



# The Year of Relaunch

**Board Report**

# BT's message to shareholders

## 2021 was the year of relaunch

Dear Shareholders,

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

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

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

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

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

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

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

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

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

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





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

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

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

**Thank you for your trust. Courage, Romania!**

Horia Ciorcilă,  
Chairman,  
Board of Directors

Ömer Tetik,  
Chief Executive Officer



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BT HQ Credit and Risk Committees  
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# **BT's Business Model and Top Management**

- Banca Transilvania's Business Model
- Board of Directors
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# BT's Business Model and Top Management

## BT's Business Model

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

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

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

## Board of Directors



**Horia Ciorcilă**



**Thomas Grasse**



**Ivo Gueorguiev**



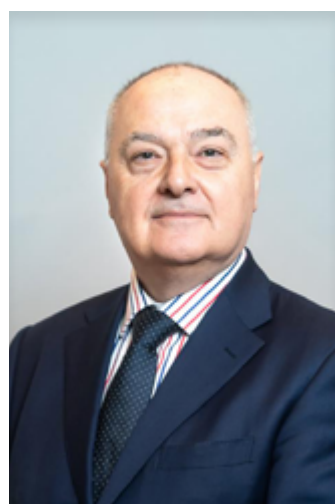
**Costel Ceoce**



**Vasile Pușcaș**



**Mirela Bordea**



**Costel Lionăchescu**

## Leaders' Committee



**Ömer Tetik**

Chief Executive Officer  
since June 2013



**Luminița Runcan**

Deputy CEO, Chief Risk  
Officer  
since September 2014



**Leontin Toderici**

Deputy CEO, Chief  
Operations Officer  
since August 2013



**George Călinescu**

Deputy CEO, Chief  
Financial Officer  
since September 2013



**Mihaela Nădășan**

Deputy CEO FI  
& Financial Markets  
since October 2018



**Gabriela Nistor**

Deputy CEO, Retail  
Banking  
since August 2013



**Tiberiu Moisă**

Deputy CEO  
MidCorporate and SMEs  
since May 2016



# 2021, year of relaunch

- Macroeconomic climate
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- BT's Impact on Economy and Society in 2021. Infographic
- How our Employees and Clients See Us
- Awards and Recognition



# 2021, year of relaunch

## Macroeconomic climate

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

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

### World economy

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

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

The PMI Composite indicator (Purchasing Managers' Index), computed by JPMorgan and Markit Economics, expresses the increase of the global economy for the 19th month in a row in January 2022, but with a slowing-down pace (the weakest

dynamics since July 2020), given the persistence of the health crisis and the overlapping supply-side shocks (including the significant increase of the energy prices).

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

### USA

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

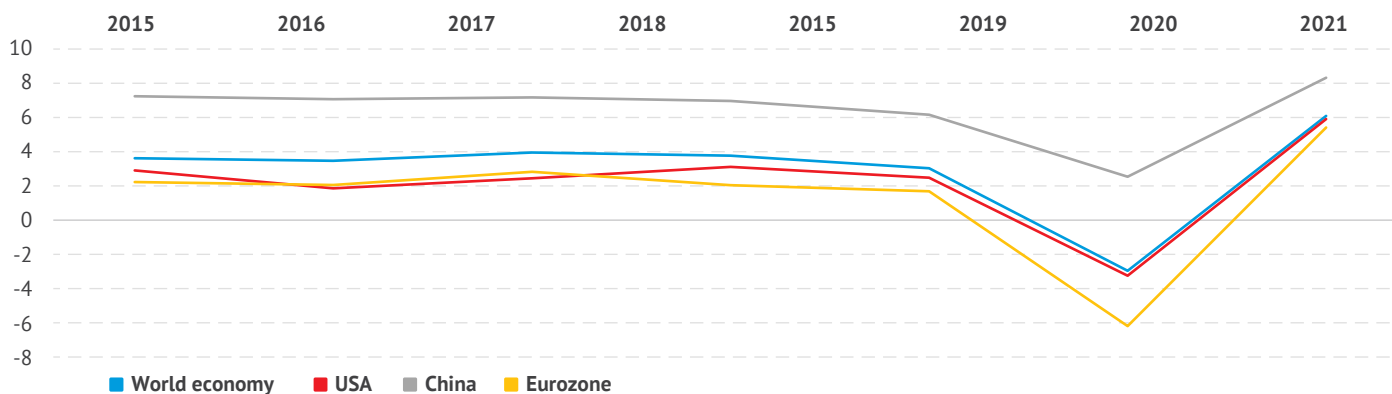
### China

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

### Eurozone

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

## GDP dynamics (% YoY)



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

### Financial side of the economy

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

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

### Government securities

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

### Stock market

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



## Romanian Banking System

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

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

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

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

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

### Evolution by sectors:

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

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

### The non-government loans

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

### Non-government deposits:

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

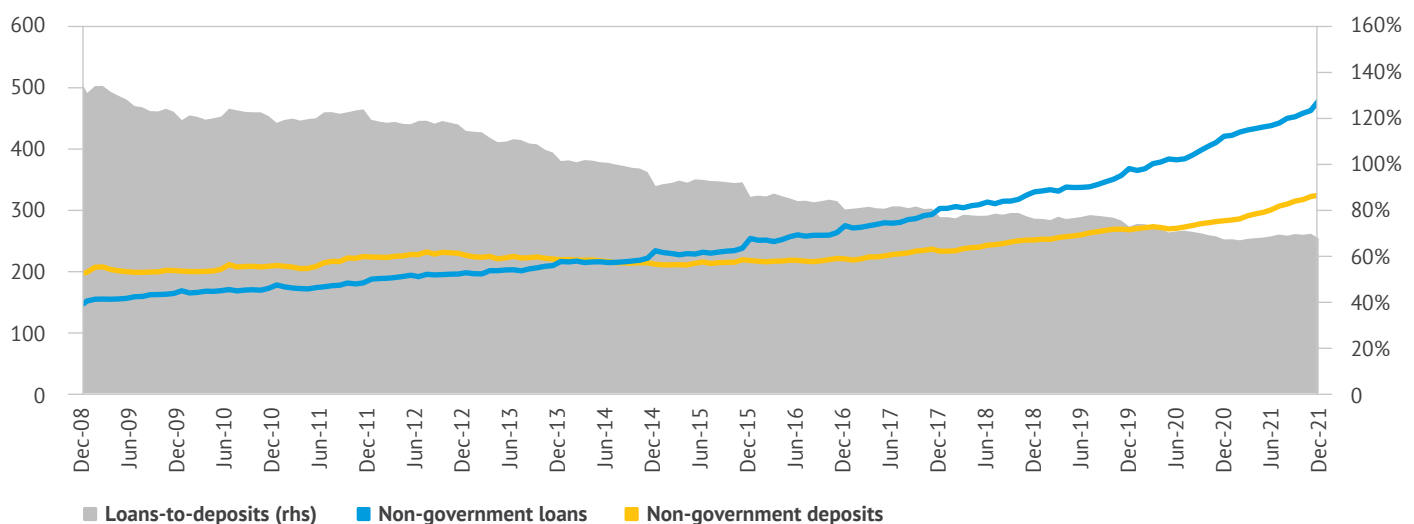
- The non-government deposits stood at RON 479.3bn in December 2021 (a record high level), up by 13.9% YoY.
- Consequently, in 2021 the non-government deposits advanced by 14.5% YoY on average: the RON and FX segments rose by average annual paces of 15.2% and 13.3%, respectively.
- Overall, the household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

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

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

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

### Non-government loans vs. non-government deposits



Source: National Bank of Romania (NBR)

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

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

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

**240,000**

granted loans

Over

**100,000**

consumer loans

(~4 bln RON)

**2.7 mil**

2.7 digitalized clients

(75% of the total active customers)

**1.9 mil**

persons use BT Pay

Over

**4,000**

financings through IMM Invest and

Agro IMM Invest

(2.6 bln RON)

**1.2 bln RON**

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

Over

**14,000**

persons bought a house with the  
help of BT

**100,000**

newly issued credit cards

(the best year in terms of credit cards)

**+35%**

card transactions

Over

**19,000**

payments through governmental grants  
(2 bln RON)

**500,000,000 RON**

financing for agriculture projects  
thorough APIA

**300,000**

NELIMITAT account packages for the  
entrepreneurs



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

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

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

### Care for employees

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

### Care for communities

- The bank has joined the NGO Mentoring Program, through which nearly 9,000 people from various vulnerable social backgrounds benefit from the program's activities.
- BT has donated 30 contactless POS to the Hope and Homes for Children Foundation to facilitate

donations for those who want to help vulnerable children.

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

### Care For Individual clients

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

## Care For legal entities clients

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

## How our Employees and Clients See Us

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

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

### NPS, Internal Customer Study

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

- The BT referral score for other persons, is 77.3, an increase to the figures from last year.
- The clients mention as strong points: the reputation, the offer of products and services,

respectively the interaction with the bank's team.

- Satisfaction indicators were based on almost 54,000 feedbacks by telephone and almost 13,000 by e-mail.

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

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

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

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

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

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

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

## Awards and Recognition

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

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

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

## Investor Relations

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

## The Performers of the Bucharest Stock Exchange

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

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

## Brand

Banca Transilvania brand entered AAA + territory in 2021, according to Brand Finance Banking 2022.

With a 19% increase, the brand strength (Brand Strength Index) ranks Banca Transilvania in the top 10 global banking in this indicator.

## Services

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

## Sustainability

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

## HR

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

## People from the Bank

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

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

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

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

# Banca Transilvania & the Shareholders

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





# Banca Transilvania & the Shareholders

## BT's Communication with the Shareholders

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

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

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

### **The contact details for Investors Relations are the following:**

investor.relations@btrl.ro

Tel: + 40 264 407 150

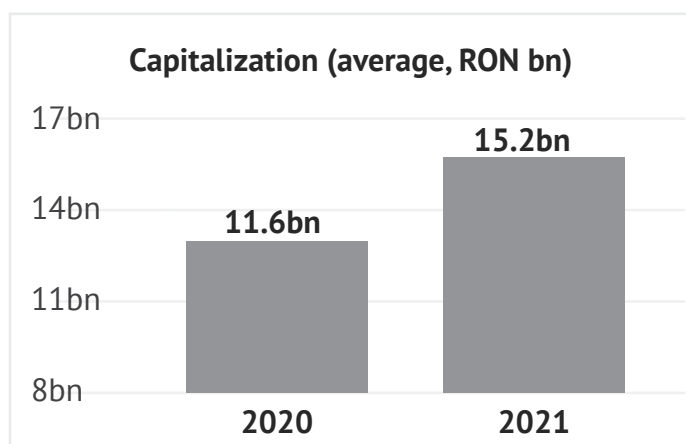
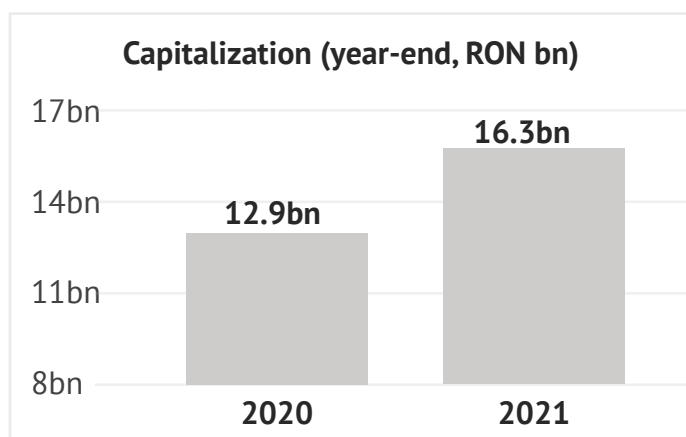
Fax: + 40 264 301 128

[www.bancatransilvania.ro/relatii-investitori](http://www.bancatransilvania.ro/relatii-investitori)

[www.bancatransilvania.ro](http://www.bancatransilvania.ro)

## The evolution of BT's capitalization in 2021

### The evolution of BT's capitalization in 2021



### The evolution of BT's capitalization

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

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

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

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

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

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

## Shareholding structure as at 31.12.2021

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

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

## Financial Communication Calendar 2022

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

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

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

### Proposal for Profit Distribution

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

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

The increase in the share capital will be carried out through the capitalization of reserves from the net profit of the year 2021, in amount of 765,112,650, by issuing a number of 765,112,650 shares, with a nominal value of RON 1/share in the benefit of the shareholders registered with the Shareholding

Register held by the Central Depository at the registration date that will be established by the GSM, following that the price for the compensation of the fractions of shares resulting from the application of the algorithm and the rounding of the results, to be determined in accordance with the legal provisions in force.

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

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

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

# Banca Transilvania Financial Group

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

# Banca Transilvania Financial Group

## Financial Results. Summary

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

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



## BT Financial Group's Companies

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

### Banca Transilvania S.A.

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

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

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

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

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

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

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

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

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

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

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

## **BT Capital Partners S.A.**

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

- In 2021, BT Capital Partners successfully coordinated the sale of the largest manufacturer of decorative stone cladding solutions in Europe.
- BT Capital Partners was the Victoriabank's consultant, the financial intermediary of the first municipal bond issues in the Republic of Moldova.
- With the support of BT Capital Partners, in 2021, the Simtel Team company made a private shares placement, attracting RON 13.7 million from investors and listing on BVB.
- BT Capital Partners & Private Bond and Equity Investments in 2021:
  - SelfPay, the first fintech business to list bonds on the AeRO and BVB markets, attracting EUR 3 million;
  - BitSoft, a company that develops and distributes integrated end-to-end solutions for the hospitality industry, attracted EUR 1.5 million;
  - Laptaria cu Caimac raised EUR 4 million through a private shares placement;
  - The third issue of Fidelis government bonds, through which the Ministry of Public Finance raised over RON 940 million.
- BT Capital Partners has been on the market since 2016, when BT Securities, the brokerage company of the BT Financial Group, took over the investment banking activity of Capital Partners, the most important Romanian

independent consulting firm in the field of M&A and Corporate Finance.

- BT Capital Partners has 58 active employees and 7 working points (31.12.2021)
- Headquarters: Cluj-Napoca, 74-76 Constantin Brâncuși Street, ground floor

## **BT Asset Management SAI S.A.**

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

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

## **BT Pensii**

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

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

## **BT Microfinanțare IFN S.A.**

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

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

## **BT Leasing Transilvania IFN S.A.**

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

- No of active employees: 127 (31.12.2021)
- In 2019, BT Leasing bonds started trading, thus being the second company of the BT Group which uses the Bucharest Stock Exchange financing mechanisms

- Year of establishment: 1995. The original name of the company was LT Leasing Transilvania S.A.
- Headquarters: Cluj-Napoca, 74-76 Constantin Brâncuși Street, first floor

## **BT Direct IFN S.A.**

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

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

## **BT Building S.R.L.**

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

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

## **Improvement Credit Collection S.R.L.**

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

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

- Headquarters: Cluj-Napoca, 1 George Barițiu Street

### **BT Leasing MD SRL, Republic of Moldova**

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

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

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

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

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

- Headquarters: Republic of Moldova, Chișinău, 141 31 August 1989 Street

### **Idea Bank S.A.**

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

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

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

## Strategy Achievement in 2021

### What we targeted for 2021

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

### What we accomplished

#### Qualitative objectives

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



**Quantitative objectives:**

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

## New Strategic Objectives

### Qualitative objectives:

- **Sustainability:** implementation of the 2022 stage of the multi-annual plan for sustainable growth; incorporating a set of principles of sustainable development for environmentally friendly banking and the community we belong to; accession to UNEP
- **Digital:** continue to develop customer interaction flows, fully digitized
- **Digital:** further development of intelligent operating systems, innovation and process simplification

- **Customer relations:** the omnichannel experience
- **Support and active participation in programs to support the Romanian economy** (IMM Invest, Noua Casă, European Union Grants Program)
- **Maintaining interest in acquisitions or mergers with entities** that can complement the value offered to our customers

### Quantitative objectives:

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

## Development Plan for 2022

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

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

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

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

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

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

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

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

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

# Management Report

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



# Management Report

## Banca Transilvania Financial Group's Performance

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

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

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

### Financial standing end of 2021:

	BANK				GROUP		
RON million	Realized 2021	Budget 2021	Realized 2020	Δ 2021/ 2020	Realized 2021	Realized 2020	Δ 2021/ 2020
	(1)	(2)	(3)	(4)=(1)/ (3)-1	(5)	(6)	(7)=(5)/ (6)-1
Cash and cash equivalents with the Central Bank	16,764	14,399	20,979	-20.1%	18,321	22,133	-17.2%
Placements with banks and public institutions	9,613	10,628	6,636	44.8%	10,394	7,223	43.9%
Loans and advances to customers	55,853	47,207	43,554	28.2%	60,054	45,619	31.6%
Provisions for loans and advances to customers	(3,614)	(4,081)	(3,190)	13.3%	(3,936)	(3,498)	12.5%
Portfolio of debt instruments, equity instruments, and derivatives, net of provisions	42,786	43,609	32,401	32.1%	44,204	33,322	32.7%
Intangible assets	2,429	2,436	2,096	15.9%	1,967	1,660	18.5%



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

#### Gross loans/deposits ratio (31.12.2021):

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

#### Loan portfolio (31.12.2021):

- Bank's gross loan balance: +28% higher than the balance at the end of 2020, although in 2021 loans amounting to RON 175 million were taken off balance sheet. The fields in which new exposures were created are still diverse in terms of both the business sectors and the borrower groups.
- Non-performing loans overdue for more than 90 days represents 1.77% of Banca Transilvania's

total loan portfolio, decreasing as compared to 2020, when the ratio was 2% and the NPE ratio (according to EBA) is 2.71% as at December 2021.

#### Provision balance (31.12.2021):

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

### Cash and cash equivalents with the Central Bank (31.12.2021)

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

### Placements with banks and public institutions (31.12.2021)

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

### Securities (31.12.2021):

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

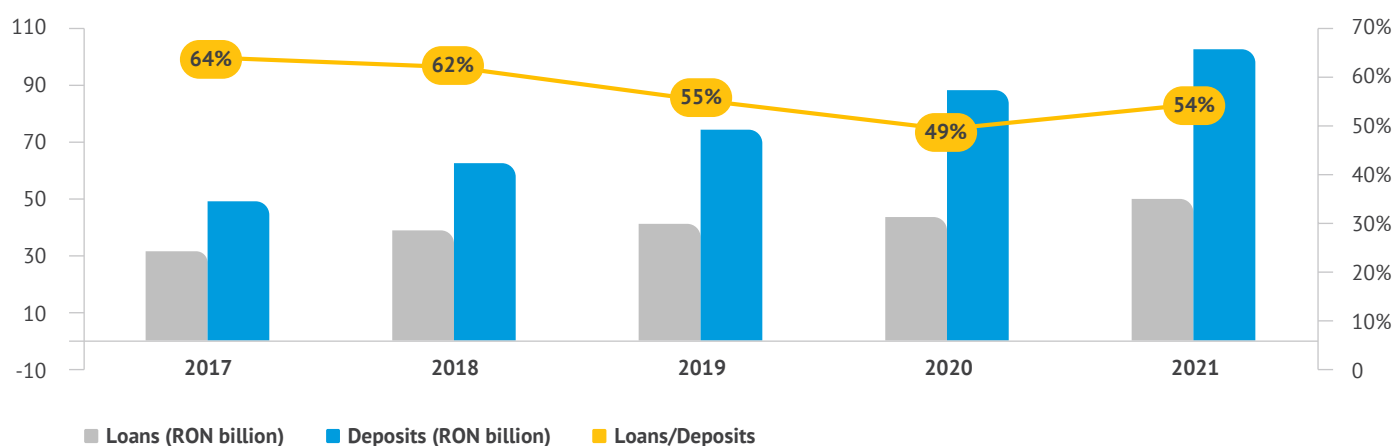
### Fixed assets (31.12.2021):

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

### Customer deposits (31.12.2021):

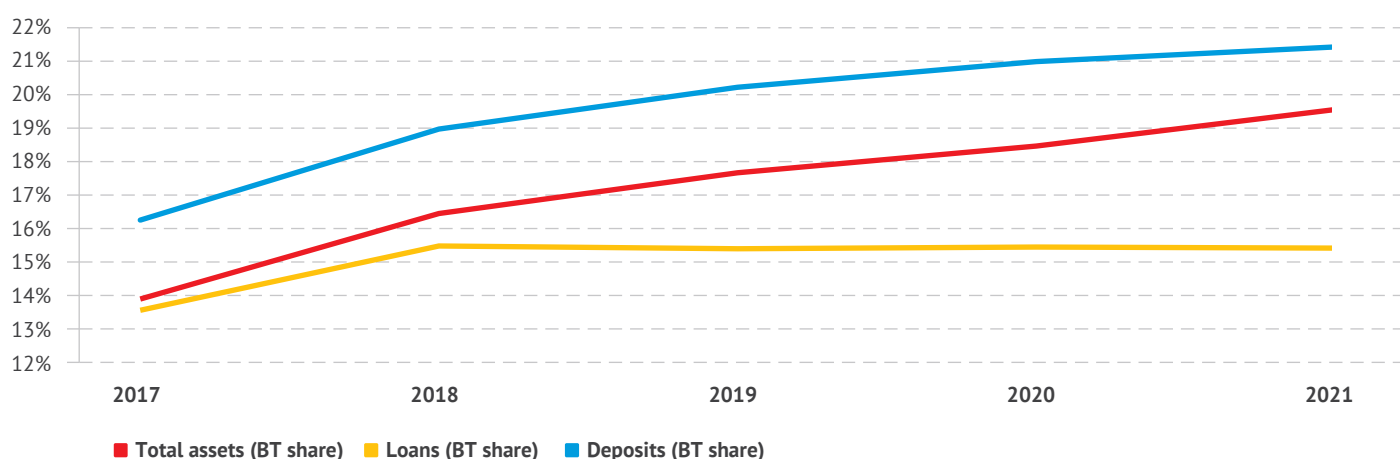
- Deposits increased significantly: +16% vs. 2020, the pace being above the 14% general growth recorded at the level of the banking system.
- 67% of the deposits from clients come from individuals and 33% from companies.

### Loan / Deposit ratio 2017– 2021



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

### Trends of BT's market share



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

- The share capital registered with the Trade Register represents 6,311,469,680 shares with a par value of 1 RON/share plus RON 86,501,040 as capital adjustment to inflation and surplus from the revaluation of fixed assets, used for the capital increase, which was not achieved by the date of the transition to the International Financial Reporting Standards adopted by the European Union;
- Premiums for conversion of bonds into shares: RON 28,613,972;
- Legal reserves: RON 759,671,430;
- Reserves for bank risks: RON 77,892,714;
- Reserves from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax: RON -1,004,667,093;

- Reserves from the revaluation of tangible and intangible assets, net of deferred tax: RON 42,234,498;
- Retained earnings (without current profit and profit distribution): RON 1,486,296,793;
- Individual actions: RON 0;
- Profit: RON 1,782,703,612;
- Profit allocation: RON -217,590,961.

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

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

## Profit and Loss Account

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

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

### Gross Profit (31.12.2021):

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

### Net profit (31.12.2021):

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

### Cost/Income Ratio (31.12.2021):

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

### Operating income (31.12.2021):

- Amounts to RON 4,348 million, +10.4% vs. 2020, as a result of a larger business volume, both through loans to individuals and companies and

through the volume of operations performed via bank.

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

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

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

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

**Personnel expenses:** +21% at BT Group and bank level (2021 vs 2020), due to the expansion of the employee base and of the related benefits. The Bank continued the Stock Option Plan, rewarding the performance of the employees, whereby

performing employees can exercise their right and option to purchase a number of shares issued by the bank, generating expenses at bank level of RON 122 million in 2021, double as compared to 2020.

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

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

### Banking Prudential Ratios

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

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

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

## Performance of the Bank's Business Lines

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

segments - supporting business, consumption and the economy.

### Client base evolution: +7% in 2021 vs. 2020

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

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

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

### Large Corporate Clients

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

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

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

### Medium Corporate Clients

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

- +21% deposits balance, reaching RON 8.3 billion (2021 vs 2020)

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

### SME Clients

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

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

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



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

### **Micro Business Clients**

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

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

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

### **Retail Clients**

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

billion. The balance of these loans reached RON 11.4 billion

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

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

### **Treasury**

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

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

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

# ESG & Sustainability

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



# ESG & Sustainability

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

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

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

Basically, we have shifted from a voluntary model, started many years ago, to a coordinated practice,

which reports both our initiatives and progress, backed by the intensification of European and local legislation in this field, but also by the increased expectations of our stakeholders.

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

## Sustainability landscape

<b>Society</b>	<ul style="list-style-type: none"><li>• BT Supports the Romanian entrepreneurial spirit</li><li>• It contributes to the development and transformation of many industries</li></ul>
<b>Banking industry</b>	<ul style="list-style-type: none"><li>• BT contributes to the growth of the banking industry</li><li>• Access to services and products</li><li>• Trendsetter</li></ul>
<b>Community</b>	<ul style="list-style-type: none"><li>• BT gives something back to the community</li><li>• BT, a good citizen and a good neighbour</li></ul>
<b>Banca Transilvania</b>	<ul style="list-style-type: none"><li>• Good business</li><li>• Human Banking</li></ul>

## **BT's commitment for a sustainable growth**

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

## **Materiality analysis**

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

### **The role of the materiality analysis:**

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

### **The material themes identified for 2021 are:**

- Generated economic value
- Compliance, ethics and business responsibility
- Sustainable Financing
- Policy on acquisition
- Risk Management
- Resource consumption and waste management
- Actions on climate change

- Access to financial services, inclusion and financial education
- Digitalization and cyber security
- Responsible employer
- Investments for the community

## **ESG – Environment. Concern for the environment**

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

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

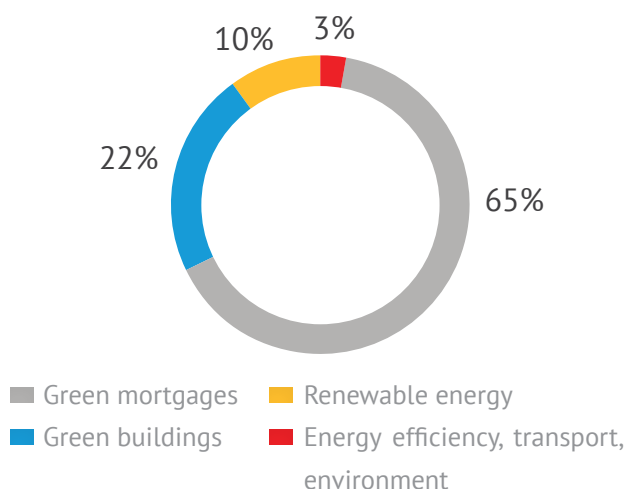
## **Sustainable Financing**

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

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

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

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



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

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

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

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

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

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

## Waste management

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

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

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

## Electricity consumption

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

### The most important measures to reduce environmental impact:

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

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



## **Assessing and managing climate change risks and opportunities**

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

BT has identified the following risks associated with climate change:

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

How we manage the risks associated with climate change:

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

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

## **Environmental and community partnerships**

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

## **ESG – Society. People**

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

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

### **BT team**

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

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

## Remuneration policy

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

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

## Employees' Development

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

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

## Group Diversity

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

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

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

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

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

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

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

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

Local Community= Romania/ Republic of Moldova

## Community Involvement

Our community engagement strategy is based on five strands:

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

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

### Banca Transilvania

Total value of the investment budget: RON 27 mil.

Total number of supported projects: 125

Total number of partner organizations: 115

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

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

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

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

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

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

### Expense with the suppliers, BT Group in Romania

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

### Supporting education with European guaranteed funding

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

### Supporting projects for neighbourhood communities in Bucharest

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

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

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

### **Bringing Romanians closer through dedicated call center and remote banking solutions**

We are facilitating access to our services and assistance offered by the Call Center team for Romanians from all over the world by launching a dedicated phone number in 2021, +40264 303 003. Assistance is available in Romanian and English, 24 hours a day for the most used products and services (cards, BT Pay and BT24/NEO Internet Banking and Mobile Banking), from 8.00 to 20.00,

daily, for information about accounts, loans or other general information. Contacting the bank via the universal Call Centre number (+40264 308 028) from a telephone number located abroad ensures automatic routing to the dedicated diaspora number. BT also offers around 70 services for remote banking.

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

# **The People of BT. Management of Human Resources**

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



# The People of BT. Management of Human Resources

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

## Figures mean people

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

## Employees' Health, Protection and Safety

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

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

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

## Program designed to maintain the emotional balance

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

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

## Personal Development

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

### Development programs for the employees

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

### Organizational climate BT Employee Experience Index

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

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

The information collected after analyzing the data has helped the bank come up with timely actions for the employees. Nearly 5,000 suggestions were received, of which five high-impact initiatives

were prioritized and implemented in the second half period of last year. The participation rate of the employees from Banca Transilvania Group was 88% in the study carried out in July-August 2021.

## Performance Evaluation

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

## Benefits

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

### Examples:

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

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

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

## Recruitment

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

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

- *The BT career plan* is developed to ensure predictability and transparency of the promotion and career development opportunities in BT. This program is active in the BT network, benefiting from it more than 700 employees in 2021.
- *GROWX(perience)* is a project to map professional skills and to create a career plan for all positions in BT, to help forming motivated and high-performing teams.
- BT Internship:
  - *Hai la practică, cu ZÂMBT*, is one of the internship programs from European funds, which takes place between 2020 and 2022. The program includes 325 students (bachelor's and master's level) from 10 universities, but also 325 tutors from the network and from the Bank's headquarters. In 2021, more than 160 students from various universities participated, with more than 5,300 applications and 600 selection interviews.

- *Internship on different areas*: legal, audit and front office: almost 50 participants, of which over 30 remained in BT.
- *BTransformers* is a reskilling program dedicated to BT employees through which participants learned the methodologies & technologies used in the technical area of the bank and were supported to make a career change. The objective of this program is the professional reconversion to three fields, through the courses supported by the IT Informal school: Business Analyst (BA), Automated Testing (QA Automation) and Manual Testing (QA Manual). There were over 200 applications and over 50 BT employees selected in the program.
- *Expansion of the geographical area for IT recruitment and establishment of IT Hubs in Oradea, Alba Iulia, Suceava and Constanța.*
- *Schedule for parents returning from maternity leave.*

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

## Remuneration policy

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

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

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

- **The variable remuneration** reflects a sustainable and risk-adjusted performance, as well as a result that exceeds the performance required to meet the employee's job description as part of the employment terms. The variable remuneration is not automatically guaranteed or carried over from one year to the next. The distribution mechanism of the variable

remuneration component does not guarantee amounts to be paid over several years. Thus, the variable remuneration is subject to an annual, fair, review process.

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

# Risk management

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

# Risk management

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

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

- the existence of a solid culture in terms of risk management, both at the level of the BT Group's structures and at the level of its business lines;
- protection of the financial stability: Banca Transilvania controls the risk in order to limit the impact of potential adverse events on the capital and profitability;
- limiting the excessive risk taking;
- ensuring a solid and sustainable capital and financing base;
- independent perspective: the risk management function is structured so as to identify, assess, monitor and report risks; the risk management function, as well as the compliance and internal audit functions operate independently of the activity lines that they monitor and control, in order to ensure the integrity of the bank's control processes;
- portfolio diversity in order to prevent dangerous concentration risks;

- limiting the concentration and volatility of the income sources;
- homogenous approach and global risk monitoring at BT Group level;
- compliance with the norms and regulations imposed by the national and international authorities in the field;
- the existence of business continuity plans for the banking activities;
- issuance and periodic revision of the recovery plan at the level of the BT financial group;
- Banca Transilvania Financial Group does not carry out activities in jurisdictions that reduce transparency, such as off-shore jurisdictions, or via certain structures that decrease transparency.

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

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

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

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

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

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

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

## Credit Risk

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

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



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

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

- include a robust process designed to increase the BT's ability to identify the level, nature and factors of the credit risk at the time of the credit exposure initial recognition, but also to ensure that the subsequent changes in the credit risk can be identified and quantified ;
- include criteria that take into account the impact of forward-looking information, including macroeconomic factors;
- include a process for assessing the adequacy of the significant inputs and assumptions related to the chosen method of establishing the ECL level;
- take into account relevant internal and external factors that may affect the ECL estimates;
- ensure that the ECL estimates incorporate forward-looking information, including macroeconomic factors, that have not

already been taken into account in the calculation of adjustments for individual exposure-measured losses;

- involve a process for assessing the overall adequacy of loss adjustments in accordance with the relevant accounting regulations, including a regular review of the ECL models.

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

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

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

## Liquidity and credit risk

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

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

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

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

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

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

As well, attention is given to:

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

## Operational Risk

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

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

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

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

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

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

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

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

- constant compliance of the normative documents with the legal regulations and to the market conditions;
- personnel training;
- efficiency of the internal control systems (organization and implementation);
- continuous improvement of the IT solutions and strengthening of BT information security systems;
- using complementary means to reduce risks: concluding specific insurance policies against risks, outsourcing activities;
- the implementation of the measures for the limitation and reduction of the effects of the identified operational risk incidents, such as: standardization of the current activity, automation of most processes with permanently monitored control points; reduction of redundant data volumes collected at the level of different entities of the bank; assessment of the products, processes and systems in order to

determine the associated risks and measures to eliminate / mitigate them;

- the application of the recommendations and the conclusions resulting from on-going supervision;
- the update, evaluation and testing of business continuity plans on a regular basis, in particular of those systems that support the critical operational processes of the bank.

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

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

## Market Risk

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

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

immediately applicable, in case of unstable market conditions.

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

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

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

**Counterparty credit risk and settlement risk from exposures resulting from derivative financial instruments and from transactions with financial instruments:**

Represents a possible loss that may occur due to improper settlement of the treasury operations, the objective of Banca Transilvania regarding the management of the counterparty credit risk and the settlement risk being the adoption of a prudent policy regarding the selection of counterparties, custodians, management of the counterparty operations and of the maturities of the related operations.

**Interest rate risk from activities outside the trading book;**

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

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

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

## **Reputational Risk**

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

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

## **Risk of Excessive Leverage**

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

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

## **Strategic risk**

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

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

## **Systemic Risk**

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

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

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

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

## Compliance risk

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

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

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

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

## Capital adequacy

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

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

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

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

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



## Internal and external audit

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

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

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

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

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

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



# Corporate Governance

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

# Corporate Governance

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

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

## General Meeting of Shareholders

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

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

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

General Meetings by their legal representatives or other authorized representatives, appointed in accordance with the provisions in their statutory documents.

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

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

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

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

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

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

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

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

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

representing at least 5% of the share capital, request that must be submitted in writing and justified. If the Board of Directors does not convene a general meeting, the competent court in the area of the bank headquarters will be able to order the convening, by appointing a person from among the shareholders to chair the meeting.

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

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

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

Such rights include without limitation:

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

company enrollment documents, within the limits of the law;

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

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

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

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

## **Board of Directors**

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

The top management of the bank is ensured by the individuals who are entrusted with the current

management of the credit institution and who are liable for the fulfillment thereof before the management body, based on the management agreements, the relevant NBR regulations, the provisions of Law No. 31/1990 and the internal rules.

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

- Chairman of the Board of Directors;
- 6 directors - members of the Board of Directors;

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

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

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

Atribuțiile Consiliului de Administrație:

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

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

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

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

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

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

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

## Committees reporting to the Board of Directors

### Audit Committee

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

### Remuneration and Nomination Committee

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

### Risk Management Committee

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

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



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

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

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

## **Audit Committee**

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

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

The members have regular meetings with the bank's external auditor and discuss every topic

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

## **Audit Committee's Report 2021**

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

Structure of the Committee in 2021:

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

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

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



and reporting aspects and the impact thereof on the financial statements;

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

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

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

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

The Committee monitors the statutory audit and is responsible for assessing and monitoring the independence and objectivity of the external auditor and for delivering quality audit reports. For 2021, the Committee considered that both the main

partner and the extended teams, along with the remuneration and employment terms applicable to the appointed auditor were appropriate for approval.

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

## **Remuneration and Nomination Committee**

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

The Remuneration and Nomination Committee consists of the:

- Chairman of the Board of Directors;
- maximum 2 BoD members.

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

## Remuneration and Nomination Committee's Report 2021

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

- Horia Ciorcilă
- Ivo Gueorguiev
- Vasile Pușcaș

And the percentage of independent members is 66.66%.

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

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

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

mandates of the management body members that would expire (including in terms of the new durations of their mandates), assessed the balance of knowledge, competences, diversity and experience within the management body;

- assessed the structure, size, structure and performance of the management body and made modification recommendations to the management body;
- assesses the knowledge, competences and the experience of every management member and reported the results. The knowledge of sound ESG (Environmental, Social and Corporate Governance) principles and practices was also considered in the suitability assessment process.

## **Risk Management Committee**

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

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

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

## **Risk Management Committee's Report 2021**

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

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

The Committee's discussions resulted in the preparation of recommendations for the Board of Directors regarding the Group's risk appetite limits for:

- the monitoring of the risk profile and ensuring that it observes the established limits;
- the review and assessment of the actions that the Board of Directors must undertake with regard to the risk management strategy at the level of the BT Group and to the risk management system and related policies.

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

In 2021, Risk Management Committee consisted of:

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

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

- it reviewed and assessed the robustness, adequacy and efficiency of the risk management system in Banca Transilvania and BT Group, focusing on the risk management strategies and policies for 2021, based on the reports prepared by the functions in charge of the bank's risk management;
- it supervised and made recommendations with regard to the implementation of the proposed risk management strategy by the Leaders' Committee;
- it analyzed the risk management reports for credit risk, market risk, liquidity risk, operational risk, compliance risk and strategic risk;
- it supervised and assessed the internal capital allocation principles, in compliance with the Basel and NBR provisions;
- it analyzed the reports on non-performing and restructured loans, as well as the results obtained by the departments in charge of recovery and debt collection;
- it closely monitored the macroeconomic environment, thus requesting reviews of the calculation parameters for the estimated loss acc. to IFRS9, with a higher frequency;
- considering the fact that the governmental support measures - through the installment deferral legislation, plus the financing of the sectors affected by the pandemic - resulted in the delay of delinquency and of the recognition of non-performing loans, the committee analyzed

and decided to apply post model adjustments for the calculation of the provisions;

- it supervised, assessed and made recommendations with regard to the remodeling of the risk management and compliance functions in order to adapt the structures to the current size of the bank;
- in close cooperation with other internal bodies, it made sure that the remuneration policy was in line with the bank's policy and promotes sound and efficient risk management;
- it attentively assessed the business continuity management within the context of the pandemic;
- it managed the IT&C risks inherent to the technological adaptation and digitalization efforts made by the bank in order to continue offering to its clients safe digital solutions;

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

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

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

The regular risk reports also contain regulatory reports.

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

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

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

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

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

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

that cover the risk policies and procedures and monitored the observance thereof.

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

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

## Leaders' Committee

The Bank's leaders are appointed by the Board of Directors and are required to meet the legal conditions in force and to be approved by the NBR prior to starting their mandate according to their position. Under the relevant legal provisions, the Board of Directors mandated the Bank Leaders jointly (and with some exceptions, individually)

with the exercise of the Bank's organizational and steering duties. The Rules and procedures of the Leaders' Committee are approved by the Board of Directors. Any amendment to this document must be adopted by the Board of Directors and will operate after approval.

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

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

The Leaders' Committee analyzes, endorses, approves or submits to the Board of Directors for approval the following: internal regulations, cost monitoring reports, project of the budget of revenues and expenses, project of investment

program, balance sheet, profit and loss account, report on the Bank's activity.



## **Assets and Liabilities Management Committee**

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

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

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

## **Procurement Committee**

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

## **Human Resources Committee**

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

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

The Committee for Credit Policy and Approval has as main objective to establish BT's credit policy and to approve the credit facilities which exceed

in terms of value or conditions the competences of other bodies or employees of the Bank.

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

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

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

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

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

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



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

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

## **Financial Institutions Credit Committee (CCIF)**

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

## **Branch Credit and Risk Committee (CCRS)**

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

## **Data Monitoring and Business Intelligence Steering Committee**

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

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

## **Operational Risk Committee**

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

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

## **Line 2 Control Committee**

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

## **The Group's Policy regarding diversity**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Banca Transilvania also encourages the presence of women members within the governing body to ensure the balance and high performance of society. However, Banca Transilvania believes that the appointment of a member within the governing body cannot be done solely on the basis

of gender, as such practices lead to the discrediting of its competence and independence. Therefore, BT believes that the efficient and sustainable development of the Bank can be achieved by providing a framework for personal growth and development of women employees (under the same conditions as men).

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

Banca Transilvania considered that the Board of Directors, in its current composition, meets the diversity requirements as a whole, in accordance with the diversity practices at the bank level.

Banca Transilvania already ensures a space of sustainable growth of its employees through professional courses that are offered without discrimination of any kind based on: the needs of its employees, the types of work performed and the functions exercised.

### **Monitoring and reporting**

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

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

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

### **Human rights principles**

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

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

Banca Transilvania is a credit institution registered in Romania, operating in Romania and Italy. Subsidiaries of Banca Transilvania operate in Romania, as well as in the Republic of Moldova. (Victoriabank, BT Leasing Moldova) In this context,

Banca Transilvania and its subsidiaries reaffirm their commitment to compliance with European and national requirements on the protection of human rights, including but not limited to the rights set forth in the European Convention on Human Rights.

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

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

### **Practices for the prevention of corruption and bribery**

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

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

Therefore, any of the following activities are strictly forbidden:

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

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

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

In relation to the companies with which they enter into business relations, in the process of selecting

third parties, the maximum attention is paid to initiating collaborations only with those entities that assume compliance with the human rights principles mentioned above, their activities being adequately monitored, in compliance with the applicable legal provisions.

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

### **Protection against anti-money laundering**

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

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

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

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

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

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

Horia Ciorcilă  
Chairman of the Board of Directors  
Banca Transilvania



## Conclusions

- 2021 was the year of relaunch in the context of the pandemic both for Banca Transilvania Financial Group and for Romania.
- The economic recovery was supported by the vaccination campaign, by the mix of economic policies being implemented in the last quarters in developed countries and in emerging or developing countries, and by the low level of real financing costs.
- The real economy has withstand the persistence of the health crisis and the rise in commodity prices, which have pushed inflationary pressures to their highest levels in decades.
- Romania's economy, according to the NSI, grew by 5.6% y/y in 2021 (rebounding from the 3.7% y/y adjustment in 2020), a trend supported by the reopening (in the context of the vaccination campaign), the global and European economic recovery and the low level of real financing costs.
- The positive climate in the domestic banking sector strengthened in 2021, in a development supported by the recovery of the real economy and the decrease in non-performing exposures (towards a historical low), in a context characterized by a low level of real financing costs.
- Non-performing exposures in the Romanian banking sector continued to decline in 2021, a development supported by the recovery of the real economy and the low level of real financing costs. This ratio decreased from 3.83% in December 2020 to 3.35% in December 2021, according to NBR's data.
- Despite an unpredictable climate, Banca Transilvania kept its optimism and firm commitment to contribute to the recovery of the Romanian economy.
- Our results confirm BT's contribution to the recovery of the economy: Banca Transilvania ended 2021 with figures above the market average in terms of lending and operating volumes. BT Group's net consolidated profit is RON 2,024.53 million, out of which the Bank's profit amounts to RON 1,782.70 million.

# 2022, The Year of Doing

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

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

## The crisis in Ukraine

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

- **Support with financial services** for clients coming from Ukraine. The first steps taken were on the area of services, products and facilities/ free of charge products:
  - a current account in RON with no fees for its' opening and management, together with a debit card in RON, which can be used in Romania and abroad, including in Ukraine;
  - current account in EUR or USD;
  - no fee for withdrawing money from BT ATMs;
  - the possibility to access the bank's website in Ukrainian;
  - launch of a section on the website, BT for Ukrainians, <https://www.bancatransilvania.ro/bt-pentru-ucraineni>;
  - launch of a call center in Ukrainian (+40264 308 000, [ucraina@btrl.ro](mailto:ucraina@btrl.ro)).
- **Humanitarian involvement**, through donations made so far and the possibility to make donations through the BT Pay app to NGO helping Ukrainians.
- **Hiring at BT:** we are open to hire Ukrainians with banking experience, Romanian or English speakers, all over the country, to help those who want to stay in Romania integrate more easily.

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

## Sustainability

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

## New acquisitions

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

## Partnerships

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

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

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

## Going digital

- **We will have our own technology company, [Code Crafters](#)**, through which we want to increase the development capacity of the BT's IT solutions. The company starts in April 2022,

with a team of people with strong experience in both technology and outsourcing companies and banking. Code Crafters' structure is similar to the one of the companies in the industry, centred around small, autonomous teams, passionate about technology and innovation.

- **2 million people use [BT Pay](#)** for everyday banking. Every second card issued by Banca Transilvania is in digital format, enrolled in BT Pay. BT Pay has become a banking and payments super-app, including complementary options: donations, offers and health.
- **We launched the BTPOS App, which turns a retailer's Android OS device into a POS** that accepts contactless payments by card, phone or other payment accessories.
- **The BT Pay app has a new feature**, 100% online overdraft, which means that you can apply through BT Pay and receive a credit line of up to RON 25,000 in your current account in about 10 minutes.

## **Additional Resources**

[BT platform for the communication with the shareholders](#)

[General Meeting of Shareholders 2022](#)

[Financial results 2021](#)

[Current BT reports](#)

[BT Sustainability Report 2021](#)

# Annex 1: Non-financial statement

## Non-financial reporting in BT

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

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

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

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

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

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

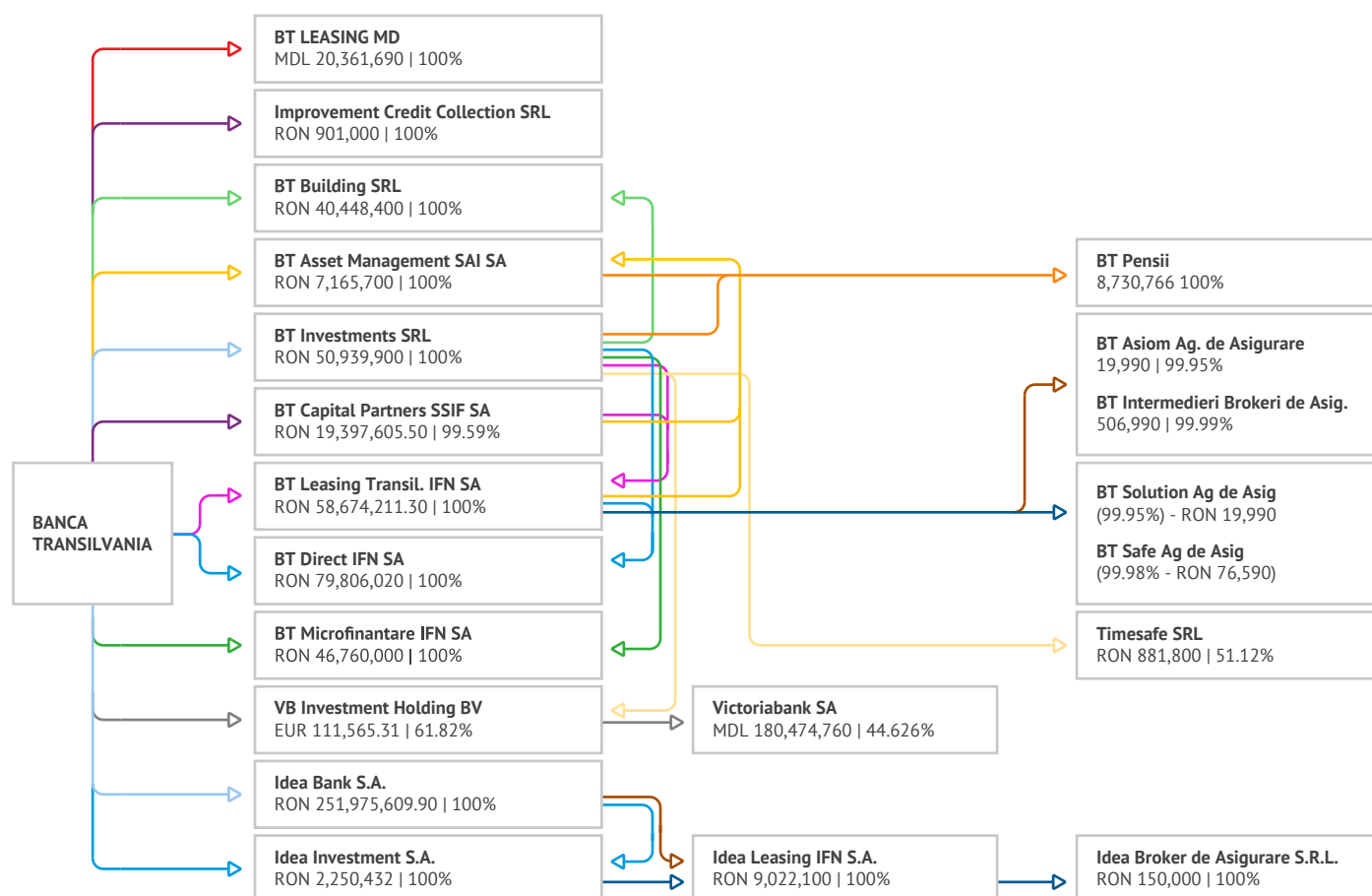
To facilitate the presentation of information, some of the presented indicators in the report have been rounded or converted from one unit of measure to another/from EUR to RON. Therefore, the possibility that in some cases small differences between the values presented and the absolute figures may arise.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

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

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

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

## The structure of Banca Transilvania Financial Group



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

### Materiality analysis

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

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

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

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

- Based on the list of potential material topics, two online questionnaires were sent to stakeholders in this assessment process: a questionnaire distributed to stakeholder identified by the GFBT team (external analysis) and a questionnaire distributed to GFBT management and specialists (internal analysis). The entire process unfolded in the period January-February 2022.
- A total of 847 responses were recorded, which were centralized and analyzed to highlight the extent of impact perceived both by the external stakeholders and the internal footprint. Each category of stakeholders had an equal impute in establishing the final grade.

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

The categories of stakeholders identified by the GFBT team and consulted in the process were:

- GFBT Employees
- Retail Clients
- Corporate Clients
- Stakeholder
- Government Agency/Regulator
- Financial institutions
- Investor/Analyst
- Supplier
- Business partner
- Non- governmental Organization
- Association

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

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

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

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

Thus, the identified material themes were:

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

## **Antibribery and Corruption Policy**

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



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

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

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

#### In 2021 at the level of Banca Transilvania Financial Group:

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

- there have been no legal actions against Group companies or their employees relating to corruption.

#### Conflict of interest

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

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

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

## Reporting requirements

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

The communication means made available for the employees are:

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

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

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

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

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

## Information security and personal data protection

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

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

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

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

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

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

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

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

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

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

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

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

## **BT team**

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

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

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

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

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

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

## Employees representative

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

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

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

## Remuneration policy

Fair remuneration for all our employees is a core principle of GFBT's human resources strategy. A work environment supported by fair compensation

contributes to increased employee satisfaction, with a direct impact on retention and turnover.

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

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

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

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

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

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

## Employees' Development

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

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

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

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

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

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

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

## Development programs offered to employees

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

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

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

## Group Diversity

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

- understand what discrimination and harassment mean, what their roles and responsibilities

are and what the procedures are if there are concerns about harassment;

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

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

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



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

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

Local Community= Romania/ Republic of Moldova

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

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

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

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

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

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

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

## Community Involvement

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

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

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

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

### Banca Transilvania

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

### Victoriabank

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

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

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

## Acquisitions

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

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

As a rule, purchases are made by choosing the supplier on the basis of at least three offers obtained from the same number of different and independent bidders. The suppliers' selection

process is performed using the Oracle Fusion Cloud Procurement, implemented in 2020.

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

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

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

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

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

As part of the same supplier selection and verification process, GFBT does not use social and environmental criteria, but aims for the next period to introduce both a statement by the suppliers'

legal representatives on compliance with social criteria such as child labor, equal opportunities, non-discrimination or negative social impact in the non-financial evaluation of tenders and a methodology for evaluating suppliers from an environmental impact perspective.

## Expense with the suppliers

### GFBT in Romania

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

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

### GFBT in Moldova

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

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

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

## Environment protection

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

At GFBT, the generated waste comes from both employee activity and operations carried out every day in all banking units. Paper, plastics, electrical and electronic equipment waste, batteries and accumulators, lighting devices, printer cartridges and household waste are the main waste materials included in the waste management process. The

vast majority of the bank's processes involve the use of paper and plastic to create documents, issue cards to customers or send communications by registered post. Waste batteries and accumulators, printer cartridges and WEEE (end-of-life electrical and electronic equipment) are an integrated part of employees' work. Improperly managed, this waste can contaminate the environment, impact wildlife or even human health.

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

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

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

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

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

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

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

## Assessing and managing climate change risks and opportunities

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

Climate risk is assessed within the bank from two perspectives:

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

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

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

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

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

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

The Board of Directors is informed at transaction level (in terms of exposures) on the climate risk. Regular Board briefings are also made on the implementation of the sustainability strategy,

with the assessment of the portfolio's exposure to environmental risks (including climate risk).

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

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

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

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

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

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

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

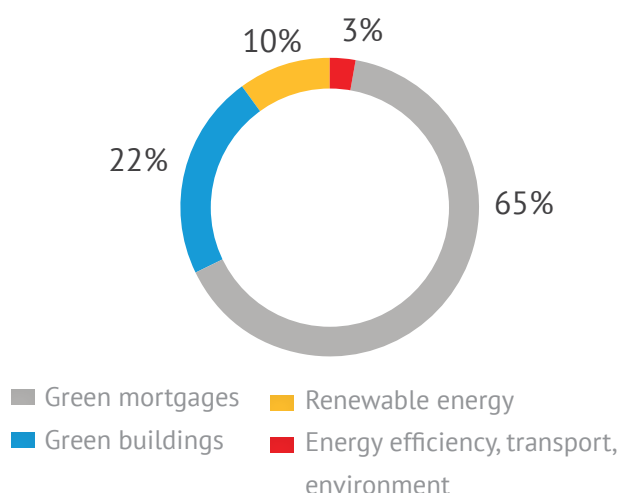
Another objective for the end of 2022 is to establish and implement a methodology to determine Scope 3 greenhouse gas emissions, while on a short run we aim to increase the share of green finance in the total portfolio so that GAR (Green Asset Ratio) reaches a minimum of 5% in no more than 3 years (by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

## Sustainable Financing

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

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

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



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

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



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

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

## EU Taxonomy

We support the steps taken at the European Union level towards the transition to a sustainable economy and we are aware of the role we have, as part of the financial sector in Romania, to allocate capital to projects or causes that contribute

positively to this transition. In this regard, we welcome the benefits of the EU Reporting Taxonomy that provides aligned principles and definitions across industries and companies for coherent and consistent non-financial reporting.

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

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

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

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

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

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

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

The exposures referred to in Article 7(3) are exposures to undertakings which are not subject to

the obligation to publish non-financial information under Article 19a or 29a of Directive 2013/34/EU, namely loans to companies with less than 500 employees, but excluding those companies which are part of a group which, at consolidated level, has more than 500 employees.

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

## **Annex 2**

# **Remuneration report 2021**

# Contents

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

## Overview

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

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

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

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

- The Board of Directors shall have full responsibility for the credit institution and shall approve and supervise the implementation of the strategic objectives, the risk management strategy and the activity management framework of the credit institution;
- The Board of Directors must ensure the integrity of the accounting and financial reporting systems, including the financial and operational controls and the compliance with the relevant legislation and standards;
- The Board of Directors must oversee the disclosure and communication process;
- The Board of Directors must ensure the effective supervision of the top management.

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

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

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

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

## Remuneration policy and its mechanisms

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

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

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

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

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



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

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

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

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

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

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

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

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

# Remuneration Principles and Criteria

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

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

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

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

- x. The measurement of the performance used to calculate the components of the variable remuneration, or the component portfolios of the variable remuneration includes an adjustment for all the types of current and future risks and takes into account the cost of capital and necessary liquidity;
- xi. The establishment of the variable remuneration components within Banca Transilvania also considers all the current and future risk types;
- xii. For the members of the Identified Staff, at least 50% of every variable remuneration must represent a balanced combination between shares and, if possible, other instruments, such as additional tier 1 own funds or tier 2 own funds (in accordance with Article 52 or 63 of (EU) Regulation no. 575/2013), or other instruments that can be fully transformed into core tier 1 own funds or reduced, which, properly reflect, in each case, the ongoing quality of the Bank's credit and are adequate to be used for the purpose of the variable remuneration. Thus, at least 50% of the annual performance-related variable remuneration is paid in BT shares, purchased by the Bank for this purpose and awarded via a Stock Option Plan.
- xiii. When establishing the actual deferral period and the share to be deferred, the management body, exercising their supervision function, consider:
  - the responsibilities and authorities of the identified staff and the duties that they have fulfilled;
  - the institution's economic cycle and type of activities;
  - expected fluctuations in the economic activity, performance and risks of the institution and of

the operating unit, as well as the impact of the identified staff on such fluctuations;

- the approved ratio between the variable and fixed components of the total remuneration and the absolute value of the variable remuneration, considering the principle of proportionality. When the vesting criteria for the deferred share are not met, up to 100% of the variable remuneration awarded under such conditions shall be subject to "malus" arrangements.
- xiv. If a certain amount of the annual variable remuneration granted to the Identified Staff (including the members of the management body) is exceeded, at least 60% of the amount is deferred for a period of minimum 5 years.
- xv. The retirement policy is aligned to the long-term business strategy, objectives, values and interest of the credit institution;
- xvi. The Identified Staff undertakes not to use personal strategies to hedge away the risk or insurance policies related to the remuneration and liability in order to counteract the risk alignment effects laid down in their remuneration agreements;
- xvii. The tax treatment applicable to the remuneration shall be in line with the applicable legal regulations at the payment date.

## Sustainability as performance objective

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

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

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

The bank's sustainable approach has three pillars:



**People**



**Performance**



**Environment**

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

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





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

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

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

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

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





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

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

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

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

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



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

# Remuneration of the BoD Members

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<sup>2</sup>It refers to the 2021 remuneration

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

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

The Remuneration and Nomination Committee at the date of this report consists of the:

- Chairman of the Committee;
- 2 BoD Members (i.e. the Chairman of the Board and the Chairman of the AC)

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

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

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

maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

Besides the abovementioned members, we mention that the Chairman of the Risk Committee is also a permanent guest of this committee, being responsible for the validation of the risk aspects in relation to the remuneration. Thus, the gross fixed total remuneration, granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021 and cashed by the him represented 5.66% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 4.17% of the total remuneration paid to persons holding key positions within the Group. Moreover, the member did not receive any form of variable remuneration, in accordance with the abovementioned principles, and within the BTFG subsidiaries, the member got a gross fixed remuneration in cash representing 0.27% of the total remuneration paid to persons holding key positions within the Group. The fixed additional remuneration determined in cash and paid in shares represented 3.93% of the number of shares allocated in the SOP and paid in 2021, i.e. 4.21% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

The Risk Committee bears the main responsibility for the assessment of the risks implied by the remuneration system and, if necessary and in order to ensure that the risk-taking incentives are balanced with risk-management incentives, proposes the adjustment of the variable remuneration for all the present and future risks undertaken, following the completion of the risk alignment process that can include: the risk measurement process, the awarding process and the payment process, making sure that the remuneration of the staff complies with the applicable rules, the best practices and the bank's strategy. Likewise, the Risk Committee checks and certifies the effective and efficient involvement of the internal control function in assessing the compliance of the remuneration system.

The Risk Committee at the date of this report consists of the:

- Chairman of the Committee;
- 2 BoD Members (the Chairman of the AC included)

For the RC Member, who is only a BoD Member, the gross fixed total remuneration, granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021 and cashed by the member represented 1.87% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 1.38% of the total remuneration paid to persons holding key positions within the Group. Moreover, such member did not receive any form of variable remuneration, in accordance with the abovementioned principles, and within the BTFG, the member did not get any other gross fixed remuneration in cash and/or other instruments, specifically granted to the members of the management bodies of BT's subsidiaries. The fixed additional remuneration determined in cash and paid in shares represented 0.74% of the number of shares allocated in the SOP and paid in 2021, i.e. 0.80% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free

shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price). The remunerations of the remaining RC members have been stated above, within the presentation of the RemCO structure.

Last but not least, the Audit Committee, with their duties in terms of the remuneration, as shown above and detailed in the remuneration policy for BT's management body, consisting of 3 independent non-executive members held physical meetings in 2021 and had a series of the phone conferences and non-physical meetings to review, discuss and approve ad-hoc topics.

The Audit Committee at the date of this report consists of the:

- Chairman of the Committee;
- 2 BoD Members (the Chairman of the RC included)

For the AC Member, who is only a BoD Member, the gross fixed total remuneration, granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021 and cashed by the member represented 2.14% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 1.58% of the total remuneration paid to persons holding key positions within the Group. Moreover, the member did not receive any form of variable remuneration, in accordance with the abovementioned principles, and within the BTFG subsidiaries, the member got a gross fixed remuneration in cash representing 0.03% of the total remuneration paid to persons holding key positions within the Group. The fixed additional remuneration determined in cash and paid in shares represented 0.95% of the number of shares allocated in the SOP and paid in 2021, i.e. 1.02% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price). The remunerations of the remaining AC members have been stated above, within the presentation of the RemCO or RC structure.



## Chapter about the LC (Leaders' Committee)

The Leaders' Committee is in charge of the organization and management of the Bank's activity. The rules and procedures of the Leaders' Committee are approved by the Board of Directors. The structure of Banca Transilvania's Leaders' Committee and their professional expertise as at December 31, 2021, is:

Member	Position	Personal Data
<b>Ömer Tetik</b> since June 2013	Chief Executive Officer	Middle East Technical University, Ankara, the Faculty of Economics, honor student. CV and biography <a href="#">here</a> .
<b>Luminița Runcan</b> since September, 2014	Director General Adjunct Risk (CRO)	Babeș-Bolyai University, Cluj Napoca, The Faculty of Economics Babeș-Bolyai University, Law School CV and biography <a href="#">here</a> .
<b>Leontin Toderici</b> Since August 2013	Deputy Chief Executive Officer (COO)	Technical University of Cluj-Napoca, The Faculty of Automatic Control and Computers. Babeș-Bolyai University, Faculty of Economics CV and biography <a href="#">here</a> .
<b>George Călinescu</b> since September, 2013	Deputy Chief Executive Officer (CFO)	A.I. Cuza University, Iași, Faculty of Economics and Business Administration, American University in Bulgaria, Blagoevgrad, Bachelor of Company Management. CV and biography <a href="#">here</a> .
<b>Gabriela Nistor</b> Since August 2013	Deputy CEO, Retail Banking	A.I. Cuza University, Iași, Faculty of Economics, Institute of Financial Services & Visa International. CV and biography <a href="#">here</a> .
<b>Tiberiu Moisă</b> since May, 2016	Deputy Chief Executive Officer MidCorporate & SME	Faculty of Finance and Banking, Bucharest University of Economic Studies INDE (ASE Romania & CNAM France) – Executive MBA. Executive MBA, Sheffield University (UK) – Postgraduate Diploma. CV and biography <a href="#">here</a> .
<b>Mihaela Nădășan</b> as of October, 2018	Deputy CEO Institutions and Financial Markets	Executive Master of Business Administration - L'Institut d'Études du Développement Economique et Social (Conservatoire National des Arts et Métiers – Paris and ASE – Bucharest). CV and biography <a href="#">here</a> .

The remuneration policy for the top management is in line with the size and the organization of Banca Transilvania, as well as the nature, complexity and scope of business activities.

Through the remuneration policy, BT envisages the retention and development of the best top management body in terms of professional skills, education and moral conduct - qualities that bring added value to the Bank and its subsidiaries, the motivation and encouragement of the top management, of the staff of the bank and of the subsidiaries, so as to optimize the individual and collective work performance, to consolidate its culture based on the objective evaluation of each and everyone's personal contribution and on the reward of performance, ensuring the consistency between

remuneration and business strategy, the risk policy, and the long-term values and objectives of the Bank and of its subsidiaries.

The policy allows for and promotes sound and efficient risk management, without encouraging the taking of risks beyond the institution's risk tolerance level, thus preventing the award of incentives for excessive risk taking and for other behaviors contrary to the interests of the credit institution.

Banca Transilvania has designed a remuneration system for the top management body that is applied based on the arm's length transaction principle for the whole staff, adapted to different levels of responsibility and to the professional development per each position. The leaders are awarded a monthly fixed remuneration approved in accordance with the previously detailed corporate and legal rules. As part of the fixed remuneration, BT's Leaders are also awarded a vacation allowance, the equivalent of one taxable gross salary (in the month of the request), awarded once a year upon the granting of the 10-working day share of the annual vacation. For the leaders who do not work one complete year with Banca Transilvania, the vacation allowance is awarded commensurate with the actually worked period, regardless of the number of vacation days the person is entitled to. In order to fulfil the specific duties, the members of the top management are provided with technical equipment (laptop, telephone, etc.) and means of transport and/or the settlement of the actual transport, in correlation with the conclusion of an individual Directors and Officers Liability Insurance policy, in accordance with the legal provisions applicable to companies.

The variable remuneration of the Bank's Leaders' Committee is established and supervised by the Bank's Board of Directors, in accordance with the remuneration policy. Their remuneration is granted according to the general remuneration principles, as presented above, with the following additional notes:

For the members of the Bank's Leaders' Committee, the deferred part of the total variable remuneration is significant, in accordance with the applicable law, being established by the management body in its capacity of supervision body (regardless of the situation, the deferral shall be of minimum 40%). The deferral period is of 5 years and is properly correlated with the nature of the activity, the risks and the responsibilities of the respective staff, as follows:

- 1/5 of the deferred variable part shall be paid in T+1
- 1/5 of the deferred variable part shall be paid in T+2
- 1/5 of the deferred variable part shall be paid in T+3
- 1/5 of the deferred variable part shall be paid in T+4
- 1/5 of the deferred variable part shall be paid in T+5

where T is the moment when the corresponding part of the awarded variable remuneration is immediately paid. The deferral period can be extended according to the Decision of the Board of Directors. Upon the expiry of each deferral period for the members of the Bank's Leaders' Committee, a retention period of 12 months applies, i.e. a period after the vesting of the shares granted as variable remuneration, in which the shares cannot be sold or accessed without the Board of Directors' approval.

The individual annual performance of the members of the Leaders' Committee have been determined in accordance with the rules established in the internal methodology. The rules used for the evaluation of the annual performance are based on the SMART objectives methodology. These principles underly the methodology used for the criteria determination rules.

The performance evaluation criteria have considered a sufficiently long period of time in order to measure the real performance, with quantifiable criteria, both qualitatively and quantitatively. Sustainability and responsibility/ESG objectives have been assigned to the leaders (as applicable). The use of such individual performance objectives has ensured the alignment between the bank's remuneration practices, the interests of the top management and the general sustainability and responsibility / ESG objectives of the bank. With regard to the approval of the results, the SMART methodology establishes the evaluation of the performance based on the set objectives, with a rating from 1 to 5, 1 being unacceptable (the set level of performance is not achieved) and 5 being excellent (the set level of performance is exceeded). The above score is allocated to each qualitative and quantitative criterion for each person. The overall score determining the final rating is calculated as the mean value of the individual scores for each objective. The mean value resulting from the individual objectives of each leader indicated an excellent scoring regarding the achievement of the objectives proposed for him/her, showing that the level of performance achieved exceeded the level of performance initially proposed.

The objectives of the top management mainly considered areas such as:

- improving the quality of the services;
- improvement of the capital and liquidity ratios,
- ongoing digitalization of the retail and company sectors,
- improving the quality of the loan portfolio,
- strategic and business integration of the BTFG's subsidiaries,
- improving cyber security,
- correlated with the setting of sustainability and sustainable development objectives for each member of the top management, including without limitation: decreasing greenhouse gas emissions, increasing the share of renewable energy in total consumption, continuous implementation of digital flows, issuing new sustainable products.

This integration of at least one ESG-specific criterion (KPI) in the list of individual performance objectives assigned to each top management body in order to determine the paid variable remuneration. Each of these individual criteria have related to the ESG objectives that are established within the member's area of activity and expertise, so as to ensure the alignment of the remuneration to the Bank's sustainability objectives, thus enabling an organic growth of the ESG initiatives in order to achieve the specific sustainability objectives.

In 2021, Banca Transilvania, through its leaders, had a series of very ambitious development and innovation objectives, with different scenarios being prepared considering each and every signal, figure and market trend.

In terms of technology, the digitization of the legacy banking services gained momentum by upgrading the software and hardware infrastructure to respond to large-scale operations, combined with the allocation of resources to develop applications for different business areas (such as the online customer onboarding process). 2021 also marked the movement of the whole HQ activity to a new building and the start of the refurbishment of many agencies and branches. These objectives were successfully managed by the Deputy CEO - COO. Based on the achieved performance, his total remuneration was granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021, observing the ratio between the fixed remuneration and the variable remuneration

established in such policy (20.63%). Thus, the fixed remuneration represented 3.92% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 2.89% of the total remuneration paid to persons holding key positions within the Group. Likewise, the variable remuneration represented 0.81% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on the above mentioned reference date and 0.60% of the total remuneration paid to persons holding key positions within the Group. Within the BTFG subsidiaries, he got a gross fixed remuneration in cash representing 0.05% of the total remuneration paid to persons holding key positions within the Group. The remuneration paid in shares represented 1.85% of the number of shares allocated in the SOP and paid in 2021, i.e. 1.99% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price)<sup>4</sup>.

From a financial perspective, the focus was on improving the use of data and the quality of data from the internal Business Intelligence and Data Warehouse systems, combined with the implementation of new accounting and reporting standards in the group's subsidiaries through IFRS9 and the implementation of cost management modules. These objectives were directly and successfully managed by the Deputy CEO - CFO, who earned a total remuneration in line with the achieved performance, granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021, observing the ratio between the fixed remuneration and the variable remuneration established in such policy (20.56%). Thus, the fixed remuneration represented 3.89% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 2.87% of the total remuneration paid to persons holding key positions within the Group. Likewise, the variable remuneration represented 0.80% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on the above mentioned reference date and 0.59% of the total remuneration paid to persons holding key positions within the Group. Within the BTFG subsidiaries, he got a gross fixed remuneration in cash representing 0.03% of the total remuneration paid to persons holding key positions within the Group. The remuneration paid in shares represented 1.85% of the number of shares allocated in the SOP and paid in 2021, i.e. 1.98% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

Moving from the financial-operational area to the business area, we show that 2021 was a challenging year, especially as a result of the SARS Cov-2 pandemic and its related effects, in relation to bank's customers and their expectations. The objectives set for this purpose were mainly aimed at increasing the number of granted loans, the number of issued cards and authorized digital payments, increasing the profit generated from distributed insurance products, decreasing the number of inactive customers, aiming at complying with AML standards, achieving the set budgets, both by sector of activity and in

<sup>4</sup>As this is the first year in which the report is prepared in accordance with the remuneration policy approved by the GMS, comparable data in terms of remuneration and its variance are not available for the previous 5 financial years.

relation to the issuer's financially active subsidiaries, all of which was doubled by the undertaken social and environmental initiatives (regarding the offered loan products, but also the use of recycled materials for the issued cards or the issuing of digital cards). These objectives were directly and successfully managed by both the Deputy CEO - Retail Banking and the Deputy CEO - MidCorporate & SME.

For the Deputy CEO - Retail, based on the achieved performance, his total remuneration was granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021, observing the ratio between the fixed remuneration and the variable remuneration established in such policy (20.51%). Thus, the fixed remuneration represented 3.92% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 2.89% of the total remuneration paid to persons holding key positions within the Group. Likewise, the variable remuneration represented 0.80% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on the above mentioned reference date and 0.59% of the total remuneration paid to persons holding key positions within the Group. Within the BTFG subsidiaries, he got a gross fixed remuneration in cash representing 0.07% of the total remuneration paid to persons holding key positions within the Group. The remuneration paid in shares represented 1.85% of the number of shares allocated in the SOP and paid in 2021, i.e. 1.98% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

For the Deputy CEO - MidCorporate & SME, based on the achieved performance, his total remuneration was granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021, observing the ratio between the fixed remuneration and the variable remuneration established in such policy (19.41%). Thus, the fixed remuneration represented 4.14% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 3.05% of the total remuneration paid to persons holding key positions within the Group. Likewise, the variable remuneration represented 0.80% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on the above mentioned reference date and 0.59% of the total remuneration paid to persons holding key positions within the Group. Within the BTFG subsidiaries, he got a gross fixed remuneration in cash representing 0.34% of the total remuneration paid to persons holding key positions within the Group. The remuneration paid in shares represented 1.85% of the number of shares allocated in the SOP and paid in 2021, i.e. 1.98% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

With regard to the integration of the group entities, the fulfilment of the treasury revenue budget, project management and procurement projects, the objectives were successfully achieved by the Deputy CEO - Financial Institutions and Markets. Based on the achieved performance, his total remuneration was granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021, observing the ratio between the fixed remuneration and the variable remuneration established in such policy (22.14%). Thus, the fixed remuneration represented 3.63% of



the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 2.67% of the total remuneration paid to persons holding key positions within the Group. Likewise, the variable remuneration represented 0.80% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on the above mentioned reference date and 0.59% of the total remuneration paid to persons holding key positions within the Group. Within the BTFG subsidiaries, he got a gross fixed remuneration in cash representing 0.08% of the total remuneration paid to persons holding key positions within the Group. The remuneration paid in shares represented 1.85% of the number of shares allocated in the SOP and paid in 2021, i.e. 1.98% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

In order to ensure a sound risk management framework, in line with the regulations issued by the EBA and the NBR, in conjunction with the improvement of the internal capital adequacy framework and the ongoing alignment of the subsidiaries to the group's policies in terms of internal control, specific objectives were established and were directly coordinated by the Deputy CEO - CRO. The set objectives were successfully achieved, and thus, based on the achieved performance, the CRO's total remuneration was granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021, observing the ratio between the fixed remuneration and the variable remuneration established in such policy (19.86%). Thus, the fixed remuneration represented 4.03% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 2.97% of the total remuneration paid to persons holding key positions within the Group. Likewise, the variable remuneration represented 0.80% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on the above mentioned reference date and 0.59% of the total remuneration paid to persons holding key positions within the Group. Within the BTFG subsidiaries, he got a gross fixed remuneration in cash representing 0.14% of the total remuneration paid to persons holding key positions within the Group. The remuneration paid in shares represented 1.85% of the number of shares allocated in the SOP and paid in 2021, i.e. 1.98% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).

As a corollary to all the achievements that the issuer attained in 2021, we show that all the areas of activity discussed above and all their related objectives were directly supervised by the CEO. Additionally, the objectives set in relation to large corporate clients, the speeding-up of the business development and the strategic integration of BTFG's subsidiaries and the implementation of a model to improve the Bank's income, correlated with a better cost control, should also be considered. The set objectives were successfully achieved, and thus, based on the achieved performance, the CEO's total remuneration was granted in full compliance with the remuneration policy approved by the General Meeting of Shareholders of 28.04.2021, observing the ratio between the fixed remuneration and the variable remuneration established in such policy (30.47%). Thus, the fixed remuneration represented 10.24% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on 31.12.2020 and 7.55% of the total remuneration paid

to persons holding key positions within the Group. Likewise, the variable remuneration represented 3.12% of the maximum remuneration limit established by the General Meeting of Shareholders of 28.04.2021, by reference to the issuer's equity calculated on the above mentioned reference date and 2.30% of the total remuneration paid to persons holding key positions within the Group. Within the BTFG subsidiaries, he got a gross fixed remuneration in cash representing 0.03% of the total remuneration paid to persons holding key positions within the Group. The remuneration paid in shares represented 6.35% of the number of shares allocated in the SOP and paid in 2021, i.e. 6.80% of the maximum limit of remunerations established by the General Meeting of Shareholders of 28.04.2021, by reference to the equity of the issuer calculated on the above mentioned reference date. The free shares were paid on 02.09.2021, with no allocation price (comparable to an option's exercise price).



# Malus and Clawback

The variable remuneration is established based on the assessment of the performance and of the risks assumed by the institution, in accordance with the internal rules. The risk adjustment before the award (ex-ante adjustment) is based on risk ratios and ensures that the variable remuneration is fully aligned with the risks undertaken. The criteria used for the ex-ante risk adjustment are sufficiently granular in order to reflect all the relevant risks and are based on measures used for other risk management purposes.

Ex-post risk adjustments (after the establishment of the remuneration level) represent explicit risk alignment mechanisms by which the institution itself adjusts the remuneration of the leaders by means of malus or clawback clauses and are always related to performance or risks and occur as a result of the analysis performed in order to certify that the initial ex-ante risk adjustments were sufficient, if applicable, or whether new risks or unexpected loss has occurred. The extent to which an ex-post risk adjustment is required depends on the accuracy of the ex-ante risk adjustment and is established based on the ex-post testing (back-testing).

Up to 100% of the total variable remuneration can be subject to malus or clawback arrangements, based on certain criteria that must cover in particular the situations in which the person under consideration:

- a. took part in a conduct that resulted in significant loss for BT or was liable for such conduct;
- b. failed to observe the appropriate good reputation and adequate experience standards.

Thus, the Bank has the right to cancel the variable remuneration awarded to a leader, in whole or in part:

- a. if the bank suffers a significant failure in terms of risk management;
- b. in the case of important increases of the economic or regulated capital base of the bank;
- c. in the case of a regulated sanction in which the conduct of the Leaders' Committee member contributed to the sanction;
- d. in the case of proven fraud in which such leader was involved;
- e. if the assessment of the leader's performance is based on information that is subsequently proven to be significantly wrong;
- f. if the leader has failed to observe the appropriate good reputation and adequate experience standards.

The Risk Committee bears the main responsibility for the assessment of the risks implied by the remuneration system and, if necessary and in order to ensure that the risk-taking incentives are balanced with risk-management incentives, proposes the adjustment of the variable remuneration for all the present and future risks undertaken, following the completion of the risk alignment process that can include: the performance and risk measurement process, the awarding process and the payment process.

The malus/clawback clauses shall be updated in accordance with any legal changes of the applicable legal framework.

Malus/Clawback clauses were also included in the agreements that regulate the variable remuneration paid in 2021, subject to such conditions. We show that there were no causes or situations leading to the enforcement of malus or clawback clauses in connection with the issuer's top management, as the

review of the assumed risks, carried out by the Risk Committee, does not evidence the need to adjust the variable remuneration and hence to activate malus/clawback clauses.

This Report has been prepared in accordance with the requirements of Law No. 24/2017 and has been favorably endorsed by the Board of Directors and shall be subject to the advisory vote during the annual Ordinary General Meeting of Shareholders, laid down in Article 111 of Law No. 31/1990, whereby the shareholders' opinion expressed in the general meeting about the Remuneration Report, resulting from the voting, has an advisory nature. This document represents the first remuneration report prepared by Banca Transilvania in accordance with the above-mentioned legal grounds, and there is no such vote of the bank's shareholders to be considered in the preparation of this document, in accordance with Article 107(6) of Law No. 24/2017.