

Banca Transilvania S.A.

**INTERIM CONDENSED CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS**

As at June 30, 2020

Banca Transilvania S.A.

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Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Profit or Loss

For the six-month period ended June 30

	Notes	Group		Bank	
		2020 RON thousand	2019 RON thousand	2020 RON thousand	2019 RON thousand
Interest income calculated using the effective interest method		1,761,762	1,712,520	1,621,956	1,564,533
Other similar interest income		52,098	73,226	5,099	7,829
Interest expense calculated using the effective interest method		(360,095)	(264,596)	(331,402)	(233,175)
Other similar interest expense		(729)	(990)	(624)	(873)
Net interest income	5	1,453,036	1,520,160	1,295,029	1,338,314
Fee and commission income		525,444	539,409	452,317	473,442
Fee and commission expense		(173,616)	(148,420)	(152,567)	(131,438)
Net fee and commission income	6	351,828	390,989	299,750	342,004
Net trading income	7	127,639	191,227	138,720	151,001
Net income from financial assets measured at fair value through comprehensive income	8	137,337	30,888	137,324	30,860
Net income from financial assets which are required to be measured at fair value through profit or loss	9	34,595	78,374	1,448	63,383
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	10	(72,751)	(109,247)	(69,795)	(107,615)
Other operating income	11	64,210	78,120	55,689	59,868
Operating income		2,095,894	2,180,511	1,858,165	1,877,815
Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	12	(299,260)	(50,650)	(273,056)	(3,782)
Personnel expenses	13	(545,503)	(522,894)	(482,450)	(458,435)
Depreciation and amortization		(158,784)	(149,798)	(146,796)	(137,812)
Other operating expenses	14	(297,064)	(318,863)	(255,307)	(263,326)
Operating expenses		(1,300,611)	(1,042,205)	(1,157,609)	(863,355)
Profit before income tax		795,283	1,138,306	700,556	1,014,460
Income tax expense	15	(105,220)	(195,949)	(93,143)	(166,465)
Profit for the period		690,063	942,357	607,413	847,995
Profit of the Group attributable to:					
Equity holders of the Bank		670,238	906,191	-	-
Non-controlling interests		19,825	36,166	-	-
Profit for the period		690,063	942,357	607,413	847,995

Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Other Comprehensive Income

For the six-month period ended June 30

	Notes	Group		Bank	
		2020 RON thousand	2019 RON thousand	2020 RON thousand	2019 RON thousand
Profit for the period		690,063	942,357	607,413	847,995
Items that cannot be reclassified as profit or loss, net of tax		821	(20,902)	(408)	(439)
Translation of financial information of foreign operations to presentation currency		1,005	(24,800)	(458)	(510)
Other elements of comprehensive income		(23)	(70)	(23)	71
Tax related to items that will not be classified to profit or loss		(161)	3,968	73	-
Items which are or may be reclassified as profit or loss					
Fair value reserve (financial assets measured through other items of comprehensive income), of which:		(62,976)	353,213	(62,968)	353,063
Net income from transactions with financial assets measured through other items of comprehensive income, transferred to profit or loss account		(137,337)	(78,374)	(137,324)	(30,860)
Fair value changes of financial assets measured through other items of comprehensive income		74,361	431,587	74,356	383,923
Income tax directly booked to other items of comprehensive income		10,245	(56,538)	10,242	(56,522)
Total comprehensive income for the period		638,153	1,218,130	554,279	1,144,097
Total comprehensive income attributable to:					
Equity holders of the Bank		618,328	1,181,964	-	-
Non-controlling interest		19,825	36,166	-	-
Total comprehensive income for the period		638,153	1,218,130	554,279	1,144,097
Basic earnings per share		0.1174	0.1585	-	-
Diluted earnings per share		0.1172	0.1582	-	-

The financial statements were approved by the Board of Directors on August 13, 2020 and were signed on its behalf by:

Ömer Tetik
Chief Executive Officer

George Călinescu
Deputy Chief Executive Officer

Banca Transilvania S.A.

Interim Consolidated and Separate Statement of Financial Position

	Note	Group		Bank	
		30-06-2020 RON thousand	31-12-2019 RON thousand	30-06-2020 RON thousand	31-12-2019 RON thousand
Assets					
Cash and cash equivalents	16	15,220,340	14,583,143	14,237,537	13,480,195
Derivatives	40	14,193	4,803	14,193	4,803
Financial assets held for trading and measured at fair value through profit or loss	18	254,554	272,607	16,422	17,509
Financial assets which are required to be measured at fair value through profit or loss	18	1,054,958	877,989	1,292,490	1,148,691
Financial assets measured at fair value through other items of comprehensive income	21	26,286,018	23,658,311	26,262,827	23,637,807
- of which pledged securities (repo agreements)		2,605,615	-	2,605,615	-
Financial assets at amortized cost - of which:		52,806,041	49,606,584	50,335,223	47,412,890
- Placements with banks	17	10,355,506	7,775,140	9,575,543	6,995,346
- Loans and advances to customers	19	39,568,051	39,175,404	38,951,420	38,601,915
- Debt instruments	21	2,210,487	1,968,031	1,191,160	1,176,834
- Other financial assets	25	671,997	688,009	617,100	638,795
Finance lease receivables	20	1,174,340	1,178,443	-	-
Equity investments		-	-	486,360	486,360
Investment in Associate		2,317	3,316	-	-
Property and equipment and investment property	22	781,174	727,526	580,707	575,038
Intangible assets	22	251,442	235,429	214,648	202,345
Goodwill	22	13,913	10,478	-	-
Right-of-use assets	23	393,543	388,025	373,879	366,212
Deferred tax assets	24	23,007	16,755	-	-
Other non-financial assets	26	164,951	158,872	113,285	106,225
Total assets		98,440,791	91,722,281	93,927,571	87,438,075

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Interim Consolidated and Separate Statement of Financial Position *(continued)*

		30-06-2020	31-12-2019	30-06-2020	31-12-2019
		RON thousand	RON thousand	RON thousand	RON thousand
Liabilities					
Financial liabilities held-for-trading	40	34,283	12,331	34,283	12,331
Deposits from banks	27	402,858	296,138	411,777	304,461
Deposits from customers	28	79,992,860	77,037,060	77,126,529	74,353,723
Loans from banks and other financial institutions	29	4,225,788	1,473,920	3,679,426	895,673
Subordinated liabilities	30	1,673,561	1,700,207	1,670,094	1,696,602
Current tax liability		48,794	42,203	47,760	38,130
Deferred tax liability		-	-	567	7,899
Provisions for other risks and loan commitments	31	518,060	533,881	494,981	498,457
Lease liabilities	23	399,183	387,441	379,558	365,931
Other financial liabilities	32	1,739,027	909,100	1,523,721	689,531
Other non-financial liabilities	33	111,881	112,012	86,034	78,894
Total liabilities excluding financial liabilities to holders of fund units		89,146,295	82,504,293	85,454,730	78,941,632
Financial liabilities to holders of fund units		15,338	4,152	-	-
Total liabilities		89,161,633	82,508,445	85,454,730	78,941,632
Equity					
Share capital	34	5,302,592	5,302,419	5,302,592	5,302,419
Treasury shares		(15,287)	(63,942)	-	(48,655)
Share premiums		31,235	31,016	28,614	28,396
Retained earnings		2,757,378	2,708,300	2,357,574	2,376,845
Revaluation reserves from tangible assets		17,167	17,818	20,059	20,710
Reserves on financial assets measured at fair value through other items of comprehensive income		95,173	147,904	96,108	148,834
Other reserves		689,785	687,727	667,894	667,894
Total equity attributable to equity holders of the Bank		8,878,043	8,831,242	8,472,841	8,496,443
Non-controlling interest		401,115	382,594	-	-
Total equity		9,279,158	9,213,836	8,472,841	8,496,443
Total liabilities and equity		98,440,791	91,722,281	93,927,571	87,438,075

The financial statements were approved by the Board of Directors on August 13, 2020 and were signed on its behalf by:

Ömer Tetik
Chief Executive Officer

George Călinescu
Deputy Chief Executive Officer

Banca Transilvania S.A.

Interim Consolidated Statement of Changes in Equity

For the six-month period ended June 30 2020

Group	Note:	Attributable to the equity holders of the Bank									Total
		Share capital	Treasury shares	Share premiums	Revaluation reserves	Reserves from financial assets measured through other items of comprehensive income	Other reserves	Retained earnings	Total attributable to the equity holders of the Bank	Non-controlling interest	
<i>In RON thousand</i>											
Balance as at January 01, 2020		5,302,419	-63,942	31,016	17,818	147,904	687,727	2,708,300	8,831,242	382,594	9,213,836
Profit for the period		-	-	-	-	-	-	670,238	670,238	19,825	690,063
Loss from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(52,731)	-	-	(52,731)	-	(52,731)
Retained earnings from revaluation reserves		-	-	-	(651)	-	-	651	-	-	-
Distribution to statutory reserves		-	-	-	-	-	2,058	(2,058)	-	-	-
Other items of comprehensive income, net of tax		-	-	-	-	-	-	821	821	-	821
Total comprehensive income of the period		-	-	-	(651)	(52,731)	2,058	669,652	618,328	19,825	638,153
Contributions of/distributions to the shareholders											
Increase in share capital through the conversion of debt		173	-	219	-	-	-	-	392	-	392
Acquisition of treasury shares		-	(36,466)	-	-	-	-	-	(36,466)	-	(36,466)
Payments of treasury shares		-	85,121	-	-	-	-	-	85,121	-	85,121
Dividends distributed to shareholders		-	-	-	-	-	-	(600,000)	(600,000)	-	(600,000)
SOP 2019 use		-	-	-	-	-	-	(26,927)	(26,927)	-	(26,927)
Other adjustments		-	-	-	-	-	-	6,353	6,353	(1,304)	5,049
Total contributions of/distributions to the shareholders		173	48,655	219	-	-	-	(620,574)	(571,527)	(1,304)	(572,831)
Balance as at June 30, 2020		5,302,592	(15,287)	31,235	17,167	95,173	689,785	2,757,378	8,878,043	401,115	9,279,158

The explanatory notes to the financial statements from page 11 to page 81 are an integral part of these financial statements.

Banca Transilvania S.A.

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

For the year ended 31 December

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

The explanatory notes to the financial statements from page 11 to page 81 are an integral part of these financial statements.

Banca Transilvania S.A.

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

For the six-month period ended June 30, 2020

Bank	Note:	Attributable to the equity holders of the Bank							Total
		Share capital	Treasury shares	Share premiums	Revaluation reserves	Reserves from financial assets measured through other items of comprehensive income	Other reserves	Retained earnings	
<i>In RON thousand</i>									
Balance as at January 1, 2020		5,302,419	(48,655)	28,396	20,710	148,834	667,894	2,376,845	8,496,443
Profit for the period		-	-	-	-	-	-	607,413	607,413
Loss from fair value changes of financial assets measured at fair value through other items of comprehensive income, net of deferred tax		-	-	-	-	(52,726)	-	-	(52,726)
Retained earnings from revaluation reserves		-	-	-	(651)	-	-	651	-
Other items of comprehensive income, net of tax		-	-	-	-	-	-	(408)	(408)
Statement of comprehensive income for the period		-	-	-	(651)	(52,726)	-	607,656	554,279
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of debt		173	-	218	-	-	-	-	391
Acquisition of treasury shares		-	(36,466)	-	-	-	-	-	(36,466)
Payments of treasury shares to the employees		-	85,121	-	-	-	-	-	85,121
Dividends distributed to shareholders		-	-	-	-	-	-	(600,000)	(600,000)
SOP 2019 use		-	-	-	-	-	-	(26,927)	(26,927)
Other adjustments		-	-	-	-	-	-	-	-
Total contributions of/distributions to the shareholders		173	48,655	218	-	-	-	(626,927)	(577,881)
Balance as at June 30, 2020		5,302,592	-	28,614	20,059	96,108	667,894	2,357,574	8,472,841

Banca Transilvania S.A.

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

For the year ended 31 December

Attributable to the equity holders of the Bank

Bank

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

The explanatory notes to the financial statements from page 11 to page 81 are an integral part of these financial statements.

Interim Consolidated and Separate Statement of Cash Flows

For the six-month period ended June 30

In RON thousand	Note:	Group		Bank	
		2020	2019	2020	2019
Cash flow from operating activities					
Profit for the period		690,063	942,357	607,413	847,995
Adjustments for:					
Depreciation and amortization		158,784	149,798	146,796	137,812
Impairment allowance and write-offs of financial assets, provisions for other risks and loan commitments		397,186	164,090	370,813	116,994
Adjustment of financial assets at fair value through profit or loss		(34,595)	(78,374)	(1,448)	(63,383)
Income tax expense	15	105,220	195,949	93,143	166,465
Interest income		(1,813,860)	(1,785,746)	(1,627,055)	(1,572,362)
Interest expense		360,824	265,586	332,026	234,048
Other adjustments		112,462	(176,394)	31,345	(123,184)
Net profit adjusted with non-monetary elements		(23,916)	(322,734)	(46,967)	(255,615)
Changes in operating assets and liabilities					
Change in financial assets at amortized cost and placements with banks		(771,490)	(1,359,728)	(914,698)	(1,255,999)
Change in loans and advances to customers		(636,590)	(1,378,263)	(580,432)	(1,423,954)
Change in finance lease receivables		(180)	(55,112)	-	-
Change in financial assets at fair value through profit or loss		(142,374)	(17,093)	(142,351)	(22,583)
Change in financial assets held for trading and measured at fair value through profit or loss-derivatives		(9,390)	(3,863)	(9,390)	(3,863)
Change in financial assets held for trading and measured at fair value through profit or loss -equity instruments		(1,944)	21,741	1,087	(2,215)
Change in financial assets held for trading and measured at fair value through profit or loss -debt instruments		19,997	(10,369)	-	-
Change in other financial assets		20,031	(141,983)	20,857	(131,313)
Change in other assets		(34,433)	(15,225)	(45,993)	(18,309)
Change in deposits from customers		(2,917,320)	2,162,753	2,735,488	2,316,337
Change in deposits from banks		106,718	53,445	107,315	52,816
Change in held-for-trading financial liabilities		21,952	6,289	21,952	6,289
Change in redeemed claims		2,523,832	(158,753)	2,523,831	(158,753)
Change in other financial liabilities		228,637	586,769	233,213	515,350
Change in other liabilities		11,055	14,241	7,140	(9,631)
Income tax paid/recovered		(91,589)	(63,662)	(80,529)	(57,665)
Interest received		1,590,917	1,540,575	1,234,937	1,336,391
Interest paid		(354,848)	(238,168)	(331,485)	(211,357)
Net cash from operating activities		5,373,705	620,860	4,733,975	675,926

Interim Consolidated and Separate Statement of Cash Flows (continued)

For the six-month period ended June 30

In RON thousand	Note:	Group		Bank	
		2020	2019	2020	2019
Cash flow used in investment activities					
Acquisition of financial assets measured at fair value through other items of comprehensive income		(20,551,314)	(5,826,273)	(14,746,919)	(5,823,998)
Sale of financial assets measured at fair value through other items of comprehensive income		(17,648,597)	7,676,517	12,054,993	7,675,419
Net acquisitions of property and equipment		(127,165)	(77,041)	(56,133)	(42,238)
Net acquisitions intangible assets		(64,282)	(83,536)	(50,724)	(44,994)
Proceeds from disposal of property and equipment and intangible assets		760	1,877	512	1,679
Acquisition of equity investments		(12,500)	-	-	-
Dividends collected	11	2,896	3,150	2,900	10,635
Interest received		410,512	454,940	437,363	454,864
Net cash flow from investment activities		(2,692,496)	2,149,634	(2,358,008)	2,231,367
Gross proceeds from loans from banks and other financial institutions					
		326,741	50,339	311,976	47,569
Gross payments from loans from banks and other financial institutions					
		(121,978)	(89,603)	(68,807)	(44,376)
Payments for subordinated loans from banks and financial institutions					
		(47,918)	-	(47,918)	-
Instalment payments for right-of-use assets					
		(63,432)	(57,174)	(57,782)	(57,174)
Dividend payments					
		(313)	(812,164)	(313)	(812,164)
Payments for treasury shares					
		(36,466)	(39,988)	(36,466)	(39,988)
Interest paid					
		(46,660)	(50,130)	(39,490)	(41,130)
Net cash flow from / (used in) financing activities		9,974	(998,720)	61,200	(947,263)

In RON thousand	Note:	Group		Bank	
		2020	2019	2020	2019
The impact of exchange rate variations on cash and cash equivalents					
		130,971	122,982	130,712	107,605
Net increase in cash and cash equivalents					
		2,560,212	1,648,792	2,306,455	1,852,425
Cash and cash equivalents at the National Bank as at January 1					
		20,510,000	15,156,390	18,761,413	13,292,860
Cash and cash equivalents as at June 30	16	23,201,183	16,928,164	21,198,580	15,252,890

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation

a) Reporting entity

Banca Transilvania S.A.

Banca Transilvania S.A. (the “Parent company”, “BT”) is a joint-stock company incorporated in Romania. The Bank started its activity as a banking institution in 1993 and is licensed by the National Bank of Romania (“BNR”, the “Central Bank”) to conduct banking activities. The Bank started its activity in 1994 and its main operations involve banking services for legal entities and individuals. Banca Transilvania Group (the “Group”) includes the Parent company and its subsidiaries, based in Romania and in the Republic of Moldova. The interim condensed consolidated and separate financial statements as at June 30, 2020 comprise the Parent company and its subsidiaries (hereinafter referred to as the “Group”).

The Group’s fields of activity are: banking through Banca Transilvania S.A. and Victoriabank S.A.; leasing and consumer finance mainly through BT Leasing Transilvania IFN S.A., BT Direct IFN S.A., BT Microfinanțare IFN S.A. and BT Leasing MD S.R.L.; asset management through BT Asset Management S.A.I. S.A. Additionally, the Bank controls five investment funds that it also includes in the consolidation basis.

The Bank carries out its banking activity through its head office located in Cluj-Napoca and 50 branches, 432 agencies, 18 work units, 7 healthcare division units, 2 private banking agencies in Romania, 1 branch in Italy and 1 regional office located in Bucharest (December 31, 2019: 52 branches, 427 agencies, 20 work units, 7 healthcare division units, 2 private banking agencies in Romania, 1 branch in Italy and 1 regional office located in Bucharest).

The Group’s number of active employees as at June 30, 2020 was 9,827 (December 31, 2019: 9,690 employees).

The Bank’s number of active employees as at June 30, 2020 was 8,180 (December 31, 2019: 7,997 employees).

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

The ownership structure of the Bank is presented below:

	30-06-2020	30-06-2019
NN Group (*)	10.06%	6.81%
The European Bank for Reconstruction and Development (“EBRD”)	7.93%	8.59%
Romanian individuals	20.51%	21.06%
Romanian companies	39.31%	36.86%
Foreign individuals	1.07%	1.22%
Foreign companies	21.12%	25.46%
Total	100%	100%

(*)NN Group N.V. and the pension funds managed by NN Pensii SAFAP S.A. and NN Asigurari de Viata S.A.

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

a) Reporting entity (continued)

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

Subsidiary	Field of activity	Percentage of direct and indirect stake 30-06-2020	Percentage of direct and indirect stake 30-12-2019
Victoriabank S.A.	financial and banking activities and investments subject to license	44.63%	44.63%
BT Capital Partners S.A.	Investments	99.59%	99.59%
BT Leasing Transilvania IFN S.A.	leasing	100.00%	100.00%
BT Investments S.R.L.	Investments	100.00%	100.00%
BT Direct IFN S.A.	consumer loans	100.00%	100.00%
BT Building S.R.L.	Investments	100.00%	100.00%
BT Asset Management SAI. S.A.	Asset management	80.00%	80.00%
BT Solution Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Asiom Agent de Asigurare S.R.L.	Insurance broker	99.95%	99.95%
BT Safe Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Intermedieri Agent de Asigurare S.R.L.	Insurance broker	99.99%	99.99%
BT Leasing MD SRL	leasing	100.00%	100.00%
BT Microfinanțare IFN S.A.	consumer loans	100.00%	100.00%
Improvement Credit Collection S.R.L.	activities of collection agents and credit reporting bureaus	100.00%	100.00%
VB Investment Holding B.V.	activities of holdings	61.81%	61.81%
Timesafe S.R.L.	Activities of software to order	51.12%	51.12%
Sinteza S.A.	Manufacture of other basic organic chemicals	33.87%	33.87%
BT Pensii S.A. (Certinvest Pensii)	Activities of pension funds (except those in the public social security system)	80.98%	-

b) Declaration of conformity

The interim condensed consolidated and separate financial statements of the Group and the Bank have been prepared in accordance with IAS 34 "Interim Financial Reporting" as endorsed by the European Union, effective as at the Group's and Bank's interim reporting date, June 30, 2020.

They do not include all the information required for a complete set of financial statements in accordance with the International Financial Reporting Standard ("IFRS") endorsed by the European Union. However, certain notes are included in order to explain the events and transactions that are significant in order to understand the changes in the Group's and the Bank's financial position and performance as of the last annual separate and consolidated financial statements as at and for the year ended December 31, 2019.

Financial information for the period ended June 30 are not audited.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

c) Basis of measurement

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

d) Functional and presentation currency

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

The exchange rates for the major foreign currencies were:

Currency	June 30, 2019	December 31, 2019	Fluctuation %
Euro (EUR)	1: RON 4.8423	1: RON 4.7793	1.32 %
American dollar (USD)	1: RON 4.3233	1: RON 4.2608	1.47 %

e) Use of estimates and judgements

The preparation of the interim condensed consolidated and separate financial statements in accordance with the IAS 34 "Interim Financial Reporting", as endorsed by the European Union implies that the management uses estimations and judgements that affect the application of accounting policies, as well as the reported value of assets, liabilities, incomes and expenses. The estimates and associated assumptions are based on historical data and various other factors that are believed to be relevant under the given circumstances, the result of which forms the basis of the judgements used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis.

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

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

i) Impairment losses on loans and advances to customers

The Group and the Bank review their loan and finance lease receivables portfolio in order to assess the impairment thereof, at least bi-annually (on a monthly basis for the Bank). In determining whether an impairment loss should be recorded, the Group and the Bank make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows related to a portfolio of loans and finance lease, before such decrease can be identified with respect to an individual loan/lease investment in that portfolio.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

e) Use of estimates and judgements (continued)

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

For example, the observable data might be the unfavorable changes in the payment behavior of certain debtors within a group or in the economic, national or local circumstances, which correlate with default incidents affecting the debtors' group. When scheduling future cash flows, the management uses estimates based on the past experience related to losses from loans with similar risk characteristics.

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

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

The three-stage expected credit loss impairment model in IFRS 9 depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the impairment charge equals the expected credit losses resulting from default events that are possible within the next 12 months (stage 1). If the credit risk has increased significantly, the loan is more than 30 days past due, or the loan is in default or otherwise impaired, the impairment charge equals the lifetime expected credit losses.

In determining the impairment for expected credit losses, management incorporates forward-looking information, exercises judgement and uses estimates and assumptions as explained below. The estimation of expected credit losses involves forecasting future economic conditions over 3 years. The incorporation of forward-looking elements reflects the expectations of the Bank and involves the creation of scenarios (base case, optimist and pessimist), including an assessment of the probability for each scenario. A large part of the impact on the expected credit losses in Q1 and Q2 2020 is resulting from the COVID-19 pandemic referring to changes to the forward-looking information.

The macroeconomic scenarios applied have been changed from those applied in Q4 2019, to reflect the worsening of the macroeconomic outlook due to the COVID-19 pandemic. Therefore, scenarios were adjusted so the expected credit losses are now based on a base case scenario that reflects a decline in economic activity in 2020 followed by a significant recovery in 2021, as well as a pessimistic scenario that reflects a recession to a more severe degree, with an assigned probability of 47.5%, considering that the contribution of certain sectors / industries / components in GDP will be lower, and the measures adopted for restarting the economy will not have the maximum expected effect.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

e) Use of estimates and judgements (continued)

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

With the new set of scenarios, the base case scenario enters with a probability of 50% (31 December 2019: 50%), the optimist scenario with a probability of 2.5% (31 December 2019: 10%) and the pessimist scenario with a probability of 47.5% (31 December 2019: 40%). If the pessimist case scenario was assigned a probability of 100%, the allowance account would increase by 84.3 million RON (31 December 2019: 60.5 million RON). Considering that the applied scenarios differ from the scenarios used at 31 December 2019, the changes in sensitivities from end of 2019 to end of the second quarter of 2020 are therefore not directly comparable.

Also, due to the COVID-19 pandemic, management applies supplementary judgement when determining the need for post-model adjustments:

- 1) consider high-risk industries (most clearly affected by the COVID-19) and, consequently, makes supplementary calculations in order to ensure sufficient impairment coverage. The Bank has limited exposure to most of the industries that are highly affected by the COVID-19 pandemic;
- 2) other post-model adjustments are made for portfolios (exposure on specific client type or exposure on specific products) where the credit risk assessment process has identified underestimation of the expected credit losses.

The Group's forbearance practices have been updated to pay particular attention to customers affected by the COVID-19 pandemic. These practices include additional guidance to ensure that COVID-19 concessions are fully complied with EBA/ NBR decision on moratoria operations.

In this period, there is no important change in our internal definition considering significance increase in credit risk or in default definition. The impact of the COVID 19 pandemic on total NPL exposures was limited in Q1&Q2 2020, but is expected to increase during the next year.

As mentioned, moratoria program did not have an impact on stage-ing (is not considered a trigger for a significant increase in credit risk). The definition of forbore credit modification was not changed and continues to identify restructuring operation request by clients in financial difficulties who did not access the moratoria program.

Due to the COVID-19 pandemic, the financial markets were very volatile during March 2020 producing short-term challenges in cash-flow management and also significant variations in mark to market.

Bank stands on a very good position of liquidity, therefore the market disruptions didn't had a significant impact on it. In terms of interest rate risk, the pressure was felt on net interest margin due to interest rates levels and the provisions regarding payment moratoria.

The trading book of the the Group and the Bank consist of bonds, equities, collective investment units and derivatives, whose valuation was affected by market volatilities, especially in March, but subsequently return to a stabilized trend or quite positive. The most significant part of the trading book is represented by bonds, of which the majority are kept at fair value through other comprehensive income, thus allowing that market-to-market impact to be observable in other comprehensive income and not in Statement of Profit or Loss. Note 4 provides more details on the fair value measurement of financial instruments.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

1. Reporting entity and basis of preparation (continued)

e) Use of estimates and judgements (continued)

(ii) Anticipated individual fiscal solutions (“AIFS”)

The Bank requested the Romanian fiscal authorities to issue an official opinion on the fiscal treatment of the VBRO bargain gain (“AIFS”). The Bank proposed the consideration of the bargain gain as non-taxable income by taking into account all the arguments.

The Romanian fiscal authorities issued a negative opinion, considering that the bargain gain is taxable (as recorded based on IFRS), the sole argument to sustain this position being that the bargain gain is not included in the list of non-taxable income elements specifically stipulated in the Fiscal Code applicable as of December 31, 2015. The Bank initiated court proceedings in this respect in 2017. The case was submitted to the Court of Appeal of Cluj in April 2017. In November 2017, the Court of Appeal of Cluj admitted the case at trial and issued a judgment in favor of the Bank, confirming the Bank’s approach to consider the bargain gain as non-taxable income.

On June 23, 2020, the High Court of Cassation and Justice ruled in the case file pending. The Bank will take action when the full content of the decision of the High Court of Cassation and Justice of June 23, 2020 becomes available.

(iii) Risk provisions for abusive clauses and litigation

The provision for abusive clauses is an estimated amount for potential litigations facing the Bank derived from the retail credit contracts inherited from Volksbank and Bancpost merger. The provision is periodically reviewed by the Bank by incorporating historical data regarding new litigations in the last years (a show-up ratio) and the loss probability for such cases (calculated as a historical positive versus negative outcome of litigations). The last review for abusive clauses provision has been performed as of 30 June 2020 when the Bank adjusted the provision based on the trend of such new litigations (show-up ratio) and the probability loss estimated at this date.

For other significant litigation and regulatory enforcement matters, the Group believes the possibility of an outflow of funds is more than remote but less than probable but the amount is not reliably estimable, and accordingly such matters are not included in the contingent liability estimates. The Group believes the possibility of an outflow of funds is remote and therefore has neither recognized a provision nor included them in the contingent liability estimates.

2. Significant accounting policies

The significant accounting methods and policies applied by the Bank and the Group entities in these interim condensed consolidated and separate financial statements are the ones also applied in the Consolidated and separate financial statements as at and for the fiscal year ended December 31, 2019.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting

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

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

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

The business segments are organized and managed separately, depending on the nature of products and services provided, each segment being specialized on certain products and operating on different markets.

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

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

The reporting segment of the Group as described below:

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

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

The MidCo segment includes also entities operating in the public sector, financial institutions or legal entities serving particular functions, included in this category based on specific classification criteria. The Bank offers a full array of financial services to its Mid Corporate clients, including lending facilities, current operations, treasury services, but also additional services such as bonus packages for employees, structured finance, co-financing of EU funded projects; the Bank also facilitates the access to the services provided by the Group subsidiaries, such as bancassurance, consultancy on mergers and acquisitions, asset management, financial and operating lease, with the purpose to increase its profitability and non-risk income.

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

Micro Business clients – company customers with an annual turnover up to 2 million RON. This category comprises the largest number of companies and the most diverse types of entities, such as limited liability companies, freelancers, sole proprietorships, etc.

The business lifespan (many such clients are fresh companies), the entrepreneur’s expertise and the market on which the company operates generate certain needs that the Group and the Bank attempt to serve through product and service packages dedicated to this category of customers, which have become a hallmark in the banking sector over the years.

Lending products are accessed more frequently as the Micro or SME business takes shape: loans for working capital or investments, letters of guarantee, EU project co-financing, credit cards, leasing, invoice discounting or factoring.

Another important category of products refers to general operations, incoming and outgoing payments, cheques, promissory notes, FX operations, salary payment agreements or bancassurance services. Increased attention is given to the digitalization of our products and services, our clients showing more and more interest in internet & mobile banking, e-commerce, last generation POSs and the integration of financial data in the proprietary accounting systems.

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

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (*continued*)

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

In terms of geographical distribution, the Group and the Bank cover mainly the Romanian territory, except for the Italy branch operations linked to the Bank and BT Leasing Moldova financial lease operations linked to the Group; the impact of the two entities on the balance sheet and income statement is minor. There is no further information regarding the geographical distribution used by the management of the Group and the Bank; therefore it is not presented here.

As at June 30, 2020 and June 30, 2019, the Group or the Bank did not record income exceeding 10% of total income in relation to a single customer.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

The table below presents financial information per segments regarding the consolidated statement of financial position for the periods ended at June 30, 2019, and comparative data for December 31, 2019:

Business segments as at June 30, 2020

<i>Group In RON thousand</i>	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Removals & adjustments	Total
Gross loans and finance lease receivables	7,133,422	6,258,820	2,357,284	3,343,725	23,807,053	-	2,296,720	19,155	(1,238,953)	43,977,226
Allowances for impairment losses on loans and finance lease receivables	(810,679)	(673,765)	(183,214)	(310,954)	(994,826)	-	(277,825)	(2,653)	19,081	(3,234,835)
Loans and finance receivables-net Portfolio of Debt instruments and Equity instruments, net of provisions	6,322,743	5,585,055	2,174,070	3,032,771	22,812,227	-	2,018,895	16,502	(1,219,872)	40,742,391
Treasury and inter-bank operations	-	-	-	-	-	29,713,822	-	305,646	(199,258)	29,820,210
Intangible assets	-	-	-	-	-	25,455,220	41,742	216,162	(137,278)	25,575,846
Right-of-use assets	55,097	117,197	68,848	153,296	436,447	17,955	5,602	199,808	(5,404)	1,048,846
Other assets	25,900	47,390	27,283	71,667	196,289	7,505	6,164	13,772	(2,427)	393,543
Total assets	127,638	117,123	45,666	58,969	429,702	-	48,399	42,593	(10,135)	859,955
Deposits and current accounts	3,237,871	5,636,230	4,041,209	10,017,589	57,186,679	411,777	-	566	(136,203)	80,395,718
Loans from banks and other financial institutions	45,723	578,675	187,735	187,144	165,544	2,527,117	1,630,965	136,356	(1,233,471)	4,225,788
Subordinated liabilities	-	-	-	-	-	1,670,094	-	-	3,467	1,673,561
Finance lease financial liabilities	65,306	58,102	22,509	30,310	216,522	559	6,326	2,069	(2,520)	399,183
Other liabilities	431,312	342,479	106,428	149,998	1,203,945	519	55,562	191,407	(14,267)	2,467,383
Total liabilities	3,780,212	6,615,486	4,357,881	10,385,041	58,772,690	4,610,066	1,692,853	330,398	(1,382,994)	89,161,633
Equity and related items	-	-	-	-	-	-	-	9,279,158	-	9,279,158
Total liabilities and equity	3,780,212	6,615,486	4,357,881	10,385,041	58,772,690	4,610,066	1,692,853	9,609,556	(1,382,994)	98,440,791

The explanatory notes to the financial statements from page 11 to page 81 are an integral part of these financial statements.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

Business segments as at December 31, 2019

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

The table below presents financial information per segments regarding the consolidated statement of the operating profit before net expenses with the impairment allowance for loans and advances to customers, for the periods ended at June 30, 2020, and comparative data for June 30, 2019:

Business segments as at June 30, 2020

<i>Group In RON thousand</i>	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Removals & adjustments	Total
Net interest income	51,473	91,999	73,989	112,894	487,937	88,879	105,746	439,326	793	1,453,036
Net commission income	20,851	46,675	31,615	108,491	115,667	(994)	2,769	28,171	(1,417)	351,828
Net trading income	4,474	17,697	16,090	28,749	58,462	32,958	3,837	(34,633)	5	127,639
Net gain from financial assets measured through comprehensive income	-	-	-	-	-	70,048	-	67,289	-	137,337
Net loss (-)/Net gain from financial assets which are required to be measured through profit or loss	-	-	-	-	-	38,020	-	(3,425)	-	34,595
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(4,648)	(5,314)	(2,920)	(9,133)	(50,736)	-	-	-	-	(72,751)
Other operating income	7,386	6,477	2,017	710	35,115	82	6,176	12,922	(6,675)	64,210
Total income	79,536	157,534	120,791	241,711	646,445	228,993	118,528	509,650	(7,294)	2,095,894
Personnel expenses	(31,125)	(84,355)	(46,072)	(93,704)	(212,853)	(9,752)	(19,938)	(47,711)	7	(545,503)
Other operating expenses	(15,416)	(31,351)	(15,711)	(34,735)	(108,804)	(9,874)	(19,580)	(67,240)	5,647	(297,064)
Depreciation and amortization	(8,962)	(19,622)	(11,304)	(30,763)	(76,056)	(3,114)	(3,243)	(6,418)	698	(158,784)
Total Expenses	(55,503)	(135,328)	(73,087)	(159,202)	(397,713)	(22,740)	(42,761)	(121,369)	6,352	(1,001,351)
Operating profit before net provision expenses for assets, other risks and commitments	24,033	22,206	47,704	82,509	248,732	206,253	75,767	388,281	(942)	1,094,543

Notes to the Interim Condensed Consolidated and Separate Financial Statements

3. Segment reporting (continued)

Business segments as at June 30, 2019

<i>Group In RON thousand</i>	Large Corporate	Mid Corporate	SME	Micro	Retail	Treasury	Leasing and consumer loans granted by non-banking financial institutions	Other - Group	Removals & adjustments	Total
Net interest income	50,001	133,975	84,416	163,063	596,948	95,784	125,452	269,753	768	1,520,160
Net commission income	24,975	59,320	33,578	119,901	130,519	(1,675)	3,293	23,006	(1,928)	390,989
Net trading income	4,177	16,626	13,207	29,977	50,320	55,186	3,251	18,478	5	191,227
Net gain from financial assets measured through comprehensive income	-	-	-	-	-	15,766	-	15,122	-	30,888
Net gain from financial assets which are required to be measured through profit or loss	-	-	-	-	-	77,346	-	1,028	-	78,374
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(9,133)	(9,300)	(3,527)	(13,925)	(73,362)	-	-	-	-	(109,247)
Other operating income	10,941	7,195	3,301	2,303	35,824	113	8,058	25,344	(14,959)	78,120
Total income	80,961	207,816	130,975	301,319	740,249	242,520	140,054	352,731	(16,114)	2,180,511
Personnel expenses	(36,412)	(87,052)	(43,583)	(89,617)	(196,999)	(8,713)	(21,623)	(38,916)	21	(522,894)
Other operating expenses	(15,903)	(24,589)	(26,122)	(31,759)	(95,590)	(10,156)	(28,087)	(92,279)	5,622	(318,863)
Depreciation and amortization	(11,253)	(21,215)	(10,600)	(28,123)	(67,899)	(2,690)	(3,100)	(5,418)	500	(149,798)
Total Expenses	(63,568)	(132,856)	(80,305)	(149,499)	(360,488)	(21,559)	(52,810)	(136,613)	6,143	(991,555)
Operating profit before net provision expenses for assets, other risks and commitments	17,393	74,960	50,670	151,820	379,761	220,961	87,244	216,118	(9,971)	1,188,956

Notes to the Interim Condensed Consolidated and Separate Financial Statements

4. Fair value of financial assets and liabilities

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

Level 1 in the fair value hierarchy

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

Level 2 in the fair value hierarchy

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

Level 3 in the fair value hierarchy

The fair value of financial assets and liabilities included in Level 3 in the fair value hierarchy is determined by using input data that are not based on observable market information (unobservable data inputs shall reflect the assumptions made by the market participants to establish the price of an asset or a liability, including risk assumptions).

The objective of valuation techniques is to derive the fair value that reflects a price for the financial instrument at the reporting date, price that would be obtained by the market participants acting at arm's length.

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

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

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

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

4. Fair value of financial assets and liabilities (continued)

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

The Group and The Bank have included at the level 3 in the fair value hierarchy the following categories of assets: equity instruments measured at fair value through other items of comprehensive income, loans and advances measured at fair value through other items of comprehensive income and debt instruments which are required to be measured at fair value through profit or loss.

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

	Level 1 - Quoted market prices in active markets	Level 2 - Valuation techniques – observable inputs	Level 3 - Valuation techniques – unobservable inputs	Total
Group - In RON thousand				
June 30, 2020				
Financial assets held for trading and measured at fair value through profit or loss, of which:	254,554	-	-	254,554
- Equity instruments	145,984	-	-	145,984
- Debt instruments	108,570	-	-	108,570
Derivatives	-	14,193	-	14,193
Financial assets measured at fair value through other items of comprehensive income	26,226,520	846	58,652	26,286,018
- Equity instruments	-	-	29,215	29,215
- Debt instruments	26,226,520	846	-	26,227,366
- Loans and advances	-	-	29,437	29,437
Financial assets which are required to be measured at fair value through profit or loss, of which:	717,595	-	337,363	1,054,958
- Equity instruments	207,075	-	-	207,075
- Debt instruments	510,520	-	337,363	847,883
Total financial assets measured at fair value in the statement of financial position	27,198,669	15,039	396,015	27,609,723
Held-for-trading financial liabilities	-	34,283	-	34,283
December 31, 2019				
Financial assets held for trading and measured at fair value through profit or loss, of which:	272,607	-	-	272,607
- Equity instruments	144,040	-	-	144,040
- Debt instruments	128,567	-	-	128,567
Derivatives	-	4,803	-	4,803
Financial assets measured at fair value through other items of comprehensive income	23,602,342	893	55,076	23,658,311
- Equity instruments	-	-	25,053	25,053
- Debt instruments	23,602,342	893	-	23,603,235
- Loans and advances	-	-	30,023	30,023
Financial assets which are required to be measured at fair value through profit or loss, of which:	614,184	-	263,805	877,989
- Equity instruments	143,932	-	-	143,932
- Debt instruments	470,252	-	263,805	734,057
Total assets measured at fair value in the statement of financial position	24,489,133	5,696	318,881	24,813,710
Held-for-trading financial liabilities	-	12,331	-	12,331

Notes to the Interim Condensed Consolidated and Separate Financial Statements

4. Fair value of financial assets and liabilities (continued)

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

Bank - In RON thousand	Level 1 - Quoted market prices in active markets	Level 2 - Valuation techniques – observable inputs	Level 3 - Valuation techniques – unobservable inputs	Total
June 30, 2020				
Financial assets held for trading and measured at fair value through profit or loss, of which:	16,422	-	-	16,422
- Equity instruments	16,422	-	-	16,422
Derivatives	-	14,193	-	14,193
Financial assets measured at fair value through other items of comprehensive income	26,218,058	846	43,923	26,262,827
- Equity instruments	-	-	14,486	14,486
- Debt instruments	26,218,058	846	-	26,218,904
- Loans and advances	-	-	29,437	29,437
Financial assets which are required to be measured at fair value through profit or loss, of which:	955,127	-	337,363	1,292,490
- Equity instruments	206,786	-	-	206,786
- Debt instruments	748,341	-	337,363	1,085,704
Total financial assets measured at fair value in the statement of financial position	27,189,607	15,039	381,286	27,585,932
Held-for-trading financial liabilities	-	34,283	-	34,283
December 31, 2019				
Financial assets held for trading and measured at fair value through profit or loss, of which:	17,509	-	-	17,509
- Equity instruments	17,509	-	-	17,509
Derivatives	-	4,803	-	4,803
Financial assets measured at fair value through other items of comprehensive income	23,594,722	893	42,192	23,637,807
- Equity instruments	-	-	12,169	12,169
- Debt instruments	23,594,722	893	-	23,595,615
- Loans and advances	-	-	30,023	30,023
Financial assets which are required to be measured at fair value through profit or loss, of which:	884,886	-	263,805	1,148,691
- Equity instruments	143,535	-	-	143,535
- Debt instruments	741,351	-	263,805	1,005,156
Total financial assets measured at fair value in the statement of financial position	24,497,117	5,696	305,997	24,808,810
Held-for-trading financial liabilities	-	12,331	-	12,331

Notes to the Interim Condensed Consolidated and Separate Financial Statements

4. Fair value of financial assets and liabilities (continued)

ii) Financial instruments not carried at fair value

At level 2 in the fair value hierarchy, the Group and the Bank included in the category of assets that are not held at fair value: placements with banks, except securities classified as loans and receivables (which do not have an active market), loans and advances and finance lease receivables; and in the category of liabilities: deposits from banks and from customers.

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

The table below presents the fair value and the fair value hierarchy for the financial assets and liabilities that are not measured at fair value in the statement of financial position at June 30, 2020:

<i>RON thousand</i>	Note:	Group					Bank				
		Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets											
Placements with banks	17	10,355,506	10,355,506	-	10,355,506	-	9,575,543	9,575,543	-	9,575,543	-
Loans and advances to customers	19	39,568,051	39,321,511	-	39,321,511	-	38,951,420	38,694,110	-	38,694,110	-
Finance lease receivables	20	1,174,340	1,173,589	-	1,173,589	-	-	-	-	-	-
Financial assets at amortized cost - debt instruments	21	2,210,487	2,210,487	-	-	2,210,487	1,191,160	1,191,160	-	-	1,191,160
Other financial assets	25	671,997	671,997	-	-	671,997	617,100	617,100	-	-	617,100
Total assets		53,980,381	53,733,090	-	50,850,606	2,882,484	50,335,223	50,077,913	-	48,269,653	1,808,260
Liabilities											
Deposits from banks	27	402,858	402,858	-	402,858	-	411,777	411,777	-	411,777	-
Deposits from customers	28	79,992,860	80,023,790	-	80,023,790	-	77,126,529	77,157,459	-	77,157,459	-
Loans from banks and other financial institutions	29	4,225,788	4,225,788	-	-	4,225,788	3,679,426	3,679,426	-	-	3,679,426
Subordinated liabilities	30	1,673,561	1,673,561	-	-	1,673,561	1,670,094	1,670,094	-	-	1,670,094
Lease liabilities	23	399,183	399,183	-	-	399,183	379,558	379,558	-	-	379,558
Other financial liabilities	32	1,739,027	1,739,027	-	-	1,739,027	1,523,721	1,523,721	-	-	1,523,721
Total liabilities		88,433,277	88,464,207	-	80,426,648	8,037,559	84,791,105	84,822,035	-	77,569,236	7,252,799

Notes to the Interim Condensed Consolidated and Separate Financial Statements

4. Fair value of financial assets and liabilities (continued)

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

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

RON thousand	Note:	Carrying amount	Group			Carrying amount	Fair value	Bank			
			Fair value	Level 1	Level 2			Level 3	Fair value	Level 1	Level 2
Assets											
Placements with banks	17	7,775,140	7,775,140	-	7,775,140	-	6,995,346	6,995,346	-	6,995,346	-
Loans and advances to customers	19	39,175,404	39,168,530	-	39,168,530	-	38,601,915	38,411,567	-	38,411,567	-
Finance lease receivables	20	1,178,443	1,182,447	-	1,182,447	-	-	-	-	-	-
Financial assets at amortized cost - debt instruments	21	1,968,031	1,968,031	-	-	1,968,031	1,176,834	1,176,834	-	-	1,176,834
Other financial assets	25	688,009	688,009	-	-	688,009	638,795	638,795	-	-	638,795
Total assets		50,785,027	50,782,157	-	48,126,117	2,656,040	47,412,890	47,222,542	-	45,406,913	1,815,629
Liabilities											
Deposits from banks	27	296,138	296,138	-	296,138	-	304,461	304,461	-	304,461	-
Deposits from customers	28	77,037,060	77,053,638	-	77,053,638	-	74,353,723	74,370,300	-	74,370,300	-
Loans from banks and other financial institutions	29	1,473,920	1,473,920	-	-	1,473,920	895,673	895,673	-	-	895,673
Subordinated liabilities	30	1,700,207	1,700,207	-	-	1,700,207	1,696,602	1,696,602	-	-	1,696,602
Lease liabilities	23	387,441	387,441	-	-	387,441	365,931	365,931	-	-	365,931
Other financial liabilities	32	909,100	909,100	-	-	909,100	689,531	689,531	-	-	689,531
Total liabilities		81,803,866	81,820,444	-	77,349,776	4,470,668	78,305,921	78,322,498	-	74,674,761	3,647,737

Notes to the Interim Condensed Consolidated and Separate Financial Statements

5. Net interest income

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	30-06-2019	30-06-2020	30-06-2019
Interest income calculated using the effective interest method	1,761,762	1,712,520	1,621,956	1,564,533
- Cash and cash equivalents at AC	11,163	16,815	7,743	6,089
- Placements with banks at AC	67,165	25,998	65,785	24,146
- Loans and advances to customers at AC	1,334,984	1,418,145	1,222,185	1,305,600
- Debt instruments at FVOCI	324,217	222,334	324,043	222,248
- Debt instruments at AC	24,233	28,415	2,200	6,450
- Other financial assets at AC	-	813	-	-
Other similar interest income	52,098	73,226	5,099	7,829
- Finance lease receivables	46,999	65,397	-	-
- Non-recourse factoring receivables	5,099	7,829	5,099	7,829
Total interest income	1,813,860	1,785,746	1,627,055	1,572,362
Interest expense related to financial liabilities measured at amortized cost	360,095	264,596	331,402	233,175
- Cash and cash equivalents	26,628	13,978	26,628	13,978
- Deposits from banks	9,409	5,882	8,343	5,002
- Deposits from customers	242,041	194,571	222,941	172,172
- Loans from banks and other financial institutions	82,017	50,165	73,490	42,023
Other similar expense	729	990	624	873
- Lease liabilities	729	990	624	873
Total interest expense	360,824	265,586	332,026	234,048
Net interest income	1,453,036	1,520,160	1,295,029	1,338,314

(i) Interest income for the period ended at June 30, 2020 includes the net interest income on impaired financial assets amounting RON 88,662 thousand (June 30, 2019: RON 115,500 thousand) for the Group and RON 74,877 thousand (June 30, 2019: RON 98,076 thousand) for the Bank.

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

6. Net fee and commission income

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	30-06-2019	30-06-2020	30-06-2019
Fee and commission income				
Commissions from treasury and inter-bank operations	59,158	51,840	59,158	51,840
Client transactions	447,813	466,589	376,645	402,401
Lending activity (i)	16,424	19,293	16,178	18,981
Finance lease management	9	567	-	-
Other fee and commission income	2,040	1,120	336	220
Total fee and commission income	525,444	539,409	452,317	473,442
Fee and commission expense				
Commissions from treasury and inter-bank	116,114	97,135	99,115	81,789
Client transactions	46,156	39,763	36,730	31,191
Lending activity (i)	10,273	10,007	15,728	16,782
Other fees and commissions	1,073	1,515	994	1,676
Fee and commission expenses	173,616	148,420	152,567	131,438
Net fee and commission income	351,828	390,989	299,750	342,004

(i) Lending-related fees include guarantee assessment and amendment fees.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

7. Net trading income

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	30-06-2019	30-06-2020	30-06-2019
Net income from foreign exchange transactions	165,126	150,927	141,627	134,026
Net expense from derivatives	(25,360)	(2,019)	(25,356)	(2,019)
Net (expense)/income from financial assets held-for-trading	(34,006)	22,044	(48)	3,688
Net income from foreign exchange position revaluation	21,879	20,275	22,497	15,306
Net trading income	127,639	191,227	138,720	151,001

8. Net income from financial assets measured at fair value through comprehensive income

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	30-06-2019	30-06-2020	30-06-2019
Income from the sale of financial assets measured at fair value through other items of comprehensive income	141,465	35,562	141,452	35,534
Losses from the sale of financial assets measured at fair value through other items of comprehensive income	(4,128)	(4,674)	(4,128)	(4,674)
Net income from financial assets measured at fair value through comprehensive income	137,337	30,888	137,324	30,860

9. Net income from financial assets which are required to be measured at fair value through profit or loss

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	30-06-2019	30-06-2020	30-06-2019
Losses from financial assets which are required to be measured at fair value through profit or loss	(117,325)	(66,622)	(215,179)	(77,773)
Income from financial assets which are required to be measured at fair value through profit or loss	151,920	144,996	216,627	141,156
Net income from financial assets which are required to be measured at fair value through profit or loss	34,595	78,374	1,448	63,383

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

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

	Group		Bank	
	30-06-2020	30-06-2019	30-06-2020	30-06-2019
Contribution to the Bank Deposit Guarantee Fund	40,594	85,123	39,244	83,491
Bank Resolution Fund	32,157	24,124	30,551	24,124
Total	72,751	109,247	69,795	107,615

Notes to the Interim Condensed Consolidated and Separate Financial Statements

11. Other operating income

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	30-06-2019	30-06-2020	30-06-2019
Dividend income	2,896	3,150	2,900	10,635
Income from insurance intermediation	34,408	31,748	28,581	27,805
Income from the sale of finished products	-	15,162	-	-
Income from indemnities, fines and penalties	3,512	1,075	2,758	82
Income from VISA, MASTERCARD, WU services	8,859	8,112	8,859	8,112
Other operating income (i)	14,535	18,873	12,591	13,234
Total	64,210	78,120	55,689	59,868

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

12. Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	30-06-2019	30-06-2020	30-06-2019
Net impairment allowance on assets (i)	407,970	155,007	367,385	124,951
Net loss on loans written off	177	20,854	-	10
Net loss on finance lease receivables written off	9,536	8,862	-	-
Provisions for other risks and loan commitments	(3,583)	(9,881)	3,428	(7,967)
Recoveries from loans written off	(97,926)	(113,440)	(97,757)	(113,212)
Recoveries from finance lease receivables written off	(16,914)	(10,752)	-	-
Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	299,260	50,650	273,056	3,782

(i) Impairment losses on assets include the following:

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	30-06-2019	30-06-2020	30-06-2019
Loans and advances to customers	397,211	148,270	370,981	126,306
Treasury and inter-bank operations	86	(2,872)	81	18
Finance lease receivables	14,101	19,162	-	-
Investment securities	3,189	(323)	1,022	(246)
Other financial assets	225	(1,135)	72	(502)
Other non-financial assets	(6,842)	(8,095)	(4,771)	(625)
Net impairment allowance on assets	407,970	155,007	367,385	124,951

Notes to the Interim Condensed Consolidated and Separate Financial Statements

13. Personnel expenses

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	30-06-2019	30-06-2020	30-06-2019
Gross salaries	465,233	437,181	406,169	377,806
Social protection contribution	19,196	19,214	12,612	12,930
Share payments to employees	41,644	37,828	41,644	37,828
3rd Pension Pillar	5,614	3,719	5,382	3,479
Other staff expenses	25,463	23,342	22,842	20,807
Net (income)/expenses with provisions for overdue vacations and other provisions	(11,647)	1,610	(6,199)	5,585
Total	545,503	522,894	482,450	458,435

In 2019, the Bank granted shares to employees, according to the SOP 2019 program.

Vesting conditions for 2020 related to SOP 2019:

- Achievement of performance and prudential indicators during 2019;
- Compliance with certain individual eligibility and/or performance criteria, in accordance with the applicable remuneration policy and standard, related to the year for which shares are granted;
- Being an employee upon the granting of the SOP option right (31.05.2019) and when exercising such right (starting from 01.06.2020);

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

- Release after 01.06.2020;
- Deferral period for the identified personnel - 3-5 years, subject to applicable restrictions, pursuant to internal regulations in force.

The movement in transactions relating to share-based payments during 2020 and 2019 is presented below:

	30-06-2020	31-12-2019
Balance as at January 1	26,927	30,848
Rights granted during the year	(85,121)	(63,259)
Rights exercised during the year	-	-
Expense with employee benefits in the form of share-based payments	58,194	59,338
Closing balance at the end of period	-	26,927

During the year 2020, a number of 35,068,919 shares were granted to employees and board members; during the year 2019, a number of 30,035,756 shares was granted to the employees and board members:

Granting date	Number of shares	Contractual vesting period	Vesting conditions
Shares granted to employees in 2020	28,159,057	With immediate release 03 June 2020	Achievement of performance and prudential indicators during 2019. Compliance with the conditions stipulated in the applicable remuneration policy and standard, related to the year for which shares are granted, as well as with the conditions of the trust agreement.
	6,909,862	Deferral by trust agreement	

Notes to the Interim Condensed Consolidated and Separate Financial Statements

14. Other operating expenses

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	30-06-2019	30-06-2020	30-06-2019
Rent and operating lease expense	4,769	13,645	3,913	12,437
Repairs and maintenance expenses	73,950	82,269	67,912	77,873
Advertising, marketing, entertainment and sponsorship expenses	42,782	44,541	38,635	41,103
Mail, telecommunication and SMS traffic expenses	23,097	20,764	19,932	18,184
Materials and stationery expenses	33,183	38,969	30,454	26,230
Other professional fees, including legal expenses	7,953	11,185	6,978	10,623
Expenses regarding movable and immovable assets resulting from debt enforcement	3,849	581	3,849	366
Electricity and heating	11,712	12,859	10,739	10,275
Business travel, transportation and temporary relocation expenses	12,328	13,906	11,887	12,649
Insurance costs	10,439	9,877	8,910	9,048
Taxes and fees	12,867	7,122	11,731	5,784
Security and protection	7,195	5,573	6,395	4,393
Expenses related to archiving services	7,762	8,294	7,685	8,021
Expenses related to database queries from the Trade Register and the Credit Bureau	2,637	2,583	2,168	2,326
Expenses with foreclosed assets	2,685	2,455	2,496	1,970
Audit, advisory and other services provided by the independent auditor	2,379	3,066	1,335	2,205
Expenses from the sale of leased goods	2,370	7,381	-	-
Other operating expenses	35,107	33,793	20,288	19,839
Total other operating expenses	297,064	318,863	255,307	263,326

15. Income tax expense

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	30-06-2019	30-06-2020	30-06-2019
Gross Profit	795,283	1,138,306	700,556	1,014,460
Statutory tax rate (2020: 16%; 2019: 16%)	(127,245)	(182,129)	(112,089)	(162,314)
Fiscal effect of income tax on the following elements:	27,368	4,182	21,929	(2,898)
- <i>Non-taxable income</i>	60,617	42,472	49,474	38,890
- <i>Non-deductible expense</i>	(69,397)	(56,771)	(63,028)	(58,839)
- <i>Tax deductions</i>	39,448	21,560	38,847	20,231
- <i>Income related items</i>	(3,584)	(3,079)	(3,364)	(3,180)
- <i>Current income tax related to acquisitions from previous years</i>	284	-	-	-
Deferred Tax	(5,343)	(18,002)	(2,983)	(1,253)
Income tax expense	(105,220)	(195,949)	(93,143)	(166,465)

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

16. Cash and cash equivalents

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Minimum reserve requirement	12,164,878	11,391,107	11,397,854	10,585,716
Cash on hand and other values	3,055,462	3,192,036	2,839,683	2,894,479
Total	15,220,340	14,583,143	14,237,537	13,480,195

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

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06-2020	30-06-2019
Cash and cash equivalents(*)	15,225,185	14,585,012	14,242,482	13,483,651
Placements with banks - maturity below 3 months	7,244,028	5,874,165	6,647,960	5,226,939
Reverse-repo transactions	269,409	50,823	269,409	50,823
Loans and advances to credit institutions with maturity below 3 months	38,729	-	38,729	-
Financial assets measured at fair value through other items of comprehensive income with maturity below 3 months	229	-	-	-
Financial assets at amortized cost – debt instruments with maturity below 3 months	423,603	-	-	-
Cash and cash equivalents in the cash flow statement	23,201,183	20,510,000	21,198,580	18,761,413

(*) At Group level, the cash and cash equivalents do not include the attached receivables in amount of RON (4,845) thousand (December 31, 2019: RON 1,869 thousand) and at Bank level RON (4,945) thousand (December 31, 2019: RON (3,456) thousand)

17. Placements with banks

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Current accounts with other banks	3,953,965	2,589,907	3,391,906	2,040,753
Term deposit at the National Bank	-	1,500,100	-	1,500,100
Sight and term deposits with other banks	5,870,645	3,536,271	5,652,741	3,305,631
Reverse repo transactions	443,680	50,843	443,680	50,843
Loans and advances to credit institutions	87,216	98,019	87,216	98,019
Total	10,355,506	7,775,140	9,575,543	6,995,346

For the period ended June 30, 2020, the placements with banks included reverse-repo securities and term deposits with maturity up to 3 months, which are also included in the separate and consolidated statement of cash flows, as follows: reverse-repo in amount of RON 269,409 thousand and deposits in amount of RON 1,905,385 thousand at Group level, and reverse-repo of RON 269,409 thousand, deposits in amount of RON 1,882,141 thousand at Bank level, loans granted to credit institutions less than three months 38,729 thousand RON (December 31, 2019: repo in amount of RON 50,823 thousand and deposits in amount of RON 5,874,165 thousand at Group level and reverse-repo in amount of RON 50,823 thousand and deposits in amount of RON 5,226,939 thousand at Bank level).

Except for sale and reverse-repo agreements, the amounts due from other banks are not guaranteed.

The explanatory notes to the financial statements from page 11 to page 81 are an integral part of these financial statements. 34

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

18. Financial assets at fair value through profit or loss

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

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

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Equity instruments	145,984	144,040	16,422	17,509
Debt instruments	108,570	128,567	-	-
Total	254,554	272,607	16,422	17,509

For the period ended June 30, 2020, the Group held shares listed on the Bucharest Stock Exchange and the main stock exchanges in Europe.

For the period ended June 30, 2020, the Group owned significant investments amounting to RON 88,750 thousand in the following entities: SIF Moldova S.A. and SIF Transilvania S.A. (December 31, 2019: RON 104,228 thousand in SIF Moldova S.A. and SIF Transilvania S.A.)

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

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

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Equity instruments	207,075	143,932	206,786	143,535
Debt instruments	847,883	734,057	1,085,704	1,005,156
Total	1,054,958	877,989	1,292,490	1,148,691

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

19. Loans and advances to customers

The Group's and Bank's commercial lending is concentrated on Romanian companies and individuals.

The structure of the credit portfolio of the Group and the Bank as at June 30, 2020 and December 31, 2019 is the following:

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Corporate	12,160,141	11,812,154	13,047,813	12,710,902
Small and medium enterprises	5,674,363	5,675,248	5,469,641	5,441,946
Consumer loans and card loans granted to retail customers	11,113,494	11,284,102	10,914,360	11,114,320
Mortgage loans	12,689,185	12,041,262	12,441,264	11,835,135
Loans granted by non-banking financial institutions	1,026,346	1,009,922	-	-
Other	48,202	49,697	28,971	32,285
Total loans and advances to customers before impairment allowance (*)	42,711,731	41,872,385	41,902,049	41,134,588
Allowances for impairment losses on loans	(3,143,680)	(2,696,981)	(2,950,629)	(2,532,673)
Total loans and advances to customers net of impairment allowance (*)	39,568,051	39,175,404	38,951,420	38,601,915

The risk distribution of the credit portfolio per sectors, as at June 30, 2020 and December 31, 2019, is the following:

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Retail	24,370,462	23,895,191	23,384,621	22,981,740
Trading	4,471,880	4,176,563	4,191,114	3,894,591
Manufacturing	3,436,921	3,679,124	3,315,500	3,555,675
Agriculture	1,680,467	1,659,868	1,601,536	1,584,882
Services	1,855,301	1,632,525	1,771,066	1,549,506
Real Estate	1,498,515	1,522,090	1,527,685	1,497,988
Constructions	1,363,607	1,281,395	1,313,432	1,223,460
Transportation	1,163,188	1,203,476	1,072,408	1,114,396
Self-employed	727,631	708,803	591,732	586,755
Others	625,780	616,078	597,736	589,347
Financial Institutions	682,277	593,081	1,744,036	1,680,847
Telecommunications	211,862	338,297	177,482	319,188
Energy	364,825	307,873	364,781	307,791
Mining	96,104	101,360	94,647	99,927
Chemical Industry	85,143	80,406	84,379	79,902
Government Institutions	67,456	62,952	59,975	55,625
Fishing	10,312	13,303	9,919	12,968
Total loans and advances to customers before impairment allowance (*)	42,711,731	41,872,385	41,902,049	41,134,588
Allowances for impairment losses on loans	(3,143,680)	(2,696,981)	(2,950,629)	(2,532,673)
Total loans and advances to customers, net of impairment allowance	39,568,051	39,175,404	38,951,420	38,601,915

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

19. Loans and advances to customers (continued)

The movement in impairment allowances on loans and advances to customers at Group level as at June 30, 2020 was the following:

	Allowances for expected credit losses related to loans and advances to customers for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances to customers with respect to which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2020	(453,853)	(612,042)	(1,631,086)	(2,696,981)
Increase due to issue or acquisition	(115,688)	(108,300)	(95,360)	(319,348)
Decrease due to derecognition	63,442	92,821	98,867	255,130
Increase or decrease due to the change in credit risk (net) and transfers	114,418	(189,461)	(176,764)	(251,807)
Increase or decrease due to changes without derecognition (net)	(103,343)	(106,512)	54,201	(155,654)
Decrease of impairment allowances due to write-offs	7,389	21,599	4,356	33,344
Other adjustments	(1,285)	(1,652)	(5,427)	(8,364)
Closing balance as at June 30, 2020	(488,920)	(903,547)	(1,751,213)	(3,143,680)

Notes to the Interim Condensed Consolidated and Separate Financial Statements

19. Loans and advances to customers (continued)

The movement in impairment allowances on loans and advances to customers at Bank level as at June 30, 2020 was the following:

	Allowances for expected credit losses related to loans and advances to customers for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances to customers with respect to which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2020	(466,217)	(535,509)	(1,530,947)	(2,532,673)
Increase due to issue or acquisition	(119,744)	(93,438)	(93,631)	(306,813)
Decrease due to derecognition	65,444	90,142	96,493	252,079
Increase or decrease due to the change in credit risk (net) and transfers	114,162	(194,468)	(152,239)	(232,545)
Increase or decrease due to changes without derecognition (net)	(100,495)	(107,443)	52,954	(154,984)
Decrease of impairment allowances due to write-offs	7,389	21,599	4,356	33,344
Other adjustments	(1,346)	(1,374)	(6,317)	(9,037)
Closing balance as at June 30, 2020	(500,807)	(820,491)	(1,629,331)	(2,950,629)

Notes to the Interim Condensed Consolidated and Separate Financial Statements

19. Loans and advances to customers (continued)

The movement in impairment allowances on loans and advances to customers at Group level as at June 30, 2019 was the following:

	Allowances for expected credit losses related to loans and advances to customers for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances to customers with respect to which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2019	(455,278)	(573,328)	(1,557,160)	(2,585,766)
Increase due to issue or acquisition	(138,028)	(81,152)	(204,249)	(423,429)
Decrease due to derecognition	72,626	82,492	171,842	326,960
Increase or decrease due to the change in credit risk (net) and transfers	24,473	47,057	(172,727)	(101,197)
Increase or decrease due to changes without derecognition (net)	29,967	6,889	(37,778)	(922)
Decrease of impairment allowances due to write-offs	57	4,626	237,707	242,390
Other adjustments	(1,385)	(1,802)	(6,683)	(9,870)
Closing balance as at June 30, 2019	(467,568)	(515,218)	(1,569,048)	(2,551,834)

Notes to the Interim Condensed Consolidated and Separate Financial Statements

19. Loans and advances to customers (continued)

The movement in impairment allowances on loans and advances to customers at Bank level as at June 30, 2019 was the following:

	Allowances for expected credit losses related to loans and advances to customers for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses on loans and advances to customers with respect to which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on loans and advances to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2019	(458,348)	(522,048)	(1,478,737)	(2,459,133)
Increase due to issue or acquisition	(139,278)	(61,841)	(202,818)	(403,937)
Decrease due to derecognition	72,893	82,720	171,313	326,926
Increase or decrease due to the change in credit risk (net) and transfers	23,882	39,661	(162,187)	(98,644)
Increase or decrease due to changes without derecognition (net)	26,330	3,454	(27,131)	2,653
Decrease of impairment allowances due to write-offs	57	4,626	237,707	242,390
Other adjustments	(1,436)	(1,884)	(10,886)	(14,206)
Closing balance as at June 30, 2019	(475,900)	(455,312)	(1,472,739)	(2,403,951)

Banca Transilvania S.A.

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20. Finance lease receivables

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

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

<i>In RON thousand</i>	30-06-2020	31-12-2019
Finance lease receivables with maturity below 1 year, gross	550,455	533,750
Finance lease receivables with maturity between 1-5 years, gross	817,278	836,925
Total finance lease receivables, gross	1,367,733	1,370,675
Future interest related to finance lease receivables	(102,238)	(108,182)
Total finance lease receivables, net of future interest	1,265,495	1,262,493
Impairment allowances for finance lease receivables	(91,155)	(84,050)
Total finance lease receivables	1,174,340	1,178,443

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

Impairment allowances for finance lease receivables are detailed in the following pages:

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20. Finance lease receivables (continued)

The movement in impairment allowances on finance lease receivable at Group level in June 30, 2020 and June 30, 2019 was the following:

Group 2020	Allowances for expected credit losses related to lease receivables for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses related to lease receivables for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on finance lease receivable to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2020	-	(21,347)	(62,703)	(84,050)
Increase due to issue or acquisition	-	(5,373)	(1,207)	(6,580)
Decrease due to derecognition	-	729	5,853	6,582
Increase or decrease due to the change in credit risk (net) and transfers	-	1,544	1,162	2,706
Increase or decrease due to changes without derecognition (net)	-	1,210	(11,056)	(9,846)
Other adjustments	-	(277)	310	33
Closing balance as at 30 June 2020	-	(23,514)	(67,641)	(91,155)
Group 2019	Allowances for expected credit losses related to lease receivables for which the credit risk has not significantly increased since the initial recognition, and which are not impaired (Stage 1)	Allowances for expected credit losses related to lease receivables for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Allowances for expected credit losses on finance lease receivable to customers which are impaired (Stage 3)	Total
Opening balance as at January 1, 2019	-	(16,681)	(70,861)	(87,542)
Increase due to issue or acquisition	-	(3,489)	(2,953)	(6,442)
Decrease due to derecognition	-	678	14,571	15,249
Increase or decrease due to the change in credit risk (net) and transfers	-	1,997	(10,445)	(8,448)
Increase or decrease due to changes without derecognition (net)	-	610	2,104	2,714
Other adjustments	-	62	(97)	(35)
Closing balance as at 30 June 2019	-	(16,823)	(67,681)	(84,504)

Notes to the Interim Condensed Consolidated and Separate Financial Statements

21. Investment securities

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

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Debt instruments, of which	26,227,366	23,603,234	26,218,904	23,595,615
- Central administrations	24,666,123	22,829,923	24,666,123	22,822,304
- Credit institutions	1,152,494	570,875	1,152,494	570,875
- Other financial companies	391,056	185,468	382,594	185,468
- Non-financial institutions	17,693	16,968	17,693	16,968
Equity instruments, of which:	29,215	25,053	14,486	12,168
- Other financial companies	20,150	15,988	14,486	12,168
- Non-financial institutions	9,065	9,065	-	-
Loans and advances to customers	29,437	30,024	29,437	30,024
- Central administrations	29,437	30,024	29,437	30,024
Total	26,286,018	23,658,311	26,262,827	23,637,807

The evolution of securities in the category “Financial assets measured at fair value through other items of comprehensive income” is presented in the table below:

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
As at January 1	23,658,311	21,374,708	23,637,807	21,363,908
Acquisitions	14,750,771	14,320,803	14,746,919	14,307,353
Sales and repurchases	(12,056,539)	(12,398,759)	(12,054,993)	(12,395,624)
Coupon and amortization in P&L during the period	324,217	474,445	324,043	474,202
Coupon collected at term during the period	(434,745)	(785,709)	(434,616)	(785,510)
Gain/(Loss) from the measurement at fair value	(63,706)	369,762	(64,014)	370,509
Exchange rate differences	107,709	303,061	107,681	302,969
Closing balance	26,286,018	23,658,311	26,262,827	23,637,807

b) Financial assets at amortized cost - debt instruments

In the period ended on June 30, 2020, the Group classified as financial assets measures at amortized cost - debt instruments, bonds in amount of RON 2,210,487 thousand, and the Bank bonds in amount of RON 1,191,160 thousand (December 31, 2019: RON 1,968,031 thousand for the Group and RON 1,176,834 thousand for the Bank).

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

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
As at January 1	1,968,031	963,867	1,176,834	312,548
Acquisitions	5,800,543	11,309,043	-	1,111,637
Sales and repurchases	(5,592,058)	(10,238,040)	-	(114,026)
Reclassification in financial assets which are required to be measured at fair value through profit or loss	-	(144,888)	-	(144,888)
Coupon and amortization in P&L during the year (Note 8)	24,233	60,567	2,200	12,388
Coupon collected at term during the year	(6,549)	(22,726)	(2,747)	(14,433)
Recognition of expected credit losses (ECL) in accordance with IFRS 9	(2,174)	290	1	53
Exchange rate differences	18,461	39,918	14,872	13,555
Closing balance	2,210,487	1,968,031	1,191,160	1,176,834

Notes to the Interim Condensed Consolidated and Separate Financial Statements

22. Tangible assets and investment property and intangible assets (including goodwill)

For the six-month period ended June 30, 2020, the Group acquired tangible assets in amount of RON 107,472 thousand, of which RON 55,859 thousand belongs to Banca Transilvania S.A.

The net carrying amount of tangible assets and investment property at the end of this period amounts to RON 781,174 thousand for the Group (December 31, 2019: RON 727,526 thousand), and RON 580,707 thousand for the Bank (December 31, 2019: RON 575,038 thousand).

For the six-month period ended June 30, 2020, the Group acquired intangible assets in amount of RON 60,731 thousand, of which RON 50,724 thousand belongs to Banca Transilvania S.A.

The net carrying amount of intangible assets (goodwill included) at the end of this period amounts to RON 265,355 thousand for the Group (December 31, 2019: RON 245,907 thousand), and RON 214,648 thousand for the Bank (December 31, 2019: RON 202,345 thousand).

The depreciation and amortization expense related to tangible and intangible assets for the Group at the end of the 6-month period ended June 30, 2020 amounts to RON 95,039 thousand (June 30, 2019: RON 87,333 thousand), of which the amortization expense related to tangible and intangible assets for the Bank is RON 88,011 (June 30, 2019: RON 80,283 thousand).

At June 30, 2020 and December 31, 2019, goodwill was tested for impairment and no impairment adjustments were required.

23. Right-of-use assets and Lease Liabilities

The Group and the Bank have lease agreements on land, buildings and vehicles. Rental contracts are typically made for fixed periods of 1 year to 76 years, but may have extension options .

At June 30, 2020 the right of use assets by class of underlying items is analysed as follows:

<i>In RON thousand</i>	Group				Bank			
	Lands	Buildings	Auto	Total	Lands	Buildings	Auto	Total
Carrying amount at 1 January 2020	2,711	366,833	18,481	388,025	2,711	349,731	13,770	366,212
Additions	499	84,959	2,001	87,459	499	82,043	1,183	83,725
Disposals	(355)	(16,942)	(900)	(18,197)	(355)	(16,073)	(845)	(17,273)
Depreciation charge	(361)	(60,138)	(3,245)	(63,744)	(361)	(56,070)	(2,354)	(58,785)
Carrying amount at June 30, 2020	2,494	374,712	16,337	393,543	2,494	359,631	11,754	373,879

At December 31, 2019 the right of use assets by class of underlying items is analysed as follows:

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

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

23. Right-of-use assets and Lease Liabilities (*continued*)

At June 30, 2020 the interest expense on lease liabilities was RON 754 thousand and at the Bank level in the amount of RON 624 thousand (30 June 2019 RON 990 thousand, and at the Bank level RON 873 thousand).

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

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	30-06-2019	30-06-2020	30-06-2020
Expense relating to short-term leases	1,708	10,473	1,668	10,321
Expense relating to leases of low-value assets that are not shown above as short-term leases	2,340	2,320	2,044	1,918

At June 30, 2020 the total cash outflow for leases was RON 62,673 thousand to the Group and the Bank it was RON 57,782 thousand (at December 31, 2019: RON 129,296 thousand to the Group and RON 118,793 thousand at the Bank level).

Notes to the Interim Condensed Consolidated and Separate Financial Statements

24. Deferred tax assets and liabilities

Deferred tax assets/liabilities at Group level, for the period ended June 30, 2020:

<i>In RON thousand</i>	December 31, 2019	Recognized in profit or loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	June 30, 2020
Financial assets from interbank operations	(25)	25	-	-	-
Loans and finance lease receivables	11,734	4,022	1,051	-	16,807
Financial assets measured at fair value through other items of comprehensive income	(27,399)	(67)	10,097	-	(17,369)
Financial assets at amortized cost	(95)	(763)	-	-	(858)
Financial assets at fair value through profit or loss	16,737	(5,615)	154	-	11,276
Other assets	(2,798)	31	(11)	356	(2,422)
Property and equipment and intangible assets	(5,901)	(23)	25	(3)	(5,902)
Right of Use Assets	8	37	-	-	45
Provisions and other liabilities	24,494	(2,990)	(92)	18	21,430
Deferred tax assets and liabilities	16,755	(5,343)	11,224	371	23,007
Recognition of deferred tax asset	128,873	478	75,853	120	205,324
Recognition of deferred tax liability	(112,118)	(5,821)	(64,629)	251	(182,317)
Deferred tax assets and liabilities	16,755	(5,343)	11,224	371	23,007

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

24. Deferred tax assets and liabilities (continued)

Deferred tax assets/liabilities at Bank level, for the period ended June 30, 2020:

<i>In RON thousand</i>	December 31, 2019	Recognized in profit or loss	Recognized in other items of comprehensive income	Recognized directly in shareholders' equity	June 30, 2020
Financial assets measured at fair value through other items of comprehensive income	(27,580)	-	10,238	-	(17,342)
Financial assets at amortized cost	(95)	(763)	-	-	(858)
Other assets	884	-	-	77	961
Property and equipment and investment property	(3,418)	97	-	-	(3,321)
Provisions and liabilities	22,310	(2,317)	-	-	19,993
Deferred tax assets and liabilities	(7,899)	(2,983)	10,238	77	(567)
Recognition of deferred tax asset	97,973	3,209	74,230	79	175,491
Recognition of deferred tax liability	(105,872)	(6,192)	(63,992)	(2)	(176,058)
Deferred tax assets and liabilities	(7,899)	(2,983)	10,238	77	(567)

Notes to the Interim Condensed Consolidated and Separate Financial Statements

24. Deferred tax assets and liabilities (continued)

The explanatory notes to the financial statements from page 11 to page 81 are an integral part of these financial statements.

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

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

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

25. Other financial assets

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06- 2020	31-12-2019
Amounts under settlement	134,624	122,275	121,077	106,121
Non-recourse factoring	132,907	192,485	132,907	192,485
Sundry debtors and advances for non-current assets	375,398	338,305	326,844	298,409
Instruments received for collection	44,102	47,366	44,102	47,366
Other financial assets	4,707	7,084	3,257	5,624
Impairment allowance for other financial assets	(19,741)	(19,506)	(11,087)	(11,210)
Total	671,997	688,009	617,100	638,795

As at June 30, 2020, out of RON 671,997 thousand (December 31, 2019: RON 688,009 thousand), the Group's other impaired financial assets amounted to RON 18,937 thousand (December 31, 2019: RON 18,452 thousand).

As at June 30, 2020, out of RON 617,100 thousand (December 31, 2019: RON 638,795 thousand), the Bank's other impaired financial assets amounted to RON 5,674 thousand (December 31, 2019: RON 4,836 thousand).

26. Other non-financial assets

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06- 2020	31-12-2019
Inventories and similar assets	147,675	164,050	63,894	72,352
Accrued expenses	59,970	48,481	58,435	47,925
VAT and other taxes to be received	12,395	15,161	1,785	1,801
Other non-financial assets	5,782	1,848	616	362
Impairment allowance for other non-financial assets	(60,871)	(70,668)	(11,445)	(16,215)
Total	164,951	158,872	113,285	106,225

27. Deposits from banks

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06- 2020	31-12-2019
Sight deposits	182,687	156,414	191,606	164,737
Term deposits	220,171	139,724	220,171	139,724
Total	402,858	296,138	411,777	304,461

28. Deposits from customers

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06- 2020	31-12-2019
Current accounts	44,437,813	40,846,980	42,941,208	39,533,370
Sight deposits	731,631	775,758	469,000	508,064
Term deposits	34,224,852	34,826,540	33,134,167	33,736,032
Collateral deposits	598,564	587,782	582,154	576,257
Total	79,992,860	77,037,060	77,126,529	74,353,723

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

28. Deposits from customers (continued)

Deposits from customers can be also analyzed as follows:

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06- 2020	31-12-2019
Retail	57,186,799	52,732,367	55,323,573	50,900,304
Companies	22,806,061	24,304,693	21,802,956	23,453,419
Total	79,992,860	77,037,060	77,126,529	74,353,723

29. Loans from banks and other financial institutions

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06- 2020	31-12-2019
Loans from government entities	6,262	4,558	-	-
Loans from commercial banks	135,779	148,511	-	-
<i>Romanian banks</i>	125,592	136,233	-	-
<i>Foreign banks</i>	10,187	12,278	-	-
Loans from development banks	1,192,887	945,917	1,130,010	868,972
Repurchase agreements (repo transactions)	2,527,117	-	2,527,117	-
Other funds from financial institutions	170,924	184,678	22,299	26,701
Issued bonds	192,819	190,256	-	-
Total	4,225,788	1,473,920	3,679,426	895,673

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

	30-06-2020		31-12-2019	
	Minimum	Maximum	Minimum	Maximum
EUR	Euribor 6m+0.10%	3.8%	Euribor 6m+0.10%	3.8%
RON	0.00%	6.31%	0.00%	6.34%
USD	2.28%	2.47%	2.71%	2.86%
MDL	6.30%	6.30%	5.67%	5.67%

The covenants stipulated in the loan agreements signed with the creditors were met by the Group and the Bank at 30 june 2020 and 31 december 2019.

The table below summarizes the underlying securities of repo agreements:

<i>In RON thousand</i>	Group				Bank			
	30-06-2020		31-12-2019		30-06-2020		31-12-2019	
	Carrying amount		Carrying amount		Carrying amount		Carrying amount	
	Transferred assets	Related liabilities						
	2,605,615	2,527,117	-	-	2,605,615	2,527,117	-	-
Total	2,605,615	2,527,117	-	-	2,605,615	2,527,117	-	-

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

30. Subordinated liabilities

As at June 30, 2020 and December 31, 2019, the covenants stipulated in the loan agreements signed with the creditors were met by the Bank and the Group.

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Loans from development banks and financial institutions	295,376	291,323	295,376	291,323
Non-convertible bonds	1,378,185	1,360,270	1,374,718	1,356,665
Convertible bonds	-	48,614	-	48,614
Total	1,673,561	1,700,207	1,670,094	1,696,602

Subordinated debt includes subordinated loans from development banks and financial institutions as well as non-convertible bonds.

Subordinated loans include the following:

- loan in amount of EUR 25 million, equivalent of RON 121,057 thousand (2019: RON 119,482 thousand), contracted in 2013 at 6m EURIBOR + 6.20%, due 2023;
- loan in amount of USD 40 million, equivalent of RON 172,932 thousand (2019: RON 170,432 thousand) contracted in 2014 to 6m LIBOR + 5.80%, due 2023.

Banca Transilvania S.A. issued in 2013 bonds convertible into shares amounting to EUR 30 million, EURIBOR 6M + 6.25%, due in 2020. Outstanding bonds could be converted into shares, at the choice of the bondholder. In 2019, the Bank converted the bonds in a total amount of EUR 6 thousand, equivalent to RON 25 thousand, amount that was used as follows: RON 10 thousand for the share capital increase and RON 15 thousand for share premium. In 2020, the Bank converted bonds in the amount of EUR 83 thousand, equivalent to RON 391 thousand, amount that was used as follows: RON 173 thousand for share capital increase and RON 218 thousand share premium increase. On 22.05.2020, the Bank reimbursed the balance of the convertible bonds in the amount of EUR 9,897 thousand equivalent to RON 47,918 thousand. Banca Transilvania S.A. issued in 2018 non-convertible bonds amounting to EUR 285 million, equivalent to RON 1,380,056 thousand (RON 1,362,101 thousand in 2019), at EURIBOR6M + 3.75% per year, due in 2028. The nominal value of a bond is EUR 100,000.

As at June 30, 2020, for the Group and the Bank, the balance of non-convertible bonds is RON 1,380,056 thousand (December 31, 2019: RON 1,362,101 thousand).

The Group's accrued interest and amortization on subordinated debt amounts to RON 1,387 thousand (2019: RON 1,408 thousand) and on non-convertible bonds amounts to RON -1,871 thousand (2019: RON -1,832 thousand) and the Bank's accrued interest and amortization on subordinated debt amounts to RON 1,387 thousand (2019: RON 1,408 thousand) and on non-convertible bonds amounts to RON -5,338 thousand (2019: RON -5,435 thousand).

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

31. Provisions for other risks and loan commitments

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

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06- 2020	31-12-2019
Provisions for loan commitments, financial guarantees and other commitments given	249,266	250,011	246,565	240,020
Provisions for employee benefits as compensated absences	41,551	22,821	37,524	18,658
Provisions for other employee benefits	12,511	42,703	6,321	31,364
Provisions for litigation, other risks and charges (*)	214,732	218,346	204,571	208,415
Total	518,060	533,881	494,981	498,457

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

32. Other financial liabilities

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06- 2020	31-12-2019
Amounts under settlement	984,896	731,957	808,715	545,270
Sundry creditors	109,486	113,018	76,289	83,670
Dividends Payable	618,987	19,300	618,981	19,294
Other financial liabilities	25,658	44,825	19,736	41,297
Total	1,739,027	909,100	1,523,721	689,531

33. Other non-financial liabilities

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06- 2020	31-12-2019
Other taxes payable	37,949	40,645	33,302	35,631
Other non-financial liabilities	73,932	71,367	52,732	43,263
Total	111,881	112,012	86,034	78,894

34. Share capital

The statutory share capital of the Bank at June 30, 2020, as recorded with the Trade Register was represented by 5,216,090,590 ordinary shares with a nominal value of RON 1 each (December 31, 2019: 5,215,918,925 shares with a nominal value of RON 1 each). The shareholders structure of the Bank is presented in Note 1.

The capital increase was made by converting bonds into shares in value of RON 173 thousand which was registered in the Register of Commerce in 2020.

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06- 2020	31-12-2019
Paid share capital recorded with the Trade Register	5,216,091	5,215,918	5,216,091	5,215,918
Share capital adjustment to inflation	89,899	89,899	89,899	89,899
Share capital adjustment with unrealized revaluation reserves of tangible assets	(3,398)	(3,398)	(3,398)	(3,398)
Total	5,302,592	5,302,419	5,302,592	5,302,419

Notes to the Interim Condensed Consolidated and Separate Financial Statements

35. Related-party transactions

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

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

Transactions with other related parties include transactions with the major shareholders, family members of the key management personnel and companies where they are shareholders while having a relationship with the Bank. The transactions /balances with subsidiary entities are presented below:

<i>In RON thousand</i>	30-06-2020			31-12-2019		
	Key management personnel	Other related-parties	Total	Key management personnel	Other related-parties	Total
Group						
Assets						
Granted loans - net amount	15,715	86,872	102,587	15,895	58,244	74,139
Liabilities						
Deposits from customers	45,805	108,726	154,531	53,442	167,977	221,419
Loans from financial institutions	-	228,422	228,422	-	168,934	168,934
Debt securities	-	497,794	497,794	-	513,059	513,059
Commitments						
Loan commitments and financial guarantees	3,426	54,821	58,247	3,494	13,336	16,830
Notional value of exchange operations	10,053	56,117	66,170	30,790	126,118	156,908
Statement of profit or loss						
		30-06-2020			30-06-2019	
Interest income	268	1,452	1,720	351	2,284	2,635
Interest expense	150	11,933	12,083	82	11,488	11,570
Fee and commission income	3	106	109	6	93	99

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

35. Related-party transactions (continued)

In RON thousand

Bank	30-06-2020				31-12-2019			
	Subsidiaries	Key management personnel	Other related-parties	Total	Subsidiaries	Key management personnel	Other related-parties	Total
Assets								
Correspondent accounts at credit institutions	1,216	-	-	1,216	1,095	-	-	1,095
Demand deposits from credit institutions	2,639	-	-	2,639	-	-	-	-
Granted loans	1,203,066	14,184	83,210	1,300,460	1,208,617	14,161	54,014	1,276,792
Equity investments	537,677	-	-	537,677	105,314	-	-	105,314
Financial assets measured at fair value through other items of comprehensive income – debt instruments	4,610	-	-	4,610	4,610	-	-	4,610
Financial assets required to be measured at fair value through profit or loss - debt instruments	186,141	-	-	186,141	186,141	-	-	186,141
Other assets	7,227	-	-	7,227	6,710	-	-	6,710
Liabilities								
Correspondent accounts from credit institutions	22,012	-	-	22,012	20,147	-	-	20,147
Deposits from customers	112,600	32,205	102,394	247,199	156,599	37,597	155,276	349,472
Loans from financial institutions	-	-	165,544	165,544	-	-	92,006	92,006
Debt securities	-	-	483,220	483,220	-	-	498,452	498,452
Other liabilities	1,425	-	-	1,425	2,006	-	-	2,006
Commitments								
Loan commitments and financial guarantees given	722,541	2,979	42,732	768,252	594,425	3,048	12,165	609,638
Notional value of exchange operations	172,363	7,788	52,807	232,958	314,541	23,969	113,907	452,417

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

35. Related-party transactions (*continued*)

In RON thousand

	30-06-2020				30-06-2019			
	Subsidiaries	Key management personnel	Other related-parties	Total	Subsidiaries	Key management personnel	Other related-parties	Total
Bank (<i>continued</i>)								
Statement of profit or loss								
Interest income	19,225	238	1,322	20,785	18,056	290	2,280	20,626
Interest expense	693	108	11,002	11,803	914	66	10,683	11,663
Fee and commission income	1,692	2	92	1,786	1,630	4	81	1,715
Fee and commission expense	6,368	-	-	6,368	6,935	-	-	6,935
Gain/Loss from financial assets and liabilities held-for-trading	3	-	-	3	-2	-	-	-2
Dividend income	-	-	-	-	7,719	-	-	7,719
Other income	6,489	-	-	6,489	7,310	-	-	7,310
Other expenses	444	-	-	444	1,362	-	-	1,362

Notes to the Interim Condensed Consolidated and Separate Financial Statements

35. Related-party transactions *(continued)*

Transactions with key management personnel

As at the end of June 30, 2020, the expenses related to the fixed and variable remunerations of the members of the Board of Directors and of the Executive Management of the Group amounted to RON 16,115 thousand (June 30, 2019: RON 14,993 thousand) and of the Bank amounted to RON 8,477 thousand (June 30, 2019: RON 8,207 thousand).

Compensation for the key personnel of the Group:

<i>In RON thousand</i>	30-06-2020			30-06-2019		
	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar
Group						
Short-term employee benefits	25,985	5,712	34	24,737	5,567	23
Share based payments	30,965	-	-	28,146	-	-
Debt instrument-based payments	782	43	-	191	38	-
Total compensations and benefits	57,732	5,755	34	53,074	5,605	23

Compensation for the key personnel of the Bank:

<i>In RON thousand</i>	30-06-2020			30-06-2019		
	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar	Total	of which social security contributions	of which employer contributions to the 3rd Pension Pillar
Bank						
Short-term employee benefits	18,503	4,618	29	18,074	4,514	20
Share based payments	30,218	-	-	27,338	-	-
Total compensations and benefits	48,721	4,618	29	45,412	4,514	20

36. Commitments and contingencies

a) Commitments and contingencies

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

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

36. Commitments and contingencies (continued)

a) Commitments and contingencies (continued)

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

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Guarantees issued, of which	1,519,962	1,726,113	1,493,999	1,709,620
- <i>Performance bonds</i>	436,655	473,788	411,860	456,700
- <i>Financial liabilities</i>	1,083,307	1,252,325	1,082,139	1,252,920
Loan commitments	10,887,265	11,495,892	11,097,260	11,368,731
Total	12,407,227	13,222,005	12,591,259	13,078,351

The provisions for loan commitments to customers were in amount of RON 249,266 thousand, at Group level (December 31, 2019: RON 250,011 thousand) and at Bank level RON 246,565 thousand (December 31, 2019: RON 240,020 thousand).

b) Transfer pricing and taxation

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

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

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

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

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

The management of the Group and of the Bank considers that no losses should be incurred in the event of a fiscal audit for the verification of transfer prices. However, the impact of potential different interpretations of the tax authorities cannot be accurately estimated.

Notes to the Interim Condensed Consolidated and Separate Financial Statements**37. Earnings per share**

The calculation of basic earnings per share was based on the net consolidated profit attributable to ordinary shareholders of the parent company of RON 670,238 thousand (June 30, 2019: RON 906,191 thousand) and on the weighted average number of ordinary shares outstanding during the year 5,710,904,936 (June 30, 2019 recalculated: 5,717,415,772 shares).

The diluted earnings per share take into consideration the adjusted consolidated net profit of RON 671,104 thousand (June 30, 2019: RON 907,609 thousand) attributable to the ordinary shareholders of the parent company and the weighted average number of outstanding diluted ordinary shares. The adjusted consolidated net profit was determined by adjusting the base profit with the interest paid on bonds in 2019, in amount of RON 866 thousand (June 30, 2019: RON 1,418 thousand).

The weighted average number of diluted shares was determined as the sum of the weighted average number of ordinary shares and the number of shares which would have been issued upon the conversion of all potential dilutive shares into ordinary shares.

The weighted average of diluted shares outstanding as at June 30, 2020 was determined as a ratio between the outstanding bonds in amount of RON 37,328,764 at the conversion price of 2.2414 resulting a number of 16,654,218 shares (June 30, 2019: 20,692,613 shares)

	Group	
	June 30, 2020	June 30, 2019
Ordinary shares issued as at 1 January	5,215,917,925	4,812,481,064
The impact of shares issued as of 1 January	521,781,724	403,432,571
The impact of the shares repurchased during the year	(26,794,713)	(20,279,587)
The retroactive adjustment of the weighted average number of outstanding shares as at December 31, 2019	-	521,781,724
Weighted average number of shares	5,710,904,936	5,717,415,772
The number of shares that may be issued upon the conversion of bonds into shares	16,654,218	20,692,613
Weighted average number of diluted shares	5,727,559,154	5,738,108,385

38. Capital management

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

The Board of Directors makes decisions regarding the directions to be followed within the capital adequacy process, establishes the main projects in the field to be implemented, as well as the main objectives to be met for the best control of the correlation of the risks to which the Bank is exposed and the necessary shareholders' equity required to cover them and the development of sound risk management systems. The National Bank of Romania monitors capital requirements both at the Group and at the Bank level.

Capital adequacy is determined according to the Regulation (EU) No 575/2013 of the European Parliament and of the Council and requires a minimum mandatory own funds level of:

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements**38. Capital management (continued)**

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

- a capital conservation buffer of 2.5% of the total value of the risk-weighted exposures between January 1, 2019-December 31, 2019;
- an O-SII buffer of 2% of the total risk weighted exposures;
- a systemic risk buffer of 2% of the total value of the risk-weighted exposures (buffer imposed starting with the adequacy ratio calculated for June 30, 2018).

In calculating the total consolidated capital buffer, the highest value between the O-SII buffer and the systemic risk buffer is added to the capital conservation buffer.

Own funds adequacy

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

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

The Group and the Bank comply with the above regulations, the level of the capital adequacy ratio exceeding the minimum mandatory requirements imposed by the law.

As at June 30, 2019 and December 31, 2019, the Group and the Bank complied with all the capital adequacy requirements.

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

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

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

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

The level and the requirements of own funds as at June 30, 2020 and December 31, 2020 are as follows:

<i>In RON thousand</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Tier 1 own funds	8,374,931	8,187,882	8,016,302	7,820,620
Tier 2 own funds	1,563,097	1,577,143	1,563,097	1,577,143
Total own funds	9,938,028	9,765,025	9,579,399	9,397,763

Notes to the Interim Condensed Consolidated and Separate Financial Statements

38. Capital management (continued)

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

<i>In %</i>	Group		Bank	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Core tier one ratio	15.16	15.87	16.46	16.64
Tier 1 ratio	15.16	15.87	16.46	16.64
CAR	17.99	18.93	19.67	20.00

Note: The calculation of the Group's and the Bank's own funds takes into account the statutory profit of the Group, respectively of the Bank for the financial period ended on December 31, 2019. For the first semester of 2020, the current profit was not taken into account in the calculation of own funds. Regulatory capital as at June 30, 2020 and December 31, 2019 was calculated according to the IFRS standards endorsed by the European Union.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

39. Restatement of comparative figures of 2019

In accordance with IAS 1 “Presentation of Financial Statements”, if an entity has made a restatement, it is required to submit the reclassification of comparative values of the previous year.

When necessary, comparative figures have been reclassified in order to be in line with the changes from the current period presentation. These changes were made as a response to the revaluations performed by the Group’s and the Bank’s management for the most accurate presentation thereof.

The Bank’s management has taken into account the nature of the abovementioned restatements, and, in particular, the fact that it is limited to the reclassification of financial position items, with no impact on total assets, total liabilities and shareholders’ equity, as well as the reclassification of cash flow and equity items.

In order to facilitate the understanding of these financial statements, the table below lists the reported figures, reclassifications and adjusted values in the consolidated statement of cash flow and in the consolidated and individual shareholders’ equity financial position.

i) The restatement of the comparative figures for the Consolidated and Separate Statement of Profit or Loss is presented below:

Description	Group			Bank		
	Reported statement of profit or loss	Reclassification	Adjusted statement of profit or loss	Reported statement of profit or loss	Reclassification	Adjusted statement of profit or loss
Interest income	1,778,524	(1,778,524)	-	1,565,140	(1,565,140)	-
Interest income calculated using the effective interest method	-	1,712,520	1,712,520	-	1,564,533	1,564,533
Other similar income	-	73,226	73,226	-	7,829	7,829
Interest expense	(265,586)	990	(264,596)	(234,048)	873	(233,175)
Other similar expense	-	(990)	(990)	-	(873)	(873)
Net interest income	1,512,938	7,222	1,520,160	1,331,092	7,222	1,338,314
Fee and commission income	542,230	(2,821)	539,409	476,263	(2,821)	473,442
Fee and commission expense	-145,119	(3,301)	(148,420)	(128,137)	(3,301)	(131,438)
Net fee and commission income	397,111	(6,122)	390,989	348,126	(6,122)	342,004
Other operating income	82,521	(4,401)	78,120	64,269	(4,401)	59,868
Operating income	2,183,812	(3,301)	2,180,511	1,881,116	(3,301)	1,877,815
Other operating expense	(322,164)	3,301	(318,863)	(266,627)	3,301	(263,326)
Operating expense	(1,045,506)	3,301	(1,042,205)	(866,656)	3,301	(863,355)

The explanatory notes to the financial statements from page 11 to page 81 are an integral part of these financial statements.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

39. Restatement of comparative figures of 2019 (continued)

At June 30, 2020, the Group and the Bank made the following reclassifications which impacted the comparative figures of the Consolidated and Separate Statement of Profit or Loss for 2019:

- (a) Commitment and prepayment fees have been reclassified from “Fee and commission income” to “Interest income calculated using the effective interest method”;
- (b) Revenues from e-commerce were reclassified from “Other operating income” to “Fee and commission income”;
- (c) Expenditure on e-commerce has been reclassified from “Other operating expense” to “Fee and commission expense”;
- (d) Interest income on non-recourse factoring contracts has been reclassified from the category “Interest income calculated using the effective interest method” in the category “Other similar interest income”.

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

Description	Group			Bank		
	Reported statement of cash flows	Reclassification /Adjustments	Adjusted statement of cash flows	Reported statement of cash flows	Reclassification /Adjustments	Adjusted statement of cash flows
Profit for the period	942,357	-	942,357	847,995	-	847,995
Interest income	(1,778,524)	(7,222)	(1,785,746)	(1,565,140)	(7,222)	(1,572,362)
Net profit adjusted with non-monetary elements	(315,512)	(7,222)	(322,734)	(248,393)	(7,222)	(255,615)
Interest received	1,533,353	7,222	1,540,575	1,329,169	7,222	1,336,391
Net cash flow from operating activity	620,860	-	620,860	675,926	-	675,926

In 2020, the Group and the Bank made the following reclassifications which impacted the comparative figures of the Consolidated statement of cash flows of 2019:

- Correction of the item „Interest income” in the “Interim Consolidated and Separate Statement of Cash Flows” in order to be identical to that in the „The Interim Consolidated and Separate Statement of Profit or Loss”;
- Correction of the item “Interest received” in the “Interim Consolidated and Separate Statement of Cash Flows”.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

39. Restatement of comparative figures of 2019 (continued)

iii) The comparative figures of own funds for the Group and for the Bank after the approval of dividend distribution by the General Meeting of Shareholders dated 29 April 2020 are presented below:

<i>RON thousand – 2019 December 31</i>	Group			Bank		Adjusted own funds
	Reported own funds	Adjustments	Adjusted own funds	Reported own funds	Adjustments	
Description						
Tier 1 capital	8,787,882	(600,000)	8,187,882	8,420,620	(600,000)	7,820,620
Tier 2 capital	1,577,143	-	1,577,143	1,577,143	-	1,577,143
Total own funds	10,365,025	(600,000)	9,765,025	9,997,763	(600,000)	9,397,763

As a result of the approval of the 2019 Financial statements, the General Meeting of Shareholders of 29 April 2020 approved the distribution of cash dividends to the shareholders in amount of RON 600,000 thousand. This amount generated the adjustment of own funds for the year 2019, both at separate, as well as at consolidated level, in accordance with legal provisions, subsequent to the publishing of the Consolidated and separate financial statements for 2019.

40. Derivatives

The structure of the derivative instruments held by the Group and by the Bank as at June 30, 2020 is the following:

<i>In RON thousand</i>	Group			Bank		
	Fair value of Assets	Fair value Liabilities	Notional	Fair value of Assets	Fair value Liabilities	Notional
Interest rate swaps	604	3,354	252,463	604	3,354	252,463
Currency swaps	4,537	30,246	1,131,119	4,537	30,246	1,131,119
Exchange rate forward agreements	9,052	683	1,270,639	9,052	683	1,270,639
Total derivative financial instruments	14,193	34,283	2,654,221	14,193	34,283	2,654,221

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management

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

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

<i>RON thousand</i>	Group		Bank	
	2020	2019	2020	2019
Corporate	12,160,141	11,812,154	13,047,813	12,710,902
Small and medium enterprises	5,674,363	5,675,248	5,469,641	5,441,946
Consumer loans and card loans granted to retail customers	11,113,494	11,284,102	10,914,360	11,114,320
Mortgage loans	12,689,185	12,041,262	12,441,264	11,835,135
Loans and finance lease receivables granted by non-banking financial institutions	2,291,841	2,272,415	-	-
Other	48,202	49,697	28,971	32,285
Total loans and advances to customers and financial lease receivables before impairment allowance	43,977,226	43,134,878	41,902,049	41,134,588
Allowances for impairment losses on loans and financial lease receivables	(3,234,835)	(2,781,031)	(2,950,629)	(2,532,673)
Total loans and advances to customers and financial lease receivables net of impairment allowance	40,742,391	40,353,847	38,951,420	38,601,915

At 30 June 2020, the total irrevocable on-balance and off-balance sheet exposure was of RON 46,117,272 thousand (december 31, 2019: RON 45,568,143 thousand) for the Group and RON 43,503,806 thousand (december 31, 2019: RON 42,981,108 thousand) for the Bank.

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

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

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management (continued)

The exposures to credit risk for loans and advances to customers and financial lease receivables at Group consolidated level, as at June 30, 2020, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2020
<i>In RON thousand</i>					
Corporate	8,714,397	1,905,734	1,332,263	207,747	12,160,141
Small and medium enterprises	3,642,178	1,628,004	357,548	46,633	5,674,363
Consumer loans and card loans granted to retail customers	8,827,825	1,501,152	674,097	110,420	11,113,494
Mortgage loans	11,697,512	738,076	207,327	46,270	12,689,185
Loans and finance lease receivables granted to non-banking financial institutions	225,390	1,805,624	224,181	36,646	2,291,841
Other	1,747	38,942	6,668	845	48,202
Total loans and advances to customers and financial lease receivables before impairment allowance	33,109,049	7,617,532	2,802,084	448,561	43,977,226
Allowances for impairment losses on loans and financial lease receivables	(488,920)	(918,594)	(1,731,887)	(95,434)	(3,234,835)
Total loans and advances to customers and financial lease receivables net of impairment allowance	32,620,129	6,698,938	1,070,197	353,127	40,742,391

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2020
Corporate	1,377,392	4,784,427	2,505,870	46,708	8,714,397
Small and medium enterprises	2,131,709	1,148,917	326,500	35,052	3,642,178
Consumer loans and card loans granted to retail customers	3,796,660	4,545,843	360,585	124,737	8,827,825
Mortgage loans	4,412,285	6,878,311	325,734	81,182	11,697,512
Loans and finance lease receivables granted by non-banking financial institutions	-	225,390	-	-	225,390
Other	375	1,193	20	159	1,747
Total loans and advances to customers and financial lease receivables before impairment allowance	11,718,421	17,584,081	3,518,709	287,838	33,109,049
Allowances for impairment losses on loans and financial lease receivables	(84,810)	(219,415)	(171,306)	(13,389)	(488,920)
Total loans and advances to customers and financial lease receivables net of impairment allowance	11,633,611	17,364,666	3,347,403	274,449	32,620,129

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 1	0 days	1-15 days	15-30 days	Total 2020
Corporate	8,706,199	7,518	680	8,714,397
Small and medium enterprises	3,610,862	27,390	3,926	3,642,178
Consumer loans and card loans granted to retail customers	8,511,072	278,276	38,477	8,827,825
Mortgage loans	11,438,366	225,421	33,725	11,697,512
Loans and finance lease receivables granted by non-banking financial institutions	203,235	13,612	8,543	225,390
Other	1,699	48	-	1,747
Total loans and advances to customers and financial lease receivables before impairment allowance	32,471,433	552,265	85,351	33,109,049
Allowances for impairment losses on loans and financial lease receivables	(484,180)	(3,832)	(908)	(488,920)
Total loans and advances to customers and financial lease receivables net of impairment allowance	31,987,253	548,433	84,443	32,620,129

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management (continued)

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	Low-moderate risk	Sensitive risk	High risk	Total 2020
Corporate	1,404,685	359,238	144,760	1,908,683
Small and medium enterprises	893,032	519,464	228,390	1,640,886
Consumer loans and card loans granted to retail customers	623,633	553,368	353,476	1,530,477
Mortgage loans	324,881	300,408	127,893	753,182
Loans and finance lease receivables granted by non-banking financial institutions	1,771,154	26,483	7,986	1,805,623
Other	17,049	23,650	-	40,699
Total loans and advances to customers and financial lease receivables before impairment allowance	5,034,434	1,782,611	862,505	7,679,550
Allowances for impairment losses on loans and financial lease receivables	(317,911)	(368,407)	(239,064)	(925,382)
Total loans and advances to customers and financial lease receivables net of impairment allowance	4,716,523	1,414,204	623,441	6,754,168

Gross value of loans and advances, lease receivables granted to clients, not impaired, Stage 2	0-30 days	30-60 days	60-90 days	Total 2020
Corporate	1,904,678	2,889	1,116	1,908,683
Small and medium enterprises	1,602,870	19,132	18,884	1,640,886
Consumer loans and card loans granted to retail customers	1,388,541	101,863	40,073	1,530,477
Mortgage loans	690,425	47,908	14,849	753,182
Loans and finance lease receivables granted by non-banking financial institutions	1,771,155	24,908	9,560	1,805,623
Other	40,615	45	39	40,699
Total loans and advances to customers and financial lease receivables before impairment allowance	7,398,284	196,745	84,521	7,679,550
Allowances for impairment losses on loans and financial lease receivables	(862,582)	(33,209)	(29,591)	(925,382)
Total loans and advances to customers and financial lease receivables net of impairment allowance	6,535,702	163,536	54,930	6,754,168

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Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management (continued)

Gross value of loans and advances, lease receivables granted to clients, impaired, Stage 3 and defaulted POCI	Non-default	Default	Total 2020
Corporate	7,037	1,530,024	1,537,061
Small and medium enterprises	25,914	365,385	391,299
Consumer loans and card loans granted to retail customers	2,690	752,502	755,192
Mortgage loans	1,367	237,124	238,491
Loans and finance lease receivables granted by non-banking financial institutions	96,717	164,111	260,828
Other	3,378	2,378	5,756
Total loans and advances to customers and financial lease receivables before impairment allowance	137,103	3,051,524	3,188,627
Allowances for impairment losses on loans and financial lease receivables	(59,605)	(1,760,928)	(1,820,533)
Total loans and advances to customers and financial lease receivables net of impairment allowance	77,498	1,290,596	1,368,094

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

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

The explanatory notes to the financial statements from page 11 to page 81 are an integral part of these financial statements.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management (continued)

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

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

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management (continued)

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management (continued)

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

The exposures to credit risk for loans and advances to customers at Bank level, as at June 30, 2020, are presented below:

At amortized cost	Assets for which the credit risk has not increased significantly since the initial recognition (Stage 1)	Assets for which the credit risk has significantly increased since the initial recognition, but which are not impaired (Stage 2)	Assets impaired at the reporting date (Stage 3)	Assets impaired on initial recognition (POCI)	Total 2020
<i>In RON thousand</i>					
Corporate	9,816,205	1,801,623	1,325,394	104,591	13,047,813
Small and medium enterprises	3,544,076	1,570,176	324,839	30,550	5,469,641
Consumer loans and card loans granted to retail customers	8,640,931	1,497,301	666,242	109,886	10,914,360
Mortgage loans	11,457,414	735,246	202,532	46,072	12,441,264
Other	152	23,683	4,291	845	28,971
Total loans and advances to customers before impairment allowance	33,458,778	5,628,029	2,523,298	291,944	41,902,049
Allowances for impairment losses on loans	(500,807)	(812,963)	(1,580,258)	(56,601)	(2,950,629)
Total loans and advances to customers net of impairment allowance	32,957,971	4,815,066	943,040	235,343	38,951,420

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 1	Very low risk	Low risk	Moderate risk	Sensitive risk	Total 2020
Corporate	2,160,844	5,102,783	2,505,870	46,708	9,816,205
Small and medium enterprises	2,133,506	1,049,018	326,500	35,052	3,544,076
Consumer loans and card loans granted to retail customers	3,795,314	4,364,015	356,947	124,655	8,640,931
Mortgage loans	4,412,285	6,641,837	322,110	81,182	11,457,414
Other	-	-	20	132	152
Total loans and advances to customers before impairment allowance	12,501,949	17,157,653	3,511,447	287,729	33,458,778
Allowances for impairment losses on loans	(93,436)	(222,681)	(171,303)	(13,387)	(500,807)
Total loans and advances to customers net of impairment allowance	12,408,513	16,934,972	3,340,144	274,342	32,957,971

Gross value of loans and advances granted to clients, not impaired, Stage 1	0 days	1-15 days	15-30 days	Total 2020
Corporate	9,810,019	5,630	556	9,816,205
Small and medium enterprises	3,516,379	23,771	3,926	3,544,076
Consumer loans and card loans granted to retail customers	8,342,869	263,223	34,839	8,640,931
Mortgage loans	11,214,399	212,914	30,101	11,457,414
Other	152	-	-	152
Total loans and advances to customers before impairment allowance	32,883,818	505,538	69,422	33,458,778
Allowances for impairment losses on loans	(497,109)	(3,152)	(546)	(500,807)
Total loans and advances to customers net of impairment allowance	32,386,709	502,386	68,876	32,957,971

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management (continued)

Gross value of loans and advances granted to clients, not impaired, Stage 2	Low-moderate risk	Sensitive risk	High risk	Total 2020
Corporate	1,300,571	359,242	144,760	1,804,573
Small and medium enterprises	835,801	519,464	223,599	1,578,864
Consumer loans and card loans granted to retail customers	622,277	550,872	353,476	1,526,625
Mortgage loans	323,545	298,915	127,893	750,353
Other	78	23,615	-	23,693
Total loans and advances to customers before impairment allowance	3,082,272	1,752,108	849,728	5,684,108
Allowances for impairment losses on loans	(219,571)	(361,498)	(238,682)	(819,751)
Total loans and advances to customers net of impairment allowance	2,862,701	1,390,610	611,046	4,864,357

Gross value of loans and advances granted to clients, not impaired, Stage 2	0-30 days	30-60 days	60-90 days	Total 2020
Corporate	1,800,568	2,889	1,116	1,804,573
Small and medium enterprises	1,545,639	14,699	18,526	1,578,864
Consumer loans and card loans granted to retail customers	1,387,186	99,481	39,958	1,526,625
Mortgage loans	689,088	46,817	14,448	750,353
Other	23,641	13	39	23,693
Total loans and advances to customers before impairment allowance	5,446,122	163,899	74,087	5,684,108
Allowances for impairment losses on loans	(764,244)	(28,788)	(26,719)	(819,751)
Total loans and advances to customers net of impairment allowance	4,681,878	135,111	47,368	4,864,357

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management (continued)

Gross value of loans and advances granted to clients, impaired, Stage 3 and defaulted POCI	Non-default	Default	Total 2020
Corporate	942	1,426,093	1,427,035
Small and medium enterprises	1,245	345,456	346,701
Consumer loans and card loans granted to retail customers	-	746,804	746,804
Mortgage loans	-	233,497	233,497
Other	5,126	-	5,126
Total loans and advances to customers before impairment allowance	7,313	2,751,850	2,759,163
Allowances for impairment losses on loans	(7,135)	(1,622,936)	(1,630,071)
Total loans and advances to customers net of impairment allowance	178	1,128,914	1,129,092

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management (continued)

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management (continued)

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management (continued)

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

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

- (i) for those assets in which the collateral is equal to or higher than the book value of the asset (“over-collateralization of assets”) and
- (ii) for those assets in which the collateral is lower than the book value of the asset (“under-collateralization of assets”).

The financial effect of the Group guarantee as at 30 June 2020 is the following:

Group	Exposures stage 1		Exposures stage 2		Exposures stage 3	
	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization
<i>In RON thousand</i>						
Corporate						
- Gross exposure	6,012,668	2,701,729	968,956	939,727	929,790	607,271
- Collateral	1,608,089	5,161,061	277,022	2,059,821	330,628	1,127,996
Small and medium enterprises						
- Gross exposure	2,274,706	1,367,472	1,002,798	638,084	219,102	172,201
- Collateral	286,754	2,880,637	269,283	1,561,138	63,533	430,499
Consumer loans and card loans granted to retail customers						
- Gross exposure	6,808,398	2,019,427	922,531	607,784	528,959	226,395
- Collateral	200,580	5,598,653	253,459	1,326,217	122,475	472,374
Mortgage loans						
- Gross exposure	724,117	10,973,395	201,270	551,913	105,443	133,047
- Collateral	555,352	17,477,069	140,930	883,214	62,002	233,667
Loans and finance lease receivables granted by non-banking financial institutions						
- Gross exposure	225,390	-	1,783,700	21,925	259,675	1,151
- Collateral	-	-	127,501	43,453	2,926	2,586
Other						
- Gross exposure	1,747	-	24,509	14,600	7,346	-
- Collateral	-	-	2,154	21,638	-	-

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management (continued)

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

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

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management (continued)

The financial effect of the Bank guarantee as at 30 June 2020 is the following:

Bank	Exposures stage 1		Exposures stage 2		Exposures stage 3	
	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization	Under-collateralization	Over-collateralization
<i>In RON thousand</i>						
Corporate						
- Gross exposure	7,161,632	2,654,573	940,214	864,360	903,998	523,036
- Collateral	1,599,083	5,072,054	252,442	1,861,802	315,493	961,090
Small and medium enterprises						
- Gross exposure	2,202,121	1,341,955	965,169	613,692	193,441	153,263
- Collateral	258,837	2,811,213	252,418	1,492,408	45,925	402,881
Consumer loans and card loans granted to retail customers						
- Gross exposure	6,629,379	2,011,552	919,098	607,527	521,408	225,396
- Collateral	198,718	5,580,393	253,384	1,325,283	121,745	470,302
Mortgage loans						
- Gross exposure	566,697	10,890,717	200,288	550,065	102,540	130,957
- Collateral	416,056	17,322,122	140,027	878,093	59,638	229,562
Other						
- Gross exposure	152	-	23,689	-	5,130	-
- Collateral	-	-	-	-	-	-

Banca Transilvania S.A.

Notes to the Interim Condensed Consolidated and Separate Financial Statements

41. Credit risk management (continued)

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

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

Notes to the Interim Condensed Consolidated and Separate Financial Statements

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

During July 2020, SIF Oltenia S.A. assigned to Banca Transilvania S.A. present and future rights related to a holding level of 9.99985% in the company BT Asset Management SAI S.A., following this transaction the Group and the Bank increasing their holding to 90.00% of this company.

Subsequent to the balance sheet date, one of the Bank's subsidiaries, namely Victoria Bank S.A. was notified that it is the subject of an investigation by local authorities, nevertheless, until now, with the exception of a seizure on some assets of the company in the amount of RON 473 million equivalent approved by the court, the information the Bank currently possesses is limited, given the incipient status of this action. The Bank management is unable to present at this moment additional information on this item and will monitor the evolution and make the appropriate disclosures at each reporting date, in accordance with the relevant accounting regulations.

Ömer Tetik
Chief Executive Officer

George Călinescu
Deputy Chief Executive Officer

BI-ANNUAL REPORT, as at 30 June 2020

Semestrial report, as per A.S.F. regulation no.5/2018

Report date: August 14, 2020

Name of the company: BANCA TRANSILVANIA S.A.

Registered office: no.8 G.Baritiu str., Cluj-Napoca, jud. Cluj, postal code 400027

Phone/fax: 0264.407.150; 0264.407.179

Tax identification no: RO 5022670

Trade Register no: J12/4155/16.12.1993

Registered capital, subscribed and paid: RON 5,216,090,590

The regulated market where the issued securities are traded: Bucharest Stock Exchange

Main features of the securities issued by the company:

5,216,090,590 nominal shares with a par value of RON 1/share.

I. Significant events in the first 6 months of 2020

Amendments brought to the Articles of Association:

Following the decision of the General Meeting of Shareholders as at 29.04.2020, it was decided to increase the share capital with the amount of RON 521.609.059 by issuing 521.609.059 new shares, at a nominal value of RON 1/share. The legal procedures for the registration of the share capital increase required by the capital market authorities (the Financial Supervision Authority, the Central Depository) are to be completed in early October 2020.

By means of the same Decision, it has been approved the change to art. 14 – Leaders’ Committee from the Articles of Incorporation, as follows:

Leaders’ Committee

The management, organization and coordination of the bank’s current business is ensured by the leaders (directors) of the bank (Chief Executive Officers and deputy CEOs), appointed by the Board

of Directors, who together form the Leaders' Committee. The Chief Executive Officer and deputy CEOs will form together the Leaders' Committee. The Board of Directors mandates the bank's leaders to exercise jointly the powers of organization and management of the bank's activity. The bank leaders are vested with the rights, obligations and responsibilities provided in the relevant legislation and the Articles of Association for the activities they coordinate according to the bank's organization chart, including the right to represent the Bank in relation to third parties. The leaders may, based on the received mandate, delegate some of their responsibilities in a clear and transparent way to specific committees/other structures or individually the Banks' employees. The Leaders' Committee shall adopt decisions by consensus; in case of disagreement, the subject will be forwarded to the Board of Directors. The Bank is validly bound in property related operations and current business in line with the internal regulations.

Acquisitions performed by Banca Transilvania in the first 6 months of 2020:

Not the case.

Main transactions regarding affiliates:

Last year in October a firm commitment was signed for the acquisition of Certinvest Pensii, the only local player among pension fund managers in Romania, and, in the first half of 2020, following the approval of transferring 95.1% of the company's share capital to BT Asset Management SAI SA and 4.9% to BT Investment S.R.L., falls within the consolidation perimeter of the BT Group. Also, the name of the company was changed from "Certinvest Pensii Societate de Administrare a Fonduri de Pensii Facultative S.A." in "BT Pensii - Societatea de Administrare a Fonduri de Pensii Facultative S.A.".

Risk Management

The management of Banca Transilvania S.A. continuously assesses the risks likely to affect the bank's business and goals and takes actions whenever any changes appear in its business conditions.

The main risks and uncertainties identified for the next 6 months of 2020:

- Depreciation of the national currency against the euro;
- Fluctuations of supply costs/resource costs;
- Significant economic effects of the Covid-19 pandemic (financial blockage at the level of companies, decrease in consumption and further damages to certain economic sectors (hospitality, passengers transport, entertainment services, etc.);
- Impact on the volumes of financing granted due to the increase in the number of ineligible clients (as a result of the deterioration of the balance sheet positions/creditworthiness);

- On the medium term, non-performing credit rates may be affected, depending on the consequence of the pandemic on the economy.

II. Detailed information

1. Statement of Financial Position

1.1.a.1 Assets, liabilities and equity at bank level

The financial position of the bank at the end of the first semester 2020, compared to the same period of last year, is the following:

Bank Indicators (RON thousands)	Jun-20	Dec-19	Jun-19	Jun-20 vs Dec-19%	Jun-20 vs Jun-19%
Cash and cash equivalents	14,237,537	13,480,195	10,641,713	5.6%	33.8%
Derivatives	14,193	4,803	6,929	195.5%	104.8%
Financial assets held for trading and measured at fair value through profit or loss	16,422	17,509	14,797	-6.2%	11.0%
Financial assets measured mandatorily at fair value through profit or loss	1,292,490	1,148,691	695,604	12.5%	85.8%
Financial assets measured at fair value through other comprehensive income	26,262,827	23,637,807	19,820,422	11.1%	32.5%
- of which pledged securities (repo agreements)	2,605,615	-	87,377		2,882.0%
Financial assets at amortized cost - of which:	50,335,223	47,412,890	44,723,125	6.2%	12.5%
- Placements with banks	9,575,543	6,995,346	4,732,235	36.9%	102.3%
- Loans and advances to customers	38,951,420	38,601,915	37,709,488	0.9%	3.3%
- Debt instruments	1,191,160	1,176,834	1,357,614	1.2%	-12.3%
- Other financial assets	617,100	638,795	923,788	-3.4%	-33.2%
Equity investments	486,360	486,360	537,677	0.0%	-9.5%
Property and equipment and investment property	580,707	575,038	508,124	1.0%	14.3%
Intangible assets	214,648	202,345	257,245	6.1%	-16.6%
Right-of-use assets	373,879	366,212	433,247	2.1%	-13.7%
Other non-financial assets	113,285	106,225	99,416	6.6%	14.0%
Total assets	93,927,571	87,438,075	77,738,299	7.4%	20.8%

Bank Indicators (RON thousands)	Jun-20	Dec-19	Jun-19	Jun-20 vs Dec-19%	Jun-20 vs Jun-19%
Deposits from banks	411,777	304,461	260,443	35.2%	58.1%
Deposits from customers	77,126,529	74,353,723	64,857,337	3.7%	18.9%

Loans from banks and other financial institutions	3,679,426	895,673	1,043,636	310.8%	252.6%
Subordinated liabilities	1,670,094	1,696,602	1,677,894	-1.6%	-0.5%
Current tax liability	47,760	38,130	106,760	25.3%	-55.3%
Deferred tax liability	567	7,899	9,016	-92.8%	-93.7%
Provisions for other risks and loan commitments	494,981	498,457	441,995	-0.7%	12.0%
Financial liabilities held-for-trading	34,283	12,331	10,515	178.0%	226.0%
Lease liabilities	379,558	365,931	430,988	3.7%	-11.9%
Other financial liabilities	1,523,721	689,531	1,059,606	121.0%	43.8%
Other non-financial liabilities	86,034	78,894	105,549	9.1%	-18.5%
Total liabilities excluding financial liabilities to holders of fund units	85,454,730	78,941,632	70,003,739	8.3%	22.1%
Total liabilities	85,454,730	78,941,632	70,003,739	8.3%	22.1%
Share capital	5,302,592	5,302,419	4,901,594	0.0%	8.2%
Treasury shares	0	(48,655)	0	-100.0%	
Share premiums	28,614	28,396	28,396	0.8%	0.8%
Retained earnings	2,357,574	2,376,845	2,076,958	-0.8%	13.5%
Revaluation reserves from tangible assets	20,059	20,710	20,139	-3.1%	-0.4%
Reserves on financial assets measured at fair value through other items of comprehensive income	96,108	148,834	133,936	-35.4%	-28.2%
Other reserves	667,894	667,894	573,537	0.0%	16.5%
Total equity	8,472,841	8,496,443	7,734,560	-0.3%	9.5%
Total liabilities and equity	93,927,571	87,438,075	77,738,299	7.4%	20.8%

At the end of the first 6 months of 2020, the bank's assets are in amount of RON 93,927.57 million, 20.8% higher than in the same period of the previous year and 7.4% higher as compared with the end of year 2019.

Significant increases were registered for the following assets categories:

- In the first semester of 2020, net loans accounted RON 38,951.42 million, increasing by 3.3% compared to 30.06.2019, and as compared to December 2019 loans granted to customers recorded a lower increase of 0.9%, because of the unfavorable economic context generated by the COVID-19 pandemic;
- Cash and cash equivalents, which increased by 33.8% compared to the same period of last year, reaching RON 14,237.54 million on 30.06.2020 compared to RON 10,641.71 million on 30.06.2019;
- Bank placements in the first semester of 2020 represent RON 9,575.54 million, increasing by 102.3% as compared to the same period of the previous year and by 36.9% as compared to end of year 2019, mainly due to higher placements to credit institutions;

- The balance of financial assets measured at fair value through other comprehensive income increased by approximately 33% compared to the same period of last year, reaching RON 26,262.83 million, respectively by 11.1% compared to the end of the previous year, as a result of the increase in the government securities portfolio.

More than 68,500 new loans were granted to individuals and corporates during the first semester of 2020.

The rate of NPE according to EBA is 4.35% as of June 30, 2020.

The loans to deposits ratio at the end of June 2020 is 54%.

The bank's solvency calculated as at June 30, 2020, taking into account the cumulative profit for the first semester of 2020, is 20.91% (19.67% without including the profit), comfortably above the 8% minimum reference threshold - the adequacy of own funds, required by the Regulation (EU) no. 575/2013 on prudential requirements for credit institutions, which applies starting with 2014.

The financial data of Banca Transilvania S.A. confirm that the bank has adequate capitalization and a comfortable level of liquidity.

The equity of Banca Transilvania S.A. on June 30, 2020 amounts RON 8,472.84 million, showing a 9.5% increase compared to the same period of last year, when it amounted RON 7,734.54 million.

The Extraordinary General Meeting of Shareholders of Banca Transilvania from April 29, 2020, approved the granting of dividends amounting RON 600,000,000 the gross dividend/share amounting RON 0.1150286771 as well as the granting of free shares by increasing the share capital with the amount of RON 521,609,059 by issuing 521,609,059 new shares with a nominal value of RON 1/share.

We state that the bank's shareholding structure is constantly changing due to the fact that Banca Transilvania's shares are traded on the securities market, in compliance with the provisions of Law 52/1994 and the Norms of A.S.F. Currently, Banca Transilvania's shares are listed on the Bucharest Stock Exchange, Category I.

The structure of Banca Transilvania S.A. shareholders as at June 30, 2020 is presented in the Annex to this document.

1.1.a.2 Assets, liabilities and equity at the group level

Group BT Indicators (RON thousands)	Jun-20	Dec-19	Jun-19	Jun-20 vs Dec-19%	Jun-20 vs Jun-19%
Cash and cash equivalents	15,220,340	14,583,143	11,648,252	4.4%	30.7%
Derivatives	14,193	4,803	6,929	195.5%	104.8%
Financial assets held for trading and measured at fair value through profit or loss	254,554	272,607	199,089	-6.6%	27.9%
Financial assets measured mandatorily at fair value through profit or loss	1,054,958	877,989	551,594	20.2%	91.3%
Financial assets measured at fair value through other comprehensive income	26,286,018	23,658,311	19,832,456	11.1%	32.5%
- of which pledged securities (repo agreements)	2,605,615	-	87,377		2,882.0%
Financial assets at amortized cost - of which:	52,806,041	49,606,584	47,769,815	6.4%	10.5%
- Placements with banks	10,355,506	7,775,140	5,464,517	33.2%	89.5%
- Loans and advances to customers	39,568,051	39,175,404	38,169,118	1.0%	3.7%
- Debt instruments	2,210,487	1,968,031	2,074,337	12.3%	6.6%
- Other financial assets	671,997	688,009	965,143	-2.3%	-30.4%
Finance lease receivables	1,174,340	1,178,443	1,096,700	-0.3%	7.1%
Investment in Associate	2,317	3,316		-30.1%	
Property and equipment and investment property	781,174	727,526	643,343	7.4%	21.4%
Intangible assets	251,442	235,429	287,201	6.8%	-12.5%
Goodwill	13,913	10,478	4,295	32.8%	223.9%
Right-of-use assets	393,543	388,025	456,311	1.4%	-13.8%
Deferred tax assets	23,007	16,755	-	37.3%	
Other non-financial assets	164,951	158,872	166,015	3.8%	-0.6%
Total assets	98,440,791	91,722,281	81,565,300	7.3%	20.7%

Group BT Indicators (RON thousands)	Jun-20	Dec-19	Jun-19	Jun-20 vs Dec-19%	Jun-20 vs Jun-19%
Deposits from banks	402,858	296,138	249,286	36.0%	61.6%
Deposits from customers	79,992,860	77,037,060	67,380,562	3.8%	18.7%
Loans from banks and other financial institutions	4,225,788	1,473,920	1,544,051	186.7%	173.7%
Subordinated liabilities	1,673,561	1,700,207	1,681,641	-1.6%	-0.5%
Current tax liability	48,794	42,203	109,086	15.6%	-55.3%
Deferred tax liability	-	-	736		-100.0%
Provisions for other risks and loan commitments	518,060	533,881	463,717	-3.0%	11.7%
Financial liabilities held-for-trading	34,283	12,331	10,515	178.0%	226.0%
Lease liabilities	399,183	387,441	454,692	3.0%	-12.2%
Other financial liabilities	1,739,027	909,100	1,247,015	91.3%	39.5%

Other non-financial liabilities	111,881	112,012	130,286	-0.1%	-14.1%
Total liabilities excluding financial liabilities to holders of fund units	89,146,295	82,504,293	73,271,587	8.1%	21.7%
Financial liabilities to holders of fund units	15,338	4,152	19,147	269.4%	-19.9%
Total liabilities	89,161,633	82,508,445	73,290,734	8.1%	21.7%
Share capital	5,302,592	5,302,419	4,901,594	0.0%	8.2%
Treasury shares	(15,287)	(63,942)	(15,287)	-76.1%	0.0%
Share premiums	31,235	31,016	27,643	0.7%	13.0%
Retained earnings	2,757,378	2,708,300	2,286,523	1.8%	20.6%
Revaluation reserves from tangible assets	17,167	17,818	17,264	-3.7%	-0.6%
Reserves on financial assets measured at fair value through other items of comprehensive income	95,173	147,904	133,834	-35.7%	-28.9%
Other reserves	689,785	687,727	591,403	0.3%	16.6%
Total equity attributable to equity holders of the Bank	8,878,043	8,831,242	7,942,974	0.5%	11.8%
Non-controlling interest	401,115	382,594	331,592	4.8%	21.0%
Total equity	9,279,158	9,213,836	8,274,566	0.7%	12.1%
Total liabilities and equity	98,440,791	91,722,281	81,565,300	7.3%	20.7%

The group ended the first semester of 2020 with RON 98.4 billion worth of assets, of which RON 93.9 billion are the bank total assets, net loans (including leasing receivables) accounting for 41.4% of group's assets.

As at June 30, 2020, the weight of Banca Transilvania's assets in the total assets of the group was 95.4%.

1.1.b. Profit and loss account

The main elements of the Individual Profit and Loss Account as compared to the same period last year, are as follows:

Indicators (RON thousands)	Bank		Jun-20 vs Jun-19%	Group		Jun-20 vs Jun-19%
	Jun-20	Jun-19		Jun-20	Jun-19	
Interest income calculated using the effective interest method	1,621,956	1,564,533	3.7%	1,761,762	1,712,520	2.9%
Other similar income	5,099	7,829	-34.9	52,098	73,226	-28.9%
Interest expense calculated using the effective interest method	(331,402)	(233,175)	42.1%	(360,095)	(264,596)	36.1%
Other similar expense	(624)	(873)	-28.5%	(729)	(990)	-26.4%
Net interest income	1,295,029	1,338,314	-3.2%	1,453,036	1,520,160	-4.4%
Fee and commission income	452,317	473,442	-4.5%	525,444	539,409	-2.6%
Fee and commission expense	(152,567)	(131,438)	16.1%	(173,616)	(148,420)	17.0%
Net fee and commission income	299,750	342,004	-12.4%	351,828	390,989	-10.0%

Net trading income	138,720	151,001	-8.1%	127,639	191,227	-33.3%
Net income from financial assets measured at fair value through comprehensive income	137,324	30,860	345.0%	137,337	30,888	344.6%
Net income from financial assets which are required to be measured at fair value through profit or loss	1,448	63,383	-97.7%	34,595	78,374	-55.9%
Contribution to the Bank Deposit Guarantee Fund and to the Resolution Fund	(69,795)	(107,615)	-35.1%	(72,751)	(109,247)	-33.4%
Other operating income	55,689	59,868	-7.0%	64,210	78,120	-17.8%
Operating income	1,858,165	1,877,815	-1.0%	2,095,894	2,180,511	-3.9%
Net expense from impairment allowance, expected losses on assets, provisions for other risks and loan commitments	(273,056)	(3,782)	7,119.9%	(299,260)	(50,650)	490.8%
Personnel expenses	(482,450)	(458,435)	5.2%	(545,503)	(522,894)	4.3%
Depreciation and amortization	(146,796)	(137,812)	6.5%	(158,784)	(149,798)	6.0%
Other operating expenses	(255,307)	(263,326)	-3.0%	(297,064)	(318,863)	-6.8%
Operating expenses	(1,157,609)	(863,355)	34.1%	(1,300,611)	(1,042,205)	24.8%
Profit before income tax	700,556	1,014,460	-30.9%	795,283	1,138,306	-30.1%
Income tax expense	(93,143)	(166,465)	-44.0%	(105,220)	(195,949)	-46.3%
Profit for the period	607,413	847,995	-28.4%	690,063	942,357	-26.8%
Profit of the Group attributable to Equity holders of the Bank	607,413	847,995	-28.4%	670,238	906,191	-26.0%
Profit of the Group attributable to non-controlling interests	-	-		19,825	36,166	-45.2%
Profit for the period	607,413	847,995	-28.4%	690,063	942,357	-26.8%

As Compared to the similar period of 2019, the activity was significantly affected by the impact of the COVID-19 pandemic, as is reflected in the results of the first semester of 2020.

Gross profit obtained by Banca Transilvania S.A. in the first six months of 2020 was RON 700.56 million, decreasing with 31% versus previous semester in 2019, variation caused by the impact of the COVID-19 pandemic.

Net profit obtained by Banca Transilvania S.A. at 30.06.2020 in amount of RON 607.41 million, was also 28% lower versus the same period of 2019 (RON 848.00 million as at June 30, 2019).

The net interest income decreased by 3.2% as compared to the corresponding period of last year, being impacted by a lower number of new loans granted and lower interest rates (influenced by the decrease in ROBOR), situation generated by the COVID 19 pandemic.

The net pace of fee and commission income during first semester of 2020 compared to the same period in 2019 was -12.4%.

Operating income registered RON 1,858.17 million in the first half of 2020, 1% lower than the same period of last year, when it reached RON 1,877.82 million.

The Bank's operating efficiency is maintained at a comfortable level of 47.6%.

The coverage of NPE with total provisions is 107% (according to EBA).

The result per share after the first 6 months of 2020, respectively after the first 6 months of 2019, restated taking into consideration BT's share capital increase that will take place in October 2020, respectively August 2019 is the following:

Indicators	Bank Jun-20	Bank Jun-19	Jun-20 vs Jun-19 %	Group Jun-20	Group Jun-19	Jun-20 vs Jun-19 %
Net profit for the period (RON thousands)	607,413	847,995	-28.4%	690,063	942,357	-26.8%
Basic earnings per share	-	-	-	0.1174	0.1744	-32.71%
Diluted earnings per share	-	-	-	0.1172	0.1740	-32.66%

Other information regarding first half of 2020:

The automation and digitalization of processes aiming to give a better experience to customers, represents one of the main areas where Banca Transilvania has invested and continues to invest. The main accomplishments in this field in the first semester of 2020 are the following:

- From the beginning of the pandemic until the end of June, 2020, 12 online banking facilities were launched, among which: the digital card is displayed in the BT Pay application before a customer receives it in physical format; the online opening of a current account (NEOcont); the possibility to withdraw money by using the phone application BT Pay from all the bank's ATMs; the option to make donations through the telephone; launching online shopping hubs with merchants who are BT customers, namely #Directlatine and #InMișcare; the possibility for companies to order online Meal Tickets cards through the BT Ticket application, and others;

Banca Transilvania is the market leader in the cards market, with 4.1 million cards in portfolio out of which over 520,000 are credit cards. BT currently has the most complete range of payment options, from physical to digital cards, BT Pay, ApplePay, Fitbit Pay, Garmin Pay, wearables, etc., allowing customers to use, in addition, what is more convenient for them at various times.

The bank has reached over 1 million unique digital cards active in BT Pay, Apple Pay, Fitbit Pay or Garmin Pay and the number of payments by phone has increased 5 times in June 2020 compared to June 2019;

The transactions performed with 4.1 million cards and BT Pay accessories - application, watch, bracelet and contactless sticker - increased by 21% vs. the same period of the last year;

As of June 30, 2020, 1,724 ATMs are installed, out of which approximately 520 are BT Express Plus multifunctional, through which self-banking can be carried out - from cash deposits in lei and foreign currency, to foreign exchange and contactless or code-based cash withdrawals;

The bank has an extensive network for accepting payment cards – over 64,800 POSs on June 30, 2020 compared to over 54,500 POSs on June 30, 2019;

The Bank's number of active employees as at June 30, 2020 is 8,180 (7,734 at June 30, 2019).

1.1.c. Cash flow statement and liquidity position

The cash flow statement detailing the cash flows from operating, investment and financing activities is part of the Financial Statements that accompany this report.

The liquidity ratio computed in accordance with NBR regulations in force at 30.06.2020 was between 1.77 and 22.81, being above the minimum level of 1, as required by the NBR Regulation No. 25/8.11.2011, applied from 31.01.2012.

2. The analysis of the bank's activity

2.1 Presentation and analysis of trends, elements and events or uncertainty factors that could impact the bank's liquidity vs. the same period of the last year

The Romanian economic environment:

- According to the data published by the National Trade Register Office, 49.1 thousand companies were launched in the first semester of 2020, i.e. YoY decrease by 37.1% amid the pandemic;
- Likewise, the number of companies under insolvency decreased by 26.2% YoY to 2,360 in the first half of 2020.

- The National Bank of Romania reduced the reference interest rate to 1.75% (historical minimum) and the levels of the minimum reserve requirements applicable to FCY liabilities of the credit institutions (from 8% to 6%) in the first half of this year and implemented unconventional monetary easing measures (including a program to purchase government securities on the secondary market), decisions caused by the incidence of the pandemic and the consequences of this unprecedented shock;
- Pursuant to the statistics of the National Bank of Romania, total non-governmental loans increased by 0.4% MoM and by 4.1% YoY to RON 270.1 billion in June, given that the incidence of the pandemic and the consequences of this shock were offset by the relaxed mix of economic policies;
- Increase of the RON denominated loan balance, at a monthly pace of 1.1% and 6% YoY, to RON 183.2 billion in June.
- In the first six months of 2020, household loans went up 1.7% ytd, to RON 145.5 billion, and company loans increased by 0.1% ytd to RON 124.6 billion.
- Non-governmental deposits decreased at a monthly pace of 0.4% to RON 382.1 billion in June (advance of 13.4% YoY).
- In the period January-June 2020, customer deposits increased by 7.7% ytd, to RON 239.4 billion, and company deposits decreased by 1.8% ytd to RON 142.7 billion.
- Thus, the loan-deposit ratio end of June was 70.7% (74.9% to RON and 63.2% to FCY).

2.2 Presentation and analysis of the effects on financial statements of all capital expenditures, current and anticipated, compared to the same period of last year

Investments in tangible and intangible assets were RON 795.36 million at June 30, 2020, compared to RON 765.37 million at June 30, 2019. As compared with the first semester of 2019, tangible and intangible assets did not register a significant evolution, showing an increase of approximately 4%.

2.3 Presentation and analysis of the economic events, transactions and changes that significantly impact the main revenues of the bank

The main activity of the bank was performed under normal conditions, with no exceptional circumstances. All legal requirements were followed, in terms of the correct and up-to-date organization and management of accounting, in terms of accounting principles, as well as in terms of complying with the accounting rules and regulations in force.

The Separate and Consolidated Financial Statements were prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and in force at the interim

reporting date, June 30, 2020. The data presented regarding the first semester of 2020 are based on the organisation and accounting rules as stated by the Law no. 82/1991, republished and further amended and completed, Law no. 163/2018, Government Emergency Ordinance no. 99/2006, NBR Order no. 27/2010 for the approval of the accounting rules under International Financial Reporting Standards adopted by the European Union applicable to credit institutions – republished, NBR Order no. 10/2012 for the approval of the semestrial accounting reporting system applicable to the entities that fall within the scope of the NBR’s accounting regulations with subsequent amendments and completions, as well as other NBR instructions in the field.

3. Changes that affect the share capital and the administration of the company

3.1 Description of cases in which the company could not fulfill its financial obligations in the reporting period

Not the case.

3.2 Description of any changes in the rights of the shareholders of the company

On the 24th of April 2020, the Ordinary and Extraordinary General Shareholders’ Meetings of Banca Transilvania S.A approved the net profit distribution in the sum of RON 1,620,511,500 as follows:

- Allocation of the sum of RON 231,366,623 for legal and other reserves, of the sum of RON 1,389,144,877 for net profit reserves to be distributed, of which RON 600,000,000 will be paid as dividends. Approval of a gross dividend per share of RON 0.1150286771.

With regards to the payment of dividends, **October 5, 2020** was approved as registration date, **October 4, 2020** as ex-date and **October 6, 2020** as payment date.

- Increase of the bank’s share capital with the amount of RON 521,609,059, by the issue of 521,609,059 new shares, with a nominal value of RON 1/share (10 new shares will be attributed for every 100 shares). The date of **October 15, 2020** was approved as registration date, **October 14, 2020** being the ex-date and **October 16, 2020** the payment date for the free shares to be issued after the increase of the share capital.

Following the increase, the share capital of the Bank worthing RON 5,216,090,590 will increase to RON 5,737,699,649, divided into 5,737,699,649 shares with a nominal value of RON 1 /share.

The legal procedures for the registration of the share capital increase required by the capital market authorities (the Financial Supervision Authority, the Central Depository) are to be completed in early October 2020.

3.3 Changes in the management structure of the bank (board, executive level etc.)

There were no changes in the Board of Directors.

There were no changes in the Leaders' Committee.

By the Decision of the General Meeting of Shareholders from 29.04.2020 it was decided to appoint KPMG Audit SRL as financial auditor of the bank for auditing the financial statements of the bank for the financial years 2020-2023, prepared in accordance with the International Financial Reporting Standards, according to the NBR Order no. 27/2010 with the subsequent amendments. The procedure of prior approval of the financial auditor by the National Bank of Romania is in progress.

4. Significant transactions

There were no major contracts concluded by BT in the first half of 2020 related to acquisitions, mergers, divisions, etc. There was no information concerning significant major transactions concluded by BT with the persons it cooperates with or in which such persons were involved during the first half of 2020.

5. Conclusions

The crisis caused by the Covid-19 pandemic, since the beginning of the first quarter of 2020, has created a health crisis and at the same time an unprecedented economic disruption. In this context, the bank and the group had as major objectives to support the customers, employees, communities and the economy in general. Solidarity and mobilization were the key words that defined the second quarter of the year at Banca Transilvania.

Through successful prevention and security measures, the bank and the group have been able to ensure the continuity of physical and digital operations. A major part of the employees were able to work from home. More than 80% of the bank's branches remained opened during the critical period caused by the pandemic.

BT has launched the most consistent package in Romania to support customers with loans, affected by the pandemic context. The measures implemented by the bank have far exceeded the mandatory legal framework, providing customers with financial support in these challenging times. More than 41,000 individual and corporate customers benefited from payment holidays.

Banca Transilvania also participated in the SME Invest program where more than 1,000 colleagues were involved. By the end of June, the bank had approved more than 4,000 loans.

Banca Transilvania has contributed with over EUR 2 million - representing money and medical equipment - to prevent and limit the spread of the epidemic, but also to increase people's access to testing and treatment.

At the same time, the day-to-day activity went on and the bank ensured the continuity of operations, has launched commercial campaigns and maintained the pace of network modernization projects and diversification of customer interaction options with the bank.

Given the context created by the Covid-19 pandemic, the bank and the group results exceeded the expectations while maintaining a solid capitalization and a comfortable level of liquidity.

ANNEX: The present report has attached the copies of the following documents:

1. Summarized consolidated and separate financial statements prepared in accordance with IAS 34 “Interim Financial Reporting” as endorsed by the European Union as at June 30, 2020:
 - Consolidated and separate statement of profit and loss and other comprehensive income;
 - Consolidated and separate statement of financial position;
 - Consolidated and separate statement of changes in equity;
 - Consolidated and separate statement of cash flow;
 - Notes to the summarized consolidated and separate financial statements;

2. The statement of the Deputy CEO of Banca Transilvania assuming the responsibility for the summarized financial statements for the first semester of 2020;

Note: The financial statements for the first semester of 2020 were revised by KPMG Audit SRL – the external auditor of Banca Transilvania S.A.

**CHAIRMAN OF THE
BOARD OF DIRECTORS
HORIA CIORCILĂ**

**CHIEF EXECUTIVE OFFICER

ÖMER TETİK**

SHAREHOLDERS STRUCTURE AT

30.06.2020

EXPLANATIONS	No.of holders	No. Shares	Percentage %
ROMANIAN CAPITAL	33,355	3,598,145,035	68.98
Individuals	32,699	1,069,732,973	20.51
Companies	656	2,528,412,062	48.47
of which Financial Investment Companies	5	964,434,051	18.49
FOREIGN CAPITAL	977	1,617,945,555	31.02
Individuals	742	55,954,025	1.07
Companies	235	1,561,991,530	29.95
TOTAL	34,332	5,216,090,590	100

STATEMENT

According to the provisions of article 30 of Accounting Law no. 82/1991, republished, we hereby state that we take full responsibility for preparing the annual financial statements as at June 30, 2020 and confirm that:

- a) The accounting policies used to prepare interim condensed, consolidated and separated statements are in accordance with the International Financial Reporting Standards as endorsed by the European Union (“IFRS”), in effect as at the reporting date, June 30, 2020;
- b) The consolidated and separated financial statements interim condensed, prepared as at June 30, 2020 offer a true image of the assets, liabilities, financial position, profit and loss account of Banca Transilvania;
- c) Banca Transilvania carries its business on an ongoing basis;
- d) The annual Report has been prepared in accordance with Regulation ASF no 5/2018 and reflects the correct and complete information at the reporting date.

DEPUTY CEO,

GEORGE CĂLINESCU

August 13, 2020

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Romanian version

Refer to the original signed Romanian
version

TRANSLATOR’S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version



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Independent Auditors' Report on Review of Interim Condensed Consolidated and Separate Financial Statements (free translation¹)

To the Shareholders of Banca Transilvania S.A.

Introduction

We have reviewed the accompanying condensed consolidated and separate statement of financial position of Banca Transilvania S.A. ("the Bank") as at 30 June 2020, the condensed consolidated and separate statements of profit or loss and of other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial statements ("the interim condensed consolidated and separate financial statements"). Management is responsible for the preparation and presentation of this condensed consolidated and separate interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as endorsed by the European Union. Our responsibility is to express a conclusion on these condensed consolidated and separate interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

¹ TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version and refers to the Romanian version of the interim condensed consolidated and separate financial statements which was subject to our review.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated and separate financial statements as at and for the six-month period ended 30 June 2020 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as endorsed by the European Union.

Other matter – scope of the review

The interim condensed consolidated and separate financial statements of the Bank as at and for the six-month period ended 30 June 2019 were reviewed by another auditor, who expressed an unmodified conclusion on those financial statements on 9 August 2019.

The consolidated and separate financial statements of the Bank as at and for the year ended 31 December 2019 were audited by another auditor, who expressed an unmodified opinion on those financial statements on 27 March 2020.

Other matters

This independent auditors' review report is made solely to the Bank's Shareholders, as a body. Our review work has been undertaken so that we might state to the Bank's Shareholders those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's Shareholders, as a body, for our review work or for the conclusion we have formed.

For and on behalf of KPMG Audit S.R.L.:

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FURTUNA CEZAR-GABRIEL

registered in the electronic public register of financial auditors and audit firms under no AF1526

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KPMG Audit SRL

registered in the electronic public register of financial auditors and audit firms under no FA9

Bucharest, 13 August 2020

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