

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 15.8 €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 22 mobile offices dedicated to corporate clients, and 507 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 2,500 ATMs/MFM and 17,800 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

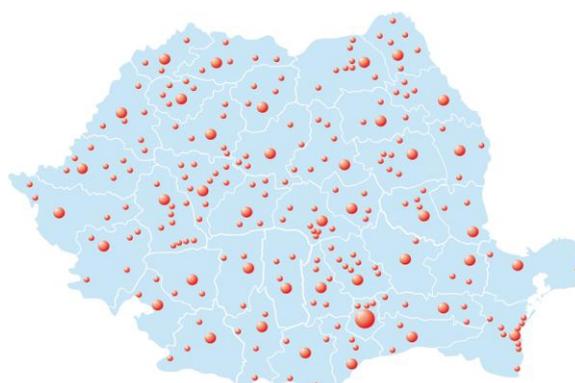
Private individuals: We support all our clients to fulfil their aspirations while ensuring their financial wealth now as well as in the future. We offer the complete range of services and products, from housing financing (mortgages), consumer loans, personal accounts (including dedicated packages for 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

- 507 branches
- 22 business centers
- 22 mobile offices



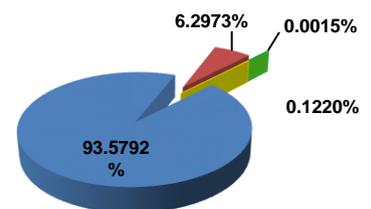
BCR in a nutshell

- 7,265 employees
- 507 branches
- 22 business centers and 22 mobile offices

BCR's business position

- No. 1 on EU funds market with over EUR 1.74 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 15.2 €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	Baa3	Prime-3	Stable

Consolidated subsidiaries:



Macroeconomic and business outlook for CEE

Operating environment and business outlook. Erste Group targets a return on tangible equity (ROTE) of more than 10% in 2018. The expected very solid macroeconomic development in the core markets Czech Republic, Slovakia, Hungary, Romania, Croatia, Serbia and Austria, rising interest rate levels in several of our markets and still historically low risk costs should be supportive factors to achieve this target. On the other hand, a global or regional slowdown of economic growth as well as potential – and as yet unquantifiable – political or regulatory risks might jeopardize achieving the target.

In 2018, the positive development of the economy should be reflected in growth rates (real GDP growth) of around 3% to 5% in the Erste Group's CEE core markets. All other economic parameters are currently expected to be similarly robust. Unemployment rates should remain at historic lows – in the Czech Republic and in Hungary they are already among the lowest in the EU. Inflation is forecast to rise but remain subdued by historical standards and strong competitive positions should again lead to current account surpluses. The fiscal situation and public debt levels are also projected to remain sound. Austria should see accelerating economic growth at a rate of close to 3%. Overall, growth continues to be driven by domestic demand across all economies. The contribution of exports is forecast as neutral. Against this backdrop, Erste Group expects mid-single digit net loan growth. In 2018, net interest income should also be slightly up on the back of rising short and long-term interest rates, primarily in the Czech Republic and Romania, but also globally, and therefore declining margin pressure from sovereign bond reinvestments. The second key income component, net fee and commission income, is also expected to increase moderately in 2018. As in 2017, some positive momentum should again come from the securities business, fund management and the insurance business. The other income components are expected to remain stable, by and large, despite the volatility of the net trading and fair value results. Consequently, operating income should grow slightly in 2018.

Risks to guidance. Operating expenses are expected to decline marginally in 2018, mainly due to the fact that in 2017 higher IT expenditure was incurred for regulatory projects, which will not recur on the same scale in 2018. However, Erste Group will continue to invest in digitalization and thereby its future competitiveness in 2018. The focus will be on product simplification, process standardization or the group-wide implementation of the digital platform George. After its rollout in Austria, George will be fully up and running in the Czech Republic, Slovakia and Romania in 2018. Overall, the operating result is projected to rise in 2018. Risk costs should support net profit again in 2018. Amid a moderate rise of interest rates, risk costs should go up only slightly. Further improvements in asset quality, however, should have a dampening effect. Overall, Erste Group does not expect a recurrence of the historically low risk cost level of 2017 of just 9 basis points of average gross customer loans. While precise forecasts are difficult in the current environment, Erste Group projects for 2018 risk costs of up to 20 basis points of average gross customer loans. The implementation of accounting standard IFRS 9 is not expected to materially impact financial results in 2018. Assuming a tax rate of around 22% and a similar level of minority charges, Erste Group aims to achieve a return on tangible equity (ROTE) of more than 10%.

Outlook for BCR

„When measuring our success in 2017, I look upon what is the impact we achieved in enabling prosperity and acting as a responsible bank. I wish we did more, and I am convinced we can do much more as long as continue to learn from our clients about what matters every day for them. That notwithstanding I am deeply thankful to our clients and employees for enabling our good results in 2017: good quality business growth, expanding BCR's balance sheet into high economic and social impact sectors, concrete results in financial education.

The economy evolved strongly in 2017 and it was driven not only by a sustained revival of consumption, but also by strong industrial production, agriculture and services, where BCR has substantially outgrown the market in financing small and medium enterprises. BCR engaged and will continue to engage in supporting the Start UP Nation program as we believe it is important for the country and the local entrepreneurial culture.

News and Reports

October 20th, 2017 - NBR approved Arion Negrilă appointment as Risk Vice President of BCR Banca pentru Locuințe

Arion Negrilă occupied the position of Senior Executive Manager on risk functional line within BCR Group, position in which he managed the implementation of Basel III/ IRB Program and conducted activities for the recovery, solving and support in the elaboration of Risks Management Strategy at BCR Group level.

October 26, 2017 - Annual Meeting of the European Federation of Building Societies will reunite in Bucharest the representatives of about 20 banks from 7 countries

"We consider that there is a significant growth potential of the Bauspar system in Romania, up to a similar penetration level to those of other European countries", stated Mr. Jan Jeníček, President of EFBS.

October 27th, 2017 - Elke Meier to become Chief Financial Officer of BCR, starting January 1st, 2018

Mrs. Elke Meier to take over the Chief Financial Officer position in the Management Board of BCR starting January 1st, 2018. Mrs. Adriana Jankovicova, current Board Member in charge with the Financial line, has decided to pursue other career opportunities outside of Erste Group at the end of her existing term, December 31st 2017.

October 31st, 2017 - On World Savings Day, BCR organizes the largest financial education lesson in Romania

Almost 1,000 people participated in the largest education lesson throughout the country today, on the occasion of the World Economy Day. The lesson will be organized by BCR in partnership with the Bucharest Metropolitan Library Network and eight county libraries across the country. Romanians save 15% more than in 2016, the highest growth in Central and Eastern Europe.

November 7, 2017 - COSR and BCR, partnership to support the sports and performance of the Romanian athletes in the upcoming Olympic Games

The Romanian Olympic and Sports Committee and BCR officially opened a three-year strategic partnership to support sports performance BCR is committed to supporting, through its partnership with COSR, an investment that exceeds half a million euros a year, both through direct financial support and through joint development projects.

In 2018 we expect the economic growth to maintain a solid pace around 5%, incomes to grow at a moderate pace and unemployment to stay low, but we also see risks in the financial markets. That is why we will focus our expertise on servicing our clients with long term financial planning and protection of their household budget. Thus, our offering will prioritize lending in local currency, fixed instalments and compelling insurance options for clients.

Not least, BCR will keep investing in digitally enabled modern service and processes for a more convenient banking experience. Technological innovation and new skills are transforming the way service is delivered and experienced and I am happy to note BCR not only grew significantly the number of new digital service clients, but also moved towards digital service ecosystems such as app based car sharing service eGO.

The overall banking environment is set to see good competition and consolidation. It remains paramount that competition and free market reign the functioning of the system, as it is for the banking system to understand its responsibility towards Romania's economic resilience. BCR is committed to a substantial and constructive dialogue on building the entire country's capacity and confidence to capitalize on the major development opportunities: infrastructure, education, technology, quality of housing and health", BCR CEO, Sergiu Manea, stated.

Did you know that ...

... over 1,000 BCR employees became financial education teachers in 2017 under the "Money School" program. With their help, the program managed to provide financial education workshops last year for more than 7,000 children aged 7-14, 6,000 high school students and 20,000 adults. (Source: BCR)

... last year, over 10,000 families in Romania chose to acquire a house through BCR, choosing either the "First Home" program or the BCR "Casa Mea" standard mortgage loan, the latter recording growth in the fourth quarter of sales over 77% over the same period last year. (Source: BCR)

... 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)

... BCR is offering EUR 500,000 each year to the Romanian Olympic and Sporting Committee, based on a partnership signed in the autumn of 2017 and extending for three years until the Tokyo 2020 Olympic Games. (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

November 16, 2018 - BLACK FRIDAY: BCR offers Divers personal loans with a low interest rate of 2.5 percentage points. Credit Card with 0 commissions and Free Internet & Mobile Banking for Life

For the second consecutive year, BCR comes with a big offer for Black Friday. BCR also offers a 15% discount on accident insurance packages and 50 lei for the first utility bill paid through the Direct Debit service. For the first time, BCR has Black Friday offers even for legal entities.

November 22, 2017 - Car-sharing with contactless bank card: through eGO, BCR becomes the first bank in Romania to offer in partnership with BCR Leasing and Mojito an innovative concept of car sharing electric

BCR officially launches eGo, the first 100% electric car sharing service in Bucharest, offered by a bank in partnership with an external supplier - Mojito. All the cars available are state-of-the-art premium cars - the BMW i3, and the eGo service is accessible through a dedicated application that allows locating and booking cars, while the car key is replaced by the BCR contactless bank card.

November 29, 2017 - Management Board appointments at BCR, in connection with changes in Erste Group Holding. Michael Beitz becomes the new CRO of BCR

Bernd Spalt, currently Chief Risk Officer of BCR, will take over as Chief Risk Officer of Erste Bank Austria and become the fourth member of the Management Board of the bank. In addition to his position as CRO at Erste Bank Austria, Bernd Spalt will coordinate all areas pertaining to strategic risk management at Erste Group Level.

December 6th, 2017 - Construction of a waste-oil recycling facility, funded by a \$38.7 million club loan granted by EBRD and BCR

The plant will be built in Oltenita, Calarasi County, by Green Oil & Lubes SRL, a company part of an international group belonging to an Indian investor. The total investment amounts US\$ 56 million and the facility will have a processing capacity of 73,000-metric-tonne. The investment addresses a core issue of Romania's transition to a sustainable and green economy by supporting a new recycling facility.

BCR in 2017: higher operating result, substantial NPL decline by 30%, RON 668 million net profit

Highlights¹:

- **In 2017 BCR granted a volume of RON 8.1 billion new retail and corporate loans**
- **Last year, BCR registered a significant increase of 16.8% in financing for SMEs**
- **More than 10,000 families in Romania opted to buy a house through BCR in 2017, while electronic and digital operations marked consistent increases**
- **The NPL ratio decreased to 8.1% compared to 11.8% in December 2016, while the NPL provisioning coverage improved further to 92.7% in December 2017**
- **The capital position of the bank is strong: BCR's solvency ratio stood at 21.3% as of December 2017 (BCR standalone), while Tier 1 + 2 capital (BCR Group) was very solid at RON 7.2 billion as of December 2017**
- **2017 net profit stood at RON 668.1 million (EUR 146.2 million)**
- **BCR remains consistent with its robust strategy that involves trust and extended accessibility of services for all customer segments**

Full year 2017 commercial and financial highlights

Banca Comerciala Romana (BCR) recorded in 2017 an **operating result of RON 1,343.7 million (EUR 294.1 million)**, 3.5% higher than the previous year, driven by higher operational revenues and more efficient spending. The bank achieved thus a net profit **RON 668.1 million (EUR 146.2 million)** supported by business development and continuous improvement of the portfolio quality.

In 2017 BCR granted new retail and corporate loans totalling RON 8.1 billion. This led to an **advance in the stock of net loans to customers of 3.7% year-on-year.**

In retail banking business, BCR granted new loans totalling RON 5.5 billion, with solid sales of unsecured and secured loans - mainly due to "Divers" cash loan with fixed instalments, whose sales recorded an increase of 7% year-on-year. According to our surveys, most of the personal needs loans went to dwelling refurbishment (56%), purchase of a car (14%) and purchase of furniture (10%) - *complete details in the attached info graphic.*

Significantly, last year, **over 10,000 families in Romania opted to acquire a house through BCR**, choosing either the "Prima Casa" programme or the standard BCR mortgage loan "Casa Mea", the latter recording in the fourth quarter an advance in sales of over 77% as compared to the same period of last year.

Overall, this translated into **net retail loan portfolio of the bank growing by 5.1% year-on-year.**

BCR also marked in 2017 a series of substantial increases in electronic and digital operations - 78% more Mobile Banking customers and 32% more Internet Banking customers.

In corporate banking business, new volumes added on the balance sheet totalled RON 2.6 billion. There was a significant increase of 16.8% year-on-year in SME financing (small and medium-sized enterprises), as a result of the proactive strategy of supporting local entrepreneurs. Under corporate financing, BCR is involved in several key sectors for the Romanian economy, such as the automotive, agriculture, energy and logistics. Co-financing of EU funded projects

¹The financial information presented below represents the un-audited, consolidated results of Banca Comerciala Romana Group for the year 2017. Unless otherwise stated, the financial results for the year 2017 are comparable to financial results for the full year 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 the full year 2017 of 4.5686 RON/EUR when referring to the full year 2017 results and using the average exchange rate for the full year 2016 of 4.4901 RON/EUR when referring to full year 2016 results. The balance sheets at 31 December 2017 and at 31 December 2016 are converted using the closing exchange rates at the respective dates (4.6585 RON/EUR at 31 December 2017 and 4.5390 RON/EUR at 31 December 2016, respectively). All the percentage changes refer to RON figures.

increased over the last year, BCR holding a significant market share and a portfolio of over RON 8.0 billion granted co-financings.

Overall, this translated into **net corporate loans portfolio of the bank growing by 1.7% year-on-year**.

Net interest income was down by 1.3% to **RON 1,764.2 million** (EUR 386.2 million) from RON 1,786.7 million (EUR 397.9 million) in 2016, on the back of continued NPL portfolio resolution and sustained efforts to price competitively in the market.

Net fee income was down by 1.2% to **RON 700.7 million** (EUR 153.4 million) from RON 708.9 million (EUR 157.9 million) in 2016, on the back of lower transaction banking fees, partially compensated by higher brokerage fees from subsidiaries.

Net trading and fair value result increased by 12.8% to **RON 354.7 million** (EUR 77.6 million) from RON 314.3 million (EUR 70.0 million) in 2016.

The **operating income** increased by 0.7% to **RON 2,887.9 million** (EUR 632.1 million) from RON 2,868.2 million (EUR 638.8 million) in 2016, driven by higher trading result.

General administrative expenses in 2017 dropped by 1.7% to **RON 1,544.2 million (EUR 338.0 million)** from RON 1,570.5 million (EUR 349.8 million) in 2016.

As such, **cost-income ratio** improved to **53.5%** in 2017 versus 54.8% in 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 low provision allocation of **RON 32.4 million** (EUR 7.1 million) in 2017, versus a release of RON 280.0 million (EUR 62.4 million) in 2016, on the back of natural developments in risk provisioning.

The NPL ratio² stood at **8.1%** as of 31 December 2017, significantly lower versus 11.8% as of 31 December 2016, due to the constant efforts in recent years for the overall reduction of the NPL book through recoveries, sales of selected NPL portfolios and write-offs. **NPL provision coverage ratio comfortably stood at 92.7%**, while, collateral included, it stood at 128.5%.

Capital position and funding

Solvency ratio under local standards (BCR standalone) as of December 2017, stood at **21.3%**, well above the regulatory requirements of the National Bank of Romania. Also, IFRS **Tier 1+2 capital ratio** of **20.2%** (BCR Group) as of December 2017 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.

Deposits from customers grew by 8.8% to **RON 52,496.1 million** (EUR 11,268.9 million) at 31 December 2017, versus RON 48,235.2 million (EUR 10,626.8 million) at 31 December 2016, driven by both retail and corporate deposits. Customer deposits remain BCR's main funding source, while the bank benefits from diversified funding sources, including parent company.

BCR focuses on lending in RON, already succeeding to reverse the currency mix of the loan book in favour of local currency and fully use the strong self-funding capacity in RON.

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

Income statement

in RON million	2017	2016
Net interest income	1,764.2	1,786.7
Net fee and commission income	700.7	708.9
Net trading and fair value result	354.7	314.3
Operating income	2,887.9	2,868.2
Operating expenses	(1,544.2)	(1,570.5)
Operating result	1,343.7	1,297.7
Net impairment loss on non-fair value financial assets	(32.4)	280.0
Net result attributable to owners of the parent	668.1	1,041.8

Balance sheet

in RON million	Dec 2017	Dec 2016
Cash and cash balances	11,369.3	11,911.9
Financial assets – held for trading	104.7	633.2
Financial assets – available for sale	6,600.0	5,574.1
Financial assets – held to maturity	14,756.9	13,904.2
Loans and receivables to credit institutions	2,215.1	552.8
Loans and receivables to customers	33,490.9	32,291.1
Intangible assets	320.9	289.3
Miscellaneous assets	314.4	365.7
Total assets	70,940.3	67,514.6
Financial liabilities - held for trading	44.7	38.4
Deposits from banks	7,826.2	9,654.7
Deposits from customers	52,496.1	48,235.2
Debt securities issued	539.6	637.2
Miscellaneous liabilities	1,145.2	709.0
Total equity	7,439.1	6,804.4
Total liabilities and equity	70,940.3	67,514.6