



**Half-year report in accordance with CNVM Regulation no.
1/2006 - Annex 31, as subsequently amended and
supplemented**

For the first semester ended 30 June 2018
Report date: 21 August 2018



Company name: BANCA COMERCIALA ROMANA SA
Registered office: 5, bd. Regina Elisabeta, district 3, Bucharest, postal code 030016
Phone/ fax no: 021 312 61 85
Tax identification no. with the Trade Registry: 361757
Record no. with the Trade Registry: J40/90/1991
The regulated capital market where the issued securities are traded: Luxembourg Stock Exchange
Subscribed and paid-up share capital: RON 1,625,341,625
Main features of the securities issued by the company: 14 issues of bond

General information

Banca Comercială Română (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 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.

BCR provides its services through a network of 22 business centres and 22 mobile offices dedicated to companies and 509 retail units located in most cities across the country with over 10,000 inhabitants. BCR is the No. 1 bank in Romania in the market of bank transactions, BCR customers having available the largest national network of ATMs - over 2,000 automatic teller machines and POS – about 15,000 card payment terminals to merchants, and complete services of Internet banking, Mobile banking, Phone-banking and E-commerce. As of June 2018, BCR Group was employing 7,200 people.

1. Financial accounting statement

a) Statement of financial position

in RON thousands	Group				Bank			
	30.06.2018	01.01.2018	H1 2018/ 01.01.18 %	31.12.2017	30.06.2018	01.01.2018	H1 2018/ 01.01.18 %	31.12.2017
Assets								
Cash and cash balances	9,913,446	11,367,313	-12.8%	11,369,344	9,747,395	11,244,649	-13.3%	11,245,387
Financial assets held for trading	212,523	104,694	103.0%	104,694	212,526	104,694	103.0%	104,694
Derivatives	50,108	41,449	20.9%	41,449	50,111	41,449	20.9%	41,449
Other financial assets held for trading	162,415	63,245	156.8%	63,245	162,415	63,245	156.8%	63,245
Financial assets designated at fair value through profit or loss	-	-	0.0%	15,131	-	-	0.0%	15,131
Non-trading financial assets at fair value through profit or loss	40,406	42,272	-4.4%	-	40,163	42,039	-4.5%	-
Equity instruments	23,845	21,663	10.1%	-	23,602	21,430	10.1%	-
Loans and advances to customers	16,561	20,609	-19.6%	-	16,561	20,609	-19.6%	-
Financial assets available for sale	-	-	0.0%	6,599,950	-	-	0.0%	6,146,992
Financial assets at fair value through other comprehensive income	5,186,315	5,511,196	-5.9%	-	5,152,808	5,483,533	-6.0%	-
Equity investments	40,594	220,760	-81.6%	-	40,594	220,760	-81.6%	-
Debt securities	5,145,721	5,290,436	-2.7%	-	5,112,214	5,262,773	-2.9%	-
Financial assets - held to maturity	-	-	0.0%	14,756,894	-	-	0.0%	13,375,729
Loans and advances to banks	-	-	0.0%	2,215,113	-	-	0.0%	2,420,035
Loans and advances to customers	-	-	0.0%	33,490,883	-	-	0.0%	32,020,306
Financial assets at amortised cost	52,355,896	51,467,793	1.7%	-	49,138,772	48,396,414	1.5%	-
Debt securities	16,072,696	15,846,012	1.4%	-	14,245,647	14,041,867	1.5%	-
Loans and advances to banks	1,308,205	2,198,898	-40.5%	-	1,515,860	2,403,874	-36.9%	-
Loans and advances to customers	34,040,326	32,490,119	4.8%	-	33,377,265	31,950,672	4.5%	-
Finance lease receivables	934,669	932,764	0.2%	-	-	-	0.0%	-
Property and equipment	1,333,042	1,315,683	1.3%	1,315,683	987,700	1,015,988	-2.8%	1,015,988
Investment property	109,872	121,490	-9.6%	121,490	109,872	121,490	-9.6%	121,490
Intangible assets	330,785	320,872	3.1%	320,872	324,387	314,231	3.2%	314,231
Investments in joint ventures and associates	19,902	17,375	14.5%	17,375	7,509	7,509	0.0%	7,509
Current tax assets	178,857	88,702	101.6%	86,736	175,280	83,435	110.1%	83,435
Deferred tax assets	190,430	162,430	17.2%	168,778	180,159	153,837	17.1%	157,361
Assets held for sale	47,868	43,039	11.2%	43,039	14,792	14,792	0.0%	14,792
Investments in subsidiaries	-	-	0.0%	-	563,510	533,510	5.6%	533,510
Other assets	307,343	305,257	0.7%	305,257	204,041	157,895	29.2%	157,895
Total assets	70,226,685	70,868,116	-0.9%	70,931,239	66,858,914	67,674,016	-1.2%	67,734,485

in RON thousands	Group				Bank			
	30.06.2018	01.01.2018	H1 2018/ 01.01.18 %	31.12.2017	30.06.2018	01.01.2018	H1 2018/ 01.01.18 %	31.12.2017
Liabilities and Equity								
Financial liabilities held for trading	45,174	44,661	1.1%	44,661	45,174	44,661	1.1%	44,661
Derivatives	45,174	44,661	1.1%	44,661	45,174	44,661	1.1%	44,661
Financial liabilities measured at amortised cost	60,867,414	62,007,067	-1.8%	62,007,067	57,622,202	58,920,983	-2.2%	58,920,983
Deposits from banks	6,775,206	7,826,190	-13.4%	7,826,190	6,063,623	7,389,633	-17.9%	7,389,633
Deposits from customers	52,481,603	52,496,062	0.0%	52,496,062	49,997,374	49,885,158	0.2%	49,885,158
Debt securities in issue	447,404	539,648	-17.1%	539,648	447,404	539,648	-17.1%	539,648
Other financial liabilities	1,163,201	1,145,167	1.6%	1,145,167	1,113,801	1,106,544	0.7%	1,106,544
Provisions	1,128,039	1,180,654	-4.5%	1,192,565	1,098,820	1,137,703	-3.4%	1,149,625
Current tax liabilities	100,699	230	43682.2%	230	100,298	-	0.0%	-
Deferred tax liabilities	-	7	-100.0%	25	-	-	0.0%	-
Liabilities associated with assets held for sale	15,548	12,819	21.3%	12,819	-	-	0.0%	-
Other liabilities	222,673	234,759	-5.1%	234,759	181,979	174,559	4.3%	174,559
Total equity	7,847,138	7,387,919	6.2%	7,439,113	7,810,441	7,396,110	5.6%	7,444,657
Share capital	2,952,565	2,952,565	0.0%	2,952,565	2,952,565	2,952,565	0.0%	2,952,565
Retained earnings	3,368,379	2,595,926	29.8%	2,667,530	3,331,723	2,586,932	28.8%	2,654,299
Other reserves	1,526,194	1,839,428	-17.0%	1,819,018	1,526,153	1,856,613	-17.8%	1,837,793
attributable to non-controlling interest	41	37	12.3%	36	-	-	0.0%	-
attributable to owners of the parent	7,847,097	7,387,882	6.2%	7,439,077	7,810,441	7,396,110	5.6%	7,444,657
Total liabilities and equity	70,226,685	70,868,116	-0.9%	70,931,239	66,858,914	67,674,016	-1.2%	67,734,485

b) *Income statement*

in RON thousands	Group			Bank		
	30.06.2018	30.06.2017	H1 2018/ H1 2017 %	30.06.2018	30.06.2017	H1 2018/ H1 2017 %
Net interest income	962,331	878,728	9.5%	916,680	833,152	10.0%
Interest income	1,208,734	1,120,741	7.9%	1,133,352	1,037,227	9.3%
Interest expense	(246,403)	(242,013)	1.8%	(216,672)	(204,075)	6.2%
Net fee and commission income	349,442	338,877	3.1%	327,028	320,373	2.1%
Fee and commission income	426,033	403,427	5.6%	397,247	378,809	4.9%
Fee and commission expense	(76,591)	(64,550)	18.7%	(70,219)	(58,436)	20.2%
Dividend income	3,657	3,584	2.0%	11,609	19,302	-39.9%
Net trading result	186,073	188,115	-1.1%	183,203	184,543	-0.7%
Gains/losses from financial instruments measured at fair value through profit or loss	1,751	1,487	17.8%	1,751	1,488	17.7%
Net result from equity method investments	2,526	(225)	-1222.7%	-	-	0.0%
Rental income from investment properties & other operating leases	35,840	28,962	23.7%	5,166	5,020	2.9%
Personnel expenses	(378,340)	(343,044)	10.3%	(334,255)	(307,393)	8.7%
Other administrative expenses	(330,571)	(273,367)	20.9%	(333,934)	(283,908)	17.6%
Depreciation and amortisation	(91,778)	(93,241)	-1.6%	(64,231)	(70,011)	-8.3%
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	2,221	79	2711.4%	2,221	79	2711.4%
Net impairment loss on financial instruments	30,131	(61,622)	-148.9%	23,670	(55,970)	-142.3%
Other operating result	39,336	(186,032)	-121.1%	32,953	(212,586)	-115.5%
Pre-tax result from continuing operations	812,619	482,301	68.5%	771,861	434,089	77.8%
Net profit of the year	812,619	482,301	68.5%	771,861	434,089	77.8%
Taxes on income	(115,618)	(178,214)	-35.1%	(114,976)	(176,101)	-34.7%
Net result for the period	697,001	304,087	129.2%	656,885	257,988	154.6%
Net result attributable to non-controlling interests	4	(1,539)	-100.3%	-	-	0.0%
Net result attributable to owners of the parent	696,997	305,626	128.1%	656,885	257,988	154.6%

c) *Statement of cash flows*

in RON thousands	Group		Bank	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Cash and cash equivalents at beginning of period	11,367,313	11,911,895	11,244,649	11,648,878
Cash flow from operating activities	(882,092)	(2,562,034)	(828,299)	(2,126,489)
Cash flow from investing activities	321,127	421,834	368,777	282,913
Cash flow from financing activities	(892,902)	(338,384)	(1,037,732)	(478,438)
Cash and cash equivalents at end of period	9,913,446	9,433,311	9,747,395	9,326,864

2. Analysis of the company's activity

2018 half-year financial and commercial highlights¹

Highlights by CEO of BCR, Sergiu Manea

"I am thankful to our clients who chose more and more BCR as a trustful partner for achieving their life plans. This performance, which makes me really proud, is based mainly on the dedication which my colleagues are putting into the everyday interactions with all the banking clients, and I want to use this opportunity to particularly thank them. We will increase our efforts to offer competitive services, to consolidate trustful relationships and to specifically promote responsible banking products and responsible lending. Furthermore we will be relentlessly using any opportunity to deliver our financial education program aimed at supporting financial independence for all those aspiring to a better life in Romania."

HY 2018 commercial and financial highlights

Banca Comerciala Romana (BCR) in HY 2018 achieved a **net profit of RON 697 million (EUR 149.7 million)**, supported by business development and continuous improvement of the portfolio quality.

In retail banking business, due to the ongoing efforts to build products that best meet the real needs of customers, BCR generated **new volume of loans of RON 4.1 billion in HY 2018**, with over 40% increase in "Divers" cash loan and strong growth in mortgage sales, including standard housing loan product "Casa mea" as well as "Prima casa" loans, compared to the same period of the last year. BCR has strengthened its leading position as the main banking partner for the Romanians who want to buy a house, with more than 20% of the newly originated mortgage loans in Romania. BCR recorded an advance of over 50% in retail new loans granted in HY 2018 versus HY 2017.

Micro business sales increased by over 60% year-on-year supported by revised offer for current account and by BCR leading position in Start-Up Nation governmental program.

In corporate banking business, new volumes added on the balance sheet totalled RON 568 million. There was a significant increase of 16% year-on-year in SME financing (small and medium-sized enterprises), as a result of the proactive strategy of supporting local entrepreneurs and further increase in leasing activity.

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 increased over the last year, BCR holding a significant market share and a portfolio of over RON 8.2 billion granted co-financings.

Profit & loss developments

The operating result increased to **RON 740.9million** (EUR 159.2 million), 1.5% higher than the previous year at RON 729.9 million (EUR 160.9 million), driven by improving operating income.

Net interest income increased significantly by 9.5%, to **RON 962.3 million** (EUR 206.7), from RON 878.7 million (EUR 193.7 million) in HY 2017, helped by increase in market interest rates and higher volumes of current accounts.

¹ The financial information presented in this chapter represents, consolidated results of Banca Comerciala Romana Group for H1 2018, un-audited. Unless otherwise stated, financial results for H1 2018 are compared to financial results for H1 2017. 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 2018 of 4.6546 RON/EUR when referring to the first six months of 2018 results and using the average exchange rate for H1 2017 of 4.5364 RON/EUR when referring to the first six months of 2017 results. The balance sheets at 30 June 2018 and at 31 December 2017 are converted using the closing exchange rates at the respective dates (4.6631 RON/EUR at 30 June 2018 and 4.6585 RON/EUR at 31 December 2017, respectively). All the percentage changes refer to RON figures.

Net fee income advanced by 3.1%, to **RON 349.4 million** (EUR 75.1 million), from **RON 338.9 million** (EUR 74.7 million) in HY 2017, on the back of higher fee income from card and maintenance as well as transaction and lending business.

Net trading result was slightly down by 0.9% to **RON 187.8 million** (EUR 40.4 million), from **RON 189.6 million** (EUR 41.8 million) in HY 2017.

The **operating income** increased by 7.1% to **RON 1,541.6 million** (EUR 331.2 million) from RON 1,439.5 million (EUR 317.3 million) in HY 2017, driven by higher net interest income as well as better fee income.

General administrative expenses in HY 2018 reached **RON 800.7 million (EUR 172 million)**, up by 12,8% in comparison to RON 709.7 million (EUR 156.4 million) in HY 2017, mainly due to investments in the new headquarters and IT projects.

As such, **cost-income ratio** stood at **51.9%** in HY 2018, versus 49.3% in HY 2017.

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 provision release of **RON 30.1 million** (EUR 6.5 million), versus a charge of RON 61.6 million (EUR 13.6 million) in HY 2017, supported by good recoveries and healings coupled with low allocations based on better quality new business.

NPL ratio² decreased to **6.7%**, as of 30 June 2018 compared to 8.1% as of December 2017, **driven by transition to IFRS 9, coupled with higher cash recoveries and low inflows of new NPL. NPL coverage ratio stood at 95.3%.**

Capital position and funding

Solvency ratio under IFRS (BCR standalone) as of May 2018 stood at **22.2%**, well above the regulatory requirements of the National Bank of Romania. Furthermore, **Tier 1+2 capital ratio** of **21.5%** (BCR Group) as of March 2018³ 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 4.5% to RON 35 billion (EUR 7.5 billion) as of 30 June 2018, from RON 33.4 billion (EUR 7.1 billion) as of December 2017, on the back of strong increase in retail (+8.3% ytd), while corporate loans remained flat ytd.

Deposits from customers stood flat at **RON 52.5 billion** (EUR 11.3 billion) as of 30 June 2018, versus RON 52.5 billion (EUR 11.3 million) as of 31 December 2017 driven by increase in retail deposits, while corporate deposits declined. 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.

3. Changes that impact the shareholders equity and management of the Group

3.1. Description of the cases where the Bank was unable to meet its financial obligations during that period

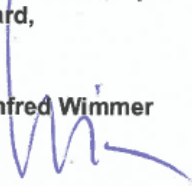
There were no cases where the Bank was unable to meet its financial obligations.

3.2. Description of any change to the rights of the holders of securities issued by the Bank

There were no changes to the rights of the holders of securities issued by the Bank.

**Chairman of Supervisory
Board,**

Manfred Wimmer



Executive president,

Sergiu Manea



Accounting Executive Director,

Gina Badea

