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

# REGULATORY DISCLOSURE REPORT BANCA TRANSILVANIA GROUP 2016

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



Sediul Central: str. George Barițiu, nr. 8, 400027, Cluj-Napoca
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Introduction

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

This document is available on the bank's website (https://www.bancatransilvania.ro/) and was published 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.



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**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 in Banca Transilvania, and in this respect the bank's management:

- Continuously assesses the risks likely to affect the bank'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).

The risk management framework includes internal regulations, limits and controls that ensure the identification, assessment, monitoring, mitigation and reporting of the risks pertaining to the bank'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 bank's management has structured its future action priorities by equally taking into account the business environment evolution and current macroeconomic environment.

**Risk identification:** The Group's exposure to normal banking risks from daily operations and transactions (lending activity, trading, equity market activity) is identified and aggregated in the group's risk management infrastructure

**Risk evaluation/measurement:** The bank 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.

**Risk monitoring and control:** 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.

**Risk reporting:** 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.

**Calculation and assessment of 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 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, reputation risk, risk of excess leverage, strategic risk and compliance risk.

## 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 2016 was "medium". In 2016, 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. 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. Also, a Risk Management Division operates within the Bank and reports to the above mentioned Head Office Committees and has responsibilities for:

- The identification and assessment of specific risks within the lending activity;
- 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;
- The approval and monitoring of the internal rating systems and of the internal models used in risk assessment;
- 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 approval of counterparty exposure limits;
- 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.);
- Loan portfolio analysis, both at individual level and by group of financial assets with similar characteristics in order to determine if there is any objective evidence of impairment, and assessment of impairment losses and related allowances in accordance with IFRS.

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 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 2016 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 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.

### 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.

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 strategy of Banca Transilvania 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;

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, the Risk Control and the Executive Management of the Group 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 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 considered that the effective transaction prices would be situated between the informative BID-ASK quotations obtained, which are rather an interval within which the Group could have realistically negotiated the quotations for each series and taking into account the volume of its portfolio, and thus, the Bank used an average price for each series in its estimation.

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy;
- In classifying financial assets as "held-to-maturity", the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by its accounting policy.

If the Group fails to keep these investments to maturity other than for the specific circumstances mentioned in IAS 39, they will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortized cost.

If the entire class of held-to-maturity investments is tainted, the fair value would not be significantly different from the carrying amount.

### d1) 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) 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 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 standard interest rate scenarios.

### 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.

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).

### 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, through periodical reports.

### 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 bank.
The reputation risk appetite has been established as "low" by maintaining the confidence of the public and the business partners in the bank'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.

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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.

### h) Compliance risk

In accordance with the requirements of NBR's Regulation no. 5/2013 on prudential requirements for credit institutions, Banca Transilvania ensures the ongoing development of the compliance activity, thus providing a permanent and efficient compliance risk management framework.
In this respect, the compliance function, as an integral part of the bank'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 bank had to meet; thanks to the involvement and support of this function, the possible impact of any legal and regulatory changes on the bank's activities has been assessed on an ongoing basis.

The main tools for an efficient management of compliance risk are: establishment of exposure limits and elaboration of ratios that reflect the bank's processes exposed to compliance risk; (2) investment in state-of-the art software solutions; (3) raising employees' awareness through training on the events that fall under the category of compliance risk and means to mitigate such risk; (4) regular internal and external auditing of the compliance function, thus ensuring control over the implementation of the legal requirements.

The relevant ratios for the management of the requirements of the compliance function refer to KYC and AML / terrorist financing, as well international sanctions.

Through a consistent approach strategy for compliance risk management, the process has been extended to the level of the BT Group.
The compliance objectives for the forthcoming period focus on the implementation of certain European legal requirements on capital, monetary and FX markets and in the field of payments, data protection and AML and terrorist financing.

## 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 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

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 / Executive Manager, Risk Management
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 Bank'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 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 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

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. 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.

## 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.

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

**Thomas Grasse** – 1 non-executive mandate within Banca Transilvania, 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, 2 non-executive mandates 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).

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

### 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** – 3 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, 1 non-executive mandate outside BT Financial Group.



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

**Andrei Dudoiu** - 1 executive mandate, 2 non-executive mandates within BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006) and 1 mandate in non-profit organisations outside BT Financial Group (not counted according to Government Emergency Ordinance no. 99/2006).

**Tiberiu Moisa** - 1 executive mandate, 3 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).

## POLICY REGARDING THE SELECTION, MONITORING, ASSESSMENT AND PLANNING OF THE MANAGEMENT BODY SUCCESSION IN BANCA TRANSILVANIA

### GENERAL PRESENTATION OF BANCA TRANSILVANIA'S MANAGEMENT BODY AND THE PROCEDURE FOR THE NOMINATION AND APPOINTMENT OF THE MANAGEMENT BODY OF BANCA TRANSILVANIA SA

The management body of Banca Transilvania SA, within the meaning of the NBR Regulation no. 5/2013, includes the management body with a supervisory function (the Board of Directors) and the top management structures ensuring the management function (the Leaders/Leaders' Committee).

The management of Banca Transilvania is entrusted by the General Meeting of Shareholders (GMS) to the Board of Directors which is mandated for a period of 4 years, formed by 7 directors elected by the shareholders during the GMS, or upon the mandate expiry, or on a case by case basis if there is one or several vacant positions. The structure of the Board of Directors is the following:

- Chairman of the Board of Directors;
- Vice-chairman of the Board of Directors;
- 5 members.

The Chairman and the Vice-chairman of the Board of Directors are elected by the Board of Directors from its members.

In the Chairman's absence, the Board meetings will be conducted by the Vice-chairman, who will perform the tasks with the same rights and responsibilities as the Chairman (legally elected).

The eligibility criteria for the Board of Directors are stipulated in the specific legislation and in the bank's Articles of Association.

In accordance with the applicable banking regulations, the members of the Board are subject to the following eligibility criteria:

- they must have a good reputation and experience adequate to the nature, extent and complexity of the credit institution's activity and to the assigned responsibilities, in order to ensure a prudent and sound management of the bank;
- they have theoretical and practical knowledge adequate to the banking activities;
- their professional qualifications and experience are compatible with the function held;
- they have not suffered criminal convictions and they have not been involved in any public scandal.

The eligibility of the Board members is verified by the Compliance Department in cooperation with the Corporate Governance and Legal Disputes Department.

The management, organization and coordination of the bank's current business is ensured by the leaders (directors) of the bank (Chief Executive Officers and deputy CEOs), appointed by the Board of Directors, who together form the Leaders' Committee. The Board is the only body entitled to appoint and dismiss the bank's leaders (CEO and Deputy CEOs) from their function, at any time, on a justified basis, establishing the remuneration and mandate for of each of them.

**<u>THE MANAGEMENT BODY SELECTION GUIDELINES</u>**

**a) Eligibility and incompatibility**

The members of BT's management body must be natural persons exclusively, with Romanian or foreign citizenship, in any proportion, and:

(i) at individual level:

- they must have a good reputation and experience adequate to the nature, extent and complexity of the credit institution's activity and to the assigned responsibilities, in accordance with the criteria established below, they must have performed their previous professional activity in accordance with prudent and sound principles and they must have and maintain their capacity to perform their activity to the bank's best interest, in accordance with sound and prudent banking practices;
- they must be approved by the NBR before starting to exercise their responsibilities, in accordance with Regulation no. 6/2008;
- they must strictly exercise the administrative responsibilities assigned to them;

(ii) at collective level:

- • they must have proper qualifications and competences, in accordance with the criteria established below, in order to be able to make decisions fully aware of all aspects related to the Bank's activities, in line with their competences.

Apart from the conditions stipulated by the applicable legislation regarding the members of the management body of a banking institution, a person cannot be elected in the bank's management body and, if already elected, such person is revoked from its position in the following situation:

- there is a legal disposition, a court sentence, or a decision of another authority, which prohibits the exercise of administration and/or management functions within a credit institution, a financial institution or an insurance-reinsurance company.

Upon the examination of the prior approval request and at any time during the mandate period, the NBR is authorized to analyze the observance of the minimum conditions stipulated by banking law and the specific secondary legislation, to assess all circumstances and information regarding the activity, reputation, moral integrity and the experience of the persons appointed/approved on the position of member of the management body and to decide whether the established conditions are fulfilled both and individual and at collective level.

The Bank does not encourage the occupation of several job positions simultaneously. The members of the management body do not perform any activity outside the bank, if such activity may negatively affect the bank's image, may generate conflicts of interest, or may affect their performance within the bank (inobservance of working hours, lower efficiency on the job as a result of work overload, reputational risk etc.).

The members of the bank's management body may contribute with financing and may participate in the activity of non-profit organizations (humanitarian associations, sports associations, religious/ cultural/scientific organizations etc.) outside the working hours. The involvement in political activities is possible outside the bank, after the working hours, provided that the respective member of the management body does not act as a representative of the bank in such relationships and does not obtain advantages resulting from its position as member of the bank's management body. The potential application for local or central administration positions based on political criteria, or the participation in election campaigns as a candidate on behalf of a certain political party must be notified to the Board of Directors, which will assess the impact on the activity performed by the respective member of the management body.

## THE CRITERIA OF SELECTION AND ASSESSMENT OF THE APPROPRIATENESS OF THE MANAGEMENT BODY MEMBERS

The management body must be overall considered as sufficiently adequate.

The criteria to be considered during the selection and adequacy assessment process are the following:

- professional competence criteria;
- reputation criteria;
- Governance Criteria

### Professional competence criteria

In order to assess the compatibility of a member of the management body, consideration will be given to the knowledge and competences acquired during the academic and practical experience. In this respect, the assessment will take into account the overall criteria stipulated below and aspects related to responsibility sharing.

As concerns the academic experience – the assessment will focus on the level and profile of academic studies and whether such studies are linked to financial and banking services or other relevant areas – studies in finance and banking, economics, law, administration, national & international scholarships, relevant training and professional development courses.

As concerns the professional experience - the assessment will focus on the practical experience related to prior job positions, by taking into account the following:

- work seniority linked to such positions;
- nature and complexity of the activities carried out on the respective positions, including the organizational structure;
- competences, decision making capacity and responsibilities;
- technical skills acquired on such positions related to the activity of credit institutions and the comprehension of risks arising from the activity of credit institutions;
- number of subordinated employees.

In general, the criterion regarding the sufficient practical and professional experience (including management positions and a long enough employment period) is considered to be fulfilled if there is proof of management activity carried out within a credit institution for a period of minimum 5 years, on relevant supervision and control positions, preferably on middle management positions, at least.

With respect to the Board of Directors, the education level, the special knowledge and the professional evolution of this body will be assessed individually and jointly, in order to ensure the utmost professional diversity among its members. Additionally, for the appointment of the mandatory specialized committees (such as the Audit Committee, the Risk Committee, the Nomination and Remuneration Committee) consideration shall be given to the sufficient experience of the committee members in the respective areas of activity, so that the whole committee covers the expertise required by the legislation in order to carry out its activity and its members (individual members) fulfill the tasks related to their position in an appropriate manner.

The knowledge required refers to the following:

- main rights and obligations of the BoD and of the Leaders' Committee;
- collaboration between the management body and the coordinators of the internal control independent functions;
- knowledge in terms of practices, policies, legislation and regulations applicable in the financial-banking sector;
- knowledge in terms of risk management principles, procedures and practices;
- functioning and structure of the credit institution;
- Committees reporting to the Board of Directors;
- Knowledge in the interpretation and understanding of financial information at least at a level which qualifies the respective person to participate in the collective decision making process within the management body.

Banca Transilvania considers that the members of its management body meet the required conditions in terms of knowledge, qualifications and actual expertise. Additional information regarding the professional know-how, qualifications and expertise of each member of the management body is available on the bank's website www.bancatransilvania.ro, under About us.

**Reputational criteria**

Apart from the professional competence criteria, another adequacy premise is represented by the good reputation and personal credibility. A member of the management body has a good name when there is no reason of doubt as concerns his/her reputation or there is proof attesting his/her good reputation. The good reputation is affected by the existence of any indicia leading to justified objections related to the capacity of the candidate to ensure a prudent management of the credit institution.

In this respect, the following factors with impact on reputation shall be assessed:

a) observance of professional standards

b) Correct Economic Standing

***a) Observance of professional standards***

Verification criteria:

The professional career of the candidate has an evolution which allows for the assumption of a law abiding behavior.

In the assessment of the previous professional activity of the candidate, the following aspects are considered as highly severe and therefore damaging to the personal credibility and reputation of the person:

- the dismissal from a management position as a result of the supervisory authority intervention;
- the denial of the professional license, or the withdrawal/termination/cancellation of such professional license
- the dismissal from management positions and from positions which are based on economic, fiduciary or any other considerations, including a special degree of confidence, due to reasons correlated with the integrity, honesty and trustworthiness of the respective person.
- Similar reasons leading to the resignation from the previous functions, in case such resignation was not initially based on the decision of the respective person.

***b) Correct Economic Standing***

Verification criteria:

Candidate's affidavit stating his/her correct economic situation.

- No bankruptcy procedure is declared with regard to the company of which the candidate is a shareholder/director, the business activity of which is based to the determined extent on his/her person, unless an economic recovery plan was concluded and completed during the bankruptcy procedure; this also applies to the cases in which a similar situation exists or existed abroad.
- No civil, administrative or criminal proceeding, extensive investigations or open risk positions related to loans or assumed borrowings exist, to the extent that such events could have a major impact on the candidate's financial standing.
- The Bank does not hold information of a contrary content.
- Additionally, the assessment can also consider the following information:
- A solvency notice from certain credit control institutions or a notice from a similar authority abroad, showing the existence of an imprudent financial behavior, and/or of certain disproportionately high financial obligations assumed.

The candidate shall be informed that he/she must disclose his/her financial standing, within his/her obligation to cooperate in case of doubts of certain supervisory authorities of the financial market in Romania with regard to his/her good financial standing.

In order to assess aspects concerning personal credibility and good reputation one shall have in view the aspects laid down in the applicable legal provisions, as well as the data obtained from additional sources.

**<u>Governance Criteria</u>**

The following criteria shall be taken into account for the assessment of the management body's adequacy:

1. Sufficient time for the exercise of its attributions

The correspondence with the minimally established period for the exercise of the considered role shall also be taken into account.

2. In order to assess the degree of independence, honesty and integrity, one shall request information to check for potential causes of conflicts of interests:

- Previous positions within the institution, as well as positions held in other companies
- Personal, professional or economic connections with the majority shareholders of the credit institution or of the affiliated companies
- Personal, professional or economic connections with the other members of the management body

Personal, professional or economic connections have in view financial interests (e.g. loan, participations) and non-financial or relationship interests (e.g. close relationships such as spouse, official partner, partner, child, parent or other relationship with the person sharing the same hosehold) of the person and of his/her relatives up to 2nd degree with the other members of the management and of the Board of Directors or with the majority shareholders of the credit institution or of the affiliated companies.

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# POLICY ON DIVERSITY WITH REGARD TO SELECTION OF MEMBERS OF THE MANAGEMENT BODY

## General perspectives regarding diversity in the current management body of Banca Transilvania

This policy aims to promote diversity within Banca Transilvania S.A.'s management body (Board of Directors and Leaders' Committee). Banca Transilvania S.A. recognizes and embraces the benefits of a diversified management body as a pathway to improve the quality of its performance.

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

The Administration of Banca Transilvania is entrusted by the General Shareholders Meeting to a Board of Directors elected for one term of office lasting four years. The Board of Directors consists of 7 directors elected by the shareholders in the General Shareholders Meeting, either at the expiration of their mandate, or individually, in case of vacancies. The eligibility criteria for the Board of Directors are stipulated in the specific legislation and in the bank's Articles of Association.

The Board of Directors appoints the members of the Leaders' Committee, considering the recommendations of the Remuneration and Nomination Committee. For Banca Transilvania S.A., the management body is represented by the members of the Board of Directors and of the Leaders' Committee.

In order to achieve sustainable and balanced development, Banca Transilvania views the diversity of the management body as an essential element in supporting its strategic objectives. In designing the structure of the management body, in regard to issues of diversity we considered several criteria, among which: gender, age, cultural and educational profile, ethnicity, professional experience, skills, knowledge and work experience. All appointments to the management body are based on meritocracy, and applicants will be considered on the basis of objective criteria, taking into account the benefits of diversity within the body.

Banca Transilvania S.A. believes that although the diversity and variety of experiences and viewpoints represented in the management body should always be considered, a candidate should not be chosen nor excluded solely or largely because of race, color, gender, national origin or sexual orientation. In selecting a candidate, The Remuneration and Nominalization Committee firstly assesses the skills of the candidate, the national and international experience and cultural profile which would complement the existing management body, recognizing that the Bank's operations and activities are diverse and global in nature and national in impact.

Reflecting the global nature of banking, Banca Transilvania's directors and Executive Officers are citizens of Romania as well as citizens and residents of other Member States. Most BT managers and directors have a domestic and international banking background.

Banca Transilvania S.A. believes that, while the management body does not have to adhere to a fixed number of directors, in general, a management body made up of 6 to 14 members offers a large and diverse group to address important issues facing credit institution while being small enough to encourage personal involvement and constructive discussions.

The current directors and executive officers of Banca Transilvania S.A. must have held senior positions in various organizations or in Banca Transilvania, proving their ability to exercise



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leadership responsibilities related to management positions. They were senior executives in the prestigious international institutions, where they developed skills and experience in terms of strategy and business development, innovation, operations, brand management, finance, compliance, decision-making and risk management. This skill and experience gained allows them to offer sound judgment regarding the problems faced by an international company in today's environment, ensuring surveillance of these areas of the Bank's activity and thus assessing the performance of BT.

All members of the management body also have significant experience in corporate governance and supervision of complex businesses through their status as executives, directors, managers or other relevant functions in 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 these skills and experiences are relevant to current strategies and they encourage the growth of the Bank, enabling the executive officers and the directors to provide on outlook of various valuable and critical issues and viewpoints in regard to new business opportunities, product launches, new market perspectives, problems faced by the bank and the banking system both locally and nationally.

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

Selection of candidates will be based on a diverse range of perspectives, including but not limited to gender, age, cultural and educational profile, ethnic, professional experience, skills, knowledge and work experience. The final decision will be based on merit and the added value that the selected candidates will bring to the management body. The composition of the management body (including gender, ethnicity, age, seniority) will be communicated regularly through Banca Transilvania's website.

The Board of Directors and Leaders Committee perceive diversity as a factor in electing the members of the management body, whilst also acknowledging that promoting diversity within the management body provides significant benefits for the Bank. Remuneration and Nomination Committee uses various criteria in selecting candidates for the position of executive officer and director, including the in-depth diversity.

An eligible candidate for the position of member of the BT management body must be able to work in a collegial manner with people from different educational, cultural and business backgrounds and must have skills that complement the existing members' attributes.

Banca Transilvania S.A. encourages the presence of female members in the management body in order to ensure equilibrium and high performance. However Banca Transilvania S.A. considers that the appointment of a new member of the management body cannot be made solely on the basis of gender, given that such practices lead to the defamation of the competence and independence of said member. Thus we believe that efficient and sustainable development of the Bank can be achieved by providing a framework for growth and personal development of female employees (under the same conditions as their male counterparts).

We mention that, in 2016, the weight of female employees attending professional training courses represented 72% of the total employees, as compared to 68% in 2015. Moreover, as concerns new employments on middle management positions, 50% of the appointed persons were females.


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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.

**Surveillance and disclosure**

Remuneration and Nominalization Committee will ensure compliance with European requirements regarding the diversity of the management body.

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.

The Remuneration and Nominalization Committee may consider diversity in assessing the candidates for membership of the management body. Banca Transilvania S.A. considers that cultural diversity in regard to the profile, experience, skills, race, gender and national origin is an important element in the composition of the management body. The Remuneration and Nominalization Committee discusses diversity concerns in relation to each candidate, and periodically reviews the composition of the management body as a whole.

The Remuneration and Nomination Committee outlines a pattern of adequate skills and characteristics required of the members of the management body, in light of its current composition. This evaluation includes issues of expertise (including international and banking-related experience), independence, integrity, diversity, age and technical skills related to banking, finance, marketing, technology and public policy. The main eligibility criteria considered are those arising from legal requirements. The committee must ensure that 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 2016, the Risk Committee organized 9 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

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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.



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## Field of application

Banca Transilvania S.A. (the "Bank") is a joint-stock company incorporated in Romania. Banca Transilvania S.A. was founded in Romania in 1993 and is licensed by the National Bank of Romania to conduct banking activities. The bank started its activity in 1994, providing banking services to company and retail clients.

Due to the regulatory differences, the Banca Transilvania Group (the "Group") is defined acc. to two consolidation areas:

a) Consolidated Group for Accounting Purposes IFRS - in accordance with IFRS 10

b) Consolidated Group for Prudential Purposes – in accordance with articles 18 and 19 of the Regulation (EU) No 575/2013

## 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;

All the subsidiaries directly or indirectly controlled by Banca Transilvania are consolidated using the global consolidation method.

The Group Banca Transilvania ("Group") includes the parent-company, Banca Transilvania S.A. ("Bank") 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, 2016 comprise the financial statements of Banca Transilvania S.A. and of its subsidiaries, that jointly form the Group.

The subsidiaries comprise the following entities:

| Subsidiary | Method of consolidation | Field of activity | December 31, 2016 | December 31, 2015 |
|---|---|---|---|---|
| BT Capital Partners S.A. | Global consolidation | Investments | 99.59% | 99.40% |
| BT Leasing Transilvania IFN S.A. | Global consolidation | Leasing | 100.00% | 100.00% |
| BT Investments S.R.L. | Global consolidation | Investments | 100.00% | 100.00% |

| | | | | |
|---|---|---|---|---|
| BT Direct IFN S.A. | Global consolidation | Consumer loans | 100.00% | 100.00% |
| BT Building S.R.L. | Global consolidation | Investments | 100.00% | 100.00% |
| BT Asset Management S.A.I S.A. | Global consolidation | Asset management | 80.00% | 80.00% |
| BT Solution Agent de Asigurare S.R.L. | Global consolidation | Activities auxiliary to insurance and pension funds | 99.95% | 99.95% |
| BT Asiom Agent de Asigurare S.R.L. | Global consolidation | Activities auxiliary to insurance and pension funds | 99.95% | 99.95% |
| BT Safe Agent de Asigurare S.R.L. | Global consolidation | Activities auxiliary to insurance and pension funds | 99.99% | 99.99% |
| BT Intermedieri Agent de Asigurare S.R.L. | Global consolidation | Activities auxiliary to insurance and pension funds | 99.99% | 99.99% |
| BT Compania de Factoring S.R.L. | Global consolidation | Factoring | 100.00% | 100.00% |
| BT Operational Leasing S.A. | Global consolidation | Leasing | 94.73% | 94.73% |
| BT Leasing MD SRL | Global consolidation | Leasing | 100.00% | 100.00% |
| Improvement Credit Collection SRL | Global consolidation | Activities of collection agencies and the loan reporting offices | 100.00% | 100.00% |
| BT MICROFINANTARE IFN S.A. | Global consolidation | Consumer loans | 100.00% | - |
| Transilvania Imagistica S.A. | Global consolidation | Other activities related to human health | 90.54% | 89.71% |
| Sinteza S.A. | Global consolidation | Manufacture of other organic basic chemicals | 46.98% | 0.00% |
| CHIMPROD S.A. | Global consolidation | Manufacture of basic pharmaceutical products | 46.87% | 0.00% |

The Group's fields of activity are: banking through BANCA TRANSILVANIA S.A (the "Bank"), leasing and consumer loans through BT Leasing Transilvania IFN S.A, BT Operational Leasing S.A, BT Direct IFN S.A 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.. Likewise, the Bank controls 5 investment funds which are also consolidated with the global integration method.

Consolidated for accounting purposes - IFRS10

| | **Global consolidation** | | **Equity method** | |
|---|---|---|---|---|
| **Number of units** | 2016 | 2015 | 2016 | 2015 |
| As of 1/1 | 18 | 17 | 0 | 0 |
| Included for the first time in the financial period | 5 | 3 | 0 | 0 |
| Merged in the financial period | 0 | -1 | 0 | 0 |
| Excluded in the financial period | 0 | -1 | 0 | 0 |
| As of 31/12 | 23 | 18 | 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 2016, the difference between the Group consolidated for prudential purposes and the one consolidated for accounting IFRS purposes resides in five investment funds that are undertakings for collective investment, without legal personality and three companies indirectly held by one of these investment funds. These entities are not subject to the provisions laid down in Regulation no. 575 /2013 on prudential requirements for credit institutions and investment firms.

In 2015, the difference between the Group consolidated for prudential purposes and the one consolidated for accounting IFRS purposes resides in three investment funds that are undertakings for collective investment, without legal personality and a company indirectly held by one of these investment funds. 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 31$^{st}$, 2016 comprise the financial statements of Banca Transilvania S.A. and of its subsidiaries, which form the whole Group.

The subsidiaries comprised in the prudential consolidation are:

| **Subsidiary** | **Method of consolidation** | **Field of activity** | **December 31, 2016** | **December 31, 2015** |
|---|---|---|---|---|
| BT Capital Partners S.A. | Global consolidation | Investments | 99.59% | 99.40% |
| BT Leasing Transilvania IFN S.A. | Global consolidation | Leasing | 100.00% | 100.00% |
| BT Investments S.R.L. | Global consolidation | Investments | 100.00% | 100.00% |
| BT Direct IFN S.A. | Global consolidation | Consumer loans | 100.00% | 100.00% |
| BT Building S.R.L. | Global consolidation | Investments | 100.00% | 100.00% |
| BT Asset Management S.A.I S.A. | Global consolidation | Asset management | 80.00% | 80.00% |
| BT Solution Agent de Asigurare S.R.L. | Global consolidation | Activities auxiliary to insurance and pension funds | 99.95% | 99.95% |
| BT Asiom Agent de Asigurare S.R.L. | Global consolidation | Activities auxiliary to insurance and pension funds | 99.95% | 99.95% |
| BT Safe Agent de Asigurare S.R.L. | Global consolidation | Activities auxiliary to insurance and pension funds | 99.99% | 99.99% |
| BT Intermedieri Agent de Asigurare S.R.L. | Global consolidation | Activities auxiliary to insurance and pension funds | 99.99% | 99.99% |

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| | | | | |
|---|---|---|---|---|
| BT Compania de Factoring S.R.L. | Global consolidation | Factoring | 100.00% | 100.00% |
| BT Operational Leasing S.A. | Global consolidation | Leasing | 94.73% | 94.73% |
| BT Leasing MD SRL | Global consolidation | Leasing | 100.00% | 100.00% |
| Improvement Credit Collection SRL | Global consolidation | Activities of collection agencies and the loan reporting offices | 100.00% | 100.00% |
| BT MICROFINANTARE IFN S.A. | Global consolidation | Consumer loans | 100.00% | - |

## Consolidated for prudential purposes

| | **Global consolidation** | | **Equity method** | |
|---|---|---|---|---|
| Number of units | 2016 | 2015 | 2016 | 2015 |
| As of 1/1 | 14 | 14 | 0 | 0 |
| Included for the first time in the financial period | 1 | 2 | 0 | 0 |
| Merged in the financial period | 0 | -1 | 0 | 0 |
| Excluded in the financial period | 0 | -1 | 0 | 0 |
| As of 31/12 | 15 | 14 | 0 | 0 |



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# Own funds

## REQUIREMENTS RELATED TO OWN FUNDS

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

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

## Reconciliation of own funds elements with the statement of financial position

| Capital base in RON thousand | 31/12/2016 |
|---|---|
| Shareholders' equity according to the Group's balance sheet | 6,134,501 |
| Non-controlling interests | 18,207 |
| Anticipated dividend | 0 |
| Additional value adjustments | -46,237 |
| Goodwill | -2,774 |
| Deferred tax receivables | -362,190 |
| Intangible assets | -85,989 |
| Other adjustments | -130,065 |
| **Common Equity Tier 1 capital** | 5,525,452 |
| **Total Tier 1 capital I** | 5,525,452 |
| Tier 2 instrument | 424,111 |
| Other adjustments | -73,920 |
| **Total Tier 2 capital** | 350,191 |
| **Total capital base** | 5,875,643 |

## Statement of financial position

| Assets - In RON thousand | IFRS 2016 | Prudential 2016 |
|---|---|---|
| Cash reserve | 5,290,293 | 5,290,275 |
| Loans and advances to banks | 2,538,814 | 2,534,868 |
| Loans and advances granted to clients | 29,928,513 | 29,899,138 |

| | | |
|---|---|---|
| Impairment losses on loans and advances | -2,250,259 | -2,252,282 |
| Financial assets at fair value through profit and loss | 155,609 | 55,312 |
| Derivatives | 7,911 | 7,911 |
| Securities classified as available-for-sale | 15,014,519 | 15,172,028 |
| Intangible assets | 89,374 | 88,763 |
| Tangible assets | 558,734 | 541,913 |
| Other assets | 623,415 | 607,568 |
| Total assets | 51,956,922 | 51,945,496 |

| **Liabilities and Equity in RON thousand** | **IFRS 2016** | **Prudential 2016** |
|---|---|---|
| Deposits from banks | 2,216,670 | 2,216,670 |
| Deposits from clients | 42,018,635 | 42,053,131 |
| Provisions | 514,582 | 510,056 |
| Derivatives | 10,947 | 10,947 |
| Other liabilities | 619,270 | 571,474 |
| Subordinated capital | 424,111 | 424,111 |
| Equity | 6,152,707 | 6,159,107 |
| Consolidated equity | 4,862,078 | 4,889,102 |
| Consolidated profit/loss | 1,272,423 | 1,260,974 |
| Non-controlling interests | 18,207 | 9,031 |
| **Total liabilities and equity** | 51,956,922 | 51,945,496 |

## Own funds (prudential)

| **Own funds in RON thousand** | **31/12/2016** |
|---|---|
| Capital instruments and the related share premium accounts | 3,760,923 |
| Retained earnings | 1,423,910 |
| Accumulated other comprehensive income (and other reserves) | 914,081 |
| Funds for general banking risk | 77,893 |
| Minority interests (amount recognized in consolidated CET1) | 0 |
| Common Equity Tier 1 (CET1) capital before regulatory adjustments | 6,176,807 |

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| | |
|---|---|
| Additional value adjustments | -46,237 |
| Intangible assets (net of related tax liability) | -85,989 |
| Goodwill | -2,774 |
| Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) | -362,190 |
| Regulatory adjustments to unrealised gains and losses | -57,391 |
| Direct and indirect holding of own CET1 instruments | -44,335 |
| Other transitional adjustment | -52,438 |
| Total regulatory adjustments to Common Equity Tier 1 (CET1) | -651,355 |
| Common Equity Tier 1 (CET1) capital | 5,525,452 |
| Tier 1 capital (T1 = CET1 + AT1) | 5,525,452 |
| Tier 2 (T2) capital: instruments and subordinated loans | 350,191 |
| Tier 2 (T2) capital before regulatory adjustment | 350,191 |
| Tier 2 (T2) capital: regulatory adjustments | 0 |
| Total regulatory adjustments to Tier 2 (T2) capital | 0 |
| Tier 2 (T2) capital | 350,191 |
| Total capital (TC = T1 + T2) | 5,875,643 |
| Risk weighted assets | 30,698,664 |
| Common Equity Tier 1 (as a percentage of total risk exposure amount | 18.00% |
| Tier 1 (as a percentage of total risk exposure amount | 18.00% |
| Total capital (as a percentage of total risk exposure amount | 19.14% |



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## 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 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

RON thd.

| | RWAs | | Minimum capital requirements |
|---|---|---|---|
| | **31.12.2016** | **31.12.2015** | **31.12.2016** |
| Credit risk (excluding CCR) | 20,908,543 | 19,820,297 | 1,672,683 |
| Of which the standardized approach | 20,908,543 | 19,820,297 | 1,672,683 |
| CCR (Counterparty credit risk) | 21,497 | 36,013 | 1,720 |
| Of which the standardized approach | 17,862 | 25,504 | 1,429 |
| Of which CVA | 3,635 | 10,510 | 291 |
| Settlement risk | - | - | - |
| Securitisation exposures in the banking book (after the cap) | - | - | - |
| Market risk | 5,487,764 | 4,236,125 | 439,021 |
| Of which the standardized approach | 5,487,764 | 4,236,125 | 439,021 |
| Large exposures | - | - | - |
| Operational risk | 4,280,859 | 3,495,554 | 342,469 |
| Of which basic indicator approach | 4,280,859 | 3,495,554 | 342,469 |
| Amounts below the thresholds for deduction (subject to 250% risk weight) | | | |
| Adjustments (limit) | - | - | - |
| **Total** | **30,698,664** | **27,587,989** | **2,455,893** |

## Capital requirement for credit risk

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

RON thd.

| **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** | **1,672,683** | **1,429** |
| Central governments or central banks | 0 | 0 |
| Regional governments or local authorities | 94 | 0 |
| Public sector entities | 3,685 | 0 |
| Multilateral Development Banks | 0 | 0 |
| International Organizations | 0 | 0 |
| Institutions | 48,229 | 1413 |
| Corporates | 516,049 | 16 |
| Retail | 522,646 | 0 |
| Secured by mortgages on immovable property | 212,745 | 0 |
| Exposures in default | 285,171 | 0 |
| Items associated with particular high risk | 0 | 0 |
| Covered bonds | 0 | 0 |
| Claims on institutions and corporates with a short-term credit assessment | 64 | 0 |
| Collective investments undertakings (CIU) | 0 | 0 |
| Equity | 0 | 0 |
| Other items | 84,001 | 0 |

## Capital requirement for market risk

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

RON thd.

| | |
|---|---|
| **Risk exposure amount for position, foreign exchange and commodities risks under standardised approaches (SA)** | **5,487,764** |
| Traded debt instruments | 4,701,374 |
| Equity | 188,188 |
| Foreign Exchange | 0 |
| Commodities | 0 |
| Particular approach for position risk in CIUs | 598,202 |

## Capital requirement for operational risk

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

RON thd.

| | |
|---|---|
| **Total risk exposure amount for operational risk (opr )** | **4,280,859** |

**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

## 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 2016 no countercyclical capital buffers were applied.

**Indicators of global systemic importance**

In 2016 no indicators of global systemic importance were applied.

## Credit risk adjustments

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

### Individually impaired loans and securities

Individually impaired loans and securities are loans and securities with respect to which the Group considers that difficulties may occur in collecting the principal and interest due according to the contractual terms of the loan / securities agreement.

### Past due but not individually impaired loans and securities

Loans and securities with respect to which the interest or principal payments are past due, but the Group believes that an individual impairment is not appropriate considering the value of the security/collateral available and/or the stage of collection of the amounts owed to the Group.

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

### Allowances for impairment

The Group determines an allowance for impairment losses that represents an estimate of the incurred losses on the loan portfolio. The main components of this allowance are represented by an individual loan loss component that relates to individually significant exposures, and a collective loan loss component established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that may be subject to individual impairment.

As at 31 December 2016, the Group and the Bank changed the calculation methodology for the collective impairment allowances, i.e. a new methodology for the calculation of the impairment of loans related to clients eligible for protection under Law. no. 77 (Law on giving in payment).

### Impairment losses on loans and advances

The Group reviews the loan portfolio (including net investments in lease) to assess the impairment thereof, at least semi-annually (on a monthly basis for the Bank). In determining whether an impairment loss should be recorded, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans/ lease receivables before the decrease can be identified for an individual loan/ receivable in that portfolio. For example, the observable data might be the un-favourable changes in the customers' payment behaviour from within a group or due to economic, national or local circumstances which correlate with default incidents of a debtors' group. The management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience, including assessing the effects of uncertainty on the local financial markets related to valuation of assets and operating environment of debtors. The loan impairment assessment considers the visible effects of current market conditions on the individual/collective assessment of loans and advances to customers' impairment. Hence, the

Group has estimated the impairment loss provision for loans and advances to customers based on the internal methodology and assessed that no further provision for impairment losses is required except as already provided for in the consolidated and separate financial statements.

**Write-off policy**

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

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

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

RON thd.

| Loans and advances | Average for year 2016<br>28,248,142 | Total value 31.12.2016<br>29,124,467 |
|---|---|---|
| Central banks | 0 | 0 |
| General governments | 26,664 | 22,778 |
| Credit institutions | 1,830,726 | 1,593,189 |
| Other financial corporations | 215,006 | 375,014 |
| Non-financial corporations | 11,774,404 | 12,037,430 |
| Households | 14,401,342 | 15,096,056 |

| | General governments | Other financial corporations | Central Banks | Households | Credit institutions | Non-financial corporations |
|---|---|---|---|---|---|---|
| Agriculture, forestry and fishing | | | | | | 1,301,943 |
| Mining and quarrying | | | | | | 51,282 |
| Manufacturing | | | | | | 3,024,788 |
| Electricity, gas, steam and air conditioning supply | | | | | | 317,359 |
| Water supply | | | | | | 99,862 |
| Construction | | | | | | 1,247,765 |
| Wholesale and retail trade | | | | | | 2,939,792 |
| Transport and storage | | | | | | 837,091 |
| Accommodation and food service activities | | | | | | 405,187 |
| Information and communication | | | | | | 358,745 |
| Real estate activities | | | | | | 373,968 |
| Professional, scientific and technical activities | | | | | | 228,893 |
| Administrative and support service activities | | | | | | 186,853 |
| Public administration and defence, compulsory social security | 22,778 | | | | | 193 |
| Education | | | | | | 46,936 |
| Human health services and social work activities | | | | | | 373,248 |
| Arts, entertainment and recreation | | | | | | 191,917 |
| Other services | | | | | | 51,608 |
| Financial and insurance activities | | 375,014 | 0 | | 1,593,189 | 0 |
| Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use | | | | 15,096,056 | | 0 |
| **Loans and advances** | **22,778** | **375,014** | **0** | **15,096,056** | **1,593,189** | **12,037,430** |

| | General governments | Credit institutions | Other financial corporations | Non-financial corporations | Households | Total |
|---|---|---|---|---|---|---|
| Daily due | 7,562 | 0 | 2,095 | 2,025,404 | 746,807 | 2,781,868 |
| Up to 1 year | 492 | 1,593,189 | 326,339 | 4,579,573 | 1,094,348 | 7,593,941 |
| More than 1 year, up to 5 years | 11,858 | 0 | 32,430 | 4,460,053 | 4,683,313 | 9,187,654 |
| More than 5 years | 2,866 | 0 | 14,150 | 972,400 | 8,571,588 | 9,561,004 |
| Without maturity | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 22,778 | 1,593,189 | 375,014 | 12,037,430 | 15,096,056 | 29,124,467 |

| | Impaired exposures gross values | Past due, but not impaired – gross values | Specific allowances for financial assets, individually estimated | Specific allowances for financial assets, collectively estimated and Collective allowances for incurred but not reported losses on financial assets |
|---|---|---|---|---|
| Loans and advances | 3,140,037 | 1,791,632 | -1,327,320 | -924,962 |
| Central banks | 0 | 0 | 0 | 0 |
| General governments | 9,534 | 0 | -5,732 | -219 |
| Credit institutions | 0 | 0 | 0 | 0 |
| Other financial corporations | 1,094 | 1,405 | -18 | -1,604 |
| Non-financial corporations | 2,326,325 | 521,336 | -1,210,759 | -279,792 |
| Households | 803,084 | 1,268,891 | -110,811 | -643,347 |

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| | Opening balance 01/01/2016 | Increases due to amounts set aside for estimated loan losses during the period | Decreases due to amounts reversed for estimated loan losses during the period | Decreases due to amounts taken against allowances | Transfers between allowances | Other adjustments | Closing balance 31/12/2016 |
|---|---|---|---|---|---|---|---|
| Allowances for financial assets (on balance) | -2,801,581 | -2,239,723 | 1,066,724 | 1,717,386 | 0 | 4,913 | -2,252,282 |
| Hereof specific allowances for financial assets, individually estimated | -1,688,107 | -1,024,045 | 280,750 | 1,168,005 | -68,658 | 4,735 | -1,327,320 |
| Hereof specific allowances for financial assets, collectively estimated and collective allowances for incurred but not reported losses on financial assets | -1,113,474 | -1,215,678 | 785,974 | 549,381 | 68,658 | 178 | -924,962 |
| Allowances for financial assets (off-balance) | -52,127 | -45,290 | 10,838 | 41,448 | 0 | -102 | -45,234 |
| Hereof specific allowances for financial assets, individually estimated | -52,127 | -45,290 | 10,838 | 41,448 | 0 | -102 | -45,234 |
| Hereof specific allowances for financial assets, collectively estimated | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | -2,853,708 | -2,285,013 | 1,077,562 | 1,758,834 | 0 | 4,811 | -2,297,516 |

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

| | |
|---|---|
| Direct write-down | 1,654,441 |
| Income received on written-down claims | -160,411 |



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## Unencumbered assets

### UNENCUMBERED ASSETS

RON thd.

| | Carrying amount of encumbered assets | Fair value of encumbered assets | Carrying amount of unencumbered assets | Fair value of unencumbered assets |
|---|---|---|---|---|
| Assets of the reporting institution | 2,986,994 | 0 | 48,958,501 | 0 |
| Equity instruments | 0 | 0 | 107,052 | 107,052 |
| Debt securities | 2,986,994 | 2,986,994 | 12,354,984 | 12,354,984 |
| Other assets | 0 | 0 | 2,242,268 | 0 |

| | Fair value of encumbered collateral received or own debt securities issued | Fair value of collateral received or own debt securities issued available for encumbrance |
|---|---|---|
| Collateral received by the reporting institution | 0 | 0 |
| Equity instruments | 0 | 0 |
| Debt securities | 0 | 0 |
| Other collateral received | 0 | 0 |
| Own debt securities issued other than own covered bonds or ABSs | 0 | 0 |

| | Matching liabilities, contingent liabilities or securities lent | Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered |
|---|---|---|
| Carrying amount of selected financial liabilities | 1,483,035 | 1,488,289 |

## 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.



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### Exposure to market risk

In 2016 compared to 2015, 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.

**31/12/2016 Mii lei**

| | RWAs | Capital requirements |
|---|---|---|
| Outright products | 5,487,764 | 439,021 |
| Traded debt instruments | 4,701,374 | 376,110 |
| Equity | 188,188 | 15,055 |
| Foreign Exchange | 0 | 0 |
| Commodities | 0 | 0 |
| Particular approach for position risk in CIUs | 598,202 | 47,856 |
| Options | 0 | 0 |
| Securitisation (specific risk) | 0 | 0 |
| **Total** | **5,487,764.50** | **439,021.16** |

### 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 51.659 thousand lei as of 31.12.2016 (net exposure).

RON thd.

| BT Financial Group | Gross exposure | Net exposure | Accounting method |
|---|---|---|---|
| **Shares** | **51,668** | **51,659** | |
| Not listed | 3,120 | 3,111 | Acquisition cost |
| Listed | 48,548 | 48,548 | Fair value |



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The listed portfolio of shares has a positive reserve worth 206 thousand lei at the end of 2016, the amount of 124 thousand lei being included in the own funds.

## 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 | 5,875,643 |
| Potential decrease in economic value +/-200bp | |

| | |
|---|---|
| Total value | 85,727 |
| Impact in own funds | 1.46% |

## Exposure to securitisation positions

Banca Transilvania is not exposed to securitisation positions.

## 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.

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

### <u>THE REMUNERATION AND NOMINATION COMMITTEE</u>

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 Remuneration and Nomination Committee consist of the following directors:

1. Chairman of the Board of Directors

2. Member of the Board of Directors

3. Member of the Board of Directors – open position as at 31.12.2016 following the decease of one of the directors of the bank

The Remuneration and Nomination Committee (REMCO) meets at least twice a year or an time this is necessary, upon the request of one of its members or of the bank's leaders. In fiscal year 2016, 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 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 at least on the 3rd top position in terms of assets held at the end of March 31 N+1, where N= the assessed year.

## 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

### BREAKDOWN OF THE TOTAL REMUNERATION OF BT GROUP FOR THE 2016 FINANCIAL YEAR by business area

| | **Number of members** | **Total gross remuneration** | of which **Gross fixed remuneration** | of which **Gross variable remuneration** |
|---|---|---|---|---|
| | | (RON thd., gross) | (RON thd., gross) | (RON thd., gross) |
| **Total** | **8,105** | **530,652** | **447,139** | **83,513** |
| Management body | 35 | 21,300 | 14,346 | 6,954 |
| Investment banking | 47 | 2,254 | 1,815 | 439 |
| Retail banking | 3,577 | 261,663 | 221,967 | 39,696 |
| Asset management | 13 | 1,013 | 789 | 224 |
| Corporate functions | 1,059 | 88,435 | 75,535 | 12,900 |
| Internal control functions | 231 | 23,255 | 20,412 | 2,843 |
| All other business area | 3,143 | 132,732 | 112,275 | 20,457 |

### REMUNERATION FOR THE FINANCIAL YEAR 2016 FOR THE IDENTIFIED PERSONNEL OF BT GROUP

| **Total gross remuneration** | of which **Gross fixed remuneration** | of which **Gross variable remuneration** | | **No. of beneficiaries** |
|---|---|---|---|---|
| | | **TOTAL** | of which **deffered variable remuneration** | |
| (RON thd., gross) | (RON thd., gross) | (RON thd., gross) | (RON thd., gross) | |
| 60,184 | 46,321 | 13,863 | 3,945 | 161 |

### BREAKDOWN OF THE VARIABLE REMUNERATION FOR THE FINANCIAL YEAR 2016 FOR THE IDENTIFIED PERSONNEL OF BT

| **Gross variable remuneration in cash** | **Gross variable remuneration in TLV shares** | **Gross variable remuneration in share-linked instruments** | **Gross variable remuneration in other types of instruments** |
|---|---|---|---|
| (RON thd., gross) | (RON thd., gross) | (RON thd., gross) | (RON thd., gross) |
| 708 | 13,155 | 0 | 0 |

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## OUTSTANDING AND UNPAID DEFFERED REMUNERATION

The total amount of outstanding deferred variable remuneration, awarded in previous periods and not in 2016 for the identified personnel is of 15,534 thd. RON.
No cases of non-payment of the outstanding deferred remuneration have been recorded for parties for which the eligibility criteria were met.

## DEFERRED REMUNERATION AWARDED DURING THE FINANCIAL YEAR, PAID OUT AND REDUCED THROUGH PERFORMANCE ADJUSTMENTS

Total variable remuneration awarded in 2016 which was been deferred is of 3,945 thd. RON.
There have been no situations in which the deferred remuneration reduced through performance adjustments was not paid to the senior management and members of staff whose actions have a material impact on the risk profile of the BT Group.

## NEW SIGN-ON AND SEVERANCE PAYMENTS MADE DURING THE 2016 FINANCIAL YEAR

In the financial year 2016, no new sign-on payments, in the form of installation allowance, were made to the senior management and members of staff whose actions have a material impact on the risk profile of the BT Group.

In the financial year 2016, 1 severance payment for cessation of the employment relationship was made to 1 member of staff whose actions have a material impact on the risk profile of the BT Group.

## SEVERANCE PAYMENTS AWARDED DURING THE 2016 FINANCIAL YEAR

In the financial year 2016, 1 severance payment was awarded for cessation of the employment relationship for 1 member of staff whose actions have a material impact on the risk profile of the BT Group, in the amount of 118 thd. RON.

## THE NUMBER OF INDIVIDUALS BEING REMUNERATED EUR 1 MILLION OR MORE PER FINANCIAL YEAR

1 member of staff whose actions have a material impact on the risk profile of the BT Group beneficiated of a gross remuneration for the 2016 financial year between 1 million – 1.5 million.


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## 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 31.12.2016, the leverage ratio according to the transitional definition is of 10.20%, versus 8.57% at 31.12.2015, the improvement being mainly due to the increase in tier 1 own funds.

RON thd.

| Reconciliation of the total exposure measure with the relevant information disclosed in published financial statements | Applicable amount |
|---|---|
| Total assets as per published financial statements | 51,956,922 |
| Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation | -276,750 |
| Adjustments for derivative financial instruments | -9,951 |
| Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) | 2,495,317 |
| Other adjustments | 0 |
| **Total leverage ratio exposure** | **54,165,538** |

| On-balance sheet exposures (excluding derivatives and SFTs) | Applicable amount |
|---|---|
| On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral) | 51,938,749 |
| (Asset amounts deducted in determining Tier 1 capital) | -286,391 |
| **Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)** | **51,652,358** |

| Derivative exposures | Applicable amount |
|---|---|
| Adjusted effective notional amount of written credit derivatives | 17,862 |
| **Total derivatives exposure** | **17,862** |



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| **Other off-balance sheet exposures** | **Applicable amount** |
|---|---|
| Off-balance sheet exposures at gross notional amount | 6,994,210 |
| (Adjustments for conversion to credit equivalent amounts) | -4,498,893 |
| **Other off-balance sheet exposures** | **2,495,317** |

| **Capital and total exposures** | **Applicable amount** |
|---|---|
| Tier 1 capital | 5,525,452 |
| Total leverage ratio exposures | 54,165,538 |
| **Leverage ratio (transitional)** | **10.20%** |

| **Split-up of on balance sheet exposures** | **Applicable amount** |
|---|---|
| Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which: | 51,938,749 |
| Trading book exposures | 15,807,536 |
| Banking book exposures, of which:: | 36,131,213 |
| Covered bonds | 0 |
| Exposures treated as sovereigns | 4,294,163 |
| Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns | 47,171 |
| Institutions | 2,147,104 |
| Secured by mortgages on immovable property | 7,730,481 |
| Retail exposures | 10,249,873 |
| Corporates | 6,127,466 |
| Exposures in default | 3,014,979 |
| Other exposures (eg equity, securitisations, and other non-credit obligation assets) | 2,519,975 |

## Use of the Internal Ratings Based Approach to credit risk

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

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## Use of credit risk mitigation techniques

### CREDIT RISK MITIGATION TECHNIQUES

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

We hereby mainly refer to the following aspects:

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

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

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

Setting the amount of the properties proposed as loan guarantees is made through evaluations based on the appraisals carried out by specialized personnel and recorded in the evaluation reports attached to the loan documentation, based on which the fair value of the goods and the value for guarantee are established.

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

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

- they are placed in the civil circuit
- they are noticeable
- they can be precisely ascertained or are ascertainable;
- they are in the exclusive property of the borrower or the guarantor, as applicable, and this can be proven with legal documents
- they are correctly and fully recorded in public records
- they are not the object of any litigation or debt enforcement procedure, except where they are subject to novation
- there is a market for the goods proposed as guarantee, so they could be easily sold in case of the guaranteed debtor's insolvency



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In Banca Transilvania, the following activities are performed in order to determine the fair value of real guarantees:

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

b. **The revaluation activity of the goods accepted by the Bank as guarantees** is based on the International Valuation Standards, the Romanian Valuation Standards for goods, the provisions of NBR Reg. 5/2013, as well as the provisions of the Internal Lending Rules of Banca Transilvania, where they provide that more frequent assessments be performed in comparison to the general regulations mentioned above.

## MAIN TYPES OF COLLATERAL ACCEPTED BY THE INSTITUTION

The group accepts the following types of collateral:

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

Goods that are eligible to be the subject of mortgage:

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

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

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

RON thd.

| **Credit risk mitigation techniques** | Unfunded credit protection | | Funded credit protection | |
|---|---|---|---|---|
| | Guarantees | Credit derivatives | Financial collateral | Other funded credit protection |
| Central governments or central banks | 0 | 0 | 0 | 0 |
| Regional governments or local authorities | -669 | 0 | -5,531 | 0 |
| Public sector entities | -1,338 | 0 | -6,309 | 0 |

| | | | | |
|---|---|---|---|---|
| Multilateral Development Banks | 0 | 0 | 0 | 0 |
| International Organisations | 0 | 0 | 0 | 0 |
| Institutions | 0 | 0 | -75 | 0 |
| Corporates | -119,448 | 0 | -101,073 | 0 |
| Retail exposures | -178,677 | 0 | -1,612,292 | 0 |
| Secured by mortgages on immovable property | 0 | 0 | -31,705 | 0 |
| Exposures in default | 0 | 0 | -4,258 | 0 |
| Items associated with particular high risk | 0 | 0 | 0 | 0 |
| Covered bonds | 0 | 0 | 0 | 0 |
| Securitisation positions SA | 0 | 0 | 0 | 0 |
| Claims on institutions and corporates with a short-term credit assessment; | 0 | 0 | -140 | 0 |
| Collective investments undertakings (CIU) | 0 | 0 | 0 | 0 |
| Equity | 0 | 0 | 0 | 0 |
| Other items | 0 | 0 | 0 | 0 |

## Use of the Advanced Measurement Approaches to operational risk

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

## Use of Internal Market Risk Models

Banca Transilvania does not use any Internal Market Risk Models.