

Banca Transilvania S.A.

**INTERIM CONDENSED CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS**

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

As at June 30, 2018

Banca Transilvania S.A.

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Banca Transilvania S.A.

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

For the 6-month period ended June 30

		Group		Bank	
	Notes	2018 RON thousand	2017 RON thousand	2018 RON thousand	2017 RON thousand
Interest income		1,438,015	1,026,473	1,141,350	989,286
Interest expenses		(161,518)	(103,479)	(129,633)	(103,005)
Net interest income	5	1,276,497	922,994	1,011,717	886,281
Fee and commission income		462,820	348,814	387,713	330,900
Fee and commission expense		(100,944)	(53,852)	(85,138)	(57,034)
Net fee and commission income	6	361,876	294,962	302,575	273,866
Net trading income	7	96,357	120,345	107,076	102,756
Net loss (-) / gain from the sale of financial assets available-for-sale	8	-	(19,850)	-	(20,863)
Net loss (-) / gain from financial assets measured at fair value through other items of comprehensive income	8	(2,606)	-	(2,930)	-
Net gain / loss (-) from financial assets which are required to be measured at fair value through profit and loss	9	12,624	-	(19,936)	-
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	10	(36,900)	(49,696)	(34,646)	(49,696)
Other operating income	11	408,228	73,180	59,730	61,859
Operating income		2,116,076	1,341,935	1,423,586	1,254,203
Net expense (-) / income from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	12	87,870	(59,333)	181,926	(57,487)
Personnel expenses	13	(477,248)	(359,629)	(397,163)	(338,187)
Depreciation and amortization		(83,050)	(56,990)	(51,729)	(41,235)
Other operating expenses	14	(528,505)	(260,641)	(258,840)	(234,826)
Operating expenses		(1,000,933)	(736,593)	(525,806)	(671,735)
Bargain gain		111,552	-	-	-
Profit before income tax		1,226,695	605,342	897,780	582,468
Income tax expense (-) / income	15	(362,092)	(92,614)	(235,074)	(86,411)

Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income (*continued*)

For the 6-month period ended June 30

	Notes	Group		Bank	
		2018	2017	2018	2017
		RON thousand	RON thousand	RON thousand	RON thousand
Profit for the year		864,603	512,728	662,706	496,057
Profit of the Group attributable to:					
Equity holders of the Bank		853,807	511,246		-
Non-controlling interests		10,796	1,482		-
Profit for the year		864,603	512,728		496,057
Basic earnings per share		0,1789	0,1070		-
Diluted earnings per share		0,1786	0,1069		-
Profit for the year		864,603	512,728	662,706	496,057
Items that cannot be reclassified as profit or loss		103		73	(38)
Increase from fixed asset revaluation				-	
Other items of comprehensive income	(193)		(163)	87	(45)
Tax related to items that cannot be classified as comprehensive income	90		-	(14)	7
Items which are or may be reclassified as profit or loss					
Fair value reserve (available-for-sale financial instruments), of which:			134,942	-	159,180
Net gain / loss (-) from transactions with available-for-sale financial instruments, transferred to profit and loss account			19,850	-	20,863
Fair value changes of financial assets available-for-sale			115,092	-	138,317
Fair value reserve (financial assets measured through other items of comprehensive income), of which:		(397,428)	-	(415,934)	-
Net gain / loss (-) from transactions with financial assets measured through other items of comprehensive income, transferred to profit and loss account		2,606	-	2,930	-
Fair value changes of financial assets measured through other items of comprehensive income	(400,034)		-	(418,864)	-
Income tax directly booked to other items of comprehensive income		63,822	(21,566)	66,701	(25,469)

Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income (*continued*)

For the 6-month period ended June 30

	Notes	Group		Bank	
		2018	2017	2018	2017
		<i>RON</i>	<i>RON</i>	<i>RON</i>	<i>RON</i>
		<i>thousand</i>	<i>thousand</i>	<i>thousand</i>	<i>thousand</i>
Total comprehensive income for the period		531,100	625,941	313,546	629,730
Total comprehensive income attributable to:					
Equity holders of the Bank		520,305	624,459	-	-
Non-controlling interest		10,796	1,482	-	-
Total comprehensive income for the period		531,101	625,941	313,546	629,730

Ömer Tetik
CEO

George Călinescu
Deputy CEO

Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Financial Position

	Note	Group		Bank	
		30-06-2018 RON thousand	31-12-2017 RON thousand	30-06-2018 RON thousand	31-12-2017 RON thousand
Assets					
Cash and cash equivalents with the Central Bank	16	8,937,589	6,637,725	6,317,963	6,637,692
Placements with banks	17	5,210,576	5,348,074	4,545,256	5,302,292
Financial assets at fair value through profit or loss	18	-	264,996	-	73,281
Financial assets held for trading and measured at fair value through profit or loss	18	289,440	-	64,199	-
Derivatives	40	17,555	9,854	16,054	9,854
Loans and advances to customers	19	36,915,267	29,463,632	31,352,216	29,914,039
Finance lease receivables	20	974,321	785,330	-	-
Financial assets available-for-sale	21	-	15,821,300	-	16,032,612
- of which pledged securities (repo agreements)		-	258,540	-	258,540
Financial assets measured at fair value through other items of comprehensive income	21	19,465,178	-	17,771,319	-
- of which pledged securities (repo agreements)		600,771	-	765,700	-
Financial assets which are required to be measured at fair value through profit or loss	18	471,739	-	602,402	-
Financial assets at amortized cost - debt instruments		1,077,491	-	-	-
Equity investments		-	-	1,183,004	156,631
Property and equipment and investment property		533,205	633,668	411,634	407,649
Intangible assets		279,282	133,255	149,820	125,761
Goodwill		2,774	2,774	-	-
Current tax assets		-	146,858	-	148,594
Deferred tax assets	23	126,323	187,145	79,138	173,243
Other financial assets	24	786,408	234,317	280,427	211,913
Other non-financial assets	25	217,818	136,041	97,385	108,514
Total assets		75,304,966	59,804,969	62,870,817	59,302,075

Interim Consolidated and Separate Statement of Financial Position (continued)

	Notes	Group		Bank	
		30-06-2018 RON thousand	31-12-2017 RON thousand	30-06-2018 RON thousand	31-12-2017 RON thousand
Liabilities					
Deposits from banks	26	659,646	127,946	562,270	127,946
Deposits from customers	27	61,482,689	48,932,195	50,703,765	49,099,201
Loans from banks and other financial institutions	28	1,939,618	1,487,022	1,596,837	1,099,891
Subordinated liabilities	29	1,747,875	414,578	1,743,890	414,578
Current tax liability		96,256	-	10,983	-
Provisions for other risks and loan commitments	30	386,947	382,849	306,324	373,117
Held-for-trading financial liabilities		20,863	11,906	19,087	11,906
Other financial liabilities	31	1,292,091	1,184,210	1,125,993	1,142,938
Other non-financial liabilities	32	391,769	104,028	92,000	62,425
Total liabilities excluding financial liabilities to holders of fund units		68,017,754	52,644,734	56,161,149	52,332,002
Financial liabilities to holders of fund units		342	20,123	-	-
Total liabilities		68,018,096	52,664,857	56,161,149	52,332,002
Equity					
Share capital	33	4,427,940	4,427,940	4,427,940	4,427,940
Treasury shares		(15,287)	(47,427)	-	(32,140)
Share premiums		28,381	28,381	28,381	28,381
Retained earnings		2,388,501	2,202,764	2,039,398	1,981,886
Revaluation reserves on tangible and intangible assets		12,300	17,524	19,592	20,416
Reserves on available-for-sale financial assets	34	-	(6,247)	-	52,176
Reserves on financial assets measured at fair value through other items of comprehensive income	34	(339,853)	-	(297,057)	-
Other reserves		503,065	502,487	491,414	491,414
Total equity attributable to equity holders of the Bank		7,005,047	7,125,422	6,709,668	6,970,073
Non-controlling interest		281,823	14,690	-	-
Total equity		7,286,870	7,140,112	6,709,668	6,970,073
Total liabilities and equity		75,304,966	59,804,969	62,870,817	59,302,075

Ömer Tetik
CEO

George Călinescu
Deputy CEO

Banca Transilvania S.A.

Interim Consolidated Statement of Changes in Equity

For the 6-month period ended June 30, 2018

Group

Attributable to the equity holders of the Bank

	Note	Share Capital	Treasur y shares	Share premiu ms	Revaluatio n reserves	Reserves on available- for-sale financial assets	Other reserves	Retained earnings	Total attributable to the equity holders of the Bank	Non- controllin g interest	Total
<i>In RON thousand</i>											
Balance as at January 1, 2018		4,427,940	(47,427)	28,381	17,524	(6,247)	502,487	2,202,764	7,125,422	14,690	7,140,112
Profit for the year		-	-	-	-	-	-	853,808	853,808	10,796	864,604
Other comprehensive income, net of income tax											
Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(333,606)	-	-	(333,606)	-	(333,606)
Retained earnings from revaluation reserves		-	-	-	(5,224)	-	-	5,224	-	-	-
Distribution to statutory reserves		-	-	-	-	-	578	(578)	-	-	-
Other items of comprehensive income, net of tax		-	-	-	-	-	-	103	103	-	103
Total comprehensive income for the period		-	-	-	(5,224)	(333,606)	578	858,557	520,305	10,796	531,101
Contributions of/distributions to the shareholders											
Increase in share capital through the conversion of profit reserves		-	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares		-	(25,415)	-	-	-	-	-	(25,415)	-	(25,415)
Payments of own shares		-	57,555	-	-	-	-	(57,555)	-	-	-
Dividends distributed to shareholders		-	-	-	-	-	-	(610,000)	(610,000)	-	(610,000)
Retained earnings as a result of the change in the accounting policies, following the transition to IFRS 9		-	-	-	-	-	-	(46,495)	(46,495)	-	(46,495)
Retained earnings from actuarial gains related to pension plans and proceeds resulting from the assignment of 6 Swift shares		-	-	-	-	-	-	422	422	-	422
SOP 2018 Scheme		-	-	-	-	-	-	41,305	41,305	-	41,305
Other adjustments		-	-	-	-	-	-	(497)	(497)	256,337	255,840
Total contributions of/distributions to the shareholders		-	32,140	-	-	-	-	(672,820)	(640,862)	256,337	(384,343)
Balance at June 30, 2018		4,427,940	(15,287)	28,381	12,300	(339,853)	503,065	2,388,501	7,005,047	281,823	7,286,870

The explanatory notes to the financial statements from page 12 to page 77 are an integral part of these financial statements.

Banca Transilvania S.A.

Interim Consolidated Statement of Changes in Equity (continued)

For the year ended December 31, 2017

Group

Attributable to the equity holders of the Bank

Note	Share Capital	Treasury shares	Share premiums	Revaluation reserves	Reserves on available-for-sale financial assets	Other reserves	Retained earnings	Total attributable to the equity holders of the Bank	Non-controlling interest	Total
<i>In RON thousand</i>										
Balance as at January 1, 2017	3,732,549	(29,993)	28,374	26,227	(8,791)	432,061	1,954,073	6,134,500	18,207	6,152,707
Statement of comprehensive income for the period										
Profit for the year	-	-	-	-	-	-	1,239,452	1,239,452	3,016	1,242,468
Other comprehensive income, net of income tax										
Gains from fair value changes of financial assets available-for-sale, net of deferred tax	-	-	-	-	2,544	-	-	2,544	-	2,544
Revaluation of tangible and intangible assets, net of tax	-	-	-	1,886	-	-	-	1,886	-	1,886
Retained earnings from revaluation reserves	-	-	-	(12,926)	-	-	12,926	-	-	-
Distribution to statutory reserves	-	-	-	-	-	70,426	(70,426)	-	-	-
Other items of comprehensive income, net of tax	-	-	-	-	-	-	(219)	(219)	-	(219)
Total comprehensive income for the period	-	-	-	(11,040)	2,544	70,426	1,181,733	1,243,663	3,016	1,246,679
Contributions of/distributions to the shareholders										
Increase in share capital through the conversion of profit reserves	695,388	-	-	-	-	-	(695,388)	-	-	-
Increase in share capital through the conversion of subordinated debt into shares	3	-	7	-	-	-	-	10	-	10
Acquisition of treasury shares	-	(65,234)	-	-	-	-	-	(65,234)	-	(65,234)
Payments of own shares	-	49,640	-	-	-	-	(49,640)	-	-	-
Recognition of employee benefits granted in the form of equity instruments	-	-	-	-	-	-	41,307	41,307	-	41,307
Bonus shares from investments in subsidiaries	-	(1,840)	-	-	-	-	-	(1,840)	-	(1,840)
Dividends distributed to shareholders	-	-	-	-	-	-	(219,000)	(219,000)	-	(219,000)
Other adjustments	-	-	-	2,337	-	-	(10,321)	(7,984)	(6,533)	(14,517)
Total contributions of/distributions to the shareholders	695,391	(17,434)	7	2,337	-	-	(933,042)	(252,741)	(6,533)	-259,274
Balance at December 31, 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

The explanatory notes to the financial statements from page 12 to page 77 are an integral part of these financial statements.

Banca Transilvania S.A.

Interim Separate Statement of Changes in Equity

For the 6-month period ended June 30, 2018

<i>Bank</i>		Attributable to the equity holders of the Bank							
	Note	Share Capital	Treasury shares	Share premiums	Revaluation reserves	Reserves on available-for-sale financial assets	Other reserves	Retained earnings	Total
<i>In RON thousand</i>									
Balance as at January 1, 2018		4,427,940	(32,140)	28,381	20,416	52,176	491,414	1,981,886	6,970,073
Statement of comprehensive income for the period									
Profit for the year		-	-	-	-	-	-	662,706	662,706
Other comprehensive income, net of income tax									
Gains from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(349,233)	-	-	(349,233)
Retained earnings from revaluation reserves		-	-	-	(824)	-	-	824	-
Distribution to statutory reserves		-	-	-	-	-	-	-	-
Other items of comprehensive income, net of tax		-	-	-	-	-	-	73	73
Statement of comprehensive income for the period									
Contributions of/distributions to the shareholders		-	-	-	(824)	(349,233)	-	663,603	313,546
Increase in share capital through the conversion of profit reserves		-	-	-	-	-	-	-	-
Increase in share capital through the conversion of debt into shares		-	-	-	-	-	-	-	-
SOP 2018 Scheme		-	-	-	-	-	-	41,305	41,305
Acquisition of own shares		-	(25,415)	-	-	-	-	-	(25,415)
Payments of own shares to the employees		-	57,555	-	-	-	-	(57,555)	-
Dividends distributed to shareholders		-	-	-	-	-	-	(610,000)	(610,000)
Retained earnings from actuarial gains related to pension plans and proceeds resulting from the assignment of 6 Swift		-	-	-	-	-	-	422	422
Retained earnings as a result of the accounting policies' modification		-	-	-	-	-	-	19,737	19,737
Total contributions of/distributions to the shareholders		-	32,140	-	-	-	-	(606,091)	(573,951)
Balance at June 30, 2018		4,427,940	-	28,381	19,592	(297,057)	491,414	2,039,398	6,709,668

The explanatory notes to the financial statements from page 12 to page 77 are an integral part of these financial statements.

Banca Transilvania S.A.

Interim Separate Statement of Changes in Equity *(continued)*

For the year ended December 31, 2017

Bank	Attributable to the equity holders of the Bank								
	Note	Share Capital	Treasury shares	Share premiums	Revaluation reserves	Reserves on available-for-sale financial assets	Other reserves	Retained earnings	Total
In RON thousand									
Balance as at January 1, 2017		3,732,549	(16,546)	28,374	27,188	10,790	422,489	1,779,244	5,984,088
Statement of comprehensive income for the period									
Profit for the year		-	-	-	-	-	-	1,185,979	1,185,979
Other comprehensive income, net of income tax									
Gains from fair value changes of financial assets available-for-sale, net of deferred tax		-	-	-	-	41,386	-	-	41,386
Revaluation of tangible and intangible assets, net of tax		-	-	-	1,886	-	-	-	1,886
Retained earnings from revaluation reserves		-	-	-	(8,658)	-	-	8,658	-
Distribution to statutory reserves		-	-	-	-	-	68,925	(68,925)	-
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(349)	(349)
Statement of comprehensive income for the period		-	-	-	(6,772)	41,386	68,925	1,125,363	1,228,902
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of profit reserves		695,388	-	-	-	-	-	(695,388)	-
Increase in share capital through the conversion of debt into shares		3	-	7	-	-	-	-	10
Recognition of employee benefits granted in the form of equity instruments		-	-	-	-	-	-	41,307	41,307
Acquisition of own shares		-	(65,234)	-	-	-	-	-	(65,234)
Payments of own shares to the employees		-	49,640	-	-	-	-	(49,640)	-
Dividends distributed to shareholders		-	-	-	-	-	-	(219,000)	(219,000)
Total contributions of/distributions to the shareholders		695,391	(15,594)	7	-	-	-	(922,721)	(242,917)
Balance at December 31, 2017		4,427,940	(32,140)	28,381	20,416	52,176	491,414	1,981,886	6,970,073

The explanatory notes to the financial statements from page 12 to page 77 are an integral part of these financial statements.

Interim Consolidated and Separate Statement of Cash Flows

For the 6-month period ended June 30

<i>In RON thousand</i>	Note	Group		Bank	
		2018	2017	2018	2017
<i>Cash flow from operating activities</i>					
Profit for the year		864,603	512,728	662,706	496,057
<i>Adjustments for:</i>					
Depreciation / amortization expenses		83,050	56,990	51,729	41,235
Impairment allowance and write-offs of financial assets, provisions for other risks and loan commitments		156,063	154,506	45,385	147,249
Adjustment of financial assets at fair value through profit or loss		(12,624)	(5,002)	(19,936)	(5,513)
Income tax revenue/expense (-)		362,092	92,614	235,074	86,411
Interest income		(1,437,217)	(1,026,473)	(1,141,350)	(989,286)
Interest expenses		161,518	103,479	129,633	103,005
Other allowances		220,533	102,677	(120,219)	99,082
<i>Net profit adjusted with non-monetary elements</i>		398,018	(8,481)	(156,978)	(21,760)
<i>Changes in operating assets and liabilities</i>					
Change in deposits with banks		(91,001)	(56,898)	(469,611)	(53,038)
Change in loans and advances to customers		(1,799,242)	(1,477,332)	(1,474,574)	(1,647,858)
Change in finance lease receivables		(115,816)	(127,681)	-	-
Change in financial assets which are required to be measured at fair value through profit or loss		(459,115)	60,677	18,900	(7,767)
Change in derivative financial instruments		(7,701)	(4,582)	(6,200)	(4,582)
Change in equity instruments		24,900	-	9,082	-
Change in debt instruments		(49,344)	-	-	-
Change in other financial assets		(410,103)	92,650	(74,830)	12,599
Change in other assets		(67,730)	(29,465)	(13,919)	(21,995)
Change in deposits from customers		4,208,371	1,685,640	1,603,737	1,694,073
Change in deposits from banks		484,076	(66,245)	434,190	(66,245)
Change in held-for-trading financial liabilities		8,957	(1,679)	7,181	(1,679)
Change in redeemed claims		494,975	(821,066)	494,975	(821,066)
Change in other financial liabilities		(494,323)	81,429	(21,558)	148,932
Change in other liabilities		282,020	21,548	29,575	(745)
Income tax paid/recovered		-	(4,245)	-	-
Interest received		1,255,908	820,560	990,132	785,271
Interest paid		(152,135)	(100,957)	(114,208)	(101,170)
<i>Net cash flow from operating activities</i>		3,510,715	63,873	1,255,894	(107,030)

Interim Consolidated and separate statement of cash flows (continued)

For the 6-month period ended June 30

<i>In RON thousand</i>	Note	Group		Bank	
		2018	2017	2018	2017
Cash flow from investment activities					
Acquisition of financial assets available-for-sale		(9,704,284)	(5,249,890)		
Acquisition of financial assets measured at fair value through other items of comprehensive income			-	(7,866,955)	(5,149,319)
Sale of financial assets available-for-sale		5,426,892	5,574,752		
Sale of financial assets measured at fair value through other items of comprehensive income			-	5,362,121	5,547,752
Acquisition of property and equipment		(35,269)	(113,861)	(28,318)	(56,927)
Acquisition of intangible assets		(73,550)	(36,247)	(45,934)	(43,747)
Proceeds from the sale of property and equipment		12,427	7,423	487	4,359
Acquisition of equity instruments		1,586,094	-	(1,026,373)	-
Financial assets at amortized cost – Debt instruments		508,603	20,236	-	-
Dividends collected		-	1,823	18,067	34,685
Interest received		128,261	315,601	128,180	315,083
Net cash flow from investment activities		(2,150,826)	519,837	(3,458,725)	651,886
Cash flow from financing activities					
Gross proceeds from loans from banks and other financial institutions		227,942	64,577	46,399	59,201
Gross payments from loans from banks and other financial institutions		(118,967)	(80,129)	(44,445)	(60,391)
Gross proceeds from subordinated loans from banks and other financial institutions		1,326,305	-	1,326,305	-
Dividend payments		(605,387)	(6,165)	(605,387)	-
Payments for own shares		(25,415)	(27,468)	(25,415)	(27,468)
Interest paid		(36,576)	(18,643)	(16,428)	(17,956)
Net cash flow from financing activities		767,902	(67,828)	681,029	(46,614)

<i>In RON thousand</i>	Group		Bank	
	2018	2017	2018	2017
The impact of exchange rate variations on cash and cash equivalents	22,261	(35,513)	22,249	(35,511)
Net increase/decrease (-) in cash and cash equivalents	2,105,530	551,395	(1,544,051)	533,753
Cash and cash equivalents with the National Bank as at January 1	11,430,864	7,641,059	11,399,941	7,627,754
Cash and cash equivalents as at June 30	13,558,655	8,156,941	9,878,139	8,125,996

Banca Transilvania S.A.

Notes to the interim condensed consolidated and separate financial statements

1. Reporting entity and basis of preparation

a) 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 31.12.2017 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., Bancpost S.A. and Victoriabank S.A.; leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., ERB Leasing IFN S.A., ERB Retail Services IFN S.A., BT Direct IFN S.A., BT Microfinanțare IFN S.A. and BT Leasing MD S.R.L.; asset management through BT Asset Management S.A.I S.A. Additionally, the Bank controls one investment fund that is also included in the consolidation basis.

In November 2017, Banca Transilvania S.A. announced its initiative to invest in the Republic of Moldova and received in the following period the acquisition approval from the Romanian and Moldovan supervisory authorities - the National Bank of Romania, the National Bank of Moldova and the Competition Council of the Republic of Moldova. On January 19, 2018, Banca Transilvania S.A. became a shareholder of Victoriabank S.A., the third largest bank in the Republic of Moldova, holding together with the EBRD a stake of more than 66% in this financial institution.

Between 14 February and 24 April 2018, Banca Transilvania S.A. made a mandatory public offering to take over the securities issued by Victoriabank S.A., in accordance with the Moldovan capital market legislation; the offering was addressed exclusively to the current minority shareholders of Victoriabank S.A.

The objective of the public offering was the acquisition of the remaining 8,308,673 shares issued by Victoriabank S.A., representing 33.23% of the total number of nominal ordinary shares with voting rights, in accordance with the approval of the National Commission for Financial Markets in the Republic of Moldova.

After the completion of the public offering and the appointment of the representatives of the new shareholder in the management committee and the Board of Directors of Victoriabank S.A., Banca Transilvania took control of the bank starting from April 2018.

On November 24, 2017, the Group signed the agreement for the acquisition of the majority stake (99.15%) held by Eurobank Group in Bancpost S.A. According to the transaction, Banca Transilvania Financial Group also acquired all equity investments in the Eurobank Group subsidiaries located in Romania, notably ERB Retail Services IFN S.A. and ERB Leasing IFN S.A., the next stage being that of obtaining the transaction approvals from the Competition Council and the National Bank of Romania. The Group took control over these entities on April 3, 2018 (see note 41).

Notes to the interim condensed consolidated and separate financial statements

1. Reporting entity and basis of preparation (continued)

a) Reporting entity (continued)

The consolidated statement of income includes the separate revenues and expenses of Bancpost S.A., Victoriabank S.A., ERB Leasing IFN S.A. and ERB Retail Services IFN S.A., for the period between the date when control was acquired and June 30, 2018, adjusted for consolidation purposes in order to reflect the fair value changes according to the preliminary valuation report which were not reflected in the separate financial statements.

At the end of June 2018, the Group lost control of BT Operational Leasing S.A., by selling the entire stake held in this subsidiary.

Following this transaction, the Group derecognized the assets and liabilities of the subsidiary at the date of the loss of control, as well as any non-controlling interests.

The incomes and expenses recorded by BT Operational Leasing S.A. from the beginning of the year until 30 June 2018 remained included in the profit of the Group as at 30 June 2018.

The fair value of the consideration received following this transaction amounted to RON 28,100 thousand, being subject to adjustment depending on the fulfillment of contractual conditions by both parties.

The Bank carries out its banking activity through its head office located in Cluj-Napoca and 54 branches, 414 agencies, 21 work units, 7 healthcare division units, 2 private banking agencies in Romania and 1 regional office located in Bucharest (31 December 2017: 54 branches, 413 agencies, 19 work units, 7 healthcare division units, 2 private banking agencies in Romania and 1 regional office located in Bucharest).

In 2013 the Bank opened a branch in Italy, which began its operational activity in 2014.

The Group's number of active employees at 30 June 2018 was 10,166 (31 December 2017: 7,513 employees).

The Bank's number of active employees at 30 June 2018 was 6,976 (31 December 2017: 7,007 employees).

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

The ownership structure of the Bank is presented below:

	June 30, 2018	June 30, 2017
The European Bank for Reconstruction and Development ("EBRD")	8.60%	8.60%
Romanian individuals	19.92%	17.24%
Romanian companies	35.57%	29.25%
Foreign individuals	1.11%	1.84%
Foreign companies	34.80%	43.07%
Total	100%	100%

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

Notes to the interim condensed consolidated and separate financial statements

1. Reporting entity and basis of preparation (*continued*)

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

Subsidiary	Field of activity	30-06-2018	31-12-2017
Bancpost S.A.	other monetary intermediation activities	99.15%	-
Victoriabank S.A.	financial and banking activities and investments subject to license	44.63%	-
BT Capital Partners S.A.	investments	99.59%	99.59%
BT Leasing Transilvania IFN S.A.	leasing	100.00%	100.00%
ERB Leasing IFN S.A.	leasing	99.15%	-
BT Investments S.R.L.	investments	100.00%	100.00%
ERB Retail Services IFN S.A.	other lending activities - consumer finance through credit cards	99.15%	-
BT Direct IFN S.A.	consumer loans	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 Operational Leasing S.A.	leasing	-	94.73%
BT Leasing MD SRL	leasing	100.00%	100.00%
BT Microfinantare IFN S.A.	consumer loans	100.00%	100.00%
BT Transilvania Imagistica S.A.	other healthcare activities	99.84%	96.64%
Improvement Credit Collection SRL	activities of collection agents and credit reporting bureaus	100.00%	100.00%
Sinteza S.A.	manufacture of other basic organic chemicals	51.81%	50.15%
Chimprod S.R.L.	manufacture of basic pharmaceutical products	51.69%	50.03%

Notes to the interim condensed consolidated and separate financial statements

1. Reporting entity and basis of preparation (*continued*)

b) Declaration of conformity

The preliminary condensed separate and consolidated financial statements of the Group and the Bank as at June 30, 2018 have been prepared in accordance with IAS 34 - Interim Financial Reporting standards as endorsed by the European Union. They do not include all the information required for a full set of financial statements in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union. However, certain explanatory notes are included to describe the events and transactions that are relevant in order to understand the changes in the financial position and performance of the Bank and of the Group from the date of the previous annual consolidated and separate financial statements until the date of and with reference to the financial year ended December 31, 2017. The financial statements for the period ended June 30 are not audited.

c) 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 available for sale recognized at fair value through other items of comprehensive income and the revaluation of property and equipment and investment property, excepting those with respect to which the fair value cannot be determined reliably.

d) Functional and presentation currency

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

The exchange rates for the major foreign currencies were:

Currency	June 30, 2018	December 31, 2017	Variation %
Euro (EUR)	1: RON 4.6611	1: RON 4.6597	0.03%
American dollar (USD)	1: RON 4.0033	1: RON 3.8915	2.87%

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

Notes to the interim condensed consolidated and separate financial statements

1. Reporting entity and basis of preparation (*continued*)

e) Use of estimates and key judgements (*continued*)

Individual advance tax ruling (“IATR”)

As at June 30, 2018, there was a pending legal action according to which the Bank challenged the opinion of the fiscal authorities regarding the individual advance tax ruling in connection with the VBRO bargain gain. The Bank proposed the consideration of the bargain gain as non-taxable income by taking into account multiple solid arguments in favor of this fiscal approach. 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 case has reached the High Court of Cassation and Justice and is currently under appeal.

According to the expectations of the Bank’s management, the litigation may last between 1 and 3-5 years until the final court decision. The management of the Bank considers that it has strong arguments to win the litigation on the legal merits based on the arguments presented above. 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.

2. Significant accounting policies

The accounting methods and policies applied by the Bank and the Group entities for the preparation of these preliminary condensed separate and consolidated financial statements are identical with those applied for the preparation of the separate and consolidated Financial Statements as of the date of and with reference to the financial year ended December 31, 2017.

The Group and the Bank adopted IFRS 9 (“IFRS 9”) as of the transition date 1 January 2018.

According to the transitional provisions of IFRS 9, the Group and the Bank decided not to restate comparative figures. Consequently, the comparative figures for the year 2017 are reported according to IAS 39 and are not comparable to those reported with reference to 2018.

At the transition date, the differences between the carrying amounts of financial assets and liabilities were recognized in the opening balance of retained earnings accounts.

The application of IFRS 9 has resulted in the modification of the accounting policies regarding the recognition, classification and measurement of financial assets and liabilities, the depreciation of financial assets and hedge accounting.

The new approach to the classification of financial assets relies on the cash flow characteristics and on the business model within which an asset is held.

The management of assets at the level of the Group and of the Bank is based on the business model and the cash flow features.

Notes to the interim condensed consolidated and separate financial statements

2. Significant accounting policies (*continued*)

There are several 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 to maturity). They are measured at amortized cost and included in the periodical provision calculations. There is no requirement that the assets classified in this category should be held until their maturity; sales are acceptable with “low frequency”, when the risk profile of such instruments increases or is no longer in line with 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 of 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 represent the equivalent of government securities, bonds and shares.

Other business models include 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.

According to IFRS 9, financial assets are classified in the following categories:

- Financial assets at fair value through profit or loss (FVPL);
- Financial assets measured at fair value through other items of comprehensive income (FVOCI);
- Financial assets at amortized cost.

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.

After its initial recognition, a financial asset is classified as 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.

If financial assets are held both to collect cash flows and for sale purposes, they are measured at fair value through other items of comprehensive income.

If financial assets do not observe the criteria according to which the contractual cash flows need to be Solely Payments of Principal and Interest (the SPPI test), such assets are required to be measured at fair value (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.

Notes to the interim condensed consolidated and separate financial statements

2. Significant accounting policies (*continued*)

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading.

Therefore, if equity instruments are measured at fair value through other items of 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.

Financial liabilities are classified after the initial measurement at amortized cost, except when measured at fair value through profit or loss (financial liabilities related to derivatives). Embedded derivatives may continue to be separated from the host contract, as concerns financial liabilities.

Starting from 1 January 2018, the Group and the Bank measure equity instruments at fair value through profit or loss. VISA Inc. shares are included in this category.

The gains and losses from investments in equity instruments measured at fair value through profit or loss are included in the statement of income under "Gains from financial instruments measured at fair value through profit or loss".

Investments in equity instruments, with respect to which the Group and the Bank do not have the intention to maximize cash flows by sale or which are not included in the trading portfolio, have been classified as financial assets measured at fair value through other items of 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 bonds issued by other financial and non-financial institutions have been measured at fair value through other items of comprehensive income, with the observance of the SPPI test criteria and of the "hold to collect and sell" business model. Starting from 1 January 2018, the Group and the Bank recognize a provision 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 items of comprehensive income and will not diminish the book value of the financial asset.

Bonds issued by credit institutions and other financial institutions which observe 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 are measured at fair value through profit or loss. They are treated as debt instruments, they do not comply with the "hold to collect" business model criteria and are not included in the trading portfolio of the Group and of the Bank. Therefore, they are classified as financial assets required to be measured at fair value.

In the separate statement of financial position, equity instruments representing investments in associates and 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 losses and imply the timely recognition of forthcoming estimated losses. IFRS 9 eliminates the profit or loss volatility caused by the changes in credit risk with respect to liabilities measured at fair value. More specifically, the gains resulting from credit risk deterioration will no longer be recognized as profit or loss. The determination of expected losses at the reporting date relies on the effective interest rate established upon the initial recognition or an estimated rate.

Notes to the interim condensed consolidated and separate financial statements

2. Significant accounting policies (*continued*)

As concerns financial assets with variable interest rate, 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. In certain circumstances, the renegotiation of or change in the contractual cash flows related to financial assets results in the derecognition of the existing financial assets. If the contractual terms are significantly altered due to commercial renegotiations, both at the client's request and at the Bank's initiative, the existing financial asset is derecognized and the altered financial asset is subsequently recognized, such altered financial asset being considered as a "new" asset. 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 Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its loans, debt instrument assets carried at amortised cost and fair value through other comprehensive income and from loan commitments and financial guarantee contracts. The group assesses a loss allowance for such losses at each reporting date. The measurement of ECL 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.

IFRS 9 outlines a 'three stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- a financial instrument that is not credit impaired on initial recognition is classified in 'Stage 1' and has its credit risk regularly monitored by the Group.
- 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.
- 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 pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.
- purchased or originated credit-impaired ('POCI') financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (stage 3).

Notes to the interim condensed consolidated and separate financial statements

2. Significant accounting policies (continued)

a) Classification and reconciliation of financial assets and liabilities upon the initial application of IFRS 9

The classification and book value of the Group's financial assets and liabilities according to IAS 39 and IFRS 9 as at 1 January 2018 are presented on a comparative basis below: The table below summarizes the book value reconciliations of the Group's financial assets upon the transition from the previous classification categories under IAS 39 at December 31, 2017 to the new classification categories under IFRS 9 at January 1, 2018:

Financial assets	Classification category IAS 39	Classification category IFRS 9	IAS 39 Carrying amount as at 31 December 2017	Reclassification	Re-measurement	IAS 9 Carrying amount as at 1 January 2018
Cash and cash equivalents with the Central Bank	Financial assets measured at amortized cost	Financial assets measured at amortized cost	6,637,725	-	(27)	6,637,698
Placements with banks	Financial assets measured at amortized cost	Financial assets measured at amortized cost	5,348,074	-	(96)	5,347,978
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets held for trading and measured at fair value through profit or loss	264,996	(323)	-	264,673
Derivatives	Financial assets at fair value through profit or loss	Financial assets held for trading and measured at fair value through profit or loss	9,854	-	-	9,854
Loans and advances to customers	Financial assets measured at amortized cost	Financial assets measured at amortized cost	29,463,632	-	(137,844)	29,325,788
Finance lease receivables	Financial assets measured at amortized cost	Financial assets measured at amortized cost	785,330	-	(7,357)	777,973
Investment securities available-for-sale	Financial assets available-for-sale	Financial assets measured at fair value through other items of comprehensive income	15,445,759	(15,445,759)	-	-
	Financial assets available-for-sale	Financial assets which are required to be measured at fair value through profit or loss	375,541	(375,541)	-	-
Financial assets measured at fair value through other items of comprehensive income	-	-	-	15,445,759	4,037	15,449,796
Financial assets which are required to be measured at fair value through profit or loss	-	-	-	375,864	-	375,864
Other financial assets	Financial assets measured at amortized cost	Financial assets measured at amortized cost	234,317	-	-	234,317
Total financial assets			58,565,228	-	(141,287)	58,423,941

The Group's financial liabilities were classified and measured at amortized cost according to IAS 39 until 31 December 2017 and according to IFRS 9 starting from 1 January 2018.

Notes to the interim condensed consolidated and separate financial statements

2. Significant accounting policies (continued)

a) Classification and reconciliation of financial assets and liabilities upon the initial application of IFRS 9 (continued)

The classification and book value of the Bank's financial assets and liabilities according to IAS 39 and IFRS 9 as at 1 January 2018 are presented on a comparative basis below: The table below summarizes the book value reconciliations of the Bank's financial assets upon the transition from the previous classification categories under IAS 39 at December 31, 2017 to the new classification categories under IFRS 9 at January 1, 2018:

Financial assets	Classification category IAS 39	Classification category IFRS 9	IAS 39 Carrying amount as at 31 December 2017	Reclassification	Re-measurement	IAS 9 Carrying amount as at 1 January 2018
Cash and cash equivalents with the Central Bank	Financial assets measured at amortized cost	Financial assets measured at amortized cost	6,637,692	-	(27)	6,637,665
Placements with banks	Financial assets measured at amortized cost	Financial assets measured at amortized cost	5,302,292	-	(96)	5,302,196
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets held for trading and measured at fair value through profit or loss	73,281	-	-	73,281
Derivatives	Financial assets at fair value through profit or loss	Financial assets held for trading and measured at fair value through profit or loss	9,854	-	-	9,854
Loans and advances to customers	Financial assets measured at amortized cost	Financial assets measured at amortized cost	29,914,039	-	(134,056)	29,779,983
Finance lease receivables	Financial assets measured at amortized cost	Financial assets measured at amortized cost	-	-	-	-
Investment securities available-for-sale	Financial assets available-for-sale	Financial assets measured at fair value through other items of comprehensive income	15,431,246	(15,431,246)	-	-
	Financial assets available-for-sale	Financial assets which are required to be measured at fair value through profit or loss	601,366	(601,366)	-	-
Financial assets measured at fair value through other items of comprehensive income	-	-	-	15,431,246	3,983	15,435,229
Financial assets which are required to be measured at fair value through profit or loss	-	-	-	601,366	-	601,366
Other financial assets	Financial assets measured at amortized cost	Financial assets measured at amortized cost	211,913	-	-	211,913
Total financial assets			58,181,683	-	(130,196)	58,051,487

The Bank's financial liabilities were classified and measured at amortized cost according to IAS 39 until 31 December 2017 and according to IFRS 9 starting from 1 January 2018.

Notes to the interim condensed consolidated and separate financial statements

2. Significant accounting policies (*continued*)

b) Classification and reconciliation of reserves and retained earnings upon the initial application of IFRS 9

The table below analyzes the impact net of tax of the IFRS 9 transition on the Group's reserves and retained earnings.

	Impact of IFRS 9 as at 1 January 2018	
	Group	Bank
Reserves for available-for-sale assets according to IAS 39 (31 December 2017)	(6,247)	52,176
Reclassification of available-for-sale securities to financial assets which are required to be measured at fair value through profit or loss	(98,045)	(156,193)
Recognition in accordance with IFRS 9 of expected losses related to financial assets measured at fair value through other items of comprehensive income	931	931
Fair value restatement of financial instruments reclassified in accordance with IFRS 9	3,299	3,260
Reserves from fair value changes, net of accumulated depreciation, related to financial assets measured at fair value through other items of comprehensive income, net of tax (1 January 2018)	(100,062)	(99,826)
Retained earnings according to IAS 39 (31 December 2017)	2,202,764	1,981,886
Reclassification of available-for-sale securities to financial assets which are required to be measured at fair value through profit or loss	98,045	156,193
Recognition in accordance with IFRS 9 of expected credit losses (ECL) related to financial assets measured at fair value through other items of comprehensive income (FVOCI)	(697)	(697)
Recognition in accordance with IFRS 9 of expected credit losses (ECL) related to financial assets measured at amortized cost	(48)	(48)
Recognition in accordance with IFRS 9 of expected credit losses (ECL) related to financial assets measured at amortized cost and loan commitments	(129,686)	(120,961)
Retained earnings according to IFRS 9 (1 January 2018)	2,170,378	2,016,373

Notes to the interim condensed consolidated and separate financial statements

3. Segment reporting

The Group segment reporting is compliant with the management requirements. The business 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 business 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 business segments either directly or based on reasonable criteria established by the management.

For the purpose of segment reporting at Group level, a preliminary clients' analysis has been performed for the new subsidiaries (Bancpost and Victoriabank), based on which the clients were classified according to the Group's policy. The "Leasing and consumer finance granted by non-banking financial institutions" segment includes the leasing and consumer finance entities, as described in Note 1, whereas the "Other-Group" segment includes all the other non-banking subsidiaries. The "Removals & Adjustments" segment comprises intra-group operations.

The business 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);
- - 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 distinct financial information is available.

2017 was the year when the Bank and the Group operated changes to their reporting segments in order to efficiently deliver dedicated services to company clients. Thus, business models were refined with respect to Large Corporate clients (annual turnover over RON 100 million) and Mid Corporate clients (annual turnover between RON 9 million and RON 100 million). In addition, the specialization in relation to the business needs of the SME entrepreneurs is reflected in a differentiated approach with respect to the Micro Business segment (companies with an annual turnover up to RON 2 million) and the SME segment (companies with an annual turnover between RON 2 million and RON 9 million). The reporting segment changes involved specialized teams, customized products, and dedicated interaction patterns, 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 interim condensed consolidated and separate financial statements

3. 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 interim condensed consolidated and separate financial statements

3. 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 and BT Leasing Moldova financial lease operations linked to the Group; the impact of the two entities on the balance sheet and income statement is minor. 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 30 June 2018 and 30 June 2017, the Bank or the Group did not record income exceeding 10% of total incomes in relation to a single customer.

Notes to the interim condensed consolidated and separate financial statements

3. 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 period ended on 30 June 2018, and comparative data as at 31 December 2017:

Business segments as at 30 June 2018

<i>In RON thousand</i> Group, 30 June 2018	Large Corporate	Mid Corporate	SME	Micro	Retail Customers	Treasury	Leasing and consumer loans granted by non- banking financial institutions	Other - Group	Removals & adjustments	Total
Gross loans	6,725,546	6,409,284	1,933,043	3,277,208	20,755,262	-	1,684,104	10,496	(689,505)	40,105,438
Provisions for principal	(714,176)	(534,149)	(60,778)	(123,437)	(653,009)	-	(139,251)	(230)	9,180	(2,215,850)
Loans net of provisions	6,011,370	5,875,135	1,872,265	3,153,771	20,102,253	-	1,544,853	10,266	(680,325)	37,889,588
Portfolio of Debt instruments and Equity instruments, net of provisions	-	-	-	-	-	21,328,894	21	219,770	(227,282)	21,321,403
Treasury and inter-bank operations	-	-	-	-	-	14,490,256	84,206	176,567	(602,864)	14,148,165
Intangible assets	81,529	120,297	56,850	86,416	374,704	26,192	7,225	64,042	(1,994)	815,261
Other assets	194,385	152,490	45,543	66,203	597,059	-	39,174	33,688	2,007	1,130,549
Total assets	6,287,284	6,147,922	1,974,658	3,306,390	21,074,016	35,845,342	1,675,479	504,333	(1,510,458)	75,304,966
Deposits from customers and current accounts	5,889,825	6,657,518	1,985,167	7,041,567	40,088,482	674,867	3,685	3,091	(201,867)	6,2142,335
Loans from banks and other financial institutions	114,878	286,192	190,661	228,233	46,377	851,624	1,135,438	42,578	(956,363)	1,939,618
Subordinated liabilities	-	-	-	-	-	1,743,890	-	-	3,985	1,747,875
Other liabilities	327,303	286,665	87,655	146,627	1,178,130	1,776	63,867	104,013	(7,768)	2,188,268
Total liabilities	6,332,006	7,230,375	2,263,483	7,416,427	41,312,989	3,272,157	1,202,990	149,682	(1,162,013)	68,018,096
Equity and related items	-	-	-	-	-	-	-	7,286,870	-	7,286,870
Total liabilities and equity	6,332,006	7,230,375	2,263,483	7,416,427	41,312,989	3,272,157	1,202,990	7,436,552	(1,162,013)	75,304,966

The explanatory notes to the financial statements from page 12 to page 77 are an integral part of these financial statements.

Notes to the interim condensed consolidated and separate financial statements

3. Segment reporting (continued)

Business segments as at 31 December 2017

<i>In RON thousand Group, as at 31 December 2017</i>	Large Corporate	Mid Corporate	SME	Micro	Retail Customers	Treasury	Leasing and consumer loans granted by non- banking financial institutions	Other - Group	Removals & adjustments	Total
Gross loans	5,187,784	5,554,330	1,533,658	2,727,707	16,689,357	-	1,173,391	12,435	(758,009)	32,120,653
Provisions for principal	(572,235)	(463,461)	(55,315)	(116,836)	(570,950)	-	(99,348)	(59)	6,513	(1,871,691)
Loans net of provisions	4,615,549	5,090,869	1,478,343	2,610,871	16,118,407	-	1,074,043	12,376	(751,496)	30,248,962
Portfolio of Debt instruments and Equity instruments, net of provisions	-	-	-	-	-	16,115,747	-	225,698	(245,295)	16,096,150
Treasury and inter-bank operations	-	-	-	-	-	11,939,984	46,614	169,720	(170,519)	11,985,799
Intangible assets	58,228	76,951	33,802	65,303	277,836	20,526	4,513	234,317	(1,779)	769,697
Other assets	129,731	140,085	38,762	68,762	421,555	-	19,212	72,368	(186,114)	704,361
Total assets	4,803,508	5,307,905	1,550,907	2,744,936	16,817,798	28,076,257	1,144,382	714,479	(1,355,203)	59,804,969
Deposits from customers and current accounts	5,061,815	5,950,095	1,473,137	6,212,790	30,401,364	127,946	-	2,610	(169,616)	49,060,141
Loans from banks and other financial institutions	94,929	240,419	197,511	304,212	4,385	258,435	931,118	208,369	(752,356)	1,487,022
Subordinated liabilities	-	-	-	-	-	414,578	-	-	-	414,578
Other liabilities	214,861	232,008	64,198	113,884	965,435	-	38,463	86,522	(12,255)	1,703,116
Total liabilities	5,371,605	6,422,522	1,734,846	6,630,886	31,371,184	800,959	969,581	297,501	(934,227)	52,664,857
Equity and related items	-	-	-	-	-	-	-	7,140,112	-	7,140,112
Total liabilities and equity	5,371,605	6,422,522	1,734,846	6,630,886	31,371,184	800,959	969,581	7,437,613	(934,227)	59,804,969

Notes to the interim condensed consolidated and separate financial statements

3. Segment reporting (*continued*)

Business segments as at 30 June 2018

<i>In RON thousand Group, 30 June 2018</i>	Large Corporate	Mid Corporate	SME	Micro	Retail Customers	Treasury	Leasing and consumer loans granted by non- banking financial institutions	Other - Group	Removals & adjustments	Total
Net interest income	50,231	97,177	41,281	86,999	359,758	84,275	32,017	170,694	562	922,994
Net commission income	22,824	43,774	25,264	94,789	87,907	(689)	1,492	22,060	(2,459)	294,962
Net trading income	2,119	11,175	9,981	18,247	33,327	27,906	(425)	18,076	(61)	120,345
Profit (loss) from available-for-sale financial assets	-	-	-	-	-	(10,640)	-	(9,167)	(43)	(19,850)
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(5,438)	(5,617)	(1,594)	(5,752)	(31,295)	-	-	-	-	(49,696)
Other operating income	8,411	8,169	447	182	8,655	-	31,131	56,481	(40,296)	73,180
Total income	78,147	154,678	75,379	194,465	458,352	100,852	64,215	258,144	(42,297)	1,341,935
Personnel expenses	(38,833)	(52,421)	(28,656)	(57,315)	(159,524)	(2,692)	(8,627)	(11,561)	-	(359,629)
Operating expenses	(18,617)	(25,337)	(15,084)	(24,528)	(103,131)	(3,086)	(5,353)	(19,696)	8,882	(205,950)
Advertising and promotional expenses	(1,214)	(1,658)	(2,182)	(4,153)	(6,330)	(185)	(381)	(120)	-	(16,223)
Depreciation and amortization	(4,925)	(6,110)	(2,640)	(5,210)	(21,064)	(1,451)	(14,499)	(1,091)	-	(56,990)
Other expenses	(3,104)	(4,148)	(2,296)	(4,098)	(14,618)	(356)	(8,865)	(994)	11	(38,468)
Total Expenses	(66,693)	(89,674)	(50,858)	(95,304)	(304,667)	(7,770)	(37,725)	(33,462)	8,893	(677,260)
Operating profit before net provision expenses for assets, other risks and commitments	11,454	65,004	24,521	99,161	153,685	93,082	26,490	224,682	(33,404)	664,675

The explanatory notes to the financial statements from page 12 to page 77 are an integral part of these financial statements.

Notes to the interim condensed consolidated and separate financial statements

3. Segment reporting (continued)

Business segments as at 30 June 2018

<i>In RON thousand Group, 30 June 2017</i>	Large Corporate	Mid Corporate	SME	Micro	Retail Customers	Treasury	Leasing and consumer loans granted by non- banking financial institutions	Other - Group	Removal s & adjustm ents	Total
Net interest income	59,655	117,959	51,660	121,946	428,651	131,661	66,097	299,811	(943)	1,276,497
Net commission income	25,429	51,541	29,555	116,072	116,802	(839)	4,693	25,051	(6,428)	361,876
Net trading income	3,208	13,007	11,033	24,436	40,757	22,552	(109)	(18,671)	144	96,357
Profit (loss) from available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-
Gains or (-) losses from financial assets measured through the comprehensive income	-	-	-	-	-	(1,310)	-	(2,000)	704	(2,606)
Net Gains or (-) losses from financial assets measured mandatorily through profit and loss	-	-	-	-	-	(21,422)	-	8,475	25,571	12,624
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(3,875)	(4,249)	(1,075)	(4,490)	(23,211)	-	-	-	-	(36,900)
Other operating income	9,843	9,113	4,582	4,721	33,064	412	9,141	360,061	(22,709)	408,228
Total income	94,260	187,371	95,755	262,685	596,063	131,054	79,822	672,727	(3,661)	2,116,076
Personnel expenses	(53,661)	(69,138)	(38,748)	(66,131)	(214,801)	(5,270)	(15,956)	(13,543)	-	(477,248)
Operating expenses	(27,420)	(32,957)	(15,914)	(29,784)	(144,600)	(4,117)	(19,908)	(158,337)	45,452	(387,585)
Advertising and promotional expenses	(1,438)	(1,945)	(2,050)	(3,726)	(12,987)	(143)	(906)	(113)	(20,775)	(44,083)
Depreciation and amortization	(6,344)	(8,347)	(4,044)	(7,600)	(31,600)	(2,049)	(1,145)	(21,921)	-	(83,050)
Other expenses	(2,384)	(2,481)	(1,277)	(2,428)	(9,704)	(239)	(196)	(60,749)	(17,379)	(96,837)
Total Expenses	(91,247)	(114,868)	(62,033)	(109,669)	(413,692)	(11,818)	(38,111)	(254,663)	7,298	(1,088,803)
Operating profit before net provision expenses for assets, other risks and commitments	3,013	72,503	33,722	153,016	182,371	119,236	41,711	418,064	3,637	1,027,273

The explanatory notes to the financial statements from page 12 to page 77 are an integral part of these financial statements.

Notes to the interim condensed consolidated and separate financial statements

4. Further remarks: Financial assets and liabilities

a) Accounting classifications and fair value

Group	Total carrying amount		Total fair value	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Financial assets				
Financial assets at fair value through profit or loss (*)	-	274,850	-	274,850
Financial assets held for trading and measured at fair value through profit or loss (*)	306,995	-	306,995	-
Financial assets which are required to be measured at fair value through profit or loss, of which:	471,739	-	471,739	-
- <i>Equity instruments</i>	154,076	-	154,076	-
- <i>Debt instruments</i>	317,663	-	317,663	-
Financial assets carried at amortized cost	53,901,652	42,469,078	53,716,488	42,315,208
Financial assets measured at fair value through other items of comprehensive income	19,465,178	15,821,300	19,465,178	15,821,300
Total financial assets	74,145,564	58,565,228	73,960,400	58,411,358
Financial liabilities				
Held-for-trading financial liabilities	20,863	11,906	20,863	11,906
Financial liabilities measured at amortized cost	67,121,919	52,145,951	67,118,887	52,168,524
Total financial liabilities	67,142,782	52,157,857	67,139,750	52,180,430

Notes to the interim condensed consolidated and separate financial statements

4. Financial assets and liabilities (continued)

a) Accounting classifications and fair value (continued)

Bank	Total carrying amount		Total fair value	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Financial assets				
Financial assets at fair value through profit or loss (*)	-	83,135	-	83,135
Financial assets held for trading and measured at fair value through profit or loss (*)	80,253		80,253	
Financial assets which are required to be measured at fair value through profit or loss, of which:	602,402	-	602,402	-
- <i>Equity instruments</i>	76,347	-	76,347	-
- <i>Debt instruments</i>	526,055	-	526,055	-
Financial assets carried at amortized cost	42,495,862	42,065,936	42,310,698	41,941,908
Financial assets measured at fair value through other items of comprehensive income	17,771,319	16,032,612	17,771,319	16,032,612
Total financial assets	60,949,836	58,181,683	60,764,672	58,057,655
Financial liabilities				
Held-for-trading financial liabilities	19,087	11,906	19,087	11,906
Financial liabilities measured at amortized cost	55,732,755	51,884,554	55,729,723	51,907,127
Total financial liabilities	55,751,842	51,896,460	55,748,810	51,919,033

(*) This category comprises just held-for-trading financial assets including derivatives.

Notes to the interim condensed consolidated and separate financial statements

4. 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, credit margins and preset volatilities.

Level 3 in the fair value hierarchy

The fair value of financial assets and liabilities included at 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 prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of 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 available for sale, except for Municipal bonds.

At level 2 in the fair value hierarchy, the Bank and the Group included in the category of assets: derivative instruments measured at fair value through profit or loss, Municipal bonds classified as available for sale; and in the category of liabilities: derivatives classified as financial liabilities held for trading.

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

The explanatory notes to the financial statements from page 12 to page 77 are an integral part of these financial statements.

Notes to the interim condensed consolidated and separate financial statements

4. 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)

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

	Notes	Level 1 - Quoted market prices in active markets	Level 2 - Valuation techniques – observable inputs	Level 3 - Valuation techniques – unobservable inputs	Total
Group - In RON thousand					
June 30, 2018					
Financial assets held for trading and measured at fair value through profit or loss, of which:		289,440	-	-	289,440
- Equity instruments		188,937	-	-	188,937
- Debt instruments		100,503	-	-	100,503
Derivatives		-	17,555	-	17,555
Financial assets measured at fair value through other items of comprehensive income		19,449,300	1,081	14,797	19,465,178
Financial assets which are required to be measured at fair value through profit or loss, of which:		471,739	-	-	471,739
- Equity instruments		154,076	-	-	154,076
- Debt instruments		317,663	-	-	317,663
Total financial assets measured at fair value in the statement of financial position		20,210,479	18,636	14,797	20,243,912
Non-financial assets at fair value					
- Property and equipment and investment property		-	-	533,205	533,205
Total assets measured at fair value in the statement of financial position		20,210,479	18,636	548,002	20,777,117
Held-for-trading financial liabilities		-	20,863	-	20,863
December 31, 2017					
Financial assets at fair value through profit or loss, of which:		264,996	-	-	264,996
- Equity instruments		213,838	-	-	213,838
- Debt instruments		51,158	-	-	51,158
Derivatives		-	9,854	-	9,854
Financial assets available-for-sale		15,757,123	60,652	3,525	15,821,300
Total financial assets measured at fair value in the statement of financial position		16,022,119	70,506	3,525	16,096,150
Non-financial assets at fair value					
- Property and equipment and investment property		-	-	633,668	633,668
Total assets measured at fair value in the statement of financial position		16,022,119	70,506	637,193	16,729,818
Held-for-trading financial liabilities		-	11,906	-	11,906

Notes to the interim condensed consolidated and separate financial statements

4. 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)

Notes	Level 1 - Quoted market prices in active markets	Level 2 - Valuation techniques – observable inputs	Level 3 - Valuation techniques – unobservable inputs	Total
Bank - In RON thousand				
30 June 2018				
Financial assets held for trading and measured at fair value through profit or loss, of which:				
- Equity instruments	64,199	-	-	64,199
- Equity instruments	64,199	-	-	64,199
Derivatives	-	16,054	-	16,054
Financial assets measured at fair value through other items of comprehensive income	17,763,593	363	7,363	17,771,319
Financial assets which are required to be measured at fair value through profit or loss, of which:				
- Equity instruments	602,402	-	-	602,402
- Equity instruments	76,347	-	-	76,347
- Debt instruments	526,055	-	-	526,055
Total financial assets measured at fair value in the statement of financial position	18,430,194	16,417	7,363	18,453,974
Non-financial assets at fair value				
- Property and equipment and investment property	-	-	411,634	411,634
Total assets measured at fair value in the statement of financial position	18,430,194	16,417	418,997	18,865,608
Held-for-trading financial liabilities	-	19,087	-	19,087
December 31, 2017				
Financial assets at fair value through profit or loss, of which:				
- Equity instruments	73,281	-	-	73,281
- Equity instruments	73,281	-	-	73,281
Derivatives	-	9,854	-	9,854
Financial assets available-for-sale	15,968,868	60,652	3,092	16,032,612
Total financial assets measured at fair value in the statement of financial position	16,042,149	70,506	3,092	16,115,747
Non-financial assets at fair value				
- Property and equipment and investment property	-	-	407,649	407,649
Total assets measured at fair value in the statement of financial position	16,042,149	70,506	410,741	16,523,396
Held-for-trading financial liabilities	-	11,906	-	11,906

Notes to the interim condensed consolidated and separate financial statements
4. Financial assets and liabilities (continued)
b) Fair value of financial assets and liabilities (continued)
ii) Financial instruments not carried at fair value

At the first level of the fair value hierarchy, the Group has classified, the measured financial assets at fair value, through other items of the comprehensive income- debt instruments. At level 2 in the fair value hierarchy, the Bank and the Group included in the category of assets: placements with banks, except securities classified as loans and receivables (which do not have an active market), 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: securities classified as placements with banks as loans and receivables and other financial assets; and in the category of liabilities: loans from banks and other financial institutions, subordinated debt 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 30 June 2018:

RON thousand	Note	Group					Bank				
		Carrying amount	Fair value	Fair value hierarchy			Carrying amount	Fair value	Fair value hierarchy		
				Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets											
Placements with banks	17	5,210,576	5,210,576	-	4,943,502	267,074	4,545,256	4,545,256	-	4,278,182	267,074
Loans and advances to customers	19	36,915,267	36,730,103	-	36,730,103	-	31,352,216	31,167,052	-	31,167,052	-
Finance lease receivables	20	974,321	974,321	-	974,321	-	-	-	-	-	-
Financial assets at amortized cost - debt instruments		1,077,491	1,077,491	-	-	1,077,491					
Other financial assets	24	786,408	786,408	-	-	786,408	280,427	280,427	-	-	280,427
Total assets		44,964,063	44,778,899		42,647,926	2,130,973	36,177,899	35,992,735	-	35,445,234	547,501
Liabilities											
Deposits from banks	26	659,646	659,646	-	659,646	-	562,270	562,270	-	562,270	-
Deposits from customers	27	61,482,689	61,479,657	-	61,479,657	-	50,703,765	50,700,733	-	50,700,733	-
Loans from banks and other financial institutions	28	1,939,618	1,939,618	-	-	1,939,618	1,596,837	1,596,837	-	-	1,596,837
Subordinated liabilities	29	1,747,875	1,747,875	-	-	1,747,875	1,743,890	1,743,890	-	-	1,743,890
Other financial liabilities	31	1,292,091	1,292,091	-	-	1,292,091	1,125,993	1,125,993	-	-	1,125,993
Total liabilities		67,121,919	67,118,887		62,139,303	4,979,584	55,732,755	55,729,723		51,263,003	4,466,720

The explanatory notes to the financial statements from page 12 to page 77 are an integral part of these financial statements.

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Notes to the interim condensed consolidated and separate financial statements

4. 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 2017:

RON thousand	Note	Group					Bank				
		Carrying amount	Fair value	Level 1	Fair value hierarchy		Carrying amount	Fair value	Level 1	Fair value hierarchy	
					Level 2	Level 3				Level 2	Level 3
Assets											
Placements with banks	19	5,348,074	5,348,074	-	5,125,282	222,792	5,302,292	5,302,292	-	5,079,500	222,792
Loans and advances to customers	21	29,463,632	29,304,298	-	29,304,298	-	29,914,039	29,790,011	-	29,790,011	-
Finance lease receivables	22	785,330	790,993	-	790,993	-	-	-	-	-	-
Other financial assets	28	234,317	234,317	-	-	234,317	211,913	211,913	-	-	211,913
Total assets		35,831,353	35,677,682	-	35,220,573	457,109	35,428,244	35,304,216	-	34,869,511	434,705
Liabilities											
Deposits from banks	30	127,946	127,946	-	127,946	-	127,946	127,946	-	127,946	-
Deposits from customers	31	48,932,195	48,954,768	-	48,954,768	-	49,099,201	49,121,774	-	49,121,774	-
Loans from banks and other financial institutions	32	1,487,022	1,487,022	-	-	1,487,022	1,099,891	1,099,891	-	-	1,099,891
Subordinated liabilities	33	414,578	414,578	-	-	414,578	414,578	414,578	-	-	414,578
Other financial liabilities	35	1,184,210	1,184,210	-	-	1,184,210	1,142,938	1,142,938	-	-	1,142,938
Total liabilities		52,145,951	52,168,524	-	49,082,714	3,085,810	51,884,554	51,907,127	-	49,249,720	2,657,407

The explanatory notes to the financial statements from page 12 to page 77 are an integral part of these financial statements.

Notes to the interim condensed consolidated and separate financial statements

5. Net interest income

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Interest income				
Loans and advances to customers (i)	1,149,521	785,962	973,361	779,213
Current accounts held with banks	9,415	1,475	3,014	1,473
Financial assets available-for-sale	-	125,784	-	125,298
Financial assets measured at fair value through other items of comprehensive income	175,766	-	163,591	-
Securities reclassified as "Placements with banks"	5,651	5,548	5,651	5,548
Financial assets held-to-maturity	-	160	-	-
Financial assets at amortized cost - debt instruments	15,889	-	-	-
Placements with banks	14,445	6,439	11,918	6,232
Finance lease receivables	40,560	28,983	-	-
Increase of the recoverable value of the acquired loans	26,768	72,122	(16,185)	71,522
Total interest income	1,438,015	1,026,473	1,141,350	989,286
Interest expenses				
Deposits from customers	124,775	84,129	101,196	84,333
Loans from banks and other financial institutions	27,559	18,426	20,139	17,756
Deposits from banks	9,178	916	8,298	916
Finance lease receivables	6	8	-	-
Total interest expense	161,518	103,479	129,633	103,005
Net interest income	1,276,497	922,994	1,011,717	886,281

(i) Interest income for the period ended on 30 June 2018 includes net interest income on impaired financial assets amounting to RON 80,680 thousand (30 June 2017: RON 79,334 thousand) for the Group and RON 75,229 thousand (30 June 2017: RON 72,940 thousand) for the Bank.

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

6. Net fee and commission income

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Fee and commission income				
Commissions from treasury and inter-bank operations	33,726	24,147	33,622	24,147
Client transactions	399,034	302,995	332,310	285,197
Lending activity (i)	22,853	21,476	21,690	21,502
Finance lease management	558	142	-	-
Other fee and commission income	6,649	54	91	54
Total fee and commission income	462,820	348,814	387,713	330,900
Fee and commission expense				
Commissions from treasury and inter-bank operations	56,425	43,368	53,389	43,283
Client transactions	35,690	8,971	19,728	7,526
Lending activity (i)	8,091	932	11,182	5,536
Other fee and commission income	738	581	839	689
Total fee and commission expense	100,944	53,852	85,138	57,034
Net fee and commission income	361,876	294,962	302,575	273,866

Notes to the interim condensed consolidated and separate financial statements

6. Net fee and commission income (continued)

(i) The commissions resulting from lending activities include restructuring fees, prepayment fees, commissions for guarantee assessment and modification, commitment fees, charges for the recovery of foreclosed assets.

7. Net trading income

	Group		Bank	
<i>In RON thousand</i>	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Net income from foreign exchange transactions	114,504	86,787	105,903	86,887
Net income/(expense) from derivatives	(9,562)	10,065	(220)	10,065
Net income/(expense) from held-for-trading financial assets	(21,236)	24,080	(2,399)	5,979
Net income/(expense) from the revaluation of assets and liabilities in foreign currency	12,651	(587)	3,792	(175)
Net trading income	96,357	120,345	107,076	102,756

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

	Group		Bank	
<i>In RON thousand</i>	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Income from the sale of available-for-sale financial instruments	-	22,462	-	21,244
Income from the sale of financial assets measured at fair value through other items of comprehensive income	12,269	-	11,899	-
Losses from the sale of available-for-sale financial instruments	-	(42,312)	-	(42,107)
Losses from the sale of financial assets measured at fair value through other items of comprehensive income	(14,875)	-	(14,829)	-
Total net loss (-) / gain from the sale of available-for-sale financial instruments	-	(19,850)	-	(20,863)
Total net loss (-) / gain from the sale of financial assets measured at fair value through other items of comprehensive income	(2,606)	-	(2,930)	-

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

	Group		Bank	
<i>In RON thousand</i>	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Losses from financial assets which are required to be measured at fair value through profit or loss	(89,564)	-	(128,544)	-
Income from financial assets which are required to be measured at fair value through profit or loss	102,188	-	108,608	-
Net loss (-) / gain from financial assets which are required to be measured at fair value through profit or loss	12,624	-	(19,936)	-

Notes to the interim condensed consolidated and separate financial statements

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

The deposits of individuals and of certain types of legal entities, including small and medium enterprises, are secured up to a certain limit (EUR 100,000) by the Deposit Guarantee Fund (the “Fund”) according to the legislation in force (Law no. 311/2015 regarding deposit guarantee schemes and the Deposit Guarantee Fund and Law no. 312/2015 regarding the recovery and resolution of credit institutions and investment firms).

The banks in Romania are obliged to pay a non-refundable amount to the Deposit Guarantee Fund, in order to insure customer deposits in the event of bank insolvency and an annual contribution to the Banking 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	
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Contribution to the Bank Deposit Guarantee Fund	22,181	9,814	20,484	9,814
Bank Resolution Fund	14,719	39,882	14,162	39,882
Total	36,900	49,696	34,646	49,696

Starting from 2015, the Group has applied the IFRIC 21 provisions on “Taxes”, according to which the contribution to the Fund represents a tax that has to be fully registered upon the occurrence of the event causing the obligation of tax payment.

11. Other operating income

	Group		Bank	
<i>In RON thousand</i>	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Dividend income	3,513	1,823	18,066	34,685
Income from e-commerce transactions	1,870	1,249	1,870	1,249
Income from operational lease	32,089	22,856	-	-
Income from insurance intermediation	24,950	16,303	21,244	14,423
Income from the sale of finished products	11,075	12,669	-	-
Income from the sale of available-for-sale assets	2,934	-	-	-
Income from VISA, MASTERCARD, WU services	1,005	-	1,005	-
Other operating income (i)	330,792	18,280	17,545	11,502
Total	408,228	73,180	59,730	61,859

(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.

Notes to the interim condensed consolidated and separate financial statements

12. Net impairment losses on assets, provisions for other risks and loan commitments

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Net impairment allowance on assets (i)	227,662	158,599	124,580	154,030
Loans and finance lease receivables written off	8,290	3,035	50	342
Provisions for other risks and loan commitments	(79,889)	(7,128)	(79,245)	(7,123)
Recoveries from loans written off	(236,783)	(89,803)	(227,311)	(89,762)
Recoveries from finance lease receivables written off	(7,150)	(5,370)		
Net impairment allowance on financial assets, provisions for other risks and loan commitments	(87,870)	59,333	(181,926)	57,487

(i) Impairment losses on assets include the following:

<i>In RON thousand</i>	Note	Group		Bank	
		30-06-2018	30-06-2017	30-06-2018	30-06-2017
Loans and advances to customers		203,455	150,825	125,017	156,377
Treasury and inter-bank operations		2,592	-	(18)	-
Finance lease receivables		11,729	11,167	-	-
Other financial assets		3,021	1,094	372	155
Other non-financial assets		1,300	(4,487)	(791)	(2,502)
Property and equipment and intangible assets		5,565			
Net impairment allowance on assets		227,662	158,599	124,580	154,030

13. Personnel expenses

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Gross salaries (starting from 2018 and including contributions)	393,504	255,999	320,775	240,422
Social protection contribution	11,000	-	6,696	-
Social security contribution	-	40,824	-	37,928
Share payments to employees	41,221	15,000	41,221	15,000
Bonuses to employees	(6,532)	12,061	(8,324)	10,000
3rd Pension Pillar	3,431	3,262	3,246	3,263
Other staff expenses	24,078	16,911	20,914	16,075
Contribution to the health insurance fund	-	15,313	-	14,358
Contribution to the unemployment fund	-	1,845	-	1,758
Net expenses with provisions for overdue vacations and other provisions	10,546	(1,586)	12,635	(617)
Total	477,248	359,629	397,163	338,187

Notes to the interim condensed consolidated and separate financial statements**13. Personnel expenses (continued)**

The employer's expenses related to the share-based payments are included in the wages and salaries and amounted to RON 41,221 thousand in 2018 (30 June 2017: RON 15,000 thousand), both for the Group and the Bank. In 2018, 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.

SOP vesting conditions for 2018:

- Compliance with certain performance and prudential indicators in 2017;
- 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 option right (31.05.2017) and when exercising such right (starting from 31.05.2018);

Contractual period of the SOP scheme for 2018:

- Release after 31.05.2018;
- Deferral period for the identified personnel - 3-5 years.

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 2017, by a maximum of +/-15.00% regulated by the Bucharest Stock Exchange, would be of RON +/- 6,183 thousand.

The movement in transactions relating to share-based payments during 2018 and 2017 is presented below:

	30-06-2018	31-12-2017
Balance as at January 1	21,666	30,000
Rights granted during the year	57,555	44,014
Rights exercised during the year	-	-
Charge establishment	41,305	35,680
Closing balance at the end of period	5,416	21,666

25,018,125 shares were granted to employees and shareholders in 2018; during the year 2017, a number of 17,000,000 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 2017	24,307,292	With immediate release on 31 May 2018	Achievement of performance and prudential indicators during 2017. 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.
	710,833	Deferral by trust agreement for 3-5 years	

Notes to the interim condensed consolidated and separate financial statements

14. Other operating expenses

	Group		Bank	
<i>In RON thousand</i>	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Rental and operating lease expenses	63,677	45,085	50,206	47,731
Repair, service and other maintenance expenses	64,944	41,850	49,256	41,434
Advertising, marketing, entertainment and sponsorship expenses	40,231	32,004	36,753	31,181
Mail, telecommunication and SMS traffic expenses	18,737	20,262	15,262	19,676
Materials and stationery	39,784	38,020	29,263	28,299
Other professional fees, including legal expenses	19,602	12,627	19,356	12,364
Expenses regarding movable and immovable assets resulting from debt enforcement	1,243	2,143	941	2,546
Electricity and heating	10,993	9,218	7,332	7,591
Business travel, transportation and temporary relocation expenses	10,822	8,066	9,683	7,423
Insurance costs	7,686	6,110	6,696	5,707
Taxes and contributions	126,669	4,660	6,737	4,039
Loss on disposal of property and equipment and intangible assets	-	1,428	-	935
Security and protection	8,386	4,300	4,731	4,266
Expenses with the assessment of third party guarantees	39	3,355	-	3,345
Expenses related to archiving services	6,621	4,616	6,045	4,603
Expenses related to database queries with the Trade Register and the Credit Bureau	2,114	1,372	2,004	1,300
Expenses with foreclosed assets	1,301	1,055	900	975
Audit, advisory and consultancy	2,269	855	827	645
Expenses from the sale of leased goods	8,583	1,943	-	-
Other operating expenses	94,804	21,672	12,848	10,766
Total other operating expenses	528,505	260,641	258,840	234,826

15. Income tax expense

	Group		Bank	
<i>In RON thousand</i>	30-06-2018	30-06-2017	30-06-2018	30-06-2017
Gross Profit	1,226,695	605,342	897,780	582,468
Statutory tax rate (2018: 16%; 2017: 16%)	(196,271)	(96,855)	(143,645)	(93,195)
Fiscal effect on income tax of the following elements:	(165,821)	4,241	(91,429)	6,784
- Non-taxable income	123,970	8,926	32,296	15,352
- Non-deductible expense	(204,127)	(19,218)	(34,689)	(20,541)
- Tax deductions	18,299	14,588	14,622	12,028
- Income related items	(103,963)	(55)	(103,658)	(55)
Recognition of tax losses carried forward from previous years				
Income tax expense	(362,092)	(92,614)	(235,074)	(86,411)

Notes to the interim condensed consolidated and separate financial statements

15. Income tax expense (*continued*)

The income tax impact is generated by the following tax elements:

- non-taxable incomes include mainly the dividend income obtained from Romanian legal entities and the income resulting from the non-deductible provisions' reversal.
- non-deductible expenses include non-deductible provision expenses, sponsorship expenses, amortization expenses and other non-deductible operating expenses provided by the law;
- tax deductions are related to the deductions obtained from tax amortization, statutory reserves and tax credit.

Income-related items include transactions in connection with the assignment of receivables, which are subject to the provisions of Law 72/2018 applicable as of 26.03.2018.

According to the law, "With respect to assigned receivables, the net loss representing the difference between the assignment pricing and the value of the assigned receivables is deductible up to 30% of the amount of such loss. Where the assignee further assigns the receivables, the net loss is determined as a difference between the assignment pricing and the receivables' acquisition cost. With respect to credit institutions, if the assigned receivables are partially or fully covered by expected loss allowances, as well as if the receivables are registered on off-balance sheet accounts and subsequently assigned, the income-related items stand for 70% of the difference between the value of the assigned receivables and the assignment pricing.

The wording of the law has been subject to various possible interpretations, which have generated a state of uncertainty in the economic environment as concerns the application of such law.

The tax impact of such uncertainty, where the law did not clearly state the manner of treatment, was booked by the Group as current income tax in total amount of RON 82,500 thousand, according to IFRIC Interpretation 23 – "Uncertainty over Income Tax Treatments".

The Group's assumption regarding the effect of the uncertainty over income tax treatment in connection with the transactions for the assignment of receivables is determined so as to reflect the amount which better predicts the anticipated resolution of the uncertainty.

The Fiscal Code changed effective 26 March 2018 bringing changes to the fiscal treatment of assigned receivables. In the case of credit institutions, if the assigned receivables are partially or fully covered by adjustments for expected losses, as well as in the cases in which the receivables are written off balance sheet and then assigned, 70% of the difference between the value of the assigned receivables and the price of assignment represent elements similar to income. However, there are no implementation norms enacted until the date of approval of these interim condensed financial statements.

During 2018 the Bank sold portfolios of non-performing loans to third parties, most of these receivables being already written-off at the moment when these sales were performed. All of these sales were completed after the date of enacting of the new law. The Bank considers that it has an uncertain tax position as it is still not clear from the legislation what the exact definition of assigned receivable is. The Bank decided to early adopt the provisions of IFRIC 23 – Uncertainty over Income Tax Treatments and recognised a provision that reflects the uncertainty of the possible outcome, in accordance with the guidance in the IFRIC 23 of RON 82,5 million.

Notes to the interim condensed consolidated and separate financial statements

16. Cash and cash equivalents with the Central Bank

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Minimum reserve requirement	7,050,160	5,351,174	4,989,067	5,351,174
Cash on hand and other values	1,887,429	1,286,551	1,328,896	1,286,518
Total	8,937,589	6,637,725	6,317,963	6,637,692

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

<i>In RON thousand</i>	Note	Group		Bank	
		30-06-2018	31-12-2017	30-06-2018	30-06-2017
Cash and cash equivalents with the Central Bank	15	8,936,605	4,545,968	6,317,947	4,545,942
Placements with banks - maturity below 3 months		4,375,492	2,930,099	3,411,647	2,899,180
Reverse-repo transactions		246,558	580,545	148,545	580,545
Securities with maturity below 3 months		-	100,329	-	100,329
Cash and cash equivalents in the cash flow statement		13,558,655	8,156,941	9,878,139	8,125,996

17. Placements with banks

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Current accounts with other banks	3,192,256	1,648,315	2,286,679	1,625,324
Sight and term deposits with other banks	1,286,967	3,040,837	1,252,435	3,018,046
Reverse repo transactions	246,604	204,666	148,559	204,666
Loans and advances to banks - <i>reclassified securities (i)</i>	267,074	222,792	267,074	222,792
Loans and advances to credit institutions	217,675	231,464	590,509	231,464
Total	5,210,576	5,348,074	4,545,256	5,302,292

From the beginning of 2018 until 30 June 2018, the Group and the Bank did not acquire and classify any corporate bonds under loans and receivables.

Notes to the interim condensed consolidated and separate financial statements

18. 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:

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Equity instruments	188,937	213,838	64,199	73,281
Debt instruments	100,503	51,158	-	-
Total	289,440	264,996	64,199	73,281

As at 30 June 2018, the Group held shares listed on the Bucharest Stock Exchange and the main stock exchanges in Europe. As at 30 June 2018, the Group owned significant investments amounting to RON 147,076 thousand in the following entities: SIF Moldova S.A., SIF Muntenia S.A. and SIF Oltenia S.A. (31 December 2017: RON 160,871 thousand).

b) Financial assets which are required to be measured at fair value through profit or 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:

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Equity instruments	154,076	-	76,347	-
Debt instruments	317,663	-	526,055	-
Total	471,739	-	602,402	-

As of January 1, 2018, the Group and the Bank have classified in the category of financial assets at fair value through profit and loss the shares held at VISA Inc. and the investments held in the fund units. Prior to applying IFRS 9, VISA shares and the fund units were classified in the category of financial assets at fair value through other comprehensive income.

Notes to the interim condensed consolidated and separate financial statements

19. 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 activity sectors, as at 30 June 2018 and 31 December 2017, is the following:

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Retail customers	21,192,611	16,867,758	17,402,425	16,687,724
Production	4,134,257	3,436,067	3,543,151	3,428,581
Trading	4,135,369	3,082,344	3,438,281	3,045,401
Agriculture	1,484,367	1,463,467	1,391,098	1,460,052
Constructions	1,445,077	1,185,167	1,313,790	1,177,904
Services	1,365,512	1,230,552	1,249,636	1,213,225
Transportation	1,172,739	865,688	924,236	841,492
Real estate	1,391,932	906,179	1,094,124	938,185
Self-employed	648,201	631,458	588,684	598,771
Others	735,549	710,576	654,882	685,569
Energy	195,389	204,090	184,850	204,032
Telecommunications	395,158	269,299	341,573	267,581
Financial institutions	505,382	169,921	1,080,341	881,618
Chemical industry	67,453	141,210	56,747	145,724
Mining	108,488	89,930	93,202	89,882
Fishing	16,883	17,461	16,125	17,461
Government institutions	64,911	9,634	8,539	9,634
Total loans and advances to customers before impairment allowance	39,059,278	31,280,801	33,381,684	31,692,836
Less impairment allowance on loans	(2,144,011)	(1,817,169)	(2,029,468)	(1,778,797)
Total loans and advances to customers, net of provisions	36,915,267	29,463,632	31,352,216	29,914,039

(*)Total loans and advances to customers before impairment allowance are diminished by the fair value adjustments for the portfolio of loans transferred from Volksbank Romania SA, determined on the basis of the valuation report. The structure of the credit portfolio of the Bank and the Group as at 30 June 2018 and 31 December 2017 is the following:

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Corporate	11,976,824	9,990,622	11,223,431	10,742,115
Small and medium enterprises	5,643,899	4,261,365	4,755,827	4,261,365
Consumer loans and card loans granted to retail customers	10,567,082	8,228,697	8,497,156	8,228,696
Mortgage loans	10,202,078	8,438,435	8,890,513	8,438,435
Loans granted by non-banking financial institutions	652,477	327,020	-	-
Other	16,918	34,662	14,757	22,225
Total loans and advances to customers before impairment allowance (*)	39,059,278	31,280,801	33,381,684	31,692,836
Less impairment allowance on loans	(2,144,011)	(1,817,169)	(2,029,468)	(1,778,797)
Total loans and advances to customers net of impairment allowance (*)	36,915,267	29,463,632	31,352,216	29,914,039

At 30 June 2018 the balance of fair value adjustments for the Group was of RON 563,475 thousand (31 December 2017: RON 282,313 thousand) and for the Bank was of RON 136,412 thousand (31 December 2017: RON 282,313 thousand). The restatement of these adjustments, further to the review of the voluntary cash flows, is booked as "Interest income".

Notes to the interim condensed consolidated and separate financial statements

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

The exposures to credit risk for loans and advances to customers at Group consolidated level, at 01 January 2018, are presented below:

At amortized cost	Assets with respect to which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets with respect to 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
Loans in RON - retail customers < 5 years	3,997,498	294,862	167,037	1,588	4,460,985
Loans in RON - retail customers > 5 years	7,821,342	428,249	170,292	9,976	8,429,859
Loans in FCY - company customers < 5 years	129,864	15,846	29,306	3,410	178,426
Loans in FCY - retail customers > 5 years	2,677,133	748,492	392,675	63,409	3,881,709
Total Retail loans	14,625,837	1,487,449	759,310	78,383	16,950,979
Loans in RON - company customers < 5 years	7,234,372	1,029,569	1,156,022	49,313	9,469,276
Loans in RON - company customers > 5 years	1,886,066	309,280	152,052	29,007	2,376,405
Loans in FCY - company customers < 5 years	945,533	137,839	266,054	39,657	1,389,083
Loans in FCY - company customers > 5 years	753,129	254,303	111,084	8,768	1,127,284
Total loans to companies	10,819,100	1,730,991	1,685,212	126,745	14,362,048
Total loans and advances to customers before impairment allowance	25,444,937	3,218,440	2,444,522	205,128	31,313,027
Less impairment allowance on loans	(241,062)	(360,000)	(1,351,664)	(34,513)	(1,987,239)
Total loans and advances to customers net of impairment allowance	25,203,875	2,858,440	1,092,858	170,615	29,325,788

Notes to the interim condensed consolidated and separate financial statements

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

The exposures to credit risk related to loans and advances to customers at Group consolidated level, at 30 June 2018, are presented below:

At amortized cost	Assets with respect to which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets with respect to 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
Loans in RON - retail customers < 5 years	5,858,157	381,939	214,753	19,083	6,473,932
Loans in RON - retail customers > 5 years	8,662,654	577,078	160,819	22,634	9,423,185
Loans in FCY - company customers < 5 years	266,930	23,478	39,664	44,263	374,335
Loans in FCY - retail customers > 5 years	3,610,356	809,970	369,060	133,105	4,922,491
Total Retail loans	18,398,097	1,792,465	784,296	219,085	21,193,943
Loans in RON - company customers < 5 years	8,831,171	1,091,791	1,265,542	83,866	11,272,370
Loans in RON - company customers > 5 years	2,107,632	249,158	132,820	33,019	2,522,629
Loans in FCY - company customers < 5 years	1,999,726	237,558	241,310	210,059	2,688,653
Loans in FCY - company customers > 5 years	1,041,087	254,598	68,657	17,341	1,381,683
Total loans to companies	13,979,616	1,833,105	1,708,329	344,285	17,865,335
Total loans and advances to customers before impairment allowance	32,377,713	3,625,570	2,492,625	563,370	39,059,278
Less impairment allowance on loans	(367,118)	(311,408)	(1,414,250)	(51,235)	(2,144,011)
Total loans and advances to customers net of impairment allowance	32,010,595	3,314,162	1,078,375	512,135	36,915,267

Notes to the interim condensed consolidated and separate financial statements

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

The exposures to credit risk for loans and advances to customers at Bank level, at 01 January 2018, are presented below:

At amortized cost	Assets with respect to which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets with respect to 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
Loans in RON - retail customers < 5 years	3,997,050	137,812	131,700	446	4,267,008
Loans in RON - retail customers > 5 years	7,821,342	427,910	170,292	9,976	8,429,520
Loans in FCY - company customers < 5 years	129,864	15,846	29,306	1,338	176,354
Loans in FCY - retail customers > 5 years	2,677,133	748,492	392,675	63,409	3,881,709
Total Retail loans	14,625,389	1,330,060	723,973	75,169	16,754,591
Loans in RON - company customers < 5 years	7,440,394	889,215	1,155,929	49,313	9,534,851
Loans in RON - company customers > 5 years	2,020,163	309,280	152,052	29,007	2,510,502
Loans in FCY - company customers < 5 years	1,164,824	137,839	270,792	39,657	1,613,112
Loans in FCY - company customers > 5 years	940,471	251,692	111,084	8,768	1,312,015
Total loans to companies	11,565,852	1,588,026	1,689,857	126,745	14,970,480
Total loans and advances to customers before impairment allowance	26,191,241	2,918,086	2,413,830	201,914	31,725,071
Less impairment allowance on loans	(250,646)	(337,688)	(1,322,241)	(34,513)	(1,945,088)
Total loans and advances to customers net of impairment allowance	25,940,595	2,580,398	1,091,589	167,401	29,779,983

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Notes to the interim condensed consolidated and separate financial statements

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

The exposures to credit risk related to loans and advances to customers at Bank level, at 30 June 2018, are presented below:

At amortized cost	Assets with respect to which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets with respect to 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
Loans in RON - retail customers < 5 years	4,365,930	131,579	160,876	513	4,658,898
Loans in RON - retail customers > 5 years	8,102,669	557,165	159,570	11,645	8,831,049
Loans in FCY - company customers < 5 years	135,163	18,847	39,087	4,060	197,157
Loans in FCY - retail customers > 5 years	2,565,743	716,732	363,467	69,380	3,715,322
Total Retail loans	15,169,505	1,424,323	723,000	85,598	17,402,426
Loans in RON - company customers < 5 years	8,416,725	710,241	1,178,860	52,576	10,358,402
Loans in RON - company customers > 5 years	2,157,562	221,182	130,994	31,394	2,541,132
Loans in FCY - company customers < 5 years	1,281,982	108,051	227,846	47,925	1,665,804
Loans in FCY - company customers > 5 years	1,105,767	239,288	66,811	2,054	1,413,920
Total loans to companies	12,962,036	1,278,762	1,604,511	133,949	15,979,258
Total loans and advances to customers before impairment allowance	28,131,541	2,703,085	2,327,511	219,547	33,381,684
Less impairment allowance on loans	(366,988)	(278,014)	(1,340,428)	(44,038)	(2,029,468)
Total loans and advances to customers net of impairment allowance	27,764,553	2,425,071	987,083	175,509	31,352,216

The explanatory notes to the financial statements from page 12 to page 77 are an integral part of these financial statements.

Notes to the interim condensed consolidated and separate financial statements

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

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

	Allowances for expected credit losses on loans and advances to customers with respect to which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances to customers with respect to 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	(241,062)	(360,000)	(1,386,177)	(1,987,239)
Increase due to issue or acquisition	(127,685)	(39,928)	(214,840)	(382,453)
Decrease due to derecognition	36,996	35,021	144,726	216,743
Increase or decrease due to the change in credit risk (net) and transfers	7,173	(1,052)	(105,346)	(99,225)
Increase or decrease due to changes without derecognition (net)	(42,724)	20,346	25,793	3,415
Decrease of impairment allowances due to write-offs	243	34,588	71,340	106,171
Other allowances	(59)	(383)	(981)	(1,423)
Closing balance as at June 30, 2018	(367,118)	(311,408)	(1,465,485)	(2,144,011)

Notes to the interim condensed consolidated and separate financial statements

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

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

	Allowances for expected credit losses on loans and advances to customers with respect to which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances to customers with respect to 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	(250,646)	(337,688)	(1,356,754)	(1,945,086)
Increase due to issue or acquisition	(120,368)	(27,539)	(186,184)	(334,091)
Decrease due to derecognition	38,113	33,607	144,725	216,446
Increase or decrease due to the change in credit risk (net) and transfers	7,185	(3,404)	(88,599)	(84,825)
Increase or decrease due to changes without derecognition (net)	(41,455)	22,805	31,987	13,337
Decrease of impairment allowances due to write-offs	243	34,588	71,340	106,171
Other allowances	(60)	(383)	(981)	(1,424)
Closing balance as at June 30, 2018	(366,988)	(278,014)	(1,384,466)	(2,029,472)

Notes to the interim condensed consolidated and separate financial statements

20. 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. Interest is charged over the period of lease, based on fixed interest rates.

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:

<i>In RON thousand</i>	30-06-2018	31-12-2017
Finance lease receivables with maturity below 1 year, gross	488,050	375,286
Finance lease receivables with maturity between 1-5 years, gross	<u>653,535</u>	<u>540,759</u>
Total finance lease receivables, gross	<u>1,141,585</u>	<u>916,045</u>
Future interest related to finance lease receivables	<u>(95,425)</u>	<u>(76,193)</u>
Total finance lease receivables, net of future interest	1,046,160	839,852
Impairment allowances for finance lease receivables	<u>(71,839)</u>	<u>(54,522)</u>
Total finance lease receivables	<u>974,321</u>	<u>785,330</u>

Lease agreements are generated and managed by BT Leasing Transilvania IFN S.A., ERB Leasing IFN S.A. and BT Leasing Moldova S.R.L.

Impairment allowances for finance lease receivables are further analyzed as follows:

<i>In RON thousand</i>	30-06-2018	31-12-2017
Balance at the beginning of the year	(54,522)	(54,804)
Net provision charges (Note 14)	(11,729)	(24,704)
Provisions for finance lease receivables written off	1,809	24,986
Recognition of expected credit losses (ECL) in accordance with IFRS 9	<u>(7,397)</u>	<u></u>
Balance at the end of the period	<u>(71,839)</u>	<u>(54,522)</u>

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Notes to the interim condensed consolidated and separate financial statements

21. Financial assets measured at fair value through other items of comprehensive income

	Group		Bank	
<i>In RON thousand</i>	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Financial assets measured at fair value through other items of comprehensive income				
Unlisted debt and other fixed income instruments:	19,450,381	15,442,234	17,763,956	15,428,154
Treasury securities issued by the Romanian Government, out of which:	11,651,070	9,070,223	10,045,556	9,056,143
- discount certificates	196,971	419,771	196,971	419,771
- coupon certificates (RON)	10,588	11,339	10,588	11,339
- benchmark government bonds (RON)	9,979,102	7,660,338	8,417,950	7,646,258
- government coupon bonds (EUR)	1,464,409	978,775	1,420,047	978,775
EURO bonds issued by the Romanian Government on foreign markets	6,269,928	5,153,166	6,209,933	5,153,166
USD bonds issued by the Romanian Government on foreign markets	1,300,826	1,017,599	1,300,826	1,017,599
Bonds, out of which:	228,557	201,246	207,641	201,246
- issued by Bucharest Municipality	40,420	60,264	20,222	60,264
- issued by Alba Iulia Municipality	576	388	363	388
- issued by Hunedoara Municipality	505	-	-	-
- issued by Black Sea (BSTDB)	8,298	8,286	8,298	8,286
- issued by International Investment Bank	103,025	105,118	103,025	105,118
- issued by Transelectrica	27,493	27,190	27,493	27,190
- issued by the European Bank for Reconstruction and Development	20,108	-	20,108	-
- issued by GLOBALWORTH REAL ESTATE INV.LTD	28,132	-	28,132	-
Shares	-	64,023	-	63,888
Fund units	-	243,355	-	469,315
Investment certificates	-	68,163	-	68,163
Equity investments measured at cost, out of which:	14,797	3,525	7,363	3,092
Measured at fair value through other items of comprehensive income	14,797	-	7,363	-
Measured at cost - Gross value	-	3,533	-	3,092
Impairment allowances for investments measured at cost	-	(8)	-	-
Total financial assets measured at fair value through other items of comprehensive income	19,465,178	15,821,300	17,771,319	16,032,612

Notes to the interim condensed consolidated and separate financial statements

22. Property and equipment, investment property and intangible assets (including goodwill)

During the first 6 months period, ended at 30 June 2018, the Group has acquired tangible assets amounting to RON 102,793 thousand, of which the amount of RON 34,271 thousand corresponds to Banca Transilvania and the amount of RON 66,378 thousand originates from the acquisition of Bancpost S.A., Victoriabank, ERS Retail Services and ERB Leasing IFN, real-estate investments amounting to RON 4,020 thousands, of which the amount of RON 0 thousand corresponds to Banca Transilvania

The net book value of property and equipment and investment property at the end of the period amounted to RON 533,205 thousand at Group level (31 December 2017: RON 633,668 thousand) and to RON 411,634 thousand at Bank level (31 December 2017: RON 407,649 thousand).

During the 6-month period ended on 30 June 2018, the Group acquired intangible assets in amount of RON 305,563 thousand, of which RON 45,934 thousand related to Banca Transilvania.

The net book value of intangible assets at the end of the period amounted to RON 282,056 thousand at Group level (31 December 2017: RON 136,029 thousand) and to RON 149,820 thousand at Bank level (31 December 2017: RON 125,761 thousand).

At the end of the 6-month period ended on 30 June 2018, the Group's expenses with the amortization of property and equipment and intangible assets amounted to RON 83,050 thousand (30 June 2017: RON 56,990 thousand), of which the expenses with the amortization of property and equipment and intangible assets of the Bank amounted to RON 51,729 thousand (30 June 2017: RON 41,235 thousand).

Notes to the interim condensed consolidated and separate financial statements

23. Deferred tax assets and liabilities

Deferred tax assets/liabilities at Group level, as at 30 June 2018:

<i>In RON thousand</i>	December 31, 2017	IFRS 9 restatements	Recognized in profit or loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	June 30, 2018
Tax effect of temporary deductible differences/tax subject (including tax losses carried forward), resulting from:						
Financial assets from interbank operations	-	(11)	-	-	-	14
Loans and receivables	1,764	18,906	2,384	(7,070)	23	21,449
Financial assets available-for-sale	1,349	-	(19,813)	-	18,464	-
Financial assets measured at fair value through other items of comprehensive income	-	423	19,813	(450)	45,272	139
Financial assets at amortized cost	-	-	-	-	-	2
Financial assets at fair value through profit or loss	60	(2,871)	-	(1,470)	11,165	(29,751)
Other assets	621	4,571	-	(1,891)	(26)	-
Property and equipment and intangible assets	(3,243)	(3,182)	-	78	(6,995)	-
Provisions and other liabilities	12,773	13,782	-	(286)	-	(73)
Tax losses carried forward	173,821	10,229	-	(153,647)	-	-
Deferred tax asset / (liability)	187,145	41,847	2,384	(164,736)	67,903	(8,220)
Recognition of deferred tax asset	200,326	50,165	22,197	(166,440)	45,853	21,619
Recognition of deferred tax liability	(13,181)	(8,318)	(19,813)	1,704	22,050	(29,839)
Deferred tax asset / (liability)	187,145	41,847	2,384	(164,736)	67,903	(8,220)

Notes to the interim condensed consolidated and separate financial statements

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

Deferred tax assets/liabilities at Group level, as at 31 December 2017:

<i>In RON thousand</i>	January 1, 2017	Recognized in profit or loss	Recognized in other items of comprehensive income	December 31, 2017
Tax effect of temporary deductible /taxable differences (including tax losses carried forward), resulting from:				
Property and equipment and intangible assets	(4,454)	1,550	(339)	(3,243)
Financial assets at fair value through profit or loss and derivatives	64	(4)	-	60
Financial assets available-for-sale	1,836	54	(541)	1,349
Other assets	225	243	66	534
Loans and receivables	576	1,188	-	1,764
Provisions and other liabilities	12,012	761	-	12,773
Tax losses carried forward	368,345	(194,524)	-	173,821
Other	112	-	-25	87
Deferred tax asset / (liability)	378,716	(190,732)	(839)	187,145
Recognition of deferred tax asset	385,225	(192,282)	7,383	200,326
Recognition of deferred tax liability	(6,509)	1,550	(8,222)	(13,181)
Deferred tax asset / (liability)	378,716	(190,732)	(839)	187,145

Notes to the interim condensed consolidated and separate financial statements

23. Deferred tax assets and liabilities (continued)

Deferred tax assets/liabilities at Bank level, as at 30 June 2018:

<i>In RON thousand</i>	December 31, 2017	IFRS 9 restatements	Recognized in profit or loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	June 30, 2018
Tax effect of temporary deductible differences/tax subject (including tax losses carried forward), resulting from:						
Financial assets from interbank operations	-	-	-	-	14	14
Loans and receivables	-	-	-	-	21,449	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	-	19,813	-	36,935	139	56,887
Financial assets at amortized cost	-	-	-	-	2	2
Financial assets at fair value through profit or loss	-	-	-	-	(29,751)	(29,751)
Other assets	534	-	(5)	1	-	530
Property and equipment and intangible assets	(3,219)	-	145	-	-	(3,074)
Provisions and other liabilities	12,045	-	(110)	-	(71)	11,864
Tax losses carried forward	173,821	-	(152,604)	-	-	21,217
Deferred tax asset / (liability)	173,243	-	(152,574)	66,687	(8,218)	79,138
Recognition of deferred tax asset	186,400	19,813	(152,719)	37,642	21,621	112,757
Recognition of deferred tax liability	(13,157)	(19,813)	145	29,045	(29,839)	(33,619)
Deferred tax asset / (liability)	173,243	-	(152,574)	66,687	(8,218)	79,138

The realization of future tax losses is presented below:

<i>In RON thousand</i>	2018	2017
Tax loss carried forward at the beginning of the year	1,086,380	2,302,159
Tax loss utilized in the current year	<u>953,777</u>	<u>1,215,779</u>

Notes to the interim condensed consolidated and separate financial statements

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

Deferred tax assets/liabilities at Bank level, as at 31 December 2017:

<i>In RON thousand</i>	January 1, 2017	Recognized in profit or loss	Recognized in other items of comprehensive income	December 31, 2017
Tax effect of temporary deductible /taxable differences (including tax losses carried forward), resulting from:				
Property and equipment and intangible assets	(4,418)	1,558	(359)	(3,219)
Financial assets available-for-sale	(2,055)	-	(7,883)	(9,938)
Other assets	225	243	66	534
Provisions and other liabilities	11,843	202	-	12,045
Tax losses carried forward	368,345	(194,524)	-	173,821
Deferred tax asset / (liability)	373,940	(192,521)	(8,176)	173,243
Recognition of deferred tax asset	380,413	(194,079)	66	186,400
Recognition of deferred tax liability	(6,473)	1,558	(8,242)	(13,157)
Deferred tax asset / (liability)	373,940	(192,521)	(8,176)	173,243

The tax rate used to calculate the current and deferred tax at 30 June 2018 was 16% (30 June 2017: 16%).

Deferred tax is determined based on the liability method for the temporary differences between the fiscal base for the calculation of the tax on assets and liabilities and their book value.

At December 31, 2017, the Bank recognized the deferred tax asset totaling RON 173,821 thousand (2016: RON thousand 368,345) based on projections related to future profits. At June 30, 2018, the Bank recorded tax losses unutilized and carried forward in amount of RON 132,603 thousand and a related deferred tax asset of RON 21,217 thousand.

The Bank's management expects to recover the tax losses carried forward this year and the entire income tax asset.

24. Other financial assets

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Amounts under settlement	329,278	109,121	169,728	109,133
Sundry debtors and advances for non-current assets	447,126	81,237	68,501	54,189
Instruments received for collection	43,594	45,072	43,594	45,072
Other financial assets	3,643	7,695	3,091	7,643
Impairment allowance for other financial assets	(37,233)	(8,808)	(4,487)	(4,124)
Total	786,408	234,317	280,427	211,913

Notes to the interim condensed consolidated and separate financial statements

25. Other non-financial assets

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Inventories and similar assets	213,164	115,208	80,686	88,140
Accrued expenses	57,969	37,989	31,451	35,740
VAT and other taxes to be received	12,871	6,227	1,013	1,157
Other non-financial assets	1,801	797	118	150
Impairment allowance for other non-financial assets	(67,987)	(24,180)	(15,883)	(16,673)
Total	217,818	136,041	97,385	108,514

26. Deposits from banks

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Sight deposits	303,475	75,480	295,342	75,480
Term deposits	356,171	52,466	266,928	52,466
Total	659,646	127,946	562,270	127,946

27. Deposits from customers

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Current accounts	27,439,699	20,893,217	22,285,880	20,954,415
Sight deposits	1,261,560	637,615	619,223	637,615
Term deposits	32,177,561	26,951,200	27,365,496	27,059,188
Collateral deposits	603,869	450,163	433,166	447,983
Total	61,482,689	48,932,195	50,703,765	49,099,201

Deposits from customers can be also analyzed as follows:

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Retail customers	40,093,112	30,403,576	32,916,762	30,401,279
Company customers	21,389,577	18,528,619	17,787,003	18,697,922
Total	61,482,689	48,932,195	50,703,765	49,099,201

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Notes to the interim condensed consolidated and separate financial statements

28. Loans from banks and other financial institutions

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Loans from government entities	23,082	-	-	-
Loans from commercial banks	299,138	277,196	-	-
<i>Romanian banks</i>	299,138	277,196	-	-
<i>Foreign banks</i>	-	-	-	-
Loans from development banks	894,544	884,371	786,405	774,436
Repurchase agreements (repo transactions)	602,413	258,435	753,576	258,435
Other funds from financial institutions	120,441	67,020	56,856	67,020
Total	1,939,618	1,487,022	1,596,837	1,099,891

The interest rate range for loans from banks and financial institutions was as follows:

30-06-2018			31-12-2017	
	Minimum	Maximum	Minimum	Maximum
EUR	Euribor 6M+0.10%	4.15%	0.32%	4.15%
RON	0.00%	Robor 3M + 1.25%	0.00%	Robor 3M+1.25%
USD	2.47%	3.05%	-	-
MDL	0.00%	6.50%	-	-

At June 30, 2018 and December 31, 2017, the Bank and the Group observed the financial ratios stipulated in the loan agreements signed with creditors.

The table below summarizes the underlying securities of repo agreements:

<i>In RON thousand</i>	Group				Bank			
	30-06-2018		31-12-2017		30-06-2018		31-12-2017	
	Carrying amount		Carrying amount		Carrying amount		Carrying amount	
	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities
	600,771	602,413	258,540	258,435	765,700	753,576	258,540	258,435
Total	600,771	602,413	258,540	248,435	765,700	753,576	258,540	258,435

29. Subordinated liabilities

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Loans from development banks and financial institutions	371,616	367,139	371,616	367,139
Non-convertible bounds	1,332,399	-	1,328,414	-
Convertible Bonds	43,860	47,439	43,860	47,439
Total	1,747,875	414,578	1,743,890	414,578

Notes to the interim condensed consolidated and separate financial statements**29. Other subordinated liabilities (continued)**

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 15 million, equivalent to RON 69,917 thousand (2017: RON 69,896 thousand), contracted in 2013 at 6M Euribor + 6.2%, due in 2018;
- loan in amount of EUR 25 million, equivalent to RON 116,528 thousand (2017: RON 116,493 thousand), contracted in 2013 at 6M Euribor + 6.2%, due in 2023;
- loan in amount of EUR 5 million, equivalent to RON 23,306 thousand (2017: RON 23,298 thousand), contracted in 2012 at 6M Euribor + 6.50%, due in 2018;
- loan in amount of USD 40 million, equivalent to RON 160,132 thousand (2017: RON 155,660 thousand) contracted in 2014 at 6M Libor + 5.80%, due in 2023.

In 2013, the Bank issued convertible bonds amounting to EUR 30 million (RON 139,833 thousand), at 6M EURIBOR + 6.25% and due in 2020. The outstanding bonds can be converted into shares, depending on the option of the bond holder. During 2014, the Bank converted bonds amounting to EUR 20,072,238 equivalent to RON 88,318,847, the resulting amount being used as follows: RON 49,444,546 for share capital increase and RON 38,873,301 for share premiums. During 2015, the Bank did not convert bonds.

During 2016, the Bank converted bonds amounting to EUR 23,004 equivalent to RON 101,962, the resulting amount being used as follows: RON 44,113 for share capital increase and RON 57,849 for share premiums.

During 2017, the Bank converted bonds amounting to EUR 2,122 equivalent to RON 9,683, the resulting amount being used as follows: RON 3,483 for share capital increase and RON 6,200 for share premiums.

As at 30 June 2017, the value of convertible bonds was EUR 9,902,636, equivalent to RON 46,157 thousand (2017: EUR 9,904,758, equivalent to RON 46,143 thousand).

In 2018, Banca Transilvania S.A. issued non-convertible bonds amounting to EUR 285 million, equivalent to RON 1,328,414 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 1,734 thousand (2017: RON 1,792 thousand) and on bonds amounts to RON -2,297 thousand (2017: RON 1,296 thousand).

30. Provisions for other risks and loan commitments

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

	Group		Bank	
<i>In RON thousand</i>	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Provisions for loan commitments	106,755	65,740	99,450	65,744
Provisions for employee benefits as compensated absences	28,272	14,518	26,004	13,489
Provisions for other employee benefits	23,993	28,239	16,213	24,859
Provisions for non-performing loans, risks and charges	227,927	274,352	164,657	269,025
Total	386,947	382,849	306,324	373,117

Notes to the interim condensed consolidated and separate financial statements

31. Other financial liabilities

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Amounts under settlement	1,113,183	1,047,582	1,064,701	1,045,318
Sundry creditors	135,168	98,025	27,811	59,828
Lease liabilities	465	382	-	-
Other financial liabilities	43,275	38,221	33,481	37,792
Total	1,292,091	1,184,210	1,125,993	1,142,938

32. Other non-financial liabilities

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Amounts under settlement	88,337	38,022	607	149
Other taxes payable	224,469	24,424	43,108	22,645
Other non-financial liabilities	78,963	41,582	48,285	39,631
Total	391,769	104,028	92,000	62,425

33. Share capital

The statutory share capital of the Bank at 30 June 2018, as recorded with the Trade Register, was represented by 4,341,439,404 ordinary shares with a nominal value of RON 1 per share (31 December 2017: 4,341,439,404 shares with a nominal value of RON 1 each). The shareholders structure of the Bank is presented in Note 1.

34. Reserves from financial assets measured at fair value through other items of comprehensive income

As at June 30, 2018 and December 31, 2017, the reserves from financial assets measured at fair value through other items of comprehensive income were the following:

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
As at January 1	(6,247)	(8,791)	52,176	10,790
Fair value (losses)/gains recognized in equity (net of tax), related to financial assets measured at fair value through other items of comprehensive income	(397,428)	3,025	(415,934)	49,269
Deferred tax	63,822	(481)	66,701	(7,883)
Total reserves from financial assets measured at fair value through other items of comprehensive income	(339,853)	(6,247)	(297,057)	52,176

Notes to the interim condensed consolidated and separate financial statements

35. Related-party transactions (*continued*):

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, and pursuing a relationship with the Bank.

The transactions /balances with subsidiary entities are presented below:

<i>Group – In RON thousand</i>	30-06-2018			31-12-2017		
	Key management personnel	Other related-parties	Total	Key management personnel	Other related-parties	Total
Assets						
Granted loans	18,347	66,227	84,574	20,180	48,166	68,346
Liabilities						
Deposits from customers	29,764	207,255	237,019	26,535	114,115	140,650
Loans from financial institutions	-	194,759	194,759	-	184,802	184,802
Subordinated loans	-	-	-	-	156,682	156,682
Debt securities	-	489,840	489,840	-	21,001	21,001
Commitments						
Loan commitments and financial guarantees given	2,971	29,549	32,520	2,841	48,151	50,992
Notional value of exchange operations	11,268	73,523	84,791	12,331	19,639	31,970
Statement of profit and loss					30-06-2017	
Interest income	365	1,481	1,846	263	556	819
Interest expense	65	2,886	2,951	59	8,828	8,887
Fee and commission income	7	49	56	4	101	105
Fee and commission expense	-	35	35	-	2	2

Notes to the interim condensed consolidated and separate financial statements

35. Related-party transactions (continued)

Bank – In RON thousand

<i>Bank – In RON thousand</i>	30-06-2018					31-12-2017			
	Subsidiaries	Key management personnel	Other related-parties	Total	Subsidiaries	Key management personnel	Other related-parties	Total	
Assets									
Granted loans	685,003	13,408	65,862	764,273	744,935	17,167	47,704	809,806	
Placements with banks	373,034	-	-	373,034	-	-	-	-	
Equity investments	324,107	-	-	324,107	318,925	-	-	318,925	
Other assets	1,092	-	-	1,092	1,827	-	-	1,827	
Liabilities									
Deposits from customers	203,519	23,527	195,194	422,240	170,621	22,870	86,308	279,799	
Loans from financial institutions	249,210	-	86,619	335,829	-	-	74,868	74,868	
Subordinated loans	-	-	-	-	-	-	156,682	156,682	
Debt securities	-	-	485,855	485,855	-	-	21,001	21,001	
Other liabilities	645	-	-	645	1,130	-	-	1,130	
Commitments									
Loan commitments and financial guarantees given	345,114	2,479	29,533	377,126	393,364	2,481	48,094	443,939	
Loan commitments and financial guarantees received	1,913,124	-	-	1,913,124	33,244	-	-	33,244	
Notional value of exchange operations	76,845	6,491	73,385	156,721	93,540	9,023	15,099	117,662	
Statement of profit and loss						30-06-2017			
Interest income	10,791	237	1,477	12,505	7,607	217	551	8,375	
Interest expense	815	55	2,072	2,942	203	51	8,623	8,877	
Fee and commission income	3,328	4	42	3,374	2,952	3	97	3,052	
Fee and commission expense	3,471	-	-	3,471	4,781	-	1	4,782	
Expenses or losses from the derecognition of financial assets and liabilities which are not measured at fair value through profit or loss	(11)	-	-	(11)	18	-	-	18	
Dividend income	16,000	-	-	16,000	32,862	-	-	32,862	
Other income	3,585	-	-	3,585	2,891	-	-	2,891	
Other expenses	4,546	-	-	4,546	3,562	-	-	3,562	

The explanatory notes to the financial statements from page 12 to page 77 are an integral part of these financial statements.

Notes to the interim condensed consolidated and separate financial statements

35. Related-party transactions (*continued*)

Transactions with key management personnel

Until 30 June 2018, the expenses related to the salaries of the members of the Board of Directors and of the Executive Management of the Group amounted to RON 16,063 thousand (30 June 2017: RON 8,842 thousand) and of the Bank amounted to RON 8,586 thousand (30 June 2017: RON 5,341 thousand).

Compensation for the key personnel of the Group:

<i>In RON thousand</i>	30 June 2018			30 June 2017		
	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar
Short-term employee benefits	28,193	6,792	17	16,067	1,340	18
Bonuses upon the termination of the employment contract	262	16	-	-	-	-
Share based payments	17,770	-	-	-	-	-
Total compensations and benefits	46,225	6,808	17	16,067	1,340	18

Compensation for the key personnel of the Bank:

<i>In RON thousand</i>	30 June 2018			30 June 2017		
	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar
Short-term employee benefits	13,934	3,474	17	12,929	1,065	18
Share based payments	17,452	-	-	-	-	-
Total compensations and benefits	31,386	3,474	17	12,929	1,065	18

36. 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 customers 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 contingent liabilities 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.

The explanatory notes to the financial statements from page 12 to page 77 are an integral part of these financial statements.

Notes to the interim condensed consolidated and separate financial statements**36. 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	
<i>In RON thousand</i>	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Guarantees issued	2,280,769	2,071,660	1,996,950	2,074,430
Loan commitments	8,070,029	5,967,388	6,682,680	6,323,656
Total	10,350,798	8,039,048	8,679,630	8,398,086

The provisions for loan commitments to customers were in amount of RON 106,775 thousand, at Group level (31 December 2017: RON 65,740 thousand); the Bank booked provisions in amount of RON 99,447 thousand (31 December 2017: RON 65,744 thousand).

Forward agreements represent contractual arrangements to buy or sell a certain financial instrument, at a certain price and at a certain future date.

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.

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.

Notes to the interim condensed consolidated and separate financial statements**37. 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 853,808 thousand (30 June 2017: RON 511,246 thousand) and on the weighted average number of ordinary shares outstanding during the year of 4,773,429,412 (30 June 2017 recalculated: 4,779,279,222 shares).

The diluted earnings per share take into consideration the adjusted consolidated net profit of RON 855,608 thousand (30 June 2017: RON 512,606 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 2018, in amount of RON 1,800 thousand (2017: RON 1,360 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 June 30, 2018 was determined as a ratio between the outstanding bonds in amount of RON 46,157,176 and the conversion price of 2.5217, resulting a number of 18,303,992 shares (2017: 16,224,920 shares)

	Group	
	2018	2017
Ordinary shares issued as at 1 January	4,341,439,404	3,646,047,792
The impact of shares issued as of 1 January	471,041,660	695,388,129
The impact of the shares repurchased during the year	(39,051,652)	(33,198,359)
The retroactive adjustment of the weighted average number of outstanding shares as at 30 June 2018	-	471,041,660
Weighted average number of shares as at 30 June	4,773,429,412	4,779,279,222
The number of shares that may be issued upon the conversion of bonds into shares	18,303,992	16,224,920
Weighted average number of diluted shares as at 30 June	4,791,733,404	4,795,504,142

The earnings per share reflect the share capital increase in amount of RON 471,041,660, which is to be booked in August 2018 (after the reporting period, but before the approval of the financial statements for release).

38. Capital management

The internal process for the assessment of capital adequacy to risks is embedded in the administration and management process of Banca Transilvania and in its decision making culture, according to which the management body must ensure the proper identification, measurement, aggregation and monitoring of risks, the preservation of internal capital levels adjusted to the bank's risk profile, as well as the use and development of sound risk management systems. The NBR monitors capital requirements both at individual and at consolidated level.

Capital adequacy is determined according to 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.

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:

Notes to the interim condensed consolidated and separate financial statements**38. Capital management (continued)**

- a capital conservation buffer of 1.875% of the total value of the risk-weighted exposures between January 1-June 30, 2018;
- an O-SII buffer of 1% of the total risk weighted exposures
- a systemic risk buffer of 2% of the total risk weighted exposures, starting from 30.06.2018.

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: capital requirements for the coverage of operational risk are calculated according to the base indicator 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. At 30 June 2018, respectively 31 December 2017, as well as during 2018 and 2017, the Group and the Bank complied with all adequacy requirements regarding own funds.

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 manages 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.

The level and the requirements of own funds as at 30 June 2018 and 31 December 2017 are as follows:

<i>In RON thousand</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Tier 1 own funds	5,893,905	6,072,389	5,846,895	5,902,912
Tier 2 own funds	1,628,022	310,496	1,628,022	310,496
Total own funds	7,521,927	6,382,885	7,474,917	6,213,408

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

<i>In %</i>	Group		Bank	
	30-06-2018	31-12-2017	30-06-2018	31-12-2017
Core tier one ratio	15.22	18.37	17.92	18.25
Tier one ratio	15.22	18.37	17.92	18.25
CAR	18.88	19.31	22.41	19.21

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 periods ended on 30 June 2018 and on 31 December 2017. Regulatory capital as at 30 June 2018 and 31 December 2017 was calculated according to the IFRS standards endorsed by the European Union.

The explanatory notes to the financial statements from page 12 to page 77 are an integral part of these financial statements. 69

Notes to the interim condensed consolidated and separate financial statements

39. Restatement of comparative figures of 2017

ii) The restatement of the comparative figures in the Statement of profit or loss for the year 2017 is presented below:

RON thousand - 30 June 2017

Description	Group		Bank	
	Reported statement of profit or loss	Adjustments	Adjusted statement of profit or loss	Adjusted statement of profit or loss
Other operating income (c)	82,045	(8,865)	73,180	61,859
Operating income	1,350,800	(8,865)	1,341,935	1,254,203
Other operating expenses (d)	(269,506)	8,865	(260,641)	(234,826)
Operating expenses	(745,458)	8,865	(736,593)	(614,248)

In 2018, the Group and the Bank made the following reclassifications which impacted the comparative figures of the Statement of income of 2017:

1. In the category of **“Other income”**:
The incomes/expenses resulting from the sale of available-for-sale fixed assets, as well as from the sale of goods subject to debt enforcement or giving in payment were booked as profit or loss under “Other expenses” (c) / “Other income” (d), depending on the result;
2. In the category of **“Other expenses”**:
The incomes/expenses resulting from the sale of available-for-sale fixed assets, as well as from the sale of goods subject to debt enforcement or giving in payment were booked as profit or loss under “Other expenses” (c) / “Other income” (d), depending on the result;

Notes to the interim condensed consolidated and separate financial statements

39. Restatement of comparative figures of 2017 (continued)

iii) The restatement of the comparative figures of the Consolidated and separate statement of cash flows is presented below:

RON thousand - 30 June 2017

Description	Group			Bank		
	Reported statement of cash flows	Reclassification s / Adjustments	Adjusted statement of cash flows	Reported statement of cash flows	Reclassification s / Adjustments	Adjusted statement of cash flows
Profit for the year	512,728	-	512,728	496,057	-	496,057
Adjustments for:						
Income tax paid/recovered	(4,245)	(4,245)	0	-	-	-
Other allowances	74,969	27,708	102,677	45,671	53,411	99,082
Net profit adjusted with non-monetary elements	(40,434)	31,953	(8,481)	(75,171)	53,411	(21,760)
Cash flow from/(used in) operating activities						
Change in investment securities	483,999	(483,999)	-	582,037	(582,037)	-
Change in financial assets at fair value through profit or loss	56,095	4,582	60,677	(12,350)	4,582	(7,768)
Modification of derivative instruments	-	(4,582)	(4,582)	-	(4,582)	(4,582)
Change in held-for-trading financial liabilities	-	(1,679)	(1,679)	-	(1,679)	(1,679)
Change in other financial liabilities	79,750	1,679	81,429	147,253	1,679	148,932
Income tax paid/recovered	-	(4,245)	(4,245)	-	-	-
Redeemed claims	-	(821,066)	(821,066)	-	(821,066)	(821,066)
Interest received	1,018,398	(197,838)	820,560	1,053,243	(267,972)	785,271
Interest paid	(119,600)	18,643	(100,957)	(119,126)	17,956	(101,170)
Net cash flow from operating activities	1,520,425	(1,456,552)	63,873	1,492,678	(1,599,708)	(107,030)
Purchase of securities	-	(5,249,890)	(5,249,890)	-	(5,149,319)	(5,149,319)
Sale of securities	-	5,574,752	5,574,752	-	5,547,752	5,547,752
Interest received	-	315,601	315,601	-	315,083	315,083
Dividends collected	-	-	-	(34,685)	69,370	34,685
Net cash flow from investment activities	(120,626)	640,463	519,837	(131,000)	782,886	651,886

Notes to the interim condensed consolidated and separate financial statements

39. Restatement of comparative figures of 2017 (continued)

iii) The restatement of the comparative figures of the Consolidated and separate statement of cash flows (continued)

RON thousand - 31 December 2017

Description	Group			Bank		
	Reported statement of cash flows	Reclassification s / Adjustments	Adjusted statement of cash flows	Reported statement of cash flows	Reclassification s / Adjustments	Adjusted statement of cash flows
Cash flow from / (used in) financing activities						
Gross proceeds from loans from banks and other financial institutions	15,205,484	(15,140,907)	64,577	15,200,105	(15,140,904)	59,201
Gross payments from loans from banks and other financial institutions	(16,042,631)	15,962,502	(80,129)	(16,022,936)	15,962,545	(60,391)
Gross payments on subordinated loans	(13,137)	(13,137)	-	(13,137)	13,137	-
Interest paid	-	(18,643)	(18,643)	-	(17,956)	(17,956)
Net cash flow from financing activities	(883,917)	816,089	(67,828)	(863,436)	816,822	(46,414)
The impact of exchange rate variations on cash and cash equivalents	-	(35,513)	(35,513)	-	(35,511)	(35,311)
Net increase/decrease (-) in cash and cash equivalents	515,882	35,513	551,395	498,242	35,511	533,753
Cash and cash equivalents as at December 31	8,125,996	-	8,125,996	8,125,966	-	8,125,966

In 2018, the Group and the Bank made the following reclassifications which impacted the comparative figures of the Consolidated and separate statement of cash flows of 2017:

- Presentation of the interest received and paid as part of the cash flow from operating, investment and financing activity;
- Separation of cash flows related to derivative instruments, in accordance with the changes in the financial position;
- Separation of cash flows related to held-for-trading liabilities, in accordance with the changes in the financial position;
- Reclassification of the changes in securities from cash flows related to the operating activity to cash flows related to the investment activity;
- Separation of cash flows related to redeemed receivables from investment activities to operating activities;
- Recalculation of the amounts cashed and paid on loans in 2017.

Notes to the interim condensed consolidated and separate financial statements

39. Restatement of comparative figures of 2017 (*continued*)

iv) 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 25 April 2018 are presented below:

RON thousand - 31 December 2017

Description	Group			Bank		
	Reported own funds	Adjustments	Adjusted own funds	Reported own funds	Adjustments	Adjusted own funds
Tier 1 capital	6,682,389	(610,000)	6,072,389	6,512,912	(610,000)	5,902,912
Tier 2 capital	310,496	-	310,496	310,496	-	310,496
Total own funds	6,992,885	(610,000)	6,382,885	6,823,408	(610,000)	6,213,408

As a result of the approval of the 2017 Financial statements, the General Meeting of Shareholders of 25 April 2018 approved the distribution of cash dividends to the shareholders in amount of RON 610,000 thousand. This amount generated the adjustment of own funds for the year 2017, 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 2017.

Notes to the interim condensed consolidated and separate financial statements

40. Derivatives

The structure of the derivative instruments held by the Group and by the Bank as at June 30, 2018 is the following:

<i>In RON thousand</i>	Group			Bank		
	Fair value of Assets	Fair value of Liabilities	Notional	Fair value of Assets	Fair value of Liabilities	Notional
Interest rate swaps	174	202	330,664	24	52	50,998
Currency swaps	12,261	11,971	226,696	12,261	11,971	226,696
Exchange rate forward agreements	5,114	8,684	2,088,982	3,769	7,064	952,951
Interest rate options	-	-	103,274	-	-	-
Currency options	6	6	3,645	-	-	-
Total derivative financial instruments	17,555	20,863	2,753,261	16,054	19,087	1,230,645

The structure of the derivative instruments held by the Group and by the Bank as at December 31, 2017 is the following:

<i>In RON thousand</i>	Group			Bank		
	Fair value of Assets	Fair value of Liabilities	Notional	Fair value of Assets	Fair value of Liabilities	Notional
Interest rate swaps	124	53	54,272	124	53	54,272
Currency swaps	8,523	8,432	220,600	8,523	8,432	220,600
Exchange rate forward agreements	1,207	3,421	485,858	1,207	3,421	485,858
Total derivative financial instruments	9,854	11,906	760,730	9,854	11,906	760,730

Forward agreements

Forward agreements represent contractual arrangements to buy or sell a certain financial instrument, at a certain price and at a certain future date. Forward agreements are customized contracts traded on an unregulated market.

Swap agreements

Swaps are contracts between two parties to exchange cash flows over time based on the specified notional amounts. Swaps can be linked to interest rates, stock indices, foreign exchange rates, etc.

Interest rate swaps are contracts that the Group and the Bank sign with other financial institutions, by which the Group and the Bank either receive or pay a variable interest rate in exchange for a fixed interest rate. Payment flows are usually set off, the remaining amount being paid only by one of the parties.

As concerns exchange rate swaps, the Group and the Bank pay a certain amount in a specific currency and receive a specific amount in another currency. Exchange rate swaps are settled on a mutual basis in most of the cases.

The explanatory notes to the financial statements from page 12 to page 77 are an integral part of these financial statements. 74

Banca Transilvania S.A.

Notes to the interim condensed consolidated and separate financial statements

41. Acquisition of Bancpost S.A., ERB Leasing IFN S.A., ERB Retail IFN S.A.

On November 24, 2017, the Group signed the agreement for the acquisition of the majority stake (99.15%) held by Eurobank Group in Bancpost S.A. According to the transaction, Banca Transilvania Financial Group also acquired all equity investments in the Eurobank Group subsidiaries located in Romania, notably ERB Retail Services IFN S.A. and ERB Leasing IFN S.A., the next stage being that of obtaining the transaction approvals from the Competition Council and the National Bank of Romania. The Group took control over these entities on April 3, 2018.

During the three months until June 30, 2018, Bancpost S.A. together with the other two acquired entities had a contribution of 33,46 million RON to the Group's profit. If the acquisition had taken place on January 1, 2018, the management estimates that the contribution to the consolidated profit would have been of 8,5 million RON. This estimation is based on the assumption that preliminary fair value adjustments registered on the acquisition date would have been the same if the acquisition had taken place on January 1, 2018.

Consideration transferred

The fair value of the consideration transferred is of 1,051,426 thousand RON and was fully paid upon the acquisition date.

No equity instruments have been issued as part of the acquisition process of Bancpost S.A., ERB Leasing IFN S.A., ERB Retail IFN S.A.

Assets acquired and liabilities assumed

The table below summarizes the amounts recognized at the acquisition date in relation to the assets acquired and the liabilities assumed (prior to the assignment of the outstanding balances related to the former shareholders' financing facilities):

<i>In RON million</i>	Carrying amount	Adjustments	Fair value
Cash, cash equivalents and placements with banks	2,602,995	67	2,603,062
Securities	1,588,802	(2,708)	1,586,094
Loans and advances to customers	5,824,862	(119,687)	5,705,175
Finance lease receivables	62,050	8,463	70,513
Property and equipment and intangible assets	140,186	(24,197)	115,989
Other assets	136,509	45,197	181,706
Deposits from banks	(47,467)	0	(47,467)
Deposits from customers	(8,327,905)	(902)	(8,328,807)
Loans from banks	(140,448)	0	(140,448)
Other liabilities	(562,620)	(34,971)	(597,591)
Total net assets acquired	1,276,964	(128,738)	1,148,226

Banca Transilvania S.A.

Notes to the interim condensed consolidated and separate financial statements

41. Acquisition of Bancpost S.A., ERB Leasing IFN S.A., ERB Retail IFN S.A. (continued)

Preliminary fair value accounting

According to the International Financial Reporting Standards (IFRS 3 - Business combinations) as at 30 June 2018, the initial booking of the acquisition of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. is incomplete with respect to certain balance sheet items. Therefore, the preliminary consolidated financial statements for the 6-month period ended on 30 June 2018 contain provisional values as concerns the loan portfolio and finance lease receivables of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. at individual level.

The principles of IFRS 3 - Business combinations allow for a measurement period which cannot exceed one year from the acquisition date. During the measurement period, the provisional values recognized at the acquisition date are adjusted retroactively after the completion of the assessment report prepared by an independent appraiser in connection with the assets and liabilities of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. existing at the acquisition date. The Group continues to review such values during the measurement period.

For financial reporting purposes as at 30 June 2018, the Group used a preliminary assessment report prepared by KPMG Romania.

Bargain gain

The Group's profit for the 6-month period ended on 30 June 2018 includes the bargain gain resulting from the acquisition of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A., in amount of 98,800 thousand RON.

The bargain gain was determined as a difference between the consideration transferred (share acquisition price of RON 1,051,426 thousand) and the fair value of assets and liabilities of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. at the date when control was acquired (in amount of RON 1,148,226 thousand).

42. Acquisition of Victoriabank S.A.

In November 2017, Banca Transilvania S.A. announced its initiative to invest in the Republic of Moldova and received in the following period the acquisition approval from the Romanian and Moldovan supervisory authorities - the National Bank of Romania, the National Bank of Moldova and the Competition Council of the Republic of Moldova.

On January 19, 2018, Banca Transilvania S.A. became a shareholder of Victoriabank S.A., the third largest bank in the Republic of Moldova, holding together with the EBRD a stake of more than 66% in this financial institution.

Between 14 February and 24 April 2018, Banca Transilvania S.A. made a mandatory public offering to take over the securities issued by Victoriabank S.A., in accordance with the Moldovan capital market legislation; the offering was addressed exclusively to the current minority shareholders of Victoriabank S.A. The objective of the public offering was the acquisition of the remaining 8,308,673 shares issued by Victoriabank S.A., representing 33.23% of the total number of nominal ordinary shares with voting rights, in accordance with the approval of the National Commission for Financial Markets in the Republic of Moldova.

After the completion of the public offering and the appointment of the representatives of the new shareholder in the management committee and the Board of Directors of Victoriabank S.A., Banca Transilvania took control of the bank starting from April 2018. The fair value of the consideration transferred is RON 194,700 thousand and was paid entirely at the acquisition date. The value of the net assets acquired from Victoriabank is RON 586,855 thousand and their fair value amounted to RON 469,353 thousand, of which the non-controlling interest is in the amount of RON 259,900 thousand.

Notes to the interim condensed consolidated and separate financial statements

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

In the first part of July 2018, Banca Transilvania S.A. and Bancpost S.A. announced the launch of a conversion programme for loans and advances denominated in Swiss franc to local currency or euro, at a discount, applicable to clients having loans with mortgage collaterals. The programme will be deployed during the period 2 July 2018 – 31 August 2018, is addressed to approximately 2,250 eligible clients. The conversion proposal, to reduce by 18% the outstanding current principal (out of which potential overdue amounts and other accruals are deducted), takes into consideration the appreciation of local currency against the Swiss franc by approximately 8% during the period May 2015 – April 2018.

On 12 July 2018, the Financial Supervisory Authority issued the Security Interest Registration Certificate related to the share capital increase approved through the Decision of the Extraordinary General Meeting of Shareholders dated 25 April 2018, with the amount of RON 471.041.660, by the issue of 471.041.660 new shares, with a nominal value of RON 1/share. Following the increase, the Bank's share capital amounts to RON 4.812.481.064, divided into 4.812.481.064 shares with a nominal value of RON 1/share. The registration of the share capital increase with the Central Depository is currently in progress. The payment date for free shares is 6 August 2018 and these will be allocated to shareholders which hold Banca Transilvania S.A. shares at the registration date, namely 3 August 2018.

On 8 August 2018, the National Authority for Consumer Protection ("NACP") notified Bancpost S.A. regarding sanctions NACP has imposed which are related to loans originated in Bancpost S.A. and subsequently transferred to then related foreign entities in previous years. The NACP imposed a fine of RON 150,000 on Bancpost SA and also instructed that certain other actions be taken. Management of Bancpost are currently analysing the NACP decision and will seek clarifications on the actions requested to be taken. Based on their preliminary assessment Bancpost intends to dispute the sanctions in court. From the date of submitting the dispute in court and up to the date of an irrevocable court decision, all measures imposed by the NACP decision would be suspended, in accordance with applicable legislation. As at the date of these financial statements, given the need for clarification described above and the limited time available since the receipt of the NACP decision, it is not yet possible for management of the Group to assess the possible impact of this issue on the Group.

Ömer Tetik
CEO

George Călinescu
Deputy CEO