

## BCR financial results for 2015: RON 918.9 million net profit

### Highlights<sup>1</sup>:

- On the back of a RON 1,561.5 million (EUR 351.3 million) operating result, full year 2015 net profit stood at RON 918.9 million (EUR 206.8 million), supported by risk provision release due to higher recoveries, on the basis of improved workout capabilities and macroeconomic environment.
- NPL ratio decreased to 20.2% compared to 25.7% in December 2014, as result of sustained efforts to reduce NPL legacy and improve performing portfolio quality. NPL coverage ratio stood comfortably at 77.4%, as of December 2015.
- Significant uplift in new loan production: in retail business, new production in local currency totalled RON 5.0 bn, while in corporate business new on-balance sheet loans totalled RON 3.6 bn.
- Expenses were up by 2.6% yoy, on the back of significant infrastructure investments.
- The capital position of the bank remains exceptionally strong to support business growth. BCR's solvency ratio stood at 19.6% as of Dec 2015 (BCR standalone), while Tier 1 + 2 capital (BCR Group) was very solid at RON 5.66 billion as of Dec 2015.

*"Our results rely first and fore mostly on the dedication of our employees to our clients. We have gone through a deep transformation of the bank and the results of that transformation translate everyday into improvement of customer service. We are strongly capitalized and determined to be a reliable financial partner to our customers and, if case be, find commercial solutions for their financial life challenges. In the last year BCR, channelled over 8 billion RON new funding into the economy and adjusted the instalment rates of over 30.000 customers. That, we believe, is the right thing to do as a bank",* said Sergiu Manea, CEO of BCR.

*"There are significant unexpected challenges for the local financial sector, not least a heated debate as of how the banking sector should serve the economy. We are determined to seek, together with all the stakeholders the right way to promote a solid development agenda and sustainable access to financial service, anchored in stability, economic growth, as well as adequate protection for social-case debtors",* added Sergiu Manea.

<sup>1</sup> Below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana Group for the full year 2015, according to IFRS. Unless otherwise stated, financial results for the full year 2015 are compared to financial results for the full year 2014. 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 2015 of 4.4444 RON/EUR when referring to the full year 2015 results and using the average exchange rate for the full year 2014 of 4.4442 RON/EUR when referring to full year 2014 results. The balance sheets at 31 December 2015 and at 31 December 2014 are converted using the closing exchange rates at the respective dates (4.5240 RON/EUR at 31 December 2015 and 4.4828 RON/EUR at 31 December 2014, respectively). All the percentage changes refer to RON figures.

## 2015 commercial and financial highlights

Banca Comerciala Romana (BCR) in 2015 achieved a strong **net profit of RON 918.9 million (EUR 206.8 million)**, supported by good operating performance and risk provision release due to higher recoveries on the basis of improved workout capabilities and macroeconomic environment.

The operating result stood at RON 1,561.5 million (EUR 351.3 million), 18.4% lower than the previous year at RON 1,914.4 (EUR 430.8), driven by lower operating income, impacted by reduced unwinding contribution, low interest rate environment and higher costs related to running IT projects.

In bank retail business, strong performance in volume generation by the franchise resulted in **new loans in local currency totalling RON 5.0 bn**, with sales of secured loans increasing by 11,5% annually, driven by Prima Casa new production up by 29% yoy, while new volumes of cash loans increased by 7% yoy.

In bank corporate business, **new volumes added on the balance sheet totalled RON 3.6 billion**, supported by 3.6% growth in SME business. New approved loans are substantially picking up, supported by a solid pipeline of better quality new business, particularly in overdraft, working capital and supply chain financing.

**Net interest income** was down by 13.0%, to **RON 1,992.6 million** (EUR 448.3 million), from RON 2,289.4 million (EUR 515.1 million) in 2014, on the back of accelerated NPL portfolio resolution, efforts to price competitively in the market and a low interest rate environment.

**Net fee income** was up by 2%, to **RON 725.2 million** (EUR 163.2 million), from RON 711.3 million (EUR 160.0 million) in 2014, on the back of higher transaction banking fees and distribution of insurance products.

**Net trading result** decreased by 14.5%, to **RON 308.4 million** (EUR 69.4 million), from RON 360.8 million (EUR 81.2 million) in 2014 on the back of reduced trading activity.

The **operating income** decreased by 9.3% to **RON 3,074.9 million** (EUR 691.9 million) from RON 3,389.3 million (EUR 762.4 million) in 2014, mainly driven by reduced net interest income along with lower trading result.

**General administrative expenses** in 2015 reached **RON 1,513.4 million (EUR 340.5 million)**, up by 2.6% in comparison to RON 1,474.9 million (EUR 331.9 million) in 2014. The fulfilment of cost targets, set forth in 2012 turnaround plan and supported by continuous focus on productivity improvements, is translating into significant IT infrastructure and branch refurbishment investments.

As such, **cost-income ratio** advanced to **49.2%** in 2015, versus 43.5% in 2014.

## 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 72.9 million** (EUR 16.4 million) in 2015, versus a negative charge of RON -4,440.0 million (EUR -999.0 million) in 2014, driven by higher recoveries on the basis of improved workout capabilities and macroeconomic environment. In 2015 BCR witnessed continued improvement of the performing book, driven by new selection and monitoring tools implemented over the last years.

**NPL ratio**<sup>2</sup> at **20.2%**, as of 31 December 2015, significantly decreased versus 25.7% as of 31 December 2014, despite overall reduction of the loan book, determined by recoveries, sales of selected NPL portfolios and write-offs. **NPL coverage ratio stood at 77.4%**.

## Capital position and funding

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<sup>2</sup> Starting Dec-14, quarterly data is reported in compliance with draft EBA NPE definition.

**Solvency ratio** under local standards (BCR standalone) as of Dec 2015 stood at **19.6%**, well above the regulatory requirements of the National Bank of Romania (min 10%). Also, IFRS **Tier 1+2 capital ratio** of **18.9%** (BCR Group), as of Dec 2015, 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** were up, by 6.8% to **RON 42,626.0 million** (EUR 9,422.2 million) at 31 December 2015, versus RON 39,922.6 million (EUR 8,905.7 million) at 31 December 2014, driven by positive development of retail and SME 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 favour of local currency on medium to long term and fully use the strong self-funding capacity in RON.

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BCR offers a complete range of financial products and services through a network of 511 retail units located in most towns with more than 10.000 inhabitants, across the whole Romania, as well as 21 business centres and 23 mobile offices dedicated to companies. BCR commands the largest Self-serving banking Equipment network in the country – about 2.600 Equipment (ATMs, Multifunctional Machines, Automated Payment Terminals, FX Exchange Machines) as well as 12.000 POS terminals for payments by card at merchants.

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## Financial data

### Income statement

in RON million	FY 2015	FY 2014
Net interest income	1,992.6	2,289.4
Net fee and commission income	725.2	711.3
Net trading and fair value result	308.4	360.8
Operating income	3,074.9	3,389.3
Operating expenses	(1,513.4)	(1,474.9)
Operating result	1,561.5	1,914.4
Net impairment loss on non-fair value financial assets	72.9	(4,440.0)
<b>Net result attributable to owners of the parent</b>	<b>918.9</b>	<b>(2,799.9)</b>

### Balance sheet

in RON million	Dec 15	Dec 14
Cash and cash balances	9,441.8	8,235.2
Financial assets – held for trading	248.1	370.8
Financial assets – available for sale	7,203.3	7,655.1
Financial assets – held to maturity	10,154.4	9,578.2
Loans and receivables to credit institutions	204.4	525.3
Loans and receivables to customers	32,450.8	32,566.1
Intangible assets	234.3	218.5
Miscellaneous assets	423.8	428.2
<b>Total assets</b>	<b>62,360.0</b>	<b>61,624.6</b>
Financial liabilities - held for trading	35.1	70.1
Deposits from banks	11,247.2	14,191.1
Deposits from customers	42,626.0	39,922.6
Debt securities issued	912.2	1,044.2
Miscellaneous liabilities	307.6	168.5
Total equity	5,875.3	4,910.2
<b>Total liabilities and equity</b>	<b>62,360.0</b>	<b>61,624.6</b>