

BT Financial Results as at June 30, 2023

Banca Transilvania: sustained organic growth during the first six months of the year

[Banca Transilvania](#) continued its organic growth during the first six months of the year, especially through an increased volume of transactions. BT generated value for the population and for companies and supported the economic activity during a key period for Romania.

The bank is one of the largest taxpayers in the country. During the first six months of the year, it contributed with around RON 600 million to the state budget by paying taxes and social contributions.

The first six months meant more than 1,600 new customers every day and an average of 730 loans/day. A total of 132,000 loans were granted to retail and corporate clients, amounting to RON 14.97 billion. The bank reached more than 4 million customers, of which 282,000 are new customers. In total, 88% of customers are digitalized, using at least one of the BT's apps.

BT Financial Group's assets, operating income, clients' deposits as well as card transactions, all increased significantly during the first half of 2023.

"The results are positive and we are pleased with how the bank and the entire BT Group has performed. We maintained our strong pace of operational growth and managed to support the economy and the population during a challenging period. In such times of uncertainty, the importance of a strong, well-capitalised banking system, with predictable legislation in supporting the economy and society, can be observed. We continue to invest, to increase the volumes and the transactions, and to finance the economy, in order to ensure prosperity for the Romanians and to contribute to the reduction of the gap with the Western economies, through investments. The bank's profitability helps us strengthen BT's capital to fulfill our plans and comply with the legal requirements", declares Ömer Tetik, Chief Executive Officer, Banca Transilvania.

First half of 2023 financial results:

- Banca Transilvania Financial Group's assets increased to RON 153.1 billion (+8.94% compared to 31 December 2022) whereas the loans' portfolio amounts to RON 69.5 billion (+2.13% compared to 31 December 2022).

- Banca Transilvania's clients deposits reached RON 122.5 billion (+5.10%), as BT continues to offer attractive yields, thus encouraging savings. Retail clients have deposits amounting to RON 81 billion, whereas the deposits of corporate clients amount to RON 41.5 billion.
- Banca Transilvania Financial Group's consolidated net profit amounts to RON 1,581.7 million (+51.1% compared to June 2022), of which the bank's net profit amounts to RON 1,269.0 million (+39.91% compared to June 2022). Subsidiaries and equity investments contributed with more than RON 312.7 million to the BT Group's profitability (+124% compared to June 2022).
- BT Group's operating income expanded by 29.7%, amounting to RON 3.7 billion.
- Banca Transilvania's growth rates during the first half of the year are above those of the banking system and reflect BT's role in financing the economy: total assets (7.92% vs. 5.25%), deposits (5.10% vs. 3.91%) and loans (2.64% vs. -4.69%).

Following the success of the bank's additional capitalization operations through the incorporation of profits and reserves, as well as the issuance of eligible MREL bonds, amounting to EUR 1 billion, Banca Transilvania has proposed for the shareholders' approval the distribution of a gross dividend amounting to RON 1.13/share from the net profit reserves of 2022 and also from the previous years' reserves. More than 33,000 direct Romanian shareholders and more than 7 million indirect Romanian shareholders will benefit from the initiative, as BT shares are the main holding of the local pension funds.

Lending, transactions, online banking and financial inclusion:

- Banca Transilvania continued to support the entrepreneurs through the national SME Invest program, granting RON 2.2 billion in financings during the first half of 2023. Among the participating banks in the program, BT granted the largest number of loans through the SME Invest Plus 2023 programme.
- BT reached 5.6 million cards in its portfolio, of which 3.3 million are also digital cards enrolled in BT Pay, Apple Pay, Google Pay, Fitbit Pay and Garmin Pay wallets.
- The number of phone payments increased by 43% during the first half of this year compared to the same period of 2022.
- The number of BT card transactions increased by 21% as at June 2023 compared to June 2022 figures.

- BT Pay has increased the users' access to the app by launching versions for children and young adults aged between 10-18 years (e.g. BT Pay Kiddo), making it a “whole family app”. BT Pay also continued to constantly add new features for managing the account and the cards - on average, it launched one new feature/month: Recurring transfers in RON to the BT card from cards issued in Romania by other banks or fintechs; Managing the accounts added in the app; Purchasing travel insurances and RCA – car insurance - policies; Launching the first virtual card with an animated design in Europe and, most recently, launching the Currency Exchange feature, i.e. Getting a BT Mastercard Direct card, in EUR, through BT Pay.

Other financial information as at 30 June 2023:

- Total provision coverage of non-performing loans according to EBA standards: 192%;
- Provisions balance: +3.46% reaching RON 4.16 billion, compared to the balance at the end of 2022, when it amounted to RON 4.02 billion;
- Cost of Risk: -0,05%;
- Cost to income ratio: 47,29%;
- BT Capital Adequacy Ratio: 23,88%, profit included;
- Non-performing loans, according to EBA indicator: 2,36%.

BT's debut on the international market with a bonds issue

Banca Transilvania made its debut on the international market this year with a [bonds issue](#) announced in April 2023, when it attracted EUR 500 million from investors. This was followed by an [additional EUR 100 million tap](#) in June 2023, following the high interest from institutional investors in the first bond issue. Subsequently, in July 2023, the bank received EUR 200 million from the [IFC](#) and the [Asian Infrastructure Investment Bank](#) as part of a [subordinated bonds package](#). In August, BT added EUR 190 million to its MTN program dedicated to raise capital for financing the economy, bringing the total attracted resources within the program to EUR 1 billion. The bank, thus fulfilled, its commitment to shareholders who approved BT's corporate issues program at the [Extraordinary General Meeting of Shareholders](#) (2022).

Banca Transilvania | Communication & Public Relations

Communication BT - investors:

- *Investors wishing to participate to the conference call related to the financial results for the first half of 2023, organised by Banca Transilvania on 28 August 2023, starting at 4:00 pm (Romanian time), should send a request by email to the following email address: investor.relations@btrl.ro.*
- *The report on H1/2023 financial results, prepared in accordance with the provisions of Article 67 of Law no. 24 of 2017 on issuers of financial instruments and market operations (including information in editable format), is available on BT's website, [Investor Relations](#) section, as of 25 August 2023, 9.00 a.m..*
- *Financial information as of June 30, 2023 and for the 6-month period ended June 30, 2023 is reviewed. The financial information for the 6-month and 3-month periods ended June 30, 2022, respectively, as well as for the 3-month period ended June 30, 2023, are unaudited and unrevised, and those as of December 31, 2022 are audited.*

Investors contact: investor.relations@btrl.ro; Press contact: comunicare@btrl.ro

Banca Transilvania S.A.
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**INTERIM CONDENSED CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS**

As at June 30, 2023

Banca Transilvania S.A.

CONTENTS

Interim Condensed Consolidated and Separate Statement of Profit or Loss	1
Interim Condensed Consolidated and Separate Statement of Other Comprehensive Income	2
Interim Condensed Consolidated and Separate Statement of Financial Position	3-4
Interim Condensed Consolidated and Separate Statement of Changes in Equity	5-8
Interim Condensed Consolidated and Separate Statement of Cash Flows	9-10
Notes to the Interim Condensed Consolidated and Separate Financial Statements	11-91

Banca Transilvania S.A.

Interim Condensed Consolidated and Separate Statement of Profit or Loss

<i>RON thousand</i>	Notes	Group				Bank			
		3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022
Interest income calculated using the effective interest method		2,085,128	4,031,942	1,319,752	2,422,473	1,819,594	3,568,994	1,168,232	2,128,476
Other interest like income		90,202	165,264	50,133	86,327	8,429	16,442	5,111	8,242
Interest expense calculated using the effective interest method		(887,905)	(1,667,118)	(307,376)	(476,390)	(820,920)	(1,545,249)	(287,141)	(438,422)
Other interest like expense		(860)	(1,575)	(480)	(1,014)	(1,771)	(3,408)	(1,611)	(3,360)
Net interest income	5	1,286,565	2,528,513	1,062,029	2,031,396	1,005,332	2,036,779	884,591	1,694,936
Fee and commission income		499,733	953,036	435,461	826,046	435,071	827,830	369,350	701,411
Fee and commission expense		(180,923)	(346,329)	(143,516)	(275,071)	(157,016)	(298,912)	(122,359)	(235,566)
Net fee and commission income	6	318,810	606,707	291,945	550,975	278,055	528,918	246,991	465,845
Net trading income	7	193,678	328,923	213,846	380,809	160,632	283,147	203,620	358,457
Net gain/loss realised from financial assets measured at fair value through other items of comprehensive income	8	18,242	85,086	(56,112)	(70,484)	18,239	85,077	(56,136)	(70,941)
Net gain/loss realised from financial assets which are required to be measured at fair value through profit or loss	9	29,887	53,389	(46,293)	(52,408)	30,831	48,708	(60,527)	(77,730)
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	10	(247)	(92,068)	(3,731)	(151,013)	2,385	(86,886)	-	(143,513)
Other operating income	11	88,060	164,909	75,959	144,554	54,752	98,091	67,274	110,584
Operating income		1,934,995	3,675,459	1,537,643	2,833,829	1,550,226	2,993,834	1,285,813	2,337,638
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	12(a)	(102,556)	(57,556)	(62,653)	(204,829)	(24,102)	15,465	(6,589)	(109,833)
(Other) Provisions and reversal of provisions	12(b)	3,225	10,009	17,170	25,619	65	952	8,626	10,565
Personnel expenses	13	(503,135)	(979,405)	(420,814)	(818,518)	(420,666)	(821,301)	(354,789)	(693,812)
Depreciation and amortization		(111,586)	(218,251)	(95,624)	(188,467)	(99,682)	(197,286)	(85,517)	(167,664)
Other operating expenses	14	(255,642)	(496,661)	(247,764)	(446,346)	(213,771)	(417,689)	(186,111)	(352,117)
Operating expenses		(969,694)	(1,741,864)	(809,685)	(1,632,541)	(758,156)	(1,419,859)	(624,380)	(1,312,861)
Profit before income tax		965,301	1,933,595	727,958	1,201,288	792,070	1,573,975	661,433	1,024,777
Income tax expense (-)	15	(221,335)	(351,928)	(81,813)	(154,809)	(199,005)	(305,008)	(61,948)	(117,774)
Net profit for the period		743,966	1,581,667	646,145	1,046,479	593,065	1,268,967	599,485	907,003
Net Profit of the Group attributable to:									
Equity holders of the Bank		718,729	1,523,264	624,082	1,007,548	593,065	1,268,967	599,485	907,003
Non-controlling interests		25,237	58,403	22,063	38,931	-	-	-	-
Net profit for the period		743,966	1,581,667	646,145	1,046,479	593,065	1,268,967	599,485	907,003

Interim Condensed Consolidated and Separate Statement of Other Comprehensive Income

<i>RON thousand</i>	Notes	Group				Bank			
		3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022 restated (*)	6 months ended June 30, 2022 restated (*)	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022 restated (*)	6 months ended June 30, 2022 restated (*)
Net Profit for the period		743,966	1,581,667	646,145	1,046,479	593,065	1,268,967	599,485	907,003
Items that will not be reclassified as profit or loss, net of tax		(993)	(993)	-	-	(941)	(941)	-	-
Other elements of comprehensive income		(993)	(993)	-	-	(941)	(941)	-	-
Items which are or may be reclassified to profit or loss		657,880	1,215,315	(2,645,018)	(3,754,784)	657,121	1,209,010	(2,638,618)	(3,727,227)
Fair value reserve (financial assets measured at fair value through other items of comprehensive income), of which:		783,157	1,435,619	(3,155,186)	(4,457,281)	783,561	1,440,825	(3,140,946)	(4,438,857)
Net gain /loss from disposal of financial assets measured at fair value through other items of comprehensive income, transferred to profit or loss account		(18,242)	(85,086)	56,112	70,484	(18,239)	(85,077)	56,136	70,941
Fair value changes of financial assets measured at fair value through other items of comprehensive income (*)		801,399	1,520,705	(3,211,298)	(4,527,765)	801,800	1,525,902	(3,197,082)	(4,509,798)
Translation of financial information of foreign operations to presentation currency		1,227	12,598	6,600	(14,411)	(119)	(131)	9	21
Income tax on items which are or may be reclassified to profit or loss (*)		(126,504)	(232,902)	503,568	716,908	(126,321)	(231,684)	502,319	711,609
Total comprehensive income for the period		1,400,853	2,795,989	(1,998,873)	(2,708,305)	1,249,245	2,477,036	(2,039,133)	(2,820,224)
Total comprehensive income attributable to:									
Equity holders of the Bank		1,375,616	2,737,586	(2,020,936)	(2,747,236)	1,249,245	2,477,036	(2,039,133)	(2,820,224)
Non-controlling interest		25,237	58,403	22,063	38,931	-	-	-	-
Total comprehensive income for the period		1,400,853	2,795,989	(1,998,873)	(2,708,305)	1,249,245	2,477,036	(2,039,133)	(2,820,224)
Basic earnings per share	37	0.9027	1.9133	0.0886	1.2638	-	-	-	-
Diluted earnings per share		0.9027	1.9133	0.0886	1.2638	-	-	-	-

(*) Please see note 42

The financial statements were approved by the Board of Directors on August 23, 2023 and were signed on its behalf by:

Ömer TETIK
Chief Executive Officer

George CĂLINESCU
Deputy Chief Executive Office

Banca Transilvania S.A.

Interim Condensed Consolidated and Separate Statement of Financial Position

<i>In RON thousand</i>	Notes	Group		Bank	
		30-06-2023	31-12-2022	30-06-2023	31-12-2022
		RON thousand	RON thousand	RON thousand	RON thousand
Assets					
Cash and current accounts with Central Banks	16	22,762,583	14,540,717	20,048,165	12,645,157
Derivatives	40	194,435	218,443	194,435	218,443
Financial assets held for trading	18	315,195	321,370	35,399	30,693
Non-trading financial assets mandatorily at fair value through profit or loss	18	1,222,221	1,106,041	1,612,310	1,474,595
Financial assets measured at fair value through other items of the comprehensive income	21	45,672,475	43,485,732	45,310,242	43,124,154
- of which pledged securities (repo agreements)		789,482	1,833,170	789,482	1,833,170
Financial assets at amortized cost of which:		76,811,396	74,714,992	74,174,253	72,995,600
- Placements with banks and public institutions	17	4,227,655	5,567,332	5,309,035	6,634,858
- Loans and advances to customers	19	66,446,951	65,200,920	65,092,069	63,449,954
- Debt instruments	21	4,349,941	2,059,712	2,326,792	975,159
- Other financial assets	25	1,786,849	1,887,028	1,446,357	1,935,629
Finance lease receivables	20	3,013,765	2,812,597	-	-
Investments in subsidiaries		-	-	710,384	708,412
Investments in associates		2,680	3,737	-	-
Property and equipment and investment property		1,168,374	1,174,446	718,632	731,037
Intangible assets		530,376	506,238	448,746	429,960
Goodwill		154,363	154,363	-	-
Right-of-use assets		446,530	487,957	645,468	696,798
Current tax receivables		-	14,947	-	26,627
Deferred tax assets		565,421	791,605	516,078	747,800
Other non-financial assets	26	208,285	177,610	153,765	130,953
Total assets		153,068,099	140,510,795	144,567,877	133,960,229

Banca Transilvania S.A.

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

<i>In RON thousand</i>	Notes	Group		Bank	
		30-06-2023 RON thousand	31-12-2022 RON thousand	30-06-2023 RON thousand	31-12-2022 RON thousand
Liabilities					
Derivatives		44,195	41,695	44,195	41,695
Deposits from banks	27	453,499	1,678,082	435,541	1,631,542
Deposits from customers	28	127,426,948	119,731,729	122,445,887	116,503,842
Loans from banks and other financial institutions	29	6,560,508	4,840,928	5,445,633	3,562,483
Subordinated liabilities	30	2,737,076	1,748,260	2,708,318	1,718,909
Lease liabilities		450,535	492,956	615,020	663,680
Other financial liabilities	32	2,034,206	1,764,364	1,541,418	1,315,969
Current tax liability	41	260,270	-	237,615	-
Provisions for other risks and loan commitments	31	499,181	500,546	443,832	431,296
Other non-financial liabilities	33	283,264	215,374	198,324	132,636
Total liabilities excluding financial liabilities to holders of fund units		140,749,682	131,013,934	134,115,783	126,002,052
Financial liabilities to holders of fund units		25,034	25,328	-	-
Total liabilities		140,774,716	131,039,262	134,115,783	126,002,052
Equity					
Share capital	34	7,163,083	7,163,083	7,163,083	7,163,083
Treasury shares		(15,287)	(64,750)	-	(49,463)
Share premiums		31,235	31,235	28,614	28,614
Retained earnings		5,963,512	4,457,854	4,801,047	3,558,320
Revaluation reserves from tangible assets		62,984	70,355	28,285	35,678
Reserves on financial assets measured at fair value through other items of comprehensive income		(2,523,759)	(3,728,492)	(2,527,533)	(3,736,653)
Other reserves		990,023	989,581	958,598	958,598
Total equity attributable to equity holders of the Bank		11,671,791	8,918,866	10,452,094	7,958,177
Non-controlling interest		621,592	552,667	-	-
Total equity		12,293,383	9,471,533	10,452,094	7,958,177
Total liabilities and equity		153,068,099	140,510,795	144,567,877	133,960,229

The financial statements were approved by the Board of Directors on August 23, 2023 and were signed on its behalf by:

Ömer TETIK
Chief Executive Officer

George CĂLINESCU
Deputy Chief Executive Officer

Banca Transilvania S.A.

Interim Condensed Consolidated Statement of Changes in Equity

For the three-month period ended June 30, 2023

Group	Attributable to the equity holders of the Bank									
	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
<i>In RON thousand</i>										
Balance as at 01 January 2023	7,163,083	(64,750)	31,235	70,355	(3,728,492)	989,581	4,457,854	8,918,866	552,667	9,471,533
Profit for the period	-	-	-	-	-	-	1,523,263	1,523,263	58,404	1,581,667
Profit/(Losses) from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax	-	-	-	-	1,204,733	-	-	1,204,733	-	1,204,733
Retained earnings from revaluation reserves	-	-	-	(7,371)	-	-	7,371	-	-	-
Foreign currency translation of foreign operations	-	-	-	-	-	-	10,582	10,582	-	10,582
Other items of comprehensive income, net of tax	-	-	-	-	-	-	(993)	(993)	-	(993)
Total comprehensive income for the period	-	-	-	(7,371)	1,204,733	-	1,540,223	2,737,585	58,404	2,795,989
Contributions of/distributions to the shareholders										
Distribution to statutory reserves	-	-	-	-	-	442	(442)	-	-	-
Acquisition of treasury shares	-	(19,347)	-	-	-	-	-	(19,347)	-	(19,347)
Payments of treasury shares	-	68,810	-	-	-	-	(66,329)	2,481	-	2,481
SOP 2023 Scheme	-	-	-	-	-	-	33,749	33,749	-	33,749
Transfer of retained earnings to liabilities to holders of fund units	-	-	-	-	-	-	(28)	(28)	-	(28)
Other items	-	-	-	-	-	-	(1,515)	(1,515)	10,521	9,006
Total contributions of/distributions to the shareholders	-	49,463	-	-	-	442	(34,565)	15,340	10,521	25,861
Balance as at 30 June 2023	7,163,083	(15,287)	31,235	62,984	(2,523,759)	990,023	5,963,512	11,671,791	621,592	12,293,383

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

For the six-month period ended June 30 2022

Group	Attributable to the equity holders of the Bank									
	In RON thousand				Reserves from financial assets measured through other items of comprehensive income restated	Other reserves restated	Retained earnings	Total attributable to the equity holders of the Bank restated	Non-controlling interest	Total restated
	Share capital	Treasury shares	Share premiums	Revaluation reserves						
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 (*)	-	-	-	-	(3,742,679)	-	-	(3,742,679)	-	(3,742,679)
Retained earnings from revaluation reserves	-	-	-	(8,935)	-	-	8,935	-	-	-
Foreign currency translation of foreign operations	-	-	-	-	-	-	(12,105)	(12,105)	-	(12,105)
Total comprehensive income for the period restated	-	-	-	(8,935)	(3,742,679)	-	1,004,378	(2,747,236)	38,931	(2,708,305)
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)
Distribution to statutory reserves	-	-	-	-	-	1,851	(1,851)	-	-	-
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 restated	-	-	-	-	-	1,851	(827,186)	(825,335)	15	(825,320)
Balance as at 30 June 2022 restated	6,397,971	(15,287)	31,235	64,357	(4,739,376)	866,744	3,914,067	6,519,711	510,798	7,030,509

(*) Please see note 42

Banca Transilvania S.A.

Interim Condensed Separate Statement of Changes in Equity

For the three-month period ended June 30, 2023

Bank

In RON thousand	Attributable to the equity holders of the Bank							
	Share capital	Treasury shares	Share premiums	Revaluation reserves	Reserves from financial assets measured through other items of comprehensive income	Other reserves	Retained earnings	Total
Balance as at 01 January 2023	7,163,083	(49,463)	28,614	35,678	(3,736,653)	958,598	3,558,320	7,958,177
Profit for the period	-	-	-	-	-	-	1,268,967	1,268,967
Losses from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax	-	-	-	-	1,209,120	-	-	1,209,120
Revaluation of property and equipment, intangible assets, net of tax	-	-	-	(7,393)	-	-	7,393	-
Other items of comprehensive income, net of tax	-	-	-	-	-	-	(1,051)	(1,051)
Statement of comprehensive income for the period	-	-	-	(7,393)	1,209,120	-	1,275,309	2,477,036
Contributions of/distributions to the shareholders								
Acquisition of treasury shares	-	(19,347)	-	-	-	-	-	(19,347)
Pay own shares	-	68,810	-	-	-	-	(66,329)	2,481
Dividends distributed to shareholders	-	-	-	-	-	-	-	-
SOP 2023 Scheme	-	-	-	-	-	-	33,747	33,747
Total contributions of/distributions to the shareholders	-	49,463	-	-	-	-	(32,582)	16,881
Balance as at 30 June 2023	7,163,083	-	28,614	28,285	(2,527,533)	958,598	4,801,047	10,452,094

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 Condensed Separate Statement of Changes in Equity (continued)

For the six-month period ended June 30, 2022

Bank

In RON thousand	Attributable to the equity holders of the Bank							
	Share capital	Treasury shares	Share premiums	Revaluation reserves	Reserves from financial assets measured through other items of comprehensive income restated	Other reserves	Retained earnings	Total restated
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 (*)	-	-	-	-	(3,727,244)	-	-	(3,727,244)
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 restated	-	-	-	(8,030)	(3,727,244)	-	915,050	(2,820,224)
Contributions of/distributions to the shareholders	-	(100,834)	-	-	-	-	-	(100,834)
Acquisition of treasury shares	-	100,834	-	-	-	-	(102,910)	(2,076)
Pay own shares	-	-	-	-	-	-	(800,000)	(800,000)
SOP 2022 Scheme	-	-	-	-	-	-	55,782	55,782
Total contributions of/distributions to the shareholders	-	-	-	-	-	-	(847,128)	(847,128)
Balance as at 30 June 2022 restated	6,397,971	-	28,614	34,204	(4,731,911)	837,564	3,119,331	5,685,773

(*) Please see note 42

Interim Condensed Consolidated and Separate Statement of Cash Flows

For the six-month period ended June 30

<i>In RON thousand</i>	Notes	Group		Bank	
		30-06-2023	30-06-2022	30-06-2023	30-06-2022
Cash-flow from operating activities					
Profit for the period		1,581,667	1,046,479	1,268,967	907,003
Adjustments for:					
Depreciation and amortization		218,251	188,467	197,286	167,664
Impairment allowance, expected losses and write-offs of financial assets, provisions for other risks and loan commitments		159,553	300,637	87,768	218,300
Adjustment of financial assets at fair value through profit and loss		(53,389)	52,408	(48,708)	77,730
Income tax expense		351,928	154,809	305,008	117,774
Interest income		(4,197,206)	(2,508,800)	(3,585,436)	(2,136,718)
Interest expense		1,668,693	477,404	1,548,657	441,782
Other adjustments		35,761	692,573	27,041	39,677
Net profit adjusted with non-monetary elements		(234,742)	403,977	(199,417)	(166,788)
Changes in operating assets and liabilities					
Change in financial assets at amortized cost and placements with banks		(424,067)	402,900	(189,450)	(1,044,110)
Change in loans and advances to customers		(1,342,273)	(7,810,325)	(1,650,990)	(8,125,900)
Change in finance lease receivables		(145,949)	(1,163,427)	-	-
Change in financial assets at fair value through profit or loss		(62,791)	(39,183)	(89,007)	(31,402)
Change in financial assets held for trading and measured at fair value through profit or loss - derivatives		24,008	(153,933)	24,008	(155,018)
Change in equity instruments		11,445	30,537	(4,706)	547
Changes in debt instruments		(5,270)	6,570	-	-
Change in other financial assets		75,378	(507,588)	453,649	(535,739)
Change in other assets		(80,655)	(75,682)	(85,040)	(73,702)
Change in deposits from customers		7,292,733	2,870,867	5,539,261	5,151,670
Change in deposits from banks		(1,220,765)	439,615	(1,192,343)	326,943
Change in financial liabilities held-for-trading		2,500	6,787	2,500	7,277
Change in repo operations		(1,025,034)	(5,861,212)	(1,025,034)	(5,861,212)
Change in other financial liabilities		265,930	119,210	221,822	(934)
Change in other liabilities		67,890	72,497	65,688	53,092
Income tax (paid)/recovered		(83,289)	(159,886)	(40,728)	(130,126)
Interest received		3,256,543	1,546,151	2,726,461	1,218,313
Interest paid		(1,112,449)	(393,402)	(1,021,938)	(356,026)
Net cash-flow from operating activities		5,259,1143	(10,265,527)	3,534,736	(9,723,115)

Interim Condensed Consolidated and Separate Statement of Cash Flows (continued)

For the Six-month period ended June 30

<i>In RON thousand</i>	Notes	Group		Bank	
		30-06-2023	30-06-2022	30-06-2023	30-06-2022
Cash-flow used in investment activities					
Acquisition of financial assets measured at fair value through other items of comprehensive income		(9,549,533)	(9,487,894)	(9,546,008)	(9,437,311)
Sale/redemption of financial assets measured at fair value through other items of comprehensive income		8,922,324	6,094,523	8,920,565	6,092,285
Net acquisitions of property and equipment		(43,529)	(76,138)	(28,046)	(33,028)
Net acquisitions intangible assets		(84,665)	(64,712)	(72,680)	(62,158)
Proceeds from disposal of property and equipment and intangible assets		990	1,960	306	608
Acquisition of equity investments		-	(338,595)	-	(338,595)
Sales of equity investments		-	16,964	-	35,105
Dividends collected		8,805	5,403	5,861	8,662
Interest received		720,024	656,354	719,994	579,530
Net cash-flow used in investment activities		(25,584)	(3,192,135)	(8)	(3,154,902)
Cash-flow from financing activities					
Gross proceeds from loans from banks and other financial institutions		3,022,871	10,121,424	2,959,250	9,994,300
Gross payments from loans from banks and other financial institutions		(320,171)	(257,225)	(88,753)	(117,349)
Gross payments from subordinated loans from banks and other financial institutions		991,660	-	991,660	-
Repayment of the principal portion of the lease liabilities		(74,985)	(70,978)	(78,529)	(130,591)
Dividend payments		(409)	(800,249)	(409)	(800,249)
Payments for treasury shares		(19,347)	100,834	(19,347)	100,834
Interest paid		(114,204)	(47,926)	(84,373)	(38,351)
Net cash-flow used in financing activities		3,485,415	9,045,880	3,679,499	9,008,594

<i>In RON thousand</i>	Group		Bank	
	30-06-2023	30-06-2022	30-06-2023	30-06-2022
Cash and cash equivalents at January 1	18,459,296	27,356,745	15,342,973	24,880,094
The impact of exchange rate variations on cash and cash equivalents	19,023	28,016	16,961	24,304
Net increase/decrease (-) in cash and cash equivalents	8,699,951	(4,439,798)	7,197,266	(3,893,727)
Cash and cash equivalents as at June 30	27,178,270	22,944,963	22,557,200	21,010,671

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 2023 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, 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 31.09%. Starting April 2023 the Bank has control, through an investment fund, over a newly established company BTP One S.R.L.

The Bank carries out its banking activity through its head office located in Cluj-Napoca and 42 branches, 456 agencies, 5 work units, 8 healthcare division units, 2 private banking agencies in Romania, 1 branch in Italy and 1 regional office located in Bucharest (2022: 42 branches, 454 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 2023 was 11,374 (December 31,2022: 11,256 employees).

The Bank’s number of active employees as at 30 June 2023 was 9,199 (December 31, 2022: 9,109 employees).

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

The ownership structure of the Bank is presented below:

	30-06-2023	30-06-2022
NN Group (*)	9.43%	10.16%
The European Bank for Reconstruction and Development (“EBRD”)	6.87%	6.87%
Romanian individuals	22.97%	22.29%
Romanian companies	44.05%	42.07%
Foreign individuals	1.08%	1.06%
Foreign companies	15.60%	17.55%
Total	100%	100%

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

a) Reporting entity (continued)

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

Subsidiary	Field of activity	Percentage of direct and indirect stake 30-06-2023	Percentage of direct and indirect stake 31-12-2022
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 Asistent de Brokeraj S.R.L.	Activities of insurance agents and brokers	99.95%	99.95%
BT Asiom Agent de Asigurare S.R.L.	Activities of insurance agents and brokers	99.95%	99.95%
BT Safe Agent de Asigurare S.R.L.	Activities of insurance agents and brokers	99.99%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	Activities of insurance agents and brokers	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 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%	100%
Tiriac Leasing IFN S.A.(*)	Financial leasing	-	100%

(*) Tiriac Leasing IFN S.A. was absorbed through merger by BT Leasing IFN S.A. starting with January 1, 2023.

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, 2023.

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, 2022.

The financial information as of and for the 6-months and 3-months periods ended June 30, 2023, respectively, are reviewed. The financial information for the 6-month and 3-month periods ended June 30, 2022, respectively, are unaudited and unreviewed.

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	30-06-2023	31-12-2022	Fluctuation %
Euro (EUR)	1: RON 4.9634	1: RON 4.9474	0.32%
American dollar (USD)	1: RON 4.5750	1: RON 4.6346	-1.29%

e) Use of estimates and judgements

The preparation of the interim condensed consolidated and separate statements 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 are frequently reviewing (mostly monthly) the loan and finance lease receivables portfolio in order to assess the impairment. In determining whether an impairment loss should be recorded, the Group and the Bank make judgments as to whether there is any observable or expected data indicating that there is a measurable decrease in the estimated future cash flows related to a portfolio of loans and finance lease, before such decrease can be identified with respect to an individual loan/lease investment in that portfolio.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

e) Use of estimates and judgements (continued)

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

For example, the observable data might be the unfavorable changes in the payment behavior of certain debtors within a group or in the economic, national or local circumstances, which correlate with default incidents affecting the debtors' group.

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

Individually significant assets are assessed and monitored individually, regardless of the stage allocation, determined using the automated criteria. Thus, a specialized team of experts uses professional judgement to assess the unlikeliness to pay and determine the scenarios used to compute the ECL.

The three-stage expected credit loss impairment model in IFRS 9 depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the impairment charge equals the expected credit losses resulting from default events that are possible within the next 12 months (stage 1). If the credit risk has increased significantly, the loan is more than 30 days past due, or the loan is in default or otherwise impaired, the impairment charge equals the lifetime expected credit losses (stage 2 and 3).

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 semester of 2023, reflect an economic environment characterized by a series of uncertainties due to the ongoing armed conflict between Russia and Ukraine, with direct implications for the population and economic agents. This situation has led to an upward trend in the prices of raw materials and agri-food products, combined with existing pressure in the labor market. Even though energy and gas prices have temporarily stabilized in European markets, due to the support provided by the government through energy price capping programs, for both household and industrial consumers, the situation can be negatively influenced by a reconfiguration of the current capping schemes because of the macroeconomic imbalance Romania is facing.

The persistence of a high level of inflation in all markets, along with significantly increased financing costs (interest rates), combined with tighter financial conditions, contributes to a slowdown in economic growth and represents key aspects to monitor in a macroeconomic environment marked by volatility and uncertainties.

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)

Part of the impact on the expected losses from the credit risk related to the year 2023 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.

The weights percentages allocated to the scenarios used by the Bank on June 30, 2023, are: 55 % (31 December 2022: 55%) on base scenario, 35% (31 December 2022: 35%) on pessimistic scenario and 10% (31 December 2022: 10%) on the optimistic one.

Optimistic scenario – Macro indicators (average)	2023	2024	2025
Real PIB (% each year)	3.32	4.69	4.82
Unemployment rate (%)	5.55	5.50	5.46
Inflation (hicp,%)	9.35	4.37	4.83
ROBOR 3M (%)	6.70	5.21	4.39
EURIBOR 3M (%)	2.46	1.72	1.35
Base scenario - Macro indicators	2023	2024	2025
Real PIB (% each year)	2.77	3.67	4.01
Unemployment rate (%)	5.56	5.52	5.50
Inflation (hicp, %)	9.41	4.58	4.98
ROBOR 3M (%)	6.76	5.42	4.54
EURIBOR 3M (%)	3.31	2.82	2.00
Pessimistic scenario - Macro indicators	2023	2024	2025
Real PIB (% each year)	1.37	2.74	2.50
Unemployment rate (%)	5.57	5.54	5.55
Inflation (hicp, %)	10.51	8.51	7.81
ROBOR 3M (%)	7.86	9.34	7.38
EURIBOR 3M (%)	3.54	3.61	2.56

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	+38 Mio RON	-20 mio RON	-40 mio RON

For comparison, macroeconomic indicators used at the end of 2022, for the baseline scenario are:

	2023	2024	2025
Real PIB (% each year)	2.33	4.16	5.01
Unemployment rate (%)	5.19	5.13	5.10
Inflation (%)	8.59	4.65	5.21
ROBOR 3M (%)	7.18	5.21	4.89
EURIBOR 3M (%)	2.56	1.82	1.58

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. Scenario weights are determined by a statistical analysis but also by an expert opinion, considering the possible results of each scenario.

Considering mentioned macroeconomic context, the management continued to apply its own value judgments using a series of post-model adjustments, adopting a conservative position in line with the expectations provided by the banking supervisory authorities.

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 set for the loans/ borrowers 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. During the year 2023, the Bank revised the assumptions regarding post-model adjustments related to macroeconomic risks specific to certain industries that were heavily affected by supply chain disruptions and rising energy costs, classified as sensitive sectors. The revision aimed to evaluate whether corrective measures are necessary, either to eliminate or introduce new sensitive sectors. The decision was to maintain the current scheme until the end of the year, with continuous monitoring of portfolios to proactively identify difficulties/ stress signals and intervene specifically on this type of post-model adjustments, if necessary.

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 2023. The Bank remains vigilant in monitoring geopolitical and economic relations.

Also, 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 were analyzed; 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.

Another main consideration of the introduction and maintaining the 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.

The amount of post model adjustments applied is representing 19.1% of total ECL (17.5% in dec.2022) considering:

- expectation related to sensitive industries and high-risk products;
- expectations regarding the increase in default rates taking into account high inflation, rising interest rates, as well as the geopolitical situation (expert judgement);
- 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 – watch list exposures have been transferred from stage 1 to stage 2 and ECL volume has been adjusted to ensure sufficient impairment coverage.

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)*

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 variations in mark-up to market.

The Group and the Bank stands on a comfortable position of liquidity, therefore the market disruptions didn't seriously affect them. In terms of interest rate risk, the pressure was felt on net interest margin due to interest rates levels.

The financial instruments measured at fair value 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 slightly upward trend but still remaining 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 Group and the Bank hold, 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 264,096 thousand.

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's estimate in regard to presenting the gain from the acquisition as non-taxable income in the interim consolidated summarized financial statements as of March 31, 2023 and in the consolidated and individual financial statements as of December 31, 2022, was based on solid arguments, as follows:

- 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, annulled the first instance decision, retried the case and in retrial rejected the action filed by Banca Transilvania S.A. 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.

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 Court of Justice of European Union issued a decision in this case on April 27, 2023.

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”)

On June 14, 2023, a new deadline took place in the file before the High Court of Cassation and Justice of Romania, where Banca Transilvania S.A. submitted a new request for a preliminary ruling to the Court of Justice of the European Union, under the conditions of extensive case supporting arguments. The next deadline has been scheduled to September 20, 2023. In February 2023, a fiscal inspection of the Bank's activity for the years 2015 and 2016 was completed. In the Fiscal Inspection Report (“RIF”), the control team noted that the Bank did not apply the provisions of the AIFS and that the Bank should have included the gain from the purchase in advantageous conditions of Volksbank Romania S.A. shares in its tax base for 2015. Following the RIF, the tax authorities issued a decision to change the tax base for 2015, which does not have direct effects, because in 2015 the Bank benefited from taking over the fiscal loss after the merger with Volksbank S.A.

The Bank filed an appeal against the decisions taken by the tax authorities following the above RIF and filed a request to suspend this decision in court during February 2023. In the case of the appeal, the settlement was suspended by the tax authorities until a final resolution for the revision before the High Court of Cassation and Justice of Romania in the SFIA case is reached and the case description is summarized above.

Regarding the request to suspend the decision, it was judged at the Cluj Court of Appeal at the end of February 2023, and it was rejected. The Bank made an appeal to the High Court of Cassation and Justice against this decision.

Also, on June 27, 2023, the Bank's appeal was rejected during the suspension procedure. During May 2023, ANAF initiated a documentary check of the bank's activity for 2017 and 2018. Following this control, on June 13, 2023, Banca Transilvania S.A. was notified of the tax decision establishing additional obligations representing profit tax in the amount of RON 90,275,215 for year 2017, respectively RON 173,820,822 for year 2018, totalizing RON 264,096,037. Additionally to these tax liabilities will be added, in the near future, ancillary tax obligations.

The Bank filed an appeal against the tax decision taken by the tax authorities following the documentary check of the years 2017 and 2018 detailed above and filed a request to suspend this decision in Court during June 2023.

The tax appeal is in progress of being resolved at the level of the tax authorities, and regarding the request to suspend the decision, it was judged at the level of the Cluj-Napoca Court of Appeal, which rejected the Bank's request at the beginning of July 2023.

Banca Transilvania S.A. and its team of lawyers consider that the legal steps to support the case of non-taxation of the gain from Volksbank S.A. acquisition transaction are more than likely to have chances of success in the end.

However, in order to limit a potential negative impact from ancillary tax liabilities in case of an unfavorable legal decision, Banca Transilvania S.A. decided to pay on July 5, 2023 the amount of RON 264 million representing additional tax liabilities established following the documentary check for 2017 and 2018.

Banca Transilvania S.A. will continue to diligently pursue this litigation and, in the case of success, stands to recover the payment made.

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”)

At the end of July 2023, the tax authorities established ancillary tax liabilities following the payment of additional tax obligations established following the documentary verification for 2017 and 2018 in the amount of RON 154,972,067. The Bank issued a letter of guarantee suspending the obligation to pay this amount until a final settlement of the above-mentioned legal issues is reached.

The Bank appealed against the additional tax liabilities claimed by the authorities, through its lawyers who represent it in the above mentioned cases.

The Bank analysed requests of IFRIC 23 corroborated with lawyers opinion that represent the causes mentioned above on Court and considers that the Bank has significant winning chances, considering that the Bank actioned based on European regulations related tax treatment for the non-taxation of the gain from Volksbank acquisition transaction, fact clarified by Romanian fiscal legislation on January 1, 2016. Considering the inconsistency of the Romanian authorities who treated the tax treatment of the gain from the acquisition, the Bank took a prudent approach to reflect this level of uncertainty in the interim financial statements using the most probable value method and recognized the amount of RON 100 million in debts regarding the current profit tax, representing approximately 40% of the value of the advance payment made.

The Bank will monitor the evolution of the topic at each reporting date, in accordance with the relevant provisions of the accounting regulations.

(iii) Risk provisions for abusive clauses and litigation

The provision for abusive clauses is an estimated amount for potential litigations facing the Bank derived from the retail credit contracts inherited from Volksbank Romania S.A. and Bancpost S.A. merger. The provision is periodically reviewed by the Bank by incorporating historical data regarding litigations in the last years and the loss probability for such cases. The last review for abusive clauses provision has been performed as of June 30, 2023 when the Bank adjusted the provision based on the trend of such new litigations and the probability loss estimated at this date.

(iv) Other significant details about 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 445 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 Group and the Bank did not recognize a provision for this case, but will monitor the evolution of the topic at each reporting date, in accordance with the relevant provisions of the accounting regulations. 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.

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, 2022, except for the followings:

a) New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Group and the Bank has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for reporting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The following new standards, as well as updates to existing standards, came into force for annual periods beginning after January 1, 2023 and may be applied earlier.

IFRS 17 Insurance Contracts - New standard IFRS 17 “Insurance Contracts” including the June 2020 and December 2021 Amendments to IFRS 17 - issued by IASB on 18 May 2017.

The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 “Insurance Contracts” and related interpretations while applied. Amendments to IFRS 17 “Insurance Contracts” issued by IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments issued on 25 June 2020 introduce simplifications and clarifications of some requirements in the Standard and provide additional reliefs when applying IFRS 17 for the first time.

Amendments to IFRS 17 “Insurance contracts” - Initial Application of IFRS 17 and IFRS 9 – Comparative Information issued by IASB on 9 December 2021. It is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time.

Amendments to IAS 1 - Disclosure of Accounting Policies - issued by IASB on 12 February 2021. Amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.

Amendments to IAS 8 - Disclosure of Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates issued by IASB on 12 February 2021. Amendments focus on accounting estimates and provide guidance how to distinguish between accounting policies and accounting estimates.

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction - issued by IASB on 6 May 2021. According to amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

International Tax Reform — Pillar Two Model Rules issued by IASB on 23 May 2023. The amendments introduced a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules and disclosure requirements about company’s exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

2. Significant accounting policies (*continued*)

b) New and revised IFRS Accounting Standards in issue and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, no new and revised IFRS Accounting Standards have been issued and adopted by the EU but are not yet effective.

c) New and revised IFRS Accounting Standards in issue but not adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not adopted by the EU as the date of authorisation of these financial statements.

Amendments to IAS 12 - International Tax Reform – Pillar Two Model Rules (IASB effective date: 1 January 2023) - exception specified in amendments to IAS 12 (that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes) is applicable immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (IASB effective date: 1 January 2024)

Amendments issued on January 2020 provide more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments issued on October 2022 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability and set the effective date for both amendments to annual periods beginning on or after 1 January 2024.

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback IASB effective date: 1 January 2024)

Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

Amendments to IAS 7 and IFRS 7 -Supplier Finance Arrangement (IASB effective date: 1 January 2024)

Amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements.

IFRS 14 - Regulatory Deferral Accounts (IASB effective date: 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred by IASB indefinitely but earlier application permitted)

The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. According to the Group’s and Bank’s estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: “Financial Instruments: Recognition and Measurement” would not significantly impact the financial statements, if applied as at the balance sheet date.

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, 2023 and June 30, 2022, 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, 2023, and comparative data for December 31, 2022:

Business segments as at June 30, 2023

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	12,831,967	10,816,229	5,127,265	4,605,081	30,396,590	-	4,986,383	8,452,684	(3,114,844)	74,101,355
<i>Allowances for impairment losses on loans and finance lease receivables</i>	(737,568)	(937,717)	(389,567)	(598,828)	(1,646,305)	-	(403,827)	(8,490)	81,663	(4,640,639)
Loans and finance receivables-net Portfolio of Debt instruments and Equity instruments, net of provisions	12,094,399	9,878,512	4,737,698	4,006,253	28,750,285	-	4,582,556	8,444,194	(3,033,181)	69,460,716
Treasury and inter-bank operations	-	-	-	-	-	51,659,501	2,873	446,863	(354,970)	51,754,267
Property and equipment and investment property, Intangible assets and goodwill	-	-	-	-	-	28,705,812	43,819	1,213,808	(2,973,201)	26,990,238
Right-of-use assets	80,252	168,472	143,175	214,086	701,434	41,593	175,768	342,545	(11,532)	1,855,793
Other assets	28,098	51,323	35,214	71,723	227,747	12,550	21,514	13,719	(15,358)	446,530
	463,737	371,192	168,946	157,244	1,050,358	-	269,917	204,049	(124,888)	2,560,555
Total assets	12,666,486	10,469,499	5,085,033	4,449,306	30,729,824	80,419,456	5,096,447	10,665,178	(6,513,130)	153,068,099
Deposits and current accounts	8,168,488	11,479,961	7,711,885	16,995,108	83,105,693	2,531,199	-	870,285	(2,982,172)	127,880,447
Loans from banks and other financial institutions	152,866	392,875	71,562	50,954	42,727	792,315	3,955,131	4,216,547	(3,114,469)	6,560,508
Subordinated liabilities	-	-	-	-	-	2,755,285	-	-	(18,209)	2,737,076
Finance lease financial liabilities	90,183	74,441	34,869	29,454	209,540	801	21,692	5,013	(15,458)	450,535
Other liabilities	636,123	477,204	189,666	170,910	1,155,068	977	219,677	405,902	(109,377)	3,146,150
Total liabilities	9,047,660	12,424,481	8,007,982	17,246,426	84,513,028	6,080,577	4,196,500	5,497,747	(6,239,685)	140,774,716
Equity and related items	-	-	-	-	-	-	-	12,293,383	-	12,293,383
Total liabilities and equity	9,047,660	12,424,481	8,007,982	17,246,426	84,513,028	6,080,577	4,196,500	17,791,130	(6,239,685)	153,068,099

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

3. Segment reporting (continued)

Business segments as at December 31, 2022

Group In RON thousand

	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Intra-group eliminations & adjustments	Total
Gross loans and finance lease receivables	12,560,167	9,966,452	4,643,518	4,634,808	30,119,009	-	4,612,312	8,442,599	(2,449,354)	72,529,511
Provisions for principal	(751,732)	(991,971)	(356,153)	(559,485)	(1,503,005)	-	(403,567)	(16,224)	66,143	(4,515,994)
Loans and finance lease receivables net of provisions	11,808,435	8,974,481	4,287,365	4,075,323	28,616,004	-	4,208,745	8,426,375	(2,383,211)	68,013,517
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	-	47,039,771	15,909	465,793	(330,175)	47,191,298
Treasury and inter-bank operations	-	-	-	-	-	21,681,878	93,324	399,105	(2,066,258)	20,108,049
Property and equipment and investment property, Intangible assets and goodwill	86,459	176,082	109,076	257,541	797,050	50,753	30,636	342,643	(11,456)	1,838,784
Right-of-use assets	29,949	54,903	30,372	86,362	251,345	15,360	17,431	13,438	(11,203)	487,957
Other assets	623,728	473,012	202,070	210,549	1,423,491	-	255,394	97,507	(414,561)	2,871,190
Total assets	12,548,571	9,678,478	4,628,883	4,629,775	31,087,890	68,787,762	4,621,439	9,744,861	(5,216,864)	140,510,795
Deposits from customers and current accounts	7,727,114	10,028,370	6,159,056	15,942,884	79,880,405	3,741,780	-	2,202	(2,072,000)	121,409,811
Loans from banks and other financial institutions	148,810	464,372	62,783	54,555	56,351	1,818,574	3,487,240	1,231,522	(2,483,279)	4,840,928
Subordinated liabilities	-	-	-	-	-	1,766,159	-	-	(17,899)	1,748,260
Lease liabilities	99,999	76,728	34,046	33,909	235,707	702	17,420	5,572	(11,127)	492,956
Other liabilities	509,017	386,845	133,626	132,536	884,225	713	353,383	412,347	(265,385)	2,547,307
Total liabilities	8,484,940	10,956,315	6,389,511	16,163,884	81,056,688	7,327,928	3,858,043	1,651,643	(4,849,690)	131,039,262
Equity and related items	-	-	-	-	-	-	-	9,471,533	-	9,471,533
Total liabilities and equity	8,484,940	10,956,315	6,389,511	16,163,884	81,056,688	7,327,928	3,858,043	11,123,176	(4,849,690)	140,510,795

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, 2023, and comparative data for June 30, 2022:

Business segments as at June 30, 2023

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	105,340	214,550	129,113	211,900	665,024	435,259	205,492	556,155	5,680	2,528,513
Net commission income	29,231	57,928	52,117	204,982	221,021	(1,632)	14,074	29,280	(294)	606,707
Net trading income	7,651	33,942	31,717	60,228	111,258	67,255	9,068	6,949	855	328,923
Net loss (-) /gain from financial assets measured through comprehensive income	-	-	-	-	-	43,398	-	41,688	-	85,086
Net loss (-) /gain from financial assets which are required to be measured through profit and loss	-	-	-	-	-	52,615	-	774	-	53,389
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(5,753)	(8,502)	(4,633)	(11,888)	(61,292)	-	-	-	-	(92,068)
Other operating income	8,324	6,857	4,583	3,740	74,513	1,776	46,716	55,252	(36,852)	164,909
Total income	144,793	304,775	212,897	468,962	1,010,524	598,671	275,350	690,098	(30,611)	3,675,459
Personnel expenses	(55,414)	(125,626)	(90,428)	(144,941)	(430,026)	(17,516)	(56,695)	(58,459)	(300)	(979,405)
Other operating expenses	(23,312)	(47,271)	(38,599)	(55,518)	(202,208)	(20,898)	(36,941)	(88,636)	16,722	(496,661)
Depreciation and amortization	(13,434)	(26,799)	(18,885)	(35,303)	(109,210)	(6,844)	(9,218)	(10,571)	12,013	(218,251)
Total Expenses	(92,160)	(199,696)	(147,912)	(235,762)	(741,444)	(45,258)	(102,854)	(157,666)	28,435	(1,694,317)
Operating profit before net provision expenses for assets, other risks and commitments	52,633	105,079	64,985	233,200	269,080	553,413	172,496	532,432	(2,176)	1,981,142

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

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)	-	(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)

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, 2023, and comparative data for 3-month period ended June 30, 2022:

Business segments for the 3-month period ended June 30, 2023

Group In RON thousand	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	58,807	132,683	71,222	122,815	376,904	179,662	109,324	232,285	2,863	1,286,565
Net commission income	16,351	28,363	27,620	109,038	114,338	(1,201)	7,441	18,661	(1,801)	318,810
Net trading income	3,792	17,643	16,338	31,497	59,663	46,843	5,155	11,959	788	193,678
Net loss (-) / gain from financial assets measured through comprehensive income	-	-	-	-	-	9,305	-	8,937	-	18,242
Net loss / gain (-) from financial assets which are required to be measured through profit and loss	-	-	-	-	-	29,233	-	654	-	29,887
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	156	(371)	(372)	326	14	-	-	-	-	(247)
Other operating income	4,852	4,279	2,788	2,570	39,801	1,568	22,721	30,311	(20,830)	88,060
Total income	83,958	182,597	117,596	266,246	590,720	265,410	144,641	302,807	(18,980)	1,934,995
Personnel expenses	(27,553)	(62,839)	(48,325)	(73,972)	(222,723)	(8,797)	(28,677)	(29,949)	(300)	(503,135)
Other operating expenses	(12,189)	(25,059)	(20,644)	(28,366)	(105,673)	(12,002)	(17,541)	(43,161)	8,993	(255,642)
Depreciation and amortization	(6,858)	(13,174)	(9,983)	(18,036)	(55,828)	(3,519)	(5,344)	(4,851)	6,007	(111,586)
Total Expenses	(46,600)	(101,072)	(78,952)	(120,374)	(384,224)	(24,318)	(51,562)	(77,961)	14,700	(870,363)
Operating profit before net provision expenses for assets, other risks and commitments	37,358	81,525	38,644	145,872	206,496	241,092	93,079	224,846	(4,280)	1,064,632

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

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

Group In RON thousand	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

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

To establish the hierarchy of the fair value of debt instruments, Banca Transilvania uses classification criteria in one of the three levels mentioned by the International Financial Reporting Standard 13.

For the purpose of clasification, the methodology takes into account the aggregation of results from two sources of observations:

- direct observations of transactions, indicative or executable prices of the respective instrument;
- observations of transactions, indicative and executable prices of comparable instruments, with the aim of deriving a price for the respective instrument, when it is considered that direct observations support additions.

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.

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)

In the case of bonds, if an instrument has a minimum score that reflects in a transparent and strongly justified manner the price, fair value and liquidity of that instrument, it will be classified as level 1. 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.

Regarding the bonds, the classification is made based on the following criteria:

- If the price of the instrument is obtained on the basis of interpolations of level 1 prices/yields related to similar instruments of the respective issuer (group);
- If the price of the instrument is obtained by adding the spread from the issue over the price/yield of the level 1 instrument, belonging to another issuer, which was the reference on the issue date.

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, bonds classified as assets valued at fair value through other elements of the comprehensive result and some bonds held at fair value through the profit or loss account.

In the case of bonds, level 3 includes all cases that are not found in the previous levels, the non-existence of a price, a price provided by a single entity or derived, by interpolation or spread, from one of the level 2 prices.

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, 2023				
Financial assets held for trading and measured at fair value through profit or loss, of which:	201,384	103,230	10,581	315,195
- Equity instruments	201,384	-	-	201,384
- Debt instruments	-	103,230	10,581	113,811
Derivatives	-	194,435	-	194,435
Financial assets measured at fair value through other items of comprehensive income	44,941,870	142,578	588,027	45,672,475
- Equity instruments	-	-	147,425	147,425
- Debt instruments	44,941,870	117,051	440,602	45,499,523
- Loans and advances	-	25,527	-	25,527
Financial assets which are required to be measured at fair value through profit or loss, of which:	844,247	50,261	327,713	1,222,221
- Equity instruments	272,437	-	-	272,437
- Debt instruments	571,810	50,261	327,713	949,784
Total financial assets measured at fair value in the statement of financial position	45,987,501	490,504	926,321	47,404,326
Non-financial assets at fair value	-	-	1,168,374	1,168,374
- Property and equipment and investment property	-	-	1,168,374	1,168,374
Total assets measured at fair value in the statement of financial position	45,987,501	490,504	2,094,695	48,572,700
Financial liabilities held-for-trading	-	44,195	-	44,195

The explanatory notes to the financial statements from page 11 to page 91 are an integral part of these financial statements. 33

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)

Group	Level 1 - Quoted market prices in active markets	Level 2 - Valuation techniques – observable inputs	Level 3 - Valuation techniques – unobservable inputs	Total
<i>In RON thousand</i>				
December 31, 2022				
Financial assets held for trading and measured at fair value through profit or loss, of which:	212,829	97,692	10,849	321,370
- Equity instruments	212,829	-	-	212,829
- Debt instruments	-	97,692	10,849	108,541
Derivatives	-	218,443	-	218,443
Financial assets measured at fair value through other items of comprehensive income	42,685,840	140,126	659,766	43,485,732
- Equity instruments	-	-	151,693	151,693
- Debt instruments	42,685,840	113,270	508,073	43,307,183
- Loans and advances	-	26,856	-	26,856
Financial assets which are required to be measured at fair value through profit or loss, of which:	830,870	98,617	176,554	1,106,041
- Equity instruments	242,037	-	-	242,037
- Debt instruments	588,833	98,617	176,554	864,004
Total assets measured at fair value in the statement of financial position	43,729,539	554,878	847,169	45,131,586
Non-financial assets at fair value	-	-	1,174,446	1,174,446
- Property and equipment and investment property	-	-	1,174,446	1,174,446
Total assets measured at fair value in the statement of financial position	43,729,539	554,878	2,021,615	46,306,032
Financial liabilities held-for-trading	-	41,695	-	41,695
<hr/>				
Bank	Level 1 - Quoted market prices in active markets	Level 2 - Valuation techniques – observable inputs	Level 3 - Valuation techniques – unobservable inputs	Total
<i>In RON thousand</i>				
June 30, 2023				
Financial assets held for trading and measured at fair value through profit or loss, of which:	35,399	-	-	35,399
- Equity instruments	35,399	-	-	35,399
Derivatives	-	194,435	-	194,435
Financial assets measured at fair value through other items of comprehensive income	44,694,360	142,578	473,304	45,310,242
- Equity instruments	-	-	19,390	19,390
- Debt instruments	44,694,360	117,051	453,914	45,265,325
- Loans and advances	-	25,527	-	25,527
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,234,336	50,261	327,713	1,612,310
- Equity instruments	272,106	-	-	272,106
- Debt instruments	962,230	50,261	327,713	1,340,204
Total financial assets measured at fair value in the statement of financial position	45,964,095	387,274	801,017	47,152,386
Non-financial assets at fair value	-	-	718,632	718,632
- Property and equipment and investment property	-	-	718,632	718,632
Total assets measured at fair value in the statement of financial position	45,964,095	387,274	1,519,649	47,871,018
Financial liabilities held-for-trading	-	44,195	-	44,195

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

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

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

Bank	Level 1 - Quoted market prices in active markets	Level 2 - Valuation techniques – observable inputs	Level 3 - Valuation techniques – unobservable inputs	Total
<i>In RON thousand</i>				
December 31, 2022				
Financial assets held for trading and measured at fair value through profit or loss, of which:				
- <i>Equity instruments</i>	30,693	-	-	30,693
	<i>30,693</i>	-	-	<i>30,693</i>
Derivatives	-	218,443	-	218,443
Financial assets measured at fair value through other items of comprehensive income	42,445,030	140,126	538,998	43,124,154
- <i>Equity instruments</i>	-	-	<i>17,663</i>	<i>17,663</i>
- <i>Debt instruments</i>	<i>42,445,030</i>	<i>113,270</i>	<i>521,335</i>	<i>43,079,635</i>
- <i>Loans and advances</i>	-	<i>26,856</i>	-	<i>26,856</i>
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,199,424	98,617	176,554	1,474,595
- <i>Equity instruments</i>	<i>241,712</i>	-	-	<i>241,712</i>
- <i>Debt instruments</i>	<i>957,712</i>	<i>98,617</i>	<i>176,554</i>	<i>1,232,883</i>
Total financial assets measured at fair value in the statement of financial position	43,675,147	457,186	715,552	44,847,885
Non-financial assets at fair value	-	-	731,037	731,037
- <i>Property and equipment and investment property</i>	-	-	<i>731,037</i>	<i>731,037</i>
Total assets measured at fair value in the statement of financial position	43,675,147	457,186	1,446,589	45,578,922
Financial liabilities held-for-trading	-	41,695	-	41,695

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, 2023:

In RON thousand	Notes	Group					Bank				
		Carrying amount	Fair value	Fair value hierarchy			Carrying amount	Fair value	Fair value hierarchy		
				Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets											
Placements with banks	17	4,227,655	4,227,655	-	4,227,655	-	5,309,035	5,309,035	-	5,309,035	-
Loans and advances to customers	19	66,446,951	65,739,577	-	-	65,739,577	65,092,069	64,426,189	-	-	64,426,189
Finance lease receivables	20	3,013,765	2,997,446	-	-	2,997,446	-	-	-	-	-
Financial assets at amortized cost - debt instruments	21	4,349,941	4,363,434	766,961	2,000,440	1,596,033	2,326,792	2,323,148	711,399	-	1,611,749
Other financial assets	25	1,786,849	1,786,849	-	-	1,786,849	1,446,357	1,446,357	-	-	1,446,357
Total assets		79,825,161	79,114,961	766,961	6,228,095	72,119,905	74,174,253	73,504,729	711,399	5,309,035	67,484,295
Liabilities											
Deposits from banks	27	453,499	453,499	-	453,499	-	435,541	435,541	-	435,541	-
Deposits from customers	28	127,426,948	127,432,849	-	127,432,849	-	122,445,887	122,443,878	-	122,443,878	-
Loans from banks and other financial institutions	29	6,560,508	6,557,675	-	-	6,557,675	5,445,633	5,442,800	-	-	5,442,800
Subordinated liabilities	30	2,737,076	2,737,076	-	-	2,737,076	2,708,318	2,708,318	-	-	2,708,318
Lease liabilities		450,535	450,535	-	-	450,535	615,020	615,020	-	-	615,020
Other financial liabilities	32	2,034,206	2,034,206	-	-	2,034,206	1,541,418	1,541,418	-	-	1,541,418
Total liabilities		139,662,772	139,665,840	-	127,886,348	11,779,492	133,191,817	133,186,975	-	122,879,419	10,307,556

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, 2022:

RON thousand	Note	Carrying amount	Group			Carrying amount	Bank				
			Fair value	Fair value hierarchy			Fair value	Fair value hierarchy			
			Level 1	Level 2	Level 3		Level 1	Level 2	Level 3		
Assets											
Placements with banks and public institutions	17	5,567,332	5,567,332	-	5,567,332	-	6,634,858	6,634,858	-	6,634,858	-
Loans and advances to customers	19	65,200,920	65,617,870	-	-	65,617,870	63,449,954	64,180,286	-	-	64,180,286
Finance lease receivables	20	2,812,597	2,793,665	-	-	2,793,665	-	-	-	-	-
Financial assets at amortized cost - debt instruments	21	2,059,712	2,042,369	587,268	1,046,756	408,345	975,159	954,551	-	954,551	-
Other financial assets	22	1,887,028	1,887,028	-	-	1,887,028	1,935,629	1,935,629	-	-	1,935,629
Total assets		77,527,589	77,908,264	587,268	6,614,088	70,706,908	72,995,600	73,705,324	-	7,589,409	66,115,915
Liabilities											
Deposits from banks	24	1,678,082	1,678,082	-	1,678,082	-	1,631,542	1,631,542	-	1,631,542	-
Deposits from customers	25	119,731,729	119,559,333	-	119,559,333	-	116,503,842	116,339,982	-	116,339,982	-
Loans from banks and other financial institutions	26	4,840,928	4,855,524	-	-	4,855,524	3,562,483	3,577,079	-	-	3,577,079
Subordinated liabilities	27	1,748,260	1,748,260	-	-	1,748,260	1,718,909	1,718,909	-	-	1,718,909
Lease liabilities		492,956	492,956	-	-	492,956	663,680	663,680	-	-	663,680
Other financial liabilities	29	1,764,364	1,764,364	-	-	1,764,364	1,315,969	1,315,969	-	-	1,315,969
Total liabilities		130,256,319	130,098,519	-	121,237,415	8,861,104	125,396,425	125,247,161	-	117,971,524	7,275,637

Notes to the Interim Condensed Consolidated and Separate Financial Statements

5. Net interest income

<i>In RON thousand</i>	Group				Bank			
	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022
Interest income calculated using the effective interest method	2,085,128	4,031,942	1,319,752	2,422,473	1,819,594	3,568,994	1,168,232	2,128,476
- Cash and cash equivalent at AC	95,552	152,641	16,750	26,740	70,135	98,637	3,137	5,853
- Placements with banks and public institutions at AC	67,084	111,168	27,984	49,952	85,812	146,400	31,256	53,770
- Loans and advances to customers at AC	1,419,377	2,768,828	950,562	1,750,681	1,242,356	2,475,420	832,951	1,515,623
- Debt instruments at FVOCI	403,699	821,003	287,958	540,512	401,849	817,329	286,007	536,115
- Debt instruments at AC	99,416	178,302	36,498	54,588	19,442	31,208	14,881	17,115
Other similar interest income	90,202	165,264	50,133	86,327	8,429	16,442	5,111	8,242
- Finance lease receivables	81,772	148,822	45,022	78,084	-	-	-	-
- Non-recourse factoring receivables and other adjustments	8,430	16,442	5,111	8,243	8,429	16,442	5,111	8,242
Total interest income	2,175,330	4,197,206	1,369,885	2,508,800	1,828,023	3,585,436	1,173,343	2,136,718
Interest expense related to financial liabilities measured at amortized cost	887,905	1,667,118	307,376	476,390	820,920	1,545,249	287,141	438,422
- Cash and cash equivalent at AC	154	174	63,811	85,000	-	-	63,387	84,424
- Deposits from banks	3,137	16,182	13,689	20,046	2,986	15,128	12,523	18,096
- Deposits from customers	774,502	1,467,239	177,005	275,867	723,010	1,376,590	163,048	248,893
- Loans from banks and other financial institutions	110,112	183,523	52,871	95,477	94,924	153,531	48,183	87,009
Other similar expense	860	1,575	480	1,014	1,771	3,408	1,611	3,360
- Lease liabilities	860	1,575	480	1,014	1,771	3,408	1,611	3,360
Total interest expense	888,765	1,668,693	307,856	477,404	822,691	1,548,657	288,752	441,782
Net interest income	1,286,565	2,528,513	1,062,029	2,031,396	1,005,332	2,036,779	884,591	1,694,936

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, 2023 includes the net interest income on impaired financial assets amounting RON 106,462 thousand (June 30, 2022: RON 65,593 thousand) for the Group and RON 90,614 thousand (June 30, 2022: RON 49,904 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, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022
Fee and commission income								
Commissions from treasury and inter-bank operations	69,879	135,631	62,967	113,855	69,877	135,629	62,869	113,206
Client transactions	411,178	780,411	355,552	679,483	351,600	664,943	294,657	565,317
Lending activity (*)	14,061	28,089	12,580	24,249	13,285	26,587	11,730	22,657
Finance lease management	3,198	6,124	3,050	5,779	-	-	-	-
Other fee and commission income	1,417	2,781	1,312	2,680	309	671	94	231
Total fee and commission income	499,733	953,036	435,461	826,046	435,071	827,830	369,350	701,411
Fee and commission expense								
Commissions from treasury and inter-bank	131,237	251,494	101,610	193,224	109,305	208,267	82,432	157,607
Client transactions	41,503	80,800	35,107	69,716	35,510	68,685	28,959	56,590
Lending activity (*)	7,437	12,803	6,585	11,158	11,429	20,679	10,386	20,065
Other fees and commissions	746	1,232	214	973	772	1,281	582	1,304
Fee and commission expenses	180,923	346,329	143,516	275,071	157,016	298,912	122,359	235,566
Net fee and commission income	318,810	606,707	291,945	550,975	278,055	528,918	246,991	465,845

(*) 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, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022
Net income from foreign exchange transactions	155,649	305,001	135,763	270,374	139,098	274,010	109,223	223,885
Net income/(expense) from derivatives	2,076	(24,417)	88,008	135,885	2,006	(24,518)	89,069	136,469
Net income/(expense) from financial assets held-for-trading	15,062	14,021	(11,635)	(23,046)	2,881	7,049	1,121	238
Net income/(expense) from foreign exchange position revaluation	20,891	34,318	1,710	(2,404)	16,647	26,606	4,207	(2,135)
Net trading income	193,678	328,923	213,846	380,809	160,632	283,147	203,620	358,457

Notes to the Interim Condensed Consolidated and Separate Financial Statements

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

	Group				Bank			
	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022
<i>In RON thousand</i>								
Income from the sale of financial assets measured at fair value through other items of comprehensive income	18,345	85,735	708	15,115	18,342	85,726	684	14,536
Losses from the sale of financial assets measured at fair value through other items of comprehensive income	(103)	(649)	(56,820)	(85,599)	(103)	(649)	(56,820)	(85,477)
Net gain/loss realised from financial assets measured at fair value through comprehensive income	18,242	85,086	(56,112)	(70,484)	18,239	85,077	(56,136)	(70,941)

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

	Group				Bank			
	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022
<i>In RON thousand</i>								
Losses from financial assets which are required to be measured at fair value through profit or loss	(19,410)	(45,094)	(91,474)	(155,643)	(27,929)	(61,418)	(105,398)	(181,025)
Income from financial assets which are required to be measured at fair value through profit or loss	49,297	98,483	45,181	103,235	58,760	110,126	44,871	103,295
Net gain/loss realised from financial assets which are required to be measured at fair value through profit or loss	29,887	53,389	(46,293)	(52,408)	30,831	48,708	(60,527)	(77,730)

Banca Transilvania S.A.

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:

<i>In RON thousand</i>	Group				Bank			
	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022
Contribution to the Bank Deposit Guarantee Fund	2,361	46,377	1,071	88,753	1,604	44,875	-	86,543
Bank Resolution Fund	(2,114)	45,691	2,660	62,260	(3,989)	42,011	-	56,970
Total	247	92,068	3,731	151,013	(2,385)	86,886	-	143,513

11. Other operating income

<i>In RON thousand</i>	Group				Bank			
	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022
Dividend income	8,805	8,805	5,403	5,403	5,861	5,861	8,612	8,662
Income regarding movable and immovable assets resulting from debt enforcement	(201)	-	-	-	234	644	768	2,007
Income from insurance intermediation	48,068	80,241	38,233	67,654	32,623	51,649	27,154	47,664
Income from indemnities, fines and penalties	3,723	6,209	2,809	5,680	2,620	4,067	1,548	3,498
Income from VISA, MASTERCARD, WU services	13	11,439	143	8,340	-	11,084	137	8,131
Income from transfer of securities accounted at cost	-	-	7,844	7,844	-	-	6,795	6,795
Other operating income (i)	27,652	58,215	21,527	49,633	13,414	24,786	22,260	33,827
Total	88,060	164,909	75,959	144,554	54,752	98,091	67,274	110,584

(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.

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

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

(a) Net 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, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022
Net impairment allowance on assets (i)	152,688	180,836	131,282	370,319	63,983	91,343	44,768	242,025
Net loss on loans written off	456	1,036	2,234	3,425	-	1	-	-
Net loss on finance lease receivables written off	38	117	7,980	10,252	-	-	-	-
Provisions for other risks and loan commitments	(3,950)	(2,260)	21,216	742	(4,452)	(2,624)	9,683	(13,160)
Recoveries from loans written off	(42,043)	(112,006)	(49,059)	(121,427)	(35,429)	(104,185)	(47,862)	(119,032)
Recoveries from finance lease receivables written off	(4,633)	(10,167)	(51,000)	(58,482)	-	-	-	-
Net expenses/ (Net profit) from impairment allowance, expected losses on financial assets not measured at fair value through profit or loss	102,556	57,556	62,653	204,829	24,102	(15,465)	6,589	109,833

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

<i>In RON thousand</i>	Group				Bank			
	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022
Loans and advances to customers	144,968	184,187	100,639	329,090	63,398	89,400	39,131	232,172
Treasury and inter-bank operations	677	(502)	(2,673)	(3,381)	406	2,323	2,581	823
Finance lease receivables	5,443	(7,132)	29,980	35,291	-	-	-	-
Investment securities	(5,006)	(4,440)	(2,178)	6,563	(5,359)	(5,323)	(1,962)	8,030
Other financial assets	6,606	8,723	5,514	2,756	5,538	4,943	5,018	1,000
Net impairment allowance on assets	152,688	180,836	131,282	370,319	63,983	91,343	44,768	242,025

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

	Group				Bank			
	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022
<i>In RON thousand</i>								
Other non-financial assets	(2,253)	(3,717)	(8,602)	(16,400)	-	(182)	(18)	(1,224)
Litigation and other risks	(972)	(6,292)	(8,568)	(9,219)	(65)	(770)	(8,608)	(9,341)
(Other) Provisions and reversal of provisions	(3,225)	(10,009)	(17,170)	(25,619)	(65)	(952)	(8,626)	(10,565)

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, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022
Gross salaries	462,645	843,036	382,540	691,541	378,775	697,754	311,989	572,677
Social protection contribution	19,997	35,301	15,924	27,941	11,424	21,179	9,682	17,539
Share-based payments to employees	7,719	34,843	20,264	51,936	5,746	32,870	19,297	50,969
3rd Pension Pillar	4,840	9,514	4,107	8,147	4,520	8,848	3,839	7,612
Other staff expenses	28,206	52,036	23,066	41,018	25,097	46,352	20,442	36,484
Net expenses with provisions for overdue vacations and other provisions	(20,272)	4,675	(25,087)	(2,065)	(4,896)	14,298	(10,460)	8,531
Total	503,135	979,405	420,814	818,518	420,666	821,301	354,789	693,812

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 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 (May 27, 2022) and when exercising such right (starting from May 28, 2023);

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

- Release after May 28, 2023;
- 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 +/- 10,063 thousand.

Vesting conditions for 2024 related to SOP 2023:

- Achievement of performance and prudential indicators during 2023;
- 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 (May 26, 2023) and when exercising such right (starting from May 27, 2024).

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

The movement of transactions relating to share-based payments during 2023 and 2022 is presented below:

<i>In RON thousand</i>	30-06-2023	31-12-2022
Balance as at January 1	63,862	72,262
Rights granted during the year	(65,450)	(100,243)
Expense with employee benefits in the form of share-based payments	<u>32,870</u>	<u>91,843</u>
Closing balance at the end of period	<u>31,282</u>	<u>63,862</u>

Until 30 June 2023, 3,551,421 shares were granted to employees and shareholders; during the year 2022, a number of 41,226,753 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 2022	3,357,712	With immediate release on May 28, 2023	Achievement of performance and prudential indicators during 2022. 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.
	197,709	Deferral by trust agreement for 4-5 years	

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, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022
Rent and operating lease expense	2,103	4,192	1,958	4,176	1,500	3,012	1,458	3,011
Repairs and maintenance expenses	76,133	144,635	65,584	118,382	67,230	127,398	55,793	103,147
Advertising, marketing, entertainment and sponsorship expenses	31,496	68,031	27,871	54,685	28,178	61,087	24,520	48,975
Mail, telecommunication and SMS traffic expenses	17,662	34,187	15,482	30,295	14,863	28,858	12,980	25,294
Materials and consumables expenses	23,589	45,984	21,826	40,522	20,839	41,291	20,021	37,087
Other professional fees, including legal expenses	15,013	21,468	10,565	13,840	7,036	10,593	4,244	6,521
Expenses regarding movable and immovable assets resulting from debt enforcement	314	314	11,799	12,719	-	-	-	-
Electricity and heating	9,048	20,392	8,660	21,110	8,002	17,444	7,680	18,744
Business travel, transportation and temporary relocation expenses	15,852	29,937	13,105	25,001	15,125	28,575	12,288	23,502
Insurance costs	7,590	16,223	4,495	12,230	6,793	14,571	5,279	10,361
Taxes and fees	7,439	16,086	16,102	25,160	5,719	13,664	15,189	23,860
Losses from the sale and scrapping of tangible assets	10	10	4,993	5,750	-	-	(171)	-
Security and protection	7,038	14,123	4,576	8,708	6,895	13,384	4,168	7,891
Expenses related to archiving services	4,841	9,614	5,645	11,049	4,600	9,121	5,373	10,570
Expenses related to database queries from the Trade Register and the Credit Bureau	2,319	4,805	1,937	3,657	1,706	3,534	1,460	2,750
Expenses with foreclosed assets	1,616	3,163	1,600	3,082	1,749	3,163	1,393	2,678
Audit, advisory and other services provided by the independent auditor	4,614	6,810	1,002	2,739	3,618	4,603	989	1,812
Other operating expenses	28,965	56,687	30,564	53,241	19,918	37,391	13,447	25,914
Total other operating expenses	255,642	496,661	247,764	446,346	213,771	417,689	186,111	352,117

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, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022	3 months ended June 30, 2023	6 months ended June 30, 2023	3 months ended June 30, 2022	6 months ended June 30, 2022
Gross Profit	965,301	1,933,595	727,958	1,201,288	792,070	1,573,975	661,433	1,024,777
Statutory tax rate (2023: 16%; 2022: 16%)*	(154,448)	(309,375)	(116,473)	(192,206)	(126,731)	(251,836)	(105,829)	(163,964)
Fiscal effect of income tax on the following elements:	(66,887)	(42,553)	34,660	37,397	(72,274)	(53,172)	43,881	46,190
- <i>Non-taxable income</i>	18,311	51,620	28,871	66,514	18,312	50,675	33,072	67,315
- <i>Non-deductible expense</i>	(24,494)	(72,629)	(18,142)	(74,273)	(38,586)	(81,050)	(14,019)	(66,590)
- <i>Tax deductions</i>	49,184	80,813	27,003	49,600	48,421	79,432	26,329	48,322
- <i>Income related items</i>	21,828	(2,448)	(3,097)	(4,478)	(421)	(2,229)	(1,501)	(2,857)
- <i>Expense related items</i>	(31,716)	91	25	34	-	-	-	-
- <i>Profit tax related to fiscal uncertainties</i>	(100,000)	(100,000)	-	-	(100,000)	(100,000)	-	-
Income tax expense	(221,335)	(351,928)	(81,813)	(154,809)	(199,005)	(305,008)	(61,948)	(117,774)

(*) 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	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Minimum reserve requirement	18,159,373	10,137,298	15,720,309	8,572,013
Cash on hand and other values	4,603,210	4,403,419	4,327,856	4,073,144
Total	22,762,583	14,540,717	20,048,165	12,645,157

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

<i>In RON thousand</i>	Group		Bank	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Cash and current accounts with Central Banks(*)	22,754,914	14,861,467	20,046,450	12,644,490
Placements with banks - maturity below 3 months	3,278,971	3,327,241	2,510,750	2,659,429
Reverse-repo transactions	-	-	-	-
Loans and advances to credit institutions with maturity below 3 months	-	39,054	-	39,054
Financial assets measured at fair value through other items of comprehensive income with maturity below 3 months	-	-	-	-
Financial assets at amortized cost – debt instruments with maturity below 3 months	1,144,385	231,534	-	-
Cash and cash equivalents in the cash flow statement	27,178,270	18,459,296	22,557,200	15,342,973

(*) At Group level, the cash and current accounts with Central Banks do not include the accrual and interest receivable in the amount of RON 7,669 thousand (2022: RON 10,546 thousand) and at the level of the Bank in the amount of RON 1,715 thousand (2022: RON 667 thousand).

17. Placements with banks

<i>In RON thousand</i>	Group		Bank	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Current accounts with other banks	962,192	1,034,034	513,240	519,775
Sight and term deposits with other banks	2,757,882	3,001,471	4,288,214	4,583,256
Reverse repo transactions	-	989,564	-	989,564
Loans and advances to credit institutions	507,581	542,263	507,581	542,263
Total	4,227,655	5,567,332	5,309,035	6,634,858

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

As at June 30, 2023, 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 1,547,498 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 1,541,246 and loans and advances to credit institutions in amount of RON 0 thousand at Bank level (2022: reverse-repo in amount of RON 0 thousand, deposits in amount of RON 2,340,720 thousand and advances to credit institutions of RON 39,054 thousand at Group level, and reverse-repo of RON 0 thousand, deposits in amount of RON 1,799,386 thousand and loans and advances to credit institutions in amount of RON 39,054 thousand at Bank level).

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	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Equity instruments	201,384	212,829	35,399	30,693
Debt instruments	113,811	108,541	-	-
Total	315,195	321,370	35,399	30,693

For the period ended June 30, 2023, the Group held shares listed on the Bucharest Stock Exchange and the main stock exchanges in Europe.

For the period ended June 30, 2023, the Group owned significant investments amounting to RON 164,917 thousand in the following entities: Evergent Investments S.A. and Transilvania Investments Alliance S.A. (December 31, 2022: RON 181,222 thousand in Evergent Investments S.A. and Transilvania Investments Alliance 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	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Equity instruments	272,437	242,037	272,106	241,712
Debt instruments	949,784	864,004	1,340,204	1,232,883
Total	1,222,221	1,106,041	1,612,310	1,474,595

As of June 30, 2023, 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 272,106 thousand lei in VISA Inc. (December 31, 2022: RON 241,712 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 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 structure of the credit portfolio of the Group and the Bank as at June 30, 2023 and December 31, 2022 is the following:

<i>In RON thousand</i>	Group		Bank	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Corporate and government institutions	28,992,168	28,526,290	31,509,519	30,397,258
Small and medium enterprises	9,744,362	9,294,327	8,433,367	8,156,625
Consumer loans and card loans granted to retail customers	13,038,327	12,649,654	12,304,606	11,836,977
Mortgage loans	17,276,064	17,384,457	16,940,651	17,018,290
Loans granted by non-banking financial institutions	1,845,786	1,654,683	-	-
Other	74,403	74,138	67,232	64,945
Total loans and advances to customers before impairment allowance (*)	70,971,110	69,583,549	69,255,375	67,474,095
Allowances for impairment losses on loans	(4,524,159)	(4,382,629)	(4,163,306)	(4,024,141)
Total loans and advances to customers net of impairment allowance	66,446,951	65,200,920	65,092,069	63,449,954

Banca Transilvania S.A.

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, 2023 and December 31, 2022, is the following:

<i>In RON thousand</i>	Group		Bank	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Retail	31,303,391	30,948,280	29,312,468	28,920,184
Trading	8,663,637	8,089,725	8,004,088	7,497,861
Manufacturing	4,731,155	4,440,374	4,420,733	4,166,932
Agriculture	3,125,685	3,130,204	2,960,613	3,034,711
Services	3,223,876	2,881,235	2,933,352	2,616,009
Real Estate	2,414,847	2,412,739	2,487,142	2,460,459
Constructions	2,160,850	1,711,912	1,898,794	1,489,575
Transportation	2,443,314	2,370,619	1,931,011	1,919,864
Self-employed	1,044,668	998,317	844,186	823,227
Others	1,045,448	1,069,132	931,433	921,198
Financial Institutions	525,621	663,221	3,308,639	2,832,928
Telecommunications	211,157	246,275	181,425	215,330
Energy	1,016,254	1,660,047	1,007,715	1,648,987
Mining	75,340	63,088	68,235	55,739
Chemical Industry	124,983	71,672	120,679	68,238
Government Institutions	8,838,135	8,806,034	8,823,337	8,783,219
Fishing	22,749	20,675	21,525	19,634
Total loans and advances to customers before impairment allowance (*)	70,971,110	69,583,549	69,255,375	67,474,095
Allowances for impairment losses on loans	(4,524,159)	(4,382,629)	(4,163,306)	(4,024,141)
Total loans and advances to customers, net of impairment allowance	66,446,951	65,200,920	65,092,069	63,449,954

(*) 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's effect in impairment allowances on loans and advances to customers at Group level *as at June 30, 2023* 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 (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, 2023	(1,138,960)	(1,680,377)	(1,488,706)	(74,586)	(4,382,629)
Increase due to issue or acquisition	(482,092)	(357,024)	(46,571)	-	(885,687)
Decrease due to derecognition	252,578	325,037	74,355	22,333	674,303
Increase or decrease due to the change in credit risk (net) and transfers	66,783	(68,871)	(219,563)	(1,804)	(223,455)
Increase or decrease due to changes without derecognition (net)	139,815	55,668	73,643	(5,886)	263,240
Decrease of impairment allowances due to write-offs	170	6,690	21,692	4,225	32,777
Other adjustments	(580)	(773)	16,556	(17,911)	(2,708)
Closing balance as at June 30, 2023	(1,162,286)	(1,719,650)	(1,568,594)	(73,629)	(4,524,159)

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 related to loans and advances to customers for which the credit risk has not significantly increased since the initial recognition, (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, 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 Bank level as at June 30, 2023 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 (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, 2023	(1,081,557)	(1,636,145)	(1,253,317)	(53,122)	(4,024,141)
Increase due to issue or acquisition	(479,830)	(354,092)	(46,203)	-	(880,125)
Decrease due to derecognition	251,699	323,887	67,116	5,563	648,265
Increase or decrease due to the change in credit risk (net) and transfers	53,760	(72,722)	(185,483)	(1,802)	(206,247)
Increase or decrease due to changes without derecognition (net)	136,061	60,617	79,267	(4,659)	271,286
Decrease of impairment allowances due to write-offs	170	6,690	19,644	4,225	30,729
Other adjustments	(651)	(1,042)	(1,254)	(126)	(3,073)
Closing balance as at June 30, 2023	(1,120,348)	(1,672,807)	(1,320,230)	(49,921)	(4,163,306)

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 related to loans and advances to customers for which the credit risk has not significantly increased since the initial recognition (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, 2022	(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, 2022	(946,720)	(1,576,892)	(1,304,476)	(52,914)	(3,881,002)

Banca Transilvania S.A.

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>	30-06-2023	31-12-2022
Finance lease receivables with maturity below 1 year, gross	1,246,181	1,164,053
Finance lease receivables with maturity more than 1 year, gross	<u>2,250,717</u>	<u>2,051,959</u>
Total finance lease receivables, gross	<u>3,496,898</u>	<u>3,216,012</u>
Future interest related to finance lease receivables	<u>(366,653)</u>	<u>(270,050)</u>
Total finance lease receivables, net of future interest	3,130,245	2,945,962
Impairment allowances for finance lease receivables	<u>(116,480)</u>	<u>(133,365)</u>
Total finance lease receivables	<u>3,013,765</u>	<u>2,812,597</u>

The lease contracts are originated and managed through BT Leasing Transilvania IFN S.A., BT Leasing Moldova S.R.L and Idea 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, 2023 and June 30, 2022 was the following:

Group 2023	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, 2023	(22,684)	(18,824)	(76,142)	(15,715)	(133,365)
Increase due to issue or acquisition	(8,110)	(6,412)	(1,862)	-	(16,384)
Decrease due to derecognition	1,039	2,041	3,301	35	6,416
Increase or decrease due to the change in credit risk (net) and transfers	3,197	4,575	16,209	3,423	27,404
Increase or decrease due to changes without derecognition (net)	(17)	17	(568)	8	(560)
Other adjustments	58	99	(163)	15	9
Closing balance as at 30 June 2023	(26,517)	(18,504)	(59,225)	(12,234)	(116,480)

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)

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	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Debt instruments, of which	45,499,523	43,307,183	45,265,325	43,079,635
- Central administrations	42,902,229	40,668,232	42,654,718	40,427,422
- Credit institutions	2,228,712	2,183,444	2,228,712	2,183,444
- Other financial companies	295,064	385,997	308,377	399,259
- Non-financial institutions	73,518	69,510	73,518	69,510
Equity instruments, of which:	147,425	151,693	19,390	17,663
- Other financial companies	142,726	147,302	15,192	13,740
- Non-financial institutions	4,699	4,391	4,198	3,923
Loans and advances to customers	25,527	26,856	25,527	26,856
- Central administrations	25,527	26,856	25,527	26,856
Total	45,672,475	43,485,732	45,310,242	43,124,154

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	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
As at January 1	43,485,732	41,193,373	43,124,154	40,853,784
Acquisitions	9,549,533	12,131,322	9,546,008	11,932,842
Sales and repurchases	(8,922,324)	(6,716,802)	(8,920,565)	(6,712,862)
Coupon and amortization in P&L during the period (note 8)	821,003	1,188,703	817,329	1,181,086
Coupon collected at term during the period	(720,024)	(1,189,997)	(719,994)	(1,009,855)
Gain/(Loss) from the measurement at fair value	1,443,504	(3,267,979)	1,448,576	(3,267,875)
Exchange rate differences	15,051	147,112	14,734	147,034
Closing balance	45,672,475	43,485,732	45,310,242	43,124,154

b) Financial assets at amortized cost - debt instruments

For the period ended on June 30, 2023, the Group classified as financial assets measured at amortized cost - debt instruments, bonds in amount of RON 4,349,941 thousand, and bonds in amount of RON 2,326,792 thousand for the Bank (December 31, 2022: RON 2,059,712 thousand for the Group and RON 975,159 thousand for the Bank).

In RON thousand	Group		Bank	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Debt instruments, of which				
- Central Banks	1,140,692	229,294	-	-
- Central administrations	1,588,357	1,387,383	691,058	517,327
- Credit institutions	571,083	336,481	585,925	351,278
- Other financial companies	1,004,449	62,194	1,004,449	62,194
- Non-financial institutions	45,360	44,360	45,360	44,360
Total	4,349,941	2,059,712	2,326,792	975,159

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	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
As at January 1	2,059,711	1,483,111	975,159	355,331
Acquisitions	18,920,644	4,600,514	1,384,008	698,196
Sales and repurchases	(16,824,133)	(4,116,857)	(61,049)	(88,317)
Coupon and amortization in P&L during the year (Note 5)	178,302	125,586	31,208	17,135
Coupon collected at term during the year	(11,339)	(17,087)	(5,056)	(8,627)
Recognition of expected credit losses (ECL) in accordance with IFRS 9	(3,468)	33	(2,452)	(761)
Exchange rate differences	30,224	(15,588)	4,974	2,202
Closing balance	4,349,941	2,059,712	2,326,792	975,159

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 1,168,374 thousand for the Group (December 31, 2022: 1,174,446 thousand), of which RON 718,632 thousand for the Bank (December 31, 2022: 731,037 thousand).

The net carrying amount of intangible assets (goodwill included) at the end of this period amounts to RON 684,739 thousand for the Group (December 31, 2022: RON 660,601 thousand), and RON 448,746 thousand for the Bank (December 31, 2022: RON 429,960 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, 2023 amounts to RON 149,369 thousand (June 30, 2022: RON 120,442 thousand), of which the amortization expense related to tangible and intangible assets for the Bank is RON 126,428 (June 30, 2022: RON 99,635 thousand).

At June 30, 2023, the goodwill was reviewed for impairment in light of significant event, 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, 2023 and December 31, 2022 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 2023	2,914	471,218	13,784	41	487,957
Additions	2,337	32,295	2,795	-	37,427
Disposals	(333)	(7,248)	(2,350)	(41)	(9,972)
Depreciation charge	(464)	(65,820)	(2,598)	-	(68,882)
Carrying amount at June 30, 2023	4,454	430,445	11,631	-	446,530

Notes to the Interim Condensed Consolidated and Separate Financial Statements

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

<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	462	153,970	7,608	44	162,084
Disposals	(340)	(28,618)	(561)	(186)	(29,705)
Depreciation charge	(714)	(129,887)	(5,808)	(34)	(136,443)
Carrying amount at 31 December 2022	2,914	471,218	13,784	41	487,957

As at June 30, 2023 and December 31, 2022 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 2023	2,914	684,390	9,453	41	696,798
Additions	2,337	22,476	615	-	25,428
Disposals	(333)	(3,829)	(1,697)	(41)	(5,900)
Depreciation charge	(464)	(68,907)	(1,487)	-	(70,858)
Carrying amount at June 30, 2023	4,454	634,130	6,884	-	645,468

<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	462	183,924	4,227	44	188,657
Disposals	(340)	(59,558)	(384)	(186)	(60,468)
Depreciation charge	(714)	(133,274)	(4,016)	(34)	(138,038)
Carrying amount at 31 December 2022	2,914	684,390	9,453	41	696,798

At June 30, 2023 the interest expense on lease liabilities was RON 1,575 thousand for the Group and at the Bank level in the amount of RON 3,408 thousand (June 30, 2022 RON 1,014 thousand for the Group, and at the Bank level RON 3,360 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	
	30-06-2023	30-06-2022	30-06-2023	30-06-2022
Expense relating to short-term leases	728	883	500	612
Expense relating to leases of low-value assets that are not shown above as short-term leases	2,664	2,373	2,239	2,120

At June 30, 2023 the total cash outflow for leases was RON 74,985 thousand for the Group and for the Bank it was RON 78,770 thousand (at December 31, 2022: RON 174,339 thousand for the Group and RON 130,591 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, 2023:

<i>In RON thousand</i>	December 31, 2022	Business combination	Recognized in profit or loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	June 30, 2023
Loans and finance lease receivables	33,169	-	4,930	-	4,170	42,269
Financial assets measured at fair value through other items of comprehensive income	727,594	-	-	(230,851)	-	496,743
Financial assets at amortized cost	-	-	42	-	(88)	(46)
Financial assets at fair value through profit or loss	16,050	-	(506)	-	-	15,544
Other assets	18,774	-	(3,825)	(2,051)	(26)	12,872
Property and equipment and intangible assets	(20,889)	-	1,998	-	(8)	(18,899)
Right of Use Assets	(522)	-	(12)	-	3	(531)
Provisions and other liabilities	17,429	-	110	-	(70)	17,469
Deferred tax assets and liabilities	791,605	-	2,737	(232,902)	3,981	565,421
Recognition of deferred tax asset	816,776	-	717	(234,087)	4,180	587,586
Recognition of deferred tax liability	(25,171)	-	2,020	1,185	(199)	(22,165)
Deferred tax assets and liabilities	791,605	-	2,737	(232,902)	3,981	565,421

Deferred tax assets/liabilities at Bank level, for the period ended June 30, 2023:

<i>In RON thousand</i>	December 31, 2022	Recognized in profit or loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	June 30, 2023
Financial assets measured at fair value through other items of comprehensive income	728,350	-	(231,666)	-	496,684
Other assets	11,969	(3,795)	(18)	-	8,156
Property and equipment and investment property	(6,061)	1,400	-	-	(4,661)
Right of Use Assets	(487)	-	-	-	(487)
Provisions and liabilities	14,029	2,357	-	-	16,386
Deferred tax assets and liabilities	747,800	(38)	(231,684)	-	516,078
Recognition of deferred tax asset	755,201	(1,205)	(231,707)	-	522,289
Recognition of deferred tax liability	(7,401)	1,167	23	-	(6,211)
Deferred tax assets and liabilities	747,800	(38)	(231,684)	-	516,078

Notes to the Interim Condensed Consolidated and Separate Financial Statements

24. Deferred tax assets and liabilities (continued)

Deferred tax assets/liabilities's movements at Group level, for the period ended December 31, 2022:

<i>In RON thousand</i>	31 December 2021	Business combination	Recognized in profit or loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	31 December 2022
Tax effect of temporary deductible / (taxable) differences (including tax losses carried forward), resulting from:						
Loans and receivables	21,945	10,565	655	1	3	33,169
Financial assets measured at fair value through other items of comprehensive income	204,763	-	(43)	522,874	-	727,594
Financial assets at fair value through profit or loss	15,819	-	297	-	(66)	16,050
Other assets	16,677	(190)	(1,470)	3,761	(4)	18,774
Property and equipment and intangible assets	(21,703)	(2,475)	6,097	(3,179)	371	(20,889)
Right of Use Assets	(748)	6	220	-	-	(522)
Provisions and other liabilities	21,132	198	(3,873)	(1)	(27)	17,429
Tax losses carried forward	-	-	-	-	-	-
Deferred tax asset / (liability)	257,885	8,104	1,883	523,456	277	791,605
Recognition of deferred tax asset	283,040	10,768	(4,806)	528,032	(258)	816,776
Recognition of deferred tax liability	(25,155)	(2,664)	6,689	(4,576)	535	(25,171)
Deferred tax asset / (liability)	257,885	8,104	1,883	523,456	277	791,605

Deferred tax assets/liabilities's movements at Bank level, for the period ended December 31, 2022:

<i>In RON thousand</i>	31 December 2021	Recognized in profit or loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	31 December 2022
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	205,490	-	522,861	-	728,351
Other assets	13,907	(1,937)	(1)	-	11,969
Tangible and intangible assets	(6,947)	3,266	(2,380)	-	(6,061)
Right of Use Assets	322	(809)	-	-	(487)
Provisions and liabilities	14,952	(924)	-	-	14,028
Deferred tax asset / (liability)	227,724	(404)	520,480	-	747,800
Recognition of deferred tax asset	235,244	(3,184)	523,141	-	755,201
Recognition of deferred tax liability	(7,520)	2,780	(2,661)	-	(7,401)
Deferred tax asset / (liability)	227,724	(404)	520,480	-	747,800

Notes to the Interim Condensed Consolidated and Separate Financial Statements

25. Other financial assets

<i>In RON thousand</i>	Group		Bank	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Amounts under settlement	677,935	1,006,326	659,856	966,833
Non-recourse factoring	475,106	398,757	475,106	398,757
Sundry debtors and advances for non-current assets	626,203	462,226	281,071	529,056
Cheques and other instruments to be encashed	52,580	50,851	52,580	50,851
Other financial assets	12,955	10,604	874	8,340
Impairment allowance for other financial assets	(57,930)	(41,736)	(23,130)	(18,208)
Total	1,786,849	1,887,028	1,446,357	1,935,629

As at June 30, 2023, out of RON 1,786,849 thousand (December 31, 2022: RON 1,887,028 thousand), the Group's other impaired financial assets amounted to RON 31,440 thousand (December 31, 2022: RON 11,104 thousand).

As at June 30, 2023 out of RON 1,446,357 thousand (December 31, 2022: RON 1,935,629 thousand), the Bank's other impaired financial assets amounted to RON 4,280 thousand (December 31, 2022: RON 4,335 thousand).

26. Other non-financial assets

<i>In RON thousand</i>	Group		Bank	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Inventories and similar assets	79,835	76,806	44,834	44,873
Prepaid expenses	101,730	100,748	88,381	92,042
VAT and other taxes to be received	13,214	16,297	1,809	1,905
Other non-financial assets	33,000	7,290	26,646	220
Impairment allowance for other non-financial assets	(19,494)	(23,531)	(7,905)	(8,087)
Total	208,285	177,610	153,765	130,953

27. Deposits from banks

<i>In RON thousand</i>	Group		Bank	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Sight deposits	154,728	330,045	176,806	357,910
Term deposits	298,771	1,348,037	258,735	1,273,632
Total	453,499	1,678,082	435,541	1,631,542

28. Deposits from customers

<i>In RON thousand</i>	Group		Bank	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Current accounts	65,517,037	66,933,900	62,678,842	65,004,360
Sight deposits	1,070,764	994,890	841,499	753,703
Term deposits	58,809,892	50,620,317	57,786,239	49,583,917
Collateral deposits	2,029,255	1,182,622	1,139,307	1,161,862
Total	127,426,948	119,731,729	122,445,887	116,503,842

Banca Transilvania S.A.

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	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Retail	83,898,000	79,880,462	80,958,018	77,873,189
Legal entities	43,528,948	39,851,267	41,487,869	38,630,653
Total	127,426,948	119,731,729	122,445,887	116,503,842

29. Loans from banks and other financial institutions

<i>In RON thousand</i>	Group		Bank	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Loans from central administrations	28,419	25,714	-	-
Loans from commercial banks	1,169,348	1,304,939	374,122	371,006
- Romanian banks	795,226	933,933	-	-
- Foreign banks	374,122	371,006	374,122	371,006
Loans from development banks	1,337,273	1,420,904	1,284,506	1,366,877
Repurchase agreements (repo transactions)	792,315	1,818,574	792,315	1,818,574
Other funds from financial institutions	55,850	86,904	4,535	6,026
Issued bonds	3,177,303	183,893	2,990,155	-
Total	6,560,508	4,840,928	5,445,633	3,562,483

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

	30-06-2023		31-12-2022	
	Minimum	Maximum	Minimum	Maximum
EUR	0.00%	8.875%	0.00%	5.79%
RON	0.00%	Robor 3m+3%	0.00%	Robor1m+2.5%
USD	4.50%	4.50%	3.75%	3.87%
MDL	0.00%	Base rate NBM+0.6%	0.00%	Base rate NBM+0.6%

The covenants stipulated in the loan agreements signed with the creditors were met by the Group and the Bank at June 30, 2023 and December 31, 2022.

The table below summarizes the underlying securities of repo agreements:

<i>In RON thousand</i>	Group				Bank			
	30-06-2023		31-12-2022		30-06-2023		31-12-2022	
	Carrying amount		Carrying amount		Carrying amount		Carrying amount	
	Transferred assets	Related liabilities	Transferred assets	Related liabilities	Transferred assets	Related liabilities	Transferred assets	Related liabilities
	789,482	792,315	1,833,170	1,818,574	789,482	792,315	1,833,170	1,818,574
Total	789,482	792,315	1,833,170	1,818,574	789,482	792,315	1,833,170	1,818,574

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

30. Subordinated liabilities

As at June 30, 2023 and December 31, 2022, 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	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Loans from development banks and financial institutions	333,218	335,048	311,281	312,802
Non-convertible bonds	2,403,858	1,413,212	2,397,037	1,406,107
Total	2,737,076	1,748,260	2,708,318	1,718,909

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	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Provisions for loan commitments, financial guarantees and other commitments given	352,585	354,012	324,331	326,341
Provisions for untaken holidays	52,300	29,209	44,781	22,129
Provisions for other employee benefits	41,025	58,670	27,606	35,020
Provisions for litigation, other risks and charges (*)	53,271	58,655	47,114	47,806
Total	499,181	500,546	443,832	431,296

(*) 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	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Amounts under settlement	1,625,123	1,449,276	1,322,777	1,138,402
Sundry creditors	341,448	230,853	171,964	104,547
Dividends payable	26,228	26,639	26,228	26,639
Other financial liabilities	41,407	57,596	20,449	46,381
Total	2,034,206	1,764,364	1,541,418	1,315,969

33. Other non-financial liabilities

<i>In RON thousand</i>	Group		Bank	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Other taxes payable	56,647	61,902	42,601	39,833
Other non-financial liabilities	226,617	153,472	155,723	92,803
Total	283,264	215,374	198,324	132,636

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

34. Share capital

The statutory share capital of the Bank at June 30, 2023, as recorded with the Trade Register was represented by 707,658,233 ordinary shares with a nominal value of RON 10 each (December 31, 2022: 707,658,233 shares with a nominal value of RON 10 each). The shareholders structure of the Bank is presented in Note 1.

<i>In RON thousand</i>	Group		Bank	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Paid share capital recorded with the Trade Register	7,076,582	7,076,582	7,076,582	7,076,582
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	7,163,083	7,163,083	7,163,083	7,163,083

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>	30-06-2023			31-12-2022		
	Key management personnel	Other related-parties	Total	Key management personnel	Other related-parties	Total
Group						
Assets						
Granted loans - net amount	14,936	91,983	106,919	16,347	73,356	89,703
Liabilities						
Deposits from customers	39,882	259,310	299,192	46,858	204,199	251,057
Loans from financial institutions	-	194,317	194,317	-	227,207	227,207
Debt securities	-	510,137	510,137	-	508,664	508,664
Commitments						
Loan commitments and financial guarantees	2,660	10,156	12,816	2,831	27,008	29,839
Notional value of exchange operations	15,857	51,707	67,564	29,089	224,655	253,744
Statement of profit or loss	6 months ended June 30,2023			6 months ended June 30,2022		
Interest income	427	2,467	2,894	263	1,812	2,075
Interest expense	645	26,851	27,496	83	14,432	14,515
Fee and commission income	8	98	106	4	84	88

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

35. Related-party transactions (continued)

Bank – In RON thousand

	30-06-2023				31-12-2022			
	Subsidiaries	Key management personnel	Other related-parties	Total	Subsidiaries	Key management personnel	Other related-parties	Total
Assets								
Correspondent accounts at credit institutions	970	-	-	970	1,038	-	-	1,038
Deposits with credit institutions	1,918,626	-	-	1,918,626	1,831,997	-	-	1,831,997
Granted loans	2,963,532	11,764	84,324	3,059,620	2,348,713	12,399	68,182	2,429,294
Equity investments	710,384	-	-	710,384	708,412	-	-	708,412
Financial assets at amortized cost	14,842	-	-	14,842	14,797	-	-	14,797
Financial assets measured at fair value through other items of comprehensive income – debt instruments	11,632	-	-	11,632	11,748	-	-	11,748
Financial assets required to be measured at fair value through profit or loss - debt instruments	414,613	-	-	414,613	393,444	-	-	393,444
Right of use assets	232,607	-	-	232,607	90,660	-	-	90,660
Other assets	12,176	-	-	12,176	195,836	-	-	195,836
Liabilities								
Correspondent accounts from credit institutions	6,441	-	-	6,441	36,142	-	-	36,142
Deposits from customers	1,039,404	26,336	252,535	1,318,275	184,155	29,669	198,641	412,465
Loans from financial institutions	-	-	166,412	166,412	-	-	179,415	179,415
Debt securities	2,485	-	495,826	498,311	-	-	494,176	494,176
Lease liabilities	198,190	-	-	198,190	204,286	-	-	204,286
Other liabilities	4,485	-	-	4,485	8,185	-	-	8,185
Commitments								
Loan commitments and financial guarantees given	1,415,224	2,131	7,912	1,425,267	407,959	2,357	22,523	432,839
Notional value of exchange operations	379,158	6,299	46,961	432,418	743,262	16,379	213,687	973,328

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 *(continued)*

Bank – In RON thousand

	30-06-2023				30-06-2022			
	Subsidiaries	Key management personnel	Other related-parties	Total	Subsidiaries	Key management personnel	Other related-parties	Total
Statement of profit or loss								
Interest income	120,623	322	2,208	123,153	31,987	198	1,652	33,837
Interest expense	5,374	494	25,553	31,421	3,435	67	12,834	16,336
Fee and commission income	2,633	7	88	2,728	2,444	2	76	2,522
Fee and commission expense	8,619	-	-	8,619	9,966	-	-	9,966
Net Gain/Loss from derivative instruments held-for-trading	10	-	-	10	(895)	-	-	(895)
Dividend income	416	-	-	416	4,281	-	-	4,281
Realised loss from financial assets required to be measured at fair value through profit or loss	(3,906)	-	-	(3,906)	(28,693)	-	-	(28,693)
Other income	17,033	-	-	17,033	18,640	-	-	18,640
Other expenses	12,393	-	-	12,393	9,780	-	-	9,780

Notes to the Interim Condensed Consolidated and Separate Financial Statements

35. Related-party transactions (continued)

Transactions with key management personnel

As at the end of June 30, 2023, 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 25,001 thousand (June 30, 2022: RON 22,185 thousand) and of the Bank amounted to RON 8,675 thousand (June 30, 2022: RON 9,311 thousand).

Compensation for the key personnel of the Group:

<i>In RON thousand</i>		30-06-2023			30-06-2022		
Group	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar	
Short-term employee benefits	35,915	8,664	33	32,503	7,822	35	
Share based payments	15,169	-	-	38,818	-	-	
Debt instrument-based payments	249	62	-	199	50	-	
Total compensations and benefits	51,333	8,726	33	71,520	7,872	35	

Compensation for the key personnel of the Bank:

<i>In RON thousand</i>		30-06-2023			30-06-2022		
Bank	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar	
Short-term employee benefits	19,562	4,741	27	19,695	4,780	29	
Share based payments	12,954	-	-	36,807	-	-	
Total compensations and benefits	32,516	4,741	27	56,502	4,780	29	

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	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Guarantees issued, of which	3,064,985	2,957,609	3,046,782	2,937,433
- <i>Good performance guarantees</i>	1,023,975	964,794	1,006,712	945,594
- <i>Financial guarantees</i>	2,041,010	1,992,815	2,040,070	1,991,839
Loan commitments	19,331,107	16,555,570	19,786,350	16,074,777
Total	22,396,092	19,513,179	22,833,132	19,012,210

The provisions for loan commitments to customers were in amount of RON 352,586 thousand, at Group level (December 31, 2022: RON 354,012 thousand) and at Bank level RON 324,331 thousand (December 31, 2022: RON 326,341 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

The calculation of basic earnings per share was based on the net consolidated profit attributable to ordinary shareholders of the parent company of RON 1,523,264 thousand (2022: RON 1,007,547 thousand) and on the weighted average number of ordinary shares outstanding during the year of 796,162,374 (2022 recalculated: 797,265,546 shares).

On June 30, 2022 and June 30, 2023 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	
	30-06-2023	30-06-2022
Ordinary shares issued as at 1 January	707,658,233	631,146,962
The impact of shares issued as of 1 January	91,000,000	76,511,265
The impact of the shares repurchased during the year	(2,495,859)	(1,392,681)
The impact of the shares obtained from bonds conversion	-	-
The retroactive adjustment of the weighted average number of outstanding shares as at June, 2022	-	91,000,000
Weighted average number of shares	796,162,374	797,265,546
The number of shares that may be issued upon the conversion of bonds into shares	-	-
Weighted average number of diluted shares	796,162,374	797,265,546

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, 2023;
- 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, 2023 and December 31, 2022, 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 14,064,122 thousand as of June 2023 (31 December 2022: RON 12,584,713 thousand), regulatory capital amounts to RON 8,169,144 thousand (31 December 2022: RON 7,860,501 thousand) and the Group and the Bank have complied with all externally imposed capital requirements throughout 2023 and 2022.

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, 2023 and December 31, 2022 are as follows:

<i>In RON thousand</i>	Group		Bank	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Tier 1 own funds	11,668,469	11,123,258	10,874,314	10,234,719
Tier 2 own funds	2,395,653	1,461,455	2,391,065	1,453,940
Total own funds	14,064,122	12,584,713	13,265,379	11,688,659

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

<i>In %</i>	Group		Bank	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Core tier one ratio	18.57	18.40	19.58	18.92
Tier 1 ratio	18.57	18.40	19.58	18.92
CAR	22.38	20.81	23.88	21.61

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, 2022. For the six-month period ended June 30, 2023, the current profit at the individual level was included in the calculation of own funds. Regulatory capital as at June 30, 2023 and December 31, 2022 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, 2023 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	112,419	24,164	2,713,750	112,419	24,164	2,713,750
Currency swaps	74,944	18,655	1,042,314	74,944	18,655	1,042,314
Exchange rate forward agreements	7,072	1,376	1,816,706	7,072	1,376	1,816,706
Total derivative financial instruments	194,435	44,195	5,572,770	194,435	44,195	5,572,770

The structure of the derivative instruments held by the Group and by the Bank as at December 31, 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	111,391	21,076	2,893,461	111,391	21,076	2,893,461
Currency swaps	95,507	12,334	890,532	95,507	12,334	890,532
Exchange rate forward agreements	11,545	8,285	1,664,969	11,545	8,285	1,664,969
Total derivative financial instruments	218,443	41,695	5,448,962	218,443	41,695	5,448,962

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	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Corporate and public institutions	28,992,168	28,526,290	31,509,519	30,397,258
Small and medium enterprises	9,744,362	9,294,327	8,433,367	8,156,625
Consumer loans and card loans granted to retail customers	13,038,327	12,649,654	12,304,606	11,836,977
Mortgage loans	17,276,064	17,384,457	16,940,651	17,018,290
Loans and finance lease receivables granted by non-banking financial institutions	4,976,031	4,600,644	-	-
Other	74,403	74,139	67,232	64,945
Total loans and advances to customers and financial lease receivables before impairment allowance	74,101,355	72,529,511	69,255,375	67,474,095
Allowances for impairment losses on loans and financial lease receivables	(4,640,639)	(4,515,994)	(4,163,306)	(4,024,141)
Total loans and advances to customers and financial lease receivables net of impairment allowance	69,460,716	68,013,517	65,092,069	63,449,954

As of June 30, 2023, the total irrevocable on-balance and off-balance sheet exposure was of RON 78,744,984 thousand (December 31, 2022: RON 76,641,699 thousand) for the Group and RON 72,917,216 thousand (December 31, 2022: RON 70,676,453 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, 2023, 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 2023
<i>In RON thousand</i>					
Corporate and public institutions	24,461,108	3,704,900	731,108	95,052	28,992,168
Small and medium enterprises	6,805,164	2,506,644	404,102	28,452	9,744,362
Consumer loans and card loans granted to retail customers	9,129,444	3,022,625	798,169	88,089	13,038,327
Mortgage loans	15,182,827	1,860,517	190,701	42,019	17,276,064
Loans and finance lease receivables granted to non-banking financial institutions	3,978,758	578,091	373,929	45,253	4,976,031
Other	27	59,028	14,317	1,031	74,403
Total loans and advances to customers and financial lease receivables before impairment allowance	59,557,328	11,731,805	2,512,326	299,896	74,101,355
Allowances for impairment losses on loans and financial lease receivables	(1,188,803)	(1,738,154)	(1,627,819)	(85,863)	(4,640,639)
Total loans and advances to customers and financial lease receivables net of impairment allowance	58,368,525	9,993,651	884,507	214,033	69,460,716

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, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2023
Corporate and public institutions	14,424,255	7,710,259	2,279,501	47,093	24,461,108
Small and medium enterprises	3,064,468	3,078,155	662,541	-	6,805,164
Consumer loans and card loans granted to retail customers	4,882,869	3,609,869	608,232	28,474	9,129,444
Mortgage loans	8,677,467	5,675,141	729,794	100,425	15,182,827
Loans and finance lease receivables granted by non-banking financial institutions	3,042,534	934,591	1,633	-	3,978,758
Other	-	-	3	24	27
Total loans and advances to customers and financial lease receivables before impairment allowance	34,091,593	21,008,015	4,281,704	176,016	59,557,328
Allowances for impairment losses on loans and financial lease receivables	(230,069)	(606,482)	(339,308)	(12,944)	(1,188,803)
Total loans and advances to customers and financial lease receivables net of impairment allowance	33,861,524	20,401,533	3,942,396	163,072	58,368,525

Gross value of loans and advances, lease receivables granted to clients, Stage 1	0 days	1-15 days	16-30 days	Total 2023
Corporate and public institutions	24,415,301	42,193	3,614	24,461,108
Small and medium enterprises	6,541,777	185,808	77,579	6,805,164
Consumer loans and card loans granted to retail customers	8,858,316	232,692	38,436	9,129,444
Mortgage loans	14,873,385	270,003	39,439	15,182,827
Loans and finance lease receivables granted by non-banking financial institutions	3,717,643	149,003	112,112	3,978,758
Other	27	-	-	27
Total loans and advances to customers and financial lease receivables before impairment allowance	58,406,449	879,699	271,180	59,557,328
Allowances for impairment losses on loans and financial lease receivables	(1,157,641)	(19,276)	(11,886)	(1,188,803)
Total loans and advances to customers and financial lease receivables net of impairment allowance	57,248,808	860,423	259,294	58,368,525

Banca Transilvania S.A.

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 2023
Corporate and public institutions	3,125,223	475,609	104,068	3,704,900
Small and medium enterprises	1,909,113	434,714	162,817	2,506,644
Consumer loans and card loans granted to retail customers	1,870,574	757,035	395,016	3,022,625
Mortgage loans	1,304,753	394,078	161,686	1,860,517
Loans and finance lease receivables granted by non-banking financial institutions	527,926	38,084	12,081	578,091
Other	6,459	52,569	-	59,028
Total loans and advances to customers and financial lease receivables before impairment allowance	8,744,048	2,152,089	835,668	11,731,805
Allowances for impairment losses on loans and financial lease receivables	(847,289)	(546,359)	(344,506)	(1,738,154)
Total loans and advances to customers and financial lease receivables net of impairment allowance	7,896,759	1,605,730	491,162	9,993,651

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 2023
Corporate and public institutions	3,698,669	6,231	-	3,704,900
Small and medium enterprises	2,446,606	42,344	17,694	2,506,644
Consumer loans and card loans granted to retail customers	2,899,720	92,628	30,277	3,022,625
Mortgage loans	1,765,281	84,339	10,897	1,860,517
Loans and finance lease receivables granted by non-banking financial institutions	527,926	38,164	12,001	578,091
Other	58,991	6	31	59,028
Total loans and advances to customers and financial lease receivables before impairment allowance	11,397,193	263,712	70,900	11,731,805
Allowances for impairment losses on loans and financial lease receivables	(1,654,779)	(55,888)	(27,487)	(1,738,154)
Total loans and advances to customers and financial lease receivables net of impairment allowance	9,742,414	207,824	43,413	9,993,651

Banca Transilvania S.A.

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 2023
Corporate and public institutions	471,062	2,383	21,004	236,659	731,108
Small and medium enterprises	117,173	20,603	25,883	240,443	404,102
Consumer loans and card loans granted to retail customers	163,427	80,234	60,836	493,672	798,169
Mortgage loans	69,990	35,873	25,882	58,956	190,701
Loans and finance lease receivables granted by non-banking financial institutions	126,096	39,514	18,012	190,307	373,929
Other	13,010	1	4	1,302	14,317
Total loans and advances to customers and financial lease receivables before impairment allowance	960,758	178,608	151,621	1,221,339	2,512,326
Allowances for impairment losses on loans and financial lease receivables	(500,482)	(80,290)	(80,301)	(966,746)	(1,627,819)
Total loans and advances to customers and financial lease receivables net of impairment allowance	460,276	98,318	71,320	254,593	884,507

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, 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 and public institutions	23,847,856	3,757,281	777,495	143,658	28,526,290
Small and medium enterprises	6,402,597	2,507,699	352,313	31,718	9,294,327
Consumer loans and card loans granted to retail customers	8,863,654	3,005,369	685,385	95,246	12,649,654
Mortgage loans	15,997,110	1,165,452	178,275	43,620	17,384,457
Loans and finance lease receivables granted to non-banking financial institutions	3,504,776	669,249	393,398	33,221	4,600,644
Other	59	59,862	13,139	1,079	74,139
Total loans and advances to customers and financial lease receivables before impairment allowance	58,616,052	11,164,912	2,400,005	348,542	72,529,511
Allowances for impairment losses on loans and financial lease receivables	(1,161,644)	(1,699,201)	(1,564,848)	(90,301)	(4,515,994)
Total loans and advances to customers and financial lease receivables net of impairment allowance	57,454,408	9,465,711	835,157	258,241	68,013,517

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, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2022
Corporate and public institutions	13,766,008	7,865,119	2,157,105	59,624	23,847,856
Small and medium enterprises	2,937,630	2,864,838	597,585	2,544	6,402,597
Consumer loans and card loans granted to retail customers	4,643,141	3,606,733	585,601	28,179	8,863,654
Mortgage loans	8,605,050	6,355,821	859,327	176,912	15,997,110
Loans and finance lease receivables granted by non-banking financial institutions	2,778,063	726,407	-	306	3,504,776
Other	-	-	15	44	59
Total loans and advances to customers and financial lease receivables before impairment allowance	32,729,892	21,418,918	4,199,633	267,609	58,616,052
Allowances for impairment losses on loans and financial lease receivables	(242,614)	(598,177)	(301,264)	(19,589)	(1,161,644)
Total loans and advances to customers and financial lease receivables net of impairment allowance	32,487,278	20,820,741	3,898,369	248,020	57,454,408

Gross value of loans and advances, lease receivables granted to clients, Stage 1	0 days	1-15 days	16-30 days	Total 2022
Corporate and public institutions	23,804,838	37,884	5,134	23,847,856
Small and medium enterprises	6,158,897	173,963	69,737	6,402,597
Consumer loans and card loans granted to retail customers	8,553,563	250,997	59,094	8,863,654
Mortgage loans	15,546,428	349,273	101,409	15,997,110
Loans and finance lease receivables granted by non-banking financial institutions	3,286,517	125,500	92,759	3,504,776
Other	59	-	-	59
Total loans and advances to customers and financial lease receivables before impairment allowance	57,350,302	937,617	328,133	58,616,052
Allowances for impairment losses on loans and financial lease receivables	(1,129,993)	(20,365)	(11,286)	(1,161,644)
Total loans and advances to customers and financial lease receivables net of impairment allowance	56,220,309	917,252	316,847	57,454,408

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 2022
Corporate and public institutions	3,160,631	496,425	100,225	3,757,281
Small and medium enterprises	1,969,110	390,043	148,546	2,507,699
Consumer loans and card loans granted to retail customers	1,903,769	723,049	378,551	3,005,369
Mortgage loans	696,524	328,868	140,060	1,165,452
Loans and finance lease receivables granted by non-banking financial institutions	629,280	30,216	9,753	669,249
Other	8,402	51,460	-	59,862
Total loans and advances to customers and financial lease receivables before impairment allowance	8,367,716	2,020,061	777,135	11,164,912
Allowances for impairment losses on loans and financial lease receivables	(846,373)	(523,382)	(329,446)	(1,699,201)
Total loans and advances to customers and financial lease receivables net of impairment allowance	7,521,343	1,496,679	447,689	9,465,711

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 and public institutions	3,750,255	6,579	447	3,757,281
Small and medium enterprises	2,425,934	67,393	14,372	2,507,699
Consumer loans and card loans granted to retail customers	2,863,091	112,758	29,520	3,005,369
Mortgage loans	1,086,949	66,801	11,702	1,165,452
Loans and finance lease receivables granted by non-banking financial institutions	629,280	30,216	9,753	669,249
Other	59,759	47	56	59,862
Total loans and advances to customers and financial lease receivables before impairment allowance	10,815,268	283,794	65,850	11,164,912
Allowances for impairment losses on loans and financial lease receivables	(1,598,702)	(75,785)	(24,714)	(1,699,201)
Total loans and advances to customers and financial lease receivables net of impairment allowance	9,216,566	208,009	41,136	9,465,711

Banca Transilvania S.A.

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 and public institutions	508,882	6,859	61,316	200,438	777,495
Small and medium enterprises	93,405	33,701	24,935	200,272	352,313
Consumer loans and card loans granted to retail customers	140,698	79,681	69,304	395,702	685,385
Mortgage loans	70,518	38,078	18,518	51,161	178,275
Loans and finance lease receivables granted by non-banking financial institutions	124,561	57,163	16,864	194,810	393,398
Other	11,997	11	13	1,118	13,139
Total loans and advances to customers and financial lease receivables before impairment allowance	950,061	215,493	190,950	1,043,501	2,400,005
Allowances for impairment losses on loans and financial lease receivables	(521,588)	(100,348)	(124,623)	(818,289)	(1,564,848)
Total loans and advances to customers and financial lease receivables net of impairment allowance	428,473	115,145	66,327	225,212	835,157

Banca Transilvania S.A.

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, 2023, 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 2023
<i>In RON thousand</i>					
Corporate and public institutions	27,042,416	3,670,920	704,472	91,711	31,509,519
Small and medium enterprises	5,704,031	2,337,231	371,851	20,254	8,433,367
Consumer loans and card loans granted to retail customers	8,497,796	2,996,873	727,384	82,553	12,304,606
Mortgage loans	14,861,380	1,854,092	183,170	42,009	16,940,651
Other	27	52,665	14,259	281	67,232
Total loans and advances to customers before impairment allowance	56,105,650	10,911,781	2,001,136	236,808	69,255,375
Allowances for impairment losses on loans	(1,120,348)	(1,672,807)	(1,320,230)	(49,921)	(4,163,306)
Total loans and advances to customers net of impairment allowance	54,985,302	9,238,974	680,906	186,887	65,092,069

Gross value of loans and advances granted to clients, Stage 1

	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2023
Corporate and public institutions	16,529,034	8,186,788	2,279,501	47,093	27,042,416
Small and medium enterprises	2,247,241	2,794,249	662,541	-	5,704,031
Consumer loans and card loans granted to retail customers	4,882,870	2,983,126	603,327	28,473	8,497,796
Mortgage loans	8,677,467	5,358,624	724,865	100,424	14,861,380
Other	-	-	2	25	27
Total loans and advances to customers before impairment allowance	32,336,612	19,322,787	4,270,236	176,015	56,105,650
Allowances for impairment losses on loans	(225,013)	(544,281)	(338,103)	(12,951)	(1,120,348)
Total loans and advances to customers net of impairment allowance	32,111,599	18,778,506	3,932,133	163,064	54,985,302

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

40. Credit risk management (continued)

Gross value of loans and advances granted to clients, Stage 1	0 days	1-15 days	16-30 days	Total 2023
Corporate and public institutions	27,015,316	27,100	-	27,042,416
Small and medium enterprises	5,675,044	25,329	3,658	5,704,031
Consumer loans and card loans granted to retail customers	8,276,062	189,761	31,973	8,497,796
Mortgage loans	14,569,546	257,325	34,509	14,861,380
Other	27	-	-	27
Total loans and advances to customers before impairment allowance	55,535,995	499,515	70,140	56,105,650
Allowances for impairment losses on loans	(1,107,184)	(11,115)	(2,049)	(1,120,348)
Total loans and advances to customers net of impairment allowance	54,428,811	488,400	68,091	54,985,302

Gross value of loans and advances granted to clients, not impaired, Stage 2	Low-moderate risk	Sensitive risk	High risk	Total 2023
Corporate and public institutions	3,093,107	473,745	104,068	3,670,920
Small and medium enterprises	1,782,881	402,566	151,784	2,337,231
Consumer loans and card loans granted to retail customers	1,857,128	747,522	392,223	2,996,873
Mortgage loans	1,300,427	392,017	161,648	1,854,092
Other	96	52,569	-	52,665
Total loans and advances to customers before impairment allowance	8,033,639	2,068,419	809,723	10,911,781
Allowances for impairment losses on loans	(799,215)	(535,845)	(337,747)	(1,672,807)
Total loans and advances to customers net of impairment allowance	7,234,424	1,532,574	471,976	9,238,974

Gross value of loans and advances granted to clients, not impaired, Stage 2	0-30 days	31-60 days	61-90 days	Total 2023
Corporate and public institutions	3,666,594	4,326	-	3,670,920
Small and medium enterprises	2,320,373	8,259	8,599	2,337,231
Consumer loans and card loans granted to retail customers	2,886,274	83,115	27,484	2,996,873
Mortgage loans	1,760,956	82,278	10,858	1,854,092
Other	52,628	6	31	52,665
Total loans and advances to customers before impairment allowance	10,686,825	177,984	46,972	10,911,781
Allowances for impairment losses on loans	(1,606,745)	(44,675)	(21,387)	(1,672,807)
Total loans and advances to customers net of impairment allowance	9,080,080	133,309	25,585	9,238,974

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 2023
Corporate and public institutions	469,041	2,323	21,004	212,104	704,472
Small and medium enterprises	110,473	15,738	22,714	222,926	371,851
Consumer loans and card loans granted to retail customers	156,296	77,174	56,219	437,695	727,384
Mortgage loans	67,803	34,157	25,042	56,168	183,170
Other	13,010	1	4	1,244	14,259
Total loans and advances to customers before impairment allowance	816,623	129,393	124,983	930,137	2,001,136
Allowances for impairment losses on loans	(453,895)	(64,216)	(66,443)	(735,676)	(1,320,230)
Total loans and advances to customers net of impairment allowance	362,728	65,177	58,540	194,461	680,906

The exposures to credit risk for loans and advances to customers at Bank level, as of December 31, 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 and public institutions	25,849,924	3,696,136	751,853	99,345	30,397,258
Small and medium enterprises	5,384,495	2,416,945	333,164	22,021	8,156,625
Consumer loans and card loans granted to retail customers	8,136,588	2,986,380	627,095	86,914	11,836,977
Mortgage loans	15,642,497	1,159,993	172,259	43,541	17,018,290
Other	60	51,524	13,080	281	64,945
Total loans and advances to customers before impairment allowance	55,013,564	10,310,978	1,897,451	252,102	67,474,095
Allowances for impairment losses on loans	(1,081,557)	(1,636,145)	(1,253,317)	(53,122)	(4,024,141)
Total loans and advances to customers net of impairment allowance	53,932,007	8,674,833	644,134	198,980	63,449,954

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

40. Credit risk management (continued)

Gross value of loans and advances granted to clients, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2022
Corporate and public institutions	15,293,579	8,339,634	2,157,105	59,606	25,849,924
Small and medium enterprises	2,149,385	2,637,525	597,585	-	5,384,495
Consumer loans and card loans granted to retail customers	4,643,143	2,883,919	581,369	28,157	8,136,588
Mortgage loans	8,605,050	6,004,406	856,129	176,912	15,642,497
Other	-	-	15	45	60
Total loans and advances to customers before impairment allowance	30,691,157	19,865,484	4,192,203	264,720	55,013,564
Allowances for impairment losses on loans	(222,964)	(538,927)	(300,099)	(19,567)	(1,081,557)
Total loans and advances to customers net of impairment allowance	30,468,193	19,326,557	3,892,104	245,153	53,932,007

Gross value of loans and advances granted to clients, Stage 1	0 days	1-15 days	16-30 days	Total 2022
Corporate and public institutions	25,829,647	19,627	650	25,849,924
Small and medium enterprises	5,345,201	36,524	2,770	5,384,495
Consumer loans and card loans granted to retail customers	7,880,960	207,404	48,224	8,136,588
Mortgage loans	15,202,610	341,677	98,210	15,642,497
Other	60	-	-	60
Total loans and advances to customers before impairment allowance	54,258,478	605,232	149,854	55,013,564
Allowances for impairment losses on loans	(1,066,250)	(12,438)	(2,869)	(1,081,557)
Total loans and advances to customers net of impairment allowance	53,192,228	592,794	146,985	53,932,007

Banca Transilvania S.A.

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 2022
Corporate and public institutions	3,100,112	496,148	99,876	3,696,136
Small and medium enterprises	1,906,308	367,872	142,765	2,416,945
Consumer loans and card loans granted to retail customers	1,898,852	712,766	374,762	2,986,380
Mortgage loans	692,856	327,296	139,841	1,159,993
Other	64	51,460	-	51,524
Total loans and advances to customers before impairment allowance	7,598,192	1,955,542	757,244	10,310,978
Allowances for impairment losses on loans	(796,802)	(514,278)	(325,065)	(1,636,145)
Total loans and advances to customers net of impairment allowance	6,801,390	1,441,264	432,179	8,674,833

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 and public institutions	3,689,740	6,299	97	3,696,136
Small and medium enterprises	2,363,132	44,824	8,989	2,416,945
Consumer loans and card loans granted to retail customers	2,858,174	102,475	25,731	2,986,380
Mortgage loans	1,083,282	65,229	11,482	1,159,993
Other	51,421	47	56	51,524
Total loans and advances to customers before impairment allowance	10,045,749	218,874	46,355	10,310,978
Allowances for impairment losses on loans	(1,549,133)	(66,545)	(20,467)	(1,636,145)
Total loans and advances to customers net of impairment allowance	8,496,616	152,329	25,888	8,674,833

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 and public institutions	507,071	6,859	61,279	176,644	751,853
Small and medium enterprises	88,198	32,018	23,553	189,395	333,164
Consumer loans and card loans granted to retail customers	133,888	76,833	64,569	351,805	627,095
Mortgage loans	68,175	37,260	18,263	48,561	172,259
Other	11,997	11	13	1,059	13,080
Total loans and advances to customers before impairment allowance	809,329	152,981	167,677	767,464	1,897,451
Allowances for impairment losses on loans	(473,044)	(80,311)	(111,940)	(588,022)	(1,253,317)
Total loans and advances to customers net of impairment allowance	336,285	72,670	55,737	179,442	644,134

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Current tax liability

Below is listed the structure of the current tax liability for the Group and the Bank:

	Group		Bank	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Current tax liability	160,270	-	135,615	-
Profit tax related to fiscal uncertainties	100,000	-	100,000	-
Total	260,270	-	235,615	-

42. Reclassifications of comparative figures of the period ended June 30, 2022

In 2023, the Group and the Bank restated certain amounts (presented in the table below) in the Interim Condensed Consolidated and Separate Financial Statements of Comprehensive Income for the 6 months, respectively 3 months period ended June 30, 2022, as well as in the Interim Condensed Consolidated and Separate Statements of Changes in Equity for the 6 months period ended June 30, 2022.

These changes were made in response to the reviews carried out by the management of the Group and the Bank, through which the analysis of the business model of the financial assets measured at fair value through other items of the comprehensive income was revised. Originally, in 2022 the Group and the Bank has reclassified in the Interim Condensed Consolidated and Separate Financial Statements for the six-month period ending on June 30, 2022 the financial assets from the category of financial assets measured at fair value through other items of the comprehensive income in the category of financial assets measured at amortized cost.

After the publication of the Interim Condensed Consolidated and Separate Financial Statements for the six-month period ending June 30, 2022, the management of the Bank and the Group continued the analysis of the business model for the respective financial assets and concluded that they do not meet all the requirements of the IFRS 9 standard to allow reclassification, so it proceeded upon the reversal of the effects of this accounting operation, keeping the financial assets in the category in which they were initially designated - respectively "Financial assets measured at fair value through other items of the comprehensive income". The annual Consolidated and Separate Financial Statements as at December 31, 2022 had no impact as a result of these changes.

The operation did not generate any restatement regarding the Consolidated and Separate Statement of the Financial Position as at December 31, 2022, respectively the Interim Condensed Consolidated and Separate Statement of the Profit and Loss for the 6 months, respectively 3 months period ended June 30, 2022.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

42. Reclassifications of comparative figures of the period ended June 30, 2022 (continued)

i) The comparative figures of Interim Condensed Consolidated and Separate Statement of Other Comprehensive Income are presented below:

<i>RON thousand - Group</i>	3 months ended June 30, 2022 reported	Restatements	3 months ended June 30, 2022 restated	6 months ended June 30, 2022 reported	Restatements	6 months ended June 30, 2022 restated
Net Profit for the period	646,145	-	646,145	1,046,479	-	1,046,479
Items which are or may be reclassified to profit or loss	300,671	(2,945,689)	(2,645,018)	(809,095)	(2,945,689)	(3,754,784)
Fair value reserve (financial assets measured at fair value through other items of comprehensive income), of which:	360,003	(3,515,189)	(3,155,186)	(942,092)	(3,515,189)	(4,457,281)
Effect of reclassification of financial assets measured at fair value through other items of comprehensive income to amortised cost (a)	3,515,189	(3,515,189)	-	3,515,189	(3,515,189)	-
Income tax on items which are or may be reclassified to profit or loss (b)	(65,932)	569,500	503,568	147,408	569,500	716,908
Total comprehensive income for the period	946,816	(2,945,689)	(1,998,873)	237,384	(2,945,689)	(2,708,305)
Total comprehensive income attributable to:						
Equity holders of the Bank	924,753	(2,945,689)	(2,020,936)	198,453	(2,945,689)	(2,747,236)
Non-controlling interest	22,063	-	22,063	38,931	-	38,931
Total comprehensive income for the period	946,816	(2,945,689)	(1,998,873)	237,384	(2,945,689)	(2,708,305)

<i>RON thousand - Bank</i>	3 months ended June 30, 2022 reported	Restatements	3 months ended June 30, 2022 restated	6 months ended June 30, 2022 reported	Restatements	6 months ended June 30, 2022 restated
Net Profit for the period	599,485	-	599,485	907,003	-	907,003
Items which are or may be reclassified to profit or loss	307,071	(2,945,689)	(2,638,618)	(781,538)	(2,945,689)	(3,727,227)
Fair value reserve (financial assets measured at fair value through other items of comprehensive income), of which:	374,243	(3,515,189)	(3,140,946)	(923,668)	(3,515,189)	(4,438,857)
Effect of reclassification of financial assets measured at fair value through other items of comprehensive income to amortised cost (net of adjustments for depreciation) (a)	3,515,189	(3,515,189)	-	3,515,189	(3,515,189)	-
Income tax on items which are or may be reclassified to profit or loss (b)	(67,181)	569,500	502,319	142,109	569,500	711,609
Total comprehensive income for the period	906,556	(2,945,689)	(2,039,133)	125,465	(2,945,689)	(2,820,224)
Total comprehensive income attributable to:						
Equity holders of the Bank	906,556	(2,945,689)	(2,039,133)	125,465	(2,945,689)	(2,820,224)
Non-controlling interest	-	-	-	-	-	-
Total comprehensive income for the period	906,556	(2,945,689)	(2,039,133)	125,465	(2,945,689)	(2,820,224)

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

42. Reclassifications of comparative figures of the period ended June 30, 2022 (continued)

As at June 30, 2022, the Group and the Bank made the following reclassifications with impact in the comparative figures from the Interim Condensed Consolidated and Separate Statement of Other Comprehensive Income related to the period ended at June 30, 2022:

(a) Impact in reserve from the reclassification of financial assets measured at amortized cost in assets measured at fair value through other items of comprehensive income, net of adjustments for depreciation;

(b) The impact on the tax reserve from the reclassification of financial assets measured at amortized cost in assets measured at fair value through other items of comprehensive income.

ii) The comparative figures of interim condensed consolidated and separate statement of changes in equity are presented below:

In RON thousand – Group

	Reserves from financial assets measured through other items of comprehensive income	Total attributable to the equity holders of the Bank	Total
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)
Restatements	(2,945,689)	(2,945,689)	(2,945,689)
Losses from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax	(3,742,679)	(3,742,679)	(3,742,679)
Total comprehensive income for the period reported	(796,990)	198,453	237,384
Restatements	(2,945,689)	(2,945,689)	(2,945,689)
Total comprehensive income for the period restated	(3,742,679)	(2,747,236)	(2,708,305)
Balance as at June 30, 2022 reported	(1,793,687)	9,465,400	9,976,198
Restatements	(2,945,689)	(2,945,689)	(2,945,689)
Balance as at June 30, 2022 restated	(4,739,376)	6,519,711	7,030,509

In RON thousand – Bank

	Reserves from financial assets measured through other items of comprehensive income	Total
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)	(781,555)	(781,555)
Restatements	(2,945,689)	(2,945,689)
Losses from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax	(3,727,244)	(3,727,244)
Total comprehensive income for the period reported	(781,555)	125,465
Restatements	(2,945,689)	(2,945,689)
Total comprehensive income for the period restated	(3,727,244)	(2,820,224)
Balance as at June 30, 2022 reported	(1,786,222)	8,631,462
Restatements	(2,945,689)	(2,945,689)
Balance as at June 30, 2022 restated	(4,731,911)	5,685,773

As at June 30, 2022, the Group and the Bank made the following restatements with impact in the comparative figures from the Interim Condensed Consolidated and Separate Statement of Changes in Equity related to period ended at June 30, 2022:

(a) The impact in the reserve from the reclassification of financial assets measured at amortized cost into assets measured at fair value through other items of comprehensive income, net of adjustments for depreciation and net of tax;

Other restatement in the Interim Condensed Consolidated Statement of Changes in Equity was performed on the line "Distribution to statutory reserves" from the "Total comprehensive income for the period" in "Contributions of/ distributions to the Shareholders".

Notes to the Interim Condensed Consolidated and Separate Financial Statements

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

As a result of the Decisions of the Extraordinary General Meeting of Transilvania Bank Shareholders of April 26, 2023, it was decided to increase the share capital by the amount of RON 910,000,000 by issuing a number of 91,000,000 new shares, with a nominal value of 10 RON/share. The increase of the share capital was achieved by incorporating the reserves constituted from the net profit of the year 2022, in the amount of RON 910,000,000, by issuing a number of 91,000,000 shares with a nominal value of 10 RON/share, for the benefit of the shareholders registered in the Shareholders' Register held by the Central Depository on the registrations date to be established by the Extraordinary General Shareholders' Meeting (proposal July 21, 2023). Therefore, the new share capital is RON 7,986,582,330, respectively 798,658,233 shares with a nominal value of 10 RON/share.

The legal procedures for registering the capital increase approved by the decision of the Extraordinary General Shareholders' Meeting of April 26, 2023, at the at National Trade Register Office and ASF were completed on July 21st, 2023.

Starting April 2023, Banca Transilvania issued bonds eligible for the minimum requirement of own funds and eligible liabilities (MREL - Minimum Requirement for Own Funds and Eligible Liabilities), as a request from BNR. They contribute, in line with the European banking standards, to ensuring an optimal level of own funds at all times, distinct from the customers' deposits which are guaranteed by the Bank Deposits Guarantee Fund and these are listed on the Euronext Dublin Stock Exchange.

In August 2023, Banca Transilvania supplemented the international MREL bond issue with EUR 190 million with an interest rate of 8.875%, as a result of the high interest from institutional investors. In the list of investors, mostly international investors, there are investment funds, financial institutions, pension funds, commercial and central banks, as well as insurance companies.

The present financial statements were not affected by these subsequent events.

The interim consolidated and separate financial statements were approved by the Board of Directors on 23 August 2023 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 2023**

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

Identification Details of the Issuer

Report date: August 23, 2023

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 30.06.2023: RON 7,986,582,330

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

Main features of the securities issued by the company: 798,658,233 nominal shares with a par value of RON 10/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”) established in 1993 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., BT Investments S.R.L., 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 Asistent de Brokeraj 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., 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 31.09%. Starting April 2023 the Bank has control, through an investment fund, over a newly established company BTP One S.R.L.

Banca Transilvania is a public listed company, headquartered in Cluj-Napoca, with a Romanian shareholders majority – 76.37% as of the end of June 2023. 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 ASF (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, 2023 is presented in the Appendix to this document.

I. Significant events during January-June 2023

Amendments brought to the Articles of Association

As a result of the Decisions of the Extraordinary General Meeting of Transilvania Bank Shareholders of April 26, 2023, it was decided to increase the share capital by the amount of RON 910,000,000 by issuing a number of 91,000,000 new shares, with a nominal value of 10 RON/share. The increase of the share capital was achieved by incorporating the reserves constituted from the net profit of the year 2022, in the amount of RON 910,000,000, by issuing a number of 91,000,000 shares with a nominal value of 10 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 7,986,582,330, respectively 798,658,233 shares with a nominal value of 10 RON/share.

The legal procedures for registering the capital increase approved by the decision of the Extraordinary General Shareholders' Meeting of April 26, 2023, at the at National Trade Register Office and ASF were completed on July 21st, 2023.

Changes in the first half of 2023 regarding Banca Transilvania Financial Group

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

BT LEASING TRANSILVANIA IFN S.A.

- On 01.01.2023, the merger of BTL with Țiriac Leasing took place, a merger approved by Extraordinary General Meeting (“EGM”) of Banca Transilvania on 23.01.2023 and registered with ONRC on 26.01.2023;

- Starting from 01.01.2023, Mr. Mihai Nicolescu was appointed as Leader and Deputy General Director of Risk and Internal Control, for a mandate valid until 06.03.2026;
- Starting with the same date of 01.01.2023, Mr. Mihai Moraru resigned from the position of Leader and Deputy General Director;
- On 03.02.2023, the company's Articles of Association was updated in accordance with the changes made to Law 31/1990 by Law 265/2022;
- On 06.02.2023, the mandate of general Director Ionuț Morar was extended for another 4 years, until 06.03.2027;
- On March 20, 2023, the mandate of all Board of Directors was extended until April 8, 2027.

ȚIRIAC LEASING IFN S.A.

- On 01.01.2023, Țiriac Leasing was absorbed by BT LEASING TRANSILVANIA IFN, being dissolved from ONRC on 26.01.2023.

BT DIRECT IFN S.A.

- On 31.01.2023, the mandate of the managers of the company was extended as follows:
 - Nicoleta Bott, having the position of Deputy General Director – extension of the mandate by 4 years, until 20.02.2027;
 - Gabriel Gogu, having the position of Deputy General Director – extension of the mandate by 3 years, until 20.02.2026.

BT MICROFINANȚARE IFN S.A.

- On 17.01.2023, the mandate of two of the company's managers was extended, as follows:
 - Șindile Cristina Dalia, having the position of General Director – extension of the mandate by 4 years, until 09.03.2027;
 - Cojocaru Dan Ioan, having the position of Deputy General Director – extension of the mandate by 4 years until 09.03.2027.

BT LEASING MD S.R.L.

- On 28.02.2023, Mr. Șerban Liviu Onut was appointed as a member of the Company Council;
- At the same time, Mr. Bogdan Pleșuvescu was appointed President of the Company Council.

BT ASSET MANAGEMENT SAI S.A.

- On 31.03.2023, the Financial Supervisory Authority issued the decision authorizing Mr. Dascăl Sergiu Dan as Director of the company for a new term (01.06.2023 – 31.05.2027).

CODE CRAFTERS BY BT S.R.L.

- On 09.02.2023, Mr. Teodor Torgie was appointed as a member of the Board of Directors of the company, following the revocation of the mandate of Mrs. Gabriela-Cristina Nistor.

BT BUILDING S.R.L.

- On 31.03.2023, Mr. Levon Khanikyan was appointed as the administrator of the company.

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 action on any change in the conditions under which it operates.

The main risks and uncertainties identified for the next period are a result of the consequences of the global economic slowdown and the volatility of international markets, and the geopolitical context generated by the Russian-Ukrainian conflict, which is still ongoing:

- risks of lower economic growth than estimates, Romania's economy being closely linked to global markets, especially the countries of the European Union, and still high inflation, aggravated by the prolongation of the conflict and tensions existing at the level of the region and the associated sanctions;
- deterioration of internal macroeconomic balances, including as a result of international geopolitical developments and market volatility;
- the increase in financing costs, generated by more restrictive monetary policies and the increase in public debt;
- acceleration of consumer prices, coupled with the depreciation of the national currency against the Euro, compared to current levels;
- increasing pressures on the commercial real estate markets against the background of the tightening of financing costs as well as the rising costs of construction materials;

- delays in the absorption of European funds, in particular through the National Recovery and Resilience Plan, could have possible negative effects;
- uncertainties associated with fiscal changes with an impact on the business environment, especially on small companies as well as those in the IT field.

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 2023, compared to the same period of last year, is the following:

Indicators (RONmn)	Group				
	Jun'23	Dec'22	Jun'22	Jun'23 vs Dec'22 %	Jun'23 vs Jun'22 %
Cash and current accounts with Central Bank	22,763	14,541	17,519	56.5%	29.9%
Placements to banks	4,228	5,567	6,835	-24.1%	-38.1%
Treasury financial instruments	51,754	47,191	46,679	9.7%	10.9%
Loans and advances to customers, net	66,447	65,201	62,189	1.9%	6.8%
Finance lease receivables	3,014	2,813	2,674	7.2%	12.7%
Tangible and intangible assets	2,302	2,327	2,104	-1.0%	9.4%
Other assets	2,561	2,871	2,137	-10.8%	19.8%
Total assets	153,068	140,511	140,138	8.9%	9.2%
Deposits from customers	127,427	119,732	110,929	6.4%	14.9%
Deposits from banks	453	1,678	1,465	-73.0%	-69.0%
Loans from banks and other financial institutions	6,561	4,841	12,642	35.5%	-48.1%
Subordinated loans	2,737	1,748	1,776	56.6%	54.1%
Other liabilities	3,597	3,040	3,350	18.3%	7.4%
Total liabilities	140,775	131,039	130,162	7.4%	8.2%
Equity	12,293	9,472	9,976	29.8%	23.2%
Total liabilities and equity	153,068	140,511	140,138	8.9%	9.2%

Indicators (RONmn)	Bank				
	Jun'23	Dec'22	Jun'22	Jun'23 vs Dec'22 %	Jun'23 vs Jun'22 %
Cash and current accounts with Central Bank	20,048	12,645	15,928	58.5%	25.9%
Placements to banks	5,309	6,635	7,580	-20.0%	-30.0%
Treasury financial instruments	49,479	45,823	45,507	8.0%	8.7%
Loans and advances to customers, net	65,092	63,450	60,207	2.6%	8.1%
Tangible and intangible assets	2,523	2,566	2,720	-1.7%	-7.2%
Other assets	2,116	2,841	1,900	-25.5%	11.4%
Total assets	144,568	133,960	133,842	7.9%	8.0%

Indicators (RONmn)	Bank				
	Jun'23	Dec'22	Jun'22	Jun'23 vs Dec'22 %	Jun'23 vs Jun'22 %
Deposits from customers	122,446	116,504	107,895	5.1%	13.5%
Deposits from banks	436	1,632	1,280	-73.3%	-66.0%
Loans from banks and other financial institutions	5,446	3,562	11,469	52.9%	-52.5%
Subordinated loans	2,708	1,719	1,721	57.6%	57.3%
Other liabilities	3,080	2,585	2,845	19.2%	8.3%
Total liabilities	134,116	126,002	125,210	6.4%	7.1%
Equity	10,452	7,958	8,631	31.3%	21.1%
Total liabilities and equity	144,568	133,960	133,842	7.9%	8.0%

The Group's assets reached RON 153.1 billion at the end of June 2023, increasing by 8.9% compared to the end of last year and by 9.2% compared to the end of June 2022. At the Bank level, total assets exceeded RON 144.5 billion, rising by 7.9% compared to the end of the previous year, respectively by 8% compared to June 2022.

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 net loans' portfolio amounted to RON 69.5 billion, being 2.1% above the level of end-of-year 2022, and by 7.1% above the end of June 2022. The balance of net loans granted to companies increased by 5.4%, while in the retail segment, the balance of net loans registered a marginal increase compared to the end of the previous year.

At the Bank level, net loans stands at RON 65.1 billion at the end of June 2023, expanding by 2.6% in the last six months, and by 8.1% compared to the same period of the previous year – as for business lines, the balance of net loans of MidCo and SME registered the most significant increases, of 10.2% and 7.5%, respectively, compared to the end of the previous year.

In 2023, BT continues to be an important partner in the governmental support programs *IMM Invest* and *Femeia Antreprenor*, but also in other guarantee schemes for SMEs launched this year.

Between January and June 2023, more than 131,000 new loans were granted to individual customers and companies.

Provisions' stock: Banca Transilvania recorded at the end of June 2023 a net income from adjustments for financial assets for other risks and credit commitments in the amount of RON 16 million (including recoveries from off-balance sheet loans). The balance of provisions reached RON 4.2 billion at the end of the first half of the year.

The non-performing NPL ratio according to the EBA (European Banking Authority) stands at 2.36% in June 30, 2023 and the degree of coverage with total provisions of the non-performing loans according to EBA is 192%.

Cash and current accounts with Central Banks represent as at June 30, 2023, 15% of the total assets at Group level, respectively 14% at the Bank level, increasing compared to December 31, 2022 at both Group and Bank level.

At the Group level, the cash and current accounts with the Central Banks increased by 56.5% and 29.9% compared to the end of 2022 and respectively compared to June 30, 2022, amounting to RON 22,763 million. At the Bank's level, the growths are of 58.5% compared to December 31, 2022 and of 25.9% compared to June 30, 2022, the final balance amounting to RON 20.048 million. The minimum required reserves, which led to these increases, represent the most significant component in this asset category, with a weight of over 78% and an increase of 83.4% compared to December 2022, at the Bank level.

Placements to banks at the end of June 2023, declined compared to both analyzed periods, at Group and also at Bank level: by 24.1% and 20% respectively compared to December 31, 2022, and by 38.1% and respectively by 30% compared to June 30, 2022. 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, the volume of term deposits and loans and advances granted to credit institutions up to three months, but also by the volume of reverse-repo operations.

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. Among those listed, in the total of treasury financial instruments, the most significant category is represented by financial assets measured at fair value through other comprehensive income representing approximately 30% of the Group's and 31% of the Bank's total assets, at the end of the first half of 2023.

As compared to December 31, 2022, the treasury instruments increased by approximately 9.7% at Group level, and by 8% at Bank level, while compared to June 30, 2022, these increased by 10.9% for the Group and by 8.7% for the Bank, reaching RON 51,754 million at Group level, respectively RON 49,479 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. At the Group level, customer deposits reached RON 127.427 million on June 30, 2023, increasing by 6.4% compared to the end of the previous year and by 14.9% compared to June 30, 2022. At Bank level, the balance of the customers' deposits is RON 122,446 million on June 30, 2023, expanding by 5.1% compared to the end of the previous year and by 13.5% compared to June 30, 2022.

Of the total customers' deposits, approximately 66% represent savings of the individuals and approximately 34% savings of the legal entities customers, both for the Group and the Bank. The share of current accounts is 51%, while fixed-term deposits represent 47% of the total customers' deposit balances as of June 30, 2023 at the Bank level.

The loan-to-deposit ratio at Bank level stands at 56.6% as at the end of the first half of 2023, the volume of gross loans being RON 69.3 billion, while the resources attracted from customers are RON 122.4 billion.

Loans from banks and other financial institutions increased significantly during the first six months of 2023, displaying a 52.9% growth versus end of December 2022, at the Bank level, due to MREL eligible international bonds of EUR 600 million issued in April and June 2023.

Subordinated loans registered also a materially growth of 57.6%, reaching RON 2,708 million at the end of June 2023, compared to RON 1,719 million the end of December 2022, at the Bank level; the increase in the category consists of a subordinated bond package of EUR 200 million provided by IFC and Asian Infrastructure Investment Bank (AIIB).

The equity of Banca Transilvania S.A. as at 30.06.2023 amounts to RON 10,452 million, up by 31.3% compared to the end of the previous year, when it amounted to RON 7,958 million, generated by higher retained earnings and improvement in the reserve from the revaluation of debt instruments valued at fair value through other comprehensive income.

Solvency: The Bank's solvency calculated as at June 30, 2023, taking into account the cumulative profit of the first six months of 2023 is 23.88%, 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 2023, compared to the same period last year, are as follows:

Indicators (RONmn)	Group			Bank		
	Jun'23	Jun'22	Jun'23 vs Jun'22 %	Jun'23	Jun'22	Jun'23 vs Jun'22 %
Net interest income	2,529	2,031	24.5%	2,037	1,695	20.2%
Net fees and commission income	607	551	10.1%	529	466	13.5%
Net trading income	329	381	-13.6%	283	358	-21.0%
Net income/(loss) from financial assets measured at fair value through other items of comprehensive income	85	(70)		85	(71)	
Net income/(loss) from financial assets required to be measured at fair value through profit or loss	53	(52)		49	(78)	
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(92)	(151)	-39.0%	(87)	(144)	-39.5%
Other operating income	165	145	14.1%	98	111	-11.3%
Total operating income	3,675	2,834	29.7%	2,994	2,338	28.1%
Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	(48)	(179)	-73.5%	16	(99)	
Personnel expense	(979)	(819)	19.7%	(821)	(694)	18.4%
Depreciation and amortization	(218)	(188)	15.8%	(197)	(168)	17.7%
Other operating expense	(497)	(446)	11.3%	(418)	(352)	18.6%
Total operating expenses	(1,742)	(1,633)	6.7%	(1,420)	(1,313)	8.1%
Profit before income tax	1,934	1,201	61.0%	1,574	1,025	53.6%
Income tax expense (-)	(352)	(155)	127.3%	(305)	(118)	159.0%
Net profit	1,582	1,046	51.1%	1,269	907	39.9%
Profit of the Group attributable to equity holders of the Bank	1,523	1,008	51.2%	1,269	907	39.9%
Profit of the Group attributable to non-controlling interests	58	39	50.0%			
Net profit	1,582	1,046	51.1%	1,269	907	39.9%

The **net profit** of Banca Transilvania as at June 30, 2023, amounts to RON 1,269 million, being 39.9% higher compared to the same period of 2022, when it amounted to RON 907 million. At Group level, the same positive dynamic has been registered, with a net profit reaching RON 1,582 million, +51.1% over the same period of 2022 when it amounted to RON 1,046 million.

The **net interest income** grew significantly by 24.5% at the Group and 20.2% at Bank level, boosted by higher market rates (3-month and 6-month ROBOR average at approximately 7% in the first half of 2023).

Net fees and commissions income show an increase during the first six months of 2023, at both Group and Bank level by above 10% and approximately 13.5% respectively, compared to the same period of 2022, as the number of transactions continued to increase, net revenues from customer transactions registering increases of 15% at the Group level and 18% at the Bank level.

Net trading income was 13.6% lower than in the same period last year, at Group level and by 21% at the Bank level, impacted by expenses from derivatives, despite higher income from foreign exchange transactions and revaluation of foreign exchange positions.

The Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund was also lower, impacting positively the Bank's results in the first half of 2023: RON 86,9 million, compared to RON 143.5 million paid during the first half of 2022 (-39.5%).

Overall, the **operating income** reached, at the end of the first half of 2023, RON 3,675 million at Group level and RON 2,994 million at Bank level, rising by 29.7% and 28.1% respectively compared to the same period of last year.

The **operating expenses** increased as compared to those reported during the similar period of 2022, therefore the total operating expenses at Group level were 6.7% higher and at Bank level were 8.1% higher. Except for a net income from impairment adjustments, expected losses for assets, provisions for other risks and credit commitments in amount of RON 16 million at the Bank level, the rest of the expenses related to staff, depreciation and amortization and other operating expenses increased by 18.3%. Banca Transilvania continued to expand its employee base, their number increasing YoY by 1.7% at the Group level and 2.6% at the Bank's level.

Operational result. In this context, the Bank's operational efficiency continues to be at a comfortable level of 47.29%, decreasing compared to the level of 50.37% reported during the first six months of 2022 (calculated with an annualized impact of the contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund).

The **result per share** for the first six months of 2023 and 2022, recalculated with the share capital increase realized in July 2023 is as follows:

Indicators	Group Jun'23	Group Jun'22	Jun'23 vs Jun'22%	Bank Jun'23	Bank Jun'22	Jun'23 vs Jun'22%
Net profit for the period (RON thousands)	1,581,667	1,046,479	51.1%	1,268,967	907,003	39.9%
Basic earnings per share	1.9133	1.2638	51.4%	-	-	-
Diluted earnings per share	1.9133	1.2638	51.4%	-	-	-

Other information regarding the first half of 2023:

Banca Transilvania is the market leader in the field of cards, having 5.6 million cards in its portfolio, out of which 620,000 are credit cards. Purchases made with the 5.6 million cards increased by 21% compared to the same period last year.

BT has over 3.5 million unique digitized customers, which represent 88% of the bank's active customers. This is one of the indicators that it 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 3 million unique cards in BT Pay, Apple Pay, Google Pay, Fitbit Pay and Garmin Pay wallets. The number of phone payments in the first semester of 2023 increased by 43% compared to the first semester of 2022. At the same time, BT Pay money transfers are increasingly appreciated, their volume increased by 71% compared to those made in the same period last year.

As of June 30, 2023, Banca Transilvania owns a network of 1,845 ATMs, out of which 601 are multifunctional, through which self-banking can be done: from cash deposits in RON and foreign currency, to currency exchange and contactless cash withdrawals or code base. The Bank also owns over 500 BT Express terminals that are used for various operations, including bill payment, over 111,000 installed POS and collaborates with over 5,000 merchants, e-commerce merchants.

Compared to the same period of the previous year, in the first semester of 2023 there were two times more interactions in the BT Visual Help application, the digital platform through which customers who call the Call Center team are guided to the digital self-service area where they have access to information about accounts, cards and transactions and can perform some card-specific actions with the help of the phone. Interactions within the platform are approaching 2 million hits in the first semester of 2023.

The number of Internet Banking users exceeded 2.3 million in the first semester of this year, up by 24% compared to the same period of the previous year. The volume of transactions made through Internet Banking and Mobile Banking increased by 6% compared to the first semester of 2022.

The Group's number of active employees as at June 30, 2023 is 11,374 (11,256 at December 31, 2022).

The Bank's number of active employees as at June 30, 2023 is 9,199 (9,109 at December 31, 2022).

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 498% on 30.06.2023, 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

Macroeconomic environment in Romania:

The figures published by the National Trade Register Office show the increase of the newly set up companies by 5.25% YoY to 66,071 during January – May 2023.

On the other hand, according to the statistics of the National Trade Register Office the number of the companies that entered the insolvency procedure diminished by 0.11% YoY to 2,805 in the period January – May 2023.

In the second quarter of 2023 the Board of the National Bank of Romania (N.B.R.) decided to maintain the monetary policy rate at 7.00% and the MRRs at 8.00% for RON and 5.00% for FX.

The figures published by the central bank express the increase of the non-government loans by 0.8% MoM to RON 375.4 billions (a record high level) in June.

The YoY pace of the non-government loans decelerated from 7.9% in May to 6.4% in June, the weakest paces since February 2021.

The RON-denominated loans rose by 1.4% MoM and an improving YoY pace to 0.3% to RON 255 billions in June.

On the other hand, the FX-denominated loans contracted by 0.3% MoM to RON 120.4 billions in June, while the YoY pace decelerated to 22.0% (the slowest since October 2022).

Therefore, during January – June 2023 the corporate loans advanced by 6.4% YTD to RON 204.4 billion, an evolution expressing the continuity of the post-pandemic investment flows.

The household loans diminished by 0.3% YTD to RON 171 billion in June, due to the decline of the housing component by 1.4% YTD to RON 104.7 billion (the lowest level since May 2022) (the consumer loans rose by 1.4% YTD to RON 63.6 billion, the highest level since September 2022).

According to the N.B.R. statistics the non-government deposits declined by 0.1% MoM to RON 533.3 billion in June, while the YoY pace decelerated to 10.8%.

The household deposits rose by 3.9% from December 2022 to June 2023, to RON 314.6 billion.

At the same time, the corporate deposits advanced by 3.9% YTD to RON 218.7 billion during January-June 2023.

Therefore, the loans-to-deposits ratio presented a level of 70.4% in June, the highest since March 2023.

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 2,302 million at June 30, 2023, compared to RON 2,327 million at December 31, 2022 and RON 2,104 million at June 30, 2022. As compared to the two periods of the previous year, the value of tangible and intangible assets registered a decrease of 1% compared to the end of the previous year and an increase of 9.4% compared to June 30, 2022.

At the Bank level, investments in tangible and intangible assets were RON 2,523 million at June 30, 2023, compared to RON 2,566 million at December 31, 2022 and RON 2,720 million at June 30, 2022. As compared with the two periods of the previous year, the value of the tangible and intangible assets decreased of 1.7% compared to the end of 2022 and a decrease of 7.2% when compared to June 30, 2022.

At the level of both entities, the change in fixed assets was mainly determined by the category of tangible fixed assets and real estate investments and of assets related to the right of use.

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, 2023. The data presented related to the conclusion semester I 2023 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

The Extraordinary General Meeting of Shareholders from April 26, 2023, decided to increase the share capital with the amount of RON 910,000,000, by issuing 91,000,000 new shares, at a nominal value of RON 10/share, as well as the setting of a price of RON 0 for the compensation of the share

fractions resulting from the application of the algorithm and the rounding of the results, according to the legal provisions.

The increase in the share capital was carried out through the capitalization of reserves from the net profit of the year 2022, in amount of RON 910,000,000 by issuing a number of 91,000,000 shares, with a nominal value of RON 10/share in the benefit of the shareholders registered with the Shareholding Register held by the Central Depository at the registration date established by the GSM (July 21st, 2023).

Each shareholder registered at the registration date, July 21st 2023, received, free of charge, for each 100 shares owned, a total number of shares, calculated by the following formula $100 \times (91,000,000/707,658,233)$.

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

There were no changes at the level of the Board of Directors.

At the executive management level, following the approval received from the National Bank of Romania regarding Mr. Bogdan Pleşuvescu for the position of Deputy General Manager - CLO, he became a member of the bank's senior management, exercising this capacity from the beginning of April 2023.

At the level of the statutory auditor, as result of the decisions of the Ordinary General Shareholders Meeting of Banca Transilvania of April 26, 2023, it was decided to appoint DELOITTE Audit SRL as the financial auditor for the Bank who will audit the financial situations of the Bank for the 2023-2027 financial exercises, in accordance with the International Financial Reporting Standards, as stated in the N.B.R. order no. 27/2010, as well as the termination of the appointment of the existing auditor. The completion of the registration process before the competent authorities of the financial auditor will take place as the approval from the N.B.R., as the authority supervising the subscription, was received.

4. Significant transactions

There were no significant transactions in the first half of 2023. There were no significant major transaction concluded by BT with the persons it cooperates with or in which such persons were involved during the first half of 2023.

5. Conclusions

In the context of a tense geo-political environment as a result of the intensification of the conflict in Ukraine and the disruption of economic flows, the macroeconomic context is characterized by inflationary pressures and a high level of risk perception. In this context, Banca Transilvania maintains its leading position in the Romanian banking system and continues to support the Romanian business environment.

At the end of the first six months of 2023, Banca Transilvania obtained a profit almost 40% higher compared to the same period last year. The Bank's operational efficiency remains at a comfortable level of 47.29%, down from the level of 50.37% reported for the first six months of 2022 (calculated with an annualized impact of the contribution to the Bank Deposit Guarantee Fund-FGDB and the Resolution Fund).

The BT customer portfolio is constantly expanding, exceeding 4 million customers at the end of the first semester of 2023 (+2.2% compared to December 31, 2022).

As part of the growth plan, by maintaining the accelerated pace of financing the economy and Romania, Banca Transilvania sold bonds of EUR 500 million on April 21, 2023, in an oversubscribed issue in just a few hours.

As a result of the high interest from institutional investors in the bonds issue of Banca Transilvania in April this year, which shows confidence in BT, the bank supplemented it, thus increasing the visibility of the Banca Transilvania Group on the international level. The issue was supplemented with EUR 100 million and the bonds are MREL eligible. The bonds are eligible for the minimum requirement for own funds and eligible liabilities (MREL), contributing - according to European banking standards - to the permanent provision of an optimal level of funds, distinct from customer deposits which are guaranteed by the Bank Deposit Guarantee Fund. These bonds contribute, in line with the European banking standards, to ensuring an optimal level of own funds at all times, distinct from the customers' deposits which are guaranteed by the Bank Deposits Guarantee Fund and these are listed on the Euronext Dublin Stock Exchange.

In order to intensify the financing efforts in areas of interest for the transition to a sustainable economy in Romania, Banca Transilvania obtained from the International Finance Corporate (IFC) a financing of EUR 100 million, as part of a package of subordinated bonds worth EUR 200 million, together with the Asian Infrastructure Investment Bank (AIIB). Thus, directing the funds obtained to

green mortgages will reduce energy consumption and greenhouse gas emissions, while ensuring the improvement of living conditions.

The second quarter of the year was relevant to the ongoing process of providing BT customers with the necessary support in their financial journey. Thus, BT is launching the Premium Banking business segment for individual customers in Bucharest, with savings between EUR 75,000 and 200,000, respectively with monthly income of at least RON 10,000, received in the BT account. BT now has nearly 4,500 Premium and Private Banking customers with over EUR 2 billion in savings and investments.

To help parents provide financial education principles to children, Banca Transilvania is launching the BT Kiddo card and the BT Pay Kiddo application for children aged between 10 and 14 after this service was initially offered to children aged 14-18.

The 100% online APIA loan, without going to the bank, is a first in Romania, for customers who benefit from subsidies this year. The loan provides the money that farmers need for current payments until APIA grants are received.

Another option, unique on the Romanian market, is launched through the partnership between Banca Transilvania and Groupama, by accessing a travel insurance directly from the BT Pay application, insurance that covers an unlimited number of trips abroad or in Romania, for a period of one year and the price of the whole insurance is similar to that of a week's insurance.

Also to meet the needs of customers, BT launches BT Go, an application for managing your own business that takes the relationship between SME customers and the credit institution one step further.

Over the next half year, BT will continue to provide the best solutions to successfully meet customer needs.

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

The legal procedures for registering the capital increase approved by the decision of the Extraordinary General Shareholders' Meeting of April 26, 2023, at the at National Trade Register Office and ASF were completed on July 21st, 2023 (for further details please consult the subchapter *Amendments brought to the Articles of Association* from page 3 of the current Report).

In August 2023, Banca Transilvania supplemented the international MREL bond issue with EUR 190 million with an interest rate of 8.875%, as a result of the high interest from institutional investors. In

the list of investors, mostly international investors, there are investment funds, financial institutions, pension funds, commercial and central banks, as well as insurance companies.

The financial statements subject of this report were not affected by these subsequent events.

The interim, consolidated and individual financial statements consolidated were approved by the Board of Directors on August, 23 2023 and were signed on its behalf.

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, 2023:
 - 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 2023;

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
30.06.2023**

Explanations	No.of holders	No. Shares	Percentage %
ROMANIAN CAPITAL	46,083	540,441,781	76.37
Individuals	45,354	162,515,357	22.97
Companies	729	377,926,424	53.41
of which Financial Investment Companies	5	130,729,686	18.47
FOREIGN CAPITAL	998	167,216,452	23.63
Individuals	772	7,634,536	1.08
Companies	226	159,581,916	22.55
TOTAL	47,081	707,658,233	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 financial statements as at June 30, 2023 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, 2023;
- b) The interim condensed consolidated and separate financial statements prepared as at June 30, 2023 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, 2023

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

REPORT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

To the Board of Directors and Leader's Committee,
Banca Transilvania S.A.

Introduction

1. We have reviewed the accompanying interim condensed consolidated and separate financial statements of Banca Transilvania S.A. ("the Bank") and its subsidiaries ("the Group") at 30 June 2023 which comprise the condensed consolidated and separate statement of financial position at 30 June 2023, and the condensed consolidated and separate statement of profit or loss, the condensed consolidated and separate statement of other comprehensive income, the condensed consolidated and separate statement of changes in equity and the condensed consolidated and separate statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes ("interim condensed consolidated and separate financial statements"). The Bank's and Group's management is responsible for the preparation and presentation of these interim condensed consolidated and separate financial statements in accordance with International Accounting Standard 34 – "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated and separate financial statements based on our review.

Scope of review

2. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim condensed consolidated and separate financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated and separate financial statements do not present fairly, in all material respects, the condensed consolidated and separate financial position of the Bank and Group at 30 June 2023, and its condensed consolidated and separate financial performance and its condensed consolidated and separate cash flows for the semester then ended in accordance with International Accounting Standard 34 – "Interim financial reporting" as adopted by the European Union.

Emphasis of Matter

4. As mentioned in Note 42 to the accompanying interim condensed consolidated and separate financial statements, the Bank conducted certain corrections for the six respectively three-month period ended 30 June 2022 to certain elements in the interim condensed consolidated and separate financial statements. Our conclusion is not modified in this respect.

Other Matters

5. We draw attention to the fact that we did not audit or review the interim condensed consolidated and separate financial statements of profit or loss and other comprehensive income for the three-month periods ended 30 June 2023 and 30 June 2022 and for the six-month period ended 30 June 2022 and, consequently, we do not express a conclusion thereon.

6. The Bank's and the Group's consolidated and separate financial statements for the year ended 31 December 2022 were audited by another auditor, which expressed an unmodified opinion on those financial statements on 10 March 2023.
7. This report is addressed exclusively to the Bank's and Group's management as a whole. Our review was conducted so as to report to the Bank's and Group's management on those matters we are required to report in a review report, and not for other purposes. To the fullest extent permitted by law, we do not accept or assume liability except before the Bank and the Group and its management as a whole, for our review, for this report or for the conclusion we have formed.

On behalf of:
Deloitte Audit SRL

Irina Dobre

*For signature, please refer to the original
Romanian version.*

Bucharest, Romania
August 24, 2023