

Bucharest, April 30, 2014

## BCR results for Q1 2014

### HIGHLIGHTS<sup>1</sup>:

**Operating performance** in Q1 2014 reached **RON 551.7 million** (EUR 122.5 million), down by 2.8% in comparison to RON 567.3 million (EUR 129.3 million) in Q1 2013.

**Operating income** decreased by 6.8% to **RON 914.1 million** (EUR 203.0 million) from RON 981.1 million (EUR 223.6 million) in Q1 2013.

**Operating expenses** were down 12.4% at **RON 362.5 million** (EUR 80.5 million) from RON 413.9 million (EUR 94.3 million) in Q1 2013. **Cost-income ratio** improved to **39.7%** versus 42.2% in Q1 2013.

**Impairment on financial assets not measured at fair value through profit and loss** in Q1 2014 decreased by 1.5% to **RON 496.4 million** (EUR 110.3 million) from RON 504.0 million (EUR 114.9 million) in Q1 2013.

**Net profit** stood at **RON 1.0 million** (EUR 0.2 million) as compared to a net loss of RON -10.2 million (EUR -2.3 million) in Q1 2013.

BCR maintained leading market share by assets, despite decline in **total assets** by 6.8% to **RON 65,803.9 million** (EUR 14,756.9 million) at 31 March 2014, versus RON 70,583.4 million (EUR 15,971.6 million) at 31 March 2013.

BCR has exceptionally strong capital and liquidity positions, well above regulatory minima: **Tier 1+2 capital ratio** (IFRS) for BCR group stood at **24.9%**, while **solvency ratio** (local standards, bank standalone) at **14.7%** as of December 2013.

### PERFORMANCE OVERVIEW FOR BCR GROUP in Q1 2014

BCR Group achieved a solid **operating result** of **RON 551.7 million** (EUR 122.5 million), a decline of 2.8% from RON 567.3 million (EUR 129.3 million) in Q1 2013, on lower income partly offset by the decrease in expenses, as result of the ambitious turnaround program.

The **operating income** decreased by 6.8% to **RON 914.1 million** (EUR 203.0 million) from RON 981.1 million (EUR 223.6 million) in Q1 2013.

**Net interest income** was down 10.6%, to **RON 644.3 million** (EUR 143.1 million), from RON 721.0 million (EUR 164.3 million) in Q1 2013. The decline mainly originated from subdued credit demand in SME and Large Corporate segments, despite retail loan volumes stable, within lower rates environment.

**Net fee income** grew strongly by 23.1%, to **RON 175.9 million** (EUR 39.1 million), from RON 142.8 million (EUR 32.6 million) in Q1 2013, based on continuous focus on transaction banking, payment transfers and alternative investment solutions offered to clients (asset management, bancassurance, 'Bauspar' savings, pension funds).

**Net trading result** decreased by 22.6%, to **RON 88.3 million** (EUR 19.6 million), from RON 114.0 million (EUR 26.0 million) in Q1 2013, reflecting lower income from the securities business and foreign exchange trading.

<sup>1</sup> As of the beginning of this year, Erste Group (the majority shareholder of BCR) adopted the EBA financial reporting standards (FINREP) to enhance transparency for investors. The adoption of FINREP does not impact historic net profit, equity or balance sheet totals. Unless otherwise stated, financial results from the first three months of 2014 (Q1 2014) under FINREP are compared to the reconciled financial results from the first three months of 2013 (Q1 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 Q1 2014 of 4.5025 RON/EUR when referring to Q1 2014 results and using the average exchange rate for Q1 2013 of 4.3870 RON/EUR when referring to Q1 2013 results. The balance sheets at 31 March 2014 and at 31 March 2013 are converted using the closing exchange rates at the respective dates (4.4592 RON/EUR at 31 March 2014 and 4.4193 RON/EUR at 31 March 2013, respectively). All the percentage changes refer to RON figures.

**Operating expenses** went down by 12.4% to **RON 362.5 million** (EUR 80.5 million) from RON 413.9 million (EUR 94.3 million) in Q1 2013, owing to comprehensive optimisation measures in headcount and branch network, as well as strict cost management. As such, **cost-income ratio** improved to **39.7%** versus 42.2% in Q1 2013.

The net charge of **impairments on financial assets not measured at fair value through profit and loss** in Q1 2014 decreased by 1.5% to **RON 496.4 million (EUR 110.3 million)** from RON 504.0 million (EUR 114.9 million) in Q1 2013, still reflecting the impact of a difficult economic environment on selected customers, but also lower NPL inflows in retail and SME sectors, in line with expectations. **NPL ratio** slightly rose to **30.2%** of the total loan portfolio at 31 March 2014, due to contraction of the loan book driven by the corporate business. NPL volume reduced in absolute terms, on the back of efficient recovery efforts, write-offs, as well as sell-offs. **NPL coverage ratio**, now at **61.1%**, stood above 60.0% in Q1 2013, reflecting a key management priority to improve asset quality.

**Net profit** stood at **RON 1.0 million (EUR 0.2 million)** as compared to a net loss of RON -10.2 million (EUR -2.3 million) in Q1 2013, on the back of solid operating result fully offsetting risk costs.

**Solvency ratio** under local standards (BCR standalone, IFRS with prudential filters) stood at **14.7%**, well above the regulatory requirements of the National Bank of Romania (min 10%). Also, IFRS **Tier 1+2 capital ratio** of **24.9%** (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.

The volume of aggregate **loans to customers** decreased by 14.7% to **RON 36,667.7 million** (EUR 8,222.9 million) from RON 42,985.6 million (EUR 9,726.8 million) at 31 March 2013, with new lending, impacted by weak demand, only partially offsetting repayments and loan book contraction. 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.

**Deposits from customers** remained stable (-0.2%) at **RON 37,366.9 million** (EUR 8,379.7 million) as of 31 March 2014, versus RON 37,424.1 million (EUR 8,468.3 million) as of end March 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.

As new business generation offsets only partly at the moment the clean-up efforts of the credit portfolio, BCR total assets declined by 6.8% to **RON 65,803.9 million** (EUR 14,756.9 million) at 31 March 2014 versus RON 70,583.4 million (EUR 15,971.6 million) at 31 March 2013. BCR remains the largest bank in Romania based on the assets market share.

## Exchange rate development (the official exchange rates of the European Central Bank)

	Rate at the end of the period			Average of the month-end rates		
	Mar-2014	Mar-2013	% change	Mar-2014	Mar-2013	% change
RON/EUR	4.4592	4.4193	0.9%	4.5025	4.3870	2.6%

Positive change = devaluation against EUR, negative change = appreciation against EUR

## Appendix I

### CONSOLIDATED INCOME STATEMENT for Q1 2014

- amounts in RON million

	31-Mar-14	31-Mar-13	% Var
Net interest income	644.3	721.0	-10.6%
Impairment on financial assets not measured at fair value through profit and loss	(496.4)	(504.0)	-1.5%
Net trading and fair value option result	88.3	114.0	-22.6%
Net fee and commission income	175.9	142.8	23.1%
General administrative expenses	(362.5)	(413.9)	-12.4%
Other operating result	(23.2)	(84.2)	-72.4%
<b>Pre-tax profit from continuing operations</b>	<b>32.9</b>	<b>(20.9)</b>	<b>na</b>
Taxes on income	(31.9)	10.7	na
<b>Net profit of the year</b>	<b>1.0</b>	<b>(10.2)</b>	<b>na</b>
Attributable to non-controlling interests	1.8	(2.0)	na
<b>Attributable to owners of the parent</b>	<b>(0.8)</b>	<b>(12.2)</b>	<b>-93.5%</b>
Operating income	914.1	981.1	-6.8%
General administrative expenses	(362.5)	(413.9)	-12.4%
<b>Operating result</b>	<b>551.7</b>	<b>567.3</b>	<b>-2.8%</b>

## Appendix II

### Consolidated statement of financial position as at 31 March 2014

- amounts in RON million

	31-Mar-14	31-Mar-13	% Var
<b>ASSETS</b>			
Cash and cash balances	7,638.0	9,358.0	-18.4%
Financial assets - held for trading	411.1	413.9	-0.7%
Financial assets - at fair value through profit or loss	32.0	45.5	-29.6%
Financial assets - available for sale	8,228.6	4,006.6	105.4%
Financial assets - held to maturity	9,686.5	10,392.7	-6.8%
Loans and advances to credit institutions	215.1	489.7	-56.1%
Loans and advances to customers	36,667.7	42,985.6	-14.7%
Derivatives Hedge accounting	64.8	31.2	107.3%
Property, plant, equipment	1,483.3	1,609.5	-7.8%
Investment properties	43.9	44.9	-2.3%
Intangible assets	374.2	413.0	-9.4%
Investments in associates	15.1	(0.0)	na
Current tax assets	89.2	177.5	-49.8%
Deferred tax assets	292.0	33.8	na
Non-current assets and disposal groups classified as held for sale	89.4	60.9	46.9%
Other assets	473.0	520.7	-9.1%
<b>Total assets</b>	<b>65,803.9</b>	<b>70,583.4</b>	<b>-6.8%</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Financial liabilities held for trading	46.1	78.0	-40.9%
Financial liabilities measured at amortised costs	56,431.7	61,173.4	-7.8%
<i>Deposits from banks</i>	17,688.2	22,198.3	-20.3%
<i>Deposits from customers</i>	37,366.9	37,424.1	-0.2%
<i>Debt securities issued</i>	1,366.5	1,551.1	-11.9%
<i>Other financial liabilities</i>	10.1	0.0	na
Derivatives Hedge accounting	1,062.7	1,420.2	-25.2%
Provisions	397.4	430.4	-7.7%
Current tax liabilities	1.8	2.7	-33.4%
Deferred tax liabilities	4.3	246.5	-98.3%
Other liabilities	401.2	434.5	-7.7%
<b>Total equity attributable to:</b>	<b>7,458.7</b>	<b>6,797.7</b>	<b>9.7%</b>
<i>Equity holders of the parent</i>	<b>7,429.8</b>	<b>6,776.5</b>	<b>9.6%</b>
<i>Non-controlling interests</i>	<b>28.9</b>	<b>21.2</b>	<b>36.1%</b>
<b>Total liabilities and equity</b>	<b>65,803.9</b>	<b>70,583.4</b>	<b>-6.8%</b>