

REGULATORY DISCLOSURE REPORT BANCA TRANSILVANIA GROUP AS OF 30.09.2020

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.

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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.

The 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

	a	b	c	d	e
	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019
Available capital (amounts)					
Common Equity Tier 1 (CET1) capital	8,826,857	8,374,931	7,796,787	8,187,882	6,957,041
Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,954,236	7,767,012	7,916,733	8,838,144	7,090,971
Tier 1 capital	8,826,857	8,374,931	7,796,787	8,187,882	6,957,041
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,954,236	7,767,012	7,916,733	8,838,144	7,090,971

Total capital	10,399,418	9,938,028	9,392,730	9,765,025	8,562,616
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,526,797	9,330,110	9,512,675	9,849,745	8,696,546
Risk-weighted assets (amounts)					
Total risk-weighted assets	55,237,487	55,246,252	55,350,344	51,581,043	51,238,215
Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	54,364,866	54,638,334	54,962,707	51,202,810	50,910,473
Capital ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	15.98%	15.16%	14.09%	15.87%	13.58%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.40%	14.06%	14.30%	17.13%	13.84%
Tier 1 (as a percentage of risk exposure amount)	15.98%	15.16%	14.09%	15.87%	13.58%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous	14.40%	14.06%	14.30%	17.13%	13.84%

ECLs transitional arrangements had not been applied					
Total capital (as a percentage of risk exposure amount)	18.83%	17.99%	16.97%	18.93%	16.71%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.25%	16.89%	17.19%	19.10%	16.97%
Leverage ratio					
Leverage ratio total exposure measure	104,316,946	103,204,619	100,692,285	96,403,298	92,427,259
Leverage ratio	8.39%	8.46%	7.71%	8.46%	7.50%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7.63%	9.17%	7.86%	9.17%	7.67%

Own funds as of 30.09.2020

Own funds in RON thousand	30.09.2020
Capital instruments and the related share premium accounts	5,333,826
Retained earnings	437,924
Accumulated other comprehensive income (and other reserves)	2,567,782
Funds for general banking risk	77,893
Minority interests (amount recognized in consolidated CET1)	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	8,417,424

Additional value adjustments (negative value)	(150,529)
Intangible assets (net of related tax liability)	(252,973)
Goodwill	(18,717)
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	(40,969)
Deferred tax assets arising from temporary difference	-
Other transitional adjustments to Common Equity Tier 1	872,621
Total regulatory adjustments to Common Equity Tier 1 (CET1)	409,433
Common Equity Tier 1 (CET1) capital	8,826,857
Tier 1 capital (T1 = CET1 + AT1)	8,826,857
Tier 2 (T2) capital: instruments and subordinated loans	1,572,561
Tier 2 (T2) capital before regulatory adjustment	1,572,561
Total regulatory adjustments to Tier 2 (T2) capital	-
Tier 2 (T2) capital	1,572,561
Total capital (TC = T1 + T2)	10,399,418
Risk weighted assets	55,237,487
Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.98%
Tier 1 (as a percentage of total risk exposure amount)	15.98%
Total capital (as a percentage of total risk exposure amount)	18.83%

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

		RWAs		RON thd. Minimum capital requirements
		30.09.2020	31.12.2019	30.09.2020
1	Credit risk (excluding CCR)	38,766,042	35,096,854	3,101,283
2	Of which the standardised approach	38,766,042	35,096,854	3,101,283
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	80,608	44,733	6,449
7	Of which mark to market	46,438	23,036	3,715
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			
		34,171	21,697	2,734
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			
		8,406,239	9,209,245	672,499
20	Of which the standardised approach			
		8,406,239	9,209,245	672,499
21	Of which IMA			
22	Large exposures			
23	Operational risk			
		7,984,598	7,230,211	638,768
24	Of which basic indicator approach			
		7,984,598	7,230,211	638,768
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	55,237,487	51,581,043	4,418,999

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 30.09.2020, the leverage ratio according to the transitional definition is 8.39% in comparison with 8.46% at 31.12.2019.

	Capital and total exposures	Applicable amount RON Thd
20	Tier 1 capital	8,826,857

21	Total leverage ratio exposures	105,189,567
22	Leverage ratio (transitional)	8.39%
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional