

Profile

Banca Comerciala Romana (BCR) was established in 1990 taking over the commercial banking operations of the National Bank of Romania. Today, BCR is the most important financial group in Romania, including companies on the leasing, private pension and housing bank markets. BCR is the most valuable financial brand in Romania, according to level of customer trust* and number of clients who mainly bank with BCR.



BCR is Romania's No. 1 bank in terms of asset value (over 14.8 €bn.), in terms of client base and in terms of savings and crediting. BCR provides a full range of financial products and services through a network of 22 corporate business centres and 18 mobile offices dedicated to corporate clients, and 514 retail units located in most communities inhabited by at least 10,000 citizens to provide a full range of financial products and services. BCR customers have the largest ATM network at their disposal – over 2,000 ATMs and 15,200 POS terminals enabling customers to use their cards for shopping purposes, as well as the complete Internet banking, mobile banking, phone-banking and e-commerce services.

From 2006 on, BCR became a member of Erste Group, which was founded 1819 as the first Austrian savings bank. Since 1997 Erste Group has developed into one of the largest financial services providers in Central and Eastern Europe, with more than 46,000 employees serving around 16.4 million clients in 2,900 branches in 7 countries (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia, Serbia).

Strategic positioning

- Business approach:** We offer full range of financial solutions and services across the entire financial life of our clients in a "one-stop-shop": savings, investments, lending, consulting and advisory, leasing.
- Geographical approach:** We focus on the Romanian and Moldavian markets (via fully-owned subsidiary BCR Chisinau), while offering clients' active abroad financial services and advisory through Erste Group subsidiaries across Central and Eastern Europe.
- Client approach:** BCR fosters long-term relationship with clients in all segments, offering accessible and transparent products as well as personalized consulting services.

Products & Services

BCR, a modern bank with a long-term tradition, services the following client groups:

Customer banking in Romania

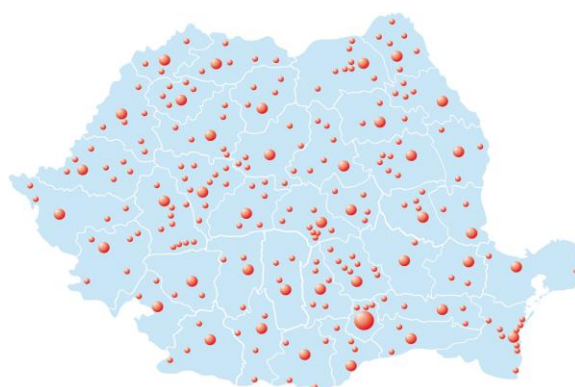
Private individuals: We support all our clients to fulfil their aspirations while ensuring their financial wealth now as well as in the future. We offer the complete range of services and products, from housing financing (mortgages), consumer loans, personal accounts (including dedicated packages for entrepreneurs, students, NGOs & foundations), payment & credit cards, direct banking services (controlling one's account via the Internet, phone, GSM), investment and savings products, consulting and sale of financial market & treasury products to Private Banking customers.

Small and medium-sized enterprises as well as large corporations: As leader in a range of banking businesses we play a major role in the corporate segment, offering customized products, specialized programmes and consulting for micro entrepreneurs, small and medium enterprises as well as large corporations.

Municipalities, public and non-profit sector: Due to our historical strong relationship with local municipalities as well as with the public and non-profit sector we developed to be the first choice address for tailor-made financial solutions (incl. special financing for national, regional and municipal infrastructure projects).

BCR's presence

- 514 branches
- 22 business centers
- 18 mobile offices



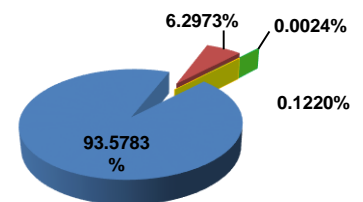
BCR in a nutshell

- 7,726 employees
- 514 branches
- 22 business centers and 18 mobile offices

BCR's business position

- No. 1 on EU funds market with over EUR 1.1 bn in co-financing granted for EU funded projects.
- BCR is providing universal banking operations (retail, corporate & investment banking, treasury and capital markets), and covering specialty companies working on the leasing market, asset management, private pensions, housing banks and mobile e-banking services.
- BCR is Romania's No. 1 bank in terms of asset value (over 14.8 €bn.), in terms of client base and in terms of savings and crediting.
- BCR is also Romania's most important financial brand, judging by the client trust rate and by the number of persons who consider that BCR is their main banking partner.

Shareholder structure:



- Erste Group Bank AG
- SIF Oltenia
- Other Romanian legal persons
- Other shareholders (individuals)

Management Board

- **Sergiu Manea**, Chief Executive Officer, Chairman of Management Board
- **Adriana Jankovicova**, Financial Executive Vice President
- **Bernhard Spalt**, Chief Risk Officer, Executive Vice President
- **Dana Demetrian**, Retail și Private Banking Executive Vice President
- **Ryszard DRUŻYŃSKI**, Executive Vice President Operations & IT (COO)

Ratings

	Long-Term	Short-Term	Outlook
Fitch	BBB+	F2	Stable
Moody's	Ba1	NP	Positive

Consolidated subsidiaries:



Macroeconomic outlook for CEE

Operating environment anticipated to be conducive to credit expansion. Real GDP growth is expected to be between 1.5% and 4.5% in Erste Group's CEE core markets in 2017. Real GDP growth should primarily be driven by solid domestic demand, whereby real wage growth and declining unemployment should support economic activity in CEE. Fiscal discipline is expected to be maintained across CEE.

Business outlook. Erste Group aims to achieve a return on tangible equity (ROTE) of more than 10% (based on average tangible equity in 2017). The underlying assumptions are: at best flat revenues (assuming 5%+ net loan growth); cost inflation of 1–2% due to regulatory projects and digitalization; increase in risk costs, albeit remaining at historically low levels; positive swing in other operating result due to lower Austrian banking tax.

Risks to guidance. Impact of expansionary monetary policies by central banks including negative interest rates; political risks such as various elections in key EU economies; geopolitical risks and global economic risks; consumer protection initiatives.

Outlook for BCR

"BCR continues to grow its healthy business together with the client portfolio, aiming at responsible financial intermediation supporting the development of each client and the prosperity of the entire community. We are first and foremost grateful for the trust of our clients, their loyalty and confidence to count on BCR for their life and business plans. On that basis. We believe in Romania, we believe in our clients and we see a tremendous responsibility for us, as a financial company, to support trust building in the society. That continues to be a long term priority for BCR", Sergiu Manea, CEO of BCR, said.

"As a Romanian bank with a majority foreign shareholder we are a convinced promoter of Romania's progressive advance within the global value chain. We believe the key to succeeding in that challenge lies, above all, in encouraging both domestic and international capital to nest, produce value and catalyze Romania's intellectual and entrepreneurial potential. As such, we shall be an active player in all initiatives aimed at creating competitiveness and prosperity for the country", Sergiu Manea, CEO of BCR, added.

Did you know that ...

... the number of clients, natural persons, who use Mobile Banking and Internet Banking services provided by BCR has significantly increased during the last year and exponentially during the last four years. In 2017, BCR has attracted, on average, 10,000 new Mobile Banking users per month, and at the end of 2016, it recorded an annual increase of over 150% of active clients. (Source: BCR)

... Romania will focus by 2020 on developing ten economic sectors, among which tourism, the auto industry, information technology, energy, agriculture, textiles and the pharmaceutical industry, as part of a strategy of competitiveness aimed at including Romania among developed countries. (Source: Ziarul Financiar)

News and Reports

January 30th, 2017 - BCR, EximBank and Banca Transilvania to finance the Romanian industry with a syndicated loan of €24 mn. extended to Pehart Tec Grup

The syndicated loan was extended to Pehart Tec Grup, one of the most important tissue paper manufacturers in Eastern and Southern Europe. Pehart Tec Grup owns two production platforms in Dej and Sebeş and sells its products in Romania and Central and South-Eastern Europe

January 31st, 2017 - BCR lends €25 mn. to TMK-ARTROM Slatina, reimbursable in seven years

BCR approved a €25 mn. loan to TMK-ARTROM Slatina (ART), reimbursable in seven years. The borrower will use the loan to buy a heat treatment line, which is scheduled to start working in the third semester of this year.

February 28th, 2016 - BCR results in 2016: RON 8.8 billion new loans granted on the back of extensive customer reach, substantial NPL decline, strong capital position; RON 1 billion net profit

BCR achieved in 2016 a strong net profit of RON 1,045.6 million (EUR 232.9 million), supported by new client business and continued improvement of portfolio quality. The operating result stood at RON 1,297.7 million (EUR 289.0 million), 16.9% lower than the previous year at RON 1,561.5 (EUR 351.3), driven by lower operating income coupled with higher investment, mainly in IT infrastructure.

March 14th, 2017 - BCR LEASING IFN has entered into Contract No. 100,000

The aggregated value of the goods financed in 2016 by BCR LEASING IFN was of €220.10 mn. BCR Fleet Management has become one of the Top 5 companies working in the operational leasing industry. The company reported a consolidated net profit of 29.7 mn. lei in 2016.

March 23rd, 2017 - BCR offers 120 jobs and 100 internship positions at the Top Employers Fair 2017 in Bucharest

The 120 positions opened for recruitment by BCR and made available at the Top Employers Fair addresses potential candidates with higher studies from Bucharest, promoting positions in the central structure of the bank and the commercial network in the capital. At the same time, BCR recruits about 100 interns, in the 10th year of the dedicated internship program - Learn @BCR, an important share here being the positions opened in the IT segment.

BCR financial results for Q1 2017: solid lending, NPL ratio continues to decrease, RON 196.3 million net profit

Highlights¹:

- On the back of a RON 338.0 million (EUR 74.7 million) operating result, coupled with low allocation of risk provisions, Q1 2017 net profit stood at RON 196.3 million (EUR 43.4 million).
- NPL ratio decreased to 11.3% compared to 19.6% in March 2016. NPL coverage ratio improved to a very comfortable level of 87.5% as of March 2017.
- New loan production is solid: RON 1.7 new retail and corporate loans on the balance sheet.
- Expenses were down by 13.0% yoy mainly driven by methodology adjustments for booking contribution to deposit insurance fund.
- The capital position of the bank is strong to support business growth. BCR's solvency ratio stood at 21.2% as of Feb 2017 (BCR standalone), while Tier 1 + 2 capital (BCR Group) was very solid at RON 6.5 billion as of Dec 2016

Q1 2017 commercial and financial highlights

Banca Comerciala Romana (BCR) in Q1 2017 achieved a **net profit of RON 196.3 million (EUR 43.4 million)**, supported by operating performance and continued improvement of portfolio quality.

The operating result stood at RON 338.0 million (EUR 74.7 million), 2.3% higher than the previous year at RON 330.6 million (EUR 73.6 million), driven by lower operating income (on the back of continued NPL portfolio resolution and low interest rate environment) coupled with lower costs.

In bank retail business, strong performance in volume generation by the franchise resulted in **new loans in local currency totalling RON 1.2 bn**, with solid sales of both secured and unsecured loans, despite Prima Casa slowdown due to new guarantee funds allocation only approved towards end March.

In bank corporate business, **new volumes added on the balance sheet totalled RON 0.5 billion**, supported by higher loan volumes in Small and Medium Enterprises, as well as Group Large Corporate business. Co-financing of EU funded projects was also solid with BCR holding a portfolio of over RON 7.7 bn co-financed. The corporate book growth is supported by a solid pipeline of better quality new business, particularly in overdraft, working capital and supply chain financing.

Net interest income was down by 5.7%, to **RON 432.9 million (EUR 95.7 million)**, from RON 459.2 million (EUR 102.2 million) in Q1 2016, on the back of continued NPL portfolio resolution, efforts to price competitively in the market and a low interest rate environment.

Net fee income was down by 7.2%, to **RON 164.4 million (EUR 36.3 million)**, from RON 177.1 million (EUR 39.4 million) in Q1 2016, on the back of regulatory driven decrease in interchange fee income coupled with lower transaction banking fees.

¹ Below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana Group for Q1 2017, according to IFRS. Unless otherwise stated, financial results for Q1 2017 are compared to financial results for Q1 2016. 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 Q1 2017 of 4.4915 RON/EUR when referring to the first three months of 2017 results and using the average exchange rate for Q1 2016 of 4.4505 RON/EUR when referring to the first three months of 2016 results. The balance sheets at 31 March 2017 and at 31 December 2016 are converted using the closing exchange rates at the respective dates (4.4718 RON/EUR at 31 March 2017 and 4.5240 RON/EUR at 31 December 2016, respectively). All the percentage changes refer to RON figures.

Net trading result decreased by 9.7%, to **RON 79.5 million** (EUR 17.6 million), from RON 88.1 million (EUR 19.6 million) in Q1 2016 on the back of negative effect from revaluation of FX participations.

The **operating income** decreased by 6.1% to **RON 691.1 million** (EUR 152.8 million) from RON 736.2 million (EUR 163.9 million) in Q1 2016, mainly driven by reduced net interest income, coupled with weaker net fee and commission income and lower trading result.

General administrative expenses in Q1 2017 reached **RON 353.1 million (EUR 78.1 million)**, down by 13.0% in comparison to RON 405.6 million (EUR 90.3 million) in Q1 2016, impacted by methodology adjustments for booking contribution to deposit insurance fund.

As such, **cost-income ratio** stood at **51.1%** in Q1 2017, versus 55.1% in Q1 2016.

Risk costs and Asset Quality

In terms of **net charge of impairments on financial assets not measured at fair value through profit and loss** BCR recorded a charge of **RON 3.3 million** (EUR 0.7 million) in Q1 2017, versus a provision release of RON 132.1 million (EUR 29.4 million) in Q1 2016, in a context of further recoveries and improved portfolio quality.

NPL ratio² at **11.3%**, as of 31 March 2017, significantly decreased versus 19.6% as of 31 March 2016, as a result of further recoveries and write-offs. **NPL coverage ratio improved to 87.5%**.

Capital position and funding

Solvency ratio under local standards (BCR standalone) as of Feb 2017 stood at **21.2%**, well above the regulatory requirements of the National Bank of Romania. Also, IFRS **Tier 1+2 capital ratio** of **19.9%** (BCR Group), as of Dec 2016, 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 receivables to customers increased by 1.3% to RON 32,714.1 million (EUR 7,185.9 million) from RON 32,291.1 million (EUR 7,114.2 million) on the back of higher volumes in both retail and corporate loans.

Deposits from customers were flat, up by 0.3% to **RON 48,378.3 million** (EUR 10,626.8 million) at 31 March 2017, versus RON 48,235.2 million (EUR 10,626.8 million) at 31 December 2016, driven by seasonal outflows of retail clients, offset by inflows in corporate business and financial markets. Customer deposits remain BCR's main funding source, while the bank benefits from diversified funding sources, including parent company.

BCR plans to keep focus on RON lending, so as to reverse the currency mix of the loan book in favour of local currency on medium to long term and fully use the strong self-funding capacity in RON.

² Starting Dec-14 reported in compliance with draft EBA NPE definition.

Financial data

Income statement

in RON million	Q1 2017	Q1 2016
Net interest income	432.9	459.2
Net fee and commission income	164.4	177.1
Net trading and fair value result	79.5	88.1
Operating income	691.1	736.2
Operating expenses	(353.1)	(405.6)
Operating result	338.0	330.6
Net impairment loss on non-fair value financial assets	(3.3)	132.1
Net result attributable to owners of the parent	196.3	315.1

Balance sheet

in RON million	Mar 17	Dec 16
Cash and cash balances	11,051.6	11,911.9
Financial assets – held for trading	1,214.1	633.2
Financial assets – available for sale	5,618.4	5,574.1
Financial assets – held to maturity	14,274.3	13,904.2
Loans and receivables to credit institutions	26.3	552.8
Loans and receivables to customers	32,714.1	32,291.1
Intangible assets	282.8	289.3
Miscellaneous assets	401.1	365.7
Total assets	67,518.7	67,514.6
Financial liabilities - held for trading	28.9	38.4
Deposits from banks	9,503.6	9,654.7
Deposits from customers	48,378.3	48,235.2
Debt securities issued	561.3	637.2
Miscellaneous liabilities	375.1	326.4
Total equity	7,017.6	6,804.4
Total liabilities and equity	67,518.7	67,514.6