

Press Release April 29, 2021

BT Financial Results as at March 31, 2021

Banca Transilvania first quarter of 2021 results, a good sign of the economy's recovery

Ömer Tetik, Chief Executive Officer, Banca Transilvania:

"BT operated with its engines running at full speed during the first quarter of the year, which can be seen in the record number of loans granted."

- Almost 48,000 loans were granted during the first 3 months of the year, amounting to 3,947 million RON. Of these, 45,700 were loans to individuals - mortgages and consumer loans.
- The Bank counts approx. 3.1 million Retail clients, 352,000 SME & Micro clients and more than 10,600 corporate clients.
- 1.9 million customers are digitized, of which over 1.2 million use BT Pay, + 79% compared to the first quarter of 2020.
- The number of mobile payments doubled during the first quarter of 2021 compared to the same period of last year, reaching 12.3 million.
- The number of online card payments during the first quarter of 2021 increased by 64% compared to the first quarter of 2020.
- The bank has 70.64% Romanian capital and more than 33,000 Romanian individual shareholders.
- BT continued its network refurbishment at a pace of one refurbished unit / week.

The results of Banca Transilvania during the first three months of the year are encouraging and represent a sign of the Romanian economy's relaunch after 2020 challenges.

The assets of Banca Transilvania Financial Group reached 110.9 billion RON at the end of the first quarter and the loans increased to 43.09 billion RON. The customers' deposits reached 93.19 billion RON, of which 64.22 billion RON are retail deposits and 28.96 billion RON are deposits of company clients.

The net consolidated profit of Banca Transilvania Financial Group amounts to RON 656.33 million, while that of the bank amounts to RON 581.26 million. Subsidiaries and equity participations contributed with approximately 75 million RON to the BT Group profitability. The bank's cost / income ratio is 45.61%, annualizing the impact of the contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund.

"We see encouraging signs, Romania's economy has recovered well during the first three months of the year, but the challenges are still here. We depend now on the vaccination trend, but also on the travelling and consumption restrictions in other European countries and in the world and the recovery pace will be directly correlated with that of the major economies within the European Union. We are optimistic, but we remain alert and close to the customers with loans and those who need financing to support their business, the consumption and the economy in general. BT operated with its engines running at full speed during the first quarter of the year, translated in the record number of loans granted." states Ömer Tetik, Chief Executive Officer, Banca Transilvania

The non-performing exposures ratio, according to the EBA definition, is 3.73% as at March 31, 2021; The total provision coverage ratio of non-performing exposures, as per the applicable EBA standards, is 131%. The bank's CAR is 23.82% and includes the profit of the first quarter; Fitch Ratings maintained the rating of Banca Transilvania for long-term financing (IDR) at "BB +", with a negative outlook, as well as the viability rating (VR) at "bb +" level.

The real estate / mortgage loans portfolio amounts to 13.8 billion RON and the SME loans portfolio to about 17.8 billion RON. The bank has reached 4.4 million cards in its portfolio, of which almost 530,000 are credit cards.

BT plans for 2021, approved by the bank's shareholders. Year of Restart

At the General Meeting of the BT Shareholders held on April 28, 2021, the shareholders approved the proposal of the Board of Directors regarding the closing of the year 2020, the distribution of the profit, as well as the capital's increase with 573.8 million RON.

2020 results support BT's role as main pillar of the economic restart in 2021. For this year, Banca Transilvania has proposed the following:

- + 11.3% assets, reaching a level of 115 billion RON;
- 49.3% cost / income ratio;
- +7,9% Gross loans
- 47,9% Loans / Deposit ratio:
- +11,6% Customer deposits.

The BT's investment budget for 2021 is 400.88 million RON and will be allocated to IT projects, cards, digital initiatives and for the network.

At Banca Transilvania, this year's headline is Restart. BT wants to play a major role in supporting the businesses, the people and the economy.

Banca Transilvania | Communication and Public Relations

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The report for the Q1/ 2021, prepared in accordance with the provisions of art. 67 of Law no. 24 of 2017 regarding the issuers of financial instruments and market operations, is available on the BT website, section [site-ul Băncii Transilvania](#), starting with April 29, 2021. The financial statements as at 31.03.2021 and 31.03.2020 are not audited or reviewed.

Banca Transilvania S.A.

**INTERIM CONDENSED CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS**

As at March 31, 2021

Banca Transilvania S.A.

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Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Profit or Loss

For the three-month period ended March 31

	Notes	Group		Bank	
		31-03-2021 RON thousand	31-03-2020 RON thousand	31-03-2021 RON thousand	31-03-2020 RON thousand
Interest income calculated using the effective interest method		866,900	874,350	798,407	806,266
Other interest like income		27,658	27,703	2,172	2,760
Interest expense calculated using the effective interest method		(144,255)	(163,890)	(132,982)	(148,616)
Other interest like expense		(321)	(386)	(1,676)	(331)
Net interest income	5	749,982	737,777	665,921	660,079
Fee and commission income		308,947	273,153	264,818	235,988
Fee and commission expense		(95,690)	(88,855)	(83,531)	(78,733)
Net fee and commission income	6	213,257	184,298	181,287	157,255
Net trading income	7	145,803	59,749	95,933	52,970
Net gain / loss (-) from financial assets measured at fair value through other items of comprehensive income	8	72,242	96,777	72,229	96,770
Net gain / loss (-) from financial assets which are required to be measured at fair value through profit and loss	9	23,135	(100,872)	55,334	(103,931)
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	10	(85,225)	(71,445)	(82,022)	(69,795)
Other operating income	11	40,736	28,268	34,804	23,484
Operating income		1,159,930	934,552	1,023,486	816,832
Net income / expenses (-) from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	12	146,402	(51,305)	144,394	(40,976)
Personnel expenses	13	(313,450)	(290,633)	(279,289)	(257,896)
Depreciation and amortization		(89,586)	(78,275)	(87,782)	(72,479)
Other operating expenses	14	(150,488)	(164,114)	(127,751)	(141,963)
Operating expenses		(407,122)	(584,327)	(350,428)	(513,314)
Profit before income tax		752,808	350,225	673,058	303,518
Income tax expense (-)	15	(96,480)	(46,284)	(91,795)	(42,523)
Net profit for the year		656,328	303,941	581,263	260,995
Net Profit of the Group attributable to:					
Equity holders of the Bank		650,831	294,680	-	-
Non-controlling interests		5,497	9,261	-	-
Net Profit for the year		656,328	303,941	581,263	260,995

Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Other Comprehensive Income

For the three-month period ended March 31

Notes	Group		Bank	
	31-03-2021 RON thousand	31-03-2020 RON thousand	31-03-2021 RON thousand	31-03-2020 RON thousand
Net Profit for the year	656,328	303,941	581,263	260,995
Items which are or may be reclassified to profit or loss	(56,068)	(360,476)	(64,444)	(339,780)
<i>Fair value reserve (financial assets measured at fair value through other items of comprehensive income), of which:</i>	(76,678)	(404,288)	(76,662)	(404,209)
Net gain (-) / loss from disposal of financial assets measured at fair value through other items of comprehensive income, transferred to profit and loss account	(72,242)	(96,777)	(72,230)	(96,770)
Fair value changes of financial assets measured at fair value through other items of comprehensive income	(4,436)	(307,511)	(4,431)	(307,439)
Translation of financial information of foreign operations to presentation currency	9,572	(20,964)	(416)	(336)
Income tax on items which are or may be reclassified to profit or loss	11,038	64,776	12,633	64,765
Total comprehensive income for the period	600,260	(56,535)	516,818	(78,785)
Total comprehensive income attributable to:				
Equity holders of the Bank	594,763	(65,796)	-	-
Non-controlling interest	5,497	9,261	-	-
Total comprehensive income for the period	600,260	(56,535)	516,818	(78,785)
Basic earnings per share	0.1031	0.0469	-	-
Diluted earnings per share	0.1031	0.0469	-	-

The financial statements were approved by the Board of Directors on April 28, 2021 and were signed on its behalf by:

Ömer TETIK
Chief Executive Officer

George CĂLINESCU
Deputy Chief Executive Officer

Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Financial Position

<i>In RON thousand</i>	Note	Group		Bank	
		31-03-2021 RON thousand	31-12-2020 RON thousand	31-03-2021 RON thousand	31-12-2020 RON thousand
Assets					
Cash and current accounts with Central Banks	16	16,798,026	22,133,211	15,751,197	20,978,633
Derivatives		21,773	22,090	21,772	22,090
Financial assets held for trading and measured at fair value through profit and loss	18	390,005	346,472	21,674	17,572
Non-trading financial assets mandatorily at fair value through profit or loss	18	1,079,727	1,085,714	1,370,957	1,349,673
Financial assets measured at fair value through other items of comprehensive income	21	38,958,964	30,877,177	38,934,271	30,850,770
- of which pledged securities (repo agreements)		107,669	83,798	107,669	83,798
Financial assets at amortized cost - of which:		50,567,560	49,966,032	48,219,859	47,922,311
- Placements with banks	17	6,596,046	7,223,277	5,937,987	6,636,395
- Loans and advances to customers	19	41,851,188	40,892,544	41,361,919	40,363,909
- Debt instruments	21	1,246,171	990,106	161,869	160,874
- Other financial assets	22	874,155	860,105	758,084	761,133
Finance lease receivables	20	1,243,545	1,227,716	-	-
Investments in subsidiaries		-	-	499,690	499,690
Investment in associates		1,658	1,502	-	-
Property and equipment and investment property		930,858	904,297	620,090	619,041
Intangible assets		305,061	305,205	268,056	268,651
Goodwill		16,319	16,319	-	-
Right-of-use assets		432,930	448,852	683,668	708,505
Current tax receivables		-	9,654	-	8,585
Other non-financial assets	23	141,394	148,156	108,050	109,464
Total assets		110,887,820	107,492,397	106,499,284	103,354,985

Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Financial Position *(continued)*

<i>In RON thousand</i>	Notes	Group		Bank	
		31-03-2021 RON thousand	31-12-2020 RON thousand	31-03-2021 RON thousand	31-12-2020 RON thousand
Liabilities					
Derivatives		34,963	34,817	34,963	34,817
Deposits from banks	24	357,478	318,944	350,079	311,822
Deposits from customers	25	93,185,230	90,942,415	90,400,661	88,297,146
Loans from banks and other financial institutions	26	1,696,966	1,691,668	1,186,645	1,176,066
Subordinated liabilities	27	1,711,986	1,667,761	1,708,704	1,664,464
Current tax liability		92,994	-	92,137	-
Deferred tax liability		30,370	55,015	64,106	85,665
Provisions for other risks and loan commitments	28	612,961	615,952	582,101	589,237
Lease liabilities		442,824	454,792	692,222	709,269
Other financial liabilities	29	1,537,337	1,161,789	1,263,812	907,681
Other non-financial liabilities	30	95,328	86,359	66,086	55,949
Total liabilities excluding financial liabilities to holders of fund units		99,798,437	97,029,512	96,441,516	93,832,116
Financial liabilities to holders of fund units		64,087	48,527	-	-
Total liabilities		99,862,524	97,078,039	96,441,516	93,832,116
Equity					
Share capital		5,824,201	5,824,201	5,824,201	5,824,201
Treasury shares		(32,957)	(15,287)	(17,670)	-
Share premiums		31,235	31,235	28,614	28,614
Retained earnings		3,545,079	2,858,479	2,986,914	2,366,533
Revaluation reserves from tangible assets		41,908	45,625	44,800	48,517
Reserves on financial assets measured at fair value through other items of comprehensive income		453,226	517,335	454,463	518,558
Other reserves		760,276	759,715	736,446	736,446
Total equity attributable to equity holders of the Bank		10,622,968	10,021,303	10,057,768	9,522,869
Non-controlling interest		402,328	393,055	-	-
Total equity		11,025,296	10,414,358	10,057,768	9,522,869
Total liabilities and equity		110,887,820	107,492,397	106,499,284	103,354,985

The financial statements were approved by the Board of Directors on April 28, 2021 and were signed on its behalf by:

Ömer TETIK
Chief Executive Officer

George CĂLINESCU
Deputy Chief Executive Officer

Banca Transilvania S.A.

Interim Consolidated Statement of Changes in Equity

For the three-month period ended March 31, 2021

Group	Attributable to the equity holders of the Bank										
	<i>In RON thousand</i>	Share capital	Treasury shares	Share premiums	Revaluation reserves	Reserves from financial assets measured through other items of comprehensive income	Other reserves	Retained earnings	Total attributable to the equity holders of the Bank	Non-controlling interest	Total
Balance as at 01 January 2021	5,824,201	(15,287)	31,235	45,625		517,335	759,715	2,858,479	10,021,303	393,055	10,414,358
Profit for the period	-	-	-	-	-	-	-	650,831	650,831	5,497	656,328
Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax	-	-	-	-	-	(64,109)	-	-	(64,109)	-	(64,109)
Retained earnings from revaluation reserves	-	-	-	(3,717)	-	-	-	3,717	-	-	-
Distribution to statutory reserves	-	-	-	-	-	-	561	(561)	-	-	-
Foreign currency translation of foreign operations	-	-	-	-	-	-	-	8,041	8,041	-	8,041
Total comprehensive income for the period	-	-	-	(3,717)	(64,109)	561	662,028	594,763	594,763	5,497	600,260
Contributions of/distributions to the shareholders											
Acquisition of treasury shares	-	(17,670)	-	-	-	-	-	-	(17,670)	-	(17,670)
SOP 2021 Scheme	-	-	-	-	-	-	-	35,751	35,751	-	35,751
Transfer of retained earnings to liabilities to holders of fund units	-	-	-	-	-	-	-	(10,519)	(10,519)	-	(10,519)
Other adjustments	-	-	-	-	-	-	-	(660)	(660)	3,776	3,116
Total contributions of/distributions to the shareholders	-	(17,670)	-	-	-	-	-	24,572	6,902	3,776	10,678
Balance as at 31 March 2021	5,824,201	(32,957)	31,235	41,908		453,226	760,276	3,545,079	10,622,968	402,328	11,025,296

The explanatory notes to the financial statements from page 11 to page 47 are an integral part of these financial statements.

Banca Transilvania S.A.

Interim Consolidated Statement of Changes in Equity *(continued)*

For the year ended December 31, 2020

Group	Attributable to the equity holders of the Bank										
	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
<i>In RON thousand</i>											
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		521,609	-	-	-	-	-	(521,609)	-	-	-
Increase in share capital through the conversion of debt		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

The explanatory notes to the financial statements from page 11 to page 47 are an integral part of these financial statements.

Banca Transilvania S.A.

Interim Separate Statement of Changes in Equity (continued)

For the three-month period ended March 31, 2021

Bank	Notes	Attributable to the equity holders of the Bank							Total
		Share capital	Treasury shares	Share premiums	Revaluation reserves	Reserves from financial assets measured through other items of comprehensive income	Other reserves	Retained earnings	
<i>In RON thousand</i>									
Balance as at 01 January 2021		5,824,201	-	28,614	48,517	518,558	736,446	2,366,533	9,522,869
Profit for the period		-	-	-	-	-	-	581,263	581,263
Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(64,095)	-	-	(64,095)
Retained earnings from revaluation reserves		-	-	-	(3,717)	-	-	3,717	-
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(350)	(350)
Statement of comprehensive income for the period		-	-	-	(3,717)	(64,095)	-	584,630	516,818
Contributions of/distributions to the shareholders									
Acquisition of treasury shares		-	(17,670)	-	-	-	-	-	(17,670)
SOP 2020 Scheme		-	-	-	-	-	-	35,751	35,751
Total contributions of/distributions to the shareholders		-	(17,670)	-	-	-	-	35,751	18,081
Balance as at 31 March 2021		5,824,201	(17,670)	28,614	44,800	454,463	736,446	2,986,914	10,057,768

Banca Transilvania S.A.

Interim Separate Statement of Changes in Equity *(continued)*

For the year ended December 31, 2020

Bank	Notes	Attributable to the equity holders of the Bank							Total
		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	
<i>In RON thousand</i>									
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		521,609	-	-	-	-	-	(521,609)	-
Increase in share capital through the conversion of debt		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)
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

The explanatory notes to the financial statements from page 11 to page 47 are an integral part of these financial statements.

Interim Consolidated and Separate Statement of Cash Flows
For the three-month period ended March 31

<i>In RON thousand</i>	Note	Group		Bank	
		31-03-2021	31-03-2020	31-03-2021	31-03-2020
Cash-flow from operating activities					
Profit for the year		656,328	303,941	581,263	260,995
Adjustments for:					
Depreciation and amortization		89,586	78,275	87,782	72,479
Impairment allowance, expected losses and write-offs of financial assets, provisions for other risks and loan commitments		(65,079)	99,951	(63,670)	87,810
Adjustment of financial assets at fair value through profit and loss		(23,135)	100,872	(55,334)	103,931
Income tax expense		96,480	46,284	91,795	42,523
Interest income		(894,558)	(902,053)	(800,579)	(809,026)
Interest expense		144,576	164,276	134,658	148,947
Other adjustments		(26,373)	(35,013)	(142,552)	15,811
Net profit adjusted with non-monetary elements		(22,175)	(143,467)	(166,637)	(76,530)
Changes in operating assets and liabilities(*)					
Change in financial assets at amortized cost and placements with banks		325,050	168,422	467,010	(435,730)
Change in loans and advances to customers		(957,437)	(866,154)	(1,002,958)	(826,700)
Change in finance lease receivables		-11,528	7,486	-	-
Change in financial assets at fair value through profit or loss		29,122	(115,961)	34,050	(113,690)
Change in financial assets held for trading and measured at fair value through profit or loss - derivatives		317	411	318	411
Change in equity instruments		(35,815)	9,210	(4,102)	2,496
Changes in debt instruments		(7,718)	(4,931)	-	-
Change in other financial assets		(31,744)	44,996	(10,838)	48,893
Change in other assets		(24,704)	3,540	(21,995)	(19,335)
Change in deposits from customers		2,253,445	1,391,442	2,113,255	1,367,025
Change in deposits from banks		38,528	(69,364)	38,251	(74,041)
Change in financial liabilities held-for-trading		145	34,624	146	34,624
Change in repo operations		23,968	2,821,278	23,968	2,821,278
Change in other financial liabilities		369,521	368,810	353,898	348,193
Change in other liabilities		8,970	1,923	10,137	7,226
Income tax (paid)/recovered		(13,472)	(55,423)	-	(39,015)
Interest received		638,510	790,753	664,242	649,957
Interest paid		(111,527)	(156,665)	(134,691)	(143,773)
Net cash-flow from operating activities		2,471,456	4,230,930	2,364,054	3,551,289

Interim Consolidated and Separate Statement of Cash Flows (continued)

For the three-month period ended March 31

In RON thousand	Notes	Group		Bank	
		31-03-2021	31-03-2020	31-03-2021	31-03-2020
Cash-flow used in investment activities					
Acquisition of financial assets measured at fair value through other items of comprehensive income		(13,230,615)	(7,914,642)	(13,228,136)	(7,909,317)
Sale/redemption of financial assets measured at fair value through other items of comprehensive income		5,354,673	7,035,345	5,353,804	7,034,629
Net acquisitions of property and equipment		(34,835)	(39,135)	(14,106)	(22,889)
Net acquisitions intangible assets		(26,764)	(16,424)	(24,931)	(14,700)
Proceeds from disposal of property and equipment and intangible assets		878	367	876	272
Interest received		172,982	151,273	170,367	151,169
Net cash-flow used in investment activities		(7,763,681)	(783,216)	(7,742,126)	(760,836)
Cash-flow from financing activities					
Gross proceeds from loans from banks and other financial institutions		23,389	322,606	-	311,976
Gross payments from loans from banks and other financial institutions		(58,911)	(62,678)	(26,148)	(34,283)
Gross payments from subordinated loans from banks and other financial institutions		-	(395)	-	(395)
Repayment of the principal portion of the lease liabilities		(37,335)	(31,746)	(34,647)	(29,442)
Dividend payments		(438)	(199)	(438)	(199)
Payments for treasury shares		(17,670)	(36,466)	(17,670)	(36,466)
Interest paid		3,585	(7,906)	(864)	(2,100)
Net cash-flow from / (used in) financing activities		(87,380)	183,216	(79,767)	209,091

(*) 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		Bank	
		31-03-2021	31-03-2020	31-03-2021	31-03-2020
Cash and cash equivalents at January 1					
		26,649,622	20,510,000	24,802,742	18,761,413
The impact of exchange rate variations on cash and cash equivalents		46,207	120,217	45,344	120,427
Net increase/decrease (-) in cash and cash equivalents		(5,425,812)	3,510,713	(5,503,183)	2,879,117
Cash and cash equivalents as at Mach 31		21,270,017	24,140,930	19,344,903	21,760,957

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation

a) 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 March 2021 comprise the Parent company and its subsidiaries (hereinafter referred to as the “Group”).

The Group’s fields of activity are: banking through Banca Transilvania S.A. and Victoriabank S.A., leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., BT Direct IFN S.A., BT Microfinanțare 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 47 branches, 432 agencies, 20 work units, 7 healthcare division units, 2 private banking agencies in Romania, 1 branch in Italy and 1 regional office located in Bucharest (2020: 50 branches, 431 agencies, 21 work units, 7 healthcare division units, 2 private banking agencies in Romania, 1 branch in Italy and 1 regional office located in Bucharest).

The Group’s number of active employees as at 31 March 2021 was 10,027 (2020: 10,009 employees).

The Bank’s number of active employees as at 31 March 2021 was 8,365 (2020: 8,359 employees).

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

The ownership structure of the Bank is presented below:

	31-03-2021	31-03-2020
NN Group (*)	10,16%	9,55%
The European Bank for Reconstruction and Development (“EBRD”)	6,87%	7,93%
Romanian individuals	20,30%	19,69%
Romanian companies	40,96%	38,69%
Foreign individuals	1,06%	1,05%
Foreign companies	20,65%	23,09%
Total	100%	100%

(*) NN Group N.V. and the pension funds managed by NN Pensii SAFAP S.A. and NN Asigurări de Viață S.A.

The Bank’s shares are listed on the Bucharest Stock Exchange and are traded under the ticker TLV.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

a) Reporting entity (continued)

The Group's subsidiaries are represented by the following entities:

Subsidiary	Field of activity	Percentage of direct and indirect stake 31-03-2021	Percentage of direct and indirect stake 31-12-2020
Victoriabank S.A.	financial and banking activities and investments subject to license	44.63%	44.63%
BT Capital Partners S.A.	Investments	99.59%	99.59%
BT Leasing Transilvania IFN S.A.	leasing	100.00%	100.00%
BT Investments S.R.L.	Investments	100.00%	100.00%
BT Direct IFN S.A.	consumer loans	100.00%	100.00%
BT Building S.R.L.	Investments	100.00%	100.00%
BT Asset Management SAI. S.A.	Asset management	90.00%	90.00%
BT Solution Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Asiom Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Safe Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Leasing MD SRL	leasing	100.00%	100.00%
BT Microfinanțare 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	33.87%	33.87%
BT Pensii S.A.	Activities of pension funds (except those in the public social security system)	90.49%	90.49%

(*) The Group lost control of this subsidiary in October 2019, thus becoming an associate.

b) Declaration of conformity

The interim consolidated and separate statement of the Group and the Bank have been prepared in accordance with IAS 34 "Interim Financial Reporting" as endorsed by the European Union, effective as at the Group's and Bank's interim reporting date, March 31, 2021.

They do not include all the information required for a complete set of financial statements in accordance with the International Financial Reporting Standard ("IFRS") endorsed by the European Union. However, certain notes are included in order to explain the events and transactions that are significant in order to understand the changes in the Group's and the Bank's financial position and performance as of the last annual separate and consolidated financial statements as at and for the year ended December 31, 2020.

Financial information for the periods ended at March 31, are not audited nor revised.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

c) Basis of measurement

The interim consolidated and separate statement 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 property and equipment and investment property.

d) Functional and presentation currency

The items included in the financial statement 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.

The exchange rates for the major foreign currencies were:

Currency	31-03-2021	31-12-2020	Fluctuation %
Euro (EUR)	1: RON 4.9251	1:RON 4.8694	1.14 %
American dollar (USD)	1: RON 4.1969	1: RON 3.9660	5,82 %

e) Use of estimates and judgements

The preparation of the interim consolidated and separate statement in accordance with the IAS 34 "Interim Financial Reporting", 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, incomes 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 are 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.

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.

i) 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 on quarterly basis (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.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

e) Use of estimates and judgements (continued)

(i) Impairment losses on loans and advances to customers (continued)

For example, the observable data might be the unfavorable changes in the payment behavior of certain debtors within a group or in the economic, national or local circumstances, which correlate with default incidents affecting the debtors' group. When scheduling future cash flows, the management uses estimates based on the past experience related to losses from loans with similar risk characteristics.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any gaps between estimated losses and actual losses, but also to assess the effects of the local financial market uncertainties on the valuation of assets and the debtors' operating environment. The loan loss estimation considers the visible effects of the current and future expected market conditions on the individual/collective assessment of expected credit losses on loans and advances to customers. Hence, the Group and the Bank have estimated the expected credit losses for loans and advances to customers and receivables from finance lease based on the internal methodology and assessed that no further expected credit losses is required except as already provided for in the consolidated and separate financial statements.

Individually significant assets are assessed and monitored individually, regardless of the stage allocation, determined using the automated criteria. Thus, a specialized team of experts uses professional judgement to assess the unlikelihood 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 not been changed from those applied in Q4 2020, considering that they reflect the macroeconomic outlook due to the COVID 19 pandemic. 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. Also, due to the COVID-19 pandemic, management applies supplementary judgement when determining the need for post-model adjustments (no changes have been made compared to the 2020 considerations).

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.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

e) Use of estimates and judgements (continued)

(i) Impairment losses on loans and advances to customers (continued)

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.

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 overdue or the debtors had paid these arrears until the date of requesting the suspension of the payment obligation and was granted before March 2020. 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.

During 2021, over 1,200 individuals and companies benefited from the extension of the legislative facilities related to the deferral of installments, with a carrying amount of RON 118.8 million as of March 31, 2021.

As mentioned, moratoria program did not have an impact on staging (is not considered a trigger for a significant increase in credit risk). The definition of forbore credit modification was not changed and continues to identify restructuring operation request by clients in financial difficulties who did not access the moratoria program.

The Group's forbearance practices have been updated during 2020 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.

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.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

e) Use of estimates and judgements (continued)

(i) Impairment losses on loans and advances to customers (continued)

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 the Interim Condensed Consolidated and Separate Statement of Profit or Loss.

(ii) 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 from 31 March 2021, based on solid arguments such as:

- Non-correlation of the fiscal legislation with the accounting legislation: The Fiscal Code does not contain specific provisions regarding the merger of two or several taxpayers that apply IFRS as the basis for accounting and the fiscal legislation is not correlated with the accounting legislation;
- Starting 1 Jan 2016, in the Rewritten Fiscal Code, the provisions for domestic mergers were updated and harmonized also in line with Directive 2009/133/EC and in this respect, clearly the intention of the lawmaker was that the specific taxation rules (taking in account the tax neutrality of the merger) should prevail over the general taxation rules.
- . The merger with VBRO was based on sound economic grounds (it was not undertaken for certain fiscal benefits). The merger should be neutral from a tax point of view i.e. the bargain gain should not be taxable.
- 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.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (*continued*)

e) Use of estimates and judgements (*continued*)

(ii) 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, retried 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, for which a first appearance took place on March 31, 2021. Based on legal proceedings initiated by the Bank, the High Court of Cassation and Justice scheduled the next appearance for September 15, 2021. Depending on the result of this approach, 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.

(iii) Risk provisions for abusive clauses and litigation

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 March 2021 when the Bank adjusted the provision based on the trend of such new litigations (show-up ratio) and the probability loss estimated at this date.

(iv) 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 446 million in equivalent.

Given the nature of the case and the legal limitations related to the investigation, the Bank 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.

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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.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

2. Significant accounting policies

The significant accounting methods and policies applied by the Bank and the Group entities in these interim consolidated and separate statement are the ones also applied in the Consolidated and separate financial statements as at and for the fiscal year ended December 31, 2020.

3. Segment reporting

The Group segment reporting is based on components of entity that the management monitors in making decisions. The business 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 business 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 business segments either directly or based on reasonable criteria established by the management.

For a proper reporting of the Group's results per operating segments, a preliminary analysis of clients was conducted for the Victoriabank subsidiary, in order to determine their classification 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 "Removals & Adjustments" segment comprises intra-group operations.

The business 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 segment reporting of the Group is 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.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

The Large Corporate clients have access to an all-inclusive package of banking products and services, the incomes generated by this segment resulting from lending operations, current business operations (transaction banking, Treasury, trade finance and retail products) and other related services (leasing, asset management, consultancy on mergers and acquisitions, capital market advisory services). Through the services provided, the Bank aims at extending its cooperation to the business partners of the LaCo segment - clients/suppliers/employees - by focusing on the increase of non-risk income.

Medium Corporate Customers („MidCo”): The Group and the Bank include in this category mainly the companies with an annual turnover between 9 and 100 million RON. By setting such value thresholds in the classification of MidCo clients, the Bank is able to address the most frequent requests coming from this category of clients: tailored financing solutions, access to a wide range of banking services, pricing based on financial performance, dedicated and flexible relationship management, operational agility. Depending on the activity type, the customized approach related to customers is supported by two existent specializations, notably Agribusiness and Healthcare.

The MidCo segment includes also entities operating in the public sector, financial institutions or legal entities serving particular functions, included in this category based on specific classification criteria. The Bank offers a full range 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

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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.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (*continued*)

Retail customers The Group and the Bank provide individuals with a wide range of banking products and services, including loans (consumer loans, car purchase loans, personal need loans and mortgage loans), savings and deposit accounts, payment services and securities trading.

Treasury: The Group and the Bank comprise in this category the treasury services.

Leasing and consumer finance granted by non-banking financial institutions: the Group includes in this category financial products and services such as lease facilities, consumer loans and microfinance provided by the non-banking financial institutions of the Group.

Other: The Group and the Bank incorporate in this category the services offered by other financial entities within the Group: asset management, brokerage, factoring and real estate.

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 March 31, 2021 and March 31, 2020, the Group or the Bank did not record income exceeding 10% of total income in relation to a single customer.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

The table below presents financial information per segments regarding the consolidated statement of financial position for the periods ended at March 31, 2021, and comparative data for December 31, 2020:

Business segments as at March 31, 2021

Group <i>In RON thousand</i>	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Removals & adjustments	Total
Gross loans and finance lease receivables	7,123,076	6,857,371	2,823,341	3,555,749	25,158,970	-	2,502,759	8,597	(1,476,678)	46,553,185
<i>Allowances for impairment losses on loans and finance lease receivables</i>	<i>(723,896)</i>	<i>(811,437)</i>	<i>(243,183)</i>	<i>(390,309)</i>	<i>(1,049,541)</i>	-	<i>(291,701)</i>	<i>(1,895)</i>	<i>53,510</i>	<i>(3,458,452)</i>
Loans and finance receivables-net Portfolio of Debt instruments and Equity instruments, net of provisions	6,399,180	6,045,934	2,580,158	3,165,440	24,109,429	-	2,211,058	6,702	(1,423,168)	43,094,733
Treasury and inter-bank operations	-	-	-	-	-	41,471,190	-	461,976	(236,526)	41,696,640
Intangible assets	61,113	127,314	75,744	171,008	488,320	23,166	8,023	307,201	(7,993)	1,253,896
Right-of-use assets	28,294	53,362	30,301	79,172	215,241	9,842	6,436	16,324	(6,042)	432,930
Other assets	140,709	158,026	61,081	69,638	521,543	-	25,915	109,520	(70,883)	1,015,549
Total assets	6,629,296	6,384,636	2,747,284	3,485,258	25,334,533	64,717,747	2,343,070	1,161,882	(1,915,886)	110,887,820
Deposits and current accounts	4,799,359	6,854,847	5,025,446	12,456,831	64,224,435	352,346	-	808	(171,364)	93,542,708
Loans from banks and other financial institutions	47,178	632,225	129,709	148,896	138,069	107,528	1,770,793	225,806	(1,503,238)	1,696,966
Subordinated liabilities	-	-	-	-	-	1,708,704	-	-	3,282	1,711,986
Finance lease financial liabilities	68,606	65,662	29,077	33,696	240,249	618	6,674	4,347	(6,105)	442,824
Other liabilities	447,933	335,245	110,276	140,322	1,099,795	663	56,386	302,652	(25,232)	2,468,040
Total liabilities	5,363,076	7,887,979	5,294,508	12,779,745	65,702,548	2,169,859	1,833,853	533,613	(1,702,657)	99,862,524
Equity and related items	-	-	-	-	-	-	-	11,025,296	-	11,025,296
Total liabilities and equity	5,363,076	7,887,979	5,294,508	12,779,745	65,702,548	2,169,859	1,833,853	11,558,909	(1,702,657)	110,887,820

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

Business segments as at December 31, 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
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 Loans and finance lease receivables net of provisions	(765,340)	(770,768)	(249,906)	(410,067)	(1,057,664)	-	(293,705)	(1,877)	51,029	(3,498,298)
Portfolio of Debt instruments, Equity instruments and Derivative instruments, 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
Treasury and inter-bank operations	-	-	-	-	-	33,144,340	-	414,278	(237,059)	33,321,559
Property and equipment and investment property, Intangible assets and goodwill	-	-	-	-	-	29,188,356	48,986	243,295	(124,149)	29,356,488
Right-of-use assets	57,034	138,923	72,658	164,021	482,583	21,949	8,080	289,031	(6,956)	1,227,323
Other assets	27,702	55,831	29,112	79,667	226,937	9,607	6,573	17,513	(4,090)	448,852
Total assets	144,596	166,129	60,035	72,576	530,653	-	24,065	88,463	(68,602)	1,017,915
Deposits from customers and current accounts	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
Loans from banks and other financial institutions	4,474,760	6,983,527	4,936,113	12,732,126	61,940,642	314,837	-	1,902	(122,548)	91,261,359
Subordinated liabilities	42,291	613,906	142,557	162,108	147,647	83,564	1,722,445	200,310	(1,423,160)	1,691,668
Lease liabilities	-	-	-	-	-	1,664,463	-	-	3,298	1,667,761
Other liabilities	72,079	68,685	28,360	35,912	244,405	454	6,754	2,302	(4,159)	454,792
Total liabilities	372,251	292,662	83,099	106,312	866,374	536	44,236	262,956	(25,967)	2,002,459
Equity and related items	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
Total liabilities and equity	-	-	-	-	-	-	-	10,414,358	-	10,414,358
	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 Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

The table below presents financial information per segments regarding the consolidated statement of the operating profit before net expenses with the impairment allowance for loans and advances to customers, for the periods ended at March 31, 2021, and comparative data for March 31, 2020:

Business segments as at March 31, 2021

Group <i>In RON thousand</i>	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non- banking financial institutions	Other - Group	Removals & adjustments	Total
Net interest income	36,195	61,885	37,094	56,378	242,449	77,542	58,279	178,689	1,471	749,982
Net commission income	13,897	26,764	17,596	64,856	70,688	(443)	2,824	17,714	(639)	213,257
Net trading income	2,354	9,316	9,226	18,664	34,624	29,002	2,995	36,485	3,137	145,803
Net gain from financial assets measured through comprehensive income	-	-	-	-	-	36,844	-	35,392	6	72,242
Net loss (-)/Net gain from financial assets which are required to be measured through profit or loss	-	-	-	-	-	20,571	-	2,564	-	23,135
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(4,155)	(6,511)	(4,862)	(11,835)	(57,862)	-	-	-	-	(85,225)
Other operating income	5,080	5,116	401	111	21,083	-	3,008	14,686	(8,749)	40,736
Total income	53,371	96,570	59,455	128,174	310,982	163,516	67,106	285,530	(4,774)	1,159,930
Personnel expenses	(18,705)	(45,944)	(24,141)	(49,099)	(128,475)	(6,031)	(12,437)	(28,618)	-	(313,450)
Other operating expenses	(6,394)	(13,837)	(8,381)	(17,784)	(64,751)	(4,799)	(11,114)	(25,994)	2,566	(150,488)
Depreciation and amortization	(5,924)	(11,717)	(6,753)	(16,840)	(46,283)	(2,115)	(1,664)	(3,306)	5,016	(89,586)
Total Expenses	(31,023)	(71,498)	(39,275)	(83,723)	(239,509)	(12,945)	(25,215)	(57,918)	7,582	(553,524)
Operating profit before net provision expenses for assets, other risks and commitments	22,348	25,072	20,180	44,451	71,473	150,571	41,891	227,612	2,808	606,406

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

Business segments as at March 30, 2020

Group <i>In RON thousand</i>	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non- banking financial institutions	Other - Group	Removals & adjustments	Total
Net interest income	21,546	54,210	26,262	57,835	246,806	35,594	54,467	240,686	371	737,777
Net commission income	11,315	24,845	16,419	56,214	60,648	(641)	1,493	14,967	(962)	184,298
Net trading income	2,509	9,423	8,336	14,954	32,663	(2,835)	3,199	(8,520)	20	59,749
Net gain from financial assets measured through comprehensive income	-	-	-	-	-	49,359	-	47,418	-	96,777
Net gain from financial assets which are required to be measured through profit or loss	-	-	-	-	-	(95,443)	-	(5,429)	-	(100,872)
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(4,648)	(5,397)	(3,003)	(9,133)	(49,264)	-	-	-	-	(71,445)
Other operating income	2,535	2,270	397	85	15,709	-	2,969	7,796	(3,493)	28,268
Total income	33,257	85,351	48,411	119,955	306,562	-13,966	62,128	296,918	(4,064)	934,552
Personnel expenses	(16,835)	(46,113)	(25,091)	(50,128)	(112,411)	(5,272)	(10,758)	(24,032)	7	(290,633)
Other operating expenses	(8,544)	(17,253)	(8,281)	(18,124)	(57,146)	(4,717)	(10,333)	(42,796)	3,080	(164,114)
Depreciation and amortization	(4,348)	(9,829)	(5,665)	(15,219)	(37,195)	(1,543)	(1,582)	(3,242)	348	(78,275)
Total Expenses	(29,727)	(73,195)	(39,037)	(83,471)	(206,752)	(11,532)	(22,673)	(70,070)	3,435	(533,022)
Operating profit before net provision expenses for assets, other risks and commitments	3,530	12,156	9,374	36,484	99,810	(25,498)	39,455	226,848	(629)	401,530

Notes to the Interim Condensed Consolidated and Separate Financial Statements

4. 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, present volatilities, and credit spreads.

Level 3 in the fair value hierarchy

The fair value of financial assets and liabilities included in Level 3 in the fair value hierarchy is determined by using input data that are not based on observable market information (unobservable data inputs shall reflect the assumptions made by the market participants to establish the price of an asset or a liability, including risk assumptions).

The objective of valuation techniques is to derive the fair value that reflects a price for the financial instrument at the reporting date, price that would be obtained by the market participants acting at arm's length.

The availability of observable market data and models reduces the need for the Management to operate judgements and estimations and also reduces the uncertainty associated with the determination of the fair value. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The management uses its judgment to select the valuation method and makes assumptions that are mainly based on market conditions existing at the date of the consolidated/separate statement of the financial position.

i) Fair value hierarchy analysis of financial instruments carried at fair value

At level 1 in the fair value hierarchy, the Group and the Bank included in the category of assets: equity instruments and debt instruments held at fair value through profit or loss, bonds classified as assets measured at fair value through other items of comprehensive income, except for the bonds issued by Municipalities.

At level 2 in the fair value hierarchy, the Group and the Bank included in the category of assets: derivatives held at fair value through profit or loss, bonds classified as assets measured at fair value through other items of comprehensive income, issued by Municipalities; and in the category of liabilities: derivatives classified as financial liabilities held for trading.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

4. Fair value of financial assets and liabilities (continued)

i) Fair value hierarchy analysis of financial instruments carried at fair value (continued)

The Group and The Bank have included at the level 3 in the fair value hierarchy the following categories of assets: equity instruments measured at fair value through other items of comprehensive income, loans and advances measured at fair value through other items of comprehensive income and debt instruments which are required to be measured at fair value through profit or loss.

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 <i>In RON thousand</i>	Level 1 - Quoted market prices in active markets	Level 2 - Valuation techniques – observable inputs	Level 3 - Valuation techniques – unobservable inputs	Total
March 31, 2021				
Financial assets held for trading and measured at fair value through profit or loss, of which:	390,005	-	-	390,005
- Equity instruments	261,952	-	-	261,952
- Debt instruments	128,053	-	-	128,053
Derivatives	-	21,773	-	21,773
Financial assets measured at fair value through other items of comprehensive income	38,892,670	740	65,554	38,958,964
- Equity instruments	-	-	34,195	34,195
- Debt instruments	38,892,670	740	-	38,893,410
- Loans and advances	-	-	31,359	31,359
Financial assets which are required to be measured at fair value through profit or loss, of which:	789,600	10,077	280,050	1,079,727
- Equity instruments	224,173	-	-	224,173
- Debt instruments	565,427	10,077	280,050	855,554
Total financial assets measured at fair value in the statement of financial position	40,072,274	32,590	345,604	40,450,468
Held-for-trading financial liabilities	-	34,963	-	34,963
December 31, 2020				
Financial assets held for trading and measured at fair value through profit or loss, of which:	346,472	-	-	346,472
- Equity instruments	226,137	-	-	226,137
- Debt instruments	120,335	-	-	120,335
Derivatives	-	22,090	-	22,090
Financial assets measured at fair value through other items of comprehensive income	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	217,564	-	-	217,564
- Debt instruments	528,356	62,226	277,568	868,150
Total assets measured at fair value in the statement of financial position	31,905,289	85,071	341,093	32,331,453
Held-for-trading financial liabilities	-	34,817	-	34,817

Notes to the Interim Condensed Consolidated and Separate Financial Statements

4. Fair value of financial assets and liabilities (continued)

i) Fair value hierarchy analysis of financial instruments carried at fair value (continued)

Bank	Level 1 - Quoted market prices in active markets	Level 2 - Valuation techniques – observable inputs	Level 3 - Valuation techniques – unobservable inputs	Total
<i>In RON thousand</i>				
March 31, 2021				
Financial assets held for trading and measured at fair value through profit or loss, of which:	21,674	-	-	21,674
- Equity instruments	21,674	-	-	21,674
Derivatives	-	21,772	-	21,772
Financial assets measured at fair value through other items of comprehensive income	38,886,488	740	47,043	38,934,271
- Equity instruments	-	-	15,684	15,684
- Debt instruments	38,886,488	740	-	38,887,228
- Loans and advances	-	-	31,359	31,359
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,080,830	10,077	280,050	1,370,957
- Equity instruments	223,776	-	-	223,776
- Debt instruments	857,054	10,077	280,050	1,147,181
Total financial assets measured at fair value in the statement of financial position	39,988,992	32,589	327,093	40,348,674
Held-for-trading financial liabilities	-	34,963	-	34,963
December 31, 2020				
Financial assets held for trading and measured at fair value through profit or loss, of which:	17,572	-	-	17,572
- Equity instruments	17,572	-	-	17,572
Derivatives	-	22,090	-	22,090
Financial assets measured at fair value through other items of comprehensive income	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 advances	-	-	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	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
Held-for-trading financial liabilities	-	34,817	-	34,817

Notes to the Interim Condensed Consolidated and Separate Financial Statements

4. 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 March 31, 2021:

In RON thousand	Notes	Carrying amount	Fair value	Group			Carrying amount	Fair value	Bank		
				Level 1	Fair value hierarchy Level 2	Level 3			Level 1	Fair value hierarchy Level 2	Level 3
Assets											
Placements with banks	17	6,596,046	6,596,046	-	6,596,046	-	5,937,987	5,937,987	-	5,937,987	-
Loans and advances to customers	19	41,851,188	41,831,832	-	-	41,831,832	41,361,919	41,343,301	-	-	41,343,301
Finance lease receivables	20	1,243,545	1,246,522	-	-	1,246,522	-	-	-	-	-
Financial assets at amortized cost - debt instruments	21	1,246,171	1,262,825	62,092	1,200,733	-	161,869	166,938	-	166,938	-
Other financial assets	22	874,155	874,155	-	-	874,155	758,084	758,084	-	-	758,084
Total assets		51,811,105	51,811,380	62,092	7,796,779	43,952,509	48,219,859	48,206,310	-	6,104,925	42,101,385
Liabilities											
Deposits from banks	24	357,478	357,478	-	357,478	-	350,079	350,079	-	350,079	-
Deposits from customers	25	93,185,230	93,240,058	-	93,240,058	-	90,400,661	90,465,111	-	90,465,111	-
Loans from banks and other financial institutions	26	1,696,966	1,696,966	-	-	1,696,966	1,186,645	1,186,645	-	-	1,186,645
Subordinated liabilities	27	1,711,986	1,711,986	-	-	1,711,986	1,708,704	1,708,704	-	-	1,708,704
Lease liabilities		442,824	442,824	-	-	442,824	692,222	692,222	-	-	692,222
Other financial liabilities	29	1,537,337	1,537,337	-	-	1,537,337	1,263,812	1,263,812	-	-	1,263,812
Total liabilities		98,931,821	98,986,649	-	93,597,536	5,389,113	95,602,123	95,666,573	-	90,815,190	4,851,383

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

4. 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 December 31, 2020:

RON thousand	Note	Group					Bank				
		Carrying amount	Fair value	Fair value hierarchy			Carrying amount	Fair value	Fair value hierarchy		
				Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets											
Placements with banks	17	7,223,277	7,223,277	-	7,223,277	-	6,636,395	6,636,395	-	6,636,395	-
Loans and advances to customers	19	40,892,544	40,692,694	-	-	40,692,694	40,363,909	40,185,867	-	-	40,185,867
Finance lease receivables	20	1,227,716	1,230,658	-	-	1,230,658	-	-	-	-	-
Financial assets at amortized cost - debt instruments	21	990,106	1,004,961	58,212	946,749	-	160,874	166,258	-	166,258	-
Other financial assets	22	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	24	318,944	318,944	-	318,944	-	311,822	311,822	-	311,822	-
Deposits from customers	25	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	26	1,691,668	1,691,902	-	-	1,691,902	1,176,066	1,176,300	-	-	1,176,300
Subordinated liabilities	27	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	29	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 Interim Condensed Consolidated and Separate Financial Statements

5. Net interest income

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-03-2020	31-03-2021	31-03-2020
Interest income calculated using the effective interest method	866,900	874,350	798,407	806,266
- Cash and cash equivalents at AC	2,049	9,447	1,880	6,347
- Placements with banks at AC	13,780	23,980	13,534	23,169
- Loans and advances to customers at AC	643,164	683,266	585,319	631,018
- Debt instruments at FVOCI	196,753	144,716	196,678	144,632
- Debt instruments at AC	11,154	12,941	996	1,100
Other similar interest income	27,658	27,703	2,172	2,760
- Finance lease receivables	25,486	24,943	-	-
- Non-recourse factoring receivables	2,172	2,760	2,172	2,760
Total interest income	894,558	902,053	800,579	809,026
Interest expense related to financial liabilities measured at amortized cost	144,255	163,890	132,982	148,616
- Cash and cash equivalents	11,088	11,764	11,088	11,764
- Deposits from banks	2,888	4,417	2,545	3,917
- Deposits from customers	105,168	121,564	97,624	111,056
- Loans from banks and other financial institutions	25,111	26,145	21,725	21,879
Other similar expense	321	386	1,676	331
- Lease liabilities	321	386	1,676	331
Total interest expense	144,576	164,276	134,658	148,947
Net interest income	749,982	737,777	665,921	660,079

The interest income and expense related to the financial assets and liabilities, other than those held at fair value through profit or loss, are determined using the effective interest rate method.

6. Net fee and commission income

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-03-2020	31-03-2021	31-03-2020
Fee and commission income				
Commissions from treasury and inter-bank operations	36,555	31,501	36,555	31,501
Client transactions	262,124	231,426	218,974	195,123
Lending activity (i)	9,219	9,300	9,117	9,173
Finance lease management	14	2	-	-
Other fee and commission income	1,035	924	172	191
Total fee and commission income	308,947	273,153	264,818	235,988
Fee and commission expense				
Commissions from treasury and inter-bank	67,792	62,417	57,903	53,328
Client transactions	22,863	21,385	17,617	17,142
Lending activity (i)	4,634	4,542	7,568	7,622
Other fees and commissions	401	511	443	641
Fee and commission expenses	95,690	88,855	83,531	78,733
Net fee and commission income	213,257	184,298	181,287	157,255

(i) Lending-related fees include guarantee assessment and amendment fees.

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

7. Net trading income

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-03-2020	31-03-2021	31-03-2020
Net income from foreign exchange transactions	97,039	85,399	89,079	73,854
Net income/(expense) from derivatives	4,791	(41,561)	4,793	(41,561)
Net income/(expense) from financial assets held-for-trading	42,007	(10,894)	4,099	(2,490)
Net income/(expense) from foreign exchange position revaluation	1,966	26,805	(2,038)	23,167
Net trading income	145,803	59,749	95,933	52,970

8. Net gain / loss (-) from financial assets measured at fair value through comprehensive income

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-03-2020	31-03-2021	31-03-2020
Income from the sale of financial assets measured at fair value through other items of comprehensive income	73,594	99,272	73,582	99,265
Losses from the sale of financial assets measured at fair value through other items of comprehensive income	(1,352)	(2,495)	(1,353)	(2,495)
Net income from financial assets measured at fair value through comprehensive income	72,242	96,777	72,229	96,770

9. Net gain / loss(-) from financial assets which are required to be measured at fair value through profit or loss

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-03-2020	31-03-2021	31-03-2020
Losses from financial assets which are required to be measured at fair value through profit or loss	(54,528)	(118,305)	(54,486)	(121,166)
Income from financial assets which are required to be measured at fair value through profit or loss	77,663	17,433	109,820	17,235
Net income/(expense) from financial assets which are required to be measured at fair value through profit or loss	23,135	(100,872)	55,334	(103,931)

10. 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 financial position, is the following:

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-03-2020	31-03-2021	31-03-2020
Contribution to the Bank Deposit Guarantee Fund	28,396	32,201	27,767	30,551
Bank Resolution Fund	56,826	39,244	54,255	39,244
Total	85,225	71,445	82,022	69,795

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11. Other operating income

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-03-2020	31-03-2021	31-03-2020
Income from insurance intermediation	20,140	16,789	15,896	14,090
Income from indemnities, fines and penalties	2,065	2,218	1,701	1,847
Income from VISA, MASTERCARD, WU services	8,063	1,593	8,063	1,593
Other operating income (i)	10,468	7,668	9,144	5,954
Total	40,736	28,268	34,804	23,484

(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, marketing bonuses, other recoveries from operating expenses.

12. Net income (-) / expenses from impairment allowance, expected losses on assets, provisions for other risks and loan commitments

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-03-2020	31-03-2021	31-03-2020
Net impairment allowance on assets (i)	(44,607)	132,916	(45,389)	108,421
Net loss on loans written off	1,195	127	-	-
Net loss on finance lease receivables written off	2,106	4,485	-	-
Provisions for other risks and loan commitments	(17,822)	(29,717)	(18,281)	(20,611)
Recoveries from loans written off	(81,323)	(48,646)	(80,724)	(46,834)
Recoveries from finance lease receivables written off	(5,951)	(7,860)	-	-
Net income (-) / expenses from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	(146,402)	51,305	(144,394)	40,976

(i) Net impairment allowance on assets include the following:

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-03-2020	31-03-2021	31-03-2020
Loans and advances to customers	(43,971)	126,669	(42,108)	113,197
Treasury and inter-bank operations	(31)	160	(112)	40
Finance lease receivables	1,517	11,989	-	-
Investment securities	3,711	338	1,816	213
Other financial assets	(1,303)	(401)	(1,540)	(452)
Other non-financial assets	(4,530)	(5,839)	(3,445)	(4,577)
Net impairment allowance on assets	(44,607)	132,916	(45,389)	108,421

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13. Personnel expenses

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-03-2020	31-03-2021	31-03-2020
Gross salaries	234,379	223,059	208,262	197,827
Social protection contribution	9,394	9,091	6,474	6,185
Share-based payments to employees	35,753	27,351	35,753	27,351
3rd Pension Pillar	3,628	2,806	3,394	2,683
Other staff expenses	16,025	11,529	14,658	10,216
Net expenses with provisions for overdue vacations and other provisions	14,271	16,797	10,748	13,634
Total	313,450	290,633	279,289	257,896

14. Other operating expenses

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-03-2020	31-03-2021	31-03-2020
Rent and operating lease expense	1,967	1,985	1,605	1,543
Repairs and maintenance expenses	42,559	33,055	39,354	29,296
Advertising, marketing, entertainment and sponsorship expenses	17,719	32,738	14,822	30,347
Mail, telecommunication and SMS traffic expenses	14,936	12,358	11,370	9,904
Materials and stationery expenses	14,274	16,042	12,716	14,677
Other professional fees, including legal expenses	5,045	7,468	2,146	4,771
Expenses regarding movable and immovable assets resulting from debt enforcement	1,228	4,171	1,122	4,043
Electricity and heating	6,286	6,644	5,823	6,063
Business travel, transportation and temporary relocation expenses	6,684	7,386	6,463	7,031
Insurance costs	4,945	5,111	4,404	4,385
Taxes and fees	8,416	7,461	8,082	6,958
Security and protection	3,198	3,513	2,865	3,082
Expenses related to archiving services	3,678	4,838	3,608	4,801
Expenses related to database queries from the Trade Register and the Credit Bureau	2,335	1,089	2,038	831
Expenses with foreclosed assets	1,208	1,634	1,117	1,534
Audit, advisory and other services provided by the independent auditor	1,294	1,032	838	610
Expenses from the sale of leased goods	1,349	446	-	-
Other operating expenses	13,367	17,143	9,378	12,087
Total other operating expenses	150,488	164,114	127,751	141,963

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15. Income tax expense

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-03-2020	31-03-2021	31-03-2020
Gross Profit	752,808	350,225	673,058	303,518
Statutory tax rate (2021: 16%; 2020: 16%)	(120,449)	(56,036)	(107,689)	(48,563)
Fiscal effect of income tax on the following elements:	10,139	7,461	6,968	5,077
- Non-taxable income	22,666	27,898	27,967	22,960
- Non-deductible expense	(39,251)	(36,969)	(47,235)	(34,376)
- Tax deductions	24,527	18,583	24,078	18,544
- Income related items	(3,345)	(2,051)	(3,345)	(2,051)
- Expense related items	5,542	-	5,503	-
Deferred Tax	13,830	2,291	8,926	963
Income tax expense	(96,480)	(46,284)	(91,795)	(42,523)

16. Cash and cash equivalents

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Minimum reserve requirement	13,745,013	19,289,218	13,020,669	18,558,740
Cash on hand and other values	3,053,013	2,843,993	2,730,528	2,419,893
Total	16,798,026	22,133,211	15,751,197	20,978,633

Reconciliation of cash and cash equivalents with the separate and consolidated statement of financial position

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Cash and cash equivalents(*)	16,798,699	22,134,426	15,751,928	20,979,902
Placements with banks - maturity below 3 months	4,094,579	4,188,689	3,519,858	3,704,585
Reverse-repo transactions	30,990	30,623	30,990	30,623
Loans and advances to credit institutions with maturity below 3 months	42,127	87,632	42,127	87,632
Financial assets measured at fair value through other items of comprehensive income with maturity below 3 months	139	69	-	-
Financial assets at amortized cost – debt instruments with maturity below 3 months	303,484	208,183	-	-
Cash and cash equivalents in the cash flow statement	21,270,017	26,649,622	19,344,903	24,802,742

(*) At Group level, the cash and current accounts with Central Banks do not include the accrual and interest receivable in the amount of RON (672) thousand (2020: RON (1,215) thousand) and at the level of the Bank in the amount of RON (731) thousand (2020: RON (1,269) thousand)

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17. Placements with banks

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Current accounts with other banks	1,982,602	1,067,035	1,432,840	641,225
Sight and term deposits with other banks	3,209,179	4,721,926	3,100,882	4,560,854
Reverse repo transactions	1,115,871	1,102,885	1,115,871	1,102,885
Loans and advances to credit institutions	288,394	331,431	288,394	331,431
Total	6,596,046	7,223,277	5,937,987	6,636,395

Except for sale and reverse-repo agreements, the amounts due from other banks are not guaranteed.

As at March 31, 2021, the placements with banks included reverse-repo securities, term deposits and loans and advances to credit institutions with maturity up to 3 months, which are also included in the separate and consolidated statement of cash flows, as follows: reverse-repo in amount of RON 30,990 thousand, deposits in amount of RON 1,903,627 thousand and loans and advances to credit institutions of RON 42,127 thousand at Group level, and reverse-repo of RON 30,990 thousand, deposits in amount of RON 1,900,115 and loans and advances to credit institutions in amount of RON 42,127 thousand at Bank level (2020: reverse-repo in amount of RON 30,623 thousand and deposits in amount of RON 2,588,532 thousand at Group level, and reverse-repo of RON 30,623 thousand, deposits in amount of RON 2,574,808 thousand at Bank level; loans and advances to credit institutions in amount of RON 87,632 for both the Group and the Bank).

18. 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:

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Equity instruments	261,952	226,137	21,674	17,572
Debt instruments	128,053	120,335	-	-
Total	390,005	346,472	21,674	17,572

b) Financial assets which are required to be measured at fair value through profit or 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:

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Equity instruments	224,173	217,564	223,776	217,192
Debt instruments	855,554	868,150	1,147,181	1,132,481
Total	1,079,727	1,085,714	1,370,957	1,349,673

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19. Loans and advances to customers

The Group's and Bank's commercial lending is concentrated on Romanian companies and individuals.

The structure of the credit portfolio of the Group and the Bank as at March 31, 2020 and December 31, 2020 is the following:

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Corporate	12,510,673	12,368,857	13,621,648	13,361,424
Small and medium enterprises	6,377,643	6,245,232	6,272,057	6,148,658
Consumer loans and card loans granted to retail customers	11,018,866	10,949,378	10,801,212	10,742,582
Mortgage loans	14,101,570	13,568,648	13,780,934	13,266,162
Loans granted by non-banking financial institutions	1,150,116	1,113,152	-	-
Other	47,115	41,391	38,519	35,135
Total loans and advances to customers before impairment allowance (*)	45,205,983	44,286,658	44,514,370	43,553,961
Allowances for impairment losses on loans	(3,354,795)	(3,394,114)	(3,152,451)	(3,190,052)
Total loans and advances to customers net of impairment allowance (*)	41,851,188	40,892,544	41,361,919	40,363,909

20. 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 MDL 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:

<i>In RON thousand</i>	31-03-2021	31-12-2020
Finance lease receivables with maturity below 1 year, gross	587,167	575,064
Finance lease receivables with maturity between 1-5 years, gross	869,757	868,059
Total finance lease receivables, gross	1,456,924	1,443,123
Future interest related to finance lease receivables	(109,722)	(111,223)
Total finance lease receivables, net of future interest	1,347,202	1,331,900
Impairment allowances for finance lease receivables	(103,657)	(104,184)
Total finance lease receivables	1,243,545	1,227,716

The lease contracts are originated and managed through BT Leasing Transilvania IFN S.A. and BT Leasing Moldova S.R.L.

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21. Investment securities

a) Financial assets measured at fair value through other items of comprehensive income

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Debt instruments, of which	38,893,410	30,813,652	38,887,228	30,805,116
- Central administrations	36,600,415	29,217,230	36,594,233	29,208,694
- Credit institutions	1,830,756	1,167,034	1,830,756	1,167,034
- Other financial companies	446,250	413,048	446,250	413,048
- Non-financial institutions	15,989	16,340	15,989	16,340
Equity instruments, of which:	34,195	32,687	15,684	14,816
- Other financial companies	24,262	22,754	15,684	14,816
- Non-financial institutions	9,933	9,933	-	-
Loans and advances to customers	31,359	30,838	31,359	30,838
- Central administrations	31,359	30,838	31,359	30,838
Total	38,958,964	30,877,177	38,934,271	30,850,770

b) Financial assets at amortized cost - debt instruments

In the period ended on March 31, 2021, the Group classified as financial assets measures at amortized cost - debt instruments, bonds in amount of RON 1,246,171 thousand, and the Bank bonds in amount of RON 161,869 thousand (December 31, 2020: RON 990,106 thousand for the Group and RON 160,874 thousand for the Bank).

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Debt instruments, of which				
- Central Banks	302,638	207,095	-	-
- Central administrations	765,454	606,276	151,646	150,750
- Credit institutions	167,856	166,611	10,223	10,124
- Other financial companies	10,223	10,124	-	-
Total	1,246,171	990,106	161,869	160,874

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22. Other financial assets

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Amounts under settlement	225,726	194,184	214,469	180,386
Non-recourse factoring	165,750	194,146	165,750	194,146
Sundry debtors and advances for non-current assets	453,210	451,400	353,355	359,338
Instruments received for collection	32,910	34,226	32,910	34,226
Other financial assets	19,666	10,423	3,679	6,682
Impairment allowance for other financial assets	(23,107)	(24,274)	(12,079)	(13,645)
Total	874,155	860,105	758,084	761,133

As at March 31, 2021, out of RON 874,155 thousand (December 31, 2020: RON 860,105 thousand), the Group's other impaired financial assets amounted to RON 12,564 thousand (December 31, 2020: RON 12,678 thousand).

As at March 31, 2021 out of RON 758,084 thousand (December 31, 2020: RON 761,133 thousand), the Bank's other impaired financial assets amounted to RON 5,389 thousand (December 31, 2020: RON 5,428 thousand).

23. Other non-financial assets

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Inventories and similar assets	124,022	136,650	55,660	63,812
Accrued expenses	64,461	61,958	60,236	56,990
VAT and other taxes to be received	11,597	13,748	2,079	1,920
Other non-financial assets	3,898	2,639	16	126
Impairment allowance for other non-financial assets	(62,584)	(66,839)	(9,941)	(13,384)
Total	141,394	148,156	108,050	109,464

24. Deposits from banks

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Sight deposits	53,414	61,538	46,015	54,416
Term deposits	304,064	257,406	304,064	257,406
Total	357,478	318,944	350,079	311,822

25. Deposits from customers

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Current accounts	55,445,760	53,601,165	53,829,404	52,146,517
Sight deposits	730,619	743,123	439,010	447,866
Term deposits	36,342,306	35,975,733	35,488,306	35,102,763
Collateral deposits	666,545	622,394	643,941	600,000
Total	93,185,230	90,942,415	90,400,661	88,297,146

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25. Deposits from customers (continued)

Deposits from customers can be also analyzed as follows:

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Retail	64,224,566	61,940,774	62,520,777	60,254,739
Companies	28,960,664	29,001,641	27,879,884	28,042,407
Total	93,185,230	90,942,415	90,400,661	88,297,146

26. Loans from banks and other financial institutions

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Loans from government entities	6,620	5,870	-	-
Loans from commercial banks	121,704	126,678	-	-
- Romanian banks	116,563	119,429	-	-
- Foreign banks	5,141	7,249	-	-
Loans from development banks	1,131,158	1,126,057	1,063,848	1,073,137
Repurchase agreements (repo transactions)	107,528	83,564	107,528	83,564
Other funds from financial institutions	132,749	155,476	15,269	19,365
Issued bonds	197,207	194,023	-	-
Total	1,696,966	1,691,668	1,186,645	1,176,066

The covenants stipulated in the loan agreements signed with the creditors were met by the Group and the Bank at March 31, 2021 and December 31, 2020.

The table below summarizes the underlying securities of repo agreements:

<i>In RON thousand</i>	Group				Bank			
	31-03-2021		31-12-2020		31-03-2021		31-12-2020	
	Transferred assets	Related liabilities	Transferred assets	Related liabilities	Transferred assets	Related liabilities	Transferred assets	Related liabilities
	107,669	107,528	83,798	83,564	107,669	107,528	83,798	83,564
Total	107,669	107,528	83,798	83,564	107,669	107,528	83,798	83,564

27. Subordinated liabilities

As at March 31, 2021 and December 31, 2020, the covenants stipulated in the loan agreements signed with the creditors were met by the Bank and the Group.

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Loans from development banks and financial institutions	296,743	281,586	296,743	281,586
Non-convertible bonds	1,415,243	1,386,175	1,411,961	1,382,878
Convertible bonds	-	-	-	-
Total	1,711,986	1,667,761	1,708,704	1,664,464

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28. Provisions for other risks and loan commitments

The following items are included under Provisions for other risks and loan commitments:

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Provisions for loan commitments, financial guarantees and other commitments given	331,184	343,752	329,222	342,572
Provisions for employee benefits as compensated absences	30,846	24,678	26,129	20,081
Provisions for other employee benefits	45,133	36,916	29,905	25,205
Provisions for litigation, other risks and charges (*)	205,798	210,606	196,845	201,379
Total	612,961	615,952	582,101	589,237

(*) Provisions for other risks and charges primarily include provisions for litigation and other risks taken after the merger with Volksbank Romania S.A. and Bancpost S.A.

29. Other financial liabilities

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Amounts under settlement	1,299,169	996,873	1,069,196	786,758
Sundry creditors	105,168	110,249	68,338	70,244
Dividends payable	22,748	23,185	22,742	23,179
Other financial liabilities	110,252	31,482	103,536	27,500
Total	1,537,337	1,161,789	1,263,812	907,681

30. Other non-financial liabilities

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Other taxes payable	19,966	30,868	14,756	25,469
Other non-financial liabilities	75,362	55,491	51,330	30,480
Total	95,328	86,359	66,086	55,949

31. 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 650,831 thousand (2020: RON 294,680 thousand) and on the weighted average number of ordinary shares outstanding during the year of 6,310,433,282 (2020 recalculated: 6,282,790,026 shares).

The diluted earnings per share take into consideration the adjusted consolidated net profit of RON 650,831 thousand (2020: RON 295,387 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 2021 in amount of RON 0 thousand (2020: RON 707 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.

As at March, 31 2021, The bank no longer had convertible bonds.

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31. Earnings per share (continued)

As at March, 31 2021, The bank no longer had convertible bonds.

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 47,359,187 and the conversion price of 2.2414, resulting a number of 21,129,288 shares.

	Group	
	31-03-2021	31-03-2020
Ordinary shares issued as at 1 January	5,737,699,649	5,215,917,925
The impact of shares issued as of 1 January	573,769,971	521,609,059
The impact of the shares repurchased during the year	-1,036,398	-28,679,594
The impact of the shares obtained from bonds conversion	60	172,665
The retroactive adjustment of the weighted average number of outstanding shares as at March 31, 2020		573,769,971
Weighted average number of shares	6,310,433,282	6,282,790,026
The number of shares that may be issued upon the conversion of bonds into shares	-	21,129,288
Weighted average number of diluted shares	6,310,433,282	6,303,919,314

32. 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 Group and at the Bank level.

Capital adequacy is determined according to the Regulation (EU) No 575/2013 of the European Parliament and of the Council and requires a minimum mandatory own funds level of:

- 4.5 % for core tier 1 own funds;
- 6.0 % for tier 1 own funds;
- 8.0 % for total own funds.

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 conservation buffer of 2.5% of the total value of the risk-weighted exposures between January 1, 2020-March 31, 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 for 30 June 2018).

In calculating the total consolidated capital buffer, the highest value between the O-SII buffer and the systemic risk buffer is added to the capital conservation buffer.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

32. Capital management (continued)

Own funds adequacy

The Group and the Bank use the following calculation methods in order to determine own fund requirements:

- Credit risk: standardized method;
- Market risk: capital requirements with respect to the foreign exchange risk and the trading portfolio are calculated based on the standard method;
- Operational risk: own fund requirements for the coverage of operational risk are calculated according to the base method.

The Group and the Bank comply with the above regulations, the level of the capital adequacy ratio exceeding the minimum mandatory requirements imposed by the law.

As at March 31, 2021 and December 31, 2020, the Group and the Bank complied with all the capital adequacy requirements.

Under the current capital requirements set by the European Banking Authority, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level.

The amount of capital that the Group managed was RON 11,877,188 thousand as of 31 March 2021 (31 December 2020: RON 12,108,132 thousand), regulatory capital amounts to RON 6,918,032 thousand (31 December 2020: RON 7,192,994 thousand) and the Group and the Bank have complied with all externally imposed capital requirements throughout 2021 and 2020.

According to the applicable legal requirements on regulatory capital, the Group's and the Bank's own funds include:

- Tier I, which includes subscribed and paid in capital, share premiums, eligible reserves, retained earnings and deductions laid down in the applicable legal provisions;
- Tier II own funds, which include subordinated loans and deductions laid down in the applicable legal provisions;

The Group manages 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.

The level and the requirements of own funds as at March 31, 2021 and December 31, 2020 are as follows:

<i>In RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Tier 1 own funds	10,317,558	10,573,525	9,836,209	10,067,481
Tier 2 own funds	1,559,630	1,534,607	1,559,630	1,534,607
Total own funds	11,877,188	12,108,132	11,395,839	11,602,088

The capital adequacy ratio (CAR) is calculated as a ratio between own funds and total risk-weighted assets:

<i>In %</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Core tier one ratio	18.64	18.37	19.56	19.30
Tier 1 ratio	18.64	18.37	19.56	19.30
CAR	21.46	21.04	22.66	22.24

Note: The calculation of the Group's and the Bank's own funds considers the statutory profit of the Group, respectively of the Bank for the financial period ended on December 31, 2020. For the three-month period ended March 31, 2021, the current profit was not considered in the calculation of own funds. Regulatory capital as at March 31, 2021 and December 31, 2020 was calculated according to the IFRS standards endorsed by the European Union.

The explanatory notes to the financial statements from page 11 to page 47 are an integral part of these financial statements. 42

Notes to the Interim Condensed Consolidated and Separate Financial Statements

33. Credit risk management

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.

The table below presents the concentration by class of the on-balance sheet exposures related to the Group's and the Bank's loan and leasing portfolio:

<i>RON thousand</i>	Group		Bank	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Corporate	12,510,673	12,368,857	13,621,648	13,361,424
Small and medium enterprises	6,377,644	6,245,232	6,272,057	6,148,658
Consumer loans and card loans granted to retail customers	11,018,866	10,949,378	10,801,212	10,742,582
Mortgage loans	14,101,569	13,568,648	13,780,934	13,266,162
Loans and finance lease receivables granted by non-banking financial institutions	2,497,318	2,445,052	-	-
Other	47,115	41,391	38,519	35,135
Total loans and advances to customers and financial lease receivables before impairment allowance	46,553,185	45,618,558	44,514,370	43,553,961
Allowances for impairment losses on loans and financial lease receivables	(3,458,452)	(3,498,298)	(3,152,451)	(3,190,052)
Total loans and advances to customers and financial lease receivables net of impairment allowance	43,094,733	42,120,260	41,361,919	40,363,909

At March 31, 2021, the total irrevocable on-balance and off-balance sheet exposure was of RON 49,040,759 thousand (December 31, 2020: RON 47,954,924 thousand) for the Group and RON 46,409,013 thousand (December 31, 2020: 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 Interim Condensed Consolidated and Separate Financial Statements

33. Credit risk management (continued)

The exposures to credit risk for loans and advances to customers and financial lease receivables at Group consolidated level, as at March 31, 2021, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2021
<i>In RON thousand</i>					
Corporate	8,995,786	2,281,094	1,022,188	211,605	12,510,673
Small and medium enterprises	4,605,498	1,419,402	323,653	29,091	6,377,644
Consumer loans and card loans granted to retail customers	8,905,595	1,339,338	671,958	101,975	11,018,866
Mortgage loans	13,202,218	662,754	190,895	45,702	14,101,569
Loans and finance lease receivables granted to non-banking financial institutions	442,029	1,749,387	271,572	34,330	2,497,318
Other	195	40,179	4,599	2,142	47,115
Total loans and advances to customers and financial lease receivables before impairment allowance	36,151,321	7,492,154	2,484,865	424,845	46,553,185
Allowances for impairment losses on loans and financial lease receivables	(729,542)	(1,074,518)	(1,561,229)	(93,163)	(3,458,452)
Total loans and advances to customers and financial lease receivables net of impairment allowance	35,421,779	6,417,636	923,636	331,682	43,094,733

Notes to the Interim Condensed Consolidated and Separate Financial Statements

33. Credit risk management (continued)

The exposures to credit risk for loans and advances to customers and financial lease receivables at Group consolidated level, as at December 31, 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
<i>In RON thousand</i>					
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

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

33. Credit risk management (continued)

The exposures to credit risk for loans and advances to customers at Bank level, as at March 31, 2021, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2021
<i>In RON thousand</i>					
Corporate	10,323,526	2,176,215	990,608	131,299	13,621,648
Small and medium enterprises	4,544,552	1,382,009	318,574	26,922	6,272,057
Consumer loans and card loans granted to retail customers	8,708,480	1,334,334	656,906	101,492	10,801,212
Mortgage loans	12,890,743	658,105	186,555	45,531	13,780,934
Other	195	33,336	4,540	448	38,519
Total loans and advances to customers before impairment allowance	36,467,496	5,583,999	2,157,183	305,692	44,514,370
Allowances for impairment losses on loans	(742,960)	(990,077)	(1,364,418)	(54,996)	(3,152,451)
Total loans and advances to customers net of impairment allowance	35,724,536	4,593,922	792,765	250,696	41,361,919

The exposures to credit risk for loans and advances to customers at Bank level, as at December 31, 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
<i>In RON thousand</i>					
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 Interim Condensed Consolidated and Separate Financial Statements

34. Events subsequent to the date of the consolidated statement of financial position

No significant subsequent events were identified after reporting the interim consolidated and separate statement of financial position.

The interim consolidated and separate financial statements were approved by the Board of Directors on 28 April 2021 and were signed on behalf of the Board.

Ömer TETIK
Chief Executive Officer

George CĂLINESCU
Deputy Chief Executive Officer

CONSOLIDATED DIRECTORS' REPORT

**for the three month period ended
31 March 2021**

**In compliance with ASF Regulation no.
5/2018**

Identification Details of the Issuer

Report date: April 29, 2021

Name of the company: BANCA TRANSILVANIA S.A.

Registered office: no.8 G.Baritiu str., Cluj-Napoca, jud. Cluj, postal code 400027

Phone/fax: 0264.407.150; 0264.407.179

Tax identification no: RO 5022670

Trade Register no: J12/4155/16.12.1993

Registered capital, subscribed and paid: RON 5,737,699,709

The regulated market where the issued securities are traded: The company's shares are listed on the Bucharest Stock Exchange (symbol: TLV).

Main features of the securities issued by the company: 5,737,699,709 nominal shares with a par value of RON 1/share.

Banca Transilvania's Financial Group Presentation

Transilvania Bank Group („the Group” or „BT Group”) was established in 2003 with Banca Transilvania („the Bank” or „BT”) as the main subsidiary. Besides Banca Transilvania, BT Group has the following subsidiaries: 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 Microfinanțare 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 through Victoriabank S.A., leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., BT Direct IFN S.A., BT Microfinanțare IFN S.A. and BT Leasing MD S.R.L., asset management through BT Asset Management S.A.I S.A., investment and brokerage through BT Capital Partners S.A. and administration of voluntary pension funds (except the public ones) through the new subsidiary BT Pensii S.A.. Moreover, the Bank controls five investment funds that are also included in the consolidation.

Banca Transilvania is a public listed company founded in 1993, headquartered in Cluj-Napoca, with majority romanian shareholders – 70.6% as of the end of March 2021. Currently, BT occupies the first place in the top of the banking system in Romania.

The Bank's shareholding structure is constantly changing due to the fact that Banca Transilvania's shares are traded on the securities market, in compliance with the provisions of Law 52/1994 and the Norms of A.S.F. (Financial Supervisory Authority). Currently, Banca Transilvania's shares are listed on the Bucharest Stock Exchange, Category I.

The structure of Banca Transilvania S.A. shareholders as at March 31, 2021 is presented in the Appendix1 to this document.

I. Significant Events During the Period January-March 2021

Amendments to the Articles of Incorporation

Following the decision of the General Meeting of Shareholders as at 28.10.2020, it was decided to increase the share capital with the amount of RON 60 by issuing 60 new shares, at a nominal value of RON 1/share. This increase was based on the decision of the Extraordinary General Meeting of Shareholders from 27.04.2012 and 30.10.2012 through which was approved the issuance of subordinated bonds and the terms and conditions of their conversion into shares, as well as the notifications sent until 22.05.2020 by the bondholders issued by BT, by which they expressed their intention to convert the bonds held in shares, under the conditions of the Public Offer Prospectus approved by CNVM (National Securities Commission) Decision no. 304/04.04.2013 and by Decision no. 345/18.04.2013, and considering the mandate granted by the shareholders to the Board of Directors in order to increase the share capital deriving from the exercise of the right of conversion. In this sense, the list of bondholders who exercised their right of conversion was noted, approving the increase of the share capital with the amount of 60 lei, by issuing a number of 60 shares, with a nominal value of RON 1/share, by converting a number of 46 bonds into shares.

The legal procedures for the registration of the share capital increase required by the capital market authorities (the Financial Supervisory Authority, the Central Depository) were completed during January 2021.

Main Transactions Regarding Banca Transilvania S.A. Financial Group

The following changes took place at the level of subsidiaries:

- Improvement Credit Collection SRL: because of the GSM decision of March 19, 2021, KPMG Audit S.R.L. was named as ICC's financial auditor for auditing the company's

financial statements for the financial years 2020-2023. The registration of the external auditor at the National Trade Register Office is in the course of being completed.

Main Transactions Regarding Affiliates

There were no transactions with the bank's affiliates in the first three months of 2021.

Risk Management

The management of Banca Transilvania S.A. continuously assesses the risks likely to affect the Group or the Bank's business and goals and takes actions whenever any changes appear in its business conditions.

The main risks and uncertainties identified for the next months of 2021 are identified mainly as a result of the incidence of the pandemic and the consequences of this shock:

- Depreciation of the national currency against the euro as compared with the actual levels;
- Fluctuations in supply costs/resources with potential economic effects financial blockage at the level of companies, decrease in consumption and further damages to certain economic sectors (hospitality, passengers transport, entertainment services, etc.);
- Delaying the post-pandemic recovery process, correlated with the persistence of the health crisis, can produce possible negative effects, with an impact on the behavior of economic agents and consumers;
- Risks related to the progressive elimination of emergency support measures introduced in the economy, which may put pressure on unemployment and livelihoods as well.

II. Detailed Information

1. Financial Statements

1.1.a. Statement of Financial Position at Group and Bank level

The statement of the financial position of the Group and the Bank at the end of March 2021, compared to the end of last year and the end of March 2020, is as follows:

Indicators (RONmn)	Group				
	Mar-21	Dec-20	Mar-20	Mar'21 vs Dec'20 %	Mar'21 vs Mar'20 %
Cash and current accounts with Central Bank	16,798	22,133	13,766	-24.1%	22.0%
Placements to banks	6,596	7,223	12,085	-8.7%	-45.4%
Treasury financial instruments	41,697	33,322	27,328	25.1%	52.6%
Loans and advances to customers, net	41,851	40,893	39,954	2.3%	4.7%
Finance lease receivables	1,244	1,228	1,165	1.3%	6.8%
Tangible and intangible assets	1,687	1,676	1,385	0.6%	21.8%
Other assets	1,016	1,008	880	0.7%	15.4%
Total assets	110,888	107,483	96,561	3.2%	14.8%
Deposits from customers	93,185	90,942	78,445	2.5%	18.8%
Deposits from banks	357	319	227	12.1%	57.6%
Loans from banks and other financial institutions	1,697	1,692	4,570	0.3%	-62.9%
Subordinated loans	1,712	1,668	1,738	2.7%	-1.5%
Other liabilities	2,911	2,457	2,433	18.5%	19.6%
Total liabilities	99,863	97,078	87,414	2.9%	14.2%
Equity	11,025	10,414	9,148	5.9%	20.5%
Total liabilities and equity	110,888	107,492	96,561	3.2%	14.8%

Indicators (RONmn)	Bank				
	Mar-21	Dec-20	Mar-20	Mar'21 vs Dec'20 %	Mar'21 vs Mar'20 %
Cash and current accounts with Central Bank	15,751	20,979	12,681	-24.9%	24.2%
Placements to banks	5,938	6,636	11,219	-10.5%	-47.1%
Treasury financial instruments	40,511	32,401	26,567	25.0%	52.5%
Loans and advances to customers, net	41,362	40,364	39,352	2.5%	5.1%
Tangible and intangible assets	2,072	2,096	1,638	-1.2%	26.4%
Other assets	866	871	759	-0.5%	14.1%
Total assets	106,499	103,346	92,217	3.1%	15.5%
Deposits from customers	90,401	88,297	75,736	2.4%	19.4%
Deposits from banks	350	312	230	12.3%	51.9%
Loans from banks and other financial institutions	1,187	1,176	4,005	0.9%	-70.4%
Subordinated loans	1,709	1,664	1,734	2.7%	-1.5%
Other liabilities	2,795	2,383	2,103	17.3%	32.9%
Total liabilities	96,442	93,832	83,808	2.8%	15.1%
Equity	10,058	9,523	8,409	5.6%	19.6%
Total liabilities and equity	106,499	103,355	92,217	3.0%	15.5%

At the end of the first three months of 2021, the Group's assets exceeded RON 110 billion, increasing by 3.2% compared to the end of last year and by 14.8% compared to the end of March 2020. At the same time, the Bank's assets increased by almost 3.0% compared to the end of the previous year, respectively by 15.5% compared to March 2020, reaching RON 106.5 billion.

The evolution of the Group and the Bank assets is summarized as follows:

Loans' Portfolio: The loans' portfolio at Group level, considering also the receivables from leasing contracts, registered an increase of 2.3% and 4.7% respectively compared to the end of 2020 and the end of March 2020, respectively. The positive evolution was mainly determined by the increase of the loans' portfolio managed by the Bank, by +2.5% compared to the end of the previous year and by +5.1% compared to the end of the same period of 2020, but all entities within

the Group, that manage loan portfolios, including receivables from leasing contracts portfolios, registered positive evolutions compared to the end of the previous year.

At the Bank's level, the net loans at the end of March 2021 amount to RON 41.1 billion. All the business lines, except Micro, supported the increases compared to the analyzed periods, each of them registering favorable evolutions towards the end of the year, but the SME sector had the highest growth of +6.9%, mainly by granting loans in the IMM Invest program. Also, the Retail sector had a positive evolution during the first three months of this year, with an increase of approximately 2.7% at both Group and Bank level.

Provisions' stock: Banca Transilvania recorded at the end of March 2021 a net income with adjustments for financial assets for other risks and credit commitments in the amount of RON 144 million (including recoveries from off-balance sheet loans), being confident in a relaunch of the economy in the near future, given the increased rate of vaccination. The non-performing NPE exposure rate according to the EBA (European Banking Authority) is 3.73% as of March 31, 2021 and the degree of coverage with total provisions of the non-performing exposures according to the EBA is 131%.

Cash and current accounts with Central Bank together with the placements to banks represent as at March 30, 2021 approximately 20% of the total assets at both Group and Bank level, the balances of these elements registering a significant increase compared to the two previous analyzed periods, at both Group and Bank level. Compared to the end of the previous year, the cash balances and cash at the Central Bank together with placements to banks decreased both at the Bank and at the Group level, as a result of placing the cash available in treasury instruments.

At the Group level, the cash and current accounts with the Central Bank decreased by approximately 24% compared to the end of 2020, and increased by approximately 22% compared to the level registered on March 31, 2020, amounting to RON 16,798 million. At the Bank's level, the decrease is of approximately 25% compared to December 31, 2020 and the increase is of 24% compared to March 31, 2020, the final balance as at March 31, 2021 amounting to RON 15,751 million. The most significant element of this asset category is the minimum compulsory reserve held with the National Bank of Romania with a weight of approximately 80%.

Placements to banks: The placements to banks, at the end of March 2021, show a positive evolution at both Group and Bank level, increasing by 9% and 11% respectively compared to December 31, 2020. Compared to March 31, 2020, the increase is approximately 45 % for the Group and 47% for the Bank. The decreases are mostly determined by changes in the structure of assets, respectively, the placement of available amounts from deposits placed with other banks in debt instruments issued by Central Administrations.

Treasury financial instruments include: financial assets measured at fair value through other comprehensive income, financial assets mandatorily measured at fair value through profit or loss, financial assets held for trading and measured at fair value through profit or loss, debt instruments measured at amortised cost as well as derivative instruments. Of those listed, the most significant category is the one of financial assets measured at fair value through other comprehensive income with a weight of over 90% in the total category of treasury financial instruments, both at Group and Bank level, representing at the same time, approximately 30% of the Group and the Bank's total assets.

The treasury instruments increased by 25% compared to December 31, 2020 for both the Group and the Bank, respectively, by 52.6% for the Group and 52.5% for the Bank compared to March 31, 2020, reaching RON 41,697 million at Group level, respectively RON 40,511 million at Bank level. The increase in these instruments is directly correlated with the increase of the managed portfolio of government bonds.

Resources from clients: Regarding the balance sheet liabilities, the most significant category is represented by the category of customers' deposits which share in total liabilities, in the three analyzed periods, increased from 90% to 93%. At Group level, the customers' deposits reached RON 93,185 million on March 31, 2021, increasing by 2.5% compared to the end of the previous year and by 18.8% compared to March 31, 2020. At Bank level, the balance of the customers' deposits reached RON 90,401 million on March 31, 2021, increasing by 2.4% compared to the end of the previous year and by 19.4% compared to March 31, 2020.

For both the Group and the Bank, approximately 69% of the total customers' deposits represent savings of the individuals and 31% savings of the legal entities customers. The share of current accounts is approximately 60%, while fixed-term deposits represent 39% of the total customers' deposit balances as of March 31, 2021.

The loan-to-deposit ratio is 49.2% as at the end of March 2021, at Bank level.

Equity: The equity of Banca Transilvania S.A. as at 31.03.2021 amounts to RON 10,058 million, increasing by 19.6% compared to the same period last year when it amounted to RON 8,409 million. The partial capitalization of the profits in retained earnings, the positive reserves from the revaluation of the financial assets measured at fair value through other comprehensive income and the profit registered during the first three months of the year, represent the main factors that led to these increases in the Group's and the Bank's equity.

Solvency: The Bank's solvency calculated as at March 31, 2021, taking into account the cumulative profit of the first three months of 2021 is 23.82% (22.66% without the profit included), being at a comfortable level, above the minimum reference threshold of 8% , value imposed by the

Regulation (EU) no. 575/2013 on prudential requirements for credit institutions, which apply starting with 2014.

Banca Transilvania S.A. financial data confirms that the Bank has an adequate capitalization and a comfortable level of liquidity.

1.1.b. Profit and Loss Account

The main elements of the Profit and Loss Account at Group and Bank level for the first three months of 2021, compared to the same period last year, are as follows:

Indicators (RONmn)	Group			Bank		
	Mar-21	Mar-20	Mar'21 vs Mar'20 %	Mar-21	Mar-20	Mar'21 vs Mar'20 %
Net interest income	750	738	1.7%	666	660	0.9%
Net fees and commission income	213	184	15.7%	181	157	15.3%
Net trading income	146	60	144.0%	96	53	81.1%
Net income from financial assets measured at fair value through comprehensive income	72	97	-25.4%	72	97	-25.4%
Net income from financial assets which are required to be measured at fair value	23	(101)	-122.9%	55	(104)	-153.2%
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(85)	(71)	19.3%	(82)	(70)	17.5%
Other operating income	41	28	44.1%	35	23	48.2%
Total operating income	1,160	935	24.1%	1,023	817	25.3%
Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	146	(51)	-385.4%	144	(41)	-452.4%
Personnel expenses	(313)	(291)	7.9%	(279)	(258)	8.3%
Depreciation and amortization	(90)	(78)	14.5%	(88)	(72)	21.1%
Other operating expenses	(150)	(164)	-8.3%	(128)	(142)	-10.0%
Total operating expenses	(407)	(584)	-30.3%	(350)	(513)	-31.7%
Profit before income tax	753	350	114.9%	673	304	121.8%
Income tax expense	(96)	(46)	108.5%	(92)	(43)	115.9%
Net profit	656	304	115.9%	581	261	122.7%
Profit of the Group attributable to equity holders of the Bank	651	295	120.9%	581	261	122.7%
Profit of the Group attributable to non-controlling interests	5	9	-40.6%	0	0	
Net profit	656	304	115.9%	581	261	122.7%

The profitability of the Bank and of the Group was affected during 2020 by the Covid-19 pandemic. Starting with March 2020, pressures on revenues were exercised, determining, during 2020, a higher level of provisioning reflected in the Bank's more prudent and preventive approach of the potential future effects of the health and economic crisis.

Gross profit: The gross profit registered by the Group during first three months of 2021 amounts to RON 753 million, increasing by 115% compared to the same period of 2020, while the Bank reported a gross profit of RON 673 million, 122% higher than the profit registered during the same period in 2019.

This significant increase comes both from the increase of the results in the income categories, mainly due to the gain on financial assets measured at fair value through profit or loss, and from the release of provisions for risks and expenses recorded until the end of March 2021.

Thus, the **net profit** obtained by Banca Transilvania as at 31st of March 2021, amounting to RON 581 million, is two times higher compared to the same period of 2020 when it amounted to RON 261 million. At Group level, the same positive dynamic has been registered, the net profit, as at March, 31 2021, amounting to RON 656 million, as compared to the same period of 2020 when it amounted to RON 304 million.

The **net interest income** increased slightly by approximately 2% at Group level and by approximately 1% at Bank level, being influenced by reduced interest expenses.

Net fees and commissions income during the first three months of 2021 show a significant increase both at Group level and at Bank level by 16% and 15% respectively, compared to the same period of 2020.

Net trading income was over 140% higher than in the same period last year, at Group level.

In total, the **operating income** reached, at the end of the first quarter of 2021, RON 1,160 million at Group level and RON 1,023 million at Bank level, by 24.1% and 25.3% respectively higher compared to the same period of last year.

The **operating expenses** declined as compared to those reported during the similar period of 2020, therefore the total operating expenses at Group level were 30% lower compared to the first three months of 2020 and at Bank level 32% lower.

Operational result. In this context, the operational efficiency shows a comfortable level, of 48.35%, decreasing however compared to the level of 57.83% reported during the first three months of 2020.

The **result per share** for the three months of 2021, and for the three months of 2020, recalculated with the share capital increase that will take place in September 2021, respectively the increase realized in October 2020 is as follows:

Indicators	Bank Mar-21	Bank Mar-20	Mar-21 vs Mar-20%	Group Mar-21	Group Mar-20	Mar-21 vs Mar-20%
Net profit for the period (RON thousands)	581,263	260,995	122.7%	656,328	303,941	115.9%
Basic earnings per share	-	-	-	0.1031	0.0469	119.8%
Diluted earnings per share	-	-	-	0.1031	0.0469	119.8%

An additional set of financial indicators computed as at March, 31 2021 are presented in Appendix2.

Other information regarding the first three months of 2021:

The automation and digitalization of processes aiming to give a better experience to customers, represents one of the main areas where Banca Transilvania has invested and continues to invest.

Banca Transilvania is the market leader in the cards market, with 4.4 million cards in portfolio out of which over 530,000 are credit cards. BT currently has the most complete range of payment options, from physical to digital cards, 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 Bank owns a network of 1,750 ATMs installed, out of which approximately 550 are BT Express Plus multifunctional, through which self-banking can be carried out - from cash deposits in RON and foreign currency, to foreign exchange and contactless or code-based cash withdrawals. The Bank also has approximately 500 BT Express terminals that are used for various operations, including the payment of invoices, 74,243 POS installed and collaborates with over 2,809 e-commerce merchants.

The number of digitized customers exceeded the number of 1,905,750 million, of which 1,229,401 million use BT Pay, meaning a 79% increase in the number of BT Pay users compared to the end of the first quarter of 2020.

At March 31, 2021, there were approximately 1,379,774 BT24 Internet Banking customers, about 7% more than at the end of Q1 2020. At the same time, the number of BT24 Mobile Banking customers is almost 892,374, 8% more than at March 31, 2020.

The Group's number of active employees as at March 31, 2021 is 10,027 (10,009 at December 31, 2020).

The Bank's number of active employees as at March 31, 2021 is 8,365 (8,359 at December 31, 2020).

1.1.c. Cash Flow Statement and Liquidity Position

The cash flow statement detailing the cash flows from operating, investment and financing activities is part of the Financial Statements that accompany this report.

The liquidity ratio computed in accordance with NBR (National Bank of Romania) regulations in force at 31.03.2021 was between 1.93 and 24.89, being above the minimum level of 1, as required by NBR (the NBR Regulation No. 25/8.11.2011, applied from 31.01.2012).

2. The Analysis of the Bank's Activity

2.1 Presentation and Analysis of Trends, Elements and Events or Uncertainty Factors that Could Impact the Bank's Liquidity vs. the Same Period of the Last Year

The Romanian economic environment:

According to the statistics released by the National Trade Register Office 24.9 thousand companies were set up during January-February 2021, up by 17.74% YoY, an evolution determined by the opportunities at the beginning of a new economic cycle and the relaxed mix of economic policies. On the other hand, the number of insolvencies decreased by 8.06% YoY to 787 in the first two months of 2021.

In 1Q 2021 the National Bank of Romania cut the policy rate by 25bps to 1.25% (a record low level).

According to the NBR data the non-government loans rose by 0.7% MoM and by 5.3% YoY to RON 285.5 billion in February (a record high level), an evolution supported by the low level of real financing costs. The evolution was determined by the increase of the RON-denominated non-government loans by 1.2% MoM and by 9.9% YoY to RON 199.6 billion.

In the first two months of 2021 the household loans grew by 0.5% ytd to RON 150.6 billion, while the corporate loans rose by 1.8% ytd to RON 134.9 billion.

The NBR statistics also show the increase of the non-government deposits by 1.3% MoM and by 16.4% YoY to RON 427.8 billion in February (a record high level).

During the first two months of 2021 the household deposits advanced by 2.3% ytd to RON 262.5 billion, while the corporate deposits rose by 0.7% ytd to RON 165.3 billion.

At the end of February, the loans-to-deposits ratio stood at 66.7% (a record low level), with the following distribution: 71.8% the RON component and 57.4% the FX segment.

2.2 Presentation and Analysis of the Effects on Financial Statements of all Capital Expenditures, Current and Anticipated, Compared to the Same Period of Last Year

At the Group level, investments in tangible and intangible assets were RON 1,687 million at March 31, 2021, compared to RON 1,676 million at December 31, 2020 and RON 1,385 million at March 31, 2020. As compared with the two periods of the previous year, the value of tangible and intangible assets registered an increase of approximately 1% compared to the end of the previous year and by 21.8% compared to March 31, 2020.

At the Bank level, investments in tangible and intangible assets were RON 2,072 million at March 31, 2021, compared to RON 2,096 million at December 31, 2020 and RON 1,638 million at March 31, 2020. As compared with the two periods of the previous year, the value of the tangible and intangible assets registered a slight decrease of 1.2% compared to the end of 2020 and a significant increase of 26.4% when compared to March 31, 2020.

At Group and Bank level the variation of fixed assets has been determined mainly by the tangible assets and real estate investments.

2.3 Presentation and Analysis of the Economic Events, Transactions and Changes that Significantly Impact the Main Revenues of the Bank

The main activity of the Bank was performed under normal conditions, with no exceptional circumstances.

All legal requirements were followed, in terms of the correct and up-to-date organization and management of accounting, in terms of accounting principles, as well as in terms of complying with the accounting rules and regulations in force.

The interim condensed consolidated and separate financial statements of the Group and the Bank have been prepared in accordance with IAS 34 “Interim Financial Reporting” as endorsed by the European Union, effective as at the Group’s and Bank’s interim reporting date, March 31, 2021. The data presented regarding the first quarter of 2021 are based on the organisation and accounting rules as stated by the Law no. 82/1991, republished and further amended and completed - Law no. 163/2018, Law no. 238/2020, Government Emergency Ordinance no. 13/2021; Government Emergency Ordinance no. 99/2006 - approved with amendments and completions by Law no.227/2007 with subsequent amendments and completions; NBR Order no. 27/2010 for the approval of the accounting rules under International Financial Reporting Standards adopted by the European Union applicable to credit institutions – republished; NBR Order no. 10/2012 for the approval of the semestrial accounting reporting system applicable to the

entities that fall within the scope of the NBR's accounting regulations with subsequent amendments and completions, as well as other NBR instructions in the field.

3. Changes that Affect the Share Capital and the Administration of the Company

3.1 Description of Cases in which the Company Could not Fulfill its Financial Obligations in the Reporting Period

Not the case.

3.2 Description of any Changes in the Rights of the Shareholders of the Company

According to the agenda of the Ordinary and Extraordinary General Shareholders' Meetings convened by the Board of Directors of Banca Transilvania S.A. for April 28, 2021, it was proposed:

- *Approval of the proposal for the distribution of the realized net profit in the amount of RON 1,197,304,582, as follows: the allocation of the amount of RON 197,780,334 for legal and other reserves, of the amount of RON 425,754,277 for reserves from net profit.*
- *Increase of the share capital with the amount of RON 573,769,971 through the issuance of 573,769,971 new shares with a nominal value of RON 1/share, establishment of a price to compensate the fractions of shares resulting from the application of the algorithm and rounding of the results, according to the legal provisions in force as well as granting a mandate to the Board of Directors in order to establish a price higher than the approved one (if applicable). The increase of the share capital will be achieved by incorporating the reserves constituted from the net profit of 2020, in the amount of RON 573,769,971, by issuing a number of 573,769,971 shares, with a nominal value of RON 1/share, for the benefit of the shareholders registered in the Shareholder Register held by the Central Depository on the registration date to be set by the GSM (proposal September 10, 2021).*

Sources for increasing the share capital	Amount (RON)
Incorporation of reserves constituted from the net profit of 2020	573,769,971

As a result, each shareholder registered at the registration date, September 10, 2021, will receive free of charge, for every 100 shares held, a whole number of shares calculated according to the formula $100 \times (573,769,971 / 5,737,699,709)$.

3.3 Changes in the Management Structure of the Bank (Board, Executive Level etc.)

There were no changes in the Board of Directors.

There were no changes in the Leaders' Committee.

There were no changes in the Statutory auditor.

4. Significant Transactions

There were no major contracts concluded by BT in the first three months of 2021 related to acquisitions, mergers, divisions, etc.

There was no information concerning significant major transactions concluded by BT with the persons it cooperates with or in which such persons were involved during the first three months of 2021.

5. Conclusions

The economic environment in the first quarter of the year incorporates both the effects caused by the Covid-19 pandemic and the resumption of activity in all areas.

The mix of economic policies adopted by the government during this period, together with the vaccination campaign confirms the prerogatives of the economic recovery process.

Although a revitalization of economic sectors has been observed since January, when many of the restrictions were lifted, the reappearance of the virus has led to alternating quarantine and isolation measures depending on statistical parameters.

Banca Transilvania continued, in this context of a deteriorated climate of the labor market, to support the economic environment and both retail and business customers, BT being an important partner for IMM Invest and Noua Casa. Through IMM Invest, BT provided over 10,000 loans, supporting 100,000 jobs.

To facilitate customer access to the products and services offered, BT has continued to invest in process automation and digitization by launching an additional alternative to transfer money by phone, AliasPay, which can be accessed from the BT Pay application.

Although the economic environment was highly volatile, BT reported at the end of the first quarter of 2021 a robust capitalization and financial performance above expectations that reflects operational efficiency and determination to maintain high levels of quality services and products

offered with confidence to customers. Although both revenues and operating expenses were influenced by the pandemic context, in the first quarter of this year they showed resistance and a positive evolution in the existing economic context.

The cost of risk reflects the changes in the methodology regarding the provisioning, being in line with the NBR and EBA recommendations.

ANNEX: The present report has attached the copies of the following documents:

1. Interim condensed consolidated and separate financial statements prepared in accordance with IAS 34 “Interim Financial Reporting” as endorsed by the European Union:
 - Interim Consolidated and Separate Statement of Profit or Loss and Statement of Other Comprehensive Income;
 - Interim Consolidated and Separate Statement of Financial Position;
 - Interim Consolidated and Separate Statement of Changes in Equity;
 - Interim Consolidated and Separate Statement of Cash Flow;
 - Notes to the Interim Condensed Consolidated and Separate Financial Statements;
2. The statement of the Deputy CEO of Banca Transilvania assuming the responsibility for the preparation of the interim condensed consolidated and separate financial statements for the period ended at March 31, 2021.

NOTE: The financial statements for the periods ended March 31 are not audited nor revised.

**CHAIRMAN OF THE
BOARD OF DIRECTORS
HORIA CIORCILĂ**

**CHIEF EXECUTIVE OFFICER
ÖMER TETİK**

STRUCTURE OF THE BT SHAREHOLDER AS AT

31.03.2021

Equity holders	31-Mar-21
NN Group	10.16%
European Bank for Reconstruction and Development (EBRD)	6.87%
Romanian individuals	20.30%
Romanian companies	40.96%
Foreign individuals	1.06%
Foreign companies	20.65%
Total	100.00%

ECONOMIC AND FINANCIAL RATIOS AS AT 31.03.2021

<u>Ratio</u>	<u>Method of computation</u>	<u>31.03.2021</u>
1. Current Liquidity Ratio	Current assets/Current liabilities	108.80%
2. Indebtness Ratio	Borrowed capital/Shareholder's equity *100	27.57%
	Borrowed capital/Capital employed*100	21.61%
3. Accounts receivable turnover rate	Average client balance/Turnover*365	Not applicable
4. Fixed assets turnover rate	Turnover/Fixed assets	0.66

Nota: Point 3 "average client balance" does not apply to financial banking institutions.