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## Independent Auditors' Report

### To the Shareholders of Banca Transilvania SA

30-36 Calea Dorobanților, Cluj-Napoca  
Unique Registration Code: 5022670

## Report on the Audit of the Consolidated and Separate Financial Statements<sup>1</sup>

### Opinion

1. We have audited the accompanying:

- consolidated financial statements of Banca Transilvania S.A. ("the Bank") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

- separate financial statements of the Bank, which comprise the separate statement of financial position as at 31 December 2021, the separate statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

2. The consolidated and separate financial statements as at and for the year ended 31 December 2021 are identified as follows:

• Consolidated Net assets/Total equity:	Lei 10,564,134 thousand
• Consolidated Net profit for the year:	Lei 2,024,533 thousand
• Separate Net assets/Total equity:	Lei 9,353,125 thousand
• Separate Net profit for the year:	Lei 1,782,704 thousand

<sup>1</sup> 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.

3. In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated financial position of the Group and the unconsolidated financial position of the Bank as at 31 December 2021, and of their respective consolidated and unconsolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

#### Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing ("ISAs"), Regulation (EU) no. 537/2014 of the European Parliament and of the Council ("the Regulation") and Law no. 162/2017 ("the Law"). Our responsibilities under those standards and regulations are further described in the *Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Bank and the Group in accordance with *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code")* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Romania, including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Impairment of loans and advances to customers

As at 31 December 2021, the consolidated financial statements include loans and advances to customers before impairment allowance: RON 58,459,285 thousand, allowances for impairment losses on loans: RON 3,829,531 thousand, and, for the year then ended, net impairment losses on loans and advances to customers: RON 560,446 thousand (31 December 2020: loans and advances to customers before impairment allowance: RON 44,286,658 thousand, allowances for impairment losses on loans: RON 3,394,114 thousand, and, for the year then ended, impairment losses on loans and advances to customers: RON 984,194 thousand)

As at 31 December 2021, the separate financial statements include gross loans and advances to customers: RON 55,852,760 thousand, allowances for impairment losses on loans: RON 3,614,237 thousand, and, for the year then ended, net impairment losses on loans and advances to customers: RON 549,203 thousand (31 December 2020: gross loans and advances to customers: RON 43,553,961 thousand, allowances for impairment losses on loans: RON 3,190,052 thousand, and, for the year then ended, net impairment losses on loans and advances to customers: RON 911,369 thousand).

See Notes 3 *Significant accounting policies*, 4b *Financial risk management – credit risk*, 5a *Accounting estimates and significant judgements*, 15a *Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss*, 22 *Loans and advances to customers* to the consolidated and separate financial statements.

The key audit matter	How the matter was addressed in our audit
<p>➤ Impairment allowances represent management's best estimate of the expected credit losses ("ECLs") within loans and advances to customers (collectively, "loans",</p>	<p>Our audit procedures, performed, where relevant, with the assistance from our own financial risk management, valuation and information technology</p>

“exposures”) at amortized cost at the reporting date. We focused on this area as the measurement of impairment allowances requires management to make complex and subjective judgements over the amount of any such impairment.

- Impairment allowances for the performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) as well as non-performing exposures (Stage 3), with amounts not exceeding certain pre-determined thresholds individually, are determined by modelling techniques relying on key parameters such as the probability of default (PD), exposure at default (EAD) and loss given default (LGD), taking into account historical experience, identification of exposures with a significant increase in credit risk (“SICR”), forward-looking information and management judgment (together “collective impairment allowance”).
- Impairment allowances for exposures in excess of the above thresholds are determined on an individual basis by means of a discounted cash flows analysis. The process relies on a number of complex assumptions, in particular those in respect of the recovery scenarios and the expected proceeds from the sale of the related collateral and minimum period for collateral disposal.
- In the wake of the COVID-19 pandemic and the downward macroeconomic effects of the increase in energy and other commodity prices and resulting inflationary pressures and disruptions in the global supply chains, measurement of ECLs was associated with additional complexities and an increased estimation uncertainty. In addition, application of post-model adjustments was required from management in arriving at the year-end estimate of impairment losses.
- In the wake of the above factors, we considered impairment of loans and advances to customers to be associated with a significant risk of material misstatement in the consolidated and separate financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.

(IT) specialists, included, among others:

- Inspecting the Bank’s and its subsidiaries’ ECL impairment provisioning methods and models, and assessing their compliance with the relevant requirements of the financial reporting standards. This included challenging management on whether the level of the methodology’s sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors;
- Testing the design, implementation and operating effectiveness of selected controls within the impairment process. This included testing the controls over (i) completeness and accuracy of relevant data inputs (mainly for loan exposure, ratings, forbearance flags, collaterals and interest rates data), (ii) approval and monitoring of loans (iii) review of collateral valuation reports, (iv) system computation of debt service and (v) testing of the IT control environment for data security and access;
- Assessing the consistency of application of the SICR criteria and of the identification of objective evidence of impairment, and also, for a sample of exposures, independent determination of the loans’ classification into the stages of IFRS 9;
- For collective impairment allowance:
  - Challenging the macroeconomic forecasts used in the ECL model in terms of their relevance and source accuracy by comparing them to our own modelled forecasts. As part of the procedure, we challenged the consideration of the economic uncertainty relating to COVID-19 and the increase in energy and other commodity prices and resulting inflationary pressures and disruptions in the global supply chains, by means of inquiries of the management board members and inspection of publicly available information;
  - Testing the relevance and reliability of the data used in the process of calculating the PD, EAD and LGD parameters used in the collective ECL model, on a sample basis, by reference to the supporting documentation, such as credit risk memoranda, debt service status, repayment schedules, restructuring operations and underlying data for collections occurring after default;
  - Challenging significant post-model adjustments, by evaluating key underlying assumptions, inspecting the calculation method and tracing a sample of data used back to source data.

	<ul style="list-style-type: none"> <li>– Based on the outcome of the preceding procedures, recomputing the ECLs for a sample of loans.</li> <li>➤ For impairment allowances calculated individually, for a sample of loans, challenging the estimates of future cash flows within the ECL measurement, with main focus on the recovery scenarios, recovery period and collateral values (including related haircuts), which we tested, on a sample basis, by reference to our analysis of historical recoveries and of the appraisals by valuation experts engaged by management, whose experience, competence and objectivity we independently assessed. Also on a sample basis, recomputing the amounts of ECLs at the reporting date.</li> <li>➤ Assessing the accuracy, completeness and relevance of the ECL-related disclosures in the consolidated and separate financial statements against the requirements of the relevant financial reporting standards.</li> </ul>
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**Acquisition of Idea Bank S.A., Idea Investment S.A., Idea Leasing IFN S.A. and Idea Insurance Broker S.R.L.**

As at 31 December 2021, the consolidated financial statements include the identifiable assets acquired and liabilities assumed related to the acquisition of Idea Bank S.A., Idea Investment S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare S.R.L. Also recognized as part of the business combination was a gain from a bargain purchase of RON 7,377 thousand.

See Notes 3 *Significant accounting policies*, 45 *Acquisition of Idea Bank S.A., Idea Investment S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare S.R.L.* to the consolidated and separate financial statements.

<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<ul style="list-style-type: none"> <li>➤ As discussed in Note 45, Banca Transilvania S.A. finalized on 29 October 2021 the acquisition of a 100% stake in the share capital of Idea Bank S.A. from Getin Holding Spolka Akcyjna and Getin International Spolka Akcyjna. As part of the transaction, the Group also acquired control over the subsidiaries owned by Idea Bank S.A. in Romania: Idea Investment S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare SRL.</li> <li>➤ The relevant provisions of IFRS 3 <i>Business Combinations</i> impose a number of requirements on companies acquiring controlling interests in other businesses. The requirements include those to determine whether and when control over the acquirees is obtained by the acquiring entity, the purchase consideration and the identifiable net assets acquired, and also to measure the fair value of those identifiable net assets at acquisition date.</li> </ul>	<p>Our audit procedures, performed, where relevant, with the assistance from our own financial risk management and valuation specialists, included, among others:</p> <ul style="list-style-type: none"> <li>➤ Evaluating the design and implementation of selected internal controls, such as those over the determination of the acquisition consideration, identification of the acquired assets and liabilities assumed, and estimating fair values of the net assets acquired;</li> <li>➤ Challenging, based on our inspection of the share purchase agreement and inquiries of the Management Board, the Group’s conclusion as to the acquisition date;</li> <li>➤ Assessing the completeness of the Group’s identification of assets acquired and liabilities assumed, based on our understanding of acquirees’ operations and the analysis of their</li> </ul>

<ul style="list-style-type: none"> <li>➤ Making the fair value estimates is complex and requires significant judgement in developing underlying forecasts and assumptions. As discussed in Note 45, in respect of the above acquisition, the fair value of the identifiable net assets acquired was estimated primarily based on the valuation methods such as:             <ul style="list-style-type: none"> <li>– For loans and advances to customers: net present value of future cash flows, by reference to the gross contractual cash flows discounted at market rate of return less related minus lifetime expected credit losses;</li> <li>– For property and equipment: income approach and depreciated replacement cost (DRC) approach - where relevant, by reference, among others, to discounted future cash flow projections and to the historical asset cost, inflation indices, and residual useful life;</li> <li>– For customer relationships (identifiable intangible asset in a business combination): income approach, by reference to the attrition/churn rates, duration and discount factor.</li> </ul> </li> <li>➤ In addition, before recognising a gain on a bargain purchase, the acquirer is required to, among other things, reassess whether it has correctly identified all of the assets acquired and liabilities assumed, and to review the procedures used to measure the amounts to be recognised at the date of acquisition for those identifiable net assets.</li> <li>➤ Due to the factors described above, we considered the business combination in question, and the related acquisition accounting, to be a key audit matter in our audit.</li> </ul>	<p>financial information;</p> <ul style="list-style-type: none"> <li>➤ Challenging the appropriateness of the valuation methods and models applied to determine acquisition-date fair value of identifiable assets and liabilities acquired, by reference to commonly used valuation methods and the relevant requirements of financial reporting standards;</li> <li>➤ In respect of the above valuation methods, taking into account potential effects of the COVID-19 pandemic, the unfavorable macroeconomic effects of the increase in energy and other commodity prices and resulting inflationary pressures and disruptions in the global supply chains, challenging the key assumptions therein, including:             <ul style="list-style-type: none"> <li>– For loans and advances to customers - the assumptions underlying future cash flow projections and discount rates, by means of corroborating inquiries of the Bank's finance and risk personnel and external experts engaged by the Group, and inspection of publicly available market data;</li> <li>– For property and equipment - the assumptions underlying future cash flow projections and the historical asset cost, inflation indices, and residual useful life, by reference to publicly available market data and the acquirees' accounting data and evidence;</li> <li>– For customer relationships, the assumptions related to the attrition/churn rate, duration and discount factor, by reference to the acquirees' internal evidence and publicly available market data;</li> </ul> </li> <li>➤ Assessing the accuracy, completeness and relevance of the business combination-related disclosures in the consolidated financial statements against the requirements of the relevant financial reporting standards.</li> </ul>
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#### Other information

6. The Board of Directors is responsible for the preparation and presentation of other information. The other information comprises the Board of Directors' Report (which includes also the Non-financial Statement and the Remuneration Report) and the Annual Report (prepared as per the requirements of Financial Supervisory Authority ("FSA") Regulation 5/2018) but does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of

assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

***Other Reporting Responsibilities Related to Other Information –Board of Directors' Report***

With respect to the Board of Directors' Report we read and report whether the Board of Directors' Report is prepared, in all material respects, in accordance with NBR Order no. 27/2010, article 32 and NBR Order no. 27/2010, articles 12, 13, 15, 16 and 17 of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

Based solely on the work required to be undertaken in the course of the audit of the consolidated and separate financial statements, in our opinion:

- a) The information given in the Board of Directors' Report the financial year for which the consolidated and separate financial statements are prepared is consistent, in all material respects, with the consolidated and separate financial statements;
- b) The Board of Directors' Report has been prepared, in all material respects, in accordance with NBR Order no. 27/2010, article 32 and NBR Order no. 27/2010, articles 12, 13, 15, 16 and 17 of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

In addition, in light of the knowledge and understanding of the Bank and its environment obtained in the course of our audit we are required to report if we have identified material misstatements in the Board of Directors' Report. We have nothing to report in this regard.

***Other Reporting Responsibilities Related to Other Information – Remuneration Report***

With respect to Remuneration Report, we read the Remuneration Report in order to determine whether it presents, in all material respects, the information required by article 107, alin (1) and (2) of the Law no. 24/2017 regarding the issuers of financial instruments and market operations, republished. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements**

7. The management of the Bank ("management") is responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the consolidated and separate financial statements, management is responsible for assessing the Bank's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and Group or to cease operations, or has no realistic alternative but to do so.
9. Those charged with the governance of the Bank ("those charged with governance") are responsible for overseeing the Bank's and Group's financial reporting process.

**Auditors' Responsibility for the Audit of the Consolidated and Separate Financial Statements**

10. Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and Group's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and Group to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements - Report on Compliance with the ESEF Regulation

15. In accordance with Law no. 162/2017 on statutory audits of annual financial statements and consolidated and separate financial statements and amendment of certain regulations, we are required to express an opinion on compliance of the consolidated and separate financial statements, with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

### Responsibilities of Management

16. Management is responsible for the preparation of the consolidated and separate financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:
- the preparation of the consolidated and separate financial statements in the applicable XHTML format;
  - the selection and application of appropriate iXBRL tags, in the preparation of the consolidated financial statements, using judgment where necessary;
  - ensuring consistency between the tagged data and the consolidated financial statements of the Group presented in human-readable format;
  - ensuring consistency between digitised information in human-readable format and the signed separate and consolidated financial statements; and
  - the design, implementation and maintenance of internal controls relevant to the application of the RTS on ESEF.

### Auditors' Responsibilities

17. Our responsibility is to express an opinion on whether the consolidated and separate financial statements comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the RTS on ESEF, whether due to fraud or error. Our procedures included, among other things:

- with respect to the consolidated financial statements:
  - obtaining an understanding of the tagging process;
  - evaluating the design and implementation of relevant controls over the tagging process;
  - tracing the tagged data to the consolidated financial statements of the Group presented in human-readable digital format and to the signed and audited consolidated financial statements, stamped by us for identification purposes;
  - evaluating the completeness of the Group's tagging of the consolidated financial statements;
  - evaluating the appropriateness of the Group's use of iXBRL elements selected from the ESEF taxonomy and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
  - evaluating the use of anchoring in relation to the extension elements;
  
- with respect to the separate and consolidated financial statements:



- evaluating the appropriateness of the digital format of the consolidated and separate financial statements; and
- assessing consistency between the digitised information in the machine- and human-readable formats and the signed and audited consolidated and separate financial statements, stamped by us for identification purposes.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

18. In our opinion, the consolidated and separate financial statements of the Bank as at and for the year ended 31 December 2021 have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

## Report on Other Legal and Regulatory Requirements -EU Regulation (EU) No 537/2014

19. We were appointed by the General Shareholders' Meeting on 29 April 2020 to audit the consolidated and separate financial statements of Banca Transilvania SA for the year ended 31 December 2021. Our total uninterrupted period of engagement is of 2 years, covering the periods ended 31 December 2020 to 31 December 2021.

20. We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank, which we issued on 24 March 2022. We also remained independent of the audited entity in conducting the audit.
- we have not provided to the Bank and Group the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014.

The engagement partner on the audit resulting in this independent auditors' report is Furtuna Cezar-Gabriel.

**For and on behalf of KPMG Audit S.R.L.:**

**Refer to the original signed Romanian version**

**FURTUNA CEZAR-GABRIEL**

registered in the electronic public register of financial auditors and audit firms under no AF1526

**KPMG Audit SRL**

registered in the electronic public register of financial auditors and audit firms under no FA9

Bucharest, 25 March 2022