



**BT Leasing<sup>®</sup>**

Grupul Financiar Banca Transilvania

CUI: RO 74 24 1 19

R.G.- P.J.R.-13-110079/13.07.2016

R.S.- P.J.R.-13-110012/13.07.2016

Nr. Înreg. Reg. Com.: J12/1096/95

IBAN RO98BTRL01301202925686XX

**BT LEASING TRANSILVANIA IFN SA**

Consolidated Financial Statements

as at 31 December 2017 and 31 December 2016

Prepared in accordance with the International Financial Reporting  
Standards endorsed by the European Union

**BT LEASING TRANSILVANIA IFN SA**

**CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 AND  
31 DECEMBER 2016**

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**BT LEASING TRANSILVANIA IFN SA**

**CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER  
COMPREHENSIVE INCOME**

**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016  
in RON**

	<b>Note</b>	<b>2017</b>	<b>2016</b>
Interest income	7	56,029,395	40,955,373
Interest expenses	8	(10,479,144)	(7,581,831)
<b>Net interest income</b>		<b>45,550,251</b>	<b>33,373,542</b>
Fee and commission income	9	155,551	154,308
Fee and commission expense	10	(548,720)	(1,185,948)
<b>Net fee and commission expense</b>		<b>(393,169)</b>	<b>(1,031,640)</b>
Other net financial income	11	3,606,348	2,373,417
Other operating income	12	20,405,807	20,940,253
Net expenses from repossessed assets	13	(2,592,708)	(11,634,576)
Impairment charge for financial leases and related receivables	14	(25,466,912)	(5,578,940)
Net income/expense related to other impairment adjustments and other provisions	15	1,647,849	(4,490,927)
Personnel expenses	16	(12,330,277)	(11,214,042)
Other general and administrative expenses	17	(6,476,427)	(5,075,716)
Expenses with depreciation of fixed assets	18	(834,727)	(844,346)
<b>Profit before tax</b>		<b>23,116,035</b>	<b>16,817,025</b>
Income tax expense	19	(3,221,761)	(3,294,915)
<b>Net profit for the financial year</b>		<b>19,894,274</b>	<b>13,522,110</b>

The consolidated financial statements were approved by the Board of Directors on 04 May 2018 and were signed on behalf of the Board by:

Ionut-Calin Morar  
Chief Executive Officer



Sabina Moldovan  
Director - Finance



**BT LEASING TRANSILVANIA IFN SA****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016**  
**in RON**

	<b>Note</b>	<b>2017</b>	<b>2016</b>
<b>Assets</b>			
Cash and cash equivalents	20	25,932,692	28,179,436
Reposessed asstes	21	7,630,833	4,850,574
Financial leasing receivables	22	714,248,839	480,809,050
Intangible assets	24	52,596	98,489
Other assets	25	8,526,193	8,305,499
Tangible assets	23	1,885,629	1,612,859
Deferred tax	26	1,325,250	926,285
<b>Total assets</b>		<b>759,602,032</b>	<b>524,782,192</b>
<b>Liabilities</b>			
Loans from banks and other financial entities	27	622,263,237	417,146,090
Other liabilities	29	30,969,219	12,293,708
Provisions	28	2,421,527	1,288,619
<b>Total liabilities</b>		<b>655,653,983</b>	<b>430,728,417</b>
<b>Equity</b>			
Share capital	30	45,899,509	45,899,509
Reserves	31	5,638,444	4,428,280
Retained earnings		52,410,096	43,725,986
<b>Total equity</b>		<b>103,948,049</b>	<b>94,053,775</b>
<b>Total equity and liabilities</b>		<b>759,602,032</b>	<b>524,782,192</b>

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Chief Executive Officer



Sabina Moldovan  
Director - Finance



**BT LEASING TRANSILVANIA IFN SA****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY****FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016  
in RON**

	<u>Share capital</u>	<u>Reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
<b>Balance as at 1 January 2016</b>	<b>45,899,509</b>	<b>3,548,393</b>	<b>31,083,764</b>	<b>80,531,666</b>
<b>Comprehensive income items</b>				
Comprehensive income for the financial year	-	-	13,522,110	13,522,110
Reserves	-	879,887	(879,887)	-
<b>Balance as at 31 December 2016</b>	<b>45,899,509</b>	<b>4,428,280</b>	<b>43,725,987</b>	<b>94,053,776</b>
<b>Comprehensive income items</b>				
Comprehensive income for the financial year	-	-	19,894,273	19,894,273
Reserves	-	1,210,164	(1,210,164)	-
Distribution of dividends	-	-	(10,000,000)	(10,000,000)
<b>Balance as at 31 December 2017</b>	<b>45,899,509</b>	<b>5,638,444</b>	<b>52,410,096</b>	<b>103,948,049</b>

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Ionut-Calin Morar  
Chief Executive Officer



Sabina Moldovan  
Director - Finance



# BT LEASING TRANSILVANIA IFN SA

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016  
in RON

	Note	2017	2016
<b>Operating activities</b>			
<i>Profit before tax</i>		23,116,035	16,817,025
<b>Adjustments for non-monetary items</b>			
Tangible and intangible assets depreciation expense	18	834,727	844,346
Impairment adjustments for lease receivables	14	(785,242)	(13,717,568)
Provisions and impairment adjustments for other assets	14	1,266,506	(37,607)
Interest income from banks		(48,780)	(57,891)
Interest expense		10,177,125	7,894,372
Revenue from dividends	11	(2,839,226)	(1,478,747)
Other adjustments for non-monetary items		(394,289)	5,838,847
Operating profit before changes in operating assets and liabilities		<b>31,326,856</b>	<b>16,102,777</b>
Increase of net investment in financial leasing		(234,533,662)	(165,452,622)
(Increase) / Decrease of other assets		(1,486,702)	336,363
Increase in loans and other debts		194,940,024	142,595,183
Increase in trade and other payables		18,675,511	4,701,586
Income tax		(3,221,761)	(3,294,915)
<b>Net cash flow from / (used in) operating activities</b>		<b>5,700,266</b>	<b>(5,011,628)</b>
<b>Investment activities</b>			
Acquisition of tangible and intangible assets		(914,633)	(4,944)
Sale of tangible and intangible assets		79,616	81,243
Sale of subsidiary shares		-	1,100
Bank interest earned		48,780	57,891
Dividends collected	11	2,839,226	1,478,747
<b>Net cash flow from investments</b>		<b>2,052,989</b>	<b>1,614,037</b>
<b>Financing activities</b>			
Dividends paid		(10,000,000)	-
<b>Net cash flow used in financing</b>		<b>(10,000,000)</b>	<b>-</b>
<b>Cash and cash equivalents at start of period</b>		<b>28,179,437</b>	<b>31,577,028</b>
Net increase in cash and cash equivalents		(2,246,745)	(3,397,591)
<b>Cash and cash equivalents at end of period</b>	20	<b>25,932,692</b>	<b>28,179,437</b>

The consolidated financial statements were approved by the Board of Directors on 04 May 2018 and were signed on behalf of the Board by:

Ionut-Calin Morar  
Chief Executive Officer

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Sabina Moldovan  
Director Finance

# BT LEASING TRANSILVANIA IFN SA

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016  
in RON

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### 1. THE REPORTING ENTITY

BT Leasing Transilvania IFN SA (hereinafter "the Company") was established in 1995, having as its main line of business the financing of the purchase of motor vehicles and equipment under financial leasing agreements by corporate entities and individuals from Romania. The company is part of the Banca Transilvania Group (BT Group). Its parent and ultimate controlling party is Banca Transilvania SA.

By applying the terms of the Government Ordinance no. 28/2006, the Company was registered in the Special Register of the National Bank of Romania in, as a non-banking financial institution, and runs its business according to the regulations issued by the National Bank of Romania

The address of the registered office of the Company is 74-76, Constantin Brancusi Street, Cluj Napoca.

As at 31 December 2017, the Company had 118 active employees (31 December 2016: 107 active employees).

The company is headed by a Board of Directors consisting of three members, president included:

<u>Position</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
President	Hanga Radu	Hanga Radu
Member	Tiberiu Moisa	Tiberiu Moisa
Member	Szekely Daniel	Gueorguiev Ivo-Alexandrov

### 2. BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### (a) Declaration of conformity

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS"), at 31 December 2017 and 31 December 2016.

The company owns the following subsidiaries: BT Intermedieri Agent de Asigurare SRL, BT Solution Agent de Asigurare SRL, BT Safe Agent de Asigurari SRL and BT Asiom Agent de Asigurare SRL.

**(b) Basis of evaluation**

The consolidated financial statements have been prepared on the basis of the historical costs conversion.

**(c) The functional and the presentation currency**

Items included in the financial statements of each of the Group's entities are measured by using the currency of the primary economic environment in which the particular entity operates ("the functional currency"). The functional currency of the entities within the Group is the Romanian leu "RON", euro ("EUR"). The consolidated financial statements are presented in Romanian lei "RON".

**(d) Use of significant estimates and judgments**

The preparation of the consolidated financial statements in accordance with the IFRS 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.

Information about estimates used in the application of the accounting policies which have a significant impact on the consolidated financial statements, as well as the estimates involving a significant degree of uncertainty, are described in Note 5.

**(e) Changes to corporate accounting policies**

During 2017, the Company did not make any changes to its accounting policies.



### 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently by the Group entities throughout all the periods presented in these consolidated and separate financial statements.

#### a) **Basis for consolidation**

The financial information in the consolidated financial statements include the parent company together with its subsidiaries subject to consolidation.

#### i) **Subsidiaries**

The Group's subsidiaries are the entities under the Group's direct and indirect management control. The management control of an entity is reflected by the group's capacity to exercise its authority in order to influence any variable profit to which the Group is exposed based on its involvement in the entity.

The factors that the Group must consider when deciding to include an entity in the consolidation are the following:

- the purpose and activity object of the entity;
- the entity's relevant activities and the manner in which they are determined;
- whether the Group's rights ensure its capacity to manage the entity's relevant activities;
- whether the Group is exposed or entitled to variable profit;
- whether the Group can use its capacity in order to influence profits.

If voting rights are relevant, the Group is considered to be in control if it holds, directly or indirectly, more than half of the voting rights of an entity, except when there is proof that another investor has the capacity of control over the relevant activities. Potential voting rights considered as substantial are also taken into account when determining the control of the entity.

Moreover, the Group controls an entity even if it does not hold the majority of the voting rights, but however has the effective capacity to control the entity's relevant activities. This situation may occur when the dimension and dispersion of the shareholders' participations give authority to the Group to control the activities subject to investment.

The subsidiaries are included in the consolidation starting from the date when the management capacity is transferred to the Group.

The Group reevaluates the status of consolidation on a regular basis by considering control of the entities subject to investment.

Therefore, any structural modification leading to the change of one or several control parameters is subject to revaluation. Such modification may include the change of the decision-making rights, changes in the contractual terms, financial or capital structure modifications, modifications caused by an event anticipated upon the initial documentation.

**ii) *Non-controlling interest***

The Group presents the non-controlling interest in its consolidated financial position within equity, separated from the equity of the parent company's owners.

The non-controlling interest is measured proportionally with the percentage held in the net assets of the subsidiary. Changes in ownership interest which do not result in the loss of parent control of the subsidiary, are reflected as equity transactions.

**iii) *Loss of control***

If the parent loses the control of a subsidiary, it derecognizes the assets (including goodwill), the liabilities and the book value of any non-controlling interest at the date such control is lost. Any gain or loss arising from the loss of control is recognized in the profit or loss account.

Upon the loss of control over a subsidiary, the Group: a) derecognizes the assets (including the attributable goodwill) and liabilities of the subsidiary at their book value, b) derecognizes the book value of any non-controlling interests held in the former subsidiary, c) recognizes the consideration received at fair value, as well as any distribution of the subsidiary's shares, d) recognizes any investment in the former subsidiary at fair value and e) recognizes any difference resulting from the above elements as profit or loss in the income statement.

Any amounts recognized in the previous periods as other items of comprehensive income in relation to the respective subsidiary, shall be either reclassified in the consolidated statement of profit or loss or transferred to retained earnings, if required by other IFRS standards.

**iv) *Transactions eliminated from consolidation***

Intra-group settlements and transactions, as well as any unrealized gains resulted from the intra-group transactions have been fully eliminated in the preparation of the consolidated financial statements. Unrealized gains resulted from transactions with related entities and jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016  
in RON

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Unrealized gains resulted from transactions with related entities are eliminated in correlation with the investment in the related entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

v) ***Unconsolidated entities***

If the Group holds participations in subsidiaries or related entities which are immaterial in terms of total assets and off-balance sheet items as compared to the total assets and balance sheet items of the Group, the parent company does not include them in the consolidation basis.

b) **Foreign currency transactions**

i) ***Foreign currency transactions***

Transactions in foreign currency are recorded in RON at the official exchange rate at the date of the transaction. The exchange rate differences resulting from such transactions denominated in foreign currency are reflected in the statement of profit or loss at the transaction date and using the exchange rate valid at the respective date.

Monetary assets and liabilities denominated in foreign currencies at the date of the consolidated and separate statement of financial position are translated to the functional currency at the exchange rate valid at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated in the functional currency by using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rate valid at the date when the fair value is determined.

FX differences are recognized in profit or loss.

ii) ***Translation of foreign currency operations***

The result and financial position of operations denominated in a currency different from the functional and presentation currency of the Group are translated into the presentation currency as follows:

- the assets and liabilities of this entity, both monetary and non-monetary, were translated at the closing rate at date of the consolidated and separate statement of financial position;

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016  
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- income and expense items of these operations were translated at the average exchange rate of the period, as an estimate of the exchange rates at the dates of the transactions; and
- all resulting exchange differences have been classified as equity until the disposal of the investment.

The exchange rates of the main foreign currencies at the end of the reporting period were as follows:

<u>Currency</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Dollar (USD)	1: RON 3.8915	1: RON 4.3033
Eur (EUR)	1: RON 4.6597	1: RON 4.5411

**c) Accounting method for the effect of hyperinflation**

According to IAS 29 and IAS 21, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, should be stated in terms of the current purchase power of the currency at the date of the consolidated and separate statement of financial position i.e. nonmonetary items are restated using a general price index from the date of acquisition or contribution. IAS 29 stipulates that economies should be regarded as hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years exceeds 100%. The continuously decreasing inflation rates and other factors related to the characteristics of the economic environment in Romania indicate that the economy whose functional currency was adopted by the Group ceased to be hyperinflationary, with effect on the financial periods starting from 1 January 2004. Therefore, the provisions of IAS 29 have no longer been adopted in preparing the consolidated and separate financial statements.

Accordingly, the amounts expressed in the current measurement unit at 31 December 2003 have been treated as a basis for the carrying amounts in the consolidated and separate financial statements and do not represent appraised values, replacement cost, or any other measurement of the current value of assets or the prices at which transactions would take place at the current time.

**d) Interest income and expenses**

Interest income and expenses related to financial investments are recognized in the income statement at accrual basis using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over a relevant period. The effective interest rate is the exact rate which adjusts the estimated future cash flows payable or receivable throughout the expected life of the financial instrument or, when appropriate, a shorter period, with the net carrying amount of the financial asset or financial liability.

Notes to the Consolidated Financial Statements

When calculating the effective interest rate, the Group estimate future cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options), but without considering future credit losses. The calculation includes all fees and commissions paid or received between the contractual parties, which are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Fair value changes of derivative instruments held for hedging and other financial assets and liabilities at fair value are presented in the net trading income resulted from other financial instruments at fair value through profit or loss.

Once a financial asset or a group of similar financial assets has recorded an impairment loss, the interest income is thereafter recognized using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss applied on the net carrying value of the asset.

The subsequent upwards reassessments of the cash flows from loans and advances to clients further to a business combination are presented as part of the interest revenue.

Considering the source of revenue resulting from the upwards reassessments of the voluntary cash flows, the Group adjusted the balance of the amortized cost of the loan portfolio with an amount calculated by discounting the expected future cash flows to the present value by using the initial effective interest rate. This adjustment is the result of a modification in the Group's estimates for the amounts that are to be collected, compared to the initial estimation at the initial valuation and recognition date.

**e) Fee and commission income**

Fee and commission income arises from financial services provided by the Group and the Company: leasing tax and administration commission.

Fee and commission income directly attributable to the financial asset or liability upon origination (both income and expense) is included in the measurement of the effective interest rate. Leasing commitment fees are amortized together with the related direct costs and are recognized as an adjustment of the effective interest rate of the lease.

Other fee and commission income arising from the financial services provided by the Group, including management services, contract services fees, is recognized in the profit of the period when the related service is provided.

Notes to the Consolidated and Separate Financial Statements

**f) Dividend income**

Dividend income is recognized in profit or loss at the date when the right to receive such income is established and it is probable that the dividends will be collected. Dividends are reflected as a component of other operating income. Dividends are treated as a distribution of profit for the period in which they are declared and approved by the General Meeting of Shareholders.

For some of the Company's subsidiaries, the only profit available for distribution is the profit for the year recorded in the Romanian statutory accounts, which differs from the profit in these consolidated and separate financial statements prepared in accordance with IFRS, as endorsed by European Union, due to the differences between the applicable Romanian Accounting Standards and IFRS, as endorsed by the European Union.

**g) Lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease contract. Leasing incentives received are recognized as an integral part of the total lease expense, over the term of the leasing contract. Operating lease expense is recognized as a component of operating expenses.

Minimum lease payments made under financial leases are apportioned between the interest expense and the reduction of the outstanding liability. The interest expense is allocated to each leasing period during the leasing term, so as to produce a constant interest rate on the remaining liability balance. Contingent lease payments are recognized as expense during the period in which they are made.

**h) Income tax expense**

Income tax for the year includes the current tax and the deferred tax. The income tax is recognized in the result for the year or in the shareholders' equity, if the tax is related to shareholders' equity items.

Current tax is the tax payable with respect to the profit for the period, determined based on the percentages applied at the date of the consolidated statement of financial position and all the adjustments related to the previous periods. The adjustments which influence the fiscal base of the current tax are: non-deductible expenses, non-taxable income, similar expense/ income items and other tax deductions.

According to the local tax regulations, the fiscal loss of the company that ceases to exist further to a legal merger by absorption can be acquired and recovered by the absorbing entity. The annual fiscal loss starting 2009, established through the tax statement shall be recovered from the taxable income of the next 7 consecutive years.

For the unutilized fiscal losses, the deferred tax assets are recognized only to the extent to which it is probable to obtain taxable profit in the future after compensation with the tax loss from the previous years and with the recoverable tax on profit. Deferred tax assets are diminished to the extent to which the related tax benefits are unlikely to be achieved. Deferred tax claims are diminished to the extent to which the related tax benefits are unlikely to be achieved.

The tax rate used to calculate the current and deferred tax position at 31 December 2017 is 16% and at 31 December 2016 is 16%.

**i) Financial assets and liabilities**

**(i) Classification**

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

*Loans and receivables which* are financial assets with fixed or determinable payments which are not quoted on an active market, other than those that the Group intend to sell immediately or in the near future, those that the Group, upon initial recognition, designate at fair value through profit or loss, those that the Group, upon initial recognition, designate as available-for-sale or those for which the holder may not recover substantially all of its initial investment, for reasons other than credit deterioration. Loans and receivables comprise lease investments.

*Financial assets are valued* at cost for equity instruments for which there is no active market for identical instruments and their fair value can not be reliably determined. The Company classified in this category participations in immaterial unconsolidated subsidiaries.

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FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016  
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**(ii) Recognition**

Financial assets and financial liabilities are initially recognized at fair value plus directly attributable transaction costs, in case of financial assets and financial liabilities.

**(iii) Derecognition**

The Group derecognize a financial asset when the contractual rights to the cash flows resulting from the respective asset expire, or when the Group transfer the rights to receive the contractual cash flows related to the financial asset within a transaction in which all the risks and benefits of ownership of the financial asset are substantially transferred. Any interest in the transferred financial assets created or retained by the Group are recognized as a separate asset or liability.

Upon derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the transferred portion of the asset), and the sum of (1) the consideration received (including any new asset obtained less any new liability assumed) and (2) any cumulative gain or loss that would be recognized in other comprehensive income, is recognized in the income statement.

The Group derecognize a financial liability when its contractual settled obligations are cancelled or expire.

The Group enter into transactions whereby they transfer assets recognized on the consolidated financial position, but they retain either all risks or rewards of the transferred assets or a portion thereof. If all or a substantial portion of risks and rewards are retained, then the transferred assets are not derecognized from the consolidated and separate financial position. Transfers of assets with retention of all risks and rewards or of a substantial portion thereof include, for example, securities lending and repurchase transactions.

**(iv) Offsetting**

Financial assets and liabilities are offset and the net amount reported in the consolidated and separate statement of financial position when and only when there is a legal enforceable right to set off the recognized amounts and there is an intention to settle them on a net basis, or to realize the asset and clear the liability simultaneously.

Incomes and expenses are presented on a net basis only when permitted by the accounting standards, or as profit and loss arising from a group of similar transactions, such as in the Group's trading activity.



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FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016  
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**(v) Amortized cost measurement**

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured upon initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, less any reduction for impairments on assets.

**(vi) Fair value measurement**

Fair value is the price that would be received after the sale of an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date, in principal, or, in its absence, the price on the most advantageous market to which the Group have access at the respective date. The fair value of liability reflects its non-performance risk.

When available, the Group measure the fair value of an instrument using the quoted price on an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price on an active market, then the Group use valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The selected valuation technique incorporates all of the factors that market participants would take into account when pricing a transaction.

The best evidence of fair value of a financial instrument upon initial recognition is normally the transaction price – the fair value of a consideration given or received. If the Group determine that the fair value upon initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price on an active market for an identical asset or liability, nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value upon initial recognition and the transaction price.

Subsequently, that difference is recognized in the income statement on an appropriate basis over the life of an instrument, but no later than when the valuation is wholly supported by observable market data or the transaction is closed.

The Group recognize the transfers between hierarchical fair value levels at the end of the reporting period during which the change has occurred.

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FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016  
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**(vii) Identification and measurement of impairment**

At each date of the consolidated and separate statement of financial position, the Group assess whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired.

A financial asset or a group of financial assets is impaired only if there is objective evidence regarding its impairment as a result of one or more events occurred after the initial recognition ("loss generating event"), and the loss generating event(s) has an impact on the future cash flows of the asset that can be estimated reliably.

It is probable that the identification of a single event responsible for the impairment may be difficult. Impairment may have been caused by the combined effect of multiple events. The expected losses as a result of future events, regardless of their probability, are not recognized.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the updated value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current variable interest rate, specified in the contract. The asset's accounting value can be decreased directly or by using an impairment account. The expense with impairment losses is recognized in the statement of profit or loss.

If during a future period, an event that took place after the date of impairment recognition generates a decrease in the impairment expense, the formerly recognized impairment loss is restated either directly or through the adjustment of an impairment account. The impairment decrease is recognized in the statement of profit or loss.

***Financial leasing receivables***

The Group, based on their internal methodology for impairment assessment, have included information on the following loss events, as objective evidence for the impairment of financial leasing receivables:

- a) significant financial difficulty of the borrower (lessee) determined in accordance with the Group's internal rating system;
- b) a breach of contract, such as a default or delay in interest or principal payments (individually and in the same group of borrowers);

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- c) the lender, due to economic or legal reasons relating to the borrower's or the lessee's financial difficulty, grants to the borrower certain concessions that the lender would not have otherwise considered, such as rescheduling the interest or principal payments;
- d) there are indications that the client will enter bankruptcy or other financial reorganization;
- e) credible information indicating a measurable decrease in the estimated future cash flows of a group of financial assets, starting from the date of initial recognition, although the decrease cannot be identified for each individual asset, including:
  - unfavorable change in the payment behavior of the Group's debtors, or
  - national or local economic circumstances that can be correlated with the loss/depreciation of the Group's assets.

The Group assess whether objective evidence of impairment exists as described above, individually for loans to customers and financial leasing receivables that are individually significant, and individually or collectively for loans to customers and financial leasing receivables that are not individually significant.

If the Group determine that no objective evidence of impairment exists, as presented above, with respect to an individually assessed financial asset, whether significant or not, they shall include the financial leasing receivables into a group with similar credit risk characteristics and shall collectively assess them for impairment.

The financial leasing receivables individually assessed, for which an individual impairment is recognized or continues to be recognized, are no longer included in the groups with similar credit risk characteristics under the collective assessment.

The calculation of the present value of the future cash flows of a collateralized financial leasing receivable reflects the cash flows that may result from foreclosure, less the costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective assessment of impairment, financial leasing receivables are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due, according to the contractual terms (for example, grouping based on separate lines of business, currency, maturity, debt service and so on).

The management considers that these selected characteristics are the best estimates of credit risk features, being relevant for the estimation of future cash flows for groups of such loans and financial leasing receivables, and being indicative of the debtors' ability to pay all amounts due according to the contractual terms.

Future cash flows in a group of financial leasing receivables collectively evaluated for impairment are estimated on the basis of historical loss experience related to loans and financial leasing receivables with credit risk characteristics similar to those of the Group.

Historical loss is adjusted on the basis of current observable data in order to reflect the effects of current conditions that did not affect the period on which the historical loss was calculated and to remove the effects of conditions in the historical period that do no longer apply.

The Group regularly review the methodology and assumptions used to estimate future cash flows to reduce differences between estimated and actual losses.

***Financial assets carried at cost***

If there is objective evidence that an impairment loss has been incurred on an unlisted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to or is to be settled by delivery of such an unlisted instrument, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the updated value of estimated future cash flows by using the current market rate of return for a similar financial asset. At derecognition such impairment losses are not reversed in the income statement.

**j) Derivatives**

**(i) *Derivatives held for risk management purposes***

Derivatives held for risk management purposes include all derivative assets and liabilities that are classified as assets or liabilities held for trading. Derivatives held for risk management purposes are measured at fair value in the consolidated and separate statement of the financial position.

When a derivative is not held for trading, and is not involved in a hedge transaction, all changes in its fair value are recognized immediately in the profit for the period, as a component of net trading income.

As at 31 December 2017 and 31 December 2016 the Group does not hold any derivatives.

**(ii) *Embedded derivatives***

Derivatives may be embedded in another contractual arrangement ("host contract"). The Group account for embedded derivatives separately from the host contract when the host contract is not itself carried through profit and loss, and the characteristics of the embedded derivatives are not clearly and closely related to the host contract. Separate embedded derivatives are accounted for depending on their classification and are presented in the consolidated and separate statement of the financial position together with the host contract.

**k) Financial leasing receivables**

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

An allowance for impairment is established if there is objective evidence that the Company will not be able to collect (or recover by realising the collateralised vehicle) the amount due over the remaining life of the lease according to the original contractual terms. Impairment indicators consist of either specific information regarding lessee's insolvability or 45 - 60 days of delay since current lease instalments became overdue. The amount of the provision is the difference between the carrying amount of the due and not yet due lease receivable at the time the lease is considered doubtful and the present value of expected proceeds arising from sale of the leased assets discounted at the original effective interest rate of the lease.

**(i) Loans and advances**

Investments in securities such as corporate bonds are classified as loans and advances and are held at amortized cost using the effective interest rate method.

**l) Tangible assets**

**(i) Recognition and measurement**

Tangible assets are historical cost less accumulated depreciation and impairment losses (if any).

*Measurement upon initial recognition*

The cost of a fixed asset item consists in:

- a) the acquisition price, including customs charges and non-refundable acquisition costs, after the deduction of all commercial discounts;
- b) any costs directly incurred in order to bring the asset at the adequate location or condition required by the management for proper functioning.

The costs of tangible assets in progress are capitalized if the criteria for tangible asset recognition are met, notably: they generate future economic benefits, they can be measured reliably and they lead to the improvement of technical parameters, ensuring an ongoing use of the assets under normal conditions. The costs for maintenance and current repairs are not recognized under assets. Tangible assets in progress are recognized as tangible assets at the moment of reception and deployment.

Leasing agreements in which the Group assume substantially all the risks and rewards of ownership are classified as finance leases. Tangible assets acquired by finance lease are stated at an amount equal to the lower between its fair value and the updated value of the minimum leasing payments from the leasing beginning date, less the accumulated depreciation and impairment losses.

**(ii) Subsequent costs**

The Group recognize in the carrying amount of tangible assets the cost of replacing such an item when that cost is incurred or if it is probable that the future economic benefits embodied with the item may be transferred to the Group and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

**(iii) Depreciation**

Depreciation is calculated on a straight-line basis over the estimated useful life of each item of tangible assets. Assets acquired through leasing are depreciated over the shorter period between the lease term and their useful life. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	50 years
Leasehold improvements (average)	6 years
Computers	4 years
Equipment	2 - 24 years
Furniture	3 - 20 years
Vehicles	4 - 5 years

The leasehold improvements are depreciated over the lease term, which varies between 1 and 50 years. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

**m) Intangible assets**

Intangible assets are carried at costs less amortisation and impairment (if any).

The cost elements of intangible assets in progress are capitalized if criteria for intangible asset recognition is being met: future economic benefits associated with the item will flow to the entity, cost of the item can be reliably measured, the result will increase the future performance rate and the asset is separately identifiable within an economic activity. Maintenance costs and technical support are recognized in profit or loss as these are being incurred. Intangible assets in progress are recognized as intangible assets at the moment of reception and deployment.

**(i) Goodwill and negative goodwill**

Goodwill and negative goodwill arise on new business combination. Goodwill represents the difference between the cost of acquisition and the net fair value of the acquired identifiable assets, liabilities and contingent liabilities.

***Subsequent measurement***

Goodwill is measured at cost, less accumulated impairment losses. Negative goodwill is immediately recognized in profit and loss, after reanalyzing the manner of identification and valuation of the assets, liabilities and identifiable contingent liabilities and the measurement of the acquisition cost.

**(ii) Software**

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding production costs for a period exceeding one year, are recognized as intangible assets. Subsequent expenditure on software assets is capitalized only if it increases the future performance of such assets, beyond initial specifications and lifespan. All other expenditure is reflected as an expense as incurred.

Amortization is recognized in the income statement on a straight-line basis over the estimated useful life of the intangible asset. The estimated useful lives of intangible assets are reviewed at the reporting date and range between 1 and 5 years. The useful life of intangible assets derived from contractual rights should not exceed the validity period of such contractual rights, but it may be shorter depending on the estimated period of use of such assets by the entity.

Intangible assets in progress are not amortized before they are put into service.

**n) Non-current assets held for sale**

An asset is considered as a non-current asset held-for-sale if the following conditions are met: the asset value is recovered through sale and not by its continuous use, the asset must be available for immediate sale, the sale of the asset must be likely to happen. The probability of sale is justified by means of a sales plan at the level of the Group's management and by the active involvement of the Group in identifying a buyer.

If the asset is reclassified from tangible assets according to IAS 16, the period between the date of reclassification and the date of sale should not exceed 12 months; the valuation of the asset classified as hold-for-sale is the lower value between the book value and the fair value, minus the sales-related costs.

**o) Financial lease – lessee**

Leasing contracts in which the Group assumes substantially all the risks and rewards of ownership were classified as financial leases. Upon initial recognition, leasing payments are recognized at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The other leasing contracts represent operating leases and the leased assets are not recognized in the consolidated statement of financial position.

**p) Impairment of non-financial assets**

An impairment loss is recognized if the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group generating cash flows and largely independent from other assets and groups. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of any goodwill allocated to the respective cash-generating unit (group of units) and then to reduce the carrying amount of any other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value, less the cost of sale of such asset or unit. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments and the risks specific to the asset.

In respect of non-financial assets, impairment losses are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss in non-financial assets than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss on assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**q) Issued bonds, loans from banks and other financial institutions**

Borrowings such as loans from banks and other financial institutions and issued bonds are initially recognized at fair value, notably as proceeds resulting from such instruments (fair value of consideration received), net of transaction costs incurred. Issued bonds and loans from banks and other financial institutions are subsequently carried at amortized cost. The Group classify these instruments as financial liabilities or equity instruments in accordance with the contractual terms of the instrument.



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**r) Provisions**

A provision is recognized in the consolidated and separate statement of financial position when the Group have an obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and the obligation can be measured reliably. The provisions' value is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market conditions and the risks specific to the respective liability.

Provisions for covering the risk of transforming off-balance sheet credit commitments into credits are considered at the time when the Company records in its off balance sheet a commitment with the risk of being converted into a credit. The calculation basis for these provisions includes exposures from commitments related to documentary credits, bank guarantee letters, undrawn facility of bank loans and factoring commitments. The calculation is based on the probability of conversion into credit, the probability of default and loss given default.

**s) Financial guarantees**

Financial guarantees are contracts that require the Group to make specific payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the lifespan of the financial guarantee. The guarantee liability is subsequently carried at the higher of the amortized amount and the present value of any expected payment (when a payment under the guarantee becomes probable).

**t) Employee benefits**

**(i) Short-term benefits**

Short-term employee benefits include wages, salaries and social security contributions. Short-term employee benefits are recognized as expense as the services are rendered.

**(ii) Defined contribution plan**

In the normal course of business, the Company and its subsidiaries make payments to the Romanian public pension funds on behalf of their employees for retirement, healthcare and unemployment allowances. All employees of the Company and its subsidiaries are members and are also legally obliged to make specific contributions (included in the social security contributions) to the Romanian public pension plan (a State defined contribution plan).

All relevant contributions to the Romanian public pension plan are recognized as an expense in the income statement as incurred. The Company and its subsidiaries do not have any further obligations.

**u) Business Combinations**

A business combination is accounted using the acquisition method at the date when the control is acquired, except for the cases when the combination involves entities or parties under common control or the acquired entity is a subsidiary of an investment entity.

Each identifiable asset and liability is evaluated at fair value at the acquisition date. The non-controlling interests in the acquired entity, which represent current ownership interest and entitle the holder to a proportional share of the entity's net assets in the event of liquidation, are measured either at fair value or proportionally with the acquired ownership interest in the entity's net identifiable assets. Non-controlling interests that are not current ownership interests are measured at fair value.

Goodwill is measured by deducting the identifiable net assets of the acquired entity from the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquired entity and the fair value upon the acquisition date of the equity participation in the acquired entity previously held by the acquiring entity. If the acquirer obtains a gain from a bargain purchase, this gain is recognized in the profit and loss after the management reassesses whether all the assets were acquired and all liabilities and contingent liabilities were assumed based on appropriate measurement.

The consideration transferred in a business combination is measured at the fair value of the assets transferred by the acquirer, the liabilities incurred or assumed and the equity instruments issued, but excludes the costs related to intermediation, advisory, legal, accounting, valuation and other professional or consulting services, general administrative costs and the costs incurred for issuing debt and equity instruments, that are recognized in the profit or loss.

**v) Adoption of New or Revised Standards and Interpretations**

The following amended standards became effective for the Group from 1 January 2017. These changes did not have a material impact on the Group's financial statements:

**Recognition of Deferred Tax Assets for Unrealized Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).**

The amendment has clarified the requirements on recognition of deferred tax assets for unrealized losses on debt instruments. The entity will have to recognize deferred tax asset for unrealized losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.

**Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).**

The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group is currently assessing the impact of the amendments on its financial statements.

**Annual improvements to IFRS 2014-2016 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017, not yet endorsed by the EU).**

The amendments clarify the scope of the disclosure requirements in IFRS 12 by specifying that the disclosure requirements in IFRS 12, other than those relating to summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5.

**w) New standards and interpretations effective as of or after 1 January 2018**

New standards and interpretations have been issued, which are effective for annual periods beginning on or after 1 January 2018 and which the Group had not implemented in advance.

**IFRS 9 - Financial Instruments (effective date: annual periods starting from 1 January 2018)**

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets, but will be included in the assessment of SPPI.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

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- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

As of 1 January 2018, the Group will adopt IFRS 9, as issued by IASB in July 2014, thus amending its accounting policies and operating adjustments of the amounts formerly recognized in the financial statements. The Group did not adopt IFRS 9 with anticipation in the previous periods.

In line with the transitional provisions in IFRS 9, the Group has decided not to present comparative figures as at 31 December 2017. Upon the transition, any book value adjustments related to the financial assets and liabilities will be recognized in the initial retained earnings and in other reserves from the current period. Moreover, the Group has decided to continue to apply the IAS 39 requirements on hedge accounting upon the implementation of IFRS 9.

The implementation of IFRS 9 will result in the modification of the accounting policies for the recognition, classification and assessment of financial assets and liabilities, as well as the impairment of financial assets. Additionally, IFRS 9 brings significant amendments to other standards regarding financial instruments, such as IFRS 7 “Financial instruments: Disclosures”.

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The Group will define the three stages under the Ecl model as follows:

- Stage 1 includes financial assets for which there is no significant increase in credit risk at the time of the analysis compared to the origination date or has a low credit risk exemption at the time of the analysis;
- Stage 2 includes financial assets for which there was a significant increase in credit risk at the time of the analysis compared to the original recognition date (less for assets that have a low credit risk exemption) and which are not reported as impaired (or impairment evidence are not identified);
- Stage 3 (default) includes financial assets for which impairment evidence have been identified at the reporting date.

In determining whether credit risk increases have occurred and whether this is significant, the Group plans to uses the following information / triggers:

- information on the debt service (number of days overdue) - the Group plans to uses relative overdue presumption of more than 30 days;
- negative changes in the internal rating of customers;
- the comparison between estimated PD at credit origination and lifetime PD determined at reporting date;
- other present or predicted significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations; and
- other information/triggers.

**IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016. This standard is not endorsed by the EU. The European commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.).**

IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The Group is currently assessing the impact of the new standard on its financial statements.

**IFRS 15 - Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018).**

The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements.

When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. The costs incurred to acquire contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed.

**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).**

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if such assets are held by a subsidiary.

**IFRS 16 - Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2018).**

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, the Lessor continues to classify its leases as operating leases or finance leases and to account for those two types of leases separately.

**Amendments to IFRS 15 - Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).**

The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce the costs and burden on a company when it first applies the new standard.

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**Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).**

The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety.

Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognized upon the modification, (c) the equity-settled share-based payment is recognized to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date is recorded in profit or loss immediately.

***Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach, effective for the EU for annual periods beginning 1 January 2018).*** The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the IASB is developing for IFRS 4. These concerns include temporary volatility in reported results. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will give all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued. In addition, the amended Standard will give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard-IAS 39. The amendment to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility. The Group is currently assessing the impact of the new standard on its financial statements.

***Annual Improvements to IFRSs 2014 – 2016 cycle - Amendments to IFRS 1 and IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018. This standard is not yet endorsed by the EU).*** IFRS 1 was amended and some of the short-term exemptions from IFRSs in respect of disclosures about financial instruments, employee benefits and investment entities were removed, after those short-term exemptions have served their intended purpose. The amendments to IAS 28 clarify that an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organization, or a mutual fund, unit trust or similar entities including investment linked insurance funds. Additionally, an entity that is not an investment entity may have an associate or joint venture that is an investment entity. IAS 28 permits such an entity to retain the fair value measurement used by that investment entity associate or joint venture when applying equity method. The amendments clarify that this choice is also available on an investment-by-investment basis. The Group is currently assessing the impact of the new standard on its financial statements.

***IFRIC 22 "Foreign currency transactions and advance consideration" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018. This standard is not yet endorsed by the EU).*** The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related assets, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognises a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment of receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary. The Group is currently assessing the impact of the new standard on its financial statements.



***Transfer of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018. This standard is not yet endorsed by the EU).*** The amendments clarify the requirements on transfers to, or from, investment property in respect of properties under construction. Prior to the amendments, there was no specific guidance on transfers into, or out of, investment properties under construction in IAS 40. The amendment clarifies that there was no intention to prohibit transfers of a property under construction or development, previously classified as inventory, to investment property when there is an evident change in use. IAS 40 was amended to reinforce the principle of transfers into, or out of, investment property in IAS 40 to specify that a transfer into, or out of investment property should only be made when there has been a change in use of the property; and such a change in use would involve an assessment of whether the property qualifies as an investment property. Such a change in use should be supported by evidence. The Group is currently assessing the impact of the new standard on its financial statements.

***IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, This standard is not yet endorsed by the EU).*** IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of the new standard on its financial statements.

***IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019. This standard is not yet endorsed by the EU).*** IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

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If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group is currently assessing the impact of the new standard on its financial statements.

***Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019. This standard is not yet endorsed by the EU).*** The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will be result in an gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The Group is currently assessing the impact of the new standard on its financial statements.

***Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019. This standard is not yet endorsed by the EU).*** The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares. The Group is currently assessing the impact of the new standard on its financial statements.

***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. This standard is not yet endorsed by the EU).*** The narrow scope amendments impact four standards: IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The Group is currently assessing the impact of the new standard on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's financial statements.

#### 4. FINANCIAL RISK MANAGEMENT

##### a) Introduction

The credit risk associated with the leasing activity is managed through the Company's risk management processes. The largest exposure of the Company to credit risk is related to the lease receivables. In this case, the exposure is represented by the carrying amount of the assets in the balance sheet. In order to mitigate this risk, the Company has put in place procedures to assess clients prior to lease approval, to set exposure limits and to monitor their ability to repay the principal and related interests during the lease term.

The Board of Directors has delegated responsibility for managing credit risk to the Risk Committee. Also, the Leasing Division operates within the Company, whose main duties are as follows:

- *Formulate credit policies* by covering warranty requirements, lease valuation, risk classification and reporting, legal and documentation procedures and compliance with statutory and regulatory requirements.

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- *Establish the authorization structure* for the approval of leases. Authorization limits are allocated by levels of the Credit Committee. High value leases require the approval of the Risk Committee or of the Board of Directors, as the case may be.
- *Limit exposure concentration* to third parties and industries.
- *Develop and maintain the risk classification system* to classify exposures according to the risk levels of potential financial losses and to allow the management to focus on the risks that accompany them. The risk classification system is used to determine the risk monitoring activities and the relationship with customers. The scoring system is periodically reviewed.
- *Review and check compliance of the unit* with established exposure limits, including those for specific industries and products.
- *Provide information, guidance and experts* to the units, so as to promote the most appropriate practice across the Company for managing credit risk.

**(i) Credit risk exposure**

Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Group's, financial leasing contracts and guarantees issued.

***Exposure to credit risk***

Credit risk concentration exists for groups of clients or other third parties that have similar economic features and whose credit repayment capacity is similarly affected by changes in the economic environment. The main concentration of credit risk derives from individual exposure and by customer categories (classified according to the number of days of delay and to initiation of judicial proceedings).

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The table below shows the risk concentrations by economic sectors for balance sheet and off-balance sheet exposures:

	<u>2017</u>	<u>2016</u>
Freight transport	28,00%	26,07%
Constructions	13,84%	14,06%
Trade in food goods, home appliances, electronics, furniture, consumer goods	12,03%	11,62%
Other	9,80%	12,33%
Banking, insurance, accounting consultancy, financial, medical, law	8,55%	8,14%
Agriculture, animal husbandry	7,98%	8,48%
Automotive industry, industrial equipment, metalworking	7,41%	6,75%
Food industry - production	3,02%	3,13%
Waste recovery and recycling	2,46%	2,56%
Chemical, pharmaceutical, petrochemical industry	2,30%	1,72%
Tourism and passenger transport	2,14%	1,66%
Exploitation of raw wood	1,81%	2,10%
Textile industry	0,37%	0,60%
Printing, advertising services	0,27%	0,40%
Individuals and freelancers	0,02%	0,38%
<b>Total</b>	<u><b>100%</b></u>	<u><b>100%</b></u>

The Company has guarantees for lease investments in the form of legal ownership titles in the assets acquired under financial leasing arrangements, other collateral and movable mortgage on future cash flows.

The need for specific credit risk adjustments is determined in two stages:

- determining the need for individual impairment adjustments, which are calculated for customers with an aggregate exposure greater than EUR 200,000.

Impairment adjustments are calculated as the difference between the present value of the exposure and the present value of future cash flows (determined by estimated recoveries from the capitalization of collaterals).

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- determining the need for collective impairment adjustments that, calculated for customers that are not individually reviewed or that are individually reviewed but no impairment loss has been identified as a result of an individual review.

Lease receivables are considered impaired according to the provisions of the accounting policy of identification and measurement of the impairment, as defined by the Company (see paragraph 3 (vii)).

According to the policies applied by the Company, each credit risk grade can be assigned a corresponding rating, from the lowest risk (1) to the category of credits for which debt recovery proceedings have been initiated in court (6). The company uses ratings associated with debt service for both individually measured and collectively measured receivables.

Receivables classified under first grade risk are those that do not record outstanding payments. Receivables classified under second grade risk are those that are overdue between 1 and 15 days. Receivables in third grade risk are those who record overdue payments between 16 and 30 days. Receivables in the forth grade risk are those who record overdue payments between 31 and 60 days. Receivables in the fifth grade risk are those who record overdue payments between 61 and 90 days. Receivables in the sixth grade risk are those who have overdue payments of more than 91 days or for which legal proceedings for debt recovery have been initiated.

On 31 December 2017 and 31 December 2016, the exposure to credit risk for the net lease investments, classified by ratings, is the as follows:

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**Note 31 December 2017 31 December 2016**

*Individually impaired*

Grade 1	17,939,094	24,148,503
Grade 2	421,506	825,175
Grade 3	19,178,676	6,525,086
Grade 4	1,833,874	4,310,383
Grade 5	-	-
Grade 6	19,981,242	29,739,235
<b>Gross value</b>	<b>59,354,392</b>	<b>65,548,382</b>
Impairment provision	22 (34,698,804)	(37,367,778)
<b>Net book value</b>	<b>24,655,588</b>	<b>28,180,604</b>

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<i>In RON</i>	<b>Note</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
<i>Past due but not impaired</i>			
Grade 1		587,642,077	380,785,506
Grade 2		2,557,516	21,200,455
Grade 3		83,514,606	39,998,148
Grade 4		8,162,869	5,303,970
Grade 5		2,976,784	1,353,982
<b>Gross value</b>		<b>684,853,852</b>	<b>448,642,061</b>
Collective adjustments for impairment	22	(1,306,035)	(800,521)
<b>Net book value</b>		<b>683,547,817</b>	<b>447,841,540</b>
<i>Impaired and adjusted collectively for impairment</i>			
Grade 6		25,608,879	22,972,132
<b>Gross value</b>		<b>25,608,879</b>	<b>22,972,132</b>
Impairment provision	22	(19,563,445)	(18,185,226)
<b>Net book value</b>		<b>6,045,434</b>	<b>4,786,906</b>
<b>Total net book value</b>		<b>714,248,839</b>	<b>480,809,050</b>

*Receivables impaired and individually assessed for impairment*

Individually impaired lease receivables are those for which the Company considers it probable that it will not be able to collect the principal and the interest payable in accordance with the terms of the finance lease. These receivables are analyzed and specifically adjusted for impairment depending on the estimated amount to be recovered from these receivables.

The analysis of the lease receivables is carried out in accordance with the provisions of the accounting policy for identifying and assessing depreciation, as defined by the Company (see paragraph 3 (b) (iv)).

*Receivables impaired and collectively assessed for impairment*

Collective adjustments for impairment are the estimate of a loss in the value of the lease receivable portfolio. The main component of this estimate is a collective one, established for a group of homogeneous assets in terms of losses that have been recorded, but which have not been identified on the receivables that may be subject to the individual adjustment for impairment.

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in RON*Receivables past due but not impaired*

Receivables past due but not impaired includes those receivables that have greater than zero days past due but where no impairment loss has been recorded.

*Receivables neither past due nor impaired*

This category includes all exposures that have not been included in the above categories.

*Derecognition of lease agreements*

The Company removes from the accounting records a financial lease receivable (and related impairment adjustments) when it considers the asset to be uncollectible. This conclusion is reached after assessing the significant changes that occurred in the client's financial position, changes that caused the failure to pay the obligation or the insufficient collateral recovery amounts to cover the entire exposure. Derecognition of claims arising from a lease is made only after all legal remedies have been exhausted.

Lease receivables are derecognized by the Company in the following cases:

- on the date the invoice is credited to the customer according to the leasing contract maturity;
- upon the recovery of the asset in the case of terminated contracts;
- upon exhaustion of all legal possibilities of recovery

*Restructuring of leasing contracts*

Restructuring of the leasing contracts is based on customer demand and following the analysis of their financial standing. Restructured contracts are the leases for which restructuring or rescheduling operations have been undertaken (e.g. extension of the contract term or the granting a grace period). The classification category remains that existing before the restructuring. The loans restructured in the balance as at 31 December 2017 and 31 December 2016 are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Number of restructured contracts	312	229
Gross exposure (RON)	36,991,163	32,466,180



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They are included in receivables from financial leasing operations.

In 2017 and 2016, the gross receivables from leasing that were derecognized were those for which restructuring and / or recovery operations were carried out, amounting to RON 6,019,353 (in 2017) and RON 2,310,138 (in 2016).

The Company holds guarantees to cover exposures from leasing receivables in the form of legal ownerships titles over the assets acquired in financial leasing and other guarantees. An estimate of the fair value of the financial assets is presented below:

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Guarantees related to receivables impaired and individually or collectively adjusted for impairment		
Vehicles	28,167,210	26.224.420
Other guarantees	39,955,211	41.313.845
Guarantees related to receivables unrecognised and collectively adjusted for impairment		
Vehicles	604,288,943	347.176.346
Other	251,864,571	258.676.201
<b>Total</b>	<b><u>924.275.935</u></b>	<b><u>673,390,812</u></b>

**(a) Liquidity risk**

Liquidity risk is generated by the attracted resource management policy. This includes the risk that the Company encounter difficulty from failing to collect an asset at a value close to its fair value within a reasonable period of time. The company has access to diversified funding sources. The company strives to maintain a balance between the continuity and the flexibility of attracting funds, by contracting debt with different maturities. The company constantly controls the liquidity risk by identifying and monitoring the attracted financing and by diversifying the financing base.

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The Group's undiscounted financial assets and liabilities, analyzed on the basis of the remaining contractual period for 31 December 2017 and 31 December 2016 at the contractual date, are as follows:

## i) Balances as of 31 December 2017

<i>In RON</i>	<u>Up to 3 months</u>	<u>3 – 12 months</u>	<u>1 – 5 years</u>	<u>Over 5 years</u>	<u>Without maturity</u>	<u>Total</u>
<b>Financial assets</b>						
Cash and cash equivalents	25,932,692	-	-	-	-	25,932,692
Finance lease receivables	133,534,827	189,559,374	458,902,807	6,838,632	-	788,835,640
Other assets	8,408,822	-	-	-	69,539	8,478,361
<b>Total financial assets</b>	<b>167,876,341</b>	<b>189,559,374</b>	<b>458,902,807</b>	<b>6,838,632</b>	<b>69,539</b>	<b>823,246,693</b>
<b>Financial liabilities</b>						
Loans from banks and other financial institutions	62,385,866	250,714,323	334,278,101	860,136	-	648,238,426
Other liabilities	30,926,931	-	-	-	-	30,926,931
<b>Total financial liabilities</b>	<b>93,312,797</b>	<b>250,714,323</b>	<b>334,278,101</b>	<b>860,136</b>		<b>679,165,357</b>
<b>Net position</b>	<b>74,563,544</b>	<b>(61,154,949)</b>	<b>124,624,706</b>	<b>5,978,496</b>	<b>69,539</b>	<b>144,081,336</b>

## ii) Balances as of 31 December 2016

<i>In RON</i>	<u>Up to 3 months</u>	<u>3 – 12 months</u>	<u>1 – 5 years</u>	<u>Over 5 years</u>	<u>Fara maturitate</u>	<u>Total</u>
<b>Financial assets</b>						
Cash and cash equivalents	28,179,437	-	-	-	-	28,179,437
Finance lease receivables	102,360,542	125,752,053	297,599,430	7,826,943	-	533,538,968
Other assets	8,218,545	-	-	-	69,539	8,288,084
<b>Total financial assets</b>	<b>138,758,524</b>	<b>125,752,053</b>	<b>297,599,430</b>	<b>7,826,943</b>	<b>69,539</b>	<b>570,006,489</b>
<b>Financial liabilities</b>						
Loans from banks and other financial institutions	37,851,828	113,222,497	273,689,786	8,413,925	-	433,178,036
Other liabilities	11,877,684	-	-	-	-	11,877,684
<b>Total Financial liabilities</b>	<b>49,729,512</b>	<b>113,222,497</b>	<b>273,689,786</b>	<b>8,413,925</b>	<b>-</b>	<b>445,055,720</b>
<b>Net position</b>	<b>89,029,012</b>	<b>12,529,556</b>	<b>23,909,644</b>	<b>(586,982)</b>	<b>69,539</b>	<b>124,950,769</b>

**(b) Market risk**

Market risk is that the Company's earnings or the value of financial instruments held might be affected by changes in market value related to interest rate, exchange rate or other financial indicators. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on investments.

**d1) Interest rate risk**

The main risk to which non-traded portfolios are exposed is the loss incurred as a result of changes in future cash flows or in the market value of financial instruments due to fluctuation in interest rates. The interest rate risk is managed mainly by monitoring the interest rate gap and by means approved limits system for price recalculation intervals. Risk management monitors compliance with these limits.

The Company manages interest rate risk principally by aligning interest rates on leases with those provided under refinancing loan agreements. In general, fixed interest debts are used to finance fixed-interest lease contracts and the variable interest debts are used to finance variable-rate lease contracts. Where debts have a variable interest rate, the lessor retains the right to change the lease interest rate, if the variable interest rate changes by more than 0.2%.

The Company also ensures that the currency in which the leasing contracts are concluded is the same as that of the refinancing loans. Thus, the Company makes sure that the interest margin is not affected by changes in the interest rates on refinancing

The sensitivity analysis presented below illustrates the potential impact on the comprehensive income statement in the case of possible fluctuations in the interest rate.

A 5% or 10% change in interest rates on 31 December 2017 would have resulted in the increase / (decrease) in profit or loss by the amounts shown below. This analysis is based on the assumption that all other variables, in particular exchange rates, remain constant:

- Nominal interest on lease contracts

	<u>parallel decrease</u>		<u>Calculation basis</u>	<u>parallel increase</u>	
Increase / (decrease) in interest rate	(10%)	(5%)	0%	5%	10%
Interest income - Note 7	50,426,455	53,227,925	56,029,395	58,830,865	61,632,335
<b>Impact</b>	<b>(5,602,940)</b>	<b>(2,801,470)</b>	<b>-</b>	<b>2,801,470</b>	<b>5,602,940</b>

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Interest on loans from banks and other financial institutions

	<u>parallel decrease</u>		<u>calculation basis</u>	<u>parallel increase</u>	
Increase / (decrease) in					
interest rate	(10%)	(5%)	0%	5%	10%
Interest expenses - Note 8	9,431,230	9,955,187	10,479,144	11,003,101	11,527,058
<b>Impact</b>	<b>(1,047,914)</b>	<b>(523,957)</b>	<b>-</b>	<b>523,957</b>	<b>1,047,914</b>
<b>Impact net</b>	<b>(4,555,026)</b>	<b>(2,277,513)</b>		<b>2,277,513</b>	<b>4,555,026</b>

A 5% or a 10% change in interest rates on 31 December 2016 would have resulted in the increase / (decrease) in profit or loss by the amounts shown below. This analysis is based on the assumption that all other variables, in particular exchange rates, remain constant:

- Nominal interest on leasing

	<u>parallel decrease</u>		<u>calculation basis</u>	<u>parallel increase</u>	
Increase / (decrease) in					
interest rate	(10%)	(5%)	0%	5%	10%
Interest income - Note 7	36,859,835	38,907,603	40,955,372	43,003,141	45,050,909
<b>Impact</b>	<b>(4,095,537)</b>	<b>(2,047,769)</b>	<b>-</b>	<b>2,047,769</b>	<b>4,095,537</b>

- Interest from loans secured from banks and other financial institutions

	<u>parallel decrease</u>		<u>calculation basis</u>	<u>parallel increase</u>	
Increase / (decrease) in					
interest rate	(10%)	(5%)	0%	5%	10%
Interest expenses - Note 8	6,823,648	7,202,739	7,581,831	7,960,923	8,340,014
<b>Impact</b>	<b>(758,183)</b>	<b>(379,092)</b>	<b>-</b>	<b>379,092</b>	<b>758,183</b>
<b>Net impact</b>	<b>(3,337,354)</b>	<b>(1,668,677)</b>		<b>1,668,677</b>	<b>3,337,354</b>

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The table below details the position of the interest rate gap for the Group's interest-bearing financial assets and liabilities as at 31 December 2017:

<i>In RON</i>	<u>Up to 3 months</u>	<u>3 – 12 months</u>	<u>1 – 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<b>Financial assets</b>					
Cash and cash equivalents	25,932,692	-	-	-	25,932,692
Finance lease receivables	124,610,474	167,751,948	424,733,767	6,476,914	723,573,103
<b>Total financial assets</b>	<b>150,543,166</b>	<b>167,751,948</b>	<b>424,733,767</b>	<b>6,476,914</b>	<b>749,505,795</b>
<b>Financial liabilities</b>					
Loans from banks and other financial institutions	276,164,472	264,635,482	82,230,000	-	623,029,954
<b>Total Financial liabilities</b>	<b>276,164,472</b>	<b>264,635,482</b>	<b>82,230,000</b>	<b>-</b>	<b>623,029,954</b>
<b>Net position</b>	<b>(125,621,306)</b>	<b>(96,883,534)</b>	<b>342,503,767</b>	<b>6,476,914</b>	<b>126,475,841</b>

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The table below details the position of the interest rate gap for the Group's interest-bearing financial assets and liabilities as at 31 December 2016:

<i>In RON</i>	<u>Up to 3 months</u>	<u>3 – 12 months</u>	<u>1 – 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<b>Financial assets</b>					
Cash and cash equivalents	28,179,437	-	-	-	28,179,437
Finance lease receivables	96,192,422	110,662,211	273,953,106	7,222,376	488,030,115
<b>Total financial assets</b>	<b>124,371,859</b>	<b>110,662,211</b>	<b>273,953,106</b>	<b>7,222,376</b>	<b>516,209,552</b>
<b>Financial liabilities</b>					
Loans from banks and other financial institutions	32,121,597	385,225,603	-	-	417,347,200
<b>Total Financial liabilities</b>	<b>32,121,597</b>	<b>385,225,603</b>	<b>-</b>	<b>-</b>	<b>417,347,200</b>
<b>Net position</b>	<b>92,250,262</b>	<b>(274,563,392)</b>	<b>273,953,106</b>	<b>7,222,376</b>	<b>98,862,352</b>

The Group is exposed to currency risk through foreign exchange transactions. There is also an on-balance sheet risk related to possible fluctuation in the net monetary assets or liabilities denominated in foreign currency, due to exchange rate fluctuations.

**d2) Currency risk**

Monetary assets and liabilities denominated in RON and foreign currency as at 31 December 2017 are shown in the table below:

<i>In RON</i>	<u>EUR</u>	<u>RON</u>	<u>Other currencies</u>	<u>Total</u>
<b>Financial assets</b>				
Cash and cash equivalents	153,491	25,775,073	4,128	25,932,692
Finance lease receivables	356,999,702	366,573,401	-	723,573,103
Other assets	2,198,396	6,279,965	-	8,478,361
<b>Total financial assets</b>	<b>359,351,589</b>	<b>398,628,439</b>	<b>4,128</b>	<b>757,984,156</b>
<b>Financial liabilities</b>				
Loans from banks and other financial institutions	351,584,579	271,802,173	-	623,386,752
Other liabilities	16,654,102	14,272,829	-	30,926,931
<b>Total Financial liabilities</b>	<b>368,238,681</b>	<b>286,075,002</b>	<b>-</b>	<b>654,313,683</b>
<b>Net position</b>	<b>(8,887,092)</b>	<b>112,553,437</b>	<b>4,128</b>	<b>103,670,473</b>

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Monetary assets and liabilities denominated in RON and foreign currency as at 31 December 2016 are shown in the table below:

<i>In RON</i>	<u>EUR</u>	<u>RON</u>	<u>Other currencies</u>	<u>Total</u>
<b>Financial assets</b>				
Cash and cash equivalents	9,081,754	19,093,020	4,663	<b>28,179,437</b>
Finance lease receivables	240,253,306	247,776,809	-	<b>488,030,115</b>
Other assets	1,780,935	6,507,149	-	<b>8,288,084</b>
<b>Total financial assets</b>	<b>251,115,995</b>	<b>273,376,978</b>	<b>4,663</b>	<b>524,497,636</b>
<b>Financial liabilities</b>				
Loans from banks and other financial institutions	227,796,388	189,605,589	-	<b>417,401,977</b>
Other liabilities	2,064,193	9,832,591	-	<b>11,896,784</b>
<b>Total Financial liabilities</b>	<b>229,860,581</b>	<b>199,438,180</b>		<b>429,298,761</b>
<b>Net position</b>	<b>21,255,414</b>	<b>73,938,798</b>	<b>4,663</b>	<b>95,198,875</b>

A 10% change in the exchange rate as at 31 December 2017 and 31 December 2016, respectively, would have resulted in an increase / (decrease) in profit or loss by the amounts shown below. This analysis is based on the assumption that all other variables, in particular interest rates, remain constant:

<u>Currency</u>	<u>31 December 2017</u>	<u>Exchange rate fluctuation</u>	<u>Impact in the profit or loss account</u>
EUR Financial assets	359,351,589	10,00% (10,00)%	35,935,159 (35,935,159)
EUR Financial liabilities	368,238,681	10,00% (10,00)%	(36,823,868) 36,823,868
<b>Total gain (loss)</b>			<b>(888,709) 888,709</b>

<u>Currency</u>	<u>31 December 2016</u>	<u>Exchange rate fluctuation</u>	<u>Impact in the profit or loss account</u>
EUR Financial assets	251,115,995	10,00% (10,00)%	25,111,600 (25,111,600)
EUR Financial liabilities	229,860,581	10,00% (10,00)%	(22,986,058) 22,986,058
<b>Total gain (loss)</b>			<b>2,125,542 (2,125,542)</b>

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**(c) Taxation risk**

The Company is committed to ensure sustainable performance of tax risk management by building and maintaining an efficient, effective and transparent tax function within the organization. The Company strictly complies with the legal norms regarding taxes and duties.

The Romanian tax legislation provides for detailed and complex rules and has suffered various changes in the recent years. Interpretation of the text and practical implementation procedures of tax legislation could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Company's treatment method.

The Romanian Government has a number of agencies that are authorized to conduct audits (control) of companies operating in Romania. These audits are similar in nature to tax audits performed by tax authorities in many countries and they may cover not only to tax matters, but also other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Company will continue to be subject to regular controls as new laws and regulations are issued.

In this context, a careful analysis was performed to identify differences in accounting treatment, which have a taxation impact, both in terms of current tax and deferred tax.

**(d) Business environment**

The financial leasing market has been growing for five years, but market players say the full potential has not been reached yet. Estimates as at 31 December 2017 of the financial leasing market in Romania show a total newly financed volume amounting to approx. EUR 2.2 billion and as at 31 December 2016 show a total newly financed volume of EUR 2 billion. The leasing financing has increased by 14% in 2017, and with 20% in 2016. An annual increase of 10-15% is what we can assume and what has happened in the last 3-4 years.

Small and medium-sized companies are the main clients of leasing companies, with SMEs accounting for more than 90% of the total financing provided by leasing companies. Increased funding could be supported by the deployment of modern technologies that allow quick and easy access of customers to financing.

The leasing market in Romania should reach somewhere to 4 billion euros, but, to get there, we need to focus more on equipment financing and on goods with high added value in the economy. Source of informations: <http://www.zfcorporate.ro>.



The leasing market is dominated by banks' subsidiaries with a cumulative share of 81% of the total, followed by producer captive companies, holding a share of 14%, and by independent leasing companies, with a 5% share.

**(e) Transfer pricing**

Romanian tax legislation includes the "market value" principle whereby transactions between related parties should be carried out at market value. Local taxpayers conducting transactions with related parties are required to prepare and make available to the Romanian tax authorities, at the written request of the latter, the transfer pricing documentation.

Failure to present the transfer pricing documentation or the submission of an incomplete file may lead to penalties for non-compliance; in addition to the content of the transfer pricing documentation file, tax authorities may interpret transactions and circumstances differently from the management's interpretation and, as a result, they may impose additional tax liabilities resulting from the adjustment of transfer pricing.

The management of the Company believes that it will not suffer losses in the case of a fiscal control on the transfer prices. However, the impact of the difference in the interpretations of the tax authorities cannot be estimated reliably. At any rate, this impact may be significant for the Company's financial position and / or operations.

**(f) Operational risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk, such those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations and are faced by all business entities.

Company management monitors compliance with internal standards through regular checks conducted with the assistance of the Internal Audit Department of Transilvania Bank SA. The results of the internal audit are discussed with the management of the audited units and the summary thereof is sent to the management of the Company.

**(g) Capital management**

The minimum share capital required by the National Bank of Romania ("NBR") for non-banking financial institutions is EUR 200,000.

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In order to implement the current capital requirements, the NBR requires the Company to maintain a certain share of the total of the risk-bearing assets relative to the total capital (such share being called "aggregate exposure"), amounting to up to 1500%. The aggregate exposure of the Company for the financial year ended 31 December 2017 and 31 December 2016 is shown in the table below (based on statutory financial information):

	<u>31 December 2017</u>	<u>31 December 2016</u>
Own funds (RON)	108,966,485	98,748,763
Risk-weighted assets (RON)	273,115,924	207,800,715
Capital indicator	250,64%	210,43%
The limit set by the NBR	1500%	1500%

Hence the Company is compliant with the capital requirement as at 31 December 2017 and 31 December 2016.

## 5. SIGNIFICANT ACCOUNTING ESTIMATE AND JUDGEMENTS

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

### *Impairment losses on leasing net investments*

In accordance with the internal impairment assessment method, the Company reviews on a monthly basis the lease receivables, to measure impairment and to determine whether an impairment loss should be recognized in the income statement. The Company examines whether there is objective evidence of impairment that would have an impact on future cash flows arising from a lease receivable or a portfolio of such receivables. Revisions on accounting estimates are recognized in the period in which they occur, if the review affects only that period, or in the period covered by the review and in future periods, if the review affects both the current period and future periods. The methodology and assumptions used to estimate both the value and the correlation of future cash flows are reviewed periodically.

Due to the uncertainty in the local financial markets regarding the business environment of the Group's clients and asset valuation, as outlined in Note 4, the estimated impairment losses on net lease receivables will vary after the date of approval of the consolidated financial statements.

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## 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments that are not traded in an active market (for example, unlisted treasury securities, bonds and certificates of deposit) is determined by using valuation techniques. The Company has not traded in such financial instruments.

The following table summarizes the net book values and fair values for each class of assets and financial liabilities of the Company as at 31 December 2017 and 31 December 2016. Fair value of each of these assets and liabilities is level 2 in accordance with IFRS 13:

In RON

31 December 2017

**Assets**

	<u>Net book value</u>	<u>Fair value</u>
Cash and cash equivalents	25,932,692	25,932,692
Reposessed assets	7,630,833	7,630,833
Net investment in financial leasing	714,248,839	714,280,228
Other assets	8,456,654	8,456,654

**Liabilities**

Loans from banks and other financial institutions	622,263,237	622,263,237
Other liabilities	30,969,219	30,969,219

In RON

31 December 2016

**Assets**

	<u>Net book value</u>	<u>Fair value</u>
Cash and cash equivalents	28,179,436	28,179,436
Reposessed assets	4,850,574	4,850,574
Net investment in financial leasing	480,809,050	481,302,902
Other assets	8,235,960	8,235,960

**Liabilities**

Loans from banks and other financial institutions	417,146,090	417,146,090
Other liabilities	12,284,158	12,284,158

## 7. INCOME FROM INTEREST at 31 December 2017 and 31 December 2016

In RON

	<u>2017</u>	<u>2016</u>
Lease income from lease contracts	43,647,545	33,799,882
Income from penalties interest (i)	12,333,590	7,097,116
Interest income on current accounts and deposits	48,260	58,375
<b>Total</b>	<b>56,029,395</b>	<b>40,955,373</b>

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Interest income from lease contracts for the year ended 31 December 2017 and 31 December 2016 include the lease tax income totaling RON 6,121,782 (in 2017) and RON 4,811,855 (in 2016) and the management fee in the amount of RON 5,445,284 (in 2017) and RON 4,933,692 (in 2016).

- (i) In accordance with the provisions of the leasing agreements, the Company reserves the right to charge default interest on principal and interest payments, of 0.6% per day.

**8. INTEREST EXPENSES at 31 December 2017 and 31 December 2016**

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Borrowing interest expense	10,479,144	7,581,831
<b>Total</b>	<b>10,479,144</b>	<b>7,581,831</b>

**9. FEE AND COMMISSION INCOMES at 31 December 2017 and 31 December 2016**

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Commissions received from leasing contracts	155,551	154,308
<b>Total</b>	<b>155,551</b>	<b>154,308</b>

**10. FEE AND COMMISSION EXPENSES at 31 December 2017 and 31 December 2016**

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Commissions paid under leasing contracts	548,720	1,185,948
<b>Total</b>	<b>548,720</b>	<b>1,185,948</b>

**11. OTHER NET FINANCIAL INCOMES at 31 December 2017 and 31 December 2016**

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Income from dividends (i)	2,839,226	1,478,747
Net income from exchange rate differences (ii)	767,122	993,570
Losses from the transfer of shares	-	(98,900)
<b>Total</b>	<b>3,606,348</b>	<b>2,373,417</b>

**BT LEASING TRANSILVANIA IFN SA****NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016  
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- (i) Dividend income was received from the Company's seven immaterial unconsolidated subsidiaries:
- BT Intermedieri Agent de Asigurare SRL, in the amount of RON 1.749.978 (in 2017) and RON 746,097 (in 2016)
  - BT Safe Agent de Asigurare SRL, in the amount of RON 421.632 (in 2017) and RON 274,528 (in 2016)
  - BT Solution Agent de Asigurare SRL, in the amount of RON 324.677 (in 2017) and RON 180,386 (in 2016).
  - BT Asiom Agent de Asigurare SRL, in the amount of RON 330.785 (in 2017) and RON 277,734 (in 2016)
  - Medicare Technics SRL, in the amount of RON 12.144 (in 2017) and RON 0 (in 2016)
  - BT Asset Management, in the amount of RON 8 (in 2017) and RON 0 (in 2016)
  - BT Direct IFN SA, in the amount of RON 2 (in 2017) and RON 2 (in 2016)
- (ii) Net income from foreign exchange differences arises from the monthly reassessment of assets and liabilities in foreign currency at the closing rate of the month, published by the NBR.

**12. OTHER OPERATING INCOMES at 31 December 2017 and 31 December 2016**

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Gain from the sale of property, plant and equipment	160,114	175,941
Net revenue from termination of lease contracts and repossession of assets	12,798,163	15,362,204
Rental income	833,722	748,860
Other revenues (i)	6,613,808	4,653,248
<b>Total</b>	<b><u>20,405,807</u></b>	<b><u>20,940,253</u></b>

- (i) Other revenues include amounts obtained from the re-invoicing of the various services of incorporation, insurance etc. of the assets subject to the lease contracts: RON 2,585,482 in 2017 and RON 1,458,246 in 2016, damages received from the insurance companies: RON 363,440 in 2017 and RON 74,736 in 2016, damages received on the cancelled lease contracts: RON 382,468 in 2017 and RON 733,063 in 2016, exchange rate differences of lease installments RON 2,469,824 in 2017 and RON 1,147,867 in 2016, other revenues received: RON 812,594 in 2017 and RON 1,039,336 in 2016.

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**13. NET EXPENSES FROM REPOSSESSED ASSETS at 31 December 2017 and 31 December 2016**

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Income from the capitalization of goods recovered from leasing contracts	863,790	256,845
Expenses with goods sold or re-placed in leases contracts	(3,456,498)	(11,891,421)
<b>Total</b>	<b>(2,592,708)</b>	<b>(11,634,576)</b>

**14. NET EXPENSES FROM IMPAIRMENT OF FINANCIAL ASSETS at 31 December 2017 and 31 December 2016**

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Expenditure on adjusting for impairment of receivables from financial leasing (note 22)	(39,909,436)	(24,464,748)
Expenditure on adjustments for impairment of other assets (Note 26)	(1,397,732)	(637)
Income from resuming / cancellation of financial leasing adjustments (Note 22)	15,709,030	18,748,201
Income from resumption of adjustments for impairment of other assets (Note 26)	131,226	38,244
Income from resumption of adjustments for impairment of shares	-	100,000
<b>Total</b>	<b>(25,466,912)</b>	<b>(5,578,940)</b>

**15. NET EXPENSES/INCOME RELATED TO OTHER ADJUSTMENTS FOR DEPRECIATION AND PROVISIONS at 31 December 2017 and 31 December 2016**

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Expenditure from adjustments for impairment of assets held for sale (note 21)	2,780,757	(4,082,031)
Expenditures from provisions for employee bonuses and unpaid leave	(1,132,908)	(408,896)
<b>Total-</b>	<b>1,647,849</b>	<b>(4,490,927)</b>

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**16. PERSONNEL EXPENDITURES at 31 December 2017 and 31 December 2016**

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Wages and benefits	10,051,302	9,184,634
Social security costs	2,221,214	2,008,897
Salary-related tax and duties costs	57,761	20,511
<b>Total</b>	<b><u>12,330,277</u></b>	<b><u>11,214,042</u></b>

The average number of employees in 2017 was 111 and 101 in 2016. In 2017 the gross remuneration paid by the Company to the members of the Board of Directors was RON 45,900 and in 2016 was RON 45,900 . The total amount of gross remuneration paid to the management in 2017 amounted to RON 894,845 and in 2016 RON 658,209.

**17. GENERAL AND ADMINISTRATIVE EXPENSES at 31 December 2017 and 31 December 2016**

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Taxes and fees	56,852	64,790
Energy and water expenses	299,650	235,632
Transport expenses	105,347	104,944
Consumables and inventory items expenses	727,816	716,919
Postal and telecommunication expenses	387,325	458,140
Rent	771,346	727,735
Protocol and publicity	922,010	130,256
Other expenses (i)	3,206,081	2,637,300
<b>Total</b>	<b><u>6,476,427</u></b>	<b><u>5,075,716</u></b>

- (i) Other expenses include mainly maintenance and repair expenses, amounting RON 645,114 in 2017 and RON 646,816 in 2016, various services rendered by third parties, amounting RON 1,849,429 in 2017 and RON 1,790,939 in 2016, indemnities , fines and penalties, amounting RON 1,565 in 2017 and RON 138 in 2016 and other expenses, amounting RON 709,973 in 2017 and RON 199,407 in 2016.

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**18. FIXED ASSET DEPRECIATION EXPENSES at 31 December 2017 and 31 December 2016**

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Depreciation of intangible assets	83,548	85,950
Depreciation of tangible assets	751,179	758,396
<b>Total</b>	<b>834,727</b>	<b>844,346</b>

**19. INCOME TAX EXPENSES at 31 December 2017 and 31 December 2016**

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Profit tax expenditure	3,221,761	3,294,915
<b>Total</b>	<b>3,221,761</b>	<b>3,294,915</b>

<i>In RON</i>	<u>2017</u>	<u>2016</u>
<b>Accounting result before tax</b>	<b>23,116,035</b>	<b>16,817,026</b>
Tax at the statutory rate of 16% in 2017 and 2016	3,698,566	2,690,724
The fiscal effect of non-deductible expenses	2,166,862	3,070,484
The tax effect of non-taxable income	(2,340,339)	(1,636,546)
Fiscal loss transferred to the merger with BT Medical Leasing IFN SA	-	(589,325)
<b>Current income tax</b>	<b>3,525,089</b>	<b>3,535,336</b>
Tax deductions	(303,328)	(240,422)
<b>Total income tax</b>	<b>3,221,761</b>	<b>3,294,915</b>

The tax loss taken over by the merger in 2013 was adjusted following the tax audit finalized in December 2015, by RON 1,203,539. The company filed a complaint against the measures formulated by the tax inspection bodies. The complaint was dismissed by ANAF, but the court of first instance admitted the Company's request to cancel ANAF's decision. The decision is not final and ANAF appealed against it.



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in RON**20. CASH AND CASH EQUIVALENTS at 31 December 2017 and 31 December 2016**

	<u>2017</u>	<u>2016</u>
Cash in hand	2,183	1,170
Bank accounts (i)	25,929,348	28,176,586
Accrued interest	1,161	1,680
<b>Total</b>	<b><u>25,932,692</u></b>	<b><u>28,179,436</u></b>

(i) Bank accounts include:

	<u>2017</u>	<u>2016</u>
Current accounts	4,868,753	2,789,333
Bank deposits at sight	2,058,058	10,393,947
Time deposits at banks	19,002,537	14,993,306
<b>Total</b>	<b><u>25,929,348</u></b>	<b><u>28,176,586</u></b>

Current accounts and deposits at sight /time deposits are at the disposal of the Company and are not encumbered. Bank deposits are overnight deposits placed with banks. Term deposits with banks represent deposits placed with banks for an initial period of more than one business day. The company constituted in 2017 time deposits in EURO and RON for the capitalization of excess liquidity.

**21. REPOSSESSED ASSETS at 31 December 2017 and 31 December 2016**

	<u>2017</u>	<u>2016</u>
Reposessed assets held by a third party	1,404,747	242,500
Reposessed assets	13,733,450	14,896,195
Impairment adjustments for reposessed assets	(7,507,364)	(10,288,121)
<b>Total</b>	<b><u>7,630,833</u></b>	<b><u>4,850,574</u></b>

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Reposessed assets are consisting mainly of goods recovered from leases that have not yet been replaced or sold: RON 14,171,579 in 2017 and RON 14,121,450 in 2016, goods adjudged in execution process: RON 335,860 in 2017 and 836,148 in 2016 and goods to be leased RON 630,758 in 2017 and RON 181,097 .

Impairment adjustments for reposessed assets were established as the difference between the recoverable amount at the balance sheet date and their carrying value and can be further analyzed as follows:

<i>In RON</i>	<u>2017</u>	<u>2016</u>
<b>Balance at the beginning of the year</b>	<b>10,288,121</b>	<b>6,206,090</b>
Expenditure related to impairment adjustments for repossessed assets (Note 15)	(2,780,757)	4,082,031
<b>Balance at the end of the year</b>	<b>7,507,364</b>	<b>10,288,121</b>

**22. FINANCE LEASE RECEIVABLES at 31 December 2017 and 31 December 2016**

Finance lease receivables may be analyzed as follows:

<i>In RON</i>	<u>31 December 2017</u>	<u>31 December 2016</u>
Gross finance lease investment	835,079,659	582,671,428
Unrealized financial income from leasing	(65,262,537)	(45,508,853)
Adjustment for impairment of receivables from financial leasing (note 4 b) i))	(55,568,283)	(56,353,525)
<b>Financial leasing receivables</b>	<b>714,248,839</b>	<b>480,809,050</b>
<b>Under 1 year</b>		
The present value of minimum lease payments	310,464,815	227,420,346
Adjustment for impairment of financial leasing receivables	(22,454,368)	(23,885,796)
<b>Finance lease receivables under 1 year</b>	<b>288,010,447</b>	<b>203,534,550</b>
<b>Between 1 and 5 years</b>		
The present value of minimum lease payments	459,352,308	309,742,229
Adjustment for impairment of finance lease receivables	(33,113,916)	(32,467,729)
<b>Finance lease receivables between 1 and 5 years</b>	<b>426,238,392</b>	<b>277,274,500</b>
<b>Finance lease receivables</b>	<b>714,248,839</b>	<b>480,809,050</b>

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The Company has guaranteed all net lease payments for loans secured from banks and other financial institutions. The Company's leasing operations are targeting companies and individuals domiciled in Romania. The division of the leasing portfolio by economic sectors is presented in Note 4b. The adjustment for impairment of the receivables from leasing can be further analyzed as follows:

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year (note 4 b) i)	56,353,525	70,071,090
Cost of adjustment for impairment of Finance lease receivables (note 14)	39,909,436	24,464,749
Income from resumption / cancellation of Finance leases (note 14)	(15,709,030)	(18,748,201)
Reversal of the provisions for terminated lease contracts	(24,985,648)	(19,434,113)
<b>Balance at the end of the year (note 4 b) i)</b>	<b><u>55,568,283</u></b>	<b><u>56,353,525</u></b>

**23. TANGIBLE ASSETS at 31 December 2017 and 31 December 2016**

	<u>Building fit-out works</u>	<u>Office equipment</u>	<u>Transport means</u>	<u>Other tangible assets</u>	<u>Total</u>
<i>In RON</i>					
<b>Cost</b>					
Gross book value					
<b>As at 1 January 2016</b>	<b><u>2,382</u></b>	<b><u>490,241</u></b>	<b><u>3,697,692</u></b>	<b><u>110,001</u></b>	<b><u>4,300,316</u></b>
Aquisitions	-	4,944	117,852	-	122,796
Disposals	-	59,647	265,074	-	324,721
<b>As at 31 December 2016</b>	<b><u>2,382</u></b>	<b><u>435,538</u></b>	<b><u>3,550,470</u></b>	<b><u>110,001</u></b>	<b><u>4,098,391</u></b>
Aquisitions	-	26,133	1,084,145	7,260	1,117,538
Disposals	2,382	2,140	433,058	8,839	446,419
<b>As at 31 December 2017</b>	<b><u>-</u></b>	<b><u>459,531</u></b>	<b><u>4,201,557</u></b>	<b><u>108,422</u></b>	<b><u>4,769,510</u></b>
<b>Depreciation accrued</b>					
Depreciation accrued as at					
1 January 2016	<u>2,376</u>	<u>395,963</u>	<u>1,547,651</u>	<u>80,694</u>	<u>2,026,684</u>
Depreciation during the year	6	46,903	702,991	8,496	758,396
Depreciation accrued on disposals	-	58,189	241,359	-	299,548
<b>La 31 December 2016</b>	<b><u>2,382</u></b>	<b><u>384,677</u></b>	<b><u>2,009,283</u></b>	<b><u>89,190</u></b>	<b><u>2,485,532</u></b>

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	<b>Building fit-out works</b>	<b>Office equipment</b>	<b>Transport means</b>	<b>Other tangible assets</b>	<b>Total</b>
Depreciation during the year	-	34,686	707,196	9,297	751,179
Accrued depreciation on disposals	2,382	2,140	339,469	8,839	352,830
<b>As at December 2017</b>	<b>-</b>	<b>417,223</b>	<b>2,377,010</b>	<b>89,648</b>	<b>2,883,881</b>
<b>Net amount</b>					
<b>As at 31 December 2016</b>	<b>-</b>	<b>50,861</b>	<b>1,541,187</b>	<b>20,811</b>	<b>1,612,859</b>
<b>As at 31 December 2017</b>	<b>-</b>	<b>42,308</b>	<b>1,824,547</b>	<b>18,774</b>	<b>1,885,629</b>

As at 31 December 2017 and 31 December 2016 respectively, the Company does not own fixed assets acquired in financial leasing.

**24. INTANGIBLE ASSETS at 31 December 2017 and 31 December 2016**

	<b>Total</b>
<i>In RON</i>	
<b>Cost</b>	
Cost at 1 January 2016	966,312
Aquisitions	59,508
Disposals	-
<b>At 31 December 2016</b>	<b>1,025,820</b>
Aquisitions	39,429
Disposals	1,774
<b>At 31 December 2017</b>	<b>1,063,475</b>
<b>Accrued depreciation</b>	
Depreciation accumulated as at January 1, 2016	841,381
Depreciation during the year	85,950
Accrued depreciation on disposals	-
<b>As at 31 December 2016</b>	<b>927,331</b>

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	<u><b>Total</b></u>
Depreciation during the year	83,548
Accrued depreciation on disposals	-
<b>As at 31 December 2017</b>	<u><b>1,010,879</b></u>
<b>Net value</b>	
<b>As at 31 December 2016</b>	<u><b>98,489</b></u>
<b>As at 31 December 2017</b>	<u><b>52,596</b></u>

**25. OTHER ASSETS at 31 December 2017 and 31 December 2016**

	<u><b>2017</b></u>	<u><b>2016</b></u>
<i>In RON</i>		
Advance payments to suppliers	1,788,291	1,713,942
Sundry debtors (i)	2,693,560	4,408,878
Other disputed and outstanding assets (ii)	3,585,550	1,427,072
Depreciation adjustments for sundry debtors	(2,673,427)	(1,406,921)
Inventories	34,782	6,058
Other items	67,541	23,607
VAT recovery	2,934,980	2,012,406
VAT not due	25,377	50,918
Other participation titles (iii)	69,539	69,539
<b>Other assets</b>	<u><b>8,526,193</b></u>	<u><b>8,305,499</b></u>

- (i) Sundry debtors represent the amounts paid for the RCA policies related to the assets covered by leasing contracts and which are to be recovered from the users RON 1,040,377 in 2017 and RON 2,151,884 in 2016, amounts to be collected from insurance indemnities RON 613,278 in 2017 and RON 1,924,358 in 2016, and other amounts owed by various debtors RON 1,039,905 in 2017 and RON 332,636 in 2016.
- (ii) Disputed outstanding assets are advances paid for the purchase of goods and other items under leases, which were not delivered by the supplier RON 3,455,478 in 2017 and RON 1,359,347 in 2016, and disputed outstanding receivables related to provision of various services RON 130,072 in 2017 and RON 67,725 in 2016.

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Impairment adjustments for various debtors can be detailed further as follows:

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	1,406,921	1,444,528
Expenses / Revenues from readjustments for impairment of other assets (Note 14)	1,266,506	(37,607)
<b>Balance at end of year</b>	<b>2,673,427</b>	<b>1,406,921</b>

(iii) The Company holds the following participation titles in unconsolidated subsidiaries as at 31 December 2017 and 31 December 2016

<u>Name of Company</u>	<u>Net investment</u>		<u>%</u>	<u>Number</u>	<u>Net investment</u>		<u>Number</u>
	<u>value as at</u>	<u>31 December 2017</u>			<u>value as at</u>	<u>31 December 2016</u>	
			<u>shareholding of shares</u>				<u>% of shares</u>
BT Intermedieri SRL	25,530	99,9980	50,699	25,530	99,9980	50,699	
BT Solution SRL	19,990	99,9500	1,999	19,990	99,9500	1,999	
BT Safe SRL	4,010	99,9869	7,659	4,010	99,9869	7,659	
BT Asiom SRL	19,990	99,9500	1,999	19,990	99,9500	1,999	
Medicare Technics SA (a)	-	0,3132	7,518	-	0,3132	7,518	
Other	19	0,0001	148	19	0,0001	148	
<b>TOTAL</b>	<b>69,539</b>			<b>69,539</b>			

(a) The Company's shareholding in Medicare Technics SA is RON 7,518. The Company constituted depreciation adjustments for the shares held in the amount of RON 7,518.

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in RON**26. DEFERRED INCOME TAX at 31 December 2017 and 31 December 2016**

As at 31 December 2017, the deferred income tax to be recovered by the Company related to the following on-balance sheet items:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
<i>In RON</i>			
Net investment in financial leasing	8,282,811	-	8,282,811
<b>Total</b>	<u>8,282,811</u>	<u>-</u>	<u>8,282,811</u>
<b>Deferred income tax at 16% rate</b>			<u><b>1,325,250</b></u>

As at 31 December 2016, the deferred income tax to be recovered applies to the following items:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
<i>In RON</i>			
Net investment in financial leasing	5,789,282	-	5,789,282
<b>Total</b>	<u>5,789,282</u>	<u>-</u>	<u>5,789,282</u>
<b>Deferred income tax at 16% rate</b>			<u><b>926,285</b></u>

**27. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS at 31 December 2017 and 31 December 2016**

As at 31 December 2017 and 31 December 2016, respectively, the amount of term loans received from credit institutions, with the sole purpose of financing the business, are shown in the table below:

	<u>2017</u>	<u>2016</u>
<i>In RON</i>		
Loans from banks and other financial institutions	623,029,954	417,347,200
Interest to be paid and commissions to amortize	(766,717)	(201,110)
<b>Total</b>	<u><b>622,263,237</b></u>	<u><b>417,146,090</b></u>

The interest rates on term loans received by the Company as at 31 December 2017 range between 1.17% and 2.50% for EUR loans and between 1.20% and 3.34% for RON loans (31 December 2016: 1.75% and 3.75% for EUR loans and between 2.14% and 3.34% for RON loans).

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As at 31 December 2017 and 31 December 2016 respectively, the Company complied with all the contract terms and conditions (financial limitations) imposed under the financing contracts, including the financial indicators related to loan agreements.

The maximum loan repayment term is the year 2028. Details about loan maturities are available in Note 4.

**28. PROVISIONS at 31 December 2017 and 31 December 2016**

For the bonuses to be awarded to employees under the collective bargaining agreement in 2018 for 2017 and in 2017 for 2016. For the annual leaves carried over from the year 2017 the allowances will be paid in 2018 and for the annual leaves carried over 2016 the allowances were paid in 2017, as well as for pensions and litigations, the Company has allocated the following provisions:

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Provision for unpaid leave	280,143	218,439
Provision for bonuses to employees	1,400,000	1,070,180
Provision for pensions and similar liabilities	126,689	-
Provision for litigations	614,695	-
<b>Total</b>	<u><u>2,421,527</u></u>	<u><u>1,288,619</u></u>

**29. OTHER LIABILITIES at 31 December 2017 and 31 December 2016**

<i>In RON</i>	<u>2017</u>	<u>2016</u>
Suppliers of goods and services	2,680,651	3,076,501
Suppliers of goods under leasing contracts	1,673,658	1,104,080
Advances received from customers	23,852,080	4,455,747
Employees' benefits	331,715	217,265
Other liabilities to state budget (including social security)	492,195	428,580
Income tax	919,326	1,389,169
Sundry creditors	909,048	1,563,437
Other liabilities	110,546	58,929
<b>Total</b>	<u><u>30,969,219</u></u>	<u><u>12,293,708</u></u>



**BT LEASING TRANSILVANIA IFN SA****NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016  
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As at 31 December 2017 and 31 December 2016, the Company's share capital consists of 450,011,760 shares with a nominal value of RON 0.1 per share. Each share gives the right to 1 vote in the General Assembly of the Shareholders. The shareholding structure of the Company as at 31 December 2017 and 31 December 2016 was as follows:

Shareholder	2017		2016	
	%	Number of shares	%	Number of shares
Banca Transilvania S.A.	51,71518	232,724,398	51,71511	232,724,398
BT Investment SRL	48,28481	217,287,337	48,28481	217,287,337
BT Securities SA	0.00001	25	0.00001	25
<b>Total</b>	<b>100</b>	<b>450,011,760</b>	<b>100</b>	<b>450,011,760</b>

The company is 100% owned, through direct shareholders, by Banca Transilvania SA. In 2002 and 2003, inflation adjustments on capital items were made, amounting to RON 898,333, in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies", due to the fact that the Romanian economy was a hyperinflationary economy until 31 December 2003. Following the adjustments, the share capital reported in these financial statements amounts to RON 45,899,509 as at 31 December 2017 and 31 December 2016, respectively.

**31. RESERVES at 31 December 2017 and 31 December 2016**

As at 31 December 2017, the reserves of the Company amount to RON 5,638,444 and RON 4,428,280 as at 31 December 2016. These include statutory reserves and other reserves, set up by the Company in accordance with the relevant regulations in force.

**32. TRANSACTIONS WITH RELATED PARTIES at 31 December 2017 and 31 December 2016**

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the management and operating policies of the other party. Throughout the year 2017 and 2016, the Company has entered into transactions with related parties in the normal course of its business.

The related party transactions included the renting of properties, the contracting of interest-bearing loans, the conclusion of leasing contracts and the administration of bank accounts.

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<u>Controlling company</u>	<u>Controlled company</u>	<u>Other companies</u>
Banca Transilvania	BT Intermedieri SRL	Medicare Technics
	BT Solution SRL	BT Operational
	BT Safe SRL	BT Asset Management
	BT Asiom SRL	BT Direct
		Comapnia de Factoring

<b>Lease income and other income</b>	<b>2017</b>	<b>2016</b>
<i>In RON</i>		
Services and disposal of fixed assets - Banca Transilvania SA	(332,801)	(200,785)
BT Operational Leasing SRL – leasing operations	114,625	50,974
Transilvania Imagistica SA– leasing operations	76,927	148,937
Interests on deposits and current accounts Banca Transilvania SA	47,047	57,528
Sale of moveable property Banca Transilvania SA	-	2,100
Dividend income – BT Intermedieri Agent de Asigurare SRL	1,749,979	746,097
Dividend income – BT Safe Agent de Asigurare SRL	421,632	274,528
Dividend income – BT Solution Agent de Asigurare SRL	324,677	180,386
Dividend income – BT Asiom Agent de Asigurare SRL	330,785	277,734
Dividend income – BT Intermedieri Agent de Asigurare SRL	2	2
Dividend income – BT Asset Management SAI	8	-
Income from share transfers Compania de Factoring	-	1,100
Income from adjustments for shares Compania de Factoring	-	100,000
Revenues from diminishing depreciation adjustments Transilvania Imagistica	418,795	6,436,570
Revenues from diminishing depreciation adjustments BT Operational Leasing	19,857	1,957
<b>Total</b>	<b>3,171,533</b>	<b>8,077,128</b>

**BT LEASING TRANSILVANIA IFN SA****NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016  
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administrative expenditure***In RON*

	<u>2017</u>	<u>2016</u>
Interest and commission expenses - Banca Transilvania S.A.	9,348,180	5,798,725
Lease depreciation adjustment expense – Transilvania Imagistica	418,795	3,743,821
Lease depreciation adjustment expense – BT Operational Leasing	19,631	4,133
Other expenses: rent, utilities - Banca Transilvania S.A.	837,444	730,713
Insurance expenses BT Intermedieri Agent de Asigurare SRL	1,902,001	1,427,565
Insurance expenses BT Safe Agent de Asigurare SRL	225,759	237,497
Insurance expenses BT Solution Agent de Asigurare SRL	439,085	226,022
Insurance expenses BT Asiom Agent de Asigurare SRL	326,529	219,623
Service expenses Banca Transilvania SA	71,275	19,607
Loss from transfer of shares Compania de Factoring SRL	-	100,000
Travel expenses	6,144	10,104
<b>Total</b>	<b><u>13,594,843</u></b>	<b><u>12,517,810</u></b>

**Transactions with related parties were made at market prices. These are presented below:**

**Participation titles***In RON*

	<u>2017</u>	<u>2016</u>
BT Intermedieri Agent de Asigurare SRL	25,530	25,530
BT Safe Agent de Asigurare SRL	4,010	4,010
BT Solution Agent de Asigurare SRL	19,990	19,990
BT Asset Management SRL	3	3
BT Direct IFN SA	16	16
Compania de Factoring SRL	-	-
BT Asiom Agent de Asigurare SRL	19,990	19,990
Medicare Technics SRL	7,518	7,518
<b>Total</b>	<b><u>77,057</u></b>	<b><u>77,057</u></b>

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The current balances resulting from transactions with related parties are as follows:

<b><u>Claims on credit institutions</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
<i>In RON</i>		
<i>Cash and cash equivalents</i>		
Banca Transilvania S.A. – current accounts	4,360,941	1,884,176
Banca Transilvania S.A. - deposits	19,001,850	23,634,636
Banca Transilvania S.A. – attached receivables	1,150	1,675
	<b><u>23,363,941</u></b>	<b><u>25,520,487</u></b>

<b><u>Claims on related parties</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
<i>In RON</i>		
<i>Financial lease receivables</i>		
Principal - BT Operational Leasing SRL	1,865,391	2,090,651
Principal - Transilvania Imagistica S.A.	2,008,933	2,384,428
Lease tax - BT Operational Leasing SRL	2,955	4,304
Depreciation adjustment Transilvania Imagistica S.A.	1,655,446	1,976,574
Depreciation adjustment BT Operational Leasing S.A.	2,111	2,336
<b>Total</b>	<b><u>5,534,836</u></b>	<b><u>6,458,293</u></b>

<b><u>Prepaid expenses</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
<i>In RON</i>		
Loan commissions - Banca Transilvania	37,065	42,314
Trustee fees - Banca Transilvania	647,501	414,699
Rental fees – Banca Transilvania	1,401	706
<b>Total</b>	<b><u>685,967</u></b>	<b><u>457,719</u></b>

<b><u>Other assets</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
BT Intermedieri Agent de Asigurare SRL	727,930	894,036
BT Safe Agent de Asigurare SRL	-	221,812
BT Solution Agent de Asigurare SRL	179,497	615,624
BT Asiom Agent de Asigurare SRL	140,873	420,412
Banca Transilvania SA	-	2,520
<b>Total</b>	<b><u>1,048,300</u></b>	<b><u>2,154,404</u></b>

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<b><u>Liabilities to related parties</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
<i>In RON</i>		
<i>Borrowings</i>		
Banca Transilvania S,A, – borrowings	253,671,482	377,657,103
Banca Transilvania S,A, – attached liabilities	13,378	20,540
<b>Total</b>	<b><u>253,684,860</u></b>	<b><u>377,677,643</u></b>

<b>Trade liabilities</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Commissions related to non-billed goods and services delivered – Banca Transilvania SA	377	175,277
Insurance - BT Intermedieri Agent de Asigurare SRL	1,378,631	834,067
Insurance - BT Safe Agent de Asigurare SRL	109,617	95,488
Insurance - BT Solution Agent de Asigurare SRL	31,428	34,869
Insurance - BT Asiom Agent de Asigurare SRL	87,923	97,458
Banca Transilvania SA	195,130	73,121
<b>Total</b>	<b><u>1,803,106</u></b>	<b><u>1,310,280</u></b>

**33. COMMITMENTS AND CONTINGENT LIABILITIES at 31 December 2017 and 31 December 2016**

During those years, the Company signed contracts with its clients for the funded assets that have not yet been delivered to customers. As at 31 December 2017 the amount of these contracts stood at RON 27,572,942 and RON 28,663,558 at 31 December 2016.

The Company has signed rental agreements for office spaces and for the assets recovered under leasing contracts. As at 31 December 2017 and 31 December 2016, the situation of such contracts is as follows:

	<b><u>2017</u></b>	<b><u>2016</u></b>
<i>In RON</i>		
Under 1 year	810,396	737,040
Between 1 year and 5 years	1,029,431	1,491,765
<b>Total</b>	<b><u>1,839,827</u></b>	<b><u>2,228,805</u></b>

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## 34. RECONCILIATION OF THE RESULT DETERMINED AS PER IFRS WITH THE RESULT DETERMINED AS PER THE ROMANIAN ACCOUNTING STANDARDS (RAS) at 31 December 2017 and 31 December 2016

	<u>2017</u>	<u>2016</u>
<i>In RON</i>		
<b>Net profit as per RAS</b>	<b>20,187,374</b>	<b>14,099,008</b>
Impact of the provision determined as per IFRS vs, the provision determined as per statutory regulations	(692,065)	(686,783)
Impact of deferred tax	398,965	109,885
<b>Net profit as per IFRS</b>	<b><u>19,894,274</u></b>	<b><u>13,522,110</u></b>

## 35. RECONCILIATION OF THE EQUITY DETERMINED AS PER IFRS WITH THE EQUITY DETERMINED AS PER THE ROMANIAN ACCOUNTING STANDARDS („RAS”) at 31 December 2017 and 31 December 2016

	<u>2017</u>	<u>2016</u>
<i>In RON</i>		
<b>Equity as per RAS</b>	<b>109,658,186</b>	<b>99,470,812</b>
Impact of changes in the provision determined as per IFRS compared to the provision determined as per statutory regulations	(6,481,354)	(5,789,282)
Impact of deferred tax	1,325,240	926,285
The impact of free shares	(554,040)	(554,040)
<b>Equity as per IFRS</b>	<b><u>103,948,032</u></b>	<b><u>94,053,775</u></b>

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in RON

## 36. CONSOLIDATE STATEMENT OF CASH FLOW – Correction note

There was an error of presentation related to the Consolidate Statement of Cash Flow in the Financial Statements of 2016. We presented below the comparison between Consolidate Statement of Cash Flow presented in prior year and corrected Consolidate Statement of Cash Flow of 2016.

	<u>Notes</u>	<u>2016</u> <u>(correctd)</u>	<u>2016</u> <u>(adjustment)</u>	<u>2016</u> <u>(initial)</u>
<b>Operating activities</b>				
<i>Profit before tax</i>		16,817,025		16,817,025
<b>Adjustments for non-monetary items</b>				
Tangible and intangible assets depreciation expense	18	844,346		844,346
Impairment adjustments for lease receivables	14	(13,717,568)		(13,717,568)
Provisions and impairment adjustments for other assets	14	(37,607)		(37,607)
Interest income from banks		(57,891)		(57,891)
Interest expense		7,894,372		7,894,372
Revenue from dividends	11	(1,478,747)		(1,478,747)
Other adjustments for non-monetary items		<u>5,838,847</u>		<u>5,838,847</u>
<b>Operating profit before changes in operating assets and liabilities</b>		<b>16,102,778</b>	<b>3,294,906</b>	<b>12,807,872</b>
Increase of net investment in financial leasing		(165,452,622)		(165,452,622)
(Increase) / Decrease of other assets		336,363		336,363
Net gains from loans and other debts		142,595,183		142,595,183
Increase in trade and other payables		4,701,586		4,701,586
Income tax		<u>(3,294,915)</u>		<u>(3,294,915)</u>
<b>Net cash flow from / (used in) operating Activities</b>		<b>(5,011,629)</b>	<b>12,807,861</b>	<b>(17,819,490)</b>

**BT LEASING TRANSILVANIA IFN SA**

**NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016  
in RON**

	<u>Notes</u>	<u>2016</u> <u>(correctd)</u>	<u>2016</u> <u>(adjustment)</u>	<u>2016</u> <u>(initial)</u>
<b>Investment activities</b>				
Acquisition of tangible and intangible assets		(4,944)		(4,944)
Sale of tangible and intangible assets		81,243		81,243
Sale of subsidiary shares		1,100		1,100
Bank interest earned		57,891		57,891
Dividends collected		<u>1,478,747</u>		<u>1,478,747</u>
<b>Net cash flow from investments</b>		<b>1,614,037</b>		<b>1,614,037</b>
<b>Cash and cash equivalents at start of period</b>		<b>31,577,028</b>		<b>31,577,028</b>
Net increase in cash and cash equivalents		<u>(3,397,591)</u>		<u>(3,397,591)</u>
<b>Cash and cash equivalents at end of period</b>		<b><u>28,179,437</u></b>		<b><u>28,179,437</u></b>

**37. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

By the decision of the Extraordinary General Shareholders' Meeting dated April 10, 2018, there was approved issuance by the Company of a number of 3,500 unconditioned, unguaranteed, unsubordinated and unconvertible bonds with a fixed or variable interest rate, as the case may be, with a maturity of 5 years and a total nominal value of up to € 35,000,000.

On 23 April 2018 a loan agreement in amount of EUR 20,000,000 was signed between the European Fund for Southeast Europe as a lender and BT leasing Transilvania IFN SA.

These consolidated financial statements were approved by the Board of Directors on 08 May 2018 and were signed on behalf of the Board of Directors by:

Ionut-Calin Morar  
Chief Executive Officer



Sabina Moldovan  
Director - Finance

