

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 23 mobile offices dedicated to corporate clients, and 513 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 13,500 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

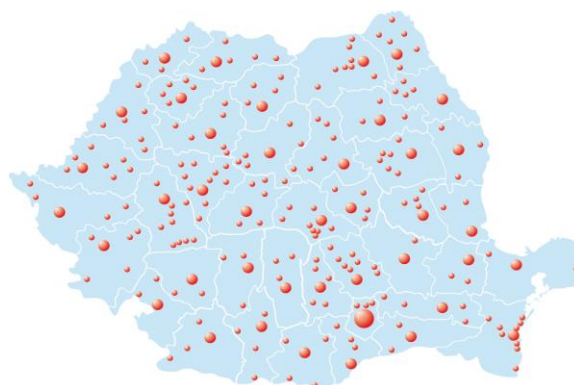
Private individuals: We support all our clients to fulfil their aspirations while ensuring their financial wealth now as well as in the future. We offer the complete range of services and products, from housing financing (mortgages), consumer loans, personal accounts (including dedicated packages for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

- 513 branches
- 22 business centers
- 18 mobile offices



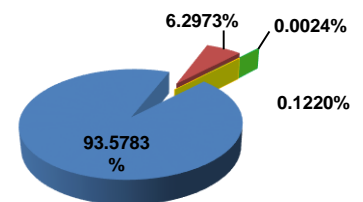
BCR in a nutshell

- 7,785 employees
- 513 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 €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

Ratings

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

Consolidated subsidiaries:



Macroeconomic outlook for CEE

Growth in the Central and Eastern Europe (CEE) region is expected to accelerate to 3.3% (versus 3% in 2016), fuelled by domestic demand. Household consumption is expected to remain the backbone of this growth, while investments could recover after the poor performance in 2016, mainly due to EU funds.

According to the last Erste Research, the inflation rate is projected to increase by more than 2pp on average in 2017 compared to 2016, with the peak expected in March (due to the base effect). Afterwards, inflation should moderate or even retreat in CEE countries, excepting Romania, where inflation has been kept artificially low, thanks to a cut of indirect taxes. As this effect will fade out, the inflation rate is going to end up much higher in Romania by year-end compared to where it stands now.

Current account balances will deteriorate only slightly (0.4% of GDP on average), and the region should remain in a minor surplus (0.2% of GDP). Within CEE, Romania should experience the strongest widening of the current account deficit (by about 1pp to 3.3% of GDP), but the deterioration should be contained, as some tightening should come from the fiscal side next year, given that Romania might be put under the Excessive Deficit Procedure by the EC in 2018, due to its overshooting a 3% deficit.

CEE currencies will continue to diverge in the coming quarters. By year-end, two currencies might become stronger vs. the euro, with three weaker compared to now. The Czech koruna fundamentally has the largest potential to gain after the abandonment of the FX cap, but the excessively high stock of long positions in CZK looking to be closed may limit the gains or even cause some strong corrections. Analysts see some room for appreciation of the Polish zloty vs. the euro by year-end, as Poland offers an interesting carry relative to fundamentals, while the Polish market may start to price in the first rate hike in 1H18 too. In Romania and Hungary, where both central banks have some dovish bias, currencies might mildly depreciate, which is not going to cause worries to central banks, and is currently seen as a desirable outcome.

Outlook for BCR

"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, says.

In the last year BCR, channeled over 8.8 billion RON new funding into the economy and adjusted the installment rates of over 200.000 customers. "That, we believe, is the right thing to do as a bank" - Sergiu Manea adds.

"I am thankful to our clients and employees for their trust. With that in mind, I would like to underline two simple achievements in 2016: BCR focused on customer business and continued investing in the infrastructure for more convenient, reliable and accessible services. We believe that is the right strategy ahead of us. Owing to a committed shareholder through the cycle, we count on a very solid capital position and a strong balance sheet, allowing us to further extend financial intermediation throughout Romania"

Did you know that ...

... 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

October 3rd, 2016 - In the context of EU directives on financial services, BCR has offered cost reduction solutions to 200,000 customers

BCR is the first bank in Romania deciding to proactively offer sustainable business solutions for reducing the costs incurred by its customers. 200,000 BCR customers have benefited, starting in 2009, from refinancing, restructuring, or cost adjustments; the amount of loans benefiting from cost reductions reached 4.5 billion LEI.

October 6th, 2016 - BCR Survey: 57% of teenagers are bank customers, and 40% make online payments

Young people in Romania are attracted by modern financial instruments, but they need a better financial education, shows a BCR survey. 63% of teenagers (14-19 years old) went to a bank during the last three months, but over 80% of young people between 14 and 25 years old have learned how to manage their money in the family, while only 15% have learned it in school.

October 20th, 2016 - BCR is inaugurating in Bucharest a new bank office concept – the Financial Dialogue Centre

42% of Romanians expect their financial education to be offered by banks and finance specialists, while only 18% consider that this should be taught in school, according to the latest survey conducted by BCR. The Financial Dialogue Centre, the new BCR branch concept, represents the materialization of such a banking communication model, based on financial education, which aims to develop a much closer dialogue with each customer

November 28th, 2016 - BCR BpL partners up with Romania's First Ever Welfare Research Center. We have EU's old housing stock.

BCR - the Housing Bank (BCR BpL) decided to support the activities of EFdeN (Romania's First Ever Welfare Research Centre). About 16% of the households are faced with serious housing issues, such as deterioration, water infiltration, leakage of the sewer and water systems, insufficient lighting.

December 8th, 2016 - Romanians receiving international remittances through MoneyGram can now decide how they want to pick up the money

BCR launched an additional channel to facilitate remittances coming from abroad via MoneyGram (NASDAQ: MGI), a global provider of innovative money transfer services. For the first time in Romania, customers have the option to easily transfer the money sent from abroad as a cash transfer, directly into their BCR bank account.

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

Highlights¹:

- In 2016 BCR granted a volume of RON 8.8 billion new retail and corporate loans.
- 2016 net profit stood at RON 1,045.6 million (EUR 232.9 million), supported by new client business and improving portfolio quality.
- BCR executes strategy across customer segments based on improved service accessibility – zero fees for cash withdrawal at own ATMs, zero fees for basis current account.
- The bank has reached 200,000 clients to whom it has offered commercial solutions to reduce financial burden, whilst ramping up financial education initiatives.
- In 2016 NPL ratio decreased to 11.8% compared to 20.2% in 2015, as result of sustained efforts to reduce NPL legacy and improve performing portfolio quality; NPL provision coverage ratio improved further to 85.3%, as of December 2016.
- The capital position of the bank is strong to support business growth. BCR's solvency ratio stood at 21.8% as of December 2016 (BCR standalone), while Tier 1 + 2 capital (BCR Group) was very solid at RON 6.5 billion as of December 2016.

Full year 2016 commercial and financial highlights

Banca Comerciala Romana (BCR) in 2016 achieved 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.

In 2016 BCR granted a volume of RON 8.8 billion new retail and corporate loans.

In bank retail business, strong performance in volume generation by the franchise resulted in **new loans totalling RON 5.5 billion**, mainly driven by solid sales in cash loans coupled with secured loans – mainly Prima Casa, while standard mortgage production was affected by debt to asset law.

BCR successfully targets **client activation** by means of internet & mobile banking services (significantly up yoy), free basic current account and debit card, as well as ATM and POS transactions (also up yoy).

The bank was the first local institution compliant with EU Directive 17 on Credit Agreements for Consumers. The bank has also reached a milestone **200.000 clients to whom it has offered in the last years commercial solutions to reduce financial burden and increase loyalty**.

In corporate banking business, **new volumes added on the balance sheet totaled RON 3.3 billion**. Co-financing of EU funded projects was also solid with BCR holding over 30% market share and a portfolio of over RON 7.7 billion 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**.

¹ Below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana Group for the full year 2016, according to IFRS. Unless otherwise stated, financial results for the full year 2016 are compared to financial results for the full year 2015. 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 2016 of 4.4901RON/EUR when referring to the full year 2016 results and using the average exchange rate for the full year 2015 of 4.4444 RON/EUR when referring to full year 2015 results. The balance sheets at 31 December 2016 and at 31 December 2015 are converted using the closing exchange rates at the respective dates (4.5390 RON/EUR at 31 December 2016 and 4.5240 RON/EUR at 31 December 2015, respectively). All the percentage changes refer to RON figures.

Net interest income was down by 10.3%, to **RON 1,786.7 million** (EUR 397.9 million), from RON 1,992.6 million (EUR 448.3 million) in 2015, 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 2.2%, to **RON 708.9 million** (EUR 157.9 million), from RON 725.2 million (EUR 163.2 million) in 2015, on the back of lower brokerage fees from subsidiaries, partially compensated by higher fees from banking transactions as a consequence of bank strategy to enhance electronic channels usage.

Net trading result increased by 1.9%, to **RON 314.3 million** (EUR 70.0 million), from RON 308.4 million (EUR 69.4 million) in 2015, on the back of stable development of customer business.

The **operating income** decreased by 6.7% to **RON 2,868.2 million** (EUR 638.8 million) from RON 3,074.9 million (EUR 691.9 million) in 2015, mainly driven by reduced net interest income and slightly lower net fee and commission income, partly compensated by higher trading result.

General administrative expenses in 2016 reached **RON 1,570.5 million (EUR 349.8 million)**, up by 3.8% in comparison to RON 1,513.4 million (EUR 340.5 million) in 2015, impacted by higher IT infrastructure investments.

As such, **cost-income ratio** advanced to **54.8%** in 2016, versus 49.2% in 2015.

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 280.0 million** (EUR 62.4 million) in 2016, versus a release of RON 73.0 million (EUR 16.4 million) in 2015, driven by further NPL resolution and recoveries coupled with improved portfolio quality.

NPL ratio² at **11.8%**, as of 31 December 2016, significantly decreased versus 20.2% as of 31 December 2015, despite overall reduction of the loan book, determined by recoveries, sales of selected NPL portfolios and write-offs. **NPL provision coverage ratio stood at 85.3%**, while, collateral included, it comfortably stood at 121%.

Capital position and funding

Solvency ratio under local standards (BCR standalone) as of December 2016, stood at **21.8%**, 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 December 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.

Deposits from customers grew by 13.2% to **RON 48,235.2 million** (EUR 10,626.8 million) at 31 December 2016, versus RON 42,626.0 million (EUR 9,422.2 million) at 31 December 2015, driven by retail and corporate deposits. 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 favor of local currency on medium to long term and fully use the strong self-funding capacity in RON.

Financial data

Income statement

in RON million	FY 2016	FY 2015
Net interest income	1,786.7	1,992.6
Net fee and commission income	708.9	725.2
Net trading and fair value result	314.3	308.4
Operating income	2,868.2	3,074.9
Operating expenses	(1,570.5)	(1,513.4)
Operating result	1,297.7	1,561.5
Net impairment loss on non-fair value financial assets	280.0	72.9
Net result attributable to owners of the parent	1,045.6	918.9

Balance sheet

in RON million	Dec 2016	Dec 2015
Cash and cash balances	11,911.9	9,441.8
Financial assets – held for trading	633.2	248.1
Financial assets – available for sale	5,574.1	7,203.3
Financial assets – held to maturity	13,904.2	10,154.4
Loans and receivables to credit institutions	552.8	204.4
Loans and receivables to customers	32,291.1	32,450.8
Intangible assets	289.3	234.3
Miscellaneous assets	365.7	423.8
Total assets	67,518.6	62,360.0
Financial liabilities - held for trading	38.4	35.1
Deposits from banks	9,654.7	11,247.2
Deposits from customers	48,235.2	42,626.0
Debt securities issued	637.2	912.2
Miscellaneous liabilities	709.0	536.2
Total equity	6,808.4	5,875.3
Total liabilities and equity	67,518.6	62,360.0