

## 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

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

- In 2016 BCR granted a volume of RON 8.8 billion new retail and corporate loans.
- 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.
- 2016 net profit stood at RON 1,045.6 million (EUR 232.9 million), supported by new client business and improving portfolio quality.

*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.*

*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 catalyse 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**, stated.*

<sup>1</sup> 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.

## 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 totalled 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.

**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 ratio<sup>2</sup>** 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 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 512 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. As of December 2016, BCR Group was employing 7,078 people.

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

## 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
<b>Net result attributable to owners of the parent</b>	<b>1,045.6</b>	<b>918.9</b>

### 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
<b>Total assets</b>	<b>67,518.6</b>	<b>62,360.0</b>
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
<b>Total liabilities and equity</b>	<b>67,518.6</b>	<b>62,360.0</b>