Banca Transilvania S.A.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Prepared in accordance with the
International Financial Reporting Standards as adopted by the European Union

For the year ended 31 December 2021

Banca Transilvania S.A.

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The English version of the consolidated and separate financial statements is a translation from the Romanian official version. In case of discrepancies, the Romanian official version will prevail.

Consolidated and Separate Statement of Profit or Loss

For the year ended 31 December

	Notes	Group 2021 *RON thousand*	Group 2020 *RON thousand*	Bank 2021 *RON thousand*	Bank 2020 *RON thousand*
Interest income calculated using the effective interest method		3,570,594	3,495,215	3,236,110	3,199,035
Other interest like income		125,159	165,210	11,668	11,673
Interest expense calculated using the effective interest method		(552,281)	(681,981)	(501,261)	(629,232)
Other interest like expense		(1,353)	(1,351)	(6,681)	(1,409)
Net interest income	8	**3,142,119**	**2,977,093**	**2,739,836**	**2,580,067**
Fee and commission income		1,432,875	1,151,940	1,219,845	986,887
Fee and commission expense		(471,518)	(375,479)	(413,569)	(330,447)
Net fee and commission income	9	**961,357**	**776,461**	**806,276**	**656,440**
Net trading income	10	528,682	345,119	461,286	310,121
Net gain / loss (-) from financial assets measured at fair value through other items of comprehensive income	11	179,023	300,665	178,960	300,610
Net gain / loss (-) from financial assets which are required to be measured at fair value through profit and loss	12	38,409	74,110	64,488	42,500
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	13	(90,000)	(74,446)	(82,022)	(69,795)
Other operating income	14	174,447	137,163	179,354	117,261
Operating income		**4,934,037**	**4,536,165**	**4,348,178**	**3,937,204**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	15a.	(385,844)	(870,775)	(354,630)	(795,113)
(Other) Provisions and reversal of provisions	15b.	129,228	4,935	119,803	11,229
Personnel expenses	16	(1,328,277)	(1,097,491)	(1,159,065)	(958,853)
Depreciation and amortization		(357,831)	(327,721)	(340,579)	(303,672)
Other operating expenses	17	(695,892)	(622,685)	(591,339)	(519,759)
Operating expenses		**(2,638,616)**	**(2,913,737)**	**(2,325,810)**	**(2,566,168)**
Bargain gain		7,377	-	-	-
Profit before income tax		**2,302,798**	**1,622,428**	**2,022,368**	**1,371,036**
Income tax expense (-)	18	(278,265)	(198,350)	(239,664)	(173,731)
Net profit for the year		**2,024,533**	**1,424,078**	**1,782,704**	**1,197,305**
Net Profit of the Group attributable to:					
Equity holders of the Bank		1,983,335	1,380,148	-	-
Non-controlling interests		41,198	43,930	-	-
Net Profit for the year		**2,024,533**	**1,424,078**	**1,782,704**	**1,197,305**

Consolidated and Separate Statement of Other Comprehensive Income

For the year ended 31 December

	Notes	Group		Bank	
		2021	**2020**	**2021**	**2020**
		RON thousand	***RON thousand***	***RON thousand***	***RON thousand***
Net Profit for the year		**2,024,533**	**1,424,078**	**1,782,704**	**1,197,305**
Items that will not be reclassified as profit or loss, net of tax		**41,704**	**29,011**	**7,800**	**29,012**
Increase from property and equipment and intangible assets revaluation		48,626	34,565	10,047	34,565
Other elements of comprehensive income		(685)	(24)	(639)	(23)
Tax related to items that will not be reclassified to profit or loss		(6,237)	(5,530)	(1,608)	(5,530)
Items which are or may be reclassified to profit or loss		**(1,522,430)**	**331,490**	**(1,523,693)**	**369,173**
Fair value reserve (financial assets measured at fair value through other items of comprehensive income), of which:		**(1,815,411)**	**439,356**	**(1,826,342)**	**439,704**
Net gain / loss (-) from disposal of financial assets measured at fair value through other items of comprehensive income, transferred to profit and loss account		(179,023)	(300,665)	(178,960)	(300,610)
Fair value changes of financial assets measured at fair value through other items of comprehensive income		(1,636,388)	740,021	(1,647,382)	740,314
Translation of financial information of foreign operations to presentation currency		**(10,000)**	**(45,166)**	**(557)**	**(655)**
Income tax on items which are or may be reclassified to profit or loss		**302,981**	**(62,700)**	**303,206**	**(69,876)**
Total comprehensive income for the period		**543,807**	**1,784,579**	**266,811**	**1,595,490**
Total comprehensive income attributable to:					
Equity holders of the Bank		502,609	1,740,649	-	-
Non-controlling interest		41,198	43,930	-	-
Total comprehensive income for the period		**543,807**	**1,784,579**	**266,811**	**1,595,490**
Basic earnings per share		0.3146	0.2191	-	-
Diluted earnings per share		0.3146	0.2189	-	-

The financial statements were approved by the Board of Directors on March 25, 2022 and were signed on its behalf by:

Horia CIORCILĂ
Chairman

George CĂLINESCU
Deputy CEO

Consolidated and Separate Statement of Financial Position

At 31 December		Group		Bank	
	Note	2021	2020	2021	2020
Assets		*RON thousand*	*RON thousand*	*RON thousand*	*RON thousand*
Cash and curent accounts with Central Banks	19	18,320,913	22,133,211	16,763,625	20,978,633
Derivatives	43	80,927	22,090	79,842	22,090
Financial assets held for trading and measured at fair value through profit and loss	21	338,450	346,472	31,207	17,572
Non-trading financial assets mandatorily at fair value through profit or loss	21	1,108,316	1,085,714	1,465,497	1,349,673
Financial assets measured at fair value through other items of comprehensive income	24	41,193,373	30,877,177	40,853,784	30,850,770
- of which pledged securities (repo agreements)		6,526,812	83,798	6,526,812	83,798
Financial assets at amortized cost - of which:		67,562,066	49,966,032	63,090,715	47,922,311
- Placements with banks and public institutions	20	10,394,297	7,223,277	9,612,690	6,636,395
- Loans and advances to customers	22	54,629,754	40,892,544	52,238,523	40,363,909
- Debt instruments	24	1,483,111	990,106	355,331	160,874
- Other financial assets	30	1,054,904	860,105	884,171	761,133
Finance lease receivables	23	1,488,031	1,227,716	-	-
Investments in subsidiaries	25	-	-	735,486	499,690
Investment in associates		4,459	1,502	-	-
Property and equipment and investment property	26	1,064,215	904,297	652,581	619,041
Intangible assets	27	406,244	305,205	334,783	268,651
Goodwill	27	22,424	16,319	-	-
Right-of-use assets	28	492,021	448,852	706,647	708,505
Current tax receivables		-	9,654	-	8,585
Deferred tax assets	29	257,885	-	227,724	-
Other non-financial assets	31	161,866	148,156	120,142	109,464
Total assets		**132,501,190**	**107,492,397**	**125,062,033**	**103,354,985**

Consolidated and Separate Statement of Financial Position

At 31 December	Notes	Group		Bank	
		2021	2020	2021	2020
Liabilities		*RON thousand*	*RON thousand*	*RON thousand*	*RON thousand*
Derivatives	43	39,179	34,817	38,689	34,817
Deposits from banks	32	1,024,259	318,944	952,453	311,822
Deposits from customers	33	108,021,629	90,942,415	102,698,085	88,297,146
Loans from banks and other financial institutions	34	7,929,500	1,691,668	7,457,843	1,176,066
Subordinated liabilities	35	1,762,484	1,667,761	1,706,234	1,664,464
Lease liabilities	28	498,597	454,792	716,569	709,269
Other financial liabilities	37	1,826,081	1,161,789	1,440,467	907,681
Current tax liability		68,357	-	62,076	-
Deferred tax liability		-	55,015	-	85,665
Provisions for other risks and loan commitments	36	538,460	615,952	493,006	589,237
Other non-financial liabilities	38	194,087	86,359	143,486	55,949
Total liabilities excluding financial liabilities to holders of fund units		**121,902,633**	**97,029,512**	**115,708,908**	**93,832,116**
Financial liabilities to holders of fund units		34,423	48,527	-	-
Total liabilities		**121,937,056**	**97,078,039**	**115,708,908**	**93,832,116**
Equity					
Share capital	39	6,397,971	5,824,201	6,397,971	5,824,201
Treasury shares		(15,287)	(15,287)	-	-
Share premiums		31,235	31,235	28,614	28,614
Retained earnings		3,736,875	2,858,479	3,051,409	2,366,533
Revaluation reserves from tangible assets		73,292	45,625	42,234	48,517
Reserves on financial assets measured at fair value through other items of comprehensive income		(996,697)	517,335	(1,004,667)	518,558
Other reserves		864,893	759,715	837,564	736,446
Total equity attributable to equity holders of the Bank		**10,092,282**	**10,021,303**	**9,353,125**	**9,522,869**
Non-controlling interest	3a(ii)	471,852	393,055	-	-
Total equity		**10,564,134**	**10,414,358**	**9,353,125**	**9,522,869**
Total liabilities and equity		**132,501,190**	**107,492,397**	**125,062,033**	**103,354,985**

The financial statements were approved by the Board of Directors on March 25, 2022 and were signed on its behalf by:

Horia CIORCILĂ
Chairman

George CĂLINESCU
Deputy CEO

Banca Transilvania S.A.

Consolidated Statement of Changes in Equity

For the year ended 31 December

Group

In RON thousand	Note	Share capital	Treasury shares	Share premiums	Revaluation reserves	Reserves from financial assets measured at fair value through other items of comprehensive income	Other reserves	Retained earnings	Total attributable to the equity holders of the Bank	Non-controlling interest	Total
		Attributable to the equity holders of the Bank									
Balance as at 01 January 2021		**5,824,201**	**(15,287)**	**31,235**	**45,625**	**517,335**	**759,715**	**2,858,479**	**10,021,303**	**393,055**	**10,414,358**
Profit for the year		-	-	-	-	-	-	1,983,335	1,983,335	41,198	**2,024,533**
Losses from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(1,514,032)	-	-	(1,514,032)	-	**(1,514,032)**
Revaluation of property and equipment, intangible assets, net of tax		-	-	-	42,389	-	-	-	42,389	-	**42,389**
Retained earnings from revaluation reserves		-	-	-	(14,722)	-	-	14,722	-	-	**-**
Distribution to statutory reserves		-	-	-	-	-	105,178	(105,178)	-	-	**-**
Foreign currency translation of foreign operations		-	-	-	-	-	-	(8,398)	(8,398)	-	**(8,398)**
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(685)	(685)	-	**(685)**
Total comprehensive income for the period		**-**	**-**	**-**	**27,667**	**(1,514,032)**	**105,178**	**1,883,796**	**502,609**	**41,198**	**543,807**
Contributions of/distributions to the shareholders											
Increase in share capital through the conversion of retained earnings	39	573,770	-	-	-	-	-	(573,770)	-	-	-
Acquisition of treasury shares		-	(61,658)	-	-	-	-	-	(61,658)	-	**(61,658)**
Payments of treasury shares		-	61,658	-	-	-	-	-	61,658	-	**61,658**
Dividends distributed to shareholders		-	-	-	-	-	-	(500,000)	(500,000)	-	**(500,000)**
SOP 2021 Scheme		-	-	-	-	-	-	63,445	63,445	-	**63,445**
Transfer of retained earnings to liabilities to holders of fund units		-	-	-	-	-	-	1,709	1,709	-	**1,709**
Other items		-	-	-	-	-	-	3,216	3,216	37,599	**40,815**
Total contributions of/distributions to the shareholders		**573,770**	**-**	**-**	**-**	**-**	**-**	**(1,005,400)**	**(431,630)**	**37,599**	**(394,031)**
Balance at 31 December 2021		**6,397,971**	**(15,287)**	**31,235**	**73,292**	**(996,697)**	**864,893**	**3,736,875**	**10,092,282**	**471,852**	**10,564,134**

Banca Transilvania S.A.

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 31 December

Group

In RON thousand	Notes	Share capital	Treasury shares	Share premiums	Revaluation reserves	Reserves from financial assets measured at fair value through other items of comprehensive income	Other reserves	Retained earnings	Total attributable to the equity holders of the Bank	Non-controlling interest	Total
		Attributable to the equity holders of the Bank									
Balance as at 01 January 2020		**5,302,419**	**(63,942)**	**31,016**	**17,818**	**147,904**	**687,727**	**2,708,300**	**8,831,242**	**382,594**	**9,213,836**
Profit for the year		-	-	-	-	-	-	1,380,148	1,380,148	43,930	**1,424,078**
Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	369,431	-	-	369,431	-	**369,431**
Revaluation of property and equipment, net of tax		-	-	-	29,035	-	-	-	29,035	-	**29,035**
Retained earnings from revaluation reserves		-	-	-	(1,228)	-	-	1,228	-	-	-
Distribution to statutory reserves		-	-	-	-	-	71,988	(71,988)	-	-	-
Foreign currency translation of foreign operations		-	-	-	-	-	-	(37,941)	(37,941)	-	(37,941)
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(24)	(24)	-	**(24)**
Total comprehensive income for the period		**-**	**-**	**-**	**27,807**	**369,431**	**71,988**	**1,271,423**	**1,740,649**	**43,930**	**1,784,579**
Contributions of/distributions to the shareholders											
Increase in share capital through the conversion of retained earnings	39	521,609	-	-	-	-	-	(521,609)	-	-	-
Increase in share capital through the conversion of debt	39	173	-	219	-	-	-	-	392	-	**392**
Acquisition of treasury shares	39	-	(36,466)	-	-	-	-	-	(36,466)	-	**(36,466)**
Payments of treasury shares		-	85,121	-	-	-	-	-	85,121	-	**85,121**
Dividends distributed to shareholders		-	-	-	-	-	-	(600,000)	(600,000)	-	**(600,000)**
SOP 2020 Scheme		-	-	-	-	-	-	(18,110)	(18,110)	-	**(18,110)**
Transfer of retained earnings to liabilities to holders of fund units		-	-	-	-	-	-	8,274	8,274	-	**8,274**
Other items		-	-	-	-	-	-	10,201	10,201	(33,469)	**(23,268)**
Total contributions of/distributions to the shareholders		**521,782**	**48,655**	**219**	**-**	**-**	**-**	**(1,121,244)**	**(550,588)**	**(33,469)**	**(584,057)**
Balance at 31 December 2020		**5,824,201**	**(15,287)**	**31,235**	**45,625**	**517,335**	**759,715**	**2,858,479**	**10,021,303**	**393,055**	**10,414,358**

Banca Transilvania S.A.

Separate Statement of Changes in Equity

For the year ended 31 December

Bank

In RON thousand	Notes	Attributable to the equity holders of the Bank Share capital	Treasury shares	Share premiums	Revaluation reserves	Reserves from financial assets measured at fair value through other items of comprehensive income	Other reserves	Retained earnings	Total
Balance as at January 1, 2021		**5,824,201**	**-**	**28,614**	**48,517**	**518,558**	**736,446**	**2,366,533**	**9,522,869**
		-	-	-	-	-	-		
Profit for the year		-	-	-	-	-	-	1,782,704	**1,782,704**
Losses from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(1,523,225)	-	-	**(1,523,225)**
Revaluation of property and equipment, intangible assets, net of tax		-	-	-	8,439	-	-	-	**8,439**
Retained earnings from revaluation reserves		-	-	-	(14,722)	-	-	(14,722)	-
Distribution to statutory reserves		-	-	-	-	-	101,118	(101,118)	-
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(1,107)	**(1,107)**
Statement of comprehensive income for the period		**-**	**-**	**-**	**(6,283)**	**(1,523,225)**	**101,118**	**1,695,201**	**266,811**
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of retained earnings	39	573,770	-	-	-	-	-	(573,770)	-
Increase in share capital through the conversion of debt	39	-	-	-	-	-	-	-	-
Acquisition of treasury shares		-	(61,658)	-	-	-	-	-	**(61,658)**
Payments of treasury shares to the employees		-	61,658	-	-	-	-	-	**61,658**
Dividends distributed to shareholders		-	-	-	-	-	-	(500,000)	**(500,000)**
SOP 2021 Scheme		-	-	-	-	-	-	63,445	**63,445**
Other items		-	-	-	-	-	-	-	-
Total contributions of/distributions to the shareholders		**573,770**	**-**	-	-	-	-	**(1,010,325)**	**(436,555)**
Balance at 31 December 2021		**6,397,971**	**-**	**28,614**	**42,234**	**(1,004,667)**	**837,564**	**3,051,409**	**9,353,125**

Banca Transilvania S.A.

Separate Statement of Changes in Equity *(continued)*
For the year ended 31 December

Bank						Attributable to the equity holders of the Bank			
In RON thousand	**Notes**	**Share capital**	**Treasury shares**	**Share premiums**	**Revaluation reserves**	**Reserves from financial assets measured at fair value through other items of comprehensive income**	**Other reserves**	**Retained earnings**	**Total**
Balance as at January 1, 2020		**5,302,419**	**(48,655)**	**28,396**	**20,710**	**148,834**	**667,894**	**2,376,845**	**8,496,443**
Profit for the year		-	-	-	-	-	-	1,197,305	**1,197,305**
Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	369,724	-	-	**369,724**
Revaluation of property and equipment, net of income tax		-	-	-	29,035	-	-	-	**29,035**
Retained earnings from revaluation reserves		-	-	-	(1,228)	-	-	1,228	**-**
Distribution to statutory reserves		-	-	-	-	-	68,552	(68,552)	**-**
Other items of comprehensive income, net of tax		-	-	-	-	-		(574)	**(574)**
Statement of comprehensive income for the period		**-**	**-**	**-**	**27,807**	**369,724**	**68,552**	**1,129,407**	**1,595,490**
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of retained earnings	39	521,609	-	-	-	-	-	(521,609)	**-**
Increase in share capital through the conversion of debt	39	173	-	218	-	-	-	-	**391**
Acquisition of treasury shares		-	(36,466)	-	-	-	-	-	**(36,466)**
Payments of treasury shares to the employees		-	85,121	-	-	-	-	-	**85,121**
Dividends distributed to shareholders		-	-	-	-	-	-	(600,000)	**(600,000)**
SOP 2020 Scheme		-	-	-	-	-	-	(18,110)	**(18,110)**
Other items		-	-	-	-	-	-	-	**-**
Total contributions of/distributions to the shareholders		**521,782**	**48,655**	**218**	**-**	**-**	**-**	**(1,139,719)**	**(569,064)**
Balance at 31 December 2020		**5,824,201**	**-**	**28,614**	**48,517**	**518,558**	**736,446**	**2,366,533**	**9,522,869**

Consolidated and Separate Statement of Cash Flows

For the year ended 31 December

In RON thousand	**Note**	**Group 2021**	**Group 2020**	**Bank 2021**	**Bank 2020**
Cash-flow from operating activities					
Profit for the year		**2,024,533**	**1,424,078**	**1,782,704**	**1,197,305**
Adjustments for:					
Depreciation and amortization	26,27, 28	357,831	327,721	340,579	303,672
Impairment allowance, expected losses and write-offs of financial assets, provisions for other risks and loan commitments		554,764	1,109,988	522,064	1,011,710
Adjustment of financial assets at fair value through profit and loss		(38,409)	(74,110)	(64,488)	(42,500)
Income tax expense	18	278,265	198,350	239,664	173,731
Interest income	8	(3,695,753)	(3,660,425)	(3,247,778)	(3,210,708)
Interest expense	8	553,634	683,332	507,942	630,641
Other adjustments		(29,763)	8,377	(295,621)	80,284
Net profit adjusted with non-monetary elements		**5,102**	**17,311**	**(214,934)**	**144,135**
Changes in operating assets and liabilities(*)					
Change in financial assets at amortized cost and placements with banks		846,325	117,430	1,121,609	(82,198)
Change in loans and advances to customers		(14,315,591)	(2,569,534)	(12,425,595)	(2,539,863)
Change in finance lease receivables		(251,991)	(58,891)	-	-
Change in financial assets at fair value through profit or loss		15,807	(133,615)	(51,336)	(158,482)
Change in financial assets held for trading and measured at fair value through profit or loss - derivatives		(58,837)	(17,287)	(57,752)	(17,287)
Change in equity instruments		20,824	(82,097)	(13,635)	(63)
Changes in debt instruments		(12,802)	8,232	-	-
Change in other financial assets		(178,497)	(216,308)	(108,195)	(114,776)
Change in other assets		(54,260)	(39,898)	(61,966)	(47,905)
Change in deposits from customers		17,117,458	13,897,980	14,449,467	13,934,396
Change in deposits from banks		705,175	22,816	640,501	7,371
Change in financial liabilities held-for-trading		4,361	22,487	3,872	22,486
Change in repo operations		6,416,160	83,543	6,416,160	83,543
Change in other financial liabilities		636,575	224,731	497,909	193,428
Change in other liabilities		107,729	(25,654)	83,278	(22,946)
Income tax (paid)/recovered		(213,079)	(245,552)	(180,793)	(218,086)
Interest received		2,887,284	3,043,464	2,475,000	2,447,359
Interest paid		(425,771)	(593,836)	(477,673)	(557,385)
Net cash-flow from operating activities		**13,251,972**	**13,455,322**	**12,095,917**	**13,073,727**

Consolidated and Separate Statement of Cash Flows

For the year ended 31 December

In RON thousand	Notes	Group 2021	Group 2020	Bank 2021	Bank 2020
Cash-flow used in investment activities					
Acquisition of financial assets measured at fair value through other items of comprehensive income		(29,200,861)	(28,866,644)	(28,870,381)	(28,857,677)
Sale/redemption of financial assets measured at fair value through other items of comprehensive income		17,118,712	21,854,578	17,091,639	21,854,408
Net acquisitions of property and equipment		(202,665)	(269,384)	(150,211)	(130,923)
Net acquisitions intangible assets		(158,719)	(136,436)	(149,740)	(125,661)
Proceeds from disposal of property and equipment and intangible assets		2,709	1,144	2,049	853
Acquisition of equity investments		(225,000)	(23,500)	(225,000)	(11,001)
Dividends collected	14	3,243	2,974	33,808	6,939
Interest received		1,191,145	936,870	1,188,116	935,189
Net cash-flow used in investment activities		**(11,471,436)**	**(6,500,398)**	**(11,079,720)**	**(6,327,873)**
Cash-flow from financing activities					
Gross proceeds from loans from banks and other financial institutions	44	81,502	349,841	-	311,976
Gross payments from loans from banks and other financial institutions	44	(368,333)	(242,654)	(152,045)	(135,009)
Gross payments from subordinated loans from banks and other financial institutions	44	-	(47,918)	-	(47,918)
Repayment of the principal portion of the lease liabilities		(138,319)	(146,948)	(151,727)	(119,485)
Dividend payments		(496,614)	(596,118)	(496,614)	(596,118)
Payments for treasury shares		(61,658)	(36,466)	(61,658)	(36,466)
Interest paid		(89,991)	(95,039)	(76,801)	(81,505)
Net cash-flow from / (used in) financing activities		**(1,073,413)**	**(815,302)**	**(938,845)**	**(704,525)**

In RON thousand	Note	Group 2021	Group 2020	Bank 2021	Bank 2020
Cash and cash equivalents at January 1		**26,649,622**	**20,510,000**	**24,802,742**	**18,761,413**
The impact of exchange rate variations on cash and cash equivalents		35,906	89,188	30,654	84,456
Net increase/decrease (-) in cash and cash equivalents		671,217	6,050,434	46,698	5,956,873
Cash and cash equivalents as at December 31	19	**27,356,745**	**26,649,622**	**24,880,094**	**24,802,742**

Notes to the consolidated and separate financial statements

1. Reporting entity

Banca Transilvania S.A.

Banca Transilvania S.A. (the "Parent company", "The Bank") is a joint-stock company incorporated in Romania. The Bank started its activity as a banking institution in 1993 and is licensed by the National Bank of Romania ("BNR", the "Central Bank") to conduct banking activities. The Bank started its activity in 1994 and its main operations involve banking services for legal entities and individuals.

Banca Transilvania Group (the "Group") includes the Parent company and its subsidiaries, based in Romania and in the Republic of Moldova. The consolidated and separate financial statements as at 31 December 2021 comprise the Parent company and its subsidiaries (hereinafter referred to as the "Group").

The Group's fields of activity are: banking through Banca Transilvania S.A., Victoriabank S.A. and Idea Bank S.A., leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., Idea Leasing IFN S.A., BT Direct IFN S.A., BT Microfinanţare IFN S.A. and BT Leasing MD S.R.L., asset management through BT Asset Management S.A.I. S.A. brokerage and investments through BT Capital Partners S.A, and pension funds management BT Pensii S.A. Additionally, the Bank also has control over three investment funds it consolidates and is associated in Sinteza .A. with a holding percentage of 31.12%.

The Bank carries out its banking activity through its head office located in Cluj-Napoca and 47 branches, 443 agencies, 6 work units, 8 healthcare division units, 2 private banking agencies in Romania, 1 branch in Italy and 1 regional office located in Bucharest (2020: 50 branches, 431 agencies, 21 bank units, 7 healthcare division units, 2 private banking agencies in Romania and 1 branch in Italy and 1 regional office located in Bucharest).

The Group's number of active employees as at 31 December 2021 was 10,800 (2020: 10,009 employees).

The Bank's number of active employees as at 31 December 2021 was 8,651 (2020: 8,359 employees).

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

The ownership structure of the Bank is presented below:

	2021	**2020**
NN Group (*)	10.29%	10.14%
The European Bank for Reconstruction and Development ("EBRD")	6.87%	6.87%
Romanian individuals	21.23%	20.47%
Romanian companies	41.41%	40.10%
Foreign individuals	0.98%	1.09%
Foreign companies	19.22%	21.33%
Total	**100%**	**100%**

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

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

Notes to the consolidated and separate financial statements

1. Reporting entity *(continued)*

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

Subsidiary	Field of activity	Percentage of direct and indirect stake 2021	Percentage of direct and indirect stake 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%	100%
BT Investments S.R.L.	Investments	100%	100%
BT Direct IFN S.A.	consumer loans	100%	100%
BT Building S.R.L.	Investments	100%	100%
BT Asset Management SAI S.A.	Asset management	100%	90.00%
BT Solution Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Asiom Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Safe Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Leasing MD S.R.L.	leasing	100%	100%
BT Microfinanţare IFN S.A.	Consumer loans	100%	100%
Improvement Credit Collection S.R.L.	Activities of collection agents and Credit reporting bureaus	100%	100%
VB Investment Holding B.V.	Activities of holdings	61.81%	61.81%
Timesafe S.R.L.	Activities of software to order	51.12%	51.12%
BT Pensii S.A.	Activities of pension funds (except those in the public social security system)	100%	90.49%
Idea Bank S.A.	Financial and banking activities	100%	-
Idea Investments S.A.	Management consultancy activities	100%	-
Idea Leasing IFN S.A.	Financial leasing	100%	-
Idea Broker de Asigurare S.R.L.	Activities of insurance agents and brokers	100%	-

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

BT Leasing Transilvania IFN S.A.

BT Leasing Transilvania IFN S.A. operates through its head office located in Cluj-Napoca, 1 agency and 21 work units (2020: 1 agency and 18 work units) throughout the country. The company is authorized by the National Bank of Romania to provide leases for various types of vehicles, technical and other types of equipment. The number of active employees as at 31 December 2021 was 127 (2020: 123 employees). The registered address of BT Leasing Transilvania IFN S.A. is 74-76 Constantin Brâncuşi Street, 1st floor, Cluj-Napoca, Romania.

1. Reporting entity *(continued)*

BT Asset Management SAI S.A.

BT Asset Management SAI S.A. is an investment management company, member of Banca Transilvania Financial Group, authorized by the National Securities Commission (currently the Financial Supervisory Authority, also named „ASF") through the decision No. 903/29.03.2005, ASF Public Register No. PJR05SAIR/120016 dated 29.03.2005.

BT Asset Management SAI S.A. manages both open and closed investment funds. As at 31 December 2021, BT Asset Management SAI S.A. managed 17 investment funds, of which: 14 open funds and 3 closed funds.

BT Asset Management SAI S.A. offers a full range of investment products, from fixed income funds, mixed funds and index funds, to equity and one real estates funds. The access to the capital market is provided to customers through investments in Romania, as well as in the EU countries (mainly Austria); placements can be made in lei, euro, dollars and pounds.
The number of active employees as at 31 December 2021 was 34 (2020: 32 employees). The company's registered address is in Cluj-Napoca, 22 Emil Racoviţă Street, 1st floor + garret, Cluj county, Romania.

BT Capital Partners S.A.

At the beginning of 2016, BT Securities – the brokerage company of Banca Transilvania Financial Group – became BT Capital Partners S.A., after taking over the investment banking activity of Capital Partners, the most important independent consulting Romanian company in the field of M&A and Corporate Finance, BT Capital Partners is also an exclusive member in Romania of Oaklins, the world's most important alliance of M&A professionals.
In its new formula, BT Capital Partners offers consulting services for raising funds via the capital market, consultancy on mergers and acquisitions, brokerage services, structuring of complex financing schemes, market research and strategic advisory.

At 31 December 2021 the company counted 58 active employees (2020: 52 employees). The company undertakes its activity through its headquarters located in Cluj-Napoca, 74-76 Constantin Brâncuşi Street, ground floor, Cluj county, Romania, and through 7 work units.

BT Direct IFN S.A.

BT Direct IFN S.A. it is authorized by the National Bank of Romania to carry out lending operations to individuals through credit cards as well as through consumer loans, having as object of activity the financing of natural persons.
BT Direct IFN S.A. and ERB Retail Services IFN S.A. have become the same company starting with August 1, 2019. Following the merger by absorption of BT Direct IFN S.A., ERB Retail Services IFN S.A. has become part of the Group keeping the name BT Direct IFN S.A..
As at December 31, 2021, the company has a registered office for the purpose of payroll taxes in Bucharest and another 95 offices in the locations of the main partners (2020: 95 offices).

The number of active employees at 31 December 2021 was 171 (2020: 162 employees). The company operates through its head office located in Cluj-Napoca, 74-76 Constantin Brâncuşi Street, 3rd floor, Cluj county, Romania.

1. Reporting entity *(continued)*

BT Microfinanţare IFN S.A.

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

The number of active employees as at 31 December 2021 was 184 (2020: 167 employees).
In 2021, BT Microfinanţare IFN S.A. financed around 5,229 micro-enterprises (loans for the support and development of current activities, procurement loans, loans for supplier payments, investment loans for existent and/or new work units, loans for the acquisition of machinery/equipment etc.). The outstanding balance for loans at the end of 2021 was RON 628.3 million (2020: RON 515.6 million).

B.C. „VICTORIABANK" S.A.

B.C. „VICTORIABANK" S.A. was founded on 22 December 1989, being the first commercial bank in the Republic of Moldova to be registered with the Central Bank of USSR on 22 February 1990, being reorganized on 26 August 1991 into a joint-stock company (joint-stock commercial bank).

On 29 November 2002, the Bank was re-registered as a commercial bank, open joint-stock company, and its shares were registered and listed on the Moldova Stock Exchange.

The Bank is authorized to carry out banking activities pursuant to its license issued by the National Bank of Moldova.

The Bank carries out its activity through its headquarters located in Chișinău, 31 August 1989 Street No 141, and through 30 branches and 45 agencies throughout the Republic of Moldova (2020: 30 branches and 57 agencies).

The number of active employees as at 31 December 2021 was 1,048 (2020: 1,064 employees).

The share capital of B.C. „VICTORIABANK" S.A. consists of MDL 250,000,910, divided into 25,000,091 class I nominal ordinary shares, with voting rights, at a face value of MDL 10/share. The nominal ordinary shares issued by the bank (ISIN: MD14VCTB1004) are admitted to trading on the regulated market at the Moldova Stock Exchange.

IDEA Bank S.A.

IDEA Bank S.A. was founded in 1998, and during 2021, was bought by Banca Transilvania, a Romanian credit institution, which, starting with 29 October 2021 became the sole shareholder (direct and indirect) of this entity.

Currently, the Bank runs banking and financial services operations with individuals and legal entities. These include: current accounts, raise deposits, loan lending, financing for current activities, medium and long term financing, letters of guarantee and documentary credits, internal and external payment services, foreign exchange operations, deposits services.

The Bank operates through its headquarter located in Bucharest, and through 33 branches and agencies and also 3 work units, located in Bucharest and other cities in Romania.
Its headquarter is situated on Dimitrie Pompeiu Boulevard, No.5-7, 6th floor, Sector 2, Bucharest, Romania. As at 31 December 2021 the Bank had 383 employees.

1. Reporting entity *(continued)*

IDEA Leasing IFN S.A.

IDEA Leasing IFN S.A. ("Idea Leasing") is a Romanian entity founded in 2000. The main activitity of Idea Leasing represents crediting based on contract - CAEN code 6491 and mostly financial leasing for legal entities, having under the lease agreements vehicles and equipments.

The headquarter of Idea Leasing is located on 19-21 Bucureşti-Ploieşti Street, 2^{nd} floor, Sector 1, Bucharest, Romania. As of 31 December 2021, Idea Leasing had 118 employees.

2. Basis of preparation

a) Statement of compliance

The consolidated and separate financial statements of the Group and of the Bank have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union, effective as at the Group's and Bank's annual reporting date, 31 December 2021.

b) Basis of measurement

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

c) Functional and presentation currency – "RON"

The items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the entities within the Group is the Romanian leu "RON", "EUR" and the Moldovan leu "MDL". The separate and consolidated financial statements are presented in Romanian lei "RON", rounded to the nearest thousand.

d) Use of estimates and judgements

The preparation of the consolidated and separate financial statements in accordance with the IFRS as endorsed by the European Union implies that the management uses estimations and judgements that affect the application of accounting policies, as well as the reported value of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical data and various other factors that are believed to be relevant under the given circumstances. The result of which forms the basis of the judgements used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates.The estimates and assumptions are reviewed on an ongoing basis.

The review of the accounting estimates is recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods.
Information about estimates used in the application of the accounting policies which have a significant impact on the consolidated and separate financial statements, as well as the estimates involving a significant degree of uncertainty, are described in Note 5.

Notes to the consolidated and separate financial statements

3. Significant accounting policies

The significant accounting policies set out below have been applied consistently by the Group and the Bank entities throughout all the periods presented in these consolidated and separate financial statements.

a) Basis for consolidation

According to IFRS 10, control means that an investor has: 1) power over the investee; 2) exposure, or rights to variable returns from its involvement within the investee; 3) the ability to use its power over the investee to affect the amount of the investor's returns. The list of the Group's subsidiaries is presented in Note 1.

(i) Business Combinations

A business combination is accounted using the acquisition method at the date when the control is acquired, except for the cases when the combination involves entities or parties under common control or the acquired entity is a subsidiary of an investment entity.

Each identifiable asset and acquired asset and assumed liability is evaluated at fair value at the acquisition date. The non-controlling interests in the acquired entity, which represent current ownership interest and entitle the holder to a proportional share of the entity's net assets in the event of liquidation, are measured either at fair value or proportionally with the acquired ownership interest in the entity's net identifiable assets. Non-controlling interests that are not current ownership interests are measured at fair value.

Goodwill is measured by deducting the identifiable net assets acquired from the aggregate of the consideration transferred, any non-controlling interests in the acquired entity and the fair value at the acquisition date of the equity participation in the acquired entity previously held by the acquiring entity. If the acquirer obtains a gain from a bargain purchase, this gain is recognized in the profit and loss after the management reassesses whether all the assets were acquired and all liabilities and contingent liabilities were assumed based on appropriate measurement.

The consideration transferred in a business combination is measured at the fair value of the assets transferred by the acquirer, the liabilities incurred or assumed and the equity instruments issued, but excludes the costs related to intermediation, advisory, legal, accounting, valuation and other professional or consulting services, general administrative costs that are recognized in the profit or loss.

(ii) Subsidiaries

The Group's subsidiaries are the entities under the Group's direct and indirect management. The management of an entity is reflected by the group's capacity to exercise its authority in order to influence any variable return to which the Group is exposed based on its involvement in the entity. The factors that the Group must consider when deciding to include an entity in the consolidation are the following:

- the purpose and relevant activity of the entity;
- the entity's relevant activities and the manner in which they are determined;
- whether the Group's rights ensure its capacity to manage the entity's relevant activities;
- whether the Group is exposed or entitled to variable returns;
- whether the Group can use its capacity in order to influence returns.

If voting rights are relevant, the Group is considered to be in control if it holds, directly or indirectly, more than half of the voting rights of an entity, except when there is proof that another investor has the capacity of control over the relevant activities. Potential voting rights considered as substantial are also taken into account when determining the control of the entity. Moreover, the Group controls an entity even if it does not hold the majority of the voting rights, but however has the effective capacity to control the entity's relevant activities.

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(ii) Subsidiaries(continued)

This situation may occur when the dimension and dispersion of the shareholders' participations give authority to the Group to control the activities subject to investment. The subsidiaries are included in the consolidation starting from the date when the control is transferred to the Group.

The Group revaluates on an ongoing basis the control over the entities subject to investment, at least upon each quarterly reporting date. Therefore, any structural modification leading to the change of one or several control parameters is subject to revaluation. Such modification may include the change of the decision-making rights, changes in the contractual terms, financial or capital structure modifications, modifications caused by an event anticipated upon the initial documentation.

(iii) Non-controlling interest

The Group presents the non-controlling interest in its consolidated financial position within equity, separated from the equity of the parent company's shareholders. The non-controlling interest is measured proportionally with the percentage held in the net assets of the subsidiary. Changes in ownership interest which do not result in the loss of parent control of the subsidiary, are reflected as equity transactions.

(iv) Loss of control

If the parent loses the control of a subsidiary, it derecognizes the assets (including goodwill). The liabilities and the book value of any non-controlling interest at the date such control is lost. Any gain or loss arising from the loss of control is recognized in the profit or loss account.

Upon the loss of control over a subsidiary, the Group: a) derecognizes the assets (including the attributable goodwill) and liabilities of the subsidiary at their book value, b) derecognizes the book value of any non-controlling interests held in the former subsidiary, c) recognizes the consideration received at fair value, as well as any distribution of the subsidiary's shares, d) recognizes any investment in the former subsidiary at fair value and e) recognizes any difference resulting from the above elements as gain or loss in the income statement. Any amounts recognized in the previous periods as other items of comprehensive income in relation to the respective subsidiary, shall be either reclassified in the consolidated statement of profit or loss or transferred to retained earnings, if required by other IFRS standards.

(v) Investments in associates

An associate is an entity over which the Group exercises significant influence in terms of financial and operating policy decision making, but without controlling the entity. Significant influence is when the Group holds between 20% and 50% of the voting rights. The existence and impact of the potential rights that are currently enforceable or convertible are also taken into consideration in order to determine whether the Group exercises significant influence. Other factors taken into consideration in order to determine whether the Group exercises significant influence are the representation in the Board of Directors and the inter-company relevant transactions. The existence of such factors may require the application of the equity method of accounting for a certain investment, even if the Group's investment in voting shares is lower than 20%.Investments in associates are booked according to the equity method. The share of the Group resulting from the association is adjusted in order to be in line with the Group's accounting policies and is booked in the consolidated statement of profit or loss as net investment income (loss) according to the equity method. The Group's share in the profits or losses of the related parties resulting from inter-company sales is removed from the consolidation basis.

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(iv) Investments in associates (continued)

In accordance with the equity method, the Group's investments in associates and jointly controlled entities are initially booked at cost, including any costs directly connected with transactions, and are subsequently increased (or decreased) to reflect both the proportional share of the Group after the acquisition and the net income (or loss) of the related entity or of the jointly controlled entity, as well as other direct changes in the shareholders' equity of the related entity or of the jointly controlled entity. The goodwill generated by the acquisition of a related entity or of a jointly controlled entity is included in the investment book value. Since goodwill is not reported separately, it is not tested for impairment. In fact, the whole investment accounted based on the equity method is tested for depreciation upon each balance sheet preparation.

At the date when the Group ceases to have significant influence on the associates or the jointly controlled entity. The Group shall determine the profit or loss from the assignment of the investment based on the equity method, which shall be equal to the difference between the fair value of each investment held and the income obtained from the sale of the related entity participation, and the investment book value.

(v) Management of investment funds

The Group manages and administrates assets invested in fund units on behalf of investors. The financial statements of these entities are not included in the consolidated financial statements, except when the Group controls the entity by holding authority, exposure or rights over variable incomes based on its participation of more than 50% in the open investment fund units. In line with the Group's strategy to develop open investment funds and to attract new investors, the Group removes from the consolidation basis the open funds managed by BT Asset Management SAI S.A., if the percentage of fund unit holdings decreases below 40% during two financial years.

As concerns the closed funds managed by BT Asset Management SAI S.A.. The Group removes from the consolidation basis the holdings for which there is no significant influence of more than 20%.

If the Group holds units in open or closed investment funds managed by an investment management company which is not included in the consolidation, the funds shall not be consolidated because the Group does not have the authority and decision-making power regarding the relevant activities of such entity.

(vi) Transactions eliminated from consolidation

Intra-group settlements and transactions, as well as any unrealized gains resulted from the intra-group transactions have been fully eliminated in the preparation of the consolidated financial statements. Unrealized gains resulted from transactions with equity accounted investees are eliminated in correlation with the investment in the related entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(vii) Presentation of the legal merger through absorption in the financial statements

The Group applies IFRS 3 requirements "Business combination" to record the merger by absorption operations in the separate financial statement of the absorbed entity. The separate financial statements of the absorbing entity after merger are a continuation of the consolidated financial statements prepared starting with the date of acquisition of the absorbed entity.

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(vii) Presentation of the legal merger through absorption in the financial statements (continued)

The profit or loss and other comprehensive income of the absorbing entity includes the revenues and expenses as they were booked by the absorbed entity at individual level, for the period between the date of gaining the control (or the end of the last financial period) and the merger date.

Due to the lack of specific requirements in the IFRS related to legal mergers through absorption, the Bank decided to present the book value of the acquired identifiable assets and undertaken liabilities in the separate financial statements at the legal merger date, after their initial recognition at fair value at the date when the control was acquired.

b) Foreign currency transactions

(i) Foreign currency transactions

Transactions in foreign currency are recorded in RON at the official exchange rate at the date of the transaction. The exchange rate differences resulting from such transactions denominated in foreign currency are reflected in the statement of profit or loss at the transaction date and using the exchange rate valid at the respective date.

Monetary assets and liabilities denominated in foreign currencies at the date of the consolidated and separate statement of financial position are translated to the functional currency at the exchange rate valid at that date.

FX differences are recognized in profit or loss.
Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated in the functional currency by using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rate valid at the date when the fair value is determined.

(ii) Translation of foreign currency operations

The result and financial position of operations denominated in a currency different from the functional and presentation currency of the Group are translated into the presentation currency as follows:

- the assets and liabilities of this entity, both monetary and non-monetary, were translated at the closing rate at date of the consolidated and separate statement of financial position;
- income and expense items of these operations were translated at the average exchange rate of the period, as an estimate of the exchange rates at the dates of the transactions; and
- all resulting exchange differences have been classified as OCI until the disposal of the investment.

The exchange rates for the major foreign currencies were:

Currency	**31 December 2021**	**31 December 2020**	**Variation %**
Euro (“EUR”)	1: LEU 4.9481	1:RON 4.8694	1.62%
United States Dollar (“USD”)	1: LEU 4.3707	1: RON 3.9660	10.20%

3. Significant accounting policies *(continued)*

c) Interest income and expenses

Recognition of interest income and expenses

Interest income and expense are recorded for all loans and debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination.

The Group does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost, net of the expected credit loss provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit adjusted effective interest rate is applied to the amortised cost.

d) Fee and commission income

Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes fee income in the banking units (*transactional fees, brokerage and execution fees, syndication fees* etc.), fee income from capital markets (*advisory fees which are generated from wealth management services and investment banking advisory services fee, income from investment activities, brokerage and execution fees, underwriting fees, custodial fees*), fee income in wealth management, fee income related to leasing activity, etc. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, fees for cash settlements, collection or cash disbursements, as well as, commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

3. Significant accounting policies *(continued)*

e) Net trading income

Net trading income represents the difference between the gain and loss related to financial assets held-for trading, foreign exchange transactions, derivatives and foreign exchange position revaluation.

f) Net loss/gain related to financial assets measured at fair value through other items of comprehensive income

The net loss/gain related to financial assets measured at fair value through other items of comprehensive income comprises the gain and loss from the sale of financial assets measured at fair value through other items of comprehensive income. Net gain and loss from the sale of financial assets measured at fair value through other items of comprehensive income are recognized in the income statement at the moment of their sale. They represent the difference between the obtained price and the amortized cost of the financial assets measured at fair value through other items of comprehensive income.

g) Net loss/gain from financial assets which are required to be measured at fair value through profit and loss

The net loss/ gain from financial assets which are required to be measured at fair value through profit and loss includes the gain and loss both from the revaluation at fair value and the sale of financial assets which are required to be measured at fair value through profit and loss.

h) Dividend income

Dividend income is recognized in profit or loss at the date when the right to receive such income is established and it is probable that the dividends will be collected. Dividends are reflected as a component of other operating income.
For some of the Bank's subsidiaries, the only profit available for distribution is the profit for the year recorded in the Romanian statutory accounts, which differs from the profit in these consolidated and separate financial statements prepared in accordance with IFRS, as endorsed by European Union, due to the differences between the applicable Romanian Accounting Standards and IFRS, as endorsed by the European Union.

i) Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund

The retail deposits and certain legal entity deposits, including SME deposits, are guaranteed up to EUR 100,000 by the Bank Deposit Guarantee Fund (the "FGDB") according to the regulations in force (Law 311/2015 regarding the deposit guarantee scheme and the Deposit Guarantee Fund).

The Romanian credit institutions are obliged to pay an annual contribution to the Deposit Guarantee Fund ("FGBD-Fondul de Garantare a Depozitelor Bancare"), in order to guarantee the clients' deposits in case of the credit institution's insolvency, as well as an annual contribution to the Resolution Fund ("Fondul de Rezolutie").

The Group and the Bank applied IFRIC 21 "Levies", as this contribution to the FGDB corresponds to a tax that needs to be fully recognized as an expense at the time the obligating event occurs.

3. Significant accounting policies *(continued)*

j) Lease assets and liabilities

Group applies IFRS 16 provisions to all leases, including leases of right-of-use assets in a sublease, except for:

a) leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources;
b) leases of biological assets within the scope of IAS 41 Agriculture held by a lessee;
c) service concession arrangements within the scope of IFRIC 12 Service Concession Arrangements;
d) licenses of intellectual property granted by a lessor within the scope of IFRS 15 Revenue from Contracts with Customers; and
e) rights held by a lessee under licensing agreements within the scope of IAS 38 Intangible Assets for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

The Group presents in this financial statements, lease assets and liabilities for the following types of transactions:

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

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

Identification of a lease contract

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the Group reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.
To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group shall assess whether, throughout the period of use, the customer has both of the following:
a) the right to obtain substantially all of the economic benefits from use of the identified asset and
b) the right to direct the use of the identified asset.

a) <u>The Group as a lessee</u>

As per IFRS 16 provisions, a lessee no longer differentiates between finance leases and operating leases and is required to recognise a right-of-use asset and a lease liability at the initial recognition of the contract.

Right of use – initial measurement

The right-of-use asset shall comprise:
(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

3. Significant accounting policies *(continued)*

j) Lease assets and liabilities *(continued)*

Lease liability – initial measurement

Represents the present value of the lease payments that are not paid at commencement date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:
(a) fixed payments, less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option (assessed considering all the relevant factors); and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent measurement - Right-of-use asset

The Group shall measure the right-of-use asset at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability due to lease contract.

If the lease transfers ownership of the underlying asset to the Group as a lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Subsequent measurement - Lease liability

The Group measure the lease liability by:
a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications.

After the commencement date, the Group remeasure the lease liability to reflect changes to the lease payments. The Group recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, it recognise any remaining amount of the remeasurement in the statement of profit or loss.

3. Significant accounting policies *(continued)*

j) Lease assets and liabilities *(continued)*

a) ***The Group as a lessor***

Initial measurement

At the commencement date, the Group, as a lessor, recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The lessor uses the interest rate implicit in the lease to measure the net investment in the lease.
The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the net investment in the lease.
The lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- fixed payments less any lease incentives payable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent measurement
The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.
The Group aims to allocate finance income over the lease term on a systematic and rational basis and shall apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

The Group apply the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. It reviews regularly estimated unguaranteed residual values used in computing the gross investment in the lease. If there has been a reduction in the estimated unguaranteed residual value, the Group revise the income allocation over the lease term and recognise immediately any reduction in respect of amounts accrued.

k) Income tax expense

Income tax for the year includes the current tax and the deferred tax. The income tax is recognized in the result for the year or in the shareholders' equity, if the tax is related to shareholders' equity items.
Current tax is the tax payable with respect to the profit for the period, determined based on the percentages applied at the date of the consolidated and separate statement of financial position and all the adjustments related to the previous periods. The adjustments which influence the fiscal base of the current tax are: non-deductible expenses, non-taxable income, similar expense/ income items and other tax deductions.

3. Significant accounting policies *(continued)*

k) Income tax expense (continueted)

Deferred tax is determined based on the balance sheet liability method for the temporary differences between the fiscal base for the calculation of the tax on assets and liabilities and their accounting value used for reporting under the consolidated and separate financial statements.
Deferred tax is not recognized for the following temporary differences: initial recognition of goodwill, initial recognition of assets and liabilities resulting from transactions which are not business combinations and do not affect the accounting or tax profit and differences resulting from investments in subsidiaries, provided that they are not reversed in the near future and the moment of reversal is being controlled by the entity.
The temporary differences may arise in a business combination, so that an entity may recognize any resulting deferred tax assets or liabilities as identifiable assets and liabilities at the acquisition date. The temporary differences arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination.

According to the local tax regulations, the fiscal loss of the entity that ceases to exist further to a legal merger through absorption can be acquired and recovered by the absorbing entity. The annual fiscal loss starting 2009, established through the tax statement shall be recovered from the taxable income of the next 7 consecutive years.
To report the unutilized fiscal losses, the deferred tax claims are recognized only to the extent to which it is probable to obtain taxable profit in the future after compensation with the tax loss from the previous years and with the recoverable tax on profit. Deferred tax claims are diminished to the extent to which the related tax benefits are unlikely to be achieved.
For the Bank and its local entities the tax rate used to calculate the current and deferred tax position at December 31, 2021 is 16% (2020: 16%). For Victoriabank S.A. and BT Leasing Moldova S.R.L. the tax rate used at December 31, 2021 is 12% (2020: 12%).

l) Financial assets

The Group and the Bank classify the financial assets based on the cash flow characteristics of each instrument and the business model within which an asset is held. A business model reflects how the Group and the Bank manage the financial assets in order to achieve its business objectives. There are three types of business models:

"Hold to collect" business model:

This business model refers to financial assets that are classified in order to collect cash flows (for example: loans, government securities, bonds held outside the trading portfolio). If these assets pass the SPPI test, they are measured at amortized cost and included in the periodical calculation of expected credit losses.
There is no requirement that the assets classified in this category should be held until their maturity; sales are acceptable; if they are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent), when the risk profile of such instruments increases or is no longer in line with the Group's and the Bank's investment policy. A higher frequency of sales during a certain period is not necessarily in contradiction with this business model, if the Group and the Bank are able to justify the reasons for such sales and to prove that such sales do not reflect a change in the current business model.

"Hold to collect and sell" business model:

Under this business model, financial assets are held to collect the contractual cash flows, but they may also be sold in order to cover liquidity requirements or to maintain a certain interest return on the portfolio. They are measured at fair value through other items of comprehensive income (reserves) and may include government securities and bonds.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

Other business models: are those which do not meeting the criteria of the business models mentioned above, for example business models in which the primary objective is realizing cash flows through sale, held for trading business models, business models under which assets are managed on a fair value basis, business models under which financial assets are acquired for sale/trading and measured through profit or loss (tradable securities, tradable shares, etc.). The portfolio is managed based on the market value evolution in respect of the assets concerned and includes frequent sales and purchases for the purpose of maximizing profit.
The Group and the Bank recognize all financial assets and liabilities at the transaction date. The transaction date is the date when the Group and the Bank undertake to buy or to sell an asset.

At initial recognition, a financial asset can be classified as:

a) measured at amortized cost, provided that the following conditions are cumulatively fulfilled:

- the asset is held under a business model in which the primary objective is to collect contractual cash flows;
- the contractual terms of the financial asset generate cash flows at specific dates, representing solely payments of principal and interest.

b) measured at fair value through other comprehensive income are provided that the following conditions are cumulatively fulfilled:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) measured at fair value through profit and loss, if financial assets do not meet the criteria according to which the contractual cash flows need to be Solely Payments of Principal and Interest (the SPPI test) or if the assets are held for trading (for example derivatives or fund units). Embedded derivatives are no longer separated from the host financial assets, but will be assessed in their entirety together with the non-derivative financial asset, for the purpose of the contractual cash flow characteristics test.

Investments in equity instruments are always measured at fair value through profit and loss, However, provided that such instruments are not held for trading, the Group and Bank management can make an irrevocable election to present changes in fair value in other comprehensive income (except for dividend income which is recognised in profit or loss).

Therefore, if equity instruments are measured at fair value through other comprehensive income, such instruments will not be classified as monetary items and the accumulated profit or loss, including that resulting from currency exchange, will be transferred to the entity's equity upon the derecognition of such instruments.

If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
The gains and losses from investments in equity instruments measured at fair value through profit or loss are included in the statement of profit and loss under "Net trading income" for held for trading equity instruments.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

Investments in equity instruments, representing usually strategic investments which are not planned to be disposed of in the foreseeable future and are not included in the trading portfolio, have been classified as financial assets required to be measured at fair value through other comprehensive income. In this case, the Group and the Bank have irrevocably decided to present fair value changes under comprehensive income, whereas the gains or losses related to the respective instruments will be transferred directly to the Group's equity, without being reclassified (or recycled) to profit or loss.

Government bonds, municipal bonds and other bonds issued by financial and non-financial institutions are measured at fair value through other items of comprehensive income, under the provisions of the SPPI test criteria and the "hold to collect and sell" business model. Starting from 1 January 2018, the Group and the Bank recognize an allowance for expected credit losses related to such assets measured at fair value through other items of comprehensive income. This provision will be recognized under other comprehensive income and does not diminish the book value of the financial asset.

Bonds issued by credit institutions and other financial institutions which meet the SPPI test criteria and the "hold to collect" business model are measured at amortized cost. The Group and the Bank recognize impairment allowances related to financial assets measured at amortized cost.

Fund units held with mutual funds which fail the solely payments of principal and interest ("SPPI") criterion are mandatorily measured at fair value through profit and loss.
In the separate statement of financial position, equity instruments representing investments in subsidiaries continue to be measured at cost, according to IAS 27 - "Separate Financial Statements".

Derivative instruments are measured at fair value through profit or loss.

Impairment requirements under IFRS 9 are based on expected credit losses and imply the timely recognition of forthcoming estimated credit losses.

The Group and the Bank assesses on forward-looking basics the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and fair value through other items of the comprehensive income and the exposure from loan commitments and financial guarantee contracts.

In order to measure expected credit losses, the Group and the Bank are grouping their assets into three categories: stage 1 (assets with no increase in credit risk from initial recognition), stage 2 (assets for which significant increase in credit risk from initial recognition has been observed) and stage 3 (credit-impaired – assets that the Group and the Bank are considering to be nonperforming). More details about how the Group and the Bank are grouping their financial assets can be found in Note 4 "Risk management".

The determination of expected losses at the reporting date relies on the effective interest rate established upon the initial recognition, except financial assets with variable interest rate, for which the expected credit losses must be determined based on the current effective interest rate. As concerns the purchased or originated financial assets that are credit-impaired, the expected credit losses must be determined based on the credit-adjusted effective interest rate established upon the initial recognition.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

Under IFRS 9, *a financial asset is credit-impaired* when one or more events have occurred and have a significant impact on the expected future cash flows of the respective financial asset.
The proof that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or past-due event;
- the lender, for economic or contractual reasons relating to the borrower's financial difficulty, grants the borrower a concession that would not otherwise be considered;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for the financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

A financial asset classified as impaired upon initial recognition will be maintained as such until its derecognition.
The expected credit losses are calculated at each reporting date and they reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Some financial instruments include both a loan and an undrawn commitment component and the Bank's and Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's and the Bank's exposure to credit losses to the contractual notice period.

For such financial instruments, and only those financial instruments, the Group and the Bank shall measure expected credit losses over the period that the Group and the Bank are exposed to credit risk and expected credit losses would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. Also, the Group and the Bank recognize a loss allowance for expected credit losses also for financial guarantee accordingly to IFRS9 principles.

Provisions for credit risk associated with loan commitments are considered and recognised at the time when the Group and the Bank records in their off balance sheet records a commitment with the risk of being converted into a loan. The calculation basis for these provisions includes exposures from commitments related to letters of credit, letter of guarantee, uncommitted amount of the loans granted by the Group and the Bank and factoring commitments. The expected credit loss calculation is made according to IFRS 9 and is based on the probability of conversion into credit, the probability of default and loss given default.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

Derecognition policy

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and

- the Group and the Bank transfer substantially all the risks and rewards of ownership, or
- the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and the Group and the Bank did not retain control.

The Group and the Bank shall directly reduce the gross carrying amount of a financial asset when they have no reasonable expectations of recovering this financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event (IFRS 9.5.4.4).
Other events that lead to a derecognition are:

- Debt forgiveness or receivable write-off;
- Sale/assignment of receivables to a third party;
- Sale of loan portfolios.

Based on an analysis, the Group and the Bank may decide to derecognize an impaired asset by presenting it off-balance sheet (write-off). These assets will continue to be subject to recovery procedures. The assessment of whether a write-off is necessary and appropriate is based on several factors, including debt service analysis and the existence of collateral or other debt recovery sources.

The Group and the Bank enter into transactions where they retain the contractual rights to receive cash flows from assets but assume a contractual obligation to pay those cash flows to other entities and transfer substantially all of the risks and rewards.

The transactions are accounted for as ‘pass through’ transfers that result in derecognition if the Group and the Bank:

- Have no obligation to make payments unless they collect equivalent amounts from the assets;
- Are prohibited from selling or pledging the assets; and
- Have an obligation to remit any cash they collect from the assets without material delay.

Collateral (shares and bonds) pledged by the Group and the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group and the Bank retain substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

The Bank derecognizes a transferred financial asset if it transfers substantially all the risks and rewards of ownership of the financial asset. The criteria set at Group level to evaluate modifications leading to derecognition of financial assets, are developed having in mind that they must reflect modifications that are substantial enough (either quantitatively or qualitatively) to satisfy the derecognition requirements in IFRS 9.3.2.3. On the quantitative side, these criteria refer to a significance threshold of 10% by analogy to the de-recognition trigger set by IFRS 9.B3.3.6 for modifications of financial liabilities. On the qualitative side, these criteria refer to contractual modifications that are substantially changing the nature of lender’s risks associated with the pre-existing loan contract.

3. Significant accounting policies *(continued)*

m) Financial liabilities

Financial liabilities are classified after the initial measurement at amortized cost, except for derivatives which are measured at fair value through profit or loss. Embedded derivatives are separated from the host contract if the separation criteria mentioned by IFRS 9 are met.
The Group and the Bank do not hold financial liabilities designated at fair value through profit and loss. Financial liabilities cannot be reclassified.

n) Cash and cash equivalents

Cash and cash equivalents include: cash at hand, unrestricted balances held with National Bank of Romania, National Bank of Moldova and National Bank of Italy and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of fair value changes.

Cash and cash equivalents are carried at amortized cost in the consolidated and separate statement of financial position.

o) Tangible assets

(i) Recognition and measurement

Tangible assets are stated at the revalued amount less accumulated depreciation.

Measurement upon initial recognition
The cost of a fixed asset item consists in:

a) the acquisition price, including customs charges and non-refundable acquisition costs, after the deduction of all commercial discounts;
b) any costs directly incurred in order to bring the asset at the adequate location or condition required by the management for proper functioning.

Subsequent measurement
All tangible assets are stated at the revalued amount, less the accumulated depreciation and impairment losses.
The costs of tangible assets under construction are capitalized if the criteria for tangible asset recognition are met, notably: they generate future economic benefits, they can be measured reliably and they lead to the improvement of technical parameters, ensuring an ongoing use of the assets under normal conditions. The costs for maintenance and current repairs are not recognized under assets.
Tangible assets under construction are starting to be depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by management. This condition is fulfilled when there is a sign-off for reception and deployment by the asset's users.
The carrying amounts of assets are analyzed during the revaluation process upon the issuance of the statement of financial position. The Group and the Bank shall annually reassess all tangible assets with an external evaluator, who is not an employee of the Group or the Bank.

For revalued assets, if an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss, except the case when the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

3. Significant accounting policies *(continued)*

o) Tangible assets (continued)

When an item of property and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.
The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realized on the retirement or disposal of the asset.

(ii) Subsequent costs

The Group and the Bank recognise in the carrying amount of tangible assets the cost of replacing such an item when that cost is incurred or if it is probable that the future economic benefits embodied with the item may be transferred to the Group and to the Bank and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of each item of tangible assets. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	50 years
Leasehold improvements (average)	6 years
Computers	4 years
Equipment	2 - 24 years
Furniture	3 - 20 years
Vehicles	4 - 5 years

The leasehold improvements are depreciated over the lease term, which varies between 1 and 15 years. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

p) Investment property

Investment property is property (land, buildings or parts of a building) held by the Group and the Bank to earn rent, for capital appreciation or both, rather than for:

- the use in production, the supply of goods or services or for administrative purposes; or
- the sale in the ordinary course of business.

(i) Recognition and measurement

Investment property is recognized as an asset when:
- it is probable that the future economic benefits that are associated with the investment may flow to the Group and to the Bank;
- the cost of the investment property can be measured reliably.

An investment property is measured initially at cost, including transaction costs. The cost of an investment property includes its purchase price (if purchased) and other directly attributable expenses (e.g. fees for legal services, property transfer taxes and other transaction costs).

(ii) Subsequent measurement

The accounting policy for the subsequent measurement of the investment properties of the Group and the Bank is based on the fair value model. This policy is applied consistently for all the investment properties held by the Group and the Bank.

3. Significant accounting policies *(continued)*

p) Investment property (continued)

(ii) Subsequent measurement (continued)

When the Group and the Bank, as lessees use the fair value model to measure an investment property that is held as a right-of-use asset, they shall measure the right-of-use asset, and not the underlying property, at fair value.
Gains or losses from the change in the fair value of the investment properties are recognized in profit or loss in the period in which they arise.
The fair value of the investment properties reflects the market conditions at the reporting date.

(iii) Transfers

Transfers to or from investment property are made when, and only when, there is a change in use of the asse. For the transfer of an investment property, measured at fair value, to tangible assets, the property's deemed cost for subsequent accounting is its fair value at the date of the change in use.

An investment property is derecognized on disposal or when it is permanently withdrawn from use and no future benefits are expected from its disposal.

The gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the period of the retirement or disposal.

(iv) Disposals

Derecognition of an investment property will be triggered by a change in use or by sale or disposal or when it is permanently withdrawn from use and has no future economic value. When an investment property is disposed of, it is eliminated from the statement of financial position, while the gain or loss on the retirement or disposal of an investment property is recognized in the statement of profit or loss in the period the disposal is related to. The gain or loss arising on disposal is determined as the difference between any disposal proceeds and the carrying amount.

q) Intangible assets

Upon their initial recognition, intangible assets are measured at cost.

The cost elements of intangible assets under construction are capitalized if criteria for intangible asset recognition is being met: future economic benefits associated with the item will flow to the entity, cost of the item can be reliably measured, the result will increase the future performance rate and the asset is separately identifiable within an economic activity. Maintenance costs and technical support are recognized in profit or loss as these are being incurred. Intangible assets in progress are recognized as intangible assets at the moment of reception and deployment.

(i) Goodwill and negative goodwill

Goodwill and negative goodwill arise on the acquisition of a new subsidiary by means of business combination. Goodwill represents the difference between the cost of acquisition and the net fair value of the acquired identifiable assets and assumed liabilities and contingent liabilities.

Subsequent measurement

Goodwill is measured at cost, less accumulated impairment losses. Negative goodwill is immediately recognized in profit and loss (bargain gain), after reanalyzing the manner of identification and fair valuation of the assets, liabilities and identifiable contingent liabilities at the acquisition date and the measurement of the acquisition cost.

3. Significant accounting policies *(continued)*

q) Intangible assets (continued)

(ii) Software

Costs associated with the development and maintenance of software programs are recognized as an expense when incurred.
Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and the Bank, and that will probably generate economic benefits exceeding production costs for a period exceeding one year, are recognized as intangible assets.
Subsequent expenditure on software assets is capitalized only if it increases the future performance of such assets, beyond initial specifications and lifespan. All other expenditure is reflected as an expense as incurred.

Amortization is recognized in the income statement on a straight-line basis over the estimated useful life of the intangible asset. The estimated useful lives of intangible assets are reviewed at the reporting date and range between 1 and 5 years. The useful life of intangible assets derived from contractual rights should not exceed the validity period of such contractual rights, but it may be shorter depending on the estimated period of use of such assets by the entity.

Intangible assets in progress are not amortized before they are put into service.

Subsequent measurement

After initial recognition, an intangible asset is carried at revalued amount, which is its fair value at the date of revaluation less accumulated depreciation and impairment adjustments. For the purpose of revaluation, fair value is determined on the basis of data from an active market. The frequency of revaluations depends on the volatility of the fair values of the revalued intangible assets. If the fair value of a revalued intangible asset differs significantly from its carrying amount, a new revaluation is required.
The Group's accounting policy regarding the measurement of intangible assets after initial recognition is the revaluation model.

When revaluing an intangible asset, the accumulated depreciation at the revaluation date is recalculated in proportion to the change in the gross carrying amount of the asset, so that the carrying amount of the asset, after revaluation, is equal to its revalued amount.

In this case, the amount of the reserve transferred is the difference between the depreciation calculated on the basis of the revalued carrying amount and the amount of the depreciation calculated on the basis of the initial cost of the asset.

r) Fixed assets held-for-sale

An asset is considered as a fixed asset held-for-sale if the following conditions are met: the asset value is recovered through sale and not by its continuous use, the asset must be available for immediate sale and the sale of the asset must be likely to happen, the probability of sale is justified by means of a sales plan at the level of the Group's and the Bank's management and by the active involvement of the Group and the Bank in identifying a buyer.

If the asset is reclassified from tangible assets according to IAS 16, the period between the date of reclassification and the date of sale should not exceed 12 months; the valuation of the asset classified as available-for-sale shall consider the lower value between the book value and the fair value, minus the sales-related costs.

3. Significant accounting policies *(continued)*

s) Impairment of non-financial assets

An impairment loss is recognized if the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group generating cash flows and largely independent from other assets and groups.
Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of any goodwill allocated to the respective cash-generating unit (group of units) and then to reduce the carrying amount of any other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value, less the cost of sale of such asset or unit. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments and the risks specific to the asset.

In respect of other non-financial assets, impairment losses are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss in other non-financial assets than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss on assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

t) Deposits from customers

Customer deposits are initially measured at fair value, minus incremental direct transaction costs, and are subsequently measured at amortized cost by using the effective interest method.

u) Issued bonds, loans from banks and financial institutions

Borrowings such as loans from banks and other financial institutions and issued bonds are initially recognized at fair value, notably as proceeds resulting from such instruments (fair value of consideration received), net of transaction costs incurre. Issued bonds and loans from banks and other financial institutions are subsequently carried at amortized cost. The Group and the Bank classify these instruments as financial liabilities or equity instruments in accordance with the contractual terms of the instrument.

v) Provisions

Provisions for other risks are recognized in the consolidated and separate statement of financial position when the Group and the Bank acquire an obligation as a result of a past event and it is probable that an outflow of economic resources may be required in the future to settle the obligation, such obligation being measured reliably.

The provisions' value is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market conditions and the risks specific to the respective liability.
This category includes mainly provisions for employees benefits (as described in section 3x), for litigations in which the Bank is involved estimated based on the loss probability for the Bank and provisions for abusive clauses of credit contracts (as described in section 5c).

3. Significant accounting policies *(continued)*

w) Financial guarantees

Financial guarantees are contracts that require the Group and the Bank to make specific payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the lifespan of the financial guarantee. The guarantee liability is subsequently carried at the higher of the amortized amount and the value of the expected credit loss determined in accordance with IFRS 9.

x) Employee benefits

(i) Short-term benefits

Short-term employee benefits include wages, salaries and social security contributions. Short-term employee benefits are recognized as expense as the services are rendered.

(ii) Defined contribution plan

In the normal course of business, the Bank and its subsidiaries make payments to the Romanian or Republic of Moldova public pension funds on behalf of their employees for retirement, healthcare and unemployment allowances.

All the employees of the Bank and its subsidiaries are members and are also legally obliged to make specific contributions (included in the social security contributions) to the Romanian public pension plan (a State defined contribution plan). All relevant contributions to the Romanian public pension plan are recognized as an expense in the income statement as incurred. The Bank and its subsidiaries do not have any further obligations.

(iii) Other benefits

The Bank and its subsidiaries from Romania are enrolled in an optional pension scheme Pillar III, within an established limit, for the employees eligible at the payment date, in accordance with the applicable Romanian legal provisions. The Bank and its subsidiaries, pursuant to the collective employment agreement, must pay the equivalent of three gross monthly salaries to the employees, upon retirement. The debt related to this benefit scheme is calculated on an actuarial basis, considering the salary estimated at the retirement date and the number of activity years of each individual employee.

The fixed and variable remuneration may also be granted by means of a stock option plan, in the form of shares. The variable component of the total remuneration represents the remuneration that can be granted by the Bank in addition to the fixed remuneration, on condition that certain performance ratios are achieved. The variable remuneration may be granted either in cash or in the Bank's shares (TLV). In the case of the identified staff, in the establishment of the annual variable remuneration, one shall aim at limiting excessive risk-taking. A substantial part of the variable component of the total remuneration, in all cases at least 40%, is deferred for a period at least 3 years in the Remuneration Report and is correlated with the activity nature, the risks and the responsibilities of the respective staff.

Based on the decision of the shareholders, the Board of Directors of the Bank decides in respect of the number of shares included in the employee loyalty plan. The fair value upon the vesting date of share-based awards - stock options – to employees is recognized as personnel expenses, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

The amount recognized as an expense is adjusted to reflect the value of awards for which the related services and non-market related performance conditions are expected to be fulfilled, so that the amount ultimately recognized as an expense is based on the actual compensation for the services and performance conditions which are not related to the market at the vesting date.

3. Significant accounting policies *(continued)*

y) Segment reporting

An operational segment is a component of the Group and of the Bank:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity's decision maker in order to make decisions about resources to be allocated to the segment and to assess its performance;
- for which discrete financial information is available.

The Group's and the Bank's format for segment reporting is presented in note 6.

z) Earnings per share

The Group and the Bank presents basic and diluted earnings per share ("EPS") for its ordinary shares, Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible bonds and share options granted to employees.

aa) Treasury shares

Repurchased own equity instruments (treasury shares) are deducted from shareholders' equity. No gain or loss is recognized in the income statement from the purchase, sale, re-issue or cancellation of the Bank's own equity instruments.

ab) Implementation of new or reviewed standards and interpretations

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

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

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

3. Significant accounting policies *(continued)*

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

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

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

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

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

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. The amendment clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.
An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

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

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

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

3. Significant accounting policies *(continued)*

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

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

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

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

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

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

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

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

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

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

3. Significant accounting policies *(continued)*

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

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

Amendment to IFRS 9 Financial Instruments

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

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

Amendment to Illustrative Examples accompanying IFRS 16 Leases

The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement.
The Group does not expect that the amendments, when initially applied, could have a material impact on its financial statements.

Notes to the consolidated and separate financial statements

4. Financial risk management

a) Introduction

The Group and the Bank have exposures to the following risks derived from the use of financial instruments:

- Credit Risk;
- Liquidity risk;
- Market risk;
- Operational risk;
- Climatic risk.

This note presents information about the Group's and the Bank's exposure to each of the above risks. The Group's and the Bank's objectives, policies and processes for measuring and managing risk. The most important types of financial risk to which the Group and the Bank are exposed: credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and equity instruments' price risk.

Risk management is part of all decisional and business processes that take place in the Group's and the Bank's activity. The Board of Directors has the responsibility regarding the definition and monitoring of the general risk management framework for the Group and the Bank.

The risk management in Banca Transilvania S.A. is performed at 2 levels: a strategic level represented by the Board of Directors and the Leaders' Committee and an operational level represented by: Assets - Liabilities Committee ("ALCO"), Credit Policy and Approval Committee, Head Office Credit and Risk Committees (loan approval), Credit and Risk Committee of the branches/agencies, Workout Committee ("CRW"), the Bank's Leaders, Executive Directors and risk management structures within the Bank that are responsible for the definition and/or monitoring of risk management policies in their field of expertise. The Board of Directors periodically reviews the activity of these committees.

The Board of Directors monitors the compliance with the Group's and the Bank's risk policies and the adequacy of the general risk management framework in connection with the risks to which the Group and the Bank are exposed to.

The Risk Management Committee advises the Board of Directors regarding the risk appetite and the global strategy regarding the management of the current and future risks and assists the Board of Directors in overseeing the implementation of the strategy by the Leaders' Committee.

The Group's objective in terms of risk management is to integrate the assumed medium-risk appetite in the decision-making process, by promoting a proper alignment between assumed risks, available capital and performance targets, while also considering the tolerance to financial and non-financial risks. In determining the risk appetite and tolerance, the Group takes into consideration all the material risks it is exposed to, given its specific activity and being mainly influenced by the credit risk.

Risk management policies and systems are reviewed regularly (mainly annually) with the participation of the Leaders' Committee and the responsible persons from different Departments involved, in order to reflect the changes in the market conditions, the products and services provided.

The crisis simulation program (stress testing) is an integral part of the risk management framework and of the internal risk capital adequacy assessment process.

The Bank reviews the crisis simulation program regularly, at least semi-annually, and assesses its efficiency and adequacy to the defined purposes/objectives.

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk

The Group's and the Bank's Audit Committees reports to the Board of Directors and are responsible for monitoring compliance with the Bank's risk management procedures. The Audit Committees is assisted in these functions by the Internal Audit. The Internal Audit department undertakes both regular and ad-hoc reviews of risk management controls and procedures. The results of which are reported to the Audit Committee.

The Board of Directors and the Management of the subsidiaries which constitute the Group have responsibilities regarding significant risk management in correlation with their specific business characteristics and applicable laws and regulations.

(i) Credit risk management

The objective of the Group and of the Bank as concerns the management of credit risk is to ensure a balanced distribution of capital among various business lines, which allows the achievement of comfortable RAROC (Risk-adjusted return on capital) levels considering the proportion of the lending activity in the Bank's assets and its commercial bank profile.

The Group and the Bank are exposed to credit risk through the trading, lending, investment and guarantee issuing activities. The credit risk arising from trading and investment activities is mitigated by selecting only counterparties with good credit standing and by monitoring their activities and ratings, by using exposure limits and, when necessary, by requesting collaterals.

The Group's and the Bank's primary exposure to credit risk arises from loans and advances to customers.

The amount of credit risk exposure is represented by the carrying amounts of the assets on the separate individual and consolidated statement of financial position. The Group and the Bank are exposed to credit risk derived from other financial assets, including derivative instruments and debt investments; the current credit risk exposure in respect of these instruments is equal to the carrying amount of the assets in the consolidated and separate statement of financial position.

In addition, the Group and the Bank are exposed to off balance sheet credit risk from credit and guarantee commitments (see Note 41).

In order to minimize the risk, the Group and the Bank have defined procedures to assess customers before loan granting, to monitor their capacity to reimburse the principal and related interest during the entire loan period and to define exposure limits. In addition, the Group and the Bank have implemented procedures for monitoring the risks related to the loan portfolio and have defined exposure limits by types of loans, economic sectors, types of collateral, maturity, etc.

The Board of Directors has assigned the responsibility for credit risk management to the Leaders' Committee, Credit Policy and Approval Committee, Head Office Credit and Risk committees (credit approval), Remedy and Workout Committee at HQ level and Credit and Risk Committees in branches/ agencies. Moreover, several departments with risk attributions operate within the Bank, reporting to the Head Office Committees with respect to:

- The analysis, assessment and monitoring of specific risks within the lending activity;
- The risk analysis of the loan portfolio/large exposures, with recommendations submitted to the Leaders' Committee/Board of Directors;
- Monitoring the observance of internal policies specific to the lending activities;

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(i) Credit risk management (continued)

- Elaborating proposals for the reduction of specific risks, in order to maintain healthy standards in the lending activity;
- Elaborating an efficient credit risk rating process capable of rendering the variable level, nature and determining factors related to credit risk, which could occur in time, so as to ensure in a reasonable manner that all the credit exposures are properly monitored and the ECL-related allowances are properly measured;
- Monitoring the granted loans, in accordance with the client's financial performance, loan type, collateral type and debt service, in accordance with the internal lending policies and procedures;
- The approval and monitoring of ratios related to the establishment/modification of the branches' lending competences, according to specific internal policies;
- The periodic reviews and recommendations to the Leaders' Committee on the risk levels accepted by the Group and the Bank;
- Identifying, monitoring and controlling the credit risk at branch level and subsidiary level;
- The risk analysis with respect to new lending products/changes of loan products, including recommendations to the involved Departments;
- The periodical reporting to the Deputy CEO - Chief Risk Officer, Leaders' Committee, Risk Management Committee and the Board of Directors on the evolution of significant risks (the implications of risk correlation, forecasts etc.);
- Elaborating the methodology for the early identification of credit risks deterioration (early warning system);
- Elaborating processes to be systematically and consistently applied in order to establish proper allowances for the loss in accordance with the applicable accounting regulations in the field of credit risk;
- Establishing and reviewing the back-testing methodology regarding the adequacy of the default probability parameter, the non-repayment status and the provision level related to the Bank's loan portfolio.

Each branch/agency implements at local level the Group's and the Bank's policies and regulations regarding credit risk, having loan approval competences established by the Leaders' Committee. Each branch/agency is responsible for the quality and performance of its loan portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Head Office approval.

The Internal Audit Department and the Internal Control Department carry out periodical reviews of the branches and agencies.

(ii) Credit risk exposure

Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Group's and the Bank's loans and advances, loan commitments, finance lease and guarantees issued.

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The table below contains the on-balance and off-balance sheet exposures (loans and advances to customers and financial lease receivables), split by economic sector concentration:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Retail	47.14%	53.57%	46.16%	53.01%
Trading	11.58%	11.60%	10.99%	11.03%
Production	6.98%	8.28%	6.74%	8.03%
Constructions	3.53%	3.93%	3.13%	3.68%
Services	3.32%	4.77%	3.31%	4.58%
Agriculture	4.11%	3.80%	3.79%	3.73%
Real estate	2.76%	3.08%	3.13%	3.43%
Transportation	3.92%	4.05%	3.05%	3.49%
Others	1.91%	1.99%	1.70%	1.86%
Self-employed	1.32%	1.51%	1.07%	1.22%
Financial institutions	1.02%	1.22%	3.67%	3.81%
Energy	1.65%	1.18%	1.78%	1.24%
Telecommunications	0.52%	0.20%	0.49%	0.19%
Mining	0.22%	0.30%	0.17%	0.24%
Chemical industry	0.13%	0.21%	0.14%	0.22%
Public institutions	9.85%	0.27%	10.64%	0.20%
Fishing	0.04%	0.04%	0.04%	0.04%
	100%	**100%**	**100%**	**100%**

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

	Group		Bank	
RON thousand	**2021**	**2020**	**2021**	**2020**
Corporate and public institutions	20,973,391	12,368,857	22,183,126	13,361,424
Small and medium enterprises	7,717,422	6,245,232	6,775,254	6,148,658
Consumer loans and card loans granted to retail customers	12,295,685	10,949,378	11,359,134	10,742,582
Mortgage loans	16,095,360	13,568,648	15,493,560	13,266,162
Loans and finance lease receivables granted by non-banking financial institutions	2,919,558	2,445,052	-	-
Other	52,088	41,391	41,686	35,135
Total loans and advances to customers and financial lease receivables before impairment allowance	**60,053,504**	**45,618,558**	**55,852,760**	**43,553,961**
Allowances for impairment losses on loans and financial lease receivables	(3,935,719)	(3,498,298)	(3,614,237)	(3,190,052)
Total loans and advances to customers and financial lease receivables net of impairment allowance	**56,117,785**	**42,120,260**	**52,238,523**	**40,363,909**

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

At 31 December 2021, the total on-balance and irrevocable off-balance sheet exposure was of RON 63,214,752 thousand (2020: RON 47,954,924 thousand) for the Group and RON 58,240,841 thousand (2020: RON 45,339,625 thousand) for the Bank. The amounts presented above reflect the maximum accounting loss that would be recognized at the reporting date if the customers failed completely to perform their contractual obligations and if any collateral or security proved to be of no value.

The Group and the Bank hold guarantees for loans and advances to customers in the form of pledge over cash deposits, mortgage over property, guarantees and other pledges over equipment and/or receivables. The estimates of fair value are based on the collateral value assessed at the date of lending, except when a loan is individually assessed subsequently. Collateral is generally not held over loans and advances to banks.

The Group and the Bank use risk grades for loans both individually and collectively assessed. According to the Group's and the Bank's policies, a loan can be assigned a corresponding risk grade based on a 6-level classification: very low risk, low risk, moderate risk, sensitive risk, high risk and the highest risk for non-performing loans (default).

The classification of loans into groups is mainly based on the client scoring systems of the Group and the Bank.

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

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

At amortized cost	**Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)**	**Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)**	**Assets impaired at the reporting date (Stage 3)**	**Assets impaired on initial recognition (POCI)**	**Total 2021**
In RON thousand					
Corporate and public institutions	16,733,256	3,157,146	901,088	181,901	**20,973,391**
Small and medium enterprises	4,584,773	2,739,928	352,509	40,212	**7,717,422**
Consumer loans and card loans granted to retail customers	8,775,418	2,817,343	597,477	105,447	**12,295,685**
Mortgage loans	14,670,751	1,199,768	177,340	47,501	**16,095,360**
Loans and finance lease receivables granted to non-banking financial institutions	1,097,359	1,516,141	270,964	35,094	**2,919,558**
Other	178	38,014	12,014	1,882	**52,088**
Total loans and advances to customers and financial lease receivables before impairment allowance	**45,861,735**	**11,468,340**	**2,311,392**	**412,037**	**60,053,504**
Allowances for impairment losses on loans and financial lease receivables	(797,921)	(1,563,364)	(1,479,197)	(95,237)	**(3,935,719)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**45,063,814**	**9,904,976**	**832,195**	**316,800**	**56,117,785**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

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

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

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

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

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

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

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

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The exposures to credit risk for loans and advances to customers and financial lease receivables at Group consolidated level, as at 31 December 2020, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2020
In RON thousand					
Corporate and public institutions	8,727,385	2,432,789	1,006,758	201,925	**12,368,857**
Small and medium enterprises	4,399,455	1,489,405	324,900	31,472	**6,245,232**
Consumer loans and card loans granted to retail customers	8,778,977	1,377,463	690,472	102,466	**10,949,378**
Mortgage loans	12,642,711	679,781	200,669	45,487	**13,568,648**
Loans and finance lease receivables granted to non-banking financial institutions	434,693	1,719,595	259,020	31,744	**2,445,052**
Other	201	34,846	4,140	2,204	**41,391**
Total loans and advances to customers and financial lease receivables before impairment allowance	**34,983,422**	**7,733,879**	**2,485,959**	**415,298**	**45,618,558**
Allowances for impairment losses on loans and financial lease receivables	(712,219)	(1,162,281)	(1,533,024)	(90,774)	**(3,498,298)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**34,271,203**	**6,571,598**	**952,935**	**324,524**	**42,120,260**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2020
Corporate and public institutions	1,883,475	4,781,894	2,018,294	43,722	**8,727,385**
Small and medium enterprises	2,630,204	1,394,472	352,704	22,075	**4,399,455**
Consumer loans and card loans granted to retail customers	3,955,078	4,360,734	338,869	124,296	**8,778,977**
Mortgage loans	4,892,303	7,311,840	337,827	100,741	**12,642,711**
Loans and finance lease receivables granted by non-banking financial institutions	-	434,693	-	-	**434,693**
Other	-	-	18	183	**201**
Total loans and advances to customers and financial lease receivables before impairment allowance	**13,361,060**	**18,283,633**	**3,047,712**	**291,017**	**34,983,422**
Allowances for impairment losses on loans and financial lease receivables	(137,288)	(353,071)	(204,079)	(17,781)	**(712,219)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**13,223,772**	**17,930,562**	**2,843,633**	**273,236**	**34,271,203**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	0 days	1-15 days	16-30 days	Total 2020
Corporate and public institutions	8,725,052	2,333	-	**8,727,385**
Small and medium enterprises	4,374,193	23,641	1,621	**4,399,455**
Consumer loans and card loans granted to retail customers	8,443,269	272,090	63,618	**8,778,977**
Mortgage loans	12,340,806	237,638	64,267	**12,642,711**
Loans and finance lease receivables granted by non-banking financial institutions	403,701	23,255	7,737	**434,693**
Other	201	-	-	**201**
Total loans and advances to customers and financial lease receivables before impairment allowance	**34,287,222**	**558,957**	**137,243**	**34,983,422**
Allowances for impairment losses on loans and financial lease receivables	(702,154)	(8,030)	(2,035)	**(712,219)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**33,585,068**	**550,927**	**135,208**	**34,271,203**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	Low-moderate risk	Sensitive risk	High risk	Total 2020
Corporate and public institutions	1,928,849	396,320	107,620	**2,432,789**
Small and medium enterprises	468,181	788,169	233,055	**1,489,405**
Consumer loans and card loans granted to retail customers	575,168	497,934	304,361	**1,377,463**
Mortgage loans	299,740	263,346	116,695	**679,781**
Loans and finance lease receivables granted by non-banking financial institutions	1,691,825	21,785	5,985	**1,719,595**
Other	4,654	30,192	-	**34,846**
Total loans and advances to customers and financial lease receivables before impairment allowance	**4,968,417**	**1,997,746**	**767,716**	**7,733,879**
Allowances for impairment losses on loans and financial lease receivables	(443,108)	(477,710)	(241,463)	**(1,162,281)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**4,525,309**	**1,520,036**	**526,253**	**6,571,598**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	0-30 days	31-60 days	61-90 days	Total 2020
Corporate and public institutions	2,430,511	1,819	459	**2,432,789**
Small and medium enterprises	1,459,427	22,816	7,162	**1,489,405**
Consumer loans and card loans granted to retail customers	1,293,053	68,837	15,573	**1,377,463**
Mortgage loans	631,430	43,515	4,836	**679,781**
Loans and finance lease receivables granted by non-banking financial institutions	1,691,825	19,045	8,725	**1,719,595**
Other	34,812	28	6	**34,846**
Total loans and advances to customers and financial lease receivables before impairment allowance	**7,541,058**	**156,060**	**36,761**	**7,733,879**
Allowances for impairment losses on loans and financial lease receivables	(1,111,582)	(36,517)	(14,182)	**(1,162,281)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**6,429,476**	**119,543**	**22,579**	**6,571,598**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, impaired, Stage 3	**0-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total 2020**
Corporate and public institutions	689,752	20,678	5,363	290,965	**1,006,758**
Small and medium enterprises	109,639	16,978	16,207	182,076	**324,900**
Consumer loans and card loans granted to retail customers	227,063	62,481	43,148	357,780	**690,472**
Mortgage loans	112,635	16,713	9,312	62,009	**200,669**
Loans and finance lease receivables granted by non-banking financial institutions	69,946	7,257	9,684	172,133	**259,020**
Other	3,077	2	3	1,058	**4,140**
Total loans and advances to customers and financial lease receivables before impairment allowance	**1,212,112**	**124,109**	**83,717**	**1,066,021**	**2,485,959**
Allowances for impairment losses on loans and financial lease receivables	(660,022)	(57,259)	(45,056)	(770,687)	**(1,533,024)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**552,090**	**66,850**	**38,661**	**295,334**	**952,935**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

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

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2021
In RON thousand					
Corporate and public institutions	18,164,093	3,043,157	870,738	105,138	**22,183,126**
Small and medium enterprises	3,761,573	2,648,088	344,398	21,195	**6,775,254**
Consumer loans and card loans granted to retail customers	7,885,516	2,799,838	579,332	94,448	**11,359,134**
Mortgage loans	14,075,750	1,196,593	174,390	46,827	**15,493,560**
Other	178	29,256	11,955	297	**41,686**
Total loans and advances to customers before impairment allowance	**43,887,110**	**9,716,932**	**1,980,813**	**267,905**	**55,852,760**
Allowances for impairment losses on loans	(791,352)	(1,505,695)	(1,270,134)	(47,056)	(3,614,237)
Total loans and advances to customers net of impairment allowance	**43,095,758**	**8,211,237**	**710,679**	**220,849**	**52,238,523**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

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

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

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

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

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

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

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

The exposures to credit risk for loans and advances to customers at Bank level, as at 31 December 2020, are presented below:

At amortized cost	**Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)**	**Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)**	**Assets impaired at the reporting date (Stage 3)**	**Assets impaired on initial recognition (POCI)**	**Total 2020**
In RON thousand					
Corporate and public institutions	9,955,054	2,316,808	974,340	115,222	**13,361,424**
Small and medium enterprises	4,344,865	1,455,709	319,086	28,998	**6,148,658**
Consumer loans and card loans granted to retail customers	8,590,139	1,373,518	676,938	101,987	**10,742,582**
Mortgage loans	12,348,376	676,371	196,102	45,313	**13,266,162**
Other	201	30,371	4,081	482	**35,135**
Total loans and advances to customers before impairment allowance	**35,238,635**	**5,852,777**	**2,170,547**	**292,002**	**43,553,961**
Allowances for impairment losses on loans	(718,881)	(1,068,022)	(1,348,193)	(54,956)	**(3,190,052)**
Total loans and advances to customers net of impairment allowance	**34,519,754**	**4,784,755**	**822,354**	**237,046**	**40,363,909**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2020
Corporate and public institutions	2,401,118	5,491,920	2,018,294	43,722	**9,955,054**
Small and medium enterprises	2,630,204	1,339,882	352,704	22,075	**4,344,865**
Consumer loans and card loans granted to retail customers	3,955,235	4,173,768	336,844	124,292	**8,590,139**
Mortgage loans	4,892,305	7,019,899	335,431	100,741	**12,348,376**
Other	-	-	18	183	**201**
Total loans and advances to customers before impairment allowance	**13,878,862**	**18,025,469**	**3,043,291**	**291,013**	**35,238,635**
Allowances for impairment losses on loans	(152,826)	(344,365)	(203,909)	(17,781)	**(718,881)**
Total loans and advances to customers net of impairment allowance	**13,726,036**	**17,681,104**	**2,839,382**	**273,232**	**34,519,754**

Gross value of loans and advances granted to clients, not impaired, Stage 1	0 days	1-15 days	16-30 days	Total 2020
Corporate and public institutions	9,953,729	1,325	-	**9,955,054**
Small and medium enterprises	4,320,940	22,325	1,600	**4,344,865**
Consumer loans and card loans granted to retail customers	8,263,547	264,999	61,593	**8,590,139**
Mortgage loans	12,057,182	229,322	61,872	**12,348,376**
Other	201	-	-	**201**
Total loans and advances to customers before impairment allowance	**34,595,599**	**517,971**	**125,065**	**35,238,635**
Allowances for impairment losses on loans	(712,317)	(5,030)	(1,534)	**(718,881)**
Total loans and advances to customers net of impairment allowance	**33,883,282**	**512,941**	**123,531**	**34,519,754**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2020**
Corporate and public institutions	1,813,820	396,320	106,668	**2,316,808**
Small and medium enterprises	435,247	788,169	232,293	**1,455,709**
Consumer loans and card loans granted to retail customers	573,634	495,523	304,361	**1,373,518**
Mortgage loans	298,099	261,577	116,695	**676,371**
Other	179	30,192	-	**30,371**
Total loans and advances to customers before impairment allowance	**3,120,979**	**1,971,781**	**760,017**	**5,852,777**
Allowances for impairment losses on loans	(354,669)	(472,343)	(241,010)	**(1,068,022)**
Total loans and advances to customers net of impairment allowance	**2,766,310**	**1,499,438**	**519,007**	**4,784,755**

Gross value of loans and advances granted to clients, not impaired, Stage 2	**0-30 days**	**31-60 days**	**61-90 days**	**Total 2020**
Corporate and public institutions	2,315,482	867	459	**2,316,808**
Small and medium enterprises	1,426,493	22,249	6,967	**1,455,709**
Consumer loans and card loans granted to retail customers	1,291,519	66,426	15,573	**1,373,518**
Mortgage loans	629,789	42,133	4,449	**676,371**
Other	30,337	28	6	**30,371**
Total loans and advances to customers before impairment allowance	**5,693,620**	**131,703**	**27,454**	**5,852,777**
Allowances for impairment losses on loans	(1,023,142)	(32,084)	(12,796)	**(1,068,022)**
Total loans and advances to customers net of impairment allowance	**4,670,478**	**99,619**	**14,658**	**4,784,755**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, impaired, Stage 3	0-30 days	31-60 days	61-90 days	over 90 days	Total 2020
Corporate and public institutions	688,498	20,678	5,363	259,801	**974,340**
Small and medium enterprises	106,418	16,954	16,207	179,507	**319,086**
Consumer loans and card loans granted to retail customers	223,820	61,570	41,359	350,189	**676,938**
Mortgage loans	111,408	16,490	9,111	59,093	**196,102**
Other	3,076	2	3	1,000	**4,081**
Total loans and advances to customers before impairment allowance	**1,133,220**	**115,694**	**72,043**	**849,590**	**2,170,547**
Allowances for impairment losses on loans	(633,718)	(52,637)	(37,378)	(624,460)	**(1,348,193)**
Total loans and advances to customers net of impairment allowance	**499,502**	**63,057**	**34,665**	**225,130**	**822,354**

As at 31 December 2021, the financial assets which are required to be measured at fair value through other items of comprehensive income include treasury bills and bonds issued by the Government of Romania, with BBB- rating, bonds issued by the Ministry of Finance of the Republic of Moldova with a sovereign rating B3, bonds issued by the Ministry of Finance of Italy with a rating of BBB-, bonds issued by municipalities with a rating of BBB- and BB+, bonds issued by credit institutions and other financial institutions rated A, A-, AA+, BBB, BBB- and BBB+ and bonds issued by other non-financial institutions rated B- (note 24).

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Impairment allowances

Based on future scenarios, the Group assesses the expected credit loss ("ECL") related to the loans and advances to customers and financial lease receivables, assets in the form debt instruments measured at amortized cost.

Loan collateral policy
The Group and the Bank hold collateral against loans and advances to customers in the form of mortgages over land and buildings, pledges on equipment and inventories, letter of guarantees, insurance policies and other guarantees. The Group and the Bank have ownership rights over these guarantees until the end of the contract. The estimates of fair value are based on the collateral value assessed on the loan granting date and periodically updated during the lifespan of the loan, at least annually, regardless of the collateral type.

The pledges presented below comprise pledges without dispossession and do not include guarantees related to the lease contracts granted by BT Leasing IFN S.A.

Property includes land, residential and commercial buildings, "Security interests in movable property" includes pledges on movable assets (cars, equipment, inventories etc.) and the category "Other collateral" includes collateral deposits and other guarantees received.

An analysis of the collateral values split per types of loans and advances and lease receivables granted to customers is presented below:

	Group		**Bank**	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Collaterals related to loans and lease receivables with moderate, sensitive and high risk and impaired loans				
Property	9,484,573	7,896,883	9,038,518	7,441,712
Security interests in movable property	1,059,577	965,493	950,791	908,126
Other collateral	1,831,869	734,801	1,795,529	566,497
Total	**12,376,019**	**9,597,177**	**11,784,838**	**8,916,335**
Collaterals related to loans and lease receivables with very low risk and low risk				
Property	35,766,802	29,924,177	34,961,234	29,522,793
Security interests in movable property	3,248,806	1,130,415	2,262,186	1,112,411
Other collateral	5,019,968	4,799,175	4,616,823	4,702,816
	44,035,576	**35,853,767**	**41,840,243**	**35,338,020**
Total	**56,411,595**	**45,450,944**	**53,625,081**	**44,254,355**

The financial effect of the Bank's and Group's collateral is presented separately highlighting the collateral values, as follows:

(i) for those assets in which the collateral is equal to or higher than the book value of the asset ("over-collateralization of assets") and
(ii) for those assets in which the collateral is lower than the book value of the asset ("under-collateralization of assets").

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The financial effect of the Group guarantee as at 31 December 2021 is the following:

	Group 2021							
	Exposures stage 1		**Exposures stage 2**		**Exposures stage 3**		**POCI**	
In RON thousand	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**
Corporate								
- Gross exposure	13,067,881	3,665,375	1,866,867	1,290,279	455,337	445,751	64,002	117,899
- Collateral	2,313,400	7,215,036	736,799	2,626,403	203,542	920,919	42,672	265,920
Small and medium enterprises								
- Gross exposure	2,979,698	1,605,075	2,023,123	716,805	234,151	118,358	4,250	35,862
- Collateral	1,404,972	3,244,493	918,339	1,816,275	46,724	332,186	2,139	94,238
Consumer loans and card loans granted to retail customers								
- Gross exposure	6,992,456	1,782,962	2,254,836	562,507	444,054	153,423	33,409	72,038
- Collateral	116,858	5,517,585	132,787	1,375,384	80,464	347,649	10,123	157,493
Mortgage loans								
- Gross exposure	667,695	14,003,056	123,535	1,076,233	70,901	106,439	17,669	29,832
- Collateral	531,101	23,382,236	88,765	1,786,493	43,209	216,773	12,559	56,991
Loans and finance lease receivables granted by non-banking financial institutions								
- Gross exposure	1,077,058	20,301	1,514,449	1,692	269,385	1,579	34,337	757
- Collateral	254,723	55,173	29,814	5,541	6,931	5,027	-	3,263
Other								
- Gross exposure	178	-	32,640	5,374	12,014	-	1,882	-
- Collateral	-	-	2,748	7,848	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The financial effect of the Group guarantee as at 31 December 2020 is the following:

	Group 2020							
	Exposures stage 1		Exposures stage 2		Exposures stage 3		POCI	
In RON thousand	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization
Corporate								
- Gross exposure	6,488,541	2,238,844	1,266,478	1,166,311	653,673	353,085	54,049	147,876
- Collateral	2,339,673	4,083,842	505,052	2,381,707	290,956	623,221	24,429	261,698
Small and medium enterprises								
- Gross exposure	3,082,197	1,317,258	990,761	498,644	206,942	117,958	4,717	26,755
- Collateral	1,434,740	2,730,684	318,047	1,215,946	46,673	330,105	3,246	74,243
Consumer loans and card loans granted to retail customers								
- Gross exposure	6,825,521	1,953,456	837,727	539,736	527,528	162,944	27,800	74,666
- Collateral	174,965	5,493,063	225,778	1,165,478	102,437	389,137	10,186	147,698
Mortgage loans								
- Gross exposure	675,130	11,967,581	170,733	509,048	90,809	109,860	17,631	27,856
- Collateral	536,478	19,060,322	119,211	814,124	52,033	202,094	11,722	50,268
Loans and finance lease receivables granted by non-banking financial institutions								
- Gross exposure	434,693	-	1,698,100	21,495	257,513	1,507	31,742	2
- Collateral	-	-	169,189	46,434	4,178	3,568	-	15
Other								
- Gross exposure	201	-	31,219	3,627	4,136	4	2,204	-
- Collateral	-	-	634	7,670	-	-	-	-

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The financial effect of the Bank guarantee as at 31 December 2021 is the following:

	Bank 2021							
	Exposures stage 1		Exposures stage 2		Exposures stage 3		POCI	
In RON thousand	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization
Corporate								
- Gross exposure	14,621,747	3,542,346	1,831,296	1,211,861	431,766	438,972	16,490	88,648
- Collateral	2,236,862	6,974,381	725,729	2,357,865	188,354	906,350	6,422	224,144
Small and medium enterprises								
- Gross exposure	2,498,105	1,263,468	1,958,940	689,148	230,393	114,005	3,001	18,194
- Collateral	1,024,470	2,756,792	882,183	1,761,918	44,823	325,314	1,705	63,636
Consumer loans and card loans granted to retail customers								
- Gross exposure	6,114,379	1,771,137	2,237,551	562,287	426,282	153,050	22,484	71,964
- Collateral	113,799	5,492,688	132,769	1,374,482	80,464	346,366	10,123	157,357
Mortgage loans								
- Gross exposure	294,590	13,781,160	122,076	1,074,517	68,632	105,758	17,669	29,158
- Collateral	199,006	23,042,245	87,444	1,782,781	41,244	214,963	12,559	55,843
Other								
- Gross exposure	178	-	29,256	-	11,955	-	297	-
- Collateral	-	-	-	-	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The financial effect of the Bank guarantee as at 31 December 2020 is the following:

	Bank 2020							
	Exposures stage 1		**Exposures stage 2**		**Exposures stage 3**		**POCI**	
In RON thousand	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**
Corporate								
- Gross exposure	7,746,564	2,208,490	1,231,447	1,085,361	631,164	343,176	27,368	87,854
- Collateral	2,314,138	4,010,728	490,223	2,154,213	275,476	605,141	7,653	175,360
Small and medium enterprises								
- Gross exposure	3,042,059	1,302,806	969,260	486,449	204,342	114,744	4,486	24,512
- Collateral	1,420,853	2,675,313	307,834	1,185,667	45,017	324,484	3,018	71,394
Consumer loans and card loans granted to retail customers								
- Gross exposure	6,643,404	1,946,735	833,986	539,532	514,574	162,364	27,799	74,188
- Collateral	172,739	5,478,272	225,703	1,165,136	101,934	386,211	10,186	146,637
Mortgage loans								
- Gross exposure	466,758	11,881,618	169,847	506,524	87,334	108,768	17,631	27,682
- Collateral	356,553	18,909,424	118,411	807,225	49,417	198,664	11,722	49,609
Other								
- Gross exposure	201	-	30,371	-	4,077	4	482	-
- Collateral	-	-	-	-	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The exposure representing credit risk refers to the following balance-sheet and off balance-sheet items:
- Cash with Central Banks and Deposits with banks and public institutions;
- Financial assets measured at amortized cost - loans and advances to customers;
- Financial assets measured at amortized cost - finance lease receivables
- Financial assets measured at amortised cost- debt securities (see note 24a);
- Contingent liabilities representing credit risk (irrevocable financial guarantees and uncommitted irrevocable loan commitments).

The tables below show the reconciliation between the gross carrying amount and the net carrying amount of the individual components, of the risk exposure, consolidated as at 31 December 2021 and 31 December 2020:

		Group					
In RON thousand			**2021**			**2020**	
Assets	Notes	**Gross carrying amount**	**Loss allowance**	**Carrying amount**	**Gross carrying amount**	**Loss allowance**	**Carrying amount**
Cash and curent accounts with Central Banks	19	14,634,423	2,724	14,631,699	19,290,211	993	19,289,218
Placements with banks and public institutions	20	10,397,828	3,531	10,394,297	7,223,906	629	7,223,277
Loans and advances to customers	22	58,459,285	3,829,531	54,629,754	44,286,658	3,394,114	40,892,544
Finance lease receivables	23	1,594,219	106,188	1,488,031	1,331,900	104,184	1,227,716
Financial assets measured at amortized cost - debt securities	24b	1,500,357	17,246	1,483,111	997,409	7,303	990,106
Total on-balance sheet		**86,586,112**	**3,959,220**	**82,626,892**	**73,130,084**	**3,507,223**	**69,622,861**
Irrevocable commitments given		898,809	31,859	866,950	619,781	17,873	601,908
Irrevocable financial guarantees given		4,217,124	136,998	4,080,126	3,367,483	137,967	3,229,516
Total off-balance sheet		**5,115,933**	**168,857**	**4,947,076**	**3,987,264**	**155,840**	**3,831,424**
Total on and off-balance sheet		**91,702,045**	**4,128,077**	**87,573,968**	**77,117,348**	**3,663,063**	**73,454,285**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The tables below show the reconciliation between the Gross carrying amount and the net book value of the individual components, of the risk exposure, separate as at 31 December 2021 and 31 December 2020:

In RON thousand		Bank					
		2021			2020		
Assets	Notes	**Gross carrying amount**	**Loss allowance**	**Carrying amount**	**Gross carrying amount**	**Loss allowance**	**Carrying amount**
Cash and curent accounts with Central Banks	19	13,587,793	1,889	13,585,904	18,559,012	272	18,558,740
Placements with banks and public institutions	20	9,615,859	3,169	9,612,690	6,636,731	336	6,636,395
Loans and advances to customers	22	55,852,760	3,614,237	52,238,523	43,553,961	3,190,052	40,363,909
Financial assets measured at amortized cost - debt securities	24b	361,156	5,825	355,331	160,887	13	160,874
Total on-balance sheet		**79,417,568**	**3,625,120**	**75,792,448**	**68,910,591**	**3,190,673**	**65,719,918**
Irrevocable commitments given		142,238	20,378	121,860	96,941	11,699	85,242
Irrevocable financial guarantees given		4,200,495	136,619	4,063,876	3,339,621	137,301	3,202,320
Total off-balance sheet		**4,342,733**	**156,997**	**4,185,736**	**3,436,562**	**149,000**	**3,287,562**
Total on and off-balance sheet		**83,760,301**	**3,782,117**	**79,978,184**	**72,347,153**	**3,339,673**	**69,007,480**

Below we present the gross book value and the provisions related to the exposure of off-balance sheet risk at consolidated and individual level as of December 31, 2021:

	Grup				Bancă			
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Irrevocable commitments given								
- Gross carrying amount	575,677	277,843	45,289	**898,809**	107,135	18,100	17,003	**142,238**
- Loss allowance	(8,276)	(3,697)	(19,886)	**(31,859)**	(4,234)	(79)	(16,065)	**(20,378)**
Irrevocable financial guarantees given								
- Gross carrying amount	3,884,578	221,334	111,212	**4,217,124**	3,867,949	221,334	111,212	**4,200,495**
- Loss allowance	(51,973)	(16,735)	(68,290)	**(136,998)**	(51,594)	(16,735)	(68,290)	**(136,619)**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Below we present the gross book value and the provisions related to the exposure of off-balance sheet risk at consolidated and individual level as of December 31, 2020:

	Grup				Bancă			
In RON thousand	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Irrevocable commitments given								
- Gross carrying amount	482,648	97,667	39,466	619,781	65,935	19,264	11,742	**96,941**
- Loss allowance	(2,102)	(2,722)	(13,049)	(17,873)	(522)	(33)	(11,144)	**(11,699)**
Irrevocable financial guarantees given								
- Gross carrying amount	3,054,171	191,644	121,668	3,367,483	3,026,310	191,644	121,667	**3,339,621**
- Loss allowance	(43,320)	(9,031)	(85,616)	(137,967)	(42,654)	(9,031)	(85,616)	**(137,301)**

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Exposure to high-risk Eurozone countries

The economy of Euroland (the main economic partner of Romania) rebounded in 2021, an evolution supported by the reopening process (in the context of the vaccination campaign) and the policy-mix implemented over the past quarters (including the low level of the real financing costs).
According to the preliminary estimates of Eurostat the economy of Euroland rose by 5.2% YoY in 2021, an evolution determined by the contribution of the domestic demand – the fixed investments and the private consumption rebounded, given the gradual elimination of the health restrictions and the low level of the real financing costs.
As regards the financial dimension of Euro Area there can be noticed the acceleration of the YoY average dynamics of the consumer prices from 0.3% in 2020 (the lowest since 2016) to 2.6% in 2021 (the highest since 2011). This evolution was mainly determined by the overlapping supply-side shocks, including the significant increase of the energy prices. The core inflation accelerated from 0.7% in 2020 to 1.5% in 2021, the maximum since 2008.
During the pandemic year 2021 the European Central Bank (ECB) kept the accommodative approach of the monetary policy, which contributed to the consolidation of the downward trend for the interest rates on the money market, 3M EURIBOR hit a record low level of -0.605% on 14th of December 2021. However, the intensifying inflationary pressures and the prospects for the continuity of the post-pandemic recovery process determined the European Central Bank to signal the gradual normalisation of the monetary policy in 2022, by adjusting the non-standard measures.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. The likelihood of customers defaulting and the resulting losses).
The financial assets that are the subject of this chapter are:

- Loans and advances to customers at amortized cost;
- Finance lease recivables;
- lending commitments and financial guarantees offered by the Group and the Bank (e.g. letter of credit, letter of guarantees);
- placements made in other banks, including mandatory minimum reserves (RMO) and loans to other bank institutions;
- portfolio of financial instruments measured at FVOCI (e.g. government bonds, corporate or municipal bonds, etc.);
- financial instrument portfolio measured at amortized cost (corporate bonds).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for ECL.

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Measurement of the expected credit loss allowance (continued)

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition or, for that assets there are no indicators fulfilled to presume that has been "an increase in credit risk" is classified in 'Stage 1';
- If a significant increase in credit risk ('SICR') since initial recognition is identified. The financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired;
- If the financial instrument is credit-impaired. The financial instrument is then moved to 'Stage 3'.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

A general approach in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired "above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

Loss Given Default (LGD) represents a Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty and availability of collateral or other credit support.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. The ECL for each future month is then discounted back to the reporting date and summed.

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Measurement of the expected credit loss allowance (continued)

Parameters used in the calculation of ECL are determined by considering the grouping of financial asset portfolios according to similar characteristics considered decisive in originating and monitoring credit risk, respectively the type of counterparty (debtor), products and currencies.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 months or lifetime basis.
- For revolving products and other commitments, for determining the exposure in default, the unused part is taken into account, being applied a credit conversion factor, estimated by the Bank, based on its own historical analysis.

Significant increase in Credit Risk

In determining whether a significant increase in credit risk occurred since initial recognition the Group considers reasonable and supportable information that is relevant and can be obtained without undue cost and effort. The assessment of the significant increase of the risk is made at individual level, analyzing the criteria of each asset.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognized, so that it exceeds the relevant threshold (assessed also via the movements between various rating notches and also via comparing the PD curves).

These thresholds (relative and absolutes levels) have been determined separately for different portfolio types, by assessing how the Lifetime PD moves prior to an instrument becoming delinquent. The Lifetime PD movements on instruments which do not subsequently become delinquent have also been assessed, to identify the 'natural' movement in Lifetime PD which is not indicative of a significant increase in credit risk.

Qualitative criteria for retail portfolios (individuals):

- Significant increase in credit risk perceived by the risk analysis team for individually assessed exposures;
- It is classified as performing restructured;
- LTV analysis for secured retail loans (above a relative threshold combined with days past due indicator);
- Denominated in high-risk currency category;
- Loan products with higher associated risk
- High-risk facilities owned by customers who have accessed payment moratoriums;
- Change in rating grade;
- The number of days past due recorded by the debtor.

Qualitative criteria for company portfolios:

- Significant increase in credit risk perceived by the risk analysis team for individually assessed exposures (debtor level), concluded through including these in the Bank's Watch List;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates (rating deterioration);

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Measurement of the expected credit loss allowance (continued)

- Actual or expected forbearance operation;
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans;
- The borrower is assigned to Remediation department;
- Customers operating in an industry sensitive to the effects of the pandemic and energy prices;
- The number of days past due recorded by the debtor.

The assessment of SICR incorporates forward-looking information.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1 (this is not applied to forbearance criteria - see below). If an exposure has been transferred to Stage 2 based on a mentioned indicator, the Group monitors whether that indicator continues to exist or has changed.

In relation to Treasury financial instruments, where a Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognized, the Bank assesses whether there has been a significant increase in the credit risk of the financial instrument, compared to:

a) the risk of a default occurring at the reporting date (based on the modified contractual terms); and
b) the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

Especially for forborne loans (restructured operation made for debtors that are facing financial difficulties), the Bank considers them to have “significant increase in credit risk” implied. These types of operations determining that those assets are classified as stage 2 or stage 3 and the ECL is calculate on lifetime basis. The classification in Stage 3 is made accordingly to the type and nature of the restructuring, considering in this sense the provisions of the prudential regulations (EBA Guideline 2016-07 on the definition of default establishes when a restructuring is considered to be in a state of "default"). At the same time, when a new restructuring is applied to the exposure during the trial period or the debt service exceeds 30 days, that exposure will be reclassified in Stage 3.

For performing forborne financial assets, the Bank establishes a healing period (at least 2 years after the concluding event), in which the ECL lifetime mode is kept. After those 2 years mentioned, the Bank is analyzing the financial standing of the borrower and the payments that have been made after the event (frequency and volume) and is concluding if the status should be changed and if so, then ECL calculation is made on 12 months basis.

Backstops

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Also, when the whole outstanding amount of the loan becomes overdue (its final maturity date is passed), then it will be classified in stage 2.

Low credit risk exemption

The Group is using the low credit risk exemption only for debt financial instruments (e.g. sovereign bonds, municipal bonds, corporate bond and bonds issued by financial institutions). All financial assets with an assigned rating (at the reporting date) of an investment grade nature are classified as Stage 1.

4. Financial risk management (*continued*)
b) Credit risk *(continued)*

Measurement of the expected credit loss (continued)

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

- The exposure is more than 90 days past due on its contractual payments (also including the new default definition which is referring to significant overdue amount*);
- Exposures for which it is unlikely that the debtor will fully fulfill his payment obligations without the execution of guarantees, regardless of the existence of outstanding amounts or the number of days of delay in payment, respectively:
    - Significant financial difficulty of the issuer or the borrower;
    - The borrower is in nonperforming forbearance situation due to concessions that have been made by the Group and the Bank relating to the borrower's financial difficulty;
    - The borrower is in insolvency status or bankruptcy (or other type of judicial reorganization, both retail and companies) or is becoming probable that the borrower will enter bankruptcy;
    - The borrower for whom legal procedures have started (forced execution started by the Group and the Bank);
    - The borrower and/or the mortgage guarantor sent notification for "payment in kind";
    - The debtor is managed by the special recovery structures of the Bank (Workout unit etc.);
    - Stopped interest calculation;
    - Write off (total/partial) or sale;
    - Establishment of specific adjustments for credit risk due to the deterioration of credit quality, on the background of the exposure in Stage 3 (according to IFRS9).
  - An active market for that financial asset has disappeared because of financial difficulties;
  - Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

Exposures which are considered to be in default status for regulatory purposes (CRR art 178) will always be considered stage 3 exposures. Further on, stage 3 exposure are fully aligned with non-performing exposure (the entire amount of the customer's exposure is considered to be non-performing).

*Bank and its local subsidiaries have implemented at the end of 2020 the European Banking Authority's (the EBA's) definition of default (GL 2016-07), also considering the significance threshold of overdue obligation** established by National Bank of Romania in order to comply with art 178 CRR. This new indicator is considered a new "add-on" to default definition applied by the Group (we do not exclude/ eliminate the day past due indicator considering contractual payment schedules). The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes.

** Threshold for assessing the material significance of a credit obligation, as provided for in Article 178 (1) (b) of Regulation (EU) No 1095/2010, 575/2013, consists of an absolute component and a relative component. The absolute component is expressed as the maximum value of the sum of all the overdues amounts that a debtor owes to the Bank. The relative component is expressed as a percentage that reflects the ratio between the value of the overdues loan obligations and the total exposures to that debtor.

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Measurement of the expected credit loss (continued)

For this indicator, it is considered that the debtor is in default when both the limit expressed as the absolute component of the significance threshold and the limit expressed as the relative component of the significance threshold are exceeded for 90 consecutive days. According to NBR Regulation 5/2018, the level of the relative component and the level of the absolute component of the significance threshold is as follows:

- For retail exposures:
  - The level of the relative component of the significance threshold is 1%;
  - The level of the absolute component of the significance threshold is RON 150.
- For other types of exposures than retail exposures:
  - The level of the relative component of the significance threshold is 1%;
  - The level of the absolute component of the significance threshold is RON 1,000.

The above criteria have been applied to all financial instruments held by the Group and are consistent with the definition of the default condition used for internal credit risk management purposes. An instrument is considered to no longer be *in default* (i.e. has been "cured") when it no longer meets any of the default criteria for a consistent period of time, depending on the main trigger for the default classification.

This period has been determined applying the minimum requirements regulated by the EBA Guideline 2016-07 on the definition of default, considering also the expert's opinion. For example, the healing period for the loans in default status based on the days past due criteria start at 3 months while the healing period for nonperforming forborne asset start at one year.

Forward-looking economic information is also included in determining the 12-months and lifetime ECL. These assumptions vary by product type.

In normal market conditions, the assumptions underlying the ECL are monitored and reviewed on a bi-annual basis.

Forward-looking information incorporated in the ECL models

The assessment of SICR and measurement of ECL incorporates forward-looking information.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Expert judgment has also been applied in this process.

Forecasts of these economic variables are provided by the Group's Economics Research team and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used. The impact of these economic variables has been determined by performing statistical regression analysis.
The estimation of expected credit losses involves forecasting future economic conditions over 3 years. The incorporation of forward-looking elements reflects the expectations of the Bank and involves the creation of scenarios, including an assessment of the probability for each scenario.

Usually, the Bank uses three scenarios: base scenario (which is the most probable scenario of the economic environment), optimistic and adverse scenario (which is not necessarily a crisis scenario).

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Measurement of the expected credit loss (continued)

The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking into account the range of possible representative outcomes for each chosen scenario.

Due to Covid-19 pandemic, for 2020 the Group decided to be more prudent regarding the economic recovery and divided the single pessimist scenario in two pessimist scenarios, first pessimist covering a "V" shape evolution and the second pessimist expressing an "U" shape of the GDP evolution.

The macroeconomic scenarios applied for 2021 have changed from those used in the fourth quarter of 2020 to reflect the improving macroeconomic outlook following evolution of COVID-19 pandemic.

Scenarios weights, for the Bank:

	Optimist	Base case	Pessimist_1	Pessimist_2
Y2020	5%	50%	25%	20%
Y2021	15%	70%	15%	-

The effect of the coronavirus pandemic began to affect the Group's and Bank's loan portfolio in the first quarter of 2020. Based on the measures taken by governments across the countries to contain the virus (aggressive lock down), economies were seeing lower activity in the short term, although the activity in many sectors was back to a normal activity level already in the second quarter of 2020 after the reopening of economies.

Subsequent developments have been sinusoidal for some sectors of the economy, due to the evolution of the pandemic in waves, amid the emergence of new strains of the virus - being imposed various restrictions in certain periods of time. The spread of the virus could not be stopped, and the vaccination program was not successful and the expected coverage - which led to the extension of restrictions to limit the pressure on the health system. The economies continue to be supported by government support packages, whose value increases against the background of new events triggering major macroeconomic imbalances.

The economic recovery for 2021 is under pressure from the inflationary surge generated by the turbulence manifested on the energy market and disruptions in global supply chains. Inflationary pressure will also manifest itself in 2022, eroding the economies of the population and the profit margins of companies. The economic activity is likely to be impacted in the shorter term and it is yet unknown to which extent governments will continue to support the economies. Further credit deterioration remains to be seen, as the effect is currently limited and mitigated by the continued government support packages. However, the Group and the Bank believes that the economy has already incorporated the pandemic shock, companies and the population can adapt to the emergence of new waves of the health crisis. Moreover, recent macro-financial developments (international and domestic) express the resilience of economies to the persistence of the health crisis, the intensification of inflation and the distortions in the sphere of global production chains.

In the central macroeconomic scenario, the Group and the Bank anticipate the continuation of the post-pandemic economic recovery process, with robust annual rates in the coming quarters, a prospect supported by signs of improvement in investment flows, amid low levels of real financing costs and implementation of EU programs for the health crisis (Next Generation and the multiannual financial framework 2021-2027).

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Measurement of the expected credit loss (continued)

The favorable developments in the international financial markets, the acceleration of lending to Romanian companies in 2021 and the prospect of continuing some programs of the Government to support the economy until mid-2022 are important elements that express favorable prospects for productive investments in the Romanian economy in the coming quarters. At the same time, the Group and the Bank forecast the persistence of inflationary pressures at a high level in the short term, an evolution determined mainly by the accumulation of supply shocks, in a context characterized by the post-pandemic economic recovery. The persistence of high inflationary pressures and the continuation of the economic recovery process will cause the central bank to continue the post-pandemic money cycle in the coming quarters, through further increases in the reference interest rate, but also by widening the interest rate corridor to facilities around the reference interest rate.

In the adverse scenario, the mainte

nance of a high degree of uncertainty was factored, especially in the context of risk factors: the persistence of the health crisis (with more aggressive virus strains), the possibility to witness at any time a wave of adjustments on international financial markets (after the sharp rise in inflation in recent quarters, soon followed by rising interest rates, energy prices and transport costs) .

In the optimistic macroeconomic scenario, we expect the growth of the Romanian economy with annual dynamics of 5.3% in 2022, 5.5% in 2023 and 5.1% in 2024, against the background of the evolution of productive investments with higher rates, with favorable consequences for the labor market and private consumption.

For the Bank and its local subsidiaries the most important assumption affecting the ECL allowance are as follows:

For Retail loans:

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

For Companies:

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

Optimist scenario Macro indicators	**2022**	**2023**	**2024**
Real GDP (%, YoY)	5.30	5.50	5.10
Unemployment rate (%)	4.50	4.40	4.40
Inflation (HICP) (%, year to year)	4.60	3.00	2.80
Key interest rate ROBOR 3M (%)	2.60	2.40	2.30
Key interest rate EURIBOR 3M (%)	-0.60	-0.60	-0.40
Base/central scenario Macro indicators	**2022**	**2023**	**2024**
Real GDP (%, YoY)	5.16	4.89	4.46
Unemployment rate (%)	4.80	4.80	4.80
Inflation (HICP) (%, year to year)	4.94	3.61	3.56
Key interest rate ROBOR 3M (%)	2.94	2.94	3.08
Key interest rate EURIBOR 3M (%)	-0.50	-0.43	-0.39

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Measurement of the expected credit loss (continued)

Pessimist scenario Macro indicators	**2022**	**2023**	**2024**
Real GDP (%, YoY)	0.60	1.40	1.50
Unemployment rate (%)	5.20	5.20	5.20
Inflation (HICP) (%, year to year)	5.60	4.70	5.00
Key interest rate ROBOR 3M (%)	3.60	4.10	4.60
Key interest rate EURIBOR 3M (%)	-0.40	-0.30	-0.30

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

Changes in weights	100% pessimist	100% baseline	100% optimistic
ECL movement	+45.2 mill RON	(7.2) mill RON	(33.3) mill RON

Considering that the applied scenarios differ from the scenarios used at 31 December 2020, the changes in sensitivities from end of 2020 to end of 2021 are therefore not directly comparable.

For example, the macroeconomic indicators used in the financial year 2020, for the baseline scenario are:

	2021	**2022**	**2023**
Real GDP (%, YoY)	4.5	5.1	4.1
Unemployment rate (%)	5.7	5.7	5.6
Inflation (HICP) (%)	2.5	2.8	2.8
Key interest rate ROBOR 3M (%)	1.8	1.8	1.8
Key interest rate EURIBOR 3M (%)	-0.5	-0.5	-0.5

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

c) Liquidity risk

Liquidity risk represents the current or future risk that the profit and capital may be negatively affected as a result of the Bank's incapacity to pay its due and payable debts when they become due.

Liquidity risk has 2 components: the difficulty in procuring funds at maturity in order to refinance current assets or the inability to convert an asset into cash at a value near its fair value in a reasonable period of time.

4. Financial risk management *(continued)*

c) Liquidity risk *(continued)*

The purpose of the liquidity risk management is to obtain the expected return on assets, through a proper management of the liquidities, consciously assumed and adapted to the domestic and international market conditions, the growth of the institution and the general current legal framework.

The Group and the Bank are continuously acting to manage this type of risk.

The Group and the Bank have access to a diverse funding base. Funds are raised by using a broad range of instruments, including deposits from customers or from banks, loans from development institutions and financial institutions and share capital. Access to diverse funding sources improves the flexibility to attract funds, limiting the dependence on one type of financing and on one type of partner and leading to an overall decrease of financing costs.

The Group and the Bank try to maintain a balance between continuity and flexibility in attracting funds, by signing financing contracts with different maturities and in different currencies. The Group and the Bank continually assess liquidity risk by identifying and monitoring changes in the financing contracts, and by diversifying the funding sources.

The operational liquidity management is also performed intraday, so as to ensure all the settlements/payments assumed by the Group and the Bank, on their own behalf or on behalf of their clients, in RON or FCY, on account or in cash, within the internal, legal and mandatory limits.

The Assets and Liabilities Management Committee of the Bank is responsible with the periodic review of liquidity indicators and with the establishment of corrective measures regarding balance sheet figures, so as to eliminate unacceptable deviations in terms of liquidity risk.

Crisis simulation scenarios have been elaborated by considering various severity levels, various probabilities and different periods of occurrence. Their purpose is to identify / assess potential losses and the potential impact of events or the factors that may generate a liquidity crisis. Additionally, they offer information regarding the impact of liquidity risk determinants on the Group's and Bank's capacity to provide liquidity to its customers and to maintain adequate liquidity levels.

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)
c) Liquidity risk *(continued)*

The assets and liabilities of the Group as at 31 December 2021, analyzed as per the period remaining until the contractual maturity, on models based on the contractual maturity related to the liquidity band, are the following:

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	1,024,259	(1,024,370)	(903,528)	(437)	(24,741)	(95,664)	-	-	-
Deposits from customers	108,021,629	(108,180,777)	(60,909,118)	(5,865,254)	(8,468,691)	(30,065,290)	(2,261,684)	(610,740)	-
Loans from banks and other financial institutions	7,929,500	(7,115,443)	(6,513,693)	(33,323)	(55,189)	(285,613)	(49,957)	(177,668)	-
Subordinated liabilities and issued bonds	1,762,484	(2,148,031)	(1,073)	(36,768)	(62,611)	(451,576)	(107,235)	(1,488,768)	-
Financial liabilities held-for-trading	39,179	(39,179)	(16,939)	(5,951)	(2,829)	(922)	(9,744)	(2,794)	-
Lease liabilities	498,597	(504,748)	(36,454)	(32,472)	(65,047)	(215,723)	(105,690)	(49,362)	-
Other financial liabilities	1,826,081	(1,826,081)	(1,826,081)	-	-	-	-	-	-
Total financial liabilities	**121,101,729**	**(120,838,629)**	**(70,206,886)**	**(5,974,205)**	**(8,679,108)**	**(31,114,788)**	**(2,534,310)**	**(2,329,332)**	-
Financial assets									
Cash and curent accounts with Central Banks	18,320,913	18,323,587	18,323,587	-	-	-	-	-	-
Placements with banks and public institutions	10,394,297	10,415,366	9,345,503	27,411	12,676	992,874	1,472	35,430	-
Financial assets held for trading and measured at fair value through profit and loss	338,450	338,450	182,539	-	-	-	-	-	155,911
Derivatives	80,927	80,927	6,423	4,785	19,168	19,512	18,641	12,398	-
Loans and advances to customers	54,629,754	71,881,620	5,107,671	3,861,580	7,061,723	24,395,794	8,872,360	22,582,492	-
Finance lease receivables	1,488,031	1,734,078	219,687	155,588	297,242	781,323	277,228	3,010	-
Financial assets measured at fair value through other items of comprehensive income	41,193,373	46,403,882	36,552,931	504,922	990,960	3,342,226	2,214,559	2,748,379	49,905
Financial assets which are required to be measured at fair value through profit or loss	1,108,316	1,107,394	638,456	1,065	5,279	111,887	-	-	350,707
Financial assets at amortized cost - debt instruments	1,483,111	1,541,515	498,444	307,447	191,002	184,753	358,902	967	-
Other financial assets	1,054,904	1,076,215	972,942	78,258	25,015	-	-	-	-
Total financial assets	**130,092,076**	**152,903,034**	**71,848,183**	**4,941,056**	**8,603,065**	**29,828,369**	**11,743,162**	**25,382,676**	**556,523**
Net balance sheet position		**32,064,405**	**1,641,297**	**(1,033,149)**	**(76,043)**	**(1,286,419)**	**9,208,852**	**23,053,344**	**556,523**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
31 December 2021									
Off-balance sheet									
Irrevocable commitments given	866,950	898,809	322,650	73,216	176,193	146,821	100,971	78,958	-
Irrevocable financial guarantees given	4,080,126	4,217,124	503,366	638,940	567,989	1,955,182	156,992	394,655	-
Gross value of swap and forward contracts									
- Deliverable amounts	(3,469,094)	(3,469,094)	(1,680,366)	(367,915)	(549,673)	(334,340)	(289,300)	(247,500)	-
- Receivable amounts	3,705,137	3,705,137	1,672,312	372,114	583,797	372,557	456,952	247,405	-
Net position of derivatives	**236,043**	**236,043**	**(8,054)**	**4,199**	**34,124**	**38,217**	**167,652**	**(95)**	-
Total off-balance sheet		**5,351,976**	**817,962**	**716,355**	**778,306**	**2,140,220**	**425,615**	**473,518**	**-**
Total net on- and off-balance sheet position		**37,416,381**	**2,459,259**	**(316,794)**	**702,263**	**853,801**	**9,634,467**	**23,526,862**	**556,523**

The assets and liabilities of the Group as at 31 December 2020, analyzed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behavior typologies and on conventional assumptions concerning certain balance sheet items are the following:

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	318,944	(318,948)	(198,937)	-	(24,347)	(95,664)	-	-	-
Deposits from customers	90,942,415	(91,111,321)	(49,944,419)	(5,326,274)	(7,791,230)	(25,179,633)	(2,188,194)	(681,571)	-
Loans from banks and other financial institutions	1,691,668	(1,736,227)	(239,779)	(67,468)	(134,942)	(492,415)	(537,859)	(263,764)	-
Subordinated liabilities and issued bonds	1,667,761	(2,110,127)	-	(34,777)	(35,003)	(417,092)	(105,674)	(1,517,581)	-
Financial liabilities held-for-trading	34,817	(34,817)	(621)	(626)	(383)	(13,558)	(18,866)	(763)	-
Lease liabilities	454,792	(457,105)	(29,904)	(28,636)	(58,202)	(198,369)	(105,163)	(36,831)	-
Other financial liabilities	1,161,789	(1,161,789)	(1,161,738)	(32)	(6)	(13)	-	-	-
Total financial liabilities	**96,272,186**	**(96,930,334)**	**(51,575,398)**	**(5,457,813)**	**(8,044,113)**	**(26,396,744)**	**(2,955,756)**	**(2,500,510)**	**-**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial assets									
Cash and curent accounts with Central Banks	22,133,211	22,134,204	22,134,204	-	-	-	-	-	-
Placements with banks and public institutions	7,223,277	7,227,762	5,395,599	555,593	35,986	1,218,697	-	21,887	-
Financial assets held for trading and measured at fair value through profit and loss	346,472	346,472	185,269	-	-	-	-	-	161,203
Derivatives	22,090	22,090	7,016	6,443	383	8,189	49	10	-
Loans and advances to customers	40,892,544	57,052,521	4,227,284	3,388,382	6,842,719	15,026,706	6,942,586	20,624,844	-
Finance lease receivables	1,227,716	1,455,167	201,664	130,010	247,728	650,926	221,336	3,503	-
Financial assets measured at fair value through other items of comprehensive income	30,877,177	32,294,280	26,437,055	368,383	592,354	3,220,389	1,211,985	431,427	32,687
Financial assets which are required to be measured at fair value through profit or loss	1,085,714	1,086,880	647,135	1,067	1,373	117,181	-	-	320,124
Financial assets at amortized cost - debt instruments	990,106	1,038,448	335,671	197,554	285,445	130,408	88,354	1,016	-
Other financial assets	860,105	880,170	808,943	34,849	35,268	818	292	-	-
Total financial assets	**105,658,412**	**123,537,994**	**60,379,840**	**4,682,281**	**8,041,256**	**20,373,314**	**8,464,602**	**21,082,687**	**514,014**
Net balance sheet position		**26,607,660**	**8,804,442**	**(775,532)**	**(2,857)**	**(6,023,430)**	**5,508,846**	**18,582,177**	**514,014**
Off-balance sheet									
Irrevocable commitments given	601,908	619,781	238,650	43,540	117,686	107,502	73,419	38,984	-
Irrevocable financial guarantees given	3,229,516	3,367,483	337,664	205,126	655,964	1,324,244	573,675	270,810	-
Gross value of swap and forward contracts									
- Deliverable amounts	(4,403,444)	(4,403,444)	(2,691,477)	(458,545)	-	(964,122)	(289,300)	-	-
- Receivable amounts	4,683,806	4,683,806	2,704,189	464,852	138,836	1,011,960	327,878	36,091	-
Net position of derivatives	280,362	280,362	12,712	6,307	138,836	47,838	38,578	36,091	-
Total off-balance sheet	**4,111,786**	**4,267,626**	**589,026**	**254,973**	**912,486**	**1,479,584**	**685,672**	**345,885**	**-**
Total net on- and off-balance sheet position		**30,875,286**	**9,393,468**	**(520,559)**	**909,629**	**(4,543,846)**	**6,194,518**	**18,928,062**	**514,014**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

The assets and liabilities of the Bank as at 31 December 2021, analyzed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behavior typologies and on conventional assumptions concerning certain balance sheet items are the following:

Bank – *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	952,453	(952,547)	(831,705)	(437)	(24,741)	(95,664)	-	-	-
Deposits from customers	102,698,085	(102,824,349)	(57,267,473)	(5,235,543)	(7,604,131)	(29,856,796)	(2,252,065)	(608,341)	-
Loans from banks and other financial institutions	7,457,843	(7,482,239)	(6,553,384)	(58,128)	(101,773)	(348,032)	(248,129)	(172,793)	-
Subordinated liabilities and issued bonds	1,706,234	(2,085,582)	-	(35,538)	(35,772)	(421,228)	(107,235)	(1,485,809)	-
Financial liabilities held-for-trading	38,689	(38,689)	(16,449)	(5,951)	(2,829)	(922)	(9,744)	(2,794)	-
Lease liabilities	716,569	(761,320)	(35,072)	(35,199)	(70,420)	(241,470)	(141,954)	(237,205)	-
Other financial liabilities	1,440,467	(1,440,467)	(1,440,467)	-	-	-	-	-	-
Total financial liabilities	**115,010,340**	**(115,585,193)**	**(66,144,550)**	**(5,370,796)**	**(7,839,666)**	**(30,964,112)**	**(2,759,127)**	**(2,506,942)**	**-**
Financial assets									
Cash and curent accounts with Central Banks	16,763,625	16,765,514	16,765,514	-	-	-	-	-	-
Placements with banks and public institutions	9,612,690	9,633,299	8,611,930	5,242	12,180	991,207	1,460	11,280	-
Financial assets at amortized cost - debt instruments	355,331	388,549	1,290	1,343	4,582	49,270	332,064	-	-
Derivatives	79,842	79,842	5,338	4,785	19,168	19,512	18,641	12,398	-
Equity instruments	31,207	31,207	15,603	-	-	-	-	-	15,604
Loans and advances to customers	52,238,523	68,165,569	4,552,748	3,610,775	6,557,701	23,498,256	8,061,039	21,885,050	-
Financial assets measured at fair value through other items of comprehensive income	40,853,784	46,049,586	36,275,446	503,950	979,721	3,320,552	2,207,907	2,746,106	15,904
Financial assets which are required to be measured at fair value through profit or loss	1,465,497	1,464,576	852,810	1,065	5,279	111,887	-	-	493,535
Equity investments	735,486	735,486	-	-	-	-	-	-	735,486
Other financial assets	884,171	905,477	802,204	78,258	25,015	-	-	-	-
Total financial assets	**123,020,156**	**144,219,105**	**67,882,883**	**4,205,418**	**7,603,646**	**27,990,684**	**10,621,111**	**24,654,834**	**1,260,529**
Net balance sheet position		**28,633,912**	**1,738,333**	**(1,165,378)**	**(236,020)**	**(2,973,428)**	**7,861,984**	**22,147,892**	**1,260,529**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Bank – *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
31 December 2021									
Off-balance sheet									
Irrevocable commitments given	121,860	142,238	5,834	13,734	57,069	22,167	3,022	40,412	-
Irrevocable financial guarantees given	4,063,876	4,200,495	501,427	635,405	1,020,251	1,491,769	156,988	394,655	-
Gross value of swap and forward contracts									
- Deliverable amounts	(3,304,338)	(3,304,338)	(1,515,610)	(367,915)	(549,673)	(334,340)	(289,300)	(247,500)	-
- Receivable amounts	3,539,666	3,539,666	1,506,841	372,114	583,797	372,557	456,952	247,405	-
Net position of derivatives	235,328	235,328	(8,769)	4,199	34,124	38,217	167,652	(95)	-
Total off-balance sheet	**4,421,064**	**4,578,061**	**498,492**	**653,338**	**1,111,444**	**1,552,153**	**327,662**	**434,972**	**-**
Total net on- and off-balance sheet position		**33,211,973**	**2,236,825**	**(512,040)**	**875,424**	**(1,421,275)**	**8,189,646**	**22,582,864**	**1,260,529**

The negative gaps between various balance sheet and off-balance sheet items, as they are presented above, are easy to manage due to the financial assets measured at fair value through other items of comprehensive income, which ensure a high level of flexibility through their diversification and possibility of trading on an active and liquid market.

The assets and liabilities of the Bank as at 31 December 2020, analyzed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behavior typologies and on conventional assumptions concerning certain balance sheet items are the following:

Bank - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	311,822	(311,825)	(191,814)	-	(24,347)	(95,664)	-	-	-
Deposits from customers	88,297,146	(88,464,198)	(47,944,522)	(5,189,646)	(7,469,668)	(25,010,203)	(2,170,212)	(679,947)	-
Loans from banks and other financial institutions	1,176,066	(1,196,984)	(106,424)	(43,516)	(80,026)	(372,202)	(332,132)	(262,684)	-
Subordinated liabilities and issued bonds	1,664,464	(2,106,830)	-	(34,778)	(35,003)	(417,092)	(105,674)	(1,514,283)	-
Financial liabilities held-for-trading	34,817	(34,818)	(621)	(626)	(383)	(13,559)	(18,866)	(763)	-
Lease liabilities	709,270	(755,927)	(34,591)	(33,249)	(67,231)	(230,574)	(145,276)	(245,006)	-
Other financial liabilities	907,681	(907,681)	(907,681)	-	-	-	-	-	-
Total financial liabilities	**93,101,266**	**(93,778,263)**	**(49,185,653)**	**(5,301,815)**	**(7,676,658)**	**(26,139,294)**	**(2,772,160)**	**(2,702,683)**	**-**

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Bank – *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial assets									
Cash and curent accounts with Central Banks	20,978,633	20,978,904	20,978,904	-	-	-	-	-	-
Placements with banks and public institutions	6,636,395	6,640,464	4,885,963	523,716	12,088	1,218,697	-	-	-
Financial assets at amortized cost - debt instruments	160,874	175,116	1,290	1,329	98,814	7,310	66,373	-	-
Derivatives	22,090	22,090	7,016	6,443	383	8,189	49	10	-
Equity instruments	17,572	17,572	8,786	-	-	-	-	-	8,786
Loans and advances to customers	40,363,909	55,731,097	3,856,200	3,303,985	6,718,760	14,672,428	6,785,772	20,393,952	-
Financial assets measured at fair value through other items of comprehensive income	30,850,770	32,266,914	26,431,822	367,662	591,281	3,219,005	1,211,539	430,789	14,816
Financial assets which are required to be measured at fair value through profit or loss	1,349,673	1,350,840	805,548	1,067	1,373	117,181	-	-	425,671
Equity investments	499,690	499,690	-	-	-	-	-	-	499,690
Other financial assets	761,133	776,494	705,595	34,849	35,265	785	-	-	-
Total financial assets	**101,640,739**	**118,459,181**	**57,681,124**	**4,239,051**	**7,457,964**	**19,243,595**	**8,063,733**	**20,824,751**	**948,963**
Net balance sheet position		**24,680,918**	**8,495,471**	**(1,062,764)**	**(218,694)**	**(6,895,699)**	**5,291,573**	**18,122,068**	**948,963**
Off-balance sheet									
Irrevocable commitments given	85,242	96,941	4,250	9,009	35,403	10,895	21,676	15,708	-
Irrevocable financial guarantees given	3,202,320	3,339,621	334,786	200,828	641,244	1,318,470	573,483	270,810	-
Gross value of swap and forward contracts									
- Deliverable amounts	(4,403,444)	(4,403,444)	(2,691,477)	(458,545)	-	(964,122)	(289,300)	-	-
- Receivable amounts	4,683,806	4,683,806	2,704,189	464,852	138,836	1,011,960	327,878	36,091	-
Net position of derivatives	280,362	280,362	12,712	6,307	138,836	47,838	38,578	36,091	-
Total off-balance sheet	**3,567,924**	**3,716,924**	**351,748**	**216,144**	**815,483**	**1,377,203**	**633,737**	**322,609**	**-**
Total net on- and off-balance sheet position		**28,397,842**	**8,847,219**	**(846,620)**	**596,789**	**(5,518,496)**	**5,925,310**	**18,444,677**	**948,963**

4. Financial risk management (*continued*)

d) Market risk

Market risk represents the risk that the earnings of the Group and the Bank or the value of financial instruments held may be negatively affected by adverse market changes in interest rates, foreign exchange rates or other financial ratios. The objective of market risk management is to monitor and maintain financial instrument portfolio exposures within acceptable risk parameters, while optimizing the return on investments.

d1) Interest rate risk from the banking book

Interest rate risk represents the current or future risk for profit and capital to be negatively affected as a result of adverse changes in interest rates.

The Group and the Bank undertake the interest rate risk resulting from funds raised and placed in relation to non-bank customers (interest rate risk from banking activities).
The main sources of interest rate risk are represented by the imperfect correlation between maturity dates (for fixed interest rates) or pricing reset dates (for variable interest rates) with respect to interest bearing assets and liabilities, the adverse changes of the yield curve (un-parallel shift of interest rate curves related to interest bearing assets and liabilities).

The management of interest bearing assets and liabilities is carried out in the context of the Group's/the Bank's exposure to interest rate fluctuations. The Group and the Bank use a mix of fixed and variable interest bearing instruments to control the mismatch between the dates on which the interest on assets and liabilities is adjusted to the market rates or the maturity mismatch between assets and liabilities.

Interest rate risk is managed by monitoring the interest rate GAP (mismatch) and by means of a system of limits and indicators well diversified.
The Assets and Liabilities Management Committee is the body that monitors the compliance with these limits, being assisted in the daily monitoring by the Treasury Department.

Interest rate risk management within the limits is accompanied by a sensitivity analysis of the Group's/the Bank's financial assets and liabilities to various standard interest rate scenarios.

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

An analysis of the interest bearing assets' and liabilities' sensitivity to interest rate increases or decreases on the market is set out below at Group/Bank level:

	Group				**Bank**			
In RON thousand	**200 basis points**	**200 basis points**	**100 basis points**	**100 basis points**	**200 basis points**	**200 basis points**	**100 basis points**	**100 basis points**
	Increase	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
31 December 2021								
Average for the period	9,574	(9,574)	4,787	(4,787)	10,653	(10,653)	5,326	(5,326)
Minimum for the period	(180,008)	115	(90,004)	58	(186,182)	220	(93,091)	110
Maximum for the period	357,363	(1,954)	178,681	(977)	357,352	(5,155)	178,676	(2,577)
31 December 2020								
Average for the period	(3,098)	3,098	(1,549)	1,549	(3,274)	3,274	(1,637)	1,637
Minimum for the period	(162,247)	122	(81,123)	61	(163,309)	122	(81,654)	61
Maximum for the period	53,747	(269)	26,874	(135)	50,569	(269)	25,285	(135)

In the sensitivity analysis regarding interest rate variation, the Group and the Bank have calculated the impact of potential market interest rate changes on the interest margin for the future financial periods, by taking into consideration the interest rate resetting / re-fixing date with respect to the balance sheet assets and liabilities.

The potential change of the Bank's economic value due to changes of the interest rate levels based on the standardized method is presented in the table below:

In RON thousand	**2021**	**2020**
Own funds	10,828,043	10,404,627
Potential decline in ec value +/- 200bp		
Absolute value	687,615	255,719
Impact on own funds	6.35%	2.46%

The potential change of the Group's economic value based on the standardized method is presented in the table below:

In RON thousand	**2021**	**2020**
Own funds	11,306,117	10,717,290
Potential decline in ec value +/- 200bp		
Absolute value	746,805	251,607
Impact on own funds	6.61%	2.35%

By undertaking GAP analyses, the Group and the Bank intended to reduce the gap between assets and liabilities that are sensitive to interest rate fluctuations, both overall and on various time intervals, so that the impact of interest rate fluctuations on the net incomes should be minimized.

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4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the Group's banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at 31 December 2021:

In RON thousand	**Up to 6 months**	**6 - 12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Financial assets							
Cash and curent accounts with Central Banks	18,320,913	-	-	-	-	-	18,320,913
Placements with banks and public institutions	9,396,673	-	989,639	-	7,985	-	10,394,297
Financial assets measured at amortized cost - debt instruments	796,529	180,450	162,056	343,138	938	-	1,483,111
Loans and advances to customers	40,388,852	3,048,282	9,252,892	1,634,773	304,955	-	54,629,754
Finance lease receivables	1,444,278	4,407	21,070	17,947	329	-	1,488,031
Other financial assets	238,496	22,036	-	-	-	794,372	1,054,904
Total financial assets	**70,585,741**	**3,255,175**	**10,425,657**	**1,995,858**	**314,207**	**794,372**	**87,371,010**
Financial liabilities							
Deposits from banks	903,854	24,741	95,664	-	-	-	1,024,259
Deposits from customers	94,450,883	12,343,993	1,221,538	523	4,692	-	108,021,629
Loans from banks and other financial institutions, subordinated debt and issued bonds	8,861,801	114,022	299,738	244,979	171,444	-	9,691,984
Lease liabilities	68,157	64,380	213,936	104,724	47,400	-	498,597
Other financial liabilities	-	-	-	-	-	1,826,081	1,826,081
Total financial liabilities	**104,284,695**	**12,547,136**	**1,830,876**	**350,226**	**223,536**	**1,826,081**	**121,062,550**
Net position	**(33,698,954)**	**(9,291,961)**	**8,594,781**	**1,645,632**	**90,671**	**(1,031,709)**	**(33,691,540)**
Irrevocable commitments given	385,516	173,503	144,487	100,502	62,942	-	866,950
Irrevocable financial guarantees given	1,087,549	527,196	1,929,625	152,647	383,109	-	4,080,126
Total off-balance sheet	1,473,065	700,699	2,074,112	253,149	446,051	-	4,947,076
Net position on- and off-balance sheet	**(32,225,889)**	**(8,591,262)**	**10,668,893**	**1,898,781**	**536,722**	**(1,031,709)**	**(28,744,464)**

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the Group's banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at 31 December 2020:

In RON thousand	Up to 6 months	6 - 12 months	1-3 years	3 - 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and curent accounts with Central Banks	22,133,211	-	-	-	-	-	**22,133,211**
Placements with banks and public institutions	6,214,795	34,613	973,869	-	-	-	**7,223,277**
Financial assets measured at amortized cost - debt instruments	529,394	270,511	107,954	81,296	951	-	**990,106**
Loans and advances to customers	33,694,925	2,751,427	2,789,535	1,285,168	371,489	-	**40,892,544**
Finance lease receivables	366,061	182,404	495,316	180,858	3,077	-	**1,227,716**
Other financial assets	182,821	2,995	-	-	-	674,289	**860,105**
Total financial assets	**63,121,207**	**3,241,950**	**4,366,674**	**1,547,322**	**375,517**	**674,289**	**73,326,959**
Financial liabilities							
Deposits from banks	198,933	24,347	95,664	-	-	-	**318,944**
Deposits from customers	77,515,916	11,154,643	2,177,276	19,640	74,940	-	**90,942,415**
Loans from banks and other financial institutions, subordinated debt and issued bonds	2,388,080	72,390	339,146	299,643	260,170	-	**3,359,429**
Lease liabilities	58,079	57,795	197,447	104,792	36,679	-	**454,792**
Other financial liabilities	-	-	-	-	-	1,161,789	**1,161,789**
Total financial liabilities	**80,161,008**	**11,309,175**	**2,809,533**	**424,075**	**371,789**	**1,161,789**	**96,237,369**
Net position	**(17,039,801)**	**(8,067,225)**	**1,557,141**	**1,123,247**	**3,728**	**(487,500)**	**(22,910,410)**
Irrevocable commitments given	278,745	116,890	105,176	73,281	27,816	-	**601,908**
Irrevocable financial guarantees given	485,111	610,046	1,299,802	570,378	264,179	-	**3,229,516**
Total off-balance sheet	**763,856**	**726,936**	**1,404,978**	**643,659**	**291,995**	**-**	**3,831,424**
Net position on- and off-balance sheet	**(16,275,945)**	**(7,340,289)**	**2,962,119**	**1,766,906**	**295,723**	**(487,500)**	**(19,078,986)**

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4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the Bank's banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at 31 December 2021:

In RON thousand	Up to 6 months	6 - 12 months	1-3 years	3 - 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and curent accounts with Central Banks	16,763,625	-	-	-	-	-	**16,763,625**
Placements with banks and public institutions	8,615,066	145	989,494	-	7,985	-	**9,612,690**
Financial assets at amortized cost - debt instruments	2,494	-	34,792	318,045	-	-	**355,331**
Loans and advances to customers	38,692,647	2,893,360	8,936,256	1,414,325	301,935	-	**52,238,523**
Net lease investments	-	-	-	-	-	-	**-**
Other financial assets	238,496	22,036	-	-	-	623,639	**884,171**
Total financial assets	**64,312,328**	**2,915,541**	**9,960,542**	**1,732,370**	**309,920**	**623,639**	**79,854,340**
Financial liabilities							
Deposits from banks	832,048	24,741	95,664	-	-	-	**952,453**
Deposits from customers	89,843,297	11,714,057	1,136,096	370	4,265	-	**102,698,085**
Loans from banks and other financial institutions, subordinated debt and issued bonds	8,391,635	71,204	284,815	244,979	171,444	-	**9,164,077**
Lease liabilities	67,026	67,221	230,283	133,118	218,921	-	**716,569**
Other financial liabilities	-	-	-	-	-	1,440,467	**1,440,467**
Total financial liabilities	**99,134,006**	**11,877,223**	**1,746,858**	**378,467**	**394,630**	**1,440,467**	**114,971,651**
Net position	**(34,821,678)**	**(8,961,682)**	**8,213,684**	**1,353,903**	**(84,710)**	**(816,828)**	**(35,117,311)**
Irrevocable commitments given	17,007	55,940	21,437	3,005	24,471	-	121,860
Irrevocable financial guarantees given	1,082,333	979,489	1,466,304	152,641	383,109	-	4,063,876
Total off-balance sheet	**1,099,340**	**1,035,429**	**1,487,741**	**155,646**	**407,580**	**-**	**4,185,736**
Net position on- and off-balance sheet	**(33,722,338)**	**(7,926,253)**	**9,701,425**	**1,509,549**	**322,870**	**(816,828)**	**(30,931,575)**

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the Bank's banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at 31 December 2020:

In RON thousand	Up to 6 months	6 – 12 months	1-3 years	3 – 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Cash and curent accounts with Central Banks	20,978,633	-	-	-	-	-	**20,978,633**
Placements with banks and public institutions	5,651,685	10,841	973,869	-	-	-	**6,636,395**
Financial assets at amortized cost – debt instruments	1,969	97,382	-	61,523	-	-	**160,874**
Loans and advances to customers	33,385,178	2,692,892	2,671,247	1,243,801	370,791	-	**40,363,909**
Net lease investments	-	-	-	-	-	-	**-**
Other financial assets	182,821	2,995	-	-	-	575,317	**761,133**
Total financial assets	**60,200,286**	**2,804,110**	**3,645,116**	**1,305,324**	**370,791**	**575,317**	**68,900,944**
Financial liabilities							
Deposits from banks	191,811	24,347	95,664	-	-	-	**311,822**
Deposits from customers	74,869,674	11,157,387	2,176,873	18,272	74,940	-	**88,297,146**
Loans from banks and other financial institutions, subordinated debt and issued bonds	1,950,954	49,485	280,278	299,643	260,170	-	**2,840,530**
Lease liabilities	64,689	64,080	219,515	136,270	224,715	-	**709,269**
Other financial liabilities	-	-	-	-	-	907,681	**907,681**
Total financial liabilities	**77,077,128**	**11,295,299**	**2,772,330**	**454,185**	**559,825**	**907,681**	**93,066,448**
Net position	**(16,876,842)**	**(8,491,189)**	**872,786**	**851,139**	**(189,034)**	**(332,364)**	**(24,165,504)**
Irrevocable commitments given	13,010	35,001	10,894	21,676	4,661	-	85,242
Irrevocable financial guarantees given	478,035	595,800	1,294,108	570,198	264,179	-	3,202,320
Total off-balance sheet	**491,045**	**630,801**	**1,305,002**	**591,874**	**268,840**	**-**	**3,287,562**
Net position on- and off-balance sheet	**(16,385,797)**	**(7,860,388)**	**2,177,788**	**1,443,013**	**79,806**	**(332,364)**	**(20,877,942)**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d2) Currency risk

The Group and the Bank are exposed to currency risk through open positions generated by FX transactions. There is also a risk that the net values of monetary assets and liabilities in foreign currency may change, as a result of exchange rate variation.

The Group and the Bank manage the currency risk based both on classic approach as strict currency position and "stop-loss" limits monitored in real time but also based on VaR type calculations to assess possible changes in the assets and liabilities values.

The Group's monetary assets and liabilities denominated in RON and FCY at 31 December 2021 are presented below:

In RON thousand	**RON**	**EUR**	**USD**	**Other currencies**	**Total**
Monetary assets					
Cash and curent accounts with Central Banks	7,555,659	9,707,159	221,581	836,514	18,320,913
Placements with banks and public institutions	6,527,116	2,281,069	757,175	828,937	10,394,297
Financial assets held for trading and measured at fair value through profit and loss	112,642	20,495	-	-	133,137
Derivatives	80,600	327	-	-	80,927
Loans and advances to customers	39,077,527	14,021,505	208,404	1,322,318	54,629,754
Finance lease receivables	210,649	1,277,291	91	-	1,488,031
Financial assets measured at fair value through other items of comprehensive income	23,882,789	14,089,943	3,080,624	87,365	41,140,721
Financial assets which are required to be measured at fair value through profit or loss	344,370	502,880	23,046	-	870,296
Financial assets at amortized cost - debt instruments	54,980	336,462	-	1,091,669	1,483,111
Other financial assets	765,988	160,458	108,469	19,989	1,054,904
Total monetary assets	**78,612,320**	**42,397,589**	**4,399,390**	**4,186,792**	**129,596,091**
Monetary liabilities					
Deposits from banks	771,139	57,819	194,072	1,229	1,024,259
Deposits from customers	61,127,622	39,811,831	4,111,859	2,970,317	108,021,629
Loans from banks and other financial institutions, subordinated debt	6,576,362	2,927,116	176,616	11,890	9,691,984
Financial liabilities held-for-trading	38,420	319	440	-	39,179
Lease liabilities	12,389	484,701	825	682	498,597
Other financial liabilities	1,612,053	131,688	52,927	29,413	1,826,081
Total monetary liabilities	**70,137,985**	**43,413,474**	**4,536,739**	**3,013,531**	**121,101,729**
Net currency position	**8,474,335**	**(1,015,885)**	**(137,349)**	**1,173,261**	**8,494,362**
Gross value of swap and forward contracts					
- Deliverable amounts	(1,926,264)	(1,065,114)	(154,546)	(323,170)	(3,469,094)
- Receivable amounts	1,293,821	2,403,886	7,430	-	3,705,137
Net position of derivatives	**(632,443)**	**1,338,772**	**(147,116)**	**(323,170)**	**236,043**
Net on- and off-balance sheet position	**7,841,892**	**322,887**	**(284,465)**	**850,091**	**8,730,405**

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4. Financial risk management (*continued*)

d) Market risk *(continued)*

d2) Currency risk (continued)

The Group's monetary assets and liabilities denominated in RON and FCY at 31 December 2020 are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and curent accounts with Central Banks	7,981,161	13,073,700	174,605	903,745	**22,133,211**
Placements with banks and public institutions	1,607,811	3,410,304	1,564,021	641,141	**7,223,277**
Financial assets held for trading and measured at fair value through profit and loss	92,342	27,993	-	-	**120,335**
Derivatives	21,870	220	-	-	**22,090**
Loans and advances to customers	32,420,438	7,056,849	197,139	1,218,118	**40,892,544**
Finance lease receivables	215,290	1,012,077	349	-	**1,227,716**
Financial assets measured at fair value through other items of comprehensive income	18,018,477	11,152,504	1,669,637	3,872	**30,844,490**
Financial assets which are required to be measured at fair value through profit or loss	382,612	464,499	21,039	-	**868,150**
Financial assets at amortized cost - debt instruments	52,331	172,222	-	765,553	**990,106**
Other financial assets	654,074	123,254	65,985	16,792	**860,105**
Total monetary assets	**61,446,406**	**36,493,622**	**3,692,775**	**3,549,221**	**105,182,024**
Monetary liabilities					
Deposits from banks	155,474	32,482	130,726	262	**318,944**
Deposits from customers	53,127,989	31,897,871	3,438,065	2,478,490	**90,942,415**
Loans from banks and other financial institutions, subordinated debt	256,091	2,939,574	160,242	3,522	**3,359,429**
Financial liabilities held-for-trading	34,368	151	298	-	**34,817**
Lease liabilities	12,838	439,642	1,354	958	**454,792**
Other financial liabilities	999,809	103,441	32,145	26,394	**1,161,789**
Total monetary liabilities	**54,586,569**	**35,413,161**	**3,762,830**	**2,509,626**	**96,272,186**
Net currency position	**6,859,837**	**1,080,461**	**(70,055)**	**1,039,595**	**8,909,838**
Gross value of swap and forward contracts					
- Deliverable amounts	(1,228,805)	(2,657,491)	(140,355)	(376,793)	**(4,403,444)**
- Receivable amounts	2,741,493	1,941,123	1,190	-	**4,683,806**
Net position of derivatives	**1,512,688**	**(716,368)**	**(139,165)**	**(376,793)**	**280,362**
Net on- and off-balance sheet position	**8,372,525**	**364,093**	**(209,220)**	**662,802**	**9,190,200**

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d2) Currency risk (continued)

The Bank's monetary assets and liabilities denominated in RON and foreign currencies at 31 December 2021 are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and curent accounts with Central Banks	7,335,234	9,159,870	85,498	183,023	**16,763,625**
Placements with banks and public institutions	6,391,663	1,847,933	557,606	815,488	**9,612,690**
Financial assets at amortized cost - debt instruments	48,715	306,616	-	-	**355,331**
Derivatives	79,515	327	-	-	**79,842**
Loans and advances to customers	37,773,388	13,884,948	181,749	398,438	**52,238,523**
Financial assets measured at fair value through other items of comprehensive income	23,664,357	14,009,948	3,080,624	82,951	**40,837,880**
Financial assets which are required to be measured at fair value through profit or loss	630,962	574,571	22,386	-	**1,227,919**
Other financial assets	711,933	143,496	28,384	358	**884,171**
Total monetary assets	**76,635,767**	**39,927,709**	**3,956,247**	**1,480,258**	**21,999,981**
Monetary liabilities					
Deposits from banks	738,027	31,459	180,858	2,109	**952,453**
Deposits from customers	59,998,316	37,953,876	3,656,977	1,088,916	**102,698,085**
Loans from banks and other financial institutions, subordinated debt	6,507,490	2,479,971	176,616	-	**9,164,077**
Financial liabilities held-for-trading	37,930	319	440	-	**38,689**
Lease liabilities	11,985	703,809	775	-	**716,569**
Other financial liabilities	1,275,128	110,964	46,437	7,938	**1,440,467**
Total monetary liabilities	**68,568,876**	**41,280,398**	**4,062,103**	**1,098,963**	**115,010,340**
Net currency position	**8,066,891**	**(1,352,689)**	**(105,856)**	**381,295**	**6,989,641**
Gross value of swap and forward contracts					
- Deliverable amounts	(1,761,508)	(1,065,114)	(154,546)	(323,170)	**(3,304,338)**
- Receivable amounts	1,128,350	2,403,886	7,430	-	**3,539,666**
Net position of derivatives	**(633,158)**	**1,338,772**	**(147,116)**	**(323,170)**	**235,328**
Net on- and off-balance sheet position	**7,433,733**	**(13,917)**	**(252,972)**	**58,125**	**7,224,969**

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d2) Currency risk (continued)

The Bank's monetary assets and liabilities denominated in RON and foreign currencies at 31 December 2020 are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and curent accounts with Central Banks	7,980,179	12,724,152	68,354	205,948	**20,978,633**
Placements with banks and public institutions	1,473,971	3,112,717	1,412,067	637,640	**6,636,395**
Financial assets at amortized cost - debt instruments	48,724	112,150	-	-	**160,874**
Derivatives	21,870	220	-	-	**22,090**
Loans and advances to customers	32,193,785	7,526,152	169,741	474,231	**40,363,909**
Financial assets measured at fair value through other items of comprehensive income	18,013,814	11,152,504	1,669,637	-	**30,835,955**
Financial assets which are required to be measured at fair value through profit or loss	627,450	484,787	20,244	-	**1,132,481**
Other financial assets	640,245	110,387	10,365	136	**761,133**
Total monetary assets	**61,000,038**	**35,223,069**	**3,350,408**	**1,317,955**	**100,891,470**
Monetary liabilities					
Deposits from banks	156,113	36,989	117,469	1,251	**311,822**
Deposits from customers	53,191,642	31,079,279	3,151,549	874,676	**88,297,146**
Loans from banks and other financial institutions, subordinated debt	102,929	2,577,526	160,075	-	**2,840,530**
Financial liabilities held-for-trading	34,368	151	298	-	**34,817**
Lease liabilities	12,838	695,086	1,346	-	**709,270**
Other financial liabilities	793,070	77,794	28,563	8,254	**907,681**
Total monetary liabilities	**54,290,960**	**34,466,825**	**3,459,300**	**884,181**	**93,101,266**
Net currency position	**6,709,078**	**756,244**	**(108,892)**	**433,774**	**7,790,204**
Gross value of swap and forward contracts					
- Deliverable amounts	(1,228,805)	(2,657,491)	(140,355)	(376,793)	**(4,403,444)**
- Receivable amounts	2,741,493	1,941,123	1,190	-	**4,683,806**
Net position of derivatives	**1,512,688**	**(716,368)**	**(139,165)**	**(376,793)**	**280,362**
Net on- and off-balance sheet position	**8,221,766**	**39,876**	**(248,057)**	**56,981**	**8,070,566**

By determining and monitoring the net FCY positions and the exchange rate volatility, the Bank has aimed to create a portfolio that is optimally correlated in terms of FCY assets and liabilities, as well as a balanced approach to trading operations on the foreign exchange market.

The table below presents the Profit/Loss sensitivity in the event of potential changes of the exchange rates applicable at the end of the reporting period in relation to the functional currency of the Group entities, considering that all the other variables remain constant:

	Impact on Profit and Loss	
In RON thousand	**2021**	**2020**
EUR increase by up to 20%	23,691	27,709
EUR decrease by up to 20%	(23,691)	(27,709)
USD increase by up to 20%	1,666	8,338
USD decrease by up to 20%	(1,666)	(8,338)

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d3) Market risk related to trading activity

The main purpose of market risk management is to achieve the expected performance of the trading portfolio, with a proper management of the inherent market risk, consciously assumed and adapted to the market conditions and development of the Group and the Bank, and last but not least to the current legal framework.

General principles applied in order to ensure the adequate management of market risk are:

- Market risk management is adapted and adjusted constantly to the Romanian and the international financial and banking market conditions and to the general economic context.
- In the management of market risk, the Bank applies clear principles regarding the suitability, maturity, diversity and risk degree of the component elements.
- Market risk is analyzed within the stress tests operated on the bond, equity and collective investment units portfolios held by the Bank.

The Group and the Bank manage the exposure to market risk by monitoring on a daily basis the market value of the held-for-trading portfolio in relation to a system of risk limits approved by the Assets and Liabilities Committee. The held-for-trading portfolio includes fixed-income securities issued on the Romanian or the European market (sovereign, municipal and corporate bonds), denominated in RON, EUR and USD, as well as shares issued by Romanian or European entities traded on the Bucharest Stock Exchange or Vienna Stock Exchange (which are not directly exposed to interest rate and currency risk, but are exposed to price risk) and collective investment units issued by Romanian entities.

Exposure to market risk related to trading activities

Exposure represents market risk relates mainly to the following balance sheet items:

- Held-for-trading financial assets measured at fair value through profit or loss;
- Derivatives;
- Financial assets which are required to be measured at fair value through profit or loss;
- Financial assets measured at fair value through other items of comprehensive income.

The risk exposure on a consolidated and separate basis as at 31 December 2021, respectively 31 December 2020 is presented below:

		Group		Bank	
In RON thousand		**2021**	**2020**	**2021**	**2020**
Assets	Notes	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**
Held-for-trading financial assets measured at fair value through profit or loss	21	133,137	120,335	-	-
Derivatives	43	80,927	22,090	79,842	22,090
Financial assets which are required to be measured at fair value through profit or loss	21	870,296	868,150	1,227,919	1,132,481
Financial assets measured at fair value through other items of comprehensive income	24	41,140,721	30,844,490	40,837,880	30,835,955
Total on-balance sheet		**42,225,081**	**31,855,065**	**42,145,641**	**31,990,526**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d3) Market risk related to trading activity (continued)

Exposure to market risk related to trading activities (continued)

The following table presents the sensitivity impact of a possible change in interest rates of +/- 1.00% and a decrease in market prices of +/- 10% at equity level and P&L level, considering that all the other variables remain constant:

Group	**31 December 2021**		**31 December 2020**	
In RON thousand	**Impact in profit or loss**	**Impact in equity**	**Impact in profit or loss**	**Impact in equity**
Shares	(3,226)	-	(1,899)	-
OTC derivatives	(98,388)	-	(84,914)	-
Bonds and T-bills	-	(1,310,707)	-	(153,944)
Total impact	**(101,615)**	**(1,310,707)**	**(86,813)**	**(153,944)**

Bank	**31 December 2021**		**31 December 2020**	
In RON thousand	**Impact in profit or loss**	**Impact in equity**	**Impact in profit or loss**	**Impact in equity**
Shares	(3,121)	-	(1,757)	-
OTC derivatives	(93,687)	-	(79,269)	-
Bonds and T-bills	-	(1,309,930)	-	(152,585)
Total impact	**(96,807)**	**(1,309,930)**	**(81,026)**	**(152,585)**

e) Capital management

The Bank's Board of Directors approves the conceptual design of the internal process for the assessment of the capital adequacy to risks, at least the scope, methodology and general objectives, and establishes the strategy regarding the planning of the capital, own funds and the capital adequacy to risks in Banca Transilvania S.A..

The Board of Directors makes decisions regarding the directions to be followed within the capital adequacy process, establishes the main projects in the field to be implemented, as well as the main objectives to be met for the best control of the correlation of the risks to which the Bank is exposed and the necessary shareholders' equity required to cover them and the development of sound risk management systems. The National Bank of Romania monitors capital requirements both at Group and Bank level.
Capital adequacy is determined according to the Regulation (EU) No 575/2013 of the European Parliament and of the Council and requires a minimum mandatory own funds level of:

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

4. Financial risk management (*continued*)

e) Capital management (*continued*)

Likewise, pursuant to the regulated approaches for the determination of the minimum capital requirements and the EU Regulation 575/2013 corroborated with the provisions of the NBR Regulation 5/2013 and considering the capital buffers required by the NBR, the Group and the Bank maintain:

- a capital preservation buffer of 2.5% of the total value of the risk-weighted exposures between 01 January 2021-31 December 2021;
- an O-SII buffer of 2% of the total risk weighted exposures;
- a systemic risk buffer of 2% of the total value of the risk-weighted exposures (buffer imposed starting with the adequacy ratio calculated for 30 June 2018).

Own funds adequacy

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

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

The Group and the Bank comply with the above regulations. The level of the capital adequacy ratio exceeding the minimum mandatory requirements imposed by the law.
As at 31 December 2021 and 31 December 2020, as well as during the years 2021 and 2020, the Group and the Bank complied with all the capital adequacy requirements.

Under the current capital requirements set by the European Banking Authority, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level.
The amount of capital that the Group managed was RON 13,164,500 thousand as of 31 December 2021 (2020: RON 12,108,132 thousand), regulatory capital amounts to RON 7,500,635 thousand as of December 2021 (2020: RON 7,192,994 thousand) and the Group and the Bank have complied with all externally imposed capital requirements throughout 2021 and 2020.

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

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

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

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

4. Financial risk management (*continued*)

e) Capital management *(continued)*

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

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Tier 1 own funds	11,638,319	10,573,525	10,975,774	10,067,481
Tier 2 own funds	1,526,181	1,534,607	1,509,052	1,534,607
Total own funds	**13,164,500**	**12,108,132**	**12,484,826**	**11,602,088**
Credit risk exposure	38,469,262	38,863,240	35,219,316	35,204,814
Market risk, FX risk, delivery risk exposure	4,594,414	10,664,643	4,244,943	9,716,036
Operational risk exposure	8,524,365	7,984,598	8,136,656	7,221,969
Risk exposure for the adjustment of credit assessment	140,479	31,470	140,479	31,470
Total risk exposure	**51,728,520**	**57,543,951**	**47,741,394**	**52,174,289**

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

	Group		Bank	
In %	**2021**	**2020**	**2021**	**2020**
Core tier one ratio	22.50	18.37	22.99	19.30
Tier 1 ratio	22.50	18.37	22.99	19.30
CAR	25.45	21.04	26.15	22.24

Note: The calculation of the Group's and the Bank's own funds takes into account the statutory profit of the Group, respectively of the Bank for the financial years ended on 31 December 2021 and on 31 December 2020. Regulatory capital as at 31 December 2021 and 31 December 2020 was calculated according to the IFRS endorsed by the European Union.

f) 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.

4. Financial risk management (*continued*)

f) Operational risk (continued)

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;

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 the 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 Group and 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.

4. Financial risk management (*continued*)

g) Climatic risk

The impact of climate change and the acceleration of regulatory and public policy initiatives are contributing to a growing concern in the financial services sector about identifying and managing related risks, especially as financial institutions are expected to play an important role in the transition to a sustainable economy.

Without being seen as a separate category of risks, climate risks are accelerators of the risks traditionally managed by the Group, whether we refer to physical risk or transition risk.

Physical risk is driven either by extreme weather events related to temperature, wind, water (such as floods, hurricanes, fires) or long-term changes in weather patterns (such as high temperatures sustained over a longer time horizon, heat waves, droughts or sea level rise).

Transition risk arises as a result of measures taken to mitigate the effects of climate change and the transition to a low-carbon economy (such as changes in laws and regulations, litigation due to failure to mitigate or adapt to climate change), as well as changes in demand and supply for certain goods, products and services due to changes in consumer behaviour and investor demand.

To manage these climate risks, the Group uses the list of sectorial exclusions aligned with IFC/EBRD recommendations. In addition, the Group uses processes and tools for the identification and assessment of environmental risk in line with best practices and IFC/EBRD standards in its corporate credit analysis, which are translated into internal working instructions that are regularly reviewed. This analyses the impact of the company applying for financing on the environment (water, soil and emissions) and the impact of climate change on the company's activities. The level of detail and complexity of this analysis is also determined by criteria related to the size of the company, project or transaction.

The Group is continuously refining the mapping of the entire financing and investment portfolio according to environmental, social and governance risks for each sector of activity (such as agriculture, construction, transport, etc.) in order to identify the necessary measures to mitigate the potential negative impacts of climate change on outstanding portfolio. This mapping can contribute to the adoption of measures in the Group's lending activity so that the negative impact on the environment is reduced and the positive impact on the environment, as well as on the society and communities we are part of, is increased.

Last but not least, Banca Transilvania aims to strengthen its skills in analysing these risks by allocating specialised resources, such as the team of experts dedicated to environmental risk and the training of credit analysts through courses held by internal experts or external specialists in this field. In addition to closely monitoring all regulations that are or will come into force in the future, the Group is actively involved in working groups at national and European level. The Bank and its subsidiaries follow the initiatives of task forces (such as TCFD) or the private sector (UNEPFI-PRB) to improve the reporting of non-financial information.

5. Accounting estimates and significant judgements

The Group and the Bank make estimates and assumptions that affect the amounts of assets and liabilities reported within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the given circumstances.

a) Impairment losses on loans and advances to customers

The Group and the Bank review their loan and finance lease receivables portfolio in order to assess the impairment thereof, at least bi-annually (on a monthly basis for the Bank). In determining whether an impairment loss should be recorded, the Group and the Bank make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows related to a portfolio of loans and finance lease, before such decrease can be identified with respect to an individual loan/lease investment in that portfolio. For example, the observable data might be the unfavorable changes in the payment behavior of certain debtors within a group or in the economic, national or local circumstances, which correlate with default incidents affecting the debtors' group.

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

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

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

In determining the impairment for expected credit losses, management incorporates forward-looking information, exercises judgement and uses estimates and assumptions.
The estimation of expected credit losses involves forecasting future economic conditions over 3 years.

The macroeconomic scenarios applied have been changed from those applied in Q4 2020 to reflect the improvement of the macroeconomic outlook even if the COVID 19 pandemic is still ongoing.

More details about assumptions made, scenarios used, weights applied to each scenario is described in Note 4b Credit risk. The incorporation of forward-looking elements reflects the expectations of the Group and the Bank and involves the creation of scenarios, including an assessment of the probability for each scenario.

5. Accounting estimates and significant judgements *(continued)*

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

A large part of the impact on the expected credit losses in 2020 is resulting from the COVID-19 pandemic referring to changes to the forward-looking information, the situation was also recorded in 2021, in which uncertainties caused by the evolution of the pandemic were added new turbulences manifested in the economy (rising inflation, rising energy market prices, difficulties in the supply chain, semiconductor crisis, etc.).
Also, due to the COVID-19 pandemic, management applies supplementary judgement when determining the need for post-model adjustments to better reflect the context and own expectations in credit risk modeling.

The post-model adjustments applied in 2020 to estimate the effect of the pandemic event were largely preserved in 2021, with new value judgments being added against the background of new pandemic waves and new events generating new risks (inflation generated the turbulence in the energy market, the delays in the supply chain, etc.). The Group and the Bank have decided to keep this approach as it is not yet known how long the government aid will remain active or will be supplemented.

The internal analyzes that determined additional adjustments were based on the available information. In this respect, we mention the public centralized information, referring to the companies that requested certificates in the state of emergency, attesting that they faced difficulties, various analyzes of the public institutions (including the N.B.R.). At the same time, the Group and the Bank also examined the information from the Bank's own databases, related to the borrowed clients, including thoses who applied to payment deferral program (financial information etc). All this has led to the consideration of some sectors as being more sensitive/affected by pandemic crisis (eg hospitality and leisure sector) or significantly exposed to the energy price crisis, product portfolios with higher associated credit risk and type of customers with low quality ratings, which could be affected to a greater extent by current events. An area of increased attention was also represented by the portfolio of loans/clients that requested the deferral of payment during this period - various value judgments being used / applied for a better coverage of the afferent risks.

During 2020-2021, the Group and the Bank reviewed the rating and PD assumptions to get faster response taking into account the events that occurred (regardless of the crisis severity). Another main consideration of the introduction of post-model adjustments is the fact that the prediction of internal rating assessment models can be affected by aid measures provided by governments, the latter preventing the occurrence of non-payment events at the level of debtors who, otherwise, would have faced difficulties in servicing debts to various creditors.

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

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

5. Accounting estimates and significant judgements *(continued)*

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

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

As mentioned, moratoria program did not have an impact on stage-ing (is not considered a trigger for a significant increase in credit risk). The definition of forborne credit modification was not changed and continues to identify restructuring operation request by clients in financial difficulties who did not access the moratoria program.
Due to the COVID-19 pandemic, the financial markets were very volatile producing short-term challenges in cash-flow management and also significant variations in mark to market.
Bank stands on a very good position of liquidity, therefore the market disruptions didn't have a significant impact on it. In terms of interest rate risk, the pressure was felt on net interest margin due to interest rates levels and the provisions regarding payment moratoria.
The trading book of the Group and the Bank consist of bonds, equities, collective investment units and derivatives, whose valuation was affected by market volatilities, reserves registering a downward trend and reaching in the negative zone. The most significant part of the trading book is represented by bonds, of which the majority are kept at fair value through other comprehensive income, thus allowing that market-to-market impact to be observable in other comprehensive income and not in Consolidated and Separate Statement of Profit or Loss, Note 4 provides more details on the fair value measurement of financial instruments.

b) Anticipated individual fiscal solutions ("AIFS")

The Bank requested the Romanian fiscal authorities to issue an official opinion on the fiscal treatment of the VBRO bargain gain ("AIFS"). The Bank proposed the consideration of the bargain gain as non-taxable income by taking into account all the arguments, calculating a lower tax debt with the amount of RON thousand 264,096.

The Romanian fiscal authorities issued a negative opinion, considering that the bargain gain is taxable (as recorded based on IFRS). The sole argument to sustain this position being that the bargain gain is not included in the list of non-taxable income elements specifically stipulated in the Fiscal Code applicable as of December 31, 2015.

The Bank considered the bargain gain as non-taxable income for the calculation of the comprehensive income, based on solid arguments such as:

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

5. Accounting estimates and significant judgements *(continued)*

b) Anticipated individual fiscal solutions ("AIFS") (continued)

- The fiscal treatment should be balanced: considering the opposite case, whereby the purchase price is higher than the value of acquired identifiable assets and liabilities, a positive goodwill would have been recorded, which, as per Romanian fiscal legislation is not to be amortized for fiscal purposes and hence does not have any fiscal impact;
- Avoidance of double taxation;
- European jurisprudence – which stipulates that the EU legislation should prevail when the fiscal legislation of a member state is unclear or lacks specific provisions.

The Bank initiated court proceedings in this respect in 2017. The case was submitted to the Court of Appeal of Cluj in April 2017. In November 2017, the Court of Appeal of Cluj admitted the case at trial and issued a judgment in favor of the Bank, confirming the Bank's approach to consider the bargain gain as non-taxable income.

On June 23, 2020, the High Court of Cassation and Justice ruled in the case file pending, admitting ANAF's appeal against the sentence of the Cluj Court of Appeal, annulled the first instance decision, retrialed the case and in retrial rejected the action filed by Banca Transilvania as not founded.

On 12 October 2021, the High Court of Cassation and Justice of Romania suspended the judgement of the review request and the Court of Justice of European Union was notified.
The Bank has not recognized a provision in this case, but will monitor the evolution of the topic at each reporting date, in accordance with the relevant provisions of the accounting regulations.

c) Risk provisions for abusive clauses

The provision for abusive clauses is an estimated amount for potential litigations facing the Bank derived from the retail credit contracts inherited from Volksbank Romania and Bancpost S.A. merger. The provision is periodically reviewed by the Bank by incorporating historical data regarding new litigations in the last years (a show-up ratio) and the loss probability for such cases (calculated as a historical positive versus negative outcome of litigations).

The last review for abusive clauses provision has been performed as of 31 December 2021 when the Bank adjusted the provision based on the trend of such new litigations (show-up ratio) and the probability loss estimated at this date.

d) Other significant litigation

The Bank's subsidiary, Victoria Bank S.A., was notified on July 6, 2020 that it is being investigated in a case instrumented by the Prosecutor's Office of the Republic of Moldova, and on August 6, 2020, a precautionary seizure was placed on some of the subsidiary's assets. In order to cover the claims in the file - amounting to approximately RON 460 million in equivalent. Given the nature of the case and the legal limitations related to the investigation, the Bank and and its subsidiary possesses limited information about this case, by also considering the lawyers' analysis of the content of the indictment related to these investigations. Given the stage of the investigation, that relates to a period before the Bank was a shareholder of the subsidiary, the Group and the Bank did not recognize a provision for this case, but will monitor the evolution of the topic at each reporting date, in accordance with the relevant provisions of the accounting regulations.

5. Accounting estimates and significant judgements *(continued)*

d) Other significant litigation (continued)

For other significant litigation and regulatory enforcement matters, the Group believes the possibility of an outflow of funds is more than remote and less than probable but the amount can not be reliably estimated, and accordingly such matters are not included in the contingent liability estimates.
The Group and the Bank will monitor the evolution of the topics at each reporting date, in accordance with the relevant provisions of the accounting regulations.

6. Segment reporting

The Group segment reporting is compliant with the management requirements use. The reporting segments are presented in a manner which is consistent with the internal reporting documentation submitted to the Leaders' Committee. The Leaders' Committee, with the assistance of the Board of Directors, is responsible for the allocation of resources and the assessment of the reporting segments' performance, being considered as an operational decision making factor.

The reporting format is based on the internal management reporting format. All items of assets and liabilities, incomes and expenses are allocated to the reporting segments either directly or based on reasonable criteria established by the management.

The clients of Victoriabank and Idea Bank, are classified according to the Bank's standards. The segment "Leasing and loans to non-banking financial institutions" includes the leasing and consumer finance companies, as described in Note 1.

The remaining non-banking subsidiaries are included in the segment "Other-Group". The "Intra-group eliminations & adjustments" segment comprises intra-group operations.

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

A business segment is a component of the Group:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity);
- The operating results of which are reviewed regularly by the entity's decision maker in order to make decisions about resources to be allocated to the segment and to assess its performance;
- For which distinct financial information is available.

The reporting segment of the Group as described below:

Large Corporate Clients („LaCo"): The Group and the Bank include in this category mainly companies/group of companies with an annual turnover exceeding RON 100 million, as well as legal entities created to serve a particular function (SPV), public entities and financial institutions included in this category based on specific classification criteria. The companies in this category usually have specific and sophisticated needs. Through its centralized and customized approach, the Bank seeks to ensure high operational efficiency, a prompt assessment of the specific needs of this type of clients in order to offer the appropriate customized solutions, but also an in-depth perspective of the risk profile in order to maintain a high quality loan portfolio.

6. Segment reporting *(continued)*

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

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

The Bank offers a full array of financial services to its Mid Corporate clients, including lending facilities, current operations, treasury services, but also additional services such as bonus packages for employees, structured finance, co-financing of EU funded projects; the Bank also facilitates the access to the services provided by the Group subsidiaries, such as bancassurance, consultancy on mergers and acquisitions, asset management, financial and operating lease, with the purpose to increase its profitability and non-risk income.

SME clients - companies with an annual turnover between 2 and 9 million RON. These are companies that have undergone the incipient growth stages and whose business activity requires further attention. Consequently, the needs of such companies become more specific, with priority for financing.

Micro Business clients – company customers with an annual turnover up to 2 million RON.
This category comprises the largest number of companies and the most diverse types of entities, such as limited liability companies, freelancers, sole proprietorships, etc.
The business lifespan (many such clients are fresh companies), the entrepreneur's expertise and the market on which the company operates generate certain needs that the Group and the Bank attempt to serve through product and service packages dedicated to this category of customers, which have become a hallmark in the banking sector over the years.

6. Segment reporting *(continued)*

Lending products are accessed more frequently as the Micro or SME business takes shape: loans for working capital or investments, letters of guarantee, EU project co-financing, credit cards, leasing, invoice discounting or factoring.
Another important category of products refers to general operations, incoming and outgoing payments, cheques, promissory notes, FX operations, salary payment agreements or bancassurance services. Increased attention is given to the digitalization of our products and services, our clients showing more and more interest in internet & mobile banking, e-commerce, last generation POSs and the integration of financial data in the proprietary accounting systems.

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

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

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

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

In terms of geographical distribution, the Group and the Bank cover mainly the Romanian territory, except for the Italy branch operations linked to the Bank while at the Group level there is the banking activity of Victoriabank and the financial lease activity of BT Leasing Moldova; however, the impact of these entities on the balance sheet and income statement is not material at Group level. There is no further information regarding the geographical distribution used by the management of the Group and the Bank; therefore it is not presented here.

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

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

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

Reporting segments as at 31 December 2021

Group *In RON thousand*	**Large Corporate**	**Mid Corporate**	**SME**	**Micro**	**Retail**	**Treasury**	**Leasing and consumer loans granted by non-banking financial institutions**	**Other - Group**	**Intra-group eliminations & adjustments**	**Total**
Gross loans and finance lease receivables	9,026,678	7,810,256	3,582,273	4,120,221	28,454,621	-	2,929,671	5,948,267	(1,818,483)	**60,053,504**
Provisions for principal	(810,766)	(827,187)	(294,632)	(503,230)	(1,249,340)	-	(302,877)	(13,418)	65,731	**(3,935,719)**
Loans and finance lease receivables net of provisions	8,215,912	6,983,069	3,287,641	3,616,991	27,205,281	-	2,626,794	5,934,849	(1,752,752)	**56,117,785**
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	-	44,120,816	-	401,085	(317,724)	**44,204,177**
Treasury and inter-bank operations	-	-	-	-	-	28,505,564	49,499	424,876	(264,729)	**34,641,649**
Property and equipment and investment property, Intangible assets and goodwill	67,846	157,105	82,984	194,163	618,925	41,065	12,014	331,802	(8,562)	**1,497,342**
Right-of-use assets	30,505	61,692	32,017	85,004	244,802	16,233	10,919	16,412	(5,563)	**492,021**
Other assets	229,912	212,691	91,574	98,804	730,326	0	80,534	96,319	(65,505)	**1,474,655**
Total assets	**8,544,175**	**7,414,557**	**3,494,216**	**3,994,962**	**28,799,334**	**72,683,678**	**2,779,760**	**7,205,343**	**(2,414,835)**	**132,501,190**
Deposits from customers and current accounts	6,026,098	8,701,281	6,151,819	15,493,031	71,889,830	1,047,310	-	696	(264,177)	**109,045,888**
Loans from banks and other financial institutions	136,702	543,683	88,708	111,399	112,343	6,526,809	2,019,081	232,901	(1,842,126)	**7,929,500**
Subordinated liabilities	-	-	-	-	-	1,780,464	-	-	(17,980)	**1,762,484**
Lease liabilities	84,216	71,299	33,004	37,418	263,189	630	11,096	3,498	(5,753)	**498,597**
Other liabilities	527,530	373,990	123,885	147,877	1,060,014	692	122,170	370,781	(26,352)	**2,700,587**
Total liabilities	**6,774,546**	**9,690,253**	**6,397,416**	**15,789,725**	**73,325,376**	**9,355,905**	**2,152,347**	**607,876**	**(2,156,388)**	**121,937,056**
Equity and related items	-	-	-	-	-	-	-	10,564,134	-	**10,564,134**
Total liabilities and equity	**6,774,546**	**9,690,253**	**6,397,416**	**15,789,725**	**73,325,376**	**9,355,905**	**2,152,347**	**11,172,010**	**(2,156,388)**	**132,501,190**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2020

Group *In RON thousand*	**Large Corporate**	**Mid Corporate**	**SME**	**Micro**	**Retail**	**Treasury**	**Leasing and consumer loans granted by non-banking financial institutions**	**Other - Group**	**Intra-group eliminations & adjustments**	**Total**
Gross loans and finance lease receivables	7,024,155	6,734,327	2,663,702	3,609,606	24,527,003	-	2,450,243	6,255	(1,396,733)	**45,618,558**
Provisions for principal	(765,340)	(770,768)	(249,906)	(410,067)	(1,057,664)	-	(293,705)	(1,877)	51,029	**(3,498,298)**
Loans and finance lease receivables net of provisions	6,258,815	5,963,559	2,413,796	3,199,539	23,469,339	-	2,156,538	4,378	(1,345,704)	**42,120,260**
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	-	33,144,340	-	414,278	(237,059)	**33,321,559**
Treasury and inter-bank operations	-	-	-	-	-	29,188,356	48,986	243,295	(124,149)	**29,356,488**
Property and equipment and investment property, Intangible assets and goodwill	57,034	138,923	72,658	164,021	482,583	21,949	8,080	289,031	(6,956)	**1,227,323**
Right-of-use assets	27,702	55,831	29,112	79,667	226,937	9,607	6,573	17,513	(4,090)	**448,852**
Other assets	144,596	166,129	60,035	72,576	530,653	-	24,065	88,463	(68,602)	**1,017,915**
Total assets	**6,488,147**	**6,324,442**	**2,575,601**	**3,515,803**	**24,709,512**	**62,364,252**	**2,244,242**	**1,056,958**	**(1,786,560)**	**107,492,397**
Deposits from customers and current accounts	4,474,760	6,983,527	4,936,113	12,732,126	61,940,642	314,837	-	1,902	(122,548)	**91,261,359**
Loans from banks and other financial institutions	42,291	613,906	142,557	162,108	147,647	83,564	1,722,445	200,310	(1,423,160)	**1,691,668**
Subordinated liabilities	-	-	-	-	-	1,664,463	-	-	3,298	**1,667,761**
Lease liabilities	72,079	68,685	28,360	35,912	244,405	454	6,754	2,302	(4,159)	**454,792**
Other liabilities	372,251	292,662	83,099	106,312	866,374	536	44,236	262,956	(25,967)	**2,002,459**
Total liabilities	**4,961,381**	**7,958,780**	**5,190,129**	**13,036,458**	**63,199,068**	**2,063,854**	**1,773,435**	**467,470**	**(1,572,536)**	**97,078,039**
Equity and related items	-	-	-	-	-	-	-	10,414,358	-	**10,414,358**
Total liabilities and equity	**4,961,381**	**7,958,780**	**5,190,129**	**13,036,458**	**63,199,068**	**2,063,854**	**1,773,435**	**10,881,828**	**(1,572,536)**	**107,492,397**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2021

Group *In RON thousand*	**Large Corporate**	**Mid Corporate**	**SME**	**Micro**	**Retail**	**Treasury**	**Leasing and consumer loans granted by non-banking financial institutions**	**Other - Group**	**Intra-group eliminations & adjustments**	**Total**
Net interest income	130,786	257,173	148,385	238,063	1,031,522	380,333	255,797	691,193	8,867	**3,142,119**
Net commission income	66,117	115,636	76,390	283,785	325,666	(2,331)	13,491	84,205	(1,602)	**961,357**
Net trading income	9,992	43,076	44,877	84,960	173,328	141,552	5,126	21,031	4,740	**528,682**
Net loss (-) / gain from financial assets measured through comprehensive income	-	-	-	-	-	91,327	-	87,690	6	**179,023**
Net loss / gain (-) from financial assets which are required to be measured through profit and loss	-	-	-	-	-	34,721	-	3,688	-	**38,409**
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(4,160)	(7,880)	(5,021)	(11,824)	(61,115)	-	-	-	-	**(90,000)**
Other operating income	24,420	21,192	11,151	7,704	105,124	127	16,834	67,317	(72,045)	**181,824**
Total income	**227,155**	**429,197**	**275,782**	**602,688**	**1,574,525**	**645,729**	**291,248**	**955,124**	**(60,034)**	**4,941,414**
Personnel expenses	(74,661)	(186,995)	(96,854)	(206,880)	(545,548)	(29,772)	(67,805)	(119,762)	-	**(1,328,277)**
Other operating expenses	(31,784)	(63,482)	(32,887)	(76,972)	(286,990)	(22,906)	(41,339)	(152,402)	12,870	**(695,892)**
Depreciation and amortization	(23,926)	(45,637)	(24,467)	(64,377)	(184,952)	(9,820)	(7,672)	(17,096)	20,116	**(357,831)**
Total Expenses	**(130,371)**	**(296,114)**	**(154,208)**	**(348,229)**	**(1,017,490)**	**(62,498)**	**(116,816)**	**(289,260)**	**32,986**	**(2,382,000)**
Operating profit before net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	**96,784**	**133,083**	**121,574**	**254,459**	**557,035**	**583,231**	**174,432**	**665,864**	**(27,048)**	**2,559,414**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2020

Group *In RON thousand*	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Intra-group eliminations & adjustments	Total
Net interest income	115,072	227,292	189,660	229,457	971,555	199,982	220,459	821,917	1,699	**2,977,093**
Net commission income	50,194	112,401	69,501	233,110	242,264	(2,211)	7,080	66,133	(2,011)	**776,461**
Net trading income	9,116	38,587	34,841	64,907	129,462	78,311	9,142	(18,740)	(507)	**345,119**
Net loss (-) / gain from financial assets measured through comprehensive income	-	-	-	-	-	153,366	-	147,299	-	**300,665**
Net loss / gain (-) from financial assets which are required to be measured through profit and loss	-	-	-	-	-	76,560	-	(2,450)	-	**74,110**
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(4,648)	(5,417)	(3,855)	(9,156)	(51,370)	-	-	-	-	**(74,446)**
Other operating income	17,045	15,041	4,928	1,700	65,445	122	11,293	36,662	(15,073)	**137,163**
Total income	**186,779**	**387,904**	**295,075**	**520,018**	**1,357,356**	**506,130**	**247,974**	**1,050,821**	**(15,892)**	**4,536,165**
Personnel expenses	(62,565)	(173,722)	(92,150)	(180,354)	(417,752)	(19,909)	(51,064)	(99,983)	8	**(1,097,491)**
Other operating expenses	(30,238)	(68,424)	(35,425)	(70,317)	(239,562)	(20,258)	(43,476)	(125,562)	10,577	**(622,685)**
Depreciation and amortization	(19,221)	(43,186)	(23,774)	(60,275)	(158,127)	(6,719)	(6,566)	(12,821)	2,968	**(327,721)**
Total Expenses	**(112,024)**	**(285,332)**	**(151,349)**	**(310,946)**	**(815,441)**	**(46,886)**	**(101,106)**	**(238,366)**	**13,553**	**(2,047,897)**
Operating profit before net, expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	**74,755**	**102,572**	**143,726**	**209,072**	**541,915**	**459,244**	**146,868**	**812,455**	**(2,339)**	**2,488,268**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities

a) Accounting classifications and fair value

Group, as at 31 December 2021					Retail						Non-Retail			
					in RON		in FCY				in RON		in FCY	
In RON thousand	Total carrying amount 2021	Total fair value 2021	Total carrying amount retail customers	Total fair value retail customers	Carrying amount	Fair value	Carrying amount	Fair value	Total carrying amount companies	Total fair value companies	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	419,377	419,377	-	-	-	-	-	-	419,377	419,377	390,904	390,904	28,473	28,473
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,108,316	1,108,316	-	-	-	-	-	-	1,108,316	1,108,316	344,812	344,812	763,504	763,504
- Equity instruments	*238,020*	*238,020*	-	-	-	-	-	-	*238,020*	*238,020*	*442*	*442*	*237,578*	*237,578*
- Debt instruments	*870,296*	*870,296*	-	-	-	-	-	-	*870,296*	*870,296*	*344,370*	*344,370*	*525,926*	*525,926*
Financial assets carried at amortized cost	87,371,010	87,711,357	27,883,616	28,233,299	23,557,709	23,782,721	4,325,907	4,450,578	59,487,394	59,478,058	30,634,227	30,634,996	28,853,167	28,843,062
Financial assets measured at fair value through other items of comprehensive income	41,193,373	41,193,373	-	-	-	-	-	-	41,193,373	41,193,373	23,920	23,920	17,272,613	17,272,613
- Equity instruments	*52,652*	*52,652*	-	-	-	-	-	-	*52,652*	*52,652*	*37,972*	*37,972*	*14,680*	*14,680*
- Debt instruments	*41,110,777*	*41,110,777*	-	-	-	-	-	-	*41,110,777*	*41,110,777*	*23,882,788*	*23,882,788*	*17,227,989*	*17,227,989*
- Loans and advances	*29,944*	*29,944*	-	-	-	-	-	-	*29,944*	*29,944*	-	-	*29,944*	*29,944*
Total financial assets	**130,092,076**	**130,432,423**	**27,883,616**	**28,233,299**	**23,557,709**	**23,782,721**	**4,325,907**	**4,450,578**	**102,208,460**	**102,199,124**	**55,290,703**	**55,291,472**	**46,917,757**	**46,907,652**
Financial liabilities														
Financial liabilities held-for-trading	39,179	39,179	-	-	-	-	-	-	39,179	39,179	38,420	38,420	759	759
Financial liabilities measured at amortized cost	121,062,550	121,074,647	72,421,343	72,408,424	36,102,362	36,092,222	36,318,981	36,316,202	48,641,207	48,666,223	33,997,255	34,021,973	14,643,952	14,644,250
Total financial liabilities	**121,101,729**	**121,113,826**	**72,421,343**	**72,408,424**	**36,102,362**	**36,092,222**	**36,318,981**	**36,316,202**	**48,680,386**	**48,705,402**	**34,035,675**	**34,060,393**	**14,644,711**	**14,645,009**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Group, as at 31 December 2020					Retail						Non-Retail			
					in RON		in FCY				in RON		in FCY	
In RON thousand	Total carrying amount 2020	Total fair value 2020	Total carrying amount retail customers	Total fair value retail customers	Carrying amount	Fair value	Carrying amount	Fair value	Total carrying amount companies	Total fair value companies	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	368,562	368,562	-	-	-	-	-	-	368,562	368,562	329,208	329,208	39,354	39,354
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,085,714	1,085,714	-	-	-	-	-	-	1,085,714	1,085,714	382,985	382,985	702,729	702,729
- Equity instruments	*217,564*	*217,564*	-	-	-	-	-	-	*217,564*	*217,564*	*372*	*372*	*217,192*	*217,192*
- Debt instruments	*868,150*	*868,150*	-	-	-	-	-	-	*868,150*	*868,150*	*382,613*	*382,613*	*485,537*	*485,537*
Financial assets carried at amortized cost	73,326,959	73,144,906	24,065,107	23,888,462	19,464,236	19,182,232	4,600,871	4,706,230	49,261,852	49,256,444	23,468,803	23,491,370	25,793,049	25,765,074
Financial assets measured at fair value through other items of comprehensive income	30,877,177	30,877,177	-	-	-	-	-	-	30,877,177	30,877,177	18,043,325	18,043,325	12,833,852	12,833,852
- Equity instruments	*32,687*	*32,687*	-	-	-	-	-	-	*32,687*	*32,687*	*24,848*	*24,848*	*7,839*	*7,839*
- Debt instruments	*30,813,652*	*30,813,652*	-	-	-	-	-	-	*30,813,652*	*30,813,652*	*18,018,477*	*18,018,477*	*12,795,175*	*12,795,175*
- Loans and advances	*30,838*	*30,838*	-	-	-	-	-	-	*30,838*	*30,838*	-	-	*30,838*	*30,838*
Total financial assets	**105,658,412**	**105,476,359**	**24,065,107**	**23,888,462**	**19,464,236**	**19,182,232**	**4,600,871**	**4,706,230**	**81,593,305**	**81,587,897**	**42,224,321**	**42,246,888**	**39,368,984**	**39,341,009**
Financial liabilities														
Financial liabilities held-for-trading	34,817	34,817	-	-	-	-	-	-	34,817	34,817	34,368	34,368	449	449
Financial liabilities measured at amortized cost	96,237,369	96,241,743	62,522,396	62,526,546	32,708,431	32,726,394	29,813,965	29,800,152	33,714,973	33,715,197	21,795,516	21,796,386	11,919,457	11,918,811
Total financial liabilities	**96,272,186**	**96,276,560**	**62,522,396**	**62,526,546**	**32,708,431**	**32,726,394**	**29,813,965**	**29,800,152**	**33,749,790**	**33,750,014**	**21,829,884**	**21,830,754**	**11,919,906**	**11,919,260**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Bank, as at 31 December 2021					**Retail**						**Non-Retail**			
					in RON		**in FCY**				**in RON**		**in FCY**	
In RON thousand	**Total carrying amount 2021**	**Total fair value 2021**	**Total carrying amount retail customers**	**Total fair value retail customers**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Total carrying amount companies**	**Total fair value companies**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	111,049	111,049	-	-	-	-	-	-	111,049	111,049	110,098	110,098	951	951
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,465,497	1,465,497	-	-	-	-	-	-	1,465,497	1,465,497	630,961	630,961	834,536	834,536
- Equity instruments	*237,578*	*237,578*	-	-	-	-	-	-	*237,578*	*237,578*	-	-	*237,578*	*237,578*
- Debt instruments	*1,227,919*	*1,227,919*	-	-	-	-	-	-	*1,227,919*	*1,227,919*	*630,961*	*630,961*	*596,958*	*596,958*
Financial assets carried at amortized cost	*79,854,340*	*80,271,135*	*25,713,324*	*26,101,762*	*22,113,078*	*22,366,311*	*3,600,246*	*3,735,451*	*54,141,016*	*54,169,373*	*30,147,875*	*30,162,010*	*23,993,141*	*24,007,363*
Financial assets measured at fair value through other items of comprehensive income	40,853,784	40,853,784	-	-	-	-	-	-	40,853,784	40,853,784	23,676,995	23,676,995	17,176,789	17,176,789
- Equity instruments	*15,904*	*15,904*	-	-	-	-	-	-	*15,904*	*15,904*	*12,638*	*12,638*	*3,266*	*3,266*
- Debt instruments	40,807,937	40,807,937	-	-	-	-	-	-	40,807,937	40,807,937	*23,664,357*	*23,664,357*	*17,143,580*	*17,143,580*
- Loans and receivables	*29,943*	*29,943*	-	-	-	-	-	-	*29,943*	*29,943*	-	-	*29,943*	*29,943*
Total financial assets	**122,284,670**	**122,701,465**	**25,713,324**	**26,101,762**	**22,113,078**	**22,366,311**	**3,600,246**	**3,735,451**	**96,571,346**	**96,599,703**	**54,565,929**	**54,580,064**	**42,005,417**	**42,019,639**
Financial liabilities														
Financial liabilities held-for-trading	38,689	38,689	-	-	-	-	-	-	38,689	38,689	37,930	37,930	759	759
Financial liabilities measured at amortized cost	114,971,651	114,986,259	68,694,066	68,683,959	35,205,529	35,195,389	33,488,537	33,488,570	46,277,585	46,302,300	33,325,414	33,350,132	12,952,171	12,952,168
Total financial liabilities	**115,010,340**	**115,024,948**	**68,694,066**	**68,683,959**	**35,205,529**	**35,195,389**	**33,488,537**	**33,488,570**	**46,316,274**	**46,340,989**	**33,363,344**	**33,388,062**	**12,952,930**	**12,952,927**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Bank, as at 31 December 2020					**Retail**						**Non-Retail**			
					in RON		**in FCY**				**in RON**		**in FCY**	
In RON thousand	**Total carrying amount 2020**	**Total fair value 2020**	**Total carrying amount retail customers**	**Total fair value retail customers**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Total carrying amount companies**	**Total fair value companies**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	39,662	39,662	-	-	-	-	-	-	39,662	39,662	39,015	39,015	647	647
Financial assets which are required to be measured at fair value through profit or loss, of which:	1,349,673	1,349,673	-	-	-	-	-	-	1,349,673	1,349,673	627,450	627,450	722,223	722,223
- Equity instruments	217,192	217,192	-	-	-	-	-	-	217,192	217,192	-	-	217,192	217,192
- Debt instruments	1,132,481	1,132,481	-	-	-	-	-	-	1,132,481	1,132,481	627,450	627,450	505,031	505,031
Financial assets carried at amortized cost	68,900,944	68,728,286	23,016,535	22,841,200	18,978,860	18,717,024	4,037,675	4,124,176	45,884,409	45,887,086	23,358,015	23,378,066	22,526,394	22,509,020
Financial assets measured at fair value through other items of comprehensive income	30,850,770	30,850,770	-	-	-	-	-	-	30,850,770	30,850,770	18,026,435	18,026,435	12,824,335	12,824,335
- Equity instruments	14,816	14,816	-	-	-	-	-	-	14,816	14,816	12,621	12,621	2,195	2,195
- Debt instruments	30,805,116	30,805,116	-	-	-	-	-	-	30,805,116	30,805,116	18,013,814	18,013,814	12,791,302	12,791,302
- Loans and receivables	30,838	30,838	-	-	-	-	-	-	30,838	30,838	-	-	30,838	30,838
Total financial assets	**101,141,049**	**100,968,391**	**23,016,535**	**22,841,200**	**18,978,860**	**18,717,024**	**4,037,675**	**4,124,176**	**78,124,514**	**78,127,191**	**42,050,915**	**42,070,966**	**36,073,599**	**36,056,225**
Financial liabilities														
Financial liabilities held-for-trading	34,817	34,817	-	-	-	-	-	-	34,817	34,817	34,369	34,369	449	449
Financial liabilities measured at amortized cost	93,066,448	93,085,577	60,645,207	60,663,465	32,580,419	32,598,381	28,064,788	28,065,084	32,421,241	32,422,112	21,676,172	21,677,043	10,745,069	10,745,069
Total financial liabilities	**93,101,265**	**93,120,394**	**60,645,207**	**60,663,465**	**32,580,419**	**32,598,381**	**28,064,788**	**28,065,084**	**32,456,058**	**32,456,929**	**21,710,541**	**21,711,412**	**10,745,518**	**10,745,518**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities

The Group and the Bank measure the fair value of financial instruments by using the following fair value hierarchy:

Level 1 in the fair value hierarchy
The fair value of financial assets and liabilities included in Level 1 in the fair value hierarchy is determined based on quoted prices in active markets for identical assets or liabilities. Quoted prices that are being applied must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 in the fair value hierarchy
The fair value of financial assets and liabilities included in Level 2 in the fair value hierarchy is determined by using evaluation methods which contain observable market data when market prices are not available. Level 2 evaluations generally use observable market parameters, such as interest rates and yield curves observable at commonly quoted intervals, preset volatilities and credit spreads.

Level 3 in the fair value hierarchy
The fair value of financial assets and liabilities included in Level 3 in the fair value hierarchy is determined by using input data that are not based on observable market information (unobservable data inputs shall reflect the assumptions made by the market participants to establish the price of an asset or a liability, including risk assumptions).
The objective of valuation techniques is to derive the fair value that reflects a price for the financial instrument at the reporting date, price that would be obtained by the market participants acting at arm's length.

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

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

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

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

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

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

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

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

The table below presents the financial instruments measured at fair value in the statement of financial position, at the end of the reporting period, by fair value levels:

***Group** - In RON thousand*	**Notes**	**Level 1 - Quoted market prices in active markets**	**Level 2 - Valuation techniques – observable inputs**	**Level 3 - Valuation techniques – unobservable inputs**	**Total**
31 December 2021					
Financial assets held for trading and measured at fair value through profit or loss, of which:	*21.a)*	**317,955**	**-**	**20,495**	**338,450**
- Equity instruments		*205,313*	-	-	***205,313***
- Debt instruments		*112,642*	-	20,495	***133,137***
Derivatives	*43*	**-**	**80,927**	**-**	**80,927**
Financial assets measured at fair value through other items of comprehensive income	*24*	**41,002,496**	**602**	**190,275**	**41,193,373**
- Equity instruments		**-**	**-**	**52,652**	**52,652**
- Debt instruments		**41,002,496**	**602**	**107,679**	**41,110,777**
- Loans and advances		**-**	**-**	**29,944**	**29,944**
Financial assets which are required to be measured at fair value through profit or loss, of which:		**817,263**	**10,191**	**280,862**	**1,108,316**
- Equity instruments	*21.b)*	**238,020**	**-**	**-**	**238,020**
- Debt instruments		**579,243**	**10,191**	**280,862**	**870,296**
Total financial assets measured at fair value in the statement of financial position		**42,137,714**	**91,720**	**491,632**	**42,721,066**
Non-financial assets at fair value		-	-	**1,064,215**	**1,064,215**
- Property and equipment and investment property	*26*	-	-	*1,064,215*	*1,064,215*
Total assets measured at fair value in the statement of financial position		**42,137,714**	**91,720**	**1,555,847**	**43,785,281**
Financial liabilities held-for-trading	*43*	**-**	**39,179**	**-**	**39,179**
31 December 2020					
Financial assets held for trading and measured at fair value through profit or loss, of which:	*21.a)*	**346,472**	**-**	**-**	**346,472**
- Equity instruments		226,137	-	-	**226,137**
- Debt instruments		120,335	-	-	**120,335**
Derivatives	*43*	**-**	**22,090**	**-**	**22,090**
Financial assets measured at fair value through other items of comprehensive income	*24*	**30,812,897**	**755**	**63,525**	**30,877,177**
- Equity instruments		-	-	32,687	**32,687**
- Debt instruments		30,812,897	755	-	**30,813,652**
- Loans and advances		-	-	30,838	**30,838**
Financial assets which are required to be measured at fair value through profit or loss, of which:	*21.b)*	**745,920**	**62,226**	**277,568**	**1,085,714**
- Equity instruments		217,564	-	-	**217,564**
- Debt instruments		528,356	62,226	277,568	**868,150**
Total financial assets measured at fair value in the statement of financial position		**31,905,289**	**85,071**	**341,093**	**32,331,453**
Non-financial assets at fair value		**-**	**-**	**904,297**	**904,297**
- Property and equipment and investment property	*26*	-	-	904,297	**904,297**
Total assets measured at fair value in the statement of financial position		**31,905,289**	**85,071**	**1,245,390**	**33,235,750**
Financial liabilities held-for-trading	*43*	**-**	**34,817**	**-**	**34,817**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

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

Bank - *In RON thousand*	**Notes**	**Level 1 - Quoted market prices in active markets**	**Level 2 - Valuation techniques – observable inputs**	**Level 3 - Valuation techniques – unobservable inputs**	**Total**
31 December 2021					
Financial assets held for trading and measured at fair value through profit or loss, of which:	21.a)	**31,207**	**-**	**-**	**31,207**
- Equity instruments		31,207	-	-	**31,207**
Derivatives	43	**-**	**79,842**	**-**	**79,842**
Financial assets measured at fair value through other items of comprehensive income	24	**40,699,656**	**602**	**153,526**	**40,853,784**
- Equity instruments		-	-	15,904	**15,904**
- Debt instruments		40,699,656	602	107,679	**40,807,937**
- Loans and receivables		-	-	29,943	**29,943**
Financial assets which are required to be measured at fair value through profit or loss, of which:		**1,174,444**	**10,191**	**280,862**	**1,465,497**
- Equity instruments	21.b)	237,578	-	-	**237,578**
- Debt instruments		936,866	10,191	280,862	**1,227,919**
Total financial assets measured at fair value in the statement of financial position		**41,905,307**	**90,635**	**434,388**	**42,430,330**
Non-financial assets at fair value		**-**	**-**	**652,581**	**652,581**
- Property and equipment and investment property	26	-	-	652,581	**652,581**
Total assets measured at fair value in the statement of financial position		**41,905,307**	**90,635**	**1,086,969**	**43,082,911**
Financial liabilities held-for-trading	43	**-**	**38,689**	**-**	**38,689**
31 December 2020					
Financial assets held for trading and measured at fair value through profit or loss, of which:	21.a)	**17,572**	**-**	**-**	**17,572**
- Equity instruments		*17,572*	**-**	**-**	***17,572***
Derivatives	43	**-**	**22,090**	**-**	***20,090***
Financial assets measured at fair value through other items of comprehensive income	24	**30,804,361**	**755**	**45,654**	***30,850,770***
- Equity instruments		**-**	-	14,816	**14,816**
- Debt instruments		30,804,361	755	-	**30,805,116**
- Loans and receivables		-	-	*30,838*	***30,838***
Financial assets which are required to be measured at fair value through profit or loss, of which:	21.b)	***1,009,879***	**62,226**	**277,568**	***1,349,673***
- Equity instruments		217,192	-	-	***217,192***
- Debt instruments		792,687	62,226	277,568	**1,132,481**
Total financial assets measured at fair value in the statement of financial position		***31,831,812***	**85,071**	**323,222**	***32,240,105***
Non-financial assets at fair value		**-**	**-**	***619,041***	***619,041***
- Property and equipment and investment property	26	-	-	619,041	**619,041**
Total assets measured at fair value in the statement of financial position		***31,831,812***	***85,071***	***942,263***	**32,859,146**
Financial liabilities held-for-trading	43	-	**34,817**	-	***34,817***

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

ii) Financial instruments not carried at fair value

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

At level 3 in the fair value hierarchy, the Group and the Bank included in the category of assets: loans and advances and finance lease receivables and other financial assets; and in the category of liabilities: loans from banks and other financial institutions, subordinated loans and other financial liabilities.

The table below presents the fair value and the fair value hierarchy for the financial assets and liabilities that are not measured at fair value in the statement of financial position at 31 December 2021:

RON thousand	Note	Group					Bank				
				Fair value hierarchy					Fair value hierarchy		
		Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets											
Placements with banks and public institutions	20	10,394,297	10,394,297	-	10,394,297	-	9,612,690	9,612,690	-	9,612,690	-
Loans and advances to customers	22	54,629,754	54,965,684	-	-	54,965,684	52,238,523	52,649,069	-	-	52,649,069
Finance lease receivables	23	1,488,031	1,487,603	-	-	1,487,603	-	-	-	-	-
Financial assets at amortized cost - debt instruments	24	1,483,111	1,487,956	51,103	1,436,853	-	355,331	361,580	-	361,580	-
Other financial assets	30	1,054,904	1,054,904	-	-	1,054,904	884,171	884,171	-	-	884,171
Total assets		**69,050,097**	**69,390,444**	**51,103**	**11,831,150**	**57,508,191**	**63,090,715**	**63,507,510**	**-**	**9,974,270**	**53,533,240**
Liabilities											
Deposits from banks	32	1,024,259	1,024,259	-	1,024,259	-	952,453	952,453	-	952,453	-
Deposits from customers	33	108,021,629	108,007,480	-	108,007,480	-	102,698,085	102,686,447	-	102,686,447	-
Loans from banks and other financial institutions	34	7,929,500	7,955,746	-	-	7,955,746	7,457,843	7,484,089	-	-	7,484,089
Subordinated liabilities	35	1,762,484	1,762,484	-	-	1,762,484	1,706,234	1,706,234	-	-	1,706,234
Lease liabilities		498,597	498,597	-	-	498,597	716,569	716,569	-	-	716,569
Other financial liabilities	37	1,826,081	1,826,081	-	-	1,826,081	1,440,467	1,440,467	-	-	1,440,467

Total liabilities	**121,062,550**	**121,074,647**	**-**	**109,031,739**	**12,042,908**	**114,971,651**	**114,986,259**	**-**	**103,638,900**	**11,347,359**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

ii) Financial instruments not carried at fair value (continued)

The table below presents the fair value and the fair value hierarchy for the financial assets and liabilities that are not measured at fair value in the statement of financial position at 31 December 2020:

		Group					**Bank**				
RON thousand	**Note**	**Carrying amount**	**Fair value**	**Fair value hierarchy**			**Carrying amount**	**Fair value**	**Fair value hierarchy**		
				Level 1	**Level 2**	**Level 3**			**Level 1**	**Level 2**	**Level 3**
Assets											
Placements with banks and public institutions	20	7,223,277	7,223,277	-	7,223,277	-	6,636,395	6,636,395	-	6,636,395	-
Loans and advances to customers	22	40,892,544	40,692,694	-	-	40,692,694	40,363,909	40,185,867	-	-	40,185,867
Finance lease receivables	23	1,227,716	1,230,658	-	-	1,230,658	-	-	-	-	-
Financial assets at amortized cost - debt instruments	24	990,106	1,004,961	58,212	946,749	-	160,874	166,258	-	166,258	-
Other financial assets	30	860,105	860,105	-	-	860,105	761,133	761,133	-	-	761,133
Total assets		**51,193,748**	**51,011,695**	**58,212**	**8,170,026**	**42,783,457**	**47,922,311**	**47,749,653**	**-**	**6,802,653**	**40,947,000**
Liabilities											
Deposits from banks	32	318,944	318,944	-	318,944	-	311,822	311,822	-	311,822	-
Deposits from customers	33	90,942,415	90,946,555	-	90,946,555	-	88,297,146	88,316,041	-	88,316,041	-
Loans from banks and other financial institutions	34	1,691,668	1,691,902	-	-	1,691,902	1,176,066	1,176,300	-	-	1,176,300
Subordinated liabilities	35	1,667,761	1,667,761	-	-	1,667,761	1,664,464	1,664,464	-	-	1,664,464
Lease liabilities		454,792	454,792	-	-	454,792	709,269	709,269	-	-	709,269
Other financial liabilities	37	1,161,789	1,161,789	-	-	1,161,789	907,681	907,681	-	-	907,681
Total liabilities		**96,237,369**	**96,241,743**	**-**	**91,265,499**	**4,976,244**	**93,066,448**	**93,085,577**	**-**	**88,627,863**	**4,457,714**

Notes to the consolidated and separate financial statements

8. Net interest income

In RON thousand	Group 2021	Group 2020	Bank 2021	Bank 2020
Interest income calculated using the effective interest method	**3,570,594**	**3,495,215**	**3,236,110**	**3,199,035**
- Cash and curent accounts with Central Banks at AC	10,401	14,200	5,491	10,173
- Placements with banks and public institutions at AC	37,336	103,783	36,857	101,660
- Loans and advances to customers at AC	2,619,094	2,646,980	2,342,226	2,399,967
- Debt instruments at FVOCI	848,476	683,257	846,945	682,900
- Debt instruments at AC	55,287	46,995	4,591	4,335
Other similar income	**125,159**	**165,210**	**11,668**	**11,673**
- Finance lease receivables	113,491	97,969	-	-
- Non-recourse factoring receivables	11,668	67,241	11,668	11,673
Total interest income	**3,695,753**	**3,660,425**	**3,247,778**	**3,210,708**
Interest expense related to financial liabilities measured at amortized cost	**552,281**	**681,981**	**501,261**	**629,232**
- Cash and curent accounts with Central Banks	49,951	54,120	49,829	54,112
- Deposits from banks	12,619	16,752	11,072	15,025
- Deposits from customers	384,134	471,095	347,713	436,103
- Loans from banks and other financial institutions	105,577	140,014	92,647	123,992
Other similar expense	**1,353**	**1,351**	**6,681**	**1,409**
- Lease liabilities	1,353	1,351	6,681	1,409
Total interest expense	**553,634**	**683,332**	**507,942**	**630,641**
Net interest income	**3,142,119**	**2,977,093**	**2,739,836**	**2,580,067**

(i) Interest income for the year ended at 31 December 2021 includes the net interest income on impaired financial assets amounting RON 117,617 thousand (2020: RON 121,832 thousand) for the Group and RON 90,721 thousand (2020: RON 96,164 thousand) for the Bank.

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

9. Net fee and commission income

In RON thousand	Group 2021	Group 2020	Bank 2021	Bank 2020
Fee and commission income				
Commissions from treasury and inter-bank operations	179,922	132,711	179,725	132,711
Client transactions	1,205,291	980,128	999,450	819,098
Lending activity *(i)*	41,127	34,902	40,139	34,420
Finance lease management	1,926	51	-	-
Other fee and commission income	4,609	4,148	531	658
Total fee and commission income	***1,432,875***	***1,151,940***	***1,219,845***	***986,887***
Fee and commission expense				
Commissions from treasury and inter-bank operations	322,353	248,841	270,861	213,191
Client transactions	119,614	100,460	98,076	78,155
Lending activity *(i)*	27,419	24,010	42,375	36,891
Other fees and commissions	2,132	2,168	2,257	2,210
Total fee and commission expense	***471,518***	***375,479***	***413,569***	***330,447***
Net fee and commission income	**961,357**	**776,461**	**806,276**	**656,440**

(i) *Lending-related fees include guarantee assessment and amendment fees, debt recovery fees.*

10. Net trading income

In RON thousand	Group 2021	Group 2020	Bank 2021	Bank 2020
Net income from foreign exchange transactions	440,666	365,139	398,361	315,137
Net expense from derivatives	28,283	(28,181)	27,831	(28,178)
Net income/(expense) from financial assets held-for-trading	37,904	(15,650)	14,744	1,151
Net income from foreign exchange position revaluation	21,829	23,811	20,350	22,011
Net trading income	**528,682**	**345,119**	**461,286**	**310,121**

11. Net gain/loss(-) from the sale of financial assets measured at fair value through other items of comprehensive income

In RON thousand	Group 2021	Group 2020	Bank 2021	Bank 2020
Income from the sale of financial assets measured at fair value through other items of comprehensive income	198,939	305,442	198,876	305,387
Losses from the sale of financial assets measured at fair value through other items of comprehensive income	(19,916)	(4,777)	(19,916)	(4,777)
Net gain/loss(-) from the sale of financial assets measured at fair value through other items of comprehensive income	**179,023**	**300,665**	**178,960**	**300,610**

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

In RON thousand	Group 2021	Group 2020	Bank 2021	Bank 2020
Losses from financial assets which are required to be measured at fair value through profit or loss	(156,760)	(194,251)	(163,837)	(308,330)
Income from financial assets which are required to be measured at fair value through profit or loss	195,169	268,361	228,325	350,830
Net gain/loss(-) from financial assets which are required to be measured at fair value through profit or loss	**38,409**	**74,110**	**64,488**	**42,500**

13. Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund

The impact of the breakdown of the annual contribution to the two funds, as reflected in the separate and consolidated statement of profit or loss, is the following:

	Group 2021	Group 2020	Bank 2021	Bank 2020
Contribution to the Bank Deposit Guarantee Fund	30,500	33,093	27,767	30,551
Bank Resolution Fund	59,500	41,353	54,255	39,244
Total	**90,000**	**74,446**	**82,022**	**69,795**

14. Other operating income

In RON thousand	Group 2021	Group 2020	Bank 2021	Bank 2020
Dividend income	3,243	2,974	33,808	6,939
Income from insurance intermediation	106,559	69,248	85,534	53,911
Income from VISA, MASTERCARD, WU services	16,456	15,719	16,456	15,719
Income from indemnities, fines and penalties	9,132	9,863	6,657	6,818
Other operating income *(i)*	39,057	39,359	36,899	33,874
Total	**174,447**	**137,163**	**179,354**	**117,261**

(i) The category "Other operating income" includes the following types of income: debt recoveries related to closed accounts, cash at hand differences, income from recovered legal expenses, other recoveries from operating expenses.

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

(a) *Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss*

In RON thousand	Group 2021	Group 2020	Bank 2021	Bank 2020
Net impairment allowance on assets (i)	665,926	1,027,374	631,299	916,710
Loans written off	16,736	5,259	1	1
Finance lease receivables written off	10,422	16,947	-	-
Provisions for other risks and loan commitments	17,151	97,568	10,567	106,228
Recoveries from loans written off	(298,148)	(244,148)	(287,237)	(227,826)
Recoveries from finance lease receivables written off	(26,243)	(32,225)	-	-
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	**385,844**	**870,775**	**354,630**	**795,113**

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

In RON thousand	Group 2021	Group 2020	Bank 2021	Bank 2020
Loans and advances to customers	560,446	984,194	549,203	911,369
Treasury and inter-bank operations	4,554	93	4,442	403
Finance lease receivables	16,708	32,929	-	-
Investment securities	76,296	4,481	72,751	2,312
Other financial assets	7,922	5,677	4,903	2,626
Net impairment allowance on assets	**665,926**	**1,027,374**	**631,299**	**916,710**

(b) *(Other) Provisions and reversal of provisions*

In RON thousand	Group 2021	Group 2020	Bank 2021	Bank 2020
Other non-financial assets	(11,517)	4,105	(1,583)	(2,831)
Litigation and other risks	(117,711)	(9,040)	(118,220)	(8,398)
(Other) Provisions and reversal of provisions	**(129,228)**	**(4,935)**	**(119,803)**	**(11,229)**

16. Personnel expenses

In RON thousand	Group 2021	Group 2020	Bank 2021	Bank 2020
Gross salaries	1,055,620	933,974	918,262	817,659
Social protection contribution	44,433	39,795	29,302	26,491
Share payments to employees	123,142	62,894	122,225	60,564
Pension contribution Pillar III	15,619	12,005	14,600	11,256
Other staff expenses	71,543	52,928	65,089	47,642
Net income/(expense) with provisions for untaken holiday and other benefits	17,920	(4,105)	9,587	(4,759)
Total	**1,328,277**	**1,097,491**	**1,159,065**	**958,853**

The average number of new employees within the Group and the Bank during 2021 and 2020 was:

Category	**Monthly average number of persons employed during 2021**		**Monthly average number of persons employed during 2020**	
	Group	**Bank**	**Group**	**Bank**
Management positions	2.08	0.17	1.08	0.08
Operational positions	145.50	108.58	108.25	82.33
Total	**147.58**	**108.75**	**108.67**	**82.42**

The Bank has established a Stock Option Plan (SOP) program, within which the Bank's staff can exercise their right and option to acquire a number of shares issued by the Bank.
Vesting conditions for 2022 related to SOP 2021:
- Achievement of performance and prudential indicators during 2021;
- Compliance with certain individual eligibility and/or performance criteria, in accordance with the applicable remuneration policy and standard, related to the year for which shares are granted;
- Being an employee upon the granting of the SOP right (31 May 2022) and when exercising such right (starting from 01 June 2022).

Contractual vesting period for the shares granted for the year 2021 through SOP:
- Release after 01 June 2022;
- Deferral period for the identified personnel subject to applicable restrictions, pursuant to internal regulations in force.

The impact in profit or loss of a possible value change of the shares which are to be granted to the employees under the Stock Option Plan for 2020, by a maximum of +/-15.00% regulated by the Bucharest Stock Exchange, would be of RON +/- 15,830 thousand.

The movement in transactions relating to share-based payments during 2021 and 2020 is presented below:

In RON thousand	**2021**	**2020**
Balance as at January 1	**8,817**	**26,927**
Rights granted during the year	(58,780)	(78,675)
Expense with employee benefits in the form of share-based payments	122,225	60,565
Closing balance at the end of period	**72,262**	**8,817**

16. Personnel expenses *(continued)*

23,788,728 shares were granted to employees and shareholders in 2021; during the year 2020, a number of 35,068,919 shares was granted to the employees and shareholders:

Granting date	Number of shares	Contractual vesting period	Vesting conditions
Shares granted to employees for the year 2021	22,657,211	With immediate release on 02 September 2021	Achievement of performance and prudential indicators during 2020. Compliance with the conditions stipulated in the applicable remuneration policy and standard, related to the year for which shares are granted, as well as with the conditions of the trust agreement.
	1,131,517	Deferral by trust agreement for 3-5 years	

17. Other operating expenses

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Rent and lease expense	8,086	8,496	6,411	6,893
Repairs and maintenance expenses	189,483	164,513	174,727	148,505
Advertising, marketing, entertainment and sponsorship expenses	90,653	83,613	77,569	73,554
Mail, telecommunication and SMS traffic expenses	63,958	54,899	48,341	42,885
Materials and stationery	75,654	66,997	64,993	61,090
Other professional fees, including legal expenses	35,579	27,114	24,385	13,183
Expenses regarding movable and immovable assets resulting from debt enforcement	-	3,389	61	3,000
Electricity and heating	24,772	22,735	22,800	20,944
Business travel, transportation and temporary relocation expenses	38,157	24,581	36,701	23,710
Insurance costs	21,863	21,262	19,542	18,263
Taxes	28,129	23,912	26,164	22,025
Write-off and loss on disposal of property and equipment and intangible assets	1,258	6,838	1,473	4,574
Security and protection	14,452	13,537	13,088	11,986
Expenses related to archiving services	17,336	15,734	17,169	15,540
Expenses related to database queries from the Trade Register and the Credit Bureau	7,224	5,699	5,883	4,669
Expenses with foreclosed assets	5,768	5,324	5,368	5,324
Audit, advisory and other services provided by the independent auditor	6,789	6,297	3,525	3,298
- statutory and group audit fees	5,595	5,154	*3,446*	*2,979*
- special audit services or other non-audit services as required by the local rules or legislation	1,194	1,143	*79*	*319*
Net expenses from the sale of leased goods	4,349	2,360	-	-
Other operating expenses	62,382	65,385	43,139	40,316
Total other operating expenses	**695,892**	**622,685**	**591,339**	**519,759**

18. Income tax expense

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Gross Profit	**2,302,798**	**1,622,428**	**2,022,368**	**1,371,036**
Statutory tax rate (2021: 16%; 2020: 16%)	***(368,448)***	***(259,588)***	***(323,579)***	***(219,366)***
Fiscal effect of income tax on the following elements:	***90,183***	***61,238***	***83,915***	***45,635***
- *Non-taxable income*	*103,156*	*96,625*	*121,489*	*82,965*
- *Non-deductible expense*	*(126,263)*	*(169,907)*	*(147,255)*	*(169,160)*
- *Tax deductions*	*123,021*	*142,909*	*119,585*	*140,219*
- *Income like items*	*(9,870)*	*(8,389)*	*(9,904)*	*(8,389)*
- *Expense like items*	*139*	-	-	-
Income tax expense	**(278,265)**	**(198,350)**	**(239,664)**	**(173,731)**

19. Cash and curent accounts with Central Banks

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Minimum reserve requirement	14,631,699	19,289,218	13,585,904	18,558,740
Cash on hand and other values	3,689,214	2,843,993	3,177,721	2,419,893
Total	**18,320,913**	**22,133,211**	**16,763,625**	**20,978,633**

During 2021, the minimum reserve requirements ratio at the National Bank of Romania was 8% for RON denominated balances and 5% for EUR denominated balances (2020: 8% for funds denominated in RON and EUR). The minimum reserve balance may fluctuate on a daily basis. The interest paid by the National Bank of Romania for the reserves held by the banks was 0.18% - 0.13% per year for the reserves in RON, 0.00% per year for reserves denominated in EUR and 0.01% per year for reserves denominated in USD. The minimum required reserve can be used by the Bank for its daily activities as long as the average monthly balance is maintained within the required limits.
Also, for 2021, the minimum reserve requirements of the National Bank of Moldova was 26% for MDL denominated balances and 30% of the calculation base for freely convertible currency (2020, December 31: 32% for MDL and 30% for freely convertible currency).

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

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Cash and curent accounts with Central Banks(*)	18,320,178	22,134,426	16,764,278	20,979,902
Placements with banks - maturity below 3 months	8,619,503	4,188,689	7,910,017	3,704,585
Reverse-repo transactions	166,670	30,623	166,670	30,623
Loans and advances to credit institutions	39,129	87,632	39,129	87,632
Financial assets measured at fair value through other items of comprehensive income	243	69	-	-
Financial assets measured at amortized cost – debt instruments	211,022	208,183	-	-
Cash and cash equivalents in the cash flow statement	**27,356,745**	**26,649,622**	**24,880,094**	**24,802,742**

(*) At Group level, the cash and curent accounts with Central Banks do not include the accrual and interest receivable in the amount of RON 735 thousand (2020: RON (1,215) thousand) and at the level of the Bank in the amount of RON (653) thousand (2020: RON (1,269) thousand).

20. Placements with banks and public institutions

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Current accounts with other banks	1,085,546	1,067,035	437,394	641,225
Term deposit at the National Bank	-	-	-	-
Sight, collateral and term deposits with other banks	7,857,552	4,721,926	7,724,097	4,560,854
Reverse repo transactions	1,156,469	1,102,885	1,156,469	1,102,885
Loans and advances to credit institutions	294,730	331,431	294,730	331,431
Total	**10,394,297**	**7,223,277**	**9,612,690**	**6,636,395**

As at 31 December 2021, the placements with banks included reverse-repo securities, term deposits and loans and advances to credit institutions with maturity up to 3 months, which are also included in the separate and consolidated statement of cash flows, as follows: reverse-repo in amount of RON 166,670 thousand, deposits in amount of RON 7,083,657 thousand and loans and advances to credit institutions of RON 39,129 thousand at Group level, and reverse-repo in amount of RON 166,670 thousand, deposits in amount of RON 7,089,404 thousand and loans and advances to credit institutions in amount of RON 39,129 thousand at Bank level (2020: reverse-repo in amount of RON 30,623 thousand and deposits in amount of RON 2,588,532 thousand at Group level, and reverse-repo of RON 30,623 thousand, deposits in amount of RON 2,574,808 thousand at Bank level; loans and advances to credit institutions in amount of RON 87,632 for both the Group and the Bank).

Except for sale and reverse-repo agreements, the amounts due from other banks are not guaranteed. The quality analysis of the placements with banks as at 31 December 2021 and 31 December 2020, according to the rating agencies is detailed below:

Group	**2021**		**2020**	
In RON thousand	**Placements with banks**	**Reverse repo transactions**	**Placements with banks**	**Reverse repo transactions**
Investment grade	8,837,556	1,156,469	5,879,949	1,102,885
Non-investment grade	400,272		240,443	-
Total	9,237,828	1,156,469	**6,120,392**	**1,102,885**

Bank	**2021**		**2020**	
In RON thousand	**Placements with banks**	**Reverse repo transactions**	**Placements with banks**	**Reverse repo transactions**
Investment grade	8,038,468	1,156,469	5,297,517	1,102,885
Non-investment grade	417,753	-	235,993	-
Total	**8,456,221**	**1,156,469**	**5,533,510**	**1,102,885**

The qualitative analysis regarding the placements with banks was based on the credit ratings issued by Standard & Poor's, Moody's and Fitch, if available. As concerns the Group's/Bank's placements with credit institutions that are not rated by Standard & Poor's, Moody's or Fitch, The Standard & Poor's and Moody's sovereign rating was used.

The Investment-grade category includes the Group's/Bank's placements with credit institutions having the following ratings: AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB and BBB-.

The non-investment grade category includes the Group's/Bank's placements with credit institutions having the following ratings: BB+, BB-, B+, B, B-, B3 ,CCC+ and CCC-.

21. Financial assets at fair value through profit or loss

a) Held-for-trading financial assets measured at fair value through profit or loss

The structure of financial assets held-for-trading and measured at fair value through profit or loss is presented in the table below:

In RON thousand	Group		Bank	
	2021	**2020**	**2021**	**2020**
Equity instruments	205,313	226,137	31,207	17,572
Debt instruments	133,137	120,335	-	-
Total	**338,450**	**346,472**	**31,207**	**17,572**

As at 31 December 2021, the Group held shares listed on the Bucharest Stock Exchange and on the main Stocks from Europe.
As at 31 December 2021, the Group owned significant investments amounting to RON 166,102 thousand in the following entities: Evergent Investments S.A. and SIF Transilvania S.A. (2020: RON 168,498 thousand).

A qualitative analysis financial assets held-for-trading and measured at fair value through profit or loss for the Group and of the Bank as at 31 December 2021 and 31 December 2020 is presented below:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Investment-grade	25,370	18,989	20,911	1,924
Non-investment grade	1,610	1,763	512	434
No rating(*)	311,470	325,720	9,784	15,214
Total	**338,450**	**346,472**	**31,207**	**17,572**

(*) They mainly represent the Group's investments in fund units and Romanian financial investment companies,

The analysis of the quality of the financial assets held-for-trading and measured at fair value through profit or loss is based on the Standard & Poor's rating, if available, or Moody's rating converted into the nearest equivalent rating according to the scale of Standard & Poor.
The Investment-grade category includes financial assets at fair value through profit or loss with the following ratings: AA, A+, A, A-, A1, BBB+, BBB, BBB-.

The Non-Investment-grade category includes financial assets at fair value through profit or loss with rating BB+, BB si BB-.
The 'no rating' category includes financial assets at fair value through profit or loss the issuers of which are not rated.

b) Financial assets which are required to be measured at fair value through profit and loss

The structure of financial assets which are required to be measured at fair value through profit or loss is presented in the table below:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Equity instruments	238,020	217,564	237,578	217,192
Debt instruments	870,296	868,150	1,227,919	1,132,481
Total	**1,108,316**	**1,085,714**	**1,465,497**	**1,349,673**

21. Financial assets at fair value through profit or loss

b) Financial assets which are required to be measured at fair value through profit and loss

The following is an analysis of the quality of the Group's and the Bank's portfolio of the debt instruments which are required to be measured at fair value through profit and loss as at December 2021,31 and as at December 2020,31.

	Group		**Bank**	
În mii lei	**2021**	**2020**	**2021**	**2020**
Investment-grade	280,861	329,576	280,861	329,576
Non-investment grade	10,191	10,218	10,191	10,218
N/A	579,244	528,356	936,867	792,687
Total	870,296	868,150	**1,227,919**	**1,132,481**

(*) The vast majority of these represent the Group's investments in Romanian fund units and financial investment companies.

22. Loans and advances to customers

The Group's and Bank's commercial lending is concentrated on Romanian companies and individuals. The risk distribution of the credit portfolio per sectors, as at **31 December 2021** and **31 December 2020**, is the following:

	Group		**Bank**	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Retail	29,130,528	25,156,881	26,894,374	24,043,882
Trading	6,318,563	4,777,850	5,757,419	4,499,473
Manufacturing	3,929,228	3,505,721	3,690,153	3,392,014
Agriculture	1,988,276	1,714,603	1,889,405	1,642,772
Services	2,383,956	2,106,291	2,163,455	2,003,490
Real Estate	1,673,157	1,429,018	1,786,098	1,538,348
Constructions	1,417,488	1,310,351	1,237,201	1,268,154
Transportation	2,082,996	1,643,595	1,722,122	1,550,082
Self-employed	770,848	679,872	620,870	548,929
Others	925,361	718,567	792,989	669,836
Financial Institutions	592,150	528,063	2,127,328	1,722,119
Telecommunications	173,456	76,957	139,867	73,325
Energy	645,839	306,706	644,820	306,667
Mining	97,663	91,578	93,414	91,079
Chemical Industry	78,024	95,152	76,328	94,589
Government Institutions	6,228,802	126,422	6,194,759	90,522
Fishing	22,950	19,031	22,158	18,680
Total loans and advances to customers before impairment allowance (*)	**58,459,285**	**44,286,658**	**55,852,760**	**43,553,961**
Allowances for impairment losses on loans	(3,829,531)	(3,394,114)	(3,614,237)	(3,190,052)
Total loans and advances to customers, net of impairment allowance	**54,629,754**	**40,892,544**	**52,238,523**	**40,363,909**

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

22. Loans and advances to customers (continued)

The structure of the credit portfolio of the Group and the Bank as at 31 December 2021 and 31 December 2020 is the following:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Corporate and government institutions	20,973,390	12,368,857	22,183,126	13,361,424
Small and medium enterprises	7,717,422	6,245,232	6,775,254	6,148,658
Consumer loans and card loans granted to retail customers	12,295,686	10,949,378	11,359,134	10,742,582
Mortgage loans	16,095,360	13,568,648	15,493,560	13,266,162
Loans granted by non-banking financial institutions	1,325,339	1,113,152	-	-
Other	52,088	41,391	41,686	35,135
Total loans and advances to customers before impairment allowance	**58,459,285**	**44,286,658**	**55,852,760**	**43,553,961**
Allowances for impairment losses on loans	(3,829,531)	(3,394,114)	(3,614,237)	(3,190,052)
Total loans and advances to customers net of impairment allowance	**54,629,754**	**40,892,544**	**52,238,523**	**40,363,909**

Notes to the consolidated and separate financial statements

22. Loans and advances to customers *(continued)*

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

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2021	**(712,219)**	**(1,121,314)**	**(1,486,623)**	**(73,958)**	**(3,394,114)**
Increase due to issue or acquisition	(766,657)	(440,867)	(234,029)	-	**(1,441,553)**
Decrease due to derecognition	367,405	361,036	369,339	4,769	**1,102,549**
Increase or decrease due to the change in credit risk (net) and transfers	178,090	(417,221)	(314,448)	(6,442)	**(560,021)**
Increase or decrease due to changes without derecognition (net)	137,346	64,750	46,630	(29,283)	**(219,443)**
Changes due to update in the institution's methodology for estimation	-	-	-	-	-
Decrease of impairment allowances due to write-offs	668	27,321	203,615	29,734	**261,338**
Other adjustments	(2,510)	(5,658)	(8,212)	(793)	**(17,173)**
Closing balance as at 31 December 2021	**(797,877)**	**(1,531,953)**	**(1,423,728)**	**(75,973)**	**(3,829,531)**

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22. Loans and advances to customers *(continued)*

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

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2021	**(718,881)**	**(1,068,022)**	**(1,348,193)**	**(54,956)**	**(3,190,052)**
Increase due to issue or acquisition	(737,459)	(431,741)	(228,791)	-	**(1,397,991)**
Decrease due to derecognition	360,446	358,447	350,785	4,555	**1,074,233**
Increase or decrease due to the change in credit risk (net) and transfers	185,142	(446,721)	(276,873)	(3,786)	**(542,238)**
Increase or decrease due to changes without derecognition (net)	121,697	60,667	48,136	(21,799)	**(208,701)**
Decrease of impairment allowances due to write-offs	630	27,288	192,992	29,723	**250,633**
Other adjustments	(2,927)	(5,613)	(8,190)	(793)	**(17,523)**
Closing balance as at 31 December 2021	**(791,352)**	**(1,505,695)**	**(1,270,134)**	**(47,056)**	**(3,614,237)**

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22. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at Group level in 2020 was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2020	**(453,853)**	**(604,154)**	**(1,549,320)**	**(89,654)**	**(2,696,981)**
Increase due to issue or acquisition	(334,241)	(290,402)	(170,356)	-	**(794,999)**
Decrease due to derecognition	183,587	302,195	191,891	7,466	**685,139**
Increase or decrease due to the change in credit risk (net) and transfers	166,497	(313,092)	(320,265)	(2,976)	**(469,836)**
Increase or decrease due to changes without derecognition (net)	(272,031)	(252,172)	42,738	(76,092)	**(557,557)**
Changes due to update in the institution's methodology for estimation	(10,203)	-	-	-	**(10,203)**
Decrease of impairment allowances due to write-offs	8,573	36,418	325,427	87,678	**458,096**
Other adjustments	(548)	(107)	(6,738)	(380)	**(7,773)**
Closing balance as at 31 December 2020	**(712,219)**	**(1,121,314)**	**(1,486,623)**	**(73,958)**	**(3,394,114)**

Notes to the consolidated and separate financial statements

22. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at Bank level in 2020 was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2020	**(466,217)**	**(527,628)**	**(1,467,876)**	**(70,952)**	**(2,532,673)**
Increase due to issue or acquisition	(328,992)	(279,100)	(165,366)	-	**(775,458)**
Decrease due to derecognition	185,447	295,937	184,113	4,730	**670,227**
Increase or decrease due to the change in credit risk (net) and transfers	165,793	(345,445)	(271,876)	(2,051)	**(453,579)**
Increase or decrease due to changes without derecognition (net)	(282,767)	(248,115)	54,423	(73,585)	**(550,044)**
Decrease of impairment allowances due to write-offs	8,573	36,418	325,026	87,282	**457,299**
Other adjustments	(718)	(89)	(6,637)	(380)	**(7,824)**
Closing balance as at 31 December 2020	**(718,881)**	**(1,068,022)**	**(1,348,193)**	**(54,956)**	**(3,190,052)**

23. Finance lease receivables

The Group acts as a lessor under finance lease agreements, concluded mainly for financing motor vehicles and equipment. The lease agreements are denominated in EUR, RON and USD and typically run for a period between 2 and maximum 10 years, with the transfer of ownership over the leased assets upon the termination of the lease agreement.

The lease receivables are secured by the underlying assets and by other collateral. The breakdown of finance lease receivables according to their maturity is presented below:

In RON thousand	**2021**	**2020**
Finance lease receivables with maturity below 1 year, gross	543,973	575,064
Finance lease receivables with maturity between 1-10 years, gross	1,171,374	868,059
Total finance lease receivables, gross	**1,715,347**	**1,443,123**
Future interest related to finance lease receivables	(121,128)	(111,223)
Total finance lease receivables, net of future interest	1,594,219	1,331,900
Impairment allowances for finance lease receivables	(106,188)	(104,184)
Total finance lease receivables	**1,488,031**	**1,227,716**

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

Notes to the consolidated and separate financial statements

23. Finance lease receivables *(continued)*

The movement in impairment allowances on finance lease receivable at Group level in 2021 was the following:

	Allowances for expected credit losses related to lease receivables for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses related to lease receivables for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on finance lease receivable to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2021	**-**	**(40,967)**	**(46,401)**	**(16,816)**	**(104,184)**
Increase due to issue or acquisition	(44)	(21,546)	(264)	-	**(21,854)**
Decrease due to derecognition	-	1,351	4,767	2	**6,120**
Increase or decrease due to the change in credit risk (net) and transfers	-	29,888	(13,506)	(909)	**15,473**
Increase or decrease due to changes without derecognition (net)	-	(116)	(11)	(1,614)	**(1,741)**
Decrease of impairment allowances due to write-offs	-	-	-	-	-
Other adjustments	-	(21)	(54)	73	**(2)**
Closing balance as at 31 December 2021	**(44)**	**(31,411)**	**(55,469)**	**(19,264)**	**(106,188)**

23. Finance lease receivables *(continued)*

The movement in impairment allowances on finance lease receivable at Group level in 2020 was the following:

	Allowances for expected credit losses related to lease receivables for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses related to lease receivables for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on finance lease receivable to customers which are impaired (Stage 3)	Allowances for expected losses on financial assets acquired or issued wich are impaired	Total
Opening balance as at January 1, 2020	**-**	**(21,347)**	**(42,409)**	**(20,295)**	**(84,051)**
Increase due to issue or acquisition	-	(18,765)	(8,346)	-	**(27,111)**
Decrease due to derecognition	-	5,989	6,235	3,582	**15,806**
Increase or decrease due to the change in credit risk (net) and transfers	-	(6,797)	(1,928)	(502)	**(9,227)**
Increase or decrease due to changes without derecognition (net)	-	26	(26)	398	**398**
Decrease of impairment allowances due to write-offs	-	-	-	-	**-**
Other adjustments	-	(73)	73	1	**1**
Closing balance as at 31 December 2020	**-**	**(40,967)**	**(46,401)**	**(16,816)**	**(104,184)**

Notes to the consolidated and separate financial statements

24. Investment securities

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

In RON thousand	Group 2021	Group 2020	Bank 2021	Bank 2020
Debt instruments, of which	**41,110,778**	**30,813,652**	**40,807,937**	**30,805,116**
- Central administrations	38,212,947	29,217,230	37,910,106	29,208,694
- Credit institutions	2,646,621	1,167,034	2,646,621	1,167,034
- Other financial companies	236,061	413,048	236,061	413,048
- Non-financial institutions	15,149	16,340	15,149	16,340
Equity instruments, of which:	**52,652**	**32,687**	**15,904**	**14,816**
- Other financial companies	28,639	22,754	15,904	14,816
- Non-financial institutions	24,013	9,933	-	-
Loans and advances to customers	**29,943**	**30,838**	**29,943**	**30,838**
- Central administrations	29,943	30,838	29,943	30,838
Total	**41,193,373**	**30,877,177**	**40,853,784**	**30,850,770**

As at 31 December 2021, for these categories of securities, the Group and the Bank hold equity instruments valued at fair value through other items of comprehensive income under the form of participations in Transfond, Biroul de Credit, Swift Belgium, CCP,RO BUCHAREST S.A. and Depozitarul Central S.A. The investment in such equity instruments as at 31 December 2021 at Group level amounted to RON 52,652 thousand (2020: RON 32,687 thousand) and at Bank level RON 15,904 thousand (2020: RON 14,816 thousand). During 2021, the dividends received by the Group for these equity instruments investment were in the amount of RON 3,204 thousands (2020: RON 2,974 thousand), and at the level of the Bank in the amount of RON 3,077 thousand (2020: RON 2,852 thousand).

Notes to the consolidated and separate financial statements

24. Investment securities *(continued)*

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

Qualitative analysis of the bonds held by the Group and the Bank as at 31 December 2021, classified as "Financial assets measured at fair value through other items of comprehensive income", depending on the issuer's rating:

	Group					Bank				
In RON thousand	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total
Debt instruments, of which	**38,212,947**	**2,646,621**	**236,061**	**15,149**	**41,110,778**	**37,910,106**	**2,646,621**	**236,061**	**15,149**	**40,807,937**
A	-	329,535	182,896	-	**512,431**	-	329,535	182,896	-	**512,431**
A-	-	1,169,057	-	-	**1,169,057**	-	1,169,056	-	-	**1,169,056**
A+	-	198,393	-	-	**198,393**	-	198,394	-	-	**198,394**
AAA	-	82,951	-	-	**82,951**	-	82,951	-	-	**82,951**
B	-	-	-	15,149	**15,149**	-	-	-	15,149	**15,149**
B-	4,415	-	-	-	**4,415**	-	-	-	-	**-**
BB+	292	-	-	-	**292**	292	-	-	-	**292**
BBB	454,951	714,746	-	-	**1,169,697**	454,951	714,746	-	-	**1,169,697**
BBB-	37,753,289	107,679	53,165	-	**37,914,133**	37,454,863	107,679	53,165	-	**37,615,707**
BBB+	-	44,260	-	-	**44,260**	-	44,260	-	-	**44,260**
Loans and advances, of which	**29,943**	**-**	-	-	**29,943**	**29,943**	**-**	**-**	**-**	**29,943**
BB-	29,943	-	-	-	**29,943**	29,943	-	-	-	**29,943**

Notes to the consolidated and separate financial statements

24. Investment securities *(continued)*

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

Qualitative analysis of the bonds held by the Group and the Bank as at 31 December 2020, classified as "Financial assets measured at fair value through other items of comprehensive income", depending on the issuer's rating:

	Group					Bank				
In RON thousand	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total
Debt instruments, of which	**29,217,230**	**1,167,034**	**413,048**	**16,340**	**30,813,652**	**29,208,694**	**1,167,034**	**413,048**	**16,340**	**30,805,116**
A-	-	196,407	-	-	**196,407**	-	196,407	-	-	**196,407**
A+	-	580,070	107,176	-	**687,246**	-	580,070	107,176	-	**687,246**
B	-	124,722	-	-	**124,722**	-	124,722	-	-	**124,722**
BB-	3,872	-	-	16,340	**20,212**	-	-	-	16,340	**16,340**
BB+	382	-	-	-	**382**	382	-	-	-	**382**
BBB	48,440	265,835	-	-	**314,275**	48,440	265,835	-	-	**314,275**
BBB-	29,164,536	-	52,492	-	**29,217,028**	29,159,872	-	52,492	-	**29,212,364**
BBB+	-	-	253,380	-	**253,380**	-	-	253,380	-	**253,380**
Loans and advances, of which	**30,838**	**-**	-	-	**-**	**30,838**	**-**	**-**	**-**	**30,838**
BB-	30,838	-	-	-	-	30,838	-	-	-	30,838

As at 31 December 2021 and 31 December 2020, the Group and the Bank did not hold past due or impaired debt instruments classified as „Financial assets measured at fair value through other items of comprehensive income".

Evolution of securities in the category "Financial assets measured at fair value through other items of comprehensive income":

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
As at January 1	**30,877,177**	**23,658,311**	**30,850,770**	**23,637,807**
Acquisitions	29,200,861	28,866,644	28,870,381	28,860,051
Sales and repurchases	(17,118,712)	(21,854,578)	(17,091,639)	(21,854,408)
Coupon and amortization in P&L during the year (Note 8)	848,476	683,257	846,945	682,900
Coupon collected at term during the year	(1,191,145)	(936,870)	(1,188,116)	(936,615)
Gain/(Loss) from the measurement at fair value	(1,882,465)	437,019	(1,893,369)	437,380
Exchange rate differences	459,181	23,394	458,812	23,655
As at 31 December	**41,193,373**	**30,877,177**	**40,853,784**	**30,850,770**

24. Investment securities *(continued)*

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

As at 31 December 2021, out of the treasury securities held by the Bank, the amount of RON 77,000 thousand (2020: RON 77,000 thousand) was pledged for current operations (RoCLEAR, SENT, MASTERCARD and VISA).
The treasury securities and bonds issued by the Romanian Government have maturities between 2022 and 2051.

As at 31 December 2021, the Bank concluded repo transactions with other financial institutions, backed by financial assets measured at fair value through other items of comprehensive income in amount of RON 6,526,812 thousand (2020: RON 83,798 thousand). The securities pledged under repo agreements may be sold or re-pledged by the counterparty.

The interest rates on financial assets measured at fair value through other comprehensive income were within the following ranges:

	2021		2020	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	0.03%	5.89%	0.31%	5.89%
RON	0.00%	5.85%	0.00%	5.95%
USD	1.40%	6.75%	3.00%	6.75%
MDL	0.00%	7.00%	0.00%	7.00%
PLN	1.00%	1.00%	-	-

b) Financial assets at amortized cost - debt instruments

In 2021, the Group holds and classifies as financial assets measures at amortized cost - debt instruments, bonds in amount of RON 1,483,111 thousand (2020: RON 990,106 thousand) and the Bank acquired bonds in amount of RON 355,331 thousand (2020: RON 160,874 thousand).

In RON thousand	Group		Bank	
	2021	**2020**	**2021**	**2020**
Debt instruments, of which				
- Central banks	189,121	207,095	-	-
- Central administrations	953,526	606,276	-	-
- Credit institutions	286,174	166,611	301,041	150,750
- Other financial companies	10,120	10,124	10,120	10,124
- Non-financial institutions	44,170	-	44,170	-
Total	**1,483,111**	**990,106**	**355,331**	**160,874**

24. Investment securities *(continued)*

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

Qualitative analysis of the financial assets measures at amortized cost - debt instruments held by the Group as at 31 December 2021 and 31 December 2020, depending on the issuer's rating:

31 December 2021			**Group**			
In RON thousand	**Central banks**	**Central administrations**	**Credit institutions**	**Other financial corporations**	**Non-financial corporations**	**Total**
Debt instruments, of which	**189,121**	**953,526**	**286,174**	**10,120**	**44,170**	**1,483,111**
A-	-	-	17,388	-	-	**17,388**
B	-	-	-	-	44,170	**44,170**
B-	189,121	902,550	-	-	-	**1,091,671**
BBB	-	-	268,786	-	-	**268,786**
BBB-	-	50,976	-	-	-	**50,976**
BBB+	-	-	-	10,120	-	**10,120**

31 December 2020			**Group**			
In RON thousand	**Central banks**	**Central administrations**	**Credit institutions**	**Other financial corporations**	**Non-financial corporations**	**Total**
Debt instruments, of which	**207,095**	**606,276**	**166,611**	**10,124**	**-**	**990,106**
A-	-	-	27,130	-	-	**27,130**
A	-	-	-	-	-	**-**
A+	-	-	-	-	-	**-**
B-	207,095	558,458	-	-	-	**765,553**
BBB	-	-	21,225	-	-	**21,225**
BBB-	-	47,818	20,758	-	-	**68,576**
BBB+	-	-	97,498	10,124	-	**107,622**

Qualitative analysis of the financial assets measures at amortized cost - debt instruments held by the Bank as at 31 December 2021 and 31 December 2020, depending on the issuer's rating:

31 December 2021		**Bank**			
In RON thousand	**Central administrations**	**Credit institutions**	**Other financial corporations**	**Non-financial corporations**	**Total**
Debt instruments, of which	**-**	**301,041**	**10,120**	**44,170**	**355,331**
A-	-	17,388	-	-	**17,388**
B	-	-	-	44,170	**44,170**
BBB	-	268,786	-	-	**268,786**
BBB-	-	14,867	-	-	**14,867**
BBB+	-	-	10,120	-	**10,120**

24. Investment securities *(continued)*

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

31 December 2020 — **Bank**

In RON thousand	Central administrations	Credit institutions	Other financial corporations	Non-financial corporations	Total
Debt instruments, of which	**-**	**150,750**	**10,124**	**-**	**160,874**
A-	-	17,374	-	-	**17,374**
BBB	-	21,225	-	-	**21,225**
BBB-	-	14,653	-	-	**14,653**
BBB+	-	97,498	10,124	-	**107,622**

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

	Group		**Bank**	
In RON thousand	**2021**	**2020**	**2021**	**2020**
As at January 1	990,106	1,968,031	160,874	1,176,834
Acquisitions	6,995,365	9,516,247	296,893	-
Sales and repurchases	(6,591,991)	(10,494,870)	(98,888)	(1,037,337)
Reclassification	-	-	-	-
Coupon and amortization in P&L during the year (Note 8)	55,287	46,995	4,591	4,335
Coupon collected at term during the year	(14,177)	(12,501)	(4,065)	(4,492)
Recognition of expected credit losses (ECL) in accordance with IFRS 9	(9,944)	(1,660)	(5,812)	(1)
Exchange rate differences	58,465	(32,136)	1,738	21,535
As at 31 December	**1,483,111**	**990,106**	**355,331**	**160,874**

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25. Equity investments

As at 31 December 2021 the Bank had direct stakes in subsidiaries in amount of RON 735,486 thousand (2020: RON 499,690 thousand) and the impairment allowance amounted to RON 51,317 thousand (2020: RON 51,317 thousand).

On 31 December 2021 the Bank has subsidiaries which directly and indirectly holdings are:

Entity	Head Office	% of shares owned	Share capital	Reserves	Profit/(Loss) as at 31 December 2021
BT Leasing Transilvania IFN S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	100%	58,674	11,891	61,574
BT Capital Partners S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, ground floor	99.59%	19,478	1,095	10,014
BT Direct IFN S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, 3rd floor	100%	79,806	19,113	23,362
BT Building S.R.L.	Cluj-Napoca, 30-36 Calea Dorobantilor Street	100%	40,448	719	5,517
BT Investments S.R.L.	Cluj-Napoca, 36 Eroilor Boulevard	100%	50,940	2,025	2,989
BT Asset Management SAI S.A.	Cluj-Napoca, 22 Emil Racoviţă Street, first floor	100%	7,166	42,282	20,356
BT Solution Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.95%	20	4	2,698
BT Safe Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.99%	77	15	2,142
BT Intermedieri Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.99%	507	101	3,971
BT Leasing Moldova S.R.L.	Republic of Moldova, Chişinău, 60 A,Puşkin Street	100%	5,015	-	5,691
BT Asiom Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.95%	20	4	5,252
BT Microfinanţare IFN S.A.	Bucureşti, 43 Bucureşti-Ploieşti Boulevard	100%	46,760	8,655	36,396
Improvement Credit Collection S.R.L.	Cluj-Napoca, 1 George Bariţiu Street	100%	901	1,740	6,822
B.C. VICTORIABANK S.A.	Republic of Moldova, Chişinău, 141 31 August 1989 Street	44.63%	61,575	6,158	65,468
Timesafe S.R.L.	Voluntari, 87-2F Erou Iancu Nicolae Street	51.12%	1,725	18	66
BT Pensii S.A.	Bucureşti, 75-77 Buzeşti Street, 10th floor, 2nd office	100%	8,731	82	302
Idea Bank S.A.	Bucureşti, Sector 2, 5-7 Dimitrie Pompei Boulevard, 6th floor	100%	294,150	6,829	1,865
Idea Investment S.A.	Bucureşti, Sector 2, 5-7 Dimitrie Pompei Boulevard, 6th floor	100%	2,250	-	65
Idea Leasing IFN S.A.	Bucureşti, sector 1, 19-21 Bucureşti-Ploiesşti Boulevard, Băneasa Business Center, 2nd floor	100%	9,503	1,877	2,418
Idea Broker de Asigurare S.R.L.	Bucureşti, sector 1, 19-21 Bucureşti-Ploiesşti Boulevard, Băneasa Business Center, 2nd floor	100%	150	30	1,590
Total			**687,896**	**102,638**	**258,558**

25. Equity investments *(continued)*

On 31 December 2020 the Bank has subsidiaries which directly and indirectly holdings were:

Entity	Head Office	% of shares owned	Share capital	Reserves	Profit/(Loss) as at 31 December 2020
BT Leasing Transilvania IFN S.A..	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	100%	58,674	11,891	57,881
BT Capital Partners S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, ground floor	99.59%	19,478	491	578
BT Direct IFN S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, 3rd floor	100%	79,806	19,113	9,309
BT Building S.R.L.	Cluj-Napoca, 8 George Bariţiu Street	100%	40,448	325	(945)
BT Investments S.R.L.	Cluj-Napoca, 36 Eroilor Boulevard	100%	50,940	1,875	(178)
BT Asset Management SAI S.A.	Cluj-Napoca, 22 Emil Racoviţă Street, first floor	90.00%	7,166	47,905	14,377
BT Solution Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.95%	20	4	2,562
BT Safe Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.99%	77	15	2,118
BT Intermedieri Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.99%	507	101	3,684
BT Leasing Moldova S.R.L.	Republic of Moldova, Chişinău, 60 A,Puşkin Street	100%	4,693	-	9,208
BT Asiom Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.95%	20	4	3,882
BT Microfinanţare IFN S.A.	Bucureşti, 43 Bucureşti-Ploieşti Boulevard	100%	46,760	5,845	26,341
Improvement Credit Collection S.R.L.	Cluj-Napoca, 1 George Bariţiu Street	100%	901	1,740	3,803
B.C. VICTORIABANK S.A.	Republic of Moldova, Chişinău, 141 31 August 1989 Street	44.63%	57,625	5,763	57,984
Timesafe S.R.L.	Voluntari, 87-2F Erou Iancu Nicolae Street	51.12%	1,725	18	(1,542)
BT Pensii S.A.	Bucureşti, 75-77 Buzeşti Street, 10th floor, 2nd office	90.49%	8,731	82	(336)
Total			**377,571**	**95,172**	**188,726**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property

***Group** - In RON thousand*

Gross carrying amount	**Investment property**	**Land & buildings**	**Computers and equipment**	**Vehicles**	**Fixed assets in progress**	**Total**
Balance as at 1 January 2020	**30,472**	**418,178**	**576,789**	**35,969**	**129,441**	**1,190,849**
Acquisitions of tangible assets and investment property	-	1,285	56,965	2,450	239,082	**299,782**
Tangible assets related to acquisition	-	-	331	-	-	**331**
Reclassification from investments in progress	-	67,953	37,164	5,114	(110,231)	**-**
Revaluation (impact on reserve)	-	932	5,720	3,638	-	**10,290**
Revaluation (impact on profit and loss statement)	196	(817)	-	-	-	**(621)**
Disposals	-	(26,603)	(64,383)	(2,914)	(16,624)	**(110,524)**
Tangible assets from IFRS 16 leasing	-	-	-	84	-	**84**
Reclassification of investment property into tangible assets	(28,617)	28,617	-	-	-	**-**
Balance at 31 December 2020	**2,051**	**489,545**	**612,586**	**44,341**	**241,668**	**1,390,191**
Balance as at January 1, 2021	**2,051**	**489,545**	**612,586**	**44,341**	**241,668**	**1,390,191**
Acquisitions of tangible assets and investment property	-	8,470	34,805	2,828	183,007	**229,110**
Tangible assets related to acquisition	2,678	24,309	30,496	13,827	25	**71,335**
Reclassification from investments in progress	-	238,163	81,814	9,824	(329,801)	**-**
Revaluation (impact on reserve)	-	33,639	12,221	5,144	-	**51,004**
Revaluation (impact on profit and loss statement)	55	226	(240)	-	-	**41**
Disposals	(3,852)	(13,463)	(24,676)	(2,460)	(15,681)	**(60,132)**
Reclassification in stocks for sale	-	(13,799)	-	-	(5,496)	**(19,295)**
Balance at 31 December 2021	**932**	**767,090**	**747,006**	**73,504**	**73,722**	**1,662,254**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

Amortization and depreciation

***Group** - In RON thousand*	**Investment property**	**Land & buildings**	**Computers and equipment**	**Vehicles**	**Fixed assets in progress**	**Total**
Balance as at 1 January 2020	**-**	**148,953**	**295,620**	**18,750**	**-**	**463,323**
Charge for the year	-	33,146	73,189	5,291	-	**111,626**
Depreciation related to acquisitions	-	-	297	-	-	**297**
Accumulated depreciation of disposals	-	(24,770)	(62,191)	(2,524)	-	**(89,485)**
Amortization related to revaluation (impact on reserve)	-	266	-	-	-	**266**
Amortization related to revaluation (impact on profit and loss statement)	-	(217)	-	-	-	**(217)**
Amortization related to IFRS 16 leasing	-	-	-	84	-	**84**
Balance at 31 December 2020	**-**	**157,378**	**306,915**	**21,601**	**-**	**485,894**
Balance as at January 1, 2021	**-**	**157,378**	**306,915**	**21,601**	**-**	**485,894**
Charge for the year	-	36,745	80,750	9,820	-	**127,315**
Depreciation related to acquisitions	-	5,684	14,759	7,543	-	**27,986**
Accumulated depreciation of disposals	-	(14,076)	(24,622)	(2,110)	-	**(40,808)**
Amortization related to revaluation (impact on reserve)	-	399	395	1,585	-	**2,379**
Amortization related to revaluation (impact on profit and loss statement)	-	62	-	-	-	**62**
Amortization related to assets reclassified in stocks for sale	-	(4,789)	-	-	-	**(4,789)**
Balance at 31 December 2021	**-**	**181,403**	**378,197**	**38,439**	**-**	**598,039**
Net carrying amount						
As at 1 January 2021	**2,051**	**332,167**	**305,671**	**22,740**	**241,668**	**904,297**
As at 31 December 2021	**932**	**585,687**	**368,809**	**35,065**	**73,722**	**1,064,215**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

Bank - *In RON thousand*	Investment property	Land & buildings	Computers and equipment	Vehicles	Fixed assets in progress	Total
Gross carrying amount						
Balance as at 1 January 2020	**1,032**	**375,218**	**523,277**	**24,903**	**52,812**	**977,242**
Direct acquisitions	-	-	46,026	502	99,309	**145,837**
Reclassification from investments in progress	-	67,953	37,164	5,114	(110,231)	**-**
Tangible assets from IFRS 16 leasing	-	-	-	84	-	**84**
Revaluation (impact on reserve)	-	932	5,720	3,638	-	**10,290**
Revaluation (impact in profit or loss)	196	(817)	-	-	-	**(621)**
Disposals	-	(24,197)	(57,426)	(1,311)	(5,851)	**(88,785)**
Balance at December 31, 2020	**1,228**	**419,089**	**554,761**	**32,930**	**36,039**	**1,044,047**
Balance as at January 1, 2021	**1,228**	**419,089**	**554,761**	**32,930**	**36,039**	**1,044,047**
Direct acquisitions	-	-	24,613	1,623	124,387	**150,623**
Reclassification from investments in progress	-	47,332	55,180	8,000	(110,512)	**-**
Tangible assets from IFRS 16 leasing	-	-	-	-	-	**-**
Revaluation (impact on reserve)	-	1,232	7,403	3,790	-	**12,425**
Revaluation (impact in profit or loss)	55	426	-	-	-	**481**
Disposals	(351)	(16,278)	(23,287)	(2,327)	(2,998)	**(45,241)**
Reclassified assets as non-current assets held for sale	-	(13,799)	-	-	-	**(13,799)**
Balance at 31 December 2021	**932**	**438,002**	**618,670**	**44,016**	**46,916**	**1,148,536**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

Bank *- In RON thousand*	Investment property	Land & buildings	Computers and equipment	Vehicles	Fixed assets in progress	Total
Balance as at 1 January 2020	**-**	**133,059**	**257,220**	**11,925**	**-**	**402,204**
Amortization expense during the year	-	31,418	68,063	3,944	-	**103,425**
Accumulated depreciation of disposals	-	(23,585)	(55,998)	(1,173)	-	**(80,756)**
Amortization related to revaluation (impact on reserve)	-	266	-	-	-	**266**
Amortization related to revaluation (impact on profit and loss statement)	-	(217)	-	-	-	**(217)**
Amortization related to IFRS 16 Leasing	-	-	-	84	-	**84**
Balance at 31 December 2020	**-**	**140,941**	**269,285**	**14,780**	**-**	**425,006**
Balance as at January 1, 2021	**-**	**140,941**	**269,285**	**14,780**	**-**	**425,006**
Amortization expense during the year	-	32,523	72,329	7,956		**112,808**
Accumulated depreciation of disposals	-	(15,303)	(22,381)	(1,827)		**(39,511)**
Amortization related to revaluation (impact on reserve)	-	399	395	1,585	-	**2,379**
Amortization related to revaluation (impact on profit and loss statement)	-	62	-	-	-	**62**
Amortization related to IFRS 16 Leasing	-	-	-	-	-	**-**
Amortization related to assets reclassified as non-current assets held for sale	-	(4,789)	-	-	-	**(4,789)**
Balance at 31 December 2021	**-**	**153,833**	**319,628**	**22,494**	**-**	**495,955**
Net carrying amount						
As at 1 January 2021	**1,228**	**278,148**	**285,476**	**18,150**	**36,039**	**619,041**
As at 31 December 2021	**932**	**284,169**	**299,042**	**21,522**	**46,916**	**652,581**

26. Property and equipment and investment property *(continued)*

As at 31 December 2021, the Group and the Bank did not have any pledged tangible or intangible assets. Property and equipment as at 31 December 2021 were revaluated by an independent evaluator. If the assets of the Group had been booked under the cost model, the recognized carrying amount would have been: land and buildings: RON thousand 528,951 (2020: RON 313,462 thousand), investment property RON 206 thousand (2020: RON 1,390 thousand), computers and equipment RON 342,562 thousand (2020: RON 299,951 thousand), vehicles RON 24,814 thousand (2020: RON 19,027 thousand), fixed assets in progress RON 73,722 thousand (2020: RON 241,668 thousand).
If the assets of the Bank had been booked under the cost model, the recognized carrying amount would have been: land and buildings RON 264,696 thousand (2020: RON thousand 259,443), investment property RON 206 thousand (2020: RON 567 thousand), computers and equipment RON 291,402 thousand (2020: RON 279,756 thousand), vehicles RON 17,976 thousand (2020: RON 14,437 thousand), fixed assets in progress RON 46,916 thousand (2020: RON 36,039 thousand).

27. Intangible assets (including goodwill)

In RON thousand	**Group**		**Bank**
Gross carrying amount	**Goodwill**	**Software**	**Software**
Balance as at 1 January 2020	**10,478**	**529,337**	**454,523**
Acquisitions	8,239	143,322	126,563
Reevaluation	-	24,542	24,542
Disposals	(2,398)	(33,061)	(24,958)
Balance at 31 December 2020	**16,319**	**664,140**	**580,670**
Balance as at January 1, 2021	**16,319**	**664,140**	**580,670**
Entry by acquisition	-	48,066	-
Acquisitions	6,105	183,723	163,197
Reevaluation	-	-	-
Disposals	-	(26,177)	(16,308)
Balance at 31 December 2021	**22,424**	**869,752**	**727,559**
Accumulated amortization			
Balance as at 1 January 2020	**-**	**293,908**	**252,178**
Balance of depreciation related to acquisitions and mergers	-	365	-
Charge for the year	-	89,188	81,634
Disposals	-	(24,526)	(21,793)
Reversal of provision for impairment	-	-	-
Balance at 31 December 2020	**-**	**358,935**	**312,019**
Balance as at January 1, 2021	**-**	**358,935**	**312,019**
Balance of depreciation related to acquisitions and mergers	-	15,508	-
Charge for the year	-	106,013	96,316
Disposals	-	(16,948)	(15,559)
Reversal of provision for impairment	-	-	-
Balance at 31 December 2021	**-**	**463,508**	**392,776**
Net carrying amount			
As at 1 January 2021	**16,319**	**305,205**	**268,651**
As at 31 December 2021	**22,424**	**406,244**	**334,783**

27. Intangible assets (including goodwill) *(continued)*

If the intangible assets had been booked under the cost model. The recognized carrying amount would have been RON thousand 382,582 (2020: RON 280,663 thousand) for the Group, and RON thousand 319,751 (2020: RON 244,109 thousand) for the Bank.

Impairment testing for cash generating units included in the goodwill

For the purpose of impairment testing, the goodwill is allocated to the Group's operating divisions which represent the lowest level at which the goodwill is monitored for internal management purposes.

As at 31 December 2021 the goodwill allocated by the Group to BT Leasing Transilvania IFN S.A. was of RON 376 thousand.The goodwill allocated to BT Asset Management S.A was of RON 6,105 thousand, the goodwill allocated to BT Pensii S.A. was of RON 8,240 thousand and the goodwill allocated to Timesafe S.R.L. was of RON 7,703 thousand (2020: RON 376 thousand allocated to BT Leasing Transilvania IFN S.A., RON 8,240 thousand allocated to BT Pensii S.A., RON 7,703 allocated to Timesafe S.R.L.).

As at 31 December 2021, the goodwill was tested for impairment in accordance with IAS 36 and no impairment adjustments were necessary.

28. Right of Use Assets and Lease Liabilities

The Group and the Bank have lease agreements on land, buildings and vehicles. Rental contracts are typically made for fixed periods of 1 year to 74 years, but may have extension options as described below.

As at December 31, 2021 and December 31, 2020 the right of use assets of the Group by class of underlying items is analyzed as follows:

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

In RON thousand			Group		
	Lands	**Buildings**	**Auto**	**Equipment**	**Total**
Carrying amount at 1 January 2020	**2,711**	**366,833**	**18,481**	-	**388,025**
Additions	1,014	209,318	3,385	164	**213,881**
Disposals	(367)	(24,677)	(1,103)	-	**(26,147)**
Depreciation charge	(817)	(119,837)	(6,235)	(18)	**(126,907)**
Carrying amount at 31 December 2020	**2,541**	**431,637**	**14,528**	**146**	**448,852**

As at December 31, 2021 and December 31, 2020 the right of use assets of the Bank by class of underlying items is analyzed as follows:

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

28. Right of Use Assets and Lease Liabilities *(continued)*

In RON thousand	Bank				
	Lands	**Buildings**	**Auto**	**Equipment**	**Total**
Carrying amount at 1 January 2020	**2,711**	**349,731**	**13,770**	**-**	**366,212**
Additions	1,014	482,023	2,438	164	**485,639**
Disposals	(367)	(23,311)	(1,055)	-	**(24,733)**
Depreciation charge	(817)	(113,307)	(4,471)	(18)	**(118,613)**
Carrying amount at 31 December 2020	**2,541**	**695,136**	**10,682**	**146**	**708,505**

At December 31, 2021 the interest expense on lease liabilities was RON 1,361 thousand for the Group (2020: RON 1,361 thousand) and RON 6,681 thousand for the Bank (2020: RON 1,409 thousand).

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

In RON thousand	**Group 31 December 2021**	**31 December 2020**	**Bank 31 December 2021**	**31 December 2020**
Expense relating to short-term leases	1,397	2,505	989	2,234
Expense relating to leases of low-value assets that are not shown above as short-term leases	4,927	4,956	4,407	4,277

Total cash outflow for leases in 2021 was RON 138,319 thousand to the Group (2020: RON 146,948 thousand) and the Bank it was RON 151,727 thousand (2020: RON 119,485 thousand).

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities

Deferred tax assets/liabilities at Group level, as at 31 December 2021:

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

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at Bank level, as at 31 December 2021:

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

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at Group level, as at 31 December 2020:

In RON thousand	31 December 2019	Recognized in profit and loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	31 December 2020
Tax effect of temporary deductible/(taxable) differences (including tax losses carried forward), resulting from:					
Financial assets from interbank operations	(25)	25	-	-	-
Loans and receivables	11,734	6,009	(2)	280	18,021
Financial assets measured at fair value through other items of comprehensive income	(27,406)	22	(69,934)	-	(97,318)
Financial assets at amortized cost	-	-	-	-	-
Financial assets at fair value through profit or loss	16,737	(5,090)	-	-	11,647
Other assets	(884)	(3,291)	7,247	54	3,126
Property and equipment and intangible assets	(5,214)	337	(5,530)	86	(10,321)
Right of Use Assets	8	183	-	-	191
Provisions and other liabilities	21,805	(1,992)	(11)	(163)	19,639
Tax losses carried forward	-	-	-	-	-
Deferred tax asset / (liability)	**16,755**	**(3,797)**	**(68,230)**	**257**	**(55,015)**
Recognition of deferred tax asset	54,018	(1,116)	392	96	53,390
Recognition of deferred tax liability	(37,263)	(2,681)	(68,622)	161	(108,405)
Deferred tax asset / (liability)	**16,755**	**(3,797)**	**(68,230)**	**257**	**(55,015)**

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at Bank level, as at 31 December 2020:

In RON thousand	31 December 2019	Recognized in profit and loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	31 December 2020
Tax effect of temporary deductible/(taxable) differences (including tax losses carried forward), resulting from:					
Financial assets measured at fair value through other items of comprehensive income	(27,588)	-	(69,987)	-	(97,575)
Financial assets at amortized cost	-	-	-	-	-
Other assets	2,798	(453)	111	-	2,456
Tangible and intangible assets	(2,729)	248	(5,530)	-	(8,011)
Right of Use Assets	-	163	-	-	163
Provisions and liabilities	19,620	(2,318)	-	-	17,302
Deferred tax asset / (liability)	**(7,899)**	**(2,360)**	**(75,406)**	**-**	**(85,665)**
Recognition of deferred tax asset	22,418	(2,608)	111	-	19,921
Recognition of deferred tax liability	(30,317)	248	(75,517)	-	(105,586)
Deferred tax asset / (liability)	**(7,899)**	**(2,360)**	**(75,406)**	**-**	**(85,665)**

30. Other financial assets

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Amounts under settlement	219,717	194,184	195,333	180,386
Non-recourse factoring	273,681	194,146	273,681	194,146
Sundry debtors and advances for non-current assets	548,787	451,400	396,262	359,338
Cheques and other instruments to be encashed	28,082	34,226	28,082	34,226
Other financial assets	18,255	10,423	9,259	6,682
Impairment allowance for other financial assets	(33,618)	(24,274)	(18,446)	(13,645)
Total	**1,054,904**	**860,105**	**884,171**	**761,133**

As at 31 December 2021, out of 1,054,904 RON thousand (2020: RON 860,105 thousand), the Group's other impaired financial assets amounted to RON 28,914 thousand (2020: RON 12,678 thousand).

As at 31 December 2021, out of RON 884,171 thousand (2020: RON 761,133 thousand), the Bank's other impaired financial assets amounted to RON 5,411 thousand (2020: RON 5,428 thousand).

The evolution of impairment allowance for other assets during the years 2021 and 2020 is presented below:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Balance as at 1 January	**(24,274)**	**(19,506)**	**(13,645)**	**(11,210)**
Net impairment charge	(7,922)	(5,677)	(4,903)	(2,626)
Entry by acquisition	(595)	-	-	-
Transfer fron loans	(695)	-	-	-
Other changes (exchange rate differences, unwinding, deconsolidation)	(132)	909	102	191
Balance at 31 December	**(33,618)**	**(24,274)**	**(18,446)**	**(13,645)**

The quality analysis of other financial assets held by the Group as at 31 December 2021 is detailed below:

Group		**Retail**			**Companies**	
31 December 2021	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	669	4,450	5,119	163,200	51,398	214,598
Non-recourse factoring	-	-	-	231,470	42,211	273,681
Sundry debtors and advances for non-current assets	38,979	3,028	42,007	312,073	194,707	506,780
Cheques and other instruments to be encashed	-	-	-	28,082	-	28,082
Other financial assets	-	1,049	1,049	16,015	1,191	17,206
Impairment allowance for other financial assets	(5,832)	(2,262)	(8,094)	(18,668)	(6,856)	(25,524)
Total	**33,816**	**6,265**	**40,081**	**732,172**	**282,651**	**1,014,823**

30. Other financial assets *(continued)*

The quality analysis of other financial assets held by the Group as at 31 December 2020 is detailed below:

Group		**Retail**			**Non-Retail**	
31 December 2020	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	871	1,591	**2,462**	168,072	23,650	**191,722**
Non-recourse factoring	-	-	**-**	175,721	18,425	**194,146**
Sundry debtors and advances for non-current assets	10,164	3,657	**13,821**	272,771	164,808	**437,579**
Cheques and other instruments to be encashed	-	-	**-**	34,226	-	**34,226**
Other financial assets	62	28	**90**	8,589	1,744	**10,333**
Impairment allowance for other financial assets	(4,111)	(3,377)	**(7,488)**	(12,325)	(4,461)	**(16,786)**
Total	**6,986**	**1,899**	**8,885**	**647,054**	**204,166**	**851,220**

The quality analysis of other financial assets held by the Bank as at 31 December 2021 is detailed below:

Bank		**Retail**			**Non-Retail**	
31 December 2021	**RON**	**FCY**	**Total**	**RON**	**FCY**	**Total**
Amounts under settlement	669	1,508	2,177	161,566	31,590	193,156
Non-recourse factoring	-	-	-	231,470	42,211	273,681
Sundry debtors and advances for non-current assets	34,881	1,685	36,566	259,584	100,112	359,696
Cheques and other instruments to be encashed	-	-	-	28,082	-	28,082
Other financial assets	-	-	-	9,233	26	9,259
Impairment allowance for other financial assets	(2,461)	(139)	(2,600)	(11,091)	(4,755)	(15,846)
Total	**33,089**	**3,054**	**36,143**	**678,844**	**169,184**	**848,028**

The quality analysis of other financial assets held by the Bank as at 31 December 2020 is detailed below:

Bank		**Retail**			**Non-Retail**	
31 December 2020	**RON**	**FCY**	**RON**	**FCY**	**RON**	**Total**
Amounts under settlement	872	1,591	**2,463**	168,071	9,852	**177,923**
Non-recourse factoring	-	-	**-**	175,721	18,425	**194,146**
Sundry debtors and advances for non-current assets	8,608	2,643	**11,251**	254,872	93,215	**348,087**
Cheques and other instruments to be encashed	-	-	**-**	34,226	-	**34,226**
Other financial assets	-	-	**-**	6,676	6	**6,682**
Impairment allowance for other financial assets	(2,821)	(2,494)	**(5,315)**	(5,980)	(2,350)	**(8,330)**
Total	**6,659**	**1,740**	**8,399**	**633,586**	**119,148**	**752,734**

31. Other non-financial assets

In RON thousand	**Group**		**Bank**	
	2021	**2020**	**2021**	**2020**
Inventories and similar assets	111,858	136,650	58,576	63,812
Prepaid expenses	78,771	61,958	71,172	56,990
VAT and other taxes to be received	4,396	13,748	2,095	1,920
Other non-financial assets	11,816	2,639	100	126
Impairment allowance for other non-financial assets	(44,975)	(66,839)	(11,801)	(13,384)
Total	**161,866**	**148,156**	**120,142**	**109,464**

31. Other non-financial assets *(continued)*

As at 31 December 2021 and 31 December 2020, the Group and the Bank did not have tangible assets reclassified as non-current assets held for sale under "Inventories and similar assets".

The evolution of impairment allowance for other assets during the year is presented below:

In RON thousand	**Group**		**Bank**	
	2021	**2020**	**2021**	**2020**
Balance as at 1 January	**(66,839)**	**(70,668)**	**(13,384)**	**(16,215)**
Net impairment charge	11,517	(4,105)	1,583	2,831
Entry by acquisition	(2,786)	-	-	-
Impairment allowances on written off other non-financial assets	13,473	-	-	-
Other adjustments (exchange rate differences, deconsolidation)	(340)	7,934	-	-
Balance at 31 December	**(44,975)**	**(66,839)**	**(11,801)**	**(13,384)**

The inventories and related items of the Bank include assets acquired by debt enforcement or given in payment and other assets available for sale, at a net value of RON 34,959 thousand, structured as follows: buildings RON 27,511 thousand, lands RON 7,448 thousand, equipment RON 0 thousand, vehicles RON 0 thousand and furniture RON 0 thousand (2020: RON 31,126 thousand net value, structured as follows: buildings RON 18,347 thousand, lands RON 12,779 thousand, equipment RON 0 thousand, vehicles RON 0 thousand and furniture RON 0 thousand).

The inventories and related items of the Group include purchased assets held for sale amounting to RON 52,177 thousand, structured as follows: buildings RON 29,025 thousand, lands RON 10,808 thousand, equipment RON 2,312 thousand, vehicles RON 10,032 thousand and furniture RON 0 thousand (2020: RON 48,114 thousand, structured as follows: buildings RON 25,595 thousand, lands RON 12,949 thousand, equipment RON 2,068 thousand, vehicles RON 7,502 thousand and furniture RON 0 thousand).

32. Deposits from banks

	Group		**Bank**	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Sight demand	272,912	61,538	265,791	54,416
Term deposits	751,347	257,406	686,662	257,406
Total	**1,024,259**	**318,944**	**952,453**	**311,822**

33. Deposits from customers

	Group		**Bank**	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Current accounts	67,667,986	53,601,165	65,505,784	52,146,517
Sight demand	793,717	743,123	463,141	447,866
Term deposits	38,854,796	35,975,733	36,046,375	35,102,763
Collateral deposits	705,130	622,394	682,785	600,000
Total	**108,021,629**	**90,942,415**	**102,698,085**	**88,297,146**

33. Deposits from customers *(continued)*

Deposits from customers can be also analyzed as follows:

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Retail	71,890,350	61,942,051	68,436,588	60,256,016
Companies	36,131,279	29,000,364	34,261,497	28,041,130
Total	**108,021,629**	**90,942,415**	**102,698,085**	**88,297,146**

The table below presents the deposits from customers, split by economic sector concentration:

	Group		*Bank*	
Sector	**2021**	**2020**	**2021**	**2020**
Retail customers	66.55%	68.11%	66.64%	68.24%
Services	7.51%	7.48%	7.60%	7.51%
Trading	5.65%	5.45%	5.48%	5.35%
Constructions	3.12%	3.08%	3.14%	3.06%
Manufacturing	3.07%	3.30%	3.03%	3.26%
Transportation	1.80%	2.02%	1.82%	2.00%
Financial and insurance activities	2.53%	2.11%	2.52%	2.22%
Telecommunications	0.35%	0.27%	0.30%	0.28%
Agriculture	1.44%	1.20%	1.49%	1.23%
Energy	1.04%	0.95%	0.99%	0.87%
Healthcare	1.17%	1.11%	1.16%	1.08%
Real estate	1.81%	1.54%	1.80%	1.48%
Administrations	0.43%	0.47%	0.45%	0.49%
Mining	0.85%	0.43%	0.90%	0.44%
Education	0.83%	0.84%	0.85%	0.85%
Other	0.36%	0.32%	0.31%	0.26%
Self-employed	1.48%	1.31%	1.55%	1.35%
Government institutions	0.01%	0.01%	0.01%	0.01%
Total	**100%**	**100%**	**100%**	**100%**

33. Deposits from customers *(continued)*

In RON thousand	*Group*		*Bank*	
Sector	**2021**	**2020**	**2021**	**2020**
Retail customers	71,890,350	61,942,051	68,436,588	60,256,016
Services	8,109,016	6,802,639	7,801,218	6,633,121
Trading	6,105,887	4,953,031	5,631,279	4,723,345
Constructions	3,371,220	2,803,009	3,222,348	2,703,784
Manufacturing	3,312,563	3,005,141	3,107,057	2,881,249
Transportation	1,947,060	1,840,990	1,864,992	1,768,812
Financial and insurance activities	2,737,655	1,914,804	2,587,542	1,962,322
Telecommunications	377,629	245,413	308,131	244,582
Agriculture	1,559,124	1,093,277	1,528,247	1,081,740
Energy	1,124,194	859,943	1,014,314	771,275
Healthcare	1,259,363	1,005,832	1,187,406	956,287
Real estate	1,952,304	1,402,003	1,849,146	1,310,722
Administrations	466,969	431,595	459,074	430,245
Mining	922,709	386,861	920,983	385,602
Education	896,688	762,671	870,260	749,845
Other	384,771	287,504	313,336	232,884
Self-employed	1,594,905	1,193,313	1,588,727	1,193,196
Government institutions	9,222	12,338	7,437	12,119
Total	**108,021,629**	**90,942,415**	**102,698,085**	**88,297,146**

34. Loans from banks and other financial institutions

	Group		**Bank**	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Loans from government entities	16,963	5,870	-	-
Loans from commercial banks	61,336	126,678	-	-
Romanian banks	10,635	*119,429*	-	-
Foreign banks	50,701	*7,249*	-	-
Loans from development banks	1,051,736	1,126,057	947,640	1,073,137
Repurchase agreements (repo transactions)	6,500,566	83,564	6,500,566	83,564
Other funds from financial institutions	101,553	155,476	9,637	19,365
Issued bonds	197,346	194,023	-	-
Total	**7,929,500**	**1,691,668**	**7,457,843**	**1,176,066**

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

	2021		**2020**	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	0.00%	3.50%	EURIBOR 6M+0.10%	3.8%
RON	0.00%	6.03%	0.00%	ROBOR 6M+3%
USD	1.25%	1.35%	1.25%	1.35%
MDL	0.00%	7.10%	3.25%	3.25%

34. Loans from banks and other financial institutions *(continued)*

The Group and the Bank were in compliance with all financial covenants under the outstanding loan agreements at December 31, 2021 and 2020.
The table below summarizes the underlying securities of repo agreements:

In RON thousand	Group				Bank			
	2021		**2020**		**2021**		**2020**	
	Carrying amount		**Carrying amount**		**Carrying amount**		**Carrying amount**	
	Transferred assets	**Related liabilities**	**Transferred assets**	**Related liabilities**	**Transferred assets**	**Related liabilities**	**Transferred assets**	**Related liabilities**
	6,526,812	6,500,566	83,798	83,564	6,526,812	6,500,566	83,798	83,564
Total	**6,526,812**	**6,500,566**	**83,798**	**83,564**	**6,526,812**	**6,500,566**	**83,798**	**83,564**

35. Subordinated liabilities

The Group and the Bank were in compliance with all financial covenants under the outstanding loan agreements at December 31, 2021 and 2020.

In RON thousand	Group 2021	Group 2020	Bank 2021	Bank 2020
Loans from development banks and financial institutions	323,321	281,586	300,336	281,586
Non-convertible bonds	1,439,163	1,386,175	1,405,898	1,382,878
Convertible bonds	-	-	-	-
Total	**1,762,484**	**1,667,761**	**1,706,234**	**1,664,464**

Subordinated debt includes subordinated loans from development banks and financial institutions, as well as non-convertible bonds.
Subordinated loans include the following:
- loan in amount of EUR 25 million, equivalent of RON 123,702 thousand (2020: RON 121,735 thousand), contracted in 2013 bearing an interest of 6M EURIBOR + 6.20%, due in 2023;
- loan in amount of USD 40 million, equivalent of RON 174,828 thousand (2020: RON 158,640 thousand) contracted in 2014 bearing an interest of 6M LIBOR + 5.80%, due in 2023;
- loan in amount of EUR 2.5 milion, equivalent of RON 12,370 thousand, contracted in 2014 bearing an interest of EURIBOR 3M+8.76%, due to 2024;
- loan in amount of EUR 1.82 milion, equivalent of RON 9,006 thousand, contracted in 2015 bearing an interest of EURIBOR 3M+8%, due to 2023.

In 2018, Banca Transilvania S.A. issued non-convertible bonds amounting to EUR 285 million, equivalent as at 31 December 2021 to RON 1,410,209 thousand (2020: RON 1,378,779 thousand), bearing an interest of 6M EURIBOR+3.75% p.a. and due in 2028. The nominal value of a bond is EUR 100,000.

On non-convertible bonds there are included also bonds issued in 2017 and 2018 by Idea Bank, on amount of EUR 5.75 milion, equivalent as at 2021, December of RON 28,452 thousand , bearing an interest of 10.5% and 8.5% due to 2022 and 2024. The nominal value of a bond is EUR 1,000.

At Group level, the accrued interest and amortization on subordinated debts is in amount of RON 3,415 thousand (2020: RON 1,211 thousand) and at Bank level in amount of RON 1,806 thousand (2020: 1,211 thousand); for the non-convertible bonds, the accrued interest and amortization for the Group levels to RON 502 thousand (2020: (1,603) thousand) and for the Bank to RON (4,311) thousand (2020: (4,901) thousand).

36. Provisions for other risks and loan commitments

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

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Provisions for loan commitments, financial guarantees and other commitments given	360,087	343,752	351,751	342,572
Provisions for untaken holidays	27,441	24,678	21,489	20,081
Provisions for other employee benefits	54,244	36,916	34,023	25,205
Provisions for litigations, risks and charges (*)	96,688	210,606	85,743	201,379
Total	**538,460**	**615,952**	**493,006**	**589,237**

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

37. Other financial liabilities

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Amounts under settlement	1,583,653	996,873	1,272,442	786,758
Sundry creditors	175,728	110,249	106,717	70,244
Dividends payable	26,567	23,185	26,567	23,179
Other financial liabilities	40,133	31,482	34,741	27,500
Total	**1,826,081**	**1,161,789**	**1,440,467**	**907,681**

38. Other non-financial liabilities

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Other taxes payable	33,854	30,868	24,544	25,469
Other non-financial liabilities	160,233	55,491	118,942	30,480
Total	**194,087**	**86,359**	**143,486**	**55,949**

39. Share capital

The statutory share capital of the Bank at 31 December 2021, as recorded with the Trade Register was represented by 6,311,469,680 ordinary shares with a nominal value of RON 1 each (at 31 December 2020: 5,737,699,649 shares with a nominal value of RON 1 each). The shareholders structure of the Bank is presented in Note 1.

The capital increase was made out by incorporating the reserves from the statutory profit in amount of RON 573,769,971 and by converting bonds into shares in amount of RON 60.

	Group		Bank	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Paid share capital recorded with the Trade Register	6,311,470	5,737,700	6,311,470	5,737,700
Share capital adjustment to inflation	89,899	89,899	89,899	89,899
Share capital adjustment with unrealized revaluation reserves of tangible assets	(3,398)	(3,398)	(3,398)	(3,398)
Total	**6,397,971**	**5,824,201**	**6,397,971**	**5,824,201**

40. Related-party transactions

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

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

Transactions with other related parties include transactions with the major shareholders, family members of the key management personnel and companies where they are shareholders while having a relationship with the Bank.

The transactions / balances with related parties are presented below:

	2021			2020		
Group *- In RON thousand*	**Key management personnel**	**Other related-parties**	**Total**	**Key management personnel**	**Other related-parties**	**Total**
Assets						
Granted loans	17,905	74,630	**92,535**	19,130	63,396	**82,526**
Liabilities						
Deposits from customers	41,375	327,286	**368,661**	44,566	118,624	**163,190**
Loans from financial institutions	-	149,837	**149,837**	-	205,710	**205,710**
Debt securities	-	508,384	**508,384**	-	500,513	**500,513**
Commitments						
Loan commitments and financial guarantees given	2,960	34,888	**37,848**	3,508	41,783	**45,291**
Notional value of exchange operations	26,428	276,430	**302,858**	29,535	115,626	**145,161**
Statement of profit and loss						
Interest income	547	2,559	**3,106**	583	2,889	**3,472**
Interest expense	202	22,376	**22,578**	279	26,774	**27,053**
Fee and commission income	8	185	**193**	7	199	**206**

Notes to the consolidated and separate financial statements

40. Related-party transactions *(continued)*

***Bank** – In RON thousand*	2021				2020			
	Subsidiaries	**Key management personnel**	**Other related - parties**	**Total**	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**
Assets								
Correspondent accounts at credit institutions	979	-	-	**979**	968	-	-	**968**
Deposits with credit institutions	29,266	-	-	**29,266**	899	-	-	**899**
Granted loans	1,746,313	14,845	68,325	**1,829,483**	1,361,480	15,833	57,132	**1,434,445**
Equity investments	735,486	-	-	**735,486**	499,690	-	-	**499,690**
Financial assets at amortized cost	14,867	-	-	**14,867**	-	-	-	**-**
Financial assets measured at fair value through other items of comprehensive income – debt instruments	1,794	-	-	**1,794**	4,610	-	-	**4,610**
Financial assets required to be measured at fair value through profit or loss - debt instruments	394,127	-	-	**394,127**	230,675	-	-	**230,675**
Right of use assets	245,115	-	-	**245,115**	275,008	-	-	**275,008**
Other assets	2,796	-	-	**2,796**	3,253	-	-	**3,253**
Liabilities								
Correspondent accounts from credit institutions	7,103	-	-	**7,103**	7,277	-	-	**7,277**
Deposits from customers	213,539	33,474	322,539	**569,552**	112,741	32,409	112,376	**257,526**
Loans from financial institutions	-	-	113,075	**113,075**	-	-	152,791	**152,791**
Debt securities	-	-	494,034	**494,034**	-	-	486,041	**486,041**
Lease liabilities	259,882	-	-	**259,882**	270,730	-	-	**270,730**
Other liabilities	6,433	-	-	**6,433**	3,798	-	-	**3,798**
Commitments								
Loan commitments and financial guarantees given	415,556	2,497	30,556	**448,609**	544,752	3,096	31,883	**579,731**
Notional value of exchange operations	392,757	23,784	259,004	**675,545**	322,328	22,099	105,234	**449,661**

Notes to the consolidated and separate financial statements

40. Related-party transactions *(continued)*

Bank – *In RON thousand*		**2021**				**2020**		
	Subsidiaries	**Key management personnel**	**Other related-parties**	**Total**	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**
Statement of profit and loss								
Interest income	36,848	456	2,300	**39,604**	36,411	503	2,608	**39,522**
Interest expense	6,409	172	21,425	**28,006**	1,490	208	25,441	**27,139**
Fee and commission income	6,231	6	155	**6,392**	3,467	4	172	**3,643**
Fee and commission expense	16,760	-	-	**16,760**	14,610	-	-	**14,610**
Gain/Loss from financial assets and liabilities held-for-trading	2	-	-	**2**	2	-	-	**2**
Dividend income	30,732	-	-	**30,732**	13,196	-	-	**13,196**
Other income	18,235	-	-	**18,235**	13,754	-	-	**13,754**
Other expenses	18,560	-	-	**18,560**	2,273	-	-	**2,273**

40. Related-party transactions *(continued)*

Transactions with key management personnel

During 2021, the expenses related to the fixed and variable remunerations of the members of the Board of Directors and of the Executive Management of the Group amounted to RON 33,430 thousand (2020: RON 31,403 thousand) and of the Bank amounted to RON 17,221 thousand (2020: RON 16,573 thousand).

Compensation for the key personnel of the Group:

	2021			2020		
In RON thousand	**Total**	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**	**Total**	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**
Short-term employee benefits	55,841	13,048	82	53,313	11,850	73
Share based payments	34,416	-	-	31,652	5	-
Debt instrument-based payments	137	34	-	160	40	-
Total compensations and benefits	**90,394**	**13,082**	**82**	**85,125**	**11,895**	**73**

Compensation for the key personnel of the Bank:

	2021			2020		
In RON thousand	**Total**	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**	**Total**	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**
Short-term employee benefits	39,257	9,631	72	38,424	9,552	61
Share based payments	32,619	-	-	30,209	-	-
Total compensations and benefits	**71,876**	**9,631**	**72**	**68,633**	**9,552**	**61**

41. Commitments and contingencies

a) Commitments and contingencies

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

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

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

41. Commitments and contingencies *(continued)*
a) Commitments and contingencies (continued)

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

	Group		**Bank**	
In RON thousand	**2021**	**2020**	**2021**	**2020**
Guarantees issued, of which	2,262,445	1,716,585	2,245,845	1,688,723
- *Performance bonds*	729,939	*457,588*	*708,552*	*430,748*
- *Financial liabilities*	*1,532,506*	*1,258,997*	*1,537,293*	*1,257,975*
Loan commitments	14,513,285	11,259,736	14,171,080	11,287,173
Total	**16,775,730**	**12,976,321**	**16,416,925**	**12,975,896**

The provisions for loan commitments to customers amounted to RON 360,087 thousand at Group level (2020: RON 343,752 thousand) and at Bank level RON 351,751 thousand (2020: RON 342,572 thousand).
Forward agreements represent contractual arrangements to buy or sell a certain financial instrument, at a certain price and at a certain future date.

Outstanding foreign currency transactions at 31 December 2021 were:

Forward transactions					
Transactions with corporate clients:					
Purchases	3,050,000	EUR	equivalent	15,244,802	RON
Purchases	1,700,000	USD	equivalent	7,244,569	RON
Purchases	12,558,750	RON	equivalent	2,500,000	EUR
Transactions with banks:					
Purchases	45,733,148	EUR	equivalent	49,500,000	CHF
Purchases	17,250,234	EUR	equivalent	80,000,000	PLN
Purchases	75,146,262	EUR	equivalent	372,978,636	RON
Purchases	1,072,291,548	RON	equivalent	212,757,146	EUR
Purchases	5,770,788	RON	equivalent	1,350,000	USD

b) Transfer pricing and taxation

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

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

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

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

41. Commitments and contingencies *(continued)*
b) Transfer pricing and taxation (continued)

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

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

42. Earnings per share

The calculation of basic earnings per share was based on the net consolidated profit attributable to ordinary shareholders of the parent company of RON 1,983,335 thousand (2020: RON 1,380,148 thousand) and on the weighted average number of ordinary shares outstanding during the year of 6,304,117,518 (2020 recalculated: 6,298,218,683 shares).

The diluted earnings per share for 2020, took into consideration the adjusted consolidated net profit of RON 1,380,576 thousand attributable to the ordinary shareholders of the parent company and the weighted average number of outstanding diluted ordinary shares. The adjusted consolidated net profit for 2020 was determined by adjusting the base profit with the interest paid on bonds during the year in amount of RON 428 thousand. For 2021, the amount of convertible bonds was 0, in this case the diluted net profit attributable to the shareholders is equal with the net profit of the Group and the earning per diluted share is the same as the earning per ordinary share.

The weighted average number of diluted shares was determined as the sum of the weighted average number of ordinary shares and the number of shares which would have been issued upon the conversion of all potential dilutive shares into ordinary shares.
The weighted average of diluted shares outstanding as at 2020, December 31 was determined as a ratio between the outstanding bonds in amount of RON 47,523,090 and the conversion price of 2.2414, resulting a number of 8,168,143 shares (it is not the case as at 2021, December 31).

	Group	
	2021	**2020**
Ordinary shares issued as at 1 January	**5,737,699,649**	**5,215,917,925**
The impact of shares issued as of 1 January	573,769,971	521,609,059
The impact of the shares repurchased during the year	(7,352,162)	(13,250,937)
The impact of the shares resulting from the conversion of the bonds	60	172,665
Retroactive adjustment of the weighted average number of shares outstanding on 31.12.2020	-	573,769,971
Weighted average number of shares as at 31 December	**6,304,117,518**	**6,298,218,683**
The number of shares that may be issued upon the conversion of bonds into shares	-	8,168,143
Weighted average number of diluted shares as at 31 December	**6,304,117,518**	**6,306,386,826**

43. Derivatives

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

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

The structure of the derivative instruments held by the Group and by the Bank as at 31 December 2020 is the following:

	Group			Bank		
In RON thousand	**Fair value of Assets**	**Fair value Liabilities**	**Notional**	**Fair value of Assets**	**Fair value Liabilities**	**Notional**
Interest rate swaps	478	2,940	237,564	478	2,940	237,564
Currency swaps	8,152	30,629	1,277,201	8,152	30,629	1,277,201
Exchange rate forward agreements	13,460	1,248	3,153,148	13,460	1,248	3,153,148
Total derivative financial instruments	**22,090**	**34,817**	**4,667,913**	**22,090**	**34,817**	**4,667,913**

44. Reconciliation of liabilities resulting from financial activities

The changes of the liabilities resulting from the Group's financial activities carried out in 2021 and 2020 are presented below:

Group 2021				Non-monetary changes		
In RON thousand	**01 January 2021**	**Receipts**	**Payments**	**Registration of receivables taken from Idea Group**	**Foreign exchange variation**	**31 December 2021**
Long-term loans	3,275,984	81,502	(368,333)	133,842	63,284	3,186,279

Group 2020				Non-monetary changes		
In RON thousand	**01 January 2020**	**Receipts**	**Payments**	**Registration of receivables**	**Foreign exchange variation**	**31 December 2020**
Long-term loans	3,173,496	349,841	(290,572)	-	43,219	3,275,984

The changes of the liabilities resulting from the Bank's financial activities carried out in 2021 and 2020 are presented below:

Bank 2021 *In RON thousand*	**01 January 2021**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2021**
Long-term loans	2,760,396	-	(152,045)	57,239	2,665,590

Bank 2020 *In RON thousand*	**01 January 2020**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2020**
Long-term loans	2,594,667	311,976	(182,927)	36,681	2,760,396

45. Acquisition of Idea Bank S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare S.R.L.

On June 02, 2021 Banca Transilvania S.A. has signed the purchase agreement for the full shareholding (100%) held by Getin Holding Spolka Akcyjna and Getin International Spolka Akcyjna in the share capital of Idea Bank S.A. Through the transaction, Banca Transilvania Financial Group acquired direct and indirect control over the subsidiaries held by Idea Bank in Romania, respectively Idea Investment S.A., Idea Leasing IFN S.A., Idea Broker de Asigurare S.R.L.

During the subsequent period, the necessary approvals were obtained for concluding transaction from the Competition Council (Non-objection decision no.61 of September 7, 2021 on the economic concentration operation carried out by acquiring sole direct control over Idea Bank S.A. and sole indirect control over Idea Investment S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare S.R.L.) and of the National Bank of Romania. The Group aquired control of these companies on October 29, 2021, when the consideration was transferred in exchange for the package of shares held by the Getin group.

During the two months period until December 31, 2021, Idea Bank S.A. together with the other entities taken over, had a contribution of RON 13.33 million to the profit of the Group. Had the acquisition taken place on January 01, 2021, the management estimates that the contribution to the consolidated profit would have been an additional RON 47.69 million.

Consideration transferred

The fair value of the consideration transferred is of RON 222,665 thousand and it was paid in full at the date of these consolidated and separate financial statements.

Assets acquired and liabilities assumed

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

In mill RON	Carrying amount	Adjustments	Fair Value
Cash, cash equivalents and placements with banks	570,653	-	570,653
Securities	298,983	-	298,983
Loans and advances to customers	1,895,400	(36,305)	1,859,095
Receivables from financial leasing contracts	88,351	(1,000)	87,351
Property and equipment, intangible assets, investment property and right-of-use asset	56,424	42,386	98,810
Other assets	61,822	1,747	63,569
Deposits from banks	(94,545)	-	(94,545)
Deposits from customers	(2,397,472)	(3,598)	(2,401,070)
Loans from banks and other financial institutions and subordinated liabilities	(163,511)	(5,217)	(168,728)
Other liabilities	(77,416)	(6,660)	(84,076)
Total net assets acquired	**238,689**	**(8,647)**	**230,042**

The initial accounting for this business combination in accordance with International Financial Reporting Standards (IFRS3 – Businesss Combinations) is incomplete at the end of the reporting period and, therefore, these consolidated and sepatare financial statements include provisional amounts reported for certain identifiable assets acquired and liabilities assumed. Management does not expect significant differences in the measurement of the fair value of identifiable assets acquired and liabilities assumed.

45. Acquisition of Idea Bank S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare S.R.L. *(continued)*

Fair value measurement

The determination of the fair value of the acquired assets and the assumed obligations was based on the following valuation tehnique:

- ***Loan portfolio – performing loans***: adjustments were made to reflect the differences in interest rates (contractual versus market) as well as the expected credit losses based on a lifetime perspective of the market participant. The valuation methodology sought to quantify any differences between the interest rates in force and those existing on the market at the Valuation Date;
- ***Loan portfolio – non-performing loans***: the fair value analysis of non-performing loans focused on ECL estimation, whereby the value of expected credit losses was estimated by considering potential recoveries from collaterals.
- ***Tangible and intangible assets***: the fair value was estimated by applying specific valuation methods taking into account the asset type and available information and management decision related to future benefits the assets will encompass.
- ***Customer relationship***: the fair value analysis conducted through the income approach has identified positive future cash flows attributable to customers owned by Idea Bank S.A. as at 29 October 2021.
- ***Subordinated bonds and loans:*** adjustments were made for subordinated bonds and loans as a result of differences between contractual and market interest rates.
- ***Customer deposits / Loans from Banks and Financial Institutions***: adjustments were made to reflect the difference between contractual and market interest rates
- ***Lease liabilities:*** in line with IFRS 16 requirements, the fair value of lease liabilities has been determined as the present value of the remaining lease payments.

Bargain gain

The Group's profit for the period ended December 31, 2021 includes the bargain gain resulting from the acquisition of Idea Bank S.A., Idea Investemnt S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare S.R.L., amounting to RON 7,377 thousand.

The bargain gain was determined as the difference between the consideration transferred (RON 222,665 thousand) and the fair value of assets and liabilities of Idea Bank S.A. at the control takeover date (in the amount of RON 230,042 thousand).

Costs associated with the acquisition of Idea Bank S.A., Idea Investment S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare S.R.L.

The costs of the acquisition are the costs incurred by the Group in carrying out the business combination. These costs include brokerage, advisory, legal, accounting, evaluation and other professional or consultant fees, as well as general administrative costs incurred in the integration process.

At the reporting date tthe costs associated with the acquisition of the Idea Bank group amounting to RON 11,312 thousand, are included in the Profit or Loss Statement under the item "Other operating expenses".

Notes to the consolidated and separate financial statements

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

Currently, the world economy is facing several exceptional challenges. Russia's military aggression against Ukraine began on February 24, 2022 and resulted in a series of economic and individual sanctions, mainly imposed by the EU, the United States and United Kingdom.

This event has created geopolitical instability and volatility in the financial and energy markets and the economic consequences are already manifested in price increases mainly for energy and food.

These measures create distortions that are expected to spread to several economic sectors, with the immediate impact being felt in the increased volatility of capital markets and exchange rates, as well as in energy and commodity prices.

The impact of these measures, as well as potential responses to them by Russia, is currently unknown and, while the Group’s direct exposure to Ukraine, Belarus and Russia is insignificant, an impact on the Group future business cannot be reliably estimated at this time.

No significant further events were identified after reporting the consolidated statement of financial posit.

The financial statements were approved by the Board of Directors on 25 March 2022 and were signed on behalf of the Board.

Horia CIORCILĂ *Chairman*	George CĂLINESCU *Deputy CEO*