

BT LEASING TRANSILVANIA IFN S.A.

**CONDENSED INTERIM CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS**

Prepared in accordance with IAS 34 “Interim Financial Reporting”

As at 30 September 2019

BT Leasing Transilvania IFN S.A.

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BT Leasing Transilvania IFN S.A.

Interim Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income

For the nine-month period ending 30 September

- in RON -

| Notes | Group nine-months ending 30-Sep | | Company nine-months ending 30-Sep | |
|--|------------------------------------|---------------------|--------------------------------------|---------------------|
| | 2019 (unaudited) | 2018 (unaudited) | 2019 (unaudited) | 2018 (unaudited) |
| Interest income | 69,005,913 | 54,558,315 | 68,982,780 | 54,548,270 |
| Interest expense | (15,799,622) | (13,607,291) | (15,799,622) | (13,607,291) |
| Net interest income | 6 | 53,206,291 | 40,951,024 | 53,183,158 |
| Fee and commission income | 8,487,952 | 6,605,225 | 889,733 | 640,357 |
| Fee and commission expense | (226,938) | (213,985) | (209,368) | (199,630) |
| Net fee and commission income | 7 | 8,261,014 | 6,391,240 | 680,365 |
| Net gain from foreign currency translation | 8 | 6,139,495 | 2,250,365 | 6,139,495 |
| Other operating income | 9 | 3,522,001 | 3,371,698 | 10,695,558 |
| Revenue from sale of assets previously leased to customers | 10 | 1,907,107 | 1,189,548 | 1,907,107 |
| Cost of inventory/assets repossessed from lease agreements | 10 | (4,321,025) | (2,051,332) | (4,321,025) |
| Net impairment income/(charges) of financial assets | 11 | 1,286,839 | (8,928,633) | 1,286,839 |
| Net expense relating to provisions | 12 | (6,698,992) | - | (6,698,992) |
| Personnel expenses | 13 | (9,467,767) | (9,157,044) | (8,809,434) |
| Depreciation expense | 22,23 | (1,453,262) | (638,077) | (1,422,139) |
| Other operating expenses | 14 | (7,047,741) | (5,648,645) | (6,780,888) |
| Profit before tax | | 45,333,960 | 27,730,144 | 45,860,044 |
| Income tax expense | 15 | (6,464,196) | (4,025,734) | (6,387,803) |
| Net profit for the year | | 38,869,764 | 23,704,410 | 39,472,241 |
| Other comprehensive income | | - | - | - |
| Total comprehensive income | | 38,869,764 | 23,704,410 | 39,472,241 |
| Profit of the Group attributable to: | | | | |
| Owners of the Company | | 38,868,095 | 23,703,363 | 39,472,241 |
| Non-controlling interests | | 1,669 | 1,047 | - |

The financial statements were approved by the Board of Directors on 2 December 2019 and were signed on its behalf by:

Ionut Calin Morar
General Manager

Sabina Moldovan
Financial Manager

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Interim Consolidated and Separate Statement of Financial Position

- in RON -

| As at | Notes | Group | | Company | |
|--|-------|-------------------------------------|---------------------|-------------------------------------|---------------------|
| | | 30 September 2019 (unaudited) | 31 December 2018 | 30 September 2019 (unaudited) | 31 December 2018 |
| Assets | | | | | |
| Cash on hand | 16 | 3,649 | 5,376 | 2,420 | 4,748 |
| Placements with banks | 17 | 19,242,679 | 9,163,298 | 18,609,406 | 8,013,860 |
| Finance lease receivables | 18 | 1,012,498,629 | 919,260,049 | 1,012,498,629 | 919,260,049 |
| Other financial assets | 19 | 9,202,107 | 9,583,886 | 5,617,025 | 4,611,772 |
| Inventory | 20 | 14,175,426 | 7,799,443 | 14,175,426 | 7,799,443 |
| Equity investments | 21 | 19 | 19 | 69,539 | 69,539 |
| Premises and equipments | 22 | 1,376,395 | 1,438,139 | 1,291,272 | 1,438,139 |
| Intangible assets | 23 | 291,262 | 280,621 | 283,701 | 266,257 |
| Right-of-use assets | 24 | 2,401,794 | - | 2,401,794 | - |
| Current tax assets | | - | 3,976,569 | - | 4,001,245 |
| Deferred tax assets | | 2,662,516 | 3,524,568 | 2,662,516 | 3,499,624 |
| Other assets | 25 | 1,141,334 | 223,294 | 1,637,615 | 322,016 |
| Total assets | | 1,062,995,810 | 955,255,262 | 1,059,249,343 | 949,286,692 |
| Liabilities | | | | | |
| Loans from banks and other financial institutions | 26 | 830,516,910 | 771,151,038 | 830,516,910 | 771,151,038 |
| Lease liabilities | | 2,453,979 | - | 2,453,979 | - |
| Provisions for liabilities and charges | 27 | 7,545,651 | 3,758,608 | 7,545,651 | 3,602,708 |
| Other financial liabilities | 28 | 8,275,378 | 9,356,376 | 11,878,965 | 11,463,640 |
| Current tax liabilities | | 1,575,321 | - | 1,549,450 | - |
| Other liabilities | 29 | 6,236,001 | 3,439,964 | 6,179,680 | 3,416,839 |
| Total liabilities | | 856,603,240 | 787,705,986 | 860,124,635 | 789,634,225 |
| Equity | | | | | |
| Share capital | 30 | 59,572,544 | 59,572,544 | 59,572,544 | 59,572,544 |
| Legal reserves and other reserves | 31 | 10,686,887 | 8,203,447 | 10,562,175 | 8,078,735 |
| Retained earnings | | 136,131,422 | 99,771,711 | 128,989,989 | 92,001,188 |
| Total equity attributable to Company's owners | | 206,390,853 | 167,547,702 | 199,124,708 | 159,652,467 |
| Non-controlling interest | | 1,717 | 1,574 | - | - |
| Total equity | | 206,392,570 | 167,549,276 | 199,124,708 | 159,652,467 |
| Total liabilities and equity | | 1,062,995,810 | 955,255,262 | 1,059,249,343 | 949,286,692 |

The financial statements were approved by the Board of Directors on 2 December 2019 and were signed on its behalf by:

Ionut Calin Morar
General Manager

Sabina Moldovan
Financial Manager

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Interim Consolidated Statement of Changes in Equity

| Group | - in RON - | | | | |
|--|---------------|-----------------------------------|-------------------|---|--------------------------|
| | Share capital | Legal reserves and other reserves | Retained earnings | Total equity attributable to Company's owners | Non-controlling interest |
| Balance as at 31 December 2017 | 45,899,509 | 5,638,444 | 52,410,096 | 103,948,049 | - |
| Adoption of new standards, net of tax | - | - | (6,106,060) | (6,106,060) | - |
| Balance as at 1 January 2018 | 45,899,509 | 5,638,444 | 46,304,036 | 97,841,989 | - |
| Net profit for the period | - | - | 23,703,363 | 23,703,363 | 1,047 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the nine-month period ending 30 September 2018 (unaudited) | - | - | 23,703,363 | 23,703,363 | 1,047 |
| Distribution to legal reserve | - | - | - | - | - |
| - of the Company | - | 1,463,497 | (1,463,497) | - | - |
| - of the subsidiaries | - | 124,712 | - | 124,712 | 8 |
| Other changes | - | - | 4,677,632 | 4,677,632 | 40 |
| Balance as at 30 September 2018 (unaudited) | 45,899,509 | 7,226,653 | 73,221,534 | 126,347,696 | 1,095 |
| Balance as at 31 December 2018 | 59,572,544 | 8,203,447 | 99,771,711 | 167,547,702 | 1,574 |
| Balance as at 1 January 2019 | 59,572,544 | 8,203,447 | 99,771,711 | 167,547,702 | 1,574 |
| Net profit for the year | - | - | 38,868,095 | 38,868,095 | 1,669 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the nine-month period ending 30 September 2019 (unaudited) | - | - | 38,868,095 | 38,868,095 | 1,669 |
| Distribution to legal reserve of the Company | - | 2,518,698 | (2,518,698) | - | - |
| Distribution to dividends | - | - | - | - | (1,526) |
| Distribution to other reserve | - | (35,258) | 35,258 | - | - |
| Other changes | - | - | (24,944) | (24,944) | - |
| Balance as at 30 September 2019 (unaudited) | 59,572,544 | 10,686,887 | 136,131,422 | 206,390,853 | 1,717 |
| | | | | | 206,392,570 |

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Interim Separate Statement of Changes in Equity

| Company | Share capital | Legal reserves and other reserves | Retained earnings | Total equity |
|--|-------------------|-----------------------------------|--------------------|--------------------|
| | | | | - in RON - |
| Balance as at 31 December 2017 | 45,899,509 | 5,638,444 | 52,410,096 | 103,948,049 |
| Adoption of new standards, net of tax | - | - | (6,106,060) | (6,106,060) |
| Balance as at 1 January 2018 | 45,899,509 | 5,638,444 | 46,304,036 | 97,841,989 |
| Net profit for the period | - | - | 22,627,692 | 22,627,692 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the nine-month period ending 30 September 2018 (unaudited) | - | - | 22,627,692 | 22,627,692 |
| Distribution to legal reserve of the Company | - | 1,463,497 | (1,463,497) | - |
| Balance as at 30 September 2018 (unaudited) | 45,899,509 | 7,101,941 | 67,468,233 | 120,469,681 |
| Balance as at 31 December 2018 | 59,572,544 | 8,078,735 | 92,001,188 | 159,652,467 |
| Balance as at 1 January 2019 | 59,572,544 | 8,078,735 | 92,001,188 | 159,652,467 |
| Net profit for the year | - | - | 39,472,241 | 39,472,241 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the nine-month period ending 30 September 2019 (unaudited) | - | - | 39,472,241 | 39,472,241 |
| Distribution to legal reserve | - | 2,518,698 | (2,518,698) | - |
| - of the Company | - | (35,258) | 35,258 | - |
| Distribution to other reserve | - | - | - | - |
| Balance as at 30 September 2019 (unaudited) | 59,572,544 | 10,562,175 | 128,989,989 | 199,124,708 |

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Interim Consolidated and Separate Statement of Cash Flows

For the nine-month period ending 30 September

| | | - in RON - | |
|---|--|---------------------------|----------------------|
| | | Group | |
| | | nine-months ending 30-Sep | |
| Notes | | 2019 (unaudited) | 2018 (unaudited) |
| Operating activities | | | |
| | Profit before tax | 45,333,960 | 27,730,144 |
| Adjustments for non-monetary elements | | | |
| 22,23 | Depreciation expense of premises and equipment and intangible assets | 1,453,262 | 638,077 |
| 24 | Net impairment charges for finance lease receivables | (2,987,441) | 16,114,480 |
| | Net impairment expenses for other assets | (2,767,823) | 32,658 |
| | Net release of provisions for repossessed inventory | (7,818,232) | (1,198,244) |
| | Net provisions for other liabilities | 3,787,043 | (1,882,856) |
| 6 | Interest income from banks | (253,944) | (144,753) |
| | Interest expense | 15,794,300 | 13,607,291 |
| 9 | Dividend income | (2) | (10,822) |
| | Income tax | (6,438,325) | (771,146) |
| | Other adjustments for non-cash items | (305,979) | (2,800,614) |
| Operating profit before the change in operating assets and liabilities | | 45,796,819 | 51,314,215 |
| | | | |
| | (Increase) in net finance lease receivables | (90,251,139) | (155,403,135) |
| | (Increase)/Decrease in other assets | 3,806,338 | (257,955) |
| | Decrease in inventory | 1,442,249 | 2,024,558 |
| | Increase of trade payables and other liabilities | 5,744,340 | 227,818 |
| | Interest expense paid | (15,794,300) | (13,607,291) |
| | Income tax paid | (25,871) | (3,254,587) |
| Net cash flow used in operating activities | | (49,281,564) | (118,956,377) |
| | | | |
| Investing activities | | | |
| | Acquisitions of premises, equipment and intangible assets | (468,294) | (40,139) |
| | Proceeds from disposal of premises and equipment and intangible assets | 207,694 | 86,284 |
| | Interest received from banks | 253,944 | 144,753 |
| 9 | Dividends received | 2 | 10,822 |
| Net cash flow from investing activities | | (6,654) | 201,720 |
| | | | |
| Financing activities | | | |
| | Net receipts of loans and other borrowings | 59,365,872 | 99,033,206 |
| Net cash flow from financing activities | | 59,365,872 | 99,033,206 |
| | | | |
| Cash and cash equivalents at the beginning of the period | | 9,168,674 | 25,932,692 |
| Net increase/(decrease) in cash and cash equivalents | | 10,077,654 | (19,721,451) |
| Cash and cash equivalents at the end of the period | | 19,246,328 | 6,211,241 |

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Consolidated and Separate Statement of Cash Flows

For the nine-month period ending 30 September

| | | - in RON - | |
|--|---|---------------------------|----------------------|
| | | Company | |
| | | nine-months ending 30-Sep | |
| Note | | 2019 (unaudited) | 2018 (unaudited) |
| Operating activities | | | |
| | Profit before tax | 45,860,044 | 26,593,645 |
| Adjustments for non-monetary elements | | | |
| | Depreciation expense of premises and equipment and intangible assets | 1,422,139 | 638,076 |
| | Net impairment charges for finance lease receivables | (2,987,441) | 16,114,480 |
| | Net impairment expenses for other assets | (2,767,823) | 32,658 |
| | Net release of provisions for repossessed inventory | (7,818,232) | (1,198,244) |
| | Net provisions for other liabilities | 3,942,943 | (1,882,856) |
| | Interest income from banks | (230,811) | (117,184) |
| | Interest expense | 15,794,300 | 13,607,291 |
| | Dividend income | (7,191,541) | (4,134,416) |
| | Income tax | (6,387,803) | (667,180) |
| | Other adjustments for non-cash items | (303,409) | (7,620,603) |
| | Operating profit before the change in operating assets and liabilities | 39,332,366 | 41,365,667 |
| | (Increase) in net finance lease receivables | (90,251,139) | (155,403,135) |
| | Decrease in other assets | 2,046,421 | 3,964,757 |
| | Decrease in inventory | 1,442,249 | 2,024,558 |
| | Increase of trade payables and other liabilities | 7,181,594 | 918,121 |
| | Interest expense paid | (15,794,300) | (13,607,291) |
| | Income tax paid | - | (3,298,773) |
| | Net cash flow used in operating activities | (56,042,809) | (124,036,096) |
| Investing activities | | | |
| | Acquisitions of premises, equipment and intangible assets | (358,850) | (40,139) |
| | Proceeds from disposal of premises and equipment and intangible assets | 207,695 | 86,284 |
| | Interest received from banks | 230,811 | 117,184 |
| | Dividends received | 7,191,541 | 4,134,416 |
| | Net cash flow from investing activities | 7,271,197 | 4,297,745 |
| Financing activities | | | |
| | Net receipts of loans and other borrowings | 59,365,872 | 99,033,206 |
| | Net cash flow from financing activities | 56,365,872 | 99,033,206 |
| | Cash and cash equivalents at the beginning of the period | 8,017,567 | 25,932,692 |
| | Net increase/(decrease) in cash and cash equivalents | 10,594,259 | (20,705,146) |
| | Cash and cash equivalents at the end of the period | 18,611,826 | 5,227,546 |

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

1. Reporting entity

BT Leasing Transilvania IFN SA ("Company", "Parent Company") was established in 1995 as a privately owned joint-stock company and having as main activity financing of purchase of motor vehicles and equipment under finance leases by legal entities and natural persons from Romania. BT Leasing Transilvania IFN SA is part of Banca Transilvania Financial Group ("BT Group"), being a subsidiary of it. Banca Transilvania SA ("BT") is the parent company and the ultimate controlling party.

The Company also owns the following subsidiaries: BT Intermedieri Agent de Asigurare SRL, BT Solution Agent de Asigurare SRL, BT Safe Agent de Asigurări SRL and BT Asiom Agent de Asigurare SRL (hereinafter defined as the "Subsidiaries"). The Parent Company and its Subsidiaries are based in Romania and are further defined as the "Group". The consolidated and separate financial statements as at 30 September 2019 include the Parent Company and its Subsidiaries.

The Group has as at 30 September 2019 also investments in associates such as BT Asset Management SAI SA and BT Direct IFN SA. During 2018 financial year the Group also has an investment in the company Medicare Technics SRL that was disposed of during 2018.

The Group has the following activities: finance lease, which is carried out by BT Leasing Transilvania IFN S.A. and insurance intermediation that is carried out by the subsidiaries: BT Intermedieri Agent de Asigurare, BT Safe Agent de Asigurare, BT Solution Agent de Asigurare and BT Asiom Agent de Asigurare.

As a result of applying the provisions of the Government Ordinance no. 28/2006, during 2007, the Company was registered in the Special Register of the National Bank of Romania as a non-banking financial institution and operates in compliance with the regulations issued by the National Bank of Romania ("NBR").

The address of the Group's registered office is 74-76 Constantin Brancusi Street, Cluj-Napoca, Romania.

As at 30 September 2019 the Group had 118 active employees (31 December 2018: 116 active employees).

The Group is managed by the Board of Directors consisting of three members, including a chairman:

| <u>Position</u> | <u>30 September 2019</u> | <u>31 December 2018</u> |
|------------------------|---------------------------------|--------------------------------|
| Chairman | Hanga Radu | Hanga Radu |
| Member | Tiberiu Moisa | Tiberiu Moisa |
| Member | Szekely Daniel | Szekely Daniel |

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

2. Basis of preparation

a) Conformity statement

The condensed interim consolidated and separate financial statements of the Group and the Company have been prepared in accordance with IAS 34 "Interim Financial Reporting", effective as at the Group's and Company's interim reporting date, 30 September 2019.

They do not include all the information required for a complete set of financial statements in accordance with the International Financial Reporting Standard ("IFRS") endorsed by the European Union. However, certain notes are included in order to explain the events and transactions that are significant in order to understand the changes in the Company's and the Group's financial position and performance as of the last annual consolidated and separate financial statements as at and for the year ended 31 December 2018.

The financial information for the period ending on 30 September are not audited.

b) Basis of measurement

The consolidated and separate financial statements were prepared on historical cost basis.

c) Functional and presentation currency

The items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The functional currency of the entities within the Group is the Romanian lei, "RON". The consolidated and separate financial statements are presented in RON. The exchange rates for the major foreign currencies were:

| Currency | 30 September 2019 | 31 December 2018 | 30 September 2018 |
|-------------------|--------------------------|-------------------------|--------------------------|
| Euro ("EUR") | 1: RON 4.7511 | 1: RON 4.6639 | 1: RON 4.6637 |
| US dollar ("USD") | 1: RON 4.3488 | 1: RON 4.0736 | 1: RON 4.0210 |

d) Use of estimates and significant judgments

The preparation of the condensed interim consolidated and separate financial statements in accordance with the IAS 34 "Interim Financial Reporting", as endorsed by the European Union implies that the management uses estimations and judgements that affect the application of accounting policies, as well as the reported value of assets, liabilities, incomes and expenses. The estimates and associated assumptions are based on historical data and various other factors that are believed to be relevant under the given circumstances, the result of which forms the basis of the judgements used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis.

The review of the accounting estimates are recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods.

The Group and the Company make estimates and assumptions that affect the amounts of assets and liabilities reported within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the given circumstances.

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

3. Significant accounting methods and policies

Except as described below, the same accounting methods and policies were followed in the preparation of this condensed interim consolidated and separate financial statements as compared with the annual consolidated and separate financial statements of the Group and Company for the year ended 31 December 2018.

New accounting policy for leases by the Group and the Company as a lessee.

The Group and the Company adopted IFRS 16, *Leases* ("IFRS 16") as of the transition date 1 January 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the transitional provisions of IFRS 16. The reclassifications and the adjustments arising from the new leasing requirements are therefore recognised as of 1 January 2019. From 1 January 2019, the date of initial application of the standard, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group and Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

In determining the lease term, management of the Group and Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

3. Significant accounting methods and policies (*continued*)

On adoption of IFRS 16, the Group and Company recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17, *Leases*.

These liabilities were measured at the present value of the remaining lease payments.

The measurement principles of IFRS 16 are only applied after 1 January 2019.

The following table represents reconciliation of operating lease commitments reported as of 31 December 2018 and lease liability recognised at 1 January 2019 for the Group and Company:

| | 1 January 2019 <i>(unaudited)</i> |
|---|---|
| Lease commitments as at 31 December 2018 | - |
| Adjustments to lease commitments: | 2,393,862 |
| Lease liability recognised as at 1 January 2019 | 2,393,862 |
| Advances paid to lessors | - |
| Minus accrued operating lease payments due | - |
| Right-of-use asset recognised as at 1 January 2019 | 2,393,862 |

The associated right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

Other new accounting standards and interpretations. The following amended standards and interpretations became effective for the Group and Company from 1 January 2019, but did not have any material impact on the Group and Company:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

There were no new standards or interpretations issued and not yet effective, information about which is not included in the last annual financial statements of the Group and Company for the year ended 31 December 2018. The Group and Company continues assessing the effects of new standards and interpretations that are not yet effective and will disclose their known or reasonably estimable effects as soon as they become available.

4. Financial risk management policies

The Group and the Company are exposed to the following risks, as a result of using the financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk;

The credit risk associated with the leasing activity is managed through the Group's risk management processes. The Group's largest exposure to credit risk is related to finance lease receivables. In this case, the exposure is the book value of the assets in the balance sheet. In order to minimize the risk, the Group has certain procedures designed to evaluate the customers before approving the leasing agreements, to set exposure limits, to monitor their ability to repay the principal and the resulting interest, during the duration of the lease.

The Board of Directors has delegated the responsibility for managing the credit risk to the Risk Committee.

5. Accounting estimates and significant judgements

The Group and the Company make estimates and assumptions that affect the value of assets and liabilities reported within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the given circumstances.

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

6. Net interest income

- in RON -

| | Group | | Company | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) |
| Interest income | | | | |
| Interest income from leasing agreements | 68,751,969 | 54,413,562 | 68,751,969 | 54,413,562 |
| Interest income from current accounts and deposits | 253,944 | 144,753 | 230,811 | 134,708 |
| Total interest income | 69,005,913 | 54,558,315 | 68,982,780 | 54,548,270 |
| Interest expense | | | | |
| Interest expense on loans from banks and financial institutions | (15,799,622) | (13,607,291) | (15,799,622) | (13,607,291) |
| Total interest expense | (15,799,622) | (13,607,291) | (15,799,622) | (13,607,291) |
| Net interest income | 53,206,291 | 40,951,024 | 53,183,158 | 40,940,979 |

7. Net fee and commission income

- in RON -

| | Group | | Company | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) |
| Fee and commission income | | | | |
| Commissions collected according to the leasing agreements | 889,733 | 640,357 | 889,733 | 640,357 |
| Insurance brokerage commissions | 7,598,219 | 5,964,868 | - | - |
| Total fee and commission income | 8,487,952 | 6,605,225 | 889,733 | 640,357 |
| Fee and commission expenses | | | | |
| Fees paid for banking operations | (226,938) | (213,985) | (209,368) | (199,630) |
| Total fee and commission expenses | (226,938) | (213,985) | (209,368) | (199,630) |
| Net fee and commission income | 8,261,014 | 6,391,240 | 680,365 | 440,727 |

8. Net gain from foreign currency translation

- in RON -

| | Group | | Company | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) |
| Net gain from exchange rate differences – balance revaluation* | 2,539,165 | 118,170 | 2,539,165 | 118,170 |
| Net gain from exchange rate revaluation of transactions | 3,600,330 | 2,132,195 | 3,600,330 | 2,132,195 |
| Net gain from foreign currency translation | 6,139,495 | 2,250,365 | 6,139,495 | 2,250,365 |

* The net income from exchange rate differences derives from the monthly revaluation of assets and liabilities in foreign currency, carried out at the month end, published by the National Bank of Romania.

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BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

9. Other operating income

- in RON -

| | Group | | Company | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) |
| Income from the sale of premises and equipments | 65,650 | 86,284 | 65,650 | 86,284 |
| Dividend income (i) | 2 | 10,822 | 7,191,541 | 4,134,416 |
| Other income (ii) | 3,456,349 | 3,274,592 | 3,438,367 | 3,271,384 |
| Total other operating income | 3,522,001 | 3,371,698 | 10,695,558 | 7,492,084 |

(i) The dividend income was collected by the Company from the four subsidiaries and other associates of the Group:

- BT Intermedieri Agent de Asigurare S.R.L., in amount of RON 3,604,632 (30 September 2018: RON 2,391,530);
- BT Safe Agent de Asigurare S.R.L., in amount of RON 917,884 (30 September 2018: RON 588,157);
- BT Solution Agent de Asigurare S.R.L., in amount of RON 1,135,450 (30 September 2018: RON 420,696);
- BT Asiom Agent de Asigurare S.R.L., in amount of RON 1,533,573 (30 September 2018: RON 723,211);
- Medicare Technics S.R.L., in amount of RON 0 (30 September 2018: RON 10,814);
- BT Asset Management, in amount of RON 0 (30 September 2018: RON 8); and
- BT Direct IFN S.A., in amount of RON 2 (30 September 2018: RON 0).

Dividend income for the Group is recorded from Medicare Technics S.R.L., BT Asset Management SAI S.A. and BT Direct IFN S.A. (these are entities where the Group has ownership below 20% of share capital).

(ii) Other income include the amounts obtained from re invoicing of various registration services, insurance costs for the goods that are the underlying object of the lease agreements: RON 2,440,772 (30 September 2018: RON 2,290,707), compensation received from insurance companies: RON 302,850 (30 September 2018: RON 391,604), damages claims received from the terminated leasing agreements: RON 348,159 (30 September 2018: RON 137,074) and other revenues collected: RON 364,568 (30 September 2018: RON 451,999).

10. Net expense from inventory

- in RON -

| | Group | | Company | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) |
| Revenue from sale of assets previously leased to customers | 1,907,107 | 1,189,548 | 1,907,107 | 1,189,548 |
| Cost of inventory | (12,139,257) | (3,249,576) | (12,139,257) | (3,249,576) |
| Utilisation of provisions for repossessed inventory | 7,818,232 | 1,198,244 | 7,818,232 | 1,198,244 |
| Total | (2,413,918) | (861,784) | (2,413,918) | (861,784) |

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

11. Net impairment income/(charges) of financial assets

- in RON -

| | Group | | Company | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) |
| Cost of impairment for finance lease receivables | (73,282,045) | (38,916,299) | (73,282,045) | (38,916,299) |
| Income from release of impairment for finance lease receivables | 71,188,507 | 24,135,139 | 71,188,507 | 24,135,139 |
| Income from early terminated contracts and repossessed assets | 1,345,730 | 5,885,185 | 1,345,730 | 5,885,185 |
| Net expense from valuation adjustments | (733,176) | - | (733,176) | - |
| Impairment expense adjustments for other assets | (30,198) | (67,729) | (30,198) | (67,729) |
| Income from reversal/cancellations of impairment adjustments of other assets | 2,798,021 | 35,071 | 2,798,021 | 35,071 |
| Net income/(expense) with adjustments for impairment of financial assets | 1,286,839 | (8,928,633) | 1,286,839 | (8,928,633) |

12. Net expense relating to provisions

- in RON -

| | Group | | Company | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) |
| Provisions for litigations expenses | (6,698,992) | - | (6,698,992) | - |
| Net income with other adjustments for impairment and other provisions | (6,698,992) | - | (6,698,992) | - |

13. Personnel expenses

- in RON -

| | Group | | Company | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) |
| Wages and benefits | (11,902,542) | (10,708,205) | (11,114,913) | (10,139,550) |
| Contribution for social security and insurance | (414,122) | (394,298) | (387,651) | (375,112) |
| Other taxes, duties and similar payments | (63,052) | (59,918) | (62,919) | (59,888) |
| Bonuses for employees and provisions for untaken holidays | 2,955,953 | 2,005,377 | 2,800,053 | 1,882,856 |
| Expenses with provisions for pensions and similar obligations | (44,004) | - | (44,004) | - |
| Total personnel expenses | (9,467,767) | (9,157,044) | (8,809,434) | (8,691,694) |

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

14. Other operating expenses

- in RON -

| | Group | | Company | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) |
| Tax and duties expenses | (173,687) | (107,302) | (173,687) | (107,302) |
| Utilities, repairs and other maintenance services expenses | (1,066,690) | (456,662) | (1,066,690) | (456,662) |
| Advertising, protocol and sponsorship expenses | (1,230,962) | (800,502) | (1,230,542) | (800,502) |
| Postage, telecommunications and texting expenses | (381,648) | (336,419) | (296,584) | (275,172) |
| Materials and consumables expenses | (620,376) | (572,730) | (613,050) | (572,206) |
| Electricity and heating expenses | (200,100) | (246,188) | (182,345) | (221,797) |
| Collaborator expenses | (24,428) | - | (24,428) | - |
| Transportation, travel and secondment expenses | (167,220) | (103,891) | (166,870) | (103,891) |
| Losses from the assignment and disposal of premises and equipments and intangible assets | - | (33,272) | - | (33,272) |
| Other operating expenses | (3,182,630) | (2,991,679) | (3,026,692) | (2,846,320) |
| Total other operating expenses | (7,047,741) | (5,648,645) | (6,780,888) | (5,417,124) |

15. Income tax expense

The expense for corporate income tax as presented in the statement of profit or loss and other comprehensive income includes the following elements:

- in RON -

| | Group | | Company | |
|---------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) | 30-Sep-2019 (unaudited) | 30-Sep-2018 (unaudited) |
| Current tax | (6,464,196) | (4,025,734) | (6,387,803) | (3,965,953) |
| Income tax expense | (6,464,196) | (4,025,734) | (6,387,803) | (3,965,953) |

16. Cash on hand

- in RON -

| | Group | | Company | |
|--------------|----------------------------|--------------|----------------------------|--------------|
| | 30-Sep-2019 (unaudited) | 31-Dec-2018 | 30-Sep-2019 (unaudited) | 31-Dec-2018 |
| Cash on hand | 3,649 | 5,376 | 2,420 | 4,748 |
| Total | 3,649 | 5,376 | 2,420 | 4,748 |

17. Placements with banks

- in RON -

| | Group | | Company | |
|--------------------------------|----------------------------|------------------|----------------------------|------------------|
| | 30-Sep-2019 (unaudited) | 31-Dec-2018 | 30-Sep-2019 (unaudited) | 31-Dec-2018 |
| Current accounts | 1,153,399 | 2,383,497 | 520,126 | 1,234,059 |
| Sight deposits with banks | 18,087,600 | 6,778,760 | 18,087,600 | 6,778,760 |
| Collateral deposits with banks | 687 | 687 | 687 | 687 |
| Accrued interest | 993 | 354 | 993 | 354 |
| Total | 19,242,679 | 9,163,298 | 18,609,406 | 8,013,860 |

The current accounts and sight/term deposits are freely available to the Group and are not pledged. The demand deposits with banks are overnight deposits placed at banks. Term deposits with banks are deposits placed at banks for an initial period of more than one business day.

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BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

18. Finance lease receivables

The Group acts as lessor in the finance lease agreements offered mainly for financing motor vehicles and equipment. The lease agreements are in EUR and RON with the transfer of the ownership right over the goods financed at the end of the lease period. Interest is charged for the duration of the lease contract through the lease instalments.

The finance lease receivables are collateralised by the goods that are the object matter of the lease agreements and by other guarantees. The breakdown of the receivables from finance lease agreements by remaining maturity is presented in the following table:

| | 30 September 2019 (<i>unaudited</i>) | | | | 31 December 2018 | | |
|--|--|--------------------|-------------------|----------------------|--------------------|--------------------|----------------------|
| | < 1 an | 1 - 5 ani | > 5 ani | Total | < 1 an | 1 - 5 ani | Total |
| Gross receivables from finance lease | 449,817,382 | 717,916,556 | 12,904,348 | 1,180,638,286 | 440,785,269 | 636,648,965 | 1,095,276,288 |
| Future interest as per lease agreements | (39,170,954) | (44,675,991) | (387,029) | (84,233,974) | (42,196,282) | (46,237,591) | (89,123,115) |
| Total receivables from finance lease without future interest payments | 410,646,428 | 673,240,565 | 12,517,319 | 1,096,404,312 | 398,588,987 | 590,411,374 | 1,006,153,173 |
| Impairment adjustments for finance lease receivables | (31,520,202) | (51,438,014) | (947,467) | (83,905,683) | (34,422,832) | (50,988,946) | (86,893,124) |
| Net finance lease receivables | 379,126,226 | 621,802,551 | 11,569,852 | 1,012,498,629 | 364,166,155 | 539,422,428 | 919,260,049 |
| The impairment adjustment of receivables from finance lease agreements is detailed as below: | | | | | | | |
| | 30 September 2019 | | 31 December 2018 | | | | |
| Balance at the beginning of the period | 86,893,124 | | 62,837,403 | | | | |
| Cost of impairment for lease receivables | 73,282,045 | | 65,154,019 | | | | |
| Income from reversal/cancellation of impairment for lease receivables | (71,188,507) | | (41,527,006) | | | | |
| Receivables for terminated lease agreements written-off | (5,080,979) | | (9,866,975) | | | | |
| Impairment adjustment for agreements taken through merger | - | | 10,295,683 | | | | |
| Balance at end of the period | 83,905,683 | | 86,893,124 | | | | |

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

19. Other financial assets

- in RON -

| | Group | | Company | |
|--|----------------------------|------------------|----------------------------|------------------|
| | 30-Sep-2019 (unaudited) | 31-Dec-2018 | 30-Sep-2019 (unaudited) | 31-Dec-2018 |
| Advance payments to suppliers | 2,757,358 | 1,798,072 | 2,757,358 | 2,032,695 |
| Sundry debtors (i) | 5,557,024 | 6,898,089 | 1,971,942 | 1,691,352 |
| Other past-due amounts under litigation (ii) | 2,682,612 | 5,450,436 | 2,682,612 | 5,450,436 |
| Impairment adjustments for past-due amounts | (1,794,887) | (4,562,711) | (1,794,887) | (4,562,711) |
| Total | 9,202,107 | 9,583,886 | 5,617,025 | 4,611,772 |

- (i) Sundry debtors represent amounts paid for the mandatory civil insurance policies for the vehicles that are the object matter of the finance lease agreements and which are to be recovered from users RON 3,562,514 (31 December 2018: RON 0), amounts to be received as insurance compensation RON 284,223 (31 December 2018: RON 373,040) and other amounts owed by sundry debtors RON 1,710,287 (31 December 2018: RON 1,318,312).
- (ii) The past-due amounts under litigation represent advances paid for the purchase of goods, that represent the underlying asset of the lease agreements, for which the supplier has not delivered the goods RON 2,377,676 (31 December 2018: RON 3,455,478) and past-due amounts from various services provided RON 304,936 (31 December 2018: RON 1,994,958).

Amounts presented in the categories "Advance payments to suppliers" and "Sundry debtors" are current amounts, not impaired both for the Group and the Company at the end of 30 September 2019 and 31 December 2018.

The impairment adjustments for past-due amounts under litigations can be further analysed as follows:

- in RON -

| | Group | | Company | |
|---|----------------------------|--------------------|----------------------------|--------------------|
| | 30-Sep-2019 (unaudited) | 31-Dec-2018 | 30-Sep-2019 (unaudited) | 31-Dec-2018 |
| Balance at the beginning of the year | (4,562,711) | (2,673,427) | (4,562,711) | (2,673,427) |
| Net (expense)/Income from reversal of impairment adjustments for other assets | 2,767,824 | (21,911) | 2,767,824 | (21,911) |
| Impairment adjustments for sundry debtors taken over through merger | - | (1,867,373) | - | (1,867,373) |
| Balance at the end of the period | (1,794,887) | (4,562,711) | (1,794,887) | (4,562,711) |

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

20. Inventory

- in RON -

| | Group | | Company | |
|---------------------------------|----------------------------|------------------|----------------------------|------------------|
| | 30-Sep-2019 (unaudited) | 31-Dec-2018 | 30-Sep-2019 (unaudited) | 31-Dec-2018 |
| Inventory held at third-parties | 1,977,775 | 664,690 | 1,977,775 | 664,690 |
| Inventory kept in headquarters | 27,709,071 | 30,464,405 | 27,709,071 | 30,464,405 |
| Adjustments for impairments | (15,511,420) | (23,329,652) | (15,511,420) | (23,329,652) |
| Total | 14,175,426 | 7,799,443 | 14,175,426 | 7,799,443 |

The inventories consist mainly of goods recovered from the terminated leasing agreements that have not yet been placed under new lease agreements or sold: RON 29,594,597 (31 December 2018: RON 30,334,111), goods gained as a result of foreclosure procedures: RON 46,350 (31 December 2018: RON 232,197), goods to be placed in new lease agreements RON 0 (31 December 2018: RON 543,676) and equipment for locating the goods that are the underlying asset of lease agreements to be sold to users RON 45,899 (31 December 2018: RON 19,111).

The impairment adjustments for inventories were established as the difference between the recoverable amount at the time when the inventory has been recognised in the balance sheet and their recoverable amount at the current reporting date, and can be further analysed, as follows:

- in RON -

| | Group | | Company | |
|---|----------------------------|-------------------|----------------------------|-------------------|
| | 30-Sep-2019 (unaudited) | 31-Dec-2018 | 30-Sep-2019 (unaudited) | 31-Dec-2018 |
| Balance at the beginning of the year | 23,329,652 | 7,507,364 | 23,329,652 | 7,507,364 |
| Utilisation of provisions for repossessed inventory | (7,818,232) | (1,545,650) | (7,818,232) | (1,545,650) |
| Impairment adjustments for inventory taken over by merger | - | 17,367,938 | - | 17,367,938 |
| Balance at the end of the period ended | 15,511,420 | 23,329,652 | 15,511,420 | 23,329,652 |

21. Equity investments

As at 30 September 2019 and 31 December 2019, the Company had direct investments in subsidiaries, amounting to RON 69,539 (31 December 2018: RON 69,539). For the Group only the investments in BT Asset Management SAI SA and BT Direct IFN SA are in balance

- in RON -

| Entity name | 30-Sep-2019 (unaudited) | % | 31-Dec-2018 | % |
|---|----------------------------|----------|---------------|----------|
| | | | | |
| BT Intermedieri Agent de Asigurare S.R.L. | 25,530 | 99.99802 | 25,530 | 99.99802 |
| BT Safe Agent de Asigurare S.R.L. | 4,010 | 99.98694 | 4,010 | 99.98694 |
| BT Solution Agent de Asigurare S.R.L. | 19,990 | 99.95000 | 19,990 | 99.95000 |
| BT Asiom Agent de Asigurare S.R.L. | 19,990 | 99.95000 | 19,990 | 99.95000 |
| BT Asset Management SAI S.A. | 3 | 0.000040 | 3 | 0.000040 |
| BT Direct IFN S.A. | 16 | 0.000060 | 16 | 0.000060 |
| Total | 69,539 | | 69,539 | |

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

Notes to the condensed interim consolidated and separate financial statements

22. Premises and equipments

- in RON -

| <i>Group</i> | <i>Computers and equipment</i> | <i>Vehicles</i> | <i>Other tangible assets</i> | <i>Total</i> |
|---|--------------------------------|------------------|------------------------------|------------------|
| Gross book value | | | | |
| Balance as at 1 January 2018 | 459,531 | 4,201,557 | 108,422 | 4,769,510 |
| Acquisitions | 216,491 | 73,717 | 15,075 | 305,283 |
| Amounts taken over through acquisitions and mergers | 16,468 | 78,063 | 71,311 | 165,842 |
| Disposals | 17,105 | 206,591 | 27,430 | 251,126 |
| Balance as at 31 December 2018 | 675,385 | 4,146,746 | 167,378 | 4,989,509 |
| Balance as at 1 January 2019 | 675,385 | 4,146,746 | 167,378 | 4,989,509 |
| Acquisitions | 34,509 | 393,356 | 6,267 | 434,132 |
| Disposals | 2,002 | 207,694 | 12,916 | 222,612 |
| Balance as at 30 September 2019 (unaudited) | 707,892 | 4,332,408 | 160,729 | 5,201,029 |
| Accumulated depreciation | | | | |
| Balance as at 1 January 2018 | 417,223 | 2,377,010 | 89,648 | 2,883,881 |
| Depreciation charge for the year | 50,240 | 669,393 | 6,595 | 726,228 |
| Amounts taken over through acquisitions and mergers | 16,468 | 78,063 | 64,584 | 159,115 |
| Accumulated depreciation corresponding to disposals | 16,701 | 177,285 | 23,868 | 217,854 |
| Balance as at 31 December 2018 | 467,230 | 2,947,181 | 136,959 | 3,551,370 |
| Balance as at 1 January 2019 | 467,230 | 2,947,181 | 136,959 | 3,551,370 |
| Depreciation charge for the year | 64,244 | 423,830 | 7,802 | 495,876 |
| Accumulated depreciation corresponding to disposals | 2,002 | 207,694 | 12,916 | 222,612 |
| Balance as at 30 September 2019 (unaudited) | 529,472 | 3,163,317 | 131,845 | 3,824,634 |
| Net book value | | | | |
| Balance as at 1 January 2019 | 208,155 | 1,199,565 | 30,419 | 1,438,139 |
| Balance as at 30 September 2019 (unaudited) | 178,420 | 1,169,091 | 28,884 | 1,376,395 |

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Notes to the condensed interim consolidated and
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22. Premises and equipments

- in RON -

| <i>Company</i> | Computers and equipment | Vehicles | Other tangible assets | Total |
|---|----------------------------|------------------|-----------------------|------------------|
| Gross book value | | | | |
| Balance as at 1 January 2018 | 459,531 | 4,201,557 | 108,422 | 4,769,510 |
| Acquisitions | 216,491 | 73,717 | 15,075 | 305,283 |
| Amounts taken over through acquisitions and mergers | 16,468 | 78,063 | 71,311 | 165,842 |
| Disposals | 17,105 | 206,591 | 27,430 | 251,126 |
| Balance as at 31 December 2018 | 675,385 | 4,146,746 | 167,378 | 4,989,509 |
| Balance as at 1 January 2019 | 675,385 | 4,146,746 | 167,378 | 4,989,509 |
| Acquisitions | 34,509 | 283,912 | 6,267 | 324,688 |
| Disposals | 2,002 | 207,694 | 12,916 | 222,612 |
| Balance as at 30 September 2019 (unaudited) | 707,892 | 4,222,964 | 160,729 | 5,091,585 |
| Accumulated depreciation | | | | |
| Balance as at 1 January 2018 | 417,223 | 2,377,010 | 89,648 | 2,883,881 |
| Depreciation charge for the year | 50,240 | 669,393 | 6,595 | 726,228 |
| Amounts taken over through acquisitions and mergers | 16,468 | 78,063 | 64,584 | 159,115 |
| Accumulated depreciation corresponding to disposals | 16,701 | 177,285 | 23,868 | 217,854 |
| Balance as at 31 December 2018 | 467,230 | 2,947,181 | 136,959 | 3,551,370 |
| Balance as at 1 January 2019 | 467,230 | 2,947,181 | 136,959 | 3,551,370 |
| Depreciation charge for the year | 64,244 | 399,509 | 7,802 | 471,555 |
| Accumulated depreciation corresponding to disposals | 2,002 | 207,694 | 12,916 | 222,612 |
| Balance as at 30 September 2019 (unaudited) | 529,472 | 3,138,996 | 131,845 | 3,800,313 |
| Net book value | | | | |
| Balance as at 1 January 2019 | 208,155 | 1,199,565 | 30,419 | 1,438,139 |
| Balance as at 30 September 2019 (unaudited) | 178,420 | 1,083,968 | 28,884 | 1,291,272 |

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Notes to the condensed interim consolidated and
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23. Intangible assets

- in RON -

Gross book value

Balance as at 1 January 2018

Amounts taken over by consolidation from subsidiaries

Additions

Balance taken over through acquisitions and mergers

Disposals

Balance as at 31 December 2018

Balance as at 1 January 2019

Additions

Disposals

Balance as at 30 September 2019 (unaudited)

Accumulated amortization

Balance as at 1 January 2018

Amounts taken over by consolidation from subsidiaries

Balance taken over through acquisitions and mergers

Depreciation charge for the year

Balance as at 31 December 2018

Balance as at 1 January 2019

Depreciation charge for the year

Balance as at 30 September 2019 (unaudited)

Net book value

Balance as at 01 January 2019

Balance as at 30 September 2019 (unaudited)

| | Group | Company |
|--|------------------|------------------|
| | 1,063,475 | 1,063,475 |
| | 47,537 | - |
| | 378,059 | 378,059 |
| | 416,304 | 416,304 |
| | 61,619 | 61,619 |
| | 1,843,756 | 1,796,219 |
| | 1,843,756 | 1,796,219 |
| | 190,229 | 190,229 |
| | - | - |
| | 2,033,985 | 1,986,448 |
| | 1,010,879 | 1,010,879 |
| | 24,103 | - |
| | 410,433 | 410,433 |
| | 117,720 | 108,650 |
| | 1,563,135 | 1,529,962 |
| | 1,563,135 | 1,529,962 |
| | 179,588 | 172,785 |
| | 1,742,723 | 1,702,747 |
| | | |
| | 280,621 | 266,257 |
| | 291,262 | 283,701 |

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.
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24. Right-of-use assets

- in RON -

| Group and Company | Buildings | Vehicles | Total |
|---|------------------|-----------------|------------------|
| Balance as at 1 January 2019 | - | - | - |
| Adoption of new standards (IFRS 16) | 2,123,747 | 270,115 | 2,393,862 |
| Acquisitions | 511,463 | 344,723 | 856,186 |
| Disposals | 187,901 | - | 187,901 |
| Balance as at 30 September 2019 (unaudited) | 2,447,309 | 614,838 | 3,062,147 |
| Accumulated depreciation | | | |
| Balance as at 1 January 2019 | - | - | - |
| Depreciation charge for the year | 673,169 | 104,629 | 777,798 |
| Accumulated depreciation corresponding to disposals | 117,445 | - | 117,445 |
| Balance as at 30 September 2019 (unaudited) | 555,724 | 104,629 | 660,353 |
| Net book value | | | |
| Balance as at 30 September 2019 (unaudited) | 1,891,585 | 510,209 | 2,401,794 |

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

Notes to the condensed interim consolidated and separate financial statements

25. Other assets

- in RON -

| | Group | | Company | |
|--------------------------------|----------------------------|----------------|----------------------------|----------------|
| | 30-Sep-2019 (unaudited) | 31-Dec-2018 | 30-Sep-2019 (unaudited) | 31-Dec-2018 |
| Inventory and similar elements | 18,252 | 18,903 | 18,252 | 18,903 |
| Prepaid expenses | 28,682 | 15,456 | 24,963 | 14,178 |
| Other assets | 97,553 | 152,710 | 597,553 | 252,710 |
| Value added tax to be received | 964,278 | - | 964,278 | - |
| Value added tax non-deductible | 32,569 | 36,225 | 32,569 | 36,225 |
| Total | 1,141,334 | 223,294 | 1,637,615 | 322,016 |

26. Loans from banks and other financial institutions

- in RON -

| | Group | | Company | |
|---|----------------------------|--------------------|----------------------------|--------------------|
| | 30-Sep-2019 (unaudited) | 31-Dec-2018 | 30-Sep-2019 (unaudited) | 31-Dec-2018 |
| Loans from banks and other financial institutions | 831,226,151 | 771,888,164 | 831,226,151 | 771,888,164 |
| Interest payable and deferred fees | (709,241) | (737,126) | (709,241) | (737,126) |
| Total | 830,516,910 | 771,151,038 | 830,516,910 | 771,151,038 |

Interest rates corresponding to the term loans received by the Company as at 30 September 2019 range from 1.17% to 2.4% for loans in EUR and between 3.08% and 4.29% for loans in RON (2018: 1.17% and 2.50% for loans in EUR and between 1.20% and 3.34% for loans in RON). Interest rates corresponding to the term loans received by the Company as at 30 September 2019 from related parties range from 1.17% to 2.4% for loans in EUR and between 3.08 and 4.29% for loans in RON (2018: 1.17% and 2.50% for loans in and between 1.20% and 3.34% for loans in RON).

27. Provisions for liabilities and charges

The provisions for liabilities and charges are presented as follows:

- in RON -

| | Group | | Company | |
|--|----------------------------|------------------|----------------------------|------------------|
| | 30-Sep-2019 (unaudited) | 31-Dec-2018 | 30-Sep-2019 (unaudited) | 31-Dec-2018 |
| Provisions for other employee benefits | 122,935 | 3,034,884 | 122,935 | 2,878,984 |
| Provisions for litigations | 7,422,716 | 723,724 | 7,422,716 | 723,724 |
| Total | 7,545,651 | 3,758,608 | 7,545,651 | 3,602,708 |

As of 30 September 2019, the Group and the Company have recorded a provision for pensions and other similar benefits in amount of RON 100,016 (31 December 2018: RON 56,012).

As of 30 September 2019, the Group and the Company has recorded a provision of RON 22,919 for untaken holidays (31 December 2018: RON 336,972), a provision of RON 0 for employee bonuses (31 December 2018: RON 2,486,000). As of 30 September 2019, the Group has recorded a provision of RON 0 for employee bonuses and RON 22,919 for untaken holidays (31 December 2018: RON 2,617,500 for employee bonuses and RON 361,372 for untaken holiday).

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BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

27. Provisions for liabilities and charges (*continued*)

Provisions for litigations

The Company analyses periodically the potential risks raised from litigations in which it is involved. In case there is a loss probability above 50% and the value of the potential losses can be estimated reliably a provision is created. The value of the provision remains in the Company's accounts until the litigation is finalised either by winning or by paying the amounts claimed.

On 15 June 2018, the Company received a request from the Competition Council to provide information in the investigation initiated on 20 November 2017 against several banks, non-bank financial institutions, leasing companies, professional associations and employers in the field of financial services. The subject of the investigation (as it appears from the conclusion of the Bucharest Court of Appeal no. 33 dated 22 November 2017) is represented by an alleged violation of article 5 (1) of the Competition Law no. 21/1996, respectively of article 101 (1) of the Treaty on the Functioning of the European Union, through a possible exchange of sensitive information from a competitive point of view between competing companies that act on the financial leasing market, respectively on the consumer loans market, companies which are members of the main professional and employers' associations in the field of financial services.

On 17 October 2019, the Competition Council communicated to the Company and to the other companies under investigation, the investigation report through which it proposed the application of fines, calculated as a percentage from the Company's turnover. During 30 October – 2 December 2019, the Company's management will have to analyse the findings included in the investigation report and will draft up and send to the Competition Council a consolidated point of view on the findings within the report. Subsequently, according to the timetable communicated by the Competition Council, the Company will also participate in the hearings planned to be held starting 12 December 2019.

Currently, at the date of the approval of these financial statements, the Competition Council has not submitted its decision, however as a result of a preliminary assessment performed by the management of the Company over the report received from the Competition Council, the Company has concluded that there is a present obligation resulting as a result of a past event and that it is probable that an outflow of resources that can be reliably estimated will be required in order to settle the obligation. Taken these facts into account, the previous contingent liability recorded at 31 December 2018 year end was recognised as a provision in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the conditions required being fulfilled.

Considering the above the Company has recorded as a provision for litigations, the amount of RON 6,698,992, this being considered the best estimate for the amount required to settle the probable sanction proposed by the Competition Council. The value of the provision was based on the product of the percentage of 8.399% (for the Company) or 8.233% (for ERB Leasing IFN SA) (as specified in the report received from the Competition Council) multiplied with the value of the Income from leasing operations as it was recorded during the financial year ended 31 December 2018 by the Company and by ERB Leasing IFN SA (company taken over through merger in October 2018).

BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

27. Provisions for liabilities and charges (continued)

Although the Company is prepared to fight these sanctions proposed by the Competition Council during the investigation, there is no assurance that the Competition Council will not impose on the Company the proposed fine, or even a higher fine. By the end of the financial year ended 31 December 2019 the Company will reassess the value of the provision depending on the changes that might occur.

The litigation provision booked as of 30 September 2019 is in amount of RON 7,422,716 (2018: RON 482,395).

The movement in the provision for liabilities and charges is presented below:

- in RON -

| | Group | | Company | |
|--|----------------------------|-------------|----------------------------|-------------|
| | 30-Sep-2019 (unaudited) | 31-Dec-2018 | 30-Sep-2019 (unaudited) | 31-Dec-2018 |
| Balance as at 1 January | 3,758,608 | 2,421,527 | 3,602,708 | 2,421,527 |
| Expenses of provisions for other risks | 44,004 | 3,193,447 | 44,004 | 3,037,547 |
| Expenses of provisions for litigation | 6,698,992 | - | 6,698,992 | - |
| Income from reversal of provisions for litigations and other risks | (2,955,953) | (1,886,659) | (2,800,053) | (1,886,659) |
| Provisions for other risks taken through merger | | 30,293 | | 30,293 |
| Balance at the end of the period | 7,545,651 | 3,758,608 | 7,545,651 | 3,602,708 |

28. Other financial liabilities

- in RON -

| | Group | | Company | |
|---|----------------------------|-------------|----------------------------|-------------|
| | 30-Sep-2019 (unaudited) | 31-Dec-2018 | 30-Sep-2019 (unaudited) | 31-Dec-2018 |
| Suppliers of goods and services | 1,125,802 | 869,441 | 4,809,154 | 3,088,713 |
| Suppliers of goods placed in leasing agreements | 1,501,639 | 1,691,213 | 1,501,639 | 1,691,213 |
| Advances received from customers | 4,814,529 | 5,684,862 | 4,728,666 | 5,600,591 |
| Sundry creditors | 833,408 | 1,110,860 | 839,506 | 1,083,123 |
| Total | 8,275,378 | 9,356,376 | 11,878,965 | 11,463,640 |

29. Other liabilities

- in RON -

| | Group | | Company | |
|---|----------------------------|-------------|----------------------------|-------------|
| | 30-Sep-2019 (unaudited) | 31-Dec-2018 | 30-Sep-2019 (unaudited) | 31-Dec-2018 |
| Amounts due to personnel | 615,585 | 245,972 | 586,106 | 245,795 |
| Amounts due for social security and insurance | 609,915 | 543,107 | 583,162 | 520,159 |
| Value added tax due | | 2,278,194 | | 2,278,194 |
| Other liabilities | 4,993,927 | 348,451 | 4,993,927 | 348,451 |
| Deferred income | - | 1,815 | - | 1,815 |
| Subventions for investments | 16,575 | 22,425 | 16,575 | 22,425 |
| Total | 6,236,002 | 3,439,964 | 6,179,680 | 3,416,839 |

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

30. Share capital and management of capital

Share capital

The nominal share capital of the Company registered with the Trade Registry as at 30 September 2019 consisted of 586,742,113 shares with a nominal value of RON 0.1 each (as at 31 December 2018, it consisted of 586,742,113 shares with a nominal value of RON 0.1 each). The share capital was entirely paid at 30 September 2019 and at 31 December 2018.

The shareholding structure at 30 September 2019 was as follows:

| | Number of ordinary shares owned by the shareholders | | | |
|--|---|-------------------|------------------------|-------------|
| | Banca Transilvania SA | BT Investment SRL | BT Capital Partners SA | Total |
| At 30 September 2019 (unaudited) | 369,454,751 | 217,287,337 | 25 | 586,742,113 |
| Ownership percentage (%) | 62.967144% | 37.032852% | 0.000004% | 100.000000% |
| Nominal value of the shares owned (in RON) | 36,945,475 | 21,728,733 | 3 | 58,674,211 |

The Group is owned, through direct shareholders, in a percentage of 100% by Banca Transilvania SA. In 2002 and 2003, inflation adjustments were made on equity elements amounting to RON 898,333 in compliance with IAS 29 "Financial Reporting in Hyperinflationary Economies" since the Romanian economy was a hyperinflationary economy until 31 December 2003.

Management of capital

From the point of view of capital management, the Company must comply with the provisions of the Company Law no. 31/1990 republished and in particular the provisions of article 153²⁴ stating that the value of the net assets of the company, determined as the difference between the total assets and the total liabilities thereof, must not be reduced to less than half the value of the subscribed share capital, otherwise the extraordinary general meeting of shareholders must decide on the state of the company. At the time of preparing these financial statements, the Group and the Company complied with the above provisions.

31. Legal reserves and other reserves

As at 30 September 2019, the reserves set-up at Group level are in amount of RON 10,686,887 (31 December 2018: RON 8,203,447), and the reserves of the Company are in amount of RON 10,562,175 (31 December 2018: RON 8,078,735). These include statutory reserves and other reserves set-up by the Group and by the Company in accordance with the applicable regulations. The legal reserve is set-up in accordance with the local regulations that require that a minimum of 5% from the Company's net profit must be transferred to a non-distributable reserve account until the reserve reaches 20% of the Company's share capital. According to Law no. 227/2017 which refers to the Fiscal Code, art. 26 point (5), the transfer of a provision or a reserve is not considered a reduction or a cancelation of the respective provision or reserve if another fiscal entity assumes them and keeps them at the same value before the transfer. Consequently, in order to comply with this regulation, the Company decided to keep at the same level the reserves transferred from ERB Leasing IFN SA as part of the merger in amount of RON 752,956.

32. Commitments and contingencies

The Group has signed finance lease agreements with its customers for which the goods have not yet been delivered by the suppliers until the end of the reporting period. As of 30 September 2019, the value of these contracts is in amount of RON 32,367,525 (31 December 2018: RON 25,347,612). The Group concluded rental agreements for offices and for the storage of recovered assets from terminated lease agreements.

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

33. Related party transactions

| <u>Controlling company</u> | <u>Controlled companies</u> | <u>Other companies</u> |
|----------------------------|--|----------------------------|
| Banca Transilvania | BT Intermediari Agent de Asigurare SRL | BT Asset Management SAI SA |
| | BT Solution Agent de Asigurare SRL | BT Direct IFN SA |
| | BT Safe Agent de Asigurare SRL | Bancpost SA |
| | BT Asiom Agent de Asigurare SRL | |

The transactions with related parties are presented below:

- in RON -

| Group Assets | 30-Sep-2019 (unaudited) | | | | 31-December-2018 | | | |
|--|-------------------------|--------------------------------|-----------------------|-------------|--------------------|--------------------------------|-----------------------|-------------|
| | Banca Transilvania | Key management personnel | Other related parties | Total | Banca Transilvania | Key management personnel | Other related parties | Total |
| | | | | | | | | |
| Cash and cash equivalents | 11,941,123 | - | - | 11,941,123 | 3,135,696 | - | - | 3,135,696 |
| Equity investments | - | - | 19 | 19 | - | - | 19 | 19 |
| Finance lease receivables | - | 79,618 | - | 79,618 | - | 107,203 | - | 107,203 |
| Other assets | - | - | - | - | - | - | - | - |
| Liabilities | | | | | | | | |
| Loans from banks and other financial institutions | 442,587,908 | - | - | 442,587,908 | 321,694,350 | - | - | 321,694,350 |
| Other liabilities | 228,760 | - | - | 228,760 | 234,059 | - | - | 234,059 |
| Statement of Profit or Loss | | 30-Sep-2019 (unaudited) | | | | 30-Sep-2018 (unaudited) | | |
| Interest income | 179,446 | - | - | 179,446 | 86,768 | - | - | 86,768 |
| Interest expense | 6,001,199 | - | - | 6,001,199 | 4,201,538 | - | - | 4,201,538 |
| Other operating income | - | 3,910 | - | 3,910 | - | 4,948 | 93,537 | 98,485 |
| Income from impairment allowance on lease receivables | - | - | - | - | - | - | 514,746 | 514,746 |
| Expenses with impairment allowance for lease receivables | - | - | 438,426 | 438,426 | - | - | 187,034 | 187,034 |
| Other operating expenses | 861,129 | - | - | 861,129 | 779,020 | - | - | 779,020 |

The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements

Notes to the condensed interim consolidated and separate financial statements

31-December-2018

30-Sep-2019 (unaudited)

30-Sep-2018 (unaudited)

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Notes to the condensed interim consolidated and separate financial statements

33. Related party transactions (*continued*)

The parties are related if one of these has the ability to control the other party or to exercise significant influence on the other entity's management process related to financial or operational decisions.

During 2019, the Group concluded a series of transactions with the related parties, in contractual terms like its normal activity. The Group and the Company are engaged in related party transactions with other entities from BT Group, its shareholders and its key management personnel. All these transactions, including contractual interest rates and collateral conditions, have been performed at arm's length, similar with transactions with third parties. For consolidation purpose the transactions/balances with subsidiaries have been eliminated.

The transactions with other related parties include transactions with the most important shareholders, the members of the key personnel of the management and the companies where they are shareholders, and which have a relationship with the Company. The main transactions includes the leasing of some properties, the contracting of interest bearing loans, the signing of leasing contracts and the management of bank accounts.

34. Merger with ERB Leasing IFN S.A.

On 24 November 2017, Banca Transilvania S.A. signed the purchase agreement for the acquisition of the majority stake (99.14675%) held by Eurobank Group in the share capital of Bancpost S.A., whereby Banca Transilvania acquired the entire stake of Eurobank Group. According to the transaction, Banca Transilvania Financial Group has acquired the full equity participations in the Eurobank Group subsidiaries located in Romania, notably ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. Following the acquisition of ERB Leasing IFN by BT Group no new equity instruments have been issued by BT Group. The BT Group took control over these entities on 3 April 2018, the date at which the consideration was transferred in exchange of the stake held by the Eurobank Group.

On 17 August 2018, as approved by the Extraordinary General Meetings of Shareholders, the Company's shareholders decided on the merger by absorption of SC BT Transilvania Leasing IFN SA, as absorbing entity, with ERB Leasing IFN SA as absorbed entity.

Following the merger process, the absorbed entity transferred all its assets and liabilities to the absorbing entity. From a legal point of view, the absorbing entity obtained all the rights and held all the obligations of the absorbed entity. The effect of the merger process was the dissolution without liquidation of ERB Leasing IFN SA on 12 October 2018. The merger process was finalised on 11 October 2018.

Both ERB Leasing IFN SA and BT Leasing Transilvania IFN SA are entities under the common control of Banca Transilvania SA and the Company made the choice to reflect the merger in its accounts using the predecessor accounting method in which the assets and liabilities transferred are recorded at the carrying value in which they are included in the consolidated financial statements of BT Group.

At the merger date the fair value of the net assets of the absorbed entity into BT Group consolidated accounts was RON 32,019,010, which was also reflected into the accounts of the absorbing entity. The share capital increase was of RON 13,673,035. The cash taken over from the absorbing entity was of RON 5,108,204 at the date of the merger.

BT Leasing Transilvania IFN S.A.

Notes to the condensed interim consolidated and separate financial statements

35. Events after the end of the reporting period

There were no events subsequent to the reporting period that were significant for the Group and the Company for the financial period ended 30 September 2019, except for the receipt by the Company of the investigation report issued by the Competition Council on 17 October 2019, as presented in Note 27.

The financial statements were approved on 2 December 2019 and were signed by:

Ionut Calin Morar
General Manager



Sabina Moldovan
Financial Manager



The explanatory notes to the financial statements from page 7 to page 30 are an integral part of these financial statements