

Banca Transilvania S.A.

**INTERIM CONDENSED CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS**

As at June 30, 2022

Banca Transilvania S.A.

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Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Profit or Loss

<i>RON thousand</i>	Notes	Group				Bank			
		3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021
Interest income calculated using the effective interest method		1,319,752	2,422,473	888,007	1,754,907	1,168,232	2,128,476	815,412	1,613,819
Other interest like income		50,133	86,327	29,157	56,815	5,111	8,242	2,592	4,764
Interest expense calculated using the effective interest method		(307,376)	(476,390)	(137,803)	(282,058)	(287,141)	(438,422)	(125,273)	(258,255)
Other interest like expense		(480)	(1,014)	(328)	(649)	(1,611)	(3,360)	(1,675)	(3,351)
Net interest income	5	1,062,029	2,031,396	779,033	1,529,015	884,591	1,694,936	691,056	1,356,977
Fee and commission income		435,461	826,046	345,202	654,149	369,350	701,411	297,955	562,773
Fee and commission expense		(143,516)	(275,071)	(111,471)	(207,161)	(122,359)	(235,566)	(97,074)	(180,605)
Net fee and commission income	6	291,945	550,975	233,731	446,988	246,991	465,845	200,881	382,168
Net trading income	7	213,846	380,809	115,817	261,620	203,620	358,457	107,890	203,823
Net loss /gain from financial assets measured at fair value through other items of comprehensive income	8	(56,112)	(70,484)	57,108	129,350	(56,136)	(70,941)	55,160	127,389
Net loss /gain from financial assets which are required to be measured at fair value through profit or loss	9	(46,293)	(52,408)	31,544	54,679	(60,527)	(77,730)	37,806	93,140
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	10	(3,731)	(151,013)	(3,151)	(88,376)	-	(143,513)	-	(82,022)
Other operating income	11	75,959	144,554	35,999	76,735	67,274	110,584	53,627	88,431
Operating income		1,537,643	2,833,829	1,250,081	2,410,011	1,285,813	2,337,638	1,146,420	2,169,906
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	12(a)	(62,653)	(204,829)	(281,179)	(150,124)	(6,589)	(109,833)	(286,274)	(149,858)
(Other) Provisions and reversal of provisions	12(b)	17,170	25,619	27,726	37,073	8,626	10,565	21,208	29,186
Personnel expenses	13	(420,814)	(818,518)	(337,265)	(650,715)	(354,789)	(693,812)	(301,273)	(580,562)
Depreciation and amortization		(95,624)	(188,467)	(88,449)	(178,035)	(85,517)	(167,664)	(86,033)	(173,815)
Other operating expenses	14	(247,764)	(446,346)	(153,440)	(303,928)	(186,111)	(352,117)	(130,970)	(258,721)
Operating expenses		(809,685)	(1,632,541)	(838,607)	(1,245,729)	(624,380)	(1,312,861)	(783,342)	(1,133,770)
Profit before income tax		727,958	1,201,288	411,474	1,164,282	661,433	1,024,777	363,078	1,036,136
Income tax expense (-)	15	(81,813)	(154,809)	(52,310)	(148,790)	(61,948)	(117,774)	(43,306)	(135,101)
Net profit for the period		646,145	1,046,479	359,164	1,015,492	599,485	907,003	319,772	901,035
Net Profit of the Group attributable to:									
Equity holders of the Bank		624,082	1,007,548	350,387	1,001,218	599,485	907,003	319,772	901,035
Non-controlling interests		22,063	38,931	8,777	14,274	-	-	-	-
Net profit for the period		646,145	1,046,479	359,164	1,015,492	599,485	907,003	319,772	901,035

Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Other Comprehensive Income

<i>RON thousand</i>	Notes	Group				Bank			
		3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021
Net Profit for the period		646,145	1,046,479	359,164	1,015,492	599,485	907,003	319,772	901,035
Items that will not be reclassified as profit or loss, net of tax		-	-	(819)	(819)	-	-	(815)	(815)
Other elements of comprehensive income		-	-	(819)	(819)	-	-	(815)	(815)
Items which are or may be reclassified to profit or loss		300,671	(809,095)	(137,199)	(193,267)	307,071	(781,538)	(133,780)	(198,224)
Fair value reserve (financial assets measured at fair value through other items of comprehensive income), of which:		360,003	(942,092)	(156,589)	(233,267)	374,243	(923,668)	(159,266)	(235,927)
Net gain /loss from disposal of financial assets measured at fair value through other items of comprehensive income, transferred to profit or loss account		56,112	70,484	(57,108)	(129,350)	56,136	70,941	(55,160)	(127,389)
Fair value changes of financial assets measured at fair value through other items of comprehensive income		(3,211,298)	(4,527,765)	(99,481)	(103,917)	(3,197,082)	(4,509,798)	(104,106)	(108,538)
Effect of reclassification of financial assets measured at fair value through other items of comprehensive income to amortised cost		3,515,189	3,515,189	-	-	3,515,189	3,515,189	-	-
Translation of financial information of foreign operations to presentation currency		6,600	(14,411)	(6,732)	2,840	9	21	17	(399)
Income tax on items which are or may be reclassified to profit or loss		(65,932)	147,408	26,122	37,160	(67,181)	142,109	25,469	38,102
Total comprehensive income for the period		946,816	237,384	221,146	821,406	906,556	125,465	185,177	701,996
Total comprehensive income attributable to:									
Equity holders of the Bank		924,753	198,453	212,369	807,132	906,556	125,465	185,177	701,996
Non-controlling interest		22,063	38,931	8,777	14,274	-	-	-	-
Total comprehensive income for the period		946,816	237,384	221,146	821,406	906,556	125,465	185,177	701,996
Basic earnings per share		0.0886	0.1427	0.0556	0.1416				
Diluted earnings per share		0.0886	0.1427	0.0556	0.1416				

The financial statements were approved by the Board of Directors on August 24, 2022 and were signed on its behalf by:

Ömer TETIK
Chief Executive Officer

George CĂLINESCU
Deputy Chief Executive Office

Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Financial Position

<i>In RON thousand</i>	Not	Group		Bank	
		30-06-2022	31-12-2021	30-06-2022	31-12-2021
		RON thousand	RON thousand	RON thousand	RON thousand
Assets					
Cash and current accounts with Central Banks	16	17,518,717	18,320,913	15,927,793	16,763,625
Derivatives	40	234,860	80,927	234,860	79,842
Financial assets held for trading and measured at fair value through profit or loss	18	301,343	338,450	30,660	31,207
Non-trading financial assets mandatorily at fair value through profit or loss	18	1,095,091	1,108,316	1,419,169	1,465,497
Financial assets measured at fair value through other items of the comprehensive income	21	20,281,120	41,193,373	19,984,316	40,853,784
- of which pledged securities (repo agreements)		636,932	6,526,812	636,932	6,526,812
Financial assets at amortized cost - of which:		95,337,016	67,562,066	93,023,485	63,090,715
- Placements with banks	17	6,835,297	10,394,297	7,579,667	9,612,690
- Loans and advances to customers	19	62,188,506	54,629,754	60,206,769	52,238,523
- Debt instruments	21	24,766,892	1,483,111	23,838,457	355,331
- Other financial assets	25	1,546,321	1,054,904	1,398,592	884,171
Finance lease receivables	20	2,674,137	1,488,031	-	-
Investments in subsidiaries		-	-	1,047,005	735,486
Investments in associates		5,140	4,459	-	-
Property and equipment and investment property		1,087,163	1,064,215	651,723	652,581
Intangible assets		425,644	406,244	357,869	334,783
Goodwill		127,063	22,424	-	-
Right-of-use assets		459,456	492,021	663,326	706,647
Current tax receivables		-	-	-	-
Deferred tax assets		407,404	257,885	371,484	227,724
Other non-financial assets	26	183,626	161,866	129,955	120,142
Total assets		140,137,780	132,501,190	133,841,645	125,062,033

Banca Transilvania S.A.

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

<i>In RON thousand</i>	Notes	Group		Bank	
		30-06-2022 RON thousand	31-12-2021 RON thousand	30-06-2022 RON thousand	31-12-2021 RON thousand
Liabilities					
Derivatives		45,966	39,179	45,966	38,689
Deposits from banks	27	1,464,753	1,024,259	1,279,739	952,453
Deposits from customers	28	110,928,679	108,021,629	107,895,451	102,698,085
Loans from banks and other financial institutions	29	12,642,234	7,929,500	11,468,982	7,457,843
Subordinated liabilities	30	1,776,065	1,762,484	1,721,210	1,706,234
Lease liabilities		465,201	498,597	628,524	716,569
Other financial liabilities	32	1,951,983	1,826,081	1,445,047	1,440,467
Current tax liability		69,478	68,357	51,374	62,076
Deferred tax liability		-	-	-	-
Provisions for other risks and loan commitments	31	526,951	538,460	477,313	493,006
Other non-financial liabilities	33	266,584	194,087	196,577	143,486
Total liabilities excluding financial liabilities to holders of fund units		130,137,894	121,902,633	125,210,183	115,708,908
Financial liabilities to holders of fund units		23,688	34,423	-	-
Total liabilities		130,161,582	121,937,056	125,210,183	115,708,908
Equity					
Share capital	34	6,397,971	6,397,971	6,397,971	6,397,971
Treasury shares		(15,287)	(15,287)	-	-
Share premiums		31,235	31,235	28,614	28,614
Retained earnings		3,914,067	3,736,875	3,119,331	3,051,409
Revaluation reserves from tangible and intangible assets		64,357	73,292	34,204	42,234
Reserves on financial assets measured at fair value through other items of comprehensive income		(1,793,687)	(996,697)	(1,786,222)	(1,004,667)
Other reserves		866,744	864,893	837,564	837,564
Total equity attributable to equity holders of the Bank		9,465,400	10,092,282	8,631,462	9,353,125
Non-controlling interest		510,798	471,852	-	-
Total equity		9,976,198	10,564,134	8,631,462	9,353,125
Total liabilities and equity		140,137,780	132,501,190	133,841,645	125,062,033

The financial statements were approved by the Board of Directors on August 24, 2022 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 June 30, 2022

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 2022		6,397,971	(15,287)	31,235	73,292	(996,697)	864,893	3,736,875	10,092,282	471,852	10,564,134
Profit for the period		-	-	-	-	-	-	1,007,548	1,007,548	38,931	1,046,479
Losses from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax (net off the FVOCI reclassification effect into AC)		-	-	-	-	(796,990)	-	-	(796,990)	-	(796,990)
Revaluation of property and equipment, intangible assets, net of tax		-	-	-	(8,935)	-	-	8,935	-	-	-
Retained earnings from revaluation reserves		-	-	-	-	-	1,851	(1,851)	-	-	-
Distribution to statutory reserves		-	-	-	-	-	-	(12,105)	(12,105)	-	(12,105)
Foreign currency translation of foreign operations		-	-	-	-	-	-	-	-	-	-
Other items of comprehensive income, net of tax		-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	(8,935)	(796,990)	1,851	1,002,527	198,453	38,931	237,384
Contributions of/distributions to the shareholders											
Acquisition of treasury shares		-	(100,834)	-	-	-	-	-	(100,834)	-	(100,834)
Payments of treasury shares		-	100,834	-	-	-	-	(102,910)	(2,076)	-	(2,076)
Dividends distributed to shareholders		-	-	-	-	-	-	(800,000)	(800,000)	-	(800,000)
SOP 2022 Scheme		-	-	-	-	-	-	55,781	55,781	-	55,781
Transfer of retained earnings to liabilities to holders of fund units		-	-	-	-	-	-	6,485	6,485	-	6,485
Other items		-	-	-	-	-	-	15,309	15,309	15	15,324
Total contributions of/distributions to the shareholders		-	-	-	-	-	-	(825,335)	(825,335)	15	(825,320)
Balance as at 30 June 2022		6,397,971	(15,287)	31,235	64,357	(1,793,687)	866,744	3,914,067	9,465,400	510,798	9,976,198

The explanatory notes to the financial statements from page 11 to page 91 are an integral part of these financial statements.

Banca Transilvania S.A.

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

For the six-month period ended June 30 2021

Group	Note	Attributable to the equity holders of the Bank								Non-controlling interest	Total
		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		
<i>In RON thousand</i>											
Balance as at January 01, 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		-	-	-	-	-	-	1,001,218	1,001,218	14,274	1,015,492
Loss from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax (net off the FVOCI reclassification effect into AC)		-	-	-	-	(195,654)	-	-	(195,654)	-	(195,654)
Retained earnings from revaluation reserves		-	-	-	(7,244)	-	-	7,244	-	-	-
Distribution to statutory reserves		-	-	-	-	-	1,320	(1,320)	-	-	-
Foreign currency translation of foreign operations		-	-	-	-	-	-	2,387	2,387	-	2,387
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(819)	(819)	-	(819)
Total comprehensive income of the period		-	-	-	(7,244)	(195,654)	1320	1,008,710	807,132	14,274	821,406
Contributions of/distributions to the shareholders											
Acquisition of treasury shares		-	(58,150)	-	-	-	-	-	(58,150)	-	(58,150)
SOP 2021 use		-	-	-	-	-	-	80,809	80,809	-	80,809
Transfer of retained earnings to liabilities to holders of fund units		-	-	-	-	-	-	(22,851)	(22,851)	-	(22,851)
Other adjustments		-	-	-	-	-	-	11,509	11,509	(7,479)	4,030
Total contributions of/distributions to the shareholders		-	(58,150)	-	-	-	-	69,467	11,317	(7,479)	3,838
Balance as at June 30, 2021		5,824,201	(73,437)	31,235	38,381	321,681	761,035	3,936,656	10,839,752	399,850	11,239,602

The explanatory notes to the financial statements from page 11 to page 91 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 June 30, 2022

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 2022		6,397,971	-	28,614	42,234	(1,004,667)	837,564	3,051,409	9,353,125
Profit for the period		-	-	-	-	-	-	907,003	907,003
Losses from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(781,555)	-	-	(781,555)
Retained earnings from revaluation reserves		-	-	-	(8,030)	-	-	8,030	-
Other items of comprehensive income, net of tax		-	-	-	-	-	-	17	17
Statement of comprehensive income for the period		-	-	-	(8,030)	(781,555)	-	915,050	125,465
Contributions of/distributions to the shareholders		-	(108,834)	-	-	-	-	-	(108,837)
Acquisition of treasury shares		-	108,834	-	-	-	-	(102,910)	(2,076)
Pay own shares		-	-	-	-	-	-	(800,000)	(800,000)
Dividends distributed to shareholders		-	-	-	-	-	-	-	-
SOP 2022 Scheme		-	-	-	-	-	-	55,782	55,782
Total contributions of/distributions to the shareholders		-	-	-	-	-	-	847,128	847,128
Balance as at 30 June 2022		6,397,971	-	28,614	34,204	(1,786,222)	837,564	3,119,331	8,631,462

The explanatory notes to the financial statements from page 11 to page 91 are an integral part of these financial statements.

Banca Transilvania S.A.

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

For the six-month period ended June 30, 2021

Bank	Note:	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 January 1, 2021		5,824,201	-	28,614	48,517	518,558	736,446	2,366,533	9,522,869
Profit for the period		-	-	-	-	-	-	901,035	901,035
Loss from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(197,889)	-	-	(197,889)
Retained earnings from revaluation reserves		-	-	-	(7,244)	-	-	7,244	-
Other adjustments		-	-	-	-	-	-	(1,150)	(1,150)
Statement of comprehensive income for the period		-	-	-	(7,244)	(197,889)	-	907,129	701,996
Contributions of/distributions to the shareholders									
Acquisition of treasury shares		-	(58,150)	-	-	-	-	-	(58,150)
SOP 2021 use		-	-	-	-	-	-	80,809	80,809
Total contributions of/distributions to the shareholders		-	(58,150)	-	-	-	-	80,809	22,659
Balance as at June 30, 2021		5,824,201	(58,150)	28,614	41,273	320,669	736,446	3,354,471	10,247,524

Interim Consolidated and Separate Statement of Cash Flows
For the six-month period ended June 30

<i>In RON thousand</i>	Note	Group		Bank	
		30-06-2022	30-06-2021	30-06-2022	30-06-2021
Cash-flow from operating activities					
Profit for the period		1,046,479	1,015,492	907,003	901,035
Adjustments for:					
Depreciation and amortization		188,467	178,035	167,664	173,815
Impairment allowance, expected losses and write-offs of financial assets, provisions for other risks and loan commitments		300,637	255,646	218,300	260,272
Adjustment of financial assets at fair value through profit and loss		52,408	(54,679)	77,730	(93,140)
Income tax expense		154,809	148,790	117,774	135,101
Interest income		(2,508,800)	(1,811,722)	(2,136,718)	(1,618,583)
Interest expense		477,404	282,707	441,782	261,606
Other adjustments		692,573	53,766	39,677	(81,022)
Net profit adjusted with non-monetary elements		403,977	68,035	(166,788)	(60,916)
Changes in operating assets and liabilities(*)					
Change in financial assets at amortized cost and placements with banks		402,900	443,972	(1,044,110)	682,329
Change in loans and advances to customers		(7,810,325)	(2,486,290)	(8,125,900)	(2,602,999)
Change in finance lease receivables		(1,163,427)	(68,699)	-	-
Change in financial assets at fair value through profit or loss		(39,183)	52,666	(31,402)	40,378
Change in financial assets held for trading and measured at fair value through profit or loss - derivatives		(153,933)	2,917	(155,018)	2,917
Change in equity instruments		30,537	(41,637)	547	(5,109)
Changes in debt instruments		6,570	(15,586)	-	-
Change in other financial assets		(507,588)	(254,101)	(535,739)	(257,405)
Change in other assets		(75,682)	(15,580)	(73,702)	(43,985)
Change in deposits from customers		2,870,844	6,226,543	5,151,670	6,112,163
Change in deposits from banks		439,615	451,506	326,943	451,408
Change in financial liabilities held-for-trading		6,787	(6,781)	7,277	(6,780)
Change in repo operations		(5,861,212)	142,742	(5,861,212)	142,742
Change in other financial liabilities		119,210	265,887	(934)	134,034
Change in other liabilities		72,497	11,675	53,092	15,169
Income tax (paid)/recovered		(159,886)	(52,503)	(130,126)	(39,579)
Interest received		1,546,151	1,310,781	1,218,313	1,241,610
Interest paid		(393,402)	(234,194)	(356,026)	(225,886)
Net cash-flow from operating activities		(10,265,527)	5,801,353	(9,723,115)	5,580,091

Interim Consolidated and Separate Statement of Cash Flows (continued)

For the Six-month period ended June 30

In RON thousand	Notes	Group		Bank	
		30-06-2022	30-06-2021	30-06-2022	30-06-2021
Cash-flow used in investment activities					
Acquisition of financial assets measured at fair value through other items of comprehensive income		(9,487,894)	(19,263,931)	(9,437,911)	(19,242,487)
Sale/redemption of financial assets measured at fair value through other items of comprehensive income		6,094,523	10,068,822	6,092,285	10,047,445
Net acquisitions of property and equipment		(76,138)	(102,844)	(33,028)	(50,063)
Net acquisitions intangible assets		(64,712)	(67,618)	(62,158)	(64,060)
Proceeds from disposal of property and equipment and intangible assets		1,960	1,260	608	1,092
Acquisition of equity investments		(338,595)	(12,000)	(338,595)	(12,000)
Sales of equity investments		16,964	-	35,105	-
Dividends collected	11	5,403	3,218	8,662	25,055
Interest received		656,354	460,717	579,530	458,080
Net cash-flow used in investment activities		(3,192,135)	(8,912,376)	(3,154,902)	(8,836,938)
Cash-flow from financing activities					
Gross proceeds from loans from banks and other financial institutions		10,121,424	48,237	9,994,300	-
Gross payments from loans from banks and other financial institutions		(257,225)	(223,775)	(117,349)	(69,532)
Gross payments from subordinated loans from banks and other financial institutions		-	-	-	-
Repayment of the principal portion of the lease liabilities		(70,978)	(63,976)	(130,591)	(69,381)
Dividend payments		(800,249)	(723)	(800,249)	(723)
Payments for treasury shares		100,834	(58,150)	100,834	(58,150)
Interest paid		(47,926)	(43,409)	(38,351)	(38,226)
Net cash-flow used in financing activities		9,045,880	(341,796)	9,008,594	(236,012)

(* 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	Group		Bank	
	30-06-2022	30-06-2021	30-06-2022	30-06-2021
Cash and cash equivalents at January 1	27,356,745	26,649,622	24,880,094	24,802,742
The impact of exchange rate variations on cash and cash equivalents	28,016	46,479	24,304	45,569
Net increase/decrease (-) in cash and cash equivalents	(4,439,798)	(3,499,298)	(3,893,727)	(3,538,428)
Cash and cash equivalents as at June 30	22,944,963	23,196,803	21,010,671	21,309,883

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 registered 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 of 30 June 2022 include the Parent company and its subsidiaries (hereinafter referred to as the “Group”).

The Group’s fields of activity are: banking through Banca Transilvania S.A., Victoriabank S.A. and Idea Bank S.A., leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., Idea Leasing IFN S.A., Tiriac Leasing 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 two investment funds it consolidates and is associated in Sinteza S.A. with a holding percentage of 31.15%.

The Bank carries out its banking activity through its head office located in Cluj-Napoca and 42 branches, 459 agencies, 6 work units, 8 healthcare division units, 2 private banking agencies in Romania, 1 branch in Italy and 1 regional office located in Bucharest (2021: 47 branches, 443 agencies, 6 work units, 8 healthcare division units, 2 private banking agencies in Romania, 1 branch in Italy and 1 regional office located in Bucharest).

The Group’s number of active employees as at 30 June 2022 was 11,186 (December 30, 2021: 10,800 employees).

The Bank’s number of active employees as at 30 June 2022 was 8,964 (December 30, 2021: 8,651 employees).

The registered address of the Bank is 30-36 Calea Dorobantilor, Cluj-Napoca, Romania.

The ownership structure of the Bank is presented below:

	30-06-2022	30-06-2021
NN Group (*)	10.16%	10.15%
The European Bank for Reconstruction and Development (“EBRD”)	6.87%	6.87%
Romanian individuals	22.29%	20.00%
Romanian companies	42.07%	40.90%
Foreign individuals	1.06%	1.05%
Foreign companies	17.55%	21.03%
Total	100%	100%

(*) NN Group N.V. and the pension funds managed by NN Pensii SAFRAP 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 30-06-2022	Percentage of direct and indirect stake 31-12-2021
Victoriabank S.A.	Financial and banking activities and investments subject to license	44.63%	44.63%
BT Capital Partners S.A.	Investments	99.59%	99.59%
BT Leasing Transilvania IFN S.A.	leasing	100%	100%
BT Investments S.R.L.	Investments	100%	100%
BT Direct IFN S.A.	Consumer loans	100%	100%
BT Building S.R.L.	Investments	100%	100%
BT Asset Management SAI. S.A.	Asset management	100%	100%
BT Solution Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Asiom Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Safe Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Leasing MD S.R.L.	leasing	100%	100%
BT Microfinanțare IFN S.A.	consumer loans	100%	100%
Improvement Credit Collection S.R.L.	Activities of collection agents and credit reporting bureaus	100%	100%
VB Investment Holding B.V.	Activities of holdings	61.81%	61.81%
BT Pensii S.A.	Activities of pension funds (except those in the public social security system)	100%	100%
Idea Bank S.A.	Financial and banking activities	100%	100%
Idea Investments S.A.	Management consultancy activities	100%	100%
Idea Leasing IFN S.A.	Financial leasing	100%	100%
Idea Broker de Asigurare S.R.L.	Activities of insurance agents and brokers	100%	100%
Code Crafters by BT	Activities to create custom software	100%	-
Tiriac Leasing IFN S.A.	Financial leasing	100%	-

b) Declaration of conformity

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, June 30, 2022.

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 of and for the year ended December 31, 2021.

The financial information as of and for the 6-months and 3-months periods ended June 30, 2022, respectively, are unaudited and unreviewed. The financial information for the 6-month and 3-month periods ended June 30, 2021, respectively, are unaudited.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

c) Basis of measurement

The interim condensed consolidated and separate financial statements were prepared on historical cost basis, except for the financial instruments recognized at fair value through profit and loss, the financial instruments recognized at fair value through other items of comprehensive income and the revaluation of property and equipment, intangible assets and investment property.

d) Functional and presentation currency - “RON”

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”), euro (“EUR”) and the Moldovan leu (“MDL”). The interim condensed consolidated and separate financial statements are presented in Romanian lei “RON”, rounded to the nearest thousand.

The exchange rates for the major foreign currencies were:

Currency	30-06-2022	31-12-2021	Fluctuation %
Euro (EUR)	1: RON 4.9454	1: RON 4.9481	-0.05 %
American dollar (USD)	1: RON 4.7424	1: RON 4.3707	8.50 %

e) Use of estimates and judgements

The preparation of the interim condensed 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 considered 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 thereof, at least bi-annually (on a monthly basis for the Bank). In determining whether an impairment loss should be recorded, the Group and the Bank make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows related to a portfolio of loans and finance lease, before such decrease can be identified with respect to an individual loan/lease investment in that portfolio.

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 interim condensed 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 for the second half of 2022 have been modified compared to those applied in Q4 2021 in order to reflect the macroeconomic context in which both inflation and interest rates are progressing in a negative direction, added to the turbulences already existing on the markets (increasing prices on the energy market, the difficulties encountered in the supply chain, the semi-conductor crisis, etc.) all of this being exacerbated by the military conflict in Eastern Europe.

Part of the impact on the expected losses from the credit risk related to the year 2022 was the result of the review of the macroeconomic scenarios.

Usually, the Bank uses 3 types of scenarios: base / central scenario (that is most probable to happen), optimistic scenario and adverse scenario (which is not necessarily a crisis scenario). Scenario weights are determined by a statistical analysis but also by an expert opinion, considering the possible results of each scenario.

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 weights percentages allocated to the scenarios used by the Bank on June 30, 2022 are: 55 % (31 december 2021: 70%) on base scenario, 30% (31 december 2021: 15%) on pessimistic scenario and 15% (31 december 2021: 15%) on the optimistic one.

Optimistic scenario – Macro indicators (average)	2022	2023	2024
Real PIB (% each year)	5.54	4.56	4.84
Unemployment rate (%)	5.48	5.36	5.35
Inflation (hicp,%)	9.91	5.50	3.44
ROBOR 3M (%)	5.13	4.42	3.36
EURIBOR 3M (%)	-0.39	0.14	0.50
Base scenario - Macro indicators	2022	2023	2024
Real PIB (% each year)	3.75	4.17	4.49
Unemployment rate (%)	5.63	5.60	5.62
Inflation (hicp, %)	9.96	6.01	4.56
ROBOR 3M (%)	5.42	4.92	4.48
EURIBOR 3M (%)	-0.20	0.48	0.70
Pessimistic scenario - Macro indicators	2022	2023	2024
Real PIB (% each year)	0.49	1.09	0.92
Unemployment rate (%)	5.78	5.84	5.89
Inflation (hicp, %)	10.13	8.03	9.05
ROBOR 3M (%)	5.75	7.15	8.97
EURIBOR 3M (%)	-0.01	0.98	0.83

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

Changes in weights	100% pessimist	100% baseline	100% optimistic
ECL movement	+77 mill RON	(26) mill RON	(73) mill RON

For comparison, macroeconomic indicators used at the end of 2021, for the baseline scenario are:

	2022	2023	2024
Real PIB (% each year)	3.0	3.3	3.5
Unemployment rate (%)	5.6	5.6	5.7
Inflation (%)	10.0	6.5	5.7
ROBOR 3M (%)	5.5	5.5	5.7
EURIBOR 3M (%)	-0.2	0.6	0.7

Also, due to the developments and the impact of the macroeconomic context given by the increase in inflation and interest rates, as well as the turbulences already existing on the markets (the increase in prices on the energy market, the difficulties encountered in the supply chain, the semiconductor crisis, etc.) military conflict in Eastern Europe, the management continued to apply its own value judgments considering a series of post-model adjustments necessary, adopting a conservative position in line with the expectations communicated by the banking supervisory authorities.

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 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. The main consideration and maintaining of the introduction of post-model adjustments is the fact that the prediction provided by internal rating assessment models can be affected by aid measures provided by governments, significantly influencing the default rate, in the sense of delaying its appearance.

A large part of the impact on the expected credit losses in 2020 is resulting from the COVID-19 pandemic referring to changes to the forward-looking information, the situation was also recorded in 2021-2022, in which uncertainties caused by the evolution of the pandemic were added new turbulences manifested in the economy (rising inflation, rising energy market prices, difficulties in the supply chain, semiconductor crisis, etc.).

Due to the new geopolitical tensions – the Russian invasion in the Ukraine on 24 February 2022 – who raised uncertainties in global economies, the economical sanctions against Russia, the contraction in the western markets and the collapse of some markets due to the inability of Russia and Ukraine to deliver goods, the global economy is subject to a chain of challenges.

Russia's invasion in Ukraine continues today and it is difficult to estimate the impact of this event on the future business of the Group's customers. The process of identifying the potential effect on the Romanian economy is ongoing and estimating the effect of the military conflict on the economic environment will be a continuous challenge in 2022. The Bank remains vigilant in monitoring geopolitical and economic relations. Considering this, management applies supplementary judgement when determining the need for post-model adjustments to better reflect the context and own expectations in credit risk modeling.

The post-model adjustments applied in 2020-2021 to estimate the effect of the pandemic event were revised in the year 2022, being eliminated those considerations that targeted the industries directly affected by the mobility restrictions imposed to manage the pandemic, as well as those imposed on the facilities that benefited of the postponement of payment under OUG 37/2020.

The Group and the Bank decided to keep the other adjustments since the effects of the energy crisis and the turbulences that the economic environment is going through on the background of inflation and the ongoing conflict in Eastern Europe cannot be reasonably estimated, and the government aid in the economy is still active or will be supplemented.

Also, we analyzed those product portfolios with high associated credit risk and the typologies that could be affected to some extent by the military conflict between Russia and Ukraine; but given that the Group and the Bank do not have significant direct exposure in the belligerent countries, no significant action was taken on that specific post-model adjustments.

The group is constantly reviewing macroeconomic scenarios, factoring them into new levels of probability of default (PD), for anchoring to events (regardless of severity). In the first half of 2022, PD levels have been updated (including forward-looking adjustment) to respond more quickly to the new economic environment generated by the Russia-Ukraine armed conflict.

Another main consideration of the introduction of post-model adjustments is the fact that the prediction of internal rating assessment models can be affected by aid measures provided by governments, the latter preventing the occurrence of non-payment events at the level of debtors who, otherwise, would have faced difficulties in servicing debts to various creditors.

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)

In this sense, the Bank intervened on the default probability parameter, considering in its modeling higher risk levels of the inflation rate.

Another source of the post-model adjustments that determined the increase in the expected credit losses is the expert individual analysis of significant exposures, performed to reflect and better understand the situations and difficulties faced by borrowers that could affect their ability to meet their obligations.

Borrowers could request during 2020, and also during 2021, the postponement of rates and interest until the end of 2021. Based on Romanian legislation OUG 37/2020 (with subsequent amendments), the government granted to certain categories of debtors, individuals or companies. The possibility to request the suspension of the payment of the due installments related to the loans representing installments of capital, interest and commissions, for up to 9 months, but not more than December 31, 2021. This facility benefited borrowers with outstanding loans, for which the Bank did not denounce the contract (and especially, for companies, is not entered into an insolvency state). Considering the legislative provisions, the Group and the Bank no longer have contracts in force on December 31, 2021, for which the deferral of payment is still active.

During 2020 and 2021 the Group's forbearance practices have been updated to pay particular attention to customers affected by the COVID-19 pandemic. These practices include additional guidance to ensure that COVID-19 concessions are fully complied with EBA/ NBR decision on moratoria operations respectively it is considered that the operations will not automatically generate a stricter classification of exposures (should not be considered as an automatic trigger, but should be considered in correlation with other risk indicators), and the Group should develop and strengthen its own mechanisms to identify in early stages, increase of credit risk and unlikeliness to pay situation.

As mentioned, moratoria program set by OUG37 did not have an impact on stage-ing (is not considered a trigger for a significant increase in credit risk). The definition of forborne credit modification was not changed and continues to identify restructuring operation request by clients in financial difficulties who did not access the moratoria program. A similar program to postpone the payments of installments/interests for a period not exceeding 9 months was promoted by OUG 90/29.06.2022. However, this facility is offered conditionally to debtors financially affected by the situation generated by the current crisis determined directly or indirectly by the energy crisis and the war between Russia and Ukraine. The period for accessing this facility is maximum 30 days from the date of issuance of the application rules, respectively during the month of August 2022.

Due to the COVID-19 pandemic, the negative evolution of inflation and interest rates, as well as the military conflict, financial markets have been very volatile, generating short-term challenges in cash flow management and also significant mark-up variations at market. The Bank stands on a comfortable position of liquidity, therefore the market disruptions didn't seriously affected it. In terms of interest rate risk, the pressure was felt on net interest margin due to interest rates levels.

The trading book of the Group and the Bank consist of bonds, equities, collective investment units and derivatives, whose valuation was affected by market volatilities, reserves registering a downward trend and reaching in the negative zone. The most significant part of the trading book is represented by bonds, of which the majority are kept at fair value through other comprehensive income, thus allowing that market-to-market impact to be observable in other comprehensive income and not in Consolidated and Separate Statement of Profit or Loss, Note 4 provides more details on the fair value measurement of financial instruments.

At the same time, the Bank holds, outside the trading portfolio (the banking portfolio), financial instruments (securities) held mainly for liquidity purposes and as a source of collateral for Lombard and stand-by facilities, as well as to ensure a secure source of income.

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 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 June 30, 2022, 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.

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. On 12 October 2021, the High Court of Cassation and Justice of Romania suspended the judgement of the review request and the Court of Justice of European Union was notified. The request is still under analysis at the European Court of Justice. 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.

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*)

(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 June 30, 2022 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 S.A., was notified on July 6, 2020 that it is being investigated in a case instrumented by the Prosecutor's Office of the Republic of Moldova, and on August 6, 2020, a precautionary seizure was placed on some of the subsidiary's assets. In order to cover the claims in the file - amounting to approximately RON 452 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. The Group and the Bank will monitor the evolution of the topics at each reporting date, in accordance with the relevant provisions of the accounting regulations.

(v) Reclassification

The Bank has included in its policies three business models for financial instruments: "Hold to collect", "Hold to collect and sell", and "Other model (trading)", each of them being defined in accordance with the specific requirements of IFRS 9.

As per Group's accounting policies, the three business models are distinguished as follows:

a) 'Hold to collect and sell' business model, in which the selling of financial assets is integral to achieving the business objective. In this business model, sales take place more frequently and have a greater value than in a business model with an objective to hold to collect. Financial assets in this category are measured at fair value through OCI. This is the business model mainly used for assets originated and managed in the Treasury department.

b) 'Hold to collect' business model, in which cash flows are primarily generated by collecting contractual cash flows until maturity of the instrument. Sales can occur, as long as they are incidental, infrequent and insignificant. There is no requirement that the assets classified in this category should be held until their maturity; sales are acceptable with "low frequency", when the risk profile of such instruments increases or is no longer in line with the Bank's/ the Group's investment policy. An increase of the frequency of sales during a certain period is not necessarily in contradiction with this business model, if the Group or the Bank are able to justify the reasons of such sales and to prove that such sales do not reflect a change in the current business model. This business model is primarily used for the loan portfolio of the Bank and, to a lesser extent, for assets originated in the Treasury department.

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*)

(v) *Reclassification (continued)*

c) 'Other' business models not meeting the criteria of the two models mentioned above, for example business models in which financial assets are managed with the objective of generating cash flows from trading are managed on a fair value basis. Under this business model, financial assets are measured at fair value through P&L. This business model is used for a relatively small part of fixed income instruments purchased by Treasury department.

In the "Hold to collect" business model, the financial instruments that can be included are:

- Loans and advances to customers, like loans to corporates, SME and Retail granted by the Bank or acquired through business combinations.
- Bonds and treasury bills issued by governments, financial institutions or other companies.
- Placements with Central Bank and with other banks.

The performance of the portfolio is measured based on its amortised cost, taking into consideration the interest margins, exposure and credit risk. There is no fair value measurement associated with this portfolio.

In the first quarter of 2022, Bank Management performed a review of its balance sheet management policy, looking at both customer liabilities (current accounts) and fixed income portfolios as the Bank made several acquisitions during the year: Idea Bank S.A., Idea Leasing IFN S.A. and also, in the year of 2020 Tiriac Leasing IFN S.A.

As a consequence long term business strategy and ALM in the Group were adjusted starting with second quarter of the year 2022.

The analysis carried out by the management focused on:

(1) The classification of financial instruments from the perspective of European Regulation 876/2019 and assessment of the need to adapt the business model regarding bonds;

(2) Increasing the portfolio of securities held, as well as changing the structure of the Banca Transilvania Financial Group through successive acquisitions in 2021 and 2022;

(1) The classification of financial instruments from the perspective of European Regulation 876/2019 and assessment of the need to adapt the business model regarding bonds

The analysis performed by the Management resulted in the following conclusions:

- Due to their own specificity and market structure, not all bonds held by Banca Transilvania can be subject of frequent trading. According to "*Minimum capital requirements for market risk*" paper issued by the Basel Committee on Banking Supervision (February 2019), the trading book should consist of only instruments designed to accommodate at least one of the below purposes:
 - 1) short-term resale,
 - 2) profiting from short-term price movements,
 - 3) locking in arbitrage profits, or
 - 4) hedging risks that arise from instruments meeting (1), (2) or (3) above.

Consequently, to manage risk in the balance sheet and to be, also, compliant with the above provisions, the Bank will use two separate books: one for HTC&S where the traded instruments will be held and one for the HTC where any instrument which does not meet the definition of the European Regulation 876/2019.

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)

(v) Reclassification (continued)

(2) Increasing the portfolio of securities held, as well as changing the structure of the Banca Transilvania Financial Group through successive acquisitions in 2021 and 2022;

Since the Bank's portfolio of government securities had a significant increase in the period 2020-2021, important structural changes took place at the level of the Banca Transilvania Financial Group (acquisitions of Idea Bank IFN S.A., Idea Leasing IFN S.A. and Tiriac Leasing IFN S.A.) normal coverage was analyzed from the point of view of the risks of the clients' core deposits (core deposits). From an interest rate perspective, most current account balances that carry 0% interest have historically been a stable source of funding, the bonds, on the other hand, are a natural hedge for these balances from this perspective.

In order to correctly reflect this liquidity reserve that naturally covers stable deposits, the Bank's management has come to the conclusion that a revision of the business model used is necessary.

In this sense, the business model was reanalyzed, which targets the financial instruments managed by the Treasury and which particularly concerns the way of managing the portfolio of government securities. Through this strategy, the Bank owns/invests in securities that it intends to keep until maturity as a liquidity reserve, available for Lombard operations and other specific uses (e.g. used as collateral) and through which it can obtain a positive return through reporting at the cost of financing sources in turbulent periods, which can generate a stable result in the profit and loss account in case of high volatility of the financial markets. The initial transfer between the two business models is necessary because it is not feasible to acquire new positions on the market, considering: a) the weight of bond positions in the balance sheet and b) the fact that the instruments are eligible for Lombard operations and other specific uses (for example repo or in the form of collateral). This was confirmed by formal decisions of the Asset and Liability Management Committee (ALCO) and the Management Board of the Bank in December 2021 and in March 2022.

Reclassification of financial assets will be performed according to the requirements of IFRS 9 B4.4.1, B4.4.2 and B4.4.3 as a change in business model due to the significant change in the related prudential regulatory framework and investment strategy.

According to IFRS 9, paragraph 5.6.1, if an entity reclassifies financial assets, it must apply the reclassification prospectively from the date of reclassification. The entity shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Adjustments were made to :

- the cumulative gain or loss previously recognized in other comprehensive income is eliminated from equity and adjusted for the fair value of the financial asset at the date of reclassification. As a result, the financial asset is measured at the date of reclassification as if it had always been measured at amortized cost. This adjustment affects other items of comprehensive income but does not affect profit or loss and is therefore not a reclassification adjustment (see IAS 1 Presentation of Financial Statements).
- a reduction in losses would be recognized as an adjustment to the gross carrying amount of the financial asset as of the date of reclassification
- the recognition of interest income using the effective interest rate and the measurement of expected credit losses are not changed due to reclassification.

A change in the objective of the entity's business model must be made before the date of reclassification (IFRS 9 B4.4.2), which is defined in Appendix A to IFRS 9 as "the first day of the first reporting period following the change in the business model that results in the reclassification of financial assets by an entity.

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 condensed consolidated and separate financial statements are the ones also applied in the consolidated and separate financial statements as at and for the fiscal year ended December 31, 2021, except for the followings:

a) Implementation of new or reviewed standards and interpretations

The following new standards, as well as updates to existing standards, came into force for annual periods beginning after January 1, 2021 and may be applied earlier.

Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions beyond 30 June 2021. (Effective for annual periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not authorised for issue at 31 March 2021)

The amendments extends by one year the application period of the optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee applies the amendments retrospectively and recognizes the cumulative effect of initially applying them in the opening retained earnings of the reporting period in which they are first applied. The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current. (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)

The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the entity's right to defer settlement at the end of the reporting period. The entity's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability. The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments. (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies. The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)

The amendments introduced a definition of 'accounting estimates' and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs. The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

2. Significant accounting policies

a) Implementation of new or reviewed standards and interpretations

Annual Improvements to IFRS Standards 2018-2020. (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)

b) New or amended standards and interpretations that are effective as of annual period or after 1 January 2022

Amendment to IAS 16 Property, Plant and Equipment Property, Plant and Equipment – Proceeds before Intended Use (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary). The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Onerous Contracts – Cost of Fulfilling a Contract. (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. The amendment clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Notes to the consolidated and separate financial statements

2. Significant accounting policies (*continued*)

b) New or amended standards and interpretations that are effective as of annual period or after 1 January 2022 (*continued*)

Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction. (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted)

The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction. (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted) (*continued*)

The entity accounts for deferred tax on leases and decommissioning liabilities applying the ‘integrally linked’ approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the entity will recognise a separate deferred tax asset and a deferred tax liability.

There will be no impact on retained earnings on adoption of the amendments.

Amendment to IFRS 9 Financial Instruments

The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Amendment to Illustrative Examples accompanying IFRS 16 Leases

The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement.

The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

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.

The clients of Victoriabank S.A. and Idea Bank S.A., are classified according to the Bank's standards. The segment "Leasing and loans to non-banking financial institutions" includes the leasing and consumer finance companies, as described in Note 1. The remaining non-banking subsidiaries are included in the segment "Other-Group". The "Intra-group eliminations & adjustments" segment comprises intra-group operations.

The reporting segments are organized and managed separately, depending on the nature of products and services provided, each segment being specialized on certain products and operating on different markets.

A business segment is a component of the Group 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.

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.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (*continued*)

Medium Corporate Customers („MidCo”): The Group and the Bank include in this category mainly the companies with an annual turnover between 9 and 100 million RON. By setting such value thresholds in the classification of MidCo clients, the Bank is able to address the most frequent requests coming from this category of clients: tailored financing solutions, access to a wide range of banking services, pricing based on financial performance, dedicated and flexible relationship management, operational agility. Depending on the activity type, the customized approach related to customers is supported by two existent specializations, notably Agribusiness and Healthcare. The MidCo segment includes also entities operating in the public sector, financial institutions or legal entities serving particular functions, included in this category based on specific classification criteria. The Bank offers a full 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 showing more and more interest in internet & mobile banking, e-commerce, last generation POSs and the integration of financial data in the proprietary accounting systems.

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

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

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

Other: The Group and the Bank incorporate in this category the services offered by other financial entities within the Group: asset management, brokerage, factoring and real estate, as well as elements that do not fall into the existing categories and result from financial and strategic decisions taken centrally.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (*continued*)

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 or 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.

For periods of 6 months ended at June 30, 2022 and June 30, 2021, 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 June 30, 2022, and comparative data for December 31, 2021:

Business segments as at June 30, 2022

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	10,824,949	8,960,531	4,330,707	4,652,199	29,784,858	-	4,298,539	8,425,511	(2,136,422)	69,140,872
<i>Allowances for impairment losses on loans and finance lease receivables</i>	(790,356)	(911,830)	(342,012)	(531,769)	(1,411,331)	-	(334,912)	(17,508)	61,489	-4,278,229
Loans and finance receivables-net Portfolio of Debt instruments and Equity instruments, net of provisions	10,034,593	8,048,701	3,988,695	4,120,430	28,373,527	-	3,963,627	8,408,003	(2,074,933)	64,862,643
Treasury and inter-bank operations	-	-	-	-	-	46,642,308	1,245	365,560	(329,807)	46,679,306
Intangible assets	75,782	162,579	92,892	233,337	694,675	47,014	12,015	335,202	(8,486)	1,645,010
Right-of-use assets	28,440	52,499	28,018	84,372	232,934	14,603	15,891	11,199	(8,500)	459,456
Other assets	450,354	352,187	162,199	178,221	1,172,678	-	127,178	87,684	(393,150)	2,137,351
Total assets	10,589,169	8,615,966	4,271,804	4,616,360	30,473,814	72,269,421	4,187,252	9,684,439	(4,570,445)	140,137,780
Deposits and current accounts	8,360,922	8,944,916	5,741,665	15,309,706	72,785,894	3,004,135	-	2,931	(1,756,737)	112,393,432
Loans from banks and other financial institutions	145,041	510,332	67,125	71,955	84,472	10,163,979	3,098,467	671,797	(2,170,934)	12,642,234
Subordinated liabilities	-	-	-	-	-	1,794,256	-	-	(18,191)	1,776,065
Finance lease financial liabilities	86,125	69,586	32,583	34,216	231,084	659	16,148	3,501	(8,701)	465,201
Other liabilities	543,753	405,444	145,244	158,170	1,060,993	799	165,620	472,019	(67,392)	2,884,650
Total liabilities	9,135,841	9,930,278	5,986,617	15,574,047	74,162,443	14,963,828	3,280,235	1,150,248	(4,021,955)	130,161,582
Equity and related items	-	-	-	-	-	-	-	9,976,198	-	9,976,198
Total liabilities and equity	9,135,841	9,930,278	5,986,617	15,574,047	74,162,443	14,963,828	3,280,235	11,126,446	(4,021,955)	140,137,780

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

Business segments as at December 31, 2021

Group	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Intra-group eliminations & adjustments	Total
Gross loans and finance lease receivables	9,026,678	7,810,256	3,582,273	4,120,221	28,454,621	-	2,929,671	5,948,267	(1,818,483)	60,053,504
Provisions for principal Loans and finance lease receivables net of provisions	(810,766)	(827,187)	(294,632)	(503,230)	(1,249,340)	-	(302,877)	(13,418)	65,731	(3,935,719)
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	8,215,912	6,983,069	3,287,641	3,616,991	27,205,281	-	2,626,794	5,934,849	(1,752,752)	56,117,785
Treasury and inter-bank operations	-	-	-	-	-	44,120,816	-	401,085	(317,724)	44,204,177
Property and equipment and investment property, Intangible assets and goodwill	-	-	-	-	-	28,505,564	49,499	424,876	(264,729)	28,715,210
Right-of-use assets	67,846	157,105	82,984	194,163	618,925	41,065	12,014	331,802	(8,562)	1,497,342
Other assets	30,505	61,692	32,017	85,004	244,802	16,233	10,919	16,412	(5,563)	492,021
Total assets	229,912	212,691	91,574	98,804	730,326	0	80,534	96,319	(65,505)	1,474,655
Deposits from customers and current accounts	8,544,175	7,414,557	3,494,216	3,994,962	28,799,334	72,683,678	2,779,760	7,205,343	(2,414,835)	132,501,190
Loans from banks and other financial institutions	6,026,098	8,701,281	6,151,819	15,493,031	71,889,830	1,047,310	-	696	(264,177)	109,045,888
Subordinated liabilities	136,702	543,683	88,708	111,399	112,343	6,526,809	2,019,081	232,901	(1,842,126)	7,929,500
Lease liabilities	-	-	-	-	-	1,780,464	-	-	(17,980)	1,762,484
Other liabilities	84,216	71,299	33,004	37,418	263,189	630	11,096	3,498	(5,753)	498,597
Total liabilities	527,530	373,990	123,885	147,877	1,060,014	692	122,170	370,781	(26,352)	2,700,587
Equity and related items	6,774,546	9,690,253	6,397,416	15,789,725	73,325,376	9,355,905	2,152,347	607,876	(2,156,388)	121,937,056
Total liabilities and equity	-	-	-	-	-	-	-	10,564,134	-	10,564,134
	6,774,546	9,690,253	6,397,416	15,789,725	73,325,376	9,355,905	2,152,347	11,172,010	(2,156,388)	132,501,190

Notes to the 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 June 30, 2022, and comparative data for June 30, 2021:

Business segments as at June 30, 2022

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	81,499	174,682	95,299	189,382	647,976	334,268	154,698	347,207	6,385	2,031,396
Net commission income	23,399	50,086	45,479	181,793	204,633	(499)	11,383	32,803	1,898	550,975
Net trading income	5,421	27,262	29,256	55,366	118,294	164,049	3,341	(22,372)	192	380,809
Net loss (-) /gain from financial assets measured through comprehensive income	-	-	-	-	-	(36,071)	-	(34,413)	-	(70,484)
Net loss (-) /gain from financial assets which are required to be measured through profit and loss	-	-	-	-	-	(49,037)	-	(3,371)	-	(52,408)
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(8,397)	(13,819)	(8,078)	(21,139)	(99,580)	-	-	-	-	(151,013)
Other operating income	14,679	11,469	6,149	5,163	66,137	4,802	21,231	55,934	(41,010)	144,554
Total income	116,601	249,680	168,105	410,565	937,460	417,512	190,653	375,788	(32,535)	2,833,829
Personnel expenses	(43,055)	(107,667)	(63,088)	(129,079)	(348,020)	(17,373)	(44,878)	(65,358)	0	(818,518)
Other operating expenses	(18,769)	(40,791)	(25,532)	(55,246)	(180,862)	(15,937)	(41,833)	(80,163)	12,787	(446,346)
Depreciation and amortization	(10,533)	(22,330)	(12,825)	(34,613)	(98,328)	(6,504)	(5,708)	(8,232)	10,606	(188,467)
Total Expenses	(72,357)	(170,788)	(101,445)	(218,938)	(627,210)	(39,814)	(92,419)	(153,753)	23,393	(1,453,331)
Operating profit before net provision expenses for assets, other risks and commitments	44,244	78,892	66,660	191,627	310,250	377,698	98,234	222,035	(9,142)	1,380,498

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

Business segments as at June 30, 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	91,759	126,579	69,171	113,074	492,113	170,252	119,017	343,736	3,314	1,529,015
Net commission income	29,961	58,015	37,312	133,624	149,142	(1,143)	5,655	35,867	(1,445)	446,988
Net trading income	5,051	19,785	19,644	39,053	75,587	60,137	4,331	34,883	3,149	261,620
Net loss (-) / gain from financial assets measured through comprehensive income	-	-	-	-	-	64,995	-	64,350	5	129,350
Net loss / gain (-) from financial assets which are required to be measured through profit and loss	-	-	-	-	-	51,000	-	3,679	-	54,679
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(4,155)	(7,832)	(4,876)	(11,806)	(59,707)	-	-	-	-	(88,376)
Other operating income	13,211	12,576	5,526	5,445	45,822	125	6,042	7,303	(19,315)	76,735
Total income	135,827	209,123	126,777	279,390	702,957	345,366	135,045	489,818	(14,292)	2,410,011
Personnel expenses	(38,082)	(95,978)	(51,140)	(103,827)	(263,297)	(13,292)	(26,578)	(58,521)	-	(650,715)
Other operating expenses	(13,495)	(28,782)	(16,502)	(35,110)	(128,581)	(9,817)	(21,146)	(56,217)	5,722	(303,928)
Depreciation and amortization	(12,224)	(23,369)	(13,293)	(33,289)	(91,376)	(4,256)	(3,297)	(6,958)	10,027	(178,035)
Total Expenses	(63,801)	(148,129)	(80,935)	(172,226)	(483,254)	(27,365)	(51,021)	(121,696)	15,749	(1,132,678)
Operating profit before net provision expenses for assets, other risks and commitments	72,026	60,994	45,842	107,164	219,703	318,001	84,024	368,122	1,457	1,277,333

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 3-month period ended at June 30, 2022, and comparative data for 3-month period ended June 30, 2021:

Business segments for the 3-month period ended June 30, 2022

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	42,125	92,775	47,286	117,417	365,915	194,846	83,473	115,251	2,941	1,062,029
Net commission income	12,578	27,519	23,915	97,116	105,830	(198)	5,828	18,053	1,304	291,945
Net trading income	2,882	14,739	15,099	27,958	54,650	107,281	3,137	(12,156)	256	213,846
Net loss (-) / gain from financial assets measured through comprehensive income	-	-	-	-	-	(28,605)	-	(27,507)	-	(56,112)
Net loss / gain (-) from financial assets which are required to be measured through profit and loss	-	-	-	-	-	(43,902)	-	(2,391)	-	(46,293)
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(88)	(1,358)	(603)	72	(1,754)	-	-	-	-	(3,731)
Other operating income	8,656	6,362	3,769	4,886	37,380	4,802	9,652	27,149	(26,697)	75,959
Total income	66,153	140,037	89,466	247,449	562,021	234,224	102,090	118,399	(22,196)	1,537,643
Personnel expenses	(21,620)	(50,299)	(32,088)	(70,033)	(186,681)	(5,564)	(24,000)	(30,529)	-	(420,814)
Other operating expenses	(10,329)	(22,351)	(15,253)	(33,236)	(98,959)	(8,677)	(25,155)	(40,043)	6,239	(247,764)
Depreciation and amortization	(5,165)	(10,148)	(6,010)	(18,787)	(51,291)	(3,203)	(3,195)	(3,376)	5,551	(95,624)
Total Expenses	(37,114)	(82,798)	(53,351)	(122,056)	(336,931)	(17,444)	(52,350)	(73,948)	11,790	(764,202)
Operating profit before net provision expenses for assets, other risks and commitments	29,039	57,239	36,115	125,393	225,090	216,780	49,740	44,451	(10,406)	773,441

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

Business segments for the 3-month period ended June 30, 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	55,564	64,694	32,077	56,696	249,664	92,710	60,738	165,047	1,843	779,033
Net commission income	16,064	31,251	19,716	68,768	78,454	(700)	2,831	18,153	(806)	233,731
Net trading income	2,697	10,469	10,418	20,389	40,963	31,135	1,336	(1,602)	12	115,817
Net loss (-) / gain from financial assets measured through comprehensive income	-	-	-	-	-	28,151	-	28,958	(1)	57,108
Net loss (-)/ gain from financial assets which are required to be measured through profit and loss	-	-	-	-	-	30,429	-	1,115	-	31,544
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	-	(1,321)	(14)	29	(1,845)	-	-	-	-	(3,151)
Other operating income	8,131	7,460	5,125	5,334	24,739	125	3,034	(7,383)	(10,566)	35,999
Total income	82,456	112,553	67,322	151,216	391,975	181,850	67,939	204,288	(9,518)	1,250,081
Personnel expenses	(19,377)	(50,034)	(26,999)	(54,728)	(134,822)	(7,261)	(14,141)	(29,903)	-	(337,265)
Other operating expenses	(7,101)	(14,945)	(8,121)	(17,326)	(63,830)	(5,018)	(10,032)	(30,223)	3,156	(153,440)
Depreciation and amortization	(6,300)	(11,652)	(6,540)	(16,449)	(45,093)	(2,141)	(1,633)	(3,652)	5,011	(88,449)
Total Expenses	(32,778)	(76,631)	(41,660)	(88,503)	(243,745)	(14,420)	(25,806)	(63,778)	8,167	(579,154)
Operating profit before net provision expenses for assets, other risks and commitments	49,678	35,922	25,662	62,713	148,230	167,430	42,133	140,510	(1,351)	670,927

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 at fair value through profit or loss, bonds classified as assets evaluated at fair value through other items of comprehensive income.

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 and some bonds measured at fair value through p&l; and in the category of liabilities: derivatives classified as financial liabilities held for trading.

At level 3 in the fair value hierarchy, the Group and the Bank included in the category of assets: equity instruments, fixed assets and investment property.

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 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
June 30, 2022				
Financial assets held for trading and measured at fair value through profit or loss, of which:	174,776	106,079	20,488	301,343
- Equity instruments	174,776	-	-	174,776
- Debt instruments	-	106,079	20,488	126,567
Derivatives	-	234,860	-	234,860
Financial assets measured at fair value through other items of comprehensive income	19,570,912	131,286	578,922	20,281,120
- Equity instruments	-	-	52,626	52,626
- Debt instruments	19,570,912	104,114	526,296	20,201,322
- Loans and advances	-	27,172	-	27,172
Financial assets which are required to be measured at fair value through profit or loss, of which:	818,885	100,170	176,036	1,095,091
- Equity instruments	232,936	-	-	232,936
- Debt instruments	585,949	100,170	176,036	862,155
Total financial assets measured at fair value in the statement of financial position	20,564,573	337,535	775,446	21,677,554
Financial liabilities held-for-trading	-	45,966	-	45,966
December 31, 2021				
Financial assets held for trading and measured at fair value through profit or loss, of which:	317,955	-	20,495	338,450
- Equity instruments	205,313	-	-	205,313
- Debt instruments	112,642	-	20,495	133,137
Derivatives	-	80,927	-	80,927
Financial assets measured at fair value through other items of comprehensive income	41,002,496	602	190,275	41,193,373
- Equity instruments	-	-	52,652	52,652
- Debt instruments	41,002,496	602	107,679	41,110,777
- Loans and advances	-	-	29,944	29,944
Financial assets which are required to be measured at fair value through profit or loss, of which:	817,263	10,191	280,862	1,108,316
- Equity instruments	238,020	-	-	238,020
- Debt instruments	579,243	10,191	280,862	870,296
Total assets measured at fair value in the statement of financial position	42,137,714	91,720	491,632	42,721,066
Non-financial assets at fair value	-	-	1,064,215	1,064,215
- Property and equipment and investment property	-	-	1,064,215	1,064,215
Total assets measured at fair value in the statement of financial position	42,137,714	91,720	1,555,847	43,785,281
Financial liabilities held-for-trading	-	39,179	-	39,179

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 <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
June 30, 2022				
Financial assets held for trading and measured at fair value through profit or loss, of which:	30,660	-	-	30,660
- <i>Equity instruments</i>	30,660	-	-	30,660
Derivatives	-	234,860	-	234,860
Financial assets measured at fair value through other items of comprehensive income	19,295,842	131,286	557,188	19,984,316
- <i>Equity instruments</i>	-	-	17,662	17,662
- <i>Debt instruments</i>	19,295,842	104,114	539,526	19,939,482
- <i>Loans and advances</i>	-	27,172	-	27,172
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,142,963	100,170	176,036	1,419,169
- <i>Equity instruments</i>	232,620	-	-	232,620
- <i>Debt instruments</i>	910,343	100,170	176,036	1,186,549
Total financial assets measured at fair value in the statement of financial position	20,469,465	466,316	733,224	21,669,005
Non-financial assets at fair value	-	-	651,723	651,723
- <i>Property and equipment and investment property</i>	-	-	651,723	651,723
Total assets measured at fair value in the statement of financial position	20,469,465	466,316	1,384,947	22,320,728
Financial liabilities held-for-trading	-	45,966	-	45,966
December 31, 2021				
Financial assets held for trading and measured at fair value through profit or loss, of which:	31,207	-	-	31,207
- <i>Equity instruments</i>	31,207	-	-	31,207
Derivatives	-	79,842	-	79,842
Financial assets measured at fair value through other items of comprehensive income	40,699,656	602	153,526	40,853,784
- <i>Equity instruments</i>	-	-	15,904	15,904
- <i>Debt instruments</i>	40,699,656	602	107,679	40,807,937
- <i>Loans and advances</i>	-	-	29,943	29,943
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,174,444	10,191	280,862	1,465,497
- <i>Equity instruments</i>	237,578	-	-	237,578
- <i>Debt instruments</i>	936,866	10,191	280,862	1,227,919
Total financial assets measured at fair value in the statement of financial position	41,905,307	90,635	434,388	42,430,330
Non-financial assets at fair value	-	-	652,581	652,581
- <i>Property and equipment and investment property</i>	-	-	652,581	652,581
Total assets measured at fair value in the statement of financial position	41,905,307	90,635	1,086,969	43,082,911
Financial liabilities held-for-trading	-	38,689	-	38,689

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 1 in the fair value hierarchy, the Group and the Bank included in the category of assets that are not held at fair value: financial assets at amortized cost - debt instruments, represented by bonds issued by central administrations and credit institutions.

At level 2 in the fair value hierarchy, the Group and the Bank included in the category of assets that are not held at fair value: placements with banks, financial assets measured at amortized cost - debt instruments and in the category of liabilities: deposits from banks and from customers.

At level 3 in the fair value hierarchy, the Group and the Bank included in the category of assets: loans and advances and finance lease receivables and other financial assets; and some financial assets evaluated at amortized cost - debt instruments representing bonds issued by credit institutions and companies, 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 June 30, 2022:

<i>In RON thousand</i>	Notes	Carrying amount	Fair value	Group			Carrying amount	Fair value	Bank		
				Level 1	Fair value hierarchy				Level 1	Fair value hierarchy	
					Level 2	Level 3				Level 2	Level 3
Assets											
Placements with banks	17	6,835,297	6,835,297	-	6,835,297	-	7,579,667	7,579,667	-	7,579,667	-
Loans and advances to customers	19	62,188,506	63,223,641	-	-	63,223,641	60,206,769	61,542,266	-	-	61,542,266
Finance lease receivables	20	2,674,137	2,671,563	-	-	2,671,563	-	-	-	-	-
Financial assets at amortized cost - debt instruments	21	24,766,892	21,217,518	19,991,271	870,110	356,137	23,838,457	20,306,399	19,935,018	-	371,381
Other financial assets	25	1,546,321	1,546,321	-	-	1,546,321	1,398,592	1,398,592	-	-	1,398,592
Total assets		98,011,153	95,494,340	19,991,271	7,705,407	67,797,662	93,023,485	90,826,924	19,935,018	7,579,667	63,312,239
Liabilities											
Deposits from banks	27	1,464,753	1,464,753	-	1,464,753	-	1,279,739	1,279,739	-	1,279,739	-
Deposits from customers	28	110,928,679	110,615,411	-	110,615,411	-	107,895,451	107,592,661	-	107,592,661	-
Loans from banks and other financial institutions	29	12,642,234	12,640,482	-	-	12,640,482	11,468,982	11,467,230	-	-	11,467,230
Subordinated liabilities	30	1,776,065	1,776,065	-	-	1,776,065	1,721,210	1,721,210	-	-	1,721,210
Lease liabilities		465,201	465,201	-	-	465,201	628,524	628,524	-	-	628,524
Other financial liabilities	32	1,951,983	1,951,983	-	-	1,951,983	1,445,047	1,445,047	-	-	1,445,047
Total liabilities		129,228,915	128,913,895	-	112,080,164	16,833,731	124,438,953	124,134,411	-	108,872,400	15,262,011

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, 2021:

RON thousand	Note	Carrying amount	Group			Carrying amount	Bank				
			Fair value	Level 1	Level 2		Level 3	Fair value	Level 1	Level 2	Level 3
Assets											
Placements with banks	17	10,394,297	10,394,297	-	10,394,297	-	9,612,690	9,612,690	-	9,612,690	-
Loans and advances to customers	19	54,629,754	54,965,684	-	-	54,965,684	52,238,523	52,649,069	-	-	52,649,069
Finance lease receivables	20	1,488,031	1,487,603	-	-	1,487,603	-	-	-	-	-
Financial assets at amortized cost - debt instruments	21	1,483,111	1,487,956	51,103	1,436,853	-	355,331	361,580	-	361,580	-
Other financial assets	25	1,054,904	1,054,904	-	-	1,054,904	884,171	884,171	-	-	884,171
Total assets		69,050,097	69,390,444	51,103	11,831,150	57,508,191	63,090,715	63,507,510	-	9,974,270	53,533,240
Liabilities											
Deposits from banks	27	1,024,259	1,024,259	-	1,024,259	-	952,453	952,453	-	952,453	-
Deposits from customers	28	108,021,629	108,007,480	-	108,007,480	-	102,698,085	102,686,447	-	102,686,447	-
Loans from banks and other financial institutions	29	7,929,500	7,955,746	-	-	7,955,746	7,457,843	7,484,089	-	-	7,484,089
Subordinated liabilities	30	1,762,484	1,762,484	-	-	1,762,484	1,706,234	1,706,234	-	-	1,706,234
Lease liabilities		498,597	498,597	-	-	498,597	716,569	716,569	-	-	716,569
Other financial liabilities	32	1,826,081	1,826,081	-	-	1,826,081	1,440,467	1,440,467	-	-	1,440,467
Total liabilities		121,062,550	121,074,647	-	109,031,739	12,042,908	114,971,651	114,986,259	-	103,638,900	11,347,359

Notes to the Interim Condensed Consolidated and Separate Financial Statements

5. Net interest income

	Group				Bank			
	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021
<i>In RON thousand</i>								
Interest income calculated using the effective interest method	1,319,752	2,422,473	888,007	1,754,907	1,168,232	2,128,476	815,412	1,613,819
- Cash and current accounts with Central Banks at AC	16,750	26,740	1,078	3,127	3,137	5,853	922	2,802
- Placements with banks and public institutions at AC	34,282	56,250	9,488	23,268	37,554	60,068	9,270	22,804
- Loans and advances to customers at AC	944,263	1,744,382	654,755	1,297,919	826,653	1,509,325	595,001	1,180,320
- Debt instruments at FVOCI	287,958	540,512	209,377	406,130	286,007	536,115	209,203	405,881
- Debt instruments at AC	36,498	54,588	13,309	24,463	14,881	17,115	1,016	2,012
Other similar interest income	50,133	86,327	29,157	56,815	5,111	8,242	2,592	4,764
- Finance lease receivables	45,022	78,084	26,565	52,051	-	-	-	-
- Non-recourse factoring receivables	5,112	8,243	2,592	4,764	5,111	8,242	2,592	4,764
Total interest income	1,369,885	2,508,800	917,164	1,811,722	1,173,343	2,136,718	818,004	1,618,583
Interest expense related to financial liabilities measured at amortized cost	307,376	476,390	137,803	282,058	287,141	438,422	125,273	258,255
- Cash and current accounts with Central Banks	63,811	85,000	11,338	22,426	63,387	84,424	11,338	22,426
- Deposits from banks	13,689	20,046	2,000	4,888	12,523	18,096	1,678	4,223
- Deposits from customers	177,005	275,867	98,053	203,221	163,048	248,893	89,383	187,007
- Loans from banks and other financial institutions	52,871	95,477	26,412	51,523	48,183	87,009	22,874	44,599
Other similar expense	480	1,014	328	649	1,611	3,360	1,675	3,351
- Lease liabilities	480	1,014	328	649	1,611	3,360	1,675	3,351
Total interest expense	307,856	477,404	138,131	282,707	288,752	441,782	126,948	261,606
Net interest income	1,062,029	2,031,396	779,033	1,529,015	884,591	1,694,936	691,056	1,356,977

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.

Interest income for the period ended at June 30, 2022 includes the net interest income on impaired financial assets amounting RON 65,593 thousand (June 30, 2021: RON 67,972 thousand) for the Group and RON 49,904 thousand (June 30, 2021: RON 55,473 thousand) for the Bank.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

6. Net fee and commission income

<i>In RON thousand</i>	Group				Bank			
	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021
Fee and commission income								
Commissions from treasury and inter-bank operations	62,967	113,855	43,440	79,995	62,869	113,206	43,440	79,995
Client transactions	355,552	679,483	290,125	552,249	294,657	565,317	244,088	463,062
Lending activity (i)	12,580	24,249	10,551	19,770	11,730	22,657	10,305	19,422
Finance lease management	3,050	5,779	43	57	-	-	-	-
Other fee and commission income	1,312	2,680	1,043	2,078	94	231	122	294
Total fee and commission income	435,461	826,046	345,202	654,149	369,350	701,411	297,955	562,773
Fee and commission expense								
Commissions from treasury and inter-bank	101,610	193,224	74,281	142,073	82,432	157,607	62,341	120,244
Client transactions	35,095	69,704	30,552	53,415	28,947	56,578	25,141	42,758
Lending activity (i)	6,597	11,170	5,909	10,543	10,398	20,077	8,893	16,461
Other fees and commissions	214	973	729	1,130	582	1,304	699	1,142
Fee and commission expenses	143,516	275,071	111,471	207,161	122,359	235,566	97,074	180,605
Net fee and commission income	291,945	550,975	233,731	446,988	246,991	465,845	200,881	382,168

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

7. Net trading income

<i>In RON thousand</i>	Group				Bank			
	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021
Net income from foreign exchange transactions	135,763	270,374	105,847	202,886	109,223	223,885	96,976	186,055
Net income/(expense) from derivatives	88,008	135,885	4,946	9,737	89,069	136,469	4,946	9,739
Net income/(expense) from financial assets held-for-trading	(11,635)	(23,046)	642	42,649	1,121	238	2,067	6,166
Net income/(expense) from foreign exchange position revaluation	1,710	(2,404)	4,382	6,348	4,207	(2,135)	3,901	1,863
Net trading income	213,846	380,809	115,817	261,620	203,620	358,457	107,890	203,823

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

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

	Group				Bank			
	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021
<i>In RON thousand</i>								
Income from the sale of financial assets measured at fair value through other items of comprehensive income	708	15,115	59,139	132,733	684	14,536	55,671	129,253
Losses from the sale of financial assets measured at fair value through other items of comprehensive income	(56,820)	(85,599)	(2,031)	(3,383)	(56,820)	(85,477)	(511)	(1,864)
Net loss/gain from financial assets measured at fair value through comprehensive income	(56,112)	(70,484)	57,108	129,350	(56,136)	(70,941)	55,160	127,389

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

	Group				Bank			
	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021
<i>In RON thousand</i>								
Losses from financial assets which are required to be measured at fair value through profit or loss	(91,474)	(155,643)	(15,234)	(69,762)	(105,398)	(181,025)	(15,185)	(69,671)
Income from financial assets which are required to be measured at fair value through profit or loss	45,181	103,235	46,778	124,441	44,871	103,295	52,991	162,811
Net loss/gain from financial assets which are required to be measured at fair value through profit or loss	(46,293)	(52,408)	31,544	54,679	(60,527)	(77,730)	37,806	93,140

Notes to the Interim Condensed Consolidated and Separate Financial Statements

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:

	Group				Bank			
	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021
<i>In RON thousand</i>								
Contribution to the Bank Deposit Guarantee Fund	1,071	88,753	599	28,995	-	86,543	-	27,767
Bank Resolution Fund	2,660	62,260	2,552	59,381	-	56,970	-	54,255
Total	3,731	151,013	3,151	88,376	-	143,513	-	82,022

11. Other operating income

	Group				Bank			
	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021
<i>In RON thousand</i>								
Dividend income	5,403	5,403	3,218	3,218	8,612	8,662	25,055	25,055
Income from insurance intermediation	38,233	67,654	22,396	42,536	27,154	47,664	17,944	33,840
Income regarding movable and immovable assets resulting from debt enforcement	-	-	-	-	768	2,007	-	-
Income from VISA, MASTERCARD, WU services	143	8,340	168	8,231	137	8,131	123	8,186
Income from indemnities, fines and penalties	2,809	5,680	2,385	4,450	1,548	3,498	1,605	3,306
Income from transfer of securities accounted at cost	7,844	7,844	-	-	6,795	6,795	-	-
Other operating income (i)	21,527	49,633	7,832	18,300	22,260	33,827	8,900	18,044
Total	75,959	144,554	35,999	76,735	67,274	110,584	53,627	88,431

(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.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

12. Expenses from impairment allowance, expected losses on assets, provisions for other risks and loan commitments

(a) Expenses from impairment allowance, expected losses on financial assets not measured at fair value through profit or loss

<i>In RON thousand</i>	Group				Bank			
	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021
Net impairment allowance on assets (i)	131,282	370,319	336,194	296,118	44,768	242,025	330,591	288,647
Net loss on loans written off	2,234	3,425	83	1,278	-	-	-	-
Net loss on finance lease receivables written off	7,980	10,252	1,940	4,046	-	-	-	-
Provisions for other risks and loan commitments	21,216	742	15,517	2,511	9,683	(13,160)	14,559	811
Recoveries from loans written off	(49,059)	(121,427)	(61,272)	(142,595)	(47,862)	(119,032)	(58,876)	(139,600)
Recoveries from finance lease receivables written off	(51,000)	(58,482)	(5,283)	(11,234)	-	-	-	-
Expenses from impairment allowance, expected losses on financial assets not measured at fair value through profit or loss	62,653	204,829	287,179	150,124	6,589	109,833	286,274	149,858

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

<i>In RON thousand</i>	Group				Bank			
	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021
Loans and advances to customers	100,639	329,090	331,373	287,402	39,131	232,172	329,447	287,339
Treasury and inter-bank operations	(2,673)	(3,381)	34	3	2,581	823	142	30
Finance lease receivables	29,980	35,291	2,305	3,822	-	-	-	-
Investment securities	(2,178)	6,563	1,357	5,068	(1,962)	8,030	(66)	1,750
Other financial assets	5,514	2,756	1,125	(177)	5,018	1,000	1,068	(472)
Net impairment allowance on assets	131,282	370,319	336,194	296,118	44,768	242,025	330,591	288,647

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

12. Expenses from impairment allowance, expected losses on assets, provisions for other risks and loan commitments (continued)

(b) (Other) Provisions and reversal of provisions

<i>In RON thousand</i>	Group				Bank			
	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021
Other non-financial assets	(8,602)	(16,400)	(5,856)	(10,386)	(18)	(1,224)	(38)	(3,482)
Litigation and other risks	(8,568)	(9,219)	(21,870)	(26,687)	(8,608)	(9,341)	(21,170)	(25,704)
(Other) Provisions and reversal of provisions	(17,170)	(25,619)	(27,726)	(37,073)	(8,626)	(10,565)	(21,208)	(29,186)

Notes to the Interim Condensed Consolidated and Separate Financial Statements

13. Personnel expenses

<i>In RON thousand</i>	Group				Bank			
	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021
Gross salaries	382,540	691,541	243,834	478,213	311,989	572,677	215,249	423,511
Social protection contribution	15,924	27,941	10,135	19,529	9,682	17,539	6,835	13,309
Share-based payments to employees	20,264	51,936	45,077	80,830	19,297	50,969	45,077	80,830
3rd Pension Pillar	4,107	8,147	3,995	7,623	3,839	7,612	3,744	7,138
Other staff expenses	23,066	41,018	18,350	34,375	20,442	36,484	16,780	31,438
Net expenses with provisions for overdue vacations and other provisions	(25,087)	(2,065)	15,874	30,145	(10,460)	8,531	13,588	24,336
Total	420,814	818,518	337,265	650,715	354,789	693,812	301,273	580,562

The Bank has established a Stock Option Plan (SOP) program, within which the Bank's staff can exercise their right and option to acquire a number of shares issued by the Bank.

Vesting conditions for 2022 related to SOP 2021:

- Achievement of performance and prudential indicators during 2021;
- Compliance with certain individual eligibility and/or performance criteria, in accordance with the applicable remuneration policy and standard, related to the year for which shares are granted;
- Being an employee upon the granting of the SOP right (31 May 2022) and when exercising such right (starting from 01 June 2022);

Contractual vesting period for the shares granted for the year 2020 through SOP:

- Release after 01 June 2022;
- Deferral period for the identified personnel subject to applicable restrictions, pursuant to internal regulations in force.

The impact in profit or loss of a possible value change of the shares which are to be granted to the employees under the Stock Option Plan for 2022, by a maximum of +/-15,00% regulated by the Bucharest Stock Exchange, would be of RON +/- 14,756 thousand.

Vesting conditions for 2023 related to SOP 2022:

- Achievement of performance and prudential indicators during 2022;
- Compliance with certain individual eligibility and/or performance criteria, in accordance with the applicable remuneration policy and standard, related to the year for which shares are granted;
- Being an employee upon the granting of the SOP right (27 May 2023) and when exercising such right (starting from 28 May 2023).

Notes to the Interim Condensed Consolidated and Separate Financial Statements

13. Personnel expenses (continued)

Contractual vesting period for the shares granted for the year 2022 through SOP:

- Release after 28 May 2023;
- Deferral period for the identified personnel subject to applicable restrictions, pursuant to internal regulations in force.

The movement in transactions relating to share-based payments during 2022 and 2021 is presented below:

<i>In RON thousand</i>	30-06-2022	31-12-2021
Balance as at January 1	72,262	8,817
Rights granted during the year	(98,098)	(58,780)
Expense with employee benefits in the form of share-based payments	<u>50,969</u>	<u>122,225</u>
Closing balance at the end of period	<u>25,133</u>	<u>72,262</u>

Until 30 June 2022, 41,226,753 shares were granted to employees and shareholders; during the year 2021, a number of 23,788,728 shares was granted to the employees and shareholders:

Granting date	Number of shares	Contractual vesting period	Vesting conditions
Shares granted to employees for the year 2021	39,694,705	With immediate release on 03 June 2022	Achievement of performance and prudential indicators during 2021.
	1,532,048	Deferral by trust agreement for 3-5 years	Compliance with the conditions stipulated in the applicable remuneration policy and standard, related to the year for which shares are granted, as well as with the conditions of the trust agreement.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

14. Other operating expenses

<i>In RON thousand</i>	Group				Bank			
	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021
Rent and operating lease expense	1,958	4,176	1,575	3,542	1,458	3,011	1,253	2,858
Repairs and maintenance expenses	65,584	118,382	43,153	85,712	55,793	103,147	39,841	79,195
Advertising, marketing, entertainment and sponsorship expenses	27,871	54,685	17,758	35,477	24,520	48,975	15,244	30,066
Mail, telecommunication and SMS traffic expenses	15,482	30,295	15,535	30,471	12,980	25,294	11,731	23,101
Materials and stationery expenses	21,826	40,522	17,472	31,746	20,021	37,087	15,175	27,891
Other professional fees, including legal expenses	10,565	13,840	7,993	13,038	4,244	6,521	6,480	8,626
Expenses regarding movable and immovable assets resulting from debt enforcement	11,799	12,719	405	2,982	-	-	(430)	692
Electricity and heating	8,660	21,110	4,663	10,949	7,680	18,744	4,313	10,136
Business travel, transportation and temporary relocation expenses	13,105	25,001	8,077	14,761	12,288	23,502	7,802	14,265
Insurance costs	4,495	12,230	5,034	9,979	5,279	10,361	4,500	8,904
Taxes and fees	16,102	25,160	5,892	14,308	15,189	23,860	5,329	13,411
Losses from the sale and scrapping of tangible assets	4,993	5,750	-	-	-	-	-	-
Security and protection	4,576	8,708	3,488	6,686	4,168	7,891	3,168	6,033
Expenses related to archiving services	5,645	11,049	3,524	7,202	5,373	10,570	3,495	7,103
Expenses related to database queries from the Trade Register and the Credit Bureau	1,937	3,657	1,984	4,319	1,460	2,750	1,651	3,689
Expenses with foreclosed assets	1,600	3,082	1,223	2,431	1,393	2,678	1,134	2,251
Audit, advisory and other services provided by the independent auditor	1,002	2,739	1,297	2,591	989	1,812	871	1,709
Other operating expenses	30,564	53,241	14,367	27,734	13,276	25,914	9,413	18,791
Total other operating expenses	247,764	446,346	153,440	303,928	186,111	352,117	130,970	258,721

Notes to the Interim Condensed Consolidated and Separate Financial Statements

15. Income tax expense

<i>In RON thousand</i>	Group				Bank			
	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2021
Gross Profit	727,958	1,201,288	411,474	1,164,282	661,433	1,024,777	363,078	1,036,136
Statutory tax rate (2022: 16%; 2021: 16%)*	(116,473)	(192,206)	(65,836)	(186,285)	(105,829)	(163,964)	(58,092)	(165,781)
Fiscal effect of income tax on the following elements:	34,660	37,397	13,526	37,495	43,881	46,190	14,786	30,680
- <i>Non-taxable income</i>	28,871	66,514	28,460	54,477	33,072	67,315	35,277	62,439
- <i>Non-deductible expense</i>	(18,142)	(74,273)	(31,354)	(60,124)	(14,019)	(66,590)	(36,328)	(73,818)
- <i>Tax deductions</i>	27,003	49,600	22,053	46,578	26,329	48,322	21,502	45,566
- <i>Income related items</i>	(3,097)	(4,473)	(162)	(3,507)	(1,501)	(2,857)	(162)	(3,507)
- <i>Expense related items</i>	25	34	(5,471)	71	-	-	(5,503)	-
Income tax expense	(81,813)	(154,809)	(52,310)	(148,790)	(61,948)	(117,774)	(43,306)	(135,101)

(*) Statutory tax rate for Victoria Bank S.A. and Leasing Moldova S.R.L. is 12%

Notes to the Interim Condensed Consolidated and Separate Financial Statements

16. Cash and current accounts with Central Banks

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Minimum reserve requirement	12,685,882	14,631,699	11,414,613	13,585,904
Cash on hand and other values	4,832,835	3,689,214	4,513,180	3,177,721
Total	17,518,717	18,320,913	15,927,793	16,763,625

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

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Cash and current accounts with Central Banks(*)	17,513,229	18,320,178	15,927,988	16,764,278
Placements with banks - maturity below 3 months	5,292,012	8,619,503	5,082,683	7,910,017
Reverse-repo transactions	-	166,670	-	166,670
Loans and advances to credit institutions	-	39,129	-	39,129
Financial assets measured at fair value through other items of comprehensive income	49	243	-	-
Financial assets at amortized cost – debt instruments	139,674	211,022	-	-
Cash and cash equivalents in the cash flow statement	22,944,963	27,356,745	21,010,671	24,880,094

(*) At Group level, the cash and current accounts with Central Banks do not include the accrual and interest receivable in the amount of RON (5,488) thousand (2021: RON 735 thousand) and at the level of the Bank in the amount of RON (195) thousand (2021: RON (653) thousand)

17. Placements with banks

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Current accounts with other banks	3,085,557	1,085,546	2,537,501	437,394
Sight and term deposits with other banks	2,465,955	7,857,552	3,758,381	7,724,097
Reverse repo transactions	989,117	1,156,469	989,117	1,156,469
Loans and advances to credit institutions	294,668	294,730	294,668	294,730
Total	6,835,297	10,394,297	7,579,667	9,612,690

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

As at June 30, 2022, 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 0 thousand, deposits in amount of RON 1,541,295 thousand and loans and advances to credit institutions of RON 0 thousand at Group level, and reverse-repo of RON 0 thousand, deposits in amount of RON 1,976,639 and loans and advances to credit institutions in amount of RON 0 thousand at Bank level (2021: reverse-repo in amount of RON 166,670 thousand, deposits in amount of RON 7,083,657 thousand and advances to credit institutions of RON 39,129 thousand at Group level, and reverse-repo of RON 166,670 thousand, deposits in amount of RON 7,089,404 thousand and loans and advances to credit institutions in amount of RON 39,129 thousand at Bank level; loans and advances to credit institutions in amount of RON 87,632 for both the Group and the Bank).

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

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	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Equity instruments	174,776	205,313	30,660	31,207
Debt instruments	126,567	133,137	-	-
Total	301,343	338,450	30,660	31,207

For the period ended June 30, 2022, the Group held shares listed on the Bucharest Stock Exchange and the main stock exchanges in Europe.

For the period ended June 30, 2022, the Group owned significant investments amounting to RON 143,035 thousand in the following entities: Evergent Investments S.A. and Transilvania Investments Alliance S.A. (December 31, 2021: RON 166,102 thousand in Evergent Investments S.A. and SIF Transilvania S.A.)

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	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Equity instruments	232,936	238,020	232,620	237,578
Debt instruments	862,155	870,296	1,186,549	1,227,919
Total	1,095,091	1,108,316	1,419,169	1,465,497

As of June 30, 2022, the Group had significant investments in financial assets which are required to be measured at fair value through profit or loss as follows:

- equity instruments, in the amount of 188,799 thousand lei in VISA Inc. (December 31, 2021: RON 191,578 thousand),
- debt instruments, units in investment funds (the most significant being the investment funds managed by BT Asset Management) and participation certificates.

19. Loans and advances to customers

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

The structure of the credit portfolio of the Group and the Bank as at June 30, 2022 and December 31, 2021 is the following:

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Corporate and government institutions	26,078,619	20,973,390	27,630,320	22,183,126
Small and medium enterprises	9,001,396	7,717,422	8,009,435	6,775,254
Consumer loans and card loans granted to retail customers	12,923,997	12,295,686	11,992,908	11,359,134
Mortgage loans	16,786,776	16,095,360	16,402,983	15,493,560
Loans granted by non-banking financial institutions	1,502,396	1,325,339	-	-
Other	62,737	52,088	52,125	41,686
Total loans and advances to customers before impairment allowance (*)	66,355,921	58,459,285	64,087,771	55,852,760
Allowances for impairment losses on loans	(4,167,415)	(3,829,531)	(3,881,002)	(3,614,237)
Total loans and advances to customers net of impairment allowance	62,188,506	54,629,754	60,206,769	52,238,523

The explanatory notes to the financial statements from page 11 to page 91 are an integral part of these financial statements. 50

Notes to the Interim Condensed Consolidated and Separate Financial Statements

19. Loans and advances to customers (continued)

The commercial lending activity of the Group and the Bank focuses on granting loans to individuals and legal entities domiciled in Romania and the Republic of Moldova. The risk distribution of the credit portfolio per sectors, as at June 30, 2022 and December 31, 2021, is the following:

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Retail	30,534,511	29,130,528	28,448,009	26,894,374
Trading	7,596,108	6,318,563	7,039,060	5,757,419
Manufacturing	3,874,123	3,929,228	3,636,169	3,690,153
Agriculture	2,424,317	1,988,276	2,325,405	1,889,405
Services	2,772,524	2,383,956	2,532,666	2,163,455
Real Estate	2,239,694	1,673,157	2,311,470	1,786,098
Constructions	1,728,026	1,417,488	1,532,542	1,237,201
Transportation	2,217,814	2,082,996	1,830,305	1,722,122
Self-employed	928,911	770,848	753,372	620,870
Others	1,020,722	925,361	885,781	792,989
Financial Institutions	569,113	592,150	2,410,783	2,127,328
Telecommunications	214,789	173,456	185,931	139,867
Energy	1,295,326	645,839	1,294,027	644,820
Mining	122,297	97,663	115,497	93,414
Chemical Industry	60,332	78,024	58,424	76,328
Government Institutions	8,732,034	6,228,802	8,703,993	6,194,759
Fishing	25,280	22,950	24,337	22,158
Total loans and advances to customers before impairment allowance (*)	66,355,921	58,459,285	64,087,771	55,852,760
Allowances for impairment losses on loans	(4,167,415)	(3,829,531)	(3,881,002)	(3,614,237)
Total loans and advances to customers, net of impairment allowance	62,188,506	54,629,754	60,206,769	52,238,523

(*) Total loans and advances to customers before impairment allowance are diminished by the fair value adjustments for the portfolio of loans taken over through acquisitions, determined on the basis of the valuation report.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

19. Loans and advances to customers (continued)

The movement in impairment allowances on loans and advances to customers at **Group** level *as at June 30, 2022* was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Assets impaired on initial recognition (POCI)	Total
Opening balance as at January 1, 2022	(797,877)	(1,531,953)	(1,423,728)	(75,973)	(3,829,531)
Increase due to issue or acquisition	(385,918)	(383,593)	(104,186)	-	(873,697)
Decrease due to derecognition	164,453	227,532	128,188	4,522	524,695
Increase or decrease due to the change in credit risk (net) and transfers	47,790	(20,792)	(200,019)	(10,779)	(183,800)
Increase or decrease due to changes without derecognition (net)	(2,597)	88,533	85,614	(1,918)	169,632
Decrease of impairment allowances due to write-offs	162	6,052	21,183	2,506	29,903
Other adjustments	(877)	(1,734)	(1,725)	(281)	(4,617)
Closing balance as at June 30, 2022	(974,864)	(1,615,955)	(1,494,673)	(81,923)	(4,167,415)

Notes to the Interim Condensed Consolidated and Separate Financial Statements

19. Loans and advances to customers (continued)

The movement in impairment allowances on loans and advances to customers at Group level as at June 30, 2021 was the following:

	Allowances for expected credit losses related to loans and advances to customers for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances to customers with respect to which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Assets impaired on initial recognition (POCI)	Total
Opening balance as at January 1, 2021	(712,219)	(1,121,314)	(1,486,623)	(73,958)	(3,394,114)
Increase due to issue or acquisition	(335,042)	(170,278)	(105,821)	-	(611,141)
Decrease due to derecognition	163,521	159,273	153,358	1,947	478,099
Increase or decrease due to the change in credit risk (net) and transfers	62,428	(259,298)	(148,273)	(3,892)	(349,035)
Increase or decrease due to changes without derecognition (net)	74,219	39,131	40,847	(10,112)	144,085
Decrease of impairment allowances due to write-offs	304	11,968	27,726	12,062	52,060
Other adjustments	(1,121)	(2,867)	(4,114)	(192)	(8,294)
Closing balance as at June 30, 2021	(747,910)	(1,343,385)	(1,522,900)	(74,145)	(3,688,340)

Notes to the Interim Condensed Consolidated and Separate Financial Statements

19. Loans and advances to customers (continued)

The movement in impairment allowances on loans and advances to customers at Bank level *as at June 30, 2022* was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Assets impaired on initial recognition (POCI)	Total
Opening balance as at January 1, 2021	(791,352)	(1,505,695)	(1,270,134)	(47,056)	(3,614,237)
Increase due to issue or acquisition	(374,590)	(376,981)	(102,766)	-	(854,337)
Decrease due to derecognition	160,082	226,833	122,310	2,556	511,781
Increase or decrease due to the change in credit risk (net) and transfers	38,465	(18,323)	(168,368)	(10,778)	(159,004)
Increase or decrease due to changes without derecognition (net)	21,358	92,727	95,975	797	210,857
Decrease of impairment allowances due to write-offs	161	6,045	20,359	1,848	28,413
Other adjustments	(844)	(1,498)	(1,852)	(281)	(4,475)
Closing balance as at June 30, 2021	(946,720)	(1,576,892)	(1,304,476)	(52,914)	(3,881,002)

Notes to the Interim Condensed Consolidated and Separate Financial Statements

19. Loans and advances to customers (continued)

The movement in impairment allowances on loans and advances to customers at Bank level as at June 30, 2021 was the following:

	Allowances for expected credit losses related to loans and advances to customers for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances to customers with respect to which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Assets impaired on initial recognition (POCI)	Total
Opening balance as at January 1, 2021	(718,881)	(1,068,022)	(1,348,193)	(54,956)	(3,190,052)
Increase due to issue or acquisition	(324,351)	(167,281)	(104,824)	-	(596,456)
Decrease due to derecognition	160,702	158,149	149,705	1,884	470,440
Increase or decrease due to the change in credit risk (net) and transfers	74,374	(279,625)	(127,216)	(3,868)	(336,335)
Increase or decrease due to changes without derecognition (net)	62,760	37,261	34,061	(9,122)	124,960
Decrease of impairment allowances due to write-offs	304	11,968	26,650	12,053	50,975
Other adjustments	(1,406)	(3,006)	(3,887)	(192)	(8,491)
Closing balance as at June 30, 2021	(746,498)	(1,310,556)	(1,373,704)	(54,201)	(3,484,959)

Notes to the Interim Condensed Consolidated and Separate Financial Statements**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>	30-06-2022	31-12-2021
Finance lease receivables with maturity below 1 year, gross	1,138,965	543,973
Finance lease receivables with maturity more than 1 year, gross	1,855,738	1,171,374
Total finance lease receivables, gross	<u>2,994,703</u>	<u>1,715,347</u>
Future interest related to finance lease receivables	(209,751)	(121,128)
Total finance lease receivables, net of future interest	2,784,951	1,594,219
Impairment allowances for finance lease receivables	(110,814)	(106,188)
Total finance lease receivables	<u>2,674,137</u>	<u>1,488,031</u>

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

20. Finance lease receivables (continued)

The movement in impairment allowances on finance lease receivable at **Group** level in **June 30, 2022** and **June 30, 2021** was the following:

Group 2022	Allowances for expected credit losses related to lease receivables for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses related to lease receivables for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on finance lease receivable to customers which are impaired (Stage 3)	Assets impaired on initial recognition (POCI)	Total
Opening balance as at January 1, 2022	(44)	(31,411)	(55,469)	(19,264)	(106,188)
Increase due to issue or acquisition	(521)	(9,547)	(269)	(472)	(10,809)
Decrease due to derecognition	75	1,160	3,403	14,600	19,238
Increase or decrease due to the change in credit risk (net) and transfers	4	1,019	(1,677)	(12,032)	(12,686)
Increase or decrease due to changes without derecognition (net)	(96)	75	(61)	(322)	(404)
Other adjustments	-	59	(17,211)	17,187	35
Closing balance as at 30 June 2022	(582)	(38,645)	(71,284)	(303)	(110,814)

Group 2021	Allowances for expected credit losses related to lease receivables for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses related to lease receivables for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on finance lease receivable to customers which are impaired (Stage 3)	Assets impaired on initial recognition (POCI)	Total
Opening balance as at January 1, 2021	-	(40,967)	(46,401)	(16,816)	(104,184)
Increase due to issue or acquisition	-	(10,051)	(290)	-	(10,341)
Decrease due to derecognition	-	1,698	2,695	2	4,395
Increase or decrease due to the change in credit risk (net) and transfers	-	16,105	(8,034)	(1,024)	7,047
Increase or decrease due to changes without derecognition (net)	-	(7)	(11)	(593)	(611)
Other adjustments	-	(191)	(35)	1	(225)
Closing balance as at 30 June 2021	-	(33,413)	(52,076)	(18,430)	(103,919)

Notes to the Interim Condensed Consolidated and Separate Financial Statements

21. Investment securities

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

In RON thousand	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Debt instruments, of which	20,201,322	41,110,778	19,939,482	40,807,937
- Central administrations	17,833,233	38,212,947	17,558,163	37,910,106
- Credit institutions	1,916,506	2,646,621	1,916,506	2,646,621
- Other financial companies	382,227	236,061	395,457	236,061
- Non-financial institutions	69,356	15,149	69,356	15,149
Equity instruments, of which:	52,626	52,652	17,662	15,904
- Other financial companies	32,353	28,639	13,740	15,904
- Non-financial institutions	20,273	24,013	3,922	-
Loans and advances to customers	27,172	29,943	27,172	29,943
- Central administrations	27,172	29,943	27,172	29,943
Total	20,281,120	41,193,373	19,984,316	40,853,784

The evolution of securities in the category “Financial assets measured at fair value through other items of comprehensive income” is presented in the table below:

In RON thousand	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
As at January 1	41,193,373	30,877,177	40,853,784	30,850,770
Acquisitions	9,487,894	29,200,861	9,437,311	28,870,381
Sales and repurchases	(6,094,523)	(17,118,712)	(6,092,285)	(17,091,639)
Reclassification from financial assets measured at fair value through other items of comprehensive income to financial assets measured at amortized cost	(23,439,584)	-	(23,439,584)	-
Coupon and amortization in P&L during the period	540,512	848,476	536,115	846,945
Coupon collected at term during the period	(656,354)	(1,191,145)	(579,530)	(1,188,116)
Gain/(Loss) from the measurement at fair value	(906,921)	(1,882,465)	(888,199)	(1,893,369)
Exchange rate differences	156,723	459,181	156,704	458,812
Closing balance	20,281,120	41,193,373	19,984,316	40,853,784

b) Financial assets at amortized cost - debt instruments

For the period ended on June 30, 2022, the Group classified as financial assets measured at amortized cost - debt instruments, bonds in amount of RON 24,766,892 thousand, and bonds in amount of RON 23,838,457 thousand for the Bank (December 31, 2021: RON 1,483,111 thousand for the Group and RON 355,331 thousand for the Bank).

In RON thousand	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Debt instruments, of which				
- Central Banks	134,763	189,121	-	-
- Central administrations	23,699,802	953,526	22,891,338	-
- Credit institutions	826,029	286,174	840,821	301,041
- Other financial companies	61,163	10,120	61,163	10,120
- Non-financial institutions	45,135	44,170	45,135	44,170
Total	24,766,892	1,483,111	23,838,457	355,331

Notes to the Interim Condensed Consolidated and Separate Financial Statements

21. Investment securities (continued)

b) Financial assets at amortized cost - debt instruments (continued)

The movement of securities in the category of financial assets measured at amortized cost - debt instruments is presented in the table below:

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
As at January 1	1,483,110	990,106	355,331	160,874
Acquisitions	1,774,937	6,995,365	73,024	296,893
Sales and repurchases	(1,957,785)	(6,591,991)	(23,024)	(98,888)
Reclassification from financial assets measured at fair value through other items of comprehensive income to financial assets measured at amortized cost	23,439,584	-	23,439,584	-
Coupon and amortization in P&L during the year (Note 8)	54,588	55,287	17,115	4,591
Coupon collected at term during the year	(8,158)	(14,177)	(4,060)	(4,065)
Recognition of expected credit losses (ECL) in accordance with IFRS 9	(42,025)	(9,944)	(43,818)	(5,812)
Exchange rate differences	22,641	58,465	24,305	1,738
Closing balance	24,766,892	1,483,111	23,838,457	355,331

Reclassification from financial assets measured at fair value through other items of comprehensive income to financial assets measured at amortized cost had the effect of the following changes in the interim consolidated and individual statement of financial position:

<i>RON thousand</i>	Group			Bank		
	Before Reclassification	Effect of Reclassification	After Reclassification	Before Reclassification	Effect of Reclassification	After Reclassification
Financial assets valued at amortized cost – Debt instruments	1,363,505	23,403,387	24,766,892	435,070	23,403,387	23,838,457
Financial assets valued at fair value through other comprehensive income	40,161,482	(19,880,362)	20,281,120	39,864,678	(19,880,362)	19,984,316
Reserves regarding financial assets valued at fair value through other comprehensive income	(5,308,876)	3,515,189	(1,793,687)	(5,01,411)	3,515,189	(1,786,222)
Deferred tax assets recognized in other elements of the comprehensive result	716,908	(569,500)	147,408	711,609	(569,500)	142,109
Total deferred tax receivables 2022	976,904	(569,500)	407,404	940,984	(569,500)	371,484

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

22. Tangible assets and investment property and intangible assets (including goodwill)

The net carrying amount of tangible assets and investment property at the end of this period amounts to RON 1,087,163 thousand for the Group (December 31, 2021: 1,064,215 thousand), of which RON 651,723 thousand belongs to Banca Transilvania S.A. (December 31, 2021: 652,581 thousand).

The net carrying amount of intangible assets (goodwill included) at the end of this period amounts to RON 552,707 thousand for the Group (December 31, 2021: RON 428,668 thousand), and RON 357,869 thousand for the Bank (December 31, 2021: RON 334,783 thousand).

The depreciation and amortization expense related to tangible and intangible assets for the Group at the end of the 6-month period ended June 30, 2022 amounts to RON 120,442 thousand (June 30, 2021: RON 116,426 thousand), of which the amortization expense related to tangible and intangible assets for the Bank is RON 99,635 (June 30, 2021: RON 107,785 thousand).

At June 30, 2022, the goodwill was tested for impairment in accordance with IAS 36 and no impairment adjustments were necessary.

23. Right-of-use assets and Lease Liabilities

The Group and the Bank have lease agreements on land, buildings and vehicles. Rental contracts are typically made for fixed periods of 1 year to 94 years, but may have extension options .

As at June 30, 2022 and December 31, 2021 the right of use assets of the **Group** by class of underlying items is analyzed as follows

<i>In RON thousand</i>	Group				
	Lands	Buildings	Auto	Equipment	Total
Carrying amount at 1 January 2022	3,506	475,753	12,545	217	492,021
Additions	119	50,916	4,810	-	55,845
Disposals	(35)	(20,158)	(139)	(33)	(20,365)
Depreciation charge	(355)	(64,800)	(2,863)	(27)	(68,045)
Carrying amount at June 30, 2022	3,235	441,711	14,353	157	459,456

<i>In RON thousand</i>	Group				
	Lands	Buildings	Auto	Equipment	Total
Carrying amount at 1 January 2021	2,541	431,637	14,528	146	448,852
Additions	1,683	184,899	6,043	128	192,753
Disposals	(22)	(22,441)	(2,618)	-	(25,081)
Depreciation charge	(696)	(118,342)	(5,408)	(57)	(124,503)
Carrying amount at 31 December 2021	3,506	475,753	12,545	217	492,021

As at June 30, 2022 and December 31, 2021 the right of use assets of the Bank by class of underlying items is analyzed as follows:

<i>In RON thousand</i>	Bank				
	Lands	Buildings	Auto	Equipment	Total
Carrying amount at 1 January 2022	3,506	693,298	9,626	217	706,647
Additions	117	69,833	1,186	-	71,136
Disposals	(34)	(46,254)	(107)	(33)	(46,428)
Depreciation charge	(354)	(65,624)	(2,024)	(27)	(68,029)
Carrying amount at June 30, 2022	3,235	651,253	8,681	157	663,326

The explanatory notes to the financial statements from page 11 to page 91 are an integral part of these financial statements. 60

Notes to the Interim Condensed Consolidated and Separate Financial Statements

23. Right-of-use assets and Lease Liabilities (continued)

<i>In RON thousand</i>	Bank				Total
	Lands	Buildings	Auto	Equipment	
Carrying amount at 1 January 2021	2,541	695,136	10,682	146	708,505
Additions	1,683	146,068	5,296	128	153,175
Disposals	(22)	(21,037)	(2,519)	-	(23,578)
Depreciation charge	(696)	(126,869)	(3,833)	(57)	(131,455)
Carrying amount at 31 December 2021	3,506	693,298	9,626	217	706,647

At June 30, 2022 the interest expense on lease liabilities was RON 1,108 thousand for the Group and at the Bank level in the amount of RON 3,360 thousand (30 June 2021 RON 654 thousand for the Group, and at the Bank level RON 3,351 thousand).

At Group level as well as at Bank level, expenses related to short-term leases and leases of low-value assets, that are not shown as short-term leases, are included in "Other operating expenses", as below:

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	30-06-2021	30-06-2022	30-06-2021
Expense relating to short-term leases	883	657	612	513
Expense relating to leases of low-value assets that are not shown above as short-term leases	2,373	2,487	2,120	2,220

At June 30, 2022 the total cash outflow for leases was RON 74,583 thousand for the Group and for the Bank it was RON 130,591 thousand (at December 31, 2021: RON 138,319 thousand for the Group and RON 151,727 thousand at the Bank level).

Notes to the Interim Condensed Consolidated and Separate Financial Statements

24. Deferred tax assets and liabilities

Deferred tax assets/liabilities at Group level, for the period ended June 30, 2022:

<i>In RON thousand</i>	December 31, 2021	Business combination	Recognized in profit or loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	June 30, 2022
Loans and finance lease receivables	21,945	2,422	3,362	-	-	27,729
Financial assets measured at fair value through other items of comprehensive income	204,763	-	3	145,103	-	349,869
Financial assets at amortized cost	-	-	2	-	-	2
Financial assets at fair value through profit or loss	15,819	-	(4,452)	-	(66)	11,301
Other assets	16,677	-	(7,728)	2,304	(17)	11,236
Property and equipment and intangible assets	(21,703)	-	1,933	-	152	(19,618)
Right of Use Assets	(748)	-	8,125	3	-	7,380
Provisions and other liabilities	21,132	-	(1,625)	(2)	-	19,505
Deferred tax assets and liabilities	257,885	2,422	(380)	147,408	69	407,404
Recognition of deferred tax asset	283,040	2,422	(3,260)	146,911	(173)	428,940
Recognition of deferred tax liability	(25,155)	-	2,880	497	242	(21,536)
Deferred tax assets and liabilities	257,885	2,422	(380)	147,408	69	407,404

Deferred tax assets/liabilities at Bank level, for the period ended June 30, 2022:

<i>In RON thousand</i>	December 31, 2021	Recognized in profit or loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	June 30, 2022
Financial assets measured at fair value through other items of comprehensive income	205,490	-	142,113	-	347,603
Other assets	13,907	(7,737)	(4)	-	6,166
Property and equipment and investment property	(6,947)	1,510	-	-	(5,437)
Right of Use Assets	322	7,039	-	-	7,361
Provisions and liabilities	14,952	839	-	-	15,791
Deferred tax assets and liabilities	227,724	1,651	142,109	-	371,484
Recognition of deferred tax asset	235,244	141	142,390	-	377,775
Recognition of deferred tax liability	(7,520)	1,510	(281)	-	(6,291)
Deferred tax assets and liabilities	227,724	1,651	142,109	-	371,484

Notes to the Interim Condensed Consolidated and Separate Financial Statements

24. Deferred tax assets and liabilities

Deferred tax assets/liabilities at Group level, for the period ended December 31, 2021:

<i>In RON thousand</i>	31 December 2020	Business combination	Recognized in profit or loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	31 December 2021
Tax effect of temporary deductible / (taxable) differences (including tax losses carried forward), resulting from:						
Loans and receivables	18,021	5,973	(2,052)	3	-	21,945
Financial assets measured at fair value through other items of comprehensive income	(97,318)	778	(18)	301,321	-	204,763
Financial assets at fair value through profit or loss	11,647	-	5,015	-	(843)	15,819
Other assets	3,126	394	11,592	1,657	(92)	16,677
Property and equipment and intangible assets	(10,321)	(8,054)	2,961	(6,237)	(52)	(21,703)
Right of Use Assets	191	(1,156)	217	-	-	(748)
Provisions and other liabilities	19,639	3,579	(2,162)	-	76	21,132
Tax losses carried forward	-	816	(816)	-	-	-
Deferred tax asset / (liability)	(55,015)	2,330	14,737	296,744	(911)	257,885
Recognition of deferred tax asset	53,390	11,381	11,803	207,353	(887)	283,040
Recognition of deferred tax liability	(108,405)	(9,051)	2,934	89,391	(24)	(25,155)
Deferred tax asset / (liability)	(55,015)	2,330	14,737	296,744	(911)	257,885

Deferred tax assets/liabilities at Bank level, for the period ended December 31, 2021:

<i>In RON thousand</i>	31 December 2020	Recognized in profit or loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	31 December 2021
Tax effect of temporary deductible / (taxable) differences (including tax losses carried forward), resulting from:					
Financial assets measured at fair value through other items of comprehensive income	(97,575)	-	303,065	-	205,490
Other assets	2,456	11,309	142	-	13,907
Tangible and intangible assets	(8,011)	2,672	(1,608)	-	(6,947)
Right of Use Assets	163	159	-	-	322
Provisions and liabilities	17,302	(2,350)	-	-	14,952
Deferred tax asset / (liability)	(85,665)	11,790	301,599	-	227,724
Recognition of deferred tax asset	19,921	9,117	206,206	-	235,244
Recognition of deferred tax liability	(105,586)	2,673	95,393	-	(7,520)
Deferred tax asset / (liability)	(85,665)	11,790	301,599	-	227,724

Notes to the Interim Condensed Consolidated and Separate Financial Statements

25. Other financial assets

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Amounts under settlement	599,811	219,717	594,060	195,333
Non-recourse factoring	408,508	273,681	408,509	273,681
Sundry debtors and advances for non-current assets	514,634	548,787	366,271	396,262
Cheques and other instruments to be encashed	47,580	28,082	47,580	28,082
Other financial assets	16,896	18,255	1,590	9,259
Impairment allowance for other financial assets	(41,108)	(33,618)	(19,418)	(18,446)
Total	1,546,321	1,054,904	1,398,592	884,171

As at June 30, 2022, out of RON 1,546,321 thousand (December 31, 2021: RON 1,054,904 thousand), the Group's other impaired financial assets amounted to RON 38,261 thousand (December 31, 2021: RON 28,914 thousand).

As at June 30, 2022 out of RON 1,398,592 thousand (December 31, 2021: RON 884,171 thousand), the Bank's other impaired financial assets amounted to RON 5,443 thousand (December 31, 2021: RON 5,411 thousand).

26. Other non-financial assets

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Inventories and similar assets	96,447	111,858	56,345	58,576
Prepaid expenses	91,709	78,771	80,218	71,172
VAT and other taxes to be received	13,112	4,396	2,189	2,095
Other non-financial assets	9,465	11,816	1,781	100
Impairment allowance for other non-financial assets	(27,107)	(44,975)	(10,578)	(11,801)
Total	183,626	161,866	129,955	120,142

27. Deposits from banks

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Sight deposits	356,992	272,912	331,432	265,791
Term deposits	1,107,761	751,347	948,307	686,662
Total	1,464,753	1,024,259	1,279,739	952,453

28. Deposits from customers

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Current accounts	70,375,579	67,667,986	68,660,089	65,505,784
Sight deposits	801,958	793,717	526,883	463,141
Term deposits	39,027,820	38,854,796	38,005,598	36,046,375
Collateral deposits	723,322	705,130	702,881	682,785
Total	110,928,679	108,021,629	107,895,451	102,698,085

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

28. Deposits from customers (continued)

Deposits from customers can be also analyzed as follows:

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Retail	72,785,920	71,890,350	70,919,685	68,436,588
Companies	38,142,759	36,131,279	36,975,766	34,261,497
Total	110,928,679	108,021,629	107,895,451	102,698,085

29. Loans from banks and other financial institutions

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Loans from central administrations	25,484	16,963	-	-
Loans from commercial banks	770,632	61,336	-	-
- Romanian banks	770,632	10,635	-	-
- Foreign banks	-	50,701	-	-
Loans from development banks	1,403,555	1,051,736	1,321,859	947,640
Loans from central banks	9,501,253	-	9,501,253	-
Repurchase agreements (repo transactions)	638,684	6,500,566	638,684	6,500,566
Other funds from financial institutions	119,188	101,553	7,186	9,637
Issued bonds	183,438	197,346	-	-
Total	12,642,234	7,929,500	11,468,982	7,457,843

The interest rates for the loans from banks and financial institutions were situated in the following ranges:

	30-06-2022		31-12-2021	
	Minimum	Maximum	Minimum	Maximum
EUR	0.00%	4.09%	0.00%	3.50%
RON	0.00%	8.46%	0.00%	6.03%
USD	1.25%	1.25%	1.25%	1.35%
MDL	0.00%	12.60%	0.00%	7.10%

The covenants stipulated in the loan agreements signed with the creditors were met by the Group and the Bank at June 30, 2022 and December 31, 2021.

The table below summarizes the underlying securities of repo agreements:

<i>In RON thousand</i>	Group				Bank			
	30-06-2022		31-12-2021		30-06-2022		31-12-2021	
	Carrying amount		Carrying amount		Carrying amount		Carrying amount	
	Transferred assets	Related liabilities	Transferred assets	Related liabilities	Transferred assets	Related liabilities	Transferred assets	Related liabilities
	636,932	638,684	6,526,812	6,500,566	636,932	638,684	6,526,812	6,500,566
Total	636,932	638,684	6,526,812	6,500,566	636,932	638,684	6,526,812	6,500,566

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

30. Subordinated liabilities

As at June 30, 2022 and December 31, 2021, the covenants stipulated in the loan agreements signed with the creditors were met by the Group and the Bank.

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Loans from development banks and financial institutions	338,485	323,321	315,884	300,336
Non-convertible bonds	1,437,580	1,439,163	1,405,326	1,405,898
Total	1,776,065	1,762,484	1,721,210	1,706,234

31. 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	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Provisions for loan commitments, financial guarantees and other commitments given	358,703	360,087	336,589	351,751
Provisions for untaken holidays	48,244	27,441	41,623	21,489
Provisions for other employee benefits	30,631	54,244	22,420	34,023
Provisions for litigation, other risks and charges (*)	89,373	96,688	76,681	85,743
Total	526,951	538,460	477,313	493,006

(*) 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.

32. Other financial liabilities

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Amounts under settlement	1,567,102	1,583,653	1,213,144	1,272,442
Sundry creditors	233,887	175,728	92,790	106,717
Dividends payable	26,497	26,567	26,497	26,567
Other financial liabilities	124,497	40,133	112,616	34,741
Total	1,951,983	1,826,081	1,445,047	1,440,467

33. Other non-financial liabilities

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Other taxes payable	63,218	33,854	53,100	24,544
Other non-financial liabilities	203,366	160,233	143,477	118,942
Total	266,584	194,087	196,577	143,486

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

34. Share capital

The statutory share capital of the Bank at June 30, 2022, as recorded with the Trade Register was represented by 6,311,469,680 ordinary shares with a nominal value of RON 1 each (December 31, 2021: 6,311,469,680 shares with a nominal value of RON 1 each). The shareholders structure of the Bank is presented in Note 1.

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Paid share capital recorded with the Trade Register	6,311,470	6,311,470	6,311,470	6,311,470
Share capital adjustment to inflation	89,899	89,899	89,899	89,899
Share capital adjustment with unrealized revaluation reserves of tangible assets	(3,398)	(3,398)	(3,398)	(3,398)
Total	6,397,971	6,397,971	6,397,971	6,397,971

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

35. Related-party transactions

Entities are considered to be related parties if one of them has the capacity to control the other or to exercise significant influence on the other entity's management process related to financial or operational decisions.

The Group and the Bank are engaged in transactions with related parties, shareholders and key management personnel. All these transactions were carried out under conditions similar to those applicable to third party agreements, in terms of interest rates and collateral clauses. The transactions /balances with subsidiary entities were eliminated from the scope of consolidation.

Transactions with other related parties include transactions with the major shareholders, family members of the key management personnel and companies where they are shareholders while having a relationship with the Bank. The transactions /balances with subsidiary entities are presented below:

<i>In RON thousand</i>	30-06-2022			31-12-2021		
	Key management personnel	Other related-parties	Total	Key management personnel	Other related-parties	Total
Group						
Assets						
Granted loans - net amount	16,691	73,771	90,462	17,905	74,630	92,535
Liabilities						
Deposits from customers	45,661	348,987	394,648	41,375	327,286	368,661
Loans from financial institutions	-	104,666	104,666	-	149,837	149,837
Debt securities	-	507,924	507,924	-	508,384	508,384
Commitments						
Loan commitments and financial guarantees	2,885	41,292	44,177	2,960	34,888	37,848
Notional value of exchange operations	13,376	128,648	142,024	26,428	276,430	302,858
Statement of profit or loss	6 months ended June 30, 2022			6 months ended June 30, 2021		
Interest income	263	1,812	2,075	288	1,256	1,544
Interest expense	83	14,432	14,515	114	12,077	12,191
Fee and commission income	4	84	88	4	95	99

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

35. Related-party transactions (*consolidated*)

Bank – In RON thousand

	30-06-2022				31-12-2021			
	Subsidiaries	Key management personnel	Other related-parties	Total	Subsidiaries	Key management personnel	Other related-parties	Total
Assets								
Correspondent accounts at credit institutions	962	-	-	962	979	-	-	979
Deposits with credit institutions	1,519,152	-	-	1,519,152	29,266	-	-	29,266
Granted loans	2,034,994	12,688	67,970	2,115,652	1,746,313	14,845	68,325	1,829,483
Equity investments	1,047,005	-	-	1,047,005	735,486	-	-	735,486
Financial assets at amortized cost	14,792	-	-	14,792	14,867	-	-	14,867
Financial assets measured at fair value through other items of comprehensive income – debt instruments	11,804	-	-	11,804	1,794	-	-	1,794
Financial assets required to be measured at fair value through profit or loss - debt instruments	362,734	-	-	362,734	394,127	-	-	394,127
Right of use assets	236,435	-	-	236,435	245,115	-	-	245,115
Other assets	3,825	-	-	3,825	2,796	-	-	2,796
Liabilities								
Correspondent accounts from credit institutions	24,609	-	-	24,609	7,103	-	-	7,103
Deposits from customers	194,770	30,488	346,491	571,749	213,539	33,474	322,539	569,552
Loans from financial institutions	-	-	84,797	84,797	-	-	113,075	113,075
Debt securities	-	-	493,783	493,783	-	-	494,034	494,034
Lease liabilities	196,702	-	-	196,702	259,882	-	-	259,882
Other liabilities	6,240	-	-	6,240	6,433	-	-	6,433
Commitments								
Loan commitments and financial guarantees given	523,974	2,455	37,260	563,689	415,556	2,497	30,556	448,609
Notional value of exchange operations	326,432	9,720	124,004	460,156	392,757	23,784	259,004	675,545

The explanatory notes to the financial statements from page 11 to page 91 are an integral part of these financial statements.

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

35. Related-party transactions (*consolidated*)

In RON thousand

	6 months ended June 30, 2022				6 months ended June 30, 2021			
	Subsidiaries	Key management personnel	Other related-parties	Total	Subsidiaries	Key management personnel	Other related-parties	Total
Bank (continued)								
Statement of profit or loss								
Interest income	31,987	198	1,652	33,837	17,648	234	1,119	19,001
Interest expense	3,435	67	12,834	16,336	3,215	95	10,355	13,665
Fee and commission income	2,444	2	76	2,522	3,156	3	82	3,241
Fee and commission expense	9,966	-	-	9,966	6,491	-	-	6,491
Gain/Loss from financial assets and liabilities held-for-trading	(895)	-	-	(895)	2	-	-	2
Dividend income	4,281	-	-	4,281	22,000	-	-	22,000
Other income	18,640	-	-	18,640	8,605	-	-	8,605
Other expenses	9,780	-	-	9,780	9,224	-	-	9,224

Notes to the Interim Condensed Consolidated and Separate Financial Statements

35. Related-party transactions (*consolidated*)

Transactions with key management personnel

As at the end of June 30, 2022, the expenses related to the fixed and variable remunerations of the members of the Board of Directors and of the Executive Management of the Group amounted to RON 22,185 thousand (June 30, 2021: RON 14,685 thousand) and of the Bank amounted to RON 9,311 thousand (June 30, 2021: RON 8,055 thousand).

Compensation for the key personnel of the Group:

	30-06-2022			30-06-2021		
	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar
<i>In RON thousand</i>						
Group						
Short-term employee benefits	32,503	7,822	35	24,264	5,585	40
Share based payments	38,818	-	-	-	-	-
Debt instrument-based payments	199	50	-	-	-	-
Total compensations and benefits	71,520	7,872	35	24,264	5,585	40

Compensation for the key personnel of the Bank:

	30-06-2022			30-06-2021		
	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar
<i>In RON thousand</i>						
Bank						
Short-term employee benefits	19,695	4,780	29	17,614	4,314	34
Share based payments	36,807	-	-	-	-	-
Total compensations and benefits	56,502	4,780	29	17,614	4,314	34

36. Commitments and contingencies

a) Commitments and contingencies

At any time the Group and the Bank have outstanding commitments to extend loans. These commitments are in the form of approved limits for credit cards and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one month to one year.

The Group provides financial guarantees and letters of credit to guarantee the performance of its customers in relation to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Maturities are not concentrated in a specific period.

The contractual amounts of commitments and contingencies are set out in the following table by categories. The amounts reflected in the table under commitments are presented based on the assumption that they have been fully granted.

Notes to the Interim Condensed Consolidated and Separate Financial Statements**36. Commitments and contingencies (continued)***a) Commitments and contingencies (continued)*

The amounts reflected in the table as guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties completely failed to meet the contractual terms and conditions.

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Guarantees issued, of which	2,449,793	2,262,445	2,430,973	2,245,845
- <i>Performance bonds</i>	791,309	729,939	773,461	708,552
- <i>Financial liabilities</i>	1,658,484	1,532,506	1,657,512	1,537,293
Loan commitments	16,513,035	14,513,285	16,246,387	14,171,080
Total	18,962,828	16,775,730	18,677,360	16,416,925

The provisions for loan commitments to customers were in amount of RON 358,703 thousand, at Group level (December 31, 2021: RON 360,087 thousand) and at Bank level RON 336,589 thousand (December 31, 2021: RON 351,751 thousand).

b) Transfer pricing and taxation

The taxation system in Romania has faced multiple changes in the recent years and is in a continuous process of update and improvement. As a consequence, the tax legislation is still subject to various interpretations. In certain cases, the tax authorities may treat certain issues in a different manner, determining the calculation of additional taxes, interest and penalties for delay (the total current rate is of 0.03% per day of delay).

In Romania the fiscal year remains open for fiscal audit for 5 years. According to the Bank's management, the tax duties included in these financial statements are appropriate.

The tax legislation in Romania considers the "market value" principle, according to which transactions between related parties must be performed at market value.

The taxpayers involved in related-party transactions must prepare and provide to the Romanian tax authorities the transfer pricing file, upon request.

The failure to provide the transfer pricing file or the submission of an incomplete transfer pricing file may lead to penalties for non-compliance; apart from the transfer pricing file, the tax authorities may interpret transactions and circumstances in a manner which is different from the management's interpretation and, consequently, may impose additional tax duties resulting from the adjustment of transfer prices.

The management of the Group and of the Bank considers that no losses should be incurred in the event of a fiscal audit for the verification of transfer prices. However, the impact of potential different interpretations of the tax authorities cannot be accurately estimated. The impact may be significant as concerns the Bank's financial position and/or operations. However, the fiscal risk is low because the vast majority of transactions are between group entities, which are in Romania, without cross-border risk.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

37. Earnings per share

On June 30 2021 and June 30 2022, the Bank no longer held convertible bonds, the number of diluted shares in circulation being the same as the weighted average number of shares and the diluted earnings per share is the same as the basic earnings per share.

	Group	
	30-06-2022	30-06-2021
Ordinary shares issued as at 1 January	6,311,469,680	5,737,699,649
The impact of shares issued as of 1 January	765,112,650	573,769,971
The impact of the shares repurchased during the year	(13,926,805)	(6,850,762)
The impact of the shares obtained from bonds conversion	-	60
The retroactive adjustment of the weighted average number of outstanding shares as at June, 2021	-	765,112,650
Weighted average number of shares	<u>7,062,655,525</u>	<u>7,069,731,568</u>
The number of shares that may be issued upon the conversion of bonds into shares	-	-
Weighted average number of diluted shares	<u>7,062,655,525</u>	<u>7,069,731,568</u>

38. 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, 2023-June 30, 2022;
- an O-SII buffer of 2% of the total risk weighted exposures;
- a systemic risk buffer of 2% of the total value of the risk-weighted exposures (buffer imposed starting with the adequacy ratio calculated for 30 June 2018).

The value of the total buffer at the level of the Group and the Bank is equal to the sum of the three buffers.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

38. 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 June 30, 2022 and December 31, 2021, the Group and the Bank complied with all the capital adequacy requirements.

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

The amount of capital that the Group managed was RON 12,032,392 thousand as of June 2022 (31 December 2021: RON 13,164,500 thousand), regulatory capital amounts to RON 7,646,376 thousand (31 December 2021: RON 7,500,635 thousand) and the Group and the Bank have complied with all externally imposed capital requirements throughout 2022 and 2021.

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

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

The Group and the Bank manage their capital base in a flexible manner, by monitoring regulatory capital requirements, by anticipating the adequate adjustments required for the achievement of its objectives as well as by optimizing the structure of assets and shareholders’ equity.

The planning and monitoring activity takes into consideration the total own funds, on the one hand and the requirements of own funds, on the other hand.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

38. Capital management (continued)

The level and the requirements of own funds as at June 30, 2022 and December 31, 2021 are as follows:

<i>In RON thousand</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Tier 1 own funds	10,538,012	10,838,319	9,943,306	10,175,774
Tier 2 own funds	1,494,380	1,526,181	1,483,468	1,509,052
Total own funds	12,032,392	12,364,500	11,426,774	11,684,826

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

<i>In %</i>	Group		Bank	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Core tier one ratio	18.61	20.66	19.48	21.31
Tier 1 ratio	18.61	20.66	19.48	21.31
CAR	21.24	23.57	22.39	24.47

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, 2021. For the six-month period ended June 30, 2022, the current profit at the individual level was included in the calculation of own funds. Regulatory capital as at June 30, 2022 and December 31, 2021 was calculated according to the IFRS standards endorsed by the European Union.

39. Derivatives

The structure of the derivative instruments held by the Group and by the Bank as of June 30, 2022 is the following:

<i>In RON thousand</i>	Group			Bank		
	Fair value of Assets	Fair value Liabilities	Notional	Fair value of Assets	Fair value Liabilities	Notional
Interest rate swaps	74,431	8,302	1,674,119	74,431	8,302	1,674,119
Currency swaps	150,435	27,713	1,254,110	150,435	27,713	1,254,110
Exchange rate forward agreements	9,994	9,951	1,478,149	9,994	9,951	1,478,149
Total derivative financial instruments	234,860	45,966	4,406,378	234,860	45,966	4,406,378

The structure of the derivative instruments held by the Group and by the Bank as at December 31, 2021 is the following:

<i>In RON thousand</i>	Group			Bank		
	Fair value of Assets	Fair value Liabilities	Notional	Fair value of Assets	Fair value Liabilities	Notional
Interest rate swaps	1,944	1,549	363,161	858	1,059	197,795
Currency swaps	72,345	25,616	1,545,248	72,346	25,616	1,545,248
Exchange rate forward agreements	6,638	12,014	1,777,016	6,638	12,014	1,777,016
Total derivative financial instruments	80,927	39,179	3,685,425	79,842	38,689	3,520,059

The explanatory notes to the financial statements from page 11 to page 91 are an integral part of these financial statements.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

40. 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	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Corporate and public institutions	26,078,619	20,973,391	27,630,320	22,183,126
Small and medium enterprises	9,001,396	7,717,422	8,009,435	6,775,254
Consumer loans and card loans granted to retail customers	12,923,997	12,295,685	11,992,908	11,359,134
Mortgage loans	16,786,776	16,095,360	16,402,983	15,493,560
Loans and finance lease receivables granted by non-banking financial institutions	4,287,347	2,919,558	-	-
Other	62,737	52,088	52,125	41,686
Total loans and advances to customers and financial lease receivables before impairment allowance	69,140,872	60,053,504	64,087,771	55,852,760
Allowances for impairment losses on loans and financial lease receivables	(4,278,229)	(3,935,719)	(3,881,002)	(3,614,237)
Total loans and advances to customers and financial lease receivables net of impairment allowance	64,862,643	56,117,785	60,206,769	52,238,523

As of June 30, 2022, the total irrevocable on-balance and off-balance sheet exposure was of RON 72,540,281 thousand (December 31, 2021: RON 63,214,752 thousand) for the Group and RON 66,676,309 thousand (December 31, 2021: RON 58,240,841 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.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

40. Credit risk management (continued)

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.

The exposures to credit risk for loans and advances to customers and financial lease receivables at Group consolidated level, as of June 30, 2022, 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 2022
<i>In RON thousand</i>	21,285,400	3,779,978	842,547	170,694	26,078,619
Corporate	5,957,376	2,633,620	372,194	38,206	9,001,396
Small and medium enterprises	9,311,970	2,852,090	655,876	104,061	12,923,997
Consumer loans and card loans granted to retail customers	15,411,073	1,154,126	174,258	47,319	16,786,776
Mortgage loans	2,200,591	1,771,308	309,403	6,045	4,287,347
Loans and finance lease receivables granted to non-banking financial institutions	144	48,850	12,589	1,154	62,737
Other					
Total loans and advances to customers and financial lease receivables before impairment allowance	54,166,554	12,239,972	2,366,867	367,479	69,140,872
Allowances for impairment losses on loans and financial lease receivables	(975,446)	(1,654,600)	(1,565,957)	(82,226)	(4,278,229)
Total loans and advances to customers and financial lease receivables net of impairment allowance	53,191,108	10,585,372	800,910	285,253	64,862,643

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Notes to the consolidated and separate financial statements

40. Credit risk management (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2022
Corporate	13,366,978	5,870,370	1,972,923	75,129	21,285,400
Small and medium enterprises	2,827,393	2,634,788	493,875	1,320	5,957,376
Consumer loans and card loans granted to retail customers	4,976,233	3,763,523	534,696	37,518	9,311,970
Mortgage loans	8,515,272	5,991,793	753,744	150,264	15,411,073
Loans and finance lease receivables granted by non-banking financial institutions	1,601,615	560,551	-	38,425	2,200,591
Other	-	-	8	136	144
Total loans and advances to customers and financial lease receivables before impairment allowance	31,287,491	18,821,025	3,755,246	302,792	54,166,554
Allowances for impairment losses on loans and financial lease receivables	(225,516)	(473,374)	(252,003)	(24,553)	(975,446)
Total loans and advances to customers and financial lease receivables net of impairment allowance	31,061,975	18,347,651	3,503,243	278,239	53,191,108

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	0 days	1-15 days	16-30 days	Total 2022
Corporate	21,258,386	20,352	6,662	21,285,400
Small and medium enterprises	5,748,998	154,919	53,459	5,957,376
Consumer loans and card loans granted to retail customers	9,013,354	263,158	35,458	9,311,970
Mortgage loans	15,071,937	288,287	50,849	15,411,073
Loans and finance lease receivables granted by non-banking financial institutions	1,992,064	157,069	51,458	2,200,591
Other	144	-	-	144
Total loans and advances to customers and financial lease receivables before impairment allowance	53,084,883	883,785	197,886	54,166,554
Allowances for impairment losses on loans and financial lease receivables	(958,561)	(13,545)	(3,340)	(975,446)
Total loans and advances to customers and financial lease receivables net of impairment allowance	52,126,322	870,240	194,546	53,191,108

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Notes to the consolidated and separate financial statements

40. Credit risk management (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	Low-moderate risk	Sensitive risk	High risk	Total 2022
Corporate	3,167,672	491,346	120,960	3,779,978
Small and medium enterprises	2,126,139	382,549	124,932	2,633,620
Consumer loans and card loans granted to retail customers	1,794,707	699,130	358,253	2,852,090
Mortgage loans	718,395	309,262	126,469	1,154,126
Loans and finance lease receivables granted by non-banking financial institutions	1,685,984	74,376	10,948	1,771,308
Other	9,932	38,918	-	48,850
Total loans and advances to customers and financial lease receivables before impairment allowance	9,502,829	1,995,581	741,562	12,239,972
Allowances for impairment losses on loans and financial lease receivables	(824,267)	(524,556)	(305,777)	(1,654,600)
Total loans and advances to customers and financial lease receivables net of impairment allowance	8,678,562	1,471,025	435,785	10,585,372

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	0-30 days	31-60 days	61-90 days	Total 2022
Corporate	3,774,819	1,347	3,812	3,779,978
Small and medium enterprises	2,592,860	30,185	10,575	2,633,620
Consumer loans and card loans granted to retail customers	2,716,453	105,312	30,325	2,852,090
Mortgage loans	1,071,010	69,544	13,572	1,154,126
Loans and finance lease receivables granted by non-banking financial institutions	1,685,985	75,253	10,070	1,771,308
Other	48,824	6	20	48,850
Total loans and advances to customers and financial lease receivables before impairment allowance	11,889,951	281,647	68,374	12,239,972
Allowances for impairment losses on loans and financial lease receivables	(1,580,921)	(49,085)	(24,594)	(1,654,600)
Total loans and advances to customers and financial lease receivables net of impairment allowance	10,309,030	232,562	43,780	10,585,372

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Notes to the consolidated and separate financial statements

40. Credit risk management (continued)

Gross value of loans and advances, lease receivables granted to clients, impaired, Stage 3	0-30 days	31-60 days	61-90 days	Over 90 days	Total 2022
Corporate	577,034	8,238	589	256,686	842,547
Small and medium enterprises	112,592	13,200	17,292	229,110	372,194
Consumer loans and card loans granted to retail customers	132,564	77,107	54,161	392,044	655,876
Mortgage loans	72,326	26,922	17,342	57,668	174,258
Loans and finance lease receivables granted by non-banking financial institutions	105,323	14,867	9,616	179,597	309,403
Other	11,384	1	1	1,203	12,589
Total loans and advances to customers and financial lease receivables before impairment allowance	1,011,223	140,335	99,001	1,116,308	2,366,867
Allowances for impairment losses on loans and financial lease receivables	(585,921)	(66,248)	(50,194)	(863,594)	(1,565,957)
Total loans and advances to customers and financial lease receivables net of impairment allowance	425,302	74,087	48,807	252,714	800,910

Notes to the Interim Condensed Consolidated and Separate Financial Statements

40. Credit risk management (continued)

The exposures to credit risk for loans and advances to customers and financial lease receivables at Group consolidated level, as of December 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	16,733,256	3,157,146	901,088	181,901	20,973,391
Small and medium enterprises	4,584,773	2,739,928	352,509	40,212	7,717,422
Consumer loans and card loans granted to retail customers	8,775,418	2,817,343	597,477	105,447	12,295,685
Mortgage loans	14,670,751	1,199,768	177,340	47,501	16,095,360
Loans and finance lease receivables granted to non-banking financial institutions	1,097,359	1,516,141	270,964	35,094	2,919,558
Other	178	38,014	12,014	1,882	52,088
Total loans and advances to customers and financial lease receivables before impairment allowance	45,861,735	11,468,340	2,311,392	412,037	60,053,504
Allowances for impairment losses on loans and financial lease receivables	(797,921)	(1,563,364)	(1,479,197)	(95,237)	(3,935,719)
Total loans and advances to customers and financial lease receivables net of impairment allowance	45,063,814	9,904,976	832,195	316,800	56,117,785

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

40. Credit risk management (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2021
Corporate	10,165,555	4,836,477	1,657,104	74,120	16,733,256
Small and medium enterprises	2,335,198	1,879,677	369,284	614	4,584,773
Consumer loans and card loans granted to retail customers	4,802,350	3,507,644	430,726	34,698	8,775,418
Mortgage loans	8,034,932	5,788,132	709,198	138,489	14,670,751
Loans and finance lease receivables granted by non-banking financial institutions	602,729	494,630	-	-	1,097,359
Other	-	-	31	147	178
Total loans and advances to customers and financial lease receivables before impairment allowance	25,940,764	16,506,560	3,166,343	248,068	45,861,735
Allowances for impairment losses on loans and financial lease receivables	(194,638)	(381,722)	(202,123)	(19,438)	(797,921)
Total loans and advances to customers and financial lease receivables net of impairment allowance	25,746,126	16,124,838	2,964,220	228,630	45,063,814

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	0 days	1-15 days	16-30 days	Total 2021
Corporate	16,716,497	10,873	5,886	16,733,256
Small and medium enterprises	4,432,708	115,773	36,292	4,584,773
Consumer loans and card loans granted to retail customers	8,545,698	190,868	38,852	8,775,418
Mortgage loans	14,417,333	205,160	48,258	14,670,751
Loans and finance lease receivables granted by non-banking financial institutions	1,058,283	29,464	9,612	1,097,359
Other	178	-	-	178
Total loans and advances to customers and financial lease receivables before impairment allowance	45,170,697	552,138	138,900	45,861,735
Allowances for impairment losses on loans and financial lease receivables	(785,350)	(10,567)	(2,004)	(797,921)
Total loans and advances to customers and financial lease receivables net of impairment allowance	44,385,347	541,571	136,896	45,063,814

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

40. Credit risk management (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	Low-moderate risk	Sensitive risk	High risk	Total 2021
Corporate	2,588,154	206,789	362,203	3,157,146
Small and medium enterprises	2,256,188	253,096	230,644	2,739,928
Consumer loans and card loans granted to retail customers	1,886,988	595,645	334,710	2,817,343
Mortgage loans	817,730	228,564	153,474	1,199,768
Loans and finance lease receivables granted by non-banking financial institutions	1,490,845	17,861	7,435	1,516,141
Other	8,957	29,057	-	38,014
Total loans and advances to customers and financial lease receivables before impairment allowance	9,048,862	1,331,012	1,088,466	11,468,340
Allowances for impairment losses on loans and financial lease receivables	(813,193)	(353,542)	(396,629)	(1,563,364)
Total loans and advances to customers and financial lease receivables net of impairment allowance	8,235,669	977,470	691,837	9,904,976

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	0-30 days	31-60 days	61-90 days	Total 2021
Corporate	3,151,721	5,342	83	3,157,146
Small and medium enterprises	2,689,169	38,370	12,389	2,739,928
Consumer loans and card loans granted to retail customers	2,701,225	92,910	23,208	2,817,343
Mortgage loans	1,144,664	46,044	9,060	1,199,768
Loans and finance lease receivables granted by non-banking financial institutions	1,490,845	18,021	7,275	1,516,141
Other	37,867	41	106	38,014
Total loans and advances to customers and financial lease receivables before impairment allowance	11,215,491	200,728	52,121	11,468,340
Allowances for impairment losses on loans and financial lease receivables	(1,491,904)	(52,302)	(19,158)	(1,563,364)
Total loans and advances to customers and financial lease receivables net of impairment allowance	9,723,587	148,426	32,963	9,904,976

Notes to the Interim Condensed Consolidated and Separate Financial Statements

40. Credit risk management (continued)

Gross value of loans and advances, lease receivables granted to clients, impaired, Stage 3	0-30 days	31-60 days	61-90 days	Over 90 days	Total 2021
Corporate	522,016	-	11,604	367,468	901,088
Small and medium enterprises	115,754	28,768	12,652	195,335	352,509
Consumer loans and card loans granted to retail customers	154,744	65,635	59,629	317,469	597,477
Mortgage loans	72,999	31,274	17,995	55,072	177,340
Loans and finance lease receivables granted by non-banking financial institutions	83,121	11,218	13,319	163,306	270,964
Other	11,003	14	24	973	12,014
Total loans and advances to customers and financial lease receivables before impairment allowance	959,637	136,909	115,223	1,099,623	2,311,392
Allowances for impairment losses on loans and financial lease receivables	(523,887)	(65,076)	(63,562)	(826,672)	(1,479,197)
Total loans and advances to customers and financial lease receivables net of impairment allowance	435,750	71,833	51,661	272,951	832,195

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

40. Credit risk management (continued)

The exposures to credit risk for loans and advances to customers at Bank level, as of June 30, 2022, 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 2022
<i>In RON thousand</i>					
Corporate	23,067,798	3,644,239	814,052	104,231	27,630,320
Small and medium enterprises	5,078,890	2,546,583	359,758	24,204	8,009,435
Consumer loans and card loans granted to retail customers	8,456,868	2,826,167	618,371	91,502	11,992,908
Mortgage loans	15,035,170	1,150,532	170,057	47,224	16,402,983
Other	144	39,162	12,530	289	52,125
Total loans and advances to customers before impairment allowance	51,638,870	10,206,683	1,974,768	267,450	64,087,771
Allowances for impairment losses on loans	(946,720)	(1,576,892)	(1,304,476)	(52,914)	(3,881,002)
Total loans and advances to customers net of impairment allowance	50,692,150	8,629,791	670,292	214,536	60,206,769
Gross value of loans and advances granted to clients, not impaired, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2022
Corporate	14,632,868	6,387,644	1,972,923	74,363	23,067,798
Small and medium enterprises	2,125,501	2,459,514	493,875	-	5,078,890
Consumer loans and card loans granted to retail customers	4,976,233	2,912,513	530,624	37,498	8,456,868
Mortgage loans	8,515,272	5,619,557	750,077	150,264	15,035,170
Other	-	-	8	136	144
Total loans and advances to customers before impairment allowance	30,249,874	17,379,228	3,747,507	262,261	51,638,870
Allowances for impairment losses on loans	(228,710)	(442,206)	(251,257)	(24,547)	(946,720)
Total loans and advances to customers net of impairment allowance	30,021,164	16,937,022	3,496,250	237,714	50,692,150

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

40. Credit risk management (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 1	0 days	1-15 days	16-30 days	Total 2022
Corporate	23,062,273	5,108	417	23,067,798
Small and medium enterprises	5,059,376	17,867	1,647	5,078,890
Consumer loans and card loans granted to retail customers	8,234,215	195,282	27,371	8,456,868
Mortgage loans	14,710,884	277,104	47,182	15,035,170
Other	144	-	-	144
Total loans and advances to customers before impairment allowance	51,066,892	495,361	76,617	51,638,870
Allowances for impairment losses on loans	(937,141)	(8,265)	(1,314)	(946,720)
Total loans and advances to customers net of impairment allowance	50,129,751	487,096	75,303	50,692,150
Gross value of loans and advances granted to clients, not impaired, Stage 2	Low-moderate risk	Sensitive risk	High risk	Total 2022
Corporate	3,032,834	490,461	120,944	3,644,239
Small and medium enterprises	2,059,799	364,666	122,118	2,546,583
Consumer loans and card loans granted to retail customers	1,790,288	681,935	353,944	2,826,167
Mortgage loans	717,051	307,414	126,067	1,150,532
Other	244	38,918	-	39,162
Total loans and advances to customers before impairment allowance	7,600,216	1,883,394	723,073	10,206,683
Allowances for impairment losses on loans	(758,728)	(515,752)	(302,412)	(1,576,892)
Total loans and advances to customers net of impairment allowance	6,841,488	1,367,642	420,661	8,629,791
Gross value of loans and advances granted to clients, not impaired, Stage 2	0-30 days	31-60 days	61-90 days	Total 2022
Corporate	3,640,001	441	3,797	3,644,239
Small and medium enterprises	2,526,519	11,098	8,966	2,546,583
Consumer loans and card loans granted to retail customers	2,712,034	88,117	26,016	2,826,167
Mortgage loans	1,069,666	67,696	13,170	1,150,532
Other	39,136	6	20	39,162
Total loans and advances to customers before impairment allowance	9,987,356	167,358	51,969	10,206,683
Allowances for impairment losses on loans	(1,515,404)	(39,831)	(21,657)	(1,576,892)
Total loans and advances to customers net of impairment allowance	8,471,952	127,527	30,312	8,629,791

The explanatory notes to the financial statements from page 11 to page 91 are an integral part of these financial statements.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

40. Credit risk management (continued)

Gross value of loans and advances granted to clients, impaired, Stage 3	0-30 days	31-60 days	61-90 days	over 90 days	Total 2022
Corporate	575,944	8,153	542	229,413	814,052
Small and medium enterprises	110,086	12,764	16,293	220,615	359,758
Consumer loans and card loans granted to retail customers	127,319	75,282	50,798	364,972	618,371
Mortgage loans	71,283	26,448	16,996	55,330	170,057
Other	11,384	1	1	1,144	12,530
Total loans and advances to customers before impairment allowance	896,016	122,648	84,630	871,474	1,974,768
Allowances for impairment losses on loans	(534,592)	(58,160)	(42,334)	(669,390)	(1,304,476)
Total loans and advances to customers net of impairment allowance	361,424	64,488	42,296	202,084	670,292

The exposures to credit risk for loans and advances to customers at Bank level, as of December 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	18,164,093	3,043,157	870,738	105,138	22,183,126
Small and medium enterprises	3,761,573	2,648,088	344,398	21,195	6,775,254
Consumer loans and card loans granted to retail customers	7,885,516	2,799,838	579,332	94,448	11,359,134
Mortgage loans	14,075,750	1,196,593	174,390	46,827	15,493,560
Other	178	29,256	11,955	297	41,686
Total loans and advances to customers before impairment allowance	43,887,110	9,716,932	1,980,813	267,905	55,852,760
Allowances for impairment losses on loans	(791,352)	(1,505,695)	(1,270,134)	(47,056)	(3,614,237)
Total loans and advances to customers net of impairment allowance	43,095,758	8,211,237	710,679	220,849	52,238,523

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

40. Credit risk management (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2021
Corporate	11,134,132	5,298,756	1,657,104	74,101	18,164,093
Small and medium enterprises	1,625,360	1,766,813	369,284	116	3,761,573
Consumer loans and card loans granted to retail customers	4,802,350	2,620,296	428,173	34,697	7,885,516
Mortgage loans	8,034,932	5,195,150	707,179	138,489	14,075,750
Other	-	-	31	147	178
Total loans and advances to customers before impairment allowance	25,596,774	14,881,015	3,161,771	247,550	43,887,110
Allowances for impairment losses on loans	(205,131)	(364,944)	(201,839)	(19,438)	(791,352)
Total loans and advances to customers net of impairment allowance	25,391,643	14,516,071	2,959,932	228,112	43,095,758

Gross value of loans and advances granted to clients, not impaired, Stage 1	0 days	1-15 days	16-30 days	Total 2021
Corporate	18,164,093	-	-	18,164,093
Small and medium enterprises	3,742,729	18,452	392	3,761,573
Consumer loans and card loans granted to retail customers	7,709,667	146,987	28,862	7,885,516
Mortgage loans	13,836,461	194,201	45,088	14,075,750
Other	178	-	-	178
Total loans and advances to customers before impairment allowance	43,453,128	359,640	74,342	43,887,110
Allowances for impairment losses on loans	(784,778)	(5,410)	(1,164)	(791,352)
Total loans and advances to customers net of impairment allowance	42,668,350	354,230	73,178	43,095,758

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

40. Credit risk management (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 2	Low-moderate risk	Sensitive risk	High risk	Total 2021
Corporate	2,475,313	206,292	361,552	3,043,157
Small and medium enterprises	2,179,960	238,950	229,178	2,648,088
Consumer loans and card loans granted to retail customers	1,880,952	587,068	331,818	2,799,838
Mortgage loans	816,825	226,831	152,937	1,196,593
Other	199	29,057	-	29,256
Total loans and advances to customers before impairment allowance	7,353,249	1,288,198	1,075,485	9,716,932
Allowances for impairment losses on loans	(761,672)	(343,260)	(394,763)	(1,505,695)
Total loans and advances to customers net of impairment allowance	6,591,577	938,938	680,722	8,211,237

Gross value of loans and advances granted to clients, not impaired, Stage 2	0-30 days	31-60 days	61-90 days	Total 2021
Corporate	3,038,879	4,278	-	3,043,157
Small and medium enterprises	2,612,941	23,915	11,232	2,648,088
Consumer loans and card loans granted to retail customers	2,695,188	84,333	20,317	2,799,838
Mortgage loans	1,143,759	44,311	8,523	1,196,593
Other	29,109	41	106	29,256
Total loans and advances to customers before impairment allowance	9,519,876	156,878	40,178	9,716,932
Allowances for impairment losses on loans	(1,440,385)	(47,889)	(17,421)	(1,505,695)
Total loans and advances to customers net of impairment allowance	8,079,491	108,989	22,757	8,211,237

Gross value of loans and advances granted to clients, impaired, Stage 3	0-30 days	31-60 days	61-90 days	over 90 days	Total 2021
Corporate	520,831	-	11,604	338,303	870,738
Small and medium enterprises	114,397	28,463	12,423	189,115	344,398
Consumer loans and card loans granted to retail customers	151,285	64,704	57,790	305,553	579,332
Mortgage loans	72,584	31,210	17,581	53,015	174,390
Other	11,003	14	24	914	11,955
Total loans and advances to customers before impairment allowance	870,100	124,391	99,422	886,900	1,980,813
Allowances for impairment losses on loans	(489,888)	(59,475)	(56,238)	(664,533)	(1,270,134)
Total loans and advances to customers net of impairment allowance	380,212	64,916	43,184	222,367	710,679

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Acquisition of Tiriac Leasing IFN S.A.

On January 14, 2022, Banca Transilvania S.A. signed the contract for the purchase of the majority stake (100.00%) held by Molessey Holdings Limited and Hyundai Auto Romania SA in the share capital of Tiriac Leasing IFN S.A.

During the subsequent period, the necessary approvals for the conclusion of the acquisition transaction were obtained from the Competition Council by Decision no. 33 of May 10, 2022 regarding the economic concentration operation achieved by acquiring sole direct control over Tiriac Leasing IFN S.A. by Banca Transilvania S.A.

The Bank took control of this company on June 2, 2022, the date on which the consideration was transferred in exchange for the stake held by Molessey Holdings Limited and Hyundai Auto Romania S.A.

In the period of one month until June 30, 2022, Tiriac Leasing IFN contributed with a profit of 2.8 million RON to the Group's results. If the acquisition had taken place on January 1, 2022, the management estimates that it would have contributed with 18.3 million RON to the consolidated profit. This estimate is based on the assumption that the provisional fair value adjustments recorded at the acquisition date would have been the same if the acquisition had taken place on January 1, 2022.

The consideration transferred

The fair value of the transferred consideration is 338,596 thousand RON and was paid in full on the acquisition date.

No capital instruments were issued as part of the acquisition of Tiriac Leasing IFN SA.

Assets acquired and liabilities assumed

The table below summarizes the amounts recognized at the acquisition date in respect of the assets acquired and liabilities assumed:

RON thousand	Accounting Value	Adjustments	Fair Value
Cash, cash equivalents and bank deposits	51,314	-	51,314
Loans and advances granted to customers	19,887	(496)	19,391
Receivables from financial leasing contracts	1,034,129	(10,372)	1,023,757
Tangible and intangible fixed assets, fixed assets and assets related to the right of use	608	2,914	3,522
Other assets	19,940	2,424	22,364
Loans from banks	(868,530)	-	(868,530)
Other debts	(22,628)	(2,938)	(25,566)
Total net assets acquired	234,720	(8,468)	226,252

The initial accounting for this business combination in accordance with International Financial Reporting Standards (IFRS 3 – Business Combinations) is incomplete at the end of the reporting period and therefore these consolidated and separate financial statements include provisional amounts reported for certain identifiable assets acquired and liabilities assumed.

Note la situațiile financiare interimare sumarizate consolidate și individuale

41. Acquisition of Tiriac Leasing IFN S.A. (continued)

Fair value measurement

The following valuation techniques were used to determine the fair value of the acquired assets and assumed obligations:

- **Portfolio of loans and receivables from finance leases - performing:** value adjustments have been made to reflect differences in interest rates (contract versus market) as well as lifetime expected credit losses from a participant's perspective over the market. The valuation methodology sought to quantify the possible differences between the interest rates in force and those existing on the market at the valuation date;
- **The portfolio of loans and receivables from financial leasing contracts - non-performing:** the fair value analysis of non-performing loans focused on the ECL estimation, whereby the amount of expected credit losses was estimated taking into account the potential recoveries from guarantees;
- **Assets related to the right of use:** the fair value was estimated by applying specific valuation methods taking into account the type of asset and the available information and the Management Decision related to the future benefits that the respective assets will bring;
- **Loans from banks and financial institutions:** adjustments were made to reflect the difference between contractual and market interest rates;
- **Lease liabilities:** in accordance with the requirements of IFRS 16, the fair value of the lease liabilities was determined as the present value of the remaining lease payments.

Negative acquisition gain or Goodwill

The Group's results for the period ended June 30, 2022 include the goodwill from the acquisition of Tiriac Leasing IFN S.A. in the amount of 112,343 thousand RON.

The goodwill was determined as the difference between the consideration paid (RON 338,595 thousand) and the part of the fair value of the assets and liabilities of Tiriac Leasing IFN S.A. on the date of taking control (in the amount of RON 226,252 thousand).

42. Events subsequent to the date of the interim consolidated and separate statement of financial position

In August, Banca Transilvania S.A. started and concluded the action to consolidate the nominal value of TLV shares, approved by the Extraordinary General Meeting Resolution dated April 28, 2022, from 1 leu/share to 10 lei/share. Thus, the nominal value of the shares increased simultaneously with the reduction of the total number of shares (10 shares with a nominal value of 1 leu/share = 1 share with a nominal value of 10 lei/share). Following the consolidation of the nominal value of TLV shares, the current share capital in the amount of 7,076,582,330 lei is composed of a number of 707,658,233 shares, each having a nominal value of 10 lei.

The interim consolidated and separate financial statements were approved by the Board of Directors on 24 August 2022 and were signed on behalf of the Board.

Ömer TETIK
Chief Executive Officer

George CĂLINESCU
Deputy Chief Executive Officer

CONSOLIDATED DIRECTORS' REPORT

**for the six month period ended
30 June 2022**

**In compliance with the Financial Supervision
Authority's Regulation no. 5/2018**

Identification Details of the Issuer

Report date: August 24, 2022

Name of the company: BANCA TRANSILVANIA S.A.

Registered office: 30-36 Dorobanților street, Cluj-Napoca, Cluj county, postal code 400117

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 at 30.06.2022: RON 6,311,469,680

The regulated market where the issued securities are traded: Bucharest Stock Exchange

Main features of the securities issued by the company:

6,311,469,680 nominal shares 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., Idea Bank S.A., BT Capital Partners S.A., BT Leasing Transilvania IFN S.A., Idea Leasing IFN S.A., Țiriac Leasing IFN S.A., BT Investments S.R.L., Idea Investments S.A., Idea Broker de Asigurare 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., VB Investment Holding B.V., Improvement Credit Collection S.R.L., BT Pensii S.A. and Code Crafters by BT S.R.L..

The main Group's fields of activity are: banking through Banca Transilvania S.A. („the Bank”), Victoriabank S.A. and through Idea Bank S.A., investment and brokerage through BT Capital Partners S.A., leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., Idea Leasing IFN S.A., Țiriac Leasing 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. and administration of voluntary pension funds through BT Pensii S.A.. Moreover, the Bank controls two investment funds that are also included in the consolidation and is associated in Sinteza S.A. with a holding percentage of 31.15%.

Banca Transilvania is a public listed company founded in 1993, headquartered in Cluj-Napoca, with majority romanian shareholders – 73.7% as of the end of June 2022. 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 June 30, 2022 is presented in the Appendix to this document.

I. Significant events in the first six months of 2021

Amendments brought to the Articles of Association

As a result of the Decisions of the Extraordinary General Meeting of Transilvania Bank Shareholders of April 28, 2022, it was decided to increase the share capital by the amount of RON 765,112,650 by issuing a number of 765,112,650 new shares, with a nominal value of 1 RON/share. The increase of the share capital will be achieved by incorporating the reserves constituted from the net profit of the year 2021, in the amount of RON 765,112,650, by issuing a number of 765,112,650 shares with a nominal value of 1 RON/share, for the benefit of the shareholders registered in the Shareholders' Register held by the Central Depository. Therefore, the new share capital is RON 7,076,582,330, respectively 7,076,582,330 shares with a nominal value of 1 RON/share.

The legal procedures for registering the capital increase at ONRC were completed at the end of June 2022.

Changes in the first half of 2022 regarding Banca Transilvania Financial Group

At the level of the Group's subsidiaries, relevant changes that occurred are the following:

BT MICROFINANȚARE IFN S.A.

- On 14.01.2022, Mr. Szekely Daniel was appointed as administrator, in place of Mr. Dudoiu Andrei, for the current term, valid until 28.06.2022.
- It was also decided to reformulate and explain the main object of activity, as follows:
"6492 Other lending activities - microfinance of legal entities.

The main object of activity consists in granting credits and can take the form of:

- *Microcredits granted to legal entities;*
- *Consumer loans;*
- *Mortgage;*
- *Real estate loans;*
- *Financing commercial transactions;*
- *Discounting and lump sum operations;*
- *Other lending activities. "*

and the CAEN code 6499 in the secondary object of activity has been completed and detailed as follows:

"6499 - other financial intermediation n.c.a. - issuing guarantees and assuming commitments - acquiring participations in the capital of other entities, as well as factoring activities".

- *On 14.04.2022, it was decided to amend and reformulate the Constitutive Act of the company as follows:*
 1. *The main object of activity provided for in art. 6 thus:*
 - a. *"6492 Other lending activities - microfinancing of legal entities."*
 2. *The secondary object of activity provided for in art. 6 is supplemented with the following:*

"6492 Other lending activities - consumer loans; mortgage; real estate loans; financing of commercial transactions; discounting and lump sum operations; other lending activities,

7311 - Activities of advertising agencies - marketing activities for the benefit of entities in the group, carried out on the occasion of the company's lending activities, consisting in promoting the services/products offered by the entities in the group.
- *Also, in the same AGM of 14.04.2022, it was decided to detail the attribution of the Ordinary General Meeting of Shareholders provided for in art. 13 letter j, which will have the following content:*

"j) the issue of bonds, exclusively through public offers addressed to qualified investors, within the meaning of the law on the capital market".
- *By the AGEA Decision of 06.06.2022, it was decided to modify the secondary object of activity by removing the phrase "other lending activities" from the explanation of CAEN code 6492 - Other lending activities and rewording the Constitutive Act of the company accordingly.*

TIRIAC LEASING IFN SA

- On 02.06.2022, in accordance with the Closing Certificate, Banca Transilvania SA took over from Molesey Holdings Limited and from Hyundai Auto Romania S.R.L all 131,264 shares of Tiriac Leasing IFN S.A., becoming the sole shareholder of Tiriac Leasing IFN S.A.
- On 30.06.2022, the sole shareholder Banca Transilvania decided to move the registered office of the company to Cluj-Napoca, str. C. Brâncusi, no. 74-76, Cluj county, the opening of a work point in Bucharest, Exhibition Boulevard no. 2, sector 1 and the reformulation of the company's Articles of Association accordingly.

CODE CRAFTERS by BT S.R.L

- On 10.02.2022, the company Code Crafters by BT S.R.L was established, being associated with Banca Transilvania S.A. (99.9%) and BT Investments S.R.L. (0.1%). The members of the Board of Directors are: Mr. Călinescu George (Chairman of the Board), Mrs. Nistor Gabriela and Mr. Toderici Leontin.

TIMESAFE S.R.L

- As of 14.02.2022, Timesafe S.R.L. is no longer part of Banca Transilvania Financial Group, following the sale by BT Investments S.R.L. of the entire participation held (51.12%).

Main transactions regarding affiliates

There were no related party transactions that substantially affected the Group's financial position or results in the first six months of the current financial year. For additional details see Note 35 of the interim financial statements accompanying this report.

Risk Management

The management of Banca Transilvania S.A. continuously assesses the risks to which the Bank's activity is or may be exposed, which may affect the achievement of its objectives, and takes measures regarding any change in the conditions in which it operates.

The main risks and uncertainties identified for the next period are generated mainly as a result of the consequences of the coronavirus pandemic and the geopolitical context generated by the Russian-Ukrainian conflict:

- Risks of economic growth lower than the estimates and high inflation, aggravated by the conflict and tensions existing at the level of the region;
- The increase in financing costs, generated by more restrictive monetary policies;
- The increase in production costs, especially due to the increase in the cost of energy and global blockages in supply;

- The acceleration of consumer prices, combined with the depreciation of the national currency in relation to the Euro, compared to current levels;
- The delay in the absorption of European funds, especially through the National Recovery and Resilience Plan, can produce possible negative effects.

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 the first half of 2022, compared to the same period of last year, is the following:

Indicators (RON mn)	Group				
	Jun'22	Dec'21	Jun'21	Jun'22 vs Dec'21 %	Jun'22 vs Jun'21 %
Cash and current accounts with Central Bank	17,519	18,321	18,756	-4.4%	-6.6%
Placements to banks	6,835	10,394	6,350	-34.2%	7.6%
Treasury financial instruments	46,679	44,204	42,887	5.6%	8.8%
Loans and advances to customers, net	62,189	54,630	43,076	13.8%	44.4%
Finance lease receivables	2,674	1,488	1,304	79.7%	105.1%
Tangible and intangible assets	2,104	1,989	1,725	5.8%	22.0%
Other assets	2,137	1,475	1,240	44.9%	72.3%
Total assets	140,138	132,501	115,338	5.8%	21.5%
Deposits from customers	110,929	108,022	97,166	2.7%	14.2%
Deposits from banks	1,465	1,024	770	43.0%	90.1%
Loans from banks and other financial institutions	12,642	7,930	1,675	59.4%	654.7%
Subordinated loans	1,776	1,762	1,693	0.8%	4.9%
Other liabilities	3,350	3,199	2,794	4.7%	19.9%
Total liabilities	130,162	121,937	104,098	6.7%	25.0%
Equity	9,976	10,564	11,240	-5.6%	-11.2%
Total liabilities and equity	140,138	132,501	115,338	5.8%	21.5%

Indicators (RON mn)	Bank				
	Jun'22	Dec'21	Jun'21	Jun'22 vs Dec'21 %	Jun'22 vs Jun'21 %
Cash and current accounts with Central Bank	15,928	16,764	17,724	-5.0%	-10.1%
Placements to banks	7,580	9,613	5,716	-21.1%	32.6%
Treasury financial instruments	45,507	42,786	41,615	6.4%	9.4%
Loans and advances to customers, net	60,207	52,239	42,658	15.3%	41.1%
Tangible and intangible assets	2,720	2,429	2,096	12.0%	29.8%
Other assets	1,900	1,232	1,104	54.2%	72.1%
Total assets	133,842	125,062	110,912	7.0%	20.7%
Deposits from customers	107,895	102,698	94,406	5.1%	14.3%

Indicators (RON mn)	Bank				
	Jun'22	Dec'21	Jun'21	Jun'22 vs Dec'21 %	Jun'22 vs Jun'21 %
Deposits from banks	1,280	952	763	34.4%	67.7%
Loans from banks and other financial institutions	11,469	7,458	1,262	53.8%	809.0%
Subordinated loans	1,721	1,706	1,690	0.9%	1.9%
Other liabilities	2,845	2,894	2,544	-1.7%	11.8%
Total liabilities	125,210	115,709	100,665	8.2%	24.4%
Equity	8,631	9,353	10,248	-7.7%	-15.8%
Total liabilities and equity	133,842	125,062	110,912	7.0%	20.7%

At the end of the first six months of 2022, the Group's assets exceeded RON 140 billion, increasing by 5.8% compared to the end of last year and by 21.5% compared to the end of June 2021. At the same time, the Bank's assets recorded an increase of 7.0% compared to the end of the previous year, respectively by 20.7% compared to June 2021, exceeding RON 133.8 billion.

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

Loans' Portfolio: At Group level, considering also the receivables from leasing contracts, the loans' portfolio registered an increase of 15.6% and 46.2% respectively compared to the end of 2021 and the end of June 2021, respectively. The positive evolution was mainly determined by the increase of the loans' portfolio managed by the Bank, by +15.3% compared to the end of the previous year and by +41.1% compared to the end of the same period of 2021. At the Bank's level, the net loans at the end of June 2022 amount to RON 60.2 billion, all business lines recording increases as compared to the end of the previous year.

At the Group level, the balance of net loans of the retail segment increased by 4.3% compared to the end of the previous year, and in terms of loans granted to companies, an extremely dynamic activity was recorded in all segments, supported mainly by the Large Corporate segment (22.1% vs December 31, 2021) and SME segment (+21.3% vs December 31, 2021).

In 2022, BT was the most important partner in the governmental support programs IMM Invest and AGRO IMM Invest, but also in other guarantee schemes for SMEs launched this year.

Between January and June 2022, more than 139,000 new loans were granted to individual customers and companies.

Provisions' stock: Banca Transilvania recorded at the end of June 2022 a net expense with adjustments for financial assets for other risks and credit commitments in the amount of RON 99 million (including recoveries from off-balance sheet loans). The balance of provisions reached the level of RON 3.9 billion at the end of the first half of the year.

The non-performing NPE exposure rate according to the EBA (European Banking Authority) is 2.55% as of June 30, 2022 and the degree of coverage with total provisions of the non-performing exposures according to the EBA is 180%.

Cash and current accounts with Central Bank represent as at June 30, 2022 approximately 13% of the total assets at Group level, respectively 12% at the Bank level, the balances of these elements registering decreases as compared to December 31, 2021 at both Group and Bank level.

At the Group level, the cash and current accounts with the Central Bank decreased by approximately 4.4% and 6.6 compared to the end of 2021 and respectively compared to June 30, 2021, amounting to RON 17,519 million. At the Bank's level, the decrease is of approximately 5.0% compared to December 31, and 10.1% compared to June 30, 2021, the final balance as at June 30, 2022 amounting to RON 15,928 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 72%.

Placements to banks at the end of June 2022, declined at both Group and Bank level, by 34.2 and 21.1% respectively compared to December 31, 2021. Compared to June 31, 2021, the increase is approximately 7.6% for the Group and 32.6% for the Bank. Variations in this category are mostly determined by the evolution of the balance of current accounts at other banks, the volume of placements at credit institutions, but also by the volume of reverse repo operations and loans granted to credit institutions.

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 debt instruments measured at amortised cost with a weight of over 52% in the total category of treasury financial instruments, both at Group and Bank level, representing at the same time, approximately 18% of the Group and the Bank's total assets at the end of the first half of 2022.

As compared to December 31, 2021, the treasury instruments increased by approximately 6% both at Group and Bank level, while compared to June 30, 2021, increased by approximately 9% for the Group and the Bank, reaching RON 46,679 million at Group level, respectively RON 45,507 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, with a share in total liabilities, in the three

analyzed periods, decreasing from 93% to 85%. At Group level, the customers' deposits reached RON 110,929 million at June 30, 2022, increasing by 2.7% compared to the end of the previous year and by 14.2% compared to June 30, 2021. At Bank level, the balance of the customers' deposits reached RON 107,895 million on June 30, 2022, increasing by 5.1% compared to the end of the previous year and by 14.3% compared to June 30, 2021.

For both the Group and the Bank, approximately 66% of the total customers' deposits represent savings of the individuals and 34% savings of the legal entities customers. The share of current accounts is approximately 63%, while fixed-term deposits represent 35% of the total customers' deposit balances as of June 30, 2022.

The loan-to-deposit ratio at Bank level stands at 59.40% as at the end of the first half of 2022, the volume of gross loans being RON 64.1 billion, while the resources attracted from customers are RON 107.9 billion.

The equity of Banca Transilvania S.A. as at 30.06.2022 amounts to RON 8,631 million, decreasing by 7.7% compared to the end of the previous year, when it amounted to RON 9,353 million, evolution determined by the reduction of reserves from the revaluation of debt instruments valued at fair value through other comprehensive income, in the context of the accelerated increase in yields.

Solvency: The Bank's solvency calculated as at June 30, 2022, taking into account the cumulative profit of the first six months of 2022 is 22.39%, 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 or Loss Account at Group and Bank level for the first six months of 2022, compared to the same period last year, are as follows:

Indicators (RON mn)	Group			Bank		
	Jun'22	Jun'21	Jun'22 vs Jun'21 %	Jun'22	Jun'21	Jun'22 vs Jun'21 %
Net interest income	2,031	1,529	32.9%	1,695	1,357	24.0%
Net fees and commission income	551	447	23.3%	466	382	21.9%
Net trading income	381	262	45.6%	358	204	75.9%
Net income/(loss) from financial assets measured at fair value through other items of comprehensive income	(70)	129	-154.5%	(71)	127	-155.7%
Net income/(loss) from financial assets required to be measured at fair value through profit or loss	(52)	55	-195.8%	(78)	93	-183.5%
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(151)	(88)	70.9%	(144)	(82)	75.0%
Other operating income	145	77	88.4%	111	88	25.1%
Total operating income	2,834	2,410	17.6%	2,338	2,170	7.7%
Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	(179)	(113)	58.5%	(99)	(121)	-17.7%
Personnel expense	(819)	(651)	25.8%	(694)	(581)	19.5%
Depreciation and amortization	(188)	(178)	5.9%	(168)	(174)	-3.5%
Other operating expense	(446)	(304)	46.9%	(352)	(259)	36.1%
Total operating expenses	(1,633)	(1,246)	31.1%	(1,313)	(1,134)	15.8%
Profit before income tax	1,201	1,164	3.2%	1,025	1,036	-1.1%
Income tax expense (-)	(155)	(149)	4.0%	(118)	(135)	-12.8%
Net profit	1,046	1,015	3.1%	907	901	0.7%
Profit of the Group attributable to equity holders of the Bank	1,008	1,001	0.6%	907	901	0.7%
Profit of the Group attributable to non-controlling interests	39	14	172.7%			
Net profit	1,046	1,015	3.1%	907	901	0.7%

The **gross profit** registered by the Group during the first six months of 2022 amounts to RON 1,201 million, increasing by 3.2% compared to the same period of 2021, while the Bank reported a gross profit of RON 1,025 million, with a slight decrease of 1.1% compared to the same period of 2021.

This decrease comes mainly from the recording of a lower growth rate of operating income than the growth rate of operating expenses, as a result of inflationary pressures that affected the revaluation of debt instruments valued at fair value through other comprehensive income.

Thus, the **net profit** obtained by Banca Transilvania as at June 30, 2022, amounting to RON 907 million, is 0.7% higher compared to the same period of 2021, when it amounted to RON 901 million. At Group level, the same positive dynamic has been registered, the net profit, as at June 30 2022, amounted to RON 1,046 million, as compared to the same period of 2021 when it amounted to RON 1,015 million.

The **net interest income** registered a substantial increase of approximately 33% at the Group and 25% at Bank level, an evolution based on both higher market rates (3-month and 6-month ROBOR average exceeded 4% in the first semester of 2022 compared to the first semester of 2021 when it was below 2%), as well as on an increased volume of credit granting.

Net fees and commissions income during the first six months of 2022 show a significant increase both at Group level and at Bank level by above 23% and approximately 22% respectively, compared to the same period of 2021, as a result of the increase in the number of transactions by 29%.

Net trading income was 45.6% higher than in the same period last year, at Group level and 75.9% at the Bank level. The increase in net income from derivatives, as well as the growth in the number of foreign exchange transactions and the increase in the exchange rate have significantly influenced this positive development.

Overall, the **operating income** reached, at the end of the first half of 2022, RON 2,834 million at Group level and RON 2,338 million at Bank level, by 17.6% and 7.7% respectively higher compared to the same period of last year.

The **operating expenses** increased as compared to those reported during the similar period of 2021, therefore the total operating expenses at Group level were 31.1% higher compared to the first six months of 2021 and at Bank level were 15.8% higher. The increase in operating expenses was determined both by the increase in personnel expenses (25.8%), taking into account the increase in the employee base, the tensions in the labor market and the inflationary environment, and by the increase in other operating expenses (46.9%).

Operational result. In this context, the operational efficiency shows a comfortable level, of 50.37%, sliding compared to the level of 45.82% reported during the first six months of 2021.

The **result per share** for the first six months of 2022 and 2021, recalculated with the share capital increase realized in July 2022 is as follows:

Indicators	Group Jun'22	Group Jun'21	Jun'22 vs Jun'21%	Bank Jun'22	Bank Jun'21	Jun'22 vs Jun'21%
Net profit for the period (RON thousands)	1,046,479	1,015,492	3.1%	907,003	901,035	0.7%
Basic earnings per share	0.1427	0.0496	187,6%	-	-	-
Diluted earnings per share	0.1427	0.0496	187,6%	-	-	-

Other information regarding the first half of 2022:

One of the main areas in which Banca Transilvania has invested and continues to invest is in facilitating customers' access to BT services and their personal information, aiming to offer the best possible experience to customers through the automation and digitization of processes.

These investments have made Banca Transilvania a market leader in the field of cards, with 5 million cards in its portfolio, of which over 586,000 are credit cards. The transactions made with the 5 million cards increased by 36% compared to the same period last year (S1 2021).

BT has over 3 million digital unique customers, which represents 80% of active customers. This is one of the indicators that BT constantly monitors, reflecting the degree of digitization of the bank. These customers - individuals and companies - use at least one of the bank's digital solutions - applications, Internet Banking or Mobile Banking.

The bank reached over 2.5 million unique cards in the BT Pay, Apple Pay, Google Pay, Fitbit Pay and Garmin Pay wallets, and the number of phone payments doubled in the first semester of 2022 compared to the first semester of 2021, reaching 53 million.

As of June 30, 2022, the bank has a network of 1,806 ATMs, of which 577 are multifunctional, through which self-banking can be done - from cash deposits in lei and foreign currency, to currency exchange and contactless cash withdrawals or based of code. Also, the Bank has approximately 513 BT Express terminals that are used for various operations, including bill payment, 90,474 POS installed and collaborates with approximately 47,771 merchant e-commerce users.

3 times more interactions in S1 2022 a.c. compared to the same period last year in the BT Visual Help application. The month-over-month increase was steady, reaching nearly 900,000 in the first half.

The number of Internet Banking users exceeded 1.88 million in the 1st semester of this year, 4% higher compared to the same period last year. The volume of transactions through Internet Banking and Mobile Banking increased by 45% compared to the first semester of 2021.

The Group's number of active employees as at June 30, 2022 is 11,186 (10,800 at December 31, 2021).

The Bank's number of active employees as at June 30, 2022 is 8,964 (8,651 at December 31, 2021).

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 coverage ratio (LCR), calculated according to the requirements introduced by Basel III, registered the value of 306.39% on 30.06.2022, being well above the minimum required level of 100%.

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 figures released by the National Trade Register Office the number of the newly set up companies contracted by 6.5% YoY to 62.8K during January – May 2022, due to the high level of uncertainty, in the context of the accumulation of inflationary pressures and of the deterioration of the risk perception following the outbreak of the crisis in Ukraine.

- On the other hand, the number of the companies that entered insolvency climbed by 11.4% YoY to 2,808 during January – May 2022.

- In 1H 2022 the National Bank of Romania (NBR) hiked the monetary policy rate from 1.75% to 3.75%, in order to counter the high level of the inflationary pressures and to anchor the mid-run inflationary expectations in convergence towards the target interval. However, the central bank maintained the levels of the MRRs at 8% and 5%, respectively. Last, but not least, NBR resumed the T-Bonds purchase program on the secondary market (volumes of RON 367.3mn in March and RON 36.6mn in May), in order to counter the risks regarding the fragmentation of the monetary policy transmission mechanism.

- According to the statistics of the National Bank of Romania (NBR) the non-government loans rose by 2.2% MoM and by 17.5% YoY to RON 352.8bn in June, an evolution supported by the continuity of the post-pandemic economic recovery and the affordable level of the real financing costs.

- There can be noticed the increase of the FX-denominated loans, by 4.7% MoM and by 13.7% YoY to RON 98.6bn in June.

- At the same time, the RON-denominated loans climbed by 1.3% MoM and by 19% YoY to RON 254.2bn in June.

- In the alternative approach, the corporate loans rose by 13.8% ytd to RON 181.9bn, while the household loans inched up by 4% ytd to RON 170.9bn during January – June 2022.
- The NBR figures also show the increase of the non-government deposits, by 0.01% MoM and by 9.8% YoY to RON 481.1bn in June.
- During January – June 2022 the corporate deposits climbed by 1.2% ytd to RON 197.7bn, while the household deposits contracted by 0.2% ytd to RON 283.4bn.
- At the end of June 2022 the loans-to-deposits ratio stood at 73.3%, the highest level since February 2020.

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 2,104 million at June 30, 2022, compared to RON 1,989 million at December 31, 2021 and RON 1,725 million at June 30, 2021. As compared to the two periods of the previous year, the value of tangible and intangible assets registered an increase of 5.8% compared to the end of the previous year and by 22.0% compared to June 30, 2021.

At the Bank level, investments in tangible and intangible assets were RON 2,720 million at June 30, 2022, compared to RON 2,429 million at December 31, 2021 and RON 2,096 million at June 30, 2021. As compared with the two periods of the previous year, the value of the tangible and intangible assets increased of 12.0% compared to the end of 2021 and a significant increase of 29.8% when compared to June 30, 2021.

At the Group level, the change in fixed assets was mainly determined by the category of tangible fixed assets and real estate investments, and at the Bank level by the category of investments in participations.

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 consolidated and individual interim financial statements of the Group and the Bank were drawn up in accordance with IAS 34 "Interim financial reporting" adopted by the European Union, in force on the interim reporting date of the Group and the Bank, June 30, 2022. The data presented related to the conclusion semester I 2022, consider the organization and management of accounting in accordance with Law no. 82/1991 republished with subsequent amendments and additions; EU Regulation no. 575/2013 with subsequent amendments and additions, BNR Regulation no. 5/2013 with subsequent amendments and additions; BNR order no. 27/2010 for the approval of accounting regulations in accordance with the International Financial Reporting Standards adopted by the European Union applicable to credit institutions - republished with subsequent amendments and additions, as well as other BNR 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

At the Ordinary and Extraordinary General Meetings of the Shareholders of Banca Transilvania S.A. from 28.04.2022, the following decisions were adopted:

- Increase of the share capital with the amount of RON 765,112,650 by issuing 765,112,650 new shares at a nominal value of RON 1/share as well establishing a price of RON 0 (zero) to compensate for the fractions of shares resulting from applying the algorithm and rounding the results, according to the legal provisions in force and also granting a mandate to the Board of Directors in order to establish a price higher than the approved one (if applicable).

The increase in the share capital will be carried out through the capitalization of reserves from the net profit of the year 2021, in amount of 765,112,650, by issuing a number of 765,112,650 shares, with a nominal value of RON 1/share in the benefit of the shareholders registered with the Shareholding Register held by the Central Depository at the registration date that will be established by the GSM (July 13th, 2022);

Sources for capital increase	Sums (RON)
Capitalization of reserves from the net profit of the year 2021	765,112,650

Considering the above, each shareholder registered on the registration date, July 13th 2022, will receive free of charge, for each 100 shares owned, a total number of shares calculated as follows: $100 \times (765,112,650 / \text{RON } 6,311,469,680)$. The purpose of the capital increase is to sustain the current activity of the company.

- Approval of the consolidation of the nominal value of a share at Banca Transilvania SA, from 1 RON/share to 10 RON/share, by increasing the nominal value of the shares simultaneously with the reduction of the total number of shares (10 shares with a nominal value of 1 RON/share = 1 share with a nominal value of 10 RON/share), while also establishing a price of 2.5273 RON/share (having at the date of registration the nominal value of 1 RON) for the compensation of the fractions of shares resulting according to the formula detailed in the informative document, in accordance with the legal provisions in force, and granting a mandate to the Board and individually of its members for the implementation of this decision, including for the approval of the specific documentation.

Approval of the date August 17th, 2022 as the registration date (the date of payment being the next working day according to the applicable legal provisions) and of the ex-date August 16th, 2022, for consolidation of the nominal value of the shares at Banca Transilvania.

- Approval of dividend distribution from the profit of 2021, in total amount of 800,000,000 RON, being granted as cash dividends. Approval of a gross dividend per share of RON 0.1267533618 and approval of the date of June 16 as the payment date.

3.3 Changes in the management structure of the Bank (board, executive level etc.)

On April 28, 2022, as a result of the Decisions of the Ordinary General Shareholders' Meeting of Banca Transilvania, it was decided to elect the new Board of Directors for the 2022-2026 mandate, which will have the following composition: Horia Ciorcilă, Thomas Grasse, Ivo Gueorguiev, Vasile Puscaş, Mirela- Ileana Bordea, Florin Predescu-Vasvari, Lucyna Stanczak-Wuczynska.

At the executive management level, the term of office of Mrs. Mihaela Nadaşan was terminated as a result of her death. In the same way, the Bank's Board of Directors appointed Mrs. Ioana-Mihaela Ilaş as Deputy General Director of Retail Banking (in the process of BNR approval).

There were no changes in the Statutory auditor.

4. Significant transactions

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 half of 2022.

5. Conclusions

According to the latest report of the Romanian National Bank on financial stability from June 2022, the financial markets were marked by important uncertainties generated by the conflict between Russia and Ukraine, the evolution of energy product markets, but also by the tightening of financial conditions caused, mainly, by the accelerated growth of the inflation rate in both emerging and developed economies, especially against the backdrop of significant increases in natural gas and electricity prices and bottlenecks in supply chains.

In the context of international events, systemic risk assessments have tightened for certain categories, while the outlook for the coming period is mixed.

Considering these aspects, the NBR took measures by sequentially increasing the key rate up to 4.75%, resuming quantitative easing and providing liquidity through the Lombard facility.

At the end of the first six months of 2022, despite the difficult macroeconomic context induced by the war in Ukraine, Banca Transilvania reported a robust capitalization and a financial performance beyond expectations, consistently financing the population and companies and increasing the volume of processed operations, thus managing to generate in further economies of scale for customers. The BT customer portfolio is constantly expanding, exceeding 3.7 million customers at the end of the first semester of 2022 (+3% compared to December 31, 2021), and the number of new loans granted was over 139,000 (22% more than in same period of 2021), their value being approximately 14.2 billion lei (+58% compared to the value of grants in the first six months of 2021).

By setting up its own technology company Code Crafters, which began operations in April 2022, with a team of people with solid experience in both technology and outsourcing firms, as well as banking, BT has taken a big step towards achieving its strategic objectives in the field of digitization, namely the continuation of the development of intelligent operating systems, innovation and simplification of processes, as well as the continuation of the development of fully digitized customer interaction flows.

In 2022, the Bank was the most important partner in the governmental support programs IMM Invest and AGRO IMM Invest, but also in other guarantee schemes for SMEs launched in the current year such as RURAL INVEST, IMM PROD and GARANT CONSTRUCT, with a value total

financed by over 2.8 billion lei in the first semester through these programs which are characterized by state guarantees and subsidized interest.

The number one priority of Banca Transilvania was and still remains the support of businesses, with focus including on small businesses and active participation in programs to support the Romanian economy (IMM Invest, Noua Casă, Program of grants awarded by the European Union).

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

At the Ordinary and Extraordinary General Meetings of the Shareholders of Banca Transilvania S.A. from 28.04.2022, was approved the increase of the share capital by the amount of 765,112,650 lei (July 13, 2022 being the registration date), as well as the consolidation of the nominal value from 1 lei/share to 10 lei/share (August 17, 2022 being the registration date), more information being presented in section 3.2. from this report.

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

1. Summarized consolidated and separate financial statements prepared in accordance with IAS 34 “Interim Financial Reporting” as endorsed by the European Union as at June 30, 2022:
 - Consolidated and separate statement of profit and loss and other comprehensive income;
 - Consolidated and separate statement of financial position;
 - Consolidated and separate statement of changes in equity;
 - Consolidated and separate statement of cash flow;
 - Notes to the summarized consolidated and separate financial statements;
2. The statement of the Deputy CEO of Banca Transilvania assuming the responsibility for the summarized financial statements for the first half of 2022;

NOTE: The financial statements for the period ended June 30 are not audited nor revised.

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

**CHIEF EXECUTIVE OFFICER
ÖMER TETİK**

**SHAREHOLDERS STRUCTURE AT
30.06.2022**

Explanations	No.of holders	No. Shares	Percentage %
ROMANIAN CAPITAL	43,018	4,652,821,270	73.72
Individuals	42,261	1,406,727,635	22.29
Companies	757	3,246,093,635	51.43
of which Financial Investment Companies	5	1,167,125,800	19.49
FOREIGN CAPITAL	1047	1,658,648,410	26.27
Individuals	788	67,185,381	1.06
Companies	259	1,591,463,029	25.22
TOTAL	44,065	6,311,469,680	100

STATEMENT

As per provisions the article 30 of the Accounting Law no. 82/1991, republished, we hereby state that we take full responsibility for preparing the interim condensed financial statements as at June 30, 2022 and confirm that:

- a) The accounting policies used to prepare the interim condensed consolidated and separate financial statements are in accordance with the International Financial Reporting Standards as endorsed by the European Union (“IFRS”), applicable as at the reporting date June 30, 2022;
- b) The interim condensed consolidated and separate financial statements, prepared as at June 30, 2022 present a true image of the assets, liabilities, statement of financial position, statement of profit or loss of Banca Transilvania S.A.;
- c) Banca Transilvania S.A. carries its business on an ongoing basis;
- d) The Interim Report has been prepared in accordance with the ASF Regulation no. 5/2018 and reflects the fair and complete information at the reporting date.

DEPUTY CEO,

GEORGE CĂLINESCU

August 24, 2022

Refer to the original signed
Romanian version

Refer to the original signed
Romanian version

TRANSLATOR’S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version