

BCR financial results for Q1 2017: solid lending, NPL ratio continues to decrease, RON 196.3 million net profit

Highlights¹:

- On the back of a RON 338.0 million (EUR 74.7 million) operating result, coupled with low allocation of risk provisions, Q1 2017 net profit stood at RON 196.3 million (EUR 43.4 million).
- NPL ratio decreased to 11.3% compared to 19.6% in March 2016. NPL coverage ratio improved to a very comfortable level of 87.5% as of March 2017.
- New loan production is solid: RON 1.7 new retail and corporate loans on the balance sheet.
- Expenses were down by 13.0% yoy mainly driven by methodology adjustments for booking contribution to deposit insurance fund.
- The capital position of the bank is strong to support business growth. BCR's solvency ratio stood at 21.2% as of Feb 2017 (BCR standalone), while Tier 1 + 2 capital (BCR Group) was very solid at RON 6.5 billion as of Dec 2016.

We are first and foremost grateful for the trust of our clients, their loyalty and confidence to count on BCR for their life and business plans. On that basis, BCR continues to grow its healthy business together with the client portfolio, aiming at responsible financial intermediation supporting the development of each client and the prosperity of the entire community.

We believe in Romania, we believe in our clients and we see a tremendous responsibility for us, as a financial company, to support trust building in the society. That continues to be a long term priority for BCR, said Sergiu Manea, CEO of BCR.

Q1 2017 commercial and financial highlights

Banca Comerciala Romana (BCR) in Q1 2017 achieved a **net profit of RON 196.3 million (EUR 43.4 million)**, supported by operating performance and continued improvement of portfolio quality.

The operating result stood at RON 338.0 million (EUR 74.7 million), 2.3% higher than the previous year at RON 330.6 million (EUR 73.6 million), driven by lower operating income (on the back of continued NPL portfolio resolution and low interest rate environment) coupled with lower costs.

In bank retail business, strong performance in volume generation by the franchise resulted in **new loans in local currency totalling RON 1.2 bn**, with solid sales of both secured and unsecured loans, despite Prima Casa slowdown due to new guarantee funds allocation only approved towards end March.

¹ Below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana Group for Q1 2017, according to IFRS. Unless otherwise stated, financial results for Q1 2017 are compared to financial results for Q1 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 Q1 2017 of 4.4915 RON/EUR when referring to the first three months of 2017 results and using the average exchange rate for Q1 2016 of 4.4505 RON/EUR when referring to the first three months of 2016 results. The balance sheets at 31 March 2017 and at 31 December 2016 are converted using the closing exchange rates at the respective dates (4.4718 RON/EUR at 31 March 2017 and 4.5240 RON/EUR at 31 December 2016, respectively). All the percentage changes refer to RON figures.

In bank corporate business, **new volumes added on the balance sheet totalled RON 0.5 billion**, supported by higher loan volumes in Small and Medium Enterprises, as well as Group Large Corporate business. Co-financing of EU funded projects was also solid with BCR holding a portfolio of over RON 7.7 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 5.7%, to **RON 432.9 million** (EUR 95.7 million), from RON 459.2 million (EUR 102.2 million) in Q1 2016, 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 7.2%, to **RON 164.4 million** (EUR 36.3 million), from RON 177.1 million (EUR 39.4 million) in Q1 2016, on the back of regulatory driven decrease in interchange fee income coupled with lower transaction banking fees.

Net trading result decreased by 9.7%, to **RON 79.5 million** (EUR 17.6 million), from RON 88.1 million (EUR 19.6 million) in Q1 2016 on the back of negative effect from revaluation of FX participations.

The **operating income** decreased by 6.1% to **RON 691.1 million** (EUR 152.8 million) from RON 736.2 million (EUR 163.9 million) in Q1 2016, mainly driven by reduced net interest income, coupled with weaker net fee and commission income and lower trading result.

General administrative expenses in Q1 2017 reached **RON 353.1 million (EUR 78.1 million)**, down by 13.0% in comparison to RON 405.6 million (EUR 90.3 million) in Q1 2016, impacted by methodology adjustments for booking contribution to deposit insurance fund.

As such, **cost-income ratio** stood at **51.1%** in Q1 2017, versus 55.1% in Q1 2016.

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 charge of **RON 3.3 million** (EUR 0.7 million) in Q1 2017, versus a provision release of RON 132.1 million (EUR 29.4 million) in Q1 2016, in a context of further recoveries and improved portfolio quality.

NPL ratio² at **11.3%**, as of 31 March 2017, significantly decreased versus 19.6% as of 31 March 2016, as a result of further recoveries and write-offs. **NPL coverage ratio improved to 87.5%**.

Capital position and funding

Solvency ratio under local standards (BCR standalone) as of Feb 2017 stood at **21.2%**, 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 Dec 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.

Loans and receivables to customers increased by 1.3% to RON 32,714.1 million (EUR 7,185.9 million) from RON 32,291.1 million (EUR 7,114.2 million) on the back of higher volumes in both retail and corporate loans.

Deposits from customers were flat, up by 0.3% to **RON 48,378.3 million** (EUR 10,626.8 million) at 31 March 2017, versus RON 48,235.2 million (EUR 10,626.8 million) at 31 December 2016, driven by seasonal outflows of retail clients, offset by inflows in corporate business and financial markets. Customer deposits remain BCR's main funding source, while the bank benefits from diversified funding sources, including parent company.

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

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 513 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 2017	Q1 2016
Net interest income	432.9	459.2
Net fee and commission income	164.4	177.1
Net trading and fair value result	79.5	88.1
Operating income	691.1	736.2
Operating expenses	(353.1)	(405.6)
Operating result	338.0	330.6
Net impairment loss on non-fair value financial assets	(3.3)	132.1
Net result attributable to owners of the parent	196.3	315.1

Balance sheet

in RON million	Mar 17	Dec 16
Cash and cash balances	11,051.6	11,911.9
Financial assets – held for trading	1,214.1	633.2
Financial assets – available for sale	5,618.4	5,574.1
Financial assets – held to maturity	14,274.3	13,904.2
Loans and receivables to credit institutions	26.3	552.8
Loans and receivables to customers	32,714.1	32,291.1
Intangible assets	282.8	289.3
Miscellaneous assets	401.1	365.7
Total assets	67,518.7	67,514.6
Financial liabilities - held for trading	28.9	38.4
Deposits from banks	9,503.6	9,654.7
Deposits from customers	48,378.3	48,235.2
Debt securities issued	561.3	637.2
Miscellaneous liabilities	375.1	326.4
Total equity	7,017.6	6,804.4
Total liabilities and equity	67,518.7	67,514.6