

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 2021

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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

					- in RON -
		Group		Company	
	Note	2021	2020	2021	2020
Interest income from leasing agreements		98,092,856	84,950,400	98,092,856	84,950,400
Interest income calculated using the effective interest method		287,559	542,720	248,304	508,746
Interest expense		(17,002,689)	(18,185,865)	(17,002,689)	(18,185,865)
Net interest income	6	81,377,726	67,307,255	81,338,471	67,273,281
Fee and commission income		16,233,353	13,814,951	-	-
Fee and commission expense		(176,944)	(131,663)	(154,810)	(109,028)
Net fee and commission income/(expense)	7	16,056,409	13,683,288	(154,810)	(109,028)
Net gain from foreign currency translation	8	6,725,355	6,807,108	6,725,355	6,807,108
Other operating income	9	7,384,475	6,276,683	19,624,431	15,376,349
Gains/(Losses) from assets previously leased to customers	10	13,534,684	10,576,283	13,534,684	10,576,283
Net impairment charges of financial assets	11	(15,446,007)	(32,766,579)	(15,446,007)	(32,766,579)
Net income/(expense) related to provisions	12	-646,953	3,594,505	-646,953	3,594,505
Personnel expenses	13	(21,641,527)	(16,843,863)	(20,270,825)	(15,785,906)
Depreciation expense	22,23, 24	(2,197,517)	(2,111,923)	(2,160,096)	(2,069,209)
Other operating expenses	14	(9,254,293)	(10,349,356)	(8,989,591)	(9,993,193)
Profit before tax		75,892,352	46,173,401	73,554,659	42,903,611
Income tax (expense)/credit	15	(10,783,926)	(5,984,382)	(10,265,203)	(5,855,960)
Net profit for the year		65,108,426	40,189,019	63,289,456	37,047,651
Other comprehensive income					
Total comprehensive income		65,108,426	40,189,019	63,289,456	37,047,651
Profit of the Group attributable to:					
Owners of the Company		65,104,093	40,185,448	63,289,456	37,047,651
Non-controlling interests		4,333	3,571	-	-

The financial statements were approved by the Board of Directors on 28 April, 2022 and were signed on its behalf by:

Morar Ionut Calin
General Manager

Moldovan Sabina
Financial Manager

BT Leasing Transilvania IFN S.A.

Consolidated and Separate Statement of Financial Position

For the year ended on 31 December

- in RON -

As at 31 December

	Note s	Group		Company	
		2021	2020	2021	2020
Assets					
Cash and cash equivalents	16,17	15,834,274	22,085,227	11,369,686	18,657,932
Finance lease receivables	18	1,270,825,274	1,100,910,510	1,270,825,274	1,100,910,510
Other financial assets	19	11,568,636	11,766,636	7,047,601	7,675,016
Reposessed assets	20	7,653,385	8,780,430	7,653,385	8,780,430
Equity investments	21	16	16	69,536	69,536
Premises and equipments	22	1,189,488	1,249,277	1,185,508	1,207,876
Intangible assets	23	669,169	601,912	669,169	601,912
Right-of-use assets	24	1,590,974	2,368,729	1,590,974	2,368,729
Deferred tax assets	15	7,215,584	7,346,007	7,190,641	7,321,063
Other assets	25	18,974,663	4,649,211	18,973,001	4,641,875
Total assets		1,335,521,463	1,159,757,955	1,326,574,775	1,152,234,879
Liabilities					
Loans from banks and other financial institutions	26	777,180,611	678,895,763	777,180,611	678,895,763
Issued bonds	27	196,843,964	193,388,861	196,843,964	193,388,861
Lease liabilities	28	1,669,838	2,428,808	1,669,838	2,428,808
Provisions for liabilities and charges	29	9,553,088	7,814,131	9,292,761	7,645,208
Other financial liabilities	30	8,729,040	8,292,127	15,368,293	14,083,429
Current tax liabilities		2,740,718	3,294,980	2,341,033	3,257,645
Other liabilities	31	14,981,326	7,332,095	14,820,900	7,174,080
Total liabilities		901,446,765	1,011,698,585	901,446,765	1,017,517,400
Equity					
Share capital	32	59,572,544	59,572,544	59,572,544	59,572,544
Legal reserves and other reserves	33	12,229,560	12,015,293	12,104,848	11,890,581
Retained earnings		252,016,393	186,719,734	237,379,983	173,897,960
Total equity attributable to Company's owners		323,818,497	258,307,571	309,057,375	245,361,085
Non-controlling interest		4,381	3,619	-	-
Total equity		323,822,878	258,311,190	309,057,375	245,361,085
Total liabilities and equity		1,335,521,463	1,159,757,955	1,326,574,775	1,152,234,879

The financial statements were approved by the Board of Directors on 28 April, 2022 and were signed on its behalf by:

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 2021

- in RON -

Group	Share capital	Legal reserves and other reserves	Retained earnings	Total equity attributable to Company's owners	Non-controlling interest	Total equity
Balance as at 1 January 2020	59,572,544	10,889,314	145,822,776	216,284, 634	2,437	216,287,071
Net profit for the year	-	-	40,185,447	40,185,447	3,571	40,189,018
Distribution to legal reserve						
- of the Company	-	996,779	(996,779)	-	(2,389)	(2,389)
- of the subsidiaries	-	-	-	-	-	-
Establishing other reserves		129,200	(129,200)	-		
Total comprehensive income	-	1,125,979	39,059,468	40,185,447	1,182	40,186,629
Other changes - stock option plan			674,432	674,432		674,432
Other changes - DTA diff. provisions	-	-	1,163,058	1,163,058	-	1,163,058
Balance as at 31 December 2020	59,572,544	12,015,293	186,719,734	258,307,571	3,619	258,311,190
Net profit for the year	-	-	65,104,093	65,104,093	4,333	65,108,426
Total comprehensive income	-	-	65,104,093	65,104,093	4,333	65,108,426
Distribution dividends of the subsidiaries	-	-	-	-	(3,571)	(3,571)
Other changes – stock option plan	-	214,267	-	214,267	-	214,267
Other changes – DTA for provisions	-	-	192,566	192,566	-	192,566
Balance as at 31 December 2021	59,572,544	12,229,560	252,016,393	323,818,497	4,381	323,822,878

BT Leasing Transilvania IFN S.A.

Separate statement of changes in equity

For the year ended on 31 December 2021

- în RON -

Company	Legal reserves and other reserves			Total equity
	Share capital	Legal reserves and other reserves	Retained earnings	
Balance on January 1, 2020	59,572,544	10,764,602	136,138,798	206,475,944
Net profit for the financial year	-	-	37,047,650	37,047,650
Establishing the legal reserve	-	996,779	(996,779)	-
Establishing other reserves	-	129,200	(129,200)	-
Total comprehensive income	-	1,125,979	35,921,671	37,047,650
Other changes - stock option plan	-	-	674,432	674,432
Other changes - DTA diff. provisions	-	-	1,163,059	1,163,059
Balance as of December 31, 2020	59,572,544	11,890,581	173,897,960	245,361,085
Net profit for the financial year	-	-	63,289,456	63,289,456
Total comprehensive income	-	-	63,289,456	63,289,456
Other changes - stock option plan	-	214,267	-	214,267
Other changes - correction of accounting errors	-	-	192,567	192,567
Balance as of December 31, 2021	59,572,544	12,104,848	237,379,983	309,057,375

BT Leasing Transilvania IFN S.A.

Consolidated and Separate Statement of Cash Flows

For the year ended on 31 December

		<i>- in RON -</i>	
		Group	
	Note	2021	2020
Operating activities			
<i>Profit before tax</i>		65,108,426	40,189,019
Adjustments for non-monetary elements			
Depreciation expense of premises and equipment and intangible assets	22, 23, 24	2,197,517	2,111,924
Net impairment charges for finance lease receivables	11	15,616,807	(32,770,203)
Net impairment expenses for other assets	11	(170,799)	(3,624)
Net release of provisions for repossessed inventory	10	(1,384,110)	(378,741)
Provisions for other risks and charges	12, 13	1,738,957	(4,889,866)
Interest income from leasing agreements	6	(98,092,856)	(84,950,400)
Interest income from banks	6	(287,559)	(542,720)
Interest expense		17,002,689	18,185,865
Dividend income	9	(8)	-
Other adjustments for non-cash items		17,356,872	13,933,843
Operating profit before the change in operating assets and liabilities		19,085,936	(49,114,903)
(Increase) in net finance lease receivables		(194,760,278)	(25,439,271)
(Increase)/Decrease in other assets		(18,285,529)	(5,220,464)
(Increase)/Decrease in inventory		18,996,257	14,085,403
Increase/(Decrease) of trade payables and other liabilities		7,531,881	1,898,609
Interest received from leasing agreements		98,447,403	85,838,436
Interest expense paid		(17,055,288)	(18,233,315)
Income tax paid		(11,015,198)	(6,484,104)
Net cash flow from/(used in) operating activities		(97,054,816)	(2,669,609)
Investing activities			
Acquisitions of premises, equipment and intangible assets		(972,656)	(904,831)
Proceeds from disposal of premises and equipment and intangible assets		343,066	106,012
Interest received from banks		285,478	542,820
Dividends received	9	8	-
Net cash flow from investing activities		(344,104)	(255,999)
Financing activities			
Gross proceeds from loans and other borrowings		972,301,821	496,908,176
Gross payments from loans and other borrowings		(884,375,950)	(503,922,285)
Receipts from issued bonds		-	-
Repayment of lease liabilities		(1,106,779)	(1,225,242)
Net cash flow from financing activities		86,819,092	-8,239,351
Cash and cash equivalents at the beginning of the period	17	22,083,569	33,248,528
Net increase/decrease (-) in cash and cash equivalents		(10,579,828)	(11,164,959)
Cash and cash equivalents at the end of the period	17	11,503,741	22,083,569

BT Leasing Transilvania IFN S.A.
Consolidated and Separate Statement of Cash Flows
For the year ended on 31 December

- in RON -

- in RON -

		Company	
	Note	2021	2020
Operating activities			
Profit before tax		63,289,456	37,047,651
Adjustments for non-monetary elements			
Depreciation expense of premises and equipment and intangible assets	22,23, 24	2,160,096	2,069,209
Net impairment charges for finance lease receivables	11	15,616,807	(32,770,203)
Net impairment expenses for other assets	11	(170,799)	(3,624)
Net release of provisions for repossessed inventory	10	(1,384,110)	(378,741)
Provisions for other risks and charges	12,13	1,647,553	(4,889,946)
Interest income from leasing agreements	6	(98,092,856)	(84,950,400)
Interest income from banks	6	(248,304)	(508,746)
Interest expense		17,002,689	18,185,865
Dividend income	9	(12,242,798)	(9,104,993)
Other adjustments for non-cash items		17,201,687	13,814,565
Operating profit before the change in operating assets and liabilities		4,779,421	(61,489,363)
(Increase) in net finance lease receivables		(194,760,278)	(25,439,271)
(Increase)/Decrease in other assets		(17,859,402)	(5,032,244)
(Increase)/Decrease in inventory		18,996,257	14,085,403
Increase/(Decrease) of trade payables and other liabilities		8,015,069	3,371,314
Interest received from leasing agreements		98,447,403	85,838,436
Interest expense paid		(17,055,289)	(18,233,315)
Income tax paid		(10,858,825)	(6,362,431)
Net cash flow from/(used in) operating activities		(110,295,644)	(13,261,471)
Investing activities			
Acquisitions of premises, equipment and intangible assets		(972,656)	(904,831)
Proceeds from disposal of premises and equipment and intangible assets		343,066	106,012
Interest received from banks		248,608	508,846
Dividends received	9	12,242,798	9,104,993
Net cash flow from investing activities		11,861,816	8,815,020
Financing activities			
Gross proceeds from loans and other borrowings		972,301,821	496,908,176
Gross payments from loans and other borrowings		(884,375,950)	(503,922,285)
Net receipts from issued bonds		-	-
Net receipts from right-of-use assets		(1,106,779)	(1,225,242)
Net cash flow from financing activities		86,819,092	(8,239,351)
Cash and cash equivalents at the beginning of the period	17	18,656,275	31,342,077
Net increase/decrease (-) in cash and cash equivalents		(11,614,736)	(12,685,802)
Cash and cash equivalents at the end of the period	17	7,041,539	18,656,275

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 and BT Asiom Agent de Asigurare SRL (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 at 31 December 2021 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 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 at 31 December 2021 the Group had 127 active employees (31 December 2020 : 126 active employees).

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

<u>Position</u>	<u>31 December 2021</u>	<u>31 December 2020</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 2021. The consolidated and separate financial statements of the Group and of the Company as at 31 December 2021 cannot be modified after their approval by the Board of Directors of the Company.

The Company also prepares 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 annual reporting date of 31 december 2021, this is the set of financial statements based on which the net result attributable to company 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.

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 goodwill arises. The predecessor entity is considered the highest reporting entity in which the IFRS financial information of the subsidiary has been consolidated.

Any difference between the book value of the net assets, including the goodwill of the predecessor entity, and the consideration for the acquisition is accounted for in the financial statements as an adjustment in the equity. Predecessor method is applied by the Company/Group prospectively, from the date on which business combination under common control occurred.

In the absence of the specific requirements of IFRS for legal mergers by absorption, between entities under common control, the Company chose to present the carrying values of the identifiable assets acquired and of the assumed debts taken over, in the consolidated and separate financial statements at the date of the legal merger, after their initial recognition at fair value at the date of obtaining control using predecessor accounting method.

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

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 2021	31 December 2020	Variation %
Euro ("EUR")	1: RON 4.9481	1: RON 4.8694	1.62%
US dollar ("USD")	1: RON 4,3707	1: RON 3.9660	10.2%

c) Interest income and expenses

Interest income from finance lease contracts is recognised within "Interest income" 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

Notes to the consolidated and separate financial statements

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

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.

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".

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

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

h) Net impairment charges of financial assets

Finance lease contracts receivables 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 the moment of reversal are being 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.

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 at 31 December 2021 is 16% (31 December 2020: 16%).

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

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

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.

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.

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*)

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 - 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 - 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.

Subsequent measurement - 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.

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*)

a) The Group and the Company as a lessee (*continued*)

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 - 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 reassessment 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.

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.

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 Group and the Company as a lessor (*continued*)

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.

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 simplified method, determining a lifetime ECL. 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. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

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 Group and the Company as a lessor (*continued*)

- 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.

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

The adoption of IFRS 9 resulted in changing the accounting policies of the Group and of the Company regarding the recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

• 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.

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)*

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.

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.

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

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.

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 as a result 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, and other information used for management and reporting.

Simplified approach

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 the Group and the Company do not have a sophisticated credit risk management system.

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.

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 ECL is determined after initial recognition and throughout the contractual period so as to reflect the ECL for the entire lifetime ("Lifetime ECL").

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

- Stage 2 includes all financial assets held and which are not impaired. For these, the Lifetime ECL impairment adjustment is computed at collective level.
- Stage 3 includes the financial assets which are already credit-impaired, and for these the Lifetime ECL is determined, collectively for exposures below RON 2,200,000, using a PD of 100% and individually for exposures above this threshold.

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 of its exposures, which are analysed based on the credit rating scale. 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 change with time passing. This analysis includes identification and calibration of the relationship between default rate evolution and evolution in macroeconomic factors . between changes in default rates and changes in key 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 reposessed leased assets over a 10 year time horizon.

EAD represents the leasing exposure towards a certain client.

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 the Group's research team and provide the best estimate view of the economy over the next three years. After three years, 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 BT Leasing and involves the creation of scenarios, including an assessment of the probability for each 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*)

BT Leasing 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. The weights allocated by BT Leasing to each scenario at YE 2021 are 15% for optimistic, 70% for base scenario and 15% for adverse scenario.

Due to Covid-19 pandemic, for 2020 the Group decided to be more prudent regarding the economic recovery and divided the single pessimist scenario in two pessimist scenarios, first pessimist covering a “V” shape evolution and the second pessimist expressing an “U” shape of the GDP evolution.

The macroeconomic scenarios applied for 2021 have changed from those used in the fourth quarter of 2020 to reflect the improving macroeconomic outlook following evolution of COVID-19 pandemic.

In the optimistic macroeconomic scenario, we expect the growth of the Romanian economy with annual dynamics of 5.3% in 2022, 5.5% in 2023 and 5.1% in 2024, against the background of the evolution of productive investments with higher rates, with favorable consequences for the labor market and private consumption.

For BT Leasing, the macroeconomic indicators used in ECL measurement are:

- Gross Domestic Product
- Unemployment rate
- ROBOR and EURIBOR interest rates

Optimistic scenario – Macro indicators	2022	2023	2024
Real GDP (% , Y/Y)	6.5	6.4	6.4
Unemployment rate (%)	4.4	4.4	4.4
ROBOR 3M (%)	2.5	2.0	2.6
EURIBOR 3M (%)	-0.6	-0.6	-0.4
Base scenario – Macro indicators	2022	2023	2024
Real GDP (% , Y/Y)	5.31	5.20	4.36
Unemployment rate (%)	4.81	4.79	4.78
ROBOR 3M (%)	2.96	2.94	3.22
EURIBOR 3M (%)	-0.47	-0.37	-0.39
Pessimist scenario – Macro indicators	2022	2023	2024
Real GDP (% , Y/Y)	3.6	3.1	3.4
Unemployment rate (%)	5.2	5.2	5.2
ROBOR 3M (%)	3.2	5.0	4.1
EURIBOR 3M (%)	-0.4	-0.1	-0.3

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

Change in weights	100% base	100% optimist	100% pessimist
ECL movement	-300,571 ron	-496,217 ron	399,630 ron

Considering that the applied scenarios differ from the scenarios used at 31 December 2020, the changes in sensitivities from end of 2021 versus end of 2020 are therefore not directly comparable.

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. BT Leasing considers these forecasts to represent its best estimate of the possible outcomes.

At the end of 2020 the Company has implemented the European Banking Authority's (the EBA's) definition of default (GL 2016-07), also considering the significance threshold of overdue obligation** established by National Bank of Romania in order to comply with art 178 CRR. This new indicator is considered a new "add-on" to default definition applied by the Company (we do not exclude/ eliminate the day past due indicator considering contractual payment schedules). The impact from this change in estimate amounts to RON 8.4 million.

** Threshold for assessing the material significance of a credit obligation, as provided for in Article 178 (1) (b) of Regulation (EU) No 1095/2010. 575/2013, consists of an absolute component and a relative component:

- The absolute component is expressed as the maximum value of the sum of all the overdues amounts that a debtor owes to the Group or the Company;
- The relative component is expressed as a percentage that reflects the ratio between the value of the overdues loan obligations and the total exposures to that debtor

For this indicator, it is considered that the debtor is in default when both the limit expressed as the absolute component of the significance threshold and the limit expressed as the relative component of the significance threshold are exceeded for 90 consecutive days. According to NBR Regulation 5/2018, the level of the relative component and the level of the absolute component of the significance threshold is as follows:

For retail exposures:

- The level of the relative component of the significance threshold is 1%;
- The level of the absolute component of the significance threshold is RON 150.

For other types of exposures than retail exposures:

- The level of the relative component of the significance threshold is 1%;
- The level of the absolute component of the significance threshold is RON 1,000.

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:

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*)

- exposures that record overdue payments towards the Group or Company 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 and that exceeds the materiality threshold presented above;
- 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 unlikeliness 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);

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

In case the risk event that determined the initial classification in class II is no longer observable after a certain period, the exposure will be moved back to class I. The healing period is different, based on the event that triggered the classification to class II.

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 product between the probability of default (“PD”), the exposure at default (“EAD”) and the rate of loss given default (“LGD”).

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*)

PD represents the likelihood of a borrower defaulting on its financial obligation (as per the definitions of default and impairment) over the remaining lifetime of the obligation ("Lifetime PD").

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.

Expected credit losses are determined by projecting PD, LGD and EAD for each coming month and for each individual exposure. Expected credit losses for each coming month are then updated at the reporting date, after which all expected credit losses are added together.

Starting with December 2021, an improved methodology for adjusting the PD with macroeconomic factors has been implemented.

Given the pandemic context, the fact that the current macroeconomic environment has some additional features of uncertainty, the results of the statistical model were adjusted by 3 Standard Deviations (determined based on real default rates observed in history) of the estimated default rates for the future (the following 12th quarter).

This adjustment ensures, with a probability of 99.7%, that the PD used in the calculation is higher than the future non-performance rates observed, according to the empirical rule applied to a normal distribution.

In addition, with regard to the LGD parameter, taking into account the current pandemic context, in order to calculate the depreciation adjustments according to the IFRS principles, a minimum limit of 7% was established.

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.

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*)

Derecognition

Derecognition policy of impaired assets related to finance lease receivables

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 are performed only after all legal recovery possibilities have been exhausted.

Finance lease receivables 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.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

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

m) Inventories

Inventories are assets held for sale in the ordinary course of business, in this category being included recovered 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 recognized 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 "Revenue/(Expense) from sale of 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) its purchase price, including customs duties and non-refundable purchase fees, after deducting commercial discounts and rebates;
- 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.

Notes to the consolidated and separate financial statements

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

q) Impairment of non-financial assets

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.

t) Employee benefits

(i) Short-term benefits

Short-term employee benefits include wages, 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.

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

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

t) Employee benefits (continued)

(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, must 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 any obligation to provide 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 establish of the 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 cost is recognized as personnel expenses over the vesting period, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. Measurement is based on the grant-date fair value of the equity instruments granted.

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 2021 and afterwards, and have not been applied in the presentation 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 debt into current or long-term debt (Amendments to IAS 1);
- References to the Conceptual Framework (Amendments to IFRS 3);
- Property, plant and equipment - Receivables before expected use (Amendments to IAS 16);
- Onerous contracts - The cost of performing a contract (Amendments to IAS 37);
- Presentation of accounting policies (Amendments to IAS 1);
- Definition of accounting estimates (Amendments to IAS 8);

- Deferred tax on assets and liabilities arising from a single transaction (Amendments to IAS 12);
- Lease concessions related to COVID-19 after June 30, 2021 (Amendments to IFRS 16);
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;
- Annual improvements to IFRS 2018-2021 .

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Notes to the consolidated and separate financial statements

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

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 basic 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.

As of 31 December 2021 total irrevocable on-balance exposure was in amount of RON 1,134,760,473 (2021 : RON 1,134,473,440) for the Group and RON 1.289.242.462 (2021 : RON 11.127.241.704) 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 or security proved to be of 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;

Notes to the consolidated and separate financial statements

4. Financial risk management policies (*continued*)

a) Introduction (*continued*)

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.

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:

	<i>- in RON -</i>	
	31 December 2021	31 December 2020
Transport	293,317,618	259,798,654
Trade	242,415,470	225,354,667
Manufacturing	212,981,505	192,336,622
Construction	188,008,432	153,041,361
Services	130,055,355	103,648,132
Agriculture and Forestry	60,616,770	57,072,014
Other	73,792,204	54,692,750
Authorized person	46,591,125	37,527,087
Financial institutions	23,916,749	31,084,155
Mining	33,135,101	30,990,823
Real-estate	32,387,426	29,385,048
Telecommunications	23,432,248	17,211,535
Natural person (retail clients)	10,664,027	7,637,115
Chemical	2,764,635	3,101,453
Energy	674,010	694,979
Fisheries	293,042	559,995
Governmental bodies	109,774	97,839
Gross exposure	1,375,155,491	1,204,234,229
Impairment allowances related to finance lease receivables	-104,330,217	-103,323,719
Net receivables from finance lease agreements	1,270,825,274	1,100,910,510

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 consolidated and separate level on 31 December 2021, based on their contractual maturity, are presented below:

- in RON -

	Receivables from finance lease agreements which are not impaired, class I - stage 2	Impaired finance lease receivables at reporting date, class II - stage 3	Receivables from finance lease agreements impaired at initial recognition (POCI)	Total
Vehicles	995,437,644	73,826,923	6,153,126	1,075,417,693
- RON	129,621,452	16,823,592	1,584,311	148,029,355
- up to 3 years	52,093,856	14,182,038	1,528,676	67,804,570
- between 3-5 years	75,377,222	2,641,554	55,635	78,074,411
- more than 5 years	2,150,374	0	0	2,150,374
- in foreign currency	865,816,192	57,003,331	4,568,815	927,388,338
- up to 3 years	340,671,487	44,772,551	4,028,893	389,472,931
- between 3-5 years	524,756,122	12,230,780	539,922	537,526,824
- more than 5 years	388,583	0	0	388,583
Equipment	202,289,184	34,069,022	22,979,272	259,337,478
- RON	60,017,752	18,116,089	57,750	78,191,591
- up to 3 years	30,858,179	17,840,361	57,750	48,756,290
- between 3-5 years	28,850,373	275,728	0	29,126,101
- more than 5 years	309,200	0	0	309,200
- currency	142,271,432	15,952,933	22,921,522	181,145,887
- up to 3 years	63,967,474	14,991,236	3,814,638	82,773,348
- between 3-5 years	78,303,958	961,697	19,106,884	98,372,539
- more than 5 years	-	-	-	-

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies *(continued)*

b) Credit risk *(continued)*

- in RON -

At amortized cost	Receivables from finance lease agreements which are not impaired, class I - stage 2	Impaired finance lease receivables at reporting date, class II - stage 3	Receivables from finance lease agreements impaired at initial recognition (POCI)	Total
Buildings	29,375,007	11,025,313	0	40,400,320
- RON	6,367,422	8,352,228	0	14,719,650
- up to 3 years	2,620,192	7,238,805	0	9,858,997
- between 3-5 years	1,459,817	1,113,423	0	2,573,240
- more than 5 years	2,287,413	0	0	2,287,413
- currency	23,007,585	2,673,085	0	25,680,670
- up to 3 years	3,349,031	2,673,085	0	6,022,116
- between 3-5 years	15,361,858	0	0	15,361,858
- more than 5 years	4,296,696	0	0	4,296,696
Total receivables from finance lease agreements before impairment adjustments	1,227,101,835	118,921,258	29,132,398	1,375,155,491
Impairment allowance related to finance lease receivables	-30,095,115	-55,185,328	-19,049,774	-104,330,217
Total finance lease receivables	1,197,006,720	63,735,930	10,082,624	1,270,825,274

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 consolidated and separate level on 31 December 2020 , based on their contractual maturity, are presented below:

- in RON -

At amortized cost	Receivables from finance lease agreements which are not impaired, class I - stage 2	Impaired finance lease receivables at reporting date, class II - stage 3	Receivables from finance lease agreements impaired at initial recognition (POCI)	Total
Vehicles	794,711,202	76,939,720	6,424,925	878,075,847
- RON	120,234,730	18,289,678	2,341,992	140,866,400
- up to 3 years	64,059,691	15,268,632	2,117,038	81,445,361
- between 3-5 years	55,506,520	3,021,046	224,954	58,752,520
- more than 5 years	668,519	0	0	668,519
- currency	674,476,472	58,650,042	4,082,933	737,209,447
- up to 3 years	285,405,693	45,016,416	2,913,732	333,335,841
- between 3-5 years	388,723,852	13,633,626	1,169,201	403,526,679
- more than 5 years	346,927	0	0	346,927
Equipment	210,363,534	29,362,219	22,584,366	262,310,119
- RON	75,965,095	11,779,482	282,108	88,026,685
- up to 3 years	46,591,401	11,408,226	282,108	58,281,735
- between 3-5 years	28,962,672	371,256	0	29,333,928
- more than 5 years	411,022	0	0	411,022
- currency	134,398,439	17,582,737	22,302,258	174,283,434
- up to 3 years	70,533,016	16,771,255	551,648	87,855,919
- between 3-5 years	62,534,955	811,482	21,750,610	85,097,047
- more than 5 years	1,330,468	0	0	1,330,468

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

- in RON -

At amortized cost	Receivables from finance lease agreements which are not impaired, class I - stage 2	Impaired finance lease receivables at reporting date, class II - stage 3	Receivables from finance lease agreements impaired at initial recognition (POCI)	Total
Buildings	53,553,014	10,295,249	0	63,848,263
- RON	9,612,768	7,898,941	0	17,511,709
- up to 3 years	5,856,929	1,785,421	0	7,642,350
- between 3-5 years	2,497,018	6,113,520	0	8,610,538
- more than 5 years	1,258,821	0	0	1,258,821
- currency	43,940,246	2,396,308	0	46,336,554
- up to 3 years	4,158,875	2,396,308	0	6,555,183
- between 3-5 years	18,137,060	0	0	18,137,060
- more than 5 years	21,644,311	0	0	21,644,311
Total receivables from finance lease agreements before impairment adjustments	1,058,627,750	116,597,188	29,009,291	1,204,234,229
Impairment allowance related to finance lease receivables	-40,479,602	-46,027,724	-16,816,393	-103,323,719
Total finance lease receivables	1,018,148,148	70,569,464	12,192,898	1,100,910,510

Notes to the consolidated and separate financial statements

4. Financial risk management policies (*continued*)

b) Credit risk (*continued*)

The exposures from finance lease receivables at consolidated and separate level, as at 31 December 2021 are presented below:

- in RON -

Gross value of finance lease receivables granted to clients, not impaired, class I, stage 2	Vehicles		Equipment		Buildings		Total	
	in RON	in FCY	in RON	in FCY	in RON	in FCY	in RON	in FCY
Low-moderate risk*	128,905,408	862,365,709	60,017,752	141,522,487	6,367,422	23,007,585	195,290,582	1,026,895,781
Sensitive risk	558,572	2,334,727	0	623,852	0	0	558,572	2,958,579
High risk	157,472	1,115,757	0	125,097	0	0	157,472	1,240,854
Total finance lease receivables not impaired before impairment allowance	129,621,452	865,816,193	60,017,752	142,271,436	6,367,422	23,007,585	196,006,626	1,031,095,214
Impairment allowance related to finance lease receivables	-2,707,070	-18,387,589	-2,835,268	-5,717,307	-60,476	-387,407	-5,602,814	-24,492,303
Total finance lease receivables not impaired, net of impairment allowance	126,914,382	847,428,604	57,182,484	136,554,129	6,306,946	22,620,178	190,403,812	1,006,602,911

*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*)

- in RON -

Gross value of finance lease receivables granted to clients, not impaired, class I, stage 2	Vehicles		Equipment		Buildings		Total	
	in RON	in FCY	in RON	in FCY	in RON	in FCY	in RON	in FCY
0-30 days	128,905,408	862,365,709	60,017,752	141,522,487	6,367,422	23,007,585	195,290,582	1,026,895,781
30-60 days	558,572	2,334,727	0	623,852	0	0	558,572	2,958,579
60-90 days	157,472	1,115,757	0	125,097	0	0	157,472	1,240,854
Total finance lease receivables not impaired before impairment allowance	129,621,452	865,816,193	60,017,752	142,271,436	6,367,422	23,007,585	196,006,626	1,031,095,214
Impairment allowance related to finance lease receivables	-2,707,071	-18,387,589	-2,835,268	-5,717,307	-60,476	-387,407	-5,602,815	-24,492,303
Total finance lease receivables not impaired, net of impairment allowance	126,914,381	847,428,604	57,182,484	136,554,129	6,306,946	22,620,178	190,403,811	1,006,602,911

Gross value of impaired finance lease receivables granted to clients, Class II, Stage 3 and POCI	Vehicles		Equipment		Buildings		TOTAL	
	RON	in FCY	RON	in FCY	RON	in FCY	RON	in FCY
0-30 days	5,946,715	29,574,214	13,341,675	7,241,331	6,884,045	0	26,172,435	36,815,545
30-60 days	543,784	4,237,551	107,993	767,228	0	0	651,777	5,004,779
60-90 days	1,239,433	3,739,157	0	1,346	787,256	2,475,300	2,026,689	6,215,803
Over 90 days	10,677,971	24,021,224	4,724,170	30,864,550	680,923	197,785	16,083,064	55,083,559
Total impaired and POCI finance lease receivables before impairment allowance	18,407,903	61,572,146	18,173,838	38,874,455	8,352,228	2,673,085	44,933,965	103,119,686
Impairment allowance related to finance lease receivables	-9,815,119	-21,857,058	-13,061,845	-27,032,538	-1,811,283	-657,261	-24,688,242	-49,546,857
Total impaired and POCI finance lease receivables, net of impairment allowance	8,592,784	39,715,088	5,111,993	11,841,917	6,540,945	2,015,824	20,245,723	53,572,829

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 from finance lease receivables at consolidated and separate level, as at 31 December 2020 are presented below:

- in RON -

Gross value of finance lease receivables granted to clients, not impaired, class I, stage 2	Vehicles		Equipment		Buildings		Total	
	in RON	in FCY	in RON	in FCY	in RON	in FCY	in RON	in FCY
Low-moderate risk	118,731,946	664,038,388	75,424,235	133,823,782	9,612,767	43,940,247	203,768,948	841,802,417
Sensitive risk	661,007	6,932,971	221,239	491,212	0	0	882,246	7,424,183
High risk	841,774	3,505,114	319,623	83,445	0	0	1,161,397	3,588,559
Total finance lease receivables not impaired before impairment allowance	120,234,727	674,476,473	75,965,097	134,398,439	9,612,767	43,940,247	205,812,591	852,815,159
Impairment allowance related to finance lease receivables	-2,299,448	-18,878,260	-11,399,331	-7,132,779	-58,838	-710,946	-13,757,617	-26,721,985
Total finance lease receivables not impaired, net of impairment allowance	117,935,279	655,598,213	64,565,766	127,265,660	9,553,929	43,229,301	192,054,974	826,093,174

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (*continued*)

b) Credit risk (*continued*)

- in RON -

Gross value of finance lease receivables granted to clients, not impaired, class I, stage 2	Vehicles		Equipment		Buildings		Total	
	in RON	in FCY	in RON	in FCY	in RON	in FCY	in RON	in FCY
0-30 days	118,731,946	664,038,388	75,424,235	133,823,782	9,612,767	43,940,247	203,768,948	841,802,417
30-60 days	661,007	6,932,971	221,239	491,212	0	0	882,246	7,424,183
60-90 days	841,774	3,505,114	319,623	83,445	0	0	1,161,397	3,588,559
Total finance lease receivables not impaired before impairment allowance	120,234,727	674,476,473	75,965,097	134,398,439	9,612,767	43,940,247	205,812,591	852,815,159
Impairment allowance related to finance lease receivables	-2,299,448	-18,878,262	-11,399,331	-7,132,779	-58,838	-710,946	-13,757,617	-26,721,987
Total finance lease receivables not impaired, net of impairment allowance	117,935,279	655,598,211	64,565,766	127,265,660	9,553,929	43,229,301	192,054,974	826,093,172

Gross value of impaired finance lease receivables granted to clients, Class II, Stage 3 and POCI	Autovehicule		Echipamente		Imobile		TOTAL	
	RON	valută	RON	valută	RON	valută	RON	valută
0-30 days	4,925,188	26,870,805	4,636,880	5,794,797	7,218,018	0	16,780,086	32,665,602
30-60 days	273,950	2,060,638	161,748	0	0	0	435,698	2,060,638
60-90 days	415,003	1,214,645	129,618	86,172	0	0	544,621	1,300,817
Over 90 days	15,017,533	32,586,885	7,133,343	34,004,025	680,923	2,396,308	22,831,799	68,987,218
Total impaired and POCI finance lease receivables before impairment allowance	20,631,674	62,732,973	12,061,589	39,884,994	7,898,941	2,396,308	40,592,204	105,014,275
Impairment allowance related to finance lease receivables	-9,133,928	-20,413,969	-6,474,630	-24,877,966	-1,748,100	-195,524	-17,356,658	-45,487,459
Total impaired and POCI finance lease receivables, net of impairment allowance	11,497,746	42,319,004	5,586,959	15,007,028	6,150,841	2,200,784	23,235,546	59,526,816

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 as at 31 December 2021 of the Group and of the Company is presented below:

<i>-in RON-</i>	Under - collateralised		Over - collateralised	
	<u>Stage 2</u>	<u>Stage 3</u>	<u>Stage 2</u>	<u>Stage 3</u>
Gross exposure				
Vehicles				
Gross exposure	252,545,015	37,894,484	749,915,579	35,341,331
Collaterals	224,643,123	13,845,996	1,158,302,082	55,491,667
Equipment				
Gross exposure	91,336,305	26,723,207	113,186,936	27,776,817
Collaterals	76,735,795	13,048,925	187,890,411	37,050,813
Buildings				
Gross exposure	2,100,455	878,708	28,229,629	9,227,024
Collaterals	2,069,294	-	75,591,560	12,212,825
Total Gross exposure	345,981,775	65,496,399	891,332,144	72,345,172
Total collaterals	303,448,212	26,894,921	1,421,784,053	104,755,305

An analysis of the fair value of collaterals related to financial assets as at 31 December 2020 of the Group and of the Company is presented below:

<i>-in RON-</i>	Under - collateralised		Over - collateralised	
	<u>Stage 2</u>	<u>Stage 3</u>	<u>Stage 2</u>	<u>Stage 3</u>
Gross exposure				
Vehicles				
Gross exposure	219,120,973	44,498,495	575,590,227	38,866,152
Collaterals	186,535,527	23,456,414	841,951,275	58,608,816
Equipment				
Gross exposure	53,519,957	16,899,894	156,843,578	35,046,690
Collaterals	40,495,591	7,770,066	255,795,015	60,856,922
Buildings				
Gross exposure	2,267,814	876,447	51,285,200	9,418,802
Collaterals	2,065,599	-	85,180,359	23,651,975
Total Gross exposure	274,908,744	62,274,836	783,719,005	83,331,644
Total collaterals	229,096,717	31,226,480	1,182,926,649	143,117,713

Notes to the consolidated and separate financial statements

4. Financial risk management policies (*continued*)

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 Bank's 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 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.

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.

<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	15,834,274	-	-	-	-	-	15,834,274
Finance lease receivables	177,131,400	127,994,387	247,404,968	673,123,932	252,561,136	2,638,645	1,480,854,468
Other financial assets	11,568,636	-	-	-	-	-	11,568,636
Total financial assets	204,534,310	127,994,387	247,404,968	673,123,932	252,561,136	2,638,645	1,508,257,378
Financial liabilities							
Loans from banks and other financial institutions	88,793,420	110,745,694	153,628,278	346,182,218	77,395,503	435,497	777,180,610
Debt securities issued	-80,988	120,001	-170,714	105,691,282	91,284,383	0	196,843,964
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	97,602,964	111,015,989	153,751,471	452,640,219	168,899,709	513,101	984,423,453
Net balance sheet position	106,931,346	16,978,398	93,653,497	220,483,713	83,661,427	2,125,544	523,833,925
Cumulated position	106,931,346	123,909,744	217,563,241	438,046,954	521,708,381	523,833,925	

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:

<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	170,786,156	114,126,446	220,203,501	583,444,491	204,888,626	3,463,665	1,296,912,885
Other financial assets	11,766,636	-	-	-	-	-	11,766,636
Total financial assets	204,638,019	114,126,446	220,203,501	583,444,491	204,888,626	3,463,665	1,330,764,748
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
Right-of-use 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	33,965,100	31,576,899	99,621,265	283,422,202	(35,002,962)	3,232,445	416,814,949
Cumulated position	33,965,100	65,541,999	165,163,264	448,585,466	413,582,504	416,814,949	

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 financial 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 the following:

<i>-in RON-</i>	<u>Up to 3</u> <u>months</u>	<u>3 – 6</u> <u>months</u>	<u>6 – 12</u> <u>months</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>More than 5</u> <u>years</u>	<u>Total</u>
Financial assets							
Cash and cash equivalents	11,369,686	-	-	-	-	-	11,369,686
Finance lease receivables	177,131,400	127,994,387	247,404,968	673,123,932	252,561,136	2,638,645	1,480,854,468
Other financial assets	7,047,601	-	-	-	-	-	7,047,601
Total financial assets	195,548,687	127,994,387	247,404,968	673,123,932	252,561,136	2,638,645	1,499,271,755
Financial liabilities							
Loans from banks and other financial institutions	88,793,420	110,745,694	153,628,278	346,182,218	77,395,503	435,498	777,180,611
Debt securities issued	-80,988	120,001	-170,714	105,691,282	91,284,383	-	196,843,964
Right-of-use 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	104,242,217	111,015,989	153,751,471	452,640,219	168,899,709	513,101	991,062,706
Net balance sheet position	91,306,470	16,978,398	93,653,497	220,483,713	83,661,427	2,125,544	508,209,049
Cumulated position	91,306,470	108,284,868	201,938,365	422,422,078	506,083,505	508,209,049	

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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 2018 until the contractual date are as follows:

- 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	18,657,932	-	-	-	-	-	18,657,932
Receivables from financial leasing	170,786,156	114,126,446	220,203,501	583,444,491	204,888,626	3,463,665	1,296,912,885
Other financial assets	7,675,016	-	-	-	-	-	7,675,016
Total financial assets	197,119,104	114,126,446	220,203,501	583,444,491	204,888,626	3,463,665	1,323,245,833
Financial debt	161,063,050	81,460,965	118,413,377	292,607,621	39,664,245	-	693,209,258
Loans from banks and other financial institutions	1,032,386	836,547	1,692,922	6,698,188	199,510,863	-	209,770,906
Debt securities issued	285,356	252,035	475,937	716,480	716,480	231,220	2,677,508
Right-of-use liabilities	14,083,429	-	-	-	-	-	14,083,429
Other financial liabilities	176,464,221	82,549,547	120,582,236	300,022,289	239,891,588	231,220	919,741,101
Total financial debt							
Net balance sheet position	20,654,883	31,576,899	99,621,265	283,422,202	(35,002,962)	3,232,445	403,504,732
Cumulated position	20,654,883	52,231,782	151,853,047	435,275,249	400,272,287	403,504,732	

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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.

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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 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 2021								
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

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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 at 31 December 2021, 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</u> <u>months</u>	<u>1 – 5 years</u>	<u>Over 5</u> <u>years</u>	<u>Total</u>
Financial assets					
Cash and cash equivalents	15,834,017	-	-	-	15,834,017
Finance lease receivables	30,407,038	1,179,997,642	58,991,482	1,429,112	1,270,825,274
Total financial assets	46,241,055	1,179,997,642	58,991,482	1,429,112	1,286,659,291
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	35,606,099	251,583,911	24,015,594	1,429,112	312,634,716

The table below shows the detailed net book value for the Group's interest-bearing financial assets and liabilities as at 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</u> <u>months</u>	<u>1 – 5 years</u>	<u>Over 5</u> <u>years</u>	<u>Total</u>
Financial assets					
Cash and cash equivalents	22,083,327	-	-	-	22,083,327
Finance lease receivables	144,328,869	276,706,307	676,824,578	3,050,756	1,100,910,510
Total financial assets total	166,412,196	276,706,307	676,824,578	3,050,756	1,122,993,837
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	35,468,451	-413,129,925	625,319,931	3,050,756	250,709,213

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 at 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	30,407,038	1,179,997,642	58,991,482	1,429,112	1,270,825,274
Total financial assets	41,776,625	1,179,997,642	58,991,482	1,429,112	1,282,194,861
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	731,569,767	34,975,888	-	777,180,611
Net balance sheet position	31,141,669	251,583,911	24,015,594	1,429,112	308,170,286

The table below shows the detailed net book value for the Company's interest-bearing financial assets and liabilities as at 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	18,656,177	-	-		18,656,177
Finance lease receivables	144,328,869	276,706,307	676,824,578	3,050,756	1,100,910,510
Total financial assets total	162,985,046	276,706,307	676,824,578	3,050,756	1,119,566,687
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	32,041,301	-413,129,925	625,319,931	3,050,756	247,282,063

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 Bank 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 FCY as at 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	1,042,533,892	228,291,382	-	1,270,825,274
Other financial assets	4,123,251	7,445,385	-	11,568,636
Total financial assets	1,046,677,109	251,550,504	571	1,298,228,184
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	70,839,092	242,965,068	571	313,804,731

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

- in RON -	EUR	RON	Other currencies	Total
Financial assets				
Cash and cash equivalents	435,299	21,647,093	2,835	22,085,227
Finance lease receivables	847,069,914	253,840,596	-	1,100,910,510
Other financial assets	5,132,417	6,634,219	-	11,766,636
Total financial assets	852,637,630	282,121,908	2,835	1,134,762,373
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	76,396,651	175,357,328	2,835	251,756,814

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 FCY of the Company as at 31 December 2021 are presented below:

- in RON -	<u>EUR</u>	<u>RON</u>	<u>Other currencies</u>	<u>Total</u>
Financial assets				
Cash and cash equivalents	19,966	11,349,149	571	11,369,686
Finance lease receivables	1,042,533,892	228,291,382	-	1,270,825,274
Other financial assets	4,123,251	2,924,349	-	7,047,600
Total financial assets	1,046,677,109	242,564,880	571	1,289,242,560
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	70,839,092	227,340,191	571	298,179,854

The monetary assets and liabilities expressed in RON and in foreign currency of the Company as at 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	18,219,798	2,835	18,657,932
Finance lease receivables	847,069,914	253,840,596	-	1,100,910,510
Other financial assets	5,132,417	2,542,599	-	7,675,016
Total financial assets	852,637,630	274,602,993	2,835	1,127,243,458
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	76,396,651	162,047,111	2,835	238,446,597

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	
	2021	2020	2021	2020
EUR increase by up to 5% (2020 : increase by up to 5%)	3,541,955	3,819,833	3,541,955	3,819,833
EUR decrease by up to 5% (2020 : decrease by up 5%)	-3,541,955	-3,819,833	-3,541,955	-3,819,833
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.

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f) Business environment risk

The year 2021 was considered a year of „very fast” economic recovery which, in return, was accompanied by higher inflationary pressure both internally and externally. After a decrease of 3.7% in 2020, the Romanian economy had a fast recovery reaching a 6.3% increase in 2021. These GDP evolution suggests that the economy reached the pre-pandemic level in a relatively short period of time (1.5 years).

Fiscal and monetary policies had an accommodative characteristic (budget deficit remained at a high level while monetary policy interest rate was kept below inflation level to support the economy).

The solid financial position of the private sector (especially households) played a significant role.

The ability of companies to adapt to these new conditions and also the specific structure of the Romanian economy (most affected sectors like tourism and horeca have relatively low weight in GDP) have played an important role.

During the second half of 2021 Romanian economy started to slow its growth rate due to inflationary pressures (with a negative effect of the real available income and on overall demand from population), due to the supply chain constraints that appeared at global level (which affected especially the industrial production) and due to crisis development.

The National Bank of Romania (NBR) cut the policy rate from 2.5% to 1.5% (a record low level) and implemented non-standard measures, including the acquisition of T-Bonds on the secondary market (total volume of RON 5.3bn) and the launch of a repo line with European Central Bank (volume of EUR 4.5bn) in order to counter the risks in terms of financial stability.

As for the foreign exchange market, the EUR/ RON exchange rate continued its gradual growth trend in 2021 , an evolution determined by the challenges faced by the real and financial dimensions of the Romanian economy after the pandemic, partially counterbalanced by the measures adopted by the NBR. Consequently, EUR/RON fluctuated in the interval (4.7642-4.8750), at the NBR rate in 2021 , with a medium level of 4.8371 (historical maximum), growing by 1.94% YoY.

Beside the public and private moratoriums, which allowed the clients affected by the pandemic to delay the payment of their monthly installments, the Government initiated several programs with state guarantee to support the economic recovery. Therefore, in 2021 , it was launched IMM Leasing, a program intended to stimulate the acquisition by small and medium enterprises of new or second-hand goods necessary in their current activity using state guarrantees and subsidized interest rates. For the year 2021 the maximum level that could have been used under this program was 1.5 billion RON and it is currently discussed to renew such facility also in 2021.

The Romanian auto market was down by 22% versus 2020 , a decrease which was also reflected in the level of financing granted through leasing companies. An increase of 33%, in accordance with european trends, was noticed in the category of electric and plug-in vehicules, but their total volume remains quite low.

Notes to the consolidated and separate financial statements

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 estimated expected credit losses for the finance lease receivables involves significant judgements in order to assess the methodology, models and historical data used in calculations. Details regarding the methodology used to determine the expected credit losses are included in Note 3 l) and more supplementary information is in Note 4. The following items are considered to have a major impact in the calculations of expected credit losses: definition of default, probability of default ("PD"), exposure at default ("EAD"), loss given default ("LGD") incorporation of forward looking information for collective assessment of impairment and estimation of recoverable cash-flows in the case of individual assessment of impairment. The Group and the Company reviews and validates periodically the models and the data used in the calculations of ECL in order to reduce the differences between the estimated expected credit losses and the actual losses incurred from credit risk, the calculations for expected credit losses being performed on a monthly basis.

The Group and the Company made the choice to use the simplified approach to determine expected credit losses, based on Lifetime PD for each contract except for class 2 clients (stage 3) where the PD is considered to be 100%.

Notes to the consolidated and separate financial statements

6. Net interest income

- in RON -

	Group		Company	
	2021	2020	2021	2020
Interest income				
Interest income from leasing agreements	98,092,856	84,950,400	98,092,856	84,950,400
Interest income from current accounts and deposits, using the effective	287,559	542,720	248,304	508,746
Total interest income	98,380,415	85,493,120	98,341,160	85,459,146
Interest expense				
Interest expense on loans from banks and financial institutions	(12,881,341)	(14,125,284)	(12,881,341)	(14,125,284)
Interest expense on bonds	(4,114,948)	(4,052,589)	(4,114,948)	(4,052,589)
Interest expense on leasing	(6,400)	(7,992)	(6,400)	(7,992)
Total interest expense	(17,002,689)	(18,185,865)	(17,002,68)	(18,185,865)
Net interest income	81,377,726	67,307,255	81,338,471	67,273,281

7. Net fee and commission income/(expense)

- in RON -

	Group		Company	
	2021	2020	2021	2020
Fee and commission income				
Insurance brokerage commissions	16,233,353	13,814,951	-	-
Total fee and commission income	16,233,353	13,814,951	-	-
Fee and commission expenses				
Fees paid for banking operations	(156,284)	(125,046)	(134,150)	(102,411)
Fees paid for the issuing of bonds	(20,660)	(6,617)	(20,660)	(6,617)
Total fee and commission expenses	(176,944)	(131,663)	(154,810)	(109,028)
Net fee and commission income/(expense)	16,056,409	13,683,288	(154,810)	(109,028)

Notes to the consolidated and separate financial statements

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

- in RON -	Group		Company	
	2021	2020	2021	2020
Net gain/(loss) from exchange rate differences – balance revaluation	2,215,452	2,278,680	2,215,452	2,278,680
Net gain from exchange rate revaluation of transactions	4,509,903	4,528,431	4,509,903	4,528,431
Net gain/(loss) from foreign currency translation	6,725,355	6,807,111	6,725,355	6,807,111

9. Other operating income

- in RON -	Group		Company	
	2021	2020	2021	2020
Income from the sale of tangible non-current assets	230,154	134,608	230,154	134,608
Dividend income (i)	8	-	12,242,798	9,104,993
Other income (ii)	7,154,313	6,142,074	7,151,479	6,136,748
Total other operating income	7,384,475	6,276,682	19,624,431	15,376,349

(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 3,684,421 (2020 : RON 3,280,846)
- BT Safe Agent de Asigurare SRL, in amount of RON 2,117,352 (2020 : RON 1,592,717)
- BT Solution Agent de Asigurare SRL, in amount of RON 2,561,154 (2020 : RON 1,756,802)
- BT Asiom Agent de Asigurare SRL, in amount of RON 3.879.863 (2020 : RON 2,474,628)
- BT Direct IFN SA, in amount of RON 0 (2020 : RON 2)

Dividend income for the Group is collected from BT Asset Management SAI SA RON 8 (2020 : RON 0). This is an entity where the Group has ownership below 20% of share capital.

(ii) Other income 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 4,248,718 (2020 : RON 2,811,104), compensation received from insurance companies: RON 1,186,782 (2020 : RON 2,205,217), damages claims received from the terminated leasing agreements: RON 852,883 (2020 : RON 302,908) and other revenues collected: RON 865,930 (2020 : RON 822,845).

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Notes to the consolidated and separate financial statements

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

- in RON -	Group		Company	
	2021	2020	2021	2020
Net losses from sale of assets previously leased to customers	(2,314,960)	(1,110,532)	(2,314,960)	(1,110,532)
Net gains/(losses) from inventory placed back in leasing	(346,245)	(1,910,683)	(346,245)	(1,910,683)
Write-down of repossessed inventory	(380,855)	(1,678,916)	(380,855)	(1,678,916)
Net income from early terminated contracts and repossessed assets	16,576,744	15,276,414	16,576,744	15,276,414
Total net gains from assets previously leased	13,534,684	10,576,283	13,534,684	10,576,283

11. Net impairment charge of financial assets

- in RON -	Group		Company	
	2021	2020	2021	2020
Charge of ECL losses for finance lease receivables	(74,702,559)	(82,337,464)	(74,702,559)	(82,337,464)
Release of ECL for finance lease receivables	59,085,753	49,567,261	59,085,753	49,567,261
Impairment charge for other financial assets	(135,747)	(500)	(135,747)	(500)
Release of impairment for other financial assets	306,546	4,124	306,546	4,124
Net expense with adjustments for impairment of financial assets	(15,446,007)	(32,766,579)	(15,446,007)	(32,766,579)

Notes to the consolidated and separate financial statements

12. Net income/(expense) relating to provisions

- in RON -	Group		Company	
	2021	2020	2021	2020
Provisions for litigations, income/(expenses)	(645,953)	1,222,738	(645,953)	1,222,738
Provisions for fines, income/(expenses)	-	2,371,767	-	2,371,767
Net income/(expense) with provisions	(646,953)	3,594,505	(646,953)	3,594,505

13. Personnel expenses

- in RON -	Group		Company	
	2021	2020	2021	2020
Wages and benefits	(19,772,091)	(17,495,515)	(18,539,846)	(16,474,123)
Contribution for social security and insurance	(676,393)	(548,197)	(629,340)	(511,711)
Other taxes, duties and similar payments	(101,039)	(95,513)	(101,039)	(95,513)
Bonuses for employees and provisions for untaken holidays	(1,083,168)	1,302,638	(991,764)	1,302,717
Income/(expenses) with provisions for pensions and similar obligations	(8,836)	(7,276)	(8,836)	(7,276)
Total personnel expenses	(21,641,527)	(16,843,863)	(20,270,825)	(15,785,906)

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 29,000 without VAT (2020 : EUR 29,000 without VAT) and the fee for the audit of the IFRS financial statements the audit fee was EUR 26,000 without VAT (2020 : EUR 26,000 without VAT).

- in RON -	Group		Company	
	2021	2020	2021	2020
Tax and duties expenses	(137,094)	(220,423)	(136,777)	(220,117)
Utilities, repairs and other maintenance services expenses	(1,561,894)	(2,633,514)	(1,561,894)	(2,633,514)
Advertising, protocol and sponsorship expenses	(367,651)	(450,700)	(366,518)	(449,854)
Postage, telecommunications and texting expenses	(291,881)	(405,861)	(291,881)	(306,607)
Materials and consumables expenses	(693,298)	(667,533)	(689,916)	(664,691)
Electricity and heating expenses	(291,680)	(323,317)	(267,092)	(299,157)
Collaborator expenses	(2,888)	(834)	(2,888)	(834)
Transportation, travel and secondment	(78,380)	(106,478)	(78,380)	(106,478)
Losses from the assignment and disposal of premises and equipment and intangible assets	(26,111)	(86,794)	(26,111)	(86,794)
Sponsorship expenses	(1,020,000)	-	(1,020,000)	-
Other operating expenses	(4,783,416)	(5,453,902)	(4,548,134)	(5,225,147)
Total other operating expenses	(9,254,293)	(10,349,356)	(8,989,591)	(9,993,193)

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	
	2021	2020	2021	2020
Current tax	(10,653,502)	(9,643,098)	(10,134,779)	(9,514,676)
Deferred tax	(130,424)	3,658,716	(130,424)	3,658,716
(Expense)/credit for income tax	(10,783,926)	(5,984,382)	(10,265,203)	(5,855,960)

b) Reconciliation of the tax (expense)/credit

- in RON -	Group		Company	
	2021	2020	2021	2020
Gross profit	75,892,352	46,173,400	73,554,659	42,903,610
Statutory tax quota (2021 : 16%; 2020 : 16%)	(12,142,776)	(7,387,744)	(11,768,745)	(6,864,578)
Fiscal effect on the profit tax from the elements:				
- Non-taxable income	1,091,698	1,406,879	3,050,545	2,863,678
- Non-deductible expenses	(2,602,174)	(2,637,646)	(2,567,003)	(2,637,646)
- Tax deductions – legal reserves	-	159,485	-	159,485
- Tax deductions – reinvested profit	-	20,672	-	20,672
- Effect of taxation for micro-enterprises	1,849,326	1,851,543	-	-
- Effect of the fiscal loss taken over by merger	-	-	-	-
Profit tax expense	(11,803,926)	(6,586,811)	(11,285,203)	(6,458,389)
Tax deductions (sponsorships)	1,020,000	602,429	1,020,000	602,429
	(10,783,926)	(5,984,382)	(10,265,203)	(5,855,960)

The fiscal impact is generated by the following elements:

- 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;
- Income related items 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	
	2021	2020	2021	2020
Finance lease receivables	41,354,237	43,248,844	41,354,237	43,248,844
Provisions for liabilities and charges	3,743,165	2,663,700	3,587,265	2,507,800
Total	45,097,402	45,912,544	44,941,502	45,756,644
Deferred tax assets (16%)	7,215,584	7,346,007	7,190,641	7,321,063

Notes to the consolidated and separate financial statements

16. Cash and cash equivalents

- in RON -

	Group		Company	
	2021	2020	2021	2020
Cash on hand	257	1,469	99	1,324
Current accounts	653,885	3,979,361	578,840	552,211
Sight deposits with banks	10,849,600	18,102,740	6,462,600	18,102,740
Collateral deposits with banks	4,327,912	687	4,327,912	687
Accrued interest	2,620	539	235	539
Other amounts	-	431	-	431
Total	15,834,274	22,085,227	11,369,686	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 2021, 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.

17. Placements with banks

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

31 December 2021

- in RON -

Investment-grade
Non-investment-grade
Total

Group			
Current accounts	Collateral deposits	Demand deposits	Total
53,523	687	350,611	404,821
600,365	4,327,225	10,499,221	15,426,811
653,888	4,327,912	10,849,832	15,831,632

31 December 2021

- in RON -

Investment-grade
Non-investment-grade
Total

Company			
Current accounts	Collateral deposits	Demand deposits	Total
53,523	687	350,611	404,821
525,320	4,327,225	6,112,221	10,964,766
578,843	4,327,912	6,462,832	11,369,587

Notes to the consolidated and separate financial statements

17. Placements with banks (continued)

31 December 2020	Group			
- in RON -	Current accounts	Collateral deposits	Demand deposits	Total
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

31 December 2020	Company			
- in RON -	Current accounts	Collateral deposits	Demand deposits	Total
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/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/Bank'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/Bank'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	
	2021	2020	2021	2020
Cash on hand	257	1,469	99	1,324
Current accounts	5,040,884	3,979,360	578,840	552,211
Sight deposits with banks	6,462,600	18,102,740	6,462,600	18,102,740
Total cash and cash equivalents	11,503,741	22,083,569	7,041,539	18,656,275

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18. 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:

- in RON -

	31st of December 2021				31st of December 2020			
	< 1 y	1 - 5 y	> 5 y	Total	< 1 y	1 - 5 y	> 5 y	Total
Gross receivables from finance lease	552,530,754	925,685,068	2,638,644	1,480,854,466	505,116,103	788,333,117	3,463,665	1,296,912,885
Future interest as per lease agreements	(49,651,558)	(55,988,410)	(59,007)	(105,698,975)	(44,452,850)	(48,098,751)	(127,055)	(92,678,656)
Total receivables from finance lease without future interest payments	502,879,196	869,696,658	2,579,637	1,375,155,491	460,663,253	740,234,366	3,336,610	1,204,234,229
Impairment adjustments for finance lease receivables	(38,152,410)	(65,982,096)	(195,711)	(104,330,217)	(39,628,076)	(63,409,788)	(285,855)	(103,323,719)
Net finance lease receivables	464,726,786	803,714,562	2,383,926	1,270,825,274	421,035,177	676,824,578	3,050,755	1,100,910,510

A The impairment adjustment of receivables from finance lease agreements is detailed as below:

- in RON -

	2021	2020
Balance at 1st of January	103,323,719	83,397,258
Cost of impairment for lease receivables (Note 11)	74,702,559	82,337,464
Income from reversal/cancellation of impairment for lease receivables (Note 11)	(59,085,753)	(49,567,261)
Reversal of impairment due to write-offs	(14,610,308)	(12,843,742)
Balance at 31st of December	104,330,217	103,323,719

Notes to the consolidated and separate financial statements

19. Other financial assets

- in RON -

	Group		Company	
	2021	2020	2021	2020
Sundry debtors (i)	10,673,614	10,851,507	6,152,579	6,759,887
Other past-due amounts under litigation (ii)	2,510,370	2,701,276	2,510,370	2,701,276
Impairment adjustments for past-due amounts	(1,615,348)	(1,786,147)	(1,615,348)	(1,786,147)
Total	11,568,636	11,766,636	7,047,601	7,675,016

- (i) At Group level, sundry debtors represent amounts related to insurance policies which are to be recovered from users RON 4,509,289 (2020 : RON 4,077,786), VAT guarantees given to external suppliers until the remittance of the proof for Intra-Community transportation of RON 3,740,521 RON (2020 : RON 4,704,210) amounts to be received as insurance compensation RON 2,283,543 (2020 : RON 1,914,742) and other amounts owed by sundry debtors RON 140,261 (2020 : RON 154,769), and at Company level sundry debtors represent VAT guarantees given to external suppliers until the remittance of the proof for Intra-Community transportation of RON 3,740,521 (2020 : RON 4,704,210), insurance compensation 2,283,543 RON (2020 : 1,914,742 RON) and other amounts owed by sundry debtors RON 128,515 (2020 : RON 140,935).
- (ii) 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 RON 2,096,131 (2020 : RON 2,377,676) and past-due amounts from various services provided RON 414,239 (2020 : RON 323,600).

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

- in RON -

	Group		Company	
	2021	2020	2021	2020
Balance at the beginning of the year	1,786,147	1,789,771	1,786,147	1,789,771
Income from reversal of impairment adjustments for other assets (Note 11)	(306,546)	(4,124)	(306,546)	(4,124)
Cost of adjustments for other assets (Note 11)	135,747	500	135,747	500
Balance at the end of the year	1,615,348	1,786,147	1,615,348	1,786,147

Notes to the consolidated and separate financial statements

20. Repossessed assets

<i>- in RON -</i>	Group		Company	
	2021	2020	2021	2020
Inventory held at third parties	1,291,188	151,867	1,291,188	151,867
Inventory kept in headquarters	11,476,092	15,126,568	11,476,092	15,126,568
Adjustments for write-down	(5,113,895)	(6,498,005)	(5,113,895)	(6,498,005)
Total	7,653,385	8,780,430	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.

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	
	2021	2020	2021	2020
Balance at the beginning of the year	6,498,005	6,876,746	6,498,005	6,876,746
Expense with inventory impairment adjustments	380,855	1,688,302	380,855	1,688,302
Release of adjustments for inventory	(1,764,965)	(2,067,043)	(1,764,965)	(2,067,043)
Balance at the end of the year	5,113,895	6,498,005	5,113,895	6,498,005

21. Equity investments

As at 31 December 2021 and 31 December 2020, the Company had direct investments in subsidiaries, amounting to RON 69,536.

- in RON -

<u>Subsidiary name</u>	2021	%	2020	%
BT Intermedieri Agent de Asigurare SRL	25.530	99,99802	25,530	99.99802
BT Safe Agent de Asigurare SRL	4.010	99,98694	4,010	99.98694
BT Solution Agent de Asigurare SRL	19.990	99,95000	19,990	99.95000
BT Asiom Agent de Asigurare SRL	19.990	99,95000	19,990	99.95000
BT Asset Management SAI SA	3	0,000040	3	0.000040
BT Direct IFN S.A.	13	0,0000163	13	0.000060
Total	69.536		69,536	

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

22. Tangible assets

- in RON -

<i>Group</i>	Computers and equipment	Vehicles	Other tangible assets	Advance payments for tangible assets	Total
Gross book value					
Balance as at 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 at 31 December 2020	855,428	4,381,981	168,502	56,915	5,462,826
Balance as at 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 at 31 December 2021	752,217	4,609,133	171,570	-	5,532,920
Accumulated depreciation					
Balance as at 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 at 31 December 2020	678,812	3,397,672	137,065	-	4,213,549
Balance as at 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 at 31 December 2020	663,959	3,529,249	150,224	-	4,343,432
Net book value					
As at 1 January 2021	176,616	984,309	31,437	56,915	1,249,277
As at 31 December 2021	88,258	1,079,884	21,346	-	1,189,488

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

- in RON -

Company

Gross book value

	Computers and equipment	Vehicles	Other tangible assets	Advance payments for tangible assets	Total
Balance as at 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 at 31 December 2020	855,428	4,272,537	165,682	56,915	5,350,562
Balance as at 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 at 31 December 2021	752,217	4,499,689	168,750	-	5,420,656

Accumulated depreciation

Balance as at 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 at 31 December 2020	678,812	3,327,749	136,125	-	4,142,686
Balance as at 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 at 31 December 2020	663,959	3,422,845	148,344	-	4,235,148

Net book value

As at 1 January 2021	176,616	944,788	29,557	56,915	1,207,876
As at 31 December 2021	88,258	1,076,844	20,406	-	1,185,508

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

23. Intangible assets

- in RON -

Gross book value

Balance as at 1 January 2020

Acquisitions

Disposals

Balance as at 31 December 2020

Balance as at 1 January 2021

Acquisitions

Disposals

Balance as at 31 December 2021

Cumulated depreciation

Balance as at 1 January 2020

Depreciation charge for the year

Balance as at 31 December 2020

Balance as at 1 January 2021

Depreciation charge for the year

Balance as at 31 December 2021

Net book value

As at 1 January 2021

As at 31 December 2021

Group	Company
2,034,893	1,987,356
698,299	698,299
-	-
2,733,192	2,685,655
2,733,192	2,685,655
517,839	517,839
-	-
3,251,031	3,203,494
1,799,569	1,757,325
331,711	326,418
2,131,280	2,083,743
2,131,280	2,083,743
450,582	450,582
2,581,862	2,534,325
601,912	601,912
669,169	669,169

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

24. Rights-of-use assets

- in RON -

Group and Company

Gross book value

	Buildings	Vehicles	Total
Balance as at 1 January 2020	-	-	-
Adoption of new standards (IFRS 16)	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 at 31 December 2020	3,462,887	980,352	4,443,239
Balance as at 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 at 31 December 2021	3,442,934	952,649	4,395,583
Amortizarea cumulate			
Balance as at 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 at 31 December 2020	1,591,506	483,004	2,074,510
Balance as at 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 at 31 December 2021	2,379,552	425,057	2,804,609
Net book value			
As at 1 January 2021	1,871,381	497,348	2,368,729
As at 31 December 2021	1,063,382	527,592	1,590,974

Notes to the consolidated and separate financial statements**25. Other assets***- in RON -*

	Group		Company	
	2021	2020	2021	2020
Advance payments to suppliers	14,721,178	2,455,148	14,721,178	2,455,148
Prepaid expenses	2,689,701	553,643	2,689,701	553,643
Other assets	32,786	46,502	31,124	44,716
Value added tax to be received	257,493	226,813	257,493	221,263
Value added tax non-deductible	912,087	1,315,190	912,087	1,315,190
Non-chargeable VAT	361,418	51,915	361,418	51,915
Total	18,974,663	4,649,211	18,973,001	4,641,875

26. Loans from banks and other financial institutions*- in RON -*

	Group		Company	
	2021	2020	2021	2020
Loans from banks and other financial institutions	777,203,139	679,099,265	777,203,139	679,099,265
Interest payable and deferred fees	(22,528)	(203,502)	(22,528)	(203,502)
Total	777,180,611	678,895,763	777,180,611	678,895,763

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

Interest rates corresponding to the term loans received by the Company from related parties as at 31 December 2021 was 1.75% for loans in EUR (31 December 2020 : 1.75% for loans in EUR and 4.32% for loans in RON).

As at 31 December 2021 and 31 December 2020, the Company complied with all the contractual terms (financial limitations) imposed in the financing agreements, including the financial covenants corresponding to the loan agreements.

27. Debt securities issued*- in RON -*

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

The interest rate for the debt securities issued as of 31 December 2021 range from e 1.75% and 2% (31 December 2020 : 1.75% and 2%).

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

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

28. Lease liabilities

- in RON -

	Group		Company	
	2021	2020	2021	2020
Lease liabilities	1,669,838	2,428,808	1,669,838	2,428,808
Total	1,669,838	2,428,808	1,669,838	2,428,808

29. Provisions for liabilities and charges

The provisions for liabilities and charges are presented below:

- in RON -

	Group		Company	
	2021	2020	2021	2020
Provisions for pensions and other similar obligations	135,454	126,618	135,454	126,618
Provisions for untaken holidays	401,773	404,105	372,946	381,182
Provisions for bonuses for employees	3,231,500	2,146,000	3,000,000	2,000,000
Provisions for litigations	5,784,361	5,137,408	5,784,361	5,137,408
Total	9,553,088	7,814,131	9,292,761	7,645,208

The movement in the provision for pensions and similar obligations is presented below:

- in RON -

	Group		Company	
	2021	2020	2021	2020
Balance as at 1 January	126,618	119,342	126,618	119,342
Expenses of provisions for other risks	29,679	28,654	29,679	28,654
Income from reversal of provisions for other risks	(20,843)	(21,378)	(20,843)	(21,378)
Balance at 31 December	135,454	126,618	135,454	126,618

The movement in the provision for untaken holidays is presented below:

- in RON -

	Group		Company	
	2021	2020	2021	2020
Balance as at 1 January	404,105	356,743	381,182	333,899
Expenses of provisions for untaken holidays	391,294	398,563	362,467	375,640
Income from reversal of provisions for untaken holidays	(393,626)	(351,201)	(370,703)	(328,357)
Balance at 31 December	401,773	404,105	372,946	381,182

Notes to the consolidated and separate financial statements**29. Provisions for liabilities and charges (continued)**

The movement in the provision for employee bonuses is presented below:

<i>- in RON -</i>	Group		Company	
	2021	2020	2021	2020
Balance as at 1 January	2,146,000	3,496,000	2,000,000	3,350,000
Expenses of provisions for employee bonuses	3,231,500	2,146,000	3,000,000	2,000,000
Income from reversal of provisions for employee bonuses	(2,146,000)	(3,496,000)	(2,000,000)	(3,350,000)
Balance at 31 December	3,231,500	2,146,000	3,000,000	2,000,000

Provisions for litigations

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.

The litigation provision booked as of 31 December 2021 is of RON 5,784,361 RON (2020 : RON 5,137,408).

The movement in the provision for litigations is presented below:

<i>- in RON -</i>	Group		Company	
	2021	2020	2021	2020
Balance as at 1 January	5,137,408	8,731,913	5,137,408	8,731,913
Expenses of provisions for litigations	741,620	-	741,620	-
Income from reversal of provisions for Litigations	(94,667)	(3,594,505)	(94,667)	(3,594,505)
Balance at 31 December	5,784,361	5,137,408	5,784,361	5,137,408

(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 2019, 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 2020, 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

29. Provisions for liabilities and charges (continued)

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 17.12.2021. The decision of the Competition Council shall be communicated within 120 days counted from the minute date.

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 company challenged this decision in court. On 07.07.2021, the Bucharest Court of Appeal, in the first instance, decided to suspend the effects of the Competition Council Decision until the final settlement of the dispute by which BT Leasing requests the annulment of the same decision.

30. Other financial liabilities

- in RON -

	Group		Company	
	2021	2020	2021	2020
Suppliers of goods and services	1,815,952	1,391,902	8,469,947	7,189,368
Suppliers of goods placed in leasing agreements	2,872,894	2,437,944	2,872,894	2,437,944
Sundry creditors	3,964,874	4,404,846	3,950,132	4,398,682
Other financial liabilities	75,320	57,435	75,320	57,435
Total	8,729,040	8,292,127	15,368,293	14,083,429

31. Other liabilities

- in RON -

	Group		Company	
	2021	2020	2021	2020
Advances received from customers	12,095,068	5,426,330	11,976,203	5,302,693
Amounts due to personnel	492,585	308,295	492,555	307,431
Amounts due for social security and insurance	952,848	750,712	911,317	717,198
Value added tax due				
Other liabilities	1,394,458	838,958	1,394,458	838,958
Subventions for investments	46,367	7,800	46,367	7,800
Total	14,981,326	7,332,095	14,820,900	7,174,080

32. Share capital and management of capital

Share capital

The nominal share capital of the Company registered with the Trade Registry as at 31 December 2021 consisted of 586,742,113 shares with a nominal value of RON 0.1 each (as at 31 December 2020 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 2021 and 31 December 2020.

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Notes to the consolidated and separate financial statements

32. 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
Ownership percentage (%)	62.967144%	37.032852%	0.000004%	100.000000%
Nominal value of the shares owned (in RON)	36,945,475	21,728,733	3	58,674,211
At 31 December 2021	369,454,751	217,287,337	25	586,742,113
Ownership percentage (%)	62.967144%	37.032852%	0.000004%	100.000000%
Nominal value of the shares owned (in RON)	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 153²⁴ 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.

33. Legal reserves and other reserves

As of December 31, 2021, the reserves constituted at the level of the Group are in the amount of RON 12,229,560 (December 31, 2020: RON 12,015,293), and the reserves constituted at the level of the Company are in the amount of RON 12,104,848 (December 31, 2020: 11,890. 581 RON). 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.

34. Commitments and contingencies

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, 2021, the value of these contracts amounts to RON 74,271,516 (2020: RON 32,054,969).

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

35. Related party transactions

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

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

	2021				2020			
	Banca Transilvania	Key manageme	Other related	Total	Banca Transilvan	Key managem	Other related	Total
Group – in RON -								
Assets								
Cash and cash equivalents	10,964,769	-	-	10,964,769	2,456,448	-	-	2,456,448
Equity investments	-	-	16	16	-	-	16	16
Finance lease receivables	858,773	42,363	-	901,136	-	79,146	-	79,146
Liabilities								
Loans from financial institutions	714,141,708	-	-	714,141,708	462,278,033	-	-	462,278,03
Other liabilities	316,065	-	-	316,065	270,124	-	-	270,124
Statement of Profit or Loss								
Interest income	153,719	-	-	153,719	337,986	-	-	337,986
Interest expense	9,463,912	-	-	9,463,912	7,372,500	-	-	7,372,500
Expense with banking fees	134,669	-	-	134,669	103,565	-	-	103,565
Income from lease operations	9,716	3,529	-	13,245	-	6,145	-	6,145
Other income	732	-	-	732	-	-	-	-
Other expenses	1,213,208	-	141,777	1,354,985	1,278,165	-	131,992	1,410,157

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Notes to the consolidated and separate financial statements

35. Related party transactions (continued)

Company – in RON -	2021					2020				
	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	10,964,769	-	-	-	10,964,769	2,456,448	-	-	-	2,456,448
Equity investments	-	-	69,520	16	69,536	-	-	69,520	16	69,536
Finance lease receivables	858,773	42,363	-	-	901,136	-	79,146	-	-	79,146
Other assets	-	-	-	502,312	502,312	-	-	-	634,477	634,477
Liabilities										
Loans from financial institutions	714,141,708	-	-	-	714,141,708	462,278,033	-	-	-	462,278,033
Other liabilities	316,065	-	6,677,382	-	6,993,447	270,124	-	5,819,274	-	6,089,398
Statement of Profit or Loss										
Interest income	153,719	-	-	-	153,719	337,986	-	-	-	337,986
Interest expense	9,463,912	-	-	-	9,463,912	7,372,500	-	-	-	7,372,500
Expense with banking fees	134,669	-	-	-	134,669	103,565	-	-	-	103,565
Income from lease operations	9,716	3,529	-	-	13,245	-	6,145	-	-	6,145
Dividend income	-	-	12,242,790	8	12,242,798	-	-	9,104,993	-	9,104,993
Other income	732	-	-	-	732	-	-	-	-	-
Other expense	1,213,208	-	2,127,311	141,777	3,482,296	1,278,165	-	2,657,911	131,992	4,068,068

Notes to the consolidated and separate financial statements
35. Related party transactions (continued)

During 2021, 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.

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.

During 2021, the expenses related to the fixed and variable remunerations of the members of the Board of Directors and of the Executive Management of the Group amounted to RON 1,967,820 (2020 : RON 1,791,140), and for the Company RON 1,372,822 (2020 : RON 1,264,063).

Compensation for the key personnel of the Group is as follows:

- in RON -	2021			2020		
	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar
Short-term employee benefits	1,993,560	491,972	7,200	1,810,220	447,802	5,720
Share-based payments	213,555	-	-	186,304	-	-
Total compensations and benefits	2,207,115	491,972	7,200	1,996,524	447,802	5,720

Compensation for the key personnel of the Company is as follows:

- in RON -	2021			2020		
	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar
Short-term employee benefits	1,372,822	343,219	-	1,264,063	316,029	-
Share-based payments	213,555	-	-	186,304	-	-
Total compensations and benefits	1,586,377	343,219	-	1,450,367	316,029	-

36. 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 presents 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 2021 and 31st of December 2020 .

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36. Presentation of financial instruments by valuation method

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 2021 and 31 December 2020 .

- in RON -

Group	31 December 2021				31 December 2020			
	Carrying amount	Fair value	Level 2	Level 3	Carrying amount	Fair value	Level 2	Level 3
Assets								
Cash and cash equivalent	15,834,274	15,834,274	15,834,274	-	22,085,227	22,085,227	22,085,227	-
Finance lease receivables	1,270,825,274	1,273,409,183	-	1,273,409,183	1,100,910,510	1,103,895,444	-	1,103,895,444
Other financial assets	11,568,636	11,568,636	-	11,568,636	11,766,636	11,766,636	-	11,766,636
Equity investments	16	16	-	16	16	16	-	16
Total assets	1,298,228,200	1,300,812,109	15,834,274	1,284,977,835	1,134,762,389	1,137,747,323	22,085,227	1,115,662,096
Liabilities								
Loans from banks and other financial institutions	777,180,611	777,180,611	-	777,180,611	678,895,763	678,895,763	-	678,895,763
Liabilities from issued bonds	196,843,964	196,843,964	196,843,964	-	193,388,861	193,388,861	193,388,861	-
Lease liabilities	1,669,838	1,669,838	-	1,669,838	2,428,808	2,428,808	-	2,428,808
Other financial liabilities	8,729,040	8,729,040	-	8,729,040	8,292,127	8,292,127	-	8,292,127
Total liabilities	984,423,453	984,423,453	196,843,964	787,579,489	883,005,559	883,005,559	193,388,861	689,616,698

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36. Presentation of financial instruments by valuation method

- in RON -

Company	31 December 2021				31 December 2020			
	Carrying amount	Fair value	Level 2	Level 3	Carrying amount	Fair value	Level 2	Level 3
Assets								
Cash and cash equivalent	11,369,686	11,369,686	11,369,686	-	18,657,932	18,657,932	18,657,932	-
Finance lease receivables	1,270,825,274	1,273,409,183	-	1,273,409,183	1,100,910,510	1,103,895,444	-	1,103,895,444
Other financial assets	7,047,601	7,047,601	-	7,047,601	7,675,016	7,675,016	-	7,675,016
Equity investments	16	16	-	16	623,560	623,560	-	623,560
Total assets	1,289,242,577	1,291,826,486	11,369,686	1,280,456,800	1,127,867,018	1,130,851,952	18,657,932	1,112,194,020
Liabilities								
Loans from banks and other financial institutions	777,180,611	777,180,611	-	777,180,611	678,895,763	678,895,763	-	678,895,763
Liabilities from issued bonds	196,843,964	196,843,964	196,843,964	-	193,388,861	193,388,861	193,388,861	-
Lease liabilities	1,669,838	1,669,838	-	1,669,838	2,428,808	2,428,808	-	2,428,808
Other financial liabilities	15,368,293	15,368,293	-	15,368,293	14,083,429	14,083,429	-	14,083,429
Total liabilities	991,062,706	991,062,706	196,843,964	794,218,742	888,796,861	888,796,861	193,388,861	695,408,000

Notes to the consolidated and separate financial statements

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

Today, the world economy is facing exceptional challenges. Russia's military aggression against Ukraine began on February 24, 2022, resulting in a series of economic and individual sanctions, mainly imposed by the European Union, the United States and the United Kingdom.

This event has caused geopolitical instability and volatility in the energy and financial markets, and the economic consequences have already manifested themselves in rising energy and food prices.

These measures are expected to have repercussions on multiple economic sectors, with an immediate effect in increasing the volatility of capital markets and exchange rates, as well as in the price of energy and goods.

Although the Group does not have direct exposure to Ukraine, Belarus and Russia, the impact of these measures is currently unknown, as well as the possible responses from Russia to them, therefore an impact on the Group's activity cannot be accurately estimated at this time.

No significant subsequent events have been identified since the reporting of the consolidated statement of financial position.

The financial statements were approved by the Board of Directors on 28 April, 2022 and were signed on its behalf by:

Morar Ionut Calin
General Manager

Moldovan Sabina
Financial Manager