

REGULATORY DISCLOSURE REPORT BANCA TRANSILVANIA GROUP AS OF 30.09.2019

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.

Own funds as of 30.09.2019:

- Common Equity Tier 1 (CET1) capital before regulatory adjustments (row 6): 7,090,971 thd. RON;
- Common Equity Tier 1 (CET1) capital (row 29) : 6,957,041 thd. RON;
- Additional Tier 1 (AT1) capital (rows 36 and 44): 0 thd. RON;
- Tier 1 capital (T1 = CET1 + AT1) (row 45): 6,957,041 thd. RON;
- Tier 2 (T2) capital before regulatory adjustment (row 51): 1,605,575 thd. RON;
- Tier 2 (T2) capital (row 58): 1,605,575 thd. RON;
- Total capital (TC = T1 + T2) (row 59): 8,562,616 thd. RON;
- Total regulatory adjustments for each aggregated level of own funds: -133,930 thd. RON (row 28) and 0 thd. RON (rows 43 and 57);
- Common Equity Tier 1 (as a percentage of total risk exposure amount): 13.58% (row 61);
- Tier 1 (as a percentage of total risk exposure amount): 13.58% (row 62);
- Total capital (as a percentage of total risk exposure amount): 16.71% (row 63).

Own funds

	Own funds in RON thousand	8,256,484
1	Capital instruments and the related share premium accounts	5,333,435
2	Retained earnings	208,678
3	Accumulated other comprehensive income (and other reserves)	1,470,965
3a	Funds for general banking risk	77,893
5	Minority interests (amount recognized in consolidated CET1)	0
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	7,090,971
7	Additional value adjustments	-124,760
8	Intangible assets (net of related tax liability)	-280,853
	Goodwill	-4,398
16	Direct and indirect holding of own CET1 instruments	-51,660
	Other transitional adjustments to Common Equity Tier 1	327,741
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-133,930
29	Common Equity Tier 1 (CET1) capital	6,957,041
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0
43	Total regulatory adjustments to additional Tier 1 (AT1) capital	-
44	Additional Tier 1 (AT1) capital	0
45	Tier 1 capital (T1 = CET1 + AT1)	6,957,041
46	Tier 2 (T2) capital: instruments and subordinated loans	1,605,575
51	Tier 2 (T2) capital before regulatory adjustment	1,605,575
57	Total regulatory adjustments to Tier 2 (T2) capital	0
58	Tier 2 (T2) capital	1,605,575
59	Total capital (TC = T1 + T2)	8,562,616
60	Risk weighted assets	51,238,215
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	13.58%
62	Tier 1 (as a percentage of total risk exposure amount)	13.58%
63	Total capital (as a percentage of total risk exposure amount)	16.71%

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		Minimum capital requirements
		30.09.2019	30.06.2019	30.09.2019
1	Credit risk (excluding CCR)	35,541,687	33,651,858	2,843,335
2	Of which the standardised approach	35,541,687	33,651,858	2,843,335
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	7,160	10,385	573
7	Of which mark to market	4,505	6,024	360
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	-	-	-

RON thd.

12	Of which CVA	2,655	4,360	212
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	8,459,156	8,111,071	676,732
20	Of which the standardised approach	8,459,156	8,111,071	676,732
21	Of which IMA	-	-	-
22	Large exposures			
23	Operational risk	7,230,211	7,230,211	578,417
24	Of which basic indicator approach	7,230,211	7,230,211	578,417
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	51,238,215	49,003,525	4,099,057

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 30.09.2019, the leverage ratio according to the transitional definition is 7.50% in comparison with 7.98% at 30.06.2019.

	Capital and total exposures	Applicable amount RON Thd
20	Tier 1 capital	6,957,041
21	Total leverage ratio exposures	92,755,000
22	Leverage ratio (transitional)	7.50%
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional