in progress	-	238,163	81,814	9,824	(329,801)	**-**
Revaluation (impact on reserve)	-	33,639	12,221	5,144	-	**51,004**
Revaluation (impact on profit and loss statement)	55	226	(240)	-	-	**41**
Disposals	(3,852)	(13,463)	(24,676)	(2,460)	(15,681)	**(60,132)**
Reclassification in stocks for sale	-	(13,799)	-	-	(5,496)	**(19,295)**
Balance at 31 December 2021	**932**	**767,090**	**747,006**	**73,504**	**73,722**	**1,662,254**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

Amortization and depreciation

Group *- In RON thousand*	**Investment property**	**Land & buildings**	**Computers and equipment**	**Vehicles**	**Fixed assets in progress**	**Total**
Balance as at 1 January 2020	**-**	**148,953**	**295,620**	**18,750**	**-**	**463,323**
Charge for the year	-	33,146	73,189	5,291	-	**111,626**
Depreciation related to acquisitions	-	-	297	-	-	**297**
Accumulated depreciation of disposals	-	(24,770)	(62,191)	(2,524)	-	**(89,485)**
Amortization related to revaluation (impact on reserve)	-	266	-	-	-	**266**
Amortization related to revaluation (impact on profit and loss statement)	-	(217)	-	-	-	**(217)**
Amortization related to IFRS 16 leasing	-	-	-	84	-	**84**
Balance at 31 December 2020	**-**	**157,378**	**306,915**	**21,601**	**-**	**485,894**
Balance as at January 1, 2021	**-**	**157,378**	**306,915**	**21,601**	**-**	**485,894**
Charge for the year	-	36,745	80,750	9,820	-	**127,315**
Depreciation related to acquisitions	-	5,684	14,759	7,543	-	**27,986**
Accumulated depreciation of disposals	-	(14,076)	(24,622)	(2,110)	-	**(40,808)**
Amortization related to revaluation (impact on reserve)	-	399	395	1,585	-	**2,379**
Amortization related to revaluation (impact on profit and loss statement)	-	62	-	-	-	**62**
Amortization related to assets reclassified in stocks for sale	-	(4,789)	-	-	-	**(4,789)**
Balance at 31 December 2021	**-**	**181,403**	**378,197**	**38,439**	**-**	**598,039**
Net carrying amount						
As at 1 January 2021	**2,051**	**332,167**	**305,671**	**22,740**	**241,668**	**904,297**
As at 31 December 2021	**932**	**585,687**	**368,809**	**35,065**	**73,722**	**1,064,215**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

Bank *- In RON thousand*	**Investment property**	**Land & buildings**	**Computers and equipment**	**Vehicles**	**Fixed assets in progress**	**Total**
Gross carrying amount						
Balance as at 1 January 2020	**1,032**	**375,218**	**523,277**	**24,903**	**52,812**	**977,242**
Direct acquisitions	-	-	46,026	502	99,309	**145,837**
Reclassification from investments in progress	-	67,953	37,164	5,114	(110,231)	**-**
Tangible assets from IFRS 16 leasing	-	-	-	84	-	**84**
Revaluation (impact on reserve)	-	932	5,720	3,638	-	**10,290**
Revaluation (impact in profit or loss)	196	(817)	-	-	-	**(621)**
Disposals	-	(24,197)	(57,426)	(1,311)	(5,851)	**(88,785)**
Balance at December 31, 2020	**1,228**	**419,089**	**554,761**	**32,930**	**36,039**	**1,044,047**
Balance as at January 1, 2021	**1,228**	**419,089**	**554,761**	**32,930**	**36,039**	**1,044,047**
Direct acquisitions	-	-	24,613	1,623	124,387	**150,623**
Reclassification from investments in progress	-	47,332	55,180	8,000	(110,512)	**-**
Tangible assets from IFRS 16 leasing	-	-	-	-	-	**-**
Revaluation (impact on reserve)	-	1,232	7,403	3,790	-	**12,425**
Revaluation (impact in profit or loss)	55	426	-	-	-	**481**
Disposals	(351)	(16,278)	(23,287)	(2,327)	(2,998)	**(45,241)**
Reclassified assets as non-current assets held for sale	-	(13,799)	-	-	-	**(13,799)**
Balance at 31 December 2021	**932**	**438,002**	**618,670**	**44,016**	**46,916**	**1,148,536**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

Bank *- In RON thousand*	**Investment property**	**Land & buildings**	**Computers and equipment**	**Vehicles**	**Fixed assets in progress**	**Total**
Balance as at 1 January 2020	**-**	**133,059**	**257,220**	**11,925**	**-**	**402,204**
Amortization expense during the year	-	31,418	68,063	3,944	-	**103,425**
Accumulated depreciation of disposals	-	(23,585)	(55,998)	(1,173)	-	**(80,756)**
Amortization related to revaluation (impact on reserve)	-	266	-	-	-	**266**
Amortization related to revaluation (impact on profit and loss statement)	-	(217)	-	-	-	**(217)**
Amortization related to IFRS 16 Leasing	-	-	-	84	-	**84**
Balance at 31 December 2020	**-**	**140,941**	**269,285**	**14,780**	**-**	**425,006**
Balance as at January 1, 2021	**-**	**140,941**	**269,285**	**14,780**	**-**	**425,006**
Amortization expense during the year	-	32,523	72,329	7,956		**112,808**
Accumulated depreciation of disposals	-	(15,303)	(22,381)	(1,827)		**(39,511)**
Amortization related to revaluation (impact on reserve)	-	399	395	1,585	-	**2,379**
Amortization related to revaluation (impact on profit and loss statement)	-	62	-	-	-	**62**
Amortization related to IFRS 16 Leasing	-	-	-	-	-	**-**
Amortization related to assets reclassified as non-current assets held for sale	-	(4,789)	-	-	-	**(4,789)**
Balance at 31 December 2021	**-**	**153,833**	**319,628**	**22,494**	**-**	**495,955**
Net carrying amount						
As at 1 January 2021	**1,228**	**278,148**	**285,476**	**18,150**	**36,039**	**619,041**
As at 31 December 2021	**932**	**284,169**	**299,042**	**21,522**	**46,916**	**652,581**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

As at 31 December 2021, the Group and the Bank did not have any pledged tangible or intangible assets. Property and equipment as at 31 December 2021 were revaluated by an independent evaluator. If the assets of the Group had been booked under the cost model, the recognized carrying amount would have been: land and buildings: RON thousand 528,951 (2020: RON 313,462 thousand), investment property RON 206 thousand (2020: RON 1,390 thousand), computers and equipment RON 342,562 thousand (2020: RON 299,951 thousand), vehicles RON 24,814 thousand (2020: RON 19,027 thousand), fixed assets in progress RON 73,722 thousand (2020: RON 241,668 thousand).
If the assets of the Bank had been booked under the cost model, the recognized carrying amount would have been: land and buildings RON 264,696 thousand (2020: RON thousand 259,443), investment property RON 206 thousand (2020: RON 567 thousand), computers and equipment RON 291,402 thousand (2020: RON 279,756 thousand), vehicles RON 17,976 thousand (2020: RON 14,437 thousand), fixed assets in progress RON 46,916 thousand (2020: RON 36,039 thousand).

27. Intangible assets (including goodwill)

In RON thousand	Group		Bank
Gross carrying amount	**Goodwill**	**Software**	**Software**
Balance as at 1 January 2020	**10,478**	**529,337**	**454,523**
Acquisitions	8,239	143,322	126,563
Reevaluation	-	24,542	24,542
Disposals	(2,398)	(33,061)	(24,958)
Balance at 31 December 2020	**16,319**	**664,140**	**580,670**
Balance as at January 1, 2021	**16,319**	**664,140**	**580,670**
Entry by acquisition	-	48,066	-
Acquisitions	6,105	183,723	163,197
Reevaluation	-	-	-
Disposals	-	(26,177)	(16,308)
Balance at 31 December 2021	**22,424**	**869,752**	**727,559**
Accumulated amortization			
Balance as at 1 January 2020	**-**	**293,908**	**252,178**
Balance of depreciation related to acquisitions and mergers	-	365	-
Charge for the year	-	89,188	81,634
Disposals	-	(24,526)	(21,793)
Reversal of provision for impairment	-	-	-
Balance at 31 December 2020	**-**	**358,935**	**312,019**
Balance as at January 1, 2021	**-**	**358,935**	**312,019**
Balance of depreciation related to acquisitions and mergers	-	15,508	-
Charge for the year	-	106,013	96,316
Disposals	-	(16,948)	(15,559)
Reversal of provision for impairment	-	-	-
Balance at 31 December 2021	**-**	**463,508**	**392,776**
Net carrying amount			
As at 1 January 2021	**16,319**	**305,205**	**268,651**
As at 31 December 2021	**22,424**	**406,244**	**334,783**

27. Intangible assets (including goodwill) *(continued)*

If the intangible assets had been booked under the cost model. The recognized carrying amount would have been RON thousand 382,582 (2020: RON 280,663 thousand) for the Group, and RON thousand 319,751 (2020: RON 244,109 thousand) for the Bank.

Impairment testing for cash generating units included in the goodwill

For the purpose of impairment testing, the goodwill is allocated to the Group's operating divisions which represent the lowest level at which the goodwill is monitored for internal management purposes.

As at 31 December 2021 the goodwill allocated by the Group to BT Leasing Transilvania IFN S.A. was of RON 376 thousand.The goodwill allocated to BT Asset Management S.A was of RON 6,105 thousand, the goodwill allocated to BT Pensii S.A. was of RON 8,240 thousand and the goodwill allocated to Timesafe S.R.L. was of RON 7,703 thousand (2020: RON 376 thousand allocated to BT Leasing Transilvania IFN S.A., RON 8,240 thousand allocated to BT Pensii S.A., RON 7,703 allocated to Timesafe S.R.L.).

As at 31 December 2021, the goodwill was tested for impairment in accordance with IAS 36 and no impairment adjustments were necessary.

28. Right of Use Assets and Lease Liabilities

The Group and the Bank have lease agreements on land, buildings and vehicles. Rental contracts are typically made for fixed periods of 1 year to 74 years, but may have extension options as described below.
As at December 31, 2021 and December 31, 2020 the right of use assets of the Group by class of underlying items is analyzed as follows:

In RON thousand	Group				
	Lands	**Buildings**	**Auto**	**Equipment**	**Total**
Carrying amount at 1 January 2021	**2,541**	**431,637**	**14,528**	146	**448,852**
Additions	1,683	184,899	6,043	**128**	**192,753**
Disposals	(22)	(22,441)	(2,618)	**-**	**(25,081)**
Depreciation charge	(696)	(118,342)	(5,408)	**(57)**	**(124,503)**
Carrying amount at 31 December 2021	**3,506**	**475,753**	**12,545**	**217**	**492,021**

In RON thousand	Group				
	Lands	**Buildings**	**Auto**	**Equipment**	**Total**
Carrying amount at 1 January 2020	**2,711**	**366,833**	**18,481**	-	**388,025**
Additions	1,014	209,318	3,385	164	**213,881**
Disposals	(367)	(24,677)	(1,103)	-	**(26,147)**
Depreciation charge	(817)	(119,837)	(6,235)	(18)	**(126,907)**
Carrying amount at 31 December 2020	**2,541**	**431,637**	**14,528**	**146**	**448,852**

As at December 31, 2021 and December 31, 2020 the right of use assets of the Bank by class of underlying items is analyzed as follows:

In RON thousand	Bank				
	Lands	**Buildings**	**Auto**	**Equipment**	**Total**
Carrying amount at 1 January 2021	2,541	695,136	10,682	146	708,505
Additions	1,683	146,068	5,296	128	**153,175**
Disposals	(22)	(21,037)	(2,519)	-	**(23,578)**
Depreciation charge	(696)	(126,869)	(3,833)	(57)	**(131,455)**
Carrying amount at 31 December 2021	**3,506**	**693,298**	**9,626**	**217**	**706,647**

Notes to the consolidated and separate financial statements

28. Right of Use Assets and Lease Liabilities *(continued)*

In RON thousand	Bank				
	Lands	**Buildings**	**Auto**	**Equipment**	**Total**
Carrying amount at 1 January 2020	**2,711**	**349,731**	**13,770**	**-**	**366,212**
Additions	1,014	482,023	2,438	164	**485,639**
Disposals	(367)	(23,311)	(1,055)	**-**	**(24,733)**
Depreciation charge	(817)	(113,307)	(4,471)	(18)	**(118,613)**
Carrying amount at 31 December 2020	**2,541**	**695,136**	**10,682**	**146**	**708,505**

At December 31, 2021 the interest expense on lease liabilities was RON 1,361 thousand for the Group (2020: RON 1,361 thousand) and RON 6,681 thousand for the Bank (2020: RON 1,409 thousand).

At Group level as well as at Bank level, expenses related to short-term leases and leases of low-value assets, that are not shown as short-term leases, are included in "Other operating expenses" as shown below:

In RON thousand	Group		Bank	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Expense relating to short-term leases	1,397	2,505	989	2,234
Expense relating to leases of low-value assets that are not shown above as short-term leases	4,927	4,956	4,407	4,277

Total cash outflow for leases in 2021 was RON 138,319 thousand to the Group (2020: RON 146,948 thousand) and the Bank it was RON 151,727 thousand (2020: RON 119,485 thousand).

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities

Deferred tax assets/liabilities at Group level, as at 31 December 2021:

In RON thousand	31 December 2020	Business combination	Recognized in profit and loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	31 December 2021
Tax effect of temporary deductible/(taxable) differences (including tax losses carried forward), resulting from:						
Financial assets from interbank operations	-	-	-	-	-	-
Loans and receivables	18,021	5,973	(2,052)	3	-	21,945
Financial assets measured at fair value through other items of comprehensive income	(97,318)	778	(18)	301,321	-	204,763
Financial assets at amortized cost	-	-	-	-	-	-
Financial assets at fair value through profit or loss	11,647	-	5,015	-	(843)	15,819
Other assets	3,126	394	11,592	1,657	(92)	16,677
Property and equipment and intangible assets	(10,321)	(8,054)	2,961	(6,237)	(52)	(21,703)
Right of Use Assets	191	(1,156)	217	-	-	(748)
Provisions and other liabilities	19,639	3,579	(2,162)	-	76	21,132
Tax losses carried forward	-	816	(816)	-	-	-
Deferred tax asset / (liability)	**(55,015)**	**2,330**	**14,737**	**296,744**	**(911)**	**257,885**
Recognition of deferred tax asset	53,390	11,381	11,803	207,353	(887)	283,040
Recognition of deferred tax liability	(108,405)	(9,051)	2,934	89,391	(24)	(25,155)
Deferred tax asset / (liability)	**(55,015)**	**2,330**	**14,737**	**296,744**	**(911)**	**257,885**

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at Bank level, as at 31 December 2021:

In RON thousand	31 December 2020	Recognized in profit and loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	31 December 2021
Tax effect of temporary deductible/(taxable) differences (including tax losses carried forward), resulting from:					
Financial assets measured at fair value through other items of comprehensive income	(97,575)	-	303,065	-	205,490
Financial assets at amortized cost	-	-	-	-	-
Other assets	2,456	11,309	142	-	13,907
Tangible and intangible assets	(8,011)	2,672	(1,608)	-	(6,947)
Right of Use Assets	163	159	-	-	322
Provisions and liabilities	17,302	(2,350)	-	-	14,952
Deferred tax asset / (liability)	**(85,665)**	**11,790**	**301,599**	**-**	**227,724**
Recognition of deferred tax asset	19,921	9,117	206,206	-	235,244
Recognition of deferred tax liability	(105,586)	2,673	95,393	-	(7,520)
Deferred tax asset / (liability)	**(85,665)**	**11,790**	**301,599**	**-**	**227,724**

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at Group level, as at 31 December 2020**:**

In RON thousand	**31 December 2019**	**Recognized in profit and loss**	**Recognized in other items of comprehensive income**	**Recognized directly in shareholders' equity**	**31 December 2020**
Tax effect of temporary deductible/(taxable) differences (including tax losses carried forward), resulting from:					
Financial assets from interbank operations	(25)	25	-	-	-
Loans and receivables	11,734	6,009	(2)	280	18,021
Financial assets measured at fair value through other items of comprehensive income	(27,406)	22	(69,934)	-	(97,318)
Financial assets at amortized cost	-	-	-	-	-
Financial assets at fair value through profit or loss	16,737	(5,090)	-	-	11,647
Other assets	(884)	(3,291)	7,247	54	3,126
Property and equipment and intangible assets	(5,214)	337	(5,530)	86	(10,321)
Right of Use Assets	8	183	-	-	191
Provisions and other liabilities	21,805	(1,992)	(11)	(163)	19,639
Tax losses carried forward	-	-	-	-	-
Deferred tax asset / (liability)	**16,755**	**(3,797)**	**(68,230)**	**257**	**(55,015)**
Recognition of deferred tax asset	54,018	(1,116)	392	96	53,390
Recognition of deferred tax liability	(37,263)	(2,681)	(68,622)	161	(108,405)
Deferred tax asset / (liability)	**16,755**	**(3,797)**	**(68,230)**	**257**	**(55,015)**

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at Bank level, as at 31 December 2020:

In RON thousand	31 December 2019	Recognized in profit and loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	31 December 2020
Tax effect of temporary deductible/(taxable) differences (including tax losses carried forward), resulting from:					
Financial assets measured at fair value through other items of comprehensive income	(27,588)	-	(69,987)	-	(97,575)
Financial assets at amortized cost	-	-	-	-	-
Other assets	2,798	(453)	111	-	2,456
Tangible and intangible assets	(2,729)	248	(5,530)	-	(8,011)
Right of Use Assets	-	163	-	-	163
Provisions and liabilities	19,620	(2,318)	-	-	17,302
Deferred tax asset / (liability)	**(7,899)**	**(2,360)**	**(75,406)**	**-**	**(85,665)**
Recognition of deferred tax asset	22,418	(2,608)	111	-	19,921
Recognition of deferred tax liability	(30,317)	248	(75,517)	-	(105,586)
Deferred tax asset / (liability)	**(7,899)**	**(2,360)**	**(75,406)**	**-**	**(85,665)**

Notes to the consolidated and separate financial statements

30. Other financial assets

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Amounts under settlement	219,717	194,184	195,333	180,386
Non-recourse factoring	273,681	194,146	273,681	194,146
Sundry debtors and advances for non-current assets	548,787	451,400	396,262	359,338
Cheques and other instruments to be encashed	28,082	34,226	28,082	34,226
Other financial assets	18,255	10,423	9,259	6,682
Impairment allowance for other financial assets	(33,618)	(24,274)	(18,446)	(13,645)
Total	**1,054,904**	**860,105**	**884,171**	**761,133**

As at 31 December 2021, out of 1,054,904 RON thousand (2020: RON 860,105 thousand), the Group's other impaired financial assets amounted to RON 28,914 thousand (2020: RON 12,678 thousand).

As at 31 December 2021, out of RON 884,171 thousand (2020: RON 761,133 thousand), the Bank's other impaired financial assets amounted to RON 5,411 thousand (2020: RON 5,428 thousand).

The evolution of impairment allowance for other assets during the years 2021 and 2020 is presented below:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Balance as at 1 January	**(24,274)**	**(19,506)**	**(13,645)**	**(11,210)**
Net impairment charge	(7,922)	(5,677)	(4,903)	(2,626)
Entry by acquisition	(595)	-	-	-
Transfer fron loans	(695)	-	-	-
Other changes (exchange rate differences, unwinding, deconsolidation)	(132)	909	102	191
Balance at 31 December	**(33,618)**	**(24,274)**	**(18,446)**	**(13,645)**

The quality analysis of other financial assets held by the Group as at 31 December 2021 is detailed below:

Group	**Retail**			**Companies**		
31 December 2021	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	669	4,450	5,119	163,200	51,398	214,598
Non-recourse factoring	-	-	-	231,470	42,211	273,681
Sundry debtors and advances for non-current assets	38,979	3,028	42,007	312,073	194,707	506,780
Cheques and other instruments to be encashed	-	-	-	28,082	-	28,082
Other financial assets	-	1,049	1,049	16,015	1,191	17,206
Impairment allowance for other financial assets	(5,832)	(2,262)	(8,094)	(18,668)	(6,856)	(25,524)
Total	**33,816**	**6,265**	**40,081**	**732,172**	**282,651**	**1,014,823**

30. Other financial assets *(continued)*

The quality analysis of other financial assets held by the Group as at 31 December 2020 is detailed below:

Group	Retail			Non-Retail		
31 December 2020	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	871	1,591	**2,462**	168,072	23,650	**191,722**
Non-recourse factoring	-	-	**-**	175,721	18,425	**194,146**
Sundry debtors and advances for non-current assets	10,164	3,657	**13,821**	272,771	164,808	**437,579**
Cheques and other instruments to be encashed	-	-	**-**	34,226	-	**34,226**
Other financial assets	62	28	**90**	8,589	1,744	**10,333**
Impairment allowance for other financial assets	(4,111)	(3,377)	**(7,488)**	(12,325)	(4,461)	**(16,786)**
Total	**6,986**	**1,899**	**8,885**	**647,054**	**204,166**	**851,220**

The quality analysis of other financial assets held by the Bank as at 31 December 2021 is detailed below:

Bank	Retail			Non-Retail		
31 December 2021	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	669	1,508	2,177	161,566	31,590	193,156
Non-recourse factoring	-	-	-	231,470	42,211	273,681
Sundry debtors and advances for non-current assets	34,881	1,685	36,566	259,584	100,112	359,696
Cheques and other instruments to be encashed	-	-	-	28,082	-	28,082
Other financial assets	-	-	-	9,233	26	9,259
Impairment allowance for other financial assets	(2,461)	(139)	(2,600)	(11,091)	(4,755)	(15,846)
Total	**33,089**	**3,054**	**36,143**	**678,844**	**169,184**	**848,028**

The quality analysis of other financial assets held by the Bank as at 31 December 2020 is detailed below:

Bank	Retail			Non-Retail		
31 December 2020	**RON**	**FCY**	**RON**	**FCY**	**RON**	**Total**
Amounts under settlement	872	1,591	**2,463**	168,071	9,852	**177,923**
Non-recourse factoring	-	-	**-**	175,721	18,425	**194,146**
Sundry debtors and advances for non-current assets	8,608	2,643	**11,251**	254,872	93,215	**348,087**
Cheques and other instruments to be encashed	-	-	**-**	34,226	-	**34,226**
Other financial assets	-	-	**-**	6,676	6	**6,682**
Impairment allowance for other financial assets	(2,821)	(2,494)	**(5,315)**	(5,980)	(2,350)	**(8,330)**
Total	**6,659**	**1,740**	**8,399**	**633,586**	**119,148**	**752,734**

31. Other non-financial assets

In RON thousand	Group		Bank	
	2021	**2020**	**2021**	**2020**
Inventories and similar assets	111,858	136,650	58,576	63,812
Prepaid expenses	78,771	61,958	71,172	56,990
VAT and other taxes to be received	4,396	13,748	2,095	1,920
Other non-financial assets	11,816	2,639	100	126
Impairment allowance for other non-financial assets	(44,975)	(66,839)	(11,801)	(13,384)
Total	**161,866**	**148,156**	**120,142**	**109,464**

31. Other non-financial assets *(continued)*

As at 31 December 2021 and 31 December 2020, the Group and the Bank did not have tangible assets reclassified as non-current assets held for sale under "Inventories and similar assets".

The evolution of impairment allowance for other assets during the year is presented below:

In RON thousand	Group		Bank	
	2021	**2020**	**2021**	**2020**
Balance as at 1 January	**(66,839)**	**(70,668)**	**(13,384)**	**(16,215)**
Net impairment charge	11,517	(4,105)	1,583	2,831
Entry by acquisition	(2,786)	-	-	-
Impairment allowances on written off other non-financial assets	13,473	-	-	-
Other adjustments (exchange rate differences, deconsolidation)	(340)	7,934	-	-
Balance at 31 December	**(44,975)**	**(66,839)**	**(11,801)**	**(13,384)**

The inventories and related items of the Bank include assets acquired by debt enforcement or given in payment and other assets available for sale, at a net value of RON 34,959 thousand, structured as follows: buildings RON 27,511 thousand, lands RON 7,448 thousand, equipment RON 0 thousand, vehicles RON 0 thousand and furniture RON 0 thousand (2020: RON 31,126 thousand net value, structured as follows: buildings RON 18,347 thousand, lands RON 12,779 thousand, equipment RON 0 thousand, vehicles RON 0 thousand and furniture RON 0 thousand).

The inventories and related items of the Group include purchased assets held for sale amounting to RON 52,177 thousand, structured as follows: buildings RON 29,025 thousand, lands RON 10,808 thousand, equipment RON 2,312 thousand, vehicles RON 10,032 thousand and furniture RON 0 thousand (2020: RON 48,114 thousand, structured as follows: buildings RON 25,595 thousand, lands RON 12,949 thousand, equipment RON 2,068 thousand, vehicles RON 7,502 thousand and furniture RON 0 thousand).

32. Deposits from banks

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Sight demand	272,912	61,538	265,791	54,416
Term deposits	751,347	257,406	686,662	257,406
Total	**1,024,259**	**318,944**	**952,453**	**311,822**

33. Deposits from customers

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Current accounts	67,667,986	53,601,165	65,505,784	52,146,517
Sight demand	793,717	743,123	463,141	447,866
Term deposits	38,854,796	35,975,733	36,046,375	35,102,763
Collateral deposits	705,130	622,394	682,785	600,000
Total	**108,021,629**	**90,942,415**	**102,698,085**	**88,297,146**

33. Deposits from customers *(continued)*

Deposits from customers can be also analyzed as follows:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Retail	71,890,350	61,942,051	68,436,588	60,256,016
Companies	36,131,279	29,000,364	34,261,497	28,041,130
Total	**108,021,629**	**90,942,415**	**102,698,085**	**88,297,146**

The table below presents the deposits from customers, split by economic sector concentration:

	Group		*Bank*	
Sector	**2021**	**2020**	**2021**	**2020**
Retail customers	66.55%	68.11%	66.64%	68.24%
Services	7.51%	7.48%	7.60%	7.51%
Trading	5.65%	5.45%	5.48%	5.35%
Constructions	3.12%	3.08%	3.14%	3.06%
Manufacturing	3.07%	3.30%	3.03%	3.26%
Transportation	1.80%	2.02%	1.82%	2.00%
Financial and insurance activities	2.53%	2.11%	2.52%	2.22%
Telecommunications	0.35%	0.27%	0.30%	0.28%
Agriculture	1.44%	1.20%	1.49%	1.23%
Energy	1.04%	0.95%	0.99%	0.87%
Healthcare	1.17%	1.11%	1.16%	1.08%
Real estate	1.81%	1.54%	1.80%	1.48%
Administrations	0.43%	0.47%	0.45%	0.49%
Mining	0.85%	0.43%	0.90%	0.44%
Education	0.83%	0.84%	0.85%	0.85%
Other	0.36%	0.32%	0.31%	0.26%
Self-employed	1.48%	1.31%	1.55%	1.35%
Government institutions	0.01%	0.01%	0.01%	0.01%
Total	**100%**	**100%**	**100%**	**100%**

33. Deposits from customers *(continued)*

In RON thousand	*Group*		*Bank*	
Sector	**2021**	**2020**	**2021**	**2020**
Retail customers	71,890,350	61,942,051	68,436,588	60,256,016
Services	8,109,016	6,802,639	7,801,218	6,633,121
Trading	6,105,887	4,953,031	5,631,279	4,723,345
Constructions	3,371,220	2,803,009	3,222,348	2,703,784
Manufacturing	3,312,563	3,005,141	3,107,057	2,881,249
Transportation	1,947,060	1,840,990	1,864,992	1,768,812
Financial and insurance activities	2,737,655	1,914,804	2,587,542	1,962,322
Telecommunications	377,629	245,413	308,131	244,582
Agriculture	1,559,124	1,093,277	1,528,247	1,081,740
Energy	1,124,194	859,943	1,014,314	771,275
Healthcare	1,259,363	1,005,832	1,187,406	956,287
Real estate	1,952,304	1,402,003	1,849,146	1,310,722
Administrations	466,969	431,595	459,074	430,245
Mining	922,709	386,861	920,983	385,602
Education	896,688	762,671	870,260	749,845
Other	384,771	287,504	313,336	232,884
Self-employed	1,594,905	1,193,313	1,588,727	1,193,196
Government institutions	9,222	12,338	7,437	12,119
Total	**108,021,629**	**90,942,415**	**102,698,085**	**88,297,146**

34. Loans from banks and other financial institutions

	Group		**Bank**	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Loans from government entities	16,963	5,870	-	-
Loans from commercial banks	61,336	126,678	-	-
Romanian banks	10,635	*119,429*	-	-
Foreign banks	50,701	*7,249*	-	-
Loans from development banks	1,051,736	1,126,057	947,640	1,073,137
Repurchase agreements (repo transactions)	6,500,566	83,564	6,500,566	83,564
Other funds from financial institutions	101,553	155,476	9,637	19,365
Issued bonds	197,346	194,023	-	-
Total	**7,929,500**	**1,691,668**	**7,457,843**	**1,176,066**

The interest rates for the loans from banks and financial institutions were situated in the following ranges:

	2021		**2020**	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	0.00%	3.50%	EURIBOR 6M+0.10%	3.8%
RON	0.00%	6.03%	0.00%	ROBOR 6M+3%
USD	1.25%	1.35%	1.25%	1.35%
MDL	0.00%	7.10%	3.25%	3.25%

34. Loans from banks and other financial institutions *(continued)*

The Group and the Bank were in compliance with all financial covenants under the outstanding loan agreements at December 31, 2021 and 2020.
The table below summarizes the underlying securities of repo agreements:

In RON thousand	Group				Bank			
	2021 Carrying amount		2020 Carrying amount		2021 Carrying amount		2020 Carrying amount	
	Transferred assets	Related liabilities	Transferred assets	Related liabilities	Transferred assets	Related liabilities	Transferred assets	Related liabilities
	6,526,812	6,500,566	83,798	83,564	6,526,812	6,500,566	83,798	83,564
Total	**6,526,812**	**6,500,566**	**83,798**	**83,564**	**6,526,812**	**6,500,566**	**83,798**	**83,564**

35. Subordinated liabilities

The Group and the Bank were in compliance with all financial covenants under the outstanding loan agreements at December 31, 2021 and 2020.

In RON thousand	Group		Bank	
	2021	2020	2021	2020
Loans from development banks and financial institutions	323,321	281,586	300,336	281,586
Non-convertible bonds	1,439,163	1,386,175	1,405,898	1,382,878
Convertible bonds	-	-	-	-
Total	**1,762,484**	**1,667,761**	**1,706,234**	**1,664,464**

Subordinated debt includes subordinated loans from development banks and financial institutions, as well as non-convertible bonds.
Subordinated loans include the following:
- loan in amount of EUR 25 million, equivalent of RON 123,702 thousand (2020: RON 121,735 thousand), contracted in 2013 bearing an interest of 6M EURIBOR + 6.20%, due in 2023;
- loan in amount of USD 40 million, equivalent of RON 174,828 thousand (2020: RON 158,640 thousand) contracted in 2014 bearing an interest of 6M LIBOR + 5.80%, due in 2023;
- loan in amount of EUR 2.5 milion, equivalent of RON 12,370 thousand, contracted in 2014 bearing an interest of EURIBOR 3M+8.76%, due to 2024;
- loan in amount of EUR 1.82 milion, equivalent of RON 9,006 thousand, contracted in 2015 bearing an interest of EURIBOR 3M+8%, due to 2023.

In 2018, Banca Transilvania S.A. issued non-convertible bonds amounting to EUR 285 million, equivalent as at 31 December 2021 to RON 1,410,209 thousand (2020: RON 1,378,779 thousand), bearing an interest of 6M EURIBOR+3.75% p.a. and due in 2028. The nominal value of a bond is EUR 100,000.

On non-convertible bonds there are included also bonds issued in 2017 and 2018 by Idea Bank, on amount of EUR 5.75 milion, equivalent as at 2021, December of RON 28,452 thousand , bearing an interest of 10.5% and 8.5% due to 2022 and 2024. The nominal value of a bond is EUR 1,000.

At Group level, the accrued interest and amortization on subordinated debts is in amount of RON 3,415 thousand (2020: RON 1,211 thousand) and at Bank level in amount of RON 1,806 thousand (2020: 1,211 thousand); for the non-convertible bonds, the accrued interest and amortization for the Group levels to RON 502 thousand (2020: (1,603) thousand) and for the Bank to RON (4,311) thousand (2020: (4,901) thousand).

Notes to the consolidated and separate financial statements

36. Provisions for other risks and loan commitments

The following items are included under Provisions for other risks and loan commitments:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Provisions for loan commitments, financial guarantees and other commitments given	360,087	343,752	351,751	342,572
Provisions for untaken holidays	27,441	24,678	21,489	20,081
Provisions for other employee benefits	54,244	36,916	34,023	25,205
Provisions for litigations, risks and charges (*)	96,688	210,606	85,743	201,379
Total	**538,460**	**615,952**	**493,006**	**589,237**

(*) Provisions for risks and charges primarily include provisions for litigation and other risks taken after the merger with Volksbank Romania S.A. and Bancpost S.A.

37. Other financial liabilities

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Amounts under settlement	1,583,653	996,873	1,272,442	786,758
Sundry creditors	175,728	110,249	106,717	70,244
Dividends payable	26,567	23,185	26,567	23,179
Other financial liabilities	40,133	31,482	34,741	27,500
Total	**1,826,081**	**1,161,789**	**1,440,467**	**907,681**

38. Other non-financial liabilities

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Other taxes payable	33,854	30,868	24,544	25,469
Other non-financial liabilities	160,233	55,491	118,942	30,480
Total	**194,087**	**86,359**	**143,486**	**55,949**

39. Share capital

The statutory share capital of the Bank at 31 December 2021, as recorded with the Trade Register was represented by 6,311,469,680 ordinary shares with a nominal value of RON 1 each (at 31 December 2020: 5,737,699,649 shares with a nominal value of RON 1 each). The shareholders structure of the Bank is presented in Note 1.

The capital increase was made out by incorporating the reserves from the statutory profit in amount of RON 573,769,971 and by converting bonds into shares in amount of RON 60.

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Paid share capital recorded with the Trade Register	6,311,470	5,737,700	6,311,470	5,737,700
Share capital adjustment to inflation	89,899	89,899	89,899	89,899
Share capital adjustment with unrealized revaluation reserves of tangible assets	(3,398)	(3,398)	(3,398)	(3,398)
Total	**6,397,971**	**5,824,201**	**6,397,971**	**5,824,201**

Notes to the consolidated and separate financial statements

40. Related-party transactions

Entities are considered to be related parties if one of them has the capacity to control the other or to exercise significant influence on the other entity's management process related to financial or operational decisions.

The Group and the Bank are engaged in transactions with related parties, shareholders and key management personnel. All these transactions were carried out under conditions similar to those applicable to third party agreements, in terms of interest rates and collateral clauses. The transactions /balances with subsidiary entities were eliminated from the scope of consolidation.

Transactions with other related parties include transactions with the major shareholders, family members of the key management personnel and companies where they are shareholders while having a relationship with the Bank.

The transactions / balances with related parties are presented below:

	2021			2020		
***Group** - In RON thousand*	**Key management personnel**	**Other related-parties**	**Total**	**Key management personnel**	**Other related-parties**	**Total**
Assets						
Granted loans	17,905	74,630	**92,535**	19,130	63,396	**82,526**
Liabilities						
Deposits from customers	41,375	327,286	**368,661**	44,566	118,624	**163,190**
Loans from financial institutions	-	149,837	**149,837**	-	205,710	**205,710**
Debt securities	-	508,384	**508,384**	-	500,513	**500,513**
Commitments						
Loan commitments and financial guarantees given	2,960	34,888	**37,848**	3,508	41,783	**45,291**
Notional value of exchange operations	26,428	276,430	**302,858**	29,535	115,626	**145,161**
Statement of profit and loss						
Interest income	547	2,559	**3,106**	583	2,889	**3,472**
Interest expense	202	22,376	**22,578**	279	26,774	**27,053**
Fee and commission income	8	185	**193**	7	199	**206**

Notes to the consolidated and separate financial statements

40. Related-party transactions *(continued)*

Bank *– In RON thousand*

	2021				2020			
	Subsidiaries	Key management personnel	Other related - parties	Total	Subsidiaries	Key management personnel	Other related- parties	Total
Assets								
Correspondent accounts at credit institutions	979	-	-	**979**	968	-	-	**968**
Deposits with credit institutions	29,266	-	-	**29,266**	899	-	-	**899**
Granted loans	1,746,313	14,845	68,325	**1,829,483**	1,361,480	15,833	57,132	**1,434,445**
Equity investments	735,486	-	-	**735,486**	499,690	-	-	**499,690**
Financial assets at amortized cost	14,867	-	-	**14,867**	-	-	-	**-**
Financial assets measured at fair value through other items of comprehensive income – debt instruments	1,794	-	-	**1,794**	4,610	-	-	**4,610**
Financial assets required to be measured at fair value through profit or loss - debt instruments	394,127	-	-	**394,127**	230,675	-	-	**230,675**
Right of use assets	245,115	-	-	**245,115**	275,008	-	-	**275,008**
Other assets	2,796	-	-	**2,796**	3,253	-	-	**3,253**
Liabilities								
Correspondent accounts from credit institutions	7,103	-	-	**7,103**	7,277	-	-	**7,277**
Deposits from customers	213,539	33,474	322,539	**569,552**	112,741	32,409	112,376	**257,526**
Loans from financial institutions	-	-	113,075	**113,075**	-	-	152,791	**152,791**
Debt securities	-	-	494,034	**494,034**	-	-	486,041	**486,041**
Lease liabilities	259,882	-	-	**259,882**	270,730	-	-	**270,730**
Other liabilities	6,433	-	-	**6,433**	3,798	-	-	**3,798**
Commitments								
Loan commitments and financial guarantees given	415,556	2,497	30,556	**448,609**	544,752	3,096	31,883	**579,731**
Notional value of exchange operations	392,757	23,784	259,004	**675,545**	322,328	22,099	105,234	**449,661**

Notes to the consolidated and separate financial statements

40. Related-party transactions *(continued)*

Bank – *In RON thousand*

	2021				2020			
	Subsidiaries	**Key management personnel**	**Other related-parties**	**Total**	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**
Statement of profit and loss								
Interest income	36,848	456	2,300	**39,604**	36,411	503	2,608	**39,522**
Interest expense	6,409	172	21,425	**28,006**	1,490	208	25,441	**27,139**
Fee and commission income	6,231	6	155	**6,392**	3,467	4	172	**3,643**
Fee and commission expense	16,760	-	-	**16,760**	14,610	-	-	**14,610**
Gain/Loss from financial assets and liabilities held-for-trading	2	-	-	**2**	2	-	-	**2**
Dividend income	30,732	-	-	**30,732**	13,196	-	-	**13,196**
Other income	18,235	-	-	**18,235**	13,754	-	-	**13,754**
Other expenses	18,560	-	-	**18,560**	2,273	-	-	**2,273**

Notes to the consolidated and separate financial statements

40. Related-party transactions *(continued)*

Transactions with key management personnel

During 2021, the expenses related to the fixed and variable remunerations of the members of the Board of Directors and of the Executive Management of the Group amounted to RON 33,430 thousand (2020: RON 31,403 thousand) and of the Bank amounted to RON 17,221 thousand (2020: RON 16,573 thousand).

Compensation for the key personnel of the Group:

	2021			2020		
In RON thousand	**Total**	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**	**Total**	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**
Short-term employee benefits	55,841	13,048	82	53,313	11,850	73
Share based payments	34,416	-	-	31,652	5	-
Debt instrument-based payments	137	34	-	160	40	-
Total compensations and benefits	**90,394**	**13,082**	**82**	**85,125**	**11,895**	**73**

Compensation for the key personnel of the Bank:

	2021			2020		
In RON thousand	**Total**	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**	**Total**	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**
Short-term employee benefits	39,257	9,631	72	38,424	9,552	61
Share based payments	32,619	-	-	30,209	-	-
Total compensations and benefits	**71,876**	**9,631**	**72**	**68,633**	**9,552**	**61**

41. Commitments and contingencies

a) Commitments and contingencies

At any time the Group and the Bank have outstanding commitments to extend loans. These commitments are in the form of approved limits for credit cards and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one month to one year.

The Group provides financial guarantees and letters of credit to guarantee the performance of its customers in relation to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Maturities are not concentrated in a specific period.

The contractual amounts of commitments and contingencies are set out in the following table by categories. The amounts reflected in the table under commitments are presented based on the assumption that they have been fully granted.

41. Commitments and contingencies *(continued)*
a) Commitments and contingencies (continued)

The amounts reflected in the table as guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties completely failed to meet the contractual terms and conditions.

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Guarantees issued, of which	2,262,445	1,716,585	2,245,845	1,688,723
- *Performance bonds*	729,939	*457,588*	*708,552*	*430,748*
- *Financial liabilities*	*1,532,506*	*1,258,997*	*1,537,293*	*1,257,975*
Loan commitments	14,513,285	11,259,736	14,171,080	11,287,173
Total	**16,775,730**	**12,976,321**	**16,416,925**	**12,975,896**

The provisions for loan commitments to customers amounted to RON 360,087 thousand at Group level (2020: RON 343,752 thousand) and at Bank level RON 351,751 thousand (2020: RON 342,572 thousand).

Forward agreements represent contractual arrangements to buy or sell a certain financial instrument, at a certain price and at a certain future date.

Outstanding foreign currency transactions at 31 December 2021 were:

Forward transactions					
Transactions with corporate clients:					
Purchases	3,050,000	EUR	equivalent	15,244,802	RON
Purchases	1,700,000	USD	equivalent	7,244,569	RON
Purchases	12,558,750	RON	equivalent	2,500,000	EUR
Transactions with banks:					
Purchases	45,733,148	EUR	equivalent	49,500,000	CHF
Purchases	17,250,234	EUR	equivalent	80,000,000	PLN
Purchases	75,146,262	EUR	equivalent	372,978,636	RON
Purchases	1,072,291,548	RON	equivalent	212,757,146	EUR
Purchases	5,770,788	RON	equivalent	1,350,000	USD

b) Transfer pricing and taxation

The taxation system in Romania has faced multiple changes in the recent years and is in a continuous process of update and improvement. As a consequence, the tax legislation is still subject to various interpretations. In certain cases, the tax authorities may treat certain issues in a different manner, determining the calculation of additional taxes, interest and penalties for delay (the total current rate is of 0.03% per day of delay).

In Romania the fiscal year remains open for fiscal audit for 5 years. According to the Bank's management, the tax duties included in these financial statements are appropriate.

The tax legislation in Romania considers the "market value" principle, according to which transactions between related parties must be performed at market value.

The taxpayers involved in related-party transactions must prepare and provide to the Romanian tax authorities the transfer pricing file, upon request.

41. Commitments and contingencies *(continued)*
b) Transfer pricing and taxation (continued)

The failure to provide the transfer pricing file or the submission of an incomplete transfer pricing file may lead to penalties for non-compliance; apart from the transfer pricing file, the tax authorities may interpret transactions and circumstances in a manner which is different from the management's interpretation and, consequently, may impose additional tax duties resulting from the adjustment of transfer prices.

The management of the Group and of the Bank considers that no losses should be incurred in the event of a fiscal audit for the verification of transfer prices. However, the impact of potential different interpretations of the tax authorities cannot be accurately estimated. The impact may be significant as concerns the Bank's financial position and/or operations. However, the fiscal risk is low because the majority of transactions are between group entities, which are in Romania, without cross-border risk.

42. Earnings per share

The calculation of basic earnings per share was based on the net consolidated profit attributable to ordinary shareholders of the parent company of RON 1,983,335 thousand (2020: RON 1,380,148 thousand) and on the weighted average number of ordinary shares outstanding during the year of 6,304,117,518 (2020 recalculated: 6,298,218,683 shares).

The diluted earnings per share for 2020, took into consideration the adjusted consolidated net profit of RON 1,380,576 thousand attributable to the ordinary shareholders of the parent company and the weighted average number of outstanding diluted ordinary shares. The adjusted consolidated net profit for 2020 was determined by adjusting the base profit with the interest paid on bonds during the year in amount of RON 428 thousand. For 2021, the amount of convertible bonds was 0, in this case the diluted net profit attributable to the shareholders is equal with the net profit of the Group and the earning per diluted share is the same as the earning per ordinary share.

The weighted average number of diluted shares was determined as the sum of the weighted average number of ordinary shares and the number of shares which would have been issued upon the conversion of all potential dilutive shares into ordinary shares.
The weighted average of diluted shares outstanding as at 2020, December 31 was determined as a ratio between the outstanding bonds in amount of RON 47,523,090 and the conversion price of 2.2414, resulting a number of 8,168,143 shares (it is not the case as at 2021, December 31).

	Group	
	2021	**2020**
Ordinary shares issued as at 1 January	**5,737,699,649**	**5,215,917,925**
The impact of shares issued as of 1 January	573,769,971	521,609,059
The impact of the shares repurchased during the year	(7,352,162)	(13,250,937)
The impact of the shares resulting from the conversion of the bonds	60	172,665
Retroactive adjustment of the weighted average number of shares outstanding on 31.12.2020	-	573,769,971
Weighted average number of shares as at 31 December	**6,304,117,518**	**6,298,218,683**
The number of shares that may be issued upon the conversion of bonds into shares	-	8,168,143
Weighted average number of diluted shares as at 31 December	**6,304,117,518**	**6,306,386,826**

Notes to the consolidated and separate financial statements

43. Derivatives

The structure of the derivative instruments held by the Group and by the Bank as at 31 December 2021 is the following:

	Group			Bank		
In RON thousand	**Fair value of Assets**	**Fair value Liabilities**	**Notional**	**Fair value of Assets**	**Fair value Liabilities**	**Notional**
Interest rate swaps	1,944	1,549	363,161	858	1,059	197,795
Currency swaps	72,345	25,616	1,545,248	72,346	25,616	1,545,248
Exchange rate forward agreements	6,638	12,014	1,777,016	6,638	12,014	1,777,016
Total derivative financial instruments	**80,927**	**39,179**	**3,685,425**	**79,842**	**38,689**	**3,520,059**

The structure of the derivative instruments held by the Group and by the Bank as at 31 December 2020 is the following:

	Group			Bank		
In RON thousand	**Fair value of Assets**	**Fair value Liabilities**	**Notional**	**Fair value of Assets**	**Fair value Liabilities**	**Notional**
Interest rate swaps	478	2,940	237,564	478	2,940	237,564
Currency swaps	8,152	30,629	1,277,201	8,152	30,629	1,277,201
Exchange rate forward agreements	13,460	1,248	3,153,148	13,460	1,248	3,153,148
Total derivative financial instruments	**22,090**	**34,817**	**4,667,913**	**22,090**	**34,817**	**4,667,913**

44. Reconciliation of liabilities resulting from financial activities

The changes of the liabilities resulting from the Group's financial activities carried out in 2021 and 2020 are presented below:

				Non-monetary changes		
Group 2021 *In RON thousand*	**01 January 2021**	**Receipts**	**Payments**	**Registration of receivables taken from Idea Group**	**Foreign exchange variation**	**31 December 2021**
Long-term loans	3,275,984	81,502	(368,333)	133,842	63,284	3,186,279

				Non-monetary changes		
Group 2020 *In RON thousand*	**01 January 2020**	**Receipts**	**Payments**	**Registration of receivables**	**Foreign exchange variation**	**31 December 2020**
Long-term loans	3,173,496	349,841	(290,572)	-	43,219	3,275,984

The changes of the liabilities resulting from the Bank's financial activities carried out in 2021 and 2020 are presented below:

Bank 2021 *In RON thousand*	**01 January 2021**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2021**
Long-term loans	2,760,396	-	(152,045)	57,239	2,665,590

Bank 2020 *In RON thousand*	**01 January 2020**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2020**
Long-term loans	2,594,667	311,976	(182,927)	36,681	2,760,396

Notes to the consolidated and separate financial statements

45. Acquisition of Idea Bank S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare S.R.L.

On June 02, 2021 Banca Transilvania S.A. has signed the purchase agreement for the full shareholding (100%) held by Getin Holding Spolka Akcyjna and Getin International Spolka Akcyjna in the share capital of Idea Bank S.A. Through the transaction, Banca Transilvania Financial Group acquired direct and indirect control over the subsidiaries held by Idea Bank in Romania, respectively Idea Investment S.A., Idea Leasing IFN S.A., Idea Broker de Asigurare S.R.L.

During the subsequent period, the necessary approvals were obtained for concluding transaction from the Competition Council (Non-objection decision no.61 of September 7, 2021 on the economic concentration operation carried out by acquiring sole direct control over Idea Bank S.A. and sole indirect control over Idea Investment S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare S.R.L.) and of the National Bank of Romania. The Group aquired control of these companies on October 29, 2021, when the consideration was transferred in exchange for the package of shares held by the Getin group.

During the two months period until December 31, 2021, Idea Bank S.A. together with the other entities taken over, had a contribution of RON 13.33 million to the profit of the Group. Had the acquisition taken place on January 01, 2021, the management estimates that the contribution to the consolidated profit would have been an additional RON 47.69 million.

Consideration transferred

The fair value of the consideration transferred is of RON 222,665 thousand and it was paid in full at the date of these consolidated and separate financial statements.

Assets acquired and liabilities assumed

The table below summarizes the amounts recognized at the acquisition date in relation to the assets acquired and the liabilities assumed:

In mill RON	Carrying amount	Adjustments	Fair Value
Cash, cash equivalents and placements with banks	570,653	-	570,653
Securities	298,983	-	298,983
Loans and advances to customers	1,895,400	(36,305)	1,859,095
Receivables from financial leasing contracts	88,351	(1,000)	87,351
Property and equipment, intangible assets, investment property and right-of-use asset	56,424	42,386	98,810
Other assets	61,822	1,747	63,569
Deposits from banks	(94,545)	-	(94,545)
Deposits from customers	(2,397,472)	(3,598)	(2,401,070)
Loans from banks and other financial institutions and subordinated liabilities	(163,511)	(5,217)	(168,728)
Other liabilities	(77,416)	(6,660)	(84,076)
Total net assets acquired	**238,689**	**(8,647)**	**230,042**

The initial accounting for this business combination in accordance with International Financial Reporting Standards (IFRS3 – Businesss Combinations) is incomplete at the end of the reporting period and, therefore, these consolidated and sepatare financial statements include provisional amounts reported for certain identifiable assets acquired and liabilities assumed. Management does not expect significant differences in the measurement of the fair value of identifiable assets acquired and liabilities assumed.

45. Acquisition of Idea Bank S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare S.R.L. *(continued)*

Fair value measurement

The determination of the fair value of the acquired assets and the assumed obligations was based on the following valuation tehnique:

- ***Loan portfolio – performing loans***: adjustments were made to reflect the differences in interest rates (contractual versus market) as well as the expected credit losses based on a lifetime perspective of the market participant. The valuation methodology sought to quantify any differences between the interest rates in force and those existing on the market at the Valuation Date;
- ***Loan portfolio – non-performing loans***: the fair value analysis of non-performing loans focused on ECL estimation, whereby the value of expected credit losses was estimated by considering potential recoveries from collaterals.
- ***Tangible and intangible assets***: the fair value was estimated by applying specific valuation methods taking into account the asset type and available information and management decision related to future benefits the assets will encompass.
- ***Customer relationship***: the fair value analysis conducted through the income approach has identified positive future cash flows attributable to customers owned by Idea Bank S.A. as at 29 October 2021.
- ***Subordinated bonds and loans:*** adjustments were made for subordinated bonds and loans as a result of differences between contractual and market interest rates.
- ***Customer deposits / Loans from Banks and Financial Institutions***: adjustments were made to reflect the difference between contractual and market interest rates
- ***Lease liabilities:*** in line with IFRS 16 requirements, the fair value of lease liabilities has been determined as the present value of the remaining lease payments.

Bargain gain

The Group's profit for the period ended December 31, 2021 includes the bargain gain resulting from the acquisition of Idea Bank S.A., Idea Investemnt S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare S.R.L., amounting to RON 7,377 thousand.

The bargain gain was determined as the difference between the consideration transferred (RON 222,665 thousand) and the fair value of assets and liabilities of Idea Bank S.A. at the control takeover date (in the amount of RON 230,042 thousand).

Costs associated with the acquisition of Idea Bank S.A., Idea Investment S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare S.R.L.

The costs of the acquisition are the costs incurred by the Group in carrying out the business combination. These costs include brokerage, advisory, legal, accounting, evaluation and other professional or consultant fees, as well as general administrative costs incurred in the integration process.

At the reporting date tthe costs associated with the acquisition of the Idea Bank group amounting to RON 11,312 thousand, are included in the Profit or Loss Statement under the item "Other operating expenses".

Notes to the consolidated and separate financial statements

46. Events subsequent to the date of the consolidated statement of financial position

Currently, the world economy is facing several exceptional challenges. Russia's military aggression against Ukraine began on February 24, 2022 and resulted in a series of economic and individual sanctions, mainly imposed by the EU, the United States and United Kingdom.

This event has created geopolitical instability and volatility in the financial and energy markets and the economic consequences are already manifested in price increases mainly for energy and food.

These measures create distortions that are expected to spread to several economic sectors, with the immediate impact being felt in the increased volatility of capital markets and exchange rates, as well as in energy and commodity prices.

The impact of these measures, as well as potential responses to them by Russia, is currently unknown and, while the Group's direct exposure to Ukraine, Belarus and Russia is insignificant, an impact on the Group future business cannot be reliably estimated at this time.

No significant further events were identified after reporting the consolidated statement of financial posit.

The financial statements were approved by the Board of Directors on 25 March 2022 and were signed on behalf of the Board.

Horia CIORCILĂ
Chairman

George CĂLINESCU
Deputy CEO

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SWIFT: BTRLRO22
C.U.I. RO 50 22 670
R.B. - P.J.R. 12 - 019 - 18.02.1999
Nr. Înreg. Reg. Com.: J12 / 4155 / 1993

STATEMENT

As per provisions the article 30 of the Accounting Law no. 82/1991, republished, we hereby state that we take full responsibility for preparing the annual financial statements as at December 31, 2021 and confirm that:

a) The accounting policies used to prepare the annual financial, consolidated and separate statements are in accordance with the International Financial Reporting Standards as endorsed by the European Union ("IFRS"), applicable as at the reporting date December 31, 2021;

b) The consolidated and separate financial statements, prepared as at December 31, 2021 present a true image of the assets, liabilities, statement of financial position, statement of profit or loss of Banca Transilvania;

c) Banca Transilvania carries its business on an ongoing basis;

d) The Annual Report has been prepared in accordance with the ASF Regulation no. 5/2018 and reflects the fair and complete information at the reporting date.

DEPUTY CEO,

GEORGE CĂLINESCU

March 25, 2022

Refer to the original signed Romanian version

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TRANSLATOR'S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version

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Independent Auditors' Report

To the Shareholders of Banca Transilvania SA

30-36 Calea Dorobanţilor, Cluj-Napoca
Unique Registration Code: 5022670

Report on the Audit of the Consolidated and Separate Financial Statements [1]

Opinion

1. We have audited the accompanying:

   - consolidated financial statements of Banca Transilvania S.A. ("the Bank") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

   - separate financial statements of the Bank, which comprise the separate statement of financial position as at 31 December 2021, the separate statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

2. The consolidated and separate financial statements as at and for the year ended 31 December 2021 are identified as follows:

   - Consolidated Net assets/Total equity: Lei 10,564,134 thousand
   - Consolidated Net profit for the year: Lei 2,024,533 thousand

   - Separate Net assets/Total equity: Lei 9,353,125 thousand
   - Separate Net profit for the year: Lei 1,782,704 thousand

[1] **The English version of the consolidated and separate financial statements is a translation from the Romanian official version. In case of discrepancies, the Romanian official version will prevail.**

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Fiscal registration code
RO12997279
Trade Registry
no J40/4339/2000
Share Capital 2,000 RON

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3. In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated financial position of the Group and the unconsolidated financial position of the Bank as at 31 December 2021, and of their respective consolidated and unconsolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing ("ISAs"), Regulation (EU) no. 537/2014 of the European Parliament and of the Council ("the Regulation") and Law no. 162/2017 ("the Law"). Our responsibilities under those standards and regulations are further described in the *Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Bank and the Group in accordance with *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code")* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Romania, including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to customers

As at 31 December 2021, the consolidated financial statements include loans and advances to customers before impairment allowance: RON 58,459,285 thousand, allowances for impairment losses on loans: RON 3,829,531 thousand, and, for the year then ended, net impairment losses on loans and advances to customers: RON 560,446 thousand (31 December 2020: loans and advances to customers before impairment allowance: RON 44,286,658 thousand, allowances for impairment losses on loans: RON 3,394,114 thousand, and, for the year then ended, impairment losses on loans and advances to customers: RON 984,194 thousand)

As at 31 December 2021, the separate financial statements include gross loans and advances to customers: RON 55,852,760 thousand, allowances for impairment losses on loans: RON 3,614,237 thousand, and, for the year then ended, net impairment losses on loans and advances to customers: RON 549,203 thousand (31 December 2020: gross loans and advances to customers: RON 43,553,961 thousand, allowances for impairment losses on loans: RON 3,190,052 thousand, and, for the year then ended, net impairment losses on loans and advances to customers: RON 911,369 thousand).

See Notes 3 *Significant accounting policies, 4b Financial risk management – credit risk, 5a Accounting estimates and significant judgements, 15a Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss, 22 Loans and advances to customers* to the consolidated and separate financial statements.

The key audit matter	**How the matter was addressed in our audit**
➢ Impairment allowances represent management's best estimate of the expected credit losses ("ECLs") within loans and advances to customers (collectively, "loans",	Our audit procedures, performed, where relevant, with the assistance from our own financial risk management, valuation and information technology

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"exposures") at amortized cost at the reporting date. We focused on this area as the measurement of impairment allowances requires management to make complex and subjective judgements over the amount of any such impairment.

- Impairment allowances for the performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) as well as non-performing exposures (Stage 3), with amounts not exceeding certain pre-determined thresholds individually, are determined by modelling techniques relying on key parameters such as the probability of default (PD), exposure at default (EAD) and loss given default (LGD), taking into account historical experience, identification of exposures with a significant increase in credit risk ("SICR"), forward-looking information and management judgment (together "collective impairment allowance").
- Impairment allowances for exposures in excess of the above thresholds are determined on an individual basis by means of a discounted cash flows analysis. The process relies on a number of complex assumptions, in particular those in respect of the recovery scenarios and the expected proceeds from the sale of the related collateral and minimum period for collateral disposal.
- In the wake of the COVID-19 pandemic and the downward macroeconomic effects of the increase in energy and other commodity prices and resulting inflationary pressures and disruptions in the global supply chains, measurement of ECLs was associated with additional complexities and an increased estimation uncertainty. In addition, application of post-model adjustments was required from management in arriving at the year-end estimate of impairment losses.
- In the wake of the above factors, we considered impairment of loans and advances to customers to be associated with a significant risk of material misstatement in the consolidated and separate financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.

(IT) specialists, included, among others:

- Inspecting the Bank's and its subsidiaries' ECL impairment provisioning methods and models, and assessing their compliance with the relevant requirements of the financial reporting standards. This included challenging management on whether the level of the methodology's sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors;
- Testing the design, implementation and operating effectiveness of selected controls within the impairment process. This included testing the controls over (i) completeness and accuracy of relevant data inputs (mainly for loan exposure, ratings, forbearance flags, collaterals and interest rates data), (ii) approval and monitoring of loans (iii) review of collateral valuation reports, (iv) system computation of debt service and (v) testing of the IT control environment for data security and access;
- Assessing the consistency of application of the SICR criteria and of the identification of objective evidence of impairment, and also, for a sample of exposures, independent determination of the loans' classification into the stages of IFRS 9;
- For collective impairment allowance:
  - Challenging the macroeconomic forecasts used in the ECL model in terms of their relevance and source accuracy by comparing them to our own modelled forecasts. As part of the procedure, we challenged the consideration of the economic uncertainty relating to COVID-19 and the increase in energy and other commodity prices and resulting inflationary pressures and disruptions in the global supply chains, by means of inquiries of the management board members and inspection of publicly available information;
  - Testing the relevance and reliability of the data used in the process of calculating the PD, EAD and LGD parameters used in the collective ECL model, on a sample basis, by reference to the supporting documentation, such as credit risk memoranda, debt service status, repayment schedules, restructuring operations and underlying data for collections occurring after default;
  - Challenging significant post-model adjustments, by evaluating key underlying assumptions, inspecting the calculation method and tracing a sample of data used back to source data.

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	— Based on the outcome of the preceding procedures, recomputing the ECLs for a sample of loans. ➢ For impairment allowances calculated individually, for a sample of loans, challenging the estimates of future cash flows within the ECL measurement, with main focus on the recovery scenarios, recovery period and collateral values (including related haircuts), which we tested, on a sample basis, by reference to our analysis of historical recoveries and of the appraisals by valuation experts engaged by management, whose experience, competence and objectivity we independently assessed. Also on a sample basis, recomputing the amounts of ECLs at the reporting date. ➢ Assessing the accuracy, completeness and relevance of the ECL-related disclosures in the consolidated and separate financial statements against the requirements of the relevant financial reporting standards.

Acquisition of Idea Bank S.A., Idea Investment S.A., Idea Leasing IFN S.A. and Idea Insurance Broker S.R.L.

As at 31 December 2021, the consolidated financial statements include the identifiable assets acquired and liabilities assumed related to the acquisition of Idea Bank S.A., Idea Investment S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare S.R.L. Also recognized as part of the business combination was a gain from a bargain purchase of RON 7,377 thousand.

See Notes 3 *Significant accounting policies, 45 Acquisition of Idea Bank S.A., Idea Investment S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare S.R.L.* to the consolidated and separate financial statements.

The key audit matter	How the matter was addressed in our audit
➢ As discussed in Note 45, Banca Transilvania S.A. finalized on 29 October 2021 the acquisition of a 100% stake in the share capital of Idea Bank S.A. from Getin Holding Spolka Akcyjna and Getin International Spolka Akcyjna. As part of the transaction, the Group also acquired control over the subsidiaries owned by Idea Bank S.A. in Romania: Idea Investment S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare SRL. ➢ The relevant provisions of IFRS 3 *Business Combinations* impose a number of requirements on companies acquiring controlling interests in other businesses. The requirements include those to determine whether and when control over the acquirees is obtained by the acquiring entity, the purchase consideration and the identifiable net assets acquired, and also to measure the fair value of those identifiable net assets at acquisition date.	Our audit procedures, performed, where relevant, with the assistance from our own financial risk management and valuation specialists, included, among others: ➢ Evaluating the design and implementation of selected internal controls, such as those over the determination of the acquisition consideration, identification of the acquired assets and liabilities assumed, and estimating fair values of the net assets acquired; ➢ Challenging, based on our inspection of the share purchase agreement and inquiries of the Management Board, the Group's conclusion as to the acquisition date; ➢ Assessing the completeness of the Group's identification of assets acquired and liabilities assumed, based on our understanding of acquirees' operations and the analysis of their

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- Making the fair value estimates is complex and requires significant judgement in developing underlying forecasts and assumptions. As discussed in Note 45, in respect of the above acquisition, the fair value of the identifiable net assets acquired was estimated primarily based on the valuation methods such as:
  - For loans and advances to customers: net present value of future cash flows, by reference to the gross contractual cash flows discounted at market rate of return less related minus lifetime expected credit losses;
  - For property and equipment: income approach and depreciated replacement cost (DRC) approach - where relevant, by reference, among others, to discounted future cash flow projections and to the historical asset cost, inflation indices, and residual useful life;
  - For customer relationships (identifiable intangible asset in a business combination): income approach, by reference to the attrition/churn rates, duration and discount factor.
- In addition, before recognising a gain on a bargain purchase, the acquirer is required to, among other things, reassess whether it has correctly identified all of the assets acquired and liabilities assumed, and to review the procedures used to measure the amounts to be recognised at the date of acquisition for those identifiable net assets.
- Due to the factors described above, we considered the business combination in question, and the related acquisition accounting, to be a key audit matter in our audit.

financial information;

- Challenging the appropriateness of the valuation methods and models applied to determine acquisition-date fair value of identifiable assets and liabilities acquired, by reference to commonly used valuation methods and the relevant requirements of financial reporting standards;
- In respect of the above valuation methods, taking into account potential effects of the COVID-19 pandemic, the unfavorable macroeconomic effects of the increase in energy and other commodity prices and resulting inflationary pressures and disruptions in the global supply chains, challenging the key assumptions therein, including:
  - For loans and advances to customers - the assumptions underlying future cash flow projections and discount rates, by means of corroborating inquiries of the Bank's finance and risk personnel and external experts engaged by the Group, and inspection of publicly available market data;
  - For property and equipment - the assumptions underlying future cash flow projections and the historical asset cost, inflation indices, and residual useful life, by reference to publicly available market data and the acquirees' accounting data and evidence;
  - For customer relationships, the assumptions related to the attrition/churn rate, duration and discount factor, by reference to the acquirees' internal evidence and publicly available market data;
- Assessing the accuracy, completeness and relevance of the business combination-related disclosures in the consolidated financial statements against the requirements of the relevant financial reporting standards.

Other information

6. The Board of Directors is responsible for the preparation and presentation of other information. The other information comprises the Board of Directors' Report (which includes also the Non-financial Statement and the Remuneration Report) and the Annual Report (prepared as per the requirements of Financial Supervisory Authority ("FSA") Regulation 5/2018) but does not include the consolidated and separate financial statements and our auditors' report thereon.

   Our opinion on the consolidated and separate financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of

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assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

Other Reporting Responsibilities Related to Other Information –Board of Directors' Report

With respect to the Board of Directors' Report we read and report whether the Board of Directors' Report is prepared, in all material respects, in accordance with NBR Order no. 27/2010, article 32 and NBR Order no. 27/2010, articles 12, 13, 15, 16 and 17 of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

Based solely on the work required to be undertaken in the course of the audit of the consolidated and separate financial statements, in our opinion:

a) The information given in the Board of Directors' Report the financial year for which the consolidated and separate financial statements are prepared is consistent, in all material respects, with the consolidated and separate financial statements;

b) The Board of Directors' Report has been prepared, in all material respects, in accordance with NBR Order no. 27/2010, article 32 and NBR Order no. 27/2010, articles 12, 13, 15, 16 and 17 of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

In addition, in light of the knowledge and understanding of the Bank and its environment obtained in the course of our audit we are required to report if we have identified material misstatements in the Board of Directors' Report. We have nothing to report in this regard.

Other Reporting Responsibilities Related to Other Information – Remuneration Report

With respect to Remuneration Report, we read the Remuneration Report in order to determine whether it presents, in all material respects, the information required by article 107, alin (1) and (2) of the Law no. 24/2017 regarding the issuers of financial instruments and market operations, republished. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

7. The management of the Bank ("management") is responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the consolidated and separate financial statements, management is responsible for assessing the Bank's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and Group or to cease operations, or has no realistic alternative but to do so.

9. Those charged with the governance of the Bank ("those charged with governance") are responsible for overseeing the Bank's and Group's financial reporting process.

Auditors' Responsibility for the Audit of the Consolidated and Separate Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material

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misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and Group's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and Group to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

    - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements - Report on Compliance with the ESEF Regulation

15. In accordance with Law no. 162/2017 on statutory audits of annual financial statements and consolidated and separate financial statements and amendment of certain regulations, we are required to express an opinion on compliance of the consolidated and separate financial statements, with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management

16. Management is responsible for the preparation of the consolidated and separate financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the consolidated and separate financial statements in the applicable xHTML format;
- the selection and application of appropriate iXBRL tags, in the preparation of the consolidated financial statements, using judgment where necessary;
- ensuring consistency between the tagged data and the consolidated financial statements of the Group presented in human-readable format;
- ensuring consistency between digitised information in human-readable format and the signed separate and consolidated financial statements; and
- the design, implementation and maintenance of internal controls relevant to the application of the RTS on ESEF.

Auditors' Responsibilities

17. Our responsibility is to express an opinion on whether the consolidated and separate financial statements comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the RTS on ESEF, whether due to fraud or error. Our procedures included, among other things:

- with respect to the consolidated financial statements:

  - obtaining an understanding of the tagging process;
  - evaluating the design and implementation of relevant controls over the tagging process;
  - tracing the tagged data to the consolidated financial statements of the Group presented in human-readable digital format and to the signed and audited consolidated financial statements, stamped by us for identification purposes;
  - evaluating the completeness of the Group's tagging of the consolidated financial statements;
  - evaluating the appropriateness of the Group's use of iXBRL elements selected from the ESEF taxonomy and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
  - evaluating the use of anchoring in relation to the extension elements;

- with respect to the separate and consolidated financial statements:

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- evaluating the appropriateness of the digital format of the consolidated and separate financial statements; and
- assessing consistency between the digitised information in the machine- and human-readable formats and the signed and audited consolidated and separate financial statements, stamped by us for identification purposes.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

18. In our opinion, the consolidated and separate financial statements of the Bank as at and for the year ended 31 December 2021 have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Report on Other Legal and Regulatory Requirements -EU Regulation (EU) No 537/2014

19. We were appointed by the General Shareholders' Meeting on 29 April 2020 to audit the consolidated and separate financial statements of Banca Transilvania SA for the year ended 31 December 2021. Our total uninterrupted period of engagement is of 2 years, covering the periods ended 31 December 2020 to 31 December 2021.

20. We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank, which we issued on 24 March 2022. We also remained independent of the audited entity in conducting the audit.
- we have not provided to the Bank and Group the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014.

The engagement partner on the audit resulting in this independent auditors' report is Furtuna Cezar-Gabriel.

For and on behalf of KPMG Audit S.R.L.:

Refer to the original signed Romanian version

FURTUNA CEZAR-GABRIEL	**KPMG Audit SRL**
registered in the electronic public register of financial auditors and audit firms under no AF1526	registered in the electronic public register of financial auditors and audit firms under no FA9

Bucharest, 25 March 2022

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