

BT LEASING TRANSILVANIA IFN S.A.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

**Prepared in accordance with the
International Financial Reporting Standards as adopted by the European
Union**

For the year ended on 31 December 2018

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BT LEASING TRANSILVANIA IFN SA**

Report on the audit of the financial statements

Our opinion

In our opinion,

- the consolidated financial statements give a true and fair view of the consolidated financial position of BT Leasing Transilvania IFN S.A. (the "Company") and its subsidiaries (together the "Group") as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and the National Bank of Romania ("NBR") Order 6/2015 "for approving accounting Regulations in accordance with European directives" and subsequent amendments ("NBR Order 6/2015"); and
- the separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with IFRS.

Our opinion is consistent with our additional report to the Company's Audit Committee.

What we have audited

The Group's consolidated financial statements and the Company's separate financial statements (collectively the "financial statements") comprise:

- the Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018;
- the Consolidated and Separate Statements of Financial Position as at 31 December 2018;
- the Consolidated and Separate Statements of Changes in Equity for the year ended 31 December 2018;
- the Consolidated and Separate Statements of Cash Flows for the year ended 31 December 2018; and

- the notes to the consolidated and separate financial statements, which include significant accounting policies and other explanatory information.

The consolidated financial statements as at 31 December 2018 are identified as follows:

- Total equity: RON 167,549,276;
- Profit for the year: RON 32,885,885.

The separate financial statements as at 31 December 2018 are identified as follows:

- Total equity: RON 159,652,467;
- Profit for the year: RON 29,791,469.

The Company's registered office is in Cluj-Napoca, Cluj, 74-76 Constantin Brâncuși Street, Romania and the Company's unique fiscal registration code is RO7424119.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"), Regulation (EU) No 537/2014 of the European Parliament and of the Council ("the Regulation") and Law No 162/2017 "regarding statutory audit of annual financial statements and annual consolidated financial statements and regarding changes to other regulations" ("the Law 162/2017"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the ethical requirements that are relevant to our audit of the financial statements in Romania, including the Regulation and the Law 162/2017. We have fulfilled our other responsibilities in accordance with these requirements and IESBA Code.

To the best of our knowledge and belief, we declare that no services other than audit were provided to the Group and the Company from 1 January 2018 up to the date of this report.

Our audit approach

Overview



Overall materiality:

RON 9.2 million for both consolidated and separate financial statements.

Group scoping:

We planned and scoped our audit for 2018 reflecting the Group's current structure whereby the Company represents practically all the Group's assets, liabilities and net interest income and approximately 80% of profit before tax. Hence, we defined the Company as the sole significant component within the Group and so we have performed a full scope audit of its financial information.

Key audit matters:

- Application of IFRS 9 "Financial Instruments" in the calculation of expected credit loss ("ECL") allowances for finance lease receivables.

This was considered key audit matter for both the audit of the consolidated and separate financial statements.

Group scoping

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform enough work to enable us to provide an opinion on the consolidated and separate financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

We planned and scoped our audit for 2018 reflecting the Group's current structure whereby the Company represents the vast majority of the Group's assets (more than 99%), liabilities (almost 100%), net interest income (almost 100%) and profit before tax (approximately 80%). Hence, we defined the Company as the sole significant component within the Group and so this was subject to an audit of the complete financial information. We also applied analytical procedures to the financial information of the remaining components of the Group.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken based on the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

| | |
|--|---|
| Overall materiality | RON 9.2 million for both consolidated and separate financial statements. |
| How we determined it | Approximately 1% of finance lease receivables as per the Separate and Consolidated Statement of Financial Position as at 31 December 2018. |
| Rationale for the materiality benchmark applied | Although the Company is profit-oriented its results have been volatile. Moreover, finance lease receivables is used as one of the indicator of size for ranking leasing companies. Considering those elements, as well as the Company's objective of having a stable and controlled market growth, we assessed that finance lease receivables are the most relevant benchmark for the year ended 31 December 2018. We chose 1%, which is an acceptable quantitative materiality threshold for this benchmark. |

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the

context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>Application of IFRS 9 “Financial Instruments” in the calculation of expected credit loss (“ECL”) allowances for finance lease receivables</p> <p>We focused on this area because this is a new and complex accounting standard requiring the management to implement new models and procedures. In addition, these models and calculations require the management to make complex and subjective judgements over both the timing of recognition of ECL and the estimation of the size of ECL.</p> <p>On 1 January 2018, IFRS 9 was adopted by the Group and replaced the previously applied IAS 39 for credit loss allowance of finance lease receivables (which is still applied in the financial statements for the 2017 comparative period). Under IFRS 9, the basis of creating expected credit loss allowances is significantly different from the previous standard and the new disclosure requirements are also significantly different. Therefore, we focused on the design and application of the new comprehensive ECL models introduced by the management which comply with IFRS 9.</p> <p>The Group and the Company use the simplified approach to determine expected credit loss allowance, an approach allowed for receivables from finance lease agreements in accordance with IFRS 9.</p> <p>According to the simplified approach, the impairment calculation for lease receivables is done at full lifetime expected credit losses (as there is no stage 1).</p> <p>For non-significant finance lease receivables classified in Stage 2, the assessment of the expected credit loss allowance is performed collectively, with the key assumptions being the probability of an account falling into arrears and</p> | <p>In relation to the implementation of the new ECL models for measuring impairment we assessed the appropriateness of the key assumptions used in the methodologies and models of the Group and their compliance with the principles and requirements of IFRS 9. We engaged our credit risk technical experts to assist us in undertaking this assessment.</p> <p>Given that the Company holds 100% of the Group's total balance of finance lease receivables, we have set out below the specifics of how we responded to this key audit matter in the Company.</p> <p>We assessed and tested on a sample basis the design and operating effectiveness of key controls over ECL data and calculations.</p> <p>These include those controls performed by the Company's management to ensure that the input data on finance lease receivables are correct, that the reimbursements are appropriately allocated to the correct balances and that the approval of the finance leases is done according to the internal procedures.</p> |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>subsequently defaulting, exposure at the moment of default and the estimated recoveries from defaulted receivables.</p> <p>For Stage 3 lease receivables the expected credit losses are based on the lifetime, with the probability of default being 100%.</p> <p>For individually significant receivables from finance lease contracts classified in Stage 3, the expected credit losses are assessed individually based on probability weighted scenarios of cash flow forecasts. The key assumptions here are the expected cash flows (from both operating cash flows and recoveries from collateral) and the weighting attached to the different scenarios.</p> <p>As this is the first year of adoption of IFRS 9, there is limited experience available to back-test the charge for ECL with actual results. There is also a significant increase in the number of data inputs required for the impairment calculation. This increases the risk around completeness and accuracy of certain data used to create assumptions and operate the models.</p> <p>Note 3 – “Significant accounting policies”, Note 4 – “Financial risk management”, and Note 5 – “Accounting estimates and significant judgments” to the financial statements provide detailed information on the ECL for finance lease receivables and the effect of adoption of new ECL models.</p> | <p>We verified the reconciliation of the output of the ECL calculation with the accounting records.</p> <p>We tested the adequacy of the probability of default and of the loss given default for the entire portfolio, including by recalculating the parameters based on the same historical data sets used by the Company.</p> <p>We tested the application of the default definition and tested, on a sample basis, the appropriateness of the default flagging for the finance lease contracts.</p> <p>For individually assessed loans, we tested, on a sample basis, the approval of the key inputs and assumptions such as discount rates used, estimated recoveries from collateral, and type and weighting attached to the different forecast scenarios.</p> |

Reporting on other information including the Consolidated Administrators' Report

The Administrators are responsible for other information. The other information comprises Consolidated Administrators' Report but does not include the financial statements and our auditor's report thereon. We obtained the other information prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, including the Consolidated Administrators' Report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Consolidated Administrators' Report, we read it and we report whether this was prepared in all material respects, in accordance with NBR Order 6/2015 article 234.

Based exclusively on the work undertaken in the course of our audit of the financial statements, in our opinion:

- the information given in the Consolidated Administrators' Report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the financial statements;
- the Consolidated Administrators' Report has been prepared, in all material respects, in accordance with NBR Order 6/2015 article 234.

In addition, in light of the knowledge and understanding of the Group and Company and its environment obtained in the course of the audit of the financial statements for the financial year ended 31 December 2018, we are required to report if we have identified material misstatements in the Consolidated Administrators' Report. We have nothing to report in this respect.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and the NBR Order 6/2015 and with the accounting policies presented in the Note 3 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's or Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as financial auditors of the Company at the Ordinary General Shareholders

Meeting on 3 May 2016. The total period of uninterrupted engagement appointment is 3 years covering the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018.

The engagement partner on the audit resulting in this independent auditor's report is Ana-Maria Butucaru.

**Refer to the original
signed Romanian version**

Ana-Maria Butucaru
Financial auditor
registered with the Public Electronic Register of financial auditors and audit firms under no. AF3378

On behalf of

PricewaterhouseCoopers Audit SRL
301-311 Barbu Văcărescu Street, Bucharest
Audit firm
registered with the Public Electronic Register of financial auditors and audit firms under no. FA6

Bucharest, 18 October 2019

BT Leasing Transilvania IFN S.A.

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

For the year ended on 31 December

- in RON -

| | Notes | Group | | Company | |
|--|--------------|-------------------|-------------------|-------------------|-------------------|
| | | 2018 | 2017 adjusted | 2018 | 2017 adjusted |
| Interest income | | 76,663,199 | 56,029,395 | 76,647,180 | 56,029,395 |
| Interest expense | | (19,066,626) | (10,757,152) | (19,066,626) | (10,757,152) |
| Net interest income | 6 | 57,596,573 | 45,272,243 | 57,580,554 | 45,272,243 |
| Fee and commission income | | 9,434,123 | 155,551 | 1,007,793 | 155,551 |
| Fee and commission expense | | (292,524) | (270,712) | (272,793) | (270,712) |
| Net fee and commission income/(expense) | 7 | 9,141,599 | (115,161) | 735,000 | (115,161) |
| Net gain/(loss) from foreign currency translation | 8 | 3,391,027 | 3,236,946 | 3,391,027 | 3,236,946 |
| Other operating income | 9 | 4,372,818 | 7,977,046 | 8,492,993 | 7,977,046 |
| Revenue from sale of assets previously leased to customers | 10 | 1,625,146 | 863,790 | 1,625,146 | 863,790 |
| Cost of inventory/assets repossessed from lease agreements | 10 | (2,138,403) | (675,741) | (2,138,403) | (675,741) |
| Net impairment charges of financial assets | 11 | (17,446,343) | (12,668,749) | (17,446,343) | (12,668,749) |
| Net income/expense relating to provisions | 12 | (71,218) | (614,695) | (71,218) | (614,695) |
| Personnel expenses | 13 | (15,641,155) | (12,848,490) | (14,817,792) | (12,848,490) |
| Depreciation expense | 22,23 | (843,949) | (834,727) | (834,878) | (834,727) |
| Other operating expenses | 14 | (8,052,012) | (6,476,427) | (7,735,932) | (6,476,427) |
| Profit before tax | | 31,934,083 | 23,116,035 | 28,780,154 | 23,116,035 |
| Income tax (expense)/credit | 15 | 951,802 | (3,221,761) | 1,011,315 | (3,221,761) |
| Net profit for the year | | 32,885,885 | 19,894,274 | 29,791,469 | 19,894,274 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income | | 32,885,885 | 19,894,274 | 29,791,469 | 19,894,274 |
| Profit of the Group attributable to: | | | | | |
| Owners of the Company | | 32,884,359 | 19,894,274 | 29,791,469 | 19,894,274 |
| Non-controlling interests | | 1,526 | - | - | - |

The financial statements were approved by the Board of Directors on 17 October 2019 and were signed on its behalf by:

Ionut Calin Morar
General Manager

Sabina Moldovan
Financial Manager

BT Leasing Transilvania IFN S.A.

Consolidated and Separate Statement of Financial Position For the year ended on 31 December

- in RON -

As of 31 December

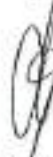
| As at 31 December | | Group | | Company | |
|--|------|--------------------|--------------------|--------------------|--------------------|
| | Note | 2018 | 2017 adjusted | 2018 | 2017 adjusted |
| Assets | | | | | |
| Cash on hand | 16 | 5,376 | 2,183 | 4,748 | 2,183 |
| Placements with banks | 17 | 9,163,298 | 25,930,509 | 8,013,860 | 25,930,509 |
| Finance lease receivables | 18 | 919,260,049 | 714,248,839 | 919,260,049 | 714,248,839 |
| Other financial assets | 19 | 9,583,886 | 5,393,974 | 4,611,772 | 5,393,974 |
| Inventory | 20 | 7,799,443 | 7,630,833 | 7,799,443 | 7,630,833 |
| Equity investments | 21 | 19 | 69,539 | 69,539 | 69,539 |
| Premises and equipments | 22 | 1,438,139 | 1,885,629 | 1,438,139 | 1,885,629 |
| Intangible assets | 23 | 280,621 | 52,596 | 266,257 | 52,596 |
| Current tax assets | | 3,976,569 | - | 4,001,245 | - |
| Deferred tax assets | 15 | 3,524,568 | 1,325,250 | 3,499,624 | 1,325,250 |
| Other assets | 24 | 223,294 | 3,062,680 | 322,016 | 3,062,680 |
| Total assets | | 955,255,262 | 759,602,032 | 949,286,692 | 759,602,032 |
| Liabilities | | | | | |
| Loans from banks and other financial institutions | 25 | 771,151,038 | 622,263,237 | 771,151,038 | 622,263,237 |
| Provisions for liabilities and charges | 26 | 3,758,608 | 2,421,527 | 3,602,708 | 2,421,527 |
| Other financial liabilities | 27 | 9,356,376 | 29,115,437 | 11,463,640 | 29,115,437 |
| Other liabilities | 28 | 3,439,964 | 1,853,782 | 3,416,839 | 1,853,782 |
| Total liabilities | | 787,705,986 | 655,653,983 | 789,634,225 | 655,653,983 |
| Equity | | | | | |
| Share capital | 29 | 59,572,544 | 45,899,509 | 59,572,544 | 45,899,509 |
| Legal reserves and other reserves | 30 | 8,203,447 | 5,638,444 | 8,078,735 | 5,638,444 |
| Retained earnings | | 99,771,711 | 52,410,096 | 92,001,188 | 52,410,096 |
| Total equity attributable to Company's owners | | 167,547,702 | 103,948,049 | 159,652,467 | 103,948,049 |
| Non-controlling interest | | 1,574 | - | - | - |
| Total equity | | 167,549,276 | 103,948,049 | 159,652,467 | 103,948,049 |
| Total liabilities and equity | | 955,255,262 | 759,602,032 | 949,286,692 | 759,602,032 |

The financial statements were approved by the Board of Directors on 17 October 2019 and were signed on its behalf by:

Ionut Calin Morar
General Manager



Sabina Moldovan
Financial Manager



BT Leasing Transilvania IFN S.A.

Consolidated Statement of Changes in Equity

For the year ended on 31 December 2018

| Group | - in RON - | | | |
|--|-------------------|-----------------------------------|---------------------------------------|---|
| | Share capital | Legal reserves and other reserves | Retained earnings to Company's owners | Total equity attributable to Company's owners |
| Balance as at 1 January 2017 | 45,899,509 | 4,428,280 | 43,725,987 | 94,053,776 |
| Net profit for the year | - | - | 19,894,273 | 19,894,273 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | 19,894,273 | 19,894,273 |
| Distribution to legal reserve | - | 1,210,164 | (1,210,164) | - |
| Dividends distributed to shareholders | - | - | (10,000,000) | (10,000,000) |
| Balance as at 31 December 2017 | 45,899,509 | 5,638,444 | 52,410,096 | 103,948,049 |
| Adoption of new standards, net of tax | - | - | (6,106,060) | (6,106,060) |
| Balance as at 1 January 2018 | 45,899,509 | 5,638,444 | 46,304,036 | 97,841,989 |
| Net profit for the year | - | - | 32,884,359 | 32,884,359 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | 32,884,359 | 32,884,359 |
| Distribution to legal reserve | - | - | - | - |
| - of the Company | - | 1,687,335 | (1,687,335) | - |
| - of the subsidiaries | - | 124,712 | - | 124,712 |
| Equity elements increased through merger (Note 34) | 13,673,035 | 752,956 | 17,593,019 | 32,019,010 |
| Other changes | - | - | 4,677,632 | 4,677,632 |
| Balance as at 31 December 2018 | 59,572,544 | 8,203,447 | 99,771,711 | 167,547,702 |
| | | | 1,574 | 167,549,276 |

The explanatory notes to the financial statements from page 7 to page 84 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Separate Statement of Changes in Equity

For the year ended on 31 December 2018

| Company | Share capital | Legal reserves and other reserves | Retained earnings | Total equity |
|--|-------------------|-----------------------------------|-------------------|--------------------|
| | | | | - in RON - |
| Balance as at 1 January 2017 | 45,899,509 | 4,428,280 | 43,725,987 | 94,053,776 |
| Net profit for the year | - | - | 19,894,273 | 19,894,273 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | 19,894,273 | 19,894,273 |
| Distribution to legal reserve | - | 1,210,164 | (1,210,164) | - |
| Dividends distributed to shareholders | - | - | (10,000,000) | (10,000,000) |
| Balance as at 31 December 2017 | 45,899,509 | 5,638,444 | 52,410,096 | 103,948,049 |
| Adoption of new standards, net of tax | - | - | (6,106,060) | (6,106,060) |
| Balance as at 1 January 2018 | 45,899,509 | 5,638,444 | 46,304,036 | 97,841,989 |
| Net profit for the year | - | - | 29,791,468 | 29,791,468 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | 29,791,468 | 29,791,468 |
| Distribution to legal reserve | - | - | (1,687,335) | - |
| - of the Company | - | 1,687,335 | (1,687,335) | - |
| Equity elements increased through the merger (Note 34) | 13,673,035 | 752,956 | 17,593,019 | 32,019,010 |
| Balance as at 31 December 2018 | 59,572,544 | 8,078,735 | 92,001,188 | 159,652,467 |

The explanatory notes to the financial statements from page 7 to page 84 are an integral part of these financial statements

BT Leasing Transilvania IFN S.A.

Consolidated and Separate Statement of Cash Flows

For the year ended on 31 December

| | Note | - in RON - | |
|---|-----------|----------------------|----------------------|
| | | Group | |
| | | 2018 | 2017 adjusted |
| Operating activities | | | |
| Profit before tax | | 31,934,083 | 23,116,035 |
| Adjustments for non-monetary elements | | | |
| Depreciation expense of premises and equipment and intangible assets | 23, 24 | 843,949 | 834,727 |
| Net impairment charges for finance lease receivables | 11 | 23,627,013 | 24,200,406 |
| Net impairment expenses for other assets | 11 | 21,912 | 1,266,506 |
| Net expense from valuation adjustments | 11 | 571,995 | - |
| Net release of provisions for repossessed inventory | 10 | (1,545,650) | (2,780,757) |
| Interest income from banks | 6 | (191,733) | (48,260) |
| Interest expense | | 18,574,197 | 10,479,144 |
| Dividend income | 9 | (10,824) | (2,839,226) |
| Income tax | | 3,856,583 | 2,822,796 |
| Other adjustments for non-cash items | | 1,184,267 | 3,511,028 |
| Operating profit before the change in operating assets and liabilities | | 78,865,793 | 60,562,399 |
| (Increase) in net finance lease receivables | | (169,899,281) | (257,640,195) |
| (Increase)/Decrease in other assets | | (4,912,975) | (220,694) |
| (Increase)/Decrease in inventory | | (2,800,163) | 2,780,259 |
| Increase/(Decrease) of trade payables and other liabilities | | (18,982,698) | 18,675,511 |
| Interest expense paid | | (18,395,502) | (10,177,125) |
| Income tax paid | | (5,104,099) | (3,221,761) |
| Net cash flow from/(used in) operating activities | | (141,228,925) | (189,241,606) |
| Investing activities | | | |
| Acquisitions of premises, equipment and intangible assets | | (870,362) | (914,633) |
| Proceeds from disposal of premises and equipment and intangible assets | | 94,891 | 79,616 |
| Cash arising from the merger | 34 | 5,108,204 | - |
| Interest received from banks | | 192,539 | 48,780 |
| Dividends received | 9 | 10,824 | 2,839,226 |
| Net cash flow from investing activities | | 4,536,096 | 2,052,989 |
| Financing activities | | | |
| Net receipts of loans and other borrowings | | 119,929,618 | 194,940,024 |
| Dividends paid | | - | (10,000,000) |
| Net cash flow from financing activities | | 119,929,618 | 184,940,024 |
| Cash and cash equivalents at the beginning of the period | 17 | 25,930,844 | 28,179,437 |
| Net increase in cash and cash equivalents | | (16,763,211) | (2,248,593) |
| Cash and cash equivalents at the end of the period | 17 | 9,167,633 | 25,930,844 |

BT Leasing Transilvania IFN S.A.

Consolidated and Separate Statement of Cash Flows

For the year ended on 31 December

- in RON -

| | Note | Company | |
|---|-----------|----------------------|----------------------|
| | | 2018 | 2017 adjusted |
| Operating activities | | | |
| Profit before tax | | 28,780,154 | 23,116,035 |
| Adjustments for non-monetary elements | | | |
| Depreciation expense of premises and equipment and intangible assets | 23, 24 | 834,879 | 834,727 |
| Net impairment charges for finance lease receivables | 11 | 23,627,013 | 24,200,406 |
| Net impairment expenses for other assets | 11 | 21,912 | 1,266,506 |
| Net expense from valuation adjustments | 11 | 571,995 | - |
| Net release of provisions for repossessed inventory | 10 | (1,545,650) | (2,780,757) |
| Interest income from banks | 6 | (175,714) | (48,260) |
| Interest expense | | 18,574,197 | 10,479,144 |
| Dividend income | 9 | (4,134,418) | (2,839,226) |
| Income tax | | 3,757,512 | 2,822,796 |
| Other adjustments for non-monetary elements | | (3,793,041) | 3,511,028 |
| Operating profit before the change in operating assets and liabilities | | 66,518,838 | 60,562,399 |
| (Increase) in net finance lease receivables | | (169,899,281) | (257,640,195) |
| (Increase)/Decrease in other assets | | (91,329) | (220,694) |
| (Increase)/Decrease in inventory | | (2,800,163) | 2,780,259 |
| Increase/(Decrease) of trade payables and other liabilities | | (16,898,559) | 18,675,511 |
| Interest expense paid | | (18,395,502) | (10,177,125) |
| Income tax paid | | (4,920,571) | (3,221,761) |
| Net cash flow from/(used in) operating activities | | (146,486,567) | (189,241,606) |
| Investing activities | | | |
| Acquisitions of premises, equipment and intangible assets | | (870,362) | (914,633) |
| Proceeds from disposal of premises, equipment and intangible assets | | 94,891 | 79,616 |
| Cash arising from the merger | 34 | 5,108,204 | - |
| Interest received from banks | | 176,521 | 48,780 |
| Dividends received | 9 | 4,134,418 | 2,839,226 |
| Net cash flow from investing activities | | 8,643,671 | 2,052,989 |
| Financing activities | | | |
| Net receipts of loans and other borrowings | | 119,929,618 | 194,940,024 |
| Dividends paid | | - | (10,000,000) |
| Net cash flow from financing activities | | 119,929,618 | 184,940,024 |
| Cash and cash equivalents at the beginning of the period | 17 | 25,930,844 | 28,179,437 |
| Net increase in cash and cash equivalents | | (17,913,278) | (2,248,593) |
| Cash and cash equivalents at the end of the period | 17 | 8,017,567 | 25,930,844 |

Notes to the consolidated and separate financial statements

1. Reporting entity

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

The Company also owns the following subsidiaries: BT Intermedieri Agent de Asigurare SRL, BT Solution Agent de Asigurare SRL, BT Safe Agent de Asigurări SRL and BT Asiom Agent de Asigurare SRL (hereinafter defined as the "Subsidiaries"). The Parent Company and its Subsidiaries are based in Romania and are further defined as the "Group". The consolidated and separate financial statements as at 31 December 2018 include the Parent Company and its Subsidiaries.

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

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

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

As at 31 December 2018 the Group had 116 active employees (31 December 2017: 118 active employees).

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

| <u>Position</u> | <u>31 December 2018</u> | <u>31 December 2017</u> |
|------------------------|--------------------------------|--------------------------------|
| Chairman | Hanga Radu | Hanga Radu |
| Member | Tiberiu Moisa | Tiberiu Moisa |
| Member | Szekely Daniel | Szekely Daniel |

Notes to the consolidated and separate financial statements

2. Basis of preparation

a) Conformity statement

The consolidated and separate financial statements of the Group and the Company have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS") and the National Bank of Romania ("NBR") Order 6/2015 "for approving accounting Regulations in accordance with European directives" and subsequent amendments ("NBR Order 6/2015"), in force at the annual reporting date of the Group and the Company, 31 December 2018. The consolidated and separate financial statements of the Group and of the Company as at 31 December 2018 cannot be modified after their approval by the Board of Directors of the Company.

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and significant judgments

The preparation of the consolidated and separate financial statements in accordance with IFRS requires management to use estimates and judgments that affect the application of accounting policies, as well as the reported value of assets, liabilities, revenues and expenses. The estimates and judgments associated with them are based on historical data and other factors deemed to be eloquent in the given circumstances, and the result of these factors forms the basis of the judgments used in determining the carrying amount of assets and liabilities for which no other valuation sources are available. Actual results may differ from estimated values. Estimates and judgments are reviewed periodically.

Revisions of accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period in which the estimate is revised and future periods, if the revision affects both the current period and future periods. The information related to those estimates used in applying the accounting policies that have a significant effect on the consolidated and separate financial statements, as well as the estimates that imply a significant degree of uncertainty, are presented in Notes 4 and 5.

3. Significant accounting methods and policies

Significant accounting methods and policies have been consistently applied by the Company and the Group entities throughout the financial years presented in these consolidated and separate financial statements. In these financial statements, the Group and the Company applied for the first time the provisions of IFRS 9 "Financial Instruments" (issued on 24 July 2014 and applicable to annual periods beginning on or after 1 January 2018). The Group and the Company have not adopted in advance any other standard, interpretation or modification that has been issued but which has not yet entered into force.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

The Group and the Company have not restated the comparative information for 2017 for the financial instruments covered by IFRS 9. Therefore, the comparative information for 2017 is reported in accordance with IAS 39 and is not comparable with the information presented for 2018. The differences resulting from the adoption of IFRS 9 have been recognized directly in retained earnings as at 1 January 2018 and are presented in Note 3 u).

The main accounting policies applicable to the comparative period as of 31 December 2017, which were subsequently amended in accordance with the provisions of IFRS 9, are presented in Note 35.

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 control. The control over an entity is reflected by the Group's capacity to exercise its power in order to affect any variable returns to which the Group is exposed as a result of 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 activities of the entity;
- the entity's relevant activities and the way they are determined;
- whether the Group has power to direct the entity's relevant activities;
- whether the Group is exposed or entitled to variable returns; and
- whether the Group has the ability to use its power to affect the returns.

If voting rights are relevant, the Group shall be deemed to have control, if it owns, directly or indirectly, more than half of the voting rights over an entity, except where there is evidence that another investor could control the relevant activities. Potential voting rights that are considered substantive are also considered when determining the control over the entity.

The Group also controls an entity even though it does not have the majority voting power, but it has the practical ability to direct the relevant activities. This can occur if the size and dispersion of the shareholdings give the Group the power to direct the activities in which it has invested.

The subsidiaries are included in the consolidation starting from the date when the control is transferred to the Group. The Group continuously evaluates the control over the entities in which it has invested, at least at each reporting date. Therefore, any change in the structure that results in a change of one or more control factors causes a reassessment. These include changes in decision rights, changes in contractual arrangements, financial and/or capital structure changes, as well as changes that occurred following a triggered event that was anticipated in the initial documentation.

(ii) Non-controlling interest

The Group presents the non-controlling interest in its consolidated statement of financial position within equity, separately from the equity of the Parent Company's owners.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

a) Basis for consolidation (continued)

(ii) Non-controlling interest (continued)

The non-controlling interest is measured proportionally with the percentage held in the net assets of the subsidiary. Any change in the percentage of ownership that does not result in losing control is disclosed as an equity transaction.

(iii) Loss of control

When the Group loses control over a subsidiary, the assets (including any goodwill), liabilities and the carrying amount of any non-controlling interests are derecognised at the date when control was lost. Any gain or loss resulting from the loss of control is recognized in the statement of profit or loss.

At the date when control of a subsidiary is lost, the Group: a) derecognises the assets (including the attributable goodwill) and the liabilities of the subsidiary; b) derecognises the value of non-controlling interests from the former subsidiary; c) recognizes the consideration received at fair value; d) recognizes any investment in the former subsidiary at fair value; and e) recognizes any difference resulting from the actions above as a gain or loss in the statement of profit or loss. Any amounts recognised in previous periods in other comprehensive income in relation to that subsidiary are reclassified to the consolidated statement of profit or loss or are transferred directly to retained earnings, if required by other IFRSs.

(iv) Transactions eliminated from consolidation

Settlements and transactions within the Group, as well as unrealised gains resulting from transactions within the Group, are eliminated in the consolidated financial statements. The unrealized gains resulting from transactions with a related entity are eliminated in correlation with the investment in the related entity. Unrealized losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Unconsolidated entities

If the Group holds investments 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 may choose not to include them in the consolidation basis. The Parent Company has decided to consolidate the subsidiaries starting with the financial year ended 31 December 2018, the comparative financial statements for the financial year ended 31 December 2017 for the Group present the position and financial performance of the Parent Company.

(vi) Presentation of the legal merger through absorption in the financial statements, entities under common control

The purchases of subsidiaries from entities under common control are accounted for using predecessor accounting method. According to this method, in the financial statements assets and liabilities of the subsidiary transferred under common control are included at the carrying values from the predecessor entity, no goodwill arises. The predecessor entity is considered the highest reporting entity in which the IFRS financial information of the subsidiary has been consolidated.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

a) Basis for consolidation (continued)

(vi) Presentation of the legal merger through absorption in the financial statements, entities under common control (continued)

Any difference between the book value of the net assets, including the goodwill of the predecessor entity, and the consideration for the acquisition is accounted for in the financial statements as an adjustment in the equity. Predecessor method is applied by the Company/Group prospectively, from the date on which business combination under common control occurred.

In the absence of the specific requirements of IFRS for legal mergers by absorption, between entities under common control, the Company chose to present the carrying values of the identifiable assets acquired and of the assumed debts taken over, in the consolidated and separate financial statements at the date of the legal merger, after their initial recognition at fair value at the date of obtaining control using predecessor accounting method.

The consideration transferred within a business combination is measured at the fair value, being calculated as the sum of the fair values from the acquisition date of the assets transferred by the acquirer, of the debts incurred by the acquirer towards the former owners of the acquired entity and of the equity investments issued by the acquirer, less acquisition costs that are recognized in the statement of profit and loss.

b) Foreign currency transactions

The 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. Foreign exchange differences are recognised in profit or loss.

Foreign currency translation

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

- assets and liabilities of the entity, both monetary and non-monetary, were translated at the closing rate at date of the consolidated and separate statement of financial position;
- 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;
- all resulting exchange differences have been classified as other elements of comprehensive income until the disposal of the investment.

The exchange rates for the major foreign currencies were:

| Currency | 31 December 2018 | 31 December 2017 | Variation % |
|-------------------|-------------------------|-------------------------|--------------------|
| Euro ("EUR") | 1: RON 4.6639 | 1: RON 4.6597 | 0.09% |
| US dollar ("USD") | 1: RON 4.0736 | 1: RON 3.8915 | 4.68% |

Notes to the consolidated and separate financial statements

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

c) Interest income and expenses

Interest income from finance lease contracts is recognised within "Interest income" for the duration of the leasing contract using the net investment method, which reflects a constant periodic rate of return.

Interest income and expenses related to financial instruments are recognized in the result of the year at amortized cost 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.

Once a financial asset or a group of financial assets has recorded an impairment loss, the interest income is subsequently recognized, using the interest rate to adjust future cash flows in order to measure the impairment loss applied to the net book value of the asset.

Lease commitment fees are amortized together with the related direct costs and are recognized as an adjustment of the effective interest rate of the lease. 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.

d) Fee and commission income

Fee and commission income include the revenues related to the services provided to third parties as part of the activity carried out by the Company as well as the commissions from insurance intermediation charged by the Subsidiaries. The Subsidiaries act as agents in the intermediation contracts according to IFRS 15, the commission income being recorded monthly as a product between the percentage corresponding to each type of insurance and the amounts paid (instalments from the insurance policies concluded). The Subsidiaries analyse the recoverability of the commission income at initial recognition.

Commissions expenses include expenses related to services provided by third parties, in particular: commissions for the payment of commercial operations and other expenses or revenues related to them.

The recognition of commission income or expenses depends on their economic nature.

e) Net gain/(loss) from foreign currency translation

The net gain/loss from foreign currency translation is the difference between the gain and loss as a result of currency translation.

f) Dividend income

Dividend income is recognized in the result of the year 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.

Notes to the consolidated and separate financial statements

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

f) Dividend income (*continued*)

For the Group's Subsidiaries, the only profit available for distribution is the profit for the year recorded in the statutory accounts, which differs from the profit disclosed in these consolidated and separate financial statements prepared in accordance with IFRS, due to the differences between the applicable Romanian Accounting Standards and IFRS.

g) Revenue and expense from transactions with assets previously leased to customers

Revenues from sale of assets recovered from leasing contracts are recognised when the Group or the Company has transferred to the buyer the risks and rewards related to the ownership of the asset. The cost of the assets is discharged on the date of the recognition of the related income, the discharge being included in "Cost of inventory, assets released in lease agreements or derecognised".

h) Net impairment charges of financial assets

Finance lease contracts receivables are presented in the statement of financial position net of impairment charges. Impairment charges are recognised as an expense in the statement of profit or loss.

Impairment charges of financial assets are reviewed and updated monthly. More details are included in this note, point k) and l).

i) Taxes

The income tax for the year includes the current and 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.

The current income tax is the tax payable on the profit of the period, determined based on the percentages applicable at the date of the consolidated and individual statement of the financial position and of all the adjustments related to the previous periods. 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.

Deferred tax is determined based on the balance sheet liability method for the temporary differences between the tax base for the calculation of the tax on assets and liabilities and their accounting value used for reporting under the consolidated financial statements. Deferred tax is not recognized for the following temporary differences: initial recognition of goodwill, initial recognition of assets and liabilities resulting from transactions which are not business combinations and do not affect the accounting or tax profit and differences resulting from investments in subsidiaries, provided that they are not reversed in the near future and the moment of reversal are being controlled by the Parent company.

The temporary differences may arise in a business combination, so that an entity may recognize any resulting deferred tax assets or liabilities as identifiable assets and liabilities at the acquisition date. The temporary differences arise when the tax bases of the identifiable assets acquired, and liabilities assumed are not affected by the business combination.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

i) Taxes (continued)

According to the local tax regulations, the fiscal loss of the company that ceases to exist further to a legal merger through 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.

In order to carry forward unused tax losses, the deferred tax assets are recognized only if it is likely to obtain taxable profit in the future after offsetting the tax loss from the previous years and the recoverable tax on profit. The deferred tax asset is diminished to the extent to which the related tax benefit is unlikely to be achieved.

The tax rate used to calculate the current and deferred tax position as at 31 December 2018 is 16% (31 December 2017: 16%).

j) Cash and cash equivalents

For the preparation of the statement of cash flows, cash and cash equivalents consist of cash on hand, current accounts and short-term bank deposits. The bank accounts in foreign currencies are presented in RON, the conversion being made at the exchange rate valid at the date of the financial statements. Cash and cash equivalents are presented under "Cash on hand" and "Placement with banks", being recorded at amortized cost in the consolidated and separate statement of financial position.

k) Finance lease receivables

The main activity of the Parent Company is to provide financing of vehicles and equipment, having the role of lessor in the finance lease contracts, through which substantially all the risks and rewards related to the asset leased are transferred to the lessee. Assets granted under finance lease contracts are presented as finance lease receivables and are recorded at the present value of future payments, finance lease receivables being recognized when the assets financed by the contract have been delivered to the lessee. Therefore, finance lease receivables are initially recognized at the start of the contract (when the lease term begins as a result of the delivery of the asset) using an initial discount rate.

The difference between the gross receivable and the present value represents the unattributed financial income. This income is recognised over the lease term using the net investment method, which reflects a constant rate of return. The incremental costs directly attributable to the negotiation and arrangement of the lease are included in the initial measurement of the finance lease and diminish the value of the income recognized during the lease period.

Expected credit losses ("ECL") are recognised using the simplified method, determining a lifetime ECL. ECL are determined in the same way as for other assets measured at amortised cost, to disclose ECL, a separate impairment account is used that diminishes the net book value of the receivables at the present value of the expected cash flows updated with the interest rates implied in the finance lease. Future estimated cash flows reflect the cash flows that may result from recovering and selling the assets that are subject of the finance lease contract.

Additional details regarding the impairment policy of the finance lease contracts in accordance with IFRS 9 are included in this note, point l).

Notes to the consolidated and separate financial statements

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

k) Finance lease receivables (*continued*)

Classification of lease contracts

A lease is a finance lease if it transfers substantially all the risks and rewards of ownership over the asset, regardless of whether the property title is transferred or not. A lease is considered an operating lease if it is not a finance lease.

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- the lease transfers ownership of the underlying asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised;
- the lease term is for the major part of the economic life of the underlying asset even if the title of the asset is not transferred;
- at the inception date of the lease contract, the present value of the minimum lease payments amounts to at least substantially all the fair value of the underlying asset; and
- the underlying asset is of such a specialised nature that only the lessee can use it without major changes.

Indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease are:

- if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the residual fair value accrue to the lessee;
- the lessee could continue the lease for a secondary period at a rent that is substantially lower than the market rent.

If it is clear from other features that the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset, the lease is classified as an operating lease.

Lease classification is made at the inception date of the finance lease contract, which in the case of the Company is the date on which the finance lease contract is signed.

If the lessee and the lessor agree, at any time, to modify the clauses of the lease without renewing the contract, thus determining another classification, if the new provisions existed at the beginning of the lease, the revised contract is considered a new contract during its entire lifetime.

However, changes in estimates (for example, changes in estimates of the economic life or of the residual value of the underlying asset), or changes in circumstances (for example, default by the lessee), do not give rise to a new classification of a lease for accounting purposes.

Notes to the consolidated and separate financial statements

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

1) Financial assets and liabilities

The adoption of IFRS 9 resulted in changing the accounting policies of the Group and of the Company regarding the recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

- **Key terms regarding measurement**

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an arm's length transaction between market participants at the measurement date, on the principal market, or in the absence thereof, on the most advantageous market to which the Group has access to at that date. The fair value of a liability reflects the effect of the noncompliance with the obligations (non-performance risk).

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is neither evidenced 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 valued at fair value, adjusted to postpone the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument, but not later than when the valuation is fully supported by observable market data or the transaction is closed.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transactions had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies paid to regulatory agencies and stock exchanges, transfer taxes and other duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or custody costs.

The amortised cost is the amount at which the financial asset or liability is recognised at initial recognition less any principal repayments, plus or minus the accrued interest using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses.

The effective interest method is a method of allocating interest income or interest expense over the relevant period to obtain a constant periodic interest rate (effective interest rate) related to the carrying amount. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset.

For financial assets that are purchased or originated credit-impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, and is calculated based on expected cash flows at initial recognition instead of contract payments, the contractual cash flows being reduced with the expected credit losses computed over the lifetime of the asset. The resulting effective interest rate is defined as credit-adjusted effective interest rate.

Notes to the consolidated and separate financial statements

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

1) Financial assets and liabilities (*continued*)

- **Initial recognition**

Financial instruments are recognised when, and only when, the entity becomes party to the contractual provisions of the instrument. Normal purchases and sales of financial assets are recognised at the trade date, the date on which the Group or the Company undertakes to buy or sell the asset.

At initial recognition, the Group and the Company recognise a financial asset or financial liability at its fair value, plus or minus transactions costs that are incremental and directly attributable to the acquisition or issue of the financial asset or liability, such as fees and commissions.

After initial recognition, an impairment provision for expected credit losses for financial assets measured at amortised cost is recognised, which results in an accounting loss recognised in profit or loss.

- **Subsequent measurement**

Starting with 1 January 2018, the Group and the Company applied IFRS 9 and consequently classified their financial assets at amortised cost. Subsequent measurement and evaluation of financial instruments depends on: (i) the business model for managing the asset portfolio and (ii) the contractual cash flow characteristics of the financial asset. According to the business model applied by the Group and the Company, the financial assets are in line with the "hold to collect" business model, sales of financial assets being rare or with insignificant values, both individually and cumulatively.

- **Impairment**

IFRS 9 is based on expected losses and implies an early recognition of those expected losses from the future for assets measured at amortized cost as well as receivables from finance lease contracts. The Group and the Company determine and recognize ECL at least on each reporting date.

The ECL measurement reflects:

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

Reasonable and supportable information are those that are available for financial reporting purposes are considered to be reasonably available without undue cost or effort, including information about past events, current conditions and forecasts regarding future economic conditions. Information that is available for financial reporting purposes is considered to be available without undue cost or effort. The Group and the Company also consider observable market information about the credit risk of a particular financial instrument or similar financial instruments.

Notes to the consolidated and separate financial statements

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

l) Financial assets and liabilities (*continued*)

Reasonable and supportable information must be based on relevant concrete data and sound judgement.

ECL measurement for financial assets measured at amortized cost and for finance lease receivables is an area that requires the use of complex models and significant scenarios regarding future economic conditions and behaviour of financial assets (for example, the probability of default of customers and loss recorded as a result of default).

The Group and the Company envisage incorporating forward looking information into the process of analysis and evaluation, including macroeconomic factors. The information used includes an objective analysis of the relevant factors and their impact on cash quality and cash deficits. Among the relevant factors are those intrinsic to the Group and the Company and its activity or those resulting from external conditions.

Forward looking information, including economic forecasts and related credit risk factors used for ECL estimates must be consistent with inputs to other relevant estimates in financial statements, budgets, strategic and capital plans, and other information used for management and reporting.

Simplified approach

For the purpose of assessing impairment, the Group and the Company use the simplified approach in accordance with IFRS 9, grouping portfolios into risk classes (class I - also called stage 2 and risk class II - also called stage 3), each class having a specific calculation method of the adjustment.

The simplified approach was chosen because the Group and the Company do not have a sophisticated credit risk management system.

The simplified approach eliminates the need to calculate the 12-month ECL ("12-month ECL") and the need to assess whether a significant increase in credit risk related to financial assets and receivables from finance lease contracts is identified.

The ECL is determined after initial recognition and throughout the contractual period so as to reflect the ECL for the entire lifetime ("Lifetime ECL").

The calculation of the impairment adjustment is made at individual level for the significant exposures (exposure greater than RON 2,200,000) from risk classes I and II and at collective level for the other exposures from the loans.

- Risk class I includes all financial assets held and which are not impaired. For these, the Lifetime ECL impairment adjustment is computed.
- Risk class II includes the financial assets which are already impaired, and for these the Lifetime ECL is determined, a PD of 100% being used.

In accordance with the provisions of IFRS 9 for the definition of the default, the Group and the Company established the following signals/indicators/events following which a financial asset will be classified in risk class II:

- exposures that record overdue payments towards the Group or Company higher than 90 days from the reporting date. Overdue means any amount representing principal, interest or commission related to finance lease contracts that has not been paid until the due date;

Notes to the consolidated and separate financial statements

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

1) Financial assets and liabilities (*continued*)

- exposures for which the Group or the Company has initiated the either foreclosure procedure or amiable execution from the initiative of the lessee;
- exposures for which the debtor is unlikely to fully fulfil his payment obligations without executing the collateral, regardless of the existence of outstanding amounts or the number of days past due. The following are considered as indications of unlikelihood to pay:
 - a) reaching 90 days past due which triggers stopping the calculation of interest; and
 - b) significant financial difficulty of the issuer or of the debtor, assessed as a result of credit analyses carried out on various occasions (requests for new facilities/extensions/replacement operations/changes of credit conditions, guarantee/monitoring actions, etc.) as part of the credit rating (high risk rating).
- the opening of insolvency/bankruptcy proceedings against the debtor.

It may not be possible to identify a single distinct event - in contrast, the combined effect of several events may have led to the impairment of financial assets as a result of credit risk.

Purchased or originated credit-impaired financial assets

Upon initial recognition of the financial asset, the Group and the Company determine whether it meets the criteria for classification as asset purchased or issued impaired as a result of credit risk. This category includes:

- leasing contracts, which at the time of purchase, are considered to be impaired;
- new leasing contracts, granted to clients already in risk class II; and
- leasing contracts for which a significant restructuring operation was initiated / operated, due to clients in financial difficulty (classified as "non-performing restructuring"), and the restructuring aims a:
 - change of the debtor of the lease (novation);
 - change of the currency in which the leasing contract is reimbursed (denomination); and
 - contract splits (a single contract is divided in multiple contracts, more contracts are consolidated into a single contract or other operations of a similar nature), the initial operation leads to derecognition, and the newly recognised contract will be classified as POCI.

The renegotiation or otherwise changes to the contractual cash flows leads to the derecognition of the existing financial assets. If the contractual conditions are altered significantly based on the commercial renegotiations, both at the client's request and at the initiative of the Group or the Company, the derecognition of the existing financial asset and subsequent recognition of the modified financial asset takes place, the modified financial asset being considered a "new" financial asset.

In accordance with the provisions of IFRS 9, an asset is considered to be a "financial asset impaired due to credit risk" when one or more events have had a detrimental impact on the estimated future cash flows of the respective financial asset.

A financial asset initially recognised as POCI will be maintained in this category until the derecognition date.

Notes to the consolidated and separate financial statements

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

1) Financial assets and liabilities (*continued*)

ECL measurement

In calculating expected credit losses, at the reporting date, the effective interest rate established at the initial recognition or an approximation thereof is used. If a financial asset has a variable interest rate, the expected credit losses must be determined using the current effective interest rate. For financial assets purchased or originated credit-impaired as a result of credit risk, expected credit losses must be determined using the credit-adjusted effective interest rate determined at initial recognition.

Establishing the need for specific credit risk adjustments is done in two stages:

- determining the required expected credit losses computed on an individual basis as the difference between the present value of the exposure and the present value of future cash flows (determined by estimated recoveries from the use of collateral, scenarios that consider the probability of repayment of the debt from finance lease contracts from the sale of collaterals as well as the estimated recovery period); and
- determining the required expected credit losses calculated at the collective level, which is calculated for the clients that are not analysed individually being the result of the discounting of the product between the probability of default ("PD"), the exposure at default ("EAD") and the rate of loss given default ("LGD").

PD represents the likelihood of a borrower defaulting on its financial obligation (as per the definitions of default and impairment) over the remaining lifetime of the obligation ("Lifetime PD").

EAD is based on the amounts the Group or the Company expects to be owed at the time of default over the remaining lifetime of the obligation ("Lifetime EAD").

The Loss Given Default represents the Group's or the Company's expected amount of loss on a defaulted exposure. LGD varies by type of counterparty and availability of collateral or other credit support.

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

Notes to the consolidated and separate financial statements

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

1) Financial assets and liabilities (*continued*)

- **Collateral policy**

The Group and the Company hold collaterals against finance lease receivables in the form of mortgages over land and buildings and intrinsic collaterals on vehicles, machinery and equipments and other goods that represent the underlying asset of the finance lease contracts. The fair value estimates are based on the value of the collaterals established at the date of granting the finance lease contract and are updated periodically.

- **Derecognition**

Derecognition policy of impaired assets related to finance lease receivables

The Group derecognises assets from its accounting records when it considers that the asset is no longer recoverable. This conclusion is reached after evaluating the significant changes that took place in the client's financial position, changes that determined the impossibility of payment of the obligation or the insufficiency of the amounts from the use of the guarantees to cover the entire exposure. Derecognition of finance lease receivables are performed only after all legal recovery possibilities have been exhausted.

Finance lease receivables are derecognised by the Group in the following cases:

- on the date when the invoiced amount of the debt is received from the client according to the payment schedule of the lease contract;
- at the recovery of the assets in case of terminated contracts; and
- when all legal recovery possibilities are exhausted.

The Group and the Company hold collaterals for finance lease receivables in the form of legal property titles over the assets acquired through finance lease, other guarantees and collateral on future cash flows.

Derecognition of other financial assets

The Company derecognises a financial asset when the rights to receive cash flows from that financial asset expire, or when the Company has transferred the rights to receive the contractual cash flows related to that asset in a transaction in which it has significantly transferred all risks and the benefits of property rights. Any right in the transferred financial assets that is held or created by the Company is recognized as a separate asset or liability.

The Company enters into a transaction by which it transfers recognized assets to the balance sheet but retains either all the risks and benefits associated with the transferred assets, or part of them. If all or most of the risks and rewards are withheld, then the assets transferred are not derecognised from the statement of financial position. Assets transfers withholding all or most significant risks and benefits are, for example, securities loans or sale transactions with a redemption clause (repurchase agreements).

Notes to the consolidated and separate financial statements

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

l) Financial assets and liabilities (*continued*)

The rights and obligations retained following the transfer are separately recognized as assets and liabilities, as the case may be. In transfers in which the control over the asset is retained, the Company continues to recognize the asset to the extent that it remains involved, the degree of involvement being determined by the degree to which it is exposed to the change in value of the transferred asset.

Financial liabilities

A financial liability is derecognised when, and only when, the obligation is paid, cancelled or expires. If an existing financial debt is replaced by another debt to the same creditor, under different conditions, or if the terms of an existing obligation are significantly modified, such exchange or modification is treated as a derecognition of the original debt together with the recognition of a new obligation, and the difference between the corresponding net values is recognized in the result of the year.

m) Inventories

Inventories are assets held for sale in the ordinary course of business, in this category being included recovered assets related to finance leases cancelled in advance due to non-compliance of the contractual clauses by the users.

Assets in the form of inventory should not be reflected in the statement of financial position at a greater value than the value that can be obtained by using or selling them. For this purpose, the value of inventories is decreased until the net realisable value, by reflecting an adjustment for impairment.

At the date of initial recognition by the Company, the inventories are valued at fair value. Fair value is equal to the amount for which the asset could be voluntarily exchanged between parties who are aware of it, in a transaction with the objectively determined price. The fair of the assets is generally determined by market data, through an evaluation carried out by qualified professionals.

According to the provisions of the leasing agreements, the Company reserves the right to recover the objects given in lease to its clients to the extent that there are outstanding debts. The carrying amount of inventories is reviewed at least once a year to determine whether there are impairment losses. The impairment loss is recognized if the carrying amount of inventory is greater than the net recoverable value. Impairment losses are recognized in the statement of profit or loss under "Net income with other adjustments for impairment and other provisions".

For inventories held for sale, the sale price is disclosed under "Revenue from sale of assets previously leased to customers" and the cost of the respective asset is derecognised and is presented under "Cost of inventory, assets released in lease agreements or derecognised".

Notes to the consolidated and separate financial statements

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

n) Equity investments

Equity investments are represented by the shares held by the Company in the consolidated subsidiaries as well as in other companies over which the Company exercises no significant influence or control. At the date of initial recognition, investments in equity are recognized at the value of the consideration paid, subsequently measured at cost less adjustments for impairment. The analysis regarding the need for additional adjustments for impairment is performed annually by the Company.

Equity investments representing investments in shares of consolidated entities are eliminated from the consolidated financial statements of the Group.

In separate financial statements the investments in subsidiaries are accounted at cost less impairment.

o) Premises and equipments

(i) Recognition and measurement

Premises and equipments are recorded at acquisition cost, less accumulated depreciation.

Measurement at initial recognition

The cost of a non-current asset consists of:

- a) its purchase price, including customs duties and non-refundable purchase fees, after deducting commercial discounts and rebates;
- b) any costs that can be directly attributed to bringing the asset to the location and condition necessary for it to function in the mode designated by the management.

(ii) Subsequent costs

The Group and the Company recognize in the carrying amount of premises and equipments the cost of replacing the assets when this cost is incurred or if it is probable that the economic benefits included in that asset shall be transferred to the Group and the Company and the cost of this asset can be measured reliably. All other costs are recognized as an expense as a result of the year at the time of their execution.

(iii) Depreciation

The depreciation is calculated using the linear method over the estimated useful life for each item in the category of premises and equipments.

The estimated useful life by categories are as follows:

| | |
|-----------|--------------|
| Computers | 3 years |
| Equipment | 3 - 5 years |
| Furniture | 3 - 15 years |
| Vehicles | 4 - 5 years |

Notes to the consolidated and separate financial statements

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

p) Intangible assets

The intangible assets at initial recognition are recorded at cost. After the initial recognition, the intangible assets are recorded at the acquisition value minus any subsequent accumulated amortization or accumulated subsequent impairment.

The costs of intangible assets in course of execution are capitalized if these meet the conditions for recognizing an intangible asset, namely: these generate future economic benefits, are reliably evaluated, improve future performance and are distinctly identified in the economic activity. Maintenance and technical support expenses are reflected in the expenses as they are incurred. Intangible assets in course of execution are recognized in intangible assets at the time of receipt and commissioning.

The amortization is calculated using the linear method over the estimated useful life for each item in this category. The useful life estimated for intangible assets is between 1 to 5 years.

q) Other assets and impairment

Other assets include profit tax to be recovered, value added tax to be recovered and other non-contractual elements.

An impairment loss is recognized when the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable group that generates cash and is independent of other assets and other groups.

An impairment loss for other assets is measured at each reporting date to see if there are any indicators that the loss has been diminished or is no longer existent. In case of other assets the impairment generated by the loss of value can be reversed if there is a modification in the estimates that were used to determine the net realisable value. An impairment loss is reversed only when the book value of the asset does not exceed the book value that would have been determined, net from amortisation and impairment, in case no loss from impairment was recognised.

r) Loans from banks and financial institutions

Loans from banks and other financial institutions are initially recognized at fair value as receivables from these instruments (fair value of consideration received) net of transaction costs. Loans from other banks and other financial institutions are subsequently recorded at amortized cost. The Group and the Company classify these instruments as financial liabilities.

s) Provisions for liabilities and charges

Provisions are recognized in the consolidated and separate statement of financial position when an obligation arises for the Group and the Company in connection with a past event and it is likely that in the future there will be an outflow of economic resources to extinguish this obligation and a reasonable estimate can be made to measure the value of the obligation. If both conditions are not met simultaneously, no provision is recognised. To determine the provision, future cash flows are discounted using a pre-tax discount rate, reflecting current market conditions and risks specific to the respective debt.

The Company estimates potential risks arisen from litigations in which it is involved. In case there is a probability of loss of more than 50% and the value of the economic outflows can be reliably estimated a provision for liability and charges will be recognised. The provision will remain in the Company's accounts until the litigation is finalised either by winning or by paying the amount of the claim.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

t) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plans

The Company and its Subsidiaries make payments on behalf of their employees to the social insurance system, the health insurance fund and the state budget, during the normal activity. All the 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 are recognized as the result of year, when they are made.

(iii) Other benefits

The Company and its Subsidiaries are enrolled in an optional pension scheme Pillar III, within an established limit, for the employees eligible at the payment date, in accordance with the applicable Romanian legal provisions. The Company and its Subsidiaries, pursuant to the collective employment agreement, must pay the equivalent of three gross monthly salaries to the employees, upon retirement. The debt related to this benefit scheme is calculated on an actuarial basis, considering the salary estimated at the retirement date and the number of activity years of each individual employee. The Company and its Subsidiaries do not have any obligation to provide subsequent services to the former or current employees.

u) Adoption of new or revised standards and interpretations

The following new standards and interpretations are in force as of 1 January 2018:

IFRS 9 - Financial Instruments (effective date: annual periods as of 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 are 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 the income statement.

Notes to the consolidated and separate financial statements

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

u) Adoption of new or reviewed standards and interpretations (*continued*)

- Most of the requirements in IAS 39 for the classification and measurement of financial liabilities have been carried forward unchanged to IFRS 9. The key change is that an entity shall 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 loss 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 have been 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.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

u) Adoption of new or reviewed standards and interpretations (continued)

(i) Classification and reconciliation of financial assets and liabilities at the date of initial application of IFRS 9

The evaluation category and the carrying amount of the financial assets and liabilities of the Group and the Company in accordance with IAS 39 and IFRS 9, as of 1 January 2018, are presented comparatively as follows in the table below. Thus, in this table, the accounting values of the Group's financial assets, from their previous measurement category, in accordance with IAS 39 as of 31 December 2017, are reconciled to their new measurement categories upon adoption of IFRS 9 starting on 1 January 2018:

- in RON -

| <u>Financial assets</u> | <u>Measurement and evaluation category IAS 39</u> | <u>Measurement and evaluation category IFRS 9</u> | <u>IAS 39 Carrying amount at 31 December 2017</u> | <u>Reclassification</u> | <u>Reassessment</u> | <u>IFRS 9 Carrying amount at 1 January 2018</u> |
|-------------------------------|---|---|---|-------------------------|---------------------|---|
| Cash on hand | Loans and receivables | Amortised cost | 2,183 | - | - | 2,183 |
| Placement with banks | Loans and receivables | Amortised cost | 25,930,509 | - | - | 25,930,509 |
| Finance lease receivables | - | - | 714,248,839 | - | (7,269,120) | 706,979,719 |
| Other financial assets | Loans and receivables | Amortised cost | 5,393,974 | - | - | 5,393,974 |
| Total financial assets | | | 745,575,505 | - | (7,269,120) | 738,306,385 |

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

u) Adoption of new or reviewed standards and interpretations (continued)

ii) Classification and reconciliation of retained earnings at the date of initial application of IFRS 9

The table below analyses the net tax impact of the transition to IFRS 9 on the retained earnings of the Group and Company.

| | - in RON - |
|--|--|
| | Impact of adopting IFRS 9 on 1 January 2018 Group and Company |
| Retained earnings in accordance with IAS 39 (31 December 2017) | 52,410,096 |
| ECL recognition in accordance with IFRS 9 for finance lease receivables | (7,269,120) |
| Corresponding deferred tax | 1,163,060 |
| Retained earnings in accordance with IFRS 9 (1 January 2018) | 46,304,036 |

IFRS 15 - Revenue from customer contracts (issued on 28 May 2014 and effective for periods beginning on 1 January 2018).

The new standard introduces the basic principle that revenues must be recognized when goods or services are transferred to the customer, at the transaction price. Goods or services in bundle that are distinct must be recognized separately, and any reduction or rebate to the contract price should generally be allocated to the separate items. If the amount varies for any reason, the minimum amounts must be recognized if there is no significant risk of reversal. The costs incurred to obtain contracts with customers must be capitalized and amortized during the period in which the benefits of the agreement are consumed. The Group analysed the impact of IFRS 15 and has adopted the standard for the intermediation income.

Amendments to IFRS 15 "Revenue from customer contracts" (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 licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

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

For the purposes of the amendments, the conditions required to enter into rights, other than market conditions, will influence the estimation of payment transactions based on cash settlement actions in the same way as those with settlement on equity instruments.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

u) Adoption of new or reviewed standards and interpretations (continued)

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 derecognised upon the modification, (c) the equity-settled share-based payment is recognised 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 recognised in equity at the same date is recorded in profit or loss immediately. These is not applicable for the Group.

Annual Improvements to International Financial Reporting Standards, 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).

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 organisation, 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 measurements used by that investment entity associate or joint venture when applying the equity method. The amendments clarify that this choice is also available on an investment-by-investment basis.

IFRIC 22 (Interpretation 22 of the Committee for the Interpretation of International Financial Reporting Standards) - "Foreign currency transactions and prepayments" (issued on 8 December 2016 and in force for annual periods beginning on or after 1 January 2018).

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 asset, 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 the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises 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 the 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 or 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.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

u) Adoption of new or reviewed standards and interpretations (continued)

Transfer of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on 1 January 2018)

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. This amendment is not applicable to the Group.

Apart from the standards and amendments for which the impact on the Group and the Company was specified above, there were no other standards that had an impact on the Group and the Company.

v) New standards and interpretations in force as of 1 January 2019 or later

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 recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

IFRS 16 - Leasing (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).

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 recognise: (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, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group expects the implementation of IFRS 16 to generate the recognition of an asset related to the right to use the leased assets of approximately 2 million RON (operating lease commitments are disclosed in Note 31).

Notes to the consolidated and separate financial statements

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

v) New standards and interpretations in force as of 1 January 2019 or later *(continued)*

IFRIC 23 - "Uncertainty over income tax treatments" (issued on 7 June 2017 and applicable to annual periods beginning on or after 1 January 2019).

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. 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.

Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

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 result in a 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.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

v) New standards and interpretations in force as of 1 January 2019 or later (continued)

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 amendment is not yet endorsed by the European Union.

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.

Annual improvements to IFRS for 2015-2017 cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and shall apply to annual periods beginning on or after 1 January 2019. This amendment is not yet endorsed by the European Union.

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, e.g. 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.

Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019). This amendment is not yet endorsed by the European Union.

The amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires remeasuring net defined benefit liability or asset. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Before the amendments, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements.

Notes to the consolidated and separate financial statements

3. Significant accounting methods and policies (continued)

v) New standards and interpretations in force as of 1 January 2019 or later (continued)

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). This amendment is not yet endorsed by the European Union.

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

“Definition of a business” – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). This amendment is not yet endorsed by the European Union.

The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term “outputs” is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants can replace missing elements or integrating the acquired activities and assets. An entity can apply a “concentration test”. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets)

“Definition of materiality” – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). This rule is not yet endorsed by the European Union.

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Except as described above, the Group does not expect the new standards and interpretations to materially affect the Group's financial statements.

w) Segment reporting

The only segment of activity defined at the Group level is the one related to the leasing activity, this being the basic activity of the Group. The internal reporting prepared for the management is structured around it.

Notes to the consolidated and separate financial statements

4. Financial risk management policies

a) Introduction

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

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

This note discloses information regarding the exposure of the Group and the Company to each risk mentioned above, the objectives of the Group and of the Company, the policies and processes for risk assessment and management. The most important financial risks to which the Group and the Company are exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk.

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

The Board of Directors has delegated the responsibility for managing the credit risk to the Risk Committee. The Department of financial analysis and valuation of assets also operates within the Group and has duties regarding:

- formulating credit policies by covering the requirements for collateral, leasing assessment, risk classification and reporting, legal and documentation procedures, and compliance with statutory and regulatory requirements;
- establishing the authorization structure for the approval of leasing agreements. Authorisation limits are allocated on the levels of Credit Committee. Larger leasing agreements require the approval of the Risk Committee or the Board of Directors, as the case may be;
- limiting concentration of the exposure based on third parties and industries;
- developing and maintaining the risk classification system to classify exposures according to the risk levels of potential financial losses and to allow 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 the customers. The scoring system is subject to periodic reviews;
- reviewing, checking the compliance of the unit with the established exposure limits, including those for specific industries and products; and
- providing information, guidance and experts for the units, to promote the best practice in the Group regarding credit risk management.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk

The table below presents the risk concentrations by economic sectors for balance sheet exposures, related to finance lease receivables:

| | - in RON - | |
|---|----------------------|---------------------|
| | 31 December 2018 | 31 December 2017 |
| Transport | 259,975,990 | 205,585,244 |
| Trade | 196,833,373 | 136,213,526 |
| Manufacturing | 151,966,291 | 142,272,795 |
| Construction | 109,725,006 | 86,067,098 |
| Services | 73,286,365 | 52,024,430 |
| Agriculture and Forestry | 65,883,479 | 50,061,035 |
| Mining | 34,252,849 | 18,869,103 |
| Real-estate | 31,604,159 | 13,466,780 |
| Financial institutions | 23,400,449 | 19,094,448 |
| Other | 20,082,982 | 13,656,095 |
| Authorized person | 17,788,320 | 15,590,522 |
| Telecommunications | 9,599,677 | 6,779,638 |
| Natural person (retail clients) | 7,021,036 | 3,744,252 |
| Chemical | 2,336,319 | 2,654,904 |
| Energy | 1,190,840 | 2,950,476 |
| Fisheries | 977,907 | 579,084 |
| Governmental bodies | 228,131 | 207,692 |
| Gross exposure | 1,006,153,173 | 769,817,122 |
| Impairment allowances related to finance lease receivables | (86,893,124) | (55,568,283) |
| Receivables from finance lease agreements | 919,260,049 | 714,248,839 |

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit Risk (continued)

The exposures to the credit risk for receivables from finance lease agreements granted to customers at consolidated and separate level on 1 January 2018 are presented below:

- in RON -

| At amortized cost | Receivables from finance lease agreements which are not impaired, class I - stage 2 | Impaired finance lease receivables at reporting date, class II - stage 3 | Receivables from finance lease agreements impaired at initial recognition (POCI) | Total |
|-----------------------|---|--|--|--------------------|
| Vehicles | 460,022,862 | 27,406,868 | 127,070 | 487,556,800 |
| - RON | 196,916,904 | 12,068,895 | 23,689 | 209,009,488 |
| - up to 3 years | 79,453,748 | 4,832,104 | 23,689 | 84,329,541 |
| - between 3-5 years | 116,712,056 | 7,216,791 | - | 123,928,847 |
| - more than 5 years | 751,100 | - | - | 751,100 |
| - in foreign currency | 263,105,958 | 15,337,973 | 103,381 | 278,547,312 |
| - up to 3 years | 99,371,231 | 13,079,403 | 103,381 | 112,554,015 |
| - between 3-5 years | 163,251,677 | 2,258,570 | - | 165,510,247 |
| - more than 5 years | 483,050 | - | - | 483,050 |
| Equipment | 194,278,325 | 33,770,591 | 15,156,678 | 243,205,594 |
| - RON | 123,376,280 | 10,495,202 | 3,310,797 | 137,182,279 |
| - up to 3 years | 50,532,887 | 6,968,764 | - | 57,501,651 |
| - between 3-5 years | 72,456,417 | 2,199,796 | 3,310,797 | 77,967,010 |
| - more than 5 years | 386,976 | 1,326,642 | - | 1,713,618 |
| - currency | 70,902,045 | 23,275,389 | 11,845,881 | 106,023,315 |
| - up to 3 years | 36,004,622 | 16,675,894 | 5,266,091 | 57,946,607 |
| - between 3-5 years | 33,795,215 | 6,599,495 | 6,579,790 | 46,974,500 |
| - more than 5 years | 1,102,208 | - | - | 1,102,208 |

The explanatory notes to the financial statements from page 7 to page 83 are an integral part of these financial statements

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

| At amortized cost | Receivables from finance lease agreements which are not impaired, class I - stage 2 | Impaired finance lease receivables at reporting date, class II - stage 3 | Receivables from finance lease agreements impaired at initial recognition (POCI) | Total |
|--|---|--|--|--------------|
| Buildings | 34,663,338 | 4,391,391 | - | 39,054,729 |
| - RON | 19,032,388 | 4,391,391 | - | 23,423,779 |
| - up to 3 years | 2,419,488 | - | - | 2,419,488 |
| - between 3-5 years | 5,684,992 | 4,391,391 | - | 10,076,383 |
| - more than 5 years | 10,927,908 | - | - | 10,927,908 |
| - currency | 15,630,950 | - | - | 15,630,950 |
| - up to 3 years | 131,219 | - | - | 131,219 |
| - between 3-5 years | 3,791,955 | - | - | 3,791,955 |
| - more than 5 years | 11,707,776 | - | - | 11,707,776 |
| Total receivables from finance lease agreements before impairment adjustments | 688,964,525 | 65,568,850 | 15,283,748 | 769,817,123 |
| Impairment allowance related to finance lease receivables | (10,162,222) | (42,212,037) | (10,463,145) | (62,837,404) |
| Total finance lease receivables | 678,802,303 | 23,356,813 | 4,820,603 | 706,979,719 |

- in RON -

BT Leasing Transilvania IFN S.A.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

The exposures to the credit risk for receivables from finance lease agreements granted to customers at consolidated and separate level as of 31 December 2018 are presented below:

- in RON -

| At amortized cost | Receivables from finance lease agreements which are not impaired, class I - stage 2 | Impaired finance lease receivables at reporting date, class II - stage 3 | Receivables from finance lease agreements impaired at initial recognition (POCI) | Total |
|---------------------|---|--|--|--------------------|
| Vehicles | 617,601,369 | 35,453,119 | 913,228 | 653,967,716 |
| - RON | 182,570,800 | 16,078,175 | 268,289 | 198,917,264 |
| - up to 3 years | 98,943,336 | 13,710,542 | 165,204 | 112,819,082 |
| - between 3-5 years | 83,421,341 | 2,367,633 | 103,085 | 85,892,059 |
| - more than 5 years | 206,123 | - | - | 206,123 |
| - currency | 435,030,569 | 19,374,944 | 644,939 | 455,050,452 |
| - up to 3 years | 159,436,395 | 17,315,531 | 341,593 | 177,093,519 |
| - between 3-5 years | 275,091,589 | 2,059,413 | 303,346 | 277,454,348 |
| - more than 5 years | 502,585 | - | - | 502,585 |
| Equipment | 201,560,611 | 36,162,406 | 30,275,932 | 267,998,949 |
| - RON | 105,972,707 | 13,387,768 | 293,363 | 119,653,838 |
| - up to 3 years | 52,963,414 | 10,201,461 | 293,363 | 63,458,238 |
| - between 3-5 years | 53,009,293 | 3,186,307 | - | 56,195,600 |
| - more than 5 years | - | - | - | - |
| - currency | 95,587,904 | 22,774,638 | 29,982,569 | 148,345,111 |
| - up to 3 years | 41,186,899 | 15,835,489 | 24,598,409 | 81,620,797 |
| - between 3-5 years | 54,280,966 | 6,939,149 | 5,384,160 | 66,604,275 |
| - more than 5 years | 120,039 | - | - | 120,039 |

The explanatory notes to the financial statements from page 7 to page 83 are an integral part of these financial statements

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

- in RON -

| At amortized cost | Receivables from finance lease agreements which are not impaired, class 1 - stage 2 | Impaired finance lease receivables at reporting date, class II - stage 3 | Receivables from finance lease agreements impaired at initial recognition (POCI) | Total |
|--|---|--|--|----------------------|
| Buildings | 80,880,230 | 3,291,247 | 15,031 | 84,186,508 |
| - RON | 17,832,937 | 3,010,241 | - | 20,843,178 |
| - up to 3 years | 1,753,069 | - | - | 1,753,069 |
| - between 3-5 years | 7,419,141 | 3,010,241 | - | 10,429,382 |
| - more than 5 years | 8,660,727 | - | - | 8,660,727 |
| - currency | 63,047,293 | 281,006 | 15,031 | 63,343,330 |
| - up to 3 years | 8,282,818 | 281,006 | 5,696 | 8,569,520 |
| - between 3-5 years | 11,178,119 | - | 8,493 | 11,186,612 |
| - more than 5 years | 43,586,356 | - | 842 | 43,587,198 |
| Total receivables from finance lease agreements before impairment adjustments | 900,042,210 | 74,906,772 | 31,204,191 | 1,006,153,173 |
| Impairment allowance related to finance lease receivables | (16,252,022) | (47,069,043) | (23,572,059) | (86,893,124) |
| Total finance lease receivables | 883,790,188 | 27,837,729 | 7,632,132 | 919,260,049 |

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

The Group uses risk grades for receivables from finance lease both for individually and collectively assessed contracts. According to the Group's policies, a finance lease receivable can have an assigned corresponding risk grade based on a 6-level classification: very low risk, low risk, moderate risk, sensitive risk, high risk and the highest risk for non-performing loans (default).

The classification of finance lease receivables into these categories is mainly based on the client scoring systems of the Group, the scoring system implemented at Group level was modified with the implementation of IFRS 9 starting with the financial statements as of 31 December 2018.

The exposures from finance lease receivables at consolidated and separate level, as at 31 December 2018 are presented below:

- in RON -

| Gross value of finance lease receivables granted to clients, not impaired, class I, stage 2 | Vehicles | | Equipment | | Buildings | | Total | |
|---|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| | in RON | in FCY | in RON | in FCY | in RON | in FCY | in RON | in FCY |
| Low-moderate risk | 174,878,514 | 422,668,398 | 104,548,723 | 94,022,511 | 17,832,937 | 58,948,468 | 297,260,174 | 575,639,377 |
| Sensitive risk | 5,375,678 | 10,218,516 | 1,324,585 | 1,565,393 | - | 4,098,825 | 6,700,263 | 15,882,734 |
| High risk | 2,316,608 | 2,143,655 | 99,399 | - | - | - | 2,416,007 | 2,143,655 |
| Total finance lease receivables not impaired before impairment allowance | 182,570,800 | 435,030,569 | 105,972,707 | 95,587,904 | 17,832,937 | 63,047,293 | 306,376,444 | 593,665,766 |
| Impairment allowance related to finance lease receivables | (1,961,023) | (4,166,790) | (3,954,209) | (5,067,160) | - | (1,102,840) | (5,915,232) | (10,336,790) |
| Total finance lease receivables not impaired, net of impairment allowance | 180,609,777 | 430,863,779 | 102,018,498 | 90,520,744 | 17,832,937 | 61,944,453 | 300,461,212 | 583,328,976 |

The explanatory notes to the financial statements from page 7 to page 83 are an integral part of these financial statements

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

- in RON -

| Gross value of finance lease receivables granted to clients, not impaired, class I, stage 2 | Vehicles | | Equipment | | Buildings | | Total | |
|---|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| | in RON | in FCY | in RON | in FCY | in RON | in FCY | in RON | in FCY |
| 0-30 days | 174,878,514 | 422,668,398 | 104,548,723 | 94,022,511 | 17,832,937 | 58,948,468 | 297,260,174 | 575,639,377 |
| 30-60 days | 5,275,550 | 10,218,516 | 1,324,585 | 1,565,393 | - | 4,098,825 | 6,600,135 | 15,882,734 |
| 60-90 days | 2,416,736 | 2,143,655 | 99,399 | - | - | - | 2,516,135 | 2,143,655 |
| Total finance lease receivables not impaired before impairment allowance | 182,570,800 | 435,030,569 | 105,972,707 | 95,587,904 | 17,832,937 | 63,047,293 | 306,376,444 | 593,665,766 |
| Impairment allowance related to finance lease receivables | (1,961,023) | (4,166,790) | (3,954,209) | (5,067,160) | - | (1,102,840) | (5,915,232) | (10,336,790) |
| Total finance lease receivables not impaired, net of impairment allowance | 180,609,777 | 430,863,779 | 102,018,498 | 90,520,744 | 17,832,937 | 61,944,453 | 300,461,212 | 583,328,976 |

| Gross value of impaired finance lease receivables granted to clients, Class II, Stage 3 and POCI | Vehicles | | Equipment | | Buildings | | Total | |
|--|-------------------|-------------------|-------------------|-------------------|------------------|----------------|-------------------|-------------------|
| | in RON | in FCY | in RON | in FCY | in RON | in FCY | in RON | in FCY |
| Less than 90 days past due | 5,628,067 | 4,472,319 | 5,126,185 | 33,889,769 | - | - | 10,754,252 | 38,362,088 |
| More than 90 days past due | 10,718,398 | 15,547,564 | 8,554,945 | 18,867,438 | 3,010,241 | 296,038 | 22,283,584 | 34,711,040 |
| Total impaired and POCI finance lease receivables before impairment allowance | 16,346,465 | 20,019,883 | 13,681,130 | 52,757,207 | 3,010,241 | 296,038 | 33,037,836 | 73,073,128 |
| Impairment allowance related to finance lease receivables | (7,235,165) | (10,479,964) | (9,733,167) | (40,014,418) | (2,882,351) | (296,038) | (19,850,683) | (50,790,420) |
| Total impaired and POCI finance lease receivables, net of impairment allowance | 9,111,300 | 9,539,919 | 3,947,963 | 12,742,789 | 127,890 | - | 13,187,153 | 22,282,708 |

The explanatory notes to the financial statements from page 7 to page 83 are an integral part of these financial statements

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

Finance lease receivables are considered impaired according to impaired assets identification and measurement policies issued at Group level. As of 31 December 2017, as per group policies, each risk grade can have an associated rating, from the lowest risk (1) to highest risk where foreclosure procedure has been initiated (6).

Receivables in the first risk category are those which do not have any days past due. Those in 2nd degree risk category includes receivables with days past due between 1 to 15 days. In the 3rd category the days past due are between 16 to 30 days. In the 4th category the days past due are between 31 to 60 days. In the 5th category the days past due are between 61 to 90 days. In the 6th category the days past due are over 91 days or receivables for which foreclosure procedures have been initiated to recover the debt.

The exposures to credit risk for finance lease receivables at consolidated and separate level as at 31 December 2017 are presented below:

| <i>-in RON-</i> | 31 December 2017 |
|--|-------------------------|
| <i>Assessed individually for impairment</i> | |
| Degree 1 | 17,939,094 |
| Degree 2 | 421,506 |
| Degree 3 | 19,178,676 |
| Degree 4 | 1,833,874 |
| Degree 5 | - |
| Degree 6 | 19,981,242 |
| Gross value | 59,354,392 |
| Individual adjustments for impairment | (34,698,804) |
| Net book value | 24,655,588 |
| <i>Not impaired and collectively assessed for impairment</i> | |
| Degree 1 | 587,642,077 |
| Degree 2 | 2,557,516 |
| Degree 3 | 83,514,606 |
| Degree 4 | 8,162,869 |
| Degree 5 | 2,976,784 |
| Gross value | 684,853,852 |
| Collective adjustments for impairment | (1,306,035) |
| Net book value | 683,547,817 |
| <i>Impaired and collectively assessed for impairment</i> | |
| Degree 6 | 25,608,879 |
| Gross value | 25,608,879 |
| Collective adjustments for impairment | (19,563,445) |
| Net book value | 6,045,434 |
| Total net booked value | 714,248,839 |

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

b) Credit risk (continued)

Collateral policy

An analysis of the fair value of collaterals related to financial assets as at 31 December 2018 is presented below:

| <i>-in RON-</i> | <u>Under - collateralised</u> | <u>Over - collateralised</u> |
|-----------------------------|-------------------------------|------------------------------|
| Gross exposure | | |
| Vehicles | | |
| Gross exposure | 225,698,495 | 428,269,220 |
| Collaterals | 187,111,105 | 741,000,150 |
| Equipment | | |
| Gross exposure | 145,320,173 | 122,678,776 |
| Collaterals | 114,930,497 | 202,009,564 |
| Buildings | | |
| Gross exposure | 3,918,406 | 80,268,103 |
| Collaterals | 2,170,473 | 147,255,047 |
| Total Gross exposure | <u>374,937,074</u> | <u>631,216,099</u> |
| Total collaterals | <u>304,212,075</u> | <u>1,090,264,761</u> |

An analysis of the fair value of the collaterals related to financial assets as of 31 December 2017 is presented below:

| <i>-in RON-</i> | <u>2017</u> |
|---|--------------------|
| Collaterals related to impaired receivables and individually or collectively adjusted for impairment | |
| Vehicles | 28,167,210 |
| Other guarantees | 39,955,211 |
| Collaterals for non-impaired receivables and collectively assessed for impairment | |
| Vehicles | 604,288,943 |
| Others | 251,864,571 |
| Total | <u>924,275,935</u> |

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

c) Liquidity risk

The liquidity risk is the current or future risk of a negative impact on profits and capital, generated by the inability of the Group and the Company to meet their obligations connected with liabilities at the maturity date.

Liquidity risk has two main components: either difficulties in obtaining the funds at the related due dates, necessary for refinancing current assets, or the inability to convert an asset into liquidity at a value close to its fair value within a reasonable period of time.

The purpose of liquidity risk management is to obtain the expected returns on assets under the conditions of an adequate liquidity management, consciously assumed and adapted to the internal and international market and development conditions of the Group and the Company, and not least in the context of the current legislative framework.

The Group and the Company are constantly concerned with the management of this type of risk.

The Group and the Company have access to diversified financing sources. Funds are attracted through a range of instruments such as loans from banks and financial institutions as well as share capital. Access to various sources of financing improves the flexibility of fundraising, limits dependence on a single type of financial and a type of partner and leads to a general decrease in the costs involved in attracting funds.

The liquidity risk is generated by the policy of managing the attracted resources. This includes the risk that the Group and the Company may encounter difficulties arising from the inability to collect an asset at a value close to its fair value within a reasonable period. The Group tries to maintain a balance between the continuity and the flexibility of attracting funds by contracting debts with different maturities. The Group permanently controls the liquidity risk by identifying and monitoring the attracted financing and diversifying the financing base.

Notes to the consolidated and separate financial statements

4- Financial risk management policies (continued)

c) Liquidity risk (continued)

The assets and liabilities of the Group analysed based on the contractual cash flows for the period remaining from 31 December 2018 until the contractual date are as follows. The finance lease receivables were presented using gross amounts without taking into account impairment allowance.

| -in RON- | Up to 3 months | 3 – 6 months | 6 – 12 months | 1 – 3 years | 3 – 5 years | More than 5 years | Total |
|---|--------------------|-------------------|--------------------|--------------------|--------------------|----------------------|----------------------|
| Financial assets | | | | | | | |
| Cash on hand | 5,376 | - | - | - | - | - | 5,376 |
| Placements with banks | 9,163,298 | - | - | - | - | - | 9,163,298 |
| Finance lease receivables | 188,231,006 | 85,262,320 | 167,291,943 | 489,321,906 | 147,327,059 | 17,842,054 | 1,095,276,288 |
| Other financial assets | 9,583,886 | - | - | - | - | - | 9,583,886 |
| Total financial assets | 206,983,566 | 85,262,320 | 167,291,943 | 489,321,906 | 147,327,059 | 17,842,054 | 1,114,028,848 |
| Financial liabilities | | | | | | | |
| Loans from banks and other financial institutions | 53,569,658 | 59,569,173 | 104,643,820 | 447,483,694 | 130,584,500 | 4,523,685 | 800,374,530 |
| Other financial liabilities | 9,356,376 | - | - | - | - | - | 9,356,376 |
| Total financial liabilities | 62,926,034 | 59,569,173 | 104,643,820 | 447,483,694 | 130,584,500 | 4,523,685 | 809,730,906 |
| Net balance sheet position | 144,057,532 | 25,693,147 | 62,648,123 | 41,838,212 | 16,742,559 | 13,318,369 | 304,297,942 |

The explanatory notes to the financial statements from page 7 to page 84 are an integral part of these financial statements

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

c) Liquidity risk (continued)

The assets and liabilities of the Group analysed based on the contractual cash flows for the period remaining from 31 December 2017 until the contractual date are as follows:

| -in RON- | Up to 3 months | 3 – 6 months | 6 – 12 months | 1 – 3 years | 3 – 5 years | More than 5 years | Total |
|---|--------------------|-------------------|---------------------|--------------------|--------------------|----------------------|--------------------|
| Financial assets | | | | | | | |
| Cash on hand | 2,183 | - | - | - | - | - | 2,183 |
| Placements with banks | 25,930,509 | - | - | - | - | - | 25,930,509 |
| Finance lease receivables | 141,864,952 | 66,062,878 | 133,268,747 | 367,904,096 | 118,706,068 | 7,272,918 | 835,079,659 |
| Other financial assets | 5,393,974 | - | - | - | - | - | 5,393,974 |
| Total financial assets | 173,191,618 | 66,062,878 | 133,268,747 | 367,904,096 | 118,706,068 | 7,272,918 | 866,406,325 |
| Financial liabilities | | | | | | | |
| Loans from banks and other financial institutions | 62,315,183 | 37,314,421 | 213,206,247 | 218,000,950 | 115,423,270 | 854,843 | 647,114,914 |
| Other financial liabilities | 29,115,437 | - | - | - | - | - | 29,115,437 |
| Total financial liabilities | 91,430,620 | 37,314,421 | 213,206,247 | 218,000,950 | 115,423,270 | 854,843 | 676,230,351 |
| Net balance sheet position | 81,760,998 | 28,748,457 | (79,937,500) | 149,903,146 | 3,282,798 | 6,418,075 | 190,175,974 |

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

c) Liquidity risk (continued)

The financial assets and liabilities of the Company, analysed based on the contractual cash flows for the period remaining from 31 December 2018 until the contractual date are the following:

| <i>-in RON-</i> | Up to 3 months | 3 – 6 months | 6 – 12 months | 1 – 3 years | 3 – 5 years | More than 5 years | Total |
|---|---------------------------|-------------------------|--------------------------|--------------------|--------------------|------------------------------|----------------------|
| Financial assets | | | | | | | |
| Cash on hand | 4,748 | - | - | - | - | - | 4,748 |
| Placements with banks | 8,013,860 | - | - | - | - | - | 8,013,860 |
| Finance lease receivables | 188,231,006 | 85,262,320 | 167,291,943 | 489,321,906 | 147,327,059 | 17,842,054 | 1,095,276,288 |
| Other financial assets | 4,611,772 | - | - | - | - | - | 4,611,772 |
| Total financial assets | 200,861,386 | 85,262,320 | 167,291,943 | 489,321,906 | 147,327,059 | 17,842,054 | 1,107,906,668 |
| Financial liabilities | | | | | | | |
| Loans from banks and other financial institutions | 53,569,658 | 59,569,173 | 104,643,820 | 447,483,694 | 130,584,500 | 4,523,685 | 800,374,530 |
| Other financial liabilities | 11,463,640 | - | - | - | - | - | 11,463,640 |
| Total financial liabilities | 65,033,298 | 59,569,173 | 104,643,820 | 447,483,694 | 130,584,500 | 4,523,685 | 811,838,170 |
| Net balance sheet position | 135,828,088 | 25,693,147 | 62,648,123 | 41,838,212 | 16,742,559 | 13,318,369 | 296,068,498 |

The explanatory notes to the financial statements from page 7 to page 84 are an integral part of these financial statements

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

c) Liquidity risk (continued)

The assets and liabilities of the Company analysed based on the contractual cash flows for the period remaining from 31 December 2017 until the contractual date are as follows:

| - in RON - | Up to 3 months | 3 – 6 months | 6 – 12 months | 1 – 3 years | 3 – 5 years | More than 5 years | Total |
|---|--------------------|-------------------|---------------------|--------------------|--------------------|----------------------|--------------------|
| Financial assets | | | | | | | |
| Cash on hand | 2,183 | - | - | - | - | - | 2,183 |
| Placements with banks | 25,930,509 | - | - | - | - | - | 25,930,509 |
| Receivables from financial leasing | 141,864,952 | 66,062,878 | 133,268,747 | 367,904,096 | 118,706,068 | 7,272,918 | 835,079,659 |
| Other financial assets | 5,393,974 | - | - | - | - | - | 5,393,974 |
| Total financial assets | 173,191,618 | 66,062,878 | 133,268,747 | 367,904,096 | 118,706,068 | 7,272,918 | 866,406,325 |
| Financial debt | | | | | | | |
| Loans from banks and other financial institutions | 62,315,183 | 37,314,421 | 213,206,247 | 218,000,950 | 115,423,270 | 854,843 | 647,114,914 |
| Other financial liabilities | 29,115,437 | - | - | - | - | - | 29,115,437 |
| Total financial debt | 91,430,620 | 37,314,421 | 213,206,247 | 218,000,950 | 115,423,270 | 854,843 | 676,230,351 |
| Net balance sheet position | 81,760,998 | 28,748,457 | (79,937,500) | 149,903,146 | 3,282,798 | 6,418,075 | 190,175,974 |

The explanatory notes to the financial statements from page 7 to page 84 are an integral part of these financial statements

Notes to the consolidated and separate financial statements

4. Financial risk management policies (*continued*)

d) Market risk

Market risk represents the risk that the earnings of the Group or the value of financial instruments held may be affected by market value changes corresponding to the interest rate, the foreign exchange rate or other financial ratios. The objective of market risk management is to monitor and maintain the exposures to these risks within acceptable risk parameters, while optimizing the return on investments for the risks undertaken.

d1) Interest rate risk

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

The Company manages the interest rate risk mainly by aligning the interest rates from the leasing agreements with those provided in the loan refinancing agreements. Generally, the fixed interest rate liabilities are used to finance fixed interest rate leasing agreements and the variable interest rate liabilities are used to finance variable interest rate leasing agreements.

The sensitivity analysis shown below illustrates the impact on the statement of profit or loss and other comprehensive income in case of possible interest rate fluctuations.

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

d) Market risk (continued)

d1) Interest rate risk (continued)

| | Group | | | | | | Company | | | | | |
|-------------------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|----------|------------------|----------|
| | 200 basis points | | 100 basis points | | 200 basis points | | 200 basis points | | 100 basis points | | 100 basis points | |
| | Increase | Decrease | Increase | Decrease | Increase | Decrease | Increase | Decrease | Increase | Decrease | Increase | Decrease |
| - in RON - | | | | | | | | | | | | |
| 31 December 2018 | | | | | | | | | | | | |
| Average for the period | (702,102) | 702,102 | (351,051) | 351,051 | (702,102) | 702,102 | (351,051) | 351,051 | | | | |
| Minimum for the period | (6,896,305) | 6,896,305 | (3,448,153) | 3,448,153 | (6,896,305) | 6,896,305 | (3,448,153) | 3,448,153 | | | | |
| Maximum for the period | 2,543,968 | (2,543,968) | 1,271,984 | (1,271,984) | 2,543,968 | (2,543,968) | 1,271,984 | (1,271,984) | | | | |
| 31 December 2017 | | | | | | | | | | | | |
| Average for the period | 70,975 | (70,975) | 35,488 | (35,488) | 70,975 | (70,975) | 35,488 | (35,488) | | | | |
| Maximum for the period | 365,660 | (365,660) | 182,830 | (182,830) | 365,660 | (365,660) | 182,830 | (182,830) | | | | |

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

d) Market risk (continued)

d1) Interest rate risk (continued)

The table below shows the detailed interest margin position for the Company's interest-bearing financial assets and liabilities as at 31 December 2018:

| - in RON - | Up to 3 months | 3 – 12 months | 1 – 5 years | Total |
|---|--------------------|----------------------|----------------------|--------------------|
| Financial assets | | | | |
| Cash on hand | 4,478 | - | - | 4,478 |
| Placements with banks | 8,013,860 | - | - | 8,013,860 |
| Finance lease receivables | 910,204,808 | 1,727,591 | 7,327,650 | 919,260,049 |
| Total financial assets | 918,223,416 | 1,727,591 | 7,327,650 | 927,278,657 |
| Financial liabilities | | | | |
| Loans from banks and other financial institutions | 289,642,303 | 345,248,631 | 136,260,104 | 771,151,038 |
| Total financial liabilities | 289,642,303 | 345,248,631 | 136,260,104 | 771,151,038 |
| Net balance sheet position | 628,581,113 | (343,521,040) | (128,932,454) | 156,127,619 |

The table below shows the detailed interest margin position for the Company's interest-bearing financial assets and liabilities as at 31 December 2017:

| - in RON - | Up to 3 months | 3 – 12 months | 1 – 5 years | Total |
|---|--------------------|----------------------|---------------------|--------------------|
| Financial assets | | | | |
| Cash on hand | 2,183 | - | - | 2,183 |
| Placements with banks | 25,930,509 | - | - | 25,930,509 |
| Finance lease receivables | 707,731,720 | 1,196,884 | 5,320,235 | 714,248,839 |
| Total financial assets total | 733,664,412 | 1,196,884 | 5,320,235 | 740,181,531 |
| Financial liabilities | | | | |
| Loans from banks and other financial institutions | 276,450,586 | 264,441,826 | 81,370,825 | 622,263,237 |
| Total financial liabilities | 276,450,586 | 264,441,826 | 81,370,825 | 622,263,237 |
| Net balance sheet position | 457,213,826 | (263,244,942) | (76,050,590) | 117,918,294 |

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

d) Market risk (continued)

d2) Currency risk

The Group and the Company are exposed to the exchange rate risk through the open positions generated by the foreign exchange transactions. There is also an on-balance sheet risk related to the possibility of net monetary assets or liabilities in foreign currency variation, as a result of the exchange rate fluctuations.

The management of the exchange rate risk of the Group and the Company is done through real-time monitoring, as well as by leasing agreements financing in the currency of the loan agreement.

The monetary assets and liabilities expressed in RON and in foreign currency of the Group as at 31 December 2018 are presented below:

| - in RON - | EUR | RON | Other currencies | Total |
|---|--------------------|--------------------|---------------------|--------------------|
| Financial assets | | | | |
| Cash on hand | - | 5,376 | - | 5,376 |
| Placements with banks | 190,353 | 8,968,897 | 4,048 | 9,163,298 |
| Finance lease receivables | 615,773,724 | 303,486,325 | - | 919,260,049 |
| Other financial assets | 2,529,318 | 7,054,568 | - | 9,583,886 |
| Total financial assets | 618,493,395 | 319,515,166 | 4,048 | 938,012,609 |
| Financial liabilities | | | | |
| Loans from banks and other financial institutions | 477,840,359 | 293,310,679 | - | 771,151,038 |
| Other financial liabilities | 4,685,514 | 4,670,862 | - | 9,356,376 |
| Total financial liabilities | 482,525,873 | 297,981,541 | | 780,507,414 |
| Net balance sheet position | 135,967,522 | 21,533,625 | 4,048 | 157,505,195 |

The monetary assets and liabilities expressed in RON and in foreign currency of the Group as at 31 December 2017 are presented below:

| - in RON - | EUR | RON | Other currencies | Total |
|---|---------------------|--------------------|---------------------|--------------------|
| Financial assets | | | | |
| Cash on hand | - | 2,183 | - | 2,183 |
| Placements with banks | 153,491 | 25,772,890 | 4,128 | 25,930,509 |
| Finance lease receivables | 350,742,898 | 363,505,941 | - | 714,248,839 |
| Other financial assets | 2,198,396 | 3,195,578 | - | 5,393,974 |
| Total financial assets | 353,094,785 | 392,476,592 | 4,128 | 745,575,505 |
| Financial liabilities | | | | |
| Loans from banks and other financial institutions | 350,756,065 | 271,507,172 | - | 622,263,237 |
| Other financial liabilities | 16,654,102 | 12,461,335 | - | 29,115,437 |
| Total financial liabilities | 367,410,167 | 283,968,507 | | 651,378,674 |
| Net balance sheet position | (14,315,382) | 108,508,085 | 4,128 | 94,196,831 |

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

d) Market risk (continued)

d2) Currency risk

The monetary assets and liabilities expressed in RON and in foreign currency of the Company as at 31 December 2018 are presented below:

| <i>- in RON -</i> | <u>EUR</u> | <u>RON</u> | <u>Other currencies</u> | <u>Total</u> |
|---|--------------------|--------------------|-----------------------------|--------------------|
| Financial assets | | | | |
| Cash on hand | - | 4,748 | - | 4,748 |
| Placements with banks | 190,353 | 7,819,459 | 4,048 | 8,013,860 |
| Finance lease receivables | 615,773,724 | 303,486,325 | - | 919,260,049 |
| Other financial assets | 2,529,318 | 2,082,454 | - | 4,611,772 |
| Total financial assets | 618,493,395 | 313,392,986 | 4,048 | 931,890,429 |
| Financial liabilities | | | | |
| Loans from banks and other financial institutions | 477,840,359 | 293,310,679 | - | 771,151,038 |
| Other financial liabilities | 4,685,514 | 6,778,126 | - | 11,463,640 |
| Total financial liabilities | 482,525,873 | 300,088,805 | - | 782,614,678 |
| Net balance sheet position | 135,967,522 | 13,304,181 | 4,048 | 149,275,751 |

The monetary assets and liabilities expressed in RON and in foreign currency of the Company as at 31 December 2017 are presented below:

| <i>- in RON -</i> | <u>EUR</u> | <u>RON</u> | <u>Other currencies</u> | <u>Total</u> |
|---|---------------------|--------------------|-----------------------------|--------------------|
| Financial assets | | | | |
| Cash on hand | - | 2,183 | - | 2,183 |
| Placements with banks | 153,491 | 25,772,890 | 4,128 | 25,930,509 |
| Finance lease receivables | 350,742,898 | 363,505,941 | - | 714,248,839 |
| Other financial assets | 2,198,396 | 3,195,578 | - | 5,393,974 |
| Total financial assets | 353,094,785 | 392,476,592 | 4,128 | 745,575,505 |
| Financial liabilities | | | | |
| Loans from banks and other financial institutions | 350,756,065 | 271,507,172 | - | 622,263,237 |
| Other financial liabilities | 16,654,102 | 12,461,335 | - | 29,115,437 |
| Total financial liabilities | 367,410,167 | 283,968,507 | - | 651,378,674 |
| Net balance sheet position | (14,315,382) | 108,508,085 | 4,128 | 94,196,831 |

Notes to the consolidated and separate financial statements

4. Financial risk management policies (continued)

d) Market risk (continued)

d2) Currency risk (continued)

The table below presents the profit or loss sensitivity in the event of potential changes of the exchange rates applicable at the end of the reporting period in relation to the functional currency, considering that all the other variables remain constant:

| - in RON - | Group | | Company | |
|--|-------------|-----------|-------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| EUR increase by up to 5% (2017: increase by up to 5%) | 6,798,376 | (715,769) | 6,798,376 | (715,769) |
| EUR decrease by up to 5% (2017: decrease by up to 5%) | (6,798,376) | 715,769 | (6,798,376) | 715,769 |
| Total | - | - | - | - |

e) Taxation risk

The Group and the Company are committed to ensure a sustainable tax risk management by building and maintaining an efficient, effective and transparent tax function within the organization. The Group and the Company strictly comply with and apply the legal regulation in force applicable to all categories of taxes and duties.

The Romanian tax legislation includes detailed and complex rules which have encountered many changes in the recent years. The interpretation and practical implementation of the tax legislation may vary and there is a risk that certain transactions could, for example, be construed differently by the tax authorities as compared to the Group's and the Company's treatment.

The National Agency for Fiscal Administration comprises specialized organizational structures that can conduct the fiscal controls of all the companies operating within Romanian borders and such controls may cover both fiscal compliance topics and other legal and regulatory matters. It is likely that the Group and the Company continue to be subject to regular tax audits, as new laws and regulations are issued in this field.

f) Business environment risk

The finance lease and consumer loans companies, members of the Association of Financial Companies of Romania ("ALB" - Asociatiei Societatilor Financiare din Romania), took full advantage of the economic growth and 2018 has been for these companies the best year after the crisis, with financing increases exceeding 10%. A total new volume of approximately 2.5 billion euros was expected according to the estimated data of the financial leasing market in Romania for 31 December 2018, in 2018 the leasing financing increased by 14%.

Although it has been growing for five years without stopping and with a rate of over 10%, the local finance lease market level is at half the level of 2008.

Beyond growth, what is noteworthy is the quality of the financed goods. During the crisis there were more consumer financing, in recent years, the financing is mainly directed to the productive area. 90% of the financing is going to the SMEs, and the financing is mainly for the productive area. Even if as share of financing (about 60%) is focused on car financing, there is an increase in the area of commercial vehicles, this is a good sign, a sign that the productive economy is being financed.

Notes to the consolidated and separate financial statements

5. Accounting estimates and significant judgements

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

Expected credit losses for finance lease receivables

The estimated expected credit losses for the finance lease receivables involves significant judgements in order to assess the methodology, models and historical data used in calculations. Details regarding the methodology used to determine the expected credit losses are included in Note 3 I). The following items are considered to have a major impact in the calculations of expected credit losses: definition of default, probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"). The Group and the Company reviews and validates periodically the models and the data used in the calculations of ECL in order to reduce the differences between the estimated expected credit losses and the actual losses incurred from credit risk, the calculations for expected credit losses being performed on a monthly basis.

The Group and the Company made the choice to use the simplified approach to determine expected credit losses, based on Lifetime PD for each contract except for class 2 clients (stage 3) where the PD is considered to be 100%.

A 5% increase in the risk parameters used to calculate the expected credit losses as of 31 December 2018 would increase the expected credit losses with RON 4,478,000, while a 5% decrease in the risk parameters used would cause a decrease of expected credit losses with RON 4,107,000.

Notes to the consolidated and separate financial statements

6. Net interest income

- in RON -

| | Group | | Company | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Interest income | | | | |
| Interest income from leasing agreements | 76,471,466 | 55,981,135 | 76,471,466 | 55,981,135 |
| Interest income from current accounts and deposits | 191,733 | 48,260 | 175,714 | 48,260 |
| Total interest income | 76,663,199 | 56,029,395 | 76,647,180 | 56,029,395 |
| Interest expense | | | | |
| Interest expense on loans from banks and financial institutions | (19,066,626) | (10,757,152) | (19,066,626) | (10,757,152) |
| Total interest expense | (19,066,626) | (10,757,152) | (19,066,626) | (10,757,152) |
| Net interest income | 57,596,573 | 45,272,243 | 57,580,554 | 45,272,243 |

7. Net fee and commission income/(expense)

- in RON -

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Fee and commission income | | | | |
| Commissions collected according to the leasing agreements | 1,007,793 | 155,551 | 1,007,793 | 155,551 |
| Insurance brokerage commissions | 8,426,330 | - | - | - |
| Total fee and commission income | 9,434,123 | 155,551 | 1,007,793 | 155,551 |
| Fee and commission expenses | | | | |
| Fees paid for banking operations | (292,524) | (270,712) | (272,793) | (270,712) |
| Total fee and commission expenses | (292,524) | (270,712) | (272,793) | (270,712) |
| Net fee and commission income/(expense) | 9,141,599 | (115,161) | 735,000 | (115,161) |

8. Net gain/(loss) from foreign currency translation

- in RON -

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net gain/(loss) from exchange rate differences – balance revaluation | (64,418) | 767,122 | (64,418) | 767,122 |
| Net gain from exchange rate revaluation of transactions | 3,455,445 | 2,469,824 | 3,455,445 | 2,469,824 |
| Net gain/(loss) from foreign currency translation | 3,391,027 | 3,236,946 | 3,391,027 | 3,236,946 |

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

Notes to the consolidated and separate financial statements

9. Other operating income

| - in RON - | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Income from the sale of tangible non-current assets | 86,284 | 160,114 | 86,284 | 160,114 |
| Income from rentals | - | 833,722 | - | 833,722 |
| Dividend income (i) | 10,824 | 2,839,226 | 4,134,418 | 2,839,226 |
| Other income (ii) | 4,275,710 | 4,143,984 | 4,272,291 | 4,143,984 |
| Total other operating income | 4,372,818 | 7,977,046 | 8,492,993 | 7,977,046 |

(i) The dividend income was collected by the Company from the seven subsidiaries of the Group:

- BT Intermedieri Agent de Asigurare S.R.L., in amount of RON 2,391,530 (2017: RON 1,749,978);
- BT Safe Agent de Asigurare S.R.L., in amount of RON 588,157 (2017: RON 421,632);
- BT Solution Agent de Asigurare S.R.L., in amount of RON 420,696 (2017: RON 324,677);
- BT Asiom Agent de Asigurare S.R.L., in amount of RON 723,211 (2017: RON 330,785);
- Medicare Technics S.R.L., in amount of RON 10,814 (2017: RON 12,144);
- BT Asset Management, in amount of RON 8 (2017: RON 8); and
- BT Direct IFN S.A., in amount of RON 2 (2017: RON 2).

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

(ii) Other income include the amounts obtained from re-invoicing of various registration services, insurance costs for the goods that are the underlying object of the lease agreements: RON 2,647,063 (2017: RON 2,585,482), compensation received from insurance companies: RON 444,902 (2017: RON 363,440), damages claims received from the terminated leasing agreements: RON 101,128 (2017: RON 382,468) and other revenues collected: RON 1,082,617 (2017: RON 812,594).

10. Net expense from inventory

| - in RON - | Group | | Company | |
|--|------------------|----------------|------------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue from sale of assets previously leased to customers | 1,625,146 | 863,790 | 1,625,146 | 863,790 |
| Cost of inventory | (3,684,053) | (3,456,498) | (3,684,053) | (3,456,498) |
| Utilisation of provisions for repossessed inventory | 1,545,650 | 2,780,757 | 1,545,650 | 2,780,757 |
| Total | (513,257) | 188,049 | (513,257) | 188,049 |

Notes to the consolidated and separate financial statements

11. Net impairment charges of financial assets

- in RON -

| | Group | | Company | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Cost of impairment for finance lease receivables | (65,154,019) | (39,909,436) | (65,154,019) | (39,909,436) |
| Income from release of impairment for finance lease receivables | 41,527,006 | 15,709,030 | 41,527,006 | 15,709,030 |
| Income from early terminated contracts and repossessed assets | 6,774,576 | 12,798,163 | 6,774,576 | 12,798,163 |
| Net expense from valuation adjustments | (571,995) | - | (571,995) | - |
| Impairment expense adjustments for other assets | (75,984) | (1,397,732) | (75,984) | (1,397,732) |
| Income from reversal/cancellations of impairment adjustments of other assets | 54,073 | 131,226 | 54,073 | 131,226 |
| Net expense with adjustments for impairment of financial assets | (17,446,343) | (12,668,749) | (17,446,343) | (12,668,749) |

12. Net income/expense relating to provisions

- in RON -

| | Group | | Company | |
|--|-----------------|------------------|-----------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Provisions for litigations expenses | (78,736) | (614,695) | (78,736) | (614,695) |
| Impairment reversal for equity investments | 7,518 | - | 7,518 | - |
| Net income with other adjustments for impairment and other provisions | (71,218) | (614,695) | (71,218) | (614,695) |

13. Personnel expenses

- in RON -

| | Group | | Company | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Wages and benefits | (13,922,655) | (10,051,302) | (13,160,397) | (10,051,302) |
| Contribution for social security and insurance | (534,727) | (727,157) | (507,001) | (727,157) |
| Pension benefits expense | - | (1,494,057) | - | (1,494,057) |
| Other taxes, duties and similar payments | (78,242) | (57,761) | (78,242) | (57,761) |
| Bonuses for employees and provisions for untaken holidays | (1,176,208) | (391,524) | (1,142,829) | (391,524) |
| Income/(Expenses) with provisions for pensions and similar obligations | 70,677 | (126,689) | 70,677 | (126,689) |
| Total personnel expenses | (15,641,155) | (12,848,490) | (14,817,792) | (12,848,490) |

Notes to the consolidated and separate financial statements

14. Other operating expenses

- in RON -

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Tax and duties expenses | (442,362) | (56,852) | (442,332) | (56,852) |
| Rental expenses | (869,558) | (771,346) | (822,687) | (771,346) |
| Utilities, repairs and other maintenance services expenses | (658,614) | (645,114) | (658,614) | (645,114) |
| Advertising, protocol and sponsorship expenses | (1,222,097) | (922,010) | (1,221,945) | (922,010) |
| Postage, telecommunications and texting expenses | (448,083) | (387,325) | (362,009) | (387,325) |
| Materials and consumables expenses | (761,656) | (727,816) | (759,941) | (727,816) |
| Electricity and heating expenses | (328,166) | (299,650) | (295,630) | (299,650) |
| Collaborator expenses | (667) | (22,475) | (667) | (22,475) |
| Transportation, travel and secondment expenses | (165,782) | (105,347) | (165,379) | (105,347) |
| Losses from the assignment and disposal of premises and equipments and intangible assets | (33,272) | (93,590) | (33,272) | (93,590) |
| Other operating expenses | (3,121,755) | (2,444,902) | (2,973,456) | (2,444,902) |
| Total other operating expenses | (8,052,012) | (6,476,427) | (7,735,932) | (6,476,427) |

15. Income tax (expense)/credit

a) Components of the (expense)/credit with income tax

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

- in RON -

| | Group | | Company | |
|--|----------------|--------------------|------------------|--------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Current tax | - | (3,221,761) | - | (3,221,761) |
| Deferred tax | 951,802 | - | 1,011,315 | - |
| (Expense)/credit for income tax | 951,802 | (3,221,761) | 1,011,315 | (3,221,761) |

b) Reconciliation of the tax (expense)/credit

- in RON -

| | Group | | Company | |
|--|------------------|------------------|--------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Gross profit | 31,934,083 | 23,116,035 | 28,780,154 | 23,116,035 |
| Statutory tax quota (2018: 16%; 2017: 16%) | 5,109,453 | 3,698,566 | 4,604,825 | 3,698,566 |
| Fiscal effect on the profit tax from the elements: | | | | |
| - Non-taxable income | (2,341,579) | (2,016,318) | (3,001,354) | (2,016,318) |
| - Non-deductible expenses | 2,855,993 | 2,166,862 | 2,854,541 | 2,166,862 |
| - Tax deductions | (399,364) | (324,021) | (397,913) | (324,021) |
| - Income related items | (1,104,891) | - | - | - |
| - Effect of the fiscal loss taken over by merger | (5,071,414) | - | (5,071,414) | - |
| Profit tax expense | (951,802) | 3,525,089 | (1,011,315) | 3,525,089 |
| Tax deductions | - | (303,328) | - | (303,328) |
| | (951,802) | 3,221,761 | (1,011,315) | 3,221,761 |

Notes to the consolidated and separate financial statement

15. Income tax (expense)/credit (continued)

The fiscal impact is generated by the following items:

- The non-taxable income mainly includes the income from dividends obtained from Romanian legal persons and the revenues from the reversal of the non-deductible provisions;
- The non-deductible expenses include amounts such as expenses with provisions, expenses with accounting depreciation and other non-deductible operating expenses, as provided by law;
- Income related items represent the difference between the profit tax (with 16% rate) and the total income tax of 1% applied for micro-entities (subsidiaries) as per Romanian tax law;
- The tax deductions are related to the deductions obtained from the tax depreciation and the legal reserve.

c) Deferred tax

The Group and the Company have booked deferred tax for the following items:

| - in RON - | Group | | Company | |
|--|-------------------|------------------|-------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Finance lease receivables | 19,149,569 | 8,282,811 | 19,149,569 | 8,282,811 |
| Provisions for liabilities and charges | 2,878,984 | - | 2,723,084 | - |
| Total | 22,028,553 | 8,282,811 | 21,872,653 | 8,282,811 |
| Deferred tax assets (16%) | 3,524,568 | 1,325,250 | 3,499,624 | 1,325,250 |

16. Cash on hand

| - in RON - | Group | | Company | |
|--------------|--------------|--------------|--------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| Cash on hand | 5,376 | 2,183 | 4,748 | 2,183 |
| Total | 5,376 | 2,183 | 4,748 | 2,183 |

17. Placements with banks

| - in RON - | Group | | Company | |
|--------------------------------|------------------|-------------------|------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Current accounts | 2,383,497 | 4,868,753 | 1,234,059 | 4,868,753 |
| Sight deposits with banks | 6,778,760 | 2,058,058 | 6,778,760 | 2,058,058 |
| Term deposits with banks | - | 19,001,850 | - | 19,001,850 |
| Collateral deposits with banks | 687 | 687 | 687 | 687 |
| Accrued interest | 354 | 1,161 | 354 | 1,161 |
| Total | 9,163,298 | 25,930,509 | 8,013,860 | 25,930,509 |

The current accounts and sight/term deposits are freely available to the Group and are not pledged. The demand deposits with banks are overnight deposits placed at banks. Term deposits with banks are deposits placed at banks for an initial period of more than one business day. In 2018, the Group set-up demand and term deposits in EURO and RON, the purpose of their set-up being to capitalize on the excess liquidity.

Notes to the consolidated and separate financial statement

17. Placements with banks (continued)

Credit quality analysis of the amounts placed with banks as of 31 December 2018 and 31 December 2017 based on rating agencies is presented as follows:

| 31 December 2018 | Group | | | |
|------------------|------------------|---------------------|------------------|------------------|
| | Current accounts | Collateral deposits | Demand deposits | Total |
| - in RON - | | | | |
| Adequate | 566,954 | - | 4,310,947 | 4,877,901 |
| Under monitoring | 1,816,543 | 687 | 2,468,167 | 4,285,397 |
| Total | 2,383,497 | 687 | 6,779,114 | 9,163,298 |

| 31 December 2018 | Company | | | |
|------------------|------------------|---------------------|------------------|------------------|
| | Current accounts | Collateral deposits | Demand deposits | Total |
| - in RON - | | | | |
| Adequate | 566,312 | - | 4,310,947 | 4,877,259 |
| Under monitoring | 667,747 | 687 | 2,468,167 | 3,136,601 |
| Total | 1,234,059 | 687 | 6,779,114 | 8,013,860 |

| 31 December 2017 | Group and Company | | | | |
|------------------|-------------------|---------------------|-------------------|------------------|-------------------|
| | Current accounts | Collateral deposits | Term deposits | Demand deposits | Total |
| - in RON - | | | | | |
| Adequate | 320,651 | - | - | 2,058,062 | 2,378,713 |
| Under monitoring | 4,548,102 | 687 | 19,003,007 | - | 23,551,796 |
| Total | 4,868,753 | 687 | 19,003,007 | 2,058,062 | 25,930,509 |

(*) Accrued interest has been included in the amounts presented above.

Credit quality assessment of the placement with banks was based on the ratings issued by Standard & Poor's, Moody's and Fitch, where available. For banks without a credit rating issued by Standard & Poor's, Moody's or Fitch the country rating issued by Standard & Poor's was used.

The Group and the Company have defined the following rating categories for the placements with banks based on rating agencies ratings:

- AAA, AA+, AA, AA- are included in the "Excellent" category;
- A+, A, A- are included in the "Good" category;
- BBB+, BBB and BBB- are included in the "Adequate" category;
- the remains credit institutions with lower credit ratings are included in the "under monitoring" category.

The following table presents the reconciliation between cash and cash equivalents at the end of the reporting periods with the statement of cash flows:

| - in RON - | Group | | Company | |
|--|------------------|-------------------|------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Cash on hand | 5,376 | 2,183 | 4,748 | 2,183 |
| Current accounts | 2,383,497 | 4,868,753 | 1,234,059 | 4,868,753 |
| Demand deposits | 6,778,760 | 2,058,058 | 6,778,760 | 2,058,058 |
| Term deposits | - | 19,001,850 | - | 19,001,850 |
| Total cash and cash equivalents | 9,167,633 | 25,930,844 | 8,017,567 | 25,930,844 |

Notes to the consolidated and separate financial statements

18. Finance lease receivables

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

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

| | 31 December 2018 | | | | 31 December 2017 | | | |
|--|--------------------|--------------------|-------------------|----------------------|--------------------|--------------------|------------------|--------------------|
| | < 1 an | 1 - 5 ani | > 5 ani | Total | < 1 an | 1 - 5 ani | > 5 ani | Total |
| Gross receivables from finance lease | 440,785,269 | 636,648,965 | 17,842,054 | 1,095,276,288 | 341,196,576 | 486,610,165 | 7,272,918 | 835,079,659 |
| Future interest as per lease agreements | (42,196,282) | (46,237,591) | (689,242) | (89,123,115) | (30,731,779) | (34,169,040) | (361,718) | (65,262,537) |
| Total receivables from finance lease without future interest payments | 398,588,987 | 590,411,374 | 17,152,812 | 1,006,153,173 | 310,464,797 | 452,441,125 | 6,911,200 | 769,817,122 |
| Impairment adjustments for finance lease receivables | (34,422,832) | (50,988,946) | (1,481,346) | (86,893,124) | (22,454,368) | (32,616,534) | (497,381) | (55,568,283) |
| Net finance lease receivables | 364,166,155 | 539,422,428 | 15,671,466 | 919,260,049 | 288,010,429 | 419,824,591 | 6,413,819 | 714,248,839 |
| The impairment adjustment of receivables from finance lease agreements is detailed as below: | | | | | | | | |
| - in RON - | 2018 | | 2017 | | | | | |
| Balance at 1 January | 62,837,403 | | 56,353,525 | | | | | |
| Cost of impairment for lease receivables (Note 11) | 65,154,019 | | 39,909,436 | | | | | |
| Income from reversal/cancellation of impairment for lease receivables (Note 11) | (41,527,006) | | (15,709,030) | | | | | |
| Receivables for terminated lease agreements written-off | (9,866,975) | | (24,985,648) | | | | | |
| Impairment adjustment for agreements taken through merger | 10,295,683 | | - | | | | | |
| Balance at 31 December | 86,893,124 | | 55,568,283 | | | | | |

Notes to the consolidated and separate financial statements

19. Other financial assets

- in RON -

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Advance payments to suppliers | 1,798,072 | 1,788,291 | 2,032,695 | 1,788,291 |
| Sundry debtors (i) | 6,898,089 | 2,693,560 | 1,691,352 | 2,693,560 |
| Other past-due amounts under litigation (ii) | 5,450,436 | 3,585,550 | 5,450,436 | 3,585,550 |
| Impairment adjustments for past-due amounts | (4,562,711) | (2,673,427) | (4,562,711) | (2,673,427) |
| Total | 9,583,886 | 5,393,974 | 4,611,772 | 5,393,974 |

- (i) Sundry debtors represent amounts paid for the mandatory civil insurance policies for the vehicles that are the object matter of the finance lease agreements and which are to be recovered from users RON 0 (2017: RON 1,040,377), amounts to be received as insurance compensation RON 373,040 (2017: RON 613,278) and other amounts owed by sundry debtors RON 1,318,312 (2017: RON 1,039,905).
- (ii) The past-due amounts under litigation represent advances paid for the purchase of goods, that represent the underlying asset of the lease agreements, for which the supplier has not delivered the goods RON 3,455,478 (2017: RON 3,455,478) and past-due amounts from various services provided RON 1,994,958 (2017: RON 130,072).

Amounts presented in the categories "Advance payments to suppliers" and "Sundry debtors" are current amounts, not impaired both for the Group and the Company at the end of 2017 and 2018.

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

- in RON -

| | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Balance at the beginning of the year | (2,673,427) | (1,406,921) | (2,673,427) | (1,406,921) |
| Net (expense)/Income from reversal of impairment adjustments for other assets (Note 11) | (21,911) | (1,266,506) | (21,911) | (1,266,506) |
| Impairment adjustments for sundry debtors taken over through merger | (1,867,373) | - | (1,867,373) | - |
| Balance at the end of the year | (4,562,711) | (2,673,427) | (4,562,711) | (2,673,427) |

During 2018, following the merger process, the Company recorded purchased or originated credit-impaired sundry debtors having a gross exposure of RON 1,867,373 (fair value RON 0).

Notes to the consolidated and separate financial statements

20. Inventory

- in RON -

| | Group | | Company | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Inventory held at third-parties | 664,690 | 1,404,747 | 664,690 | 1,404,747 |
| Inventory kept in headquarters | 30,464,405 | 13,733,450 | 30,464,405 | 13,733,450 |
| Adjustments for impairments | (23,329,652) | (7,507,364) | (23,329,652) | (7,507,364) |
| Total | 7,799,443 | 7,630,833 | 7,799,443 | 7,630,833 |

The inventories consist mainly of goods recovered from the terminated leasing agreements that have not yet been placed under new lease agreements or sold: RON 30,334,111 (2017: RON 14,171,578), goods gained as a result of foreclosure procedures: RON 232,197 (2017: RON 335,860), goods to be placed in new lease agreements RON 543,676 (2017: RON 630,319) and equipment for locating the goods that are the underlying asset of lease agreements to be sold to users RON 19,111 (2017: RON 440).

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

- in RON -

| | Group | | Company | |
|---|-------------------|------------------|-------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Balance at the beginning of the year | 7,507,364 | 10,288,121 | 7,507,364 | 10,288,121 |
| Expenses with inventory impairment adjustments | (1,545,650) | (2,780,757) | (1,545,650) | (2,780,757) |
| Impairment adjustments for inventory taken over by merger | 17,367,938 | - | 17,367,938 | - |
| Balance at the end of the year | 23,329,652 | 7,507,364 | 23,329,652 | 7,507,364 |

21. Equity investments

As at 31 December 2018 and 31 December 2017, the Company had direct investments in subsidiaries, amounting to RON 69,539 (2017: RON 69,539).

- in RON -

| Entity name | 2018 | % | 2017 | % |
|---|---------------|----------|---------------|----------|
| | | | | |
| BT Intermedieri Agent de Asigurare S.R.L. | 25,530 | 99.99802 | 25,530 | 99.99802 |
| BT Safe Agent de Asigurare S.R.L. | 4,010 | 99.98694 | 4,010 | 99.98694 |
| BT Solution Agent de Asigurare S.R.L. | 19,990 | 99.95000 | 19,990 | 99.95000 |
| BT Asiom Agent de Asigurare S.R.L. | 19,990 | 99.95000 | 19,990 | 99.95000 |
| BT Asset Management SAI S.A. | 3 | 0.000040 | 3 | 0.000040 |
| BT Direct IFN S.A. | 16 | 0.000060 | 16 | 0.000060 |
| Medicare Technics SA (i) | - | - | - | 0.31320 |
| Total | 69,539 | | 69,539 | |

(i) The investment in the share capital of Medicare Technics SRL in amount of RON 7,518 has been sold during 2018. The Company derecognised the investment and the corresponding impairment amount of RON 7,518 when the sale transaction was finalised.

Notes to the consolidated and separate financial statements

22. Premises and equipments

- in RON -

Group and Company

Gross book value

Balance as at 1 January 2017

Acquisitions

Disposals

Balance as at 31 December 2017

Balance as at 1 January 2018

Acquisitions

Amounts taken over through acquisitions and mergers

Disposals

Balance as at 31 December 2018

Accumulated depreciation

Balance as at 1 January 2017

Depreciation charge for the year

Accumulated depreciation corresponding to disposals

Balance as at 31 December 2017

Balance as at 1 January 2018

Depreciation charge for the year

Amounts taken over through acquisitions and mergers

Accumulated depreciation corresponding to disposals

Balance as at 31 December 2018

Net book value

Balance as at 1 January 2018

Balance as at 31 December 2018

| | Land and building improvements | Computers and equipment | Vehicles | Other tangible assets | Total |
|---|-----------------------------------|----------------------------|-----------|--------------------------|-----------|
| Balance as at 1 January 2017 | 2,382 | 435,538 | 3,550,470 | 110,001 | 4,098,391 |
| Acquisitions | - | 26,133 | 1,084,145 | 7,260 | 1,117,538 |
| Disposals | 2,382 | 2,140 | 433,058 | 8,839 | 446,419 |
| Balance as at 31 December 2017 | - | 459,531 | 4,201,557 | 108,422 | 4,769,510 |
| Balance as at 1 January 2018 | - | 459,531 | 4,201,557 | 108,422 | 4,769,510 |
| Acquisitions | - | 216,491 | 73,717 | 15,075 | 305,283 |
| Amounts taken over through acquisitions and mergers | - | 16,468 | 78,063 | 71,311 | 165,842 |
| Disposals | - | 17,105 | 206,591 | 27,430 | 251,126 |
| Balance as at 31 December 2018 | - | 675,385 | 4,146,746 | 167,378 | 4,989,509 |
| Balance as at 1 January 2017 | 2,382 | 384,677 | 2,009,283 | 89,100 | 2,485,532 |
| Depreciation charge for the year | - | 34,686 | 707,106 | 9,297 | 751,179 |
| Accumulated depreciation corresponding to disposals | 2,382 | 2,140 | 339,469 | 8,839 | 352,830 |
| Balance as at 31 December 2017 | - | 417,223 | 2,377,010 | 89,648 | 2,883,881 |
| Balance as at 1 January 2018 | - | 417,223 | 2,377,010 | 89,648 | 2,883,881 |
| Depreciation charge for the year | - | 50,240 | 669,393 | 6,595 | 726,228 |
| Amounts taken over through acquisitions and mergers | - | 16,468 | 78,063 | 64,584 | 159,115 |
| Accumulated depreciation corresponding to disposals | - | 16,701 | 177,285 | 23,868 | 217,854 |
| Balance as at 31 December 2018 | - | 467,230 | 2,947,181 | 136,959 | 3,551,370 |
| Net book value | | | | | |
| Balance as at 1 January 2018 | - | 42,308 | 1,824,547 | 18,774 | 1,885,629 |
| Balance as at 31 December 2018 | - | 208,155 | 1,199,565 | 30,419 | 1,438,139 |

The explanatory notes to the financial statements from page 7 to page 84 are an integral part of these financial statements

Notes to the consolidated and separate financial statements

23. Intangible assets

- in RON -

Gross book value

| | Group | Company |
|--|-----------|-----------|
| Balance as at 1 January 2017 | 1,025,820 | 1,025,820 |
| Additions | 39,429 | 39,429 |
| Disposals | 1,774 | 1,774 |
| Balance as at 31 December 2017 | 1,063,475 | 1,063,475 |
| Balance as at 1 January 2018 | 1,063,475 | 1,063,475 |
| Amounts taken over by consolidation from subsidiaries | 47,537 | - |
| Additions | 378,059 | 378,059 |
| Balance taken over through acquisitions and mergers | 416,304 | 416,304 |
| Disposals | 61,619 | 61,619 |
| Balance as at 31 December 2018 | 1,843,756 | 1,796,219 |
| Accumulated amortization | | |
| Balance as at 1 January 2017 | 927,331 | 927,331 |
| Depreciation charge for the year | 83,548 | 83,548 |
| Balance as at 31 December 2017 | 1,010,879 | 1,010,879 |
| Balance as at 1 January 2018 | 1,010,879 | 1,010,879 |
| Amounts taken over by consolidation from subsidiaries | 24,103 | - |
| Amortization balance taken over through acquisitions and mergers | 410,433 | 410,433 |
| Depreciation charge for the year | 117,720 | 108,650 |
| Balance as at 31 December 2018 | 1,563,135 | 1,529,962 |
| Net book value | | |
| Balance as at 1 January 2018 | 52,596 | 52,596 |
| Balance as at 31 December 2018 | 280,621 | 266,257 |

Notes to the consolidated and separate financial statements

24. Other assets

- in RON -

| | Group | | Company | |
|--------------------------------|----------------|------------------|----------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Inventory and similar elements | 18,903 | 34,782 | 18,903 | 34,782 |
| Prepaid expenses | 15,456 | 13,050 | 14,178 | 13,050 |
| Other assets | 152,710 | 54,491 | 252,710 | 54,491 |
| Value added tax to be received | - | 2,934,980 | - | 2,934,980 |
| Value added tax non-deductible | 36,225 | 25,377 | 36,225 | 25,377 |
| Total | 223,294 | 3,062,680 | 322,016 | 3,062,680 |

25. Loans from banks and other financial institutions

- in RON -

| | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Loans from banks and other financial institutions | 771,888,164 | 623,029,954 | 771,888,164 | 623,029,954 |
| Interest payable and deferred fees | (737,126) | (766,717) | (737,126) | (766,717) |
| Total | 771,151,038 | 622,263,237 | 771,151,038 | 622,263,237 |

Interest rates corresponding to the term loans received by the Company as at 31 December 2018 range from 1.17% to 2.75% for loans in EUR and between 4.23% and 4.39% for loans in RON (31 December 2017: 1.17% and 2.50% for loans in EUR and between 1.20% and 3.34% for loans in RON). Interest rates corresponding to the term loans received by the Company as at 31 December 2018 from related parties range from 1.75% to 2.75% for loans in EUR and 4.3% for loans in RON (31 December 2017: 1.75% for loans in EUR and 2.69% for loans in RON).

As at 31 December 2018 and 31 December 2017, the Company complied with all the contractual terms (financial limitations) imposed in the financing agreements, including the financial covenants corresponding to the loan agreements. The maximum repayment term of the loans received is 2029.

26. Provisions for liabilities and charges

The provisions for liabilities and charges are presented as follows:

- in RON -

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Provisions for other employee benefits | 3,034,884 | 1,806,832 | 2,878,984 | 1,806,832 |
| Provisions for litigations | 723,724 | 614,695 | 723,724 | 614,695 |
| Total | 3,758,608 | 2,421,527 | 3,602,708 | 2,421,527 |

As of 31 December 2018 the Group and the Company have recorded a provision for pensions and other similar benefits in amount of RON 56,012 (2017: RON 126,689).

As of 31 December 2018 the Company has recorded a provision of RON 2,486,000 for employee bonuses and RON 336,972 for untaken holidays (2017: RON 1,400,000 for employee bonuses and RON 280,143 for untaken holiday). As of 31 December 2018 the Group has recorded a provision of RON 2,617,500 for employee bonuses and RON 361,372 for untaken holidays (2017: RON 1,400,000 for employee bonuses and RON 280,143 for untaken holiday).

Notes to the consolidated and separate financial statements

26. Provisions for liabilities and charges

Provisions for litigations

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

The litigation provision booked as of 31 December 2018 is in amount of RON 723,724 (2017: RON 614,695).

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

| - in RON - | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Balance as at 1 January | 2,421,527 | 1,288,619 | 2,421,527 | 1,288,619 |
| Expenses of provisions for other risks | 3,193,447 | 2,416,160 | 3,037,547 | 2,416,160 |
| Income from reversal of provisions for litigations and other risks | (1,886,659) | (1,283,252) | (1,886,659) | (1,283,252) |
| Provisions for other risks taken through merger | 30,293 | - | 30,293 | - |
| Balance at 31 December | 3,758,608 | 2,421,527 | 3,602,708 | 2,421,527 |

27. Other financial liabilities

| -in RON- | Group | | Company | |
|---|------------------|-------------------|-------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Suppliers of goods and services | 869,441 | 2,680,651 | 3,088,713 | 2,680,651 |
| Suppliers of goods placed in leasing agreements | 1,691,213 | 1,673,658 | 1,691,213 | 1,673,658 |
| Advances received from customers | 5,684,862 | 23,852,080 | 5,600,591 | 23,852,080 |
| Sundry creditors | 1,110,860 | 909,048 | 1,083,123 | 909,048 |
| Total | 9,356,376 | 29,115,437 | 11,463,640 | 29,115,437 |

28. Other liabilities

| -in RON- | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Amounts due to personnel | 245,972 | 331,715 | 245,795 | 331,715 |
| Amounts due for social security and insurance | 543,107 | 492,195 | 520,159 | 492,195 |
| Value added tax due | 2,278,194 | - | 2,278,194 | - |
| Income tax due | - | 919,326 | - | 919,326 |
| Other liabilities | 348,451 | 68,258 | 348,451 | 68,258 |
| Deferred income | 1,815 | - | 1,815 | - |
| Subventions for investments | 22,425 | 42,288 | 22,425 | 42,288 |
| Total | 3,439,964 | 1,853,782 | 3,416,839 | 1,853,782 |

Notes to the consolidated and separate financial statements

29. Share capital and management of capital

Share capital

The nominal share capital of the Company registered with the Trade Registry as at 31 December 2018 consisted of 586,742,113 shares with a nominal value of RON 0.1 each (as at 31 December 2017, it consisted of 450,011,760 shares with a nominal value of RON 0.1 each). The share capital was entirely paid at 31 December 2018 and at 31 December 2017. The share capital of the Company has been increased during 2018 by RON 13,673,035 following the merger with ERB Leasing IFN SA.

The shareholding structure at 31 December 2018 was as follows:

| | Number of ordinary shares owned by the shareholders | | | |
|---|---|--------------------|------------------------|--------------------|
| | Banca Transilvania SA | BT Investment SRL | BT Capital Partners SA | Total |
| At 1 January 2017 | 232,724,398 | 217,287,337 | 25 | 450,011,760 |
| At 31 December 2017 | 232,724,398 | 217,287,337 | 25 | 450,011,760 |
| <i>Ownership percentage (%)</i> | <i>51.71518%</i> | <i>48.28481%</i> | <i>0.00001%</i> | <i>76.69669%</i> |
| <i>Nominal value of the shares owned (in RON)</i> | <i>23,272,439</i> | <i>21,728,734</i> | <i>3</i> | <i>45,001,176</i> |
| New shares issued as a result of the merger | 136,730,353 | - | - | 136,730,353 |
| At 31 December 2018 | 369,454,751 | 217,287,337 | 25 | 586,742,113 |
| <i>Ownership percentage (%)</i> | <i>62.967144%</i> | <i>37.032852%</i> | <i>0.000004%</i> | <i>100.00000%</i> |
| <i>Nominal value of the shares owned (in RON)</i> | <i>36,945,475</i> | <i>21,728,733</i> | <i>3</i> | <i>58,674,211</i> |

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

Management of capital

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

30. Legal reserves and other reserves

As at 31 December 2018, the reserves set-up at Group level are in amount of RON 8,203,447 (31 December 2017: RON 5,638,444), and the reserves of the Company are in amount of RON 8,203,447 (31 December 2017: RON 5,638,444). These include statutory reserves and other reserves set-up by the Group and by the Company in accordance with the applicable regulations. The legal reserve is set-up in accordance with the local regulations that require that a minimum of 5% from the Company's net profit must be transferred to a non-distributable reserve account until the reserve reaches 20% of the Company's share capital. According to Law no. 227/2017 which refers to the Fiscal Code, art. 26 point (5), the transfer of a provision or a reserve is not considered a reduction or a cancelation of the respective provision or reserve if another fiscal entity assumes them and keeps them at the same value before the transfer. Consequently, in order to comply with this regulation, the Company decided to keep at the same level the reserves transferred from ERB Leasing IFN SA as part of the merger in amount of RON 752,956.

Notes to the consolidated and separate financial statements

31. Commitments and contingencies

The Group has signed finance lease agreements with its customers for which the goods have not yet been delivered by the suppliers until the end of the reporting period. As of 31 December 2018, the value of these contracts is in amount of RON 25,347,612 (2017: RON 27,572,942).

The Group concluded rental agreements for offices and for the storage of recovered assets from terminated lease agreements. As of 31 December 2018, the value of these contracts is presented below:

| - in RON - | Group | | Company | |
|--------------|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| < 1 year | 986,349 | 810,396 | 939,395 | 810,396 |
| 1 - 5 years | 1,993,479 | 1,029,341 | 1,899,572 | 1,029,341 |
| Over 5 years | 243,843 | - | 243,843 | - |
| Total | 3,223,671 | 1,839,737 | 3,082,810 | 1,839,737 |

Contingent liability

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

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

At the time of signing these financial statements, given the fact that the investigation is still ongoing and that a first complete document has been sent for discussions to the parties, the management of the Company considers that due to the uncertainties related to the completion of the Competition Council investigation it cannot reasonably estimate the impact on the Company.

Notes to the consolidated and separate financial statements

32. Related party transactions

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

The transactions with related parties are presented below:

| | | 2018 | | | 2017 | | | | |
|--|--|--------------------|--------------------------|-----------------------|-------------|--------------------|--------------------------|-----------------------|-------------|
| Group | | Banca Transilvania | Key management personnel | Other related-parties | Total | Banca Transilvania | Key management personnel | Other related-parties | Total |
| Assets | | | | | | | | | |
| Cash and cash equivalents | | 3,135,696 | - | - | 3,135,696 | 23,363,941 | - | - | 23,363,941 |
| Equity investments | | - | - | 19 | 19 | - | - | 7,518 | 7,518 |
| Finance lease receivables | | - | 107,203 | - | 107,203 | - | 26,328 | 5,534,836 | 5,561,164 |
| Other assets | | - | - | - | - | 1,401 | - | - | 1,401 |
| Liabilities | | | | | | | | | |
| Loans from banks and other financial institutions | | 321,694,350 | - | - | 321,694,350 | 253,647,795 | - | - | 253,647,795 |
| Other liabilities | | 234,059 | - | - | 234,059 | 195,507 | - | - | 195,507 |
| Statement of Profit or Loss | | | | | | | | | |
| Interest income | | 114,730 | - | - | 114,730 | 47,047 | - | - | 47,047 |
| Interest expense | | 6,596,521 | - | - | 6,596,521 | 9,134,001 | - | - | 9,134,001 |
| Other operating income | | - | 6,341 | 93,537 | 99,878 | - | 2,008 | 191,552 | 193,560 |
| Income from impairment allowance on lease receivables | | - | - | 514,746 | 514,746 | - | - | 438,652 | 438,652 |
| Expenses with impairment allowance for lease receivables | | - | - | 187,034 | 187,034 | - | - | 438,426 | 438,426 |
| Other operating expenses | | 1,073,385 | - | - | 1,073,385 | 914,863 | - | - | 914,863 |

The explanatory notes to the financial statements from page 7 to page 84 are an integral part of these financial statements

Notes to the consolidated and separate financial statements

32. Related party transactions (continued)

| Company –in RON - | 2018 | | | | 2017 | | | | | |
|--|--------------------|--------------------------|------------------------------|-----------------------|-------------|--------------------|--------------------------|------------------------------|-----------------------|-------------|
| | Banca Transilvania | Key management personnel | Consolidated related parties | Other related parties | Total | Banca Transilvania | Key management personnel | Consolidated related parties | Other related parties | Total |
| Assets | | | | | | | | | | |
| Cash and cash equivalents | 3,135,696 | - | - | - | 3,135,696 | 23,363,941 | - | - | - | 23,363,941 |
| Equity investments | - | - | 69,520 | 19 | 69,539 | - | - | 69,520 | 7,518 | 77,038 |
| Finance lease receivables | - | 107,203 | - | - | 107,203 | - | 26,328 | - | 5,534,836 | 5,561,164 |
| Other assets | - | - | 334,623 | - | 334,623 | 1,401 | - | 1,048,300 | - | 1,049,701 |
| Liabilities | | | | | | | | | | |
| Loans from banks and other financial institutions | 321,694,350 | - | - | - | 321,694,350 | 253,647,795 | - | - | - | 253,647,795 |
| Other liabilities | 234,059 | - | 2,246,521 | - | 2,480,580 | 195,507 | - | 1,607,599 | - | 1,803,106 |
| Statement of Profit or Loss | | | | | | | | | | |
| Interest income | 114,730 | - | - | - | 114,730 | 47,047 | - | - | - | 47,047 |
| Interest expense | 6,596,521 | - | - | - | 6,596,521 | 9,134,991 | - | - | - | 9,134,991 |
| Expense with banking fees | 252,037 | - | - | - | 252,037 | 213,189 | - | - | - | 213,189 |
| Income from lease operations | - | 6,341 | - | 93,537 | 99,878 | - | 2,008 | - | 191,552 | 193,560 |
| Income from impairment allowance on lease receivables | - | - | - | 514,746 | 514,746 | - | - | - | 438,652 | 438,652 |
| Expenses with impairment allowance for lease receivables | - | - | - | 187,034 | 187,034 | - | - | - | 438,426 | 438,426 |
| Dividend income | - | - | 4,123,594 | 10,824 | 4,134,418 | - | - | 2,827,073 | 12,154 | 2,839,227 |
| Other income | - | - | - | - | - | - | - | - | - | - |
| Other expense | 1,073,385 | - | 4,606,335 | - | 5,679,720 | 914,863 | - | 2,893,374 | - | 3,808,237 |
| Personnel expenses | - | 1,088,369 | - | - | 1,088,369 | - | 940,745 | - | - | 940,745 |

Notes to the consolidated and separate financial statements

32. Related party transactions (continued)

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

During 2018, the Group concluded a series of transactions with the related parties, in contractual terms like its normal activity. The Group and the Company are engaged in related party transactions with other entities from BT Group, its shareholders and its key management personnel. All these transactions, including contractual interest rates and collateral conditions, have been performed at arm's length, similar with transactions with third parties. For consolidation purpose the transactions/balances with subsidiaries have been eliminated.

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

During 2018, the expenses related to the fixed and variable remunerations of the members of the Board of Directors and of the Executive Management of the Group amounted to RON 2,160,053 (2017: RON 1,128,441), and for the Company RON 1,721,596 (2017: RON 894,845).

Compensation for the key personnel of the Group is as follows:

| - in RON - | 2018 | | | 2017 | | |
|---|------------------|--|---|------------------|--|---|
| | Total | of which social security contributions | of which employer contributions to the 3rd Pension Pillar | Total | of which social security contributions | of which employer contributions to the 3rd Pension Pillar |
| Short-term employee benefits | 1,688,538 | 421,284 | 3,000 | 940,745 | 92,084 | - |
| Share-based payments | 79,557 | - | - | 146,000 | - | - |
| Total compensations and benefits | 1,768,095 | 421,284 | 3,000 | 1,086,745 | 92,084 | - |

Compensation for the key personnel of the Company is as follows:

| - in RON - | 2018 | | | 2017 | | |
|---|------------------|--|---|------------------|--|---|
| | Total | of which social security contributions | of which employer contributions to the 3rd Pension Pillar | Total | of which social security contributions | of which employer contributions to the 3rd Pension Pillar |
| Short-term employee benefits | 1,222,953 | 305,742 | - | 940,745 | 92,084 | - |
| Share-based payments | 79,557 | - | - | 146,000 | - | - |
| Total compensations and benefits | 1,302,510 | 305,742 | - | 1,086,745 | 92,084 | - |

Notes to the consolidated and separate financial statements

34. Merger with ERB Leasing IFN S.A.

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

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

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

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

At the merger date the fair value of the net assets of the absorbed entity into BT Group consolidated accounts was RON 32,019,010, which was also reflected into the accounts of the absorbing entity. The share capital increase recorded as a result of the merger is presented in note 29 and was of RON 13,673,035. The cash taken over from the absorbing entity was of RON 5,108,204 at the date of the merger.

Notes to the consolidated and separate financial statements

35. Accounting policies applied before 1 January 2018

The accounting policies applicable to the comparative period ended 31 December 2017, as amended by IFRS 9, is related to the classification, measurement and impairment of financial assets.

(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 cannot be reliably determined. The Company classified in this category participations in immaterial unconsolidated subsidiaries.

(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 intention to set off the recognized amounts and there is an settle them on a net basis, or to realize the asset and clear the liability simultaneously.

Notes to the consolidated and separate financial statements

35. Accounting policies applied before 1 January 2018 (continued)

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.

(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 enough 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 the factors that market participants would consider 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.

(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.

Notes to the consolidated and separate financial statements

35. Accounting policies applied before 1 January 2018 (continued)

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);
- 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:
 - unfavourable change in the payment behaviour 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.

Notes to the consolidated and separate financial statements

35. Accounting policies applied before 1 January 2018 (continued)

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 foreclosure is probable.

For the purpose of a collective assessment of impairment, financial leasing receivables are grouped based on 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 based on historical loss experience related to loans and financial leasing receivables with credit risk characteristics like those of the Group.

Historical loss is adjusted based on 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.

Impairment

According to this policy, the necessary amount of impairment is determined in two stages:

- Measurement of individual impairment amounts, calculated for clients with total exposure greater than EUR 200,000.
Impairment adjustments are calculated by difference between the present value of the exposure and the present value of estimates future cash flows (estimated from the recoverable amounts of the guarantees)
- Measurement of collective impairment amounts for clients which are not analysed individually or for which no impairment has been determined during individual analysis.

Notes to the consolidated and separate financial statements

35. Accounting policies applied before 1 January 2018 (continued)

Finance lease receivables are considered impaired according to internal policies for identification and measurement of impaired assets defined by the Group.

As per Group policies, each risk grade has an associated rating, from the lowest risk grade (1) to the category for which judicial procedures have been started to recover the debt (6). The Group uses ratings based on days past due both for individual and for collective assessed receivables.

Receivables in the first risk category are those which do not have any delayed payments. Those in 2nd risk category includes receivables with days past due between 1 to 15 days. In the 3rd category the days past due are between 16 to 30 days. In the 4th category the days past due are between 31 to 60 days. In the 5th category the days past due are between 61 to 90 days. In the 6th category the days past due are over 91 days or receivables for which judicial procedures have been initiated to recover the debt.

Lease receivables individually impaired are those for which the group considers there is no probability to recover the principal and accrued interest according to lease contractual terms. Those are analysed and measured based on the recoverable amount as per the Group policy for identification and measurement of impairment.

Collectively assessed impaired receivables

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

Past due but not impaired receivables

Past due but not impaired receivables are those which have more than one day past due but are not considered impaired.

Neither past due nor impaired receivables

This category includes all receivables which are not in the other categories above.

Derecognition of lease receivables

The Group derecognises a finance lease receivable (and its corresponding impairment) when it considers the receivable cannot be recovered. This conclusion is based on the assessment of significant changes in the financial position of the debtor, changes which have determined the impossibility of the debtor to repay the obligation or when the value of the assets taken as guarantee does not cover the whole obligation. Derecognition of lease receivables is performed only when all legal actions to recover the debt have been exhausted.

Lease receivables are derecognised by the Group in the following cases:

- At the date on which the client pays the receivables according to the lease contractual terms;
- When the assets taken as guarantee are recovered in case of terminated contracts;
- When all legal actions to recover the debt have been exhausted.

Notes to the consolidated and separate financial statements

36. Reclassification of the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of financial position and consolidated and separate statement of statement of cash flows for the financial year ended 31 December 2017

During the financial year ended on 31 December 2018 the Group and the Company have performed the following reclassifications and corrections of the previously reported amounts with the purpose of presenting in a more accurate manner the amounts:

• Consolidated and separate statement of profit or loss and other comprehensive income

- a) The commissions related to loans from banks and other financial institutions were corrected and moved from the position "Fee and commission expense" to the position "Interest expenses", as they are part of the effective interest rate of the loans.

| - in RON - | Reported | Reclassified | Adjusted |
|--|-------------------|------------------|-------------------|
| Interest income | 56,029,395 | - | 56,029,395 |
| Interest expense | (10,479,144) | (278,008) | (10,757,152) |
| Net interest income | 45,550,251 | (278,008) | 45,272,243 |
| Fee and commission income | 155,551 | - | 155,551 |
| Fee and commission expense | (548,720) | 278,008 | (270,712) |
| Net fee and commission income/(expense) | (393,169) | 278,008 | (115,161) |

- b) The value of the dividend income amounting to RON 2,839,226 was remapped from the line called "Other net financial income" to the line "Other operating income", the line "Other net financial income" being renamed within the consolidated and separate statement of profit or loss and other comprehensive income as "Net gain/(loss) from foreign currency translation".

At the same time the amount of RON 2,469,824 corresponding to net gain from exchange rate revaluation of transactions was reclassified from "Other operating income" to "Net gain/(loss) from foreign currency translation".

Also, the value of the income in the amount of RON 12,798,163 resulting from the termination of the leasing contracts and the repossession of the leased assets was remapped from the position "Other operating income" under the line "Net expenses with adjustments for impairment of financial assets".

| - in RON - | Reported | Reclassified | Adjusted |
|--|--------------|--------------|--------------|
| Net gain/(loss) from foreign currency translation | 3,606,348 | (369,402) | 3,236,946 |
| Other operating income | 20,405,807 | (12,428,761) | 7,977,046 |
| Net expenses with adjustments for impairment of financial assets | (25,466,912) | 12,798,163 | (12,668,749) |

Notes to the consolidated and separate financial statements

36. Reclassification of the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of financial position and consolidated and separate statement of statement of cash flows for the financial year ended 31 December 2017 (continued)

- c) In order to present separately the revenues and expenses related to repossessed assets from foreclosed leasing contracts the amounts under the line "Net expenses of repossessed assets" were divided into two new lines, respectively "Revenue from sale of assets previously leased to customers" of RON 863,790 and "Cost of inventory repossessed from lease agreements" of RON 3,456,498 and in the same time the amount of RON 2,780,757 representing the net release of provisions for repossessed assets from foreclosed leasing contracts was reclassified from "Net income/expense relating to provisions" to "Cost of inventory repossessed from lease agreements".

Expenses relating to provisions for pensions and similar obligations, as well as expenses on bonuses for employees and provisions for untaken holidays in total amount of RON 518,213, have been reclassified from the line "Net income with other adjustments for impairment and other provisions" under the line "Personnel expenses".

| - in RON - | Reported | Reclassified | Adjusted |
|--|--------------|--------------|--------------|
| Net expenses of repossessed assets | (2,592,708) | 2,592,708 | - |
| Revenue from sale of assets previously leased to customers | - | 863,790 | 863,790 |
| Cost of inventory repossessed from lease agreements | - | (675,741) | (675,741) |
| Net income/expense relating to provisions | 1,647,849 | (2,262,544) | (614,695) |
| Personnel expenses | (12,330,277) | (518,213) | (12,848,490) |

• Consolidated and separate statement of financial position

- a) The line item "Cash and cash equivalents" in amount of RON 25,932,692 has been divided into two line items: "Cash on hand" and "Placements with banks".

| - in RON - | Reported | Reclassified | Adjusted |
|---------------------------|------------|--------------|------------|
| Cash and cash equivalents | 25,932,692 | (25,932,692) | - |
| Cash on hand | - | 2,183 | 2,183 |
| Placements with banks | - | 25,930,509 | 25,930,509 |

- b) From the line item called "Other assets" in amount of RON 8,526,193 a part of RON 5,393,974 was reclassified as "Other financial assets" and part in amount of RON 69,539 was reclassified as "Equity investments".

| - in RON - | Reported | Reclassified | Adjusted |
|------------------------|-----------|--------------|-----------|
| Other assets | 8,526,193 | (5,463,513) | 3,062,680 |
| Other financial assets | - | 5,393,974 | 5,393,974 |
| Equity investments | - | 69,539 | 69,539 |

Notes to the consolidated and separate financial statements

36. Reclassification of the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of financial position and consolidated and separate statement of statement of cash flows for the financial year ended 31 December 2017 (continued)

- c) From the line item "Other liabilities" in total amount of RON 30,969,219, RON 29,115,437 was reclassified as "Other financial liabilities".
- in RON -

| | Reported | Reclassified | Adjusted |
|---------------------------|------------|--------------|------------|
| Other financial liability | - | 29,115,437 | 29,115,437 |
| Other liabilities | 30,969,219 | (29,115,437) | 1,853,782 |

• Consolidated and separate statement of cash flows

| | Reported | Reclassified | Adjusted |
|---|---------------------|----------------------|----------------------|
| Operating activities | | | |
| Gross profit for the year | 23,116,035 | - | 23,116,035 |
| Adjustments for non-monetary elements | | | |
| Depreciation expense of premises and equipments and intangible assets | 834,727 | - | 834,727 |
| Net impairment charges for finance lease receivables | (785,242) | 24,985,648 | 24,200,406 |
| Net impairment charge for other assets | 1,266,506 | - | 1,266,506 |
| Net release of provisions for repossessed inventory | - | (2,780,757) | (2,780,757) |
| Interest income from banks | (48,780) | 520 | (48,260) |
| Interest expense | 10,177,125 | 302,019 | 10,479,144 |
| Dividend income | (2,839,226) | - | (2,839,226) |
| Income tax | - | 2,822,796 | 2,822,796 |
| Other adjustments for non-monetary elements | (394,289) | 3,905,317 | 3,511,028 |
| Operating profit before the change in operating assets and liabilities | 31,326,856 | 29,235,543 | 60,562,399 |
| (Increase) in net finance lease receivables | (234,533,662) | (23,106,533) | (257,640,195) |
| (Increase)/Decrease in other assets | (1,486,702) | 1,266,008 | (220,694) |
| (Increase)/Decrease in inventory | - | 2,780,259 | 2,780,259 |
| Net receipts of loans and other liabilities | 194,940,024 | (194,940,024) | - |
| Increase/(Decrease) of trade payables and other liabilities | 18,675,511 | - | 18,675,511 |
| Interest expense paid | - | (10,177,125) | (10,177,125) |
| Income tax paid | (3,221,761) | - | (3,221,761) |
| Net cash flow from/(used in) operating activities | 5,700,266 | (194,941,872) | (189,241,606) |
| Investment activities | | | |
| Acquisitions of premises and equipments and intangible assets | (914,633) | - | (914,633) |
| Proceeds from disposal of premises and equipments and intangible assets | 79,616 | - | 79,616 |
| Interest received from banks | 48,780 | - | 48,780 |
| Dividends received | 2,839,226 | - | 2,839,226 |
| Net cash flow from investment activities | 2,052,989 | - | 2,052,989 |
| Financing activities | | | |
| Net receipts of loans and other liabilities | - | 194,940,024 | 194,940,024 |
| Dividends paid | (10,000,000) | - | (10,000,000) |
| Net cash flow from financing activities | (10,000,000) | 194,940,024 | 184,940,024 |
| Cash and cash equivalents at the beginning of the period | 28,179,437 | - | 28,179,437 |
| Net increase in cash and cash equivalents | (2,246,745) | (1,848) | (2,248,593) |
| Cash and cash equivalents at the end of the period | 25,932,692 | (1,848) | 25,930,844 |

Notes to the consolidated and separate financial statements

36. Reclassification of the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of financial position and consolidated and separate statement of statement of cash flows for the financial year ended 31 December 2017 (continued)

The most significant reclassification in the consolidated and separate statement of cash flows is represented by mapping the "Net receipts of loans and other liabilities", in amount of RON 194,941,872 from the category "Operating activities" in the category "Financing activities".

Given the reclassifications above, there is an IFRS requirement to present a third statement of financial position as at the beginning of the earliest comparative period (i.e. 1 January 2017). Management has considered the nature of the reclassifications in the statement of financial position and the fact that their main purpose is to increase the level of disaggregation of the financial statements while there is no impact on total assets, total liabilities, net assets or reported net results of the Group. The management concluded that it is sufficient to present the nature of the reclassifications as of 1 January 2017 in the note above and that omission of any further disclosures, including presenting a complete restated statement of financial position as of 1 January 2017, is immaterial to the consolidated financial statements as a whole.

37. Events after the end of the reporting period

There were no events subsequent to the reporting period that were significant for the Group and the Company for the financial year ended 31 December 2018, except for the receipt by the Company of the investigation report issued by the Competition Council on 17 October 2019, as presented in Note 31.

The financial statements were approved by the Board of Directors on 17 October 2019 and were signed on its behalf by:

Ionut Calin Morar
General Manager



Sabina Moldovan
Financial Manager

