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

REGULATORY DISCLOSURE REPORT BANCA TRANSILVANIA GROUP 2018

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

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

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 at the time 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.

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

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

Contents:

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

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

Risk management Objectives and policies

RISK MANAGEMENT STRATEGIES AND PROCESSES

The Group's objective regarding risk management is to integrate the established Risk appetite into the bank's decisional processes by promoting the appropriate alignment of risk, capital and performance targets, while at the same time considering risk capacity and appetite constraints from both financial and non-financial risks. In order to determine the risk appetite and capacity all material risk the Group is exposed to are taken into consideration, and given the specificity of the activity, it is mainly driven by credit risk.

Banca Transilvania Group sets its risk appetite in accordance to the general business strategy, the Group's own funds and its risk management experience.

Banca Transilvania's general risk appetite is set at a ***medium*** level, depending on the risk appetite established for each risk category in turn, based on the contamination principle, as follows:

Type of risk	Risk appetite
Credit risk	Medium
Market risk	Medium-Low
Liquidity risk	Medium-Low
Interest rate risk related to activities outside the trading book	Low
Operational risk	Medium low
Risk of excessive leverage	Low
Reputational risk	Low
Strategic risk	Low

Risk management is part of all the decision-making and business processes that take place in the Group's and the Bank`s activity. Within this context, the management:

- Continuously assesses the risks likely to affect the group's business and goals and takes actions whenever any changes appear in its business conditions;
- Ensures the existence of an adequate activity management framework within the bank, considering both internal factors (the complexity of the organizational structure, the nature of the activity, staff quality and fluctuation) and external factors (macroeconomic factors, legislation changes, competition changes in the banking sector, technological progress).
- Identifies the risk**:** The Group's exposure to business-banking risks in it's daily operations and transactions (including lending ,dealing and capital market operations) trading, equity market activity) is identified and aggregated in the group's risk management infrastructure
- Evaluates/measures risk: The group performs an evaluation of identified risks by specific models and calculation methods: a system of ratios with related limits, a methodology for assessing the risk events likely to generate losses, calculation of specific risk provisions for impaired assets, estimation of the future evolution of assets value, etc. Monitors and controls the risks: The policy and the procedures implemented for an effective risk management are meant to mitigate risks inherent to the business. The Group implemented procedures for the supervision and approval of decision and trading limits per person/ unit/ product etc. Such limits are monitored daily/ weekly/ monthly depending on operations.

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

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

- Reports the risk: For the specific risk categories, the Group has established transparent regular reporting mechanisms, so that the management body and all the relevant units are provided with precise, concise, intelligible and significant reports in due time, and are able to exchange relevant information on risk identification, quantification or assessment and monitoring.
- Computes and asseses the internal capital and capital requirements**:** For the assessment of capital adequacy to risks, the Group identifies and evaluates all significant risks to which it is or might be exposed. The Group continuously calculates and assesses its internal capital and internal capital requirements, in order to cover the bank's business needs and related risks, also through stress tests.

The risk management framework includes internal regulations, applicable both to the Group as a whole and also individually to the bank and each of it's subsidiaries, limits and controls that ensure the identification, assessment, monitoring, mitigation and reporting of the risks pertaining to the group's activity in general and where applicable, at the level of the business lines.

Based on the crisis simulations periodically undertaken by the bank and in accordance with the legal provisions and specific requirements, the Group's management has structured its future action priorities by equally taking into account the business environment evolution and current macroeconomic environment.

Principles in approaching and implementing crisis simulations

In order to efficiently use this risk management tool, the Group applies the following principles:

- use of crisis simulations according to the nature, extension and complexity of their activities, as well as according to its risk profile;
- use of crisis simulations as a diagnostic tool for understanding the risk profile and as a proactive tool in the process of internal assessment of capital adequacy; the crisis simulation program is an integral part of risk management and of the internal process for assessing the adequacy of capital to risks;
- determination of all significant risks which may be subject to crisis simulations, taking into account the analysis of the nature and composition of the Bank's portfolio and the analysis of the environment where it operates;
- establishment of significant risk determinants that will be used in crisis simulations according to the significant risks identified;
- verification, at least twice a year, of the degree of adequacy / correspondence between crisis simulations (assumptions) and the risk appetite, as well as the environment where the Bank carries out its activity.

The main risk categories to which the Group is exposed to are: credit risk, liquidity risk, operational risk, market risk, interest rate risk outside the trading book, reputational risk, the risk associated with excessive usage of leverage, strategic risk and compliance risk.

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

a) Credit Risk Management

The Group is exposed to credit risk through the trading, lending, leasing, investment and guarantee issuing activities. The credit risk arising from trading and investment activities is mitigated by selecting only counterparties with good credit standing and by monitoring their activities and ratings, by using exposure limits and, when necessary, by requesting collaterals.

The credit risk appetite determined a priori for 2018 was "medium", depending on the risk appetite set for each sub-category as follows:

The risk appetite established in advance for counterparty credit risk and residual risk in Banca Traansilvania is medium.

The risk appetite established in advance for concentration risk in Banca Transilvania is low.

In 2018, the bank's general risk profile was in line with the risk appetite adopted.

The Group's primary exposure to credit risk arises from loans and advances to customers.

The amount of credit risk exposure is represented by the carrying amounts of the assets on the separate statement of financial position. The Group is exposed to credit risk derived from other financial assets, including derivative instruments and debt investments; the current credit risk exposure in respect of these instruments is equal to the carrying amount of the assets in the separate statement of financial position.

In addition, the Group is exposed to off balance sheet credit risk from credit and guarantee commitments.

In order to minimize the risk, the Group has defined procedures to assess customers before loan granting, to monitor their capacity to reimburse the principal and related interest during the entire loan period and to define exposure limits. In addition, the Group has implemented procedures for monitoring the risks related to the loan portfolio and have defined exposure limits by types of loans, economic sectors, types of collateral, maturity and so on.

The Group holds guarantees for loans and advances to customers in the form of pledge over cash deposits, mortgage over property, guarantees and other pledges over equipment and/or receivables for the loands and advances to costumers. The estimates of fair value are based on the collateral value assessed at the date of lending, except when a loan is individually assessed subsequently. Collateral is generally not held over loans and advances to banks.

The Board of Directors has delegated the credit risk management responsibility to the Leaders' Committee, Credit Policy and Approval Committee, Head Office Credit and Risk committees (credit approval), Credit and Risk Committees in branches/ agencies and Workout Committee. Moreover, several departments with risk attributions operate within the Bank, reporting to the Head Office Committees with respect to:

- The analysis, assessment and monitoring of specific risks within the lending activity;
- The risk analysis of the loan portfolio/large exposures, with recommendations submitted to the Leaders' Committee/Board of Directors;
- Monitoring the observance of internal policies specific to the lending activities;

- Elaborating proposals for the reduction of specific risks, in order to maintain healthy standards in the lending activity;
- Elaborating an efficient credit risk rating process capable of rendering the variable level, nature and determining factors related to credit risk, which could occur in time, so as to ensure in a reasonable manner that all the credit exposures are properly monitored and the ECL-related allowances are properly measured;
- Monitoring the granted loans, in accordance with the client's financial performance, loan type, collateral type and debt service, in accordance with the internal lending policies and procedures;
- The approval and monitoring of ratios related to the establishment/modification of the branches' lending competences, according to specific internal policies;
- The periodic reviews and recommendations to the Leaders' Committee on the risk levels accepted by the Group;
- Identifying, monitoring and controlling the credit risk at branch level and subsidiary level;
- The risk analysis with respect to new lending products/changes of loan products, including recommendations to the involved Departments;
- The periodical reporting to the Deputy CEO - Chief Risk Officer, Leaders' Committee, Risk Management Committee and the Board of Directors on the evolution of significant risks (the implications of risk correlation, forecasts etc.);
- Elaborating the methodology for the early identification of higher real or potential credit risks (early warning);
- Elaborating processes to be systematically and consistently applied in order to establish proper allowances for the loss in accordance with the applicable accounting regulations in the field of credit risk;
- Establishing and reviewing the back-testing methodology regarding the adequacy of the default probability parameter, the non-repayment status and the provision level related to the Bank's loan portfolio;

The methodologies used for the credit risk assessment and the determination of the loss- adjusted level by type of exposure, follow in particular:

a) include a robust process, designed to endow the bank with the possibility of identifying the level, nature and determinants of credit risk, from the moment of the initial recognition of the credit exposure, and ensure that the subsequent changes in credit risk can be identified and quantified;

b) include criteria that takes into account, adequately, the impact of the forward-looking information, including the macroeconomic factors;

c) include criteria that takes into account, adequately, the impact of the forward-looking information, including the macroeconomic factors;

d) include a process for assessing the inputs adequacy and the significant assumptions, related to the chosen ECL level determination method;

e) take into consideration the relevant internal and external factors that may affect the ECL estimates;

f) involve a process for assessing the overall suitability of loss adjustments in accordance

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

with relevant accounting regulations, including a periodic review of the ECL models.

The management of credit risk consists mainly of:

- The organization of a proper system of norms and procedures in this field, establishing the regulatory framework for the lending process in order to avoid or to minimize risk occurrence;
- development / improvement of credit risk management procedures (strategy, policies, norms related to credit risk management);
- ongoing improvement of the credit approval / granting process;
- The maintenance of an adequate process for credit management, control and monitoring;
- Organizational structure of the bank – there are departments and committees with responsibilities in credit risk supervision and management.

Each Branch/Agency implements at local level the Group's and the Bank's policies and regulations regarding credit risk, having loan approval competences established by the Leaders' Committee. Each Branch/Agency is responsible for the quality and performance of its loan portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Head Office approval.

The Internal Audit Department and the Risk Control Department carry out periodical reviews of the branches and agencies.

b) 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 Group has access to a diverse funding base. Funds are raised by using a broad range of instruments, including deposits from customers or from banks, loans from development institutions and financial institutions and share capital. Access to diverse funding sources improves the flexibility to attract funds, limiting the dependence on one type of financing and on one type of partner and leading to an overall decrease of financing costs. The Group tries to maintain a balance between continuity and flexibility in attracting funds, by signing financing contracts with different maturities and in different currencies. The Group continually assess liquidity risk by identifying and monitoring changes in the financing contracts, and by diversifying the funding sources.

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.

The liquidity risk appetite in 2018 was "medium-low" due to the structural correlations of the bank's assets and liabilities, namely the mix of instruments designed for the use of temporary liquidity excess, but also due to the weight of stable resources raised from clients in total funds; the liquidity risk profile is determined in a conscious manner and in line with the international and domestic market conditions, but also by considering the bank's sound development under the current legal

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

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

circumstances, with the purpose to achieve both prudential and profitability requirements. Liquidity management is centralized.

The main principle in determining the types of instruments used by the Treasury in order to use temporary liquidity excess is investment portfolio diversification (over 5 types/categories), considering the reversed correlation between the risk degree and the liquidity level, establishing minimum and/or maximum accepted levels for the relevant categories of investments, granting special attention to liquid assets easily convertible into cash that are eligible for collateral, without materially affecting the initial yield of investments, notably their profitability.

For a sound management of liquidity risk, the Group is constantly concerned with raising liquidities via treasury operations, external financing, capital markets, etc. taking into account several factors such as the issuer's rating, the issuance maturity and volume, trading markets.

The operative management of liquidity is ensured on an intraday basis, on a daily basis, or on a longer timeframe, in line with a liquidity management policy that provides for the management of assets in view of the market trading capacity and the liabilities' structure, the management of liquidity denominated in main currencies, the definition of specific liquidity ratios to be monitored on a daily basis, including early warning signals, the assessment of future cash flows, related inconsistencies and counteraction capacity, the preparation of an alternative liquidity management plan, so as to ensure the execution of all settlements/ payments of the bank carried out in its own name or on behalf of its customers, in lei or FCY, on accounts or in cash, within the internal, legal and mandatory limits.

Moreover, the Bank also applies a liquidity buffer consisting mainly in cash, unpledged government bonds and minimum required reserve surplus, for the purpose to cover the additional liquidity needs that may occur on a short period of time under stress conditions.

During 2018, the Bank recorded levels of rating 1 liquidity ratios, showing a solid position and having a liquidity more than comfortable, in a general fragile economic context.

The principal source of funding is represented by Retail segment, which receives the smallest exit rates within the LCR indicator. Within the Retail segment, the biggest share is represented by accounts with which the bank has a stable relationship.

Other important sources for the bank generated by diversity, but which have bigger exit rates, are: corporate deposits, funding lines from financial institutions(banks and development institutions).

The denomination of liquidity asset in calculation of liquidity coverage ratio corresponds to the distribution by currency of the liquidity outflows, after inflows deduction.

For the three months ended December 2018 the bank had total average un-weighted retail deposits of 46,719 mio RON and average weighted cash outflows of 3,546 mio RON, which resulted in an implied LCR cash outflow rate of 8% and 92% liquidity value. Additionally for the same period of time the bank had total average un-weighted unsecured wholesale funding of 10,897 mio RON and average weighted cash outflows of 5,348mio RON, which resulted in an implied LCR cash outflow rate of 49%, and 51% liquidity value.

Banca Transilvania takes in consideration liquidity inflows to be received by third-countries, which have transfer restrictions or which are denominated in non-convertible currencies, only if they correspond to third-country outflows, also in that currency. Banca Transilvania watches monthly, according to art. 415 of Regulation (EU) No. 575/2013, aggregated debts in a currency other than the

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

liquidity coverage ratio currency . Banca Transilvania also calculates and reports monthly the specific reports on liquidity coverage ratio in this currency.

The quantitative information about LCR presents the values and dates for every of the four quarters previous publication date, calculates as simple averages of observations made at the end of each month, during those 12 months preceding the end of each quarter.

The bank's average LCR of 434% (twelve months average) as of December 31, 2018 has been calculated in accordance with the above two mentioned documents, while the year-end LCR as of December 31, 2017 stands at 613 %.

Currency mismatch in the LCR:

The LCR is calculated in all significant currencies that make up at least 5% of the total Balance Sheet (RON, EUR and aggregated in RON). There is no explicit LCR risk appetite for the specific currencies but according to Article 4 paragraph 5 of Commission Delegated Regulation (EU) 2015/61 all liquidity coverage ratio results are monitored.

Derivative exposures and potential collateral calls:

The outflows related to derivative exposures and other collateral requirements are presented in item 11 "Outflows related to derivative exposures and other collateral requirements" of the bellow table while the inflows are shown in item 19 "Other cash inflows".
Other significant outflows relate to the impact of an adverse market scenario on derivatives based on the 24 month historical look back approach.

Scope of consolidation (solo/consolidated)		Total unweighted value				Total weighted value			
Currency and units (XXX million)									
Quarter ending on (DD Month YYY)		31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-18	30 Iun 2018	30-Sep-18	31-Dec-18
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					14,425	16,052	17,547	19,022
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	36,824	39,898	43,209	46,719	2,605	2,897	3,252	3,546
3	*Stable deposits*	27,871	30,122	32,397	34,616	1,394	1,506	1,620	1,731
4	*Less stable deposits*	8,743	9,475	10,381	11,638	1,001	1,091	1,201	1,350
5	Unsecured wholesale funding	7,957	8,928	10,044	10,897	4,002	4,526	5,026	5,348
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	1	2	2	-	0	0	1
7	*Non-operational deposits (all counterparties)*	7,957	8,927	10,042	10,895	4,002	4,526	5,026	5,348

8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	1,715	1,835	1,928	2,091	95	134	165	197
11	*Outflows related to derivative exposures and other collateral requirements*	-	34	62	85	-	34	62	85
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	1,715	1,801	1,867	2,005	95	101	103	111
14	Other contractual funding obligations	71	126	156	172	-	59	101	113
15	Other contingent funding obligations	-	340	691	885	-	17	35	40
16	TOTAL CASH OUTFLOWS					6,701	7,634	8,579	9,244
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	-	72	121	121	-	31	31	31
18	Inflows from fully performing exposures	4,836	4,810	5,100	5,179	4,268	4,231	4,468	4,482
19	Other cash inflows	181	282	253	351	181	282	252	350
EU-19a	(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)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	5,017	5,165	5,474	5,652	4,449	4,544	4,750	4,863
EU-20a	***Fully exempt inflows***	-	-	-	-	-	-	-	-
EU-20b	***Inflows Subject to 90% Cap***	-	-	-	-	-	-	-	-
EU-20c	***Inflows Subject to 75% Cap***	5,017	5,165	5,474	5,652	4,449	4,544	4,750	4,863
21	**LIQUIDITY BUFFER**					**14,425**	**16,052**	**17,547**	**19,022**
22	**TOTAL NET CASH OUTFLOWS**					**2,356**	**3,156**	**3,861**	**4,381**
23	**LIQUIDITY COVERAGE RATIO (%)**					**612%**	**509%**	**454%**	**434%**

c) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's and the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior or natural disasters that lead to the Group's business disruption.

Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective in terms of operational risk management is to ensure the mitigation of the effects of operational risk events within the bank's activity, to minimize losses resulting from operational risk incidents, as well as to provide protection against risk categories beyond the bank's control.

To identify, evaluate, monitor and diminish the operational banking risk, the Bank:

- permanently assesses the operational risk exposures based on historical data, managing the conduct risk as a sub-category of operational risk, as well as the risk-determining factors, associated with this category, paying a particular attention because of its expansion degree, relevance and possible prudential impact of it;

- assesses the products, processes and systems which aim to develop new markets, products and services, as well as significant changes to the existing ones and performing exceptional transactions to determine their associated risk levels and the measures required for the removal / diminishment of such risks to acceptable levels.

In order to reduce the inherent risk in the operational activities of the Group, a general risk management framework was developed for managing these risks, in accordance with the defined business objectives, the adopted risk appetite, the applicable national and international laws and regulations and the internal norms and policies on operational risk, which are part of the corporate governance framework.

The Group's and the bank's strategy to diminish the exposure to operational risks is mainly based on:

- constant compliance of the normative documents with the legal regulations and adjustment to the market conditions;
- personnel training;
- efficiency of the internal control systems (organization and implementation);
- implementation of IT developments and consolidation of the bank's security systems;
- the use of complementary risk mitigation means: insurance policies, outsourcing;
- the implementation of measures for the limitation and reduction of the effects of the identified operational risk incidents, such as: standardization of the current activity, automation of most processes with permanently monitored control points; reduction of redundant data volumes collected at the level of different entities of the bank
- the application of the recommendations and the conclusions resulting from on-going monitoring;
- the update, evaluation and testing of business continuity plans on a regular basis, in particular of those systems that support the critical operational processes of the bank .
- assessment of products, processes and systems in order to determine the significant ones in terms of inherent operational risk;
- actions for the mitigation of cyber risks, as well as specific protocols to be followed in order to remove/diminish the impact of cyber attacks.

The Bank applies different policies and processes for the assessment and the management of the exposure to operational risk, including the model risk, whereas they cover events with reduced frequency and potential major negative impact.

The Risk Management Department together with the Operational and IT Risk Management Department monitor the implementation of the strategy and methodology for the identification, measurement, monitoring, control and mitigation of operational risk in Banca Transilvania and make sure to inform the Leaders' Committee on the problems, significant trends in terms of operational risks and propose risk mitigation measures.

The Internal Audit and the Risk Control monitor the compliance with the Group's and the Bank`s standards through regular on-site and off-site inspections. The results of internal audit, operational risk monitoring and control are discussed with the management of the audited business units and a summary is submitted to the Group's Management.

d) Market Risk

Market risk represents the current or prospective risk that the earnings of the Group and the value of financial instruments held may be negatively affected by adverse market movements in prices, interest rates, foreign exchange rates or other financial ratios. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on investments.

Fair value of financial instruments

The Group measures 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 using evaluation methods which contain data that are not observable and there aren't available market data. For evaluation in level 2 in the fair value hierarchy are being used market observable parameters, interest rates and yield curves observable at commonly quoted intervals, implied 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 using inputs based on data of an observable market (unobservable data inputs shall be used to measure fair value to the extent that participants in market condition would establish the price of an asset or a liability, based on assumptions related to risk level).

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 prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of 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 statement of the financial position.

Financial assets and liabilities

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

The new approach to the classification of financial assets relies on the cash flow characteristics and on the business model within which an asset is held.
The Group and the Bank classify their financial assets and liabilities in the following categories:

- Financial assets at fair value through profit or loss (FVPL);
- Financial assets measured at fair value through other items of comprehensive income (FVOCI);
- Financial assets at amortized cost.

The Group and the Bank recognize all financial assets and liabilities at the transaction date. The transaction date is the date when the Group and the Bank undertake to buy or to sell an asset.

d1) Price and interest rate risk

The Group manages the exposure to market risk by daily monitoring the market value of the held-for-trading portfolio in relation to a system of risk limits approved by the Assets and Liabilities Committee. The held-for-trading portfolio includes fixed-income securities issued on the Romanian or the European market (treasury securities, bonds whose issuers have ratings higher than the sovereign rating), denominated in RON, EUR and USD, as well as shares issued by Romanian entities and traded on the Bucharest Stock Exchange (which are not directly exposed to interest rate and currency risk, but are exposed to price risk) and shares issued by Austrian issuers and traded on the Vienna Stock Exchange

The management of this risk is adapted and permanently adjusted to the conditions of the Romanian and international financial markets as well as to the general economic context. Interest rate risk is analyzed within the stress tests conducted for the Bank's securities portfolio and price risk is analyzed within the stress tests conducted for equity and collective investment units portfolios held by the Bank.

d2) Currency risk

The Group is exposed to currency risk through open positions generated by foreign currency transactions. The Group manages the currency risk based on strict open position and "stop-loss" limits monitored in real time. There is also a risk that the values of net monetary assets and liabilities in foreign currency will change when translated into RON as a result of exchange rate variation.

e) Interest rate risk outside the trading book

Interest rate risk represents the current or future risk for profit and capital to be negatively affected as a result of adverse changes in interest rates.

The Group undertakes the interest rate risk resulting from 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 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), potential change in the economic value due to the change in interest rates and through a system of limits and indicators internally approved.
The Assets and Liabilities Management Committee is the body that monitors the compliance with these limits, being assisted in the daily monitoring by the Risk Management Department.

Interest rate risk management within the limits is accompanied by the analysis of the sensitivity of the Group's financial assets and liabilities to different interest rate scenarios.

e) Risk of excessive leverage

Banca Transilvania's objective with regard to the management of the excessive leverage risk is to balance the bank's assets and liabilities structure, with the purpose of achieving the expected profitability ratios under controlled risk conditions capable of ensuring the continuity of the bank's activity on a sound foundation, as well as the protection of the interests of the bank's shareholder and clients.

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.

The leverage concept represents the relative dimension of assets, off balance-sheet commitments and contingent obligations to pay, to render a service or to grant real guarantees, inclusive of obligation arising from the financing received, assumed commitments, derivative instruments or repo transactions and exclusive of obligations that can only be executed during the liquidation of the institution, in relation to the own funds of the institution.

Banca Transilvania treats cautiously the issue of leverage related risk, taking into consideration the potential increases of this risk as a result of own funds deterioration due to expected or incurred losses in accordance with applicable accounting regulations.

The a priori risk appetite of Banca Transilvania towards the leverage related risk was set to "low" in 2018, determined through the utilization of some quantitative methods for evaluation and mitigation.

f) Reputational risk

The reputation risk is the risk to incur losses or to fail in achieving estimated profits due to the lack of public confidence in the integrity of the Group.

The reputation risk appetite has been established as "low" by maintaining the confidence of the public and the business partners in the Group's integrity, economic and financial position.

The management of the reputation risk is performed by way of: undertakings in order to attract the best partners, both clients and suppliers; recruitment and retention of best employees; minimizing litigations; strict regulations; prevention of crisis situations; and the consolidation of the bank's credibility and the shareholders' confidence; ongoing improvement of the relationship with shareholders; establishing a more favorable environment for investments and access to capital;

continuous and open communication with stakeholders (shareholders, mass-media, clients, partners, employees, authorities, etc.).

g) Strategic risk

Strategic risk is the current or future risk for profits and capital to be negatively affected by changes in the business environment, by unfavorable business decisions, improper implementation of decisions or the low adaptability to changes in the business environment.

The strategic risk appetite has been established as "low" based on the following aspects: risk management practices are an a part of BT's strategic planning, the exposure to strategic risk reflects strategic goals that are not excessively "aggressive" and are compatible with the developed business strategies, the business initiatives are well designed and supported by communication channels, operating systems and adequate delivery networks.

Banca Transilvania's perspective regarding the permanent monitoring and observance of the principles mentioned below is meant to ensure the sound management of strategic risk and to create the premises for the bank's sustainable growth under best profitability conditions.

The general principles applied to ensure the sound management of strategic risk are:

- periodic reevaluation of the bank's business strategy
- planning the development of new business lines, of new products and services, extending existing services and consolidating the bank's infrastructure.
- performing a competition analysis which reflects the identification of strategic risks such as the threat of new competitors on the market, the threat of substitution products (card payments replace cash payments; operations via e-channels substitute the operations at the bank's counters), the continuous evolution of strategic risk factors during the products/services' life span.

h) Compliance risk

In accordance with the requirements of NBR's Regulation no. 5/2013 on prudential requirements for credit institutions, the Group ensures the ongoing development of the compliance activity, providing a permanent and efficient compliance risk management framework.

In this respect, the compliance function, as an integral part of the Group's control functions, has provided the management body with consultancy on the implementation of the legal and regulatory framework and on the standards that the Group had to fulfil. Thanks to the involvement and support of this function, the possible impact of any legal and regulatory changes on the Group's activities has been assessed on an ongoing basis.

The main tools for an efficient management of the compliance risk, are:

1. the aggregation, as a continuous process of certain exposure limits, and the monitoring of ratios that effectively reflect the processes within the Group, exposed to compliance risk;

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

2. continuous monitoring regarding the efficient use of certain performant IT applications, able to align to the Group's development strategy and to the new legal requirements;

3. training sessions to raise the employees' awareness regarding the compliance risk events in order to mitigate this type of risk;

4. periodical internal and external audit of the compliance function, ensuring the control over the implementation manner of the legal requirements in force;

5. implementing of certain processes which should lead to an effective management of the requirements on conflicts of interest.

The relevant ratios managing the compliance function also target the KYC ("know your customer") area for the purpose of preventing and fighting money laundering and terrorism financing as well as the area of international sanctions.

Through a consistent approach strategy for compliance risk management, the process has been extended to the level of the BT Group.

The Code of Ethics and Conduct of the BT Financial Group has the role to communicate to all stakeholders the values and principles to which the employees and members of the management body of the Group adhered.

THE STRUCTURE AND ORGANISATION OF THE RISK MANAGEMENT FUNCTION

The risk management function in is independent from the operational functions, being a core component within the institution. It ensures that the risks are identified, measured and reported accordingly.

The risk management function, coordinated by the Chief Risk Officer, plays an important role within the bank, ensuring that the bank has efficient risk management processes in place and being involved:

a) in the drafting and annual review of strategies and in the decision making process (together with operational units and the management body);
b) in the analysis of transactions with affiliated parties (with the collaboration of Companies Credit Risk Management Department, Retail Credit Risk Department, Treasury Department, Corporate Governance and Legal Disputes Department, Accounting Department, Reporting Department);
c) in the identification of risks arising from the complexity of the bank's legal structure (in collaboration with Corporate Governance and Legal Disputes Department);
d) in the evaluation of significant changes (together with Corporate Governance and Legal Disputes and Compliance Department);
e) in the measurement and internal assessment of risks (in collaboration with Reporting Department);
f) in risk monitoring;
g) in other issues related to unapproved exposures

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

The Board of Directors (BoD) has a general responsibility in terms of establishing and monitoring the general framework for risk management within the Group and the Bank. Risk management in Banca Transilvania is performed at 2 levels:

I. strategic level (management body)
   a) Board of Directors /Risk Management Committee
   b) Leaders' Committee

II. current operational level
   a) Asset-Liability Committee (ALCO)
   b) Credit Policy and Approval Committee (CPAC)
   c) Workout Committee (CRW)
   d) Deputy CEO Chief Risk Officer / Deputy CEO Chief Operations Officer
   e) Treasury
   f) Risk Management Department
   g) Companies Underwriting Department
   h) Retail Underwriting Department
   i) Risk Control Department
   j) Operational and Informational Risk Management Department
   k) Antifraud Department
   l) Physical Security Department
   m) Operational units (departments in the headquarters and territorial units)

The Board of Directors reviews the activity of such committees on a regular basis.

The Board of Directors monitors the compliance with the Group's risk policies and the adequacy of the general risk management framework in connection with the risks to which the Group is exposed.

The Risk Management Committee advises the Board of Directors regarding the risk appetite and the global strategy regarding the management of the current and future risks of the Group and assists the Board of Directors in overseeing the implementation of the strategy by the Leaders' Committee.

The Group's Audit Committee reports to the Board of Directors and is responsible for monitoring compliance with the Group's risk management procedures. The Audit Committee is assisted in these functions by the Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Board of Directors and the Management of the subsidiaries which constitute the Group have responsibilities regarding significant risk management in correlation with their specific business characteristics and applicable laws and regulations.

The managers of the Risk Management, Risk Control, Compliance and Internal Audit have not changed throughout 2018.

THE SCOPE AND NATURE OF RISK REPORTING AND MEASUREMENT SYSTEMS

For the identification and measurement of risks, the bank has developed forward-looking instruments (anticipative tools such as crisis simulations) and backward-looking instruments (retrospective tools, such as periodical risk management reports). Banca Transilvania implements and maintains

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

sufficient control systems and mechanisms in order to provide prudent and reliable estimates regarding the risk to which the bank is exposed

For the specific risk categories, the bank has established transparent regular reporting mechanisms, so that the management body and all the relevant units are provided with precise, concise, intelligible and significant reports in due time, and to be able to exchange relevant information on risk identification, quantification or assessment and monitoring.

The Board of Directors and the Risk Management Committee establish the type, volume, format and frequency of information regarding risks.

DECLARATION APPROVED BY THE MANAGEMENT BODY ON THE ADEQUACY OF RISK MANAGEMENT ARRANGEMENTS OF THE INSTITUTION

We hereby confirm that the risk management systems established within Banca Transilvania Financial Group are adequate with regard to the institution’s risk profile and strategy.

The disclosure requirements reporting was prepared in accordance with Banca Transilvania’s Policy on Compliance with Transparency and Publishing Requirements, in accordance with the provisions of EU Regulation no. 575/2013 on prudential requirements for credit institutions and investment firms. The policy is approved by the Board of Directors, reviewed on a half-yearly basis, and contains instructions and responsibilities regarding the preparation of the publication requirements.

RISK STATEMENT APPROVED BY THE MANAGEMENT BODY, DESCRIBING THE INSTITUTION'S OVERALL RISK PROFILE ASSOCIATED WITH THE BUSINESS STRATEGY.

Within the Report from the Board of Directors of Banca Transilvania, published on the Bank’s website, contains information related to the institution's overall risk profile associated with the business strategy, including key ratios and figures, which can provide external stakeholders with a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body.

NUMBER OF DIRECTORSHIPS HELD BY MEMBERS OF THE MANAGEMENT BODY

BOARD MEMBERS

Horia Ciorcila – 1 non-executive mandate within BT Financial Group, 2 non-executive mandates outside BT Financial Group.

Ivo Gueorguiev – 1 non-executive mandate within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006) and 3 non-executive mandates outside BT Financial Group.

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

Thomas Grasse – 2 non-executive mandate within Banca Transilvania (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006), 2 non-executive mandates outside BT Financial Group.

Costel Ceocea – 1 non-executive mandate within Banca Transilvania, 1 non-executive mandate outside BT Financial Group.

Vasile Puscas – 1 non-executive mandate within Banca Transilvania and 1 mandate in non-profit organizations within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006) as well as 1 mandate in a non-profit organisation outside of the BT Financial Group.

Costel Lionachescu – 2 non-executive mandates within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006).

Mirela Ileana Bordea – 1 non-executive mandate within Banca Transilvania.

LEADER'S COMMITTEE MEMBERS

Omer Tetik – 1 non-executive mandate and 1 executive mandate within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006).

Luminita Runcan – 4 non-executive mandates and 1 executive mandate within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006), 1 mandate in non-profit organizations outside BT Financial Group (not counted according to Government Emergency Ordinance no. 99/2006).

Leontin Toderici – 1 executive mandate within Banca Transilvania and 1 non-executive mandate within the BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006), 1 non-executive mandate outside BT Financial Group.

George Calinescu – 1 non-executive mandate and 1 executive mandate within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006).

Gabriela Nistor – 1 executive mandate and 3 non-executive mandates within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006).

Mihaela Nadasan - 1 executive mandate, 2 non-executive mandates within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006)

Tiberiu Moisa - 1 executive mandate, 4 non-executive mandates and 3 mandates in non-profit organisations within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006).

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

POLICY REGARDING THE ASSESSMENT OF BANCA TRANSILVANIA'S MANAGEMENT BODY MEMBERS' SUITABILITY

OBJECTIVE

The policy regarding the assessment of Banca Transilvania's management body members' suitability is intended to establish the principles that govern the way in which the management body's members are assessed, from an individual point of view regarding each person in question, as well as from a collective perspective, when assessing the entire management body. The present policy will settle aspects such as the assessment process and the selection and assessment criteria, with the latter being divided between criteria regarding professional proficiency, reputation and governance.

GENERAL PRESENTION OF BANCA TRANSILVANIA'S MANAGEMENT BODY AND REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination committee is a specific structure subordinated to the Board of Directors which was created in order to offer competent and independent opinions regarding the remuneration practices and policies, the remuneration of the personnel responsible for risk administration, the adequacy of the capital and financial liquidity, the nomination policies, as well as to exercise the responsibilities mandated by the Board of Directors in this area of expertise.

Seeing the role it plays within the bank, REMCO has responsibilities regarding the annual assessment of the management body's knowledge, skills and experience, and in this respect it shall:

- identify and recommend for the management body's approval, candidates for filling the vacant positions within the management body, assess the balance of knowledge, skills, diversity and experience within the management body, prepare a description of the roles and competencies required in order to be appointed to a specific position and assess the expectancies related time commitment;
- assess periodically, but at least once a year, the structure, size, making up and performance of the management body and it will make recommendations to the management body regarding any necessary alterations;
- assess periodically, but at least once a year, the knowledge, skills and experience for each member of the management body and for the latter as a whole, and it will report accordingly to the management body in its supervisory function;
- revise on a periodical basis the management's body policy in respect to the selection and nomination of the higher leadership's members and it will make the appropriate recommendations to the management body;
- decide regarding the respecting of all diversity criteria and determining a target in respect to the less represented gender, either male or female, within the management body and it will devise a policy relating to the way in which the number of these individuals can be augmented within the management body so as to reach the established target;
- actively contribute to the carrying out of the credit institutions' responsibilities regarding the adoption of adequate internal policies relating to the assessment of the suitability of members of the management body and key function holders.

Banca Transilvania's management body, in respect to the NBR's No. 5/2013 Regulation regarding the prudential requirements for credit institutions, includes the management body in its supervisory function (Board of Directors) and the structures of higher management that are responsible for the management function (The Leaders/Leader's Committee).

The management of Banca Transilvania is entrusted by the General Shareholder's Meeting to a Board of Directors which is elected for a 4 year mandate and is made up of 7 board members, themselves elected by the shareholders in the General Shareholder's Meeting, either when their mandate has expired or in specific cases when one or more seats in the board are vacant.

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

The eligibility criteria regarding the Board of Directors' membership are those provided by the relevant legislation, as well as those stated in Banca Transilvania's articles of association.

As provided in the relevant banking provisions, the members of the Board of Directors have to comply with the following eligibility requirements:

- have a reputation and level of experience which is adequate to the nature, size and complexity of the activity performed by the credit institution and to the responsibilities they are entitled with, in order to secure a prudent and healthy management of the bank;
- possess adequate theoretical and practical knowledge regarding the activities carried out by the bank;
- hold a level of qualification and professional experience which are compatible with the position held;
- have not suffered any criminal convictions and their name has not been linked whatsoever with any public scandal.

The management, organization and coordination of the bank's day-to-day activity is performed by the banks executive directors (the leaders), more specifically the Chief Executive Officer and the Deputy CEO's, who are appointed by the Board of Directors and collectively make up the Leaders' Committee. The Board of Directors is the only competent body in appointing and revoking at any time, but with proper reasoning, the bank's leaders (Chief Executive Officer and Deputy CEO's), as well as in determining the duties, remuneration and mandate length for each of them.

In order to assess the suitability of the management body's members, Banca Transilvania will take into consideration the following:

- collecting the necessary information regarding the suitability of the assessed individuals, including their reputation, integrity, honesty and independence of mind, through different channels and instruments, like diplomas and certificates, letters of recommendation, curricula vitae, interviews, questionnaires, etc.;
- requesting the assessed individual to:
    a. attest that all of the information provided is accurate and to provide proof of information, where necessary;
    b. disclose any possible conflict of interest, either actual or potential.
- validating, as far as possible, the validity and accuracy of the information provided by the assessed individual;
- evaluating within the Remuneration and Nomination Committee the results of the suitability assessment of the management body's members;
- adopting all the necessary corrective measures in order to ensure the suitability of the management body's members, whenever such measures are entailed (e.g. adjusting duties between members of the management body, replacing certain members, recruiting additional members, possible measures to mitigate conflicts of interest, training single members or training for the management body collectively).

THE PROCESS OF ASSESSING THE MANAGEMENT BODY'S MEMBERS

REMCO will proceed to the assessment of the management body's members before they are appointed. However, in specific and duly justified cases, when a complete assessment before the appointment would negatively impact the sound functioning of the management body, the assessment can take place after the appointment, but at the latest within 1 month of the appointment and with the proper briefing of the National Bank of Romania. The specific situations which are referred to can be represented for example by the case when the need to replace members arises suddenly and unexpectedly (e.g. by cause of death), or when a member is removed because he or she is not any longer suitable. The Committee will assess the collective suitability of the management body in any situation that material changes to the composition of the management body occur (e.g. when appointing a new member, if the requirements of a position have changed or if a member is appointed to a different position within the management body, when the mandate of a member has ceased), with the assessment being focused on the relevant changes that have occurred. Besides the already mentioned collective assessment of the management body's suitability, an individual one will also take place, in regards to the new member of the management body, or the member whose position or requirements have changed.

REMCO will ensure the ongoing assessment of the management body's members and will fill out an annual report regarding the results of the assessment, with the help of the Corporative Governance and Litigation Department, which will give the Committee all the required support. In any situation when new relevant facts emerge, facts that can potentially impact the requirements regarding the knowledge, skills or experience of a management body's member, their reputation, honesty or integrity, as well as their independence of mind and time commitment, the Committee can re-assess the individual suitability of the management body's member who the new relevant facts refer to, as well as, if considered necessary, the collective suitability of the management body the individual is a member of.

When re-assessing the individual or collective performance of the members of the management body, REMCO should consider in particular:

- the efficiency of the management body's working processes, including the efficiency of information flows and reporting lines to the management body;
- the effective and prudent management of the credit institution, including whether or not the management body acted in the best interest of the institution;
- the ability of the management body to focus on strategically important matters;
- the adequacy of the number of meetings held, the degree of attendance, the appropriateness of time committed and the intensity of the individual's involvement during the meetings;
- any changes to the composition of the management body and any weakness with regard to the individual and collective suitability;
- any performance objectives set for the credit institution and the management body;
- the independence of mind of members of the management body;
- the degree to which the composition of the management body has met the objectives set in the institution's diversity policy;
- any events that may have a material impact on the individual or collective suitability of the management body's members, including changes to the institution's business model, strategies and organization.

When carrying out the suitability assessment, REMCO can also take into account aspects regarding the diversity of the management body, so as to ensure a proper balance between the members' educational and professional background, their age, gender and geographical provenance, with a particular importance being given to the representation of both genders, male, as well as female. In this regard, the present policy should be considered as being completed with the provisions of the *Policy regarding Banca Transilvania's management body's diversity*.

REMCO will also consider the required training of the management body's members, both the induction part of it which takes place immediately after taking up the position and which should be completed within 6 months, as well as the ongoing training which takes place during the whole length of the mandate. In any case, a member should fulfill all knowledge and skill requirements not later than 1 year after taking up the position. The training, which is performed in accordance with the credit institution's principles, is meant to facilitate the members of the management body is having a clear

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

understanding of the institution's structures, business model and risk profile, its governance arrangements and the role of each member within them.

The assessment of the candidates for the position of member of the Board of Directors is performed in accordance with the relevant legislation's requirements.

The results of the assessment carried out by the Committee will be properly brought to the attention of Banca Transilvania's shareholders, so as to ensure the fact that they can express their insight during the General Shareholders' Meeting while having all the necessary information.

INDICATIVE CRITERIA FOR THE ASSESSMENT OF THE MANAGEMENT BODY'S MEMBERS

The members of Banca Transilvania's management body can only be natural individuals, Romanian or foreign citizens in any given percentage, who:

i. **individually:**
   - have to hold a good reputation, a level of knowledge, skills and experience that is adequate with the nature, size and complexity of BT's activity, and the duties the individual is entrusted with. They also have to be independent of mind and ensure a sufficient commitment of time, to have performed their previous professional activity in accordance with the rules of a prudent and healthy practice and should hold and exercise the capacity of performing their activity in BT's best interest, while also according to the rules of a prudent and healthy banking practice;
   - have to be approved by the National Bank of Romania before starting to exercise their responsibilities, in accordance with the requirements of NBR's No. 6/2008 Regulation regarding the starting of the activity and the modifications in the situation of credit institutions – Romanian legal persons as well as Romanian branches of credit institutions from third party states;
   - need to effectively exercise the administrative duties they hold.

ii. **collectively,** the management body's members should possess the adequate level of qualification and proficiency, in accordance with the criteria set forth below, in order to be able to fully knowingly decide regarding all the matters related to the bank's activity, which are part of their responsibilities.

Besides the legal requirements in force regarding the members of the management body of a credit institution, an individual cannot be appointed as a member of the bank's management body, and if already appointed, shall be stripped of his or her mandate, in the situation that the individual in question is banned, by force of a legal provision, court order or decision of a competent authority, to exercise administrative or executive responsibilities within a credit institution, a financial institution or an insurance/reinsurance company or any other entity that conducts business in one of the areas that are specific to these entities.

Each member of the Board of Directors has to exercise his or her duties with honesty, integrity and objectivity, in order to efficiently evaluate and discuss the decisions made by the executive directors, where the case may be, and to properly control and monitor the decisions making process.

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

SELECTION AND ASSESSMENT CRITERIA FOR THE MANAGEMENT'S BODY MEMBERS

The management body as a whole has to be considered as being sufficiently adequate.

The criteria taken into consideration for the selection and assessment process are as following:

- criteria regarding professional proficiency;
- criteria regarding reputation;
- criteria regarding governance.

Criteria regarding professional proficiency

In order to assess the suitability of a member of the management body, both the knowledge and abilities attained by the individual as a result of theoretical and practical training, as well as the role and responsibilities specific to the position taken into consideration, alongside with its specific knowledge requirements, will be considered. Thus, the assessment will be performed bearing in mind the criteria presented below, but also the aspects regarding the sharing of duties.

Holding a theoretical experience – the assessment will consider the level and profile of the member's education and if it has any connection with the banking and financial services, or other relevant areas such as economics, law, administration, accounting, auditing, information technology (IT), European integration (e.g. European institutions, cooperation mechanisms and funds), as well as other relevant training or specialized courses, at a national or international level (such as MBA, ACCA etc.).

Holding an adequate professional experience – the assessment will contain an analysis of the prior practical and professional experience, taking into consideration the following:

- the nature of the management positions held and the hierarchical level;
- the length of service;
- the nature and complexity of the business where the position was held, including its organizational structure;
- the scope of competencies, decisions-making powers and responsibilities;
- the technical knowledge gained through the positions held, relating to the activity of a credit institution and the risks such an institution is exposed to;
- the number of subordinates.

In general, the criteria regarding the sufficient practical and professional experience, including holding a position of management for a sufficient length of time, is considered to be met when there is proof of evidence regarding the performance of a management activity within a credit institution for a minimum of 5 years when holding relevant positions in commercial, oversight and control divisions, preferably at least at a middle management level.

When performing the assessment of the management body's members, REMCO may also consider any of the following skills: authenticity, language, decisiveness, communication, judgement, customer and quality-oriented, leadership, loyalty, external awareness, negotiating, persuasiveness, teamwork, strategic acumen, stress resistance, sense of responsibility, chairing meetings.

The management body's proficiency, its general expertise, as well as its professional evolution shall be assessed at a personal and collective level, so as to ensure as far as possible a professional diversity of its members. In this regard, the collective suitability assessment will consider the following aspects:

- the business of the credit institution and main risks related to it;
- each of the material activities of the institution;
- relevant areas of sectoral/financial competence, including financial and capital markets, solvency and models;
- financial accounting and reporting;

- risk management, compliance and internal audit;
- information technology and security;
- local, regional and global markets;
- the legal and regulatory environment;
- managerial skills and experience;
- the ability to plan strategically;
- the management of national and international groups and risks related to group structures.

Moreover, in the process of appointing the members of the mandatory specialized committees (e.g. Audit or Risk Committee, as well as REMCO), the fact that the members should have sufficient experience in each of the respective areas will be taken into consideration, in order for the committee to possess the entire scope of expertise as required by law and also necessary for the proper functioning of the committee. At the same time, attention will be also paid to the requirement that all individual members of the specialized committee should wisely perform their respective duties.

The information each of the leaders has to attain refers to the following:

- the essential rights and obligations of the Board of Directors and Leaders' Committee;
- the cooperation between the management body and the coordinators of the independent internal control functions;
- specific knowledge regarding practices, policies, legislation and provisions in the banking and financial sector;
- information related to the principles, procedures and practices of risk management;
- the credit institution's structure and general way of conducting business;
- the Board of Directors' committees;
- particular knowledge regarding the way financial information is interpreted, at least at a level which would qualify the individual in question to take part in the adoption of a collective decision by the management body.

Criteria regarding reputation

Besides the criteria related to professional proficiency, another premise for the suitability assessment is represented by the requirement to be deemed of good repute, honesty, integrity and personal trustworthiness. A member of the management body is considered to be of good name when there is no reason to reasonably doubt his or her good reputation, or any piece of evidence which could prove otherwise. The existence of clues which could permit raising reasonable doubt regarding the capabilities of the individual to perform a prudent management of the credit institution causes harm to his good reputation, which could also represent a threat from a reputational risk point of view. In this respect, the assessment will also take into consideration the existence of any convictions or ongoing prosecutions for a criminal offence, banking and financial offences or other offences under legislation relating to companies, bankruptcy, insolvency or consumer protection.

In this regard, the assessment will also consider the following elements as potential threats to a good reputation:

- Achievement of professional standards;
- A sound financial situation.

1. Achievement of professional standards

Assessment criteria:

The candidate's professional career has to demonstrate a behavior which is adequate in light of the standards established by the relevant legal provisions.

In assessing the prior professional activity of the individual, the following aspects will be considered as being extremely serious and therefore damaging to his or her trustworthiness, good reputation and integrity:

- any evidence that the individual has not been transparent, open and cooperative in his or her dealings with competent authorities or that suggests that the individual has acted in a manner that is not in line with high standards of conduct;
- dismissal from a management position as a result of a supervisory authority's intervention;
- refusal, revocation or withdrawal of any registration, authorization, membership or license to carry out a trade, business or profession;
- dismissal from acting as a member of the management body or from any position of trust, fiduciary relationship of similar situation, which include a special level of trust, as a result of reasons that are correlated with aspects regarding the individual's integrity, sincerity and honesty;
- any other reasons that caused the individual's resignation from the above mentioned positions, where the decision to resign was not initially made by the individual's own free will.

2. A sound financial situation

Assessment criteria:

The candidate's sworn statement regarding the soundness of his financial situation.

The soundness of the individual's financial situation is also assessed by taking into consideration the following aspects:

- The lack of any winding-up proceedings being started against a legal person of which the candidate is a shareholder or manager or whose activity is relevantly based on the candidate's input, with the exception of the situation where during the said procedures an economic recovery plan has been successfully implemented (the same guidelines shall apply when talking about a similar situation which took place in a foreign country);
- The assessed individual should not have been a default debtor or had any negative records at a reliable credit bureau;
- Without prejudice to the presumption of innocence, there should not be any civil lawsuits, administrative or criminal proceedings, as well as any large investments or exposures and loans taken out, in so far as they can have a significant impact on the financial soundness of the candidate;
- The bank does not hold any information that is contrary to the candidate's statement.

Moreover, the assessment may also rely on a solvency report issued by a credit control institution or a report stemming from a similar foreign institution, which leads to the conclusion that the candidate has exhibited a behavior marked by lack of necessary prudence or taking upon oneself disproportionately large financial burdens.

The candidate shall be informed that he is obliged to make his financial situation public, as part of his or her obligation to cooperate if there any doubts raised by the Romanian supervisory authorities in regards to the candidate's financial situation.

In order to assess the matters pertaining to the trustworthiness and good reputation of the individual, the relevant aspects provided by the applicable legislation, as well as the data obtained from other sources will also be taken into consideration.

Criteria regarding governance

When assessing the suitability of the management body, the following elements will be considered:

1. Sufficient time commitment in order to exercise responsibilities

In order to assess if the time committed to exercising the mandate held by the management body's member is sufficient, REMCO may consider the following aspects:

- the number of directorships in financial and non-financial companies held by the candidate at the same time, while also considering the geographical location of the companies;
- the nature of the specific positions held by the candidate and the responsibilities they entail, as well as the size, nature, scope and complexity of the activities of the entity where the candidate holds a directorship;
- the candidate's geographical presence and the travel time required for the role;
- the number of meetings schedules for the management body;
- the directorships in organisations which do not pursue predominantly commercial objectives held by the candidate at the same time;
- any necessary meetings to be held outside the management body's formal meeting schedule;
- other external professional or political activities, and any other functions and relevant activities, both within and outside the financial sector;
- the necessary induction and training;
- any other relevant duties of the candidate;
- available relevant benchmarks on time commitment.

REMCO shall record in writing the roles, duties and required capabilities of the various positions within the management body and the expected time commitment required for each position, while also taking into account the need to devote sufficient time for induction and training. At the same time, the Committee will consider the impact of any long-term absences of the management body's members in its assessment of the sufficient time commitment of other individual members.

When holding several directorships at the same time, the members of the Board of Directors and of the Leaders Committee may not find themselves in more than one of the following situations:

- exercising one mandate in an executive position, at the same time with two mandates in non-executive positions;
- exercising four mandates in non-executive positions at the same time.

The members of the Board of Directors and of the Leaders' Committee may not exercise more than one single executive mandate while holding their mandate within the bank.

The following mandates are considered as being one single mandate:

- mandates held in non-executive positions within the bank's group;
- mandates held in executive or non-executive positions in credit institutions and investment firms which are part of the same institutional protection scheme, if the provisions set out by EU Regulation no. 575/2013 regarding the calculation of the risk-weighted exposures for the counterparties entered into by the bank within such a protection scheme;
- mandates held in executive or non-executive positions in financial or non-financial entities where the bank has a qualified holding.

The mandates held in organisations which do not pursue predominantly commercial objectives will not be taken into consideration when determining the number of directorships.

Holding an additional mandate in a non-executive position can be approved by the National Bank of Romania, while considering the complexity of the duties entailed by all the exercised directorships.

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

The minimum time determined for exercising the position in question will also be considered. In this respect, when accepting the mandate given to them, the members of the Board of Directors accept that they should attend at least 80% of the convened number of meetings, while the members of the Leaders' Committee accept that they should attend all the convened meeting (with the exception of situations where the member's absence is previously justified and confirmed by the General Manager).

2. Assessing the level of independence, honesty and integrity

The independence of the management body's member will be assessed from a dual perspective. Thus, on the hand his or her independence of mind will be considered, where the notion of independence of mind signifies a pattern of behavior which should be displayed by all the members of the management body in particular during discussions and decision-making, while on the other hand also assessing if the management body's member is independent in the sense that he or she does not have any present or recent past relationships or links of any nature with the bank or its management that could influence his or her objective judgement and reduce the ability of taking decisions independently.

In assessing the independence of mind required for the management body's member, REMCO will take into consideration the following:

- if the candidate holds the necessary behavioural skills, including courage, conviction and strength to effectively assess and challenge if necessary the proposed decisions of other members of the management body, as well as being able to ask the other members any questions and resist "group-thinking";
- if there any conflicts of interest that would impede the candidate's ability to perform his or her duties independently and objectively.

In order to examine any potential conflicts of interest, a series of information will be required when assessing the candidate's independence, as follows:

- the positions held up until the moment of the assessment within the bank, as well as the positions held in other companies, in the present or the recent past (e.g. in the last 5 years), including within entities which have interests contrary to those of the bank;
- the candidate's political influence or connections;
- his or her personal, professional or economical relationships with the bank's significant shareholders or the bank's affiliates;
- his or her personal, professional or economical relationships with the other members of the management body.

The candidate's personal, professional or economical relationships take into consideration his or her financial (e.g. shares, exposures etc.) and non-financial interests (e.g. close relationships such as husband/wife, official partner, living partner, child, parent etc.), as well as the candidate's 2'nd degree family members' relationships with the other members of the management body, the banks significant shareholders or its affiliates. Any such situation needs to be properly documented and handled by REMCO, while the management body's member who is in a conflict of interest will abstain without exception from voting in the specific matter being discussed.

In regards to the management body's member being independent from the perspective of his or her present or recent past relationships with the bank, the applicable legal provisions together with the relevant internal policies and procedures will also be considered, including Banca Transilvania's *Policy regarding the prevention and management of the conflict of interest*.

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

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

The Group Policy Regarding Diversity

This policy aims to establish how to promote diversity within the Group within the governing bodies (the Board of Directors and the Executive Committee). The Financial Group Banca Transilvania recognizes and embraces the benefits of a diversified management body in order to enhance the quality of its performance.

The principles described herein are applicable to all entities within the BT Financial Group.

The management of Banca Transilvania is entrusted by the General Shareholders' Meeting to a Board of Directors, elected for a four-year term of office, consisting of 7 administrators, elected by the shareholders at the GSM, either on the expiry of the mandate or specifically, in the event of one or more vacancies. The eligibility criteria in the Board of Directors are those stipulated in the specific legislation, as well as those stipulated in the Articles of Incorporation of Banca Transilvania S.A.

The Board of Directors shall designate the members of the Leaders' Committee taking into account the recommendations of the Remuneration and Nomination Committee. At the Bank's level, the management body is represented by the members of the Board of Directors and the Leaders' Committee.

In order to achieve a sustainable and balanced development, Banca Transilvania perceives the increased leadership diversity as an essential element in supporting the achievement of its strategic objectives. In designing the management body structure taking into account the diversity considerations, the following were included by BT, but without being limited to: gender, age, cultural and educational profile, ethnicity, professional experience, skills, knowledge and working experience. All appointments within the governing body are based on meritocracy, and candidates will be considered on the basis of objective criteria, taking into account the benefits brought by diversity of this body.

Banca Transilvania S.A. points out that, although the diversity and variety of experiences and views represented in the management body should always be taken into account, a candidate should not be selected or excluded, either exclusively or largely, on the grounds of race, colour, sex, national origin or sexual orientation. In selecting a candidate, the Remuneration and Nomination Committee shall prioritize the skills, national and international experience or cultural profile that would complement the existing governing body, recognizing that the Bank's activities and operations are diverse and of a national nature with a global impact.

Reflecting on the global character of banking activities, the directors and administrators of Banca Transilvania are citizens of Romania, as well as citizens and residents in other member states. Most BT directors and managers come from domestic and international banking environments.

Banca Transilvania S.A. believes that while the governing body should not adhere to a fixed number of directors, a governing body of 6-14 members, generally, provides a large and diverse group to address the important issues faced by the credit institution, being at the same time small enough to encourage personal involvement and constructive discussion.

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

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

The current directors and administrators of Banca Transilvania S.A. must have been in management positions in various organizations or within Banca Transilvania, demonstrating their ability to exercise top management responsibilities and to manage the Bank. They have been executive members of prestigious international institutions, where they have developed their skills and experience in business strategy and development, innovation, operations, brand management, finance, compliance, decision-making and risk management. These skills, as well as the accumulated experience, enable them to provide a sound judgment of the problems faced by an international company in today's environment, by ensuring that these areas are supervised in the Bank and thus assessing BT's performance.

All members of the management body also have significant experience in corporate governance and complex business supervision through their status of executive managers, directors, administrators or other relevant functions within other large institutions.

Some Bank directors have gained experience in areas relevant to financial and banking institutions such as audit, risk management and stock markets. All of these skills and experiences are relevant to current strategies, as well as to encourage Bank development, enabling administrators and directors to provide diverse perspectives, valuable advice and critical points about new business opportunities, product launches, new markets, solutions for the problems faced by the institution, as well as those faced by the banking system at both local and national level.

Measurable objectives concerning the maintenance of diversity standards in the management body of Banca Transilvania.

The selection of candidates will be based on a range of diversity perspectives, including, but not limited to, gender, age, cultural and educational profile, ethnicity, professional experience, skills, knowledge and seniority. The final decision will be based on the merit and contribution that the selected candidates will bring to the governing body. The members of the governing body (including gender, ethnicity, age, seniority) will be communicated periodically through the Bank's website.

The Board of Directors and the Leaders' Committee of Banca Transilvania perceive diversity as a factor in selecting members of the management body, acknowledging that the diversity promoted amongst its members, provides significant benefits to the Bank. The Remuneration and Nomination Committee uses a number of criteria in selecting candidates for the position of administrator, director or manager, including background diversity.

Banca Transilvania S.A. considers that a possible eligible member of the management body should be able to work in a collegial way with people from different educational, cultural and business backgrounds and must have skills that complement the attributes of existing members.

Banca Transilvania S.A. also encourages the presence of female members within the governing body in order to ensure the balance and high performance of the Bank. However, Banca Transilvania S.A. believes that the appointment of a member within the governing body cannot be done solely on the basis of gender, as such practices lead to the discrediting of its competence and independence.

Therefore, we believe that the efficient and sustainable development of the Bank can be achieved by providing a framework for personal growth and development of female employees (under the same conditions as men).

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

In this respect, we mention that during 2018, the number of female employees attending trainings for professional development was 76.96% of the total number of employees. We also mention that, at the level of middle management employment, 50% of those appointed in these positions were female. At the level of the Leaders' Committee, the vacancy was occupied by a female who has the necessary experience to fill this position and who was validated by the Remuneration and Nomination Committee. Banca Transilvania's target of increasing the representation of female gender within the governing body of the Bank was thus, fulfilled. At the Board of Directors' level, following the GSM decision from April 25, 2018, the current BoD members were re-elected for a new four-year term. BT considers the the management body, under its current form, fulfils the diversity requirements, as per the diversity practices currently in force in the Bank.

Banca Transilvania S.A. already ensures a space of sustainable growth of its employees through professional courses that are offered without discrimination of any kind, based on: the needs of its employees, the types of work performed and the functions exercised.

Monitoring and reporting

The Remuneration and Nomination Committee will regularly monitor the European requirements related to the composition of the management body from a diversity perspective.

In order to maintain and develop a balanced, functional and efficient management body, the Remuneration and Nominalization Committee (when appointing a candidate) may, from time to time, consider other attributes, experiences or competences it considers relevant at the time of the decision.

Thus, the Remuneration and Nomination Committee may consider diversity in the evaluation of candidates for membership in the governing body. Banca Transilvania S.A. considers that diversity in terms of cultural profile, experience, abilities, race, gender and national origin is an important element in the composition of the governing body. The Remuneration and Nomination Committee discusses diversity considerations with regard to each candidate, as well as, periodically, with regard to the composition of the management body as a whole.

The Remuneration and Nomination Committee outlines a pattern of proper abilities and characteristics required by members of the governing body, in light of its current composition. This assessment includes expertise (including international and financial.

/ banking experience), independence, integrity, diversity and age, as well as technical abilities linked to banking, production, finance, marketing, technology and public politics. The main eligibility criteria considered are those arising from legal requirements, with the Committee ensuring that part of the management body remains independent.

THE RISK MANAGEMENT COMMITTEE

The Risk Management Committee is subordinated to the Board of Directors and is established to issue competent and independent opinions on the risk management policies and procedures, the capital adequacy and the bank's appetite to risk and to exercise the attributions mandated by the Board of Directors in this field of activity.

The Risk Management Committee consists at the present in 3 directors. Responsibilities mainly related to: advising the Board of Directors on the bank's risk appetite and the strategy for the management of current and future risks to which the bank is exposed; assisting the Board of Directors in the supervision of the strategy implementation by the Leaders' Committee. The general responsibility regarding risk management remains with the Board of Directors.

The Risk Management Committee meets on a quarterly basis or whenever required, upon the request of its members or of the bank's management. In 2018, the Risk Committee organized 8 meetings and several ad-hoc conference calls to debate specific issues. Urgent resolutions were also approved based on votes received via e-mail.

INFORMATION FLOW - RISKS TO THE MANAGEMENT BODY

For the specific risk categories, the bank has established transparent regular reporting mechanisms, so that the management body and all the relevant units are provided with precise, concise, intelligible and significant reports in due time, and to be able to exchange relevant information on risk identification, quantification or assessment and monitoring.

The Board of Directors and the Risk Management Committee establish the type, volume, format and frequency of information regarding risks

DAR- Risk Management Department is responsible for the periodic monitoring and observance of approved risk limits during the bank's activity, in order to ensure that the risks arising from bank's operations are taking into account the appetite for risk adopted by the bank. Any deviation from such limits is immediately reported to the CRO. For indicators at Leader's Committee / Risk Management Committee level, depending on the materialized risk, the deviation will be reported to the appropriate Committee (Committee for the Administration of Assets and Liabilities (ALCO) - for limits related to treasury activity; Policy and Loan Approval Committee - for limits related to loans; Leaders Committee - other risks) in the next meeting / immediately after the identification of the deviation, as requested by Deputy General Manager - Chief risk Officer (CRO).

Ratios related to the bank's risk appetite are monitored on a monthly basis, the results being synthesized in the specific risk reports submitted to the attention of Asset-Liability Committee / Leaders' Committee for information and analysis.

Reporting to BoD/Risk Committee occurs at least on a quarterly basis.

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

Template 1: EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

RON thous.

	a	b	c	d	e	f	g
			Carrying values of items				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash reserves	10,319,923	10,319,919	10,319,919	0	0	0	0
Loans and advances to banks	5,632,433	5,632,411	5,632,411	0	0	0	0
Depreciation of loans and advances to banks	(1,578)	(1,578)	-1,578	0	0	0	0
Loans and advances to customers	41,461,266	41,466,301	41,466,301	0	0	0	0
Depreciation of loans and advances to customers	(2,697,708)	(2,698,787)	-2,698,787	0	0	0	0
Financial assets held for trading and measured at fair value through profit or loss	210,461	15,027		0	0	15,027	0
Derivatives	3,066	3,066	3,066	0	0	0	0
Financial assets at fair value through other items of comprehensive income	21,374,707	21,374,707		0	0	21,374,707	0

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

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

Financial assets measured at fair value through profit or loss	456,127	689,793		0	0	689,793	0
Intangible assets	287,514	287,252		0	0	0	287,252
Tangible assets and real estate investments	593,903	576,367	576,367	0	0	0	
Other assets	256,640	486,969	486,969	0	0	0	
Total assets	**77,896,754**	**78,151,446**	**55,784,668**	**0**	**0**	**22,079,527**	**287,252**
Liabilities							
Deposits from banks	1,708,168	1,708,168	0	0	0	0	0
Deposits from customers	65,351,282	65,352,886	0	0	0	0	0
Provisions	472,722	468,503	0	0	0	0	0
Derivatives	4,226	4,226	0	0	0	0	0
Other liabilities	824,906	1,062,525	0	0	0	0	0
Subordinated loans	1,655,378	1,655,378	0	0	0	0	0
Equity	7,880,072	7,899,760	0	0	0	0	0
Consolidated equity	6,337,796	6,340,812	*0*	*0*	*0*	*0*	*0*
Consolidated profit	1,249,739	1,263,158	*0*	*0*	*0*	*0*	*0*
Minority interests	292,537	295,790	*0*	*0*	*0*	*0*	*0*
Total liabilities	**77,896,754**	**78,151,446**	**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

Template 2: EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

RON thous.

		a	b	c	d	e
		Total	Items subject to			
			Credit risk framework	CCR framework	Securitisation framework	Market risk framework
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	78,151,446	55,784,668	0	n/a	22,079,527
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	78,151,446	0	0	n/a	0
3	Total net amount under the regulatory scope of consolidation	0	55,784,668		n/a	22,079,527
4	Off-balance-sheet amounts	10,934,322	3,416,763	349,231		0
10	**Exposure amounts considered for regulatory purposes**	78,151,446	55,784,668	0	n/a	22,079,527

Template 3: EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

The subsidiaries comprise the following entities:

Name of the entity	Accounting consolidation method	Method of regulatory consolidation				Description of the entity	December 2018	December 2017	December 2016
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted				
BT Capital Partners S.A.	Full consolidation	X				Investments	99,59%	99,59%	99,59%
BT Leasing Transilvania IFN S.A.	Full consolidation	X				Leasing	100,00%	100,00%	100,00%
BT Investments S.R.L.	Full consolidation	X				Investments	100,00%	100,00%	100,00%
BT Direct IFN S.A.	Full consolidation	X				Consumer loans	100,00%	100,00%	100,00%
BT Building S.R.L.	Full consolidation	X				Investments	100,00%	100,00%	100,00%
BT Asset Management SAI. S.A.	Full consolidation	X				Asset management	80,00%	80,00%	80,00%
BT Solution Agent de Asigurare S.R.L.	Full consolidation	X				Activities auxiliary to insurance and pension funds	99,95%	99,95%	99,95%
BT Asiom Agent de Asigurare S.R.L.	Full consolidation	X				Activities auxiliary to insurance and pension funds	99,95%	99,95%	99,95%
BT Safe Agent de Asigurare S.R.L.	Full consolidation	X				Activities auxiliary to	99,99%	99,99%	99,99%

						insurance and pension funds			
BT Intermedieri Agent de Asigurare S.R.L.	Full consolidation	X				Activities auxiliary to insurance and pension funds	99,99%	99,99%	99,99%
BT Leasing MD S.R.L.	Full consolidation	X				leasing	100,00%	100,00%	100,00%
BT Microfinanţare IFN S.A.	Full consolidation	X				Consumer loans	100,00%	100,00%	100,00%
Improvement Credit Collection S.R.L	Full consolidation	X				Activities of collection agencies and the loan reporting offices	100,00%	100,00%	100,00%
Sinteza S.A.	Full consolidation			X		Manufacture of other organic basic chemicals	51,47%	50,15%	46,98%
Chimprod S.R.L.	Full consolidation			X		Manufacture of basic pharmaceutical products	51,35%	50,03%	46,87%
Fond inchis de investitii BT Invest1	Full consolidation			X		Closed investment fund	99,19%	96.64%	90.54%
VB INVESTMENT HOLDING B.V.	Full consolidation	X				Holding activities	61,82%	-	-
Banca Comercială "VICTORIABA NK", S.A,	Full consolidation	X				Banking and investment activities	44,63%	-	-
ERB Retail Services IFN S.A.	Full consolidation	X				Credit cards and consumer loans	100,00%	-	-

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

Consolidated Group for Accounting Purposes

IFRS 10 establishes a single control model applicable to all entities, including special-purpose entities.

The amendments brought forth by IFRS 10 require the management to exert significant reasoning in order to determine the entities that are controlled, and thus need to be consolidated by a parent entity.

In accordance with IFRS 10 "Consolidated Financial Statements", the Group controls an entity it has invested in, when it entirely holds the following:

- Power over the investee;
- Exposure or rights to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect the amount of the investor's returns;

As at 31 December 2018, the Group controls but does not include in the consolidation the company S.C. Timesafe S.R.L., an entity providing "information technology services". The subsidiary was not included in the consolidation because of its immateriality in terms of total assets, shareholders' equity and losses in the Group's total assets, shareholders' equity and profit.

The Group Banca Transilvania ("Group") includes the parent-company and its subsidiaries, based in Romania and in the Republic of Moldova.

The consolidated financial statements of the Group for the financial year ended December 31, 2018 comprise the financial statements of Banca Transilvania S.A. and of its subsidiaries, that jointly form the Group. The Group's fields of activity are: banking through BANCA TRANSILVANIA S.A (the "Bank") and "VICTORIABANK", S.A, leasing and consumer loans through BT Leasing Transilvania IFN S.A, BT Operational Leasing S.A, BT Direct IFN S.A ERB Retail Services IFN S.A, BT Microfinantare IFN SA and BT Leasing MD S.R.L., asset management through BT Asset Management S.A.I S.A, investment through BT Capital Partners S.A..

Consolidated for accounting purposes - IFRS10

	Global consolidation		Equity method	
Number of units	2018	2017	2018	2017
As of 1/1	19	23	0	0
Included for the first time in the financial period	5	0	0	0
Merged in the financial period	2	1	0	0
Excluded in the financial period	3	3	0	0
As of 31/12	19	19	0	0

Consolidated Group for Prudential Purposes

The regulations underlying the prudential consolidation are the Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 and Regulation (EU) No 575/2013 of the European Parliament and of the Council.

In 2018, the difference between the Group consolidated for prudential purposes and the one consolidated for accounting IFRS purposes resides in one investment fund organized as an undertaking for collective investment, without legal personality and twoe companies indirectly held by this investment fund. These entities are not subject to the provisions laid down in Regulation no. 575 /2013 on prudential requirements for credit institutions and investment firms.

The financial statements consolidated for prudential purposes for the financial exercise ended on December 31st, 2018 comprise the financial statements of Banca Transilvania S.A. and of its subsidiaries, which form the whole Group.

Consolidated for prudential purposes

	Global consolidation		**Equity method**	
Number of units	2018	2017	2018	2017
As of 1/1	14	15	0	0
Included for the first time in the financial period	5	0	0	0
Merged in the financial period	2	1	0	0
Excluded in the financial period	1	0	0	0
As of 31/12	16	14	0	0

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	Emitent	Banca Transilvania	Banca Transilvania	EEEF	IFC
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
	Regulatory treatment				
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	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
7	Instrument type (types to be specified by each jurisdiction)	Subordinated bonds	Subordinated bonds	Subordinated loans	Subordinated loans
8	Amount recognised in regulatory capital (in million)	€ 285.00	€ 2.63	€ 23.01	$38.00
9	Nominal amount of instrument (agregate)	€ 285.00	€ 30.00	€ 25.00	$40.00
9a	Issue price	€ 285.00	€ 30.00	€ 25.00	$40.00
9b	Redemption price - in currency of issue	€ 285.00	€ 30.00	€ 25.00	$40.00
10	Accounting classification	liabilities at amortised cost	liabilities at amortised cost	liabilities at amortised cost	liabilities at amortised cost
11	Original date of issuance	26/06/2018	22/05/2013	30/09/2013	31/10/2014
12	Perpetual or dated	dated	dated	dated	dated
13	Original maturity date	26/06/2028	22/05/2020	30/09/2023	15/10/2023
14	Issuer call subject to prior supervisory approval	no	no	no	no

15	Optional call date, contingent call dates and redemption amount (s. 9b)	n/a	n/a	n/a	n/a
16	Subsequent call dates, if applicable	n/a	n/a	n/a	n/a
	Coupons / dividends				
17	Fixed or floating dividend/coupon	variable	variable	variable	variable
18	Coupon rate and any related index	EURIBOR 6M + 3.75%	EURIBOR 6M + 6.25%	EURIBOR 6M+6.2%	LIBOR 6M+5.8%
19	Existence of a dividend stopper	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
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	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
22	Noncumulative or cumulative	n/a	n/a	n/a	n/a
23	Convertible or non-convertible	yes	yes	No	No
24	If convertible, conversion trigger(s)	Decision of the bondholders	Decision of the bondholders	n/a	n/a
25	If convertible, fully or partially	Fully or partially	Fully or partially	n/a	n/a
26	If convertible, conversion rate	Correlated with the price of TLV shares	Correlated with the price of TLV shares	n/a	n/a
27	If convertible, mandatory or optional conversion	Optional	Optional	n/a	n/a
28	If convertible, specify instrument type convertible into	Common equity Tier 1	Commom Equity Tier 1	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	Banca Transilvania	Banca Transilvania	n/a	n/a
30	Write-down features	n/a	n/a	n/a	n/a
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a
32	If write-down, full or partial	n/a	n/a	n/a	n/a
33	If write-down, permanent or temporary	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

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

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
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	-	-	-	-

Reconciliation of own funds elements with the statement of financial position

Capital base in RON thousand	**31/12/2018**
Shareholders' equity according to the Group's balance sheet	7,587,536
Non-controlling interests	292,537
Anticipated dividend	-818,566
Additional value adjustments	-22,099
Goodwill	-4,295
Deferred tax receivables	0
Intangible assets	-277,207
Other adjustments	-14,197
Common Equity Tier 1 capital	**6,743,708**
Total Tier 1 capital I	**6,743,708**
Tier 2 instrument	1,655,378
Other adjustments	-51,762
Total Tier 2 capital	**1,603,616**
Total capital base	**8,347,324**

Statement of financial position

Assets in RON thousand	**IFRS 2018**	**Prudential 2018**
Cash reserves	10,319,923	10,319,919
Loans and advances to banks	5,632,433	5,632,411
Depreciation of loans and advances to banks	-1,578	-1,578
Loans and advances to costumers	41,461,266	41,466,301
Depreciation of loans and advances to costumers	-2,697,708	-2,698,787
Financial assets measured at fair value through profit or loss / Financial assets mandatory measured at fair value through profit or loss and Financial assets held for trading and valued at fair value through profit or loss	666,588	704,820
Derivatives	3,066	3,066

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

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

Available-for-sale securities / Financial assets at fair value through other items of global result	21,374,707	21,374,707
Intangible assets	287,514	287,252
Tangible assets	593,903	576,367
Other assets	256,640	486,969
Total assets	**77,896,754**	**78,151,446**

Liabilities and Equity in RON thousand	**IFRS 2018**	**Prudential 2018**
Deposits from banks	1,708,168	1,708,168
Deposits from clients	65,351,282	65,352,886
Provisions	472,722	468,503
Derivatives	4,226	4,226
Other liabilities	824,906	1,062,525
Subordinated capital	1,655,378	1,655,378
Equity	7,880,072	7,899,760
Consolidated equity	6,337,796	6,340,812
Consolidated profit/loss	1,249,739	1,263,158
Non-controlling interests	292,537	295,790
Total liabilities and equity	**77,896,754**	**78,151,446**

Own funds (prudential)

Own funds in RON thousand	**31/12/2018**
Capital instruments and the related share premium accounts	4,927,363
Retained earnings	713,903
Accumulated other comprehensive income (and other reserves)	1,058,669
Funds for general banking risk	77,893
Minority interests (amount recognized in consolidated CET1)	0
Common Equity Tier 1 (CET1) capital before regulatory adjustments	6,777,828
Additional value adjustments	-22,099
Intangible assets (net of related tax liability)	-277,207
Goodwill	-4,295
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	-57,688
Deferred tax assets arising from temporary difference	0

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

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

Other transitional adjustment	383,213
Total regulatory adjustments to Common Equity Tier 1 (CET1)	21,924
Common Equity Tier 1 (CET1) capital	**6,799,751**
Tier 1 capital (T1 = CET1 + AT1)	**6,799,751**
Tier 2 (T2) capital: instruments and subordinated loans	1,603,616
Tier 2 (T2) capital before regulatory adjustment	1,603,616
Tier 2 (T2) capital: regulatory adjustments	0
Total regulatory adjustments to Tier 2 (T2) capital	0
Tier 2 (T2) capital	**1,603,616**
Total capital (TC = T1 + T2)	**8,403,367**
Risk weighted assets	46,104,519
Common Equity Tier 1 (as a percentage of total risk exposure amount	14.75%
Tier 1 (as a percentage of total risk exposure amount	14.75%
Total capital (as a percentage of total risk exposure amount	18.23%

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

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

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 thous.

		RWAs		Minimum capital requirements
		31.12.2018	31.12.2017	31.12.2018
1	Credit risk (excluding CCR)	31,506,894	22,337,014	2,520,552
2	Of which the standardised approach	31,506,894	22,337,014	2,520,552
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	6,801	22,201	544
7	Of which mark to market	4,025	17,733	322
8	Of which original exposure	-	-	-
9	Of which the standardised approach			
10	Of which internal model method (IMM)	-	-	-

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

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

11	Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
12	Of which CVA	2,776	4,468	222.10
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	7,727,012	5,344,525	618,160.96
20	Of which the standardised approach	7,727,012	5,344,525	618,160.96
21	Of which IMA	-	-	-
22	Large exposures	-	-	0
23	Operational risk	6,863,811	5,358,427	549,105
24	Of which basic indicator approach	6,863,811	5,358,427	549,105
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**	**46,104,519.02**	**33,062,167.00**	**3,688,361.52**

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.

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

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

RON thous.

RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES - standardised approach	**Credit, dilution and free deliveries risk**	**Counterparty credit risk**
Total	**2,519,873**	**1,001**
Central governments or central banks	156,079	0
Regional governments or local authorities	2,637	0
Public sector entities	2,497	0
Multilateral Development Banks	0	0
International Organizations	0	0
Institutions	144,947	942
Corporates	748,844	59
Retail	855,285	0
Secured by mortgages on immovable property	317,639	0
Exposures in default	161,521	0
Items associated with particular high risk	0	0
Covered bonds	0	0
Claims on institutions and corporates with a short-term credit assessment	200	0
Collective investments undertakings (CIU)	0	0
Equity	0	0
Other items	130,223	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 thous.

Capital requirement for position, foreign exchange and commodities risks under standardised approaches (SA)	**528,632**
Traded debt instruments	495,637
Equity	11,730
Foreign Exchange	21,265
Commodities	

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 thous.

Total risk exposure amount for operational risk (opr)	**6,863,8115**

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 25: EU CCR1 – Analysis of CCR exposure by approach

RON thous.

		a	b	c	d	e	f	g
		Notional	Replacement cost/current market value	Potential futurecredit exposure	EEPE	Multiplier	EAD post CRM	RWA
1	Mark to market		3,066	9,452			12,518	4,025
2	Original exposure							
3	Standardised approach							
4	IMM (for derivatives and SFTs)							
5	Of which securities financing transactions							

6	Of which derivatives and long settlement transactions							
7	Of which from contractual crossproduct netting							
8	Financial collateral simple method (for SFTs)							
9	Financial collateral comprehensive method (for SFTs)							
10	VaR for SFTs							
11	Total							4,025

Template 26: EU CCR2 – CVA capital charge

RON thous.

		31/12/2018	
		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	11,778	2,776
EU4	Based on the original exposure method	-	-
5	Total subject to the CVA capital charge	**11,778**	**2,776**

Template 31: EU CCR5-A – Impact of netting and collateral held on exposure values

RON thous.

		a	b	c	d	e
		Gross positive fair value or net carrying amount	**Netting benefits**	**Netted current credit exposure**	**Collateral held**	**Net credit exposure**
1	Derivatives	12,518	-	12,518	-	12,518

2	SFTs	589,459	-	-	605,991	-
3	Cross-product netting	-	-	-	-	-
4	Total	601,977	-	12,518	605,991	12,518

Template 32: EU CCR5-B – Composition of collateral for exposures to CCR

RON thous.

		a	b	c	d	e	f
		Collateral used in derivative transactions				Collateral used in SFTs	
		Fair value of collateral received		Fair value of posted collatera		Fair value of collateral received	Fair value of posted collateral
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash	-	-	-	25,128	-	2,841
2	Financial Assets	-	-	-	-	359,106	243,623
4	**Total**				**25,128**	**359,106**	**246,464**

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).

Capital buffers

In 2018 no countercyclical capital buffers were applied.

Indicators of global systemic importance

In 2018 no indicators of global systemic importance were applied.

Credit risk adjustments

DEFINITIONS FOR ACCOUNTING PURPOSES OF 'PAST DUE' AND 'IMPAIRED'

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 credit-impaired 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;
- 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 forward-looking basics the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and fair value through other items of the comprehensive income and the exposure from loan commitments and financial guarantee contracts. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL 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.

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- 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-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount 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 originated credit-impaired financial assets ("POCI") are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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

Allowances for impairment

Based on future scenarios, the Group assesses the expected credit loss ("ECL") related to the assets in the form debt instruments measured at amortized cost.

The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL 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.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- 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-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

Financial instruments in Stage 1 have their ECL measured at an amount 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 originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

In determining whether a significant increase in credit risk occurred since initial recognition the Group considers reasonable and supportable information that is relevant and can be obtained without undue cost and effort.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised, so that it exceeds the relevant threshold (assessed also via the movements between various rating notches and also via comparing the PD curves).

These thresholds have been determined separately for different portfolio types, by assessing how the Lifetime PD moves prior to an instrument becoming delinquent. The Lifetime PD movements on instruments which do not subsequently become delinquent have also been assessed, to identify the 'natural' movement in Lifetime PD which is not indicative of a significant increase in credit risk.

Qualitative criteria:

For Retail portfolios, if the financial asset meets one or more of the following criteria:

- It is classified as performing restructured;
- Subject to Law 77/2016;
- Denominated in high-risk currency;

For Company portfolios, loans are considered impaired, if the borrower meets one or more of the following criteria:

- Significant increase in credit risk perceived by the risk analysis team for individually assessed exposures;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates;
- Actual or expected forbearance or restructuring;
- Actual or expected significant adverse change in operating results of the borrower;
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default;
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans.

The assessment of SICR incorporates forward-looking information.
In relation to Treasury financial instruments, where a Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Low credit risk exemption

The Group has not used the low credit risk exemption for any financial instruments in the period ended 31 December 2018.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed.

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

Quantitative criteria

- The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in nonperforming forbearance;
- The borrower is insolvent;
- The borrower is in a breach of a significant financial covenant(s);
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- It is becoming probable that the borrower will enter bankruptcy;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The definitions of *credit-impaired and default* are aligned as far as possible so that stage 3 represents all loans which are considered defaulted or otherwise credit-impaired.

An instrument is considered to no longer be in default (i.e. to have "cured") when it no longer meets any of the default criteria for a consistent period of time, depending on the main trigger for the default classification. This period has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions and also expert opinion. For example the healing period for days past due criteria start at 3 months while the healing period for forborne asset start at one year.

Measurement of the expected credit loss Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired "above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

Loss Given Default (LGD) represents a Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty and availability of collateral or other credit support.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. The ECL for each future month is then discounted back to the reporting date and summed.

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis.

- • For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default.

Forward-looking economic information is also included in determining the 12-month and lifetime ECL. These assumptions vary by product type.

The assumptions underlying the ECL are monitored and reviewed on a bi-annual basis.

Forward-looking information incorporated in the ECL models

The assessment of SICR and measurement of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's Economics 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.

	2018	**2019**	**2020**	**2021**
Real GDP (%, YoY)	3.8	2.8	3.3	3.7
Unemployment rate (%)	4.1	4.3	4.7	5.2
Inflation (HICP) (%)	3.4	3.3	2.7	2.8
Key interest rate ROBOR 3M (%)	3.2	2.6	2.6	2.9
Key interest rate EURIBOR 3M (%)	(0.3)	(0.1)	0.4	0.2
Exchange rate EUR/RON	4.7	4.7	4.8	4.8

In addition to the base economic scenario, the Group also consider other possible scenarios along with scenario weightings. At 1 January 2018 and 31 December 2018, for all portfolios the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

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. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Derecognition **policy**

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and

(i) the Group transfers substantially all the risks and rewards of ownership, or
(ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

The transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

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

Template 7: EU CRB-B – Total and average net amount of exposures

RON thous.

		a	b
		Net value of exposures at the end of the period	**Average net exposures over the period**
1	Central governments or central banks	0.00	0.00
2	Institutions	0.00	0.00
3	Corporates	0.00	0.00
4	*Of which: Specialised lending*	0.00	0.00
5	*Of which: SMEs*	0.00	0.00
6	Retail	0.00	0.00
7	*Secured by real estate property*	0.00	0.00
8	*SMEs*	0.00	0.00
9	*Non-SMEs*	0.00	0.00
10	*Qualifying revolving*	0.00	0.00
11	*Other retail*	0.00	0.00
12	*SMEs*	0.00	0.00
13	*Non-SMEs*	0.00	0.00
14	Equity	0.00	0.00
15	***Total IRB approach***	0.00	0.00
16	Central governments or central banks	9,018,493	8,188,462
17	Regional governments or local authorities	104,583	71,325
18	Public sector entities	152,859	113,973
19	Multilateral development banks	-	-

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

20	International organisations	-	-
21	Institutions	4,946,678	4,759,750
22	Corporates	12,458,987	12,157,297
23	*Of which: SMEs*	7,084,144	7,205,375
24	Retail	22,077,188	20,458,152
25	*Of which: SMEs*	8,919,111	8,105,382
26	Secured by mortgages on immovable property	11,763,254	11,183,578
27	*Of which: SMEs*	846,801	849,607
28	Exposures in default	1,965,906	1,927,761
29	Items associated with particularly high risk	-	-
30	Covered bonds	-	-
31	Claims on institutions and corporates with a short-term credit assessment	14,534	58,020
32	Collective investments undertakings	-	-
33	Equity exposures	-	45,691
34	Other exposures	4,163,652	3,771,056
35	***Total standardised approach***	**66,666,133**	**62,735,064**
36	***Total***	***66,666,133***	***62,735,064***

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

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

Template 9: EU CRB-D – Concentration of exposures by industry or counterparty types

RON thous.

		a	b	c	d	e	f	g	h	i	j	k
		Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade	Transport and storage	Accomodation and food service	Information and communication	Financial and insurance activities
1	Central governments or central banks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Institutions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	Corporates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	Retail	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	Equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	***Total IRB approach***	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-
8	Regional governments or local authorities	15	-	-	-	-	-	242	-	-	-	-
9	Public sector entities	7,733	-	-	6,941	-	3,479	-	100,329	-	69	-
10	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
11	International organisations	-	-	-	-	-	-	-	-	-	-	-
12	Institutions	-	-	-	-	-	-	-	-	-	-	4,946,678
13	Corporates	995,821	30,631	3,458,529	480,583	75,557	1,429,768	2,878,508	471,692	218,764	452,709	82,792

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

14	Retail	1,293,714	31,123	1,384,136	37,502	89,029	1,095,906	2,869,850	1,022,629	354,406	202,397	12,873
15	Secured by mortgages on immovable property	52,317	1,562	92,735	1,255	3,872	171,874	294,582	72,605	45,013	16,469	4,720
16	Exposures in default	70,104	27,723	311,889	27,593	14,649	236,385	323,846	82,334	43,128	38,965	3,168
17	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a shortterm credit assessment	-	-	-	-	-	-	-	-	-	-	14,534
20	Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-
21	Equity exposures	-	-	-	-	-	-	-	-	-	-	-
22	Other exposures	-	-	-	-	-	-	-	-	-	-	-
23	***Total standardised approach***	**2,419,703.99**	**91,037.93**	**5,247,289.86**	**553,873.83**	**183,108.12**	**2,937,413.67**	**6,367,027.71**	**1,749,587.94**	**661,310.96**	**710,609.36**	**5,064,764.16**

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

		l	m	n	o	p	q	r	s			u
		Real estate activities	Proffesional, scientific and technical activities	Administrative and support service activities	Public administration and defence, compulsory social security	Education	Human health services and social work activities	Arts, entertainment and recreation	Other services	Central banks	Households	Total
1	Central governments or central banks											
2	Institutions											
3	Corporates											
4	Retail											
5	Equity											
6	***Total IRB approach***											
7	Central governments or central banks	-	-	-	-	-	-	-	-	9,018,493	-	9,018,493
8	Regional governments or local authorities	-	4,468	-	75,212	22	8,959	890	14,775	-	-	104,583
9	Public sector entities	-	259	-	134	19,346	1,460	3,507	9,602	-	-	152,859
10	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
11	International organisations	-	-	-	-	-	-	-	-	-	-	-
12	Institutions	-	-	-	-	-	-	-	-	-	-	4,946,678
13	Corporates	839,596	110,882	179,914	16,490	27,240	202,129	164,913	12,012	-	330,457	12,458,987
14	Retail	139,445	328,889	197,011	1,446	16,948	491,294	40,845	60,939	-	12,406,806	22,077,188
15	Secured by mortgages on immovable property	21,897	43,635	28,255	698	5,716	245,305	7,476	11,868	-	10,641,399	11,763,254
16	Exposures in default	57,162	30,283	8,134	2,187	90	15,201	1,931	1,621	-	669,510	1,965,906

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

17	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a shortterm credit assessment	-	-	-	-	-	-	-	-	-	-	14,534
20	Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-
21	Equity exposures	-	-	-	-	-	-	-	-	-	-	-
22	Other exposures	-	-	-	-	-	-	-	4,163,652	-	-	4,163,652
23	***Total standardised approach***	1,058,099.64	518,417.20	413,314.53	96,166.87	69,362.24	964,348.00	219,562.62	4,274,468.35	9,018,493.20	24,048,172.45	66,666,133

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

Template 10: EU CRB-E – Maturity of exposures

RON thous.

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Central governments or central banks						
2	Institutions						
3	Corporates						
4	Retail						
5	Equity						
6	***Total IRB approach***						
7	Central governments or central banks	-	-	-	-	9,018,493	9,018,493
8	Regional governments or local authorities	-	27,642	29,014	47,927	-	104,583
9	Public sector entities	-	29,683	111,053	12,123	-	152,859
10	Multilateral development banks	-	-	-	-	-	-
11	International organisations	-	-	-	-	-	-
12	Institutions	-	4,580,276	321,235	45,167	-	4,946,678
13	Corporates	-	5,748,973	3,782,861	2,927,152	-	12,458,987
14	Retail	-	5,981,116	11,255,327	4,840,745	-	22,077,188
15	Secured by mortgages on immovable property	-	372,057	653,098	10,738,099	-	11,763,254
16	Exposures in default	-	805,414	632,465	528,027	-	1,965,906
17	Items associated with particularly high risk	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-
19	Claims on institutions and corporates with a shortterm credit assessment	-	14,534	-	-	-	14,534
20	Collective investments undertakings						

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

21	Equity exposures	0.00	0.00	0.00	0.00	0.00	0.00
22	Other exposures	-	-	-	-	4,163,652	4,163,652
23	***Total standardised approach***	-	17,559,695	16,785,052	19,139,240	13,182,145	66,666,133

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

RON thous.

		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	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Institutions	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	Corporates	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	*Of which: Specialised lending*	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	*Of which: SMEs*	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	Retail	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	*Secured by real estate property*	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8	*SMEs*	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9	*Non-SMEs*	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

	Qualifying revolving	0.00	0.00	0.00	0.00	0.00	0.00	
10	*Other retail*	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Retail	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11	*Secured by real estate property*	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12	*SMEs*	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13	*Non-SMEs*	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00
14	Equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00
15	***Total IRB approach***	0.00	0.00	0.00	0.00	0.00	0.00	0.00
16	Central governments or central banks		9,035,627	17,133	-	-	17,107	9,018,493
17	Regional governments or local authorities		107,788	3,205	-	-	2,927	104,583
18	Public sector entities		154,909	2,050	-	-	1,258	152,859
19	Multilateral development banks		-	-	-	-	-	-
20	International organisations		-	-	-	-	-	-
21	Institutions		4,959,065	12,388	-	-	9,599	4,946,678
22	Corporates		12,911,621	452,634	-	-	163,331	12,458,987
23	*Of which: SMEs*		7,292,120	207,977	-	-	18,614	7,084,144
24	Retail		22,510,661	433,473	-	-	171,392	22,077,188
25	*Of which: SMEs*		9,080,792	161,680	-	-	83,981	8,919,111
26	Secured by mortgages on immovable property		11,852,954	89,700	-	-	1,198	11,763,254
27	*Of which: SMEs*		855,465	8,664	-	-	1,708	846,801

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

28	Exposures in default	4,005,669	-	2,039,763	-	3,046,566	278,042	1,965,906
29	Items associated with particularly high risk		-	-	-	-	-	-
30	Covered bonds		-	-	-	-	-	-
31	Claims on institutions and corporates with a shortterm credit assessment		14,677 -	143 -	- -	- -	(22) -	14,534 -
32	Collective investments undertakings		-	-	-	-	-	-
33	Equity exposures		5,031,037	867,385	-	-	274,007	4,163,652
34	Other exposures		9,035,627	17,133	-	-	17,107	9,018,493
35	***Total standardised approach***	4,005,669	66,578,339	3,917,875	-	3,046,566	918,840	66,666,133
36	***Total***	4,005,669	66,578,339	3,917,875	-	3,046,566	918,840	66,666,133
37	Of which: Loans	3,651,239	37,608,567	2,885,226	-	3,046,566	553,494	38,374,579
38	Of which: Debt securities	-	18,389,881	884,656	-	-	291,278	17,505,224
39	Of which: Offbalance-sheet exposures	354,431	10,579,891	147,992	-	-	74,068	10,786,329.55

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

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

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

RON thous.

		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	166,444.88	2,091,645.88	97,236.41	0.00	183,462.97	0.00	2,160,854.35
2	Mining and quarrying	70,397.44	53,865.17	68,868.95	0.00	59,978.83	0.00	55,393.66
3	Manufacturing	590,862.79	4,260,270.60	338,183.98	0.00	639,081.11	3,852.02	4,512,949.40
4	Electricity, gas, steam and air conditioning supply	69,175.69	557,294.11	68,190.70	0.00	265,480.92	0.00	558,279.10
5	Water supply	26,717.01	132,523.73	19,169.02	0.00	59,516.19	0.00	140,071.72
6	Construcţion	483,781.71	2,484,327.68	247,341.13	0.00	359,372.93	0.00	2,720,768.26
7	Wholesale and retail trade	453,594.28	4,547,959.77	273,602.95	0.00	970,218.28	0.00	4,727,951.09
8	Transport and storage	143,047.81	1,161,204.00	67,227.32	0.00	77,397.06	16,320.81	1,237,024.49
9	Accomodation and food service	44,940.06	501,031.83	20,908.10	0.00	38,221.26	0.00	525,063.80

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

10	Information and communication	75,677.86	497,985.29	53,044.23	0.00	20,538.79	37,450.17	520,618.92
11	Real estate activities	90,406.64	612,229.88	35,070.76	0.00	152,466.33	0.00	667,565.76
12	Proffesional, scientific and technical activities	78,959.30	386,137.26	46,561.19	0.00	48,540.21	479.31	418,535.38
13	Administrative and support service activities	9,686.59	308,098.00	6,259.03	0.00	19,353.74	0.00	311,525.56
14	Public administration and defence, compulsory social security	6,892.46	5,306.24	5,420.56	0.00	0.00	0.00	6,778.14
15	Education	542.46	71,219.94	1,248.73	0.00	10,184.23	6.27	70,513.66
16	Human health services and social work activities	31,024.08	838,851.78	24,687.83	0.00	48,880.09	0.00	845,188.03
17	Arts, entertainment and recreation	4,633.20	216,348.70	4,129.13	0.00	4,833.28	0.00	216,852.77
18	Other services	2,943.12	3,140,497.25	595,787.48	0.00	8,147.06	0.00	2,547,652.89
19	Financial and insurance activities	75,677.86	497,985.29	53,044.23	0.00	20,538.79	37,450.17	520,618.92
20	Central banks	90,406.64	612,229.88	35,070.76	0.00	152,466.33	0.00	667,565.76
21	Households	78,959.30	386,137.26	46,561.19	0.00	48,540.21	479.31	418,535.38
19	***Total***	**3,307,565.45**	**50,965,580.23**	**2,886,692.73**		**3,618,984.08**	**58,361.09**	**51,386,452.95**

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

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

RON thous.

		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	3,312,474	494,242	204,788	248,991	355,592	778,649
2	Debt securities						
3	***Total exposures***	3,312,474	494,242	204,788	248,991	355,592	778,649

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

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

RON thous.

		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 exposures		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	22,984,139	-	-	-	-	-	-	9,829	-	-	-	-	-
20	Loans and advances	54,080,200	472,717	448,680	3,068,662	3,068,337	3,065,266	1,578,810	1,053,789	65,664	1,641,872	787,899	1,292,911	1,060,795
30	Off-balance-sheet exposures	12,036,126		22,257	342,912	342,912	-	10,600	65,152	2,442	101,743	2,387	138,444,674	9,004

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

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

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

RON thous.

		a	b
		Accumulated specific credit risk adjustment	**Accumulated general credit risk adjustment**
1	***Opening balance***	(1,441,722.0)	0
2	Increases due to initiation and purchase	(583,003.0)	0
3	Decreases due to derecognition	298,388.0	0
4	Variations due to changes in credit risk (net)	(165,739.0)	0
5	Variations due to changes without derecognition (net)	(113,108.0)	0
6	Variations due to updating the institution's estimation methodology (net)	-	0
7	Decrease in the depreciation adjustment due to write-offs	371,365.0	0
8	Other adjustments	(4,772.0)	0
9	***Closing balance***	**(1,638,591.0)**	0
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	481,227.0	0
11	Specific credit risk adjustments directly recorded to the statement of profit or los	-	0

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

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

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

RON thous.

		a
		Gross carrying value defaulted exposures
1	**Opening balance**	3,311,319
2	Loans and debt securities that have defaulted or impaired since the last reporting period	2,163,861
3	Returned to non-defaulted status	174,888
4	Amounts written off	188,393
5	Other changes	1,106,229
6	**Closing balance**	4,005,669

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

UNENCUMBERED ASSETS

RON thous.

Template A - Encumbered and unencumbered assets		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally elligible EHQLA and HQLA		of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	1,239,036	0			76,912,411	19,799,519		
030	Equity instruments	0	0	0	0	187,635	0	187,635	0
040	Debt securities	1,239,036	0	1,239,036	0	21,735,275	19,799,519	21,735,275	19,799,519
050	of which: covered bonds	0	0	0	0	0	0	0	0
060	of which: asset-backed securities	0	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

070	of which: issued by general governments	1,239,036	0	1,239,036	0	20,240,106	19,799,519	20,240,106	19,799,519
080	of which: issued by financial corporations	0	0	0	0	1,229,688	0	1,229,688	0
090	of which: issued by non-financial corporations	0	0	0	0	27,135	0	27,135	0
120	Other assets	0	0			3,604,962	0		

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

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

Template B-Collateral received

RON thous.

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the reporting institution**	0	0	0	0
140	Loans on demand	0	0	0	0
150	Equity instruments	0	0	0	0
160	Debt securities	0	0	0	0
170	of which: covered bonds	0	0	0	0
180	of which: asset-backed securities	0	0	0	0
190	of which: issued by general governments	0	0	0	0
200	of which: issued by financial corporations	0	0	0	0
210	of which: issued by non-financial corporations	0	0	0	0
220	Loans and advances other than loans on demand	0	0	0	0
230	Other collateral received	0	0	0	0
240	**Own debt securities issued other than own covered bonds or asset-backed securities**	0	0	0	0

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

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

241	**Own covered bonds and asset-backed securities issued and not yet pledged**			0	0
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	1,239,036	0		

Template C-Sources of encumbrance RON thous.

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**246,598**	**248,798**

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

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

Use of External Credit Assessment Institutions

Banca Transilvania does not use External Credit Assessment Institutions to calculate risk weighted assets in accordance with Regulation 575/2013, Part III, Title II, Chapter 2.

Exposure to market risk

In 2018 compared to 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

RON thous.

	31/12/2018	Capital requirements	RWAs
	Outright products		
1	Interest rate risk (general and specific)	6,195,461	495,637
2	Equity risk (general and specific)	146,624	11,730
3	Foreign exchange risk	265,815	21,265
4	Commodity risk		
	Options		
5	Simplified approach		
6	Delta-plus method		
7	Scenario approach		
8	Securitisation (specific risk)		
	Total	**6,607,899**	**528,632**

Operational risk

Banca Transilvania uses the basic approach for the assessment of own funds requirements for operational risk.

Exposures in equities not included in the trading book

The BT Financial Group exposures in equities not included in the trading book are 67,548 thousand lei as of 31.12.2018 (net exposure).

RON thous.

BT Financial Group	Gross exposure	Net exposure	Accounting method
Shares	**172,219**	**172,219**	
Not listed	17,372	17,372	Market value
Listed	154,847	154,847	Market value

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 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	7,877,440
Potential decrease in economic value +/- 200bp	
Total value	233,479
Impact in own funds	2.96%

Exposure to securitisation positions

Banca Transilvania is not exposed to securitisation positions.

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

Remuneration policy

The main objective of Banca Transilvania Financial Group with regard to remuneration is to respect the principle of equity, taking into account the business strategy and risk strategy of the institution, culture and corporate values, long-term interests of the institution and the measures used to avoid conflicts of interest, without encouraging excessive risk-taking and promote a viable and efficient risk administration.

The remuneration framework supports the group in achieving and maintaining a viable capital base.

In terms of remuneration, persons whose professional activities have a material impact on the risk profile of the group were called "Identified Staff" and their identification is performed in accordance with Regulation no. 604/2014 of the European Commission.
The group performs assessments in order to identify all the staff members whose professional activities have a material impact on the risk profile of the group.

Internal structures with responsibilities regarding remuneration:

BOARD OF DIRECTORS is responsible for adopting and maintaining the institution's remuneration policy and overseeing its implementation to ensure that it is fully functional.

THE REMUNERATION AND NOMINATION COMMITTEE holds the main responsibilities with regard to the remuneration policies and ensures that the general principles and policies of staff remuneration and benefits correspond with the business strategy, objectives, values and long-term interests of the Group.

RISK COMMITTEE holds specific responsibilities regarding the assessment of risks in the remuneration field and ensures, without influencing the tasks of the Remuneration and Nomination Committee if incentives provided by the compensation system take into consideration risks, capital, liquidity as well as the likelihood and timing of profits in order to support adequate remuneration policies and practices.

HUMAN RESOURCES COMMITTEE holds specific responsibilities in terms of developing and increasing efficiency in the process of decisions making in relation to the employees.

HUMAN RESOURCES DEPARTMENT holds attributions regarding, among other things, providing human resources necessary to accomplish the strategic objectives of the bank / subsidiaries of the bank and a competitive and fair remuneration and reward system.

RISK ADMINISTRATION DEPARTMENT proposes, if necessary and in order to ensure that incentives for risk taking are balanced by incentives for risk management, adjustment of variable remuneration for all current and future risks undertaken, following the completion of risk alignment process, which includes: the process of measuring the performance and the risks and remuneration granting and payment processes, as well as additional duties in accordance with the rules of organization and administration of Banca Transilvania (R.12.8._.) and the provisions of this policy.

COMPLIANCE DEPARTMENT assists and advises the management body (BoD/Leaders' Committee) in the implementation of this policy, as well as additional responsibilities in accordance with the Rules of organization and organization of Banca Transilvania (R.12.8._.) and the provisions of this policy and also - through

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

compliance function - analyzes how the remuneration policy affecting the institution compliance with laws, regulations and internal risk culture endorsing the document signed by the Director of each approval, revision and supervision.

The aforementioned attributions are supplemented by additional responsibilities specific to each structure, that are described in the Group's regulatory framework.

THE REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee (REMCO) is subordinated to the Board of Directors and issues competent and independent opinions on the remuneration policies and practices, on the incentives for risk management, capital adequacy and liquidity management, on the nomination policies and to exercise the powers mandated by the Board of Directors in this field of activity, on the nomination policies and exercise of the attributions mandated by the Board of Directors in this field of activity.

The composition of the Remuneration and Nomination Committee is as follows:

- Chairman of the Board of Directors
- maximum 2 BoD members.

The Remuneration and Nomination Committee (REMCO) meets at least twice a year or whenever it is needed at the request of one of its members or the Bank's executive directors. In fiscal year 2018, REMCO met twice. The Board of Directors is informed with regard to the decisions made by the Remuneration and Nomination Committee after each meeting.

LINK BETWEEN THE TOTAL REMUNERATION AND PERFORMANCE

In accordance with the legislation in force on sound remuneration policies, there are two types of remuneration paid, fixed and variable, according to the following principles:

- Remuneration is fixed where the conditions for its award and its amount:

i) are based on predetermined criteria;
ii) are non-discretionary reflecting the level of professional experience and seniority of staff;
iii) are transparent with respect to the individual amount awarded to the individual staff member;
iv) are permanent, i.e. maintained over a period tied to the specific role and organisational responsibilities;
v) are non-revocable; the permanent amount is only changed via collective bargaining or following renegotiation in line with national criteria on wage setting;
vi) cannot be reduced, suspended or cancelled by the institution;
vii) do not provide incentives for risk assumption; and
viii) do not depend on performance.

- The remuneration is variable when it does not meet the above conditions for including it in the fixed remuneration category.

If the remuneration is correlated with the performance, the amount of the total remuneration is based on the combined assessment of the individual performance, the performance of the respective operational unit and the general results of the group, whereby the assessment of the individual performance takes into account both financial and nonfinancial aspects, such as: gained knowledge/obtained qualifications, personal development, compliance with the systems and controls of the group, involvement in the business strategies and significant policies of the entity within the group and the contribution to the team's performance.

Performance assessment takes place within a multi-annual framework, in order to make sure that the assessment process is based on the long-term performance and that the actual payment of the performance-based remuneration components is spread over a period that considers the business cycle of the group and the specific risks of its entities' activity.

In order to establish the variable part of the annual remuneration of the "Identified Staff", limitation of excessive risk taking is being considered. Thus, the annual objectives set by the Board of Directors for this purpose include ratios meant to discourage excessive risk taking.

The remuneration of independent control functions is mainly fixed. In case a variable remuneration is established, it will be granted without being linked to the budgetary objectives of the organization and the performance of activities monitored and controlled by the function, but correlated with objectives related to those functions.

DEFERRAL POLICY:

Provided the vesting criteria are met, the deferral policy for the Identified Personnel is:

- A substantial part of the variable component of the total remuneration, in all cases at least 40%, is deferred for a period of 3 years and is properly correlated with the activity nature, the risks and the responsibilities of the respective staff;

-up to 100% of the total variable remuneration can be subject to "*malus*" or „*clawback*" arrangements;

-Identified Staff members are vested with respect to the remuneration due according to deferral arrangements no earlier than on pro rata basis

The Identified Staff is paid for or is vested with respect to the variable remuneration, including the deferred portion, only if the variable remuneration can be supported by the overall financial standing of Banca Transilvania Financial Group and can be justified according to the performance of the bank, of the operational structure concerned and that of the individual;

Where the annual variable remuneration is of a particularly high amount, exceeding 1,000,000 lei net, at least 60% of the amount is deferred for a period of minimum 5 years.

CRITERIA USED FOR PERFORMANCE MEASUREMENT AND RISK ADJUSTMENT:

- Achievement of the gross profit target;

- Keeping liquidity at an optimum level, while maintaining the quick ratio within the limit of the adopted risk appetite;

- Keeping the solvability level (calculated in relation to the internal capital) compliant with the Internal Process for the Adjustment of Capital to Risks;

- Alignment between the bank's general risk profile and the risk appetite;

-Keeping the bank on one of the first 3 position in terms of assets held at the end of December 31.

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

RATIOS BETWEEN FIXED AND VARIABLE REMUNERATION

The total annual remuneration of the personnel category the professional activity of whom have a significant impact on the bank's risk profile consists of a fixed component and a variable one that cannot exceed 100% of the fixed component of the total annual remuneration.

The fixed and variable component of the total remuneration are properly balanced and the fixed component represents a share sufficiently large from the total remuneration, so as to allow for a fully flexible policy regarding the components of the variable remuneration, including the possibility of not paying any component thereof.

INFORMATION ON THE PERFORMANCE CRITERIA ON WHICH THE ENTITLEMENT TO SHARES, OPTIONS OR VARIABLE COMPONENTS OF REMUNERATION IS BASED

- Achieving the gross profit target for the assessed year (for the basic part) and/or for the previous year (for the deferred part);

- Keeping liquidity at an optimum level, while maintaining the quick ratio within the limit of the risk appetite adopted for the assessed year (for the basic part) and/or for the previous year (for the deferred part);

- Keeping the solvability level (calculated in relation to the internal capital) compliant with the Internal Process for the Adjustment of Capital to Risks for the assessed year (for the basic part);

- Alignment between the bank's general risk profile and the risk appetite adopted in the assessed year (for the basic part) and/or for the previous year (for the deferred part);

MAIN PARAMETERS AND RATIONALE FOR THE STRUCTURE OF THE VARIABLE REMUNERATION

The performance measurement used to calculate the components of the variable remuneration or the component portfolios of the variable remuneration includes an adjustment for all current and future risk types and takes into account the cost of capital and required liquidity.

The allocation of the variable remuneration components in BT Group also considers all current and future risk types.

At least 50% of any variable remuneration must be represented by a balanced combination of the following elements: (A) shares; AND (b) if possible, other instruments, such as additional Tier 1 instruments or Tier 2 instruments (under Article 52 or 63 of Regulation (EU) no. 575/2013), or other instruments convertible into core or reduced Tier 1 instruments, which adequately reflect in each case the credit quality of the Group on an ongoing basis and are suitable to be used for variable remuneration.

QUANTITATIVE INFORMATION

Quantitative information according to article 450 regarding remuneration will be published until the end of July 2018.

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

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 31.12.2018, the leverage ratio according to the transitional definition decreased slightly from 9.76% at 31.12.2017 to 8.56%, mainly due to the increase of the leverage ration exposures.

RON thous.

Reconciliation of the total exposure measure with the relevant information disclosed in published financial statements	**Applicable amount**
Total assets as per published financial statements	77,896,754
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	254,692
Adjustments for derivative financial instruments	0
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	4,075,854
Other adjustments	361,612
Total leverage ratio exposure	**82,588,912**

On-balance sheet exposures (excluding derivatives and SFTs)	**Applicable amount**
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	78,534,659
(Asset amounts deducted in determining Tier 1 capital)	-34,120
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**78,500,540**

Derivative exposures	**Applicable amount**
Adjusted effective notional amount of written credit derivatives	12,518
Total derivatives exposure	12,518

Other off-balance sheet exposures	Applicable amount
Off-balance sheet exposures at gross notional amount	10,934,322
(Adjustments for conversion to credit equivalent amounts)	-6,858,468
Other off-balance sheet exposures	4,075,854

Capital and total exposures	Applicable amount
Tier 1 capital	6,743,708
Total leverage ratio exposures	82,588,912
Leverage ratio (transitional)	8.17%

Split-up of on balance sheet exposures	Applicable amount
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	78,534,659
Trading book exposures	22,667,375
Banking book exposures, of which::	55,867,285
Covered bonds	0
Exposures treated as sovereigns	9,018,493
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	95,993
Institutions	4,708,876
Secured by mortgages on immovable property	11,557,301
Retail exposures	16,043,966
Corporates	8,577,307
Exposures in default	1,701,697
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	4,163,652

Use of the Internal Ratings Based Approach to credit risk

Banca Transilvania does not Internal Ratings Based Approach for credut risk assessment.

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

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:

- Internal Norm on residual risk management that aims at following the principle of prudence in order to reduce the Bank's risk when accepting collaterals
- 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.

For identifying, evaluating, monitoring and controlling residual risk Banca Transilvania takes into consideration the following:

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.

Setting the amount of the properties proposed as loan guarantees is made through evaluations based on the appraisals carried out mostly by external NAAVR (National Agency of the Authorized Valuators from Romania) valuators agreed by the Bank through specific approval procedures and recorded in the evaluation reports/other similar documents attached to the loan documentation and also through valuation reports drawn up by other appraisers authorized by ANEVAR in line with the provisions in the *Gov. Order 52 / 2016 on consumer credit agreements for real estate*, only after passing through the internal verification procedure in order to determine an opinion on the conformity of the valuation report with the valuation standards and the applicable legal provisions and alignment of these reports with the Bank's specific additional requirements. The valuation reports establish the market value of the properties.

Valuation reports will be developed on the basis of the Property Valuation Standards and the Guide for the Loan Guarantee Valuation- GEV520, in accordance with the provisions of the NBR Regulations and the specific requirements contained in the Norm for the management of residual risk.

All goods proposed to be taken as collateral need to meet a set of conditions stipulated in the internal applicable regulations.

The Bank will implement methodologies for backtesting of the collateral value on a periodical basis, at least yearly.

In order to manage the guarantees bought in the lending process and to mitigate the related risks, Banca Transilvania has implemented the BT Guarantee application to manage in a uniform and structured way all data relating to guarantees. Appropriate data quality is ensured by processes, controls and other similar measures provided in the specific internal provisions.

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

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

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.

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

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

Template 18: EU CR3 – CRM techniques – Overview

RON thous.

		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	30,755,185	23,136,198	21,667,135	1,469,062	0.0
2	Total debt securities	22,984,139	0.00	0.00	0.00	0.00
3	**Total exposures**	65,775,450	23,136,198	21,667,135	1,469,062	0.00
4	Of which defaulted	1,785,823	1,436,608	1,409,722	26,886	0.00

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

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

RON thous.

		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	9,018,493	-	9,018,493	-	1,950,991	0
2	Regional government or local authorities	66,012	38,570	65,485	450	32,967	1
3	Public sector entities	29,980	122,879	28,532	2,680	31,212	1
4	Multilateral development banks	-	-	-	-	-	
5	International organisations	-	-	-	-	-	
6	Institutions	4,696,504	238,395	4,911,945	134,859	1,823,617	0
7	Corporates	8,577,307	3,880,940	8,396,036	1,117,585	9,361,288	1
8	Retail	16,043,966	6,033,221	13,924,813	1,759,369	10,691,060	1
9	Secured by mortgages on immovable property	11,557,301	205,953	11,448,049	62,846	3,970,487	0
10	Exposures in default	1,701,697	264,210	1,701,697	136,338	2,019,012	1
11	Higher-risk categories	-	-	-	-	-	

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

12	Covered bonds	-	-	-	-	-	
13	Institutions and corporates with a short-term credit assessment	12,372	2,162	12,372	129	2,500	0
14	Collective investment undertakings	-	-	-	-	-	
15	Equity	-	-	-	-	-	
16	Other items	4,163,652	-	6,359,864	202,506	1,627,787	0
17	**Total**	55,867,284.80	10,786,329.55	55,867,284.80	3,416,762.78	31,510,919.98	53%

Template 20: EU CR5 – Standardised approach

RON thous.

	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	4,021,392	0	0	3,384,568	0	0	0	0	0	1,612,534	0	0	0	0	0		9,018,493	9,018,493
2	Regional government or local authorities	0	0	0	0	0	0	65,935	0	0	0	0	0	0	0	0		65,935	65,935
3	Public sector entities	0	0	0	0	0	0	0	0	0	31,212	0	0	0	0	0		31,212	31,212
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	3,498,776	0	871,889	0	0	687,917	0	0	0	0	0		5,058,582	5,058,582

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

7	Corporates	0	0	0	0	0	0	0	0	0	9,514,362	0	0	0	0	0		9,514,362	9,514,362
8	Retail	0	0	0	0	0	0	0	0	15,684,182	0	0	0	0	0	0		15,684,182	15,684,182
9	Secured by mortgages on immovable property	0	0	0	0	0	11,510,895	0	0	0	0	0	0	0	0	0		11,510,895	11,510,895
10	Exposures in default	0	0	0	0	0	0	0	0	0	1,476,079	361,955	0	0	0	0		1,838,034	1,838,034
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	12,501	0	0	0	0	0	0	0	0	0	0		12,501	12,501
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	4,934,583	0	0	0	0	0	0	0	0	1,627,787	0	0	0	0	0		6,562,370	6,562,370
17	Total	8,955,975	0	0	3,384,568	3,511,277	11,510,895	937,824	0	15,684,182	14,949,890	361,955	0	0	0	0		59,296,566	59,296,566

Use of the Advanced Measurement Approaches to operational risk

Banca Transilvania Financial Group does not use Advanced Measurement Approaches to assess operational risk.

Use of Internal Market Risk Models

Banca Transilvania Financial Group does not use any Internal Market Risk Models.

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

Annex I –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

RON thous.

		a	b	c	d	e
		31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	6,743,708	6,048,702	5,893,906	6,064,296	n/a
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,777,828	6,301,791	6,200,752	6,323,453	
3	Tier 1 capital	6,743,708	6,048,702	5,893,906	6,064,296	n/a
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,777,828	6,301,791	6,200,752	6,323,453	
5	Total capital	8,347,324	7,667,860	7,521,927	6,361,778	n/a
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,381,444	7,920,948	7,828,774	6,620,935	
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	46,104,519	44,830,650	44,420,941	34,977,297	n/a
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	45,721,306	44,699,749	44,314,725	34,940,111	
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	14.63%	13.49%	13.27%	17.34%	n/a
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	14.70%	14.06%	13.96%	18.08%	n/a
11	Tier 1 (as a percentage of risk exposure amount)	14.63%	13.49%	13.27%	17.34%	n/a

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

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

12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.70%	14.06%	13.96%	18.08%	n/a
13	Total capital (as a percentage of risk exposure amount)	18.11%	17.10%	16.93%	18.19%	n/a
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.18%	17.67%	17.62%	18.93%	n/a
	Leverage ratio					
15	Leverage ratio total exposure measure	78,354,098	80,542,190	79,042,164	62,748,525	
16	Leverage ratio	8.65%	7.82%	7.84%	10.08%	
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.56%	7.50%	7.45%	9.66%	