Banca Transilvania 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 31 December 2019

Banca Transilvania S.A.

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Banca Transilvania S.A.

Consolidated and Separate Statement of Profit or Loss

For the year ended 31 December

	Notes	Group 2019	Group 2018	Bank 2019	Bank 2018
		RON thousand	*RON thousand*	*RON thousand*	*RON thousand*
Interest income calculated using the effective interest method		3,510,023	3,067,184	3,200,637	2,866,920
Other similar income		144,369	126,715	-	-
Interest expense calculated using the effective interest method		(578,712)	(432,491)	(513,775)	(377,160)
Other similar expense		(1,935)	(9)	(1,715)	(2)
Net interest income	8	**3,073,745**	**2,761,399**	**2,685,147**	**2,489,758**
Fee and commission income		1,147,939	1,018,091	1,002,739	912,098
Fee and commission expense		(327,638)	(252,233)	(290,124)	(229,276)
Net fee and commission income	9	**820,301**	**765,858**	**712,615**	**682,822**
Net trading income	10	410,603	252,163	318,518	263,448
Net gain / loss (-) from financial assets measured at fair value through other items of comprehensive income	11	116,825	(7,555)	116,804	(7,774)
Net gain / loss (-) from financial assets which are required to be measured at fair value through profit and loss	12	125,609	(2,570)	165,060	(40,529)
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	13	(110,965)	(41,423)	(107,615)	(39,164)
Other operating income	14	178,868	217,591	140,741	245,419
Operating income		**4,614,986**	**3,945,463**	**4,031,270**	**3,593,980**
Net expense (-) from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	15	(292,646)	(364,421)	(244,729)	(230,791)
Personnel expenses	16	(1,038,289)	(1,065,162)	(899,058)	(965,972)
Depreciation and amortization		(311,359)	(162,514)	(287,449)	(129,250)
Other operating expenses	17	(841,109)	(806,615)	(712,888)	(697,351)
Operating expenses		**(2,483,403)**	**(2,398,712)**	**(2,144,124)**	**(2,023,364)**
Bargain gain		-	160,077	-	71,830
Profit before income tax		**2,131,583**	**1,706,828**	**1,887,146**	**1,642,446**
Income tax expense (-)	18	(283,690)	(446,148)	(266,634)	(423,055)
Net profit for the year		**1,847,893**	**1,260,680**	**1,620,512**	**1,219,391**
Net Profit of the Group attributable to:					
Equity holders of the Bank		1,781,390	1,249,740	-	-
Non-controlling interests		66,503	10,940	-	-
Net Profit for the year		**1,847,893**	**1,260,680**	**1,620,512**	**1,219,391**

Consolidated and Separate Statement of Other Comprehensive Income

For the year ended 31 December

	Notes	Group		Bank	
		2019	**2018**	**2019**	**2018**
		RON thousand	***RON thousand***	***RON thousand***	***RON thousand***
Net Profit for the year		**1,847,893**	**1,260,680**	**1,620,512**	**1,219,391**
Items that will not be reclassified as profit or loss, net of tax		**(6,172)**	**1,999**	**1,173**	**1,898**
Increase from fixed asset revaluation		2,216	2,236	2,216	2,216
Translation of financial information of foreign operations to presentation currency		(14,372)	143	(719)	44
Other elements of comprehensive income		(81)	-	(79)	-
Tax related to items that will not be classified to profit or loss		6,065	(380)	(245)	(362)
Items which are or may be reclassified to profit or loss					
Fair value reserve (financial assets measured through other items of comprehensive income), of which:		**369,896**	**(75,308)**	**370,720**	**(75,297)**
Net loss (-) / gain from disposal of financial assets measured through other items of comprehensive income, transferred to profit and loss account		(116,825)	7,555	(116,804)	7,774
Fair value changes of financial assets measured through other items of comprehensive income		486,721	(82,863)	487,524	(83,071)
Income tax on items which may be reclassified to profit or loss		(59,151)	12,528	(59,281)	12,518
Total comprehensive income for the period		**2,152,466**	**1,199,899**	**1,933,124**	**1,158,510**
Total comprehensive income attributable to:					
Equity holders of the Bank		2,085,963	1,188,959	-	-
Non-controlling interest		66,503	10,940	-	-
Total comprehensive income for the period		**2,152,466**	**1,199,899**	**1,933,124**	**1,158,510**
Basic earnings per share		0.3423	0.2402	-	-
Diluted earnings per share		0.3415	0.2399	-	-

The financial statements were approved by the Board of Directors on March 23, 2020 and were signed on its behalf by:

Horia Ciorcilă
Chairman

George Călinescu
Deputy CEO

Banca Transilvania S.A.

Consolidated and Separate Statement of Financial Position

For the year ended 31 December		**Group**		**Bank**	
	Note	**2019**	**2018**	**2019**	**2018**
Assets		***RON thousand***	***RON thousand***	***RON thousand***	***RON thousand***
Cash and cash equivalents	19	14,583,143	10,322,121	13,480,195	9,083,471
Derivatives	43	4,803	3,066	4,803	3,066
Financial assets held for trading and measured at fair value through profit and loss	21	272,607	210,461	17,509	12,582
Non-trading financial assets mandatorily at fair value through profit or loss	21	877,989	574,678	1,148,691	728,189
Financial assets measured at fair value through other items of comprehensive income	24	23,658,311	21,374,708	23,637,807	21,363,908
- of which pledged securities (repo agreements)		-	248,798	-	248,798
Financial assets at amortized cost - of which:		49,606,584	43,253,743	47,412,890	41,480,003
- Placements with banks	20	7,775,140	4,650,137	6,995,346	4,000,416
- Loans and advances to customers	22	39,175,404	36,796,502	38,601,915	36,355,974
- Debt instruments	24	1,968,031	963,867	1,176,834	312,548
- Other financial assets	30	688,009	843,237	638,795	811,065
Finance lease receivables	23	1,178,443	1,020,582	-	-
Equity investments	25	-	-	486,360	537,677
Investment in Associate		3,316	-	-	-
Property and equipment and investment property	26	727,526	593,903	575,038	482,321
Intangible assets	27	235,429	283,219	202,345	253,847
Goodwill	27	10,478	4,295	-	-
Right-of-use assets	28	388,025	-	366,212	-
Deferred tax assets	29	16,755	73,920	-	48,687
Other non-financial assets	31	158,872	182,058	106,225	125,163
Total assets		**91,722,281**	**77,896,754**	**87,438,075**	**74,118,914**

Consolidated and Separate Statement of Financial Position

For the year ended 31 December	Notes	Group		Bank	
		2019	**2018**	**2019**	**2018**
Liabilities		***RON thousand***	***RON thousand***	***RON thousand***	***RON thousand***
Deposits from banks	32	296,138	195,348	304,461	207,608
Deposits from customers	33	77,037,060	65,160,466	74,353,723	62,522,369
Loans from banks and other financial institutions	34	1,473,920	1,703,551	895,673	1,185,556
Subordinated liabilities	35	1,700,207	1,655,377	1,696,602	1,651,518
Current tax liability		42,203	40,953	38,130	43,935
Deferred tax liability		-	-	7,899	-
Provisions for other risks and loan commitments	36	533,881	472,722	498,457	444,673
Financial liabilities held-for-trading	43	12,331	4,226	12,331	4,226
Lease liabilities	28	387,441	-	365,931	-
Other financial liabilities	37	909,100	648,846	689,531	532,941
Other non-financial liabilities	38	112,012	133,415	78,894	114,872
Total liabilities excluding financial liabilities to holders of fund units		**82,504,293**	**70,014,904**	**78,941,632**	**66,707,698**
Financial liabilities to holders of fund units		4,152	1,777	-	-
Total liabilities		**82,508,445**	**70,016,681**	**78,941,632**	**66,707,698**
Equity					
Share capital	39	5,302,419	4,898,982	5,302,419	4,898,982
Treasury shares		(63,942)	(38,558)	(48,655)	(23,271)
Share premiums		31,016	28,381	28,396	28,381
Retained earnings		2,708,300	2,257,065	2,376,845	2,075,470
Revaluation reserves from tangible assets		17,818	17,847	20,710	20,722
Reserves on financial assets measured at fair value through other items of comprehensive income		147,904	(162,841)	148,834	(162,605)
Other reserves		687,727	586,660	667,894	573,537
Total equity attributable to equity holders of the Bank		**8,831,242**	**7,587,536**	**8,496,443**	**7,411,216**
Non-controlling interest	3aii	382,594	292,537	-	-
Total equity		**9,213,836**	**7,880,073**	**8,496,443**	**7,411,216**
Total liabilities and equity		**91,722,281**	**77,896,754**	**87,438,075**	**74,118,914**

The financial statements were approved by the Board of Directors on March 23, 2020 and were signed on its behalf by:

Horia Ciorcilă
Chairman

George Călinescu
Deputy CEO

Banca Transilvania S.A.

Consolidated Statement of Changes in Equity

For the year ended 31 December

Group

In RON thousand	Note:	Share capital	Treasury shares	Share premiums	Revaluation reserves	Reserves from financial assets measured through other items of comprehensive income	Other reserves	Retained earnings	Total attributable to the equity holders of the Bank	Non-controlling interest	Total
		Attributable to the equity holders of the Bank									
Balance as at 01 January 2019		**4,898,982**	**(38,558)**	**28,381**	**17,847**	**(162,841)**	**586,660**	**2,257,065**	**7,587,536**	**292,537**	**7,880,073**
Profit for the year		-	-	-	-	-	-	1,781,390	1,781,390	66,503	**1,847,893**
Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	310,745	-	-	310,745	-	**310,745**
Revaluation of tangible assets, net of tax		-	-	-	1,856	-	-	-	1,856	-	**1,856**
Retained earnings from revaluation reserves		-	-	-	(1,868)	-	-	1,868	-	-	**-**
Distribution to statutory reserves		-	-	-	-	-	101,231	(101,231)	-	-	**-**
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(8,028)	(8,028)	-	**(8,028)**
Total comprehensive income for the period		**-**	**-**	**-**	**(12)**	**310,745**	**101,231**	**1,673,999**	**2,085,963**	**66,503**	**2,152,466**
Contributions of/distributions to the shareholders											
Increase in share capital through the conversion of profit reserves	39	400,825	-	-	-	-	-	(400,825)	**-**	-	**-**
Increase in share capital through the conversion of merger reserves	39	2,602	-	-	-	-	-	(2,602)	**-**	-	**-**
Increase in share capital through the conversion of debt	39	10	-	15	-	-	-	-	25	-	**25**
Acquisition of treasury shares		-	(93,565)	-	-	-	-	-	(93,565)	-	**(93,565)**
Payments of treasury shares		-	68,181	-	-	-	-	(68,181)	-	-	**-**
Dividends distributed to shareholders		-	-	-	-	-	-	(818,566)	(818,566)	-	**(818,566)**
SOP 2019 Scheme		-	-	-	-	-	-	64,260	64,260	-	**64,260**
Other adjustments		-	-	2,620	(17)	**-**	(164)	3,150	5,589	23,554	**29,143**
Total contributions of/distributions to the shareholders		**403,437**	**(25,384)**	**2,635**	**(17)**	**-**	**(164)**	**(1,222,764)**	**(842,257)**	**23,554**	**(818,703)**
Balance at 31 December 2019		**5,302,419**	**(63,942)**	**31,016**	**17,818**	**147,904**	**687,727**	**2,708,300**	**8,831,242**	**382,594**	**9,213,836**

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 31 December

Group

In RON thousand	Note:	Share capital	Treasury shares	Share premiums	Revaluation reserves	Reserves from financial assets measured through other items of comprehensive income	Other reserves	Retained earnings	Total attributable to the equity holders of the Bank	Non-controlling interest	Total
		Attributable to the equity holders of the Bank									
Balance at 31 December 2017		**4,427,940**	**(47,427)**	**28,381**	**17,524**	**(6,247)**	**502,487**	**2,202,764**	**7,125,422**	**14,690**	**7,140,112**
Adoption of new standards		-	-	-	-	(93,815)	-	(32,386)	(126,201)	-	**(126,201)**
Balance as at 01 January 2018		**4,427,940**	**(47,427)**	**28,381**	**17,524**	**(100,062)**	**502,487**	**2,170,378**	**6,999,221**	**14,690**	**7,013,911**
Profit for the year		-	-	-	-	-	-	1,249,740	1,249,740	10,940	**1,260,680**
Loss(-) from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(62,779)	-	-	(62,779)	-	**(62,779)**
Revaluation of tangible assets, net of tax		-	-	-	1,878	-	-	-	1,878	-	**1,878**
Retained earnings from revaluation reserves					(1,555)	-	-	1,555	-	-	-
Distribution to statutory reserves		-	-	-	-	-	84,173	(84,173)	-	-	-
Other items of comprehensive income, net of tax		-	-	-	-	-	-	120	120	-	**120**
Total comprehensive income for the period		**-**	**-**	**-**	**323**	**(62,779)**	**84,173**	**1,167,242**	**1,188,959**	**10,940**	**1,199,899**
Contributions of/distributions to the shareholders											
Increase in share capital through the conversion of profit reserves	39	471,042	-	-	-	-	-	(471,042)	-	-	**-**
Acquisition of treasury shares		-	(48,686)	-	-	-	-	-	(48,686)	-	**(48,686)**
Payments of treasury shares		-	57,555	-	-	-	-	(57,555)	-	-	**-**
Dividends distributed to shareholders		-	-	-	-	-	-	(610,000)	(610,000)	-	**(610,000)**
Retained earnings as a result of the weighted average cost for assets measured at fair value through the comprehensive income		-	-	-	-	-	-	(14,069)	(14,069)	-	**(14,069)**
Reserves from the conversion of shares held by minority shareholders upon the merger		-	-	-	-	-	-	6,334	6,334	-	**6,334**
SOP 2018 Scheme		-	-	-	-	-	-	66,736	66,736	-	**66,736**
Other adjustments		-	-	-	-	-	-	(959)	(959)	266,907	**265,948**
Total contributions of/distributions to the shareholders		**471,042**	**8,869**	**-**	**-**	**-**	**-**	**(1,080,555)**	**(600,644)**	**266,907**	**(333,737)**
Balance at 31 December 2018		**4,898,982**	**(38,558)**	**28,381**	**17,847**	**(162,841)**	**586,660**	**2,257,065**	**7,587,536**	**292,537**	**7,880,073**

Separate Statement of Changes in Equity *(continued)*
For the year ended 31 December

Bank

		Attributable to the equity holders of the Bank							
In RON thousand	**Note:**	**Share capital**	**Treasury shares**	**Share premiums**	**Revaluation reserves**	**Reserves from financial assets measured through other items of comprehensive income**	**Other reserves**	**Retained earnings**	**Total**
Balance as at January 1, 2019		**4,898,982**	**(23,271)**	**28,381**	**20,722**	**(162,605)**	**573,537**	**2,075,470**	**7,411,216**
Profit for the year		-	-	-	-	-	-	1,620,512	**1,620,512**
Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	311,439	-	-	**311,439**
Revaluation of property and equipment, net of income tax		-	-	-	1,856	-	-		**1,856**
Retained earnings from revaluation reserves		-	-	-	(1,868)	-	-	1,868	**-**
Distribution to statutory reserves		-	-	-	-	-	94,357	(94,357)	**-**
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(683)	**(683)**
Statement of comprehensive income for the period		**-**	**-**	**-**	**(12)**	**311,439**	**94,357**	**1,527,340**	**1,933,124**
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of profit reserves	39	400,825	-	-	-	-	-	(400,825)	**-**
Increase in share capital through the conversion of merger reserves	39	2,602	-	-	-	-	-	(2,602)	**-**
Increase in share capital through the conversion of debt	39	10	-	15	-	-	-	-	**25**
Acquisition of treasury shares		-	(93,565)	-	-	-	-	-	**(93,565)**
Payments of treasury shares to the employees		-	68,181	-	-	-	-	(68,181)	**-**
Dividends distributed to shareholders		-	-	-	-	-	-	(818,566)	**(818,566)**
SOP 2019 Scheme		-	-	-	-	-	-	64,260	**64,260**
Other adjustments		-	-	-	-	-	-	(51)	**(51)**
Total contributions of/distributions to the shareholders		**403,437**	**(25,384)**	**15**	**-**	**-**	**-**	**(1,225,965)**	**(847,897)**
Balance at 31 December 2019		**5,302,419**	**(48,655)**	**28,396**	**20,710**	**148,834**	**667,894**	**2,376,845**	**8,496,443**

Separate Statement of Changes in Equity *(continued)*

For the year ended 31 December

Bank

		Attributable to the equity holders of the Bank							
In RON thousand	**Note:**	**Share capital**	**Treasury shares**	**Share premiums**	**Revaluation reserves**	**Reserves from financial assets measured through other items of comprehensive income**	**Other reserves**	**Retained earnings**	**Total**
Previously reported balance as at 31 December 2017		**4,427,940**	**(32,140)**	**28,381**	**20,416**	**52,176**	**491,414**	**1,981,886**	**6,970,073**
Adoption of new standards		-	-	-	-	(152,002)	-	34,487	**(117,515)**
Balance as at January 1, 2018		**4,427,940**	**(32,140)**	**28,381**	**20,416**	**(99,826)**	**491,414**	**2,016,373**	**6,852,558**
Profit for the year		-	-	-	-	-	-	1,219,391	**1,219,391**
Loss (-) from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(62,779)	-	-	**(62,779)**
Revaluation of property and equipment, net of income tax		-	-	-	1,861	-	-	-	**1,861**
Retained earnings from revaluation reserves		-	-	-	(1,555)	-	-	1,555	**-**
Distribution to statutory reserves		-	-	-	-	-	82,123	(82,123)	**-**
Other items of comprehensive income, net of tax		-	-	-	-	-	-	37	**37**
Statement of comprehensive income for the period		**-**	**-**	**-**	**306**	**(62,779)**	**82,123**	**1,138,860**	**1,158,510**
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of profit reserves	39	471,042	-	-	-	-	-	(471,042)	**-**
Reserves from the conversion of shares held by minority shareholders upon the merger	39	-	-	-	-	-	-	6,334	**6,334**
SOP 2018 Scheme		-	-	-	-	-	-	66,736	**66,736**
Acquisition of treasury shares		-	(48,686)	-	-	-	-	-	**(48,686)**
Payments of treasury shares to the employees		-	57,555	-	-	-	-	(57,555)	**-**
Retained earnings as a result of the weighted average cost for assets measured at fair value through the comprehensive income		-	-	-	-	-	-	(14,750)	**(14,750)**
Dividends distributed to shareholders		-	-	-	-	-	-	(610,000)	**(610,000)**
Other adjustments		-	-	-	-	-	-	514	**514**
Total contributions of/distributions to the shareholders		**471,042**	**8,869**	**-**	**-**	**-**	**-**	**(1,079,763)**	**(599,852)**
Balance at 31 December 2018		**4,898,982**	**(23,271)**	**28,381**	**20,722**	**(162,605)**	**573,537**	**2,075,470**	**7,411,216**

Consolidated and Separate Statement of Cash Flows

For the year ended 31 December

		Group		Bank	
In RON thousand	**Note:**	**2019**	**2018**	**2019**	**2018**
Cash-flow from operating activities					
Profit for the year		**1,847,893**	**1,260,680**	**1,620,512**	**1,219,391**
Adjustments for:					
Depreciation and amortization	26,27	311,359	162,514	287,449	129,250
Impairment allowance and write-offs of financial assets, provisions for other risks and loan commitments		556,436	845,648	470,342	674,288
Adjustment of financial assets at fair value through profit and loss		(125,609)	2,570	(165,060)	(40,529)
Income tax expense	18	283,690	446,148	266,634	423,055
Interest income	8	(3,654,392)	(3,193,899)	(3,200,637)	(2,866,920)
Interest expense	8	580,647	432,500	515,490	377,162
Other adjustments		(76,189)	621,986	78,957	119,899
Net profit adjusted with non-monetary elements		**(276,165)**	**578,147**	**(126,313)**	**35,596**
Changes in operating assets and liabilities(*)					
Change in financial assets at amortized cost and placements with banks		(3,039,021)	2,737,899	(2,787,387)	1,104,840
Change in loans and advances to customers		(2,586,340)	(1,629,629)	(2,512,853)	(1,660,403)
Change in finance lease receivables		(250,861)	(398,946)	-	-
Change in financial assets at fair value through profit or loss		(177,702)	(33,840)	(255,442)	135,329
Change in financial assets held for trading and measured at fair value through profit or loss -derivatives		(1,737)	31,652	(1,737)	31,652
Change in equity instruments		(31,559)	138,417	(4,927)	97,759
Changes in debt instruments		(30,587)	(46,822)	-	-
Change in other financial assets		147,895	(416,334)	166,018	(407,061)
Change in other assets		(9,235)	(3,335)	(32,656)	(3,855)
Change in deposits from customers		11,781,013	5,259,840	11,778,112	5,062,547
Change in deposits from banks		100,784	11,880	96,870	32,171
Change in financial liabilities held-for-trading		8,105	(8,048)	8,105	(8,048)
Change in redeemed claims		(246,885)	(11,516)	(246,885)	(11,516)
Change in other financial liabilities		233,372	(881,618)	129,708	(721,473)
Change in other liabilities		(19,028)	(72,085)	(36,285)	17,016
Income tax paid/recovered		(248,487)	(215,783)	(230,661)	(203,751)
Interest received		3,023,551	2,555,375	2,420,781	2,347,565
Interest paid		(419,280)	(322,460)	(379,234)	(279,282)
Net cash-flow from operating activities		**7,957,833**	**7,272,794**	**7,985,214**	**5,569,086**

Consolidated and Separate Statement of Cash Flows

For the year ended 31 December

In RON thousand	Note:	Group 2019	Group 2018	Bank 2019	Bank 2018
Cash-flow used in investment activities					
Acquisition of financial assets measured at fair value through other items of comprehensive income		(14,320,803)	(11,241,169)	(14,307,353)	(11,235,146)
Sale of financial assets measured at fair value through other items of comprehensive income		12,398,759	6,462,084	12,395,624	6,452,309
Net acquisitions of property and equipment		(233,314)	(75,372)	(154,177)	(70,729)
Net acquisitions intangible assets		(95,137)	(114,922)	(85,543)	(106,042)
Proceeds from disposal of property and equipment and intangible assets		5,522	41,905	3,965	31,894
Acquisition of equity investments		(7,990)	-	-	(194,700)
Dividends collected	14	3,174	3,611	10,707	135,407
Interest received		785,709	675,618	785,510	675,464
Net cash-flow used in investment activities		**(1,464,080)**	**(4,248,245)**	**(1,351,267)**	**(4,311,543)**
Cash-flow from financing activities					
Gross proceeds from loans from banks and other financial institutions	44	305,017	373,626	47,569	186,112
Gross payments from loans from banks and other financial institutions	44	(315,955)	(174,902)	(112,379)	(88,949)
Gross proceeds from subordinated loans from banks and other financial institutions	44	-	1,326,305	-	1,326,305
Gross payments from subordinated loans from banks and other financial institutions	44	(25)	(93,198)	(25)	(93,198)
Repayment of the principal portion of the lease liabilities		(126,167)	-	(115,341)	-
Dividend payments		(813,210)	(607,269)	(813,210)	(607,269)
Payments for treasury shares		(88,643)	(48,686)	(88,643)	(48,686)
Interest paid		(101,160)	(74,899)	(83,365)	(61,188)
Net cash-flow from / (used in) financing activities		**(1,140,143)**	**700,977**	**(1,165,394)**	**613,127**

(*) Changes in operating assets and liabilities only include the effect of net treasury flows, the non-monetary effect of the merger being eliminated

In RON thousand	Note	Group 2019	Group 2018	Bank 2019	Bank 2018
The impact of exchange rate variations on cash and cash equivalents		198,926	23,319	196,765	34,057
Net increase/decrease (-) in cash and cash equivalents		5,154,684	3,702,207	5,271,788	1,836,613
Cash and cash equivalents at January 1		15,156,390	11,430,864	13,292,860	11,422,190
Cash and cash equivalents as at December 31	19	**20,510,000**	**15,156,390**	**18,761,413**	**13,292,860**

Notes to the consolidated and separate financial statements

1. Reporting entity

Banca Transilvania S.A.

Banca Transilvania S.A. (the "Parent company", "BT") is a joint-stock company incorporated in Romania. The Bank started its activity as a banking institution in 1993 and is licensed by the National Bank of Romania ("BNR", the "Central Bank") to conduct banking activities. The Bank started its activity in 1994 and its main operations involve banking services for legal entities and individuals.
Banca Transilvania Group (the "Group") includes the Parent company and its subsidiaries, based in Romania and in the Republic of Moldova. The consolidated and separate financial statements as at 31 December 2019 comprise the Parent company and its subsidiaries (hereinafter referred to as the "Group").

The Group's fields of activity are: banking through Banca Transilvania S.A. and Victoriabank S.A., leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., BT Direct IFN S.A., BT Microfinanţare IFN S.A. and BT Leasing MD S.R.L., asset management through BT Asset Management S.A.I S.A and brokerage and investments through BT Capital Partners S.A. Additionally, the Bank also has control over five investment funds it consolidates.

The Bank carries out its banking activity through its head office located in Cluj-Napoca and 52 branches, 427 agencies, 20 work units, 7 healthcare division units, 2 private banking agencies in Romania and Italy and 1 regional office located in Bucharest (2018: 54 branches, 435 agencies, 20 bank units, 7 healthcare division units, 2 private banking agencies in Romania and Italy and 1 regional office located in Bucharest). Out of the 427 agencies, 20 were taken over after the merger with Bancpost.

The Group's number of active employees as at 31 December 2019 was 9,690 (2018: 9,014 employees).

The Bank's number of active employees as at 31 December 2019 was 7,997 (2018: 7,355 employees).

The registered address of the Bank is George Bariţiu street nr. 8, Cluj-Napoca, Romania.

The ownership structure of the Bank is presented below:

	2019	**2018**
The European Bank for Reconstruction and Development ("EBRD")	8.60%	8.60%
Romanian individuals	19.79%	20.05%
Romanian companies	44.86%	38.97%
Foreign individuals	1.06%	1.18%
Foreign companies	25.69%	31.20%
Total	**100%**	**100%**

The Bank's shares are listed on the Bucharest Stock Exchange and are traded under the symbol TLV.

1. Reporting entity *(continued)*

The Group's subsidiaries are represented by the following entities:

Subsidiary	Field of activity	Direct and indirect ownership 2019	Direct and indirect ownership 2018
Victoriabank S.A.	Banking and financial intermediation subject to license	44.63%	44.63%
BT Capital Partners S.A.	Investment banking and brokerage activities	99.59%	99.59%
BT Leasing Transilvania IFN S.A.	Leasing	100.00%	100.00%
BT Investments S.R.L.	Investments	100.00%	100.00%
ERB Retail Services IFN S.A.	Retail consumer finance through credit cards; Payment institution	-	100.00%
BT Direct IFN S.A.	Retail consumer financing	100.00%	100.00%
BT Building S.R.L.	Investments	100.00%	100.00%
BT Asset Management SAI. S.A.	Asset management	80.00%	80.00%
BT Solution Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Asiom Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Safe Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Leasing MD SRL	Leasing	100.00%	100.00%
BT Microfinanţare IFN S.A.	Financing activities for companies	100.00%	100.00%
Improvement Credit Collection S.R.L	Collection activities and reporting to Credit Bureau	100.00%	100.00%
Timesafe SRL	Activities of software to order	51.12%	-
Sinteza S.A. (*)	Production of basic organic chemicals	33.87%	51.47%
Chimprod S.R.L.	Production of basic pharmaceutical products	-	51.35%

(*) The Group lost control over this subsidiary in October 2019, becoming an investment in an associate

BT Leasing Transilvania IFN S.A.

BT Leasing Transilvania IFN S.A. operates through its head office located in Cluj-Napoca,1 agency and 12 work units (2018: 1 agency and 11 work units) throughout the country. The company leases various types of vehicles, technical and other types of equipment. The number of active employees as at 31 December 2019 was 120 (2018: 115 employees). The registered address of BT Leasing Transilvania IFN S.A. is 74-76 Constantin Brâncuşi Street, first floor, Cluj-Napoca, România.

BT Asset Management SAI S.A.

BT Asset Management SAI S.A. is an investment management company, member of Banca Transilvania Financial Group, authorized by the National Securities Commission (currently the Financial Supervisory Authority, also named „ASF") through the decision No. 903/29.03.2005, ASF Public Register No. PJR05SAIR/120016 dated 29.03.2005.

BT Asset Management SAI manages both open and closed investment funds. As at 31 December 2019, BT Asset Management SAI S.A. managed 16 investment funds, of which: 14 open funds and 2 closed funds, counting over 45,844 investors and assets under management of more than RON 4,158 billion (calculated according to IFRS), and of more than RON 4,138 billion (calculated according to the ASF regulations).

1. Reporting entity *(continued)*

BT Asset Management SAI S.A. (continued)

BT Asset Management SAI S.A. offers a full range of investment products, from fixed income funds, mixed funds and index funds, to equity funds. The access to the capital market is provided to customers through investments in Romania, as well as in the EU countries (mainly Austria); placements can be made both in lei and in euro.

The number of active employees as at 31 December 2019 was 32 (2018: 30 employees). The company's registered address is in Cluj-Napoca, 22 Emil Racoviţă Street, first floor + garret, Cluj county, Romania.

BT Capital Partners S.A.

At the beginning of 2016, BT Securities – the brokerage company of Banca Transilvania Financial Group – became BT Capital Partners S.A., after taking over the investment banking activity of Capital Partners, the most important independent consulting Romanian company in the field of M&A and Corporate Finance. BT Capital Partners is also an exclusive member in Romania of Oaklins, the world's most important alliance of M&A professionals.
In its new formula, BT Capital Partners offers consulting services for raising funds via the capital market, consultancy on mergers and acquisitions, brokerage services, structuring of complex financing schemes, market research and strategic advisory.

At 31 December 2019 the company counted 55 active employees (2018: 55 employees). The company undertakes its activity through its headquarters located in Cluj-Napoca, 74-76 Constantin Brâncuşi Street, ground floor, Cluj county, Romania, and through 11 work units.

BT Direct IFN S.A.

BT Direct IFN S.A. it is authorized by the National Bank of Romania to carry out lending operations to individuals through credit cards as well as through consumer loans, having as object of activity the financing of natural persons.
BT Direct IFN S.A. and ERB Retail Services IFN S.A have become the same company starting with August 1, 2019. Following the merger by absorption of BT Direct IFN S.A., ERB Retail Services IFN S.A. has become part of the Group keeping the name BT Direct IFN S.A.

The number of active employees at 31 December 2019 was 159 (2018: 168 employees). The company operates through its head office located in Cluj-Napoca, 74-76 Constantin Brâncuşi Street, 3-rd floor, Cluj county, Romania.

BT Microfinanţare IFN S.A.

BT Microfinanţare IFN SA is a non-banking financial institution established in 2016. The company's object of activity is represented by small business financing. The company's registered address is Bucharest, 43 Bucureşti – Ploieşti Street.

1. Reporting entity *(continued)*

BT Microfinanţare IFN S.A. (continued)

The number of active employees as at 31 December 2019 was 160 (2018: 139 employees).
In 2019, BT Microfinanţare IFN S.A. financed around 5,300 micro-enterprises (loans for the support and development of current activities, procurement loans, loans for supplier payments, investment loans for existent and/or new work units, loans for the acquisition of machinery/equipment etc.), the oustanding balance for loans at the end of 2019 was RON 481,8 million (2018: RON 327,2 million).

B.C. „VICTORIABANK" S.A.

B.C. „VICTORIABANK" S.A was founded on 22 December 1989, being the first commercial bank in the Republic of Moldova to be registered with the Central Bank of USSR on 22 February 1990, being reorganized on 26 August 1991 into a joint-stock company (joint-stock commercial bank).

On 29 November 2002, the Bank was re-registered as a commercial bank, open joint-stock company, and its shares were registered and listed on the Moldova Stock Exchange.

The Bank is authorized to carry out banking activities pursuant to its license issued by the National Bank of Moldova.

The Bank carries out its activity through its headquarters located in Chişinău, 31 August 1989 Street No 141, and through 34 branches and 57 agencies throughout the Republic of Moldova (2018: 34 branches and 59 agencies).

The Bank's number of active employees as at 31 December 2019 was 1,143 (2018: 1,161 employees).

The share capital of B.C. „VICTORIABANK" S.A. consists of MDL 250,000,910, divided into 25,000,091 class I nominal ordinary shares, with voting rights, at a face value of MDL 10/share. The nominal ordinary shares issued by the bank (ISIN: MD14VCTB1004) are admitted to trading on the regulated market at the Moldova Stock Exchange (www.moldse.md).

2. Basis of preparation

a) Statement of compliance

The consolidated and separate financial statements of the Group and of the Bank have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union, effective as at the Group's and Bank's annual reporting date, 31 December 2019.

b) Basis of measurement

The separate and consolidated financial statements were prepared on historical cost basis, except for the financial instruments recognized at fair value through profit or loss, the financial instruments at fair value through other items of comprehensive income and the revaluation of property and equipment and investment property.

2. Basis of preparation (*continued)*

c) Functional and presentation currency – "RON"
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 the entity operates ('the functional currency'). The functional currency of the entities within the Group is the Romanian leu "RON", "EUR" and the Moldovan leu "MDL". The separate and consolidated financial statements are presented in Romanian lei "RON", rounded to the nearest thousand.

d) Use of estimates and judgements

The preparation of the separate and consolidated financial statements in accordance with the IFRS as endorsed by the European Union implies that the management uses estimations and judgements that affect the application of accounting policies, as well as the reported value of assets, liabilities, incomes and expenses. The estimates and associated assumptions are based on historical data and various other factors that are believed to be relevant under the given circumstances, the result of which forms the basis of the judgements used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates.
The estimates and assumptions are reviewed on an ongoing basis.
The review of the accounting estimates is recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods.
Information about estimates used in the application of the accounting policies which have a significant impact on the consolidated financial statements, as well as the estimates involving a significant degree of uncertainty, are described in Note 5.

3. Significant accounting policies

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

a) Basis for consolidation

According to IFRS 10, control means that an investor has: 1) power over the investee; 2) exposure, or rights to variable returns from its involvement within the investee; 3) the ability to use its power over the investee to affect the amount of the investor's returns. The list of the Group's subsidiaries is presented in Note 1.

(i) Subsidiaries

The Group's subsidiaries are the entities under the Group's direct and indirect management. The management of an entity is reflected by the group's capacity to exercise its authority in order to influence any variable profit to which the Group is exposed based on its involvement in the entity. The factors that the Group must consider when deciding to include an entity in the consolidation are the following:

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

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(i) Subsidiaries (continued)

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

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

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

The Group revaluates on an ongoing basis the control over the entities subject to investment, at least upon each quarterly reporting date. Therefore, any structural modification leading to the change of one or several control parameters is subject to revaluation. Such modification may include the change of the decision-making rights, changes in the contractual terms, financial or capital structure modifications, modifications caused by an event anticipated upon the initial documentation.

(ii) Non-controlling interest

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

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

(iii) Loss of control

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

Upon the loss of control over a subsidiary, the Group: a) derecognizes the assets (including the attributable goodwill) and liabilities of the subsidiary at their book value, b) derecognizes the book value of any non-controlling interests held in the former subsidiary, c) recognizes the consideration received at fair value, as well as any distribution of the subsidiary's shares, d) recognizes any investment in the former subsidiary at fair value and e) recognizes any difference resulting from the above elements as gain or loss in the income statement. Any amounts recognized in the previous periods as other items of comprehensive income in relation to the respective subsidiary, shall be either reclassified in the consolidated statement of profit or loss or transferred to retained earnings, if required by other IFRS standards.

(iv) Investments in associates

A related party is an entity over which the Group exercises significant influence in terms of financial and operating policy decision making, but without controlling the entity. Significant influence is when the Group holds between 20% and 50% of the voting rights. The existence and impact of the potential rights that are currently enforceable or convertible are also taken into consideration in order to determine whether the Group exercises significant influence.

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(iv) Investments in associates *(continued)*

Other factors taken into consideration in order to determine whether the Group exercises significant influence are the representation in the Board of Directors and the inter-company relevant transactions. The existence of such factors may require the application of the equity method of accounting for a certain investment, even if the Group's investment in voting shares is lower than 20%.

Investments in related parties are booked according to the equity method. The share of the Group resulting from the association is adjusted in order to be in line with the Group's accounting policies and is booked in the consolidated statement of profit or loss as net investment income (loss) according to the equity method. The Group's share in the profits or losses of the related parties resulting from inter-company sales is removed from the consolidation basis.

In accordance with the equity method, the Group's investments in related entities and jointly controlled entities are initially booked at cost, including any costs directly connected with the related party transactions, and are subsequently increased (or decreased) to reflect both the proportional share of the Group after the acquisition and the net income (or loss) of the related entity or of the jointly controlled entity, as well as other direct changes in the shareholders' equity of the related entity or of the jointly controlled entity. The goodwill generated by the acquisition of a related entity or of a jointly controlled entity is included in the investment book value. Since goodwill is not reported separately, it is not tested for impairment. In fact, the whole investment accounted based on the equity method is tested for depreciation upon each balance sheet preparation.

At the date when the Group ceases to have significant influence on the related entity or the jointly controlled entity, the Group shall determine the profit or loss from the assignment of the investment based on the equity method, which shall be equal to the difference between the fair value of each investment held and the income obtained from the sale of the related entity participation, and the investment book value.

(v) Management of investment funds

The Group manages and administrates assets invested in fund units on behalf of investors. The financial statements of these entities are not included in the consolidated financial statements, except when the Group controls the entity by holding authority, exposure or rights over variable incomes based on its participation of more than 50% in the open investment fund units. In line with the Group's strategy to develop open investment funds and to attract new investors, the Group removes from the consolidation basis the open funds managed by BT Asset Management SAI S.A., if the percentage of fund unit holdings decreases below 40% during two financial years.

3. Significant accounting policies *(continued)*

a) Basis of consolidation *(continued)*

(v) Management of investment funds (continued)

As concerns the closed funds managed by BT Asset Management SAI S.A., the Group removes from the consolidation basis the holdings for which there is no significant influence of more than 20%.

If the Group holds units in open or closed investment funds managed by an investment management company which is not included in the consolidation, they shall not be consolidated because the Group does not have the authority and decision-making power regarding the relevant activities of such entity.

(vi) Transactions eliminated from consolidation

Intra-group settlements and transactions, as well as any unrealized gains resulted from the intra-group transactions have been fully eliminated in the preparation of the consolidated financial statements. Unrealized gains resulted from transactions with related entities are eliminated in correlation with the investment in the related entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(vii) Presentation of the legal merger through absorption in the financial statements

The Group applies the requirements of IFRS 3 “Business combinations” in order to account for the merger through absorption in the separate financial statements of the absorbing entity. By applying this policy, the separate financial statements of the absorbing entity after merger are a continuation of the consolidated financial statements prepared starting with the date of acquisition of the absorbed entity.

The profit or loss and other comprehensive income of the absorbing entity includes the revenues and expenses as they were booked by the absorbed entity at individual level, for the period between the date of gaining the control (or the end of the last financial period) and the merger date.

Due to the lack of specific requirements in the IFRS related to legal mergers through absorption, the Bank decided to present the book value of the acquired identifiable assets and undertaken liabilities in the separate financial statements at the legal merger date, after their initial recognition at fair value at the date when the control was acquired.

b) Foreign currency transactions

(i) Foreign currency transactions

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

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

FX differences are recognized in profit or loss.

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

3. Significant accounting policies *(continued)*

b) Foreign currency transactions *(continued)*

(ii) Translation of foreign currency operations

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

- the assets and liabilities of this entity, both monetary and non-monetary, were translated at the closing rate at date of the consolidated and separate statement of financial position;
- income and expense items of these operations were translated at the average exchange rate of the period, as an estimate of the exchange rates at the dates of the transactions; and
- all resulting exchange differences have been classified as equity until the disposal of the investment.

The exchange rates 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%
United States dollar (“USD”)	1: RON 4.2608	1: RON 4.0736	4.60%

c) Interest income and expenses

Recognition of interest income and expenses

Interest income and expense are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination.

The Group does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost, net of the expected credit loss provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit adjusted effective interest rate is applied to the amortised cost.

3. Significant accounting policies *(continued)*

d) Fee and commission income

Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes fee income in the banking units (transactional fees, brokerage and execution fees, syndication fees etc), fee income from capital markets (advisory fees which are generated from wealth management services and investment banking advisory services, fee, income from investment activities, brokerage and execution fees, underwriting fees, custodial fees), fee income in wealth management, fee income related to leasing activity, etc. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, fees for cash settlements, collection or cash disbursements, as well as, commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

e) Net trading income

Net trading income represents the difference between the gain and loss related to financial assets held-for trading, foreign exchange transactions, derivatives and foreign exchange position revaluation.

f) Net loss/gain related to financial assets measured at fair value through other items of comprehensive income

The net loss/gain related to financial assets measured at fair value through other items of comprehensive income comprises the gain and loss from the sale of financial assets measured at fair value through other items of comprehensive income. Net gain and loss from the sale of financial assets measured at fair value through other items of comprehensive income are recognized in the income statement at the moment of their sale. They represent the difference between the obtained price and the amortized cost of the financial assets measured at fair value through other items of comprehensive income.

g) Net loss/gain from financial assets which are required to be measured at fair value through profit and loss

The net loss/ gain from financial assets which are required to be measured at fair value through profit and loss includes the gain and loss both from the revaluation at fair value and the sale of financial assets which are required to be measured at fair value through profit and loss.

h) Dividend income

Dividend income is recognized in profit or loss at the date when the right to receive such income is established and it is probable that the dividends will be collected. Dividends are reflected as a component of other operating income.

3. Significant accounting policies *(continued)*

h) Dividend income *(continued)*

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

i) Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund

The retail deposits and certain legal entity deposits, including SME deposits, are guaranteed up to EUR 100,000 by the Bank Deposit Guarantee Fund (the "FGDB") according to the regulations in force (Law 311/2015 regarding the deposit guarantee scheme and the Deposit Guarantee Fund).

The Romanian credit institutions are obliged to pay an annual contribution to the Deposit Guarantee Fund ("FGBD-Fondul de Garantare a Depozitelor Bancare"), in order to guarantee the clients' deposits in case of the credit institution's insolvency, as well as an annual contribution to the Resolution Fund ("Fondul de Rezolutie").

The Group and the Bank applied IFRIC 21 "Levies", as this contribution to the FGDB corresponds to a tax that needs to be fully recognized as an expense at the time the generating event occurs.

j) Lease assets and liabilities

Group applies 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 presents in this financial statements, lease assets and liabilities for the following types of transactions:

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

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

3. Significant accounting policies *(continued)*

j) Lease assets and liabilities *(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 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 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) <u>The Group as a lessee</u>

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.

Right of use – initial measurement

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.

Lease liability – initial measurement

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 policies *(continued)*

j) Lease assets and liabilities *(continued)*

a) <u>The Group as a lessee</u> (continued)

Subsequent measurement - Right-of-use asset

The Group 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 as a lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group 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 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 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 remeasure the lease liability to reflect changes to the lease payments. The Group 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, it recognise any remaining amount of the remeasurement in profit or loss

b) <u>The Group as a lessor</u>

Initial measurement

At the commencement date, the Group, as a lessor, recognise 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 lessor 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 residual value guarantees 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.

3. Significant accounting policies *(continued)*

j) Lease assets and liabilities *(continued)*

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

Leasing contracts in which the Group assumes substantially all the risks and rewards of ownership were classified as financial leases. Upon initial recognition, leasing payments are recognized at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.
The other leasing contracts represent operating leases and the leased assets are not recognized in the consolidated statement of financial position.

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.

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

Subsequent measurement
The Group recognise 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 Group 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.

The Group apply the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. It reviews regularly estimated unguaranteed residual values used in computing the gross investment in the lease. If there has been a reduction in the estimated unguaranteed residual value, the Group revise the income allocation over the lease term and recognise immediately any reduction in respect of amounts accrued.

k) Income tax expense

Income tax for the year includes the current tax and the deferred tax. The income tax is recognized in the result for the year or in the shareholders' equity, if the tax is related to shareholders' equity items.
Current tax is the tax payable with respect to the profit for the period, determined based on the percentages applied at the date of the consolidated statement of financial position and all the adjustments related to the previous periods. The adjustments which influence the fiscal base of the current tax are: non-deductible expenses, non-taxable income, similar expense/ income items and other tax deductions.
Deferred tax is determined based on the balance sheet liability method for the temporary differences between the fiscal base for the calculation of the tax on assets and liabilities and their accounting value used for reporting under the consolidated financial statements.

3. Significant accounting policies *(continued)*

k) Income tax expense (continued)

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 is being controlled by the entity.

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.

According to the local tax regulations, the fiscal loss of the entity 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.

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

The tax rate used to calculate the current and deferred tax position at 31 December 2019 is 16% (2018: 16%).

l) Financial assets

The Group and the Bank classify the financial assets based on the cash flow characteristics of each instrument and the business model within which an asset is held. A business model reflects how the Group and the Bank manage the financial assets in order to achieve its business objectives.

There are three types of business models:

"Hold to collect" business model:

This business model refers to financial assets that are classified in order to collect cash flows (for example: loans, government securities, bonds held outside the trading portfolio). If these assets pass the SPPI test, they are measured at amortized cost and included in the periodical calculation of expected credit losses.

There is no requirement that the assets classified in this category should be held until their maturity; sales are acceptable, if they are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent), when the risk profile of such instruments increases or is no longer in line with the Group's and the Bank's investment policy. A higher frequency of sales during a certain period is not necessarily in contradiction with this business model, if the Group and the Bank are able to justify the reasons for such sales and to prove that such sales do not reflect a change in the current business model.

"Hold to collect and sell" business model:

Under this business model, financial assets are held to collect the contractual cash flows, but they may also be sold in order to cover liquidity requirements or to maintain a certain interest return on the portfolio. They are measured at fair value through other items of comprehensive income (reserves) and may include government securities and bonds.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

Other business models: are those which do not meeting the criteria of the business models mentioned above, for example business models in which the primary objective is realizing cash flows through sale, held for trading business models, business models under which assets are managed on a fair value basis, business models under which financial assets are acquired for sale/trading and measured through profit or loss (tradable securities, tradable shares, etc.). The portfolio is managed based on the market value evolution in respect of the assets concerned and includes frequent sales and purchases for the purpose of maximizing profit.
The Group and the Bank recognize all financial assets and liabilities at the transaction date. The transaction date is the date when the Group and the Bank undertake to buy or to sell an asset.

At initial recognition, a financial asset can be classified as:

a) measured at amortized cost, provided that the following conditions are cumulatively fulfilled:

- the asset is held under a business model in which the primary objective is to collect contractual cash flows;
- the contractual terms of the financial asset generate cash flows at specific dates, representing solely payments of principal and interest.

b) measured at fair value through other comprehensive income are provided that the following conditions are cumulatively fulfilled:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) measured at fair value through profit and loss, if financial assets do not meet the criteria according to which the contractual cash flows need to be Solely Payments of Principal and Interest (the SPPI test) or if the assets are held for trading (for example derivatives or fund units).
Embedded derivatives are no longer separated from the host financial assets, but will be assessed in their entirety together with the non-derivative financial asset, for the purpose of the contractual cash flow characteristics test.

Investments in equity instruments are always measured at fair value through profit and loss. However, provided that such instruments are not held for trading, the Group and Bank management can make an irrevocable election to present changes in fair value in other comprehensive income (except for dividend income which is recognised in profit or loss).

Therefore, if equity instruments are measured at fair value through other comprehensive income, such instruments will not be classified as monetary items and the accumulated profit or loss, including that resulting from currency exchange, will be transferred to the entity's equity upon the derecognition of such instruments.

If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
The gains and losses from investments in equity instruments measured at fair value through profit or loss are included in the statement of profit and loss under "Net trading income" for held for trading equity instruments.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

Investments in equity instruments, representing usually strategic investments which are not planned to be disposed of in the foreseeable future and are not included in the trading portfolio, have been classified as financial assets required to be measured at fair value through other comprehensive income. In this case, the Group and the Bank have irrevocably decided to present fair value changes under comprehensive income, whereas the gains or losses related to the respective instruments will be transferred directly to the Group's equity, without being reclassified (or recycled) to profit or loss.

Government bonds, municipal bonds and other bonds issued by financial and non-financial institutions are measured at fair value through other items of comprehensive income, under the provisions of the SPPI test criteria and the "hold to collect and sell" business model. Starting from 1 January 2018, the Group and the Bank recognize an allowance for expected for expected credit losses related to such assets measured at fair value through other items of comprehensive income. This provision will be recognized under other comprehensive income and does not diminish the book value of the financial asset.

Bonds issued by credit institutions and other financial institutions which meet the SPPI test criteria and the "hold to collect" business model are measured at amortized cost. Starting from 1 January 2018, the Group and the Bank have recognized impairment allowances related to financial assets measured at amortized cost.

Fund units held with mutual funds which fail the solely payments of principal and interest ("SPPI") criterion are mandatorily measured at fair value through profit and loss.
In the separate statement of financial position, equity instruments representing investments in subsidiaries continue to be measured at cost, according to IAS 27 - "Separate Financial Statements".

Derivative instruments are measured at fair value through profit or loss.

Impairment requirements under IFRS 9 are based on expected credit losses and imply the timely recognition of forthcoming estimated credit losses.

The Group and the Bank assesses on forward-looking basics the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and fair value through other items of the comprehensive income and the exposure from loan commitments and financial guarantee contracts.

In order to measure expected credit losses, the Group and the Bank is grouping its assets into three categories: stage 1 (assets with no increase in credit risk from initial recognition), stage 2 (assets for which significant increase in credit risk from initial recognition has been observed) and stage 3 (credit-impaired – assets that Bank is considering to be nonperforming. More details about how the Group is grouping its financial assets can be found in Note 4 "Risk management".

The determination of expected losses at the reporting date relies on the effective interest rate established upon the initial recognition, except financial assets with variable interest rate, for which the expected credit losses must be determined based on the current effective interest rate. As concerns the purchased or originated financial assets that are credit-impaired, the expected credit losses must be determined based on the credit-adjusted effective interest rate established upon the initial recognition.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

Under IFRS 9, *a financial asset is credit-impaired* when one or more events have occurred and have a significant impact on the expected future cash flows of the respective financial asset.
The proof that a financial asset is credit-impaired includes observable data about the following events:

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

A financial asset classified as impaired upon initial recognition will be maintained as such until its derecognition.
The expected credit losses are calculated at each reporting date and they 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.

Some financial instruments include both a loan and an undrawn commitment component and the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's and the Bank's exposure to credit losses to the contractual notice period. For such financial instruments, and only those financial instruments, the Group and the Bank shall measure expected credit losses over the period that the Group and the Bank are exposed to credit risk and expected credit losses would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. Also, the Group and the Bank recognize a loss allowance for expected credit losses also for financial guarantee accordingly to IFRS9 principles.

Provisions for credit risk associated with loan commitments are considered and recognised at the time when the Group and the Bank records in its off balance sheet records a commitment with the risk of being converted into a loan. The calculation basis for these provisions includes exposures from commitments related to letters of credit, letter of guarantee, uncommitted amount of the loans granted by the Group and the Bank and factoring commitments. The expected credit loss calculation is made according to IFRS 9 and is based on the probability of conversion into credit, the probability of default and loss given default.

Derecognition policy

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

(i) the Group and the Bank transfer substantially all the risks and rewards of ownership, or
(ii) the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and the Group and the Bank did not retain control.

3. Significant accounting policies *(continued)*

l) Financial assets *(continued)*

The Group and the Bank enter into transactions where they retain the contractual rights to receive cash flows from assets but assume a contractual obligation to pay those cash flows to other entities and transfer substantially all of the risks and rewards.

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

- Have no obligation to make payments unless they collect equivalent amounts from the assets;
- Are prohibited from selling or pledging the assets; and
- Have an obligation to remit any cash they collect from the assets without material delay.

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

m) Financial liabilities

Financial liabilities are classified after the initial measurement at amortized cost, except for derivatives which are measured at fair value through profit or loss. Embedded derivatives are separated from the host contract if the separation criteria mentioned by IFRS 9 are met.
The Group and the Bank do not hold financial liabilities designated at fair value through profit and loss. Financial liabilities cannot be reclassified.

n) Cash and cash equivalents

Cash and cash equivalents include: cash at hand, unrestricted balances held with National Bank of Romania and National Bank of Moldova and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of fair value changes.

Cash and cash equivalents are carried at amortized cost in the consolidated and separate statement of financial position.

o) Tangible assets

(i) Recognition and measurement

Tangible assets are stated at the revalued amount less accumulated depreciation.

Measurement upon initial recognition

The cost of a fixed asset item consists in:

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

All tangible assets are stated at the revalued amount, less the accumulated depreciation and impairment losses.

3. Significant accounting policies *(continued)*

o) Tangible assets *(continued)*

(i) Recognition and measurement (continued)

The costs of tangible assets in progress are capitalized if the criteria for tangible asset recognition are met, notably: they generate future economic benefits, they can be measured reliably and they lead to the improvement of technical parameters, ensuring an ongoing use of the assets under normal conditions. The costs for maintenance and current repairs are not recognized under assets.
Tangible assets in progress are starting to be depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by management. This condition is fulfilled when there is a sign-off for reception and deployment by the asset's users.
The carrying amounts of assets are analyzed during the revaluation process upon the issuance of the statement of financial position. The Group and the Bank shall annually reassess all tangible assets with an external evaluator, who is not an employee of the Group or the Bank.
For revalued assets, if an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss, except the case when the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
When an item of property and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.
The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realized on the retirement or disposal of the asset. Tangible assets acquired by finance lease are stated at an amount equal to the lower of their fair value and the net present value of the minimum leasing payments at the lease commencement date, less the accumulated depreciation and impairment losses.

(ii) Subsequent costs

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

(iii) Depreciation

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

The estimated useful lives are as follows:

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

3. Significant accounting policies *(continued)*

o) Tangible assets *(continued)*

The leasehold improvements are depreciated over the lease term, which varies between 1 and 15 years. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

p) Investment property

Investment property is property (land, buildings or parts of a building) held by the Group and the Bank to earn rent, for capital appreciation or both, rather than for:

- the use in production, the supply of goods or services or for administrative purposes; or
- the sale in the ordinary course of business.

(i) Recognition and measurement

Investment property is recognized as an asset when:
- it is probable that the future economic benefits that are associated with the investment may flow to the Group and to the Bank;
- the cost of the investment property can be measured reliably.

An investment property is measured initially at cost, including transaction costs. The cost of an investment property includes its purchase price (if purchased) and other directly attributable expenses (e.g. fees for legal services, property transfer taxes and other transaction costs).

(ii) Subsequent measurement

The accounting policy for the subsequent measurement of the investment properties of the Group and the Bank is based on the fair value model. This policy is applied consistently for all the investment properties held by the Group and the Bank. When the Group and the Bank, as lessees use the fair value model to measure an investment property that is held as a right-of-use asset, they shall measure the right-of-use asset, and not the underlying property, at fair value.
Gains or losses from the change in the fair value of the investment properties are recognized in profit or loss in the period in which they arise.
The fair value of the investment properties reflects the market conditions at the reporting date.

(iii) Transfers

Transfers to or from investment property are made when, and only when, there is a change in use of the asset. For the transfer of an investment property, measured at fair value, to tangible assets, the property's deemed cost for subsequent accounting is its fair value at the date of the change in use.

An investment property is derecognized on disposal or when it is permanently withdrawn from use and no future benefits are expected from its disposal.

The gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the period of the retirement or disposal.

(iv) Disposals

Derecognition of an investment property will be triggered by a change in use or by sale or disposal or when it is permanently withdrawn from use and has no future economic value. When an investment property is disposed of, it is eliminated from the statement of financial position, while the gain or loss on the retirement or disposal of an investment property is recognized in the statement of profit or loss in the period the disposal is related to. The gain or loss arising on disposal is determined as the difference between any disposal proceeds and the carrying amount.

3. Significant accounting policies *(continued)*

q) Intangible assets

Upon their initial recognition, intangible assets are measured at cost. After the initial recognition, intangible assets are carried at the acquisition amount less any subsequent accumulated amortization and any subsequent accumulated impairment losses.

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

(i) Goodwill and negative goodwill

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

Subsequent measurement

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

(ii) Software

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

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

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

r) Fixed assets held-for-sale

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

3. Significant accounting policies *(continued)*

r) Fixed assets held-for-sale (continued)

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

s) Impairment of non-financial assets

An impairment loss is recognized if the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group generating cash flows and largely independent from other assets and groups.
Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of any goodwill allocated to the respective cash-generating unit (group of units) and then to reduce the carrying amount of any other assets in the unit on a pro rata basis.
The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value, less the cost of sale of such asset or unit. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments and the risks specific to the asset.

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

t) Deposits from customers

Customer deposits are initially measured at fair value, including transaction costs, and are subsequently measured at amortized cost by using the effective interest method.

u) Issued bonds, loans from banks and financial institutions

Borrowings such as loans from banks and other financial institutions and issued bonds are initially recognized at fair value, notably as proceeds resulting from such instruments (fair value of consideration received), net of transaction costs incurred. Issued bonds and loans from banks and other financial institutions are subsequently carried at amortized cost. The Group and the Bank classify these instruments as financial liabilities or equity instruments in accordance with the contractual terms of the instrument. The outstanding bonds that have not yet reached the maturity or liquidation date can be converted into shares, depending on the option of the holder, according to the issuance prospectus (not all the outstanding bonds are convertible).
The conversion shall be made at a price per share that is established at the price fixing date or at the liquidation date, which is equal to the average of the daily maximum and minimum share price on the regular market, weighted with the daily volume traded on the regular market throughout the 90 days when the shares were transacted on the Bucharest Stock Exchange, immediately prior to the price fixing date of the liquidation date. Share premiums result as a difference between the value of convertible bonds and the value of shares issued.

3. Significant accounting policies *(continued)*

v) Provisions

Provisions are recognized in the consolidated and separate statement of financial position when the Group and the Bank acquire an obligation as a result of a past event and it is probable that an outflow of economic resources may be required in the future to settle the obligation, such obligation being measured reliably. The provisions' value is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market conditions and the risks specific to the respective liability.
Provisions for other risks are recognized in the consolidated and separate statement of financial position when the Group and the Bank acquire an obligation as a result of a past event and it is probable that an outflow of economic resources may be required in the future to settle the obligation, such obligation being measured reliably. The provisions' value is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market conditions and the risks specific to the respective liability.
This category includes mainly provisions for employees benefits (as described in section 3y), for litigations in which the bank is involved estimated based on the loss probability for the Bank and provisions for abusive clauses of credit contracts (as described in section 5.c)

w) Financial guarantees

Financial guarantees are contracts that require the Group and the Bank to make specific payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the lifespan of the financial guarantee. The guarantee liability is subsequently carried at the higher of the amortized amount and the value of the expected credit loss determined in accordance with IFRS 9.

x) Employee benefits

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

(ii) Defined contribution plan
In the normal course of business, the Bank and its subsidiaries make payments to the Romanian public pension funds on behalf of their employees for retirement, healthcare and unemployment allowances. All the employees of the Bank and its subsidiaries are members and are also legally obliged to make specific contributions (included in the social security contributions) to the Romanian public pension plan (a State defined contribution plan). All relevant contributions to the Romanian public pension plan are recognized as an expense in the income statement as incurred. The Bank and its subsidiaries do not have any further obligations.

(iii) Other benefits
The Bank 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 Bank 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.

3. Significant accounting policies *(continued)*

x) Employee benefits *(continued)*

(iii) Other benefits (continued)

The fixed and variable remuneration may also be granted by means of a stock option plan, in the form of shares. The variable component of the total remuneration represents the remuneration that can be granted by the Bank 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 the Bank's shares (TLV). In the case of the identified staff, in the establishment of the annual variable remuneration, one shall aim at limiting excessive risk-taking. A substantial part of the variable component of the total remuneration, in all cases at least 40%, is deferred for a period of 3 years and is properly correlated with the activity nature, the risks and the responsibilities of the respective staff.

Based on the decision of the shareholders, the Board of Directors of the Bank 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.

The amount recognized as an expense is adjusted to reflect the value of awards for which the related services and non-market related performance conditions are expected to be fulfilled, so that the amount ultimately recognized as an expense is based on the actual compensation for the services and performance conditions which are not related to the market at the vesting date.

y) Segment reporting

An operational segment is a component of the Group and of the Bank:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity's decision maker in order to make decisions about resources to be allocated to the segment and to assess its performance;
- for which discrete financial information is available.

The Group's and the Bank's format for segment reporting is presented in note 6.

z) Earnings per share

The Group and the Bank presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders with the weighted average number of outstanding ordinary shares, affecting all potential ordinary shares, which comprise convertible securities and share options granted to employees.

aa) Treasury shares

Repurchased own equity instruments (treasury shares) are deducted from shareholders' equity. No gain or loss is recognized in the income statement from the purchase, sale, re-issue or cancellation of the Bank's own equity instruments.

3. Significant accounting policies *(continued)*

ab) Business Combinations

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

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

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

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

ac) Implementation of new or reviewed standards and interpretations

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.
On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases.
These liabilities were measured at the present value of the remaining lease payments, 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 491,295 thousand and of the Bank in the amount of RON 464,617 thousand.

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 policies *(continued)*

ac) Implementation of new or reviewed standards and interpretations *(continued)*

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

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

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.

3. Significant accounting policies *(continued)*

ac) Implementation of new or reviewed standards and interpretations *(continued)*

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.

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) *(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.

ad) 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.

Notes to the consolidated and separate financial statements

3. Significant accounting policies *(continued)*

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

"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 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.

4. Financial risk management

a) Introduction

The Group and the Bank have exposures to the following risks derived from the use of financial instruments:

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

This note presents information about the Group's and the Bank's exposure to each of the above risks, the Group's and the Bank's objectives, policies and processes for measuring and managing risk. The most important types of financial risk to which the Group and the Bank are exposed: credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and equity instruments' price risk.

Risk management is part of all decisional and business processes that take place in the Group's and the Bank's activity. The Board of Directors has the responsibility regarding the definition and monitoring of the general risk management framework for the Group and the Bank.

The risk management in Banca Transilvania S.A. is performed at 2 levels: a strategic level represented by the Board of Directors and the Leaders' Committee and an operational level represented by: Assets - Liabilities Committee ("ALCO"), Credit Policy and Approval Committee, Head Office Credit and Risk Committees (loan approval), Credit and Risk Committee of the branches/agencies, Workout Committee ("CRW"), the Bank's Leaders, Executive Directors and risk management structures within the Bank that are responsible for the definition and/or monitoring of risk management policies in their field of expertise. The Board of Directors periodically reviews the activity of these committees.

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

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

The Group's objective in terms of risk management is to integrate the assumed medium-risk appetite in the decision-making process, by promoting a proper alignment between assumed risks, available capital and performance targets, while also considering the tolerance to financial and non-financial risks. In determining the risk appetite and tolerance, the Group takes into consideration all the material risks it is exposed to, given its specific activity and being mainly influenced by the credit risk.

Risk management policies and systems are reviewed regularly (mainly annually) with the participation of the Leaders' Committee and the responsible persons from different Departments involved, in order to reflect the changes in the market conditions, the products and services provided.

The crisis simulation process is an integral part of the risk management process.
The Bank reviews the crisis simulation program regularly, at least semi-annually, and assesses its efficiency and adequacy to the defined purposes/objectives.

4. Financial risk management *(continued)*

b) Credit risk

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

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

(i) Credit risk management

The objective of the Group and of the Bank as concerns the management of credit risk is to ensure a balanced distribution of capital among various business lines, which allows the achievement of comfortable RAROC (Risk-adjusted return on capital) levels considering the proportion of the lending activity in the Bank's assets and its commercial bank profile.

The Group and the Bank are exposed to credit risk through the trading, lending, investment and guarantee issuing activities. The credit risk arising from trading and investment activities is mitigated by selecting only counterparties with good credit standing and by monitoring their activities and ratings, by using exposure limits and, when necessary, by requesting collaterals.
The Group's and the Bank's primary exposure to credit risk arises from loans and advances to customers.

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

In addition, the Group and the Bank are exposed to off balance sheet credit risk from credit and guarantee commitments (see Note 41).

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

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

- The analysis, assessment and monitoring of specific risks within the lending activity;
- The risk analysis of the loan portfolio/large exposures, with recommendations submitted to the Leaders' Committee/Board of Directors;
- Monitoring the observance of internal policies specific to the lending activities;

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(i) Credit risk management (continued)

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

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

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

(ii) Credit risk exposure

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

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The table below contains the on-balance and off-balance sheet exposures (loans and advances to customers and financial lease receivables), split by economic sector concentration:

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Retail	53.80%	52.04%	53.47%	51.89%
Trading	10.70%	11.42%	10.08%	11.02%
Production	9.06%	10.24%	8.92%	10.21%
Constructions	4.07%	3.39%	3.84%	3.84%
Services	3.94%	3.73%	3.76%	3.59%
Agriculture	3.89%	3.99%	3.80%	3.68%
Real estate	3.54%	3.87%	3.61%	3.79%
Transportation	3.38%	1.82%	2.69%	2.72%
Others	1.79%	1.25%	1.75%	1.68%
Self-employed	1.62%	1.56%	1.37%	1.46%
Financial institutions	1.40%	3.71%	3.92%	3.27%
Energy	1.33%	1.03%	1.41%	1.27%
Telecommunications	0.80%	1.21%	0.76%	0.89%
Mining	0.32%	0.35%	0.26%	0.28%
Chemical industry	0.19%	0.20%	0.20%	0.22%
Government institutions	0.14%	0.15%	0.13%	0.15%
Fishing	0.03%	0.04%	0.03%	0.04%
	100.00%	**100.00%**	**100.00%**	**100.00%**

The table below presents the concentration by class of the on-balance and off-balance sheet exposures related to the Bank's and Group's loan and leasing portfolio:

	Group		Bank	
RON thousand	**2019**	**2018**	**2019**	**2018**
Corporate	11,812,154	11,987,524	12,710,902	12,604,496
Small and medium enterprises	5,675,248	5,242,713	5,441,946	5,000,886
Consumer loans and card loans granted to retail customers	11,284,102	10,580,685	11,114,320	10,452,319
Mortgage loans	12,041,262	10,787,269	11,835,135	10,718,169
Loans and finance lease receivables granted by non-banking financial institutions	2,272,415	1,840,362	-	-
Other	49,697	51,839	32,285	39,237
Total loans and advances to customers and financial lease receivables before impairment allowance	**43,134,878**	**40,490,392**	**41,134,588**	**38,815,107**
Allowances for impairment losses on loans and financial lease receivables	(2,781,031)	(2,673,308)	(2,532,673)	(2,459,133)
Total loans and advances to customers and financial lease receivables net of impairment allowance	**40,353,847**	**37,817,084**	**38,601,915**	**36,355,974**

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

At 31 December 2019, the total irrevocable on-balance and off-balance sheet exposure was of RON 45,568,143 thousand (2018: RON 43,174,413 thousand) for the Group and RON 42,981,108 thousand (2018: RON 40,874,821 thousand) for the Bank.

The amounts presented above reflect the maximum accounting loss that would be recognized at the reporting date if the customers failed completely to perform their contractual obligations and if any collateral or security proved to be of no value.

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

The Group and the Bank use risk grades for loans both individually and collectively assessed. According to the Group's and the Bank's policies, a loan can be assigned a corresponding risk grade based on a 6-level classification: very low risk, low risk, moderate risk, sensitive risk, high risk and the highest risk for non-performing loans (default).

The classification of loans into groups is mainly based on the client scoring systems of the Group and the Bank.

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The exposures to credit risk for loans and advances to customers and financial lease receivables at **Group** consolidated level, as at **31 December 2019**, are presented below:

At amortized cost	**Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)**	**Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)**	**Assets impaired at the reporting date (Stage 3)**	**Assets impaired on initial recognition (POCI)**	**Total 2019**
In RON thousand					
Corporate	9,194,198	1,075,464	1,369,239	173,253	**11,812,154**
Small and medium enterprises	3,973,260	1,318,988	284,370	98,630	**5,675,248**
Consumer loans and card loans granted to retail customers	9,282,956	1,298,246	596,465	106,435	**11,284,102**
Mortgage loans	11,157,607	642,478	195,767	45,410	**12,041,262**
Loans and finance lease receivables granted to non-banking financial institutions	234,932	1,808,898	191,435	37,150	**2,272,415**
Other	1,598	44,032	3,222	845	**49,697**
Total loans and advances to customers and financial lease receivables before impairment allowance	**33,844,551**	**6,188,106**	**2,640,498**	**461,723**	**43,134,878**
Allowances for impairment losses on loans and financial lease receivables	(453,853)	(625,501)	(1,593,360)	(108,317)	**(2,781,031)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**33,390,698**	**5,562,605**	**1,047,138**	**353,406**	**40,353,847**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**Very low risk**	**Low risk**	**Moderate risk**	**Sensitive risk**	**Total 2019**
Corporate	1,613,779	4,643,173	2,881,921	55,325	**9,194,198**
Small and medium enterprises	2,095,459	1,197,057	389,051	291,693	**3,973,260**
Consumer loans and card loans granted to retail customers	3,729,746	4,852,540	455,814	244,856	**9,282,956**
Mortgage loans	4,137,587	6,561,789	353,665	104,566	**11,157,607**
Loans and finance lease receivables granted by non-banking financial institutions	-	233,898	-	1,034	**234,932**
Other	276	1,204	3	115	**1,598**
Total loans and advances to customers and financial lease receivables before impairment allowance	**11,576,847**	**17,489,661**	**4,080,454**	**697,589**	**33,844,551**
Allowances for impairment losses on loans and financial lease receivables	(65,615)	(176,829)	(154,748)	(56,661)	**(453,853)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**11,511,232**	**17,312,832**	**3,925,706**	**640,928**	**33,390,698**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	**0 days**	**1-15 days**	**15-30 days**	**Total 2019**
Corporate	9,186,237	6,476	1,485	**9,194,198**
Small and medium enterprises	3,900,815	67,028	5,417	**3,973,260**
Consumer loans and card loans granted to retail customers	8,794,573	389,925	98,458	**9,282,956**
Mortgage loans	10,739,427	317,198	100,982	**11,157,607**
Loans and finance lease receivables granted by non-banking financial institutions	222,079	7,981	4,872	**234,932**
Other	1,563	35	-	**1,598**
Total loans and advances to customers and financial lease receivables before impairment allowance	**32,844,694**	**788,643**	**211,214**	**33,844,551**
Allowances for impairment losses on loans and financial lease receivables	(446,622)	(5,222)	(2,009)	**(453,853)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**32,398,072**	**783,421**	**209,205**	**33,390,698**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2019**
Corporate	617,167	310,255	151,850	**1,079,272**
Small and medium enterprises	898,590	208,411	226,026	**1,333,027**
Consumer loans and card loans granted to retail customers	531,242	455,409	336,425	**1,323,076**
Mortgage loans	280,322	259,105	116,655	**656,082**
Loans and finance lease receivables granted by non-banking financial institutions	1,774,154	25,607	9,099	**1,808,860**
Other	15,207	28,803	21	**44,031**
Total loans and advances to customers and financial lease receivables before impairment allowance	**4,116,682**	**1,287,590**	**840,076**	**6,244,348**
Allowances for impairment losses on loans and financial lease receivables	(203,638)	(231,574)	(196,534)	**(631,746)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**3,913,044**	**1,056,016**	**643,542**	**5,612,602**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**0-30 days**	**30-60 days**	**60-90 days**	**Total 2019**
Corporate	1,078,252	803	217	**1,079,272**
Small and medium enterprises	1,258,721	54,109	20,197	**1,333,027**
Consumer loans and card loans granted to retail customers	1,122,750	159,136	41,190	**1,323,076**
Mortgage loans	561,097	81,559	13,426	**656,082**
Loans and finance lease receivables granted by non-banking financial institutions	1,774,116	24,469	10,275	**1,808,860**
Other	44,000	23	8	**44,031**
Total loans and advances to customers and financial lease receivables before impairment allowance	**5,838,936**	**320,099**	**85,313**	**6,244,348**
Allowances for impairment losses on loans and financial lease receivables	(550,400)	(54,620)	(26,726)	**(631,746)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**5,288,536**	**265,479**	**58,587**	**5,612,602**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, impaired, Stage 3 and defaulted POCI	**Non-default**	**Default**	**Total 2019**
Corporate	3,664	1,535,020	**1,538,684**
Small and medium enterprises	17,082	351,879	**368,961**
Consumer loans and card loans granted to retail customers	1,210	676,860	**678,070**
Mortgage loans	134	227,439	**227,573**
Loans and finance lease receivables granted by non-banking financial institutions	80,689	147,934	**228,623**
Other	1,669	2,399	**4,068**
Total loans and advances to customers and financial lease receivables before impairment allowance	**104,448**	**2,941,531**	**3,045,979**
Allowances for impairment losses on loans and financial lease receivables	(40,965)	(1,654,458)	**(1,695,423)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**63,483**	**1,287,073**	**1,350,556**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The exposures to credit risk for loans and advances to customers and financial lease receivables at **Group** consolidated level, as at **31 December 2018**, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2018
In RON thousand					
Corporate	9,359,738	1,185,658	1,223,601	218,527	**11,987,524**
Small and medium enterprises	3,477,529	1,331,814	286,301	147,069	**5,242,713**
Consumer loans and card loans granted to retail customers	8,655,726	1,168,855	645,074	111,030	**10,580,685**
Mortgage loans	9,895,469	624,631	223,625	43,544	**10,787,269**
Loans and finance lease receivables granted by non-banking financial institutions	176,147	1,488,527	133,063	42,625	**1,840,362**
Other	10,970	30,857	3,084	6,928	**51,839**
Total loans and advances to customers and financial lease receivables before impairment allowance	**31,575,579**	**5,830,342**	**2,514,748**	**569,723**	**40,490,392**
Allowances for impairment losses on loans and financial lease receivables	(455,275)	(583,721)	(1,495,450)	(138,862)	**(2,673,308)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**31,120,304**	**5,246,621**	**1,019,298**	**430,861**	**37,817,084**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2018
Corporate	807,357	4,895,420	3,435,830	221,131	**9,359,738**
Small and medium enterprises	1,696,495	1,224,209	475,044	81,781	**3,477,529**
Consumer loans and card loans granted to retail customers	2,821,774	5,131,753	442,748	259,451	**8,655,726**
Mortgage loans	3,551,488	5,913,385	317,050	113,546	**9,895,469**
Loans and finance lease receivables granted by non-banking financial institutions	-	174,279	-	1,868	**176,147**
Other	3,801	6,463	159	547	**10,970**
Total loans and advances to customers and financial lease receivables before impairment allowance	**8,880,915**	**17,345,509**	**4,670,831**	**678,324**	**31,575,579**
Allowances for impairment losses on loans and financial lease receivables	(38,713)	(175,255)	(195,162)	(46,145)	**(455,275)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**8,842,202**	**17,170,254**	**4,475,669**	**632,179**	**31,120,304**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	0 days	1-15 days	15-30 days	Total 2018
Corporate	9,326,512	22,295	10,931	**9,359,738**
Small and medium enterprises	3,397,897	69,914	9,718	**3,477,529**
Consumer loans and card loans granted to retail customers	8,136,194	412,080	107,452	**8,655,726**
Mortgage loans	9,454,135	332,761	108,573	**9,895,469**
Loans and finance lease receivables granted by non-banking financial institutions	161,501	7,962	6,684	**176,147**
Other	10,768	174	28	**10,970**
Total loans and advances to customers and financial lease receivables before impairment allowance	**30,487,007**	**845,186**	**243,386**	**31,575,579**
Allowances for impairment losses on loans and financial lease receivables	(446,625)	(6,391)	(2,259)	**(455,275)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**30,040,382**	**838,795**	**241,127**	**31,120,304**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2018**
Corporate	448,312	508,834	234,033	**1,191,179**
Small and medium enterprises	867,847	236,803	239,949	**1,344,599**
Consumer loans and card loans granted to retail customers	390,437	415,389	374,307	**1,180,133**
Mortgage loans	274,576	232,983	120,753	**628,312**
Loans and finance lease receivables granted by non-banking financial institutions	1,441,430	41,145	5,938	**1,488,513**
Other	8,772	20,598	187	**29,557**
Total loans and advances to customers and financial lease receivables before impairment allowance	**3,431,374**	**1,455,752**	**975,167**	**5,862,293**
Allowances for impairment losses on loans and financial lease receivables	(113,906)	(233,201)	(241,256)	**(588,363)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**3,317,468**	**1,222,551**	**733,911**	**5,273,930**

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	**0-30 days**	**30-60 days**	**60-90 days**	**Total 2018**
Corporate	1,158,723	32,456	-	**1,191,179**
Small and medium enterprises	1,273,120	54,403	17,076	**1,344,599**
Consumer loans and card loans granted to retail customers	960,540	167,365	52,228	**1,180,133**
Mortgage loans	529,272	76,593	22,447	**628,312**
Loans and finance lease receivables granted by non-banking financial institutions	1,441,416	34,879	12,218	**1,488,513**
Other	29,457	72	28	**29,557**
Total loans and advances to customers and financial lease receivables before impairment allowance	**5,392,528**	**365,768**	**103,997**	**5,862,293**
Allowances for impairment losses on loans and financial lease receivables	(501,116)	(56,176)	(31,071)	**(588,363)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**4,891,412**	**309,592**	**72,926**	**5,273,930**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances, lease receivables granted to clients, impaired, Stage 3 and defaulted POCI	**Non-default**	**Default**	**Total 2018**
Corporate	32,262	1,404,345	**1,436,607**
Small and medium enterprises	39,610	380,975	**420,585**
Consumer loans and card loans granted to retail customers	348	744,478	**744,826**
Mortgage loans	169	263,319	**263,488**
Loans and finance lease receivables granted by non-banking financial institutions	52,783	122,919	**175,702**
Other	5,865	5,447	**11,312**
Total loans and advances to customers and financial lease receivables before impairment allowance	**131,037**	**2,921,483**	**3,052,520**
Allowances for impairment losses on loans and financial lease receivables	(47,751)	(1,581,919)	**(1,629,670)**
Total loans and advances to customers and financial lease receivables net of impairment allowance	**83,286**	**1,339,564**	**1,422,850**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The exposures to credit risk for loans and advances to customers at **Bank** level, as at **31 December 2019**, are presented below:

At amortized cost	**Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)**	**Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)**	**Assets impaired at the reporting date (Stage 3)**	**Assets impaired on initial recognition (POCI)**	**Total 2019**
In RON thousand					
Corporate	10,265,861	964,802	1,365,765	114,474	**12,710,902**
Small and medium enterprises	3,853,586	1,279,897	276,702	31,761	**5,441,946**
Consumer loans and card loans granted to retail customers	9,120,517	1,294,998	592,910	105,895	**11,114,320**
Mortgage loans	10,958,278	639,326	192,485	45,046	**11,835,135**
Other	1,602	28,890	948	845	**32,285**
Total loans and advances to customers before impairment allowance	**34,199,844**	**4,207,913**	**2,428,810**	**298,021**	**41,134,588**
Allowances for impairment losses on loans	(466,217)	(527,633)	(1,467,871)	(70,952)	**(2,532,673)**
Total loans and advances to customers net of impairment allowance	**33,733,627**	**3,680,280**	**960,939**	**227,069**	**38,601,915**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2019
Corporate	2,427,235	4,901,380	2,881,921	55,325	**10,265,861**
Small and medium enterprises	2,097,455	1,075,387	389,051	291,693	**3,853,586**
Consumer loans and card loans granted to retail customers	3,729,746	4,692,028	453,887	244,856	**9,120,517**
Mortgage loans	4,137,586	6,363,748	352,378	104,566	**10,958,278**
Other	291	1,193	3	115	**1,602**
Total loans and advances to customers before impairment allowance	**12,392,313**	**17,033,736**	**4,077,240**	**696,555**	**34,199,844**
Allowances for impairment losses on loans	(73,951)	(180,912)	(154,745)	(56,609)	**(466,217)**
Total loans and advances to customers net of impairment allowance	**12,318,362**	**16,852,824**	**3,922,495**	**639,946**	**33,733,627**

Gross value of loans and advances granted to clients, not impaired, Stage 1	0 days	1-15 days	15-30 days	Total 2019
Corporate	10,259,518	4,858	1,485	**10,265,861**
Small and medium enterprises	3,787,805	60,364	5,417	**3,853,586**
Consumer loans and card loans granted to retail customers	8,640,404	383,583	96,530	**9,120,517**
Mortgage loans	10,549,434	309,149	99,695	**10,958,278**
Other	1,567	35	-	**1,602**
Total loans and advances to customers before impairment allowance	**33,238,728**	**757,989**	**203,127**	**34,199,844**
Allowances for impairment losses on loans	(459,458)	(4,929)	(1,830)	**(466,217)**
Total loans and advances to customers net of impairment allowance	**32,779,270**	**753,060**	**201,297**	**33,733,627**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 2	**Low-moderate risk**	**Sensitive risk**	**High risk**	**Total 2019**
Corporate	506,505	310,255	151,850	**968,610**
Small and medium enterprises	862,534	208,411	218,653	**1,289,598**
Consumer loans and card loans granted to retail customers	529,651	453,751	336,425	**1,319,827**
Mortgage loans	279,158	256,958	116,655	**652,771**
Other	66	28,803	21	**28,890**
Total loans and advances to customers before impairment allowance	**2,177,914**	**1,258,178**	**823,604**	**4,259,696**
Allowances for impairment losses on loans	(112,191)	(226,274)	(195,417)	**(533,882)**
Total loans and advances to customers net of impairment allowance	**2,065,723**	**1,031,904**	**628,187**	**3,725,814**

Gross value of loans and advances granted to clients, not impaired, Stage 2	**0-30 days**	**30-60 days**	**60-90 days**	**Total 2019**
Corporate	967,590	803	217	**968,610**
Small and medium enterprises	1,222,665	46,736	20,197	**1,289,598**
Consumer loans and card loans granted to retail customers	1,121,158	157,489	41,180	**1,319,827**
Mortgage loans	559,933	80,497	12,341	**652,771**
Other	28,859	23	8	**28,890**
Total loans and advances to customers before impairment allowance	**3,900,205**	**285,548**	**73,943**	**4,259,696**
Allowances for impairment losses on loans	(458,962)	(49,285)	(25,635)	**(533,882)**
Total loans and advances to customers net of impairment allowance	**3,441,243**	**236,263**	**48,308**	**3,725,814**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, impaired, Stage 3 and defaulted POCI	Non-default	Default	Total 2019
Corporate	-	1,476,431	**1,476,431**
Small and medium enterprises	227	298,535	**298,762**
Consumer loans and card loans granted to retail customers	-	673,976	**673,976**
Mortgage loans	-	224,086	**224,086**
Other	1,669	124	**1,793**
Total loans and advances to customers before impairment allowance	**1,896**	**2,673,152**	**2,675,048**
Allowances for impairment losses on loans	(1,774)	(1,530,800)	**(1,532,574)**
Total loans and advances to customers net of impairment allowance	**122**	**1,142,352**	**1,142,474**

The exposures to credit risk for loans and advances to customers at **Bank** level, as at **31 December 2018**, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2018
In RON thousand					
Corporate	10,084,158	1,147,561	1,226,214	146,563	**12,604,496**
Small and medium enterprises	3,386,621	1,285,765	281,367	47,133	**5,000,886**
Consumer loans and card loans granted to retail customers	8,531,329	1,166,901	643,682	110,407	**10,452,319**
Mortgage loans	9,830,720	621,248	223,106	43,095	**10,718,169**
Other	10,972	20,829	2,931	4,505	**39,237**
Total loans and advances to customers before impairment allowance	**31,843,800**	**4,242,304**	**2,377,300**	**351,703**	**38,815,107**
Allowances for impairment losses on loans	(458,348)	(517,631)	(1,401,158)	(81,996)	**(2,459,133)**
Total loans and advances to customers net of impairment allowance	**31,385,452**	**3,724,673**	**976,142**	**269,707**	**36,355,974**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2018
Corporate	1,137,773	5,256,626	3,468,628	221,131	**10,084,158**
Small and medium enterprises	1,696,495	1,133,301	475,044	81,781	**3,386,621**
Consumer loans and card loans granted to retail customers	2,821,773	5,008,610	441,996	258,950	**8,531,329**
Mortgage loans	3,551,487	5,849,126	316,561	113,546	**9,830,720**
Other	3,802	6,642	160	368	**10,972**
Total loans and advances to customers before impairment allowance	**9,211,330**	**17,254,305**	**4,702,389**	**675,776**	**31,843,800**
Allowances for impairment losses on loans	(42,298)	(172,652)	(197,378)	(46,020)	**(458,348)**
Total loans and advances to customers net of impairment allowance	**9,169,032**	**17,081,653**	**4,505,011**	**629,756**	**31,385,452**

Gross value of loans and advances granted to clients, not impaired, Stage 1	0 days	1-15 days	15-30 days	Total 2018
Corporate	10,050,932	22,295	10,931	**10,084,158**
Small and medium enterprises	3,314,494	62,409	9,718	**3,386,621**
Consumer loans and card loans granted to retail customers	8,017,756	406,873	106,700	**8,531,329**
Mortgage loans	9,393,506	329,130	108,084	**9,830,720**
Other	10,770	174	28	**10,972**
Total loans and advances to customers before impairment allowance	**30,787,458**	**820,881**	**235,461**	**31,843,800**
Allowances for impairment losses on loans	(450,786)	(5,692)	(1,870)	**(458,348)**
Total loans and advances to customers net of impairment allowance	**30,336,672**	**815,189**	**233,591**	**31,385,452**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 2	Low-moderate risk	Sensitive risk	High risk	Total 2018
Corporate	410,059	508,931	234,033	**1,153,023**
Small and medium enterprises	819,503	236,803	239,683	**1,295,989**
Consumer loans and card loans granted to retail customers	389,399	414,467	374,370	**1,178,236**
Mortgage loans	274,516	229,660	120,753	**624,929**
Other	102	20,617	114	**20,833**
Total loans and advances to customers before impairment allowance	**1,893,579**	**1,410,478**	**968,953**	**4,273,010**
Allowances for impairment losses on loans	(55,670)	(225,330)	(241,048)	**(522,048)**
Total loans and advances to customers net of impairment allowance	**1,837,909**	**1,185,148**	**727,905**	**3,750,962**

Gross value of loans and advances granted to clients, not impaired, Stage 2	0-30 days	30-60 days	60-90 days	Total 2018
Corporate	1,120,567	32,456	-	**1,153,023**
Small and medium enterprises	1,224,776	54,403	16,810	**1,295,989**
Consumer loans and card loans granted to retail customers	959,501	166,681	52,054	**1,178,236**
Mortgage loans	529,212	74,736	20,981	**624,929**
Other	20,725	80	28	**20,833**
Total loans and advances to customers before impairment allowance	**3,854,781**	**328,356**	**89,873**	**4,273,010**
Allowances for impairment losses on loans	(442,987)	(51,957)	(27,104)	**(522,048)**
Total loans and advances to customers net of impairment allowance	**3,411,794**	**276,399**	**62,769**	**3,750,962**

Notes to the consolidated and separate financial statements

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Gross value of loans and advances granted to clients, impaired, Stage 3 and defaulted POCI	**Non-default**	**Default**	**Total 2018**
Corporate	13,412	1,353,903	**1,367,315**
Small and medium enterprises	7,379	310,897	**318,276**
Consumer loans and card loans granted to retail customers	36	742,718	**742,754**
Mortgage loans	-	262,520	**262,520**
Other	4,932	2,500	**7,432**
Total loans and advances to customers before impairment allowance	**25,759**	**2,672,538**	**2,698,297**
Allowances for impairment losses on loans	(13,768)	(1,464,969)	**(1,478,737)**
Total loans and advances to customers net of impairment allowance	**11,991**	**1,207,569**	**1,219,560**

As at 31 December 2019, the financial assets which are required to be measured at fair value through other items of comprehensive income include treasury bills and bonds issued by the Government of Romania, with a Standard & Poor's rating of BBB-, bonds issued by the Ministry of Finance of the Republic of Moldova with a sovereign rating B, bonds issued by the Ministry of Finance of Italy with a rating of BBB-, bonds issued by municipalities with a rating of BBB-, BB+ and BB-, bonds issued by credit institutions and other financial institutions rated A-, A+, BBB, BBB- and BBB+ and bonds issued by other non-financial institutions rated B (note 24).

As at 31 December 2018, the financial assets which are required to be measured at fair value through other items of comprehensive income include treasury bills and bonds issued by the Government of Romania, with a Standard & Poor's rating of BBB-, bonds issued by the Ministry of Finance of the Republic of Moldova with a sovereign rating B, bonds issued by municipalities with a rating of BBB- and BB+, bonds issued by other financial institutions rated A- and AAA and bonds issued by other non-financial institutions rated BBB- (note 24).

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

Impairment allowances

Based on future scenarios, the Group assesses the expected credit loss ("ECL") related to the assets in the form debt instruments measured at amortized cost.

Guarantee Policy

The Group and the Bank hold collateral against loans and advances to customers in the form of mortgages over land and buildings, pledges on equipment and inventories, letter of guarantees, insurance policies and other guarantees. The Group and the Bank have ownership rights over these guarantees until the end of the contract. The estimates of fair value are based on the collateral value assessed on the loan granting date and periodically updated afterwards.

The pledges presented below comprise pledged without dispossession and do not include guarantees related to the lease contracts granted by BT Leasing IFN SA.

Property includes land, residential and commercial buildings, "Security interests in movable property" includes pledges on movable assets (cars, equipment, inventories etc.) and the category "Other collateral" includes collateral deposits and other guarantees received.

An analysis of the collateral values split per types of loans and advances and lease receivables granted to customers is presented below:

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Collaterals related to loans and lease receivables with moderate, medium and high risk and impaired loans				
Property	7,126,392	7,389,768	6,652,507	6,950,350
Security interests in movable property	828,717	715,765	705,621	606,275
Other collateral	358,715	242,578	227,248	210,367
Total	**8,313,824**	**8,348,111**	**7,585,376**	**7,766,992**
Collaterals related to loans and lease receivables with low risk				
Property	29,572,842	27,804,597	29,137,465	27,367,614
Security interests in movable property	1,657,785	1,894,116	1,657,785	1,894,116
Other collateral	2,779,404	2,441,426	2,717,782	2,433,614
	34,010,031	**32,140,139**	**33,513,032**	**31,695,344**
Total	**42,323,855**	**40,488,250**	**41,098,408**	**39,462,336**

The financial effect of the Group collateral is presented separatly highlighting the collateral values, as follows:

(i) for those assets in which the collateral is equal to or higher than the book value of the asset ("over-collateralization of assets") and

(ii) for those assets in which the collateral is lower than the book value of the asset ("under-collateralization of assets").

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The financial effect of the **Group** guarantee as at **31 December 2019** is the following:

	Group 2019					
	Exposures stage 1		**Exposures stage 2**		**Exposures stage 3**	
In RON thousand	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**
Corporate						
- Gross exposure	5,849,652	3,344,546	502,847	576,425	962,768	575,916
- Collateral	1,512,181	5,842,301	144,473	1,204,829	378,757	1,031,467
Small and medium enterprises						
- Gross exposure	2,479,376	1,493,884	707,532	625,495	142,606	226,355
- Collateral	391,908	3,092,879	78,467	1,446,142	37,865	542,728
Consumer loans and card loans granted to retail customers						
- Gross exposure	7,121,835	2,161,121	755,608	567,468	448,130	229,940
- Collateral	247,788	5,817,661	248,800	1,263,989	117,507	480,306
Mortgage loans						
- Gross exposure	647,525	10,510,082	204,599	451,483	107,413	120,160
- Collateral	491,544	16,613,769	143,639	729,891	63,687	218,536
Loans and finance lease receivables granted by non-banking financial institutions						
- Gross exposure	234,932	-	1,787,374	21,486	227,372	1,251
- Collateral	-	-	104,372	42,649	1,696	2,567
Other						
- Gross exposure	1,598	-	31,567	12,464	4,068	-
- Collateral	-	-	2,498	28,959	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The financial effect of the **Group** guarantee as at **31 December 2018** is the following:

	Group 2018					
	Exposures stage 1		**Exposures stage 2**		**Exposures stage 3**	
In RON thousand	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**
Corporate						
- Gross exposure	6,111,367	3,248,371	615,261	575,918	833,209	603,398
- Collateral	1,662,584	5,785,808	258,613	1,273,610	285,626	1,105,568
Small and medium enterprises						
- Gross exposure	1,893,854	1,583,675	726,470	618,129	161,680	258,905
- Collateral	199,533	3,268,726	80,609	1,331,469	68,988	573,826
Consumer loans and card loans granted to retail customers						
- Gross exposure	6,289,723	2,366,003	624,314	555,819	465,126	279,700
- Collateral	329,656	6,058,584	291,723	1,154,290	154,678	536,740
Mortgage loans						
- Gross exposure	718,079	9,177,390	221,503	406,809	138,096	125,392
- Collateral	545,217	14,315,396	158,165	652,876	82,406	226,984
Loans and finance lease receivables granted by non-banking financial institutions						
- Gross exposure	177,354	(1,207)	1,470,402	18,111	173,765	1,937
- Collateral	-	-	28,969	35,001	202	9,196
Other						
- Gross exposure	10,970	-	25,231	4,326	7,927	3,385
- Collateral	66	-	3,062	9,030	-	1,049

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The financial effect of the **Bank** guarantee as at **31 December 2019** is the following:

	Bank 2019					
	Exposures stage 1		**Exposures stage 2**		**Exposures stage 3**	
In RON thousand	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**
Corporate						
- Gross exposure	6,954,332	3,311,529	477,904	490,706	940,973	535,458
- Collateral	1,481,287	5,769,544	130,595	969,600	364,502	981,192
Small and medium enterprises						
- Gross exposure	2,417,636	1,435,950	688,084	601,515	137,815	160,946
- Collateral	366,943	2,953,759	67,011	1,400,374	35,750	417,770
Consumer loans and card loans granted to retail customers						
- Gross exposure	6,966,718	2,153,799	752,431	567,396	444,991	228,985
- Collateral	246,349	5,833,133	248,800	1,228,499	117,263	478,473
Mortgage loans						
- Gross exposure	524,192	10,434,086	204,133	448,638	104,889	119,197
- Collateral	393,600	16,468,417	143,230	723,728	61,647	216,942
Other						
- Gross exposure	1,602	-	28,890	-	1,793	-
- Collateral	-	-	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The financial effect of the **Bank** guarantee as at **31 December 2018** is the following:

	Bank 2018					
	Exposures stage 1		**Exposures stage 2**		**Exposures stage 3**	
	Under-collateralization	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**	**Under-collateralization**	**Over-collateralization**
Corporate						
- Gross exposure	6,885,961	3,198,197	614,394	538,631	806,450	560,863
- Collateral	1,617,218	5,715,230	251,524	1,148,167	270,277	1,049,263
Small and medium enterprises						
- Gross exposure	1,856,336	1,530,285	714,894	581,094	141,980	176,297
- Collateral	186,943	3,097,305	73,412	1,261,989	53,322	414,704
Consumer loans and card loans granted to retail customers						
- Gross exposure	6,196,095	2,335,234	624,126	554,117	461,827	280,920
- Collateral	328,196	5,978,518	291,692	1,150,850	154,567	533,535
Mortgage loans						
- Gross exposure	693,486	9,137,234	218,428	404,501	138,039	126,481
- Collateral	530,288	14,241,580	157,319	648,729	82,406	225,236
Other						
- Gross exposure	10,972	-	22,825	-	5,440	-
- Collateral	66	-	-	-	-	-

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The exposure representing credit risk refers to the following balance-sheet and off balance-sheet items:

- Cash with Central Banks and Deposits with banks;
- Financial assets measured at amortized cost - debt securities;
- Financial assets measured at FVOCI- debt securities (see note 24a)
- Contingent liabilities representing credit risk (irrevocable financial guarantees and uncommitted irrevocable loan commitments).

The tables below show the reconciliation between the gross carrying amount and the net carrying amount of the individual components, of the risk exposure, **consolidated** as at **31 December 2019** and **31 December 2018**:

In RON thousand		Group					
		2019			**2018**		
Assets	Notes	**Gross carrying amount**	**Provisions**	**Carrying amount**	**Gross carrying amount**	**Provisions**	**Carrying amount**
Cash and cash equivalents	19	11,392,140	1,033	11,391,107	8,069,839	1,229	8,068,610
Placements with banks	20	7,775,668	528	7,775,140	4,650,739	602	4,650,137
Loans and advances to customers	22	41,872,385	2,696,981	39,175,404	39,382,268	2,585,766	36,796,502
Finance lease receivables	23	1,262,493	84,050	1,178,443	1,108,124	87,542	1,020,582
Financial assets measured at amortized cost - debt securities	24	1,973,674	5,643	1,968,031	969,799	5,932	963,867
Total on-balance sheet		**64,276,360**	**2,788,235**	**61,488,125**	**54,180,769**	**2,681,071**	**51,499,698**
Irrevocable commitments given		707,154	26,025	681,129	967,677	27,968	**939,709**
Irrevocable financial guarantees given		3,073,823	99,697	2,974,126	2,842,604	78,105	**2,764,499**
Total off-balance sheet		**3,780,977**	**125,722**	**3,655,255**	**3,810,281**	**106,073**	**3,704,208**
Total on and off-balance sheet		**68,057,337**	**2,913,957**	**65,143,380**	**57,991,050**	**2,787,144**	**55,203,906**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

(ii) Credit risk exposure (continued)

The tables below show the reconciliation between the Gross carrying amount and the net book value of the individual components, of the risk exposure, **separate** as at **31 December 2019** and **31 December 2018**:

		Bank					
In RON thousand		**2019**			**2018**		
Assets	Notes	**Gross carrying amount**	**Provisions**	**Carrying amount**	**Gross carrying amount**	**Provisions**	**Carrying amount**
Cash and cash equivalents	19	10,585,883	167	10,585,716	7,091,615	120	7,091,495
Placements with banks	20	6,995,383	37	6,995,346	4,000,442	26	4,000,416
Loans and advances to customers	22	41,134,588	2,532,673	38,601,915	38,815,107	2,459,133	36,355,974
Financial assets measured at amortized cost - debt securities	24	1,176,847	13	1,176,834	312,613	65	312,548
Total on-balance sheet		**59,892,701**	**2,532,890**	**57,359,811**	**50,219,777**	**2,459,344**	**47,760,433**
Irrevocable commitments given		136,928	15,772	121,156	358,344	17,579	340,765
Irrevocable financial guarantees given		3,057,330	99,231	2,958,099	2,827,629	77,554	2,750,075
Total off-balance sheet		**3,194,258**	**115,003**	**3,079,255**	**3,185,973**	**95,133**	**3,090,840**
Total on and off-balance sheet		**63,086,959**	**2,647,893**	**60,439,066**	**53,405,750**	**2,554,477**	**50,851,273**

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Exposure to high-risk Eurozone countries

The output gap maintained negative in Eurozone (the main economic partner of Romania) in 2019, given the slowing-down of the world economy (due to the global trade tensions) and the regional challenges.

According to the preliminary estimates of Eurostat the YoY dynamics of the regional GDP decelerated from 1.9% in 2018 to 1.2% in 2019, the weakest pace since 2013, the year of the entry into the post-crisis cycle.

As regards the financial side of the economy there can be noticed the slowing-down of the annual average dynamics of the consumer prices from 1.8% in 2018 to 1.2% in 2019, the lowest level since 2016. This evolution was determined by the dynamics of the volatile components, as the core inflation accelerated to an average level of 1.1% in 2019, the highest since 2015.

The negative output gap and the persistence of inflation below the target (2%) determined the European Central Bank to implement additional expansionary measures past year. At the September meeting the Central Bank of the Euroland cut the rate on deposit facility from -0.40% to -0.50% and resumed the assets purchasing programme (EUR 20bn per month starting November). In this context, EURIBOR hit record low levels in 2019.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
  Establishing the number and relative weightings of forward-looking scenarios for ECL

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition or, for that assets there are no indicators fulfilled to presume that has been “an increase in credit risk” is classified in ‘Stage 1’
- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired;

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Measurement of the expected credit loss allowance (continued)

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

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

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

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

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

Change in credit quality since initial recognition

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

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

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

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

Loss Given Default (LGD) represents a Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty and availability of collateral or other credit support.

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

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

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Measurement of the expected credit loss allowance (continued)

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

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis.
- For for revolving products and other commitments, for determining the exposure in default, the unused part is taken into account, being applied a credit conversion factor, estimated by the bank, based on its own historical analysis.

Significance in Credit Risk

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

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

Quantitative criteria:

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

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

Qualitative criteria:

For Retail portfolios (individuals), if the financial asset meets one or more of the following criteria:

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

For Company portfolios, the SICR condition are fulfilled , if the borrower meets one or more of the following criteria:

- Significant increase in credit risk perceived by the risk analysis team for individually assessed exposures;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates (rating deterioration);
- Actual or expected forbearance operation;

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Measurement of the expected credit loss allowance (continued)

- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans.
- Customer is assigned to Remediation department.

The assessment of SICR incorporates forward-looking information.
If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed.
In relation to Treasury financial instruments, where a Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.
If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognized, the Bank assess whether there has been a significant increase in the credit risk of the financial instrument, compared to:

a) the risk of a default occurring at the reporting date (based on the modified contractual terms); and
b) the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

Especially for forborne loans (restructured operation made for debtors that are facing financial difficulties), the Bank considers them to have "significant increase in credit risk" implied. Having this said, these types of operations determining that those assets are classified as stage 2 or stage 3 and the ECL is calculate on lifetime basis. For forborne financial assets , the Bank establish a healing period (at least 2 years after the concluding event) , in which the ECL lifetime mode is kept; After those 2 years mentioned, the Bank is analyzing the financial standing of the borrower and the payments that have been made after the event (frequency and volume) and is concluding if the status should be changed and if so, then ECL calculation is made on 12months premises.

Backstop

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

Low credit risk exemption

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

Definition of default and credit-impaired assets

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

- The borrower is more than 90 days past due on its contractual payments;

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in nonperforming forbearance situation;
- The borrower is in insolvency status (or other type of judicial reorganization both retail and companies) or is becoming probable that the borrower will enter bankruptcy;

4. Financial risk management (*continued*)

b) Credit risk *(continued)*

Measurement of the expected credit loss Explanation of inputs, assumptions and estimation techniques (continued)

- Clients for whom legal procedures have started (forced execution started by the Bank and/or bankruptcy);
- The debtor and/or the mortgage guarantor sent notification for "payment in kind";
- Write off (total/partial) or sale;
- The borrower is in a breach of a significant financial covenant(s);
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes.

An instrument is considered to no longer be in default (i.e. has been "cured") when it no longer meets any of the default criteria for a consistent period of time, depending on the main trigger for the default classification.

This period has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions and also expert opinion. For example, the healing period for days past due criteria start at 3 months while the healing period for nonperforming forborne asset start at one year.

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

The assumptions underlying the ECL are monitored and reviewed on a bi-annual basis.

Forward-looking information incorporated in the ECL models

The assessment of SICR and measurement of ECL incorporates forward-looking information.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's Economics Research team and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used. The impact of these economic variables has been determined by performing statistical regression analysis.

	2020	**2021**	**2022**
Real GDP (%, YoY)	3.1	4.0	4.3
Unemployment rate (%)	4.2	4.4	4.5
Inflation (HICP) (%)	2.9	3.4	3.1
Key interest rate ROBOR 3M (%)	2.8	2.9	3.1
Key interest rate EURIBOR 3M (%)	-0.5	-0.3	-0.3
Exchange rate EUR/RON	4.8	4.9	4.9

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Measurement of the expected credit loss Explanation of inputs, assumptions and estimation techniques (continued)

Usually, the Bank uses three scenarios: base scenario (which is the most probable scenario of the economic environment), optimistic and adverse scenario (for these two scenarios, the probabilities are lower than base scenario). The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking into account the range of possible representative outcomes for each chosen scenario.
Even if the scenario weights were kept at the same level (optimistic scenario 10%, baseline 50% and adverse scenario 40%), for YE2019 calculation, the Group sets the macroeconomic parameters to smaller values then what it was used for YE2018 calculation.
The most important assumption affecting the ECL allowance are as follows:
For Retail loans:

- Unemployment
- Robor rate
- FX rate

For Companies:

- GDP
- Robor rate
- Unemployment

The table below illustrates the impact of changing scenarios weights for optimistic and adverse scenario:

Changes in weights	100% adverse	100% baseline	100% to optimistic
ECL movement	+60.5Mio RON	-8.1Mio RON	-64.8Mio RON

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

c) Liquidity risk

Liquidity risk represents 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 due and payable debts when they become due.

Liquidity risk has 2 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 the liquidity risk management is to obtain the expected return on assets, through a proper management of the liquidities, consciously assumed and adapted to the domestic and international market conditions, the growth of the institution and the general current legal framework.

4. Financial risk management *(continued)*

c) Liquidity risk *(continued)*

The Group and the Bank are continuously acting to manage this type of risk.

The Group and the Bank have access to a diverse funding base. Funds are raised by using a broad range of instruments, including deposits from customers or from banks, loans from development institutions and financial institutions and share capital. Access to diverse funding sources improves the flexibility to attract funds, limiting the dependence on one type of financing and on one type of partner and leading to an overall decrease of financing costs.

The Group and the Bank try to maintain a balance between continuity and flexibility in attracting funds, by signing financing contracts with different maturities and in different currencies. The Group and the Bank continually assess liquidity risk by identifying and monitoring changes in the financing contracts, and by diversifying the funding sources.

The operational liquidity management is also performed intraday, so as to ensure all the settlements/payments assumed by the Group and the Bank, on their own behalf or on behalf of their clients, in RON or FCY, on account or in cash, within the internal, legal and mandatory limits.

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

Crisis simulation scenarios have been elaborated by considering various intensity levels, various probabilities and different periods of occurrence. Their purpose is to identify / assess potential losses, the potential impact of events or the factors that may generate a liquidity crisis. Additionally, they offer information regarding the impact of liquidity risk determinants on the Bank’s capacity to provide liquidity to its customers and to maintain adequate liquidity levels.

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

The assets and liabilities of the **Group** as at **31 December 2019**, analyzed as per the period remaining until the contractual maturity, on models based on the contractual maturity related to the liquidity band, are the following:

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	296,138	(296,161)	(201,870)	-	-	(94,291)	-	-	-
Deposits from customers	77,037,060	(77,259,437)	(41,267,767)	(5,600,471)	(7,657,340)	(19,737,400)	(2,364,410)	(632,049)	-
Loans from banks and other financial institutions	1,473,920	(1,532,622)	(66,619)	(59,451)	(122,818)	(551,127)	(356,736)	(375,871)	-
Subordinated liabilities and issued bonds	1,700,207	(2,218,829)	(1,428)	(84,557)	(36,297)	(144,713)	(410,803)	(1,541,031)	-
Financial liabilities held-for-trading	12,331	(12,331)	(4,875)	(1,811)	-	(758)	(4,277)	(610)	-
Lease liabilities	387,441	(391,257)	(28,308)	(26,536)	(53,159)	(163,160)	(88,715)	(31,379)	-
Other financial liabilities	909,100	(909,100)	(876,146)	-	(32,954)	-	-	-	-
Total financial liabilities	**81,816,197**	**(82,619,737)**	**(42,447,013)**	**(5,772,826)**	**(7,902,568)**	**(20,691,449)**	**(3,224,941)**	**(2,580,940)**	**-**
Financial assets									
Cash and cash equivalents	14,583,143	14,584,176	14,584,176	-	-	-	-	-	-
Placements with banks	7,775,140	7,778,698	7,536,446	204,165	38,087	-	-	-	-
Financial assets held for trading and measured at fair value through profit and loss	272,607	272,608	149,161	-	-	-	-	-	123,447
Derivatives	4,803	4,803	1,279	218	-	3,306	-	-	-
Loans and advances to customers	39,175,404	55,779,119	4,667,350	3,450,052	6,784,633	12,858,808	7,475,756	20,542,520	-
Finance lease receivables	1,178,443	1,388,955	175,150	124,928	240,868	651,176	186,307	10,526	-
Financial assets measured at fair value through other items of comprehensive income	23,658,311	25,295,199	20,472,816	379,871	522,913	1,848,321	1,483,980	562,245	25,053
Financial assets which are required to be measured at fair value through profit or loss	877,989	889,733	517,590	755	1,500	31,975	77,846	-	260,067
Financial assets at amortized cost - debt instruments	1,968,031	2,005,183	464,977	113,600	1,131,914	161,560	105,026	28,106	-
Other financial assets	688,009	704,012	679,690	18,752	-	5,570	-	-	-
Total financial assets	**90,181,880**	**108,702,486**	**49,248,635**	**4,292,341**	**8,719,915**	**15,560,716**	**9,328,915**	**21,143,397**	**408,567**
Net balance sheet position		**26,082,749**	**6,801,622**	**(1,480,485)**	**817,347**	**(5,130,733)**	**6,103,974**	**18,562,457**	**408,567**

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
31 December 2019									
Off-balance sheet									
Irrevocable commitments given	681,129	707,154	6,511	10,674	20,583	488,968	110,858	69,560	-
Irrevocable financial guarantees given	2,974,126	3,073,823	594,442	279,198	1,412,458	539,907	66,839	180,979	-
Gross value of swap and forward contracts									
- Deliverable amounts	(1,436,968)	(1,436,968)	(171,274)	(581,354)	-	(350,000)	(334,340)	-	
- Receivable amounts	1,703,559	1,703,559	169,536	581,775	-	530,289	379,789	42,170	
Net position of derivatives	266,591	266,591	(1,738)	421	-	180,289	45,449	42,170	-
Total off-balance sheet	**3,921,845**	**4,047,568**	**599,215**	**290,293**	**1,433,041**	**1,209,164**	**223,146**	**292,709**	**-**
Total net on- and off-balance sheet position		**22,035,181**	**6,202,407**	**(1,770,778)**	**(615,694)**	**(6,339,897)**	**5,880,828**	**18,269,748**	**408,567**

The assets and liabilities of the **Group** as at **31 December 2018**, analyzed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behavior typologies and on conventional assumptions concerning certain balance sheet items are the following:

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	195,348	(195,366)	(194,959)	(407)	-	-	-	-	-
Deposits from customers	65,160,466	(65,311,554)	(36,523,833)	(5,574,813)	(6,189,307)	(14,435,913)	(2,012,611)	(575,077)	-
Loans from banks and other financial institutions	1,703,551	(1,763,264)	(295,734)	(46,213)	(114,952)	(570,159)	(329,730)	(406,476)	-
Subordinated liabilities and issued bonds	1,655,377	(2,239,082)	(1,411)	(35,620)	(37,247)	(191,741)	(418,807)	(1,554,256)	-
Financial liabilities held-for-trading	4,226	(4,226)	(2,764)	(856)	(12)	(387)	-	(207)	-
Other financial liabilities	648,846	(648,846)	(648,846)	-	-	-	-	-	-
Total financial liabilities	**69,367,814**	**(70,162,338)**	**(37,667,547)**	**(5,657,909)**	**(6,341,518)**	**(15,198,200)**	**(2,761,148)**	**(2,536,016)**	**-**

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Group - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial assets									
Cash and cash equivalents	10,322,121	10,325,707	10,325,707	-	-	-	-	-	-
Placements with banks	4,650,137	4,665,384	4,495,762	126,263	10,642	739	739	31,239	-
Financial assets held for trading and measured at fair value through profit and loss	210,461	210,461	115,029	-	-	-	-	-	95,432
Derivatives	3,066	3,066	2,657	-	-	387	-	22	-
Loans and advances to customers	36,796,502	54,003,122	4,751,499	3,476,615	6,978,135	11,527,187	7,167,476	20,102,210	-
Finance lease receivables	1,020,582	1,212,498	202,726	97,844	190,292	541,953	161,842	17,841	-
Financial assets measured at fair value through other items of comprehensive income	21,374,708	23,387,370	18,805,998	243,568	374,427	1,790,824	988,939	1,166,242	17,372
Financial assets which are required to be measured at fair value through profit or loss	574,678	584,583	261,0030	329	648	66,483	58,143	-	197,977
Financial assets at amortized cost - debt instruments	963,867	1,004,846	388,536	157,185	134,0131	177,201	97,192	50,719	-
Other financial assets	843,237	857,164	796,825	39,801	10,698	7,605	2,235	-	-
Total financial assets	**76,759,359**	**96,254,201**	**40,145,742**	**4,141,605**	**7,698,855**	**14,112,379**	**8,476,566**	**21,368,273**	**310,781**
Net balance sheet position		**26,091,863**	**2,478,195**	**(1,516,304)**	**1,357,337**	**(1,085,821)**	**5,715,418**	**18,832,257**	**310,781**
Off-balance sheet									
Irrevocable commitments given	939,709	967,677	19,008	50,957	581,539	74,887	48,050	193,236	-
Irrevocable financial guarantees given	2,764,499	2,842,604	412,962	307,299	454,927	1,520,026	127,462	19,928	-
Gross value of swap and forward contracts									
- Deliverable amounts	(498,219)	(498,219)	(187,640)	(287,259)	(23,320)	-	-	-	-
- Receivable amounts	686,545	686,545	188,414	286,302	24,176	139,917	-	47,736	-
Net position of derivatives	188,326	188,326	774	(957)	856	139,917	-	47,736	-
Total off-balance sheet	**3,892,534**	**3,998,607**	**432,744**	**357,299**	**1,037,322**	**1,734,830**	**175,512**	**260,900**	**-**
Total net on- and off-balance sheet position		**22,093,256**	**2,045,451**	**(1,873,603)**	**320,015**	**(2,820,651)**	**5,539,906**	**18,571,357**	**310,781**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

The assets and liabilities of the **Bank** as at **31 December 2019**, analyzed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behavior typologies and on conventional assumptions concerning certain balance sheet items are the following:

Bank – *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	304,461	(304,485)	(210,193)	-	-	(94,292)	-	-	-
Deposits from customers	74,353,723	(74,540,072)	(39,481,067)	(5,406,107)	(7,195,935)	(19,484,185)	(2,342,786)	(629,992)	-
Loans from banks and other financial institutions	895,673	(917,504)	(32,446)	(34,282)	(64,641)	(271,540)	(228,360)	(286,235)	-
Subordinated liabilities and issued bonds	1,696,602	(2,215,226)	(1,428)	(84,557)	(36,297)	(144,713)	(410,803)	(1,537,428)	-
Financial liabilities held-for-trading	12,331	(12,331)	(4,875)	(1,811)	-	(758)	(4,277)	(610)	-
Lease liabilities	365,931	(369,705)	(27,858)	(25,960)	(51,665)	(151,325)	(82,233)	(30,664)	-
Other financial liabilities	689,531	(689,531)	(689,531)	-	-	-	-	-	-
Total financial liabilities	**78,318,252**	**(79,048,854)**	**(40,447,398)**	**(5,552,717)**	**(7,348,538)**	**(20,146,813)**	**(3,068,459)**	**(2,484,929)**	**-**
Financial assets									
Cash and cash equivalents	13,480,195	13,480,362	13,480,362	-	-	-	-	-	-
Placements with banks	6,995,346	6,998,108	6,756,723	204,165	37,220	-	-	-	-
Financial assets at amortized cost - debt instruments	1,176,834	1,195,516	1,418	1,450	1,019,705	103,232	41,605	28,106	-
Derivatives	4,803	4,803	1,279	218	-	3,306	-	-	-
Equity instruments	17,509	17,509	8,754	-	-	-	-	-	8,755
Loans and advances to customers	38,601,915	54,528,702	4,219,174	3,368,781	6,814,654	12,547,900	7,277,885	20,300,308	-
Financial assets measured at fair value through other items of comprehensive income	23,637,807	25,273,360	20,467,858	379,247	522,033	1,846,807	1,483,645	561,601	12,169
Financial assets which are required to be measured at fair value through profit or loss	1,148,691	1,160,437	680,053	755	1,500	31,975	77,846	-	368,308
Equity investments	486,360	486,360	-	-	-	-	-	-	486,360
Other financial assets	638,795	650,214	625,892	18,752	-	5,570	-	-	-
Total financial assets	**86,188,255**	**103,795,371**	**46,241,513**	**3,973,368**	**8,395,112**	**14,538,790**	**8,880,981**	**20,890,015**	**875,592**
Net balance sheet position		**24,746,517**	**5,794,115**	**(1,579,349)**	**1,046,574**	**(5,608,023)**	**5,812,522**	**18,405,086**	**875,592**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Bank – *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
31 December 2019									
Off-balance sheet									
Irrevocable commitments given	121,156	136,928	5,271	5,920	20,264	41,420	3,442	60,611	-
Irrevocable financial guarantees given	2,958,099	3,057,330	590,107	278,738	1,408,939	533,818	64,750	180,978	-
Gross value of swap and forward contracts									
- Deliverable amounts	(1,436,968)	(1,436,968)	(171,274)	(581,354)	-	(350,000)	(334,340)	-	-
- Receivable amounts	1,703,559	1,703,559	169,536	581,775	-	530,289	379,789	42,170	-
Net position of derivatives	266,591	266,591	(1,738)	421	-	180,289	45,449	42,170	-
Total off-balance sheet	**3,345,846**	**3,460,849**	**593,640**	**285,079**	**1,429,203**	**755,527**	**113,641**	**283,759**	**-**
Total net on- and off-balance sheet position		**21,285,668**	**5,200,475**	**(1,864,428)**	**(382,629)**	**(6,363,550)**	**5,698,881**	**18,121,327**	**875,592**

The negative gaps between various balance sheet and off-balance sheet items, as they are presented above, are easy to manage due to the financial assets measured at fair value through other items of comprehensive income, which ensure a high level of flexibility through their diversification and possibility of trading on an active and liquid market.

The assets and liabilities of the **Bank** as at **31 December 2018**, analyzed based on the period remaining until the contractual maturity, on models reflecting the customer's historic behavior typologies and on conventional assumptions concerning certain balance sheet items are the following:

Bank - *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial liabilities									
Deposits from banks	207,608	(207,626)	(207,219)	(407)	-	-	-	-	-
Deposits from customers	62,522,369	(62,620,493)	(34,712,089)	(5,393,899)	(5,815,924)	(14,115,196)	(2,009,358)	(574,027)	-
Loans from banks and other financial institutions	1,185,556	(1,212,557)	(268,767)	(17,740)	(54,640)	(227,363)	(237,626)	(406,421)	-
Subordinated liabilities and issued bonds	1,651,518	(2,235,223)	(1,412)	(35,620)	(37,247)	(191,741)	(418,807)	(1,550,396)	-
Financial liabilities held-for-trading	4,226	(4,226)	(2,763)	(856)	(12)	(387)	-	(208)	-
Other financial liabilities	532,941	(532,941)	(532,941)	-	-	-	-	-	-
Total financial liabilities	**66,104,218**	**(66,813,066)**	**(35,725,191)**	**(5,448,522)**	**(5,907,823)**	**(14,534,687)**	**(2,665,791)**	**(2,531,052)**	**-**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

c) Liquidity risk *(continued)*

Bank – *In RON thousand*	**Carrying amount**	**Gross value (inflow /outflow)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**No maturity**
Financial assets									
Cash and cash equivalents	9,083,471	9,083,471	9,083,471	-	-	-	-	-	-
Placements with banks	4,000,416	4,002,781	3,866,154	126,170	10,457	-	-	-	-
Financial assets at amortized cost - debt instruments	312,548	331,455	45,753	48,757	28,668	159,292	4,592	44,393	-
Derivatives	3,066	3,066	2,657	-	-	387	-	22	-
Equity instruments	12,582	12,581	6,290	-	-	-	-	-	6,291
Loans and advances to customers	36,355,974	52,124,499	4,311,928	3,377,448	6,709,911	11,091,993	6,645,181	19,988,038	-
Financial assets measured at fair value through other items of comprehensive income	21,363,908	23,374,012	18,801,383	243,258	373,676	1,789,169	988,663	1,165,458	12,405
Financial assets which are required to be measured at fair value through profit or loss	728,189	738,094	358,994	329	648	66,483	58,143	-	253,497
Equity investments	537,677	537,677	-	-	-	-	-	-	537,677
Other financial assets	811,065	817,778	757,439	39,801	10,698	7,605	2,235	-	-
Total financial assets	**73,208,896**	**91,025,414**	**37,234,069**	**3,835,763**	**7,134,058**	**13,114,929**	**7,698,814**	**21,197,911**	**809,870**
Net balance sheet position		**24.212.348**	**1.508.878**	**(1.612.759)**	**1.226.235**	**(1.419.758)**	**5.033.023**	**18.666.859**	**809.870**
Irrevocable commitments given	340,765	358,344	18,293	50,081	75,896	24,833	247	188,994	-
Irrevocable financial guarantees given	2,750,075	2,827,629	408,323	307,007	451,615	1,515,154	125,602	19,928	-
Gross value of swap and forward contracts									
- Deliverable amounts	(498,219)	(498,219)	(187,640)	(287,259)	(23,320)	-	-	-	-
- Receivable amounts	686,545	686,545	188,414	286,302	24,176	139,917	-	47,736	-
Net position of derivatives	188,326	188,326	774	(957)	856	139,917	-	47,736	-
Total off-balance sheet	**3,279,166**	**3,374,299**	**427,390**	**356,131**	**528,367**	**1,679,904**	**125,849**	**256,658**	**-**
Total net on- and off-balance sheet position		**20,838,049**	**1,081,488**	**(1,968,890)**	**697,868**	**(3,099,662)**	**4,907,174**	**18,410,201**	**809,870**

The negative gaps between various balance sheet and off-balance sheet items, as they are presented above, are easy to manage due to the financial assets measured at fair value through other items of comprehensive income, which ensure a high level of flexibility through their diversification and possibility of trading on an active and liquid market.

4. Financial risk management (*continued*)

d) Market risk

Market risk represents the risk that the earnings of the Group and the Bank or the value of financial instruments held may be negatively affected by adverse market changes in interest rates, foreign exchange rates or other financial ratios. The objective of market risk management is to monitor and maintain financial instrument portfolio exposures within acceptable risk parameters, while optimizing the return on investments.

d1) Interest rate risk from the banking book

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

The Group and the Bank undertake the interest rate risk resulting from funds raised and placed in relation to non-bank customers (interest rate risk from banking activities).
The main sources of interest rate risk are represented by the imperfect correlation between maturity dates (for fixed interest rates) or pricing reset dates (for variable interest rates) with respect to interest bearing assets and liabilities, the adverse changes of the yield curve (un-parallel shift of interest rate curves related to interest bearing assets and liabilities).

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

Interest rate risk is managed by monitoring the interest rate GAP (mismatch) and by means of a system of limits and indicators approved on maturity buckets (time intervals) for interest recalculation.
The Assets and Liabilities Management Committee is the body that monitors the compliance with these limits, being assisted in the daily monitoring by the Treasury Department.

Interest rate risk management within the limits is accompanied by a sensitivity analysis of the Group's/the Bank's financial assets and liabilities to various standard interest rate scenarios.

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

An analysis of the interest bearing assets' and liabilities' sensitivity to interest rate increases or decreases on the market is set out below at Group/Bank level:

	Group				Bank			
In RON thousand	**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	(2,299)	2,299	(1,150)	1,150	(2,458)	2,458	(1,229)	1,229
Minimum for the period	(121,305)	79	(60,652)	39	(122,083)	79	(61,041)	39
Maximum for the period	63,730	(185)	31,865	(92)	61,521	(189)	30,760	(94)
31 December 2018								
Average for the period	790	(790)	395	(395)	718	(718)	(359)	790
Minimum for the period	(30,189)	42	(15,094)	21	(30,189)	42	21	(30,189)
Maximum for the period	47,170	(65)	23,585	(32)	45,522	(65)	(32)	47,170

In the sensitivity analysis regarding interest rate variation, the Group and the Bank have calculated the impact of potential market interest rate changes on the interest margin for the future financial periods, by taking into consideration the interest rate resetting / re-fixing date with respect to the balance sheet assets and liabilities.

The potential change of the Bank's economic value due to changes of the interest rate levels based on the standardized method is presented in the table below:

In RON thousand	**2019**	**2018**
Own funds	8,328,805	8,947,593
Potential decline in ec value +/- 200bp		
Absolute value	213,384	220,937
Impact on own funds	2.56%	2.47%

The potential change of the **Group**'s economic value based on the standardized method is presented in the table below:

In RON thousand	**2019**	**2018**
Own funds	8,481,438	9,165,890
Potential decline in ec value +/- 200bp		
Absolute value	207,422	233,479
Impact on own funds	2.45%	2.55%

By undertaking GAP analyses, the Bank intended to reduce the gap between assets and liabilities that are sensitive to interest rate fluctuations, both overall and on various time intervals, so that the impact of interest rate fluctuations on the net incomes should be minimized.

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the **Group**'s banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at **31 December 2019**:

In RON thousand	Up to 6 months	6 - 12 months	1-3 years	3 - 5 years	Over 5 years	Non interest bearing	Total
Financial assets							
Cash and cash equivalents	14,583,143	-	-	-	-	-	**14,583,143**
Placements with banks	7,737,919	37,221	-	-	-	-	**7,775,140**
Financial assets measured at amortized cost - debt instruments	1,533,766	167,458	188,244	51,652	26,911	-	**1,968,031**
Loans and advances to customers	31,321,533	2,992,331	2,709,796	1,714,503	437,241	-	**39,175,404**
Finance lease receivables	1,160,921	1,887	4,063	8,227	3,345	-	**1,178,443**
Other financial assets	180,734	-	5,264	-	-	502,011	**688,009**
Total financial assets	**56,518,016**	**3,198,897**	**2,907,367**	**1,774,382**	**467,497**	**502,011**	**65,368,170**
Financial liabilities							
Deposits from banks	201,847	-	94,291	-	-	-	**296,138**
Deposits from customers	64,272,770	10,723,532	1,963,133	6,318	71,307	-	**77,037,060**
Loans from banks and other financial institutions, subordinated debt and issued bonds	3,147,426	-	-	-	26,701	-	**3,174,127**
Lease liabilities	54,544	52,427	161,360	88,084	31,026	-	**387,441**
Other financial liabilities	-	-	-	-	-	909,100	**909,100**
Total financial liabilities	**67,676,587**	**10,775,959**	**2,218,784**	**94,402**	**129,034**	**909,100**	**81,803,866**
Net position	**(11,158,571)**	**(7,577,062)**	**688,583**	**1,679,980**	**338,463**	**(407,089)**	**(16,435,696)**
Irrevocable commitments given	16,781	20,532	479,079	110,715	54,022	-	**681,129**
Irrevocable financial guarantees given	820,443	1,382,469	526,936	64,095	180,183	-	**2,974,126**
Total off-balance sheet	**837,224**	**1,403,001**	**1,006,015**	**174,810**	**234,205**	**-**	**3,655,255**
Net position on- and off-balance sheet	**(11,995,795)**	**(8,980,063)**	**(317,432)**	**1,505,170**	**104,258**	**(407,089)**	**(20,090,951)**

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the **Group**'s banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at **31 December 2018**:

In RON thousand	**Up to 6 months**	**6 - 12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**Non interest bearing**	**Total**
Financial assets							
Cash and cash equivalents	10,322,121	-	-	-	-	-	**10,322,121**
Placements with banks	4,639,738	10,399	-	-	-	-	**4,650,137**
Financial assets measured at amortized cost - debt instruments	556,391	123,372	226,802	10,588	46,714	-	**963,867**
Loans and advances to customers	28,625,248	4,349,285	1,913,948	1,386,350	521,671	-	**36,796,502**
Finance lease receivables	1,013,936	1,322	5,324	-	-	-	**1,020,582**
Other financial assets	179,743	19,394	-	-	-	644,100	**843,237**
Total financial assets	**45,337,177**	**4,503,772**	**2,146,074**	**1,396,938**	**568,385**	**644,100**	**54,596,446**
Financial liabilities							
Deposits from banks	195,348	-	-	-	-	-	**195,348**
Deposits from customers	54,751,835	8,712,211	759,127	18,347	56,006	862,940	**65,160,466**
Loans from banks and other financial institutions, subordinated debt and issued bonds	3,316,836	-	-	-	42,092	-	**3,358,928**
Other financial liabilities	-	-	-	-	-	648,846	**648,846**
Total financial liabilities	**58,264,019**	**8,712,211**	**759,127**	**18,347**	**98,098**	**1,511,786**	**69,363,588**
Net position	**(12,926,842)**	**(4,208,439)**	**1,386,947**	**1,378,591**	**470,287**	**(867,686)**	**(14,767,142)**
Irrevocable commitments given	69,770	571,274	74,373	47,926	176,366	-	**939,709**
Irrevocable financial guarantees given	691,797	436,014	1,491,186	126,110	19,392	-	**2,764,499**
Total off-balance sheet	**761,567**	**1,007,288**	**1,565,559**	**174,036**	**195,758**	**-**	**3,704,208**
Net position on- and off-balance sheet	**(13,688,409)**	**(5,215,727)**	**(178,612)**	**1,204,555**	**274,529**	**(867,686)**	**(18,471,350)**

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the **Bank**'s banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at **31 December 2019**:

In RON thousand	**Up to 6 months**	**6 - 12 months**	**1-3 years**	**3 - 5 years**	**Over 5 years**	**Non interest bearing**	**Total**
Financial assets							
Cash and cash equivalents	13,480,195	-	-	-	-	-	**13,480,195**
Placements with banks	6,958,993	36,353	-	-	-	-	**6,995,346**
Financial assets at amortized cost - debt instruments	957,881	62,131	95,581	34,330	26,911	-	**1,176,834**
Loans and advances to customers	31,045,965	2,938,670	2,530,582	1,650,207	436,491	-	**38,601,915**
Net lease investments	-	-	-	-	-	-	-
Other financial assets	180,733	-	5,264	-	-	452,798	**638,795**
Total financial assets	**52,623,767**	**3,037,154**	**2,631,427**	**1,684,537**	**463,402**	**452,798**	**60,893,085**
Financial liabilities							
Deposits from banks	210,170	-	94,291	-	-	-	**304,461**
Deposits from customers	61,568,098	10,703,098	1,994,782	16,438	71,307	-	**74,353,723**
Loans from banks and other financial institutions, subordinated debt and issued bonds	2,565,574	-	-	-	26,701	-	**2,592,275**
Lease liabilities	53,127	51,030	149,753	81,710	30,311	-	**365,931**
Other financial liabilities	-	-	-	-	-	689,531	**689,531**
Total financial liabilities	**64,396,969**	**10,754,128**	**2,238,826**	**98,148**	**128,319**	**689,531**	**78,305,921**
Net position	**(11,773,202)**	**(7,716,974)**	**392,601**	**1,586,389**	**335,083**	**(236,733)**	**(17,412,836)**
Irrevocable commitments given	11,014	20,212	41,416	3,442	45,072	-	**121,156**
Irrevocable financial guarantees given	815,783	1,379,165	520,916	62,053	180,182	-	**2,958,099**
Total off-balance sheet	**826,797**	**1,399,377**	**562,332**	**65,495**	**225,254**	**-**	**3,079,255**
Net position on- and off-balance sheet	**(12,599,999)**	**(9,116,351)**	**(169,731)**	**1,520,894**	**109,829**	**(236,733)**	**(20,492,091)**

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d1) Interest rate risk from the banking book (continued)

The table below presents the aggregated amounts of the **Bank**'s banking book at carrying amounts, categorized based on the earlier date between the interest modification date and the maturity date, as at **31 December 2018**:

In RON thousand	Up to 6 months	6 - 12 months	1-3 years	3 - 5 years	Over 5 years	Non interest bearing	Total
Financial assets							
Cash and cash equivalents	9,083,471	-	-	-	-	-	**9,083,471**
Placements with banks	3,990,017	10,399	-	-	-	-	**4,000,416**
Financial assets at amortized cost - debt instruments	95,214	24,963	151,486	-	40,885	-	**312,548**
Loans and advances to customers	28,329,166	4,322,688	1,832,860	1,350,228	521,032	-	**36,355,974**
Net lease investments	-	-	-	-	-	-	**-**
Other financial assets	178,778	19,394	-	-	-	612,893	**811,065**
Total financial assets	**41,676,646**	**4,377,444**	**1,984,346**	**1,350,228**	**561,917**	**612,893**	**50,563,474**
Financial liabilities							
Deposits from banks	207,608	-	-	-	-	-	**207,608**
Deposits from customers	52,976,733	8,712,156	759,127	18,347	56,006	-	**62,522,369**
Loans from banks and other financial institutions, subordinated debt and issued bonds	2,794,982	-	-	-	42,092	-	**2,837,074**
Other financial liabilities	-	-	-	-	-	532,941	**532,941**
Total financial liabilities	**55,979,323**	**8,712,156**	**759,127**	**18,347**	**98,098**	**532,941**	**66,099,992**
Net position	**(14,302,677)**	**(4,334,712)**	**1,225,219**	**1,331,881**	**463,819**	**79,952**	**(15,536,518)**
Irrevocable commitments given	68,180	75,382	24,833	247	172,123	-	**340,765**
Irrevocable financial guarantees given	687,070	432,897	1,486,466	124,250	19,392	-	**2,750,075**
Total off-balance sheet	**755,250**	**508,279**	**1,511,299**	**124,497**	**191,515**	**-**	**3,090,840**
Net position on- and off-balance sheet	**(15,057,927)**	**(4,842,991)**	**(286,080)**	**1,207,384**	**272,304**	**79,952**	**(18,627,358)**

Notes to the consolidated and separate financial statements

4. Financial risk management (*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 Group and the Bank manage the currency risk based both on classic approach as strict currency position and "stop-loss" limits monitored in real time but also based on VaR type calculations to assess possible changes in the assets and liabilities values.

The **Group**'s monetary assets and liabilities denominated in RON and FCY at **31 December 2019** are presented below:

In RON thousand	**RON**	**EUR**	**USD**	**Other currencies**	**Total**
Monetary assets					
Cash and cash equivalents	6,285,087	6,874,495	131,791	1,291,770	**14,583,143**
Placements with banks	2,153,037	3,920,313	1,512,629	189,161	**7,775,140**
Financial assets held for trading and measured at fair value through profit and loss	128,567	-	-	-	**128,567**
Derivatives	4,527	276	-	-	**4,803**
Loans and advances to customers	30,153,163	7,698,534	157,142	1,166,565	**39,175,404**
Finance lease receivables	229,841	947,733	869	-	**1,178,443**
Financial assets measured at fair value through other items of comprehensive income	13,956,714	8,501,831	1,171,475	3,237	**23,633,257**
Financial assets which are required to be measured at fair value through profit or loss	367,502	344,987	21,568	-	**734,057**
Financial assets at amortized cost - debt instruments	54,702	1,181,290	-	732,039	**1,968,031**
Other financial assets	571,166	90,793	12,079	13,971	**688,009**
Total monetary assets	**53,904,306**	**29,560,252**	**3,007,553**	**3,396,743**	**89,868,854**
Monetary liabilities					
Deposits from banks	255,825	28,193	10,899	1,221	**296,138**
Deposits from customers	44,684,504	27,240,802	2,838,886	2,272,868	**77,037,060**
Loans from banks and other financial institutions, subordinated debt	184,805	2,814,787	172,460	2,075	**3,174,127**
Financial liabilities held-for-trading	12,287	44	-	-	**12,331**
Lease liabilities	16,636	368,696	957	1,152	**387,441**
Other financial liabilities	635,040	174,422	49,525	50,113	**909,100**
Total monetary liabilities	**45,789,097**	**30,626,944**	**3,072,727**	**2,327,429**	**81,816,197**
Net currency position	**8,115,209**	**(1,066,692)**	**(65,174)**	**1,069,314**	**8,052,657**
Gross value of swap and forward contracts					
- Deliverable amounts	(732,270)	(210,466)	(9,479)	(484,753)	**(1,436,968)**
- Receivable amounts	310,175	1,393,384	-	-	**1,703,559**
Net position of derivatives	**(422,095)**	**1,182,918**	**(9,479)**	**(484,753)**	**266,591**
Net on- and off-balance sheet position	**8,537,304**	**(2,249,610)**	**(55,695)**	**1,554,067**	**7,786,066**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d2) Currency risk (continued)

The **Group**'s monetary assets and liabilities denominated in RON and FCY at **31 December 2018** are presented below:

In RON thousand	**RON**	**EUR**	**USD**	**Other currencies**	**Total**
Monetary assets					
Cash and cash equivalents	5,300,369	3,772,071	135,734	1,113,947	**10,322,121**
Placements with banks	975,946	2,265,025	988,494	420,672	**4,650,137**
Financial assets held for trading and measured at fair value through profit and loss	97,980	-	-	-	**97,980**
Derivatives	3,043	23	-	-	**3,066**
Loans and advances to customers	27,905,299	7,718,696	176,902	995,605	**36,796,502**
Finance lease receivables	316,665	701,952	1,965	-	**1,020,582**
Financial assets measured at fair value through other items of comprehensive income	9,614,349	10,313,129	1,428,278	1,580	**21,357,336**
Financial assets which are required to be measured at fair value through profit or loss	294,055	125,362	-	-	**419,417**
Financial assets at amortized cost - debt instruments	124,706	203,033	-	636,128	**963,867**
Other financial assets	627,654	198,694	8,953	7,936	**843,237**
Total monetary assets	**45,260,066**	**25,297,985**	**2,740,326**	**3,175,868**	76,474,245
Monetary liabilities					
Deposits from banks	113,392	26,009	53,926	2,021	**195,348**
Deposits from customers	37,945,328	22,408,343	2,598,816	2,207,979	**65,160,466**
Loans from banks and other financial institutions, subordinated debt	396,312	2,793,715	164,993	3,908	**3,358,928**
Financial liabilities held-for-trading	4,178	48	-	-	**4,226**
Other financial liabilities	475,851	129,520	26,034	17,441	**648,846**
Total monetary liabilities	**38,935,061**	**25,357,635**	**2,843,769**	**2,231,349**	**69,367,814**
Net currency position	**6,325,005**	**(59,650)**	**(103,443)**	**944,519**	7,106,431
Gross value of swap and forward contracts					
- Deliverable amounts	-	-	(27,231)	(470,988)	**(498,219)**
- Receivable amounts	250,006	436,539	-	-	**686,545**
Net position of derivatives	**250,006**	**436,539**	**(27,231)**	**(470,988)**	**188,326**
Net on- and off-balance sheet position	**6,074,999**	**(496,189)**	**(76,212)**	**1,415,507**	**6,918,105**

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d2) Currency risk (continued)

The **Bank**'s monetary assets and liabilities denominated in RON and foreign currencies at **31 December 2019** are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and cash equivalents	6,282,834	6,678,730	55,951	462,680	**13,480,195**
Placements with banks	2,042,642	3,482,373	1,282,825	187,506	**6,995,346**
Financial assets at amortized cost - debt instruments	48,709	1,128,125	-	-	**1,176,834**
Derivatives	4,527	276	-	-	**4,803**
Loans and advances to customers	30,006,159	7,955,694	113,020	527,042	**38,601,915**
Financial assets measured at fair value through other items of comprehensive income	13,952,332	8,501,831	1,171,475	-	**23,625,638**
Financial assets which are required to be measured at fair value through profit or loss	628,167	355,421	21,568	-	**1,005,156**
Other financial assets	551,928	79,056	7,680	131	**638,795**
Total monetary assets	**53,517,298**	**28,181,506**	**2,652,519**	**1,177,359**	**85,528,682**
Monetary liabilities					
Deposits from banks	256,074	44,272	1,290	2,825	**304,461**
Deposits from customers	44,802,328	26,405,932	2,500,056	645,407	**74,353,723**
Loans from banks and other financial institutions, subordinated debt	26,701	868,972	-	-	**895,673**
Financial liabilities held-for-trading	12,287	44	-	-	**12,331**
Lease liabilities	11,829	353,174	928	-	**365,931**
Other financial liabilities	495,530	115,834	42,773	35,394	**689,531**
Total monetary liabilities	**45,604,749**	**27,788,228**	**2,545,047**	**683,626**	**76,621,650**
Net currency position	**7,912,549**	**393,278**	**107,472**	**493,733**	**8,907,032**
Gross value of swap and forward contracts					
- Deliverable amounts	(732,270)	(210,466)	(9,479)	(484,753)	**(1,436,968)**
- Receivable amounts	310,175	1,393,384	-	-	**1,703,559**
Net position of derivatives	**(422,095)**	**1,182,918**	**(9,479)**	**(484,753)**	**266,591**
Net on- and off-balance sheet position	**8,334,644**	**(789,640)**	**116,951**	**978,486**	**8,640,441**

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d2) Currency risk (continued)

The **Bank**'s monetary assets and liabilities denominated in RON and foreign currencies at **31 December 2018** are presented below:

In RON thousand	RON	EUR	USD	Other currencies	Total
Monetary assets					
Cash and cash equivalents	5,298,974	3,614,912	53,843	115,742	**9,083,471**
Placements with banks	921,821	1,848,279	810,505	419,811	**4,000,416**
Financial assets at amortized cost - debt instruments	124,706	187,842	-	-	**312,548**
Derivatives	3,043	23	-	-	**3,066**
Loans and advances to customers	27,863,756	7,840,751	122,356	529,111	**36,355,974**
Financial assets measured at fair value through other items of comprehensive income	9,610,096	10,313,129	1,428,278	-	**21,351,503**
Financial assets which are required to be measured at fair value through profit or loss	507,491	124,276	-	-	**631,767**
Other financial assets	616,678	187,411	6,862	114	**811,065**
Total monetary assets	**44,946,565**	**24,116,623**	**2,421,844**	**1,064,778**	**72,549,810**
Monetary liabilities					
Deposits from banks	124,234	34,697	46,656	2,021	**207,608**
Deposits from customers	38,083,900	21,639,939	2,241,009	557,521	**62,522,369**
Loans from banks and other financial institutions, subordinated debt	150,374	2,522,129	164,571	-	**2,837,074**
Financial liabilities held-for-trading	4,178	48	-	-	**4,226**
Other financial liabilities	401,236	105,443	19,084	7,178	**532,941**
Total monetary liabilities	**38,763,922**	**24,302,256**	**2,471,320**	**566,720**	**66,104,218**
Net currency position	**6,182,643**	**(185,633)**	**(49,476)**	**498,058**	**6,445,592**
Gross value of swap and forward contracts					
- Deliverable amounts	-	-	(27,231)	(470,988)	**(498,219)**
- Receivable amounts	250,006	436,539	-	-	**686,545**
Net position of derivatives	**250,006**	**436,539**	**(27,231)**	**(470,988)**	**188,326**
Net on- and off-balance sheet position	**5,932,637**	**(622,172)**	**(22,245)**	**969,046**	**6,257,266**

By determining and monitoring the net FCY positions and the exchange rate volatility, the Bank has aimed to create a portfolio that is optimally correlated in terms of FCY assets and liabilities, as well as a balanced approach to trading operations on the foreign exchange market.

The table below presents the Profit/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 of the Group entities, considering that all the other variables remain constant:

In RON thousand	Impact on Profit and Loss 2019	2018
EUR increase by up to 20%	21,642	37,315
EUR decrease by up to 20%	(21,642)	(37,315)
USD increase by up to 20%	30,220	(3,419)
USD decrease by up to 20%	(30,220)	3,419

Notes to the consolidated and separate financial statements

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d3) Market risk related to trading activity

The main purpose of market risk management is to achieve the expected performance of the trading portfolio, with a proper management of the inherent market risk, consciously assumed and adapted to the market conditions and development of the Bank and the Group, and last but not least to the current legal framework.

General principles applied in order to ensure the adequate management of market risk are:

- Market risk management is adapted and adjusted constantly to the Romanian and the international financial and banking market conditions and to the general economic context.
- In the management of market risk, the Bank applies clear principles regarding the suitability, maturity, diversity and risk degree of the component elements.
- Price risk is analyzed within the stress tests operated on the portfolio of shares and fund units held by the Bank.

The Group and the Bank manage the exposure to market risk by monitoring on a daily basis the market value of the held-for-trading portfolio in relation to a system of risk limits approved by the Assets and Liabilities Committee. The held-for-trading portfolio includes fixed-income securities issued on the Romanian or the European market (treasury securities, bonds the issuers of which have ratings higher than the sovereign rating), denominated in RON, EUR and USD, as well as shares issued by Romanian entities and traded on the Bucharest Stock Exchange (which are not directly exposed to interest rate and currency risk, but are exposed to price risk).

Exposure to market risk related to trading activities

Exposure represents market risk relates mainly to the following balance sheet items:

- Held-for-trading financial assets measured at fair value through profit or loss;
- Derivatives;
- Financial assets which are required to be measured at fair value through profit or loss;
- Financial assets measured at fair value through other items of comprehensive income.

The risk exposure on a consolidated and separate basis as at 31 December 2019, respectively 31 December 2018 is presented below:

		Group		**Bank**	
In RON thousand		**2019**	**2018**	**2019**	**2018**
Assets	Notes	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**
Held-for-trading financial assets measured at fair value through profit or loss	21	128,567	97,980	-	-
Derivatives	48	4,803	3,066	4,803	3,066
Financial assets which are required to be measured at fair value through profit or loss	21	734,057	419,417	1,005,156	631,767
Financial assets measured at fair value through other items of comprehensive income	24	23,633,257	21,357,336	23,625,638	21,351,503
Total on-balance sheet		**24,500,684**	**21,877,799**	**24,635,597**	**21,986,336**

4. Financial risk management (*continued*)

d) Market risk *(continued)*

d3) Market risk related to trading activity (continued)

Exposure to market risk related to trading activities (continued)

The following table presents the sensitivity impact of a possible change in interest rates of + 1.00% and a decrease in market prices of - 10% at equity level and P&L level, all other variables remaining constant:

Group	**31 December 2019**		**31 December 2018**	
In RON thousand	**Impact in profit or loss**	**Impact in equity**	**Impact in profit or loss**	**Impact in equity**
Shares	(1,811)	-	(1,503)	-
OTC derivatives	(77,601)	-	(89,593)	-
Bonds and T-bills	-	(460,447)	-	(647,779)
Total impact	**(79,412)**	**(460,447)**	**(91,096)**	**(647,779)**

Bank	**31 December 2019**		**31 December 2018**	
In RON thousand	**Impact in profit or loss**	**Impact in equity**	**Impact in profit or loss**	**Impact in equity**
Shares	(1,751)	-	(1,258)	-
OTC derivatives	(74,135)	-	(87,459)	-
Bonds and T-bills	-	(459,523)	-	(647,728)
Total impact	**(75,886)**	**(459,523)**	**(88,717)**	**(647,728)**

e) Capital management

The Bank's Board of Directors approves the conceptual design of the internal process for the assessment of the capital adequacy to risks, at least the scope, methodology and general objectives, and establishes the strategy regarding the planning of the capital, own funds and the capital adequacy to risks in Banca Transilvania S.A..

The Board of Directors makes decisions regarding the directions to be followed within the capital adequacy process, establishes the main projects in the field to be implemented, as well as the main objectives to be met for the best control of the correlation of the risks to which the Bank is exposed and the necessary shareholders' equity required to cover them and the development of sound risk management systems. The National Bank of Romania monitors capital requirements both at the Bank and at the Group level.
Capital adequacy is determined according to the Regulation (EU) No 575/2013 of the European Parliament and of the Council and requires a minimum mandatory own funds level of:

- 4.5% for core tier 1 own funds;
- 6.0% for tier 1 own funds;
- 8.0% for total own funds.

4. Financial risk management (*continued*)

e) Capital management (*continued*)

Likewise, pursuant to the regulated approaches for the determination of the minimum capital requirements and the EU Regulation 575/2013 corroborated with the provisions of the NBR Regulation 5/2013 and considering the capital buffers required by the NBR, the Group and the Bank maintain:

- a capital preservation buffer of 2.5% of the total value of the risk-weighted exposures between 01 January 2019-31 December 2019;
- an O-SII buffer of 2% of the total risk weighted exposures;
- a systemic risk buffer of 2% of the total value of the risk-weighted exposures (buffer imposed starting with the adequacy ratio calculated for 30 June 2018).

Own funds adequacy

The Bank and the Group use the following calculation methods in order to determine own fund requirements:

- Credit risk: standardized method;
- Market risk: capital requirements with respect to the foreign exchange risk and the trading portfolio are calculated based on the standard method;
- Operational risk: own fund requirements for the coverage of operational risk are calculated according to the base method.

The Bank and the Group comply with the above regulations, the level of the capital adequacy ratio exceeding the minimum mandatory requirements imposed by the law.
As at 31 December 2019 and 31 December 2018, as well as during the years 2019 and 2018, the Group and the Bank complied with all the capital adequacy requirements.

Under the current capital requirements set by the European Bank Autority, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level.
The amount of capital that the Group managed was RON 10,365,025 thousand as of 31 December 2019 (2018: RON 8,347,324 thousand), regulatory capital amounts to RON 6,447,630 thousand (2018: RON 5,474,912 thousand) and the Group and the Bank have complied with all externally imposed capital requirements throughout 2019 and 2018.

According to the applicable legal requirements on regulatory capital, the Group's and the Bank's own funds include:

- Tier I, which includes subscribed and paid in capital, share premiums, eligible reserves, retained earnings and deductions laid down in the applicable legal provisions;
- Tier II own funds, which include subordinated loans and deductions laid down in the applicable legal provisions;

The Group and the Bank manage its capital base in a flexible manner, by monitoring regulatory capital requirements, by anticipating the adequate adjustments required for the achievement of its objectives as well as by optimizing the structure of assets and shareholders' equity.

The planning and monitoring activity takes into consideration the total own funds, on the one hand and the requirements of own funds, on the other hand.

4. Financial risk management (*continued*)

e) Capital management *(continued)*

The level and the requirements of own funds as at 31 December 2019 and 31 December 2018 are as follows:

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Tier 1 own funds	8,787,882	6,743,708	8,420,620	6,525,411
Tier 2 own funds	1,577,143	1,603,616	1,577,143	1,603,616
Total own funds	**10,365,025**	**8,347,324**	**9,997,763**	**8,129,027**
Credit risk exposure	35,119,890	31,510,920	30,992,756	27,553,969
Market risk, FX risk, delivery risk exposure	9,209,245	7,727,012	9,019,328	7,394,966
Operational risk exposure	7,230,211	6,863,811	6,955,068	6,605,508
Risk exposure for the adjustment of credit assessment	21,697	2,776	21,697	2,776
Total risk exposure	**51,581,043**	**46,104,519**	**46,988,849**	**41,557,219**

The capital adequacy ratio (CAR) is calculated as a ratio between own funds and total risk-weighted assets:

	Group		Bank	
In %	**2019**	**2018**	**2019**	**2018**
Core tier one ratio	17.04	14.63	17.92	15.70
Tier 1 ratio	17.04	14.63	17.92	15.70
CAR	20.09	18.11	21.28	19.56

Note: The calculation of the Group's and the Bank's own funds takes into account the statutory profit of the Group, respectively of the Bank for the financial years ended on 31 December 2019 and on 31 December 2018. Regulatory capital as at 31 December 2019 and 31 December 2018 was calculated according to the IFRS standards endorsed by the European Union.

5. Accounting estimates and significant judgements

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

a) Impairment losses on loans and advances to customers

The Group and the Bank review their loan and finance lease receivables portfolio in order to assess the impairment thereof, at least bi-annually (on a monthly basis for the Bank). In determining whether an impairment loss should be recorded, the Group and the Bank make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows related to a portfolio of loans and finance lease, before such decrease can be identified with respect to an individual loan/lease investment in that portfolio. For example, the observable data might be the unfavorable changes in the payment behavior of certain debtors within a group or in the economic, national or local circumstances, which correlate with default incidents affecting the debtors' group. When scheduling future cash flows, the management uses estimates based on the past experience related to losses from loans with similar risk characteristics.

5. Accounting estimates and significant judgements (continued)

a) Impairment losses on loans and advances to customers (continued)

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any gaps between estimated losses and actual losses, but also to assess the effects of the local financial market uncertainties on the valuation of assets and the debtors' operating environment. The loan loss estimation considers the visible effects of the current market conditions on the individual/collective assessment of impairment losses on loans and advances to customers. Hence, the Group and the Bank have estimated the impairment loss for loans and advances to customers and receivables from finance lease based on the internal methodology and assessed that no further provision for impairment losses is required except as already provided for in the consolidated financial statements.

Individually significant assets are assessed and monitored individually, regardless of the stage allocation, determined using the automated criteria. Thus, a specialized team of experts uses professional judgement to assess the unlikeliness to pay and determine the scenarios used to compute the ECL.

*b)*Anticipated individual fiscal solutions ("AIFS")

The Bank requested the Romanian fiscal authorities to issue an official opinion on the fiscal treatment of the VBRO bargain gain ("AIFS"). The Bank proposed the consideration of the bargain gain as non-taxable income.
The Romanian fiscal authorities issued a negative opinion, considering that the bargain gain is taxable (as recorded based on IFRS), the sole argument to sustain this position being that the bargain gain is not included in the list of non-taxable income elements specifically stipulated in the Fiscal Code applicable as of 31 December 2015. The Bank initiated court proceedings in this respect in 2017. The case was submitted to the Court of Appeal of Cluj in April 2017. In November 2017, the Court of Appeal of Cluj admitted the case at trial and issued a judgment in favor of the Bank, confirming the Bank's approach to consider the bargain gain as non-taxable income.
The file is before the High Court of Cassation and Justice which rejected the Bank's request to change the first court term in the appeal. Therefore, if no structural changes are foreseen to allow a faster judgement of causes, we need to stay with the scheduled term of June 9, 2020.

The Bank considers that the case has great chances to obtain a favorable resolution, given the strong arguments that have been admitted by the Court of Appeal Cluj. However, the tax approach on this matter remains uncertain and if the Bank does not obtain a favorable resolution in court, the Bank will have to consider the bargain gain as taxable income and may incur potential penalties, if applicable
In 2018, following the acquisition of Bancpost on April 3, 2018 and the subsequent merger of 31 December 2018, the Bank recorded a bargain gain of RON 71,830 thousand which was booked as non-taxable income, similar to the bargain gain related to the acquisition of VBRO. The bargain gain related to the Bancpost was determined based on the acquisition price allocation report prepared by a team of independent advisers and appraisers who identified the assets and liabilities taken over from Bancpost in accordance with IFRS 3 and established their fair value as at March 31, 2018.

5. Accounting estimates and significant judgements *(continued)*

c) Risk provisions for abusive clauses

The provision for abusive clauses is an estimated amount for potential litigations facing the Bank derived from the retail credit contracts inherited from Volksbank merger. The provision is periodically reviewed by the Bank by incorporating historical data regarding new litigations in the last years (a show-up ratio) and the loss probability for such cases (calculated as a historical positive versus negative outcome of litigations). The last review for abusive clauses provision has been performed as of 31 Decembrer 2019 when the Bank adjusted the provision based on the trend of such new litigations (show-up ratio) and the probability loss estimated at this date (note 36).

6. Segment reporting

The Group segment reporting is compliant with the management requirements. The reporting segments are presented in a manner which is consistent with the internal reporting documentation submitted to the Leaders' Committee. The Leaders' Committee, with the assistance of the Board of Directors, is responsible for the allocation of resources and the assessment of the reporting segments' performance, being considered as an operational decision making factor.

The reporting format is based on the internal management reporting format. All items of assets and liabilities, incomes and expenses are allocated to the reporting segments either directly or based on reasonable criteria established by the management.

For a proper reporting of the Group's results per operating segments, a preliminary analysis of clients was conducted for the new subsidiary Victoriabank, in order to determine their classification according to the Group's standards. The segment "Leasing and loans to non-banking financial institutions" includes the leasing and consumer finance companies, as described in Note 1. The remaining non-banking subsidiaries are included in the segment "Other-Group". The "Intra-group eliminations & adjustments" segment comprises intra-group operations.

The reporting segments are organized and managed separately, depending on the nature of products and services provided, each segment being specialized on certain products and operating on different markets.
A business segment is a component of the Group and of the Bank:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity);
- The operating results of which are reviewed regularly by the entity's decision maker in order to make decisions about resources to be allocated to the segment and to assess its performance;
- For which distinct financial information is available.

The reporting segment of the Group as described below:

Large Corporate Clients („LaCo"): The Group and the Bank include in this category mainly companies/group of companies with an annual turnover exceeding RON 100 million, as well as legal entities created to serve a particular function (SPV), public entities and financial institutions included in this category based on specific classification criteria. The companies in this category usually have specific and sophisticated needs. Through its centralized and customized approach, the Bank seeks to ensure high operational efficiency, a prompt assessment of the specific needs of this type of clients in order to offer the appropriate customized solutions, but also an in-depth perspective of the risk profile in order to maintain a high quality loan portfolio.

Notes to the consolidated and separate financial statements

6. Segment reporting (continued)

The Large Corporate clients have access to an all-inclusive package of banking products and services, the incomes generated by this segment resulting from lending operations, current business operations (transaction banking, Treasury, trade finance and retail products) and other related services (leasing, asset management, consultancy on mergers and acquisitions, capital market advisory services). Through the services provided, the Bank aims at extending its cooperation to the business partners of the LaCo segment - clients/suppliers/employees - by focusing on the increase of non-risk income.

Medium Corporate Customers („MidCo"): The Group and the Bank include in this category mainly the companies with an annual turnover between 9 and 100 million RON. By setting such value thresholds in the classification of MidCo clients, the Bank is able to address the most frequent requests coming from this category of clients: tailored financing solutions, access to a wide range of banking services, pricing based on financial performance, dedicated and flexible relationship management, operational agility. Depending on the activity type, the customized approach related to customers is supported by two existent specializations, notably Agribusiness and Healthcare.
The MidCo segment includes also entities operating in the public sector, financial institutions or legal entities serving particular functions, included in this category based on specific classification criteria.

The Bank offers a full array of financial services to its Mid Corporate clients, including lending facilities, current operations, treasury services, but also additional services such as bonus packages for employees, structured finance, co-financing of EU funded projects; the Bank also facilitates the access to the services provided by the Group subsidiaries, such as bancassurance, consultancy on mergers and acquisitions, asset management, financial and operating lease, with the purpose to increase its profitability and non-risk income.

SME clients - companies with an annual turnover between 2 and 9 million RON. These are companies that have undergone the incipient growth stages and whose business activity requires further attention. Consequently, the needs of such companies become more specific, with priority for financing.

Micro Business clients – company customers with an annual turnover up to 2 million RON.
This category comprises the largest number of companies and the most diverse types of entities, such as limited liability companies, freelancers, sole proprietorships, etc.
The business lifespan (many such clients are fresh companies), the entrepreneur's expertise and the market on which the company operates generate certain needs that the Group and the Bank attempt to serve through product and service packages dedicated to this category of customers, which have become a hallmark in the banking sector over the years.
Lending products are accessed more frequently as the Micro or SME business takes shape: loans for working capital or investments, letters of guarantee, EU project co-financing, credit cards, leasing, invoice discounting or factoring.
Another important category of products refers to general operations, incoming and outgoing payments, cheques, promissory notes, FX operations, salary payment agreements or bancassurance services. Increased attention is given to the digitalization of our products and services, our clients showing more and more interest in internet & mobile banking, e-commerce, last generation POSs and the integration of financial data in the proprietary accounting systems.

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Retail customers The Group and the Bank provide individuals with a wide range of banking products and services, including loans (consumer loans, car purchase loans, personal need loans and mortgage loans), savings and deposit accounts, payment services and securities trading.

Treasury: The Group and the Bank comprise in this category the treasury services.

Leasing and consumer finance granted by non-banking financial institutions: the Group includes in this category financial products and services such as lease facilities, consumer loans and microfinance provided by the non-banking financial institutions of the Group.

Other: The Group and the Bank incorporate in this category the services offered by other financial entities within the Group: asset management, brokerage, factoring and real estate.

In terms of geographical distribution, the Group and the Bank cover mainly the Romanian territory, except for the Italy branch operations linked to the Bank while at the Group level there is the banking activity of Victoriabank and the financial lease activity of BT Leasing Moldova; however, the impact of these entities on the balance sheet and income statement is not material at Group level. There is no further information regarding the geographical distribution used by the management of the Group and the Bank; therefore it is not presented here.As at 31 December 2019 and 31 December 2018, the Bank or the Group did not record income exceeding 10% of total incomes in relation to a single customer.

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

The table below presents financial information per segments regarding the consolidated statement of financial position and the operating profit before net expenses with the impairment allowance for loans and advances to customers, for the financial year ended at 31 December 2019, and comparative data for 2018:

Reporting segments as at 31 December 2019

Group *In RON thousand*	**Large Corporate**	**Mid Corporate**	**SME**	**Micro**	**Retail**	**Treasury**	**Leasing and consumer loans granted by non-banking financial institutions**	**Other - Group**	**Intra-group eliminations & adjustments**	**Total**
Gross loans	*6,774,788*	*6,272,447*	*2,380,233*	*3,297,010*	*23,357,648*	-	*2,277,498*	*17,415*	*(1,242,161)*	***43,134,878***
Provisions for principal	*(786,983)*	*(542,207)*	*(149,969)*	*(230,833)*	*(844,565)*	-	*(243,836)*	*(1,706)*	*19,068*	***(2,781,031)***
Loans net of provisions	5,987,805	5,730,240	2,230,264	3,066,177	22,513,083	-	2,033,662	15,709	(1,223,093)	**40,353,847**
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	-	26,660,227	-	311,207	(189,693)	**26,781,741**
Treasury and inter-bank operations	-	-	-	-	-	22,251,683	77,253	207,963	(178,616)	**22,358,283**
Intangible assets	52,100	104,647	91,593	162,546	389,774	16,747	5,311	158,342	(4,311)	**976,749**
Right-of-use assets	24,542	45,490	34,242	76,233	182,012	7,280	6,190	15,065	(3,029)	**388,025**
Other assets	126,277	124,280	50,352	60,629	437,560	-	43,634	34,972	(14,068)	**863,636**
Total assets	**6,190,724**	**6,004,657**	**2,406,451**	**3,365,585**	**23,522,429**	**48,935,937**	**2,166,050**	**743,258**	**(1,612,810)**	**91,722,281**
Deposits from customers and current accounts	4,951,270	5,759,774	4,010,048	9,751,289	52,731,626	304,461	-	2,036	(177,306)	**77,333,198**
Loans from banks and other financial institutions	95,032	394,095	158,502	178,110	81,667	-	1,718,326	85,434	(1,237,246)	**1,473,920**
Subordinated liabilities	-	-	-	-	-	1,696,602	-	-	3,605	**1,700,207**
Lease liabilities	61,245	56,765	28,500	29,680	205,245	646	6,287	2,175	(3,102)	**387,441**
Other liabilities	287,186	223,519	72,493	80,740	736,531	585	68,605	160,439	(16,419)	**1,613,679**
Total liabilities	**5,394,733**	**6,434,153**	**4,269,543**	**10,039,819**	**53,755,069**	**2,002,294**	**1,793,218**	**250,084**	**(1,430,468)**	**82,508,445**
Equity and related items	-	-	-	-	-	-	-	9,213,836	-	**9,213,836**
Total liabilities and equity	**5,394,733**	**6,434,153**	**4,269,543**	**10,039,819**	**53,755,069**	**2,002,294**	**1,793,218**	**9,463,920**	**(1,430,468)**	**91,722,281**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2018

Group *In RON thousand*	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Intra-group eliminations & adjustments	Total
Gross loans	*6,911,155*	*6,006,138*	*2,148,978*	*3,093,737*	*21,407,190*	-	*1,844,100*	*12,823*	*(933,729)*	***40,490,392***
Provisions for principal	*(783,065)*	*(549,445)*	*(118,549)*	*(192,892)*	*(860,463)*	-	*(186,466)*	*(460)*	*18,032*	***(2,673,308)***
Loans net of provisions	6,128,090	5,456,693	2,030,429	2,900,845	20,546,727	-	1,657,634	12,363	(915,697)	**37,817,084**
Portfolio of Debt instruments, Equity instruments and Derivative instruments, net of provisions	-	-	-	-	-	23,126,543	-	229,699	(229,462)	**23,126,780**
Treasury and inter-bank operations	-	-	-	-	-	14,914,717	70,880	155,875	(169,214)	**14,972,258**
Intangible assets	80,349	95,451	79,729	107,648	392,893	29,651	7,221	88,799	(324)	**881,417**
Other assets	311,729	167,280	55,766	69,765	423,643	-	41,401	619,086	(589,455)	**1,099,215**
Total assets	**6,520,168**	**5,719,424**	**2,165,924**	**3,078,258**	**21,363,263**	**38,070,911**	**1,777,136**	**1,105,822**	**(1,904,152)**	**77,896,754**
Deposits from customers and current accounts	5,306,139	5,512,831	3,046,256	8,109,460	43,341,868	216,320	1,453	2,314	(180,827)	**65,355,814**
Loans from banks and other financial institutions	72,340	439,890	186,365	202,062	46,431	246,598	1,397,568	42,822	(930,525)	**1,703,551**
Subordinated liabilities	-	-	-	-	-	1,651,518	-	-	3,859	**1,655,377**
Other liabilities	230,156	193,019	52,365	69,301	605,295	2,524	46,548	114,180	(11,449)	**1,301,939**
Total liabilities	**5,608,635**	**6,145,740**	**3,284,986**	**8,380,823**	**43,993,594**	**2,116,960**	**1,445,569**	**159,316**	**(1,118,942)**	**70,016,681**
Equity and related items	-	-	-	-	-	-	-	7,880,073	-	**7,880,073**
Total liabilities and equity	**5,608,635**	**6,145,740**	**3,284,986**	**8,380,823**	**43,993,594**	**2,116,960**	**1,445,569**	**8,039,389**	**(1,118,942)**	**77,896,754**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2019

Group *In RON thousand*	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Intra-group eliminations & adjustments	Total
Net interest income	93,864	272,322	188,560	326,085	1,199,007	175,700	262,303	554,150	1,754	**3,073,745**
Net commission income	55,462	114,047	79,601	253,861	261,472	(3,334)	7,781	55,256	(3,845)	**820,301**
Net trading income	9,533	36,134	30,691	60,915	111,947	95,651	3,385	62,358	(11)	**410,603**
Net loss (-) / gain from financial assets measured through comprehensive income	-	-	-	-	-	59,591	-	57,234	-	**116,825**
Net loss / gain (-) from financial assets which are required to be measured through profit and loss	-	-	-	-	-	121,839	-	3,770	-	**125,609**
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(9,133)	(9,300)	(3,527)	(13,925)	(75,080)	-	-	-	-	**(110,965)**
Other operating income	19,894	15,960	4,428	2,510	87,607	120	20,682	51,626	(23,959)	**178,868**
Total income	**169,620**	**429,163**	**299,753**	**629,446**	**1,584,953**	**449,567**	**294,151**	**784,394**	**(26,061)**	**4,614,986**
Personnel expenses	(65,514)	(158,917)	(114,001)	(174,262)	(373,823)	(18,043)	(49,817)	(83,942)	30	**(1,038,289)**
Other operating expenses	(49,393)	(75,956)	(50,812)	(78,154)	(264,344)	(35,282)	(73,251)	(225,647)	11,730	**(841,109)**
Depreciation and amortization	(20,599)	(39,787)	(29,118)	(58,712)	(141,284)	(5,760)	(6,192)	(11,260)	1,353	**(311,359)**
Total Expenses	**(135,506)**	**(274,660)**	**(193,931)**	**(311,128)**	**(779,451)**	**(59,085)**	**(129,260)**	**(320,849)**	**13,113**	**(2,190,757)**
Operating profit before net provision expenses for assets, other risks and commitments	**34,114**	**154,503**	**105,822**	**318,318**	**805,502**	**390,482**	**164,891**	**463,545**	**(12,948)**	**2,424,229**

Notes to the consolidated and separate financial statements

6. Segment reporting *(continued)*

Reporting segments as at 31 December 2018

Group *In RON thousand*	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Intra-group eliminations & adjustments	Total
Net interest income	138,076	239,356	114,817	292,335	1,023,651	268,465	191,749	493,377	(427)	**2,761,399**
Net commission income	55,686	105,151	74,095	246,705	236,936	(1,727)	9,371	52,480	(12,839)	**765,858**
Net trading income	6,844	29,664	23,275	52,645	89,516	80,175	(129)	(32,302)	2,475	**252,163**
Net loss (-) / gain from financial assets measured through comprehensive income	-	-	-	-	-	(3,959)	(13)	(4,287)	704	**(7,555)**
Net loss / gain (-) from financial assets which are required to be measured through profit and loss	-	-	-	-	-	(40,256)	-	(1,344)	39,030	**(2,570)**
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(4,481)	(4,349)	(1,146)	(4,703)	(26,744)	-	-	-	-	**(41,423)**
Other operating income	41,695	39,233	24,986	29,432	98,001	1,640	13,608	114,175	(145,179)	**217,591**
Total income	**237,820**	**409,055**	**236,027**	**616,414**	**1,421,360**	**304,338**	**214,586**	**622,099**	**(116,236)**	**3,945,463**
Personnel expenses	(112,231)	(131,304)	(93,253)	(136,064)	(512,256)	(11,698)	(40,315)	(28,066)	25	**(1,065,162)**
Other operating expenses	(68,143)	(75,083)	(64,423)	(81,795)	(382,763)	(13,571)	(41,628)	(96,760)	17,551	**(806,615)**
Depreciation and amortization	(13,199)	(16,540)	(11,542)	(17,081)	(72,117)	(4,510)	(2,800)	(24,725)	-	**(162,514)**
Total Expenses	**(193,573)**	**(222,927)**	**(169,218)**	**(234,940)**	**(967,136)**	**(29,779)**	**(84,743)**	**(149,551)**	**17,576**	**(2,034,291)**
Operating profit before net provision expenses for assets, other risks and commitments	**44,247**	**186,128**	**66,809**	**381,474**	**454,224**	**274,559**	**129,843**	**472,548**	**(98,660)**	**1,911,172**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities

a) Accounting classifications and fair value

Group, as at 31 December 2019					Retail						Companies			
					in RON		in FCY				in RON		in FCY	
In RON thousand	Total carrying amount 2019	Total fair value 2019	Total carrying amount retail customers	Total fair value retail customers	Carrying amount	Fair value	Carrying amount	Fair value	Total carrying amount companies	Total fair value companies	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	277,410	277,410	-	-	-	-	-	-	277,410	277,410	262,104	262,104	15,306	15,306
Financial assets which are required to be measured at fair value through profit or loss, of which:	877,989	877,989	-	-	-	-	-	-	877,989	877,989	362,256	362,256	515,733	515,733
- Equity instruments	*143,932*	*143,932*	-	-	-	-	-	-	*143,932*	*143,932*	*396*	*396*	*143,536*	*143,536*
- Debt instruments	*734,057*	*734,057*	-	-	-	-	-	-	*734,057*	*734,057*	*361,860*	*361,860*	*372,197*	*372,197*
Financial assets carried at amortized cost	65,368,170	65,365,300	23,228,342	23,245,257	18,374,303	18,257,939	4,854,039	4,987,318	42,139,828	42,120,043	21,066,701	21,042,493	21,073,127	21,077,550
Financial assets measured at fair value through other items of comprehensive income	23,658,311	23,658,311	-	-	-	-	-	-	23,658,311	23,658,311	13,978,925	13,978,925	9,679,386	9,679,386
- Equity instruments	*25,053*	*25,053*	-	-	-	-	-	-	*25,053*	*25,053*	*22,210*	*22,210*	*2,843*	*2,843*
- Debt instruments	*23,603,235*	*23,603,235*	-	-	-	-	-	-	*23,603,235*	*23,603,235*	*13,956,715*	*13,956,715*	*9,646,520*	*9,646,520*
- Loans and advances	*30,023*	*30,023*	-	-	-	-	-	-	*30,023*	*30,023*	-	-	*30,023*	*30,023*
Total financial assets	**90,181,880**	**90,179,010**	**23,228,342**	**23,245,257**	**18,374,303**	**18,257,939**	**4,854,039**	**4,987,318**	**66,953,538**	**66,933,753**	**35,669,986**	**35,645,778**	**31,283,552**	**31,287,975**
Financial liabilities														
Fnancial liabilities held-for-trading	12,331	12,331	-	-	-	-	-	-	12,331	12,331	12,287	12,287	44	44
Financial liabilities measured at amortized cost	81,803,866	81,820,443	53,039,719	53,056,178	27,574,520	27,582,172	25,465,199	25,474,006	28,764,147	28,764,265	18,202,289	18,202,353	10,561,858	10,561,912
Total financial liabilities	**81,816,197**	**81,832,774**	**53,039,719**	**53,056,178**	**27,574,520**	**27,582,172**	**25,465,199**	**25,474,006**	**28,776,478**	**28,776,596**	**18,214,576**	**18,214,640**	**10,561,902**	**10,561,956**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Group, as at 31 December 2018					Retail						Companies			
					in RON		in FCY				in RON		in FCY	
In RON thousand	Total carrying amount 2018	Total fair value 2018	Total carrying amount retail customers	Total fair value retail customers	Carrying amount	Fair value	Carrying amount	Fair value	Total carrying amount companies	Total fair value companies	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	213,527	213,527	-	-	-	-	-	-	213,527	213,527	213,104	213,104	423	423
Financial assets which are required to be measured at fair value through profit or loss, of which:	574,678	574,678	-	-	-	-	-	-	574,678	574,678	294,883	294,883	279,795	279,795
- Equity instruments	155,261	155,261	-	-	-	-	-	-	155,261	155,261	414	414	154,847	154,847
- Debt instruments	419,417	419,417	-	-	-	-	-	-	419,417	419,417	294,469	294,469	124,948	124,948
Financial assets carried at amortized cost	54,596,446	55,342,152	21,134,593	21,728,843	15,759,153	16,168,394	5,375,440	5,560,449	33,461,853	33,613,309	18,418,752	18,538,181	15,043,101	15,075,128
Financial assets measured at fair value through other items of comprehensive income	21,374,708	21,374,708	-	-	-	-	-	-	21,374,708	21,374,708	9,629,046	9,629,046	11,745,662	11,745,662
- Equity instruments	17,372	17,372	-	-	-	-	-	-	17,372	17,372	14,697	14,697	2,675	2,675
- Debt instruments	21,357,336	21,357,336	-	-	-	-	-	-	21,357,336	21,357,336	9,614,349	9,614,349	11,742,987	11,742,987
Total financial assets	**76,759,359**	**77,505,065**	**21,134,593**	**21,728,843**	**15,759,153**	**16,168,394**	**5,375,440**	**5,560,449**	**55,624,766**	**55,776,222**	**28,555,785**	**28,675,214**	**27,068,981**	**27,101,008**
Financial liabilities														
Financial liabilities held-for-trading	4,226	4,226	-	-	-	-	-	-	4,226	4,226	4,178	4,178	48	48
Financial liabilities measured at amortized cost	69,363,588	69,342,992	43,498,468	43,478,972	23,210,383	23,190,562	20,288,085	20,288,410	25,865,120	25,864,020	15,720,500	15,719,390	10,144,620	10,144,630
Total financial liabilities	**69,367,814**	**69,347,218**	**43,498,468**	**43,478,972**	**23,210,383**	**23,190,562**	**20,288,085**	**20,288,410**	**25,869,346**	**25,868,246**	**15,724,678**	**15,723,568**	**10,144,668**	**10,144,678**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Bank, as at 31 December 2019					**Retail**						**Companies**			
					in RON		**in FCY**				**in RON**		**in FCY**	
In RON thousand	**Total carrying amount 2019**	**Total fair value 2019**	**Total carrying amount retail customers**	**Total fair value retail customers**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Total carrying amount companies**	**Total fair value companies**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	**22,312**	**22,312**	-	-	-	-	-	-	**22,312**	**22,312**	**21,532**	**21,532**	**780**	**780**
Financial assets which are required to be measured at fair value through profit or loss, of which:	**1,148,691**	**1,148,691**	-	-	-	-	-	-	**1,148,691**	**1,148,691**	**628,166**	**628,166**	**520,525**	**520,525**
- Equity instruments	143,535	143,535	-	-	-	-	-	-	143,535	143,535	-	-	143,535	143,535
- Debt instruments	1,005,156	1,005,156	-	-	-	-	-	-	1,005,156	1,005,156	628,166	628,166	376,990	376,990
Financial assets carried at amortized cost	**60,893,085**	**60,702,737**	**22,359,208**	**22,212,104**	**17,949,837**	**17,681,828**	**4,409,371**	**4,530,276**	**38,533,877**	**38,490,633**	**20,401,403**	**20,372,157**	**18,132,474**	**18,118,476**
Financial assets measured at fair value through other items of comprehensive income	**23,637,807**	**23,637,807**	-	-	-	-	-	-	**23,637,807**	**23,637,807**	**13,962,467**	**13,962,467**	**9,675,340**	**9,675,340**
- Equity instruments	12,169	12,169	-	-	-	-	-	-	12,169	12,169	10,134	10,134	2,035	2,035
- Debt instruments	23,595,615	23,595,615	-	-	-	-	-	-	23,595,615	23,595,615	13,952,333	13,952,333	9,643,282	9,643,282
- Loans and receivables	30,023	30,023	-	-	-	-	-	-	30,023	30,023	-	-	30,023	30,023
Total financial assets	**85,701,895**	**85,511,547**	**22,359,208**	**22,212,104**	**17,949,837**	**17,681,828**	**4,409,371**	**4,530,276**	**63,342,687**	**63,299,443**	**35,013,568**	**34,984,322**	**28,329,119**	**28,315,121**
Financial liabilities														
Financial liabilities held-for-trading	12,331	12,331	-	-	-	-	-	-	12,331	12,331	12,287	12,287	44	44
Financial liabilities measured at amortized cost	78,305,921	78,322,498	51,066,078	51,082,538	27,453,046	27,460,699	23,613,032	23,621,839	27,239,843	27,239,960	18,139,418	18,139,481	9,100,425	9,100,479
Total financial liabilities	**78,318,252**	**78,334,829**	**51,066,078**	**51,082,538**	**27,453,046**	**27,460,699**	**23,613,032**	**23,621,839**	**27,252,174**	**27,252,291**	**18,151,705**	**18,151,768**	**9,100,469**	**9,100,523**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

a) Accounting classifications and fair value (continued)

Bank, as at 31 December 2018					**Retail**						**Companies**			
					in RON		**in FCY**				**in RON**		**in FCY**	
In RON thousand	**Total carrying amount 2018**	**Total fair value 2018**	**Total carrying amount retail customers**	**Total fair value retail customers**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Total carrying amount companies**	**Total fair value companies**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets														
Financial assets held for trading and measured at fair value through profit or loss (*)	**15,648**	**15,648**	-	-	-	-	-	-	**15,648**	**15,648**	**15,226**	**15,226**	**422**	**422**
Financial assets which are required to be measured at fair value through profit or loss, of which:	**728,189**	**728,189**	-	-	-	-	-	-	**728,189**	**728,189**	**507,491**	**507,491**	**220,698**	**220,698**
- Equity instruments	96,422	96,422	-	-	-	-	-	-	96,422	96,422	-	-	96,422	96,422
- Debt instruments	394,665	394,665	-	-	-	-	-	-	394,665	394,665	383,143	383,143	11,522	11,522
Financial assets carried at amortized cost	**50,563,474**	**51,246,588**	**20,539,562**	**21,069,229**	**15,839,312**	**16,248,215**	**4,700,250**	**4,821,014**	**30,023,912**	**30,177,359**	**17,882,272**	**18,012,201**	**12,141,640**	**12,165,158**
Financial assets measured at fair value through other items of comprehensive income	**21,363,908**	**21,363,908**	-	-	-	-	-	-	**21,363,908**	**21,363,908**	**9,620,600**	**9,620,600**	**11,743,308**	**11,743,308**
- Equity instruments	12,405	12,405	-	-	-	-	-	-	12,405	12,405	10,504	10,504	1,901	1,901
- Debt instruments	21,351,503	21,351,503	-	-	-	-	-	-	21,351,503	21,351,503	9,610,096	9,610,096	11,741,407	11,741,407
Total financial assets	**72,671,219**	**73,354,333**	**20,539,562**	**21,069,229**	**15,839,312**	**16,248,215**	**4,700,250**	**4,821,014**	**52,131,657**	**52,285,104**	**28,025,589**	**28,155,518**	**24,106,068**	**24,129,586**
Financial liabilities														
Financial liabilities held-for-trading	4,226	4,226	-	-	-	-	-	-	4,226	4,226	4,178	4,178	48	48
Financial liabilities measured at amortized cost	66,099,992	66,079,396	41,761,614	41,742,118	23,145,975	23,126,154	18,615,639	18,615,964	24,338,378	24,337,278	15,613,769	15,612,659	8,724,609	8,724,619
Total financial liabilities	**66,104,218**	**66,083,622**	**41,761,614**	**41,742,118**	**23,145,975**	**23,126,154**	**18,615,639**	**18,615,964**	**24,342,604**	**24,341,504**	**15,617,947**	**15,616,837**	**8,724,657**	**8,724,667**

(*) This category comprises only held-for-trading financial assets, including derivative instruments

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities

The Group and the Bank measure the fair value of financial instruments by using the following fair value hierarchy:

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

Level 2 in the fair value hierarchy
The fair value of financial assets and liabilities included in Level 2 in the fair value hierarchy is determined by using evaluation methods which contain observable market data when market prices are not available. Level 2 evaluations generally use observable market parameters, such as interest rates and yield curves observable at commonly quoted intervals, preset volatilities and credit spreads.

Level 3 in the fair value hierarchy
The fair value of financial assets and liabilities included in Level 3 in the fair value hierarchy is determined by using input data that are not based on observable market information (unobservable data inputs shall reflect the assumptions made by the market participants to establish the price of an asset or a liability, including risk assumptions).
The objective of valuation techniques is to derive the fair value that reflects a price for the financial instrument at the reporting date, price that would be obtained by the market participants acting at arm's length.

The availability of observable market data and models reduces the need for the Management to operate judgements and estimations and also reduces the uncertainty associated with the determination of the fair value. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

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

i) Fair value hierarchy analysis of financial instruments carried at fair value

At level 1 in the fair value hierarchy, the Bank and the Group included in the category of assets: equity instruments and debt instruments held at fair value through profit or loss, bonds classified as assets measured at fair value through other items of comprehensive income, except for the bonds issued by Municipalities.

At level 2 in the fair value hierarchy, the Bank and the Group included in the category of assets: derivatives held at fair value through profit or loss, bonds classified as assets measured at fair value through other items of comprehensive income issued by Municipalities and in the category of liabilities: derivatives classified as financial liabilities held for trading.

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

i) Fair value hierarchy analysis of financial instruments carried at fair value *(continued)*

At level 3 in the fair value hierarchy, the Bank and the Group included in the category of assets: equity instruments , fixed assets and investment property.

The table below presents the financial instruments measured at fair value in the statement of financial position, at the end of the reporting period, by fair value levels:

Group *- In RON thousand*	**Notes**	**Level 1 - Quoted market prices in active markets**	**Level 2 - Valuation techniques – observable inputs**	**Level 3 - Valuation techniques – unobservable inputs**	**Total**
31 December 2019					
Financial assets held for trading and measured at fair value through profit or loss, of which:	*20*	**272,607**	**-**	**-**	**272,607**
- Equity instruments	*20*	*144,040*	-	-	*144,040*
- Debt instruments	*20*	*128,567*	-	-	*128,567*
Derivatives	*47*	**-**	**4,803**	**-**	**4,803**
Financial assets measured at fair value through other items of comprehensive income	*23*	**23,602,342**	**893**	**55,076**	**23,658,311**
- Equity instruments		-	-	*25,053*	*25,053*
- Debt instruments		*23,602,342*	*893*	-	*23,603,235*
- Loans and advances		-	-	*30,023*	*30,023*
Financial assets which are required to be measured at fair value through profit or loss, of which:		**614,184**	**-**	**263,805**	**877,989**
- Equity instruments		*143,932*	**-**	**-**	*143,932*
- Debt instruments		*470,252*	**-**	***263,805***	*734,057*
Total financial assets measured at fair value in the statement of financial position		**24,489,133**	**5,696**	**318,881**	**24,813,710**
Non-financial assets at fair value		**-**	**-**	**727,526**	**727,526**
- Property and equipment and investment property	*25*	-	-	*727,526*	*727,526*
Total assets measured at fair value in the statement of financial position		**24,489,133**	**5,696**	**1,046,407**	**25,541,236**
Financial liabilities held-for-trading	*47*	**-**	**12,331**	**-**	**12,331**
31 December 2018					
Financial assets held for trading and measured at fair value through profit or loss, of which:	*20*	**210,461**	**-**	**-**	**210,461**
- Equity instruments	*20*	112,481	-	-	**112,481**
- Debt instruments	*20*	97,980	-	-	**97,980**
Derivatives	*47*	**-**	**3,066**	**-**	**3,066**
Financial assets measured at fair value through other items of comprehensive income	*23*	**21,356,323**	**1,013**	**17,372**	**21,374,708**
- Equity instruments		-	-	17,372	**17,372**
- Debt instruments		21,356,323	1,013	-	**21,357,336**
Financial assets which are required to be measured at fair value through profit or loss, of which:		**456,127**	**-**	**118,551**	**574,678**
- Equity instruments		155,261	**-**	**-**	**155,261**
- Debt instruments		300,866	**-**	**118,551**	**419,417**
Total financial assets measured at fair value in the statement of financial position		**22,022,911**	**4,079**	**135,923**	**22,162,913**
Non-financial assets at fair value		-	-	593,903	**593,903**
- Property and equipment and investment property	*25*	-	-	593,903	**593,903**
Total assets measured at fair value in the statement of financial position		**22,022,911**	**4,079**	**729,826**	**22,756,816**
Financial liabilities held-for-trading	*47*	**-**	**4,226**	**-**	**4,226**

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

i) Fair value hierarchy analysis of financial instruments carried at fair value *(continued)*

Bank - *In RON thousand*	**Notes**	**Level 1 - Quoted market prices in active markets**	**Level 2 - Valuation techniques – observable inputs**	**Level 3 - Valuation techniques – unobservable inputs**	**Total**
31 December 2019					
Financial assets held for trading and measured at fair value through profit or loss, of which:	**20**	**17,509**	**-**	**-**	**17,509**
- Equity instruments	*20*	17,509	-	-	**17,509**
Derivatives	47	-	4,803	-	**4,803**
Financial assets measured at fair value through other items of comprehensive income	**23**	**23,594,722**	**893**	**42,192**	**23,637,807**
- Equity instruments		-	-	12,169	**12,169**
- Debt instruments		23,594,722	893	-	**23,595,615**
- Loans and receivables		-	-	*30,023*	***30,023***
Financial assets which are required to be measured at fair value through profit or loss, of which:		**884,886**	**-**	**263,805**	**1,148,691**
- Equity instruments		*143,535*	-	-	**143,535**
- Debt instruments		*741,351*	-	*263,805*	**1,005,156**
Total financial assets measured at fair value in the statement of financial position		**24,497,117**	**5,696**	**305,997**	**24,808,810**
Non-financial assets at fair value		**-**	**-**	***575,038***	**575,038**
- Property and equipment and investment property	**25**	-	-	*575,038*	**575,038**
Total assets measured at fair value in the statement of financial position		**24,497,117**	**5,696**	**881,035**	**25,383,848**
Financial liabilities held-for-trading	**47**	**-**	**12,331**	**-**	**12,331**
31 December 2018					
Financial assets held for trading and measured at fair value through profit or loss, of which:	**20**	**12,582**	**-**	**-**	**12,582**
- Equity instruments	*20*	*12,582*	-	-	**12,582**
Derivatives	**47**	-	**3,066**	-	**3,066**
Financial assets measured at fair value through other items of comprehensive income	**23**	**21,350,490**	**1,013**	**12,405**	**21,363,908**
- Equity instruments		-	-	*12,405*	**12,405**
- Debt instruments		*21,350,490*	*1,013*	-	**21,351,503**
Financial assets which are required to be measured at fair value through profit or loss, of which:		**609,638**	**-**	**118,551**	**728,189**
- Equity instruments		*96,422*	-	-	***96,422***
- Debt instruments		*513,216*	-	*118,551*	***631,767***
Total financial assets measured at fair value in the statement of financial position		**21,972,710**	**4,079**	**130,956**	**22,107,745**
Non-financial assets at fair value		**-**	**-**	**482,321**	**482,321**
- Property and equipment and investment property	**25**	-	-	*482,321*	**482,321**
Total assets measured at fair value in the statement of financial position		**21,972,710**	**4,079**	**613,277**	**22,590,066**
Financial liabilities held-for-trading	**47**	**-**	**4,226**	**-**	**4,226**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

ii) Financial instruments not carried at fair value

At level 2 in the fair value hierarchy, the Bank and the Group included in the category of assets that are not held at fair value: placements with banks, loans and advances and finance lease receivables; and in the category of liabilities: deposits from banks and from customers.

At level 3 in the fair value hierarchy, the Bank and the Group included in the category of assets: financial assets measured at amortized cost - debt instruments and other financial assets; and in the category of liabilities: loans from banks and other financial institutions, subordinated loans and other financial liabilities.

The table below presents the fair value and the fair value hierarchy for the financial assets and liabilities that are not measured at fair value in the statement of financial position at **31 December 2019**:

RON thousand	Note:	Group					Bank				
		Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3	Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3
Assets											
Placements with banks	19	7,775,140	7,775,140	-	7,775,140	-	6,995,346	6,995,346	-	6,995,346	-
Loans and advances to customers	21	39,175,404	39,168,530	-	39,168,530	-	38,601,915	38,411,567	-	38,411,567	-
Finance lease receivables	22	1,178,443	1,182,447	-	1,182,447	-	-	-	-	-	-
Financial assets at amortized cost - debt instruments		1,968,031	1,968,031	-	-	1,968,031	1,176,834	1,176,834	-	-	1,176,834
Other financial assets	28	688,009	688,009	-	-	688,009	638,795	638,795	-	-	638,795
Total assets		**50,785,027**	**50,782,157**	**-**	**48,126,117**	**2,656,040**	**47,412,890**	**47,222,542**	**-**	**45,406,913**	**1,815,629**
Liabilities											
Deposits from banks	30	296,138	296,138	-	296,138	-	304,461	304,461	-	304,461	-
Deposits from customers	31	77,037,060	77,053,638	-	77,053,638	-	74,353,723	74,370,300	-	74,370,300	-
Loans from banks and other financial institutions	32	1,473,920	1,473,920	-	-	1,473,920	895,673	895,673	-	-	895,673
Subordinated liabilities	33	1,700,207	1,700,207	-	-	1,700,207	1,696,602	1,696,602	-	-	1,696,602
Lease liabilities		387,441	387,441	-	-	387,441	365,931	365,931	-	-	365,931
Other financial liabilities	35	909,100	909,100	-	-	909,100	689,531	689,531	-	-	689,531
Total liabilities		**81,803,866**	**81,820,444**	**-**	**77,349,776**	**4,470,668**	**78,305,921**	**78,322,498**	**-**	**74,674,761**	**3,647,737**

Notes to the consolidated and separate financial statements

7. Financial assets and liabilities *(continued)*

b) Fair value of financial assets and liabilities (continued)

ii) Financial instruments not carried at fair value (continued)

The table below presents the fair value and the fair value hierarchy for the financial assets and liabilities that are not measured at fair value in the statement of financial position at **31 December 2018**:

		Group					Bank				
RON thousand	Note:	Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3	Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2	Level 3
Assets											
Placements with banks	19	4,650,137	4,650,137	-	4,650,137	-	4,000,416	4,000,416	-	4,000,416	-
Loans and advances to customers	21	36,796,502	37,544,244	-	37,544,244	-	36,355,974	37,039,088	-	37,039,088	-
Finance lease receivables	22	1,020,582	1,018,546	-	1,018,546	-	-	-	-	-	-
Financial assets at amortized cost - debt instruments		963,867	963,867	-	-	963,867	312,548	312,548	-	-	312,548
Other financial assets	28	843,237	843,237	-	-	843,237	811,065	811,065	-	-	811,065
Total assets		**44,274,325**	**45,020,031**	**-**	**43,212,927**	**1,807,104**	**41,480,003**	**42,163,117**	**-**	**41,039,504**	**1,123,613**
Liabilities											
Deposits from banks	30	195,348	195,348	-	195,348	-	207,608	207,608	-	207,608	-
Deposits from customers	31	65,160,466	65,139,870	-	65,139,870	-	62,522,369	62,501,773	-	62,501,773	-
Loans from banks and other financial institutions	32	1,703,551	1,703,551	-	-	1,703,551	1,185,556	1,185,556	-	-	1,185,556
Subordinated liabilities	33	1,655,377	1,655,377	-	-	1,655,377	1,651,518	1,651,518	-	-	1,651,518
Other financial liabilities	35	648,846	648,846	-	-	648,846	532,941	532,941	-	-	532,941
Total liabilities		**69,363,588**	**69,342,992**	**-**	**65,335,218**	**4,007,774**	**66,099,992**	**66,079,396**	**-**	**62,709,381**	**3,370,015**

Notes to the consolidated and separate financial statements

8. Net interest income

In RON thousand	Group 2019	Group 2018	Bank 2019	Bank 2018
Interest income calculated using the effective interest method	**3,510,023**	**3,067,184**	**3,200,637**	**2,866,920**
- Cash and cash equivalents at AC	42,540	24,881	19,045	7,256
- Placements with banks at AC	51,794	37,172	47,627	34,354
- Loans and advances to customers at AC	2,864,426	2,537,181	2,631,822	2,404,027
- Debt instruments at FVOCI	474,445	397,276	474,202	397,109
- Debt instruments at AC	60,567	57,167	12,388	11,875
- Other financial assets at AC	16,251	13,507	15,553	12,299
Other similar income	**144,369**	**126,715**	**-**	**-**
- Finance lease receivables	144,369	126,715	-	-
Total interest income	**3,654,392**	**3,193,899**	**3,200,637**	**2,866,920**
Interest expense related to financial liabilities measured at amortized cost	**578,712**	**432,491**	**513,775**	**377,160**
- Cash and cash equivalents	37,831	865	37,831	865
- Deposits from banks	12,507	25,239	10,555	24,201
- Deposits from customers	427,016	319,508	380,614	279,334
- Loans from banks and other financial institutions	101,358	86,879	84,775	72,760
Other similar expense	**1,935**	**9**	**1,715**	**2**
- Lease liabilities	1,935	9	1,715	2
Total interest expense	**580,647**	**432,500**	**515,490**	**377,162**
Net interest income	**3,073,745**	**2,761,399**	**2,685,147**	**2,489,758**

(i) Interest income for the year ended at 31 December 2019 includes the net interest income on impaired financial assets amounting RON 222,190 thousand (2018: RON 196,373 thousand) for the Group and RON 185,874 thousand (2018: RON 169,214 thousand) for the Bank.

The interest income and expense related to the financial assets and liabilities, other than those held at fair value through profit and loss, are determined using the effective interest rate method.

9. Net fee and commission income

In RON thousand	Group 2019	Group 2018	Bank 2019	Bank 2018
Fee and commission income				
Commissions from treasury and inter-bank operations	121,239	80,868	121,239	80,868
Client transactions	984,461	877,848	842,770	774,004
Lending activity *(i)*	38,803	38,005	38,215	38,460
Finance lease management	1,307	1,193	-	-
Other fee and commission income	2,129	20,177	515	18,766
Total fee and commission income	***1,147,939***	***1,018,091***	***1,002,739***	***912,098***
Fee and commission expense				
Commissions from treasury and inter-bank operations	190,006	151,411	189,814	151,288
Client transactions	111,617	79,058	62,005	47,721
Lending activity *(i)*	22,866	20,231	34,971	28,541
Other fees and commissions	3,149	1,533	3,334	1,726
Total fee and commission expense	**327,638**	**252,233**	**290,124**	**229,276**
Net fee and commission income	**820,301**	**765,858**	**712,615**	**682,822**

(i) Lending-related fees include loan restructuring fees, guarantee assessment and amendment fees, debt recovery fees.

10. Net trading income

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Net income from foreign exchange transactions	331,496	260,435	296,706	240,313
Net expense from derivatives	(8,658)	(5,886)	(8,659)	(5,886)
Net income/ (expense) from financial assets held-for-trading	68,213	(35,796)	6,395	(4,066)
Net income from foreign exchange position revaluation	19,552	33,410	24,076	33,087
Net trading income	**410,603**	**252,163**	**318,518**	**263,448**

11. Net gain/loss(-) from the sale of financial assets measured at fair value through other items of comprehensive income

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Income from the sale of financial assets measured at fair value through other items of comprehensive income	122,353	18,812	122,332	18,533
Losses from the sale of financial assets measured at fair value through other items of comprehensive income	(5,528)	(26,367)	(5,528)	(26,307)
Net gain/loss (-) from the sale of financial assets measured at fair value through other items of comprehensive income	**116,825**	**(7,555)**	**116,804**	**(7,774)**

12. Net gain/loss(-) from financial assets which are required to be measured at fair value through profit or loss

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Losses from financial assets which are required to be measured at fair value through profit or loss	(118,723)	(183,429)	(133,489)	(250,803)
Income from financial assets which are required to be measured at fair value through profit or loss	244,332	180,859	298,549	210,274
Net gain/loss(-) from financial assets which are required to be measured at fair value through profit or loss	**125,609**	**(2,570)**	**165,060**	**(40,529)**

13. Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund

The impact of the breakdown of the annual contribution to the two funds, as reflected in the separate and consolidated statement of financial position, is the following:

	Group		Bank	
	2019	**2018**	**2019**	**2018**
Contribution to the Bank Deposit Guarantee Fund	86,841	25,589	83,491	23,330
Bank Resolution Fund	24,124	15,834	24,124	15,834
Total	**110,965**	**41,423**	**107,615**	**39,164**

14. Other operating income

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Dividend income	3,174	3,611	10,707	135,407
Income from e-commerce transactions	10,518	6,791	10,518	6,791
Income from operational lease	-	31,860	-	-
Income from insurance intermediation	72,780	56,554	64,550	50,413
Income from the sale of finished products	21,646	25,431	-	-
Income from indemnities, fines and penalties	11,534	8,158	8,879	5,710
Income from VISA, MASTERCARD, WU services	16,972	15,282	16,972	15,282
Income from the assignment of shareholdings	-	22,723	-	-
Other operating income *(i)*	42,244	47,181	29,115	31,816
Total	**178,868**	**217,591**	**140,741**	**245,419**

(i) The category "Other operating income" includes the following types of income: debt recoveries related to closed accounts, cash at hand differences, income from recovered legal expenses, marketing bonuses, other recoveries from operating expenses.

15. Net expense (-) / income from impairment allowance, expected losses on assets, provisions for other risks and loan commitments

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Net impairment allowance on assets (i)	453,768	758,439	416,926	666,847
Loans written off	21,084	8,751	23	741
Finance lease receivables written off	23,591	69,446	-	-
Provisions for other risks and loan commitments	57,993	9,012	53,393	6,700
Recoveries from loans written off	(230,677)	(443,774)	(225,613)	(443,497)
Recoveries from finance lease receivables written off	(33,113)	(37,453)	-	-
Net impairment allowance on financial assets, provisions for other risks and loan commitments	**292,646**	**364,421**	**244,729**	**230,791**

(i) Impairment losses on assets include the following:

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Loans and advances to customers	427,944	733,218	364,972	678,422
Treasury and inter-bank operations	(2,759)	2,899	56	65
Finance lease receivables	48,633	32,201	-	-
Equity investments	-	-	51,317	-
Investment securities	(323)	(1,625)	102	2,861
Other financial assets	526	(13,699)	1,076	(14,257)
Other non-financial assets	(19,504)	9,761	(597)	139
Property and equipment and intangible assets	(749)	(4,316)	-	(383)
Net impairment allowance on assets	**453,768**	**758,439**	**416,926**	**666,847**

16. Personnel expenses

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Gross salaries (including contributions starting from 2018)	875,543	910,515	760,605	822,627
Social protection contribution	38,139	32,932	25,866	23,603
Share payments to employees	59,338	66,909	59,338	66,653
Pension contribution Pillar III	7,479	6,851	7,004	6,502
Other staff expenses	49,597	44,382	44,376	41,552
Net expenses with provisions for untaken holiday and other benefits	8,193	3,573	1,869	5,035
Total	**1,038,289**	**1,065,162**	**899,058**	**965,972**

The average number of new employees within the Group and the Bank during 2019 and 2018 was:

Category	Monthly average number of persons employed during 2019		Monthly average number of persons employed during 2018	
	Group	**Bank**	**Group**	**Bank**
Management positions	2.58	0.92	1.42	0.33
Operational positions	187.83	152.42	148.67	109.67
TOTAL	**190.42**	**153.33**	**150.09**	**110.00**

The employer's expenses related to the share-based payments are included in the wages and salaries and amounted to RON 59,338 thousand in 2019 (2018: RON 66,653 thousand), both for the Group and the Bank. In 2019, the Bank granted shares to employees.

The Bank established a Stock Option Plan, by which its employees may exercise the right and option to purchase a number of shares issued by the Bank.

Vesting conditions for 2020 related to SOP 2019:

- Achievement of performance and prudential indicators during 2019;
- Compliance with certain individual eligibility and/or performance criteria, in accordance with the applicable remuneration policy and standard, related to the year for which shares are granted;
- Being an employee upon the granting of the SOP right (31 May 2019) and when exercising such right (starting from 01 June 2020);

Contractual vesting period for the shares granted for the year 2019 through SOP:

- Release after 01 June 2020;
- Deferral period for the identified personnel - 3-5 years, subject to applicable restrictions, pursuant to internal regulations in force.

The impact in profit or loss of a possible value change of the shares which are to be granted to the employees under the Stock Option Plan for 2019, by a maximum of +/-15.00% regulated by the Bucharest Stock Exchange, would be of RON +/- 9,489 thousand.

The movement in transactions relating to share-based payments during 2019 and 2018 is presented below:

In RON thousand	**2019**	**2018**
Balance as at January 1	**30,848**	**21,666**
Rights granted during the year	(63,259)	(57,471)
Rights exercised during the year	-	-
Expense with employee benefits in the form of share-based payments	59,338	66,653
Closing balance at the end of period	**26,927**	**30,848**

16. Personnel expenses *(continued)*

30,035,756 shares were granted to employees and shareholders in 2019; during the year 2018, a number of 25,018,125 shares was granted to the employees and shareholders:

Granting date	Number of shares	Contractual vesting period	Vesting conditions
Shares granted to employees for the year 2019	28,993,566	With immediate release on 31 May 2019	Achievement of performance and prudential indicators during 2018. Compliance with the conditions stipulated in the applicable remuneration policy and standard, related to the year for which shares are granted, as well as with the conditions of the trust agreement.
	1,042,190	Deferral by trust agreement for 3-5 years	

17. Other operating expenses

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Rent and lease expense	22,281	147,558	19,786	139,275
Repairs and maintenance expenses	175,063	159,495	159,887	148,450
Advertising, marketing, entertainment and sponsorship expenses	93,160	74,551	80,570	69,908
Mail, telecommunication and SMS traffic expenses	43,925	43,247	37,930	38,730
Materials and stationery	75,426	84,596	55,006	60,816
Other professional fees, including legal expenses	37,855	44,148	33,046	41,775
Expenses regarding movable and immovable assets resulting from debt enforcement	277	4,437	345	4,437
Electricity and heating	25,976	22,351	21,466	17,924
Business travel, transportation and temporary relocation expenses	31,978	32,229	29,257	30,240
Insurance costs	21,860	15,142	19,575	15,202
Taxes	120,873	33,775	115,589	31,373
Write-off and loss on disposal of property and equipment and intangible assets	50,565	8,584	49,861	8,642
Security and protection	12,330	13,393	10,274	11,094
Expenses related to archiving services	19,638	14,594	19,220	14,344
Indemnities, fines and penalties	737	14,852	417	14,572
Expenses related to database queries from the Trade Register and the Credit Bureau	5,265	4,930	4,457	4,555
Expenses with foreclosed assets	4,279	7,941	3,803	7,837
Audit, advisory and other services provided by the independent auditor	6,596	4,526	4,159	3,008
- statutory and group audit fees	*4,798*	*2,842*	*3,237*	*1,881*
- special audit services or other non-audit services as required by the local rules or legislation	*1,798*	*1,684*	*922*	*1,127*
Net expenses from the sale of leased goods	22,734	8,549	-	-
Other operating expenses	70,291	67,717	48,240	35,169
Total other operating expenses	**841,109**	**806,615**	**712,888**	**697,351**

18. Income tax expense

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Gross Profit	**2,131,583**	**1,706,828**	**1,887,146**	**1,642,446**
Statutory tax rate (2019: 16%; 2018: 16%)	***(341,053)***	***(273,092)***	***(301,943)***	***(262,791)***
Fiscal effect of income tax on the following elements:	***47,273***	***29,130***	***32,368***	***32,100***
- *Non-taxable income*	*103,557*	*147,187*	*82,762*	*159,766*
- *Non-deductible expense*	*(148,092)*	*27,168*	*(141,110)*	*20,463*
- *Tax deductions*	*97,989*	*74,779*	*96,989*	*69,680*
- *Income like items*	*(6,181)*	*(212,694)*	*(6,273)*	*(211,499)*
- *Current income tax from prior years, related to acquisitions*	*-*	*(7,310)*	*-*	*(7,310)*
Deferred Tax	**10,990**	**(220,186)**	**2,941**	**(191,364)**
Income tax expense	**(283,690)**	**(446,148)**	**(266,634)**	**(423,055)**

19. Cash and cash equivalents

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Minimum reserve requirement	11,391,107	8,068,610	10,585,716	7,091,495
Cash on hand and other values	3,192,036	2,253,511	2,894,479	1,991,976
Total	**14,583,143**	**10,322,121**	**13,480,195**	**9,083,471**

As at 31 December 2019, the minimum reserve requirement held with the National Bank of Romania was set at 8% for funds denominated in RON and EUR (2018: 8% for funds denominated in RON and EUR). The minimum reserve balance may fluctuate on a daily basis. The interest paid by the National Bank of Romania for the reserves held by the banks was 0.14 - 0.22% per year for the reserves in RON, 0.01-0.02% per year for reserves denominated in EUR and 0.10-0.17% per year for reserves denominated in USD. The minimum required reserve can be used by the Bank for its daily activities as long as the average monthly balance is maintained within the required limits.

Reconciliation of cash and cash equivalents with the separate and consolidated statement of financial position

		Group		Bank	
In RON thousand	**Note:**	**2019**	**2018**	**2019**	**2018**
Cash and cash equivalents (*)	19	14,585,012	10,320,727	13,483,651	9,084,112
Placements with banks - maturity below 3 months		5.874.165	3,775,656	5,226,939	3,148,741
Reverse-repo transactions		50,823	340,416	50,823	340,416
Financial assets with maturity below 3 months		-	719,591	-	719,591
Cash and cash equivalents in the cash flow statement		**20.510.000**	**15,156,390**	**18,761.413**	**13,292,860**

(*) At Group level, the cash and cash equivalents do not include the accrual and interest payable in the amount of RON 1.869 thousand (2018: RON 1,394 thousand) and at the level of the Bank in the amount of RON (3,456) thousand (2018: RON (641) thousand)

20. Placements with banks

In RON thousand	**Group 2019**	**Group 2018**	**Bank 2019**	**Bank 2018**
Current accounts with other banks	2,589,907	1,851,092	2,040,753	1,229,191
Term deposit at the National Bank	1,500,100	-	1,500,100	-
Sight and term deposits with other banks	3,536,271	2,302,364	3,305,631	2,274,544
Reverse repo transactions	50,843	340,573	50,843	340,573
Loans and advances to credit institutions	98,019	156,108	98,019	156,108
Total	**7,775,140**	**4,650,137**	**6,995,346**	**4,000,416**

As at 31 December 2019, the placements with banks included reverse-repo securities and term deposits with maturity up to 3 months, which are also included in the separate and consolidated statement of cash flows, as follows: reverse-repo in amount of RON 50,823 thousand and deposits in amount of RON 5,874,165 thousand at Group level, and reverse-repo of RON 50,823 thousand and deposits in amount of RON 5,251,922 thousand at Bank level (2018: reverse-repo in amount of RON 340,416 thousand and deposits in amount of RON 3,775,656 thousand at Group level, and reverse-repo of RON 340,416 thousand and deposits in amount of RON 3,148,741 thousand at Bank level).

Except for sale and reverse-repo agreements, the amounts due from other banks are not guaranteed. The quality analysis of the placements with banks as at 31 December 2019 and 31 December 2018, according to the rating agencies is detailed below:

Group	**2019**		**2018**	
In RON thousand	**Placements with banks**	**Reverse repo transactions**	**Placements with banks**	**Reverse repo transactions**
Investment grade	7,616,692	50,843	4,216,327	340,573
Non-investment grade	107,605	-	93,237	-
Total	**7,724,297**	**50,843**	**4,309,564**	**340,573**

Bank	**2019**		**2018**	
In RON thousand	**Placements with banks**	**Reverse repo transactions**	**Placements with banks**	**Reverse repo transactions**
Investment grade	6,839,735	50,843	3,568,486	340,573
Non-investment grade	104,768	-	91,357	-
Total	**6,944,503**	**50,843**	**3,659,843**	**340,573**

The qualitative analysis regarding the placements with banks was based on the credit ratings issued by Standard & Poor's, Moody's and Fitch, if available. As concerns the Group's/Bank's placements with credit institutions that are not rated by Standard & Poor's, Moody's or Fitch, the Standard & Poor's sovereign rating was used.

The Investment-grade category includes the Group's/Bank's placements with credit institutions having the following ratings: AAA, AA+, AA-, A+, A, A-, BBB+, BBB, BBB- and Baa3.

The non-investment grade category includes the Group's/Bank's placements with credit institutions having the following ratings: BB+, BB, BB-, B+, B, B-, B3 and CCC-.

21. Financial assets at fair value through profit or loss

a) Held-for-trading financial assets measured at fair value through profit or loss

The structure of financial assets held-for-trading and measured at fair value through profit or loss is presented in the table below:

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Equity instruments	144,040	112,481	17,509	12,582
Debt instruments	128,567	97,980	-	-
Total	**272,607**	**210,461**	**17,509**	**12,582**

As at 31 December 2019, the Group held shares listed on the Bucharest Stock Exchange and the main stock exchanges in Europe.
As at 31 December 2019, the Group owned significant investments amounting to RON 104,228 thousand in the following entities: SIF Moldova S.A., SIF Muntenia SA and SIF Banat Crisana S.A.. (2018: RON 86,984 thousand).

A qualitative analysis of the share portfolio of the Group and of the Bank as at **31 December 2019** and **31 December 2018** is presented below:

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Investment-grade	5,205	1,084	1,935	873
Non-investment grade	8,440	5,824	418	320
No rating(*)	258,962	203,553	15,156	11,389
Total	**272,607**	**210,461**	**17,509**	**12,582**

(*)They mainly represent the Group's investments in fund units and Romanian financial investment companies

The analysis of the quality of the share portfolio is based on the Standard & Poor's rating, if available, or Moody's rating converted into the nearest equivalent rating according to the scale of Standard & Poor.
The Investment-grade category includes financial assets at fair value through profit or loss with the following ratings: A+, A, A-, BBB+, BBB and BAA2.
The Non Investment-grade category includes financial assets at fair value through profit or loss with rating BB+,BB-,B and B-.
The 'no rating' category includes financial assets at fair value through profit or loss the issuers of which are not rated.

b) Financial assets which are required to be measured at fair value through profit and loss

The structure of financial assets which are required to be measured at fair value through profit or loss is presented in the table below:

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Equity instruments	143,932	155,261	143,535	96,422
Debt instruments	734,057	419,417	1,005,156	631,767
Total	**877,989**	**574,678**	**1,148,691**	**728,189**

22. Loans and advances to customers

The Group's and Bank's commercial lending is concentrated on Romanian companies and individuals. The risk distribution of the credit portfolio per sectors, as at **31 December 2019** and **31 December 2018**, is the following:

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Retail	23,895,191	21,825,521	22,981,740	21,209,725
Trading	4,176,563	4,247,521	3,894,591	4,049,847
Manufacturing	3,679,124	3,869,729	3,555,675	3,786,753
Agriculture	1,659,868	1,556,437	1,584,882	1,457,691
Services	1,632,525	1,432,118	1,549,506	1,364,544
Real Estate	1,522,090	1,472,655	1,497,988	1,453,526
Constructions	1,281,395	1,228,121	1,223,460	1,193,435
Transportation	1,203,476	1,109,071	1,114,396	1,031,394
Self-employed	708,803	654,809	586,755	592,968
Others	616,078	607,735	589,347	543,043
Financial Institutions	593,081	500,157	1,680,847	1,325,500
Telecommunications	338,297	428,913	319,188	360,878
Energy	307,873	196,946	307,791	195,167
Mining	101,360	107,816	99,927	105,914
Chemical Industry	80,406	65,618	79,902	71,618
Government Institutions	62,952	64,567	55,625	58,733
Fishing	13,303	14,534	12,968	14,371
Total loans and advances to customers before impairment allowance (*)	**41,872,385**	**39,382,268**	**41,134,588**	**38,815,107**
Allowances for impairment losses on loans	***(2,696,981)***	***(2,585,766)***	***(2,532,673)***	***(2,459,133)***
Total loans and advances to customers, net of impairment allowance	**39,175,404**	**36,796,502**	**38,601,915**	**36,355,974**

(*)Total loans and advances to customers before impairment allowance are diminished by the fair value adjustments for the portfolio of loans taken over through acquisitions, determined on the basis of the purchase price allocation report.

The structure of the credit portfolio of the **Bank** and the **Group** as at **31 December 2019** and **31 December 2018** is the following:

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Corporate	11,812,154	11,987,524	12,710,902	12,604,496
Small and medium enterprises	5,675,248	5,242,713	5,441,946	5,000,886
Consumer loans and card loans granted to retail customers	11,284,102	10,580,685	11,114,320	10,452,319
Mortgage loans	12,041,262	10,787,269	11,835,135	10,718,169
Loans granted by non-banking financial institutions	1,009,922	732,015	-	-
Other	49,697	52,062	32,285	39,237
Total loans and advances to customers before impairment allowance	**41,872,385**	**39,382,268**	**41,134,588**	**38,815,107**
Allowances for impairment losses on loans	**(2,696,981)**	**(2,585,766)**	**(2,532,673)**	**(2,459,133)**
Total loans and advances to customers net of impairment allowance	**39,175,404**	**36,796,502**	**38,601,915**	**36,355,974**

Notes to the consolidated and separate financial statements

22. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at **Group** level in **2019** was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2019	**(455,278)**	**(573,328)**	**(1,557,160)**	**(2,585,766)**
Increase due to issue or acquisition	(324,365)	(155,282)	(334,901)	**(814,548)**
Decrease due to derecognition	162,695	179,545	405,026	**747,266**
Increase or decrease due to the change in credit risk (net) and transfers	102,107	(27,176)	(372,311)	**(297,380)**
Increase or decrease due to changes without derecognition (net)	63,249	(38,180)	(2,972)	**22,097**
Decrease of impairment allowances due to write-offs	57	5,243	242,451	**247,751**
Other adjustments	(2,318)	(2,864)	(11,219)	**(16,401)**
Closing balance as at 31 December 2019	**(453,853)**	**(612,042)**	**(1,631,086)**	**(2,696,981)**

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22. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at **Bank** level in **2019** was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2019	**(458,349)**	**(523,696)**	**(1,477,088)**	**(2,459,133)**
Increase due to issue or acquisition	(333,846)	(117,512)	(329,455)	**(780,813)**
Decrease due to derecognition	169,612	179,465	478,975	**828,052**
Increase or decrease due to the change in credit risk (net) and transfers	101,182	(43,825)	(333,857)	**(276,500)**
Increase or decrease due to changes without derecognition (net)	57,586	(32,238)	(94,613)	**(69,265)**
Decrease of impairment allowances due to write-offs	57	5,243	242,451	**247,751**
Other adjustments	(2,459)	(2,946)	(17,360)	**(22,765)**
Closing balance as at 31 December 2019	**(466,217)**	**(535,509)**	**(1,530,947)**	**(2,532,673)**

22. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at **Group** level in **2018** was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	**Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)**	**Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)**	**Total**
Opening balance as at January 1, 2018	**(238,758)**	**(364,218)**	**(1,323,186)**	**(1,926,162)**
Increase due to issue or acquisition	(322,505)	(159,436)	(490,324)	**(972,265)**
Decrease due to derecognition	108,543	77,374	145,267	**331,184**
Increase or decrease due to the change in credit risk (net) and transfers	98,286	(130,340)	(172,292)	**(204,346)**
Increase or decrease due to changes without derecognition (net)	(100,961)	(32,746)	(38,096)	**(171,803)**
Decrease of impairment allowances due to write-offs	247	37,072	324,252	**361,571**
Other adjustments	(130)	(1,034)	(2,781)	**(3,945)**
Closing balance as at 31 December 2018	**(455,278)**	**(573,328)**	**(1,557,160)**	**(2,585,766)**

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22. Loans and advances to customers *(continued)*

The movement in impairment allowances on loans and advances to customers at **Bank** level in **2018** was the following:

	Allowances for expected credit losses on loans and advances for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	**Allowances for expected credit losses on loans and advances for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)**	**Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)**	**Total**
Opening balance as at January 1, 2018	**(248,343)**	**(342,164)**	**(1,293,062)**	**(1,883,569)**
Increase due to issue or acquisition	(326,381)	(132,056)	(489,521)	**(947,958)**
Decrease due to derecognition	110,861	77,376	144,221	**332,458**
Increase or decrease due to the change in credit risk (net) and transfers	98,674	(131,442)	(156,802)	**(189,570)**
Increase or decrease due to changes without derecognition (net)	(93,274)	(31,295)	(3,549)	**(128,118)**
Decrease of impairment allowances due to write-offs	247	37,072	324,252	**361,571**
Other adjustments	(133)	(1,187)	(2,627)	**(3,947)**
Closing balance as at 31 December 2018	**(458,349)**	**(523,696)**	**(1,477,088)**	**(2,459,133)**

23. Finance lease receivables

The Group acts as a lessor under finance lease agreements, concluded mainly for financing motor vehicles and equipment. The lease agreements are denominated in EUR, RON and MDL and typically run for a period between 2 and 5 years, with the transfer of ownership over the leased assets upon the termination of the lease agreement.

The lease receivables are secured by the underlying assets and by other collateral. The breakdown of finance lease receivables according to their maturity is presented below:

In RON thousand	**2019**	**2018**
Finance lease receivables with maturity below 1 year, gross	533,750	490,862
Finance lease receivables with maturity between 1-5 years, gross	836,925	721,636
Total finance lease receivables, gross	**1,370,675**	**1,212,498**
Future interest related to finance lease receivables	(108,182)	(104,374)
Total finance lease receivables, net of future interest	1,262,493	1,108,124
Impairment allowances for finance lease receivables	(84,050)	(87,542)
Total finance lease receivables	**1,178,443**	**1,020,582**

The lease contracts are originated and managed by BT Leasing Transilvania IFN S.A. and BT Leasing Moldova S.R.L.

Notes to the consolidated and separate financial statements

23. Finance lease receivables *(continued)*

The movement in impairment allowances on finance lease receivable at **Group** level in **2019** was the following:

	Allowances for expected credit losses related to lease receivables for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses related to lease receivables for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on finance lease receivable to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2019	-	**(16,681)**	**(70,861)**	**(87,542)**
Increase due to issue or acquisition	-	(9,521)	(8,888)	**(18,409)**
Decrease due to derecognition	-	1,996	21,946	**23,942**
Increase or decrease due to the change in credit risk (net) and transfers	-	880	(6,247)	**(5,367)**
Increase or decrease due to changes without derecognition (net)	-	1,775	1,551	**3,326**
Decrease of impairment allowances due to write-offs	-	-	-	**-**
Other adjustments	-	204	(204)	**-**
Closing balance as at 31 December 2019	-	**(21,347)**	**(62,703)**	**(84,050)**

23. Finance lease receivables *(continued)*

The movement in impairment allowances on finance lease receivable at **Group** level in **2018** was the following:

	Allowances for expected credit losses related to lease receivables for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses related to lease receivables for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on finance lease receivable to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2018	**-**	**(10,649)**	**(51,230)**	**(61,879)**
Increase due to issue or acquisition	-	(9,522)	(9,972)	**(19,494)**
Decrease due to derecognition	-	1,659	12,379	**14,038**
Increase or decrease due to the change in credit risk (net) and transfers	-	(3,457)	576	**(2,881)**
Increase or decrease due to changes without derecognition (net)	-	5,150	(22,512)	**(17,362)**
Decrease of impairment allowances due to write-offs	-	-	-	**-**
Other adjustments	-	138	(102)	**36**
Closing balance as at 31 December 2018	**-**	**(16,681)**	**(70,861)**	**(87,542)**

24. Investment securities

a) Financial assets measured at fair value through other items of comprehensive income

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Financial assets measured at fair value through other items of comprehensive income				
Fixed-income instruments and unlisted equity securities:	**23,603,234**	**21,357,336**	**23,595,615**	**21,351,503**
Treasury certificates and securities issued by the Romanian Government, of which:	16,137,417	11,829,430	16,133,035	11,825,177
- discount certificates	*58,212*	*75,678*	*58,212*	*75,678*
- coupon certificates (RON)	*25,412*	*10,873*	*25,412*	*10,873*
- Benchmark bonds (RON)	*13,583,923*	*9,373,910*	*13,579,541*	*9,369,657*
- Treasury certificates with coupon (EUR)	*2,469,870*	*2,368,969*	*2,469,870*	*2,368,969*
EURO bonds issued by the Romanian Government on foreign markets	5,090,381	7,789,133	5,090,381	7,789,133
USD bonds issued by the Romanian Government on foreign markets	1,162,692	1,419,991	1,162,692	1,419,991
Bonds, of which:	1,212,744	318,782	1,209,507	317,202
- issued by Bucharest Municipality	*41,302*	*40,211*	*41,302*	*40,211*
- issued by Alba Iulia Municipality	*463*	*537*	*463*	*537*
- issued by Hunedoara Municipality	*430*	*476*	*430*	*476*
- issued by Black Sea (BSTDB)	*8,783*	*8,287*	*8,783*	*8,287*
- issued by the International Investment Bank	*226,507*	*220,127*	*226,507*	*220,127*
- issued by the European Bank for Reconstruction and Development	-	*20,429*	-	*20,429*
- issued by Globalworth Real Estate Inv. LTD	*31,572*	*27,135*	*31,572*	*27,135*
- issued by Goldman Sachs Group INC	*153,896*	-	*153,896*	-
- issued by Autonom Services S.A.	*16,968*	-	*16,968*	-
- issued by Alpha Bank Romania SA	*151,872*	-	*151,872*	-
- issued by Intesa Sanpaolo SPA	*61,910*	-	*61,910*	-
- issued by BNP - Paribas SA	*121,803*	-	*121,803*	-
- issued by the Ministry of Finance of Italy	*394,001*	-	*394,001*	-
-issued by the Ministry of Finance of Moldova	*3,237*	*1,580*	-	-
Loans and advances:	**30,023**	**-**	**30,023**	**-**
- Government entities	*30,023*	-	*30,023*	-
Equity instruments, of which:	**25,054**	**17,372**	**12,169**	**12,405**
Measured at fair value through other items of comprehensive income	*25,054*	*17,372*	*12,169*	*12,405*
Total financial assets measured at fair value through other items of comprehensive income	**23,658,311**	**21,374,708**	**23,637,807**	**21,363,908**

Notes to the consolidated and separate financial statements

24. Investment securities *(continued)*

a) Financial assets measured at fair value through other items of comprehensive income (continued)

As at 31 December 2019, for these categories of securities, the Group and the Bank hold equity instruments valued at fair value through other items of comprehensive income under the form of participations in Transfond, Biroul de Credit, Swift Belgium, Casa Romana de Compensatii, Fondul de Compensare a Investitorilor, Depozitarul Central S.A. The investment in such equity instruments as at 31 December 2019 at Group level amounted to RON 25,054 thousand (2018: RON 17,372 thousand) and at Bank level RON 12,169 thousand (2018: RON 12,405 thousand).

Qualitative analysis of the bonds held by the **Group and the Bank** as at **31 December 2019**, classified as "Financial assets measured at fair value through other items of comprehensive income", depending on the issuer's rating:

	Group						**Bank**					
In RON thousand	***Romanian Government***	***Finance Ministries of the Republic of Moldova and Italy***	***Municipal bonds***	***Other financial institutions***	***Non-financial institutions***	**Total**	***Romanian Government***	***Ministry of Finance of Italy***	***Municipal bonds***	***Other financial institutions***	***Non-financial institutions***	**Total**
A-	-	-	-	41,620	-	**41,620**	-	-	-	41,620	-	**41,620**
A+	-	-	-	121,803	-	**121,803**	-	-	-	121,803	-	**121,803**
B	-	3,237	-	-	16,968	**20,205**	-	-	-	-	16,968	**16,968**
BB-	-	-	30,023	-	-	**30,023**	-	-	30,023	-	-	**30,023**
BB+	-	-	463	-	-	**463**	-	-	463	-	-	**463**
BBB	-	-	-	213,782	-	**213,782**	-	-	-	213,782	-	**213,782**
BBB-	22,390,490	394,001	41,732	31,572	-	**22,857,795**	22,386,108	394,001	41,732	31,572	-	**22,853,413**
BBB+	-	-	-	347,566	-	**347,566**	-	-	-	347,566	-	**347,566**
Total	**22,390,490**	**397,238**	**72,218**	**756,343**	**16,968**	**23,633,257**	**22,386,108**	**394,001**	**72,218**	**756,343**	**16,968**	**23,625,638**

24. Investment securities *(continued)*

a) Financial assets measured at fair value through other items of comprehensive income (continued)

Qualitative analysis of the bonds held by the **Group** and the **Bank** as at **31 December 2018** classified as "Financial assets available-for-sale", depending on the issuer's rating:

	Group					**Bank**				
In RON thousand	***Bonds and treasury certificates issued by the Romanian Government and the Ministry of Finance in the Republic of Moldova***	***Municipal bonds***	***Bonds issued by other financial institutions***	***Bonds issued by non-financial institutions***	**Total**	***Bonds and treasury certificates issued by the Romanian Government***	***Municipal bonds***	***Bonds issued by other financial institutions***	***Bonds issued by non-financial institutions***	**Total**
A-	-	-	8,287	-	**8,287**	-	-	8,287	-	**8,287**
AAA	-	-	20,429	-	**20,429**	-	-	20,429	-	**20,429**
B	1,580	-	-	-	**1,580**	-	-	-	-	**-**
BB+	-	537	-	-	**537**	-	537	-	-	**537**
BBB-	21,038,554	40,687	-	27,135	**21,106,376**	21,034,301	40,687	-	27,135	**21,102,123**
BBB+	-	-	220,127	-	**220,127**	-	-	220,127	-	**220,127**
Total	**21,040,134**	**41,224**	**248,843**	**27,135**	**21,357,336**	**21,034,301**	**41,224**	**248,843**	**27,135**	**21,351,503**

As at 31 December 2019 and 31 December 2018, the Group and the Bank did not hold past due or impaired debt instruments classified as „Financial assets measured at fair value through other items of comprehensive income".

Evolution of securities in the category "Financial assets measured at fair value through other items of comprehensive income:

	Group		**Bank**	
In RON thousand	**2019**	**2018**	**2019**	**2018**
As at January 1	21,374,708	15,821,300	21,363,908	16,032,612
Restatement IFRS 9	-	4,037	-	3,983
Reclassification IFRS 9	-	(375,541)	-	(601,366)
Acquisitions	14,320,803	12,662,334	14,307,353	12,656,309
Sales and repurchases	(12,398,759)	(6,462,084)	(12,395,624)	(6,452,309)
Coupon and amortization in P&L during the year (Note 8)	474,445	397,276	474,202	397,109
Coupon collected at term during the year	(785,709)	(675,618)	(785,510)	(675,464)
Gain/(Loss) from the measurement at fair value	369,762	(78,371)	370,509	(78,341)
Exchange rate differences	303,061	81,375	302,969	81,375
As at 31 December	**23,658,311**	**21,374,708**	**23,637,807**	**21,363,908**

24. Investment securities *(continued)*

a) Financial assets measured at fair value through other items of comprehensive income (continued)

As at 31 December 2019, out of the treasury securities held by the Bank, the amount of RON 57,000 thousand (2018: RON 57,000 thousand) was pledged for current operations (RoCLEAR, SENT, MASTERCARD and VISA).
The treasury securities and bonds issued by the Romanian Government have maturities between 2020 and 2049.

As at December 31, 2019, the Bank did not record repo transactions. As at 31 December 2018, the Bank concluded repo transactions with other financial institutions, backed by financial assets measured at fair value through other items of comprehensive income in amount of RON 246,598 thousand. The securities pledged under repo agreements may be sold or re-pledged by the counterparty.

The interest rates on financial assets measured at fair value through other comprehensive income were within the following ranges:

	2019		**2018**	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	0.54%	5.89%	1.00%	4.88%
RON	0.00%	7.30%	0.00%	7.30%
USD	4.38%	6.75%	4.38%	6.75%
MDL	0.00%	7.00%	0.00%	6.90%

The gains on the disposal of financial assets measured at fair value through other comprehensive income items reclassified from other comprehensive income to the profit and loss account were for the Bank at RON 116,804 thousand (2018: RON (7,774) thousand) with related tax of RON 18,689 thousand and for Group of lei 116,825 thousand (2018: RON (7,555) thousand) with related tax RON 18,692 thousand.

b) Financial assets at amortized cost - debt instruments

In 2019, the Group acquired and classified as financial assets measures at amortized cost - debt instruments, bonds in amount of RON 1,968,031 thousand (2018: RON 1,082,418 thousand) and the Bank acquired bonds in amount of RON 1,176,834 thousand (2018: RON 431,099 thousand).
Qualitative analysis of the financial assets measures at amortized cost - debt instruments held by the **Group** and the **Bank** as at **31 December 2019** and **31 December 2018**, depending on the issuer's rating:

	Group		**Bank**	
In RON thousand	**2019**	**2018**	**2019**	**2018**
A	10,124	10,125	10,124	10,125
A+	955,896	-	955,896	-
A-	79,511	60,652	79,511	60,652
AA-	-	17,346	-	17,346
BB	-	15,062	-	15,062
BB+	-	19,780	-	19,780
BBB	21,226	118,902	21,226	118,902
BBB-	63,968	66,374	14,382	60,525
BBB+	105,268	19,498	95,695	10,156
B3	732,038	636,128	-	-
Total	**1,968,031**	**963,867**	**1,176,834**	**312,548**

24. Investment securities *(continued)*

b) Financial assets at amortized cost - debt instruments (continued)

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Investment grade	1,235,993	292,897	1,176,834	277,706
Non-investment grade	732,038	670,970	-	34,842
Total	**1,968,031**	**963,867**	**1,176,834**	**312,548**

The movement of securities in the category of financial assets measured at amortized cost - debt instruments is presented in the table below:

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
As at January 1	963,867	222,792	312,548	222,792
Acquisitions	11,309,043	13,421,435	1,111,637	290,151
Sales and repurchases	(10,238,040)	(12,600,659)	(114,026)	(82,899)
Reclassification	(144,888)	(118,551)	(144,888)	(118,551)
Coupon and amortization in P&L during the year (Note 8)	60,567	57,167	12,388	11,875
Coupon collected at term during the year	(22,726)	(14,084)	(14,433)	(11,624)
Recognition of expected credit losses (ECL) in accordance with IFRS 9	290	(5,932)	53	(65)
Exchange rate differences	39,918	1,699	13,555	869
As at 31 December	**1,968,031**	**963,867**	**1,176,834**	**312,548**

As of 31 December 2019, the Group and the Bank had reclassified debt instruments of RON 263,438 thousand from financial assets measured at amortized cost to financial assets measured at fair value through profit and loss, out of which RON 118,551 thousand are related to 2018. The net reclassification impact in the movement for 2019 is RON 144,888 thousand.
The table below presents the comparative figures, if the Group would have performed the same reclassification for these debt instruments as of 31 December 2018:

in RON thousand	**December 31, 2018**		**December 31, 2018**
Statement of Financial Position	**Previously reported**	**Reclassification**	**Corrected**
Financial assets measured at AC	1,082,418	(118,551)	963,867
Financial assets measured at FVTPL	*456,127*	118,551	574,678

The table below presents the comparative figures, if the Bank would have performed the same reclassification for these debt instruments as of 31 December 2018:

in RON thousand	**December 31, 2018**		**December 31, 2018**
Statement of Financial Position	**Previously reported**	**Reclassification**	**Corrected**
Financial assets measured at AC	431,009	(118,551)	312,548
Financial assets measured at FVTPL	*609,638*	118,551	728,189

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25. Equity investments

As at 31 December 2019 the Bank had direct stakes in subsidiaries in amount of RON 486,360 thousand (2018: RON 537,677 thousand) and the impairment allowance amounted to RON 51,317 thousand (2018: RON 0 thousand).

On 31 December 2019 the Bank has subsidiaries which directly and indirectly holdings are:

Entity	Head Office	% of shares owned	Share capital	Reserves	Profit/(Loss) as at 31 December 2019
BT Leasing Transilvania IFN S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	100.00%	58,674	10,765	48,766
BT Capital Partners S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, ground floor	99.59%	15,426	580	573
BT Direct IFN S.A.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, 3rd floor	100.00%	79,806	19,113	(2,887)
BT Building S.R.L.	Cluj-Napoca, 8 George Bariţiu Street	100.00%	40,448	325	(270)
BT Investments S.R.L.	Cluj-Napoca, 36 Eroilor Boulevard	100.00%	50,940	1,875	73
BT Asset Management SAI S.A.	Cluj-Napoca, 22 Emil Racoviţă Street, first floor	80.00%	7,166	29,080	18,825
BT Solution Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.95%	20	4	1,758
BT Safe Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.99%	77	15	1,593
BT Intermedieri Agent de Asigurare S.R.L.	Cluj-Napoca,74-76 C-tin Brâncuşi Street, first floor	99.99%	507	101	3,281
BT Leasing Moldova S.R.L.	Republic of Moldova, Chişinău, 60 A.Puşkin Street	100.00%	5,052	-	6,580
BT Asiom Agent de Asigurare S.R.L.	Cluj-Napoca, 74-76 C-tin Brâncuşi Street, first floor	99.95%	20	4	2,476
BT Microfinanţare IFN S.A.	București, 43 București-Ploiești Road	100.00%	46,760	2,516	28,534
Improvement Credit Collection S.R.L.	Cluj-Napoca, 1 George Bariţiu Street	100.00%	901	1,740	2,837
B.C. VICTORIABANK S.A.	Republic of Moldova, Chişinău, 141 31 August 1989 Street	44.63%	62,025	6,203	76,610
Timesafe S.R.L.	Voluntari, 87-2F Erou Iancu Nicolae Road	51.12%	1,725	10	(668)
Total			**369,547**	**72,331**	**188,081**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property

Group - In RON thousand

Gross carrying amount	Investment property	Land & buildings	Computers and equipment	Vehicles	Fixed assets in progress	Total
Balance as at 1 January 2018	**31,092**	**339,609**	**416,741**	**255,056**	**46,023**	**1,088,521**
Acquisitions of tangible assets and investment property	-	-	27,010	30,458	116,979	**174,447**
Tangible assets related to acquisition	61,988	89,915	186,225	13,545	4,417	**356,090**
Reclassification of inventories into fixed assets	-	25,787	-	-	-	**25,787**
Reclassification from investments in progress	-	36,321	47,244	9,785	(93,350)	**-**
Revaluation (impact on reserve)	-	(805)	(8,918)	538	-	**(9,185)**
Revaluation (impact on profit and loss statement)	(3,702)	(1,130)	-	-	-	**(4,832)**
Disposals	1,533	(52,585)	(151,221)	(278,938)	(10,486)	**(491,697)**
Reclassification of tangible assets related to acquisitions and mergers	-	-	(2,318)	(1)	-	**(2,319)**
Reclassification of tangible assets into inventories for disposal purposes	(43,450)	-	(15)	(37)	-	**(43,502)**
Reversal of provision related to investment property	(16,452)	-	-	-	-	**(16,452)**
Reversal of provision related to acquisitions	-	(374)	2,271	(1,158)	303	**1,042**
Balance at 31 December 2018	**31,009**	**436,738**	**517,019**	**29,248**	**63,886**	**1,077,900**
Balance as at January 1, 2019	**31,009**	**436,738**	**517,019**	**29,248**	**63,886**	**1,077,900**
Acquisitions of tangible assets and investment property	-	930	56,331	1,176	190,748	**249,185**
Tangible assets related to acquisition	-	-	62	-	-	**62**
Reclassification from investments in progress	-	41,411	63,495	13,806	(118,712)	**-**
Revaluation (impact on reserve)	-	1,384	672	407	-	**2,463**
Revaluation (impact on profit and loss statement)	13	(123)	-	-	-	**(110)**
Disposals	(550)	(62,148)	(60,790)	(8,668)	(6,481)	**(138,637)**
Reclassification of tangible assets into inventories for disposal purposes	-	(14)	-	-	-	**(14)**
Balance at 31 December 2019	**30,472**	**418,178**	**576,789**	**35,969**	**129,441**	**1,190,849**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

Amortization and depreciation

***Group** - In RON thousand*	**Investment property**	**Land & buildings**	**Computers and equipment**	**Vehicles**	**Fixed assets in progress**	**Total**
Balance as at 1 January 2018	**-**	**145,166**	**221,060**	**84,073**	**4,554**	**454,853**
Charge for the year	-	20,255	56,007	22,147	-	**98,409**
Depreciation related to acquisitions	16,080	52,841	154,750	10,081	-	**233,752**
Accumulated depreciation of disposals	372	(47,425)	(131,790)	(92,622)	-	**(271,465)**
Amortization related to revaluation (impact on reserve)	-	(3,750)	(10,698)	(369)	-	**(14,817)**
Amortization related to revaluation (impact on profit and loss statement)	-	(139)	-	-	-	**(139)**
Depreciation of fixed assets reclassified for disposal purposes	-	5,367	-	-	-	**5,367**
Amortization of tangible assets related to acquisitions and mergers	-	-	(1,466)	(1)	-	**(1,467)**
Provision for impairment	-	-	124	-	-	**124**
Reversal of provision for impairment	(16,452)	(603)	(66)	-	(3,499)	**(20,620)**
Balance at 31 December 2018	**-**	**171,712**	**287,921**	**23,309**	**1,055**	**483,997**
Balance as at January 1, 2019	**-**	**171,712**	**287,921**	**23,309**	**1,055**	**483,997**
Charge for the year	-	24,636	61,626	3,234	-	**89,496**
Depreciation related to acquisitions	-	-	38	-	-	**38**
Accumulated depreciation of disposals	-	(47,040)	(53,876)	(7,724)	(1,055)	**(109,695)**
Amortization related to revaluation (impact on reserve)	-	247	-	-	-	**247**
Amortization related to revaluation (impact on profit and loss statement)	-	(27)	-	-	-	**(27)**
Reversal of provision for impairment	-	(575)	(89)	(69)	-	**(733)**
Balance at 31 December 2019	**-**	**148,953**	**295,620**	**18,750**	**-**	**463,323**
Net carrying amount						
As at 1 January 2019	**31,009**	**265,026**	**229,098**	**5,939**	**62,831**	**593,903**
As at 31 December 2019	**30,472**	**269,225**	**281,169**	**17,219**	**129,441**	**727,526**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

Bank - In RON thousand	Investment property	Land & buildings	Computers and equipment	Vehicles	Fixed assets in progress	Total
Gross carrying amount						
Balance as at 1 January 2018	**1,422**	**307,058**	**381,159**	**22,280**	**34,858**	**746,777**
Direct acquisitions	-	-	25,464	313	85,176	**110,953**
Balance related to acquisitions and mergers	-	50,112	134,912	8,021	2,505	**195,550**
Reclassification of inventories into fixed assets	-	25,787	-	-	-	**25,787**
Reclassification from investments in progress	-	35,897	41,848	-	(77,745)	**-**
Revaluation (impact on reserve)	-	1,721	221	767	-	**2,709**
Revaluation (impact in profit or loss)	27	(1,130)	-	-	-	**(1,103)**
Disposals	-	(51,673)	(138,497)	(11,162)	(5,488)	**(206,820)**
Reclassifications of tangible assets related to acquisitions and mergers	-	-	(2,318)	(1)	-	**(2,319)**
Reversal of provision related to acquisitions	-	(374)	2,271	(1,158)	303	**1,042**
Balance at December 31, 2018	**1,449**	**367,398**	**445,060**	**19,060**	**39,609**	**872,576**
Balance as at January 1, 2019	**1,449**	**367,398**	**445,060**	**19,060**	**39,609**	**872,576**
Direct acquisitions	-	930	54,208	487	127,015	**182,640**
Reclassification from investments in progress	-	40,894	56,399	11,910	(109,203)	**-**
Revaluation (impact on reserve)	-	1,384	672	407	-	**2,463**
Revaluation (impact in profit or loss)	13	(123)	-	-	-	**(110)**
Disposals	(430)	(35,265)	(33,062)	(6,961)	(4,609)	**(80,327)**
Balance at 31 December 2019	**1,032**	**375,218**	**523,277**	**24,903**	**52,812**	**977,242**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

Bank *- In RON thousand*	Investment property	Land & buildings	Computers and equipment	Vehicles	Fixed assets in progress	Total
Balance as at 1 January 2018	**-**	**125,656**	**193,809**	**19,663**	**-**	**339,128**
Amortization expense during the year	-	18,717	50,085	1,664	-	**70,466**
Balance of depreciation related to acquisitions and mergers	-	39,997	113,804	6,083	-	**159,884**
Accumulated depreciation of disposals	-	(47,031)	(124,781)	(11,062)	-	**(182,874)**
Amortization related to revaluation (impact on reserve)	-	493	-	-	-	**493**
Amortization related to revaluation (impact on profit and loss statement)	-	(139)	-	-	-	**(139)**
Depreciation of fixed assets reclassified for disposal purposes	-	5,367	-	-	-	**5,367**
Depreciation of fixed assets related to acquisitions and reclassified	-	-	(1,466)	(1)	-	**(1,467)**
Reversal of provision for impairment	-	(603)	-	-	-	**(603)**
Balance at 31 December 2018	**-**	**142,457**	**231,451**	**16,347**	**-**	**390,255**
Balance as at January 1, 2018	**-**	**142,457**	**231,451**	**16,347**	**-**	**390,255**
Amortization expense during the year	**-**	23,171	57,251	2,109	**-**	**82,531**
Accumulated depreciation of disposals	**-**	(32,789)	(31,482)	(6,531)	**-**	**(70,802)**
Amortization related to revaluation (impact on reserve)	**-**	247	-	-	**-**	**247**
Amortization related to revaluation (impact on profit and loss statement)	**-**	(27)	-	-	**-**	**(27)**
Balance at 31 December 2019	**-**	**133,059**	**257,220**	**11,925**	**-**	**402,204**
Net carrying amount						
As at 1 January 2019	**1,449**	**224,941**	**213,609**	**2,713**	**39,609**	**482,321**
As at 31 December 2019	**1,032**	**242,159**	**266,057**	**12,978**	**52,812**	**575,038**

Notes to the consolidated and separate financial statements

26. Property and equipment and investment property *(continued)*

As at 31 December 2019, the Group had pledged property, equipment or intangible assets of RON 0 thousand (2018: RON 854 thousand); the Bank did not have any pledged tangible or intangible assets. Property and equipment as at 31 December 2019 were revaluated by an independent evaluator. If the assets of the Group had been booked under the cost model, the recognized carrying amount would have been: land and buildings: RON thousand 250,293 (2018: RON 246,054 thousand), investment property RON 30,015 thousand (2018: RON 30,657 thousand), computers and equipment RON 280,483 thousand (2018: RON 228,839 thousand), vehicles RON 16,765 thousand (2018: RON 5,172 thousand), fixed assets in progress RON 129,441 thousand (2018: RON 62,831 thousand).

If the assets of the Bank had been booked under the cost model, the recognized carrying amount would have been: land and buildings RON 223,227 thousand (2018: RON thousand 205,969), investment property RON 575 thousand (2018: RON 1,097 thousand), computers and equipment RON 265,371 thousand (2018: RON 213,350 thousand), vehicles RON 12,523 thousand (2018: RON 1,946 thousand), fixed assets in progress RON 52,812 thousand (2018: RON 39,609 thousand).

27. Intangible assets (including goodwill)

In RON thousand	**Group**		**Bank**
Gross carrying amount	**Goodwill**	**Software**	**Software**
Balance as at 1 January 2018	**2,774**	**288,307**	**275,565**
Acquisitions	-	104,646	101,402
Balance related to acquisitions and mergers	1,521	268,206	215,120
Disposals	-	(116,005)	(116,471)
Reversal of provision related to acquisitions	-	34,594	34,594
Balance at 31 December 2018	**4,295**	**579,748**	**510,210**
Balance as at January 1, 2019	**4,295**	**579,748**	**510,210**
Acquisitions	7,703	99,510	85,542
Balance related to acquisitions and mergers	-	1,382	-
Disposals	(1,520)	(151,303)	(141,229)
Balance at 31 December 2019	**10,478**	**529,337**	**454,523**
Accumulated amortization			
Balance as at 1 January 2018	**-**	**155,052**	**149,804**
Balance of depreciation related to acquisitions and mergers	-	169,544	139,629
Charge for the year	-	64,105	58,784
Disposals	-	(91,788)	(91,854)
Reversal of provision for impairment	-	(384)	-
Balance at 31 December 2018	**-**	**296,529**	**256,363**
Balance as at January 1, 2019	**-**	**296,529**	**256,363**
Balance of depreciation related to acquisitions and mergers	-	270	-
Charge for the year	-	95,750	88,235
Disposals	-	(98,625)	(92,420)
Reversal of provision for impairment	-	(16)	-
Balance at 31 December 2019	**-**	**293,908**	**252,178**
Net carrying amount			
As at 1 January 2019	**4,295**	**283,219**	**253,847**
As at 31 December 2019	**10,478**	**235,429**	**202,345**

27. Intangible assets (including goodwill) *(continued)*

Impairment testing for cash generating units included in the goodwill

For the purpose of impairment testing, the goodwill is allocated to the Group's operating divisions which represent the lowest level at which the goodwill is monitored for internal management purposes.

As at 31 December 2019 the goodwill allocated by the Group to BT Leasing Transilvania IFN S.A. was of RON 376 thousand, the goodwill allocated to BT Capital Partners S.A. was of RON 2,398 thousand and the goodwill allocated to Timesafe SRL was of RON 7,703 thousand(2018: RON 376 thousand allocated to BT Leasing Transilvania IFN S.A. and RON 2,398 thousand allocated to BT Capital Partners S.A.).

As at 31 December 2019, the goodwill was tested for impairment in accordance with IFRS 3 and no impairment adjustments were necessary.

28. Right of Use Assets and Lease Liabilities

The Group and the Bank have lease agreements on land, buildings and vehicles. Rental contracts are typically made for fixed periods of 1 year to 73 years, but may have extension options as described below.
The right of use assets by class of underlying items is analysed as follows:

In RON thousand	Group				Bank			
	Lands	**Buildings**	**Auto**	**Total**	**Lands**	**Buildings**	**Auto**	**Total**
Carrying amount at 1 January 2019	**2,498**	**475,244**	**13,553**	**491,295**	**2,498**	**450,338**	**11,781**	**464,617**
Additions	2,053	92,014	11,166	**105,233**	2,053	83,836	6,962	**92,851**
Disposals	(1,211)	(80,382)	(797)	**(82,390)**	(1,211)	(72,575)	(787)	**(74,573)**
Depreciation charge	(629)	(120,043)	(5,441)	**(126,113)**	(629)	(111,868)	(4,186)	**(116,683)**
Carrying amount at 31 December 2019	**2,711**	**366,833**	**18,481**	**388,025**	**2,711**	**349,731**	**13,770**	**366,212**

At December 31, 2019 the interest expense on lease liabilities was RON 1,935 thousand and at the Bank level in the amount of RON 1,715 thousand.

At Group level as well as at Bank level, expenses related to short-term leases and leases of low-value assets, that are not shown as short-term leases, are included in "Other operating expenses", as below:

In RON thousand	**Group**	**Bank**
Expense relating to short-term leases	15,277	15,085
Expense relating to leases of low-value assets that are not shown above as short-term leases	4,733	4,095

Total cash outflow for leases in 2019 was RON 129,296 thousand to the Group and the Bank it was RON 118,793 thousand.

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities

Deferred tax assets/liabilities at **Group** level, as at **31 December 2019**:

In RON thousand	**31 December 2018**	**Recognized in profit and loss**	**Recognized in other items of comprehensive income**	**Recognized directly in shareholders' equity**	**31 December 2019**
Tax effect of temporary deductible /(taxable) differences (including tax losses carried forward), resulting from:					
Financial assets from interbank operations	303	(328)	-	-	(25)
Loans and receivables	8,873	4,024	(1,163)	-	11,734
Financial assets measured at fair value through other items of comprehensive income	31,766	(14)	(59,151)	-	(27,399)
Financial assets at amortized cost	1	(96)	-	-	(95)
Financial assets at fair value through profit or loss	(725)	17,643	(181)	-	16,737
Other assets	12,044	(8,444)	(145)	(6,253)	(2,798)
Property and equipment and intangible assets	(11,520)	5,971	(347)	(5)	(5,901)
Right of Use Assets	-	8	-	-	8
Provisions and other liabilities	27,190	(2,686)	(29)	19	24,494
Tax losses carried forward	5,988	(5,988)	-	-	-
Deferred tax asset / (liability)	**73,920**	**10,090**	**(61,016)**	**(6,239)**	**16,755**
Recognition of deferred tax asset	92,461	9,452	26,774	186	128,873
Recognition of deferred tax liability	(18,541)	638	(87,790)	(6,425)	(112,118)
Deferred tax asset / (liability)	**73,920**	**10,090**	**(61,016)**	**(6,239)**	**16,755**

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at **Bank** level, as at **31 December 2019**:

In RON thousand	**31 December 2018**	**Recognized in profit and loss**	**Recognized in other items of comprehensive income**	**Recognized directly in shareholders' equity**	**31 December 2019**
Tax effect of temporary deductible /(taxable) differences (including tax losses carried forward), resulting from:					
Financial assets measured at fair value through other items of comprehensive income	31,701	-	(59,281)	-	(27,580)
Financial assets at amortized cost	-	(95)	-	-	(95)
Other assets	769	-	-	115	884
Tangible and intangible assets	(8,260)	5,203	(361)	-	(3,418)
Provisions and liabilities	24,477	(2,167)	-	-	22,310
Deferred tax asset / (liability)	**48,687**	**2,941**	**(59,642)**	**115**	**(7,899)**
Recognition of deferred tax asset	56,946	12,862	28,014	151	97,973
Recognition of deferred tax liability	(8,259)	(9,921)	(87,656)	(36)	(105,872)
Deferred tax asset / (liability)	**48,687**	**2,941**	**(59,642)**	**115**	**(7,899)**

Notes to the consolidated and separate financial statements

29. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at **Group** level, as at **31 December 2018:**

In RON thousand	**31 December 2017**	**Business combinations**	**IFRS 9 restatements**	**Recognized in profit and loss**	**Recognized in other items of comprehensive income**	**Recognized directly in shareholders' equity**	**31 December 2018**
Tax effect of temporary deductible /(taxable) differences (including tax losses carried forward), resulting from:							
Financial assets from interbank operations	-	6,342	-	(6,053)	-	14	303
Loans and receivables	1,764	27,653	2,581	(44,008)	(565)	21,448	8,873
Financial assets available-for-sale	1,349	-	(31,100)	-	29,751	-	-
Financial assets measured at fair value through other items of comprehensive income	-	7,318	19,651	(5,731)	10,389	139	31,766
Financial assets at amortized cost	-	532	-	(533)	-	2	1
Financial assets at fair value through profit or loss	60	(11,171)	11,449	27,992	696	(29,751)	(725)
Other assets	621	6,467	-	4,756	(47)	247	12,044
Property and equipment and intangible assets	(3,243)	(3,938)	4	(3,989)	(354)	-	(11,520)
Provisions and other liabilities	12,773	14,708	(52)	(237)	-	(2)	27,190
Tax losses carried forward	173,821	6,550	-	(174,383)	-	-	5,988
Deferred tax asset / (liability)	**187,145**	**54,461**	**2,533**	**(202,186)**	**39,870**	**(7,903)**	**73,920**
Recognition of deferred tax asset	200,326	45,944	22,342	(186,312)	9,777	384	92,461
Recognition of deferred tax liability	(13,181)	8,517	(19,809)	(15,874)	30,093	(8,287)	(18,541)
Deferred tax asset / (liability)	**187,145**	**54,461**	**2,533**	**(202,186)**	**39,870**	**(7,903)**	**73,920**

29. Deferred tax assets and liabilities *(continued)*

Deferred tax assets/liabilities at **Bank** level, as at **31 December 2018**:

In RON thousand	**31 December 2017**	**Business combinations**	**IFRS 9 restatements**	**Recognized in profit and loss**	**Recognized in other items of comprehensive income**	**Recognized directly in shareholders' equity**	**31 December 2018**
Tax effect of temporary deductible /(taxable) differences (including tax losses carried forward), resulting from:							
Financial assets from interbank operations	-	(7)	-	(7)	-	14	-
Loans and receivables	-	23,632	-	(45,081)	-	21,449	-
Financial assets available-for-sale	(9,938)	-	(19,813)	-	29,751	-	-
Financial assets measured at fair value through other items of comprehensive income	-	7,318	19,813	(5,938)	10,368	140	31,701
Financial assets at amortized cost	-	-	-	(2)	-	2	-
Financial assets at fair value through profit and loss	-	(5,281)	-	34,336	696	(29,751)	-
Other assets	534	494	-	(262)	3	-	769
Tangible and intangible assets	(3,219)	(3,944)	-	(741)	(356)	-	(8,260)
Provisions and liabilities	12,045	12,280	-	152	-	-	24,477
Tax losses carried forward	173,821	-	-	(173,821)	-	-	-
Deferred tax asset / (liability)	**173,243**	**34,492**	**-**	**(191,364)**	**40,462**	**(8,146)**	**48,687**
Recognition of deferred tax asset	186,400	20,091	19,813	(179,868)	10,371	139	56,946
Recognition of deferred tax liability	(13,157)	14,401	(19,813)	(11,496)	30,091	(8,285)	(8,259)
Deferred tax asset / (liability)	**173,243**	**34,492**	**-**	**(191,364)**	**40,462**	**(8,146)**	**48,687**

30. Other financial assets

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Amounts under settlement	122,275	197,565	106,121	187,724
Non-recourse factoring	192,485	203,958	192,485	203,958
Sundry debtors and advances for non-current assets	338,305	399,255	298,409	369,471
Cheques and other instruments to be encashed	47,366	50,052	47,366	50,052
Other financial assets	7,084	11,851	5,624	10,575
Impairment allowance for other financial assets	(19,506)	(19,444)	(11,210)	(10,715)
Total	**688,009**	**843,237**	**638,795**	**811,065**

As at 31 December 2019, out of RON 688,009 thousand (2018: RON 843,237 thousand), the Group's other impaired financial assets amounted to RON 18,452 thousand (2018: RON 17.668 thousand).

As at 31 December 2019, out of RON 638,795 thousand (2018: RON 811,065 thousand), the Bank's other impaired financial assets amounted to RON 4,836 thousand (2018: RON 5,042 thousand).

The evolution of impairment allowance for other assets during the years 2019 and 2018 is presented below:

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Balance as at 1 January	(19,444)	(55,988)	(10,715)	(51,304)
Recognition of expected credit losses (ECL) in accordance with IFRS 9	-	(14,103)	-	(14,103)
Net impairment charge	(526)	13,594	(1,076)	14,152
Impairment allowance booked through acquisitions	-	(7,035)	-	-
Impairment allowances on written off other financial assets	415	40,681	414	40,681
Other allowances (exchange rate differences, unwinding, deconsolidation)	49	3,407	167	(141)
Balance at 31 December	**(19,506)**	**(19,444)**	**(11,210)**	**(10,715)**

The quality analysis of other financial assets held by the **Group** as at **31 December 2019** is detailed below:

Group	Retail			Companies		
31 December 2019	**RON**	**Currency**	**Total**	**RON**	**Currency**	**Total**
Amounts under settlement	4,113	1,595	**5,708**	91,022	25,545	**116,567**
Non-recourse factoring	-	-	**-**	166,546	25,939	**192,485**
Sundry debtors and advances for non-current assets	208,168	11,851	**220,019**	59,605	58,681	**118,286**
Cheques and other instruments to be encashed	-	-	**-**	47,366	-	**47,366**
Other financial assets	-	13	**13**	6,265	806	**7,071**
Impairment allowance for other financial assets	(2,945)	(2,617)	**(5,562)**	(8,974)	(4,970)	**(13,944)**
Total	**209,336**	**10,842**	**220,178**	**361,830**	**106,001**	**467,831**

30. Other financial assets *(continued)*

The quality analysis of other financial assets held by the **Group** as at **31 December 2018** is detailed below:

Group		**Retail**			**Companies**	
31 December 2018	**RON**	**Currency**	**Total**	**RON**	**Currency**	**Total**
Amounts under settlement	59,041	4,079	**63,120**	87,481	46,964	**134,445**
Non-recourse factoring	-	-	**-**	173,061	30,897	**203,958**
Sundry debtors and advances for non-current assets	55,440	73,086	**128,526**	203,461	67,268	**270,729**
Cheques and other instruments to be encashed	-	-	**-**	50,052	-	**50,052**
Other financial assets	-	-	**-**	6,621	5,230	**11,851**
Impairment allowance for other financial assets	(2,216)	(369)	**(2,585)**	(5,287)	(11,572)	**(16,859)**
Total	**112,265**	**76,796**	**189,061**	**515,389**	**138,787**	**654,176**

The quality analysis of other financial assets held by the **Bank** as at **31 December 2019** is detailed below:

Bank		**Retail**			**Companies**	
31 December 2019	**RON**	**Currency**	**Total**	**RON**	**Currency**	**Total**
Amounts under settlement	4,113	1,595	**5,708**	90,837	9,576	**100,413**
Non-recourse factoring	-	-	**-**	166,546	25,939	**192,485**
Sundry debtors and advances for non-current assets	207,196	11,523	**218,719**	37,583	42,107	**79,690**
Cheques and other instruments to be encashed	-	-	**-**	47,366	-	**47,366**
Other financial assets	-	-	**-**	5,622	2	**5,624**
Impairment allowance for other financial assets	(2,414)	(2,308)	**(4,722)**	(4,921)	(1,567)	**(6,488)**
Total	**208,895**	**10,810**	**219,705**	**343,033**	**76,057**	**419,090**

The quality analysis of other financial assets held by the **Bank** as at **31 December 2018** is detailed below:

Bank		**Retail**			**Companies**	
31 December 2018	**RON**	**Currency**	**Total**	**RON**	**Currency**	**Total**
Amounts under settlement	59,041	4,079	**63,120**	87,481	37,123	**124,604**
Non-recourse factoring	-	-	**-**	173,061	30,897	**203,958**
Sundry debtors and advances for non-current assets	55,232	72,853	**128,085**	191,831	49,555	**241,386**
Cheques and other instruments to be encashed	-	-	**-**	50,052	-	**50,052**
Other financial assets	-	-	**-**	6,621	3,954	**10,575**
Impairment allowance for other financial assets	(2,160)	(370)	**(2,530)**	(4,481)	(3,704)	**(8,185)**
Total	**112,113**	**76,562**	**188,675**	**504,565**	**117,825**	**622,390**

31. Other non-financial assets

	Group		**Bank**	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Inventories and similar assets	164,050	204,611	72,352	80,898
Prepaid expenses	48,481	58,969	47,925	53,674
VAT and other taxes to be received	15,161	12,994	1,801	6,871
Other non-financial assets	1,848	1,456	362	532
Impairment allowance for other non-financial assets	(70,668)	(95,972)	(16,215)	(16,812)
Total	**158,872**	**182,058**	**106,225**	**125,163**

31. Other non-financial assets *(continued)*

As at 31 December 2019, the Group and the Bank did not have on the line "Inventories and similar assets" tangible fixed assets that were reclassified as fixed assets held-for-sale (2018: RON 17,497 thousand).
The evolution of impairment allowance for other assets during the year is presented below:

In RON thousand	Group		Bank	
	2019	**2018**	**2019**	**2018**
Balance as at 1 January	**(95,972)**	**(24,180)**	**(16,812)**	**(16,673)**
Net impairment charge	19,504	(9,761)	597	(139)
Additions related to acquisition	-	(62,031)	-	-
Impairment allowances on written off other non-financial assets	6,488	-	-	-
Other adjustments (exchange rate differences, deconsolidation)	(688)	-	-	-
Balance at 31 December	**(70,668)**	**(95,972)**	**(16,215)**	**(16,812)**

The inventories and related items of the Bank include assets acquired by debt enforcement or given in payment and other assets available for sale, at a net value of RON 47,757 thousand, structured as follows: buildings RON 30,905 thousand, lands RON 16,851 thousand, equipment RON 0 thousand, vehicles RON 1 thousand and furniture RON 0 thousand (2018: RON 53,247 thousand net value, structured as follows: buildings RON 33,319 thousand, lands RON 19,928 thousand, equipment RON 0 thousand, vehicles RON 0 thousand and furniture RON 0 thousand).

The inventories and related items of the Group include purchased assets held for sale amounting to RON 80,137 thousand, structured as follows: buildings RON 48,573 thousand, lands RON 21,606 thousand, equipment RON 444 thousand, vehicles RON 9,514 thousand and furniture RON 0 thousand (2018: RON 89,925 thousand, structured as follows: buildings RON 55,992 thousand, lands RON 24,914 thousand, equipment RON 4,884 thousand, vehicles RON 4,135 thousand and furniture RON 0 thousand).

32. Deposits from banks

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Sight demand	156,414	58,424	164,737	70,684
Term deposits	139,724	136,924	139,724	136,924
Total	**296,138**	**195,348**	**304,461**	**207,608**

33. Deposits from customers

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Current accounts	40,846,980	31,797,142	39,533,370	30,446,054
Sight demand	775,758	786,103	508,064	560,404
Term deposits	34,826,540	31,982,351	33,736,032	30,941,481
Collateral deposits	587,782	594,870	576,257	574,430
Total	**77,037,060**	**65,160,466**	**74,353,723**	**62,522,369**

33. Deposits from customers *(continued)*

Deposits from customers can be also analyzed as follows:

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Retail	52,732,367	43,334,901	50,900,304	41,665,151
Companies	24,304,693	21,825,565	23,453,419	20,857,218
Total	**77,037,060**	**65,160,466**	**74,353,723**	**62,522,369**

The table below presents the deposits from customers, split by economic sector concentration:

	Group		*Bank*	
Sector	**2019**	**2018**	**2019**	**2018**
Retail customers	68.45%	66.50%	68.46%	66.64%
Services	6.35%	6.25%	6.34%	6.28%
Trading	4.63%	4.58%	4.52%	4.52%
Constructions	3.84%	3.23%	3.85%	3.21%
Manufacturing	3.00%	3.05%	2.91%	2.97%
Transportation	2.61%	3.03%	2.58%	3.07%
Financial and insurance activities	2.12%	3.86%	2.31%	4.17%
Telecommunications	1.75%	1.56%	1.82%	1.59%
Agriculture	1.63%	1.72%	1.68%	1.77%
Energy	1.13%	1.96%	1.11%	1.57%
Healthcare	1.07%	0.90%	1.06%	0.91%
Real estate	1.05%	1.23%	1.02%	1.17%
Administrations	0.92%	0.45%	0.95%	0.47%
Mining	0.72%	0.34%	0.74%	0.34%
Education	0.38%	0.69%	0.38%	0.70%
Other	0.25%	0.42%	0.20%	0.38%
Government institutions	0.04%	0.17%	0.04%	0.18%
Self-employed	0.06%	0.05%	0.03%	0.02%
Total	**100,00%**	**100.00%**	**100.00%**	**100.00%**

33. Deposits from customers *(continued)*

In RON thousand	*Group*		*Bank*	
Sector	**2019**	**2018**	**2019**	**2018**
Retail customers	52,732,367	43,334,901	50,900,304	41,665,151
Services	4,889,741	4,073,319	4,717,269	3,928,318
Trading	3,567,545	2,983,530	3,361,842	2,828,347
Constructions	2,955,445	2,103,552	2,860,945	2,008,815
Manufacturing	2,309,291	1,988,235	2,165,544	1,857,688
Transportation	2,014,356	1,973,515	1,921,782	1,920,938
Financial and insurance activities	1,636,017	2,513,727	1,720,339	2,609,557
Telecommunications	1,351,499	1,018,570	1,352,202	992,652
Agriculture	1,256,665	1,122,470	1,246,455	1,108,883
Energy	869,337	1,275,784	821,929	984,151
Healthcare	822,728	587,550	789,507	570,364
Real estate	810,688	803,081	756,690	734,580
Administrations	705,525	295,439	705,525	295,439
Mining	555,385	219,086	551,647	215,531
Education	293,986	447,920	281,207	439,473
Other	193,937	275,730	150,730	237,690
Government institutions	29,809	112,321	28,491	112,321
Self-employed	42,739	31,736	21,315	12,471
Total	**77,037,060**	**65,160,466**	**74,353,723**	**62,522,369**

34. Loans from banks and other financial institutions

	Group		**Bank**	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Loans from government entities	4,558	8,131	-	-
Loans from commercial banks	148,511	280,994	-	-
Romanian banks	*136,233*	*275,577*	-	-
Foreign banks	*12,278*	*5,417*	-	-
Loans from development banks	945,917	988,611	868,972	893,348
Repurchase agreements (repo transactions)	-	246,598	-	246,598
Other funds from financial institutions	184,678	179,217	26,701	45,610
Issued bonds	190.256	-	-	-
Total	**1.473.920**	**1,703,551**	**895,673**	**1,185,556**

The interest rates for the loans from banks and financial institutions were situated in the following ranges:

	2019		**2018**	
	Minimum	**Maximum**	**Minimum**	**Maximum**
EUR	Euribor 6m+0.10%	3.8%	0.00%	4.15%
RON	0.00%	6.34%	0.00%	6.33%
USD	N/A	N/A	3.03%	3.11%
MDL	0.15%	5.67%	5.68%	6.88%

34. Loans from banks and other financial institutions *(continued)*

The Group and the Bank were in compliance with all financial covenants under the outstanding loan agreements at December 31, 2019 and 2018.
The table below summarizes the underlying securities of repo agreements:

In RON thousand	**Group**				**Bank**			
	2019		**2018**		**2019**		**2018**	
	Carrying amount		**Carrying amount**		**Carrying amount**		**Carrying amount**	
	Transferred assets	**Related liabilities**	**Transferred assets**	**Related liabilities**	**Transferred assets**	**Related liabilities**	**Transferred assets**	**Related liabilities**
	-	-	248,798	246,598	-	-	248,798	246,598
Total	**-**	**-**	**248,798**	**246,598**	**-**	**-**	**248,798**	**246,598**

35. Subordinated liabilities

The Group and the Bank were in compliance with all financial covenants under the outstanding loan agreements at December 31, 2019 and 2018.

	Group		**Bank**	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Loans from development banks and financial institutions	291,323	280,713	291,323	280,713
Non-convertible bonds	1,360,270	1,327,182	1,356,665	1,323,323
Convertible bonds	48,614	47,482	48,614	47,482
Total	**1,700,207**	**1,655,377**	**1,696,602**	**1,651,518**

Subordinated debt includes subordinated loans from development banks and financial institutions, as well as convertible and non-convertible bonds.
Subordinated loans include the following:
- loan in amount of EUR 25 million, equivalent of RON 119,482 thousand (2018: RON 116,598 thousand), contracted in 2013 at 6m EURIBOR + 6.20%, due 2023;
- loan in amount of USD 40 million, equivalent of RON 170,432 thousand (2018: RON 162,944 thousand) contracted in 2014 to 6m LIBOR + 5.80%, due 2023.

Two subordinate loans matured in 2018:
- loan in the amount of EUR 15 million, contracted in 2013 at 6m EURIBOR + 6.20%;
- loan in the amount of EUR 5 million, contracted in 2012 at 6m EURIBOR + 6.50%;

In 2013, the BANCA TRANSILVANIA S.A issued convertible bonds amounting to EUR 30 million (RON 143,379 thousand), at 6M EURIBOR + 6.25% and due in 2020. The outstanding bonds include the option of the holder to convert them into shares.

During 2019, the Bank converted bonds amounting to EUR 5,532 (24,788 RON equivalent) as follows: RON 9,829 share capital increase and RON 14,959 share premium.

At December 31, 2019, the value of convertible bonds was EUR 9,897,284, equivalent to RON 47,302 thousand (2018: EUR 9,902,636, equivalent to RON 46,185 thousand).

35. Subordinated liabilities *(continued)*

In 2018, Banca Transilvania S.A. issued non-convertible bonds amounting to EUR 285 million, equivalent at December 2019 to RON 1,362,101 thousand (2018: RON 1,329,212 thousand), at 6M EURIBOR+3.75% p.a. and due in 2028. The nominal value of a bond is EUR 100,000.

Accrued interest and amortization on subordinated debt amounts to RON 1,408 thousand (2018: RON 1,171 thousand) and on convertible bonds amounts to RON 1,313 thousand (2018: RON 1,297 thousand) and on non-convertible bonds amounts to RON (5,435) thousand (2018: (5,889) thousand).

36. Provisions for other risks and loan commitments

The following items are included under Provisions for other risks and loan commitments:

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Provisions for loan commitments, financial guarantees and other commitments given	250,011	166,430	240,020	154,654
Provisions for untaken holidays	22,821	20,910	18,658	19,499
Provisions for other employee benefits	42,703	36,223	31,364	28,571
Provisions for litigations, risks and charges (*)	218,346	249,159	208,415	241,949
Total	**533,881**	**472,722**	**498,457**	**444,673**

(*)Provisions for risks and charges primarily include provisions for litigation and other risks taken after the merger with Volksbank Romania S.A. and Bancpost S.A.

37. Other financial liabilities

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Amounts under settlement	731,957	507,831	545,270	426,695
Sundry creditors	113,018	81,518	83,670	50,628
Other financial liabilities	64,125	59,497	60,591	55,618
Total	**909,100**	**648,846**	**689,531**	**532,941**

38. Other non-financial liabilities

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Other taxes payable	40,645	60,433	35,631	67,642
Other non-financial liabilities	71,367	72,982	43,263	47,230
Total	**112,012**	**133,415**	**78,894**	**114,872**

39. Share capital

The statutory share capital of the Bank at 31 December 2019, as recorded with the Trade Register was represented by 5,215,917,925 ordinary shares with a nominal value of RON 1 each (at 31 December 2018: 4,812,481,064 shares with a nominal value of RON 1 each). The shareholders structure of the Bank is presented in Note 1.

The capital increase was made out of the following sources: by incorporating the reserves of the statutory profit in value of RON 400.824.754, by converting bonds into shares in value of RON 9.829 and lei 2.602.278 from the conversion of the shares in Bancpost increase, which was registered in the Register of Commerce in 2019.

	Group		**Bank**	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Paid share capital recorded with the Trade Register	5,215,918	4,812,481	5,215,918	4,812,481
Share capital adjustment to inflation	89,899	89,899	89,899	89,899
Share capital adjustment with unrealized revaluation reserves of tangible assets	(3,398)	(3,398)	(3,398)	(3,398)
Total	**5,302,419**	**4,898,982**	**5,302,419**	**4,898,982**

Notes to the consolidated and separate financial statements

40. Related-party transactions

Entities are considered to be related parties if one of them has the capacity to control the other or to exercise significant influence on the other entity's management process related to financial or operational decisions.

The Group and the Bank are engaged in transactions with related parties, shareholders and key management personnel. All these transactions were carried out under conditions similar to those applicable to third party agreements, in terms of interest rates and collateral clauses. The transactions /balances with subsidiary entities were eliminated from the scope of consolidation.

Transactions with other related parties include transactions with the major shareholders, family members of the key management personnel and companies where they are shareholders while having a relationship with the Bank.

The transactions /balances with subsidiary entities are presented below:

	2019			**2018**		
***Group** - In RON thousand*	**Key management personnel**	**Other related-parties**	**Total**	**Key management personnel**	**Other related-parties**	**Total**
Assets						
Granted loans	15,895	58,244	**74,139**	15,379	49,090	**64,469**
Liabilities						
Deposits from customers	53,442	167,977	**221,419**	28,826	117,494	**146,320**
Loans from financial institutions	-	168,934	**168,934**	-	171,921	**171,921**
Debt securities	-	513,059	**513,059**	-	490,163	**490,163**
Commitments						
Loan commitments and financial guarantees	3,494	13,336	**16,830**	3,363	15,208	**18,571**
Notional value of exchange operations	30,790	126,118	**156,908**	29,369	118,526	**147,895**
Statement of profit and loss						
Interest income	672	3,981	**4,653**	739	3,975	**4,714**
Interest expense	214	23,948	**24,162**	154	15,638	**15,792**
Fee and commission income	13	290	**303**	15	126	**141**

Notes to the consolidated and separate financial statements

40. Related-party transactions *(continued)*

***Bank** – In RON thousand*	2019				2018			
	Subsidiaries	**Key management personnel**	**Other related-parties**	**Total**	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**
Assets								
Correspondent accounts at credit institutions	1,095	-	-	**1,095**	1,167	-	-	**1,167**
Granted loans	1,208,617	14,161	54,014	**1,276,792**	911,634	13,281	48,360	**973,275**
Equity investments	105,314	-	-	**105,314**	121,239	-	-	**121,239**
Financial assets measured at fair value through other items of comprehensive income – debt instruments	4,610	-	-	**4,610**	4,610	-	-	**4,610**
Financial assets required to be measured at fair value through profit or loss - debt instruments	186,141	-	-	**186,141**	178,756	-	-	**178,756**
Other assets	6,710	-	-	**6,710**	1,420	-	-	**1,420**
Liabilities								
Correspondent accounts from credit institutions	20,147	-	-	**20,147**				
Deposits from customers	156,599	37,597	155,276	**349,472**	181,998	21,743	92,511	**296,252**
Loans from financial institutions	-	-	92,006	**92,006**	-	-	76,658	**76,658**
Debt securities	-	-	498,452	**498,452**	-	-	486,304	**486,304**
Other liabilities	2,006	-	-	**2,006**	2,875	-	-	**2,875**
Commitments								
Loan commitments and financial guarantees given	594,425	3,048	12,165	**609,638**	318,655	2,756	15,024	**336,435**
Notional value of exchange operations	314,541	23,969	113,907	**452,417**	128,873	19,085	117,295	**265,253**

Notes to the consolidated and separate financial statements

40. Related-party transactions *(continued)*

Bank – *In RON thousand*	**2019**				**2018**			
	Subsidiaries	**Key management personnel**	**Other related-parties**	**Total**	**Subsidiaries**	**Key management personnel**	**Other related-parties**	**Total**
Statement of profit and loss								
Interest income	37,509	590	3,691	**41,790**	26,533	583	3,923	**31,039**
Interest expense	1,573	159	22,468	**24,200**	1,722	127	14,003	**15,852**
Fee and commission income	3,447	8	244	**3,699**	7,903	9	100	**8,012**
Fee and commission expense	13,290	-	-	**13,290**	9,094	-	-	**9,094**
Income related to financial assets measured at fair value through other items of comprehensive income	-	-	-	**-**	18	-	-	**18**
Loss from financial assets and liabilities held-for-trading	1	-	-	**1**	229	-	-	**229**
Dividend income	7,740	-	-	**7,740**	131,861	-	-	**131,861**
Other income	14,814	-	-	**14,814**	9,479	-	-	**9,479**
Other expenses	1,503	-	-	**1,503**	5,381	-	-	**5,381**

40. Related-party transactions *(continued)*

Transactions with key management personnel

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 29,697 thousand (2018: RON 33,673 thousand) and of the Bank amounted to RON 16,464 thousand (2018: RON 20,938 thousand).

Compensation for the key personnel of the **Group**:

In RON thousand	**2019** Total	**2019** of which social security contributions	**2019** of which employer contributions to the 3rd Pension Pillar	**2018** Total	**2018** of which social security contributions	**2018** of which employer contributions to the 3rd Pension Pillar
Short-term employee benefits	49,848	11,229	46	56,596	13,442	45
Bonuses upon the termination of the employment contract	-	-	-	8,631	1,907	-
Share based payments	33,269	-	-	17,922	-	-
Debt instrument-based payments	713	33	-	128	32	-
Total compensations and benefits	**83,830**	**11,262**	**46**	**83,277**	**15,381**	**45**

Compensation for the key personnel of the **Bank**:

In RON thousand	**2019** Total	**2019** of which social security contributions	**2019** of which employer contributions to the 3rd Pension Pillar	**2018** Total	**2018** of which social security contributions	**2018** of which employer contributions to the 3rd Pension Pillar
Short-term employee benefits	36,718	9,170	40	32,485	8,106	37
Share based payments	32,227	-	-	17,664	-	-
Total compensations and benefits	**68,945**	**9,170**	**40**	**50,149**	**8,106**	**37**

41. Commitments and contingencies

a) Commitments and contingencies

At any time the Group and the Bank have outstanding commitments to extend loans. These commitments are in the form of approved limits for credit cards and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one month to one year.

The Group provides financial guarantees and letters of credit to guarantee the performance of its customers in relation to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Maturities are not concentrated in a specific period.

The contractual amounts of commitments and contingencies are set out in the following table by categories. The amounts reflected in the table under commitments are presented based on the assumption that they have been fully granted.

41. Commitments and contingencies *(continued)*
a) Commitments and contingencies (continued)

The amounts reflected in the table as guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties completely failed to meet the contractual terms and conditions.

	Group		Bank	
In RON thousand	**2019**	**2018**	**2019**	**2018**
Guarantees issued, of which	1,726,113	1,716,345	1,709,620	1,701,370
- *Performance guarantees*	*473,788*	*484,134*	*456,700*	*484,134*
- *Financial liabilities*	*1,252,325*	*1,232,211*	*1,252,920*	*1,217,236*
Loan commitments	11,495,892	9,189,311	11,368,731	8,809,899
Total	**13,222,005**	**10,905,656**	**13,078,351**	**10,511,269**

The provisions for loan commitments to customers amounted to RON 250,011 thousand, at Group level (2018: RON 166,430 thousand) and at Bank level RON 240,020 thousand (2018: RON 154,654 thousand).
Forward agreements represent contractual arrangements to buy or sell a certain financial instrument, at a certain price and at a certain future date.

Outstanding foreign currency transactions at 31 December 2019 were:

Forward transactions					
Transactions with corporate clients:					
Purchases	9,564,850	RON	equivalent	2,224,712	EUR
Purchases	3,395,557	RON	equivalent	710,000	EUR
Transactions with banks:					
Purchases	209,668,946	RON	equivalent	43,327,089	EUR
Purchases	10,000,000	EUR	equivalent	47,930,000	RON
Purchases	95,928,423	EUR	equivalent	105,000,000	CHF
Purchases	1,338,466	EUR	equivalent	10,000,000	USD
Purchases	3,352,098	EUR	equivalent	35,000,000	CHF

b) Transfer pricing and taxation

The taxation system in Romania has faced multiple changes in the recent years and is in a continuous process of update and improvement. As a consequence, the tax legislation is still subject to various interpretations. In certain cases, the tax authorities may treat certain issues in a different manner, determining the calculation of additional taxes, interest and penalties for delay (the total current rate is of 0.05% per day of delay).

In Romania the fiscal year remains open for fiscal audit for 5 years. According to the Bank's management, the tax duties included in these financial statements are appropriate.

The tax legislation in Romania considers the "market value" principle, according to which transactions between related parties must be performed at market value.

The taxpayers involved in related-party transactions must prepare and provide to the Romanian tax authorities the transfer pricing file, upon request.

41. Commitments and contingencies *(continued)*
b) Transfer pricing and taxation (continued)

The failure to provide the transfer pricing file or the submission of an incomplete transfer pricing file may lead to penalties for non-compliance; apart from the transfer pricing file, the tax authorities may interpret transactions and circumstances in a manner which is different from the management's interpretation and, consequently, may impose additional tax duties resulting from the adjustment of transfer prices.

The management of the Group and of the Bank considers that no losses should be incurred in the event of a fiscal audit for the verification of transfer prices. However, the impact of potential different interpretations of the tax authorities cannot be accurately estimated. The impact may be significant as concerns the Bank's financial position and/or operations.

42. Earnings per share

The calculation of basic earnings per share was based on the net consolidated profit attributable to ordinary shareholders of the parent company of RON 1,781,390 thousand (2018: RON 1,249,739 thousand) and on the weighted average number of ordinary shares outstanding during the year of 5,203,640,281 (2018 recalculated: 4,802,953,102 shares).

The diluted earnings per share take into consideration the adjusted consolidated net profit of RON 1,784,230 thousand (2018: RON 1,252,533 thousand) attributable to the ordinary shareholders of the parent company and the weighted average number of outstanding diluted ordinary shares. The adjusted consolidated net profit was determined by adjusting the base profit with the interest paid on bonds in 2019, in amount of RON 2,840 thousand (2018: RON 2,794 thousand).

The weighted average number of diluted shares was determined as the sum of the weighted average number of ordinary shares and the number of shares which would have been issued upon the conversion of all potential dilutive shares into ordinary shares.
The weighted average of diluted shares outstanding as at 31 December 2019 was determined as a ratio between the outstanding bonds in amount of RON 47,302,088 and the conversion price of 2.2648, resulting a number of 20,885,768 shares (2018: 18,314,987shares)

	Group	
	2019	**2018**
Ordinary shares issued as at 1 January	**4,812,481,064**	**4,341,439,404**
The impact of shares issued as of 1 January	403,427,032	471,041,660
The impact of the shares repurchased during the year	(12,275,517)	(9,527,962)
The impact of the shares resulting from the conversion of the bonds	7,702	-
The retroactive adjustment of the weighted average number of outstanding shares as at 31 December 2018	-	400,824,754
Weighted average number of shares as at 31 December	**5,203,640,281**	**5,203,777,856**
The number of shares that may be issued upon the conversion of bonds into shares	20,885,768	18,314,987
Weighted average number of diluted shares as at 31 December	**5,224,526,049**	**5,222,092,844**

43. Derivatives

The structure of the derivative instruments held by the **Group** and by the **Bank** as at **31 December 2019** is the following:

	Group			Bank		
In RON thousand	**Fair value of Assets**	**Fair value Liabilities**	**Notional**	**Fair value of Assets**	**Fair value Liabilities**	**Notional**
Interest rate swaps	717	2,224	265,983	717	2,224	265,983
Currency swaps	3,031	6,704	686,266	3,031	6,704	686,266
Exchange rate forward agreements	1,055	3,403	748,627	1,055	3,403	748,627
Total derivative financial instruments	**4,803**	**12,331**	**1,700,876**	**4,803**	**12,331**	**1,700,876**

The structure of the derivative instruments held by the **Group** and by the **Bank** as at **31 December 2018** is the following:

	Group			Bank		
In RON thousand	**Fair value of Assets**	**Fair value Liabilities**	**Notional**	**Fair value of Assets**	**Fair value Liabilities**	**Notional**
Interest rate swaps	409	594	187,654	409	594	187,654
Currency swaps	-	-	-	-	-	-
Exchange rate forward agreements	2,657	3,632	803,658	2,657	3,632	803,658
Total derivative financial instruments	**3,066**	**4,226**	**991,312**	**3,066**	**4,226**	**991,312**

44. Reconciliation of liabilities resulting from financial activities

The changes of the liabilities resulting from the **Group**'s financial activities carried out in **2019** and **2018** are presented below:

Group 2018 *In RON thousand*	**01 January 2019**	**Receipts**	**Payments**	**Non-monetary changes** Registration of receivables taken over from Victoriabank	**Foreign exchange variation**	**31 December 2019**
Long-term loans	3,112,059	305,017	(315,980)	-	72,400	3,173,496

Group 2018 *In RON thousand*	**01 January 2018**	**Receipts**	**Payments**	**Non-monetary changes** Registration of receivables taken over from Victoriabank	**Foreign exchange variation**	**31 December 2018**
Long-term loans	1,639,621	1,699,930	(268,099)	29,376	11,231	3,112,059

Notes to the consolidated and separate financial statements

44. Reconciliation of liabilities resulting from financial activities *(continued)*

The changes of the liabilities resulting from the Bank's financial activities carried out in 2019 and 2018 are presented below:

Bank 2019 *In RON thousand*	**01 January 2019**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2019**
Long-term loans	2,593,331	47,569	(112,404)	66,171	2,594,667

Bank 2018 *In RON thousand*	**01 January 2018**	**Receipts**	**Payments**	**Foreign exchange variation**	**31 December 2018**
Long-term loans	1,251,675	1,512,417	(182,147)	11,386	2,593,331

45. Reclassifications of comparative figures of 2018

In accordance with IAS 1 "Presentation of Financial Statements", if an entity has made a restatement, it is required to submit the reclassification of comparative values of the previous year.
When necessary, comparative figures have been reclassified in order to be in line with the changes from the current period presentation. These changes were made as a response to the revaluations performed by the Group's and the Bank's management for the most accurate presentation thereof.
The Bank's management has taken into account the nature of the abovementioned restatements, and, in particular, the fact that it is limited to the reclassification of financial position items, with no impact on total assets, total liabilities and shareholders' equity, as well as the reclassification of cash flow and equity items.
In order to facilitate the understanding of these financial statements, the table below lists the reported figures, reclassifications and adjusted values in the consolidated statement of cash flow and in the consolidated and individual shareholders' equity financial position.

i) *The comparative figures of own funds for the Group and for the Bank after the approval of dividend distribution by the General Meeting of Shareholders dated 24 April 2019 are presented below:*

RON thousand - **December 31, 2018**		**Group**	
Description	**Reported own funds**	**Adjustments**	**Adjusted own funds**
Tier 1 capital	7,562,274	(818,566)	6,743,708
Tier 2 capital	1,603,616	-	1,603,616
Total own funds	**9,165,890**	**(818,566)**	**8,347,324**

RON thousand - **December 31, 2018**		**Bank**	
Description	**Reported own funds**	**Adjustments**	**Adjusted own funds**
Tier 1 capital	7,343,977	(818,566)	6,525,411
Tier 2 capital	1,603,616	-	1,603,616
Total own funds	**8,947,593**	**(818,566)**	**8,129,027**

As a result of the approval of the 2018 Financial statements, the General Meeting of Shareholders of 24 April 2019 approved the distribution of cash dividends to the shareholders in amount of RON 818,566 thousand. This amount generated the adjustment of own funds for the year 2018, both at separate, as well as at consolidated level, in accordance with legal provisions, subsequent to the publishing of the Consolidated and separate financial statements for 2018.

45. Reclassifications of comparative figures of 2018 *(continued)*

ii) The reclassification of the comparative figures for the Statement of Financial Position for 2018 is presented below:

	Group		
Description	**Reported the Statement of Financial Position**	**Reclassifications**	**Reclassified Statement of Financial Position**
Non-trading financial assets mandatorily at fair value through profit or loss	456,127	118,551	574,638
Financial assets at amortized cost - of which:	43,372,294	(118,551)	43,253,743
- Debt instruments	1,082,418	(118,551)	963,867
Total assets	**77,896,754**	**-**	**77,896,754**

	Bank		
Description	**Reported the Statement of Financial Position**	**Reclassifications**	**Reclassified Statement of Financial Position**
Non-trading financial assets mandatorily at fair value through profit or loss	609,638	118,551	728,189
Financial assets at amortized cost - of which:	41,598,554	(118,551)	41,480,003
- Debt instruments	431,099	(118,551)	312,548
Total assets	**74,118,914**	**-**	**74,118,914**

In 2019, the Group and the Bank made the following reclassifications which impacted the comparative figures of the statement of financal position of 2018:

a) financial assets measured at amortized cost - debt instruments, reclassified Non-trading financial assets mandatorily at fair value through profit or loss.

iii) The reclassification of the comparative figures for the Statement of Profit and Loss for 2018 is presented below:

	Group		
Description	**Reported profit and loss account**	**Reclassifications**	**Reclassified profit and loss account**
Interest income	3,182,049	(3,182,049)	-
Interest income calculated using the effective interest method	-	3,067,184	3,067,184
Other similar income	-	126,715	126,715
Interest expense	(432,500)	9	(432,491)
Other similar expense	-	(9)	(9)
Net interest income	**2,749,549**	**11,850**	**2,761,399**
Fee and commission expense	1,029,941	(11,850)	1,018,091
Net fee and commission income	**777,708**	**(11,850)**	**765,858**

	Bank		
Description	**Reported profit and loss account**	**Reclassifications**	**Reclassified profit and loss account**
Interest income	2,855,070	(2,855,070)	-
Interest income calculated using the effective interest method	-	2,866,920	2,866,920
Interest expense	(377,162)	2	(377,160)
Other similar expense	-	(2)	(2)
Net interest income	**2,477,908**	**11,850**	**2,489,758**
Fee and commission expense	923,948	(11,850)	**912,098**
Net fee and commission income	**694,672**	**(11,850)**	**682,822**

45. Reclassifications of comparative figures of 2018 *(continued)*

In 2019, the Group and the Bank made the following reclassifications which impacted the comparative figures of the statement of profit or loss of 2018:

a) Interest income has been reclassified as "Interest income calculated with the effective interest rate method" and "Other interest income";

b) Interest expenses have been reclassified from "Interest expenses"(a) to "Interest expenses" (a) and "Other interest expenses";

(c) Commitment and prepayment commission have been reclassified from Income from fees and commissions to Interest income using the effective interest rate method.

iv) The reclassification *of the comparative figures of the consolidated and separate statement of cash flows is presented below:*

	Group		
Description	**Reported statement of cash flows**	**Reclassifications / Adjustments**	**Adjusted statement of cash flows**
Profit for the year	**1,260,680**	**-**	**1,260,680**
Interest income	(3,182,049)	(11,850)	(3,193,899)
Other adjustment	683,910	(61,924)	621,980
Net profit adjusted with non-monetary elements	**651,921**	**(73,774)**	**578,147**
Change in financial assets held for trading and measured at fair value through profit or loss -derivatives	54,535	-22,883	31,652
Change in equity instruments	6,788	131,629	138,417
Changes in debt instruments	-	-46,822	-46,822
Interest received	2,543,525	11,850	2,555,375
Net cash from operating activities	**7,272,794**	**-**	**7,272,794**

	Bank		
Description	**Reported statement of cash flows**	**Reclassifications / Adjustments**	**Adjusted statement of cash flows**
Profit for the year	**1,219,391**	**-**	**1,219,391**
Interest income	(2,855,070)	(11,850)	(2,866,920)
Other adjustment	119,899	-	119,899
Net profit adjusted with non-monetary elements	**47,447**	**(11,850)**	**35,597**
Change in financial assets held for trading and measured at fair value through profit or loss -derivatives	31,652	-	31,652
Change in equity instruments	97,759	-	97,759
Changes in debt instruments	-	-	-
Interest received	2,335,715	11,850	2,347,565
Net cash from operating activities	**5,569,087**	**-**	**5,569,087**

In 2019, the Group and the Bank made the following reclassifications which impacted the comparative figures of the Consolidated and separate statement of cash flows of 2018:

(a) Amounts of commission income have been reclassified from interest received.

(b) Registration on non monetary elements related to derivative and capital instruments from Bancpost takeover;

(c) Separate presentation of equity and debt instruments and financial assets held for trade measured at fair value through profit or loss (derivative instruments).

46. Events subsequent to the date of the consolidated statement of financial position

Late in 2019 news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organization. In the first few months of 2020 the virus had spreaded globally and its negative impact has gained momentum. Management considers this outbreak to be a non-adjusting post balance sheet event. While this is still an evolving situation at the time of issuing these consolidated and separate financial statements, to date there has been no discernible impact on the Group's and Bank's financial situation, however the future effects cannot be predicted. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

As the situation is still developing, management considers it impracticable to provide a quantitative estimate of the potential impact of this outbreak on the Group and the Bank. The impact will be incorporated into the Group's and the Bank's impairments and expected credit loss provisions in 2020.

The financial statements were approved by the Board of Directors on 23 March 2020 and were signed on behalf of the Board.

Horia Ciorcilă
Chairman

George Călinescu
Deputy CEO