

Banca Transilvania S.A.

**INTERIM CONDENSED CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS**

As of September 30, 2022

Banca Transilvania S.A.

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Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Profit or Loss

| <i>RON thousand</i> | Note | Group | | | | Bank | | | |
|---|------|---|---|---|---|---|---|---|---|
| | | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 |
| Interest income calculated using the effective interest method | | 1,543,961 | 3,966,434 | 835,301 | 2,590,208 | 1,381,636 | 3,510,112 | 755,538 | 2,369,357 |
| Other interest like income | | 66,233 | 152,560 | 31,494 | 88,309 | 10,198 | 18,440 | 3,424 | 8,188 |
| Interest expense calculated using the effective interest method | | (495,336) | (971,726) | (128,275) | (410,333) | (468,899) | (907,321) | (116,984) | (375,239) |
| Other interest like expense | | (540) | (1,554) | (324) | (973) | (1,470) | (4,830) | (1,661) | (5,012) |
| Net interest income | 5 | 1,114,318 | 3,145,714 | 738,196 | 2,267,211 | 921,465 | 2,616,401 | 640,317 | 1,997,294 |
| Fee and commission income | | 465,558 | 1,291,604 | 376,545 | 1,030,694 | 403,074 | 1,104,485 | 324,359 | 887,132 |
| Fee and commission expense | | (164,130) | (439,201) | (122,111) | (329,272) | (141,824) | (377,390) | (106,909) | (287,514) |
| Net fee and commission income | 6 | 301,428 | 852,403 | 254,434 | 701,422 | 261,250 | 727,095 | 217,450 | 599,618 |
| Net trading income | 7 | 172,425 | 553,234 | 125,972 | 387,592 | 143,638 | 502,095 | 109,049 | 312,872 |
| Net loss/gain from financial assets measured at fair value through other items of comprehensive income | 8 | (27,656) | (98,140) | 45,033 | 174,383 | (31,555) | (102,496) | 46,944 | 174,333 |
| Net loss/gain from financial assets which are required to be measured at fair value through profit and loss | 9 | (28,027) | (80,435) | 3,012 | 57,691 | (14,972) | (92,702) | 12,065 | 105,205 |
| Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund | 10 | (1,295) | (152,308) | (695) | (89,071) | - | (143,513) | - | (82,022) |
| Other operating income | 11 | 62,785 | 207,339 | 42,279 | 119,014 | 229,309 | 339,893 | 36,010 | 124,441 |
| Operating income | | 1,593,978 | 4,427,807 | 1,208,231 | 3,618,242 | 1,509,135 | 3,846,773 | 1,061,835 | 3,231,741 |

Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Profit or Loss *(continued)*

| <i>RON thousand</i> | Note | Group | | | | Bank | | | |
|---|------|---|---|---|---|---|---|---|---|
| | | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 |
| Expenses/Income from impairment allowance, expected losses on assets, provisions for other risks and loan commitments | 12 | (164,241) | (369,070) | 139,622 | (10,502) | (123,470) | (233,303) | 126,552 | (23,306) |
| Net income (+) with other provisions | | 25,863 | 51,482 | 6,192 | 43,265 | 24,901 | 35,466 | 2,769 | 31,955 |
| Personnel expenses | 13 | (392,511) | (1,211,029) | (312,221) | (962,936) | (328,274) | (1,022,086) | (274,304) | (854,866) |
| Depreciation and amortization | | (98,435) | (286,902) | (88,665) | (266,700) | (89,822) | (257,486) | (84,584) | (258,399) |
| Other operating expenses | 14 | (227,164) | (673,510) | (183,346) | (487,274) | (367,658) | (719,775) | (154,344) | (413,065) |
| Operating expenses | | (856,488) | (2,489,029) | (438,418) | (1,684,147) | (884,323) | (2,197,184) | (383,911) | (1,517,681) |
| Profit before income tax | | 737,490 | 1,938,778 | 769,813 | 1,934,095 | 624,812 | 1,649,589 | 677,924 | 1,714,060 |
| Income tax expense (-) | 15 | (106,109) | (260,918) | (116,699) | (265,489) | (90,866) | (208,640) | (105,248) | (240,349) |
| Net profit for the year | | 631,381 | 1,677,860 | 653,114 | 1,668,606 | 533,946 | 1,440,949 | 572,676 | 1,473,711 |
| Net Profit of the Group attributable to: | | | | | | | | | |
| Equity holders of the Bank | | 601,728 | 1,609,276 | 633,379 | 1,634,597 | 533,946 | 1,440,949 | 572,676 | 1,473,711 |
| Non-controlling interests | | 29,653 | 68,584 | 19,735 | 34,009 | - | - | - | - |
| Net profit for the year | | 631,381 | 1,677,860 | 653,114 | 1,668,606 | 533,946 | 1,440,949 | 572,676 | 1,473,711 |

Interim Consolidated and Separate Statement of Other Comprehensive Income

| <i>RON thousand</i> | Note | Group | | | | Bank | | | |
|--|------|---|---|---|---|---|---|---|---|
| | | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 |
| Net Profit for the period | | 631,381 | 1,677,860 | 653,114 | 1,668,606 | 533,946 | 1,440,949 | 572,676 | 1,473,711 |
| Items that will not be reclassified as profit or loss, net of tax | | - | - | - | (819) | - | - | - | (814) |
| Other elements of comprehensive income | | - | - | - | (819) | - | - | - | (814) |
| Items which are or may be reclassified to profit or loss | | 16,985 | (792,110) | (526,548) | (719,815) | (15,917) | (797,455) | (542,923) | (741,147) |
| Fair value reserve (financial assets measured at fair value through other items of comprehensive income), of which: | | (12,599) | (954,691) | (646,366) | (879,633) | (18,455) | (942,123) | (646,209) | (882,136) |
| Net gain / loss (-) from disposal of financial assets measured at fair value through other items of comprehensive income, transferred to profit and loss account | | 27,656 | 98,140 | (45,033) | (174,383) | 31,555 | 102,496 | (46,944) | (174,333) |
| Fair value changes of financial assets measured at fair value through other items of comprehensive income | | (40,255) | (4,568,020) | (601,333) | (705,250) | (50,010) | (4,559,808) | (599,265) | (707,803) |
| Effect of reclassification of financial assets measured at fair value through other items of comprehensive income to amortized cost | | - | 3,515,189 | - | - | - | 3,515,189 | - | - |
| Translation of financial information of foreign operations to presentation currency | | 33,244 | 18,833 | 19,500 | 22,340 | (27) | (6) | (149) | (549) |
| Income tax on items which are or may be reclassified to profit or loss | | (3,660) | 143,748 | 100,318 | 137,478 | 2,565 | 144,674 | 103,436 | 141,538 |
| Total comprehensive income for the period | | 648,366 | 885,750 | 126,566 | 947,972 | 518,029 | 643,494 | 29,754 | 731,750 |
| Total comprehensive income attributable to: | | | | | | | | | |
| Equity holders of the Bank | | 618,713 | 817,166 | 106,831 | 913,963 | 518,029 | 643,494 | 29,754 | 731,750 |
| Non-controlling interest | | 29,653 | 68,584 | 19,735 | 34,009 | - | - | - | - |
| Total comprehensive income for the period | | 648,366 | 885,750 | 126,566 | 947,972 | 518,029 | 643,494 | 29,754 | 731,750 |
| Basic earnings per share | | 0.0851 | 0.2277 | 0.1006 | 0.2313 | - | - | - | - |
| Diluted earnings per share | | 0.0851 | 0.2277 | 0.1006 | 0.2313 | - | - | - | - |

The financial statements were approved by the Board of Directors on November 10, 2022 and were signed on its behalf by:

Ömer TETIK
Chief Executive Officer

George CĂLINESCU
Deputy Chief Executive Officer

Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Financial Position

| <i>In RON thousand</i> | Note | Group | | Bank | |
|--|-------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| | | RON thousand | RON thousand | RON thousand | RON thousand |
| Assets | | | | | |
| Cash and current accounts with Central Banks | 16 | 16,507,862 | 18,320,913 | 14,546,511 | 16,763,625 |
| Derivatives | | 278,679 | 80,927 | 278,679 | 79,842 |
| Financial assets held for trading and measured at fair value through profit and loss | 18 | 309,522 | 338,450 | 29,451 | 31,207 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 18 | 1,067,880 | 1,108,316 | 1,420,545 | 1,465,497 |
| Financial assets measured at fair value through other items of comprehensive income | 21 | 20,340,757 | 41,193,373 | 19,990,680 | 40,853,784 |
| - of which pledged securities (repo agreements) | | 741,001 | 6,526,812 | 741,001 | 6,526,812 |
| Financial assets at amortized cost - of which: | | 97,326,695 | 67,562,066 | 95,593,305 | 63,090,715 |
| - Placements with banks | 17 | 5,342,770 | 10,394,297 | 6,302,909 | 9,612,690 |
| - Loans and advances to customers | 19 | 65,057,814 | 54,629,754 | 63,215,478 | 52,238,523 |
| - Debt instruments | 21 | 25,451,436 | 1,483,111 | 24,558,912 | 355,331 |
| - Other financial assets | 22 | 1,474,675 | 1,054,904 | 1,516,006 | 884,171 |
| Finance lease receivables | 20 | 2,738,934 | 1,488,031 | - | - |
| Investments in subsidiaries | | - | - | 708,410 | 735,486 |
| Investment in associates | | 5,004 | 4,459 | - | - |
| Property and equipment and investment property | | 1,104,204 | 1,064,215 | 668,624 | 652,581 |
| Intangible assets | | 447,334 | 406,244 | 379,476 | 334,783 |
| Goodwill | | 127,063 | 22,424 | - | - |
| Right-of-use assets | | 457,706 | 492,021 | 658,711 | 706,647 |
| Current tax receivables | | - | - | - | - |
| Deferred tax assets | | 401,839 | 257,885 | 366,724 | 227,724 |
| Other non-financial assets | 23 | 168,228 | 161,866 | 125,654 | 120,142 |
| Total assets | | 141,281,707 | 132,501,190 | 134,766,770 | 125,062,033 |

Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Financial Position *(continued)*

| <i>In RON thousand</i> | Note | Group | | Bank | |
|---|------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | | 30-09-2022 RON thousand | 31-12-2021 RON thousand | 30-09-2022 RON thousand | 31-12-2021 RON thousand |
| Liabilities | | | | | |
| Derivatives | | 46,600 | 39,179 | 46,600 | 38,689 |
| Deposits from banks | 24 | 1,823,670 | 1,024,259 | 1,718,205 | 952,453 |
| Deposits from customers | 25 | 113,438,997 | 108,021,629 | 110,253,130 | 102,698,085 |
| Loans from banks and other financial institutions | 26 | 10,450,645 | 7,929,500 | 9,187,940 | 7,457,843 |
| Subordinated liabilities | 27 | 1,783,872 | 1,762,484 | 1,754,297 | 1,706,234 |
| Lease liabilities | | 461,871 | 498,597 | 624,668 | 716,569 |
| Other financial liabilities | 29 | 1,859,753 | 1,826,081 | 1,398,907 | 1,440,467 |
| Current tax liability | | 82,131 | 68,357 | 67,964 | 62,076 |
| Deferred tax liability | | - | - | - | - |
| Provisions for other risks and loan commitments | 28 | 478,196 | 538,460 | 425,200 | 493,006 |
| Other non-financial liabilities | 30 | 181,794 | 194,087 | 134,373 | 143,486 |
| Total liabilities excluding financial liabilities to holders of fund units | | 130,607,529 | 121,902,633 | 125,611,284 | 115,708,908 |
| Financial liabilities to holders of fund units | | 24,703 | 34,423 | - | - |
| Total liabilities | | 130,632,232 | 121,937,056 | 125,611,284 | 115,708,908 |
| Equity | | | | | |
| Share capital | | 7,163,083 | 6,397,971 | 7,163,083 | 6,397,971 |
| Treasury shares | | (28,655) | (15,287) | (13,368) | - |
| Share premiums | | 31,235 | 31,235 | 28,614 | 28,614 |
| Retained earnings | | 3,794,139 | 3,736,875 | 2,911,319 | 3,051,409 |
| Revaluation reserves from tangible assets | | 60,674 | 73,292 | 30,391 | 42,234 |
| Reserves on financial assets measured at fair value through other items of comprehensive income | | (1,804,670) | (996,697) | (1,802,117) | (1,004,667) |
| Other reserves | | 867,624 | 864,893 | 837,564 | 837,564 |
| Total equity attributable to equity holders of the Bank | | 10,083,430 | 10,092,282 | 9,155,486 | 9,353,125 |
| Non-controlling interest | | 566,045 | 471,852 | - | - |
| Total equity | | 10,649,475 | 10,564,134 | 9,155,486 | 9,353,125 |
| Total liabilities and equity | | 141,281,707 | 132,501,190 | 134,766,770 | 125,062,033 |

The financial statements were approved by the Board of Directors on November 10, 2022 and were signed on its behalf by:

Ömer TETIK
Chief Executive Officer

George CĂLINESCU
Deputy Chief Executive Officer

Banca Transilvania S.A.

Interim Consolidated Statement of Changes in Equity

For the nine-month period ended September 30, 2022

| Group | Share capital | Treasury shares | Share premiums | Revaluation reserves | Reserves from financial assets measured through other items of comprehensive income | Other reserves | Retained earnings | Total attributable to the equity holders of the Bank | Non-controlling interest | Total |
|---|------------------|-----------------|----------------|----------------------|---|----------------|--------------------|--|--------------------------|-------------------|
| <i>In RON thousand</i> | | | | | | | | | | |
| Balance as of 01 January 2022 | 6,397,971 | (15,287) | 31,235 | 73,292 | (996,697) | 864,893 | 3,736,875 | 10,092,282 | 471,852 | 10,564,134 |
| Profit for the period | - | - | - | - | - | - | 1,609,276 | 1,609,276 | 68,584 | 1,677,860 |
| Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax (net off the FVOCI reclassification effect into AC) | - | - | - | - | (807,973) | - | - | (807,973) | - | (807,973) |
| Retained earnings from revaluation reserves | - | - | - | (12,618) | - | - | 12,618 | - | - | - |
| Distribution to statutory reserves | - | - | - | - | - | 2,731 | (2,731) | - | - | - |
| Foreign currency translation of foreign operations | - | - | - | - | - | - | 15,863 | 15,863 | - | 15,863 |
| Other items of comprehensive income, net of tax | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | (12,618) | (807,973) | 2,731 | 1,635,026 | 817,166 | 68,584 | 885,750 |
| Contributions of/distributions to the shareholders | | | | | | | | | | |
| Increase in share capital through the conversion of debt | 765,112 | - | - | - | - | - | (765,112) | - | - | - |
| Acquisition of treasury shares | - | (114,203) | - | - | - | - | - | (114,203) | - | (114,203) |
| Payments of treasury shares | - | 100,835 | - | - | - | - | (102,910) | (2,075) | - | (2,075) |
| Dividends distributed to shareholders | - | - | - | - | - | - | (800,000) | (800,000) | - | (800,000) |
| SOP 2022 Scheme | - | - | - | - | - | - | 75,145 | 75,145 | - | 75,145 |
| Transfer of retained earnings to liabilities to holders of fund units | - | - | - | - | - | - | 7,500 | 7,500 | - | 7,500 |
| Other adjustments | - | - | - | - | - | - | 7,615 | 7,615 | 25,609 | 33,224 |
| Total contributions of/distributions to the shareholders | 765,112 | (13,368) | - | - | - | - | (1,577,762) | (826,018) | 25,609 | (800,409) |
| Balance as of 30 September 2022 | 7,163,083 | (28,655) | 31,235 | 60,674 | (1,804,670) | 867,624 | 3,794,139 | 10,083,430 | 566,045 | 10,649,475 |

The explanatory notes to the financial statements from page 12 to page 60 are an integral part of these financial statements.

Banca Transilvania S.A.

Interim Consolidated Statement of Changes in Equity *(continued)*

For the nine-month period ended September 30, 2021

| Group | Note | Share capital | Treasury shares | Share premiums | Revaluation reserves | Reserves from financial assets measured through other items of comprehensive income | Other reserves | Retained earnings | Total attributable to the equity holders of the Bank | Non-controlling interest | Total |
|--|------|------------------|-----------------|----------------|----------------------|---|------------------|-------------------|--|--------------------------|-------------------|
| <i>In RON thousand</i> | | | | | | | | | | | |
| Balance as of January 01, 2021 | | 5,824,201 | (15,287) | 31,235 | 45,625 | 517,335 | 759,715 | 2,858,479 | 10,021,303 | 393,055 | 10,414,358 |
| Profit for the period | | - | - | - | - | - | - | 1,634,597 | 1,634,597 | 34,009 | 1,668,606 |
| Loss from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax | | - | - | - | - | (738,583) | - | - | (738,583) | - | (738,583) |
| Retained earnings from revaluation reserves | | - | - | - | (10,772) | - | - | 10,772 | - | - | - |
| Distribution to statutory reserves | | - | - | - | - | - | 1,320 | (1,320) | - | - | - |
| Foreign currency translation of foreign operations | | - | - | - | - | - | - | 18,768 | 18,768 | - | 18,768 |
| Other items of comprehensive income, net of tax | | - | - | - | - | - | - | (819) | (819) | - | (819) |
| Total comprehensive income of the period | | - | - | - | - | (10,772) | (738,583) | 1,320 | 1,661,998 | 913,963 | 34,009 |
| Contributions of/distributions to the shareholders | | | | | | | | | | | |
| Increase in share capital through the conversion of debt | | 573,770 | - | - | - | - | - | (573,770) | - | - | - |
| Acquisition of treasury shares | | - | (61,658) | - | - | - | - | - | (61,658) | - | (61,658) |
| Payments of treasury shares | | - | 61,658 | - | - | - | - | - | 61,658 | - | 61,658 |
| Dividends distributed to shareholders | | - | - | - | - | - | - | (500,000) | (500,000) | - | (500,000) |
| SOP 2019 use | | - | - | - | - | - | - | 45,511 | 45,511 | - | 45,511 |
| Transfer of retained earnings to liabilities to holders of fund units | | - | - | - | - | - | - | (22,083) | (22,083) | - | (22,083) |
| Other adjustments | | - | - | - | - | - | - | 3,409 | 3,409 | 5,714 | 9,123 |
| Total contributions of/distributions to the shareholders | | 573,770 | - | - | - | - | - | (1,046,93) | (473,163) | 5,714 | (467,449) |
| Balance as of September 30, 2021 | | 6,397,971 | (15,287) | 31,235 | 34,853 | (221,248) | 761,035 | 3,473,544 | 10,462,103 | 432,778 | 10,894,881 |

The explanatory notes to the financial statements from page 12 to page 60 are an integral part of these financial statements.

Banca Transilvania S.A.

Interim Separate Statement of Changes in Equity (continued)

For the three-month period ended September 30, 2022

| Bank | Note | Attributable to the equity holders of the Bank | | | | | | | Total |
|---|------|--|-----------------|----------------|----------------------|---|----------------|--------------------|------------------|
| | | Share capital | Treasury shares | Share premiums | Revaluation reserves | Reserves from financial assets measured through other items of comprehensive income | Other reserves | Retained earnings | |
| <i>In RON thousand</i> | | | | | | | | | |
| Balance as of 01 July 2022 | | 6,397,971 | - | 28,614 | 42,234 | (1,004,667) | 837,564 | 3,051,409 | 9,353,125 |
| Profit for the period | | - | - | - | - | - | - | 1,440,949 | 1,440,949 |
| Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax | | - | - | - | - | (797,450) | - | - | (797,450) |
| Retained earnings from revaluation reserves | | - | - | - | (11,843) | - | - | 11,843 | - |
| Other items of comprehensive income, net of tax | | - | - | - | - | - | - | (5) | (5) |
| Statement of comprehensive income for the period | | - | - | - | (11,843) | (797,450) | - | 1,452,787 | 643,494 |
| Contributions of/distributions to the shareholders | | | | | | | | | |
| Increase in share capital by incorporating the reserves make up of profit | | 765,112 | - | - | - | - | - | (765,112) | - |
| Acquisition of treasury shares | | - | (114,202) | - | - | - | - | - | (114,202) |
| Payments of treasury shares | | - | 100,834 | - | - | - | - | (102,910) | (2,076) |
| Dividends distributed to shareholders | | - | - | - | - | - | - | (800,000) | (800,000) |
| SOP 2022 Scheme | | - | - | - | - | - | - | 75,145 | 75,145 |
| Total contributions of/distributions to the shareholders | | 765,112 | (13,368) | - | - | - | - | (1,592,877) | (841,133) |
| Balance as of 30 September 2022 | | 7,163,083 | (13,368) | 28,614 | 30,391 | (1,802,117) | 837,564 | 2,911,319 | 9,155,486 |

Banca Transilvania S.A.

Interim Separate Statement of Changes in Equity (continued)

For the nine-month period ended September 30, 2021

| Bank | Note | Attributable to the equity holders of the Bank | | | | | | | Total |
|--|------|--|-----------------|----------------|----------------------|---|----------------|--------------------|------------------|
| | | Share capital | Treasury shares | Share premiums | Revaluation reserves | Reserves from financial assets measured through other items of comprehensive income | Other reserves | Retained earnings | |
| <i>In RON thousand</i> | | | | | | | | | |
| Balance as of January 1, 2021 | | 5,824,201 | - | 28,614 | 48,517 | 518,558 | 736,446 | 2,366,533 | 9,522,869 |
| Profit for the period | | - | - | - | - | - | - | 1,473,711 | 1,473,711 |
| Loss from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax | | - | - | - | - | (740,686) | - | - | (740,686) |
| Retained earnings from revaluation reserves | | - | - | - | (10,772) | - | - | 10,772 | - |
| Other items of comprehensive income, net of tax | | - | - | - | - | - | - | (1,275) | (1,275) |
| Statement of comprehensive income for the period | | - | - | - | (10,772) | (740,686) | - | 1,483,208 | 731,750 |
| Contributions of/distributions to the shareholders | | | | | | | | | |
| Increase in share capital through the conversion of debt | | 573,770 | - | - | - | - | - | (573,770) | - |
| Acquisition of treasury shares | | - | (61,658) | - | - | - | - | - | (61,658) |
| Payments of treasury shares to the employees | | - | 61,658 | - | - | - | - | - | 61,658 |
| Dividends distributed to shareholders | | - | - | - | - | - | - | (500,000) | (500,000) |
| SOP 2019 use | | - | - | - | - | - | - | 45,511 | 45,511 |
| Total contributions of/distributions to the shareholders | | 573,770 | - | - | - | - | - | (1,028,259) | (454,489) |
| Balance as of September 30, 2021 | | 6,397,971 | - | 28,614 | 37,745 | (222,128) | 736,446 | 2,821,482 | 9,800,130 |

Interim Consolidated and Separate Statement of Cash Flows
For the nine-month period ended September 30

| | Note | Group | | Bank | |
|---|------|---------------------|------------------|---------------------|------------------|
| | | 30-09-2022 | 30-09-2021 | 30-09-2022 | 30-09-2021 |
| <i>In RON thousand</i> | | | | | |
| Cash-flow from operating activities | | | | | |
| Profit for the period | | 1,677,860 | 1,668,606 | 1,440,949 | 1,473,711 |
| Adjustments for: | | | | | |
| Depreciation and amortization | | 286,902 | 266,700 | 257,486 | 258,399 |
| Impairment allowance, expected losses and write-offs of financial assets, provisions for other risks and loan commitments | | 485,527 | 196,268 | 360,700 | 211,982 |
| Adjustment of financial assets at fair value through profit and loss | | 80,435 | (57,691) | 92,702 | (105,205) |
| Income tax expense | | 260,918 | 265,489 | 208,640 | 240,349 |
| Interest income | | (4,118,994) | (2,678,517) | (3,528,552) | (2,377,545) |
| Interest expense | | 973,280 | 411,306 | 912,151 | 380,251 |
| Other adjustments | | 867,881 | (154,318) | 149,505 | (200,247) |
| Net profit adjusted with non-monetary elements | | 513,809 | (82,157) | (106,419) | (118,305) |
| Changes in operating assets and liabilities(*) | | | | | |
| Change in financial assets at amortized cost and placements with banks | | (1,097,049) | 507,079 | (3,058,551) | 814,813 |
| Change in loans and advances to customers | | (10,828,545) | (4,807,421) | (11,256,887) | (4,891,437) |
| Change in finance lease receivables | | (1,236,550) | (125,308) | - | - |
| Change in financial assets at fair value through profit or loss | | (39,999) | 23,275 | (47,750) | (42,401) |
| Change in financial assets held for trading and measured at fair value through profit or loss - derivatives | | (197,752) | (10,200) | (198,837) | (10,200) |
| Change in equity instruments | | 7,231 | 5,267 | 1,756 | (9,681) |
| Changes in debt instruments | | 21,697 | (28,884) | - | - |
| Change in other financial assets | | (427,726) | (202,691) | (652,262) | (160,845) |
| Change in other assets | | (72,442) | 4,627 | (74,514) | (35,295) |
| Change in deposits from customers | | 5,289,126 | 8,458,523 | 7,417,570 | 8,350,141 |
| Change in deposits from banks | | 796,562 | 327,515 | 762,941 | 325,763 |
| Change in financial liabilities held-for-trading | | 7,421 | 9,869 | 7,911 | 9,870 |
| Change in repo operations | | (5,497,847) | 66,750 | (5,497,847) | 66,750 |
| Change in other financial liabilities | | 19,142 | 675,199 | (54,931) | 551,457 |
| Change in other liabilities | | (12,293) | 74,188 | (9,111) | 76,071 |
| Income tax (paid)/recovered | | (248,553) | (134,118) | (197,078) | (86,651) |
| Interest received | | 2,937,416 | 1,990,611 | 2,404,750 | 1,777,768 |
| Interest paid | | (755,732) | (318,209) | (702,963) | (347,195) |
| Net cash-flow from/ (used in) operating activities | | (10,822,084) | 6,433,915 | (11,262,222) | 6,270,623 |

Interim Consolidated and Separate Statement of Cash Flows (continued)

For the nine-month period ended September 30

| In RON thousand | Note | Group | | Bank | |
|--|------|--------------------|---------------------|--------------------|--------------------|
| | | 30-09-2022 | 30-09-2021 | 30-09-2022 | 30-09-2021 |
| Cash-flow used in investment activities | | | | | |
| Acquisition of financial assets measured at fair value through other items of comprehensive income | | (10,477,227) | (24,595,308) | (10,345,485) | (24,566,167) |
| Sale/redemption of financial assets measured at fair value through other items of comprehensive income | | 7,421,956 | 14,012,015 | 7,418,588 | 13,986,161 |
| Net acquisitions of property and equipment | | (120,793) | (132,384) | (76,173) | (82,980) |
| Net acquisitions intangible assets | | (109,297) | (98,558) | (105,986) | (90,542) |
| Proceeds from disposal of property and equipment | | 2,517 | 1,722 | 869 | 1,427 |
| Acquisition of equity investments | | (338,596) | (12,000) | (338,596) | (12,000) |
| Income from sale of shares | | 16,964 | - | 188,105 | - |
| Dividends collected | 11 | 5,495 | 3,218 | 208,719 | 25,171 |
| Interest received | | 498,992 | 783,899 | 387,507 | 782,199 |
| Net cash-flow used in investment activities | | (3,099,989) | (10,037,396) | (2,662,452) | (9,956,731) |
| Gross proceeds from loans from banks and other financial institutions | | 7,720,159 | 64,935 | 7,388,315 | - |
| Gross payments from loans from banks and other financial institutions | | (420,654) | (279,456) | (161,259) | (107,568) |
| Gross payments from subordinated loans from banks and other financial institutions | | (24,700) | - | - | - |
| Repayment of the principal portion of the lease liabilities | | (111,287) | (96,107) | (169,603) | (104,374) |
| Dividend payments | | (801,093) | (1,103) | (801,093) | (1,103) |
| Payments for treasury shares | | (114,203) | (61,658) | (114,202) | (61,658) |
| Interest paid | | (54,662) | (47,863) | (38,933) | (39,030) |
| Net cash-flow from / (used in) financing activities | | 6,193,560 | (421,252) | 6,103,225 | (313,733) |

(*) Changes in operating assets and liabilities only include the effect of net treasury flows, the non-monetary effect of the merger being eliminated

| In RON thousand | Note | Group | | Bank | |
|---|------|-------------------|-------------------|-------------------|-------------------|
| | | 30-09-2022 | 30-09-2021 | 30-09-2022 | 30-09-2021 |
| Cash and cash equivalents at January 1 | | 27,356,745 | 26,649,622 | 24,880,094 | 24,802,742 |
| The impact of exchange rate variations on cash and cash equivalents | | 79,982 | 62,501 | 76,286 | 60,658 |
| Net increase/decrease (-) in cash and cash equivalents | | (7,808,495) | (4,087,234) | (7,897,735) | (4,060,499) |
| Cash and cash equivalents as of September 30 | 16 | 19,628,232 | 22,624,889 | 17,058,645 | 20,802,901 |

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation

a) Reporting entity

Banca Transilvania S.A.

Banca Transilvania S.A. (the “Parent company”, “BT”) is a joint-stock company registered in Romania. The Bank started its activity as a banking institution in 1993 and is licensed by the National Bank of Romania (“BNR”, the “Central Bank”) to conduct banking activities. The Bank started its activity in 1994 and its main operations involve banking services for legal entities and individuals. Banca Transilvania Group (the “Group”) includes the Parent company and its subsidiaries, based in Romania and in the Republic of Moldova. The consolidated and separate financial statements as of September 30, 2022 include the Parent company and its subsidiaries (hereinafter referred to as the “Group”).

The Group’s fields of activity are: banking through Banca Transilvania S.A. and Victoriabank 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., Țiriac Leasing IFN S.A., asset management through BT Asset Management S.A.I. S.A. brokerage and investments through BT Capital Partners S.A. and pension funds management BT Pensii S.A. Additionally, the Bank also has control over 2 investment funds it consolidates.

The Bank carries out its banking activity through its head office located in Cluj-Napoca and 42 branches, 460 agencies, 6 work units, 8 healthcare division units, 2 private banking agencies in Romania, 1 branch in Italy and 1 regional office located in Bucharest (December 31, 2021: 47 branches, 443 agencies, 6 work units, 8 healthcare division units, 2 private banking agencies in Romania, 1 branch in Italy and 1 regional office located in Bucharest).

The Group’s number of active employees as of September 30, 2022 was 11,113 (December 31, 2021: 10,800 employees).

The Bank’s number of active employees as of September 30, 2022 was 9,024 (December 31, 2021: 8,651 employees).

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

The ownership structure of the Bank is presented below:

| | 30-09-2022 | 30-09-2021 |
|---|-------------------|-------------------|
| NN Group (*) | 10.16% | 9.91% |
| The European Bank for Reconstruction and Development (“EBRD”) | 6.87% | 6.89% |
| Romanian individuals | 22.48% | 20.81% |
| Romanian companies | 42.84% | 49.29% |
| Foreign individuals | 1.07% | 1.05% |
| Foreign companies | 16.58% | 12.05% |
| Total | 100% | 100% |

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

a) Reporting entity (continued)

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

| Subsidiary | Field of activity | Percentage of direct and indirect stake 30-09-2022 | Percentage of direct and indirect stake 31-12-2021 |
|---|---|---|---|
| Victoriabank S.A. | financial and banking activities and investments subject to license | 44.63% | 44.63% |
| BT Capital Partners S.A. | Investments | 99.59% | 99.59% |
| BT Leasing Transilvania IFN S.A. | leasing | 100% | 100% |
| BT Investments S.R.L. | Investments | 100% | 100% |
| BT Direct IFN S.A. | consumer loans | 100% | 100% |
| BT Building S.R.L. | Investments | 100% | 100% |
| BT Asset Management SAI. S.A. | Asset management | 100% | 100% |
| BT Solution Agent de Asigurare S.R.L. | Insurance broker | 99.95% | 99.95% |
| BT Asiom Agent de Asigurare S.R.L. | Insurance broker | 99.95% | 99.95% |
| BT Safe Agent de Asigurare S.R.L. | Insurance broker | 99.99% | 99.99% |
| BT Intermedieri Agent de Asigurare S.R.L. | Insurance broker | 99.99% | 99.99% |
| BT Leasing MD S.R.L. | leasing | 100% | 100% |
| BT Microfinanțare IFN S.A. | consumer loans | 100% | 100% |
| Improvement Credit Collection S.R.L. | activities of collection agents and credit reporting bureaus | 100% | 100% |
| VB Investment Holding B.V. | activities of holdings | 61.81% | 61.81% |
| BT Pensii S.A. | Activities of pension funds (except those in the public social security system) | 100% | 100% |
| Idea Bank S.A. | Alte activități de intermediere monetară | 100% | 100% |
| Idea Investments S.A. | Activități de consultanță în management | 100% | 100% |
| Idea Leasing IFN S.A. | Leasing financiar | 100% | 100% |
| Idea Broker de Asigurare S.R.L. | Activități ale agenților și broker-ilor de asigurare | 100% | 100% |
| Code Crafters by BT | Activități de realizare a softului la comandă | 100% | - |
| Țiriac Leasing IFN S.A. | Leasing financiar | 100% | - |

b) Declaration of conformity

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 of the Group's and Bank's interim reporting date, September 30, 2022. They do not include all the information required for a complete set of financial statements in accordance with the International Financial Reporting Standard ("IFRS") endorsed by the European Union. However, certain notes are included in order to explain the events and transactions that are significant in order to understand the changes in the Group's and the Bank's financial position and performance as of the last annual separate and consolidated financial statements as of and for the year ended December 31, 2021.

Financial information for the periods of 9 months and 3 months, respectively, ended at September 30, 2022 is unaudited and not reviewed. Financial information for the 9 months and 3 months, respectively, ended at September 30, 2021 are unaudited and not reviewed.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (*continued*)

c) Basis of measurement

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

d) Functional and presentation currency

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

The exchange rates for the major foreign currencies were:

| Currency | 30-09-2022 | 31-12-2021 | Fluctuation % |
|-----------------------|---------------|---------------|---------------|
| Euro (EUR) | 1: RON 4.9490 | 1:RON 4.9481 | 1.82 % |
| American dollar (USD) | 1: RON 5.0469 | 1: RON 4.3707 | 15.47 % |

e) Use of estimates and judgements

The preparation of the interim condensed consolidated and separate statement in accordance with the IAS 34 "Interim Financial Reporting", as endorsed by the European Union implies that the management uses estimations and judgements that affect the application of accounting policies, as well as the reported value of assets, liabilities, incomes and expenses. The estimates and associated assumptions are based on historical data and various other factors that are considered to be relevant under the given circumstances, the result of which forms the basis of the judgements used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis.

The review of the accounting estimates are recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods.

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

i) Impairment losses on loans and advances to customers

The Group and the Bank are frequently reviewing (mostly monthly) the loan and finance lease receivables portfolio in order to assess the impairment. In determining whether an impairment loss should be recorded, the Group and the Bank make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows related to a portfolio of loans and finance lease, before such decrease can be identified with respect to an individual loan/lease investment in that portfolio.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (*continued*)

e) Use of estimates and judgements (*continued*)

(i) Impairment losses on loans and advances to customers (*continued*)

For example, the observable data might be the unfavorable changes in the payment behavior of certain debtors within a group or in the economic, national or local circumstances, which correlate with default incidents affecting the debtors' group. When scheduling future cash flows, the management uses estimates based on the past experience related to losses from loans with similar risk characteristics.

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

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

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

In determining the impairment for expected credit losses, management incorporates forward-looking information, exercises judgement and uses estimates and assumptions.

The estimation of expected credit losses involves forecasting future economic conditions over 3 years.

The incorporation of forward-looking elements reflects the expectations of the Group and the Bank and involves the creation of scenarios, including an assessment of the probability for each scenario.

The macroeconomic scenarios applied for the third quarter of 2022 have been modified compared to those used for the fourth quarter of 2021, in order to reflect an economic environment with uncertainties and raising risks for the population and companies with increase in the cost of financing (interests) and inflation manifested in all markets. Instability and volatility at the global level is exacerbated by the war in Eastern Europe, the consequences of which translate directly into increased prices for various raw materials, energy and fuels and interruptions in supply chains.

Usually, the Bank uses 3 types of scenarios: main / central scenario (that is most probable to happen), optimistic scenario and pessimistic scenario (which is not necessarily a crisis scenario). Scenario weights are determined by a statistical analysis but also by an expert opinion, considering the possible results of each scenario.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation *(continued)*

e) Use of estimates and judgements *(continued)*

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

The weights percentages allocated to the scenarios used by the Bank on September 30, 2022 are: 55 % (December 31, 2021: 70%) on central scenario, 35 % (December 31, 2021: 15%) on pessimistic scenario and 10% (December 31, 2021 15%) on the optimistic one.

| | | | |
|---|-------------|-------------|-------------|
| Optimistic scenario – Macro indicators | 2022 | 2023 | 2024 |
| Real PIB (% each year) | 4.7 | 4.1 | 4.9 |
| Unemployment rate (%) | 5.4 | 5.1 | 5.0 |
| Inflation (%), yearly | 11.4 | 6.9 | 3.9 |
| ROBOR 3M (%), year average | 6.2 | 6.2 | 3.1 |
| EURIBOR 3M (%) | -0.1 | 0.5 | 1.2 |
| Central scenario - Macro indicators | 2022 | 2023 | 2024 |
| Real PIB (% each year) | 4.4 | 2.4 | 4.6 |
| Unemployment rate (%) | 5.4 | 5.2 | 5.2 |
| Inflation (%), yearly | 11.4 | 7.4 | 5.2 |
| ROBOR 3M (%),year average | 6.2 | 6.8 | 4.4 |
| EURIBOR 3M (%) | 0.2 | 1.2 | 1.5 |
| Pessimistic scenario - Macro indicators | 2022 | 2023 | 2024 |
| Real PIB (% each year) | 2.2 | -1.8 | 2.0 |
| Unemployment rate (%) | 5.5 | 5.3 | 5.5 |
| Inflation (%), yearly | 11.6 | 9.7 | 10.5 |
| ROBOR 3M (%),year average | 6.3 | 9.0 | 9.7 |
| EURIBOR 3M (%) | 0.3 | 2.1 | 1.8 |

For comparison, macroeconomic indicators used at the end of 2021, for the central scenario are:

| | | | |
|----------------------------|-------------|-------------|-------------|
| | 2022 | 2023 | 2024 |
| Real PIB (% each year) | 3.0 | 3.3 | 3.5 |
| Unemployment rate (%) | 5.6 | 5.6 | 5.7 |
| Inflation (%), yearly | 10.0 | 6.5 | 5.7 |
| ROBOR 3M (%), year average | 5.5 | 5.5 | 5.7 |
| EURIBOR 3M (%) | -0.2 | 0.6 | 0.7 |

The incorporation of forward-looking elements reflects the expectations of the Group and the Bank and involves the creation of scenarios, including an assessment of the probability for each scenario.

Also, due to the developments and the impact of the macroeconomic context that reflected the increase in inflation and interest rates, as well as the turbulences already existing on the markets (the increase in prices on the energy market, the difficulties encountered in the supply chain, the semiconductor crisis, etc.) the conflict military in Eastern Europe, the management continued to apply its own value judgments considering a series of post-model adjustments necessary, adopting a conservative position in line with the expectations provided by the banking supervisory authorities.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

e) Use of estimates and judgements (continued)

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

Russia's invasion in Ukraine continues today and it is difficult to estimate the impact of this event on the future business of the Group's customers. The process of identifying the potential effect on the Romanian economy is ongoing and estimating the effect of the military conflict on the economic environment will be a continuous challenge in 2022. The Bank remains vigilant in monitoring geopolitical and economic relations.

The post-model adjustments applied in 2020-2021 to estimate the effect of the pandemic event were revised in the year 2022, being eliminated those considerations that targeted the industries directly affected by the mobility restrictions imposed to manage the pandemic, as well as those imposed on the facilities that benefited of the postponement of payment under OUG 37/2020.

The Group and the Bank decided to keep the other adjustments since the effects of the energy crisis and the turbulences that the economic environment is going through on the background of inflation and the ongoing conflict in Eastern Europe cannot be reasonably estimated, and the government aid in the economy is still active or will be supplemented.

Also, we analyzed those product portfolios with high associated credit risk and the typologies that could be affected to some extent by the military conflict between Russia and Ukraine; but given that the Group and the Bank do not have significant direct exposure in the belligerent countries, no significant action was taken on that specific post-model adjustments.

The group is constantly reviewing macroeconomic scenarios, factoring them into new levels of probability of default (PD), for anchoring to events (regardless of severity) as described above.

Another main consideration of the introduction of post-model adjustments is the fact that the prediction of internal rating assessment models can be affected by aid measures provided by governments, the latter preventing the occurrence of non-payment events at the level of debtors who, otherwise, would have faced difficulties in servicing debts to various creditors.

In this sense, the Bank intervened on the default probability parameter, considering in its modeling higher risk levels of the inflation rate.

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

Borrowers could request during 2020, and also during 2021, the postponement of rates and interest until the end of 2021. Based on Romanian legislation OUG 37/2020 (with subsequent amendments), the government granted to certain categories of debtors, individuals or companies. The possibility to request the suspension of the payment of the due installments related to the loans representing installments of capital, interest and commissions, for up to 9 months, but not more than December 31, 2021. This facility benefited borrowers with outstanding loans, for which the Bank did not denounce the contract (and especially, for companies, is not entered into an insolvency state). Considering the legislative provisions, the Group and the Bank no longer have contracts in force on September 30, 2022, for which the deferral of payment is still active.

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

e) Use of estimates and judgements (continued)

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

As mentioned, moratoria program set by OUG37 did not have an impact on stage-ing (is not considered a trigger for a significant increase in credit risk). The definition of forbore credit modification was not changed and continues to identify restructuring operation request by clients in financial difficulties who did not access the moratoria program. A similar program to postpone the payments of installments/interests for a period not exceeding 9 months was promoted by OUG 90/29.06.2022. However, this facility was offered conditionally to debtors financially affected by the situation generated by the current crisis determined directly or indirectly by the energy crisis and the war between Russia and Ukraine. The period for accessing this facility was maximum 30 days from the date of issuance of the application rules, respectively during the month of August 2022. Through this program, a number of 489 payment deferral requests were processed, for loans in value of 47.4 million lei.

Due to the COVID-19 pandemic, the negative evolution of inflation and interest rates, as well as the military conflict, financial markets have been very volatile, generating short-term challenges in cash flow management and also significant mark-up variations at market. The Bank stands on a comfortable position of liquidity, therefore the market disruptions didn't seriously affected it. In terms of interest rate risk, the pressure was felt on net interest margin due to interest rates levels.

The trading book of the Group and the Bank consist of bonds, equities, collective investment units and derivatives, whose valuation was affected by market volatilities, reserves registering a downward trend and reaching in the negative zone. The most significant part of the trading book is represented by bonds, of which the majority are kept at fair value through other comprehensive income, thus allowing that market-to-market impact to be observable in other comprehensive income and not in Consolidated and Separate Statement of Profit or Loss. Note 4 provides more details on the fair value measurement of financial instruments.

At the same time, the Bank holds, outside the trading portfolio (the banking portfolio), financial instruments (securities) held mainly for liquidity purposes and as a source of collateral for Lombard and stand-by facilities, as well as to ensure a secure source of income.

(ii) Anticipated individual fiscal solutions ("AIFS")

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

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

The Bank considered the bargain gain as non-taxable income for the calculation of the comprehensive income from September 30, 2022, based on solid arguments such as:

- Non-correlation of the fiscal legislation with the accounting legislation: The Fiscal Code does not contain specific provisions regarding the merger of two or several taxpayers that apply IFRS as the basis for accounting and the fiscal legislation is not correlated with the accounting legislation;

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

e) Use of estimates and judgements (continued)

(ii) Anticipated individual fiscal solutions (“AIFS”) (continued)

- Starting January 1, 2016, in the Rewritten Fiscal Code, the provisions for domestic mergers were updated and harmonized also in line with Directive 2009/133/EC and in this respect, clearly the intention of the lawmaker was that the specific taxation rules (taking in account the tax neutrality of the merger) should prevail over the general taxation rules.
- The merger with VBRO was based on sound economic grounds (it was not undertaken for certain fiscal benefits). The merger should be neutral from a tax point of view i.e. the bargain gain should not be taxable.
- The fiscal treatment should be balanced: considering the opposite case, whereby the purchase price is higher than the value of acquired identifiable assets and liabilities, a positive goodwill would have been recorded, which, as per Romanian fiscal legislation is not to be amortized for fiscal purposes and hence does not have any fiscal impact;
- Avoidance of double taxation;
- European jurisprudence – which stipulates that the EU legislation should prevail when the fiscal legislation of a member state is unclear or lacks specific provisions.

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

On June 23, 2020, the High Court of Cassation and Justice ruled in the case file pending, admitting ANAF’s appeal against the sentence of the Cluj Court of Appeal, quashed the first instance decision, retried the case and in retrial rejected the action filed by Banca Transilvania as unfounded.

Based on the information made available by the High Court of Cassation and Justice once the reasoning of the judgment of June 23, 2020 was published, the Bank filed a request for review of this decision, for which a first appearance took place on March 31, 2021. Based on legal proceedings initiated by the Bank, the High Court of Cassation and Justice scheduled the next appearance for September 15, 2021. Depending on the result of this approach, the Bank will subsequently decide which and if other actions will be necessary in this case. On 12 October 2021, the High Court of Cassation and Justice of Romania suspended the judgement of the review request and the Court of Justice of European Union was notified. The request is still under analysis at the European Court of Justice.

The Bank has not recognized a provision in this case but will monitor the evolution of the topic at each reporting date, in accordance with the relevant provisions of the accounting regulations.

(iii) Risk provisions for abusive clauses and litigation

The provision for abusive clauses is an estimated amount for potential litigations facing the Bank derived from the retail credit contracts inherited from Volksbank and Bancpost merger. The provision is periodically reviewed by the Bank by incorporating historical data regarding new litigations in the last years (a show-up ratio) and the loss probability for such cases (calculated as a historical positive versus negative outcome of litigations). The last review for abusive clauses provision has been performed as of September 30, 2022 when the Bank adjusted the provision based on the trend of such new litigations (show-up ratio) and the probability loss estimated at this date.

(iv) Other significant litigation

The Bank’s subsidiary, Victoria Bank SA, was notified on July 6, 2020 that it is being investigated in a case instrumented by the Prosecutor’s Office of the Republic of Moldova, and on August 6, 2020, a precautionary seizure was placed on some of the subsidiary’s assets. In order to cover the claims in the file - amounting to approximately RON 475 million in equivalent.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

e) Use of estimates and judgements (continued)

(iv) Other significant litigation (continued)

Given the nature of the case and the legal limitations related to the investigation, the Bank and its subsidiary possesses limited information about this case, by also considering the lawyers' analysis of the content of the indictment related to these investigations. Given the stage of the investigation, that relates to a period before the Bank was a shareholder of the subsidiary, the Bank and the Group did not recognize a provision for this case, but will monitor the evolution of the topic at each reporting date, in accordance with the relevant provisions of the accounting regulations.

For other significant litigation and regulatory enforcement matters, the Group believes the possibility of an outflow of funds is more than remote but less than probable but the amount is not reliably estimable, and accordingly such matters are not included in the contingent liability estimates.

The Bank and the Group will monitor the evolution of the topics at each reporting date, in accordance with the relevant provisions of the accounting regulations.

(v) Reclassification

The Bank has included in its policies three business models for financial instruments: "Hold to collect (HTC)", "Hold to collect and sell (HTC&S)", and "Other model (trading)", each of them being defined in accordance with the specific requirements of IFRS 9.

As per Group's accounting policies, the three business models are distinguished as follows:

a) 'Hold to collect and sell' business model, in which the selling of financial assets is integral to achieving the business objective. In this business model, sales take place more frequently and have a greater value than in a business model with an objective to hold to collect. Financial assets in this category are measured at fair value through OCI. This is the business model mainly used for assets originated and managed in the Treasury department.

b) 'Hold to collect' business model, in which cash flows are primarily generated by collecting contractual cash flows until maturity of the instrument. Sales can occur, as long as they are incidental, infrequent and insignificant. There is no requirement that the assets classified in this category should be held until their maturity; sales are acceptable with "low frequency", when the risk profile of such instruments increases or is no longer in line with the Bank's/ the Group's investment policy. An increase of the frequency of sales during a certain period is not necessarily in contradiction with this business model, if the Group or the Bank are able to justify the reasons of such sales and to prove that such sales do not reflect a change in the current business model. This business model is primarily used for the loan portfolio of the Bank and, to a lesser extent, for assets originated in the Treasury department.

c) 'Other' business models not meeting the criteria of the two models mentioned above, for example business models in which financial assets are managed with the objective of generating cash flows from trading are managed on a fair value basis. Under this business model, financial assets are measured at fair value through P&L. This business model is used for a relatively small part of fixed income instruments purchased by Treasury department.

In the "Hold to collect" business model, the financial instruments that can be included are:

- Loans and advances to customers, like loans to corporates, SME and Retail granted by the Bank or acquired through business combinations.
- Bonds and treasury bills issued by governments, financial institutions or other companies.
- Placements with Central Bank and with other banks.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

e) Use of estimates and judgements (continued)

(v) Reclassification (continued)

The performance of the portfolio is measured based on its amortised cost, taking into consideration the interest margins, exposure and credit risk. There is no fair value measurement associated with this portfolio.

In the first quarter of 2022, Bank Management performed a review of its balance sheet management policy, looking at both customer liabilities (current accounts) and fixed income portfolios as the Bank made several acquisitions during the year: Idea Bank S.A., Idea Leasing IFN S.A. and also, in the year of 2022 Tiriatic Leasing IFN S.A.

As a consequence long term business strategy and ALM in the Group were adjusted starting with second quarter of the year 2022.

The analysis carried out by the management focused on:

(1) The classification of financial instruments from the perspective of European Regulation 876/2019 and assessment of the need to adapt the business model regarding bonds;

(2) Increasing the portfolio of securities held, as well as changing the structure of the Banca Transilvania Financial Group through successive acquisitions in 2021 and 2022 and the introduction of new current account products for SME/micro and retail customers in 2020 and 2021.

(1) The classification of financial instruments from the perspective of European Regulation 876/2019 and assessment of the need to adapt the business model regarding bonds

The analysis performed by the Management resulted in the following conclusions:

- Due to their own specificity and market structure, not all bonds held by Banca Transilvania can be subject of frequent trading. According to “*Minimum capital requirements for market risk*” paper issued by the Basel Committee on Banking Supervision (February 2019), the trading book should consist of only instruments designed to accommodate at least one of the below purposes:
 - 1) short-term resale,
 - 2) profiting from short-term price movements,
 - 3) locking in arbitrage profits, or
 - 4) hedging risks that arise from instruments meeting (1), (2) or (3) above.

Consequently, to manage risk in the balance sheet and to be, also, compliant with the above provisions, the Bank will use two separate books: one for HTC&S where the traded instruments will be held and one for the HTC where any instrument which does not meet the definition of the European Regulation 876/2019.

(2) Increasing the portfolio of securities held, as well as changing the structure of the Banca Transilvania Financial Group through successive acquisitions in 2021 and 2022 and the introduction of new current account products for SME/micro and retail customers in 2020 and 2021.

Since the Bank's portfolio of government securities had a significant increase in the period 2020-2021, important structural changes took place at the level of the Banca Transilvania Financial Group (acquisitions of Idea Bank IFN S.A., Idea Leasing IFN S.A. and Tiriatic Leasing IFN S.A.) normal coverage was analysed from the point of view of the risks of the clients' core deposits (core deposits). From an interest rate perspective, most current account balances that carry 0% interest have historically been a stable source of funding, the bonds, on the other hand, are a natural hedge for these balances from this perspective. The significant increase in core deposits in 2021 was directly linked with the introduction of the new current account products.

In order to correctly reflect this liquidity reserve that naturally covers stable deposits, the Bank's management has concluded that a revision of the business model used is necessary.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

e) Use of estimates and judgements (continued)

(v) Reclassification (continued)

In this sense, the business model was reanalysed, which targets the financial instruments managed by the Treasury and which particularly concerns the way of managing the portfolio of government securities. Through this strategy, the Bank owns/invests in securities that it intends to keep until maturity as a liquidity reserve, available for Lombard operations and other specific uses (e.g. used as collateral) and through which it can obtain a positive return through reporting at the cost of financing sources in turbulent periods, which can generate a stable result in the profit and loss account in case of high volatility of the financial markets. The initial transfer between the two business models is necessary because it is not feasible to acquire new positions on the market, considering: a) the weight of bond positions in the balance sheet and b) the fact that the instruments are eligible for Lombard operations and other specific uses (for example repo or in the form of collateral). This was confirmed by formal decisions of the Asset and Liability Management Committee (ALCO) and the Management Board of the Bank in December 2021 and in March 2022.

Reclassification of financial assets will be performed according to the requirements of IFRS 9 B4.4.1, B4.4.2 and B4.4.3 as a change in business model due to the significant change in the related prudential regulatory framework and investment strategy.

According to IFRS 9, paragraph 5.6.1, if an entity reclassifies financial assets, it must apply the reclassification prospectively from the date of reclassification. The entity shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Adjustments were made to:

- the cumulative gain or loss previously recognized in other comprehensive income is eliminated from equity and adjusted for the fair value of the financial asset at the date of reclassification. As a result, the financial asset is measured at the date of reclassification as if it had always been measured at amortized cost. This adjustment affects other items of comprehensive income but does not affect profit or loss and is therefore not a reclassification adjustment (see IAS 1 Presentation of Financial Statements).
- a reduction in losses would be recognized as an adjustment to the gross carrying amount of the financial asset as of the date of reclassification
- the recognition of interest income using the effective interest rate and the measurement of expected credit losses are not changed due to reclassification.

A change in the objective of the entity's business model must be made before the date of reclassification (IFRS 9 B4.4.2), which is defined in Appendix A to IFRS 9 as "the first day of the first reporting period following the change in the business model that results in the reclassification of financial assets by an entity.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

2. Significant accounting policies

The significant accounting methods and policies applied by the Bank and the Group entities in these interim condensed consolidated and separate financial statements are the ones also applied in the consolidated and separate financial statements as of and for the fiscal year ended December 31, 2021, except for the followings:

a) Implementation of new or reviewed standards and interpretations

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

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

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

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

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

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

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

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

2. Significant accounting policies (continued)

a) Implementation of new or reviewed standards and interpretations (continued)

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

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

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

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

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

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

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. The amendment clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

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

Notes to the consolidated and separate financial statements

2. Significant accounting policies (continued)

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

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

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

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

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

Amendment to IFRS 9 Financial Instruments

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

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

Amendment to Illustrative Examples accompanying IFRS 16 Leases

The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement.

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting

The Group segment reporting is based on components of entity that the management monitors in making decisions. The business segments are presented in a manner which is consistent with the internal reporting documentation submitted to the Leaders' Committee. The Leaders' Committee, with the assistance of the Board of Directors, is responsible for the allocation of resources and the assessment of the business segments' performance, being considered as an operational decision-making factor.

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

The clients of Victoriabank S.A. and Idea Bank S.A., are classified according to the Bank's standards. The segment "Leasing and loans to non-banking financial institutions" includes the leasing and consumer finance companies, as described in Note 1. The remaining non-banking subsidiaries are included in the segment "Other-Group". The "Intra-group eliminations & adjustments" segment comprises intra-group operations.

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

A business segment is a component of the Group and of the Bank:

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

The segment reporting of the Group is described below:

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (*continued*)

Medium Corporate Customers („MidCo”): The Group and the Bank include in this category mainly the companies with an annual turnover between 9 and 100 million RON. By setting such value thresholds in the classification of MidCo clients, the Bank can address the most frequent requests coming from this category of clients: tailored financing solutions, access to a wide range of banking services, pricing based on financial performance, dedicated and flexible relationship management, operational agility. Depending on the activity type, the customized approach related to customers is supported by two existent specializations, notably Agribusiness and Healthcare. The MidCo segment includes also entities operating in the public sector, financial institutions or legal entities serving particular functions, included in this category based on specific classification criteria. The Bank offers a full range of financial services to its Mid Corporate clients, including lending facilities, current operations, treasury services, but also additional services such as bonus packages for employees, structured finance, co-financing of EU funded projects; the Bank also facilitates the access to the services provided by the Group subsidiaries, such as bancassurance, consultancy on mergers and acquisitions, asset management, financial and operating lease, with the purpose to increase its profitability and non-risk income.

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

Micro Business clients – company customers with an annual turnover up to 2 million RON. This category comprises the largest number of companies and the most diverse types of entities, such as limited liability companies, freelancers, sole proprietorships, etc.

The business lifespan (many such clients are fresh companies), the entrepreneur’s expertise and the market on which the company operates generate certain needs that the Group and the Bank attempt to serve through product and service packages dedicated to this category of customers, which have become a hallmark in the banking sector over the years.

Lending products are accessed more frequently as the Micro or SME business takes shape: loans for working capital or investments, letters of guarantee, EU project co-financing, credit cards, leasing, invoice discounting or factoring.

Another important category of products refers to general operations, incoming and outgoing payments, cheques, promissory notes, FX operations, salary payment agreements or bancassurance services. Increased attention is given to the digitalization of our products and services, our clients showing more and more interest in internet & mobile banking, e-commerce, last generation POSs and the integration of financial data in the proprietary accounting systems.

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

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (*continued*)

Other: The Group and the Bank incorporate in this category the services offered by other financial entities within the Group: asset management, brokerage, factoring and real estate.

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

For periods of 6 months ended on September 30, 2022 and September 30, 2021, the Group or the Bank did not record income exceeding 10% of total income in relation to a single customer.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

The table below presents financial information per segments regarding the consolidated statement of financial position for the periods ended on September 30, 2022, and comparative data for December 31, 2021:

Business segments as of September 30, 2022

| Group <i>In RON thousand</i> | Large Corporate | Mid Corporate | SME | Micro | Retail | Treasury | Leasing and consumer loans granted by non-banking financial institutions | Other - Group | Removals & adjustments | Total |
|---|--------------------|-------------------|------------------|-------------------|-------------------|-------------------|--|-------------------|---------------------------|--------------------|
| Gross loans and finance lease receivables | 12,039,852 | 9,955,855 | 4,656,742 | 4,798,602 | 30,361,359 | - | 4,443,554 | 8,438,969 | (2,386,860) | 72,308,073 |
| <i>Allowances for impairment losses on loans and finance lease receivables</i> | (826,124) | (961,210) | (352,172) | (542,062) | (1,510,723) | - | (368,408) | (17,517) | 66,891 | (4,511,325) |
| Loans and finance receivables-net Portfolio of Debt instruments and Equity instruments, net of provisions | 11,213,728 | 8,994,645 | 4,304,570 | 4,256,540 | 28,850,636 | - | 4,075,146 | 8,421,452 | (2,319,969) | 67,796,748 |
| Treasury and inter-bank operations | - | - | - | - | - | 47,330,928 | 11,890 | 437,007 | (331,551) | 47,448,274 |
| Intangible assets | 80,718 | 163,530 | 105,296 | 235,965 | 712,262 | 47,636 | 11,777 | 334,870 | (8,449) | 1,683,605 |
| Right-of-use assets | 28,890 | 52,167 | 30,810 | 81,316 | 230,002 | 14,691 | 18,326 | 12,261 | (10,757) | 457,706 |
| Other assets | 428,821 | 332,685 | 145,674 | 155,321 | 1,012,322 | - | 285,184 | 96,219 | (411,484) | 2,044,742 |
| Total assets | 11,752,157 | 9,543,027 | 4,586,350 | 4,729,142 | 30,805,222 | 70,662,806 | 4,509,321 | 9,729,608 | (5,035,926) | 141,281,707 |
| Deposits and current accounts | 7,530,584 | 9,171,608 | 6,025,680 | 16,151,742 | 74,561,224 | 3,778,600 | - | 2,219 | (1,958,990) | 115,262,667 |
| Loans from banks and other financial institutions | 152,490 | 494,161 | 80,968 | 64,954 | 56,268 | 7,425,901 | 3,381,230 | 1,217,048 | (2,422,375) | 10,450,645 |
| Subordinated liabilities | - | - | - | - | - | 1,802,303 | - | - | (18,431) | 1,783,872 |
| Finance lease financial liabilities | 89,824 | 71,975 | 32,750 | 32,838 | 221,305 | 754 | 18,622 | 4,791 | (10,988) | 461,871 |
| Other liabilities | 542,661 | 386,399 | 135,031 | 143,734 | 935,864 | 551 | 367,858 | 432,604 | (271,525) | 2,673,177 |
| Total liabilities | 8,315,559 | 10,124,143 | 6,274,429 | 16,393,268 | 75,774,661 | 13,008,109 | 3,767,710 | 1,656,662 | (4,682,309) | 130,632,232 |
| Equity and related items | - | - | - | - | - | - | - | 10,649,475 | - | 10,649,475 |
| Total liabilities and equity | 8,315,559 | 10,124,143 | 6,274,429 | 16,393,268 | 75,774,661 | 13,008,109 | 3,767,710 | 12,306,137 | (4,682,309) | 141,281,707 |

The explanatory notes to the financial statements from page 12 to page 60 are an integral part of these financial statements.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

Business segments as of December 31, 2021

| Group | Large Corporate | Mid Corporate | SME | Micro | Retail | Treasury | Leasing and consumer loans granted by non-banking financial institutions | Other - Group | Intra-group eliminations & adjustments | Total |
|---|------------------|------------------|------------------|-------------------|-------------------|-------------------|--|-------------------|--|--------------------|
| Gross loans and finance lease receivables | 9,026,678 | 7,810,256 | 3,582,273 | 4,120,221 | 28,454,621 | - | 2,929,671 | 5,948,267 | (1,818,483) | 60,053,504 |
| Provisions for principal Loans and finance lease receivables net of provisions | (810,766) | (827,187) | (294,632) | (503,230) | (1,249,340) | - | (302,877) | (13,418) | 65,731 | (3,935,719) |
| Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions | 8,215,912 | 6,983,069 | 3,287,641 | 3,616,991 | 27,205,281 | - | 2,626,794 | 5,934,849 | (1,752,752) | 56,117,785 |
| Treasury and inter-bank operations | - | - | - | - | - | 44,120,816 | - | 401,085 | (317,724) | 44,204,177 |
| Property and equipment and investment property, Intangible assets and goodwill | - | - | - | - | - | 28,505,564 | 49,499 | 424,876 | (264,729) | 28,715,210 |
| Right-of-use assets | 67,846 | 157,105 | 82,984 | 194,163 | 618,925 | 41,065 | 12,014 | 331,802 | (8,562) | 1,497,342 |
| Other assets | 30,505 | 61,692 | 32,017 | 85,004 | 244,802 | 16,233 | 10,919 | 16,412 | (5,563) | 492,021 |
| Total assets | 229,912 | 212,691 | 91,574 | 98,804 | 730,326 | - | 80,534 | 96,319 | (65,505) | 1,474,655 |
| Deposits from customers and current accounts | 8,544,175 | 7,414,557 | 3,494,216 | 3,994,962 | 28,799,334 | 72,683,678 | 2,779,760 | 7,205,343 | (2,414,835) | 132,501,190 |
| Loans from banks and other financial institutions | 6,026,098 | 8,701,281 | 6,151,819 | 15,493,031 | 71,889,830 | 1,047,310 | - | 696 | (264,177) | 109,045,888 |
| Subordinated liabilities | 136,702 | 543,683 | 88,708 | 111,399 | 112,343 | 6,526,809 | 2,019,081 | 232,901 | (1,842,126) | 7,929,500 |
| Lease liabilities | - | - | - | - | - | 1,780,464 | - | - | (17,980) | 1,762,484 |
| Other liabilities | 84,216 | 71,299 | 33,004 | 37,418 | 263,189 | 630 | 11,096 | 3,498 | (5,753) | 498,597 |
| Total liabilities | 527,530 | 373,990 | 123,885 | 147,877 | 1,060,014 | 692 | 122,170 | 370,781 | (26,352) | 2,700,587 |
| Equity and related items | 6,774,546 | 9,690,253 | 6,397,416 | 15,789,725 | 73,325,376 | 9,355,905 | 2,152,347 | 607,876 | (2,156,388) | 121,937,056 |
| Total liabilities and equity | - | - | - | - | - | - | - | 10,564,134 | - | 10,564,134 |
| | 6,774,546 | 9,690,253 | 6,397,416 | 15,789,725 | 73,325,376 | 9,355,905 | 2,152,347 | 11,172,010 | (2,156,388) | 132,501,190 |

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

The table below presents financial information per segments regarding the consolidated statement of the operating profit before net expenses with the impairment allowance for loans and advances to customers, for the periods ended at September 30, 2022, and comparative data for September 30, 2021:

Business segments as of September 30, 2022

| Group <i>In RON thousand</i> | Large Corporate | Mid Corporate | SME | Micro | Retail | Treasury | Leasing and consumer loans granted by non- banking financial institutions | Other - Group | Removals & adjustments | Total |
|---|--------------------|------------------|------------------|------------------|------------------|-----------------|--|------------------|---------------------------|--------------------|
| Net interest income | 140,522 | 302,584 | 168,714 | 376,846 | 1,133,627 | 524,779 | 247,112 | 242,827 | 8,703 | 3,145,714 |
| Net commission income | 39,860 | 82,139 | 71,829 | 279,592 | 312,009 | (1,363) | 18,171 | 47,269 | 2,897 | 852,403 |
| Net trading income | 7,453 | 43,854 | 44,430 | 85,003 | 180,190 | 198,551 | 5,278 | (11,712) | 187 | 553,234 |
| Net gain from financial assets measured through comprehensive income | - | - | - | - | - | (52,099) | - | (46,041) | - | (98,140) |
| Net loss (-)/Net gain from financial assets which are required to be measured through profit or loss | - | - | - | - | - | (77,723) | - | (2,712) | - | (80,435) |
| Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund | (8,308) | (14,268) | (8,120) | (21,141) | (100,471) | - | - | - | - | (152,308) |
| Other operating income | 58,776 | 54,834 | 46,726 | 45,594 | 133,829 | 4,923 | 38,571 | 71,928 | (247,842) | 207,339 |
| Total income | 238,303 | 469,143 | 323,579 | 765,894 | 1,659,184 | 597,068 | 309,132 | 301,559 | (236,055) | 4,427,807 |
| Personnel expenses | (64,174) | (158,583) | (94,440) | (188,720) | (511,050) | (25,708) | (71,469) | (96,885) | - | (1,211,029) |
| Other operating expenses | (66,506) | (97,641) | (75,717) | (119,313) | (314,616) | (24,173) | (60,080) | (113,235) | 197,771 | (673,510) |
| Depreciation and amortization | (17,001) | (33,269) | (19,819) | (52,264) | (149,760) | (9,570) | (8,674) | (12,470) | 15,925 | (286,902) |
| Total Expenses | (147,681) | (289,493) | (189,976) | (360,297) | (975,426) | (59,451) | (140,223) | (222,590) | 213,696 | (2,171,441) |
| Operating profit before net provision expenses for assets, other risks and commitments | 90,622 | 179,650 | 133,603 | 405,597 | 683,758 | 537,617 | 168,909 | 78,969 | (22,359) | 2,256,366 |

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

Business segments as of September 30, 2021

| Group <i>In RON thousand</i> | Large Corporate | Mid Corporate | SME | Micro | Retail | Treasury | Leasing and consumer loans granted by non- banking financial institutions | Other - Group | Removals & adjustments | Total |
|---|----------------------------|--------------------------|------------------|------------------|------------------|-----------------|--|--------------------------|---------------------------------------|--------------------|
| Net interest income | 85,085 | 199,692 | 91,447 | 171,985 | 752,954 | 267,732 | 184,505 | 507,691 | 6,120 | 2,267,211 |
| Net commission income | 47,517 | 89,466 | 59,732 | 209,783 | 234,104 | (1,702) | 8,618 | 56,017 | (2,113) | 701,422 |
| Net trading income | 7,213 | 30,882 | 31,107 | 60,991 | 124,781 | 80,999 | 4,826 | 42,244 | 4,549 | 387,592 |
| Net gain from financial assets measured through comprehensive income | - | - | - | - | - | 88,955 | - | 85,423 | 5 | 174,383 |
| Net gain from financial assets which are required to be measured through profit or loss | - | - | - | - | - | 53,114 | - | 4,577 | - | 57,691 |
| Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund | (4,155) | (7,842) | (4,938) | (11,806) | (60,330) | - | - | - | - | (89,071) |
| Other operating income | 16,626 | 15,504 | 5,969 | 5,700 | 73,053 | 125 | 11,751 | 19,760 | (29,474) | 119,014 |
| Total income | 152,286 | 327,702 | 183,317 | 436,653 | 1,124,562 | 489,223 | 209,700 | 715,712 | (20,913) | 3,618,242 |
| Personnel expenses | (54,998) | (137,888) | (75,240) | (152,699) | (394,529) | (20,405) | (42,290) | (84,887) | - | (962,936) |
| Other operating expenses | (21,886) | (43,872) | (25,249) | (54,552) | (206,329) | (15,787) | (33,581) | (95,187) | 9,169 | (487,274) |
| Depreciation and amortization | (18,140) | (34,055) | (19,766) | (48,902) | (137,234) | (6,752) | (5,029) | (11,889) | 15,067 | (266,700) |
| Total Expenses | (95,024) | (215,815) | (120,255) | (256,153) | (738,092) | (42,944) | (80,900) | (191,963) | 24,236 | (1,716,910) |
| Operating profit before net provision expenses for assets, other risks and commitments | 57,262 | 111,887 | 63,062 | 180,500 | 386,470 | 446,279 | 128,800 | 523,749 | 3,323 | 1,901,332 |

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

The table below presents financial information per segments regarding the consolidated statement of the operating profit before net expenses with the impairment allowance for loans and advances to customers, for the 3-month period ended at September 30, 2022, and comparative data for 3-month period ended September 30, 2021:

Business segments for the 3-month period ended September 30, 2022

| Group In RON thousand | Large Corporate | Mid Corporate | SME | Micro | Retail | Treasury | Leasing and consumer loans granted by non- banking financial institutions | Other - Group | Removals & adjustments | Total |
|---|--------------------|------------------|-----------------|------------------|------------------|-----------------|---|------------------|---------------------------|------------------|
| Net interest income | 59,023 | 127,902 | 73,415 | 187,464 | 485,651 | 190,511 | 92,414 | (104,380) | 2,318 | 1,114,318 |
| Net commission income | 16,461 | 32,053 | 26,350 | 97,799 | 107,376 | (864) | 6,788 | 14,466 | 999 | 301,428 |
| Net trading income | 2,032 | 16,592 | 15,174 | 29,637 | 61,896 | 34,502 | 1,937 | 10,660 | (5) | 172,425 |
| Net gain from financial assets measured through comprehensive income | - | - | - | - | - | (16,028) | - | (11,628) | - | (27,656) |
| Net loss (-)/Net gain from financial assets which are required to be measured through profit or loss | - | - | - | - | - | (28,686) | - | 659 | - | (28,027) |
| Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund | 89 | (449) | (42) | (2) | (891) | - | - | - | - | (1,295) |
| Other operating income | 44,097 | 43,365 | 40,577 | 40,431 | 67,692 | 121 | 17,340 | 15,994 | (206,832) | 62,785 |
| Total income | 121,702 | 219,463 | 155,474 | 355,329 | 721,724 | 179,556 | 118,479 | (74,229) | (203,520) | 1,593,978 |
| Personnel expenses | (21,119) | (50,916) | (31,352) | (59,641) | (163,030) | (8,335) | (26,591) | (31,527) | - | (392,511) |
| Other operating expenses | (47,737) | (56,850) | (50,185) | (64,067) | (133,754) | (8,236) | (18,247) | (33,072) | 184,984 | (227,164) |
| Depreciation and amortization | (6,468) | (10,939) | (6,994) | (17,651) | (51,432) | (3,066) | (2,966) | (4,238) | 5,319 | (98,435) |
| Total Expenses | (75,324) | (118,705) | (88,531) | (141,359) | (348,216) | (19,637) | (47,804) | (68,837) | 190,303 | (718,110) |
| Operating profit before net provision expenses for assets, other risks and commitments | 46,378 | 100,758 | 66,943 | 213,970 | 373,508 | 159,919 | 70,675 | (143,066) | (13,217) | 875,868 |

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

Business segments for the 3-month period ended September 30, 2021

| Group <i>In RON thousand</i> | Large Corporate | Mid Corporate | SME | Micro | Retail | Treasury | Leasing and consumer loans granted by non- banking financial institutions | Other - Group | Removals & adjustments | Total |
|---|----------------------------|--------------------------|-----------------|-----------------|------------------|-----------------|--|--------------------------|---------------------------------------|------------------|
| Net interest income | (6,674) | 73,113 | 22,276 | 58,911 | 260,841 | 97,480 | 65,488 | 163,955 | 2,806 | 738,196 |
| Net commission income | 17,556 | 31,451 | 22,420 | 76,159 | 84,962 | (559) | 2,963 | 20,150 | (668) | 254,434 |
| Net trading income | 2,162 | 11,097 | 11,463 | 21,938 | 49,194 | 20,862 | 495 | 7,361 | 1,400 | 125,972 |
| Net gain from financial assets measured through comprehensive income | - | - | - | - | - | 23,960 | - | 21,073 | - | 45,033 |
| Net gain from financial assets which are required to be measured through profit or loss | - | - | - | - | - | 2,114 | - | 898 | - | 3,012 |
| Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund | - | (10) | (62) | - | (623) | - | - | - | - | (695) |
| Other operating income | 3,415 | 2,928 | 443 | 255 | 27,231 | - | 5,709 | 12,457 | (10,159) | 42,279 |
| Total income | 16,459 | 118,579 | 56,540 | 157,263 | 421,605 | 143,857 | 74,655 | 225,894 | (6,621) | 1,208,231 |
| Personnel expenses | (16,916) | (41,910) | (24,100) | (48,872) | (131,232) | (7,113) | (15,712) | (26,366) | - | (312,221) |
| Other operating expenses | (8,391) | (15,090) | (8,747) | (19,442) | (77,748) | (5,970) | (12,435) | (38,970) | 3,447 | (183,346) |
| Depreciation and amortization | (5,916) | (10,686) | (6,473) | (15,613) | (45,858) | (2,496) | (1,732) | (4,931) | 5,040 | (88,665) |
| Total Expenses | (31,223) | (67,686) | (39,320) | (83,927) | (254,838) | (15,579) | (29,879) | (70,267) | 8,487 | (584,232) |
| Operating profit before net provision expenses for assets, other risks and commitments | (14,764) | 50,893 | 17,220 | 73,336 | 166,767 | 128,278 | 44,776 | 155,627 | 1,866 | 623,999 |

Notes to the Interim Condensed Consolidated and Separate Financial Statements

4. Fair value of financial assets and liabilities

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

Level 1 in the fair value hierarchy

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

Level 2 in the fair value hierarchy

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

Level 3 in the fair value hierarchy

The fair value of financial assets and liabilities included in Level 3 in the fair value hierarchy is determined by using input data that are not based on observable market information (unobservable data inputs shall reflect the assumptions made by the market participants to establish the price of an asset or a liability, including risk assumptions).

The objective of valuation techniques is to derive the fair value that reflects a price for the financial instrument at the reporting date, price that would be obtained by the market participants acting at arm's length.

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

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

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

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

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

4. Fair value of financial assets and liabilities *(continued)*

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

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

| Group <i>In RON thousand</i> | Level 1 - Quoted market prices in active markets | Level 2 - Valuation techniques – observable inputs | Level 3 - Valuation techniques – unobservable inputs | Total |
|---|--|--|--|-------------------|
| September 30, 2022 | | | | |
| Financial assets held for trading and measured at fair value through profit or loss, of which: | 198,082 | 97,725 | 13,715 | 309,522 |
| - Equity instruments | 198,082 | - | - | 198,082 |
| - Debt instruments | - | 97,725 | 13,715 | 111,440 |
| Derivatives | - | 278,679 | - | 278,679 |
| Financial assets measured at fair value through other items of comprehensive income | 19,538,708 | 134,146 | 667,903 | 20,340,757 |
| - Equity instruments | - | - | 133,921 | 133,921 |
| - Debt instruments | 19,538,708 | 107,426 | 533,982 | 20,180,116 |
| - Loans and advances | - | 26,720 | - | 26,720 |
| Financial assets which are required to be measured at fair value through profit or loss, of which: | 792,843 | 99,084 | 175,953 | 1,067,880 |
| - Equity instruments | 223,552 | - | - | 223,552 |
| - Debt instruments | 569,291 | 99,084 | 175,953 | 844,328 |
| Total financial assets measured at fair value in the statement of financial position | 20,529,633 | 609,634 | 857,571 | 21,996,838 |
| Non-financial assets at fair value | - | - | 1,104,204 | 1,104,204 |
| - Property and equipment and investment property | - | - | 1,104,204 | 1,104,204 |
| Total assets measured at fair value in the statement of financial position | 20,529,633 | 609,634 | 1,961,775 | 23,101,042 |
| Financial liabilities held-for-trading | - | 46,600 | - | 46,600 |
| December 31, 2021 | | | | |
| Financial assets held for trading and measured at fair value through profit or loss, of which: | 317,955 | - | 20,495 | 338,450 |
| - Equity instruments | 205,313 | - | - | 205,313 |
| - Debt instruments | 112,642 | - | 20,495 | 133,137 |
| Derivatives | - | 80,927 | - | 80,927 |
| Financial assets measured at fair value through other items of comprehensive income | 41,002,496 | 602 | 190,275 | 41,193,373 |
| - Equity instruments | - | - | 52,652 | 52,652 |
| - Debt instruments | 41,002,496 | 602 | 107,679 | 41,110,777 |
| - Loans and advances | - | - | 29,944 | 29,944 |
| Financial assets which are required to be measured at fair value through profit or loss, of which: | 817,263 | 10,191 | 280,862 | 1,108,316 |
| - Equity instruments | 238,020 | - | - | 238,020 |
| - Debt instruments | 579,243 | 10,191 | 280,862 | 870,296 |
| Total assets measured at fair value in the statement of financial position | 42,137,714 | 91,720 | 491,632 | 42,721,066 |
| Non-financial assets at fair value | - | - | 1,064,215 | 1,064,215 |
| - Property and equipment and investment property | - | - | 1,064,215 | 1,064,215 |
| Total assets measured at fair value in the statement of financial position | 42,137,714 | 91,720 | 1,555,847 | 43,785,281 |
| Financial liabilities held-for-trading | - | 39,179 | - | 39,179 |

Notes to the Interim Condensed Consolidated and Separate Financial Statements

4. Fair value of financial assets and liabilities (continued)

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

| Bank <i>In RON thousand</i> | Level 1 - Quoted market prices in active markets | Level 2 - Valuation techniques – observable inputs | Level 3 - Valuation techniques – unobservable inputs | Total |
|---|---|--|--|-------------------|
| September 30, 2022 | | | | |
| Financial assets held for trading and measured at fair value through profit or loss, of which: | 29,451 | - | - | 29,451 |
| - <i>Equity instruments</i> | 29,451 | - | - | 29,451 |
| Derivatives | - | 278,679 | - | 278,679 |
| Financial assets measured at fair value through other items of comprehensive income | 19,291,576 | 134,146 | 564,958 | 19,990,680 |
| - <i>Equity instruments</i> | - | - | 17,665 | 17,665 |
| - <i>Debt instruments</i> | 19,291,576 | 107,426 | 547,293 | 19,946,295 |
| - <i>Loans and advances</i> | - | 26,720 | - | 26,720 |
| Financial assets which are required to be measured at fair value through profit or loss, of which: | 1,145,508 | 99,084 | 175,953 | 1,420,545 |
| - <i>Equity instruments</i> | 223,274 | - | - | 223,274 |
| - <i>Debt instruments</i> | 922,234 | 99,084 | 175,953 | 1,197,271 |
| Total financial assets measured at fair value in the statement of financial position | 20,466,535 | 511,909 | 740,911 | 21,719,355 |
| Non-financial assets at fair value | - | - | 668,624 | 668,624 |
| - <i>Property and equipment and investment property</i> | - | - | 668,624 | 668,624 |
| Total assets measured at fair value in the statement of financial position | 20,466,535 | 511,909 | 1,409,535 | 22,387,979 |
| Financial liabilities held-for-trading | - | 46,600 | - | 46,600 |
| December 31, 2021 | | | | |
| Financial assets held for trading and measured at fair value through profit or loss, of which: | 31,207 | - | - | 31,207 |
| - <i>Equity instruments</i> | 31,207 | - | - | 31,207 |
| Derivatives | - | 79,842 | - | 79,842 |
| Financial assets measured at fair value through other items of comprehensive income | 40,699,656 | 602 | 153,526 | 40,853,784 |
| - <i>Equity instruments</i> | - | - | 15,904 | 15,904 |
| - <i>Debt instruments</i> | 40,699,656 | 602 | 107,679 | 40,807,937 |
| - <i>Loans and advances</i> | - | - | 29,943 | 29,943 |
| Financial assets which are required to be measured at fair value through profit or loss, of which: | 1,174,444 | 10,191 | 280,862 | 1,465,497 |
| - <i>Equity instruments</i> | 237,578 | - | - | 237,578 |
| - <i>Debt instruments</i> | 936,866 | 10,191 | 280,862 | 1,227,919 |
| Total financial assets measured at fair value in the statement of financial position | 41,905,307 | 90,635 | 434,388 | 42,430,330 |
| Non-financial assets at fair value | - | - | 652,581 | 652,581 |
| - <i>Property and equipment and investment property</i> | - | - | 652,581 | 652,581 |
| Total assets measured at fair value in the statement of financial position | 41,905,307 | 90,635 | 1,086,969 | 43,082,911 |
| Financial liabilities held-for-trading | - | 38,689 | - | 38,689 |

Notes to the Interim Condensed Consolidated and Separate Financial Statements

4. Fair value of financial assets and liabilities (continued)

ii) Financial instruments not carried at fair value

At level 1 in the fair value hierarchy, the Group and the Bank included in the category of assets that are not held at fair value: financial assets at amortized cost - debt instruments, represented by bonds issued by central administrations and credit institutions.

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

At level 3 in the fair value hierarchy, the Group and the Bank included in the category of assets: loans and advances and finance lease receivables and other financial assets; and some financial assets evaluated at amortized cost - debt instruments representing bonds issued by credit institutions and companies, and in the category of liabilities: loans from banks and other financial institutions, subordinated loans and other financial liabilities.

The table below presents the fair value and the fair value hierarchy for the financial assets and liabilities that are not measured at fair value in the statement of financial position on September 30, 2022:

| In RON thousand | Notes | Carrying amount | Fair value | Group | | | Carrying amount | Fair value | Bank | | |
|---|-------|--------------------|--------------------|-------------------|------------------------------|-------------------|--------------------|--------------------|-------------------|------------------------------|-------------------|
| | | | | Level 1 | Fair value hierarchy Level 2 | Level 3 | | | Level 1 | Fair value hierarchy Level 2 | Level 3 |
| Assets | | | | | | | | | | | |
| Placements with banks | 17 | 5,342,770 | 5,342,770 | - | 5,342,770 | - | 6,302,909 | 6,302,909 | - | 6,302,909 | - |
| Loans and advances to customers | 19 | 65,057,814 | 65,045,972 | - | - | 65,045,972 | 63,215,478 | 63,532,853 | - | - | 63,532,853 |
| Finance lease receivables | 20 | 2,738,934 | 2,721,610 | - | - | 2,721,610 | - | - | - | - | - |
| Financial assets at amortized cost - debt instruments | 21 | 25,451,436 | 21,845,504 | 20,661,931 | 836,034 | 347,539 | 24,558,912 | 20,968,549 | 20,605,647 | - | 362,902 |
| Other financial assets | 22 | 1,474,675 | 1,474,675 | - | - | 1,474,675 | 1,516,006 | 1,516,006 | - | - | 1,516,006 |
| Total assets | | 100,065,629 | 96,430,531 | 20,661,931 | 6,178,804 | 69,589,796 | 95,593,305 | 92,320,317 | 20,605,647 | 6,302,909 | 65,411,761 |
| Liabilities | | | | | | | | | | | |
| Deposits from banks | 24 | 1,823,670 | 1,823,670 | - | 1,823,670 | - | 1,718,205 | 1,718,205 | - | 1,718,205 | - |
| Deposits from customers | 25 | 113,438,997 | 113,244,686 | - | 113,244,686 | - | 110,253,130 | 110,070,060 | - | 110,070,060 | - |
| Loans from banks and other financial institutions | 26 | 10,450,645 | 10,447,192 | - | - | 10,447,192 | 9,187,940 | 9,184,487 | - | - | 9,184,487 |
| Subordinated liabilities | 27 | 1,783,872 | 1,783,872 | - | - | 1,783,872 | 1,754,297 | 1,754,297 | - | - | 1,754,297 |
| Lease liabilities | | 461,871 | 461,871 | - | - | 461,871 | 624,668 | 624,668 | - | - | 624,668 |
| Other financial liabilities | 29 | 1,859,753 | 1,859,753 | - | - | 1,859,753 | 1,398,907 | 1,398,907 | - | - | 1,398,907 |
| Total liabilities | | 129,818,808 | 129,621,044 | - | 115,068,356 | 14,552,688 | 124,937,147 | 124,750,624 | - | 111,788,265 | 12,962,359 |

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

4. Fair value of financial assets and liabilities (continued)

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

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

| RON thousand | Note | Carrying amount | Group | | | Carrying amount | Fair value | Bank | | | |
|---|------|--------------------|--------------------|---------------|--------------------|-------------------|--------------------|--------------------|------------|--------------------|-------------------|
| | | | Fair value | Level 1 | Level 2 | | | Level 3 | Fair value | Level 1 | Level 2 |
| Assets | | | | | | | | | | | |
| Placements with banks | 17 | 10,394,297 | 10,394,297 | - | 10,394,297 | - | 9,612,690 | 9,612,690 | - | 9,612,690 | - |
| Loans and advances to customers | 19 | 54,629,754 | 54,965,684 | - | - | 54,965,684 | 52,238,523 | 52,649,069 | - | - | 52,649,069 |
| Finance lease receivables | 20 | 1,488,031 | 1,487,603 | - | - | 1,487,603 | - | - | - | - | - |
| Financial assets at amortized cost - debt instruments | 21 | 1,483,111 | 1,487,956 | 51,103 | 1,436,853 | - | 355,331 | 361,580 | - | 361,580 | - |
| Other financial assets | 22 | 1,054,904 | 1,054,904 | - | - | 1,054,904 | 884,171 | 884,171 | - | - | 884,171 |
| Total assets | | 69,050,097 | 69,390,444 | 51,103 | 11,831,150 | 57,508,191 | 63,090,715 | 63,507,510 | - | 9,974,270 | 53,533,240 |
| Liabilities | | | | | | | | | | | |
| Deposits from banks | 24 | 1,024,259 | 1,024,259 | - | 1,024,259 | - | 952,453 | 952,453 | - | 952,453 | - |
| Deposits from customers | 25 | 108,021,629 | 108,007,480 | - | 108,007,480 | - | 102,698,085 | 102,686,447 | - | 102,686,447 | - |
| Loans from banks and other financial institutions | 26 | 7,929,500 | 7,955,746 | - | - | 7,955,746 | 7,457,843 | 7,484,089 | - | - | 7,484,089 |
| Subordinated liabilities | 27 | 1,762,484 | 1,762,484 | - | - | 1,762,484 | 1,706,234 | 1,706,234 | - | - | 1,706,234 |
| Lease liabilities | | 498,597 | 498,597 | - | - | 498,597 | 716,569 | 716,569 | - | - | 716,569 |
| Other financial liabilities | 29 | 1,826,081 | 1,826,081 | - | - | 1,826,081 | 1,440,467 | 1,440,467 | - | - | 1,440,467 |
| Total liabilities | | 121,062,550 | 121,074,647 | - | 109,031,739 | 12,042,908 | 114,971,651 | 114,986,259 | - | 103,638,900 | 11,347,359 |

Notes to the Interim Condensed Consolidated and Separate Financial Statements

5. Net interest income

| | Group | | | | Bank | | | |
|---|--|--|--|--|--|--|--|--|
| | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 |
| <i>In RON thousand</i> | | | | | | | | |
| Interest income calculated using the effective interest method | 1,543,961 | 3,966,434 | 835,301 | 2,590,208 | 1,381,636 | 3,510,112 | 755,538 | 2,369,357 |
| - Cash and current accounts with Central Banks at AC | 31,890 | 58,630 | 2,428 | 5,555 | 6,699 | 12,552 | 1,363 | 4,165 |
| - Placements with banks and public institutions at AC | 24,539 | 80,789 | 4,079 | 27,347 | 35,752 | 95,820 | 3,914 | 26,718 |
| - Loans and advances to customers at AC | 1,154,642 | 2,899,024 | 600,808 | 1,898,727 | 1,037,906 | 2,547,231 | 536,230 | 1,716,550 |
| - Debt instruments at FVOCI | 159,768 | 700,280 | 213,029 | 619,159 | 158,119 | 694,234 | 212,981 | 618,862 |
| - Debt instruments at AC | 173,122 | 227,711 | 14,957 | 39,420 | 143,160 | 160,275 | 1,050 | 3,062 |
| Other similar interest income | 66,233 | 152,560 | 31,494 | 88,309 | 10,198 | 18,440 | 3,424 | 8,188 |
| - Finance lease receivables | 56,036 | 134,120 | 28,070 | 80,121 | - | - | - | - |
| - Non-recourse factoring receivables | 10,197 | 18,440 | 3,424 | 8,188 | 10,198 | 18,440 | 3,424 | 8,188 |
| Total interest income | 1,610,194 | 4,118,994 | 866,795 | 2,678,517 | 1,391,834 | 3,528,552 | 758,962 | 2,377,545 |
| Interest expense related to financial liabilities measured at amortized cost | 495,336 | 971,726 | 128,275 | 410,333 | 468,899 | 907,321 | 116,984 | 375,239 |
| - Cash and current accounts with Central Banks | 97,016 | 182,016 | 12,542 | 34,968 | 96,808 | 181,232 | 12,508 | 34,934 |
| - Deposits from banks | 18,206 | 38,252 | 2,175 | 7,063 | 17,656 | 35,752 | 1,845 | 6,068 |
| - Deposits from customers | 330,478 | 606,345 | 90,717 | 293,938 | 315,106 | 563,999 | 82,537 | 269,544 |
| - Loans from banks and other financial institutions | 49,636 | 145,113 | 22,841 | 74,364 | 39,329 | 126,338 | 20,094 | 64,693 |
| Other similar expense | 540 | 1,554 | 324 | 973 | 1,470 | 4,830 | 1,661 | 5,012 |
| - Lease liabilities | 540 | 1,554 | 324 | 973 | 1,470 | 4,830 | 1,661 | 5,012 |
| Total interest expense | 495,876 | 973,280 | 128,599 | 411,306 | 470,369 | 912,151 | 118,645 | 380,251 |
| Net interest income | 1,114,318 | 3,145,714 | 738,196 | 2,267,211 | 921,465 | 2,616,401 | 640,317 | 1,997,294 |

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

Interest income for the period ended at September 30, 2022 includes the net interest income on impaired financial assets amounting RON 109,645 thousand (September 30, 2021: RON 100,809 thousand) for the Group and RON 79,273 thousand (September 30, 2021: RON 81,029 thousand) for the Bank.

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

6. Net fee and commission income

| <i>In RON thousand</i> | Group | | | | Bank | | | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 |
| Fee and commission income | | | | | | | | |
| Commissions from treasury and inter-bank operations | 66,340 | 180,195 | 49,493 | 129,488 | 66,332 | 179,538 | 49,493 | 129,488 |
| Client transactions | 377,277 | 1,056,760 | 316,310 | 868,559 | 320,398 | 885,715 | 265,263 | 728,325 |
| Lending activity (i) | 16,983 | 41,232 | 9,590 | 29,360 | 16,192 | 38,849 | 9,491 | 28,913 |
| Finance lease management | 3,761 | 9,540 | 61 | 118 | - | - | - | - |
| Other fee and commission income | 1,197 | 3,877 | 1,091 | 3,169 | 152 | 383 | 112 | 406 |
| Total fee and commission income | 465,558 | 1,291,604 | 376,545 | 1,030,694 | 403,074 | 1,104,485 | 324,359 | 887,132 |
| Fee and commission expense | | | | | | | | |
| Commissions from treasury and inter-bank | 116,839 | 310,063 | 84,663 | 226,736 | 96,016 | 253,623 | 70,653 | 190,897 |
| Client transactions | 38,401 | 108,105 | 30,603 | 84,018 | 32,348 | 88,926 | 25,239 | 67,997 |
| Lending activity (i) | 8,391 | 19,561 | 6,432 | 16,975 | 12,948 | 33,025 | 10,457 | 26,918 |
| Other fees and commissions | 499 | 1,472 | 413 | 1,543 | 512 | 1,816 | 560 | 1,702 |
| Fee and commission expenses | 164,130 | 439,201 | 122,111 | 329,272 | 141,824 | 377,390 | 106,909 | 287,514 |
| Net fee and commission income | 301,428 | 852,403 | 254,434 | 701,422 | 261,250 | 727,095 | 217,450 | 599,618 |

(i) Lending-related fees include guarantee assessment and amendment fees.

7. Net trading income

| <i>In RON thousand</i> | Group | | | | Bank | | | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 |
| Net income from foreign exchange transactions | 138,785 | 409,159 | 115,160 | 318,046 | 121,661 | 345,546 | 104,858 | 290,913 |
| Net income/(expense) from derivatives | 28,400 | 164,285 | (1,284) | 8,453 | 28,445 | 164,914 | (1,284) | 8,455 |
| Net income/(expense) from financial assets held-for-trading | 10,792 | (12,254) | 12,774 | 55,423 | 161 | 399 | 4,620 | 10,786 |
| Net income/(expense) from foreign exchange position revaluation | (5,552) | (7,956) | (678) | 5,670 | (6,629) | (8,764) | 855 | 2,718 |
| Net trading income | 172,425 | 553,234 | 125,972 | 387,592 | 143,638 | 502,095 | 109,049 | 312,872 |

The explanatory notes to the financial statements from page 12 to page 60 are an integral part of these financial statements.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

8. Net loss/gain from financial assets measured at fair value through comprehensive income

| | Group | | | | Bank | | | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 |
| <i>In RON thousand</i> | | | | | | | | |
| Income from the sale of financial assets measured at fair value through other items of comprehensive income | 4,078 | 19,193 | 46,482 | 179,215 | 177 | 14,713 | 49,912 | 179,165 |
| Losses from the sale of financial assets measured at fair value through other items of comprehensive income | (31,734) | (117,333) | (1,449) | (4,832) | (31,732) | (117,209) | (2,968) | (4,832) |
| Net loss/gain from financial assets measured at fair value through comprehensive income | (27,656) | (98,140) | 45,033 | 174,383 | (31,555) | (102,496) | 46,944 | 174,333 |

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

| | Group | | | | Bank | | | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 |
| <i>In RON thousand</i> | | | | | | | | |
| Income from financial assets which are required to be measured at fair value through profit or loss | 40,090 | 143,325 | 40,758 | 165,199 | 48,723 | 152,018 | 54,958 | 217,769 |
| Losses from financial assets which are required to be measured at fair value through profit or loss | (68,117) | (223,760) | (37,746) | (107,508) | (63,695) | (244,720) | (42,893) | (112,564) |
| Net loss/gain from financial assets which are required to be measured at fair value through profit or loss | (28,027) | (80,435) | 3,012 | 57,691 | (14,972) | (92,702) | 12,065 | 105,205 |

Notes to the Interim Condensed Consolidated and Separate Financial Statements

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

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

| | Group | | | | Bank | | | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 |
| <i>In RON thousand</i> | | | | | | | | |
| Contribution to the Bank Deposit Guarantee Fund | 1,223 | 89,976 | 659 | 29,654 | - | 86,543 | - | 27,767 |
| Bank Resolution Fund | 72 | 62,332 | 36 | 59,417 | - | 56,970 | - | 54,255 |
| Total | 1,295 | 152,308 | 695 | 89,071 | - | 143,513 | - | 82,022 |

11. Other operating income

| | Group | | | | Bank | | | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 |
| <i>In RON thousand</i> | | | | | | | | |
| Dividend income | 92 | 5,495 | - | 3,218 | 200,057 | 208,719 | 116 | 25,171 |
| Income from insurance intermediation | 39,630 | 107,284 | 29,073 | 71,609 | 24,931 | 72,595 | 24,616 | 58,456 |
| Income from indemnities, fines and penalties | 2,454 | 8,134 | 1,745 | 6,195 | 1,272 | 4,770 | 1,210 | 4,516 |
| Income from VISA, MASTERCARD, WU services | 1,380 | 9,720 | 1,757 | 9,988 | 818 | 8,949 | 988 | 9,174 |
| Gain arising from derecognition of financial assets measured as amortised cost | - | 7,844 | - | - | - | - | - | - |
| Other operating income (i) | 19,229 | 68,862 | 9,704 | 28,004 | 2,231 | 44,860 | 9,080 | 27,124 |
| Total | 62,785 | 207,339 | 42,279 | 119,014 | 229,309 | 339,893 | 36,010 | 124,441 |

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

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

12. Net expenses/Net income (-) from impairment allowance, expected losses on assets, provisions for other risks and loan commitments

(a) Net expenses/net income (-) from impairment allowance, expected losses on financial assets not measured at fair value through profit or loss

| <i>In RON thousand</i> | Group | | | | Bank | | | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 |
| Net impairment allowance on assets (i) | 220,998 | 591,317 | (35,904) | 260,214 | 175,050 | 417,075 | (27,208) | 261,439 |
| Net loss on loans written off | 1,354 | 4,779 | 3,607 | 4,885 | - | - | - | - |
| Net loss on finance lease receivables written off | 4,240 | 14,492 | 3,122 | 7,168 | - | - | - | - |
| Provisions for other risks and loan commitments | (6,052) | (5,310) | (16,521) | (14,010) | (7,750) | (20,910) | (18,313) | (17,502) |
| Recoveries from loans written off | (46,512) | (167,939) | (86,436) | (229,031) | (43,830) | (162,862) | (81,031) | (220,631) |
| Recoveries from finance lease receivables written off | (9,787) | (68,269) | (7,490) | (18,724) | - | - | - | - |
| Net expenses/Net income (-) from impairment allowance, expected losses on assets, provisions for other risks and loan commitments | 164,241 | 369,070 | (139,622) | 10,502 | 123,470 | 233,303 | (126,552) | 23,306 |

(i) Net expenses / net income (-) on assets include the following:

| <i>In RON thousand</i> | Group | | | | Bank | | | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 |
| Loans and advances to customers | 206,868 | 535,958 | (38,857) | 248,545 | 173,983 | 406,155 | (28,172) | 259,167 |
| Treasury and inter-bank operations | (142) | (3,523) | (172) | (169) | 3,582 | 4,405 | (146) | (116) |
| Finance lease receivables | 15,678 | 50,969 | 1,438 | 5,260 | - | - | - | - |
| Investment securities | (1,284) | 5,279 | 396 | 5,464 | (1,586) | 6,444 | 125 | 1,875 |
| Other financial assets | (122) | 2,634 | 1,291 | 1,114 | (929) | 71 | 985 | 513 |
| Net expenses/net income (-) on assets | 220,998 | 591,317 | (35,904) | 260,214 | 175,050 | 417,075 | (27,208) | 261,439 |

Notes to the Interim Condensed Consolidated and Separate Financial Statements

**12. Expenses from impairment allowance, expected losses on assets, provisions for other risks and loan commitments
(continued)**

(b) (Other) Provisions and reversal of provisions

| | Group | | | | Bank | | | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 |
| <i>In RON thousand</i> | | | | | | | | |
| Other non-financial assets | (351) | (16,751) | (3,359) | (13,745) | (229) | (1,453) | (338) | (3,820) |
| Litigation and other risks | (25,512) | (34,731) | (2,833) | (29,520) | (24,672) | (34,013) | (2,431) | (28,135) |
| (Other) Provisions and reversal of provisions | (25,863) | (51,482) | (6,192) | (43,265) | (24,901) | (35,466) | (2,769) | (31,955) |

13. Personnel expenses

| | Group | | | | Bank | | | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 |
| <i>In RON thousand</i> | | | | | | | | |
| Gross salaries | 347,947 | 1,039,488 | 293,287 | 771,707 | 293,327 | 866,004 | 253,985 | 677,702 |
| Social protection contribution | 14,928 | 42,869 | 12,574 | 32,103 | 9,513 | 27,052 | 8,402 | 21,711 |
| Share-based payments to employees | 21,813 | 73,749 | 23,768 | 104,598 | 21,812 | 72,781 | 22,851 | 103,681 |
| 3rd Pension Pillar | 4,215 | 12,362 | 3,951 | 11,574 | 3,936 | 11,548 | 3,686 | 10,824 |
| Other staff expenses | 21,501 | 62,519 | 15,894 | 50,062 | 19,538 | 56,022 | 14,370 | 45,602 |
| Net income/ expenses with provisions for overdue vacations and other provisions | (17,893) | (19,958) | (37,253) | (7,108) | (19,852) | (11,321) | (28,990) | (4,654) |
| Total | 392,511 | 1,211,029 | 312,221 | 962,936 | 328,274 | 1,022,086 | 274,304 | 854,866 |

Notes to the Interim Condensed Consolidated and Separate Financial Statements

14. Other operating expenses

| <i>In RON thousand</i> | Group | | | | Bank | | | |
|---|--|--|--|--|--|--|--|--|
| | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 |
| Rent and operating lease expense | 2,054 | 6,230 | 2,473 | 6,015 | 1,416 | 4,427 | 2,141 | 4,999 |
| Repairs and maintenance expenses | 67,712 | 186,094 | 50,291 | 136,003 | 59,895 | 163,042 | 46,777 | 125,972 |
| Advertising, marketing, entertainment and sponsorship expenses | 26,817 | 81,502 | 22,804 | 58,281 | 23,569 | 72,544 | 19,582 | 49,648 |
| Mail, telecommunication and SMS traffic expenses | 15,633 | 45,928 | 16,762 | 47,233 | 13,047 | 38,341 | 12,899 | 36,000 |
| Materials and stationery expenses | 25,912 | 66,434 | 24,388 | 56,134 | 24,073 | 61,160 | 19,040 | 46,931 |
| Other professional fees, including legal expenses | 11,090 | 24,930 | 6,035 | 19,073 | 6,728 | 13,249 | 3,630 | 12,256 |
| Net Income/ Expenses regarding movable and immovable assets resulting from debt enforcement | 1,667 | 14,386 | 1,614 | 4,596 | - | - | 327 | 1,019 |
| Electricity and heating | 8,196 | 29,306 | 5,610 | 16,559 | 7,292 | 26,036 | 5,328 | 15,464 |
| Business travel, transportation and temporary relocation expenses | 13,717 | 38,718 | 12,170 | 26,931 | 13,154 | 36,656 | 11,785 | 26,050 |
| Insurance costs | 7,202 | 19,432 | 6,367 | 16,346 | 6,445 | 16,806 | 5,167 | 14,071 |
| Taxes and fees | 7,717 | 32,877 | 6,001 | 20,309 | 6,827 | 30,687 | 5,521 | 18,932 |
| Losses from disposal of tangible assets | 910 | 6,660 | - | - | - | - | - | - |
| Security and protection | 5,845 | 14,553 | 3,739 | 10,425 | 5,311 | 13,202 | 3,419 | 9,452 |
| Expenses related to archiving services | 5,135 | 16,184 | 4,586 | 11,788 | 4,928 | 15,498 | 4,664 | 11,767 |
| Expenses related to database queries from the Trade Register and the Credit Bureau | 2,042 | 5,699 | 1,362 | 5,681 | 1,324 | 4,074 | 1,010 | 4,699 |
| Expenses with foreclosed assets | 1,923 | 5,005 | 1,504 | 3,935 | 1,293 | 3,971 | 1,424 | 3,675 |
| Audit, advisory and other services provided by the independent auditor | 2,124 | 4,863 | 1,309 | 3,900 | 1,361 | 3,173 | 725 | 2,434 |
| Loss arising from derecognition of financial assets measured as amortised cost | - | - | - | - | 178,800 | 178,800 | - | - |
| Other operating expenses | 21,468 | 74,709 | 16,331 | 44,065 | 12,195 | 38,109 | 10,905 | 29,696 |
| Total other operating expenses | 227,164 | 673,510 | 183,346 | 487,274 | 367,658 | 719,775 | 154,344 | 413,065 |

Notes to the Interim Condensed Consolidated and Separate Financial Statements

15. Income tax expense

| <i>In RON thousand</i> | Group | | | | Bank | | | |
|---|--|--|--|--|--|--|--|--|
| | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 | 3 months ended September 30, 2021 | 9 months ended September 30, 2021 |
| Gross Profit | 737,490 | 1,938,778 | 769,813 | 1,934,095 | 624,812 | 1,649,589 | 677,924 | 1,714,060 |
| Statutory tax rate (2022: 16%; 2021: 16%)* | (117,998) | (310,204) | (123,170) | (309,455) | (99,970) | (263,934) | (108,469) | (274,250) |
| Fiscal effect of income tax on the following elements: | 11,889 | 49,286 | 6,471 | 43,966 | 9,104 | 55,294 | 3,221 | 33,901 |
| - <i>Non-taxable income</i> | 6,913 | 73,427 | 13,604 | 68,081 | 33,524 | 100,839 | 16,318 | 78,757 |
| - <i>Non-deductible expense</i> | (20,763) | (95,036) | (26,187) | (86,311) | (49,794) | (116,384) | (31,597) | (105,415) |
| - <i>Tax deductions</i> | 26,423 | 76,023 | 24,638 | 71,216 | 25,947 | 74,269 | 24,104 | 69,670 |
| - <i>Income related items</i> | (693) | (5,171) | (5,604) | (9,111) | (573) | (3,430) | (5,604) | (9,111) |
| - <i>Expense related items</i> | 9 | 43 | 20 | 91 | - | - | - | - |
| Income tax expense | (106,109) | (260,918) | (116,699) | (265,489) | (90,866) | (208,640) | (105,248) | (240,349) |

(*) Statutory tax rate for Victoria Bank S.A. and Leasing Moldova S.R.L. is 12%

Notes to the Interim Condensed Consolidated and Separate Financial Statements

16. Cash and cash equivalents

| <i>In RON thousand</i> | Group | | Bank | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Minimum reserve requirement | 11,951,733 | 14,631,699 | 10,374,142 | 13,585,904 |
| Cash on hand and other values | 4,556,129 | 3,689,214 | 4,172,369 | 3,177,721 |
| Total | 16,507,862 | 18,320,913 | 14,546,511 | 16,763,625 |

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

| <i>In RON thousand</i> | Group | | Bank | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Cash and current accounts with Central Banks (*) | 16,497,806 | 18,320,178 | 14,546,329 | 16,764,278 |
| Placements with banks - maturity below 3 months | 3,078,030 | 8,619,503 | 2,472,962 | 7,910,017 |
| Reverse-repo transactions | - | 166,670 | - | 166,670 |
| Loans and advances to credit institutions | 39,354 | 39,129 | 39,354 | 39,129 |
| Financial assets measured at fair value through other items of comprehensive income | 27 | 243 | - | - |
| Financial assets at amortized cost – debt instruments | 13,015 | 211,022 | - | - |
| Cash and cash equivalents in the cash flow statement | 19,628,232 | 27,356,745 | 17,058,645 | 24,880,094 |

(*) At Group level, the cash and current accounts with Central Banks do not include the accrual and interest receivable in the amount of RON 10,056 thousand (2021: RON 735 thousand) and at the level of the Bank in the amount of RON 182 thousand (2021: RON (653) thousand).

17. Placements with banks

| <i>In RON thousand</i> | Group | | Bank | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Current accounts with other banks | 1,279,279 | 1,085,546 | 709,012 | 437,394 |
| Sight and term deposits with other banks | 2,779,210 | 7,857,552 | 4,309,616 | 7,724,097 |
| Reverse repo transactions | 989,861 | 1,156,469 | 989,861 | 1,156,469 |
| Loans and advances to credit institutions | 294,420 | 294,730 | 294,420 | 294,730 |
| Total | 5,342,770 | 10,394,297 | 6,302,909 | 9,612,690 |

Except for sale and reverse-repo agreements, the amounts due from other banks are not guaranteed.

As of September 30, 2022, the placements with banks included reverse-repo securities, term deposits and loans and advances to credit institutions with maturity up to 3 months, which are also included in the separate and consolidated statement of cash flows, as follows: reverse-repo in amount of RON 0 thousand, deposits in amount of RON 1,258,419 thousand and loans and advances to credit institutions of RON 39,354 thousand at Group level, and reverse-repo of RON 0 thousand, deposits in amount of RON 1,281,945 and loans and advances to credit institutions in amount of RON 39,354 thousand at Bank level (December 31, 2021: reverse-repo in amount of RON 166,670 thousand, deposits in amount of RON 7,083,657 thousand and advances to credit institutions of RON 39,129 thousand at Group level, and reverse-repo of RON 166,670 thousand, deposits in amount of RON 7,089,404 thousand and loans and advances to credit institutions in amount of RON 39,129 thousand at Bank level).

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

18. Financial assets at fair value through profit or loss

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

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

| <i>In RON thousand</i> | Group | | Bank | |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Equity instruments | 198,082 | 205,313 | 29,451 | 31,207 |
| Debt instruments | 111,440 | 133,137 | - | - |
| Total | 309,522 | 338,450 | 29,451 | 31,207 |

For the period ended September 30, 2022, the Group held shares listed on the Bucharest Stock Exchange and the main stock exchanges in Europe.

For the period ended September 30, 2022, the Group owned significant investments amounting to RON 167,740 thousand in the following entities: Evergent Investments S.A. and Transilvania Investments Alliance S.A. (December 31, 2021: RON 166,102 thousand in Evergent Investments S.A. and SIF Transilvania S.A.).

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

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

| <i>In RON thousand</i> | Group | | Bank | |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Equity instruments | 223,552 | 238,020 | 223,274 | 237,578 |
| Debt instruments | 844,328 | 870,296 | 1,197,271 | 1,227,919 |
| Total | 1,067,880 | 1,108,316 | 1,420,545 | 1,465,497 |

As of September 30, 2022, the Group had significant investments in financial assets which are required to be measured at fair value through profit or loss as follows:

- equity instruments, in the amount of 181,242 thousand lei in VISA Inc. (December 31, 2021: RON 191,578 thousand),
- debt instruments, units in investment funds (the most significant being the investment funds managed by BT Asset Management) and participation certificates.

19. Loans and advances to customers

The Group's and Bank's commercial lending is concentrated on Romanian companies and individuals.

The structure of the credit portfolio of the Group and the Bank as of September 30, 2022 and December 31, 2021 is the following:

| <i>In RON thousand</i> | Group | | Bank | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Corporate | 28,054,997 | 20,973,390 | 29,864,257 | 22,183,126 |
| Small and medium enterprises | 9,474,753 | 7,717,422 | 8,407,097 | 6,775,254 |
| Consumer loans and card loans granted to retail customers | 13,074,010 | 12,295,686 | 12,159,887 | 11,359,134 |
| Mortgage loans | 17,208,279 | 16,095,360 | 16,808,968 | 15,493,560 |
| Loans granted by non-banking financial institutions | 1,567,897 | 1,325,339 | - | - |
| Other | 63,904 | 52,088 | 54,723 | 41,686 |
| Total loans and advances to customers before impairment allowance (*) | 69,443,840 | 58,459,285 | 67,294,932 | 55,852,760 |
| Allowances for impairment losses on loans | (4,386,026) | (3,829,531) | (4,079,454) | (3,614,237) |
| Total loans and advances to customers net of impairment allowance | 65,057,814 | 54,629,754 | 63,215,478 | 52,238,523 |

The explanatory notes to the financial statements from page 12 to page 60 are an integral part of these financial statements. 49

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19. Loans and advances to customers (continued)

The risk distribution of the credit portfolio per sectors, as of September 30, 2022 and December 31, 2021, is the following:

| <i>In RON thousand</i> | Group | | Bank | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Retail | 31,149,137 | 29,130,528 | 29,023,553 | 26,894,374 |
| Trading | 8,019,074 | 6,318,563 | 7,455,461 | 5,757,419 |
| Manufacturing | 4,212,327 | 3,929,228 | 3,942,847 | 3,690,153 |
| Agriculture | 3,094,319 | 1,988,276 | 2,989,125 | 1,889,405 |
| Services | 2,940,873 | 2,383,956 | 2,690,935 | 2,163,455 |
| Real Estate | 2,261,991 | 1,673,157 | 2,335,402 | 1,786,098 |
| Constructions | 1,845,219 | 1,417,488 | 1,636,834 | 1,237,201 |
| Transportation | 2,246,952 | 2,082,996 | 1,833,573 | 1,722,122 |
| Self-employed | 1,024,784 | 770,848 | 851,222 | 620,870 |
| Others | 1,095,799 | 925,361 | 949,884 | 792,989 |
| Financial Institutions | 590,201 | 592,150 | 2,696,991 | 2,127,328 |
| Telecommunications | 227,828 | 173,456 | 197,507 | 139,867 |
| Energy | 1,750,095 | 645,839 | 1,742,571 | 644,820 |
| Mining | 125,818 | 97,663 | 119,710 | 93,414 |
| Chemical Industry | 63,122 | 78,024 | 60,287 | 76,328 |
| Government Institutions | 8,770,922 | 6,228,802 | 8,744,761 | 6,194,759 |
| Fishing | 25,379 | 22,950 | 24,269 | 22,158 |
| Total loans and advances to customers before impairment allowance (*) | 69,443,840 | 58,459,285 | 67,294,932 | 55,852,760 |
| Allowances for impairment losses on loans | (4,386,026) | (3,829,531) | (4,079,454) | (3,614,237) |
| Total loans and advances to customers, net of impairment allowance | 65,057,814 | 54,629,754 | 63,215,478 | 52,238,523 |

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

20. Finance lease receivables

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

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

| <i>In RON thousand</i> | 30-09-2022 | 31-12-2021 |
|---|-------------------|-------------------|
| Finance lease receivables with maturity below 1 year, gross | 1,155,685 | 543,973 |
| Finance lease receivables with maturity more than 1 year, gross | 1,933,673 | 1,171,374 |
| Total finance lease receivables, gross | 3,089,358 | 1,715,347 |
| Future interest related to finance lease receivables | (225,125) | (121,128) |
| Total finance lease receivables, net of future interest | 2,864,233 | 1,594,219 |
| Impairment allowances for finance lease receivables | (125,299) | (106,188) |
| Total finance lease receivables | 2,738,934 | 1,488,031 |

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

21. Investment securities

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

| In RON thousand | Group | | Bank | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Debt instruments, of which | 20,180,116 | 41,110,778 | 19,946,295 | 40,807,937 |
| - Central administrations | 17,957,946 | 38,212,947 | 17,710,814 | 37,910,106 |
| - Credit institutions | 1,770,894 | 2,646,621 | 1,770,894 | 2,646,621 |
| - Other financial companies | 381,442 | 236,061 | 394,753 | 236,061 |
| - Non-financial institutions | 69,834 | 15,149 | 69,834 | 15,149 |
| Equity instruments, of which: | 133,921 | 52,652 | 17,665 | 15,904 |
| - Other financial companies | 114,770 | 28,639 | 13,740 | 15,904 |
| - Non-financial institutions | 19,151 | 24,013 | 3,925 | - |
| Loans and advances to customers | 26,720 | 29,943 | 26,720 | 29,943 |
| - Central administrations | 26,720 | 29,943 | 26,720 | 29,943 |
| Total | 20,340,757 | 41,193,373 | 19,990,680 | 40,853,784 |

b) Financial assets at amortized cost - debt instruments

For the period ended on September 30, 2022, the Group classified as financial assets measured at amortized cost - debt instruments, bonds in amount of RON 25,451,436 thousand, and bonds in amount of RON 24,558,912 thousand for the Bank (December 31, 2021: RON 1,483,111 thousand for the Group and RON 355,331 thousand for the Bank).

| In RON thousand | Group | | Bank | |
|-----------------------------------|-------------------|------------------|-------------------|----------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Debt instruments, of which | | | | |
| - Central Banks | 12,971 | 189,121 | - | - |
| - Central administrations | 24,504,789 | 953,526 | 23,610,115 | - |
| - Credit institutions | 826,568 | 286,174 | 841,689 | 301,041 |
| - Other financial companies | 61,479 | 10,120 | 61,479 | 10,120 |
| - Non-financial institutions | 45,629 | 44,170 | 45,629 | 44,170 |
| Total | 25,451,436 | 1,483,111 | 24,558,912 | 355,331 |

22. Other financial assets

| In RON thousand | Group | | Bank | |
|--|------------------|------------------|------------------|----------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Amounts under settlement | 445,604 | 219,717 | 436,834 | 195,333 |
| Non-recourse factoring | 557,346 | 273,681 | 557,346 | 273,681 |
| Sundry debtors and advances for non-current assets | 446,832 | 548,787 | 488,141 | 396,262 |
| Instruments received for collection | 51,430 | 28,082 | 51,430 | 28,082 |
| Other financial assets | 14,400 | 18,255 | 748 | 9,259 |
| Impairment allowance for other financial assets | (40,937) | (33,618) | (18,493) | (18,446) |
| Total | 1,474,675 | 1,054,904 | 1,516,006 | 884,171 |

As of September 30, 2022, out of RON 1,474,675 thousand (December 31, 2021: RON 1,054,904 thousand), the Group's other impaired financial assets amounted to RON 38,448 thousand (December 31, 2021: RON 28,914 thousand).

As of September 30, 2022 out of RON 1,516,006 thousand (December 31, 2021: RON 884,171 thousand), the Bank's other impaired financial assets amounted to RON 5,453 thousand (December 31, 2021: RON 5,411 thousand).

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

23. Other non-financial assets

| <i>In RON thousand</i> | Group | | Bank | |
|---|----------------|----------------|----------------|----------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Inventories and similar assets | 89,303 | 111,858 | 54,056 | 58,576 |
| Accrued expenses | 90,443 | 78,771 | 79,587 | 71,172 |
| VAT and other taxes to be received | 10,387 | 4,396 | 2,041 | 2,095 |
| Other non-financial assets | 5,319 | 11,816 | 319 | 100 |
| Impairment allowance for other non-financial assets | (27,224) | (44,975) | (10,349) | (11,801) |
| Total | 168,228 | 161,866 | 125,654 | 120,142 |

24. Deposits from banks

| <i>In RON thousand</i> | Group | | Bank | |
|------------------------|------------------|------------------|------------------|----------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Sight deposits | 618,883 | 272,912 | 597,846 | 265,791 |
| Term deposits | 1,204,787 | 751,347 | 1,120,359 | 686,662 |
| Total | 1,823,670 | 1,024,259 | 1,718,205 | 952,453 |

25. Deposits from customers

| <i>In RON thousand</i> | Group | | Bank | |
|------------------------|--------------------|--------------------|--------------------|--------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Current accounts | 68,402,452 | 67,667,986 | 66,522,058 | 65,505,784 |
| Sight deposits | 902,765 | 793,717 | 628,758 | 463,141 |
| Term deposits | 43,108,565 | 38,854,796 | 42,098,813 | 36,046,375 |
| Collateral deposits | 1,025,215 | 705,130 | 1,003,501 | 682,785 |
| Total | 113,438,997 | 108,021,629 | 110,253,130 | 102,698,085 |

Deposits from customers can be also analysed as follows:

| <i>In RON thousand</i> | Group | | Bank | |
|------------------------|--------------------|--------------------|--------------------|--------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Retail | 74,561,299 | 71,890,350 | 72,573,567 | 68,436,588 |
| Companies | 38,877,698 | 36,131,279 | 37,679,563 | 34,261,497 |
| Total | 113,438,997 | 108,021,629 | 110,253,130 | 102,698,085 |

26. Loans from banks and other financial institutions

| <i>In RON thousand</i> | Group | | Bank | |
|---|-------------------|------------------|------------------|------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Loans from central administrations | 26,170 | 16,963 | - | - |
| Loans from commercial banks | 1,238,474 | 61,336 | 369,763 | - |
| - Romanian banks | 868,711 | 10,635 | - | - |
| - Foreign banks | 369,763 | 50,701 | 369,763 | - |
| Loans from development banks | 1,490,971 | 1,051,736 | 1,408,159 | 947,640 |
| Loans from central banks | 6,401,156 | - | 6,401,156 | - |
| Repurchase agreements (repo transactions) | 1,002,911 | 6,500,566 | 1,002,911 | 6,500,566 |
| Other funds from financial institutions | 106,414 | 101,553 | 5,951 | 9,637 |
| Issued bonds | 184,549 | 197,346 | - | - |
| Total | 10,450,645 | 7,929,500 | 9,187,940 | 7,457,843 |

The explanatory notes to the financial statements from page 12 to page 60 are an integral part of these financial statements. 52

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26. Loans from banks and other financial institutions (continued)

The covenants stipulated in the loan agreements signed with the creditors were met by the Group and the Bank on September 30, 2022 and December 31, 2021.

The table below summarizes the underlying securities of repo agreements:

| <i>In RON thousand</i> | Group | | | | Bank | | | |
|------------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|
| | 30-09-2022 | | 31-12-2021 | | 30-09-2022 | | 31-12-2021 | |
| | Carrying amount | | Carrying amount | | Carrying amount | | Carrying amount | |
| | Transferred assets | Related liabilities | Transferred assets | Related liabilities | Transferred assets | Related liabilities | Transferred assets | Related liabilities |
| | 1,063,824 | 1,002,911 | 6,526,812 | 6,500,566 | 1,063,824 | 1,002,911 | 6,526,812 | 6,500,566 |
| Total | 1,063,824 | 1,002,911 | 6,526,812 | 6,500,566 | 1,063,824 | 1,002,911 | 6,526,812 | 6,500,566 |

27. Subordinated liabilities

As of September 30, 2022 and December 31, 2021, the covenants stipulated in the loan agreements signed with the creditors were met by the Bank and the Group.

| <i>In RON thousand</i> | Group | | Bank | |
|---|------------------|------------------|------------------|------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Loans from development banks and financial institutions | 356,700 | 323,321 | 334,268 | 300,336 |
| Non-convertible bonds | 1,427,172 | 1,439,163 | 1,420,029 | 1,405,898 |
| Total | 1,783,872 | 1,762,484 | 1,754,297 | 1,706,234 |

28. Provisions for other risks and loan commitments

The following items are included under Provisions for other risks and loan commitments:

| <i>In RON thousand</i> | Group | | Bank | |
|---|----------------|----------------|----------------|----------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Provisions for loan commitments, financial guarantees and other commitments given | 352,758 | 360,087 | 328,678 | 351,751 |
| Provisions for untaken holidays | 20,855 | 27,441 | 15,270 | 21,489 |
| Provisions for other employee benefits | 40,362 | 54,244 | 28,920 | 34,023 |
| Provisions for litigation, other risks and charges (*) | 64,221 | 96,688 | 52,332 | 85,743 |
| Total | 478,196 | 538,460 | 425,200 | 493,006 |

(*) Provisions for other risks and charges primarily include provisions for litigation and other risks taken after the merger with Volksbank Romania S.A. and Bancpost S.A.

29. Other financial liabilities

| <i>In RON thousand</i> | Group | | Bank | |
|-----------------------------|------------------|------------------|------------------|------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Amounts under settlement | 1,551,047 | 1,583,653 | 1,237,195 | 1,272,442 |
| Sundry creditors | 238,821 | 175,728 | 104,743 | 106,717 |
| Dividends payable | 27,169 | 26,567 | 27,169 | 26,567 |
| Other financial liabilities | 42,716 | 40,133 | 29,800 | 34,741 |
| Total | 1,859,753 | 1,826,081 | 1,398,907 | 1,440,467 |

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

30. Other non-financial liabilities

| <i>In RON thousand</i> | Group | | Bank | |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Other taxes payable | 34,121 | 33,854 | 24,471 | 24,544 |
| Other non-financial liabilities | 147,673 | 160,233 | 109,902 | 118,942 |
| Total | 181,794 | 194,087 | 134,373 | 143,486 |

31. Earnings per share

The calculation of basic earnings per share was based on the net consolidated profit attributable to ordinary shareholders of the parent company of RON 1,609,276 thousand (September 30, 2021: RON 1,634,597 thousand) and on the weighted average number of ordinary shares outstanding during the year of 7,066,687,225 (September 30, 2021 recalculated: 7,066,743,407 shares).

The diluted earnings per share take into consideration the adjusted consolidated net profit of RON 1,609,276 thousand (September 30, 2021: RON 1,634,597 thousand) attributable to the ordinary shareholders of the parent company and the weighted average number of outstanding diluted ordinary shares. The adjusted consolidated net profit was determined by adjusting the base profit with the interest paid on bonds in 2022 in amount of RON 0 thousand (September 30, 2021: RON 0 thousand).

The weighted average number of diluted shares was determined as the sum of the weighted average number of ordinary shares and the number of shares which would have been issued upon the conversion of all potential dilutive shares into ordinary shares.

As of September 30, 2022, and as of September 30, 2021 the Bank no longer had convertible bonds. The weighted average of diluted shares outstanding as of September 2022, 30 was the same as the weighted average number of shares and the profit per dilutes share was equal to the profit per base share.

| | Group | |
|--|----------------------|----------------------|
| | 30-09-2022 | 30-09-2021 |
| Ordinary shares issued as of 1 January | 6,311,469,680 | 5,737,699,649 |
| The impact of shares issued as of 1 January | 765,112,650 | 573,769,971 |
| The impact of the shares repurchased during the year | (9,895,105) | (9,838,923) |
| The impact of the shares obtained from bonds conversion | - | 60 |
| The retroactive adjustment of the weighted average number of outstanding shares as of September 30, 2021 | - | 765,112,650 |
| Weighted average number of shares | 7,066,687,225 | 7,066,743,407 |
| The number of shares that may be issued upon the conversion of bonds into shares | - | - |
| Weighted average number of diluted shares | 7,066,687,225 | 7,066,743,407 |

32. Capital management

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

The Board of Directors makes decisions regarding the directions to be followed within the capital adequacy process, establishes the main projects in the field to be implemented, as well as the main objectives to be met for the best control of the correlation of the risks to which the Bank is exposed and the necessary shareholders' equity required to cover them and the development of sound risk management systems. The National Bank of Romania monitors capital requirements both at the Group and at the Bank level.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

32. Capital management (continued)

Capital adequacy is determined according to the Regulation (EU) No 575/2013 of the European Parliament and of the Council and requires a minimum mandatory own funds level of:

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

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

- a capital conservation buffer of 2.5% of the total value of the risk-weighted exposures between January 1, 2022-September 30, 2022;
- an O-SII buffer of 2% of the total risk weighted exposures;
- a systemic risk buffer of 0% of the total value of the risk-weighted exposures (buffer imposed starting with the adequacy ratio calculated for 30 September 2018).

Own funds adequacy

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

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

The Group and the Bank comply with the above regulations, the level of the capital adequacy ratio exceeding the minimum mandatory requirements imposed by the law.

As of September 30, 2022 and December 31, 2021, the Group and the Bank complied with all the capital adequacy requirements.

Under the current capital requirements set by the European Banking Authority, banks have to maintain a ratio of regulatory capital to risk weighted assets (“statutory capital ratio”) above a prescribed minimum level.

The amount of capital that the Group managed was RON 12,382,307 thousand as of 30 September 2022 (31 December 2021: RON 12,364,500 thousand), regulatory capital amounts to RON 7,392,435 thousand (31 December 2021: RON 7,500,635 thousand) and the Group and the Bank have complied with all externally imposed capital requirements throughout 2022 and 2021.

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

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

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

32. Capital management (continued)

The level and the requirements of own funds as of September 30, 2022 and December 31, 2021 are as follows:

| <i>In RON thousand</i> | Group | | Bank | |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Tier 1 own funds | 10,880,555 | 10,838,319 | 10,246,089 | 10,175,774 |
| Tier 2 own funds | 1,501,752 | 1,526,181 | 1,493,105 | 1,509,052 |
| Total own funds | 12,382,307 | 12,364,500 | 11,739,194 | 11,684,826 |

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

| <i>In %</i> | Group | | Bank | |
|---------------------|-------------------|-------------------|-------------------|-------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Core tier one ratio | 18.40 | 20.66 | 19.24 | 21.31 |
| Tier 1 ratio | 18.40 | 20.66 | 19.24 | 21.31 |
| CAR | 20.94 | 23.57 | 22.05 | 24.47 |

Note: The calculation of the Group's and the Bank's own funds considers the statutory profit of the Group, respectively of the Bank for the financial period ended on December 31, 2021. For the nine-month period ended June 30, 2022, the current profit on September 30, 2022 in amount of 907,003 thousand lei was considered in the calculation of own funds. Regulatory capital as of September 30, 2022 and December 31, 2021 was calculated according to the IFRS standards endorsed by the European Union

33. Credit risk management

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

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

| <i>RON thousand</i> | Group | | Bank | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 30-09-2022 | 31-12-2021 | 30-09-2022 | 31-12-2021 |
| Corporate | 28,054,998 | 20,973,391 | 29,864,257 | 22,183,126 |
| Small and medium enterprises | 9,474,753 | 7,717,422 | 8,407,097 | 6,775,254 |
| Consumer loans and card loans granted to retail customers | 13,074,010 | 12,295,685 | 12,159,887 | 11,359,134 |
| Mortgage loans | 17,208,279 | 16,095,360 | 16,808,968 | 15,493,560 |
| Loans and finance lease receivables granted by non-banking financial institutions | 4,432,129 | 2,919,558 | - | - |
| Other | 63,904 | 52,088 | 54,723 | 41,686 |
| Total loans and advances to customers and financial lease receivables before impairment allowance | 72,308,073 | 60,053,504 | 67,294,932 | 55,852,760 |
| Allowances for impairment losses on loans and financial lease receivables | (4,511,325) | (3,935,719) | (4,079,454) | (3,614,237) |
| Total loans and advances to customers and financial lease receivables net of impairment allowance | 67,796,748 | 56,117,785 | 63,215,478 | 52,238,523 |

As of September 30, 2022, the total irrevocable on-balance and off-balance sheet exposure was of RON 76,204,233 thousand (December 31, 2021: RON 63,214,752 thousand) for the Group and RON 70,316,404 thousand (December 31, 2021: RON 58,240,841 thousand) for the Bank.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

33. Credit risk management (continued)

The amounts presented above reflect the maximum accounting loss that would be recognized at the reporting date if the customers failed completely to perform their contractual obligations and if any collateral or security proved to be of no value.

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

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

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

The exposures to credit risk for loans and advances to customers and financial lease receivables at Group consolidated level, as of September 30, 2022, are presented below:

| At amortized cost | Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1) | Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2) | Assets impaired at the reporting date (Stage 3) | Assets impaired on initial recognition (POCI) | Total 2022 |
|--|--|--|---|---|-------------------|
| <i>In RON thousand</i> | | | | | |
| Corporate | 23,241,620 | 3,837,958 | 829,868 | 145,552 | 28,054,998 |
| Small and medium enterprises | 6,488,921 | 2,566,145 | 383,404 | 36,283 | 9,474,753 |
| Consumer loans and card loans granted to retail customers | 9,293,403 | 2,968,279 | 709,851 | 102,477 | 13,074,010 |
| Mortgage loans | 15,646,014 | 1,338,551 | 176,730 | 46,984 | 17,208,279 |
| Loans and finance lease receivables granted to non-banking financial institutions | 2,137,729 | 1,954,083 | 296,951 | 43,366 | 4,432,129 |
| Other | 38 | 50,017 | 12,727 | 1,122 | 63,904 |
| Total loans and advances to customers and financial lease receivables before impairment allowance | 56,807,725 | 12,715,033 | 2,409,531 | 375,784 | 72,308,073 |
| Allowances for impairment losses on loans and financial lease receivables | (1,086,845) | (1,727,272) | (1,610,207) | (87,001) | (4,511,325) |
| Total loans and advances to customers and financial lease receivables net of impairment allowance | 55,720,880 | 10,987,761 | 799,324 | 288,783 | 67,796,748 |

Notes to the Interim Condensed Consolidated and Separate Financial Statements

33. Credit risk management (continued)

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

33. Credit risk management (continued)

The exposures to credit risk for loans and advances to customers at Bank level, as of September 30, 2022, are presented below:

| At amortized cost | Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1) | Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2) | Assets impaired at the reporting date (Stage 3) | Assets impaired on initial recognition (POCI) | Total 2022 |
|--|--|--|---|---|-------------------|
| <i>In RON thousand</i> | | | | | |
| Corporate | 25,255,211 | 3,715,296 | 802,083 | 91,667 | 29,864,257 |
| Small and medium enterprises | 5,539,602 | 2,476,488 | 367,747 | 23,260 | 8,407,097 |
| Consumer loans and card loans granted to retail customers | 8,466,622 | 2,942,991 | 658,579 | 91,695 | 12,159,887 |
| Mortgage loans | 15,259,498 | 1,330,356 | 172,221 | 46,893 | 16,808,968 |
| Other | 38 | 41,733 | 12,668 | 284 | 54,723 |
| Total loans and advances to customers before impairment allowance | 54,520,971 | 10,506,864 | 2,013,298 | 253,799 | 67,294,932 |
| Allowances for impairment losses on loans | (1,057,102) | (1,631,718) | (1,338,851) | (51,783) | (4,079,454) |
| Total loans and advances to customers net of impairment allowance | 53,463,869 | 8,875,146 | 674,447 | 202,016 | 63,215,478 |

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

34. Events subsequent to the date of the interim consolidated and separate statement of financial position

On the 18th of October 2022, was held the Extraordinary General Shareholders' Meeting of Banca Transilvania S.A., where the following were approved:

- A program of corporate bond issues, denominated in euro and/or RON and/or in another currency, as the case may be, under market conditions in terms of interest rate, with a maturity of not more than 10 years, with the frequency of the annual or semi-annual coupon, for a maximum amount of EUR 1 billion or equivalent, on the basis of a flexible structure, through several separate issues, carried out over a maximum period of 10 years, with the delegation of powers to determine the conditions of the issuance program to the Management Board ('the bonds');
- The conduct of a public offer and/or private placement relating to first tranche bonds, which will be addressed to (i) qualified investors and/or (ii) up to 150 natural or legal persons other than qualified investors per Member State in accordance with the applicable legislative framework, with the delegation of powers to the Board of Directors on the offer of bonds for subsequent tranches ('the offer');
- The approval of the Company's performance of all necessary, useful and/or timely actions and formalities for the purpose of admission of bonds to trading on the regulated market administered by the Bucharest Stock Exchange and/or on the regulated market and/or in other trading venues in other jurisdictions after the offer is made;
- The date of November 15th, 2022 as registration date and ex-date – November 14th, 2022, in order to identify the shareholders who will benefit from other rights and over whom the effects of the EGMS decisions are reflected.

The interim consolidated and separate financial statements were approved by the Board of Directors on November 10, 2022 and were signed on behalf of the Board.

Ömer TETIK
Chief Executive Officer

George CĂLINESCU
Deputy Chief Executive Officer