

**2020**

**Regulatory  
Disclosure  
Report Banca  
Transilvania  
Group**

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

# **Introduction**

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

This document is available on the bank's website (<https://www.bancatransilvania.ro/>) and was published 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 and the strategic and operational objectives, 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-low* 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-Low
Market risk	Medium-Low
Liquidity risk	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
Compliance risk	Low

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

- Continuously assesses the risks likely to affect the group's business and goals and takes actions whenever any changes appear in its business conditions;
- Ensures the existence of an adequate activity management framework within the bank, considering both internal factors (the complexity of the organizational structure, the nature of the activity, staff quality and fluctuation) and external factors (macroeconomic factors, legislation changes, competition changes in the banking sector, technological progress).
- Identifies the risk: The Group's exposure to business-banking risks in its daily operations and transactions (including lending, dealing and capital market operations) trading, equity market activity) is identified and aggregated in the group's risk management infrastructure
- Measures risk: The group performs an evaluation of identified risks by specific models and calculation methods: a system of ratios with related limits, a methodology for assessing the risk events likely to generate losses, calculation of specific risk provisions for impaired assets, estimation of the

future evolution of assets value, etc. Monitors and controls the risks: The policy and the procedures implemented for an effective risk management are meant to mitigate risks inherent to the business. The Group implemented procedures for the supervision and approval of decision and trading limits per person/ unit/ product etc. Such limits are monitored daily/ weekly/ monthly depending on operations.

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

The risk management framework includes internal regulations, applicable both to the Group as a whole and also individually to the bank and each of its subsidiaries, risk limits and control mechanisms that ensure the identification, assessment, monitoring, mitigation and reporting of the risks pertaining to the group's activity in general and where applicable, at the level of the business lines (large-corporate, mid-corporate, IMM, micro and retail).

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

## **Principles in approaching and implementing crisis simulations**

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

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

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

## 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 2020 was “*medium-low*”, depending on the risk appetite set for each sub-category (through contamination) as follows:

- The risk appetite established in advance for counterparty credit risk and residual risk in Banca Transilvania is medium-low.
- The risk appetite established in advance for concentration risk in Banca Transilvania is low.

In 2020, the bank's general risk profile was in line with the risk appetite adopted.

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

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

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

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

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

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

- The analysis, assessment and monitoring of specific risks within the lending activity;
- The risk analysis of the loan portfolio/large exposures, with recommendations submitted to the Leaders' Committee/Board of Directors;
- Monitoring the observance of internal policies specific to the lending activities;
- Elaborating proposals for the reduction of specific risks, in order to maintain healthy standards in

the lending activity;

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

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

1. include a process for assessing the adequacy of significant inputs and assumptions, related to the chosen method for determining the ECL level;
2. include criteria that takes into account, adequately, the impact of the forward-looking information, including the macroeconomic factors;
3. include criteria that takes into account, adequately, the impact of the forward-looking information, including the macroeconomic factors;
4. take into account relevant internal and external factors that may affect ECL estimates;
5. ensure that the ECL estimates appropriately incorporate forward-looking information, including macroeconomic factors, which have not already been taken into account in the calculation of adjustments for measured losses at the level of individual exposure;
6. involve a process for assessing the overall suitability of loss adjustments in accordance with relevant accounting regulations, including a periodic review of the ECL models.

The management of credit risk consists mainly of:

- the organization of a proper system of norms and procedures in this field, establishing the regulatory

framework for the lending process in order to avoid or to minimize risk occurrence;

- development / improvement of credit risk management procedures (strategy, policies, norms related to credit risk management);
- ongoing improvement of the credit approval / granting process;
- the maintenance of an adequate process for credit management, control and monitoring;
- organizational structure of the bank – there are departments and committees with responsibilities in credit risk supervision and management.

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

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

## **b) Liquidity risk**

Liquidity risk represents the current or future risk that the profit and capital may be negatively affected as a result of the incapacity to fulfill its commitments or to repay its debts as they become due.

Liquidity risk has 2 main components: the difficulty in procuring funds at maturity in order to refinance current assets or the inability to convert an asset into cash at a value near its fair value in a reasonable period of time. The Group is continuously acting to manage this type of risk.

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

The Assets and Liabilities Management Committee of the Bank is responsible of the periodic review of liquidity indicators and with the establishment of corrective measures regarding balance sheet figures, so as to eliminate unacceptable deviations in terms of liquidity risk.

The liquidity risk appetite in 2020 was "low" due to the structural correlations of the bank's assets and liabilities, to 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.

During 2020, the Bank recorded levels of rating 1 liquidity ratios, showing a solid position and having a liquidity more than comfortable, in a general fragile economic context.

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

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

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

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

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

The bank's average LCR of 847% (twelve months average) as of December 31, 2020 has been calculated in accordance with the above two mentioned documents, while the year-end LCR as of December 31,

2020 stands at 534.5%.

Currency mismatch in the LCR:

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

Derivative exposures and potential collateral calls:

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

	Scope of consolidation (solo/ consolidated)	Total unweighted value				Total weighted value			
		31/03/2020	30/06/2020	30/09/2020	31/12/2020	31/03/2020	30/06/2020	30/09/2020	31/12/2020
	Quarter ending on								
	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality liquid assets (HQLA)					21,506	23,217	32,252	39,249
<b>CASH-OUTFLOWS</b>									
2	Retail deposits and deposits from small business customers, of which:	63,827	66,648	69,677	75,223	4,609	4,797	5,189	5,941
3	<i>Stable deposits</i>	46,267	48,601	46,782	49,775	2,313	2,430	2,339	2,489
4	<i>Less stable deposits</i>	17,304	17,772	22,649	24,859	2,039	2,092	2,603	2,863
5	Unsecured wholesale funding	11,425	10,346	11,456	12,509	5,095	4,743	5,137	5,328
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-	-	-	-	-	-	-
7	<i>Non-operational deposits (all counterparties)</i>	11,425	10,346	11,456	12,509	5,095	4,743	5,137	5,328
8	<i>Unsecured debt</i>	-	-	-	-	-	-	-	-
9	Secured wholesale funding	-	-	-	-	-	-	-	-
10	Additional requirements	3,543	3,528	3,329	2,665	505	502	411	137
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	-	-	-	-	-	-	-	-
12	<i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-
13	<i>Credit and liquidity facilities</i>	3,543	3,528	3,329	2,665	505	502	411	137
14	Other contractual funding obligations	72	75	676	88	-	-	-	-
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	<b>TOTAL CASH OUTFLOWS</b>	-	-	-	-	10,210	10,042	10,737	11,406
<b>CASH-INFLOWS</b>									
17	Secured lending (eg reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	10,660	8,673	7,998	4,412	10,039	8,002	7,378	3,700
19	Other cash inflows	995	113	696	363	995	113	696	363

19a	<i>(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)</i>	-	-	-	-	-	-	-	-
19b	<i>(Excess inflows from a related specialised credit institution)</i>	-	-	-	-	-	-	-	-
20	<b>TOTAL CASH INFLOWS</b>	11,654	8,786	8,694	4,775	11,033	8,115	8,073	4,063
20a	<i>Fully exempt inflows</i>	-	-	-	-	-	-	-	-
20b	<i>Inflows Subject to 90% Cap</i>	-	-	-	-	-	-	-	-
20c	<i>Inflows Subject to 75% Cap</i>	11,654	8,786	8,694	4,775	11,033	8,115	8,073	4,063
21	<b>LIQUIDITY BUFFER</b>	-	-	-	-	21,506	23,217	32,252	39,249
22	<b>TOTAL NET CASH OUTFLOWS</b>	-	-	-	-	2,552	2,511	2,684	7,343
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>	-	-	-	-	843%	925%	1202%	535%

### 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 and the share of these losses in the bank's own funds, as well as to provide protection against risk categories beyond the bank's control.

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

- permanently assesses the operational risk exposures based on historical data, managing the conduct risk as a sub-category of operational risk, as well as the risk-determining factors, associated with this category, paying a particular attention because of its expansion degree, relevance and possible prudential impact of it;
- assesses the products, processes and systems which aim to develop new markets, products and services, as well as significant changes to the existing ones and performing exceptional transactions to determine their associated risk levels and the measures required for the removal / diminishment of such risks to acceptable levels.
- regarding the risks associated with information technology (ICT), the Bank has appropriate processes and controls to ensure that all risks are identified, analyzed, measured, monitored, managed, reported and maintained within the limits of risk appetite and that projects and systems which they deliver and the activities they perform are in accordance with external and internal requirements.

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

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

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

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

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

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

#### **d) Market Risk**

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

## **Fair value of financial instruments**

The Group measures the fair value of financial instruments by using the following fair value hierarchy:

### **Level 1 in the fair value hierarchy**

The fair value of financial assets and liabilities included in Level 1 in the fair value hierarchy is determined based on quoted prices in active markets for identical assets or liabilities. Quoted prices that are being applied must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis.

### **Level 2 in the fair value hierarchy**

The fair value of financial assets and liabilities included in Level 2 in the fair value hierarchy is determined using evaluation methods which contain data that are not observable and there aren't available market data. For evaluation in level 2 in the fair value hierarchy are being used market observable parameters, interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads.

### **Level 3 in the fair value hierarchy**

The fair value of financial assets and liabilities included in Level 3 in the fair value hierarchy is determined using inputs based on data of an observable market (unobservable data inputs shall be used to measure fair value to the extent that participants in market condition would establish the price of an asset or a liability, based on assumptions related to risk level).

The objective of valuation techniques is to derive the fair value that reflects a price for the financial instrument at the reporting date, price that would be obtained by the market participants acting at arm's length.

The availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair value. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The management uses its judgment to select the valuation method and makes assumptions that are mainly based on market conditions existing at the date of the consolidated statement of the financial position.

## **Financial assets and liabilities**

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

The new approach to the classification of financial assets relies on the cash flow characteristics and on the business model within which an asset is held.

The Group and the Bank classify their financial assets and liabilities in the following categories:

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

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

#### **d1) Price and interest rate risk**

The Group manages the exposure to market risk by daily monitoring the market value of the held-for-trading portfolio in relation to a system of risk limits approved by the Assets and Liabilities Committee/Leaders Committee/Board. 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, shares issued by Romanian entities and traded on the Bucharest Stock Exchange (which are not directly exposed to interest rate and currency risk, but are exposed to price risk) and shares issued by Austrian issuers and traded on the Vienna Stock Exchange and also collective investment units (ron, euro, usd).

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

#### **d2) Currency risk**

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

#### **e) Interest rate risk outside the trading book**

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

The Group undertakes the interest rate risk resulting from funds raised and placed in relation to non-bank customers (interest rate risk from banking activities).

The main sources of interest rate risk are represented by the imperfect correlation between the maturity dates (for fixed interest rates) or the pricing reset dates (for variable interest rates) with respect to interest bearing assets and liabilities, the adverse changes of the yield curve (un-parallel shift of interest rate curves related to interest bearing assets and liabilities).

The management of interest bearing assets and liabilities is carried out in the context of the Group's exposure to interest rate fluctuations. The Group uses a mix of fixed and variable interest bearing instruments to control the mismatch between the dates on which the interest on assets and liabilities is adjusted to the market rates or the maturity mismatch between assets and liabilities.

Interest rate risk is managed by monitoring the interest rate GAP (mismatch), potential change in the economic value due to the change in interest rates and through a system of limits and indicators internally approved.

The Assets and Liabilities Management Committee is the body that monitors the compliance with these limits, being assisted in the daily monitoring by the Risk Management Department.

Interest rate risk management within the limits is accompanied by the analysis of the sensitivity of the Group's financial assets and liabilities to different internal interest rate scenarios or scenarios according to EBA Guideline EBA/GL/2018/02

#### **e) Risk of excessive leverage**

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

Banca Transilvania uses quantitative methods for the evaluation and mitigation of leverage risk. Monitoring and managing risk indicators related to excessive leverage risk takes place on two levels, namely at Board of Director/Leaders Committee and CRO.

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

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

The a priori risk appetite of Banca Transilvania towards the leverage related risk was set to "low" in 2020, determined through the utilization of some quantitative methods for evaluation and mitigation.

#### **f) Reputational risk**

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

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

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



## **g) Strategic risk**

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

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

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

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

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

## **h) Compliance risk**

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

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

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

1. the aggregation, as a continuous process of certain exposure limits, and the monitoring of ratios that effectively reflect the processes within the Group, exposed to compliance risk;
2. continuous monitoring regarding the efficient use of certain performant IT applications, able to align to the Group’s development strategy and to the new legal requirements;
3. training sessions to raise the employees’ awareness regarding the compliance risk events in order to mitigate this type of risk;
4. periodical internal and external audit of the compliance function, ensuring the control over the implementation manner of the legal requirements in force;

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

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

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

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

## **The Structure and Organisation of the Risk Management Function**

The risk management function 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:

1. in the drafting and annual review of strategies and in the decision making process (together with operational units and the management body);
2. 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);
3. in the identification of risks arising from the complexity of the bank’s legal structure (in collaboration with Corporate Governance and Legal Disputes Department);
4. in the evaluation of significant changes (together with Corporate Governance and Legal Disputes and Compliance Department);
5. in the measurement and internal assessment of risks (in collaboration with Reporting Department);
6. in risk monitoring;
7. 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:

1. strategic level (management body)
  - Board of Directors /Risk Management Committee
  - Leaders’ Committee
2. current operational level
  - Asset-Liability Committee (ALCO)
  - Credit Policy and Approval Committee (CPAC)

- Workout Committee (CRW)
- Deputy CEO Chief Risk Officer / Deputy CEO Chief Operations Officer
- Treasury
- Financial Risk Management Department
- Governance and Non-Financial Risk Management Department
- Companies Underwriting Department
- Retail Underwriting Department
- Risk Control Department
- Operational and Informational Risk Management Department
- Compliance Department
- Antifraud Department
- Physical Security Department
- Operational units (departments in the headquarters and territorial units)

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

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

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

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

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

The managers of the Financial Risk Management Department, Governance and Non-Financial Risk Management Department, Risk Control, Compliance and Internal Audit have not changed throughout 2020.

## **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.

## **Declaration Approved by the Management Body on the Adequacy of Risk Arrangements of the Institution**

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

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

## **Risk Statement Approved by the management Body, Describing the Institution's Overall Risk Profile Associated with the Business Strategy**

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

## **Number of Directorships held by the members of the management body**

### **Board Members**

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

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

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

**Costel Ceoce** – 1 non-executive mandate within Banca Transilvania, 1 non-executive mandate outside BT Financial Group and 2 mandates in non-profit organizations outside of the 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).

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

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

### **Leader's Committee**

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

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

**Leontin Toderici** – 1 executive mandate within Banca Transilvania and 1 non-executive mandate within the BT Financial Group (counted as 1 mandate, according to Government Emergency Ordinance no. 99/2006), 1 non-executive mandate outside BT Financial Group and 1 mandates in non-profit organizations outside of the BT Financial Group (not counted according to Government Emergency Ordinance no. 99/2006).

**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).

**Mihaela Nadasan** - 1 executive mandate, 3 non-executive mandates within BT Financial Group (counted as 1 mandate, 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

# **Policy Regarding the Assessment of Banca Transilvania's Management Body Members' Sustainability**

## **Objective**

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

## **General Presentation of Banca Transilvania's Management Body and Remuneration and Nomination Committee**

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

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

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

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

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

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

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

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

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

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

- collecting the necessary information regarding the suitability of the assessed individuals, including their reputation, integrity, honesty and independence of mind, through different channels and instruments, like diplomas and certificates, letters of recommendation, curricula vitae, interviews, questionnaires, etc.;
- requesting the assessed individual to:
  - a. attest that all of the information provided is accurate and to provide proof of information, where necessary;
  - b. disclose any possible conflict of interest, either actual or potential.
- validating, as far as possible, the validity and accuracy of the information provided by the assessed individual;
- evaluating within the Remuneration and Nomination Committee the results of the suitability

assessment of the management body's members;

- adopting all the necessary corrective measures in order to ensure the suitability of the management body's members, whenever such measures are entailed (e.g. adjusting duties between members of the management body, replacing certain members, recruiting additional members, possible measures to mitigate conflicts of interest, training single members or training for the management body collectively).

## **The Process of Assessing the Management Body's Members**

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

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

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

- the efficiency of the management body's working processes, including the efficiency of information flows and reporting lines to the management body;
- the effective and prudent management of the credit institution, including whether or not the management body acted in the best interest of the institution;
- the ability of the management body to focus on strategically important matters;
- the adequacy of the number of meetings held, the degree of attendance, the appropriateness of time committed and the intensity of the individual's involvement during the meetings;
- any changes to the composition of the management body and any weakness with regard to the individual and collective suitability;
- any performance objectives set for the credit institution and the management body;



- the independence of mind of members of the management body;
- the degree to which the composition of the management body has met the objectives set in the institution's diversity policy;
- any events that may have a material impact on the individual or collective suitability of the management body's members, including changes to the institution's business model, strategies and organization.

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

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

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

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

## **Indicative Criteria for the Assessment of the Management's Body Members**

### **Eligibility and incompatibilities**

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

#### **1. individually:**

- have to hold a good reputation, a level of knowledge, skills and experience that is adequate with the nature, size and complexity of BT's activity, and the duties the individual is entrusted with. They also have to be independent of mind and ensure a sufficient commitment of time, to have performed their previous professional activity in accordance with the rules of a prudent and healthy practice and should hold and exercise the capacity of performing their activity in BT's best interest, while also according to the rules of a prudent and healthy banking practice;
- have to be approved by the National Bank of Romania before starting to exercise their responsibilities, in accordance with the requirements of NBR's No. 12/2020 Regulation regarding the starting of the

activity and the modifications in the situation of credit institutions – Romanian legal persons as well as Romanian branches of credit institutions from third party states;

- need to effectively exercise the administrative duties they hold.

## **2. collectively**

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

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

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

## **Selection and Assessment Criteria for the Management's Body Members**

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

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

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

### **Criteria regarding professional proficiency**

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

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

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

- the nature of the management positions held and the hierarchical level;

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

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

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

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

- the business of the credit institution and main risks related to it;
- each of the material activities of the institution;
- relevant areas of sectoral/financial competence, including financial and capital markets, solvency and models;
- financial accounting and reporting;
- risk management, compliance and internal audit;
- information technology and security;
- local, regional and global markets;
- the legal and regulatory environment;
- managerial skills and experience;
- the ability to plan strategically;
- the management of national and international groups and risks related to group structures.

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

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

- the essential rights and obligations of the Board of Directors and Leaders' Committee;

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

### **Criteria regarding reputation**

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

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

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

#### **1. Achievement of professional standards**

Assessment criteria:

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

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

- any evidence that the individual has not been transparent, open and cooperative in his or her dealings with competent authorities or that suggests that the individual has acted in a manner that is not in line with high standards of conduct;
- dismissal from a management position as a result of a supervisory authority's intervention;
- refusal, revocation or withdrawal of any registration, authorization, membership or license to carry out a trade, business or profession;
- dismissal from acting as a member of the management body or from any position of trust, fiduciary

relationship of similar situation, which include a special level of trust, as a result of reasons that are correlated with aspects regarding the individual's integrity, sincerity and honesty;

- any other reasons that caused the individual's resignation from the above mentioned positions, where the decision to resign was not initially made by the individual's own free will.

## **2. A sound financial situation**

Assessment criteria:

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

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

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

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

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

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

### **Criteria regarding governance**

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

#### **1. Sufficient time commitment in order to exercise responsibilities**

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

- the number of directorships in financial and non-financial companies held by the candidate at the same time, while also considering the geographical location of the companies;

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

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

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

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

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

The following mandates are considered as being one single mandate:

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

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

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

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

## **2. Assessing the level of independence, honesty and integrity**

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

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

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

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

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

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

In regards to the management body's member being independent from the perspective of his or her present or recent past relationships with the bank, the applicable legal provisions together with

the relevant internal policies and procedures will also be considered, including Banca Transilvania's *Policy regarding the prevention and management of the conflict of interest*.

## **The Group Policy Regarding Diversity**

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

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

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

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

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

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

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

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

The current directors and administrators of Banca Transilvania S.A. must have been in management positions in various organizations or within Banca Transilvania, demonstrating their ability to exercise



top management responsibilities and to manage the Bank. They have been executive members of prestigious international institutions, where they have developed their skills and experience in business strategy and development, innovation, operations, brand management, finance, compliance, decision-making and risk management. These skills, as well as the accumulated experience, enable them to get involved in the management of the problems faced by an international company in today's environment, by ensuring that these areas are supervised in the Bank and thus assessing BT's performance.

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

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

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

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

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

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

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

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

In this respect, we mention that during 2020, the number of female employees attending trainings for professional development was 73% of the total number of employees. We also mention that, at the level

of Coordinating Directors, almost 50% of those appointed in these positions were female. BT considers the management body, under its current form, fulfils the diversity requirements, as per the diversity practices currently in force in the Bank.

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

### **Monitoring and reporting**

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

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

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

The Remuneration and Nomination Committee outlines a pattern of proper abilities and characteristics required by members of the governing body, in light of its current composition. This assessment includes expertise (including international and financial/ banking experience), independence, integrity, diversity and age, as well as technical abilities linked to banking, production, finance, marketing, technology and public politics. The main eligibility criteria considered are those arising from legal requirements, with the Committee ensuring that part of the management body remains independent.

### **The Risk Management Committee**

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

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

The Risk Management Committee meets on a quarterly basis or whenever required, upon the request of its members or of the bank's management. In 2020, the Risk Committee organized 10 meetings and several ad-hoc conference calls to debate specific issues. Urgent resolutions were also approved based on votes received via e-mail.

## **Information Flow - Risks to the Management Body**

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

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

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

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

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

### **Applicable field**

Banca Transilvania S.A. ("Parent Company", "BT") is a joint stock company registered in Romania. The bank started its activity as a banking company in 1993, being authorized by the National Bank of Romania to carry out activities in the banking field. The bank started its activity in 1994 and the services carried out by it refers to banking activities for legal entities and individuals.

Due to regulatory differences, the Banca Transilvania Group (the "Group") is defined by two consolidation perimeters as follows:

- The consolidated group for IFRS accounting purposes - where the consolidation perimeter is drawn up in accordance with IFRS 10
- Consolidated group for prudential purposes - where the consolidation perimeter is drawn up in accordance with Articles 18 and 19 of Regulation 575/2013

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

RON thous.

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>							
Cash reserves	22,130,504	22,130,504	22,130,504	-	-	-	-
Loans and advances to banks	6,800,237	6,796,750	6,796,750	-	-	-	-
Depreciation of loans and advances to banks	(867)	(867)	(867)	-	-	-	-
Loans and advances to customers	46,928,658	46,928,621	46,928,621	-	-	-	-
Depreciation of loans and advances to customers	(3,522,334)	(3,522,334)	(3,522,334)	-	-	-	-
Financial assets measured at amortized cost-Debt instruments	997,409	997,409	997,409	-	-	-	-
Depreciation of financial assets measured at amortized cost-Debt instruments	(7,303)	(7,303)	(7,303)	-	-	-	-
Financial assets held for trading and measured at fair value through profit or loss	346,472	18,614	-	-	-	18,614	-
Derivatives	22,090	22,090	22,090	-	-	-	-
Financial assets at fair value through other items of comprehensive income	30,877,177	30,877,177	-	-	-	30,877,177	-
Financial assets measured at fair value through profit or loss	1,085,714	1,406,495	-	-	-	1,406,495	-
Intangible assets	321,525	321,525	-	-	-	-	321,525
Tangible assets and real estate investments	1,353,149	1,353,149	1,353,149	-	-	-	-
Investments in subsidiaries, joint ventures and associated entities	1,502	-	1,502	-	-	-	-
Other assets	158,464	209,660	209,660	-	-	-	-
<b>Total assets</b>	<b>107,492,397</b>	<b>107,531,490</b>	<b>74,909,181</b>	<b>0</b>	<b>0</b>	<b>32,302,286</b>	<b>321,525</b>
<b>Liabilities</b>							
Deposits from banks	1,796,139	1,796,139	-	-	-	-	-
Deposits from customers	90,962,865	90,974,772	-	-	-	-	-
Debt securities issued	194,023	194,023	-	-	-	-	-
Provisions	615,952	615,952	-	-	-	-	-
Derivatives	34,818	34,818	-	-	-	-	-
Other liabilities	1,806,481	1,820,366	-	-	-	-	-

Subordinated loans	1,667,761	1,667,761	-	-	-	-	-
Equity	10,414,358	10,427,659	-	-	-	-	-
<i>Consolidated equity</i>	8,641,155	8,665,776	-	-	-	-	-
<i>Consolidated profit</i>	1,380,148	1,368,769	-	-	-	-	-
<i>Minority interests</i>	393,055	393,114	-	-	-	-	-
<b>Total liabilities</b>	<b>107,492,397</b>	<b>107,531,490</b>	-	-	-	-	-

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

RON thous.

	a	b	c	d	e
	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
<b>Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)</b>	<b>107,531,490</b>	<b>74,909,181</b>	<b>0</b>	<b>0</b>	<b>32,302,286</b>
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	107,531,490	0	0	n/a	0
Total net amount under the regulatory scope of consolidation	0	74,909,181	0	n/a	32,302,286
Off-balance-sheet amounts	13,002,610	3,280,474	249,952	n/a	0
<b>Exposure amounts considered for regulatory purposes</b>	<b>107,531,490</b>	<b>74,909,181</b>	<b>0</b>	<b>0</b>	<b>32,302,286</b>

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

The subsidiaries comprise the following entities:

Name of the entity	Accounting consolidation method	Method of regulatory consolidation				Description of the entity	31.12.20	31.12.19	31.12.18
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted				
BT Capital Partners S.A.	Full consolidation	X				Investments	99,59%	99,59%	99,59%
BT Leasing Transilvania IFN S.A.	Full consolidation	X				Leasing	100%	100%	100%
BT Investments S.R.L.	Full consolidation	X				Investments	100%	100%	100%
BT Direct IFN S.A.	Full consolidation	X				Consumer loans	100%	100%	100%
BT Building S.R.L.	Full consolidation	X				Investments	100%	100%	100%
BT Asset Management SAI. S.A.	Full consolidation	X				Asset management	90%	80%	80%
BT Solution Agent de Asigurare S.R.L.	Full consolidation	X				Activities auxiliary to insurance and pension funds	99,95%	99,95%	99,95%
BT Asiom Agent de Asigurare S.R.L.	Full consolidation	X				Activities auxiliary to insurance and pension funds	99,95%	99,95%	99,95%
BT Safe Agent de Asigurare S.R.L.	Full consolidation	X				Activities auxiliary to insurance and pension funds	99,99%	99,99%	99,99%
BT Intermedieri Agent de Asigurare S.R.L.	Full consolidation	X				Activities auxiliary to insurance and pension funds	99,99%	99,99%	99,99%
BT Leasing MD S.R.L.	Full consolidation	X				Leasing	100%	100%	100%
BT Microfinanțare IFN S.A.	Full consolidation	X				Consumer loans	100%	100%	100%
Improvement Credit Collection S.R.L.	Full consolidation	X				Activities of collection agencies and the loan reporting offices	100%	100%	100%
VB INVESTMENT HOLDING B.V.	Full consolidation	X				Holding activities	61,82%	61,82%	61,82%
VICTORIA BANK SA	Full consolidation	X				Banking and investment activities	44,63%	44,63%	44,63%

TIMESAFE S.R.L.	Full consolidation	X				Custom software development activities (customer oriented )	51,12%	51,12%	-
BT Pensii - Societate de administrare a fondurilor de pensii facultative S.A.	Full consolidation	X				Activities of pension funds (except those in the public social security system)	90,49%		
Sinteza S.A.	Full consolidation			X		Manufacture of other organic basic chemicals	31,08%	33,87%	51,47%
Closed Investment Fund BT Ivest 1	Full consolidation			X		Closed investment fund	91,71%	99,93%	99,19%
Open Investment Fund BT AGRO	Full consolidation			X		Open investment fund	69,23%	85,12%	-
Open Investment Fund BT ENERGY	Full consolidation			X		Open investment fund	48,53%	78,03%	-
Open Investment Fund BT REAL ESTATE	Full consolidation			X		Open investment fund	43,59%	75,09%	-
Open Investment Fund BT TECHNOLOGY	Full consolidation			X		Open investment fund	56,83%	79,01%	-

## 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.

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

The consolidated financial statements of the Group for the financial year ended December 31, 2020 comprise the financial statements of Banca Transilvania S.A. and of its subsidiaries, that jointly form the Group. The Group’s fields of activity are: banking through BANCA TRANSILVANIA S.A (the “Bank”) and “VICTORIABANK”, S.A, leasing and consumer loans through BT Leasing Transilvania IFN S.A., BT Direct IFN S.A, BT Microfinanțare IFN S.A. și BT Leasing MD S.R.L., asset management through BT Asset Management S.A.I S.A, investment and brokerage through BT Capital Partners S.A.. The Bank also has control over five investment funds which are also consolidated for accounting purposes.

### Consolidated for accounting purposes - IFRS10

Number of units	Global consolidation		Equity method	
	2020	2019	2020	2019
As of 1/1	21	19	0	0
Included for the first time in the financial period	1	5	0	0
Merged in the financial period	0	1	0	0
Excluded in the financial period	0	2	0	0
As of 31/12	22	21	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 2020, the difference between the Group consolidated for prudential purposes and the one consolidated for accounting IFRS purposes resides in 5 investment fund organized as an undertaking for collective investment, without legal personality. These entities are not subject to the provisions laid down in Regulation no. 575 /2013 on prudential requirements for credit institutions and investment firms.

The financial statements consolidated for prudential purposes for the financial exercise ended on December 31st, 2020 comprise the financial statements of Banca Transilvania S.A. and of its subsidiaries, which form the whole Group.

### Consolidated for prudential purposes

<b>Number of units</b>	<b>Global consolidation</b>		<b>Equity method</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
As of 1/1	16	16	0	0
Included for the first time in the financial period	1	1	0	0
Merged in the financial period	0	1	0	0
Excluded in the financial period	0	0	0	0
As of 31/12	17	16	0	0

# Own funds

## Requirements Related to Own Funds

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

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

### Main characteristics of capital instruments

1	Emitent	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
<b>Regulatory treatment</b>				
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)	Subordinated bonds	Subordinated loans	Subordinated loans
8	Amount recognised in regulatory capital (in million)	€ 285.00	€ 13.13	\$22.14
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
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 Tier 1	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	Banca Transilvania	n/a	n/a
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

<b>Capital base in RON thousand</b>	<b>31/12/2020</b>
Shareholders' equity according to the Group's balance sheet	10,021,303
Non-controlling interests	393,055
Anticipated dividend	-
Additional value adjustments	(32,359)
Goodwill	(16,319)
Deferred tax receivables	-
Intangible assets	(305,205)
Other adjustments	513,051
<b>Common Equity Tier 1 capital</b>	<b>10,573,525</b>
<b>Total Tier 1 capital I</b>	<b>10,573,525</b>
Tier 2 instrument	1,667,761
Other adjustments	(133,154)
<b>Total Tier 2 capital</b>	<b>1,534,607</b>
<b>Total capital base</b>	<b>12,108,132</b>

## Statement of financial position

<b>Assets in RON thousand</b>	<b>IFRS 2020</b>	<b>Prudential 2020</b>
Cash reserves	22,130,504	22,130,504
Loans and advances to banks	6,800,237	6,796,750
Depreciation of loans and advances to banks	(867)	(867)
Loans and advances to costumers	46,928,658	46,928,621
Depreciation of loans and advances to costumers	(3,522,334)	(3,522,334)
Financial assets measured at amortized cost-Debt instruments	997,409	997,409
Depreciation of financial assets measured at amortized cost-Debt instruments	(7,303)	(7,303)
Financial assets held for trading and valued at fair value through profit or loss	346,472	18,614
Derivatives	22,090	22,090
Financial assets at fair value through other items of global result	30,877,177	30,877,177
Financial assets mandatory measured at fair value through profit or loss	1,085,714	1,406,495
Intangible assets	321,525	321,525
Tangible assets	1,353,149	1,353,149
Investments in subsidiaries, joint ventures and associated entities	1,502	-
Other assets	158,464	209,660
<b>Total assets</b>	<b>107,492,397</b>	<b>107,531,490</b>

<b>Liabilities and Equity in RON thousand</b>	<b>IFRS 2020</b>	<b>Prudential 2020</b>
Deposits from banks	1,796,139	1,796,139
Deposits from clients	90,962,865	90,974,772
Debt securities issued	194,023	194,023
Provisions	615,952	615,952
Derivatives	34,818	34,818
Other liabilities	1,806,481	1,820,366
Subordinated capital	1,667,761	1,667,761
Equity	10,414,358	10,427,659
Consolidated equity	8,641,155	8,665,776
Consolidated profit/loss	1,380,148	1,368,769
Non-controlling interests	393,055	393,114
<b>Total liabilities and equity</b>	<b>107,492,397</b>	<b>107,531,490</b>

### Own funds (prudential)

<b>Own funds in RON thousand</b>	<b>31/12/2020</b>
Capital instruments and the related share premium accounts	5,855,435
Retained earnings	1,787,508
Accumulated other comprehensive income (and other reserves)	2,304,892
Funds for general banking risk	77,893
Minority interests (amount recognized in consolidated CET1)	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	10,025,728
Additional value adjustments	(32,359)
Intangible assets (net of related tax liability)	(305,205)
Goodwill	(16,319)
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	(41,359)
Deferred tax assets arising from temporary difference	-
Other transitional adjustment	943,039
Total regulatory adjustments to Common Equity Tier 1 (CET1)	547,796
<b>Common Equity Tier 1 (CET1) capital</b>	<b>10,573,525</b>
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>10,573,525</b>
Tier 2 (T2) capital: instruments and subordinated loans	1,534,607
Tier 2 (T2) capital before regulatory adjustment	1,534,607
Tier 2 (T2) capital: regulatory adjustments	-
Total regulatory adjustments to Tier 2 (T2) capital	-

<b>Tier 2 (T2) capital</b>	<b>1,534,607</b>
<b>Total capital (TC = T1 + T2)</b>	<b>12,108,132</b>
Risk weighted assets	57,543,951
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.37%
Tier 1 (as a percentage of total risk exposure amount)	18.37%
Total capital (as a percentage of total risk exposure amount)	21.04%

## 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

		RWAs		Minimum capital requirements
		31.12.2020	30.09.2020	31.12.2020
1	<b>Credit risk (excluding CCR)</b>	38,818,678	38,766,042	3,105,494
2	Of which the standardised approach	38,818,678	38,766,042	3,105,494
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	<b>CCR</b>	76,032	80,608	6,083
7	Of which mark to market	44,562	46,438	3,565
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	31,470	34,171	2,518
13	<b>Settlement risk</b>			
14	<b>Securitisation exposures in the banking book (after the cap)</b>			
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	<b>Market risk</b>	10,664,643	8,406,239	853,171
20	Of which the standardised approach	10,664,643	8,406,239	853,171
21	Of which IMA			
22	<b>Large exposures</b>			
23	<b>Operational risk</b>	7,984,598	7,984,598	638,768
24	Of which basic indicator approach	7,984,598	7,984,598	638,768
25	Of which standardised CCR approach			
26	Of which advanced measurement approach			
27	<b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>			
28	<b>Floor adjustment</b>			
29	<b>Total</b>	57,543,951	55,237,487	4,603,516

RON thous.

## 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 thous.

<b>Risk Weighted Exposure Amounts for Credit, Counterparty Credit and Dilution Risks and Free Deliveries - standardised approach</b>	<b>Credit, dilution and free deliveries risk</b>	<b>Counterparty credit risk</b>
<b>Total</b>	<b>3,109,059</b>	<b>3,565</b>
Central governments or central banks	634,833	0
Regional governments or local authorities	6,253	0
Public sector entities	1,771	0
Multilateral Development Banks	-	0
International Organizations	-	0
Institutions	200,373	3,323
Corporates	630,837	242
Retail	917,683	0
Secured by mortgages on immovable property	364,369	0
Exposures in default	156,817	0
Items associated with particular high risk	-	0
Covered bonds	-	0
Claims on institutions and corporates with a short-term credit assessment	-	0
Collective investments undertakings (CIU)	-	0
Equity	-	0
Other items	196,124	0

## Capital requirement for market risk

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

RON thous.

<b>Capital requirement for position, foreign exchange and commodities risks under standardised approaches (SA)</b>	<b>724,924.15</b>
Traded debt instruments	624,170.34
Equity	12,579.85
Foreign Exchange	88,173.95
Commodities	-
Special approach to position risk in mutual funds	-



## Capital requirement for operational risk

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

RON thous.

**Total risk exposure amount for operational risk (opr )**

**7,984,598**

## 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 future credit exposure	EEPE	Multiplier	EAD post CRM	RWA
1	Mark to market		22,090	84,452			106,541	44,562
2	Original exposure							
3	Standardised approach							
4	IMM (for derivatives and SFTs)							
5	Of which securities financing transactions							
6	Of which derivatives and long settlement transactions							
7	Of which from contractual crossproduct netting							
8	Financial collateral simple method (for SFTs)							
9	Financial collateral comprehensive method (for SFTs)							
10	VaR for SFT							
11	<b>Total</b>							<b>44,562</b>

## Template 26: EU CCR2 – CVA capital charge

RON thous.

		31/12/2020	
		Exposure value	RWAs
1	Total portfolios subject to the advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) SVaR component (including the 3× multiplier)		-
4	All portfolios subject to the standardised method	103,514	31,470
EU4	Based on the original exposure method	-	-
5	<b>Total subject to the CVA capital charge</b>	<b>103,514</b>	<b>31,470</b>

**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	106,541	-	106,541	-	106,541
2	SFTs	1,186,470	-	1,030	1,185,440	-
3	Cross-product netting	83,564	-	21	83,543	-
4	<b>Total</b>	<b>1,293,012</b>	<b>-</b>	<b>107,572</b>	<b>1,185,440</b>	<b>106,541</b>

**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 collateral		Fair value of collateral received	Fair value of posted collateral
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash	-	3,014	-	68,642	-	1,363
2	Financial Assets	-	-	-	-	1,096,448	58,231
4	<b>Total</b>	<b>-</b>	<b>3,014</b>	<b>-</b>	<b>68,642</b>	<b>1,096,448</b>	<b>59,594</b>

## **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 2020 no countercyclical capital buffers were applied.

## Indicators of global systemic importance

In 2020 no indicators of global systemic importance were applied.

## Credit risk adjustments

### Definitions for Accounting Purposes of 'Past Due' and 'Impaired'

Financial assets are considered “*overdue*” when there is an amount representing principal, interest or commission that was not paid at maturity. Outstanding exposures are reported at the total carrying amount of the exposure.

Under IFRS 9, a *financial asset is credit-impaired* when one or more events have occurred and have a significant impact on the expected future cash flows of the respective financial asset.

The proof that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or past-due event;
- the lender, for economic or contractual reasons relating to the borrower’s financial difficulty, grants the borrower a concession that would not otherwise be considered;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for the financial asset because of financial difficulties;
- the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

### 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 (ECL)

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 classified into 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then classified into 'Stage 3'.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

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



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

### Change in credit quality since initial recognition

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

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

**Quantitative criteria:**

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

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

**Qualitative criteria for retail portfolios (individuals):**

- Significant increase in credit risk perceived by the risk analysis team for individually assessed exposures;
- It is classified as performing restructured;
- LTV analysis for secured retail loans (above a relative threshold combined with days past due indicator);
- Denominated in high-risk currency category;
- Change in rating grade.

**Qualitative criteria for company portfolios:**

- Significant increase in credit risk perceived by the risk analysis team for individually assessed exposures;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates (rating deterioration);
- Actual or expected forbearance operation;
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans;
- The borrower is assigned to Remediation department.

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

**Backstop**

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. Also, when the whole outstanding amount of the loan becomes overdue (its final maturity date is passed), then it will be classified in stage 2.

## Low credit risk exemption

The Group is using the low credit risk exemption for debt financial instruments (e.g. sovereign bonds, municipal bonds, corporate bond and bonds issued by financial institutions).

## Definition of default and credit-impaired assets

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

- The borrower is more than 90 days past due on its contractual payments (also including the new default definition which is referring to significant overdue amount\*);
- The borrower meets unlikeliness to pay criteria:
  - Significant financial difficulty of the issuer or the borrower;
  - The borrower is in nonperforming forbearance situation due to concessions that have been made by the Bank relating to the borrower's financial difficulty;
  - The borrower is in insolvency status or bankruptcy (or other type of judicial reorganization, both retail and companies) or is becoming probable that the borrower will enter bankruptcy;
  - The borrower for whom legal procedures have started (forced execution started by the Bank);
  - The borrower and/or the mortgage guarantor sent notification for "payment in kind";
  - Write off (total/partial) or sale;
  - The borrower is in a breach of a significant financial covenant(s).
- An active market for that financial asset has disappeared because of financial difficulties;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

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

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

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

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

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



- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents a Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty and availability of collateral or other credit support.

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

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

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

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default.

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

In normal market conditions, the assumptions underlying the ECL are monitored and reviewed on a bi-annual basis. During 2020, considering the corona event and the impact to the economic condition, the Group decide to review and update the macroeconomic analysis on a quarterly basis.

### Forward-looking information incorporated in the ECL models

The assessment of SICR and measurement of ECL incorporates forward-looking information on macroeconomic indicators. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Also, in this process Macroeconomic Analysis Department was involved, which following some analyzes, provided the forecasts of the macroeconomic variables for the next three years. The impact of macroeconomic variables was determined by performing a statistical analysis.

Base/central scenario	2020	2021	2022	2023
Macro indicators	-4,5	4,5	5,1	4,1
Real GDP (% YoY)	5,7	5,7	5,7	5,6
Unemployment rate (%)	1,9	2,5	2,8	2,8
Inflation (HICP) (%)	2,1	1,8	1,8	1,8
Key interest rate ROBOR 3M (%)	-0,5	-0,5	-0,5	-0,5

In addition to the base scenario, the Group also consider other possible scenarios along with scenario weightings.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

### **Derecognition policy**

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

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

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

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

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

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

# Total Amount of Exposures After Accounting Offsets and Without Taking Into Account the Effects of Credit

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

RON thous.

	a	b
	Net value of exposures at the end of the period	Average net exposures over the period
1 Central governments or central banks	13,959,023	11,183,924
2 Regional governments or local authorities	138,409	148,978
3 Public sector entities	48,307	44,439
4 Multilateral development banks	-	-
5 International organisations	-	-
6 Institutions	8,043,764	7,195,917
7 Corporates	12,806,558	12,737,533
8 Of which: SMEs	7,405,261	7,437,306
9 Retail	24,895,680	23,725,045
10 Of which: SMEs	10,098,274	9,556,695
11 Secured by mortgages on immovable property	12,429,302	12,058,469
12 Of which: SMEs	800,981	822,912
13 Exposures in default	1,818,231	1,861,874
14 Items associated with particularly high risk	-	-
15 Covered bonds	-	-
16 Claims on institutions and corporates with a short-term credit assessment	-	7,760
17 Collective investments undertakings	-	-
18 Equity	-	-
19 Other exposures	5,454,206	5,386,802
<b>20 Total</b>	<b>79,593,480</b>	<b>74,350,742</b>

**Formularul 9: UE CRB-D – Concentrarea expunerilor în funcție de sectorul de activitate sau de tipurile de contrapărți**

RON thous.

	a	b	c	d	e	f	g	h	i	j	k	
	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade	Transport and storage	Accommodation and food service	Information and communication	Financial and insurance activities	
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	
2	Regional governments or local authorities	11	-	-	-	496	-	-	-	-	-	
3	Public sector entities	12,766	-	-	-	3,321	-	-	461	-	-	
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	
5	International organisations	-	-	-	-	-	-	-	-	-	-	
6	Institutions	-	-	-	-	-	-	-	-	-	8,043,764	
7	Corporates	1,110,184	25,244	3,149,801	669,827	90,175	1,525,295	2,804,498	561,422	223,739	446,368	
8	Retail	1,332,596	37,496	1,487,514	55,788	103,592	1,207,228	3,399,969	1,082,962	401,758	268,572	
9	Secured by mortgages on immovable property	53,640	1,471	89,208	1,244	5,394	102,114	275,509	61,491	45,343	20,066	
10	Exposures in default	65,469	21,138	370,291	64,434	5,647	238,533	223,644	81,430	37,429	20,594	
11	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	
13	Claims on institutions and corporates with a shortterm credit assessment	-	-	-	-	-	-	-	-	-	-	
14	Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	
15	Equity exposures	-	-	-	-	-	-	-	-	-	-	
16	Other exposures	-	-	-	-	-	-	-	-	-	-	
<b>17</b>	<b>Total</b>	<b>2,574,666</b>	<b>85,350</b>	<b>5,096,815</b>	<b>791,292</b>	<b>204,808</b>	<b>3,076,987</b>	<b>6,703,620</b>	<b>1,787,304</b>	<b>708,729</b>	<b>755,600</b>	<b>8,158,596</b>

		l	m	n	o	p	q	r	s	t	u	v
		Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defence, compulsory social security	Education	Human health services and social work activities	Arts, entertainment and recreation	Other services	Central banks	Households	Total
1	Central governments or central banks	-	-	-	-	-	-	-	-	13,959,023	-	13,959,023
2	Regional governments or local authorities	-	4,728	-	111,037	115	7,472	47	14,502	-	-	138,409
3	Public sector entities	-	414	-	1,909	7,760	2,224	3,643	15,809	-	-	48,307
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	-	-	-	-	-	-	8,043,764
7	Corporates	879,041	146,780	245,536	42,442	27,579	265,347	155,498	21,479	-	321,944	12,806,558
8	Retail	264,625	427,493	250,568	2,085	24,668	527,511	62,418	81,016	-	13,861,304	24,895,680
9	Secured by mortgages on immovable property	27,058	46,075	24,757	903	4,524	233,270	6,964	8,789	-	11,419,691	12,429,302
10	Exposures in default	41,352	30,070	9,878	23	1,958	11,676	752	9,188	-	582,557	1,818,231
11	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-
13	Claims on institutions and corporates with a shortterm credit assessment	-	-	-	-	-	-	-	-	-	-	-
14	Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	-	-
16	Other exposures	-	-	-	-	-	-	-	5,454,206	-	-	5,454,206
<b>17</b>	<b>Total</b>	<b>1,212,077</b>	<b>655,560</b>	<b>530,740</b>	<b>158,399</b>	<b>66,604</b>	<b>1,047,501</b>	<b>229,322</b>	<b>5,604,989</b>	<b>13,959,023</b>	<b>26,185,497</b>	<b>79,593,480</b>

## Template 10: EU CRB-E – Maturity of exposures

RON thous.

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No	Total
1	Central governments or central banks	stated maturity	Total	-	-	13,959,023	13,959,023
2	Regional governments or local authorities	-	28,531	13,083	96,795	-	138,409
3	Public sector entities	-	14,237	16,339	17,730	-	48,307
4	Multilateral development banks	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	-	7,746,632	277,344	19,787	-	8,043,764
7	Corporates	-	5,124,879	4,447,858	3,233,821	-	12,806,558
8	Retail	-	6,168,932	13,704,401	5,022,347	-	24,895,680
9	Secured by mortgages on immovable property	-	299,049	621,277	11,508,975	-	12,429,302
10	Exposures in default	-	787,981	580,059	450,191	-	1,818,231
11	Items associated with particularly high risk	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-
13	Claims on institutions and corporates with a shortterm credit assessment	-	-	-	-	-	-
14	Collective investments undertakings	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-
16	Other exposures	-	-	-	-	5,454,206	5,454,206
17	<b>Total</b>	-	<b>20,170,243</b>	<b>19,660,363</b>	<b>20,349,646</b>	<b>19,413,229</b>	<b>79,593,480</b>

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

RON thous.

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
1	Central governments or central banks	0	13,183,331	7,480	0	0	1,532	13,175,850
2	Regional governments or local authorities	0	291,007	5,355	0	0	1,828	285,652
3	Public sector entities	0	47,231	1,041	0	0	3	46,190
4	Multilateral development banks	0	0	0	0	0	0	0
5	International organisations	0	0	0	0	0	0	0
6	Institutions	0	11,529,576	11,507	0	0	1,307	11,518,069
7	Corporates	0	13,257,625	523,155	0	0	108,701	12,734,469
8	<i>Of which: SMEs</i>	0	7,205,056	252,999	0	0	38,684	6,952,057
9	Retail	0	24,891,788	688,267	0	0	118,740	24,203,521
10	<i>Of which: SMEs</i>	0	10,070,158	257,963	0	0	28,519	9,812,195
11	Secured by mortgages on immovable property	0	12,902,383	65,620	0	0	2,822	12,836,762
12	<i>Of which: SMEs</i>	0	757,241	11,967	0	0	2,555	745,274
13	Exposures in default	4,089,013	0	2,075,543	0	3,121,641	2,677	2,013,470
14	Items associated with particularly high risk	0	0	0	0	0	0	0
15	Covered bonds	0	0	0	0	0	0	0
16	Claims on institutions and corporates with a shortterm credit assessment	0	0	0	0	0	-	0
17	Collective investments undertakings	0	0	0	0	0	0	0
18	Equity exposures	0	0	0	0	0	0	0
19	Other exposures	0	7,025,082	1,086,662	0	0	128,715	5,938,420
<b>20</b>	<b>Total</b>	<b>4,089,013</b>	<b>83,128,022</b>	<b>4,464,630</b>	<b>0</b>	<b>3,121,641</b>	<b>366,325</b>	<b>82,752,404</b>
21	<i>Of which: Loans</i>	3,828,504	40,757,731	3,158,799	0	3,121,641	328,782	41,427,436
22	<i>Of which: Debt securities</i>	0	30,201,886	1,094,688	0	0	49,470	29,107,198
23	<i>Of which: Offbalance-sheet exposures</i>	260,508	12,168,405	211,143	0	0	(11,927)	12,217,771

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

		RON thous.	
		a	b
		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
<b>1</b>	<b>Opening balance</b>	<b>(1,702,762)</b>	-
2	Increases due to initiation and purchase	(181,994)	-
3	Decreases due to derecognition	210,122	-
4	Variations due to changes in credit risk (net)	(329,281)	-
5	Variations due to changes without derecognition (net)	(29,908)	-
6	Variations due to updating the institution's estimation methodology (net)	-	-
7	Decrease in the depreciation adjustment due to write-offs	412,997	-
8	Other adjustments	(6,922)	-
<b>9</b>	<b>Closing balance</b>	<b>(1,627,747)</b>	-
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	263,789	-
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	-	-

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

		RON thous.
		a
		Gross carrying value defaulted exposures
<b>1</b>	<b>Opening balance</b>	<b>4,005,669</b>
2	Loans and debt securities that have defaulted or impaired since the last reporting period	1,543,436
3	Returned to non-defaulted status	189,629
4	Amounts written off	319,346
5	Other changes	1,149,034
<b>6</b>	<b>Closing balance</b>	<b>3,891,097</b>



## Template 1 NPL - Credit quality of forborne exposures

RON thous.

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Cumulative depreciations, negative changes in the cumulative fair value determined by 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	346,870	1,488,345	1,488,345	1,488,345	(61,248)	(778,781)	854,287	660,706
2	Central banks	-	-	-	-	-	-	-	-
3	General governments	-	-	-	-	-	-	-	-
4	Credit institutions	-	-	-	-	-	-	-	-
5	Other financial corporations	4,326	812	812	812	(96)	(42)	4,194	762
6	Non-financial corporations	259,327	1,128,456	1,128,456	1,128,456	(50,935)	(605,731)	616,981	480,969
7	Households	83,217	359,077	359,077	359,077	(10,217)	(173,009)	233,113	178,974
8	Debt Securities	-	-	-	-	-	-	-	-
9	Loan commitments given	9,144	24,038	6	6	224	15,885	11,024	7,001
10	<b>Total</b>	<b>356,014</b>	<b>1,512,383</b>	<b>1,488,351</b>	<b>1,488,351</b>	<b>(61,024)</b>	<b>(762,896)</b>	<b>865,311</b>	<b>667,707</b>

## Template 2 – Quality of forbearance

RON thous.

		a
		Gross carrying amount of forborne exposures
1	Loans and advances that have been forborne more than twice	750,272
2	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	1,488,345

### Template 3 NPL - 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	
<b>1</b>	<b>Loans and advances</b>	49,308,462	49,113,843	194,619	2,850,682	1,596,020	166,220	193,622	346,036	380,321	144,868	23,595	2,850,682
2	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
3	General governments	193,169	193,169	-	-	-	-	-	-	-	-	-	-
4	Credit institutions	5,199,518	5,199,518	-	-	-	-	-	-	-	-	-	-
5	Other financial corporations	1,437,814	1,437,730	84	2,276	415	93	49	984	735	-	-	2,276
6	Non-financial corporations	17,613,126	17,567,027	46,099	1,702,768	1,016,631	84,237	71,375	186,624	208,573	132,430	2,898	1,702,768
7	Of which SMEs	9,996,084	9,959,449	36,635	756,388	418,512	40,683	61,556	134,521	84,746	14,103	2,267	756,388
8	Households	24,864,835	24,716,399	148,436	1,145,638	578,974	81,890	122,198	158,428	171,013	12,438	20,697	1,145,638
<b>9</b>	<b>Debt securities</b>	<b>33,006,280</b>	<b>33,006,280</b>	-	-	-	-	-	-	-	-	-	-
10	Central banks	207,300	207,300	-	-	-	-	-	-	-	-	-	-
11	General governments	29,836,245	29,836,245	-	-	-	-	-	-	-	-	-	-
12	Credit institutions	1,333,724	1,333,724	-	-	-	-	-	-	-	-	-	-
13	Other financial corporations	1,612,126	1,612,126	-	-	-	-	-	-	-	-	-	-
14	Non-financial corporations	16,885	16,885	-	-	-	-	-	-	-	-	-	-
<b>15</b>	<b>Off-balance-sheet exposures</b>	<b>14,355,869</b>			<b>272,295</b>								<b>272,295</b>
16	Central banks	-			-								-
17	General governments	320,244			-								-
18	Credit institutions	1,893,035			-								-
19	Other financial corporations	259,641			374								374
20	Non-financial corporations	8,773,679			240,704								240,704
21	Households	3,109,270			31,217								31,217
<b>22</b>	<b>Total</b>	<b>96,670,611</b>	<b>82,120,123</b>	<b>194,619</b>	<b>3,122,977</b>	<b>1,596,020</b>	<b>166,220</b>	<b>193,622</b>	<b>346,036</b>	<b>380,321</b>	<b>144,868</b>	<b>23,595</b>	<b>3,122,977</b>

Template 4 NPL - Performing and non-performing exposures and related provisions

RON thous.

	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						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				
<b>1</b>	<b>Loans and advances</b>	49,308,462	41,507,178	7,801,284	2,850,682	0	2,850,682	-1,895,421	-721,893	-1,173,528	-1,627,747	0	-1,627,747	-3,383,005	25,816,527	1,034,342
2	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	General governments	193,169	190,599	2,570	0	0	0	-9,112	-7,542	-1,570	0	0	0	-6,167	1,393	0
4	Credit institutions	5,199,518	5,199,518	0	0	0	0	-665	-665	0	0	0	0	0	0	0
5	Other financial corporations	1,437,814	1,341,349	96,465	2,276	0	2,276	-28,482	-16,187	-12,295	-511	0	-511	-6,780	75,805	1,682
6	Non-financial corporations	17,613,126	12,465,817	5,147,309	1,702,768	0	1,702,768	-1,301,780	-516,991	-784,789	-930,473	0	-930,473	-2,570,965	9,361,768	649,011
7	Of which SMEs	9,996,084	6,958,978	3,037,106	756,388	0	756,388	-645,067	-240,285	-404,782	-360,208	0	-360,208	-656,745	726,229	105,557
8	Households	24,864,835	22,309,895	2,554,940	1,145,638	0	1,145,638	-555,382	-180,508	-374,874	-696,763	0	-696,763	-799,093	16,377,561	383,649
<b>9</b>	<b>Debt securities</b>	<b>33,006,280</b>	<b>31,817,349</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-13,592</b>	<b>-13,592</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
10	Central banks	207,300	207,300	0	0	0	0	-205	-205	0	0	0	0	0	0	0
11	General governments	29,836,245	29,836,245	0	0	0	0	-12,740	-12,740	0	0	0	0	0	0	0
12	Credit institutions	1,333,724	1,333,724	0	0	0	0	-79	-79	0	0	0	0	0	0	0
13	Other financial corporations	1,612,126	423,195	0	0	0	0	-23	-23	0	0	0	0	0	0	0
14	Non-financial corporations	16,885	16,885	0	0	0	0	-545	-545	0	0	0	0	0	0	0
<b>15</b>	<b>Off-balance-sheet exposures</b>	<b>14,355,869</b>	<b>13,117,443</b>	<b>1,238,426</b>	<b>272,295</b>	<b>0</b>	<b>272,295</b>	<b>167,686</b>	<b>114,005</b>	<b>53,681</b>	<b>176,064</b>	<b>0</b>	<b>176,064</b>	<b>0</b>	<b>3,051,228</b>	<b>48,482</b>
16	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17	General governments	320,244	320,244	0	0	0	0	2,811	2,811	0	0	0	0	0	2,187	0
18	Credit institutions	1,893,035	1,893,035	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Other financial corporations	259,641	231,106	28,535	374	0	374	3,297	1,181	2,116	0	0	0	0	15,100	0
20	Non-financial corporations	8,773,679	7,782,933	990,746	240,704	0	240,704	135,332	98,472	36,860	170,479	0	170,479	0	2,931,447	48,096
21	Households	3,109,270	2,890,125	219,145	31,217	0	31,217	26,246	11,541	14,705	5,585	0	5,585	0	102,494	386
<b>22</b>	<b>Total</b>	<b>96,670,611</b>	<b>86,441,970</b>	<b>9,039,710</b>	<b>3,122,977</b>	<b>0</b>	<b>3,122,977</b>	<b>-1,741,327</b>	<b>-621,480</b>	<b>-1,119,847</b>	<b>-1,451,683</b>	<b>0</b>	<b>-1,451,683</b>	<b>-3,383,005</b>	<b>28,867,755</b>	<b>1,082,824</b>

'Template 12 – EU CR1-B – Credit quality of exposures by industry or counterparty types' and 'Template 13 – EU CR1-C – Credit quality of exposures by geography' have been replaced by Template 5 NPL Quality of non-performing exposures by geography' and 'Template 6 NPL - Credit quality of loans and advances by industry', according with EBA Guideline EBA/GL/2018/10 on disclosure of non-performing and forborne exposures.

### Template 5 NPL – Quality of non-performing exposures by geography

RON thous.

		a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
1	<b>On-balance-sheet exposures</b>	<b>73,046,590</b>	<b>2,850,683</b>	<b>2,850,683</b>	<b>73,046,590</b>	<b>(3,524,363)</b>		-
2	Romania	54,791,572	2,698,921	2,698,921	54,791,572	(3,450,108)		-
3	Austria	961,556	99	99	961,556	(337)		-
4	Spain	889,185	42	42	889,185	(231)		-
5	United Kingdom	2,004,970	-	-	2,004,970	(127)		-
6	Italy	10,278,204	931	931	10,278,204	(1,404)		-
7	Republic Of Moldova	1,954,213	147,720	147,720	1,954,213	(68,687)		-
8	Other countries*	2,166,890	2,971	2,971	2,166,890	(3,468)		-
9	<b>Off-balance-sheet exposures</b>	<b>14,628,163</b>	<b>272,295</b>	<b>272,295</b>			<b>343,752</b>	
10	Romania	14,348,665	269,922	269,922			339,185	
11	Austria	128	-	-			1	
12	Spain	46	-	-			1	
13	United Kingdom	3,725	-	-			9	
14	Italy	4,178	-	-			55	
15	Republic Of Moldova	115,472	2,373	2,373			3,865	
16	Other countries*	155,949	(0)	(0)			636	
17	<b>Total</b>	<b>87,674,754</b>	<b>3,122,978</b>	<b>3,122,978</b>	<b>73,046,590</b>	<b>(3,524,363)</b>	<b>343,752</b>	-

\*„Other countries” category contains 120 countries, whose exposure is below 1% of the Bank's total exposure

## Template 6 NPL – Credit quality of loans and advances by industry

RON thous.

	a	b	c	d	e	f	
	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures	
		Of which non-performing	Of which defaulted	Of which loans and advances subject to impairment			
1	Agriculture, forestry and fishing	1,793,591	130,251	130,251	1,793,591	(175,992)	-
2	Mining and quarrying	123,772	82,360	82,360	123,772	(77,442)	-
3	Manufacturing	3,652,264	458,645	458,645	3,652,264	(579,259)	-
4	Electricity, gas, steam and air conditioning supply	312,885	54,087	54,087	312,885	(40,017)	-
5	Water supply	173,717	8,360	8,360	173,717	(15,324)	-
6	Construction	1,953,620	277,929	277,929	1,953,620	(295,484)	-
7	Wholesale and retail trade	5,160,032	310,827	310,827	5,160,032	(443,912)	-
8	Transport and storage	1,933,359	147,273	147,273	1,933,359	(200,077)	-
9	Accommodation and food service activities	715,814	60,573	60,573	715,814	(90,904)	-
10	Information and communication	271,740	30,861	30,861	271,740	(27,413)	-
11	Financial and insurance activities	21,266	58	58	21,266	(1,162)	-
12	Real estate activities	1,014,373	39,740	39,740	1,014,373	(53,682)	-
13	Professional, scientific and technical activities	575,049	42,945	42,945	575,049	(80,681)	-
14	Administrative and support service activities	393,292	22,287	22,287	393,292	(50,877)	-
15	Public administration and defense, compulsory social security	609	25	25	609	(280)	-
16	Education	49,506	1,346	1,346	49,506	(3,675)	-
17	Human health services and social work activities	844,229	15,947	15,947	844,229	(55,253)	-
18	Arts, entertainment and recreation	218,232	4,542	4,542	218,232	(27,946)	-
19	Other services	108,543	14,714	14,714	108,543	(12,873)	-
20	<b>Total</b>	<b>19,315,895</b>	<b>1,702,768</b>	<b>1,702,768</b>	<b>19,315,895</b>	<b>(2,232,253)</b>	<b>-</b>

Template 7 NPL – Collateral valuation - loans and advances

RON thous.

	a	b	c	d	e	f	g	h	i	j	k	l	
Loans and advances													
	Performing			Non-performing									
			Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days		Past due > 90 days						
							Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years	
1	Gross carrying amount	2,159,144	9,308,462	194,619	2,850,682	1,596,021	1,254,662	166,220	193,622	346,036	380,321	144,868	23,595
2	Of which secured	31,097,067	29,100,493	113,767	1,996,575	1,337,649	658,925	85,989	71,017	136,151	256,692	106,206	2,871
3	Of which secured with immovable property	25,097,499	23,429,305	91,968	1,668,194	1,109,970	558,224	72,390	57,593	107,347	220,156	98,182	2,557
4	Of which instruments with LTV higher than 60% and lower or equal to 80%	6,916,458	6,714,653		201,804	137,435	64,369						
5	Of which instruments with LTV higher than 80% and lower or equal to 100%	4,686,149	4,501,986		184,164	120,787	63,376						
6	Of which instruments with LTV higher than 100%	4,857,834	3,961,935		895,899	568,978	326,921						
7	Accumulated impairment for secured assets	(3,523,168)	(1,895,421)	721,893)	(1,627,747)	(788,638)	(839,109)	(92,968)	(122,234)	(245,445)	254,503)	102,510)	(21,449)
8	Collateral												
9	Of which value capped at the value of exposure	2,563,323	21,578,740	80,764	984,583	667,938	316,645						
10	Of which immovable property	21,391,864	20,451,076	80,394	940,788	629,834	310,954						
11	Of which value above the cap	17,538,877	16,008,250	77,071	1,530,627	1,016,592	514,035						
12	Of which immovable property	16,482,026	15,151,066	75,959	1,330,960	871,409	459,551						
13	Financial guarantees received	4,287,547	4,237,787	14,918	49,759	40,409	9,351	3,173	2,292	2,926	959	-	-
14	Accumulated partial write-off	(105,568)	-	-	(105,568)	-	(105,568)	(6,043)	(302)	(3,836)	(24,959)	(70,348)	(80)

**Template 8 NPL – Changes in the stock of non-performing loans and advances**

		RON thous.	
		a	b
		<b>Gross carrying amount</b>	<b>Related net accumulated recoveries</b>
<b>1</b>	<b>Initial stock of non-performing loans and advances</b>	<b>3,057,405</b>	
2	Inflows to non-performing portfolios	1,392,560	
3	Outflows from non-performing portfolios	(1,599,282)	
4	Outflow to performing portfolio	(213,772)	
5	Outflow due to loan repayment, partial or total	(904,618)	
6	Outflow due to collateral liquidations	(88,266)	81,009
7	Outflow due to taking possession of collateral	(3,628)	4,016
8	Outflow due to sale of instruments	-	-
9	Outflow due to risk transfers	(46,143)	33,153
10	Outflows due to write-offs	(334,432)	
11	Outflow due to other situations	(8,423)	
12	Outflow due to reclassification as held for sale	-	
<b>13</b>	<b>Final stock of non-performing loans and advances</b>	<b>2,850,683</b>	

**Template 9 NPL - Collateral obtained by taking possession and execution processes**

		RON thous.	
		a	b
		<b>Collateral obtained by taking possession</b>	
		<b>Value at initial recognition</b>	<b>Accumulated negative changes</b>
1	Property, plant and equipment (PP&E)	0	0
2	<i>Other than PP&amp;E</i>	10,867	-987
3	<i>Residential immovable property</i>	2,477	0
4	<i>Commercial Immovable property</i>	111	0
5	<i>Movable property (auto, shipping, etc.)</i>	8,279	-987
6	<i>Equity and debt instruments</i>	0	0
7	<i>Other</i>	0	0
<b>8</b>	<b>Total</b>	<b>10,867</b>	<b>-987</b>

## Template 10 NPL - Collateral obtained by taking possession and execution processes – vintage breakdown

		RON thous.											
		a	b	c	d	e	f	g	h	i	j	k	l
		Debt balance reduction		Total collateral obtained by taking possession									
						Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale	
		Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
1	Collateral obtained by taking possession classified as PP&E	320	(52)	320	-								
2	Collateral obtained by taking possession other than that classified as PP&E	119,060	(73,464)	105,811	(65,255)	16,635	(4,489)	7,066	(2,279)	82,110	(58,487)	-	-
3	Residential immovable property	31,273	(18,958)	26,458	(12,121)	3,349	-	821	-	22,288	(12,121)	-	-
4	Commercial immovable property	73,093	(47,046)	62,491	(45,104)	111	-	5,745	(1,922)	56,635	(43,183)	-	-
5	Movable property (auto, shipping, etc.)	13,116	(5,881)	15,232	(6,452)	13,175	(4,489)	450	(357)	1,607	(1,605)	-	-
6	Equity and debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
7	Other	1,579	(1,579)	1,629	(1,579)	-	-	50	-	1,579	(1,579)	-	-
8	<b>Total</b>	<b>119,380</b>	<b>(73,516)</b>	<b>106,131</b>	<b>(65,255)</b>	<b>16,635</b>	<b>(4,489)</b>	<b>7,066</b>	<b>(2,279)</b>	<b>82,110</b>	<b>(58,487)</b>	<b>-</b>	<b>-</b>



# Unencumbered assets

## Template A - Encumbered and unencumbered assets

RON thous.

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		10	of which notionally eligible EHQLA and HQLA	40	of which notionally eligible EHQLA and HQLA	60	of which EHQLA and HQLA	90	of which EHQLA and HQLA
			30		50		80		100
<b>10</b>	<b>Assets of the reporting institution</b>	<b>1,404,027</b>	-			<b>106,127,463</b>	<b>27,856,280</b>		
30	Equity instruments	-	-	-	-	268,864	-	268,864	-
40	Debt securities	1,404,027	-	1,404,027	-	31,588,662	27,856,280	31,588,662	27,856,280
50	of which: covered bonds	-	-	-	-	-	-	-	-
60	of which: asset-backed securities	-	-	-	-	-	-	-	-
70	of which: issued by general governments	1,404,027	-	1,404,027	-	28,419,479	27,856,280	28,419,479	27,856,280
80	of which: issued by financial corporations	-	-	-	-	2,945,749	-	2,945,749	-
90	of which: issued by non-financial corporations	-	-	-	-	16,340	-	16,340	-
120	Other assets	-	-			4,747,710	-		

## Template B - Collateral received

RON thous.

				Unencumbered	
		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		10	30	40	60
<b>130</b>	<b>Collateral received by the reporting institution</b>	-	-	-	-
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	of which: covered bonds	-	-	-	-
180	of which: asset-backed securities	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
<b>240</b>	<b>Own debt securities issued other than own covered bonds or asset-backed securities</b>	-	-	-	-
<b>241</b>	<b>Own covered bonds and asset-backed securities issued and not yet pledged</b>			-	-
<b>250</b>	<b>TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED</b>	<b>1,404,027</b>	<b>-</b>		

## Sources of encumbrance

RON thous.

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		10	30
10	Carrying amount of selected financial liabilities	83,564	83,798
120	Other sources of encumbrance	0	-1,320,229

**Template 1 - Information on loans and advances subject to legislative and non-legislative moratoriums**

RON thous.

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount	
	Performing				Non performing			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"			"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"	"Inflows to non-performing exposures"	
1	Loans and advances subject to moratorium	3,876				2,935			(59)	-			(59)			-
2	of which: Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	of which: Collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	of which: Non-financial corporations	3,876	941	941	-	2,935	2,935	2,935	(59)	-	-	-	(59)	(59)	(59)	-
5	of which: Small and Medium-sized Enterprises	3,876	941	941	-	2,935	2,935	2,935	(59)	-	-	-	(59)	(59)	(59)	-

**Template 2 - Breakdown of loans and advances subject to legislative and non-legislative moratoriums on the residual maturity of moratoriums**

RON thous.

		a	b	c	d	e	f	g	h	i
		Number of obligors	Gross carrying amount							
			"Of which: legislative moratoria"	"Of which: expired"	Residual maturity of moratoria					
					<= 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	41814	0							
2	Loans and advances subject to moratorium (granted)	41814	6,369,406	5,007,165	6,365,530	6	-	-	-	3,870
3	<i>of which: Households</i>		2,726,964	2,063,077	2,726,964	-	-	-	-	-
4	<i>of which: Collateralised by residential immovable property</i>		306,270	264,070	306,270	-	-	-	-	-
5	<i>of which: Non-financial corporations</i>		3,434,182	2,751,457	3,430,306	6	-	-	-	3,870
6	<i>of which: Small and Medium-sized Enterprises</i>		2,155,345	1,585,350	2,151,468	6	-	-	-	3,870
7	<i>of which: Collateralised by commercial immovable property</i>		407,384	317,534	403,513	-	-	-	-	3,870

**Template 3 - Information on newly initiated loans and advances granted under newly applied public guarantee schemes introduced in response to the COVID-19 crisis**

RON thous.

		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	<b>Newly originated loans and advances subject to public guarantee schemes</b>	2,720,233	-	-	2,402
2	<i>of which: Households</i>	26,519			416
3	<i>of which: Collateralised by residential immovable property</i>	-			-
4	<i>of which: Non-financial corporations</i>	2,685,969	-	-	1,986
5	<i>of which: Small and Medium-sized Enterprises</i>	2,535,259			1,986
6	<i>of which: Collateralised by commercial immovable property</i>	8,102			-

The three templates above are subject to the publication requirements set out in EBA/GL/2020/02 on treatment of public and private moratoria in light of COVID-19 measures and in NBR Instructions from 03.08.2020 on the reporting and disclosure of exposures subject to measures in response to the COVID-19 crisis.

## Use of External Credit Assessment Institutions

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

## Exposure to market risk

In 2020 compared to 2019, 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. The increasing value of trading book was determined mainly by investments in bonds, but also in unit funds and equities.

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

		RON thous.	
Market risk according to the standardized approach		a	b
		Capital requirements	RWAs
<b>Outright products</b>			
1	Interest rate risk (general and specific)	7,802,129.26	624,170.34
2	Equity risk (general and specific)	157,248.13	12,579.85
3	Foreign exchange risk	1,102,174.43	88,173.95
4	Commodity risk		
<b>Options</b>			
5	Simplified approach		
6	Delta-plus method		
7	Scenario approach		
8	Securitisation (specific risk)		
<b>9</b>	<b>Total</b>	<b>9,061,551.81</b>	<b>724,924.15</b>

## 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 168,986 thousand lei as of 31.12.2020 (net exposure).

RON thous.			
BT Financial Group	Gross exposure	Net exposure	Accounting method
Shares	32,200	32,200	
Not listed	1,350	1,350	Market value

## Exposure to interest rate risk on positions not included in the trading book

### Exposure to Interest Rate Risk on Positions Not Included in the Trading Book

Banca Transilvania Group is exposed to interest rate risk resulting from:

- Fixed income security trading (interest rate risk from trading activities)
- Funds raised and placed in relation to non-bank customers (interest rate risk from banking activities). The main sources of interest rate risk are represented by the imperfect correlation between the maturity dates (for fixed interest rates) or the pricing reset dates (for variable interest rates) with respect to interest bearing assets and liabilities, the adverse changes of the yield curve (un-parallel shift of interest rate curves related to interest bearing assets and liabilities). The management of interest bearing assets and liabilities is carried out in the context of the Group's/the Bank's exposure to interest rate fluctuations. The Group uses a mix of fixed and variable interest bearing instruments to control the mismatch between the dates on which the interest on assets and liabilities is adjusted to the market rates or the maturity mismatch between assets and liabilities.

Interest rate risk is managed by monitoring the interest rate GAP (mismatch) and by means of a system of limits and indicators approved on maturity bands (time intervals) for interest reset.

The Assets and Liabilities Management Committee is the body that monitors the compliance with these limits, being assisted in the daily monitoring by the Treasury Department and Risk Administration 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) and aggregate for positions in insignificant currencies.

Bank implemented the requirements of EBA Guidelines on the Management of Interest Rate Risk arising from Non-Trading Book Activities (EBA/GL/2018/2 as of July 2018) which covers repricing risk, yield curve risk, option risk and basis risk.

The bank measures the interest rate risk in banking book by calculating weekly/monthly a series of relevant ratios.

Main indicators are:

- Interest rate sensitivity GAP analysis (bucketed cash flows versus own funds)
- Net interest income impact (due to interest rate changes by x%) in relation to the net interest income over the last 12m
- Impact on own funds of the potential changes in the economic value as a result of interest rate changes on the market

Bank also calculates a series of additional indicators such as:

- Net percentage margin
- Daily absolute margin (k ron)
- The difference between the minimum weighted average interest collected and the maximum weighted average interest payed
- The effective margin for the loans granted with collaterals
- The decline in EVE (economic value of capital- EBA Guideline mentioned above)

Period	ΔEVE		ΔNII	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Parallel up	150,136	101,121	(137,526)	(86,403)
Parallel down	(297,410)	(197,726)	137,526	86,403
Steepener	(374,048)	(317,488)		
Flattener	215,931	177,246		
Short rate up	249,289	193,664		
Short rate down	(510,773)	(397,204)		
<b>Maximum</b>	<b>510,773</b>	<b>397,204</b>		
<b>Period</b>	<b>31.12.2020</b>		<b>31.12.2019</b>	
<b>Tier 1 capital</b>	<b>8,870,020</b>			

The results of the analysis at consolidated level can be found in the table below:

Potential change in economic value	RON thousand
Own funds	12,108,132
Potential decrease in economic value +/-200bp	-
Total value	251,607
Impact in own funds	2.35%



## Exposure to securitization positions

Banca Transilvania is not exposed to securitization 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.

**RISK ADMINISTRATION DEPARTMENT** proposes, if necessary and in order to ensure that incentives for risk taking are balanced by incentives for risk management, adjustment of variable remuneration for all current and future risks undertaken, following the completion of risk alignment process, which includes: the process of measuring the performance and the risks and remuneration granting and payment

processes, as well as additional duties in accordance with the rules of organization and administration of Banca Transilvania (R.12.8.\_) and the provisions of this policy.

**COMPLIANCE DEPARTMENT** assists and advises the management body (BoD/Leaders' Committee) in the implementation of this policy, as well as additional responsibilities in accordance with the Rules of organization and organization of Banca Transilvania (R.12.8.\_) and the provisions of this policy and also - through compliance function - analyzes how the remuneration policy affecting the institution compliance with laws, regulations and internal risk culture endorsing the document signed by the Director of each approval, revision and supervision.

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

## **The Remuneration and Nomination Committee**

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

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

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

The Remuneration and Nomination Committee (REMCO) meets at least twice a year or whenever it is needed at the request of one of its members or the Bank's executive directors. In fiscal year 2020, REMCO met four times. 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:
  1. are based on predetermined criteria;
  2. are non-discretionary reflecting the level of professional experience and seniority of staff;
  3. are transparent with respect to the individual amount awarded to the individual staff member;
  4. are permanent, i.e. maintained over a period tied to the specific role and organisational responsibilities;
  5. are non-revocable; the permanent amount is only changed via collective bargaining or following renegotiation in line with national criteria on wage setting;
  6. cannot be reduced, suspended or cancelled by the institution;

7. do not provide incentives for risk assumption; and
  8. do not depend on performance.
- The remuneration is variable when it does not meet the above conditions for including it in the fixed remuneration category.

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

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

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

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

## **Deferral Policy**

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

- A substantial part of the variable component of the total remuneration, in all cases at least 40%, is deferred for a period of 3 years and is properly correlated with the activity nature, the risks and the responsibilities of the respective staff;
- Up to 100% of the total variable remuneration can be subject to "malus" or „clawback" arrangements;
- Identified Staff members are vested with respect to the remuneration due according to deferral arrangements no earlier than on pro rata basis

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

Where the annual variable remuneration is of a particularly high amount, exceeding 1,500,000 lei net, at least 60% of the amount is deferred for a period of minimum 5 years.

## **Criteria Used for Performance Measurement and Risk Adjustment:**

- Achievement of the gross profit target;
- Keeping liquidity at an optimum level, while maintaining the quick ratio within the limit of the adopted risk appetite;
- Keeping the solvability level (calculated in relation to the internal capital) compliant with the Internal Process for the Adjustment of Capital to Risks;
- Alignment between the bank's general risk profile and the risk appetite;
- Keeping the bank on one of the first 3 position in terms of assets held at the end of December 31.

## **Ratios Between Fixed and Variable Remuneration**

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

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

## **Information on the Performance Criteria on which the Entitlement to Shares, Options or Variable Components of Remuneration is Based**

- Achieving the gross profit target for the assessed year (for the basic part) and/or for the previous year (for the deferred part);
- Keeping liquidity at an optimum level, while maintaining the quick ratio within the limit of the risk appetite adopted for the assessed year (for the basic part) and/or for the previous year (for the deferred part);
- Keeping the solvability level (calculated in relation to the internal capital) compliant with the Internal Process for the Adjustment of Capital to Risks for the assessed year (for the basic part);
- Alignment between the bank's general risk profile and the risk appetite adopted in the assessed year (for the basic part) and/or for the previous year (for the deferred part);

## **Main Parameters and Rationale for the Structure of the Variable Remuneration**

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

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

At least 50% of any variable remuneration must be represented by a balanced combination of the following elements: (A) shares; AND (b) if possible, other instruments, such as additional Tier 1 instruments or Tier 2 instruments (under Article 52 or 63 of Regulation (EU) no. 575/2013), or other instruments convertible

into core or reduced Tier 1 instruments, which adequately reflect in each case the credit quality of the Group on an ongoing basis and are suitable to be used for variable remuneration.

## Quantitative Information

Quantitative information under Article 450 on remuneration will be published by 31 October 2021.

### Leverage

Within the framework of EU Regulation no.575/2013 and in addition to the total capital requirements, the leverage ratio was implemented as a new instrument to limit the risk of excessive indebtedness.

The leverage ratio is the ratio of capital to the leverage exposure, specifically the tier 1 capital in relation to unweighted exposure on and off 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 31.12.2020, the leverage ratio according to the transitional definition increased slightly from 8.46% at 31.12.2019 to 9.40%, mainly due to the increase of the leverage ration exposures.

RON thous.

Reconciliation of the total exposure measure with the relevant information disclosed in published financial statements	Applicable amount
Total assets as per published financial statements	107,492,397
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	39,093
Adjustments for derivative financial instruments	-
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	4,424,353
Other adjustments	-
<b>Total leverage ratio exposure</b>	<b>111,466,848</b>

RON thous.

<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>Applicable amount</b>
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	107,384,447
(Asset amounts deducted in determining Tier 1 capital)	(493,631)
<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)</b>	<b>106,890,815</b>

RON thous.

<b>Derivative exposures</b>	<b>Applicable amount</b>
Adjusted effective notional amount of written credit derivatives	4,667,913
<b>Total derivatives exposure</b>	<b>4,667,913</b>

RON thous.

<b>Other off-balance sheet exposures</b>	<b>Applicable amount</b>
Off-balance sheet exposures at gross notional amount	13,002,610
(Adjustments for conversion to credit equivalent amounts)	-
<b>Other off-balance sheet exposures</b>	<b>13,002,610</b>

RON thous.

<b>Capital and total exposures</b>	<b>Applicable amount</b>
Tier 1 capital	10,573,525
<b>Total leverage ratio exposures</b>	<b>112,524,595</b>
Leverage ratio (transitional)	9.40%

<b>Split-up of on balance sheet exposures</b>	<b>Applicable amount</b>
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	107,384,447
Trading book exposures	32,222,995
Banking book exposures, of which::	75,161,451
Covered bonds	0
Exposures treated as sovereigns	20,607,739
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	175,010
Institutions	5,947,253
Secured by mortgages on immovable property	13,229,064
Retail exposures	19,238,055
Corporates	8,527,701
Exposures in default	1,758,714
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	5,677,915

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

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

# 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 evaluable properties proposed as loan guarantees is made through evaluations based on the appraisals carried out mostly by external NAAVR (National Agency of the Authorized Valuers from Romania) valuers 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.
- In the bank's accounting records, the guarantees are recorded at the guarantee value established by weighting the market value established in the evaluation reports with the risk adjustment indicators of the guarantees.
- 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.

### Template 18: EU CR3 – CRM techniques – Overview

RON thous.

		a	b	c	d	e
		Exposures unsecured	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
		Carrying amount	Carrying amount			
1	Total loans	22,928,405	26,859,568	22,574,545	4,285,023	-
2	Total debt securities	29,577,332	-	-	-	-
3	Total exposures	83,925,739	26,859,568	22,574,545	4,285,023	-
4	Of which defaulted	2,378,156	1,082,825	1,030,554	52,271	-

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

RON thous.

		a	b	c	d	e	e
		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	RWAs	RWA density
1	Central governments or central banks	20,106,925	-	25,040,571	13,881	7,935,409	32%
2	Regional government or local authorities	156,233	286,265	155,449	875	78,162	50%
3	Public sector entities	18,777	34,629	18,525	3,610	22,135	100%
4	Multilateral development banks	500,814	-	625,753	-	-	0%
5	International organisations	-	-	-	-	-	0%
6	Institutions	5,947,253	460,120	5,968,423	360,653	2,504,662	40%
7	Corporates	8,527,701	4,411,493	7,962,292	909,742	7,885,459	89%
8	Retail	19,238,055	7,178,762	14,762,995	1,913,515	11,471,037	69%
9	Secured by mortgages on immovable property	13,229,064	214,127	13,083,902	65,104	4,554,613	35%
10	Exposures in default	1,758,714	159,885	1,758,714	79,703	1,960,216	107%
11	Higher-risk categories	-	-	-	-	-	0%
12	Covered bonds	-	-	-	-	-	0%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
14	Collective investment undertakings	-	-	-	-	-	0%
15	Equity	-	-	-	-	-	0%
16	Other items	5,677,915	-	5,784,827	183,344	2,451,547	41%
17	<b>Total</b>	<b>75,161,451.27</b>	<b>12,745,281.39</b>	<b>75,161,451.27</b>	<b>3,530,426.58</b>	<b>38,863,240.09</b>	<b>49%</b>

## Template 20: EU CR5 – Standardised approach

		Risk weight															RON thous.		
Exposure classes		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Altele	Dedusă	Total	Of which unrated
1	Central governments or central banks	10,963,923	0	0	0	0	0	12,310,241	0	0	1,780,288	0	0	0	0	0		25,054,452	25,054,452
2	Regional government or local authorities	0	0	0	0	0	0	156,324	0	0	0	0	0	0	0	0		156,324	156,324
3	Public sector entities	0	0	0	0	0	0	0	0	0	22,135	0	0	0	0	0		22,135	22,135
4	Multilateral development banks	625,753	0	0	0	0	0	0	0	0	0	0	0	0	0	0		625,753	625,753
5	International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
6	Institutions	53,202	0	0	0	3,902,745	0	1,525,666	0	0	930,372	20,605	0	0	0	0		6,432,590	6,432,590
7	Corporates	0	0	0	0	0	0	0	0	0	8,875,034	27	0	0	0	0		8,875,061	8,875,061
8	Retail	0	0	0	0	0	0	0	0	16,676,510	0	0	0	0	0	0		16,676,510	16,676,510
9	Secured by mortgages on immovable property	0	0	0	0	0	13,149,006	0	0	0	0	0	0	0	0	0		13,149,006	13,149,006
10	Exposures in default	0	0	0	0	0	0	0	0	0	1,594,817	243,599	0	0	0	0		1,838,417	1,838,417
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	3,516,623	0	0	0	0	0	0	0	0	2,451,547	0	0	0	0	0		5,968,171	5,968,171
17	<b>Total</b>	<b>15,159,502</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,902,745</b>	<b>13,149,006</b>	<b>13,992,231</b>	<b>0</b>	<b>16,676,510</b>	<b>15,654,195</b>	<b>264,231</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>78,798,419</b>	<b>78,798,419</b>

## **Use of the Advanced Measurement Approaches to Operational Risk**

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

## **Use of Internal Market Risk Models**

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

**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, and with and without the application of the temporary treatment in accordance with Article 468 CRR**

Banca Transilvania, choose not to apply the temporary treatment specified in Article 468 and the own funds, capital and leverage ratios already reflect the full impact of unrealised gains and losses measured at fair value through other comprehensive income.

		RON thous.				
		a	b	c	d	e
		31.12.20	30.09.20	30.06.20	31.03.20	31.12.19
<b>Available capital (amounts)</b>						
1	Common Equity Tier 1 (CET1) capital	10,573,525	8,826,857	8,374,931	7,796,787	8,187,882
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,515,777	7,954,236	7,767,012	7,916,733	8,838,144
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	10,573,525	8,826,857	8,374,931	7,796,787	8,187,882
3	Tier 1 capital	10,573,525	8,826,857	8,374,931	7,796,787	8,187,882
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,515,777	7,954,236	7,767,012	7,916,733	8,838,144
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	10,573,525	8,826,857	8,374,931	7,796,787	8,187,882
5	Total capital	12,108,132	10,399,418	9,938,028	9,392,730	9,765,025
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11,050,385	9,526,797	9,330,110	9,512,675	9,849,745
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	12,108,132	10,399,418	9,938,028	9,392,730	9,765,025
<b>Risk-weighted assets (amounts)</b>						
7	Total risk-weighted assets	57,543,951	55,237,487	55,246,252	55,350,344	51,581,043
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	56,486,204	54,364,866	54,638,334	54,962,707	51,202,810
<b>Capital ratios</b>						
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.37%	15.98%	15.16%	14.09%	15.87%
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	16.54%	14.40%	14.06%	14.30%	17.13%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	18.37%	15.98%	15.16%	14.09%	15.87%
11	Tier 1 (as a percentage of risk exposure amount)	18.37%	15.98%	15.16%	14.09%	15.87%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.54%	14.40%	14.06%	14.30%	17.13%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	18.37%	15.98%	15.16%	14.09%	15.87%
13	Total capital (as a percentage of risk exposure amount)	21.04%	18.83%	17.99%	16.97%	18.93%

14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.20%	17.25%	16.89%	17.19%	19.10%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	21.04%	18.83%	17.99%	16.97%	18.93%
<b>Leverage ratio</b>						
15	Leverage ratio total exposure measure	112,524,595	105,189,567	102,596,701	101,079,922	96,403,298
16	Leverage ratio	9.40%	8.39%	8.16%	7.71%	8.46%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.54%	7.63%	7.53%	7.86%	9.17%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	9.40%	8.39%	8.16%	7.71%	8.46%