

Regulatory Disclosure Report Banca Transilvania Group

As of 31.03.2021

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

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.

Contents

- 4 Liquidity Risk
- 6 Own funds
- 9 Capital requirements
- 11 Leverage

Liquidity risk

Liquidity risk represents the current or future risk that the profit and capital may be negatively affected as a result of the incapacity to fulfill its commitments or to repay its debts as they become due.

Liquidity risk has 2 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 Group is continuously acting to manage this type of risk.

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

LCR as of March 31, 2021, is presented in the below table:

LCR

Currency and units (RON)

	Scope of consolidation (solo/consolidated)	Total unweighted value					Total weighted value				
	Quarter ending on	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21
	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12	12	0
HIGH-QUALITY LIQUID ASSETS											
1	Total high-quality liquid assets (HQLA)						21,506	23,217	32,252	39,249	43,498
CASH-OUTFLOWS											
2	Retail deposits and deposits from small business customers, of which:	63,827	66,648	69,677	75,223	76,766	4,609	4,797	5,189	5,941	5,899
3	<i>Stable deposits</i>	46,267	48,601	46,782	49,775	50,892	2,313	2,430	2,339	2,489	2,545
4	<i>Less stable deposits</i>	17,304	17,772	22,649	24,859	25,448	2,039	2,092	2,603	2,863	2,928
5	Unsecured wholesale funding	11,425	10,346	11,456	12,509	13,319	5,095	4,743	5,137	5,328	6,057
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-	-	-	-	-	-	-	-	-
7	<i>Non-operational deposits (all counterparties)</i>	11,425	10,346	11,456	12,509	13,319	5,095	4,743	5,137	5,328	6,057
8	<i>Unsecured debt</i>	-	-	-	-	-	-	-	-	-	-
9	Secured wholesale funding	-	-	-	-	-	-	-	-	-	-
10	Additional requirements	3,543	3,528	3,329	2,665	2,733	505	502	411	137	141
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	-	-	-	-	-	-	-	-	-	-

12	<i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-	-	-
13	<i>Credit and liquidity facilities</i>	3,543	3,528	3,329	2,665	2,733	505	502	411	137	141
14	<i>Other contractual funding obligations</i>	72	75	676	88	70	-	-	-	-	-
15	<i>Other contingent funding obligations</i>	-	-	-	-	-	-	-	-	-	-
16	TOTAL CASH OUTFLOWS	-	-	-	-	-	10,210	10,042	10,737	11,406	12,096
CASH-FLOWS											
17	<i>Secured lending (eg reverse repos)</i>	-	-	-	-	-	-	-	-	-	-
18	<i>Inflows from fully performing exposures</i>	10,660	8,673	7,998	4,412	5,100	10,039	8,002	7,378	3,700	4,486
19	<i>Other cash inflows</i>	995	113	696	363	342	995	113	696	363	342
19a	<i>(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)</i>	-	-	-	-	-	-	-	-	-	-
19b	<i>(Excess inflows from a related specialised credit institution)</i>	-	-	-	-	-	-	-	-	-	-
20	TOTAL CASH INFLOWS	11,654	8,786	8,694	4,775	5,442	11,033	8,115	8,073	4,063	4,828
EU-20a	<i>Fully exempt inflows</i>	-	-	-	-	-	-	-	-	-	-
EU-20b	<i>Inflows Subject to 90% Cap</i>	-	-	-	-	-	-	-	-	-	-
EU-20c	<i>Inflows Subject to 75% Cap</i>	11,654	8,786	8,694	4,775	5,442	11,033	8,115	8,073	4,063	4,828
21	LIQUIDITY BUFFER	-	-	-	-	-	21,506	23,217	32,252	39,249	43,498
22	TOTAL NET CASH OUTFLOWS	-	-	-	-	-	2,552	2,511	2,684	7,343	7,268
23	LIQUIDITY COVERAGE RATIO (%)	-	-	-	-	-	843%	925%	1202%	535%	599%

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 loans and deductions stipulated by the applicable legal provisions.

Banca Transilvania, choose not to apply the temporary treatment specified in Article 468 and the own funds, capital and leverage ratios already reflect the full impact of unrealised gains and losses measured at fair value through other comprehensive income.

Template on the comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 CRR:

	RON Thou.				
	a	b	c	d	e
	31.03.2021	31.12.2020	30.09.2020	30.06.2020	31.03.2020
Available capital (amounts)					
Common Equity Tier 1 (CET1) capital	10,317,558	10,573,525	8,826,857	8,374,931	7,796,787
Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,408,666	9,515,777	7,954,236	7,767,012	7,916,733
CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	10,317,558	10,573,525	8,826,857	8,374,931	7,796,787
Tier 1 capital	10,317,558	10,573,525	8,826,857	8,374,931	7,796,787
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,408,666	9,515,777	7,954,236	7,767,012	7,916,733
Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	10,317,558	10,573,525	8,826,857	8,374,931	7,796,787
Total capital	11,877,188	12,108,132	10,399,418	9,938,028	9,392,730
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,968,297	11,050,385	9,526,797	9,330,110	9,512,675
Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	11,877,188	12,108,132	10,399,418	9,938,028	9,392,730
Risk-weighted assets (amounts)					
Total risk-weighted assets	55,344,252	57,543,951	55,237,487	55,246,252	55,350,344
Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	54,435,361	56,486,204	54,364,866	54,638,334	54,962,707
Capital ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	18.64%	18.37%	15.98%	15.16%	14.09%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.00%	16.54%	14.40%	14.06%	14.30%

CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	18.64%	18.37%	15.98%	15.16%	14.09%
Tier 1 (as a percentage of risk exposure amount)	17.00%	16.54%	14.40%	14.06%	14.30%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.64%	18.37%	15.98%	15.16%	14.09%
Total capital (as a percentage of risk exposure amount)	21.46%	21.04%	18.83%	17.99%	16.97%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.82%	19.20%	17.25%	16.89%	17.19%
Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	21.46%	21.04%	18.83%	17.99%	16.97%
Leverage ratio					
Leverage ratio total exposure measure	115,843,137	112,524,595	105,189,567	102,596,701	101,079,922
Leverage ratio	8.91%	9.40%	8.39%	8.16%	7.71%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.19%	8.54%	7.63%	7.53%	7.86%
Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	8.91%	9.40%	8.39%	8.16%	7.71%

Own funds

Own funds as of 31.03.2021

	RON Thou.
Own funds	31.03.2021
Capital instruments and the related share premium accounts	5,855,435
Retained earnings	1,592,619
Accumulated other comprehensive income (and other reserves)	2,437,999
Funds for general banking risk	77,893
Minority interests (amount recognized in consolidated CET1)	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	9,963,946
Additional value adjustments (negative value)	(40,474)
Intangible assets (net of related tax liability)	(305,061)
Goodwill	(16,319)
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)	-
Regulatory adjustments to unrealised gains and losses	-
Direct and indirect holding of own CET1 instruments	(61,650)
Deferred tax assets arising from temporary difference	-
Other transitional adjustments to Common Equity Tier 1	777,116
Total regulatory adjustments to Common Equity Tier 1 (CET1)	353,612
Common Equity Tier 1 (CET1) capital	10,317,558
Tier 1 capital (T1 = CET1 + AT1)	10,317,558
Tier 2 (T2) capital: instruments and subordinated loans	1,559,630
Tier 2 (T2) capital before regulatory adjustment	1,559,630
Total regulatory adjustments to Tier 2 (T2) capital	-
Tier 2 (T2) capital	1,559,630
Total capital (TC = T1 + T2)	11,877,188
Risk weighted assets	55,344,252
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.64%
Tier 1 (as a percentage of total risk exposure amount)	18.64%
Total capital (as a percentage of total risk exposure amount)	21.46%

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 one hand and risk-weighted assets (RWA) on the other hand.

Capital requirements

Template 4: EU OV1 – Overview of RWAs

RON Thou.

		RWAs		Minimum capital requirements
		31.03.2021	31.12.2020	31.03.2021
1	Credit risk (excluding CCR)	33,005,585	38,818,678	2,640,447
2	Of which the standardised approach	33,005,585	38,818,678	2,640,447
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	76,231	76,032	6,098
7	Of which mark to market	45,820	44,562	3,666
8	Of which original exposure	-	-	-
9	Of which the standardised approach	-	-	-
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	30,411	31,470	2,433
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	13,738,071	10,664,643	1,099,046
20	Of which the standardised approach	13,738,071	10,664,643	1,099,046
21	Of which IMA	-	-	-
22	Large exposures	-	-	-
23	Operational risk	8,524,365	7,984,598	681,949
24	Of which basic indicator approach	8,524,365	7,984,598	681,949
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	55,344,252	57,543,951	4,427,540

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, specifically the tier 1 capital in relation to unweighted exposure on and off balance sheet.

As of 31.03.2021, the leverage ratio according to the transitional definition is 8.91% in comparison with 9.40% at 31.12.2020.

	RON Thou.
Reconciliation of the total exposure measure with the relevant information disclosed in published financial statements	Applicable amount
Total assets as per published financial statements	110,887,819
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	110,887,819
Adjustments for derivative financial instruments	-
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	4,546,104
Other adjustments	-
Total leverage ratio exposure	114,934,245

	RON Thou.
On-balance sheet exposures (excluding derivatives and SFTs)	Applicable amount
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	110,633,472
(Asset amounts deducted in determining Tier 1 capital)	(555,280)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	110,078,193

	RON Thou.
Derivative exposures	Applicable amount
Adjusted effective notional amount of written credit derivatives	4,667,913
Total derivatives exposure	4,667,913

	RON Thou.
Other off-balance sheet exposures	Applicable amount
Off-balance sheet exposures at gross notional amount	13,088,668
(Adjustments for conversion to credit equivalent amounts)	-
Other off-balance sheet exposures	13,088,668

		RON Thou.
	Capital and total exposures	Applicable amount
20	Tier 1 capital	10,317,558
21	Total leverage ratio exposures	115,843,137
22	Leverage ratio (transitional)	8.91%
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional