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 2019

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

For the year ended on 31 December

- in RON -

	Notes	Group 2019	Group 2018	Company 2019	Company 2018
Interest income		94,820,042	77,670,992	94,787,985	77,654,973
Interest expense		(21,080,957)	(19,066,626)	(21,080,957)	(19,066,626)
Net interest income	**6**	**73,739,085**	**58,604,366**	**73,707,028**	**58,588,347**
Fee and commission income		10,647,080	8,426,330	-	-
Fee and commission expense		(389,978)	(292,524)	(366,042)	(272,793)
Net fee and commission income/(expense)	**7**	**10,257,102**	**8,133,806**	**(366,042)**	**(272,793)**
Net gain/(loss) from foreign currency translation	**8**	9,001,477	3,391,027	9,001,477	3,391,027
Other operating income	**9**	5,593,732	4,372,818	12,766,533	8,492,993
Revenue from sale of assets previously leased to customers	**10**	2,266,918	1,625,146	2,266,918	1,625,146
Cost of inventory/assets repossessed from lease agreements	**10**	(3,480,727)	(2,138,403)	(3,480,727)	(2,138,403)
Net impairment charges of financial assets	**11**	(3,720,322)	(17,446,343)	(3,720,322)	(17,446,343)
Net income/expense relating to provisions	**12**	(8,008,190)	(71,218)	(8,008,190)	(71,218)
Personnel expenses	**13**	(17,174,161)	(15,641,155)	(16,122,041)	(14,817,792)
Depreciation expense	**22,23**	(1,944,757)	(843,949)	(1,902,246)	(834,878)
Other operating expenses	**14**	(11,027,426)	(8,052,012)	(10,662,480)	(7,735,932)
Profit before tax		**55,502,731**	**31,934,083**	**53,479,908**	**28,780,154**
Income tax (expense)/credit	**15**	(5,600,352)	951,802	(5,493,373)	1,011,315
Net profit for the year		**49,902,379**	**32,885,885**	**47,986,535**	**29,791,469**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income		**49,902,379**	**32,885,885**	**47,986,535**	**29,791,469**
Profit of the Group attributable to:					
Owners of the Company		49,899,990	32,884,359	47,986,535	29,791,469
Non-controlling interests		2,389	1,526	-	-

The financial statements were approved by the Board of Directors on April 30, 2020 and were signed on its behalf by:

Morar Ionut Calin
General Manager

Moldovan Sabina
Financial Manager

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

- in RON -

As at 31 December	Notes	Group 2019	Group 2018	Company 2019	Company 2018
Assets					
Cash on hand	**16**	2,792	5,376	2,238	4,748
Placements with banks	**17**	33,247,063	9,163,298	31,341,165	8,013,860
Finance lease receivables	**18**	1,052,145,372	919,260,049	1,052,145,372	919,260,049
Other financial assets	**19**	8,184,005	7,785,814	4,278,044	2,579,077
Inventory	**20**	9,907,766	7,799,443	9,907,766	7,799,443
Equity investments	**21**	19	19	69,539	69,539
Premises and equipments	**22**	1,263,739	1,438,139	1,184,916	1,438,139
Intangible assets	**23**	235,324	280,621	230,031	266,257
Right-of-use assets	**24**	2,326,949	-	2,326,949	-
Current tax assets		-	3,976,569	-	4,001,245
Deferred tax assets	**15**	2,524,232	3,524,568	2,499,288	3,499,624
Other assets	**25**	3,008,084	2,021,366	3,003,310	2,354,711
Total assets		**1,112,845,345**	**955,255,262**	**1,106,988,618**	**949,286,692**
Liabilities					
Loans from banks and other financial institutions	**26**	674,943,313	771,151,038	674,943,313	771,151,038
Issued bonds	**27**	189,498,266	-	189,498,266	-
Lease liabilities	**28**	2,392,102	-	2,392,102	-
Provisions for liabilities and charges	**29**	12,703,998	3,758,608	12,535,154	3,602,708
Other financial liabilities	**30**	8,049,914	3,671,514	12,317,265	5,863,049
Other liabilities	**31**	8,970,681	9,124,826	8,826,574	9,017,430
Total liabilities		**896,558,274**	**787,705,985**	**900,512,674**	**789,634,225**
Equity					
Share capital	**32**	59,572,544	59,572,544	59,572,544	59,572,544
Legal reserves and other reserves	**33**	10,889,314	8,203,447	10,764,602	8,078,735
Retained earnings		145,822,776	99,771,711	136,138,798	92,001,188
Total equity attributable to Company's owners		**216,284,634**	**167,547,702**	**206,475,944**	**159,652,467**
Non-controlling interest		2,437	1,574	-	-
Total equity		**216,287,071**	**167,549,276**	**206,475,944**	**159,652,467**
Total liabilities and equity		**1,112,845,345**	**955,255,262**	**1,106,988,618**	**949,286,692**

The financial statements were approved by the Board of Directors on April 30, 2020 and were signed on its behalf by:

Morar Ionut Calin
General Manager

Moldovan Sabina
Financial Manager

Consolidated Statement of Changes in Equity

For the year ended on 31 December 2019

- in RON -

Group	Share capital	Legal reserves and other reserves	Retained earnings	Total equity attributable to Company's owners	Non-controlling interest	Total equity
Balance as at 1 January 2018	**45,899,509**	**5,638,444**	**46,304,036**	**97,841,989**	**-**	**97,841,989**
Net profit for the year	-	-	32,884,359	32,884,359	1,526	32,885,885
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**32,884,359**	**32,884,359**	**1,526**	**32,885,885**
Distribution to legal reserve						
- of the Company	-	1,687,335	(1,687,335)	-	-	-
- of the subsidiaries	-	124,712	-	124,712	8	124,720
Equity elements increased through merger (Note 34)	13,673,035	752,956	17,593,019	32,019,010	40	32,019,050
Other changes	-	-	4,677,632	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**
Net profit for the year	-	-	49,899,990	49,899,990	2,389	49,902,379
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**49,899,990**	**49,899,990**	**2,389**	**49,902,379**
Distribution to legal reserve						
- - of the Company	-	2,685,867	(2,685,867)	-	(1,526)	(1,526)
- - of the subsidiaries	-	-	-	-	-	-
Other changes	-	-	(1,163,058)	(1,163,058)	-	(1,163,058)
Balance as at 31 December 2019	**59,572,544**	**10,889,314**	**145,822,776**	**216,284, 634**	**2,437**	**216,287,071**

Consolidated Statement of Changes in Equity

For the year ended on 31 December 2019

- in RON -

Company	**Share capital**	**Legal reserves and other reserves**	**Retained earnings**	**Total equity**
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	(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**
Net profit for the year	-	-	47,986,535	47,986,535
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**47,986,535**	**47,986,535**
Distribution to legal reserve	-	2,685,867	(2,685,867)	-
Other changes			(1,163,058)	(1,163,058)
Balance as at 31 December 2019	**59,572,544**	**10,764,602**	**136,138,798**	**206,475,944**

Consolidated and Separate Statement of Cash Flows

For the year ended on 31 December

			- *in RON* -
		Group	
	Note	**2019**	**2018**
Operating activities			
Profit before tax		55,502,731	31,934,083
Adjustments for non-monetary elements			
Depreciation expense of premises and equipment and intangible assets	**22, 23,24**	1,944,757	843,949
Net impairment charges for finance lease receivables	**11**	(8,419,028)	23,627,013
Net impairment expenses for other assets	**11**	(2,772,940)	21,912
Net expense from valuation adjustments	**11**	-	571,995
Net release of provisions for repossessed inventory	**10**	(16,452,906)	(1,545,650)
Provisions for other risks and charges	**12,13**	8,945,391	1,176,749
Interest income from banks	**6**	(351,316)	(191,733)
Interest expense		21,080,957	18,574,197
Dividend income	**9**	(2)	(10,824)
Income tax		(5,600,352)	3,856,583
Other adjustments for non-cash items		(510,549)	7,518
Operating profit before the change in operating assets and liabilities		**53,366,743**	**78,865,793**
(Increase) in net finance lease receivables		(111,010,290)	(169,899,281)
(Increase)/Decrease in other assets		5,364,313	(4,912,975)
(Increase)/Decrease in inventory		660,347	(2,800,163)
Increase/(Decrease) of trade payables and other liabilities		4,224,255	(18,982,698)
Interest expense paid		(21,226,386)	(18,395,502)
Income tax paid		(1,650,520)	(5,104,099)
Net cash flow from/(used in) operating activities		**(70,271,538)**	**(141,228,925)**
Investing activities			
Acquisitions of premises, equipment and intangible assets		(488,621)	(870,362)
Proceeds from disposal of premises and equipment and intangible assets		153,229	94,891
Cash arising from the merger	**34**	-	5,108,204
Interest received from banks		351,601	192,539
Dividends received	**9**	2	10,824
Net cash flow from investing activities		**16,211**	**4,536,096**
Financing activities			
Net receipts of loans and other borrowings		(96,207,725)	119,929,618
Net receipts from issued bonds		189,498,266	-
Net receipts from right-of-use assets		1,045,681	-
Net cash flow from financing activities		**94,336,222**	**119,929,618**
Cash and cash equivalents at the beginning of the period	17	**9,167,633**	**25,930,844**
Net increase/decrease (-) in cash and cash equivalents		24,080,895	(16,763,211)
Cash and cash equivalents at the end of the period	17	**33,248,528**	**9,167,633**

Consolidated and Separate Statement of Cash Flows

For the year ended on 31 December

- in RON -

	Note	Company 2019	Company 2018
Operating activities			
Profit before tax		53,479,908	28,780,154
Adjustments for non-monetary elements			
Depreciation expense of premises and equipment and intangible assets	**23, 24**	1,902,245	834,879
Net impairment charges for finance lease receivables	**11**	(8,419,028)	23,627,013
Net impairment expenses for other assets	**11**	(2,772,940)	21,912
Net expense from valuation adjustments	**11**	-	571,995
Net release of provisions for repossessed inventory	**10**	(16,452,906)	(1,545,650)
Provisions for other risks and charges	**12,13**	8,932,447	1,143,370
Interest income from banks	**6**	(319,259)	(175,714)
Interest expense		21,080,957	18,574,197
Dividend income	**9**	(7,191,541)	(4,134,418)
Income tax		(5,493,373)	3,757,512
Other adjustments for non-cash items		(900,952)	(4,936,411)
Operating profit before the change in operating assets and liabilities		**43,845,558**	**66,518,838**
(Increase) in net finance lease receivables		(111,010,290)	(169,899,281)
(Increase)/Decrease in other assets		4,426,333	(91,329)
(Increase)/Decrease in inventory		660,347	(2,800,163)
Increase/(Decrease) of trade payables and other liabilities		6,263,360	(16,898,559)
Interest expense paid		(20,935,528)	(18,395,502)
Income tax paid		(1,549,450)	(4,920,571)
Net cash flow from/(used in) operating activities		**(78,299,670)**	**(146,486,567)**
Investing activities			
Acquisitions of premises, equipment and intangible assets		(376,357)	(870,362)
Proceeds from disposal of premises and equipment and intangible assets		153,229	94,891
Cash arising from the merger	**34**	-	5,108,204
Interest received from banks		319,545	176,521
Dividends received	**9**	7,191,541	4,134,418
Net cash flow from investing activities		**7,287,958**	**8,643,671**
Financing activities			
Net receipts of loans and other borrowings		(96,207,725)	119,929,618
Net receipts from issued bonds		189,498,266	-
Net receipts from right-of-use assets		1,045,681	-
Net cash flow from financing activities		**94,336,222**	**119,929,618**
Cash and cash equivalents at the beginning of the period	**17**	**8,017,567**	**25,930,844**
Net increase/decrease (-) in cash and cash equivalents		23,324,510	(17,913,278)
Cash and cash equivalents at the end of the period	**17**	**31,342,077**	**8,017,567**

The explanatory notes to the financial statements from page 7 to page 82 are an integral part of these financial statements

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 2019 the Group had 121 active employees (31 December 2018: 116 active employees).

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

Position	**31 December 2019**	**31 December 2018**
Chairman	Hanga Radu	Hanga Radu
Member	Tiberiu Moisa	Tiberiu Moisa
Member	Szekely Daniel	Szekely Daniel

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 2019. The consolidated and separate financial statements of the Group and of the Company as at 31 December 2019 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 16 „Leases" (issued in January 2016 and applicable to annual reporting periods beginning on or after 1 January 2019). 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.

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

The Group and the Company have not restated the comparative information for 2018 for lease operations. Therefore, the comparative information for 2018 is reported in accordance with IAS 17 and is not comparable with the information presented for 2019.

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 dirct 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.

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.

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

a) Basis for consolidation *(continued)*

(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.

(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.

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.

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)

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 2019**	**31 December 2018**	**Variation %**
Euro ("EUR")	1: RON 4,7793	1: RON 4,6639	2,47%
US dollar ("USD")	1: RON 4,2608	1: RON 4,0736	4,59%

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.

3. Significant accounting methods and policies (continued)

c) Interest income and expenses (continued)

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.

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 repossessed from lease agreements".

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) Income tax

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.

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

i) Income tax *(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 2019 is 16% (31 December 2018: 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) Leasing contracts

The Group and the Company apply IFRS 16 provisions to all leases, including leases of right-of-use assets in a sublease, except for:

a) leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources;
b) leases of biological assets within the scope of IAS 41 Agriculture held by a lessee;
c) service concession arrangements within the scope of IFRIC 12 Service Concession Arrangements;
d) licenses of intellectual property granted by a lessor within the scope of IFRS 15 Revenue from Contracts with Customers; and
e) rights held by a lessee under licensing agreements within the scope of IAS 38 Intangible Assets for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

The Group and the Company present in these financial statements, lease assets and liabilities for the following types of transactions:

a) as a lessee:
- Lease of properties used for financial activities;
- Lease of land;
- Lease of vehicles;
- Lease of other low-value items.

b) as a lessor:
- Finance lease of vehicles and equipment;
- Finance lease of real estate.

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

k) Leasing contracts *(continued)*

Identification of a lease contract

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group and the Company reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.
To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group and the Company shall assess whether, throughout the period of use, the customer has both of the following:
a) the right to obtain substantially all of the economic benefits from use of the identified asset, and
b) the right to direct the use of the identified asset.

a) The Group and the Company as a lessee

As per IFRS 16 provisions, a lessee no longer differentiates between finance leases and operating leases and is required to recognise a right-of-use asset and a lease liability at the initial recognition of the contract.

Initial measurement - Right of use asset

The right-of-use asset shall comprise:
(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Initial measurement - Lease liability

Represents the present value of the lease payments that are not paid at commencement date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate.
The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments, less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option (assessed considering all the relevant factors); and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

k) Leasing contracts *(continued)*

a) The Group and the Company as a lessee *(continued)*

Subsequent measurement - Right-of-use asset

The Group and the Company shall measure the right-of-use asset at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability due to lease contract.
If the lease transfers ownership of the underlying asset to the Group or the Company as a lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the Group or the Company will exercise a purchase option, the Group and the Company shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group and the Company shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Subsequent measurement - Lease liability

The Group and the Company measure the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications.

After the commencement date, the Group and the Company remeasure the lease liability to reflect changes to the lease payments. The Group and the Company recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group and the Company recognise any remaining amount of the remeasurement in profit or loss.

Finance lease – lessee and lease payments in accordance with IAS 17 – applicable to 2018 figures

Leasing contracts in which the Group and the Company assume substantially all the risks and rewards of ownership were classified as financial leases. Upon initial recognition, leasing payments are recognized at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.
The other leasing contracts represent operating leases and the leased assets are not recognized in the consolidated statement of financial position.
Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease contract. Leasing incentives received are recognized as an integral part of the total lease expense, over the term of the leasing contract. Operating lease expense is recognized as a component of operating expenses.
Minimum lease payments made under financial leases are apportioned between the interest expense and the reduction of the outstanding liability. The interest expense is allocated to each leasing period during the leasing term, so as to produce a constant interest rate on the remaining liability balance. Contingent lease payments are recognized as expense during the period in which they are made.

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

k) Leasing contracts *(continued)*

a) The Group and the Company as a lessee *(continued)*

The following table shows the reconciliation of the leasing operations reported on December 31, 2018 with the leasing liabilities recognized on January 1, 2019 by the Group and the Company:

	January 1, 2019
Leasing commitments as of December 31, 2018	**-**
Leasing commitments adjustments	**2,393,862**
Leasing liabilities as of January 1, 2019	**2,393,862**
Lease payments in advance	-
Due lease payments	-
Right-of-use assets as of January 1, 2019	**2.393.862**

b) The Company as a lessor

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.

Initial measurement

At the commencement date, the Company, as a lessor, recognises assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The Company uses the interest rate implicit in the lease to measure the net investment in the lease. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the net investment in the lease.

The lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- fixed payments less any lease incentives payable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- any guarantees related to the residual value provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent measurement

The difference between the gross receivable and the present value represents the unattributed financial income. The Company recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

The Company aims to allocate finance income over the lease term on a systematic and rational basis and shall apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

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

k) Leasing contracts *(continued)*

b) The Company as a lessor *(continued)*

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.
The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.
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).

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.

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.

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

l) 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.

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

l) 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.

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

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

l) Financial assets and liabilities *(continued)*

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;
- 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 unlikeliness to pay:

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

l) Financial assets and liabilities *(continued)*

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.

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.

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

l) Financial assets and liabilities *(continued)*

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.

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.

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

l) Financial assets and liabilities *(continued)*

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).

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.

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

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 repossessed from lease agreements".

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.

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

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

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.

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

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 and issued debt securities

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.

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.

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

t) Employee benefits (continued)

(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.

The fixed and variable remuneration may also be granted by means of a stock option plan, in the form of shares granted by the parent company. The variable component of the total remuneration represents the remuneration that can be granted by the parent company in addition to the fixed remuneration, on condition that certain performance ratios are achieved. The variable remuneration may be granted either in cash or in shares of the parent company (TLV). In the case of the identified staff, the establish of the annual variable remuneration is envisaged to limit excessive risk-taking.

*Based on the decision of the shareholders, the Board of Directors of the parent company decides in respect of the number of shares included in the employee loyalty plan. The fair value upon the vesting date of share-based awards - stock options – to employees is recognized as personnel expenses, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.*u) Adoption of new or revised standards and interpretations

The following new standards and interpretations are in force as of 1 January 2019:

Adoption of IFRS 16 – Leases

The Group has adopted IFRS 16 prospectively from 1 January 2019 with certain simplifications and exemptions, and has not restated comparatives for the 2018 reporting period, as permitted under the transitional provisions of IFRS 16.
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.

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The right of use assets at the Group at 01 January 2019 was it the amount RON 2,393,862.

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for the periods beginning on 1 January 2019).

IAS 12 makes reference to the accounting of current and deferred taxes, but not to the impact of the uncertainty. The interpretation clarifies the manner in which the recognition and valuation requirements in IAS 12 shall be applied in the event of uncertainty over income tax treatment. An entity should decide whether it considers each tax uncertainty separately or in

correlation with one or several uncertainties, depending on the approach that best foresees the resolution of such uncertainty.

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

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

An entity should assume that a fiscal authority will examine the amounts with respect to which it has the right of examination and the full knowledge of the related information when performing the examination. If an entity reaches the conclusion that it is highly unlikely for the fiscal authority to accept an uncertain tax treatment, the impact of such uncertainty shall be reflected in the calculation of the related taxable profit or loss, of the tax base, of the unutilized tax losses, of the unutilized tax credit or tax rates, by using the most probable value or the estimated value depending on the entity's approach that best foresees the resolution of such uncertainty.

An entity shall consider the impact of any change in events or circumstances or in new information affecting the assumptions of interpretation as a change in accounting assumptions. Examples of changes in events and circumstances or in new information that may cause the revaluation of an assumption include but are not limited to examinations or actions undertaken by a fiscal authority, modifications of the rules established by a fiscal authority or the expiry of a fiscal authority's right to analyze or reanalyze a fiscal change. The lack of understanding or misunderstanding by a fiscal authority regarding a fiscal change is unlikely to represent a change in events and circumstances or in new information influencing the interpretation-related assumptions.

Amendments to IFRS 9 (issued on 12 October 2017 and effective for the periods beginning on 1 January 2019).
These amendments allow for the measurement at amortized cost of some loans and debt securities that can be prepaid at a value below the amortized cost, e.g. at a fair value or a value that includes a reasonable compensation for early termination of the contract, equal to the current value of the effect of the market interest rate increase in relation to the residual lifetime of the said instrument. Additionally, the text underlying the conclusions regarding the standard reconfirm the existing instructions in IFRS 9 based on which modifications and exchanges of financial liabilities measured at amortised cost shall be recognized as profit or loss in the Consolidated and Separate Statement of Profit or Loss. Thus, in most cases, the reporting entities shall not be able to review the effective interest rate during the residual loan period in order to prevent the impact on the profit or loss caused by a possible modification of the loan.

Long-term interest on related entities and business combinations - Amendments to IAS 28 (issued on 12 October 2017 and effective for the periods beginning on 1 January 2019).
The amendments clarify that the reporting entities should apply IFRS 9 with respect to long-term borrowings, preferential shares and similar instruments included in a net investment based on the equity method prior to diminishing the book value by the loss of the entity resulting from the investment made, which exceeds the investor's interest in ordinary shares.

Annual improvements to IFRS 2015-2017 - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for the periods beginning on 1 January 2019).
The amendments' limited scope of application impacted four standards: According to IFRS 3, the buyer should revalue its previous joint participation interest when gaining control of the business. On the other hand, IFRS 11 states clearly that the investor should not revalue its previous participation interest when gaining control of a joint participation; this is similar to the requirements applicable when a related entity becomes a joint venture and vice versa.

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)*

IAS 12 amendment explains that an entity recognizes the impact of income tax related to dividends when the entity has recognized the transactions or events that had generated the respective distributable profit in the statement of profit or loss or in other items of comprehensive income, for example. Therefore, it is clear that this requirement applies in all circumstances since the payments related to financial instruments classified as shareholders' equity represent profit distributions, and not only in those circumstances where the fiscal outcome is a result of different tax rates applied on distributed, respectively undistributed profits. The reviewed IAS 23 includes explicit guidelines according to which the borrowings obtained for financing a specific asset are excluded from the category of borrowing costs eligible for capitalization only until the approximate completion of the respective asset.

Plan amendment, curtailment or settlement - Amendments to IAS 19 (issued on February 7, 2018 and effective for the periods beginning on 1 January 2019).

The amendments stipulate the pension computation method when there are modifications in relation to a well-established plan. In case of modifications regarding a plan - amendment, curtailment or settlement - IAS 19 requires the re-measurement of the net liability or net asset regarding the defined benefit. The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement. Before the issue of these amendments, IAS 19 did not specify the computation method for such expenses for the period after the amendment of the plan. Through the requirement to apply updated assumptions it is expected that the amendments will provide useful information to the persons that use the financial statements.

v) New standards and interpretations effective as of or after 1 January 2020

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 standard is not yet endorsed by the European Union).

The reviewed conceptual framework for financial reporting includes a new chapter on measurement, guidance on reporting financial performance, improved definitions - particularly 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 applicable to acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. This standard is not yet endorsed by the European Union).

The amendments revise the definition of a business. A business must have the 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). The presence of an organized workforce is a condition for the classification as a business, even 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

Notes to the consolidated and separate financial statements

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

v) New standards and interpretations effective as of or after 1 January 2020 (continued)

are capable of replacing 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)

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.

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 customer's credit risk before approving the leasing agreements, to set exposure limits, to monitor their ability to repay the principal and the attached 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.

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 2019	31 December 2018
Transport	282,716,740	259,975,990
Trade	226,043,535	196,833,373
Manufacturing	153,473,168	151,966,291
Construction	137,615,996	109,725,006
Services	91,705,095	73,286,365
Agriculture and Forestry	60,422,749	65,883,479
Mining	30,315,294	34,252,849
Real-estate	32,648,358	31,604,159
Financial institutions	34,661,596	23,400,449
Other	34,829,254	20,082,982
Authorized person	24,384,805	17,788,320
Telecommunications	12,823,894	9,599,677
Natural person (retail clients)	9,555,088	7,021,036
Chemical	2,384,253	2,336,319
Energy	1,110,995	1,190,840
Fisheries	688,343	977,907
Governmental bodies	163,467	228,131
Gross exposure	**1,135,542,630**	**1,006,153,173**
Impairment allowances related to finance lease receivables	**(83,397,258)**	**(86,893,124)**
Net receivables from finance lease agreements	**1,052,145,372**	**919,260,049**

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 31 December 2019 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	**745,999,265**	**52,727,832**	**6,932,117**	**805,659,214**
- RON	***144,959,090***	***18,321,569***	***3,387,464***	***166,668,123***
- up to 3 years	87,428,516	15,042,292	2,339,814	104,810,622
- between 3-5 years	57,317,666	3,279,277	1,047,650	61,644,593
- more than 5 years	212,908	-	-	212,908
- in foreign currency	***601,040,175***	***34,406,263***	***3,544,653***	***638,991,091***
- up to 3 years	227,768,236	24,524,735	2,180,118	254,473,089
- between 3-5 years	373,139,891	9,881,528	1,364,535	384,385,954
- more than 5 years	132,048	-	-	132,048
Equipment	**195,487,482**	**35,256,687**	**25,773,961**	**256,518,130**
- RON	***80,580,389***	***11,568,390***	***437,274***	***92,586,053***
- up to 3 years	55,961,867	8,048,707	297,546	64,308,120
- between 3-5 years	24,618,522	3,519,683	139,728	28,277,933
- more than 5 years	-	-	-	-
- currency	***114,907,093***	***23,688,297***	***25,336,687***	***163,932,077***
- up to 3 years	57,043,227	16,645,260	25,336,687	99,025,174
- between 3-5 years	56,054,446	7,043,037	-	63,097,483
- more than 5 years	1,809,420	-	-	1,809,420

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 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	**68,618,677**	**4,746,609**	**-**	**73,365,286**
- RON	***14,184,972***	***4,553,674***	**-**	***18,738,646***
- up to 3 years	4,249,573	4,553,674	-	8,803,247
- between 3-5 years	7,768,357	-	-	7,768,357
- more than 5 years	2,167,042	-	-	2,167,042
- currency	***54,433,705***	***192,935***	**-**	***54,626,640***
- up to 3 years	9,185,216	192,935	-	9,378,151
- between 3-5 years	6,046,944	-	-	6,046,944
- more than 5 years	39,201,545	-	-	39,201,545
Total receivables from finance lease agreements before impairment adjustments	**1,010,105,424**	**92,731,128**	**32,706,078**	**1,135,542,630**
Impairment allowance related to finance lease receivables	***(20,921,900)***	***(42,559,912)***	***(19,915,446)***	***(83,397,258)***
Total finance lease receivables	**989,183,524**	**50,171,216**	**12,790,632**	**1,052,145,372**

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

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 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	**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 exposures from finance lease receivables at consolidated and separate level, as at 31 December 2019 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	141,463,350	591,267,842	79,031,097	113,978,958	14,184,971	54,433,707	234,679,418	759,680,507
Sensitive risk	2,039,480	7,122,994	323,388	594,976	-	-	2,362,868	7,717,970
High risk	1,456,259	2,649,339	1,225,904	333,160	-	-	2,682,163	2,982,499
Total finance lease receivables not impaired before impairment allowance	**144,959,089**	**601,040,175**	**80,580,389**	**114,907,094**	**14,184,971**	**54,433,707**	**239,724,449**	**770,380,976**
Impairment allowance related to finance lease receivables	(2,243,090)	(10,287,198)	(3,259,816)	(4,935,814)	(8,919)	(187,063)	(5,511,825)	(15,410,075)
Total finance lease receivables not impaired, net of impairment allowance	**142,715,999**	**590,752,977**	**77,320,573**	**109,971,280**	**14,176,052**	**54,246,644**	**234,212,624**	**754,970,901**

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	141,463,350	591,267,842	79,031,097	113,978,958	14,184,971	54,433,707	234,679,418	759,680,507
30-60 days	2,039,480	7,122,994	323,388	594,976	-	-	2,362,868	7,717,970
60-90 days	1,456,259	2,649,339	1,225,904	333,160	-	-	2,682,163	2,982,499
Total finance lease receivables not impaired before impairment allowance	**144,959,089**	**601,040,175**	**80,580,389**	**114,907,094**	**14,184,971**	**54,433,707**	**239,724,449**	**770,380,976**
Impairment allowance related to finance lease receivables	(2,243,090)	(10,287,198)	(3,259,816)	(4,935,814)	(8,919)	(187,063)	(5,511,825)	(15,410,075)
Total finance lease receivables not impaired, net of impairment allowance	**142,715,999**	**590,752,977**	**77,320,573**	**109,971,280**	**14,176,052**	**54,246,644**	**234,212,624**	**754,970,901**

Gross value of impaired finance lease receivables granted to clients, Class II, Stage 3 and POCI	Autovehicule		Echipamente		Imobile		TOTAL	
	RON	**valută**	**RON**	**valută**	**RON**	**valută**	**RON**	**valută**
Less than 90 days past due	9,985,505	14,902,867	5,616,785	36,946,690	1,483,431	-	17,085,721	51,849,557
More than 90 days past due	11,723,528	23,048,049	6,388,879	12,078,294	3,070,243	192,935	21,182,650	35,319,278
Total impaired and POCI finance lease receivables before impairment allowance	**21,709,033**	**37,950,916**	**12,005,664**	**49,024,984**	**4,553,674**	**192,935**	**38,268,371**	**87,168,835**
Impairment allowance related to finance lease receivables	(9,047,294)	(14,852,710)	(6,879,349)	(30,817,826)	(685,243)	(192,935)	(16,611,886)	(45,863,471)
Total impaired and POCI finance lease receivables, net of impairment allowance	**12,661,739**	**23,098,206**	**5,126,315**	**18,207,158**	**3,868,431**	**-**	**21,656,485**	**41,305,364**

4. Financial risk management policies *(continued)*

b) Credit risk *(continued)*

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**

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	Autovehicule		Echipamente		Imobile		TOTAL	
	RON	valută	RON	valută	RON	valută	RON	valută
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**

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 2019 is presented below:

-in RON-	Under - collateralised	Over - collateralised
Gross exposure		
Vehicles		
Gross exposure	226,335,909	579,323,305
Collaterals	189,645,581	831,420,834
Equipment		
Gross exposure	87,106,865	169,411,265
Collaterals	68,192,939	265,078,412
Buildings		
Gross exposure	3,263,178	70,102,108
Collaterals	1,562,300	149,696,555
Total Gross exposure	**316,705,952**	**818,836,678**
Total collaterals	**259,400,820**	**1,246,195,801**

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

-in RON-	Under - collateralised	Over - collateralised
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	**374,937,074**	**631,216,099**
Total collaterals	**304,212,075**	**1,090,264,761**

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 that the profit and capital may be negatively affected as a result of the Bank's incapacity to pay its debts when they become due.

Liquidity risk has two main components: the difficulty in procuring funds at maturity in order to refinance current assets or the inability to convert an asset into cash at a value near its fair value in a reasonable period of time.

The 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, debt securities issued and 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 of financing costs.

The liquidity risk is generated by the policy of managing the financing sources. 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 financing sources and diversifying the financing base.

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 2019 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	2,792	-	-	-	-	-	2,792
Placements with banks	33,247,063	-	-	-	-	-	33,247,063
Finance lease receivables	153,792,364	106,797,534	209,309,436	577,479,177	168,226,551	10,416,600	1,226,021,662
Other financial assets	9,973,776	-	-	-	-	-	9,973,776
Total financial assets	**197,015,995**	**106,797,534**	**209,309,436**	**577,479,177**	**168,226,551**	**10,416,600**	**1,269,245,293**
Financial liabilities							
Loans from banks and other financial institutions	55,908,526	54,452,421	106,458,032	410,482,165	64,374,535	4,280,216	695,955,895
Debt securities issued	825,885	1,020,888	1,665,101	6,588,545	109,232,896	89,869,869	209,203,184
Right-of-use liabilities	260,758	229,127	390,521	994,587	393,415	123,694	2,392,102
Other financial liabilities	8,049,913	-	-	-	-	-	8,049,913
Total financial liabilities	**65,045,082**	**55,702,436**	**108,513,654**	**418,065,297**	**174,000,846**	**94,273,779**	**915,601,094**
Net balance sheet position	**131,970,913**	**51,095,098**	**100,795,782**	**159,413,880**	**(5,774,295)**	**(83,857,179)**	**353,644,199**

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:

-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	7,785,814	-	-	-	-	-	7,785,814
Total financial assets	**205,185,494**	**85,262,320**	**167,291,943**	**489,321,906**	**147,327,059**	**17,842,054**	**1,112,230,776**
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	3,671,514	-	-	-	-	-	3,671,514
Total financial liabilities	**57,241,172**	**59,569,173**	**104,643,820**	**447,483,694**	**130,584,500**	**4,523,685**	**804,046,044**
Net balance sheet position	**147,944,322**	**25,693,147**	**62,648,123**	**41,838,212**	**16,742,559**	**13,318,369**	**308,184,732**

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 2019 until the contractual date are the following:

-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	2,238	-	-	-	-	-	2,238
Placements with banks	31,341,165	-	-	-	-	-	31,341,165
Finance lease receivables	153,792,364	106,797,534	209,309,436	577,479,177	168,226,551	10,416,600	1,226,021,662
Other financial assets	6,067,815	-	-	-	-	-	6,067,815
Total financial assets	**191,203,582**	**106,797,534**	**209,309,436**	**577,479,177**	**168,226,551**	**10,416,600**	**1,263,432,880**
Financial liabilities							
Loans from banks and other financial institutions	55,908,526	54,452,421	106,458,032	410,482,165	64,374,535	4,280,216	695,955,895
Debt securities issued	825,885	1,020,888	1,665,101	6,588,545	109,232,896	89,869,869	209,203,184
Right-of-use liabilities	260,758	229,127	390,521	994,587	393,415	123,694	2,392,102
Other financial liabilities	12,317,265	-	-	-	-	-	12,317,265
Total financial liabilities	**69,312,434**	**55,702,436**	**108,513,654**	**418,065,297**	**174,000,846**	**94,273,779**	**919,868,446**
Net balance sheet position	**121,891,148**	**51,095,098**	**100,795,782**	**159,413,880**	**-5,774,295**	**-83,857,179**	**343,564,434**

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 2018 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	4,748	-	-	-	-	-	4,748
Placements with banks	8,013,860	-	-	-	-	-	8,013,860
Receivables from financial leasing	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	2,579,077	-	-	-	-	-	2,579,077
Total financial assets	**198,828,691**	**85,262,320**	**167,291,943**	**489,321,906**	**147,327,059**	**17,842,054**	**1,105,873,973**
Financial debt							
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	5,863,049	-		-		-	5,863,049
Total financial debt	**59,432,707**	**59,569,173**	**104,643,820**	**447,483,694**	**130,584,500**	**4,523,685**	**806,237,579**
Net balance sheet position	**139,395,984**	**25,693,147**	**62,648,123**	**41,838,212**	**16,742,559**	**13,318,369**	**299,636,394**

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.

4. Financial risk management policies *(continued)*

d) Market risk *(continued)*

d1) Interest rate risk (continued)

	Group				Company			
- in RON -	200 basis points	200 basis points	100 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
31 December 2019								
Average for the period	(352,206)	352,206	(176,103)	176,103	(352,206)	352,206	(176,103)	176,103
Minimum for the period	(4,558,012)	4,558,012	(2,279,006)	2,279,006	(4,558,012)	4,558,012	(2,279,006)	2,279,006
Maximum for the period	2,327,231	(2,327,231)	1,163,615	(1,163,615)	2,327,231	(2,327,231)	1,163,615	(1,163,615)
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)

4. Financial risk management policies *(continued)*

d) Market risk *(continued)*

d1) Interest rate risk (continued)

The table below shows the detailed net book value for the Group's interest-bearing financial assets and liabilities as at 31 December 2019, based on the earlier date between interest modification date and maturity date:

- in RON -	Up to 3 months	3 – 12 months	1 – 5 years	Total
Financial assets				
Placements with banks	33,247,063	-	-	33,247,063
Finance lease receivables	1,039,656,355	-	12,489,017	1,052,145,372
Total financial assets	**1,072,903,418**	**-**	**12,489,017**	**1,085,392,435**
Financial liabilities				
Loans from banks and other financial institutions	136,249,839	398,655,435	140,038,039	674,943,313
Debt securities issued	-	189,498,266	-	189,498,266
Total financial liabilities	**136,249,839**	**588,153,701**	**140,038,038**	**864,441,579**
Net balance sheet position	**936,653,579**	**(588,153,701)**	**(127,549,022)**	**220,950,856**

The table below shows the detailed net book value for the Group's interest-bearing financial assets and liabilities as at 31 December 2018, based on the earlier date between interest modification date and maturity date:

- in RON -	Up to 3 months	3 – 12 months	1 – 5 years	Total
Financial assets				
Placements with banks	9,163,298	-	-	9,163,298
Finance lease receivables	910,204,808	1,727,591	7,327,650	919,260,049
		-	-	
Total financial assets total	**919,368,106**	**1,727,591**	**7,327,650**	**928,423,347**
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	**629,725,803**	**(343,521,040)**	**(128,932,454)**	**156,272,309**

4. Financial risk management policies *(continued)*

d) Market risk *(continued)*

d1) Interest rate risk (continued)

The table below shows the detailed net book value for the Company's interest-bearing financial assets and liabilities as at 31 December 2019, based on the earlier date between interest modification date and maturity date:

- in RON -	Up to 3 months	3 – 12 months	1 – 5 years	Total
Financial assets				
Placements with banks	31,341,165	-	-	31,341,165
Finance lease receivables	1,039,656,355	-	12,489,017	1,052,145,372
Total financial assets	**1,070,997,520**	**-**	**12,489,017**	**1,083,486,537**
Financial liabilities				
Loans from banks and other financial institutions	136,249,839	398,655,435	140,038,039	674,943,313
Debt securities issued	-	189,498,266	-	189,498,266
Total financial liabilities	**136,249,839**	**588,153,701**	**140,038,039**	**864,441,579**
Net balance sheet position	**934,747,681**	**(588,153,701)**	**(127,549,022)**	**219,044,958**

The table below shows the detailed net book value for the Company's interest-bearing financial assets and liabilities as at 31 December 2018, based on the earlier date between interest modification date and maturity date:

- in RON -	Up to 3 months	3 – 12 months	1 – 5 years	Total
Financial assets				
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 total	**918,218,668**	**1,727,591**	**7,327,650**	**927,273,909**
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	**628,576,365**	**(343,521,040)**	**(128,932,454)**	**156,122,871**

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 Bank are exposed to currency risk through open positions generated by FX transactions. There is also a risk that the net values of monetary assets and liabilities in foreign currency may change, as a result of exchange rate variation.

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 of the Group denominated in RON and FCY as at 31 December 2019 are presented below:

- in RON -	**EUR**	**RON**	**Other currencies**	**Total**
Financial assets				
Cash on hand	-	2,792	-	2,792
Placements with banks	16,612,595	16,628,364	6,104	33,247,063
Finance lease receivables	786,827,149	265,318,223	-	1,052,145,372
Other financial assets	2,543,032	5,640,973	-	8,184,005
Total financial assets	**805,982,776**	**287,590,352**	**6,104**	**1,093,579,232**
Financial liabilities				
Loans from banks and other financial institutions	574,212,375	100,730,938	-	674,943,313
Debt securities issued	189,498,266	-	-	189,498,266
Lease liabilities	2,392,102	-		2,392,102
Other financial liabilities	1,421,965	6,627,949	-	8,049,914
Total financial liabilities	**767,524,708**	**107,358,887**	**-**	**874,883,595**
Net balance sheet position	**38,458,068**	**180,231,465**	**6,104**	**218,695,637**

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	1,206,700	6,579,114	-	7,785,814
Total financial assets	**617,170,777**	**319,039,712**	**4,048**	**936,214,537**
Financial liabilities				
Loans from banks and other financial institutions	477,840,359	293,310,679	-	771,151,038
Other financial liabilities	2,030,685	1,640,829	-	3,671,514
Total financial liabilities	**479,871,044**	**294,951,508**	**-**	**774,822,552**
Net balance sheet position	**137,299,733**	**24,088,204**	**4,048**	**161,391,985**

4. Financial risk management policies *(continued)*

d) Market risk (*continued*)

d2) Currency risk

The monetary assets and liabilities denominated in RON and FCY of the Company as at 31 December 2019 are presented below:

- in RON -	EUR	RON	Other currencies	Total
Financial assets				
Cash on hand	-	2,238	-	2,238
Placements with banks	16,612,595	14,722,466	6,104	31,341,165
Finance lease receivables	786,827,149	265,318,223	-	1,052,145,372
Other financial assets	2,543,032	1,735,012	-	4,278,044
Total financial assets	**805,982,776**	**281,777,939**	**6,104**	**1,087,766,819**
Financial liabilities				
Loans from banks and other financial institutions	574,212,375	100,730,938	-	674,943,313
Debt securities issued	189,498,266	-	-	189,498,266
Lease liabilities	2,392,102	-		2,392,102
Other financial liabilities	1,421,965	10,895,300	-	12,317,265
Total financial liabilities	**767,524,708**	**111,626,238**	**-**	**879,150,946**
Net balance sheet position	**38,458,068**	**170,151,701**	**6,104**	**208,615,873**

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

- in RON -	EUR	RON	Other currencies	Total
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	1,206,700	1,372,377	-	2,579,077
Total financial assets	**617,170,777**	**312,682,909**	**4,048**	**929,857,734**
Financial liabilities				
Loans from banks and other financial institutions	477,840,359	293,310,679	-	771,151,038
Other financial liabilities	2,030,685	3,832,364	-	5,863,049
Total financial liabilities	**479,871,044**	**297,143,043**	**-**	**777,014,087**
Net balance sheet position	**137,299,733**	**15,539,866**	**4,048**	**152,843,647**

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**	
	2019	**2018**	**2019**	**2018**
EUR increase by up to 5% (2018: increase by up to 5%)	1,897,152	6,798,376	1,897,152	6,798,376
EUR decrease by up to 5% (2018: decrease by up 5%)	(1,897,152)	(6,798,376)	(1,897,152)	(6,798,376)
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 business media and the Association of Financial Companies of Romania ("ALB" - Asociatia Societatilor Financiare din Romania) did not offer relevant information about the leasing market evolution in 2019. The leasing companies have been reluctant in making information public considering the investigation that took place in the leasing market. By analysing the public information found for the top 10 leasing companies based on the 2018 total assets published on the Ministry of Finance website, correlated with the evolution of the leasing market, there were premises for oustanding results during 2019. The evolution of the leasing market is correlated with the general trend of the economic environment which, for Romania, representing the 4th year of economic increase of over 4%. Although there were five years of continuous increase, we consider the leasing market in 2019 is only half the value it was in 2008.

Beside the increase, it worth mentioning the quality of the goods financed. During the crisis there have been many financing contracts for consumer goods but in later years the financing is directed towards production activities. The financed amounts go in almost 95% of the cases to legal entities, mostly small and medium enterprises, and the rest of 5% to individuals. Even if the motorvehicule segment is dominant with almost 60% of the leasing market, there is an increase in financing for commercial vehicules which is a good sign for productive activities.

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 l). 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 2019 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.

6. Net interest income

- in RON -	Group		Company	
	2019	2018	2019	2018
Interest income				
Interest income from leasing agreements	94,468,726	77,479,259	94,468,726	77,479,259
Interest income from current accounts and deposits	351,316	191,733	319,259	175,714
Total interest income	**94,820,042**	**77,670,992**	**94,787,985**	**77,654,973**
Interest expense				
Interest expense on loans from banks and financial institutions	(20,838,080)	(19,066,626)	(20,838,080)	(19,066,626)
Interest expense on bonds	(235,741)	-	(235,741)	-
Interest expense on leasing	(7,136)	-	(7,136)	-
Total interest expense	**(21,080,957)**	**(19,066,626)**	**(21,080,957)**	**(19,066,626)**
Net interest income	**73,739,085**	**58,604,366**	**73,707,028**	**58,588,347**

7. Net fee and commission income/(expense)

- in RON -	Group		Company	
	2019	2018	2019	2018
Fee and commission income				
Insurance brokerage commissions	10,647,080	8,426,330	-	-
Total fee and commission income	**10,647,080**	***8,426,330***	-	-
Fee and commission expenses				
Fees paid for banking operations	(307,708)	(292,524)	(283,772)	(272,793)
Fees paid for the issuing of bonds	(82,270)	-	(82,270)	-
Total fee and commission expenses	***(389,978)***	***(292,524)***	***(366,042)***	***(272,793)***
Net fee and commission income/(expense)	**10,257,102**	**8,133,806**	**(366,042)**	**(272,793)**

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

- in RON -	Group		Company	
	2019	2018	2019	2018
Net gain/(loss) from exchange rate differences – balance revaluation	3,572,237	(64,418)	3,572,237	(64,418)
Net gain from exchange rate revaluation of transactions	5,429,240	3,455,445	5,429,240	3,455,445
Net gain/(loss) from foreign currency translation	**9,001,477**	**3,391,027**	**9,001,477**	**3,391,027**

9. Other operating income

- in RON -	Group		Company	
	2019	**2018**	**2019**	**2018**
Income from the sale of tangible non-current assets	153,229	86,284	153,229	86,284
Dividend income *(i)*	2	10,824	7,191,541	4,134,418
Other income *(ii)*	5,440,501	4,275,710	5,421,763	4,272,291
Total other operating income	**5,593,732**	**4,372,818**	**12,766,533**	**8,492,993**

(i) The dividend income was collected by the Company from the seven entities the Company holds interest in:

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

Dividend income for the Group is collected from Medicare Technics SRL, in amount of RON 0 (2018: RON 10,814), BT Asset Management SAI SA, in amount of RON 0 (2018: RON 8) and BT Direct IFN SA, in amount of RON 2 (2018: RON 2). These are entities where the Group has ownership below 20% of share capital.

(ii) Other income include the amounts obtained from reinvoicing of various registration services, insurance costs for the goods that are the underlying object of the lease agreements: RON 3,442,417 (2018: RON 2,647,063), compensation received from insurance companies: RON 386,335 (2018: RON 444,902), damages claims received from the terminated leasing agreements: RON 575,661 (2018: RON 101.128) and other revenues collected: RON 1,036,088 (2018: RON 1,082,617).

10. Net expense from inventory

- in RON -	Group		Company	
	2019	**2018**	**2019**	**2018**
Revenue from sale of assets previously leased to customers	2,266,918	1,625,146	2,266,918	1,625,146
Cost of inventory	(19,933,633)	(3,684,053)	(19,933,633)	(3,684,053)
Utilisation of provisions for repossessed inventory	16,452,906	1,545,650	16,452,906	1,545,650
Total	**(1,213,809)**	**(513,257)**	**(1,213,809)**	**(513,257)**

11. Net impairment charges of financial assets

- in RON -	Group		Company	
	2019	**2018**	**2019**	**2018**
Cost of impairment for finance lease receivables	(84,791,264)	(65,154,019)	(84,791,264)	(65,154,019)
Income from release of impairment for finance lease receivables	75,298,002	41,527,006	75,298,002	41,527,006
Income from early terminated contracts and repossessed assets	3,000,000	6,774,576	3,000,000	6,774,576
Net expense from valuation adjustments	-	(571,995)	-	(571,995)
Impairment expense adjustments for other assets	(30,224)	(75,984)	(30,224)	(75,984)
Income from reversal/cancellations of impairment adjustments of other assets	2,803,164	54,073	2,803,164	54,073
Net expense with adjustments for impairment of financial assets	**(3,720,322)**	**(17,446,343)**	**(3,720,322)**	**(17,446,343)**

12. Net income/expense relating to provisions

- in RON -	Group		Company	
	2019	**2018**	**2019**	**2018**
Provisions for litigations expenses	(8,008,190)	(78,736)	(8,008,190)	(78,736)
Impairment reversal for equity investments	-	7,518		7,518
Net income with other adjustments for impairment and other provisions	**(8,008,190)**	**(71,218)**	**(8,008,190)**	**(71,218)**

13. Personnel expenses

- in RON -	Group		Company	
	2019	**2018**	**2019**	**2018**
Wages and benefits	(15,639,835)	(13,922,655)	(14,631,435)	(13,160,397)
Contribution for social security and insurance	(513,052)	(534,727)	(482,276)	(507,001)
Other taxes, duties and similar payments	(84,073)	(78,242)	(84,073)	(78,242)
Bonuses for employees and provisions for untaken holidays	(873,680)	(1,176,208)	(860,736)	(1,142,829)
Income/(Expenses) with provisions for pensions and similar obligations	(63,521)	70,677	(63,521)	70,677
Total personnel expenses	**(17,174,161)**	**(15,641,155)**	**(16,122,041)**	**(14,817,792)**

14. Other operating expenses

- in RON -	Group		Company	
	2019	**2018**	**2019**	**2018**
Tax and duties expenses	(220,554)	(442,362)	(220,421)	(442,332)
Rental expenses	(1,045,682)	(869,558)	(1,045,682)	(822,687)
Utilities, repairs and other maintenance services expenses	(1,557,043)	(658,614)	(1,557,043)	(658,614)
Advertising, protocol and sponsorship expenses	(1,744,896)	(1,222,097)	(1,744,260)	(1,221,945)
Postage, telecommunications and texting expenses	(509,859)	(448,083)	(393,733)	(362,009)
Materials and consumables expenses	(848,893)	(761,656)	(840,526)	(759,941)
Electricity and heating expenses	(273,241)	(328,166)	(249,534)	(295,630)
Collaborator expenses	(667)	(667)	(667)	(667)
Transportation, travel and secondment expenses	(228,163)	(165,782)	(227,813)	(165,379)
Losses from the assignment and disposal of premises and equipment and intangible assets	(29,296)	(33,272)	(29,296)	(33,272)
Sponsorship expenses	(965,000)		(965,000)	
Other operating expenses	(3,604,132)	(3,121,755)	(3,388,505)	(2,973,456)
Total other operating expenses	**(11,027,426)**	**(8,052,012)**	**(10,662,480)**	**(7,735,932)**

The fee for the audit of the financial statements in accordance with Order 6/2015 has been 30,000 EUR wihtout VAT (2018: 24,300 without VAT) and the fee for the audit of the IFRS financial statements the audit fee was 6,000 EUR without VAT (2018: 4,860 EUR without VAT).

During 2019 the auditors have also performed professional services for the initial public offering prospect of the issued of debt securities in order to be admitted for trading on the Romanian Stock Exchange. For these services there was a fee of 18,500 EUR.

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	
	2019	**2018**	**2019**	**2018**
Current tax	(5,763,074)	-	(5,656,095)	-
Deferred tax	162,722	951,802	162,722	1,011,315
(Expense)/credit for income tax	**(5,600,352)**	**951,802**	**(5,493,373)**	**1,011,315**

b) Reconciliation of the tax (expense)/credit

- in RON -	Group		Company	
	2019	**2018**	**2019**	**2018**
Gross profit	**55,502,731**	**31,934,083**	**53,479,908**	**28,780,154**
Statutory tax quota (2019: 16%; 2018: 16%)	***(8,880,437)***	***(5,109,453)***	***(8,556,785)***	***(4,604,825)***
Fiscal effect on the profit tax from the elements:				
- *Non-taxable income*	*5,170,441*	*2,341,579*	*6,321,087*	*3,001,354*
- *Non-deductible expenses*	*(4,658,375)*	*(2,855,993)*	*(4,658,375)*	*(2,854,541)*
- *Tax deductions*	*435,380*	*399,364*	*435,380*	*397,913*
- *Income related items*	*1,367,319*	*1,104,891*	-	-
- *Effect of the fiscal loss taken over by merger*	*5,058*	*5,071,414*	*5,058*	*5,071,414*
Profit tax expense	**(6,560,614)**	**951,802**	**(6,453,635)**	**1,011,315**
Tax deductions	**960,262**	**-**	**960,262**	**-**
	(5,600,352)	**951,802**	**(5,493,373)**	**1,011,315**

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

The fiscal impact is generated by the following elements:

- 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	
	2019	**2018**	**2019**	**2018**
Finance lease receivables	11,817,306	19,149,569	**11,817,306**	19,149,569
Provisions for liabilities and charges	3,959,141	2,878,984	3,803,241	2,723,084
Total	**15,776,447**	**22,028,553**	**15,620,547**	**21,872,653**
Deferred tax assets (16%)	**2,524,232**	**3,524,568**	**2,499,288**	**3,499,624**

16. Cash on hand

- in RON -	Group		Company	
	2019	2018	2019	2018
Cash on hand	2,792	5,376	2,238	4,748
Total	**2,792**	**5,376**	**2,238**	**4,748**

17. Placements with banks

- in RON -	Group		Company	
	2019	2018	2019	2018
Current accounts	2,390,535	2,383,497	484,637	1,234,059
Sight deposits with banks	30,855,201	6,778,760	30,855,201	6,778,760
Collateral deposits with banks	687	687	687	687
Accrued interest	640	354	640	354
Total	**33,247,063**	**9,163,298**	**31,341,165**	**8,013,860**

The current accounts and sight/term deposits are freely available to the Group and are not pledged. The demand deposits with banks are overnight deposits placed at banks. In 2019, the Group set-up sight deposits in EURO and RON, the purpose of their set-up being to capitalize on the excess liquidity.

Credit quality analysis of the amounts placed with banks as of 31 December 2019 and 31 December 2018 based on rating agencies is presented as follows:

31 decembrie 2019	Group			
- in RON -	Current accounts	Collateral deposits	Demand deposits	Total
Adequate	48,620	-	375,107	423,727
Under monitoring	2,341,915	687	30,480,734	32,823,336
Total	**2,390,535**	**687**	**30,855,841**	**33,247,063**

31 decembrie 2019	Company			
- in RON -	Current accounts	Collateral deposits	Demand deposits	Total
Adequate	48,620	-	375,106	423,726
Under monitoring	436,018	687	30,480,734	30,917,439
Total	**484,638**	**687**	**30,855,840**	**31,341,165**

31 December 2018	Group			
- in RON -	Current accounts	Collateral deposits	Demand deposits	Total
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			
- in RON -	Current accounts	Collateral deposits	Demand deposits	Total
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**

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

17. Placements with banks (continued)

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**	
	2019	**2018**	**2019**	**2018**
Cash on hand	2,792	5,376	2,238	4,748
Current accounts	2,390,535	2,383,497	484,638	1,234,059
Demand deposits	30,855,201	6,778,760	30,855,201	6,778,760
Total cash and cash equivalents	**33,248,528**	**9,167,633**	**31,342,077**	**8,017,567**

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:

- in RON -	31st of December 2019				31st of December 2018			
	< 1 y	**1 - 5 y**	**> 5 y**	**Total**	**< 1 y**	**1 - 5 y**	**> 5 y**	**Total**
Gross receivables from finance lease	469,899,335	745,705,727	10,416,600	**1,226,021,662**	440,785,269	636,648,965	17,842,054	**1,095,276,288**
Future interest as per lease agreements	(44,253,181)	(45,972,008)	(253,843)	**(90,479,032)**	(42,196,282)	(46,237,591)	(689,242)	**(89,123,115)**
Total receivables from finance lease without future interest payments	**425,646,154**	**699,733,719**	**10,162,757**	**1,135,542,630**	**398,588,987**	**590,411,374**	**17,152,812**	**1,006,153,173**
Impairment adjustments for finance lease receivables	(31,353,531)	(51,303,035)	(740,692)	**(83,397,258)**	(34,422,832)	(50,988,946)	(1,481,346)	**(86,893,124)**
Net finance lease receivables	**394,292,623**	**648,430,684**	**9,422,065**	**1,052,145,372**	**364,166,155**	**539,422,428**	**15,671,466**	**919,260,049**

The impairment adjustment of receivables from finance lease agreements is detailed as below:

- in RON -	**2019**	**2018**
Balance at 1st of January	**86,893,125**	**62,837,403**
Cost of impairment for lease receivables (Note 11)	84,791,264	65,154,019
Income from reversal/cancellation of impairment for lease receivables (Note 11)	(75,298,002)	(41,527,006)
Receivables for terminated lease agreements written-off	(12,989,129)	(9,866,975)
Impairment adjustment for agreements taken through merger	-	10,295,683
Balance at 31st of December	**83,397,258**	**86,893,124**

19. Other financial assets

- in RON -	Group		Company	
	2019	**2018**	**2019**	**2018**
Sundry debtors (i)	7,250,234	6,898,089	3,344,273	1,691,352
Other past-due amounts under litigation (ii)	2,723,542	5,450,436	2,723,542	5,450,436
Impairment adjustments for past-due amounts	(1,789,771)	(4,562,711)	(1,789,771)	(4,562,711)
Total	**8,184,005**	**7,785,814**	**4,278,044**	**2,579,077**

(i) At Group level, sundry debtors represent amounts related to insurance policies which are to be recovered from users RON 3,895,872 (2018: RON 5,196,345), amounts to be received as insurance compensation RON 1,513,815 (2018: RON 373,040) and other amounts owed by sundry debtors RON 1,840,547 (2018: RON 1,318,312) and at Company level sundry debtors represent amounts to be received as insurance compensation 1,513,815 RON (2018: 373,040 RON) and other amounts owed by sundry debtors 0 RON (2018: 1,318,312 RON)

(ii) The past-due amounts under litigation represent advances paid for the purchase of goods, that represent the underlying asset of the lease agreements, for which the supplier has not delivered the goods RON 2,377,676 (2018: RON 3,455,478) and past-due amounts from various services provided RON 345,866 (2018: RON 1,994,958).

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

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

- in RON -	Group		Company	
	2019	**2018**	**2019**	**2018**
Balance at the beginning of the year	**(4,562,711)**	**(2,673,427)**	**(4,562,711)**	**(2,673,427)**
Net (expense)/Income from reversal of impairment adjustments for other assets (Note 11)	2,772,940	(21,911)	2,772,940	(21,911)
Impairment adjustments for sundry debtors taken over through merger	-	(1,867,373)	-	(1,867,373)
Balance at the end of the year	**(1,789,771)**	**(4,562,711)**	**(1,789,771)**	**(4,562,711)**

20. Inventory

- in RON -	Group		Company	
	2019	**2018**	**2019**	**2018**
Inventory held at third parties	689,379	664,690	689,379	664,690
Inventory kept in headquarters	16,095,133	30,464,405	16,095,133	30,464,405
Adjustments for impairments	(6,876,746)	(23,329,652)	(6,876,746)	(23,329,652)
Total	**9,907,766**	**7,799,443**	**9,907,766**	**7,799,443**

The inventories consist mainly of goods recovered from the terminated leasing agreements that have not yet been placed under new lease agreements or sold: RON 16,649,877 (2018: RON 30,334,111), goods gained as a result of foreclosure procedures: RON 46,350 (2018: RON 232,197), goods to be placed in new lease agreements RON 62,104 (2018: RON 543,676) and equipment for locating the goods that are the underlying asset of lease agreements to be sold to users RON 26,181 (2018: RON 19,111).

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

- in RON -	Group		Company	
	2019	**2018**		**2018**
Balance at the beginning of the year	23,329,652	7,507,364	23,329,652	7,507,364
Expenses with inventory impairment adjustments	(16,452,906)	(1,545,650)	(16,452,906)	(1,545,650)
Impairment adjustments for inventory taken over by merger	-	17,367,938	-	17,367,938
Balance at the end of the year	**6,876,746**	**23,329,652**	**6,876,746**	**23,329,652**

21. Equity investments

As at 31 December 2019 and 31 December 2018, the Company had direct investments in subsidiaries, amounting to RON 69,539 (2018: RON 69,539).

- in RON –

Subsidiary name	**2019**	**%**	**2018**	**%**
BT Intermedieri Agent de Asigurare SRL	25,530	99.99802	25,530	99.99802
BT Safe Agent de Asigurare SRL	4,010	99.98694	4,010	99.98694
BT Solution Agent de Asigurare SRL	19,990	99.95000	19,990	99.95000
BT Asiom Agent de Asigurare SRL	19,990	99.95000	19,990	99.95000
BT Asset Management SAI SA	3	0.000040	3	0.000040
BT Direct IFN S.A.	16	0.000060	16	0.000060
Total	**69,539**		**69,539**	

22. Tangible assets

- in RON -

Group *Gross book value*	Computers and equipment	Vehicles	Other tangible assets	Total
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
Balance taken over through acquisitions and mergers	16,468	78,063	71,311	165,842
Disposals	(17,105)	(206,591)	(27,430)	(251,126)
Balance as at 31 December 2018	**675,385**	**4,146,746**	**167,378**	**4,989,509**
Balance as at 1 January 2019	**675,385**	**4,146,746**	**167,378**	**4,989,509**
Acquisitions	51,108	498,259	9,087	558,454
Disposals	(2,002)	(460,214)	(12,916)	(475,132)
Balance as at 31 December 2019	**724,491**	**4,184,791**	**163,549**	**5,072,831**
Accumulated depreciation				
Balance as at 1 January 2018	**417,223**	**2,377,010**	**89,648**	**2,883,881**
Depreciation charge for the year	50,240	669,393	6,595	726,228
Depreciation taken over through acquisitions and mergers	16,468	78,063	64,584	159,115
Accumulated depreciation corresponding to disposals	(16,701)	(177,285)	(23,868)	(217,854)
Balance as at 31 December 2018	**467,230**	**2,947,181**	**136,959**	**3,551,370**
Balance as at 1 January 2019	**467,230**	**2,947,181**	**136,959**	**3,551,370**
Depreciation charge for the year	87,828	575,085	10,773	673,686
Accumulated depreciation corresponding to disposals	(2,002)	(401,046)	(12,916)	(415,964)
Balance as at 31 December 2019	**553,056**	**3,121,220**	**134,816**	**3,809,092**
Net book value				
As at 1 January 2019	**208,155**	**1,199,565**	**30,419**	**1,438,139**
As at 31 December 2019	**171,435**	**1,063,571**	**28,733**	**1,263,739**

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Company

Gross book value	Computers and equipment	Vehicles	Other tangible assets	Total
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
Balance taken over through acquisitions and mergers	16,468	78,063	71,311	165,842
Disposals	(17,105)	(206,591)	(27,430)	(251,126)
Balance as at 31 December 2018	**675,385**	**4,146,746**	**167,378**	**4,989,509**
Balance as at 1 January 2019	**675,385**	**4,146,746**	**167,378**	**4,989,509**
Acquisitions	51,108	388,815	6,267	446,190
Disposals	(2,002)	(460,214)	(12,916)	(475,132)
Balance as at 31 December 2019	**724,491**	**4,075,347**	**160,729**	**4,960,567**
Accumulated depreciation				
Balance as at 1 January 2018	**417,223**	**2,377,010**	**89,648**	**2,883,881**
Depreciation charge for the year	50,240	669,393	6,595	726,228
Depreciation taken over through acquisitions and mergers	16,468	78,063	64,584	159,115
Accumulated depreciation corresponding to disposals	(16,701)	(177,285)	(23,868)	(217,854)
Balance as at 31 December 2018	**467,230**	**2,947,181**	**136,959**	**3,551,370**
Balance as at 1 January 2019	**467,230**	**2,947,181**	**136,959**	**3,551,370**
Depreciation charge for the year	87,828	541,644	10,773	640,245
Accumulated depreciation corresponding to disposals	(2,002)	(401,046)	(12,916)	(415,964)
Balance as at 31 December 2019	**553,056**	**3,087,779**	**134,816**	**3,775,651**
Net book value				
As at 1 January 2019	**208,155**	**1,199,565**	**30,419**	**1,438,139**
As at 31 December 2019	**171,435**	**987,568**	**25,913**	**1,184,916**

23. Intangible assets

- in RON -

Gross book value	Group	Company
Balance as at 1 January 2018	**1,063,475**	**1,063,475**
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**
Balance as at 1 January 2019	**1,843,756**	**1,796,219**
Acquisitions	191,137	191,137
Disposals	-	-
Balance as at 31 December 2019	**2,034,893**	**1,987,356**
Accumulated depreciation		
Balance as at 1 January 2018	**1,010,879**	**1,010,879**
Balance taken over from subsidiaries through consolidation	24,103	-
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**
Balance as at 1 January 2019	**1,563,135**	**1,529,962**
Depreciation charge for the year	236,434	227,363
Balance as at 31 December 2019	**1,799,569**	**1,757,325**
Net book value		
As at 1 January 2019	**280,621**	**266,257**
As at 31 December 2019	**235,324**	**230,031**

24. Rights-of-use assets

- in RON -

Group and Company
Gross book value

	Buildings	Vehicles	Total
Balance as at 1 January 2019	-	-	-
Adoption of new standards (IFRS 16)	**2,123,747**	**270,115**	**2,393,862**
Acquisitions	610,395	436,530	1,046,925
Disposals	(187,901)	(8,745)	(196,646)
Balance as at 31 December 2019	**2,546,241**	**697,900**	**3,244,141**
Accumulated depreciation			
Balance as at 1 January 2019	-	-	-
Depreciation charge for the year	865,206	169,431	1,034,637
Accumulated depreciation corresponding to disposals	(117,445)	-	(117,445)
Balance as at 31 December 2019	**747,761**	**169,431**	**917,192**
Net book value			
Balance as at 31 December 2019	**1,798,480**	**528,469**	**2,326,949**

25. Other assets

- in RON -	Group		Company	
	2019	2018	2019	2018
Advance payments to suppliers	2,778,894	1,798,072	2,778,894	2,032,695
Inventory and similar elements	17,032	18,903	17,032	18,903
Prepaid expenses	41,604	15,456	40,058	14,178
Other assets	131,948	152,710	128,720	252,710
Value added tax non-deductible	38,606	36,225	38,606	36,225
Total	**3,008,084**	**2,021,366**	**3,003,310**	**2,354,711**

26. Loans from banks and other financial institutions

- in RON -	Group		Company	
	2019	2018	2019	2018
Loans from banks and other financial institutions	675,504,849	771,888,164	675,504,849	771,888,164
Interest payable and deferred fees	(561,536)	(737,126)	(561,536)	(737,126)
Total	**674,943,313**	**771,151,038**	**674,943,313**	**771,151,038**

Interest rates corresponding to the term loans received by the Company as at 31 December 2019 range from 1.17% and 1.84% for loans in EUR and between 4.23% and 4.49% for loans in RON (31 December 2018: between 1.17% and 2.75% for loans in EUR and between 4.23% and 4.39% for loans in RON). Interest rates corresponding to the term loans received by the Company from related parties as at 31 December 2019 range from 1.75% for loans in EUR and 4.32% for loans in RON (31 December 2018: 1.75% and 2.75% for loans in EUR and 4.3% for loans in RON).

As at 31 December 2019 and 31 December 2018, 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.

27. Debt securities issued

- in RON -	Group		Company	
	2019	2018	2019	2018
Loan from issued debt securities	191,172,000	-	191,172,000	-
Interest payable and deferred fees	(1,673,734)	-	(1,673,734)	-
Total	**189,498,266**	**-**	**189,498,266**	**-**

The interest rate for the debt securities issued as of 31 December range from 1.75% and 2% (for 31 December 2018: -).

The maximum repayment term is 2025.

28. Lease liabilities

- in RON -	Group		Company	
	2019	2018	2019	2018
Receipts from lease liabilities	2,392,035	-	2,392,035	-
Interest payable and deferred fees	67	-	67	-
Total	**2,392,102**	**-**	**2,392,102**	**-**

29. Provisions for liabilities and charges

The provisions for liabilities and charges are presented below:

- in RON -	Group		Company	
	2019	2018	2019	2018
Provisions for pensions and other similar obligations	119,342	56,012	119,342	56,012
Provisions for untaken holidays	356,743	361,372	333,899	336,972
Provisions for bonuses for employees	3,496,000	2,617,500	3,350,000	2,486,000
Provisions for litigations	8,731,913	723,724	8,731,913	723,724
Total	**12,703,998**	**3,758,608**	**12,535,154**	**3,602,708**

The movement in the provision for pensions and similar obligations is presented below:

- in RON -	Group		Company	
	2019	2018	2019	2018
Balance as at 1 January	**56,012**	**126,689**	**56,012**	**126,689**
Expenses of provisions for other risks	63,521	11,860	63,521	11,860
Income from reversal of provisions for other risks	(191)	(82,537)	(191)	(82,537)
Balance at 31 December	**119,342**	**56,012**	**119,342**	**56,012**

The movement in the provision for untaken holidays is presented below:

- in RON -	Group		Company	
	2019	2018	2019	2018
Balance as at 1 January	**361,372**	**280,143**	**336,972**	**280,143**
Expenses of provisions for other risks	336,393	372,972	313,549	328,651
Income from reversal of provisions for other risks	(341,022)	(291,743)	(316,622)	(271,822)
Balance at 31 December	**356,743**	**361,372**	**333,899**	**336,972**

The movement in the provision for employee bonuses is presented below:

- in RON -	Group		Company	
	2019	2018	2019	2018
Balance as at 1 January	**2,617,500**	**1,400,000**	**2,486,000**	**1,400,000**
Expenses of provisions for other risks *(i)*	3,496,000	2,617,500	3,350,000	2,486,000
Income from reversal of provisions for other risks	(2,617,500)	(1,400,000)	(2,486,000)	(1,400,000)
Balance at 31 December	**3,496,000**	**2,617,500**	**3,350,000**	**2,486,000**

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

Provisions for litigations

The Company periodically analyses 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 2019 is in amount of RON 8.731.913 (2018: RON 723.724).

The movement in the provision for litigations is presented below:

- in RON -	Group		Company	
	2019	**2018**	**2019**	**2018**
Balance as at 1 January	**723,724**	**614,695**	**723,724**	**614,695**
Expenses of provisions for other risks *(i)*	8,145,240	211,036	8,145,240	211,036
Income from reversal of provisions for other risks	(137,051)	(132,300)	(137,051)	(132,300)
Provisions for other risks taken through merger	-	30,293	-	30,293
Balance at 31 December	**8,731,913**	**723,724**	**8,731,913**	**723,724**

(i) As of 15th of June 2018, the Company received a request from the Competition Council to provide information about the investigation started on 20th of November 2017 against several banks, non-bank financial institutions, leasing companies, professional and employers' associations in the financial services field. The object of the investigation (as per the injunction of the Bucharest Court of Appeal no. 33 from 22nd of November 2017) is an alleged breach of the article 5 (1) of the Competition Law no. 21/1996, respectively the article 101 (1) of the Treaty on the Functioning of the European Union, through a possible exchange of sensitive information from the competition point of view between competing companies in the financial leasing services market, respectively on the consumer credit market, and that are members of the main professional and employers' associations in the financial services field.

As of 17th of October 2019, the Competition Council communicated to the Company and other entities under investigation the report that proposes to apply fines, calculated as a percentage of the Company's turnover. During October-December 2019, Company management analysed the findings in the investigation report, prepared and sent to the Competition Council a consolidated point of view regarding these findings. In February, the Company participated at the hearings organised by the Competition Council.

At 25.02.2020 there was a round of hearings and the Competition Council issued a decision to return the investigation report to the responsible team which completed the report in order to add more requested details. In the return decision there is mentioned that the responsible team should clarify and complete the analysis to see if there are anticompetition facts, including facts related to the probatory standard and possible impact in competition environment.

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

Up to the date these financial situations were approved, the Competition Council did not issue its decision related to the aspects mentioned in the report. However, further to the preliminary evaluation done by the Company management on the report from the Competition Council, the Company concluded that there is a present obligation as a result of past events and that it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Considering the above, the Company booked a litigation provision of RON 6.698.992, this being the best estimate of the amount that is going to be proposed by the Competition Council as a fine. The value of the provision was calculated by multiplying 8,399% (for the Company) and 8,233% (for ERB Leasing IFN SA) (as specified in the report received from the Competition Council) with the value of the revenues collected from the financial leasing activity, as booked during the financial year ended on 31 December 2018 by the Company and by ERB Leasing IFN SA (the last one being taken over through merger in October 2018).

30. Other financial liabilities

- in RON -	Group		Company	
	2019	**2018**	**2019**	**2018**
Suppliers of goods and services	1,297,903	869,441	5,568,195	3,088,713
Suppliers of goods placed in leasing agreements	1,502,011	1,691,213	1,502,011	1,691,213
Sundry creditors	5,199,814	1,110,860	5,196,873	1,083,123
Other financial liabilities	50,186	-	50,186	-
Total	**8,049,914**	**3,671,514**	**12,317,265**	**5,863,049**

31. Other liabilities

- in RON -	Group		Company	
	2019	**2018**	**2019**	**2018**
Advances received from customers	5,008,582	5,684,862	4,927,472	5,600,591
Amounts due to personnel	298,518	245,972	298,280	245,795
Amounts due for social security and insurance	717,949	543,107	685,776	520,159
Value added tax due	2,175,207	2,278,194	2,175,207	2,278,194
Income tax due	135,986	-	105,400	-
Other liabilities	619,814	348,450	619,814	348,451
Deferred income	-	1,815	-	1,815
Subventions for investments	14,625	22,425	14,625	22,425
Total	**8,970,681**	**9,124,825**	**8,826,574**	**9,017,430**

32. Share capital and management of capital

Share capital

The nominal share capital of the Company registered with the Trade Registry as at 31 December 2019 consisted of 586,742,113 shares with a nominal value of RON 0.1 each (as at 31 December 2018 consisted of 586,742,113 shares with a nominal value of RON 0.1 each). The share capital was entirely paid at 31 December 2019 and 31 December 2018. The share capital of the Company has been increased during 2018 by RON 13,673,035 following the merger with ERB Leasing IFN SA.

32. Share capital and management of capital (continued)

The shareholding structure was as follows:

	Number of ordinary shares owned by the shareholders			
	Banca Transilvania SA	BT Investment SRL	BT Capital Partners SA	Total
At 31 December 2018	**369,454,751**	**217,287,337**	**25**	**586,742,113**
Ownership percentage (%)	*62.967144%*	*37.032852%*	*0.000004%*	*10.,00000%*
Nominal value of the shares owned (in RON)	*36,945,475*	*21,728,733*	*3*	***58,674,211***
At 31 December 2019	**369,454,751**	**217,287,337**	**25**	**586,742,113**
Ownership percentage (%)	*62.967144%*	*37.032852%*	*0.000004%*	*100.00000%*
Nominal value of the shares owned (in RON)	*36,945,475*	*21,728,733*	*3*	***58,674,211***

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

Management of capital

From the capital management point of view, the Company must comply with the provisions of the Company Law no. 31/1990 republished and in particular the provisions of article 153^24 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.

33. Legal reserves and other reserves

As at 31 December 2019, the reserves set-up at Group level are in amount of RON 10,889,314 (31 December 2018: RON 8.203.447), and the reserves of the Company are in amount of RON 10.764.602 (31 December 2018: RON 8,078,735). These include statutory reserves and other reserves set-up by the Group and by the Company in accordance with the applicable regulations. The legal reserve is set-up in accordance with the local regulations that require that a minimum of 5% from the Company’s net profit must be transferred to a non-distributable reserve account until the reserve reaches 20% of the Company’s share capital. According to Law no. 227/2017 which refers to the Fiscal Code, art. 26 point (5), the transfer of a provision or a reserve is not considered a reduction or a cancelation of the respective provision or reserve if another fiscal entity assumes them and keeps them at the same value before the transfer. Consequently, in order to comply with this regulation, the Company decided to keep at the same level the reserves transferred from ERB Leasing IFN SA as part of the merger in amount of RON 752,956.

34. 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 2019, the value of these contracts is in amount of RON 21,982,105 (2018: RON 25,347,612).

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35. Related party transactions

Controlling company	Controlled companies	Other companies
Banca Transilvania	BT Intermedieri 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 have been performed at arm's length. These are presented below:

	2019				2018			
***Group** – in RON -*	**Banca Transilvania**	**Key management personnel**	**Other related parties**	**Total**	**Banca Transilvania**	**Key management personnel**	**Other related parties**	**Total**
Assets								
Cash and cash equivalents	29,691,097	-	-	**29,691,097**	3,135,696	-	-	**3,135,696**
Equity investments	-	-	19	**19**	-	-	19	**19**
Finance lease receivables	-	148,004	-	**148,004**	-	107,203	-	**107,203**
Other assets	-	-	-	**-**	-	-	-	**-**
Liabilities								
Loans from banks and other financial institutions	398,655,435	-	-	**398,655,435**	321,694,350	-	-	**321,694,35**
Other liabilities	242,429	-	-	**242,429**	234,059	-	-	**234,059**
Statement of Profit or Loss								
Interest income	239,181	-	-	**239,181**	114,730	-	-	**114,730**
Interest expense	8,004,525	-	-	**8,004,525**	6,596,521	-	-	**6,596,521**
Other operating income	-	11,125	-	**11,125**	-	6,341	93,537	**99,878**
Income from impairment allowance on lease receivables	-	-	-	**-**	-	-	514,746	**514,746**
Expenses with impairment allowance for lease receivables	-	-	-	**-**	-	-	187,034	**187,034**
Other operating expenses	1,175,603	-	-	**1,175,603**	1,073,385	-	-	**1,073,385**

35. Related party transactions (continued)

Company – in RON -	2019 Banca Transilvania	2019 Key management personnel	2019 Consolidated related parties	2019 Other related parties	2019 Total	2018 Banca Transilvania	2018 Key management personnel	2018 Consolidated related parties	2018 Other related parties	2018 Total
Assets										
Cash and cash equivalents	29,691,097	-	-	-	**29,691,097**	3,135,696	-	-	-	**3,135,696**
Equity investments	-	-	69,520	19	**69,539**	-	-	69,520	19	**69,539**
Finance lease receivables	-	148,004	-	-	**148,004**	-	107,203	-	-	**107,203**
Other assets	-	-	-	752,926	**752,926**	-	-	334,623	-	**334,623**
Liabilities										
Loans from banks and other financial institutions	398,655,435	-	-	-	**398,655,435**	321,694,350	-	-	-	**321,694,350**
Other liabilities	242,429	-	4,303,734	21,652	**4,567,815**	234,059	-	2,246,521	-	**2,480,580**
Statement of Profit or Loss										
Interest income	239,181	-	-	-	**239,181**	114,730	-	-	-	**114,730**
Interest expense	8,004,525	-	-	-	**8,004,525**	6,596,521	-	-	-	**6,596,521**
Expense with banking fees	281,580	-	-	-	**281,580**	252,037	-	-	-	**252,037**
Income from lease operations	-	11,125	-	-	**11,125**	-	6,341	-	93,537	**99,878**
Income from impairment allowance on lease receivables	-	-	-	-	**-**	-	-	-	514,746	**514,746**
Expenses with impairment allowance for lease receivables	-	-	-	-	**-**	-	-	-	187,034	**187,034**
Dividend income	-	-	7,191,539	2	**7,191,541**	-	-	4,123,594	10,824	**4,134,418**
Other income	-	-	-	-	**-**	-	-		-	**-**
Other expense	1,175,603	-	2,120,451	57,327	**3,353,381**	1,073,385	-	4,606,335	-	**5,679,720**
Personnel expenses	-	1,094,094	-	-	**1,094,094**	-	1,088,369	-	-	**1,088,369**

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35. Related party transactions (continued)

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

During 2019, the Group concluded a series of transactions with the related parties, in contractual terms like those in its normal activity. The Group and the Company are engaged in related party transactions with other entities from the 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 include the leasing of some properties, the contracting of interest-bearing loans, the signing of leasing contracts and the management of bank accounts.

During 2019, 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 1,713,982 (2018: RON 2,160,053), and for the Company RON 1,186,470 (2018: RON 1,721,596).

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

- in RON -	**2019**			**2018**		
	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	1,717,582	428,522	3,600	1,688.538	421,284	3,000
Share-based payments	253,627	-	-	79,557	-	-
Total compensations and benefits	**1,971,209**	**428,522**	**3,600**	**1,768,095**	**421,284**	**3,000**

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

- in RON -	**2019**			**2018**		
	Total	**of which social security contributions**	**of which employer contributionto the 3rd Pension Pillar**	**Total**	**of which social security contributions**	**of which employer contributions to the 3rd Pension Pillar**
Short-term employee benefits	1,186,470	296,639	-	1,222,953	305,742	-
Share-based payments	253,627	-	-	79,557	-	-
Total compensations and benefits	**1,440,097**	**296,639**	**-**	**1,302,510**	**305,742**	**-**

Notes to the consolidated and separate financial statements

36. Presentation of financial instruments by valuation method

The following table presents the net book values and the fair values for each class of financial assets and liabilities of the Group as of 31 December 2019 and 31 December 2018.

- in RON -	Group		Company	
31 December 2019	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Assets				
Cash on hand	2,792	2,792	2,238	2,238
Placements with banks	33,247,063	33,247,063	31,341,165	31,341,165
Finance lease receivables	1,052,145,372	1,057,998,709	1,052,145,372	1,057,998,709
Other financial assets	8,184,005	8,184,005	4,278,044	4,278,044
Total assets	**1,093,579,232**	**1,099,432,569**	**1,087,766,819**	**1,093,620,156**
Liabilities				
Loans from banks and other financial institutions	674,943,313	674,943,313	674,943,313	674,943,313
Liabilities from issued bonds	189,498,266	189,498,266	189,498,266	189,498,266
Liabilities from rights-of-use	2,392,102	2,392,102	2,392,102	2,392,102
Other financial liabilities	8,049,914	8,049,914	12,317,265	12,317,265
Total liabilities	**874,883,595**	**874,883,595**	**879,150,946**	**879,150,946**

- in RON -	Group		Company	
31 December 2018	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Assets				
Cash on hand	5,376	5,376	4,748	4,748
Placements with banks	9,163,298	9,163,298	8,013,860	8,013,860
Finance lease receivables	919,260,049	917,977,960	919,260,049	917,977,960
Other financial assets	7,785,814	7,785,814	2,579,077	2,579,077
Total assets	**936,214,537**	**934,932,448**	**929,857,734**	**928,575,645**
Liabilities				
Loans from banks and other financial institutions	771,151,038	771,151,038	771,151,038	771,151,038
Other financial liabilities	3,671,514	3,671,514	5,863,049	5,863,049
Total liabilities	**774,822,552**	**774,822,552**	**777,014,087**	**777,014,087**

37. 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.

38. Reclassification of elements from the Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Separate Statement of the Financial Position and of the Consolidated and Separate Statement of Cash Flows for the financial year ended on 31 December 2018

The comparative figures for 2018 have been adjusted as follows:

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

Value of commissions received for rescheduling of payments and early termination of leasing contracts have been reclassified from „Fee and commission income" to „Interest income", as they are part of the effective interest rate

- in RON -	**Reported amount**	**Reclassification**	**Adjusted amount**
		Group	
Fee and commission income	9,434,123	(1,007,793)	8,426,330
Interest income	76,663,199	1,007,793	77,670,992
Total	**86,097,322**	**-**	**86.097.322**
		Company	
Fee and commission income	1,007,793	(1,007,793)	-
Interest income	76,647,180	1,007,793	77,654,973
Total	**77,654,973**	**-**	**77.654.973**

- **Consolidated and Separate Statement of the Financial Position**

a) Advance payments to suppliers have been reclassified from „Other financial assets" to „Other assets":

- in RON -	**Reported amount**	**Reclassification**	**Adjusted amount**
		Group	
Other financial assets	9,583,886	-1,798,072	7,785,814
Other assets	223,294	1,798,072	2,021,366
Total	**9,807,180**	**-**	**9,807,180**
		Company	
Other financial assets	4,611,772	-2,032,695	2,579,077
Other assets	322,016	2,032,695	2,354,711
Total	**4,933,788**	**-**	**4,933,788**

38. Reclassification of elements from the Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Separate Statement of the Financial Position and of the Consolidated and Separate Statement of Cash Flows for the financial year ended on 31 December 2018 (*continued*)

b) Advance amounts received from customers have been reclassified from „Other financial liabilities” to „Other liabilities”:

- *in RON* -	Reported amount	Reclassification	Adjusted amount
		Group	
Other financial liabiliies	9,356,376	(5,684,862)	3,671,514
Other liabilities	3,439,964	5,684,862	9,124,826
Total	**12,796,340**	**-**	**12,796,340**
		Company	
Other financial liabiliies	11,463,640	(5,600,591)	5,863,049
Other liabilities	3,416,839	5,600,591	9,017,430
Total	**14,880,479**	**-**	**14,880,479**

39. Events after the reporting period

Late in 2019 news first emerged from China about the COVID-19 (Coronavirus), as the World Health Organisation reported a limited number of cases of an unknown virus. In the first few months of 2020, the virus had spread globally, and its effects became pandemic. Even if the effects of the pandemic cannot be determined at the date the financial statements are issued, it seems that the negative effects on the on the global trade and the Company's activity may be more severe than initially expected. Some of the currencies the Company is exposed to depreciated, the stock markets dropped, and the prices of commodities went at lower levels. Management considers this outbreak to be a non-adjusting post balance sheet event.

Starting 16 of March 2020, Romania entered in the emergency state by Presidential Decree no. 195/2020 and there were issued several military Ordinances establishing restrictions regarding people gatherings and internal and cross-border transfers for some goods in order to prevent the spread of the COVID-19. There were also issued several regulations in order to support the small and medium sized enterprises that are confronted with a severe lack of liquidity as well as the individuals that are affected by the reduction of income. According to the Government Emergency Ordinance 37/2020, they can postpone the payment of credit installments for a period of maximum 9 months.

The National Bank of Romania issued several regulations in order to support the debtors and to create the regulatory framework that allows the identification of optimal measures in order to support the debtors that are affected.

39. Events after the reporting period (*continued*)

Given these circumstances, BT Leasing proceeded to implement some renegotiation measures to provide a grace period for the principal, for April and May, for the clients that are affected by the pandemic and bythe measures taken by the competent authorities for diminishing and stopping its effects.

Until the end of April 2020, we received a total of 425 requests for postponement of installments, out of which 370 requests have been implemented, representing a total exposure of 106 mil RON or 10% of the portfolio, the total value of the postponed installments being 21 mil RON plus VAT.

The management expects other clients also to apply for these meaures for principal renegociation, but paying other contractual amounts due (interest, commissions and insurance).

However, the management can not perform a reasonable quantitative estimate regarding the impact of these measures in company's revenues. Analysing the results for Q1 2020, they were not significantly impacted, as at the end of March the variation between the budgeted and realised revenues was insignificant. In 2020 the Company approved 873 leasing contracts with a total value of 32 mil EUR, representing an increase of 30% over the same period of the last year.

An active communication was undertaken with Company's main creditors and partners, that ensured of their support in case it is necessary, however of our analysis of the Company's liquidity we anticipate no reimbursing issues by the end of 2020.

The financial statements were approved by the Board of Directors on 30th of April 2020 and were signed on its behalf by:

Ionut Calin Morar	**Sabina Moldovan**
General Manager	Financial Manager