



## STATEMENT

### Regarding the semi-annual report for the first semester 2018

In accordance with the provisions of NSC Regulation no. 1/2006 art. 113 lt. D par. (1) lt. c), with subsequent amendments, we, Sergiu Manea, as Executive President of Banca Comerciala Romana SA and Elke Meier, as Executive Vice-President of Banca Comerciala Romana SA, state that:

- a) To the best of our knowledge, the semi-annual consolidated and separate financial statements drawn up in accordance with applicable financial reporting standards provide for a correct and accurate image of the assets, liabilities, statement of financial position and statement of comprehensive income of Banca Comerciala Romana SA. and its subsidiaries included in the consolidation perimeter.
- b) The consolidated and separate report of the Supervisory Board reflects in a correct and accurate manner the information on Banca Comerciala Romana SA and its subsidiaries included in the consolidation perimeter.

Executive President,

Sergiu Manea



Executive Vice-President,

Elke Meier



**Banca Comerciala Romana S.A.**  
**Interim Condensed Financial Statements**  
**Consolidated and Separate - Unaudited**

**30 June 2018**

Prepared in accordance with  
IAS 34 „Interim Financial Reporting”

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**STATEMENT OF COMPREHENSIVE INCOME**  
**Consolidated and Separate**  
**As at 30 June 2018**

Statement of Income	Notes	Group		Bank	
in RON thousands		30.06.2018	30.06.2017	30.06.2018	30.06.2017
<b>Net interest income</b>	15	962,331	878,728	916,680	833,152
Interest income		1,208,734	1,120,741	1,133,352	1,037,227
Interest expense		(246,403)	(242,013)	(216,672)	(204,075)
<b>Net fee and commission income</b>	16	349,442	338,877	327,028	320,373
Fee and commission income		426,033	403,427	397,247	378,809
Fee and commission expense		(76,591)	(64,550)	(70,219)	(58,436)
Dividend income		3,657	3,584	11,609	19,302
Net trading result	17	186,073	188,115	183,203	184,543
Gains/losses from financial instruments measured at fair value through profit or loss		1,751	1,487	1,751	1,488
Net result from equity method investments		2,526	(225)	-	-
Rental income from investment properties & other operating leases		35,840	28,962	5,166	5,020
Personnel expenses	18	(378,340)	(343,044)	(334,255)	(307,393)
Other administrative expenses	18	(330,571)	(273,367)	(333,934)	(283,908)
Depreciation and amortisation	18	(91,778)	(93,241)	(64,231)	(70,011)
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss		2,221	79	2,221	79
Net impairment loss on financial instruments	19	30,131	(61,622)	23,670	(55,970)
Other operating result	20	39,336	(186,032)	32,953	(212,586)
<b>Pre-tax result from continuing operations</b>		<b>812,619</b>	<b>482,301</b>	<b>771,861</b>	<b>434,089</b>
<b>Net profit of the year</b>		<b>812,619</b>	<b>482,301</b>	<b>771,861</b>	<b>434,089</b>
Taxes on income	21	(115,618)	(178,214)	(114,976)	(176,101)
<b>Net result for the period</b>		<b>697,001</b>	<b>304,087</b>	<b>656,885</b>	<b>257,988</b>
Net result attributable to non-controlling interests		4	(1,539)	-	-
<b>Net result attributable to owners of the parent</b>		<b>696,997</b>	<b>305,626</b>	<b>656,885</b>	<b>257,988</b>

The interim condensed consolidated financial statements were approved by the Executive Committee on 21 August 2018.

**AUTHORISED PERSON**

Name and first name

Signature

Executive Vice-President

Elke Meier

**AUTHORISED PERSON**

Name and first name

Signature

Executive Accounting Director

Gina Badea



**STATEMENT OF COMPREHENSIVE INCOME**  
**Consolidated and Separate**  
**As at 30 June 2018**

Statement of Comprehensive Income in RON thousands	Group		Bank	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
<b>Net result for the period</b>	<b>697,001</b>	<b>304,087</b>	<b>656,885</b>	<b>257,988</b>
Remeasurement of net liability of defined pension plans	(44)	(30)	-	-
Other equity instruments	(180,166)	-	(180,166)	-
Deferred taxes relating to items that may not be reclassified	28,834	5	28,827	-
<b>Total items that cannot be reclassified to profit or loss</b>	<b>(151,376)</b>	<b>(25)</b>	<b>(151,339)</b>	<b>-</b>
<b>Items that may be reclassified to profit or loss</b>				
Available for sale reserve (including currency translation)	-	21,954	-	32,467
Gain/loss during the period	-	21,467	-	31,980
Reclassification adjustments	-	487	-	487
Debt instruments at fair value through other comprehensive income	(70,978)	-	(71,186)	-
Gains/losses during the period	(69,686)	-	(69,687)	-
Reclassification adjustments	(2,221)	-	(2,221)	-
Credit loss allowances	929	-	722	-
Currency translation	4,712	1,157	-	-
Deferred taxes relating to items that may be reclassified	11,744	(3,551)	11,737	(5,195)
<b>Total items that may be reclassified to profit or loss</b>	<b>(54,522)</b>	<b>19,560</b>	<b>(59,449)</b>	<b>27,272</b>
<b>Total other comprehensive income</b>	<b>(205,898)</b>	<b>19,535</b>	<b>(210,788)</b>	<b>27,272</b>
<b>Total comprehensive income</b>	<b>491,103</b>	<b>323,622</b>	<b>446,097</b>	<b>285,260</b>
Total comprehensive income attributable to non-controlling interests	4	(3,169)	-	-
<b>Total comprehensive income attributable to owners of the parent</b>	<b>491,099</b>	<b>326,791</b>	<b>446,097</b>	<b>285,260</b>

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Gina Badea



**STATEMENT OF FINANCIAL POSITION**  
**Consolidated and Separate**  
**As at 30 June 2018**

Statement of financial position		Group		Bank	
in RON thousands	Notes	30.06.2018	31.12.2017	30.06.2018	31.12.2017
<b>Assets</b>					
Cash and cash balances	4	9,913,446	11,369,344	9,747,395	11,245,387
Financial assets held for trading		212,523	104,694	212,526	104,694
Derivatives		50,108	41,449	50,111	41,449
Other financial assets held for trading		162,415	63,245	162,415	63,245
Financial assets designated at fair value through profit or loss		-	15,131	-	15,131
Non-trading financial assets at fair value through profit or loss		40,406	-	40,163	-
Equity instruments		23,845	-	23,602	-
Loans and advances to customers		16,561	-	16,561	-
Financial assets available for sale	5	-	6,599,950	-	6,146,992
thereof pledged as collateral		-	141,831	-	557,101
Financial assets at fair value through other comprehensive income	6	5,186,315	-	5,152,808	-
Equity investments		40,594	-	40,594	-
Debt securities		5,145,721	-	5,112,214	-
Financial assets - held to maturity	7	-	14,756,894	-	13,375,729
<i>thereof pledged as collateral</i>		-	-	-	551,355
Loans and advances to banks	8	-	2,215,113	-	2,420,035
Loans and advances to customers	9	-	33,490,883	-	32,020,306
Financial assets at amortised cost	10	52,355,896	-	49,138,772	-
<i>thereof pledged as collateral</i>		632,908	-	1,519,959	-
Debt securities		16,072,696	-	14,245,647	-
Loans and advances to banks		1,308,205	-	1,515,860	-
Loans and advances to customers		34,040,326	-	33,377,265	-
Finance lease receivables		934,669	-	-	-
Property and equipment		1,333,042	1,315,683	987,700	1,015,988
Investment property		109,872	121,490	109,872	121,490
Intangible assets		330,785	320,872	324,387	314,231
Investments in joint ventures and associates		19,902	17,375	7,509	7,509
Current tax assets		178,857	86,736	175,280	83,435
Deferred tax assets		190,430	168,778	180,159	157,361
Assets held for sale		47,868	43,039	14,792	14,792
Investments in subsidiaries		-	-	563,510	533,510
Other assets		307,343	305,257	204,041	157,895
<b>Total assets</b>		<b>70,226,685</b>	<b>70,931,239</b>	<b>66,858,914</b>	<b>67,734,485</b>



**STATEMENT OF FINANCIAL POSITION**  
**Consolidated and Separate**  
**As at 30 June 2018**

Statement of financial position in RON thousands	Group		Bank	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
<b>Liabilities and Equity</b>				
Financial liabilities held for trading	45,174	44,661	45,174	44,661
Derivatives	45,174	44,661	45,174	44,661
Financial liabilities measured at amortised cost	60,867,414	62,007,067	57,622,202	58,920,983
Deposits from banks	11 6,775,206	7,826,190	6,063,623	7,389,633
Deposits from customers	12 52,481,603	52,496,062	49,997,374	49,885,158
Debt securities in issue	13 447,404	539,648	447,404	539,648
Other financial liabilities	1,163,201	1,145,167	1,113,801	1,106,544
Provisions	14 1,128,039	1,192,565	1,098,820	1,149,625
Current tax liabilities	100,699	230	100,298	-
Deferred tax liabilities	-	25	-	-
Liabilities associated with assets held for sale	15,548	12,819	-	-
Other liabilities	222,673	234,759	181,979	174,559
<b>Total equity</b>	<b>7,847,138</b>	<b>7,439,113</b>	<b>7,810,441</b>	<b>7,444,657</b>
Share capital	2,952,565	2,952,565	2,952,565	2,952,565
Retained earnings	3,368,379	2,667,530	3,331,723	2,654,298
Other reserves	1,526,194	1,819,018	1,526,153	1,837,794
attributable to non-controlling interest	41	36	-	-
attributable to owners of the parent	7,847,097	7,439,077	7,810,441	7,444,657
<b>Total liabilities and equity</b>	<b>70,226,685</b>	<b>70,931,239</b>	<b>66,858,914</b>	<b>67,734,485</b>

The interim condensed consolidated financial statements were approved by the Executive Committee on 21 August 2018.

AUTHORISED PERSON

Name and first name

Signature

Executive Vice-President

Elke Meier

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Executive Accounting Director

Gina Badea

**BCRS**  
**STATEMENT OF CHANGES IN EQUITY**  
 Consolidated and Separate  
 As at 30 June 2018

in RON thousands	Group											
	Subscribed capital	Share premium	Retained earnings	Other reserves	Available for sale reserves	Fair value reserve	Currency translation reserve	Remeasurement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
Total equity as of 01.01.2018	2,952,565	395,483	2,667,530	1,130,670	288,082	-	(18,502)	82,546	(59,297)	7,439,077	37	7,439,114
Retrospective adjustment	-	-	(71,582)	-	(288,082)	312,144	-	-	(3,652)	(51,172)	-	(51,172)
Restated balance as of	2,952,565	395,483	2,595,948	1,130,670	-	312,144	(18,502)	82,546	(62,949)	7,387,905	37	7,387,942
Dividends paid	-	-	(228,063)	-	-	-	-	-	-	(228,063)	-	(228,063)
Other changes	-	-	(140)	-	-	-	-	-	-	(140)	(0)	(140)
Reclassification from OCI to RE	-	-	196,298	-	-	(196,298)	-	-	-	-	-	-
Total comprehensive income	-	-	696,997	-	-	(54,847)	4,712	(44)	40,577	687,395	4	687,399
Consolidated profit or loss	-	-	696,997	-	-	-	-	-	-	696,997	4	697,001
Other comprehensive income	-	-	-	-	-	(54,847)	4,712	(44)	40,577	(9,602)	-	(9,602)
Total equity as of 30.06.2018	2,952,565	395,483	3,261,040	1,130,670	-	60,999	(13,790)	82,502	(22,372)	7,847,097	41	7,847,138
30.06.2017												
Group												
in RON thousands	Group											
	Subscribed capital	Share premium	Retained earnings	Other reserves	Available for sale reserves	Currency translation reserve	Actuarial (gains)/loss	Deferred tax	Total owners of the parent	Equity attributable to non-controlling interests	Total	
Total equity as of 01.01.2017	2,952,565	395,483	1,977,946	1,130,670	334,403	(23,541)	77,316	(65,850)	6,778,992	25,397	6,804,389	
Total comprehensive income	-	-	305,626	-	23,896	1,157	(30)	(3,858)	326,791	(3,169)	323,622	
Net profit/loss for the period	-	-	305,626	-	-	-	-	-	305,626	(1,539)	304,087	
Statement of comprehensive income	-	-	-	-	23,896	1,157	(30)	(3,858)	21,165	(1,630)	19,535	
Total equity as of 30.06.2017	2,952,565	395,483	2,283,572	1,130,670	358,299	(22,384)	77,286	(69,708)	7,105,783	22,228	7,128,011	

**BCRS**  
**STATEMENT OF CHANGES IN EQUITY**  
 Consolidated and Separate  
 As at 30 June 2018

in RON thousands											Bank	
	Subscribed capital	Share premium	Retained earnings	Other reserves	Available for sale reserves	Fair value reserve	Currency translation reserve	Remeasurement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
Total equity as of 01.01.2018	2,952,565	395,483	2,654,299	1,130,670	288,452	-	-	82,546	(59,358)	7,444,657	-	7,444,657
Retrospective adjustment	-	-	(67,366)	-	(288,452)	310,856	-	-	(3,585)	(48,547)	-	(48,547)
Restated balance as of	2,952,565	395,483	2,586,933	1,130,670	-	310,856	-	82,546	(62,943)	7,396,110	-	7,396,110
Dividends paid	-	-	(228,063)	-	-	-	-	-	-	(228,063)	-	(228,063)
Reclassification from OCI to RE	-	-	196,298	-	-	(196,298)	-	-	-	-	-	-
Total comprehensive income	-	-	656,885	-	-	(65,055)	-	-	40,564	642,394	-	642,394
Consolidated profit or loss	-	-	656,885	-	-	-	-	-	-	656,885	-	656,885
Other comprehensive income	-	-	-	-	-	(55,055)	-	-	40,564	(14,491)	-	(14,491)
Total equity as of 30.06.2018	2,952,565	395,483	3,212,053	1,130,670	-	59,503	-	82,546	(22,379)	7,810,441	-	7,810,441
30.06.2017												
Bank												
30.06.2017												
Total equity as of 01.01.2017	2,952,565	395,483	2,083,989	1,130,670	314,895	-	-	77,396	(62,765)	6,892,233	-	6,892,233
Total comprehensive income	-	-	257,988	-	32,467	-	-	-	(5,195)	285,280	-	285,280
Net profit/loss for the period	-	-	257,988	-	-	-	-	-	-	257,988	-	257,988
Statement of comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Total equity as of 30.06.2017	2,952,565	395,483	2,341,977	1,130,670	347,362	-	-	77,396	(67,960)	7,177,493	-	7,177,493



**STATEMENT OF CASH FLOW**  
Consolidated and Separate  
As at 30 June 2018

in RON thousands	Group		Bank	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
<b>Net result for the period</b>	<b>697,001</b>	<b>304,087</b>	<b>656,885</b>	<b>257,988</b>
<b>Non-cash adjustments for items in net profit/(loss) for the year</b>				
Depreciation, amortisation of assets	91,778	93,241	64,231	70,011
Allocation to and release of impairment of loans	(39,935)	81,339	(50,443)	64,386
Gains/(losses) from the sale of tangible and intangible assets	(10,829)	-	(9,749)	-
Other provisions	(52,618)	52,081	(38,883)	46,828
Impairment of subsidiaries	-	-	-	50,400
Impairment tangible and intangible assets	(3,193)	-	7	-
Current and deferred tax not paid	(10,968)	178,214	(11,281)	176,101
Interest income received from investing activities	(328,289)	(250,609)	(299,839)	(227,138)
Interest expense paid for financing activities	82,006	83,367	75,068	76,429
Dividend income from investing activities	-	-	(7,953)	(15,718)
Other adjustments	(28,138)	11,820	(30,216)	4,064
<b>Changes in assets and liabilities from operating activities after adjustment for non-cash components</b>				
Financial assets - held for trading	(107,829)	61,056	(107,832)	61,056
Financial assets - at fair value through profit or loss	-	(551)	-	(551)
Non-trading financial assets at fair value through profit or loss	25,847	-	25,869	-
Financial assets - available for sale	-	(1,746,315)	-	(1,686,394)
Financial assets at fair value through other comprehensive income	-	-	-	-
<b>Financial assets - held to maturity</b>				
Loans and receivables to credit institutions	-	507,910	-	435,110
Loans and receivables to customers	-	(227,837)	-	(23,648)
<b>Financial assets at amortised cost</b>				
Loans and advances to banks	912,021	-	909,288	-
Loans and advances to customers	(1,530,728)	-	(1,395,383)	-
Other assets from operating activities	(6,918)	(12,562)	(46,146)	(19,169)
Financial liabilities - held for trading	514	14,067	514	14,067
Deposits from banks	(561,803)	(274,884)	(685,065)	(508,862)
Deposits from customers	(13,050)	(1,281,619)	113,625	(741,598)
Other financial liabilities	15,932	(149,715)	5,000	(151,941)
Other liabilities from operating activities	(12,893)	(5,124)	4,004	(7,910)
<b>Cash flow from operating activities</b>	<b>(882,092)</b>	<b>(2,562,034)</b>	<b>(828,299)</b>	<b>(2,126,489)</b>
<b>Proceeds of disposal</b>				
Financial assets - held to maturity	-	647,497	-	519,466
Financial assets at fair value through other comprehensive income	305,373	-	305,373	-
Property and equipment, intangible assets and investment properties	46,971	1,014	30,816	1,014
<b>Acquisition of</b>				
Financial assets - held to maturity	-	(502,622)	-	(502,622)
Debt securities at amortised cost	(564,412)	-	(519,862)	-
Financial assets at fair value through other comprehensive income	(5,835)	-	-	-
Property and equipment, intangible assets and investment properties	(140,395)	(99,986)	(55,570)	(53,149)
Contribution to increase in share capital of subsidiaries	-	-	(30,000)	-
Interest received from investing activities	679,425	375,931	630,067	318,204
Dividends received from investing activities	-	-	7,953	-
<b>Cash flow from investing activities</b>	<b>321,127</b>	<b>421,834</b>	<b>368,777</b>	<b>282,913</b>
Dividends paid to equity holders of the parent	(213,476)	-	(213,476)	-
Dividends paid to non-controlling interests	(14,587)	-	(14,587)	-
Debt securities issued	(90,661)	(77,200)	(90,661)	(77,200)
Inflows from other financing activities	326,277	285,218	-	2,934
Outflows from other financing activities	(816,169)	(471,037)	(641,284)	(336,338)
Interest expense paid for financing activities	(84,286)	(75,365)	(77,724)	(67,834)
Other financing activities	(32,308)	(42,912)	(25,746)	(35,381)
Subordinated loans	(51,978)	(32,453)	(51,978)	(32,453)
<b>Cash flow from financing activities</b>	<b>(892,902)</b>	<b>(338,384)</b>	<b>(1,037,732)</b>	<b>(478,438)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>11,367,313</b>	<b>11,911,895</b>	<b>11,244,649</b>	<b>11,648,878</b>
Cash flow from operating activities	(882,092)	(2,562,034)	(828,299)	(2,126,489)
Cash flow from investing activities	321,127	421,834	368,777	282,913
Cash flow from financing activities	(892,902)	(338,384)	(1,037,732)	(478,438)
<b>Cash and cash equivalents at end of period</b>	<b>9,913,446</b>	<b>9,433,311</b>	<b>9,747,395</b>	<b>9,326,864</b>



**BCR**  
**STATEMENT OF CASH FLOW**  
**Consolidated and Separate**  
**As at 30 June 2018**

in RON thousands	Group		Bank	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
<b>Cash flows related to taxes, interest and dividends (included in cash flows from operating activities)</b>				
Payments for taxes on income (included in cash flow from operating activities)	(126,587)	(174)	(88,867)	-
Interest received	1,299,470	1,204,473	1,197,577	1,155,681
Interest paid	(222,078)	(248,432)	(210,013)	(228,927)
Dividends received	3,657	2,677	11,609	2,677

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Bank and Group information

Banca Comerciala Romana S.A. (hereinafter called the „Bank”) was established on 1 December 1990. The Bank is a Romanian legal entity and is licensed by the National Bank of Romania (“NBR”) to conduct banking activities with both retail and corporate customers. The main services provided to customers include: loans, deposits, domestic and international payments, foreign exchange transactions, bank guarantees, letters of credit, etc.

As a result of the privatization process organized by the government of Romania, Erste Bank der oesterreichischen Sparkassen AG (‘Erste Bank’) purchased 61.88% of the share capital of the Bank pursuant to a share purchase agreement dated 21 December 2005. Until 30 June 2017, Erste Bank purchased further 31.70% from employees and other shareholders of the Bank, adding up to 93,5792%. The ultimate parent of the Group is Erste Group Bank AG.

At 30 June 2018, the Bank’s shareholders were the following:

in RON thousands	30.06.2018		31.12.2017	
	Number of shares	Percentage holding (%)	Number of shares	Percentage holding (%)
Erste Group Bank AG	15,209,810,499	93.5792%	15,209,668,849	93.5783%
Societatea de Investitii Financiare (“SIF”) „Banat Crisana”	1	0.0000%	1	0.0000%
Societatea de Investitii Financiare (“SIF”) „Muntenia”	1	0.0000%	1	0.0000%
Societatea de Investitii Financiare (“SIF”) „Oltenia”	1,023,534,303	6.2973%	1,023,534,303	6.2973%
SC Actinvest SA	226,802	0.0014%	226,802	0.0014%
FDI Certinvest Dinamic	13,699	0.0001%	13,699	0.0001%
BCR Leasing	109	0.0000%	109	0.0000%
Individuals	19,830,840	0.1220%	19,972,490	0.1229%
<b>Total</b>	<b>16,253,416,254</b>	<b>100.0000%</b>	<b>16,253,416,254</b>	<b>100.0000%</b>

The current registered office is located in Bucharest, Romania, No.5, Regina Elisabeta Blvd.

The Bank operates through the Head Office located in Bucharest and through its territorial units, as follows:

- **Retail** grouped into 12 geographical locations, including 509 branches;
- **Corporate** grouped into 10 geographical areas, including 21 Commercial Centres and Area Centres, 18 Mobile Teams and International Clients Department that support small and medium-sized customers (SMEs).

The Bank has the following subsidiaries as at 30 June 2018 and 31 December 2017:

Company's name	Country of incorporation	Nature of the business	Shareholding		Gross Book Value	Net Book Value	Impairment
			30.06.2018	31.12.2017			
1 BCR Chisinau SA	Moldova	Banking	100.00%	100.00%	200,064	39,882	160,182
2 BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%	389,492	190,273	199,219
3 BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%	269,820	269,820	-
4 BCR Banca pentru Locuinte SA	Romania	Housing loans	99.99%	99.99%	108,078	61,634	46,444
5 Suport Colect SRL	Romania	Workout	99.99%	99.99%	983,047	-	983,047
6 CIT One SRL	Romania	Cash processing and storing	100.00%	100.00%	13,308	13,308	-
7 BCR Fleet Management SRL*	Romania	Operational leasing	99.97%	99.97%	-	-	-
8 BCR Payments Services SRL	Romania	Payments transactions	99.99%	99.99%	1,900	1,900	-

\*Company held indirectly by BCR through BCR Leasing SA

## 2. Basis of Preparation and Presentation of the financial statements

### a) Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards („IFRS”), IAS 34 – *Interim Financial Reporting*.

These financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated and separate financial statements as at and for the year ended 31 December 2017.

### b) Functional and presentation currency

The functional currency of the financial statements is the Romanian leu („RON”). All figures are shown in RON thousands, rounded to the nearest RON thousands.

The exchange rates of major foreign currencies, published by National Bank of Romania, were:

Currencies		30.06.2018		31.12.2017	Change
Euro (EUR)	1 : RON	4.6611	1 : RON	4.6597	0.03%
US Dollar (USD)	1 : RON	4.0033	1 : RON	3.8915	2.87%

### c) Significant accounting policies

The accounting policies applied by the Bank and the Group in these interim condensed financial statements are the same as those applied in the annual consolidated financial statements as at 31 December 2017, except for the accounting policies related to IFRS 9 (applied by the Bank and the Group since 1<sup>st</sup> of January 2018). Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

Please see the accounting policies according to IFRS 9 in chapter 3.1. IFRS 9 Accounting policies.

### d) Use of estimates and judgements

The preparation of these interim condensed consolidated financial statements, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

In preparing the interim condensed consolidated financial statements the significant judgements made by management in applying the Bank’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31.12.2017, except for the areas impacted by IFRS 9, as described in chapter 3.2. IFRS 9 Significant accounting judgements and estimates.

### **3. Application of IFRS 9 Financial Instruments**

#### **3.1. IFRS 9 Accounting Policies**

IFRS 9 was issued in July 2014 and is effective starting with 1 January 2018. IFRS 9 addresses three main areas of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

##### **Financial instruments**

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. In accordance with IFRS 9 (as well as IAS 39), all financial assets and liabilities – which also include derivative financial instruments – have to be recognised on the balance sheet and measured in accordance with their assigned categories.

##### **Initial recognition and measurement**

###### **i. Initial recognition**

Financial instruments are initially recognised when BCR Group becomes a party to the contractual provisions of the instrument. Regular way (spot) purchases and sales of financial assets are recognised at the settlement date, which is the date that an asset is delivered.

###### **ii. Initial measurement**

Financial instruments are measured initially at their fair value including transaction costs (except for financial instruments at fair value through profit or loss, for which transaction costs are recognised directly in profit or loss). In most cases, the fair value at initial recognition equals the transaction price, i.e. the price transferred to originate or acquire a financial asset or the price received to issue or incur a financial liability.

##### **Classification and subsequent measurement of financial assets under IFRS 9**

In accordance with IFRS 9, the classification and subsequent measurement of financial assets depend on the following two criteria:

- The business model for managing the financial assets – the assessment is focused on whether the financial asset is part of a portfolio in which the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets or they are held in other business models.
- The cash flow characteristics of the financial assets – the assessment is focused on whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

###### **i. Financial assets at amortised cost**

Financial assets are measured at amortised cost if they are held in a business model whose objective is to collect contractual cash flows, and their contractual cash flows are SPPI.

On the balance sheet, these assets are carried at amortised cost, i.e. the gross carrying amount net of the credit loss allowance. They are presented under the line 'Financial assets at amortised cost', 'Trade and other receivables' and 'Cash and cash balances'. Cash balances include only claims (deposits) against central banks and credit institutions that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. Mandatory minimum reserves are also shown under this item.

Interest income on these assets is calculated by effective interest method and is included under the line 'Net interest income' in the statement of income. Impairment gains or losses are included in the line 'Impairment result from financial instruments'. Gains and losses from derecognition (such as sales) of the assets are reported

### **3. Application of IFRS 9 Financial Instruments (*continued*)**

#### **3.1. IFRS 9 Accounting Policies (*continued*)**

under the line item 'Gains/losses from derecognition of financial assets measured at amortised cost'.

At BCR Group, financial assets at amortised cost constitute the largest measurement category, which includes the vast majority of loan business to customers (except for certain loans measured at fair value through profit or loss), interbank lending business (including reverse repo transactions), deposits with central banks, amounts in the course of settlement, trade and other receivables. Investments in debt securities measured at amortised cost may be acquired with different business objectives (such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield enhancement activities). Their common attribute is that significant and frequent sales of such securities are not expected.

The EIR is used for recognition of interest income and interest expense. Interest income is calculated in the following way:

- EIR applied to the gross carrying amount for financial assets that are not credit-impaired (Stage 1 and Stage 2, see part 'Impairment of financial instruments');
- EIR applied to the amortised cost for financial assets that are credit-impaired (Stage 3, see 'Impairment of financial instruments'); and
- credit-adjusted EIR applied to the amortised cost for POCI financial assets.

#### **ii. Financial assets at fair value through other comprehensive income**

Debt instrument financial assets are measured at fair value through other comprehensive income (FVOCI) if their contractual cash flows are SPPI-compliant and they are held within a business model whose objective is achieved by both to collect contractual cash flows and sell the assets. On the balance sheet, they are included as 'Debt securities' under the line 'Financial asset at fair value through other comprehensive income'.

Interest income on these assets is calculated using the effective interest method and is included under the line 'Net interest income' in the statement of income. Impairment gains and losses are recognised in profit or loss in the line 'Impairment result from financial instruments'. As a result, the measurement impact recognised in profit or loss is the same as for financial assets measured at amortised cost.

The difference between the fair value at which the assets are carried in the balance sheet and the amortised cost component is recognised as accumulated OCI in equity specifically under 'Fair value reserve' in the statement of changes in equity. The change for the period is reported as OCI in the statement of comprehensive income in the line 'Debt instruments at fair value through other comprehensive income'. When the financial asset is derecognised, the amount previously accumulated in OCI is reclassified to profit or loss and reported under the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

Debt securities measured at FVOCI are part of 'held to collect and sell' business models. Similarly to debt instruments, assets measured at amortised cost, they relate to various business objectives such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield-enhancement activities. The common attribute for investments in debt instruments at FVOCI is that an active yield optimisation via sales is integral to achieving the objectives. The sales are carried out in order to optimise the liquidity position or to realise the fair value gains or losses. As a result, the business objectives are achieved through both collecting contractual cash flows and sales of the securities.

For certain investments in equity instruments that are not held for trading, BCR Group makes use of the option to measure them at FVOCI. This election is applied to strategic, significant banking business relationship investments. The fair value gains or losses for the period are reported as OCI in the line 'Fair value changes of equity instruments' of the statement of comprehensive income. The cumulative gains or losses are included

### **3. Application of IFRS 9 Financial Instruments (*continued*)**

#### **3.1. IFRS 9 Accounting Policies (*continued*)**

under 'Fair value reserve' in the statement of changes in equity. The amount recognised in OCI is never reclassified to profit or loss. Dividends received on these investments are reported under the line 'Dividend income' of the statement of income. On the balance sheet, financial assets measured at fair value through OCI are included as 'Equity instruments' under the line 'Financial asset at fair value through other comprehensive income'.

#### **iii. Financial assets at fair value through profit or loss**

There are various reasons for assigning the fair value through profit or loss (FVPL) measurement category to financial assets:

Financial assets whose contractual cash flows are not considered as SPPI are automatically measured at FVPL. In the business of BCR Group, this concerns certain loans to customers and equity instruments.

Other source of FVPL measurement relates to financial assets that are part of residual business models, i.e. they are neither held to collect contractual cash flows nor held to either collect contractual cash flows or sell the assets. These financial assets are generally expected to be sold before their maturity or they are managed and their performance is evaluated on a fair value basis.

On the balance sheet, debt instrument financial assets measured at FVPL are presented as "Financial assets held for trading", sub-items "Other trading assets". Financial assets are mandatorily measured at fair value through profit or loss either because their contractual cash flows are not SPPI or they are held as part of residual business models that are other than held for trading.

In the statement of income, the profit or loss effects of financial assets measured at FVPL are split into interest income or dividend income and fair value gains and losses. The interest income on debt instruments is presented in the line 'Net interest income' and is calculated by applying the EIR to the amortised cost component of the financial assets. The dividend income on equity instruments is presented in the line 'Dividend income'.

The fair value gains or losses are calculated net of the interest or dividend income, and they also include transaction costs and origination fees. They are reported in the line 'Net trading result' for financial assets held for trading and in the line 'Gains/losses from financial instruments measured at fair value through profit or loss' in case of non-trading financial assets at FVPL.

#### **Classification and subsequent measurement of financial liabilities under IFRS 9**

Financial liabilities are classified as measured at amortised cost unless they are measured at fair value through profit or loss.

##### **i. Financial liabilities at amortised cost**

For presentation on the balance sheet, the line item 'Financial liabilities measured at amortised cost' is used. The liabilities are further broken down into 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Interest expenses incurred are reported in the line item 'Net interest income' in the statement of income. Gains and losses from derecognition (mainly repurchase) are reported under the line item 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

##### **ii. Financial liabilities at fair value through profit or loss**

Financial liabilities at FVPL consist of financial liabilities held for trading and financial liabilities designated at FVPL. The Group did not designate any financial liabilities at fair value through profit or loss.

The gains or losses on financial liabilities held for trading are reported in the line 'Net trading result' in the statement of income.

### **3. Application of IFRS 9 Financial Instruments (*continued*)**

#### **3.1. IFRS 9 Accounting Policies (*continued*)**

##### **Impairment of financial instruments under IFRS 9**

BCR Group recognises loss allowances for impairment on its debt instrument financial assets, other than those measured at FVPL, its lease receivables, and its off-balance credit risk exposures arising from financial guarantees and certain loan commitments. The impairment is based on expected credit losses whose measurement reflects:

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

The amount of the impairment loss is recognised as a loss allowance. For the purpose of the measurement of the amount of expected credit loss and recognition of interest income, BCR Group distinguishes between three stages of impairment.

Stage 1 relates to financial instruments for which no significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the 12-month expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset.

Financial instruments in Stage 2 are subject to significant increase in credit risk since their initial recognition. The impairment is measured in the amount of the lifetime expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset.

Financial assets in Stage 3 are credit-impaired. In respect of applying the 'credit-impaired' concept of IFRS 9, BCR Group generally adopted the approach of aligning it with the regulatory concept of 'default' for lending exposures. The impairment for such financial assets is measured in the amount of lifetime expected credit loss. Interest income is recognised by EIR applied to the amortised cost (i.e. the net carrying amount) of the financial asset.

From a balance sheet perspective, interest is accrued based on the financial assets' gross carrying amount. The difference between the interest accrued on the assets and the interest income recognised is reflected through the allowance account (without impacting the impairment loss). Stage 3 classification is not relevant for loan commitments and financial guarantees.

The loss allowances decrease the value of the assets, i.e. for financial assets measured at amortised cost, the net carrying amount of the financial asset presented on the balance sheet is the difference between the gross carrying amount and the cumulative loss allowance. However, for financial assets measured at FVOCI, the loss allowance is recognised in accumulated OCI, specifically under 'Fair value reserve' in the statement of changes in equity. Loss allowances for loan commitments and financial guarantees are presented under the balance sheet line item 'Provisions'.

For financial assets that are credit-impaired at initial recognition (purchased or originated credit-impaired – POCI – financial assets) lifetime expected credit losses are initially reflected in the credit-adjusted effective interest rate. As a result, no loss allowance is recognised at inception. Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets.

In the statement of income, impairment losses and their reversals (gains) on all categories of financial instruments are presented in the line item 'Impairment result from financial instruments'.

### **3. Application of IFRS 9 Financial Instruments (*continued*)**

#### **3.1. IFRS 9 Accounting Policies (*continued*)**

##### **Write-offs**

BCR Group writes off a financial asset or a part of it when it has no reasonable expectations of recovering the respective cash flows. When performing the write-off, the gross carrying amount of the asset is reduced simultaneously with the related loss allowance balance.

BCR Group has specified criteria for writing off the unrecoverable balances in its loan business. Write-off can result from forbearance measures whereby the bank contractually waives part of the existing balance in order to help the customers overcome financial difficulties and thus improve the prospects of recovering the remaining loan balance (normally this relates to going concern scenarios for corporate customers).

In gone concern scenarios with corporate customers, write-offs of the unrecoverable exposure parts are triggered by enforcement activities such as filing or termination of legal proceedings (bankruptcy, liquidation, court case).

Other write-off triggers may result from decisions about no enforcement due to worthlessness of the claim/collateral or generally from assessment that the receivable is economically lost.

For retail customers, the non-recoverability and the timing and amounts of write-off crystallise during the collection process when it becomes evident that the amount due cannot be collected, e.g. due to ongoing bankruptcy proceedings. Residual uncollectable balances are written off after the collection process.

##### **Derecognition of financial instruments including treatment of contractual modifications**

###### **i. Derecognition of financial assets**

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired; or
- BCR Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;

and either:

- it has transferred substantially all risks and rewards connected with ownership of the asset, or
- has neither transferred nor retained substantially all risks and rewards connected with ownership of the asset but has transferred control of the asset.

The difference between the carrying amount of the derecognised asset and the consideration received is presented in the statement of income in the line 'Gains/losses from derecognition of financial assets measured at amortised cost' or, for financial assets at FVOCI, in the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

For financial assets measured at FVPL the derecognition gains or losses are recognised together with the measurement result in the lines 'Net trading result' or 'Gains/losses from financial instruments measured at fair value through profit or loss'.

###### **ii. Derecognition criteria with respect to contractual modifications of financial assets**

In the normal course of running its lending business and in agreement with the respective debtors, BCR Group may renegotiate or otherwise modify some terms or conditions of the underlying contracts. This can involve either market-driven commercial renegotiations or contractual changes aimed at alleviating or preventing borrower's financial difficulty.

### **3. Application of IFRS 9 Financial Instruments (continued)**

#### **3.1. IFRS 9 Accounting Policies (continued)**

For the purpose of capturing the economic substance and financial effect of such contractual modifications, BCR Group has developed a set of criteria to assess whether or not the modified terms are substantially different from the original terms.

While having been partly applied under IAS 39, these criteria have been further adapted to concepts brought by IFRS 9, e.g. modification of contractual cash flows.

Substantial modifications lead to derecognition of the original financial asset and initial recognition of the modified financial asset as a new financial instrument. They include the following events:

- change of the contractual counterparty (unless this is a formal change such as changes in legal name);
- change in the currency of the contract (unless the change results from exercising an embedded option in the original contract with pre-agreed conditions of the change, or if the new currency is pegged to the original currency);
- introduction of a non-SPPI contractual feature (unless it is intended to improve recoveries from debtors by granting concessions supporting them to recover from financial difficulties); and
- removal of a non-SPPI contractual feature.

Some derecognition criteria distinguish whether contractual modifications are applied to debtors facing financial difficulties. Application of certain modifications to debtors in financial difficulties is not considered as substantial since they are aimed at improving the prospects of the bank to recover the claims by tailoring the repayment schedules to specific financial conditions of those debtors.

On the other hand, such contractual modifications applied to performing debtors may be considered as substantial enough to warrant the derecognition, as further detailed below.

From this perspective, the following criteria lead to derecognition unless they are considered as forbearance measures, they are applied to customers in default or they trigger default:

- repayment schedule changed in a way that the weighted remaining maturity of the assets is modified by more than 100% and not less than two years compared to the original asset;
- change in timing/amount of contractual cash flows resulting in the present value of the modified cash flows (discounted at pre-modification effective interest rate) being different by more than 10% of the gross carrying amount of the asset immediately before the modification (cumulative assessment considering all modifications occurring over the last twelve months); or
- commercial renegotiations initiated by a debtor seeking better terms as an alternative to re-financing while a prepayment/early termination option and a sufficiently competitive refinancing market exist. This derecognition trigger rarely applies to loan assets in Stage 2 and never in Stage 3.

If contractual modifications that qualify as forbearance measures are applied to customers in default or trigger default are so significant that they are qualitatively assessed as an extinguishment of original contractual rights, they result in derecognition. Examples of such modifications are:

- a new agreement with materially different terms signed up as part of distressed restructuring following a standstill agreement suspending the rights of the original assets;
- consolidation of multiple original loans into one with substantially different terms; or
- transformation of a revolving loan into non-revolving.

Contractual modifications leading to derecognition of the related original assets result in the initial recognition of new financial assets. If the debtor is in default or the significant modification leads to the default, then the new asset will be treated as POCI.

The difference between the carrying amount of the derecognised asset and initial fair value of the new POCI asset is presented in the statement of income in the line 'Impairment result from financial instruments'.

### **3. Application of IFRS 9 Financial Instruments (*continued*)**

#### **3.1. IFRS 9 Accounting Policies (*continued*)**

If the debtor is not in default or the significant modification does not lead to default, the new asset recognised after derecognition of the original asset will be in Stage 1. For loans measured at amortised cost, the unamortized balance of the origination fees/transaction costs considered in the effective interest rate is presented in the line 'Net interest income' at the derecognition date.

The release of the credit loss allowance attached to the original asset at the date of that significant modification as well as the credit loss allowance recognised for the new asset are presented in the line 'Impairment result from financial instruments'. The remaining difference is presented in the line 'Gains/losses from derecognition of financial assets measured at amortised cost'.

For financial assets measured at FVPL, irrespective of whether they are in default, the derecognition gains and losses are included in the same line items of the statement of income as their measurement result, i.e. in 'Gains/losses from financial instruments measured at fair value through profit or loss'.

For debt instrument assets not measured at FVPL that are subject to contractual modifications that do not result in derecognition, the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in profit or loss.

The modification gain or loss equals the difference between the gross carrying amount before the modification and the present value of the cash flows based on the modified terms discounted with the original effective interest rate.

In the statement of income, the modification gain or loss is presented in the line 'Net interest income' if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line 'Impairment result from financial instruments'.

#### **iii. Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. This normally occurs when the liability is repaid or repurchased.

In the statement of income, the difference between the carrying amount of the derecognised financial liability and the consideration paid is presented in the line 'Other gains/losses from financial instruments not measured at fair value through profit or loss' (in the comparative period, 'Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net'), 'Gains/losses from financial instruments measured at fair value through profit or loss' and 'Net trading result' depending on the measurement category of the derecognised financial liability.

#### **3.2. IFRS 9 Significant accounting judgements, assumptions and estimates**

##### **SPPI assessment**

The assessment of whether the contractual cash flows of financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) is subject to the application of significant judgements.

These judgements are crucial in the IFRS 9 classification and measurement process as they determine whether the asset must be measured at FVPL or, depending on the business model assessment, at amortised cost or at FVOCI.

### **3. Application of IFRS 9 Financial Instruments (*continued*)**

#### **3.2. IFRS 9 Accounting Policies (*continued*)**

When taking into consideration specific features of loans in the business of BCR Group, significant areas of judgement are prepayment fees, project financing loans and benchmark test for loans with interest mismatch features.

The assessment whether the prepayment fees applied to loans can be considered as a reasonable compensation for early terminations or prepayments is based on comparing the level of the fees with the economic costs incurred by the bank upon the early termination.

For these purposes, BCR Group uses a quantitative test where the costs relate to the lost interest margin and the lost interest differential due to a decrease in the interest rates upon early termination or prepayment.

The evaluation is normally performed on a portfolio level. The adequacy of the fees can also be defended on a qualitative basis such as common market practice regarding level prepayment fees and their acceptance by authorities.

For project financing loans, BCR Group assesses whether they represent basic loan agreements rather than investments in the financed projects. In this respect credit rating, level of collateralisation, existing sponsor guarantees and the extent of equity funding of the financed projects are considered.

Interest mismatches relate mainly to floating rate agreements for which the floating base rate is contractually repriced based on past date price (ex. loans with rate linked to 3-month Euribor and reset frequency 3 months but the rate is always fixed as of the last day of previous month).

For this purpose, BCR Group has developed what is called a 'benchmark test' to assess whether the interest mismatch feature could result in contractual (undiscounted) cash flows that are significantly different from benchmark deal.

Apart from the interest mismatch features, the terms of this benchmark deal correspond to the asset in the test (i.e. if the floating rate reset frequency is 3 months then the floating rate would be the 3-month Euribor and/or no time lag exists in the floating rate fixation).

For assets with interest mismatches resulting only from prior and average rates (i.e. no mismatches resulting from a tenor different from the reset frequency), SPPI compliance is considered to be met based on a qualitative assessment if the time lag between the fixation of the rate and the start of the interest period does not exceed one month.

The quantitative benchmark test is performed at the deal's initial recognition and uses 250 forward-looking simulations of future market interest rates over the life of the deal.

Ratios between the simulated cash flows from the actual deal and the benchmark deal are calculated for each quarter (the 'periodic cash flow ratio'), and cumulatively over the life of the deal (the 'cumulative cash flow ratio'). The 5% of outcomes with the highest deviations are considered as extreme and are disregarded.

The significance threshold for the periodic cash flow ratio is set to 10%. If simulated cash flows of the tested deal in a specific quarter are less than 1% of the total cash flows over the life of the deal ('de minimis threshold'), they are disregarded.

For the cumulative cash flow ratio, the quantitative significance threshold is set to 5%. If any of the two significance thresholds is breached, the benchmark test is not passed, and the financial asset must be measured at fair value through profit or loss.

Generally, the quantitative benchmark test results are more sensitive to the level of the periodic quantitative significance threshold compared to the cumulative one. Decreasing the periodic cash flow ratio threshold to 5% could lead to a significant increase in the volume of loans measured at fair value through profit or loss.

BCR Group does not consider that lowering the threshold would properly capture those interest mismatch features that should lead to FVPL measurement since, based on a quantitative study performed for this purpose, it could lead to fair value measurement even for loans that are generally deemed as basic lending agreements.

### **3. Application of IFRS 9 Financial Instruments (*continued*)**

#### **3.2. IFRS 9 Significant accounting judgements, assumptions and estimates (*continued*)**

##### **Business model assessment**

For each SPPI-compliant financial asset at initial recognition, BCR Group must assess whether it is part of a business model where the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets, or they are held in other business models.

As a consequence, the critical aspect in distinguishing the business models is frequency and significance of sales of assets in the respective business model. Since asset allocation to business models is based on the initial assessment, it may happen that in subsequent periods cash flows are realised differently than originally expected, and a different measurement method may seem to be appropriate.

In accordance with IFRS 9, such subsequent changes do not generally lead to reclassifications or prior period error corrections in respect of existing financial assets.

The new information on how cash flows are realised may, however, indicate that the business model, and thus the measurement method changes for newly acquired or newly originated financial assets.

At BCR Group, sales due to increases in credit risk, sales close to assets' maturity, infrequent sales triggered by a non-recurring event (such as changes in regulatory or tax environment, major internal reorganisation or a business combination, severe liquidity crisis, etc.) are considered as not contradicting the held to collect contractual cash flows business model.

Other kinds of sales carried out in the 'held to collect' business model are assessed retrospectively, and if they exceed certain quantitative thresholds, or whenever it is considered necessary with regard to new expectations, BCR Group performs a prospective test.

If the outcome was that the carrying amount of assets expected to be sold over the expected life of the current business model portfolio, for reasons other than the cases above, exceeds 10% of the carrying amount of the portfolio, any new acquisitions or originations of assets would be classified in a different business model.

##### **Impairment of financial instruments**

The expected credit loss impairment model is inherently based on judgement since it requires assessment of significant increases in credit risk and measurement of expected credit losses without providing detailed guidance. In respect of significant increases in credit risk, BCR Group has determined specific assessment rules consisting of qualitative information and quantitative thresholds.

Another area of complexity relates to establishing groups of similar assets when credit risk deterioration has to be assessed on a collective basis before specific information is available at individual instrument level.

Measurement of expected credit losses involves complex models relying on historical statistics of probabilities of default and loss rates in case of defaults, their extrapolations in case of insufficient observations, individual estimates of credit-adjusted cash flows and probabilities of various scenarios including forward-looking information.

In addition, the life of the instruments has to be modelled in respect of prepayment possibilities and in respect of behavioural life of revolving credit facilities.



**Notes to Financial Statements**  
**Consolidated and Separate**  
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**3. Application of IFRS 9 Financial Instruments (*continued*)**

**3.3. IFRS 9 Opening balances**

As of 1 January 2018, BCR and BCR Group has adopted IFRS 9 “Financial Instruments” as issued by the IASB in July 2014. This resulted in changes in accounting policies for classification and measurement of financial assets and financial liabilities, as well as for impairment of financial assets.

IFRS 9 also significantly amends IFRS 7 “Financial Instruments: Disclosures” due to which disclosures of information on financial instruments have been adapted to the new requirements.

As permitted by the transitional provisions of IFRS 9, BCR Group elected not to restate comparative amounts for the previous financial year 2017. As a result, the comparative period columns in the 2018 financial statements reflect the structure used in 2017 financial statements.

Also, the comparative period disclosures in the notes are based on the original classification and measurement requirements of IAS 39 (as superseded by IFRS 9) and IFRS 7 (before the consequential amendments resulting from IFRS 9).

The financial impact of IFRS 9 adoption is detailed below. The tables make use of the following acronyms:

AC – amortised cost  
AFS – available for sale  
FV – fair value  
FVOCI – fair value through other comprehensive income  
FVPL – fair value through profit or loss  
HTM – held-to-maturity  
L&R – loans and receivables

### 3. Application of IFRS 9 Financial Instruments (*continued*)

#### 3.3 IFRS 9 Opening balances (continued)

##### i. Classification and measurement of financial instruments

The table below presents changes between measurement categories and carrying amounts of financial assets and financial liabilities under IAS 39 and IFRS 9 as at 1 January 2018. To illustrate the transition impact, the effects are disclosed in respect of original balance sheet positions reflecting IAS 39 requirements.

Original measurement categories in accordance with IAS 39 and new measurement categories under IFRS 9						Group	
in RON thousand	Comments	Portfolio	Measurement method	New classification under IFRS 9	Original carrying amount under IAS39	New carrying amount under IFRS9	
<b>Financial assets</b>							
Cash and cash balances at central banks	a	Amortised cost	AC	Amortised cost	11,369,344	11,367,313	
Derivatives		Held-for-trading	FVTPL	Held-for-trading (FVTPL)	41,449	41,449	
Other trading assets		Held-for-trading	FVTPL	Held-for-trading (FVTPL)	63,245	63,245	
Loans and receivables to credit institutions	b	Loans and receivables	AC	Amortised cost	2,215,113	2,198,897	
Loans and receivables to customers	c	Loans and receivables	AC	Amortised cost	33,469,878	33,422,884	
				Mandatorily at FVTPL	21,005	20,609	
Financial assets - available for sale (Debt instruments)	d	AFS	FVTOCI	Amortised cost	1,067,092	1,076,922	
				FVTOCI	5,290,435	5,290,435	
Financial assets - available for sale (Equity instruments)	d	AFS	FVTOCI	FVTPL	21,663	21,663	
Financial assets - available for sale (Equity instruments)	d	AFS	FVTOCI	FVTOCI	220,760	220,760	
Financial assets - held to maturity	d	Held-to-maturity	AC	Amortised cost	14,756,894	14,754,109	
Financial assets - at fair value through profit or loss	d	FVTPL	FVTPL	Amortised cost	15,131	14,982	
<b>Total financial assets</b>					<b>68,552,009</b>	<b>68,493,268</b>	
<b>Financial liabilities</b>							
Derivatives	e	Held-for-trading	FVTPL	Held-for-trading (FVTPL)	44,661	44,661	
Financial liabilities - measured at amortised cost		AC	AC	Amortised cost	62,007,067	62,007,067	
<b>Total financial liabilities</b>					<b>62,051,728</b>	<b>62,051,728</b>	

### 3. Application of IFRS 9 Financial Instruments (*continued*)

#### 3.3. IFRS 9 Opening balances (*continued*)

Original measurement categories in accordance with IAS 39 and new measurement categories under IFRS 9						Bank	
in RON thousand	Comments	Portfolio	Measurement method	New classification under IFRS 9	Original carrying amount under IAS39	New carrying amount under IFRS9	
<b>Financial assets</b>							
Cash and cash balances at central banks	a	Amortised cost	AC	Amortised cost	11,245,387	11,244,649	
Derivatives		Held-for-trading	FVTPL	Held-for-trading (FVTPL)	41,449	41,449	
Other trading assets		Held-for-trading	FVTPL	Held-for-trading (FVTPL)	63,245	63,245	
Loans and receivables to credit institutions	b	Loans and receivables	AC	Amortised cost	2,420,035	2,403,874	
Loans and receivables to customers	c	Loans and receivables	AC	Amortised cost	31,999,300	31,950,672	
				Mandatorily at FVTPL	21,005	20,609	
Financial assets - available for sale (Debt instruments)	d	AFS	FVTOCI	Amortised cost	642,028	651,434	
				FVTOCI	5,262,773	5,262,773	
Financial assets - available for sale (Equity instruments)	d	AFS	FVTOCI	FVTPL	21,430	21,430	
Financial assets - available for sale (Equity instruments)	d	AFS	FVTOCI	FVTOCI	220,760	220,760	
Financial assets - held to maturity	d	Held-to-maturity	AC	Amortised cost	13,375,729	13,375,453	
Financial assets - at fair value through profit or loss	d	FVTPL	FVTPL	Amortised cost	15,131	14,982	
<b>Total financial assets</b>					<b>65,328,274</b>	<b>65,271,330</b>	
<b>Financial liabilities</b>							
Derivatives	e	Held-for-trading	FVTPL	Held-for-trading (FVTPL)	44,661	44,661	
Financial liabilities - measured at amortised cost		AC	AC	Amortised cost	58,920,983	58,920,983	
<b>Total financial liabilities</b>					<b>58,965,644</b>	<b>58,965,644</b>	

(a) Upon IFRS 9 transition the expected credit loss impact was calculated in amount of RON 2,031 thousand at BCR Group level, whilst at individual level the ECL impact was in amount of RON 738 thousands.

(b) The line 'Loans and receivables to credit institutions' was affected by higher ECL upon transition in amount of RON 16,216 thousand at consolidated level, whilst at individual level the ECL impact was 16,161 thousand.

(c) The line "Mandatorily at FVTPL" includes loans to customers reclassified due to the result of business model assessment. More details can be found in the comment (d) to table ii. and table iii.

(d) The original carrying amount under IAS 39 is adjusted by RON 7,880 thousand at consolidated level and 4,138 thousand at Bank level in respect of debt securities compared to the 2017 financial statements due to re-measurement upon transition.

(e) The original carrying amount under IAS 39 in the line 'Amortised cost' that captures financial liabilities that continue to be measured at amortised cost contains:

- deposits from customers with a carrying amount of RON 52,496,062 thousand at Group level and RON 49,885,158 thousands at Bank level;
- deposits from banks and borrowings with a carrying amount of RON 7,826,190 thousands at Group level and RON 7,389,633 thousands at Bank level;
- debt securities issued with a carrying amount of RON 539,648 thousands both at individual and consolidated level;
- other financial liabilities with a carrying amount of RON 1,145,167 thousands at Group level and RON 1,106,544 thousands at Bank level.

### 3. Application of IFRS 9 Financial Instruments (*continued*)

#### 3.3. IFRS 9 Opening balances (*continued*)

##### ii. Reconciliation of carrying amounts of financial assets based on measurement categories

Financial assets							Group	
Measurement category	Comments	IAS39 carrying amount as of 31.12.2017	Reclassifications	Remeasurement	IFRS9 Carrying amount as of 01.01.2017	Retained earnings effects	OCI effects	
in RON thousand								
<b>Amortised cost</b>	<b>a</b>	<b>61,832,234</b>			<b>61,832,234</b>			
from IAS39 FVTOCI (AFS)	b	-	1,067,092	9,830	1,076,922	(2,213)	12,043	
from IAS39 FVTPL	c	-	15,131	(149)	14,982	(149)	-	
from IAS 39 AC (L&R, HTM) (impairment remeasurement)		-	-	(68,026)	(68,026)	(68,026)	-	
to IFRS 9 Mandatorily at FVTPL (IAS 39: L&R)	d	-	(21,005)	-	(21,005)	-	-	
Total change to Amortised cost		-	1,061,218	(58,345)	1,002,873	(70,388)	12,043	
<b>Amortised cost balances, reclassification and remeasurement at 01.01.2018</b>	<b>e</b>	<b>61,832,234</b>	<b>1,061,218</b>	<b>(58,345)</b>	<b>62,835,107</b>	<b>(70,388)</b>	<b>12,043</b>	
<b>Fair value through other comprehensive income</b>		<b>6,599,950</b>	-	-	<b>6,599,950</b>	-	-	
Fair value through other comprehensive income - debt instruments		6,357,527	-	-	6,357,527	-	-	
from IAS39 AFS (impairment remeasurement)		-	-	-	-	(2,683)	2,683	
to IFRS 9 AC (IAS 39: AFS)	b	-	(1,067,092)	-	(1,067,092)	-	-	
Fair value through other comprehensive income - equity instruments		242,423	-	-	242,423	-	-	
to IFRS 9 FVTPL (IAS 39: AFS)		-	(21,663)	-	(21,663)	(9,336)	9,336	
<b>Fair value through other comprehensive income balances, reclassification and remeasurement at 01.01.2018</b>		<b>6,599,950</b>	<b>(1,088,755)</b>	-	<b>5,511,195</b>	<b>(12,019)</b>	<b>12,019</b>	
<b>Fair value through Profit or Loss</b>	<b>g</b>	<b>119,825</b>	-	-	<b>119,825</b>	-	-	
from IAS39 AC (L&R, IFRS 9: Mandatorily at FVTPL)	d	-	21,005	(396)	20,609	(396)	-	
from IAS39 FVTOCI (Equity instruments: AFS)	f	-	21,663	-	21,663	-	-	
to IFRS 9 FVTOCI (IAS 39, Debt instruments: FVTPL)	c	-	(15,131)	-	(15,131)	-	-	
<b>Fair value through Profit or Loss balances, reclassification and remeasurement at 01.01.2018</b>	<b>h</b>	<b>119,825</b>	<b>27,537</b>	<b>(396)</b>	<b>146,966</b>	<b>(396)</b>	-	
<b>Total Financial balances, reclassification and remeasurement at 01.01.2018</b>		<b>68,552,009</b>	-	<b>(58,741)</b>	<b>68,493,268</b>	<b>(82,803)</b>	<b>24,062</b>	

### 3. Application of IFRS 9 Financial Instruments (*continued*)

#### 3.3. IFRS 9 Opening balances (*continued*)

Financial assets						Bank	
Measurement category	Comments	IAS39 carrying amount as of	Reclassifications	Remeasurement	IFRS9 Carrying amount as of	Retained earnings effects	OCI effects
in RON thousand		31.12.2017			01.01.2017		
<b>Amortised cost</b>	<b>a</b>	<b>59,061,458</b>			<b>59,061,458</b>		
from IAS39 FVTOCI (AFS)	b	-	642,028	9,406	651,434	(2,213)	11,618
from IAS39 FVTPL	c	-	15,131	(149)	14,982	(149)	-
from IAS 39 AC (L&R, HTM) (impairment remeasurement)		-	-	(65,803)	(65,803)	(65,803)	-
to IFRS 9 Mandatorily at FVTPL (IAS 39: L&R)	d	-	(21,005)	-	(21,005)	-	-
<b>Amortised cost balances, reclassification and remeasurement at 01.01.2018</b>	<b>e</b>	<b>59,061,458</b>	<b>636,154</b>	<b>(56,546)</b>	<b>59,641,066</b>	<b>(68,165)</b>	<b>11,618</b>
<b>Fair value through other comprehensive income</b>		<b>6,146,991</b>	<b>-</b>	<b>-</b>	<b>6,146,991</b>	<b>-</b>	<b>-</b>
Fair value through other comprehensive income - debt instruments		5,904,801	-	-	5,904,801	-	-
from IAS39 AFS (impairment remeasurement)		-	-	-	-	(1,450)	1,450
to IFRS 9 AC (IAS 39: AFS)	b	-	(642,028)	-	(642,028)	-	-
Fair value through other comprehensive income - equity instruments		242,190	-	-	242,190	-	-
to IFRS 9 FVTPL (IAS 39: AFS)		-	(21,430)	-	(21,430)	(9,336)	9,336
Total change to Fair value through other comprehensive income		-	(663,458)	-	(663,458)	(10,786)	10,786
<b>Fair value through other comprehensive income balances, reclassification and remeasurement at 01.01.2018</b>		<b>6,146,991</b>	<b>(663,458)</b>	<b>-</b>	<b>5,483,533</b>	<b>(10,786)</b>	<b>10,786</b>
<b>Fair value through Profit or Loss</b>	<b>g</b>	<b>119,825</b>	<b>-</b>	<b>-</b>	<b>119,825</b>	<b>-</b>	<b>-</b>
from IAS39 AC (L&R, IFRS 9: Mandatorily at FVTPL)	d	-	21,005	(396)	20,609	(396)	-
from IAS39 FVTOCI (Equity instruments: AFS)	f	-	21,430	-	21,430	-	-
to IFRS 9 FVTOCI (IAS 39, Debt instruments: FVTPL)	c	-	(15,131)	-	(15,131)	-	-
<b>Fair value through Profit or Loss balances, reclassification and remeasurement at 01.01.2018</b>	<b>h</b>	<b>119,825</b>	<b>27,304</b>	<b>(396)</b>	<b>146,732</b>	<b>(396)</b>	<b>-</b>
<b>Total Financial balances, reclassification and remeasurement at 01.01.2018</b>		<b>65,328,274</b>	<b>-</b>	<b>(56,942)</b>	<b>65,271,331</b>	<b>(79,347)</b>	<b>22,404</b>

Note: Remeasurement includes effects of both revaluation and impairment changes.

(a) The amount includes IAS 39 balance sheet line items with following carrying amounts in RON thousand:

- cash and cash balances: 11,369,344 at Group level and 11,245,387 at Bank level
- loans and receivables to credit institutions: 2,215,113 and 2,420,035
- loans and receivables to customers: 33,490,883 at Group level and 32,020,305 at Bank level (including finance lease receivables)
- financial assets – held to maturity: 14,756,894 at Group level and 13,375,729 at Bank level.

(b) Debt securities that were classified as available for sale and measured at FVOCI under IAS 39 and that are part of the portfolios connected to asset and liability management activities were reclassified to the amortised cost measurement category under IFRS 9 due to the business model of holding the assets to collect contractual cash flows.

(c) Debt securities that were measured at FVTPL under IAS 39 were reclassified to the amortised cost measurement category under IFRS 9 due to the business model of holding the assets to collect contractual cash flows.

**3. Application of IFRS 9 Financial Instruments (continued)****3.3. IFRS 9 Opening balances (continued)**

(d) The reclassification relates largely to loans to customers that do not have contractual cash flows that are solely payments of principal and interest (SPPI) and thus have to be measured at FVPL, as described in chapter 3.1. IFRS 9 Accounting Policies.

(e) The IFRS 9 carrying amount as at 1 January 2018 includes IFRS 9 balance sheet line items with following carrying amounts in RON thousand:

- cash and cash balances 11,367,313 at Group level and 11,244,649 at Bank level;
- financial assets at amortised cost:
  - debt securities: 15,846,013 at Group level and 14,041,869 at Bank level;
  - loans and advance to banks: 2,198,897 at Group level and 2,403,874 at Bank level
  - loans and advances to customers: 33,422,884 at Group level and 31,950,672 at Bank level

(f) The reclassification from the available for sale category under IAS 39 to the fair value through profit or loss category under IFRS 9 relates to those investments in equity instruments that are not held for trading and that were not designated as measured at FVOCI upon the transition to IFRS 9.

(g) The amount includes IAS 39 balance sheet line items with following carrying amounts in RON thousands also at Group and individual levels:

- derivatives – held for trading: 41,449.
- other trading assets: 63,245; and
- financial assets - at fair value through profit or loss: 15,131.

(h) The IFRS 9 carrying amount as at 1 January 2018 includes IFRS 9 balance sheet line items with following carrying amounts in RON thousands:

- derivatives – held for trading: 41,449 at Group and also at Bank level ;
- other trading assets: 63,245 at Group and also at Bank level;
- non-trading financial assets at FVPL:
  - equity instruments: 21,663 at Group level and 21,430 at Bank level;
  - loans and advances to customers mandatorily at FVPL: 20,609 at Group and also at Bank level.

### 3. Application of IFRS 9 Financial Instruments (*continued*)

#### 3.3. IFRS 9 Opening balances (*continued*)

##### iii. Reconciliation of impairment allowances

The following table reconciles the amounts of loss allowances as at 31 December 2017 based on the IAS 39 incurred loss impairment model with the amounts as at 1 January 2018 subject to the IFRS 9 expected credit loss impairment model:

Reconciliation impairment allowances				Group
in RON thousand	31.12.2017 (IAS39/IAS37)	Reclassifications +/-	Remeasurement +/-	01.01.2018 (IFRS9)
Debt instruments at AC	(2,737,384)	264,761	(71,126)	(2,543,749)
Debt instruments at FVTOCI	-	-	(2,683)	(2,683)
Off balance-sheet exposures (loan commitments and guarantees given)	(351,257)	7	11,909	(339,341)
<b>Total</b>	<b>(3,088,641)</b>	<b>264,768</b>	<b>(61,900)</b>	<b>(2,885,773)</b>

  

Reconciliation impairment allowances				Bank
in RON thousand	31.12.2017 (IAS39/IAS37)	Reclassifications +/-	Remeasurement +/-	01.01.2018 (IFRS9)
Debt instruments at AC	(2,573,576)	274,985	(68,157)	(2,366,748)
Debt instruments at FVTOCI	-	-	(1,450)	(1,450)
Off balance-sheet exposures (loan commitments and guarantees given)	(351,158)	7	11,922	(339,229)
<b>Total</b>	<b>(2,924,734)</b>	<b>274,992</b>	<b>(57,685)</b>	<b>(2,707,427)</b>

The column "Reclassifications" relates to changes in impairment allowances due to differences in the scope of requirements between IFRS 9 and IAS 39. The decrease in impairment due to reclassifications amounting to RON 275 million for BCR Bank and RON 265 million for BCR Group relates mainly to:

- an increase of RON 282 million representing additional impairment allowances against credit-impaired loans ('Stage 3') in respect of interest receivables accruing after default not considering under IAS39 up to 31 December 2017, but were re-integrated in the on-balance gross carrying amounts of the related assets as of 1 January 2018 under IFRS9;
- a decrease of RON 499 million related to impairments of loans that were retrospectively identified as originated credit-impaired upon transition to IFRS 9. These impairments were included in the gross carrying amounts of the related assets as of 1 January 2018.

The column "Remeasurement" relates to changes in impairment allowances that were (under IAS 39 for financial assets and under IAS 37 for off-balance sheet credit risk bearing exposures) and continue to stay (under IFRS 9) in the impairment calculation scope. In this respect:

- the line 'Debt instruments at AC' captures differences in loss allowances for debt instruments measured at amortised cost under IFRS 9 that were previously classified as loans and receivables (other than trade and other receivables) and held-to-maturity in accordance with IAS 39;
- the line 'Debt instruments at FVOCI' reconciles the loss allowances for debt instruments measured at FVOCI under IFRS 9 that were classified as held-to-maturity.

As a result, the impairment remeasurements had a negative impact on the equity amounting to RON 57.7 million at individual level and RON 61.9 million at consolidated level. Overall, the re-classifications and remeasurements impairment effects driven by the application of IFRS 9 decreased the group equity by RON 51.2 million and the Bank equity by RON 48.5 million.

### 3. Application of IFRS 9 Financial Instruments (*continued*)

#### 3.3. IFRS 9 Opening balances (*continued*)

##### iv. Deferred tax effects upon transition to IFRS 9

The following table illustrates the effects of IFRS 9 on the carrying amount of deferred tax assets and deferred tax liabilities:

Deferred Tax Assets / Deferred Tax Liabilities				Group
in RON thousand	Closing balance as at 31.12.2017 (IAS39)	Opening balance as at 01.01.2018 (IFRS9)	Retained earnings effects +/-	OCI effects +/-
Changes in deferred tax assets	168,778	162,452	(2,654)	(3,671)
Changes in deferred tax liabilities	(25)	(7)	-	19

  

Deferred Tax Assets / Deferred Tax Liabilities				Bank
in RON thousand	Closing balance as at 31.12.2017 (IAS39)	Opening balance as at 01.01.2018 (IFRS9)	Retained earnings effects +/-	OCI effects +/-
Changes in deferred tax assets	157,361	151,869	(1,908)	(3,585)

#### 4. Cash and cash balances

in RON thousands	Group		Bank	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Cash on hand	5,169,668	4,712,308	5,149,106	4,694,799
Cash balances at central banks	4,570,254	5,977,112	4,453,922	5,895,099
Other demand deposits to credit institutions	173,524	679,924	144,367	655,489
<b>Cash and cash balances</b>	<b>9,913,446</b>	<b>11,369,344</b>	<b>9,747,395</b>	<b>11,245,387</b>

Mandatory reserve rates at 30 June 2018 were for RON 8% (December 2017: 8%) and for foreign currencies 8% (December 2017: 8%).

The liquidity surplus was used in the first half of the year to support the business growth (strong increase of loans for customers).

#### 5. Financial assets – available for sale under IAS 39

in RON thousands	Group		Bank	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
<b>Equity instruments</b>	-	242,422	-	242,190
<b>Debt securities</b>	-	6,357,528	-	5,904,802
General governments	-	6,357,528	-	5,904,802
<b>Total available-for-sale financial assets</b>	-	<b>6,599,950</b>	-	<b>6,146,992</b>

The decrease in equity instruments available for sale is due to sales of the participation in Visa in April 2018 and Mastercard in May 2018. This note shall be read in conjunction with Note 6 - Financial assets at fair value through other comprehensive income.

**6. Financial assets at fair value through other comprehensive income under IFRS 9**

in RON thousands	Credit loss allowances				Total CLA	Accumulated other fair value changes	Carrying amount	Group
	Gross carrying amount	Stage 1	Stage 2	Stage 3				
30.06.2018								
Equity instruments	40,594	-	-	-	-	-	40,594	
Debt securities	5,108,939	(3,669)	-	-	(3,669)	40,451	5,149,390	
Central banks	34,879	(1,491)	-	-	(1,491)	-	33,388	
General governments	5,074,060	(2,178)	-	-	(2,178)	40,451	5,112,333	
<b>Total</b>	<b>5,149,533</b>	<b>(3,669)</b>	<b>-</b>	<b>-</b>	<b>(3,669)</b>	<b>40,451</b>	<b>5,186,315</b>	

**Allowances for financial assets at fair value through other comprehensive income**

in RON thousands	As of	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	As of	Group
Debt securities										
Stage 1	(2,683)	(270)	351	(1,198)	197	-	-	(66)	(3,669)	
Central banks	-	-	-	(1,437)	-	-	-	(54)	(1,491)	
General governments	(2,683)	(270)	351	239	197	-	-	(12)	(2,178)	
<b>Total allowances for debt securities</b>	<b>(2,683)</b>	<b>(270)</b>	<b>351</b>	<b>(1,198)</b>	<b>197</b>	<b>-</b>	<b>-</b>	<b>(66)</b>	<b>(3,669)</b>	

**6. Financial assets at fair value through other comprehensive income (continued)**

in RON thousands	Gross carrying amount	Credit loss allowances			Total CLA	Accumulated other fair value changes	Carrying amount
		Stage 1	Stage 2	Stage 3			
30.06.2018							Bank
Equity instruments	40,594				-	-	40,594
Debt securities	5,073,935	(2,172)	-	-	(2,172)	40,451	5,114,386
General governments	5,073,935	(2,172)	-	-	(2,172)	40,451	5,112,214
<b>Total</b>	<b>5,114,529</b>	<b>(2,172)</b>	<b>-</b>	<b>-</b>	<b>(2,172)</b>	<b>40,451</b>	<b>5,152,808</b>

Allowances for financial assets at fair value through other comprehensive income

in RON thousands	As of	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	As of
Debt securities									Bank
Stage 1	(1,450)	(270)	351	(999)	197	-	-	(1)	(2,172)
General governments	(1,450)	(270)	351	(999)	197	-	-	(1)	(2,172)
<b>Total allowances for debt securities</b>	<b>(1,450)</b>	<b>(270)</b>	<b>351</b>	<b>(999)</b>	<b>197</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(2,172)</b>

## 7. Financial assets held to maturity under IAS 39

Group						
in RON thousands	Total assets (gross carrying amount)		Collective allowance		Carrying amount	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017
<b>Debt securities</b>	-	14,760,506	-	(3,612)	-	14,756,894
General governments	-	14,746,829	-	(3,612)	-	14,743,217
Credit institutions	-	13,677	-	-	-	13,677
<b>Total financial assets held to maturity</b>	-	<b>14,760,506</b>	-	<b>(3,612)</b>	-	<b>14,756,894</b>

Bank						
in RON thousands	Total assets (gross carrying amount)		Collective allowance		Carrying amount	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017
<b>Debt securities</b>	-	13,379,340	-	(3,612)	-	13,375,729
General governments	-	13,379,340	-	(3,612)	-	13,375,729
<b>Total financial assets held to maturity</b>	-	<b>13,379,340</b>	-	<b>(3,612)</b>	-	<b>13,375,729</b>

This note shall be read in conjunction with Note 10 - Financial assets at amortised cost.

## 8. Loans and receivables to credit institutions under IAS 39

31.12.2017					Group
in RON thousands	Total assets (gross carrying amount)	Specific allowances	Collective allowance	Carrying amount	
<b>Loans and receivables</b>	<b>2,221,261</b>	-	(6,148)	<b>2,215,113</b>	
Central banks	213	-	-	213	
Credit institutions placements	284,612	-	(6,148)	278,464	
Credit institutions reverse sale and repurchase agreements	1,936,436	-	-	1,936,436	
<b>Total loans and receivables to credit institutions</b>	<b>2,221,261</b>	-	<b>(6,148)</b>	<b>2,215,113</b>	

31.12.2017					Bank
in RON thousands	Total assets (gross carrying amount)	Specific allowances	Collective allowance	Carrying amount	
<b>Loans and receivables</b>	<b>2,426,183</b>	-	(6,148)	<b>2,420,035</b>	
Central banks	213	-	-	213	
Credit institutions placements	489,534	-	(6,148)	483,386	
Credit institutions reverse sale and repurchase agreements	1,936,436	-	-	1,936,436	
<b>Total loans and receivables to credit institutions</b>	<b>2,426,183</b>	-	<b>(6,148)</b>	<b>2,420,035</b>	

## 8. Loans and receivables to credit institutions *(continued)*

The movements in allowances for loans and receivables to credit institutions are presented below:

	31.12.2017						Group
in RON thousands	Opening balance	Allocations	Uses	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance
<b>Collective allowances</b>							
Loans and receivables	(4,636)	(1,399)	-	-	-	(113)	(6,148)
Credit institutions	(4,636)	(1,399)	-	-	-	(113)	(6,148)
<b>Total</b>	<b>(4,636)</b>	<b>(1,399)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(113)</b>	<b>(6,148)</b>

	31.12.2017						Bank
in RON thousands	Opening balance	Allocations	Uses	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance
<b>Collective allowances</b>							
Loans and receivables	(4,636)	(1,399)	-	-	-	(113)	(6,148)
Credit institutions	(4,636)	(1,399)	-	-	-	(113)	(6,148)
<b>Total</b>	<b>(4,636)</b>	<b>(1,399)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(113)</b>	<b>(6,148)</b>

This note shall be read in conjunction with Note 10 - Financial assets at amortised cost

## 9. Loans and receivables to customers under IAS 39

	31.12.2017			Group
in RON thousands	Total assets (gross carrying amount)	Specific allowances	Collective allowance	Carrying amount
<b>Loans and receivables</b>	<b>36,218,506</b>	<b>(2,089,901)</b>	<b>(637,722)</b>	<b>33,490,883</b>
General governments	3,517,329	(7,452)	(21,913)	3,487,964
Other financial corporations	271,441	(31,158)	(3,969)	236,314
Non-financial corporations	12,395,068	(1,037,427)	(374,968)	10,982,673
Households	20,034,668	(1,013,864)	(236,872)	18,783,932
<b>Total loans and receivables to customers</b>	<b>36,218,506</b>	<b>(2,089,901)</b>	<b>(637,722)</b>	<b>33,490,883</b>

	31.12.2017			Bank
in RON thousands	Total assets (gross carrying amount)	Specific allowances	Collective allowance	Carrying amount
<b>Loans and receivables</b>	<b>34,584,123</b>	<b>(1,953,888)</b>	<b>(609,929)</b>	<b>32,020,306</b>
General governments	3,517,329	(7,452)	(21,911)	3,487,876
Other financial corporations	530,275	(31,032)	(3,822)	495,421
Non-financial corporations	10,808,753	(987,255)	(349,804)	9,471,694
Households	19,727,856	(928,149)	(234,392)	18,565,315
<b>Total loans and receivables to customers</b>	<b>34,584,123</b>	<b>(1,953,888)</b>	<b>(609,929)</b>	<b>32,020,306</b>

This note shall be read in conjunction with Note 10 - Financial assets at amortised cost

## 9. Loans and receivables to customers (continued)

The movements in allowances for loans and receivables to customers are presented below:

in RON thousands	31.12.2017							Group Direct write-offs of loans and receivables	
	Opening balance (-)	Allocations	Uses	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance (-)		Recoveries on written-off loans and sale of loans
<b>Specific allowances</b>									
Loans and receivables	(2,993,897)	(592,363)	1,037,328	631,952	47,090	(220,011)	(2,089,901)	90,491	(135,704)
General governments	(24,687)	(552)	-	19,055	680	(1,948)	(7,452)	164	-
Other financial corporations	(22,553)	(9,284)	435	767	494	(1,017)	(31,158)	-	-
Non-financial corporations	(1,809,316)	(318,434)	873,019	351,905	25,159	(159,760)	(1,037,427)	77,208	(132,562)
Households	(1,137,341)	(264,093)	163,874	260,225	20,757	(57,286)	(1,013,864)	13,119	(3,142)
<b>Collective allowances</b>									
Loans and receivables	(599,550)	(147,186)	-	122,494	-	(13,480)	(637,722)	-	-
General governments	(27,458)	-	-	6,212	-	(667)	(21,913)	-	-
Other financial corporations	(6,478)	(90)	-	2,752	-	(153)	(3,969)	-	-
Non-financial corporations	(235,051)	(146,134)	-	11,339	-	(5,122)	(374,968)	-	-
Households	(330,563)	(962)	-	102,191	-	(7,538)	(236,872)	-	-
<b>Total</b>	<b>(3,593,447)</b>	<b>(739,549)</b>	<b>1,037,328</b>	<b>754,446</b>	<b>47,090</b>	<b>(233,491)</b>	<b>(2,727,623)</b>	-	-
<b>Bank</b>									
<b>31.12.2017</b>									
in RON thousands	Opening balance (-)	Allocations	Uses	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance (-)	Recoveries on written-off loans and sale of loans	Direct write-offs of loans and receivables
<b>Specific allowances</b>									
Loans and receivables	(2,793,616)	(530,035)	933,863	493,806	46,609	(104,515)	(1,953,888)	60,469	(25,460)
General governments	(24,687)	(552)	-	19,055	680	(1,948)	(7,452)	164	-
Other financial corporations	(22,057)	(9,240)	115	673	494	(1,017)	(31,032)	-	-
Non-financial corporations	(1,723,092)	(257,847)	808,709	216,278	24,776	(56,079)	(987,255)	52,294	(22,467)
Households	(1,023,780)	(262,396)	125,039	257,800	20,659	(45,471)	(928,149)	8,011	(2,993)
<b>Collective allowances</b>									
Loans and receivables	(576,546)	(129,636)	-	110,253	-	(14,000)	(609,929)	-	-
General governments	(27,454)	-	-	6,210	-	(667)	(21,911)	-	-
Other financial corporations	(6,353)	-	-	2,685	-	(154)	(3,822)	-	-
Non-financial corporations	(214,948)	(129,636)	-	1	-	(5,221)	(349,804)	-	-
Households	(327,791)	-	-	101,357	-	(7,958)	(234,392)	-	-
<b>Total</b>	<b>(3,370,162)</b>	<b>(659,671)</b>	<b>933,863</b>	<b>604,059</b>	<b>46,609</b>	<b>(118,515)</b>	<b>(2,563,817)</b>	-	-

The Bank presents in the Transparency Report (Pillar III Report) detailed disclosures related to credit risk (i.e. concentrations, collateralised exposures, etc).

## 10. Financial assets at amortised cost under IFRS 9

in RON thousands	Gross carrying amount	Credit loss allowances				Total CLA	Carrying amount
		Stage 1	Stage 2	Stage 3	POCI		
<b>Debt securities</b>	<b>16,084,989</b>	<b>(9,611)</b>	<b>(1,085)</b>	<b>(1,597)</b>	<b>-</b>	<b>(12,293)</b>	<b>16,072,696</b>
General governments	16,084,989	(9,611)	(1,085)	(1,597)	-	(12,293)	16,072,696
<b>Loans and advances to banks</b>	<b>1,308,209</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(4)</b>	<b>1,308,205</b>
Central banks	312	-	-	-	-	-	312
Credit institutions	1,307,897	-	-	(4)	-	(4)	1,307,893
<b>Loans and advances to customers</b>	<b>37,372,156</b>	<b>(139,724)</b>	<b>(486,266)</b>	<b>(1,549,201)</b>	<b>(221,970)</b>	<b>(2,397,161)</b>	<b>34,974,995</b>
General governments	3,361,020	(2,247)	(77,897)	(7,572)	(1,063)	(88,779)	3,272,241
Other financial corporations	300,100	(952)	(55)	(16,195)	-	(17,202)	282,898
Non-financial corporations	12,236,643	(83,294)	(217,703)	(665,924)	(36,329)	(1,003,250)	11,233,393
Households	21,474,393	(53,231)	(190,611)	(859,510)	(184,578)	(1,287,930)	20,186,463
<b>Total</b>	<b>54,765,354</b>	<b>(149,335)</b>	<b>(487,351)</b>	<b>(1,550,802)</b>	<b>(221,970)</b>	<b>(2,409,458)</b>	<b>52,355,896</b>

in RON thousands	Gross carrying amount	Credit loss allowances				Total CLA	Carrying amount
		Stage 1	Stage 2	Stage 3	POCI		
<b>Debt securities</b>	<b>14,254,578</b>	<b>(6,249)</b>	<b>(1,085)</b>	<b>(1,597)</b>	<b>-</b>	<b>(8,931)</b>	<b>14,245,647</b>
General governments	14,254,578	(6,249)	(1,085)	(1,597)	-	(8,931)	14,245,647
<b>Loans and advances to banks</b>	<b>1,518,768</b>	<b>(2,897)</b>	<b>(7)</b>	<b>(4)</b>	<b>-</b>	<b>(2,908)</b>	<b>1,515,860</b>
Central banks	312	-	-	-	-	0	312
Credit institutions	1,518,456	(2,897)	(7)	(4)	-	(2,908)	1,515,548
<b>Loans and advances to customers</b>	<b>35,606,468</b>	<b>(124,175)</b>	<b>(481,685)</b>	<b>(1,401,393)</b>	<b>(221,950)</b>	<b>(2,229,203)</b>	<b>33,377,265</b>
General governments	3,360,207	(2,245)	(77,897)	(7,572)	(1,063)	(88,777)	3,271,430
Other financial corporations	573,682	(2,148)	(55)	(16,096)	-	(18,299)	555,383
Non-financial corporations	10,522,189	(67,869)	(213,533)	(609,033)	(36,329)	(926,764)	9,595,425
Households	21,150,390	(51,913)	(190,200)	(768,692)	(184,558)	(1,195,363)	19,955,027
<b>Total</b>	<b>51,379,814</b>	<b>(133,321)</b>	<b>(482,777)</b>	<b>(1,402,994)</b>	<b>(221,950)</b>	<b>(2,241,042)</b>	<b>49,138,772</b>

**10. Financial assets at amortised cost (continued)**

The movements in allowances for financial assets at amortised cost – **debt securities** are presented below:

in RON thousands	As of	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	As of	Group
	01.01.2018								30.06.2018	
<b>Stage 1</b>	<b>(6,644)</b>	<b>(147)</b>	<b>428</b>	<b>(3,140)</b>	<b>5</b>	-	-	<b>(113)</b>	<b>(9,611)</b>	
Central banks	(610)	-	-	(3)	1	-	-	612	0	
General governments	(6,034)	(147)	428	(3,137)	4	-	-	(725)	(9,611)	
<b>Stage 2</b>	<b>(1,245)</b>	<b>0</b>	<b>0</b>	<b>478</b>	<b>(320)</b>	-	-	<b>2</b>	<b>(1,085)</b>	
General governments	(1,245)	0	0	478	(320)	-	-	2	(1,085)	
<b>Stage 3</b>	<b>(1,493)</b>	<b>0</b>	<b>0</b>	<b>(104)</b>	<b>0</b>	-	-	<b>0</b>	<b>(1,597)</b>	
General governments	(1,493)	0	0	(104)	0	-	-	0	(1,597)	
<b>Total allowances for debt securities</b>	<b>(9,382)</b>	<b>(147)</b>	<b>428</b>	<b>(2,766)</b>	<b>(315)</b>	-	-	<b>(111)</b>	<b>(12,293)</b>	

in RON thousands	As of	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	As of	Bank
	01.01.2018								30.06.2018	
<b>Stage 1</b>	<b>(4,132)</b>	<b>(146)</b>	<b>428</b>	<b>(2,401)</b>	<b>4</b>	-	-	<b>(2)</b>	<b>(6,249)</b>	
General governments	(4,132)	(146)	428	(2,401)	4	-	-	(2)	(6,249)	
<b>Stage 2</b>	<b>(1,241)</b>	<b>-</b>	<b>-</b>	<b>476</b>	<b>(320)</b>	-	-	<b>-</b>	<b>(1,085)</b>	
General governments	(1,241)	-	-	476	(320)	-	-	-	(1,085)	
<b>Stage 3</b>	<b>(1,493)</b>	<b>-</b>	<b>-</b>	<b>(104)</b>	<b>-</b>	-	-	<b>-</b>	<b>(1,597)</b>	
General governments	(1,493)	-	-	(104)	-	-	-	-	(1,597)	
<b>Total allowances for debt securities</b>	<b>(6,866)</b>	<b>(146)</b>	<b>428</b>	<b>(2,029)</b>	<b>(316)</b>	-	-	<b>(2)</b>	<b>(8,931)</b>	

**10. Financial assets at amortised cost (continued)**

The movements in allowances for financial assets at amortised cost – loans and advances to banks are presented below:

in RON thousands	Group								
	As of	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	As of
As of	01.01.2018								30.06.2018
Stage 1	(3,066)	(1,948)	3,428	1,139	466	1	-	(20)	-
Central banks	(407)	-	-	-	410	-	-	(3)	-
Credit institutions	(2,659)	(1,948)	3,428	1,139	56	1	-	(17)	-
Stage 2	-	(1,059)	1,060	(1)	-	-	-	-	-
Credit institutions	-	(1,059)	1,060	(1)	-	-	-	-	-
Stage 3	-	-	-	(4)	-	-	-	-	(4)
Credit institutions	-	-	-	(4)	-	-	-	-	(4)
<b>Total allowances for loans and advances to banks</b>	<b>(3,066)</b>	<b>(3,007)</b>	<b>4,488</b>	<b>1,134</b>	<b>466</b>	<b>1</b>	<b>-</b>	<b>(20)</b>	<b>(4)</b>

in RON thousands	Bank								
	As of	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	As of
As of	01.01.2018								30.06.2018
Stage 1	(1,773)	(1,948)	3,428	(2,652)	56	1	-	(9)	(2,897)
Credit institutions	(1,773)	(1,948)	3,428	(2,652)	56	1	-	(9)	(2,897)
Stage 2	-	(1,059)	1,060	(1)	(7)	-	-	-	(7)
Credit institutions	-	(1,059)	1,060	(1)	(7)	-	-	-	(7)
Stage 3	-	-	-	(4)	-	-	-	-	(4)
Credit institutions	-	-	-	(4)	-	-	-	-	(4)
<b>Total allowances for loans and advances to banks</b>	<b>(1,773)</b>	<b>(3,007)</b>	<b>4,488</b>	<b>(2,657)</b>	<b>49</b>	<b>1</b>	<b>-</b>	<b>(9)</b>	<b>(2,908)</b>

**10. Financial assets at amortised cost (continued)**

The movements in allowances for financial assets at amortised cost – loans and advances to customers are presented below:

in RON thousands	As of	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	As of	Group
As of	01.01.2018								30.06.2018	
<b>Stage 1</b>	<b>(141,204)</b>	<b>(33,253)</b>	<b>13,841</b>	<b>14,995</b>	<b>(493)</b>	<b>122</b>	<b>277</b>	<b>5,991</b>	<b>(139,724)</b>	
General governments	(1,910)	(117)	103	(382)	61	-	-	(2)	(2,247)	
Other financial corporations	(729)	(66)	27	(171)	(13)	-	-	-	(952)	
Non-financial corporations	(88,152)	(18,779)	11,811	7,543	(1,767)	34	23	5,993	(83,294)	
Households	(50,413)	(14,291)	1,900	8,005	1,226	88	254	-	(53,231)	
<b>Stage 2</b>	<b>(508,493)</b>	<b>(21,828)</b>	<b>29,257</b>	<b>18,123</b>	<b>(7,093)</b>	<b>87</b>	<b>343</b>	<b>3,338</b>	<b>(486,266)</b>	
General governments	(85,494)	(8)	140	7,488	(24)	-	-	1	(77,897)	
Other financial corporations	(19)	(39)	2	45	(43)	-	-	(1)	(55)	
Non-financial corporations	(230,241)	(21,235)	23,094	5,558	1,545	30	158	3,388	(217,703)	
Households	(192,739)	(546)	6,021	5,032	(8,571)	57	185	(50)	(190,611)	
<b>Stage 3</b>	<b>(1,595,124)</b>	<b>(1,497)</b>	<b>133,492</b>	<b>(17,645)</b>	<b>(89,252)</b>	<b>1,489</b>	<b>30,935</b>	<b>(11,599)</b>	<b>(1,549,201)</b>	
General governments	(4,814)	(25)	-	948	(3,681)	-	-	-	(7,572)	
Other financial corporations	(21,163)	-	-	4,974	1	-	-	(7)	(16,195)	
Non-financial corporations	(747,360)	(402)	113,799	(7,247)	(47,769)	1,668	21,710	(323)	(665,924)	
Households	(821,787)	(1,070)	19,693	(16,320)	(37,803)	(179)	9,225	(11,269)	(859,510)	
<b>POCI</b>	<b>(286,482)</b>	<b>(347)</b>	<b>85,200</b>	<b>(19,681)</b>	<b>-</b>	<b>4</b>	<b>978</b>	<b>(1,642)</b>	<b>(221,970)</b>	
General governments	(2,066)	-	-	1,003	-	-	-	-	(1,063)	
Other financial corporations	(3)	-	4	(1)	-	-	-	-	-	
Non-financial corporations	(99,979)	(344)	82,770	(17,654)	-	3	422	(1,547)	(36,329)	
Households	(184,434)	(3)	2,426	(3,029)	-	1	556	(95)	(184,578)	
<b>Total allowances for loans and advances to customers</b>	<b>(2,531,303)</b>	<b>(56,925)</b>	<b>261,790</b>	<b>(4,208)</b>	<b>(96,838)</b>	<b>1,702</b>	<b>32,533</b>	<b>(3,912)</b>	<b>(2,397,161)</b>	

**10. Financial assets at amortised cost (continued)**

The movements in allowances for financial assets at amortised cost – loans and advances to customers are presented below (continued):

in RON thousands	As of	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	As of	Bank
<b>Stage 1</b>		<b>(27,184)</b>	<b>13,691</b>	<b>6,011</b>	<b>4,339</b>	<b>111</b>	<b>192</b>	<b>(82)</b>		
General governments	(1,910)	(117)	103	(382)	61	-	-	-	(2,245)	
Other financial corporations	(664)	(33)	27	(1,465)	(13)	-	-	-	(2,148)	
Non-financial corporations	(69,541)	(13,095)	11,736	6	3,066	34	-	(75)	(67,869)	
Households	(49,138)	(13,939)	1,825	7,852	1,225	77	192	(7)	(51,913)	
<b>Stage 2</b>	<b>(504,715)</b>	<b>(21,638)</b>	<b>29,243</b>	<b>17,387</b>	<b>(2,112)</b>	<b>76</b>	<b>199</b>	<b>(125)</b>	<b>(481,685)</b>	
General governments	(85,494)	-	140	7,481	(24)	-	-	-	(77,897)	
Other financial corporations	(8)	-	1	(2)	(46)	-	-	-	(55)	
Non-financial corporations	(227,068)	(21,105)	23,083	4,973	6,615	30	15	(76)	(213,533)	
Households	(192,145)	(533)	6,019	4,935	(8,657)	46	184	(49)	(190,200)	
<b>Stage 3</b>	<b>(1,445,681)</b>	<b>(1,106)</b>	<b>130,895</b>	<b>(16,017)</b>	<b>(89,654)</b>	<b>1,471</b>	<b>20,213</b>	<b>(1,514)</b>	<b>(1,401,393)</b>	
General governments	(4,814)	(25)	-	948	(3,681)	-	-	-	(7,572)	
Other financial corporations	(21,036)	-	-	4,945	1	1	-	(7)	(16,096)	
Non-financial corporations	(892,963)	(109)	113,437	(5,632)	(48,404)	1,668	13,354	9,616	(609,033)	
Households	(726,868)	(972)	17,458	(16,278)	(37,570)	(198)	6,859	(1,123)	(768,692)	
<b>POCI</b>	<b>(286,461)</b>	<b>(347)</b>	<b>85,200</b>	<b>(19,682)</b>	<b>-</b>	<b>4</b>	<b>978</b>	<b>(1,642)</b>	<b>(221,950)</b>	
General governments	(2,066)	-	-	1,003	-	-	-	-	(1,063)	
Other financial corporations	(3)	-	4	(1)	-	-	-	-	-	
Non-financial corporations	(99,979)	(344)	82,770	(17,654)	-	3	422	(1,547)	(36,329)	
Households	(184,413)	(3)	2,426	(3,030)	-	1	556	(95)	(184,568)	
<b>Total allowances for loans and advances to customers</b>	<b>(2,358,110)</b>	<b>(50,275)</b>	<b>259,029</b>	<b>(12,301)</b>	<b>(87,427)</b>	<b>1,662</b>	<b>21,582</b>	<b>(3,363)</b>	<b>(2,229,203)</b>	

## 11. Deposits from banks

in RON thousands	Group		Bank	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Current accounts / overnight deposits	541,487	333,238	470,102	372,547
Term deposits from other banks	2,256,261	2,914,212	2,246,498	2,753,919
Borrowings and financing lines	2,155,927	2,064,340	745,743	838,133
Subordinated loans	1,821,531	2,371,499	1,821,531	2,371,499
Repurchase agreements	-	142,901	779,749	1,053,535
<b>Deposits from banks</b>	<b>6,775,206</b>	<b>7,826,190</b>	<b>6,063,623</b>	<b>7,389,633</b>

Financing lines in amount of EUR 19,748 thousands, long term deposits of EUR 100,000 thousands and subordinated loans in amount of RON 550,000 thousands were repaid during first half of 2018 by the Bank. At group level, EUR 80,000 thousands were drawn (by subsidiaries) and were repaid EUR 167,500 thousands and RON 556,000 thousands.

## 12. Deposits from customers

in RON thousands	Group		Bank	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Overnight deposits	23,340,495	23,056,904	23,282,179	22,955,415
Savings deposits	1,953	1,985	-	-
Households	1,953	1,985	-	-
Non-savings deposits	23,338,542	23,054,919	23,282,179	22,955,415
General governments	1,242,599	1,516,554	1,242,599	1,516,554
Other financial corporations	717,920	644,438	671,967	562,998
Non-financial corporations	8,473,309	9,092,325	8,487,111	9,092,325
Households	12,904,714	11,801,602	12,880,502	11,783,538
Term deposits	29,141,108	29,439,158	26,715,195	26,929,743
Savings deposits	2,553,190	2,685,715	-	-
Other financial corporations	49,445	34,716	-	-
Households	2,503,745	2,650,999	-	-
Non-savings deposits	26,587,918	26,753,443	26,715,195	26,929,743
General governments	2,462,781	2,661,135	2,462,781	2,661,135
Other financial corporations	1,002,390	1,156,122	1,104,633	1,275,982
Non-financial corporations	6,313,282	5,990,652	6,338,317	6,047,091
Households	16,809,465	16,945,534	16,809,464	16,945,535
<b>Deposits from customers</b>	<b>52,481,603</b>	<b>52,496,062</b>	<b>49,997,374</b>	<b>49,885,158</b>
General governments	3,705,380	4,177,689	3,705,380	4,177,689
Other financial corporations	1,769,755	1,835,276	1,776,600	1,838,980
Non-financial corporations	14,786,591	15,082,977	14,825,428	15,139,416
Households	32,219,877	31,400,120	29,689,966	28,729,073

### 13. Debt securities issued

in RON thousands	Group		Bank	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Subordinated issues	-	64,839	-	64,839
Other debt securities issued	447,404	474,809	447,404	474,809
Bonds	447,404	474,809	447,404	474,809
<b>Debt securities issued</b>	<b>447,404</b>	<b>539,648</b>	<b>447,404</b>	<b>539,648</b>

As of 30 June 2018, the outstanding nominal amount of subordinated bonds issued by the Bank decreased due to matured bonds.

### 14. Provisions

in RON thousands	Group		Bank	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Long-term employee provisions	44,903	42,617	44,789	42,503
Pending legal issues	686,572	784,050	654,395	744,220
Commitments and guarantees given	384,332	351,257	388,828	351,158
Provisions for commitments and financial guarantees in Stage 1	31,066	-	35,561	-
Provisions for commitments and financial guarantees in Stage 2	110,457	-	110,457	-
Provisions for commitments and financial guarantees - Defaulted	242,809	-	242,810	-
Provisions for commitments and financial guarantees in Stage 3	239,825	-	239,825	-
Provisions for commitments and financial guarantees - POCI	2,984	-	2,984	-
Provisions for commitments and financial guarantees - defaulted customers	-	264,423	-	264,422
Provisions for commitments and financial guarantees - non defaulted customers	-	86,834	-	86,736
Other provisions	12,232	14,641	10,808	11,744
<b>Provisions</b>	<b>1,128,039</b>	<b>1,192,565</b>	<b>1,098,820</b>	<b>1,149,625</b>

**15. Net interest income**

in RON thousands	Group		Bank	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
<b>Interest and other similar income</b>				
Financial assets at amortised cost	1,115,123	1,016,938	1,041,821	950,377
Financial assets measured at fair value through other comprehensive income	71,500	81,798	70,450	65,567
<b>Interest income</b>	<b>1,186,623</b>	<b>1,098,736</b>	<b>1,112,271</b>	<b>1,015,944</b>
Non-trading financial assets at fair value through profit or loss	393	-	393	-
Financial assets - held for trading	16,005	18,205	16,005	18,205
Other assets and negative interest from financial liabilities	5,713	3,800	4,683	3,078
<b>Other similar income</b>	<b>22,111</b>	<b>22,005</b>	<b>21,081</b>	<b>21,283</b>
<b>Total interest and other similar income</b>	<b>1,208,734</b>	<b>1,120,741</b>	<b>1,133,352</b>	<b>1,037,227</b>
<b>Interest and other similar expense</b>				
Financial liabilities measured at amortised cost	(235,186)	(231,384)	(205,959)	(193,455)
<b>Interest expenses</b>	<b>(235,186)</b>	<b>(231,384)</b>	<b>(205,959)</b>	<b>(193,455)</b>
Financial liabilities - held for trading	(7,519)	(8,346)	(7,519)	(8,346)
Other liabilities	(3,657)	(2,283)	(3,153)	(2,274)
Negative Interest from financial assets	(41)	-	(41)	-
<b>Other similar expenses</b>	<b>(11,217)</b>	<b>(10,629)</b>	<b>(10,713)</b>	<b>(10,620)</b>
<b>Total Interest and other similar expense</b>	<b>(246,403)</b>	<b>(242,013)</b>	<b>(216,672)</b>	<b>(204,075)</b>
<b>Net interest income</b>	<b>962,331</b>	<b>878,728</b>	<b>916,680</b>	<b>833,152</b>
<b>Thereof: interest-income on credit impaired financial assets</b>	<b>18,009</b>	<b>26,072</b>	<b>17,974</b>	<b>25,793</b>

## 16. Net fees and commissions income

in RON thousands	Group		Bank	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Securities	2,795	2,612	2,795	2,612
Clearing and settlement	(3,062)	(4,486)	(3,003)	(4,486)
Asset management	19,169	16,031	-	-
Custody	5,830	6,161	6,621	6,741
Payment services	221,508	210,304	220,214	209,741
Card business	25,737	24,613	25,224	24,269
Other	195,771	185,691	194,990	185,472
Customer resources distributed but not managed	63,080	64,349	61,385	64,041
Insurance products	33,776	30,818	29,486	28,987
Foreign exchange transactions	9,732	7,343	9,732	7,343
Other	19,572	26,188	22,167	27,711
Lending business	38,370	43,192	42,049	46,968
Guarantees given, guarantees received	12,492	10,352	14,074	10,352
Loan commitments given, loan commitments received	8,817	9,452	8,869	11,431
Other lending business	17,061	23,388	19,106	25,185
Other	1,752	21,032	(3,033)	(377)
<b>Net fee and commission income</b>	<b>349,442</b>	<b>338,877</b>	<b>327,028</b>	<b>320,373</b>

## 17. Net trading and fair value result

in RON thousands	Group		Bank	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
<b>Net Trading Result</b>				
Securities and derivatives trading	44,959	33,727	44,959	33,762
Foreign exchange transactions	120,445	159,897	140,872	133,720
Foreign currency transaction	20,669	(5,509)	(2,628)	17,061
<b>Net Trading Result</b>	<b>186,073</b>	<b>188,115</b>	<b>183,203</b>	<b>184,543</b>

**18. General administrative expenses**

in RON thousands	Group		Bank	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
<b>Personnel expenses</b>	<b>(378,340)</b>	<b>(343,044)</b>	<b>(334,255)</b>	<b>(307,393)</b>
Wages and salaries	(347,733)	(263,824)	(308,200)	(236,614)
Compulsory social security (i)	(11,158)	(60,511)	(9,349)	(53,951)
Long-term employee provisions	(2,188)	(2,010)	(2,069)	(1,948)
Other personnel expenses	(17,261)	(16,699)	(14,637)	(14,880)
<b>Other administrative expenses</b>	<b>(330,571)</b>	<b>(273,367)</b>	<b>(333,934)</b>	<b>(283,908)</b>
Deposit insurance contribution	(20,194)	(10,130)	(16,808)	(8,854)
IT expenses	(107,951)	(75,445)	(104,755)	(72,656)
Expenses for office space (ii)	(81,496)	(62,687)	(77,117)	(58,435)
Office operating expenses	(46,579)	(51,673)	(69,591)	(78,231)
Advertising/marketing	(26,749)	(17,479)	(25,811)	(16,734)
Legal and consulting costs	(20,977)	(21,096)	(18,892)	(19,598)
Sundry administrative expenses	(26,625)	(34,857)	(20,960)	(29,400)
<b>Depreciation and amortisation</b>	<b>(91,778)</b>	<b>(93,241)</b>	<b>(64,231)</b>	<b>(70,011)</b>
Software and other intangible assets	(27,505)	(34,055)	(25,954)	(32,567)
Owner occupied real estate	(17,483)	(20,668)	(17,109)	(20,122)
Investment properties	(1,887)	-	(1,887)	-
Office furniture and equipment and sundry property and equipment	(44,903)	(38,518)	(19,281)	(17,322)
<b>General administrative expenses</b>	<b>(800,689)</b>	<b>(709,652)</b>	<b>(732,420)</b>	<b>(661,312)</b>

The Group number of employees at 30 June 2018 was 7,200 (31 December 2017: 7,265).

- (i) Starting with 2018, the social contributions are paid by the employees and not by the employer.
- (ii) The expenses for office space increased versus 2017 due to new Head Office building.

The key management remuneration paid during first half of 2018 and first half of 2017 is presented below:

in RON thousands	30.06.2018		30.06.2017	
	(Gross amount)	(Employer taxes)	(Gross amount)	(Employer taxes)
<b>Short-term employee benefits</b>	<b>9,388</b>	<b>157</b>	<b>7,111</b>	<b>1,215</b>
- fixed component	4,234	80	3,336	452
- variable component (incl. deferred from previous years)	5,154	77	3,775	763

**19. Net impairment loss on financial assets not measured at fair value through profit or loss**

in RON thousands	Group		Bank	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Financial assets at fair value through other comprehensive income	(921)	(566)	(722)	(566)
Financial assets at amortised cost	71,149	(61,056)	69,097	(55,404)
Net allocation to risk provisions	70,144	20,888	64,414	(61,128)
Direct write-offs	(28,358)	(102,051)	(12,122)	(3,081)
Recoveries recorded directly to the income statement	31,214	20,107	18,654	8,805
Modification gains or losses	(1,851)	-	(1,849)	-
Net allocation of provisions for commitments and guarantees given (i)	(40,097)	-	(44,705)	-
<b>Net impairment loss on financial instruments</b>	<b>30,131</b>	<b>(61,622)</b>	<b>23,670</b>	<b>(55,970)</b>

(i) Starting with 2018, the net allocation of provisions for commitments and guarantees given are presented in the line "Other operating results".

**20. Other operating results**

in RON thousands	Group		Bank	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
<b>Other income, of which:</b>	<b>243,788</b>	<b>54,584</b>	<b>186,077</b>	<b>53,095</b>
Other provisions - net release/ (allocation)	101,136	-	90,782	-
Gains on other assets	73,959	6,804	49,834	12,149
Other income	68,693	47,780	45,461	40,946
<b>Other expense, of which:</b>	<b>(204,452)</b>	<b>(240,616)</b>	<b>(153,124)</b>	<b>(265,681)</b>
Other provisions - net release/ (allocation)	-	(39,093)	-	(33,864)
Losses on other assets	(56,480)	(11,566)	(30,817)	(11,566)
Off balance sheet provisions - net release/ (allocation) (i)	-	(12,988)	-	(12,964)
Impairment of subsidiaries	-	-	-	(50,400)
Impairment of tangible and intangible assets	3,193	(3,955)	(7)	-
Recovery and resolution fund	(25,403)	(64,951)	(25,403)	(64,951)
Other taxes	(14,451)	(10,398)	(7,690)	(7,652)
Other expenses	(111,311)	(97,665)	(89,207)	(84,284)
<b>Total</b>	<b>39,336</b>	<b>(186,032)</b>	<b>32,953</b>	<b>(212,586)</b>

(i) See comment from note 19 Net impairment loss on financial assets not measured at fair value through profit or loss

## 21. Taxes on income

in RON thousands	Group		Bank	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
<b>Current tax expense/income</b>	<b>(103,032)</b>	<b>(6,957)</b>	<b>(102,703)</b>	<b>(6,288)</b>
Current period	(103,032)	(6,957)	(102,703)	(6,288)
<b>Deferred tax expense/income</b>	<b>(12,586)</b>	<b>(171,257)</b>	<b>(12,273)</b>	<b>(169,813)</b>
Current period	(12,586)	(171,257)	(12,273)	(169,813)
<b>Taxes on income</b>	<b>(115,618)</b>	<b>(178,214)</b>	<b>(114,976)</b>	<b>(176,101)</b>

  

in RON thousands	Group		Bank	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
<b>Pre-tax profit/(loss)</b>	<b>812,619</b>	<b>482,301</b>	<b>771,861</b>	<b>434,089</b>
Income tax expense for the financial year at the domestic statutory tax rate (16%)	(123,970)	(77,168)	(123,498)	(69,454)
Impact of tax-exempt earnings of investments and other tax-exempt income	79,829	(50,189)	79,625	(41,015)
Tax increases due to non-deductible expenses, additional business tax and similar elements	(64,499)	59,066	(64,391)	50,470
Impact of other elements and deferred tax income/ (expense)	(12,586)	(109,923)	(12,273)	(116,102)
Tax expense not attributable to the reporting period	5,608	-	5,561	-
<b>Income tax (expense) / release reported in the income statement</b>	<b>(115,618)</b>	<b>(178,214)</b>	<b>(114,976)</b>	<b>(176,101)</b>
<b>The effective tax rate</b>	<b>14.23%</b>	<b>36.95%</b>	<b>14.90%</b>	<b>40.57%</b>

During the period 03 May 2016 – 09 June 2017, BCR was subject to a tax audit with the purpose of verifying the corporate income tax and value added tax related to the period 01 January 2012 – 31 December 2015. Following this tax audit, additional tax obligations were considered by the Fiscal Authorities and were accounted as such for the period ended 30 June 2017, even if the Bank will challenge this decision in the near future.

Due to the fact that BCR requested deductibility for expenses with impairment of subsidiaries, the deferred tax asset previously recognized for temporary differences was reversed as at 30 June 2017. However, the Bank's assessment is that the deductibility for expenses with impairment of subsidiaries will be obtained, therefore an asset for tax was recognised.

## 22. Segment reporting

The segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced.

The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For management purposes, the Bank is organized into the following business segments:

### A. Retail

The Group provides individuals and micro clients with a range of financial products and services, including lending (consumer loans, vehicles purchase, personal needs, mortgages, overdrafts, credit cards facilities and funds transfer facilities), savings and deposit taking business, payment services and securities business.

## 22. Segment reporting (*continued*)

### B. Corporate

Within corporate banking, the Group provides corporations, real estate and large corporate clients with a range of financial products and services, including lending and deposit taking, providing cash management, foreign commercial business, leasing, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions.

Principal activity is of handling loans, other credit facilities, deposits, and current accounts for corporate and institutional customers, investment banking services and financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group.

The main Corporate segments are:

#### a. SME, comprising:

- Companies with yearly turnover between EUR 1 mio - EUR 50 mio and a consolidated T/O < EUR 500 mio
- Companies part of a domestic group with at least one company with individual yearly turnover between EUR 1 mio - EUR 50 mio
- Companies part of an international group with at least one company with individual yearly turnover between EUR 1 mio - EUR 500 mio
- Companies with real estate financing for which total project value (including land acquisition, excluding VAT) is less than EUR 8 mio
- Companies with consolidated T/O between EUR 1 mio - EUR 3 mio, segmented as Small SME
- International clients with more than 50% foreign capital participation, turnover between EUR10 mio - EUR 50 mio, or part of a group with consolidated T/O<EUR 500 mio.
- Companies having individual / consolidated turnover below EUR 1 mio.

#### b. Public Sector (PS):

Public Sector comprises Public sector, Public corporations clients and Non Profit sector, including municipalities representing local authorities and companies managed by local authorities, central authorities and companies owned by state and public funds.

Public sector includes the following institutions:

- Central ministries and state funded funds and agencies
- Non-profit entities established by or under control of central government entities, state funded organizations, state universities or R&D institutions
- Regional governments and organizations funded by them
- State capitals including city halls, regional capitals and other municipals and organizations funded by them. Exceptions: elementary and primary schools, high schools, kindergartens, small hospitals and libraries, which are segmented as Micro
- Public health and social insurance companies Public Corporations include:
- All non-financial state companies and corporations with more than 50% share of state or regional governments or municipals excluding stock exchange listed companies and State Owned Companies acting in Energy & Utilities industry with T/O > 50 mio EUR

## 22. Segment reporting (*continued*)

### c. Local Large Corporates (LLC):

- Companies with an yearly individual turnover above EUR 50 mio;
- Companies part of a local group with at least one company having yearly turnover above EUR 50 mio;
- Energy & Utilities State Owned Companies who meet the above described criteria, are independent of state subsidies and do not make the subject to public intervention in business stability

### d. Group Large Corporates (GLC):

GLC clients are large corporate clients or client groups with an indicative consolidated annual turnover of at least EUR 500 mio. GLC comprises mainly the following client types:

- Companies with an yearly individual turnover above EUR 500 mio;
- Companies part of a group with a consolidated yearly turnover above EUR 500 mio (regardless of the company's individual turnover listed and to be listed state owned companies

### e. Commercial Real Estate (CRE):

- Companies that request financing of real estate projects with total project value > EUR 8 mio (including land acquisition, excluding VAT)
- All RE existing and targeted clients by Group and local RE business, regardless project value
- Investors in RE for the purpose of generating income from the rental of individual properties or portfolios of properties
- Developers of individual properties or portfolios of properties for the purpose of generating capital gains through sale.
- Asset management services
- Own development for business purpose
- Commercial Real Estate operating leasing and rental contracts, independently of the tenant (client).

Other corporate includes activities related to investment banking services and financial products and services.

Other Corporate segments are:

### f. ALM & Local Corporate Center:

- Balance sheet management - principally providing assets and liabilities management, funding and derivative transactions, investments and issuance of bonds operations;
- Local Corporate Center - unallocated items, items which do not belong to business lines and Free Capital.

**g. Treasury (GMT):** principally providing money market and treasury operations, syndicated loans and structured financing transactions, foreign currency and derivative transactions, financial instruments trading.

## **22. Segment reporting (*continued*)**

**h. Financial institutions (GMFI):** companies that provide financial services for their clients or members and act as professional and active participant on financial markets for the purpose of proprietary trading or on behalf of their clients (banks, central banks, investment banks, investments funds, brokerages, insurance companies, pension funds, credit unions).

The business segment reporting format is the Group's basis of segment reporting. Transactions between business segments are conducted at arm's length. Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Unallocated items mainly comprise property and equipment, intangible assets, other assets and other liabilities and taxation.

The mapping of individual accounts by main line items of income and expenses, respectively assets and liabilities and equity, for purposes of segment reporting is done on an internal management approach, rather than an external financial reporting approach.

In order to split the Group results on business lines the following subsidiaries are allocated entirely on Retail segment: BCR Pensii SAFPP, Banca pentru Locuinte, Suport Colect and some of the consolidation adjustments; BCR Leasing and BCR Chisinau are allocated on Corporate. Intragroup eliminations and the rest of the consolidation adjustments are allocated on Corporate Center.

In geographical segmentation Erste Group shows BCR entirely under geographical area Romania. Furthermore, the only business done outside Romania is performed by BCR Chisinau, but the contribution to Balance Sheet and P&L is not material. There is no other geographical steering information used by BCR management.

**22. Segment reporting (continued)**

Income statement	Notes	30.06.2018										Group
		Total	Retail	SME	LLC	GLC	CRE	PS	ALIM & Local Corporate Center	GMT	GMFI	
Net interest income	15	962,331	664,602	108,776	33,751	39,636	17,274	84,708	7,012	306	6,266	
Net fee and commission income	16	349,442	276,552	32,772	17,129	32,058	940	8,894	(33,479)	951	13,625	
Dividend income		3,657	-	-	-	-	-	-	3,657	-	-	
Net trading and fair value result	17	186,073	66,703	24,456	3,943	4,674	1,494	12,573	16,930	53,090	2,210	
Gains/losses from financial instruments measured at fair value through profit or loss		1,751	-	-	-	-	-	(880)	2,631	-	-	
Net result from equity method investments		2,526	-	-	-	-	-	-	2,526	-	-	
Rental income from investment properties and other operating lease		35,840	-	33,358	-	-	-	-	2,482	-	-	
General administrative expenses	18	(800,689)	(601,705)	(109,417)	(19,640)	(29,186)	(4,556)	(11,826)	(11,561)	(7,416)	(5,382)	
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss		2,221	-	-	-	-	-	-	2,221	-	-	
Net impairment loss on financial assets not measured at fair value through profit or loss	19	30,131	3,013	15,304	13,484	(15,627)	7,388	(1,355)	9,326	(1,109)	(293)	
Other operating result	20	39,336	115,267	(8,005)	(1,084)	(4,177)	(418)	(5,093)	(55,123)	(106)	(1,925)	
<b>Pre-tax profit from continuing operations</b>		<b>812,619</b>	<b>524,434</b>	<b>97,244</b>	<b>47,582</b>	<b>27,377</b>	<b>22,121</b>	<b>87,022</b>	<b>(53,379)</b>	<b>45,716</b>	<b>14,502</b>	
Taxes on income	21	(115,618)	(73,943)	(13,772)	(7,613)	(4,380)	(3,539)	(13,923)	11,187	(7,315)	(2,320)	
<b>Post-tax profit from continuing operations</b>		<b>697,001</b>	<b>450,493</b>	<b>83,472</b>	<b>39,969</b>	<b>22,997</b>	<b>18,582</b>	<b>73,098</b>	<b>(42,192)</b>	<b>38,401</b>	<b>12,181</b>	
<b>NET PROFIT OF THE YEAR</b>		<b>697,001</b>	<b>450,493</b>	<b>83,472</b>	<b>39,969</b>	<b>22,997</b>	<b>18,582</b>	<b>73,098</b>	<b>(42,192)</b>	<b>38,401</b>	<b>12,181</b>	
Attributable to non-controlling interests		4	-	-	-	-	-	-	4	-	-	
<b>ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>696,997</b>	<b>450,493</b>	<b>83,472</b>	<b>39,969</b>	<b>22,997</b>	<b>18,582</b>	<b>73,098</b>	<b>(42,196)</b>	<b>38,401</b>	<b>12,181</b>	
Operating Income		1,541,620	1,007,857	199,362	54,823	76,368	19,708	105,295	1,759	54,347	22,101	
Operating Expenses		(800,689)	(601,705)	(109,417)	(19,640)	(29,186)	(4,556)	(11,826)	(11,561)	(7,416)	(5,382)	
<b>Operating Result</b>		<b>740,931</b>	<b>406,152</b>	<b>89,945</b>	<b>35,183</b>	<b>47,182</b>	<b>15,152</b>	<b>93,469</b>	<b>(9,802)</b>	<b>46,931</b>	<b>16,719</b>	
Cost Income Ratio		51.94%	59.70%	54.88%	35.82%	38.22%	23.12%	11.23%	657.25%	13.65%	24.35%	

**22. Segment reporting (continued)**

	30.06.2017										Group
	Group	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI	
Net interest income	878,728	580,135	104,957	46,674	32,120	27,295	86,035	(2,386)	57	3,841	
Net fee and commission income	338,877	261,373	30,191	16,094	29,855	2,356	8,341	(22,164)	1,160	11,671	
Dividend income	3,584	-	-	-	-	-	-	3,584	-	-	
Net trading and fair value result	189,602	50,171	24,078	5,251	2,376	2,769	11,437	39,555	51,076	2,889	
Net result from equity method investments	(225)	-	-	-	-	-	-	(225)	-	-	
Rental income from investment properties and other operating lease	28,962	167	26,479	-	-	-	-	2,316	-	-	
Other operating result	(709,652)	(523,159)	(99,318)	(20,026)	(34,530)	(4,785)	(10,671)	(4,868)	(6,697)	(5,598)	
Gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss, net	79	-	-	-	-	-	-	79	-	-	
Net impairment loss on financial assets not measured at fair value through profit or loss	(61,622)	63,013	(15,496)	(132,476)	(1,162)	11,574	15,110	(3,979)	1,989	(195)	
Other operating result	(186,032)	(30,545)	1,306	(32,210)	(9,056)	(362)	(10,729)	(100,907)	(87)	(3,442)	
<b>Pre-tax profit from continuing operations</b>	<b>482,301</b>	<b>401,155</b>	<b>72,197</b>	<b>(116,693)</b>	<b>19,603</b>	<b>38,847</b>	<b>99,523</b>	<b>(88,995)</b>	<b>47,498</b>	<b>9,166</b>	
Taxes on income	(178,214)	(43,710)	(22,991)	(37,953)	(3,523)	(25,970)	(32,612)	5,654	(12,907)	(4,202)	
<b>NET PROFIT OF THE YEAR</b>	<b>304,087</b>	<b>357,445</b>	<b>49,206</b>	<b>(154,646)</b>	<b>16,080</b>	<b>12,877</b>	<b>66,911</b>	<b>(83,341)</b>	<b>34,591</b>	<b>4,964</b>	
Operating Income	1,439,528	891,846	185,705	68,019	64,351	32,420	105,813	20,680	52,293	18,401	
Operating Expenses	(709,652)	(523,159)	(99,318)	(20,026)	(34,530)	(4,785)	(10,671)	(4,868)	(6,697)	(5,598)	
<b>Operating Result</b>	<b>729,876</b>	<b>368,687</b>	<b>86,387</b>	<b>47,993</b>	<b>29,821</b>	<b>27,635</b>	<b>95,142</b>	<b>15,812</b>	<b>45,596</b>	<b>12,803</b>	
Cost Income Ratio	49.30%	58.66%	53.48%	29.44%	53.66%	14.76%	10.08%	23.54%	12.81%	30.42%	

**22. Segment reporting (continued)**

Income statement	30.06.2018											Bank
In RON thousands	Total	Retail	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI		
Net interest income	15	916,680	656,821	70,841	33,751	39,636	17,274	84,708	7,077	306	6,266	
Net fee and commission income	16	327,028	255,734	31,138	17,129	32,058	940	8,894	(33,441)	951	13,625	
Dividend income		11,609	-	-	-	-	-	-	11,609	-	-	
Net trading and fair value result	17	183,203	66,955	21,300	3,943	4,674	1,494	12,573	16,964	53,090	2,210	
Gains/losses from financial instruments measured at fair value through profit or loss		1,751	-	-	-	-	-	(880)	2,631	-	-	
Rental income from investment properties and other operating lease		5,166	-	-	-	-	-	-	5,166	-	-	
General administrative expenses	18	(732,420)	(581,887)	(68,324)	(19,640)	(29,186)	(4,556)	(11,826)	(4,203)	(7,416)	(5,382)	
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss		2,221	-	-	-	-	-	-	2,221	-	-	
Net impairment loss on financial assets not measured at fair value through profit or loss	19	23,670	(1,346)	22,113	13,484	(15,627)	7,388	(1,355)	415	(1,109)	(293)	
Other operating result	20	32,953	109,876	(1,681)	(1,084)	(4,177)	(418)	(5,093)	(62,439)	(106)	(1,925)	
<b>Pre-tax profit from continuing operations</b>		<b>771,861</b>	<b>506,156</b>	<b>75,386</b>	<b>47,582</b>	<b>27,377</b>	<b>22,121</b>	<b>87,022</b>	<b>(54,001)</b>	<b>45,716</b>	<b>14,502</b>	
Taxes on income	21	(114,976)	(74,237)	(12,062)	(7,613)	(4,380)	(3,539)	(13,923)	10,413	(7,315)	(2,320)	
<b>Post-tax profit from continuing operations</b>		<b>656,885</b>	<b>431,921</b>	<b>63,324</b>	<b>39,969</b>	<b>22,997</b>	<b>18,582</b>	<b>73,098</b>	<b>(43,588)</b>	<b>38,401</b>	<b>12,181</b>	
Profit from discontinued operations net of tax		-	-	-	-	-	-	-	-	-	-	
<b>NET PROFIT OF THE YEAR</b>		<b>656,885</b>	<b>431,921</b>	<b>63,324</b>	<b>39,969</b>	<b>22,997</b>	<b>18,582</b>	<b>73,098</b>	<b>(43,588)</b>	<b>38,401</b>	<b>12,181</b>	
Attributable to non-controlling interests		-	-	-	-	-	-	-	-	-	-	
<b>ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>656,885</b>	<b>431,921</b>	<b>63,324</b>	<b>39,969</b>	<b>22,997</b>	<b>18,582</b>	<b>73,098</b>	<b>(43,588)</b>	<b>38,401</b>	<b>12,181</b>	
Operating Income		1,445,437	979,510	123,279	54,823	76,368	19,708	105,295	10,006	54,347	22,101	
Operating Expenses		(732,420)	(581,887)	(68,324)	(19,640)	(29,186)	(4,556)	(11,826)	(4,203)	(7,416)	(5,382)	
<b>Operating Result</b>		<b>713,017</b>	<b>397,623</b>	<b>54,955</b>	<b>35,183</b>	<b>47,182</b>	<b>15,152</b>	<b>93,469</b>	<b>5,803</b>	<b>46,931</b>	<b>16,719</b>	
Cost Income Ratio		50.67%	59.41%	55.42%	35.82%	38.22%	23.12%	11.23%	42.00%	13.65%	24.35%	

**22. Segment reporting (continued)**

	30.06.2017										Bank
	Bank	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI	Bank
Net interest income	833,152	571,512	68,085	46,674	32,170	27,295	86,035	(2,555)	65	3,871	
Net fee and commission income	320,373	242,035	31,007	16,094	29,855	2,356	8,341	(22,146)	1,160	11,671	
Dividend income	19,302	-	-	-	-	-	-	19,302	-	-	
Net trading and fair value result	186,031	50,212	20,554	5,251	2,376	2,769	11,437	39,467	51,076	2,889	
Net result from equity method investments	-	-	-	-	-	-	-	-	-	-	
Rental income from investment properties and other operating lease	5,020	-	-	-	-	-	-	5,020	-	-	
Other operating result	(661,312)	(506,064)	(64,728)	(20,025)	(34,530)	(4,785)	(10,671)	(8,215)	(6,697)	(5,597)	
Gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss, net	79	-	-	-	-	-	-	79	-	-	
Net impairment loss on financial assets not measured at fair value through profit or loss	(65,970)	61,223	(8,054)	(132,476)	(1,162)	11,574	15,110	(3,979)	1,989	(195)	
Other operating result	(212,586)	(10,669)	5,070	(32,210)	(9,056)	(362)	(10,729)	(151,101)	(87)	(3,442)	
<b>Pre-tax profit from continuing operations</b>	<b>434,089</b>	<b>408,249</b>	<b>51,934</b>	<b>(116,692)</b>	<b>19,653</b>	<b>38,847</b>	<b>99,523</b>	<b>(124,128)</b>	<b>47,506</b>	<b>9,197</b>	
Taxes on income	(176,101)	(38,171)	(17,037)	(37,953)	(3,524)	(25,970)	(32,612)	(3,725)	(12,907)	(4,202)	
<b>NET PROFIT OF THE YEAR</b>	<b>257,988</b>	<b>370,078</b>	<b>34,897</b>	<b>(154,645)</b>	<b>16,129</b>	<b>12,877</b>	<b>66,911</b>	<b>(127,853)</b>	<b>34,599</b>	<b>4,995</b>	
Operating Income	1,363,878	863,759	119,646	68,019	64,401	32,420	105,813	39,088	52,301	18,431	
Operating Expenses	(661,312)	(506,064)	(64,728)	(20,025)	(34,530)	(4,785)	(10,671)	(8,215)	(6,697)	(5,597)	
<b>Operating Result</b>	<b>702,566</b>	<b>357,695</b>	<b>54,918</b>	<b>47,994</b>	<b>29,871</b>	<b>27,635</b>	<b>95,142</b>	<b>30,873</b>	<b>45,604</b>	<b>12,834</b>	
Cost Income Ratio	48.49%	58.59%	54.10%	29.44%	53.62%	14.76%	10.08%	21.02%	12.80%	30.37%	

**22. Segment reporting (continued)**

Statement of financial position											30.06.2018		Group	
in RON thousands	Notes	Total	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI			
<b>ASSETS</b>														
Cash and cash balances	4	9,913,446	4,958,413	240,089	-	-	-	-	4,691,776	23,168	-			
Financial assets - held for trading		212,523	-	(49)	(1,055)	(202)	(56)	-	24,987	188,895	3			
Derivatives		50,108	-	(49)	(1,055)	(202)	(56)	-	24,987	26,480	3			
Other trading assets		162,415	-	-	-	-	-	-	-	162,415	-			
Non-trading financial assets at fair value through profit or loss		40,406	-	14,525	2,274	-	-	-	23,607	-	-			
Equity instruments		23,845	-	243	-	-	-	-	23,602	-	-			
Loans and advances to customers		16,561	-	14,282	2,274	-	-	-	5	-	-			
Financial assets at fair value through other comprehensive income	6	5,186,315	-	33,507	-	-	-	-	5,152,808	-	-			
Equity investments		40,594	-	-	-	-	-	-	40,594	-	-			
Debt securities		5,145,721	-	33,507	-	-	-	-	5,112,214	-	-			
Financial assets at amortised cost	10	52,355,896	23,295,298	5,052,402	1,749,381	2,733,288	1,237,365	3,775,073	13,291,736	1,200,998	20,355			
Debt securities		16,072,696	1,771,187	55,862	-	-	-	258,223	13,987,424	-	-			
Loans and receivables to credit institutions		1,308,205	965,575	334	-	-	-	-	(854,926)	1,200,998	(3,776)			
Loans and receivables to customers		34,040,326	20,558,536	4,012,506	1,749,381	2,733,288	1,237,365	3,516,850	208,269	-	24,131			
Finance lease		934,669	-	983,700	-	-	-	-	(49,031)	-	-			
Property and equipment		1,333,042	1,598	343,622	-	-	-	-	987,822	-	-			
Investment properties		109,872	-	-	-	-	-	-	109,872	-	-			
Intangible assets		330,785	2,317	4,081	-	-	-	-	324,387	-	-			
Investments in associates		19,902	-	900	-	-	-	-	19,002	-	-			
Current tax assets		178,857	2,592	985	-	-	-	-	175,280	-	-			
Deferred tax assets		190,430	1,473	6,989	-	-	-	-	181,968	-	-			
Non-current assets and disposal groups classified as held for sale		47,868	-	-	-	-	-	-	47,868	-	-			
Other assets		307,343	58,250	51,695	-	-	-	-	197,398	-	-			
<b>TOTAL ASSETS</b>		<b>70,226,665</b>	<b>28,319,941</b>	<b>5,748,746</b>	<b>1,750,600</b>	<b>2,733,086</b>	<b>1,237,309</b>	<b>3,775,073</b>	<b>25,228,511</b>	<b>1,413,061</b>	<b>20,358</b>			

**22. Segment reporting (continued)**

Statement of financial position		30.06.2018										Group	
in RON thousands	Notes	Total	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI		
<b>LIABILITIES</b>													
Financial liabilities held for trading		45,174	-	11	(2)	(34)	(9)	-	19,019	26,189	-		
Derivatives		45,174	-	11	(2)	(34)	(9)	-	19,019	26,189	-		
Financial liabilities measured at amortised costs		60,867,414	35,680,115	4,986,865	1,374,937	4,313,634	523,965	6,380,267	5,300,546	212,316	2,094,769		
Deposits from banks	11	6,775,206	179,144	1,934,551	-	-	-	156	4,081,479	189,300	390,576		
Deposits from customers	12	52,481,603	35,364,128	2,998,204	1,370,277	4,302,140	523,965	6,108,661	111,892	-	1,702,336		
Debt securities issued	13	447,404	-	-	-	-	-	-	447,404	-	-		
Other financial liabilities		1,163,201	136,843	54,110	4,660	11,494	-	271,450	659,771	23,016	1,857		
Provisions	14	1,128,039	601,350	27,658	211,543	129,961	15	7,997	148,449	-	1,066		
Current tax liabilities		100,689	-	401	-	-	-	-	100,298	-	-		
Liabilities associated with disposal groups held for sale		15,548	-	-	-	-	-	-	15,548	-	-		
Other Liabilities		222,673	16,819	23,006	-	-	-	-	182,848	-	-		
Total equity		7,847,138	1,715,605	606,383	326,541	306,175	166,890	196,927	4,494,522	25,240	8,855		
attributable to non-controlling interest		41	-	-	-	-	-	-	41	-	-		
attributable to owners of the parent		7,847,097	1,715,605	606,383	326,541	306,175	166,890	196,927	4,494,481	25,240	8,855		
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>70,226,685</b>	<b>38,013,869</b>	<b>5,644,324</b>	<b>1,913,019</b>	<b>4,749,736</b>	<b>690,861</b>	<b>6,585,191</b>	<b>10,261,230</b>	<b>263,745</b>	<b>2,104,690</b>		

**22. Segment reporting (continued)**

	31.12.2017										Group
	Group	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI	
<b>ASSETS</b>											
Cash and cash balances	11,369,344	4,454,408	110,817	-	-	-	-	6,368,647	325,055	110,417	
Financial assets - held for trading	104,694	-	(73)	(1,174)	(44)	(41)	-	20,943	85,083	-	
Derivatives	41,449	-	(73)	(1,174)	(44)	(41)	-	20,943	21,838	-	
Other trading assets	63,245	-	-	-	-	-	-	-	63,245	-	
Financial assets designated at fair value through profit or loss	15,131	15,131	-	-	-	-	-	-	-	-	
Financial assets - available for sale	6,599,950	425,063	30,033	-	-	-	229,121	5,915,733	-	-	
Financial assets - held to maturity	14,766,894	1,335,851	45,315	-	-	-	-	13,375,728	-	-	
Loans and receivables to credit institutions	2,215,113	1,081,030	44,715	-	-	-	-	(449,673)	1,539,041	-	
Loans and receivables to customers	33,490,883	18,980,755	4,708,029	1,832,090	2,653,083	1,347,434	3,731,534	223,325	-	14,633	
Property and equipment	1,315,683	1,901	297,654	-	-	-	-	1,016,128	-	-	
Intangible assets	320,872	2,584	4,057	-	-	-	-	314,231	-	-	
Investments in associates	17,375	-	-	-	-	-	-	17,375	-	-	
Tax assets	86,736	-	-	-	-	-	-	86,736	-	-	
Deferred tax assets	168,778	3,875	9,793	-	-	-	-	155,110	-	-	
Non-current assets and disposal groups classified as held for sale	43,039	-	-	-	-	-	-	43,039	-	-	
Other assets	305,257	57,963	94,721	-	-	-	-	152,573	-	-	
<b>TOTAL ASSETS</b>	<b>70,931,239</b>	<b>26,358,561</b>	<b>5,345,061</b>	<b>1,830,916</b>	<b>2,653,039</b>	<b>1,347,393</b>	<b>3,960,655</b>	<b>27,361,385</b>	<b>1,949,179</b>	<b>125,050</b>	
<b>LIABILITIES</b>											
Financial liabilities held for trading	44,661	-	(2)	(1)	(34)	3	-	23,057	21,638	-	
Derivatives	44,661	-	(2)	(1)	(34)	3	-	23,057	21,638	-	
Financial liabilities measured at amortised cost	62,007,067	34,964,059	4,877,010	1,183,348	4,928,439	537,180	6,196,941	6,844,107	104,790	2,371,193	
Deposits from banks	7,826,190	166,459	1,737,763	-	-	-	-	5,505,861	86,043	330,064	
Deposits from customers	52,496,062	34,708,443	3,092,546	1,179,444	4,915,680	537,180	6,004,811	18,523	-	2,039,435	
Debt securities issued	539,648	-	-	-	-	-	-	539,648	-	-	
Other financial liabilities	1,145,167	89,157	46,701	3,904	12,759	-	192,130	780,075	18,747	1,694	
Derivatives - hedge accounting	-	-	-	-	-	-	-	-	-	-	
Provisions	1,192,565	698,801	36,470	209,013	93,952	68	3,964	150,244	-	53	
Current tax liabilities	230	-	-	-	-	-	-	230	-	-	
Deferred tax liabilities	25	19	216	-	-	-	-	(210)	-	-	
Other Liabilities	234,759	25,466	32,257	-	-	-	-	177,036	-	-	
Total equity	7,439,113	2,059,424	649,764	311,091	319,996	108,965	353,048	3,581,630	38,363	16,832	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>70,931,239</b>	<b>37,747,769</b>	<b>5,595,715</b>	<b>1,703,451</b>	<b>5,342,353</b>	<b>646,216</b>	<b>6,553,953</b>	<b>10,788,913</b>	<b>164,791</b>	<b>2,388,078</b>	

**22. Segment reporting (continued)**

Statement of financial position		30.06.2018											Bank
in RON thousands	Notes	Total	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI		
<b>ASSETS</b>													
Cash and cash balances	4	9,747,395	4,930,362	-	-	-	-	-	4,793,865	23,168	-		
Financial assets - held for trading		212,526	-	(50)	(1,055)	(202)	(56)	-	24,990	188,896	3		
Derivatives		50,111	-	(50)	(1,055)	(202)	(56)	-	24,990	26,481	3		
Other trading assets		162,415	-	-	-	-	-	-	-	162,415	-		
Non-trading financial assets at fair value through profit or loss		40,163	-	14,282	2,274	-	-	-	23,607	-	-		
Equity instruments		23,602	-	-	-	-	-	-	23,602	-	-		
Loans and advances to customers		16,561	-	14,282	2,274	-	-	-	5	-	-		
Financial assets at fair value through other comprehensive income	6	5,152,808	-	-	-	-	-	-	5,152,808	-	-		
Equity investments		40,594	-	-	-	-	-	-	40,594	-	-		
Debt securities		5,112,214	-	-	-	-	-	-	5,112,214	-	-		
Financial assets at amortised cost	10	49,138,772	20,380,245	3,193,230	1,749,381	2,733,289	1,237,365	3,775,073	14,848,836	1,200,998	20,355		
Debt securities		14,245,647	-	-	-	-	-	258,223	13,987,424	-	-		
Loans and receivables to credit institutions		1,515,860	-	-	-	-	-	-	314,746	1,200,998	116		
Loans and receivables to customers		33,377,285	20,380,245	3,193,230	1,749,381	2,733,289	1,237,365	3,516,850	546,666	-	20,239		
Property and equipment		987,700	-	-	-	-	-	-	987,700	-	-		
Investment properties		109,872	-	-	-	-	-	-	109,872	-	-		
Intangible assets		324,387	-	-	-	-	-	-	324,387	-	-		
Investments in associates		7,509	-	-	-	-	-	-	7,509	-	-		
Current tax assets		175,280	-	-	-	-	-	-	175,280	-	-		
Deferred tax assets		180,159	-	-	-	-	-	-	180,159	-	-		
Non-current assets and disposal groups classified as held for sale		14,792	-	-	-	-	-	-	14,792	-	-		
Investments in subsidiaries		563,510	-	-	-	-	-	-	563,510	-	-		
Other assets		204,041	-	-	-	-	-	-	204,041	-	-		
<b>TOTAL ASSETS</b>		<b>66,858,914</b>	<b>25,310,607</b>	<b>3,207,462</b>	<b>1,750,600</b>	<b>2,733,087</b>	<b>1,237,309</b>	<b>3,775,073</b>	<b>27,411,356</b>	<b>1,413,062</b>	<b>20,358</b>		

**22. Segment reporting (continued)**

Statement of financial position		30.06.2018											Bank	
in RON thousands	Notes	Total	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI			
<b>LIABILITIES</b>														
Financial liabilities held for trading		45,174	-	-	(2)	(34)	(9)	-	19,029	26,189	-			
Derivatives		45,174	-	-	(2)	(34)	(9)	-	19,029	26,189	-			
Financial liabilities measured at amortised costs		57,622,202	33,034,664	2,776,290	1,374,937	4,313,634	523,965	6,380,267	6,911,360	212,316	2,094,769			
Deposits from banks	11	6,063,623	590	-	-	-	-	156	5,483,001	189,300	390,576			
Deposits from customers	12	49,997,374	32,901,813	2,774,369	1,370,277	4,302,140	523,965	6,108,661	313,813	-	1,702,336			
Debt securities issued	13	447,404	-	-	-	-	-	-	447,404	-	-			
Other financial liabilities		1,113,801	132,261	1,921	4,660	11,494	-	271,450	667,142	23,016	1,857			
Provisions	14	1,098,820	569,470	25,781	211,543	129,961	15	7,997	152,987	-	1,066			
Current tax liabilities		100,298	-	-	-	-	-	-	100,298	-	-			
Other Liabilities		181,979	-	-	-	-	-	-	181,979	-	-			
Total equity		7,810,441	1,636,358	397,012	326,541	310,975	166,890	196,927	4,739,968	25,583	10,187			
attributable to owners of the parent		7,810,441	1,636,358	397,012	326,541	310,975	166,890	196,927	4,739,968	25,583	10,187			
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>66,858,914</b>	<b>35,240,493</b>	<b>3,199,083</b>	<b>1,913,019</b>	<b>4,754,536</b>	<b>690,861</b>	<b>6,585,191</b>	<b>12,105,621</b>	<b>264,088</b>	<b>2,106,022</b>			

**22. Segment reporting (continued)**

	31.12.2017										Bank	
	Bank	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI		
<b>ASSETS</b>												
Cash and cash balances	11,245,387	4,396,898	-	-	-	-	-	6,413,016	325,056	110,417	-	
Financial assets - held for trading	104,694	-	(73)	(1,174)	(44)	(41)	-	20,943	85,083	-	-	
Derivatives	41,449	-	(73)	(1,174)	(44)	(41)	-	20,943	21,838	-	-	
Other trading assets	63,245	-	-	-	-	-	-	-	63,245	-	-	
Financial assets designated at fair value through profit or loss	15,131	15,131	-	-	-	-	-	-	-	-	-	
Financial assets - available for sale	6,146,992	-	2,138	-	-	-	229,121	5,915,733	-	-	-	
Financial assets - held to maturity	13,375,729	-	-	-	-	-	-	13,375,729	-	-	-	
Loans and receivables to credit institutions	2,420,035	-	-	-	-	-	-	880,994	1,539,041	-	-	
Loans and receivables to customers	32,020,306	18,810,728	3,089,962	1,832,090	2,653,083	1,347,434	3,731,534	540,842	-	14,633		
Property and equipment	1,015,988	-	-	-	-	-	-	1,015,988	-	-	-	
Intangible assets	314,231	-	-	-	-	-	-	314,231	-	-	-	
Investments in associates	7,509	-	-	-	-	-	-	7,509	-	-	-	
Tax assets	83,435	-	-	-	-	-	-	83,435	-	-	-	
Deferred tax assets	157,361	-	-	-	-	-	-	157,361	-	-	-	
Non-current assets and disposal groups classified as held for sale	14,792	-	-	-	-	-	-	14,792	-	-	-	
Other assets	691,405	-	-	-	-	-	-	691,405	-	-	-	
<b>TOTAL ASSETS</b>	<b>67,734,485</b>	<b>23,222,757</b>	<b>3,092,027</b>	<b>1,830,916</b>	<b>2,653,039</b>	<b>1,347,393</b>	<b>3,960,655</b>	<b>29,553,468</b>	<b>1,949,180</b>	<b>125,050</b>	<b>-</b>	
<b>LIABILITIES</b>												
Financial liabilities held for trading	44,661	-	(2)	(1)	(34)	3	-	23,056	21,639	-	-	
Derivatives	44,661	-	(2)	(1)	(34)	3	-	23,056	21,639	-	-	
Financial liabilities measured at amortised cost	58,920,983	32,168,143	2,910,315	1,183,348	4,928,439	537,180	6,196,941	8,520,834	104,790	2,371,193	-	
Deposits from banks	7,389,633	-	-	-	-	-	-	6,973,526	86,043	330,064	-	
Deposits from customers	49,885,158	32,083,327	2,907,685	1,179,444	4,915,680	537,180	6,004,811	217,595	-	2,039,436	-	
Debt securities issued	539,648	-	-	-	-	-	-	539,648	-	-	-	
Other financial liabilities	1,106,544	64,816	2,630	3,904	12,759	-	192,130	789,865	18,747	1,693	-	
Provisions	1,149,625	658,122	34,209	209,013	93,952	68	3,964	150,244	-	53	-	
Other Liabilities	174,559	-	-	-	-	-	-	174,559	-	-	-	
Total equity	7,444,657	1,981,663	456,701	311,090	319,996	108,965	353,048	3,853,284	41,348	18,562	-	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>67,734,485</b>	<b>34,807,928</b>	<b>3,401,223</b>	<b>1,703,450</b>	<b>5,342,353</b>	<b>646,216</b>	<b>6,553,953</b>	<b>12,721,777</b>	<b>167,777</b>	<b>2,389,808</b>	<b>-</b>	

### **23. Related-party transactions and principal shareholders**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 June 2018 and 31 December 2017 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

#### **Transactions with parent**

All transactions were carried out at market conditions.

#### **Transactions with management**

The Group entered into a number of banking transactions with the management in the normal course of business.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. This includes the members of the Supervisory Board, Executive Committee and executive management. These transactions were carried out on commercial terms and conditions and at market rates.

Remuneration paid related to key management personnel is presented in note 18.

#### **Transactions with subsidiaries**

The Bank holds investments in subsidiaries with whom it entered into a number of banking transactions in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rates.

The following transactions were carried out with related parties:

**23. Related-party transactions and principal shareholders (continued)**

Balances and off-balance exposures with related parties	30.06.2018							31.12.2017							Group	
	in RON thousands	Parent	Subsidiaries	Associates	Key management personnel	Other related parties	Parent	Subsidiaries	Associates	Key management personnel	Other related parties	Parent	Subsidiaries	Associates		Key management personnel
Financial assets	1,424,639	-	-	-	12,230	106,227	2,424,478	-	-	-	12,943	77,271	-	-	-	77,271
Cash and cash equivalents	126,294	-	-	-	-	-	367,891	-	-	-	-	-	-	-	-	-
Derivative financial instruments	30,387	-	-	-	-	-	24,581	-	-	-	-	-	-	-	-	-
Loans and advances	1,267,958	-	-	-	12,230	91,550	2,032,007	-	-	-	12,943	77,271	-	-	-	77,271
Loans and advances with credit institutions	1,267,958	-	-	-	-	10,943	2,032,007	-	-	-	-	-	-	-	-	-
Loans and advances with customers	-	-	-	-	12,230	80,607	-	-	-	-	12,943	77,271	-	-	-	77,271
Other assets	1,325	-	-	-	-	37,329	-	-	-	7,509	-	12,556	-	-	-	12,556
Financial liabilities	5,468,451	-	-	26,183	9,951	158,517	5,600,744	-	-	40,555	8,313	96,704	-	-	-	96,704
Deposits	5,428,477	-	-	26,183	9,951	158,517	5,559,632	-	-	40,555	8,313	96,704	-	-	-	96,704
Deposits by banks	5,428,477	-	-	-	-	2,051	5,559,632	-	-	-	-	1,759	-	-	-	1,759
Deposits by customers	-	-	-	26,183	9,951	156,467	-	-	-	40,555	8,313	94,945	-	-	-	94,945
Derivative financial instruments	39,974	-	-	-	-	-	41,112	-	-	-	-	-	-	-	-	-
Other liabilities	15,276	-	-	-	9	32,687	-	-	-	-	-	42,577	-	-	-	42,577
Loans commitments, financial guarantees and other commitments given -Irrevocable [notional amount]	48,733	-	-	-	517	150	46,519	-	-	-	-	391	-	-	-	391
Loans commitments, financial guarantees and other commitments given -Revocable [notional amount]	-	-	-	-	-	90,732	-	-	-	-	-	517	-	-	-	517
Loan commitments, financial guarantees and other commitments received	233,055	-	-	-	-	-	239,402	-	-	-	-	-	-	-	-	-
Derivatives [notional amount]	6,737,113	-	-	-	-	-	5,616,117	-	-	-	-	-	-	-	-	-

**23. Related-party transactions and principal shareholders (continued)**

Related parties: expenses and income generated by transactions with related parties in RON thousands	30.06.2018						30.06.2017						Group		
	Parent	Subsidiaries	Associates	Key management personnel	Other related parties	Parent	Subsidiaries	Associates	Key management personnel	Other related parties	Parent	Subsidiaries		Associates	Key management personnel
Interest income	29,528	-	-	197	1,248	21,416	-	-	161	117					
Interest expenses	103,892	-	244	4	473	125,053	-	54	7	273					
Dividend income	-	-	-	-	1,971	-	-	-	-	2,755					
Fee and commission income	2,866	-	1	23	46,784	2,465	-	1	17	27,071					
Fee and commission expenses	4,910	-	-	-	4,318	8,129	-	-	-	4,102					

**23. Related-party transactions and principal shareholders (continued)**

in RON thousands	30.06.2018						31.12.2017						Bank		
	Parent	Subsidiaries	Associates	Key management personnel	Other related parties	Parent	Subsidiaries	Associates	Key management personnel	Other related parties	Parent	Subsidiaries		Associates	Key management personnel
<b>Financial assets</b>	<b>1,397,020</b>	<b>545,009</b>	<b>-</b>	<b>12,230</b>	<b>106,227</b>	<b>2,424,478</b>	<b>485,917</b>	<b>-</b>	<b>12,943</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,943</b>	<b>-</b>	<b>77,271</b>
Cash and cash equivalents	98,675	-	-	-	-	367,891	390	-	-	-	-	-	-	-	-
Derivative financial instruments	30,387	3	-	-	-	24,581	-	-	-	-	-	-	-	-	-
<b>Loans and advances</b>	<b>1,267,958</b>	<b>545,006</b>	<b>-</b>	<b>12,230</b>	<b>91,550</b>	<b>2,032,007</b>	<b>485,527</b>	<b>-</b>	<b>12,943</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,943</b>	<b>-</b>	<b>77,271</b>
Loans and advances with credit institutions	1,267,958	210,711	-	0	10,943	2,032,007	209,895	-	-	-	-	-	-	-	-
Loans and advances with customers	-	334,294	-	12,230	80,607	-	275,632	-	12,943	-	-	-	12,943	-	77,271
<b>Other assets</b>	<b>1,325</b>	<b>6,903</b>	<b>-</b>	<b>-</b>	<b>37,329</b>	<b>-</b>	<b>551,268</b>	<b>7,509</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,556</b>
<b>Financial liabilities</b>	<b>4,277,888</b>	<b>1,067,750</b>	<b>26,183</b>	<b>9,951</b>	<b>158,517</b>	<b>5,600,744</b>	<b>1,165,975</b>	<b>40,555</b>	<b>8,313</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,313</b>	<b>-</b>	<b>96,704</b>
<b>Deposits</b>	<b>4,237,913</b>	<b>1,067,750</b>	<b>26,183</b>	<b>9,951</b>	<b>158,517</b>	<b>5,559,632</b>	<b>1,165,975</b>	<b>40,555</b>	<b>8,313</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,313</b>	<b>-</b>	<b>96,704</b>
Deposits by banks	4,237,913	865,829	-	-	2,051	5,559,632	989,662	-	-	-	-	-	-	-	-
Deposits by customers	-	201,921	26,183	9,951	156,467	-	176,313	40,555	8,313	-	-	-	8,313	-	96,704
Derivative financial instruments	39,974	0	-	-	-	41,112	-	-	-	-	-	-	-	-	-
<b>Other liabilities</b>	<b>15,276</b>	<b>7,205</b>	<b>-</b>	<b>9</b>	<b>32,373</b>	<b>-</b>	<b>8,929</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,518</b>
Loans commitments, financial guarantees and other commitments given -Irrevocable [notional amount]	48,733	100,593	-	517	150	46,519	14,306	-	517	-	-	-	517	-	391
Loans commitments, financial guarantees and other commitments given -Revocable [notional amount]	-	350,752	-	-	90,732	-	345,380	-	-	-	-	-	-	-	38,343
Loan commitments, financial guarantees and other commitments received	233,055	-	-	-	-	239,402	-	-	-	-	-	-	-	-	-
<b>Derivatives [notional amount]</b>	<b>6,737,113</b>	<b>1,258</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,616,117</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**23. Related-party transactions and principal shareholders (continued)**

Related parties: expenses and income generated by transactions with related parties in RON thousands	30.06.2018						30.06.2017						Bank		
	Parent	Subsidiaries	Associates	Key management personnel	Other related parties	Parent	Subsidiaries	Associates	Key management personnel	Other related parties	Parent	Subsidiaries		Associates	Key management personnel
Interest income	29,468	7,284	-	197	1,248	21,373	4,066	-	161	117					
Interest expenses	97,524	8,914	244	4	473	119,692	2,487	54	7	273					
Dividend income	-	7,953	-	-	1,971	-	15,718	-	-	2,755					
Fee and commission income	2,862	2,187	1	23	46,784	2,458	4,070	1	17	27,071					
Fee and commission expenses	2,949	1	-	0	4,318	5,656	14	-	-	4,102					
Increase or (-) decrease during the period in impairment and provisions for impaired debt instruments, defaulted guarantees and defaulted commitments	-	-	-	-	-	-	50,400	-	-	-					

## **24. Fair value of financial assets and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is best evidenced by a quoted market price, if such exists. Credit Value Adjustment/Debt Value Adjustment is included in the fair value of derivatives and it is immaterial both at 31 December 2017 and June 2018.

### **Level 1 of the fair value hierarchy**

The fair value of financial instruments assigned to level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. More particular, the evaluated fair value can qualify as a level 1 input if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis.

These include exchange traded derivatives (futures, options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

### **Level 2 of the fair value hierarchy**

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as level 2. If no market prices are available the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as level 2 of the fair value hierarchy.

For level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters. These include over-the-counter (OTC) derivatives, less liquid shares, bonds and funds as well as and own issues.

### **Level 3 of the fair value hierarchy**

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor of valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions.

If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as level 3 of the fair value hierarchy. For level 3 valuations besides observable parameters typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures are used as unobservable parameters.

#### **24.1. Financial instruments whose fair value is disclosed in the notes**

The following table shows fair values and fair value hierarchy of financial instruments whose fair value is disclosed in the notes for the half year:

**24. Fair value of financial assets and liabilities (continued)**

**24.1. Financial instruments whose fair value is disclosed in the notes (continued)**

in RON thousands	30.06.2018							
	Group			Bank				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets</b>								
Cash and cash balances	9,913,446	9,913,446	9,913,446	-	-	9,747,395	-	-
Financial assets at amortised cost	52,355,896	54,279,422	15,227,467	118,246	38,933,709	13,483,661	60,284	37,559,079
Loans and advances to banks	1,308,205	1,310,829	-	-	1,310,829	-	-	1,519,101
Loans and advances to customers	34,974,995	37,424,406	-	-	37,424,406	-	-	35,842,015
Debt securities	16,072,696	15,544,187	15,227,467	118,246	198,474	13,483,661	60,284	197,963
Assets held for sale	47,868	47,868	-	-	47,868	-	-	14,792
<b>Liabilities</b>								
Financial liabilities measured at amortised cost	60,867,414	60,619,083	-	473,134	60,145,949	-	473,134	56,908,905
Deposits from banks	6,775,206	6,830,090	-	-	6,830,090	-	-	6,127,650
Deposits from customers	52,481,603	52,153,016	-	-	52,153,016	-	-	49,667,454
Debt securities in issue	447,404	473,134	-	473,134	-	-	473,134	-
Other financial liabilities	1,163,201	1,162,843	-	-	1,162,843	-	-	1,113,801

**24. Fair value of financial assets and liabilities (continued)**

**24.1. Financial instruments whose fair value is disclosed in the notes (continued)**

in RON thousands	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			
<b>Assets</b>													
Cash and cash balances	11,369,344	11,369,344	11,369,344	-	-	11,245,387	11,245,387	-	-	-	-	-	-
Loans and advances	35,705,996	38,109,912	-	-	38,109,912	36,861,723	-	-	-	-	-	-	36,861,723
with credit institutions	2,215,113	2,218,332	-	-	2,218,332	2,422,458	-	-	-	-	-	-	2,422,458
with customers	33,490,883	35,891,580	-	-	35,891,580	34,439,265	-	-	-	-	-	-	34,439,265
Held-to-maturity investments	14,756,894	14,686,948	14,641,633	44,061	1,254	13,305,782	13,305,782	-	-	-	-	-	-
<b>LIABILITIES</b>													
Financial liabilities measured at amortised cost	62,007,067	61,950,656	-	579,096	61,371,560	58,875,208	-	579,096	58,296,112	-	-	-	-
Deposits	60,322,252	60,227,783	-	-	60,227,783	57,190,958	-	-	57,190,958	-	-	-	-
from banks	7,826,190	7,886,718	-	-	7,886,718	7,461,279	-	-	7,461,279	-	-	-	-
from customers	52,496,062	52,341,065	-	-	52,341,065	49,729,679	-	-	49,729,679	-	-	-	-
Debt securities issued	539,648	579,096	-	579,096	-	579,096	-	579,096	-	-	-	-	-
Other financial liabilities	1,145,167	1,143,777	-	-	1,143,777	1,105,154	-	-	1,105,154	-	-	-	1,105,154

**24. Fair value of financial assets and liabilities (*continued*)**

**24.1. Financial instruments whose fair value is disclosed in the notes (*continued*)**

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PD's used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.

The fair values of financial assets held to maturity are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available, otherwise it is estimated by taking into consideration the actual interest rate environment and in this case they are allocated to Level 2.

The fair value of deposits and other financial liabilities measured at amortized cost is estimated by taking into consideration the actual interest rate environment and own credit spreads, and these are allocated to Level 3.

## 24. Fair value of financial assets and liabilities (*continued*)

### 24.2. Financial instruments measured at fair value in the statement of financial position

								Group	
in RON thousands	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total		
	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017	
<b>Assets</b>									
Financial assets - held for trading	146,981	49,875	62,948	51,944	2,594	2,875	212,523	104,694	
Derivatives	-	-	47,514	38,574	2,594	2,875	50,108	41,449	
Other financial assets held for trading	146,981	49,875	15,434	13,370	-	-	162,415	63,245	
Financial assets designated at FV through profit or loss	-	-	-	15,131	-	-	-	15,131	
Non-trading financial assets at fair value through profit or loss	2,846	-	-	-	37,560	-	40,406	-	
Equity instruments	2,846	-	-	-	20,999	-	23,845	-	
Loans and advances	-	-	-	-	16,561	-	16,561	-	
Financial assets at fair value through other comprehensive income	5,112,214	-	33,507	-	40,594	-	5,186,315	-	
Equity instruments	-	-	-	-	40,594	-	40,594	-	
Debt securities	5,112,214	-	33,507	-	-	-	5,145,721	-	
Financial assets available for sale	-	5,637,316	-	908,142	-	54,492	-	6,599,950	
<b>Total assets</b>	<b>5,262,041</b>	<b>5,687,191</b>	<b>96,455</b>	<b>975,217</b>	<b>80,748</b>	<b>57,367</b>	<b>5,439,244</b>	<b>6,719,775</b>	
<b>Liabilities</b>									
Financial liabilities - held for trading	-	-	45,174	44,661	-	-	45,174	44,661	
Derivatives	-	-	45,174	44,661	-	-	45,174	44,661	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>45,174</b>	<b>44,661</b>	<b>-</b>	<b>-</b>	<b>45,174</b>	<b>44,661</b>	

  

								Bank	
in RON thousands	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total		
	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017	
<b>Assets</b>									
Financial assets - held for trading	146,981	49,875	62,951	51,944	2,594	2,875	212,526	104,694	
Derivatives	-	-	47,517	38,574	2,594	2,875	50,111	41,449	
Other financial assets held for trading	146,981	49,875	15,434	13,370	-	-	162,415	63,245	
Financial assets designated at FV through profit or loss	-	-	-	15,131	-	-	-	15,131	
Non-trading financial assets at fair value through profit or loss	2,846	-	-	-	37,317	-	40,163	-	
Equity instruments	2,846	-	-	-	20,756	-	23,602	-	
Loans and advances	-	-	-	-	16,561	-	16,561	-	
Financial assets at fair value through other comprehensive income	5,112,214	-	-	-	40,594	-	5,152,808	-	
Equity instruments	-	-	-	-	40,594	-	40,594	-	
Debt securities	5,112,214	-	-	-	-	-	5,112,214	-	
Financial assets available for sale	-	5,212,252	-	880,480	-	54,260	-	6,146,992	
<b>Total assets</b>	<b>5,262,041</b>	<b>5,262,127</b>	<b>62,951</b>	<b>932,424</b>	<b>80,505</b>	<b>57,135</b>	<b>5,405,497</b>	<b>6,251,686</b>	
<b>Liabilities</b>									
Financial liabilities - held for trading	-	-	45,174	44,661	-	-	45,174	44,661	
Derivatives	-	-	45,174	44,661	-	-	45,174	44,661	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>45,174</b>	<b>44,661</b>	<b>-</b>	<b>-</b>	<b>45,174</b>	<b>44,661</b>	

Financial assets held for trading position has increased during June 2018 with almost 100 thousand RON mostly due to investment in traded bonds.

Non-trading financial assets at fair value position includes:

- loans and advances to customers classified at fair value through profit and loss according to IFRS 9 due to failure to pass the SPPI test;
- equity instruments, in principal minority interests classified as level 3 instruments for which the fair value is determined based on internal assessment.

## **24. Fair value of financial assets and liabilities (*continued*)**

### **24.3. Valuation of level 3 financial instruments**

Financial assets at fair value through other comprehensive income include:

- Debt securities classified at 31 december 2017 as financial assets available for sale according to IAS 39. In this category are included bonds issued by Ministry of Finance actively traded;
- Visa INC Preferred Share equity classified as level 3 for which fair value is computed based on internal assessment.

The volume of level 3 financial assets can be allocated to the following two categories:

- Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs);
- Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.

The unobservable inputs from CVA calculation are the probability of default (PD) and loss given default (LGD). The probabilities of default are the result of the rating models development internally (at ERSTE Group level) and are used to evaluate the credit risk including CVA.

According to the allocated rating, each counterparty has assigned a probability of default. The value of LGD parameter for the calculation of CVA is 60%.

In order to mark to market the municipal bonds in Fair Value Hierarchy, the bank proceeds as follows:

- Municipal bonds evaluated in Calypso application using market data stored (yield curves)
- To the yield curve, a margin which incorporates the credit risk of each debt issuer is added

As at June 2018, the fair valuation of VISA Inc preferred shares was based on reasonable assumptions and estimations and was consequently classified in level 3.

The shares cannot be sold before a minimum holding period of 12 years and are limited to certain conditions which may restrict the conversion of preferred shares into tradable VISA Inc shares.

Due to these limiting conditions the fair value of the preferred shares was capped based on assumptions compared to free tradable VISA Inc. class A common shares.

The price of class C common shares was determined based on the conversion ratio of 1:13,952 and an additional haircut of 15%.

**24. Fair value of financial assets and liabilities (continued)**

**24.3. Valuation of level 3 financial instruments (continued)**

**Movements in Level 3 of financial instruments carried at fair value**

in RON thousands		Gain/loss in profit or loss	Gain/loss in other comprehensive income	Sales	Currency translation	
<b>Assets</b>	<b>01.01.2018</b>					<b>30.06.2018</b>
Financial assets - held for trading	2,875	(281)	-	-	-	2,594
Derivatives	2,875	(281)	-	-	-	2,594
Non-trading financial assets at fair value through profit or loss	39,118	2,060	-	(3,628)	10	37,560
Equity instruments	18,509	2,480	-	-	10	20,999
Loans and advances	20,609	(420)	-	(3,628)	-	16,561
Financial assets at fair value through other comprehensive income	33,846	-	6,748	-	-	40,594
Equity instruments	33,846	-	6,748	-	-	40,594
<b>Total assets</b>	<b>75,839</b>	<b>1,779</b>	<b>6,748</b>	<b>(3,628)</b>	<b>10</b>	<b>80,748</b>

in RON thousands		Gain/loss in profit or loss	Gain/loss in other comprehensive income	Sales	Group
<b>Assets</b>	<b>01.01.2017</b>				<b>30.06.2017</b>
Financial assets - held for trading	4,171	(758)	-	-	2,875
Derivatives	3,633	(758)	-	-	2,875
Other trading assets	538	-	-	-	-
Financial assets designated at fair value through Profit or Loss	15,319	185	-	-	-
Financial assets available for sale	280,842	238	-	(448)	54,492
<b>Total assets</b>	<b>300,332</b>	<b>(335)</b>	<b>-</b>	<b>(448)</b>	<b>57,367</b>

Bank

in RON thousands		Gain/loss in profit or loss	Gain/loss in other comprehensive income	Sales	Currency translation	
<b>Assets</b>	<b>01.01.2018</b>					<b>30.06.2018</b>
Financial assets - held for trading	2,875	(281)	-	-	-	2,594
Derivatives	2,875	(281)	-	-	-	2,594
Non-trading financial assets at fair value through profit or loss	38,885	2,060	-	(3,628)	-	37,317
Equity instruments	18,276	2,480	-	-	-	20,756
Loans and advances	20,609	(420)	-	(3,628)	-	16,561
Financial assets at fair value through other comprehensive income	33,846	-	6,748	-	-	40,594
Equity instruments	33,846	-	6,748	-	-	40,594
<b>Total assets</b>	<b>75,606</b>	<b>1,779</b>	<b>6,748</b>	<b>(3,628)</b>	<b>-</b>	<b>80,505</b>

Bank

in RON thousands		Gain/loss in profit or loss	Gain/loss in other comprehensive income	Sales	
<b>Assets</b>	<b>01.01.2017</b>				<b>30.06.2017</b>
Financial assets - held for trading	4,171	(758)	-	-	2,875
Derivatives	3,633	(758)	-	-	2,875
Other trading assets	538	-	-	-	-
Financial assets designated at fair value through Profit or Loss	15,319	-	-	-	-
Financial assets available for sale	280,622	(566)	(302)	(432)	54,260
<b>Total assets</b>	<b>300,112</b>	<b>(1,324)</b>	<b>(302)</b>	<b>(432)</b>	<b>57,135</b>



**Notes to Financial Statements**  
**Consolidated and Separate**  
**As at 30 June 2018**

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**25. Legal claims and contingent liabilities**

As at 30 June 2018, the Bank was involved in the normal course of its business in a number of 4,093 litigations as a defendant.

In the opinion of management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amount provided at 30 June 2018.

Up to the date of publishing these financial statements, there were no significant updates related to the cases presented in the financial statements for the year ended 31 December 2017.

**26. Subsequent events**

No material subsequent events occurred after the balance sheet date, that were not included in the financial statements.