REGULATORY DISCLOSURE REPORT

Banca Transilvania Financial Group
H1 2023

In accordance with EU Capital Requirements Regulation 575/2013 (CPR), Part 8

Introduction

With this document, Banca Transilvania Financial Group fullfils its disclosure requirements under Part 8 of EU Capital Requirements Regulation (CRR) 575/2013.

This document is available on the bank’s website (https://www.bancatransilvania.ro/).

Contents:

LIQUIDITY AND FUNDING RISK

Liquidity risk represents the current or future risk that the profit and capital may be negatively affected as a result of the incapacity to fulfill its commitments or to repay its debts as they become due.

Liquidity risk has two main 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. The Group is continuously acting to manage this type of risk.

The Assets and Liabilities Management Committee of the Bank is responsible of 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.

LCR at 30 iune 2023:

		a				b			
Scope of consolidation (solo / consolidated)		**Total unweighted value**				**Total weighted value**			
Currency and units (RON million)									
Quarter ending on		**30-iun-2023**	**31-Mar-23**	**31-Dec-22**	**30-Sep-22**	**30-iun-2023**	**31-Mar-23**	**31-Dec-22**	**30-Sep-22**
Number of data points used in the calculation of averages		**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality assets (HQLA)					46,113	43,703	40,434	34,760
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	102,557	101,025	95,855	91,104	8,145	8,067	7,604	7,172
3	*Stable deposits*	*62,259*	*60,978*	*59,129*	*56,923*	3,113	3,049	2,956	2,846
4	*Less stable deposits*	*39,891*	*39,654*	*36,324*	*33,791*	4,625	4,626	4,245	3,937
5	Unsecured wholseale funding	26,583	27,144	21,965	21,090	14,406	13,697	11,569	11,368
6	*Operational deposits (all counter parties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all Counter parties)*	*26,583*	*27,144*	*21,965*	*21,090*	14,406	13,697	11,569	11,368
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	Secured wholesales funding		-	-	-	-	-	-	-
10	Additional requirements	3,823	3,551	3,237	3,117	221	192	174	166
11	*Outflows related to derivatives exposure and other collateral requirements*	-	-	-	-	-	-	-	-
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	*3,823*	*3,551*	*3,237*	*3,117*	221	192	174	166
14	Other contractual funding obligations	266	144	85	87	-	-	-	-
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	**TOTAL CASH OUTFLOWS**		-	-	-	**22,772**	**21,957**	**19,348**	**18,706**
CASH-FLOWS		-	-	-	-	-	-	-	-
17	Secured lending (eg reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	13,511	7,821	5,839	4,509	12,304	6,981	4,189	3,695
19	Other cash Inflows	188	1,795	72	256	188	1,795	72	256
20	**TOTAL CASH FLOWS**	**13,699**	**9,616**	**5,910**	**4,765**	**12,492**	**8,776**	**4,261**	**3,951**
21	**Total HQLA**		-	-	-	**46,113**	**43,703**	**40,434**	**34,760**
22	**TOTAL NETCASH OUTFLOWS**		-	-	-	**10,281**	**13,181**	**15,087**	**14,756**
23	**LIQUIDITY COVERAGE RATIO (%)**		-	-	-	**449%**	**332%**	**268%**	**236%**

NSFR - It aims to promote resistance over a longer time span by creating incentives for the bank to finance its activities with stable funding sources.

		30.06.2023					31.03.2023				
		a	b	c	d	e	a	b	c	d	e
	(In currency amount)	Unweighted value by residual maturity				Weighted	Unweighted value by residual maturity				Weighted
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	Available stable funding (ASF) item										
1	Capital:	11,668,469	-	-	14,064,122	14,064,122	9,701,576	-	-	20,878,228	11,176,653
2	*Regulatory capital*	11,668,469	-	-	2,395,653	2,395,653	9,701,576	-	-	1,475,077	11,176,653
3	*Other capital instruments*		-	-	-	-		-	-	-	-
4	Retail deposits and deposits from small business customers:		85,195,858	6,726,510	10,227,476	95,812,593		83,550,790	8,035,951	9,045,632	94,289,332
5	*Stable deposits*		52,780,206	4,319,526	5,159,487	59,404,233		51,264,172	5,048,495	4,665,240	58,162,273
6	*Less stable deposits*		32,415,652	2,406,984	5,067,988	36,408,361		32,286,618	2,987,456	4,380,392	36,127,059
7	Wholesale funding:		23,820,284	1,714,554	7,316,491	17,242,747		27,290,284	1,893,496	4,082,372	15,188,841
8	*Operational deposits*		-	-	-	-		-	-	-	-
9	*Other wholesale funding*		23,820,284	1,714,554	7,316,491	17,242,747		27,290,284	1,893,496	4,082,372	15,188,841
10	Liabilities with matching interdependent assets		-	-	-	-		-	-	-	-
11	Other liabilities:	5,682,325	920,646	2,044	5,541	6,563	6,970,842	189,746	1,482	3,778	4,519
12	*NSFR derivative liabilities*	5,682,325	-	-	-	-	6,970,842	-	-	-	-
13	*All other liabilities and equity not included in the above categories*	-	920,646	2,044	5,541	6,563	-	189,746	1,482	3,778	4,519
14	**Total ASF**					**127,126,026**					**120,659,345**
	Required stable funding (RSF) item										
15	Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	1,524,958	-	-	-	-	2,196,836
EU-15 a	Assets encumbered for a residual maturity of one year or more in a cover pool	-	-	-	-	-	-	-	-	-	-

16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-	-	-	-	-	-
17	Performing loans and securities:	-	15,449,909	9,625,715	50,356,088	50,727,743	-	16,517,721	9,438,248	48,665,289	50,498,260
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-	-	-	-	-	-
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	4,260,920	582,796	1,491,479	2,208,969	-	2,622,546	412,614	1,377,467	1,846,028
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	9,075,571	7,856,340	25,805,840	44,113,994	-	9,717,284	7,820,640	23,587,218	42,584,453
21	*With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk*	-	98,767	25,193	341,623	10,673,840	-	23,382	88,946	331,019	10,228,560
22	*Performing residential mortgages, of which:*	-	736,929	701,891	18,971,485	-	-	782,357	630,157	18,897,554	-
23	*With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk*	-	457,653	407,431	15,318,866	-	-	441,814	384,633	14,683,092	-
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	1,376,490	484,688	4,087,284	4,404,780	-	3,395,533	574,837	4,803,051	6,067,778
25	Assets with matching interdependent liabilities	-	-	-	-	-	-	-	-	-	-
26	Other assets:	-	10,351,695	263,822	1,233,411	3,183,165	-	10,211,848	288,069	1,208,470	3,156,315
27	*Physical traded commodities, including gold*	-	-	-	-	-	-	-	-	-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties*	-	-	-	-	-	-	-	-	-	-
29	*NSFR derivative assets*	-	-	-	-	-	-	-	-	-	-
30	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	-	-	-	-	-	-	-
-31	*All other assets not included in the above categories*	-	10,351,695	263,822	1,233,411	3,183,165	-	10,211,848	288,069	1,208,470	3,156,315
32	Off-balance sheet items	-	1,794,440	2,139,095	4,091,754	522,801	-	2,015,848	1,757,027	3,893,799	520,345
33	**Total RSF**	**-**				**55,958,667**					**56,371,756**
34	**Net Stable Funding Ratio (%)**					**227.18%**					**214.04%**

OWN FUNDS

OWN FUNDS REQUIREMENTS

The Group's and the Bank's own funds are based on the applicable legal requirements on regulatory capital and include:

- Tier I, which includes subscribed and paid in capital, share premiums, eligible reserves, retained earnings and deductions stipulated by the applicable legal provisions;
- Tier II, which includes subordinated borrowings and deductions stipulated by the applicable legal provisions.

Main caracteristics of capital instruments

1	Issuer	Banca Transilvania	EEEF	IFC	IFC	AIIB	Idea Bank	BANK PEKAO SA	BANK PEKAO SA
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ROTLVADBC023	0	0	0	0	0	ROD3LSDKONG6	0
3	Governing law(s) of the instrument	OUG nr.99/2006, CRR	OUG nr.99/2006,	OUG nr.99/2006, CRR	OUG nr.99/2006,	OUG nr.99/2006,	OUG nr.99/2006, CRR	OUG nr.99/2006, CRR	OUG nr.99/2006,
	Regulatory treatment	0	0	0	0	0	0	0	0
4	Transitional CRR rules	Nivel 2	Nivel 2	Nivel 2	Nivel 2	Nivel 2	Nivel 2	Nivel 2	Nivel 2
5	Post-transitional CRR rules	Nivel 2	Nivel 2	Nivel 2	Nivel 2	Nivel 2	Nivel 2	Nivel 2	Nivel 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	individual si consolidat	individual si consolidat	individual si consolidat	individual si consolidat	individual si consolidat	individual si consolidat	consolidat	consolidat
7	Instrument type (types to be specified by each jurisdiction)	Titluri subordonate (obligatiuni)	Titluri subordonate (obligatiuni)	Imprumut subordonat	Imprumut subordonat	Imprumut subordonat	Imprumut subordonat	Titluri subordonate (obligatiuni)	Imprumut subordonat
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	€ 280.00	€ 0.93	€ 0.80	€ 2.90	€ 99.50	€ 99.50	€ 0.27	€ 0.45
9	Nominal amount of instrument	€ 285.00	€ 30.00	€ 25.00	€ 40.00	€ 100.00	€ 100.00	€ 5.00	€ 2.50
EU-9a	Issue price	€ 285.00	€ 30.00	€ 25.00	€ 40.00	€ 100.00	€ 100.00	€ 5.00	€ 2.50
EU-9b	Redemption price	€ 285.00	€ 30.00	€ 25.00	€ 40.00	€ 100.00	€ 100.00	€ 5.00	€ 2.50
10	Accounting classification	datorii la cost amortizat	datorii la cost amortizat	datorii la cost amortizat	datorii la cost amortizat	datorii la cost amortizat	datorii la cost amortizat	datorii la cost amortizat	datorii la cost amortizat
11	Original date of issuance	26/06/2018	22/05/2013	30/09/2013	31/10/2014	29/06/2023	29/06/2023	26/02/2019	28/02/2014
12	Perpetual or dated	cu scadenta	cu scadenta	cu scadenta	cu scadenta	cu scadenta	cu scadenta	cu scadenta	cu scadenta
13	Original maturity date	26/06/2028	22/05/2020	30/09/2023	15/10/2023	29/06/2033	29/06/2033	18/12/2024	31/03/2024
14	Issuer call subject to prior supervisory approval	nu	nu	nu	nu	nu	nu	nu	nu
15	Optional call date, contingent call dates and redemption amount	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
16	Subsequent call dates, if applicable	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Coupons / dividends	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
17	Fixed or floating dividend/coupon	variabil	variabil	variabil	variabil	variabil	variabil	fix	variabil
18	Coupon rate and any related index	EURIBOR 6M + 3.75%	EURIBOR 6M + 6.25%	EURIBOR 6M+6.2%	LIBOR 6M+5.8%	EURIBOR 6M+6.68%	EURIBOR 6M+6.68%	0.085	EURIBOR 3M+6.26%
19	Existence of a dividend stopper	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
21	Existence of step up or other incentive to redeem	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
22	Noncumulative or cumulative	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
23	Convertible or non-convertible	nu	nu	nu	nu	nu	nu	nu	nu
24	If convertible, conversion trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
30	Write-down features	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
32	If write-down, full or partial	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	subordonate tuturor celorlalte datorii	subordonate tuturor celorlalte datorii	subordonate tuturor celorlalte datorii	subordonate tuturor celorlalte datorii	subordonate tuturor celorlalte datorii	subordonate tuturor celorlalte datorii	subordonate tuturor celorlalte datorii	subordonate tuturor celorlalte datorii
36	Non-compliant transitioned features	nu	nu	nu	nu	nu	nu	nu	nu
37	If yes, specify non-compliant features	-	-	-	-	-	-	-	-

Reconciliation of own funds elements with the statement of financial position

RON thous.

Capital base in RON thousand	30.06.2023
Shareholders' equity according to the Group's balance sheet	11,671,791
Non-controlling interests	621,592
Anticipated dividend	-
Additional value adjustments	(47,589)
Goodwill	(154,363)
Deferred tax receivables	-
Intangible assets	(244,840)
Other adjustments	(178,122)
Common Equity Tier 1 capital	**11,668,469**
Total Tier 1 capital I	**11,668,469**
Tier 2 instrument	2,737,076
Other adjustments	(341,423)
Total Tier 2 capital	**2,395,653**
Total capital base	**14,064,122**

Financial position

Template EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

RON thous.

		a	b	c
Assets - Breakdown by asset classes according to the balance sheet from the published financial statements		**IFRS H1 2022**	**Prudential H1 2022**	**Reference**
1	Cash and current accounts with Central Banks	22,762,583	22,762,583	
2	Derivatives	194,435	194,435	
3	Financial assets held for trading and measured at fair value through profit or loss	315,195	36,008	
4	Non-trading financial assets mandatorily at fair value through profit or loss	1,222,221	1,641,828	
5	Financial assets measured at fair value through other items of comprehensive income	45,672,475	45,672,475	
6	Financial assets at amortized cost - of which:	76,811,396	76,977,153	
7	- Placements with banks	4,227,655	4,227,344	
8	- Loans and advances to customers	66,446,951	66,617,344	
9	- Debt instruments	4,349,941	4,349,942	
10	- Other financial assets	1,786,849	1,782,523	
11	Finance lease receivables	3,013,765	3,013,765	
12	Investments in subsidiaries	-	-	
13	Investment in associates	2,680	17,898	
14	Property and equipment and investment property	1,168,374	878,863	
15	Intangible assets	530,376	530,099	CC1 row 8

16	Goodwill	154,363	154,363	CC1 row 8
17	Right-of-use assets	446,530	679,322	
18	Current tax assets	-	-	
19	Deferred tax assets	565,421	549,548	
20	Other non-financial assets	208,285	208,260	
21	**Total assets**	**153,068,099**	**153,316,600**	
Liabilities - Breakdown by liabilities classes according to the balance sheet from the published financial statements				
22	Derivatives	44,195	44,195	
23	Deposits from banks	453,499	453,499	
24	Deposits from customers	127,426,948	127,488,446	
25	Loans from banks and other financial institutions	6,560,508	6,560,508	
26	Subordinated liabilities	2,737,076	2,737,076	
27	Current tax liability	260,270	260,205	
28	Provisions for other risks and loan commitments	499,181	499,181	
29	Lease liabilities	450,535	648,241	
30	Other financial liabilities	2,034,206	2,029,069	
31	Other non-financial liabilities	283,264	282,995	
32	**Total liabilities excluding financial liabilities to holders of fund units**	**140,749,682**	**141,003,415**	
33	Financial liabilities to holders of fund units	25,034	-	
34	**Total liabilities**	**140,774,716**	**141,003,415**	
Equity - Breakdown by equity classes according to the balance sheet from the published financial statements				
35	Share capital	7,163,083	7,163,083	CC1 row 1
36	Treasury shares	(15,287)	-	CC1 row 16
37	Share premiums	31,235	31,235	CC1 row 1
38	Retained earnings	5,963,512	5,965,655	CC1 row 2 +CC1 row 3
39	Revaluation reserves from tangible assets	62,984	65,876	
40	Reserves on financial assets measured at fair value through other items of comprehensive income	(2,523,759)	(2,523,759)	
41	Other reserves	990,023	989,503	
42	**Total equity attributable to equity holders of the Bank**	**11,671,791**	**11,691,593**	
43	Non-controlling interest	621,592	621,592	
44	**Total equity**	**12,293,383**	**12,313,185**	
45	**Total liabilities and equity**	**153,068,099**	**153,316,600**	

Own funds (prudential)

Template EU CC1 - Composition of regulatory own funds

RON thous.

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves		**30.06.2023**	
1	Capital instruments and the related share premium accounts	7,194,318	CC2 row 35+ CC2 row 37
2	Retained earnings	2,279,768	CC2 row 38 + CC2 row 39 + CC2 row 40 + CC2 row 41
3	Accumulated other comprehensive income (and other reserves)	1,968,671	
4	Directly issued capital subject to phase-out from CET1 capital (only applicable to non-joint stock companies)	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 capital)	-	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**11,442,757**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		**30.06.2023**	
7	Prudent valuation adjustments	(47,589)	
8	Goodwill (net of related tax liability)	(154,363)	
9	Other intangibles other than mortgage servicing rights (MSR) (net of related tax liability)	(244,840)	
10	Deferred tax assets (DTA) that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)		
11	Cash flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale (as set out in [CAP30.14])		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined-benefit pension fund assets		
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	(48,398)	CC2 row 36 (partial) – own shares
17	Reciprocal cross-holdings in common equity		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		

20	MSR (amount above 10% threshold)		
21	DTA arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	Of which: significant investments in the common stock of financials		
24	Of which: MSR		
25	Of which: DTA arising from temporary differences		
26	National specific regulatory adjustments	720,902	
27	Regulatory adjustments applied to Common Equity Tier 1 capital due to insufficient Additional Tier 1 and Tier 2 capital to cover deductions		
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**225,712**	
29	**Common Equity Tier 1 (CET1) capital**	**11,668,469**	
Additional Tier 1 (AT1) capital: instruments		**30.06.2023**	
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus		
31	Of which: classified as equity under applicable accounting standards		
32	Of which: classified as liabilities under applicable accounting standards		
33	Directly issued capital instruments subject to phase-out from additional Tier 1 capital		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group additional Tier 1 capital)		
35	of which: instruments issued by subsidiaries subject to phase out		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**		
Additional Tier 1 (AT1) capital: regulatory adjustments		**30.06.2023**	
37	Investments in own additional Tier 1 instruments		
38	Reciprocal cross-holdings in additional Tier 1 instruments		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation		
41	National specific regulatory adjustments		
42	Regulatory adjustments applied to additional Tier 1 capital due to insufficient Tier 2 capital to cover deductions		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**		
44	**Additional Tier 1 (AT1) capital**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**11,668,469**	
Tier 2 (T2) capital: instruments		**30.06.2023**	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	2,395,653	

47	Directly issued capital instruments subject to phase-out from Tier 2 capital		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		
49	of which: instruments issued by subsidiaries subject to phase out		
50	Provisions		
51	**Tier 2 (T2) capital before regulatory adjustments**	**2,395,653**	
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities		
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)		
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 (T2) capital**		
58	**Tier 2 (T2) capital**	**2,395,653**	
59	**Total capital (TC = T1 + T2)**	**14,064,122**	
60	**Total risk-weighted assets**	**62,839,571**	
Capital ratios and requirements including buffers		**30.06.2023**	
61	Common Equity Tier 1 capital	18.57%	
62	Tier 1 capital	18.57%	
63	Total capital	22.38%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	11.09%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.50%	
67	of which: systemic risk buffer requirement	2.00%	
68	**Common Equity Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements**	**7.48%**	
National minima (if different from Basel III)		**30.06.2023**	
69	National minimum Common Equity Tier 1 capital adequacy ratio (if different from Basel III minimum)		
70	National minimum Tier 1 capital adequacy ratio (if different from Basel III minimum)		
71	National minimum Total capital adequacy ratio (if different from Basel III minimum)		

Amounts below the thresholds for deduction (before risk weighting)		30.06.2023	
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities		
73	Significant investments in the common stock of financial entities		
74	MSR (net of related tax liability)		
75	DTA arising from temporary differences (net of related tax liability)		
Applicable caps on the inclusion of provisions in Tier 2		**30.06.2023**	
76	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to standardized approach (prior to application of cap)		
77	Cap on inclusion of provisions in Tier 2 capital under standardized approach		
78	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 capital under internal ratings-based approach		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		**30.06.2023**	
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

Template EU KM1 - Key metrics template

RON thous.

		a	b	c	d	e
		30.06.2023	**31.03.2023**	**31.12.2022**	**30.09.2022**	**30.06.2022**
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	11,668,469	9,701,576	11,123,258	10,880,555	10,538,011
1a	Fully loaded ECL accounting model CET1	10,808,274	8,886,286	9,775,367	9,522,332	9,306,470
2	Tier 1 capital	11,668,469	9,701,576	11,123,258	10,880,555	10,538,011
2a	Fully loaded ECL accounting model Tier 1	10,808,274	8,886,286	9,775,367	9,522,332	9,306,470
3	Total capital	14,064,122	11,176,653	12,584,713	12,382,307	12,032,392
3a	Fully loaded ECL accounting model total capital	13,203,927	10,361,363	11,236,822	11,024,084	10,800,851
	Risk-weighted exposure amounts					
4	Total risk exposure amount	62,839,571	62,512,196	60,551,783	59,139,476	56,639,823

4a	Total risk-weighted assets (pre-floor)	62,839,571	62,512,196	60,551,783	59,139,476	56,639,823
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	18.57%	15.52%	18.37%	18.40%	18.61%
5a	Fully loaded ECL accounting model CET1 (%)	17.20%	14.36%	16.14%	16.10%	16.43%
5b	CET1 ratio (%) (pre-floor ratio)	18.57%	15.52%	18.37%	18.40%	18.61%
6	Tier 1 ratio (%)	18.57%	15.52%	18.37%	18.40%	18.61%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	17.20%	14.36%	16.14%	16.10%	16.43%
6b	Tier 1 ratio (%) (pre-floor ratio)	18.57%	15.52%	0.00%	0.00%	0.00%
7	Total capital ratio (%)	22.38%	17.88%	20.78%	20.94%	21.24%
7a	Fully loaded ECL accounting model total capital ratio (%)	21.01%	16.74%	18.56%	18.64%	19.07%
7b	Total capital ratio (%) (pre-floor ratio)	22.38%	17.88%	20.78%	20.94%	21.24%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)				-	-
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Institution specific countercyclical capital buffer (%)	0.50%	0.50%	0.50%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	2.00%	2.00%	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	5.00%	5.00%	5.00%	4.50%	5.50%
12	CET1 available after meeting the total SREP own funds requirements (%)	13.57%	10.52%	12.28%	12.31%	12.84%
	Leverage ratio				-	-
13	Total exposure measure	160,794,207	154,445,323	147,751,218	148,661,969	148,353,097
14	Leverage ratio (%)	7.26%	6.28%	7.53%	7.32%	7.10%
EU 14a	Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	6.76%	5.75%	6.62%	6.89%	6.67%
EU 14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)					
EU 14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets					
EU 14d	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets					
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	46,113	43,703	40,434	34,760	35,061
16	Total net cash outflows (adjusted value)	10,281	13,181	15,087	14,756	11,443
17	Liquidity coverage ratio (%)	449%	332%	268%	236%	306%
	Net Stable Funding Ratio					
18	Total available stable funding	127,126,026	120,659,345	117,319,047	111,546,560	107,316,701
19	Total required stable funding	55,958,667	56,371,756	56,183,066	60,991,315	60,149,315
20	NSFR ratio (%)	227%	214%	209%	183%	178%

CAPITAL REQUIREMENTS

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

The following computation methods are used by the Bank and the Group:

- Credit risk: RWA (risk weighted assets) standardized approach;
- Market risk: capital requirements with respect to the foreign exchange risk and the trading portfolio are calculated based on the standardized approach;
- Operational risk: capital requirements for the coverage of operational risk are calculated according to the basic indicator approach.

The Group manages 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.

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

CAPITAL REQUIREMENTS

Template 4: EU OV1 – Overview of RWAs

RON thous.

		a	b	c
		RWA		Minimum capital requirements
		30.06.2023	31.03.2023	30.06.2023
1	Credit risk (excluding CCR)	49,472,162	48,532,159	3,957,773
2	Of which: standardized approach (SA)	49,472,162	48,532,159	3,957,773
3	Of which: foundation internal ratings-based (F-IRB) approach			
4	Of which: supervisory slotting approach			
5	Of which: advanced internal ratings-based (A-IRB) approach			
6	Counterparty credit risk - CCR	75,400	99,474	6,032
7	Of which: standardized approach for counterparty credit risk	75,400	99,474	6,032
8	Of which IMM			
9	Of which other CCR			
10	Of which valuation adjustment - CVA	105,191	149,189	8,415
11	Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period			
12	Equity investments in funds – look-through approach			
13	Equity investments in funds – mandate-based approach			
14	Equity investments in funds – fallback approach			
15	Settlement risk			
16	Securitization exposures in banking book			
17	Of which: securitization IRB approach (SEC-IRBA)			
18	Of which: securitization external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)			
19	Of which: securitization standardized approach (SEC-SA)			
20	Market risk	2,821,853	3,366,409	225,748
21	Of which: standardized approach (SA)	2,821,853	3,366,409	225,748
22	Of which: internal model approach (IMA)			
23	Capital charge for switch between trading book and banking book			
24	Operational risk	10,364,965	10,364,965	829,197
25	Amounts below the thresholds for deduction (subject to 250% risk weight)			
26	Output floor applied			
27	Floor adjustment (before application of transitional cap)			
28	Floor adjustment (after application of transitional cap)			
29	**Total**	**62,839,571**	**62,512,196**	**5,027,166**

Template CMS1 – Comparison of modelled and standardised RWA at risk level

		a	b	c	d
		RWA			
		RWA for modelled approaches that banks have supervisory approval to use	RWA for portfolios where standardised approaches are used	Total Actual RWA (a + b) (ie RWA which banks report as current requirements)	RWA calculated using full standardised approach (ie used in the base of the output floor)
1	Credit risk (excluding counterparty credit risk)	-	-	49,472,161.75	49,472,161.75
2	Counterparty credit risk	-	-	75,399.98	75,399.98
3	Credit valuation adjustment		-	105,190.84	105,190.84
4	Securitisation exposures in the banking book	-	-	-	-
5	Market risk	-	-	2,821,853.11	2,821,853.11
6	Operational risk		-	10,364,964.89	10,364,964.89
7	Residual RWA		-	-	-
8	Total	-	-	62,839,570.57	62,839,570.57

Template CMS2 - Comparison of modelled and standardised RWA for credit risk at asset class level

		a	b	c	d
		RWA			
		RWA for modelled approaches that banks have supervisory approval to use	RWA for column (a) if re-computed using the standardised approach	Total Actual RWA (ie RWA which banks report as current requirements)	RWA calculated using full standardised approach (ie RWA used in the base of the output floor)
1	Sovereign	-	-	4,862,678	-
	Of which: categorised as MDB/PSE in SA	-	-	-	-
2	Banks and other financial institutions	-	-	3,520,759	-
3	Equity[1]	-	-	-	-
4	Purchased receivables	-	-	-	-
5	Corporates	-	-	14,308,008	-
	Of which: F-IRB is applied	-	-	-	-
	Of which: A-IRB is applied	-	-	-	-
6	Retail	-	-	16,162,799	-
	Of which: qualifying revolving retail	-	-	-	-
	Of which: other retail	-	-	-	-
	Of which: retail residential mortgages	-	-	-	-
7	Specialised lending	-	-	-	-
	Of which: income-producing real estate and high volatility commercia	-	-	-	-
8	Others	-	-	10,617,918	-
9	**Total**	**-**	**-**	**49,472,162**	**-**

Template CVA1: The reduced basic approach for CVA (BA-CVA)

		a	b
		Components	BA-CVA RWA
1	Aggregation of systematic components of CVA risk		
2	Aggregation of idiosyncratic components of CVA risk		
3	Total		105,191

Template CVA2: The full basic approach for CVA (BA-CVA)

		a
		BA-CVA RWA
1	K Reduced	105,191
2	K Hedged	-
3	**Total**	105,191

Template CVA3: The standardised approach for CVA (SA-CVA)

		a	b
		SA-CVA RWA	Number of counterparties
1	Interest rate risk	-	
2	Foreign exchange risk	-	
3	Reference credit spread risk	105,191	
4	Equity risk	-	
5	Commodity risk	-	
6	Counterparty credit spread risk	-	
7	**Total (sum of rows 1 to 6)**	105,191	18

Template CVA4: RWA flow statements of CVA risk exposures under SA-CVA

		a
		30.06.2023
1	Total RWA for CVA at previous quarter-end	149,189
2	Total RWA for CVA at end of reporting period	105,191

Capital requirement for credit risk

Banca Transilvania calculates the risk-weighted exposure amounts for credit, counterparty credit and dilution risk using the standardised approach according to Regulation 575/2013, Part 3, Title II, Chapter 2.

RON thous.

RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES - standardized approach	**Credit, dilution and free deliveries risk**	**Counterparty credit risk**
	3,957,773	**6,032**
Central governments or central banks	370,614	-
Regional governments or local authorities	10,639	-
Public sector entities	7,762	-
Multilateral Development Banks	5,697	-
International Organizations	-	-
Institutions	276,093	5,903
Corporates	1,144,512	129
Retail	1,293,024	-
Secured by mortgages on immovable property	467,156	-
Exposures in default	127,351	-
Items associated with particular high risk	-	-
Covered bonds	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-
Collective investments undertakings (CIU)	-	-
Equity	21,768	-
Other items	233,159	-

Capital requirement for market risk

Banca Transilvania calculates Risk exposure amount for position, foreign exchange and commodities risks using the standardized approaches in accordance with Regulation no. 575/2013 Article 92(3)(b)and(c).

RON thous.

Capital requirements for position, foreign exchange and commodities risks under standardized approaches (SA)	30.06.2023
Traded debt instruments	45,986
Equity	14,981
Foreign Exchange	31,346
Commodities	-
Special approach to position risk in mutual funds	133,435

Capital requirement for operational risk

Banca Transilvania calculates the risk exposure amount for operational risk, using the basic approach, in accordance with Regulation 575/2013, Part III, Title III, Chapter 2.

RON thous.

Total risk exposure amount for operational risk (opr)	**10,364,965**

EXPOSURE TO COUNTERPARTY CREDIT RISK

SETTING CREDIT LIMITS RELATED TO COUNTERPARTY CREDIT RISK EXPOSURES

Throughout its activity, Banca Transilvania has exposures to other Romanian or foreign banks through treasury and trade operations, in local or foreign currency, within certain exposure limits.

Exposure limits are calculated and they govern two types of operations: treasury and trade, these representing Banca Transilvania's maximum exposures on a partner bank, calculated as a percentage of own funds. Treasury operations are divided depending on the type of transaction, foreign exchange market or money market and depending on the date of settlement, respectively on maturity. Exposure limits according to the date of settlement, respectively maturity are cumulative.

The method for determining exposure limits uses the principle of comparison between individual financial ratios calculated for the partner bank and the average ratios calculated for the group of banks it belongs to. Finally, financial ratios are weighted with quality indicators, indicators regarding the control of the Bank and the country rating;

The data which represents the basis for determining the exposure limit for partner banks:

- financial ratios
- quality indicators
- indicators regarding bank control
- country rating

In order to determine the own funds requirements for counterparty risk and credit assessment adjustment risk, the bank uses the standardized approach.

Template 25: EU CCR1 – Analysis of CCR exposure by approach

RON thous.

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	**Potential future exposure (PFE)**	**EEPE**	**Alpha used for computing regulatory exposure value**	**Exposure value pre-CRM**	**Exposure value post-CRM**	**Exposure value**	**RWEA**
1	SA-CCR (for derivatives)	19,448	122,518		1.4	5,767,205	198,752	198,752	75,400
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**	**19,448**	**122,518**		**1.4**	**5,767,205**	**198,752**	**198,752**	**75,400**

Template 26: EU CCR2 – CVA capital charge

RON thous.

		a	b
		Exposure value	**RWAs**
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)	-	-
3	(ii) stressed VaR component (including the 3× multiplier)	-	-
4	Transactions subject to the Standardized method	197,140	105,191
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**197,140**	**105,191**

Template 31: EU CCR5-A – Impact of netting and collateral held on exposure values

RON thous.

		a	b	c	d	e
		Gross positive fair value or net carrying amount	**Netting benefits**	**Netted current credit exposure**	**Collateral held**	**Net credit exposure**
1	Derivatives	5,767,205		5,767,205	168,158	5,599,048
2	SFTs	792,315		514	791,801	-
3	Cross-product netting	-		-	-	-
4	**Total**	**6,559,520**	**-**	**5,767,719**	**959,959**	**5,599,048**

Template 32: EU CCR5-B – Composition of collateral for exposures to CCR

RON thous.

		a	b	c	d	e	f	g	h
	Collateral type	Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	-	168,158	-	3,375	-	791,801	-	-
2	Cash – other currencies	-	-	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	816,606
8	Other collateral	-	-	-	-	-	-	-	-
9	**Total**	**-**	**168,158**	**-**	**3,375**	**-**	**791,801**	**-**	**816,606**

FINANCIAL RISKS RELATED TO FINANCIAL INSTRUMENTS OPERATIONS

In carrying out transactions with derivative financial instruments, the Bank is subject to market risk, credit risk, operational risk and legal risk associated with derivative products.

Control over derivative operations include proper separation of obligations, monitoring of risk management, supervision of management and other activities designed to ensure that the control objectives of the bank will be achieved. These control objectives include the following:

- Authorized execution. Derivative transactions are executed in accordance with policies approved by the bank.
- Comprehensive and accurate information. Information regarding derivatives, including information related to fair value, is recorded on time, it is complete and correct when

recorded in the accounting system and it is classified, described and reflected in an appropriate manner and in accordance with the provisions of EU regulation 648/2012 (EMIR).

- Preventing or detecting errors. Errors in processing of accounting data for derivatives are prevented or detected on time.
- Permanent monitoring. Activities involving derivatives are monitored on a permanent basis to recognize and measure events that affect related assertions present in financial statements.
- Evaluation. Changes in the value of derivatives are recorded and appropriately presented to the competent authorities, both operationally and in terms of control. The assessment is part of the ongoing monitoring activities, in compliance with EU regulation 648/2012 (EMIR).

CREDIT RISK ADJUSTMENTS

DEFINITIONS FOR ACCOUNTING PURPOSES OF 'PAST DUE' AND 'IMPAIRED'

Financial assets are considered "*overdue*" when there is an amount representing principal, interest or commission that was not paid at maturity. Outstanding exposures are reported at the total carrying amount of the exposure.

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;
- the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

DESCRIPTION OF THE APPROACHES AND METHODS ADOPTED FOR DETERMINING SPECIFIC AND GENERAL CREDIT RISK ADJUSTMENTS

Allowances for impairment

Based on future scenarios, the Group assesses the expected credit loss ("ECL") related to the assets in the form debt instruments measured at amortized cost.

The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL 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.

Measurement of the expected credit loss allowance (ECL)

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

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

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

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 is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is classified into 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then classified into 'Stage 3'.

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 borrower is more than 90 days past due on its contractual payments (also including the new default definition which is referring to significant overdue amount*);
- The borrower meets unlikeliness to pay criteria:

  -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 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 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.

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. The definitions of *credit-impaired and default* are aligned as far as possible so that stage 3 represents all loans which are considered defaulted or otherwise credit-impaired.

An instrument is considered to no longer be in default (i.e. to have "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 based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions and also expert opinion. For example the healing period for days past due criteria start at 3 months while the healing period for forborne asset start at one year.

Measurement of the expected credit loss Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. 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.

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

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

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default.

Forward-looking economic information is also included in determining the 12-month 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.

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

(i) the Group transfers substantially all the risks and rewards of ownership, or

(ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

The Group 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 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 enters into transactions in which it retains contractual rights to receive cash flows from assets, but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all risks and rewards.

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

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

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

TOTAL AMOUNT OF EXPOSURES AFTER ACCOUNTING OFFSETS AND WITHOUT TAKING INTO ACCOUNT THE EFFECTS OF CREDIT RISK MITIGATION, BY TYPE OF EXPOSURE CLASSES

Template 11: Credit quality of exposures by exposure class and instrument

RON thous.

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk	Accumulated write-offs	Credit risk adjustment	Net values
		Defaulted exposures	Non-defaulted exposures					
1	Central governments or central banks	-	68,009,569	20,503	-	-	(1,439)	67,989,066
2	Regional governments or local authorities	-	1,217,677	19,683	-	-	2,627	1,197,994
3	Public sector entities	-	108,612	1,561	-	-	(133)	107,051
4	Multilateral development banks	-	179,812	-	-	-	-	179,812
5	International organizations	-	-	-	-	-	-	-
6	Institutions	-	8,393,290	2,673	-	-	879	8,390,617
7	Corporates	-	26,188,404	955,716	-	-	132,789	25,232,688
8	*Of which: SMEs*	-	13,644,233	528,795	-	-	67,247	13,115,438
9	Retail	-	40,446,879	1,569,402	-	-	204,244	38,877,477
10	*Of which: SMEs*	-	18,488,471	653,017	-	-	72,530	17,835,454
11	Secured by mortgages on immovable property	-	17,562,373	147,477	-	-	26,844	17,414,896
12	*Of which: SMEs*	-	967,926	29,610	-	-	4,889	938,316
13	Exposures in default	3,387,647	-	1,823,564	-	3,038,496	195,552	1,564,083
14	Items associated with particularly high risk	-	-	-	-	-	-	-
15	Covered bonds	-	-	-	-	-	-	-
16	Claims on institutions and corporates with a short term credit assessment	-	-	-	-	-	-	-
17	Collective investments undertakings	-	-	-	-	-	-	-
18	Equity exposures	-	272,106	-		-	-	272,106
19	Other exposures	-	11,429,036	2,044,334	-	-	193,730	9,384,702
20	**Total**	**3,387,647**	**173,807,757**	**6,584,912**	**-**	**3,038,496**	**755,093**	**170,610,492**
21	*Of which: Loans*	3,183,165	108,243,168	6,281,141	-	3,038,496	720,153	105,145,192
22	*Of which: Debt securities*	-	43,332,703	7,529	-	-	2,708	43,325,174
23	*Of which: Off-balance-sheet exposures*	204,482	22,231,886	296,242	-	-	32,231	22,140,126

Template 17: Changes in the stock of defaulted and impaired loans and debt securities

RON thous.

	a
	Gross carrying value defaulted exposures
Opening balance	**3,350,531**
Loans and debt securities that have defaulted or impaired since the last reporting period	847,332
Returned to non-defaulted status	122,434
Amounts written off	413
Other changes	933,062
Closing balance	**3,387,647**

Template 16: Changes in the stock of general and specific credit risk adjustments

RON thous.

		a	b
		Accumulated specific credit risk adjustment	**Accumulated general credit risk adjustment**
1	***Opening balance***	**(1,588,819)**	**-**
2	Increases due to initiation and purchase	(65,685)	-
3	Decreases due to derecognition	80,739	-
4	Variations due to changes in credit risk (net)	(204,373)	-
5	Variations due to changes without derecognition (net)	73,075	-
6	Variations due to updating the institution's estimation methodology (net)	-	-
7	Decrease in the depreciation adjustment due to write-offs	22,023	-
8	Other adjustments	19,228	-
9	***Closing balance***	**(1,663,812)**	**-**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	70,464	-
11	Specific credit risk adjustments directly recorded to the statement of profit or los	-	-

Template EU CR1: Performing and non-performing exposures and related provisions.

RON thous.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	**Cash balances at central banks and other demand deposits**	**19,895,067**	**19,895,067**	**-**	**-**	**-**	**-**	**(4,050)**	**(4,050)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1	**Loans and advances**	**76,222,867**	**64,408,714**	**11,814,153**	**2,781,705**	**-**	**2,781,705**	**(2,961,441)**	**(1,212,994)**	**(1,748,447)**	**(1,741,453)**	**-**	**(1,741,453)**	**(3,038,495)**	**36,901,339**	**788,805**
2	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	*General governments*	9,013,939	9,004,959	8,980	408	-	408	(30,904)	(30,053)	(851)	(100)	-	(100)	(3,883)	30,272	221
4	*Credit institutions*	3,774,831	3,774,830	1	-	-	-	(997)	(996)	(1)	-	-	-	-	-	-
5	*Other financial corporations*	447,914	418,009	29,905	2,111	-	2,111	(26,572)	(18,413)	(8,159)	(1,276)	-	(1,276)	(8,270)	35,673	604
6	*Non-financial corporations*	31,517,524	25,012,850	6,504,674	1,503,076	-	1,503,076	(1,823,119)	(860,304)	(962,815)	(867,987)	-	(867,987)	(2,130,617)	17,326,187	472,769
7	*Of which SMEs*	21,969,046	16,724,065	5,244,981	1,104,050	-	1,104,050	(1,312,396)	(536,494)	(775,902)	(602,247)	-	(602,247)	(481,892)	13,252,588	377,075
8	*Households*	31,468,659	26,198,066	5,270,593	1,276,110	-	1,276,110	(1,079,849)	(303,228)	(776,621)	(872,090)	-	(872,090)	(895,725)	19,509,207	315,211
9	**Debt securities**	**49,948,599**	**49,876,945**	**71,654**	**-**	**-**	**-**	**(99,135)**	**(98,693)**	**(442)**	**-**	**-**	**-**	**-**	**-**	**-**
10	*Central banks*	1,141,835	1,141,835	-	-	-	-	(1,143)	(1,143)	-	-	-	-	-	-	-
11	*General governments*	44,577,396	44,577,396	-	-	-	-	(86,810)	(86,810)	-	-	-	-	-	-	-
12	*Credit institutions*	2,802,164	2,730,510	71,654	-	-	-	(2,370)	(1,928)	(442)	-	-	-	-	-	-
13	*Other financial corporations*	1,300,829	1,300,829	-	-	-	-	(1,316)	(1,316)	-	-	-	-	-	-	-
14	*Non-financial corporations*	126,375	126,375	-	-	-	-	(7,496)	(7,496)	-	-	-	-	-	-	-
15	**Off-balance-sheet exposures**	**24,775,308**	**21,936,891**	**2,838,417**	**179,178**	**-**	**179,178**	**260,312**	**192,617**	**67,695**	**92,272**	**-**	**92,272**	**-**	**6,205,040**	**39,172**
16	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	*General governments*	862,621	862,524	97	-	-	-	4,894	4,893	1	-	-	-	-	3,137	-
18	*Credit institutions*	2,820,531	2,820,531	-	-	-	-	26	26	-	-	-	-	-	-	-
19	*Other financial corporations*	224,431	216,616	7,815	795	-	795	2,215	1,444	771	460	-	460	-	8,290	335
20	*Non-financial corporations*	16,618,838	14,974,154	1,644,684	162,949	-	162,949	202,775	163,571	39,204	85,016	-	85,016	-	5,944,008	38,422
21	*Households*	4,248,887	3,063,066	1,185,821	15,434	-	15,434	50,402	22,683	27,719	6,796	-	6,796	-	249,605	415
22	**Total**	**170,841,841**	**156,117,617**	**14,724,224**	**2,960,883**	**-**	**2,960,883**	**(2,804,314)**	**(1,123,120)**	**(1,681,194)**	**(1,649,181)**	**-**	**(1,649,181)**	**(3,038,495)**	**43,106,379**	**827,977**

Template EU CR2a – Changes in the stock of non-performing loans and advances

RON thous.

		a	b
		Gross carrying amount	**Related net accumulated recoveries**
010	**Initial stock of non-performing loans and advances**	**2,684,630**	
020	Inflows to non-performing portfolios	849,533	
030	Outflows from non-performing portfolios	(752,458)	
040	Outflow to performing portfolio	(137,201)	
050	Outflow due to loan repayment, partial or total	(527,517)	
060	Outflow due to collateral liquidations	(46,509)	40,071
070	Outflow due to taking possession of collateral	(3,202)	2,184
080	Outflow due to sale of instruments	-	-
090	Outflow due to risk transfers	(2,748)	1,932
100	Outflows due to write-offs	(22,440)	
110	Outflow due to other situations	(12,842)	
120	Outflow due to reclassification as held for sale	-	
130	**Final stock of non-performing loans and advances**	**2,781,705**	

Template EUCQ1 - Credit quality of forborne exposures

RON thous.

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	397,379	1,022,524	1,022,524	1,022,524	(75,839)	(564,775)	605,843	419,933
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	4	4	4	-	(1)	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	7,194	165	165	165	(409)	(158)	2,877	-
060	*Non-financial corporations*	319,565	782,719	782,719	782,719	(56,560)	(442,758)	445,490	306,261
070	*Households*	70,620	239,636	239,636	239,636	(18,870)	(121,859)	157,477	113,672
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	3,406	15,298	15,298	15,298	86	86	5,834	3,368
100	**Total**	**400,785**	**1,037,822**	**1,037,822**	**1,037,822**	**(75,753)**	**(564,689)**	**611,677**	**423,300**

Template EU CQ3: Credit quality of performing and non-performing exposures by past due days

RON thous.

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			**Non-performing exposures**								
			Not past due or past due ≤ 30 days	**Past due > 30 days ≤ 90 days**		**Unlikely to pay that are not past due or are past due ≤ 90 days**	**Past due > 90 days ≤ 180 days**	**Past due > 180 days ≤ 1 year**	**Past due > 1 year ≤ 2 years**	**Past due > 2 years ≤ 5 years**	**Past due > 5 years ≤ 7 years**	**Past due > 7 years**	**Of which defaulted**
005	**Cash balances at central banks and other demand deposits**	**19,895,067**	**19,895,067**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**76,222,867**	**75,876,267**	**346,600**	**2,781,705**	**1,435,488**	**236,238**	**344,568**	**284,548**	**339,506**	**98,926**	**42,431**	**2,781,705**
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	9,013,939	9,013,318	621	408	375	-	-	5	28	-	-	408
040	*Credit institutions*	3,774,831	3,774,831	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	447,914	447,718	196	2,111	1,048	29	804	117	113	-	-	2,111
060	*Non-financial corporations*	31,517,524	31,414,586	102,938	1,503,076	892,551	87,194	156,926	94,333	199,958	62,840	9,274	1,503,076
070	*Of which SMEs*	21,969,046	21,893,244	75,802	1,104,050	670,684	74,779	83,537	64,971	143,994	59,873	6,212	1,104,050
080	*Households*	31,468,659	31,225,814	242,845	1,276,110	541,514	149,015	186,838	190,093	139,407	36,086	33,157	1,276,110
090	**Debt securities**	**51,318,321**	**51,318,321**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
100	*Central banks*	1,141,835	1,141,835	-	-	-	-	-	-	-	-	-	-
110	*General governments*	44,577,396	44,577,396	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	2,802,164	2,802,164	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	2,670,551	2,670,551	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	126,375	126,375	-	-	-	-	-	-	-	-	-	-
150	**Off-balance-sheet exposures**	**24,775,308**			**179,178**								**179,178**
160	*Central banks*	-			-								-
170	*General governments*	862,621			-								-
180	*Credit institutions*	2,820,531			-								-
190	*Other financial corporations*	224,431			795								795
200	*Non-financial corporations*	16,618,838			162,949								162,949
210	*Households*	4,248,887			15,434								15,434
220	**Total**	**172,211,563**	**147,089,655**	**346,600**	**2,960,883**	**1,435,488**	**236,238**	**344,568**	**284,548**	**339,506**	**98,926**	**42,431**	**2,960,883**

Template EU CQ4: Quality of non-performing exposures by geography

RON thous.

		a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
1	***On-balance-sheet exposures***	***79,004,573***	***2,781,705***	***2,781,705***	***79,004,573***	***(4,702,894)***		-
2	*Romania*	75,136,291	2,699,218	2,699,218	75,136,291	(4,583,588)		-
3	*Spain*	720,142	33	33	720,142	(663)		-
4	*Austria*	586,246	18	18	19	(19)		-
5	*Republic of Moldova*	1,548,056	77,724	77,724	1,548,056	(108,328)		-
6	*Other countries*	1,013,839	4,712	4,712	1,600,065	(10,296)		-
7	***Off-balance-sheet exposures***	***24,954,485***	***179,178***	***179,178***			***352,586***	
8	*Romania*	24,657,627	178,937	178,937			***345,470***	
9	*Spain*	34	-	-			***0***	
10	*Austria*	181	-	-			***2***	
11	*Republic of Moldova*	157,670	241	241			***6,514***	
12	*Other countries*	138,972	0	0			***600***	
13	**Total**	**103,959,058**	**2,960,883**	**2,960,883**	**79,004,573**	**(4,702,894)**	**352,586**	**-**

*In the "Other countries" category, countries whose exposure is below 1% of the bank's total exposure are included

Template EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

RON thous.

		a	b	c	d	e	f
		Gross carrying amount				**Accumulated impairment**	**Accumulated negative changes in fair value due to credit risk on non-performing exposures**
			Of which non-performing		**Of which loans and advances subject to impairment**		
				Of which defaulted			
1	Agriculture, forestry and fishing	3,242,731	85,291	85,291	3,242,731	(219,128)	-
2	Mining and quarrying	96,776	2,807	2,807	96,776	(9,079)	-
3	Manufacturing	4,965,868	340,968	340,968	4,965,868	(593,971)	-
4	Electricity, gas, steam and air conditioning supply	1,045,431	1,081	1,081	1,045,431	(86,846)	-
5	Water supply	294,745	16,708	16,708	294,745	(19,302)	-
6	Construction	3,304,066	245,858	245,858	3,304,066	(360,597)	-
7	Wholesale and retail trade	9,672,024	268,573	268,573	9,672,024	(557,173)	-
8	Transport and storage	3,149,286	152,316	152,316	3,149,286	(275,771)	-
9	Accommodation and food service activities	1,279,188	59,533	59,533	1,279,188	(110,492)	-
10	Information and communication	475,541	21,364	21,364	475,541	(31,719)	-
11	Financial and insurance actvities	61,053	2	2	61,053	(2,820)	-
12	Real estate activities	2,034,911	117,875	117,875	2,034,911	(127,648)	-
13	Professional, scientific and technical activities	839,624	62,208	62,208	839,624	(83,133)	-
14	Administrative and support service activities	612,532	37,935	37,935	612,532	(56,418)	-
15	Public administration and defense, compulsory social security	1,788	514	514	1,788	(567)	-
16	Education	73,775	2,345	2,345	73,775	(6,281)	-
17	Human health services and social work activities	1,334,158	50,230	50,230	1,334,158	(94,405)	-
18	Arts, entertainment and recreation	343,459	23,711	23,711	343,459	(37,869)	-
19	Other services	193,645	13,757	13,757	193,645	(17,887)	-
20	**Total**	**33,020,600**	**1,503,076**	**1,503,076**	**33,020,600**	**(2,691,105)**	**-**

Template EU CQ7 - Collateral obtained by taking possession and execution processes

RON thous.

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	**Accumulated negative changes**
010	Property, plant and equipment (PP&E)	-	-
020	*Other than PP&E*	6,926	(96)
030	*Residential immovable property*	1,192	-
040	*Commercial Immovable property*	214	-
050	*Movable property (auto, shipping, etc.)*	5,520	(96)
060	*Equity and debt instruments*	-	-
070	*Other collateral*	-	-
080	**Total**	**6,926**	**(96)**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS (ESG RISKS)

Qualitative information on Environmental risk

BT Financial Group has integrated sustainability factors into all aspects of its business, from the collection of data from clients through credit and risk assessment to business strategy. For example, the Group measures Scope 1 and Scope 2 emissions and has implemented a procurement policy that considers ESG characteristics of its suppliers, while its lending policy incorporates ESG factors and risks in the underwriting process with a focus on increasing the share of green and sustainable finance in its portfolio.

The Group has several objectives to reduce the impact of its activities on the environment, as such:

- increase the share of renewable energy in total electricity consumption to at least 75% (currently over 73% of our electricity consumption comes from green sources, so this target has been met);
- gradually reduce paper consumption, by implementing digital workflows for products, digital signatures (in progress);
- issue of new cards from recycled materials (accomplished),
- gradually reduce greenhouse gas emissions from its vehicle fleet (Scope 1 emissions),
- develop infrastructure and organize awareness campaigns on the importance of selective waste collection (achieved from 2021). In 2023, the Bank began working with a third-party consultant to determine Scope 3 emissions, as the emissions generated by our loan portfolio are in fact the most significant emissions generated by our activity.

The Bank has set a 5% green asset ratio target by 2024, to be achieved by gradually increasing the share of green financing in its portfolio. In addition, a EUR 250 m renewable energy target portfolio has been approved for implementation in the medium term.

The Group reports on non-financial factors based on GRI standards and prior to each annual report a stakeholder engagement process is conducted to identify the material ESG issues of interest which are of interest for our clients, investors, suppliers, and other partners. The Group is involved in various activities aimed at raising awareness of the need to reduce environmental impact of our activities (e.g., greening Romania through reforestation campaigns). As part of our process of collecting information for credit and risk analysis underwriting and monitoring, the Group engages directly with its clients on their strategies to mitigate and reduce environmental risks (e.g., specific questions are asked on the existence of an environmental management system at the level of counterparty, as well as on the efficiency of resources use and measures to reduce pollution). This year a series of events started to be organized in Cluj-Napoca and Bucharest to engage with our clients and non-clients and to promote education in ESG matters.

The business strategy integrates environmental factors and risks. Environmental considerations are included into the credit policy, supplier policy, and other internal regulations. Environmental aspects are considered and reviewed in the ESG analysis for the clients.

We have an E&S policy which is published on the Bank's website. The Board of Directors also has a designate member responsible for overseeing the implementation of the sustainability strategy and, specific ESG responsibilities are defined at senior management level.

The sustainability strategy, which is revised annually, has aspects relating to environmental impacts and risks. It also contains the further actions to be taken to reduce these impacts and risks.

We have an environmental policy, available on the BT's site. The bank is planning to create an Environmental Committee and to develop a more detailed E&S Management Policy.

Regarding the reporting lines and frequency of environmental risk reporting, the Group follows both national and international regulatory requirements. (i.e., annual reporting to authorities on waste generated, energy report, specific disclosure requirements).

Analyzing the performance of the management in overseeing the Bank's impact on economy, environment and people and the actions taken in response to these assessments is part of the review process (including remuneration payments). A SMART methodology, including ESG objectives, is used in the assessment process. The performance evaluation criteria have been established over a sufficient period to measure actual performance and can be quantified, both qualitatively and quantitatively. Leaders were also specifically assigned sustainability targets. The use of such individual performance targets ensured alignment between the Bank's remuneration practices, the senior management's interests, and the bank's overall sustainability objectives.

The Group has been integrating environmental factors and risks into its underwriting process for both SMEs and corporates for over 15 years because of its long-term cooperation with multinational development banks (MDB, such as IFC, EBRD). An environmental and social risk assessment framework and workflow has been implemented and is applied to all corporate lending.

The internal environmental risk management framework is based on the IFC and EBRD E&S Performance Standards and the Group constantly updates it to reflect recent evolutions in the market or regulatory developments (e.g., specific aspects related to climate risk, both physical and transition, have been incorporated in the underwriting process, in line with TCFD recommendations). We are also in the process of conducting the impact analysis of our portfolio as part of the affiliation to United Nations Principles for Responsible Banking, the results of which may lead to further changes to our standards and procedures.

Each credit file for a corporate loan contains a specific environmental and social risk analysis form which enables these types of risk to be properly identified and assessed. 5 types of application forms have been developed, which are used based on the level of exposure of the client and the level of environmental risk corresponding to the sector (e.g. even if a client's exposure to BT would justify a less complex application form, if the environmental risk specific to the sector is high, a more elaborated analysis will be carried out). The information required to complete the ESG risk assessment application forms is collected directly from the client and are further scrutinized by the ESG analyst at headquarters who issues an ESG opinion on the exposure/specific transaction. The ESG opinion is valid for one year, provided no other change occurs in the client's activity (e.g., expiration of the environmental permit). The data included in the ESG opinion are further considered in the risk analysis as having the potential to lead to lower revenues/profitability (e.g., a specific business line, such as plastic, that the client will is abandoning due to regulatory constraints) or additional CAPEX requirements. ESG risks are monitored as part of the Bank/Group standard monitoring process

The Bank has a strategy to increase the share of green and blue financing in its portfolio and uses a tool developed by the IFC to establish eligibility for green financing and further reporting requirements (Climate Assessment for Financial Institution). This tool allows for the calculation of CO2 emissions, as such the portfolio of loans having a quantifiable environmental impact. In addition, we are in the process of calculating Scope 3 emissions generated by our portfolio and appropriate targets will be set to decrease these emissions.for reporting year 2022, Scope 3 emissions, associated with the credit portfolio (category 15) were calculated at the Group Level.

The ESG opinion, which is part of the credit file assigns a risk level to the analyzed exposure (climate risk, both physical and transition, environmental risk, social risk is considered) which can vary from very low to very high (7 levels). These risk levels are included in the overall assessment of the transaction/exposure, with the possibility of downgrading the client's internal rating on grounds of a high ESG risk.

Following the introduction of the ESG opinion in the underwriting process with a corresponding level of risk for each exposure, we will be able to determine a breakdown of the portfolio in terms of the associated level of ESG risk. Despite efforts to standardize the data through regulatory requirements, there are still challenges in the ESG data collection process. Most clients don't fall under the SFDR/NFDR reporting obligations and consequently we rely only on data collected directly through our ESG application forms. There is still a lack of awareness especially amongst less informed clients who are not able to provide accurate ESG data.

The Bank has an exclusion list, based on the BERD and IFC exclusion lists, that considers the sector/area in which the borrower operates. If the activity is on the list, the borrower will not be financed. Similarly, if the borrower does not comply with environmental and social legislation, it will not be financed. Moreover, for activities that have a significant impact on the environment, through serious pollution incidents, an action plan is proposed to the client, and escalation measures are taken in case the client does not comply with all requirements. For high-impacting clients with environmental issues, a negative opinion is issued by the ESG analysis team and further financing depends on the decision of the Credit Committee.

There is a clear link between environmental and credit risk, as the ESG opinion is part of the credit file, and the identified risks are considered in the overall risk assessment of the client /transaction through appropriate cash flow adjustments.

Template 2 ESG : Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Counterparty sector	Total gross carrying amount amount (in MEUR)															
			Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
			0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
1	**Total EU area**	6,388.04	218.62	1,508.65	272.85	28.87	13.43	13.82	218.62	1,508.65	272.85	28.87	13.43	13.82	-	4,331.80	-
2	Of which Loans collateralised by commercial immovable property	2,488.97	18.68	189.50	26.28	9.89	1.53	4.03	18.68	189.50	26.28	9.89	1.53	4.03	-	2,239.06	-
3	Of which Loans collateralised by residential immovable property	3,899.07	199.94	1,319.15	246.57	18.98	11.90	9.79	199.94	1,319.15	246.57	18.98	11.90	9.79	-	2,092.74	-
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties																
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated																
6	**Total non-EU area**																
7	Of which Loans collateralised by commercial immovable property																
8	Of which Loans collateralised by residential immovable property																
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties																
10	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated																

Template 5 ESG : Banking book - Climate change physical risk: Exposures subject to physical risk

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Variable: Geographical area subject to climate change physical risk - acute and chronic events	Gross carrying amount (Mln EUR)													
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket										Accumulated impairment, accumulated		
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity	of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures		of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	697.50	558.70	91.84	46.95	-	3.15	-	-	-	120.93	11.01	44.88	16.67	5.83
2	B - Mining and quarrying	13.90	11.04	2.86	-	-	2.67	-	-	-	8.16	0.29	1.56	1.18	0.22
3	C - Manufacturing	884.67	696.14	186.48	1.58	0.47	2.95	-	-	-	435.02	61.64	113.11	62.73	38.21
4	D - Electricity, gas, steam and air conditioning supply	207.14	181.74	25.40	-	-	1.71	-	-	-	14.87	0.20	17.36	2.28	0.06
5	E - Water supply; sewerage, waste management and remediation activities	38.00	32.73	5.28	-	-	2.76	-	-	-	9.49	1.11	3.02	1.19	0.75
6	F - Construction	507.69	370.20	103.40	34.08	-	3.33	-	-	-	99.86	36.74	64.96	16.97	27.70
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,666.63	1,348.43	307.89	10.31	-	2.59	-	-	-	190.66	39.21	100.74	28.52	24.06
8	H - Transportation and storage	416.06	360.35	53.94	1.76	-	2.76	-	-	-	158.01	17.12	45.55	26.51	12.00
9	L - Real estate activities	377.70	83.66	249.14	44.78	0.13	7.47	-	-	-	17.60	22.86	24.90	1.75	12.56
10	Loans collateralised by residential immovable property	3,899.07	112.50	448.57	1,332.77	2,005.23	11.88	-	-	-	485.04	104.43	77.04	25.32	43.59
11	Loans collateralised by commercial immovable property	2,488.97	1,163.32	1,100.21	206.64	18.81	2.07	-	-	-	455.17	128.31	197.74	65.04	65.42
12	Repossessed colalterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	9,239.65	4,815.99	983.03	1,416.56	2,024.07	9.72	-	-	-	1,158.79	246.33	439.64	181.04	153.30

Template 10 ESG: Other climate change mitigating actions that are not covered in the EU Taxonomy

	a	b	c	d	e	f
	Type of financial instrument	Type of counterparty	Gross carrying amount (million EUR)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	-	-	-	-
2		Non-financial corporations	-	-	-	-
3		Of which Loans collateralised by commercial immovable property	-	-	-	-
4		Households	-	-	-	-
5		Of which Loans collateralised by residential immovable property	-	-	-	-
6		Of which building renovation loans	-	-	-	-
7		Other counterparties	-	-	-	-
8	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	-	-	-	-
9		Non-financial corporations	175.60	-	-	Special environmental financing, Energy Efficiency, Green Buildings, Transport, Water efficiency, Renewable energies + Special environmental financing, Adaptation to climate change, Other climate-related activities
10		Of which Loans collateralised by commercial immovable property	114.62	-	-	-
11		Households	384.74	-	-	Renewable energies, Energy Efficiency, Transport, Green Buildings, Special environmental financing
12		Of which Loans collateralised by residential immovable property	381.16	-	-	-
13		Of which building renovation loans	-	-	-	-
14		Other counterparties	9.86	-	-	-

Qualitative information on Social risk

The sustainability strategy, which is reviewed annually, includes objectives, targets, and limits to assess social aspects.

Engagement with our clients on socially harmful activities is ensured through the ESG analysis which is performed on all our corporate loans. We have also started to organize events open to clients and non-clients, on ESG related issues, including the avoidance and elimination of socially harmful activities, where we try to raise awareness of the importance of assessing the social impact of our activities

Both the Board of Directors and its committees are charged with managing economic, environmental, and social impacts, including human rights. The responsibilities of the Board members include, include overseeing the implementation and maintenance of high sustainability (ESG) standards in both lending and day-to-day operations through the Board's Rules of Organization and Administration.

At BoD level, BT Group's sustainability strategy is set for a minimum three-year horizon and is closely aligned with the business strategy. The Chairman of the Risk Management Committee has ESG responsibilities, i.e., overseeing the implementation and risks associated with the sustainability strategy at bank and subsidiary level, as well as the alignment of risk management policies with the Group's sustainability standards.

In addition, the Rules of Organization and Administration stipulate that the Audit Committee is responsible for reviewing compliance with internal regulations on ESG standards, while the Remuneration Committee and the Nomination Committee approve remuneration and nomination policies in line with ESG principles and standards.

At executive management level, the CEO is responsible for coordinating the implementation of the ESG strategy at the level of Banca Transilvania, through the ESG Integration & Investor Relations Division, in collaboration with the departments involved in this process, on each business line.

The main areas of community involvement that guide us when we grant support to projects are:

- Assisting Romanian economy and entrepreneurs.
- Providing support to disadvantaged communities.
- Offering Support to young talent
- Backing performance sport.
- Helping the cultural & artistic environment.

The Audit Committee within the Board of Directors carries out its activity based on the applicable legal framework: Company Law no. 31/1990 and the Corporate Governance System of Banca Transilvania. The number of the members and their responsibilities are approved by the Board of Directors. The Audit Committee supervises the performance of the external auditors, makes recommendations regarding their appointment and remuneration, assesses the internal audit system developed by the head of the internal control, who is responsible for this system before the Board of Directors. The Committee has the right to make recommendations to the Board regarding the effectiveness of the Internal Audit function, and the remuneration of its head and staff. The members meet regularly with the Bank’s external auditors and discuss all matters relating to the audit work, assessing the degree of objectivity and independence of the opinions expressed by the external auditors. The Committee monitors the compliance with the Romanian legislation on financial statements and accounting principles, the compliance with the National Bank of Romania regulations, assesses the external auditor's report on the IFRS financial statements, reviews and pre-approves the Bank's IFRS financial statements. The full list of the Committee's responsibilities is available in the Audit Committee Charter, which is published on the Bank's website.

The Remuneration Committee is a consultative body subordinate to the Board of Directors and provides competent and independent opinions on remuneration policies and practices, on the remuneration of staff involved in risk management, capital adequacy and liquidity of the Bank, in accordance with regulatory requirements and to exercise the powers mandated by the Board of Directors on this business segment. This Committee analyzes and ensures that the general principles, the remuneration policies, and staff benefits are in line with the Bank's business strategy, the long-term values and objectives of Banca Transilvania. The Remuneration and Nomination Committee meets at least twice a year whenever necessary, at the request of one of its members or of the bank's managers.

During the 2023 meetings up to date, the Remuneration Committee analyzed and ensured that the general remuneration principles and policies were in line with the long-term business strategy, values, and objectives of Banca Transilvania, and in this respect it:

- endorsed the total annual remuneration of the governing body and approved the total annual remuneration of the persons under the Committee's responsibility;

reviewed the general principles of remuneration and ensured their compliance with the remuneration policy;

The Nominating Committee is a body under the Board of Directors, created to provide competent and independent opinions on nomination and suitability analysis policies and practices in accordance with regulatory requirements and to exercise the duties mandated by the Board of Directors on this business segment. The Nominating Committee meets at least twice a year or as often as necessary at the request of one of its members or the Bank's senior management.

During the meetings held during 2023, to date, the Nomination Committee has reviewed and ensured that the general principles and policies for the nomination of staff are consistent with Banca Transilvania's business strategy, objectives, values and long-term interests in this regard:

- identified and recommended for approval the extension of the terms of office of the members of the governing body who were due to expire (including in terms of their new terms of office), identified and recommended for approval the appointment of new members of the governing body (including in terms of their terms of office), assessed the balance of knowledge, skills, diversity and experience within the governing body;
- assessed the suitability in terms of knowledge, skills and experience of the members of the Management Board. Knowledge of sound ESG (Environmental, Social and Corporate Governance) principles and practices was also considered in the suitability assessment process;
- assessed the structure, size, composition and performance of the governing body with respect to any changes;

The Risk Management Committee is subordinated to the Board of Directors, and is responsible for independently reviewing, assessing, and recommending action on the Bank's risk strategy, risk profile, risk appetite and risk tolerance, risk management system, risk policies and capital adequacy in relation to the risks taken.

The Committee monitors compliance with the NBR regulations and recommendations in relation to the risk management and compliance functions, both of which report to the Deputy CEO in charge of risk management.

During the 2023 meetings, the Risk Management Committee had in view the following aspects:

- reviewed and assessed the robustness, adequacy, and efficiency of the risk management system in Banca Transilvania and BT Group, focusing on the risk management strategies and policies for 2023, based on the reports prepared by the functions in charge of the bank's risk management.
- supervised and made recommendations on the implementation of the risk management strategy proposed by the Leaders' Committee.
- analyzed the risk management reports for credit risk, market risk, liquidity risk, operational risk, compliance risk and strategic risk.
- monitored and assessed the internal capital allocation principles, in compliance with the Basel and the NBR provisions.
- analyzed the reports on non-performing and restructured loans and the results obtained by the departments in charge of recovery and debt collection.
- closely monitored the macroeconomic environment, requesting more frequent reviews of the parameters for calculating the estimated loss in accordance with IFRS9.
- analyzed and decided to apply post-model adjustments to the calculation of provisions, considering the fact that the government support measures - through the law on deferred payments and the financing of the sectors affected by the pandemic - led to a delay in the arrears and the recognition of non-performing loans.
- monitored, evaluated, and made recommendations on the remodeling of the risk management and compliance functions in order to adapt the structures to the current size of the bank.
- in close cooperation with other internal bodies, it ensured that the remuneration strategy was consistent with the bank's policy and promoted sound and efficient risk management.
- carefully assessed the business continuity management in the context of the pandemic.
- managed the IT&C risks associated with the technological adaptation and digitalization efforts undertaken by the Bank to continue to offer secure digital solutions to its customers.

At the BT Group level, the process for reporting situations of violation of internal regulations/legal provisions or irregularities within the bank and its subsidiaries is described in the Whistleblower Procedure which is designed to ensure an appropriate framework for the management of Banca Transilvania Financial Group's activities.

The objectives of the procedure are to provide support for the internal whistleblower mechanism that can be used by BT Group employees to communicate legitimate concerns regarding their activity and to encourage reporting of behaviors and situations that may have serious consequences for BT Financial Group, while at the same time ensuring the confidentiality and safety of employees who report such situations

The available reporting channels to employees are myalert@btrl.ro a dedicated e-mail address and My Alert an internal application.

Each reported case is reviewed by a dedicated working group and, if it qualifies under internal procedures, is forwarded for investigation via the specific application.

Complaints received are recorded, analyzed, and referred to the appropriate organizational structures for resolution: CEO, CRO, Senior Executive Director - Corporate Governance and Litigation.

All complaints were investigated and resolved in accordance with internal procedures. Shareholders and investors can submit complaints, grievances and claims by e-mail to investor.relations@bancatransilvania.ro as well as through the alternative channels available on the Bank's website.

In 2023, no complaints/complaints were received through the channels available to shareholders. For other stakeholder groups, complaints are registered via the BT Call Center or the dedicated email channel, myalert@btrl.ro.

During 2022, a tool for ESG complaints and submissions was created on the webpage dedicated to the ESG initiatives of Banca Transilvania (available here). All those who wish to make a complaint/suggestion on any topic or issue related to ESG can do so very easily, with a simple click. The tool is available in English and Romanian.

Clicking on the "ESG Complaints" button will automatically open a window where the following fields must be filled in Subject, Message/Description of the problem, Name, Surname, Phone and Email. These complaints will then be automatically forwarded to sesizariESG@btrl.ro, where they will be received by a group of ESG experts within the organization who will analyze them and formulate responses to the complainants.

Also, at the Group level in Romania, issues related to the occupational health and safety of employees are regulated internally in the Occupational Health and Safety (OHS) and Emergency Situations (ES) Rules, under the responsibility of the Physical Safety Department. These have been developed in accordance with current legislation and updated on a yearly basis. The Bank's OSH and ED work is coordinated by the Deputy General Manager CRO (Chief Risk Officer) through the Occupational Health and Safety and Emergency Situations Service.

At the same time, the Occupational Safety and Health Committee (OSH Committee), chaired by the Deputy Director General CRO, operates within the Bank. The Occupational Safety and Health Committee is composed of 17 members: 8 employee representatives, 8 employer representatives and the occupational physician. The powers and the functioning of this Committee are those laid down in the specific legislation (H.G. 1425/2006 art. 67) and its own regulations.

OHS and ED meetings are held quarterly or as required. At branch level, a designated person is appointed for prevention and protection activities in the field of occupational safety and health and emergency situations, training/coordination in the field of health and safety at work and occupational health and safety. The designated person will apply the instructions received from the Occupational Safety and Health and Emergency Situations Service.

The CRO Deputy General Manager is also responsible for coordinating the work of hazard identification and risk assessment for each component of the work system, i.e. contractor, work task, means of work/work equipment and work environment at workplaces/work stations.

The concept of sustainability is recognized by Banca Transilvania as a factor embedded in every activity and business, as it is essential for sustainable growth, progress, and the responsible performance of our financial activities. Therefore, we are committed to the inclusive development of the Romanian economy, through our sustained efforts to generate positive both within our organization and through initiatives for our clients which in turn multiply this impact for a healthy economy.

#Humanbanking and our recognition as the bank of Romanian entrepreneurs have been long standing principles during our 27-year journey, a journey that has taken us to the top of the Romanian financial sector. Today, more than ever, we understand the responsibility we have to our society and everything around us. Our story will continue, guided by the principles that build long-term relationships, we will put transparency and a sustainable mindset at the core of all our strategic directions and objectives.

A sustainable financial environment encompasses a broad range of environmental, social and governance principles that are becoming increasingly important to our investors, clients and employees. The integration of these principles into our operating model and business strategy is Sustainability as a performance objective is beneficial to our performance as an organization, with a focus on sustainability already a general priority, including on the part of BT's shareholders. The bank's sustainable approach has three pillars: • *People*• *Performance*• *Environment*

The main drivers of an appropriate sustainability agenda are the commitments to reduce negative environmental impacts, and climate change caused by nuclear or fossil fuel energy production, maritime exploration, or aggressive deforestation. Equally important, responsible lending is in fact a mission that goes beyond the economic sector through our active involvement in education and awareness raising on the concept of sustainability among entrepreneurs, small and medium sized enterprises, and the population.

Finally, social concerns such as diversity, human rights or consumer protection, as well as corporate governance issues such as governance, recruitment of staff and board remuneration, are considered in detail in each of our business objectives. Promoting transparency and long-term thinking in the financial sector is essential for our own business and for the prosperity of the society as a whole and is closely monitored by our shareholders.

Seeking to offer services and products tailored to our customers and supporting the development of the Romanian entrepreneurial sector have been the principles that have guided us on our path from the Bank's incorporation to our current position as a leader of the Romanian banking system. With over 3.5 million retail customers, 423 thousand active SME and Micro customers and 12.4 thousand corporate customers, we want to remain the first choice as a financial service provider, for the population, entrepreneurs, and the communities we are part of.

Banca Transilvania is close to the people and business, including through its territorial presence: over 512 branches and agencies, with private banking agencies in Romania and Italy and a regional center in Bucharest.

We recognize that our leadership position comes with an expanded responsibility not only to our customers, the environment, and the community. We therefore aim to sustainable financing in terms of environmental impact, by complementing the traditional analysis of our clients' compliance with an assessment of our clients' compliance with legal requirements in the areas of environmental protection and employee health/protection.

In this complex process of defining and integrating sustainability standards, we consider all the stakeholders:

- *Shareholders*
- *Authorities*
- *Employees*
- *Clients*
- *Partner*
- *Suppliers*
- *Mass media*
- *Online communities (social media)*
- *Organizations/Foundations/Associations*
- *Future clients*
- *Future employees.*

Equally important, responsible lending is a mission to improve people's access to finance, increase financial intermediation and support social and economic inclusion through our active involvement in the financial education of the population, entrepreneurs, and small businesses.

To his end, we have developed a diverse range of products, which we are constantly adapting to include changing circumstances. At the same time, we have included the analysis of non-financial factors, i.e., environmental, social, and corporate governance risks, in the assessment of our clients to determine their eligibility for financing.

We have solutions for all the sectors, through customized products to reflect industry specificity, and our employees have relevant sectoral expertise: agriculture and food industry, health and education, creative industries (arts and culture), trade, manufacturing, IT and services. We are the largest financier of the Romanian agriculture and the market leader in healthcare financing.

We finance working capital needs through our lending, factoring, instrument discounting, short term loans or non-cash facilities. Likewise, we support ambitious investment projects, through short or medium/long term loans (>5 years), of start-ups or mature companies, market leaders in their fields.

We have a large portfolio of cards, with Banca Transilvania holding the relevant market share for cards issued on the local market. We have developed a lending platform that also takes into account transactional data and involves a simplified scoring analysis to allow quick access to limited-value financing products for all our clients.

Our aim is to support clients in all their projects, supporting both their development and the adaptation to an ever-changing environment. We are aware that we cannot gain the trust of our partners if we do not generate added value through the work we do and contribute to the good of the community in which we are present. We are more than a Bank, we are part of the community.

Therefore, to assess the performance of the issuer's governance body, in addition to the specific objectives, specific ESG criteria (KPIs) regarding both the objectives and the reporting process, have been included in the assessment of the individual and collective suitability of the management body, including the BoD committees. Although the current suitability analysis process includes an ESG component, the addition of new objectives within this analysis will ensure a better ongoing verification of the management body' expertise, so as to reflect the relevant changes at the level of the economic activity, sustainability /ESG strategies and the risk profile of the institution.

The Group's social risk management framework is based on Best Practices on human right definitions and procedures issued by stakeholders (i.e., the IFC, the EBRD procedures) and on national laws. All the information is available on our annual sustainability report.

Social risk is taken into consideration in the credit and risk assessment of all our exposures to companies. Having been identified and measured (e.g., low, moderate, high) upon the approval of a loan, social risk is further monitored as part of the monitoring process of our exposures (at least annually for exposures exceeding a certain limit). We also monitor social risk through the mitigating conditions we impose in the process of approving the loan. At the level of the Bank, partners are selected based on their ESG associated risk, which has been determined through an ESG assessment form.

The ESG Analysis team makes recommendations and conditions for social risk mitigation, where needed. Also, periodically client site check occurs, to verify if the borrower is in line with the recommendation, legislation and regulation that applies it the sector of its activity.

As previously mentioned, social risk of our counterparties is analyzed in the credit and risk assessment process through internal developed forms, which the clients are required to fill in. 5 different forms have been developed, taken into consideration the level of the exposure and the implicit ESG risk associated to each NACE code. The forms have been developed based on best practices on ESG risk assessment and ESG Performance standards of IFC/EBRD. As regards our suppliers, a specific ESG assessment form has been developed internally, which the suppliers are required to fill in periodically and which allows us to determine the level of ESG related risk of that partner.

If the associated E&S risk of a client has been considered high, it may influence the risk of that exposure, triggering as such a superior level of competence (e.g., high risk exposures are approved only at the level of senior credit committee). We have also the possibility to influence internal rating of the client if the associated E&S risk has been considered high and not appropriate mitigation measures have been imposed. In terms of suppliers' selection, the level of ESG related risk also determines the competence of approval of that contract.

Social risk is part of the credit and risk assessment and such, having a direct impact in the overall credit risk of the borrower. The Group is also in the process of implementing an ESG rating which will influence the final rating of the client.

Qualitative information on Governance risk

Both the Board of Directors and its committees have responsibilities for managing economic, environmental, and social impacts, including human rights. The Board's responsibilities, through its Rules of Organization and Administration, include oversight of the implementation and maintenance of high sustainability (ESG) standards in both lending and day-to-day operations. At Board level, BT Group's sustainability strategy is set over a minimum three-year horizon and is closely aligned with the business strategy. The Chairman of the Risk Management Committee has ESG responsibilities, i.e., overseeing the implementation and risks associated with the sustainability strategy at bank and subsidiary level, as well as the alignment of risk management policies with the Group's sustainability standards.

In addition, the Organizational and Management Regulations stipulate that the Audit Committee is responsible for reviewing compliance with internal regulations on ESG standards, while the Remuneration Committee and the Nomination Committee approves remuneration and nomination policies in line with ESG principles and standards.

At the management level, the CEO is responsible for coordinating the implementation of the ESG strategy at Banca Transilvania level through the ESG Integration & Investor Relations Division, in collaboration with the departments involved in this process in each business line. Further details on the responsibilities of each committee and their activities during the reporting period can be found in the Report of the Board of Directors of Banca Transilvania 2022. Please also refer to the green organization chart.

The BT Group Infrastructure structure, which reports to the Deputy Director General COO, manages the procurement, investment and logistics activities and has recently taken on increasingly complex responsibilities regarding managing the environmental impact of the Bank's business, including the way in which BT Group suppliers are selected. The integration of ESG issues into the procurement methodology and rules ensures that external resources for BT's business are sourced from appropriate sources that meet the terms of engagement, including ESG criteria.

This process is underpinned by compliance with applicable internal policies on conflict-of-interest management, ethics and conduct, transparency and strategy and risk management.

EXPOSURE TO MARKET RISK

The changes that occurred in 2023 compared to 2022 are due to the decreasing value trading book as a result of the Bank's investment strategy and the reorganization of the bank's portfolios..The decreasing value of trading book was determined mainly by decreasing value of bond's from trading book, at the level of fund units and shares, no significant changes were recorded.

Template 34: EU MR1 – Market risk under the standardised approach

RON thous.

		a	b
		RWAs	**Cerințe de capital**
	Outright products	**1,153,918**	**92,313**
1	Interest rate risk (general and specific)	574,830	45,986
2	Equity risk (general and specific)	187,259	14,981
3	Foreign exchange risk	391,830	31,346
4	Commodity risk	-	-
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus approach	-	-
7	Scenario approach	-	-
8	**Securitization** (specific risk)	-	-
9	**Total**	**1,153,918**	**92,313**

EXPOSURE TO INTEREST RATE RISK ON POSITIONS NOT INCLUDED IN THE TRADING BOOK

EXPOSURE TO INTEREST RATE RISK ON POSITIONS NOT INCLUDED IN THE TRADING BOOK

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 and Risk Administration Department.

Interest rate risk management on positions not included in the trading book is carried out through the standardized approach for calculation of the potential changes in the group's economic value due to changes on the interest rates, according to BNR Regulation no. 5/2013 on prudential requirements for credit institutions, as subsequently amended and supplemented.

The standard movement of interest rates used is of +/-200 basis points, for each currency that exceeds 5% of total assets or liabilities from the banking book (Ron and Eur) and aggregate for positions in insignificant currencies.

Bank implemented the requirements of EBA Guidelines on the Management of Interest Rate Risk arising from Non-Trading Book Activities (EBA/GL/2018/2 as of July 2018) which covers repricing risk, yield curve risk, option risk and basis risk.

The bank measures the interest rate risk in banking book by calculating weekly/monthly a series of relevant ratios.

The results of the analysis at consolidated level can be found in the table below:

Potential change in economic value	RON thousand
Own funds	14,064,122
Potential decrease in economic value +/-200bp	-
Total value	931,026
Impact in own funds	6.62%

EXPOSURE TO SECURITISATION POSITIONS

Banca Transilvania is not exposed to securitisation positions.

LEVERAGE RATIO

Within the framework of EU Regulation no.575/2013 and in addition to the total capital requirements, the leverage ratio was implemented as a new instrument to limit the risk of excessive indebtedness.

The leverage ratio is the ratio of capital to the leverage exposure, speciffically the tier 1 capital in relation to unweighted exposure on and off the statement of financial position.

Description of the processes used to manage the risk of excessive leverage

Banca Transilvania uses quantitative methods for the evaluation and mitigation of leverage risk. Monitoring and managing risk indicators related to excessive leverage risk takes place on two levels, namely at Board of Director/Leaders Committee and CRO, through periodical reports.

Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers

As at 30.06.2023, the leverage ratio according to the transitional definition decreased slightly from 7.53% at 31.12.2022 to 7.26%, mainly due to the increase of the leverage ration exposures.

Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

RON thous.

		a
		Applicable amount 30.06.2023
1	Total assets as per published financial statements	153,068,099
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	1,328,846
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	198,752
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	6,678,629
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
12	Other adjustments	(480,119)
13	**Total exposure measure**	**160,794,207**

Template EU LR2 - LRCom: Leverage ratio common disclosure

RON thous.

		a	b
		Applicable amount 30.06.2023	**Applicable amount 31.03.2023**
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	154,396,945	147,566,243
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework		
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(General credit risk adjustments to on-balance sheet items)		
6	(Asset amounts deducted in determining Tier 1 capital)	(480,119)	(534,615)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**153,916,826**	**147,031,628**
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	27,227	35,299

9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	171,526	194,053
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	**Total derivatives exposures**	**198,752**	**229,352**
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	989,927
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets		
17	Agent transaction exposures		
18	**Total securities financing transaction exposures**	**-**	**989,927**
19	Off-balance sheet exposures at gross notional amount	22,436,367	21,048,944
20	(Adjustments for conversion to credit equivalent amounts)	(15,757,738)	(14,854,528)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)		
22	**Off-balance sheet exposures**	**6,678,629**	**6,194,416**
23	Tier 1 capital	11,668,469	9,701,576
24	**Total exposure measure**	160,794,207	154,445,323
25	**Leverage ratio**	**7.26%**	**6.28%**
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)		
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)		
26	National minimum leverage ratio requirement		
27	Applicable leverage buffers		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
31	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
31a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		

USE OF THE INTERNAL RATINGS BASED APPROACH TO CREDIT RISK

Banca Transilvania does not Internal Ratings Based Approach for credut risk assessment.

USE OF CREDIT RISK MITIGATION TECHNIQUES

CREDIT RISK MITIGATION TECHNIQUES

Banca Transilvania has solid and adequate policies and procedures in writing, regarding credit risk mitigation techniques in order to control residual risk.

We hereby mainly refer to the following aspects:

- Internal Norm on residual risk management that aims at following the principle of prudence in order to reduce the Bank's risk when accepting collaterals
- the lending rules both for legal entities and individuals provide for a mandatory legal opinion as part of the credit documentation, in order to minimize the legal risk regarding guarantee enforcement

Banca Transilvania revises on a regular basis, but at least annually, the adequacy, effectiveness and the operation of these policies and procedures.

For identifying, evaluating, monitoring and controlling residual risk Banca Transilvania takes into consideration the following:

- The guarantee method used by BT is customized according to the customer's risk profile, the type of loan or other elements, according to the provisions of the lending rules.
- Setting the amount of the evaluable properties proposed as loan guarantees is made through evaluations based on the appraisals carried out mostly by external NAAVR (National Agency of the Authorized Valuators from Romania) valuators agreed by the Bank through specific approval procedures and recorded in the evaluation reports/other similar documents attached to the loan documentation and also through valuation reports drawn up by other appraisers authorized by ANEVAR in line with the provisions in the *Gov. Order 52 / 2016 on consumer credit agreements for real estate*, only after passing through the internal verification procedure in order to determine an opinion on the conformity of the valuation report with the valuation standards and the applicable legal provisions and alignment of these reports with the Bank's specific additional requirements. The valuation reports establish the market value of the properties.
- Valuation reports will be developed on the basis of the Property Valuation Standards and the Guide for the Loan Guarantee Valuation- GEV520, in accordance with the provisions of the NBR Regulations and the specific requirements contained in the Norm for the management of residual risk.
- In the bank's accounting records, the guarantees are recorded at the guarantee value established by weighting the market value established in the evaluation reports with the risk adjustment indicators of the guarantees.

- All goods proposed to be taken as collateral need to meet a set of conditions stipulated in the internal applicable regulations.
- The Bank will implement methodologies for backtesting of the collateral value on a periodical basis, at least yearly.
- In order to manage the guarantees bought in the lending process and to mitigate the related risks, Banca Transilvania has implemented the BT Guarantee application to manage in a uniform and structured way all data relating to guarantees. Appropriate data quality is ensured by processes, controls and other similar measures provided in the specific internal provisions.

MAIN TYPES OF COLLATERAL ACCEPTED BY THE INSTITUTION

The group accepts the following types of collateral:

- ***Real estate mortgage*** on immovable asstes owned by the client or other guarantors. Mortgage will be of 1st rank and will be proved by land book extract.

Goods that are eligible to be the subject of mortgage:

- land with existing buildings
- buildings, lands and their accessories
- land free of constructions
- construction without the related land

According to their destination, contructions can be residential or non-residential (commercial).

- ***Mortgage on movable property***: All movable tangible and intangible assets which have an economic value and which can be tranfered to the bank or to a third party, in care of foreclosure of the mortgage can be object of a mortgage on movable property.

Template 18: EU CR3 – CRM techniques – Overview

RON thous.

		a	b	c	d	e
		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
1	Loans and advances	41,314,427	37,690,146	30,302,352	7,387,793	-
2	Debt securities	51,318,321	-			
3	Total	138,852,022	37,690,146	30,302,352	7,387,793	-
EU-5	*Of which defaulted*	-	-	-	-	-

Template 19: EU CR4 – Standardised approach – Credit risk exposure and CRM effects

RON thous.

	a	b	c	d	e	f
Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
Central governments or central banks	67,989,066	-	75,767,913	6,861	4,632,672	6%
Regional government or local authorities	419,294	778,700	419,294	80	132,985	32%
Public sector entities	97,013	10,038	97,013	9	97,021	100%
Multilateral development banks	179,812	-	745,673	-	71,212	10%
International organisations	-	-	-	-	-	0%
Institutions	7,851,579	341,898	8,181,612	295,242	3,524,947	42%
Corporates	16,323,664	8,907,412	14,347,030	1,804,632	14,308,008	89%
Retail	27,185,710	11,691,767	20,833,947	2,547,270	16,162,799	69%
Secured by mortgages on immovable property	17,131,394	283,502	16,775,109	106,526	5,839,447	35%
Exposures in default	1,437,273	126,809	1,437,273	61,042	1,591,883	106%
Exposures associated with particularly high risk	-	-	-	-	-	0%
Covered bonds	-	-	-	-	-	0%
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
Collective investment undertakings	-	-	-	-	-	0%
Equity	272,106	-	272,106	-	272,106	0%
Other items	9,384,702	-	9,593,395	300,751	2,914,482	29%
TOTAL	**148,271,613**	**22,140,126**	**148,470,366**	**5,122,413**	**49,547,562**	**32%**

Template 20: EU CR5 – Standardised approach

RON thous.

	Exposure classes	Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
1	Central governments or central banks	44,976,949	-	29,766	27,145,516	-	-	3,411,224	-	-	211,317	-	-	-	-	-	75,774,773	-
2	Regional government or local authorities	-	-	-	-	357,986	-	-	-	-	61,388	-	-	-	-	-	419,374	347,807
3	Public sector entities	-	-	-	-	-	-	-	-	-	97,021	-	-	-	-	-	97,021	155,925
4	Multilateral development banks	674,461	-	-	-	-	-	-	-	-	71,212	-	-	-	-	-	745,673	709,324
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	137,791	-	-	-	3,288,056	-	4,367,344	-	-	683,663	-	-	-	-	-	8,476,855	-
7	Corporates	-	-	-	-	-	-	-	-	-	16,088,331	63,331	-	-	-	-	16,151,662	-
8	Retail exposures	-	-	-	-	-	-	-	-	23,381,217	-	-	-	-	-	-	23,381,217	22,447,976
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	16,881,636	-	-	-	-	-	-	-	-	-	16,881,636	16,448,668
10	Exposures in default	-	-	-	-	-	-	-	-	-	1,311,179	187,136	-	-	-	-	1,498,315	1,600,713
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	272,106	-	-	-	-	-	272,106	-
16	Other items	6,979,665	-	-	-	-	-	-	-	-	2,914,482	-	-	-	-	-	9,894,147	-
17	**TOTAL**	**52,768,866**	**-**	**29,766**	**27,145,516**	**3,646,042**	**16,881,636**	**7,778,568**	**-**	**23,381,217**	**21,710,701**	**250,467**	**-**	**-**	**-**	**-**	**153,592,779**	**41,710,412**

BT