The Year of Endurance and Solidarity

Board Report

2019

A message for our shareholders

People say that we create our own present, but 2020 has presented us with an exception from that rule. It was an odd year for everyone, both unprecedented and challenging. BT Financial Group has managed, however, to turn it into a year of endurance and solidarity, in which we have steadily moved forward. We have set ourselves a conservative forecast for our initial budget, which we have thankfully managed to exceed despite the tough year. BT's customer support strategy was reflected in the increase in both operations and business volumes, and 2020 was an overall lesson in accelerated learning.

The pandemic found the banking sector in a much stronger position than in 2008; banks have provided the needed resources to support the continuity & the relaunch of the businesses. BT has successfully offered support to the Romanian businesses, entrepreneurs and households. When it truly mattered, BT was prepared for the challenges which all of us have been facing since the beginning of 2020, due to the fact that in our almost 30-year long history, we have reinvested most of its profits back in Romania.

This report is meant to give you an outline of what and how we did last year – either from our countrywide offices or from homes.. It is about BT's direction, priorities, organization, results, social involvement and resources allocated, and it is mostly about our impact on the economy, the communities and the Romanian society at large. It is about Human Banking in a year when despite having to socially distance, we understood the need to keep close to each other.

For the Wellbeing of the Romanians, of the Economy and of Romania

From the onset of the pandemic, Banca Transilvania has focused on implementing the necessary measures to prevent the spreading of COVID-19, on ensuring business continuity through our agencies, branches and digital channels, as well as on finding the best ways we could offer our help where needed.

Looking back, what matters is that we have kept our promises made in March 2020. Our message then - We will have a proactive, supportive attitude, because solidarity has now become our main goal - was about our effort as a market leader in doing our best for the wellbeing of Romanians, the economy and of Romania. Banca Transilvania was the first bank on the market to announce support measures regarding loans for its customers affected by the pandemic. We offered the most consistent support package, the measures implemented by our company exceeded the mandatory legal framework by a significant margin and we stood by our clients throughout this challenging period.

Additionally to these extraordinary measures, our day-to-day work continued: BT ensured the continuation of its operations, we launched commercial campaigns and maintained the pace of network modernization projects and pursued the diversification of customer-bank interaction options. We are grateful for being able to be part of the solution, making full use of the synergies between the business environment, the banking system, the public sector administration including the National Bank and the population at large.

The Fourth Reinvention of BT. Adapting to the Pandemic Context

For our bank, the pandemic prompted a redesign of the business model. Being the largest lender for the Romanian economy, the role played by Banca Transilvania was a crucial one. We quickly realized that there would be disruptions in the economic flows and that the lockdown would translate into delays in the companies' cash flows, a decrease in consumption in some areas, but also that the new restrictions would bring about behavioral changes that we had to account for.

Throughout it all, our customers were always on our mind and BT continued to engage them, putting ourselves in their place, so we knew that we could have a role in helping the economy and a lot of jobs at stake. Adapting to the new status quo was a challenge especially because we knew that we had to change the traditional methods of business analysis. What the banking sector usually does is look at previous years' performance to extrapolate the future, but in 2020 we understood the importance of making

choices for the present moment. When the first lockdowns were imposed, we knew we had to set off with a new mindset. After the first months of the pandemic, our message to our shareholders and other stakeholders in April 2020 was *We are navigating this period with confidence. Courage, Romania!*

The Operations Growth in 2020 Reinforces the Bank's Role as the Main Pillar for the Romanian Economy in 2021

If we were to summarize 2020 in ten topics, they would be:

- At the end of last year, the assets of the BT Financial Group reached over RON 107 billion.
- The net consolidated profit of the BT Financial Group amounts to RON 1,424 million, of which RON 1,197 million is attributable to the bank. The bank's operating profit increased to RON 2,155 million.
- The already robust capitalization of our bank reached RON 9.5 billion total equity, higher by 12% compared to 2019.
- BT Group's loans increased to RON 42 billion, and deposits reached RON 91 billion, of which RON 62 billion RON attributed to retail clients and RON 29 billion to companies. The bank granted over 145,000 loans in a year.
- In 2020, over 10,200 Romanians bought a house with the help of BT, being financed with approximately RON 2.5 billion. The outstanding balance of mortgage/real estate loans reached RON 13.3 billion.
- Through SME Invest, BT granted over 10,000 loans, supporting companies in providing approximately 100,000 jobs especially in retail, transportation and construction fields

- Almost 340 million transactions were made with BT cards, up by 22% compared to 2019.
- BT's CAR in 2020 is 19.94% (profit excluded) and 22.24% (profit included).
- We refurbished almost 70 branches and agencies in 50 cities.
- During the state of emergency, the bank contributed with over EUR 2 million to the prevention and limitation of the pandemic and to increasing the access to testing and treatment.

Ready for the Relaunch

We have prepared a number of different scenarios for 2021, taking into account every signal, figure and trend. We expect a return in business, with an annual growth rate that can easily reach 5% in terms of YoY trends, but it is clear that are very much dependent on the evolution of the pandemic, the vaccination efforts, restrictions in travel and reduced consumption, both at home and in the other European countries. Romania has a complex economy, being strongly interconnected with the rest of Europe, and the recovery pace will be correlated with that of the larger European economy.

BT's goal for 2021 is **relaunch**. We want to be as proactive as possible and play a major role in supporting companies, the economy and the people.

Opportunities for Romania

We believe that new opportunities may also arise from less developed business sectors or from the reinvention of certain industries. Certainly the pandemic has accelerated structural changes and while most industries are not favored by this context, some are prone to growing in the coming period. As Romania's largest lender, we look at those areas where the country provides a cluster of skills, such as IT and agriculture, but also at areas where we could benefit from an economically or geographically competitive position.

Although we are a developed member of the European Union, we are still to close the gap with the West and this will bring both a purchasing power and consumption increase. There is still a lot of room for growth and we intend to be part of it, supporting any business that can contribute to social develop-ment and the wellbeing of people and the economy.

Agriculture, IT, infrastructure, the medical sector and trade are among the areas that are showing signs growth and where we expect significant lending. We are also keeping an eye on the green economy and on sustainable development – these areas merit careful ongoing examination and we think that investments here will be rewarded in time. Joining the learning loop as soon as possible is essential for becoming first movers.

For 2021 we know that Romanians are carefully planning their future and taking into account the low level of the real financing costs and the excess of liquidity in banking sector, we are expecting to see an increase in lending throughout the year. We however anticipate a decrease in the loan portfolio quality for the following quarters, which would mean an increase in non-performing loans.

We're keeping our attention on emerging trends, but also on opportunities which may arise and we are confident about BT's future. We maintain our firm commitment to contribute to the relaunch of the business environment and creating added value for the +34,000 shareholders of the bank, for Romanians and for Romania.

Horia Ciorcilă
Chairman
Banca Transilvania

Ömer Tetik
Chief Executive Officer
Banca Transilvania

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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 finance ideas, people and business.

Added value for our clients	We contribute to the prosperity of people and companies alike. We support ideas, digital solutions, proximity, expertise, consultancy, customized products.	
Resources	Employees, equity, interest income, fees and commissions, etc. Partnerships with financing institutions, network, ATMs, POSs, apps, brand awareness.	
Client segments	**Retail clients** - Freemium Approach Free - basic products accessed by the large majority of clients (current accounts, debit cards). The approach ensures a critical mass of clients that can be subsequently approached for cross/up-selling. Premium - additionally requested products and services, against charges (credit cards, SMS Alert, Internet and Mobile Banking).	**Companies -** Segmented approach Specialization per business segments depending of the size of the enterprise (Large Corporate, MidCorporate, SME, Micro) and the field of activity: physicians and agribusiness. The specialization develops our competences, the relationship with the clients and contributes to the development of the largest ecosystem for the support of the entrepreneurs in Romania.
Relationship with the clients	Consultancy & support in the branches/agencies and call center, via chatbots, self-service and internet banking, mobile banking, apps, customized services, social media Integrated offer: banking, microfinancing, consumer finance, leasing, 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, solution and technology providers, fintechs, associations, authorities	
Cost structure	Technology and digitalization, business unit modernization, taxes	
Income	Interest, fees and commissions	
Business model pillars	**The Bank for Entrepreneurial People** We support entrepreneurs and plans to turn into achievements.	**Responsible growth** We finance ideas with a positive impact on the Romanians' lives, society and environment. **Anywhere, anytime** We build omnichannel experience. We provide different interaction options.

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.

Board of Directors

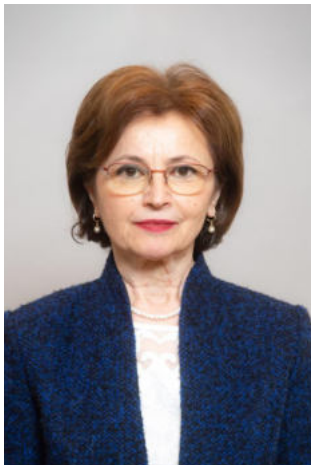
Horia Ciorcilă

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

2020, an Atypical Year for everybody

- Macroeconomic Climate
- Romanian Banking System
- BT's Impact on Economy and Society in 2020. Infographic
- Banca Transilvania's Involvement in the COVID-19 Context
- How our Employees and Clients See Us
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Macroeconomic considerations

2020 was dominated by the context of the pandemic, it was a shock that affected the entire planet and had asymmetric implications, depending on the reaction of each country, both in terms of health measures and those launched to counteract the economic impact.

Worldwide Economy
The authorities responsible for implementing global economic policies have reacted with unprecedented measures to an even more unprecedented shock. The cumulative volume of unconventional monetary and fiscal-budgetary programs and revenues reached about 20 trillion dollars, representing over 20% of world GDP.

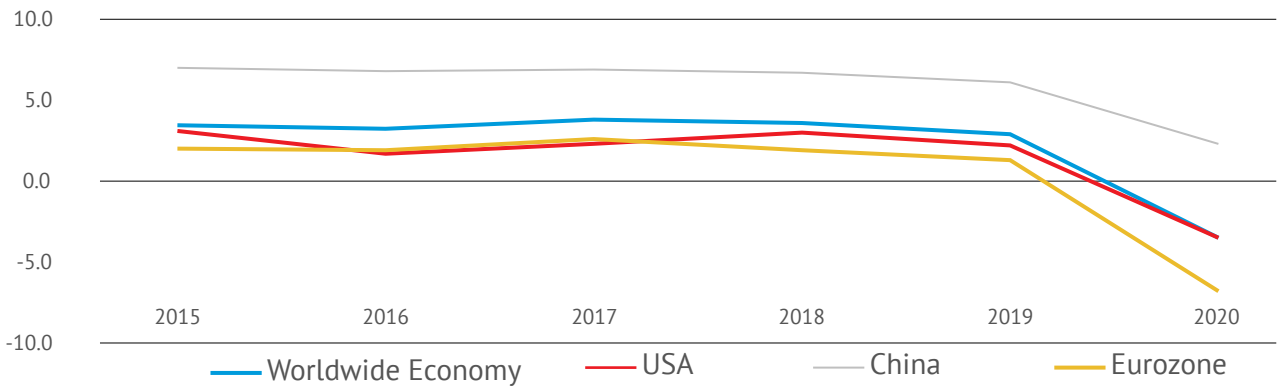
We have assisted to a rapid transition from a post-crisis economic cycle to a new economic cycle. According to PMI, Purchasing Managers' Index, the worldwide economy increased for the seventh consecutive month in January 2021. International Monetary Fund estimates released in January 2021 indicate the prospect of adjusting world GDP at an annual rate of 3.5% in 2020, the most severe since the end of World War II.

USA
The GDP decreased by 3.5% YOY in 2020, according to preliminary estimates of the Department of Commerce, an evolution determined by the adjustment of domestic demand.

China
The GDP increased in 2020, due to the success achieved in counteracting the pandemic and implementing new measures to support the economy. Preliminary estimates show a growth of the Chinese economy by 2.3% YOY in 2020, decelerating from 6.1% YOY in 2019, the weakest evolution since 1976. The recent evolution of Purchasing Managers' Index indicate an increase of the Chinese economy for the 9th consecutive time in January 2021.

Eurozone
GDP adjusted by 6.8% YoY in 2020 according to the preliminary assumptions of Eurostat. The main countries in the region reintroduced restrictions in December 2020, amid intensifying pandemic indicators. Eurozone economy decreased for the forth consecutive month in February 2021, as per PMI Compozit indicator.

GDP Evolution (%, YOY)



Source: International Monetary Fund, Eurostat and Bloomberg

Financial Economy

We have witnessed the decrease of financing costs in 2020, in the context of unprecedented relaxation measures implemented by the central banks after the incidence of the health crisis:

- LIBOR/3 months decreased by 87.5% (December 2019 - December 2020), to 0.238%;
- EURIBOR/3 months was -0.545% at the end of 2020, diminishing by 16.2 basic points since the beginning of the year.

At securities market level, interest rates over a 10-year maturity decreased in 2020 to historic annual lows (0.89% in the US and -0.51% in Germany, respectively), in the context of large unconventional monetary programs implemented by banks central.

After the severe adjustment since the incidence of the pandemic, stock markets had an upward trend and registered record values at the end of 2020, an evolution influenced by both the relaxed mixture of economic policies and the wave of optimism generated by the launch of medical solutions and the start of vaccination campaigns. The growth of the American stock market is visible: the S&P 500 index rose by 16.3%, to 3,756.1 points in 2020.

Last but not least, in 2020 we witnessed a change of EUR/RON trend evolution with EUR appreciating significantly in the second half of the year towards the highest levels since the beginning of 2018.

România

According to the flash estimates released by the National Institute of Statistics the Romanian economy adjusted by 3.9% YoY in 2020. However, we point out that the contraction pace for Romanian economy was less severe compared with the dynamics in Euroland, an evolution influenced by the better management of the pandemic and by the lower cumulated weight in GDP of the sectors mostly affected by the health crisis and restrictions introduced.

Romania was the only member of the EU that presented a positive YoY dynamics of the gross fixed capital formation in the first three quarters of 2020

Evolutions by sector:

- Constructions: an increase of the volume by 15.9% YoY.
- Retail sales: up by 2.2% YoY during January-December 2020, the weakest pace since 2013, according to NIS data.
- Industrial production adjusted by 9.2% YoY during January-December 2020.

The unemployment rate presented an average annual level of 5% in 2020 (up by 1.1pp YoY), the highest level since 2016.

Romanian economy continued to be confronted with the twin deficits challenge. There can be noticed the widening of the budget deficit (as a % of GDP) from 4.58% in 2019 to 9.79% in 2020 (according to the figures released by the Ministry of Finance), an evolution determined by the contraction of the real economy and the implementation of measures to counter the economic impact of the health crisis.

At the same time, the current account deficit (as % of GDP) stood at around 5% in 2020 (the highest level since 2011), up from 4.7% in 2019.

The average YoY pace of the consumer prices decelerated from 3.8% in 2019 to 2.6% in 2020.

The evolution of key micro-financial ratios

	2015	2016	2017	2018	2019	2020
Real GDP (% YoY)	3.0	4.7	7.3	4.5	4.1	(3.9)
Inflation rate, IPC (%, YoY, annual average)	(0.6)	(1.6)	1.3	4.6	3.8	2.6
Unemployment rate (average, %)	6.8	5.9	4.9	4.2	3.9	5.0
Monetary policy interest rate (% end of year)	1.75	1.75	1.75	2.50	2.50	1.50
ROBOR (3M) (%, annual average)	1.33	0.78	1.15	2.79	3.13	2.38
ROBOR (6M) (%, annual average)	1.58	1.03	1.33	3.00	3.25	2.46
EURIBOR (3M) (%, annual average)	(0.02)	(0.26)	(0.33)	(0.32)	(0.36)	(0.43)
EURIBOR (6M) (%, annual average)	0.05	(0.17)	(0.26)	(0.27)	(0.30)	(0.37)
EURO/RON, end of year	4.5245	4.5411	4.6597	4.6639	4.7793	4.8694
USD/RON, end of year	4.1477	4.3033	3.8915	4.0736	4.2608	3.9660

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

Unprecedented measures implemented by the policymakers in Romania

The National Bank of Romania (NBR) cut the policy rate from 2.5% to 1.5% (a record low level) and implemented non-standard measures, including the acquisition of T-Bonds on the secondary market (total volume of RON 5.3bn) and the launch of a *repo* line with European Central Bank (volume of EUR 4.5bn) in order to counter the risks in terms of financial stability.

We have witnessed lower interest rates and the continuation of the gradual upward trend for the EUR/RON exchange rate in the 2020 pandemic year, developments influenced by both international and domestic economic policy decisions.

ROBOR at three, respectively at six months closed 2020 at 2.03%, and 2.10%, diminishing by 36.2% and by 35.2% as comparted to 2019 year end values. This evolution was triggered by the monetary easing measures implemented by the NBR after the incidence of the pandemic.

On the securities market, the interest rate with a 10-year maturity was 2.965% at the end of 2020, diminishing by 32.8% YoY. In 2020 this ratio registered an average level of 3.93%, decreasing from 4.53% in 2019 a minimum in 2016.

As for the foreign exchange market, the EUR/RON exchange rate continued its gradual growth trend in 2020, an evolution determined by the challenges faced by the real and financial dimensions of the Romanian economy after the pandemic, partially counterbalanced by the measures adopted by the NBR. Consequently, EUR/RON fluctuated in the interval (4.7642-4.8750), at the NBR rate in 2020, with a medium level of 4.8371 (historical maximum), growing by 1.94% YoY.

BET index adjusted with 1.7% to 9,805.6 points in 2020, evolution influenced by the pandemic and its shock consequences. The rate of decline for the BET stock index was lower than the Pan-European EuroStoxx 600 index (4%). On the other hand, the internal capital market performance was weaker as compared to the one in the Sates, where S&P 500 index registered a jump start of 16.3% to 3,756.1 points.

Romanian Banking System

The banking sector presented resilience to the outbreak of the pandemic in 2020, an evolution determined by the strong financial stance and the implementation of an unprecedented expansionary policy-mix.

Non-government loans

- The total average balance non-governmental loan increased by 5.1% YOY in 2020, the weakest evolution since 2017, decelerating from 7.6% YOY in 2019.

- The RON-denominated loans advanced by 7.6% YoY in 2020, an evolution supported by the low level of the real financing costs and by the measures implemented by the Administration.

- The Population and Companies components rose year by year by 11.3%, respectively 2.4%.

- The FX-denominated non-government loans stagnated YoY on average in 2020, as the contraction of the Population component by 8.5% YoY was counterbalanced by the increase of the corporate segment by 6% YoY (given the low level of the EUR financing costs).

- The household loans rose by 6.1% YoY, while the corporate segment advanced by 3.9% YoY on average in 2020.

- In December the non-government loans stood at RON 282.4bn, up by 5.5% YoY.

Non-government deposits

- The upward trend for the non-government deposits continued in 2020, an evolution supported by the increase of the savings ratio, the expansionary income policy implemented by the Administration and the appreciation of the EUR/RON.

- At the end of 2020 the non-government deposits stood at RON 420.8bn (record high level), up by 14.4% YoY.

- The non-government deposits rose by 13.4% YoY on average: the RON and FX segments increased by 11.5% YoY and by 17.1% YoY, respectively.

- The household deposits rose by 14.3% YoY, while the corporate deposits climbed by 12% YoY on average in 2020.

- The loans-to-deposits ratio continued the downward trend in 2020, to 67.1% in December (a record low level), down by 5.7pp YoY.

- The non-performing loans ratio declined from 4.09% in December 2019 to 3.83% in December 2020 (the minimum since 2009).

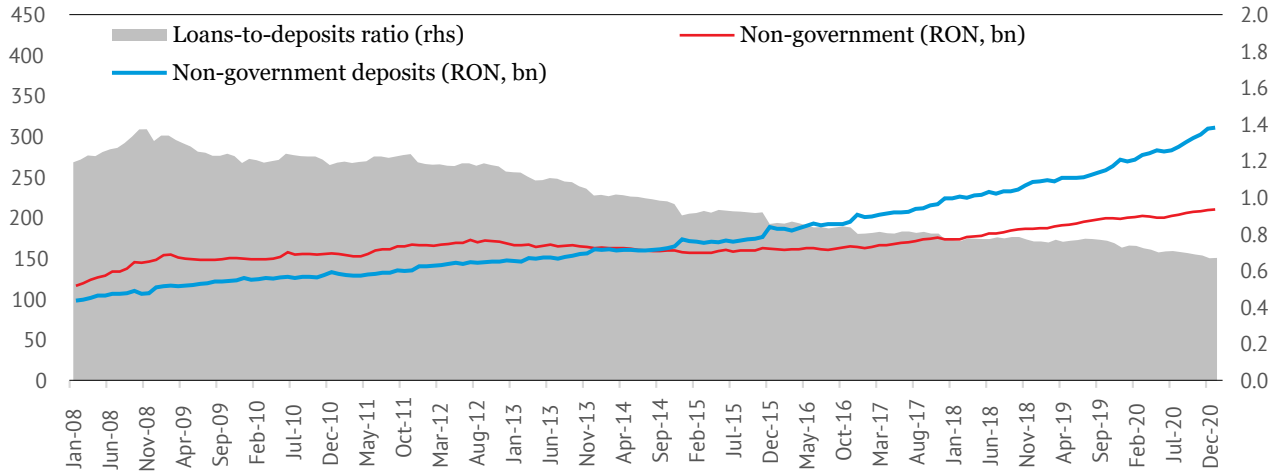
- The total net assets of the domestic banking sector rose by 13.4% YoY on average to RON 532.6bn (EUR 110.1bn) in 2020, a record high level.

- The net aggregate profit of the domestic banking sector adjusted by 17.1% YoY to RON 5.2bn (EUR 1.1bn) in 2020.

- In 2020 the ROA and ROE indicators declined to the lowest levels since 2014: 0.98% and 8.86%, respectively.

- The capital adequacy ratio increased from 22% at the end of 2019 to 23.18% (a record high level) at the end of 2020.

Non-government loans and deposits



Source: National Bank of Romania (NBR)

The most recent macro-financial developments point to the entry of the economy into a new cycle, a perspective supported by the positive climate across the banking sector, which is part of the solution for the recovery (on the contrary to the previous shocks).

BT's Impact in Economy and Society in 2020

145,000
granted loans

41,000
retail and company clients had their installments deferred

10,200
Romanians bought a house with BT's help (RON 2.5 billion)

67,300
consumer loans (RON 2.4 billion)

340
million BT card transactions, +22% vs. 2019

Peste 10,000
financings with IMM Invest, offering support to companies, leading to 100,000 jobs

500,000
clients who performed their first online transaction with the card in 2020

12
transactions / second with BT's

EUR 2 million
contribution to the prevention and limitation of the pandemic, but also to increasing access to testing and treatment

1.1
million persons use BT Pay application

Banca Transilvania's Involvement in the COVID-19 Context

In an atypical year, our priorities were:

- The bank mobilized the forces right from the first wave of the medical crisis with money and equipment.

- BT was the first bank in Romania to announce measures to support customers with loans affected by the pandemic and launched the most consistent package to support them, the measures implemented by the bank far exceeding the mandatory legal framework. Over 41,000 individuals and companies benefited form deferral of loan installments and over 400,000 cards were exempted for 3 months worth of payments of the minimum monthly obligation.

- In parallel, business as usual continued: the bank ensured operations continuity, launched commercial campaigns, diversified the interaction options for the customers with the bank and maintained the pace of network modernization projects.

- The bank accelerated the launch of over 20 on-line banking facilities, to allow permanent access to products and services.

- BT's communication with all the stakeholders was open and uninterrupted. On Newsroom BT the bank presented all the novelties regarding the bank's involvement, appearing in the categories Communitcation in the context of COVID-19 and Together against COVID-19, the latter being updated in real time as concerns hospital sponsorships.

Care for the employees

- RON 15 million for protective equipment for employees

- RON 330,000 - Covid-19 tests and flu shots

- Around 3,500 employees were in telework during the state of emergency and subsequently, until the end of 2020.

- Teams were divided into two/three persons, working in different locations, to reduce disruption of work, should isolation measures be imposed.

- Launching a series of workshops, video tutorials and on-line courses to help BT's employees to overcome the emotional challenges of 2020 more easily.

- 997 BT Group employees, who had COVID-19, benefited from BT's support, which went as far as renting medical equipment and allocating funds for medicines.

Care for the doctors and communities

- The Bank donated directly or through partners over EUR 2 million for 38 hospitals in 30 locations.

- Some organizations which were offered support are: Asociaţia Dăruieşte Viaţa, SMURD Cluj-Napoca, Fundaţia eMAG, Asociaţia Beard Brothers, Organizaţia Studenţilor la Medicină din Cluj-Napoca, CERT Transilvania etc.

- Doctors in need of financial advice from BT had priority via BT's Call Center.

Care for individuals

- Extending the grace period for the credit cards, starting with March 2020, the first payment obligations being due only in May 2020. The measure was taken so that more than 500,000 customers would not have to go the bank.

- The possibility of deferring the minimum payment amount for the credit and cutting in half the interest for the customers who did not transfer on their credit card the equivalent value of the credit used until the end of April 2020.

- The possibility of deferring up to 3 loan installments before the entry into force of the Emergency Ordinance on deferring bank installments, which allowed payment obligations roll over up to 9 months. The solution meant the extension of the lending period, without additional costs, by the equivalent number of months.

- BT presented on its web site the daily status of: the number of demands for installments deferral, favorable outcomes, negative/positive answers.

- Over 70,000 cards were delivered to BT's customers, free of charge. This facility was offered to the customers with expired cards, to avoid a trip to the bank.

- Over 90,000 persons applied for the 5 discount campaigns:
  #Sambata29
  #GoodVibesOnly
  #SummerVibes
  #HappyHomeDays
  #MissionPossible

Care for companies

- BT, the main bank in the IMM Invest program: over 10,000 granted facilities, supporting 100,000 jobs.

- Campaigns and initiatives to support local entrepreneurs, such as:

  - Cumpără de la o afacere mică
  - #CumparaDeLangaTine, to encourage people to buy from small businesses, to support the local economy
  - #VreauOnline, to teach the entrepreneurs to reinvent their business, by shifting to on-line solutions
  - #Directlatine and #InMiscare, on-line shopping hubs launched together with customers

How our Employees and Clients see Us

For us, at Banca Transilvania, it is highly essential to know how our stakeholders see us, but also how we stand in relation to the market, to know what we are doing well, what our impact is, but also if there is room for improvement.

In 2020 we continued to take the pulse of the relationship with customers and employees, through specific studies to see, depending on the experience with BT, what is the Net Promoter Score (NPS), the degree of satisfaction and recommendation of the bank to others, respectively the perception regarding our involvement in the context of the pandemic:

- NSP study (performed monthly internally and by Kantar Romania)
- The Study: Perceptions of the population regarding banks, in the context of the pandemic (performed by Quantix Romania)
- The Study *BT Employee Experience Index* (performed by We Love Surveys, Great Britain)

- **NPS**

The NPS studies are performed internally, on a monthly basis, amongst individuals and corporate BT clients. In 2020, a 3-stage study was conducted among clients, *Romanians' perceptions regarding the banks' initiatives in the context of the pandemic*, conducted by Kantar Romania, immediately after interacting with the bank's agencies and branches.

As in the last two years, the results show that BT's recommendation score to other persons is higher than the market average, and surpasses the scoring of the other players in the system.

Results:

- BT is a leader as concerns the recommendation degree in the case of companies and ranks second amongst individuals.
- The main strengths, considering the customers' influence whilst recommending BT and the difference vs. the market average are: reputation, fees, the products and services offer.
- The satisfaction index was based on 41,670 feedback over the phone and 7,570 e-mails.

The score for recommending BT to other individuals is higher than the market average and exceeds that of other large banks.

BT is in the lead in terms of the degree of recommendation for companies and holds the second position in terms of individual clients.

NPS studies are conducted both internally and externally.

BT maintains its leading position in terms of image: the greatest advantage for two important attributes in context and positioning – the support of Romanians, respectively of SMEs.

The study on the perception of Romanians regarding the initiatives of banks during the pandemic was carried out by Quantix.

- **BT Employee Experience Index. eNPS, +17.84 points (2020 vs 2019)**

Through this internal study, conducted amongst BT Group employees twice a year, we analyze the quality of the relationship between manager and coordinated colleagues - Coaching, Communication and Care, respectively eNPS, an indicator that shows the degree of recommendation of the bank to others. Also, this offers the opportunity to collect proposals for actions from employees, so that BT should be a more attractive work place.

- +17.6 eNPS points: from 25.6 eNPS (January 2019) to 43.2 eNPS (January 2020)
- +17.84 eNPS points: from 33.1 eNPS (June 2019) to 50.94 eNPS (June 2020)
- almost 90% is the participation rate of Group employees to this study.

- **BT dominant position in terms of initiative in the context of the pandemic**

The study conducted in 2020 with Quantix, *Romanians perceptions regarding banks' initiatives in the context of the pandemic*, shows the following:

- BT maintains its leading market position: is most frequently associated with diverse initiatives, most of them referring to the deferral of payments and donations.
- BT competitive advantage: donations and extension of the grace period for credit cards or shopping cards (twice as many mentions vs. the next competitor in the study).
- BT is maintaining its leading position in terms of image: the biggest advantage on two important attributes in terms of context and positioning - supporting Romanians, respectively small and medium companies.

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

+17.84 eNPS points: from 33.1 eNPS to 50.94 eNPS (July 2020 vs July 2019)

Awards and recognition

Best Bank in Romania
Euromoney award for 2019 results

Bank of the Year
Piaţa Financiară award for 2020 results

Investor Relations Communication
Rating index VEKTOR maximum (10) for investor relations communication in 2020, acc. to evaluations
The Association for Investor Relations in Romania (ARIR)

Bucharest Stock Exchange Performance
BT, the most traded share on the main market in 2020
Capital Partners, Participant of the year 2020 on the securities segment

Community Involvement, in the COVID-19 context
The award for supporting Romanians in the context of the pandemic - Sustainability Awards Gala, organized by BIZ magazine.

Brand value
+19% brand value, reaching to USD 441 million, as per the ranking performed by Brand Finance Banking 500 2021, where the bank 302 place from 339 in 2019.

Pioneer in remote banking
"Pioneer Award", for launching the option of withdrawing money from the ATMs by phone, through the BT Pay and Apple Pay applications - No-Cash Gala

Best Place to Work in România
BT received the international certification for the Best Place to Work for in Romania, as a result of the internal and external evaluation of the bank, on criteria such as leadership, employee involvement, professional and personal development, etc.

The largest movement for entrepreneurs
#CumparaDeLangaTine Challenge was a campaign launched by BT to support the local businesses through which over 500 entrepreneurs were promoted.

The campaign turned into the largest solidarity movement in Romania, with thousands of people posting on social media their message to support the entrepreneurs, for neighborhood and soul businesses.

People from the bank

- Horia Ciorcilă, Chairman of the Board of Directors BT, Ömer Tetik, CEO BT and Aurel Bernat, Chief Executive Officer, BT Asset Management, received the vote of the business community, amongst the 10 most admired people in the business– Gala CEO Awards 2020, Business Magazin.

- Ömer Tetik, CEO Banca Transilvania, Banker of the Year of the 25 years of the Financial Market

- Mihaela Nădășan, Deputy CEO, International Relations and Capital Markets, awarded the Best IRO in 2020, for the second consecutive year, ARIR Gala.

- Gabriela Nistor, Deputy CEO, Retail Banking, amongst the most 100 powerful women in the business – Business Magazine.

Banca Transilvania & Shareholders

- BT's Communication with the Shareholders
- Banca Transilvania on the Capital Market in 2020
- Financial Calendar 2021
- Profit Distribution and Share Capital Increase Proposals for the Financial Year 2020

BT's Communication with the Shareholders

Because we are a company listed on the Bucharest Stock Exchange, shareholders are one of the most relevant stakeholder and we strive for best practices in dealing with them.

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

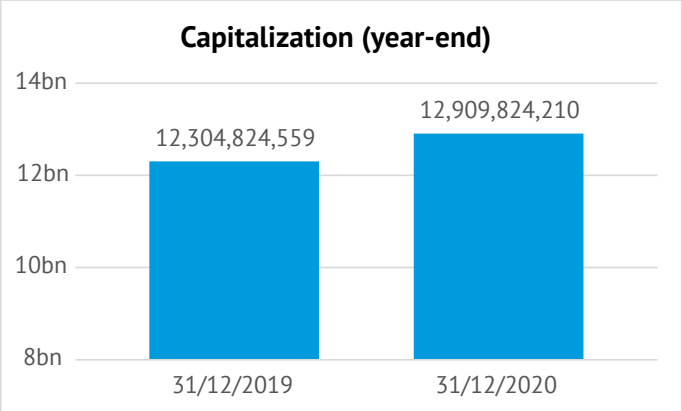
- BT issues periodical reports, providing relevant information to the Bank's shareholders and investors.
- In 2020, the bank organized 4 conference calls with investors, as well as an extraordinary call on the measures taken by Banca Transilvania in the context of the COVID-19 pandemic.
- From 2020, BT has a new platform for communication with shareholders and investors on the BT/relaţii-investitori website.
- Banca Transilvania prepares a yearly financial communication calendar, published in January both on the BT site, as well as on the website of the Bucharest Stock Exchange.

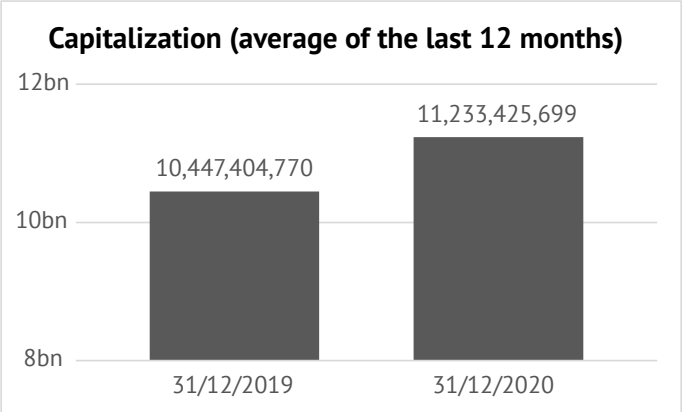
The contact details for Investors Relations are the following:

investor.relations@btrl.ro
Tel: + 40 264 407 150
Fax: + 40 264 301 128
www.bancatransilvania.ro/relatii-investitori
www.bancatransilvania.ro

BT on the capital market in 2020

BT's market capitalization in 2020





Similarly to other areas of the economy, the banking sector has felt the impact of the pandemic generated turmoil. The unforeseen situation has prompted countries around the world to impose restrictions that have heightened the negative economic effects of the pandemic, which were reflected over a short period of time, but also leading to a significant decline in the share prices. This was followed by a period of recovery, as a result of the confirmation that this medical crisis would not necessarily trigger a financial crisis, as companies and individuals still needed financing, especially as the low levels of interest maintained the attractiveness of lending.

BT has maintained its strategy to pay cash dividends and allocate free shares to investors, as well as maintaining a high level of profitability despite the economic slowdown, so BT's adjusted capitalization increased in 2020 both at the end of the year, as well as comparing the year-round average of 2020 to that of 2019.

BT's market capitalization

Year	Price (adjusted for the cash dividend)	Shares no.	Capitalization (billion RON)	Capitalization (billion EUR)
2020	2.2500	5,737,699,649	12.9	2.7
2019	2.3591	5,215,917,925	12.3	2.6
2018	1.6827	4,812,481,064	8.1	1.7

**The numbers prior to 2020 are historically adjusted to take into account the cash dividends' payment*

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

Shareholding structure as at 31.12.2020

Equity holders	31.12.2020	31.12.2019
NN Group*	10.14%	8.12%
European Bank for Reconstruction and Development	6.87%	8.60%
Romanian individuals	20.47%	19.79%
Romanian companies	40.10%	37.36%
Foreign individuals	1.09%	1.06%
Foreign companies	21.33%	25.07%
Total	**100%**	**100%**

**NN Group N.V. and the pension funds administered by NN Pensii, SAFPAP S.A. and NN Asigurări de Viață S.A*

Highlights 2020:

- BT is one of the two companies that qualified Romania for the status of Secondary Emerging Market category, up from the Frontier Market category. The Bank has joined the FTSE Global Equities Index Series (2020).

- Rating: Maximum VEKTOR Index (10) for communication with investors in 2020, according to the ARIR evaluation. This aspect is specified on the BSE/BT site.

- In 2020, the bank contributed to a new occupation in Romania, namely Specialist/Director for Investor Relations, included by the Ministry of Labor and Social Protection in the COR (Romanian Occupations Classifier).

- The latest awards for performance on the Bucharest Stock Exchange, awarded by the BSE during the 2020 Performers on the capital market event:
    - BT, Most Traded Share on the BSE's Main Market in 2020
    - Capital Partners, 2020 Best Participant on the bond segment

Financial Communication Calendar 2021

1. Presentation of the preliminary annual financial results 2020	February 25
2. Conference call for presentation of results	March 1
3. General Meeting of Shareholders for approving the annual financial results	28 April (first convening) 29 April (second convening)
4. Presentation of the annual financial results, separate and consolidated	April 29
5. Presentation of the Q1 2021 financial results	April 29
6. Conference call for the presentation of results	May 5
7. Presentation of the H1 2021 financial results	August 23
8. Conference call for the presentation of results	August 24
9. Presentation of the Q3 2021 financial results	November 12
10. Conference call for the presentation of results	November 15

Proposals for profit allocation for the financial year 2020 and for share capital increase

The Board of Directors of the Bank submits for approval to the General Meeting of Shareholders the proposal for the distribution of profits in the amount of 1,197,304,582 lei, according to the following:

Proposal for profit distribution 2020	Amounts (RON)
Gross Profit	1,371,035,514
Income tax paid/recovered	-173,730,932
Net profit	1,197,304,582
5% Legal reserve fund from gross profit	-68,551,776
Reserves from reinvested profit	-129,228,558
Net profit for distribution:	999,524,248

The ECB / 2020/62 Recommendation was issued on 15 December 2020, requiring to the credit institutions to perform extreme caution with regard to the dividend payments and the buy-back of own shares. This recommendation also includes the outcome of the 2020 financial year. The ECB / 2020/62 recommendation is due to expire in September 2021, when the ECB will re-assess the economic status of the sector. Based on these events and if no new regulations are issued, the Board of Directors will re-evaluate the profit-sharing policy by granting dividends.

The Board of Directors also submits for approval the share capital increase from RON 5,737,699,709 to RON 6,311,469,680, namely with the amount of RON 573,769,971, representing 2020 net profit reserves.

Proposal for 2020 profit distribution	Amounts (RON)
Total reserves available for distribution	999,524,248
Revaluation reserves (2020)	425,754,277
Dividends	-
Capitalization of net profit reserves 2020	573,769,971
Share capital at the reference date*	5,737,699,709
Earnings / share % capitalization	0.1000000000

**The share capital registered with the Trade Register amounts to 5,737,699,709 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*

As a result of the share capital increase by RON 573,769,971, for every 100 shares held, another 10 shares will be assigned (respectively a number of new shares corresponding to the ratio RON 573,769,971 / RON 5,737,699,709).

Banca Transilvania's 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 Microfinanţare IFN S.A.

  BT Pensii

  BT Leasing Transilvania IFN S.A.

  BT Direct IFN S.A.

  BT Building S.R.L.

  Improvement Credit Collection S.R.L.

  BT Leasing MD S.R.L.

  Victoriabank S.A.
- **Strategy Achievement in 2020**
- **New Strategic Objectives**
- **Development Plan for 2021**
- **Proposals regarding the Financial Position and the Profit and Loss Account 2021**

BT Financial Group's Companies

Summary of the financial results	Banca Transilvania		BT's Financial Group	
Financial information of the Group	**2020**	**2019**	**2020**	**2019**
ROE (net profit/ average of shareholder equity)	13.67%	20.26%	14.51%	21.10%
ROA (net profit/ average net assets)	1.26%	2.03%	1.39%	2.18%
Cost/Income	45.27%	47.01%	45.16%	47.38%
Total net income, RON thousand	3,937,204	4,023,250	4,537,632	4,606,966
Provisions for credit risk, RON thousand	(783,884)	(244,729)	(865,840)	(292,646)
Gross profit, RON thousand	1,371,036	1,887,146	1,622,428	2,131,583
Net profit, RON thousand	1,197,305	1,620,512	1,424,078	1,847,893
Basic earnings per share			0.2411	0.3423
Diluted earnings per share			0.2408	0.3415
Tier 1 own funds, RON million	10,067	7,821	10,574	8,188
Risk Weighted Assets, RON million	52,174	46,989	57,544	51,581
Total Assets, RON million	103,355	87,438	107,492	91,722
Total shareholders' equity, RON million	9,523	8,496	10,414	9,214
Other information				
No. of branches	511	508		
No of active employees	8,359	7,997	10,009	9,690

** Due to rounding differences, the number presented in this document might not add up to the total, and the presented percentages might not reflect the absolute figure.*

The Group's subsidiaries

Banca Transilvania Financial Group is the largest ecosystem for supporting Romanian entrepreneurs through integrated banking, brokerage, leasing investment management, consumer financing and voluntary pensions services.

The Group includes the parent company, BT and its subsidiaries, with locations in Romania, Italy and the Republic of Moldova, and has a workforce of 10,009 employees (2019: 9,690 employees).

Banca Transilvania S.A.
Banca Transilvania is the largest bank in Romania, based on its total assets.
Over 3.3 million customers
Network: 50 branches, 431 agencies, 21 work-points, 7 healthcare division units, 2 private banking agencies, 1 branch in Italy, 1 regional office located in Bucharest and the Headquarter (Cluj-Napoca).
Registered office: Cluj-Napoca, str. George Barițiu, no. 8
Founded in 1993 and started its activity in 1994.

The Group's subsidiaries are represented by the following entities in which the Bank holds direct and indirect participations:

Subsidiary	Field of Activity	2020	2019
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	90,00%	80,00%
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 Microfinanțare 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 SRL	IT services	51,12%	51,12%
Sinteza S.A.	Manufacture of other basic organic chemical products	31,08%	33,87%
BT Pensii S.A.	Management of pension funds (except for those in the public system)	90,49%	90,49%

The most relevant subsidiaries of the Group where the Bank holds direct participations are the following:

Subsidiary	Field of Activity	% Direct Equity	% Total Equity
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	90%	90%
BT Leasing MD S.R.L.	Leasing	100%	100%
Improvement Credit Collection S.R.L.	Activity of the Collection Agents and Credit Reporting Bureaus	99.89%	100%
BT Microfinanţare IFN S.A.	Consumer Loans	67.80%	100%

Total assets and net profit of the most relevant subsidiaries in which the Bank holds direct participation is presented below:

	Total Assets (RON thousand)		Net profit (RON thousand)	
Subsidiary*	2020	2019	2020	2019
BT Capital Partners S.A.	219,574	171,916	578	573
BT Leasing Transilvania IFN S.A.	1,229,056	1,169,699	57,881	48,766
BT Investments S.R.L.	78,629	78,781	(178)	73
BT Direct IFN S.A.	531,717	474,988	9,309	(2,887)
BT Building S.R.L.	255,912	127,881	(945)	(270)
BT Asset Management SAI S.A.	73,240	59,357	14,377	18,825
BT Leasing MD S.R.L.	138,217	133,607	9,208	6,580
Improvement Credit Collection S.R.L.	17,378	17,060	3,803	2,837
BT Microfinanţare IFN S.A.	513,325	509,841	26,341	28,534

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

BT Capital Partners S.A.

BT Capital Partners is the investment banking and capital markets division of Banca Transilvania Financial Group. The company provides assistance in attracting financing through the capital market, brokerage services, mergers and acquisitions consulting, structuring complex financing and market research. BT Capital Partners is the exclusive member of Oaklins, the world's leading alliance of M&A professionals.

- BT Capital Partners ended 2020 on the 1st place in the top of intermediaries at the Bucharest Stock Exchange and on the 2nd place in the share ranking;
- In 2020, BT Capital Partners brokered issues of corporate bonds and government securities worth more than EUR 1 billion;
- BT Capital Partners & private bond placements in 2020:
  - The first issue Vivre, one of the largest online retailers of furniture and decorations in Central and Eastern Europe;
  - The first bond issue of Lăptăria cu Caimac;
  - The first issue of Fidelis government securities, through which the Ministry of Public Finance attracted over RON 2 billion;
  - Lead Manager on the second issue of Fidelis, when the State attracted RON 2.7 billion from investors.
- BT Capital Partners has 52 active employees and 8 work units (31.12.2020);
- Registered office: Cluj-Napoca, str. Constantin Brâncuşi no. 74-76;
- BT Capital Partners is active 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 Asset Management SAI S.A.

BT Asset Management is an investment management company and manages open-end and closed-end investment funds. The company offers a full range of investment products, from fixed income funds, mixed funds and index funds, to equity funds. The opening to the capital market is provided to customers through investments in Romania, as well as in the EU countries and USA; placements can be made in RON, EUR and US dollars.

- As at December 31, 2020, BT Asset Management SAI managed 16 investment funds, of which: 14 open-end funds and 2 closed-end funds, counting over 45,000 investors and assets under management of more than RON 4,1 billion;
- Number of active employees: 32;
- Registered office: Cluj-Napoca, str. Emil Racoviţă, no. 22;
- Year of establishment: 2005.

BT Pensii S.A.

BT Pensii is the newest company of the BT Group, which manages the optional pension fund Pensia Mea. BT expanded its financial services in the field of private pensions through the acquisition of Certinvest Pensii, in 2019, which became BT Pensii in June 2020.

- Is the only Romanian company for the administration of voluntary pensions;
- Banca Transilvania clients have the opportunity to contribute to the optional pension fund Pensia Mea through over 500 branches and agencies of Banca Transilvania;
- At the end of 2020, the number of participants in Pensia Mea fund increased to over 16,000, and the amount under management to RON 92.6 million.

BT Microfinanţare IFN S.A.

BT Microfinanţare (BT Mic) is a non-banking financial institution with the purpose of financing small business, including start-ups, which completes the role of Banca Transilvania in supporting Romanian entrepreneurs. The company addresses to entrepreneurs with a turnover of up to RON 1 million, regardless of the field of activity and the form of organization.

- In 2020, approximately 3,000 micro-enterprises received funding from BT Microfinance for the support and development of daily activities, purchase of goods, payment of suppliers, investments in work points and / or opening of new ones, purchase of machines / equipment and so on;
- The balance of loans at the end of 2020 was RON 515.6 million (2019: RON 481.8 million);
- Financing diversity: the company supports over 400 types of activities;
- For 70% of customers, BT Microfinanţare is the first creditor;
- Number of active employees: 167;
- BT Microfinanţare was founded in 2016;
- Registered office: Bucharest, Highway. Bucureşti – Ploieşti, no. 43.

BT Leasing Transilvania IFN S.A.

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

- In more than 20 years since it has been on the market, it has financed over 15,000 customers and concluded over 30,000 contracts;
- Number of active employees: 123 (31.12.2020);
- In 2019, BT Leasing bonds started trading, thus being the second company within the Group which uses the financing mechanisms of the Bucharest Stock Exchange;
- Registered office: Cluj-Napoca, str. Constantin Brâncuşi, no. 74-76;
- Year of establishment: 1995. The original name was LT Leasing Transilvania S.A.

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 8.3% market share (31.12.2020);
- BT Direct IFN S.A. and ERB Retail Services IFN S.A have become the same company starting with August 1, 2019, keeping the name BT Direct IFN S.A..
- ERB Retail Services IFN was acquired by Banca Transilvania from Eurobank Group in 2018, together with Bancpost and ERB Leasing;
- Number of active employees: 162 (31.12.2020);
- Registered office: Cluj-Napoca, Str. Constantin Brâncuşi, no. 74-76.

BT Building S.R.L.

BT Building is focused on renting and subleasing of its own and rented real estate assets. It is a limited liability company and carries out its activity in accordance with the Articles of Incorporation, Law no. 31/1990 on companies, republished, with subsequent amendments and completions and the Romanian legislation in force. Year of establishment: 2003.

Improvement Credit Collection S.R.L.

The company's business is receivables collection.

- Net profit 31.12.2020: RON 3,803 thousand (2019: RON 2,837 thousand);
- The share capital was increased by co-opting BT Investment SRL as a new partner, registering on December 31, 2020 a value of RON 901,010, and the registered office moved from Bucharest to Cluj-Napoca, George Baritiu Street, no. 1 (2016);
- Year of establishment: 2013.

BT Leasing MD S.R.L., Republica Moldova

BT Leasing MD is the first company opened by the Group in the Republic of Moldova, market leader according to the size of the leasing portfolio - financing of fixed assets granted from leasing.

- Net profit BT Leasing MD, 31.12.2020: RON 9,208 thousand (2019: RON 6,580 thousand);
- It currently operates with 36 employees;
- Registered office: Chişinău city, str. Puşkin 60/2.
- Year of establishment: 2008.

B.C. Victoriabank S.A., Republic of Moldova

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

- The net profit (31.12.2020) reached Moldovan lei 261.8 million;
- Over 260,000 customers work with Victoriabank, and there are over 1,000 people in the team.
- The bank has almost 100 branches in 30 locations in the Republic of Moldova.
- It is the banking institution that brought in the Republic of Moldova cards, ATMs, POS and contactless payment with phone and smartwatch.
- Victoriabank is listed on the Moldovan Stock Exchange and is the first commercial bank in the Republic of Moldova.
- Registered office: Chişinău, str. 31 August 1989, no. 141
- Year of establishment: 1989.

Realization of 2020 Strategy

What we targeted for 2020

- Maintaining the Bank's market share under the current conditions;
- Focus on online and alternative services;
- Maintaining a balanced approach and supportive to clients given the existing context;
- Digitization of banking experience;
- Development of financial products to support customers after the end of the pandemic crisis;
- Creating intelligent operating systems, innovation and process simplification;
- Continuous and interactive support provided to clients and employees;
- Customer relationship optimization to give them the best experience with BT.

What we accomplished

Qualitative objectives:

- **Customer support in the context of the pandemic:**
  - Banca Transilvania has launched its own customer support measures, in addition to those announced by the public moratorium, postponed loan installments and reduced fees;
  - More than 41,000 individuals and companies benefited from the postponement of rates;
  - Over 400,000 cards were exempted for 3 months from the payment of the monthly obligation due to the extended grace period;
  - Through IMM Invest, a government program in which it was the main bank, BT provided over 10,000 loans, supporting companies that mean about 100,000 jobs, especially in the fields of wholesale and retail trade, transport and construction.

- **Accelerate remote banking:**
  - 500,000 customers made the first online card transaction in 2020;
  - Almost 340 million transactions were made with BT cards, + 22% compared to 2019;
  - 1.1 million people use the BT Pay application for everyday banking.

- **Community, team and network involvement:**
  - BT was the first company to announce significant donations in the context of the pandemic;
  - During the state of emergency, the bank contributed over EUR 2 million to the prevention and limitation of the epidemic, but also to the increase of access to testing and treatment;
  - Almost 70 branches and agencies in 50 localities have been modernized;
  - BT Pay has contributed to the formation of new behaviors: contactless shopping at merchants, money transfers and donations, all by phone.

- **Quality increase of the loan portfolio as measured by the non-performing loan rate according to the EBA (NPE rate):**
  - 3.46% at the end of 2020, compared to 4.36% at the end of 2019;

- **Better communication with shareholders:**
  - Launch of a new platform on the BT website.

- **Digitization acceleration through future releases:**
  - NEO – internet and mobile banking;
  - Online platform for updating customer data on the bank's website;
  - Open Banking solutions, by integrating in NEO and BTPay the option of aggregating accounts from other banks / online platforms;
  - INO chatbot with functionalities for updating customer data, status requests, deferred installments;
  - New facility for the Raul chatbot from BT to BT Mic, online credit application
  - Integration of the chatbot Raul in WhatsApp and developing new functionalities: updating the data of legal entities;
  - Extending the options in the BT Visual application for online information about account balance and transaction history, postponing rates, opening 100% online accounts for PFAs, initiating the refusal to pay associated with card transactions, updating data, etc.;
  - New facilities at BT Express multifunction ATMs: scanning and payment of the payment order, payment of road taxes, credit information for BT Mic customers;
  - Launch of the PSD2 platform for the application of the provisions of the European Directive on Online Payment Services (PSD2).

Quantitative objectives

Indicator	Budget	Actuals
Total Assets	RON 87.92 billion, increasing with 1% vs. 2019	RON 103.35 billion, increasing with 18% vs. 2019
Gross profit	RON 607.62 million	RON 1,371.04 million, higher with 126% vs. budgeted value for 2020
Deposits from customers	RON 74.49 billion, slight increase of 0.2% vs. 2019	RON 88.30 billion, increasing with 19% vs. 2019
Loans to customers	RON 40.65 billion, slight decrease of 1% vs. 2019	RON 43.55 billion, increasing with 6% vs. 2019
Total equity	RON 7.69 billion	RON 9.52 billion, an increase of 12% compared to 2019
Cards issued at the end of the year 2020	4.35 million cards	4.39 million cards
Loan/Deposit ratio	0.55	0.49
Investment budget	RON 323 million (VAT included)	RON 282 million (VAT included)

New Strategic Objectives

Qualitative objectives:

- **Sustainability:** intensive program of awareness of the Romanian business environment regarding the importance of sustainable development;
- **Financing**: focus on complete online credit flows;
- **Customer support:** maintaining a balanced approach oriented towards customer support, given the existing context;
- **Financial solutions**: development of financial products to support customers after the end of the pandemic crisis;
- **Building intelligent operating systems, innovation and process simplification**;
- **Digitization** of the banking experience;
- **Continuous and interactive support provided to customers and employees**;
- **Optimizing the relationship with customers** to provide better experience with BT.

Quantitative objectives:

- Total assets: 11.3% increase;
- Total loans, gross: 7.9% increase;
- Total deposits from customers: 11.6% increase;
- Cost/Income ratio: 49.3%;
- Loans/Deposit ratio: 47.9%.

Development Plan for 2021

In projecting indicators for 2021, it has been considered an average inflation rate of 2.5% and an average exchange rate of 4.89 RON\EURO.

Total Assets:

We estimate an increase of total assets by 11.3% compared to the level registered in 2020, up to RON 115,022 million. In the structure of assets were considered:

- 41% weight of gross loans
- 21.8% weight of immediate liquidity
- 37.9% weight of investments in securities

Total liabilities and equity

For the structure of debts and equity provided for 2021, was considered an increase of resources attracted from non-bank customers by 11.6% compared to 2020, which means a share of 94.2% in total debt. The 2021 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.

Investment budget for 2021 (RON million)	
Buildings – agencies and branches	64.60
Investments IT and cards, of which:	234.49
Hardware IT	34.85
Software IT	167.10
Retail and cards, of which:	32.54
Hardware retail cards	12.56
Software retail cards	19.98
Security	11.77
Cash processing center	14.95
Digital initiatives	46.86
Other	28.21
Total Investments RON million, VAT included	**400.88**

Projections of the Financial Position and Profit and Loss Account for 2021:

Statement of Financial Position (RON mil.)	Budget proposal 2021
Cash and cash equivalents	25,028
Investment securities	43,609
Loans and advances to customers (gross)	47,206
Loans provisions	(4,081)
Fixed assets	1,937
Equity investments	500
Other assets	824
Total assets	**115,022**
Deposits from customers	98,524
Loans from financial institutions	1,408
Subordinated liabilities	2,175
Other liabilities	2,525
Total liabilities	**104,631**
Total equity	9,115
Profit/Loss for the year	1,276
Total equity	**10,391**
Total liabilities and equity	**115,022**

Profit and Loss Account (RON mil.)	Budget proposal 2021
Interest income	3,415
Interest expenses	(507)
Net interest income	2,908
Net commission income	725
Net trading income	500
Contribution to the Guarantee Fund	(86)
Other income	102
Total Income	**4,149**
Personnel expenses	(1,073)
Other operating expenses	(562)
Depreciation and amortization	(359)
Other liabilities	(50)
Total Expenses	**(2,043)**
Net impairment charges	(590)
Profit Before Tax	**1,516**
Income tax	(239)
Net Income	**1,276**

Management Report

Performance of Banca Transilvania Financial Group

Banca Transilvania's operating efficiency continued to follow a positive trend, given the proper management of costs and the increase in the volume of operations. The individual 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).

Statement of financial position of BT Bank and Group (31.12.2020 vs 31.12.2019)

- Banca Transilvania ended the year 2020 with total assets of RON 103,355 million, +18%;
- Gross loans to customers +6%;
- Deposits from customers +19%;
- The bank exceeded the budgeted level of assets by 18%;
- At consolidated level, the total assets were RON 107,492 million

Financial position at the end of 2020:

	Banca Transilvania				BT's Financial Group		
RON million	**"Realized 2020"**	**'Budget 2020"**	**Realized 2019**	**Δ 2020/2019**	**Realized 2020**	**Realized 2019**	**Δ 2020/2019**
	(1)	(2)	(3)	(4)=(1)/(3)-1	(5)	(6)	(7)=(5)/(6)-1
Loans to customers	43,554	40,646	41,135	5.9%	45,619	43,135	5.8%
Loans provisions	(3,190)	(3,667)	(2,533)	26.0%	(3,498)	(2,781)	25.8%
Cash and cash equivalents	27,615	19,020	20,476	34.9%	29,356	22,358	31.3%
Securities	32,401	29,309	25,986	24.7%	33,322	26,782	24.4%
Fixed assets	2,096	1,777	1,630	28.6%	1,660	1,354	22.6%
-Tangible, intangible and right-of-use assets	1,596	1,204	1,144	39.6%	1,658	1,351	22.8%
-Investments in associates	500	573	486	2.7%	2	3	-54.7%
Other assets	879	837	745	18.0%	1,034	874	18.3%
Total Assets	**103,355**	**87,923**	**87,438**	**18.2%**	**107,492**	**91,722**	**17.2%**
Total equity	9,523	7,693	8,496	12.1%	10,414	9,214	13.0%
Subordinated loan	1,664	1,874	1,697	-1.9%	1,668	1,700	-1.9%
Deposits from customers	88,297	74,488	74,354	18.8%	90,942	77,037	18.1%
Deposits from banks	1,488	1,900	1,200	24.0%	2,011	1,770	13.6%
Other liabilities	2,383	1,968	1,691	40.9%	2,457	2,001	22.8%
Total liabilities and equity	**103,355**	**87,923**	**87,438**	**18.2%**	**107,492**	**91,722**	**17.2%**

Gross loan/deposit ratio (31.12.2020):

- Loan/deposit ratio: 49.3%;
- Gross loans: RON 43,554 million;
- Deposits from customers: RON 88,297 million;
- The loan/deposit ratio decreased compared to 2019 (when it registered 55.3%), a trend that can be observed at the entire banking system, but is still below the value recorded for the banking system (67.1%);
- The new minimum historical values confirm the excess of liquidity in the domestic economy and the structural changes in the banking sector.

Loans portfolio (31.12.2020):

- The balance of the bank's gross loans: +6% higher than the balance at the end of 2019, although in 2020 loans in the amount of RON 398 million were written-off. The areas in which new exposures have been created are still diverse, both in terms of sectors of activity and in terms of groups of debtors.
- Non-performing loans overdue for more than 90 days represents 2% of BT's total loan portfolio, decreasing as compared to 2019, when the ratio was 2.79%, while non-performing exposures according to EBA requirements was 3.46% as at December 2020.

Provision balance (31.12.2020):

- Net impairment allowance on financial assets on other risks and loan commitments: RON 783.9 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 NBR and EBA recommendations.
- The coverage of non-performing loans with mortgage collateral and specific provisions continues to stay at a comfortable level of 128%, in accordance with BT's risk appetite.
- Total balance of provisions: RON 3,190 million, +26% compared to 2019. The provisions for other risks and charges include mainly provisions for litigations and for other risks taken over after the merger with Volksbank Romania and Bancpost, and amount to RON 201 million.

Cash and cash equivalents (31.12.2020):

- Liquidity ratio: 65.47%;
- Cash and cash equivalents: RON 27,615 million, +35% compared to 2019, above the minimum acceptable level required to cover liquidity risk. Cash and cash equivalents consist of mainly cash on hand, placements with central banks and other financial institutions, approximatively 67% of the total balance (RON 18,559 million) being represented by the minimum required reserve held with the NBR.

Securities (31.12.2020):

- Securities and derivative financial instruments: +25% as compared to previous year, reaching RON 32,401 million at the bank's level.
- Securities issued by the Central Administrations have the largest weight in this category, amounting to RON 29,209 million.

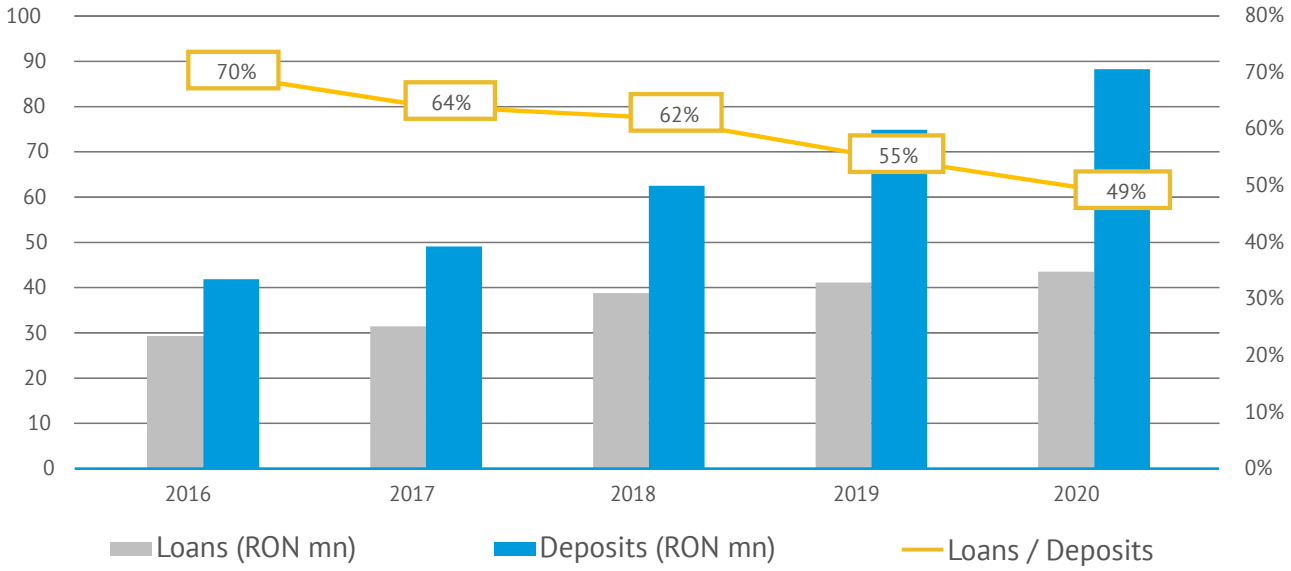
Fixed assets (31.12.2020):

- +29% compared to 2019, increasing to RON 2,096 million. Right-of-use assets have an important share, on December 31, 2020 amounting to RON 709 million at the Bank level, respectively RON 449 million at the Group level. Also, the increase of IT investments for digitization and optimization of banking processes was reflected in the balance of fixed assets at the end of 2020. Tangible fixed assets represent RON 619 million (land and buildings: RON 278 million), intangible assets amount to RON 269 million, while financial assets are RON 500 million.

Customer deposits (31.12.2020):

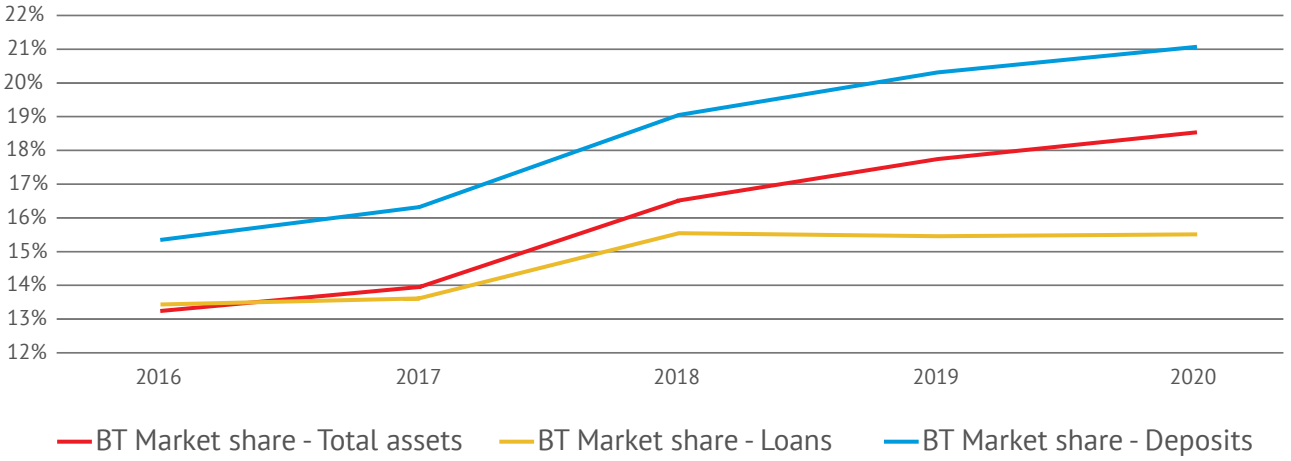
- Deposits increased significantly: +19% compared to 2019, being above the 14% general growth rate recorded at the banking system level.
- 68% of customer deposits are retail deposits, while 32% represent company deposits.

Loans / Deposits 2016 - 2020



Market share (31.12.2020):

- The Bank has 18.4% market share based on total assets



The equity of Banca Transilvania as of 31.12.2020 amounted to RON 9,522,867,682, of which:

- The share capital registered with the Trade Register is represented by 5,737,699,649 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 28,613,899;
- Statutory reserves: RON 658,553,070;
- 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 518,557,717;
- Reserves from the revaluation of tangible and intangible assets, net of deferred tax: RON 48,516,842;
- Retained earnings (excluding the profit for the year and profit distribution): RON 1,367,008,503;
- Own shares: RON 0;
- Profit for the year: 1,197,304,582;
- Profit distribution: RON (197,780,334).

At 31.12.2020, Banca Transilvania Financial Group had on its balance RON 15,287 thousand, representing the value of own shares (15.2 million shares), while Banca Transilvania did not have own shares in its balance sheet at this date.

During 2020, the Bank did not acquire own shares with the purpose of disposal for consideration.

Statement of Profit or Loss

Items in the statement of profit or loss for the year 31 December 2020, as compared with the previous year and budgeted figures:

	Banca Transilvania				BT's Financial Group		
RON million	**Realized 2020**	**Budget 2020**	**Realized 2019**	**Δ 2020/2019**	**Realized 2020**	**Realized 2019**	**Δ 2020/2019**
	(1)	(2)	(3)	(4)=(1)/(3)-1	(5)	(6)	(7)=(5)/(6)-1
Total operating income of which	**3,937**	**3,404**	**4,023**	**-2.1%**	**4,538**	**4,607**	**-1.5%**
- Net interest income	2,580	2,399	2,685	-3.9%	2,977	3,074	-3.1%
-Net commission income	656	643	715	-8.2%	776	823	-5.6%
Operating expenses	**(1,782)**	**(1,841)**	**(1,891)**	**-5.8%**	**(2,049)**	**(2,183)**	**-6.1%**
Operational result	**2,155**	**1,563**	**2,132**	**1.1%**	**2,488**	**2,424**	**2.6%**
Net impairment	(784)	(955)	(245)	220.3%	(866)	(293)	195.9%
Gross profit	**1,371**	**608**	**1,887**	**-27.3%**	**1,622**	**2,132**	**23.9%**

Gross profit (31.12.2020):

- Banca Transilvania: RON 1,371 million, 27% *lower* than in 2019
- BT Group: RON 1,622 million, 24% *lower*, below 2019 level

Net Profit (31.12.2020):

- Banca Transilvania: RON 1,197 million
- BT Group: RON 1,424 million

Cost/Income ratio (31.12.2020):

- Reached 45.3% level
- This ratio is under strict supervision, one of the Bank's objective being to achieve enhanced operating efficiency, reflected also in the evolution of this ratio as compared to 2019, of 47.01%.

Operating income (31.12.2020):

- was RON 3,937 million, -2% lower than in 2019, as a result of the business environment affected by the pandemic context.
- +16% increase in the operating income as compared to the budgeted level. The most important income categories are the following:
  - Net interest income: RON 2,580 million in 2020, 4% lower compared to the previous year. Out of this amount, the income related to securities had a significant weight of 27%, representing RON 687 million. At the Group level, net interest income decreased by (3%) as compared to previous year.
  - Net commission income: the evolution of these revenues was also affected by the COVID-19 pandemic, reflecting a decrease of 8%, amounting RON 656 million, exceeding the budgeted level by 2%. The number of transactions carried out through BT accounts increased by 16% compared to the previous year, considering the fact that 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 decrease in the net trading income was of 3% for the Bank while the Group recorded a 16% decrease. The decreases are due both to the net income from derivatives and to the negative result generated by the financial assets held for trading.

- Net gains/(losses) on financial assets designated at fair value through other comprehensive income was RON 300.6 million at the Bank level.
- Net gains/(losses) on financial assets designated mandatorily at fair value through profit or loss was RON 42.5 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 1,782 million as at the end of the year, versus RON 1,891 million as at the end of 2019. The decrease in operating expenses was mainly related to recognition in expenses of the tax on assets in 2019, but also by the increase in operational efficiency in 2020. 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 with 6% and 7% respectively vs. the previous year, as a result of increasing the employee base and expanding benefits for them. The Bank continued the program for performance rewarding, the Stock Options Plan, based on which the employees with good performances may exercise their right and option to purchase a number of shares issued by the Bank.

Operational result: +1% above the previous year, reaching RON 2,155 million at the Bank level, despite the difficult year, marked by unprecedented economic and social measures.

Net provision expenses: RON 784 million, over three times higher than in 2019, as a result of the COVID-19 pandemic, which determined the change of the methodology in the calculation of the provisions in order to adapt to the new economic situation, but also taking into account the recommendations of the NBR and EBA.

Banking Prudential Ratios

Among the significant ratios monitored by the National Bank of Romania through the prudential monitoring system, the most significant to assess the Bank evolution are presented below:

Ratio	Level	BT Level 31.12.20	BT Level 31.12.19
Liquidity Ratio	Min =1	1.89-29.40	1.90-22.35
Capital adequacy ratio (CAR)*	> 8%	22.24%	20.00%

**CAR was computed taking into account the net profit as at 31.12.2020 (without profit, this ratio is 19.94%)*

The solvency ratio is at a comfortable level of 22.24%, with the annual profit included. An adequate level of the capital and the general financial ratios was maintained, in line with the banking prudence principles.

Banca Transilvania's Business Lines Performance

Because in 2020 solidarity became the main goal for BT, the bank came for all business segments with solutions - either for the continuation or relaunch of the activity, or for personal plans.

The evolution of the client base: +4% in 2020 vs 2019

The number of active clients per business lines, for which Banca Transilvania is the main bank, + 4% increase in 2020 compared to 2019, and the structure is as follows:

BT active clients*	31.12.2020	31.12.2019	2020/2019
Large Corporate Clients	1,456	1,483	-1.8%
Mid Corporate Clients	9,074	8,985	1.0%
SME Clients	18,538	18,593	-0.3%
Micro Business Clients	329,740	298,152	10.6%
Retail Clients	3,038,548	2,931,894	3.6%
TOTAL	**3,397,356**	**3,259,107**	**4.2%**

** The classification of legal entities within business lines is regulated by internal rules.*

Large Corporate Clients

- RON 3.3 billion new loans related to large corporate clients
- 50% of the loans were for existing customers and 50% for new customers
- RON 7 billion amounts the balance of the loans

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

The strategic approach continued to be towards sectors such as health, telecommunications, utilities, consumer goods, as well as local infrastructure projects. There has been an increased number of co-financing programs with local municipalities to finance local or regional infrastructure projects, as well as local projects with a strong sustainability impact.

Mid Corporate Clients

- +7% increase in the loans balance at individual and consolidated level, reaching RON 6.3 billion, and respectivly RON 6.7 billion (2020 vs 2019)
- +22% growth in customer deposits, reaching RON 6.9 billion (2020 vs 2019)

In addition to the financing granted from its own funds, BT has actively participated in the EIB and POIMM funding programs with significant pricing benefits for the customers.

Small and Mediul Entreprises (SMEs)

- Over 1,700 new loans: over RON 1.3 billion
- +20% increase in the total balance of SMEs loans (2020 vs 2019), reaching RON 2.6 billion

The Bank has the most diversified ecosystem of supporting SMEs in Romania, through its approach, teams, products and services. The priority was to ensure the continuity of banking services and products in the pandemic context, with a component of operations in the front-office area and with a relationship management component.

Supporting the Romanian business segment through public and private moratoriums was another priority of the bank where this line of business made important efforts to help BT customers, we mention here the facility to exempt the condition of turnover for 2 months on business credit cards.

This business line was involved in all government programs to support SMEs in Romania, with a minimum of 50% market share on each program - IMM Invest with the three grant measures.

Also in 2020, an agreement was finalized and signed with the EIF on the COSME risk-sharing program in order to continue lending to ensure the continuity of the business of Romanian entrepreneurs.

Micro Business Clients

- +11% increase in the number of clients (2020 vs 2019), approaching near 330,000 clients
- 7,700 new loans
- RON 1.6 billion represents the value of new loans
- +9% growth in the balance of loans (2020 vs 2019)
- +31% increase in customer deposits (2020 vs 2019)

To support access to finance, the microfinance subsidiary, BT Mic, played an important role (BT Microfinanţare). Micro Business clients have benefited from government programs to support Romanian entrepreneurship, IMM Invest, public moratoriums but also private moratoriums. The bank anticipated potential financial blockages generated by the late collection of invoices issued by SMEs and launched the MicroFactoring product.

Retail Clients

- +4% increase in the number of clients (2020 vs 2019), reaching over 3 million
- +22% increase in the number of BT cards' transactions (2020 vs 2019)
- +64% growth in the volume of cards' online transactions (March – December 2020 vs 2019)
- 50 million cards' online transactions (March – December 2020)
- 4.39 million of cards
- 1.3 million of cards are also in digital format
- 1,738 ATMs, of which 542 are BT Express Plus multifunction ATMs
- 72.000 POS
- Home banking solutions and solutions to overcome the pandemic more easily have been launched:
- Enrollment, account opening and issuance of 100% debit cards online, through NEO account;
- Digital card in BT Pay - the possibility to add reissued/newly issued cards in BT Pay before they are physically received;
- Possibility to add in BT Pay the cards issued by other banks and fintechs in Romania;
- Cash withdrawal based on code generated from BT Pay;
- Inclusion in the coverage of travel insurance abroad for premium and business cards of the risk COVID-19;
- Updating personal data online: on the site, through chatbots and recently through BT Pay.

Treasury

The Treasury activities in BT 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 taking into account the estimated multiannual evolution of the cyclical macroeconomic indicators.

Following the general trend of the increasing the 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 over 10% on a consolidated level compared to the previous year, reaching a level of RON 365 million in 2020.

BT People

Management of Human Resources

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

BT People
Management of Human Resources

In 2020, BT's priorities for the bank's team were related to the health, protection and safety of employees and their families; quality selection and recruitment; continuous professional and personal development of all colleagues; career management for colleagues with potential; management and leadership skills for all levels of management.

Figures Mean People

- 9,098 total number of employees: (2019: 8,731)
- 8,359 number of active employees (2019: 7,797)
- 988 new employees in 2020
- 37 years the average age
- 73% female and 27% male
- Staff turnover: from 15.64% to 6.82% (2020 vs. 2019). The banking system average on 2020 was 17%.

The Health, Protection and Safety of Employees

On the background of the pandemic, the bank accelerated the implementation of the Health & Wellbeing program within the Banca Transilvania Financial Group, by adopting measures to secure employees on all levels: social, emotional, professional, financial and family related. BT agencies and branches have been available to customers on a permanent basis, given BT's important role in the Romanian economy, including in the context of the pandemic.

#SafePeopleofBT includes a number of actions to maintain the health of the team, in all its forms:

- **Physical health:** work from home, COVID-19 protection measures, PCR testing, purchase of oxygen concentrators, weekly communications, workout sessions with internal training staff, flu vaccination campaign, etc.
- **Emotional and mental health:** psychological counseling, cognitive therapy, implementation of the kit for maintaining emotional balance, mindfulness sessions, webinars on emotional agility, online courses for developing skills required to work from home.
- **Financial health:** financial education courses for adults and children, adapted to the realities of 2020.

Professional Development

Banca Transilvania has undertaken a key role in the professional development of its employees, as well as students who are interested in a future career in banking.

Employee development programs
In addition to programs already implemented in the bank, which address specific needs in the hard skills area (products, services, lending, methodologies/workflows, platforms and software applications, etc.), a number of programs for development in the soft skills area have also been created.

Record figures were registered for participation in development programs (over 300,000 cumulative participations: classroom, webinars, e-Learning). Most sessions during 2020 addressed hard skills (98%): knowledge of products and services, applications, workflows, specific skills (financial analysis, project management, legal, IT, etc.).

- **Pilot project:** GROW X, for skills mapping and career plans development in BT, with the aim of contributing to the creation of motivated and successful teams.
- **The BT career plan**, developed to ensure predictability and transparency of the possibilities for promotion and professional development in BT. This program has been active in the bank's network, benefiting almost 300 promoted employees.
- The **Learn from Home program** (during the lockdown): more than 4,100 employees have learned new things from home.

Internship for students: BT Journey
In 2020, BT continued its internship programs, this time using European funds, for the period 2020-2022. The new project, "Come to the internship program smiling!", began in 2020 and is scheduled to run for 2 years, for 325 students (bachelor and master's degree level) from 10 university centers, with the help of 325 tutors from the bank's team. The first internship program took place in 7 cities and included 84 students, with activities organized both online and at BT locations.

Performance evaluation

In 2020, new features were brought in the online evaluation process to best reflect the results, the performance of employees. Performance management is expected to be reviewed in 2021, to ensure that the focus is on continuous and rapid skills growth, through re-skilling, up-skilling or other development methods.

Benefits

At Banca Transilvania, one of the main concerns is to motivate employees, so that BT can be the place where people have the opportunity to learn, develop and feel good as part of the team.

In 2020, the bank came up with some new benefits for employees, some of which were in the context of the pandemic:

- Adapting the program by working from home. Nearly 3,500 people took part in the work from home program in 2020.
- Paid days for self-isolation, for colleagues who were at risk for contamination but were unable to obtain sick leave;
- Flu vaccine and COVID-19 tests
- Additional annual benefit, with the possibility of choosing to direct the money either to the optional Pillar III pension fund or to a medical insurance fund (which subsequently also covered the risk of Covid-19 infection);
- Screening saves lives, a program to prevent the most common types of cancers, run together with the Regina Maria Private Health Network. BT is the only company in Romania that runs such a program, available for free to all its employees. There were more than 1,200 screenings carried out in 2020;
- Two days off for each birthday.

Remuneration policy

The remuneration policy must be approved by the Board of Directors. The Bank ensures fair and competitive remuneration, with respect for competence and performance.

Staff recruitment

In 2020, the bank kept the profile of the candidates selected for vacant positions: communication and collaboration skills, autonomy, customer care and adaptability.

The Bank also carried out a number of pilot projects in the field of recruitment: Dora, an artificial intelligence robot that provides support in sourcing candidates applying for a job in BT through social media is just one of the initiatives to digitize and innovate this activity.

Risk Management

- Credit Risk
- Liquidity Risk
- Operational Risk
- Market Risk
- Interest Rate Risk Arising from Non-trading Book Activities
- Reputational Risk
- Risk of Excessive Leverage
- Strategic Risk
- Systemic Risk
- Compliance Risk
- Capital Adequacy
- Internal and External Audit

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 the risk appetite and tolerance, the BT Group takes into consideration all the material risks it is exposed to, given its specific activity and its strategic and operational objectives, being mainly influenced by the credit risk.

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

- Continuously assess the risks that may affect the achievement of the BT's objectives and take action on any changes that occur to the conditions under which the bank operates;
- Identifies and assesses significant risks and ensures an adequate framework for managing the activity within the Group, taking into account: internal factors: the complexity of the organizational structure, the nature of the activities carried out, quality of the staff and the level of staff fluctuation; external factors: macro-economic factors, legislative changes, changes related to the competitive environment in the banking sector, technological progresses.

The risk management framework includes the Capital adequacyinternal regulations, risk limits and risk control mechanisms that ensure the 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 level of the business lines (large-corporate, mid-corporate, SME, micro and retail).

- **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;
- **assessing/measuring risks:** the bank performs an evaluation of the identified risks by 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.
- Monitors and controls the risks: 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.
- Risk reporting: Regular and transparent reporting mechanisms have been established for specific risk categories, so that management and all the relevant structures benefit from accurate and timely reporting, but can also exchange relevant information on the risks' identification, measurement/assessment and monitoring;

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

- Credit Risk;
- Liquidity 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 management of credit risk is periodically updated and improved. It is designed to cover all credit exposures deriving from the banking business and includes the following basic components:

- Risk assessment system for new credit products / significant changes in the existing products;
- Lending methodology to ensure a healthy credit portfolio;
- Integrated IT systems for the management of client relationships and loan origination, 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 2020 was *medium-low*.

Liquidity risk

The liquidity risk appetite for 2020 was set low, taking into account the structural correlation of the bank's assets and liabilities. The purpose of the liquidity risk management is to obtain the expected return on the 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. BT performs a centralized liquidity management that 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 and the trading markets.

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 2020, 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

The Operational risk is the risk that the bank's internal practices, policies and systems will not be adequate 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, 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 bank 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.

Banca Transilvania monitors and manages:

- the risk related to banking products, which focus on the development of new markets, products and services, as well as significant changes of the existing ones and the development of exceptional transactions, from the perspective of product consistency and changes in accordance with the risk strategy;
- the conduct risk and the risk determinant factors associated with this category, paying particular attention to its extent, its relevance and its possible prudential impact;
- information technology (ICT) risks, the bank has processes and controls to ensure that all risks are identified, analyzed, measured, monitored, managed, reported and maintained within the limits of the risk appetite and that the projects and systems it delivers and the activities they perform are in accordance with the external and internal requirements.

Banca Transilvania also defines and assigns relevant roles, key responsibilities and reporting lines, in order to ensure the effectiveness of the ICT and security risk management framework, this framework being integrated in its own regulatory framework, in the operational framework related to the ICT security and in the risk management framework.

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

- permanently assesses the exposures to the operational risk, based on historical data, managing the conduct risk, as well as the risk factors associated with this category;
- assesses the products, processes and systems responsible for developing new markets, products and services, as well as significant changes to the existing ones and conducting exceptional transactions, in order to determine the associated risk levels and measures to eliminate / reduce them to accepted levels.

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 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 2020 was *medium-low*.

Market risk
In 2020 Banca Transilvania's market risk appetite was *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 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 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.

Foreign 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.

Settlement risk Represents a possible loss that could occur because of a wrong settlement of the treasury operations; the purpose of this risk management type is to adopt a prudent policy regarding the selection of counter-parties, custodians, the management of counter-party operations and the maturities of the related operations

Interest rate risk from activities outside the trading book;
The appetite for interest rate risk from activities outside the trading book in Banca Transilvania was set in 2020 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 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.

Reputation 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 Bank's image. The appetite for reputation risk in Banca Transilvania was set in 2020 as *low*. The management of the reputation risk is performed by way of: undertakings in order to attract the best partners, both clients and suppliers; recruitment and retention of best employees; minimizing litigations; strict regulations; prevention of crisis situations; and the consolidation of the bank's credibility and the shareholders' confidence; ongoing improvement of the relationship with shareholders; establishing a more favorable environment for investments and access to capital; continuous and open communication with stakeholders (shareholders, mass-media, clients, partners, employees, authorities, etc.).

Leverage related risk

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 2020, by using quantitative methods of assessment and mitigation.

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 2020 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.

System 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 system risk, in the sense of preventing and protecting Banca Transilvania 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 situations 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

Compliance risk is the current or future risk to damage profits and capital, which may result in fines, damages and / or termination of contracts or that may affect the bank's reputation as a result of violations or non-compliance with the legal and regulatory framework, agreements, recommended practices or ethical standards.

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 presenting the 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.

Capital adequacy

The internal assessment process of capital adequacy to risks is integrated in the administration and management process of BT 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 2020 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 linked to 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 evaluation 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, 2020.

According to the audit opinion, the individual 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.

Corporate Governance

Corporate Governance

Governance plays an essential role in increasing BT'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 another persons, 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 - every shareholder based on the principle one share = 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 administration 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 during the GSM, either on the expiry of the mandate or, on a case by case basis, 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;
- Vice-Chairman of the Board of Directors;
- 5 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.

Responsibilities of the Board of Directors:
- 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 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 2020, 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 BT's Board of Directors and their professional expertise as at December 31, 2020, 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 2020: 11 out o 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 2020: 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.
Ivo Gueorguiev Date of first election: April 2014 Duration of the current mandate: April 2018- April 2022 Independent non-executive director BoD attendance in 2020: 11 out of 11 meetings	Member	Alberta University, Edmonton, Canada. The CV including information about other current positions held is available here.

Member	Position	Personal data
Costel Ceocea Date of first election: April 2010 Duration of the current mandate: April 2018- April 2022 Non-executive director BoD attendance in 2020: 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 2020: 11 out of 11 meetings	Member	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.
Costel Lionăchescu Date of first election: April 2016, Duration of the current mandate: April 2018 - April 2022 Independent non-executive director BoD attendance in 2020: 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 Ileana Bordea Date of first election: April 2017 Duration of the current mandate: April 2018 - April 2022 Independent non-executive director BoD attendance in 2020: 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.

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 2020, 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.

Committees Reporting to the Board of Directors

Audit Committee

Ivo Gueorguiev
Chairman

Thomas Grasse
Member

Costel Lionăchescu
Member

Remuneration and Nomination Committee

Vasile Pușcaș
Chairman

Horia Ciorcilă
Member

Ivo Gueorguiev
Member

Risk Management Committee

Thomas Grasse
Chairman

Ivo Gueorguiev
Membru

Costel Ceocea
Member

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 2020

The Audit Committee consisting of 3 independent non-executive members, held 10 physical meetings in 2020 (including within the selection process for the external auditor), 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 2020:

- Ivo Gueorguiev – Chairman of the Audit Committee; Independent non-executive director with extensive audit experience, attending 10 out of 10 meetings;
- Thomas Grasse – Member; Independent non-executive director with extensive audit experience, attending 10 out of 10 meetings;
- Costel Lionăchescu – Member; Independent non-executive director with extensive audit experience, attending 10 out of 10 meetings;

- During the meetings of 2020, 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 2019, 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;

- Updating the external auditor selection procedure;
- Carrying out a procedure for the selection of the external auditor, within the limits of the committee's responsibilities.

In 2020, the Audit Committee completed the selection procedure for Banca Transilvania's new external auditor, selecting KPMG Audit SRL for the auditing of the bank's financial statements for the financial years 2020-2023, prepared in accordance with the International Financial Reporting Standards, pursuant to NBR Order No. 27/2010, through the decision of the General Meeting of Shareholders of 29.04.2020.

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 is responsible for the assessment of the performance, objectivity and independence of the external auditor and of the delivery by such auditor of quality audit reports. For 2019, 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.

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 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.

Remuneration and Nomination Committee's Report 2020

As at 31.12.2020, the Remuneration and Nomination Committee consists of:
- Horia Ciorcilă
- Ivo Gueorguiev
- Vasile Pușcaș

and the percentage of independent members is 66.66%.

In 2020, the Remuneration and Nomination Committee met (physically or via electronic means) 4 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 2020, the Remuneration and Nomination Committee had in view the following:
- 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. Within this context, the management:
  - 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;
- 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 2020

In 2020, 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 2020.

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 2020, 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 2020, 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 2020, 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 2020, 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 2020, 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 collective provisions and to lower the thresholds for the individual analysis of significant clients;
- 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 the servicing of its clients;

Another objective of 2020 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 2020 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 2020, based on the reports about the structure of the portfolio and sub-portfolios of the Group, in particular of the non-perming 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.

2020 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 2020.

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.

Member	Position	Personal Data
Ömer Tetik Since June 2013	Chief Executive Officer	Middle East Technical University, Ankara, The Faculty of Economic Sciences, Honors Student. CV and bio here.
Leontin Toderici Since September 2014	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.
Luminița Runcan Since August 2013	Director General Adjunct Risc (CRO)	Babes-Bolyai University of Cluj-Napoca, Faculty of Economic Sciences. Babes Bolyai University, Faculty of Law. CV and bio here.
George Călinescu Since September 2013	Deputy Chief Executive Officer (CFO)	"Al. I. Cuza" University, 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 September 2013	Deputy Chief Executive Officer, Retail Banking	"Al. I. Cuza" University, The Faculty of Economics. Institute of Financial Services, UK & Visa International. University of Oxford, Said Business School. 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 Chief Executive Officer, Financial 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 – Bucharest). 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 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 requested 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, as per the competence limits established through internal norms.

Human Resources Committee
Contributes to the development and increase of efficiency while taking decisions referring to BT employees.

Committee for Credit Policy and Approval (CPAC)
This Committee 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.

Head Office Credit and Risk Committees (Mediation Committee CCR1 / CCR2)
The main purpose of the Committee is to analyze and approve loans, respectively loan restructuring based on the granted competences. The Committee for Credit Policy and Approval authorizes CCR1, CCR2 and the Mediation Committee (CM) to approve loans, the competence being established by specific internal regulations.

The Specific committees for the Loan Recovery Department and the Workout, Insolvency and Bankruptcy Department (CW1, CW2, CRS, CR1, CR2 and CRW)
The main purpose of these Committees is to analyze and make decisions for the implementation of the recovery solutions proposed by the Loan Recovery Department and the Workout, Insolvency and Bankruptcy Department. The recovery solutions target mainly the customers in payment difficulty, with the purpose of maximizing their capacity to reimburse the granted exposures by the bank, while the workout solutions are meant to monitor the recovery degree in terms of exposure. CW1, CW2, CRS, CR1 and CR2 manage the activities established through internal norms.

Committee for Monitoring Debt Enforcement and Realization of Assets (CMESVA)
The Committee for Monitoring Debt Enforcement and Realization of Assets is appointed by the Leaders' Committee and its main responsibility is to supervise the management of real estate assets which are under enforcement or arise from the execution of guarantees established for the loans granted to retail or company clients.

Special Committee for Approval of Legal Enforcement / Litigation Status (CAES)
This committee has as main objective the analysis and decision-making on triggering forced execution procedures for customers proposed by debit collection officers within the Debt Collection Division.

Financial Institutions Credit Committee (CCIF)
This Committee supervises the activities involving BT's loan exposure to financial institutions in Romania and abroad. CCIF approves all the derogations from the applicable internal rules and procedures in force establishing the work flow between BT and other financial institutions in Romania or abroad.

Branch Credit and Risk Committee (CCRS)
This Committee supervises the activities involving BT's loan exposure to financial institutions in Romania and a broad. CCIF

approves all the derogations from the applicable internal rules and procedures in force establishing the work flow between Banca Transilvania and other financial institutions in Romania or abroad.

Data and Business Intelligence Steering Committee

The Data and Business Intelligence Steering Committee reflects the commitment of the Bank to data governance and strategic monitoring of the implementation program named Data Warehouse (DW) and Business Intelligence (BI).

The Committee establishes, supports and monitors the capabilities regarding data management within the Bank and represents the point where problems or decisions impacting one or more areas or functions are escalated.

The BT Group Policy regarding diversity

This policy aims to promote diversity within the management body of the BT Group (Board of Directors and Leaders' Committee). Banca Transilvania Financial Group recognizes and embraces the benefits of diversity to improve performance. BT's principles are also applied to entities within the BT Financial Group;

The administration of BT 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 during the GSM, either on the expiry of the mandate or, on a case by case basis, in the event of one or more vacancies. The eligibility criteria for the Board of Directors are those stipulated in the specific legislation, as well as those stipulated in the Articles of Incorporation of Banca Transilvania S.A.

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 level of BT, the management 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 increasing diversity at the management level, as an essential element in supporting the achievement of its strategic objectives. In designing the structure of the management body, considering diversity issues, we also took into account several criteria, among which: 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.

For Banca Transilvania, 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 mainly, on the grounds of race, color, gender, 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 global nature of banking, Banca Transilvania's managers and directors are citizens of Romania as well as citizens and residents of other states. Most BT managers and directors come from national and international banking environments.

Banca Transilvania believes that, while the governing body should not adhere to a fixed number of directors, a governing body of 6-14 members represents a sufficiently large and diverse group, in order to address the important issues faced by the credit institution, being at the same time small enough to encourage personal involvement and constructive discussion.

The current managers and directors of Banca Transilvania must have been in management

positions, either in various organizations or within Banca Transilvania, demonstrating their ability to exercise top management responsibilities and capacity to steer the Bank. These members have been senior executives in 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 regarding 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 the members of the management body also have significant experience in corporate governance and complex business supervision through their status of executive managers, board members, managers or other relevant positions within other large institutions.

Some of the bank's board members have gained experience in areas relevant to financial and banking institutions such as audit, risk management and stock markets. All of these skills and experiences are relevant to current strategies, as well as for encouraging the bank's development, enabling directors and managers to provide diverse perspectives, valuable advice and critical points of view about new business opportunities, product launches, approaching 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

skills, knowledge and work experience. The final decision will be based on the merit and contribution that the selected candidates will bring to the governing body. The structure (gender, ethnicity, age, seniority) will be communicated periodically through the BT's website.

The Board of Directors and the Leaders' Committee of Banca Transilvania perceive diversity as a factor in choosing members of the management body, acknowledging that the diversity promoted at this level brings significant benefits to the Bank. Remuneration and Nomination Committee use a series of criteria for the selection of the directors and managers, including the diversity.

Banca Transilvania considers that a possible eligible member of the management body should be able to work in a collegial way 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 female members within the governing body, in order 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, we believe that the efficient and sustainable development of the Bank can be achieved by providing a framework for personal growth and development of female employees, under the same conditions as the male counterparts.

In 2020 the number of female 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, 50% of those appointed in these positions were female. As such BT's target to increase female representatives amongst the management body is considered achieved.

Banca Transilvania considers that the Leaders Committee, in its current structure fulfils the overall diversity requirements, in accordance with the diversity practices at the bank's level.

Banca Transilvania created a space of sustainable growth for its employees through professional

courses that are offered without discrimination of any kind to employees based on needs, types of performed work and exercised functions.

Process monitoring

The Remuneration and Nomination Committee will regularly ensure the compliance with the European requirements regarding the membership of the management from the 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 governing body. The Remuneration and Nomination Committee discusses diversity considerations with 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 the light of its current membership. This assessment includes aspects related to expertise (including international and financial and banking experience), independence, integrity, diversity and age, as well as technical abilities linked to banking operations, production, finance, marketing, technology and public politics. The main eligibility criteria considered are those arising from legal requirements, 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 Banca Transilvania Financial Group.

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. 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 fundamental human rights by employees of the Financial Group Banca Transilvania is sanctioned in accordance with the legal provisions and internal rules.

- 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 activities of its foundations (the Clujul are Suflet Foundation, BT Caritatea Foundation, etc.), Banca Transilvania supports the community in reaching the values supported by BT, providing the community with support and with a better communication and understanding at the social level.
- 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 bribery, 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 work duties or to intervene with an employee / manager to perform or not anything related to their 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).

The companies within the Financial Group 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, the bank ensured transaction monitoring through AML Mantas, an Oracle provider until November 2020 and from December 2020 the new monitoring application Siron AML was implemented, the provider of the solution being Fico Tombeller through Printec Romania. The AML activity is also supervised through an internal control process applied to the client portfolio, based on pre-defined criteria.

Report details

In view of the facts herein, we call under discussion the activity carried out by Banca Transilvania in 2020 and propose the approval of the following statements by the General Meeting of Shareholders:

- Notes to the separate and consolidated financial statements:
  - Separate and consolidated profit and loss account;
  - Separate and consolidated statement of other comprehensive income
  - Separate and consolidated statement of financial position;
  - Separate and consolidated Statement of Changes in Equity;
  - 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, 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 2021
- Other items on the Shareholders' Meeting Agenda.

The information in this report has been audited and reviewed by our bank's external auditor, KPMG Audit S.R.L. The report was approved by the Board of Directors of Banca Transilvania on March 25, 2021.

Horia Ciorcilă
Chairman of the Board of Directors
Banca Transilvania

Conclusions

- 2020 was a year of resistance and solidarity for Banca Transilvania Financial Group.

- Our results exceeded the conservative forecasts of the initial budget, so we have reason to be satisfied. BT's strategy to support the customers was visible in the increase of operations volume and business. Overall it has been an accelerated learning process.

- The pandemic has caught us, as a banking system, in a much stronger position than in 2008, therefore banks have the necessary resources to support the relaunch of the business.

- In the 20 years since our story began, Banca Transilvania has reinvested in Romania, in responsible and sustainable growth, almost all the profit obtained and we have managed to support the economy, companies, entrepreneurs and dreams of the Romanians. All of this has prepared us for challenges such as the ones we are all going through today.

- Customer deposits at Group level reached RON 107 billion;

- The net consolidated profit of Banca Transilvania Financial Group amounts to RON 1,424 million, whereas that of the bank amounts to RON 1,197 million. The bank's operating profit grew to RON 2,155 million due to business streamlining and consolidation.

- The results for 2019 reflect the robust capitalization of Banca Transilvania, reaching an equity of 9.5 billion RON, +12% compared to 2019.

- The latest macro-financial developments confirm the entry into a new economic cycle, a perspective also supported by the positive climate in the banking sector, which, unlike previous crises, is part of the relaunch solution.

- Despite the challenges of 2020, there are short and medium-term opportunities for Romania, including the prospect of modernizing critical infrastructure with European funding (large programs launched by the European Union in 2020), the possibility of joining the Organization for Economic Cooperation and Development (OECD) and accession to the Eurozone.

- Activity growth in 2020 supports the role of the bank as the main pillar of Romanian economy's relaunch in 2021.

Additional services

- BT platform for the communication with the shareholders
- General Meeting of Shareholders
- Intermediary results
- Risk reports
- BT Sustainability Report 2019-2020

Non-financial statement

Reporting methodology

For the preparation of this statement we took into account the requirements of the Ministry of Public Finance Order 3,456 / 2018 and of the National Bank of Romania Order no. 7/2016. The methodology follows the Global Reporting Initiative Standards.

As a whole, the content of the statement refers to Banca Transilvania and its representative subsidiaries in Romania, but in terms of financial information, they were presented in a consolidated manner at the level of the entire BT Financial Group, for reasons of consistency with the IFRS financial statements.

The information in the report refers to the following companies from the BT Financial Group: Banca Transilvania, BT Mic, BT Leasing, BT Asset Management, BT Capital Partners, BT Direct and Improvement Credit Collection. Where the information presented is relevant to a single GFBT company, this has been mentioned in that section.

In order to facilitate the presentation of the numerical information, some of the indicators presented have been rounded or converted from one unit of measurement to another / from EUR to RON. Therefore, there is a possibility that in certain situations, there may be small differences between the values presented and the absolute figures. The conversion factors used in the transformations were mentioned during the report in the relevant sections.

Information regarding the business model

Banca Transilvania's story started almost 30 years ago, at the initiative of some business people from Cluj. We turned the challenges encountered along the way into opportunities and we grew step by step, together with the Romanian business environment, guided by the desire to do things well, with responsibility for our clients and partners. BT became the largest bank in South-Eastern Europe and the main lender of the Romanian economy.

Mission: to support the business environment and communities anywhere and anytime, online and through the territorial network, offering them positive experiences and helping them turn their dreams into reality.

Vision: we want to have a strong impact and contribute to the sustainable development of Romania, through responsible lending and banking, and all this cannot be achieved without a set of strong values, deeply rooted in the BT's culture and tradition.

Banca Transilvania Financial Group (hereinafter referred to as *Group*) includes the parent-company, Banca Transilvania S.A. (*Bank*) and its subsidiaries, based in Romania and in the Republic of Moldova.

The Group's fields of activity are: banking through Banca Transilvania S.A. (hereinafter referred to as *the Bank*) and Victoriabank S.A.; leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., ERB Retail Services 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. and financial investment services through BT Capital Partners SA. The Bank also controls over five investment funds, which it also consolidates.

GFBT Structure

Name of the company	Active in	Included in the reporting	Reason for non-including it in the reporting
Banca Transilvania S.A.	Romania	✓	-
BT Microfinanţare IFN S.A.	Romania	✓	-
BT Leasing Transilvania IFN S.A.	Romania	✓	-
BT Direct IFN S.A.	Romania	✓	-
BT Asset Management S.A.I. S.A.	Romania	✓	-
BT Capital Partners S.A.	Romania	✓	-
Improvement Credit Collection S.R.L.	Romania	✓	-
BT Building S.R.L.	Romania	*	unsignificant activity:
BT Solution Agent de Asigurare S.R.L.	Romania	*	unsignificant activity:
BT Asiom Agent de Asigurare S.R.L.	Romania	*	unsignificant activity:
BT Safe Agent de Asigurare S.R.L.	Romania	*	unsignificant activity:
BT Intermedieri Agent de Asigurare S.R.L	Romania	*	unsignificant activity:
Timesafe S.R.L.	Romania	*	unsignificant activity:
BT Pensii SAFPF	Romania	*	unsignificant activity:
BT Investment	Romania	*	unsignificant activity:
VB Investment Holding	The Netherlands	*	unsignificant activity:
Victoriabank S.A.	Moldavia	*	Operates in the Republic of Moldova (EU third party country) and is subject to different legal regulations regarding the non-financial reporting.
BT Leasing MD S.R.L.	Moldavia	*	Operates in the Republic of Moldova (EU third party country) and is subject to different legal regulations regarding the non-financial reporting.

** Were included only in the presentation of financial information*

Information regarding the respect for human rights and the fight against corruption

We are one of the most important Romanian brands, evaluated by Brand Finance at 441 million USD, + 19% increase compared to 2019. This also means a great responsibility: to maintain the trust given to us by our over 3.2 million customers, shareholders, our partners and the Romanian society. BT growth is based on strong mechanisms, based on solid ethical principles, which guide the actions of the entire team in relation to all our stakeholders.

The set of fundamental principles that the bank's employees must observe in their relations with the Bank's stakeholders are defined in the Code of Ethics and Conduct, which is meant to guide the employees in their daily activity.

Corruption is a phenomenon with serious negative implications for the development of a society, contributing to the poverty increase, to environmental damage, to human rights abuses, to misdirected investments, to violations of the democratic principles and much more.

We know that the responsibility of being the main lender of the Romanian economy requires strict measures in this direction, therefore, within the companies that are part of Banca Transilvania Financial Group, acts of corruption or bribery are not tolerated in any form.

It is strictly forbidden for any employee or member of the management structures within the Group companies to accept or grant inappropriate benefits of any kind (incentives), regardless if the person offering or requesting

such an advantage works in the public 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.

At the same time, it is strictly forbidden to receive money or other benefits from clients or third parties for the performance of working duties or to intervene with an employee / manager to do or not do something that falls within his/her working duties, payment or granting a benefit that violates the internal laws or regulations, payment or granting a benefit for "obtaining" a business or any kind of facilitated payments.

We also pay a special attention to the partners with which GFBT companies work, so we select and collaborate only with partners who comply with the anti-corruption principles, monitoring their activities properly, in accordance with the applicable internal procedures.

All members of our management body and employees have access to and are informed about the Group's policies and principles on combating corruption and bribery.

The specialized departments from the Group provide training and are responsible for assessing the level of standard knowledge of these issues by the persons holding relevant positions within the Group. Moreover, whenever the regulatory framework in this area is updated, those concerned shall be informed and the new norms are made available to them.

In 2019, we provided training courses on anti-corruption practices offered by third parties for the staff specialized in the field. In this regard, in 2019, 53 employees benefited from such professional trainings, of which 40 were employees from the Bank's headquarters and 13 were employees from the network.

Our requirements for anti-corruption conduct are very strict, and this has been demonstrated over the years by the good results we have achieved in this direction. We make sure that our employees know the internal policies by organizing regular training sessions. Because we want to expand the number of trained employees, in 2020, the internal training platforms have been developed to include the online course module on anti-corruption policies and procedures.

2020

Training and information regarding the anti-corruption policies and procedures *	Number of people informed about the anti-corruption policies and procedures	Number of people trained on anti-corruption policies and procedures (online training)	Number of people trained on anti-corruption policies and procedures (on-site training)
Membri Conducere	Toate persoanele vizate în categoriile analizate	25	4
Directori Regionali Sucursale		6	6
Angajați Centrală		1,612	57
Angajați Rețea		4,835	59
TOTAL		**6,478**	**126**

**The information provided in the table above refers only to the activity of Banca Transilvania, given that only this activity is considered to have a significant impact on the level of Banca Transilvania Financial Group, considering the credit institution's position in the Romanian financial sector .*

[1]*Facilitated payments are „accelerated payments" or „additional fees", usually small amounts of money, unofficial, handed over to civil servants or government officials in order to obtain, expedite or postpone a routine action to which someone has access based on a legal right (e.g. issuing a permit, a license, an agreement or an immigration visa, scheduling an inspection associated with the performance of the contract, the provision of services or the release of products withheld in customs).*

In 2020, a total of 6,604 employees were trained on anti-corruption policies and procedures.
In 2020, at the level of Banca Transilvania Financial Group:

- there have been no confirmed incidents of corruption involving employees of the Group's companies, leading to their dismissal or disciplinary sanction.
- there have been no confirmed incidents of corruption leading to the termination of the collaboration with business partners.
- there have been no lawsuits against the Group companies or their employees alleging concerning corruption situations.

Regarding money laundering, 100% of the transactions performed through the bank are monitored to identify potential suspicions with an impact in this area.

Conflict of interest

Conflict of interest and the way in which these situations are managed are regulated internally through the Policy for the Prevention and Management of Conflict of Interest, last revised in June 2020. The objective of this policy is to establish, implement and maintain effective criteria for identifying the current and potential conflicts of interest, by identifying the Bank's relationships, services, activities or transactions from which situations of conflict of interest may result, as well as their reporting and management manner. All employees and members of the management structures are obliged to comply with the provisions included in this policy and to inform the Compliance Department of any situation that could represent a potential conflict of interest.

In 2020, there were no conflict of interest situations.

Respect for Human Rights

We consider that respect for human rights is a fundamental responsibility in all business relationships we have with our stakeholders - with our employees, customers and business partners - so therefore we grant a significant importance to this issue in all the activities carried out. At the same time, we demand the same from them, and any violation of the human rights is considered unacceptable.

We respect the European and national regulations on the protection of human rights, including but not being limited to the rights stated in the European Convention on Human Rights. 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.

At the employees' level, we discourage any internal practices that could affect and / or harm the fundamental rights of the people part of the GFBT team. We also encourage the development of our employees' knowledge regarding human rights, to ensure that these requirements are met in their business relationships with the bank's customers and beyond.

The commitments assumed so as to ensure the respect for human rights include:

- respecting the association freedom and the effective recognition of the right to collective negotiations (through the existence of a collective labor agreement and of the employees' representatives structure);
- elimination of all forms of forced or compulsory labor (including the effective abolition of child labor); elimination of discrimination regarding employment;
- taking measures to assert these rights through dissemination and access to information and training (through dedicated trainings);
- promoting a corporate culture of awareness and respect for human rights;
- the employees have access to complaint resolution mechanisms, which are in line with the human rights principles, through which complaints and disputes are effectively resolved.

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 companies with which they enter into business relations, in the process of selecting third parties, 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 business relations with the bank's customers are subject to human rights requirements and include: the customer's acceptance process, the provision of the financial products and services by Banca Transilvania and its subsidiaries. Additionally, we ensure that the human rights principles are also taken into account in the acquisition or merger initiatives.

The process through which we ensure that the human rights are not violated during the working activity involves: identifying and assessing the actual and potential impact of the human rights; integration and action on the results; monitoring the effectiveness of the response and communicating the ways of addressing the human rights.

The process varies in complexity depending on the operations context, the size of the entity (client, collaborator, partner, etc.), the risk of a severe impact on the human rights and on the nature and focuses on adverse effects on the individuals and communities and their rights, in addition to their own risks (challenging or contributing to a potential negative impact on respecting for human rights through the carried out activities).

In the event that, despite the principles and policies for respecting for human rights, we cause or contribute to a negative impact, we undertake to remedy or cooperate in order to remedy the impact caused by legitimate processes.

Reporting mechanisms

The internal mechanisms that the Bank makes available to its employees to report the incidents / complaints, referrals about the existence of unethical or illegal behavior that may affect the organizational integrity, are described in the Warning Procedure regarding the ensuring of an appropriate framework for managing the Banca Transilvania Financial Group (GFBT) activity, updated in 2018.

The procedure has among its objectives:

- providing support for the internal alert mechanism, which can be used by GFBT staff to transmit the legitimate and substantive concerns,
- provide information and guide the employees in reporting the violations of the internal regulations or irregularities within the Bank,
- support the company's commitment to ensure an efficient management, in which the managers and the employees respect the highest ethical standards,
- encourage the reporting of behaviors / situations that may have serious consequences for GFBT, while ensuring the confidentiality and security of the employees who report risk situations, in order to avoid repercussions on them.

The channels made available to employees for reporting incidents of unethical or illegal behaviors are:

- dedicated email address, MyAlert;
- MyAlert - internal application, available from the GFBT Network

All notifications received on these channels are analyzed by a group composed of the following members: General Manager - CEO, the Deputy Chief Executive Officer - Chief Risk Officer and the Executive Manager Corporate Governance and Legal Department. They receive, analyze and send for settlement each case, to the competent structure from the organization.

The verifications' result is presented to the Group's members by the department to which the alert was generated, in the form of a report containing all the information on the invalidation / confirmation of the reported incident and of the activities carried out/ evidence, as well as the necessary recommendations / proposals to facilitate a correct and objective decision, or the

decisions / measures taken. The result of the verifications and the recommendations are introduced in the MyAlert application by the Manager of the Anti-Fraud Department.

If in 2019, 38 complaints were registered on the MyAlert channel, out of which 9 referred to an inappropriate (unethical) behavior of some employees or managers towards colleagues. In 2020, 32 complaints were received, of which 8 referred to the same type of behavior.

All the complaints were verified and resolved according to the internal procedures.

Shareholders and investors have the e-mail address at their disposal to submit notifications, complaints on the email address investor.relations@bancatransilvania.ro, as well the alternative communication channels available on the bank's website.

In 2020 there were no complaints received on these channels.

Information on social and labor issues

Our team

BT means people. What we do every day at the office is directly related to over 3 million customers. We've helped some of them have their first home, others to have the first banking application of their lives or their first business. We have something special, which cannot be copied: The BT spirit.

No of employees 2020: 9.623
74,76% women | 25,24% men

The number of employees based on labor contract type	Men	Women
For indefinite period.	2,180	6,349
For fixed-term period.	249	845
Total number of employees	2,429	7,194

Number of employees by type of employment relationship	Men	Women	Total
Full time	2,368	7,096	9,464
Part time (<8h)	61	98	159
Total	2,429	7,194	9,623

Remuneration policy

At the level of each company from the GFBT, there is a remuneration norm that regulates the forms of remuneration that apply according to the European directives, then transposed into the national legislation. Its objectives are:

- to encourage team work and cooperation between colleagues;
- to ensure a strong connection between remuneration and performance, while fulfilling the interests of the customers;
- to foster mentality of rewarding based on individual and team performance;
- attracting, retaining and motivating those employees holding key positions;
- ensuring flexibility so that the team can adapt quickly to the Bank's objectives, in the context of complying with the legal framework;

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 ratio between the minimum wage in the company and the existing minimum wage at national level (gross) 2020:
1.53 men | 1.53 women

Professional Development

We encourage the continuous professional development, offering the employees both internal and external learning/training programs. We thus ensure that all members of our team evolve and develop in line with the trends in the banking system and best practices in the field.

The responsibility for the training process at the Bank's level has a dual character, being in charge of both the employer and the employee.

The training needs of each employee are analyzetd, in particular, during the annual evaluation and planning of objectives for the forthcoming period. All the training needs thus identified, which must be relevant to the position that the employee holds and to the objectives that he/she has to achieve, are mentioned in the evaluation form of each employee. Subsequently, they are included in the annual training plan designed by Academia BT, being subject to analysis and approval by the Human Resources Committee, depending on the annual training budget approved by the Board of Directors.

Among the training methods are: temporary moves to other positions; transfers for certain periods in different departments / services / Divisions; participation in projects; training on the job for newly hired colleagues, new colleagues for a job; courses organized in the bank, conducted by trainers inside or outside the bank; courses organized by specialized companies from Romania or from abroad; webinars conducted by trainers inside or outside the bank; individual training through online courses developed in BT or through various providers.

In 2019 and 2020, our employees benefited, on average, from approximately 16 hours of training / employee.

Diversity and equal opportunities

Diversity, equal opportunities and inclusion are key elements that underpin the organizational culture of the GFBT companies. We want to have a diverse work environment, in which all the people in our team feel included, equally involved and supported, regardless of the position they hold in the company. Beyond all this, equal opportunities and equal treatment regardless of gender are one of the human rights' fundamental principles, which we strictly respect in our daily work.

The total number of employees based on their position, gender and age:	**2020**							
	Men				**Women**			
	<30	**30-50**	**>50**	**Total**	**<30**	**30-50**	**>50**	**Total**
First management level	0	20	3	**23**	0	14	7	**21**
Other management positions	5	83	372	**460**	5	597	153	**755**
Specialists - Headquarters	**223**	**595**	**85**	**903**	**507**	**1,231**	**157**	**1,895**
Specialists - Network	226	718	99	**1,043**	1,134	3,009	380	**4,523**
Total	**454**	**1,416**	**559**	**2,429**	**1,646**	**4,851**	**697**	**7,194**

At the Bank's level, in 2020 the Policy on equal opportunities and treatment between women and men was created and implemented, which falls under the responsibility of the Human Resources Department. The policy is based on legislative regulations provided by the republished Labor Code, with it's subsequent amendments and completions, Law 202 of 19 April 2002 on equal opportunities and treatment between women and men, with it's subsequent amendments, OG 137/2000 on prevention and sanctioning of all forms of discrimination, with it's subsequent amendments and completions and Law no. 62/2011 of social dialogue.

To train employees in this direction, the Bank organized an online course, "Equal Opportunities", the minimum duration of the program and the related test being one day long. The course was launched towards the end of 2019, and after it's launch, we have also initiated internal awareness campaigns, continued throughout 2020. As a result, in 2020, the level of participation has increased considerably, reaching 7,521 participants and over 60,000 class hours.

Combating discrimination

In Banca Transilvania, it is prohibited any form of discrimination consisting of any distinction, exclusion, restriction or preference, based on race,

nationality, ethnicity, language, religion, social category, beliefs, sex, sexual orientation, age, disability, chronic non-communicable disease, membership of a disadvantaged group, and any other criterion having as its object or effect the restriction, removal of the recognition, use or equal performance of the human rights and fundamental freedoms or of the rights recognized by law in the political, economic, social, cultural field or in any other field of public life.

Mechanisms for recording and resolving complaints and notifications

The employees have the right to report any treatment or conduct deemed discriminatory that may be classified as harassment. The mechanisms for notifying these cases are:

- direct notification to the direct manager. Each manager receiving such a notification has the obligation to inform the Human Resources Department / the designated employee from the Human Resources Department within 24 hours from the moment of receiving a complaint;
- direct referral to the designated employee of the Human Resources Department with responsibilities in the field of equal opportunities and treatment between women and men, who will offer guidance and provide the necessary assistance;
- through the whistleblower internal app *MyAlert*.

In the first two situations described above, the employee submitting the complaint may do it in writing or verbally if he/she is unable to write, describing the nature of the discrimination / harassment and the details of the incident, as well as any other information regarding witnesses or other complainants.

In 2020, at the level of employees in the organization, there were no incidents of discrimination.

Implication and Social Responsibility

As a provider of financial products and services, we play an important role in the lives of our communities. Thus, beyond the direct contribution we have to support the Romanian economy, we want to be an engine of change in the society as a whole, a model for all our partners, and together with them to build projects with long-term impact.

Our projects, that address the needs of the community, are developed either by teams of employees from the Bank, or with non-governmental partners supported through sponsorships, volunteering programs or know-how. The main social involvement directions which the bank follows when building or choose to support projects are:

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

At the BT level, the policy and procedures through which we grant sponsorships fall under 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, human rights protection, medical, health care and social services, environmental protection, social and community, representing professional associations, as well as the maintenance, restoration, conservation and enhancement of the historical monuments.

BT's involvement in 2020

- Total value of the investment budget: 24 million RON
- Total number of supported projects: 105 projects out of which 38 dedicated to hospitals (during the pandemic)
- Total number of partner organizations: 37

Responsible acquisitions;

Within the GFBT, the procurement of goods and services is regulated by specific internal regulations, being divided into several categories: Investments and Logistics, IT, Human Resources,

Marketing and Communication, Information Security, Retail, Legal Services.

The procurement process is regulated internally by the norm and procedure for procurement of works, goods and services in Banca Transilvania, updated and modified in 2020.

The Procurement, Investments and Logistics Department is responsible for all procurements in BT, except for the purchase of goods, IT services and software, licenses and related maintenance, the purchase of goods, licenses and related maintenance, which are performed by the IT Security Department, the purchase of equipment, products and services used in the process of issuing and accepting cards, legal assistance, human resources services and the acquisition of marketing and advertising services, a process that falls under the responsibility of each department's manager.

The procurement process is periodically internally audited, all the resulting recommendations being implemented in the shortest time.

2020 93.9% of the total expenditures with suppliers were made with the 96.3% local suppliers

Information on environmental issues

In order to improve our environmental performance in all operations, thus reducing our footprint and contribution to climate change, we are committed to taking action in this regard and in our daily work. Among the risks identified as relevant for the environment in which we operate, are the climate crisis that generates problems such as shortage of raw materials and lack of natural resources, water availability, loss of biodiversity and ecosystems, pollution of the environmental factors.

Waste

Our industry involves a low consumption of resources in the current activity, the materials we frequently use being paper, printer cartridges, electronic equipment and lighting devices.

Our activities towards the efficient management of waste from operations include the collection, transport, treatment / disposal of waste, together with the monitoring and regulation of the process as a whole. All the resulting waste is disposed / recovered according to Law 426/2001, and their record is kept in accordance with the List of waste at national level established by the GD 856 / 16.08.2002 with it's subsequent amendments. DBA Waste (batteries and accumulators) and DEEE (waste resulting from electrical and electronic equipment) have a special route, being collected for a period of up to 3 months, after which they are handed over to authorized agents. The Bank's department, responsible for waste management, is the Procurement, Investment and Logistics Department which has a Waste Management Specialist. This specialist draws up monthly records which are then reported to the Environment Protection Agency. The waste management activity is carried out based on the policy of waste management (Pl.9.28.1).

Thus, at the Bank level, our objectives focus on:

- Limiting the printing on paper by the employees and the usage of recycled paper;
- Promoting digital solutions in document management, both the internal ones and those related to the commercial relations with the bank's customers, suppliers and other collaborators;
- Selective waste collection, depending on the type and disposal method, by providing the necessary infrastructure;
- Quantify, monitor and report on the progress of these initiatives.

The Measures to reduce paper consumption have resulted in savings of 93,580 kg of paper in 2020.

Energy consumption

We are taking steps to reduce our carbon footprint and streamline the energy consumption as the main source of direct greenhouse gas (GHG) emissions from our operations. Thus, currently, at the bank's level, there is a collaboration with an energy auditor for establishing the direct amount of GHG emissions.

Total fuel consumption from conventional sources	2020	
	GJ	tep
Petrol	6685.1	159.7
Diesel	11.132	265.9
Natural gas	35.129	839.2
Total fuel consumption	52946.1	1264.8

Conversion factors

1 tep = 41,86 GJ

Electric energy consumption	2020	
	(MWh)	tep
Electric energy	20.111	1.729,6

1 MWh = 3,6 GJ

Total energy consumption (Total fuel consumption + electric energy consumption)	2020	
	GJ	tep
	125.345,7	2.994,4

$$\frac{\text{Consumul total de energie}}{\text{Valoarea totală a producției anuale}} = \frac{2.994,4 \text{ tep}}{5.181.880 \text{ thousand RON}} = 5,78 * 10^{-4} \text{ RON thousand}$$

Energy intensity 2020

In 2020, the energy intensity decreased by 6.64%, compared to 2019. This decrease also results from the reduction in the number of internal trips.

The strategy to make energy efficient and reduce its carbon footprint includes measures such as:

- the exclusive use of energy-efficient electronic equipment, monitors and computers with high environmental standards in terms of environmental protection;
- using an actions measuring, optimizing and monitoring system, aimed to reduce the total energy consumption;
- implementation of an efficient energy management framework in order to reduce the use of natural resources and prevent pollution; the use of sustainable practices in the design and management of the real estates, including conducting energy assessment analyzes for the premises where we operate and certifying a list of the premises as *green buildings* (on a system of certification BREEAM, LEED, DGNB); establishing procedures for the renovation and redevelopment of used premises that shall include local renewable sources for the self-consumption. More specifically, in headquarters and data centers, we will implement co / tri-generating facilities to significantly reduce the energy consumption and costs as well as the greenhouse gas emissions;
- developing and promoting internal information documents to raise the awareness of one's environmental footprint (good practice manuals, energy efficiency promotion guidelines, information materials in physical and digital format) and providing clear and simple measures for our employees, for an efficient implementation;
- maintaining a proactive communication about our commitments for the environment protection and about the achieved progresses;
- continuing the afforestation initiatives with the involvement of our employees and collaborators;
- on the medium term, establishing the directions and the procedures for improving the fuel consumption for own fleet vehicles; installing electric vehicle charging stations in all public car parking owned by the BT premises in order to stimulate clean mobility;
- encouraging safe cycling and providing a bicycle parking.

Over time, following the energy audit processes that we carry out periodically, we have implemented a series of measures that have contributed to reducing the amount of energy and fuel consumed. All these measures are documented and monitored in the existing Energy Efficiency Improvement Program at the Bank's level.

Emissions

Emisii GES	2020 (tone CO2)
Scopul 1	3.332,2
Scopul 2	5.829,2
Total	9.164,4

Goal 1 includes emissions from the combustion of fuels in own equipment: petrol and diesel for the transport of employees and natural gas for combustion in thermal power plants.

The estimation of the emissions resulting from the petrol and diesel consumption was made by referring to the amount of fuel consumed, without taking into account the technical characteristics of the car engines in the company's fleet. For the forthcoming years, our goal is to implement a system for collecting data on the employees' transportation, which will allow us to make an accurate inventory of the emissions resulting from the fuel consumption of our own fleet.

The used emission factors were selected from the Order no. 2641/2017 on amending and supplementing the technical regulation "Methodology for the calculation of the buildings energy performance", approved by the Order of the Minister of Transport, Construction and Tourism no. 157/2007, as follows:
FE Petrol 1 l = 2,392 kg CO_2
FE Diesel 1 l = 2,640 kg CO_2
FE Natural gas 1 l = 0,205 kg CO_2

Goal 2 includes greenhouse gas emissions from the electricity purchased from the supplier.

For the calculation, we used the market level approach, using the emission factor selected from the Order no. 2641/2017 on amending and supplementing the technical regulation "Methodology for calculating the buildings energy performance", approved through the Order of the Minister of Transport, Construction and Tourism no. 157/2007, as follows:
FE Electric energy 1 KWh = 0, 28985 kg CO_2

Information on the sustainable financing policy and Analysis of the social and environmental risk

Our goal is to support the customers in all their projects, supporting both their development and adaptation to the sustainability context, the two objectives being often interconnected.

We are aware that we cannot gain the trust of our partners, unless we generate added value through the activity we carry out and contribute to the well-being of the community in which we live. We want to be more than a bank, we want to be part of the community.

At the GFBT level, there are currently products and services dedicated to projects that generate a positive environmental or social impact, as follows:

- without classifying them as green lending and marking them separately in the internal systems, we have an important history in financing energy efficiency projects in multiple fields, from thermal rehabilitation, to replacement of fleets of transportation means or various production equipment.
- we are also very active in financing agriculture, with various solutions for streamlining the consumption of resources and irrigation
- we contribute to the financing of the circular economy by encouraging the reuse and recycling of waste.
- we support small businesses, social and financial inclusion, education, creative fields (art, culture).
- we finance replacements and acquisitions of new medical equipment, the construction of hospitals and old care centers, we are both financing partners for small medical offices, as well as the medical market leaders.
- we finance renewable energy projects.
- we have partnerships with various energy efficiency funds operating in Romania.
- we finance the purchase of electric / hybrid vehicles on advantageous terms.
- we do not finance the production and trade of weapons, harmful chemicals (dangerous or banned), unsustainable exploitation of forests, gambling, etc. We are strict in excluding from financing those projects with harmful impact on the environment, being regulated within the Banca Transilvania Financial Group a list of exclusions of high risk areas from the perspective of environmental implications.

On the medium term, our objectives in terms of sustainable financing are:

- developing financing portfolios in sustainable areas, where we can stimulate innovation and create a positive impact on the communities (agriculture, medical and education, production and services, creative industries, energy efficiency),
- maintaining the leading position in financing entrepreneurial businesses, boosting the growth of those companies, from start-up companies to local champions,
- ensuring the financial inclusion by financing micro-enterprises, PFAs, family businesses,
  establishing the carbon footprint of our portfolio and progressively reducing it through specific objectives, with ongoing monitoring,
- development of a green / climate finance loans portfolio. Establishing the eligibility of a financing for its inclusion in the green category will be performed based on a methodology developed by the International Financial Corporation by using the platform Climate Assessment for Financial Institutions
- applying an advantageous pricing system for those customers carrying out activities and / or undertaking projects with a positive impact on the environment,
- regular review of the list of excluded activities by completing new areas or setting exposure limits for areas with potentially negative effects on the environment,
- expanding the expertise of non-financial risk assessment for the entire team of risk and credit analysts,
- extending the detailed non-financial analysis model currently used for large corporate clients, SMART (environmental and social risk assessment) to other categories of legal entities clients, to the entire portfolio level,
- development of integrated products, with a component of financial education of the population,
- launching a credit product for the entrepreneurs in the field of education (kindergartens, schools, children's activity centers - private), the purpose being to facilitate the access to financing for a category that is not normally eligible and has not been included in the recent state aid schemes (BT Mic),
- launching a financing line dedicated mainly to female entrepreneurship, together with IFC - the financing division of the World Bank (BT Mic).

Considering the quality of being the lender of an important part of the economy, we are aware that in addition to our business carbon footprint, the influence of BT Financial Group is much wider, including the business environment and the communities in which we are present. We understand and assume the role of advising and directing our clients in the transition to the most sustainable possible business models, which will prove to have important competitive advantages in the near future.

Benchmarks for BT environmental and social risk (E&S)

At Group level, BT implemented a environmental and social management applied to the entire portfolio, each transaction being reported to the following aspects:

- Exclusion list
- The EBRD reference list
- Classification of environmental risk
- Checklist for projects with environmental /social high risk
- IFC performance standards
- Laws and national regulations in force on environment, health, and safety

However, the assessment also takes into account the principle of proportionality, the environmental and social risks being assessed separately, by reference to the customer category, value and duration of the transaction.

The Bank signed a cooperation protocol with IFC to increase the expertise in terms of environmental & social risk through periodical training programs and the adjustment of the Environmental and social risk assessment policy in accordance with IFC standards.

In the context of this cooperation, starting with 2019 the Bank introduced a detailed analysis of

environmental and social risk (which applies to transactions in category 1), based on the completion by customers of a questionnaire containing questions on the management system for the environmental and social risk, the human resources policy, the efficiency of resource management, management of risks associated with the procurement chain, the impact of the activity on biodiversity, etc. The questions are grouped into categories that meet IFC's environmental and social risk performance standards. Following this analysis for each transaction an environmental and social risk degree is provided:

High social & environmental risk activities

The activities on this list, due to their inherent complexity (diversity of raw materials and products and waste flows) and their characteristics, have the potential to cause a significant and / or long-term impact on the environment or have associated environmental obligations, whose extent would be difficult to quantify when granting / analyzing the loan.

Moderate social & environmental risk activities
These activities have a more quantifiable impact over the environment and can be easily prevented and / or managed.

Low social & environmental risk activities
Small or reduced impact over the environment

Type of client	Numărul total de împrumuturi la 31 decembrie 2020	Numărul cumulat de avize de mediu și social și excluderi	Procent din total clienți persoane juridice	No. of loans with risk		
				Low	Moderate	High
Micro Business Clients	37,985	2,625	39.07%	30,525	6,521	939
Small and medium enterprises	12,363	1,803	26.83%	8,989	2,610	764
Mid Corporate Clients	4,993	2,037	30.32%	3,270	1,257	466
Large Corporate Clients	254	254	3.78%	142	74	38
Total	55,595	6,719	100.00%	42,926	10,462	2,207
				77.21%	18.82%	3.97%

Each risk analyst has the responsibility to assess E&S risks which is performed with the support of the E&S Risk Analysis Department, within the Corporate Credit Risk Analysis Division (DARCC), within the BT Headquarters.

The E&S Risk Analysis Department currently comprises 4 persons, 2 having technical expertise, with a degree in Environmental Engineering. The E&S risk analysts benefited from specialized training programs from IFC regarding the extended use of E&S risk analysis. Also, the in-house trainers organize training programs on this theme for the sales and analysis teams of the Bank. In 2020, a part of E&S analysts together with colleagues from other departments participated to the training course organized by Moody's regarding the E&S risks and corporate governance integration into the risk analysis (ESG risk assessment for Lenders and Asset Managers).

Sustainable financing via BT Mic

BT Mic has a simple business model, with a personalized approach of each client, involving a discussion with each customer and a visit of the business. Each financing means a financial education and consulting process where the customer receives clear and transparent information, in a simple manner. More than that, during the entire lending process, BT is close to its customers, with financial/ non-financial information useful for the business with tailored solutions anytime the client has a request.
We consider that the compliance with the E&S legislation and the enforcement of adequate E&S practices represent important factors in demonstrating an efficient business management. Thus, all the received loan requests are assessed based on the internal Exclusion List, the EBRD Reference List and the national legislation and regulations in force.

Types of Clients	No. of loans in the portfolio 2020	Total no. of loans from the E&S risk perspective	No. of loans assessed from the E&S risk perspective in 2020	No. of loans with risk			Incidents reported to the bank	On site visits to assess E&S aspects
				Low	*Moderate*	*High*		
MSE Companies*	7.984	7.984	1.983	6.832	1.062	90	0	7.984
***MSE companies** owned by women*	4.991	4.991	1.163	4.580	379	32	0	4.991
Total	12.975	12.975	3.146	11.412	1.441	122	0	12.975

**micro and small companies*

Sustainable financing via BT Leasing

We continuously monitor the integration of environmental and social risk assessment into the normal risk assessment flow for projects financed by BT Leasing, to ensure that: all funded activities comply with national environmental, health and safety laws and regulations in the field, all funded activities are outside the scope of EBRD/IFC activities, the environmental and social risks associated with each funded activity or project are properly assessed, documented and monitored, the exposure per sector / industry in total exposure does not exceed the limits set according to internal rules of BT Leasing.

Types of Clients 2020	No. of loans in the portfolio	Total no. of loans from the E&S risk perspective	No. of loans assessed from the E&S risk perspective in 2020
MSE Companies	14,170	14,170	3,606

Our commitment on responsibility

We are aware that we have the power to generate change, to amplify the positive impact we have had so far through the way we do things, but also to be better in terms of environmental protection and closeness to our communities. Thus, because we are one of the forces able to set in motion the Rotmanian transition to a green economy, we have assumed a series of objectives that come to strengthen our commitment to a sustainable future, in line with the three pillars of our sustainability policy.

Performance

Corporate Governance

- BT: Integration of specific ESG criteria (KPIs), regarding both objectives and reporting process, in the proceeding of assessing the individual and collective adequacy of the management body, including at the level of the Board committees. Although an ESG component has been integrated into the current adequacy assessment process, supplementing it with new objectives in this assessment will ensure a better continuous verification of the management body's expertise, so as to reflect the relevant changes in economic activities, sustainability strategies and strategies ESG and risk profile of the institution.
- BT: Integration of at least one specific ESG criterion (KPI) in the list of individual performance targets set for each member of senior management, as well as the executive ones in order to determine the amount of variable remuneration paid. Each individual criterion will relate to the ESG objectives that are set in the member's area of activity and expertise, so as to ensure the alignment of remuneration with the Bank's sustainability objectives, facilitating an organic growth of ESG initiatives to achieve specific sustainability objectives.

Ethics and compliance

- BT: Training of all Group employees in the field of processing and protection of personal data, at least once a year, through a course followed by knowledge testing, in order to continuously train and improve employees knowledge in this field, to ensure a level of high data protection to prevent breaches of the security of such data.
- We commit in establishing clear criteria necessary to cooperate with our suppliers to comply with social and environmental standards, by implementing a new assessment methodology by the end of 2021.

Portfolio and Products

- BT: Using the CAFI application (Climate Assessment for Financial Institutions) to verify the eligibility of funding for green category - investment funding, with potential characteristics for green funding, above a certain threshold (RON 100 thousand) will be tested to verify inclusion eligibility in the fields defined in the methodology.
- BT: increase of expertise for the risk team in terms of nonfinancial risk assessment.
  the team of environmental analysts from the HQ will participate in at least one specialized external training in 2021.
- each member team will participate in an internal course organized by the environmental risk analysts in the HQ in 2021.
- BT: extension of the detailed ESG risk analysis model currently used for transactions over EUR 5 million at the level of the eligible portfolio, by the end of 2023.
- GFBT: launching dedicated products and completing the current range of products with green financing components, financial education and a positive social impact (in 2021).
- Launch marketing campaigns responsible for promoting our products, including those with green funding components and positive social impact

People and the Community

- Facilitating staff recruitment within communities through internship programs and partnerships with educational institutions.
- Implementing, in 2021, a program to raise awareness regarding aspects of diversity and equal opportunities by means of campaigns and training sessions
- Conducting an impact study to measure the positive impact that the Bank generates through community investments until 2023.
- Awareness and promotion campaigns for a healthy lifestyle in 2021, by means of the wallet app

Medium

- Reducing greenhouse effect gas emissions, associated with the GFBT fleet of motor vehicles (emissions from Goal 1), by 20% until 2023, compared to 2018 as reference year
- Increasing the share of renewable energy within GFBT's total electricity consumption up to 75% (emissions from Goal 2) by 2021, reaching the 85% threshold by 2023
- Achieving the indirect emission inventory (Goal 3) by 2023
- Reducing paper consumption by 10% until 2023, by implementing digital flows for obtaining certain products, digital signatures.
- In 2021, the bank will start issuing new cards from recycled materials
- Ensuring network infrastructure at GFBT level and carrying out information and awareness campaigns on the importance of selective waste collection, in 2021

Detailed information on the key non-financial performance indicators specific to GFBT, our objectives and the sustainability strategy for 2020 can be accessed in the Sustainability Report, available on the company's website, in the section Investor Relations

2020

Annual Report, according to ASF Regulation no.5 / 2018 Annex 15

For the financial year: 2020
Report date: 25.03.2021

Name of the company: BANCA TRANSILVANIA S.A.
Registered office: CLUJ-NAPOCA str.G. Bariţiu nr.8
Phone/fax: 0264.407.150; 0264.301.128
Tax identification no.: RO5022670
Trade Register no. : J12/4155/1993
The regulated market where the issued securities are traded: Bursa de Valori Bucureşti
Registered capital, subscribed and paid: 5,737,699,709 RON
Main features of the securities issued by the company:
5,737,699,709 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, 8 G. Baritiu Street, 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

BT is a joint-stock banking institution (with foreign and domestic shareholders).

Banca Transilvania is part of Transilvania Bank Group („the Group"). The Group subsidiaries where BT has direct and indirect shareholding at the 31st of December 2020 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 Microfinantare IFN S.A., Improvement Credit Collection S.R.L., Timesafe S.R.L, Sinteza S.A. and BT Pensii S.A..

The Main Group's fields of activity are: banking through Banca Transilvania S.A. (the "Bank") and by Victoriabank S.A., investment and brokerage through BT Capital Partners S.A., leasing and consumer finance mainly through BT Leasing Transilvania 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. and administration of pension funds (except for those in the public system) through BT Pensii S.A.. Moreover, the Bank controls five investment funds that are also included in the consolidation.

In 2019 a firm commitment was signed for the acquisition of Certinvest Pensii, the only local player among pension fund managers in Romania, and, in the first half of 2020, following the approval of transferring 95.1% of the company's share capital to BT Asset Management SAI SA and 4.9% to BT Investment S.R.L., falls within the consolidation perimeter of the BT Group. Also, the name of the company was changed from "Certinvest Pensii Societate de Administrare a Fondurilor de Pensii Facultative S.A." in "BT Pensii - Societate de Administrare a Fondurilor de Pensii Facultative S.A.".

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 2020, 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 3% versus 2019, respectively from RON 486.36 million to 499.69 million.

Banca Transilvania is engaged in ensuring that its subsidiaries have an adequate CAR 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 financial statements of the Bank as at December 31, 2020.

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: International Audit Standards ISA 260–18, 2005–CAFR; the Company law - Law 31/1990; Banca Transilvania's Rules of organization and administration.

The number of committee members and their competence are approved by the Board of Directors; the committee has 3 non-executive Board members.

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.

The internal audit function (Internal Audit Department) is subordinated to the supervisory function (Board of Directors). The Internal Audit Department is operationally subordinated to the CEO.

The direct management (coordination) of the internal audit function (Internal Audit Department) is ensured by the Internal Audit Manager appointed by the supervisory function to the Board of Directors.

The Audit Committee held 10 meetings during 2020 (including the ones related to the external auditor selection process), as well as several conference calls and meetings in absentia, in order to review, discuss and approve a number of topics ad-hoc.

The members of the Board of Directors in 2020 were the following:

- Ivo Gueorguiev – Audit Committee chairman; independent non-executive director with audit experience, attending 10 out of 10 meetings;

- Thomas Grasse – Audit Committee member; independent non-executive member with audit experience, attending 10 out of 10 meetings;
- Costel Lionăchescu – Audit Committee member; independent non-executive member with audit experience, attending 10 out of 10 meetings.

During the meetings held in 2020, the Audit Committee carried out the following actions:

- Analysis of the financial statements and audit report prepared by the external auditor for the year 2019, 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;
- Updating the selection procedure of the external auditor;
- Conducting a procedure for selecting the external auditor, within the limits of the Committee's responsibilities.

In 2020, the Audit Committee completed the selection procedure of the Bank's new external auditor, being chosen KPMG Audit SRL. KPMG has been appointed as the bank's financial auditor for the audit of the bank's financial statements for the financial years 2020-2023, prepared in accordance with International Financial Reporting Standards, in accordance with Order B.N.R. no. 27/2010, by means of the decision of the General Meeting of Shareholders dated 29.04.2020.

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 analysis of 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 2020, 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.

1.1.1. General items of the assessment for the financial year ended December 31, 2020

Banca Transilvania recorded good results in 2020 despite the difficult business environment caused by the COVID-19 pandemic. 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 1,371.04 million
▪ Net profit	RON 1,197.31 million
▪ Total assets	RON 103,355 million
▪ Capital adequacy ration (CAR)	22.24 % (19.94*% without profit)*
▪ Return on equity (ROE)	13.67%
▪ Market share in terms of assets	18.4%
▪ Liquidity ratio according to the NBR regulations	between 1.89-29.40 on the 5 maturity bands

1.1.2. Assessment of the Bank's at operational level

The unit network of Banca Transilvania as at 31 December 2020: 506 functional units (excluding the Headquarters and the Regional Office in Bucharest) at the end of the year, compared to 508 functional units at 31 December 2019. At the present, the Bank has also one branch in Italy.

At the end of 2020, the Bank had a number of 1,738 terminals and 72,000 POSs installed. The total number of cards issued by BT as at 31 December 2020 was 4,397,966, with 7% more than 4,107,734 cards issued at the 31st of December 2019.

Description of the main products supplied and/or services rendered:

The offer of Banca Transilvania has expanded during 2020 with products, services and campaigns aimed at individuals and companies, in order to effectively and continuously support its client's activities.

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
- 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 2020:

- Google Pay;
- Imo-Ipo green loan;

- Raul de la BT – the chatbot can be reached by legal entities aditionaly on whatsapp;

In addition to the above data related to the description of the products, we would like to point out the following:

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 both 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, attached hereto;
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:
    - New BT Pay features: alias pay (transfer on phone number regardless of the bank), payment of invoices from BT Pay;
    - Unlimited 100% online packages;
    - Legal entities green loan.

1.1.3. Assessment of the technical and material supply activities (domestic and foreign sources)

This item is not significant for the Bank.

1.1.4. Assessment of the sales activity

In 2020, 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 4.2% in 2020, as compared with 2019, from 3.26 million to 3.40 million.

The number of active clients structured per business lines is the following:

Active BT clients*	31.12.2020	31.12.2019	2020/2019
Large Corporate clients	1,456	1,483	-1.8%
Mid Corporate clients	9,074	8,985	1.0%
SME clients	18,538	18,593	-0.3%
Micro Business clients	329,740	298,152	10.6%
Retail	3,038,548	2,931,894	3.6%
TOTAL	**3,397,356**	**3,259,107**	**4.2%**

* The classification of legal persons in the category of large companies or SME's is regulated by internal rules which set the conditions for the classification of clients per business segments.

Business Lines Performance

Large Corporate Customers

Within this structure, over 1,450 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 2020, the revenue generated by Large Corporate at a consolidated level grew with 11% compared to the previous year. At the Bank's level, new loans for large corporate clients were in amount of RON 3.3 billion and the balance of the gross loans reached RON 7.0 billion at the end of 2020.

Mid Corporate Clients

Over 9,000 Mid Corporate companies are serviced in the Bank's network of 50 branches. Each customer benefits from the support of a dedicated relationship manager.

The loans balance increased at a consolidated level by 7% reaching RON 6.7 billion. The customer deposits increased by 21%, reaching at the end of the year the value of RON 7.0 billion.

Small and Medium Enterprises (SMEs)

This business segment has a base of over 18,500 active customers. The focus of the business line has materialized in granting over 1,700 new loans, amounting to RON 1.3 billion. Total loans balance at a Group level exceeded RON 2.6 billion, representing an increase of 12% as compared to the previous year.

As an important performance in 2020, we mention the significant increase in the deposits balance, which exceeded RON 4.9 billion at the consolidated level, 23% 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 2020 was to ensure the continuity of banking services and products in the context of the pandemic. In addition, important steps were taken to help BT customers, in order to support this business segment through public and private moratoriums.

Micro Business Clients

Micro Business line is approaching near the benchmark of 330,000 active customers, with 11% higher than in 2019.

The rapid lending platform materialized in more than 7,700 loans granted with a worth of over RON 1.6 billion. To support access to finance, the microfinance subsidiary, BT Mic, played an important role.

In the pandemic context, Micro business clients also benefited from government programs to support Romanian entrepreneurship.

The balance of gross loans increased with 9% while the deposits increased with 31% as compared to last year.

Retail Customers

Banca Transilvania, the leader in the card market, has as at December 31, 2020, a portfolio of 4.4 million cards, generating transactions with 22% higher than in 2019. BT currently has the most complete range of payment alternatives, from physical card to digital card, BT Pay, ApplePay, Fitbit Pay, Garmin Pay, wearables, etc., allowing customers to use, in addition, what is more convenient for them at various times. The Financial Group Banca Transilvania counts 530,000 credit cards enrolled in its portfolio at the end of 2020.

The bank has a network of 1,738 ATMs, of which over 540 are multifunctional, through which self-banking can be done - from cash deposits in lei and foreign currency, to foreign exchange and contactless or code-based cash withdrawals. The Bank also has approximately 500 BT Express terminals, 72,000 POS installed (compared to 59,000 on 31.12.2019) and works with over 2,300 e-commerce merchants.

The number of digitized customers exceeded 1.7 million, of which 1.1 million use BT Pay, meaning a doubling of the number of BT Pay users compared to 2019. At the end of 2020 there were approximately 1,400,000 BT24 Internet Banking customers, about 8% more than in 2019. At the same time, the number of BT24 Mobile Banking customers is almost 940,000, 20% more than the previous year.

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 taking into account the estimated multiannual evolution of the cyclical macroeconomic indicators.

Following the general trend of the increasing the 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 10% on a consolidated level compared to the previous year, reaching a level of RON 365 million in 2020.

2020 Statement of Financial Position

The situation of the financial position in 2020 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 2020 with total assets amounting to RON 103,355 million, notably 18.2% higher compared to 2019. At consolidated level, the total assets amounted to RON 107,492 million.

Loans portfolio: At the end of 2020, Banca Transilvania's gross loan portfolio balance was 6% higher than at the end of 2019, in spite of the fact that in 2020 write-offs were performed amounting to RON 398 million. New exposures were created for diverse activity domains and also for diverse groups of debtors.

Non-performing loans overdue for more than 90 days represented 2.00% of Banca Transilvania's total loan portfolio, decreasing as compared to 2019, when the ratio was 2.79%. Non-performing exposures according to EBA requirements was 3.46% as at December 2020.

Provision balance: In 2020 Banca Transilvania recorded a net impairment allowance on financial assets on other risks and loan commitments in amount of RON 783.9 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 128%, in accordance with the Bank's risk appetite. The total balance of adjustments (impairment allowances) was RON 3,190 million as at December 31, 2020, increasing with 26% vs. the previous year. The provisions for other risks and charges include mainly provisions for litigations and for other risks taken over after the merger with Volksbank Romania and Bancpost and amount to RON 201 million.

Cash and cash equivalents: at the end of 2020, the liquidity ratio is 65.47%. Cash and cash equivalents in amount of RON 27,615 million are 35% higher compared to the previous year and above the minimum acceptable level required to cover liquidity risk. Cash and cash equivalents consist of mainly cash on hand, placements with central banks and other financial institutions, approximatively 67% of the total balance (RON 18,559 million) being represented by the minimum required reserve held with the NBR.

Securities: Securities and derivative financial instruments increased by more than 25% vs. last year, reaching RON 32,401 million, at the Bank's level. The securities issued by the Central Administrations have the largest weight in this category, amounting to RON 29,209 million.

Fixed assets: Fixed assets increased with 29% vs. 2019 to RON 2,096 million, with an important weight of assets related to the right of use which on December 31, 2020 amount RON 709 million, respectively RON 449 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 2020. Tangible fixed assets represent RON 619 million (land and buildings: RON 278 million), intangible assets are in amount of RON 269 million while the financial assets are in amount of RON 500 million.

Customer deposits: Deposits increased significantly by 19% vs. the previous year, being above the 14% general growth rate recorded at the banking system level. As at December 31, 2020, 68% of customer deposits are retail deposits, while 32% represent company deposits.

Loan/deposit ratio was 49.3% at the end of 2020, gross loans amounting to RON 43,554 million, whereas customer deposits amounting to RON 88,297 million.

This ratio dropped vs. 2019 (when it was 55.3%), this trend being observed also across the entire banking system but being still below the value recorded for the banking system (65.89%). The new minimum historical values confirm the excess of liquidity in the domestic economy and the structural changes in the banking sector**.**

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 31.12.2020 ranged between 1.89-29.40 (1.90-22.35 as at 31.12.2019) on the 5 maturity bands, much above the minimum level required by the NBR regulations.

The capital adequacy ratio of Banca Transilvania in 2020 stood at a comfortable level of 22.24%, 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 31.12.2020 amounted to RON 9,522,867,682, of which:

- The share capital registered with the Trade Register is represented by 5,737,699,649 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 28,613,899;
- Statutory reserves: RON 658,553,070;
- 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 518,557,717;
- Reserves from the revaluation of tangible and intangible assets, net of tax: RON 48,516,842;
- Retained earnings (excluding the profit for the year and profit distribution): RON 1,367,008,503;
- Own shares: RON 0;
- Profit for year: RON 1,197,304,582;
- Profit distribution: RON (197,780,334).

Cost/Income ratio recorded a comfortable level of 45.3% in 2020, decreasing from 47.01% at the end of the previous year. This ratio is under strict supervision, one of the Bank's objective for 2021 being to achieve enhanced operating efficiency, reflected also in the evolution of this ratio as compared to the previous year.

Operating income was RON 3,937 million in 2020 with 2.14% less 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 with 16% higher.

The most important income categories are the following:

- Net interest income: RON 2,580 million in 2020, 4% less compared to the previous year. Out of this amount, the income related to securities had a significant weight of 27%, representing RON 687 million. At the Group level the net interest income decreased by 3%. The decrease in net interest income was impacted by a low number of loans granted, but also by lower interest rates (influenced by the decrease in ROBOR) imposed as a result of the COVID-19 pandemic.
- Net commission income: Net commission income decreased by 8% in 2019 recording RON 656 million, exceeding the budgeted level by 2%. The alignment of costs for payments in EUR with domestic ones under SEPA regulations, as well as higher costs for treasury and interbank operations, have largely led to the unfavorable evolution of this category of income. The number of operations carried out through BT accounts grew by 16% considering the fact that 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 decrease in the net trading income was of 3% for the Bank while the Group recorded a 16% decrease. Although FX net trading income increased by 6% at Bank level and by 10% at Group level, mainly derivatives and financial assets held for trading generated a negative result.
- Net gains/(losses) on financial assets designated at fair value through other comprehensive income was RON 300.6 million at the Bank level.
- Net gains/(losses) on financial assets designated mandatorily at fair value through profit or loss was RON 42.5 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 1,782 million as at the end of the year, versus RON 1,891 million as at the end of 2019. The decrease in operating expenses was mainly related to recognition in expenses of the tax on assets in 2019, but also by the increase in operational efficiency in 2020. 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 with 6% and 7% respectively vs. the previous year, as a result of increasing the employee base and expanding benefits for them.

The Bank continued the program for performance rewarding, the Stock Options Plan, based on which the employees with good performances may exercise their right and option to purchase a number of shares issued by the Bank. The granting terms and conditions are related to the

achievement of performance/prudential ratios in 2020, to the accomplishment of certain individual eligibility and/or performance criteria as well to the criteria of being an employee at the execution date (starting with 02.09.2021), in accordance with the applicable remuneration policy related to the year for which shares are granted. The program generated both for the Group and for the Bank expenses worth of RON 60.6 million, equivalent of 35,068,919 shares.

Operational result is with 1% above the previous year, reaching RON 2,155 million at the Bank level.

Net provision expenses: amounted to RON 784 million, more than three times higher than in 2019, considering the potential future effects of the health and economic crisis, which led to changes in the methodology of provisioning, starting from a prudent and preventive approach but also taking into account the recommendations of the NBR and EBA .

Gross profit for 2020 was of RON 1,371 million versus RON 1,887 million in the previous year at the Bank level. At Group level, the gross profit was RON 1,622 million, as compared to RON 2,132 million in the previous year**.**

The net profit of Banca Transilvania amounted to RON 1,197 million, compared to RON 1,621 million in 2019, whereas that of Banca Transilvania Financial Group amounted to RON 1,424 million compared to RON 1,848 million recorded in 2019.

1.1.5. 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 2020 was 9,098 employees (31 December 2019: 8,731 employees).

The average number of employees during 2020 was 8,029 in Banca Transilvania (in 2019: 7,772 employees).

The Bank's number of active employees as at December 31, 2020 was 8,359 (2019: 7,997 employees).

The Group's number of active employees as at December 31, 2020 was 10,009, (2019: 9,690 employees).

The average age of employees in 2020 was 37.08 years (2019: 36.65 years). Breakdown per genders 2020: 72.60% women and 27.40% men (2019: 75.30% women and 24.70% men).

The manager-employee work relationship and any other conflict-related aspects were regulated in 2020 by the Collective Labor Agreement no. 277/25.07.2016 and by the new Collective Labor Agreement no. 319/09.12.2019.

In 2020, 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.

1.1.6. 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 we have tried to do, through the social involvement projects. We started with small things and gradually we got involved in big and very big projects.

Banca Transilvania, as part of the community, was involved in 2020 in financial & entrepreneurial education programs, as well as sport, cultural and social events, with a total contribution of RON 24 million.

Education

BT continued in 2020 the financial & entrepreneurial education programs started in previous years (ClujHub, iXperiment, Spark Week, the @Transylvania College Scholarship Program), but also joined other initiatives;

- The Money Fest project, previously organized under the name of Global Money Fest, was organized in partnership with Transylvania College, the only international school in Romania that offers a complete educational route. Through this action, the Bank wanted to introduce financial education in the school curriculum to support the personal development of young people, starting with those from kindergarten to high school. The project took place in early February and included activities for: kindergarten, primary and secondary school, high school in the form of workshops, presentations and interactive discussions such as Ted Talks);
- Through 4HC (4 Hours Challenge), a project developed in partnership with EA- The Entrepreneurship Academy, BT aims to encourage high school students in Romania to experience the concept of entrepreneurship, so as to consider it a viable option for professional and personal development. 4 Hour Challange was addressed to all 12th grade high school students from all over the country, interested in entrepreneurship, creativity and teamwork. There were about 150 participants excited to learn more about this concept and develop their skills for a more sustainable future;
- The Bank continued the program "Bucureştiul Întreprinzător" with mentoring sessions and the presentation of famous people who were willing to share insights from their celebrity to less known entrepreneurs from Bucharest; 82 entrepreneurs in 2020 benefited from the Bank's support for promoting their own products and services, through the Entrepreneurial Bucharest platform;

Sport

- BT continued to get involved in sports, investing in sports programs, competitions, clubs. BT was the biggest basketball fan, by supporting the Romanian Basketball Federation, the

national team, U-Banca Transilvania Cluj-Napoca club, including the basketball academy, which offers support to over 600 children who play basketball. BT offers support also to baby and mini basket competitions gathering over 1,000 children annually.

Art and Culture

- BT supported projects and continued the traditional partnerships of previous years, but also responded positively to the invitation to join new ideas;
- The Boovie project is a book-trailer festival and at the same time is the largest extracurricular event in Romania. It offers participants a form of training based on personal development and non-formal means: conscious reading, trailer, acting, film editing and creative writing. It took place online and also benefited from a specific application that participants can download in case they want to know more information and be up to date with the news.

Social causes

- The year 2020 was an atypical one from all points of view, during which, more than ever, BT came to the aid of those in difficult situations;
- Donation campaign "Echipează-ți copilul de școală. Chiar dacă nu e al tău", held in September with Salvați Copiii. Through this campaign, BT has joined efforts to help children from needy families continue to go to school ready, no matter how it starts. The beneficiaries of the initiative were 1,250 children who received a backpack full of what they needed to start school;
- Along with „SOS Satele Copiilor", the Bank contributed to the campaigns „Niciunui copil nu ar trebui să îi fie frig iarna asta", coming to the aid of children most affected by the pandemic. BT donated a sum of money and at the same time doubled the donations coming through the campaign. The money was used to buy food, hygiene products, but also medium-term support: emergency repairs to the house, children's clothing and wood for the cold winter days;
- „Peditel", an international pediatric telephone care program for parents, aims to support those who need professional medical advice for conditions that do not pose a vital risk to health. The project garnered 225,000 calls in 2019 and continued successfully in 2020, recording over 279,900 calls;
- The #Jursafiuom campaign, launched by BT in March, which supported the voices of Romanians in a message of thanks for doctors, for all their effort and dedication. Also, doctors who need information from BT, as clients, and call the Call Center team have priority in taking the call from April 2020;
- BT has donated either directly or through its partners, over 2,000,000 euros, supporting over 38 hospitals in over 30 localities. He also sponsored initiatives of organizations such as Dăruiește Viață Association, SMURD Cluj-Napoca, Untold Association, Emag Foundation, Beard Brothers Association, Cluj Medical Students Organization, CERT Transilvania and many others, with which he organized to cover the urgent needs of the Romanian health system and of those affected by the state of crisis we are in.

BT, a friend to the environment

- Since 2014 Bank has invested over EUR 300,000 in volunteer programs dedicated to afforestation in several areas: Cluj, (Tritenii de Jos), Bistriţa-Năsăud (Budeşti, Budeşti-Fânaţe, Sânmihaiu de Câmpie), Călăraşi (Jegalia), Buzău (Săpoca) and Bucharest (Videle);
- In 2020, following the onset of the coronavirus pandemic, the Bank was forced to halt a series of frequently carried out projects and actions, and joined the efforts of civil society and the economic environment, jumping to the aid of the sectors most affected by the crisis.
- BT also pays attention to complying with environmental and social legislation in force, using appropriate environmental and social practices as relevant factors in demonstrating effective business management. The Bank benefits from an international "green building" certificate as, for certain spaces where it carries-out its activities, it chose state-of-the-art equipment, endowments, and technologies with increased energy efficiency to minimize environmental impact.

1.1.7. Assessment of the research and development activities

The research and development activity consists of investments in technology, digitization, innovation, and process improvement/simplification.

1.1.8. Assessment of the Bank's activity regarding risk management

The objective of Banca Transilvania Financial Group in terms of risk management is to integrate the assumed medium- low risk appetite in the Bank's 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 appetite and tolerance to risk, the Group takes into consideration all significant risks to which it is exposed given the specificity of its activity and its strategic and operational objectives, a major influence being linked to the credit risk.

Risk management is part of all decisional and business processes that take place in Banca Transilvania Financial Group. Within this context, BT's management:

- Continuously assesses the risks which affect the Bank's targets and takes actions if any changes appear in the business conditions where the Bank performs its activity;
- Identifies and evaluates significant risks and ensures the existence of an adequate management framework for the activity within the 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). The risk management framework includes internal regulations, risk limits and risk control mechanisms that ensure accordingly, on time and on an ongoing basis the identification, assessment, monitoring, mitigation and reporting of the risks arising from the overall activities and, where applicable, at the level of business lines (large-corporate, mid-corporate , SMEs, micro and retail);
    - Risk identification: the exposure to business-related risks in its daily operations and transactions (including lending, dealing, capital market operations, assets

management and other specific activities) is identified and aggregated in the bank's risk management infrastructure;

  - Risk evaluation/measurement: it is realized an evaluation of identified risks by specific models and calculation methods: a system of ratios with related risk 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.;

- Risk monitoring and control: The policy and the procedures implemented for an efficient risk management are meant to mitigate the inherent risks in the Bank's business. There are 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 the operations characteristics.
- Risk reporting: For the specific risk categories, the Bank has established transparent regular reporting mechanisms, so that the management body and all the relevant units are provided with precise, concise, intelligible and significant reports in due time, and are able to exchange relevant information on identification, quantification or assessment and monitoring the risks;
- Properly, on time and on an ongoing basis assessment of risks that affect the achievement of the Bank's objectives and takes measures regarding any changes in the conditions in which it operates.

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

- Credit risk
- Liquidity risk
- Operational risk
- Market risk
- Interest rate risk from activities outside the trading book
- Reputational risk
- The risk associated with excessive usage of leverage
- Strategic risk
- Systemic risk
- Compliance risk

Credit Risk

The credit risk framework is periodically updated and improved. It is designed to cover all credit exposures deriving from the banking business and includes the following basic components:

- Risk assessment system for new credit products/significant changes in the existing products;
- Lending methodology to ensure a healthy credit portfolio;
- Integrated IT systems for the management of client relationships and loan origination, both for the credits granted to companies as well as those granted to individuals;

- Effective credit risk rating process that presents the variable level, nature and the determinant factors of credit risk that may occur over time and that ensure, in a reasonable manner, that all credit exposures are duly monitored and that the loss adjustments related ECLs are appropriately measured;
- A model validation process, which defines the structure of the validation process model regarding the responsibility and reporting, the internal regulations regarding the assessment and approval of the model changes, as well as the reporting of the model validation results;
- Risk assessment system for transactions;
- Pricing methodology based on risks;
- An efficient active management process of loan portfolio, which includes an adequate reporting system;
- Concentration limits per client / group of clients / products / regions /sectors/ guarantee suppliers / guarantee types;
- Proactive mechanism of fraud risk management;
- Methodology for the early identification of effective or potential credit risk increases (early warning alerts);
- Methodology for loan monitoring/review after granting;
- Processes applied systematically and consistently to establish appropriate loss adjustments in accordance with the applicable credit risk accounting regulations;
- 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 loans portfolio.

The methodologies used for the credit risk assessment and the determination of the loss-adjusted level by type of exposure, follow in particular:

a) include a robust process, designed to endow the bank with the possibility of identifying the level, nature and determinants of credit risk, from the moment of the initial recognition of the credit exposure, and ensure that the subsequent changes in credit risk can be identified and quantified;

b) include criteria that takes into account, adequately, the impact of the forward-looking information, including the macroeconomic factors;

c) include a process for assessing the inputs adequacy and the significant assumptions, related to the chosen ECL level determination method;;

d) take into consideration the relevant internal and external factors that may affect the ECL estimates;

e) to ensure that ECL estimates properly incorporate forward-looking information, including macroeconomic factors, that have not already been taken into account in calculating the adjustments for losses measured at individual exposure level;

f) involve a process for assessing the overall suitability of loss adjustments in accordance with relevant accounting regulations, including a periodic review of the ECL models.

The management of credit risk consists mainly in:

- The organization of a proper system of norms and procedures in this field, establishing the regulatory framework for the lending process in order to avoid or to minimize risk occurrence; development / improvement of credit risk management procedures (strategy, policies, norms related to credit risk management); ongoing improvement of the credit approval/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 credit risk supervision and management.

The credit risk appetite determined a priori for 2020 was "medium-low".

Liquidity Risk

The appetite for liquidity risk for the year 2019 has been established 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 capitalizing the temporary liquidity surpluses, and the efficient resources allocation attracted from clients, in the context of a proper management, consciously assumed and adapted to the market conditions and the current legislative framework. The liquidity management is realized centrally and aims to combine the prudential requirements with the profitability requirements.

For liquidity management, the Bank applies a set of principles that concern the quality, maturity, diversity and risk of assets, establishing a set of limits, carefully monitored, to ensure the compliance with the principles and also with the targeted returns (concentration, liquid assets, eligible assets, etc.).

For a sound management of liquidity risk, the Bank is constantly focused on raising 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 and trading markets.

The operative management (intraday) of liquidity is carried out through all the operations performed by the involved departments of the bank, to ensure the execution of all settlements / payments of the bank carried out in its own name or on behalf of its customers, in RON or FCY, on accounts or in cash, within the internal, legal and mandatory limits.

Moreover, the Bank also applies a liquidity buffer for the purpose of covering the additional liquidity needs that may occur on a short period of time under stress conditions, periodically tested based on different crisis scenarios.

During 2020, the Bank recorded very good levels of liquidity ratios, proving a strong position, indicating a more than comfortable liquidity level, in a generally fragile economic context.

Attention is given to:

- Correlation of the growth rate of resources/loans;
- Diversification of the range of instruments correlated with the institution's risk appetite;

- Monitoring of liquidity coverage ratio (LCR);
- Adequate capital allocation.

Operational Risk

Operational risk is the risk that the Bank's practices, policies and internal systems are not adequate to prevent a loss due to market conditions or operational difficulties.

The objective of operational risk management is to provide the general framework and directions for action to establish a complete management of this risk in Banca Transilvania, by integrating a specific management system in the current risk management processes of the bank. Banca Transilvania aims to continuously improve risk management processes by acting in the direction of an integrated risk management system designed to support the decision-making process.

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

Banca Transilvania monitors and manages:

- the risk related to banking products, which aim at the development of 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 accordance with the risk strategy;
- conduct risk, as a subcategory of operational risk, as well as the risk determinants associated with this category, paying particular attention to its extent, its relevance and its possible prudential impact;
- information technology (ICT) risks, the Bank having appropriate processes and controls in place to ensure that all risks are identified, analyzed, measured, monitored, managed, reported and maintained within the limits of risk appetite and that the projects and systems it delivers and the activities they perform are in accordance with external and internal requirements.

The Bank also defines and assigns relevant roles, responsibilities and reporting lines in order to ensure the effectiveness of the ICT and Security Risk Management Framework, which is integrated into its own regulatory framework, the operational framework for ICT security and the risk management.

To identify, evaluate, monitor and diminish the operational banking risk, the Bank:

- permanently assesses the operational risk exposures based on historical data, managing the conduct risk as a sub-category of operational risk, as well as the risk-determining factors, associated with this category, paying a particular attention because of its expansion degree, relevance and possible prudential impact of it;
- assesses the products, processes and systems which aim to develop new markets, products and services, as well as significant changes to the existing ones and performing exceptional transactions to determine their associated risk levels and the measures required for the removal / diminishment of such risks to acceptable levels.

In order to mitigate the inherent risks arising from the Bank's operating activities, it is necessary to continuously monitor the controls implemented at different levels, to assess their efficiency and to implement adequate measures for the reduction of the impact of operational risk events.

The Group's strategy for mitigating risk exposure is based mainly on permanent compliance with legal documents in force and market condition, personnel training, the efficiency of the internal control systems (organization and implementation), continuous improvement of IT systems and consolidation of IT security systems of the bank, usage of alternative means to reduce the risks (signing of specific insurance policies, implementing measures to limit and reduce the effects of identified operational risk incidents via current activity standardization, automation of a large number of processes, continuously monitored; reducing the redundant data volume collocated at the level of different entities of the Bank; assessment of products, processes and systems in order to determine the significant ones in terms of inherent operational risk), capitalizing the recommendations and conclusions resulted as a consequence of permanent supervision, update of continuity plans, as well as the assessment and testing of the processes on a regular basis, especially in the case of those systems that support critical operational processes for the bank.

The operational risk assessment is closely related to the Bank's overall risk management process. Its results are part of the operational risk monitoring and control process and are constantly compared with the risk profile defined in the Bank's risk management strategy.

The operational risk appetite in Banca Transilvania, determined as priori for 2020, was "medium-low".

Market Risk

In 2020 Banca Transilvania's market risk appetite was "medium-low" due to the structure and 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. In order to reduce the market risks, 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 assessment of all Bank's positions, marking to market the 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 adequate backup plans able to be implemented immediately in case of unstable market conditions.

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

Interest rate and price risk. The management of such risk is adapted and permanently adjusted to the Romanian and international financial and banking market conditions, as well as to the overall political and economic context. The interest rate risk is monitored on a daily basis and tested in crisis simulations conducted for the Bank's securities portfolio, and the price risk is also daily monitored and tested in crisis simulations of shares portfolios and fund units held by the Bank.

Foreign Currency risk. It represents the risk of registering losses on the balance sheet and off-balance sheet positions, due to unfavourable market fluctuations of the exchange rates. The Bank applies a series of rules regarding 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, liabilities and balance sheet.

Settlement risk. It represents a possible loss that could occur because of a wrong settlement of the treasury operations; the purpose of this risk management type is to adopt a prudent policy regarding the selection of counter-parties, custodians, the management of counter-party operations and the maturities of the related operations.

Interest Rate Risk Outside the Trading Book

In 2020, Banca Transilvania's appetite to interest rate risk outside the trading book was "low". The bank adopting a set of strict principles for the management and monitoring of such risk, based on a risk management process capable to keep interest rates within prudential limits. The interest rate risk management purpose is to minimize the possible negative impact on 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 analysis, economic value of 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 risk management.

A detailed analysis of credit, liquidity, market and interest rate risks is available in the Group's consolidated financial statements. The Group met the average risk limits assumed 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.

Reputation risk

The reputation risk is the risk to incur losses or to fail in achieving estimated profits due to the lack of public confidence in the integrity of the Group. In 2020 the appetite on reputation risk has been established as "low" by maintaining the confidence of the public and of the business partners in Banca Transilvania's integrity and on its' economic and financial position. The management of the reputation risk is performed by way of: undertakings in order to attract the best partners, both

clients and suppliers; recruitment and retention of the best employees; minimizing litigations; strict regulations; prevention of crisis situations; and the consolidation of the bank's credibility and the shareholders' confidence; ongoing improvement of the relationship with shareholders; establishing amore favourable environment for investments and access to capital; continuous and open communication with stakeholders (shareholders, mass-media, clients, partners, employees, authorities, etc.).

Leverage Related Risk

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, inclusive of obligation arising from the financing received, assumed commitments, derivative instruments or repo transactions and exclusive of obligations that can only be executed during the liquidation of the institution, in relation to the own funds of the institution.

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 the applicable accounting regulations. The a priori risk appetite of Banca Transilvania, towards the leverage related risk was set to "low" in 2020, determined through the utilization of some quantitative methods for evaluation and mitigation.

Strategic Risk

Strategic risk is the current or future risk for profits and capital to be negatively affected by changes in the business environment, by unfavourable business decisions, improper implementation of decisions or the low adaptability to changes in the business environment. During 2020 the strategic risk appetite has been established as "low" based on the following aspects: risk management practices are part of 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.

Systemic Risk

Systemic risk is the risk of disruption of the financial system which can have serious negative consequences for the financial system and for the real economy.

The objective of the Bank is to provide the general framework for establishing an adequate management of the systemic risk, in the sense of anticipating and protecting the Bank both against the possible negative effects that the system can have on the institution, as well as in the opposite direction. In this regard, the Bank has comprehensive risk management regulations, which include in addition to the general risk management policy and strategy, crisis and recovery financing plans, which aim to control risks, and in the case of some special situations, stabilizing the institution and restoring its financial position in the shortest time, without negatively impacting the market.

At the same time, in order to protect itself from the systemic risk generated by the other market participants, the Bank has established exposure limits to its counterparties and permanently monitors its exposure to them.

Compliance Risk

Compliance risk is the current or future risk of impairment of profits and capital, which may lead to fines, damages and / or termination of contracts or which may affect the bank's reputation as a result of breaches or non-compliance with the legal and regulatory framework. agreements, best practices or ethical standards.

The objective of Banca Transilvania regarding the management of compliance risk 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.

Ongoing monitoring and compliance with the principles set out below ensure the premises for the correct management of compliance risk:

- developing and applying compliance risk assessment methodologies through the use of risk indicators;
- monitoring compliance and communicating results according to BT reporting lines;
- analyzing situations of potential conflict of interest at the level of the bank and subsidiaries;
- periodic review of the limit of indicators, motivated by the occurrence of new risk events that were not taken into account in the initial assessment;
- elaboration of recommendations leading to the reduction / elimination of risk events that generated the increase of the level of indicators.

Capital Adequacy

The internal process for the assessment 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.

The Bank and the Group use the following calculation methods for the evaluation of needed capital:

- 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: capital requirements for the coverage of operational risk are calculated according to the basic indicator approach.

The Group manages its capital base in a flexible manner, by monitoring regulatory capital requirements according to the Regulation no. 575/2013 and as well as of the capital rates disposed following the supervision and assessment process performed by the supervisory authority, by anticipating the adequate adjustments required for the achievement of its objectives, as well as by optimizing the structure of assets and equity.

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

Internal and External Audit

The general objectives of the 2020 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 Group is structured on three levels, respectively the positions that are exposed to and manage risks (operational units), the functions of risk supervision (the risk management function and the compliance function) and the function that provides an independent assessment, respectively the internal audit function.

Thus, the 1st control level is linked to 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 Bank's overall activities, for the purpose of an independent evaluation of risk management, of the internal control system, of the management and execution processes, in order to support the achievement of objectives; it also issues recommendations for the improvement of such activities;

The external auditor of the bank - KPMG Audit S.R.L. - has audited the financial statements of the bank as at December 31, 2020.

According to the audit opinion, the separate and consolidated financial statements reflect an accurate picture, in all significant aspects, of the separate and consolidated financial position, as well as of the separate and consolidated results and the separate and consolidated cash-flows, according to the International Financial Reporting Standards, endorsed by the European Union.

1.1.9. Aspects related to the perspectives of the Bank's activity

From the first moment of the pandemic, the Bank has focused on ensuring the measures to prevent

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 and employees and the community, and some of these measures are as follows:

- *at the Bank's employees level* - 15 million lei were invested in protective equipment, 330,000 lei to cover the cost of COVID-19 tests and influenza vaccine, etc. ;
- *at the individual customers level* - the Bank was the first banking institution to announce support measures in 2020 from the first days after the declaration of a state of emergency in Romania, such as: extending the grace period for credit cards from March 2020 , the possibility of not paying the minimum payment amount for the credit on the card and reducing the interest rate by half for customers in certain situations, the possibility of deferring up to 3 credit installments and over 70,000 cards were delivered to customers at home (free), etc. ;
- *at the legal entities level* - they had their installments deferred, campaigns and initiatives were organized to support local entrepreneurs, such as: Cumpără de la o afacere mică, #Cumpărădelângătine, #VreauOnline, #Directlatine și #InMișcare. BT is the main Bank in the CIFRE grant program, as well as in the Ivest SME program, with over 100,000 loans being granted;
- - *at community level* - the Bank donated directly or through partners over 2 million euros for 38 hospitals in 30 localities, etc. (more information being presented in section 1.1.6.).

For 2021, Banca Transilvania has prepared different scenarios, taking into account the signals and trends and expects a return with an annual growth rate that can go towards 5% from the perspective of developments from year to year, but it is clear that it depends a lot on the evolution of the pandemic, the pace of vaccination, travel and consumption restrictions in the rest of 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 its utmost to minimize the spread of COVID-19, while continuing to provide comprehensive banking services. Therefore, for 2021, 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 2021, the Bank set the following qualitative and quantitative objectives:

- Sustainability - intense program of awareness of the Romanian business environment regarding the importance of sustainable development;
- Focus on complete online credit flows;
- Maintaining a balanced approach and customer support given the existing context;
- Development of financial products to support customers after the end of the pandemic crisis;
- Building intelligent operating systems, innovation and process simplification;
- Digitization of banking experience;
- Continuous and interactive support provided to customers and employees;
- Optimizing the relationship with customers to provide them the best experience with BT.

- Total assets: 11.3% increase;
- Total loans, gross: 7.9% increase;
- Total deposits from customers: 11.6% increase;
- Cost/Income ratio: 49.3%;
- Loans/Deposit ratio: 47.9%.

Development Plan for 2021:

Investment budget for 2021	**Amount (RON million)**
Buildings – agencies and branches	64.60
Investments IT and cards, of which:	234.49
Hardware IT	*34.85*
Software IT	*167.10*
Retail and cards, of which:	32.54
Hardware, retail cards	*12.56*
Software, retail cards	*19.98*
Security	11.77
Cash processing center	14.95
Digital initiatives	46.86
Other	28.21
Total Investments RON million, VAT included	**400.88**

With regards to the Projections of the Financial Position and Profit and Loss Account for 2021 the followings are mentioned:

In projecting indicators for 2021, it has been considered an average inflation rate of 2.5% and an average exchange rate of 4.89 RON\EURO.

The Bank estimates a growth rate of 11.3% for total assets as compared with previous period (up to RON 115,022 million). The structure of assets is projected to comprise a weight of 41.0% of gross loans, a weight of 21.8% of cash and cash equivalents and a weight of 37.9% of investments in treasury bills.

Regarding the structure of liabilities and equity forecasted for 2021, the Bank considered a growth rate of resources from non-banking clients of 11.6% as compared with 2020, meaning a weight in total liabilities of 94.2%.

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.

The Bank estimates the obtain in 2021 of a gross profit of RON 1,516 million and a net profit of RON 1,276 million.

2. The Bank's Tangible Assets

2.1. Location and properties of the main production capacities owned by the Bank:

The Bank currently owns tangible assets in the form of buildings, which represent the offices of its subsidiaries/agencies located in: Arad, Bistrita, Brasov, Bucharest Obor, Bucharest Unirii, Bucharest Regional Office, Bucharest Processing Center, Cluj-Napoca, Constanta, Dej, Deva, Drobeta Turnu-Severin, Galati, Giurgiu, Miercurea-Ciuc, Oradea, Ramnicu-Valcea, Târgu-Mures, Timisoara, Turda, Zalau, Suceava, Iasi, 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 2020 amount to RON 619,04 million, of which 45% 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 2020 the share capital registered with the Trade Register was RON 5,215,917,925, which was later increased during the year, according to the Decision adopted by the Board of Directors of the Bank on 27 September 2020, by issuing a number of 172,665 shares, with a nominal value of 1 leu/share, obtained by converting into shares a number of 137,870 bonds.

The share capital was also increased during 2020 according to the Decision of the Extraordinary General Meeting of Shareholders of 29 April 2020 with the amount of 521,609,059 lei representing reserves from the net profit of 2019, by issuing a number of 521,609,059 new shares, with a face value of 1 RON/share, for the benefit of the shareholders registered in the Shareholders' Registry

held by the Central Depository, on the date of registration established by the GMS. As a result of this share capital increase, 10 new shares were assigned to every 100 shares.

The share capital structure as at 31.12.2020 and 31.12.2019 was as follows:

Shareholders	31-Dec-20	31-Dec-19
NN Group*	10,14%	8,12%
European Bank for Reconstruction and Development (EBRD)	6,87%	8,60%
Romanian individuals	20,47%	19,79%
Romanian companies	40,10%	37,36%
Foreign individuals	1,09%	1,06%
Foreign companies	21,33%	25,07%
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 2020 was RON 12.9 billion, respectively EUR 2.7 billion (31 December 2019: RON 12.3 billion, respectively EUR 2.6 billion).

3.2. The Bank's policy regarding dividends

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 2020 and the share capital increase

Proposal for 2020 profit distribution	Amounts (RON)
Gross profit	1,371,035,514
Current/deferred income tax	(173,730,932)
Net profit	1,197,304,582
5% Legal reserve fund from gross profit	(68,551,776)
Reinvested profit reserve	(129,228,558)
Net profit to be distributed	999,524,248

Recommendation ECB / 2020/62 was issued on 15 December 2020, requiring credit institutions to exercise extreme caution with regard to dividend payments and the redemption of own shares. This recommendation also includes the outcome of the financial year 2020. Recommendation ECB / 2020/62 is due to expire in September 2021 when the ECB will reassess the economic situation of the sector.

Depending on these events and if no new regulations will be issued, the Board of Directors will re-evaluate the profit-sharing policy by dividends payment.

The Board proposes for approval to increase the Bank's share capital from RON 5,737,699,709 to RON 6,311,469,680, with the amount of RON 573,769,971, representing reserves from the 2020 net profit.

Proposal for 2020 profit distribution	Amounts (RON)
Total available reserves for distribution	999,524,248
Reserves from 2020 net profit	425,754,277
Dividends	-
Capitalisation of 2020 net profit reserves	573,769,971
Share capital at recording date	5,737,699,709
Yield per share % capitalisation	0,1000000000

As a result of the share capital increase by RON 573,769,971, for each 100 shares held another 10 new shares will be assigned (respectively a number of new shares are assigned corresponding to the ratio RON 573,769,971/RON 5,737,699,709).

3.3. The Bank's share buyback activities

The share buyback from 2020 are part of the program approved by the Decisions of the Ordinary General Meeting of Shareholders of Banca Transilvania dated 25.04.2019.

As at 31.12.2020, Banca Transilvania does not have any own shares in its balance. Banca Transilvania repurchased the shares in order to be granted as remuneration to the employees.

3.4. The number and nominal value of the shares issued by the parent company and owned by the subsidiaries

As at 31.12.2020, BT Group counts 15.2 million own shares amounting to RON 15,287 thousand, which are held by BT INVEST1, a Group subsidiary.

BT group subsidiary	Nominal value at 31.12.2020	Nominal value at 31.12.2020	Percentage held of the Bank's share capital as at 31.12.2020
BT INVEST1	15.174.861	15.287.061	0,26%
Total BT Invest1 shares held	**15.174.861**	**15.287.061**	**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 RON6,200 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).

4. Bank Management

Corporate governance represents the set of responsibilities and practices of the company's management, aiming at providing a strategic direction and ensuring that the set objectives will be achieved, that risks are properly managed and that the company's resources are responsibly used, having in the same time an adequate behaviour towards third parties.

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;
- Vice President of the Board of Directors of BT;
- 5 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.

4.1. List of Bank Directors

During the year 2020 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 31.12.2020 are:

Name	Position	Percentage held of the share capital of the Bank as of 31.12.2020
Ciorcilă Horia	Chairman of the Board of Directors	4.514881% directly and together with BT shareholder Castorius Limited
Grasee Thomas Gunther	Vice-Chairman of the Board of Directors	0.000000%
Gueorguiev Ivo	Non-executive Member of the Board of Directors	0.059574%
Ceocea Costel	Non-executive Member of the Board of Directors	0.055846%

Name	Position	Percentage held of the share capital of the Bank as of 31.12.2020
Puşcaş Vasile	Non-executive Member of the Board of Directors	0.032382%
Lionăchescu Costel	Non-executive Member of the Board of Directors	0.020369%
Bordea Mirela Ileana	Non-executive Member of the Board of Directors	0.005401%

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 2020.

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, 2020
Tetik Ömer	Chief Executive Officer	0.117503%
Runcan Luminița	Deputy Chief Executive Officer, CRO	0.090234%
Toderici Leontin	Deputy Chief Executive Officer, COO	0.090160%
Călinescu George	Deputy CEO, CFO	0.005124%
Nistor Gabriela Cristina	Deputy Chief Executive Officer, Retail Banking	0.064070%
Moisă Tiberiu	Deputy Chief Executive Officer, SME Banking	0.043223%

Name	Position	Percentage held of the Bank's share capital as at December 31, 2020
Nădăşan Mihaela	Deputy Chief Executive Officer, Institutions and Financial Markets - starting with October 1.12.2018 (former member of CEM, Executive Director of Institutions and Financial Markets)	0.011368%

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 2020.

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 2020 is based on the rules for accounting organization and management, in accordance with Law no. 82/1991 republished with subsequent amendments Law no. 163/2018 and the Government Emergency Ordinance no. 99/2006, NBR Order no. 27/2010 approving the accounting rules under International Financial Reporting Standards adopted by the European Union, amended and supplemented by NBR Order no. 29/29.12.2011, NBR Order no. 2/7.03.2013, Order No. 7/30.10.2014, Order no. 7/20.07.2015, Order no. 7/3.10.2016, Order no. 8/11.08.2017 and Order no. 10/31.12.2018,as well as other NBR instructions in the field.

The balance sheet records are in line with the information presented in trial balance and they reflect the actual status of assets and liabilities based on the inventory.

Subsequent events to the date of the consolidated statement of financial position

The share capital identified in the Articles of Incorporation was modified as a result of the Resolution of the Board of Directors from 28.10.2020, when it was decided to increase the share capital as a result of the conversion of 46 bonds, thus issuing 60 new shares, with a nominal value of RON 1/share. Following the increase, the Bank's share capital amounted RON 5,737,699,709, being divided into 5,737,699,709 shares, with a nominal value of RON 1 each. The legal procedures for registering the capital increase at the capital market authorities (Financial Supervisory Authority, Central Depository) were completed at the beginning of 2021.

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, as compared to the last 3 years, is presented below:

a) The Bank's and the Group's statement of financial position

	Bank			Group		
Indicators (RON thousands)	**Dec-20**	**Dec-19**	**Dec-18**	**Dec-20**	**Dec-19**	**Dec-18**
Cash and cash equivalents	20,978,633	13,480,195	9,083,471	22,133,211	14,583,143	10,322,121
Derivatives	22,090	4,803	3,066	22,090	4,803	3,066
Financial assets held for trading and measured at fair value through profit and loss	17,572	17,509	12,582	346,472	272,607	210,461
Non-trading financial assets mandatorily at fair value through profit or loss	1,349,673	1,148,691	728,189	1,085,714	877,989	574,678
Financial assets measured at fair value through other items of comprehensive income	30,850,770	23,637,807	21,363,908	30,877,177	23,658,311	21,374,708
- of which pledged securities (repo agreements)	83,798	-	248,798	83,798	-	248,798
Financial assets at amortized cost - of which:	47,922,311	47,412,890	41,480,003	49,966,032	49,606,584	43,253,743
- Placements with banks	6,636,395	6,995,346	4,000,416	7,223,277	7,775,140	4,650,137
- Loans and advances to customers	40,363,909	38,601,915	36,355,974	40,892,544	39,175,404	36,796,502
- Debt instruments	160,874	1,176,834	312,548	990,106	1,968,031	963,867
- Other financial assets	761,133	638,795	811,065	860,105	688,009	843,237
Finance lease receivables	-	-	-	1,227,716	1,178,443	1,020,582
Equity investments	499,690	486,360	537,677	-	-	-
Investment in Associate	-	-	-	1,502	3,316	-
Property and equipment and investment property	619,041	575,038	482,321	904,297	727,526	593,903
Intangible assets	268,651	202,345	253,847	305,205	235,429	283,219
Goodwill	-	-	-	16,319	10,478	4,295
Right-of-use assets	708,505	366,212	-	448,852	388,025	-
Current tax assets	8,585	-	-	9,654	-	-
Deferred tax assets	-	-	48,687	-	16,755	73,920
Other non-financial assets	109,464	106,225	125,163	148,156	158,872	182,058
Total assets	**103,354,985**	**87,438,075**	**74,118,914**	**107,492,397**	**91,722,281**	**77,896,754**
Deposits from banks	311,822	304,461	207,608	318,944	296,138	195,348
Deposits from customers	88,297,146	74,353,723	62,522,369	90,942,415	77,037,060	65,160,466
Loans from banks and other financial institutions	1,176,066	895,673	1,185,556	1,691,668	1,473,920	1,703,551
Subordinated liabilities	1,664,464	1,696,602	1,651,518	1,667,761	1,700,207	1,655,377
Current tax liability	-	38,130	43,935	-	42,203	40,953
Deferred tax liability	85,665	7,899	-	55,015	-	-
Provisions for other risks and loan commitments	589,237	498,457	444,673	615,952	533,881	472,722
Financial liabilities held-for-trading	34,817	12,331	4,226	34,817	12,331	4,226
Lease liabilities	709,269	365,931	-	454,792	387,441	-
Other financial liabilities	907,681	689,531	532,941	1,161,789	909,100	648,846
Other non-financial liabilities	55,949	78,894	114,872	86,359	112,012	133,415
Total liabilities excluding financial liabilities to holders of fund units	**93,832,116**	**78,941,632**	**66,707,698**	**97,029,512**	**82,504,293**	**70,014,904**

Indicators (RON thousands)	Bank			Group		
	Dec-20	Dec-19	Dec-18	Dec-20	Dec-19	Dec-18
Financial liabilities to holders of fund units	-	-	-	48,527	4,152	1,777
Total liabilities	**93,832,116**	**78,941,632**	**66,707,698**	**97,078,039**	**82,508,445**	**70,016,681**
Share capital	5,824,201	5,302,419	4,898,982	5,824,201	5,302,419	4,898,982
Treasury shares	-	(48,655)	(23,271)	(15,287)	(63,942)	(38,558)
Share premiums	28,614	28,396	28,381	31,235	31,016	28,381
Retained earnings	2,366,533	2,376,845	2,075,470	2,858,479	2,708,300	2,257,065
Revaluation reserves from tangible assets	48,517	20,710	20,722	45,625	17,818	17,847
Reserves on financial assets measured at fair value through other items of comprehensive income	518,558	148,834	(162,605)	517,335	147,904	(162,841)
Other reserves	736,446	667,894	573,537	759,715	687,727	586,660
Total equity attributable to equity holders of the Bank	**9,522,869**	**8,496,443**	**7,411,216**	**10,021,303**	**8,831,242**	**7,587,536**
Non-controlling interest	-	-	-	393,055	382,594	292,537
Total equity	**9,522,869**	**8,496,443**	**7,411,216**	**10,414,358**	**9,213,836**	**7,880,073**
Total liabilities and equity	**103,354,985**	**87,438,075**	**74,118,914**	**107,492,397**	**91,722,281**	**77,896,754**

At the end of 2020, Banca Transilvania's assets weighted 96.15% in the total assets of BT Group is 96.15% (2019: 95.33% and 2018: 95.15%).

b) Statement of profit and loss

Indicators (RON thousands)	Bank			Group		
	Dec-20	Dec-19	Dec-18	Dec-20	Dec-19	Dec-18
Interest income calculated using the effective interest method	3,199,035	3,185,084	2,866,920	3,495,215	3,493,771	3,067,184
Other similar income	11,673	15,553	-	165,210	160,621	126,715
Interest expense calculated using the effective interest method	(629,232)	(513,775)	(377,160)	(681,981)	(578,712)	(432,491)
Other similar expense	(1,409)	(1,715)	(2)	(1,351)	(1,935)	(9)
Net interest income	**2,580,067**	**2,685,147**	**2,489,758**	**2,977,093**	**3,073,745**	**2,761,399**
Fee and commission income	986,887	1,013,236	912,098	1,151,940	1,158,435	1,018,091
Fee and commission expense	(330,447)	(298,144)	(229,276)	(375,479)	(335,658)	(252,233)
Net fee and commission income	**656,440**	**715,092**	**682,822**	**776,461**	**822,777**	**765,858**
Net trading income	310,121	318,518	263,448	345,119	410,603	252,163
Net gain / loss (-) from financial assets measured at fair value through other items of comprehensive income	300,610	116,804	(7,774)	300,665	116,825	(7,555)
Net gain / loss (-) from financial assets which are required to be measured at fair value through profit and loss	42,500	165,060	(40,529)	74,110	125,609	(2,570)
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(69,795)	(107,615)	(39,164)	(74,446)	(110,965)	(41,423)
Other operating income	117,261	130,244	245,419	138,630	168,372	217,591

Operating income	**3,937,204**	**4,023,250**	**3,593,980**	**4,537,632**	**4,606,966**	**3,945,463**
Net expense (() / income from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	(783,884)	(244,729)	(230,791)	(865,840)	(292,646)	(364,421)
Personnel expenses	(958,853)	(899,058)	(965,972)	(1.097,491)	(1,038,289)	(1,065,162)
Depreciation and amortization	(303,672)	(287,449)	(129,250)	(327,721)	(311,359)	(162,514)
Other operating expenses	(519,759)	(704,868)	(697,351)	(624,152)	(833,089)	(806,615)
Operating expenses	**(2,566,168)**	**(2,136,104)**	**(2,023,364)**	**(2,915,204)**	**(2,475,383)**	**(2,398,712)**
Bargain gain	-	-	71,830	-	-	160,077
Profit before income tax	**1,371,036**	**1,887,146**	**1,642,446**	**1,622,428**	**2,131,583**	**1,706,828**
Income tax expense (-)	(173,731)	(266,634)	(423,055)	(198,350)	(283,690)	(446,148)
Net Profit for the year	**1,197,305**	**1,620,512**	**1,219,391**	**1,424,078**	**1,847,893**	**1,260,680**
Equity holders of the Bank	1,197,305	1,620,512	1,219,391	1,380,148	1,781,390	1,249,740
Non-controlling interests	-	-	-	43,930	66,503	10,940
Net Profit for the year	**1,197,305**	**1,620,512**	**1,219,391**	**1,424,078**	**1,847,893**	**1,260,680**

At the end of 2020, Banca Transilvania's profit weighted 84.08% in the Group's total profit (87.70% in 2019 and 96.72% in 2018).

As compared to previous years, the activity has been significantly affected by the impact of the COVID-19 pandemic since March 2020.

c) Cash flow: Statement of Cash Flows

	Bank			**Group**		
Indicators (RON thousands)	**Dec-20**	**Dec-19**	**Dec-18**	**Dec-20**	**Dec-19**	**Dec-18**
Cash and cash equivalents at the beginning of the period	**18,761,413**	**13,292,860**	**11,422,190**	**20,510,000**	**15,156,390**	**11,430,864**
± Net cash from /(used in) operating activities	13,073,727	7,985,214	5,569,086	13,455,322	7,957,833	7,272,794
± Net cash from / (used in) the investment activity	(6,327,873)	(1,351,267)	(4,311,543)	(6,500,398)	(1,464,080)	(4,248,245)
± Net cash from/(used in) the financing activity	(704,525)	(1,165,394)	613,127	(815,302)	(1,140,143)	700,977
Cash and cash equivalents at the end of the period	**24,802,742**	**18,761,413**	**13,292,860**	**26,649,622**	**20,510,000**	**15,156,390**

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 2020;
- The management statement on taking responsibility for drafting the financial statements for the year 2020;
- 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 2020;
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 2020:
There were no significant contracts concluded by BT during 2020 regarding acquisitions, mergers, divisions, etc.

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**

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

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 31.12.2020 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	2020	2019
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%
ERB Retail Services IFN S.A.	Consumer Loans through Credit Cards	-	-
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	90.00%	80.00%
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 Asigu- rare S.R.L.	Insurance Broker	99.99%	99.99%
BT Leasing MD S.R.L.	Leasing	100.00%	100.00%
BT Microfinanțare 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%
Sinteza S.A. (*)	Manufacture of Other Organic Basic Chemicals	31.08%	33.87%
BT Pensii S.A. (Certinvest Pensii)	Administration of pension funds (except for those in the public system)	90.49%	90.49%

(*) The Group lost control of this subsidiary in October 2019, thus it became an investment in an associate

ANNEX 2

THE BANK'S RELATED PARTIES
as at 31.12.2020

REF. NO.	NAME
1	A C I CLUJ SA
2	ADMIN DEVELOPMENT DESIGN
3	ALL PLUS IT SRL
4	ALSIRA CONSULTING SRL
5	ANTREPRIZA CLUJ ZALAU SA
6	ASOCIATIA "COSTACHE NEGRI 2005 BACAU"
7	ASOCIATIA CAVALERII MOLDAVI
8	ASOCIATIA CLUB SPORTIV U-BT
9	ASOCIATIA CLUB SPORTIV WINNERS TENNIS CLUB
10	ASOCIATIA CORPUL OPERATORILOR ARHIVEI ELECTRONICE
11	ASOCIATIA PLAYFIELD
12	ASOCIATIA TRANSILVANIA EXECUTIVE-EDUCATION
13	BANCA TRANSILVANIA SA
14	BANU DRAGOS MIHAI
15	BANU IULIANA
16	BERINDEAN ALEXIA
17	BERINDEAN CATALIN VASILE
18	BERINDEAN CATALIN VASILE PFA
19	BERINDEAN MONICA IOANA
20	BILLIE BG
21	BILLIE UK
22	BORDEA ALEXANDRU
23	BORDEA MIRELA ILEANA
24	BOUTIQUE DEVELOPMENT SRL
25	BT ASIOM AGENT DE ASIGURARE SRL
26	BT ASSET MANAGEMENT S A I SA
27	BT BUILDING SRL
28	BT CAPITAL PARTNERS
29	BT DIRECT IFN SA
30	BT INTERMEDIERI-AGENT DE ASIGURARE SRL
31	BT INVESTMENTS SRL
32	BT LEASING MD
33	BT LEASING TRANSILVANIA SA
34	BT MICROFINANTARE IFN S.A.
35	BT PENSII - SOCIETATE DE ADMINISTRARE A FONDURILOR DE PENSII FACULTATIVE S.A.

REF. NO.	NAME
36	BT SAFE-AGENT DE ASIGURARE SRL
37	BT SOLUTION-AGENT DE ASIGURARE SRL
38	BUCUR CALIN IOAN
39	BUCUR IULIA ANDREEA
40	BUCUR MARIUTA DANIELA
41	BURCEA MARIUS DANIEL
42	CALIN COSMIN ANTOINE CONSTANTIN
43	CALINESCU DANIELA MIHAELA
44	CALINESCU GEORGE RAZVAN
45	CALINESCU MATEI
46	CANTINA DEJ SA
47	CASTORIUS LIMITED
48	CC ADVANCED TEAM SRL
49	CC PRO LEVEL SRL
50	CENZ EXPERT SRL
51	CEOCEA ALEXANDRU
52	CEOCEA CONSTANTA SILVIA
53	CEOCEA COSTEL
54	CEOCEA RALUCA ALEXANDRA
55	CHINDRIS ADRIAN
56	CHINDRIS MARIANA
57	CIORCILA CARLA
58	CIORCILA HORIA
59	CIORCILA PATRICK
60	CIORCILA SIMONA NICULINA
61	CIUCESCU ANDRA SONIA
62	CIUCESCU ION GELU
63	CIUCESCU MARIA MELANIA
64	CIUCESCU VLAD ANDREI
65	CONSTRUCTII DEJ SA
66	CONSTRUCTII MONTAJ SA
67	CREDEX PAY SRL
68	DETALMOB SRL
69	DOCA NEVENCA ZORANCA
70	DREAM GOLF RESIDENCE
71	DUMITRESCU IOANA
72	DUNCA A. ISABELA- CABINET MEDICAL DE MEDICINA DE F
73	DUNCA ISABELA
74	DUNCA NELU
75	ELBA NOVO SRL
76	EUR CONSULT SRL

REF. NO.	NAME
77	FUNDATIA BANCPOST
78	FUNDATIA CENTRUL DE DEZVOLTARE MANAGERIALA
79	FUNDATIA CLUBUL INTREPRINZATORULUI ROMAN
80	FUNDATIA CLUJUL ARE SUFLET
81	FUNDATIA TRANSILVANIA
82	GUEORGUIEV OLIVER
83	GEAINV SA
84	GIURGIU BIANCA VIORICA
85	GRASSE BURKLE PAULA
86	GRASSE KATHARINA
87	GRASSE THOMAS GUNTHER
88	GRASSE TOBIAS
89	GUEORGUIEV IVO ALEXANDROV
90	GUEORGUIEVA LARA
91	GUEORGUIEVA SANDRA
92	IG CAPITAL EOOD
93	ILAS DAN GEORGE
94	ILAS IOANA MIHAELA
95	IMPROVEMENT CREDIT COLLECTION SRL
96	INTERA FINANCIAL SERVICES
97	INTUITIVE TEACHING CENTER SRL
98	LACATUS EMILIA
99	LACATUS MIHAI CALIN
100	LACATUS V. VIOREL-DORIN - EXPERT CONTABIL, AUDITOR
101	LACATUS VIOREL DORIN
102	LIONACHESCU AIDA
103	LIONACHESCU AIDA PFA
104	LIONACHESCU ANDREI
105	LIONACHESCU COSTEL
106	MATES MARIA
107	MATYUS ECATERINA ELENA
108	MICROCREDIT AD
109	MIRCEA DELIA SORINA
110	MIRCEA LIVIU SERGIU
111	MLAD CONSULT SRL
112	MOISA EMILIA SANDA
113	MOISA TIBERIU
114	MOVEMENT TEAM S.R.L.
115	NADASAN ANTONIA ELENA
116	NADASAN MIHAELA SIMONA
117	NADASAN SEBASTIAN MIHAIL

REF. NO.	NAME
118	NISTOR GABRIELA CRISTINA
119	NISTOR PATRICIA ANTONIA
120	NISTOR STELIAN MIHAI
121	NORD VEST CONSULT SRL
122	OLANESCU ALEXANDRA-MARIA
123	OLANESCU IOANA FLORINA
124	PALECREST BULGARIA
125	PAYNETICS EAD
126	PHOS SERVICES LTD
127	PHYRE AD
128	PIRVU MIHAELA NINA
129	PLAYFIELD TEAM SRL
130	PROIECT CAPLINE SRL
131	PROMOMAX SRL
132	PUSCAS MARIANA
133	PUSCAS MARIANA CABINET MEDICAL
134	PUSCAS MARIUS EMIL
135	PUSCAS VASILE
136	QUALEX CONSULT SRL
137	REDSTONE REAL ESTATE INVESTMENT LTD
138	ROMOTO GmbH
139	RUNCAN ANDRA
140	RUNCAN DAN
141	RUNCAN LUMINITA DELIA
142	RUNCAN MIREL
143	SALZBERGWERK RESSOURCEN UND INVESTITIONEN SRL
144	SIGUR AUTOTRANSPORT SRL
145	SINTEZA SA
146	SPECTA-GROUP AG
147	SZEKELY ANDREI ERIC
148	SZEKELY DANIEL
149	TEHNOFRIG CENTER SA
150	TENT I SERGIU BOGDAN PFA
151	TENT JUDITH STEFANIA
152	TENT SERGIU BOGDAN
153	TETIK ALEXANDRA
154	TETIK OMER
155	TIMESAFE SRL
156	TODERICI AURELIA ELVIRA
157	TODERICI DAN
158	TODERICI LEONTIN

REF. NO.	NAME
159	TOTAL CONSULT SRL
160	URBAN ROOTS SRL
161	URS PETRU
162	VALEVA GLORIA
163	VASILACHE ANNEMARIE
164	VASILACHE DANIEL GEORGE
165	VB INVESTMENT HOLDING BV
166	VICTORIABANK SA
167	WINNERS CENTER SA
168	WINNERS EVENTS SRL-D
169	WINNERS FIRST SA
170	WINNERS PARCUL ROZELOR SA
171	WINNERS PARK INVEST S.R.L.
172	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; **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.	Complies		

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 2020

Banca Transilvania S.A.

CONTENTS

Banca Transilvania S.A.

Consolidated and Separate Statement of Profit or Loss

For the year ended 31 December

		Group		Bank	
	Notes	**2020**	**2019**	**2020**	**2019**
		RON thousand	***RON thousand***	***RON thousand***	***RON thousand***
Interest income calculated using the effective interest method		3,495,215	3,493,771	3,199,035	3,185,084
Other interest like income		165,210	160,621	11,673	15,553
Interest expense calculated using the effective interest method		(681,981)	(578,712)	(629,232)	(513,775)
Other interest like expense		(1,351)	(1,935)	(1,409)	(1,715)
Net interest income	8	2,977,093	**3,073,745**	**2,580,067**	**2,685,147**
Fee and commission income		1,151,940	1,158,435	986,887	1,013,236
Fee and commission expense		(375,479)	(335,658)	(330,447)	(298,144)
Net fee and commission income	9	**776,461**	**822,777**	**656,440**	**715,092**
Net trading income	10	345,119	410,603	310,121	318,518
Net gain / loss (-) from financial assets measured at fair value through other items of comprehensive income	11	300,665	116,825	300,610	116,804
Net gain / loss (-) from financial assets which are required to be measured at fair value through profit and loss	12	74,110	125,609	42,500	165,060
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	13	(74,446)	(110,965)	(69,795)	(107,615)
Other operating income	14	138,630	168,372	117,261	130,244
Operating income		**4,537,632**	**4,606,966**	**3,937,204**	**4,023,250**
Net expense (-) from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	15	(865,840)	(292,646)	(783,884)	(244,729)
Personnel expenses	16	(1,097,491)	(1,038,289)	(958,853)	(899,058)
Depreciation and amortization		(327,721)	(311,359)	(303,672)	(287,449)
Other operating expenses	17	(624,152)	(833,089)	(519,759)	(704,868)
Operating expenses		**(2,915,204)**	**(2,475,383)**	**(2,566,168)**	**(2,136,104)**
Profit before income tax		**1,622,428**	**2,131,583**	**1,371,036**	**1,887,146**
Income tax expense (-)	18	(198,350)	(283,690)	(173,731)	(266,634)
Net profit for the year		**1,424,078**	**1,847,893**	**1,197,305**	**1,620,512**
Net Profit of the Group attributable to:					
Equity holders of the Bank		1,380,148	1,781,390	-	-
Non-controlling interests		43,930	66,503	-	-
Net Profit for the year		**1,424,078**	**1,847,893**	**1,197,305**	**1,620,512**

Consolidated and Separate Statement of Other Comprehensive Income

For the year ended 31 December

	Notes	Group		Bank	
		2020	**2019**	**2020**	**2019**
		RON thousand	***RON thousand***	***RON thousand***	***RON thousand***
Net Profit for the year		**1,424,078**	**1,847,893**	**1,197,305**	**1,620,512**
Items that will not be reclassified as profit or loss, net of tax		**29,012**	**1,775**	**29,012**	**1,777**
Increase from property and equipment revaluation		34,565	2,216	34,565	2,216
Other elements of comprehensive income		(23)	(81)	(23)	(79)
Tax related to items that will not be reclassified to profit or loss		(5,530)	(360)	(5,530)	(360)
Items which are or may be reclassified to profit or loss		**331,489**	**318,692**	**369,173**	**310,835**
Fair value reserve (financial assets measured at vair value through other items of comprehensive income), of which:		**439,355**	**369,896**	**439,704**	**370,720**
Net gain / loss (-) from disposal of financial assets measured at fair value through other items of comprehensive income, transferred to profit and loss account		(300,665)	(116,825)	(300,610)	(116,804)
Fair value changes of financial assets measured at fair value through other items of comprehensive income		740,020	486,721	740,314	487,524
Translation of financial information of foreign operations to presentation currency		**(45,166)**	**14,372**	**(655)**	**(719)**
Income tax on items which are or may be reclassified to profit or loss		**(62,700)**	**(65,576)**	**(69,876)**	**(59,166)**
Total comprehensive income for the period		**1,784,579**	**2,168,360**	**1,595,490**	**1,933,124**
Total comprehensive income attributable to:					
Equity holders of the Bank		1,740,649	2,101,857	-	-
Non-controlling interest		43,930	66,503	-	-
Total comprehensive income for the period		**1,784,579**	**2,168,360**	**1,595,490**	**1,933,124**
Basic earnings per share		0.2411	0.3423	-	-
Diluted earnings per share		0.2408	0.3415	-	-

The financial statements were approved by the Board of Directors on March 25, 2021 and were signed on its behalf by:

Horia CIORCILĂ
Chairman

George CĂLINESCU
Deputy CEO

Consolidated and Separate Statement of Financial Position

For the year ended 31 December		Group		Bank	
	Note	**2020**	**2019**	**2020**	**2019**
Assets		***RON thousand***	***RON thousand***	***RON thousand***	***RON thousand***
Cash and curent accounts with Central Banks	19	22,133,211	14,583,143	20,978,633	13,480,195
Derivatives	43	22,090	4,803	22,090	4,803
Financial assets held for trading and measured at fair value through profit and loss	21	346,472	272,607	17,572	17,509
Non-trading financial assets mandatorily at fair value through profit or loss	21	1,085,714	877,989	1,349,673	1,148,691
Financial assets measured at fair value through other items of comprehensive income	24	30,877,177	23,658,311	30,850,770	23,637,807
- of which pledged securities (repo agreements)		83,798	-	83,798	-
Financial assets at amortized cost - of which:		49,966,032	49,606,584	47,922,311	47,412,890
- Placements with banks	20	7,223,277	7,775,140	6,636,395	6,995,346
- Loans and advances to customers	22	40,892,544	39,175,404	40,363,909	38,601,915
- Debt instruments	24	990,106	1,968,031	160,874	1,176,834
- Other financial assets	30	860,105	688,009	761,133	638,795
Finance lease receivables	23	1,227,716	1,178,443	-	-
Investments in subsidiaries	25	-	-	499,690	486,360
Investment in associates		1,502	3,316	-	-
Property and equipment and investment property	26	904,297	727,526	619,041	575,038
Intangible assets	27	305,205	235,429	268,651	202,345
Goodwill	27	16,319	10,478	-	-
Right-of-use assets	28	448,852	388,025	708,505	366,212
Current tax receivables		9,654	-	8,585	-
Deferred tax assets	29	-	16,755	-	-
Other non-financial assets	31	148,156	158,872	109,464	106,225
Total assets		**107,492,397**	**91,722,281**	**103,354,985**	**87,438,075**

Consolidated and Separate Statement of Financial Position

For the year ended 31 December	Notes	Group		Bank	
		2020	**2019**	**2020**	**2019**
Liabilities		***RON thousand***	***RON thousand***	***RON thousand***	***RON thousand***
Derivatives	43	34,817	12,331	34,817	12,331
Deposits from banks	32	318,944	296,138	311,822	304,461
Deposits from customers	33	90,942,415	77,037,060	88,297,146	74,353,723
Loans from banks and other financial institutions	34	1,691,668	1,473,920	1,176,066	895,673
Subordinated liabilities	35	1,667,761	1,700,207	1,664,464	1,696,602
Current tax liability		-	42,203	-	38,130
Deferred tax liability		55,015	-	85,665	7,899
Provisions for other risks and loan commitments	36	615,952	533,881	589,237	498,457
Lease liabilities	28	454,792	387,441	709,269	365,931
Other financial liabilities	37	1,161,789	909,100	907,681	689,531
Other non-financial liabilities	38	86,359	112,012	55,949	78,894
Total liabilities excluding financial liabilities to holders of fund units		**97,029,512**	**82,504,293**	**93,832,116**	**78,941,632**
Financial liabilities to holders of fund units		48,527	4,152	-	-
Total liabilities		**97,078,039**	**82,508,445**	**93,832,116**	**78,941,632**
Equity					
Share capital	39	5,824,201	5,302,419	5,824,201	5,302,419
Treasury shares		(15,287)	(63,942)	-	(48,655)
Share premiums		31,235	31,016	28,614	28,396
Retained earnings		2,858,479	2,708,300	2,366,533	2,376,845
Revaluation reserves from tangible assets		45,625	17,818	48,517	20,710
Reserves on financial assets measured at fair value through other items of comprehensive income		517,335	147,904	518,558	148,834
Other reserves		759,715	687,727	736,446	667,894
Total equity attributable to equity holders of the Bank		**10,021,303**	**8,831,242**	**9,522,869**	**8,496,443**
Non-controlling interest	3aii	393,055	382,594	-	-
Total equity		**10,414,358**	**9,213,836**	**9,522,869**	**8,496,443**
Total liabilities and equity		**107,492,397**	**91,722,281**	**103,354,985**	**87,438,075**

The financial statements were approved by the Board of Directors on March 25, 2021 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	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
		Attributable to the equity holders of the Bank									
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, intangible assets, 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		-	(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.

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 31 December

Group

	Notes	Attributable to the equity holders of the Bank									
In RON thousand		**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 2019		**4,898,982**	**(38,558)**	**28,381**	**17,847**	**(162,841)**	**586,660**	**2,257,065**	**7,587,536**	**292,537**	**7,880,073**
Profit for the year		-	-	-	-	-	-	1,781,390	1,781,390	66,503	**1,847,893**
Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	310,745	-	-	310,745	-	**310,745**
Revaluation of property and equipment, net of tax		-	-	-	1,856	-	-	-	1,856	-	**1,856**
Retained earnings from revaluation reserves		-	-	-	(1,868)	-	-	1,868	-	-	**-**
Distribution to statutory reserves		-	-	-	-	-	101,231	(101,231)	-	-	**-**
Other items of comprehensive income, net of tax		-	-	-	-	-	-	7,866	7,866	-	**7,866**
Total comprehensive income for the period		**-**	**-**	**-**	**(12)**	**310,745**	**101,231**	**1,689,893**	**2,101,857**	**66,503**	**2,168,360**
Contributions of/distributions to the shareholders											
Increase in share capital through the conversion of retained earnings	39	400,825	-	-	-	-	-	(400,825)	**-**	-	**-**
Increase in share capital through the conversion of merger reserves	39	2,602	-	-	-	-	-	(2,602)	**-**	-	**-**
Increase in share capital through the conversion of debt	39	10	-	15	-	-	-	-	25	-	**25**
Acquisition of treasury shares		-	(93,565)	-	-	-	-	-	(93,565)	-	**(93,565)**
Payments of treasury shares		-	68,181	-	-	-	-	(68,181)	-	-	**-**
Dividends distributed to shareholders		-	-	-	-	-	-	(818,566)	(818,566)	-	**(818,566)**
SOP 2019 Scheme		-	-	-	-	-	-	64,260	64,260	-	**64,260**
Other items		-	-	2,620	(17)	-	(164)	(12,744)	(10,305)	23,554	**13,249**
Total contributions of/distributions to the shareholders		**403,437**	**(25,384)**	**2,635**	**(17)**	**-**	**(164)**	**(1,238,658)**	**(858,151)**	**23,554**	**(834,597)**
Balance at 31 December 2019		**5,302,419**	**(63,942)**	**31,016**	**17,818**	**147,904**	**687,727**	**2,708,300**	**8,831,242**	**382,594**	**9,213,836**

The explanatory notes to the financial statements from page 11 to page 166 are an integral part of these financial statements

Banca Transilvania S.A.

Separate Statement of Changes in Equity

For the year ended 31 December

Bank		Attributable to the equity holders of the Bank							
In RON thousand	**Notes**	**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, intangible assets, net of 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**

Banca Transilvania S.A.

Separate Statement of Changes in Equity *(continued)*

For the year ended 31 December

Bank		Attributable to the equity holders of the Bank							
In RON thousand	**Notes**	**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, 2019		**4,898,982**	**(23,271)**	**28,381**	**20,722**	**(162,605)**	**573,537**	**2,075,470**	**7,411,216**
Profit for the year		-	-	-	-	-	-	1,620,512	**1,620,512**
Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	311,439	-	-	**311,439**
Revaluation of property and equipment, net of income tax		-	-	-	1,856	-	-		**1,856**
Retained earnings from revaluation reserves		-	-	-	(1,868)	-	-	1,868	**-**
Distribution to statutory reserves		-	-	-	-	-	94,357	(94,357)	**-**
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(683)	**(683)**
Statement of comprehensive income for the period		**-**	**-**	**-**	**(12)**	**311,439**	**94,357**	**1,527,340**	**1,933,124**
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of retained earnings	39	400,825	-	-	-	-	-	(400,825)	**-**
Increase in share capital through the conversion of merger reserves	39	2,602	-	-	-	-	-	(2,602)	**-**
Increase in share capital through the conversion of debt	39	10	-	15	-	-	-	-	**25**
Acquisition of treasury shares		-	(93,565)	-	-	-	-	-	**(93,565)**
Payments of treasury shares to the employees		-	68,181	-	-	-	-	(68,181)	**-**
Dividends distributed to shareholders		-	-	-	-	-	-	(818,566)	**(818,566)**
SOP 2019 Scheme		-	-	-	-	-	-	64,260	**64,260**
Other items		-	-	-	-	-	-	(51)	**(51)**
Total contributions of/distributions to the shareholders		**403,437**	**(25,384)**	**15**	**-**	**-**	**-**	**(1,225,965)**	**(847,897)**
Balance at 31 December 2019		**5,302,419**	**(48,655)**	**28,396**	**20,710**	**148,834**	**667,894**	**2,376,845**	**8,496,443**

Consolidated and Separate Statement of Cash Flows

For the year ended 31 December

		Group		Bank	
In RON thousand	**Note**	**2020**	**2019**	**2020**	**2019**
Cash-flow from operating activities					
Profit for the year		**1,424,078**	**1,847,893**	**1,197,305**	**1,620,512**
Adjustments for:					
Depreciation and amortization	26,27	327,721	311,359	303,672	287,449
Impairment allowance, expected losses and write-offs of financial assets, provisions for other risks and loan commitments		1,109,988	556,436	1,011,710	470,342
Adjustment of financial assets at fair value through profit and loss		(74,110)	(125,609)	(42,500)	(165,060)
Income tax expense	18	198,350	283,690	173,731	266,634
Interest income	8	(3,660,425)	(3,654,392)	(3,210,708)	(3,200,637)
Interest expense	8	683,332	580,647	630,641	515,490
Other adjustments		8,377	(76,189)	80,284	78,957
Net profit adjusted with non-monetary elements		**17,311**	**(276,165)**	**144,135**	**(126,313)**
Changes in operating assets and liabilities(*)					
Change in financial assets at amortized cost and placements with banks		117,430	(3,039,021)	(82,198)	(2,787,387)
Change in loans and advances to customers		(2,569,534)	(2,586,340)	(2,539,863)	(2,512,853)
Change in finance lease receivables		(58,891)	(250,861)	-	-
Change in financial assets at fair value through profit or loss		(133,615)	(177,702)	(158,482)	(255,442)
Change in financial assets held for trading and measured at fair value through profit or loss -derivatives		(17,287)	(1,737)	(17,287)	(1,737)
Change in equity instruments		(82,097)	(31,559)	(63)	(4,927)
Changes in debt instruments		8,232	(30,587)	-	-
Change in other financial assets		(216,308)	147,895	(114,776)	166,018
Change in other assets		(39,898)	(9,235)	(47,905)	(32,656)
Change in deposits from customers		13,897,980	11,781,013	13,934,396	11,778,112
Change in deposits from banks		22,816	100,784	7,371	96,870
Change in financial liabilities held-for-trading		22,487	8,105	22,486	8,105
Change in repo operations		83,543	(246,885)	83,543	(246,885)
Change in other financial liabilities		224,731	233,372	193,428	129,708
Change in other liabilities		(25,654)	(19,028)	(22,946)	(36,285)
Income tax (paid)/recovered		(245,552)	(248,487)	(218,086)	(230,661)
Interest received		3,043,464	3,023,551	2,447,359	2,420,781
Interest paid		(593,836)	(419,280)	(557,385)	(379,234)
Net cash-flow from operating activities		**13,455,322**	**7,957,833**	**13,073,727**	**7,985,214**

The explanatory notes to the financial statements from page 11 to page 166 are an integral part of these financial statements

Consolidated and Separate Statement of Cash Flows

For the year ended 31 December

In RON thousand	Notes	Group 2020	Group 2019	Bank 2020	Bank 2019
Cash-flow used in investment activities					
Acquisition of financial assets measured at fair value through other items of comprehensive income		(28,866,644)	(14,320,803)	(28,857,677)	(14,307,353)
Sale/redemption of financial assets measured at fair value through other items of comprehensive income		21,854,578	12,398,759	21,854,408	12,395,624
Net acquisitions of property and equipment		(269,384)	(233,314)	(130,923)	(154,177)
Net acquisitions intangible assets		(136,436)	(95,137)	(125,661)	(85,543)
Proceeds from disposal of property and equipment and intangible assets		1,144	5,522	853	3,965
Acquisition of equity investments		(23,500)	(7,990)	(11,001)	-
Dividends collected	14	2,974	3,174	6,939	10,707
Interest received		936,870	785,709	935,189	785,510
Net cash-flow used in investment activities		**(6,500,398)**	**(1,464,080)**	**(6,327,873)**	**(1,351,267)**
Cash-flow from financing activities					
Gross proceeds from loans from banks and other financial institutions	44	349,841	305,017	311,976	47,569
Gross payments from loans from banks and other financial institutions	44	(242,654)	(315,955)	(135,009)	(112,379)
Gross payments from subordinated loans from banks and other financial institutions	44	(47,918)	(25)	(47,918)	(25)
Repayment of the principal portion of the lease liabilities		(146,948)	(126,167)	(119,485)	(115,341)
Dividend payments		(596,118)	(813,210)	(596,118)	(813,210)
Payments for treasury shares		(36,466)	(88,643)	(36,466)	(88,643)
Interest paid		(95,039)	(101,160)	(81,505)	(83,365)
Net cash-flow from / (used in) financing activities		**(815,302)**	**(1,140,143)**	**(704,525)**	**(1,165,394)**

(*) Changes in operating assets and liabilities only include the effect of net treasury flows, the non-monetary effect of the merger being eliminated

In RON thousand	Note	Group 2020	Group 2019	Bank 2020	Bank 2019
Cash and cash equivalents at January 1		**20,510,000**	**15,156,390**	**18,761,419**	**13,292,860**
The impact of exchange rate variations on cash and cash equivalents		89,188	198,926	84,456	196,765
Net increase/decrease (-) in cash and cash equivalents		6,050,434	5,154,684	5,956,873	5,271,788
Cash and cash equivalents as at December 31	19	**26,649,622**	**20,510,000**	**24,802,742**	**18,761,413**

Notes to the consolidated and separate financial statements

1. Reporting entity

Banca Transilvania S.A.

Banca Transilvania S.A. (the "Parent company", "BT") 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 2020 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. and Victoriabank S.A., leasing and consumer finance mainly through BT Leasing Transilvania 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 five investment funds it consolidates.

The Bank carries out its banking activity through its head office located in Cluj-Napoca and 50 branches, 431 agencies, 21 work units, 7 healthcare division units, 2 private banking agencies in Romania, 1 branch in Italy and 1 regional office located in Bucharest (2019: 52 branches, 427 agencies, 20 bank units, 7 healthcare division units, 2 private banking agencies in Romania and Italy and 1 regional office located in Bucharest.

The Group's number of active employees as at 31 December 2020 was 10,009 (2019: 9,690 employees).

The Bank's number of active employees as at 31 December 2020 was 8,359 (2019: 7,997 employees).

The registered address of the Bank is 8 George Baritiu Street, Cluj-Napoca, Romania.

The ownership structure of the Bank is presented below:

	2020	**2019**
NN Group (*)	10.14%	8.12%
The European Bank for Reconstruction and Development ("EBRD")	6.87%	8.60%
Romanian individuals	20.47%	19.79%
Romanian companies	40.10%	37.36%
Foreign individuals	1.09%	1.06%
Foreign companies	21.33%	25.07%
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 31-12-2020	Percentage of direct and indirect stake 31-12-2019
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	90.00%	80.00%
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.	activities of collection agents and credit reporting bureaus	100.00%	100.00%
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%
Sinteza S.A. (*)	Manufacture of other basic organic chemicals	31.08%	33.87%
BT Pensii S.A.	Activities of pension funds (except those in the public social security system)	90.49%	-

(*) 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 18 work units (2019: 1 agency and 12 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 2020 was 123 (2019: 120 employees). The registered address of BT Leasing Transilvania IFN S.A. is 74-76 Constantin Brâncuşi Street, 1st floor, Cluj-Napoca, România.

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 2020, BT Asset Management SAI S.A. managed 16 investment funds, of which: 14 open funds and 2 closed funds.

1. Reporting entity *(continued)*

BT Asset Management SAI S.A. (continued)

BT Asset Management SAI S.A. offers a full range of investment products, from fixed income funds, mixed funds and index funds, to equity 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 both in lei and in euro.

The number of active employees as at 31 December 2020 was 32 (2019: 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 2020 the company counted 52 active employees (2019: 55 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 8 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, 2020, 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 (2019: 55 offices).

The number of active employees at 31 December 2020 was 162 (2019: 159 employees). The company operates through its head office located in Cluj-Napoca, 74-76 Constantin Brâncuşi Street, 3rd floor, Cluj county, Romania.

BT Microfinanţare IFN S.A.

BT Microfinanţare IFN S.A. is a non-banking financial institution institution authorized by the National Bank of Roman established in 2016. The company's object of activity is financing small businesses. The company's registered address is Bucharest, 43 Bucureşti – Ploieşti Street.

1. Reporting entity *(continued)*

BT Microfinanţare IFN S.A. (continued)

The number of active employees as at 31 December 2020 was 167 (2019: 160 employees).
In 2020, BT Microfinanţare IFN S.A. financed around 2,923 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 2020 was RON 515.6 million (2019: RON 481.8 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 57 agencies throughout the Republic of Moldova (2019: 34 branches and 57 agencies).

The number of active employees as at 31 December 2020 was 1,064 (2019: 1,143 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.

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 2020.

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 and investment property.

2. Basis of preparation (*continued)*

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 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 Bank and the Group 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) 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.

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(i) Subsidiaries (continued)

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. 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.

(ii) 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 owners.
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.

(iii) 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.

(iv) 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.

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(iv) Investments in associates *(continued)*

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.

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.

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(v) Management of investment funds (continued)

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, they 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 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.

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.

3. Significant accounting policies *(continued)*

b) Foreign currency transactions *(continued)*

(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 equity until the disposal of the investment.

The exchange rates for the major foreign currencies were:

Currency	31 December 2020	31 December 2019	Variation %
Euro (“EUR”)	1:RON 4.8694	1:RON 4.7793	1.89%
United States Dollar (“USD”)	1: RON 3.9660	1: RON 4.2608	-6.92%

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.

3. Significant accounting policies *(continued)*

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.

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.

3. Significant accounting policies *(continued)*

h) Dividend income *(continued)*

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.

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) ***<u>as a lessee:</u>***
- Lease of properties used for financial activities;
- Lease of land;
- Lease of vehicles;
- Lease of other low-value items.

b) ***<u>as a lessor:</u>***
- Finance lease of vehicles and equipment;
- Finance lease of real estate.

3. Significant accounting policies *(continued)*

j) Lease assets and liabilities *(continued)*

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.

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.

3. Significant accounting policies *(continued)*

j) Lease assets and liabilities *(continued)*

a) The Group as a lessee (continued)

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 profit or loss.

b) 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.

3. Significant accounting policies *(continued)*

j) Lease assets and liabilities *(continued)*

Subsequent measurement
The Group recognise 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 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.
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 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 31 December 2020 is 16% (2019: 16%).

3. Significant accounting policies *(continued)*

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.

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.

3. Significant accounting policies *(continued)*

l) Financial assets

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.

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.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

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 is grouping its 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 Bank is 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.

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 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.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

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 its 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.

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 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) furnished 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 *(continued)*

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 and National Bank of Moldova 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.

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 in progress 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)*

(i) Recognition and measurement (*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).

3. Significant accounting policies *(continued)*

p) Investment property *(continued)*

(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. 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 asset. 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, liabilities and contingent liabilities.

3. Significant accounting policies *(continued)*

q) Intangible assets *(continued)*

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 and the measurement of the acquisition cost.

(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.

3. Significant accounting policies *(continued)*

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.

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 incurred. 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. The outstanding bonds that have not yet reached the maturity or liquidation date can be converted into shares, depending on the option of the holder, according to the issuance prospectus (not all the outstanding bonds are convertible).
The conversion shall be made at a price per share that is established at the price fixing date or at the liquidation date, which is equal to the average of the daily maximum and minimum share price on the regular market, weighted with the daily volume traded on the regular market throughout the 90 days when the shares were transacted on the Bucharest Stock Exchange, immediately prior to the price fixing date of the liquidation date. Share premiums result as a difference between the value of convertible bonds and the value of shares issued.

3. Significant accounting policies *(continued)*

v) Provisions

Provisions 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.
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 5.c).

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 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.

3. Significant accounting policies *(continued)*

x) Employee benefits *(continued)*

(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 of 3 years 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.

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.

3. Significant accounting policies *(continued)*

z) Earnings per share *(continued)*

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) 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 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.

ac) Implementation of new or reviewed standards and interpretations

The following new standards and interpretations came into force on January 1, 2020:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)
The reviewed conceptual framework for financial reporting includes a new chapter on measurement, guidance on reporting financial performance, improved definitions - particularly of a liability, - and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

3. Significant accounting policies *(continued)*

ac) Implementation of new or reviewed standards and interpretations *(continued)*

"Definition of a Business" - Amendments to IFRS 3 (issued on 22 October 2018 and applicable to acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020)

The amendments revise the definition of a business. A business must have the inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). The presence of an organized workforce is a condition for the classification as a business, even if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020)

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards, Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities and hedge accounting.
The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.
The amendments will require the Group to disclose additional information to enable users to understand the effect of interest rate benchmark reform on a company's financial instruments, including information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities.
The Group plans to apply the amendments from 1 January 2021. Application will don't have impact amounts reported for 2020 or prior periods.

3. Significant accounting policies *(continued)*

ac) Implementation of new or reviewed standards and interpretations *(continued)*

Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions (Effective for annual periods beginning on or after 1 June 2020)

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. The resulting accounting will depend on the details of the rent concessioA lessee applies the amendments retrospectively and recognises 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 .

ad) New or amended standards and interpretations that are effective as of annual period or after 1 January 2021, not yet endorsed by EU

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 company'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.

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 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, will have a material impact on its financial statements.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract (Effective for annual periods beginning on or after 1 January 2022 early application is permitted)

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, will have a material impact on its 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;

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.

4. Financial risk management *(continued)*

b) Credit risk

The Group's and the Bank's Audit Committee reports to the Board of Directors and is responsible for monitoring compliance with the Bank's risk management procedures. The Audit Committee 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	**2020**	**2019**	**2020**	**2019**
Retail	53.57%	53.80%	53.01%	53.47%
Trading	11.60%	10.70%	11.03%	10.08%
Production	8.28%	9.06%	8.03%	8.92%
Constructions	3.93%	4.07%	3.68%	3.84%
Agriculture	3.80%	3.89%	3.73%	3.80%
Services	4.77%	3.94%	4.58%	3.76%
Real estate	3.08%	3.54%	3.43%	3.61%
Transportation	4.05%	3.38%	3.49%	2.69%
Others	1.99%	1.79%	1.86%	1.75%
Self-employed	1.51%	1.62%	1.22%	1.37%
Financial institutions	1.22%	1.40%	3.81%	3.92%
Energy	1.18%	1.33%	1.24%	1.41%
Telecommunications	0.20%	0.80%	0.19%	0.76%
Mining	0.30%	0.32%	0.24%	0.26%
Chemical industry	0.21%	0.19%	0.22%	0.20%
Government institutions	0.27%	0.14%	0.20%	0.13%
Fishing	0.04%	0.03%	0.04%	0.03%
	100.00%	**100.00%**	**100.00%**	**100.00%**

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	**2020**	**2019**	**2020**	**2019**
Corporate	12,368,857	11,812,154	13,361,424	12,710,902
Small and medium enterprises	6,245,232	5,675,248	6,148,658	5,441,946
Consumer loans and card loans granted to retail customers	10,949,378	11,284,102	10,742,582	11,114,320
Mortgage loans	13,568,648	12,041,262	13,266,162	11,835,135
Loans and finance lease receivables granted by non-banking financial institutions	2,445,052	2,272,415	-	-
Other	41,391	49,697	35,135	32,285
Total loans and advances to customers and financial lease receivables before impairment allowance	**45,618,558**	**43,134,878**	**43,553,961**	**41,134,588**
Allowances for impairment losses on loans and financial lease receivables	(3,498,298)	(2,781,031)	(3,190,052)	(2,532,673)
Total loans and advances to customers and financial lease receivables net of impairment allowance	**42,120,260**	**40,353,847**	**40,363,909**	**38,601,915**

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

At 31 December 2020, the total irrevocable on-balance and off-balance sheet exposure was of RON 47,954,924 thousand (2019: RON 45,568,143 thousand) for the Group and RON 45,339,625 thousand (2019: RON 42,981,108 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 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	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	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	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	1,935,904	397,144	107,620	**2,440,668**
Small and medium enterprises	472,259	790,945	234,858	**1,498,062**
Consumer loans and card loans granted to retail customers	588,130	502,771	318,846	**1,409,747**
Mortgage loans	307,546	265,444	123,512	**696,502**
Loans and finance lease receivables granted by non-banking financial institutions	1,691,825	21,785	5,985	**1,719,595**
Other	4,654	30,202	-	**34,856**
Total loans and advances to customers and financial lease receivables before impairment allowance	**5,000,318**	**2,008,291**	**790,821**	**7,799,430**
Allowances for impairment losses on loans and financial lease receivables	(446,270)	(478,799)	(247,218)	**(1,172,287)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**4,554,048**	**1,529,492**	**543,603**	**6,627,143**

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	2,438,390	1,819	459	**2,440,668**
Small and medium enterprises	1,467,773	23,127	7,162	**1,498,062**
Consumer loans and card loans granted to retail customers	1,324,411	69,738	15,598	**1,409,747**
Mortgage loans	647,776	43,727	4,999	**696,502**
Loans and finance lease receivables granted by non-banking financial institutions	1,691,825	19,045	8,725	**1,719,595**
Other	34,822	28	6	**34,856**
Total loans and advances to customers and financial lease receivables before impairment allowance	**7,604,997**	**157,484**	**36,949**	**7,799,430**
Allowances for impairment losses on loans and financial lease receivables	(1,121,357)	(36,725)	(14,205)	**(1,172,287)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**6,483,640**	**120,759**	**22,744**	**6,627,143**

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 and defaulted POCI	**0-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total 2020**
Corporate	784,459	20,678	7,625	388,042	**1,200,804**
Small and medium enterprises	124,230	17,412	16,207	189,866	**347,715**
Consumer loans and card loans granted to retail customers	265,516	67,274	46,630	381,234	**760,654**
Mortgage loans	126,091	18,418	9,546	75,380	**229,435**
Loans and finance lease receivables granted by non-banking financial institutions	70,066	7,285	9,693	203,720	**290,764**
Other	3,076	-	-	3,258	**6,334**
Total loans and advances to customers and financial lease receivables before impairment allowance	**1,373,438**	**131,067**	**89,701**	**1,241,500**	**2,835,706**
Allowances for impairment losses on loans and financial lease receivables	(683,327)	(58,049)	(45,380)	(827,036)	**(1,613,792)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**690,111**	**73,018**	**44,321**	**414,464**	**1,221,914**

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 2019**, 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 2019
In RON thousand					
Corporate	9,194,198	1,075,464	1,369,239	173,253	**11,812,154**
Small and medium enterprises	3,973,260	1,318,988	284,370	98,630	**5,675,248**
Consumer loans and card loans granted to retail customers	9,282,956	1,298,246	596,465	106,435	**11,284,102**
Mortgage loans	11,157,607	642,478	195,767	45,410	**12,041,262**
Loans and finance lease receivables granted to non-banking financial institutions	234,932	1,808,898	191,435	37,150	**2,272,415**
Other	1,598	44,032	3,222	845	**49,697**
Total loans and advances to customers and financial lease receivables before impairment allowance	**33,844,551**	**6,188,106**	**2,640,498**	**461,723**	**43,134,878**
Allowances for impairment losses on loans and financial lease receivables	(453,853)	(625,501)	(1,593,360)	(108,317)	**(2,781,031)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**33,390,698**	**5,562,605**	**1,047,138**	**353,406**	**40,353,847**

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 2019**
Corporate	1,613,779	4,643,173	2,881,921	55,325	**9,194,198**
Small and medium enterprises	2,095,459	1,197,057	389,051	291,693	**3,973,260**
Consumer loans and card loans granted to retail customers	3,729,746	4,852,540	455,814	244,856	**9,282,956**
Mortgage loans	4,137,587	6,561,789	353,665	104,566	**11,157,607**
Loans and finance lease receivables granted by non-banking financial institutions	-	233,898	-	1,034	**234,932**
Other	276	1,204	3	115	**1,598**
Total loans and advances to customers and financial lease receivables before impairment allowance	**11,576,847**	**17,489,661**	**4,080,454**	**697,589**	**33,844,551**
Allowances for impairment losses on loans and financial lease receivables	(65,615)	(176,829)	(154,748)	(56,661)	**(453,853)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**11,511,232**	**17,312,832**	**3,925,706**	**640,928**	**33,390,698**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2019**
Corporate	9,186,237	6,476	1,485	**9,194,198**
Small and medium enterprises	3,900,815	67,028	5,417	**3,973,260**
Consumer loans and card loans granted to retail customers	8,794,573	389,925	98,458	**9,282,956**
Mortgage loans	10,739,427	317,198	100,982	**11,157,607**
Loans and finance lease receivables granted by non-banking financial institutions	222,079	7,981	4,872	**234,932**
Other	1,563	35	-	**1,598**
Total loans and advances to customers and financial lease receivables before impairment allowance	**32,844,694**	**788,643**	**211,214**	**33,844,551**
Allowances for impairment losses on loans and financial lease receivables	(446,622)	(5,222)	(2,009)	**(453,853)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**32,398,072**	**783,421**	**209,205**	**33,390,698**

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 2019
Corporate	617,167	310,255	151,850	**1,079,272**
Small and medium enterprises	898,590	208,411	226,026	**1,333,027**
Consumer loans and card loans granted to retail customers	531,242	455,409	336,425	**1,323,076**
Mortgage loans	280,322	259,105	116,655	**656,082**
Loans and finance lease receivables granted by non-banking financial institutions	1,774,154	25,607	9,099	**1,808,860**
Other	15,207	28,803	21	**44,031**
Total loans and advances to customers and financial lease receivables before impairment allowance	**4,116,682**	**1,287,590**	**840,076**	**6,244,348**
Allowances for impairment losses on loans and financial lease receivables	(203,638)	(231,574)	(196,534)	**(631,746)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**3,913,044**	**1,056,016**	**643,542**	**5,612,602**

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 2019
Corporate	1,078,252	803	217	**1,079,272**
Small and medium enterprises	1,258,721	54,109	20,197	**1,333,027**
Consumer loans and card loans granted to retail customers	1,122,750	159,136	41,190	**1,323,076**
Mortgage loans	561,097	81,559	13,426	**656,082**
Loans and finance lease receivables granted by non-banking financial institutions	1,774,116	24,469	10,275	**1,808,860**
Other	44,000	23	8	**44,031**
Total loans and advances to customers and financial lease receivables before impairment allowance	**5,838,936**	**320,099**	**85,313**	**6,244,348**
Allowances for impairment losses on loans and financial lease receivables	(550,400)	(54,620)	(26,726)	**(631,746)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**5,288,536**	**265,479**	**58,587**	**5,612,602**

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 and defaulted POCI	**0-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total 2019**
Corporate	914,991	38,573	12,014	573,106	**1,538,684**
Small and medium enterprises	103,019	24,460	24,694	216,788	**368,961**
Consumer loans and card loans granted to retail customers	186,261	62,902	52,370	376,537	**678,070**
Mortgage loans	84,932	22,977	25,932	93,732	**227,573**
Loans and finance lease receivables granted by non-banking financial institutions	65,208	3,581	11,939	147,895	**228,623**
Other	-	-	-	4,068	**4,068**
Total loans and advances to customers and financial lease receivables before impairment allowance	**1,354,411**	**152,493**	**126,949**	**1,412,126**	**3,045,979**
Allowances for impairment losses on loans and financial lease receivables	(654,806)	(70,469)	(49,242)	(920,915)	**(1,695,432)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**699,605**	**82,024**	**77,707**	**491,211**	**1,350,547**

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 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	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	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	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	1,820,874	397,144	106,668	**2,324,686**
Small and medium enterprises	439,325	790,945	234,096	**1,464,366**
Consumer loans and card loans granted to retail customers	586,597	500,359	318,846	**1,405,802**
Mortgage loans	305,904	263,675	123,512	**693,091**
Other	178	30,202	-	**30,380**
Total loans and advances to customers before impairment allowance	**3,152,878**	**1,982,325**	**783,122**	**5,918,325**
Allowances for impairment losses on loans	(357,830)	(473,435)	(246,765)	**(1,078,030)**
Total loans and advances to customers net of impairment allowance	**2,795,048**	**1,508,890**	**536,357**	**4,840,295**

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	2,323,360	867	459	**2,324,686**
Small and medium enterprises	1,434,839	22,560	6,967	**1,464,366**
Consumer loans and card loans granted to retail customers	1,322,878	67,326	15,598	**1,405,802**
Mortgage loans	646,135	42,344	4,612	**693,091**
Other	30,346	28	6	**30,380**
Total loans and advances to customers before impairment allowance	**5,757,558**	**133,125**	**27,642**	**5,918,325**
Allowances for impairment losses on loans	(1,032,921)	(32,291)	(12,818)	**(1,078,030)**
Total loans and advances to customers net of impairment allowance	**4,724,637**	**100,834**	**14,824**	**4,840,295**

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 and defaulted POCI	0-30 days	31-60 days	61-90 days	over 90 days	Total 2020
Corporate	780,272	20,678	7,625	273,109	**1,081,684**
Small and medium enterprises	121,010	17,388	16,207	184,822	**339,427**
Consumer loans and card loans granted to retail customers	262,274	66,363	44,840	373,164	**746,641**
Mortgage loans	124,825	18,194	9,345	72,331	**224,695**
Other	3,077	-	-	1,477	**4,554**
Total loans and advances to customers before impairment allowance	**1,291,458**	**122,623**	**78,017**	**904,903**	**2,397,001**
Allowances for impairment losses on loans	(656,950)	(53,418)	(37,702)	(645,071)	**(1,393,141)**
Total loans and advances to customers net of impairment allowance	**634,508**	**69,205**	**40,315**	**259,832**	**1,003,860**

The exposures to credit risk for loans and advances to customers at **Bank** level, as at **31 December 2019**, 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 2019
In RON thousand					
Corporate	10,265,861	964,802	1,365,765	114,474	**12,710,902**
Small and medium enterprises	3,853,586	1,279,897	276,702	31,761	**5,441,946**
Consumer loans and card loans granted to retail customers	9,120,517	1,294,998	592,910	105,895	**11,114,320**
Mortgage loans	10,958,278	639,326	192,485	45,046	**11,835,135**
Other	1,602	28,890	948	845	**32,285**
Total loans and advances to customers before impairment allowance	**34,199,844**	**4,207,913**	**2,428,810**	**298,021**	**41,134,588**
Allowances for impairment losses on loans	(466,217)	(527,633)	(1,467,871)	(70,952)	**(2,532,673)**
Total loans and advances to customers net of impairment allowance	**33,733,627**	**3,680,280**	**960,939**	**227,069**	**38,601,915**

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 2019**
Corporate	2,427,235	4,901,380	2,881,921	55,325	**10,265,861**
Small and medium enterprises	2,097,455	1,075,387	389,051	291,693	**3,853,586**
Consumer loans and card loans granted to retail customers	3,729,746	4,692,028	453,887	244,856	**9,120,517**
Mortgage loans	4,137,586	6,363,748	352,378	104,566	**10,958,278**
Other	291	1,193	-	118	**1,602**
Total loans and advances to customers before impairment allowance	**12,392,313**	**17,033,736**	**4,077,237**	**696,558**	**34,199,844**
Allowances for impairment losses on loans	(73,951)	(180,912)	(154,745)	(56,609)	**(466,217)**
Total loans and advances to customers net of impairment allowance	**12,318,362**	**16,852,824**	**3,922,492**	**639,949**	**33,733,627**

Gross value of loans and advances granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**16-30 days**	**Total 2019**
Corporate	10,259,518	4,858	1,485	**10,265,861**
Small and medium enterprises	3,787,805	60,364	5,417	**3,853,586**
Consumer loans and card loans granted to retail customers	8,640,404	383,583	96,530	**9,120,517**
Mortgage loans	10,549,434	309,149	99,695	**10,958,278**
Other	1,567	35	-	**1,602**
Total loans and advances to customers before impairment allowance	**33,238,728**	**757,989**	**203,127**	**34,199,844**
Allowances for impairment losses on loans	(459,458)	(4,929)	(1,830)	**(466,217)**
Total loans and advances to customers net of impairment allowance	**32,779,270**	**753,060**	**201,297**	**33,733,627**

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 2019**
Corporate	506,505	310,255	151,850	**968,610**
Small and medium enterprises	862,534	208,411	218,653	**1,289,598**
Consumer loans and card loans granted to retail customers	529,651	453,751	336,425	**1,319,827**
Mortgage loans	279,158	256,958	116,655	**652,771**
Other	66	28,803	21	**28,890**
Total loans and advances to customers before impairment allowance	**2,177,914**	**1,258,178**	**823,604**	**4,259,696**
Allowances for impairment losses on loans	(112,191)	(226,274)	(195,417)	**(533,882)**
Total loans and advances to customers net of impairment allowance	**2,065,723**	**1,031,904**	**628,187**	**3,725,814**

Gross value of loans and advances granted to clients, not impaired, Stage 2	**0-30 days**	**31-60 days**	**61-90 days**	**Total 2019**
Corporate	967,590	803	217	**968,610**
Small and medium enterprises	1,222,665	46,736	20,197	**1,289,598**
Consumer loans and card loans granted to retail customers	1,121,158	157,489	41,180	**1,319,827**
Mortgage loans	559,933	80,497	12,341	**652,771**
Other	28,859	23	8	**28,890**
Total loans and advances to customers before impairment allowance	**3,900,205**	**285,548**	**73,943**	**4,259,696**
Allowances for impairment losses on loans	(458,962)	(49,285)	(25,635)	**(533,882)**
Total loans and advances to customers net of impairment allowance	**3,441,243**	**236,263**	**48,308**	**3,725,814**

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 granted to clients, impaired, Stage 3 and defaulted POCI	0-30 days	31-60 days	61-90 days	over 90 days	Total 2019
Corporate	911,326	38,573	12,014	514,518	**1,476,431**
Small and medium enterprises	98,318	18,529	18,470	163,445	**298,762**
Consumer loans and card loans granted to retail customers	186,122	62,825	51,376	373,653	**673,976**
Mortgage loans	84,882	22,893	25,932	90,379	**224,086**
Other	-	-	-	1,793	**1,793**
Total loans and advances to customers before impairment allowance	**1,280,648**	**142,820**	**107,792**	**1,143,788**	**2,675,048**
Allowances for impairment losses on loans	(622,935)	(69,369)	(43,022)	(797,248)	**(1,532,574)**
Total loans and advances to customers net of impairment allowance	**657,713**	**73,451**	**64,770**	**346,540**	**1,142,474**

As at 31 December 2020, 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 issued b Standard&Poor's, bonds issued by the Ministry of Finance of the Republic of Moldova with a sovereign rating B3 by Standard and Poor's, 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-, A+, BBB, BBB- and BBB+ and bonds issued by other non-financial institutions rated B- (note 24).

As at 31 December 2019, 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 B, bonds issued by the Ministry of Finance of Italy with a rating of BBB-, bonds issued by municipalities with a rating of BBB-, BB+ and BB-, bonds issued by credit institutions and other financial institutions rated A-, A+, 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 afterwards.

The pledges presented below comprise pledged 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	**2020**	**2019**	**2020**	**2019**
Collaterals related to loans and lease receivables with moderate, sensitive and high risk and impaired loans				
Property	7,896,883	7,126,392	7,441,712	6,652,507
Security interests in movable property	965,493	828,717	908,126	705,621
Other collateral	734,801	358,715	566,497	227,248
Total	**9,597,177**	**8,313,824**	**8,916,335**	**7,585,376**
Collaterals related to loans and lease receivables with low risk				
Property	29,924,177	29,572,842	29,522,793	29,137,465
Security interests in movable property	1,130,415	1,657,785	1,112,411	1,657,785
Other collateral	4,799,175	2,779,404	4,702,816	2,717,782
	35,853,767	**34,010,031**	**35,338,020**	**33,513,032**
Total	**45,450,944**	**42,323,855**	**44,254,355**	**41,098,408**

The financial effect of the Group 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 2020** is the following:

	Group 2020					
	Exposures stage 1		Exposures stage 2		Exposures stage 3	
In RON thousand	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization
Corporate						
- Gross exposure	6,488,541	2,238,844	1,273,546	1,167,121	700,652	500,153
- Collateral	2,339,673	4,083,842	507,310	2,383,903	313,125	882,724
Small and medium enterprises						
- Gross exposure	3,082,197	1,317,258	993,317	504,743	209,103	138,614
- Collateral	1,434,740	2,730,684	320,003	1,239,018	47,963	381,277
Consumer loans and card loans granted to retail customers						
- Gross exposure	6,825,521	1,953,456	854,041	555,707	539,014	221,639
- Collateral	174,965	5,493,063	234,214	1,197,976	104,186	504,337
Mortgage loans						
- Gross exposure	675,130	11,967,581	181,858	514,645	97,316	132,118
- Collateral	536,478	19,060,322	127,365	826,568	55,600	239,916
Loans and finance lease receivables granted by non-banking financial institutions						
- Gross exposure	434,693	-	1,698,101	21,495	289,253	1,510
- Collateral	-	-	169,189	46,434	4,178	3,583
Other						
- Gross exposure	201	-	31,229	3,622	6,339	-
- Collateral	-	-	634	7,674	-	-

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 2019** is the following:

	Group 2019					
	Exposures stage 1		Exposures stage 2		Exposures stage 3	
In RON thousand	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization
Corporate						
- Gross exposure	5,849,652	3,344,546	502,847	576,425	962,768	575,916
- Collateral	1,512,181	5,842,301	144,473	1,204,829	378,757	1,031,467
Small and medium enterprises						
- Gross exposure	2,479,376	1,493,884	707,532	625,495	142,606	226,355
- Collateral	391,908	3,092,879	78,467	1,446,142	37,865	542,728
Consumer loans and card loans granted to retail customers						
- Gross exposure	7,121,835	2,161,121	755,608	567,468	448,130	229,940
- Collateral	247,788	5,817,661	248,800	1,263,989	117,507	480,306
Mortgage loans						
- Gross exposure	647,525	10,510,082	204,599	451,483	107,413	120,160
- Collateral	491,544	16,613,769	143,639	729,891	63,687	218,536
Loans and finance lease receivables granted by non-banking financial institutions						
- Gross exposure	234,932	-	1,787,374	21,486	227,372	1,251
- Collateral	-	-	104,372	42,649	1,696	2,567
Other						
- Gross exposure	1,598	-	31,567	12,464	4,068	-
- Collateral	-	-	2,498	28,959	-	-

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	
In RON thousand	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization
Corporate						
- Gross exposure	7,746,564	2,208,490	1,238,516	1,086,170	651,463	430,221
- Collateral	2,314,138	4,010,728	492,481	2,156,408	280,870	778,305
Small and medium enterprises						
- Gross exposure	3,042,059	1,302,806	971,815	492,549	206,272	133,157
- Collateral	1,420,853	2,675,313	309,790	1,208,739	46,079	372,807
Consumer loans and card loans granted to retail customers						
- Gross exposure	6,643,404	1,946,735	850,302	555,501	526,060	220,580
- Collateral	172,739	5,478,272	234,139	1,197,634	103,683	500,350
Mortgage loans						
- Gross exposure	466,758	11,881,618	180,971	512,121	93,841	130,853
- Collateral	356,553	18,909,424	126,565	819,669	52,984	235,832
Other						
- Gross exposure	201	-	30,377	-	4,557	-
- 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 2019** is the following:

	Bank 2019					
	Exposures stage 1		Exposures stage 2		Exposures stage 3	
In RON thousand	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization
Corporate						
- Gross exposure	6,954,332	3,311,529	477,904	490,706	940,973	535,458
- Collateral	1,481,287	5,769,544	130,595	969,600	364,502	981,192
Small and medium enterprises						
- Gross exposure	2,417,636	1,435,950	688,084	601,515	137,815	160,946
- Collateral	366,943	2,953,759	67,011	1,400,374	35,750	417,770
Consumer loans and card loans granted to retail customers						
- Gross exposure	6,966,718	2,153,799	752,431	567,396	444,991	228,985
- Collateral	246,349	5,833,133	248,800	1,228,499	117,263	478,473
Mortgage loans						
- Gross exposure	524,192	10,434,086	204,133	448,638	104,889	119,197
- Collateral	393,600	16,468,417	143,230	723,728	61,647	216,942
Other						
- Gross exposure	1,602	-	28,890	-	1,793	-
- 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;
- Financial assets measured at amortized cost - debt securities;
- Financial assets measured at FVOCI- 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 2020** and **31 December 2019**:

		Group					
In RON thousand		2020			2019		
Assets	Notes	**Gross carrying amount**	**Loss allowance**	**Carrying amount**	**Gross carrying amount**	**Loss allowance**	**Carrying amount**
Cash and curent accounts with Central Banks	19	19,290,211	993	19,289,218	11,392,140	1,033	11,391,107
Placements with banks	20	7,223,906	629	7,223,277	7,775,668	528	7,775,140
Loans and advances to customers	22	44,286,658	3,394,114	40,892,544	41,872,385	2,696,981	39,175,404
Finance lease receivables	23	1,331,900	104,184	1,227,716	1,262,493	84,050	1,178,443
Financial assets measured at amortized cost - debt securities	24	997,409	7,303	990,106	1,973,674	5,643	1,968,031
Total on-balance sheet		**73,130,084**	**3,507,223**	**69,622,861**	**64,276,360**	**2,788,235**	**61,488,125**
Irrevocable commitments given		619,781	17,873	601,908	707,154	26,025	681,129
Irrevocable financial guarantees given		3,367,483	137,967	3,229,516	3,073,823	99,697	2,974,126
Total off-balance sheet		**3,987,264**	**155,840**	**3,831,424**	**3,780,977**	**125,722**	**3,655,255**
Total on and off-balance sheet		**77,117,348**	**3,663,063**	**73,454,285**	**68,057,337**	**2,913,957**	**65,143,380**

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 2020** and **31 December 2019**:

In RON thousand		Bank					
		2020			2019		
Assets	Notes	**Gross carrying amount**	**Loss allowance**	**Carrying amount**	**Gross carrying amount**	**Loss allowance**	**Carrying amount**
Cash and curent accounts with Central Banks	19	18,559,012	272	18,558,740	10,585,883	167	10,585,716
Placements with banks	20	6,636,731	336	6,636,395	6,995,383	37	6,995,346
Loans and advances to customers	22	43,553,961	3,190,052	40,363,909	41,134,588	2,532,673	38,601,915
Financial assets measured at amortized cost - debt securities	24	160,887	13	160,874	1,176,847	13	1,176,834
Total on-balance sheet		**68,910,591**	**3,190,673**	**65,719,918**	**59,892,701**	**2,532,890**	**57,359,811**
Irrevocable commitments given		96,941	11,699	85,242	136,928	15,772	121,156
Irrevocable financial guarantees given		3,339,621	137,301	3,202,320	3,057,330	99,231	2,958,099
Total off-balance sheet		**3,436,562**	**149,000**	**3,287,562**	**3,194,258**	**115,003**	**3,079,255**
Total on and off-balance sheet		**72,347,153**	**3,339,673**	**69,007,480**	**63,086,959**	**2,647,893**	**60,439,066**

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)	(2,654)	(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) contracted by the most severe pace in the history of the region in 2020, due to the outbreak of the pandemic and the consequences of this unprecedented shock.

According to the preliminary estimates of Eurostat, the GDP of Eurozone declined by 6.8% YoY in 2020, an evolution mainly determined by the adjustment of the domestic demand (the fixed investments and the private consumption), after the incidence of the health crisis and the implementation of restrictions to counter it. We point out that the countries across the region reintroduced restrictions at the end of 2020, in the context of intensifying pandemic.

As regards the financial dimension of the economy there can be noticed the deceleration of the inflation, from 1.2% in 2019 to 0.3% in 2020, the lowest level since 2016. This evolution was determined by the slowing-down of the core component (from 1% YoY in 2019 to 0.7% YoY in 2020, a record low level) and by the adjustment of the international oil prices.

Following the outbreak of the pandemic the European Central Bank (ECB) implemented additional non-standard measures, including the launch of special programs (such as the pandemic emergency purchase program, with a total volume of EUR 1,850bn, available until March 2022). In this context, the levels of EURIBOR and the interest rates on sovereign bonds declined to record low levels in 2020.

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:

- loan and advances to customers at amortized cost
- lending commitments and financial guarantees offered by 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.

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Measurement of the expected credit loss allowance (continued)

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 12months 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.

Significance 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 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;
- Change in rating grade.

Qualitative criteria for company portfolios:

- Significant increase in credit risk perceived by the risk analysis team for individually assessed exposures;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates (rating deterioration);
- Actual or expected forbearance operation;

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Measurement of the expected credit loss allowance (continued)

- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans;
- The borrower is assigned to Remediation department.

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. 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 assess 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. Having this said, these types of operations determining that those assets are classified as stage 2 or stage 3 and the ECL is calculate on lifetime basis. For forborne financial assets, the Bank establish 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 12months 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 for debt financial instruments (e.g. sovereign bonds, municipal bonds, corporate bond and bonds issued by financial institutions).

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 borrower is more than 90 days past due on its contractual payments (also including the new default definition which is referring to significant overdue amount*);
- The borrower meets unlikeliness to pay criteria:
  - 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 Bank relating to the borrower's financial difficulty;

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Measurement of the expected credit loss Explanation of inputs, assumptions and estimation techniques (continued)

- 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 Bank);
- The borrower and/or the mortgage guarantor sent notification for "payment in kind";
- Write off (total/partial) or sale;
- The borrower is in a breach of a significant financial covenant(s);

- 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 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.

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.

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Measurement of the expected credit loss Explanation of inputs, assumptions and estimation techniques (continued)

This period has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions and also expert opinion. For example, the healing period for 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. During 2020, considering the corona event and the impact to the economic condition, the Group decide to review and update the macroeconomic analysis on a quarterly 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 (base case, optimist and two pessimist), including an assessment of the probability for each scenario.
The macroeconomic scenarios applied have been changed from those applied in Q4 2019, to reflect the worsening of the macroeconomic outlook due to the COVID-19 pandemic.

Usually, the Bank uses three scenarios: base scenario (which is the most probable scenario of the economic environment), optimistic and adverse scenario (for these two scenarios, the probabilities are lower than base scenario). 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, Group decided to be more conscious/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.

Scenarios weights, for the Bank:

	Optimist	Base case	Pessimist_1	Pessimist_2
Y2019	10%	50%	40%	NA#
Y2020	5%	50%	25%	20%

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Measurement of the expected credit loss Explanation of inputs, assumptions and estimation techniques (continued)

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 societies.

However, in the fourth quarter of 2020 a second wave of the Covid-19 pandemic evolved, and new restriction were introduced (not considering a new lockdown). The economies continue to be supported by government support packages. Significant uncertainty still remains as to the effectiveness of actions taken by governments to contain the virus and as to when the roll-out of vaccine programs will have a sufficient coverage to limit the spread of the virus. 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. Therefore, comparing with 2019, the scenarios have been adjusted so that the expected credit losses are now based on a central scenario that reflects a significant worsening of economic activity in 2020, followed by a significant recovery in 2021, as well as two pessimistic scenarios that reflect the economic recession in 2 different degrees of severity and recovery (form of "V" or "U" of the GDP indicator evolution) considering that the contribution of certain sectors / industries / components in GDP will be lower, and the governmental measures for recovery will not have the maximum expected effect.
Also, for the pessimistic scenarios, we considered a new wave of the COVID-19 pandemic in 2021 that will strain the economic situation.

The baseline scenario assumes that the recovery process (which began in Q3 and Q4 2020) will continue, with economic growth rates gradually approaching more common values. The vaccination process will give the necessary impetus to economic activities, along with the recovery of western European markets to which we are significantly connected. In the pessimistic scenarios, the recovery is slower, the business environment and the population will adopt a more cautious behavior and more attentive to the evolution of the pandemic.

In addition to the affected sectors, we assumed that other connected sectors would face similar problems, but to a lesser extent - it is possible that government measures would reach their limits. We believe that the moment will be overcome without fundamentally damaging the economy, which will fully recover by the end of 2022 and 2023, respectively. The optimistic scenario envisages total control of the pandemic and a rapid vaccination process with a positive effect on population confidence (consumption increase) and companies (resume investment process, low risk aversion).

For the Bank and its local entities the most important assumption affecting the ECL allowance are as follows:
<u>For Retail loans:</u>

1. GDP
2. Unemployment rate
3. Interest rate evolution (EURIBOR/ ROBOR)

<u>For Companies:</u>

1. GDP
2. Inflation rate
3. Unemployment rate

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Measurement of the expected credit loss Explanation of inputs, assumptions and estimation techniques (continued)

Optimist scenario Macro indicators	**2020**	**2021**	**2022**	**2023**
Real GDP (%, YoY)	-3.4	7.0	7.7	5.5
Unemployment rate (%)	4.0	4.0	3.9	3.9
Inflation (HICP) (%)	1.7	1.7	1.8	1.6
Key interest rate ROBOR 3M (%)	1.8	0.9	0.8	0.6
Key interest rate EURIBOR 3M (%)	-0.4	-0.4	-0.4	-0.4

Base/central scenario Macro indicators	**2020**	**2021**	**2022**	**2023**
Real GDP (%, YoY)	-4.5	4.5	5.1	4.1
Unemployment rate (%)	5.7	5.7	5.7	5.6
Inflation (HICP) (%)	1.9	2.5	2.8	2.8
Key interest rate ROBOR 3M (%)	2.1	1.8	1.8	1.8
Key interest rate EURIBOR 3M (%)	-0.5	-0.5	-0.5	-0.5

Pessimist V-shape scenario Macro indicators	**2020**	**2021**	**2022**	**2023**
Real GDP (%, YoY)	-5.6	2.4	4.5	3.9
Unemployment rate (%)	7.4	7.4	7.4	7.4
Inflation (HICP) (%)	2.2	2.9	3.1	3.1
Key interest rate ROBOR 3M (%)	2.4	2.1	2.1	2.1
Key interest rate EURIBOR 3M (%)	-0.6	-0.6	-0.5	-0.5

Pessimist U-shape scenario Macro indicators	**2020**	**2021**	**2022**	**2023**
Real GDP (%, YoY)	-5.6	0.2	4.2	3.9
Unemployment rate (%)	7.4	7.4	7.4	7.4
Inflation (HICP) (%)	2.6	3.2	3.4	3.4
Key interest rate ROBOR 3M (%)	2.7	2.5	2.4	2.4
Key interest rate EURIBOR 3M (%)	-0.6	-0.6	-0.5	-0.5

The table below illustrates the impact of changing scenarios weights for optimistic and adverse scenario, at the Bank level:

Changes in weights	100% pessimist U shape	100% pessimist V shape	100% baseline	100% optimistic
ECL movement	+279.6 mill RON	+222.2 mill RON	(113.3) mill RON	(303.4) mill RON

Considering that the applied scenarios differ from the scenarios used at 31 December 2019, the changes in sensitivities from end of 2019 to end of 2020 are therefore not directly comparable.

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Measurement of the expected credit loss Explanation of inputs, assumptions and estimation techniques (continued)

For example, the macroeconomic indicators used in the financial year 2019, for the baseline scenario are:

	2020	2021	2022
Real GDP (%, YoY)	3.1	4.0	4.3
Unemployment rate (%)	4.2	4.4	4.5
Inflation (HICP) (%)	2.9	3.4	3.1
Key interest rate ROBOR 3M (%)	2.8	2.9	3.1
Key interest rate EURIBOR 3M (%)	-0.5	-0.3	-0.3

For all portfolios the Group concluded that these scenarios captured appropriately non-linearities. 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.

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.

4. Financial risk management *(continued)*

c) Liquidity risk *(continued)*

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, 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 2020**, 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	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)**	**-**
Financial assets									
Cash and curent accounts with Central Banks	22,133,211	22,134,204	22,134,204	-	-	-	-	-	-
Placements with banks	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**

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 2020									
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**

The assets and liabilities of the **Group** as at **31 December 2019**, 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	296,138	(296,161)	(201,870)	-	-	(94,291)	-	-	-
Deposits from customers	77,037,060	(77,259,437)	(41,267,767)	(5,600,471)	(7,657,340)	(19,737,400)	(2,364,410)	(632,049)	-
Loans from banks and other financial institutions	1,473,920	(1,532,622)	(66,619)	(59,451)	(122,818)	(551,127)	(356,736)	(375,871)	-
Subordinated liabilities and issued bonds	1,700,207	(2,218,829)	(1,428)	(84,557)	(36,297)	(144,713)	(410,803)	(1,541,031)	-
Financial liabilities held-for-trading	12,331	(12,331)	(4,875)	(1,811)	-	(758)	(4,277)	(610)	-
Lease liabilities	387,441	(391,257)	(28,308)	(26,536)	(53,159)	(163,160)	(88,715)	(31,379)	-
Other financial liabilities	909,100	(909,100)	(876,146)	-	(32,954)	-	-	-	-
Total financial liabilities	**81,816,197**	**(82,619,737)**	**(42,447,013)**	**(5,772,826)**	**(7,902,568)**	**(20,691,449)**	**(3,224,941)**	**(2,580,940)**	**-**

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	14,583,143	14,584,176	14,584,176	-	-	-	-	-	-
Placements with banks	7,775,140	7,778,698	7,536,446	204,165	38,087	-	-	-	-
Financial assets held for trading and measured at fair value through profit and loss	272,607	272,608	149,161	-	-	-	-	-	123,447
Derivatives	4,803	4,803	1,279	218	-	3,306	-	-	-
Loans and advances to customers	39,175,404	55,779,119	4,667,350	3,450,052	6,784,633	12,858,808	7,475,756	20,542,520	-
Finance lease receivables	1,178,443	1,388,955	175,150	124,928	240,868	651,176	186,307	10,526	-
Financial assets measured at fair value through other items of comprehensive income	23,658,311	25,295,199	20,472,816	379,871	522,913	1,848,321	1,483,980	562,245	25,053
Financial assets which are required to be measured at fair value through profit or loss	877,989	889,733	517,590	755	1,500	31,975	77,846	-	260,067
Financial assets at amortized cost - debt instruments	1,968,031	2,005,183	464,977	113,600	1,131,914	161,560	105,026	28,106	-
Other financial assets	688,009	704,012	679,690	18,752	-	5,570	-	-	-
Total financial assets	**90,181,880**	**108,702,486**	**49,248,635**	**4,292,341**	**8,719,915**	**15,560,716**	**9,328,915**	**21,143,397**	**408,567**
Net balance sheet position		**26,082,749**	**6,801,622**	**(1,480,485)**	**817,347**	**(5,130,733)**	**6,103,974**	**18,562,457**	**408,567**
Off-balance sheet									
Irrevocable commitments given	681,129	707,154	6,511	10,674	20,583	488,968	110,858	69,560	-
Irrevocable financial guarantees given	2,974,126	3,073,823	594,442	279,198	1,412,458	539,907	66,839	180,979	-
Gross value of swap and forward contracts									
- Deliverable amounts	(1,436,968)	(1,436,968)	(171,274)	(581,354)	-	(350,000)	(334,340)	-	
- Receivable amounts	1,703,559	1,703,559	169,536	581,775	-	530,289	379,789	42,170	
Net position of derivatives	266,591	266,591	(1,738)	421	-	180,289	45,449	42,170	-
Total off-balance sheet	**3,921,845**	**4,047,568**	**599,215**	**290,293**	**1,433,041**	**1,209,164**	**223,146**	**292,709**	**-**
Total net on- and off-balance sheet position		**30,130,317**	**7,400,837**	**-1,190,192**	**2,250,388**	**-3,921,569**	**6,327,120**	**18,855,166**	**408,567**

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 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)**	**-**
Financial assets									
Cash and curent accounts with Central Banks	20,978,633	20,978,904	20,978,904	-	-	-	-	-	-
Placements with banks	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**

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 2020									
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**

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 2019**, 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	304,461	(304,485)	(210,193)	-	-	(94,292)	-	-	-
Deposits from customers	74,353,723	(74,540,072)	(39,481,067)	(5,406,107)	(7,195,935)	(19,484,185)	(2,342,786)	(629,992)	-
Loans from banks and other financial institutions	895,673	(917,504)	(32,446)	(34,282)	(64,641)	(271,540)	(228,360)	(286,235)	-
Subordinated liabilities and issued bonds	1,696,602	(2,215,226)	(1,428)	(84,557)	(36,297)	(144,713)	(410,803)	(1,537,428)	-
Financial liabilities held-for-trading	12,331	(12,331)	(4,875)	(1,811)	-	(758)	(4,277)	(610)	-
Lease liabilities	365,931	(369,705)	(27,858)	(25,960)	(51,665)	(151,325)	(82,233)	(30,664)	-
Other financial liabilities	689,531	(689,531)	(689,531)	-	-	-	-	-	-
Total financial liabilities	**78,318,252**	**(79,048,854)**	**(40,447,398)**	**(5,552,717)**	**(7,348,538)**	**(20,146,813)**	**(3,068,459)**	**(2,484,929)**	**-**

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	13,480,195	13,480,362	13,480,362	-	-	-	-	-	-
Placements with banks	6,995,346	6,998,108	6,756,723	204,165	37,220	-	-	-	-
Financial assets at amortized cost - debt instruments	1,176,834	1,195,516	1,418	1,450	1,019,705	103,232	41,605	28,106	-
Derivatives	4,803	4,803	1,279	218	-	3,306	-	-	-
Equity instruments	17,509	17,509	8,754	-	-	-	-	-	8,755
Loans and advances to customers	38,601,915	54,528,702	4,219,174	3,368,781	6,814,654	12,547,900	7,277,885	20,300,308	-
Financial assets measured at fair value through other items of comprehensive income	23,637,807	25,273,360	20,467,858	379,247	522,033	1,846,807	1,483,645	561,601	12,169
Financial assets which are required to be measured at fair value through profit or loss	1,148,691	1,160,437	680,053	755	1,500	31,975	77,846	-	368,308
Equity investments	486,360	486,360	-	-	-	-	-	-	486,360
Other financial assets	638,795	650,214	625,892	18,752	-	5,570	-	-	-
Total financial assets	**86,188,255**	**103,795,371**	**46,241,513**	**3,973,368**	**8,395,112**	**14,538,790**	**8,880,981**	**20,890,015**	**875,592**
Net balance sheet position		**24,746,517**	**5,794,115**	**(1,579,349)**	**1,046,574**	**(5,608,023)**	**5,812,522**	**18,405,086**	**875,592**
Off-balance sheet									
Irrevocable commitments given	121,156	136,928	5,271	5,920	20,264	41,420	3,442	60,611	-
Irrevocable financial guarantees given	2,958,099	3,057,330	590,107	278,738	1,408,939	533,818	64,750	180,978	-
Gross value of swap and forward contracts									
- Deliverable amounts	(1,436,968)	(1,436,968)	(171,274)	(581,354)	-	(350,000)	(334,340)	-	-
- Receivable amounts	1,703,559	1,703,559	169,536	581,775	-	530,289	379,789	42,170	-
Net position of derivatives	266,591	266,591	(1,738)	421	-	180,289	45,449	42,170	-
Total off-balance sheet	**3,345,846**	**3,460,849**	**593,640**	**285,079**	**1,429,203**	**755,527**	**113,641**	**283,759**	**-**
Total net on- and off-balance sheet position		**28,207,366**	**6,387,755**	**(1,294,270)**	**2,475,777**	**(4,852,496)**	**5,926,163**	**18,688,845**	**875,592**

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 approved on maturity buckets (time intervals) for interest recalculation.
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 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)
31 December 2019								
Average for the period	(2,299)	2,299	(1,150)	1,150	(2,458)	2,458	(1,229)	1,229
Minimum for the period	(121,305)	79	(60,652)	39	(122,083)	79	(61,041)	39
Maximum for the period	63,730	(185)	31,865	(92)	61,521	(189)	30,760	(94)

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	**2020**	**2019**
Own funds	10,404,627	8,328,805
Potential decline in ec value +/- 200bp		
Absolute value	255,719	213,384
Impact on own funds	2.46%	2.56%

The potential change of the **Group**'s economic value based on the standardized method is presented in the table below:

In RON thousand	**2020**	**2019**
Own funds	10,717,290	8,481,438
Potential decline in ec value +/- 200bp		
Absolute value	251,607	207,422
Impact on own funds	2.35%	2.45%

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 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	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)**

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 2019**:

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	14,583,143	-	-	-	-	-	**14,583,143**
Placements with banks	7,737,919	37,221	-	-	-	-	**7,775,140**
Financial assets measured at amortized cost - debt instruments	1,533,766	167,458	188,244	51,652	26,911	-	**1,968,031**
Loans and advances to customers	31,321,533	2,992,331	2,709,796	1,714,503	437,241	-	**39,175,404**
Finance lease receivables	1,160,921	1,887	4,063	8,227	3,345	-	**1,178,443**
Other financial assets	180,734	-	5,264	-	-	502,011	**688,009**
Total financial assets	**56,518,016**	**3,198,897**	**2,907,367**	**1,774,382**	**467,497**	**502,011**	**65,368,170**
Financial liabilities							
Deposits from banks	201,847	-	94,291	-	-	-	**296,138**
Deposits from customers	64,272,770	10,723,532	1,963,133	6,318	71,307	-	**77,037,060**
Loans from banks and other financial institutions, subordinated debt and issued bonds	3,147,426	-	-	-	26,701	-	**3,174,127**
Lease liabilities	54,544	52,427	161,360	88,084	31,026	-	**387,441**
Other financial liabilities	-	-	-	-	-	909,100	**909,100**
Total financial liabilities	**67,676,587**	**10,775,959**	**2,218,784**	**94,402**	**129,034**	**909,100**	**81,803,866**
Net position	**(11,158,571)**	**(7,577,062)**	**688,583**	**1,679,980**	**338,463**	**(407,089)**	**(16,435,696)**
Irrevocable commitments given	16,781	20,532	479,079	110,715	54,022	-	**681,129**
Irrevocable financial guarantees given	820,443	1,382,469	526,936	64,095	180,183	-	**2,974,126**
Total off-balance sheet	**837,224**	**1,403,001**	**1,006,015**	**174,810**	**234,205**	**-**	**3,655,255**
Net position on- and off-balance sheet	**(10,321,347)**	**(6,174,061)**	**1,694,598**	**1,854,790**	**572,668**	**(407,089)**	**(12,780,441)**

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	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)**

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 2019**:

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	13,480,195	-	-	-	-	-	**13,480,195**
Placements with banks	6,958,993	36,353	-	-	-	-	**6,995,346**
Financial assets at amortized cost – debt instruments	957,881	62,131	95,581	34,330	26,911	-	**1,176,834**
Loans and advances to customers	31,045,965	2,938,670	2,530,582	1,650,207	436,491	-	**38,601,915**
Net lease investments	-	-	-	-	-	-	**-**
Other financial assets	180,733	-	5,264	-	-	452,798	**638,795**
Total financial assets	**52,623,767**	**3,037,154**	**2,631,427**	**1,684,537**	**463,402**	**452,798**	**60,893,085**
Financial liabilities							
Deposits from banks	210,170	-	94,291	-	-	-	**304,461**
Deposits from customers	61,568,098	10,703,098	1,994,782	16,438	71,307	-	**74,353,723**
Loans from banks and other financial institutions, subordinated debt and issued bonds	2,565,574	-	-	-	26,701	-	**2,592,275**
Lease liabilities	53,127	51,030	149,753	81,710	30,311	-	**365,931**
Other financial liabilities	-	-	-	-	-	689,531	**689,531**
Total financial liabilities	**64,396,969**	**10,754,128**	**2,238,826**	**98,148**	**128,319**	**689,531**	**78,305,921**
Net position	**(11,773,202)**	**(7,716,974)**	**392,601**	**1,586,389**	**335,083**	**(236,733)**	**(17,412,836)**
Irrevocable commitments given	11,014	20,212	41,416	3,442	45,072	-	**121,156**
Irrevocable financial guarantees given	815,783	1,379,165	520,916	62,053	180,182	-	**2,958,099**
Total off-balance sheet	**826,797**	**1,399,377**	**562,332**	**65,495**	**225,254**	**-**	**3,079,255**
Net position on- and off-balance sheet	**(10,946,405)**	**(6,317,597)**	**954,933**	**1,651,884**	**560,337**	**(236,733)**	**(14,333,581)**

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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 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	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 **Group**'s monetary assets and liabilities denominated in RON and FCY at **31 December 2019** are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and curent accounts with Central Banks	6,285,087	6,874,495	131,791	1,291,770	**14,583,143**
Placements with banks	2,153,037	3,920,313	1,512,629	189,161	**7,775,140**
Financial assets held for trading and measured at fair value through profit and loss	128,567	-	-	-	**128,567**
Derivatives	4,527	276	-	-	**4,803**
Loans and advances to customers	30,153,163	7,698,534	157,142	1,166,565	**39,175,404**
Finance lease receivables	229,841	947,733	869	-	**1,178,443**
Financial assets measured at fair value through other items of comprehensive income	13,956,714	8,501,831	1,171,475	3,237	**23,633,257**
Financial assets which are required to be measured at fair value through profit or loss	367,502	344,987	21,568	-	**734,057**
Financial assets at amortized cost - debt instruments	54,702	1,181,290	-	732,039	**1,968,031**
Other financial assets	571,166	90,793	12,079	13,971	**688,009**
Total monetary assets	**53,904,306**	**29,560,252**	**3,007,553**	**3,396,743**	**89,868,854**
Monetary liabilities					
Deposits from banks	255,825	28,193	10,899	1,221	**296,138**
Deposits from customers	44,684,504	27,240,802	2,838,886	2,272,868	**77,037,060**
Loans from banks and other financial institutions, subordinated debt	184,805	2,814,787	172,460	2,075	**3,174,127**
Financial liabilities held-for-trading	12,287	44	-	-	**12,331**
Lease liabilities	16,636	368,696	957	1,152	**387,441**
Other financial liabilities	635,040	174,422	49,525	50,113	**909,100**
Total monetary liabilities	**45,789,097**	**30,626,944**	**3,072,727**	**2,327,429**	**81,816,197**
Net currency position	**8,115,209**	**(1,066,692)**	**(65,174)**	**1,069,314**	**8,052,657**
Gross value of swap and forward contracts					
- Deliverable amounts	(732,270)	(210,466)	(9,479)	(484,753)	**(1,436,968)**
- Receivable amounts	310,175	1,393,384	-	-	**1,703,559**
Net position of derivatives	**(422,095)**	**1,182,918**	**(9,479)**	**(484,753)**	**266,591**
Net on- and off-balance sheet position	**7,693,114**	**116,226**	**(74,653)**	**584,561**	**8,319,248**

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	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**

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 2019** are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and curent accounts with Central Banks	6,282,834	6,678,730	55,951	462,680	**13,480,195**
Placements with banks	2,042,642	3,482,373	1,282,825	187,506	**6,995,346**
Financial assets at amortized cost - debt instruments	48,709	1,128,125	-	-	**1,176,834**
Derivatives	4,527	276	-	-	**4,803**
Loans and advances to customers	30,006,159	7,955,694	113,020	527,042	**38,601,915**
Financial assets measured at fair value through other items of comprehensive income	13,952,332	8,501,831	1,171,475	-	**23,625,638**
Financial assets which are required to be measured at fair value through profit or loss	628,167	355,421	21,568	-	**1,005,156**
Other financial assets	551,928	79,056	7,680	131	**638,795**
Total monetary assets	**53,517,298**	**28,181,506**	**2,652,519**	**1,177,359**	**85,528,682**
Monetary liabilities					
Deposits from banks	256,074	44,272	1,290	2,825	**304,461**
Deposits from customers	44,802,328	26,405,932	2,500,056	645,407	**74,353,723**
Loans from banks and other financial institutions, subordinated debt	26,701	2,393,378	172,196	-	**2,592,275**
Financial liabilities held-for-trading	12,287	44	-	-	**12,331**
Lease liabilities	11,829	353,174	928	-	**365,931**
Other financial liabilities	495,530	115,834	42,773	35,394	**689,531**
Total monetary liabilities	**45,604,749**	**29,312,634**	**2,717,243**	**683,626**	**78,318,252**
Net currency position	**7,912,549**	**(1,131,128)**	**(64,724)**	**493,733**	**7,210,430**
Gross value of swap and forward contracts					
- Deliverable amounts	(732,270)	(210,466)	(9,479)	(484,753)	**(1,436,968)**
- Receivable amounts	310,175	1,393,384	-	-	**1,703,559**
Net position of derivatives	**(422,095)**	**1,182,918**	**(9,479)**	**(484,753)**	**266,591**
Net on- and off-balance sheet position	**7,490,454**	**51,790**	**(74,203)**	**8,980**	**7,477,021**

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	**2020**	**2019**
EUR increase by up to 20%	27,709	21,642
EUR decrease by up to 20%	(27,709)	(21,642)
USD increase by up to 20%	8,338	30,220
USD decrease by up to 20%	(8,338)	(30,220)

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 Bank and the Group, 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 2020, respectively 31 December 2019 is presented below:

		Group		**Bank**	
In RON thousand		**2020**	**2019**	**2020**	**2019**
Assets	Notes	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**
Held-for-trading financial assets measured at fair value through profit or loss	21	120,335	128,567	-	-
Derivatives	43	22,090	4,803	22,090	4,803
Financial assets which are required to be measured at fair value through profit or loss	21	868,150	734,057	1,132,481	1,005,156
Financial assets measured at fair value through other items of comprehensive income	24	30,844,490	23,633,257	30,835,955	23,625,638
Total on-balance sheet		**31,855,065**	**24,500,684**	**31,990,526**	**24,635,597**

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, all other variables remaining constant:

Group	**31 December 2020**		**31 December 2019**	
In RON thousand	**Impact in profit or loss**	**Impact in equity**	**Impact in profit or loss**	**Impact in equity**
Shares	(1,899)	-	(1,811)	-
OTC derivatives	(84,914)	-	(77,601)	-
Bonds and T-bills	-	(153,944)	-	(460,447)
Total impact	**(86,813)**	**(153,944)**	**(79,412)**	**(460,447)**

Bank	**31 December 2020**		**31 December 2019**	
In RON thousand	**Impact in profit or loss**	**Impact in equity**	**Impact in profit or loss**	**Impact in equity**
Shares	(1,757)	-	(1,751)	-
OTC derivatives	(79,269)	-	(74,135)	-
Bonds and T-bills	-	(152,585)	-	(459,523)
Total impact	**(81,026)**	**(152,585)**	**(75,886)**	**(459,523)**

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 the Bank and at the Group 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.

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 2020-31 December 2020;
- 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 Bank and the Group 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 Bank and the Group 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 2019 and 31 December 2020, as well as during the years 2020 and 2019, 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 12,108,132 thousand as of 31 December 2020 (2019: RON 9,765,025 thousand), regulatory capital amounts to RON 7,192,994 thousand (2019: RON 6,447,630 thousand) and the Group and the Bank have complied with all externally imposed capital requirements throughout 2020 and 2019.

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 2020 and 31 December 2019 are as follow

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Tier 1 own funds	10,573,525	8,187,882	10,067,481	7,820,620
Tier 2 own funds	1,534,607	1,577,143	1,534,607	1,577,143
Total own funds	**12,108,132**	**9,765,025**	**11,602,088**	**9,397,763**
Credit risk exposure	38,863,240	35,119,890	35,204,814	30,992,756
Market risk, FX risk, delivery risk exposure	10,664,643	9,209,245	9,716,036	9,019,328
Operational risk exposure	7,984,598	7,230,211	7,221,969	6,955,068
Risk exposure for the adjustment of credit assessment	31,470	21,697	31,470	21,697
Total risk exposure	**57,543,951**	**51,581,043**	**52,174,289**	**46,988,849**

The capital adequacy ratio (CAR) is calculated as a ratio between own funds and total risk-weighted assets:

	Group		Bank	
In %	**2020**	**2019**	**2020**	**2019**
Core tier one ratio	18.37	15.87	19.30	16.64
Tier 1 ratio	18.37	15.87	19.30	16.64
CAR	21.04	18.93	22.24	20.00

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 2020 and on 31 December 2019. Regulatory capital as at 31 December 2020 and 31 December 2019 was calculated according to the IFRS endorsed by the European Union.

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.

5. Accounting estimates and significant judgements *(continued)*

a) Impairment losses on loans and advances to customers (continued)

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 2019 to reflect the worsening of the macroeconomic outlook due to the COVID 19 pandemic.
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. 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.

Also, due to the COVID-19 pandemic, management applies supplementary judgement when determining the need for post-model adjustments.

Borrowers could request during 2020, the postponement of rates and interest until the end of 2020. Based on Romanian legislation OUG 37/2020, 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, 2020. 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). The facility could only be granted for loans that did not have overdues or the debtors had paid these arrears until the date of requesting the suspension of the payment obligation and was granted before March 2020.

5. Accounting estimates and significant judgements *(continued)*

a) Impairment losses on loans and advances to customers (continued)

During 2020, over 41,000 individuals and companies benefited from the deferral of installments, with a carrying amount of RON 5.6 billion as of December 31, 2020. Also, over 400,000 cards were exempted for 3 months from the payment of the monthly obligation due to the extended grace period, and under the government program IMM Invest, the Bank provided 10,000 loans, supporting companies that mean over 70,000 jobs, especially in the fields: wholesale and retail trade, transport and construction.

In 2021, the moratorium program was extended (legislation: GEO no. 227/2020), in the sense that the government prolonged the possibility of accessing the deferral of payments until March 15, 2021, up to a maximum of 9 months for each loan subject to moratoria. Therefore, for instance, if a borrower benefited in 2020 from the deferral of installments for 6 months (GEO no. 227/2020), he was able to request this facility for its loans, in 2021, for a period of only 3 months.

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, we also examined the information from the Bank's own databases, related to the clients who applied to payment deferral program. All this has led to the consideration of some sectors as being more sensitive/affected by pandemic 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.

During 2020, 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). The 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.

Another factor that determined the increase in the expected credit losses is the 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. Taking into account the regulations of E.B.A. and N.B.R. the management will continue to carry out these monitoring exercises in the future, considering that this ensures a better assessment of the improbability of payments of borrowers who are subject to deferred payments, offered by moratoria programs.

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 stageing (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.

5. Accounting estimates and significant judgements *(continued)*

a) Impairment losses on loans and advances to customers (continued)

Due to the COVID-19 pandemic, the financial markets were very volatile during March 2020 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, especially in March 2020, but subsequently returned to a stabilized trend or quite positive. 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 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-coraltion of the fiscal llegislation 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.
- 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.

5. Accounting estimates and significant judgements *(continued)*

*b)*Anticipated individual fiscal solutions ("AIFS")

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, quashed the first instance decision, retrialed the case and in retrial rejected the action filed by Banca Transilvania as unfounded.

Based on the information made available by the High Court of Cassation and Justice once the reasoning of the judgment of June 23, 2020 was published, the Bank filed a request for review of this decision, which established the first trial date on March31, 2021. Depending on the result of this request, the Bank will subsequently decide which and if other actions will be necessary in this case.
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 and Bancpost 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 2020 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 SA, 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 440 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 Bank and the Group 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.

For other significant litigation and regulatory enforcement matters, the Group believes the possibility of an outflow of funds is more than remote but less than probable but the amount is not reliably estimable, and accordingly such matters are not included in the contingent liability estimates.
The Bank and the Group 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, are classified according to the Group'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 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);

- 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.
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.

6. Segment reporting *(continued)*

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.
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.

6. Segment reporting *(continued)*

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.

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 2020 and 31 December 2019, 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 2020, and comparative data for 2019:

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 2019

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	6,774,788	6,272,447	2,380,233	3,297,010	23,357,648	-	2,277,498	17,415	(1,242,161)	**43,134,878**
Provisions for principal	(786,983)	(542,207)	(149,969)	(230,833)	(844,565)	-	(243,836)	(1,706)	19,068	**(2,781,031)**
Loans and finance lease receivables net of provisions	5,987,805	5,730,240	2,230,264	3,066,177	22,513,083	-	2,033,662	15,709	(1,223,093)	**40,353,847**
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	-	26,660,227	-	311,207	(189,693)	**26,781,741**
Treasury and inter-bank operations	-	-	-	-	-	22,251,683	77,253	207,963	(178,616)	**22,358,283**
Property and equipment and investment property, Intangible assets and goodwill	52,100	104,647	91,593	162,546	389,774	16,747	5,311	158,342	(4,311)	**976,749**
Right-of-use assets	24,542	45,490	34,242	76,233	182,012	7,280	6,190	15,065	(3,029)	**388,025**
Other assets	126,277	124,280	50,352	60,629	437,560	-	43,634	34,972	(14,068)	**863,636**
Total assets	**6,190,724**	**6,004,657**	**2,406,451**	**3,365,585**	**23,522,429**	**48,935,937**	**2,166,050**	**743,258**	**(1,612,810)**	**91,722,281**
Deposits from customers and current accounts	4,951,270	5,759,774	4,010,048	9,751,289	52,731,626	304,461	-	2,036	(177,306)	**77,333,198**
Loans from banks and other financial institutions	95,032	394,095	158,502	178,110	81,667	-	1,718,326	85,434	(1,237,246)	**1,473,920**
Subordinated liabilities	-	-	-	-	-	1,696,602	-	-	3,605	**1,700,207**
Lease liabilities	61,245	56,765	28,500	29,680	205,245	646	6,287	2,175	(3,102)	**387,441**
Other liabilities	287,186	223,519	72,493	80,740	736,531	585	68,605	160,439	(16,419)	**1,613,679**
Total liabilities	**5,394,733**	**6,434,153**	**4,269,543**	**10,039,819**	**53,755,069**	**2,002,294**	**1,793,218**	**250,084**	**(1,430,468)**	**82,508,445**
Equity and related items	-	-	-	-	-	-	-	9,213,836	-	**9,213,836**
Total liabilities and equity	**5,394,733**	**6,434,153**	**4,269,543**	**10,039,819**	**53,755,069**	**2,002,294**	**1,793,218**	**9,463,920**	**(1,430,468)**	**91,722,281**

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	12,760	36,662	(15,073)	**138,630**
Total income	**186,779**	**387,904**	**295,075**	**520,018**	**1,357,356**	**506,130**	**249,441**	**1,050,821**	**(15,892)**	**4,537,632**
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)	(44,943)	(125,562)	10,577	**(624,152)**
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)**	**(102,573)**	**(238,366)**	**13,553**	**(2,049,364)**
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

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2019

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	93,864	272,322	188,560	326,085	1,199,007	175,700	262,303	554,150	1,754	**3,073,745**
Net commission income	54,777	113,324	79,235	253,302	268,253	(3,334)	7,781	53,284	(3,845)	**822,777**
Net trading income	9,533	36,134	30,691	60,915	111,947	95,651	3,385	62,358	(11)	**410,603**
Net loss (-) / gain from financial assets measured through comprehensive income	-	-	-	-	-	59,591	-	57,234	-	**116,825**
Net loss / gain (-) from financial assets which are required to be measured through profit and loss	-	-	-	-	-	121,839	-	3,770	-	**125,609**
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(9,133)	(9,300)	(3,527)	(13,925)	(75,080)	-	-	-	-	**(110,965)**
Other operating income	19,894	15,960	4,428	2,510	77,111	120	20,682	51,626	(23,959)	**168,372**
Total income	**168,935**	**428,440**	**299,387**	**628,887**	**1,581,238**	**449,567**	**294,151**	**782,422**	**(26,061)**	**4,606,966**
Personnel expenses	(65,514)	(158,917)	(114,001)	(174,262)	(373,823)	(18,043)	(49,817)	(83,942)	30	**(1,038,289)**
Other operating expenses	(48,708)	(75,233)	(50,447)	(77,594)	(260,629)	(35,282)	(73,251)	(223,675)	11,730	**(833,089)**
Depreciation and amortization	(20,599)	(39,787)	(29,118)	(58,712)	(141,284)	(5,760)	(6,192)	(11,260)	1,353	**(311,359)**
Total Expenses	**(134,821)**	**(273,937)**	**(193,566)**	**(310,568)**	**(775,736)**	**(59,085)**	**(129,260)**	**(318,877)**	**13,113**	**(2,182,737)**
Operating profit before net, expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	**34,114**	**154,503**	**105,821**	**318,319**	**805,502**	**390,482**	**164,891**	**463,545**	**(12,948)**	**2,424,229**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities

a) Accounting classifications and fair value

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	62,521,120	62,525,270	32,708,450	32,726,413	29,812,670	29,798,857	33,716,249	33,716,473	21,795,497	21,796,367	11,920,752	11,920,106
Total financial liabilities	**96,272,186**	**96,276,560**	**62,521,120**	**62,525,270**	**32,708,450**	**32,726,413**	**29,812,670**	**29,798,857**	**33,751,066**	**33,751,290**	**21,829,865**	**21,830,735**	**11,921,201**	**11,920,555**

(*) 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 2019					Retail						Non-Retail			
					in RON		in FCY				in RON		in FCY	
In RON thousand	Total carrying amount 2019	Total fair value 2019	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 (*)	277,410	277,410	-	-	-	-	-	-	277,410	277,410	262,104	262,104	15,306	15,306
Financial assets which are required to be measured at fair value through profit or loss, of which:	877,989	877,989	-	-	-	-	-	-	877,989	877,989	362,256	362,256	515,733	515,733
- Equity instruments	*143,932*	*143,932*	-	-	-	-	-	-	*143,932*	*143,932*	*396*	*396*	*143,536*	*143,536*
- Debt instruments	*734,057*	*734,057*	-	-	-	-	-	-	*734,057*	*734,057*	*361,860*	*361,860*	*372,197*	*372,197*
Financial assets carried at amortized cost	65,368,170	65,365,300	23,228,342	23,245,257	18,374,303	18,257,939	4,854,039	4,987,318	42,139,828	42,120,043	21,066,701	21,042,493	21,073,127	21,077,550
Financial assets measured at fair value through other items of comprehensive income	23,658,311	23,658,311	-	-	-	-	-	-	23,658,311	23,658,311	13,978,925	13,978,925	9,679,386	9,679,386
- Equity instruments	*25,053*	*25,053*	-	-	-	-	-	-	*25,053*	*25,053*	*22,210*	*22,210*	*2,843*	*2,843*
- Debt instruments	*23,603,235*	*23,603,235*	-	-	-	-	-	-	*23,603,235*	*23,603,235*	*13,956,715*	*13,956,715*	*9,646,520*	*9,646,520*
- Loans and advances	*30,023*	*30,023*	-	-	-	-	-	-	*30,023*	*30,023*	-	-	*30,023*	*30,023*
Total financial assets	**90,181,880**	**90,179,010**	**23,228,342**	**23,245,257**	**18,374,303**	**18,257,939**	**4,854,039**	**4,987,318**	**66,953,538**	**66,933,753**	**35,669,986**	**35,645,778**	**31,283,552**	**31,287,975**
Financial liabilities														
Financial liabilities held-for-trading	12,331	12,331	-	-	-	-	-	-	12,331	12,331	12,287	12,287	44	44
Financial liabilities measured at amortized cost	81,803,866	81,820,443	53,039,719	53,056,178	27,574,520	27,582,172	25,465,199	25,474,006	28,764,147	28,764,265	18,202,289	18,202,353	10,561,858	10,561,912
Total financial liabilities	**81,816,197**	**81,832,774**	**53,039,719**	**53,056,178**	**27,574,520**	**27,582,172**	**25,465,199**	**25,474,006**	**28,776,478**	**28,776,596**	**18,214,576**	**18,214,640**	**10,561,902**	**10,561,956**

(*) 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	60,643,930	60,662,188	32,580,437	32,598,399	28,063,493	28,063,789	32,422,518	32,423,389	21,676,154	21,677,025	10,746,364	10,746,364
Total financial liabilities	**93,101,265**	**93,120,394**	**60,643,930**	**60,662,188**	**32,580,437**	**32,598,399**	**28,063,493**	**28,063,789**	**32,457,335**	**32,458,206**	**21,710,523**	**21,711,394**	**10,746,813**	**10,746,813**

(*) 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 2019					Retail						Non-Retail			
					in RON		in FCY				in RON		in FCY	
In RON thousand	Total carrying amount 2019	Total fair value 2019	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 (*)	22,312	22,312	-	-	-	-	-	-	22,312	22,312	21,532	21,532	780	780
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,148,691	1,148,691	-	-	-	-	-	-	1,148,691	1,148,691	628,166	628,166	520,525	520,525
- *Equity instruments*	143,535	143,535	-	-	-	-	-	-	143,535	143,535	-	-	143,535	143,535
- *Debt instruments*	1,005,156	1,005,156	-	-	-	-	-	-	1,005,156	1,005,156	628,166	628,166	376,990	376,990
Financial assets carried at amortized cost	60,893,085	60,702,737	22,359,208	22,212,104	17,949,837	17,681,828	4,409,371	4,530,276	38,533,877	38,490,633	20,401,403	20,372,157	18,132,474	18,118,476
Financial assets measured at fair value through other items of comprehensive income	23,637,807	23,637,807	-	-	-	-	-	-	23,637,807	23,637,807	13,962,467	13,962,467	9,675,340	9,675,340
- *Equity instruments*	12,169	12,169	-	-	-	-	-	-	12,169	12,169	10,134	10,134	2,035	2,035
- *Debt instruments*	23,595,615	23,595,615	-	-	-	-	-	-	23,595,615	23,595,615	13,952,333	13,952,333	9,643,282	9,643,282
- *Loans and receivables*	30,023	30,023	-	-	-	-	-	-	30,023	30,023	-	-	30,023	30,023
Total financial assets	**85,701,895**	**85,511,547**	**22,359,208**	**22,212,104**	**17,949,837**	**17,681,828**	**4,409,371**	**4,530,276**	**63,342,687**	**63,299,443**	**35,013,568**	**34,984,322**	**28,329,119**	**28,315,121**
Financial liabilities														
Financial liabilities held-for-trading	12,331	12,331	-	-	-	-	-	-	12,331	12,331	12,287	12,287	44	44
Financial liabilities measured at amortized cost	78,305,921	78,322,498	51,066,078	51,082,538	27,453,046	27,460,699	23,613,032	23,621,839	27,239,843	27,239,960	18,139,418	18,139,481	9,100,425	9,100,479
Total financial liabilities	**78,318,252**	**78,334,829**	**51,066,078**	**51,082,538**	**27,453,046**	**27,460,699**	**23,613,032**	**23,621,839**	**27,252,174**	**27,252,291**	**18,151,705**	**18,151,768**	**9,100,469**	**9,100,523**

(*) 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 Bank and the Group 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 Bank and the Group 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.

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 Bank and the Group 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 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:		**745,920**	**62,226**	**277,568**	**1,085,714**
- Equity instruments	*21.b)*	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**
31 December 2019					
Financial assets held for trading and measured at fair value through profit or loss, of which:	*21.a)*	**272,607**	**-**	**-**	**272,607**
- Equity instruments		*144,040*	-	-	*144,040*
- Debt instruments		*128,567*	-	-	*128,567*
Derivatives	*43*	**-**	**4,803**	**-**	**4,803**
Financial assets measured at fair value through other items of comprehensive income	*24*	**23,602,342**	**893**	**55,076**	**23,658,311**
- Equity instruments		-	-	*25,053*	*25,053*
- Debt instruments		*23,602,342*	*893*	-	*23,603,235*
- Loans and advances		-	-	*30,023*	*30,023*
Financial assets which are required to be measured at fair value through profit or loss, of which:	*21.b)*	**614,184**	**-**	**263,805**	**877,989**
- Equity instruments		*143,932*	-	-	*143,932*
- Debt instruments		*470,252*	-	***263,805***	*734,057*
Total financial assets measured at fair value in the statement of financial position		**24,489,133**	**5,696**	**318,881**	**24,813,710**
Non-financial assets at fair value		**-**	**-**	**727,526**	**727,526**
- Property and equipment and investment property	*26*	-	-	*727,526*	*727,526*
Total assets measured at fair value in the statement of financial position		**24,489,133**	**5,696**	**1,046,407**	**25,541,236**
Financial liabilities held-for-trading	*43*	**-**	**12,331**	**-**	**12,331**

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*	**Notes**	**Level 1 - Quoted market prices in active markets**	**Level 2 - Valuation techniques – observable inputs**	**Level 3 - Valuation techniques – unobservable inputs**	**Total**
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	-	**22,090**
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:		**1,009,879**	**62,226**	**277,568**	**1,349,673**
- Equity instruments	21.b)	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**
31 December 2019					
Financial assets held for trading and measured at fair value through profit or loss, of which:	21.a)	**17,509**	**-**	**-**	**17,509**
- Equity instruments		17,509	-	-	**17,509**
Derivatives	43	-	4,803	-	**4,803**
Financial assets measured at fair value through other items of comprehensive income	24	**23,594,722**	**893**	**42,192**	**23,637,807**
- Equity instruments		-	-	12,169	**12,169**
- Debt instruments		23,594,722	893	-	**23,595,615**
- Loans and receivables		-	-	*30,023*	***30,023***
Financial assets which are required to be measured at fair value through profit or loss, of which:	21.b)	**884,886**	**-**	**263,805**	**1,148,691**
- Equity instruments		*143,535*	-	-	**143,535**
- Debt instruments		*741,351*	-	*263,805*	**1,005,156**
Total financial assets measured at fair value in the statement of financial position		**24,497,117**	**5,696**	**305,997**	**24,808,810**
Non-financial assets at fair value		**-**	**-**	***575,038***	**575,038**
- Property and equipment and investment property	26	-	-	*575,038*	**575,038**
Total assets measured at fair value in the statement of financial position		**24,497,117**	**5,696**	**881,035**	**25,383,848**
Financial liabilities held-for-trading	43	**-**	**12,331**	**-**	**12,331**

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 Bank and the Group included in the category of assets that are not held at fair value: placements with banks, 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 Bank and the Group 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 2020**:

		Group					Bank				
RON thousand	**Note**	**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	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

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 2019**:

		Group					Bank				
RON thousand	Note	Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3	Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3
Assets											
Placements with banks	20	7,775,140	7,775,140	-	7,775,140	-	6,995,346	6,995,346	-	6,995,346	-
Loans and advances to customers	22	39,175,404	39,168,530	-	-	39,168,530	38,601,915	38,411,567	-	-	38,411,567
Finance lease receivables	23	1,178,443	1,182,447	-	-	1,182,447	-	-	-	-	-
Financial assets at amortized cost - debt instruments	24	1,968,031	1,968,031	-	-	1,968,031	1,176,834	1,176,834	-	-	1,176,834
Other financial assets	30	688,009	688,009	-	-	688,009	638,795	638,795	-	-	638,795
Total assets		**50,785,027**	**50,782,157**	**-**	**7,775,140**	**43,007,017**	**47,412,890**	**47,222,542**	**-**	**6,995,346**	**40,227,196**
Liabilities											
Deposits from banks	32	296,138	296,138	-	296,138	-	304,461	304,461	-	304,461	-
Deposits from customers	33	77,037,060	77,053,638	-	77,053,638	-	74,353,723	74,370,300	-	74,370,300	-
Loans from banks and other financial institutions	34	1,473,920	1,473,920	-	-	1,473,920	895,673	895,673	-	-	895,673
Subordinated liabilities	35	1,700,207	1,700,207	-	-	1,700,207	1,696,602	1,696,602	-	-	1,696,602
Lease liabilities		387,441	387,441	-	-	387,441	365,931	365,931	-	-	365,931
Other financial liabilities	37	909,100	909,100	-	-	909,100	689,531	689,531	-	-	689,531
Total liabilities		**81,803,866**	**81,820,444**	**-**	**77,349,776**	**4,470,668**	**78,305,921**	**78,322,498**	**-**	**74,674,761**	**3,647,737**

Notes to the consolidated and separate financial statements

8. Net interest income

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Interest income calculated using the effective interest method	**3,495,215**	**3,493,771**	**3,199,035**	**3,185,084**
- Cash and curent accounts with Central Banks at AC	14,200	42,540	10,173	19,045
- Placements with banks at AC	103,783	51,794	101,660	47,627
- Loans and advances to customers at AC	2,646,980	2,864,425	2,399,967	2,631,822
- Debt instruments at FVOCI	683,257	474,445	682,900	474,202
- Debt instruments at AC	46,995	60,567	4,335	12,388
Other similar income	**165,210**	**160,621**	**11,673**	**15,553**
- Finance lease receivables	97,969	144,369	-	-
- Non-recourse factoring receivables	67,241	16,252	11,673	15,553
Total interest income	**3,660,425**	**3,654,392**	**3,210,708**	**3,200,637**
Interest expense related to financial liabilities measured at amortized cost	**681,981**	**578,712**	**629,232**	**513,775**
- Cash and curent accounts with Central Banks	**47,076**	37,831	47,068	37,831
- Deposits from banks	**23,796**	12,507	22,069	10,555
- Deposits from customers	**471,095**	427,016	436,103	380,614
- Loans from banks and other financial institutions	**140,014**	101,358	123,992	84,775
Other similar expense	**1,351**	**1,935**	**1,409**	**1,715**
- Lease liabilities	1,351	1,935	1,409	1,715
Total interest expense	**683,332**	**580,647**	**630,641**	**515,490**
Net interest income	**2,977,093**	**3,073,745**	**2,580,067**	**2,685,147**

(i) Interest income for the year ended at 31 December 2020 includes the net interest income on impaired financial assets amounting RON 121,832 thousand (2019: RON 222,190 thousand) for the Group and RON 96,164 thousand (2019: RON 185,874 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	**2020**	**2019**	**2020**	**2019**
Fee and commission income				
Commissions from treasury and inter-bank operations	132,711	121,239	132,711	121,239
Client transactions	980,128	994,957	819,098	853,267
Lending activity *(i)*	34,902	38,803	34,420	38,215
Finance lease management	51	1,307	-	-
Other fee and commission income	4,148	2,129	658	515
Total fee and commission income	***1,151,940***	***1,158,435***	***986,887***	***1,013,236***
Fee and commission expense				
Commissions from treasury and inter-bank operations	248,841	223,512	213,191	189,814
Client transactions	101,262	86,131	78,957	70,025
Lending activity *(i)*	23,209	22,866	36,089	34,971
Other fees and commissions	2,167	3,149	2,210	3,334
Total fee and commission expense	***375,479***	***335,658***	***330,447***	***298,144***
Net fee and commission income	**776,461**	**822,777**	**656,440**	**715,092**

(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	**2020**	**2019**	**2020**	**2019**
Net income from foreign exchange transactions	365,139	331,496	315,137	296,706
Net expense from derivatives	(28,181)	(8,658)	(28,178)	(8,659)
Net income/ (expense) from financial assets held-for-trading	(15,650)	68,213	1,151	6,395
Net income from foreign exchange position revaluation	23,811	19,552	22,011	24,076
Net trading income	**345,119**	**410,603**	**310,121**	**318,518**

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	**2020**	**2019**	**2020**	**2019**
Income from the sale of financial assets measured at fair value through other items of comprehensive income	305,442	122,353	305,387	122,332
Losses from the sale of financial assets measured at fair value through other items of comprehensive income	(4,777)	(5,528)	(4,777)	(5,528)
Net gain/loss(-) from the sale of financial assets measured at fair value through other items of comprehensive income	**300,665**	**116,825**	**300,610**	**116,804**

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	**2020**	**2019**	**2020**	**2019**
Losses from financial assets which are required to be measured at fair value through profit or loss	(194,251)	(118,723)	(308,330)	(133,489)
Income from financial assets which are required to be measured at fair value through profit or loss	268,361	244,332	350,830	298,549
Net gain/loss(-) from financial assets which are required to be measured at fair value through profit or loss	**74,110**	**125,609**	**42,500**	**165,060**

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	
	2020	**2019**	**2020**	**2019**
Contribution to the Bank Deposit Guarantee Fund	33,093	86,841	30,551	83,491
Bank Resolution Fund	41,353	24,124	39,244	24,124
Total	**74,446**	**110,965**	**69,795**	**107,615**

14. Other operating income

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Dividend income	2,974	3,174	6,939	10,707
Income from insurance intermediation	69,248	72,780	53,911	64,550
Income from the sale of finished products	-	21,646	-	-
Income from VISA, MASTERCARD, WU services	15,719	16,972	15,719	16,972
Income from indemnities, fines and penalties	9,863	11,534	6,818	8,879
Other operating income *(i)*	40,826	42,266	33,874	29,136
Total	**138,630**	**168,372**	**117,261**	**130,244**

(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

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Net impairment allowance on assets (i)	1,031,479	453,768	913,879	416,926
Loans written off	5,259	21,084	1	23
Finance lease receivables written off	16,947	23,591	-	-
Provisions for other risks and loan commitments	88,528	57,993	97,830	53,393
Recoveries from loans written off	(244,148)	(230,677)	(227,826)	(225,613)
Recoveries from finance lease receivables written off	(32,225)	(33,113)	-	-
Net impairment allowance,expected losses on assets, provisions for other risks and loan commitments	**865,840**	**292,646**	**783,884**	**244,729**

(i) Net impairment losses on assets include the following:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Loans and advances to customers	984,194	427,944	911,369	364,972
Treasury and inter-bank operations	93	(2,759)	403	56
Finance lease receivables	32,929	48,633	-	-
Equity investments	-	-	-	51,317
Investment securities	4,481	(323)	2,312	102
Other financial assets	5,677	526	2,626	1,076
Other non-financial assets	4,105	(19,504)	(2,831)	(597)
Property and equipment and intangible assets	-	(749)	-	-
Net impairment allowance on assets	**1,031,479**	**453,768**	**913,879**	**416,926**

16. Personnel expenses

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Gross salaries	934,033	875,543	817,718	760,605
Social protection contribution	39,795	38,139	26,491	25,866
Share payments to employees	62,894	59,338	60,564	59,338
Pension contribution Pillar III	12,005	7,479	11,256	7,004
Other staff expenses	52,869	49,597	47,583	44,376
Net expenses with provisions for untaken holiday and other benefits	(4,105)	8,193	(4,759)	1,869
Total	**1,097,491**	**1,038,289**	**958,853**	**899,058**

The average number of new employees within the Group and the Bank during 2020 and 2019 was:

Category	**Monthly average number of persons employed during 2020**		**Monthly average number of persons employed during 2019**	
	Group	**Bank**	**Group**	**Bank**
Management positions	1.08	0.08	2.58	0.92
Operational positions	108.25	82.33	187.83	152.42
Total	**108.67**	**82.42**	**190.42**	**153.33**

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 2021 related to SOP 2020:

- Achievement of performance and prudential indicators during 2020;
- 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 (01 September 2020) and when exercising such right (starting from 02 September 2021);

Contractual vesting period for the shares granted for the year 2020 through SOP:

- Release after 02 September 2021;
- 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 +/- 12,101 thousand.

The movement in transactions relating to share-based payments during 2020 and 2019 is presented below:

In RON thousand	**2020**	**2019**
Balance as at January 1	**26,927**	**30,848**
Rights granted during the year	(78,675)	(63,259)
Expense with employee benefits in the form of share-based payments	60,565	59,338
Closing balance at the end of period	**8,817**	**26,927**

16. Personnel expenses *(continued)*

35,068,919 shares were granted to employees and shareholders in 2020; during the year 2019, a number of 30,035,756 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 2020	33,767,328	With immediate release on 03 June 2020	Achievement of performance and prudential indicators during 2019, 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.
	1,301,591	Deferral by trust agreement for 3-5 years	

17. Other operating expenses

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Rent and lease expense	8,496	22,281	6,893	19,786
Repairs and maintenance expenses	164,513	170,323	148,505	155,147
Advertising, marketing, entertainment and sponsorship expenses	83,613	93,160	73,554	80,570
Mail, telecommunication and SMS traffic expenses	54,899	43,925	42,885	37,930
Materials and stationery	66,997	75,426	61,090	55,006
Other professional fees, including legal expenses	27,114	37,855	13,183	33,046
Expenses regarding movable and immovable assets resulting from debt enforcement	3,389	277	3,000	345
Electricity and heating	22,735	25,976	20,944	21,466
Business travel, transportation and temporary relocation expenses	24,581	31,978	23,710	29,257
Insurance costs	21,262	21,860	18,263	19,575
Taxes	23,912	120,873	22,025	115,589
Write-off and loss on disposal of property and equipment and intangible assets	6,838	50,565	4,574	49,861
Security and protection	13,537	12,330	11,986	10,274
Expenses related to archiving services	15,734	19,638	15,540	19,220
Expenses related to database queries from the Trade Register and the Credit Bureau	5,699	5,265	4,669	4,457
Expenses with foreclosed assets	5,324	4,279	5,324	3,803
Audit, advisory and other services provided by the independent auditor	6,297	6,596	3,298	4,159
- statutory and group audit fees	5,154	*4,798*	*2,979*	*3,237*
- special audit services or other non-audit services as required by the local rules or legislation	1,143	*1,798*	*319*	*922*
Net expenses from the sale of leased goods	3,827	22,734	-	-
Other operating expenses	65,385	67,748	40,316	45,377
Total other operating expenses	**624,152**	**833,089**	**519,759**	**704,868**

18. Income tax expense

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Gross Profit	**1,622,428**	**2,131,583**	**1,371,036**	**1,887,146**
Statutory tax rate (2020: 16%; 2019: 16%)	***(259,588)***	***(341,053)***	***(219,366)***	***(301,943)***
Fiscal effect of income tax on the following elements:	***65,035***	***47,273***	***47,995***	***32,369***
- *Non-taxable income*	*138,481*	*103,557*	*95,232*	*82,763*
- *Non-deductible expense*	*(207,966)*	*(148,092)*	*(179,000)*	*(141,110)*
- *Tax deductions*	*142,722*	*97,989*	*140,152*	*96,989*
- *Income like items*	*(8,389)*	*(6,181)*	*(8,389)*	*(6,273)*
- *Expense like items*	*187*	-	-	-
Deferred Tax	**(3,797)**	**10,090**	**(2,360)**	**2,940**
Income tax expense	**(198,350)**	**(283,690)**	**(173,731)**	**(266,634)**

19. Cash and curent accounts with Central Banks

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Minimum reserve requirement	19,289,218	11,391,107	18,558,740	10,585,716
Cash on hand and other values	2,843,993	3,192,036	2,419,893	2,894,479
Total	**22,133,211**	**14,583,143**	**20,978,633**	**13,480,195**

During 2020, the minimum reserve requirements ratio at the National Bank of Romania was 8% for RON denominated balances and between 5% and 8% for EUR denominated balances (2019: 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 0.10% - 0.15% per year for the reserves in RON, 0.00% - 0.01% per year for reserves denominated in EUR and 0.01% - 0.05% 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.

Reconciliation of cash and cash equivalents with the separate and consolidated statement of financial position:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Cash and curent accounts with Central Banks(*)	22,134,426	14,585,012	20,979,902	13,483,651
Placements with banks - maturity below 3 months	4,188,689	5,874,165	3,704,585	5,226,939
Reverse-repo transactions	30,623	50,823	30,623	50,823
Financial assets with maturity below 3 months	87,632	-	87,632	-
Financial assets measured at fair value through other items of comprehensive income	69	-	-	-
Financial assets measured at amortized cost – debt instruments	208,183	-	-	-
Cash and cash equivalents in the cash flow statement	**26,649,622**	**20,510,000**	**24,802,742**	**18,761,413**

(*) At Group level, the cash and curent accounts with Central Banks do not include the accrual and interest receivable in the amount of RON (1,215) thousand (2019: RON (1,869) thousand) and at the level of the Bank in the amount of RON (1,269) thousand (2019: RON (3,456) thousand)

20. Placements with banks

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Current accounts with other banks	1,067,035	2,589,907	641,225	2,040,753
Term deposit at the National Bank	-	1,500,100	-	1,500,100
Sight and term deposits with other banks	4,721,926	3,536,271	4,560,854	3,305,631
Reverse repo transactions	1,102,885	50,843	1,102,885	50,843
Loans and advances to credit institutions	331,431	98,019	331,431	98,019
Total	**7,223,277**	**7,775,140**	**6,636,395**	**6,995,346**

As at 31 December 2020, 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 30,623 thousand, deposits in amount of RON 2,588,532 thousand and loans and advances to credit institutions of RON 87,632 thousand at Group level, and reverse-repo of RON 30,623 thousand, deposits in amount of RON 2,574,808 and loans and advances to credit institutions in amount of RON 87,632 thousand at Bank level (2019: reverse-repo in amount of RON 50,823 thousand and deposits in amount of RON 1,422,060 thousand at Group level, and reverse-repo of RON 50,823 thousand, deposits in amount of RON 1,379,404 thousand at Bank level; loans and advances to credit institutions in amount of RON 0 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 2020 and 31 December 2019, according to the rating agencies is detailed below:

Group	**2020**		**2019**	
In RON thousand	**Placements with banks**	**Reverse repo transactions**	**Placements with banks**	**Reverse repo transactions**
Investment grade	5,879,949	1,102,885	7,616,692	50,843
Non-investment grade	240,443	-	107,605	-
Total	**6,120,392**	**1,102,885**	**7,724,297**	**50,843**

Bank	**2020**		**2019**	
In RON thousand	**Placements with banks**	**Reverse repo transactions**	**Placements with banks**	**Reverse repo transactions**
Investment grade	5,297,517	1,102,885	6,839,735	50,843
Non-investment grade	235,993	-	104,768	-
Total	**5,533,510**	**1,102,885**	**6,944,503**	**50,843**

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-, 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-,B3 ,CCC+ and CCC-.

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	
	2020	**2019**	**2020**	**2019**
Equity instruments	226,137	144,040	17,572	17,509
Debt instruments	120,335	128,567	-	-
Total	**346,472**	**272,607**	**17,572**	**17,509**

As at 31 December 2020, the Group held shares listed on the Bucharest Stock Exchange and on the main Stocks from Europe.
As at 31 December 2020, the Group owned significant investments amounting to RON 168,498 thousand in the following entities: SIF Moldova S.A and SIF Transilvania S.A. (2019: RON 104,228 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 2020** and **31 December 2019** is presented below:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Investment-grade	18,989	5,205	1,924	1,935
Non-investment grade	1,763	8,440	434	418
No rating(*)	325,720	258,962	15,214	15,156
Total	**346,472**	**272,607**	**17,572**	**17,509**

(*) 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: A+, A, A-, BBB+, BBB, BBB-, BAA1 and BAA3.

The Non-Investment-grade category includes financial assets at fair value through profit or loss with rating BB+, BB- and B+.
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:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Equity instruments	217,564	143,932	217,192	143,535
Debt instruments	868,150	734,057	1,132,481	1,005,156
Total	**1,085,714**	**877,989**	**1,349,673**	**1,148,691**

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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 2020** and **31 December 2019**, is the following:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Retail	25,156,881	23,895,191	24,043,882	22,981,740
Trading	4,777,850	4,176,563	4,499,473	3,894,591
Manufacturing	3,505,721	3,679,124	3,392,014	3,555,675
Agriculture	1,714,603	1,659,868	1,642,772	1,584,882
Services	2,106,291	1,632,525	2,003,490	1,549,506
Real Estate	1,429,018	1,522,090	1,538,348	1,497,988
Constructions	1,310,351	1,281,395	1,268,154	1,223,460
Transportation	1,643,595	1,203,476	1,550,082	1,114,396
Self-employed	679,872	708,803	548,929	586,755
Others	718,567	616,078	669,836	589,347
Financial Institutions	528,063	593,081	1,722,119	1,680,847
Telecommunications	76,957	338,297	73,325	319,188
Energy	306,706	307,873	306,667	307,791
Mining	91,578	101,360	91,079	99,927
Chemical Industry	95,152	80,406	94,589	79,902
Government Institutions	126,422	62,952	90,522	55,625
Fishing	19,031	13,303	18,680	12,968
Total loans and advances to customers before impairment allowance (*)	**44,286,658**	**41,872,385**	**43,553,961**	**41,134,588**
Allowances for impairment losses on loans	(3,394,114)	(2,696,981)	(3,190,052)	(2,532,673)
Total loans and advances to customers, net of impairment allowance	**40,892,544**	**39,175,404**	**40,363,909**	**38,601,915**

(*) 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.

The structure of the credit portfolio of the **Bank** and the **Group** as at **31 December 2020** and **31 December 2019** is the following:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Corporate	12,368,857	11,812,154	13,361,424	12,710,902
Small and medium enterprises	6,245,232	5,675,248	6,148,658	5,441,946
Consumer loans and card loans granted to retail customers	10,949,378	11,284,102	10,742,582	11,114,320
Mortgage loans	13,568,648	12,041,262	13,266,162	11,835,135
Loans granted by non-banking financial institutions	1,113,152	1,009,922	-	-
Other	41,391	49,697	35,135	32,285
Total loans and advances to customers before impairment allowance	44,286,658	**41,872,385**	**43,553,961**	**41,134,588**
Allowances for impairment losses on loans	(3,394,114)	(2,696,981)	(3,190,052)	(2,532,673)
Total loans and advances to customers net of impairment allowance	**40,892,544**	**39,175,404**	**40,363,909**	**38,601,915**

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)	Total
Opening balance as at January 1, 2020	**(453,853)**	**(612,042)**	**(1,631,086)**	**(2,696,981)**
Increase due to issue or acquisition	(334,241)	(290,406)	(172,485)	**(797,132)**
Decrease due to derecognition	183,587	303,271	199,126	**685,984**
Increase or decrease due to the change in credit risk (net) and transfers	166,723	(315,640)	(320,819)	**(469,736)**
Increase or decrease due to changes without derecognition (net)	(272,252)	(253,556)	(30,509)	**(556,317)**
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	36,526	412,997	**458,096**
Other adjustments	(553)	(220)	(7,052)	**(7,825)**
Closing balance as at 31 December 2020	**(712,219)**	**(1,132,067)**	**(1,549,828)**	**(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)	Total
Opening balance as at January 1, 2020	**(466,217)**	**(535,509)**	**(1,530,947)**	**(2,532,673)**
Increase due to issue or acquisition	(328,992)	(279,104)	(167,495)	**(775,591)**
Decrease due to derecognition	185,447	297,012	188,613	**671,072**
Increase or decrease due to the change in credit risk (net) and transfers	166,019	(347,997)	(270,975)	**(452,953)**
Increase or decrease due to changes without derecognition (net)	(282,988)	(249,500)	(16,316)	**(548,804)**
Decrease of impairment allowances due to write-offs	8,573	36,526	412,200	**457,299**
Other adjustments	(723)	(196)	(7,483)	**(8,402)**
Closing balance as at 31 December 2020	**(718,881)**	**(1,078,768)**	**(1,392,403)**	**(3,190,052)**

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 **2019** 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)	Total
Opening balance as at January 1, 2019	**(455,278)**	**(573,328)**	**(1,557,160)**	**(2,585,766)**
Increase due to issue or acquisition	(324,365)	(155,282)	(334,901)	**(814,548)**
Decrease due to derecognition	162,695	179,545	405,026	**747,266**
Increase or decrease due to the change in credit risk (net) and transfers	102,107	(27,176)	(372,311)	**(297,380)**
Increase or decrease due to changes without derecognition (net)	63,249	(38,180)	(2,972)	**22,097**
Decrease of impairment allowances due to write-offs	57	5,243	242,451	**247,751**
Other adjustments	(2,318)	(2,864)	(11,219)	**(16,401)**
Closing balance as at 31 December 2019	**(453,853)**	**(612,042)**	**(1,631,086)**	**(2,696,981)**

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 **2019** 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)	Total
Opening balance as at January 1, 2019	**(458,349)**	**(523,696)**	**(1,477,088)**	**(2,459,133)**
Increase due to issue or acquisition	(333,846)	(117,512)	(329,455)	**(780,813)**
Decrease due to derecognition	169,612	179,465	478,975	**828,052**
Increase or decrease due to the change in credit risk (net) and transfers	101,182	(43,825)	(333,857)	**(276,500)**
Increase or decrease due to changes without derecognition (net)	57,586	(32,238)	(94,613)	**(69,265)**
Decrease of impairment allowances due to write-offs	57	5,243	242,451	**247,751**
Other adjustments	(2,459)	(2,946)	(17,360)	**(22,765)**
Closing balance as at 31 December 2019	**(466,217)**	**(535,509)**	**(1,530,947)**	**(2,532,673)**

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	**2020**	**2019**
Finance lease receivables with maturity below 1 year, gross	575,064	533,750
Finance lease receivables with maturity between 1-10 years, gross	868,059	836,925
Total finance lease receivables, gross	**1,443,123**	**1,370,675**
Future interest related to finance lease receivables	(111,223)	(108,182)
Total finance lease receivables, net of future interest	1,331,900	1,262,493
Impairment allowances for finance lease receivables	(104,184)	(84,050)
Total finance lease receivables	**1,227,716**	**1,178,443**

The lease contracts are originated and managed by BT Leasing Transilvania IFN S.A. and BT Leasing Moldova S.R.L.

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 **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)	Total
Opening balance as at January 1, 2020	**-**	**(21,347)**	**(62,703)**	**(84,050)**
Increase due to issue or acquisition	-	(18,765)	(8,346)	(27,111)
Decrease due to derecognition	-	5,989	9,816	15,805
Increase or decrease due to the change in credit risk (net) and transfers	-	(6,797)	(2,430)	(9,227)
Increase or decrease due to changes without derecognition (net)	-	26	373	399
Decrease of impairment allowances due to write-offs	-	-	-	-
Other adjustments	-	(73)	73	-
Closing balance as at 31 December 2020	**-**	**(40,967)**	**(63,217)**	**(104,184)**

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 **2019** 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)	Total
Opening balance as at January 1, 2019	**-**	**(16,681)**	**(70,861)**	**(87,542)**
Increase due to issue or acquisition	**-**	(9,521)	(8,888)	**(18,409)**
Decrease due to derecognition	**-**	1,996	21,946	**23,942**
Increase or decrease due to the change in credit risk (net) and transfers	-	880	(6,247)	**(5,367)**
Increase or decrease due to changes without derecognition (net)	-	1,775	1,551	**3,326**
Decrease of impairment allowances due to write-offs	-	-	-	**-**
Other adjustments	-	204	(204)	**-**
Closing balance as at 31 December 2019	**-**	**(21,347)**	**(62,703)**	**(84,050)**

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	
	2020	**2019**	**2020**	**2019**
Debt instruments, of which	**30,813,652**	**23,603,234**	**30,805,116**	**23,595,615**
- Central administrations	29,217,230	22,829,923	29,208,694	22,822,304
- Credit institutions	1,167,034	570,875	1,167,034	570,875
- Other financial companies	413,048	185,468	413,048	185,468
- Non-financial institutions	16,340	16,968	16,340	16,968
Equity instruments, of which:	**32,687**	**25,053**	**14,816**	**12,168**
- Other financial companies	22,754	15,988	14,816	12,168
- Non-financial institutions	9,933	9,065	-	-
Loans and advances to customers	**30,838**	**30,024**	**30,838**	**30,024**
- Central administrations	30,838	30,024	30,838	30,024
Total	**30,877,177**	**23,658,311**	**30,850,770**	**23,637,807**

As at 31 December 2020, 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 2020 at Group level amounted to RON 32,687 thousand (2019: RON 25,053 thousand) and at Bank level RON 14,816 thousand (2019: RON 12,168 thousand). During 2020, the dividends received by the Group for these equity instruments investment were in the amount of RON 2,974 thousands (2019: RON 3,085 thousand), and at the level of the Bank in the amount of RON 2,852 thousand (2019: RON 2,966 thousand).

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**
A+	-	124,722	-	-	124,722	-	124,722	-	-	**124,722**
B-	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**

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 2019**, 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	**22,829,923**	**570,875**	**185,468**	**16,968**	**23,603,234**	**22,822,304**	**570,875**	**185,468**	**16,968**	**23,595,615**
A-	-	41,620	-	-	41,620	-	41,620	-	-	41,620
A+	-	121,804	-	-	121,804	-	121,804	-	-	121,804
B	3,237	-	-	16,968	20,205	-	-	-	16,968	16,968
BB-	-	-	-	-	-	-	-	-	-	-
BB+	463	-	-	-	463	463	-	-	-	463
BBB	-	213,782	-	-	213,782	-	213,782	-	-	213,782
BBB-	22,826,223	-	31,572	-	22,857,795	22,821,841	-	31,572	-	22,853,413
BBB+	-	193,669	153,896	-	347,565	-	193,669	153,896	-	347,565
Loans and advances, of which	**30,023**	**-**	**-**	**-**	**30,023**	**30,023**	**-**	**-**	**-**	**30,023**
BB-	30,023	-	-	-	30,023	30,023	-	-	-	30,023

As at 31 December 2020 and 31 December 2019, 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	**2020**	**2019**	**2020**	**2019**
As at January 1	**23,658,311**	**21,374,708**	**23,637,807**	**21,363,908**
Acquisitions	28,866,644	14,320,803	28,860,051	14,307,353
Sales and repurchases	(21,854,578)	(12,398,759)	(21,854,408)	(12,395,624)
Coupon and amortization in P&L during the year (Note 8)	683,257	474,445	682,900	474,202
Coupon collected at term during the year	(936,870)	(785,709)	(936,615)	(785,510)
Gain/(Loss) from the measurement at fair value	437,019	369,762	437,380	370,509
Exchange rate differences	23,394	303,061	23,655	302,969
As at 31 December	**30,877,177**	**23,658,311**	**30,850,770**	**23,637,807**

24. Investment securities *(continued)*

a) Financial assets measured at fair value through other items of comprehensive income (continued)

As at 31 December 2020, out of the treasury securities held by the Bank, the amount of RON 77,000 thousand (2019: RON 57,000 thousand) was pledged for current operations (RoCLEAR, SENT, MASTERCARD and VISA).
The treasury securities and bonds issued by the Romanian Government have maturities between 2021 and 2051.

As at 31 December 2020, 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 83,798 thousand. The securities pledged under repo agreements may be sold or re-pledged by the counterparty. As at December 31, 2019, the Bank did not record repo transactions.

The interest rates on financial assets measured at fair value through other comprehensive income were within the following ranges:

	2020		2019	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	0.31%	5.89%	0.54%	5.89%
RON	0.00%	5.95%	0.00%	7.30%
USD	3.00%	6.75%	4.38%	6.75%
MDL	0.00%	7.00%	0.00%	7.00%

In 2019 the gains on the disposal of financial assets measured at fair value through other comprehensive income items reclassified from other comprehensive income to the profit and loss account were for the Bank RON 116,804 thousand with related tax of RON 18,689 thousand and for the Group of RON 116,825 thousand with related tax RON 18,692 thousand. During 2020 there were no such reclassification transactions.

b) Financial assets at amortized cost - debt instruments

In 2020, the Group holds and classifies as financial assets measures at amortized cost - debt instruments, bonds in amount of RON 990,106 thousand (2019: RON 1,968,031 thousand) and the Bank acquired bonds in amount of RON 160,874 thousand (2019: RON 1,176,834 thousand).

In RON thousand	Group		Bank	
	2020	**2019**	**2020**	**2019**
Debt instruments, of which				
- Central banks	207,095	359,028	-	-
- Central administrations	606,276	416,603	-	-
- Credit institutions	166,611	226,380	150,750	210,814
- Other financial companies	10,124	966,020	10,124	966,020
- Non-financial institutions	-	-	-	-
Total	**990,106**	**1,968,031**	**160,874**	**1,176,834**

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 2020** and **31 December 2019**, depending on the issuer's rating:

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**

31 December 2019	**Group**					
In RON thousand	Central banks	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	**Total**
Debt instruments, of which	**359,028**	**416,603**	**226,380**	**966,020**	**-**	**1,968,031**
A-	**-**	-	79,511	-	-	**79,511**
A	**-**	-	-	10,124	-	**10,124**
A+	**-**	-	-	955,896	-	**955,896**
B-	359,028	373,011	-	-	-	**732,039**
BBB	**-**	-	21,226	-	-	**21,226**
BBB-	**-**	43,592	20,375	-	-	**63,967**
BBB+	**-**	-	105,268	-	-	**105,268**

Qualitative analysis of the financial assets measures at amortized cost - debt instruments held by the **Bank** as at **31 December 2020** and **31 December 2019**, depending on the issuer's rating:

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

24. Investment securities *(continued)*

b) Financial assets at amortized cost - debt instruments (continued)

31 December 2019	Bank				
In RON thousand	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	**Total**
Debt instruments, of which	**-**	**210,814**	**966,020**	**-**	**1,176,834**
A-	-	79,511	-	-	**79,511**
A	-	-	10,124	-	**10,124**
A+	-	-	955,896	-	**955,896**
BBB	-	21,226	-	-	**21,226**
BBB-	-	14,382	-	-	**14,382**
BBB+	-	95,695	-	-	**95,695**

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	**2020**	**2019**	**2020**	**2019**
As at January 1	1,968,031	963,867	1,176,834	312,548
Acquisitions	9,516,247	11,309,043	-	1,111,637
Sales and repurchases	(10,494,870)	(10,238,040)	(1,037,337)	(114,026)
Reclassification	-	(144,888)	-	(144,888)
Coupon and amortization in P&L during the year (Note 8)	46,995	60,567	4,335	12,388
Coupon collected at term during the year	(12,501)	(22,726)	(4,492)	(14,433)
Recognition of expected credit losses (ECL) in accordance with IFRS 9	(1,660)	290	(1)	53
Exchange rate differences	(32,136)	39,918	21,535	13,555
As at 31 December	**990,106**	**1,968,031**	**160,874**	**1,176,834**

As of 31 December 2019, the Group and the Bank had reclassified debt instruments of RON 263,438 thousand from financial assets measured at amortized cost to financial assets measured at fair value through profit and loss, out of which RON 118,551 thousand are related to 2018. The net reclassification impact in the movement for 2019 is RON 144,888 thousand.

Notes to the consolidated and separate financial statements

25. Equity investments

As at 31 December 2020 the Bank had direct stakes in subsidiaries in amount of RON 499,690 thousand (2019: RON 486,360 thousand) and the impairment allowance amounted to RON 51,317 thousand (2019: RON 51,317 thousand).

On 31 December 2020 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 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.	București, 43 București-Ploiești 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, Chișinău, 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 2019	**31,009**	**436,738**	**517,019**	**29,248**	**63,886**	**1,077,900**
Acquisitions of tangible assets and investment property	-	930	56,331	1,176	190,748	**249,185**
Tangible assets related to acquisition	-	-	62	-	-	**62**
Reclassification from investments in progress	-	41,411	63,495	13,806	(118,712)	**-**
Revaluation (impact on reserve)	-	1,384	672	407	-	**2,463**
Revaluation (impact on profit and loss statement)	13	(123)	-	-	-	**(110)**
Disposals	(550)	(62,148)	(60,790)	(8,668)	(6,481)	**(138,637)**
Reclassification of tangible assets into inventories for disposal purposes	-	(14)	-	-	-	**(14)**
Balance at 31 December 2019	**30,472**	**418,178**	**576,789**	**35,969**	**129,441**	**1,190,849**
Balance as at January 1, 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**

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 2019	**-**	**171,712**	**287,921**	**23,309**	**1,055**	**483,997**
Charge for the year	-	24,636	61,626	3,234	-	**89,496**
Depreciation related to acquisitions	-	-	38	-	-	**38**
Accumulated depreciation of disposals	-	(47,040)	(53,876)	(7,724)	(1,055)	**(109,695)**
Amortization related to revaluation (impact on reserve)	-	247	-	-	-	**247**
Amortization related to revaluation (impact on profit and loss statement)	-	(27)	-	-	-	**(27)**
Reversal of provision for impairment	-	(575)	(89)	(69)	-	**(733)**
Balance at 31 December 2019	**-**	**148,953**	**295,620**	**18,750**	**-**	**463,323**
Balance as at January 1, 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**
Net carrying amount						
As at 1 January 2020	**30,472**	**269,225**	**281,169**	**17,219**	**129,441**	**727,526**
As at 31 December 2020	**2,051**	**332,167**	**305,671**	**22,740**	**241,668**	**904,297**

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 2019	**1,449**	**367,398**	**445,060**	**19,060**	**39,609**	**872,576**
Direct acquisitions	-	930	54,208	487	127,015	**182,640**
Reclassification from investments in progress	-	40,894	56,399	11,910	(109,203)	**-**
Revaluation (impact on reserve)	-	1,384	672	407	-	**2,463**
Revaluation (impact in profit or loss)	13	(123)	-	-	-	**(110)**
Disposals	(430)	(35,265)	(33,062)	(6,961)	(4,609)	**(80,327)**
Balance at December 31, 2019	**1,032**	**375,218**	**523,277**	**24,903**	**52,812**	**977,242**
Balance as at January 1, 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 31 December 2020	**1,228**	**419,089**	**554,761**	**32,930**	**36,039**	**1,044,047**

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 2019	**-**	**142,457**	**231,451**	**16,347**	**-**	**390,255**
Amortization expense during the year	-	23,171	57,251	2,109	-	**82,531**
Accumulated depreciation of disposals	-	(32,789)	(31,482)	(6,531)	-	**(70,802)**
Amortization related to revaluation (impact on reserve)	-	247	-	-	-	**247**
Amortization related to revaluation (impact on profit and loss statement)	-	(27)	-	-	-	**(27)**
Balance at 31 December 2019	**-**	**133,059**	**257,220**	**11,925**	**-**	**402,204**
Balance as at January 1, 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**
Net carrying amount						
As at 1 January 2020	**1,032**	**242,159**	**266,057**	**12,978**	**52,812**	**575,038**
As at 31 December 2020	**1,228**	**278,148**	**285,476**	**18,150**	**36,039**	**619,041**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

As at 31 December 2020, the Group and the Bank did not have any pledged tangible or intangible assets. Property and equipment as at 31 December 2020 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 313,462 (2019: RON 250,293 thousand), investment property RON 1,390 thousand (2019: RON 30,015 thousand), computers and equipment RON 299,951 thousand (2019: RON 280,483 thousand), vehicles RON 19,027 thousand (2019: RON 16,765 thousand), fixed assets in progress RON 241,668 thousand (2019: RON 129,441 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 259,443 thousand (2019: RON thousand 223,227), investment property RON 567 thousand (2019: RON 575 thousand), computers and equipment RON 279,756 thousand (2019: RON 265,371 thousand), vehicles RON 14,437 thousand (2019: RON 12,523 thousand), fixed assets in progress RON 36,039 thousand (2019: RON 52,812 thousand).

27. Intangible assets (including goodwill)

In RON thousand	Group		Bank
Gross carrying amount	**Goodwill**	**Software**	**Software**
Balance as at 1 January 2019	**4,295**	**579,748**	**510,210**
Acquisitions	7,703	99,510	85,542
Balance related to acquisitions and mergers	-	1,382	-
Disposals	(1,520)	(151,303)	(141,229)
Balance at 31 December 2019	**10,478**	**529,337**	**454,523**
Balance as at January 1, 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**
Accumulated amortization			
Balance as at 1 January 2019	**-**	**296,529**	**256,363**
Balance of depreciation related to acquisitions and mergers	-	270	-
Charge for the year	-	95,750	88,235
Disposals	-	(98,625)	(92,420)
Reversal of provision for impairment	-	(16)	-
Balance at 31 December 2019	**-**	**293,908**	**252,178**
Balance as at January 1, 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**
Net carrying amount			
As at 1 January 2020	**10,478**	**235,429**	**202,345**
As at 31 December 2020	**16,319**	**305,205**	**268,651**

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 280,663 (2019: RON 235,429 thousand) for the Group, and RON thousand 244,109 (2019: RON 202,345 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 2020 the goodwill allocated by the Group to BT Leasing Transilvania IFN S.A. was of RON 376 thousand, the goodwill allocated to BT Pensii S.A. was of RON 8,240 thousand and the goodwill allocated to Timesafe SRL was of RON 7,703 thousand (2019: RON 376 thousand allocated to BT Leasing Transilvania IFN S.A., RON 2,398 thousand allocated to BT Capital Partners S.A., RON 7,703 allocated to Timesafe SRL).

As at 31 December 2020, 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, 2020 and December 31, 2019 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 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**

In RON thousand	Group				
	Lands	**Buildings**	**Auto**	**Equipment**	**Total**
Carrying amount at 1 January 2019	**2,498**	**475,244**	**13,553**	-	**491,295**
Additions	2,053	92,014	11,166	-	**105,233**
Disposals	(1,211)	(80,382)	(797)	-	**(82,390)**
Depreciation charge	(629)	(120,043)	(5,441)	-	**(126,113)**
Carrying amount at 31 December 2019	**2,711**	**366,833**	**18,481**	-	**388,025**

As at December 31, 2020 and December 31, 2019 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 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**

28. Right of Use Assets and Lease Liabilities *(continued)*

In RON thousand	Bank				
	Lands	**Buildings**	**Auto**	**Equipment**	**Total**
Carrying amount at 1 January 2019	**2,498**	**450,338**	**11,781**	**-**	**464,617**
Additions	2,053	83,836	6,962	**-**	**92,851**
Disposals	(1,211)	(72,575)	(787)	**-**	**(74,573)**
Depreciation charge	(629)	(111,868)	(4,186)	**-**	**(116,683)**
Carrying amount at 31 December 2019	**2,711**	**349,731**	**13,770**	**-**	**366,212**

At December 31, 2020 the interest expense on lease liabilities was RON 1,361 thousand for the Group (2019: RON 1,935 thousand) and RON 1,409 thousand for the Bank (2019: RON 1,715 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 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Expense relating to short-term leases	2,505	15,277	2,234	15,085
Expense relating to leases of low-value assets that are not shown above as short-term leases	4,956	4,733	4,277	4,095

Total cash outflow for leases in 2020 was RON 128,653 thousand to the Group (2019: RON 129,296 thousand) and the Bank it was RON 119,485 thousand (2019: RON 118,793 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 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

29. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at **Group** level, as at **31 December 2019:**

In RON thousand	31 December 2018	Recognized in profit and loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	31 December 2019
Tax effect of temporary deductible / (taxable) differences (including tax losses carried forward), resulting from:					
Financial assets from interbank operations	303	(328)	-	-	(25)
Loans and receivables	8,873	4,024	-	(1,163)	11,734
Financial assets measured at fair value through other items of comprehensive income	31,766	(14)	(59,158)	-	(27,406)
Financial assets at amortized cost	1	(1)	-	-	-
Financial assets at fair value through profit or loss	(725)	17,643	(181)	-	16,737
Other assets	12,044	(6,538)	(6,255)	(135)	(884)
Property and equipment and intangible assets	(11,520)	6,659	(360)	7	(5,214)
Right of Use Assets	-	8	-	-	8
Provisions and other liabilities	27,190	(5,375)	18	(28)	21,805
Tax losses carried forward	5,988	(5,988)	-	-	-
Deferred tax asset / (liability)	**73,920**	**10,090**	**(65,936)**	**(1,319)**	**16,755**
Recognition of deferred tax asset	92,874	(6,083)	(31,593)	(1,180)	54,018
Recognition of deferred tax liability	(18,954)	16,173	(34,343)	(139)	(37,263)
Deferred tax asset / (liability)	**73,920**	**10,090**	**(65,936)**	**(1,319)**	**16,755**

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 2019**:

In RON thousand	31 December 2018	Recognized in profit and loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	31 December 2019
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	31,701	-	(59,289)	-	(27,588)
Other assets	769	1,906	123	-	2,798
Tangible and intangible assets	(8,260)	5,891	(360)	-	(2,729)
Provisions and liabilities	24,477	(4,857)	-	-	19,620
Deferred tax asset / (liability)	**48,687**	**2,940**	**(59,526)**	**-**	**(7,899)**
Recognition of deferred tax asset	56,947	(2,951)	(31,578)	-	22,418
Recognition of deferred tax liability	(8,260)	5,891	(27,948)	-	(30,317)
Deferred tax asset / (liability)	**48,687**	**2,940**	**(59,526)**	**-**	**(7,899)**

Notes to the consolidated and separate financial statements

30. Other financial assets

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Amounts under settlement	194,184	122,275	180,386	106,121
Non-recourse factoring	194,146	192,485	194,146	192,485
Sundry debtors and advances for non-current assets	451,400	338,305	359,338	298,409
Cheques and other instruments to be encashed	34,226	47,366	34,226	47,366
Other financial assets	10,423	7,084	6,682	5,624
Impairment allowance for other financial assets	(24,274)	(19,506)	(13,645)	(11,210)
Total	**860,105**	**688,009**	**761,133**	**638,795**

As at 31 December 2020, out of RON 860,105 thousand (2019: RON 688,009 thousand), the Group's other impaired financial assets amounted to RON 12,678 thousand (2019: RON 18,452 thousand). As at 31 December 2020, out of RON 761,133 thousand (2019: RON 638,795 thousand), the Bank's other impaired financial assets amounted to RON 5,428 thousand (2019: RON 4,836 thousand).
The evolution of impairment allowance for other assets during the years 2020 and 2019 is presented below:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Balance as at 1 January	**(19,506)**	**(19,444)**	**(11,210)**	**(10,715)**
Net impairment charge	(5,677)	(526)	(2,626)	(1,076)
Impairment allowances on written off other financial assets	-	415	-	414
Other changes (exchange rate differences, unwinding, deconsolidation)	909	49	191	167
Balance at 31 December	**(24,274)**	**(19,506)**	**(13,645)**	**(11,210)**

The quality analysis of other financial assets held by the **Group** as at **31 December 2020** is detailed below:

Group	**Retail**			**Companies**		
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**

30. Other financial assets *(continued)*

The quality analysis of other financial assets held by the **Group** as at **31 December 2019** is detailed below:

Group	**Retail**			**Non-Retail**		
31 December 2019	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	4,113	1,595	**5,708**	91,022	25,545	**116,567**
Non-recourse factoring	-	-	**-**	166,546	25,939	**192,485**
Sundry debtors and advances for non-current assets	208,168	11,851	**220,019**	59,605	58,681	**118,286**
Cheques and other instruments to be encashed	-	-	**-**	47,366	-	**47,366**
Other financial assets	-	13	**13**	6,265	806	**7,071**
Impairment allowance for other financial assets	(2,945)	(2,617)	**(5,562)**	(8,974)	(4,970)	**(13,944)**
Total	**209,336**	**10,842**	**220,178**	**361,830**	**106,001**	**467,831**

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**	**Total**	**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**

The quality analysis of other financial assets held by the **Bank** as at **31 December 2019** is detailed below:

Bank	**Retail**			**Non-Retail**		
31 December 2019	**RON**	**FCY**	**RON**	**FCY**	**RON**	**Total**
Amounts under settlement	4,113	1,595	**5,708**	90,837	9,576	**100,413**
Non-recourse factoring	-	-	**-**	166,546	25,939	**192,485**
Sundry debtors and advances for non-current assets	207,196	11,523	**218,719**	37,583	42,107	**79,690**
Cheques and other instruments to be encashed	-	-	**-**	47,366	-	**47,366**
Other financial assets	-	-	**-**	5,622	2	**5,624**
Impairment allowance for other financial assets	(2,414)	(2,308)	**(4,722)**	(4,921)	(1,567)	**(6,488)**
Total	**208,895**	**10,810**	**219,705**	**343,033**	**76,057**	**419,090**

31. Other non-financial assets

In RON thousand	**Group**		**Bank**	
	2020	**2019**	**2020**	**2019**
Inventories and similar assets	136,650	164,050	63,812	72,352
Prepaid expenses	61,958	48,481	56,990	47,925
VAT and other taxes to be received	13,748	15,161	1,920	1,801
Other non-financial assets	2,639	1,848	126	362
Impairment allowance for other non-financial assets	(66,839)	(70,668)	(13,384)	(16,215)
Total	**148,156**	**158,872**	**109,464**	**106,225**

31. Other non-financial assets *(continued)*

As at 31 December 2020 and 31 December 2019, 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	
	2020	**2019**	**2020**	**2019**
Balance as at 1 January	**(70,668)**	**(95,972)**	**(16,215)**	**(16,812)**
Net impairment charge	(4,105)	19,504	2,831	597
Impairment allowances on written off other non-financial assets	-	6,488	-	-
Other adjustments (exchange rate differences, deconsolidation)	7,934	(688)	-	-
Balance at 31 December	**(66,839)**	**(70,668)**	**(13,384)**	**(16,215)**

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 31,126 thousand, 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 (2019: RON 47,757 thousand net value, structured as follows: buildings RON 30,905 thousand, lands RON 16,851 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 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 (2019: RON 80,137 thousand, structured as follows: buildings RON 48,573 thousand, lands RON 21,606 thousand, equipment RON 444 thousand, vehicles RON 9,514 thousand and furniture RON 0 thousand).

32. Deposits from banks

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Sight demand	61,538	156,414	54,416	164,737
Term deposits	257,406	139,724	257,406	139,724
Total	**318,944**	**296,138**	**311,822**	**304,461**

33. Deposits from customers

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Current accounts	53,601,165	40,846,980	52,146,517	39,533,370
Sight demand	743,123	775,758	447,866	508,064
Term deposits	35,975,733	34,826,540	35,102,763	33,736,032
Collateral deposits	622,394	587,782	600,000	576,257
Total	**90,942,415**	**77,037,060**	**88,297,146**	**74,353,723**

33. Deposits from customers *(continued)*

Deposits from customers can be also analyzed as follows:

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Retail	61,940,774	52,732,367	60,254,739	50,900,304
Companies	29,001,641	24,304,693	28,042,407	23,453,419
Total	**90,942,415**	**77,037,060**	**88,297,146**	**74,353,723**

The table below presents the deposits from customers, split by economic sector concentration:

	Group		***Bank***	
Sector	**2020**	**2019**	**2020**	**2019**
Retail customers	68.11%	68.45%	68.28%	68.46%
Services	6.49%	6.35%	6.49%	6.34%
Trading	5.49%	4.63%	5.40%	4.52%
Constructions	3.70%	3.84%	3.70%	3.85%
Manufacturing	3.33%	3.00%	3.29%	2.91%
Transportation	2.13%	2.61%	2.11%	2.58%
Financial and insurance activities	1.98%	2.12%	2.10%	2.31%
Telecommunications	1.96%	1.75%	2.02%	1.82%
Agriculture	1.63%	1.63%	1.66%	1.68%
Energy	0.95%	1.13%	0.87%	1.11%
Healthcare	1.38%	1.07%	1.37%	1.06%
Real estate	0.96%	1.05%	0.89%	1.02%
Administrations	0.47%	0.92%	0.48%	0.95%
Mining	0.43%	0.72%	0.44%	0.74%
Education	0.85%	0.38%	0.86%	0.38%
Other	0.08%	0.25%	0.02%	0.20%
Self-employed	0.03%	0.06%	0.03%	0.03%
Government institutions	0.04%	0.04%	0.04%	0.04%
Credit institutions	0.00%	-	0.00%	-
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

33. Deposits from customers *(continued)*

In RON thousand	*Group*		*Bank*	
Sector	**2020**	**2019**	**2020**	**2019**
Retail customers	61,940,774	52,732,367	60,254,739	50,900,304
Services	5,902,877	4,889,741	5,733,359	4,717,269
Trading	4,994,573	3,567,545	4,764,887	3,361,842
Constructions	3,363,717	2,955,445	3,264,492	2,860,945
Manufacturing	3,027,718	2,309,291	2,903,826	2,165,544
Transportation	1,933,501	2,014,356	1,861,323	1,921,782
Financial and insurance activities	1,803,522	1,636,017	1,851,040	1,720,339
Telecommunications	1,782,556	1,351,499	1,781,725	1,352,202
Agriculture	1,479,894	1,256,665	1,468,357	1,246,455
Energy	860,052	869,337	771,384	821,929
Healthcare	1,255,217	822,728	1,205,672	789,507
Real estate	877,254	810,688	785,973	756,690
Administrations	424,661	705,525	423,311	705,525
Mining	387,060	555,385	385,801	551,647
Education	776,204	293,986	763,378	281,207
Other	74,143	193,937	19,523	150,730
Self-employed	23,443	42,739	23,326	21,315
Government institutions	32,235	29,809	32,016	28,491
Credit institutions	3,014	-	3,014	-
Total	**90,942,415**	**77,037,060**	**88,297,146**	**74,353,723**

34. Loans from banks and other financial institutions

	Group		**Bank**	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Loans from government entities	5,870	4,558	-	-
Loans from commercial banks	126,678	148,511	-	-
Romanian banks	*119,429*	*136,233*	-	-
Foreign banks	*7,249*	*12,278*	-	-
Loans from development banks	1,126,057	945,917	1,073,137	868,972
Repurchase agreements (repo transactions)	83,564	-	83,564	-
Other funds from financial institutions	155,476	184,678	19,365	26,701
Issued bonds	194,023	190,256	-	-
Total	**1,691,668**	**1,473,920**	**1,176,066**	**895,673**

The interest rates for the loans from banks and financial institutions were situated in the following ranges:

	2020		**2019**	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	EURIBOR 6M+0.10%	3.8%	EURIBOR 6M+0.10%	3.8%
RON	0.00%	ROBOR 6M+3%	0.00%	6.34%
USD	1.25%	1.35%	2.71%	2.86%
MDL	3.25%	3.25%	0.15%	5.67%

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, 2020 and 2019.
The table below summarizes the underlying securities of repo agreements:

In RON thousand	Group				Bank			
	2020 Carrying amount		2019 Carrying amount		2020 Carrying amount		2019 Carrying amount	
	Transferred assets	Related liabilities	Transferred assets	Related liabilities	Transferred assets	Related liabilities	Transferred assets	Related liabilities
	83,798	83,564	-	-	83,798	83,564	-	-
Total	**83,798**	**83,564**	**-**	**-**	**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, 2020 and 2019.

In RON thousand	Group		Bank	
	2020	2019	2020	2019
Loans from development banks and financial institutions	281,586	291,323	281,586	291,323
Non-convertible bonds	1,386,175	1,360,270	1,382,878	1,356,665
Convertible bonds	-	48,614	-	48,614
Total	**1,667,761**	**1,700,207**	**1,664,464**	**1,696,602**

Subordinated debt includes subordinated loans from development banks and financial institutions, as well as convertible and non-convertible bonds.
Subordinated loans include the following:
- loan in amount of EUR 25 million, equivalent of RON 121,735 thousand (2019: RON 119,482 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 158,640 thousand (2019: RON 170,432 thousand) contracted in 2014 bearing an interest of 6M LIBOR + 5.80%, due in 2023.

In 2013, Banca Transilvania S.A. issued convertible bonds amounting to EUR 30 million (RON 143,379 thousand), at 6M EURIBOR + 6.25% and due in 2020. The outstanding bonds included the option of the holder to convert them into shares.

At December 31, 2019, the value of convertible bonds was EUR 9,897 thousand, equivalent to RON 47,302 thousand.

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 the 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).

35. Subordinated liabilities *(continued)*

In 2018, Banca Transilvania S.A. issued non-convertible bonds amounting to EUR 285 million, equivalent at December 2020 to RON 1,387,779 thousand (2019: RON 1,362,101 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.

Accrued interest and amortization on subordinated debt amounts to RON 1,211 thousand (2019: RON 1,408 thousand) and on non-convertible bonds amounts to RON (4,901) thousand (2019: (5,435) thousand).

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	**2020**	**2019**	**2020**	**2019**
Provisions for loan commitments, financial guarantees and other commitments given	343,752	250,011	342,572	240,020
Provisions for untaken holidays	24,678	22,821	20,081	18,658
Provisions for other employee benefits	36,916	42,703	25,205	31,364
Provisions for litigations, risks and charges (*)	210,606	218,346	201,379	208,415
Total	**615,952**	**533,881**	**589,237**	**498,457**

(*) 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	**2020**	**2019**	**2020**	**2019**
Amounts under settlement	996,873	731,957	786,758	545,270
Sundry creditors	110,249	113,018	70,244	83,670
Dividends payable	23,185	19,300	23,179	19,294
Other financial liabilities	31,482	44,825	27,500	41,297
Total	**1,161,789**	**909,100**	**907,681**	**689,531**

38. Other non-financial liabilities

	Group		Bank	
In RON thousand	**2020**	**2019**	**2020**	**2019**
Other taxes payable	30,868	40,645	25,469	35,631
Other non-financial liabilities	55,491	71,367	30,480	43,263
Total	**86,359**	**112,012**	**55,949**	**78,894**

39. Share capital

The statutory share capital of the Bank at 31 December 2020, as recorded with the Trade Register was represented by 5,737,699,649 ordinary shares with a nominal value of RON 1 each (at 31 December 2019: 5,215,917,925 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 521,609,059 and by converting bonds into shares in amount of RON 172,655.

In RON thousand	Group		Bank	
	2020	**2019**	**2020**	**2019**
Paid share capital recorded with the Trade Register	5,737,700	5,215,918	5,737,700	5,215,918
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	**5,824,201**	**5,302,419**	**5,824,201**	**5,302,419**

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:

	2020			2019		
***Group** - In RON thousand*	**Key management personnel**	**Other related-parties**	**Total**	**Key management personnel**	**Other related-parties**	**Total**
Assets						
Granted loans	19,130	63,396	**82,526**	15,895	58,244	**74,139**
Liabilities						
Deposits from customers	44,566	118,624	**163,190**	53,442	167,977	**221,419**
Loans from financial institutions	-	205,710	**205,710**	-	168,934	**168,934**
Debt securities	-	500,513	**500,513**	-	513,059	**513,059**
Commitments						
Loan commitments and financial guarantees	3,508	41,783	**45,291**	3,494	13,336	**16,830**
Notional value of exchange operations	29,535	115,626	**145,161**	30,790	126,118	**156,908**
Statement of profit and loss						
Interest income	583	2,889	**3,472**	672	3,981	**4,653**
Interest expense	279	26,774	**27,053**	214	23,948	**24,162**
Fee and commission income	7	199	**206**	13	290	**303**

Notes to the consolidated and separate financial statements

40. Related-party transactions *(continued)*

Bank *– In RON thousand*	2020				2019			
	Subsidiaries	**Key management personnel**	**Other related-parties**	**Total**	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**
Assets								
Correspondent accounts at credit institutions	968	-	-	**968**	1,095	-	-	**1,095**
Deposits with credit institutions	899	-	-	**899**	-	-	-	**-**
Granted loans	1,361,480	15,833	57,132	**1,434,445**	1,208,617	14,161	54,014	**1,276,792**
Equity investments	106,832	-	-	**106,832**	105,314	-	-	**105,314**
Financial assets measured at fair value through other items of comprehensive income – debt instruments	4,610	-	-	**4,610**	4,610	-	-	**4,610**
Financial assets required to be measured at fair value through profit or loss - debt instruments	230,675	-	-	**230,675**	186,141	-	-	**186,141**
Right of use assets	275,008	-	-	**275,008**	-	-	-	**-**
Other assets	3,253	-	-	**3,253**	6,710	-	-	**6,710**
Liabilities								
Correspondent accounts from credit institutions	7,277	-	-	**7,277**	20,147	-	-	**20,147**
Deposits from customers	112,741	32,409	112,376	**257,526**	156,599	37,597	155,276	**349,472**
Loans from financial institutions	-	-	152,791	**152,791**	-	-	92,006	**92,006**
Debt securities	-	-	486,041	**486,041**	-	-	498,452	**498,452**
Lease liabilities	270,730	-	-	**270,730**	-	-	-	**-**
Other liabilities	3,798	-	-	**3,798**	2,006	-	-	**2,006**
Commitments								
Loan commitments and financial guarantees given	544,752	3,096	31,883	**579,731**	594,425	3,048	12,165	**609,638**
Notional value of exchange operations	322,328	22,099	105,234	**449,661**	314,541	23,969	113,907	**452,417**

Notes to the consolidated and separate financial statements

40. Related-party transactions *(continued)*

Bank – *In RON thousand*	**2020**				**2019**			
	Subsidiaries	**Key management personnel**	**Other related-parties**	**Total**	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**
Statement of profit and loss								
Interest income	36,411	503	2,608	**39,522**	37,509	590	3,691	**41,790**
Interest expense	1,490	208	25,441	**27,139**	1,573	159	22,468	**24,200**
Fee and commission income	3,467	4	172	**3,643**	3,447	8	244	**3,699**
Fee and commission expense	14,610	-	-	**14,610**	13,290	-	-	**13,290**
Gain/Loss from financial assets and liabilities held-for-trading	2	-	-	**2**	(1)	-	-	**(1)**
Dividend income	13,196	-	-	**13,196**	7,740	-	-	**7,740**
Other income	13,754	-	-	**13,754**	14,814	-	-	**14,814**
Other expenses	2,273	-	-	**2,273**	1,503	-	-	**1,503**

Notes to the consolidated and separate financial statements

40. Related-party transactions *(continued)*

Transactions with key management personnel

During 2020, 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 31,403 thousand (2019: RON 29,697 thousand) and of the Bank amounted to RON 16,573 thousand (2019: RON 16,464 thousand).

Compensation for the key personnel of the **Group**:

	2020			2019		
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	53,313	11,850	73	49,848	11,229	46
Share based payments	31,652	5	-	33,269	-	-
Debt instrument-based payments	160	40	-	713	33	-
Total compensations and benefits	**85,125**	**11,895**	**73**	**83,830**	**11,262**	**46**

Compensation for the key personnel of the **Bank**:

	2020			2019		
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	38,424	9,552	61	36,718	9,170	40
Share based payments	30,209	-	-	32,227	-	-
Total compensations and benefits	**68,633**	**9,552**	**61**	**68,945**	**9,170**	**40**

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	**2020**	**2019**	**2020**	**2019**
Guarantees issued, of which	1,716,585	1,726,113	1,688,723	1,709,620
- *Performance bonds*	457,588	*473,788*	*430,748*	*456,700*
- *Financial liabilities*	1,258,997	*1,252,325*	*1,257,975*	*1,252,920*
Loan commitments	11,259,736	11,495,892	11,287,173	11,368,731
Total	**12,976,321**	**13,222,005**	**12,975,896**	**13,078,351**

The provisions for loan commitments to customers amounted to RON 343,752 thousand at Group level (2019: RON 250,011 thousand) and at Bank level RON 342,572 thousand (2019: RON 240,020 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 2020 were:

Forward transactions					
Transactions with corporate clients:					
Purchases	5,519,610	RON	equivalent	1,380,000	USD
Purchases	86,986,389	RON	equivalent	17,300,000	EUR
Purchases	10,000	EUR	equivalent	50,060	RON
Purchases	300,000	USD	equivalent	1,259,500	RON
Transactions with banks:					
Purchases	2,586,350,100	RON	equivalent	528,453,205	EUR
Purchases	22,000,000	EUR	equivalent	108,956,486	RON
Purchases	78,192,588	EUR	equivalent	83,500,000	CHF
Purchases	219,395	EUR	equivalent	1,000,000	PLN

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 vast 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 1,380,148 thousand (2019: RON 1,781,390 thousand) and on the weighted average number of ordinary shares outstanding during the year of 5,724,448,712 (2019 recalculated: 5,203,640,281 shares).

The diluted earnings per share take into consideration the adjusted consolidated net profit of RON 1,380,576 thousand (2019: RON 1,784,230 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 was determined by adjusting the base profit with the interest paid on bonds in 2020 in amount of RON 428 thousand (2019: RON 2,840 thousand).

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 31 December 2020 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 (2019: 20,885,768 shares).

	Group	
	2020	**2019**
Ordinary shares issued as at 1 January	**5,215,917,925**	**4,812,481,064**
The impact of shares issued as of 1 January	521,609,059	403,427,032
The impact of the shares repurchased during the year	(13,250,937)	(12,275,517)
The impact of the shares resulting from the conversion of the bonds	172,665	7,702
Weighted average number of shares as at 31 December	**5,724,448,712**	**5,203,640,281**
The number of shares that may be issued upon the conversion of bonds into shares	8,168,143	20,885,768
Weighted average number of diluted shares as at 31 December	**5,732,616,855**	**5,224,526,049**

43. Derivatives

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**

The structure of the derivative instruments held by the **Group** and by the **Bank** as at **31 December 2019** 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	717	2,224	265,983	717	2,224	265,983
Currency swaps	3,031	6,704	686,266	3,031	6,704	686,266
Exchange rate forward agreements	1,055	3,403	748,627	1,055	3,403	748,627
Total derivative financial instruments	**4,803**	**12,331**	**1,700,876**	**4,803**	**12,331**	**1,700,876**

44. Reconciliation of liabilities resulting from financial activities

The changes of the liabilities resulting from the **Group**'s financial activities carried out in **2020** and **2019** are presented below:

Group 2020 *In RON thousand*	**01 January 2020**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2020**
Long-term loans	3,173,496	349,841	(290,572)	43,219	3,275,984

Group 2019 *In RON thousand*	**01 January 2019**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2019**
Long-term loans	3,112,059	305,017	(315,980)	72,400	3,173,496

The changes of the liabilities resulting from the **Bank**'s financial activities carried out in **2020** and **2019** are presented below:

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

Bank 2019 *In RON thousand*	**01 January 2019**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2019**
Long-term loans	2,593,331	47,569	(112,404)	66,171	2,594,667

Notes to the consolidated and separate financial statements

45. Reclassifications of comparative figures of 2019

In accordance with IAS 1 "Presentation of Financial Statements", if an entity has made a restatement, it is required to submit the reclassification of comparative values of the previous year.
When necessary, comparative figures have been reclassified in order to be in line with the changes from the current period presentation. These changes were made as a response to the revaluations performed by the Group's and the Bank's management for the most accurate presentation thereof.
The Bank's management has taken into account the nature of the abovementioned restatements, and, in particular, the fact that it is limited to the reclassification of financial position items, with no impact on total assets, total liabilities and shareholders' equity, as well as the reclassification of cash flow statement and statement of changes in equity items.
In order to facilitate the understanding of these financial statements, the table below lists the reported figures, reclassifications and adjusted values in the consolidated statement of cash flow and in the consolidated and individual shareholders' equity financial position.

i) The comparative figures of own funds for the Group and for the Bank after the approval of dividend distribution by the General Meeting of Shareholders dated 29 April 2020 are presented below:

RON thousand - **December 31, 2019**		**Group**	
Description	**Reported own funds**	**Adjustments**	**Adjusted own funds**
Tier 1 capital	8,787,882	(600,000)	8,187,885
Tier 2 capital	1,577,143	-	1,577,143
Total own funds	**10,365,025**	**(600,000)**	**9,765,025**

RON thousand - **December 31, 2019**		**Bank**	
Description	**Reported own funds**	**Adjustments**	**Adjusted own funds**
Tier 1 capital	8,420,620	(600,000)	7,820,620
Tier 2 capital	1,577,143	-	1,577,143
Total own funds	**9,997,763**	**(600,000)**	**9,397,763**

As a result of the approval of the 2019 Financial statements, the General Meeting of Shareholders of 29 April 2020 approved the distribution of cash dividends to the shareholders in amount of RON 600,000 thousand. This amount generated the adjustment of own funds for the year 2019, both at separate, as well as at consolidated level, in accordance with legal provisions, subsequent to the publishing of the Consolidated and separate financial statements for 2019.

ii) The reclassification of the comparative figures for the Statement of Profit and Loss for 2019 is presented below:

		Group	
Description	**Reported profit and loss account**	**Reclassifications**	**Reclassified profit and loss account**
Interest income calculated using the effective interest method	3,510,023	(16,252)	3,493,771
Other similar income	144,369	16,252	160,621
Net interest income	**3,073,745**	-	**3,073,745**
Fee and commission income	1,147,939	10,496	1,158,435
Fee and commission expense	(327,638)	(8,020)	(335,658)
Net fee and commission income	**820,301**	**2,476**	**822,777**
Other operating income	178,868	(10,496)	168,372
Operating income	**4,614,986**	**(8,020)**	**4,606,966**
Other operating expenses	(841,109)	8,020	(833,089)
Operating expenses	**(2,483,403)**	**8,020**	**(2,475,383)**

45. Reclassifications of comparative figures of 2019 *(continued)*

	Bank		
Description	**Reported profit and loss account**	**Reclassifications**	**Reclassified profit and loss account**
Interest income calculated using the effective interest method	3,200,637	(15,553)	3,185,084
Other similar income	-	15,553	15,553
Net interest income	**2,685,147**	**-**	**2,685,147**
Fee and commission income	1,002,739	10,497	1,013,236
Fee and commission expense	(290,124)	(8,020)	(298,144)
Net fee and commission income	**712,615**	**2,477**	**715,092**
Other operating income	140,741	(10,497)	130,244
Operating income	**4,031,270**	**(8,020)**	**4,023,250**
Other operating expenses	(712,888)	8,020	(704,868)
Operating expenses	**(2,144,124)**	**8,020**	**(2,136,104)**

In 2020, the Group and the Bank made the following reclassifications which impacted the comparative figures of the statement of profit or loss of 2019:

(a) Interest income on non-recourse factoring as well as interest on other financial assets has been reclassified from "Interest income calculated using the effective interest method" to "Other similar interest income";

(b) E-commerce income was reclassified from the category “Other operating income” to the category “Fee and commission income”;

(c) E-commerce expense has been reclassified from the category “Other operating expense” to the category “Fee and commission expense”;

(d) Interest income on non-recourse factoring contracts has been reclassified from the category “Interest income calculated using the effective interest method” in the category “Other similar interest income”.

46. Events subsequent to the date of the consolidated statement of financial position

No significant subsequent events were identified after reporting the consolidated statement of financial position.

The financial statements were approved by the Board of Directors on 25 March 2021 and were signed on behalf of the Board.

Horia CIORCILĂ
Chairman

George CĂLINESCU
Deputy CEO

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

According to the provisions of article 30 of Accounting Law no. 82/1991, republished, we hereby state that we take full responsibility for preparing the annual financial statements as at December 31, 2020 and confirm that:

a) The accounting policies used to prepare the annual financial, consolidated and separated statements are in accordance with the International Financial Reporting Standards as endorsed by the European Union ("IFRS"), in effect as at the reporting date, December 31, 2020;

b) The consolidated and separated financial statements, prepared as at December 31, 2020 offer a true image of the assets, liabilities, financial position, profit and loss account of Banca Transilvania;

c) Banca Transilvania carries its business on an ongoing basis;

d) The annual Report has been prepared in accordance with Regulation ASF no 5/2018, and reflects the correct and complete information at the reporting date.

DEPUTY CEO,

GEORGE CĂLINESCU

March 25, 2021

Refer to the original signed Romanian version	Refer to the original signed Romanian version

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

(free translation[1])

To the Shareholders of Banca Transilvania S.A.

Cluj-Napoca, Cluj, str. George Baritiu nr.8
Unique Registration Code: 5022670

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

1. We have audited:

   - the accompanying consolidated financial statements of Banca Transilvania S.A. ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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.

   - the accompanying separate financial statements of Banca Transilvania S.A. ("the Bank"), which comprise the separate statement of financial position as at 31 December 2020, 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 2020 are identified as follows:

- Consolidated Net assets/Total equity: RON thousands 10,414,358
- Consolidated Net profit for the year: RON thousands 1,424,078

- Separate Net assets/Total equity: RON thousands 9,522,869
- Separate Net profit for the year: RON thousands 1,197,305

[1] TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version and refers to the Romanian official and binding version of the consolidated and separate financial statements.

Fiscal registration code
RO12997279
Trade Registry
no.J40/4439/2000
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 unconsolidated financial position of the Bank as at 31 December 2020, respectively, and of their consolidated and unconsolidated financial performance and consolidated and unconsolidated 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 2020, the consolidated financial statements include gross loans and advances to customers of RON 44,286,658 thousand, related expected credit losses of RON 3,394,114 thousand, and, for the year then ended, net charge on impairment losses recognized in the statement of profit or loss of RON 984,194 thousand (31 December 2019: gross loans and advances to customers: RON 41,872,385 thousand, related expected credit losses: RON 2,696,981 thousand and net charge on impairment losses recognized in the statement of profit and loss: RON 427,944 thousand).

As at 31 December 2020, the separate financial statements include gross loans and advances to customers of RON 43,553,961 thousand, related expected credit losses of RON 3,190,052 thousand, and, for the year then ended, net charge on impairment losses recognized in the statement of profit or loss of RON 911,369 thousand (31 December 2019: gross loans and advances to customers: RON 41,134,588 thousand, related expected credit losses: RON 2,532,673 thousand and net charge on impairment losses recognized in the statement of profit and loss: RON 364,972 thousand).

See Notes 3 *Significant accounting policies*, 4b *Financial risk management – credit risk*, 5a *Accounting estimates and significant judgements*, 15 *Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments*, 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	Our audit procedures, performed, where relevant, with the assistance from our own financial risk

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loans and advances to customers (collectively, "loans", "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-perfroming 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 also the measures applied by the government of Romania to alleviate its effects, including payment holiday moratoriums, 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.

management, valuation and information technology (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 challenged 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 in 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, by means of corroborating 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. As part of this procedure, we assessed the

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	reasonableness of the Bank's and Group's treatment of the COVID-19 payment holiday for customers from a SICR perspective; — 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 consolidated and separate financial statement disclosures against the requirements of the relevant financial reporting standards.

Other Matter – Corresponding figures

6. The consolidated and separate financial statements of the Group and Bank as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 27 March 2020.

Other information

7. The Board of Directors is responsible for the preparation and presentation of other information. The other information comprises the Board of Directors' 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 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.

   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:

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a) The information given in the Board of Directors' Report and Annual Report prepared as per the requirements of FSA Regulation 5/2018 for the financial yearfor 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 and the Annual Report (prepared as per the requirements of FSA Regulation 5/2018). We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

8. 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.

9. 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.

10. 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

11. 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 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.

12. 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 and separate 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

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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 financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

13. 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.

14. 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.

15. 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.

Report on Other Legal and Regulatory Requirements

16. We were appointed by the General Shareholders' Meeting on 29 April 2020 to audit the consolidated and separate financial statements of Banca Transilvania S.A. for the year ended 31 December 2020. Our total uninterrupted period of engagement is of 1 year, covering the year ended 31 December 2020.

17. 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 2021. We also remained independent of the audited entity in conducting the audit.
- we have not provided to the Bank 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.

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For and on behalf of KPMG Audit S.R.L.:

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Furtuna Cezar-Gabriel

registered in the electronic public register of financial auditors and audit firms under no AF1526

KPMG Audit SRL

registered in the electronic public register of financial auditors and audit firms under no FA9

Bucharest, 25 March 2021

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