Banca Comerciala Romana S.A.

Interim Condensed Financial Statements

Consolidated and Separate

30 June 2019

Prepared in accordance with
Ias 34 „Interim Financial Reporting”
and unaudited

CONTENTS

STATEMENT

Regarding the Administrators Report for the first semester of 2019

In accordance with the provisions of ASF Regulation no. 5/2018 art. 223, with subsequent amendments, we, Sergiu Manea, as Executive President of Banca Comerciala Romana SA and Elke Meier, as Executive Vice-President of Banca Comerciala Romana SA, state that:

a) To the best of our knowledge, the interim consolidated and separate financial statements drawn up in accordance with applicable financial reporting standards provide for a correct and accurate image of the assets, liabilities, statement of financial position and statement of comprehensive income of Banca Comerciala Romana SA and its subsidiaries included in the consolidation perimeter.

b) The consolidated and separate report of the Supervisory Board reflects in a correct and accurate manner the information on Banca Comerciala Romana SA and its subsidiaries included in the consolidation perimeter.

Executive President,

Sergiu Manea

Executive Vice-President,

Elke Meier

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Consolidated and Separate

As at 30 June 2019

Statement of profit or loss

in RON thousands	Notes	Group 30.06.2019	Group 30.06.2018	Bank 30.06.2019	Bank 30.06.2018
Net interest income	10	1,110,156	962,331	1,058,954	916,680
Interest income		1,347,054	1,186,623	1,273,090	1,112,271
Other similar income		16,592	22,111	16,034	21,081
Interest expense		(230,387)	(235,186)	(208,363)	(205,959)
Other similar expense		(23,103)	(11,217)	(21,807)	(10,713)
Net fee and commission income	11	368,873	349,442	354,128	327,028
Fee and commission income		453,786	426,033	433,116	397,247
Fee and commission expense		(84,913)	(76,591)	(78,988)	(70,219)
Dividend income		2,359	3,657	15,784	11,609
Net trading result	12	165,213	186,073	163,785	183,203
Gains/losses from financial instruments measured at fair value through profit or loss		(2,285)	1,751	(2,285)	1,751
Net result from equity method investments		(1,555)	2,526	-	-
Rental income from investment properties & other operating leases		47,484	35,840	5,588	5,166
Personnel expenses	13	(395,724)	(378,340)	(344,850)	(334,255)
Other administrative expenses	13	(347,046)	(330,571)	(358,518)	(333,934)
Depreciation and amortisation	13	(125,444)	(91,778)	(100,637)	(64,231)
Gains/losses from derecognition of financial assets measured at amortised cost		(505)	-	(505)	-
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss		(29,436)	2,221	(29,436)	2,221
Net impairment loss on financial instruments	14	88,774	30,131	(189,906)	23,670
Other operating result	15	(769,520)	39,336	(436,981)	32,953
Pre-tax result from continuing operations		**111,344**	**812,619**	**135,121**	**771,861**
Net profit of the year		**111,344**	**812,619**	**135,121**	**771,861**
Taxes on income	16	(132,187)	(115,618)	(123,771)	(114,976)
Net result for the period		**(20,843)**	**697,001**	**11,350**	**656,885**
Net result attributable to non-controlling interests		6	4	-	-
Net result attributable to owners of the parent		**(20,849)**	**696,997**	**11,350**	**656,885**

Statement of other comprehensive income

in RON thousands	Group 30.06.2019	Group 30.06.2018	Bank 30.06.2019	Bank 30.06.2018
Net result for the period	**(20,843)**	**697,001**	**11,350**	**656,885**
Remeasurement of net liability of defined pension plans	-	(44)	-	-
Other equity instruments	13,457	(180,166)	13,457	(180,166)
Deferred taxes relating to items that may not be reclassified	(2,153)	28,834	(2,153)	28,827
Total items that cannot be reclassified to profit or loss	**11,304**	**(151,376)**	**11,304**	**(151,339)**
Items that may be reclassified to profit or loss				
Debt instruments at fair value through other comprehensive income	17,114	(70,978)	16,604	(71,186)
Gains/losses during the period	15,736	(69,686)	15,781	(69,687)
Reclassification adjustments	727	(2,221)	727	(2,221)
Credit loss allowances	651	929	96	722
Currency translation	(4,443)	4,712	-	-
Deferred taxes relating to items that may be reclassified	(3,259)	11,744	(3,012)	11,737
Total items that may be reclassified to profit or loss	**9,412**	**(54,522)**	**13,592**	**(59,449)**
Total other comprehensive income	**20,716**	**(205,898)**	**24,896**	**(210,788)**
Total comprehensive income	**(127)**	**491,103**	**36,246**	**446,097**
Total comprehensive income attributable to non-controlling interests	6	4	-	-
Total comprehensive income attributable to owners of the parent	**(133)**	**491,099**	**36,246**	**446,097**

The interim condensed separate and consolidated financial statements were approved by the Executive Committee on 30 July 2019.

AUTHORISED PERSON
Name and first name
Signature
Executive Vice-President
Elke Meier

AUTHORISED PERSON
Name and first name
Signature
Executive Director Accounting Division
Gina Badea

BCR

STATEMENT OF FINANCIAL POSITION

Consolidated and Separate

As at 30 June 2019

Statement of financial position

in RON thousands	Notes	Group 30.06.2019	Group 31.12.2018	Bank 30.06.2019	Bank 31.12.2018
Assets					
Cash and cash balances	3	10,346,352	11,123,191	10,179,024	10,862,852
Financial assets held for trading		160,703	213,965	161,298	214,092
Derivatives		59,543	31,062	60,138	31,189
Other financial assets held for trading		101,160	182,903	101,160	182,903
thereof pledged as collateral		4,181	-	4,181	-
Non-trading financial assets at fair value through profit or loss		37,263	39,395	37,030	39,152
Equity instruments		33,048	33,475	32,815	33,232
Loans and advances to customers		4,215	5,920	4,215	5,920
Financial assets at fair value through other comprehensive income	4	5,458,119	5,222,081	5,412,021	5,187,019
Equity investments		54,178	40,721	54,178	40,721
Debt securities		5,403,941	5,181,360	5,357,843	5,146,298
thereof pledged as collateral		25,399	-	25,399	41,748
Financial assets at amortised cost	5	51,798,643	50,843,219	49,738,874	48,732,568
thereof pledged as collateral		806,426	690,952	2,097,320	1,693,280
Debt securities		15,299,100	15,879,108	14,066,921	14,297,905
Loans and advances to banks		269,108	123,840	280,364	388,848
Loans and advances to customers		36,230,435	34,840,271	35,391,590	34,045,815
Finance lease receivables		1,062,774	990,868	3,241	-
Property and equipment		1,077,677	1,169,260	974,754	760,646
Investment property		147,977	162,806	147,977	162,806
Intangible assets		345,856	361,898	339,630	354,020
Investments in joint ventures and associates		23,388	20,027	17,035	7,509
Current tax assets		200,258	181,800	197,295	178,822
Deferred tax assets		173,874	202,165	164,713	197,061
Assets held for sale		548,626	161,114	106,337	117,699
Trade and other receivables		490,654	563,014	480,201	543,179
Investments in subsidiaries		-	-	403,152	403,152
Other assets		346,768	275,502	185,649	148,677
Total assets		**72,218,932**	**71,530,305**	**68,548,231**	**67,909,254**

in RON thousands		Group 30.06.2019	Group 31.12.2018	Bank 30.06.2019	Bank 31.12.2018
Liabilities and Equity					
Financial liabilities held for trading		83,128	32,988	83,128	32,988
Derivatives		83,128	32,988	83,128	32,988
Financial liabilities measured at amortised cost		61,890,320	61,618,808	58,881,083	58,326,984
Deposits from banks	6	5,294,492	5,578,080	4,562,358	4,791,204
Deposits from customers	7	55,427,344	55,098,959	53,150,871	52,593,690
Debt securities in issue	8	269,613	349,153	269,613	349,153
Other financial liabilities		898,871	592,616	898,241	592,937
Finance lease liabilities		249,912	-	245,567	-
Provisions	9	1,753,037	1,151,688	1,400,326	1,120,255
Current tax liabilities		4,051	97,782	-	97,110
Deferred tax liabilities		6,791	-	-	-
Liabilities associated with assets held for sale		35,499	15,438	-	-
Other liabilities		319,411	246,887	248,902	193,842
Total equity		**7,876,783**	**8,366,714**	**7,689,225**	**8,138,075**
Share capital		2,952,565	2,952,565	2,952,565	2,952,565
Retained earnings		3,255,783	3,766,482	3,051,869	3,525,615
Other reserves		1,668,435	1,647,667	1,684,791	1,659,895
attributable to non-controlling interest		52	46	-	-
attributable to owners of the parent		7,876,731	8,366,668	-	-
Total liabilities and equity		**72,218,932**	**71,530,305**	**68,548,231**	**67,909,254**

The interim condensed separate and consolidated financial statements were approved by the Executive Committee on 30 July 2019.

AUTHORISED PERSON

Name and first name

Signature

Executive Vice-President

Elke Meier

AUTHORISED PERSON

Name and first name

Signature

Executive Director Accounting Division

Gina Badea

Statement of changes in equity

30.06.2019 Group

in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserves	Fair value reserve	Currency translation reserve	Remeasurement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
Total equity as of 01.01.2019	2,952,565	395,483	3,766,436	1,130,670	77,459	(13,732)	82,825	(25,038)	8,366,668	46	8,366,714
Dividends paid	-	-	(485,096)	-	-	-	-	-	(485,096)	-	(485,096)
Changes in scope of consolidation and ownership interest			(4,714)						(4,714)		(4,714)
Total comprehensive income	-	-	(20,843)	-	30,571	(4,443)	-	(5,412)	(127)	6	(121)
Consolidated profit or loss	-	-	(20,843)	-	-	-	-	-	(20,843)	6	(20,837)
Other comprehensive income	-	-	-	-	30,571	(4,443)	-	(5,412)	20,716	-	20,716
Total equity as of 30.06.2019	2,952,565	395,483	3,255,783	1,130,670	108,030	(18,175)	82,825	(30,450)	7,876,731	52	7,876,783

Changes in scope of consolidation and ownership interest refer to acquisition of 49% of Goodbee Credit IFN at 1st of March, 2019.

30.06.2018 Group

in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserves	Fair value reserve	Currency translation reserve	Remeasurement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
Total equity as of 01.01.2018	2,952,565	395,483	2,595,948	1,130,670	312,144	(18,502)	82,546	(62,949)	7,387,905	37	7,387,942
Dividends paid	-	-	(228,063)	-	-	-	-	-	(228,063)	-	(228,063)
Other changes	-	-	(140)	-	-	-	-	-	(140)	-	(140)
Reclassification from OCI to RE	-	-	196,298	-	(196,298)	-	-	-	-	-	-
Total comprehensive income	-	-	696,997	-	(54,847)	4,712	(44)	40,577	687,395	4	687,399
Consolidated profit or loss	-	-	696,997	-	-	-	-	-	696,997	4	697,001
Other comprehensive income	-	-	-	-	(54,847)	4,712	(44)	40,577	(9,602)	-	(9,602)
Total equity as of 30.06.2018	2,952,565	395,483	3,261,040	1,130,670	60,999	(13,790)	82,502	(22,372)	7,847,097	41	7,847,138

STATEMENT OF CHANGES IN EQUITY
Consolidated and Separate
As at 30 June 2019

Statement of Changes in Equity *(continued)* — 30.06.2019 — Bank

in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserves	Fair value reserve	Currency translation reserve	Remeasurement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
Total equity as of 01.01.2019	2,952,565	395,483	3,525,615	1,130,670	75,909	-	82,883	(25,050)	8,138,075	-	8,138,075
Dividends paid	-	-	(485,096)	-	-	-	-	-	(485,096)	-	(485,096)
Total comprehensive income	-	-	11,350	-	30,061	-	-	(5,165)	36,246	-	36,246
Net profit of the year	-	-	11,350	-	-	-	-	-	11,350	-	11,350
Other comprehensive income	-	-	-	-	30,061	-	-	40,564	70,625	-	70,625
Total equity as of 30.06.2019	2,952,565	395,483	3,051,869	1,130,670	105,970	-	82,883	(30,215)	7,689,225	-	7,689,225

30.06.2018 — Bank

in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserves	Fair value reserve	Currency translation reserve	Remeasurement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
Total equity as of 01.01.2018	2,952,565	395,483	2,586,933	1,130,670	310,856	-	82,546	(62,943)	7,396,110	-	7,396,110
Dividends paid	-	-	(228,063)	-	-	-	-	-	(228,063)	-	(228,063)
Reclassification from OCI to RE	-		196,298	-	(196,298)	-	-	-	-	-	-
Total comprehensive income	-	-	656,885	-	(55,055)	-	-	40,564	642,394	-	642,394
Consolidated profit or loss			656,885	-	-	-	-	-	656,885	-	656,885
Other comprehensive income	-	-	-	-	(55,055)	-	-	40,564	(14,491)	-	(14,491)
Total equity as of 30.06.2018	2,952,565	395,483	3,212,053	1,130,670	59,503	-	82,546	(22,379)	7,810,441	-	7,810,441

STATEMENT OF CASH FLOW
Consolidated and Separate
As at 30 June 2019

Statement of cash flows

	Group		Bank	
in RON thousands	**30.06.2019**	**30.06.2018**	**30.06.2019**	**30.06.2018**
Net result for the period	**(20,843)**	**697,001**	**11,350**	**656,885**
Non-cash adjustments for items in net profit/(loss) for the year				
Depreciation, amortisation of assets	125,444	91,778	100,637	64,231
Allocation to and release of impairment of loans	38,758	(39,935)	304,938	(50,443)
Gains/(losses) from the sale of tangible and intangible assets	20,602	(10,829)	18,105	(9,749)
Other provisions	601,350	(52,618)	280,071	(38,883)
Impairment tangible and intangible assets	13,220	(3,193)	-	7
Interest income reiceived from investing activities	(332,240)	(328,289)	(309,479)	(299,839)
Interest expense paid for financing activities	(29,682)	82,006	(29,682)	75,068
Dividend income from investing activities	-	-	(13,464)	(7,953)
Other adjustments	(63,501)	(39,104)	(68,869)	(41,499)
Changes in assets and liabilities from operating activities after adjustment for non-cash components				
Financial assets - held for trading	81,743	(107,829)	81,743	(107,832)
Non-trading financial assets at fair value through profit or loss	-	25,847	-	25,869
Financial assets at fair value through other comprehensive income	(205,466)	-	(195,037)	-
Financial assets at amortised cost	-	-	-	-
Loans and advances to banks	(145,268)	912,021	(169,470)	909,288
Loans and advances to customers	(1,430,879)	(1,530,728)	(1,310,610)	(1,395,383)
Other assets from operating activities	(68,855)	(6,918)	(36,947)	(46,146)
Financial liabilities - held for trading	-	514	-	514
Deposits from banks	(264,192)	(561,805)	(93,586)	(685,062)
Deposits from customers	328,385	(13,050)	557,181	113,625
Other financial liabilities	260,076	15,932	275,382	5,000
Other liabilities from operating activities	72,531	(12,893)	55,060	4,004
Cash flow from operating activities	**(1,018,819)**	**(882,092)**	**(542,678)**	**(828,298)**
Proceeds of disposal	-	-	-	-
Financial assets - held to maturity	-	-	-	-
Financial assets at fair value through other comprehensive income	(727)	305,373	(727)	305,373
Property and equipment, intangible assets and investment properties	49,758	46,971	49,757	30,816
Acquisition of	-	-	-	-
Financial assets - held to maturity	-	-	-	-
Debt securities at amortised cost	582,939	(564,412)	223,629	(519,862)
Financial assets at fair value through other comprehensive income	-	(5,835)	-	-
Property and equipment, intangible assets and investment properties	(177,990)	(140,395)	(66,538)	(55,570)
Contribution to increase in share capital of subsidiaries	-	-	-	(30,000)
Interest received from investing activities	332,223	679,425	309,479	630,067
Dividends received from investing activities	-	-	13,464	7,953
Cash flow from investing activities	**786,203**	**321,127**	**529,065**	**368,776**
Dividends paid to equity holders of the parent	(484,630)	(213,476)	(484,630)	(213,476)
Dividends paid to non-controlling interests	(466)	(14,587)	(466)	(14,587)
Debt securities issued	(91,061)	(90,661)	(91,061)	(90,661)
Inflows from other financing activities	364,106	326,277	-	-
Outflows from other financing activities	(285,525)	(816,169)	(56,917)	(641,284)
Interest expense paid for financing activities	(46,647)	(84,286)	(37,140)	(77,724)
Other financing activities	(23,033)	(32,308)	(13,526)	(25,746)
Subordinated loans	(23,614)	(51,978)	(23,614)	(51,978)
Cash flow from financing activities	**(544,223)**	**(892,902)**	**(670,214)**	**(1,037,732)**
Cash and cash equivalents at beginning of period	**11,123,191**	**11,367,313**	**10,862,852**	**11,244,649**
Cash flow from operating activities	(1,018,819)	(882,092)	(542,678)	(828,299)
Cash flow from investing activities	786,203	321,127	529,065	368,777
Cash flow from financing activities	(544,223)	(892,902)	(670,214)	(1,037,732)
Cash and cash equivalents at end of period	**10,346,352**	**9,913,446**	**10,179,024**	**9,747,395**

1. Bank and Group information

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

As a result of the privatization process organized by the government of Romania, Erste Bank der oesterreichischen Sparkassen AG (‘Erste Bank‘) purchased 61.88% of the share capital of the Bank pursuant to a share purchase agreement dated 21 December 2005. Until December 2018, Erste Bank purchased further 37.9976% from employees and other shareholders of the Bank, adding up to 99,8776%. Erste Bank der oesterreichschen Sparkassen AG („Erste bank”) is owned 100% by Erste Group Bank AG. The ultimate parent of the Group is Erste Group Bank AG.

At 30 June 2019, the Bank’s shareholders were the following:

	30.06.2019		31.12.2018	
in RON thousands	Number of shares	Percentage holding (%)	Number of shares	Percentage holding (%)
Erste Group Bank AG	16,233,523,442	99.8776%	16,233,523,442	99.8776%
Societatea de Investitii Financiare (“SIF”) „Banat Crisana”	1	0.0000%	1	0.0000%
Societatea de Investitii Financiare (“SIF”) „Muntenia”	1	0.0000%	1	0.0000%
SC Actinvest SA	226,802	0.0014%	226,802	0.0014%
FDI Certinvest Dinamic	13,699	0.0001%	13,699	0.0001%
BCR Leasing	109	0.0000%	109	0.0000%
Individuals	19,652,200	0.1209%	19,652,200	0.1209%
Total	**16,253,416,254**	**100.0000%**	**16,253,416,254**	**100.0000%**

The current registered office is located in Bucharest, Romania, No.15, Calea Victoriei.

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

- **Retail** grouped into 12 geographical locations, including 482 branches;
- **Corporate** grouped into 10 geographical areas, including 21 Commercial Centres and Area Centres, 22 Mobile Teams and International Clients Department that support small and medium-sized customers (SMEs).

The Bank has the following subsidiaries as at 30 June 2019 and 31 December 2018:

Company's name	Country of incorporation	Nature of the business	Shareholding 30.06.2019	Shareholding 31.12.2018	Gross Book Value	Net Book Value	Impaiment
BCR Chisinau SA	Moldova	Banking	100.00%	100.00%	200,064	51,174	148,890
BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%	389,492	190,273	199,219
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%	269,820	159,805	110,015
BCR Banca pentru Locuinte SA	Romania	Housing loans	99.99%	99.99%	108,078	-	108,078
Suport Colect SRL	Romania	Workout	99.99%	99.99%	983,047	-	983,047
CIT One SRL	Romania	Cash processing and storing	100.00%	100.00%	13,308	7,255	6,053
BCR Payments Services SRL	Romania	Payments transactions	99.99%	99.99%	1,900	1,900	-
BCR Fleet Management SRL*	Romania	Operational leasing	99.97%	99.97%	-	-	-

*Company held indirectly by BCR through BCR Leasing SA

The participation held in CIT One was maintained as asset held for sale and the participation in BCR Fleet Management SRL was reclassified as asset held for sale at 31st of March,2019.

2. Basis of Preparation and Presentation of the financial statements

a) Statement of compliance

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

These financial statements do not include all of the information required for full annual financial statements and should be read in conjuction with the consolidated and separate financial statements as at and for the year ended 31 December 2018.

b) Functional and presentation currency

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

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

Currencies		30.06.2019		31.12.2018	Change
Euro (EUR)	1 : RON	4.7351	1 : RON	4.6639	1.53%
US Dollar (USD)	1 : RON	4.1587	1 : RON	4.0736	2.09%

c) Significant accounting policies

The individual and consolidated financial statements have been prepared on a going concern basis, except for BpL where the basis of preparation is gone concern. The financial impact of applying this principle is RON 4mn as of 30th of June 2019 booked as impairment of non financial assets.

The accounting policies applied by the Bank and the Group in these interim condensed financial statements are the same as those applied in the annual consolidated financial statements as at 31 December 2018, except for the accounting policies related to IFRS 16 (applied by the Bank and the Group since 1st of January 2019). Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

Apart from the first application of IFRS 16 "Leases", there have been no significant changes in accounting policies since 31 December 2018 resulting from the application of new or amended standards.
Starting with January 2019, BCR Group has adopted IFRS 16 'Leases' as issued by IASB in January 2016. IFRS 16 replaced existing guidance for accounting for leases in IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a lease', SIC-15 'Operating leases – Incentives' and SIC-27 'Evaluation the Substance of Transactions Involving the Legal Form of a lease'.
IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases (less than 12 months) and leases of low-value items (5000 USD).
At inception date of a contract, the contract is assessed for whether it contains a lease, i.e. whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. A right-of-use asset and a lease liability are recognized at the lease commencement date. It is initially measured at cost and subsequently depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term. BCR Group uses the straight-line method of depreciation.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments comprise fixed lease payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, the exercise price under a purchase option and lease payments in an optional renewal period if the lessee is reasonably certain to exercise the options and penalties for early termination if the lease term reflects the lessee exercising the termination option.

2. Basis of Preparation and Presentation of the financial statements (*continued*)

Subsequently, the carrying amount of the lease liability is increased by interest using the applicable discount rate, reduced by lease payments made and remeasured to reflect any reassessment or lease modification. The determination of the incremental borrowing rate for property leases is generally based on a rate that is readily observable. Such a rate might be the property yield reflecting the annual return expected on the property. Further, an adjustment to the property yield is necessary to reflect specific features of the lease agreement.
Lessor accounting remains similar to the IAS 17 standard, i.e. the lessor continues to classify leases as finance or operating leases.
BCR Group applied IFRS 16 using the modified retrospective approach in accordance to IFRS 16.C5 (b) whereby comparative information was not restated. On adoption of IFRS 16, BCR Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 and IFRIC 4. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The right-of-use asset was recognized at an amount equal to the lease liability (IFRS 16.C8 (b)(ii)). Subsequently the right-of-use asset was adjusted for prepayments and accruals relating to leases recognized in the balance sheet as at 31 December 2018. BCR Group did not have any impact on the equity at initial application. All contracts which were previously identified as leases applying IAS 17 and IFRIC 4 are taken over into IFRS 16.
BCR Group does not apply IFRS 16 to any leases on intangible assets. BCR Group uses the exemption for short term leases and leases of low value whereby the right-of-use-asset is not recognized.
In the statement of financial position, right-of-use assets have been included in the property, plant and equipment, except those meeting the definition of investment property.

In the context of transition to IFRS 16, The Group recognised a right of use asset of RON 296,090 thousands against a corresponding lease liability on 1 January 2019:

	Group	Bank
in RON thousands	31 December 2018 / 1 January 2019	
Undiscounted Future fixed lease payments	387,432	362,265
Effect of discounting to present value	(91,900)	(87,334)
Future fixed lease payments	295,532	274,931

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.
When BCR Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use assets arising from the head lease, not with reference to the underlying asset.
BCR Group, as a lessor, has reclassified certain of its sublease agreements as finance lease. The lease assets have been derecognized and finance lease asset receivables amounting to RON 3 million recognized.

d) Use of estimates and judgements

The preparation of these interim condensed separate and consolidated financial statements requires judgements, estimates and assumptions by Management and together with the application of accounting policies determines the amounts of assets and liablities, income and expenses.

In preparing the interim condensed separate and consolidated financial statements the significant judgements made by management in appying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the separate and consolidated financial statements for the year ended 31.12.2018.

3. Cash and cash balances

	Group		Bank	
in RON thousands	**30.06.2019**	**31.12.2018**	**30.06.2019**	**31.12.2018**
Cash on hand	4,899,870	5,646,233	4,876,149	5,627,632
Cash balances at central banks	5,099,270	5,275,023	4,999,436	5,088,432
Other demand deposits to credit institutions	347,212	201,935	303,439	146,788
Cash and cash balances	**10,346,352**	**11,123,191**	**10,179,024**	**10,862,852**

Mandatory reserve rates at 30 June 2019 were for RON 8% (December 2018: 8%) and for foreign currencies 8% (December 2018: 8%).

4. Financial assets at fair value through other comprehensive income

30.06.2019 Group

in RON thousands	Gross carrying amount				Credit loss allowances				Accumulated other fair value changes	Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	**5,330,753**	**-**	**-**	**5,330,753**	**(4,377)**	**-**	**-**	**(4,377)**	**73,188**	**5,403,941**
Central banks	43,518	-	-	43,518	(1,944)	-	-	(1,944)		43,518
General governments	5,282,004	-	-	5,282,004	(2,377)	-	-	(2,377)	71,545	5,353,549
Non-financial corporations	5,231	-	-	5,231	(56)	-	-	(56)	1,643	6,874
Total	**5,330,753**	**-**	**-**	**5,330,753**	**(4,377)**	**-**	**-**	**(4,377)**	**73,188**	**5,403,941**

Allowances for financial assets at fair value through other comprehensive income 30.06.2019 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(3,789)**	**(4,399)**	**513**	**3,223**	**-**	**-**	**-**	**75**	**(4,377)**
Central banks	(960)	(3,504)	-	2,436	-	-	-	84	(1,944)
General governments	(2,775)	(895)	513	789	-	-	-	(9)	(2,377)
Non-financial corporations	(54)	-	-	(2)	-	-	-	-	(56)
Total	**(3,789)**	**(4,399)**	**513**	**3,223**	**-**	**-**	**-**	**75**	**(4,377)**

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

									31.12.2018	Group
in RON thousands	**Gross carrying amount**				**Credit loss allowances**				**Accumulated other fair value changes**	**Carrying amount**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**		
Debt securities	**5,124,698**	**-**	**-**	**5,124,698**	**(3,789)**	**-**	**-**	**(3,789)**	**56,662**	**5,181,360**
Central banks	21,490	-	-	21,490	(960)	-	-	(960)	-	21,490
General governments	5,098,203	-	-	5,098,203	(2,775)	-	-	(2,775)	55,650	5,153,853
Non-financial corporations	5,005	-	-	5,005	(54)	-	-	(54)	1,012	6,017
Total	**5,124,698**	**-**	**-**	**5,124,698**	**(3,789)**	**-**	**-**	**(3,789)**	**56,662**	**5,181,360**

Allowances for financial assets at fair value through other comprehensive income								**31.12.2018**	**Group**
in RON thousands	**Opening balance**	**Increases due to origination and acquisition**	**Decreases due to derecognition**	**Net changes due to change in credit risk**	**Transfers between Stage 1 and Stages 2/3**	**Net changes due to modifications without derecognition**	**Decrease in allowance account due to write-offs**	**Exchange-rate and other changes (+/-)**	**Closing balance**
Debt securities									
Stage 1	**(2,683)**	**(2,659)**	**842**	**-**	**-**	**775**	**-**	**(64)**	**(3,789)**
Central banks	-	(943)	-	-	-	-	-	(17)	(960)
General governments	(2,683)	(1,662)	842	-	-	775	-	(47)	(2,775)
Non-financial corporations	-	(54)	-	-	-	-	-	-	(54)
Total	**(2,683)**	**(2,659)**	**842**	**-**	**-**	**775**	**-**	**(64)**	**(3,789)**

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

									30.06.2019	Bank
in RON thousands	**Gross carrying amount**				**Credit loss allowances**				**Accumulated other fair value changes**	**Carrying amount**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**		
Debt securities	**5,284,657**	**-**	**-**	**5,284,657**	**(2,319)**	**-**	**-**	**(2,319)**	**73,186**	**5,357,843**
Central banks	-	-	-	-	-	-	-	-	-	-
General governments	5,279,426	-	-	5,279,426	(2,263)	-	-	(2,263)	71,543	5,350,969
Non-financial corporations	5,231	-	-	5,231	(56)	-	-	(56)	1,643	6,874
Total	**5,284,657**	**-**	**-**	**5,284,657**	**(2,319)**	**-**	**-**	**(2,319)**	**73,186**	**5,357,843**

Allowances for financial assets at fair value through other comprehensive income — **30.06.2019** — **Bank**

in RON thousands	**Opening balance**	**Increases due to origination and acquisition**	**Decreases due to derecognition**	**Net changes due to change in credit risk**	**Transfers between Stage 1 and Stages 2/3**	**Net changes due to modifications without derecognition**	**Decrease in allowance account due to write-offs**	**Exchange-rate and other changes (+/-)**	**Closing balance**
Debt securities									
Stage 1	**(2,223)**	**(521)**	**513**	**(74)**	**-**	**-**	**-**	**(14)**	**(2,319)**
General governments	(2,169)	(521)	513	(72)	-		-	(14)	(2,263)
Non-financial corporations	(54)	-	-	(2)	-	-	-	-	(56)
Total	**(2,223)**	**(521)**	**513**	**(74)**	**-**	**-**	**-**	**(14)**	**(2,319)**

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

31.12.2018 Bank

in RON thousands	Gross carrying amount				Credit loss allowances				Accumulated other fair value changes	Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Debt securities	**5,089,620**	**-**	**-**	**5,089,620**	**(2,223)**	**-**	**-**	**(2,223)**	**56,678**	**5,146,298**
Central banks	-	-	-	-	-	-	-	-	-	-
General governments	5,084,615	-	-	5,084,615	(2,169)	-	-	(2,169)	55,666	5,140,281
Non-financial corporations	5,005	-	-	5,005	(54)	-	-	(54)	1,012	6,017
Total	**5,089,620**	**-**	**-**	**5,089,620**	**(2,223)**	**-**	**-**	**(2,223)**	**56,678**	**5,146,298**

Allowances for financial assets at fair value through other comprehensive income 31.12.2018 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(1,450)**	**(1,122)**	**842**	**-**	**-**	**(491)**	**-**	**(2)**	**(2,223)**
General governments	(1,450)	(1,068)	842	-	-	(491)	-	(2)	(2,169)
Non-financial corporations	-	(54)	-	-	-	-	-	-	(54)
Total	**(1,450)**	**(1,122)**	**842**	**-**	**-**	**(491)**	**-**	**(2)**	**(2,223)**

5. Financial assets at amortised cost

30.06.2019 Group

in RON thousands	Gross carrying amount					Credit loss allowances				Total	Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**15,249,768**	**57,542**	**2,169**	**-**	**15,309,479**	**(9,189)**	**(539)**	**(651)**	**-**	**(10,379)**	**15,299,100**
General governments	15,198,961	57,542	2,169	-	15,258,672	(9,186)	(539)	(651)	-	(10,376)	15,248,296
Credit institutions	50,807	-	-	-	50,807	(3)	-	-	-	(3)	50,804
Loans and advances to banks	**269,391**	**-**	**-**	**-**	**269,391**	**(283)**	**-**	**-**	**-**	**(283)**	**269,108**
Central banks	663	-	-	-	663	-	-	-	-	-	663
Credit institutions	268,728	-	-	-	268,728	(283)	-	-	-	(283)	268,445
Loans and advances to customers	**32,009,330**	**4,133,871**	**1,704,202**	**515,092**	**38,362,495**	**(131,602)**	**(453,860)**	**(1,379,673)**	**(166,925)**	**(2,132,060)**	**36,230,435**
General governments	1,989,316	724,769	12,410	13,800	2,740,295	(2,407)	(20,141)	(9,861)	(223)	(32,632)	2,707,663
Other financial corporations	188,490	14	16,796	-	205,300	(1,302)	-	(12,558)	-	(13,860)	191,440
Non-financial corporations	9,039,819	2,009,467	676,969	240,814	11,967,069	(86,388)	(266,398)	(535,796)	(43,965)	(932,547)	11,034,522
Households	20,791,705	1,399,621	998,027	260,478	23,449,831	(41,505)	(167,321)	(821,458)	(122,737)	(1,153,021)	22,296,810
Total	**47,528,489**	**4,191,413**	**1,706,371**	**515,092**	**53,941,365**	**(141,074)**	**(454,399)**	**(1,380,324)**	**(166,925)**	**(2,142,722)**	**51,798,643**

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

30.06.2019 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(9,596)**	**(3,251)**	**630**	**2,931**	**6**	**-**	**-**	**91**	**(9,189)**
Central banks	-	-	-	-	-	-	-	-	-
General governments	(9,596)	(3,241)	630	2,924	6	-	-	91	(9,186)
Credit institutions	-	(10)	-	7	-	-	-	-	(3)
Stage 2	**(1,025)**	**-**	**-**	**523**	**(32)**	**-**	**-**	**(5)**	**(539)**
General governments	(1,025)	-	-	523	(32)	-	-	(5)	(539)
Stage 3	**(1,593)**	**-**	**-**	**942**	**-**	**-**	**-**	**-**	**(651)**
General governments	(1,593)	-	-	942	-	-	-	-	(651)
Total	**(12,214)**	**(3,251)**	**630**	**4,396**	**(26)**	**-**	**-**	**86**	**(10,379)**

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

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

30.06.2019 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks									
Stage 1	**(283)**	**(1,829)**	**-**	**1,346**	**509**	**1**	**-**	**(27)**	**(283)**
Central banks	-		-						-
Credit institutions	(283)	(1,829)	-	1,346	509	1	-	(27)	(283)
Total	**(283)**	**(1,829)**	**-**	**1,346**	**509**	**1**	**-**	**(27)**	**(283)**

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

30.06.2019 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to customers									
Stage 1	**(123,855)**	**(34,363)**	**19,595**	**(5,024)**	**12,929**	**(164)**	**12**	**(732)**	**(131,602)**
General governments	(2,297)	(60)	4	(95)	48	(2)	-	(5)	(2,407)
Other financial corporations	(896)	(6)	5	(672)	271	-	-	(4)	(1,302)
Non-financial corporations	(76,474)	(27,190)	18,022	(6,343)	6,122	(7)	-	(518)	(86,388)
Households	(44,188)	(7,107)	1,564	2,086	6,488	(155)	12	(205)	(41,505)
Stage 2	**(450,029)**	**(3,375)**	**14,673**	**(2,284)**	**(6,943)**	**(1,610)**	**-**	**(4,292)**	**(453,860)**
General governments	(38,058)	(1)	1	18,183	(147)	(65)	-	(54)	(20,141)
Other financial corporations	-	-	-	150	(150)	-	-	-	-
Non-financial corporations	(238,381)	(3,190)	9,844	(30,157)	(2,107)	504	-	(2,911)	(266,398)
Households	(173,590)	(184)	4,828	9,540	(4,539)	(2,049)	-	(1,327)	(167,321)
Stage 3	**(1,283,665)**	**(1,434)**	**26,685**	**(147,154)**	**(2,700)**	**1,431**	**37,529**	**(10,365)**	**(1,379,673)**
General governments	(8,783)	-	1	(1,075)	-	(6)	-	2	(9,861)
Other financial corporations	(12,745)	-	-	(628)	-	(8)	1,033	(210)	(12,558)
Non-financial corporations	(514,926)	(328)	4,611	(26,999)	(2,401)	653	7,565	(3,971)	(535,796)
Households	(747,211)	(1,106)	22,073	(118,452)	(299)	792	28,931	(6,186)	(821,458)
POCI	**(213,530)**	**-**	**26,434**	**6,605**	**-**	**10,329**	**6,832**	**(3,595)**	**(166,925)**
General governments	(485)	-	-	262	-	-	-	-	(223)
Non-financial corporations	(61,202)	-	13,541	(4,586)	-	9,064	9	(791)	(43,965)
Households	(151,843)	-	12,893	10,929	-	1,265	6,823	(2,804)	(122,737)
Total	**(2,071,079)**	**(39,172)**	**87,387**	**(147,857)**	**3,286**	**9,986**	**44,373**	**(18,984)**	**(2,132,060)**

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

											31.12.2018	Group
in RON thousands	Gross carrying amount					Credit loss allowances					Total	Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total		
Debt securities	**15,802,370**	**86,578**	**2,374**	**-**	**15,891,322**	**(9,596)**	**(1,025)**	**(1,593)**	**-**	**(12,214)**		**15,879,108**
General governments	15,802,370	86,578	2,374	-	15,891,322	(9,596)	(1,025)	(1,593)	-	(12,214)		15,879,108
Loans and advances to banks	**124,123**	**-**	**-**	**-**	**124,123**	**(283)**	**-**	**-**	**-**	**(283)**		**123,840**
Central banks	510	-	-	-	510	-	-	-	-	-		510
Credit institutions	123,613	-	-	-	123,613	(283)	-	-	-	(283)		123,330
Loans and advances to customers	**30,897,939**	**3,820,603**	**1,600,067**	**592,741**	**36,911,350**	**(123,855)**	**(450,029)**	**(1,283,665)**	**(213,530)**	**(2,071,079)**		**34,840,271**
General governments	1,879,753	918,712	11,020	14,912	2,824,397	(2,297)	(38,058)	(8,783)	(485)	(49,623)		2,774,774
Other financial corporations	156,886	19	17,986	-	174,891	(896)	-	(12,745)	-	(13,641)		161,250
Non-financial corporations	8,649,694	1,651,253	676,176	291,980	11,269,103	(76,474)	(238,381)	(514,926)	(61,202)	(890,983)		10,378,120
Households	20,211,606	1,250,619	894,885	285,849	22,642,959	(44,188)	(173,590)	(747,211)	(151,843)	(1,116,832)		21,526,127
Total	**46,824,432**	**3,907,181**	**1,602,441**	**592,741**	**52,926,795**	**(133,734)**	**(451,054)**	**(1,285,258)**	**(213,530)**	**(2,083,576)**		**50,843,219**

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

								31.12.2018	Group
in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(6,644)**	**(2,842)**	**295**	**(345)**	**45**	**-**	**-**	**(105)**	**(9,596)**
Central banks	(610)	-	-	-	-	-	-	610	-
General governments	(6,034)	(2,842)	295	(345)	45	-	-	(715)	(9,596)
Stage 2	**(1,245)**	**-**	**-**	**583**	**(365)**	**-**	**-**	**2**	**(1,025)**
General governments	(1,245)	-	-	583	(365)	-	-	2	(1,025)
Stage 3	**(1,493)**	**-**	**-**	**(100)**	**-**	**-**	**-**	**-**	**(1,593)**
General governments	(1,493)	-	-	(100)	-	-	-	-	(1,593)
Total	**(9,382)**	**(2,842)**	**295**	**138**	**(320)**	**-**	**-**	**(103)**	**(12,214)**

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

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

31.12.2018 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks									
Stage 1	**(3,066)**	**(3,806)**	**5,389**	**(1,842)**	**2,163**	**4**	**-**	**875**	**(283)**
Central banks	(407)	-	-	(1)	419	-	-	(11)	-
Credit institutions	(2,659)	(3,806)	5,389	(1,841)	1,744	4	-	886	(283)
Total	**(3,066)**	**(3,806)**	**5,389**	**(1,842)**	**2,163**	**4**	**-**	**875**	**(283)**

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

31.12.2018 Group

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to customers									
Stage 1	**(126,872)**	**(63,669)**	**26,390**	**12,018**	**27,993**	**298**	**-**	**(13)**	**(123,855)**
General governments	(1,878)	(645)	132	(326)	422	(2)	-	-	(2,297)
Other financial corporations	(648)	(48)	87	(287)	-	-	-	-	(896)
Non-financial corporations	(74,560)	(36,997)	22,675	(5,927)	17,970	321	-	44	(76,474)
Households	(49,786)	(25,979)	3,496	18,558	9,601	(21)	-	(57)	(44,188)
Stage 2	**(474,531)**	**(2,771)**	**87,923**	**(45,565)**	**(15,527)**	**1,067**	**-**	**(625)**	**(450,029)**
General governments	(85,479)	-	38,359	9,354	(129)	(163)	-	-	(38,058)
Other financial corporations	(2)	-	2	-	-	-	-	-	-
Non-financial corporations	(197,061)	(1,979)	38,977	(70,836)	(7,754)	729	-	(457)	(238,381)
Households	(191,989)	(792)	10,585	15,917	(7,644)	501	-	(168)	(173,590)
Stage 3	**(1,526,590)**	**(1,651)**	**277,197**	**(318,183)**	**(1,392)**	**(1,700)**	**290,337**	**(1,683)**	**(1,283,665)**
General governments	(4,788)	-	683	(4,652)	-	(26)	-	-	(8,783)
Other financial corporations	(15,304)	-	3	2,570	-	-	-	(14)	(12,745)
Non-financial corporations	(689,750)	(426)	188,180	(190,454)	(399)	(160)	179,267	(1,184)	(514,926)
Households	(816,748)	(1,225)	88,331	(125,647)	(993)	(1,514)	111,070	(485)	(747,211)
POCI	**(283,203)**	**-**	**93,667**	**(58,515)**	**-**	**3,268**	**33,034**	**(1,781)**	**(213,530)**
General governments	(2,041)	-	-	1,556	-	-	-	-	(485)
Non-financial corporations	(97,920)	-	83,963	(47,416)	-	70	1,690	(1,589)	(61,202)
Households	(183,242)	-	9,704	(12,655)	-	3,198	31,344	(192)	(151,843)
Total	**(2,411,196)**	**(68,091)**	**485,177**	**(410,245)**	**11,074**	**2,933**	**323,371**	**(4,102)**	**(2,071,079)**

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

30.06.2019 Bank

in RON thousands	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Debt securities	**14,014,689**	**57,418**	**2,169**	**-**	**14,074,276**	**(6,174)**	**(530)**	**(651)**	**-**	**(7,355)**	**14,066,921**
Central banks	-	-	-	-	-	-	-	-	-	-	-
General governments	13,963,882	57,418	2,169	-	14,023,469	(6,171)	(530)	(651)	-	(7,352)	14,016,117
Credit institutions	50,807	-	-	-	50,807	(3)	-	-	-	(3)	50,804
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	**265,267**	**16,295**	**277,955**	**-**	**559,517**	**(410)**	**(788)**	**(277,955)**	**-**	**(279,153)**	**280,364**
Central banks	663	-	-	-	663	-	-	-	-	-	663
Credit institutions	264,604	16,295	277,955	-	558,854	(410)	(788)	(277,955)	-	(279,153)	279,701
Loans and advances to customers	**31,243,755**	**4,062,153**	**1,615,365**	**515,062**	**37,436,335**	**(123,176)**	**(451,914)**	**(1,302,760)**	**(166,895)**	**(2,044,745)**	**35,391,590**
General governments	1,989,317	724,769	12,410	13,800	2,740,296	(2,407)	(20,141)	(9,861)	(223)	(32,632)	2,707,664
Other financial corporations	456,448	6	16,796	-	473,250	(1,657)	-	(12,558)	-	(14,215)	459,035
Non-financial corporations	8,251,965	1,941,148	649,160	240,814	11,083,087	(78,329)	(264,597)	(518,006)	(43,965)	(904,897)	10,178,190
Households	20,546,025	1,396,230	936,999	260,448	23,139,702	(40,783)	(167,176)	(762,335)	(122,707)	(1,093,001)	22,046,701
Total	**45,523,711**	**4,135,866**	**1,895,489**	**515,062**	**52,070,128**	**(129,760)**	**(453,232)**	**(1,581,366)**	**(166,895)**	**(2,331,253)**	**49,738,875**

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

30.06.2019 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(6,290)**	**(1,120)**	**630**	**619**	**6**	**-**	**-**	**(19)**	**(6,174)**
General governments	(6,290)	(1,110)	630	612	6	-	-	(19)	(6,171)
Credit institutions	-	(10)	-	7	-	-	-	-	(3)
Stage 2	**(1,025)**	**-**	**-**	**523**	**(28)**	**-**	**-**	**-**	**(530)**
General governments	(1,025)	-	-	523	(28)	-	-	-	(530)
Stage 3	**(1,593)**	**-**	**-**	**942**	**-**	**-**	**-**	**-**	**(651)**
General governments	(1,593)	-	-	942	-	-	-	-	(651)
Total	**(8,908)**	**(1,120)**	**630**	**2,084**	**(22)**	**-**	**-**	**(19)**	**(7,355)**

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

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

30.06.2019 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks									
Stage 1	**(1,598)**	**(1,829)**	**-**	**2,526**	**509**	**1**	**-**	**(19)**	**(410)**
Credit institutions	(1,598)	(1,829)	-	2,526	509	1	-	(19)	(410)
Stage 2	**(1,365)**	**-**	**-**	**579**	**-**	**16**	**-**	**(18)**	**(788)**
Credit institutions	(1,365)	-	-	579	-	16	-	(18)	(788)
Stage 3	**-**	**-**	**-**	**(277,955)**	**-**	**-**	**-**	**-**	**(277,955)**
Central banks	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	(277,955)	-	-	-	-	(277,955)
Total	**(2,963)**	**(1,829)**	**-**	**(274,850)**	**509**	**17**	**-**	**(37)**	**(279,153)**

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

30.06.2019 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to customers									
Stage 1	**(117,897)**	**(31,680)**	**19,535**	**(4,708)**	**12,425**	**(171)**	**12**	**(692)**	**(123,176)**
General governments	(2,297)	(60)	4	(95)	48	(2)	-	(5)	(2,407)
Other financial corporations	(1,390)	-	5	(269)	-	-	-	(3)	(1,657)
Non-financial corporations	(70,740)	(24,609)	18,013	(6,404)	5,897	(7)	-	(479)	(78,329)
Households	(43,470)	(7,011)	1,513	2,060	6,480	(162)	12	(205)	(40,783)
Stage 2	**(447,583)**	**(3,375)**	**14,669**	**(3,256)**	**(6,421)**	**(1,612)**	**-**	**(4,336)**	**(451,914)**
General governments	(38,058)	(1)	1	18,183	(147)	(65)	-	(54)	(20,141)
Other financial corporations	-	-	-	-	-	-	-	-	-
Non-financial corporations	(236,063)	(3,190)	9,843	(30,951)	(1,784)	504	-	(2,956)	(264,597)
Households	(173,462)	(184)	4,825	9,512	(4,490)	(2,051)	-	(1,326)	(167,176)
Stage 3	**(1,201,883)**	**(1,434)**	**26,685**	**(147,461)**	**(299)**	**1,431**	**30,059**	**(9,858)**	**(1,302,760)**
General governments	(8,783)	-	1	(1,075)	-	(6)	-	2	(9,861)
Other financial corporations	(12,745)	-	-	(628)	-	(8)	1,033	(210)	(12,558)
Non-financial corporations	(496,007)	(328)	4,611	(26,318)	-	653	2,832	(3,449)	(518,006)
Households	(684,348)	(1,106)	22,073	(119,440)	(299)	792	26,194	(6,201)	(762,335)
POCI	**(213,498)**	**-**	**26,434**	**6,602**	**-**	**10,329**	**6,832**	**(3,594)**	**(166,895)**
General governments	(485)	-	-	262	-	-	-	-	(223)
Non-financial corporations	(61,202)	-	13,541	(4,586)	-	9,064	9	(791)	(43,965)
Households	(151,811)	-	12,893	10,926	-	1,265	6,823	(2,803)	(122,707)
Total	**(1,980,861)**	**(36,489)**	**87,323**	**(148,823)**	**5,705**	**9,977**	**36,903**	**(18,480)**	**(2,044,745)**

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

31.12.2018 Bank

in RON thousands	Gross carrying amount					Credit loss allowances				Total	Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**14,217,864**	**86,575**	**2,374**	**-**	**14,306,813**	**(6,290)**	**(1,025)**	**(1,593)**	**-**	**(8,908)**	**14,297,905**
Central banks	-	-	-	-	-	-	-	-	-	-	-
General governments	14,217,864	86,575	2,374	-	14,306,813	(6,290)	(1,025)	(1,593)	-	(8,908)	14,297,905
Loans and advances to banks	**364,221**	**27,590**	**-**	**-**	**391,811**	**(1,598)**	**(1,365)**	**-**	**-**	**(2,963)**	**388,848**
Central banks	510	-	-	-	510	-	-	-	-	-	510
Credit institutions	363,711	27,590	-	-	391,301	(1,598)	(1,365)	-	-	(2,963)	388,338
Loans and advances to customers	**30,189,068**	**3,739,743**	**1,505,154**	**592,710**	**36,026,675**	**(117,897)**	**(447,583)**	**(1,201,882)**	**(213,498)**	**(1,980,860)**	**34,045,815**
General governments	1,879,751	918,712	11,020	14,912	2,824,395	(2,297)	(38,058)	(8,783)	(485)	(49,623)	2,774,772
Other financial corporations	418,470	4	17,986	-	436,460	(1,390)	-	(12,745)	-	(14,135)	422,325
Non-financial corporations	7,918,371	1,574,387	646,113	291,980	10,430,851	(70,740)	(236,063)	(496,006)	(61,202)	(864,011)	9,566,840
Households	19,972,476	1,246,640	830,035	285,818	22,334,969	(43,470)	(173,462)	(684,348)	(151,811)	(1,053,091)	21,281,878
Total	**44,771,153**	**3,853,908**	**1,507,528**	**592,710**	**50,725,299**	**(125,785)**	**(449,973)**	**(1,203,475)**	**(213,498)**	**(1,992,731)**	**48,732,568**

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

31.12.2018 Bank

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Debt securities									
Stage 1	**(4,132)**	**(309)**	**295**	**(2,186)**	**44**	**-**	**-**	**(2)**	**(6,290)**
General governments	(4,132)	(309)	295	(2,186)	44	-	-	(2)	(6,290)
Stage 2	**(1,241)**	**-**	**-**	**581**	**(365)**	**-**	**-**	**-**	**(1,025)**
General governments	(1,241)	-	-	581	(365)	-	-	-	(1,025)
Stage 3	**(1,493)**	**-**	**-**	**(100)**	**-**	**-**	**-**	**-**	**(1,593)**
General governments	(1,493)	-	-	(100)	-	-	-	-	(1,593)
Total	**(6,866)**	**(309)**	**295**	**(1,705)**	**(321)**	**-**	**-**	**(2)**	**(8,908)**

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

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

31.12.2018 **Bank**

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to banks									
Stage 1	**(1,773)**	**(3,806)**	**5,389**	**(3,121)**	**1,744**	**4**	**-**	**(35)**	**(1,598)**
Credit institutions	(1,773)	(3,806)	5,389	(3,121)	1,744	4	-	(35)	(1,598)
Stage 2	**-**	**-**	**5**	**(1,376)**	**-**	**-**	**-**	**6**	**(1,365)**
Credit institutions	-	-	5	(1,376)	-	-	-	6	(1,365)
Total	**(1,773)**	**(3,806)**	**5,394**	**(4,497)**	**1,744**	**4**	**-**	**(29)**	**(2,963)**

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

31.12.2018 **Bank**

in RON thousands	Opening balance	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Exchange-rate and other changes (+/-)	Closing balance
Loans and advances to customers									
Stage 1	**(118,779)**	**(56,761)**	**26,386**	**6,869**	**24,391**	**159**	**-**	**(162)**	**(117,897)**
General governments	(1,878)	(645)	132	(326)	422	(2)	-	-	(2,297)
Other financial corporations	(644)	(43)	87	(790)	-	-	-	-	(1,390)
Non-financial corporations	(67,181)	(30,516)	22,671	(10,346)	14,453	321	-	(142)	(70,740)
Households	(49,076)	(25,557)	3,496	18,331	9,516	(160)	-	(20)	(43,470)
Stage 2	**(473,009)**	**(2,572)**	**87,921**	**(49,873)**	**(10,771)**	**1,064**	**-**	**(343)**	**(447,583)**
General governments	(85,479)	-	38,359	9,354	(129)	(163)	-	-	(38,058)
Other financial corporations	(2)	-	2	-	-	-	-	-	-
Non-financial corporations	(195,829)	(1,781)	38,975	(74,944)	(3,059)	729	-	(154)	(236,063)
Households	(191,699)	(791)	10,585	15,717	(7,583)	498	-	(189)	(173,462)
Stage 3	**(1,396,909)**	**(1,518)**	**277,197**	**(319,389)**	**(514)**	**(1,895)**	**242,698**	**(1,552)**	**(1,201,882)**
General governments	(4,788)	-	683	(4,652)	-	(26)	-	-	(8,783)
Other financial corporations	(15,304)	-	3	2,570	(1)	-	-	(13)	(12,745)
Non-financial corporations	(654,938)	(426)	188,180	(184,935)	(2)	(159)	157,360	(1,086)	(496,006)
Households	(721,879)	(1,092)	88,331	(132,372)	(511)	(1,710)	85,338	(453)	(684,348)
POCI	**(283,182)**	**-**	**93,667**	**(58,504)**	**-**	**3,268**	**33,034**	**(1,781)**	**(213,498)**
General governments	(2,041)	-	-	1,556	-	-	-	-	(485)
Non-financial corporations	(97,920)	-	83,963	(47,416)	-	70	1,690	(1,589)	(61,202)
Households	(183,221)	-	9,704	(12,644)	-	3,198	31,344	(192)	(151,811)
Total	**(2,271,879)**	**(60,851)**	**485,171**	**(420,897)**	**13,106**	**2,596**	**275,732**	**(3,838)**	**(1,980,860)**

6. Deposits from banks

	Group		Bank	
in RON thousands	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Current accounts / overnight deposits	723,972	516,812	649,093	435,631
Term deposits from other banks	3,316,079	4,019,286	1,488,627	2,364,447
Repurchase agreements	196,424	-	1,366,621	949,144
Deposits from banks	**4,236,475**	**4,536,098**	**3,504,341**	**3,749,222**
Subordinated loans	1,058,017	1,041,982	1,058,017	1,041,982
Deposits from banks	**5,294,492**	**5,578,080**	**4,562,358**	**4,791,204**

Long term deposits of EUR 311 million were repaid before maturity during first half of 2019 by the Bank.

7. Deposits from customers

	Group		Bank	
in RON thousands	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Overnight deposits	26.770.960	26.962.305	26.632.366	26.847.416
Savings deposits	2.160	2.291	-	-
Households	2.160	2.291	-	-
Non-savings deposits	26.768.800	26.960.014	26.632.366	26.847.416
General governments	1.213.073	1.267.448	1.213.073	1.267.448
Other financial corporations	832.569	1.331.707	859.997	1.344.829
Non-financial corporations	9.559.620	10.242.954	9.440.934	10.150.350
Households	15.163.538	14.117.905	15.118.362	14.084.789
Term deposits	28.656.384	28.136.654	26.518.505	25.746.274
Savings deposits	2.134.720	2.493.030	-	-
Households	2.134.720	2.493.030	-	-
Non-savings deposits	26.521.664	25.643.624	26.518.505	25.746.274
General governments	1.947.647	2.320.084	1.947.647	2.320.084
Other financial corporations	1.604.122	1.036.206	1.705.490	1.148.908
Non-financial corporations	5.719.114	5.190.779	5.706.970	5.180.727
Households	17.250.781	17.096.555	17.158.398	17.096.555
Deposits from customers	**55.427.344**	**55.098.959**	**53.150.871**	**52.593.690**
General governments	3.160.720	3.587.532	3.160.720	3.587.532
Other financial corporations	2.436.691	2.367.913	2.565.487	2.493.737
Non-financial corporations	15.278.734	15.433.733	15.147.904	15.331.077
Households	34.551.199	33.709.781	32.276.760	31.181.344

8. Debt securities issued

	Group		Bank	
in RON thousands	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Other debt securities issued	269,613	349,153	269,613	349,153
Bonds	269,613	349,153	269,613	349,153
Debt securities issued	**269,613**	**349,153**	**269,613**	**349,153**

As of 30 June 2019, the outstanding nominal amount of subordinated bonds issued by the Bank decreased due to matured bonds.

9. Provisions

	Group		Bank	
in RON thousands	**30.06.2019**	**31.12.2018**	**30.06.2019**	**31.12.2018**
Long-term employee provisions	45,896	43,702	45,782	43,588
Pending legal issues	648,750	679,672	601,494	647,077
Commitments and guarantees given	333,330	417,102	336,215	418,827
Provisions for commitments and financial guarantees in Stage 1	32,972	24,435	32,968	25,731
Provisions for commitments and financial guarantees in Stage 2	37,039	58,420	39,928	58,849
Provisions for commitments and financial guarantees in Stage 3	259,564	329,660	259,564	329,660
Provisions for commitments and financial guarantees - POCI	3,755	4,587	3,755	4,587
Other provisions	725,061	11,212	416,835	10,763
Restructuring	16,777	-	16,777	-
Other*	708,285	14,641	400,058	14,641
Provisions	**1,753,037**	**1,151,688**	**1,400,326**	**1,120,255**

*As at 30 June 2019, BCR booked a credit risk provision in amount of RON 278 mn for the existing loans to BpL and a provision in accordance with IAS 37 in amount of RON 395mn for the upcoming increase of share capital in BpL. The amounts are eliminated in the consolidation.

The BCR Group's profit or loss was negatively impacted as at 30th of June 2019, due to booking of a provision in amount of RON 718mn. The litigation is described in Note 21 – Legal claims.

10. Net interest income

	Group		Bank	
in RON thousands	**30.06.2019**	**30.06.2018**	**30.06.2019**	**30.06.2018**
Interest and other similar income				
Financial assets at amortised cost	1,268,705	1,115,123	1,195,864	1,041,821
Financial assets measured at fair value through other comprehensive income	78,349	71,500	77,226	70,450
Interest income	**1,347,054**	**1,186,623**	**1,273,090**	**1,112,271**
Non-trading financial assets at fair value through profit or loss	147	393	147	393
Financial assets - held for trading	11,093	16,005	11,093	16,005
Other assets and negative interest from financial liabilities	5,352	5,713	4,794	4,683
Other similar income	**16,592**	**22,111**	**16,034**	**21,081**
Total interest and other similar income	**1,363,646**	**1,208,734**	**1,289,124**	**1,133,352**
Interest and other similar expense				
Financial liabilities measured at amortised cost*	(230,387)	(235,186)	(208,363)	(205,959)
Interest expenses	**(230,387)**	**(235,186)**	**(208,363)**	**(205,959)**
Financial liabilities - held for trading	(5,075)	(7,519)	(5,075)	(7,519)
Other liabilities	(17,757)	(3,657)	(16,461)	(3,153)
Negative Interest from financial assets	(271)	(41)	(271)	(41)
Other similar expenses	**(23,103)**	**(11,217)**	**(21,807)**	**(10,713)**
Total Interest and other similar expense	**(253,490)**	**(246,403)**	**(230,170)**	**(216,672)**
Net interest income	**1,110,156**	**962,331**	**1,058,954**	**916,680**
Thereof: interest-income on credit impaired financial assets	**19,161**	**18,009**	**18,425**	**17,974**

*The application of IFRS 16 has negatively impacted the interest expense by RON 12,4mn at Group level, while the impact at Bank level is RON 11,1mn.

11. Net fees and commissions income

	Group				Bank			
in RON thousands	30.06.2019		30.06.2018		30.06.2019		30.06.2018	
	Income	Expenses	Income	Expenses	Income	Expenses	Income	Expenses
Securities	**15,177**	**(1,644)**	**4,627**	**(1,832)**	**15,177**	**(1,644)**	**4,627**	**(1,832)**
Transfer orders	15,177	(1,644)	4,627	(1,832)	15,177	(1,644)	4,627	(1,832)
Clearing and settlement	2,925	(6,288)	3,122	(6,184)	2,929	(6,229)	3,124	(6,127)
Asset management	13,500	-	19,169	-	-	-	-	-
Custody	6,814	(2,293)	8,040	(2,210)	6,814	(1,498)	8,040	(1,418)
Payment services	**288,543**	**(59,410)**	**264,167**	**(42,660)**	**286,682**	**(58,437)**	**262,112**	**(41,899)**
Card business	87,493	(38,252)	51,892	(26,156)	86,214	(37,498)	50,829	(25,606)
Other	201,050	(21,158)	212,275	(16,504)	200,468	(20,939)	211,283	(16,293)
Customer resources distributed but not managed	**65,864**	**(1,785)**	**68,782**	**(5,703)**	**65,434**	**(1,785)**	**67,088**	**(5,703)**
Collective investment	14,608	-	-	-	14,608	-	-	-
Insurance products	38,681	-	33,776	-	35,665	-	29,486	-
Foreign exchange transactions	12,430	(1,785)	10,694	(962)	12,431	(1,785)	10,694	(962)
Other	145	-	24,312	(4,741)	2,730		26,908	(4,741)
Lending business	**51,306**	**(11,885)**	**47,000**	**(8,629)**	**51,288**	**(8,401)**	**47,081**	**(5,033)**
Guarantees given, guarantees received	12,653	(3,734)	14,465	(1,972)	12,631	(1,250)	14,348	(274)
Loan commitments given, loan commitments received	9,241	(1)	8,869	(52)	9,241	-	8,869	-
Other lending business	29,412	(8,150)	23,666	(6,605)	29,416	(7,151)	23,864	(4,759)
Other	**9,657**	**(1,608)**	**11,126**	**(9,373)**	**4,792**	**(994)**	**5,175**	**(8,207)**
Net fee and commission income	**453,786**	**(84,913)**	**426,033**	**(76,591)**	**433,116**	**(78,988)**	**397,247**	**(70,219)**

12. Net trading and fair value result

	Group		Bank	
in RON thousands	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Net Trading Result				
Securities and derivatives trading	33,637	44,959	33,637	44,959
Foreign exchange transactions	138,474	120,445	134,740	140,872
Foreign currency transaltion	(6,898)	20,669	(4,592)	(2,628)
Net Trading Result	**165,213**	**186,073**	**163,785**	**183,203**

13. General administrative expenses

	Group		Bank	
in RON thousands	**30.06.2019**	**30.06.2018**	**30.06.2019**	**30.06.2018**
Personnel expenses	**(395,725)**	**(378,340)**	**(344,850)**	**(334,255)**
Wages and salaries	(356,433)	(347,733)	(310,875)	(308,200)
Compulsory social security	(12,967)	(11,158)	(10,832)	(9,349)
Long-term employee provisions	(1,484)	(2,188)	(1,342)	(2,069)
Other personnel expenses	(24,841)	(17,261)	(21,801)	(14,637)
Other administrative expenses	**(347,045)**	**(330,571)**	**(358,518)**	**(333,934)**
Deposit insurance contribution	(60,207)	(20,194)	(55,221)	(16,808)
IT expenses	(109,082)	(107,951)	(105,599)	(104,755)
Expenses for office space*	(47,729)	(81,496)	(45,313)	(77,117)
Office operating expenses	(49,423)	(46,579)	(82,549)	(69,591)
Advertising/marketing	(26,241)	(26,749)	(25,568)	(25,811)
Legal and consulting costs	(33,344)	(20,977)	(31,790)	(18,892)
Sundry administrative expenses	(21,019)	(26,625)	(12,478)	(20,960)
Depreciation and amortisation	**(125,444)**	**(91,778)**	**(100,637)**	**(64,231)**
Software and other intangible assets	(42,571)	(27,505)	(40,876)	(25,954)
Owner occupied real estate*	(35,034)	(17,483)	(34,190)	(17,109)
Investment properties	(2,651)	(1,887)	(2,651)	(1,887)
Office furniture and equipment and sundry property and equipment	(45,188)	(44,903)	(22,920)	(19,281)
General administrative expenses	**(868,214)**	**(800,689)**	**(804,005)**	**(732,420)**

*The expenses for office space decreased versus 2018 as opposed to expenses with depreciation and amortization which increased due to application of IFRS 16.

The Group number of emplyees at 30 June 2019 was 6,962 (31 December 2018: 7,237).

14. Net impairment loss on financial assets

	Group		Bank	
in RON thousands	**30.06.2019**	**30.06.2018**	**30.06.2019**	**30.06.2018**
Financial assets at fair value through other comprehensive income	(758)	(921)	(178)	(722)
Financial assets at amortised cost	(798)	71,149	(278,791)	69,097
Net allocation to risk provisions *	(18,029)	70,144	(286,102)	64,414
Direct write-offs	(19,025)	(28,358)	(17,237)	(12,122)
Recoveries recorded directly to the income statement	51,901	31,214	34,971	18,654
Modification gains or losses	(10,423)	(1,851)	(10,424)	(1,849)
Finance lease	(5,222)	-	-	-
Net allocation of provisions for commitments and guarantee	90,330	(40,097)	89,064	(44,705)
Net impairment loss on financial instruments	**88,774**	**30,131**	**(189,905)**	**23,670**

*The increase in net allocation to risk provision is due to the depreciation of the loan granted to BpL following the event regarding the control of the Court of Accounts described in Note 21 – Litigations. Being an intragroup transaction is eliminated in consolidation.

15. Other operating results

	Group		Bank	
in RON thousands	**30.06.2019**	**30.06.2018**	**30.06.2019**	**30.06.2018**
Other income, of which:	**224,944**	**243,788**	**161,821**	**186,077**
Other provisions - release	86,844	101,136	84,878	90,782
Gains on other assets	76,235	73,959	48,820	49,834
Other income	61,865	68,693	28,123	45,461
Other expense, of which:	**(994,464)**	**(204,452)**	**(598,802)**	**(153,124)**
Other provisions - allocation*	(768,345)	-	(443,727)	-
Losses on other assets	(47,865)	(56,480)	(24,556)	(30,817)
Impairment of tangible and intangible assets**	(13,220)	3,193	-	(7)
Recovery and resolution fund	(31,362)	(25,403)	(31,357)	(25,403)
Other taxes	(11,233)	(14,451)	(9,424)	(7,690)
Other expenses	(122,439)	(111,311)	(89,738)	(89,207)
Total	**(769,520)**	**39,336**	**(436,981)**	**32,953**

*The increase of allocation of other provisions at Group and Bank level is mainlye due to the event regarding the control of Court of Accounts at BpL described in Note 21 – Litigations.

**Includes the impairment of the tangible and intangible assets held by BpL following the application of the gone concern basis, in amount of RON 4 mn.

16. Taxes on income

	Group		Bank	
in RON thousands	**30.06.2019**	**30.06.2018**	**30.06.2019**	**30.06.2018**
Current tax expense/income	**(102,531)**	**(103,032)**	**(96,588)**	**(102,703)**
Current period	(59,461)	(103,032)	(53,517)	(102,703)
Prior period	(43,070)	-	(43,070)	-
Deferred tax expense/income	**(29,656)**	**(12,586)**	**(27,183)**	**(12,273)**
Current period	(29,656)	(12,586)	(27,183)	(12,273)
Taxes on income	**(132,187)**	**(115,618)**	**(123,771)**	**(114,976)**

	Group		Bank	
in RON thousands	**30.06.2019**	**30.06.2018**	**30.06.2019**	**30.06.2018**
Pre-tax profit/(loss)	**111,344**	**812,619**	**135,121**	**771,861**
Income tax expense for the financial year at the domestic statutory tax rate (16%)	(17,815)	(123,970)	(21,619)	(123,498)
Impact of tax-exempt earnings of investments and other tax-exempt income	87,567	79,829	87,567	79,625
Tax increases due to non-deductible expenses, additional business tax and similar elements	(143,722)	(64,499)	(131,502)	(64,391)
Impact of other elements and deferred tax income/ (expense)	(15,147)	(12,586)	(15,147)	(12,273)
Tax expense not atributable to the reporting period	(43,070)	5,608	(43,070)	5,561
Income tax (expense) / release reported in the income statement	**(132,187)**	**(115,618)**	**(123,771)**	**(114,976)**
The effective tax rate*	**118.72%**	**14.23%**	**91.60%**	**14.90%**

*The effective tax rate was impacted by the increase of non-deductible expenses as a result of the allocation of the provision for BPL case (RON 395 mn) and of the additional withholding tax (RON 43mn) as result of Tax Inspection Report and Tax Decision for which the explanations are presented in Note 21 – Litigations.

17. Dividends paid

During 2019, dividends in amount of RON 485,096 thousands were paid, out of which RON 484,629 thousands to equity holders and RON 467 thousands to non controlling interests.

18. Segment reporting

The segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

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

A. Retail

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

B. Corporate

Within corporate banking, the Group provides corporations, real estate and large corporate clients with a range of financial products and services, including lending and deposit taking, providing cash management, foreign commercial business, leasing, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions. Principal activity is of handling loans, other credit facilities, deposits, and current accounts for corporate and institutional customers, investment banking services and financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group.

The main Corporate segments are:

a. SME, comprising:

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

b. Public Sector (PS):

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

Public sector includes the following institutions:

- Central ministries and state funded funds and agencies
- Non-profit entities established by or under control of central government entities, state funded organizations, state universities or R&D institutions
- Regional governments and organizations funded by them
- State capitals including city halls, regional capitals and other municipals and organizations funded by them. Exceptions: elementary and primary schools, high schools, kindergartens, small hospitals and libraries, which are segmented as Micro
- Public health and social insurance companies

18. SEGMENT REPORTING (*continued*)

Public Corporations include:

- All non-financial state companies and corporations with more than 50% share of state or regional governments or municipals excluding stock exchange listed companies and State Owned Companies acting in Energy & Utilities industry with T/O > 50 mio EUR

c. Local Large Corporates (LLC)

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

d. Group Large Corporates (GLC)

GLC clients are large corporate clients or client groups with an indicative consolidated annual turnover of at least EUR 500 mio.

GLC clients cover following clients' types in principle:

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

e. Commercial Real Estate (CRE)

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

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

Other banking segments:

f. ALM & Local Corporate Center:

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

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

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

The business segment reporting format is the Group's basis of segment reporting. Transactions between business segments are conducted at arm's length.

18. SEGMENT REPORTING (*continued*)

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise property and equipment, intangible assets, other assets and other liabilities and taxation.

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

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

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

Throughout the following tables related to Segment Reporting the net trading result includes the following positions presented in the statement of income:

- Net trading result
- Result from financial assets and liabilities designated at fair value through profit or loss
- Foreign currency translation

18. Segment reporting (*continued*)

Income statement	Group	Retail	Corporates	ALM & Local Corporate Center	GM
in RON thousands	**30.06.2019**				
Net interest income	1,110,156	745,868	307,123	52,655	4,510
Net fee and commission income	368,873	251,923	104,520	(3,550)	15,979
Dividend income	2,359	14,086	40	(11,767)	-
Net trading and fair value result	165,213	48,612	48,543	18,118	49,941
Gains/losses from financial instruments measured at fair value through profit or loss	(2,285)	(863)	(1,856)	434	-
Net result from equity method investments	(1,555)	-	-	(1,555)	-
Rental income from investment properties & other operating leases	47,484	-	44,660	2,824	-
General administrative expenses	(868,214)	(621,019)	(174,605)	(60,807)	(11,782)
Gains/losses from derecognition of financial assets measured at amortised cost	(505)	-	-	(505)	-
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	(29,436)	-	-	(29,436)	-
Net impairment loss on financial instruments	88,774	(41,530)	119,884	8,615	1,805
Other operating result	(769,520)	(703,839)	(36,346)	(26,541)	(2,794)
Pre-tax profit from continuing operations	**111,344**	**(306,761)**	**411,961**	**(51,515)**	**57,659**
Profit from discontinued operations net of tax					-
Net profit of the year	**111,344**	**(306,761)**	**411,961**	**(51,515)**	**57,659**
Taxes on income	(132,187)	(66,002)	(67,265)	10,306	(9,225)
Net result for the period	**(20,843)**	**(372,763)**	**344,696**	**(41,210)**	**48,434**
Net result attributable to non-controlling interests	6		-	6	-
Net result attributable to owners of the parent	**(20,849)**	**(372,763)**	**344,696**	**(41,216)**	**48,434**
Operating Income	1,690,245	1,059,627	503,029	57,159	70,430
Operating Expenses	(868,214)	(621,019)	(174,605)	(60,807)	(11,782)
Operating Result	**822,031**	**438,608**	**328,423**	**(3,648)**	**58,648**
Cost Income Ratio	51.4%	58.6%	34.7%	106.4%	16.7%

18. Segment reporting (*continued*)

Income statement	Group	Retail	Corporates	ALM & Local Corporate Center	GM
in RON thousands	**30.06.2018**				
Net interest income	962,332	664,603	284,144	7,013	6,572
Net fee and commission income	349,442	276,552	91,793	(33,479)	14,576
Dividend income	3,657	-	-	3,657	-
Net trading and fair value result	186,073	66,704	47,140	16,930	55,300
Gains/losses from financial instruments measured at fair value through profit or loss	1,751	-	(880)	2,631	-
Net result from equity method investments	2,526	-	-	2,526	-
Rental income from investment properties & other operating leases	35,840	-	33,358	2,482	-
General administrative expenses	(800,689)	(601,704)	(174,626)	(11,561)	(12,798)
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	2,221	-	-	2,221	-
Net impairment loss on financial instruments	30,131	3,012	19,194	9,327	(1,402)
Other operating result	39,336	1,573	(18,777)	58,571	(2,031)
Pre-tax profit from continuing operations	**812,620**	**410,740**	**281,346**	**60,316**	**60,218**
Profit from discontinued operations net of tax					-
Net profit of the year	**812,620**	**410,740**	**281,346**	**60,316**	**60,218**
Taxes on income	(115,618)	(55,751)	(43,228)	(7,004)	(9,635)
Net result for the period	**697,002**	**354,989**	**238,118**	**53,312**	**50,583**
Net result attributable to non-controlling interests	10		-	10	-
Net result attributable to owners of the parent	**696,992**	**354,989**	**238,118**	**53,302**	**50,583**
Operating Income	1,541,621	1,007,859	455,555	1,759	76,448
Operating Expenses	(800,689)	(601,704)	(174,626)	(11,561)	(12,798)
Operating Result	**740,932**	**406,155**	**280,929**	**(9,803)**	**63,650**
Cost Income Ratio	51.9%	59.7%	38.3%	657.3%	16.7%

18. Segment reporting (*continued*)

Income statement	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
in RON thousands	**30.06.2019**				
Net interest income	1,058,954	733,386	267,850	53,208	4,510
Net fee and commission income	354,128	237,646	103,658	(3,155)	15,979
Dividend income	15,784	14,086	-	1,698	-
Net trading and fair value result	163,785	48,734	46,656	18,454	49,941
Gains/losses from financial instruments measured at fair value through profit or loss	(2,285)	(863)	(1,856)	434	-
Rental income from investment properties & other operating leases	5,588	-	-	5,588	-
General administrative expenses	(804,005)	(598,745)	(132,268)	(61,210)	(11,782)
Gains/losses from derecognition of financial assets measured at amortised cost	(505)	-	-	(505)	-
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	(29,436)	-	-	(29,436)	-
Net impairment loss on financial instruments	(189,906)	(46,275)	124,209	(269,645)	1,805
Other operating result	(436,981)	20,147	(27,006)	(427,328)	(2,794)
Pre-tax profit from continuing operations	**135,121**	**408,117**	**381,242**	**(711,898)**	**57,659**
Profit from discontinued operations net of tax			-		-
Net profit of the year	**135,121**	**408,117**	**381,242**	**(711,898)**	**57,659**
Taxes on income	(123,771)	(65,299)	(60,999)	11,752	(9,225)
Net result for the period	**11,350**	**342,818**	**320,244**	**(700,146)**	**48,434**
Net result attributable to non-controlling interests	-	-	-	-	-
Net result attributable to owners of the parent	**11,350**	**342,818**	**320,244**	**(700,146)**	**48,434**
Operating Income	1,595,954	1,032,990	416,307	76,227	70,430
Operating Expenses	(804,005)	(598,745)	(132,268)	(61,210)	(11,782)
Operating Result	**791,949**	**434,246**	**284,040**	**15,016**	**58,648**
Cost Income Ratio	50.4%	58.0%	31.8%	80.3%	16.7%

18. Segment reporting (*continued*)

Income statement	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
in RON thousands	**30.06.2018**				
Net interest income	916,680	656,821	246,209	7,078	6,572
Net fee and commission income	327,028	255,733	90,159	(33,440)	14,576
Dividend income	11,609	-	-	11,609	-
Net trading and fair value result	183,203	66,956	43,983	16,964	55,300
Gains/losses from financial instruments measured at fair value through profit or loss	1,751	-	(880)	2,631	-
Rental income from investment properties & other operating leases	5,166	-	-	5,166	-
General administrative expenses	(732,420)	(581,887)	(133,532)	(4,204)	(12,798)
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	2,221	-	-	2,221	-
Net impairment loss on financial instruments	23,670	(1,346)	26,002	415	(1,402)
Other operating result	32,953	(3,816)	(12,453)	51,253	(2,031)
Pre-tax profit from continuing operations	**771,861**	**392,462**	**259,489**	**59,693**	**60,218**
Profit from discontinued operations net of tax			-		-
Net profit of the year	**771,861**	**392,462**	**259,489**	**59,693**	**60,218**
Taxes on income	(114,976)	(56,045)	(41,518)	(7,778)	(9,635)
Net result for the period	**656,885**	**336,417**	**217,970**	**51,914**	**50,583**
Net result attributable to non-controlling interests	-	-	-	-	-
Net result attributable to owners of the parent	**656,885**	**336,417**	**217,970**	**51,914**	**50,583**
Operating Income	1,445,437	979,510	379,471	10,007	76,448
Operating Expenses	(732,420)	(581,887)	(133,532)	(4,204)	(12,798)
Operating Result	**713,017**	**397,624**	**245,939**	**5,804**	**63,650**
Cost Income Ratio	50.7%	59.4%	35.2%	42.0%	16.7%

18. Segment reporting (*continued*)

Statement of financial position **Group**

in RON thousands				30.06.2019	Group
	Group	**Retail**	**Corporates**	**ALM & Local Corporate Center**	**GM**
Assets					
Cash and cash balances	10,346,352	4,640,971	201,300	5,504,081	-
Financial assets held for trading	160,703	-	-	9,831	150,872
Derivatives	59,543	-	-	9,831	49,712
Other financial assets held for trading	101,160	-	-	-	101,160
Non-trading financial assets at fair value through profit or loss	37,263	26,253	4,449	6,561	-
Equity instruments	4,215	-	4,215	-	-
Loans and advances to customers	33,048	26,253	234	6,561	-
Financial assets at fair value through other comprehensive income	5,458,119	-	46,097	5,412,022	-
Equity investments	54,178	-	-	54,178	-
Debt securities	5,403,941	-	-	5,403,941	-
Financial assets at amortised cost	51,798,643	25,065,164	13,951,147	12,603,206	179,126
Debt securities	15,299,100	1,178,405	293,993	13,826,702	-
Loans and advances to banks	269,108	1,309,072	334	(1,219,356)	179,058
Loans and advances to customers	36,230,435	22,577,687	13,656,820	(4,140)	68
Finance lease receivables	1,062,774	-	1,087,634	(24,860)	-
Property and equipment	1,077,677	5,619	473,239	598,819	-
Investment property	147,977	-	-	147,977	-
Intangible assets	345,856	1,011	5,143	339,702	-
Investments in joint ventures and associates	23,388	-	-	23,388	-
Current tax assets	200,258	2,592	371	197,295	-
Deferred tax assets	173,874	-	8,031	165,843	-
Assets held for sale	548,626	-	-	548,626	-
Trade and other receivables	490,654	7,384	351,516	122,281	9,473
Investments in subsidiaries	-	-	-	-	-
Other assets	346,768	82,212	109,948	154,589	19
Total assets	**72,218,932**	**29,831,206**	**16,238,875**	**25,809,361**	**339,490**
Liabilities and Equity					
Financial liabilities held for trading	83,128	-	-	35,597	47,531
Derivatives	83,128	-	-	35,597	47,531
Financial liabilities measured at amortised cost	61,890,320	38,436,826	17,508,179	2,925,594	3,019,720
Deposits from banks	5,294,492	298,571	2,232,669	1,926,268	836,984
Deposits from customers	55,427,344	38,041,175	15,244,822	32,396	2,108,950
Debt securities issued	269,613	-	-	269,613	-
Other financial liabilities	898,871	97,080	30,688	697,317	73,786
Finance lease liabilities	249,912	565	36,432	212,915	-
Provisions	1,753,037	1,185,468	334,924	232,147	497
Current tax liabilities	4,051	-	4,041	10	-
Deferred tax liabilities	6,791	6,791	-	-	-
Liabilities associated with assets held for sale	35,499	-	-	35,499	-
Other liabilities	319,411	13,142	36,038	270,231	-
Total equity	7,876,783	2,827,108	2,174,028	2,820,937	54,710
Total liabilities and equity	**72,218,932**	**42,469,901**	**20,093,643**	**6,532,930**	**3,122,459**

18. Segment reporting (*continued*)

in RON thousands				31.12.2018	Group
	Group	Retail	Corporates	ALM & Local Corporate Center*	GM
Assets					
Cash and cash balances	11,123,191	5,517,931	159,153	5,446,107	-
Financial assets held for trading	213,965	-	(1,692)	27,832	187,825
Derivatives	31,062	-	(1,692)	27,832	4,922
Other financial assets held for trading	182,903	-	-	-	182,903
Non-trading financial assets at fair value through profit or loss	39,395	-	6,162	33,233	-
Equity instruments	33,475	-	243	33,232	-
Loans and advances to customers	5,920	-	5,919	1	-
Financial assets at fair value through other comprehensive income	5,222,081	-	41,079	5,181,002	-
Equity investments	40,721	-	-	40,721	-
Debt securities	5,181,360	-	41,079	5,140,281	-
Financial assets at amortised cost	50,843,219	24,293,222	13,280,180	13,186,757	83,060
Debt securities	15,879,108	1,524,360	307,348	14,047,400	-
Loans and advances to banks	123,840	1,094,050	334	(1,050,781)	80,237
Loans and advances to customers	34,840,271	21,674,812	12,972,498	190,138	2,823
Finance lease receivables	990,868	-	1,020,428	(29,560)	-
Property and equipment	1,169,260	1,408	407,102	760,750	-
Investment property	162,806	-	-	162,806	-
Intangible assets	361,898	3,055	4,736	354,107	-
Investments in joint ventures and associates	20,027	-	-	20,027	-
Current tax assets	181,800	2,592	386	178,822	-
Deferred tax assets	202,165	704	8,728	192,733	-
Assets held for sale	161,114	-	-	161,114	-
Trade and other receivables	563,014	19,361	379,842	116,470	47,341
Other assets	275,502	57,530	82,413	135,559	-
Total assets	**71,530,305**	**29,895,803**	**15,388,517**	**25,927,759**	**318,226**
Liabilities and Equity					
Financial liabilities held for trading	32,988	-	254	27,790	4,944
Derivatives	32,988	-	254	27,790	4,944
Financial liabilities measured at amortised cost	61,618,808	37,499,591	18,140,605	3,536,211	2,442,401
Deposits from banks	5,578,080	228,431	2,083,200	2,672,959	593,490
Deposits from customers	55,098,959	37,205,424	16,013,604	46,881	1,833,050
Debt securities issued	349,153	-	-	349,153	-
Other financial liabilities	592,616	65,736	43,801	467,218	15,861
Provisions	1,151,688	497,061	411,704	242,457	466
Current tax liabilities	97,782	-	662	97,120	-
Liabilities associated with assets held for sale	15,438	-	-	15,438	-
Other liabilities	246,887	17,570	29,799	199,518	-
Total equity	**8,366,714**	**2,631,708**	**2,111,887**	**3,561,444**	**61,675**
Total liabilities and equity	**71,530,305**	**40,645,930**	**20,694,911**	**7,679,978**	**2,509,486**

Notes to Financial Statements
Consolidated and Separate
As at 30 June 2019

18. Segment reporting (*continued*)

Statement of financial position

in RON thousands				30.06.2019	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash balances	10,179,024	4,608,299	-	5,570,725	-
Financial assets held for trading	161,298	-	-	10,426	150,872
Derivatives	60,138	-	-	10,426	49,712
Other financial assets held for trading	101,160	-	-	-	101,160
Non-trading financial assets at fair value through profit or loss	37,030	26,253	4,216	6,561	-
Equity instruments	32,815	26,253	-	6,562	-
Loans and advances to customers	4,215	-	4,215	-	-
Financial assets at fair value through other comprehensive income	5,412,021	-	-	5,412,021	-
Equity investments	54,178	-	-	54,178	-
Debt securities	5,357,843	-	-	5,357,843	-
Financial assets at amortised cost	49,738,874	22,358,373	12,891,242	14,310,133	179,126
Debt securities	14,066,921	-	240,219	13,826,702	-
Loans and advances to banks	280,364	-	-	101,306	179,058
Loans and advances to customers	35,391,590	22,358,373	12,651,023	382,126	68
Finance lease receivables	3,241	-	-	3,241	-
Property and equipment	974,754	-	-	974,754	-
Investment property	147,977	-	-	147,977	-
Intangible assets	339,630	-	-	339,630	-
Investments in joint ventures and associates	17,035	-	-	17,035	-
Current tax assets	197,295	-	-	197,295	-
Deferred tax assets	164,713	-	-	164,713	-
Assets held for sale	106,337	7,255	-	99,082	-
Trade and other receivables	480,201	5,962	329,735	135,031	9,473
Investments in subsidiaries	403,152	152,550	-	250,602	-
Other assets	185,649	25,144	281	160,205	19
Total assets	**68,548,231**	**27,183,836**	**13,225,474**	**27,799,431**	**339,490**
Liabilities and Equity					
Financial liabilities held for trading	83,128	-	-	35,597	47,531
Derivatives	83,128	-	-	35,597	47,531
Financial liabilities measured at amortised cost	58,881,083	36,001,968	14,908,861	4,950,534	3,019,720
Deposits from banks	4,562,358	592	175	3,724,607	836,984
Deposits from customers	53,150,871	35,904,296	14,877,998	259,627	2,108,950
Debt securities issued	269,613	-	-	269,613	-
Other financial liabilities	898,241	97,080	30,688	696,687	73,786
Finance lease liabilities	245,567	-	-	245,567	-
Fair value changes of the hedged items in portfolio hedge of interest rat	-	-	-	-	-
Provisions	1,400,326	441,408	328,279	630,142	497
Current tax liabilities	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Liabilities associated with assets held for sale	-	-	-	-	-
Other liabilities	248,902	-	-	248,902	-
Total equity	7,689,225	2,750,024	1,921,968	2,962,523	54,710
Total liabilities and equity	**68,548,231**	**39,193,400**	**17,159,108**	**9,073,265**	**3,122,458**

18. Segment reporting (*continued*)

in RON thousands				31.12.2018	Bank
	Bank	Retail	Corporates	ALM & Local Corporate Center	GM
Assets					
Cash and cash balances	10,862,852	5,380,922	-	5,481,930	-
Financial assets held for trading	214,092	-	(1,692)	27,959	187,825
Derivatives	31,189	-	(1,692)	27,959	4,922
Other financial assets held for trading	182,903	-	-	-	182,903
Non-trading financial assets at fair value through profit or loss	39,152	-	5,919	33,233	-
Equity instruments	33,232	-	-	33,232	-
Loans and advances to customers	5,920	-	5,919	1	-
Financial assets at fair value through other comprehensive income	5,187,019	-	6,017	5,181,002	-
Equity investments	40,721	-	-	40,721	-
Debt securities	5,146,298	-	6,017	5,140,281	-
Debt securities	41,748	-	-	41,748	-
Financial assets at amortised cost	48,732,568	21,459,697	12,315,535	14,874,276	83,060
Debt securities	14,297,905	-	250,504	14,047,401	-
Loans and advances to banks	388,848	-	-	308,611	80,237
Loans and advances to customers	34,045,815	21,459,697	12,065,031	518,264	2,823
Property and equipment	760,646	-	-	760,646	-
Investment property	162,806	-	-	162,806	-
Intangible assets	354,020	-	-	354,020	-
Investments in joint ventures and associates	7,509	-	-	7,509	-
Current tax assets	178,822	-	-	178,822	-
Deferred tax assets	197,061	-	-	197,061	-
Assets held for sale	117,699	-	-	117,699	-
Trade and other receivables	543,179	17,165	361,554	117,119	47,341
Investments in subsidiaries	403,152	-	-	403,152	-
Other assets	148,677	-	-	148,677	-
Total assets	**67,909,254**	**26,857,784**	**12,687,333**	**28,045,911**	**318,226**
Liabilities and Equity					
Financial liabilities held for trading	32,988	-	(18)	28,062	4,944
Derivatives	32,988	-	(18)	28,062	4,944
Financial liabilities measured at amortised cost	58,326,984	34,844,050	15,798,007	5,242,526	2,442,401
Deposits from banks	4,791,204	600	163	4,196,951	593,490
Deposits from customers	52,593,690	34,781,169	15,759,764	219,707	1,833,050
Debt securities issued	349,153	-	-	349,153	-
Other financial liabilities	592,937	62,281	38,080	476,715	15,861
Provisions	1,120,255	465,661	409,905	244,223	466
Current tax liabilities	97,110	-	-	97,110	-
Other liabilities	193,842	-	-	193,842	-
Total equity	**8,138,075**	**2,555,461**	**1,846,141**	**3,674,421**	**62,052**
Total liabilities and equity	**67,909,254**	**37,865,172**	**18,054,035**	**9,480,184**	**2,509,863**

19. Related-party transactions and principal shareholders

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 June 2019 and 31 December 2018 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

Transactions with parent

When establishing the transfer prices in intra-group transactions, BCR takes into account the provisions of the national tax legislation, as well as the OECD transfer pricing guidelines

Transactions with management

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

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

Remuneration paid related to key management personnel is presented in note 13.

Transactions with subsidiaries

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

The following transactions were carried out with related parties:

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

Group

in RON thousands	2019 Parent	2019 Associates	2019 Key management personnel	2019 Other related parties	2018 Parent	2018 Associates	2018 Key management personnel	2018 Other related parties
Total assets	**268,400**	**23,388**	**13,027**	**32,267**	**264,000**	**20,027**	**10,778**	**70,534**
Cash and cash equivalents	175,852	-	-	-	104,060	-	-	-
Derivative financial instruments	12,725	-	-	-	11,979	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Equity investments	-	23,388	-	11,635	-	20,027	-	25,113
Loans and advances	**79,823**	**-**	**13,027**	**20,632**	**147,961**	**-**	**10,778**	**45,421**
Loans and advances with credit institutions	79,823	-	-	-	147,961	-	-	-
Loans and advances with customers	-	-	13,027	20,632	-	-	10,778	45,421
Total liabilities	**3,649,039**	**38,590**	**10,706**	**155,528**	**4,069,091**	**18,899**	**8,503**	**136,934**
Deposits	**3,571,623**	**38,590**	**10,706**	**155,528**	**4,037,234**	**18,899**	**8,503**	**136,934**
Deposits by banks	3,571,623	-	-	-	4,037,234	-	-	4,590
Deposits by customers	-	38,590	10,706	155,528	-	18,899	8,503	132,344
Derivative financial instruments	77,416	-	-	-	31,857	-	-	-
Loans commitments, financial guarantees and other commitments given -Irrevocable [notional amount]	**10,285**	**-**	**412**	**20,463**	**14,184**	**-**	**412**	**20,463**
Loans commitments, financial guarantees and other commitments given -Revocabile [notional amount]	**-**	**-**	**-**	**147,736**	**-**	**-**	**-**	**147,736**
Loan commitments, financial guarantees and other commitments received	**236,755**	**-**	**-**	**-**	**947,638**	**-**	**-**	**-**
Derivatives [notional amount]	**6,930,712**	**-**	**-**	**-**	**5,961,350**	**-**	**-**	**-**

Group

in RON thousands	2019 Parent	2019 Associates	2019 Key management personnel	2019 Other related parties	2018 Parent	2018 Associates	2018 Key management personnel	2018 Other related parties
Interest income	21,493	-	243	401	29,528	-	197	1,248
Interest expenses	(46,283)	(316)	(9)	(2,206)	(103,892)	(244)	(4)	(473)
Dividend income	-	926	-	1,009	-	-	-	1,971
Fee and commission income	2,265	1	18	49,534	2,866	1	23	46,784
Fee and commission expenses	(5,361)	-	-	(81)	(4,910)	-	-	(4,318)
Profit before tax income/(expense)	**(27,886)**	**611**	**252**	**48,657**	**(76,408)**	**(243)**	**216**	**45,212**

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

	Bank									
	2019					2018				
in RON thousands	**Parent**	**Subsidiaries**	**Associates**	**Key management personnel**	**Other related parties**	**Parent**	**Subsidiaries**	**Associates**	**Key management personnel**	**Other related parties**
Total assets	**228,476**	**757,652**	**17,035**	**13,027**	**32,267**	**212,633**	**1,010,341**	**7,509**	**10,778**	**70,534**
Cash and cash equivalents	135,928	-	-	-	-	52,693	-	-	-	-
Derivative financial instruments	12,725	-	-	-	-	11,979	127	-	-	-
Equity investments	-	410,408	17,035	-	11,635	-	410,408	7,509	-	25,113
Loans and advances	**79,823**	**347,244**	**-**	**13,027**	**20,632**	**147,961**	**599,806**	**-**	**10,778**	**45,421**
Loans and advances with credit institutions	79,823	18,361	-	-	-	147,961	271,512	-	-	-
Loans and advances with customers	-	328,883	-	13,027	20,632	-	328,294	-	10,778	45,421
Total liabilities	**2,546,827**	**1,371,367**	**38,590**	**10,706**	**155,528**	**2,908,103**	**1,126,375**	**18,899**	**8,503**	**136,934**
Deposits	**2,469,411**	**1,371,367**	**38,590**	**10,706**	**155,528**	**2,876,246**	**1,126,375**	**18,899**	**8,503**	**136,934**
Deposits by banks	2,469,411	1,200,828	-	-	-	2,876,246	953,549	-	-	4,590
Deposits by customers	-	170,539	38,590	10,706	155,528	-	172,826	18,899	8,503	132,344
Derivative financial instruments	77,416	-	-	-	-	31,857	-	-	-	-
Loans commitments, financial guarantees and other commitments given - Irrevocable [notional amount]	**10,285**	**-**	**-**	**412**	**20,463**	**14,184**	**19,763**	**-**	**412**	**20,463**
Loans commitments, financial guarantees and other commitments given - Revocabile [notional amount]	**-**	**-**	**-**	**-**	**147,736**	**-**	**296,120**	**-**	**-**	**147,736**
Loan commitments, financial guarantees and other commitments received	**236,755**	**-**	**-**	**-**	**-**	**233,195**	**-**	**-**	**-**	**-**
Derivatives [notional amount]	**6,930,712**	**200,295**	**-**	**-**	**-**	**5,961,350**	**74,156**	**-**	**-**	**-**

	Bank									
	2019					2018				
in RON thousands	**Parent**	**Subsidiaries**	**Associates**	**Key management personnel**	**Other related parties**	**Parent**	**Subsidiaries**	**Associates**	**Key management personnel**	**Other related parties**
Interest income	21,493	12,895	-	243	401	29,468	7,284	-	197	1,248
Interest expenses	(39,962)	(14,690)	(316)	(9)	(2,206)	(97,524)	(8,914)	(244)	(4)	(473)
Dividend income	-	12,538	926	-	1,009	-	7,953	-	-	1,971
Fee and commission income	2,257	3,378	1	18	49,534	2,862	2,187	1	23	46,784
Fee and commission expenses	(2,846)	-	-	-	81	(2,949)	(1)	-	-	(4,318)
Profit before tax income/(expense)	**(19,058)**	**14,121**	**611**	**252**	**48,819**	**(68,143)**	**8,509**	**(243)**	**216**	**45,212**

20. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is best evidenced by a quoted market price, if such exists. Credit Value Adjustment/Debt Value Adjustment is included in the fair value of derivatives both at 31 December 2018 and 30 June 2019.

Level 1 of the fair value hierarchy

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

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

Level 2 of the fair value hierarchy

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

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

Level 3 of the fair value hierarchy

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

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

20.1. Financial instruments whose fair value is disclosed in the notes

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

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

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

30.06.2019

in RON thousands	Group					Bank				
	Carrying amount	Fair value	Fair value hierarhy			Carrying amount	Fair value	Fair value hierarhy		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets										
Cash and cash balances	10,346,352	10,346,352	10,346,352	-	-	10,179,024	10,179,024	10,179,024	-	-
Financial assets at amortised cost	51,798,643	53,959,376	14,875,682	306,344	38,777,349	49,738,874	51,917,709	13,711,837	262,582	37,943,290
Loans and advances to banks	269,108	271,236	-	-	271,236	280,364	282,492	-	-	282,492
Loans and advances to customers	36,230,435	38,460,824	-	-	38,460,824	35,391,590	37,628,037	-	-	37,628,037
Debt securities	15,299,100	15,227,316	14,875,682	306,344	45,290	14,066,921	14,007,180	13,711,837	262,582	32,761
Finance lease receivables	1,062,774	1,062,680	-	-	1,062,680	3,241	3,241	-	-	3,241
Trade and other receivables	493,065	515,924	-	-	515,924	477,790	500,706	-	-	500,706
Liabilities										
Financial liabilities measured at amortised cost	61,890,320	61,646,348	-	279,822	61,366,526	58,881,083	58,647,643	-	279,822	58,367,821
Deposits from banks	5,294,492	5,324,754	-	-	5,324,754	4,562,358	4,603,196	-	-	4,603,196
Deposits from customers	55,427,344	55,142,904	-	-	55,142,904	53,150,871	52,866,384	-	-	52,866,384
Debt securities in issue	269,613	279,822	-	279,822	-	269,613	279,822	-	279,822	-
Other financial liabilities	898,871	898,868	-	-	898,868	898,241	898,241	-	-	898,241

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

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

31.12.2018

in RON thousands	Group					Bank				
	Carrying amount	Fair value	Fair value hierarhy			Carrying amount	Fair value	Fair value hierarhy		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets										
Cash and cash balances	11,123,191	11,123,191	11,123,191	-	-	10,862,852	10,862,852	10,862,852	-	-
Financial assets at amortised cost	50,843,219	52,621,067	15,315,789	217,006	37,088,272	48,732,568	50,539,773	13,816,377	158,127	36,565,269
Loans and advances to banks	123,840	125,628	-	-	125,628	388,848	391,703	-	-	391,703
Loans and advances to customers	34,840,271	36,861,031	-	-	36,861,031	34,045,815	36,072,575	-	-	36,072,575
Debt securities	15,879,108	15,634,408	15,315,789	217,006	101,613	14,297,905	14,075,495	13,816,377	158,127	100,991
Finance lease receivables	990,868	990,769	-	-	990,769	-	-	-	-	-
Trade and other receivables	563,014	563,014	-	-	563,014	543,179	543,179	-	-	543,179
Liabilities										
Financial liabilities measured at amortised cost	61,618,808	61,321,312	-	365,027	60,956,285	58,326,984	58,038,801	-	365,027	57,673,774
Deposits from banks	5,578,080	5,621,747	-	-	5,621,747	4,791,204	4,844,361	-	-	4,844,361
Deposits from customers	55,098,959	54,741,917	-	-	54,741,917	52,593,690	52,236,476	-	-	52,236,476
Debt securities in issue	349,153	365,027	-	365,027	-	349,153	365,027	-	365,027	-
Other financial liabilities	592,616	592,621	-	-	592,621	592,937	592,937	-	-	592,937

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

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

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

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

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

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

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

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

Group

in RON thousands	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
Assets	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Financial assets - held for trading	**101,160**	**178,095**	**57,355**	**33,738**	**2,188**	**2,132**	**160,703**	**213,965**
Derivatives	-	-	57,355	28,930	2,188	2,132	59,543	31,062
Other financial assets held for trading	101,160	178,095		4,808	-	-	101,160	182,903
Non-trading financial assets at fair value through profit or loss	**-**	**2,400**	**2,548**	**-**	**34,715**	**36,995**	**37,263**	**39,395**
Equity instruments		2,400	2,548	-	30,500	31,075	33,048	33,475
Loans and advances	-	-	-	-	4,215	5,920	4,215	5,920
Financial assets at fair value through other comprehensive income	**5,350,969**	**5,031,042**	**45,627**	**144,301**	**61,523**	**46,738**	**5,458,119**	**5,222,081**
Equity instruments	-	-	-	-	54,178	40,721	54,178	40,721
Debt securities	5,350,969	5,031,042	45,627	144,301	7,345	6,017	5,403,941	5,181,360
Total assets	**5,452,129**	**5,211,537**	**105,530**	**178,039**	**98,426**	**85,865**	**5,656,085**	**5,475,441**
Liabilities								
Financial liabilities - held for trading	-	-	83,128	32,988	-	-	83,128	32,988
Derivatives	-	-	83,128	32,988	-	-	83,128	32,988
Total liabilities	**-**	**-**	**83,128**	**32,988**	**-**	**-**	**83,128**	**32,988**

Bank

in RON thousands	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
Assets	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Financial assets - held for trading	**101,160**	**178,095**	**57,950**	**33,864**	**2,188**	**2,133**	**161,298**	**214,092**
Derivatives	-	-	57,950	29,056	2,188	2,133	60,138	31,189
Other financial assets held for trading	101,160	178,095		4,808	-	-	101,160	182,903
Non-trading financial assets at fair value through profit or loss	**-**	**2,400**	**2,549**	**-**	**34,481**	**36,752**	**37,030**	**39,152**
Equity instruments		2,400	2,549	-	30,266	30,832	32,815	33,232
Loans and advances		-	-	-	4,215	5,920	4,215	5,920
Financial assets at fair value through other comprehensive income	**5,350,969**	**5,031,042**	**-**	**109,239**	**61,052**	**46,738**	**5,412,021**	**5,187,019**
Equity instruments	-	-	-	-	54,178	40,721	54,178	40,721
Debt securities	5,350,969	5,031,042	-	109,239	6,874	6,017	5,357,843	5,146,298
Total assets	**5,452,129**	**5,211,537**	**60,499**	**143,103**	**97,721**	**85,623**	**5,610,349**	**5,440,263**
Liabilities								
Financial liabilities - held for trading	-	-	83,128	32,988	-	-	83,128	32,988
Derivatives	-	-	83,128	32,988	-	-	83,128	32,988
Total liabilities	**-**	**-**	**83,128**	**32,988**	**-**	**-**	**83,128**	**32,988**

Non-trading financial assets at fair value position includes:

- loans and advances to customers classified at fair value through profit and loss according to IFRS 9 due to failure to pass the SPPI (solely payments of principal and interest) test.

The methodology to compute the fair value of these assets corresponds to the basic present value technique where expected cash flows of assets are discounted by the full rate including credit risk, market risk and cost components. The credit risk is incorporated in the assessment of cash flows in order to come to expected cash flows accounting for customer's probability of default. These cash flows are then adjusted with the discount rate.

- equity instruments, in principal minority interests classified as level 3 instruments for which the fair value is determined based on internal assessment. The most common valuation methods used in the evaluation of minority interest are: Quoted price in active markets, Expert opinion or Recent transaction value, Discounted Cash Flow Method / Dividend Discount Model, the adjusted Net Asset Value, Simplified income approach.

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

20.3. Valuation of level 3 financial instruments

Financial assets at fair value through other comprehensive income includes:

- Debt securities issued by Ministry of Finance which are actively traded classified on level 1 and 2.
- Visa INC Preferred Share equity for which fair value is computed based on internal assessment and one corporative bond which is theoretically priced are presented on level 3.

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

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

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

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

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

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

As at June 2019, the fair valuation of VISA Inc preferred shares was based on reasonable assumptions and estimations and was consequently classified in level 3.

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

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

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

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

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

Movements in Level 3 of financial instruments carried at fair value

Group

in RON thousands		Gain/loss in profit or loss	Gain/loss in other comprehensive income	Sales	Currency translation	
Assets	**01.01.2019**	**-**	**-**	**-**	**-**	**30.06.2019**
Financial assets - held for trading	2,133	55	-	-	-	2,188
Derivatives	2,133	55	-	-	-	2,188
Non-trading financial assets at fair value through profit or loss	36,995	(2,280)	-	-	-	34,715
Equity instruments	31,075	(575)	-	-		30,500
Loans and advances	5,920	(1,705)	-	-	-	4,215
Financial assets at fair value through other comprehensive income	46,738	-	14,785	-	-	61,523
Equity instruments	40,721	-	13,457	-	-	54,178
Debt securities	6,017	-	1,328	-	-	7,345
Total assets	**85,866**	**(2,225)**	**14,785**	**-**	**-**	**98,426**

Group

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

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

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

Bank

in RON thousands		Gain/loss in profit or loss	Gain/loss in other comprehensive income	Sales	Currency translation	
Assets	**01.01.2019**					**30.06.2019**
Financial assets - held for trading	2,133	55	-	-	-	2,188
Derivatives	2,133	55	-	-	-	2,188
Other financial assets held for trading	-	-	-	-	-	
Non-trading financial assets at fair value through profit or loss	38,885	2,060	-		-	34,481
Equity instruments	30,832	(566)	-	-	-	30,266
Debt securities	-	-	-	-	-	
Loans and advances	5,920	(1,705)	-		-	4,215
Financial assets at fair value through other comprehensive income	46,738	-	14,314	-	-	61,052
Equity instruments	40,721	-	13,457	-	-	54,178
Debt securities	6,017	-	858	-	-	6,874
Loans and advances	-	-	-	-	-	
Total assets	**87,756**	**2,115**	**14,314**	**-**	**-**	**97,721**

Bank

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

21. Legal claims and contingent liabilities

As at 30 June 2019, the Bank was involved in the normal course of its business in a number of 3,482 other litigation as defendant.

In the opinion of management, after taking appropriate legal advice from Legal Department/external lawyers/consultants, by case, the outcome of these legal claims will not give rise to any significant loss beyond the amount provided at 30 June 2019.

The audit mission of the Romanian Court of Accounts – BCR Banca pentru Locuinte (BpL)

In 2015, the Romanian Court of Accounts (hereinafter referred to as 'the CoA') conducted a control at the BpL. Following the mission, the CoA claims that several deficiencies were identified, the vast majority grounded on a different interpretation of the applicable legal provisions.

On 15 December 2015, the CoA issued the Decision no. 17, maintaining all the claims included in their initial report and requested BpL to establish exactly the amount of the prejudice. On December 23, 2015, BpL appealed the Decision no. 17 of the CoA, appeal that was rejected by the Commission for Solving Claims of the CoA through Decision No 2/29 February 2016, maintaining as such the Decision no. 17.

BpL submitted to the Court of Appeal an action for annulment of the decision of CoA.

Court of Appeal pronounced its resolution on March 1st 2017 and decided in favour of BCR Bpl for 5 out of 8 claims. Both BpL and CoA filed second appeal against this decision and, on June 24, 2019 High Court of Justice (HCJ) decided as follows:

- Both second appeals were admitted and the decision of the first court was annulled; as a consequence, the HCJ re-judged the request of BCR BpL and annulled only two measures, maintaing 6 of them.
- The maintained measures regard the incorrect calculation of State premium by BpL.
- As a consequence, BPL will need to establish all the amounts that should be returned to the State, in accordance with the Court of Justice final decision (consisting of state premiums, interest and penalties). The most probable future outflow of resources was estimated and booked as a provision as of 30.06.2019, in accordance with IAS 37 requirements.Moreover, consideration was given as to whether other payment obligations could arise in connection with this fact, including possible withholding tax on the amounts already released to the clients as state premiums. For the latter, BpL Management concluded that the information available is insufficient, no reliable estimate of the amount required to settle the obligation could be computed out of it and , therefore, no related provision was booked as of 30.06.2019.

The financial impact is described in Note 9 – Provisions and Note 16 – Taxes on Income.

Tax litigations

Transfer pricing

During the period May 3rd 2016 – July 9th 2017, BCR was subject to a tax audit regarding Corporate Income Tax and VAT for the period January 1st 2012 – December 31st 2015. The main aspect verified by the Romanian Tax authorities were the intragroup transactions performed by BCR with its related parties during the analyzed period, mainly the financial transactions.

Based on the fiscal audit performed, the Romanian tax authorities established an additional corporate income tax expense of RON 102.581.852 as at 30th of June 2017, for the entire audited period 2012 – 2015. The additional corporate income tax due was added to the existing amounts as at 30th of June 2017.

21. Legal claims and contingent liabilities (*continued*)

During the period April 10th 2019 – April 22nd 2019, BCR was subject to a partial tax audit in respect of withholding tax due for incomes obtained by nonresidents in Romania, for the period January 1st 2014 – December 31st 2015.
On May 15th 2019, BCR received the Tax Audit report and the Fiscal decision, issued based on the Tax audit performed. Thus, the Romanian tax authorities established an additional withholding tax due in respect of RON 43,070,398, representing withholding tax on incomes obtained by nonresidents in Romania, in relation to interest revenues of RON 226,119,588 paid by BCR to Erste and considered by the Romanian tax authorities as being overpriced, according to the transfer pricing adjustments made by the Romanian tax authorities during the tax audit closed on 2017.

Regarding the part of the tax authorities' findings in the tax audit report closed in 2017 regarding the transfer prices used in transactions performed by BCR and Erste, BCR initiated the MAP procedure within the EUAC, considering that the adjustment of the transfer prices set by Romanian tax authorities for 2012 – 2015 has generated double taxation in Austria and Romania.

Considering the Romanian tax authorities decision to adjust the taxable base of corporate income tax, respectively to impose an additional corporate income tax for the period 2012 – 2015, the Bank has analyzed the necessity of booking a provision for a potential obligation regarding additional corporate income tax for the period 2016 – 2018.

According to IAS 37 "Provisions, contingent assets and liabilities", a provision is recognized if the following conditions are meet:
- The company has a current obligation resulting from past events;
- It is probable that an outflow of economic resources to be necessary in order to close this obligation;
- The value of the obligation can be adequately estimated.

According to the external consultants and lawyers' opinion and based on the available information and analysis, the Bank's Management appreciates that there are more likely than not chances for a favorable solution against the Romanian tax authorities.

Considering the results of the analyzed performed by the Bank's Management as mentioned above, based on which it is not probable that an outflow of economic resources to occur in the future, and based on the provisions of IAS 37 "Provisions, contingent assets and liabilities", it was concluded that as at June 30th 2019, the conditions necessary for booking a provision in relation to a possible obligation resulted from the fiscal treatment of the intragroup transactions applied by the Bank during 2016 – 2018, are not met.

Impairment of subsidiaries

In 2017 during the tax audit performed by the tax authorities, the Management of the Bank requested deductibility in relation to expenses generated by depreciation of shares in subsidiaries booked for the period 2012 – 2015, considering the provisions of the Fiscal code applicable for these periods.

In accordance with the legal provisions in force, during the analyzed period it is mentioned that the impairment on the financial assets are deductible for fiscal purposes. The fiscal legislation did not contain any restriction in this case, this interpretation being sustained by the substantiation note of the changes to the fiscal code and by the fiscal guide for the transition to IFRS.

The tax authorities challenged the arguments of the Bank's Management and considered that the impairment allowances booked are nondeductible.
The Bank's Management has retained the aforementioned position and included the related amounts in the appeal submitted to the tax authorities.

21. Legal claims and contingent liabilities (*continued*)

According to the external consultants and lawyers' opinion and based on the available information and analysis, the Bank's Management appreciates that there are more likely than not chances for a favorable solution against the Romanian tax authorities.
Thus, an asset of the nature of the profit tax, in relation to expenses with the depreciation of shares in subsidiaries booked for the period 2012 – 2015, considered deductible expenses according to the Fiscal code provisions in force for that period, was recognized in 2017. This asset was subject to independent successive evaluations in the period that followed, being maintained both at the end of 2018 and on June 30th 2019. We mention that until the final settlement of the dispute, the Bank did not reclassify these expenses as deductible.

The Management of the Bank challenged the tax audit results, using all the existing legal ways, the tax appeals being ongoing.

BFP Litigation

On 23 December 2016, BFP received a request filed by City Hall Bucharest to the International Court of Arbitration of the International Chamber of Commerce; the claim consisting in the amounts resulted from the joint venture contract, for the period from 2001 to 2013. The lawyers' assessment is that there are over 50% chances for BFP to obtain a favourable solution. In April 2019, in Bucharest, took place the hearings in this case. On July 01, 2019 the parties filed the closing statements. The Court didn't set a date for the final decision.

Up to the date of publishing these financial statements, there were no other significant updates related to the cases presented in the financial statements for the year ended 31 December 2018.

22. Subsequent events

On 9th of July 2019, BCR paid the amount of RON 673 million to BPL for capital needs. Subsequently, capital increase provided to BpL was fully impaired and BpL repaid to BCR an amount of RON 191 million of the existing loan.

BCR BpL received on 18th of July 2019 the motivation of the High Court of Justice decision. Currently the Bank is reviewing it in order to assess what will be the next steps. Most likely, extraordinary appeal(s) and international legal actions will follow in due time.

The Bank does not due the tax on financial assets in the first semester of 2019, considering the conditions of reducing the tax due according to GEO 19/2019, article 87, para 5. Considering that the indicator "loan granted to households and non financial corporations growth" exceeds half of the yearly target of 4% in accordance with the above mentioned article, the tax is not due and declared in the first semester of 2019.