



# **REGULATORY DISCLOSURE REPORT**

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**Banca Transilvania  
Financial Group**

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

## Introduction

Through this document, the Banca Transilvania Financial Group fulfills the technical criteria regarding transparency and publication according to the requirements of Regulation no. 575/2013 on prudential requirements for credit institutions (Capital Requirements Regulation), Part 8.

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

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## RISK MANAGEMENT OBJECTIVES AND POLICIES

### RISK MANAGEMENT STRATEGIES AND PROCESSES

The objective of the Banca Transilvania Financial Group in terms of risk management is to integrate the assumed medium-low risk appetite within the bank's decision-making process, by promoting an appropriate alignment of assumed risks, available capital and performance targets, taking into account at the same time the risk tolerance and appetite constraints from both financial and non-financial risks. In determining the risk appetite and tolerance, the Group considers all material risks to which it is exposed, due to the specifics of its activity and strategic and operational objectives, being predominantly influenced by credit risk.

Banca Transilvania Group sets its risk appetite in accordance with the appropriate risk management policies, correlated with the Group's general strategies, own funds and its risk management experience.

The general risk appetite of the Banca Transilvania Financial Group is set **medium-low**, depending on the risk appetite set for each individual risk category, based on the contamination principle, as follows:

Type of risk	Risk appetite
Credit risk	Medium-Low
Market risk	Medium-Low
Liquidity risk	Low
Interest rate risk related to activities outside the trading book	Low
Operational risk	Medium-Low
Risk of excessive leverage	Low
Reputational risk	Low
Strategic risk	Low
Compliance risk	Low

Risk management is an integral part of all the decision-making and business processes that take place in the Group and the Bank's activity. In this regard, the management:

- Continuously assesses the risks to which the Group's activity is or may be exposed, which may affect the achievement of its objectives, and takes measures regarding any change in the conditions in which it carries out its activity;
- Ensures the existence of an adequate activity management framework within the Group, taking into account both internal factors (the complexity of the organizational structure, the nature of the activities carried out, the quality of the staff and the level of turnover) and external factors (macro-economic factors, legislative changes, technological advances, changes related to the competitive environment in the banking sector).

- Identifies the risks: The exposure of the Group to the risks inherent in the business through daily operations and transactions (including lending, dealing, capital market activity, asset management and other specific activities) is identified and aggregated through the risk management infrastructure implemented within the Group.
- Measures risks: The Group carries out an assessment of risks identified through specific models and calculation methods such as a system of indicators with related limits, a methodology for evaluating risk events that may generate losses, a provisioning methodology related to credit risk, estimated calculations regarding future developments in the value of assets, etc.
- Monitors and control risks: The policy and the procedures implemented for an effective risk management have the ability to temper the risks inherent in the business. The Group has implemented procedures for supervision and approval of decision and trading limits per person/unit/product etc. These limits are monitored daily/ weekly/ monthly depending on the specifics and progress of the operations.
- Report risks: For the specific risk categories, the Group has established transparent regular reporting mechanisms, so that the management body and all the relevant units are provided with timely, accurate, concise, understandable and meaningful reports in due time, and are able to exchange relevant information regarding the identification, measurement or assessment and monitoring of risks.
- Computes and assesses the internal capital and capital requirements: To assess the adequacy of internal capital to risks, the Group identifies and assesses all significant risks to which it is or may be exposed. The Group continuously calculates and assesses its internal capital and internal capital requirements, in order to cover the bank's business needs and related risks, including through stress tests.

The risk management framework includes internal regulations, applicable both to the entire Group as a whole and separately to the Bank and each of its subsidiaries, risk limits and control mechanisms that ensure the identification, assessment, monitoring, mitigation and reporting of the risks related to the group's activities at the overall level and where appropriate, at the level of the business lines (large-corporate, mid-corporate, SME, micro and retail).

Based on the crisis simulations periodically undertaken by the bank, in accordance with the legal provisions and specific requirements, the Group's management has structured its future action priorities by equally taking into account the business environment development and current macroeconomic environment.

## PRINCIPLES IN APPROACHING AND PERFORMING CRISIS SIMULATIONS

**In order to efficiently use this risk management tool, the Group applies the following principles:**

- uses crisis simulations according to the nature, extent and complexity of its activities, as well as according to its risk profile;
- uses crisis simulations as a diagnostic tool for understanding the risk profile and as a proactive tool in the process of internal assessment of capital adequacy; the crisis simulation program is

an integral part of risk management framework and of the internal process of assessing the adequacy of capital to risks;

- determines all significant risks that can be subjected to crisis simulations, taking into account the analysis of the nature and composition of the Bank's portfolio and the analysis of the environment in which it operates;
- establishing the significant risk determinants that will be used in the crisis simulations depending on the significant risks identified;
- verification, at least twice a year, of the degree of adequacy / correspondence between crisis simulations (hypotheses) with the risk appetite, as well as the environment in which the Bank operates.

The main risk categories to which the Group is exposed are: Credit risk, Liquidity risk, Operational risk, Market risk, Interest rate risk outside the trading book, Reputational risk, the risk associated with excessive usage of leverage, Strategic risk and Compliance risk.

#### **a. Credit Risk Management**

The Group is exposed to credit risk through trading, lending, and investment activities, and also through guarantee issuing activities. The credit risk associated with trading and investment activities is mitigated by selecting those counterparties with solid credit ratings and by monitoring their activity, by using exposure limits and, where necessary, by requesting collaterals.

The credit risk appetite established a priori for the year 2023 is "medium-low", depending on the risk appetite established for each subcategory separately (by contamination), as follows:

The risk appetite related to counterparty credit risk and residual risk in Banca Transilvania established a priori is medium-low;

The risk appetite for concentration risk in Banca Transilvania established a priori is low.

In 2023, the bank's general risk profile was in line with the risk appetite adopted.

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

In this case, the amount of credit risk exposure is represented by the accounting value of the assets from the individual and consolidated statement of the financial position. The Group is exposed to credit risk derived from other financial assets, including derivative and debt instruments; the current credit risk exposure in respect of these instruments is equal to their accounting value from the individual statement of financial position.

In addition to the above, the Group is exposed to off-balance sheet credit risk through financing commitments and issuance of guarantees.

To minimize the risk, the Group has developed certain procedures designed to evaluate customers prior to the granting of loans, to monitor their capacity to reimburse the principal and related interest during the entire loan period and to establish exposure limits. In addition, the Group has procedures for monitoring the risks at the level of loan portfolio, it has established exposure limits for types of loans, for economic sectors, for types of collateral, maturity of loans and so on.

The Group holds collateral for loans and advances to customers in the form of collateral deposits, real

estate mortgages, mortgages on movable properties and other pledges on equipment and/or receivables for the loans and advances to costumers. Fair value estimates are based on the collateral value assessed at the date of the loan and, where appropriate, the values estimated at the date of subsequent analyses.. The Group did not retain collateral for loans and advances granted to banks.

The Board of Directors has assigned the credit risk management responsibility to the Leaders' Committee, Credit Policy and Approval Committee, Head Office Credit and Risk committees (credit approval), Credit and Risk Committees in branches/ agencies and Remediation and Workout Committee. Also within the Bank, there are departments with attributions in risk management that report to the Head Office Committees and have attributions regarding:

- The analysis, assessment and monitoring of specific risks within the lending activity;
- The risk analysis of the loan portfolio/large exposures, with recommendations submitted to the Leaders' Committee/Board of Directors;
- Monitoring compliance with internal regulations specific to the lending activities;
- Elaborating of proposals to reduce specific risks, in order to maintain healthy standards in the lending activity;
- Elaborating an effective credit risk rating process that captures the variable level, nature and drivers of credit risk, that may occur over time, that reasonably ensures that all the credit exposures are properly monitored and that adjustments for expected credit losses (ECL) are properly measured;
- Monitoring the granted loans, in accordance with the client's financial performance, loan type, collateral type and days past due of the debt, in accordance with the internal lending policies and procedures;
- Approving and monitoring of the ratios related to the establishment/modification of the branches' lending competences, according to specific internal policies;
- The periodic reviews and recommendations to the Leaders' Committee of acceptable risk levels accepted for the Group;
- Identification, monitoring and control of credit risk at branch level and subsidiary level;
- Risk analysis on new lending products/changes of loan products, with recommendations to the departments involved;
- Periodic analysis and report to the Deputy CEO - Chief Risk Officer, Leaders' Committee, Risk Management Committee and the Board of Directors of reports on the evolution of the risks to which the bank is exposed (implications of risk correlation, forecasts etc.);
- Development of the methodology for the early detection of the increase of real or potential credit risks (early warning signals);
- Elaborating systematically and consistently applied processes to establish proper loss adjustments in accordance with the applicable accounting regulations in the field of credit risk;
- Establishing and revising the back testing methodology regarding the adequacy of the default probability parameter, the default status and the level of provisions, related to the Bank's loan portfolio;

The methodologies used for the credit risk assessment and the determination of the loss-adjustments level by type of exposure, follow in particular:

- include a robust process, designed to enhance the bank's ability to identify the level, nature and determinants of credit risk, from the moment of the initial recognition of the credit exposure, and ensure that subsequent changes in credit risk can be identified and quantified;
- include criteria that properly take into account the impact of the forward-looking information, including the macroeconomic factors;
- include a process for assessing the adequacy of significant inputs and assumptions, related to the chosen method of determining the ECL level;
- take into consideration the relevant internal and external factors that may affect the ECL estimates;  
ensure that ECL estimates appropriately incorporate forward-looking information, including macroeconomic factors, that have not already been taken into account in the calculation of adjustments for losses measured at the individual exposure level;
- involve a process for assessing the overall suitability of loss adjustments in accordance with relevant accounting regulations, including a periodic review of the ECL models.

The management of credit risk consists mainly of:

- The organization of an own system of rules and procedures in this field, establishing the regulatory framework, that applied in the lending process allows avoiding or minimizing risk occurrence;
- Development / improvement of the procedural framework for credit risk management (strategy, policies, norms related to credit risk management);
- Continuous improvement of the credit approval / granting activities;
- The maintenance of an adequate process for credit management, control and monitoring;
- Organizational structure of the bank – there are departments and committees with responsibilities in credit risk supervision and management.

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

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

#### **b. Liquidity and funding risk**

Liquidity risk represents the current or future risk that the profit and capital may be negatively affected as a result of the incapacity of the Bank to meet its obligations when they fall due.

Liquidity risk has two main components: either difficulties in procuring the funds at the related maturities, needed to refinance current assets, or the inability to convert an asset into liquidity at a value close to its fair value, within a reasonable period of time. The Group is continuously acting to counter this type of risk.

The Group has access to diversified funding sources. Funds are raised through a broad range of instruments, such as deposits from customers or from partner banks, loans from development institutions and financial institutions as well as share capital. Access to various funding sources improves the



flexibility of fundraising, limits dependence on a single type of financing and type of partner and leads to an overall decrease of financing costs. The Group tries to maintain a balance between continuity and flexibility in attracting funds, by signing financing contracts with different maturities and in different currencies. The Group continually assess liquidity risk by identifying and monitoring changes in the financing contracts, and by diversifying the funding sources.

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

The liquidity risk appetite in 2023 was set as “low” due to the appropriate structural correlations of the bank’s assets and liabilities, to the mix of instruments designed for the use of temporary liquidity excess, but also due to the share of stable resources raised from clients in total funds; the liquidity risk profile is determined in a conscious manner and in line with the international and domestic market conditions, but also by considering the bank’s sound development under the current legislative frameworks, with the purpose to achieve both prudential and profitability requirements. The bank manages liquidity at a centralized level.

The main principles in determining the types of instruments used by the Treasury in order to use temporary liquidity excess are: holding a diversified portfolio of investments (more than 5 types/categories), considering the reversed correlation between the risk degree and the liquidity level, establishing minimum and/or maximum accepted levels for the significant categories of investments, paying special attention to liquid assets easily convertible into cash that are eligible for collateral, without materially affecting the initial yield of investments, respectively their profitability.

For a sound management of liquidity risk, the Group constantly seeks to attract liquidity through treasury operations, external financing, capital markets, etc. taking into account various factors such as the issuer’s rating, the issuance maturity and volume, trading markets.

The operative management of liquidity is carried out on several intraday horizons, on a daily basis, or on a longer timeframe, in line with a liquidity management policy that includes the management of assets in view of the market trading capacity and the liabilities’ structure, the management of liquidity denominated in main currencies, the definition of specific liquidity ratios to be monitored on a daily basis, including early warning signals, the assessment of future cash flows and cash flow mismatches and counteraction capacity, the preparation of an alternative liquidity management plan, so as to ensure the execution of all settlements/ payments of the bank carried out in its own name or on behalf of its customers, in lei or FCY, on accounts or in cash, within the internal, legal and mandatory limits.

Moreover, the Bank also applies a liquidity buffer consisting mainly in cash, unencumbered government securities and minimum required reserve surplus, for the purpose to cover the additional liquidity needs that may occur over a short period of time, under stress conditions.

During the year 2023, the Bank registered comfortable levels of liquidity indicators, thus demonstrating a solid position and having a comfortable liquidity position, in a generally fragile economic context.

The main source of funding is represented by Retail segment, which also receives the lowest exit rates within the LCR indicator. Within the Retail segment, the largest share is represented by accounts with which the bank has a stable relationship.

Other important sources for the bank in terms of diversification, but which have higher exit rates, are: corporate deposits, funding lines from financial institutions (banks and development institutions).

The quantitative information about LCR presents the values and dates for each of the four calendar quarters preceding the publication date, calculated as simple averages of observations made at the end of each month, over the 12 months preceding the end of each quarter.

The bank's average LCR of 531% (twelve-month average) as of December 31, 2023 was calculated in accordance with the above two aforementioned documents, while the year-end LCR as of December 31, 2023 stands at 747%.

#### **Currency mismatch in the LCR:**

The LCR is calculated in all significant currencies that make up at least 5% of the total Balance Sheet (RON, EUR and aggregated in RON). There is no explicit LCR risk appetite for the specific currencies but according to Article 4 paragraph 5 of Commission Delegated Regulation (EU) 2015/61 all liquidity coverage ratio results are monitored.

#### **Derivative exposures and potential collateral calls:**

The outflows related to derivative exposures and other collateral requirements are presented in item 11 "Outflows related to derivative exposures and other collateral requirements" of the bellow table while the inflows are shown in item 19 "Other cash inflows".

## LCR

		a				b			
Scope of consolidation (solo/ consolidated)		Total unweighted value				Total weighted value			
Currency and units (RON million)									
Quarter ending on		31-Dec-23	30-Sep-23	30-iun-2023	31-Mar-23	31-Dec-23	30-Sep-23	30-iun-2023	31-Mar-23
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality assets (HQLA)					44,429	43,176	46,113	43,703
<b>CASH-OUTFLOWS</b>									
2	Retail deposits and deposits from small business customers, of which:	111,831	106,032	102,557	101,025	9,091	8,597	8,145	8,067
3	Stable deposits	67,970	64,332	62,259	60,978	3,399	3,217	3,113	3,049
4	Less stable deposits	43,183	41,091	39,891	39,654	5,014	4,772	4,625	4,626
5	Unsecured wholesale funding	28,380	26,248	26,583	27,144	14,458	14,206	14,406	13,697
6	Operational deposits (all counter parties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all Counter parties)	28,380	26,248	26,583	27,144	14,458	14,206	14,406	13,697
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesales funding					-	-	-	-
10	Additional requirements	4,051	-	3,823	3,551	226	220	221	192
11	Outflows related to derivatives exposure and other collateral requirements	-	-	-	-	-	-	-	-
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	4,051	3,933	3,823	3,551	226	220	221	192
14	Other contractual funding obligations	872	1,778	266	144	9	17	-	-
15	Other contingent funding obligations	1	1	-	-	-	-	-	-
16	<b>TOTAL CASH OUTFLOWS</b>					<b>23,783</b>	<b>23,040</b>	<b>22,772</b>	<b>21,957</b>
<b>CASH-FLOWS</b>									
17	Secured lending (eg reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	23,031	13,967	13,511	7,821	21,265	12,869	12,304	6,981
19	Other cash inflows	622	2,451	188	1,795	622	2,451	188	1,795
20	<b>TOTAL CASH FLOWS</b>	<b>23,653</b>	<b>16,418</b>	<b>13,699</b>	<b>9,616</b>	<b>21,887</b>	<b>15,320</b>	<b>12,492</b>	<b>8,776</b>
21	<b>Total HQLA</b>					<b>44,429</b>	<b>43,176</b>	<b>46,113</b>	<b>43,703</b>
22	<b>TOTAL NETCASH OUTFLOWS</b>					<b>5,946</b>	<b>7,720</b>	<b>10,281</b>	<b>13,181</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>					<b>747%</b>	<b>559%</b>	<b>449%</b>	<b>332%</b>

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

		31.12.2023					30.09.2023				
		a	b	c	d	e	a	b	c	d	e
(In currency amount)		Unweighted value by residual maturity				Weighted	Unweighted value by residual maturity				Weighted
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
<b>Available stable funding (ASF) item</b>											
1	Capital:	12,692,053	-	-	14,954,116	14,954,116	11,044,602	-	-	13,453,395	13,453,395
2	Regulatory capital	12,692,053	-	-	2,262,063	2,262,063	11,044,602	-	-	2,408,793	2,408,793
3	Other capital instruments	-	-	-	-	-	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	90,245,873	9,417,912	11,489,199	104,297,137	-	86,508,590	7,804,579	11,109,813	98,933,363
5	Stable deposits	-	55,993,086	6,217,560	5,759,518	64,859,632	-	53,605,040	5,228,915	5,498,377	61,390,635
6	Less stable deposits	-	34,252,787	3,200,351	5,729,681	39,437,505	-	32,993,549	2,575,664	5,611,436	37,542,728
7	Wholesale funding:	-	26,054,976	2,443,090	13,044,117	24,457,454	-	24,097,795	2,034,041	10,603,098	20,428,452
8	Operational deposits	-	-	-	-	-	-	-	-	-	-
9	Other wholesale funding	-	26,054,976	2,443,090	13,044,117	24,457,454	-	24,097,795	2,034,041	10,603,098	20,428,452
10	Liabilities with matching interdependent assets	-	-	-	-	-	-	-	-	-	-
11	Other liabilities:	5,671,393	457,982	1,381	3,129	3,819	6,481,127	1,042,282	2,016	4,150	5,158
12	NSFR derivative liabilities	5,671,393	-	-	-	-	6,481,127	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	457,982	1,381	3,129	-	-	1,042,282	2,016	4,150	5,158
14	<b>Total ASF</b>	-	-	-	-	<b>143,712,525</b>	-	-	-	-	<b>132,820,368</b>
<b>Required stable funding (RSF) item</b>											
15	Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	1,163,941	-	-	-	-	1,402,301
EU-15 a	Assets encumbered for a residual maturity of one year or more in a cover pool	-	-	-	-	-	-	-	-	-	-
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-	-	-	-	-	-
17	Performing loans and securities:	-	21,265,411	9,241,048	58,044,163	57,037,516	-	17,857,859	9,556,485	54,221,732	53,734,506
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	10,287,373	494,899	1,219,585	2,495,771	-	7,364,838	455,916	1,330,544	2,294,986
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	8,620,299	7,968,692	31,304,815	49,714,762	-	8,146,420	8,215,607	28,858,714	46,988,779
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	91,958	35,507	681,275	12,079,978	-	92,871	27,265	396,513	11,264,866
22	Performing residential mortgages, of which:	-	739,738	729,139	20,818,621	-	-	730,173	603,540	19,912,690	-
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	499,586	441,296	17,081,501	-	-	460,774	402,722	16,177,409	-
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	1,618,001	48,318	4,701,141	4,826,982	-	1,616,427	281,421	4,119,785	4,450,742
25	Assets with matching interdependent liabilities	-	-	-	-	-	-	-	-	-	-
26	Other assets:	-	11,084,734	250,013	1,499,985	3,167,689	-	10,322,843	311,560	1,299,843	3,126,093
27	Physical traded commodities, including gold	-	-	-	-	-	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties	-	-	-	-	-	-	-	-	-	-
29	NSFR derivative assets	-	-	-	-	-	-	-	-	-	-
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-	-	-	-	-	-
31	All other assets not included in the above categories	-	11,084,734	250,013	1,499,985	3,167,689	-	10,322,843	311,560	1,299,843	3,126,093
32	Off-balance sheet items	-	2,200,131	1,802,653	4,675,748	548,678	-	2,019,173	2,072,938	4,144,046	527,958
33	<b>Total RSF</b>	-	-	-	-	<b>61,917,825</b>	-	-	-	-	<b>58,790,858</b>
34	<b>Net Stable Funding Ratio (%)</b>	-	-	-	-	<b>232%</b>	-	-	-	-	<b>226%</b>

### c. Operational risk

Operational risk is the risk of recording direct or indirect losses arising from a wide variety of factors associated with the Group's and the Bank's inadequate processes, personnel, technology and infrastructure, or external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate policies or natural disasters that lead to the unavailability of some basic activities of the Group's entities.

Operational risk is the risk that internal practices, policies and systems will not be adequate to prevent a loss from occurring, due to market conditions or operational difficulties

The objective of the operational risk management is to ensure the general framework and action directions for establishing a complete risk management in Banca Transilvania Financial Group, by integrating a specific management system into the current risk management processes. The Group aims to continuously improve the risk management processes by working towards an integrated risk management system to support the decision-making process.

The operational risk management framework implemented at the level of the entire group is consistent with the established business objectives and the assumed risk appetite, as well as with the compliance with the provisions of the legislation in the field and of the internal regulations in force.

In order to identify, evaluate, monitor and reduce the banking operational risk, the Group:

- continuously assesses exposures to operational risk, based on historical data, monitoring and managing the conduct risk, as a subcategory of the operational risk, as well as the risk determinants associated with this category, paying particular attention to it due to its expanding nature, relevance and its possible prudential impact;
- evaluates and monitors the products, processes and systems aimed at the development of new markets, products and services, as well as significant changes to existing ones and the conduct of exceptional transactions, from the perspective of product consistency and their changes in accordance with the risk strategy.
- identifies, assesses, monitors and manages the risks associated with information technology (ICT), the bank having appropriate processes and controls in place to ensure that all risks are identified, analyzed, measured, monitored, managed, reported and maintained within the limits of risk appetite and that the projects and systems they deliver and the activities they perform are in line with the external and internal requirements;

In order to reduce the risks inherent in the group's operational activity, it is necessary to permanently monitor the controls implemented at different levels, to evaluate their effectiveness, as well as to introduce methods to reduce the effects of the operational risk events.

The Group's strategy to reduce the exposure to operational risks is mainly based on:

- permanent compliance of the normative documents with the legal regulations and market conditions;
- personnel training;
- efficiency of the internal control systems (organization and implementation);
- continuous improvement of the IT solutions and strengthening of information security systems;
- using complementary means of risk reduction: concluding specific insurance policies against risks, outsourcing of some activities;
- the implementation of the measures for the limitation and reduction of the effects of the identified operational risk incidents, such as: standardization of the current activity, automation of as many processes as possible with permanently monitored control points; reduction of redundant data volumes that is collected at the level of different entities of the bank; assessment of the products, processes and systems in order to determine the associated risks and the measures to eliminate / mitigate them;
- the application of the recommendations and the conclusions resulting from on-going monitoring;
- the update, evaluation and testing of business continuity plans on a regular basis, in particular of those systems that support the critical operational processes of the bank.

The Bank applies policies and processes for the assessment and management of exposure to operational risk, including model risk and ICT risks, covering including low frequency events with potential major negative impact.

The Governance and Non-Financial Risk Management Department together with the Security of Information, Technology and Operational Department monitor the implementation of the strategy and methodology for the identification, measurement, monitoring, control and mitigation of operational risk of Banca Transilvania and ensure that the Leaders' Committee is informed about the problems, significant developments in terms of operational risks and propose risk mitigation measures.

The Internal Audit Department and the Risk Control Department monitor the compliance with the Group's and the Banks's standards through regular on-site and off-site inspections. The results of internal audit, operational risk monitoring and control are discussed with the management of the audited business units and summaries of the reports are submitted to the Group's and Bank's Management.

#### **d. Market Risk**

Market risk represents the risk that the earnings of the Group and the value of financial instruments held may be negatively affected by adverse market changes related to prices, interest rates, foreign exchange rates or other financial ratios. The objective of market risk management is to monitor and maintain within the parameters assumed as risk appetite the exposures on the financial instruments in the portfolio, simultaneously with the optimization of the yield of the respective investments.

#### **Fair value of financial instruments**

The Group measures 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 of the fair value hierarchy is determined based on quoted prices on active markets for identical financial assets and liabilities. The

price quotes used are regularly and readily available on active markets/exchange indices and the prices represent current and regular market transactions on an arm's length principle.

### ***Level 2 in the fair value hierarchy***

The fair value of financial assets and liabilities included in Level 2 of the fair value hierarchy is determined using valuation methods based on observable market data when there are no market prices available. For Level 2 valuations observable parameters, interest rates and yield curves at commonly quoted intervals, implied volatilities and credit spreads are typically used.

### ***Level 3 in the fair value hierarchy***

The fair value of financial assets and liabilities included in Level 3 of the fair value hierarchy is determined using inputs that are not based on data from an observable market (unobservable data inputs that must reflect the assumptions that market participants would use when pricing of an asset or a liability, including assumptions about risk).

The objective of valuation techniques is to determine the fair value which reflects the price for the financial instrument at the reporting date, that would be obtained following a transaction under normal market conditions by the market participants at arm's length.

The availability of observable market data and models reduces the need for management's estimates and judgment and also reduces the uncertainty associated with determination of fair value. The availability of observable market data and models depends on the products in the market and is prone to change 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 with observable market data. Management uses its judgment to select the valuation method and makes assumptions based mainly on the market conditions existing at the date of the preparation of the consolidated statement of financial position.

## **Financial assets and liabilities**

The Group and the Bank adopted IFRS 9 ("IFRS 9") as of the transition date 1 January 2018.

The new approach to the classification of financial assets relies on the cash flow characteristics and on the business model within which an asset is held.

The Group and the Bank classify their financial assets and liabilities in the following categories:

- Financial assets at fair value through profit or loss (FVPL);
- Financial assets measured at fair value through other items of comprehensive income (FVOCI);
- Financial assets at amortized cost.

The Group and the Bank recognize all financial assets and liabilities at the transaction date. The transaction date is the date when the Group and the Bank undertake to buy or to sell an asset.

### **d1. Price and interest rate risk**

The Group manage the exposure to market risk by monitoring on a daily basis the market value of the held-for-trading portfolio in relation to a system of risk limits approved by the Assets and Liabilities Management Committee. The held-for-trading portfolio includes fixed-income securities issued on the Romanian or on the European market (government securities and corporate bonds whose issuer has a

rating higher than or equal to the sovereign rating), denominated in ron, eur and usd, as well as shares issued by Romanian entities traded on the Bucharest Stock Exchange (which are not directly exposed to interest rate and fx risk, but are exposed to price risk) and collective investment units issued by Romanian entities.

The management of this risk is adapted and permanently adjusted to the conditions of the Romanian and international financial markets as well as the general economic context. The interest rate risk is analyzed within the stress tests conducted for the Bank's securities portfolio and price risk is analyzed within the stress tests conducted for shares and collective investment units portfolios held by the Bank.

## **d2. FX risk**

The Group is exposed to fx risk through open positions generated by foreign currency transactions. There is also a balance sheet risk related to the possibility of variations in net monetary assets or liabilities in foreign currency, as a result of exchange rate fluctuations. The Group manages the currency risk based both on classic approach as strict currency position and "stop-loss" limits monitored in real time but also based on VaR type calculations to assess possible changes in the assets and liabilities values. The Group is exposed to fx risk through open positions generated by foreign currency transactions. The Group manages the currency risk based both on classic approach as strict currency position and "stop-loss" limits monitored in real time but also based on VaR type calculations to assess possible changes in the assets and liabilities values. There is also a risk that the net values of monetary assets and liabilities in foreign currency may change, as a result of exchange rate variation.

### **e. Interest rate risk outside the trading book**

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

The Group undertakes the interest rate risk resulting from funds raised and placed in relation to customers (interest rate risk from banking activities).

The main sources of interest rate risk are represented by the imperfect correlation between the maturity dates (for fixed interest rates) or the pricing reset dates (for variable interest rates) with respect to interest bearing assets and liabilities, the adverse changes of the yield curve (un-parallel shift of the yield interest rates on interest bearing assets and liabilities).

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

Interest rate risk is managed through a very well diversified system of limits and indicators internally approved.

The Assets and Liabilities Management Committee is the body that monitors the compliance with these limits, being assisted in the daily monitoring by the Financial Risk Management Department.

Interest rate risk management within the limits is accompanied by the analysis of the sensitivity of the Group's financial assets and liabilities to different internal interest rate scenarios or scenarios according to EBA Guidelines



#### **f. Risk of excessive leverage**

Banca Transilvania's objective with regard to the management of the excessive leverage risk is to balance the bank's assets and liabilities structure, with the purpose of achieving the expected profitability ratios under controlled risk conditions capable of ensuring the continuity of the bank's activity on a sound foundation, as well as the protection of the interests of the bank's shareholder and clients.

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

The leverage concept represents the relative size of an institution's assets, off balance-sheet commitments and contingent obligations to pay, to render a service or to grant real guarantees, including obligations arising from the financing received, assumed commitments, derivative instruments or repo transactions, except for obligations that can only be executed during the liquidation of the institution, in relation to the own funds of the institution.

Banca Transilvania treats cautiously the issue of leverage related risk, taking into consideration the potential increases of this risk as a result of own funds deterioration due to expected or incurred losses in accordance with applicable accounting regulations.

The a priori risk appetite of Banca Transilvania for the excessive leverage related risk was established "low" for the year 2023, determined through the utilization of quantitative methods for evaluation and mitigation.

#### **g. Reputational risk**

The reputational risk represents possible losses or to fail in achieving estimated profits as a result of the lack of public confidence in the integrity of the Group.

The reputational risk appetite has been established as "low" based on maintaining the confidence of the public and the business partners in the Group's integrity and in its economic and financial position.

The management of the reputation risk is carried out by: taking steps to attract the best partners, both in terms of customers and suppliers; recruiting and retaining the best employees; minimizing litigations; rigorous regulation of the activity; prevention of crisis situations; respectively the permanent strengthening of the bank's credibility and the shareholders' confidence;; establishing the most favorable environment for investments and access to capital; continuous and open communication with stakeholders (shareholders, mass-media, clients, partners, employees, authorities, etc.).

#### **h. Strategic risk**

Strategic risk is the current or future risk for profits and capital to be negatively affected by changes in the business environment, by unfavorable business decisions, improper implementation of decisions or the low adaptability to changes in the business environment.

The strategic risk appetite has been established as "low" based on the following aspects: risk management practices are a part of BT's strategic planning, the exposure to strategic risk reflects strategic objectives that are not excessively "aggressive" and are compatible with developed business strategies and business initiatives are well designed and supported by appropriate communication channels, operating systems and delivery networks.

Banca Transilvania's perspective regarding the permanent monitoring and adherence to the principles mentioned below is meant to ensure the sound management of strategic risk and to create the premises for the bank's sustainable growth under profitability conditions foreseen.

The general principles applied to ensure the sound management of strategic risk are:

- periodic reassessment of the bank's business strategy
- drawing up plans for the introduction of new business lines, products and services, extending existing services as well as the consolidation of the bank's infrastructure.
- conducting a competition analysis which reflects the highlighting of strategic risk factors such as the threat of new competitors entering the market, the threat of substitute products (card payments replace cash payments; operations ordered/performed via electronic channels substitute the operations at the bank's counters), the continuous evolution of strategic risk factors during the life cycle of products and services.

#### **i. Compliance risk**

In accordance with the requirements of NBR's Regulation no. 5/2013 on prudential requirements for credit institutions, the Group ensures the ongoing development of the compliance activity, providing a permanent and efficient compliance risk management framework.

In this respect, the compliance function, as an integral part of the Group's control functions, has provided the management body with consultancy on the implementation of the legal and regulatory framework and on the standards that the Group had to fulfil. Through the involvement and support of this function, the possible impact of any changes in the legal and regulatory framework on the Group's activities has been assessed on an ongoing basis.

The main tools for an efficient management of the compliance risk, are:

1. the aggregation, as a continuous process of certain exposure limits, and the monitoring of ratios that operatively reflect the processes within the Group, exposed to compliance risk;
2. continuous monitoring of the use of high-performance IT applications, that meet the Group's development strategy as well as the new legislative requirements;
3. raising employees' awareness through training actions on events that fall within the area of compliance risk so that the effect of this type of risk can be managed;
4. periodical internal and external auditing of the compliance function, through this approach ensuring control over the implementation of legislative requirements in force;
5. implementation of processes that lead to an effective management of the requirements regarding the conflicts of interest.

The relevant ratios by which the requirements of the compliance function were managed also addressed

the KYC (“know your customer”) area for the purpose of preventing and combating money laundering and terrorism financing as well as the area of international sanctions.

Through a unified approach strategy regarding compliance risk management, the process has been extended at the level of the entire BT Group.

The Code of Ethics and Conduct of the BT Financial Group has the role of communicating to all stakeholders the values and principles adhered to by the employees and members of the management body of the companies within the Group.

## THE STRUCTURE AND ORGANISATION OF THE RISK MANAGEMENT FUNCTION

The risk management function in Banca Transilvania is independent from the operational functions, being a core component within the institution. It ensures that the risks are identified, measured and reported accordingly.

The risk management function, coordinated by the Chief Risk Officer, plays an important role within the bank, ensuring that the bank has efficient risk management processes in place and being involved:

- a. in the drafting and annual review of strategies and in the decision making process (together with operational units and the management body);
- b. in the analysis of transactions with affiliated parties (with the collaboration of Companies Credit Risk Management Department, Retail Credit Risk Department, Treasury Department, Sustainable Corporate Governance and International Financial Markets Department, Accounting Department, Financial Analysis and Reporting Department);
- c. in the identification of risks arising from the complexity of the bank’s legal structure (in collaboration with Sustainable Corporate Governance and International Financial Markets Department);
- d. in the evaluation of significant changes (together with Sustainable Corporate Governance and International Financial Markets Department and Compliance Department);
- e. in the measurement and internal assessment of risks (in collaboration with Financial Analysis and Reporting Department);
- f. in risk monitoring;
- g. in other issues related to unapproved exposures

The Board of Directors (BoD) has a general responsibility in terms of establishing and monitoring the general framework for risk management within the Group and the Bank. Risk management in Banca Transilvania is performed at 2 levels:

- I. strategic level (management body)
  - a. Board of Directors /Risk Management Committee
  - b. Leaders’ Committee

## II. current operational level

- a. Asset-Liability Administration Committee (ALCO)
- b. Operational Risk Committee
- c. Credit Policy and Approval Committee (CPAC)
- d. Workout Committee (CRW)
- e. Deputy CEO Chief Risk Officer / Deputy CEO Chief Operations Officer
- f. Treasury
- g. Financial Risk Management Department
- h. Governance and Non-Financial Risk Management Department
- i. Monitoring and Provisions Calculation Department
- j. Companies Credit Risk Analysis Department
- k. Retail Credit Risk Department
- l. Risk Control Department
- m. Executive Director Security of Information, Technology and Operational Department
- n. Compliance Department
- o. Antifraud Department
- p. Physical Security Department
- q. Operational units (departments in the headquarters and territorial units)

The Board of Directors reviews the activity of such committees on a regular basis.

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

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

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

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

There were no changes regarding the managers of the Financial Risk Management Department, Governance and Non-Financial Risk Management Department, Compliance and Internal Audit have throughout 2023.

## **THE SCOPE AND NATURE OF RISK REPORTING AND MEASUREMENT SYSTEMS**

For the identification and measurement of risks, the bank has developed forward-looking instruments (anticipative tools such as crisis simulations) and backward-looking instruments (retrospective tools, such as periodical risk management reports). Banca Transilvania implements and maintains sufficient control systems and mechanisms in order to provide prudent and reliable estimates regarding the risk to which the bank is exposed.

For the specific risk categories, the bank has established transparent regular reporting mechanisms, so that the management body and all the relevant units are provided with precise, concise, intelligible and significant reports in due time, and to be able to exchange relevant information on risk identification, quantification or assessment and monitoring.

The Board of Directors and the Risk Management Committee establish the type, volume, format and frequency of information regarding risks.

## **DECLARATION APPROVED BY THE MANAGEMENT BODY ON THE ADEQUACY OF RISK MANAGEMENT ARRANGEMENTS OF THE INSTITUTION**

We hereby confirm that the risk management systems established within Banca Transilvania Financial Group are adequate with regard to the institution's risk profile and strategy.

The disclosure requirements reporting was prepared in accordance with Banca Transilvania's Policy on Compliance with Transparency and Publishing Requirements, in accordance with the provisions of EU Regulation no. 575/2013 on prudential requirements for credit institutions and investment firms. The policy is approved by the Board of Directors, reviewed on a half-yearly basis, and contains instructions and responsibilities regarding the preparation of the publication requirements.

## **RISK STATEMENT APPROVED BY THE MANAGEMENT BODY, DESCRIBING THE INSTITUTION'S OVERALL RISK PROFILE ASSOCIATED WITH THE BUSINESS STRATEGY**

Within the Report from the Board of Directors of Banca Transilvania, published on the Bank's website, contains information related to the institution's overall risk profile associated with the business strategy, including key ratios and figures, which can provide external stakeholders with a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body.

## NUMBER OF DIRECTORSHIPS HELD BY MEMBERS OF THE MANAGEMENT BODY

### BOARD MEMBERS

**Horia Ciorcila** – 1 non-executive mandate within BT Financial Group, 1 non-executive mandates outside BT Financial Group.

**Ivo Gueorguiev** – 2 non-executive mandate within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006) and 4 non-executive mandates outside BT Financial Group.

**Thomas Grasse** – 2 non-executive mandate within Banca Transilvania (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006), 2 non-executive mandates outside BT Financial Group.

**Florin Predescu-Vasvari** – 1 non-executive mandate within Banca Transilvania, 2 non-executive mandate outside BT Financial Group.

**Vasile Puscas** – 1 non-executive mandate within Banca Transilvania , 1 mandate in a non-profit legal entity, entity within the Banca Transilvania Financial Group - BTFG (will be considered as a single mandate in accordance with the provisions of O.U.G. no. 99/2006) and 1 mandate in non-profit organizations within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006).

**Lucyna Stanczak Wuczynska** – 1 non-executive mandate within Banca Transilvania, 1 non-executive mandate within another company, entity in a third company with respect to Banca Transilvania Financial Group – BTFG and and 1 mandate in non-profit organizations outside BT Financial Group (not taken into account, according to Government Emergency Ordinance no. 99/2006).

**Mirela Ileana Bordea** – 1 non-executive mandate within Banca Transilvania.

### LEADER'S COMMITTEE MEMBERS

**Ömer Tetik** – 1 non-executive mandate, 1 executive mandate within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006) and 1 non-executive mandate outside BT Financial Group.

**Luminița Runcan** – 4 non-executive mandates and 1 executive mandate within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006), 1 mandate in non-profit organizations outside BT Financial Group (not counted according to Government Emergency Ordinance no. 99/2006).

**Leontin Toderici** – 1 executive mandate within Banca Transilvania and 2 non-executive mandate within the BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006), 1 non-executive mandate outside BT Financial Group and 1 mandate in non-profit

organizations outside of the BT Financial Group (not counted according to Government Emergency Ordinance no. 99/2006).

**George Călinescu** – 3 non-executive mandates and 1 executive mandate within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006).

**Oana Ilaș** - 1 executive mandate, 1 non-executive mandate within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006)

**Tiberiu Moisa** - 1 executive mandate, 5 non-executive mandates and 3 mandates in non-profit organisations within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006).

## **POLICY REGARDING THE ASSESSMENT OF BANCA TRANSILVANIA'S MANAGEMENT BODY MEMBERS' SUITABILITY**

### **OBJECTIVE**

*The policy regarding the assessment of Banca Transilvania's management body members' suitability is intended to establish the principles that govern the way in which the management body's members are assessed, from an individual point of view regarding each person in question, as well as from a collective perspective, when assessing the entire management body. The present policy will settle aspects such as the assessment process and the selection and assessment criteria, with the latter being divided between criteria regarding professional proficiency, reputation and governance.*

### **GENERAL PRESENTION OF BANCA TRANSILVANIA'S MANAGEMENT BODY, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE**

The Remuneration Committee is a consultative committee, reporting to the Board of Directors, created to provide independent opinions on remuneration policies and practices, on the incentives created for risk, capital and liquidity management of Banca Transilvania and to exercise the powers mandated by the Board of Directors on this segment of activity. This committee reviews and ensures that the general principles and policies of remuneration and staff benefits are consistent with Banca Transilvania's business strategy, values and long-term objectives. The Remuneration Committee meets at least twice a year or whenever necessary, at the request of one of its members or of the Bank's management.

By virtue of its role within the Bank, the Remuneration Committee achieved the following in 2023:

- Reviewed and ensured that the general principles and policies of staff remuneration and benefits are in line with BT Financial Group's business strategy, objectives, values and long-term interests. In this regard:
- Reviewed and endorsed the staff remuneration policy;
- Monitored the achievement of requirements related to:
  - Involvement of the staff of internal control system functions (audit, risk and compliance) and Human Resources Department in the development of the remuneration policy;

- ensuring that the Bank's staff have access to the remuneration policy and that the staff evaluation process is properly formalized and transparent to employees;
- promoting a remuneration policy that ensures sound and effective risk management;
- linking the remuneration policy to the bank's business strategy, objectives, values and long-term interests, including the implementation of measures to avoid conflicts of interest;
- assessing the mechanisms and systems in place to ensure that the remuneration system adequately takes into account all types of risks, liquidity and capital levels and that the overall remuneration policy is consistent with the bank's strategy and promotes sound and effective risk management and is aligned with the business strategy, objectives, corporate culture and values and the long-term interests of the institution.
- Reviewed the general principles of the Remuneration Policy and informed the Board of Directors on the implementation; ensured that the independent internal assessment of compliance with the Remuneration Policy was carried out centrally;
- Directly supervised the level of remuneration of the coordinators of the risk management, compliance and audit functions (Director and Deputy Directors of Risk Management, Internal Audit and Compliance);
- Prepared remuneration decisions, including decisions with risk and risk management implications within BT;
- Oversaw the process of drafting, internal endorsement and submission to the Extraordinary General Meeting for approval of the remuneration policy on the Bank's governing body;
- Endorsed the remuneration report for 2023, the total annual remuneration of the members of the Management Committee and approved the remuneration of the Executive Directors.

The Nomination Committee is advisory, reporting to the Board of Directors, created to provide independent opinions on nomination policies and to exercise the powers mandated by the Board of Directors on this segment of the business. This committee reviews and ensures that the general principles and policies of suitability and nomination, ensuring that they are consistent with the structure of the governing body, business strategy, values and long-term objectives of Banca Transilvania. The Nomination Committee meets at least twice a year or whenever necessary at the request of one of its members or the Bank's management.

During the meetings held in 2023, the Nomination Committee the following:

- Reviewed and confirmed that the general principles and policies for staff appointments align with Banca Transilvania's business strategy, objectives, values and long-term interests:
  - Identified and recommended, for the approval of the Board of Directors, the extension of the terms of office of the members of the Governing Body who were due to expire. This included assessing the balance of knowledge, skills, diversity and experience within the governing body;
  - Assessed the structure, size, composition and performance of the Governing Body and made recommendations for any changes;



- Assessed the knowledge, skills and experience of each member of the management body and reported the findings to the relevant bodies and the supervisory authority. Knowledge of sound ESG (Environmental, Social and Corporate Governance) principles and practices was also integrated into the suitability assessment process.
- Monitored and reviewed the selection and succession planning processes for key functions and members of the management body.

Banca Transilvania's management body, in respect to the NBR's No. 5/2013 Regulation regarding the prudential requirements for credit institutions, includes the management body in its supervisory function (Board of Directors) and the structures of higher management that are responsible for the management function (The Leaders/Leader's Committee).

The management of Banca Transilvania is overseen by a Board of Directors, elected by the General Shareholders' Meeting. The Board, comprising 7 members, is elected for a 4 year term. Board members are chosen by the shareholders during the General Shareholders' Meeting, either upon the expiration of their terms or when one or more seats become vacant.

The eligibility criteria regarding the Board of Directors' membership are those provided by the relevant legislation, as well as those stated in Banca Transilvania's articles of association.

As provided in the relevant banking provisions, the members of the Board of Directors have to comply with the following eligibility requirements:

- have a reputation and level of experience which is adequate to the nature, size and complexity of the activity performed by the credit institution and to the responsibilities they are entitled with, in order to secure a prudent and healthy management of the bank;
- possess adequate theoretical and practical knowledge regarding the activities carried out by the bank;
- hold a level of qualification and professional experience which are compatible with the position held;
- have not suffered any criminal convictions and their name has not been linked whatsoever with any public scandal.

The management, organization and coordination of the bank's day-to-day activity is performed by the bank's executive directors (the leaders), more specifically the Chief Executive Officer and the Deputy CEO's, who are appointed by the Board of Directors and collectively make up the Leaders' Committee.

The Board of Directors is the only competent body in appointing and revoking at any time, but with proper reasoning, the bank's leaders (Chief Executive Officer and Deputy CEO's), as well as in determining the duties, remuneration and mandate length for each of them.

To assess the suitability of the management body's members, Banca Transilvania will take into consideration the following:

- collecting necessary information regarding the suitability of the assessed individuals, including their reputation, integrity, honesty and independence of mind. This is done through different

channels and instruments such as diplomas and certificates, letters of recommendation, curricula vitae, interviews, questionnaires, etc.;

- requiring the assessed individual to:
  - a. attest that all of the information provided is accurate and to provide proof of information, where necessary;
  - b. disclose any possible conflict of interest, either actual or potential.
- validating, as far as possible, the validity and accuracy of the information provided by the assessed individual;
- evaluating within both the Remuneration and the Nomination Committee the results of the suitability assessment of the management body's members;
- adopting all the necessary corrective measures in order to ensure the suitability of the management body's members, whenever such measures are entailed (e.g. adjusting duties between members of the management body, replacing certain members, recruiting additional members, possible measures to mitigate conflicts of interest, training single members or training for the management body collectively).

#### **THE PROCESS OF ASSESSING THE SUITABILITY OF THE MEMBERS OF THE MANAGEMENT BODY**

The Nomination Committee constantly monitors the adequacy of the management body's members at Banca Transilvania, conducting reassessments when any significant new factors arise. These reassessments occur in specific scenarios:

- a. Concerns about the individual or collective adequacy of the management body members;
- b. Events significantly impacting a member's reputation or non-compliance with the institution's conflict of interest policies;
- c. Reviews of the management framework by the Board of Directors or Leaders Committee, particularly if such reviews necessitate an adequacy assessment—for example, assigning new responsibilities to a manager requiring approval from NBR;
- d. Any other circumstances that could significantly affect the adequacy of the member of the management body.

In exercising their monitoring responsibilities, both the Nomination Committee and the Board of Directors ensure compliance with the applicable legal provisions, including the process, criteria and competencies for assessing adequacy.

The Nomination Committee also periodically re-evaluates whether members of the management body allocate sufficient time to their roles, especially when they take on additional mandates or new activities, including political engagements.

Assessments consider the internal guidelines concerning the diversity of the management body, ensuring the collective expertise, skills, and knowledge are always sufficient for understanding the institution's activities and associated risks.

The Committee conducts annual evaluations and reassesses the collective adequacy of the management body under significant changes, such as:

- a. Application for authorization under current legal provisions.
- b. Notable shifts in the management body's composition:
  - (i) Appointment of new members.
  - (ii) New responsibilities due to a change in requirements or positions within the body.
  - (iii) Termination of members' roles.
- c. Major alterations in the institution's business model, risk strategy, or organizational structure.
- d. Comprehensive reviews of the management framework, which may require reassessment.

The Nomination Committee's ongoing assessments and the preparation of an annual report are supported by the Sustainable Corporate Governance and International Financial Markets Department.

Furthermore, the Committee considers necessary training for management body members to ensure familiarity with the institution's structure, business model, risk profile, and governance regulations.

Candidate evaluations for the Board of Directors' positions adhere to relevant legal requirements, facilitated by a specialized questionnaire and reports from the Nomination Committee. The results of these evaluations are communicated to Banca Transilvania's shareholders, enabling informed participation in the General Shareholders' Meeting.

When reassessing the performance of the management body, either individually or collectively, the Remuneration Committee considers the following factors:

- the efficiency of the management body's work processes, including the efficiency of information flows and reporting lines to the management body, taking into account the contributions of the internal control functions, including any monitoring actions or recommendations made by these functions;
- the effective and prudent management of the credit institution, including whether the management body has acted in such a way as to pursue the interests of the credit institution;
- the ability of the management body to focus on strategically important aspects;
- the adequacy of the number of meetings held, the degree of participation, the allocation of sufficient time and the intensity of the involvement of the members of the management body during the meetings;
- any change in the composition of the management body and any deficiencies in terms of adequacy at individual or collective level, taking into account the credit institution's business model and risk management strategy, as well as their changes;
- the performance objectives established for the credit institution and the management body;
- independent thinking of the members of the management body, including the requirement that the decision-making process is not dominated by a member of the management body or a small group of members of the management body, as well as compliance of the members of the management body with the policy on conflict of interest; the decision-making process of

the management body should not be dominated by a single member or a small group of members;

- any events that may have a significant impact on the adequacy, individually or collectively, of the members of the management body, including changes in the business model, strategies or organization of the credit institution.

Additionally, in conducting these assessments, the Remuneration Committee also considers diversity aspects of the management body to ensure a proper balance of educational and professional backgrounds, age, gender, and geographical origin, with special emphasis on representing both genders. This approach aligns with and complements Banca Transilvania's diversity policy for the management body.

## **INDICATIVE CRITERIA FOR THE ASSESSMENT OF THE MANAGEMENT BODY'S MEMBERS**

### **Eligibility and incompatibilities**

The members of Banca Transilvania's management body can only be natural individuals, Romanian or foreign citizens in any given percentage, who:

#### **(i) at the individual level:**

- must have a good reputation, honesty, integrity and independent thinking, regardless of the size of the credit institution, its internal organization and the nature, scope and complexity of its activities, as well as the tasks and responsibilities of that function, including the quality of member held in the committees of the management body, in accordance with the criteria established below, to have carried out his previous professional activity in accordance with the rules of a prudent and healthy practice and must have and sustain the capacity to carry out his activity in the best interest of BT, in accordance with the rules of a prudent and healthy banking practice;
- must be able to exercise their responsibilities with honesty, integrity and independent thinking, in order to effectively evaluate and discuss senior management decisions, as well as other relevant management decisions, as appropriate, and to supervise and monitor effectively the decision-making process;
- have the capacity to allocate sufficient time for the fulfillment of their functions and comply with the requirements regarding the limitation of the mandates provided in the legal norms.
- must be approved by the NBR before the beginning of the exercise of responsibilities, in accordance with the requirements of the NBR Regulation no. 5/2013 on prudential requirements for credit institutions and 12/2020 on the authorization of credit institutions and changes in their situation;
- must effectively exercise their management responsibilities.

**(ii) at the collective level,** they must have the appropriate qualifications and competence, in accordance with the criteria set out below, in order to be able to rule in full knowledge of the matter on all matters relating to the activities of the Bank, on which they must decide according to their competencies.

Apart from the conditions provided by the legislation in force regarding the members of the management body of a banking institution, a person cannot be elected in the management body of the Bank, and if

he has been elected, he expires from his mandate, in case he is forbidden. , by a legal provision, a court decision or a decision of another authority, to exercise administrative and / or management responsibilities in a credit institution, financial institution or insurance / reinsurance company or other entity that carries out activity in one of the specific fields of these entities.

Each member of the Board of Directors must exercise his / her responsibilities with honesty, integrity and objectivity in order to be able to effectively evaluate and discuss the decisions taken by the directors, when necessary, and to effectively control and monitor the process of making those decisions.

## **SELECTION AND ASSESSMENT CRITERIA FOR THE MANAGEMENT'S BODY MEMBERS**

The management body as a whole has to be considered as being sufficiently adequate.

The criteria taken into consideration for the selection and assessment process are as following:

- criteria regarding professional proficiency;
- criteria regarding reputation;
- criteria regarding governance.

### **Criteria regarding professional proficiency**

In order to assess the suitability of a member of the management body, both the knowledge and abilities attained by the individual as a result of theoretical and practical training, as well as the role and responsibilities specific to the position taken into consideration, alongside with its specific knowledge requirements, will be considered. Thus, the assessment will be performed bearing in mind the criteria presented below, but also the aspects regarding the sharing of duties.

Having a theoretical experience - the evaluation must take into account the level and profile of education of each member of the management body, as well as whether it is in the financial-banking field or in other fields that could be considered relevant for the financial-banking field. In particular, education in fields such as economics, statistics and econometrics, law, accounting, auditing, administration, financial regulation, information technology can be considered relevant for the financial-banking field.

Having sufficient professional experience - an analysis of the practical experience in the previously held positions will be considered, taking into account:

- the nature of the management position held and its hierarchical level;
- the period of time for which the position was held;
- the nature and complexity of the activity related to the respective function, including its organizational structure;
- the sphere of competencies, the decisional attributions and the responsibilities assumed by the member of the senior management;
- knowledge regarding the structure and responsibilities of the management body, as well as the distribution of the attributions between the management body in its supervisory function, its committees and the senior management;

- technical knowledge acquired by holding the position;
- number of subordinates;
- other criteria expressly established by law;

In general, the criteria regarding the sufficient practical and professional experience, including holding a position of management for a sufficient length of time, is considered to be met when there is proof of evidence regarding the performance of a management activity within a credit institution for a minimum of 5 years when holding relevant positions in commercial, oversight and control divisions, preferably at least at a middle management level.

In carrying out the evaluation, the Nomination Committee may also take into account any of the following qualities held by the evaluated member: authenticity, language and vocabulary, decision-making capacity, communication, value judgments, customer orientation and quality, management competence, fidelity, external awareness, persuasive and negotiating skills, teamwork, strategic agility, stress resistance, a sense of responsibility, the ability to chair meetings, the ability to offer constructive criticism and other qualities provided by law.

The level of training, the special general knowledge, as well as the professional evolution of the management body will be evaluated both at personal level and at the level of the entire body, in order to ensure a maximum professional diversity of its members. In this regard, the assessment of adequacy at the collective level will take into account an adequate understanding of the areas for which members are jointly and severally liable, as well as the skills to effectively manage and supervise the credit institution, including:

- the Bank's activity and its main risks;
- each significant activity of the Bank;
- relevant areas of sectoral competence, especially financial, including financial markets and the capital market, solvency and internal models;
- accounting and financial reporting;
- risk management, compliance and internal audit;
- information technology and information security;
- local, regional and global markets, as appropriate;
- legal and regulatory framework;
- managerial skills and experience;
- ability to plan strategically;
- management of national and international groups and the risks associated with the structures within the group, as the case may be;

Moreover, in the process of appointing the members of the mandatory specialized committees (e.g. Audit or Risk Committee, as well as REMCO and NOMCO), the fact that the members should have sufficient experience in each of the respective areas will be taken into consideration, in order for the committee to possess the entire scope of expertise as required by law and also necessary for the proper functioning of the committee. At the same time, attention will be also paid to the requirement that all individual members of the specialized committee should wisely perform their respective duties.

The information each of the leaders has to attain refers to the following:

- the essential rights and obligations of the Board of Directors and Leaders' Committee;
- the cooperation between the management body and the coordinators of the independent internal control functions;
- specific knowledge regarding practices, policies, legislation and provisions in the banking and financial sector;
- information related to the principles, procedures and practices of risk management;
- the credit institution's structure and general way of conducting business;
- the Board of Directors' committees;
- particular knowledge regarding the way financial information is interpreted, at least at a level which would qualify the individual in question to take part in the adoption of a collective decision by the management body.

### **Criteria regarding reputation**

Besides the criteria related to professional proficiency, another premise for the suitability assessment is represented by the requirement to be deemed of good repute, honesty, integrity and personal trustworthiness. A member of the management body is considered to be of good name when there is no reason to reasonably doubt his or her good reputation, or any piece of evidence which could prove otherwise. The existence of clues which could permit raising reasonable doubt regarding the capabilities of the individual to perform a prudent management of the credit institution causes harm to his good reputation, which could also represent a threat from a reputational risk point of view. In this respect, the assessment will also take into consideration the existence of any convictions or ongoing prosecutions for a criminal offence, banking and financial offences or other offences under legislation relating to companies, bankruptcy, insolvency or consumer protection.

In this context, categories of factors that may affect reputation, honesty and integrity, including criteria for financial soundness, will be assessed.

#### ***1. Meeting specific requirements***

Evaluation criterias:

The professional career of the candidate must present a path that suggests a behavior that falls in accordance with the legal provisions.

In the evaluation of the previous professional activity of the person, the following aspects will be considered as particularly serious and therefore harmful for his reputation, honesty and integrity:

- any evidence that the person was not transparent, open and cooperative in his relations with the competent authorities and / or credit institutions;
- the refusal, revocation, withdrawal or exclusion of any registration, authorization, membership or license for the conduct of commercial, entrepreneurial or professional activities;
- the reasons for any dismissal from work or for any revocation on grounds of disregard for trust, from a fiduciary relationship or similar situation;

- disqualification, by any relevant competent authority, which has the effect of losing the status of member of the management body or of the quality of the person who actually leads the activity of an entity; and
- any other evidence that suggests that the person is acting in a manner that is not in accordance with high standards of conduct.

Also, in the evaluation of reputation, honesty and integrity, any other criteria provided by the legislation in force will be taken into account.

## **2. Financial soundness**

Evaluation criterias:

In assessing the reputation, honesty and integrity, the Bank shall take into account the following situations regarding the current and past economic activity and the financial soundness of a member of the management body, from the perspective of their potential impact on the reputation, integrity and honesty of that member. of the management body:

- a. inclusion in any list of bad-paying debtors or any negative records at a credit bureau, if applicable;
- b. the financial and commercial performance of the entities owned or managed by the member or in which the member had or holds a shareholding or significant influence, being taken into account in particular any reorganization, bankruptcy and liquidation procedures, as well as whether and how the member contributed to the cause of these proceedings;
- c. pronouncing a sentence for opening the insolvency procedure by liquidating assets against him;without prejudice to the presumption of innocence, civil proceedings, criminal or administrative proceedings, investments, exposures and large loans contracted, in so far as they may have a significant impact on the financial soundness of the member or of the entities owned or managed by him or in which the member holds a significant stake.

In addition, the assessment may also take into account creditworthiness information from credit control institutions or information from a similar foreign authority, which leads to the conclusion that there is a reckless financial behavior, namely the assumption of financial obligations disproportionately large.

The candidate will be informed that he / she is obliged to make public his / her financial situation, within his / her obligation to cooperate in case of doubts from some Romanian supervisory authorities regarding the solidity of his / her financial situation.

In order to evaluate the aspects indicated above, the aspects specified in the applicable legal regulations as well as the data obtained from additional sources will be taken into account

### **Criteria regarding governance**

When assessing the suitability of the management body, the following elements will be considered:

#### **1. Allocation of sufficient time by a member of the management body**

In order to assess the adequacy of the time allocated to the exercise of the function by the evaluated member, the Nomination Committee may consider aspects such as:



- the number of mandates held simultaneously within the financial or non-financial entities by that member, taking into account the possible overlaps, when the mandates are held in accordance with the provisions of the Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy, including when the member of the management body acts on behalf of a legal entity or as an alternate member of a full member of the management body;
- the size, nature, extent and complexity of the activities of the entity in which the member of the management body holds a mandate and, in particular, whether the entity is outside the European Union;
- presence in the territory and the time necessary for the trips, in order to fulfill the tasks of the member of the management body;
- the number of meetings scheduled for the management body;
- the mandates held simultaneously by the member of the management body within the organizations that do not pursue predominantly commercial objectives;
- any meetings necessary to be organized, in particular, with competent authorities or other interested parties outside the official meeting schedule of the management body;
- the nature of the position held by the member of the management body and related responsibilities, including specific duties such as general manager, chairman of the management body in his supervisory position or chairman or member of a committee, if that member holds an executive position or non-executive, as well as the need to participate in meetings within the companies mentioned above and within the credit institution;
- other external activities of a professional or political nature, as well as any other relevant functions and activities of the member of the management body, both inside and outside the financial sector, both inside and outside the European Union;
- the time needed to be allocated for initiation and preparation;
- any other relevant duties of the member that the credit institutions consider necessary to be taken into account when assessing the allocation of sufficient time by a member of the management body;
- relevant benchmarking studies available on the allocation of sufficient time, including those published periodically by EBA.

The Committee shall record in writing the role, responsibilities and knowledge specific to the various functions in the management body, together with the time deemed necessary for their exercise, taking into account the need to allocate time for initial introduction and training. Also, in order to assess the time considered sufficient for the exercise of the function, the Committee will also consider the impact of potential long-term absences of a member of the management body.

In this regard, when cumulating several mandates, the members of the Board of Directors and of the Leaders' Committee cannot be in more than one of the following situations:

- a. exercises a mandate in an executive position, simultaneously with two mandates in non-executive positions;
- b. simultaneously exercises four mandates in non-executive positions.

Also, the members of the Board of Directors and of the Leaders' Committee may not exercise more than one executive position during the mandate held within the credit institution.

The determination of the mandates that are considered as a single mandate is performed in accordance with the applicable legal provisions.

Mandates held in organizations or institutions that do not predominantly pursue commercial objectives should not be considered in determining the number of mandates.

The correspondence with the minimum time established for the exercise of the considered role will also be taken into account. The members of the Board of Directors will be present in at least 80% of the convened meetings, while the members of the Leaders' Committee will be present at all convened meetings (except in cases where the absence is justified in advance and confirmed by the general manager), commitment being assumed by accepting the mandate.

## ***2. Evaluation of the degree of independence as well as of independence***

The independence of the member of the evaluated management body will be evaluated from a dual perspective. Thus, on the one hand, the independent thinking of the person will be taken into account, as a behavioral trait that must be demonstrated by all members of the management body during discussions and decisions specific to the position exercised, and on the other hand will be analyzed the independent character of the person from the perspective of his / her current or past relationship or past relationship with the credit institution or his / her management which could potentially affect his / her objectivity and ability to make decisions independently.

Regarding the independent thinking of the member of the evaluated management body, the Nomination Committee will consider the following aspects:

(i) have the necessary behavioral skills, including:

- a. the courage, conviction and power to evaluate and challenge effectively the decisions proposed by other members of the management body;
- b. the ability to ask questions to members of senior management regarding the exercise of their duties;
- c. the capacity not to be influenced by the opinions of the other members without carrying out a careful own analysis of the respective opinions; and
- d. they find themselves in situations of conflicts of interest, to an extent that would affect their ability to perform their tasks independently and objectively.

In order to assess the degree of independence, honesty and integrity, the following information will be requested in order to verify potential causes of conflicts of interest:

- a. the functions held so far within the credit institution, as well as the functions held in other companies, now or in the recent past (eg in the last 5 years), including within entities with interests contrary to those of the credit institution ;
- b. influence or political relations;
- c. personal, professional or economic relations with significant shareholders of the credit institution or with enterprises affiliated to the credit institution;
- d. personal, professional or economic relations with the other members of the management body.

Relationships of a personal, professional or economic nature take into account financial interests (e.g. loans, holdings, etc.) and non-financial interests or relationships (e.g. close relationships such as spouse, official partner, roommate, child, parent or other relationship with the person). with whom he / she lives) of the assessed person and his / her relatives up to the second degree with the other members of the

management body or with the significant shareholders of the credit institution or with enterprises affiliated to the credit institution. Any such situation must be properly documented and managed by the Nomination Committee, and it is mandatory to abstain from voting the member of the management body in conflict of interest regarding the matter submitted to the vote.

Regarding the independent character of the member of the management body from the perspective of the present relationship and of his present or recent past relations with the credit institution, the applicable legal provisions will be taken into account, together with the internal regulations in this matter.

## **DIVERSITY POLICY FOR THE SELECTION OF MEMBERS OF THE MANAGEMENT BODY**

This policy aims to establish how to promote diversity within the BT Group in the management body (Board of Directors and Leaders' Committee). Banca Transilvania Financial Group recognizes and supports the benefits of diversity to increase performance. The BT principles are also applicable to the entities within the BT Financial Group. The principles described in this Policy are applicable to all the entities within the BT Financial Group.

The administration of Banca Transilvania is entrusted by the General Meeting of Shareholders to a Board of Directors elected for a term of 4 years, consisting of 7 directors, elected by the shareholders, within the GMS, on the expiration of the mandate, or punctually in the event of the existence of one or more vacancies. The eligibility criteria in the Board of Directors are those provided in the specific legislation, as well as those provided in the Constitutive Act of Banca Transilvania SA.

The Board of Directors appoints the members of the Leaders' Committee, considering the recommendations of the Nomination Committee. At BT level, management body is represented by the members of the Board of Directors and the Leaders' Committee.

In order to achieve a sustainable and balanced development, Banca Transilvania considers the increase of diversity at the management body level as an essential element in supporting the achievement of its strategic objectives. In designing the governance structure, diversity considerations were taken into account, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and seniority. All appointments are based on meritocracy, and candidates will be considered based on objective criteria, taking into account the benefits of diversity.

For Banca Transilvania, although the diversity and variety of experiences and views represented in the management body must always be considered, a candidate should be neither elected nor excluded, exclusively or largely on the grounds of race, color, gender, origin or sexual orientation. In selecting a candidate, the Nomination Committee shall prioritize the skills, national and international experience or cultural profile that would complement the existing management body, recognizing that the bank's activities and operations are diverse and national in nature with a global impact.

Recognizing the global character of the banking activity, the directors and administrators of Banca Transilvania are citizens of Romania, as well as citizens and residents in other states. Most BT directors and administrators come from Romanian and international banking backgrounds.

For Banca Transilvania, while the management body does not have to adhere to a number of directors, in general, a format of 6-14 members provides a sufficiently large and diverse group to address the important issues facing the bank, at the same time, they are small enough to encourage personal involvement and constructive discussions.

The directors and administrators of Banca Transilvania must have held management positions in various organizations or at BT and demonstrate their ability to perform management duties related to top management positions or bank administration. Preferably, they must have been executive members of prestigious international institutions, where they have developed their skills and experience in strategy and business development, innovation, operations, brand management, financials, compliance, decisions and risk management. These skills, as well as the experience gained, should allow them to be involved in managing the problems facing an international company in the current environment, ensuring the supervision of these areas in the bank and the evaluation of BT's performance.

All members of the management body must also have significant experience in corporate governance and overseeing complex business through their status as executive directors, directors, administrators or other relevant positions in other large institutions.

It is preferred that some of the bank's directors to have relevant experience in areas specific to financial-banking institutions, such as auditing, risk and the capital market. All of these skills and experiences are relevant to current strategies, as well as to encourage the development of the bank, enabling managers and executives to provide diverse development perspectives, valuable advice and critical insights into new business opportunities, product launches, new markets, solutions to the problems facing the institution as well as the banking system both locally and nationally.

#### **Measurable objectives in order to maintain the diversity standards at the level of the management body of Banca Transilvania**

The selection of candidates will be based on a range of diversity perspectives, including, but not limited to gender, age, cultural and educational background, ethnicity, work experience, skills, knowledge and seniority. The final decision will be based on the merits and the contribution that the selected candidates will make to the management body. The structure (gender, ethnicity, age, seniority) will be periodically communicated through the Banca Transilvania website.

The Board of Directors, as well as the Leaders' Committee of Banca Transilvania perceive diversity as a factor in choosing the members of the management, recognizing that the diversity promoted even at this level brings significant benefits to the bank. The Nomination Committee uses several criteria in selecting candidates for the position of manager and director, including diversity of background. Banca Transilvania considers that a potential eligible member of management must be able to work in a collegial manner with people from diverse educational, cultural and business backgrounds and must have skills that complement the attributes of existing members.

BT encourages the presence of members of the management in order to ensure the balance and high performance of the company. However, Banca Transilvania considers that the appointment of a member in management cannot be made solely based on gender, given that such practices lead to discrediting his competence and independence. We believe that the efficient and sustainable development of the bank can be achieved by providing a framework for the growth and personal development of female employees under the same conditions as men.

In 2023, the number of employees who attended vocational training courses was about 70% of the total number of employees. We also mention that at the level of hirings / promotions that were made at the level of directors, approximately 40% of those appointed to these positions are women. Thus, the goal of Banca Transilvania to increase the representation of women in the BT management body is considered fulfilled.

Banca Transilvania considered that the Leaders' Committee, in its current composition, meets the diversity requirements as a whole, in accordance with the diversity practices at the bank level.

Banca Transilvania has created a space for sustainable growth of its employees, through professional courses that are offered without discrimination of any kind to employees, depending on the needs, type of activity and position performed.

## **MONITORING AND REPORTING**

The Nomination Committee will regularly monitor European diversity requirements in terms of diversity.

In order to maintain and develop a balanced, functional and efficient management body, the Nomination Committee may, at a certain time, take into account (when appointing a candidate) other duties, experiences or competencies on which they consider relevant at the time of the decision.

Thus, the Nomination Committee may take into account the diversity in the evaluation of candidates for management. Banca Transilvania considers that the diversity related to the cultural profile, experience, abilities, race, gender and national origin is an important element in the composition of the management. The Nomination Committee discusses diversity considerations in relation to each candidate, as well as periodically, in relation to the composition of management, as a whole.

The Nomination Committee outlines the appropriate skills and characteristics required of management members in the light of its current composition. This assessment includes aspects related to expertise (including international and financial-banking experience), independence, integrity, diversity and age, as well as technical skills related to banking, manufacturing, finance, marketing, technology and public policy. The main eligibility criteria considered are those arising from the legal requirements, the committee ensuring that part of the governing body remains independent.

## **THE RISK MANAGEMENT COMMITTEE**

The Risk Management Committee is subordinated to the Board of Directors and is established to issue competent and independent opinions on the risk management policies and procedures, the capital adequacy and the bank's appetite to risk and to exercise the attributions mandated by the Board of Directors in this field of activity.

The Risk Management Committee is currently composed of 3 directors. Responsibilities mainly related to: advising the Board of Directors on the bank's risk appetite and the strategy for the management of current and future risks to which the bank is exposed; assisting the Board of Directors in the supervision of the strategy implementation by the Leaders' Committee. The general responsibility regarding risk management remains with the Board of Directors.

The Risk Committee met in physical meetings 10 times during 2023, several conference calls to review and decide on ad hoc issues, and had a number of correspondence meetings.

## **INFORMATION FLOW - RISKS TO THE MANAGEMENT BODY**

For the specific risk categories, the bank has established transparent regular reporting mechanisms, so that the management body and all the relevant units are provided with precise, concise, intelligible and significant reports in due time, and to be able to exchange relevant information on risk identification, quantification or assessment and monitoring.

The Board of Directors and the Risk Management Committee establish the type, volume, format and frequency of information regarding risks

It is under the responsibility of DARF (Financial Risk Management Department)/DGARN (Non-Financial Risk Management and Governance Department) the periodic follow-up of the Bank's activity within the approved risk limits, so that the risks derived from the Bank's activity take into account the risk appetite on which the bank assumed. Any deviation from such limits is immediately reported to the CRO. For indicators at Leader's Committee / Risk Management Committee level, depending on the materialized risk, the deviation will be reported to the appropriate Committee (Committee for the Administration of Assets and Liabilities (ALCO) - for limits related to treasury activity; Policy and Loan Approval Committee - for limits related to loans; Leaders Committee - other risks) in the next meeting / immediately after the identification of the deviation, as requested by Deputy General Manager - Chief risk Officer (CRO).

Ratios related to the bank's risk appetite are monitored on a monthly basis, the results being synthesized in the specific risk reports submitted to the attention of Asset-Liability Committee / Leaders' Committee for information and analysis.

Reporting to BoD/Risk Committee occurs at least on a quarterly basis.

## **APPLICATION DOMAIN**

Banca Transilvania S.A. ("Parent Company", "BT") is a joint-stock company registered in Romania. The bank started its activity as a banking company in 1993, being authorized by the National Bank of Romania to carry out banking activities. The bank started its activity in 1994 and the services provided by it refer to banking activities for legal entities and individuals.

Due to differences in regulations, the Banca Transilvania Group ("the Group") is defined by two consolidation perimeters as follows:

- The consolidated group for IFRS accounting purposes - where the scope of consolidation is drawn up in accordance with IFRS 10
- The consolidated group for prudential purposes - where the scope of consolidation is drawn up in accordance with art 18 and 19 of Regulation 575/2013.

**Template 1: EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories**

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	a	b	c	d	e			f	g
	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Subject to the CCR framework	Carrying values of items			Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
<b>Breakdown by asset classes according to the balance sheet from the published financial statements</b>									
Cash and current accounts with Central Banks	24,252,600	24,252,600	24,252,600	-	-	-	-	-	-
Derivatives	124,817	124,817	124,817	-	-	-	-	-	-
Financial assets held for trading and measured at fair value through profit or loss	345,756	37,049	-	-	-	-	37,049	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	1,232,598	1,694,537	-	-	-	-	1,694,537	-	-
Financial assets measured at fair value through other items of comprehensive income	40,600,026	40,600,026	-	-	-	-	40,600,026	-	-
Financial assets at amortized cost - of which:	95,733,542	95,881,188	95,881,188	-	-	-	-	-	-
- Placements with banks	12,272,959	12,272,204	12,272,204	-	-	-	-	-	-
- Loans and advances to customers	72,008,224	72,157,165	72,157,165	-	-	-	-	-	-
- Debt instruments	9,472,245	9,472,245	9,472,245	-	-	-	-	-	-
- Other financial assets	1,980,114	1,979,574	1,979,574	-	-	-	-	-	-
Finance lease receivables	3,562,683	3,562,683	3,562,683	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	-	-	-
Investment in associates	1,326	18,197	18,197	-	-	-	-	-	-
Property and equipment and investment property	1,278,903	927,587	927,587	-	-	-	-	-	-
Intangible assets	693,671	693,509	-	-	-	-	-	-	693,509
Goodwill	154,363	154,363	154,363	-	-	-	-	-	-
Right-of-use assets	514,060	740,224	740,224	-	-	-	-	-	-
Current tax assets	-	-	-	-	-	-	-	-	-
Deferred tax assets	354,481	332,557	332,557	-	-	-	-	-	-
Other non-financial assets	320,399	320,399	320,399	-	-	-	-	-	-
<b>Total assets</b>	<b>169,169,225</b>	<b>169,339,736</b>	<b>126,314,615</b>	-	-	-	<b>42,331,612</b>	-	<b>693,509</b>
<b>Breakdown by debt classes according to the balance sheet from the published financial statements</b>									
Derivatives	88,809	88,809	-	-	-	-	-	-	-
Deposits from banks	1,034,613	1,034,613	-	-	-	-	-	-	-
Deposits from customers	138,052,954	138,078,394	-	-	-	-	-	-	-
Loans from banks and other financial institutions	9,548,567	9,515,215	-	-	-	-	-	-	-
Subordinated liabilities	2,423,218	2,423,218	-	-	-	-	-	-	-
Current tax liability	103,884	103,862	-	-	-	-	-	-	-
Provisions for other risks and loan commitments	651,144	651,144	-	-	-	-	-	-	-
Lease liabilities	533,351	710,926	-	-	-	-	-	-	-
Other financial liabilities	2,521,170	2,521,037	-	-	-	-	-	-	-
Other non-financial liabilities	288,057	287,362	-	-	-	-	-	-	-
<b>Total liabilities excluding financial liabilities to holders of fund units</b>	<b>155,245,767</b>	<b>155,414,580</b>	-	-	-	-	-	-	-
Financial liabilities to holders of fund units	26,950	26,950	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>155,272,717</b>	<b>155,441,530</b>	-	-	-	-	-	-	-
<b>Breakdown by equity classes according to the balance sheet from the published financial statements</b>									
Share capital	8,073,083	8,073,083	-	-	-	-	-	-	-
Treasury shares	(28,269)	(12,982)	-	-	-	-	-	-	-
Share premiums	31,235	31,235	-	-	-	-	-	-	-
Retained earnings	5,444,429	5,455,394	-	-	-	-	-	-	-
Revaluation reserves from tangible assets	43,859	46,731	-	-	-	-	-	-	-
Reserves on financial assets measured at fair value through other items of comprehensive income	(1,488,214)	(1,488,214)	-	-	-	-	-	-	-
Other reserves	1,147,889	1,147,393	-	-	-	-	-	-	-
<b>Total equity attributable to equity holders of the Bank</b>	<b>13,223,992</b>	<b>13,252,640</b>	-	-	-	-	-	-	-
Non-controlling interest	672,516	672,516	-	-	-	-	-	-	-
<b>Total equity</b>	<b>13,896,508</b>	<b>13,925,156</b>	-	-	-	-	-	-	-
<b>Total liabilities and equity</b>	<b>169,169,225</b>	<b>169,366,686</b>	-	-	-	-	-	-	-

Template 2: EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

RON thous.

		a	b	c	d	e	f
		Total	Elemente care fac obiectul				Care fac obiectul cadrului privind riscul de piață
			Cadrul privind riscul de credit	Cadrul privind securitizarea	Cadrul privind riscul de credit al contrapartii	Cadrul privind riscul de piata	
1	Cuquantumul corespunzator valorii contabile a activelor din domeniul de aplicare al consolidarii prudentiale ( conform modelului LI1)	169,339,736	126,314,615	-	-	42,331,612	693,509
2	Cuquantumul corespunzator valorii contabile a datoriilor din domeniul de aplicare al consolidarii prudentiale ( conform modelului LI1)	155,414,580	-	-	-	-	
3	Cuquantumul total net din domeniul de aplicare al consolidarii prudentiale	13,925,156	126,314,615	-	-	42,331,612	693,509
4	<b>Cuquantumurile extrabilantiere</b>	-					
5	<i>Diferente in ceea ce priveste evaluarile</i>	-					
6	<i>Diferente datorate diferitelor norme de compensare, altele decat cele incluse deja pe randul 2</i>	-					
7	<i>Diferente datorita luarii in considerare a provizioanelor</i>	-					
8	<i>Diferente datorate utilizarii tehnicilor de diminuare a riscului de credit ( credit risk mitigation - CRM)</i>	-					
9	<i>Diferente datorate factorilor de conversie a creditului</i>	-					
10	<i>Diferente datorate securitizarii cu transfer a riscului</i>	-					
11	<i>Alte diferente</i>	-					
12	<b>Cuquantumurile expunerilor luate in considerare in scopuri de reglementare</b>	-					



### Template 3: EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

The subsidiaries comprise the following entities:

a	b	c	d	e	f	g	h	
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	Description of the entity	31-Dec-23
BT Capital Partners S.A.	Consolidated by the method of global consolidation	X					Investment	99,59%
BT Leasing Transilvania IFN S.A.	Consolidated by the method of global consolidation	X					Leasing	100,00%
BT Investments S.R.L.	Consolidated by the method of global consolidation	X					Investment	100,00%
BT Direct IFN S.A.	Consolidated by the method of global consolidation	X					Consumer loans	100,00%
BT Building S.R.L.	Consolidated by the method of global consolidation			X			Investment	30,00%
BT Asset Management SAI. S.A.	Consolidated by the method of global consolidation	X					Asset management	100,00%
BT Solution Agent de Asigurare S.R.L.	Consolidated by the method of global consolidation	X					Auxiliary activities insurance companies and pensions	100,00%
BT Asiom Agent de Asigurare S.R.L.	Consolidated by the method of global consolidation	X					Auxiliary activities insurance companies and pensions	100,00%
BT Safe Agent de Asigurare S.R.L.	Consolidated by the method of global consolidation	X					Auxiliary activities insurance companies and pensions	100,00%
BT Intermedieri Agent de Asigurare S.R.L.	Consolidated by the method of global consolidation	X					Auxiliary activities insurance companies and pensions	100,00%
BT Leasing MD S.R.L.	Consolidated by the method of global consolidation	X					Leasing	100,00%
BT Microfinanțare IFN S.A.	Consolidated by the method of global consolidation	X					Consumer loans	100,00%
Improvement Credit Collection S.R.L.	Consolidated by the method of global consolidation	X					Activities of collection agencies and credit reporting bureaus	100,00%
VB INVESTMENT HOLDING B.V.	Consolidated by the method of global consolidation	X					Holding activities	61,82%
Banca Comercială "VICTORIABANK", S.A.	Consolidated by the method of global consolidation	X					Licensed financial-banking and investment activities	44,63%
BT PENSII - SOCIETATE DE ADMINISTRARE A FONDURILOR DE PENSII FACULTATIVE S.A.	Consolidated by the method of global consolidation	X					Activities of pension funds (except those in the public social security system)	100,00%
Salt Bank	Consolidated by the method of global consolidation	X					Other monetary intermediation activities	100,00%
Idea Broker de Asigurare	Consolidated by the method of global consolidation	X					Activities of insurance agents and brokers	100,00%
Idea LEASING	Consolidated by the method of global consolidation	X					Leasing	100,00%
Code Crafters by BT	Consolidated by the method of global consolidation	X					Custom software development activities (customer oriented)	100,00%
Tiriac Leasing IFN SA	Consolidated by the method of global consolidation	X					Leasing	-
Sinteza S.A.	Consolidated by the equity method				X		Manufacture other basic organic chemicals	31,09%
Fond inchis de investitii BT Invest1	Consolidated by the method of global consolidation				X		Closed-end investment fund	91,73%
BTP ONE SRL	Consolidated by the method of global consolidation				X		Renting and subletting of own or rented property	100,00%
BTP RETAIL SRL	Consolidated by the method of global consolidation				X		Renting and subletting of own or rented property	100,00%
Fondul imobiliar de investitii alternative BT Property	Consolidated by the method of global consolidation				X		Alternative investment real estate fund	100,00%

## Consolidated Group for Accounting Purposes

IFRS 10 establishes a single control model applicable to all entities, including special-purpose entities.

The amendments brought forth by IFRS 10 require the management to exert significant reasoning in order to determine the entities that are controlled, and thus need to be consolidated by a parent entity.

In accordance with IFRS 10 “Consolidated Financial Statements”, the Group controls an entity it has invested in, when it entirely holds the following:

- Power over the investee;
- Exposure or rights to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect the amount of the investor’s returns;

The Group Banca Transilvania (“Group”) includes the parent-company and its subsidiaries, located in Romania and in the Republic of Moldova.

The consolidated financial statements of the Group for the financial year ended at December 31, 2023 comprise the financial statements of Banca Transilvania S.A. and of its subsidiaries, that jointly form the Group.

The Group’s fields of activity are: banking through Banca Transilvania S.A., Victoriabank S.A. and Salt (Idea) Bank S.A., leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., Idea Leasing IFN S.A., BT Direct IFN S.A., BT Microfinanțare IFN S.A., BT Leasing MD S.R.L., asset management through BT Asset Management S.A.I. S.A. brokerage and investments through BT Capital Partners S.A, and pension funds management BT Pensii S.A. Additionally, the Bank also has control over two investment funds it consolidates and is associated in Sinteza S.A. with a holding percentage of 31.09%. Consolidated for accounting purposes - IFRS10

Number of units	Global consolidation		Equity method	
	2023	2022	2023	2022
As of 1/1	23	24	1	1
Included for the first time in the financial period	2	2	0	0
Merged in the financial period	1	0	0	0
Excluded in the financial period	0	3	0	0
<b>As of 31/12</b>	<b>24</b>	<b>23</b>	<b>1</b>	<b>1</b>

## Consolidated Group for Prudential Purposes

The regulations underlying the prudential consolidation are the Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 and Regulation (EU) No 575/2013 of the European Parliament and of the Council.

In 2023, the difference between the Group consolidated for prudential purposes and the one consolidated for accounting IFRS purposes resides in 4 investment fund organized as an undertaking for

collective investment, without legal personality ,BT Building and Sinteza SA that are consolidated using the global method in the consolidated balance sheet accounting and by equalization in the consolidated balance sheet. These entities are not subject to the provisions laid down in Regulation no. 575 /2013 on prudential requirements for credit institutions and investment firms.

The financial statements consolidated for prudential purposes for the financial exercise ended on December 31<sup>st</sup>, 2023 comprise the financial statements of Banca Transilvania S.A. and of its subsidiaries, which form the whole Group.

Consolidated for prudential purposes

Number of units	Global consolidation		Equity method	
	2023	2022	2023	2022
As of 1/1	20	21	1	0
Included for the first time in the financial period	0	2	0	1
Merged in the financial period	1	0	0	0
Excluded in the financial period	0	3	0	0
<b>As of 31/12</b>	<b>19</b>	<b>20</b>	<b>1</b>	<b>1</b>

## OWN FUNDS

### OWN FUNDS REQUIREMENTS

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

- Common Equity Tier 1 , which includes subscribed and paid in capital, share premiums, eligible reserves, retained earnings and deductions stipulated by the applicable legal provisions;
- Tier II, which includes subordinated borrowings and deductions stipulated by the applicable legal provisions.

### Main characteristics of capital instruments

1	Issuer	Banca Transilvania	Banca Transilvania	Idea Bank	Idea Bank
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ROTLVADBC023	XS2641792465	ROD3LSDKONG6	0
3	Governing law(s) of the instrument	OUG nr.99/2006, CRR	OUG nr.99/2006, CRR	OUG nr.99/2006, CRR	OUG nr.99/2006, CRR
	<b>Regulatory treatment</b>	0	0	0	0
4	Transitional CRR rules	Level 2	Level 2	Level 2	Level 2
5	Post-transitional CRR rules	Level 2	Level 2	Level 2	Level 2

6	Eligible at solo/(sub)consolidated / solo&(sub)consolidated	individual and consolidated	individual and consolidated	consolidated	consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated securities (bonds)	Subordinated securities (bonds)	Subordinated securities (bonds)	Subordinated loan
8	Amount recognized in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	€ 256.00	€ 198.76	€ 0.18	€ 0.15
9	Nominal amount of instrument	€ 285.00	€ 200.00	€ 5.00	€ 2.50
EU-9a	Issue price	€ 285.00	€ 200.00	€ 5.00	€ 2.50
EU-9b	Redemption price	€ 285.00	€ 200.00	€ 5.00	€ 2.50
10	Accounting classification	debts at amortized cost	debts at amortized cost	debts at amortized cost	debts at amortized cost
11	Original date of issuance	26/06/2018	29/06/2023	26/02/2019	28/02/2014
12	Perpetual or dated	dated	dated	dated	dated
13	Original maturity date	26/06/2028	29/06/2033	18/12/2024	31/03/2024
14	Issuer call subject to prior supervisory approval	nu	nu	nu	nu
15	Optional call date, contingent call dates and redemption amount	n/a	n/a	n/a	n/a
16	Subsequent call dates, if applicable	n/a	n/a	n/a	n/a
	<b>Coupons / dividends</b>	0	0	0	0
17	Fixed or floating dividend/coupon	floating	floating	fixed	floating
18	Coupon rate and any related index	EURIBOR 6M + 3.75%	EURIBOR 6M+6.68%	8.50%	EURIBOR 3M+8.76%
19	Existence of a dividend stopper	n/a	n/a	n/a	n/a
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	n/a	n/a	n/a	n/a
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	n/a	n/a	n/a	n/a
21	Existence of step up or other incentive to redeem	n/a	n/a	n/a	n/a
22	Noncumulative or cumulative	n/a	n/a	n/a	n/a

23	Convertible or non-convertible	nu	nu	nu	nu
24	If convertible, conversion trigger(s)	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	n/a	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a
30	Write-down features	n/a	n/a	n/a	n/a
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a
32	If write-down, full or partial	n/a	n/a	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	subordinated to all other debts	subordinated to all other debts	subordinated to all other debts	subordinated to all other debts
36	Non-compliant transitioned features	nu	nu	nu	nu
37	If yes, specify non-compliant features	-	-	-	-

### Reconciliation of own funds elements with the statement of financial position

RON thous.

Capital base in RON thousand	31/12/2023
Shareholders' equity according to the Group's balance sheet	13,223,992
Non-controlling interests	672,516
Anticipated dividend	(1,000,000)
Additional value adjustments	(42,563)
Goodwill	(154,363)
Deferred tax receivables	-
Intangible assets	(210,147)
Other adjustments	202,618
<b>Common Equity Tier 1 capital</b>	<b>12,692,053</b>
<b>Total Tier 1 capital I</b>	<b>12,692,053</b>
Tier 2 instrument	2,423,218

Other adjustments (161,155)

<b>Total Tier 2 capital</b>	<b>2,262,063</b>
<b>Total capital base</b>	<b>14,954,116</b>

## Financial position

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

RON thous.

		a	b	c
<b>Assets - Breakdown by asset classes according to the balance sheet from the published financial statements</b>		<b>IFRS Q4 2022</b>	<b>Prudential Q4 2022</b>	<b>Reference</b>
1	Cash and current accounts with Central Banks	24,252,600	24,252,600	
2	Derivatives	124,817	124,817	
3	Financial assets held for trading and measured at fair value through profit or loss	345,756	37,049	
4	Non-trading financial assets mandatorily at fair value through profit or loss	1,232,598	1,694,537	
5	Financial assets measured at fair value through other items of comprehensive income	40,600,026	40,600,026	
6	Financial assets at amortized cost - of which:	95,733,542	95,881,188	
7	- Placements with banks	12,272,959	12,272,204	
8	- Loans and advances to customers	72,008,224	72,157,165	
9	- Debt instruments	9,472,245	9,472,245	
10	- Other financial assets	1,980,114	1,979,574	
11	Finance lease receivables	3,562,683	3,562,683	
12	Investments in subsidiaries	-	-	
13	Investment in associates	1,326	18,197	
14	Property and equipment and investment property	1,278,903	927,587	
15	Intangible assets	693,671	693,509	CC1 row 8
16	Goodwill	154,363	154,363	CC1 row 8
17	Right-of-use assets	514,060	740,224	
18	Current tax assets	-	-	
19	Deferred tax assets	354,481	332,557	
20	Other non-financial assets	320,399	320,399	
21	<b>Total assets</b>	<b>169,169,225</b>	<b>169,339,736</b>	
<b>Liabilities - Breakdown by liabilities classes according to the balance sheet from the published financial statements</b>				
22	Derivatives	88,809	88,809	
23	Deposits from banks	1,034,613	1,034,613	
24	Deposits from customers	138,052,954	138,078,394	
25	Loans from banks and other financial institutions	9,548,567	9,515,215	
26	Subordinated liabilities	2,423,218	2,423,218	
27	Current tax liability	103,884	103,862	

28	Provisions for other risks and loan commitments	651,144	651,144	
29	Lease liabilities	533,351	710,926	
30	Other financial liabilities	2,521,170	2,521,037	
31	Other non-financial liabilities	288,057	287,362	
32	<b>Total liabilities excluding financial liabilities to holders of fund units</b>	<b>155,245,767</b>	<b>155,414,580</b>	
33	Financial liabilities to holders of fund units	26,950		
34	<b>Total liabilities</b>	<b>155,272,717</b>	<b>155,441,530</b>	
<b>Equity - Breakdown by equity classes according to the balance sheet from the published financial statements</b>				
35	Share capital	8,073,083	8,073,083	CC1 row 1
36	Treasury shares	(28,269)	(12,982)	CC1 row 16
37	Share premiums	31,235	31,235	CC1 row 1
38	Retained earnings	5,444,429	5,455,394	CC1 row 2 + CC1 row 3 + CC1 EU-3a
39	Revaluation reserves from tangible assets	43,839	46,731	
40	Reserves on financial assets measured at fair value through other items of comprehensive income	(1,488,214)	(1,488,214)	
41	Other reserves	1,147,889	1,147,393	
42	<b>Total equity attributable to equity holders of the Bank</b>	<b>13,223,992</b>	<b>13,252,640</b>	
43	Non-controlling interest	672,516	672,516	
44	<b>Total equity</b>	<b>13,896,508</b>	<b>13,925,156</b>	
45	<b>Total liabilities and equity</b>	<b>169,169,225</b>	<b>169,366,686</b>	

### Own funds (prudential)

#### Template EU CC1 - Composition of regulatory own funds

RON thous.

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
1	Capital instruments and the related share premium accounts	8,104,318	CC2 row 35+ CC2 row 37
2	Retained earnings	3,063,718	CC2 row 38 + CC2 row 39 + CC2 row 40 + CC2 row 41
3	Accumulated other comprehensive income (and other reserves)	1,190,516	
4	Directly issued capital subject to phase-out from CET1 capital (only applicable to non-joint stock companies)		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 capital)		
6	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>12,358,553</b>	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>		<b>31.12.2023</b>	
7	Prudent valuation adjustments	(42,563)	
8	Goodwill (net of related tax liability)	(154,363)	

9	Other intangibles other than mortgage servicing rights (MSR) (net of related tax liability)	(210,147)	
10	Deferred tax assets (DTA) that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)		
11	Cash flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale (as set out in [CAP30.14])		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined-benefit pension fund assets		
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	(79,430)	CC2 row 36 (partial) - treasury shares
17	Reciprocal cross-holdings in common equity		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		
20	MSR (amount above 10% threshold)		
21	DTA arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	Of which: significant investments in the common stock of financials		
24	Of which: MSR		
25	Of which: DTA arising from temporary differences		
26	National specific regulatory adjustments	820,004	
27	Regulatory adjustments applied to Common Equity Tier 1 capital due to insufficient Additional Tier 1 and Tier 2 capital to cover deductions		
<b>28</b>	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>333,500</b>	
<b>29</b>	<b>Common Equity Tier 1 (CET1) capital</b>	<b>12,692,053</b>	
<b>Additional Tier 1 (AT1) capital: instruments</b>		<b>31.12.2023</b>	
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus		
31	Of which: classified as equity under applicable accounting standards		
32	Of which: classified as liabilities under applicable accounting standards		
33	Directly issued capital instruments subject to phase-out from additional Tier 1 capital		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group additional Tier 1 capital)		
35	of which: instruments issued by subsidiaries subject to phase out		
<b>36</b>	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>		



<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>		<b>31.12.2023</b>	
37	Investments in own additional Tier 1 instruments		
38	Reciprocal cross-holdings in additional Tier 1 instruments		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation		
41	National specific regulatory adjustments		
42	Regulatory adjustments applied to additional Tier 1 capital due to insufficient Tier 2 capital to cover deductions		
<b>43</b>	<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>		
<b>44</b>	<b>Additional Tier 1 (AT1) capital</b>		
<b>45</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>12,692,053</b>	
<b>Tier 2 (T2) capital: instruments</b>		<b>31.12.2023</b>	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	2,262,063	
47	Directly issued capital instruments subject to phase-out from Tier 2 capital		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		
49	of which: instruments issued by subsidiaries subject to phase out		
50	Provisions		
<b>51</b>	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>2,262,063</b>	
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities		
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)		
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments		
<b>57</b>	<b>Total regulatory adjustments to Tier 2 (T2) capital</b>		
<b>58</b>	<b>Tier 2 (T2) capital</b>	<b>2,262,063</b>	
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>14,954,116</b>	
<b>60</b>	<b>Total risk-weighted assets</b>	<b>69,383,159</b>	
<b>Capital ratios and requirements including buffers</b>		<b>31.12.2023</b>	
61	Common Equity Tier 1 capital	18.29%	
62	Tier 1 capital	18.29%	

63	Total capital	21.55%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	11.59%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	1.00%	
67	of which: Other Systemically Important Institution buffer	2.00%	
68	<b>Common Equity Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements</b>	<b>10.17%</b>	
<b>National minima (if different from Basel III)</b>		<b>31.12.2023</b>	
69	National minimum Common Equity Tier 1 capital adequacy ratio (if different from Basel III minimum)		
70	National minimum Tier 1 capital adequacy ratio (if different from Basel III minimum)		
71	National minimum Total capital adequacy ratio (if different from Basel III minimum)		
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		<b>31.12.2023</b>	
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities		
73	Significant investments in the common stock of financial entities		
74	MSR (net of related tax liability)		
75	DTA arising from temporary differences (net of related tax liability)		
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		<b>31.12.2023</b>	
76	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to standardised approach (prior to application of cap)		
77	Cap on inclusion of provisions in Tier 2 capital under standardised approach		
78	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 capital under internal ratings-based approach		
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)</b>		<b>31.12.2023</b>	
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

## Template EU KM1 - Key metrics template

Banca Transilvania, chose to apply the temporary treatment provided by the prudential regulations.

RON thous.

		a	b	c	d	e
		31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2022
	<b>Available own funds (amounts)</b>					
1	Common Equity Tier 1 (CET1) capital	12,692,053	11,044,602	11,668,469	9,701,576	11,123,258
2	Tier 1 capital	12,692,053	11,044,602	11,668,469	9,701,576	11,123,258
3	Total capital	14,954,116	13,453,395	14,064,122	11,176,653	12,584,713
	<b>Risk-weighted exposure amounts</b>					
4	Total risk exposure amount	69,383,159	64,431,266	62,839,571	62,512,196	60,551,783
	<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>					
5	Common Equity Tier 1 ratio (%)	18.29%	17.14%	18.57%	15.52%	18.37%
6	Tier 1 ratio (%)	18.29%	17.14%	18.57%	15.52%	18.37%
7	Total capital ratio (%)	21.55%	20.88%	22.38%	17.88%	20.78%
	<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.83%	2.83%	2.83%	2.83%	2.83%
EU 7b	of which: to be made up of CET1 capital (%)	1.59%	1.59%	1.59%	1.59%	1.59%
EU 7c	of which: to be made up of Tier 1 capital (%)	2.12%	2.12%	2.12%	2.12%	2.12%
EU 7d	Total SREP own funds requirements (%)	10.83%	10.83%	10.83%	10.83%	10.83%
	<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Institution specific countercyclical capital buffer (%)	1.00%	0.50%	0.50%	0.50%	0.50%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	2.00%	2.00%	2.00%	2.00%	2.00%
11	Combined buffer requirement (%)	5.50%	5.00%	5.00%	5.00%	5.00%
EU 11a	Overall capital requirements (%)	16.33%	15.83%	15.83%	15.83%	15.83%
12	CET1 available after meeting the total SREP own funds requirements (%)	10.17%	9.02%	10.45%	7.40%	10.25%
	<b>Leverage ratio</b>					
13	Total exposure measure	177,000,695	165,744,944	160,794,207	154,445,323	147,751,218
14	Leverage ratio (%)	7.17%	6.66%	7.26%	6.28%	7.53%
	<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	-	-	-	-	-
	<b>Liquidity Coverage Ratio</b>					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	44,429	43,176	46,113	43,703	40,434
16	Total net cash outflows (adjusted value)	5,945	7,720	10,281	13,181	15,087
17	Liquidity coverage ratio (%)	747%	559%	449%	332%	268%
	<b>Net Stable Funding Ratio</b>					

18	Total available stable funding	143,712,525	132,820,368	127,126,026	120,659,345	117,319,047
19	Total required stable funding	61,917,825	58,790,858	55,958,667	56,371,756	56,183,066
20	NSFR ratio (%)	232.10%	225.92%	227.18%	214.04%	208.82%

## MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)

The Bank Recovery and Resolution Directive (BRRD) introduced the minimum requirements for own funds and eligible liabilities (MREL) in 2016 for European Union institutions. MREL's purpose is to ensure these institutions always uphold sufficient capacity to absorb any possible losses and to recapitalize.

MREL requirement is applicable to a broad spectrum of European institutions under the BRRD, irrespective of their size or systemic importance.

Moreover, resolution authorities determine MREL individually for each institution, allowing for adjustments based on each institution's unique characteristics and ensuring proportionality.

MREL is determined as the sum of two main components: loss absorption amount (LAA) and recapitalization amount (RA), the latter including an additional amount necessary to maintain sufficient market confidence in the credit institution under resolution (market confidence charge – MCC).

The MREL requirement is expressed as a ratio between the sum of own funds and eligible liabilities and the total risk exposure amount (TREA), respectively as a ratio between the sum of own funds and eligible liabilities and the institution's total exposure measure (TEM), calculated in accordance with art. 429 and 429a of Regulation (EU) no. 575/2013, reported by the credit institution.

$$\text{MREL} = \frac{\text{Total own funds and eligible debts}}{\text{Total risk exposure amount}}$$

$$\text{MREL} = \frac{\text{Total own funds and eligible debts}}{\text{Total exposure measure}}$$

At national level, the BRRD framework was transposed by Law 312/2015 regarding the recovery and resolution of credit institutions and investment firms, with subsequent amendments and additions.

Thus, the National Bank of Romania (NBR) as the National Resolution Authority (NRA), determined for Banca Transilvania, based on the consolidated financial statements, a minimum requirement of own funds and eligible liabilities that needs to be fulfilled with eligible capital and debt instruments.

Banca Transilvania ensures the fulfillment of the minimum requirement of own funds and eligible liabilities set by the NRA and plans its integration in the financial statements, implements the necessary actions to maintain internal capital and eligible instruments, monitors their level and the dynamics of the main capital indicators as a result of achieving the MREL target and reports periodically (quarterly) on compliance, as well as the details regarding the financing structure of the eligible liabilities, both to the Management Body and to the National Resolution Authority.

BT implemented a series of actions during 2023 that allowed the Bank to strengthen its capital base and to accumulate MREL eligible instruments: issuance of MREL eligible senior non-preferred bonds and

Tier 2 eligible subordinated notes under the EMTN programmes approved by the GSM in 2022 and 2023, as well as the incorporation of significant portions of the 2022 and 2023 profits into own funds items .

### **2023 BOND PROGRAMS:**

- EMTN 1/ XS2616733981
- EMTN 2/ XS2724401588

Amid the turmoil in financial markets in 2023, senior preferred bond issuance provided a safer investment alternative for risk-averse investors, increasing market stability and contributing to the resilience of financial institutions.

In this context, BT, with the support of strategic partners, entered the bond market in **April 2023** under the first Bond Program approved at the Extraordinary General Meeting of Shareholders in November 2022, the first issue in Europe in terms of size following the events that affected the international banking sector at the beginning of the year.

The program was designed both to meet regulatory requirements and to enhance the bank's visibility and reputation in the financial markets, as it was the first program to be listed on an international market Euronext Dublin. This allowed BT to reach a wider range of investors, communicating BT's story and financial performance in the local market, as well as the potential for growth alongside the Romanian economy. Through the confidence of investors, demonstrated by the high level of interest from the very beginning of the issue, the bank is delivering on its commitment to shareholders, raising the capital needed for the bank's organic growth and stability.

BT issued **EUR 500 million of 4-year Senior Non-Preferred Bonds** with a coupon of 8.875% in its first issue, with investors placing over EUR 850 million. The proceeds of this first issuance were treated as MREL-eligible debt securities. More than 80% of the total issue was subscribed by investors from almost 20 countries, placing orders amounting to more than EUR 850 million, with the EBRD being the lead investor with a subscription of EUR 90 million. As a result of the strong institutional interest, the Bank decided to increase the size of the issue by EUR 100 million in June 2023 and by EUR 190 million in August 2023. The global program coordinator (arranger) was Morgan Stanley and the co-managers (dealers) were BT Capital Partners and ING Bank, selected by Banca Transilvania on the basis of their reputation, experience and relevant track record in the bond business.

Also in **June 2023**, under the same Program, **IFC** (International Finance Corporation) provided EUR 100 million to the bank as part of a **EUR 200 million subordinated bond package**, together with **AIIB** (Asian Infrastructure Investment Bank). The bonds were listed on the Bucharest Stock Exchange with a **maturity of 10 years**, a coupon rate of EURIBOR 6M + 6.68%, complying with Basel III, EU and Romanian regulatory frameworks. This hybrid Tier 2 capital instrument contributed to increasing BT's and the Romania banking sector resilience.

This IFC - supported financing facility, together with AIIB, contributes to the scaling up of financing efforts in areas of interest for the transition to a sustainable economy in Romania. For example, the use of funds raised for green mortgages will contribute to the reduction of energy consumption and greenhouse gas emissions.

The second Program was approved at the Extraordinary General Meeting of Shareholders on **29 September 2023**. Under this new Program, BT has issued the first **bonds with an ESG label**, with a social component (minimum 50%) and a green component. The program is listed on the Dublin Stock Exchange. The bonds are MREL, contributing, according to European standards, to ensuring an optimal level of MREL eligible funds.

Thus, Banca Transilvania issued EUR 500 million of Senior Non-Preferred Bonds. **90%** of the total issue was subscribed by investors from 21 countries, of which 108 investors were financial institutions, investment and pension funds, commercial and central banks, as well as insurance and trading companies. Investor interest in the instruments issued by BT remained high, with investors placing orders of more than EUR 1,650 million, a coupon rate of 7.25% and a maturity of 5 years. The sale of the bonds was coordinated by arrangers JP Morgan SE, Citigroup Global Markets Europe AG, ING Bank N.V (which also acted as sole sustainability advisor) and BT Capital Partners was co-manager.

The first ESG-labelled issue has been integrated into BT Group's Sustainable Finance Framework. Sustainalytics has reviewed the categories, eligibility criteria and estimated impact through such financings, providing an Opinion for the benefit of investors.

Thus, Banca Transilvania becomes an active issuer in the international markets, both programs contributing to the bank's overall financial stability and growth. In terms of quantified impact, both programs led to improved capital adequacy ratios and lending capacities. The programs have strengthened the Bank's ability to navigate change and capitalize on opportunities. Both issues were rated by **Fitch** at the time of issuance, assigning a **BB** rating **to each bond series**.

Template KM2: Key metrics – TLAC requirements (at resolution group level)

RON thous.

		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII Requirement for own funds and eligible liabilities (TLAC)				
			a	b	c	d	e
		31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2022	30.09.2022
<b>Own funds and eligible liabilities, ratios and components</b>							
1	Own funds and eligible liabilities	22,507,858					
EU-1a	Of which own funds and subordinated liabilities	22,010,398					
2	Total risk exposure amount of the resolution group (TREA)	69,383,159					
3	Own funds and eligible liabilities as a percentage of the TREA	32.44%					
EU-3a	Of which own funds and subordinated liabilities	31.72%					
4	Total exposure measure (TEM) of the resolution group	177,000,695					
5	Own funds and eligible liabilities as percentage of the TEM	12.72%					
EU-5a	Of which own funds or subordinated liabilities	12.44%					
6a	Does the subordination exemption in Article 72b(4) of Regulation (EU) No 575/2013 apply? (5% exemption)						
6b	Aggregate amount of permitted non-subordinated eligible liabilities instruments if the subordination discretion in accordance with Article 72b(3) of Regulation (EU) No 575/2013 is applied (max 3.5% exemption)						
6c	If a capped subordination exemption applies in accordance with Article 72b (3) of Regulation (EU) No 575/2013, the amount of funding issued that ranks <i>pari passu</i> with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks <i>pari passu</i> with excluded liabilities and that would be recognised under row 1 if no cap was applied (%)						
<b>Minimum requirement for own funds and eligible liabilities (MREL)</b>							
EU-7	MREL expressed as a percentage of the TREA	24.60%					
EU-8	Of which to be met with own funds or subordinated liabilities	21.10%					
EU-9	MREL expressed as a percentage of the TEM	5.81%					
EU-10	Of which to be met with own funds or subordinated liabilities	4.37%					

## Template EU TLAC1 - Composition - MREL and, where applicable, G-SII Requirement for own funds and eligible liabilities

		RON thous.
		a
		Minimum requirement for own funds and eligible liabilities (MREL)
		31.12.2023
<b>Own funds and eligible liabilities and adjustments</b>		
1	Common Equity Tier 1 (CET1) capital	12,692,053
2	Additional Tier 1 (AT1) capital before TLAC adjustments	-
6	Tier 2 capital before TLAC adjustments	2,260,454
9	Other adjustments	14,952,507
10	Tier2 instruments eligible under the TLAC framework	-
11	TLAC arising from regulatory capital	-
<b>Own funds and eligible liabilities: Non-regulatory capital elements</b>		
12	External TLAC instruments issued directly by the bank and subordinated to excluded liabilities	6,914,694
EU-12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	-
EU-12b	Eligible liabilities instruments that are subordinated to excluded liabilities issued prior to 27 June 2019 (subordinated grandfathered)	-
EU-12c	Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items	143,198
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre-cap)	497,460
EU-13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	-
14	Of which: amount eligible as TLAC after application of the caps	-
17	TLAC arising from non-regulatory capital instruments before adjustments	7,555,352
EU-17a	Of which subordinated liabilities items	7,057,892
<b>Own funds and eligible liabilities: Adjustments to non-regulatory capital elements</b>		
18	Own funds and eligible liabilities items before adjustments	22,507,858
19	(Deduction of exposures between multiple point of entry (MPE) resolution groups)	-
20	(Deduction of investments in other eligible liabilities instruments)	-
22	Own funds and eligible liabilities after adjustments	22,507,858
EU-22a	Of which: own funds and subordinated liabilities	22,010,398
<b>Risk-weighted exposure amount and leverage exposure measure of the resolution group</b>		
23	Total risk exposure amount (TREA)	69,383,159
24	Total exposure measure (TEM)	177,000,695
<b>Ratio of own funds and eligible liabilities</b>		
25	Own funds and eligible liabilities as a percentage of TREA	32.44%
EU-25a	Of which own funds and subordinated liabilities	31.72%
26	Own funds and eligible liabilities as a percentage of TEM	12.72%
EU-26a	Of which own funds and subordinated liabilities	12.44%
27	CET1 (as a percentage of the TREA) available after meeting the resolution group's requirements	7.84%
28	Institution-specific combined buffer requirement	
29	of which capital conservation buffer requirement	



30	of which countercyclical buffer requirement	
31	of which systemic risk buffer requirement	
EU-31a	of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	
<b>Memorandum items</b>		
EU-32	Total amount of excluded liabilities referred to in Article 72a(2) of Regulation (EU) No 575/2013	

### Template EU TLAC3b: creditor ranking - resolution entity

RON thous.

		Insolvency ranking				TOTAL
		1	2	3	5	
1		Capital and reserves (i.e. equity instruments, issue premiums, retained earnings, other reserves, funds for general banking risks)	Tier 2 Capital items	Unsecured receivables resulting from debt instruments that meet all the conditions provided in art. 2341 of Law 85/2014	Receivables arising from treasury transactions, interbank transactions, customer transactions, securities transactions, other banking transactions, as well as those resulting from deliveries of goods, services or other works, rents and other unsecured receivables	
2	Subset of row 4 that are own funds and liabilities potentially eligible for meeting	12,358,553	2,403,652	6,914,694	497,460	22,174,358
3	o/w residual maturity $\geq$ 1 year < 2 years				497,460	497,460
4	o/w residual maturity $\geq$ 2 year < 5 years		1,414,860	6,417,234		7,832,094
6	o/w residual maturity $\geq$ 5 years < 10 years		988,791	497,460		1,486,251
6	o/w residual maturity $\geq$ 10 years, but excluding perpetual securities					-
7	o/w perpetual securities	12,358,553				12,358,553

## CAPITAL REQUIREMENTS

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

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

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

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

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

### Template 4: EU OV1 – Overview of RWAs

RON thous.

		a		b		c	
		RWA				Minimum capital requirements	
		31.12.2023	30.09.2023	31.12.2023	31.12.2023		
1	Credit risk (excluding CCR)	54,535,959	51,274,647	4,362,877			
2	Of which: standardised approach (SA)	54,535,959	51,274,647	4,362,877			
3	Of which: foundation internal ratings-based (F-IRB) approach	-	-	-			
4	Of which: supervisory slotting approach	-	-	-			
5	Of which: advanced internal ratings-based (A-IRB) approach	-	-	-			
6	Counterparty credit risk - CCR	65,851	65,886	5,268			
7	Of which: standardised approach for counterparty credit risk	65,851	65,886	5,268			
8	Of which IMM	-	-	-			
9	Of which other CCR	-	-	-			
10	Of which valuation adjustment - CVA	94,229	91,494	7,538			
11	Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period	-	-	-			
12	Equity investments in funds – look-through approach	-	-	-			
13	Equity investments in funds – mandate-based approach	-	-	-			
14	Equity investments in funds – fall-back approach	-	-	-			
15	Settlement risk	-	-	-			
16	Securitisation exposures in banking book	-	-	-			
17	Of which: securitisation IRB approach (SEC-IRBA)	-	-	-			
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	-	-	-			
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-			
20	Market risk	2,388,005	2,634,274	191,040			
21	Of which: standardised approach (SA)	2,388,005	2,634,274	191,040			
22	Of which: internal model approach (IMA)	-	-	-			
23	Capital charge for switch between trading book and banking book	-	-	-			
24	Operational risk	12,299,116	10,364,965	983,929			
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-			
26	Output floor applied	-	-	-			
27	Floor adjustment (before application of transitional cap)	-	-	-			
28	Floor adjustment (after application of transitional cap)	-	-	-			
29	<b>Total</b>	<b>69,383,159</b>	<b>64,431,266</b>	<b>5,550,653</b>			

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

RON thous.

		a	b	c	d
		RWA			
		RWA for modelled approaches that banks have supervisory approval to use	RWA for portfolios where standardised approaches are used	Total Actual RWA (a + b) (ie RWA which banks report as current requirements)	RWA calculated using full standardised approach (ie used in the base of the output floor)
1	Credit risk (excluding counterparty credit risk)	-	-	51,274,647	-
2	Counterparty credit risk	-	-	65,851	-
3	Credit valuation adjustment	-	-	94,229	-
4	Securitisation exposures in the banking book	-	-	-	-
5	Market risk	-	-	2,388,005	-
6	Operational risk	-	-	10,364,965	-
7	Residual RWA	-	-	-	-
8	<b>Total</b>	-	-	64,187,696	-

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

RON thous.

		a	b	c	d
		RWA			
		RWA for modelled approaches that banks have supervisory approval to use	RWA for column (a) if re-computed using the standardised approach	Total Actual RWA (ie RWA which banks report as current requirements)	RWA calculated using full standardised approach (ie RWA used in the base of the output floor)
1	Sovereign	-	-	4,803,391	-
	Of which: categorised as MDB/PSE in SA	-	-	-	-
2	Banks and other financial institutions	-	-	3,424,955	-
3	Equity <sup>(1)</sup>	-	-	-	-
4	Purchased receivables	-	-	-	-
5	Corporates	-	-	14,970,991	-
	Of which: F-IRB is applied	-	-	-	-
	Of which: A-IRB is applied	-	-	-	-
6	Retail	-	-	16,990,629	-
	Of which: qualifying revolving retail	-	-	-	-
	Of which: other retail	-	-	-	-
	Of which: retail residential mortgages	-	-	-	-
7	Specialised lending	-	-	-	-
	Of which: income-producing real estate and high volatility commercial	-	-	-	-
8	Others	-	-	11,084,682	-
9	<b>Total</b>	-	-	51,274,647	-

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

RON thous.

		a	b
		Components	BA-CVA RWA
1	Aggregation of systematic components of CVA risk		
2	Aggregation of idiosyncratic components of CVA risk		
3	<b>Total</b>		23,095.97

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

RON thous.

		a
		BA-CVA RWA
1	K Reduced	23,096
2	K Hedged	-
3	<b>Total</b>	23,096

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

		RON thous.	
		a	b
		SA-CVA RWA	Number of counterparties
1	Interest rate risk	-	
2	Foreign exchange risk	-	
3	Reference credit spread risk	94,229	
4	Equity risk	-	
5	Commodity risk	-	
6	Counterparty credit spread risk	-	
7	<b>Total (sum of rows 1 to 6)</b>	94,229	14

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

		RON thous.
		a
		<b>31.12.2023</b>
1	Total RWA for CVA at previous quarter-end	91,494
2	Total RWA for CVA at end of reporting period	94,229

### Capital requirement for credit risk

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

		RON thous.	
<b>RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES - standardized approach</b>	<b>Credit, dilution and free deliveries risk</b>	<b>Counterparty credit risk</b>	
	<b>4,362,876.75</b>	<b>5,268.04</b>	
Central governments or central banks	355,221.67	-	
Regional governments or local authorities	28,666.73	-	
Public sector entities	8,378.13	-	
Multilateral Development Banks	-	-	
International Organizations	-	-	
Institutions	324,009.89	5,112.15	
Corporates	1,323,598.84	155.89	
Retail	1,363,409.21	-	
Secured by mortgages on immovable property	520,784.68	-	
Exposures in default	130,821.02	-	
Items associated with particular high risk	-	-	
Covered bonds	-	-	
Claims on institutions and corporates with a short-term credit assessment	-	-	
Collective investments undertakings (CIU)	-	-	
Equity	23,433.58	-	
Other items	284,553.00	-	

## Capital requirement for market risk

RON thous

<b>Capital requirements for position, foreign exchange and commodities risks under standardized approaches (SA)</b>	<b>31.12.2023</b>
Traded debt instruments	28,990.36
Equity	15,635.40
Foreign Exchange	-
Commodities	-
Special approach to position risk in mutual funds	146,414.61

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

## Capital requirement for operational risk

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

RON thous.

<b>Total risk exposure amount for operational risk (opr )</b>	<b>12,299,116</b>
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## EXPOSURE TO COUNTERPARTY CREDIT RISK

### SETTING CREDIT LIMITS RELATED TO COUNTERPARTY CREDIT RISK EXPOSURES

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

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

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

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

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

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

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

		RON thous.							
		a	b	c	d	e	f	g	h
		Replace ment cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre- CRM	Exposure value post-CRM	Exposur e value	RWEA
1	SA-CCR (for derivatives)	22,351	111,701		1.40	5,850,955	187,672	187,672	65,851
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
<b>6</b>	<b>Total</b>	<b>22,351</b>	<b>111,701</b>	<b>-</b>	<b>1.4</b>	<b>5,850,955</b>	<b>187,672</b>	<b>187,672</b>	<b>65,851</b>

### Template 26: EU CCR2 – CVA capital charge

		RON thous.	
		a	b
		Exposure value	RWAs
1	Total transactions subject to the Advanced method		
2	(i) VaR component (including the 3× multiplier)		
3	(ii) stressed VaR component (including the 3× multiplier)		
4	Transactions subject to the Standardised method	185,724	94,229
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
<b>5</b>	<b>Total transactions subject to own funds requirements for CVA risk</b>	<b>185,724</b>	<b>94,229</b>

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

RON thous.

	a	b	c	d	e
	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1 Derivatives	5,850,955	-	5,850,955	-	5,762,136
2 SFTs	363,251	-	-	363,783	-
3 Cross-product netting	-	-	-	-	-
<b>4 Total</b>	<b>6,214,207</b>	<b>-</b>	<b>5,850,955</b>	<b>363,783</b>	<b>5,762,136</b>

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

RON thous.

Collateral type	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
	a	b	c	d	e	f	g	h
1 Cash – domestic currency	-	88,820	-	26,067	-	363,783	-	4,676
2 Cash – other currencies	-	-	-	-	-	-	-	-
3 Domestic sovereign debt	-	-	-	-	-	-	-	-
4 Other sovereign debt	-	-	-	-	-	-	-	-
5 Government agency debt	-	-	-	-	-	-	-	-
6 Corporate bonds	-	-	-	-	-	-	-	-
7 Equity securities	-	-	-	-	-	-	-	358,777
8 Other collateral	-	-	-	-	-	-	-	-
<b>9 Total</b>	<b>-</b>	<b>88,820</b>	<b>-</b>	<b>26,067</b>	<b>-</b>	<b>363,783</b>	<b>-</b>	<b>363,453</b>

**Template CCR8: Exposures to central counterparties**

RON thous.

	a	b
	EAD (post-CRM)	RWA
<b>1 Exposures to QCCPs (total)</b>		-
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3 (i) OTC derivatives	-	-
4 (ii) Exchange-traded derivatives	-	-
5 (iii) Securities financing transactions	-	-
6 (iv) Netting sets where cross-product netting has been approved	-	-
7 Segregated initial margin	-	-
8 Non-segregated initial margin	-	-
9 Pre-funded default fund contributions	-	-
10 Unfunded default fund contributions	-	-
<b>11 Exposures to non-QCCPs (total)</b>		-
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13 (i) OTC derivatives	187,672	65,851
14 (ii) Exchange-traded derivatives	-	-
15 (iii) Securities financing transactions	358,777	17,705
16 (iv) Netting sets where cross-product netting has been approved	-	-
17 Segregated initial margin	-	-
18 Non-segregated initial margin	-	-
19 Pre-funded default fund contributions	-	-
20 Unfunded default fund contributions	-	-

## MANAGEMENT OF FINANCIAL INSTRUMENTS ELIGIBLE AS GUARANTEES

Banca Transilvania keeps records of the financial instruments portfolio held in its own name and behalf, providing daily information regarding volume, number, maturity, yield (etc.), the entity and jurisdiction of assets /financial instruments eligible for guarantee.

In accordance with the legislation in force, financial instruments held in its own name can be used in order to guarantee certain financial obligations undertaken by Banca Transilvania. Pledging of financial instruments is made directly on the account of the guarantee supplier (non-possesory pledge).

Internal-operational records reflect in a distinct manner the financial instruments which are pledged (differentiated on purposes, depending on the guaranteed obligation) and the financial instruments which are free from liens. Such clear distinction of pledged instruments results in the proper and real time determination of the quantity of financial instruments available for trading in the bank's own account.

Monitoring the value of financial instruments in its own portfolio is performed daily (available balance, market value, haircut, etc.).

## FINANCIAL RISKS RELATED TO FINANCIAL INSTRUMENTS OPERATIONS

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

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

- ◆ Authorized execution. Derivative transactions are executed in accordance with policies approved by the bank.
- ◆ Comprehensive and accurate information. Information regarding derivatives, including information related to fair value, is recorded on time, it is complete and correct when recorded in the accounting system and it is classified, described and reflected in an appropriate manner and in accordance with the provisions of EU regulation 648/2012 (EMIR).
- ◆ Preventing or detecting errors. Errors in processing of accounting data for derivatives are prevented or detected on time.
- ◆ Permanent monitoring. Activities involving derivatives are monitored on a permanent basis to recognize and measure events that affect related assertions present in financial statements.
- ◆ Evaluation. Changes in the value of derivatives are recorded and appropriately presented to the competent authorities, both operationally and in terms of control. The assessment is part of the ongoing monitoring activities, in compliance with EU regulation 648/2012 (EMIR).



## **CAPITAL BUFFERS**

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 01 January 2022-31 December 2022;
- an O-SII buffer of 2% of the total risk weighted exposures;
- at 31 December 2023, the value of systemic risk buffer is 0% of the value of the risk-weighted exposures;
- the countercyclical capital buffer specific to the institution of 1% of the value of the risk weighted exposures at 31 December 2023.

## **INDICATORS OF GLOBAL SYSTEMIC IMPORTANCE**

In 2023 no indicators of global systemic importance were applied.

## **CREDIT RISK ADJUSTMENTS**

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

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

Under IFRS 9, a *financial asset is credit-impaired* when one or more events have occurred and have a significant impact on the expected future cash flows of the respective financial asset.

The proof that a financial asset is credit-impaired includes observable data about the following events:

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

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

#### **Allowances for impairment**

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

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

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

**Measurement of the expected credit loss allowance (ECL)**

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

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

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

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

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

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

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

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

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

Change in credit quality since initial recognition

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

In determining whether a significant increase in credit risk occurred since initial recognition the Group considers reasonable and supportable information that is relevant and can be obtained without undue cost and effort.

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

*Quantitative criteria:*

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

These thresholds have been determined separately for different portfolio types, by assessing how the Lifetime PD moves prior to an instrument becoming delinquent.

The Lifetime PD movements on instruments which do not subsequently become delinquent have also been assessed, to identify the 'natural' movement in Lifetime PD which is not indicative of a significant increase in credit risk.

*Qualitative criteria for retail portfolios (individuals):*

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

*Qualitative criteria for company portfolios:*

- Significant increase in credit risk perceived by the risk analysis team for individually assessed exposures (debtor level), concluded through including these in the Bank's Watch List;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates (rating deterioration);
- Actual or expected forbearance operation:
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans;
- The borrower is assigned to Remediation department
- Customers operating in an industry sensitive to the effects of energy prices;
- Changing the rating of risk;
- The number of days past due recorded by the debtor.

The assessment of SICR incorporates forward-looking information.

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

#### *Backstop*

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. Also, when the whole outstanding amount of the loan becomes overdue (its final maturity date is passed), then it will be classified in stage 2.

#### *Low credit risk exemption*

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

#### *Definition of default and credit-impaired assets*

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

- The borrower is more than 90 days past due on its contractual payments (also including the new default definition which is referring to significant overdue amount\*);
- The borrower meets unlikeliness to pay criteria:
  - Significant financial difficulty of the issuer or the borrower;
  - The borrower is in nonperforming forbearance situation due to concessions that have been made by the Bank relating to the borrower's financial difficulty;
  - The borrower is in insolvency status or bankruptcy (or other type of judicial reorganization, both retail and companies) or is becoming probable that the borrower will enter bankruptcy;
  - The borrower for whom legal procedures have started (forced execution started by the Bank);
  - The borrower and/or the mortgage guarantor sent notification for "payment in kind";
  - The debtor is managed by the special recovery structures of the Bank (Workout unit etc.);
  - Stopped interest calculation;
  - Write off (total/partial) or sale;
  - Establishment of specific adjustments for credit risk due to the deterioration of credit quality, on the background of the exposure in Stage 3 (according to IFRS9);
- An active market for that financial asset has disappeared because of financial difficulties;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.
- 

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The definitions of *credit-impaired and default* are aligned as far as possible so that stage 3 represents all loans which are considered defaulted or otherwise credit-impaired.

An instrument is considered to no longer be in default (i.e. to have “cured”) when it no longer meets any of the default criteria for a consistent period of time, depending on the main trigger for the default classification. This period has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions and also expert opinion. For example the healing period for days past due criteria start at 3 months while the healing period for forbore asset start at one year.

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

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

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

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

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

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. The ECL for each future month is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

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

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

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

In normal market conditions, the assumptions underlying the ECL are monitored and reviewed on a bi-annual basis. During 2021, considering the corona event and the impact to the economic condition, the Group decide to review and update the macroeconomic analysis on a quarterly basis.

*Forward-looking information incorporated in the ECL models.*

The assessment of SICR and measurement of ECL incorporates forward-looking information on macroeconomic indicators. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Also, in this process Macroeconomic Analysis Department was involved, which following some analyzes, provided the forecasts of the macroeconomic variables for the next three years. The impact of macroeconomic variables was determined by performing a statistical analysis.

Base/central scenario	2024	2025	2026
Macro indicators			
Real GDP (% , YoY)	2.91	5.53	3.84
Unemployment rate (%)	5.51	5.49	5.46
Inflation (HICP) (%)	5.48	5.23	4.76
Key interest rate ROBOR 3M (%)	5.27	4.25	3.92
Key interest rate EURIBOR 3M (%)	3.55	2.68	2.60
House prices (% , year on year)	2.20	2.10	2.00

In addition to the base scenario, the Group also consider other possible scenarios along with scenario weightings .

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

### **Derecognition policy**

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

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

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

Other events that lead to a derecognition are:

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

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

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

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

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

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

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

**Template 7: EU CRB-B – Total and average net amount of exposures**

RON thous.

	<b>Net value of exposures at the end of the period</b>	<b>Average net exposures over the period</b>
Central governments or central banks	80,380,083	70,705,481
Regional governments or local authorities	1,653,529	1,290,408
Public sector entities	175,600	138,003
Multilateral development banks	117,305	161,259
International organisations	-	-
Institutions	10,015,119	8,502,849
Corporates	28,947,274	26,168,292
<i>Of which: SMEs</i>	14,244,842	13,208,040
Retail	40,280,185	39,352,667
<i>Of which: SMEs</i>	18,691,937	17,961,447
Secured by mortgages on immovable property	19,411,170	18,110,027
<i>Of which: SMEs</i>	1,090,133	936,715
Exposures in default	1,582,704	1,535,233
Items associated with particularly high risk	-	-
Covered bonds	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-
Collective investments undertakings	-	-
Equity	292,920	273,129
Other exposures	9,362,098	9,503,725
<b>Total</b>	<b>192,217,988</b>	<b>175,741,074</b>

Template 9: EU CRB-D – Concentration of exposures by industry or counterparty types

RON thous.

		a	b	c	d	e	f	g	h	i	j
		Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade	Transport and storage	Accommodation and food service activities	Information and communication
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-
2	Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	963	-	-	-	112	3,069	-	99,794	3	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	-	-	-	-	-	-
7	Corporates	2,366,225	39,177	5,230,024	2,827,889	273,583	3,629,958	6,964,100	1,928,033	660,071	466,231
8	Retail	2,726,915	201,170	2,504,532	350,995	242,591	3,180,458	6,381,900	2,246,689	795,230	497,868
9	Secured by mortgages on immovable property	54,416	5,621	149,136	5,464	4,849	81,653	322,363	51,130	49,553	48,911
10	Exposures in default	59,711	1,772	185,931	1,295	11,842	229,114	166,350	142,869	42,542	12,842
11	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-	-
13	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
14	Collective investments undertakings	-	-	-	-	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-	-	-	-	-
16	Other exposures	-	-	-	-	-	-	-	-	-	-
	<b>Total</b>	<b>5,208,230</b>	<b>247,740</b>	<b>8,069,623</b>	<b>3,185,643</b>	<b>532,977</b>	<b>7,124,253</b>	<b>13,834,714</b>	<b>4,468,515</b>	<b>1,547,400</b>	<b>1,025,852</b>

		K	l	m	n	o	p	q	r	s	t	u	v
		Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defense, compulsory social security	Education	Human health services and social work activities	Arts, entertainment and recreation	Other services	Central Banks	Households	Total
1	Central governments or central banks	-	-	-	-	60,394,198	-	-	-	-	19,985,885	-	80,380,083
2	Regional governments or local authorities	-	-	-	-	1,653,529	-	-	-	-	-	-	1,653,529
3	Public sector entities	301	-	4,773	122	66,322	0	49	22	68	-	-	175,600
4	Multilateral development banks	117,305	-	-	-	-	-	-	-	-	-	-	117,305
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	10,015,119	-	-	-	-	-	-	-	-	-	-	10,015,119
7	Corporates	778,963	1,963,902	177,097	299,343	-	11,667	737,940	374,793	139,813	-	78,464	28,947,274
8	Retail	236,990	277,028	1,021,457	535,394	63,619	97,492	950,665	144,654	200,599	-	17,623,939	40,280,185
9	Secured by mortgages on immovable property	6,489	98,802	58,414	40,363	-	8,560	312,032	5,249	14,543	-	18,093,622	19,411,170
10	Exposures in default	1,878	53,510	25,694	19,727	352	1,833	29,553	14,411	5,033	-	576,445	1,582,704
11	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
13	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
14	Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity	292,920	-	-	-	-	-	-	-	-	-	-	292,920
16	Other exposures	-	-	-	-	-	-	-	-	9,362,098	-	-	9,362,098
	<b>Total</b>	<b>11,449,965</b>	<b>2,393,243</b>	<b>1,287,436</b>	<b>894,949</b>	<b>62,178,021</b>	<b>119,552</b>	<b>2,030,239</b>	<b>539,128</b>	<b>9,722,155</b>	<b>19,985,885</b>	<b>36,372,469</b>	<b>192,217,988</b>



**Template 10: EU CR1 A- Maturity of exposures**

		RON thous.					
		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	-	40,704,338	45,840,735	33,337,444	22,971,072	142,853,588
2	Debt securities	-	7,047,105	27,063,034	15,254,260	-	49,364,400
<b>3</b>	<b>Total</b>	-	<b>47,751,443</b>	<b>72,903,769</b>	<b>48,591,704</b>	<b>22,971,072</b>	<b>192,217,988</b>

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

		RON thous.						
		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk	Accumulated write-offs	Credit risk adjustment	Net values
		Defaulted exposures	Non-defaulted exposures					
1	Central governments or central banks	-	80,412,176	32,093	-	-	10,151	80,380,083
2	Regional governments or local authorities	-	1,686,106	32,577	-	-	15,521	1,653,529
3	Public sector entities	-	178,319	2,719	-	-	1,025	175,600
4	Multilateral development banks	-	117,305	-	-	-	-	117,305
5	International organisations	-	-	-	-	-	-	-
6	Institutions	-	10,019,910	4,792	-	-	2,998	10,015,119
7	Corporates	-	30,002,923	1,055,649	-	-	232,722	28,947,274
8	<i>Of which: SMEs</i>	-	14,808,283	563,440	-	-	101,892	14,244,842
9	Retail	-	41,853,037	1,572,852	-	-	207,694	40,280,185
10	<i>Of which: SMEs</i>	-	19,376,665	684,728	-	-	104,241	18,691,937
11	Secured by mortgages on immovable property	-	19,561,931	150,761	-	-	30,128	19,411,170
12	<i>Of which: SMEs</i>	-	1,124,742	34,610	-	-	9,889	1,090,133

13	Exposures in default	3,333,560	-	1,750,856	-	3,011,062	122,843	1,582,704
14	Items associated with particularly high risk	-	-	-	-	-	-	-
15	Covered bonds	-	-	-	-	-	-	-
16	Claims on institutions and corporates with a shortterm credit assessment	-	-	-	-	-	-	-
17	Collective investments undertakings	-	-	-	-	-	-	-
18	Equity exposures	-	292,920	-	-	-	-	292,920
19	Other exposures	-	11,550,399	2,188,301	-	-	337,697	9,362,098
<b>20</b>	<b>Total</b>	<b>3,333,560</b>	<b>195,675,027</b>	<b>6,790,599</b>	<b>-</b>	<b>3,011,062</b>	<b>960,780</b>	<b>192,217,988</b>
21	<i>Of which: Loans</i>	3,167,689	122,400,785	6,463,508	-	3,011,062	902,521	119,104,966
22	<i>Of which: Debt securities</i>	-	49,390,350	25,950	-	-	21,129	49,364,400
23	<i>Of which: Offbalance-sheet exposures</i>	165,870	23,883,891	301,141	-	-	37,130	23,748,621

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

		RON thous.
		a
		<b>Gross carrying value defaulted exposures</b>
<b>Opening balance</b>		<b>3,350,531</b>
Loans and debt securities that have defaulted or impaired since the last reporting period		1,515,444
Returned to non-defaulted status		203,654
Amounts written off		104,742
Other changes		1,224,020
<b>Closing balance</b>		<b>3,333,560</b>

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

		RON thous.	
		a	b
		<b>Accumulated specific credit risk adjustment</b>	<b>Accumulated general credit risk adjustment</b>
1	<b>Opening balance</b>	<b>(1,588,819)</b>	-
2	Increases due to initiation and purchase	(101,528)	-
3	Decreases due to derecognition	182,901	-
4	Variations due to changes in credit risk (net)	(545,324)	-
5	Variations due to changes without derecognition (net)	164,418	-
6	Variations due to updating the institution's estimation methodology (net)	(11,965)	-
7	Decrease in the depreciation adjustment due to write-offs	131,543	-
8	Other adjustments	(11,581)	-
9	<b>Closing balance</b>	<b>(1,780,356)</b>	-
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	212,236	-
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	-	-

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

RON thous.

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
<b>00</b> Cash balances at central banks and other demand deposits	21,737,809	21,737,809	-	-	-	-	(4,152)	(4,152)	-	-	-	-	-	-	-
<b>1</b> Loans and advances	90,429,832	78,525,587	11,904,245	2,827,336	-	2,827,336	(3,166,934)	(1,391,505)	(1,775,429)	(1,746,151)	-	(1,746,151)	(2,975,626)	39,850,320	799,127
2 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3 General governments	16,618,244	16,563,432	54,812	1,984	-	1,984	(50,771)	(44,925)	(5,846)	(640)	-	(640)	(3,883)	27,023	701
4 Credit institutions	4,843,185	4,843,185	-	-	-	-	(1,821)	(1,821)	-	-	-	-	-	-	-
5 Other financial corporations	653,519	622,760	30,759	2,663	-	2,663	(29,825)	(21,347)	(8,478)	(1,632)	-	(1,632)	(7,377)	31,467	460
6 Non-financial corporations	34,615,345	27,934,917	6,680,428	1,525,716	-	1,525,716	(2,047,780)	(1,016,320)	(1,031,460)	(858,725)	-	(858,725)	(2,037,741)	18,614,777	482,634
7 Of which SMEs	24,326,593	19,117,901	5,208,692	1,105,181	-	1,105,181	(1,436,350)	(624,909)	(811,441)	(585,770)	-	(585,770)	(453,002)	14,581,816	373,469
8 Households	33,699,539	28,561,293	5,138,246	1,296,973	-	1,296,973	(1,036,737)	(307,092)	(729,645)	(885,154)	-	(885,154)	(926,625)	21,177,053	315,332
<b>9</b> Debt securities	49,924,064	49,924,064	-	144,750	-	144,750	(104,811)	(104,811)	-	(72,375)	-	(72,375)	-	-	-
10 Central banks	564,756	564,756	-	-	-	-	(568)	(568)	-	-	-	-	-	-	-
11 General governments	44,872,049	44,872,049	-	-	-	-	(92,690)	(92,690)	-	-	-	-	-	-	-
12 Credit institutions	2,787,830	2,787,830	-	144,750	-	144,750	(2,797)	(2,797)	-	(72,375)	-	(72,375)	-	-	-
13 Other financial corporations	1,567,850	1,567,850	-	-	-	-	(1,540)	(1,540)	-	-	-	-	-	-	-
14 Non-financial corporations	131,579	131,579	-	-	-	-	(7,216)	(7,216)	-	-	-	-	-	-	-
<b>15</b> Off-balance-sheet exposures	26,315,278	23,066,674	3,248,604	179,984	-	179,984	270,317	175,971	94,346	94,017	-	94,017	-	6,126,433	43,525
16 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17 General governments	795,029	554,822	240,207	-	-	-	4,714	3,468	1,246	-	-	-	-	1,766	-
18 Credit institutions	2,517,091	2,517,091	-	-	-	-	7	7	-	-	-	-	-	-	-
19 Other financial corporations	302,680	297,452	5,228	961	-	961	1,985	1,837	148	630	-	630	-	10,344	331
20 Non-financial corporations	18,159,013	16,171,216	1,987,797	164,857	-	164,857	215,608	148,576	67,032	85,449	-	85,449	-	5,857,810	42,803
21 Households	4,541,465	3,526,093	1,015,372	14,166	-	14,166	48,003	22,083	25,920	7,938	-	7,938	-	256,513	391
<b>22</b> Total	188,406,983	173,254,134	15,152,849	3,152,070	-	3,152,070	(3,005,580)	(1,324,497)	(1,681,083)	(1,724,509)	-	(1,724,509)	(2,975,626)	45,976,753	842,652

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

		RON thous.	
		a	b
		Gross carrying amount	Related net accumulated recoveries
<b>010</b>	<b>Initial stock of non-performing loans and advances</b>	<b>2,684,630</b>	
020	Inflows to non-performing portfolios	1,708,347	
030	Outflows from non-performing portfolios	(1,565,642)	
040	Outflow to performing portfolio	(320,804)	
050	Outflow due to loan repayment, partial or total	(1,032,625)	
060	Outflow due to collateral liquidations	(52,570)	43,949
070	Outflow due to taking possession of collateral	(4,951)	4,804
080	Outflow due to sale of instruments	-	-
090	Outflow due to risk transfers	(2,784)	1,932
100	Outflows due to write-offs	(134,286)	
110	Outflow due to other situations	(17,621)	
120	Outflow due to reclassification as held for sale	-	
<b>130</b>	<b>Final stock of non-performing loans and advances</b>	<b>2,827,335</b>	

## Template EUCQ1 - Credit quality of forborne exposures

RON thous.

	a	b	c	d	e	f	g	h
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
005 Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010 Loans and advances	448,434	869,114	869,114	869,114	(90,799)	(481,575)	587,699	357,826
020 Central banks	-	-	-	-	-	-	-	-
030 General governments	-	-	-	-	-	-	-	-
040 Credit institutions	-	-	-	-	-	-	-	-
050 Other financial corporations	3,925	193	193	193	(295)	(188)	-	-
060 Non-financial corporations	381,344	644,493	644,493	644,493	(75,208)	(366,755)	442,790	252,172
070 Households	63,166	224,428	224,428	224,428	(15,295)	(114,633)	144,909	105,655
080 Debt Securities	-	-	-	-	-	-	-	0
090 Loan commitments given	2,978	20,299	20,299	20,299	145	9,852	12,270	10,438
<b>100 Total</b>	<b>451,413</b>	<b>889,413</b>	<b>889,413</b>	<b>889,413</b>	<b>(90,654)</b>	<b>(471,724)</b>	<b>599,969</b>	<b>368,265</b>

## Template EU CQ2 - Quality of forbearance

RON thous

	a
	Gross carrying amount of forborne exposures
Loans and advances that have been forborne more than twice	414,795
Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	869,089

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

RON thous.

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	21,737,809	21,737,809	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	90,429,832	90,063,689	366,143	2,827,336	1,519,608	265,341	314,598	389,012	235,720	64,380	38,677	2,827,336
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	16,618,244	16,618,098	146	1,984	1,952	-	-	5	27	-	-	1,984
040	Credit institutions	4,843,185	4,843,185	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	653,519	653,207	312	2,663	1,504	169	72	797	121	-	-	2,663
060	Non-financial corporations	34,615,345	34,518,608	96,737	1,525,716	938,618	127,923	131,552	142,196	145,686	35,377	4,364	1,525,716
070	Of which SMEs	24,326,593	24,246,798	79,795	1,105,181	718,511	103,433	99,998	52,344	96,471	32,216	2,208	1,105,181
080	Households	33,699,539	33,430,591	268,948	1,296,973	577,534	137,249	182,974	246,014	89,886	29,003	34,313	1,296,973
090	Debt securities	51,326,129	51,326,129	-	144,750	144,750	-	-	-	-	-	-	144,750
100	Central banks	564,756	564,756	-	-	-	-	-	-	-	-	-	-
110	General governments	44,872,049	44,872,049	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	2,787,830	2,787,830	-	144,750	144,750	-	-	-	-	-	-	144,750
130	Other financial corporations	2,969,915	2,969,915	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	131,579	131,579	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	26,315,278			179,984								179,984
160	Central banks	-			-								-
170	General governments	795,029			-								-
180	Credit institutions	2,517,091			-								-
190	Other financial corporations	302,680			961								961
200	Non-financial corporations	18,159,013			164,857								164,857
210	Households	4,541,465			14,166								14,166
220	Total	189,809,048	163,127,627	366,143	3,152,070	1,664,358	265,341	314,598	389,012	235,720	64,380	38,677	3,152,070

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

RON thous.

	a	b	c	d	e	f	g
	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
<b>1 On-balance-sheet exposures</b>	<b>93,257,168</b>	<b>2,827,335</b>	<b>2,827,335</b>	<b>93,257,168</b>	<b>(4,913,085)</b>		-
2 Romania	88,106,268	2,743,171	2,743,171	88,106,268	(4,781,412)		-
3 Spain	1,270,749	33	33	1,270,749	(1,096)		-
4 Austria	426,709	4	4	426,709	(650)		-
5 Other countries	3,453,443	84,127	84,127	3,453,443	(129,927)		-
<b>6 Off-balance-sheet exposures</b>	<b>26,495,264</b>	<b>179,985</b>	<b>179,985</b>			<b>364,335</b>	
7 Romania	26,136,691	179,526	179,526			<b>353,621</b>	
8 Germany	32,183	-	-			-	
9 Republic of Moldova	207,165	458	458			<b>9,632</b>	
10 Other countries	119,224	1	1			<b>1,082</b>	
<b>11 Total</b>	<b>119,752,431</b>	<b>3,007,320</b>	<b>3,007,320</b>	<b>93,257,168</b>	<b>(4,913,085)</b>	<b>364,335</b>	-



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

RON thous.

		a	b	c	d	e	f
		Gross carrying amount			Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing					
			Of which defaulted				
1	Agriculture, forestry and fishing	3,481,106	87,904	87,904	3,481,106	(243,677)	-
2	Mining and quarrying	105,081	3,492	3,492	105,081	(7,616)	-
3	Manufacturing	5,458,617	300,509	300,509	5,458,617	(601,541)	-
4	Electricity, gas, steam and air conditioning supply	1,992,873	1,885	1,885	1,992,873	(133,622)	-
5	Water supply	374,578	17,440	17,440	374,578	(25,582)	-
6	Construction	3,964,373	298,115	298,115	3,964,373	(396,421)	-
7	Wholesale and retail trade	9,276,974	277,810	277,810	9,276,974	(567,120)	-
8	Transport and storage	3,505,519	217,022	217,022	3,505,519	(330,731)	-
9	Accommodation and food service activities	1,392,427	53,955	53,955	1,392,427	(112,250)	-
10	Information and communication	505,281	17,217	17,217	505,281	(39,087)	-
11	Financial and insurance activities	75,713	32	32	75,713	(3,089)	-
12	Real estate activities	2,121,333	108,815	108,815	2,121,333	(135,424)	-
13	Professional, scientific and technical activities	904,658	39,566	39,566	904,658	(74,647)	-
14	Administrative and support service activities	671,641	31,366	31,366	671,641	(56,358)	-
15	Public administration and defense, compulsory social security	1,209	71	71	1,209	(98)	-
16	Education	83,068	2,923	2,923	83,068	(7,045)	-
17	Human health services and social work activities	1,557,735	38,446	38,446	1,557,735	(114,660)	-
18	Arts, entertainment and recreation	477,951	19,775	19,775	477,951	(37,283)	-
19	Other services	190,923	9,371	9,371	190,923	(20,254)	-
<b>20</b>	<b>Total</b>	<b>36,141,061</b>	<b>1,525,716</b>	<b>1,525,716</b>	<b>36,141,061</b>	<b>(2,906,505)</b>	<b>-</b>

Template EU CQ6: Collateral valuation - loans and advances

RON thous.

		a	b	c	d	e	f	g	h	i	j	k	l		
		Loans and advances													
		Performing				Non-performing									
						Unlikely to pay that are not past due or are past due ≤ 90 days				Past due > 90 days					
										Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
1	Gross carrying amount	93,257,168	90,429,832	366,143	2,827,336	1,519,608	1,307,728	265,341	314,598	389,012	235,720	64,380	38,677		
2	Of which secured	46,278,301	44,805,850	208,827	1,472,451	1,004,804	467,648	115,406	87,229	62,172	136,939	48,444	17,458		
3	Of which secured with immovable property	33,965,504	32,974,284	156,436	72,129	991,220	975,576	718,939	62,888	34,562	28,715	92,874	37,598		
4	Of which instruments with LTV higher than 60% and lower or equal to 80%	9,982,382	9,786,389		195,992	140,152	8,645								
5	Of which instruments with LTV higher than 80% and lower or equal to 100%	3,666,492	3,529,545		136,947	88,515	2,264								
6	Of which instruments with LTV higher than 100%	5,051,387	4,770,549		280,838	185,995	21,802								
7	Accumulated impairment for secured assets	(4,911,861)	(3,165,710)	(114,740)	(1,746,151)	(752,038)	(994,114)	(165,350)	(228,204)	(342,387)	(174,947)	(50,197)	(33,029)		
8	Collateral														
9	Of which value capped at the value of exposure	32,966,445	32,316,365	145,215	650,079	485,135	164,944								
10	Of which immovable property	30,086,389	29,515,482	134,142	570,906	416,318	154,589								
11	Of which value above the cap	34,168,835	32,420,268	186,536	1,748,567	1,308,007	440,559								
12	Of which immovable property	31,944,668	30,367,381	179,524	1,577,287	1,181,493	395,794								
13	Financial guarantees received	7,683,002	7,533,954	28,115	149,048	79,036	5,834,299	2,325,254	2,489,091	887,123	132,831	-	-		
14	Accumulated partial write-off	(5,076)	-	-	(5,076)	-	(5,076)	(229)	(212)	(242)	(1,807)	(1,811)	(774)		

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

		RON thous.	
		a	b
		<b>Collateral obtained by taking possession</b>	
		<b>Value at initial recognition</b>	<b>Accumulated negative changes</b>
010	Property, plant and equipment (PP&E)		
020	<i>Other than PP&amp;E</i>	14,843	(1,051)
030	<i>Residential immovable property</i>	3,237	(97)
040	<i>Commercial Immovable property</i>	363	
050	<i>Movable property (auto, shipping, etc.)</i>	11,243	(954)
060	<i>Equity and debt instruments</i>	-	
070	<i>Other collateral</i>	-	
<b>080</b>	<b>Total</b>	<b>14,843</b>	<b>(1,051)</b>

Template EU CQ8 - Collateral obtained by taking possession and execution processes – vintage breakdown

RON thous.

		a	b	c		e		g		i		j		k	
		Debt balance reduction		Total collateral obtained by taking possession											
						Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale			
		Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes		
010	Collateral obtained by taking possession classified as PP&E	-	-	-	-	-	-	-	-	-	-	-	-		
020	Collateral obtained by taking possession other than that classified as PP&E	65,273	(35,455)	46,758	(14,410)	16,754	(1,301)	11,833	(3,228)	18,171	(9,881)	5,855	-		
030	Residential immovable property	24,654	(17,096)	11,041	(1,372)	4,318	(97)	2,242	(94)	4,481	(1,181)	-	-		
040	Commercial immovable property	32,406	(13,788)	21,753	(10,592)	716	(109)	7,995	(2,432)	13,041	(8,050)	5,855	-		
050	Movable property (auto, shipping, etc.)	8,213	(4,571)	13,965	(2,445)	11,719	(1,095)	1,597	(701)	649	(649)	-	-		
060	Equity and debt instruments	-	-	-	-	-	-	-	-	-	-	-	-		
070	Other collateral	-	-	-	-	-	-	-	-	-	-	-	-		
080	<b>Total</b>	<b>65,273</b>	<b>(35,455)</b>	<b>46,758</b>	<b>(14,410)</b>	<b>16,754</b>	<b>(1,301)</b>	<b>11,833</b>	<b>(3,228)</b>	<b>18,171</b>	<b>(9,881)</b>	<b>5,855</b>	<b>-</b>		

## UNENCUMBERED ASSETS

### Template A - Encumbered and unencumbered assets

RON thous.

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	10	of which notionally eligible EHQLA and HQLA	40	of which notionally eligible BHQLA and HQLA	60	of which EHQLA and HQLA	90	of which EHQLA and HQLA
		30		50		80		100
<b>10 Assets of the reporting institution</b>	1,730,752	1,254,908			167,666,076	42,376,050		
30 Equity instruments	524	-	524	-	483,157	-	483,157	-
40 Debt securities	1,717,589	1,254,908	1,727,028	1,254,908	49,576,104	42,062,220	49,704,614	42,186,382
50 of which: covered bonds	-	-	-	-	-	-	-	-
60 of which: asset-backed securities	-	-	-	-	-	-	-	-
70 of which: issued by general governments	1,717,589	1,254,908	1,727,028	1,254,908	43,061,770	42,062,220	43,193,303	42,186,382
80 of which: issued by financial corporations	-	-	-	-	5,825,783	-	5,819,606	-
90 of which: issued by non-financial corporations	-	-	-	-	124,363	-	126,949	-
120 Other assets	12,639	-			7,570,387	-		

### Template B-Collateral received

RON thous.

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
	010	of which notionally eligible EHQLA and HQLA	Fair value of collateral received or own debt securities issued available for	
		030	040	060
<b>130 Collateral received by the disclosing institution</b>	-	-	-	-
140 Loans on demand	-	-	-	-
150 Equity instruments	-	-	-	-
160 Debt securities	-	-	-	-
170 of which: covered bonds	-	-	-	-
180 of which: securitisations	-	-	-	-
190 of which: issued by general governments	-	-	-	-
200 of which: issued by financial corporations	-	-	-	-
210 of which: issued by non-financial corporations	-	-	-	-
220 Loans and advances other than loans on demand	-	-	-	-
230 Other collateral received	-	-	-	-
<b>240 Own debt securities issued other than own covered bonds or securitisations</b>	-	-	-	-
<b>241 Own covered bonds and securitisations issued and not yet pledged</b>				
<b>250 TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED</b>	1,772,064	1,254,908		

Sources of encumbrance

		RON thous.	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		10	30
10	Carrying amount of selected financial liabilities	452,060.15	394,546.44
120	Other sources	536,641.59	1,377,517.79

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS (ESG RISKS)**

The mission of Banca Transilvania Financial Group (GFBT/ the Group) is to support the businesses and communities it serves (anywhere and anytime/ online and through its dedicated network - Banca Transilvania has over 512 branches and agencies, including Private Banking agencies in Romania and Italy and a regional center located in Bucharest), providing customers with positive experiences while contributing to the sustainable development of Romania through responsible banking and impact financing, respect, courage and responsibility towards the environment we are part of and towards people and their aspirations. All these are values deeply rooted within the culture and tradition of GFBT.

The Group understands how the sustainability agenda moves from global priorities to local realities, providing an objective perspective on how actions and activities relate to the global sustainability agenda and how operations and businesses play an important role in Romania's transition to a more sustainable economy. For example, since the establishment of Banca Transilvania (the Bank/ BT) the business strategy has focused on supporting the Romanian private economy, with financial inclusion as a pillar of development directly linked to the development of SME sector and the training of Romanian entrepreneurs (e.g. directing funds towards investments with a positive impact on the environment and communities and excluding from financing sectors with a negative impact, while educating clients to facilitate the scaling up of responsible business models). As a local player that cares for the environment and the community, the definition of sustainability has been embedded in BT's DNA, with credit-related activities also aiming to mitigate the negative effects of environmental risk, through efforts to decrease the carbon footprint across the Group, increasing the share of renewable energy in its own energy consumption, implementing a sustainability-based partner selection procedure, etc. Although the concept of sustainability has evolved, gaining more complexity from one year to another, the basic principles have always been embedded in BT's strategic priorities and translated at the level of the GFBT subsidiaries.

Sound business practices, prudent risk management and robust corporate governance have led to the Group's current position within the system (*Bank number 1 in Romania*) and the recognition of the BT brand

### ***Sustainability & ESG at national level***

Romania's accession to the EU in 2007 led to a change in national priorities, materialized in *Romania's National Strategy for Sustainable Development Horizons 2013-2020-2030*, adopted by the Government in 2008, aiming to reduce the gap within EU Member States. This was followed by *Romania's Sustainable Development Strategy 2030*, created following Romania's signing of the *Paris Agreement* and the adoption of the 17 Sustainable Development Goals and adopted by the Government in 2018. The strategy represents the national framework for the implementation of the Sustainable Development Goals, illustrating objectives and targets such as: eradicating poverty, doubling the share of agriculture in GDP, increasing financial literacy, reducing the gender gap, improving recycling and reducing plastic, connecting households to clean water, improving air quality, etc.

Initiatives within the banking sector in Romania include the establishment of a *working group at the level of the National Committee for Macprudential Supervision (CNSM) to support green finance*. The group is composed of representatives from relevant ministries, the Presidential Administration, NBR, ASF

(Financial Supervisory Authority), credit institutions, international financing institutions (EBRD - European Bank for Reconstruction and Development - , EIB - European Investment Bank - , WB - World Bank), the private sector and industry associations (*Banca Transilvania also has representatives in this working group*). The group identified the necessity propose recommendations in areas such as: (i) sustainable increasing access to financing for projects related to the climate change agenda; (ii) supporting structural change in the economy towards a higher value-added economy, and (iii) improving transparency, reporting and availability of climate change related information, as well as raising awareness of climate change impacts in society and within the financial system. The group communicates the recommendations to the Government, NBR and ASF, which must ensure implementation, including through appropriate policy proposals and related monitoring. Consequently, among the actions carried out/ coordinated by NBR following the issuance of these recommendations, we mention: 1. The annual preparation (starting with 2021) of a monitoring table of climate risks on the Romanian banking sector, updated and disseminated periodically (including the annual running of a stress test exercise on issues related to climate risks, with dissemination of the results). The dashboard captures the main developments in climate change and green finance through the lens of indicators grouped into categories such as: (i) real economy; (ii) physical risk; (iii) transition risk; (iv) green finance and (v) government policies. 2. Starting (from May 2022) of the green loans reporting process in Credit Risk Centre (CRC). 3. Rolling out (July 2023) a questionnaire to institutions in the supervisory area to assess their level of preparedness for a green transition and to raise awareness of the implications of climate and environmental risks on their business.

Related to the *BT Sustainability Strategy* (annually reviewed) and the processes/ flows implemented, the most important national/ European regulations considered are: National Sustainable Development Strategy, Romania (2013-2020-2030); Sustainable Development Strategy, Romania 2030; NBR Regulation no. 5/2013 with subsequent amendments and additions; Ministry of Public Finance Orders on non-financial reporting; CNSM Report on supporting green financing; Press releases and presentations of the NBR on sustainability and green economy; Climate risk monitoring table on the banking sector in Romania; Report on financial stability. For example, NBR Regulation 5/2013, as amended, requires credit institutions to: (i) include an assessment of ESG factors within the credit analysis; (ii) develop internal procedures, including mentioning green lending aspects; (iii) additional elements to be considered in the borrower's analysis, such as cash flow scenarios, while also considering environmental variables. The national regulation has also transposed the provisions of *EBA Guidelines on Credit Origination and Monitoring (EBA/GL/2020/06)* and is to be updated as the new CCR3/ CRD VI framework (including related guidelines) is approved at European level.

The above-mentioned approaches is based on three main pillars: 1. *Performance* - from its leader position within the banking sector and the main lender of the Romanian economy, the Bank acknowledges its responsibility towards people's expectations, contributes to the growth of the Romanian financial sector, invests in digitalization to expand financial inclusion, contributes to the financial education of companies and entrepreneurs, builds its lending policies and procedures based on responsible financial principles, with a focus on developing a portfolio of loans and investments in sustainable sectors, where it can stimulate innovation and have a positive impact on communities. 2. *People* - diversity, human rights, equal opportunities, recruitment, and remuneration. 3. *Environment* - the Bank assesses both the environmental impact of the projects it finances, and the objectives related to sustainable financing, as well as the administrative activity in day-to-day operations that generate impact on the environment..



*Key drivers of an appropriate sustainability agenda* are concerns about reducing negative environmental impacts and climate change caused by nuclear or fossil fuel power generation, maritime exploration, or aggressive deforestation. Equally important, responsible lending is a mission to improve people's access to finance, increase financial intermediation and support social and economic inclusion by actively engaging in financial education of the population, entrepreneurs, and small, medium, and large enterprises.

As a leader in the Romanian banking system, BT understands the crucial importance of sustainability and long-term planning in the face of social and environmental challenges. In line with its broader sustainability strategy, GFBT established a *Sustainable Financing Framework* in November 2023 to enable it to issue sustainable financial instruments aimed at financing and refinancing projects that enable the transition to a low-carbon and climate-resilient economy and/or that have a positive social impact and alleviate social problems. Also in November 2023 BT issued its first sustainable bonds based on the principles outlined in *the Sustainable Finance Framework*. Thus, the Bank attracted EUR 500 million with a social component (minimum 50%) and a green component. In this regard, an amount equal to the proceeds of the Sustainable Finance Instruments issued by BT will be used to finance and/or refinance a portfolio of *Eligible Loans* as defined in the eligibility criteria from the Sustainable Finance Framework.

Responsible lending involves the mission to improve people's access to finance, increase financial intermediation and support social and economic inclusion by actively engaging in the financial education of the population, entrepreneurs, and small businesses. The Group has developed a diverse range of products, constantly adapting them to capture changing realities. It has also included analysis of non-financial factors, namely environmental, social, and corporate governance risks, in the client assessment process to determine eligibility for financing. The Bank has solutions for all sectors of activity, through customized products to reflect the specifics of the sector, and staff have relevant sector expertise: agriculture and food industry, health and education, creative industries (arts and culture), trade, manufacturing, IT, and services. The Group is the largest lender of the Romanian agriculture and the market leader in healthcare financing, financing working capital needs through credit lines, factoring, discounting instruments, short-term loans, or non-cash facilities. The Group also supports ambitious investment projects, through short or medium/ long term loans (>5 years) to start-ups or large companies, market leaders in their fields of activity. At the same time, the Group has a large portfolio of cards, holding a relevant market share for cards issued on the local market. The Group has developed a lending platform that also considers transactional data and involves a simplified scoring analysis to allow quick access to limited-value financing products for all customers. The aim is to support clients in all their projects, supporting both their development and their adaptation to a constantly changing environment. The Group is aware that it cannot gain the trust of its partners without generating added value through its work and contributing to the well-being of the community. *We are more than a bank, we are part of the community.*

Sustainability reporting involves an *analysis of the materiality/ significance threshold* of each factor within the business activity and relationships that could have an impact. The impact is the effect that an organization has or could have on the economy, the environment or people because of its activities or business relationships and can be either negative or positive/ actual or potential/ short or long term/ intended or unintended/ reversible or irreversible. The list of potential material topics is designed based

on an analysis of all GFBT entities' activities, business relationships, the latest studies and reports on sustainability trends (e.g. reports - IFC, IPCC (Intergovernmental Panel on Climate Change), World Bank, UNEP-FI, WWF (World Wide Fund), World Economic Forum), national and European legislative context (CSRD, SFDR, EU Taxonomy)), as well as industry best practices and other reporting standards. Thus, for 2023, issues such as: (i) economic value; (ii) business compliance, ethics and responsibility; (iii) sustainable financing; (iv) procurement policy; (v) risk management; (vi) resource consumption and waste management; (vii) environmental impact of the portfolio; (viii) actions to combat/ adapt to climate change; (ix) access to financial services, inclusion and financial education; (x) digitalization and cyber security; (xi) responsible employer; (xii) community investment; (xiii) stakeholder engagement were considered. According to the internal processes in place, the list of potential material topics is subject to assessment by stakeholders and internal specialists from an impact perspective, with several categories of stakeholders being consulted in determining materiality, including employees of GFBT, customers, shareholders, government agencies/ regulators/ non-governmental organizations, financial institutions, investors/ analysts, suppliers, business partners, industry associations, etc. The goal setting process aims to generate a positive impact and reduce negative impact, provide responsible services, and support customers in a responsible way, engage and cooperate with stakeholders, develop a responsible banking culture and governance, and make specific and public commitments, while ensuring transparency on achievements. The material issues thus determined are detailed in the *Sustainability Report*, published on the website in the *dedicated ESG section*.

The Bank also publishes and details information on ESG issues in other *documents posted on its website*, including: (i) *Sustainable Financing Framework 2023* - including details on GFBT sustainability strategy and GFBT sustainable financing framework; (ii) *Board of Directors Report* (included in the GMS / Consolidated and Separate Financial Statements section - <https://www.bancatransilvania.ro/relatii-investitori/aga>); (iii) *BT Governance/ Social and Environmental Engagement Policy/ Remuneration Policy on BT Governing Body/ Environmental Policy/ GFBT Code of Ethics and Conduct/ Anti-Bribery and Corruption Policy* (included in Corporate Governance/ Corporate Governance Principles section <https://www.bancatransilvania.ro/relatii-investitori/guvernanta-corporativa>).

For example, within the *Board of Directors Report*, the sections from the document include information on sustainability & ESG, human resources management, risk management, corporate governance. Thus, in the section dedicated to sustainability & ESG are considered issues on BT's ESG and sustainability recognition, BT's commitment to responsible growth, and the materiality analysis. Thus, are considered ESG issues such as environmental, social/ people, corporate governance, and issues related to sustainable financing, review of BT's green loans, information on energy consumption, waste, etc., being assessed the management of climate change risks and the opportunities. In terms of social risk, the information provided includes information on the diversity of the GFBT team, employee development, recruitment and remuneration policy, community engagement, procurement, expenses with suppliers, etc. The section on human resources management is complemented by aspects of performance evaluation and benefits, and the section on corporate governance details aspects of the committees set up at BT level, their composition and role, as well as the organizational/ decision making process. It also considers issues relating to *GFBT Diversity Policy, Principles on Respect for Human Rights, Anti-Corruption and Anti-Bribery Practices, Protection against Money Laundering Activities*. The report also contains information on the composition of the governing bodies in terms of diversity, seniority, experience, training, performance, and remuneration.

Also, within the dedicated ESG section from BT website, the Group has created sections focusing on: (i) *environment* - a) eco-friendly products; b) sustainable payment solutions; c) responsible financing; d) digital transformation; e) eco-friendly leasing; (ii) *people and community* - a) financial education; b) online safety; c) community; d) #HumanBanking; e) entrepreneurial ecosystem; (iii) *corporate governance* - a) diversity and inclusion; b) transparency; c) responsible banking. In the same location are posted *sustainability reports, assurance reports from the external auditors, PBR reports* (self-assessment carried out by the Group on the implementation of responsible banking principles) and there is also a dedicated section where *ESG complaints and referrals* can be made. Through this tool, anyone who wishes to make a complaint/ request on any ESG topic or theme can do so with a simple click. The tool is available both in English and in Romanian. When the "ESG Complaints" button is clicked, a window opens automatically, and the following information fields must be filled in: Subject, Message/ Description of the problem, Name, Surname, Phone and email (the customer is also informed about BT's privacy policy). Complaints are automatically sent to the email address [sesizariESG@btrl.ro](mailto:sesizariESG@btrl.ro), where they are picked up by a group of ESG experts within the organization, who then formulate answers to the complaints.

### **Qualitative information on environmental risk**

Additionally regarding the environmental risk, we mention:

- **Updating the risk management framework with ESG risks** - ESG risks affect both the Group and its clients. Some of the mitigation actions the Group includes:

(i) *incorporation of IFC/ EBRD performance standards* (exclusion list - adjusted periodically, while also considering the compliance with *EBRD Reference List* and *IFC Environmental and Social Risk Performance Standards*) and *best practices in ESG analysis* – in recent years the Bank did not registered any exceptions to the list of excluded financings and has implemented an exit strategy on the coal mining and coal power generation sector/ *regulations and the applicable internal regulatory framework; reviewing and updating the risk management framework with ESG related risks according to the analysis of the portfolio from the perspective of the identified environmental and social risks and in line with the relevant recommendations of the NBR and EBA;*

(ii) *ESG risk assessment*. ESG risk opinions issued by ESG Risk Analysis and Sustainable Finance Department are integrated into the credit review process. The level of risk is structured on a scale, ranging from "very low" to "very high". Environmental and climate risks are assigned a default risk depending on the sector in which the company operates and the exposure of its headquarters/ location of the financed project to climate risks. ESG risk analysts can adjust to increase or decrease the resulting risk by considering the management approach to mitigate these risks (e.g. an exposure to the agriculture sector in an area with high drought risk is classified as high climate risk and can be mitigated by investing in equipment to adapt to these risks). The default allocation of a climate risk exposure is based on a materiality map (*climate heat map*) developed internally by the Bank and updated at least annually, considering factors such as: rainfall (flood risk), wind speed, temperature (drought risk) and seismic risk, while factors such as: reputational risk, legislative risk, CO2 emissions, market risk and technological risk are taken into account to allocate a default risk grade for transition risk. The time horizon considered by

GFBT for climate risk assessment is medium/ long term, with the impact of physical climate risk not considered material in the short term. Following the ESG analysis of the client/ transaction, an ESG score is assigned to the client/ transaction and the approval committee is operationally informed of the ESG score, and the lending decision considers these risks, including the possibility of imposing conditions/ plans of measures on the financed companies to mitigate environmental/ climate/ social risks. The client's internal rating may also be influenced by poor performance of the client in managing ESG risks (e.g. social risk is considered in the credit and risk assessment for all exposures to companies, and once identified and measured (low/ moderate/ high) when approving a loan, social risk being further monitored as part of the exposure monitoring process, at least annually for exposures above a certain limit, with periodic client site checks also considered, to ensure borrower compliance with the guidelines and regulatory framework that apply to the related industry). Thus, social risk is part of the credit assessment and has a direct impact on the client's overall credit risk.

(iii) *portfolio review to identify exposures to entities covered by EU non-financial reporting requirements (NFRDs) for initial reporting to align with the EU Taxonomy* (YE 2023 being the first year of reporting). GFBT supports the EU's efforts to develop and continually improve the business classification Taxonomy, bringing consistency to the definition of an economically sustainable activity, while imposing reporting requirements on both companies and financial institutions to improve the availability and comparability of ESG data. The use of the EU Taxonomy is also a method of engagement with customers, as it is also a tool to assess progress in decarbonizing business. In 2023, the Group organized client events where, in addition to promoting sustainable finance, it stressed the importance of detailed non-financial reporting and analysis of the alignment of activities with the EU Taxonomy. The reporting status of our clients on the alignment with the EU Taxonomy is extremely low (less than 20% of companies for NFRD reporting purposes including alignment data in their reports as of December 2022), but it is in line with the observations at national and European level, with important market education efforts expected to improve as the applicability of the non-financial reporting framework is extended (application of CSRD from 2024). BT has incorporated the provisions of the EU Taxonomy in its lending process to legal entities, considering: (i) technical criteria in the origination and eligibility of green loans; (ii) assessment of environmental and social risks; (iii) analysis of companies' transition plans towards sustainable business. Thus, the Group uses the application developed by IFC - *Climate Assessment for Financial Institutions* (CAFI) - to assess the eligibility of a transaction for green rating and is currently concerned with aligning CAFI criteria with the technical criteria set out in the EU Taxonomy. Also, in 2023 the Group signed a program with the European Investment Fund (EIF) to provide sustainable finance (either working capital to sustainable companies or investment loans based on the technical criteria of the EU Taxonomy), with the eligibility criteria for green finance from this source being aligned with those set out in the Taxonomy. In terms of the E&S assessment generated by client activity, in addition to assessing the technical criteria for ensuring that there is a significant contribution to EU climate objectives, determining whether an exposure is aligned with the provisions of the Taxonomy also involves assessing whether there is no *significant* harm to other environmental objectives (DNSH - *do not significant harm*), as well as the compliance with the minimum social *safeguards* (MSS - *minimum social safeguards*), the Bank being currently in the process of incorporating the provisions of the Taxonomy for these two criteria into our clients' internal ESG analysis.

(iv) Regarding the methodology used for determining *Green Asset Ratio* (GAR), the Bank considered the following: (i) the establishment of the reporting perimeter - both GAR exposure in balance and GAR flow granted, at the end or during the reporting period, to companies with more than 500 employees and listed companies, the perimeter being established on the basis of Art. 8 of EU Regulation no 852/2020 on establishing a framework to facilitate sustainable investment; as of December 2023 approx 150 companies were identified for non-financial reporting purposes; (ii) collection of non-financial reporting and extraction of sustainability KPIs - for outstanding exposure as of December 2023 only marginal data was obtained, as companies had not yet reported the information at the time of reporting; (iii) differentiated inclusion in GAR of exposure without a precise destination, i.e. green loans (*known or unknown use of proceeds*); for inclusion in GAR, pro-rata were applied to exposures without a specific purpose (general corporate needs), considering the percentages of alignment of turnover, i.e. Capex, declared by the companies as being aligned with the Taxonomy; (iv) one-off assessment of the alignment of green loans with the Taxonomy - for exposures with a specific purpose, which meet the technical criteria of contribution to climate objectives (green loans), separate analyses were carried out by the Bank, based on the provisions of the above-mentioned EU Regulation and information provided by clients. The compliance of companies' reporting with the Regulation is still low, errors of interpretation being also identified (e.g: only eligible exposures were reported, not the alignment with the provisions of the Taxonomy; 100% alignment percentages were reported, when in fact only one business segment is eligible and aligned; only in very few cases were clarifications on compliance with DNSH/MSS requirements included); consequently, the Bank decided to take a prudent approach by not including in GAR the exposures with no precise destination, for which only alignment percentages were provided at group financial data level, or if it was not possible to verify accurately the fulfilment of the 3 criteria categories required to assess the alignment with the Taxonomy (technical criteria, DNSH, MSS), in case of green loans.

(v) *monitoring and collecting data related to the real estate collaterals within the portfolio* (e.g. address, postcode, city, location area, type of area, building structure, year of commissioning, number of rooms, floor area, as well as other specific details, as the energy performance certificates (EPC), information that will be used to establish market values. GFBT collects the energy performance certificates to determine the emissions generated by the assets in question for buildings for which the legislation in force requires their existence; ESG factors and ESG regulatory environment are considered in the valuation of collaterals for the loans granted, insofar, as they are measurable and can be reasonably applied by the appraisal applying a professional judgement. There is currently no database in Romania containing the EPC label of real estate properties. Moreover, for the historical portfolio of real estate properties accepted as collateral by the Bank, EPC documentation was not required as a mandatory document and was only requested for specific lending products after the entry into force of specific EU legislation, this approach being common for Romanian banks (as the provision of this specific document requires an additional cost for the client, which was not agreed in the initial contractual agreement). For this reason, a significant number of properties in the historical portfolio do not have yet an EPC label, but there is an ongoing process to establish a suitable proxy with the help of an external provider. A final decision has not been taken yet in this respect (the Bank has initiated discussions with several providers, aiming to obtain proxy results as close as possible to the samples analyzed). Additionally, considering the

reporting requirements associated with the new CRR3/ CRD VI packages (which will be approved by the European Parliament in April 2024), the need to align the collaterals databases at the level of GFBT has been emphasized, to ensure a uniform database for collecting information on the energy performance of the buildings accepted as collateral, as well as the physical risks associated with them.

(vi) *identification and monitoring of high carbon emitting sectors, following the first exercise to estimate financed GHG emissions (Scope 3).* The results of the emissions calculation are used to identify industries that are highly exposed to transition risk (high carbon emitting sectors) and to define actions to mitigate the impact of these risks, i.e. to reduce financed emissions from the corporate loans portfolio. Thus, in 2023 BT calculated for the first time (for the reporting year 2022) the carbon footprint of the portfolio in line with PCAF standard (Scope 3 emissions - Financed Emissions) through an external partner (Klima.Metrix (KMX)). Currently the Bank does not collect carbon footprint information from its clients (the majority of the portfolio being SME and Mid Corporate clients, for whom the carbon footprint calculation is not yet very well aggregated, the data being unavailable for many of our clients). In the analyses carried out, for the split between the 3 emission scopes (S1/S2 and S3), the Bank uses as support the information included in *CDP Technical Note: Relevance of Scope 3 categories by sector* document. The Bank is considering improving the quality of the data collected, to more accurately determine the carbon footprint of the emissions financed.

- ***Increasing and promoting impact financing (green, social or sustainability-related loans); in this*** respect the Bank is considering actions such as: (i) launching annual engagement campaigns, to develop awareness and entrepreneurial education on ESG issues through events dedicated to green finance, energy efficiency and climate risk management; (ii) preparing and promoting green and ESG loans and products to support investments made by corporate and public authorities under the *National Recovery and Resilience Financing Plan* - also including launching dedicated products and/or adding green finance, financial education and positive social impact components to the current products offer; (iii) strengthening collaboration with international financial institutions within the European framework; (iv) increasing the focus on energy efficiency, smart agriculture and adaptation projects, efficient transport and water efficiency; (v) continuing the partnership with the main institutions for sustainable finance (IFC, EBRD, EIB, EIF etc.), including the areas of climate finance, digital transition, blue/ green finance, sustainability guarantee; (vi) continuing with products and initiatives dedicated to electric and hybrid vehicles (lower than standard prices and fees) through the leasing subsidiary. In 2023, *blue* loans were introduced through an IFC financing to the Bank (*representing first blue loans category within Central and Eastern Europe*), targeting projects with the aim of making water consumption more efficient; in 2024 social loans/ financing - targeting areas with disadvantaged populations - will also be introduced.

- ***Supporting the entrepreneurial ecosystem (microfinance, start-ups)*** - since the very beginning, BT has helped entrepreneurs grow by providing simple products and services, financial education, and advice, ensuring that small businesses and start-ups receive clear and transparent information in an easy-to-understand manner. Through dedicated business lines and branches, BT is committed to continuing the positive contribution it makes to the entrepreneurial ecosystem so that it can, in turn, add value to the communities in which it operates. Among the actions targeted by the Bank to this end are: (i) continuing

partnerships with international financial institutions (EIF, IFC) to implement programs with a social component, such as education, women entrepreneurship; (ii) including social categories focused on access to essential services, employment generation in the social financing framework; (iii) facilitating access to finance for categories not normally supported by state aid; (iv) dedicated packages for start-ups and entrepreneurs with special benefits, including continuing to support start-ups and small businesses with initiatives that go beyond the lending area.

- **Corporate Finance** - GFBT is committed to promote sustainable business activities in the industry sectors and regions in which it operates. As such, a sustainable finance framework has been established to issue sustainable finance instruments dedicated to finance and refinance projects that enable the transition to a low carbon and climate resilient economy and/or have a positive social impact and mitigate social problems.

- **Determining and reducing carbon footprint (own activity)** - the Bank takes measures to minimize its carbon footprint and to make energy consumption more efficient, as this is the main source of direct greenhouse gas emissions from its operations. Actions include: (i) improving the fleet in terms of gas emissions, through the use of fuel consumption monitoring system and renewal with electric or hybrid vehicles; (ii) monitoring and reducing business flights; (iii) continuing collaboration with energy auditors; (iv) reducing paper consumption, through increased digital communication and online interaction, including digital signature (where legally possible, operating a full electronic archive to reduce environmental impact); (v) improving/ optimizing waste collection and recycling; (vi) reducing the use of plastic (cards); (vii) producing internal information materials to increase awareness of the environmental footprint; (viii) continuing reforestation initiatives involving our employees and collaborators, etc.

- **Determining and reducing the carbon footprint (loans and investment portfolio)** - actions include: (i) monitoring loans exposure to projects with negative environmental impacts (high risk) such as fossil fuels, deforestation, oil and gas, etc.; (ii) reviewing emissions to identify high carbon and low carbon intensive sectors to provide an understanding of how emissions can be reduced; (iii) conducting an inventory of indirect emissions.

- **Investing in sustainable activities** - financial investments at the level of GFBT represent a significant share of the consolidated balance sheet. Thus, actions such as: (i) analysis of the investment portfolio from an ESG perspective; (ii) ensuring compliance with the relevant legislative requirements (SFDR) and the alignment with market practices; (iii) monitoring and improving key unfavorable indicators related to the investment portfolio, etc. are considered.

- **Establish clear sustainability criteria for business partners and suppliers** - the Bank has developed an assessment methodology that seeks the compliance with high social and environmental standards in business collaborations with suppliers or business partners (sound governance, positive attitude

towards society, protection of human rights, environmental concern and certification) and plans to extend this methodology in the future to business partners other than suppliers (e.g. correspondent banks, NGOs supported by BT, media contributors, advisors, etc.). The Bank has been actively involved in consumption efficiency (with the support of all employees) and has successfully implemented projects such as: (i) purchase of electric/ hybrid cars; (ii) signing of contracts for the supply of electricity from renewable sources for ~80% of BT locations (100% green energy in 448 locations); (iii) the refurbishment of some offices or relocation of the business to more energy efficient buildings, some of the locations where GFBT operate having BREEAM/ LEED/ WELL certifications, e.g: Cluj - BT headquarters (Calea Dorobantilor 30-36)/ Bucharest - U Center building - BTMic/ Stup headquarters; Hermes building - Idea Bank headquarters (renamed Salt Bank), Green Court building – relocation starting April 2024; The Light building – location for Bucharest West Branch; the buildings where operate Timpuri Noi and Decebal branches/ Timisoara - City Business Center building, the location of BT Timisoara Branch); (iv) changing the lighting systems with new, more energy-efficient ones (e.g: LED); (v) new, centralized air conditioning systems. The Bank also developed an ESG questionnaire for the major suppliers (e.g. at the end of 2022 the 55 most important suppliers were surveyed, the Bank's expenditure to them amounting to ~ 33% of total expenditure; after assessing the answers provided, it was found that only 1 respondent did not meet the sustainability criteria; for the next period the Bank aims to send the questionnaire to a larger number of suppliers and to implement a more active follow-up system; for example, in 2023 it sent questionnaires to 139 suppliers, at the time of preparing this report receiving feedback from 50 of them). In December 2023, 2 photovoltaic panels were installed in TETAROM and CP JUCU locations to reduce electricity consumption in these locations; in 2024 the second energy audit will be carried out in the Bank, especially for the large electricity consuming premises, aiming to identify solutions to make electricity/ heat consumption more efficient, as well as preparing the processes for ISO 50001 audit, which covers energy management.

- ***Focusing on financial inclusion through digitization and promoting green choices*** - as bank number 1, BT has a responsibility to drive financial inclusion. With an extensive territorial network and experiencing the development of the digital sphere in recent years, the Bank continues its efforts to ensure easy access to financial-banking products and services (including in the sphere of payments, cards, etc.). The Bank has at least considered actions such as: (i) developing and promoting green credit products (e.g: promotion of green residential mortgage loans, through positive pricing incentives (lower interest rates, reduced fees, etc.)); promoting consumer loans that encourage more responsible consumption; dedicated campaigns, focusing on promoting special offers for credit card holders in partner shops that offer sustainable products; exploring partnerships (eg: with utility providers) to support customers interested in energy savings (photovoltaic panels, home improvements), responsible consumption (for purchase of energy efficient appliances, etc.); (ii) exploring potential collaborations with international financial institutions in the framework of EU programs targeting ESG initiatives; (iii) developing alternative streams and/or products with an impact on reducing plastic use, such as: choosing between issuing a card only in digital format vs issuing it also in physical format - the Bank aims to replace BT plastic cards in circulation with cards made of recycled materials (by the end of 2027); (iv) expanding product initiation flows in a paperless/ digital environment; (v) developing financially inclusive products for disadvantaged customer groups, such as: specific products for children



with financial education components; dedicated products for immigrants etc; (vi) running wellness and health campaigns in BTPay app; (vii) optimizing existing digital communication channels (chatbots, social media channels etc.); (viii) maintaining at least access points (ATMs, POS) in economically underdeveloped or less populated areas; etc.



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

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Total gross carrying amount amount (in MEUR)															
	Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral		
	0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G	Of which level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated		
1 Total EU area	6,972.23	300.17	1,948.73	362.41	41.21	17.71	29.17	986.81	1,252.50	355.94	58.25	20.65	14.27	10.98	4,272.83	-
2 Of which Loans collateralised by commercial immovable property	2,761.02	43.30	274.57	48.56	14.38	3.16	5.63	149.23	166.33	45.07	19.94	4.22	3.38	1.43	2,371.42	-
3 Of which Loans collateralised by residential immovable property	4,211.21	256.87	1,674.16	313.85	26.83	14.55	23.54	837.58	1,086.17	310.87	38.31	16.43	10.89	9.55	1,901.41	-
4 Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 Of which Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Total non-EU area	186.00	-	-	-	-	-	-	-	-	-	-	-	-	-	186.00	-
7 Of which Loans collateralised by commercial immovable property	94.00	-	-	-	-	-	-	-	-	-	-	-	-	-	94.00	-
8 Of which Loans collateralised by residential immovable property	92.00	-	-	-	-	-	-	-	-	-	-	-	-	-	92.00	-
9 Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Of which Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## Template 4: Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms

The financial group has no exposure to any company from the Top 20 companies with intense carbon consumption.

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

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount (Mn EUR)														
	of which exposures sensitive to impact from climate change physical events														
Variable: Geographical area subject to climate change physical risk - acute and chronic events	Breakdown by maturity bucket					Average weighted maturity	of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative			
	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years								of which Stage 2 exposures	Of which non-performing exposures	of which Stage 2 exposures	Of which non-performing exposures
1 A - Agriculture, forestry and fishing	832.52	700.29	93.16	39.07	-	3.03	-	-	-	-	100.79	18.98	58.19	20.18	10.91
2 B - Mining and quarrying	21.56	17.97	3.58	-	-	2.72	-	-	-	6.28	0.31	1.27	0.93	0.19	-
3 C - Manufacturing	1,100.51	871.84	223.99	4.28	0.39	3.01	-	-	-	436.22	60.01	120.99	65.76	32.86	-
4 D - Electricity, gas, steam and air conditioning supply	400.09	322.80	71.90	6.39	-	2.55	-	-	-	32.91	0.35	26.84	4.93	0.14	-
5 E - Water supply, sewerage, waste management and remediation activities	75.18	59.63	15.55	-	-	3.62	-	-	-	10.84	3.04	5.05	1.67	1.62	-
6 F - Construction	797.12	561.76	133.15	102.21	-	4.43	-	-	-	79.50	58.80	79.38	15.78	37.17	-
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,871.90	1,620.57	240.46	9.87	-	2.57	-	-	-	184.46	53.10	113.83	33.54	30.31	-
8 H - Transportation and storage	705.65	637.53	59.09	9.03	-	2.79	-	-	-	154.05	39.82	64.91	30.75	20.62	-
9 L - Real estate activities	425.35	119.57	284.02	22.53	0.22	7.25	-	-	-	24.00	21.10	27.17	2.36	12.70	-
10 Loans collateralised by residential immovable property	4,303.21	142.58	523.50	1,486.01	2,151.13	11.73	-	-	-	504.64	109.53	78.53	24.07	45.16	-
11 Loans collateralised by commercial immovable property	2,855.02	1,315.41	1,275.37	244.96	19.29	2.22	-	-	-	472.80	117.43	218.36	73.49	62.38	-
12 Repossessed collaterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Other relevant sectors (breakdown below where relevant)	10,849.08	5,801.16	1,265.45	1,612.17	2,170.30	9.78	-	-	-	1,173.05	297.57	502.51	181.60	196.09	-

## Template 6. Summary of GAR KPIs

	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock	1.20%	0.00%	1.20%	61.53%
GAR flow	2.56%	0.00%	2.56%	55.83%

## Template 7 - Mitigating actions: Assets for the calculation of GAR

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure reference table T															
Million EUR	Total gross carrying amount	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)							
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)							
		Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)							
			Of which specialised lending	Of which transitional	Of which enabling		Of which specialised lending	Of which adaptation	Of which enabling		Of which specialised lending	Of which transitional/adaptation	Of which enabling				
<b>GAR - Covered assets in both numerator and denominator</b>																	
1	Loans and advances, debt securities and equity instruments not HFI eligible for GAR calculation																
2	<b>Financial corporations</b>	<b>2,019</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Credit institutions	1,601	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Loans and advances	974	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	628	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Other financial corporations	417	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which investment firms	286	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	259	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	of which insurance undertakings	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	<b>Non-financial corporations (subject to NFRD disclosure obligations)</b>	<b>1,207</b>	<b>509.02</b>	<b>9.99</b>	<b>6.39</b>	-	<b>9.99</b>	<b>3.94</b>	-	-	-	-	512.95	9.99	6.39	-	9.99
21	Loans and advances	1,194	509.02	9.99	6.39	-	9.99	3.94	-	-	-	-	512.95	9.99	6.39	-	9.99
22	Debt securities, including UoP	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	<b>Households</b>	<b>7,035</b>	<b>248.83</b>	<b>248.83</b>	<b>248.83</b>	-	-	-	-	-	-	-	248.83	248.83	248.83	-	-
25	of which loans collateralised by residential immovable property	4,213	248.83	248.83	248.83	-	-	-	-	-	-	-	248.83	248.83	248.83	-	-
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	<b>Local governments financing</b>	<b>3,365</b>	<b>7.84</b>	-	-	-	-	<b>162.99</b>	-	-	-	-	170.84	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local governments financing	3,365	7.84	-	-	-	-	162.99	-	-	-	-	170.84	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	<b>TOTAL GAR ASSETS</b>	<b>13,632</b>	<b>765.69</b>	<b>258.82</b>	<b>255.23</b>	-	<b>9.99</b>	<b>166.93</b>	-	-	-	-	<b>932.62</b>	<b>258.82</b>	255.23	-	9.99
<b>Assets excluded from the numerator for GAR calculation (covered in the denominator)</b>																	
33	<b>EU Non-financial corporations (not subject to NFRD disclosure obligations)</b>	<b>5,908</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	Loans and advances	5,894	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35	Debt securities	14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	Equity instruments	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	<b>Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)</b>	<b>177</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
38	Loans and advances	177	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
39	Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41	Derivatives	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	On demand interbank loans	352	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43	Cash and cash-related assets	839	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
44	Other assets (e.g. Goodwill, commodities etc.)	654	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
45	<b>TOTAL ASSETS IN THE DENOMINATOR (GAR)</b>	<b>21,587</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets excluded from both the numerator and denominator for GAR calculation</b>																	
46	Sovereigns	9,035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	Central banks exposure	4,017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
48	Trading book	445	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49	<b>TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR</b>	<b>13,497</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	<b>TOTAL ASSETS</b>	<b>35,084</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## Template 8 - GAR (%)

	Disclosure reference date: T-10Ps on stock															Disclosure reference date: T-10Ps on flows																
	Climate Change Mitigation (CM)					Climate Change Adaptation (CA)					TOTAL (CM + CA)					Climate Change Mitigation (CM)					Climate Change Adaptation (CA)					TOTAL (CM + CA)						
	Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered	Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of total new assets covered					
	Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable						Of which environmentally sustainable					Of which environmentally sustainable										
% (compared to total covered assets in the denominator)	Of which specialised lending	Of which transitional	Of which enabling		Of which specialised lending	Of which adaptation	Of which enabling		Of which specialised lending	Of which transitional/adaptation	Of which enabling		Of which specialised lending	Of which transitional	Of which enabling		Of which specialised lending	Of which adaptation	Of which enabling		Of which specialised lending	Of which transitional/adaptation	Of which enabling		Of which specialised lending	Of which transitional/adaptation	Of which enabling					
1 <b>GAR</b>	3.53%	1.20%	1.18%	0.00%	0.05%	0.77%	0.00%	0.00%	0.00%	0.00%	4.32%	1.20%	1.18%	0.00%	0.05%	61.53%	30.79%	2.56%	2.53%	0.00%	0.36%	3.86%	0.00%	0.00%	0.00%	0.00%	34.64%	2.56%	2.53%	0.00%	0.36%	55.83%
2 Loans and advances, debt securities and equity instruments not HT eligible for GAR calculation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
3 Financial corporations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%
4 Credit institutions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5 Other financial corporations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%
6 of which investment firms	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
7 of which management companies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
8 of which insurance undertakings	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%
9 Non-financial corporations subject to NFRD disclosure obligations	2.36%	0.05%	0.03%	0.00%	0.05%	0.02%	0.00%	0.00%	0.00%	0.00%	2.38%	0.05%	0.03%	0.00%	0.05%	0.00%	28.58%	0.36%	0.32%	0.00%	0.36%	2.30%	0.00%	0.00%	0.00%	0.00%	30.89%	0.36%	0.32%	0.00%	0.36%	0.00%
10 Households	1.15%	1.15%	1.15%	0.00%	0.00%						1.15%	1.15%	1.15%	0.00%	0.00%	0.00%	2.20%	2.20%	2.20%	0.00%	0.00%					2.20%	2.20%	2.20%	0.00%	0.00%	0.00%	
11 of which loans collateralised by residential immovable property	1.15%	1.15%	1.15%	0.00%	0.00%						1.15%	1.15%	0.00%	0.00%	0.00%	0.00%	2.20%	2.20%	2.20%	0.00%	0.00%					2.20%	2.20%	2.20%	0.00%	0.00%	0.00%	
12 of which building renovation loans	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
13 of which motor vehicle loans	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
14 Local government financing	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15 Housing financing	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
16 Other local governments financing	0.04%	0.00%	0.00%	0.00%	0.00%	0.76%	0.00%	0.00%	0.00%	0.00%	0.79%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.52%	0.00%	0.00%	0.00%	0.00%	1.52%	0.00%	0.00%	0.00%	0.00%	0.00%
17 Collateral obtained by taking possession: residential and commercial immovable properties	0.00%	0.00%	0.00%	0.00%	0.00%						0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

	a	b	c	d	e	f
	Type of financial instrument	Type of counterparty	Gross carrying amount (million EUR)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	90.06	90.06		
2		Non-financial corporations	12.57	12.57		
3		Of which Loans collateralised by commercial immovable property	-	-		
4		Households	-	-		
5		Of which Loans collateralised by residential immovable property	-	-		
6		Of which building renovation loans	-	-		
7		Other counterparties	-	-		
8	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	-	-		Special environmental financing, Energy Efficiency, Green Buildings, Transport, Water efficiency, Renewable energies + Special environmental financing, Adaptation to climate change, Other climate-related activities
9		Non-financial corporations	300.13	-	-	
10		Of which Loans collateralised by commercial immovable property	219.12	-	-	
11		Households	404.02	-	-	Renewable energies, Energy Efficiency, Transport, Green Buildings, Special environmental financing
12		Of which Loans collateralised by residential immovable property	381.53	-	-	
13	Of which building renovation loans	-	-	-		
14	Other counterparties	11.60	-	-		

## Qualitative information on Social risk

In terms of strengthening the organizational culture, the approach is complex, starting with defining the vision, creating shared goals, guiding change, motivating, and building commitment, cultivating positive and effective feedback, collaborating, continuously adapting to changes in the business requirements and, finally, making change happen. The main pillars that create the overall context for organizational culture change are: autonomy, collaboration, adapting to change, purpose and security/ confidentiality, all of which involve various actions in the cultural transformation program. Thus, the actions envisaged to achieve the goal of developing employee engagement include, on the one hand, increasing the level of digital transformation among employees (e.g. fintech experience) and, on the other hand, optimizing and streamlining processes and workflows.

In addition to those already mentioned within this document, among the objectives of the *BT Sustainability Strategy* about social risk we mention:

- ***Ensuring appropriate structures and clear roles and responsibilities for the effective implementation of the Sustainability Strategy.*** Since 2020 BT has started a process of adapting the alignment of corporate governance to ESG requirements by providing specific responsibilities, starting with the Board of Directors (BoD), with ESG tasks being assigned to both BoD members and BoD committees (e.g. Audit Committee (AC), Remuneration Committee, Nomination Committee, Risk Management Committee (CAR)) and specific committees (e.g.: Credit Policy and Approval Committee (CPAC), Procurement Committee, etc), the list of committees/ their responsibilities being also briefly presented on BT website, including within the non-financial reports; in 2024 the Bank also took steps to set up a specific committee for the ESG area, namely, the Sustainability Committee.

According to *Organizational and Administrative Regulations of Banca Transilvania* (ROA), the duties of the members of the Board of Directors includes among other tasks, also tasks on the supervision of the implementation and observance of high sustainability standards, both in terms of lending activity and related to day-to-day business. At BoD level is established for a horizon of at least three years, in close correlation with the business strategy, *BT Group's Sustainability Strategy*. According to ROA, the compliance with internal regulations on ESG standards is the responsibility of Audit Committee, while Remuneration Committee and Nomination Committee approve remuneration and nomination policies in line with ESG principles and standards, ensuring the general principles and policies of remuneration and staff benefits are in line with BT's business strategy, values, and long-term objectives. Similarly, Risk Management Committee is also responsible for aligning sound risk management policies with ESG standards.

Among the responsibilities of Audit Committee (AC) (committee within BoD) are: oversees the performance of external auditors, makes recommendations on their appointment and remuneration, evaluates the internal audit system developed by the Internal Audit Director, responsible to BoD for this system. Audit Committee has the right to make recommendations to BoD on the effectiveness of the performance of the Internal Audit Division, as well as on the remuneration of its director and staff. The members of the committee meet regularly with the Bank's external auditor on matters arising during the

audit activities, and the objectivity and independence of the opinions expressed by the external auditors are assessed. Among the responsibilities of the Internal Audit Division are responsibilities on sustainability and ESG issues, which are pursued both in specific assignments included in the *Annual Audit Plan* as well as in the assignments dedicated to other areas of responsibility, which involve the application of ESG principles within the work performed/ coordinated flows and processes (e.g. linked to audit assignments in the area of governance, human resources, risk management, reporting, procurement, marketing, occupational safety, etc.).

Regarding the responsibilities of the other above-mentioned committees, during 2023 Remuneration Committee has reviewed and ensured that the general principles and policies of staff remuneration and benefits are consistent with the business strategy, objectives, values and long-term interests of GFBT, and has reviewed and endorsed *GFBT Staff Remuneration Policy* and related requirements: (i) involving internal control system functions (audit, risk and compliance) and Human Resources staff in the development of the remuneration policy; (ii) ensuring that employees have access to the remuneration policy and the staff assessment process is properly formalized and transparent to employees; (iii) promoting a remuneration policy that ensures sound and effective risk management; (iv) aligning the remuneration policy with the Bank's business strategy, objectives, values and long-term interests, including the implementation of measures to avoid conflict of interest; (v) assessing the mechanisms and systems in place to ensure the remuneration system adequately considers all types of risks, liquidity and capital levels and that the remuneration policy is consistent with the Bank's strategy and promotes sound and effective risk management, being aligned with the Bank's business strategy, objectives, corporate culture and values and long-term interests.

The Group is also concerned about achieving equal opportunities and treatment between women and men, with the *Gender Equality Policy* in place since 2020, the main principles being: (i) understanding discrimination and harassment (roles, responsibilities and procedures where there are concerns); (ii) correcting attitudes/ behaviors that may lead to the exclusion or marginalization of people of either sex and promoting the benefits of building an inclusive and non-discriminatory society; (iii) establishing provisions for the application of the principle of equal opportunities in terms of access to employment, promotion, vocational training, working conditions, pay and occupational social security systems, as well as concrete measures to implement this principle. Issues relating to diversity, inclusion and equal opportunities and describing the behavior expected at GFBT level are also included in the *Rules of Internal Procedure (ROI)*, as well as within *GFBT Code of Ethics and Conduct*.

Risk Management Committee (CAR) - a body reporting to BoD - is responsible for independently reviewing, assessing and recommending actions on risk strategy, risk profile, risk appetite and tolerance, risk management system, risk policies, capital adequacy to risks taken, etc., the Chairmen of CAR having also ESG responsibilities (e.g. overseeing the implementation and risks related to the sustainability strategy at the Bank level, but also at the subsidiary level, as well as the alignment of risk management policies with the Group's sustainability standards). The responsibilities of this committee include monitoring the compliance with NBR regulations/ recommendations on risk management and the compliance functions within the Bank, both being under the responsibility of the Deputy General Manager responsible for risk management. During 2023, CAR covered for example, the following topics: (i) reviewing and assessing the robustness, adequacy, effectiveness of the risk management system within BT/ GFBT, focusing on risk management strategies and policies, based on the reports prepared by

the functions responsible for risk management within the Bank; (ii) overseeing and making recommendations on the implementation of the strategy proposed by the Leaders' Committee on risk management; (iii) reviewing risk management reports; (iv) monitoring and assessing internal capital allocation principles, following the compliance with EBA and NBR requirements; (v) assessing reports on non-performing and forbearance and the performance of the departments responsible for recovery and collection; (vi) closely monitor the macroeconomic environment, requesting for a revisions of IFRS9 estimated loss parameters on a more frequent basis as appropriate; (vii) oversee, assess and make recommendations on the redesign of risk management and compliance functions to adapt structures to the current size of the Bank; (viii) managing the IT&C risks inherent in the technological adaptation and digitization efforts, to provide clients with the most secure digital solutions; (ix) working closely with the other internal bodies to ensure alignment of the remuneration policy with the Bank's strategy, i.e. to promote sound and efficient risk management, etc.

Reporting to Deputy General Manager (COO) there is a dedicated group structure that manages procurement, investment and logistics activity, with increasingly complex responsibilities for managing the environmental impact of the Bank's activity, including the manner in which the Group suppliers are selected (by incorporating ESG aspects into procurement methodology and regulations, while ensuring that the external resources needed for BT's activity meet the required collaboration conditions, including ESG criteria). Furthermore, the Bank has contracted an IT solution for monitoring suppliers from an anti-corruption risk perspective, and an initial scoring of the entire portfolio of active suppliers at the Bank level was carried out at the end of 2023. We will proceed with the collection of relevant information from suppliers during the current year, based on the rating obtained from their scoring and the subsequent individual analysis. If the suppliers refuse to provide the information, or if at the end of the analysis we conclude they are incompatible with the principles of anti-corruption, human rights, transparency and sustainability, the Bank will take the necessary measures, either for improvement, or for termination of the contractual relationship.

At the executive management level, CEO is responsible for coordinating the implementation of the ESG strategy at the level of Banca Transilvania through the ESG Integrations & Investors Relationship Division, in collaboration with the departments involved with this process on each business line, such as: (i) Sustainable Corporate Governance and International Financial Markets Department (through Corporate Governance and International Financial Markets Service, with two dedicated offices - Sustainable Corporate Governance Office and ABC Monitoring Office - Anti-Bribery and Corruption); (ii) ESG Risk Analysis and Sustainable Finance Department; (iii) Sustainable Programs and Loans Division/ Green and Sustainable Loans Department; (iv) Human Resources Division - HR Governance and Performance Management Department; (v) Risk Management Divisions - Governance and Non-Financial Risk Management Division (DGARN), respectively Financial Risk Management Division (DARF); (vi) Collateral Risk and Valuation Division; (vii) Marketing, Communication and PR Division; (viii) Procurement, Investment and Logistics Division, etc. The responsibilities of these structures are described in detail within ROA, some details of these responsibilities being also included within the non-financial reports posted on BT's website.

- ***Integrating ESG factors within the assessment of the suitability of management bodies, performance management and remuneration*** (more details can be found in the *Report of the Board of Directors*, included *in the section AGM/ Consolidated and Individual Financial Statements*). To assess the suitability of the



performance of the management body, including at BoD level, additionally to specific objectives, ESG criteria (KPIs - Key Performance Indicators) have been integrated, covering both the achievement of objectives and the reporting process. The addition of new objectives to this assessment will ensure a better continuous verification of the expertise of the governing body to reflect relevant changes in the business activities, sustainability/ ESG strategies and risk profile of the institution. Sustainable business practices are linked to daily operations, such as digitalization of business processes, reduction of paper consumption, customer campaigns with a social component, gender pay gap methodology, carbon inventory of the loan portfolio and issuance of MREL eligible bonds with an environmental and social component, installation of photovoltaic panels at the Bank's premises.

- **Promoting transparent and efficient communication;** the Bank frequently informs shareholders and investors (through dedicated ESG communications/ sections on its website and/or reports communicated on BVB or ASF websites), transparently disclosing information related to the Group's activity, respecting the rights of all stakeholders, and properly managing insider information. The Bank also promotes digital communication channels making the communication process with shareholders more efficient. At the same time, questions from shareholders and investors are handled with the utmost care and responsibility by the management and dedicated structures. For example, the Bank provides shareholders and investors with a dedicated email address ([investor.relations@btrl.ro](mailto:investor.relations@btrl.ro)), specific locations where they can quickly find information of interest ([www.bancatransilvania.ro/relatii-investitori](http://www.bancatransilvania.ro/relatii-investitori)), as well as dedicated phone numbers and alternative channels. Following the assessment of the Association for Investor Relations on the Romanian Stock Exchange (ARIR), BT received a *VEKTOR 10 rating*. This rating is the performance indicator in investor communication for Romanian companies listed on BVB, calculated annually, and can be consulted both on BVB website and BT's website. The criteria on which this rating is based are transparency, accessibility, and periodicity of information provided to investors and shareholders. *Since launching this rating in 2019, BT has received consecutive top marks – grade 10 of 10 (only a few companies listed on BVB achieving this performance)*. At the same time, in compliance with the *whistleblowing principle*, the Group has implemented a reporting system (both for internal and external customers) of all situations of violations of internal regulations/ legal provisions or irregularities within the Bank/ the Group's subsidiaries (the process being also described within the internal regulatory framework, encouraging reporting of behaviors/ situations that may have serious consequences for GFBT, while ensuring the confidentiality and security of employees reporting risk situations for the Bank/ subsidiaries, to avoid repercussions). The channels made available for reporting are: (i) [myalert@btrl.ro](mailto:myalert@btrl.ro). a dedicated email address; (ii) My Alert - internal application (information is also included in the *Anti-Bribery and Corruption Policy* posted on the Bank's website). Each reported case is recorded and analyzed by a specialized working group and, if according to internal procedures the complaint qualifies for investigation, it is forwarded for resolution to the relevant organizational structures: CEO, CRO/ Senior Executive Director - Corporate Governance and Litigations. In 2023, 20 complaints were registered through the reporting channels, of which 5 were related to misconduct/ ineffective behavior (4 from internal and 1 from external). All complaints were verified and resolved according to internal procedures. In 2023, no complaints/ reports were received through the channels made available to shareholders. The complaints can also be registered via BT Call Centre, or the dedicated email channel, [myalert@btrl.ro](mailto:myalert@btrl.ro).

- **Data protection: priority and importance** - the implementation of best practices and methods to protect personal data and prevent personal data breaches is a priority for GFBT and is aligned with the outcome of the materiality exercise conducted since 2020, which highlighted the high stakeholder interest in data protection. To this end, additionally to the instructions received by employees in the *Welcome!* package, all GFBT employees conduct a mandatory data protection training exercise annually, followed by data protection testing.

- **Ensuring appropriate ESG skills** - sustainability is part of BT's DNA. However, the multitude of regulatory requirements and ever-changing legislation require active updating of knowledge and skills. To this end the Bank is considering the following measures: (i) launching *Think Green*, an awareness movement to build a new mindset on sustainable lending, by: (a) offering training courses for all staff on sustainability; (b) partnering with providers of highly technical expertise in renewable energy, energy efficiency, etc.; (c) organizing workshops aimed at better use of tools; (d) obtaining as many relevant ESG certifications as possible; (ii) providing webinars for the sales force to actively identify green businesses or investments and to offer green/ ESG solutions (advice on EU funded schemes and green loans); (iii) increasing the number of dedicated expert teams assessing medium and high E&S risk projects and making recommendations on mitigation measures, etc. For example, in 2023, from July to November, ESG risk analysts conducted a number of 13 seminars (online and with physical participation) for branches/ agencies in the country, the target group being analysts, relationship managers (RMs), directors of the respective locations (~ 350 participants, with a total of ~ 27 hours training), the main topic of these trainings being related to the importance of ESG risk analysis in banking, covering topics such as: clarification of definitions/ terms, ESG risk analysis methods, practical cases/ analysis of working files. In addition, 10 site/ branch/ agency visits, as well as client sites were carried out in 2023 to verify the ESG criteria implemented/ analyzed, with a particular focus on the following: (i) providing ESG analysis support to employees involved in the lending process; (ii) visits with RMs to clients with high/ medium-risk activities to validate environmental/ social issues identified during credit analyses; (iii) coaching RMs/ analysts on how to complete/ analyze ESG risks for files under analysis. BT representatives also actively participated in actions coordinated by BIG 4 or other national/ international institutions/ organizations, including as guests/ speakers or members in various working groups and/or roundtables. In addition, discussions are taking place at GFBT level to discuss the involvement of subsidiaries in the area of sustainability and ESG and the steps taken by them; in early 2024 a joint working group/ email address was set up which includes ESG representatives from subsidiaries, as well as members of departments involved in the ESG area in BT's HQ, thus streamlining the communication and rapid reporting of relevant ESG information at GFBT level.

- **Creating a healthy, diverse, and sustainable working environment for our people** - diversity, equality of opportunity and inclusion are key elements of BT's organizational culture. The Bank wants to implement a diverse working environment where all people in the team to feel equally included, involved, and supported, regardless of their position within the company. Beyond all this, equality of opportunity and treatment, regardless of gender, age, or race, is one of the fundamental principles of human rights, which the Bank strictly adheres to in its daily work. Thus, for example, actions such as: (i) offering professional opportunities to disadvantaged social categories, for the positions with the highest staff turnover within

the Bank (e.g: in front office and call center area) and the development through reskilling/ professional development of employees' skills and the provision of attractive professional development programs; at the same time, recruitment of staff from the community is facilitated through internship programs and partnerships with educational institutions; (ii) providing regular online trainings on topics related to health and safety, ethics, anti-bribery, anti-corruption, anti-money laundering and anti-money laundering activities, etc.; (iii) ensuring an adequate working space in terms of health and safety, adapting security measures in line with regulatory and internal policies to include consideration of E&S criteria. *The way customers and employees perceive us is a matter of utmost importance.* Through quantitative and qualitative surveys, the Bank regularly finds out the customers' needs and what we can improve. Thus, the Bank has continued to "take the pulse" and based on the experience with/at BT, it knows the value of NPS (Net Promoter Score, the degree of satisfaction and recommendation of the Bank to other people); at the same time, the Bank carries out various studies, such as: *BT Employee Experience Index study, NPS study among customers, Image of Banca Transilvania study.* For example, *BT Employee Experience Index* (a survey conducted internally, among employees twice a year) analyses: (i) the quality of the relationship between managers and their colleagues (considering criteria such as Coaching, Communication & Care); (ii) eNPS, an indicator that shows the degree of recommendation of the Bank to other people; also, ideas from the people in the team are centralized, so that BT is an increasingly attractive place to work (response rate of over 90%). The results of the survey conducted with external customers (based on telephone and email feedback collection) are also encouraging, the main important strengths mentioned by BT' clients being: (i) the interaction with branch and agency staff; (ii) reduced waiting times in units; (iii) online banking alternatives.

- ***Care and responsibility for better communities and society*** - as a provider of financial products and services, BT plays an important role in the community life. Beyond contributing directly to supporting the Romanian economy, the Bank is keen to support community projects with long-term impact, through its own financial resources and together with our customers. More details on the programs in which the Bank has been involved in supporting communities and society can be found in the *Report of the Board of Directors* (included in the AGM/ Consolidated and Individual Financial Statements section). CSR (Corporate Social Responsibility) plan aims involving BT in large-scale, aspirational projects that generate visibility and support BT's overall positioning being considered (we inspire Romanians and get involved in communities). The community involvement strategy is based on five directions: (i) supporting the Romanian economy and entrepreneurs; (ii) providing support and solidarity to disadvantaged communities; (iii) supporting young talents and developing new ideas; (iv) supporting performance sports; (v) supporting the cultural & artistic environment. The policies and procedures through which the Bank grants sponsorships are under the responsibility of Marketing, Communication and PR Division, the main sectors supported being: cultural, artistic, educational, scientific - basic and applied research, humanitarian, religious, philanthropic, sports, human rights protection, medical-sanitary, assistance and social services, environmental protection, social and community, representation of professional associations, as well as maintenance, restoration, conservation and enhancement of historical monuments. At the same time, the Bank's branches receive an annual sponsorship budget which is used in accordance with internal rules, for projects and initiatives with local impact. The sponsorship

thresholds and the branches receiving these funds are approved annually at the Management Committee meeting.

### **Qualitative information on Governance risk**

Additionally to those already mentioned we mention:

- **Providing sustainability reporting in line with reputable standards;** among the actions the Bank has proposed to take, we exemplify: (i) regular discussions with stakeholders to identify material topics; (ii) continuous review of the content of the reports in line with the evolution of applicable frameworks/ regulations/ guidelines, as well as to provide sustainability information in an effective manner; (iii) increasing the level of assurance (from limited to reasonable) in line with the evolution of relevant regulations; etc.
- **Maintaining good ESG ratings,** having among benefits the following: (i) providing a transparent picture to investors/ potential investors of how BT manages ESG risks and how it addresses ESG issues; (ii) providing assurance that allows for comparable ratings with other companies (in the industry and/or other industries); (iii) assessing sustainability progress periodically; (iv) enabling access to new sources of funding (e.g: existence of an ESG rating being a prerequisite for green, sustainable or sustainability-related funding issues); (v) confirming the Bank's reputation, including the commitment to contributing to sustainable development. Building sustainability can be achieved through membership of various national and international organizations, based on compatibility with business strategy, market positioning and interest in sustainability, with voluntary membership providing access to know-how and best practices. BT is affiliated to UNEPFI - PRB (achieved in 2022).

The Bank's sustainability & ESG initiatives are also supported by other members of the Group. In this respect, we illustrate some of the actions of some of our subsidiaries:

**BT LEASING:** finances equipment, real estate, cars, for both individuals and companies. Among the actions considered for ESG area we mention: (i) integration of environmental and social risk assessment into the risk assessment process; (ii) activities are financed in compliance with environmental, health and safety legislation and are in line with the EBRD/ IFC list of excluded activities; (iii) environmental and social risks associated with each financed activity or project are properly assessed and documented and continuously monitored, and exposure per sector/ industry is within the limits set according to internal rules; (iv) increased financing of electric/ hybrid cars, equipment for renewable energy based projects, etc. For example, for 2023 the level for electric/ hybrid cars in the total car portfolio was 29%, compared to the 25% target set. For 2024 a 25% level is expected, given the devaluation of the Rabla voucher and the lack of public "green incentive" programs.

**BT LEASING MOLDOVA:** in 2019-2023 obtained a loan of EUR 3.5 million through the partnership with GGF (Green for Growth Fund), and 127 projects were financed, resulting in CO2 savings. The activities of the subsidiary also included: (i) marketing campaigns to highlight the advantages of leasing and the use of electric and hybrid cars; (ii) volunteer actions; (iii) waste collection actions (batteries, paper/ cardboard) for recycling.

**BT MIC:** lending to small companies/ start-ups, entrepreneurial initiatives. As of December 2023, the portfolio was ~18,330 clients, 20% of the financed clients being start-ups. STUP is a new concept on the Romanian market, being the *first physical and virtual space for entrepreneurs launched by a bank, providing the necessary infrastructure to connect entrepreneurs with service providers and products for setting up, managing, running a business*. STUP is headquartered in Bucharest and has an online presence ([www.btstup.ro](http://www.btstup.ro)). Entrepreneurs visited STUP for consulting, business solutions, events, including ESG themed (particularly with a focus on the social side). It also hosted Green Revolution events (4 events organized in 2023).

**PT PENSII:** the pension scheme built with the assistance of the World Bank has a portfolio of ~ 51,000 participants, most of the investments being in bonds issued by the Romanian state. Of the total bond portfolio, 32% are green or social bonds. In its decisions, the company consider the list of excluded activities implemented at group level, as well as international criteria; it also has a good governance policy in place, with transparency at the level of financial products, whether or not they have sustainability features or objectives.

**BTAM:** is in the business of fund administration, managing 17 funds as of December 2023. These include funds that promote environmental and social features (e.g. BT Maxim, BT Real Estate, BT Technology) and the company actively monitors these features. Ongoing monitoring involves compliance with ESG score conditions at the level of each fund; for example, as part of the semi-annual monitoring the Assets Placement Department determines for each fund the percentage of assets that, through the application of exclusion and screening strategies, meet the environmental and social characteristics. The company also monitors greenwashing activity on an ongoing basis. Other actions carried out in the ESG area: (i) selective waste collection, (ii) internal wellbeing (providing a daily fruit basket for employees); (iii) Zero plastic - action through which dispensers were changed, replacing bottled water with a high-performance filtering system; (iv) regular newsletters to employees, with a social theme/focus, etc.

**BTCP:** investment banking and capital markets division, dedicated to both individuals and companies. BTCP has implemented a *Sustainability Policy and Procedure* and within the document prepared for the company's presentation posted on BTCP's website was included a chapter on sustainability, including the aspects on the management of the sustainability risks. The company also has gender-neutral remuneration policies and practices in place. A dedicated ESG section has been created on the company's website in the *Education* area, to familiarize stakeholders/ investors with the main ESG concepts. Every year, all employees attend training courses through which they are trained/ updated on sustainability issues. Also, given that retail investors in Romania are not yet familiar with ESG concept or its impact on investment decisions, clients are advised to consult sustainability-related materials (published on BTCP website within the ESG section), before completing the contract.

**BT DIRECT:** offers personal loans/ card loans. Among the actions related to ESG management, the company has considered at least the following issues: (i) introduction of recycled plastic cards (~59% of total cards issued in 2023 are cards issued from recycled materials); (ii) reduction of paper consumption, increasing communication through digital channels and online interaction; (iii) use of paper from responsible sources (recycled paper).

**IDEA BANK (rebranded SALT BANK):** *the first digital bank in Romania*, launched on 15 November 2023. In March 2024, the first 100% digital banking platform was launched, a *neobank "made in Romania"* and *first in the Romanian banking system*, offering a complete digital experience to customers who want to do all their banking directly from their smartphones. Currently the portfolio is ~ 20,000 customers, mostly individuals, the products offered being personal loans, credit cards.

**BC VICTORIA BANK SA** – a commercial bank, member of GFBT, located in Republic of Moldova. Related to ESG, the institution has implemented an ESG analysis flow for the lending process, the environmental policy and sustainability strategy being aligned with the general principles of the Group, granting of green loans aiming the eligibility criteria established at Group level. The institution has also implemented among others: (i) the insertion of an ESG section on the Bank's website; (ii) criteria for collaborators to ensure sustainable development; (iii) issuing cards made of recycled plastic (correlated to waste management procedure).

### USE OF EXTERNAL CREDIT ASSESSMENT INSTITUTIONS

Banca Transilvania does not use External Credit Assessment Institutions to calculate risk weighted assets in accordance with Regulation 575/2013, Part III, Title II, Chapter 2.

### EXPOSURE TO MARKET RISK

In 2023 compared to 2022, there was a decrease in risk-weighted assets and capital requirements, due to, The reorganization of the bank's portfolios. The decreasing value of trading book was determined mainly by decreasing value of bond's from trading book, at the level of fund units and shares, no significant changes were recorded.

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

		RON thous.	
		a	b
		RWAs	Capital requirement
	<b>Outright products</b>	<b>557,822</b>	<b>44,626</b>
1	Interest rate risk (general and specific)	362,379	28,990
2	Equity risk (general and specific)	195,443	15,635
3	Foreign exchange risk	-	-
4	Commodity risk	-	-
	<b>Options</b>	-	-
5	Simplified approach	-	-
6	Delta-plus approach	-	-
7	Scenario approach	-	-
8	<b>Securitization (specific risk)</b>	-	-
<b>9</b>	<b>Total</b>	<b>557,822</b>	<b>44,626</b>

## OPERATIONAL RISK

Banca Transilvania uses the basic approach for the assessment of own funds requirements for operational risk.

### Template EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

		a	b	c	d	e
Banking activities		Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	5,120,332	6,842,709	7,715,544	983,929	12,299,116
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
3	Subject to TSA:	-	-	-	-	-
4	Subject to ASA:	-	-	-	-	-
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

## EXPOSURES IN EQUITIES NOT INCLUDED IN THE TRADING BOOK

The BT Financial Group exposures in equities not included in the trading book are 447,080 thousand lei as of 31.12.2023 (net exposure).

BT Financial Group	Gross exposure	Net exposure	Accounting method
<b>Equities</b>	447.080	447.080	
Not listed	154.160	154.160	Market value
Listed	292.920	292.920	Market value

RON thous.

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

Banca Transilvania Group is exposed to interest rate risk resulting from:

- Fixed income security trading (interest rate risk from trading activities)
- Funds raised and placed in relation to customers (interest rate risk from banking activities). The main sources of interest rate risk are represented by the imperfect correlation between the maturity dates (for fixed interest rates) or the pricing reset dates (for variable interest rates) with respect to interest bearing assets and liabilities, the adverse changes of the yield curve (un-parallel shift of interest rate curves related to interest bearing assets and liabilities). The management of interest bearing assets and liabilities is carried out in the context of the Group's/the Bank's exposure to interest rate fluctuations.

The Group uses a mix of fixed and variable interest bearing instruments to control the mismatch between the dates on which the interest on assets and liabilities is adjusted to the market rates or the maturity mismatch between assets and liabilities.

Interest rate risk is managed through a system of limits and indicators approved.

The Assets and Liabilities Management Committee is the body that monitors the compliance with these limits, being assisted in the daily monitoring by the Treasury Department and Risk Administration Department.

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

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

Bank implemented the requirements of EBA Guidelines on the Management of Interest Rate Risk arising from Non-Trading Book Activities which covers repricing risk, yield curve risk, option risk and basis risk.

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

Period	ΔEVE		ΔNII	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Parallel up	-901,719	-693,590	551,233	345,584
Parallel down	694,302	574,868	-551,233	-345,584
Steeper	-958,473	-942,147		
Flattener	402,797	414,115		
Short rate up	152,861	198,723		
Short rate down	-327,357	-428,105		
<b>Maximum</b>	958,473	942,147		
<b>Period</b>	<b>31.12.2023</b>		<b>31.12.2022</b>	
<b>Tier 1 capital</b>	11,363,215		10,234,719	

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

Potential change in economic value	RON thousand
Own funds	14,954,116
Potential decrease in economic value +/-200bp	
Total value	1,092,447
Impact in own funds	7.31%



## **EXPOSURE TO SECURITISATION POSITIONS**

Banca Transilvania is not exposed to securitisation positions.

## **REMUNERATION POLICY**

The main objective of Banca Transilvania Financial Group regarding remuneration is to respect the principle of equity, taking into account the business and the risk strategy of the institution, the culture and corporate values, long-term interests of the institution and the measures used to avoid conflicts of interest, without encouraging excessive risk-taking and promote a viable and efficient risk management.

The remuneration policy for all staff is gender neutral, all staff must be remunerated equally for the same work or work of equal value, in accordance with Article 3 paragraph (1) point 65 of Directive 2013/36/EU.

The remuneration framework supports the group in achieving and maintaining a viable capital base. In terms of remuneration, persons whose professional activities have a material impact on the risk profile of the group were called "Identified Staff" and their identification is performed in accordance with Regulation no. 923/2021 of the European Commission.

The group performs assessments in order to identify all the staff members whose professional activities have a material impact on the risk profile of the group.

### **Internal structures with responsibilities regarding remuneration:**

**BOARD OF DIRECTORS** is responsible for adopting and maintaining the institution's remuneration policy and overseeing its implementation to ensure that it is fully functional.

**The REMUNERATION COMMITTEE** is created to issue competent and independent opinions on remuneration policies and practices, on the remuneration of personnel involved in risk management, the adequacy of the bank's capital and liquidity, in accordance with regulatory requirements and to exercise the powers mandated by the Board of Directors Administration on this activity segment.

**RISK COMMITTEE** holds specific responsibilities regarding the assessment of risks in the remuneration field and ensures, without influencing the tasks of the Remuneration and Nomination Committee if incentives provided by the compensation system take into consideration risks, capital, liquidity as well as the likelihood and timing of profits in order to support adequate remuneration policies and practices.

**HUMAN RESOURCES COMMITTEE** holds specific responsibilities in terms of developing and increasing efficiency in the process of decisions making in relation to the employees.

**HUMAN RESOURCES DEPARTMENT** holds attributions regarding, among other things, providing human resources necessary to accomplish the strategic objectives of the bank / subsidiaries of the bank and a competitive and fair remuneration and reward system.

**GOVERNANCE AND NON-FINANCIAL RISK MANAGEMENT DEPARTMENT** proposes, if necessary and in order to ensure that incentives for risk taking are balanced by incentives for risk management, adjustment of variable remuneration for all current and future risks undertaken, following the completion of risk alignment process, which includes: the process of measuring the performance and the risks and remuneration granting and payment processes, as well as additional duties in accordance with the rules of organization and administration of Banca Transilvania and the provisions of this policy.

**COMPLIANCE DEPARTMENT** assists and advises the management body (Board of Directors/Leaders' Committee) in the implementation of this policy, as well as additional responsibilities in accordance with the Rules of organization and organization of Banca Transilvania and the provisions of this policy and also - through compliance function - analyzes how the remuneration policy affecting the institution compliance with laws, regulations and internal risk culture endorsing the document signed by the Director of each approval, revision and supervision.

The aforementioned attributions are supplemented by additional responsibilities specific to each structure, that are described in the Group's regulatory framework.

#### **THE REMUNERATION AND NOMINATION COMMITTEE**

The Remuneration Committee (REMCO) is subordinated to the Board of Directors and issues competent and independent opinions on the remuneration policies and practices, on the incentives for risk management, capital adequacy and liquidity management, on the nomination policies and to exercise the powers mandated by the Board of Directors in this field of activity, on the nomination policies and exercise of the attributions mandated by the Board of Directors in this field of activity.

The composition of the Remuneration and Nomination Committee is as follows:

- Chairman of the Board of Directors
- maximum 2 BoD members.

The Remuneration Committee (REMCO) and Nomination Committee (NOMCO) meets at least twice a year or whenever it is needed at the request of one of its members or the Bank's executive directors. In 2023, the Remuneration Committee met (physically and/or electronically) 10 times in the presence of all members. Attendance at the meetings indicated above took into account both physical attendance and objectively justified absences in accordance with the Bank's practices. The meetings were attended by the Chairman of the Risk Management Committee as a guest, who ensured that remuneration practices were established in line with the Bank's risk management requirements. In 2023, the Nomination Committee met (physically and/or electronically) 5 times in the presence of all members. Attendance at the meetings indicated above took into account both physical attendance and objectively justified absences in accordance with Bank practice.

#### **LINK BETWEEN THE TOTAL REMUNERATION AND PERFORMANCE**

In accordance with the legislation in force on sound remuneration policies, there are two types of remuneration paid, fixed and variable, according to the following principles:

- Remuneration is fixed where the conditions for its award and its amount:
  - i) are based on predetermined criteria;
  - ii) are non-discretionary reflecting the level of professional experience and seniority of staff;
  - iii) are transparent with respect to the individual amount awarded to the individual staff member;
  - iv) are permanent, i.e. maintained over a period tied to the specific role and organizational responsibilities;
  - v) are non-revocable; the permanent amount is only changed via collective bargaining or following renegotiation in line with national criteria on wage setting;
  - vi) cannot be reduced, suspended or cancelled by the institution;
  - vii) do not provide incentives for risk assumption; and
  - viii) do not depend on performance.
  
- The remuneration is variable when it does not meet the above conditions for including it in the fixed remuneration category.

If the remuneration is correlated with the performance, the amount of the total remuneration is based on the combined assessment of the individual performance, the performance of the respective operational unit and the general results of the group, whereby the assessment of the individual performance takes into account both financial and nonfinancial aspects, such as: gained knowledge/obtained qualifications, personal development, compliance with the systems and controls of the group, involvement in the business strategies and significant policies of the entity within the group and the contribution to the team's performance.

Performance assessment takes place within a multi-annual framework, in order to make sure that the assessment process is based on the long-term performance and that the actual payment of the performance-based remuneration components is spread over a period that considers the business cycle of the group and the specific risks of its entities' activity.

In order to establish the variable part of the annual remuneration of the "Identified Staff", limitation of excessive risk taking is being considered. Thus, the annual objectives set by the Board of Directors for this purpose include ratios meant to discourage excessive risk taking.

The remuneration of independent control functions is mainly fixed. In case a variable remuneration is established, it will be granted without being linked to the budgetary objectives of the organization and the performance of activities monitored and controlled by the function, but correlated with objectives related to those functions.

**DEFERRAL POLICY:**

Provided the vesting criteria are met, the deferral policy for the Identified Personnel is:

- A substantial part of the variable component of the total remuneration, in all cases at least 40%, is deferred for a period of 3 years and is properly correlated with the activity nature, the risks and the responsibilities of the respective staff;
- up to 100% of the total variable remuneration can be subject to “*malus*” or „*clawback*” arrangements;
- Identified Staff members are vested with respect to the remuneration due according to deferral arrangements no earlier than on pro rata basis. The Identified Staff is paid for or is vested with respect to the variable remuneration, including the deferred portion, only if the variable remuneration can be supported by the overall financial standing of Banca Transilvania Financial Group and can be justified according to the performance of the bank, of the operational structure concerned and that of the individual;
- Where the annual variable remuneration is of a particularly high amount, exceeding 1,500,000 lei net, at least 60% of the amount is deferred for a period of minimum 5 years.

#### **CRITERIA USED FOR PERFORMANCE MEASUREMENT AND RISK ADJUSTMENT:**

- Achievement of the gross profit target;
- Keeping liquidity at an optimum level, while maintaining the quick ratio within the limit of the adopted risk appetite;
- Keeping the solvability level (calculated in relation to the internal capital) compliant with the Internal Process for the Adjustment of Capital to Risks;
- Alignment between the bank’s general risk profile and the risk appetite;
- Keeping the bank on one of the first 3 position in terms of assets held at the end of December 31.

#### **RATIOS BETWEEN FIXED AND VARIABLE REMUNERATION**

The total annual remuneration of the personnel category the professional activity of whom have a significant impact on the bank’s risk profile consists of a fixed component and a variable one that cannot exceed 100% of the fixed component of the total annual remuneration.

The fixed and variable component of the total remuneration are properly balanced and the fixed component represents a share sufficiently large from the total remuneration, so as to allow for a fully flexible policy regarding the components of the variable remuneration, including the possibility of not paying any component thereof.

## INFORMATION ON THE PERFORMANCE CRITERIA ON WHICH THE ENTITLEMENT TO SHARES, OPTIONS OR VARIABLE COMPONENTS OF REMUNERATION IS BASED

- Achieving the gross profit target for the assessed year (for the basic part) and/or for the previous year (for the deferred part);
- Keeping liquidity at an optimum level, while maintaining the quick ratio within the limit of the risk appetite adopted for the assessed year (for the basic part) and/or for the previous year (for the deferred part);
- Keeping the solvability level (calculated in relation to the internal capital) compliant with the Internal Process for the Adjustment of Capital to Risks for the assessed year (for the basic part);
- Alignment between the bank's general risk profile and the risk appetite adopted in the assessed year (for the basic part) and/or for the previous year (for the deferred part);

## MAIN PARAMETERS AND RATIONALE FOR THE STRUCTURE OF THE VARIABLE REMUNERATION

The performance measurement used to calculate the components of the variable remuneration or the component portfolios of the variable remuneration includes an adjustment for all current and future risk types and takes into account the cost of capital and required liquidity.

The allocation of the variable remuneration components in BT Group also considers all current and future risk types.

At least 50% of any variable remuneration must be represented by a balanced combination of the following elements: (A) shares; AND (b) if possible, other instruments, such as additional Tier 1 instruments or Tier 2 instruments (under Article 52 or 63 of Regulation (EU) no. 575/2013), or other instruments convertible into core or reduced Tier 1 instruments, which adequately reflect in each case the credit quality of the Group on an ongoing basis and are suitable to be used for variable remuneration.

**The quantitative information according to article 450 regarding remuneration will be published during the third trimester 2024.**

## LEVERAGE RATIO

Within the framework of EU Regulation no.575/2013 and in addition to the total capital requirements, the leverage ratio was implemented as a new instrument to limit the risk of excessive indebtedness. The leverage ratio is the ratio of capital to the leverage exposure, specifically the tier 1 capital in relation to unweighted exposure on and off the statement of financial position.

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

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

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

As at 31.12.2023, the leverage ratio according to the transitional definition decreased slightly from 7.53 % at 31.12.2022 to 7.17%, mainly due to the increase of the leverage ratio exposures.

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

RON thous.

		a
		Applicable amount 31.12.2023
1	Total assets as per published financial statements	169,169,225
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	1,038,368
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	187,672
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	7,079,855
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
12	Other adjustments	(474,425)
13	<b>Total exposure measure</b>	<b>177,000,695</b>

Template EU LR2 - LRCom: Leverage ratio common disclosure

		RON thous.	
		a	b
		Applicable amount 31.12.2023	Applicable amount 30.09.2023
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	170,207,593	159,053,765
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework		
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(General credit risk adjustments to on-balance sheet items)		
6	(Asset amounts deducted in determining Tier 1 capital)	(474,425)	(475,806)
<b>7</b>	<b>Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>169,733,167</b>	<b>158,577,960</b>
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	31,291	35,628
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	156,381	154,449
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
<b>13</b>	<b>Total derivatives exposures</b>	<b>187,672</b>	<b>190,077</b>
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions		
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets		
17	Agent transaction exposures		
<b>18</b>	<b>Total securities financing transaction exposures</b>		
19	Off-balance sheet exposures at gross notional amount	24,049,762	23,610,503
20	(Adjustments for conversion to credit equivalent amounts)	(16,969,907)	(16,633,596)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)		

<b>22</b>	<b>Off-balance sheet exposures</b>	<b>7,079,855</b>	<b>6,976,907</b>
23	Tier 1 capital	12,692,053	11,044,602
24	<b>Total exposure measure</b>	<b>177,000,695</b>	<b>165,744,944</b>
<b>25</b>	<b>Leverage ratio</b>	<b>7.17%</b>	<b>6.66%</b>
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)		
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)		
26	National minimum leverage ratio requirement		
27	Applicable leverage buffers		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
31	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
31a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		

#### **USE OF THE INTERNAL RATINGS BASED APPROACH TO CREDIT RISK**

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



## USE OF CREDIT RISK MITIGATION TECHNIQUES

### CREDIT RISK MITIGATION TECHNIQUES

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

We hereby mainly refer to the following aspects:

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

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

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

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

In order to manage the guarantees bought in the lending process and to mitigate the related risks, Banca Transilvania has implemented the BT Guarantee application to manage in a uniform and structured way all data relating to guarantees. Appropriate data quality is ensured by processes, controls and other similar measures provided in the specific internal provisions.

#### MAIN TYPES OF COLLATERAL ACCEPTED BY THE INSTITUTION

The group accepts the following types of collateral:

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

Goods that are eligible to be the subject of mortgage:

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

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

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

**Template 18: EU CR3 – CRM techniques – Overview**

		RON thous.				
		a	b	c	d	e
		Unsecured carrying amount	Secured carrying amount			Of which secured by credit derivatives
				Of which secured by collateral	Of which secured by financial guarantees	
1	Loans and advances	52,607,721	40,649,447	32,966,445	7,683,002	
2	Debt securities	51,470,879				
3	Total	153,713,738	40,649,447	32,966,445	7,683,002	
EU-5	<i>Of which defaulted</i>					

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

							RON thous.	
		a	b	c	d	e	f	
Exposure classes		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density		
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)	
	Central governments or central banks	80,380,083	-	88,331,877	9,331	4,440,271	5%	
	Regional government or local authorities	924,566	728,964	924,566	25	358,334	39%	
	Public sector entities	104,665	70,936	104,665	62	104,727	100%	
	Multilateral development banks	117,305	-	650,772	-	-	0%	
	International organisations	-	-	-	-	-	0%	
	Institutions	9,352,561	476,834	9,725,034	163,261	4,114,026	42%	
	Corporates	18,798,111	10,147,214	16,595,150	2,071,781	16,546,934	89%	
	Retail	28,371,578	11,908,607	22,123,476	2,647,609	17,042,615	69%	
	Secured by mortgages on immovable property	19,083,167	328,003	18,702,733	131,475	6,509,809	35%	
	Exposures in default	1,494,641	88,063	1,494,641	59,280	1,635,263	105%	
	Exposures associated with particularly high risk	-	-	-	-	-	0%	
	Covered bonds	-	-	-	-	-	0%	
	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%	
	Collective investment undertakings	-	-	-	-	-	0%	
	Equity	292,920	-	292,920	-	292,920	100%	
	Other items	9,362,098	-	9,523,533	316,605	3,556,912	36%	
	<b>TOTAL</b>	<b>168,281,694</b>	<b>23,748,621</b>	<b>168,469,366</b>	<b>5,399,430</b>	<b>54,601,810</b>	<b>31%</b>	

Template 20: EU CR5 – Standardised approach

RON thous.

Exposure classes	Risk weight															Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
1 Central governments or central banks	57,167,074	-	32,639	28,201,179	-	-	2,642,937	-	-	297,379	-	-	-	-	-	88,341,208	7,961,125
2 Regional government or local authorities	-	-	-	-	707,821	-	-	-	-	216,770	-	-	-	-	-	924,591	779,081
3 Public sector entities	-	-	-	-	-	-	-	-	-	104,727	-	-	-	-	-	104,727	104,727
4 Multilateral development banks	650,772	-	-	-	-	-	-	-	-	-	-	-	-	-	-	650,772	533,467
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	264,473	-	-	-	3,957,243	-	4,688,006	-	-	978,574	-	-	-	-	-	9,888,296	-
7 Corporates	-	-	-	-	-	-	-	-	-	18,604,067	62,864	-	-	-	-	18,666,931	18,666,931
8 Retail exposures	-	-	-	-	-	-	-	-	24,771,085	-	-	-	-	-	-	24,771,085	24,771,085
9 Exposures secured by mortgages on immovable property	-	-	-	-	-	18,834,208	-	-	-	-	-	-	-	-	-	18,834,208	18,834,208
10 Exposures in default	-	-	-	-	-	-	-	-	-	1,391,238	162,683	-	-	-	-	1,553,921	1,553,921
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity exposures	-	-	-	-	-	-	-	-	-	292,920	-	-	-	-	-	292,920	292,920
16 Other items	6,283,226	-	-	-	-	-	-	-	-	3,556,912	-	-	-	-	-	9,840,138	9,840,138
<b>17 TOTAL</b>	<b>64,365,544</b>	<b>-</b>	<b>32,639</b>	<b>28,201,179</b>	<b>4,665,064</b>	<b>18,834,208</b>	<b>7,330,943</b>	<b>-</b>	<b>24,771,085</b>	<b>25,442,587</b>	<b>225,547</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>173,868,796</b>	<b>83,337,602</b>

### **USE OF THE ADVANCED MEASUREMENT APPROACHES TO OPERATIONAL RISK**

Banca Transilvania Financial Group does not use Advanced Measurement Approaches to assess operational risk.

### **USE OF INTERNAL MARKET RISK MODELS**

Banca Transilvania Financial Group does not use any Internal Market Risk Models.

