

BT LEASING TRANSILVANIA IFN S.A.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

**Prepared in accordance with the
International Financial Reporting Standards as adopted by the European
Union**

For the year ended on 31 December 2022

BT Leasing Transilvania IFN S.A.

CONTENTS

Independent Auditor's Report	
Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income	1
Consolidated and Separate Statement of Financial Position	2
Consolidated and Separate Statement of Changes in Equity	3-4
Consolidated and Separate Statement of Cash Flows	5-6
Notes to the consolidated and separate financial statements	7-102

BT Leasing Transilvania IFN S.A.

Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income

For the year ended on 31 December 2022

- in RON -

	Note	Group		Company	
		2022	2021(*)	2022	2021(*)
Interest income from leasing agreements		193,856,648	98,092,856	126,118,513	98,092,856
Interest income calculated using the effective interest method		2,356,055	287,559	734,123	248,304
Interest expense		(34,739,181)	(17,002,689)	(23,753,361)	(17,002,690)
Net interest income	6	161,473,522	81,377,726	103,099,275	81,338,470
Fee and commission income		28,109,207	16,233,353	-	-
Fee and commission expense		(215,976)	(176,944)	(143,321)	(154,810)
Net fee and commission income/(expense)	7	27,893,231	16,056,409	(143,321)	(154,810)
Net gain from foreign currency translation	8	8,555,942	6,725,355	4,630,673	6,725,355
Other operating income	9	13,737,629	7,384,475	22,870,390	19,624,431
Gains/(Losses) from assets previously leased to customers	10	33,682,039	13,534,684	38,200,811	13,534,684
Net impairment charges of financial assets	11	(67,730,430)	(16,436,116)	(36,846,497)	(16,436,116)
Net income/(expense) related to provisions	12	(289,616)	(646,953)	533,617	(646,953)
Personnel expenses	13	(31,318,688)	(21,641,527)	(23,509,293)	(20,270,825)
Depreciation expense	21,22,23	(4,233,499)	(2,197,517)	(2,175,313)	(2,160,096)
Other operating expenses	14	(19,077,315)	(9,254,293)	(11,056,713)	(8,989,591)
Profit before tax		122,692,815	74,902,243	95,603,629	72,564,549
Income tax (expense)/credit	15	(26,231,128)	(10,783,926)	(17,238,302)	(10,265,203)
Net profit for the year		96,461,687	64,118,317	78,365,327	62,299,346
Other comprehensive income		-	-	-	-
Total comprehensive income		96,461,687	64,118,317	78,365,327	62,299,346
Profit of the Group attributable to:					
Owners of the Company		96,457,356	64,113,984	78,365,327	62,299,346
Non-controlling interests		4,331	4,333	-	-

Morar Ionut Calin

General Manager

Moldovan Sabina

Financial Manager

(*) Restated following the change in accounting policy, see Note 3l)

BT Leasing Transilvania IFN S.A.

Consolidated and Separate Statement of Financial Position

For the year ended on 31 December 2022

As of 31 December

	Note	Group			Company		
		2022	2021 (*)	2020(*)	2022	2021(*)	2020 (*)
Assets							
Cash and cash equivalents	16	77,234,151	15,834,274	22,085,227	18,406,873	11,369,686	18,657,932
Loans and advances to customers	17	17,371,988	-	-	-	-	-
Finance lease receivables	17	2,585,599,524	1,277,022,492	1,108,097,837	1,616,498,765	1,277,022,492	1,108,097,837
Other financial assets	18	23,549,799	11,568,636	11,766,636	5,408,049	7,047,601	7,675,016
Repossessed assets	19	6,327,582	7,653,385	8,780,430	5,967,395	7,653,385	8,780,430
Equity investments	20	16	16	16	153,069,536	69,536	69,536
Premises and equipments	21	2,576,944	1,189,488	1,249,277	1,935,671	1,185,508	1,207,876
Intangible assets	22	14,519,474	669,169	601,912	568,421	669,169	601,912
Goodwill		144,363,798	-	-	-	-	-
Right-of-use assets	23	3,512,766	1,590,974	2,368,729	1,290,592	1,590,974	2,368,729
Deferred tax assets	15	13,495,506	7,215,584	7,346,007	7,670,574	7,190,640	7,321,063
Other assets	24	37,081,854	18,974,663	4,649,211	32,785,792	18,973,002	4,641,875
Total assets		2,925,633,402	1,341,718,681	1,166,945,282	1,843,601,668	1,332,771,993	1,159,422,206
Liabilities							
Loans from banks and other financial institutions	25	2,037,285,347	777,180,611	678,895,763	1,202,125,286	777,180,611	678,895,763
Issued bonds	26	197,418,332	196,843,964	193,388,861	197,418,332	196,843,964	193,388,861
Lease liabilities	27	3,624,228	1,669,838	2,428,808	1,321,064	1,669,838	2,428,808
Provisions for liabilities and charges	28	11,354,656	9,553,088	7,814,131	9,914,366	9,292,761	7,645,208
Other financial liabilities	29	207,064,350	8,729,040	8,292,127	20,593,114	15,368,293	14,083,429
Current tax liabilities	15	5,288,754	2,740,718	3,294,980	2,686,753	2,341,033	3,257,645
Other liabilities	30	36,029,081	14,981,326	7,332,095	15,666,783	14,820,900	7,174,080
Total liabilities		2,498,064,748	1,011,698,585	901,446,765	1,449,725,698	1,017,517,400	906,873,794
Equity							
Share capital	31	59,572,544	59,572,544	59,572,544	59,572,544	59,572,544	59,572,544
Legal reserves and other reserves	32	12,673,566	12,229,560	12,015,293	12,548,854	12,104,848	11,890,581
Retained earnings		355,318,165	258,213,610	193,907,061	321,754,572	243,577,201	181,085,287
Total equity attributable to Company's owners		427,564,275	330,015,715	265,494,898	393,875,970	315,254,593	252,548,412
Non-controlling interest		4,379	4,381	3,619	-	-	-
Total equity		427,568,654	330,020,096	265,498,517	393,875,970	315,254,593	252,548,412
Total liabilities and equity		2,925,633,402	1,341,718,681	1,166,945,282	1,843,601,668	1,332,771,993	1,159,422,206

(*) Restated following the change in accounting policy, see Note 3l)

Morar Ionut Calin
General Manager

Moldovan Sabina
Financial Manager

BT Leasing Transilvania IFN S.A.

Consolidated Statement of Changes in Equity

For the year ended on 31 December 2022

Group	Share capital	Legal reserves and other reserves	Retained earnings	Total equity attributable to Company's owners	Non-controlling interest	Total
Balance as of 1 January 2021 previously reported	59,572,544	12,015,293	186,719,734	258,307,571	3,619	258,311,190
The effect of change in accounting policy with regard to expected credit losses (*)	-	-	7,187,327	7,187,327	-	7,187,327
Balance as of 1 January 2021 restated	59,572,544	12,015,293	193,907,061	265,494,898	3,619	265,498,517
Net profit for the year	-	-	64,113,984	64,113,984	4,333	64,118,317
Total comprehensive income	-	-	64,113,984	64,113,984	4333	64,118,317
Dividends distribution subsidiaries	-	-	-	-	(3,571)	(3,571)
Other changes–stock option plan	-	214,267	-	214,267	-	214,267
Other changes–correction of accounting errors	-	-	192,566	192,566	-	192,566
Balance as of 31 December 2021	59,572,544	12,229,560	258,213,611	330,015,715	4,381	330,020,096
Net profit for the year	-	-	96,457,356	96,457,356	4,331	96,461,687
Reserves for reinvested profit	-	187,956	(187,956)	-	-	-
Total comprehensive income	-	187,956	96,269,400	96,457,356	4,331	96,461,687
Dividends distribution subsidiaries	-	-	-	-	(4,382)	(4,382)
Other changes–stock option plan	-	256,050	-	256,050	-	256,050
Retained earnings from business combinations	-	-	835,153	835,153	-	835,153
Total comprehensive income	59,572,544	12,673,566	355,318,164	427,564,274	4,331	427,568,654

(*) Restated following the change in accounting policy, see Note 3l)

BT Leasing Transilvania IFN S.A.

Consolidated Statement of Changes in Equity

For the year ended on 31 December 2022

- in RON -

Company	Share capital	Legal reserves and other reserves	Retained earnings	Total equity
Balance as of 1 January 2021 previously reported	59,572,544	11,890,581	173,897,960	245,361,085
The effect of change in accounting policy with regard to expected credit losses (*)	-	-	7,187,327	7,187,327
Balance as of 1 January 2021 restated	59,572,544	11,890,581	181,085,287	252,548,412
Net profit for the year	-	-	62,299,346	62,299,346
Total comprehensive income	-	-	62,299,346	62,299,346
Other changes—stock option plan	-	214,267	-	214,267
Other changes—correction of accounting errors	-	-	192,568	192,568
Balance as of 31 December 2021	59,572,544	12,104,848	243,577,201	315,254,593
Net profit for the year	-	-	78,365,327	78,365,326
Reserves for reinvested profit	-	187,956	(187,956)	-
Total comprehensive income	-	-	78,177,371	78,365,326
Other changes—stock option plan	-	256,050	-	256,050
Balance as of 31 December 2022	59,572,544	12,548,854	321,754,572	393,875,970

(*) Restated following the change in accounting policy, see Note 3l)

BT Leasing Transilvania IFN S.A.

Consolidated and Separate Statement of Cash Flows

For the year ended on 31 December

- in RON -

	Nota	Group	
		2022	2021*
Operating activities			
Profit before tax		96,461,687	64,118,317
Adjustments for non-monetary elements			
Depreciation expense of premises and equipment and intangible assets	22, 23,24	4,233,499	2,197,517
Net impairment charges for finance lease receivables	11	67,781,614	16,606,916
Net impairment expenses for other assets	11	(51,184)	(170,799)
Net release of provisions for repossessed inventory	10	(232,923)	(1,384,110)
Provisions for other risks and charges	12,13	121,736	1,738,957
Interest income from leasing agreements and loans	6	(194,843,419)	(98,092,856)
Interest income from banks	6	(1,369,284)	(287,559)
Interest expense		34,739,181	17,002,689
Dividend income	9	-	(8)
Other adjustments for non-cash items		(91,366,983)	17,356,872
Operating profit before the change in operating assets and liabilities		(84,526,076)	19,085,936
(Increase) in net finance lease receivables		(290,785,321)	(194,760,278)
(Increase)/Decrease in other assets		(17,916,040)	(18,285,529)
(Increase)/Decrease in inventory		33,541,711	18,996,257
Increase/(Decrease) of trade payables and other liabilities		13,867,623	7,531,881
Interest received from leasing agreements		191,034,961	98,447,403
Interest expense paid		(33,399,483)	(17,055,288)
Income tax paid		(26,936,555)	(11,015,198)
Net cash flow from/(used in) operating activities		(215,119,180)	(97,054,816)
Investing activities			
Acquisitions of premises, equipment and intangible assets		(3,904,742)	(972,656)
Proceeds from disposal of premises and equipment and intangible assets		494,399	343,066
Acquisition of shares in Țiriac Leasing		(114,139,107)	
Interest received from banks		1,358,858	285,478
Dividends received	9	-	8
Net cash flow from investing activities		(116,190,592)	(344,104)
Financing activities			
Gross proceeds from loans and other borrowings		1,892,789,055	972,301,821
Gross payments from loans and other borrowings		(1,494,156,139)	(884,375,950)
Receipts from issued bonds		-	-
Repayment of lease liabilities		(1,606,580)	(1,106,779)
Net cash flow from financing activities		397,026,336	86,819,092
Cash and cash equivalents at the beginning of the period			
	17	11,503,741	22,083,569
Net increase/decrease (-) in cash and cash equivalents		65,716,564	(10,579,828)
Cash and cash equivalents at the end of the period	17	77,220,305	11,503,741

(*) Restated following the change in accounting policy, see Note 3l)

BT Leasing Transilvania IFN S.A.

Consolidated and Separate Statement of Cash Flows For the year ended on 31 December

- in RON -

	Nota	Company	
		2022	2021*
Operating activities			
Profit before tax		78,365,327	62,299,346
Adjustments for non-monetary elements			
Depreciation expense of premises and equipment and intangible assets	22,23,24	2,175,313	2,160,096
Net impairment charges for finance lease receivables	11	36,897,682	16,606,916
Net impairment expenses for other assets	11	(51,184)	(170,799)
Net release of provisions for repossessed inventory	10	(522,643)	(1,384,110)
Provisions for other risks and charges	12,13	621,604	1,647,553
Interest income from leasing agreements and loans	6	(126,118,513)	(98,092,856)
Interest income from banks	6	(734,123)	(248,304)
Interest expense		23,753,361	17,002,689
Dividend income	9	(14,057,386)	(12,242,798)
Other adjustments for non-cash items		(50,381,975)	17,201,688
Operating profit before the change in operating assets and liabilities		(50,052,537)	4,779,421
(Increase) in net finance lease receivables		(339,396,011)	(194,760,278)
(Increase)/Decrease in other assets		(7,799,312)	(17,859,402)
(Increase)/Decrease in inventory		33,583,216	18,996,257
Increase/(Decrease) of trade payables and other liabilities		6,416,427	8,015,069
Interest received from leasing agreements		126,462,784	98,447,403
Interest expense paid		(23,034,087)	(17,055,289)
Income tax paid		(17,372,517)	(10,858,825)
Net cash flow from/(used in) operating activities		(271,192,037)	(110,295,644)
Investing activities			
Acquisitions of premises, equipment and intangible assets		(1,527,755)	(972,656)
Proceeds from disposal of premises and equipment and intangible assets		267,056	343,066
Acquisition of shares in Țiriac Leasing		(153,000,000)	
Interest received from banks		729,754	248,608
Dividends received	9	14,057,386	12,242,798
Net cash flow from investing activities		(139,473,559)	11,861,816
Financing activities			
Gross proceeds from loans and other borrowings		1,506,220,843	972,301,821
Gross payments from loans and other borrowings		(1,083,064,105)	884,375,950
Repayment of lease liabilities		(1,131,212)	(1,106,779)
Net cash flow from financing activities		422,025,526	86,819,092
Cash and cash equivalents at the beginning of the period	17	7,041,539	18,656,275
Net increase/decrease (-) in cash and cash equivalents		11,359,930	(11,614,736)
Cash and cash equivalents at the end of the period	17	18,401,469	7,041,539

(* Restated following the change in accounting policy, see Note 3l)

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

1. Reporting entity

BT Leasing Transilvania IFN SA (“Company”, “Parent Company”) was established in 1995 as a privately owned joint-stock company and having as main activity financing of purchase of motor vehicles and equipment under finance leases by legal entities and natural persons from Romania. BT Leasing Transilvania IFN SA is part of Banca Transilvania Financial Group (“BT Group”), being a subsidiary of it. Banca Transilvania SA (“BT”) is the parent company and the ultimate controlling party.

The Company also owns the following subsidiaries: BT Intermedieri Agent de Asigurare SRL, BT Solution Agent de Asigurare SRL, BT Safe Agent de Asigurări SRL, BT Asiom Agent de Asigurare SRL and Țiriac Leasing IFN SA (for details regarding the acquisition please see Note 36), which was acquired on 03.08.2022 (hereinafter defined as the “Subsidiaries”). The Parent Company and its Subsidiaries are based in Romania and are further defined as the “Group”. The consolidated and separate financial statements as of 31 December 2022 include the Parent Company and its Subsidiaries.

The Group has the following activities: finance lease, which is carried out by BT Leasing Transilvania IFN S.A. and Țiriac Leasing IFN SA, and insurance intermediation that is carried out by the subsidiaries: BT Intermedieri Agent de Asigurare, BT Safe Agent de Asigurare, BT Solution Agent de Asigurare and BT Asiom Agent de Asigurare.

As a result of applying the provisions of the Government Ordinance no. 28/2006, during 2007, the Company was registered in the Special Register of the National Bank of Romania as a non-banking financial institution and operates in compliance with the regulations issued by the National Bank of Romania (“NBR”).

The address of the Group’s registered office is 74-76 Constantin Brancusi Street, Cluj-Napoca, Romania.

As of 31 December 2022 the Group had 248 active employees (31 December 2021 : 127 active employees).

The Group is managed by the Board of Directors consisting of three members, including a chairman:

<u>Position</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Chairman	Moisa Tiberiu	Moisa Tiberiu
Member	Szekely Daniel	Szekely Daniel
Member	Nistor Ioan-Alin	Nistor Ioan-Alin

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

2. Basis of preparation

a) Conformity statement

The consolidated and separate financial statements of the Group and the Company have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (“IFRS”), in force at the annual reporting date of the Group and the Company, 31 December 2022. The consolidated and separate financial statements of the Group and of the Company as of 31 December 2022 cannot be modified after their approval by the Board of Directors of the Company.

The Company prepares a set of separate financial statements in accordance with National Bank of Romania (“NBR”) Order 6/2015 “for approving accounting Regulations in accordance with European directives” and subsequent amendments (“NBR Order 6/2015”) for the year ended at 31 December 2022, which is the set based on which the result attributable to shareholders is determined.

b) Basis of measurement

The consolidated and separate financial statements were prepared on historical cost basis.

c) Functional and presentation currency

The items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which that entity operates (the “functional currency”). The functional currency of the entities within the Group is the Romanian lei, “RON”. The consolidated and separate financial statements are presented in RON.

d) Use of estimates and significant judgments

The preparation of the consolidated and separate financial statements in accordance with IFRS requires management to use estimates and judgments that affect the application of accounting policies, as well as the reported value of assets, liabilities, revenues and expenses. The estimates and judgments associated with them are based on historical data and other factors deemed to be relevant in the given circumstances, and the result of these factors forms the basis of the judgments used in determining the carrying amount of assets and liabilities for which no other valuation sources are available. Actual results may differ from estimated values. Estimates and judgments are reviewed periodically.

Revisions of accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period in which the estimate is revised and future periods, if the revision affects both the current period and future periods. The information related to those estimates used in applying the accounting policies that have a significant effect on the consolidated and separate financial statements, as well as the estimates that imply a significant degree of uncertainty, are presented in Notes 4 and 5.

3. Significant accounting methods and policies

Significant accounting methods and policies have been consistently applied by the Company and the Group entities throughout the financial years presented in these consolidated and separate financial statements, with the exceptions presented in Note 3l).

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (*continued*)

a) Basis for consolidation

The financial information in the consolidated financial statements include the Parent Company together with its Subsidiaries subject to consolidation.

(i) Subsidiaries

The Group's Subsidiaries are the entities under the Group's control. The control over an entity is reflected by the Group's capacity to exercise its power in order to affect any variable returns to which the Group is exposed as a result of its involvement in the entity.

The factors that the Group must consider when deciding to include an entity in the consolidation are the following:

- the purpose and activities of the entity;
- the entity's relevant activities and the way they are determined;
- whether the Group has power to direct the entity's relevant activities;
- whether the Group is exposed or entitled to variable returns; and
- whether the Group has the ability to use its power to affect the returns.

If voting rights are relevant, the Group shall be deemed to have control, if it owns, directly or indirectly, more than half of the voting rights over an entity, except where there is evidence that another investor could control the relevant activities. Potential voting rights that are considered substantive are also considered when determining the control over the entity.

The Group also controls an entity even though it does not have the majority voting power, but it has the practical ability to direct the relevant activities. This can occur if the size and dispersion of the shareholdings give the Group the power to direct the activities in which it has invested.

The subsidiaries are included in the consolidation starting from the date when the control is transferred to the Group. The Group continuously evaluates the control over the entities in which it has invested, at least at each reporting date. Therefore, any change in the structure that results in a change of one or more control factors causes a reassessment. These include changes in decision rights, changes in contractual arrangements, financial and/or capital structure changes, as well as changes that occurred following a triggered event that was anticipated in the initial documentation.

(ii) Non-controlling interest

The Group presents the non-controlling interest in its consolidated statement of financial position within equity, separately from the equity of the Parent Company's owners.

The non-controlling interest is measured proportionally with the percentage held in the net assets of the subsidiary. Any change in the percentage of ownership that does not result in losing control is disclosed as an equity transaction.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies *(continued)*

a) Basis for consolidation *(continued)*

(iii) Loss of control

When the Group loses control over a subsidiary, the assets (including any goodwill), liabilities and the carrying amount of any non-controlling interests are derecognised at the date when control was lost. Any gain or loss resulting from the loss of control is recognized in the statement of profit or loss.

At the date when control of a subsidiary is lost, the Group: a) derecognises the assets (including the attributable goodwill) and the liabilities of the subsidiary; b) derecognises the value of non-controlling interests from the former subsidiary; c) recognizes the consideration received at fair value; d) recognizes any investment in the former subsidiary at fair value; and e) recognizes any difference resulting from the actions above as a gain or loss in the statement of profit or loss. Any amounts recognised in previous periods in other comprehensive income in relation to that subsidiary are reclassified to the consolidated statement of profit or loss or are transferred directly to retained earnings, if required by other IFRSs.

(iv) Transactions eliminated from consolidation

Settlements and transactions within the Group, as well as unrealised gains resulting from transactions within the Group, are eliminated in the consolidated financial statements. The unrealized gains resulting from transactions with a related entity are eliminated in correlation with the investment in the related entity. Unrealized losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Unconsolidated entities

If the Group holds investments in subsidiaries or related entities which are immaterial in terms of total assets and off-balance sheet items as compared to the total assets and balance sheet items of the Group, the Parent Company may choose not to include them in the consolidation basis.

(vi) Presentation of the legal merger through absorption in the financial statements, entities under common control

The purchases of subsidiaries from entities under common control are accounted for using predecessor accounting method. According to this method, in the financial statements assets and liabilities of the subsidiary transferred under common control are included at the carrying values from the predecessor entity, no supplementary goodwill arises. The predecessor entity is considered the highest reporting entity in which the IFRS financial information of the subsidiary has been consolidated.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

a) Basis for consolidation (continued)

(vi) (vi) Presentation of the legal merger through absorption in the financial statements, entities under common control (continued)

Any difference in the net book value, including the goodwill of the predecessor entity, and the consideration is recognised in the financial statements as an adjustment in equity. Predecessor accounting method is applied by the Company/Group prospectively from the date of the business combinations between the companies under common control.

Considering the absence of specific IFRS requirements regarding business combinations under common control, the Company made the choice to present the book value of identifiable assets acquired and of acquired liabilities, in the separate financial statements from the date of legal merger, after recognising them at the predecessor book values in the consolidated financial statements from the date of control.

The consideration transferred within a business combination is measured at the fair value, being calculated as the sum of the fair values from the acquisition date of the assets transferred by the acquirer, of the debts incurred by the acquirer towards the former owners of the acquired entity and of the equity investments issued by the acquirer, less acquisition costs that are recognized in the statement of profit and loss.

b) Foreign currency transactions

The transactions in foreign currency are recorded in RON at the official exchange rate at the date of the transaction. The exchange rate differences resulting from such transactions denominated in foreign currency are reflected in the statement of profit or loss at the transaction date and using the exchange rate valid at the respective date.

Monetary assets and liabilities denominated in foreign currencies at the date of the consolidated and separate statement of financial position are translated to the functional currency at the exchange rate valid at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated in the functional currency by using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rate valid at the date when the fair value is determined. Foreign exchange differences are recognised in profit or loss.

The exchange rates for the major foreign currencies were:

Currency	31 December 2022	31 December 2021	31 December 2020	Variation 2022/2021 %
Euro („EUR”)	1: RON 4.9474	1: RON 4.9481	1: RON 4.8694	-0.01%
US Dollar („USD”)	1: RON 4.6346	1: RON 4.3707	1: RON 3.9660	6.04%

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

c) Interest income and expenses

Interest income from finance lease contracts is recognised within “Interest income from leasing agreements” for the duration of the leasing contract using the net investment method, which reflects a constant periodic rate of return.

Interest income and expenses related to financial instruments are recognized in the result of the year at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over a relevant period. The effective interest rate is the exact rate which adjusts the estimated future cash flows payable or receivable throughout the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Lease origination fees are amortized together with the related direct costs and are recognized as an adjustment of the interest rate implicit in the lease. Fee and commission income directly attributable to the financial asset or liability upon origination (both income and expense) is included in the measurement of the effective interest rate

d) Fee and commission income

Fee and commission income include the revenues related to the services provided to third parties as part of the activity carried out by the Company as well as the commissions from insurance intermediation charged by the Subsidiaries. The Subsidiaries act as agents in the intermediation contracts according to IFRS 15, the commission income being recorded monthly as a product between the percentage corresponding to each type of insurance and the amounts paid (instalments from the insurance policies concluded).

Commissions expenses include expenses related to services provided by third parties, in particular: commissions for the payment of commercial operations and other expenses or revenues related to them.

The recognition of commission income or expenses depends on their economic nature.

e) Net gain/(loss) from foreign currency translation

The net gain/loss from foreign currency translation is the difference between the gain and loss as a result of currency translation.

f) Dividend income

Dividend income is recognized in the result of the year when the right to receive such income is established and it is probable that the dividends will be collected. Dividends are reflected as a component of other operating income. Dividends are treated as a distribution of profit for the period in which they are declared and approved by the General Meeting of Shareholders.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (*continued*)

f) Dividend income (*continued*)

For the Group's Subsidiaries, the only profit available for distribution is the profit for the year recorded in the statutory accounts, which differs from the profit disclosed in these consolidated and separate financial statements prepared in accordance with IFRS EU, due to the differences between the applicable Romanian Accounting Standards and IFRS EU.

g) Revenue and expense from transactions with assets previously leased to customers

Revenues from sale of assets recovered from leasing contracts are recognised when the Group or the Company has transferred to the buyer the risks and rewards related to the ownership of the asset. The cost of the assets is discharged on the date of the recognition of the related income, the discharge being included in "Gains/(Losses) from sale of assets previously leased to customers".

h) Net impairment charges of financial assets

Finance lease contracts receivables and financial assets (loans to customers and banks) are presented in the statement of financial position net of impairment charges. Impairment charges are recognised as an expense in the statement of profit or loss.

Impairment charges of financial assets are reviewed and updated monthly. More details are included in this note, point k) and l).

i) Income tax

The income tax for the year includes the current and deferred tax. The income tax is recognized in the result for the year or in the shareholders' equity, if the tax is related to shareholders' equity items.

The current income tax is the tax payable on the profit of the period, determined based on tax rates enacted or substantively enacted at the date of the consolidated and individual statement of the financial position and of all the adjustments related to the previous periods. Adjustments which influence the fiscal base of the current tax are: non-deductible expenses, non-taxable income, similar expense/income items and other tax deductions.

Deferred tax is determined based on the balance sheet liability method for the temporary differences between the tax base for the calculation of the tax on assets and liabilities and their accounting value used for reporting under the consolidated financial statements. Deferred tax is not recognized for the following temporary differences: initial recognition of goodwill, initial recognition of assets and liabilities resulting from transactions which are not business combinations and do not affect the accounting or tax profit and differences resulting from investments in subsidiaries, provided that they are not reversed in the near future and at the moment of reversal are controlled by the Parent company

The temporary differences may arise in a business combination, so that an entity may recognize any resulting deferred tax assets or liabilities as identifiable assets and liabilities at the acquisition date.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

i) Income tax (continued)

According to the local tax regulations, the fiscal loss of the company that ceases to exist further to a legal merger through absorption can be acquired and recovered by the absorbing entity. The annual fiscal loss starting 2009, established through the tax statement shall be recovered from the taxable income of the next 7 consecutive years.

In order to carry forward unused tax losses, the deferred tax assets are recognized only if it is likely to obtain taxable profit in the future after offsetting the tax loss from the previous years and the recoverable tax on profit. The deferred tax asset is diminished to the extent to which the related tax benefit is unlikely to be achieved.

The tax rate used to calculate the current and deferred tax position as of 31 December 2022 is 16% (31 December 2021 and 31 December 2020: 16%).

j) Cash and cash equivalents

For the preparation of the statement of cash flows, cash and cash equivalents consist of cash on hand, current accounts and short-term bank deposits. The bank accounts in foreign currencies are presented in RON, the conversion being made at the exchange rate valid at the date of the financial statements.

k) Leasing contracts

The Group and the Company apply IFRS 16 provisions to all leases, including leases of right-of-use assets in a sublease, except for:

- a) leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources;
- b) leases of biological assets within the scope of IAS 41 Agriculture held by a lessee;
- c) service concession arrangements within the scope of IFRIC 12 Service Concession Arrangements;
- d) licenses of intellectual property granted by a lessor within the scope of IFRS 15 Revenue from Contracts with Customers; and
- e) rights held by a lessee under licensing agreements within the scope of IAS 38 Intangible Assets for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

The Group and the Company present in these financial statements, lease assets and liabilities for the following types of transactions:

a) as a lessee:

- Lease of properties used for financial activities;
- Lease of land;
- Lease of vehicles;
- Lease of other low-value items.

b) as a lessor:

- Finance lease of vehicles and equipment;
- Finance lease of real estate.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (*continued*)

k) Leasing contracts (*continued*)

Identification of a lease contract

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group and the Company reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group and the Company shall assess whether, throughout the period of use, the customer has both of the following:

- a) the right to obtain substantially all of the economic benefits from use of the identified asset, and
- b) the right to direct the use of the identified asset.

a) The Group and the Company as a lessee

As per IFRS 16 provisions, a lessee no longer differentiates between finance leases and operating leases and is required to recognise a right-of-use asset and a lease liability at the initial lease commencement date.

Initial measurement of a right of use asset

The right-of-use asset shall comprise:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Initial measurement of a lease liability

Represents the present value of the lease payments that are not paid at commencement date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments including in substance fixed payments, less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option (assessed considering all the relevant factors); and
- (e) payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

The costs related to utilities and non-recoverable taxes (VAT) do not represent a component of the leasing liability, being recognised as VAT to be paid in the moment the invoice is issued by the lessor.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (*continued*)

k) Leasing contracts (*continued*)

Subsequent measurement of a right-of-use asset

The Group and the Company shall measure the right-of-use asset at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability due to lease contract.

If the lease transfers ownership of the underlying asset to the Group or the Company as a lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the Group or the Company will exercise a purchase option, the Group and the Company shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group and the Company shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Subsequent measurement of a lease liability

The Group and the Company measure the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any revaluations or lease modifications.

After the commencement date, the Group and the Company remeasure the lease liability to reflect changes to the lease payments. The Group and the Company recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group and the Company recognise any remaining amount of the remeasurement in profit or loss.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (*continued*)

k) Leasing contracts (*continued*)

b) The Company as a lessor

The main activity of the Parent Company is to provide financing of vehicles and equipment, having the role of lessor in the finance lease contracts, through which substantially all the risks and rewards related to the asset leased are transferred to the lessee. Assets granted under finance lease contracts are presented as finance lease receivables and are recorded at the present value of future payments, finance lease receivables being recognized when the assets financed by the contract have been delivered to the lessee. Therefore, finance lease receivables are initially recognized at the lease commencement date (when the lease term begins as a result of the delivery of the asset) using an initial discount rate.

Initial measurement

At the commencement date, the Company, as a lessor, recognises assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The Company uses the interest rate implicit in the lease to measure the net investment in the lease. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the net investment in the lease.

The lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- fixed payments including in substance fixed payments, less any lease incentives payable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- any guarantees related to the residual value provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

Subsequent measurement

The difference between the gross receivable and the present value represents the unattributed financial income. The Group and the Company recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

The Company aims to allocate finance income over the lease term on a systematic and rational basis and shall apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

The incremental costs directly attributable to the negotiation and arrangement of the lease are included in the initial measurement of the finance lease and diminish the value of the income recognized during the lease period.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (*continued*)

k) Leasing contracts (*continued*)

b) The Company as a lessor (*continued*)

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

Expected credit losses (“ECL”) are recognised using the standard method. ECL are determined in the same way as for other assets measured at amortised cost, to disclose ECL, a separate impairment account is used that diminishes the net book value of the receivables at the present value of the expected cash flows updated with the interest rates implied in the finance lease. Future estimated cash flows reflect the cash flows that may result from recovering and selling the assets that are subject of the finance lease contract.

Additional details regarding the impairment policy of the finance lease contracts in accordance with IFRS 9 are included in this note, point l).

Classification of lease contracts

A lease is a finance lease if it transfers substantially all the risks and rewards of ownership over the asset, regardless of whether the property title is transferred or not. A lease is considered an operating lease if it is not a finance lease.

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. If a lease contract has one or more of the conditions mentioned below, the contract is classified as a finance lease:

- the lease transfers ownership of the underlying asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised;
- the lease term is for the major part of the economic life of the underlying asset even if the title of the asset is not transferred;
- at the inception date of the lease contract, the present value of the lease payments amounts to at least substantially all the fair value of the underlying asset; and
- the underlying asset is of such a specialised nature that only the lessee can use it without major changes.

If it is clear from other features that the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset, the lease is classified as an operating lease

Lease classification is made at the inception date of the finance lease contract, which in the case of the Company is the date on which the finance lease contract is signed.

If the lessee and the lessor agree, at any time, to modify the clauses of the lease without renewing the contract, thus determining another classification, if the new provisions existed at the beginning of the lease, the revised contract is considered a new contract during its entire lifetime.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (*continued*)

k) Contracte de leasing (*continuare*)

Clasificarea contractelor de leasing (continuare)

However, changes in estimates (for example, changes in estimates of the economic life or of the residual value of the underlying asset), or changes in circumstances (for example, default by the lessee), do not give rise to a new classification of a lease for accounting purposes.

l) Financial assets and liabilities

• Key terms regarding measurement

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an arm's length transaction between market participants at the measurement date, on the principal market, or in the absence thereof, on the most advantageous market to which the Group has access to at that date. The fair value of a liability reflects the effect of the noncompliance with the obligations (non-performance risk).

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is neither evidenced by a quoted price on an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially valued at fair value, adjusted to postpone the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument, but not later than when the valuation is fully supported by observable market data or the transaction is closed.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transactions had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies paid to regulatory agencies and stock exchanges, transfer taxes and other duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or custody costs

The amortised cost is the amount at which the financial asset or liability is recognised at initial recognition less any principal repayments, plus or minus the accrued interest using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (*continued*)

1) Financial assets and liabilities (*continued*)

The effective interest method is a method of allocating interest income or interest expense over the relevant period to obtain a constant periodic interest rate (effective interest rate) related to the carrying amount. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset.

For financial assets that are purchased or originated credit-impaired (“POCI”) at initial recognition, the effective interest rate is adjusted for credit risk, and is calculated based on expected cash flows at initial recognition instead of contract payments, the contractual cash flows being reduced with the expected credit losses computed over the lifetime of the asset. The resulting effective interest rate is defined as credit-adjusted effective interest rate.

•Initial recognition

Financial instruments are recognised when, and only when, the entity becomes party to the contractual provisions of the instrument. Normal purchases and sales of financial assets are recognised at the trade date, the date on which the Group or the Company undertakes to buy or sell the asset.

At initial recognition, the Group and the Company recognise a financial asset or financial liability at its fair value, plus or minus transactions costs that are incremental and directly attributable to the acquisition or issue of the financial asset or liability, such as fees and commissions.

After initial recognition, an impairment provision for expected credit losses for financial assets measured at amortised cost is recognised, which results in an accounting loss recognised in profit or loss.

•Subsequent measurement

Subsequent measurement and evaluation of financial instruments depends on: (i) the business model for managing the asset portfolio and (ii) the contractual cash flow characteristics of the financial asset. According to the business model applied by the Group and the Company, the financial assets are in line with the “hold to collect” business model, sales of financial assets being rare or with insignificant values, both individually and cumulatively.

•Impairment

IFRS 9 is based on expected losses and implies an early recognition of those expected losses from the future for assets measured at amortized cost as well as receivables from finance lease contracts. The Group and the Company determine and recognize ECL at least on each reporting date.

The ECL measurement 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.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (*continued*)

1) Financial assets and liabilities (*continued*)

• Impairment (*continued*)

Reasonable and supportable information are those that are available for financial reporting purposes are considered to be reasonably available without undue cost or effort, including information about past events, current conditions and forecasts regarding future economic conditions. Information that is available for financial reporting purposes is considered to be available without undue cost or effort. The Group and the Company also consider observable market information about the credit risk of a particular financial instrument or similar financial instruments.

Reasonable and supportable information must be based on relevant concrete data and sound judgement.

ECL measurement for financial assets measured at amortized cost and for finance lease receivables is an area that requires the use of complex models and significant scenarios regarding future economic conditions and behaviour of financial assets (for example, the probability of default of customers and loss recorded because of default).

The Group and the Company envisage incorporating forward looking information into the process of analysis and evaluation, including macroeconomic factors. The information used includes an objective analysis of the relevant factors and their impact on cash quality and cash deficits. Among the relevant factors are those intrinsic to the Group and the Company and its activity or those resulting from external conditions.

Forward looking information, including economic forecasts and related credit risk factors used for ECL estimates must be consistent with inputs to other relevant estimates in financial statements, budgets, strategic and capital plans, as well as with other information used for management and reporting.

Simplified approach – policy applied until 1 January 2022

For the purpose of assessing impairment, the Group and the Company use the simplified approach in accordance with IFRS 9, grouping portfolios into risk classes (class I - also called stage 2 and risk class II - also called stage 3), each class having a specific calculation method of the adjustment. The simplified approach was chosen because it was allowed by IFRS 9 to be used for leasing exposures.

The simplified approach eliminates the need to calculate the 12-month ECL (“12-month ECL”) and the need to assess whether a significant increase in credit risk related to financial assets and receivables from finance lease contracts is identified.

Accounting policy change in 2022

Starting with 2022, the Company and the Group have changed the accounting policy for expected credit losses and adopted the standard approach for risk stages (three risk stages), restating the amounts previously presented to reflect the change in accounting policy to the earliest date presented. This change in accounting policy is presented in these financial statements using the retrospective approach.

The management considers that the standard approach for ECL gives a more fair view to the users of the financial statements and alligns with the requirements of the BT Group.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

1) Financial assets and liabilities (continued)

The effect of the change in accounting policy was the following:

Statement of Financial Position Group

- in RON -	<u>Initially presented</u>	<u>Adjustment</u>	<u>Restated</u>
Balance as of 31 December 2020			
Finance lease receivables	1,100,910,510	7,187,327	1,108,097,837
Total assets	1,159,757,955	7,187,327	1,166,945,282
Retained earnings	186,719,734	7,187,327	193,907,061
Total equity	258,311,190	7,187,327	265,498,517

- in RON -	<u>Initially presented</u>	<u>Adjustment</u>	<u>Restated</u>
Balance as of 31 December 2021			
Finance lease receivables	1,270,825,274	6,197,218	1,277,022,492
Total assets	1,335,521,463	6,197,218	1,341,718,681
Retained earnings	252,016,393	6,197,218	258,213,610
Total equity	323,822,878	6,197,218	330,020,095

Statement of Profit or Loss Group

- in RON -	<u>Initially presented</u>	<u>Adjustment</u>	<u>Restated</u>
31 December 2021			
Net impairment charges of financial assets	(15,446,007)	(990,109)	(16,436,116)
Net profit for the year	65,108,426	(990,109)	64,118,317
Total comprehensive income	65,108,426	(990,109)	64,118,317
Owners of the Company	65,104,093	(990,109)	64,118,317

Statement of Financial Position Company

- in RON -	<u>Initially presented</u>	<u>Adjustment</u>	<u>Restated</u>
Balance as of 31 December 2020			
Finance lease receivables	1,100,910,510	7,187,327	1,108,097,837
Total assets	1,152,234,879	7,187,327	1,159,422,206
Retained earnings	173,897,960	7,187,327	181,085,287
Total equity	245,361,085	7,187,327	252,548,412

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

1) Financial assets and liabilities (continued)

<i>- in RON -</i>	<u>Initially presented</u>	<u>Adjustment</u>	<u>Restated</u>
Balance as of 31 December 2021			
Finance lease receivables	1,270,825,274	6,197,218	1,277,022,492
Total assets	1,326,574,775	6,197,218	1,332,771,993
Retained earnings	237,379,983	6,197,218	243,577,201
Total equity	309,057,375	6,197,218	315,254,593

Statement of Profit or Loss Company

<i>- in RON -</i>	<u>Initially presented</u>	<u>Adjustment</u>	<u>Restated</u>
31 December 2021			
Net impairment charges of financial assets	(15,446,007)	(990,109)	(16,436,116)
Net profit for the year	63,289,456	(990,109)	62,299,347
Total comprehensive income	63,289,456	(990,109)	62,299,347
Owners of the Company	63,289,456	(990,109)	62,299,347

Standard approach (current accounting policy)

The standard approach includes the calculation of a 12 month ECL („ECL 12m”) as well as the requirement to assess whether there is a significant increase in credit risk for financial assets and for finance lease receivables.

ECL will be determined at initial recognition and during the contractual period using ECL 12 for Stage 1 exposures and lifetime ECL for Stage 2 and 3 exposures.

The calculation of the impairment adjustment is made at collective and individual level, as follows:

- Stage 1 includes financial assets which do not have a significant increase in credit risk since initial recognition or which are associated with a low credit risk („low credit risk exemption”) at reporting date. For these exposures the 12m ECL impairment adjustment is computed at collective level.
- Stage 2 includes the financial assets which have a significant increase in credit risk since initial recognition, except those treated under the low credit risk exemption, and which are not impaired (or do not present impairment indicators). For these exposures the Lifetime ECL is determined at a collective level.
- Stage 3 (default) includes the financial assets which are impaired. For these a Lifetime ECL is determined, collectively for exposures below RON 2,200,000, using a PD of 100% and individually for exposures above this threshold.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (*continued*)

1) Financial assets and liabilities (*continued*)

The key contributors to ECL valuation include the following variables:

- Probabilities of default („PD”);
- Loss given default („LGD”);
- Exposure at default („EAD”); and
- Forward looking macroeconomic information („FLI”).

In order to estimate the probability of default, the Company is collecting information about the financial performance and default status of its exposures, which are analysed based type of the financed asset. The Company uses statistical models to analyse the collected data and to generate estimates for the PD for the remaining lifetime of the exposures and how the PD is expected to changes with time passing. This analysis includes identification and calibration of the relationship between default rate evolution and evolution in macroeconomic factors - unemployment rate (xUR), gross domestic product (xGDP) and interest rate (xIR).

LGD measures the value of the probable loss that can be incurred in case of default. The Company estimates the LGD based on the historical sales of the repossessed leased assets over a 3 year time horizon.

EAD represents the leasing exposure towards a certain client estimated in case of default.

The Company includes macroeconomic information in the estimation of ECL.

These scenarios are reviewed when there are significant macroeconomic information. A more comprehensive review is performed at least once a year.

The Company identified and documented the main factors that may influence the credit risk of its customers based on historical data and concluded that the main macroeconomic factors that influence the credit risk of the leasing portfolio are the unemployment rate, gross domestic product and interest rates.

Forecasts of these economic variables are provided by a research team in Banca Transilvania, which provide the best estimate view of the economy over the next three years. After three years, in order to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used. The impact of these economic variables has been determined by performing statistical regression analysis.

The estimation of expected credit losses involves forecasting future economic conditions over 3 years. The incorporation of forward-looking elements reflects the expectations of the Group and results in using a baseline forecast and several alternative scenarios for selected macroeconomic variables. The alternative variables are derived, together with their probabilities of occurrence, as a deviation from baseline forecasts. The purpose of using multiple scenarios is to model the non-linear impact of assumptions based on macroeconomic factors on the expected credit losses.

Usually, the Group uses three scenarios: base scenario (which is the most probable scenario of the economic environment), optimistic and adverse scenario (which is not necessarily a crisis scenario). The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking into account the range of possible representative outcomes for each chosen scenario.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

1) Financial assets and liabilities (continued)

The macroeconomic scenarios applied for expected credit losses calculation for 2022 YE have been modified compared to those applied for 2021 YE in order to reflect the macroeconomic context in which both inflation and interest rates are higher than levels that economies were used to in the past few years, and are expected to decrease in different paces in the next years to come - key risk drivers added to the turbulences already existing on the markets in 2021 (increasing prices on the energy market, the difficulties encountered in the supply chain, the semi-conductor crisis, etc.). Uncertainties are being exacerbated by the military conflict in Eastern Europe, while Covid-19 related associated risks are decreasing, as the new virus variants have not resulted in prolonged lockdowns. The Romanian economy continues to be supported by government aid, being difficult to reasonable estimate the impact of the turbulences in the economic environment.

Scenarios weights, for the Group:

	Optimist	Base case	Pessimist
Y2021	15%	70%	15%
Y2022	10%	55%	35%

Volatility from macroeconomic and geopolitical factors has dominated the business environment in the last period, and the outset for 2023 remains uncertain. The path and influence of central banks' monetary policy tightening are unclear, and while energy prices have dropped, there are still questions about geopolitical tensions, supply chain disruptions and labour-market pressures. Inflationary pressure will also manifest itself in 2023, eroding the economies of the population and the profit margins of companies. The economic activity is likely to be impacted in the shorter term and it is yet unknown to which extent governments will continue to support the economies. Further credit deterioration remains to be seen, as the effect is currently limited and mitigated by the continued government support packages. Despite the slowdown in the economy and turmoil in the financial markets in 2022, the the Group remain cautiously optimistic, considering the fact that the Romania's economy has become more and more resistant to shocks and challenges, an aspect also confirmed by the better evolution of the GDP compared to the Eurozone area dynamics from the incidence of the pandemic until now.

In the base case macroeconomic scenario, the Group anticipates a slightly positive economic growth with no additional global downside risks materialize, but the interest rates remain high as inflation stays elevated in the first part of 2023. The expectation for the end of 2023 is that the Romanian inflation rate will decrease combined with the downward momentum in energy and food prices.

The consumption prices (based on EU harmonised index) could increase with annual dynamics of 8% in 2023, 4.2% in 2024 and 4% in 2025. The persistence of high inflationary pressures and the continuation of the economic recovery process will cause the central bank to continue the post-pandemic money cycle on the short term, through further increases in the reference interest rate at the beginning of the next year. On the other hand, the central bank could adjust the monetary policy interest rate in the second half of the next year, against the backdrop of inflation convergence towards the target level and the evolution of the economy at a rate below potential.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

1) Financial assets and liabilities (continued)

The adverse (pessimist) scenario sets out paths for key economic and financial variables in a hypothetical adverse situation triggered by the materialization of risks to which the economy is exposed: the persistence of high inflation, a tightening of financial conditions and a perceptible deteriorating economic outlook, driven by surging energy prices, supply shortages and geopolitical tensions. There is a risk of a deeper and more prolonged uncertainty, materialized in extremely high inflation, pressure on national currency or financial deterioration of companies because of production and supply chains disruptions which could conclude in an upward shift in the number of insolvencies.

In the optimistic macroeconomic scenario, we expect the growth of the Romanian economy with annual dynamics of 3.8% in 2023, 4.9% in 2024 and 5.8% in 2025, against the background of the evolution of productive investments with higher rates, with favorable consequences for the labor market and private consumption. The inflation rate is under control and falls above the expectations, while economic growth surprises on the upside. Current global headwinds get resolved and supply-chain issues ease.

For the Group, the most important macro-economic indicators regarding the future considered in ECL modeling are as follows:

- GDP
- Unemployment rate
- Inflation rate
- Interest rate evolution ROBOR or EURIBOR
- FX rates evolution
- Private consumption

Optimist scenario Macro indicators	2023	2024	2025
Real GDP (% YoY)	3.77	4.90	5.82
Unemployment rate (%)	4.80	4.49	4.31
Inflation rate (HICP) (% YoY)	8.20	4.22	4.90
ROBOR 3M (%)	6.61	4.78	4.57
EURIBOR 3M (%)	1.58	1.25	1.35
Base scenario Macro indicators	2023	2024	2025
Real GDP (% YoY)	2.33	4.16	5.01
Unemployment rate (%)	5.19	5.13	5.10
Inflation rate (HICP) (% YoY)	8.59	4.65	5.21
ROBOR 3M (%)	7.18	5.21	4.89
EURIBOR 3M (%)	2.56	1.82	1.58
Pessimist scenario Macro indicators	2023	2024	2025
Real GDP (% YoY)	(0.41)	0.40	2.52
Unemployment rate (%)	5.31	5.29	5.30
Inflation rate (HICP) (% YoY)	10.86	8.52	8.01
ROBOR 3M (%)	9.45	9.09	7.68
EURIBOR 3M (%)	3.19	2.43	2.00

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

I) Financial assets and liabilities (continued)

The table below illustrates the impact of changing scenarios weights for optimistic and adverse scenario, at the Company level:

Changes in Weights	100% pessimist	100% base	100% optimist
ECL movement	+594,859	(217,532)	(861,295)

Considering that the applied scenarios differ from the scenarios used at 31 December 2021, the changes in sensitivities from end of 2022 to end of 2021 are therefore not directly comparable.

For example, the macroeconomic indicators used in the financial year 2021, for the baseline scenario are:

	2022	2023	2024
Real GDP (% , YoY)	5.15	4.89	4.46
Unemployment rate (%)	4.80	4.80	4.80
Inflation rate (HICP) (% , YoY)	4.94	3.61	3.56
ROBOR 3M (%)	2.94	2.94	3.08
EURIBOR 3M (%)	(0.5)	(0.43)	(0.39)

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.

In accordance with the provisions of IFRS 9 for the definition of the default, the Company established the following signals/indicators/events following which a financial asset will be classified in stage 3 (default):

- exposures that record overdue payments higher than 90 days at the reporting date. Overdue means any amount representing principal, interest or commission related to finance lease contracts that has not been paid until the due date, except the situations defined as technical default;
- exposures that record overdue payments towards the Group or Company higher than 90 days at the reporting date with regard to any significant credit component
- exposures for which the Group or the Company has initiated the either foreclosure procedure or amiable execution from the initiative of the lessee;
- exposures for which the debtor is unlikely to fully fulfil his payment obligations without executing the collateral, regardless of the existence of outstanding overdue amounts or the number of days past due. The following are considered as indications of unlikelihood to pay:
 - Significant financial difficulty of the debtor;
 - The debtor is in nonperforming forbearance situation due to concessions that have been made by the Company relating to financial difficulty;
 - The debtor is in insolvency status or bankruptcy (or other type of judicial reorganization,) or is becoming probable that the debtor will enter bankruptcy;
 - The debtor for whom legal procedures have started (forced execution started by the Company);

Notes to the consolidated and separate financial statements

BT Leasing Transilvania IFN S.A.

3. Significant accounting methods and policies (*continued*)

1) Financial assets and liabilities (*continued*)

Once a leasing contract is classified in stage 3 (default), all the contracts under the name of the client will be classified to stage 3 and will be reported as „impaired”.

In case the risk event that determined the initial classification in stage 3 is no longer observable after a certain period, the exposure will be moved back to stage 2 or stage 1, on a case by case basis. The healing period is different, based on the event that triggered the classification to stage 3.

ECL measurement

In calculating expected credit losses, at the reporting date, the effective interest rate established at the initial recognition or an approximation thereof is used. If a financial asset has a variable interest rate, the expected credit losses must be determined using the current effective interest rate. For financial assets purchased or originated credit-impaired as a result of credit risk, expected credit losses must be determined using the credit-adjusted effective interest rate determined at initial recognition.

Expected credit losses are determined in two stages:

- determining the required expected credit losses computed on an individual basis as the difference between the present value of the exposure and the present value of future expected cash flows (determined by estimated recoveries from the use of collateral, scenarios that consider the probability of repayment of the debt from finance lease contracts from the sale of collaterals as well as the estimated recovery period); and
- determining the required expected credit losses calculated at the collective level, which is calculated for the clients that are not analysed individually being the result of the discounting of the multiplication between the probability of default (“PD”), the exposure at default (“EAD”) and the rate of loss given default (“LGD”).

PD represents the likelihood of a borrower defaulting on its financial obligation (as per the definitions of default and impairment) and is calculated over the next 12 months for exposures in stage 1 (12m PD), or over the remaining lifetime of the obligation (“Lifetime PD”) for exposures in stage 2 and 3.

EAD is based on the amounts the Group or the Company expects to be owed at the time of default over the remaining lifetime of the obligation (“Lifetime EAD”).

The rate of loss in the event of default is the Group's or Company's expectation as to the extent of the loss related to an exposure affected by the default. LGD varies depending on the type of counterparty and the existence of collateral or other collateral type elements.

Notes to the consolidated and separate financial statements

BT Leasing Transilvania IFN S.A.

3. Significant accounting methods and policies (*continued*)

1) Financial assets and liabilities (*continued*)

•Collateral policy

The Group and the Company hold collaterals against finance lease receivables in the form of mortgages over land and buildings and intrinsic collaterals on vehicles, machinery and equipments and other goods that represent the underlying asset of the finance lease contracts. The fair value estimates are based on the value of the collaterals established at the date of granting the finance lease contract and are updated periodically.

•Derecognition

Derecognition policy of impaired assets related to finance lease receivables and loans to customers

The Group derecognises assets from its accounting records when it considers that the asset is no longer recoverable. This conclusion is reached after evaluating the significant changes that took place in the client's financial position, changes that determined the impossibility of payment of the obligation or the insufficiency of the amounts from the use of the collaterals to cover the entire exposure. Derecognition of finance lease receivables or loans are performed only after all legal recovery possibilities have been exhausted.

Finance lease receivables and loans are derecognised by the Group in the following cases:

- on the date when the invoiced amount of the debt is received from the client according to the payment schedule of the lease contract;
- at the recovery of the assets in case of terminated contracts; and
- when all legal recovery possibilities are exhausted.

The Group and the Company hold collaterals for finance lease receivables in the form of legal property titles over the assets acquired through finance lease, other guarantees and collateral on future cash flows.

Derecognition of other financial assets

The Company derecognises a financial asset when the rights to receive cash flows from that financial asset expire, or when the Company has transferred the rights to receive the contractual cash flows related to that asset in a transaction in which it has significantly transferred all risks and the benefits of property rights. Any right in the transferred financial assets that is held or created by the Company is recognized as a separate asset or liability.

Any modification of the present value of the contractual cash flows of at least 10% over the last 12 months due to contractual modifications (either a single modification or a group of modifications: new interest rates, modified maturity, new commissions or the exclusion of previous ones) lead to derecognition

Financial liabilities

A financial liability is derecognised when, and only when, the obligation is paid, cancelled or expires. If an existing financial debt is replaced by another debt to the same creditor, under different conditions, or if the terms of an existing obligation are significantly modified, such exchange or modification is treated as a derecognition of the original debt together with the recognition of a new obligation, and the difference between the corresponding net values is recognized in the result of the year.

Notes to the consolidated and separate financial statements

BT Leasing Transilvania IFN S.A.

3. Significant accounting methods and policies (*continued*)

m) Inventory

Inventories are assets held for sale in the ordinary course of business, in this category being included repossessed assets related to finance leases cancelled in advance due to non-compliance of the contractual clauses by the users.

Assets in the form of inventory should not be reflected in the statement of financial position at a greater value than the value that can be obtained by using or selling them. For this purpose, the value of inventories is decreased until the net realisable value.

At the date of initial recognition by the Company, the inventories are valued at fair value. Fair value is equal to the amount for which the asset could be voluntarily exchanged between parties who are aware of it, in a transaction with the objectively determined price. The fair of the assets is generally determined by market data, through an evaluation carried out by qualified professionals.

According to the provisions of the leasing agreements, the Company reserves the right to recover the objects given in lease to its clients to the extent that there are outstanding debts. The carrying amount of inventories is reviewed at least once a year to determine whether there are any write-downs to the net realizable value. The value adjustment is recognized if the carrying amount of inventory is greater than the net recoverable value. Net realizable value adjustments are recognised in the statement of profit or loss under “Gains/(Losses) from sale of assets previously leased to customers.”

For inventories held for sale, the sale price is disclosed under “Revenue from sale of assets previously leased to customers” and the cost of the respective asset is derecognised and is presented under “Gains/(Losses) from assets previously leased to customers.”

n) Equity investments

Equity investments are represented by the shares held by the Company in the consolidated subsidiaries as well as in other companies over which the Company exercises no significant influence or control. At the date of initial recognition, investments in equity are recognized at the value of the consideration paid, subsequently measured at cost less adjustments for impairment. The analysis regarding the need for additional adjustments for impairment is performed annually by the Company.

Equity investments representing investments in shares of consolidated entities are eliminated from the consolidated financial statements of the Group.

In separate financial statements the investments in subsidiaries are accounted at cost less impairment.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (*continued*)

o) Premises and equipments

(i) Recognition and measurement

Premises and equipments are recorded at acquisition cost, less accumulated depreciation.

Measurement at initial recognition

The cost of a non-current asset consists of:

- a) a) its purchase price, including customs duties and non-refundable purchase fees, after deducting commercial discounts and rebates;
- b) b) any costs that can be directly attributed to bringing the asset to the location and condition necessary for it to function in the mode designated by the management.

(ii) Subsequent costs

The Group and the Company recognize in the carrying amount of premises and equipments the cost of replacing the assets when this cost is incurred or if it is probable that the economic benefits included in that asset shall be transferred to the Group and the Company and the cost of this asset can be measured reliably. All other costs are recognized as an expense as a result of the year at the time of their execution.

(iii) Depreciation

The depreciation is calculated using the linear method over the estimated useful life for each item in the category of premises and equipments.

The estimated useful life by categories are as follows:

Computers	3 years
Equipment	3 – 5 years
Furniture	3 – 15 years
Vehicles	4 – 5 years

p) Intangible assets

The intangible assets at initial recognition are recorded at cost. After the initial recognition, the intangible assets are recorded at the acquisition value minus any subsequent accumulated amortization or accumulated subsequent impairment.

The costs of intangible assets in course of execution are capitalized if these meet the conditions for recognizing an intangible asset, namely: these generate future economic benefits, are reliably evaluated, improve future performance and are distinctly identified in the economic activity. Maintenance and technical support expenses are reflected in the expenses as they are incurred. Intangible assets in course of execution are recognized in intangible assets at the time of receipt and commissioning.

The amortization is calculated using the linear method over the estimated useful life for each item in this category. The useful life estimated for intangible assets is between 1 to 5 years.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (*continued*)

q) Other assets and their impairment

Other assets include the corporate income tax to be recovered, VAT to be recovered and other elements which are non-contractual by nature.

An impairment loss is recognized when the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable group that generates cash and is independent of other assets and other groups.

An impairment loss for other assets is measured at each reporting date to see if there are any indicators that the loss has been diminished or is no longer existent. In case of other assets the impairment generated by the loss of value can be reversed if there is a modification in the estimates that were used to determine the net realisable value. An impairment loss is reversed only when the carrying amount of the asset does not exceed the asset's carrying amount that would have been determined, net from amortisation, in case no loss from impairment was recognised.

r) Loans from banks and financial institutions and issued debt securities

Loans from banks and other financial institutions are initially recognized at fair value as receivables from these instruments (fair value of consideration received) net of transaction costs. Loans from other banks and other financial institutions are subsequently recorded at amortized cost. The Group and the Company classify these instruments as financial liabilities.

s) Provisions for liabilities and charges

Provisions are recognized in the consolidated and separate statement of financial position when an obligation arises for the Group and the Company in connection with a past event and it is likely that in the future there will be an outflow of economic resources to extinguish this obligation and a reasonable estimate can be made to measure the value of the obligation. If both conditions are not met simultaneously, no provision is recognised. To determine the provision, future cash flows are discounted using a pre-tax discount rate, reflecting current market conditions and risks specific to the respective debt.

The Group and the Company estimates potential risks arisen from litigations in which it is involved. In case there is a probability of loss of more than 50% and the value of the economic outflows can be reliably estimated a provision for liability and charges will be recognised. The provision will remain in the Group's and Company's accounts until the litigation is finalised either by winning or by paying the amount of the claim.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (*continued*)

t) Employee benefits

(i) Short-term benefits

Short-term employee benefits include wages, performance bonuses, indemnities and social security contributions. Short-term employee benefits are recognized as expense as the services are rendered.

(ii) Defined contribution plans

The Company and its Subsidiaries make payments on behalf of their employees to the social insurance system, the health insurance fund and the state budget, during the normal activity. All the employees of the Company and its Subsidiaries are members and are also legally obliged to make specific contributions (included in the social security contributions) to the Romanian public pension plan (a State defined contribution plan). All relevant contributions are recognized as the result of year, when they are made.

(iii) Other benefits

The Company and its Subsidiaries are enrolled in an optional pension scheme Pillar III, within an established limit, for the employees eligible at the payment date, in accordance with the applicable Romanian legal provisions. The Company and its Subsidiaries, pursuant to the collective employment agreement, have the obligation to pay the equivalent of three gross monthly salaries to the employees, upon retirement. The debt related to this benefit scheme is calculated on an actuarial basis, considering the salary estimated at the retirement date and the number of activity years of each individual employee. The Company and its Subsidiaries do not have the obligation to provide any other subsequent services to the former or current employees.

The fixed and variable remuneration may also be granted by means of a stock option plan, in the form of shares granted by the parent company. The variable component of the total remuneration represents the remuneration that can be granted by the parent company in addition to the fixed remuneration, on condition that certain performance ratios are achieved. The variable remuneration may be granted either in cash or in shares of the parent company (TLV). In the case of the identified staff, the established annual variable remuneration is envisaged to limit excessive risk-taking.

Based on the decision of the shareholders, the Board of Directors of the parent company decides in respect of the number of shares included in the employee loyalty plan. The fair value upon the vesting date of share-based awards - stock options – to employees is recognized as personnel expenses, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

u) Implementation of new or reviewed standards and interpretations

A new series of standards, modifications of existing standards and new interpretations are not mandatory for the financial reporting period starting with 1 January 2022 and afterwards, and have not been applied in the preparation of these financial statements.

The following modifications of standards should not have a significant impact in the financial statements of the Company and the Group:

- Classification of liabilities into current liabilities or long term liabilities (Amendments to IAS 1) – effective date 1 January 2024;
- Lease liabilities in a sale-leaseback transaction (Amendments to IFRS 16) – effective date 1 January 2024;
- Presentation of accounting policies (Amendments to IAS 1) – effective date 1 January 2023;
- Definition of accounting estimates (Amendments to IAS 8) – effective date 1 January 2023;

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (*continued*)

u) Adoptarea standardelor și interpretări noi sau revizuite (continuare)

-Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12) – effective date 1 January 2023;

-IFRS 17 Insurance contracts and amendments to IFRS 17 – effective date 1 January 2023.

w) Segment reporting

The segments of activity defined at the Group level are the ones related to the leasing and insurance intermediation activities, this being the main activity of the Group. The total assets/liabilities related to the insurance intermediation activity are less than 1% of the total assets/liabilities of the Group. The total expenses related to the insurance intermediation activity are less than 5% of the Group expenses. Based on these arguments, together with the fact that the internal reporting prepared for the Group management is structured around the leasing activity only, the Group decided not to present separately the insurance intermediation segment. Revenues from this activity are presented in Fee and Commission Income line.

4. Financial risk management policies

a) Introduction

The Group and the Company are exposed to the following risks, as a result of using the financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk.

This note discloses information regarding the exposure of the Group and the Company to each risk mentioned above, the objectives of the Group and of the Company, the policies and processes for risk assessment and management. The most important financial risks to which the Group and the Company are exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk.

The credit risk associated with the leasing activity is managed through the Group's risk management processes. The Group's largest exposure to credit risk is related to finance lease receivables. In this case, the exposure is the book value of the assets in the balance sheet. In order to minimize the risk, the Group has certain procedures designed to evaluate the customer's credit risk before approving the leasing agreements, to set exposure limits, to monitor their ability to repay the principal and the attached interest during the duration of the lease.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (*continued*)

a) Introduction (continued)

As of 31 December 2022 total irrevocable on-balance exposure was in amount of RON 2,703,755,462 (2021: RON 1,298,228,184; 2020: RON 1,134,762,373) for the Group and RON 1,640,313,687 (2021: RON 1,289,242,561; 2020: RON 1,127,243,458) for the Company. The amounts presented above reflect the maximum accounting loss that would be recognized at the reporting date if the customers failed completely to perform their contractual obligations and if any collateral would have no value.

The Board of Directors has delegated the responsibility for managing the credit risk to the Risk Committee. The Department of financial analysis and valuation of assets also operates within the Group and has duties regarding:

- formulating credit policies by covering the requirements for collateral, leasing assessment, risk classification and reporting, legal and documentation procedures, and compliance with statutory and regulatory requirements;
- establishing the authorization structure for the approval of leasing agreements. Authorisation limits are allocated on the levels of Credit Committee. Larger leasing agreements require the approval of the Risk Committee or the Board of Directors, as the case may be;
- limiting concentration of the exposure based on third parties and industries;
- developing and maintaining the risk classification system to classify exposures according to the risk levels of potential financial losses and to allow management to focus on the risks that accompany them. The risk classification system is used to determine the risk monitoring activities and the relationship with the customers. The scoring system is subject to periodic reviews;
- reviewing, checking the compliance of the unit with the established exposure limits, including those for specific industries and products; and
- providing information, guidance and experts for the units, to promote the best practice in the Group regarding credit risk management.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk

The table below presents the risk concentrations by economic sectors for balance sheet exposures, related to finance lease receivables of the Group and of the Company:

- in RON -

	31 December 2022 (group)	31 December 2022 (company)	31 December 2021 (restated)	31 December 2020 (restated)
Trade	527,427,092	311,414,893	242,415,470	225,354,667
Transport	489,201,830	370,574,717	293,317,618	259,798,654
Constructions	405,270,795	248,526,914	188,008,432	153,041,361
Manufacturing	319,137,336	229,414,553	212,981,505	192,336,622
Services	318,925,709	162,959,993	130,055,355	103,648,132
Other	207,228,944	119,459,907	73,792,204	54,692,750
Authorized person	116,268,141	61,765,253	46,591,125	37,527,087
Agriculture and Forestry	114,468,935	72,232,345	60,616,770	57,072,014
Real Estate	92,189,469	45,193,268	32,387,426	29,385,048
Financial institutions	54,647,964	35,348,496	23,916,749	31,084,155
Individuals	40,291,189	28,147,001	23,432,248	17,211,535
Mining	20,962,322	15,421,770	33,135,101	30,990,823
Telecommunications	19,162,116	12,634,126	10,664,027	7,637,115
Chemical	3,929,839	3,017,609	2,764,635	3,101,453
Energy	3,042,299	1,055,466	674,010	694,979
Fisheries	1,077,659	131,862	293,042	559,995
Government bodies	912,056	153,534	109,774	97,839
Gross exposure	2,734,143,695	1,717,451,707	1,375,155,491	1,204,234,229
Impairment allowances related to loans and finance lease receivables	(131,172,183)	(100,952,941)	(98,132,999)	(96,136,392)
Net receivables from loans and finance lease agreements	2,602,971,512	1,616,498,766	1,277,022,492	1,108,097,837

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

The exposures to the credit risk for receivables from finance lease agreements granted to customers at Group level on 31 December 2022, based on their contractual maturity, are presented below:

	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stadiul 2)	Assets impaired at the reporting date (Stadiul 3)	Assets impaired on initial recognition (POCI)	Total
Amortised cost					
Vehicles	2,106,824,620	49,250,767	152,302,766	9,055,783	2,317,433,935
- up to 3 years	798,497,705	21,612,299	92,575,571	7,167,565	919,853,140
- between 3-5 years	1,307,499,174	17,571,732	59,727,195	1,888,217	1,386,686,319
- more than 5 years	827,740	10,066,736	0	0	10,894,476
Equipment	497,005	305,852,715	40,297,264	20,943,630	367,590,614
- up to 3 years	0	114,143,695	31,341,673	20,831,385	166,316,753
- between 3-5 years	497,005	191,295,332	8,955,592	112,245	200,860,174
- more than 5 years	0	413,687	0	0	413,687
Real estate	39,724,070	1,117,467	8,277,609	0	49,119,146
- up to 3 years	10,871,081	1,117,467	7,484,637	0	19,473,185
- between 3-5 years	9,631,868	0	0	0	9,631,868
- more than 5 years	19,221,121	0	792,972	0	20,014,093
Total loans and financial lease receivables before impairment allowance	2,147,045,694	356,220,949	200,877,640	29,999,412	2,734,143,695
Allowances for impairment losses on loans and financial lease receivables	(23,450,234)	(17,257,249)	(75,034,601)	(15,430,009)	(131,172,183)
Total loans and financial lease receivables net of impairment allowance	2,123,595,370	338,963,700	125,843,039	14,569,403	2,602,971,512

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

The exposures to the credit risk for receivables from finance lease agreements granted to customers at Company level on 31 December 2022, based on their residual maturity, are presented below:

- in RON -

	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total
Amortised cost					
Vehicles	1,254,335,160	20,092,116	77,266,100	5,402,146	1,357,095,522
- up to 3 years	434,320,622	8,973,872	52,837,709	4,060,773	500,192,976
- between 3-5 years	819,186,797	11,118,244	24,428,391	1,341,373	856,074,805
- more than 5 years	827,740	0	0	0	827,740
Equipment	497,005	257,710,025	32,108,662	20,921,347	311,237,039
- up to 3 years	0	88,501,503	25,724,990	20,809,102	135,035,595
- between 3-5 years	497,005	168,794,835	6,383,672	112,245	175,787,756
- more than 5 years	0	413,687	0	0	413,687
Real estate	39,724,070	1,117,467	8,277,609	0	49,119,146
- up to 3 years	10,871,081	1,117,467	7,484,637	0	19,473,185
- between 3-5 years	9,631,868	0	0	0	9,631,868
- more than 5 years	19,221,121	0	792,972	0	20,014,093
Total loans and financial lease receivables before impairment allowance	1,294,556,234	278,919,608	117,652,371	26,323,493	1,717,451,707
Allowances for impairment losses on loans and financial lease receivables	(17,984,914)	(13,514,277)	(54,934,775)	(14,518,975)	(100,952,941)
Total loans and financial lease receivables net of impairment allowance	1,276,571,320	265,405,331	62,717,597	11,804,518	1,616,498,766

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

The exposures to the credit risk for loans and receivables from finance lease agreements granted to customers at consolidated and separate level, classified in Stage 1 at 31 December 2022, are presented below:

- in RON -

Gross value of loans and lease receivables granted to clients, not impaired, Stage 1	Group				Company			
	Vehicles	Equipment	Real estate	Total Group	Vehicles	Equipment	Real estate	Total Company
Very low risk *	1,993,834,066	497,005	37,274,179	2,031,605,249	1,153,334,674	497,005	37,274,178	1,191,105,857
Low risk	112,685,225	0	2,449,891	115,135,116	100,695,158	0	2,449,891	103,145,049
Sensitive risk	305,328	0	0	305,328	305,328	0	0	305,328
Total loans and financial lease receivables before impairment allowance	2,106,824,620	497,005	39,724,070	2,147,045,694	1,254,335,160	497,005	39,724,069	1,294,556,234
Allowances for impairment losses on loans and financial lease receivables	(22,732,250)	(30,704)	(687,370)	(23,450,324)	(17,266,840)	(30,704)	(687,370)	(17,984,914)
Total loans and financial lease receivables net of impairment allowance	2,084,092,370	466,301	39,036,699	2,123,595,370	1,237,068,320	466,301	39,036,699	1,276,571,320

*The Company uses a rating system for leasing underwriting that takes into account both borrower information (qualitative and financial information) and asset-related information. Based on these factors, debtors are grouped into rating categories when the leasing is granted. This rating is not reassessed, except to the extent modifications arise in the financing structure. Probabilities of default are computed for portfolios with similar risk characteristics, these being the initial rating class.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

The exposures to the credit risk for loans and receivables from finance lease agreements granted to customers at consolidated and separate level, classified in Stage 2 at 31 December 2022, are presented below:

Gross value of loans and lease receivables granted to clients, not impaired, Stage 2	Group				Company			Total Company
	Vehicles	Equipment	Real estate	Total Group	Vehicles	Equipment	Real estate	
Low-moderate risk*	35,159,016	303,570,545	1,117,467	339,847,029	15,136,329	256,503,802	1,117,467	272,757,599
Sensitive risk	11,831,382	1,652,959	0	13,484,341	3,510,861	577,012	0	4,087,873
High risk	2,260,369	629,210	0	2,889,579	1,444,925	629,210	0	2,074,135
Total loans and financial lease receivables before impairment allowance	49,250,767	305,852,715	1,117,467	356,220,949	20,092,116	257,710,024	1,117,467	278,919,608
Allowances for impairment losses on loans and financial lease receivables	(2,315,398)	(14,925,802)	(16,048)	(17,257,249)	(1,065,646)	(12,432,582)	(16,048)	(13,514,276)
Total loans and financial lease receivables net of impairment allowance	46,935,369	290,926,913	1,101,419	338,963,700	19,026,470	245,277,442	1,101,419	265,405,331

*The Company uses a rating system for leasing underwriting that takes into account both borrower information (qualitative and financial information) and asset-related information. Based on these factors, debtors are grouped into rating categories when the leasing is granted. This rating is not reassessed, except to the extent modifications arise in the financing structure. Probabilities of default are computed for portfolios with similar risk characteristics, these being the initial rating class.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies *(continued)*

b) Credit risk *(continued)*

Gross value of loans and lease receivables granted to clients, not impaired, Stage 2	Group				Company			
	Vehicles	Equipment	Real estate	Total Group	Vehicles	Equipment	Real estate	Total Company
0-30 days	33,812,417	298,402,188	1,117,467	333,332,072	15,136,329	256,776,442	1,117,467	273,030,239
31-60 days	13,110,498	6,821,317	0	19,931,814	3,510,861	304,373	0	3,815,234
61-90 days	2,327,852	629,210	0	2,957,062	1,444,925	629,210	0	2,074,136
Total loans and financial lease receivables before impairment allowance	49,250,767	305,852,715	1,117,467	356,220,949	20,092,116	257,710,025	1,117,467	278,919,608
<i>Allowances for impairment losses on loans and financial lease receivables</i>	(2,315,398)	(14,925,802)	(16,048)	(17,257,249)	(1,065,646)	(12,432,582)	(16,048)	(13,514,277)
Total loans and financial lease receivables net of impairment allowance	46,935,369	290,926,913	1,101,419	338,963,700	19,026,470	245,277,442	1,101,419	265,405,331

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (*continued*)

b) Credit risk (*continued*)

Gross value of of loans and lease receivables granted to clients, impaired, Stage 3 and POCI	Group				Company			
	Vehicles	Equipment	Real estate	Total Group	Vehicles	Equipment	Real estate	Total Company
0-30 days	74,317,082	44,485,165	5,927,580	124,729,827	41,857,900	39,910,917	5,927,580	87,696,397
31-60 days	48,462,776	4,186,345	678,369	53,327,490	7,747,060	582,933	678,369	9,008,362
61-90 days	7,669,646	2,178,786	792,972	10,641,404	4,081,226	2,135,206	792,972	7,009,404
Over 90 days	30,909,045	10,390,598	878,688	42,178,331	28,982,060	10,400,954	878,688	40,261,702
Total loans and financial lease receivables before impairment allowance	161,358,549	61,240,894	8,277,609	230,877,052	82,668,246	53,030,009	8,277,609	143,975,865
<i>Allowances for impairment losses on loans and financial lease receivables</i>	(52,818,806)	(35,814,160)	(1,831,644)	(90,464,610)	(34,567,144)	(33,054,963)	(1,831,644)	(69,453,750)
Total loans and financial lease receivables net of impairment allowance	108,539,743	25,426,734	6,445,966	140,412,442	48,101,102	19,975,047	6,445,966	74,522,115

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

The exposures to the credit risk for loans and receivables from finance lease agreements granted to customers at Group and Company level on 31 December 2021, based on their residual maturity, are presented below:

	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total
Amortised cost					
Vehicles	962,787,370	32,650,275	73,826,922	6,153,126	1,075,417,692
- up to 3 years	376,026,253	16,739,091	58,954,589	5,557,568	457,277,501
- between 3-5 years	584,597,904	15,535,440	14,872,333	595,558	615,601,235
- more than 5 years	2,163,213	375,744	0	0	2,538,957
Equipment	0	202,289,184	34,069,021	22,979,272	259,337,477
- up to 3 years	0	94,825,654	32,831,597	3,872,388	131,529,638
- between 3-5 years	0	107,154,331	1,237,425	19,106,884	127,498,639
- more than 5 years	0	309,200	0	0	309,200
Real estate	23,457,803	5,917,204	11,025,313	0	40,400,320
- up to 3 years	5,969,224	0	9,911,890	0	15,881,114
- between 3-5 years	11,561,592	5,260,083	1,113,423	0	17,935,098
- more than 5 years	5,926,987	657,122	0	0	6,584,109
Total loans and financial lease receivables before impairment allowance	986,245,173	240,856,663	118,921,257	29,132,398	1,375,155,491
Allowances for impairment losses on loans and financial lease receivables	(11,506,950)	(12,478,629)	(55,097,646)	(19,049,774)	(98,132,999)
Total loans and financial lease receivables net of impairment allowance	974,738,223	228,378,034	63,823,611	10,082,624	1,277,022,492

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

The exposures to the credit risk for loans and receivables from finance lease agreements granted to customers at Group and Company level on 31 December 2020, based on their residual maturity, are presented below:

Amortised cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total
Vehicles	539,401,535	255,309,665	76,939,720	6,424,926	878,075,847
- up to 3 years	216,378,883	133,086,499	60,285,048	5,030,770	414,781,201
- between 3-5 years	322,248,779	121,981,592	16,654,672	1,394,156	462,279,200
- more than 5 years	773,873	241,574	0	0	1,015,447
Equipment	0	210,363,535	29,362,218	22,584,366	262,310,119
- up to 3 years	0	117,124,418	28,179,481	833,756	146,137,655
- between 3-5 years	0	91,497,627	1,182,738	21,750,610	114,430,975
- more than 5 years	0	1,741,490	0	0	1,741,490
Real estate	23,494,608	30,058,406	10,295,249	0	63,848,263
- up to 3 years	5,573,981	4,441,823	4,181,729	0	14,197,533
- between 3-5 years	15,450,254	5,183,823	6,113,520	0	26,747,598
- more than 5 years	2,470,372	20,432,759	0	0	22,903,132
Total loans and financial lease receivables before impairment allowance	562,896,143	495,731,606	116,597,188	29,009,292	1,204,234,229
Allowances for impairment losses on loans and financial lease receivables	(3,470,023)	(29,833,739)	(46,016,237)	(16,816,394)	(96,136,393)
Total loans and financial lease receivables net of impairment allowance	559,426,120	465,897,867	70,580,951	12,192,898	1,108,097,836

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

The exposures to the credit risk for loans and receivables from finance lease agreements granted to customers at consolidated and separate level, classified in Stage 1 at 31 December 2021 and 31 December 2020, are presented below:

Gross value of loans and lease receivables granted to clients, not impaired, Stage 1	31 December 2021 (Group and Company)				31 December 2020 (Group and Company)			
	Vehicles	Equipment	Real estate	Total	Vehicles	Equipment	Real estate	Total
Very low risk *	894,552,113	0	21,950,269	916,502,382	536,164,305	0	23,494,608	559,658,913
Low risk	68,235,257	0	1,507,534	69,742,791	0	0	0	0
Sensitive risk	0	0	0	0	3,237,230	0	0	3,237,230
Total loans and financial lease receivables before impairment allowance	962,787,370	0	23,457,803	986,245,173	539,401,535	0	23,494,608	562,896,143
Allowances for impairment losses on loans and financial lease receivables	(11,251,660)	0	(255,290)	(11,506,950)	(3,389,042)	0	(80,982)	(3,470,023)
Total loans and financial lease receivables net of impairment allowance	951,535,711	0	23,202,513	974,738,224	536,012,494	0	23,413,627	559,426,120

*The Company uses a rating system for leasing underwriting that takes into account both borrower information (qualitative and financial information) and asset-related information. Based on these factors, debtors are grouped into rating categories when the leasing is granted. This rating is not reassessed, except to the extent modifications arise in the financing structure. Probabilities of default are computed for portfolios with similar risk characteristics, these being the initial rating class.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

The exposures to the credit risk for loans and receivables from finance lease agreements granted to customers at consolidated and separate level, classified in Stage 2 at 31 December 2021 and 31 December 2020, are presented below:

Gross value of loans and lease receivables granted to clients, not impaired, Stage 2	31 December 2021 (Group and Company)				31 December 2020 (Group and Company)			
	Vehicles	Equipment	Real estate	Total	Vehicles	Equipment	Real estate	Total
Low-moderate risk*	28,483,747	201,540,235	5,917,204	235,941,187	246,606,028	209,248,016	30,058,406	485,912,450
Sensitive risk	2,893,298	623,852	0	3,517,150	5,484,970	712,451	0	6,197,421
High risk	1,273,229	125,097	0	1,398,325	3,218,667	403,068	0	3,621,735
Total loans and financial lease receivables before impairment allowance	32,650,275	202,289,184	5,917,204	240,856,663	255,309,665	210,363,535	30,058,406	495,731,606
Allowances for impairment losses on loans and financial lease receivables	(4,263,763)	(8,154,628)	(60,238)	(12,478,629)	(10,707,251)	(18,532,109)	(594,379)	(29,833,739)
Total loans and financial lease receivables net of impairment allowance	28,386,511	194,134,556	5,856,966	228,378,034	244,602,414	191,831,426	29,464,027	465,897,867

*The Company uses a rating system for leasing underwriting that takes into account both borrower information (qualitative and financial information) and asset-related information. Based on these factors, debtors are grouped into rating categories when the leasing is granted. This rating is not reassessed, except to the extent modifications arise in the financing structure. Probabilities of default are computed for portfolios with similar risk characteristics, these being the initial rating class.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (*continued*)

b) Credit risk (*continued*)

Gross value of loans and lease receivables granted to clients, not impaired, Stage 2	31 December 2021 (Group and Company)				31 December 2020 (Group and Company)			
	Vehicles	Equipment	Real estate	Total	Vehicles	Equipment	Real estate	Total
0-30 days	28,483,747	201,540,235	5,917,204	235,941,187	246,606,028	209,248,016	30,058,406	485,912,450
31-60 days	2,893,298	623,852	0	3,517,150	5,484,970	712,451	0	6,197,421
61-90 days	1,273,229	125,097	0	1,398,325	3,218,667	403,068	0	3,621,735
Total loans and financial lease receivables before impairment allowance	32,650,275	202,289,184	5,917,204	240,856,663	255,309,665	210,363,535	30,058,406	495,731,606
<i>Allowances for impairment losses on loans and financial lease receivables</i>	(4,263,763)	(8,154,628)	(60,238)	(12,478,629)	(10,707,251)	(18,532,109)	(594,379)	(29,833,739)
Total loans and financial lease receivables net of impairment allowance	28,386,511	194,134,556	5,856,966	228,378,034	244,602,414	191,831,426	29,464,027	465,897,867

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

Gross value of of loans and lease receivables granted to clients, impaired, Stage 3 and POCI	31 December 2021 (Group and Company)				31 December 2020 (Group and Company)			
	Vehicles	Equipment	Real estate	Total	Vehicles	Equipment	Real estate	Total
0-30 days	39,854,743	21,688,760	6,884,049	68,427,552	31,795,993	10,431,677	7,218,018	49,445,688
31-60 days	4,524,410	776,678	0	5,301,088	2,334,588	161,748	0	2,496,336
61-90 days	4,927,572	0	3,262,557	8,190,129	1,629,648	215,790	0	1,845,438
Over 90 days	30,673,322	34,582,855	878,708	66,134,886	47,604,418	41,137,369	3,077,231	91,819,018
Total loans and financial lease receivables before impairment allowance	79,980,048	57,048,293	11,025,313	148,053,655	83,364,647	51,946,584	10,295,249	145,606,480
Allowances for impairment losses on loans and financial lease receivables	(31,625,945)	(40,053,213)	(2,468,262)	(74,147,420)	(29,536,411)	(31,352,596)	(1,943,624)	(62,832,631)
Total loans and financial lease receivables net of impairment allowance	48,354,103	16,995,080	8,557,051	73,906,234	53,828,236	20,593,988	8,351,625	82,773,849

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

Collateral policy

An analysis of the fair value of collaterals related to financial assets and the minimum of the fair value and exposure from real estate guarantees as of 31 December 2022 for the Group is presented below:

	Under - collateralised			Over - collateralised		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Gross exposure						
Vehicles						
Gross exposure	366,153,638	11,550,850	62,439,153	1,740,670,982	37,699,917	98,919,396
Collaterals	325,973,789	9,895,980	30,522,656	2,638,618,444	66,646,238	157,613,881
Equipment						
Gross exposure	497,005	86,363,678	44,202,015	0	219,489,037	17,038,879
Collaterals	474,950	76,701,177	26,365,918	0	341,555,580	26,184,875
Real estate						
Gross exposure	5,002,648	0	878,688	34,721,422	1,117,467	7,398,921
Collaterals	3,950,994	0	0	71,017,004	2,388,496	26,313,302
Total Gross exposure	371,653,291	97,914,528	107,519,856	1,775,392,403	258,306,421	123,357,196
Total collaterals	330,399,733	86,597,157	56,888,574	2,709,635,448	410,590,314	210,112,057

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

An analysis of the fair value of collaterals related to financial assets and the minimum of the fair value and exposure from real estate guarantees as of 31 December 2022 for the Company is presented below:

	Under - collateralised			Over - collateralised		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Gross exposure						
Vehicles						
Gross exposure	324,993,801	6,902,527	44,806,071	929,341,359	13,189,589	37,862,175
Collaterals	288,132,343	6,144,752	16,942,057	1,399,089,223	19,642,730	62,435,528
Equipment						
Gross exposure	497,005	86,309,034	44,185,556	0	171,400,991	8,884,453
Collaterals	474,950	76,701,177	25,365,918	0	275,847,658	14,621,761
Real estate						
Gross exposure	5,002,648	0	878,688	34,721,422	1,117,467	7,398,921
Collaterals	3,950,994	0	0	68,977,177	2,388,496	26,313,302
Total Gross exposure	330,493,454	93,221,561	89,870,316	964,062,780	185,708,047	54,105,549
Total collaterals	292,558,287	82,845,930	43,307,975	1,470,106,228	297,878,884	103,370,592

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

An analysis of the fair value of collaterals related to financial assets and the minimum of the fair value and exposure from real estate guarantees as of 31 December 2021 for the Group and the Company is presented below:

	Under - collateralised			Over - collateralised		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Gross exposure						
Vehicles						
Gross exposure	238,356,428	10,528,303	40,434,965	724,430,942	22,121,972	39,545,083
Collaterals	211,450,796	8765,643	15,910,963	1,121,043,628	31,881,829	61,788,367
Equipment						
Gross exposure	0	91,553,667	26,807,093	0	110,735,517	30,241,200
Collaterals	0	76,528,735	12,649,825	0	183,334,478	40,877,068
Real estate						
Gross exposure	2,095,858	0	878,708	21,361,945	5,917,204	10,146,605
Collaterals	2,069,295	0	0	59,953,399	11,447,429	14,366,726
Total Gross exposure	240,452,287	102,081,969	68,120,767	745,792,887	138,774,693	79,932,888
Total collaterals	213,520,092	85,294,378	28,560,788	1,180,997,027	226,663,736	117,032,161

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (*continued*)

b) Credit risk (*continued*)

An analysis of the fair value of collaterals related to financial assets and the minimum of the fair value and exposure from real estate guarantees as of 31 December 2020 for the Group and the Company is presented below

	Under - collateralised			Over - collateralised		
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>
Gross exposure						
Vehicles						
Gross exposure	118,615,216	100,457,145	44,712,183	420,786,320	154,852,520	38,652,463
Collaterals	104,122,906	83,608,085	23,502,714	630,285,938	222,963,284	60,886,189
Equipment						
Gross exposure	0	52,121,036	16,632,907	0	158,242,499	35,313,677
Collaterals	0	42,970,800	7,743,772	0	264,631,551	61,921,759
Real estate						
Gross exposure	0	2,267,814	876,447	23,494,608	27,790,592	9,418,802
Collaterals	0	2,065,599	0	38,433,979	47,880,280	23,651,975
Total Gross exposure	118,615,216	154,845,995	62,221,538	444,280,928	340,885,611	83,384,942
Total collaterals	104,122,906	128,644,484	31,246,486	668,719,917	535,475,115	146,459,924

c) Liquidity risk

The liquidity risk is the current or future risk that the profit and capital may be negatively affected as a result of the Group and Company incapacity to pay its debts when they become due. Liquidity risk has two main components: the difficulty in procuring funds at maturity in order to refinance current assets or the inability to convert an asset into cash at a value near its fair value in a reasonable period of time. The purpose of liquidity risk management is to obtain the expected returns on assets under the conditions of an adequate liquidity management, consciously assumed and adapted to the internal and international market and development conditions of the Group and the Company, and not least in the context of the current legislative framework.

The Group and the Company are constantly concerned with the management of this type of risk. The Group and the Company have access to diversified financing sources. Funds are attracted through a range of instruments such as loans from banks and financial institutions, debt securities issued and share

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

c) Liquidity risk (continued)

capital. Access to various sources of financing improves the flexibility of fundraising, limits dependence on a single type of financial and a type of partner and leads to a general decrease of financing costs.

The liquidity risk is generated by the policy of managing the financing sources. This includes the risk that the Group and the Company may encounter difficulties arising from the inability to collect an asset at a value close to its fair value within a reasonable period. The Group tries to maintain a balance between the continuity and the flexibility of attracting funds by contracting debts with different maturities. The Group permanently controls the liquidity risk by identifying and monitoring the financing sources and diversifying the financing base.

The assets and liabilities of the Group analysed based on the contractual cash flows for the period remaining from 31 December 2022 until the contractual date are as follows. The finance lease receivables were presented using gross amounts without taking into account impairment allowance.

- in RON -	<u>Up to 3 months</u>	<u>3 – 6 months</u>	<u>6 – 12 months</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Financial assets							
Cash and cash equivalents	77,234,151	-	-	-	-	-	77,234,151
Loans and advances to customers	718,781	2,024,374	3,696,165	7,169,198	4,803,572	758,024	19,170,114
Finance lease receivables	301,634,283	248,595,812	471,315,722	1,318,146,205	485,070,920	10,734,662	2,835,497,604
Other financial assets	23,549,799	-	-	-	-	-	23,549,799
Total financial assets	403,137,014	250,620,186	475,011,887	1,325,315,403	489,874,492	11,492,686	2,955,451,668
Financial liabilities							
Loans from banks and other financial institutions*	624,053,563	190,042,200	378,423,875	740,015,988	197,531,697	8,757,018	2,138,824,342
Debt securities issued	2,063,373	2,546,344	4,199,319	209,658,975	-	-	218,468,011
Lease liabilities	559,016	421,147	644,747	1,476,616	366,867	155,835	3,624,228
Other financial liabilities	207,061,639	2,711	-	-	-	-	207,064,350
Total financial liabilities	833,737,591	193,012,402	383,267,941	951,151,579	197,898,564	8,912,853	2,567,980,931
Net balance sheet position	(280,417,094)	47,080,096	72,798,501	255,854,475	289,574,926	2,579,833	387,470,737
Cumulated position	(280,417,094)	(233,336,998)	(160,538,497)	95,315,978	384,890,904	387,470,737	

*) Loans received by Țiriac Leasing from Unicredit Bank SA in amount of RON 233,308,978 and ING Bank SA in amount of RON 230,528,152 were presented on the first maturity interval due to the breach of some loan covenants. In February 2023 Unicredit Bank issued a waiver for the covenants breach.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

c) Liquidity risk (continued)

The assets and liabilities of the Group analysed based on the contractual cash flows for the period remaining from 31 December 2021 until the contractual date are as follows. The finance lease receivables were presented using gross amounts without taking into account impairment allowance.

- in RON -	<u>Up to 3 months</u>	<u>3 – 6 months</u>	<u>6 – 12 months</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Financial assets							
Cash and cash equivalents	15,834,274	-	-	-	-	-	15,834,274
Finance lease receivables	177,872,676	128,530,030	248,440,331	675,940,884	253,618,077	2,649,687	1,487,051,685
Other financial assets	11,568,636	-	-	-	-	-	11,568,636
Total financial assets	205,275,586	128,530,030	248,440,331	675,940,884	253,618,077	2,649,687	1,514,454,595
Financial liabilities							
Loans from banks and other financial institutions*	89,714,627	112,612,814	156,101,958	350,043,557	83,888,426	1,045,279	793,406,661
Debt securities issued	236,979	725,164	762,673	107,578,569	98,683,991	175,959	209,746,975
Lease liabilities	161,492	150,294	293,907	766,719	219,823	77,604	1,669,839
Other financial liabilities	8,729,040	-	-	-	-	-	8,729,040
Total financial liabilities	98,842,138	113,488,272	157,158,538	458,388,845	182,792,240	2,882,482	1,013,552,515
Net balance sheet position	106,433,448	15,041,758	91,281,793	217,552,039	70,825,837	(232,795)	500,902,080
Cumulated position	106,433,448	121,475,206	212,756,999	430,309,038	501,134,875	500,902,080	

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

c) Liquidity risk (continued)

The assets and liabilities of the Group analysed based on the contractual cash flows for the period remaining from 31 December 2020 until the contractual date are as follows. The finance lease receivables were presented using gross amounts without taking into account impairment allowance:

<i>- in RON -</i>	<u>Up to 3 months</u>	<u>3 – 6 months</u>	<u>6 – 12 months</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Financial assets							
Cash and cash equivalents	22,085,227	-	-	-	-	-	22,085,227
Finance lease receivables	171,732,631	114,758,920	221,423,841	586,677,866	206,024,093	3,482,861	1,304,100,212
Other financial assets	11,766,636	-	-	-	-	-	11,766,636
Total financial assets	205,584,494	114,758,920	221,423,841	586,677,866	206,024,093	3,482,861	1,337,952,075
Financial liabilities							
Loans from banks and other financial institutions*	161,063,050	81,460,965	118,413,377	292,607,621	39,664,245	-	693,209,258
Debt securities issued	1,032,386	836,547	1,692,922	6,698,188	199,510,863	-	209,770,906
Lease liabilities	285,356	252,035	475,937	716,480	716,480	231,220	2,677,508
Other financial liabilities	8,292,127	-	-	-	-	-	8,292,127
Total financial liabilities	170,672,919	82,549,547	120,582,236	300,022,289	239,891,588	231,220	913,949,799
Net balance sheet position	34,911,575	32,209,373	100,841,605	286,655,577	(33,867,495)	3,251,641	424,002,276
Cumulated position	34,911,575	67,120,948	167,962,553	454,618,130	420,750,635	424,002,276	

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

c) Liquidity risk (continued)

The assets and liabilities of the Company analysed based on the contractual cash flows for the period remaining from 31 December 2022 until the contractual date are as follows. The finance lease receivables were presented using gross amounts without taking into account impairment allowance:

- in RON -	<u>Up to 3 months</u>	<u>3 – 6 months</u>	<u>6 – 12 months</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Financial assets							
Cash and cash equivalents	18,406,873	-	-	-	-	-	18,406,873
Finance lease receivables	200,043,893	148,937,994	281,909,360	831,229,071	326,265,087	10,003,559	1,798,388,964
Other financial assets	5,408,049	-	-	-	-	-	5,408,049
Total financial assets	223,858,815	148,937,994	281,909,360	831,229,071	326,265,087	10,003,559	1,822,203,886
Financial liabilities							
Loans from banks and other financial institutions*	117,507,608	149,796,186	304,667,036	551,594,379	145,244,086	8,757,018	1,277,566,313
Debt securities issued	2,063,373	2,546,344	4,199,319	209,658,975	-	-	218,468,011
Lease liabilities	257,654	129,221	188,703	295,504	294,147	155,835	1,321,064
Other financial liabilities	20,590,403	2,711	-	-	-	-	20,593,114
Total financial liabilities	140,419,038	152,474,462	309,055,058	761,548,858	145,538,233	8,912,853	1,517,948,502
Net balance sheet position	83,439,777	(3,536,468)	(27,145,698)	69,680,213	180,726,854	1,090,706	304,255,384
Cumulated position	83,439,777	79,903,309	52,757,611	122,437,824	303,164,678	304,255,384	

The explanatory notes to the financial statements from page 7 to page 102 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

c) Liquidity risk (continued)

The assets and liabilities of the Company analysed based on the contractual cash flows for the period remaining from 31 December 2021 until the contractual date are as follows. The finance lease receivables were presented using gross amounts without taking into account impairment allowance:

<i>- in RON -</i>	<u>Up to 3 months</u>	<u>3 – 6 months</u>	<u>6 – 12 months</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Financial assets							
Cash and cash equivalents	11,369,686	-				-	11,369,686
Finance lease receivables	177,872,676	128,530,030	248,440,331	675,940,884	253,618,077	2,649,687	1,487,051,685
Other financial assets	7,047,601	-				-	7,047,601
Total financial assets	196,289,963	128,530,030	248,440,331	675,940,884	253,618,077	2,649,687	1,505,468,972
Financial liabilities							
Loans from banks and other financial institutions*	89,714,627	112,612,814	156,101,958	350,043,557	83,888,426	1,045,279	793,406,661
Debt securities issued	236,979	725,164	762,673	107,578,569	98,683,991	175,959	209,746,975
Lease liabilities	161,492	150,294	293,907	766,719	219,823	77,603	1,669,838
Other financial liabilities	15,368,293	-	-	-	-	-	15,368,293
Total financial liabilities	105,481,391	113,488,272	157,158,538	458,388,845	182,792,240	2,882,481	1,020,191,767
Net balance sheet position	90,808,572	15,041,758	91,281,793	217,552,039	70,825,837	(232,794)	485,277,205
Cumulated position	90,808,572	105,850,330	197,132,123	414,684,162	485,509,999	485,277,205	

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

c) Liquidity risk (continued)

The assets and liabilities of the Company analysed based on the contractual cash flows for the period remaining from 31 December 2020 until the contractual date are as follows. The finance lease receivables were presented using gross amounts without taking into account impairment allowance:

<i>- in RON -</i>	<u>Up to 3 months</u>	<u>3 – 6 months</u>	<u>6 – 12 months</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Financial assets							
Cash and cash equivalents	18.657.932	-	-	-	-	-	18.657.932
Finance lease receivables	171.732.631	114.758.920	221.423.841	586.677.866	206.024.093	3.482.861	1.304.100.212
Other financial assets	7.675.016	-	-	-	-	-	7.675.016
Total financial assets	198.065.579	114.758.920	221.423.841	586.677.866	206.024.093	3.482.861	1.330.433.160
Financial liabilities							
Loans from banks and other financial institutions*	161.063.050	81.460.965	118.413.377	292.607.621	39.664.245	-	693.209.258
Debt securities issued	1.032.386	836.547	1.692.922	6.698.188	199.510.863	-	209.770.906
Lease liabilities	285.356	252.035	475.937	716.480	716.480	231.220	2.677.508
Other financial liabilities	14.083.429	-	-	-	-	-	14.083.429
Total financial liabilities	176.464.221	82.549.547	120.582.236	300.022.289	239.891.588	231.220	919.741.101
Net balance sheet position	21.601.358	32.209.373	100.841.605	286.655.577	(33.867.495)	3.251.641	410.692.059
Cumulated position	21.601.358	53.810.731	154.652.336	441.307.913	407.440.418	410.692.059	

Notes to the consolidated and separate financial statements

4. Financial risk management policies (*continued*)

d) Market risk

Market risk represents the risk that the earnings of the Group or the value of financial instruments held may be affected by market value changes corresponding to the interest rate, the foreign exchange rate or other financial ratios. The objective of market risk management is to monitor and maintain the exposures to these risks within acceptable risk parameters, while optimizing the return on investments for the risks undertaken.

d1) Interest rate risk

The main risk to which non-traded portfolios are exposed is the loss suffered as a result of changes in future cash flows or the market value of financial instruments as a result of interest rates fluctuation. The interest rate risk is mainly managed by monitoring the interest rate gap and through a system of approved limits for the price recalculation intervals. The risk management monitors the observance of these limits.

The Company manages the interest rate risk mainly by aligning the interest rates from the leasing agreements with those provided in the loan refinancing agreements. Generally, the fixed interest rate liabilities are used to finance fixed interest rate leasing agreements and the variable interest rate liabilities are used to finance variable interest rate leasing agreements.

The sensitivity analysis shown below illustrates the impact on the statement of profit or loss and other comprehensive income in case of possible interest rate fluctuations:

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies *(continued)*

d) Market risk *(continued)*

d1) Interest rate risk *(continued)*

- in RON -	Group				Company			
	200 basis points	200 basis points	100 basis points	100 basis points	200 basis points	200 basis points	100 basis points	100 basis points
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
31 December 2022								
Average for the period	(772,098)	772,098	(386,049)	386,049	524,986	(524,986)	262,493	(262,493)
Minimum for the period	(16,081,046)	16,081,046	(8,040,523)	8,040,523	(693,184)	693,184	(346,592)	346,592
Maximum for the period	3,028,259	(3,028,259)	1,514,129	(1,514,129)	3,027,118	(3,027,118)	1,513,559	(1,513,559)
31 December 2021								
Average for the period	406,287	(406,287)	203,143	(203,143)	406,287	(406,287)	203,143	(203,143)
Minimum for the period	(889,632)	889,632	(444,816)	444,816	(889,632)	889,632	(444,816)	444,816
Maximum for the period	3,037,802	(3,037,802)	1,518,901	(1,518,901)	3,037,802	(3,037,802)	1,518,901	(1,518,901)
31 December 2020								
Average for the period	10,251	(10,251)	5,125	(5,125)	10,251	(10,251)	5,125	(5,125)
Minimum for the period	(2,406,936)	2,406,936	(1,203,468)	1,203,468	(2,406,936)	2,406,936	(1,203,468)	1,203,468
Maximum for the period	2,678,204	(2,678,204)	1,339,102	(1,339,102)	2,678,204	(2,678,204)	1,339,102	(1,339,102)

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

d) Market risk (continued)

d1) Interest rate risk (continued)

The table below shows the detailed net book value for the Group's interest-bearing financial assets and liabilities as of 31 December 2022, based on the earlier date between interest modification date and maturity date:

- in RON -	<u>Up to 3 months</u>	<u>3 – 12 months</u>	<u>1 – 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Financial assets					
Cash and cash equivalents	77,234,151	-	-	-	77,234,151
Loans and advances to customers	7,789,418	1,380,490	8,202,080	-	17,371,988
Finance lease receivables	964,528,489	1,540,754,947	68,665,627	11,650,461	2,585,599,524
Total financial assets	1,049,552,058	1,542,135,437	76,867,707	11,650,461	2,680,205,663
Financial liabilities					
Loans from banks and other financial institutions	693,076,138	1,110,900,231	233,308,978	-	2,037,285,347
Debt securities issued	-	197,418,332	-	-	197,418,332
Total financial liabilities	693,076,138	1,308,318,563	233,308,978	-	2,234,703,679
Net balance sheet position	356,475,920	233,816,874	(156,441,271)	11,650,461	445,501,984

The table below shows the detailed net book value for the Group's interest-bearing financial assets and liabilities as of 31 December 2021, based on the earlier date between interest modification date and maturity date:

-in RON -	<u>Up to 3 months</u>	<u>3 – 12 months</u>	<u>1 – 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Financial assets					
Cash and cash equivalents	15,834,017	-	-	-	15,834,017
Finance lease receivables	36,604,256	1,179,997,642	58,991,482	1,429,112	1,277,022,492
Total financial assets	52,438,273	1,179,997,642	58,991,482	1,429,112	1,292,856,509
Financial liabilities					
Loans from banks and other financial institutions	10,634,956	731,569,767	34,975,888	-	777,180,611
Debt securities issued	-	196,843,964	-	-	196,843,964
Total financial liabilities	10,634,956	928,413,731	34,975,888	-	974,024,575
Net balance sheet position	41,803,317	251,583,911	24,015,594	1,429,112	318,831,934

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

d) Market risk (continued)

d1) Interest rate risk (continued)

The table below shows the detailed net book value for the Group's interest-bearing financial assets and liabilities as of 31 December 2020, based on the earlier date between interest modification date and maturity date:

- in RON -	<u>Up to 3</u> <u>months</u>	<u>3 – 12 months</u>	<u>1 – 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Financial assets					
Cash and cash equivalents	22,083,327	-	-	-	22,083,327
Finance lease receivables	151,516,196	276,706,307	676,824,578	3,050,756	1,108,097,837
Total financial assets	173,599,523	276,706,307	676,824,578	3,050,756	1,130,181,164
Financial liabilities					
Loans from banks and other financial institutions	130,943,745	496,447,371	51,504,647	-	678,895,763
Debt securities issued	-	193,388,861	-	-	193,388,861
Total financial liabilities	130,943,745	689,836,232	51,504,647	-	872,284,624
Net balance sheet position	42,655,778	(413,129,925)	625,319,931	3,050,756	257,896,540

The table below shows the detailed net book value for the Company's interest-bearing financial assets and liabilities as of 31 December 2022, based on the earlier date between interest modification date and maturity date:

- in RON -	<u>Up to 3</u> <u>months</u>	<u>3 – 12 months</u>	<u>1 – 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Financial assets					
Cash and cash equivalents	18,406,873	-	-	-	18,406,873
Finance lease receivables	10,581,782	1,536,815,471	68,276,353	825,159	1,616,498,765
Total financial assets total	28,988,655	1,536,815,471	68,276,353	825,159	1,634,905,638
Financial liabilities					
Loans from banks and other financial institutions	233,567,846	968,557,440	-	-	1,202,125,286
Debt securities issued	-	197,418,332	-	-	197,418,332
Total financial liabilities	233,567,846	1,165,975,772	-	-	1,399,543,618
Net balance sheet position	(204,579,191)	370,839,699	68,276,353	825,159	235,362,020

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

d) Market risk (continued)

d1) Interest rate risk (continued)

The table below shows the detailed net book value for the Company's interest-bearing financial assets and liabilities as of 31 December 2021, based on the earlier date between interest modification date and maturity date:

- in RON -	<u>Up to 3 months</u>	<u>3 – 12 months</u>	<u>1 – 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Financial assets					
Cash and cash equivalents	11,369,587	-	-		11,369,587
Finance lease receivables	30,555,319	1,185,751,936	59,279,156	1,436,081	1,277,022,492
Total financial assets	41,924,906	1,185,751,936	59,279,156	1,436,081	1,288,392,079
Financial liabilities					
Loans from banks and other financial institutions	10,634,956	731,569,767	34,975,888	-	777,180,611
Debt securities issued	-	196,843,964	-	-	196,843,964
Total financial liabilities	10,634,956	928,413,731	34,975,888	-	974,024,575
Net balance sheet position	31,289,950	257,338,205	24,303,268	1,436,081	314,367,504

The table below shows the detailed net book value for the Company's interest-bearing financial assets and liabilities as of 31 December 2020, based on the earlier date between interest modification date and maturity date:

- in RON -	<u>Până la 3 luni</u>	<u>3 – 12 luni</u>	<u>1 – 5 ani</u>	<u>Peste 5 ani</u>	<u>Total</u>
Financial assets					
Cash and cash equivalents	18,656,177	-	-		18,656,177
Finance lease receivables	145,271,124	278,512,792	681,243,247	3,070,674	1,108,097,837
Total financial assets	163,927,301	278,512,792	681,243,247	3,070,674	1,126,754,014
Financial liabilities					
Loans from banks and other financial institutions	130,943,745	496,447,371	51,504,647	-	678,895,763
Debt securities issued	-	193,388,861	-	-	193,388,861
Total financial liabilities	130,943,745	689,836,232	51,504,647	-	872,284,624
Net balance sheet position	32,983,556	(411,323,440)	629,738,600	3,070,674	254,469,390

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

d) Market risk (continued)

d2) Currency risk

The Group and the Company are exposed to currency risk through open positions generated by FX transactions. 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.

The management of the exchange rate risk of the Group and the Company is done through real-time monitoring, as well as by leasing agreements financing in the currency of the loan agreement.

The monetary assets and liabilities of the Group denominated in RON and foreign currency as of 31 December 2022 are presented below:

in RON

	EUR	RON	Other currencies	Total
Financial assets				
Cash and cash equivalents	24,360,408	52,873,100	643	77,234,151
Loans and advances to customers	17,304,242	67,746	-	17,371,988
Finance lease receivables	2,379,858,952	205,740,572	-	2,585,599,524
Other financial assets	10,555,089	12,994,710	-	23,549,799
Total financial assets	2,432,078,691	271,676,128	643	2,703,755,462
Financial liabilities				
Loans from banks and other financial institutions	2,013,806,796	23,478,551	-	2,037,285,347
Debt securities issued	197,418,332	0	-	197,418,332
Lease liabilities	3,444,804	179,424	-	3,624,228
Other financial liabilities	1,913,912	205,150,438	-	207,064,350
Financial liabilities	2,216,583,844	228,808,413	-	2,445,392,257
Net balance sheet position	215,494,847	42,867,715	643	258,363,205

The monetary assets and liabilities expressed in RON and in foreign currency of the Group as of 31 December 2021 are presented below:

- in RON -

	EUR	RON	Other currencies	Total
Financial assets				
Cash and cash equivalents	19,966	15,813,737	571	15,834,274
Finance lease receivables	1,047,617,840	229,404,652	-	1,277,022,492
Other financial assets	4,123,251	7,445,385	-	11,568,636
Total financial assets	1,051,761,057	252,663,774	571	1,304,425,402
Financial liabilities				
Loans from banks and other financial institutions	777,180,611	-	-	777,180,611
Debt securities issued	196,843,964	-	-	196,843,964
Lease liabilities	1,669,838	-	-	1,669,838
Other financial liabilities	143,604	8,585,436	-	8,729,040
Total financial liabilities	975,838,017	8,585,436	-	984,423,453
Net balance sheet position	75,923,040	244,078,338	571	320,001,949

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

d) Market risk (continued)

d2) Currency risk

The monetary assets and liabilities denominated in RON and foreign currency of the Group as of 31 December 2020 are presented below:

- in RON -	<u>EUR</u>	<u>RON</u>	<u>Other currencies</u>	<u>Total</u>
Financial assets				
Cash and cash equivalents	435,299	21,647,093	2,835	22,085,227
Finance lease receivables	852,600,035	255,497,802	-	1,108,097,837
Other financial assets	5,132,417	6,634,219	-	11,766,636
Total financial assets	858,167,751	283,779,114	2,835	1,141,949,700
Financial liabilities				
Loans from banks and other financial institutions	579,639,828	99,255,935	-	678,895,763
Debt securities issued	193,388,861	-	-	193,388,861
Lease liabilities	2,428,808	-	-	2,428,808
Other financial liabilities	783,482	7,508,645	-	8,292,127
Total financial liabilities	776,240,979	106,764,580	-	883,005,559
Net balance sheet position	81,926,772	177,014,534	2,835	258,944,141

The monetary assets and liabilities expressed in RON and in foreign currency of the Company as of 31 December 2022 are presented below:

- in RON -	<u>EUR</u>	<u>RON</u>	<u>Other currencies</u>	<u>Total</u>
Financial assets				
Cash and cash equivalents	101,484	18,304,746	643	18,406,873
Finance lease receivables	1,418,007,767	198,490,998	-	1,616,498,765
Other financial assets	3,885,704	1,522,345	-	5,408,049
Total financial assets	1,421,994,955	218,318,089	643	1,640,313,687
Financial liabilities				
Loans from banks and other financial institutions	1,179,115,548	23,009,738	-	1,202,125,286
Debt securities issued	197,418,332	-	-	197,418,332
Lease liabilities	1,141,636	179,428	-	1,321,064
Other financial liabilities	1,909,659	18,683,455	-	20,593,114
Total financial liabilities	1,379,585,175	41,872,621	-	1,421,457,796
Net balance sheet position	42,409,780	176,445,468	643	218,855,891

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

d) Market risk (continued)

d2) Currency risk (continued)

Company's monetary assets and liabilities in RON and foreign currency as of 31 December 2021 are presented below:

- in RON -	EUR	RON	Alte valute	Total
Financial assets				
Cash and cash equivalents	19,966	11,349,149	571	11,369,686
Finance lease receivables	1,047,617,840	229,404,652	-	1,277,022,492
Other financial assets	4,123,251	2,924,349	-	7,047,600
Total financial assets	1,051,761,057	243,678,150	571	1,295,439,778
Financial liabilities				
Loans from banks and other financial institutions	777,180,611	-	-	777,180,611
Debt securities issued	196,843,964	-	-	196,843,964
Lease liabilities	1,669,838	-	-	1,669,838
Other financial liabilities	143,604	15,224,689	-	15,368,293
Total financial liabilities	975,838,017	15,224,689	-	991,062,706
Net balance sheet position	75,923,040	228,453,461	571	304,377,072

Company's monetary assets and liabilities in RON and foreign currency as of 31 December 2020 are presented below:

- in RON -	EUR	RON	Alte valute	Total
Financial assets				
Cash and cash equivalents	435,299	18,219,798	2,835	18,657,932
Finance lease receivables	852,600,035	255,497,802	-	1,108,097,837
Other financial assets	5,132,417	2,542,599	-	7,675,016
Total financial assets	858,167,751	276,260,199	2,835	1,134,430,785
Financial liabilities				
Loans from banks and other financial institutions	579,639,828	99,255,935	-	678,895,763
Debt securities issued	193,388,861	-	-	193,388,861
Lease liabilities	2,428,808	-	-	2,428,808
Other financial liabilities	783,482	13,299,947	-	14,083,429
Total financial liabilities	776,240,979	112,555,882	-	888,796,861
Net balance sheet position	81,926,772	163,704,317	2,835	245,633,924

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

d) Market risk (continued)

d2) Currency risk (continued)

The table below presents the profit or loss sensitivity in the event of potential changes of the exchange rates applicable at the end of the reporting period in relation to the functional currency, considering that all the other variables remain constant:

- in RON -

	Group			Company		
	2022	2021	2020	2022	2021	2020
EUR increase by up to 5% (2021; 2020: increase by up to 5%)	4,823,084	3,205,916	2,009,451	3,918,266	3,114,967	1,852,383
EUR decrease by up to 5% (2021; 2020: decrease by up 5%)	(4,823,084)	(3,205,916)	(2,009,451)	(3,918,266)	(3,114,967)	(1,852,383)
Total	-	-	-	-	-	-

e) Taxation risk

The Group and the Company are committed to ensure a sustainable tax risk management by building and maintaining an efficient, effective and transparent tax function within the organization. The Group and the Company strictly comply with and apply the legal regulation in force applicable to all categories of taxes and duties.

The Romanian tax legislation includes detailed and complex rules which have encountered many changes in the recent years. The interpretation and practical implementation of the tax legislation may vary and there is a risk that certain transactions could, for example, be construed differently by the tax authorities as compared to the Group's and the Company's treatment.

The National Agency for Fiscal Administration comprises specialized organizational structures that can conduct the fiscal controls of all the companies operating within Romanian borders and such controls may cover both fiscal compliance topics and other legal and regulatory matters. It is likely that the Group and the Company continue to be subject to regular tax audits, as new laws and regulations are issued in this field.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

d) Market risk (continued)

f) Business environment risk

In 2022, Romania presented a high degree of resilience to the overlap of supply chain shocks and the triggering of the events in Ukraine with their consequences – the fragmentation of world economic flows. According to the provisional estimates of the National Institute of Statistics (INS), the national economy recorded an annual increase of 4.7% in 2022, decelerating from 5.8% in 2021. The increase in productive investments with an annual rate of acceleration to 8.0%, the highest dynamic since 2019, was determined by the upward trend of foreign direct investments (toward historical highs) and the improvement of the absorption rate of European funds. On the other hand, private consumption (the main component of GDP) grew at a decelerating annual rate of 5.5% in 2022, given that the intensification of inflationary pressures had an unfavorable impact on the real disposable income of the population. On the EU harmonized index, consumer prices increased with an average annual rate of 12.0% in 2022, accelerating from 4.1% in 2021, an evolution mainly determined by the overlap of supply chain shocks. In this context, the National Bank of Romania (BNR) accelerated the monetary policy normalization cycle, increasing the reference interest rate by five percentage points in 2022, to 6.75%. The fiscal-budgetary consolidation process continued last year (the budget deficit/GDP ratio was reduced to 5.7%, the minimum since 2019), in an evolution supported by economic growth and the acceleration of inflation.

5. Accounting estimates and significant judgements

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

Expected credit losses for finance lease receivables

The measurement of expected credit risk losses related to finance lease receivables is a significant estimate that involves determining the methodology, models and data inputs used in the calculation. The details of the methodology for measuring expected losses from credit risk are included in Note 31 and more information is presented in Note 4). The following components have a major impact on expected credit risk loss: definition of „default”, probability of default (PD), exposure at default (EAD), and loss given default rate (LGD), incorporating forward-looking information for collective valuation and cash flow estimation for individual impairment valuation. The Group and the Company regularly review and validate the models and data inputs used in the calculation of losses to reduce any differences between the estimates of expected losses from credit risk and the actual amount of expected losses from credit risk, the calculation of expected losses from credit risk credit being carried out monthly.

Taking into account that the current macroeconomic environment presents some additional features of uncertainty, the results were adjusted with 3 Standard Deviations (determined on the basis of the actual default rates observed in history) of the default rates estimated for the future (the next 12 quarters) by the FLI regression model, in order to calculate PD. The difference between the average of adjusted and unadjusted PD curves is about 11%.

Starting with 2022, the Group and the Company decided to use the standard 3 stages approach to determine expected credit losses, the accounting policy change being detailed in note 31).

Notes to the consolidated and separate financial statements

6. Net interest income

- in RON -

	Group		Company	
	2022	2021	2022	2021
Interest income				
Interest income from leasing agreements	193,856,648	98,092,856	126,118,513	98,092,856
Interest income from current accounts and deposits, using the effective interest rate	2,356,055	287,559	734,123	248,304
Total interest income	196,212,703	98,380,415	126,852,636	98,341,160
Interest expense				
Interest expense on loans from banks and financial institutions	(30,233,570)	(12,881,340)	(19,292,721)	(12,881,341)
Interest expense on bonds	(4,448,771)	(4,114,948)	(4,448,771)	(4,114,948)
Interest expense on leasing	(56,840)	(6,401)	(11,869)	(6,401)
Total interest expense	(34,739,181)	(17,002,689)	(23,753,361)	(17,002,690)
Net interest income	161,473,522	81,377,726	103,099,275	81,338,470

7. Net fee and commission income/(expense)

- in RON -

	Group		Company	
	2022	2021	2022	2021
Fee and commission income				
Insurance brokerage commissions	28,109,207	16,233,353	-	-
Total fee and commission income	28,109,207	16,233,353	-	-
Fee and commission expenses				
Fees paid for banking operations	(196,512)	(156,284)	(123,857)	(134,150)
Fees paid for the issuing of bonds	(19,464)	(20,660)	(19,464)	(20,660)
Total fee and commission expenses	(215,976)	(176,944)	(143,321)	(154,810)
Net fee and commission income/(expense)	27,893,231	16,056,409	(143,321)	(154,810)

8. Net gain/(loss) from foreign currency translation

- in RON -

	Group		Company	
	2022	2021	2022	2021
Net gain/(loss) from exchange rate differences – balance revaluation	(5,444,850)	2,215,452	(1,896,054)	2,215,452
Net gain from exchange rate revaluation of transactions	14,000,792	4,509,903	6,526,727	4,509,903
Net gain/(loss) from foreign currency translation	8,555,942	6,725,355	4,630,673	6,725,355

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

9. Other operating income

- in RON -

	Group		Company	
	2022	2021	2022	2021
Income from the sale of tangible non-current assets	335,709	230,154	335,709	230,154
Dividend income (i)	-	8	14,057,386	12,242,798
Other income (ii)	13,401,920	7,154,313	8,477,295	7,151,479
Total other operating income	13,737,629	7,384,475	22,870,390	19,624,431

(i) The dividend income was collected by the Company from the five entities the Company holds interest in:

- BT Intermedieri Agent de Asigurare SRL, in amount of RON 3,970,537 (2021: RON 3,684,421)
- BT Safe Agent de Asigurare SRL, in amount of RON 2,141,389 (2021: RON 2,117,352)
- BT Solution Agent de Asigurare SRL, in amount of RON 2,696,567 (2021: RON 2,561,154).
- BT Asiom Agent de Asigurare SRL, in amount of RON 5,248,893 (2021: RON 3,879,863)

(ii) Other income at Group level include the amounts obtained from re invoicing of various registration services, insurance costs for the goods that are the underlying object of the lease agreements: RON 9,648,095 (2021: RON 4,248,718), compensation received from insurance companies: RON 728,095 (2021: RON 1,186,782), damages claims received from the terminated leasing agreements: RON 458,566 (2021: RON 852,883) and other revenues collected: RON 2,567,164 (2021: RON 865,930).

Other income at the Company level include the amounts obtained from the re invoicing of various registration services, insurance of goods that are the subject of leasing agreements: RON 5,312,248 (2021: RON 4,248,718), compensations received from insurance companies: RON 728,095 (2021: RON 1,186,782) damages claims received from the terminated leasing agreements: 458,566 RON (2021: RON 852,883) and other revenues collected: RON 1,978,386 (2021: RON 865,930).

10. Gains/(losses) from assets previously leased to customers

- in RON -

	Group		Company	
	2022	2021	2022	2021
Net losses from sale of assets previously leased to customers	(4,623,280)	(2,314,960)	(3,400,747)	(2,314,960)
Net gains/(losses) from inventory placed back in leasing	(11,862,044)	(346,245)	(11,862,044)	(346,245)
Write-down of repossessed inventory	(1,451,733)	(380,855)	(1,131,715)	(380,855)
Net income from early terminated contracts and repossessed assets	51,619,096	16,576,744	54,595,317	16,576,744
Total net gains from assets previously leased	33,682,039	13,534,684	38,200,811	13,534,684

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

11. Net impairment charge of financial assets

- in RON -

	Group		Company	
	2022	2021	2022	2021
Charge of ECL losses for finance lease receivables	(150,800,655)	(74,702,559)	(120,352,506)	(74,702,559)
Release of ECL for finance lease receivables	82,906,301	58,095,644	83,454,825	58,095,644
Charge of ECL losses for loans receivables	(237,327)	-	-	-
Release of ECL for loans receivables	350,067	-	-	-
Impairment charge for other financial assets	(269,532)	(135,747)	(269,532)	(135,747)
Release of impairment for other financial assets	320,717	306,546	320,716	306,546
Net expense with adjustments for impairment of financial assets	(67,730,430)	(16,436,116)	(36,846,497)	(16,436,116)

(*) Restated considering the change in accounting policy, see note 31)

12. Net income/(expense) relating to provisions

- in RON -

	Group		Company	
	2022	2021	2022	2021
Provisions for litigations, income/(expenses)	(289,616)	(646,953)	533,617	(646,953)
Net income/(expense) with other adjustments for impairment and other provisions	(289,616)	(646,953)	533,617	(646,953)

13. Personnel expenses

- in RON -

	Group		Company	
	2022	2021	2022	2021
Wages and benefits	(30,322,713)	(19,772,091)	(21,523,228)	(18,539,846)
Contribution for social security and insurance	(993,587)	(676,393)	(710,277)	(629,340)
Other taxes, duties, and similar payments	(170,268)	(101,039)	(120,567)	(101,039)
Bonuses for employees and provisions for untaken holidays	178,047	(1,083,168)	(1,145,054)	(991,764)
Income/(expenses) with provisions for pensions and similar obligations	(10,167)	(8,836)	(10,167)	(8,836)
Total personnel expenses	(31,318,688)	(21,641,527)	(23,509,293)	(20,270,825)

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

14. Other operating expenses

The fee for the audit of the financial statements in accordance with Order 6/2015 has been EUR 35,200 EUR, without VAT (2021: EUR 29,000, without VAT) and the fee for the audit of the IFRS financial statements the audit fee was EUR 32,200, without VAT (2021: EUR 26,000, without VAT).

- in RON -

	Group		Company	
	2022	2021	2022	2021
Tax and duties expenses	(390,854)	(137,094)	(96,370)	(136,777)
Utilities, repairs and other maintenance services expenses	(1,266,522)	(1,561,894)	(1,176,608)	(1,561,894)
Advertising, protocol and sponsorship expenses	(1,608,593)	(367,651)	(426,603)	(366,518)
Postage, telecommunications and texting expenses	(520,837)	(291,881)	(348,357)	(291,881)
Materials and consumables expenses	(1,038,526)	(693,298)	(882,804)	(689,916)
Electricity and heating expenses	(432,658)	(291,680)	(294,256)	(267,092)
Collaborator expenses	(1,755)	(2,888)	(1,755)	(2,888)
Transportation, travel and secondment expenses	(218,650)	(78,380)	(181,157)	(78,380)
Losses from the assignment and disposal of premises and equipment and intangible assets	(40,715)	(26,111)	(40,715)	(26,111)
Sponsorship expenses	(1,208,308)	(1,020,000)	(1,208,308)	(1,020,000)
Other operating expenses	(12,349,897)	(4,783,416)	(6,399,780)	(4,548,134)
Total other operating expenses	(19,077,315)	(9,254,293)	(11,056,713)	(8,989,591)

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

15. Income tax (expense)/credit

a) Components of the (expense)/credit with income tax

The (expense)/credit for corporate income tax as presented in the statement of profit or loss and other comprehensive income includes the following elements:

- in RON -	Group		Company	
	2022	2021	2022	2021
Current tax	(24,321,911)	(10,653,502)	(17,718,236)	(10,134,779)
Deferred tax	(1,909,217)	(130,424)	479,934	(130,424)
Expense for income tax	(26,231,128)	(10,783,926)	(17,238,302)	(10,265,203)

b) Reconciliation of the tax expense

- in RON -	Group		Company	
	2022	2021	2022	2021
Gross profit	122,692,815	74,902,243	95,603,629	72,564,549
Statutory tax quota (2022: 16%; 2021: 16%)	(19,630,850)	(11,984,359)	(15,296,581)	(11,610,328)
Fiscal effect on the profit tax from the elements:				
- Non-taxable income	5,613,244	1,091,698	3,977,668	3,050,545
- Non-deductible expenses	(13,974,823)	(2,760,591)	(7,157,770)	(2,725,420)
- Tax deductions – legal reserves	-	-	-	-
- Tax deductions – reinvested profit	30,073	-	30,073	-
- Effect of taxation for micro-enterprises	516,228	1,849,326	-	-
Profit tax expense	(27,446,128)	(11,803,926)	(18,446,610)	(11,285,203)
Tax deductions (sponsorships)	1,215,000	1,020,000	1,208,308	1,020,000
	(26,231,128)	(10,783,926)	(17,238,302)	(10,265,203)

Impactul fiscal este generat de următoarele elemente:

- The non-taxable income mainly includes the income from dividends obtained from Romanian legal persons and the revenues from the reversal of the non-deductible provisions;
- The non-deductible expenses include amounts such as expenses with provisions, expenses with accounting depreciation and other non-deductible operating expenses, as provided by law;
- The effect of taxation for micro-enterprises represent the difference between the profit tax (with 16% rate) and the total income tax of 1% applied for micro-entities (subsidiaries) as per Romanian tax law;
- The tax deductions are related to the deductions obtained from the tax depreciation and the legal reserve;

c) Deferred tax

The Group and the Company have booked deferred tax for the following items:

- in RON -	Group		Company	
	2022	2021	2022	2021
Finance lease receivables	68,288,916	41,354,237	47,941,088	41,354,237
Provisions for liabilities and charges	16,057,997	3,743,165	-	3,587,265
Total	84,346,913	45,097,402	47,941,088	44,941,502
Deferred tax assets (16%)	13,495,506	7,215,584	7,670,574	7,190,641

Notes to the consolidated and separate financial statements

16. Cash and cash equivalents

-in RON -

	Group			Company		
	2022	2021	2020	2022	2021	2020
Cash on hand	646	257	1,469	77	0	1,324
Current accounts	33,056,934	5,040,884	3,979,361	1,192,595	578,840	552,211
Sight deposits with banks	44,162,726	6,462,600	18,102,740	17,208,798	6,462,600	18,102,740
Collateral deposits with banks	799	4,327,912	687	799	4,327,912	687
Accrued interest	13,046	2,621	539	4,604	234	539
Other amounts	-	-	431	-	-	431
Total	77,234,151	15,834,274	22,085,227	18,406,873	11,369,586	18,657,932

The current accounts and sight/term deposits are freely available to the Group and are unencumbered. The demand deposits with banks are overnight deposits placed at banks. The term deposits with banks are deposits placed at banks for a period longer than one working day. In 2022 , the Group placed sight and term deposits in EURO and RON, the purpose of their set-up being to invest the excess liquidity.

Cash and cash equivalents from statement of cash flows does not include collateral deposits, accrued interest and other amounts..

Credit quality analysis of the amounts placed with banks as of 31 December 2022, 31 December 2021 and 31 December 2020 based on rating agencies scales is presented as follows:

31 December 2022

- in RON -

	Group			
	Current accounts	Collateral deposits	Demand deposits	Total
Investment-grade	27,314,424	-	15,032,968	42,347,392
Non-investment-grade	5,742,514	799	29,142,800	34,886,113
Total	33,056,938	799	44,175,768	77,233,505

Notes to the consolidated and separate financial statements

16. Cash and cash equivalents (*continued*)

31 December 2022	Company			
	Current accounts	Collateral deposits	Demand deposits	Total
- in RON -				
Investment-grade	34,940	-	5,210,000	5,244,940
Non-investment-grade	1,157,659	799	12,003,398	13,161,856
Total	1,192,599	799	17,213,398	18,406,796

31 December 2021	Group			
	Current accounts	Collateral deposits	Demand deposits	Total
- in RON -				
Investment-grade	53,523	687	350,611	404,821
Non-investment-grade	600,365	4,327,225	10,499,221	15,426,811
Total	653,888	4,327,912	10,849,832	15,831,632

31 December 2021	Company			
	Current accounts	Collateral deposits	Demand deposits	Total
- in RON -				
Investment-grade	53,523	687	350,611	404,821
Non-investment-grade	525,320	4,327,225	6,112,221	10,964,766
Total	578,843	4,327,912	6,462,832	11,369,587

31 December 2020	Group			
	Current accounts	Collateral deposits	Demand deposits	Total
- in RON -				
Investment-grade	1,750	-	15,231,720	15,233,470
Non-investment-grade	3,977,611	687	2,871,559	6,849,857
Total	3,979,361	687	18,103,279	22,083,327

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

16. Cash and cash equivalents (*continued*)

31 December 2020	Company			
	Current accounts	Collateral deposits	Demand deposits	Total
- in RON -				
Investment-grade	1,750	-	15,231,720	15,233,470
Non-investment-grade	550,461	687	2,871,559	3,422,707
Total	552,211	687	18,103,279	18,656,177

(*) Accrued interest has been included in the amounts presented above.

The qualitative analysis regarding the placements with banks was based on the credit ratings issued by Standard & Poor's, Moody's and Fitch, if available. As concerns the Group's and Company's placements with credit institutions that are not rated by Standard & Poor's, Moody's or Fitch, the Standard & Poor's and Moody's sovereign rating was used.

The Investment-grade category includes the Group's/Company's placements with credit institutions having the following ratings: AAA, AA, AA-, A+, A, A-, BBB+, BBB and BBB-.

The non-investment grade category includes the Group's/Company's placements with credit institutions having the following ratings: BB+, BB-, B+, B-, B3, CCC+ and CCC-.

The following table presents the reconciliation between cash and cash equivalents at the end of the reporting periods with the statement of cash flows:

- in RON -	Group			Company		
	2022	2021	2020	2022	2021	2020
Cash on hand	646	257	1,469	77	99	1,324
Current accounts	33,056,934	5,040,884	3,979,361	1,192,595	578,840	552,211
Sight deposits with banks	44,162,726	6,462,600	18,102,740	17,208,798	6,462,600	18,102,740
Total cash and cash equivalents	77,220,306	11,503,741	22,083,570	18,401,470	7,041,539	18,656,275

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

17. Loans and finance lease receivables

The Group acts as lessor in the finance lease agreements offered mainly for financing motor vehicles and equipment. The lease agreements are in EUR and RON with the transfer of the ownership right over the goods financed at the end of the lease period. Interest is charged for the duration of the lease contract through the lease instalments.

The finance lease receivables are collateralised by the goods that are the object matter of the lease agreements and by other collaterals. The breakdown of the receivables from finance lease agreements by remaining maturity is presented in the following table:

<i>- in RON -</i>	31 of December 2022			
	< 1 y	1 - 5 y	> 5 y	Total
Gross receivables from finance lease	1,071,032,199	1,884,050,172	11,350,508	2,966,432,879
Future interest as per lease agreements	(119,535,969)	(129,177,239)	(1,184,874)	(249,898,082)
Total receivables from finance lease without future interest payments	951,496,230	1,754,872,933	10,165,634	2,716,543,797
Total loans and advances before impairment adjustments	3,404,625	4,137,537	10,066,736	17,608,899
Impairment allowance related to finance lease receivables	(37,126,855)	(93,379,245)	(666,083)	(131,172,183)
Net finance lease receivables	917,774,000	1,665,631,225	19,566,287	2,602,971,512

<i>- in RON -</i>	31 of December 2021			
	< 1 y	1 - 5 y	> 5 y	Total
Gross receivables from finance lease	547,281,130	930,869,983	2,703,354	1,480,854,466
Future interest as per lease agreements	(49,651,558)	(55,988,410)	(59,007)	(105,698,975)
Total receivables from finance lease without future interest payments	497,629,572	874,881,573	2,644,347	1,375,155,491
Impairment allowance related to finance lease receivables	(30,590,504)	(67,293,118)	(249,378)	(98,132,999)
Net finance lease receivables	467,039,068	807,588,455	2,394,969	1,277,022,492

<i>- in RON -</i>	31st of December 2020			
	< 1 y	1 - 5 y	> 5 y	Total
Gross receivables from finance lease	505,116,103	788,333,117	3,463,665	1,296,912,885
Future interest as per lease agreements	(44,452,850)	(48,098,751)	(127,055)	(92,678,656)
Total receivables from finance lease without future interest payments	460,663,253	740,234,366	3,336,610	1,204,234,229
Impairment allowance related to finance lease receivables	(36,828,787)	(59,040,946)	(266,659)	(96,136,392)
Net finance lease receivables	423,834,466	681,193,420	3,069,951	1,108,097,837

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

17. Loans and finance lease receivables (*continued*)

The impairment allowance related to loans and finance lease receivables is detailed below:

<i>- in RON -</i>	2022	2021	2020
Balance at 1st of January	98,132,999	96,136,392	83,397,258
Difference from switching from the simplified approach to the standard approach	-	-	(7,187,327)
Impairment allowances related to finance lease receivables (Note 11)	150,431,440	74,702,559	82,337,464
Income from reversal of impairment adjustments for lease receivables (Note 11)	(83,823,438)	(58,095,644)	(49,567,261)
Release of allowance from the terminated leasing agreements for the lease payments not invoiced	(34,076,763)	(14,610,308)	(12,843,742)
Other adjustments	1,851,063		
Balance at 31st of December	131,172,183	98,132,999	96,136,392

The finance lease receivables are collateralised by the goods that are the object matter of the lease agreements and by other collaterals. The breakdown of the receivables from finance lease agreements by remaining maturity is presented in the following table:

<i>- in RON -</i>	31 December 2022			
	< 1 y	1 - 5 y	> 5 y	Total
Gross receivables from finance lease	668,971,011	1,219,855,318	10,515,577	1,899,341,906
Future interest as per lease agreements	(83,357,149)	(97,348,176)	(1,184,874)	(181,890,199)
Total receivables from finance lease without future interest payments	585,613,862	1,122,507,142	9,330,703	1,717,451,707
Impairment allowance related to finance lease receivables	(38,079,765)	(62,361,160)	(512,017)	(100,952,942)
Net finance lease receivables	547,534,097	1,060,145,982	8,818,686	1,616,498,765

<i>- in RON -</i>	31 December 2021 (*)			
	< 1 y	1 - 5 y	> 5 y	Total
Gross receivables from finance lease	547,281,130	930,869,983	2,703,354	1,480,854,466
Future interest as per lease agreements	(49,651,558)	(55,988,410)	(59,007)	(105,698,975)
Total receivables from finance lease without future interest payments	497,629,572	874,881,573	2,644,347	1,375,155,491
Impairment allowance related to finance lease receivables	(30,590,504)	(67,293,118)	(249,378)	(98,132,999)
Net finance lease receivables	467,039,068	807,588,455	2,394,969	1,277,022,492

(*) Restated considering the change in accounting policy, see note 3l)

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

17. Loans and finance lease receivables (continued)

- in RON -

	31 December 2020			Total
	< 1 y	1 - 5 y	> 5 y	
Gross receivables from finance lease	505,116,103	788,333,117	3,463,665	1,296,912,885
Future interest as per lease agreements	(44,452,850)	(48,098,751)	(127,055)	(92,678,656)
Total receivables from finance lease without future interest payments	460,663,253	740,234,366	3,336,610	1,204,234,229
Impairment allowance related to finance lease receivables	(36,828,787)	(59,040,946)	(266,659)	(96,136,392)
Net finance lease receivables	423,834,466	681,193,420	3,069,951	1,108,097,837

The impairment allowance related to finance lease receivables for the Company is detailed below:

- in RON -

	2022	2021	2020
Balance at 1st of January	98,132,999	96,136,392	83,397,258
Difference from switching from the simplified approach to the standard approach		-	(7,187,327)
Impairment allowances related to finance lease receivables (Note 11)	120,351,530	74,702,559	82,337,464
Release of impairment for lease receivables (Note 11)	(83,454,825)	(58,095,644)	(49,567,261)
Release of allowance from the terminated leasing agreements for the lease payments not invoiced	(34,076,763)	(14,610,308)	(12,843,742)
Balance at 31st of December	100,952,941	98,132,999	96,136,392

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

18. Other financial assets

- in RON -

	Group			Company		
	2022	2021	2020	2022	2021	2020
Sundry debtors (i)	20,720,660	10,673,614	10,851,507	4,518,942	6,152,579	6,759,887
Other past-due amounts under litigation (ii)	4,393,303	2,510,370	2,701,276	2,453,271	2,510,370	2,701,276
Impairment adjustments for other past-due amounts and amounts under litigation	(1,564,164)	(1,615,348)	(1,786,147)	(1,564,164)	(1,615,348)	(1,786,147)
Total	23,549,799	11,568,636	11,766,636	5,408,049	7,047,601	7,675,016

- (i) The past-due amounts under litigation represent advances paid for the purchase of goods, that represent the underlying asset of the lease agreements, for which the supplier has not delivered the goods.

The impairment adjustments for past-due amounts under litigations can be further analysed as follows:

- in RON -

	Group	Group	Group	Company	Company	Company
	2022	2021	2020	2022	2021	2020
Balance at the beginning of the year	1,615,348	1,786,147	1,789,771	1,615,348	1,786,147	1,789,771
Income from reversal of impairment adjustments for other assets (Note 11)	(320,717)	(306,546)	(4,124)	(320,717)	(306,546)	(4,124)
Impairment charges for other assets (Note 11)	269,533	135,747	500	269,532	135,747	500
Balance at the end of the year	1,564,164	1,615,348	1,786,147	1,564,163	1,615,348	1,786,147

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

19. Repossessed assets

The inventories consist mainly of goods recovered from the terminated leasing agreements that have not yet been placed under new lease agreements or sold, goods gained as a result of foreclosure procedures that are to be sold or placed in new lease agreements.

The write-down adjustments of inventories to net realizable value were established as the difference between the recoverable amount at the time when the inventory has been recognised in the balance sheet and their recoverable amount at the current reporting date, and can be further analysed, as follows:

<i>- in RON -</i>	Group			Company		
	2022	2021	2020	2022	2021	2020
Inventory held at third parties	1,249,648	1,291,188	151,867	1,249,648	1,291,188	151,867
Inventory kept in headquarters	9,795,464	11,476,092	15,126,568	9,308,999	11,476,092	15,126,568
Adjustments for write-down	(4,717,530)	(5,113,895)	(6,498,005)	(4,591,252)	(5,113,895)	(6,498,005)
Total	6,327,582	7,653,385	8,780,430	5,967,395	7,653,385	8,780,430

The inventories consist mainly of goods recovered from the terminated leasing agreements that have not yet been placed under new lease agreements or sold, goods gained as a result of foreclosure procedures that are to be sold or placed in new lease agreements:

<i>- in RON -</i>	Group	Group	Group	Company	Company	Company
	2022	2021	2020	2022	2021	2020
Balance at the beginning of the year	5,113,896	6,498,005	6,876,746	5,113,896	6,498,005	6,876,746
Balances taken over at the acquisition of the subsidiary	(163,443)	-	-	-	-	-
Expense with inventory impairment adjustments	1,451,734	380,855	1,688,302	1,131,715	380,855	1,688,302
Release of adjustments for inventory	(1,684,657)	(1,764,964)	(2,067,043)	(1,654,360)	(1,764,964)	(2,067,043)
Balance at the end of the year	4,717,530	5,113,896	6,498,005	4,591,251	5,113,896	6,498,005

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

20. Equity investments

- in RON -

Subsidiary name	Group			Company		
	2022	2021	2020	2022	2021	2020
Țiriac Leasing IFN SA	-	-	-	153,000,000	-	-
BT Intermedieri Agent de Asigurare SRL	-	-	-	25,530	25,530	25,530
BT Safe Agent de Asigurare SRL	-	-	-	4,010	4,010	4,010
BT Solution Agent de Asigurare SRL	-	-	-	19,990	19,990	19,990
BT Asiom Agent de Asigurare SRL	-	-	-	19,990	19,990	19,990
BT Asset Management SAI SA	3	3	3	3	3	3
BT Direct IFN S.A.	13	13	13	13	13	13
Total	16	16	16	153,069,536	69,536	69,536

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

21. Tangible assets

<i>Group</i>						
<i>Gross book value</i>	Premises	Computers and equipment	Vehicles	Other tangible assets	Advance payments for tangible assets	Total
Balance as of 1 January 2020		724,491	4,184,791	163,549	-	5,072,831
Acquisitions		132,981	488,695	16,636	56,915	695,227
Disposals		(2,044)	(291,505)	(11,683)	-	(305,232)
Balance as of 31 December 2020		855,428	4,381,981	168,502	56,915	5,462,826
Balance as of 1 January 2021		855,428	4,381,981	168,502	56,915	5,462,826
Acquisitions		27,500	649,147	3,068	-	679,715
Disposals		(130,711)	(421,995)	-	(56,915)	(609,621)
Balance as of 31 December 2021		752,217	4,609,133	171,570	-	5,532,920
Balance as of 1 January 2022		752,217	4,609,133	171,570	-	5,532,920
Tangible assets related to acquisition	323,112	1,606,999	-	446,873	-	2,376,984
Acquisitions		333,041	1,271,508	19,316	-	1,623,865
Disposals		(485,167)	(558,956)	(116,110)	-	(1,160,233)
Balance as of 31 December 2022	323,112	2,207,090	5,321,685	521,649	-	8,373,536
Accumulated depreciation						
Balance as of 1 January 2020		553,056	3,121,220	134,816	-	3,809,092
Depreciation charge for the year		127,799	482,424	12,672	-	622,895
Accumulated depreciation corresponding to disposals		(2,043)	(205,972)	(10,423)	-	(218,438)
Balance as of 31 December 2020		678,812	3,397,672	137,065	-	4,213,549
Balance as of 1 January 2021		678,812	3,397,672	137,065	-	4,213,549
Depreciation charge for the year		115,858	528,656	13,159	-	657,673
Accumulated depreciation corresponding to disposals		(130,711)	(397,079)	-	-	(527,790)
Balance as of 31 December 2021		663,959	3,529,249	150,224	-	4,343,432
Balance as of 1 January 2022		663,959	3,529,249	150,224	-	4,343,432
Tangible assets related to acquisition	277,020	1,135,574	-	430,985	-	1,843,579
Depreciation charge for the year	21,906	204,004	487,011	14,224	-	727,145
Accumulated depreciation corresponding to disposals	-	(485,169)	(518,241)	(114,154)	-	(1,117,564)
Balance as of 31 December 2022	298,926	1,518,368	3,498,019	481,279	-	5,796,592
Net book value						
As of 1 January 2022	-	88,258	1,079,884	21,346	-	1,189,488
As of 31 December 2022	24,186	688,722	1,823,666	40,370	-	2,576,944

The explanatory notes to the financial statements from page 7 to page 102 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

- in RON -

<i>Company</i>	Computers and equipment	Vehicles	Other tangible assets	Advance payments for tangible assets	Total
Gross book value					
Balance as of 1 January 2020	724,491	4,075,347	160,729	-	4,960,567
Acquisitions	132,981	488,695	16,636	56,915	695,227
Disposals	(2,044)	(291,505)	(11,683)	-	(305,232)
Balance as of 31 December 2020	855,428	4,272,537	165,682	56,915	5,350,562
Balance as of 1 January 2021	855,428	4,272,537	165,682	56,915	5,350,562
Acquisitions	27,500	649,147	3,068	-	679,715
Disposals	(130,711)	(421,995)	-	(56,915)	(609,621)
Balance as of 31 December 2021	752,217	4,499,689	168,750	-	5,420,656
Balance as of 1 January 2022	752,217	4,499,689	168,750	-	5,420,656
Acquisitions	86,668	1,271,508	13,125	-	1,371,301
Disposals	(236,050)	(558,956)	(113,050)	-	(908,056)
Balance as of 31 December 2022	602,835	5,212,241	68,825	-	5,883,901
Accumulated depreciation					
Balance as of 1 January 2020	553,056	3,087,779	134,816	-	3,775,651
Depreciation charge for the year	127,799	445,942	11,732	-	585,473
Accumulated depreciation corresponding to disposals	(2,043)	(205,972)	(10,423)	-	(218,438)
Balance as of 31 December 2020	678,812	3,327,749	136,125	-	4,142,686
Balance as of 1 January 2021	678,812	3,327,749	136,125	-	4,142,686
Depreciation charge for the year	115,858	492,174	12,219	-	620,251
Accumulated depreciation corresponding to disposals	(130,711)	(397,078)	-	-	(527,789)
Balance as of 31 December 2021	663,959	3,422,845	148,344	-	4,235,148
Balance as of 1 January 2022	663,959	3,422,845	148,344	-	4,235,148
Depreciation charge for the year	85,306	483,971	11,145	-	580,422
Accumulated depreciation corresponding to disposals	(236,050)	(518,241)	(113,049)	-	(867,340)
Balance as of 31 December 2022	513,215	3,388,575	46,440	-	3,948,230
Net book value					
As of 1 January 2022	88,258	1,076,844	20,406		1,185,508
As of 31 December 2022	89,620	1,823,666	22,385		1,935,671

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

22. Intangible assets

	Group		Company
	Goodwill	Software	Software
Gross book value			
Balance as of 1 January 2020	-	2,034,893	1,987,356
Acquisitions	-	698,299	698,299
Disposals	-	-	-
Balance as of 31 December 2020	-	2,733,192	2,685,655
Balance as of 1 January 2021	-	2,733,192	2,685,655
Acquisitions	-	517,839	517,839
Disposals	-	-	-
Balance as of 31 December 2021	-	3,251,031	3,203,494
Balance as of 1 January 2022	-	3,251,031	3,203,494
Intangible assets related to acquisition	144,363,798	15,950,619	-
Acquisitions	-	612,078	612,078
Disposals	-	(1,600,566)	(1,205,344)
Balance as of 31 December 2022	144,363,798	18,213,162	2,610,228
Accumulated depreciation			
Balance as of 1 January 2020	-	1,799,569	1,757,325
Depreciation charge for the year	-	331,711	326,418
Balance as of 31 December 2020	-	2,131,280	2,083,743
Balance as of 1 January 2021	-	2,131,280	2,083,743
Depreciation charge for the year	-	450,582	450,582
Balance as of 31 December 2021	-	2,581,862	2,534,325
Balance as of 1 January 2022	-	2,581,862	2,534,325
Intangible assets related to acquisition	-	833,257	-
Disposals	-	(1,404,042)	(1,008,820)
Depreciation charge for the year	-	1,682,611	516,302
Balance as of 31 December 2022	-	3,693,688	2,041,807
Net book value			
As of 1 January 2022	-	669,169	669,169
As of 31 December 2022	144,363,798	14,519,474	568,421

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

23. Rights-of-use assets

- in RON -

Gross book value

Group

	Buildings	Vehicles	Total
Balance as of 1 January 2020	2,546,241	697,900	3,244,141
Acquisitions	1,334,564	330,785	1,665,349
Disposals	(417,918)	(48,333)	(466,251)
Balance as of 31 December 2020	3,462,887	980,352	4,443,239
Balance as of 1 January 2021	3,462,887	980,352	4,443,239
Acquisitions	105,885	292,068	397,953
Disposals	(125,838)	(319,771)	(445,609)
Balance as of 31 December 2021	3,442,934	952,649	4,395,583
Balance as of 1 January 2022	3,442,934	952,649	4,395,583
Right-of-use assets related to acquisition	2,983,059	1,472,300	4,455,359
Acquisitions	798,577	193,291	991,868
Disposals	(99,088)	(601,805)	(700,893)
Balance as of 31 December 2022	7,125,482	2,016,435	9,141,917
Accumulated depreciation			
Balance as of 1 January 2020	747,761	169,431	917,192
Depreciation charge for the year	843,745	313,573	1,157,318
Accumulated depreciation corresponding to disposals	-	-	-
Balance as of 31 December 2020	1,591,506	483,004	2,074,510
Balance as of 1 January 2021	1,591,506	483,004	2,074,510
Depreciation charge for the year	859,348	229,915	1,089,263
Accumulated depreciation corresponding to disposals	(71,302)	(287,862)	(359,164)
Balance as of 31 December 2021	2,379,552	425,057	2,804,609
Balance as of 1 January 2022	2,379,552	425,057	2,804,609
Right-of-use assets related to acquisition	1,020,679	467,351	1,488,030
Depreciation charge for the year	1,380,948	442,794	1,823,742
Accumulated depreciation corresponding to disposals	(49,655)	(437,575)	(487,230)
Balance as of 31 December 2022	4,731,524	897,627	5,629,151
Net book value			
As of 1 January 2022	1,063,382	527,592	1,590,974
As of 31 December 2022	2,393,958	1,118,808	3,512,766

The explanatory notes to the financial statements from page 7 to page 102 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

23 . Rights-of-use assets

- in RON -

Company

	Buildings	Vehicles	Total
Balance as of 1 January 2020	2,546,241	697,900	3,244,141
Acquisitions	1,334,564	330,785	1,665,349
Disposals	(417,918)	(48,333)	(466,251)
Balance as of 31 December 2020	3,462,887	980,352	4,443,239
Balance as of 1 January 2021	3,462,887	980,352	4,443,239
Acquisitions	105,885	292,068	397,953
Disposals	(125,838)	(319,771)	(445,609)
Balance as of 31 December 2021	3,442,934	952,649	4,395,583
Balance as of 1 January 2022	3,442,934	952,649	4,395,583
Acquisitions	798,577	193,291	991,868
Disposals	(99,088)	(601,805)	(700,893)
Balance as of 31 December 2022	4,142,423	544,135	4,686,558
Cumulated depreciation			
Balance as of 1 January 2020	747,761	169,431	917,192
Depreciation charge for the year	843,745	313,573	1,157,318
Accumulated depreciation corresponding to disposals	-	-	-
Balance as of 31 December 2020	1,591,506	483,004	2,074,510
Balance as of 1 January 2021	1,591,506	483,004	2,074,510
Depreciation charge for the year	859,348	229,915	1,089,263
Accumulated depreciation corresponding to disposals	(71,302)	(287,862)	(359,164)
Balance as of 31 December 2021	2,379,552	425,057	2,804,609
Balance as of 1 January 2022	1,591,506	483,004	2,074,510
Depreciation charge for the year	913,597	164,991	1,078,588
Accumulated depreciation corresponding to disposals	(49,656)	(437,575)	(487,231)
Balance as of 31 December 2022	3,243,493	152,473	3,395,966
Net book value			
As of 31 January 2022	1,063,382	527,592	1,590,974
As of 31 December 2022	898,930	391,662	1,290,592

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

24. Other assets

<i>- in RON -</i>	Group			Company		
	2022	2021	2020	2022	2021	2020
Advance payments to suppliers	24,194,671	14,721,179	2,455,148	21,700,623	14,721,179	2,455,148
Inventories and related items	2,724,754	2,689,702	553,643	1,542,620	2,689,702	553,643
Prepaid expenses	67,101	32,786	46,502	24,593	31,124	44,716
Other assets	902,364	257,491	226,813	335,682	257,492	221,263
Value added tax to be received	9,042,732	912,087	1,315,190	9,042,732	912,087	1,315,190
Value added tax non-deductible	150,232	361,418	51,915	139,542	361,418	51,915
Total	37,081,854	18,974,663	4,649,211	32,785,792	18,973,002	4,641,875

25. Loans from banks and other financial institutions

<i>- in RON -</i>	Group			Company		
	2022	2021	2020	2022	2021	2020
Loans from banks and other financial institutions	2,036,222,094	777,203,139	679,099,265	1,201,682,457	777,203,139	679,099,265
Interest payable and deferred fees	1,063,253	(22,528)	(203,502)	442,829	(22,528)	(203,502)
Total	2,037,285,347	777,180,611	678,895,763	1,202,125,286	777,180,611	678,895,763

Interest rates corresponding to the term loans received by the Company as of 31 December 2022 range from 1.17% to 3.93% for loans in EUR and 9.1% for loans in RON (2021: between 1.17% to 1.84% for loans in EUR and 3.4% for loans in RON; 31 December 2020: between 1.17% to 1.84% for loans in EUR and between 3.4% to 4.46% for loans in RON).

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

26. Debt securities issued

- in RON -

	Group			Company		
	2022	2021	2020	2022	2021	2020
Loan from issued debt securities	197,896,000	197,924,000	194,776,000	197,896,000	197,924,000	194,776,000
Interest payable and deferred fees	(477,668)	(1,080,036)	(1,387,139)	(477,668)	(1,080,036)	(1,387,139)
Total	197,418,332	196,843,964	193,388,861	197,418,332	196,843,964	193,388,861

The interest rate for the debt securities issued as of 31 December 2022 range from 1.75% to 4.46% (2021: 1.75% to 2%; 2020: 1.75% to 2%).

The debt securities are listed in the Bucharest Stock Exchange starting with 23.12.2020 under the symbol BTL24E (maturity date 12.12.2024) and BTL25E (maturity date 12.12.2025).

27. Lease liabilities

- in RON -

	Group			Company		
	2022	2021	2020	2022	2021	2020
Lease liabilities	3,624,228	1,669,838	2,428,808	1,321,064	1,669,838	2,428,808
Total	3,624,228	1,669,838	2,428,808	1,321,064	1,669,838	2,428,808

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

28. Provisions for liabilities and charges

The provisions for liabilities and charges are presented below:

<i>- in RON -</i>	Group	Group	Group	Company	Company	Company
	2022	2021	2020	2022	2021	2020
Provisions for pensions and other similar obligations	145,622	135,454	126,618	145,622	135,454	126,618
Provisions for untaken holidays	1,208,625	401,773	404,105	518,000	372,946	381,182
Provisions for bonuses for employees	4,335,000	3,231,500	2,146,000	4,000,000	3,000,000	2,000,000
Provisions for litigations	5,665,409	5,784,361	5,137,408	5,250,744	5,784,361	5,137,408
Total	11,354,656	9,553,088	7,814,131	9,914,366	9,292,761	7,645,208

Litigations provisions

The Company periodically analyses the potential risks raised from litigations in which it is involved. In case there is a loss probability above 50% and the value of the potential losses can be estimated reliably a provision is created. The value of the provision remains in the Company's accounts until the litigation is finalised either by winning or by paying the amounts claimed.

i) As of 15th of June 2018, the Company received a request from the Competition Council to provide information about the investigation started on 20th of November 2017 against several banks, non-bank financial institutions, leasing companies, professional and employers' associations in the financial services field. The object of the investigation (as per the injunction of the Bucharest Court of Appeal no. 33 from 22nd of November 2017) is an alleged breach of the article 5 (1) of the Competition Law no. 21/1996, respectively the article 101 (1) of the Treaty on the Functioning of the European Union, through a possible exchange of sensitive information from the competition point of view between competing companies in the financial leasing services market, respectively on the consumer credit market, and that are members of the main professional and employers' associations in the financial services field.

As of 17th of October 2019, the Competition Council communicated to the Company and other entities under investigation the report that proposes to apply fines, calculated as a percentage of the Company's turnover. During October-December 2020, Company management analysed the findings in the investigation report, prepared and sent to the Competition Council a consolidated point of view regarding these findings. In January, the Company participated at the hearings organised by the Competition Council.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

28. Provizioane pentru alte riscuri și cheltuieli (continuare)

At 25.02.2020 there was a round of hearings and the Competition Council issued a decision to return the investigation report to the responsible team which completed the report in order to add more requested details. In the return decision there is mentioned that the responsible team should clarify and complete the analysis to see if there are anticompetition facts, including facts related to the probatory standard and possible impact in competition environment

The Competition Council finalised the investigation over the leasing companies, started in November 2017 and communicated to the Company the minute on 18.12.2020.

Further to the information received in the minute, we reduced the provision that we booked since 2019, from RON 6,698,992 to RON 4,327,225.22. The Decision of the Competition Council retains the sanctioning of BT Leasing (both for its own violation and for that committed by ERB Leasing) for violating the provisions of art. 5 parag. 1 lit. a) from the Competition Law as well as art. 101 TFEU by making an understanding and/or concerted practice by participating in an exchange of commercially sensitive information about future quantities, which had the potential to lead to the reduction of strategic uncertainty in the market.

We contested the decision within the legal term of 30 days, under the file no. 3158/2/2021 of the Bucharest Court of Appeal and requested its cancelation and, in subsidiary, the reduction of the fine.

We consider that there was no violation of the competition law, and we invoked both procedural and substantive arguments in the request for cancelation.

The case file 3158/2/2021 is pending, not resolved yet, we are in the stage of evidence administration, the next court date is on 12.06.2023.

In parallel, we requested the suspension of the execution of the Competition Council Decision, being filed under no. 3718/2/2021 of the Bucharest Court of Appeal. On 07.07.2021, the Bucharest Court of Appeal ordered the suspension of the execution of the Competition Council Decision but the Competition Council filed an appeal, and the High Court of Cassation and Justice, on 31.01.2023, admitted the appeal and modified the decision, in the sense that it rejected the suspension request.

Regarding this solution, on 02.02.2023 we paid the fine in the amount of RON 4,327,225.22.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

29. Other financial liabilities

<i>- in RON -</i>	Group			Company		
	2022	2021	2020	2022	2021	2020
Suppliers of goods and services	2,267,451	1,815,952	1,391,902	11,028,793	8,469,947	7,189,368
Suppliers of goods placed in leasing agreements	9,328,432	2,872,894	2,437,944	4,163,176	2,872,894	2,437,944
Sundry creditors	5,394,332	3,964,874	4,404,846	5,327,009	3,950,132	4,398,682
Dividends to pay*	190,000,000	-	-	-	-	-
Other financial liabilities	74,135	75,320	57,435	74,136	75,320	57,435
Total	207,064,350	8,729,040	8,292,127	20,593,114	15,368,293	14,083,429

*) Dividends distributed by Țiriac Leasing in August 2022 were paid in March 2023.

30. Other liabilities

<i>- in RON -</i>	Group			Group		
	2022	2021	2020	2022	2021	2020
Advances received from customers	18,419,560	12,095,068	5,426,330	13,062,454	11,976,202	5,302,693
Amounts due to personnel	543,355	492,585	308,295	542,096	492,555	307,431
Amounts due for social security and insurance	15,994,931	952,848	750,712	991,001	911,317	717,198
Other liabilities	1,039,166	1,394,458	838,958	1,039,166	1,394,458	838,958
Subsidies for investments	32,068	46,367	7,800	32,067	46,367	7,800
Total	36,029,080	14,981,326	7,332,095	15,666,784	14,820,899	7,174,080

31. Share capital and management of capital

Share capital

The nominal share capital of the Company registered with the Trade Registry as of 31 December 2022 consisted of 586,742,113 shares with a nominal value of RON 0.1 each (as of 31 December 2021 consisted of 586,742,113 shares with a nominal value of RON 0.1 each). The share capital of the Company was entirely paid at 31 December 2022 and 31 December 2021.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

31. 31.Share capital and management of capital (continued)

The shareholding structure of the Company and the changes in ownership were as follows:

	Number of ordinary shares owned by the shareholders			
	Banca Transilvania SA	BT Investment SRL	BT Capital Partners SA	Total
At 31 December 2020	369,454,751	217,287,337	25	586,742,113
<i>Ownership percentage (%)</i>	62.967144%	37.032852%	0.000004%	100.00000%
<i>Nominal value of the shares owned (in RON)</i>	36,945,475	21,728,733	3	58,674,211
At 31 December 2021	369,454,751	217,287,337	25	586,742,113
<i>Ownership percentage (%)</i>	62.967144%	37.032852%	0.000004%	100.00000%
<i>Nominal value of the shares owned (in RON)</i>	36,945,475	21,728,733	3	58,674,211
At 31 December 2022	369,454,751	217,287,337	25	586,742,113
<i>Ownership percentage (%)</i>	62.967144%	37.032852%	0.000004%	100.00000%
<i>Nominal value of the shares owned (in RON)</i>	36,945,475	21,728,733	3	58,674,211

The Group is owned, through direct shareholders, in a percentage of 100% by Banca Transilvania SA. In 2002 and 2003, inflation adjustments were made on equity elements amounting to RON 898,333 in compliance with IAS 29 “Financial Reporting in Hyperinflationary Economies” due to the fact that the Romanian economy was a hyperinflationary economy until 31 December 2003.

Management of capital

From the capital management point of view, the Company must comply with the provisions of the Company Law no. 31/1990 republished and in particular the provisions of article 153[^]24 stating that the value of the net assets of the company, determined as the difference between the total assets and the total liabilities thereof, must not be reduced to less than half the value of the subscribed share capital, otherwise the extraordinary general meeting of shareholders must decide on the state of the company. At the time of preparing these financial statements, the Group and the Company complied with the above provisions.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

32. Legal reserves and other reserves

As of 31 December 2022, the reserves constituted at the level of the Group are in the amount of RON 12,673,566 (2021: RON 12,229,560; 2020: RON 12,015,293), and the reserves constituted at the level of the Company are in the amount of RON 12,548,854 (2021: RON 12,104,848; 2020: RON 11,890,581). These include statutory and other reserves set up by the Group and the Company in accordance with applicable regulations. The legal reserve is constituted in accordance with the applicable legal provisions, according to which at least 5% of the annual gross profit is transferred to the legal reserves, until their balance reaches 20% of the share capital of the Company.

33. Commitments and contingents

The Group has signed financial leases with its customers for which the goods were not delivered by the suppliers until the end of the financial year. As of December 31, 2022, the value of these contracts amounts to RON 73,130,269 (2021: RON 74,271,516; 2020: RON 32,054,969).

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

34. Related party transactions

<u>Controlling company</u>	<u>Controlled companies</u>	<u>Other companies</u>
BT Leasing Transilvania IFN SA	BT Intermedieri Agent de Asigurare SRL BT Solution Agent de Asigurare SRL BT Safe Agent de Asigurare SRL BT Asiom Agent de Asigurare SRL Țiriac Leasing IFN SA	BT Asset Management SAI SA BT Direct IFN SA BT Capital Partners SA

The transactions with related parties have been performed at arm's length. These are presented below:

<i>Group – in RON -</i>	2022				2021			
	Banca Transilvania	Key management personnel	Other related parties	Total	Banca Transilvania	Key management personnel	Other related parties	Total
Assets								
Cash and cash equivalents	22,006,560	-	-	12,472,503	10,964,769	-	-	10,964,769
Equity investments	-	-	16	16	-	-	16	16
Finance lease receivables	729,874	118,199	-	848,073	858,773	174,267	-	1,033,040
Other assets	-	-	-	-	-	-	-	-
Liabilities								
Loans from financial institutions	1,110,085,022	-	-	967,742,231	714,141,708	-	-	714,141,708
Liabilities from issued bonds	13,885,089	-	-	13,885,089	-	-	-	-
Other liabilities	392,595	-	-	392,595	316,065	-	-	316,065
Statement of Profit or Loss								
Interest income	689,911	-	-	689,911	153,719	-	-	153,719
Interest expense	16,573,570	-	-	16,573,570	9,463,912	-	-	9,463,912
Expense with banking fees	123,560	-	-	123,560	134,669	-	-	134,669
Income from lease operations	22,418	5,529	-	27,947	9,716	4,240	-	13,956
Income from impairment allowance on lease receivables	-	-	-	-	-	-	-	-
Expenses with impairment allowance for lease receivables	-	-	-	-	-	-	-	-
Other revenues	27	434	-	461	732	1674	-	2,406
Other expenses	1,247,287	-	142,246	1,389,994	1,213,208	-	141,777	1,354,985

The explanatory notes to the financial statements from page 7 to page 102 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

34. Related party transactions (continued)

Company – in RON -

	2022					2021				
	Banca Transilvania	Key management personnel	Consolidated related parties	Other related parties	Total	Banca Transilvania	Key management personnel	Consolidated related parties	Other related parties	Total
Assets										
Cash and cash equivalents	12,472,503	-	-	-	12,472,503	10,964,769	-	-	-	10,964,769
Equity investments	-	-	153,069,520	16	153,069,536	-	-	69,520	16	69,536
Finance lease receivables	729,874	118,199	-	-	848,073	858,773	174,267	-	-	1,033,040
Other assets	-	-	-	367,046	367,046	-	-	-	502,312	502,312
Liabilities										
Loans from financial institutions	967,742,231	-	-	-	967,742,231	714,141,708	-	-	-	714,141,708
Debt from issued bonds	13,885,089	-	-	-	13,885,089	-	-	-	-	-
Other liabilities	392,595	-	8,783,739	-	9,176,334	316,065	-	6,677,382	-	6,677,382
Statement of Profit or Loss										
Interest income	689,911	-	-	-	689,911	153,719	-	-	-	153,719
Interest expense	16,573,570	-	-	-	16,573,570	9,463,912	-	-	-	9,463,912
Expense with banking fees	123,560	-	-	-	123,560	134,669	-	-	-	134,669
Income from leasing operations	22,418	5,529	-	-	27,947	9,716	4,240	-	-	13,956
Revenues from dividends	-	-	14,057,386	-	14,057,386	-	-	12,242,790	8	12,242,798
Other revenues	27	434	15,366	-	15,827	732	1,674	-	-	2,406
Other expenses	1,247,287	-	2,336,226	142,246	3,725,759	1,213,208	-	2,127,311	141,777	3,482,296

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

34. Related party transactions (*continued*)

During 2022, the Group concluded a series of transactions with the related parties, in contractual terms like those in its normal activity. The Group and the Company are engaged in related party transactions with other entities from the Group, its shareholders and its key management personnel. All these transactions were carried out under similar conditions, including those regarding interest rates and conditions regarding collaterals, in terms that are similar to transactions with third parties. Upon consolidation, the transactions/balances with the subsidiaries were eliminated.

The transactions with other related parties include transactions with the most important shareholders, the members of the key personnel of the management and the companies where they are shareholders, and which have a relationship with the Company. The main transactions include the leasing of some properties, the contracting of interest-bearing loans, the signing of leasing contracts and the management of bank accounts.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

35. Presentation of financial instruments by valuation method

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

Level 1 in the fair value hierarchy

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

Level 2 in the fair value hierarchy

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

Level 3 in the fair value hierarchy

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

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

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

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

The Group and the Company do not own financial instruments classified as Level 1 in the fair value hierarchy.

At level 2 in the fair value hierarchy, the Group and Company classified the following categories of assets that are not held at fair value: cash and cash equivalents and the following liabilities: liabilities from issued bonds.

At level 3 in the fair value hierarchy, the Group and Company classified the following categories of assets: finance lease receivables from the lease contracts with clients, equity investments and other financial assets and the following liabilities: loans from banks and other financial institutions and other financial liabilities.

The tables below present the fair value and fair value hierarchy for the assets and liabilities that are not measured at fair value in the statement of financial position as of 31st of December 2022 and 31st of December 2021.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

35. Presentation of financial instruments by valuation method (continued)

The following table presents the net book values and the fair values for each class of financial assets and liabilities of the Group as of 31 December 2022 and 31 December 2021.

- in RON -

Group	31 December 2022				31 December 2021			
	Carrying amount	Fair value	Level 2	Level 3	Carrying amount	Fair value	Level 2	Level 3
Assets								
Cash and cash equivalent	77,234,151	77,234,151	77,234,151	-	15,834,274	15,834,274	15,834,274	-
Finance lease receivables	2,585,599,524	2,767,712,938	-	2,767,712,938	1,277,022,492	1,273,409,183	-	1,273,409,183
Other financial assets	23,459,799	23,459,799	-	23,459,799	11,568,636	11,568,636	-	11,568,636
Equity investments	16	16	-	16	16	16	-	16
Total Assets	2,686,293,490	1,300,812,109	77,234,151	1,284,977,835	1,304,425,418	1,300,812,109	15,834,274	1,284,977,835
Liabilities								
Loans from banks and other financial institutions	2,037,285,347	2,037,285,347	-	2,037,285,347	777,180,611	777,180,611	-	777,180,611
Liabilities from issued bonds	197,418,332	197,418,332	197,418,332	-	196,843,964	196,843,964	196,843,964	-
Finance lease liabilities	3,624,228	3,624,228	-	3,624,228	1,669,838	1,669,838	-	1,669,838
Other financial liabilities	207,064,350	207,064,350	-	207,064,350	8,729,040	8,729,040	-	8,729,040
Total liabilities	2,445,392,257	2,445,392,257	197,418,332	2,247,973,925	984,423,453	984,423,453	196,843,964	787,579,489

BT Leasing Transilvania IFN S.A.
Notes to the consolidated and separate financial statements

35. Presentation of financial instruments by valuation method (*continuare*)

The following table presents the net book values and the fair values for each class of financial assets and liabilities of the Company as of 31 December 2022 and 31 December 2021.

- in RON -

Company	31 decembrie 2022				31 decembrie 2021			
	Carrying amount	Fair value	Level 2	Level 3	Carrying amount	Fair value	Level 2	Level 3
Assets								
Cash and cash equivalent	18,406,873	18,406,873	18,406,873	-	11,369,686	11,369,686	11,369,686	-
Finance lease receivables	1,616,498,765	1,793,481,336	-	1,793,481,336	1,277,022,492	1,273,409,183	-	1,273,409,183
Other financial assets	5,408,049	5,408,049	-	5,408,049	7,047,601	7,047,601	-	7,047,601
Equity investments	153,069,536	153,069,536	-	153,069,536	69,536	69,536	-	69,536
Total assets	1,298,228,200	1,300,812,109	15,834,274	1,284,977,835	1,295,509,315	1,291,826,486	11,369,686	1,280,456,800
Liabilities								
Loans from banks and other financial institutions	1,202,125,286	1,202,125,286	-	1,202,125,286	777,180,611	777,180,611	-	777,180,611
Liabilities from issued bonds	197,418,332	197,418,332	197,418,332	-	196,843,964	196,843,964	196,843,964	-
Finance lease liabilities	1,321,064	1,321,064	-	1,321,064	1,669,838	1,669,838	-	1,669,838
Other financial liabilities	20,593,114	20,593,114	-	20,593,114	15,368,293	15,368,293	-	15,368,293
Total liabilities	984,423,453	984,423,453	196,843,964	787,579,489	991,062,706	991,062,706	196,843,964	794,218,742

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

36. Acquisition of Țiriac Leasing IFN S.A.

On January 14, 2022, Banca Transilvania S.A. signed the contract for the purchase of the majority stake (100.00%) owned by Molessey Holdings Limited and Hyundai Auto România S.A. in the share capital of Țiriac Leasing IFN S.A.

Banca Transilvania group took control of this company on June 2, 2022, the date on which the consideration was transferred in exchange for the stake held by Molessey Holdings Limited and Hyundai Auto România S.A.

Later, on August 3, 2022, the bank's participation in Țiriac Leasing was fully sold by Banca Transilvania SA to BT Leasing in order to reorganize the leasing activities of the BT group under the BT Leasing umbrella.

In the period of 5 months until December 31, 2022, Țiriac Leasing IFN S.A. contributed with a profit of 12.3 million RON to the results of the BT Leasing Group. If the acquisition had taken place on January 1, 2022, the management estimates that 36 million RON would have been contributed to the consolidated profit. This estimate is based on the assumption that the provisional fair value adjustments recorded at the acquisition date would have been the same if the acquisition had taken place on January 1, 2022.

Business combinations under common control

Considering that there are no IFRS guidelines on how to treat transactions under common control, BT Group's policy option is to account for transactions under common control using the net book value method at the level of the last entity that consolidates them ("predecessor accounting method").

A business combination involving entities or businesses under common control is a business combination in which all entities or businesses participating in the combination are ultimately controlled by the same party or parties, both before and after the combination, and the control it is not transitory.

When applying the predecessor accounting method:

- The assets, liabilities, income and expenses of the combined entities are reflected at their book values from the financial statements of the parent company in the group (Banca Transilvania) on the date of acquisition by BT Leasing;
- New goodwill is not recognised, the existing goodwill at the level of the parent company (Banca Transilvania) being taken over;
- Any difference between the purchase consideration paid and the net value of the equity of the combined activity is reflected in equity (retained earnings);
- The profit or loss account reflects the results of the combined entities starting with the effective date of the transfer.

The consideration transferred

The fair value of the consideration transferred as a result of the acquisition in the Banca Transilvania Group is 338,596 thousand RON and was paid in full on the date of the acquisition and the purchase of the participation by BT Leasing from Banca Transilvania was made in exchange for the amount of 153,000 thousand RON and was paid in full.

No capital instruments were issued as part of the acquisition of Țiriac Leasing IFN S.A.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

36. Acquisition of Țiriac Leasing IFN S.A. (continued)

Fair value measurement

The following valuation techniques were used to determine the fair value of the acquired assets and assumed obligations:

- **Finance leases loans and receivables portfolio – performing:** adjustments have been made to reflect differences in interest rates (contract versus market) as well as lifetime expected credit losses from a participant's perspective at the market. The valuation methodology sought to quantify the possible differences between the interest rates in force and those existing on the market at the valuation date;
- **Finance leases loans and receivables portfolio – nonperforming:** the fair value analysis of non-performing loans focused on ECL estimation, whereby the value of expected credit losses was estimated taking into account potential recoveries from guarantees;
- **Right-of-use assets:** the fair value was estimated by applying specific valuation methods taking into account the type of asset and the available information and the Management Decision related to the future benefits that the respective assets will bring.
- **Loans from banks and financial institutions:** adjustments were made to reflect the difference between contractual and market interest rates.
- **Lease liabilities:** in accordance with the requirements of IFRS 16, the fair value of the lease liabilities was determined as the present value of the remaining lease payments.
- **Client lists:** the fair value was estimated based on the existing clients of Țiriac Leasing at the acquisition date and the way in which the company can grant them future financing, quantifying both the income generated by them and the related financing costs.

The fair value of the net assets acquired by the BT Group was in the amount of 194,232 thousand RON, being determined following an independent evaluation report.

Negative acquisition gain or Goodwill

Taking into account the IFRS treatment described above related to combinations of companies under common control, the BT Leasing Group took over, for the period ending on December 31, 2022, the goodwill resulting from the acquisition of Țiriac Leasing IFN S.A. in the amount of 144,364 thousand RON as reported by Banca Transilvania S.A., the company that consolidates the two entities.

The goodwill was determined as the difference between the consideration paid (RON 338,595 thousand) and the part of the fair value of the assets and liabilities of Țiriac Leasing IFN S.A. on the date of taking control (in the amount of 194,232 thousand RON)

37. Events subsequent to the date of the statement of financial position

Following the completion of the acquisition transaction of Țiriac Leasing IFN S.A. in August 3, 2022, BT Leasing IFN S.A. started the merger process with this company, a process completed with the legal merger on January 1, 2023.

The financial statements were approved by the Board of Directors on 28.04.2022 and were signed on its behalf by:

Morar Ionut Calin
General Manager

Moldovan Sabina
Financial Manager