

BCR results for half year 2017: RON 305 million net profit, RON 4.1 billion new loans extended; NPL ratio drops to 11%

Highlights¹:

- On the back of a RON 729.8 million (EUR 160.9 million) operating result, H1 2017 net profit stood at RON 305 million (EUR 67.4 million), supported by solid operational result and continuous improvement of portfolio quality
- NPL ratio decreased to 11% compared to 14% in June 2016 and 23.1% in June 2015, as result of sustained efforts to improve performing portfolio quality
- NPL provision coverage ratio improved to a very comfortable level of 92.1%, as of June 2017
- Expenses decreased by 7.6% compared to the same period of the previous year
- New loan production continues to be solid: RON 4.1 billion new retail and corporate loans on the balance sheet.
- The capital position of the bank remains strong to support further sustainable business growth. BCR's solvency ratio stood at 23.2% as of May 2017 (BCR standalone), while Tier 1 + 2 capital (BCR Group) was very solid at RON 7.5 billion as of March 2017

„Trust is the word defining BCR's evolution over the past year. Our trust comes from increasing number of clients and a closer relationship to them. Our trust also comes from the active involvement in the community along the important themes for Romania. All these are backed by a continuous improvement of our balance sheet and the sustainable development of the bank, which we target to maintain in the future. BCR today enjoys substantial capitalization, excellent liquidity and especially an unmatched expertise to support the most relevant projects for infrastructure financing, for servicing companies, for increasing quality of life for people across Romania and, in general, to create trust capital in the economy. From this perspective I am particularly pleased for the fact that BCR has put forward the best financial offer for Start-up Nation, the program to support Romania's entrepreneurial ecosystem, of which results I am looking forward to.

In an environment dominated by changes and unpredictable developments, BCR remains an anchor for long term engagements. BCR's mission is to offer sustainable solutions for the financial life of Romanians. We thank our clients, our employees and our shareholders for offering us their trust so that we can build together prosperity and potential for Romania,” BCR CEO, Sergiu Manea, stated.

H1 2017 commercial and financial highlights

Banca Comerciala Romana (BCR) in H1 2017 achieved a strong **net profit of RON 305 million (EUR 67.4 million)**, supported by operating performance and continued improvement of portfolio quality. Compared to the

¹ Below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana Group for H1 2017, according to IFRS. Unless otherwise stated, financial results for H1 2017 are compared to financial results for H1 2016. 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 2017 of 4.5381 RON/EUR when referring to the first six months of 2017 results and using the average exchange rate for H1 2016 of 4.4950 RON/EUR when referring to the first six months of 2016 results. The balance sheets at 30 June 2017 and at 31 December 2016 are converted using the closing exchange rates at the respective dates (4.5523 RON/EUR at 30 June 2017 and 4.5390 RON/EUR at 31 December 2016, respectively). All the percentage changes refer to RON figures.

same period last year, net profit declined mainly due to base effect from significant gain following the sale of certain participations coupled with risk provision releases generated by recoveries from non-performing loans booked in the first half of 2016.

The operating result stood at RON 729.8 million (EUR 160.9 million), 3.6% higher than the previous year, at RON 704.7 (EUR 156.8), mainly due to lower operating expenses.

In bank retail business, BCR granted **new loans totalling RON 2.6 billion** with solid sales of both unsecured and secured loans. Secured loans have been consistently backed by the *Prima Casă* Program on the basis of the new funds allocated.

In bank corporate business, **new volumes added on the balance sheet totalled RON 1.5 billion**. Co-financing of EU funded projects was also solid with BCR holding over 30% market share and a **portfolio of over RON 7.74 billion co-financed**. The corporate book growth is further supported by a solid pipeline of better quality new business, particularly in overdraft, working capital and production and supply chain financing.

Net interest income was down by 6%, to **RON 878.73 million** (EUR 193.71 million), from RON 934.7 million (EUR 208 million) in H1 2016, on the back of continued NPL portfolio resolution and a low interest rate environment.

Net fee income decreased by 4.3%, to **RON 338.88 million** (EUR 74.7 million), from RON 354.1 million (EUR 78.8 million) in H1 2016, on the back of lower transaction banking fees.

Net trading result increased by 21.3%, to **RON 189.60 million** (EUR 41.80 million), from RON 156.3 million (EUR 34.8 million) in H1 2016 on the back of positive effect from revaluation of FX participations.

The **operating income** decreased by 2.3% to **RON 1,439.53 million** (EUR 317.33 million) from RON 1,473.0 million (EUR 327.7 million) in H1 2016, mainly driven by reduced net interest income and lower commission income partly compensated by higher trading result.

General administrative expenses in H1 2017 dropped by 7.6% to RON 709.65 million (EUR 156.43 million) from RON 768.4 million (EUR 170.9 million) in H1 2016 mainly impacted by methodology adjustments for booking contribution to the bank deposit insurance fund.

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 of **RON 61.6 million** (EUR 13.6 million) in H1 2017, versus a net risk provisions release of RON 69.3 million (EUR 15.4 million) in H1 2016, while continuing efforts to improve the quality of the portfolio.

NPL ratio² at 11%, as of 30 June 2017, significantly decreased from 14% as of 30 June 2016 and 23.1% as of 30 June 2015, due to reduction of the NPL book, driven by recoveries, sales of NPL portfolios and write-offs. **NPL provision coverage ratio improved to 92.1%**, while, collateral included, it comfortably stood at 125.3%.

Capital position and funding

Solvency ratio under local standards (BCR standalone) as of May 2016 stood at **23.2%**, well above the regulatory requirements of the National Bank of Romania. Also, IFRS **Tier 1+2 capital ratio** of **22.1%** (BCR Group), as of March 2017, 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.

Loans and receivable to customers increased by 0.5% to **RON 32,437 million** at 30 June 30 2017, from RON 32,291 million at 31 December 2016, as a result of increased lending volumes on the retail segment.

Deposits from customers decreased by 2.1% to **RON 47,208.1 million** (EUR 10,370.2 million) at 30 June 2017, versus RON 48,235.2 million (EUR 10,626.8 million) at 31 December 2016, due to a decrease in 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.

Banca Comerciala Romana (BCR), a member of Erste Group, is the most important financial group in Romania, including operations of universal bank (retail, corporate & investment banking, treasury and capital markets), as well as specialized companies on the leasing market, private pensions, housing banks and banking services. BCR is No. 1 bank in Romania on the assets value (over EUR 14.8 billion), No. 1 Bank by number of clients and No. 1 bank by savings and financing segments. BCR is the most valuable financial brand from Romania, considering the degree of trust of the clients and the number of people for whom BCR is the main banking institution.

BCR offers a complete range of products and financial services through a network of 22 business centres and 18 mobile offices for companies and 514 retail units located in major cities across the country with over 10,000 inhabitants. BCR is the No. 1 bank in Romania on the bank transaction market, BCR clients having available the largest national network of ATMs – over 2,000 ATMs and POSs – over 15,200 card payment terminals to merchants, as well as full service Internet banking, Mobile Banking, Phone-banking and E-commerce.

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

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Financial data

Income statement

in RON million	H1 2017	H1 2016
Net interest income	878.7	934.7
Net fee and commission income	338,8	354,1
Net trading and fair value result	189.6	156.3
Operating income	1,439.5	1,473.0
Operating expenses	(709.7)	(768.4)
Operating result	729.9	704.7
Net impairment loss on non-fair value financial assets	(61.6)	69.3
Net result attributable to owners of the parent	305.6	636.0

Balance sheet

in RON million	Jun 17	Dec 16
Cash and cash balances	9,433.3	11,911.9
Financial assets – held for trading	572.1	633.2
Financial assets – available for sale	7,342.3	5,574.1
Financial assets – held to maturity	13.634,2	13.904,2
Loans and receivables to credit institutions	44.9	552.8
Loans and receivables to customers	32,437.6	32,291.1
Intangible assets	293.1	289.3
Miscellaneous assets	2,179.6	2,357.9
Total assets	65,937.2	67,514.6
Financial liabilities - held for trading	52.5	38.4
Deposits from banks	8,947.5	9,654.7
Deposits from customers	47,208.1	48,235.2
Debt securities issued	1,119.3	1,346.2
Miscellaneous liabilities	1,481.9	1,435.7
Total equity	7,128.0	6,804.4
Total liabilities and equity	65,937.2	67,514.6