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C.U.I. RO 50 22 670
R.B. - P.J.R. 12 - 019 - 18.02.1999
Nr. Înreg. Reg. Com.: J12 / 4155 / 1993

REGULATORY DISCLOSURE REPORT BANCA TRANSILVANIA GROUP AS OF 30.06.2018

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

Sediul Central: str. George Bariţiu, nr. 8, 400027, Cluj-Napoca
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R.B. - P.J.R. 12 - 019 - 18.02.1999
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Introduction

With this document, Banca Transilvania Financial Group fulfils its disclosure requirements under Part 8 of EU Capital Requirements Regulation (CRR) 575/2013.

This document is available on the bank's website (https://www.bancatransilvania.ro/) and was published in conjunction with the date of the official release of BT's financial statements. This is a free translation of the original document in Romanian, which is the official document.

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Contents:

Sediul Central: str. George Bariţiu, nr. 8, 400027, Cluj-Napoca
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SWIFT: BTRLRO22
C.U.I. RO 50 22 670
R.B. - P.J.R. 12 - 019 - 18.02.1999
Nr. Înreg. Reg. Com.: J12 / 4155 / 1993

Own funds

REQUIREMENTS RELATED TO OWN FUNDS

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

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

Main caracteristics of capital instruments

1	Issuer	EFSE	Banca Transilvania	EEEF	EFSE	IFC	Banca Transilvania
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)						
3	Governing law(s) of the instrument	OUG nr.99/2006, CRR	OUG nr.99/2006, CRR	OUG nr.99/2006, CRR	OUG nr.99/2006, CRR	OUG nr.99/2006, CRR	OUG nr.99/2006, CRR
	Regulatory treatment						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Nivel 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated	solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	subordinated loan	bonds	subordinated loan	subordinated loan	subordinated loan	bonds
8	Amount recognised in regulatory capital (in million)	€ 0.33	€ 3.61	€ 25.00	€ 0.99	$40.00	€ 285.00
9	Nominal amount of instrument (agregate)	€ 5.00	€ 30.00	€ 25.00	€ 15.00	$40.00	€ 285.00

Sediul Central: str. George Bariţiu, nr. 8, 400027, Cluj-Napoca
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SWIFT: BTRLRO22
C.U.I. RO 50 22 670
R.B. - P.J.R. 12 - 019 - 18.02.1999
Nr. Înreg. Reg. Com.: J12 / 4155 / 1993

9a	Issue price	€ 5.00	€ 30.00	€ 25.00	€ 15.00	$40.00	€ 285.00
9b	Redemption price - in currency of issue	€ 5.00	€ 30.00	€ 25.00	€ 15.00	$40.00	€ 285.00
10	Accounting classification	liabilities at amortised cost	liabilities at amortised cost	liabilities at amortised cost	liabilities at amortised cost	liabilities at amortised cost	liabilities at amortised cost
11	Original date of issuance	27/12/2012	22/05/2013	30/09/2013	28/11/2013	31/10/2014	28/06/2018
12	Perpetual or dated	dated	dated	dated	dated	dated	dated
13	Original maturity date	30/11/2018	22/05/2020	30/09/2023	30/11/2018	15/10/2023	28/06/2028
14	Issuer call subject to prior supervisory approval	no	no	no	no	no	no
15	Optional call date, contingent call dates and redemption amount (s. 9b)	n/a	n/a	n/a	n/a	n/a	n/a
16	Subsequent call dates, if applicable	n/a	n/a	n/a	n/a	n/a	n/a
	Coupons / dividends						
17	Fixed or floating dividend/coupon	variable	variable	variable	variable	variable	variable
18	Coupon rate and any related index	EURIBOR 6M + 6.5%	EURIBOR 6M + 6.25%	EURIBOR 6M+6.2%	EURIBOR 6M + 6.2%	LIBOR 6M+5.8%	EURIBOR 6M + 3.75%
19	Existence of a dividend stopper	n/a	n/a	n/a	n/a	n/a	n/a
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	n/a	n/a	n/a	n/a	n/a	n/a
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	n/a	n/a	n/a	n/a	n/a	n/a
21	Existence of step up or other incentive to redeem	n/a	n/a	n/a	n/a	n/a	n/a
22	Noncumulative or cumulative	n/a	n/a	n/a	n/a	n/a	n/a

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R.B. - P.J.R. 12 - 019 - 18.02.1999
Nr. Înreg. Reg. Com.: J12 / 4155 / 1993

23	Convertible or non-convertible	no	yes	no	no	no	yes
24	If convertible, conversion trigger(s)	n/a	Decision of the bondholders	n/a	n/a	n/a	Decision of the bondholders
25	If convertible, fully or partially	n/a	Fully or partially	n/a	n/a	n/a	Fully or partially
26	If convertible, conversion rate	n/a	Correlated with the price of TLV shares	n/a	n/a	n/a	Correlated with the price of TLV shares
27	If convertible, mandatory or optional conversion	n/a	optional	n/a	n/a	n/a	optional
28	If convertible, specify instrument type convertible into	n/a	Common equity Tier1	n/a	n/a	n/a	Common equity Tier1
29	If convertible, specify issuer of instrument it converts into	n/a	Banca Transilvania	n/a	n/a	n/a	Banca Transilvania
30	Write-down features	n/a	n/a	n/a	n/a	n/a	n/a
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a
32	If write-down, full or partial	n/a	n/a	n/a	n/a	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a	n/a	n/a	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	subordinated to all other non-subordinated liabilities	subordinated to all other non-subordinated liabilities	subordinated to all other non-subordinated liabilities	subordinated to all other non-subordinated liabilities	subordinated to all other non-subordinated liabilities	subordinated to all other non-subordinated liabilities
36	Non-compliant transitioned features	no	no	no	no	no	no
37	If yes, specify non-compliant features	-	-	-	-	-	-

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R.B. - P.J.R. 12 - 019 - 18.02.1999
Nr. Înreg. Reg. Com.: J12 / 4155 / 1993

Reconciliation of own funds elements with the statement of financial position

Capital base in RON thousand	30.06.2018
Shareholders' equity according to the Group's balance sheet	7,005,045
Non-controlling interests	281,823
Anticipated dividend	0
Additional value adjustments	-89,893
Goodwill	-2,774
Deferred tax receivables	0
Intangible assets	-287,043
Other adjustments	-1,013,253
Common Equity Tier 1 capital	**5,893,906**
Total Tier 1 capital I	**5,893,906**
Tier 2 instrument	1,747,875
Other adjustments	-119,854
Total Tier 2 capital	**1,628,022**
Total capital base	**7,521,927**

Statement of financial position

Assets - In RON thousand	IFRS H1 2018	Prudential H1 2018
Cash reserve	8,840,746	8,840,735
Loans and advances to banks	5,708,707	5,708,600
Impairment losses on loans and advances to banks	-197	-197
Loans and advances to customers	41,475,205	41,480,130
Impairment losses on loans and advances	-2,123,283	-2,125,821
Financial assets held for trading and measured at fair value through profit or loss	289,440	99,511
Derivatives	17,555	17,555
Financial assets held for trading and measured at FVOCI	19,465,177	19,465,177
Financial assets which are required to be measured at fair value through profit or loss	471,739	694,069
Intangible fixed assets	282,055	281,531

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Tangible fixed assets	533,205	518,869
Other assets	416,508	400,048
Total assets	**75,376,858**	**75,380,207**

Liabilities and Equity in RON thousand	**IFRS H1 2018**	**Prudential H1 2018**
Deposits from banks	2,296,040	2,296,040
Deposits from clients	61,786,379	61,792,449
Provisions for liabilities and charges	386,947	382,414
Derivatives	20,863	20,863
Other liabilities	1,851,885	1,839,120
Subordinated capital	1,747,875	1,747,875
Equity	7,286,868	7,301,446
Consolidated equity	6,151,237	6,170,277
Consolidated profit/loss	853,808	855,968
Non-controlling interests	281,823	275,201
Total liabilities and equity	**75,376,858**	**75,380,207**

Own funds (prudential)

Own funds in RON thousand	**30.06.2018**
Capital instruments and the related share premium accounts	4,456,321
Retained earnings	322,871
Accumulated other comprehensive income (and other reserves)	1,346,441
Funds for general banking risk	77,893
Minority interests (amount recognized in consolidated CET1)	0
Common Equity Tier 1 (CET1) capital before regulatory adjustments	6,203,526
Additional value adjustments	-89,893
Intangible assets (net of related tax liability)	-287,043
Goodwill	-2,774
Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met)	0
Regulatory adjustments to unrealised gains and losses	0

Direct and indirect holding of own CET1 instruments	-36,127
Deferred tax assets arising from temporary difference	0
Other transitional adjustments to Common Equity Tier 1	106,216
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-309,621
Common Equity Tier 1 (CET1) capital	**5,893,906**
Tier 1 capital (T1 = CET1 + AT1)	**5,893,906**
Tier 2 (T2) capital: instruments and subordinated loans	1,628,022
Tier 2 (T2) capital before regulatory adjustment	1,628,022
Tier 2 (T2) capital: regulatory adjustments	0
Total regulatory adjustments to Tier 2 (T2) capital	0
Tier 2 (T2) capital	**1,628,022**
Total capital (TC = T1 + T2)	**7,521,927**
Risk weighted assets	44,425,387
Common Equity Tier 1 (as a percentage of total risk exposure amount	13.27%
Tier 1 (as a percentage of total risk exposure amount	13.27%
Total capital (as a percentage of total risk exposure amount	16.93%

Capital requirements

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

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

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

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

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

CAPITAL REQUIREMENTS

Template 4: EU OV1 – Overview of RWAs

RON thd.

		RWAs		Minimum capital requirements
		30.06.2018	31.12.2017	30.06.2018
1	Credit risk (excluding CCR)	32,167,043	22,337,014	2,573,363
2	Of which the standardised approach	32,167,043	22,337,014	2,573,363
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which the advanced IRB (AIRB) approach	-	-	-
5	Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-
6	CCR	48,920	22,201	3,914
7	Of which mark to market	-	-	-
8	Of which original exposure	-	-	-
9	Of which the standardised approach	42,264	17,733	3,382
10	Of which internal model method (IMM)	-	-	-
11	Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
12	Of which CVA	6,656	4,468	532
13	Settlement risk	-	-	-

14	Securitisation exposures in the banking book (after the cap)	-	-	-
15	Of which IRB approach	-	-	-
16	Of which IRB supervisory formula approach (SFA)	-	-	-
17	Of which internal assessment approach (IAA)	-	-	-
18	Of which standardised approach	-	-	-
19	Market risk	6,430,736	5,344,525	514,459
20	Of which the standardised approach	6,430,736	5,344,525	514,459
21	Of which IMA			
22	Large exposures	-	-	-
23	Operational risk	5,778,689	5,358,427	462,295
24	Of which basic indicator approach	5,778,689	5,358,427	462,295
25	Of which standardised approach	-	-	-
26	Of which advanced measurement approach	-	-	-
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
28	Floor adjustment	-	-	-
29	**Total**	**44,425,387**	**33,062,167**	**3,554,031**

Capital requirement for credit risk

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

RON thd.

MINIMUM CAPITAL REQUIREMENT FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES - standardised approach	**Credit, dilution and free deliveries risk**	**Counterparty credit risk**
Total	**2,573,363**	**3,382**
Central governments or central banks	189,796	0
Regional governments or local authorities	3,514	0
Public sector entities	7,762	0
Multilateral Development Banks	0	0
International Organizations	0	0
Institutions	155,867	3,335
Corporates	747,240	47

Retail	842,513	0
Secured by mortgages on immovable property	311,545	0
Exposures in default	169,458	0
Items associated with particular high risk	0	0
Covered bonds	0	0
Claims on institutions and corporates with a short-term credit assessment	209	0
Collective investments undertakings (CIU)	0	0
Equity	0	0
Other items	145,459	0

Capital requirement for market risk

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

RON thd.

Risk exposure amount for position, foreign exchange and commodities risks under standardised approaches (SA)	**6,430,736**
Traded debt instruments	5,178,837
Equity	266,633
Foreign Exchange	0
Commodities	0
Particular approach for position risk in CIUs	985,265

Capital requirement for operational risk

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

RON thd.

Total risk exposure amount for operational risk (opr)	**5,778,689**

SWIFT: BTRLRO22
C.U.I. RO 50 22 670
R.B. - P.J.R. 12 - 019 - 18.02.1999
Nr. Înreg. Reg. Com.: J12 / 4155 / 1993

Exposure to counterparty credit risk

SETTING CREDIT LIMITS RELATED TO COUNTERPARTY CREDIT RISK EXPOSURES

Throughout its activity, Banca Transilvania has exposures to other Romanian or foreign banks through treasury and trade operations, in local or foreign currency, within certain exposure limits.
Exposure limits are calculated and they govern two types of operations: treasury and trade, these representing Banca Transilvania's maximum exposures on a partner bank, calculated as a percentage of own funds. Treasury operations are divided depending on the type of transaction, foreign exchange market (operational risk) or money market (credit risk) and depending on the date of settlement, respectively on maturity. Exposure limits according to the date of settlement, respectively maturity are not cumulative, but exclusive.
The method for determining exposure limits uses the principle of comparison between individual financial ratios calculated for the partner bank and the average ratios calculated for the group of banks it belongs to. Finally, financial ratios are weighted with quality indicators, indicators regarding the control of the Bank and the country rating;
The data which represents the basis for determining the exposure limit for partner banks:

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

The own funds requirements for the risk of credit valuation adjustment (CVA) for derivate financial instruments is calculated according to Art. 382, pct. 1.
Intragroup transactions are excluded from own funds requirements application for CVA risk according to Art. 382, pct. 4, lt. b.
In the CVA calculation algorithm, Banca Transilvania applies Art.384, which describes the standardized method. So, the own funds requirement is determinate on portfolio level for each counterpart.

Template 26: EU CCR2 – CVA capital charge

RON Thd

		31.06.2018	
		Exposure value	RWAs
1	Total portfolios subject to the advanced method		
2	(i) VaR component (including the 3× multiplier)		
3	(ii) SVaR component (including the 3× multiplier)		
4	All portfolios subject to the standardised method	38,767	6,656
EU4	Based on the original exposure method	-	-
5	Total subject to the CVA capital charge	**38,767**	**6,656**

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MANAGEMENT OF FINANCIAL INSTRUMENTS ELIGIBLE AS GUARANTEES

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

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

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

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

FINANCIAL RISKS RELATED TO FINANCIAL INSTRUMENTS OPERATIONS

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

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

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

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C.U.I. RO 50 22 670
R.B. - P.J.R. 12 - 019 - 18.02.1999
Nr. Înreg. Reg. Com.: J12 / 4155 / 1993

Credit risk adjustments

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

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

Impairment requirements under IFRS 9 are based on expected losses and imply the timely recognition of forthcoming estimated losses.

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

The proof that a financial asset is creditimpaired includes observable data about the following events:

- significant financial difficulty of the issuer or borrower;

- a breach of contract, such as a default or past-due event;

- the lender, for economic or contractual reasons relating to the borrower's financial difficulty, grants the borrower a concession that would not otherwise be considered;

- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

- the disappearance of an active market for the financial asset because of financial difficulties; or

- the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

A financial asset classified as impaired upon initial recognition will be maintained as such until its derecognition.

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its loans, debt instrument assets carried at amortised cost and fair value thorugh other comprehensive income and from loan commitments and financial guarantee contracts. The group assesses a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability wieghted amount that is determined by evaluating a range of possible outcomes;

- the time value of moeny; 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.

IFRS 9 outlines a 'three stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- a financial instrument that is not credit impaired on initial recognition is classified in 'Stage 1" and has its credit risk regularly monitred by the Group.

Sediul Central: str. George Bariţiu, nr. 8, 400027, Cluj-Napoca
Tel: + 40 264 407 150; Fax: + 40 264 301 128; www.bancatransilvania.ro

- if a significant increase in credit risk ('SICR") since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impiared.

- if the financial instrument is credit-impaired, the financil instrument is then moved to 'Stage 3'.

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

- a pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

- purchased or orginated credit-impaired ('POCI') financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (stage 3).

Write-off policy

Based on a specific analysis, the Group and the Bank may decide to derecognize a depreciated asset either through write-off or through off-balance registration. The analysis of financial assets subject to write-off is performed periodically with respect to assets which exceeded the recovery horizon and/or are fully provisioned - based on the assessment of significant changes affecting the financial performance of the borrower/issuer, changes causing the impossibility to pay the obligation, or changes resulting in insufficient amounts to cover the whole exposure after guarantee enforcement.

The Group holds collateral against loans and advances to customers in the form of mortgages over land and buildings, pledges on equipment and inventories, insurance policies and other guarantees. The Group has ownership rights over these guarantees until the end of the contract. The estimates of fair value are based on the collateral value assessed on the loan granting date and periodically updated afterwards

SWIFT: BTRLRO22
C.U.I. RO 50 22 670
R.B. - P.J.R. 12 - 019 - 18.02.1999
Nr. Înreg. Reg. Com.: J12 / 4155 / 1993

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

Template 11: EU CR1-A – Credit quality of exposures by exposure class and instrument

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
1	Central governments or central banks	0	0	0	0	0	0	0
2	Institutions	0	0	0	0	0	0	0
3	Corporates	0	0	0	0	0	0	0
4	*Of which: Specialised lending*	0	0	0	0	0	0	0
5	*Of which: SMEs*	0	0	0	0	0	0	0
6	Retail	0	0	0	0	0	0	0
7	*Secured by real estate property*	0	0	0	0	0	0	0
8	*SMEs*	0	0	0	0	0	0	0
9	*Non-SMEs*	0	0	0	0	0	0	0

SWIFT: BTRLRO22
C.U.I. RO 50 22 670
R.B. - P.J.R. 12 - 019 - 18.02.1999
Nr. Înreg. Reg. Com.: J12 / 4155 / 1993

	Qualifying revolving							
10	*Other retail*	0	0	0	0	0	0	0
	Retail	0	0	0	0	0	0	0
11	*Secured by real estate property*	0	0	0	0	0	0	0
12	*SMEs*	0	0	0	0	0	0	0
13	*Non-SMEs*	0	0	0	0	0	0	0
14	Equity	0	0	0	0	0	0	0
15	***Total IRB approach***	0	0	0	0	0	0	0
16	Central governments or central banks	0	9,939,364	6,689	0	0	6,689	9,932,675
17	Regional governments or local authorities	0	92,598	165	0	0	63	92,432
18	Public sector entities	0	123,830	591	0	0	-207	123,240
19	Multilateral development banks	0	0	0	0	0	0	0
20	International organisations	0	0	0	0	0	0	0
21	Institutions	0	5,426,842	59,778	0	0	59,442	5,367,064
22	Corporates	0	13,237,201	352,843	0	0	231,891	12,884,358
23	*Of which: SMEs*	0	818,857	16,404	0	0	-59,483	802,453
24	Retail	0	21,541,494	255,256	0	0	15,049	21,286,238
25	*Of which: SMEs*	0	7,654,113	93,207	0	0	38,163	7,560,905
26	Secured by mortgages on immovable property	0	11,546,923	149,464	0	0	-5,789	0
27	*Of which: SMEs*	0	1,234,368	10,432	0	0	469	0
28	Exposures in default	4,118,215	0	2,105,481	0	3,065,562	330,042	4,118,215

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29	Items associated with particularly high risk	0	0	0	0	0	0	0
30	Covered bonds	0	0	0	0	0	0	0
31	Claims on institutions and corporates with a shortterm credit assessment	0	15,734	55	0	0	-172	15,678
32	Collective investments undertakings	0	0	0	0	0	0	0
33	Equity exposures	0	0	0	0	0	0	0
34	Other exposures	0	5,056,367	1,062,569	0	0	469,191	3,993,797
35	***Total standardised approach***	**4,118,215**	**66,980,352**	**3,992,892**	**0**	**3,065,562**	**1,106,200**	**67,105,674**
36	***Total***	**4,118,215**	**66,980,352**	**3,992,892**	**0**	**3,065,562**	**1,106,200**	**67,105,674**
37	Of which: Loans	3,440,609	37,303,756	2,758,945	0	3,065,562	1,106,200	37,985,421
38	Of which: Debt securities	0	14,790,574	60,022	0	0	0	14,730,552
39	Of which: Offbalance-sheet exposures	350,385	10,112,909	0	0	0	0	10,463,294

Template 12: EU CR1-B – Credit quality of exposures by industry or counterparty types

		a	b	c	d	e	f	g
		Gross carrying values of		**Specific credit risk adjustment**	**General credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges of the period**	**Net values**
		Defaulted exposures	**Non-defaulted exposures**					**Defaulted exposures**
1	Agriculture, forestry and fishing	123,541	2,031,800	88,107	0	100,985	-9,130	2,067,234
2	Mining and quarrying	62,779	46,427	60,967	0	54,926	-7,902	48,240
3	Manufacturing	463,447	4,374,739	360,579	0	552,875	22,395	4,477,607
4	Electricity, gas, steam and air conditioning supply	74,214	526,286	65,175	0	223,508	-3,015	535,325
5	Water supply	22,893	123,654	16,800	0	43,665	-2,369	129,746
6	Construcțion	493,615	2,610,678	320,282	0	263,303	72,940	2,784,011
7	Wholesale and retail trade	546,287	4,698,554	375,814	0	690,238	102,211	4,869,028
8	Transport and storage	114,059	1,039,815	63,354	0	52,430	-3,873	1,090,520
9	Accomodation and food service	42,821	529,785	13,979	0	24,468	-6,929	558,626

10	Information and communication	72,801	633,503	61,344	0	12,556	8,300	644,959
11	Real estate activities	15,238	5,128,893	64,296	0	3,638	62,192	5,079,834
12	Proffesional, scientific and technical activities	43,041	684,701	31,380	0	143,561	-3,690	696,362
13	Administrative and support service activities	68,708	435,787	44,023	0	32,967	-2,538	460,471
14	Public administration and defence, compulsory social security	6,795	510,890	17,527	0	11,037	11,268	500,159
15	Education	6,492	5,914	4,319	0	23	-1,102	8,087
16	Human health services and social work activities	392	80,282	1,515	0	4,676	266	79,159
17	Arts, entertainment and recreation	27,764	836,017	20,937	0	18,702	-3,751	842,844
18	Other services	3,870	223,469	7,486	0	2,435	3,357	219,854
19	Financial and insurance activities	5,304	5,178,533	1,066,578	0	3,481	470,790	4,117,259
20	Central banks	0	9,939,364	6,689	0	0	6,689	9,932,675
21	Households	1,924,154	27,341,262	1,301,742	0	826,090	390,091	27,963,674
19	***Total***	**4,118,215**	**66,980,352**	**3,992,892**	**0**	**3,065,562**	**1,106,200**	**67,105,674**

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C.U.I. RO 50 22 670
R.B. - P.J.R. 12 - 019 - 18.02.1999
Nr. Înreg. Reg. Com.: J12 / 4155 / 1993

Template 14: EU CR1-D – Ageing of past-due exposures

		a	b	c	d	e	f
		Gross carrying values					
		≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1	Loans	38,131,695	514,803	365,222	338,458	294,119	1,100,069
2	Debt securities	14,790,574	0	0	0	0	0
3	***Total exposures***	**52,922,269**	**514,803**	**365,222**	**338,458**	**294,119**	**1,100,069**

Template 15: EU CR1-E – Non-performing and forborne exposures

		a	b	c	d	e	f	g	h	i	j	k	l	m
		Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received financiare primite	
			Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposues		On non-performing exposures	Of which forborne exposures
						Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
10	Debt securities	14,790,574	0	0	0	0	0	0	0	0	0	0	0	0
20	Loans and advances	40,744,366	603,437	490,649	3,145,628	3,145,628	3,145,628	1,694,778	1,075,160	65,347	1,683,785	917,054	1,282,995	1,076,440
30	Off-balance-sheet exposures	10,463,294	13,830	10,023	350,385	350,385	350,385	2,081	0	0	0	0	202,715	1,594

TemplateTemplate 16: EU CR2-A –
Changes in the stock of general and specific credit risk adjustments

		a	b
		Accumulated specific credit risk adjustment	**Accumulated general credit risk adjustment**
1	**Opening balance**	**-1,943,324**	**0**
2	Increases due to origination and acquisition	-426,675	0
3	Decrease due to derecognition repayments and disposals	219,851	0
4	Changes due to change in credit risk (net)	-82,794	0
5	Changes due to modifications without derecognition (net)	1,384	0
6	Changes due to update in the institution's methodology for estimation (net)	0	0
7	Decrease in allowance account due to write-offs	106,171	0
8	Other adjustments	-2,077	0
9	**Closing balance**	**-2,127,464**	**0**
10	Recoveries of previously written-off amounts recorded directly to the statement of profit or loss	227,361	0
11	Amounts written-off directly to the statement of profit or loss	0	0

Template 17: EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities

		a
		Gross carrying value defaulted exposures
1	**Opening balance**	**2,997,374**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	778,676
3	Returned to non-defaulted status	-118,407
4	Amounts written off	0
5	Other changes	-217,034
6	**Closing balance**	**3,440,609**

Direct write-downs and recoveries recorded directly in the income statements:

Decrease in allowance account due to write-offs	106,170
Income received on written-down claims	- 243,933

SWIFT: BTRLRO22
C.U.I. RO 50 22 670
R.B. - P.J.R. 12 - 019 - 18.02.1999
Nr. Înreg. Reg. Com.: J12 / 4155 / 1993

Exposure to market risk

In the first half of 2018 compared to the end of 2017, there was an increase in risk-weighted assets and capital requirements, due to increasing value of trading portfolio, based on the bank's investment strategy over the last year. The increasing value of trading book was determined mainly by investments in bonds, but also in unit funds and equities.

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

	30.06.2018	Capital requirements	RWAs
	Outright products		
1	Interest rate risk (general and specific)	5,178,837	414,307
2	Equity risk (general and specific)	266,633	21,331
3	Foreign exchange risk	0	0
4	Commodity risk	0	0
	Particular approach for position risk in CIUs	985,265	78,821
	Options		
5	Simplified approach	0	0
6	Delta-plus method	0	0
7	Scenario approach	0	0
8	Securitisation (specific risk)	0	0
9	**Total**	**6,430,736**	**514,459**

Exposure to interest rate risk on positions not included in the trading book

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

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

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

Interest rate risk is managed by monitoring the interest rate GAP (mismatch) and by means of a system of limits and indicators approved on maturity bands (time intervals) for interest

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SWIFT: BTRLRO22
C.U.I. RO 50 22 670
R.B. - P.J.R. 12 - 019 - 18.02.1999
Nr. Înreg. Reg. Com.: J12 / 4155 / 1993

reset.

The Assets and Liabilities Management Committee is the body that monitors the compliance with these limits, being assisted in the daily monitoring by the Treasury Department.
Interest rate risk management on positions not included in the trading book is carried out through the standardized approach for calculation of the potential changes in the group's economic value due to changes on the interest rates, according to BNR Regulation no. 5/2013 on prudential requirements for credit institutions, as subsequently amended and supplemented.
The standard movement of interest rates used is of +/-200 basis points, for each currency that exceeds 5% of total assets or liabilities from the banking book (Ron and Eur).

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

Potential change in economic value	RON thousand
Own funds	**7,521,927**
Potential decrease in economic value +/-200bp	
Total value	**269,734**
Impact in own funds	**3.59%**

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SWIFT: BTRLRO22
C.U.I. RO 50 22 670
R.B. - P.J.R. 12 - 019 - 18.02.1999
Nr. Înreg. Reg. Com.: J12 / 4155 / 1993

Leverage

Within the framework of EU Regulation no.575/2013 and in addition to the total capital requirements, the leverage ratio was implemented as a new instrument to limit the risk of excessive indebtedness.

The leverage ratio is the ratio of capital to the leverage exposure, specifficaly the tier 1 capital in relation to unweighted exposure on and off the statement of financial position.

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

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

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

As at 30.06.2018, the leverage ratio according to the transitional definition decreased slightly from 9.76% at 31.12.2017 to 7.45%, mainly due to the increase of the leverage ratio exposures.

RON thd.

Reconciliation of the total exposure measure with the relevant information disclosed in published financial statements	Applicable amount
Total assets as per published financial statements	75,376,858
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-172,572
Adjustments for derivative financial instruments	17,555
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	3,926,541
Other adjustments	0
Total leverage ratio exposure	**79,148,381**

On-balance sheet exposures (excluding derivatives and SFTs)	Applicable amount
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	75,486,423
(Asset amounts deducted in determining Tier 1 capital)	-306,847
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**75,179,576**

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SWIFT: BTRLRO22
C.U.I. RO 50 22 670
R.B. - P.J.R. 12 - 019 - 18.02.1999
Nr. Înreg. Reg. Com.: J12 / 4155 / 1993

Derivative exposures	**Applicable amount**
Adjusted effective notional amount of written credit derivatives	42,264
Total derivatives exposure	**42,264**

Other off-balance sheet exposures	**Applicable amount**
Off-balance sheet exposures at gross notional amount	10,352,090
(Adjustments for conversion to credit equivalent amounts)	-6,425,550
Other off-balance sheet exposures	**3,926,541**

Capital and total exposures	**Applicable amount**
Tier 1 capital	5,893,906
Total leverage ratio exposures	79,148,381
Leverage ratio (transitional)	**7.45%**

Split-up of on balance sheet exposures	**Applicable amount**
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	75,486,423
Trading book exposures	18,775,103
Banking book exposures, of which::	56,711,320
Covered bonds	0
Exposures treated as sovereigns	9,932,675
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	182,492
Institutions	5,143,220
Secured by mortgages on immovable property	11,290,808
Retail exposures	15,692,823
Corporates	8,806,049
Exposures in default	1,667,776
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	3,995,478

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Use of credit risk mitigation techniques

CREDIT RISK MITIGATION TECHNIQUES

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

We hereby mainly refer to the following aspects:

- the internal procedures for the assessment of goods, the manual for applying the internal procedure for the assessment of goods for the purpose of establishing bank guarantees, which diminishes the risk that a recognized guarantee is not enforced at its recognized value
- the lending rules both for legal entities and individuals provide for a mandatory legal opinion as part of the credit documentation, in order to minimize the legal risk regarding guarantee enforcement

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

The guarantee method used by BT is customized according to the customer's risk profile, the type of loan or other elements, according to the provisions of the lending rules.

Determining the value of the properties proposed as loan guarantees is made through evaluation reports documented by the external firms agreed by the Bank. The market value of the goods is established and inserted within the opinion summary (internal document accompanying the evaluation report), together with the value of the guarantee amd liquidation value.

In the lending agreement, in the guarantee agreement and in the Bank's accounting records, guarantees are recorded at the guarantee value determined by weighting the market value set in the evaluation reports with the ratios for adjusting guarantees to risk.

All goods proposed to be taken as guarantee meet the following conditions:

- they are placed in the civil circuit
- they are noticeable
- they can be precisely ascertained or are ascertainable;
- they are in the exclusive property of the borrower or the guarantor, as applicable, and this can be proven with legal documents
- they are correctly and fully recorded in public records
- they are not the object of any litigation or debt enforcement procedure, except where they are subject to novation
- they have a sufficiently active market so they can be easily redeemable in case of insolvency / execution of the guaranteed debtor or represent a potential interest for the bank as an acceptable asset in exchange for the receivable registered against the guaranteed debtor

- to be achievable, that is, be able to be converted into money within a reasonable time frame, without impediments, including moral / image
- to have intrusive value of duration: the guarantee must exist throughout the duration of the contract, can be monitored and evaluated on a regular basis, and in case of impairment, the Bank must take appropriate measures
- to be insurable (except land and other uninsurable goods) and the insurance policy to be assigned to the Bank

The establishment of market values is done either through the valuation of goods or through their revaluation activity.

a. **The valuation activity of the goods proposed as guarantee** is carried out based on the International Valuation Standards, the Regulations of the National Bank of Romania concerning the valuation of bank guarantees and Regulations of the National Association of Valuers in Romania and is aimed at determining the market value, the value of the guarantee and the liquidation value for the movable and immovable property proposed as collateral for loans granted to customers, values determined at the date of their acceptance as a bank guarantee.

b. **The revaluation activity of the goods accepted by the Bank as guarantees** is based on the International Valuation Standards, the Evaluation Guide – GEV520, the countinuous monitoring of the guarantee portfolio, as well as the provisions of the internal regulatory framework related to lending where it provides formore frequent assessments to be performed in comparison to the general regulations mentioned above.

MAIN TYPES OF COLLATERAL ACCEPTED BY THE INSTITUTION

The group accepts the following types of collateral:

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

Goods that are eligible to be the subject of mortgage:

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

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

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

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C.U.I. RO 50 22 670
R.B. - P.J.R. 12 - 019 - 18.02.1999
Nr. Înreg. Reg. Com.: J12 / 4155 / 1993

Template 18: EU CR3 – CRM techniques – Overview

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		a	b	c	d	e
		Exposures unsecured	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
		Carrying amount	Carrying amount			
1	Total loans	45,398,264	2,907,166	11,414,256	610,672	0
2	Total debt securities	0	0	0	0	0
3	**Total exposures**	**45,398,264**	**2,907,166**	**11,414,256**	**610,672**	**0**
4	Of which defaulted	2,012,734	0	0	0	0

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

RON Thd

		a	b	c	d	e	f
		Exposures before CCF and CRM		**Exposures post CCF and CRM**		**RWAs and RWA density**	
	Exposure classes	**On-balance-sheet amount**	**Off-balance-sheet amount**	**On-balance-sheet amount**	**On-balance-sheet amount**	**RWA**	**RWA density**
1	Central governments or central banks	9,939,364	0	9,932,675	0	2,372,452	100.07%
2	Regional government or local authorities	87,173	5,424	86,712	1,139	43,925	105.40%
3	Public sector entities	96,069	27,761	94,000	3,025	97,025	127.63%
4	Multilateral development banks	0	0	0	0	0	0.00%
5	International organisations	0	0	0	0	0	0.00%
6	Institutions	5,195,259	187,639	5,527,922	187,061	1,990,018	94.19%
7	Corporates	9,166,188	4,071,013	8,490,604	1,007,576	9,341,085	139.37%
8	Retail	15,969,711	5,571,783	13,547,826	1,835,162	10,531,411	140.03%
9	Secured by mortgages on immovable property	11,366,071	180,851	11,234,071	54,562	3,894,312	102.29%
10	Exposures in default	3,708,746	409,469	1,667,776	149,948	2,118,228	226.56%
11	Higher-risk categories	0	0	0	0	0	0.00%
12	Covered bonds	0	0	0	0	0	0.00%
13	Institutions and corporates	6,380	9,353	6,278	6,762	2,608	120.65%

	with a short-term credit assessment						
14	Collective investment undertakings	0	0	0	0	0	0.00%
15	Equity	0	0	0	0	0	0.00%
16	Other items	5,058,047	0	6,123,456	150,737	1,818,242	80.62%
17	**Total**	**60,593,009**	**10,463,294**	**56,711,320**	**3,395,972**	**32,209,307**	**118.22%**

Template 20: EU CR5 – Standardised approach

	Exposure classes	**Risk weight**																**Total**	**Of which unrated**
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted		
1	Central governments or central banks	3,940,495	0	0	4,021,920	0	0	0	0	0	1,970,260	0	0	0	0	0	0	9,932,675	
2	Regional government or local authorities	0	0	0	0	0	0	87,851	0	0	0	0	0	0	0	0	0	87,851	
3	Public sector entities	0	0	0	0	0	0	0	0	0	97,025	0	0	0	0	0	0	97,025	
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
5	International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
6	Institutions	0	0	0	0	4,099,693	0	917,106	0	0	698,184	0	0	0	0	0	0	5,714,983	
7	Corporates	0	0	0	0	0	0	0	0	0	9,498,181	0	0	0	0	0	0	9,498,181	
8	Retail	0	0	0	0	0	0	0	0	15,382,988	0	0	0	0	0	0	0	15,382,988	

9	Secured by mortgages on immovable property	0	0	0	0	0	11,288,633	0	0	0	0	0	0	0	0	0	0	11,288,633	
10	Exposures in default	0	0	0	0	0	0	0	0	0	1,216,715	601,009	0	0	0	0	0	1,817,724	
11	Higher-risk categories	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
12	Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	13,040	0	0	0	0	0	0	0	0	0	0	0	13,040	
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
15	Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
16	Other items	4,455,951	0	0	0	0	0	0	0	0	1,818,242	0	0	0	0	0	0	6,274,193	
17	Total	**8,396,445**	**0**	**0**	**4,021,920**	**4,112,733**	**11,288,633**	**1,004,956**	**0**	**15,382,988**	**15,298,608**	**601,009**	**0**	**0**	**0**	**0**	**0**	**60,107,292**	

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C.U.I. RO 50 22 670
R.B. - P.J.R. 12 - 019 - 18.02.1999
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Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds

Template IFRS 9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

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		T (30.06.2018)
Available capital (amounts)		
1	Common Equity Tier 1 (CET1) capital	5,893,906
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,787,689
3	Tier 1 capital	5,893,906
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,787,689
5	Total capital	7,521,927
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,415,711
Risk-weighted assets (amounts)		
7	Total risk-weighted assets	44,425,387
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	44,319,171
Capital ratios		
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	13.27%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.06%
11	Tier 1 (as a percentage of risk exposure amount)	13.27%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.06%
13	Total capital (as a percentage of risk exposure amount)	16.93%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.73%
Leverage ratio		

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15	Leverage ratio total exposure measure	79,148,381
16	Leverage ratio	7.45%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7.32%