

# **CONSOLIDATED DIRECTORS' REPORT**

**for the nine month period ended  
30 September 2020**

**In compliance with ASF Regulation no.  
5/2018**

## Identification Details of the Issuer

**Report date:** November 13, 2020

**Name of the company:** BANCA TRANSILVANIA S.A.

**Registered office:** no.8 G.Baritiu str., Cluj-Napoca, jud. Cluj, postal code 400027

**Phone/fax:** 0264.407.150; 0264.407.179

**Tax identification no:** RO 5022670

**Trade Register no:** J12/4155/16.12.1993

**Registered capital, subscribed and paid:** RON 5,737,699,649

**The regulated market where the issued securities are traded:** The company's shares are listed on the Bucharest Stock Exchange (symbol: TLV)

**Main features of the securities issued by the company:**

5,737,699,649 nominal shares with a par value of RON 1/share.

### Banca Transilvania's Financial Group Presentation

Transilvania Bank Group („the Group” or „BT Group”) was established in 2003 with Banca Transilvania („the Bank” or „BT”) as the main subsidiary. Besides Banca Transilvania, BT Group has the following subsidiaries: Victoriabank S.A., BT Capital Partners S.A., BT Leasing Transilvania IFN S.A., BT Investments S.R.L., BT Direct IFN S.A., BT Building S.R.L., BT Asset Management SAI S.A., BT Solution Agent de Asigurare S.R.L., BT Asiom Agent de Asigurare S.R.L., BT Safe Agent de Asigurare S.R.L., BT Intermedieri Agent de Asigurare S.R.L., BT Leasing Moldova(MD) S.R.L., BT Microfinanțare IFN S.A., Improvement Credit Collection S.R.L., Timesafe S.R.L., Sinteza S.A. and BT Pensii S.A..

The main Group's fields of activity are: banking through Banca Transilvania S.A. and through Victoriabank S.A., investment and brokerage through BT Capital Partners S.A., leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., BT Direct IFN S.A., BT Microfinanțare IFN S.A. and BT Leasing MD S.R.L., asset management through BT Asset Management S.A.I S.A. and administration of voluntary pension funds through BT Pensii S.A.. Moreover, the Bank controls five investment funds that are also included in the consolidation.

Banca Transilvania is a public listed company founded in 1993, headquartered in Cluj-Napoca, with majority romanian shareholders – 69.5% as of the end of September 2020. Currently, BT occupies the first place in the top of the banking system in Romania.

The Bank's shareholding structure is constantly changing due to the fact that Banca Transilvania's shares are traded on the securities market, in compliance with the provisions of Law 52/1994 and

the Norms of A.S.F. Currently, Banca Transilvania's shares are listed on the Bucharest Stock Exchange, Category I.

The structure of Banca Transilvania S.A. shareholders as at September 30, 2020 is presented in the Appendix1 to this document.

## **I. Significant Events During the Period January-September 2020**

### **Amendments to the Articles of Incorporation**

Following the decision of the General Meeting of Shareholders as at 29.04.2020, it was decided to increase the share capital with the amount of RON 521,609,059 by issuing 521,609,059 new shares, at a nominal value of RON 1/share. The legal procedures for the registration of the share capital increase required by the capital market authorities (the Financial Supervision Authority, the Central Depository) were completed in early October 2020.

By means of the same Decision, it has been approved the change to art. 14 – Leaders' Committee from the Articles of Incorporation, as follows:

#### **Leaders' Committee**

The management, organization and coordination of the Bank's current business is ensured by the leaders (directors) of the Bank (Chief Executive Officers and deputy CEOs), appointed by the Board of Directors, who together form the Leaders' Committee. The Chief Executive Officer and deputy CEOs will form together the Leaders' Committee. The Board of Directors mandates the Bank's leaders to exercise jointly the powers of organization and management of the Bank's activity. The Bank leaders are vested with the rights, obligations and responsibilities provided in the relevant legislation and the Articles of Association for the activities they coordinate according to the Bank's organization chart, including the right to represent the Bank in relation to third parties. The leaders may, based on the received mandate, delegate some of their responsibilities in a clear and transparent way to specific committees/other structures or individually the Banks' employees. The Leaders' Committee shall adopt decisions by consensus; in case of disagreement, the subject will be forwarded to the Board of Directors. The Bank is validly bound in property related operations and current business in line with the internal regulations.

## **Main Transactions Regarding Affiliates:**

Last year in October a firm commitment was signed for the acquisition of Certinvest Pensii, the only local player among pension fund managers in Romania, and, in the first half of 2020, following the approval of transferring 95.1% of the company's share capital to BT Asset Management SAI SA and 4.9% to BT Investment S.R.L., falls within the consolidation perimeter of the BT Group. Also, the name of the company was changed from “Certinvest Pensii Societate de Administrare a Fondurilor de Pensii Facultative S.A.” in “BT Pensii - Societate de Administrare a Fondurilor de Pensii Facultative S.A.”.

## **Risk Management**

The management of Banca Transilvania S.A. continuously assesses the risks likely to affect the Group or the Bank's business and goals and takes actions whenever any changes appear in its business conditions.

The main risks and uncertainties identified for the next three months of 2020 and the first part of 2021 are identified mainly as a result of the incidence of the pandemic and the consequences of this shock:

- Depreciation of the national currency against the euro as compared with the actual levels;
- Fluctuations in supply costs/resources with potential economic effects financial blockage at the level of companies, decrease in consumption and further damages to certain economic sectors (hospitality, passengers transport, entertainment services, etc.);
- Delaying the post-pandemic recovery process, correlated with the persistence of the health crisis, can produce possible negative effects, with an impact on the behavior of economic agents and consumers;
- Risks related to the progressive elimination of emergency support measures introduced in the economy, which may put pressure on unemployment and livelihoods as well.

## II. Detailed Information

### 1. Financial Statements

#### 1.1.a. Statement of Financial Position at Group and Bank level

The statement of the financial position of the Group and the Bank at the end of September 2020, compared to the end of last year and the end of September 2019, is as follows:

Indicators (RONmn)	Group				
	Sep-20	Dec-19	Sep-19	Sep'20 vs Dec'19 %	Sep'20 vs Sep'19 %
Cash and current accounts with Central Bank	16,373	14,583	12,719	12.3%	28.7%
Placements to banks	10,171	7,775	6,576	30.8%	54.7%
Treasury financial instruments	29,372	26,782	24,303	9.7%	20.9%
Loans and advances to customers, net	40,721	39,175	39,162	3.9%	4.0%
Finance lease receivables	1,205	1,178	1,130	2.2%	6.6%
Tangible and intangible assets	1,495	1,365	1,393	9.5%	7.4%
Other assets	1,061	864	1,109	22.9%	-4.3%
<b>Total assets</b>	<b>100,399</b>	<b>91,722</b>	<b>86,391</b>	<b>9.5%</b>	<b>16.2%</b>
Deposits from customers	83,879	77,037	71,423	8.9%	17.4%
Deposits from banks	363	296	397	22.5%	-8.6%
Loans from banks and other financial institutions	1,711	1,474	1,417	16.1%	20.7%
Subordinated loans	1,694	1,700	1,712	-0.4%	-1.1%
Other liabilities	2,924	2,001	2,398	46.1%	22.0%
<b>Total liabilities</b>	<b>90,571</b>	<b>82,508</b>	<b>77,347</b>	<b>9.8%</b>	<b>17.1%</b>
Equity	9,827	9,214	9,044	6.7%	8.7%
<b>Total liabilities and equity</b>	<b>100,399</b>	<b>91,722</b>	<b>86,391</b>	<b>9.5%</b>	<b>16.2%</b>

Indicators (RONmn)	Bank				
	Sep-20	Dec-19	Sep-19	Sep'20 vs Dec'19 %	Sep'20 vs Sep'19 %
Cash and current accounts with Central Bank	15,335	13,480	11,685	13.8%	31.2%
Placements to banks	9,587	6,995	5,718	37.0%	67.7%
Treasury financial instruments	28,504	25,986	23,456	9.7%	21.5%
Loans and advances to customers, net	40,080	38,602	38,707	3.8%	3.5%
Tangible and intangible assets	1,685	1,630	1,666	3.4%	1.1%
Other assets	923	745	984	23.9%	-6.2%
<b>Total assets</b>	<b>96,114</b>	<b>87,438</b>	<b>82,216</b>	<b>9.9%</b>	<b>16.9%</b>
Deposits from customers	81,266	74,354	68,759	9.3%	18.2%
Deposits from banks	362	304	400	18.8%	-9.5%
Loans from banks and other financial institutions	1,180	896	944	31.8%	25.0%
Subordinated loans	1,690	1,697	1,709	-0.4%	-1.1%
Other liabilities	2,651	1,691	2,034	56.8%	30.3%
<b>Total liabilities</b>	<b>87,150</b>	<b>78,942</b>	<b>73,845</b>	<b>10.4%</b>	<b>18.0%</b>
Equity	8,965	8,496	8,371	5.5%	7.1%
<b>Total liabilities and equity</b>	<b>96,114</b>	<b>87,438</b>	<b>82,216</b>	<b>9.9%</b>	<b>16.9%</b>

At the end of the first nine months of 2020, the Group's assets exceeded RON 100 billion, increasing by 9.5% compared to the end of last year and by 16.2% compared to the end of September 2019. At the same time, the Bank's assets increased by almost 10% compared to the end of the previous year, respectively by 16.9% compared to September 2019, reaching RON 96.1 billion.

All asset elements, both at Group level and at Bank level, show an increase compared to the end of the previous year and compared to the end of the same period of the previous year only the “Other assets” category, representing approximately 1% of the total assets, is showing a decrease.

The evolution of the Group and the Bank assets is summarized as follows:

The loans' portfolio at Group level, considering also the receivables from leasing contracts, registered an increase of 3.9% and 4.1% respectively compared to the end of 2019 and the end of September 2019, respectively. The positive evolution was mainly determined by the increase of the loans' portfolio managed by the Bank, by 3.8% compared to the end of the previous year and by 3.5% compared to the end of the same period of 2019, but all entities within the Group, that manage loan portfolios, including receivables from leasing contracts portfolios, registered positive evolutions compared to the end of the previous year.

At the Bank's level, the net loans at the end of September 2020 amount to RON 40.1 billion. All the business lines supported the increases compared to the analyzed periods, each of them registering favorable evolutions towards the end of the year, but the SME sector was the main supporter by granting loans in the SME invest (IMM invest) program. Also, the Microbusiness sector had a positive evolution during the first nine months of this year, with an increase of approximately 8% at both Group and Bank level.

The non-performing NPE exposure rate according to the EBA is 3.59% as of September 30, 2020 and the coverage with total provisions of the non-performing exposures according to the EBA is 124%.

The cash and current accounts with Central Bank together with the placements to banks represent as at September 30, 2020 approximately a quarter of the total assets at both Group and Bank level, the balances of these elements registering a significant increase compared to the two previous analyzed periods, at both Group and Bank level.

At the Group level, the cash and current accounts with the Central Bank increased by approximately 12% compared to the end of 2019, and by approximately 29% compared to the level

registered on September 30, 2019, amounting to RON 16,373 million. At the Bank's level, the increase is of approximately 14% and 31%, respectively, compared to December 31, 2019 and September 30, 2019, the final balance as at September 30, 2020 amounting to RON 15,335 million. The most significant element of this asset category is the minimum compulsory reserve held with the National Bank of Romania with a weight of approximately 80%.

The placements to banks, at the end of September 2020, show a positive evolution at both Group and Bank level, increasing by 31% and 37% respectively compared to December 31, 2019. Compared to September 30, 2019, the increase is approximately 55 % for the Group and 68% for the Bank. The positive evolution is mainly determined by the volume of placements in credit institutions but also by the volume of reverse repo operations and loans granted to credit institutions.

Treasury financial instruments include: financial assets measured at fair value through other comprehensive income, financial assets mandatorily measured at fair value through profit or loss, financial assets held for trading and measured at fair value through profit or loss, debt instruments measured at amortised cost as well as derivative instruments. Of those listed, the most significant category is the one of financial assets measured at fair value through other comprehensive income with a weight of approximately 90% in the total category of treasury financial instruments, both at Group and Bank level, representing at the same time, approximately 30% of the Group and the Bank's total assets.

The treasury instruments increased by 9.7% compared to December 31, 2019 for both the Group and the Bank, respectively, by 21% for the Group and 22% for the Bank compared to September 30, 2019, reaching RON 29,372 million at Group level, respectively RON 28,504 million at Bank level. The increase in these instruments is directly correlated with the increase of the managed portfolio of government bonds.

Regarding the balance sheet liabilities, the most significant category, representing approximately 93% of the total liabilities, in the three analyzed periods, is represented by the category of customers' deposits. At Group level, the customers' deposits reached RON 83,879 million on September 30, 2020, increasing by 8.9% compared to the end of the previous year and by 17.4% compared to September 30, 2019. At Bank level, the balance of the customers' deposits reached RON 81,266 million on September 30, 2020, increasing by 9.3% compared to the end of the previous year and by 18.2% compared to September 30, 2019.

For both the Group and the Bank, 70% of the total customers' deposits represent savings of the individuals and 30% savings of the legal entities customers. The share of current accounts is

approximately 58%, while fixed-term deposits represent 41% of the total customers' deposit balances as of September 30, 2020.

The loan-to-deposit ratio is 53% as at the end of September 2020 at Bank level.

The equity of Banca Transilvania S.A. as at 30.09.2020 amounts to RON 8,965 million, increasing by 7.1% compared to the same period last year when it amounted to RON 8,371 million. The partial capitalization of the profits in retained earnings, the positive reserves from the revaluation of the financial assets measured at fair value through other comprehensive income and the profit registered during the first nine months of the year, represent the main factors that led to these increases in the Group's and the Bank's equity.

The Ordinary General Meeting of Shareholders, respectively the Extraordinary General Meeting of the Shareholders of Banca Transilvania held on April 29, 2020, approved the granting of dividends amounting to RON 600,000,000, the gross dividend/share amounting to RON 0.1150286771, as well as the granting of free shares by increasing the share capital with the amount of RON 521,609,059, by issuing a number of 521,609,059 new shares with a nominal value of RON 1/share.

The Bank's solvency calculated as at September 30, 2020, taking into account the cumulative profit of the first nine months of 2020 is 21.80% (20.01% without the profit included), being at a comfortable level, above the minimum reference threshold of 8%, value imposed by the Regulation (EU) no. 575/2013 on prudential requirements for credit institutions, which apply starting with 2014.

Banca Transilvania S.A. financial data confirms that the Bank has an adequate capitalization and a comfortable level of liquidity.



## 1.1.b. Profit and Loss Account

The main elements of the Profit and Loss Account at Group and Bank level for the first months of 2020, compared to the same period last year, are as follows:

Indicators (RONmn)	Group			Bank		
	Sep-20	Sep-19	Sep'20 vs Sep'19 %	Sep-20	Sep-19	Sep'20 vs Sep'19 %
Net interest income	2,175	2,279	-4.6%	1,931	1,989	-2.9%
Net fees and commissions income	560	609	-8.1%	477	531	-10.1%
Net trading income	228	287	-20.5%	216	236	-8.5%
Net income from financial assets measured at fair value through comprehensive income	231	84	174.6%	231	84	174.8%
Net income from financial assets which are required to be measured at fair value	50	92	-46.1%	24	94	-74.4%
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(73)	(110)	-33.3%	(70)	(108)	-35.1%
Other operating income	87	124	-30.3%	77	97	-20.5%
<b>Total operating income</b>	<b>3,257</b>	<b>3,366</b>	<b>-3.2%</b>	<b>2,886</b>	<b>2,923</b>	<b>-1.3%</b>
Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	(558)	(40)	1282.1%	(542)	(13)	4053.0%
Personnel expenses	(797)	(772)	3.3%	(701)	(675)	4.0%
Depreciation and amortization	(241)	(229)	5.2%	(223)	(211)	5.6%
Other operating expenses	(451)	(479)	-5.9%	(382)	(396)	-3.6%
<b>Total operating expenses</b>	<b>(2,047)</b>	<b>(1,521)</b>	<b>34.6%</b>	<b>(1,848)</b>	<b>(1,295)</b>	<b>42.7%</b>
<b>Profit before income tax</b>	<b>1,211</b>	<b>1,845</b>	<b>-34.4%</b>	<b>1,038</b>	<b>1,628</b>	<b>-36.3%</b>
Income tax expense	(154)	(276)	-44.2%	(136)	(243)	-43.9%
<b>Net profit</b>	<b>1,057</b>	<b>1,569</b>	<b>-32.6%</b>	<b>901</b>	<b>1,385</b>	<b>-34.9%</b>
Profit of the Group attributable to equity holders of the Bank	1,022	1,521	-32.8%	901	1,385	-34.9%
Profit of the Group attributable to non-controlling interests	35	48	-27.1%	0	0	
<b>Net profit</b>	<b>1,057</b>	<b>1,569</b>	<b>-32.6%</b>	<b>901</b>	<b>1,385</b>	<b>-34.9%</b>

Compared to the similar period from 2019, the activity was significantly affected by the impact of the Covid-19 pandemic since March 2020.

The gross profit registered by the Group during January-September 2020 amounts to RON 1,211 million, decreasing by 34.4% compared to the same period of 2019, while the Bank reported a gross profit of RON 1,038 million, 36.3% lower than the profit registered during the same period in 2019.

This negative impact comes also from the decrease in the results registered in the income categories but especially from the significantly higher level of cost of risks booked until the end of September 2020.

Thus, the net profit obtained by Banca Transilvania as at 30 September 2020, amounting to RON 901 million, is 35% lower compared to the same period of 2019 when it amounted to RON 1,385 million. The net profit of the Group as at 30 September 2020, amounting to RON 1,057 million, is 32.6% lower compared to the same period of 2019 when it amounted to RON 1,569 million.

The net interest income decreased by approximately 4.6% at Group level and by approximately 2.9% at Bank level, being influenced by a reduced number of newly granted loans and also by lower interest rates (influenced by the ROBOR decrease) imposed as a result of the COVID-19 pandemic.

Net fees and commissions income during the first nine months of 2020 is also declining at both Group and Bank level by 8.1% and 10.1% respectively compared to the same period in 2019. The costs alignments for payments in EUR with the domestic ones, according to the SEPA regulations, but also higher costs with treasury and interbank operations have largely led to the unfavorable evolution of this income category.

Income from the sale of financial assets measured at fair value through other comprehensive income were over 170% higher than the ones registered in the same period of last year.

In total, the operating income reached, at the end of the third quarter of 2020, RON 3,257 million at Group level and at RON 2,886 million at Bank level, 3.2% and 1.3% respectively lower compared to the same period of last year.

The operating expenses were not significantly higher than those reported during the similar period of 2019, therefore the total operating expenses at Group level were 1% higher compared to the first nine months of 2019 and at Bank level 2% higher in comparison to the same period.

In this context, the operational efficiency shows a comfortable level, of 45.3%, increasing however compared to the level of 43.9% reported during the first nine months of 2019.

The impact of the current context in the methodology and the level of provisioning starts from a prudent and preventive approach. Therefore, changes in the provisioning methodology were made, following NBR and EBA recommendations. Considering the potential future effects of the health and economic crisis, the cost of risk at the end of the third quarter of 2020 was 1.68%.

The result per share after the nine months of 2020, respectively after nine months of 2019, restated taking into consideration BT's share capital increase which took place in October 2020, respectively August 2019 is the following:

Indicators	Bank Sep-20	Bank Sep-19	Sep-20 vs Sep-19 %	Group Sep-20	Group Sep-19	Sep-20 vs Sep-19 %
<b>Net profit for the period (RON thousands)</b>	<b>901,487</b>	<b>1,385,044</b>	<b>-34.9%</b>	<b>1,056,764</b>	<b>1,568,748</b>	<b>-32.6%</b>
Basic earnings per share	-	-	-	0.1786	0.2657	-32.8%
Diluted earnings per share	-	-	-	0.1784	0.2651	-32.7%

An additional set of financial indicators computed as at 30 September 2020 are presented in Appendix2.

Other information regarding the first nine months of 2020:

The automation and digitalization of processes aiming to give a better experience to customers, represents one of the main areas where Banca Transilvania has invested and continues to invest.

Banca Transilvania is the market leader in the cards market, with 4.3 million cards in portfolio out of which over 524,000 are credit cards. BT currently has the most complete range of payment options, from physical to digital cards, BT Pay, ApplePay, Fitbit Pay, Garmin Pay, wearables, etc., allowing customers to use, in addition, what is more convenient for them at various times. The Bank has reached over 1.2 million unique digital cards active in BT Pay, Apple Pay, Fitbit Pay or Garmin Pay and the number of payments by phone has increased by 66% in the third quarter of 2020 compared to the second quarter of 2020.

As of September 30, 2020, 1,733 ATMs are installed, out of which approximately 530 are BT Express Plus multifunctional, through which self-banking can be carried out - from cash deposits in RON and foreign currency, to foreign exchange and contactless or code-based cash withdrawals;

The Bank has an extensive network for accepting payment cards – 66,000 POSs on September 30, 2020.

The Group's number of active employees as at September 30, 2020 is 9,880 (9,690 at December 31, 2019).

The Bank's number of active employees as at September 30, 2020 is 8,275 (7,997 at December 31, 2019).

### **1.1.c. Cash Flow Statement and Liquidity Position**

The cash flow statement detailing the cash flows from operating, investment and financing activities is part of the Financial Statements that accompany this report.

The liquidity ratio computed in accordance with NBR regulations in force at 30.09.2020 was between 1.80 and 25.64, being above the minimum level of 1, as required by the NBR Regulation No. 25/8.11.2011, applied from 31.01.2012.

## **2. The Analysis of the Bank's Activity**

### **2.1 Presentation and Analysis of Trends, Elements and Events or Uncertainty Factors that Could Impact the Bank's Liquidity vs. the Same Period of the Last Year**

The Romanian economic environment:

According to the statistics released by the National Trade Register Office 80,965 companies were set up during January-September 2020, down by 23.93% YoY, an evolution determined by the outbreak of the pandemic and its consequences. The number of the insolvencies diminished by 9.13% YoY to 4,029 during the first nine months of 2020.

In 3Q2020 the National Bank of Romania (NBR) cut the policy rate by 25bps to 1.50% (a record low level) and signalled the continuity of the accommodative approach in the short-run. On the other hand, the Central Bank did not buy sovereign bonds on the secondary market in September.

According to the NBR data the non-government loans rose by 1.1% MoM and by 4% YoY to RON 277.5 billion in September (a record high level), an evolution supported by the implementation of an unprecedented expansionary policy-mix, that counterbalanced the incidence of the pandemic and its consequences. There can be noticed the increase of the RON-denominated non-government loans by 1.3% MoM and 7.1% YoY to RON 190.3 billion.

During January-September 2020 the household loans advanced by 3.9% ytd to RON 148.6 billion, while the corporate loans rose by 3.5% ytd to RON 128.9 billion (an evolution strongly influenced by the launch of the SMEs Invest Program).

The NBR statistics also show the increase of the non-government deposits by 1.9% MoM and by 14.7% YoY to RON 397.1 billion in September (a record high level). During January-September

2020 the household deposits advanced by 9.7% ytd to RON 244 billion, while the corporate deposits rose by 5.4% ytd to RON 153.2 billion.

At the end of September, the loans-to-deposits ratio stood at 69.9% (a record low level), with the following distribution: 74.3% the RON component and 61.8% the FX segment.

## **2.2 Presentation and Analysis of the Effects on Financial Statements of all Capital Expenditures, Current and Anticipated, Compared to the Same Period of Last Year**

At the Group level, investments in tangible and intangible assets were RON 1,495 million at September 30, 2020, compared to RON 1,365 million at December 31, 2019 and RON 1,393 million at September 30, 2019. As compared with the end of 2019, tangible and intangible assets registered an increase of 9.5%, while compared to September 30, 2019, the increase is of approximately 7.4%.

At the Bank level, investments in tangible and intangible assets were RON 1,685 million at September 30, 2020, compared to RON 1,630 million at December 31, 2019 and RON 1,666 million at September 30, 2019. As compared with the two periods of the previous year, the value of the tangible and intangible assets did not had a significant evolution, exhibiting an increase of 3.4% compared to the end of 2019 and an increase of only 1.1% when compared to September 30, 2019.

At Group and Bank level the variation of fixed assets has been determined mainly by the tangible assets and real estate investments.

## **2.3 Presentation and Analysis of the Economic Events, Transactions and Changes that Significantly Impact the Main Revenues of the Bank**

The main activity of the Bank was performed under normal conditions, with no exceptional circumstances. All legal requirements were followed, in terms of the correct and up-to-date organization and management of accounting, in terms of accounting principles, as well as in terms of complying with the accounting rules and regulations in force.

The interim condensed consolidated and separate financial statements of the Group and the Bank have been prepared in accordance with IAS 34 “Interim Financial Reporting” as endorsed by the European Union, effective as at the Group’s and Bank’s interim reporting date, September 30, 2020. The data presented regarding the third quarter of 2020 are based on the organisation and accounting rules as stated by the Law no. 82/1991, republished and further amended and completed, Law no. 163/2018, Government Emergency Ordinance no. 99/2006, NBR Order no. 27/2010 for the approval of the accounting rules under International Financial Reporting

Standards adopted by the European Union applicable to credit institutions – republished, NBR Order no. 10/2012 for the approval of the semestrial accounting reporting system applicable to the entities that fall within the scope of the NBR’s accounting regulations with subsequent amendments and completions, as well as other NBR instructions in the field.

### **3. Changes that Affect the Share Capital and the Administration of the Company**

#### **3.1 Description of Cases in which the Company Could not Fulfill its Financial Obligations in the Reporting Period**

Not the case.

#### **3.2 Description of any Changes in the Rights of the Shareholders of the Company**

On the 29th of April 2020, the Ordinary and Extraordinary General Shareholders’ Meetings of Banca Transilvania S.A approved the net profit distribution in the sum of RON 1,620,511,500 as follows:

- Allocation of the sum of RON 231,366,623 for legal and other reserves, of the sum of RON 1,389,144,877 for net profit reserves to be distributed, of which RON 600,000,000 will be paid as dividends. Approval of a gross dividend per share of RON 0.1150286771.

With regards to the payment of dividends, **October 5, 2020** was approved as registration date, **October 2, 2020** as ex-date and **October 16, 2020** as payment date.

- Increase of the Bank’s share capital with the amount of RON 521,609,059, by the issue of 521,609,059 new shares, with a nominal value of RON 1/share (10 new shares will be attributed for every 100 shares). The date of **October 15, 2020** was approved as registration date, **October 14, 2020** being the ex-date and **October 16, 2020** the payment date for the free shares to be issued after the increase of the share capital.

Following the increase, the share capital of the Bank worthing RON 5,216,090,590 will increase to RON 5,737,699,649, divided into 5,737,699,649 shares with a nominal value of RON 1 /share.

The legal procedures for the registration of the share capital increase required by the capital market authorities (the Financial Supervision Authority, the Central Depository) were completed in early October 2020.

### **3.3 Changes in the Management Structure of the Bank (Board, Executive Level etc.)**

There were no changes in the Board of Directors.

There were no changes in the Leaders' Committee.

In the General Meeting of Shareholders from 29.04.2020 it was decided to appoint KPMG Audit SRL as financial auditor of the Bank for auditing the financial statements of the Bank for the financial years 2020-2023, prepared in accordance with the International Financial Reporting Standards, according to the NBR Order no. 27/2010 with the subsequent amendments.

The financial auditor was approved by the National Bank of Romania on 31.07.2020, and the legal formalities for registration before the National Office of the Trade Register were performed, being issued resolution no. 22374 / 21.08.2020 and the registration certificate mentions no. 97470 / 20.08.2020.

## **4. Significant Transactions**

There were no major contracts concluded by BT in the first nine months of 2020 related to acquisitions, mergers, divisions, etc. There was no information concerning significant major transactions concluded by BT with the persons it cooperates with or in which such persons were involved during the first nine months of 2020.

## **5. Conclusions**

The economic and health crisis, caused by the Covid-19 pandemic, starting with the first quarter of 2020, continued to produce negative effects in the economy but with a lower intensity.

The measures taken by the government during this period have mitigated the pandemic-induced recession but the performance of the economic sectors remains well below the pre-pandemic level. Although a recovery of the economic sectors has been observed starting with July, when many of the restrictions were lifted, however, the recurrence of the virus has recently led to a slowdown or even a halt in the global economic recovery.

In this context, Banca Transilvania's number one priority has been and continues to be supporting the businesses, including the Bank's focus on small businesses. As a participant in the SME Invest (IMM invest) program, BT provided more than 7,000 loans by the end of the third quarter. One third of the companies financed by BT in the SME invest program received funding from Banca Transilvania for the first time, thus the Bank gained a new portfolio of over 1,500 customers.

To facilitate the customers' access to the products and services offered, BT has continued to invest in process automation and digitization.

Although the economic environment was very volatile, BT reported a robust balance sheet and a sound financial performance, above expectations, at the end of the third quarter. Both the income and the operating expenses remain at a comfortable level, considering the existing economic context. The cost of risk reflects the changes in the methodology regarding the provisioning, being in line with the NBR and EBA recommendations.



**ANNEX:** The present report has attached the copies of the following documents:

1. Interim condensed consolidated and separate financial statements prepared in accordance with IAS 34 “Interim Financial Reporting” as endorsed by the European Union:
  - Interim Consolidated and Separate Statement of Profit or Loss and Statement of Other Comprehensive Income;
  - Interim Consolidated and Separate Statement of Financial Position;
  - Interim Consolidated and Separate Statement of Changes in Equity;
  - Interim Consolidated and Separate Statement of Cash Flow;
  - Notes to the Interim Condensed Consolidated and Separate Financial Statements;
  
2. The statement of the Deputy CEO of Banca Transilvania assuming the responsibility for the preparation of the interim condensed consolidated and separate financial statements for the period ended at September 30, 2020;

**Note:** The financial statements for the periods ended September 30 are not audited nor revised.

**CHAIRMAN OF THE  
BOARD OF DIRECTORS  
HORIA CIORCILĂ**

**CHIEF EXECUTIVE OFFICER  
  
ÖMER TETİK**

## SHAREHOLDERS STRUCTURE AT

30.09.2020

<b>EXPLANATIONS</b>	<b>No.of holders</b>	<b>No. Shares</b>	<b>Percentage %</b>
<b>ROMANIAN CAPITAL</b>	<b>33,272</b>	<b>3,624,900,187</b>	<b>69.49</b>
Individuals	32,609	1,088,060,831	20.86
Companies	663	2,536,839,356	48.63
<b>of which Financial Investment Companies</b>	5	937,037,896	17.96
<b>FOREIGN CAPITAL</b>	<b>997</b>	<b>1,591,190,403</b>	<b>30.51</b>
Individuals	748	56,409,691	1.08
Companies	249	1,534,780,712	29.42
<b>TOTAL</b>	<b>34,269</b>	<b>5,216,090,590</b>	<b>100</b>

## ECONOMIC AND FINANCIAL RATIOS AS AT 30.09.2020

<b><u>Ratio</u></b>	<b><u>Method of computation</u></b>	<b><u>30.09.2020</u></b>
<b>1. Current Liquidity Ratio</b>	Current assets/Current liabilities	108.35%
<b>2. Indebtness Ratio</b>	Borrowed capital/Shareholder's equity *100	31.36%
	Borrowed capital/Capital employed*100	23.87%
<b>3. Accounts receivable turnover rate</b>	Average client balance/Turnover*365	Not applicable
<b>4. Fixed assets turnover rate</b>	Turnover/Fixed assets	2.27

Nota: Point 3 "average client balance" does not apply to financial banking institutions.