REGULATORY DISCLOSURE REPORT BANCA TRANSILVANIA GROUP AS OF 30.06.2020

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

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

Introduction

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

This document is available on the bank's website (https://www.bancatransilvania.ro/) and was published in conjunction with the date of the official release of BT's financial statements. This is a free translation of the original document in Romanian, which is the official document.

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Own funds

REQUIREMENTS RELATED TO OWN FUNDS

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

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

Main caracteristics of capital instruments

1	Issuer	Banca Transilvania	EEEF	IFC
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)			
3	Governing law(s) of the instrument	OUG nr.99/2006, CRR	OUG nr.99/2006, CRR	OUG nr.99/2006, CRR
	Regulatory treatment			
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	solo and consolidated	solo and consolidated	solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	bonds	subordinated loan	subordinated loan
8	Amount recognised in regulatory capital (in million)	€ 285.00	€15.58	$26.47
9	Nominal amount of instrument (agregate)	€ 285.00	€ 25.00	$40.00
9a	Issue price	€ 285.00	€ 25.00	$40.00
9b	Redemption price - in currency of issue	€ 285.00	€ 25.00	$40.00

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10	Accounting classification	liabilities at amortised cost	liabilities at amortised cost	liabilities at amortised cost
11	Original date of issuance	26/06/2018	30/09/2013	31/10/2014
12	Perpetual or dated	dated	dated	dated
13	Original maturity date	26/06/2028	30/09/2023	15/10/2023
14	Issuer call subject to prior supervisory approval	no	no	no
15	Optional call date, contingent call dates and redemption amount (s. 9b)	n/a	n/a	n/a
16	Subsequent call dates, if applicable	n/a	n/a	n/a
	Coupons / dividends			
17	Fixed or floating dividend/coupon	variable	variable	variable
18	Coupon rate and any related index	EURIBOR 6M + 3.75%	EURIBOR 6M+6.2%	LIBOR 6M+5.8%
19	Existence of a dividend stopper	n/a	n/a	n/a
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	n/a	n/a	n/a
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	n/a	n/a	n/a
21	Existence of step up or other incentive to redeem	n/a	n/a	n/a
22	Noncumulative or cumulative	n/a	n/a	n/a
23	Convertible or non-convertible	yes	no	no
24	If convertible, conversion trigger(s)	Decision of the bondholders	n/a	n/a
25	If convertible, fully or partially	Fully or partially	n/a	n/a
26	If convertible, conversion rate	Correlated with the price of TLV shares	n/a	n/a
27	If convertible, mandatory or optional conversion	optional	n/a	n/a
28	If convertible, specify instrument type convertible into	Common equity Tier1	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	Banca Transilvania	n/a	n/a

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30	Write-down features	n/a	n/a	n/a
31	If write-down, write-down trigger(s)	n/a	n/a	n/a
32	If write-down, full or partial	n/a	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	subordinated to all other non-subordinated liabilities	subordinated to all other non-subordinated liabilities	subordinated to all other non-subordinated liabilities
36	Non-compliant transitioned features	no	no	no
37	If yes, specify non-compliant features	-	-	-

Reconciliation of own funds elements with the statement of financial position

Capital base in RON thousand	**30.06.2020**
Shareholders' equity according to the Group's balance sheet	8,878,,043
Non-controlling interests	401,115
Anticipated dividend	0
Additional value adjustments	-27,686
Goodwill	-13,913
Deferred tax receivables	0
Intangible assets	-251,442
Other adjustments	-611,187
Common Equity Tier 1 capital	**8,374,931**
Total Tier 1 capital I	**8,374,931**
Tier 2 instrument	1,673,561
Other adjustments	-110,464
Total Tier 2 capital	**1,563,097**
Total capital base	**9,938,028**

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Statement of financial position

Assets - In RON thousand	IFRS H1 2020	Prudential H1 2020
Cash reserve	15,146,942	15,146,942
Loans and advances to banks	10,791,058	10,786,951
Impairment losses on loans and advances to banks	(1,207)	(1,207)
Loans and advances to customers	44,306,660	44,306,606
Impairment losses on loans and advances	(3,254,017)	(3,254,017)
Financial assets measured at amortized cost-Debt instruments	2,218,326	2,218,326
Impairemend of financial assets valued at amortized cost - Debt instruments	(7,838)	(7,838)
Financial assets held for trading and measured at fair value through profit or loss	254,554	17,915
Derivatives	14,193	14,193
Securities available-for-sale / Financial assets measured at fair value through other comprehensive income	26,286,018	26,286,018
Financial assets held for trading and measured at FVOCI	1,054,958	1,333,592
Financial assets which are required to be measured at fair value through profit or loss	265,355	265,355
Intangible fixed assets	1,174,716	1,174,716
Tangible fixed assets	2,317	-
Other assets	188,756	204,912
Total assets	**98,440,791**	**98,492,464**

Liabilities and Equity in RON thousand	IFRS H1 2020	Prudential H1 2020
Deposits from banks	4,402,646	4,402,646
Deposits from clients	80,026,042	80,041,542
Debt securities issued	192,819	192,819
Provisions for liabilities and charges	518,060	518,060
Derivatives	34,283	34,283
Other liabilities	2,314,222	2,326,247
Subordinated capital	1,673,561	1,673,561
Equity	9,279,158	9,303,306
Consolidated equity	8,207,805	8,226,509
Consolidated profit/loss	670,238	675,651
Non-controlling interests	401,115	401,146
Total liabilities and equity	**98,440,791**	**98,492,464**

Own funds (prudential)

Own funds in RON thousand	30.06. 2020
Capital instruments and the related share premium accounts	5,333,826
Retained earnings	448,193

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Accumulated other comprehensive income (and other reserves)	2,366,596
Funds for general banking risk	77,893
Minority interests (amount recognized in consolidated CET1)	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	8,226,508
Additional value adjustments	(156,006)
Intangible assets (net of related tax liability)	(251,442)
Goodwill	(13,913)
Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met)	-
Regulatory adjustments to unrealised gains and losses	-
Direct and indirect holding of own CET1 instruments	(38,135)
Deferred tax assets arising from temporary difference	-
Other transitional adjustments to Common Equity Tier 1	607,918
Total regulatory adjustments to Common Equity Tier 1 (CET1)	148,423
Common Equity Tier 1 (CET1) capital	**8,374,931**
Tier 1 capital (T1 = CET1 + AT1)	**8,374,931**
Tier 2 (T2) capital: instruments and subordinated loans	1,563,097
Tier 2 (T2) capital before regulatory adjustment	1,563,097
Tier 2 (T2) capital: regulatory adjustments	-
Total regulatory adjustments to Tier 2 (T2) capital	-
Tier 2 (T2) capital	**1,563,097**
Total capital (TC = T1 + T2)	**9,938,028**
Risk weighted assets	55,246,252
Common Equity Tier 1 (as a percentage of total risk exposure amount	15.16%
Tier 1 (as a percentage of total risk exposure amount	15.16%
Total capital (as a percentage of total risk exposure amount	17.99%

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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 following computation methods are used by the Bank and the Group:
Credit risk: RWA (risk weighted assets) standardized approach;
Market risk: capital requirements with respect to the foreign exchange risk and the trading portfolio are calculated based on the standardized approach;
Operational risk: capital requirements for the coverage of operational risk are calculated according to the basic indicator approach.

The Group manages its capital base in a flexible manner, by monitoring regulatory capital requirements, by anticipating the adequate adjustments required for the achievement of its objectives, as well as by optimizing the structure of assets and shareholders' equity.

Planning and monitoring take into consideration the total own funds (core tier 1, additional tier 1 and tier 2) on the one hand and risk-weighted assets (RWA) on the other hand.

CAPITAL REQUIREMENTS

Template 4: EU OV1 – Overview of RWAs

RON thd.

		RWAs		Minimum capital requirements
		30.06.2020	**31.12.2019**	**30.06.2020**
1	Credit risk (excluding CCR)	**37,262,584**	**35,096,854**	**2,981,007**
2	Of which the standardised approach	37,262,584	35,096,854	2,981,007
3	Of which the foundation IRB (FIRB) approach	-		-
4	Of which the advanced IRB (AIRB) approach	-		-
5	Of which equity IRB under the simple risk-weighted approach or the IMA	-		-
6	CCR	**75,898**	**44,733**	-
7	Of which mark to market	39,523	23,036	
8	Of which original exposure	-		-
9	Of which the standardised approach			
10	Of which internal model method (IMM)	-		-

11	Of which risk exposure amount for contributions to the default fund of a CCP	-		-
12	Of which CVA	36,374	21,697	
13	Settlement risk	-	-	
14	Securitisation exposures in the banking book (after the cap)	-		-
15	Of which IRB approach	-		-
16	Of which IRB supervisory formula approach (SFA)	-		-
17	Of which internal assessment approach (IAA)	-		-
18	Of which standardised approach	-		-
19	Market risk	**9,923,173**	**9,209,245**	
20	Of which the standardised approach	9,923,173	9,209,245	
21	Of which IMA	-		-
22	Large exposures			
23	Operational risk	**7,984,598**	**7,230,211**	638,768
24	Of which basic indicator approach	7,984,598	7,230,211	
25	Of which standardised approach	-		-
26	Of which advanced measurement approach	-		-
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-		-
28	Floor adjustment	-		-
29	**Total**	**55,246,252**	**51,581,043**	**4,419,700**

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.

MINIMUM CAPITAL REQUIREMENT FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES - standardised approach	**Credit, dilution and free deliveries risk**	**Counterparty credit risk**
Total	**2,984,169**	**3,162**
Central governments or central banks	367,277	-
Regional governments or local authorities	4,187	-
Public sector entities	1,834	-

Multilateral Development Banks	-	-
International Organizations	-	-
Institutions	296,454	2,969
Corporates	641,931	193
Retail	937,635	-
Secured by mortgages on immovable property	348,307	-
Exposures in default	176,023	-
Items associated with particular high risk	-	-
Covered bonds	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-
Collective investments undertakings (CIU)	-	-
Equity	-	-
Other items	210,521	-

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.

Capital requirement for position, foreign exchange and commodities risks under standardised approaches (SA)	**672,735**
Traded debt instruments	563,781
Equity	12,850
Foreign Exchange	96,103
Commodities	-
Particular approach for position risk in CIUs	-

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.

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Total risk exposure amount for operational risk (opr)	**7,984,598**

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Exposure to counterparty credit risk

SETTING CREDIT LIMITS RELATED TO COUNTERPARTY CREDIT RISK EXPOSURES

Throughout its activity, Banca Transilvania has exposures to other Romanian or foreign banks through treasury and trade operations, in local or foreign currency, within certain exposure limits.
Exposure limits are calculated and they govern two types of operations: treasury and trade, these representing Banca Transilvania's maximum exposures on a partner bank, calculated as a percentage of own funds. Treasury operations are divided depending on the type of transaction, foreign exchange market (operational risk) or money market (credit risk) and depending on the date of settlement, respectively on maturity. Exposure limits according to the date of settlement, respectively maturity are not cumulative, but exclusive.
The method for determining exposure limits uses the principle of comparison between individual financial ratios calculated for the partner bank and the average ratios calculated for the group of banks it belongs to. Finally, financial ratios are weighted with quality indicators, indicators regarding the control of the Bank and the country rating;
The data which represents the basis for determining the exposure limit for partner banks:

- financial ratios
- quality indicators
- indicators regarding bank control
- country rating

The own funds requirements for the risk of credit valuation adjustment (CVA) for derivate financial instruments is calculated according to Art. 382, pct. 1.
Intragroup transactions are excluded from own funds requirements application for CVA risk according to Art. 382, pct. 4, lt. b.
In the CVA calculation algorithm, Banca Transilvania applies Art.384, which describes the standardized method. So, the own funds requirement is determinate on portfolio level for each counterpart.

Template 25: EU CCR1 – Analysis of CCR exposure by approach

RON thous.

		a	b	c	d	e	f	g
		Notional	Replacement cost/current market value	Potential futurecredit exposure	EEPE	Multiplier	EAD post CRM	RWA
1	Mark to market		14,193	70,918			48,354	39,523
2	Original exposure							
3	Standardised approach							

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4	IMM (for derivatives and SFTs)							
5	Of which securities financing transactions							
6	Of which derivatives and long settlement transactions							
7	Of which from contractual crossproduct netting							
8	Financial collateral simple method (for SFTs)							
9	Financial collateral comprehensive method (for SFTs)							
10	VaR for SFTs							
11	Total							39,523

Template 26: EU CCR2 – CVA capital charge

RON Thd

		30.06.2020	
		Exposure value	**RWAs**
1	Total portfolios subject to the advanced method	0	0
2	(i) VaR component (including the 3× multiplier)		
3	(ii) SVaR component (including the 3× multiplier)		
4	All portfolios subject to the standardised method	82,697	36,374
EU4	Based on the original exposure method	0	0
5	Total subject to the CVA capital charge	**82,697**	**36,374**

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

RON thous.

		a	b	c	d	e
		Gross positive fair value or net carrying amount	**Netting benefits**	**Netted current credit exposure**	**Collateral held**	**Net credit exposure**
1	Derivatives	85,111	-	85,111	-	85,111
2	SFTs	2,970,825	-	3,706	2,967,119	-
3	Cross-product netting	2,527,117	-	3,286	2,523,832	-
4	Total	**3,055,936**	**-**	**88,817**	**2,967,119**	**85,111**

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

RON thous.

		a	**b**	**c**	**d**	**e**	**f**
		Collateral used in derivative transactions				**Collateral used in SFTs**	
		Fair value of collateral received		**Fair value of posted collatera**		**Fair value of collateral received**	**Fair value of posted collateral**
		Segregated	**Unsegregated**	**Segregated**	**Unsegregated**		
1	Cash	0	0	0	50,054	0	4,261
2	Financial Assets	0	0	0	0	341,715	2,549,156
4	**Total**	**0**	**0**	**0**	**50,054**	**341,715**	**2,553,417**

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).

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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).

Credit risk adjustments

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

Under IFRS 9, *a financial asset is credit-impaired* when one or more events have occurred and have a significant impact on the expected future cash flows of the respective financial asset. The proof that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or past-due event;
- the lender, for economic or contractual reasons relating to the borrower's financial difficulty, grants the borrower a concession that would not otherwise be considered;

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- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for the financial asset because of financial difficulties;
- the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

A financial asset classified as impaired upon initial recognition will be maintained as such until its derecognition.

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

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information.
- purchased or originated credit-impaired financial assets ("POCI") are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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

Allowances for impairment

Based on future scenarios, the Group assesses the expected credit loss (“ECL”) related to the assets in the form debt instruments measured at amortized cost.
The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).
A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

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

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

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to ‘Stage 3’.

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Use of estimates and judgements

The preparation of the interim condensed consolidated and separate financial statements in accordance with the IAS 34 “Interim Financial Reporting”, as endorsed by the European Union implies that the management uses estimations and judgements that affect the application of accounting policies, as well as the reported value of assets, liabilities, incomes and expenses. The estimates and associated assumptions are based on historical data and various other factors that are believed to be relevant under the given circumstances, the result of which forms the basis of the judgements used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates.
The estimates and assumptions are reviewed on an ongoing basis.
The review of the accounting estimates are recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods.
The Group and the Bank make estimates and assumptions that affect the amounts of assets and liabilities reported within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the given circumstances.

Impairment losses on loans and advances to customers

The Group and the Bank review their loan and finance lease receivables portfolio in order to assess the impairment thereof, at least bi-annually (on a monthly basis for the Bank). In determining whether an impairment loss should be recorded, the Group and the Bank make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows related to a portfolio of loans and finance lease, before such decrease can be identified with respect to an individual loan/lease investment in that portfolio.

For example, the observable data might be the unfavorable changes in the payment behavior of certain debtors within a group or in the economic, national or local circumstances, which correlate with default incidents affecting the debtors’ group. When scheduling future cash flows, the management uses estimates based on the past experience related to losses from loans with similar risk characteristics.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any gaps between estimated losses and actual losses, but also to assess the effects of the local financial market uncertainties on the valuation of assets and the debtors’ operating environment. The loan loss estimation considers the visible effects of the current market conditions and our expectation referring to the future economic condition on the individual/collective assessment of impairment losses on loans and advances to customers. Hence, the Group and the Bank have estimated the impairment loss for loans and advances to customers and receivables from finance lease based on the internal methodology and assessed that no further provision for impairment losses is required except as already provided for in the consolidated financial statements.

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Individually significant assets are assessed and monitored individually, regardless of the stage allocation, determined using the automated criteria. Thus, a specialized team of experts uses professional judgement to assess the unlikeliness to pay and determine the scenarios used to compute the ECL.

The three-stage expected credit loss impairment model in IFRS 9 depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the impairment charge equals the expected credit losses resulting from default events that are possible within the next 12 months (stage 1). If the credit risk has increased significantly, the loan is more than 30 days past due, or the loan is in default or otherwise impaired, the impairment charge equals the lifetime expected credit losses.

In determining the impairment for expected credit losses, management incorporates forward-looking information, exercises judgement and uses estimates and assumptions as explained below.

The estimation of expected credit losses involves forecasting future economic conditions over 3 years. The incorporation of forward-looking elements reflects the expectations of the Bank and involves the creation of scenarios (base case, optimist and pessimist), including an assessment of the probability for each scenario. A large part of the impact on the expected credit losses in Q1 and Q2 2020 is resulting from the COVID-19 pandemic referring to changes to the forward-looking information.

The macroeconomic scenarios applied have been changed from those applied in Q4 2019, to reflect the worsening of the macroeconomic outlook due to the COVID-19 pandemic.

Therefore, scenarios were adjusted so the expected credit losses are now based on a base case scenario that reflects a decline in economic activity in 2020 followed by a significant recovery in 2021, as well as a pessimistic scenario that reflects a recession to a more severe degree, with an assigned probability of 47.5%, considering that the contribution of certain sectors / industries / components in GDP will be lower, and the measures adopted for restarting the economy will not have the maximum expected effect.

With the new set of scenarios, the base case scenario enters with a probability of 50% (31 December 2019: 50%), the optimist scenario with a probability of 2.5% (31 December 2019: 10%) and the pessimist scenario with a probability of 47.5% (31 December 2019: 40%). If the pessimist case scenario was assigned a probability of 100%, the allowance account would increase by 84.3 million RON (31 December 2019: 60.5 million RON). Considering that the applied scenarios differ from the scenarios used at 31 December 2019, the changes in sensitivities from end of 2019 to end of the second quarter of 2020 are therefore not directly comparable.

Also, due to the COVID-19 pandemic, management applies supplementary judgement when determining the need for post-model adjustments:

1) consider high-risk industries (most clearly affected by the COVID-19) and, consequently, makes supplementary calculations in order to ensure sufficient impairment coverage. The Bank has limited exposure to most of the industries that are highly affected by the COVID-19 pandemic;
2) other post-model adjustments are made for portfolios (exposure on specific client type or exposure on specific products) where the credit risk assessment process has identified underestimation of the expected credit losses.

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The Group's forbearance practices have been updated to pay particular attention to customers affected by the COVID-19 pandemic. These practices include additional guidance to ensure that COVID-19 concessions are fully complied with EBA/ NBR decision on moratoria operations.

In this period, there is no important change in our internal definition considering significance increase in credit risk or in default definition. The impact of the COVID 19 pandemic on total NPL exposures was limited in Q1&Q2 2020, but is expected to increase during the next year.

As mentioned, moratoria program did not have an impact on stage-ing (is not considered a trigger for a significant increase in credit risk). The definition of forborne credit modification was not changed and continues to identify restructuring operation request by clients in financial difficulties who did not access the moratoria program.

Derecognition **policy**

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

(i) the Group transfers substantially all the risks and rewards of ownership, or

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

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

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

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

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

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

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

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
1	Central governments or central banks	0	0	0	0	0	0	0
2	Institutions	0	0	0	0	0	0	0
3	Corporates	0	0	0	0	0	0	0
4	*Of which: Specialised lending*	0	0	0	0	0	0	0
5	*Of which: SMEs*	0	0	0	0	0	0	0
6	Retail	0	0	0	0	0	0	0
7	*Secured by real estate property*	0	0	0	0	0	0	0
8	*SMEs*	0	0	0	0	0	0	0
9	*Non-SMEs Qualifying revolving*	0	0	0	0	0	0	0

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10	*Other retail*	0	0	0	0	0	0	0
	Retail	0	0	0	0	0	0	0
11	*Secured by real estate property*	0	0	0	0	0	0	0
12	*SMEs*	0	0	0	0	0	0	0
13	*Non-SMEs*	0	0	0	0	0	0	0
14	Equity	0	0	0	0	0	0	0
15	***Total IRB approach***	0	0	0	0	0	0	0
16	Central governments or central banks	0	13,183,331	7,480	0	0	1,532	13,175,850
17	Regional governments or local authorities	0	291,007	5,355	0	0	1,828	285,652
18	Public sector entities	0	47,231	1,041	0	0	3	46,190
19	Multilateral development banks	0	0	0	0	0	0	0
20	International organisations	0	0	0	0	0	0	0
21	Institutions	0	11,529,576	11,507	0	0	1,307	11,518,069
22	Corporates	0	13,257,625	523,155	0	0	108,701	12,734,469
23	*Of which: SMEs*	0	7,205,056	252,999	0	0	38,684	6,952,057
24	Retail	0	24,891,788	688,267	0	0	118,740	24,203,521
25	*Of which: SMEs*	0	10,070,158	257,963	0	0	28,519	9,812,195
26	Secured by mortgages on immovable property	0	12,902,383	65,620	0	0	2,822	12,836,762
27	*Of which: SMEs*	0	757,241	11,967	0	0	2,555	745,274
28	Exposures in default	4,089,013	0	2,075,543	0	3,121,641	2,677	2,013,470

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29	Items associated with particularly high risk	0	0	0	0	0	0	0
30	Covered bonds	0	0	0	0	0	0	0
31	Claims on institutions and corporates with a shortterm credit assessment	0 0	0 0	0 0	0 0	0 0	- 0	0 0
32	Collective investments undertakings	0	0	0	0	0	0	0
33	Equity exposures	0	7,025,082	1,086,662	0	0	128,715	5,938,420
34	Other exposures	0	13,183,331	7,480	0	0	1,532	13,175,850
35	***Total standardised approach***	**4,089,013**	**83,128,022**	**4,464,630**	**0**	**3,121,641**	**366,325**	**82,752,404**
36	***Total***	**4,089,013**	**83,128,022**	**4,464,630**	**0**	**3,121,641**	**366,325**	**82,752,404**
37	Of which: Loans	3,828,504	40,757,731	3,158,799	0	3,121,641	328,782	41,427,436
38	Of which: Debt securities	0	30,201,886	1,094,688	0	0	49,470	29,107,198
39	Of which: Offbalance-sheet exposures	260,508	12,168,405	211,143	0	0	(11,927)	12,217,771

Credit quality of forborne exposures

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RON thous.

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**		**Collateral received and financial guarantees received on forborne exposures**	
		Performing forborne	**Non-performing forborne**			**On performing forborne exposures**	**On non-performing forborne exposures**		**Of which collateral and financial guarantees received on non-performing exposures with forbearance measures**
				Of which defaulted	**Of which impaired**				
1	Loans and advances	279,306	1,730,242	1,730,242	1,730,242	(54,472)	(917,291)	910,001	764,211
2	*Central banks*	-	-	-	-	-	-	-	-
3	*General governments*	-	-	-	-	-	-	-	-
4	*Credit institutions*	-	-	-	-	-	-	-	-
5	*Other financial corporations*	80	933	933	933	(20)	(48)	880	880
6	*Non-financial corporations*	205,113	1,363,784	1,363,784	1,363,784	(47,412)	(742,291)	667,499	578,845
7	*Households*	74,113	365,525	365,525	365,525	(7,039)	(174,951)	241,623	184,487
8	Debt Securities	-	-	-	-	-	-	-	-
9	Loan commitments given	17,049	7,597	0	0	2,208	4,019	10,613	2,998
10	***Total***	**296,355**	**1,737,838**	**1,730,242**	**1,730,242**	**(52,264)**	**(913,272)**	**920,615**	**767,210**

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Credit quality of performing and non-performing exposures by past due days

RON thous.

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			**Non-performing exposures**								
			Not past due or past due ≤ 30 days	**Past due > 30 days ≤ 90 days**		**Unlikely to pay that are not past due or are past due ≤ 90 days**	**Past due > 90 days ≤ 180 days**	**Past due > 180 days ≤ 1 year**	**Past due > 1 year ≤ 2 years**	**Past due > 2 years ≤ 5 years**	**Past due > 5 years ≤ 7 years**	**Past due > 7 years**	**Of which defaulted**
1	Loans and advances	**46,585,338**	**46,303,944**	**281,394**	**3,202,634**	**1,588,279**	**276,146**	**344,142**	**373,112**	**512,721**	**84,490**	**23,744**	**3,202,634**
2	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
3	*General governments*	121,579	121,579	-	-	-	-	-	-	-	-	-	-
4	*Credit institutions*	5,451,869	5,451,869	-	-	-	-	-	-	-	-	-	-
5	*Other financial corporations*	679,733	679,606	127	2,289	314	97	1,048	816	14	-	-	2,289
6	*Non-financial corporations*	16,208,421	16,146,620	61,801	2,070,498	1,104,287	123,973	221,917	209,853	342,231	66,000	2,237	2,070,498
7	*Of which SMEs*	8,660,787	8,606,211	54,576	857,288	377,791	95,044	121,625	135,145	121,382	4,641	1,660	857,288
8	*Households*	24,123,736	23,904,270	219,466	1,129,847	483,678	152,076	121,177	162,443	170,476	18,490	21,507	1,129,847
9	Debt securities	**29,577,332**	**29,577,332**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10	*Central banks*	423,085	423,085	-	-	-	-	-	-	-	-	-	-

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11	*General governments*	25,266,973	25,266,973	-	-	-	-	-	-	-	-	-	-
12	*Credit institutions*	1,380,697	1,380,697	-	-	-	-	-	-	-	-	-	-
13	*Other financial corporations*	2,487,994	2,487,994	-	-	-	-	-	-	-	-	-	-
14	*Non-financial corporations*	18,583	18,583	-	-	-	-	-	-	-	-	-	-
15	Off-balance-sheet exposures	**13,660,689**	-	-	**258,347**	-	-	-	-	-	-	-	**258,347**
16	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
17	*General governments*	231,515	-	-	-	-	-	-	-	-	-	-	-
18	*Credit institutions*	2,520,732	-	-	-	-	-	-	-	-	-	-	-
19	*Other financial corporations*	114,879	-	-	-	-	-	-	-	-	-	-	-
20	*Non-financial corporations*	7,795,303	-	-	228,903	-	-	-	-	-	-	-	228,903
21	*Households*	2,998,260	-	-	29,444	-	-	-	-	-	-	-	29,444
22	***Total***	**89,823,359**	**75,881,276**	**281,394**	**3,460,981**	**1,588,279**	**276,146**	**344,142**	**373,112**	**512,721**	**84,490**	**23,744**	**3,460,981**

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

a	b	c	d	e	f	g
Gross carrying values of						**Net values**

		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Defaulted exposures
1	Agriculture, forestry and fishing	102,810	2,600,859	124,589	-	123,628	18,882	2,579,079
2	Mining and quarrying	124,427	55,170	100,042	-	62,756	(3,649)	79,555
3	Manufacturing	660,693	4,600,232	543,892	-	481,934	19,461	4,717,033
4	Electricity, gas, steam and air conditioning supply	75,843	647,699	47,006	-	287,643	(12,579)	676,535
5	Water supply	9,000	204,142	9,080	-	32,579	724	204,062
6	Construcţion	612,541	2,683,849	455,476	-	281,037	(4,863)	2,840,915
7	Wholesale and retail trade	494,398	6,629,682	475,831	-	646,379	7,062	6,648,249
8	Transport and storage	143,137	1,706,085	131,606	-	51,993	18,610	1,717,615
9	Accomodation and food service	72,267	703,700	40,385	-	19,172	13,633	735,581
10	Information and communication	45,866	683,911	38,693	-	50,582	(9,953)	691,084
11	Financial and insurance activities	3,712	11,718,700	19,788	-	2,694	5,686	11,702,624
12	Real estate activities	31,491	1,060,864	25,765	-	9,237	(2,715)	1,066,590

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13	Proffesional, scientific and technical activities	54,428	637,543	54,978	-	43,108	(8,447)	636,992
14	Administrative and support service activities	20,586	528,629	37,304	-	73,594	9,492	511,910
15	Public administration and defence, compulsory social security	-	319,006	5,626	-	6,226	1,969	313,380
16	Education	3,552	60,357	3,155	-	2,914	593	60,754
17	Human health services and social work activities	25,318	1,165,130	37,037	-	23,584	7,925	1,153,411
18	Arts, entertainment and recreation	4,038	226,734	9,605	-	2,270	4,991	221,166
19	Other services	13,713	7,155,436	1,096,345	-	683	130,944	6,072,804
20	Central banks	-	13,183,331	7,480	-	-	1,532	13,175,850
21	Households	1,591,193	26,556,965	1,200,946	-	919,628	167,028	26,947,212
19	***Total***	**4,089,013**	**83,128,022**	**4,464,630**	**-**	**3,121,641**	**366,325**	**82,752,404**

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Template 13: : EU CR1-C – Credit quality of exposures by geography

	Credit quality of exposures by geography	a	b	c	d	e	f	g
		Gross carrying values of						
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	*Accumulated write-offs*	Credit risk adjustment charges	Net values (a+b-c-d)
1	Republic of Moldova	381,712.38	3,725,173.71	193,441.22	-	587,736.15	15,130.71	3,913,444.88
2	Germany	157.52	3,309,598.37	568.37	-	1,707.90	163.05	3,309,187.52
3	Other countries	3,031.50	4,792,572.39	4,757.43	-	3,030.11	1,993.42	4,790,846.46
3	**Total**	**4,089,012.65**	**83,128,021.56**	**4,464,630.06**	**-**	**3,121,640.60**	**366,324.59**	**82,752,404.16**

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

		a	b
		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	**Opening balance**	(2,810,517)	**0**
2	Increases due to origination and acquisition	(342,784)	0
3	Decrease due to derecognition repayments and disposals	276,560	0
4	Changes due to change in credit risk (net)	(251,259)	0
5	Changes due to modifications without derecognition (net)	(164,861)	0
6	Changes due to update in the institution's methodology for estimation (net)	-	0
7	Decrease in allowance account due to write-offs	33,344	0
8	Other adjustments	(8,339)	0
9	**Closing balance**	**(3,267,857)**	**0**
10	Recoveries of previously written-off amounts recorded directly to the statement of profit or loss	117,681	0
11	Amounts written-off directly to the statement of profit or loss	-	0

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

		a
		Gross carrying value defaulted exposures
1	**Opening balance**	**3,891,097**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	913,132
3	Returned to non-defaulted status	100,427
4	Amounts written off	75,765
5	Other changes	539,025
6	**Closing balance**	**4,089,013**

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Performing and non-performing exposures and related provisions

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1	**Loans and advances**	**46,585,338**	**38,898,951**	**7,686,387**	**3,202,634**	**-**	**3,202,634**	**(1,423,107)**	**(495,163)**	**(927,944)**	**(1,831,787)**	**-**	**(1,831,787)**	**(3,121,641)**	**23,578,687**	**1,192,854**
2	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	*General governments*	121,579	117,882	3,697	-	-	-	(4,279)	(2,283)	(1,996)	-	-	-	(6,167)	1,511	-
4	*Credit institutions*	5,451,869	5,451,869	-	-	-	-	(817)	(817)	-	-	-	-	-	-	-
5	*Other financial corporations*	679,733	585,996	93,737	2,289	-	2,289	(19,122)	(14,935)	(4,187)	(368)	-	(368)	(3,362)	80,775	1,867
6	*Non-financial corporations*	16,208,421	11,553,712	4,654,709	2,070,498	-	2,070,498	(894,265)	(370,167)	(524,098)	(1,152,232)	-	(1,152,232)	(2,343,945)	7,833,838	798,722
7	*Of which SMEs*	8,660,788	5,870,421	2,790,367	857,288	-	857,288	(407,990)	(156,201)	(251,789)	(427,422)	-	(427,422)	(596,010)	827,009	123,610
8	*Households*	24,123,736	21,189,492	2,934,244	1,129,847	-	1,129,847	(504,624)	(106,961)	(397,663)	(679,187)	-	(679,187)	(768,167)	15,662,563	392,265
9	**Debt securities**	**29,577,332**	**28,450,814**	**-**	**-**	**-**	**-**	**(12,961)**	**(12,961)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10	*Central banks*	423,085	423,085	-	-	-	-	(455)	(455)	-	-	-	-	-	-	-
11	*General governments*	25,266,973	25,266,973	-	-	-	-	(11,534)	(11,534)	-	-	-	-	-	-	-
12	*Credit institutions*	1,380,697	1,380,697	-	-	-	-	(64)	(64)	-	-	-	-	-	-	-
13	*Other financial corporations*	2,487,994	1,361,476	-	-	-	-	(19)	(19)	-	-	-	-	-	-	-
14	*Non-financial corporations*	18,583	18,583	-	-	-	-	(889)	(889)	-	-	-	-	-	-	-
15	Off-balance-sheet exposures	13,660,690	12,651,340	1,009,350	258,347	-	258,347	106,247	64,746	41,501	143,018	-	143,018	-	2,695,589	54,874
16	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	*General governments*	231,515	231,313	202	-	-	-	2,112	2,112	-	-	-	-	-	924	-
18	*Credit institutions*	2,520,732	2,520,732	-	-	-	-	-	-	-	-	-	-	-	-	-
19	*Other financial corporations*	114,879	109,534	5,345	-	-	-	460	456	4	-	-	-	-	9,898	-
20	*Non-financial corporations*	7,795,304	6,934,088	861,216	228,903	-	228,903	86,529	54,376	32,153	137,461	-	137,461	-	2,598,838	54,264
21	*Households*	2,998,260	2,855,673	142,587	29,444	-	29,444	17,146	7,802	9,344	5,557	-	5,557	-	85,929	610
22	***Total***	**89,823,360**	**80,001,105**	**8,695,737**	**3,460,981**	**-**	**3,460,981**	**(1,329,821)**	**(443,378)**	**(886,443)**	**(1,688,769)**	**-**	**(1,688,769)**	**(3,121,641)**	**26,274,276**	**1,247,728**

Collateral obtained by taking possession and execution processes

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	**Accumulated negative changes**
1	Property, plant and equipment (PP&E)	0	0
2	Other than PP&E	**9,248**	**-239**
3	*Residential immovable property*	1,747	0
4	*Commercial Immovable property*	0	0
5	*Movable property (auto, shipping, etc.)*	7,501	-239
6	*Equity and debt instruments*	0	0
7	*Other*	0	0
8	***Total***	**9,248**	**-239**

Exposure to market risk

In the first half of 2020 compared to the end of 2019, there were no significant changes in the trading portfolio.

Template 34: EU MR1 – Market risk under the standardised approach

	30.06.2020	Capital requirements	RWAs
	Outright products		
1	Interest rate risk (general and specific)	7,047,260.82	563,780.87
2	Equity risk (general and specific)	160,631.42	12,850.51
3	Foreign exchange risk	1,201,295.27	96,103.62
4	Commodity risk	0	0
	Options		
5	Simplified approach	0	0
6	Delta-plus method	0	0
7	Scenario approach	0	0
8	Securitisation (specific risk)	0	0
9	**Total**	**8,409,188**	**672,735**

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:

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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 and also based on based on the scenarios provided in the Guide on interest rate risk management associated with activities outside the trading book EBA / GL / 2018/02, July 2018
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	9,938,027
Potential decrease in economic value +/-200bp	
Total value	253,258
Impact in own funds	**2.55%**

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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 30.06.2020, the leverage ratio according to the transitional definition decreased slightly from 8.16% at 31.12.2019 to 8.46%, mainly due to the increase of the leverage ration exposures.

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	98,440,791
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	51,673
Adjustments for derivative financial instruments	-
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	4,125,767
Other adjustments	-
Total leverage ratio exposure	**103,204,619**

On-balance sheet exposures (excluding derivatives and SFTs)	**Applicable amount**
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	99,439,325
(Asset amounts deducted in determining Tier 1 capital)	(1,053,501)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**98,385,824**

Derivative exposures	**Applicable amount**
Adjusted effective notional amount of written credit derivatives	2,654,221
Total derivatives exposure	**2,654,221**

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Other off-balance sheet exposures	**Applicable amount**
Off-balance sheet exposures at gross notional amount	12,428,913
(Adjustments for conversion to credit equivalent amounts)	-
Other off-balance sheet exposures	**12,428,913**

Capital and total exposures	**Applicable amount**
Tier 1 capital	8,374,931
Total leverage ratio exposures	102,596,701
Leverage ratio (transitional)	**8.16%**

Split-up of on balance sheet exposures	**Applicable amount**
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	99,439,325
Trading book exposures	28,989,802
Banking book exposures, of which::	70,449,523
Covered bonds	0
Exposures treated as sovereigns	13,175,850
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	106,530
Institutions	10,261,896
Secured by mortgages on immovable property	12,655,400
Retail exposures	17,796,182
Corporates	8,641,108
Exposures in default	1,874,136
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	5,938,420

Use of credit risk mitigation techniques

CREDIT RISK MITIGATION TECHNIQUES

Banca Transilvania has solid and adequate policies and procedures in writing, regarding credit risk mitigation techniques in order to control residual risk.
We hereby mainly refer to the following aspects:

Internal Norm on residual risk management that aims at following the principle of prudence in order to reduce the Bank's risk when accepting collaterals
the lending rules both for legal entities and individuals provide for a mandatory legal opinion as part of the credit documentation, in order to minimize the legal risk regarding guarantee enforcement

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

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

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

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

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

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

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

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

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.

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Template 18: EU CR3 – CRM techniques – Overview

RON Thd

		a	b	c	d	e
		Exposures unsecured	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
		Carrying amount	Carrying amount			
1	Total loans	25,017,943	24,770,031	22,826,989	1,943,041	-
2	Total debt securities	29,577,332	-	-	-	-
3	**Total exposures**	**86,015,276**	**24,770,031**	**22,826,989**	**1,943,041**	**-**
4	Of which defaulted	2,213,253	1,247,727	1,204,652	43,076	-

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

RON Thd

		a	b	c	d	e	f
		Exposures before CCF and CRM		**Exposures post CCF and CRM**		**RWAs and RWA density**	
	Exposure classes	**On-balance-sheet amount**	**Off-balance-sheet amount**	**On-balance-sheet amount**	**On-balance-sheet amount**	**RWA**	**RWA density**
1	Central governments or central banks	13,175,850	-	15,490,026	1,347	4,590,959	30%
2	Regional government or local authorities	86,376	199,276	86,366	18,316	52,341	50%
3	Public sector entities	20,154	26,036	19,649	3,272	22,921	100%
4	Multilateral development banks	0.00	0.00	0.00	0.00	0.00	
5	International organisations	0	0	0	0	0	
6	Institutions	10,261,896	1,173,476	10,670,414	395,918	3,705,673	33%
7	Corporates	8,641,108	4,090,948	8,275,885	752,616	8,024,138	89%
8	Retail	17,796,182	6,407,339	15,292,849	1,864,558	11,720,436	68%
9	Secured by mortgages on immovable property	12,655,400	181,362	12,535,574	56,887	4,353,840	35%
10	Exposures in default	1,874,136	139,333	1,874,136	88,650	2,200,282	112%
11	Higher-risk categories	0	0	0	0	0	
12	Covered bonds	0	0	0	0	0	
13	Institutions and corporates	0	0	0	0	0	

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	with a short-term credit assessment						
14	Collective investment undertakings	0	0	0	0	0	
15	Equity	0	0	0	0	0	
16	Other items	5,938,420	-	6,204,624	170,592	2,631,516	0
17	**Total**	**70,449,522.96**	**12,217,770.58**	**70,449,522.96**	**3,352,156.63**	**37,302,107.30**	**51%**

Template 20: EU CR5 – Standardised approach

	Exposure classes	**Risk weight**																**Total**	**Of which unrated**
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted		
1	Central governments or central banks	8,087,424	0	0	0	0	0	5,625,980	0	0	1,777,969	0	0	0	0	0		15,491,373	15,491,373
2	Regional government or local authorities	0	0	0	0	0	0	104,682	0	0	0	0	0	0	0	0		104,682	104,682
3	Public sector entities	0	0	0	0	0	0	0	0	0	22,921	0	0	0	0	0		22,921	22,921
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
5	International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
6	Institutions	0	0	0	0	8,571,216	0	1,172,684	0	0	1,405,088	0	0	0	0	0		11,148,988	11,148,988
7	Corporates	0	0	0	0	0	0	0	0	0	9,030,886	28	0	0	0	0		9,030,914	9,030,914
8	Retail	0	0	0	0	0	0	0	0	17,157,407	0	0	0	0	0	0		17,157,407	17,157,407

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9	Secured by mortgages on immovable property	0	0	0	0	0	12,592,461	0	0	0	0	0	0	0	0	0		12,592,461	12,592,461
10	Exposures in default	0	0	0	0	0	0	0	0	0	1,487,792	474,994	0	0	0	0		1,962,786	1,962,786
11	Higher-risk categories	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
12	Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
15	Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
16	Other items	3,743,700	0	0	0	0	0	0	0	0	2,631,516	0	0	0	0	0		6,375,216	6,375,216
17	Total	**11,831,124**	**0**	**0**	**0**	**8,571,216**	**12,592,461**	**6,903,346**	**0**	**17,157,407**	**16,356,172**	**475,022**	**0**	**0**	**0**	**0**		**73,886,748**	**73,886,748**

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Annex I –Template on the comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

		RON thd 30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019
Available capital (amounts)						
1	Common Equity Tier 1 (CET1) capital	8,374,931	7,796,787	8,187,882	6,957,041	6,862,470
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,767,012	7,916,733	8,838,144	7,090,971	7,012,401
3	Tier 1 capital	8,374,931	7,796,787	8,187,882	6,957,041	6,862,470
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,767,012	7,916,733	8,838,144	7,090,971	7,012,401
5	Total capital	9,938,028	9,392,730	9,765,025	8,562,616	8,454,142
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,330,110	9,512,675	9,849,745	8,696,546	8,604,073
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	55,246,252	55,350,344	51,581,043	51,238,215	49,003,525
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	54,638,334	54,962,707	51,202,810	50,910,473	48,705,253
Capital ratios						
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	15.16%	14.09%	15.87%	13.58%	14.00%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.06%	14.30%	17.13%	13.84%	14.31%
11	Tier 1 (as a percentage of risk exposure amount)	15.16%	14.09%	15.87%	13.58%	14.00%

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12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.06%	14.30%	17.13%	13.84%	14.31%
13	Total capital (as a percentage of risk exposure amount)	17.99%	16.97%	18.93%	16.71%	17.25%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.89%	17.19%	19.10%	16.97%	17.56%
Leverage ratio						
15	Leverage ratio total exposure measure	103,204,619	100,692,285	96,403,298	92,427,259	85,687,457
16	Leverage ratio	8.46%	7.71%	8.46%	7.50%	7.98%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9.17%	7.86%	9.17%	7.67%	8.18%

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Reporting data and public information in the context of COVID-19

Since the outbreak of the COVID-19 crisis, national governments and EU bodies have taken steps to address and mitigate the negative systemic impact of the pandemic on the EU banking sector. In accordance with the requirements of the EBA, drafted in accordance with Article 16 of Regulation (EU) no. 1093/2010 (Founding Regulation of EBA), Banca Transilvania reports that the first reference date June 30, 2020, as follows:

Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

		a	b	c	d	e	f	g
		Gross carrying amount						
			Gross carrying amount			Non performing		
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
1	Loans and advances subject to moratorium	5,779,049	5,368,230	5,368,230	1,823,082	410,820	410,820	406,217
2	of which: Households	2,730,787	2,569,925	2,569,925	674,193	160,862	160,862	158,714
3	*of which: Collateralised by residential immovable property*	277,761	239,395	239,395	93,627	38,366	38,366	38,366
4	of which: Non-financial corporations	2,841,628	2,591,793	2,591,793	1,094,790	249,836	249,836	247,381
5	*of which: Small and Medium-sized Enterprises*	1,651,363	1,543,112	1,543,112	568,050	108,250	108,250	105,957
6	*of which: Collateralised by commercial*	329,250	283,211	283,211	125,886	46,039	46,039	45,949

	immovable property							

h	i	j	k	l	m	n	o
Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
	Performing			Non performing			Gross carrying amount
		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	
-	252,248	252,248	200,119	193,771	193,771	190,895	-
-	82,270	82,270	73,724	69,450	69,450	68,134	-
-	11,024	11,024	10,501	17,329	17,329	17,329	-
-	160,782	160,782	123,581	124,229	124,229	122,670	-
-	90,411	90,411	69,496	31,244	31,244	29,772	-
-	14,576	14,576	12,473	8,101	8,101	8,100	-

Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

		a	b	c	d	e	f	g	h	i
		Number of obligors	Gross carrying amount							
						Residual maturity of moratoria				
				Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	42979								
2	Loans and advances subject	42979	5,779,049	4,900,072	999,793	690,476	3,497,624	591,156	-	-

	to moratorium (granted)									
3	of which: Households		-	2,143,270	792,971	490,833	1,440,656	6,326	-	-
4	*of which: Collateralised by residential immovable property*		-	238,267	44,695	38,124	191,845	3,098	-	-
5	of which: Non-financial corporations		-	2,554,755	202,282	195,392	1,859,322	584,632	-	-
6	*of which: Small and Medium-sized Enterprises*		-	1,466,200	152,845	116,418	1,143,908	238,192	-	-
7	*of which: Collateralised by commercial immovable property*		-	298,689	28,199	20,308	235,216	45,527	-	-

Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

		a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	182,193	0	0	0
2	of which: Households	26			0

3	of which: Collateralised by residential immovable property	-			0
4	of which: Non-financial corporations	182,140	0	0	0
5	of which: Small and Medium-sized Enterprises	172,509			0
6	of which: Collateralised by commercial immovable property	144			0