



Nr. Cabinet Presedinte 14 /31.07.2019
Consiliul de Supraveghere

Semi-Annual Administrators' Report

as at 30 June 2019

This report is prepared in accordance with requirements of ASF Regulation 5/2018.

Report issued: 30 July 2019

Name of legal entity:	Banca Comerciala Romana SA
Headquarters:	15 Calea Victoriei street, Sector 3, Bucharest, postal code 030023
Contact:	
	Tel No. InfoBCR: 0800.801.227 +4021.407.42.00
	Website www.bcr.ro
	Email: contact.center@bcr.ro
Registration Number in the Trade Register:	J40/90/1991
Banking Register Number:	RB-PJR-40-008/18.02.1999
Notification registered as Personal Data Operator at ANSPDCP under No:	3776 and 3772
Subscribed and paid-up capital:	1,625,341,625.40 lei
The regulated market on which the bonds are issued:	Luxemburg Stock Exchange (www.bourse.lu)
The main characteristics of the bonds issued by BCR S.A.	Issuance in amount of RON 70,000,000, ISIN XS0474834925 Issuance in amount of RON 134,000,000, ISIN XS0496326223 Issuance in amount of EUR 4,158,000, ISIN XS0550567142 Issuance in amount of EUR 3,000,000, ISIN XS0609194450 Issuance in amount of EUR 2,000,000, ISIN XS0675038649



1. Economic and financial statements

1.1 Company presentation

Banca Comerciala Romana (BCR) was established in 1990, when it took over the commercial operations of the National Bank of Romania. Today, BCR Group (member of Erste Group) is one of the most important financial group in Romania, including universal banking operations (retail, corporate & investment banking, treasury and capital markets) as well as leasing companies, private pension and housing banks.

The Bank offers a complete range of financial services and financial solutions dedicated to each stage of the financial cycle in a lifetime, as a "one-stop shop": savings, investment, lending, consulting and advisory, leasing. BCR encourages long-term relationships with its clients belonging to all segments, offers affordable and transparent products, but also personalized consulting services.

Network

BCR offers a full range of financial products and services through a network of 21 commercial centres and area centres and 22 mobile offices dedicated to companies and 482 retail units located in the majority cities with a population of over 10,000 inhabitants from all across the country.

Bank and subsidiaries

During 2019, Banca Comerciala Romana Group ("BCR Group" or "the Group") comprised the parent bank, Banca Comerciala Romana S.A. and its subsidiaries, presented in the following table:

Company's Name	Country of incorporation	Nature of the business	Shareholding	
			30 June 2019	31 December 2018
BCR Chisinau SA	Moldova	Banking	100.00%	100.00%
BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund Management	99.99%	99.99%
BCR Banca pentru Locuinte SA	Romania	Housing loans	99.99%	99.99%
Suport Colect SRL	Romania	Workout	99.99%	99.99%
CIT One SRL	Romania	Security activities and guard /Cash processing and storing	100.00%	100.00%
BCR Payments Services SRL	Romania	Payments transactions	99.99%	99.99%
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.

Group structure has not changed since 31 December 2018.

1.2 Financial accounting statements

Statement of financial position		Group			Bank		
in RON thousands	30.06.2019	31.12.2018	H 1 2019/ 2018 %	30.06.2019	31.12.2018	H 1 2019/ 2018 %	
Assets							
Cash and cash balances	10,346,352	11,123,191	-7.0%	10,179,024	10,862,852	-6.3%	
Financial assets held for trading	160,703	213,965	-24.9%	161,298	214,092	-24.7%	
Derivatives	59,543	31,062	91.7%	60,138	31,189	92.8%	
Other financial assets held for trading	101,160	182,903	-44.7%	101,160	182,903	-44.7%	
<i>thereof pledged as collateral</i>	4,181	-	x	4,181	-	x	
Non-trading financial assets at fair value through profit or loss	37,263	39,395	-5.4%	37,030	39,152	-5.4%	
Equity instruments	33,048	33,475	-1.3%	32,815	33,232	-1.3%	
Loans and advances to customers	4,215	5,920	-28.8%	4,215	5,920	-28.8%	
Financial assets at fair value through other comprehensive income	5,458,119	5,222,081	4.5%	5,412,021	5,187,019	4.3%	
Equity investments	54,178	40,721	33.0%	54,178	40,721	33.0%	
Debt securities	5,403,941	5,181,360	4.3%	5,357,843	5,146,298	4.1%	
<i>thereof pledged as collateral</i>	25,399	-	x	25,399	41,748	-39.2%	
Financial assets at amortised cost	51,798,643	50,843,219	1.9%	49,738,875	48,732,568	2.1%	
<i>thereof pledged as collateral</i>	806,426	690,952	16.7%	2,097,320	1,693,280	23.9%	
Debt securities	15,299,100	15,879,108	-3.7%	14,066,921	14,297,905	-1.6%	
Loans and advances to banks	269,108	123,840	117.3%	280,364	388,848	-27.9%	
Loans and advances to customers	36,230,435	34,840,271	4.0%	35,391,590	34,045,815	4.0%	
Finance lease receivables	1,062,774	990,868	7.3%	3,241	-	x	
Property and equipment	1,077,677	1,169,260	-7.8%	974,754	760,646	28.1%	
Investment property	147,977	162,806	-9.1%	147,977	162,806	-9.1%	
Intangible assets	345,856	361,898	-4.4%	339,630	354,020	-4.1%	
Investments in joint ventures and associates	23,388	20,027	16.8%	17,035	7,509	126.9%	
Current tax assets	200,258	181,800	10.2%	197,295	178,822	10.3%	
Deferred tax assets	173,874	202,165	-14.0%	164,713	197,061	-16.4%	
Assets held for sale	548,626	161,114	240.5%	106,337	117,699	-9.7%	
Trade and other receivables	490,654	563,014	-12.9%	480,201	543,179	-11.6%	
Investments in subsidiaries	-	-	x	403,152	403,152	0.0%	
Other assets	346,768	275,502	25.9%	185,649	148,677	24.9%	
Total assets	72,218,932	71,530,305	1.0%	68,548,231	67,909,254	0.9%	

in RON thousands	30.06.2019	31.12.2018	H 1 2019/ 2018 %	30.06.2019	31.12.2018	H 1 2019/ 2018 %
Liabilities and Equity						
Financial liabilities held for trading	83,128	32,988	152.0%	83,128	32,988	152.0%
Derivatives	83,128	32,988	152.0%	83,128	32,988	152.0%
Financial liabilities measured at amortised cost	61,890,320	61,618,808	0.4%	58,881,083	58,326,984	0.9%
Deposits from banks	5,294,492	5,578,080	-5.1%	4,562,358	4,791,204	-4.8%
Deposits from customers	55,427,344	55,098,959	0.6%	53,150,871	52,593,690	1.1%
Debt securities in issue	269,613	349,153	-22.8%	269,613	349,153	-22.8%
Other financial liabilities	898,871	592,616	51.7%	898,241	592,937	51.5%
Finance lease liabilities	249,912	-	x	245,567	-	x
Provisions	1,753,037	1,151,688	52.2%	1,400,326	1,120,255	25.0%
Current tax liabilities	4,051	97,782	-95.9%	-	97,110	-100.0%
Deferred tax liabilities	6,791	-	x	-	-	x
Liabilities associated with assets held for sale	35,499	15,438	129.9%	-	-	x
Other liabilities	319,411	246,887	29.4%	248,902	193,842	28.4%
Total equity	7,876,783	8,366,714	-5.9%	7,689,225	8,138,075	-5.5%
Share capital	2,952,565	2,952,565	0.0%	2,952,565	2,952,565	0.0%
Retained earnings	3,255,783	3,766,482	-13.6%	3,051,869	3,525,615	-13.4%
Other reserves	1,668,435	1,647,667	1.3%	1,684,791	1,659,895	1.5%
attributable to non-controlling interest	52	46	13.0%	-	-	x
attributable to owners of the parent	7,876,731	8,366,668	-5.9%	-	-	x
Total liabilities and equity	72,218,932	71,530,305	1.0%	68,548,231	67,909,254	0.9%



1.2 Financial accounting statements (*continued*)

As at 30 June 2019, total assets of the Group increased to RON 72,218,932 thousands versus RON 71,530,305 thousands as at 31st of December 2018.

The significant variations are described below:

- Cash and cash balances decreased by 7% from RON 11,123,191 thousands as at 31st December 2018 to RON 10,346,352 thousands as at 30 June 2019
- The financial assets at amortised cost increased by 2%, on the background of higher loans to banks and higher loans to customers (up by 4%).
- Deposits from customers increased by 0.6% yoy in H1 2019 driven by the increase in retail deposits.
- The deposits from banks decreased by 5.1% mainly due to prepayment of long term deposits to Erste (EUR 311 mn)
- The provisions increased by 52.2% mainly due to booking of a provision in accordance with IAS 37 by BpL related to final decision of HCCJ regarding the control of Court if Accounts (for more details please see Note 21 – Litigations from Interim condensed Financial Statements).

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



1.2 Financial accounting statements (continued)

Statement of income

in RON thousands	Group			Bank		
	30.06.2019	30.06.2018	H1 2019/ H1 2018 %	30.06.2019	30.06.2018	H1 2019/ H1 2018 %
Net interest income	1,110,156	962,331	15.4%	1,058,954	916,680	15.5%
Interest income	1,363,646	1,208,734	12.8%	1,289,124	1,133,352	13.7%
Interest expense	(253,490)	(246,403)	2.9%	(230,170)	(216,672)	6.2%
Net fee and commission income	368,873	349,442	5.6%	354,128	327,028	8.3%
Fee and commission income	453,786	426,033	6.5%	433,116	397,247	9.0%
Fee and commission expense	(84,913)	(76,591)	10.9%	(78,988)	(70,219)	12.5%
Dividend income	2,359	3,657	-35.5%	15,784	11,609	36.0%
Net trading result	165,213	186,073	-11.2%	163,785	183,203	-10.6%
Gains/losses from financial instruments measured at fair value through profit or loss	(2,285)	1,751	-230.5%	(2,285)	1,751	-230.5%
Net result from equity method investments	(1,555)	2,526	-161.6%	0	-	x
Rental income from investment properties & other operating leases	47,484	35,840	32.5%	5,588	5,166	8.2%
Personnel expenses	(395,724)	(378,340)	4.6%	(344,850)	(334,255)	3.2%
Other administrative expenses	(347,046)	(330,571)	5.0%	(358,518)	(333,934)	7.4%
Depreciation and amortisation	(125,444)	(91,778)	36.7%	(100,637)	(64,231)	56.7%
Gains/losses from derecognition of financial assets measured at amortised cost	(505)	0	x	(505)	0	x
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	(29,436)	2,221	-1425.3%	(29,436)	2,221	-1425.3%
Net impairment loss on financial instruments	88,774	30,131	194.6%	(189,906)	23,670	-902.3%
Other operating result	(769,520)	39,336	-2056.3%	(436,981)	32,953	-1426.1%
Pre-tax result from continuing operations	111,344	812,619	-86.3%	135,121	771,861	-82.5%
Net profit of the year	111,344	812,619	-86.3%	135,121	771,861	-82.5%
Taxes on income	(132,187)	(115,618)	14.3%	(123,771)	(114,976)	7.6%
Net result for the period	(20,843)	697,001	-103.0%	11,350	656,885	-98.3%
Net result attributable to non-controlling interests	6	4	50.0%	0	-	x
Net result attributable to owners of the parent	(20,849)	696,997	-103.0%	11,350	656,885	-98.3%



1.2 Financial accounting statements (continued)

Statement of cash flows

in RON thousands	Group			Bank		
	30.06.2019	30.06.2018	H1 2019/ H1 2018 %	30.06.2019	30.06.2018	H1 2019/ H1 2018 %
Net result for the period	(20,843)	697,001	-103%	11,350	656,885	-98%
Non-cash adjustments for items in net profit/(loss) for the year						
Depreciation, amortisation of assets	125,444	91,778	37%	100,637	64,231	57%
Allocation to and release of impairment of loans	38,758	(39,935)	-197%	304,938	(50,443)	-705%
Gains/(losses) from the sale of tangible and intangible assets	20,602	(10,829)	-290%	18,105	(9,749)	-286%
Other provisions	60,135	(52,618)	-1243%	280,071	(38,883)	-820%
Impairment tangible and intangible assets	13,220	(3,193)	-514%	-	7	-100%
Interest income received from investing activities	(332,240)	(328,289)	1%	(309,479)	(299,839)	3%
Interest expense paid for financing activities	(29,682)	82,006	-136%	(29,682)	75,068	-140%
Dividend income from investing activities	-	-	x	(13,464)	(7,953)	69%
Other adjustments	(63,501)	(39,104)	62%	(68,869)	(41,499)	66%
Changes in assets and liabilities from operating activities after adjustment for non-cash components						
Financial assets - held for trading	81,743	(107,829)	-176%	81,743	(107,832)	-176%
Non-trading financial assets at fair value through profit or loss	-	25,847	-100%	-	25,869	-100%
Financial assets at fair value through other comprehensive income	(205,466)	-	x	(195,037)	-	x
Financial assets at amortised cost						
Loans and advances to banks	(145,268)	912,021	-116%	(169,470)	909,288	-119%
Loans and advances to customers	(1,430,879)	(1,530,728)	-7%	(1,310,610)	(1,395,383)	-6%
Other assets from operating activities	(68,855)	(6,918)	895%	(36,947)	(46,146)	-20%
Financial liabilities - held for trading	-	514	-100%	-	514	-100%
Deposits from banks	(264,192)	(561,805)	-53%	(93,586)	(685,062)	-86%
Deposits from customers	328,385	(13,050)	-2616%	557,181	113,625	390%
Other financial liabilities	260,076	15,932	1532%	275,382	5,000	5408%
Other liabilities from operating activities	72,531	(12,893)	-663%	55,060	4,004	1275%
Cash flow from operating activities	(1,018,819)	(882,092)	16%	(542,678)	(828,298)	-34%
Proceeds of disposal						
Financial assets at fair value through other comprehensive income	(727)	305,373	-100%	(727)	305,373	-100%
Property and equipment, intangible assets and investment properties	49,758	46,971	6%	49,757	30,816	61%
Acquisition of						
Debt securities at amortised cost	582,939	(564,412)	-203%	223,629	(519,862)	-143%
Financial assets at fair value through other comprehensive income	-	(5,835)	-100%	-	-	x
Property and equipment, intangible assets and investment properties	(177,990)	(140,395)	27%	(66,538)	(55,570)	20%
Contribution to increase in share capital of subsidiaries	-	-	x	-	(30,000)	-100%
Interest received from investing activities	332,223	679,425	-51%	309,479	630,067	-51%
Dividends received from investing activities	-	-	x	13,464	7,953	69%
Cash flow from investing activities	786,203	321,127	145%	529,065	368,776	43%
Dividends paid to equity holders of the parent	(484,630)	(213,476)	127%	(484,630)	(213,476)	127%
Dividends paid to non-controlling interests	(466)	(14,587)	-97%	(466)	(14,587)	-97%
Debt securities issued	(91,061)	(90,661)	0%	(91,061)	(90,661)	0%
Inflows from other financing activities	364,106	326,277	12%	-	-	x
Outflows from other financing activities	(285,525)	(816,169)	-65%	(56,917)	(641,284)	-91%
Interest expense paid for financing activities	(46,647)	(84,286)	-45%	(37,140)	(77,724)	-52%
Other financing activities	(23,033)	(32,308)	-29%	(13,526)	(25,746)	-47%
Subordinated loans	(23,614)	(51,978)	-55%	(23,614)	(51,978)	-55%
Cash flow from financing activities	(544,223)	(892,902)	-39%	(670,214)	(1,037,732)	-35%
Cash and cash equivalents at beginning of period	11,123,191	11,367,313	-2%	10,862,852	11,244,649	-3%
Cash flow from operating activities	(1,018,819)	(882,092)	16%	(542,678)	(828,299)	-34%
Cash flow from investing activities	786,203	321,127	145%	529,065	368,777	43%
Cash flow from financing activities	(544,223)	(892,902)	-39%	(670,214)	(1,037,732)	-35%
Cash and cash equivalents at end of period	10,346,352	9,913,446	4%	10,179,024	9,747,395	4%

As at 30 June 2019, liquidity indicator calculated in accordance with NBR Regulation 2/2018 was between 1.75 and 21.17 (considering the remaining maturity of assets and liabilities), while as at 31st of December 2018 was between 1.88 and 30.82.



2. Analysis of the issuer's activity

2.1. Outlook on issuer's activity

2019 expected macroeconomic development

Our economic growth forecast for 2019 was revised upwards to 4.5% due to stronger than expected growth in Q1 19 and signs of a recovery in the construction sector. The flipside of stronger economic growth is that the current account deficit will continue to rise (although slower than in 2018) because imports of goods are still running high. The real GDP structure continues to show a strong profile of household consumption, while gross fixed capital information could grow moderately this year.

Balance Sheet developments

In the current context, BCR Group expects in 2019 a high-single digit growth in net loans supported by both retail and corporate segments.

Growth in retail loans is assumed to be driven by the positive development of cash loans coupled with mortgage lending despite legislative regulatory changes. Corporate lending advance is backed mainly by the increase on SME and Real Estate segments.

On the liabilities side, BCR will continue to capitalize on its very strong customer deposit base, further increasing the share of current accounts. Furthermore, BCR will continue to replace the intragroup long term funding by customer deposits. These actions are in line with the Bank's strategy to focus on local currency lending by relying on its strong self-funding capacity in RON. Both Retail and Corporate deposits follow estimated market growth development.

Income Statements developments

Net interest income is expected to continue growing in 2019, albeit at a slower pace as a consequence of stricter debt-to-income levels imposed by the Central Bank starting January 1st, with impact on new Retail loans, as well as the stabilization of market rates.

Net fee and commission income, the second key income component, is expected to slightly increase in 2019 helped mainly by Dynamic Currency Conversion (DCC) income reclassification from Net trading result to Net fee and commission. A downside effect is coming from lower fees from Pension Fund as an effect of GEO 114/2018, while business driven fees income are offsetting each other (higher maintenance and cash transactions with lower lending and intermediation fees for EAM funds). As a result, **the operating income** should grow by low single digit in 2019, with NII remaining the biggest contributor.

Operating expenses are expected to increase in 2019 as compared to previous year mainly driven by higher contribution for Bank Deposit Guarantee Fund coupled further investments and higher unit costs counterbalanced by ongoing cost savings initiatives.

Risk costs have positive impact in net profit in 2019, with expected recoveries partly covering allocations. All in all, this will result in a certain amount of risk allocations, with the risk cost ratio tending towards a normalized evolution on the back of improved asset quality and further reduction of the NPL stock.

Net profit significantly impacted by BpL provision allocation in accordance with IAS 37 due to decision of the Romanian High Court over the way the Bank disbursed government mortgage saving subsidies.



2. Analysis of the issuer's activity (continued)

2.2. Issuer's tangible and intangible assets

Currently, BCR S.A. has a portfolio of 197 properties, located in 42 counties, of which the largest number of buildings are located in Bucharest - 24 units, Alba - 8 units, Suceava - 5 units, Bacau, Constanta si Hunedoara - 7 units in each county, Brasov, Dambovita and Prahova - 6 units in each county, and the remaining 121 buildings are located in other counties in Romania.

The largest share in the property portfolio is held by the office spaces (68%) and commercial spaces (25%). The rest of the portfolio consists of independent construction with administrative destination (7%).

Currently, BCR S.A. follows the strategy of optimizing the network of units, a strategy started in 2018, whose purpose was the selling certain properties. The real estate elements included in the sale plan could be sold in the current real estate market without requiring any change for the purpose of the sale.

The business plan within the current strategy presented the Bank's intention to recover the book value of the buildings included in the sale-optimization strategy rather than through their use.

As of 30.06.2019 net tangible assets amounted to RON 1,122,731 thousands. In total net tangible assets, own use land and buildings represent 48%.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated.

The estimated useful lives are as follows:

- | | |
|---------------------------------|----------------------------------|
| • Buildings | 30 to 50 years (mainly 50 years) |
| • Office equipment | 3 to 10 years |
| • Other furniture and equipment | 3 to 10 years |

2.3. Issuer's performance¹

BCR registered a **net loss of RON 20.8 million** (EUR 4.4 million) in H1 2019 due to significant one-off provision allocation related to the activity of BCR Banca pentru Locuinte, despite the robust operating result, low risk costs and good performance on all business lines.

The operating result increased by 10.9% as compared to H1 2018, up to RON 822 million (EUR 173.3 million), supported by better operating income.

¹ Below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana Group for H1 2019, according to IFRS. Unless otherwise stated, financial results for H1 2019 are compared to financial results for H1 2018. Also, if not stated otherwise, foreign exchange rates used for conversion of figures into EURO are the ones provided by the European Central Bank. The income statement is converted using the average exchange rate for H1 2019 of 4.7422 RON/EUR when referring to H1 2019 results and using the average exchange rate for H1 2018 of 4.6546 RON/EUR when referring to the H1 2018 results. The balance sheets at 30 June 2019 and at 31 December 2018 are converted using the closing exchange rates at the respective dates (4.7343 RON/EUR at 30 June 2019 and 4.6635 RON/EUR at 31 December 2018, respectively). All the percentage changes refer to RON figures



2. Analysis of the issuer's activity (continued)

2.3. Issuer's performance (continued)

Net interest income increased significantly by 15.4%, to RON 1,110.1 million (EUR 234.1 million), from RON 962.3 million (EUR 206.7 million) in H1 2018, on the background of a higher interest rate environment and higher business volumes.

Net fee income advanced by 5.6%, to RON 368.9 million (EUR 77.8 million), from RON 349.4 million (EUR 75 million) in H1 2018, mainly driven by higher fee income generation in lending and insurance business.

Net trading result decreased by 13.3%, to RON 162.9 million (EUR 34.4 million), from RON 187.8 million (EUR 40.4 million) in H1 2018.

The operating income increased by 9.6% to RON 1,690.2 million (EUR 356.4 million) from RON 1,541.6 million (EUR 331.2 million) in H1 2018, mainly driven by net interest income on the back of higher interest rate environment and higher business volumes.

General administrative expenses in H1 2019 reached RON 868.2 million (EUR 183 million), up by 8.4% in comparison to RON 800.7 million (EUR 172 million) mainly due to higher annual contribution to deposit insurance fund in 2019.

As such, **cost-income ratio** improved at 51.4% in H1 2019, versus 51.9% in H1 2018.

Risk costs and Asset Quality

In terms of **net impairment loss** on non-fair value financial assets BCR recorded a provision release of RON 88.8 million (EUR 18.7 million), versus a provision release of RON 30.1 million (EUR 6.5 million) in H1 2018, driven by recoveries for defaulted customers and healings. NPL ratio at 5.5% as of 30 June 2019, reduced versus 5.8% in December 2018 based on strong positive development in loans to customers. NPL provisioning coverage reached 103% as of June 2019.

Capital position and funding

Solvency ratio under local standards (BCR standalone) as of May 2019 stood at 21.4%, well above the regulatory requirements of the National Bank of Romania. Also, IFRS Tier 1+2 capital ratio of 19.6% (BCR Group), as of December 2018, is clearly showing BCR's strong capital adequacy and continuing support of Erste Group. In this respect, BCR enjoys one of the strongest capital and funding positions amongst Romanian banks.

BCR will continue to maintain high solvency ratio, proving its ability and commitment to support sustainable quality of lending growth in both Retail and Corporate franchises, further reinforcing core revenue generating capacity.

Loans and advances to customers increased by 3.8% to RON 37,788.1 million (EUR 7,981.7 million) as of 30 June 2019 from RON 36,400.1 million (EUR 7,805.3 million) as of 31 December 2018, supported by both corporate (+5.0% ytd) and retail (+4.1% ytd) volumes.

Deposits from customers increased by 0.6% to RON 55,427.3 million (EUR 11,707.6 million) as of 30 June 2019 versus RON 55,099 million (EUR 11,815 million) as of December 2018, driven by the increase in retail deposits. Customer deposits remain BCR's main funding source, while the bank benefits from diversified funding sources, including parent company.



2. Analysis of the issuer's activity (continued)

2.3. Issuer's performance (continued)

BCR impact in the economy

In retail banking business, BCR generated total new loans in local currency to individuals and micro-business of over RON 3.5 billion in H1 2019 driven by cash loans. The new originations were constrained by stricter debt-to-income (DTIs) applied starting January 2019, with a higher impact on mortgage sales. BCR is one of the few banks in the market offering standard mortgage with 5 year and 10 year fixed-rate aiming to protect its clients.

In corporate banking business, BCR (bank only) approved new corporate loans in amount of RON 3,602 million (EUR 761 million). Major sectors such as industrials (automotive, chemicals, machinery), energy & utilities, agriculture and healthcare were financed.

Moreover, the stock of financing for the SME segment (incl. BCR Leasing subsidiary) increased by 15.9% year-on-year to RON 5.8 billion (EUR 1.2 billion) as of 30 June 2019, as a result of a higher focus on new business and advance in leasing. Real Estate segment was strongly up by 48% year-on-year boosted by the new office and commercial projects financed.

BCR continued the BCR-InnovX Accelerator program, by organizing the first BCR-InnovX Tech Conference dedicated to start-ups and investors and initiating the second group of 10 start-ups, with a turnover or attracted financing between 0 and EUR 100.000.

In the first semester of 2019, BCR has accelerated the digitalization and simplification of operations. The **intelligent banking platform George** reached 600.000 users in H1 2019, for both individuals and micro. George has been continuously improved with new functionalities, including George Pay, the payment solution for smartphones and George Store. In H1 2019, there were over 35.000 plug-ins and products activated by customers in George Store.

BCR has successfully launched Casa Mea, the first digital solution for mortgage loans assisting the customer throughout the entire loan granting process— ensuring smoother and more convenient document management and interactions with the bank, notary public and property assessor.

3. Changes affecting the issuers' capital

3.1 Description of the cases when the issuer was unable to meet its financial obligations during the reporting period

N/A

3.2 Description of any changes in the rights of the holders of debt securities issued

N/A

4. Significant transactions

N/A

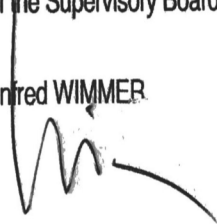
5. Annexes

The following documents are annexed to this report:

1. Issuers' Management
2. Statement of Compliance of the members of the Executive Committee who assume responsibility for the preparation of the Financial Statements
3. Interim Condensed Financial Statements prepared in accordance with IAS 34 and unaudited as at 30 June 2019

Chairman of the Supervisory Board,

Manfred WIMMER

A handwritten signature in black ink, appearing to be 'M. Wimmer', is written over the printed name 'Manfred WIMMER'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Annex - Issuer's Management

BCR's Supervisory Board and Management Board structure during 01.01 - 30.06.2019

Supervisory Board

- Manfred Wimmer - Chairman
- Andreas Treichl - Deputy Chairman
- Gernot Mittendorfer - Member
- Brian O'Neill - Member
- Hildegard Gacek - Member
- Elisabeth Krainer Senger – Weiss - Member
- Daniela Nemoianu - Member (appointed by GSM on 24.04.2019, currently under the NBR authorization process)

Management Board

1. Sergiu Cristian MANEA - Executive President
2. Elke MEIER - Executive Vice-president
3. Dana Luciana DIMA - Executive Vice-president
4. Michael BEITZ - Executive Vice-president
5. Ryszard Ferdynand DRUZYNSKI - Executive Vice-president