

BCR financial results for Q 1 2016: RON 315.1 million net profit, NPL ratio continues to decrease

Highlights¹:

- On the back of a RON 330.6 million (EUR 73.6 million) operating result, Q 1 2016 net profit stood at RON 315.1 million (EUR 70.2 million), supported by further recoveries and improving portfolio quality.
- NPL ratio decreased to 19.5% compared to 25.6% in March 2015, as result of sustained efforts to reduce NPL legacy and improve performing portfolio quality. NPL coverage ratio improved to a very comfortable level of 78.4%, as of March 2016.
- New loan production is solid: RON 2.0 billion new retail and corporate loans on the balance sheet.
- Expenses were up by 13.4% yoy, impacted by booking full contribution to deposit insurance fund in Q1 2016.
- The capital position of the bank is strong to support business growth. BCR's solvency ratio stood at 21.1% as of Feb 2016 (BCR standalone), while Tier 1 + 2 capital (BCR Group) was very solid at RON 5.8 billion as of Dec 2015.

BCR's position is strong, reflecting the solidity of the bank's balance sheet. Our capital and liquidity position enable us to provide sustained, yet discerning, financing to households and the real economy at large. At the same time, the current context, including the legislative framework, generates a series of challenges, the effect of which we can't minimize. We'd very much like to be financially successful, together with our clients, in a country which prospers based on clear and simple rules.

That notwithstanding, BCR's outmost focus is the delivery of consistent commercial solutions, based on serious understanding of the economic cycle. The sustainable growth of our business can only stem from sustainable growth of our customers and the sustainability of their budgets. Thus, first and foremost we have to thank our customers banking with us, while further working to better understand their aims, in order to offer the most adequate financial arrangements, said Sergiu Manea, CEO of BCR.

Q1 2016 commercial and financial highlights

Banca Comerciala Romana (BCR) in Q1 2016 achieved a strong **net profit of RON 315.1 million (EUR 70.2 million)**, supported by operating performance and continued improvement of portfolio quality.

The operating result stood at RON 330.6 million (EUR 73.6 million), 15.7% lower than the previous year at RON 392.3 (EUR 88.1), driven by lower operating income, impacted by reduced unwinding contribution, margin

¹ Below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana Group for Q1 2016, according to IFRS. Unless otherwise stated, financial results for Q1 2016 are compared to financial results for Q1 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 Q1 2016 of 4.4915 RON/EUR when referring to the first three months of 2016 results and using the average exchange rate for Q1 2015 of 4.4505 RON/EUR when referring to the first three months of 2015 results. The balance sheets at 31 March 2016 and at 31 December 2015 are converted using the closing exchange rates at the respective dates (4.4718 RON/EUR at 31 March 2016 and 4.5240 RON/EUR at 31 December 2015, respectively). All the percentage changes refer to RON figures.

pressure and low interest rate environment coupled with higher costs from booking full contribution to deposit insurance fund in Q1 2016.

In bank retail business, strong performance in volume generation by the franchise resulted in **new loans in local currency totalling RON 1.10 bn**, with solid sales of both secured and unsecured loans, despite Prima Casa slowdown due to exhausting available ceiling.

In bank corporate business, **new volumes added on the balance sheet totalled RON 0.9 billion**, supported by double digit growth yoy in Group Large Corporate business. Co-financing of EU funded projects was also solid with BCR holding a 33% market share and a portfolio of over RON 7.1 bn 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 10.0%, to **RON 459.2 million** (EUR 102.2 million), from RON 510.5 million (EUR 114.7 million) in Q1 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 up by 5.7%, to **RON 177.1 million** (EUR 39.4 million), from RON 167.6 million (EUR 37.6 million) in Q1 2015, on the back of higher transaction banking fees.

Net trading result increased by 42.2%, to **RON 88.1 million** (EUR 19.6 million), from RON 61.9 million (EUR 13.9 million) in Q1 2015 on the back of higher results from sales of financial instruments and positive effect from revaluation of FX participations.

The **operating income** decreased by 1.8% to **RON 736.2 million** (EUR 163.9 million) from RON 749.9 million (EUR 168.5 million) in Q1 2015, mainly driven by reduced net interest income partly compensated by better net fee and commission income and higher trading result.

General administrative expenses in Q1 2016 reached **RON 405.6 million (EUR 90.3 million)**, up by 13.4% in comparison to RON 357.6 million (EUR 80.4 million) in Q1 2015 negatively impacted by booking full contribution to deposit insurance fund in Q1 2016 compared to pro-rata in Q1 2015.

As such, **cost-income ratio** advanced to **55.1%** in Q1 2016, versus 47.7% in Q1 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 132.1 million** (EUR 29.4 million) in Q1 2016, versus a provision release of RON 39.4 million (EUR 8.9 million) in Q1 2015, driven by further recoveries and improved portfolio quality.

NPL ratio² at **19.5%**, as of 31 March 2016, significantly decreased versus 25.6% as of 31 March 2015, despite overall reduction of the loan book, determined by recoveries, sales of selected NPL portfolios and write-offs. **NPL coverage ratio improved to 78.4%**.

Capital position and funding

Solvency ratio under local standards (BCR standalone) as of Feb 2016 stood at **21.1%**, 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.

² Starting Dec-14 reported in compliance with draft EBA NPE definition.

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 down, by 1.9% to **RON 41,806.3 million** (EUR 9,348.9 million) at 31 March 2015, versus RON 42,626.0 million (EUR 9,422.2 million) at 31 December 2015, driven by seasonal outflows of corporate clients, yet slightly up retail 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.

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.

For more information please contact press office at: comunicare@bcr.ro

This information is also available on our website: www.bcr.ro

For more details about the products and services provided by BCR, please contact InfoBCR at

Internet page: www.bcr.ro

Email: contact.center@bcr.ro

Telverde: 0800.801.BCR (0800.801.227), toll-free from all national networks

Financial data

Income statement

in RON million	Q1 2016	Q1 2015
Net interest income	459.2	510.5
Net fee and commission income	177.0	167.6
Net trading and fair value result	88.1	61.9
Operating income	736.2	749.9
Operating expenses	(405.6)	(357.6)
Operating result	330.6	392.3
Net impairment loss on non-fair value financial assets	132.1	39.4
Net result attributable to owners of the parent	315.1	344.0

Balance sheet

in RON million	Mar 16	Dec 15
Cash and cash balances	8,411.5	9,441.8
Financial assets – held for trading	502.3	248.1
Financial assets – available for sale	6,811.5	7,203.3
Financial assets – held to maturity	11,119.2	10,154.4
Loans and receivables to credit institutions	1,557.1	204.4
Loans and receivables to customers	32,061.0	32,450.8
Intangible assets	229.3	234.3
Miscellaneous assets	491.3	423.8
Total assets	63,141.1	62,360.0
Financial liabilities - held for trading	61.8	35.1
Deposits from banks	12,594.2	11,247.2
Deposits from customers	41,806.3	42,626.0
Debt securities issued	826.3	912.2
Miscellaneous liabilities	330.4	307.6
Total equity	6,138.5	5,875.3
Total liabilities and equity	63,141.1	62,360.0