

July 31, 2014

## BCR financial results for H1 2014: RON 1 billion operating result, accelerated balance sheet clean-up

- H1 operating result based on solid commercial performance of healthy business
- Performing loans portfolio consolidates, based on sustained local currency lending
- Net financial result impacted by sustained provisioning associated to balance sheet clean-up; 25% overall NPL balance reduction targeted for year-end
- NPL portfolio sale transaction amounting to RON 1 billion concluded in July
- Balance sheet cleaning has limited impact on solvency ratio, at historic high of 16.4%
- Capital base, at RON 7.3 billion, remains supportive to good business growth

Bucharest, July 31, 2014 – Banca Comerciala Romana (BCR) achieved in H1 2014 an **operating result of RON 1,096.6 million** (EUR 245.6 million), underpinned by **solid commercial performance of the healthy business**, encompassing strong market share in new lending, along reinforcement of deposit base. On the back of **historical high solvency (16.4%)** and **strong capitalization (RON 7.3 billion)**, the bank has undertaken to **accelerate resolution of NPL legacy**, despite short term profitability impacted by consequent sustained provisioning. **Net result for H1 2014 is negative at RON -276.6 million** (EUR 61.9 million).

**Tomas Spurny, CEO of BCR** has stated: *“We enter the second half of 2014 with strong intention to clean our balance sheet and enhance future capacity to deliver strong performance from healthy and solid core of the Bank. That healthy core, the current commercial performance, shows continuing signs of improvement, as BCR delivers respectable new lending market share along reinforcement of the overall deposit base. Aside from accelerated resolution of NPL legacy, we plan to further improve our competitive capacity in both Retail and Corporate franchises of the Bank.”*

### Healthy lending portfolio overview

In retail business, campaigns consolidated the performing loans balance at around **RON 16.8 billion**, with **Q2 2014 being the first quarter in the last three years for which new lending offset volumes of loans reimbursed or maturing**. At **RON 8.8 billion** the housing loans portfolio grew satisfactorily versus RON 8.6 billion at end of year 2013. Overall local currency loans portfolio encouragingly grew to **RON 6.1 billion** as compared to RON 5.5 billion at year end 2013. Average retail interest rate at end of H1 was 25 bp lower than year end 2013.

In corporate business, performing loan portfolio stabilized at around **RON 12.0 billion**, with **June 2014 1<sup>st</sup> month in the year when overall loan balance ticked up versus previous month**. The uptick was mainly generated by increased new lending to SME and large corporate clients in sectors such as **energy, agriculture, constructions, pharmacy & healthcare, industry, IT&C** with exposures to real estate and public sector entities continuously decreasing. Average corporate interest rate at end of H1 was 15 bp lower than year end 2013.

### Resolution of NPL stock

BCR manages a non-performing loans portfolio of around RON 12.9 billion, which it decided to resolve in accelerated manner, thus expecting significant improvement of its balance sheet quality (a NPL reduction of about 25%, compared to year-end 2013) and financial performance in the near term. BCR has a target to achieve 25% overall NPL balance reduction until year-end. Consequent risk costs are anticipated to off-set the operational result of the bank in 2014. The capital position of the bank will easily absorb the above mentioned balance sheet cleaning measures and remains strong to support good growth across all business lines.

In that respect, BCR has signed, in July 2014, a sale transaction of RON 1 billion for a non-performing corporate loans package (secured, all of which in legal procedures - insolvency, enforcement), to a consortium of foreign investors and available funding lines.

## Capital position and financial highlights<sup>1</sup>:

**Solvency ratio** under local standards (BCR standalone, IFRS with prudential filters) as of 31 May 2014 stood at **16.4%**, well above the regulatory requirements of the National Bank of Romania (min 10%). Also, IFRS **Tier 1+2 capital ratio** of **24.8%** (BCR Group), as of December 2013, 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. Balance sheet cleaning will thus have very limited impact on solvency ratios the bank; capital base stays strong and will support good growth across all business lines.

**Amounts owed to customers** just slightly decreased by -1.3% to **RON 37,014.6 million** (EUR 8,445.0 million) as of 30 June 2014, versus RON 37,500.0 million (EUR 8,387.4 million) as of end December 2013. Customer deposits remain BCR's main funding source, while the bank enjoys strong support from its parent bank, at the same time benefiting from diversified funding sources and agreements with other International Financial Institutions.

The volume of aggregate **loans to customers** (before provisions, IFRS) decreased by -5.7% to **RON 35,601.5 million** (EUR 8,122.6 million) from RON 37,758.6 million (EUR 8,445.2 million) at year-end 2013, especially on the back of portfolio clean-up, with new lending in specific segments covering reimbursements and natural repayments. 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.

BCR maintained its market leading position, despite decline in total assets by 5.1% to **RON 63,346.0 million** (EUR 14,452.6 million), versus **RON 66,728.8 million** (EUR 14,924.8 million) at 31 December 2013.

**Net interest income**, was down 13.9%, to **RON 1,228.8 million** (EUR 275.1 million), from RON 1,426.3 million (EUR 324.7 million) in H1 2013, on the back of a lower interest rate environment, efforts to price competitively in the market and accelerated NPL portfolio resolution.

**Net fee income** was up 10.6%, to **RON 360.6 million** (EUR 80.7 million), from RON 326.1 million (EUR 74.2 million) in H1 2013, on continuous and successful focus on transaction banking, shift to non-cash operations and customer preference for alternative investment solutions and insurance products.

**Net trading result** decreased by 8.2%, to **RON 203.6 million** (EUR 45.6 million), from RON 221.8 million (EUR 50.5 million) in H1 2013 on the back of lower FX transactions.

The **operating income** decreased by 9.5% to **RON 1,804.3 million** (EUR 404.0 million) from RON 1,994.6 million (EUR 454.1 million) in H1 2013.

**General administrative expenses** in H1 2014 reached RON 707.6 million (EUR 158.5 million), down by 13.2% in comparison to RON 814.8 million (EUR 185.5 million) in H1 2013 reflecting full benefits of restructuring and strict cost management.

As such, **cost-income ratio** improved to **39.2%** in H1 2014, versus 40.8% in H1 2013.

<sup>1</sup> All the below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana (BCR) Group for the first six months of 2014 (H1 2014) according to IFRS. Unless otherwise stated, financial results from the first six months of 2014 (H1 2014) are compared to financial results from the first six months of 2013 (H1 2013). 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 2014 of 4.4658 RON/EUR when referring to H1 2014 results and using the average exchange rate for H1 2013 of 4.3927 RON/EUR when referring to H1 2013 results. The balance sheets at 30 June 2014 and at 31 December 2013 are converted using the closing exchange rates at the respective dates (4.383 RON/EUR at 30 June 2013 and 4.471 RON/EUR at 31 December 2013, respectively). All the percentage changes refer to RON figures.

The net charge of impairments on financial assets not measured at fair value through profit and loss increased by 29.5% to **RON 1,306.6 million** (EUR 292.6 million) in H1 2014, versus RON 1,008.6 million (EUR 229.6 million) in H1 2013, reflecting accelerated efforts to resolve NPL legacy. **NPL coverage ratio, now at 64.5%**, stood significantly above **61.6%** as of June 2013, on the back of sustained provisioning in the view of the balance sheet clean-up. **NPL ratio** remained stable at **29.3%** of the total loan portfolio at 30 June 2014, despite overall decrease of the loan book caused by natural repayments, write-offs and sales of selected NPL portfolios.

The net result in H1 2014 was negative at RON -276.6 million (EUR -61.9million), mainly due to elevated provisioning generated by accelerated balance sheet clean-up, with the view to improved near term performance and considering the fact that diminishing the ratio of non-performing loans is critical to restoring credit extension, economic growth and creation of jobs in the economy.

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BCR offers a complete range of financial products and services through a network of 563 retail units located in most towns with more than 10.000 inhabitants, across the whole Romania, as well as 22 business centers and 23 mobile offices dedicated to companies. BCR commands the largest ATMS network in the country – over 2.100 ATMs and POS - 13.500 terminals for payments by card at merchants. BCR Group had 7,078 own employees as of June 2014.

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## Appendix I - CONSOLIDATED INCOME STATEMENT for H1 2014 (IFRS)

- amounts in RON million

	30-Jun-14	30-Jun-13	% Change
Net interest income	1,228.8	1,426.3	-13.9%
- Impairment/reversal of impairments on financial assets not measured at fair value through profit and loss	(1,306.6)	(1,008.6)	29.5%
Net commission income	360.6	326.1	10.6%
Net trading result	203.6	221.8	-8.2%
General administrative expenses	(707.6)	(814.8)	-13.2%
Other operating results	(86.1)	(169.6)	-49.2%
<b>Pre-tax profit</b>	<b>(296.0)</b>	<b>1.6</b>	>100%
Taxes on income	19.4	559.3	-96.5%
<b>Profit for the year</b>	<b>(276.6)</b>	<b>560.9</b>	>100%
Attributable to non-controlling interests	3.5	4.1	-14.1%
<b>Attributable to owners of the parent</b>	<b>(280.1)</b>	<b>556.8</b>	>100%
Operating income	1,804.3	1,994.6	-9.5%
General administrative expenses	(707.6)	(814.8)	-13.2%
<b>Operating result</b>	<b>1,096.6</b>	<b>1,179.9</b>	-7.1%

## Appendix II - Consolidated statement of financial position (IFRS) as at 30 June 2014 - amounts in RON million

	30-Jun-14	31-Dec-13	%Change
<b>ASSETS</b>			
Cash and cash balances	6,847.9	9,620.6	-28.8%
Financial assets - held for trading	379.7	373.6	1.6%
<i>Derivatives</i>	64.0	42.8	49.6%
<i>Other trading assets</i>	315.7	330.8	-4.6%
Financial assets - at fair value through profit or loss	31.5	34.4	-8.3%
Financial assets - available for sale	7,828.4	5,219.8	50.0%
Financial assets - held to maturity	9,316.1	10,235.3	-9.0%
Loans and advances to credit institutions	214.1	432.2	-50.5%
Loans and advances to customers	35,601.5	37,758.6	-5.7%
Derivatives Hedge accounting	58.9	39.2	50.2%
Property, plant, equipment	1,447.8	1,501.6	-3.6%
Investment properties	45.1	44.1	2.1%
Intangible assets	367.0	387.4	-5.3%
Investments in associates	13.9	75.8	NA
Current tax assets	89.2	89.3	-0.1%
Deferred tax assets	322.1	315.4	2.2%
Non-current assets and disposal groups classified as held for sale	83.2	107.4	-22.6%
Other assets	699.7	494.2	41.6%
<b>Total assets</b>	<b>63,346.0</b>	<b>66,728.8</b>	<b>-5.1%</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Financial liabilities held for trading	42.0	66.1	-36.5%
<i>Derivatives</i>	42.0	66.1	-36.5%
<i>Other trading liabilities</i>	0.0	0.0	NA
Financial liabilities - at fair value through profit or loss	0.0	0.0	NA
Financial liabilities measured at amortised costs	54,748.4	57,304.6	-4.5%
<i>Deposits from banks</i>	16,501.7	18,274.7	-9.7%
<i>Deposits from customers</i>	37,014.6	37,500.0	-1.3%
<i>Debt securities issued</i>	1,223.3	1,529.8	-20.0%
<i>Other financial liabilities</i>	8.8	0.0	NA
Derivatives Hedge accounting	719.4	1,087.3	-33.8%
Provisions	274.9	399.1	-31.1%
Current tax liabilities	1.7	2.2	-25.1%
Deferred tax liabilities	8.6	3.8	126.4%
Non-current liabilities and disposal groups classified as held for sale	0.0	0.0	NA
Other liabilities	298.6	446.1	-33.1%
<b>Total equity attributable to:</b>	<b>7,252.3</b>	<b>7,419.7</b>	<b>-2.3%</b>
<i>Equity holders of the parent</i>	7,222.2	7,393.0	-2.3%
<i>Non-controlling interests</i>	30.1	26.7	12.6%
<b>Total liabilities and equity</b>	<b>63,346.0</b>	<b>66,728.8</b>	<b>-5.1%</b>