

## BCR results for HY 2018: over 50% increase in retail new loans, solid lending to SMEs, RON 697 million net profit

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

- On the back of a RON 740.9 million (EUR 159.2 million) operating result and good performance on all business lines, BCR HY 2018 net profit stood at RON 697 million (EUR 149.7 million)
- BCR recorded an advance of over 50% in retail new loans granted in HY 2018 versus HY 2017, consolidating its position as the main banking partner for Romanians who want to buy a house, with more than 20% of the newly originated mortgage loans in Romania
- The Bank has accelerated the process of digitizing and simplifying operations
- NPL ratio decreased to 6.7% compared to 8.1% as of December 2017. NPL coverage ratio reached a comfortable level of 95.3% as of June 2018 from 92.7% as of December 2017
- The capital position of the bank is strong to support business growth. BCR's solvency ratio stood at 22.2% as of May 2018 (BCR standalone), while Tier 1 + 2 capital (BCR Group) was very solid at RON 7.7 billion as of March 2018<sup>2</sup>

*"I am thankful to our clients who chose more and more BCR as a trustful partner for achieving their life plans. This performance, which makes me really proud, is based mainly on the dedication which my colleagues are putting into the everyday interactions with all the banking clients, and I want to use this opportunity to particularly thank them. We will increase our efforts to offer competitive services, to consolidate trustful relationships and to specifically promote responsible banking products and responsible lending. Furthermore we will be relentlessly using any opportunity to deliver our financial education program aimed at supporting financial independence for all those aspiring to a better life in Romania." – Sergiu Manea, BCR*

### HY 2018 commercial and financial highlights

Banca Comerciala Romana (BCR) in HY 2018 achieved a **net profit of RON 697 million (EUR 149.7 million)**, supported by business development and continuous improvement of the portfolio quality.

**In retail banking business**, due to the ongoing efforts to build products that best meet the real needs of customers, BCR generated **new volume of loans of RON 4.1 billion in HY 2018**, with over 40% increase in "Divers" cash loan and strong growth in mortgage sales, including standard housing loan product "Casa mea" as well as "Prima casa" loans, compared to the same period of the last year. BCR has strengthened its leading position as the main banking partner for the Romanians who want to buy a house, with more than 20% of the newly originated mortgage loans in Romania.

Micro business sales increased by over 60% yoy supported by revised offer for current account and by BCR leading position in Start-Up Nation governmental program.

<sup>1</sup> Below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana Group for Q2 2018, according to IFRS. Unless otherwise stated, financial results for Q2 2018 are compared to financial results for Q2 2017. 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 Q2 2018 of 4.6546 RON/EUR when referring to the first six months of 2018 results and using the average exchange rate for Q2 2017 of 4.5364 RON/EUR when referring to the first six months of 2017 results. The balance sheets at 30 June 2018 and at 31 December 2017 are converted using the closing exchange rates at the respective dates (4.6631 RON/EUR at 30 June 2018 and 4.6585 RON/EUR at 31 December 2017, respectively). All the percentage changes refer to RON figures.

<sup>2</sup> The capital related figures do not include the audited profit.

**In corporate banking business, new volumes added on the balance sheet totalled RON 568 million.** There was a significant increase of 16% year-on-year in SME financing (small and medium-sized enterprises), as a result of the proactive strategy of supporting local entrepreneurs and further increase in leasing activity.

Under corporate financing, BCR is involved in several key sectors for the Romanian economy, such as the automotive, agriculture, energy and logistics. Co-financing of EU funded projects increased over the last year, BCR holding a significant market share and a portfolio of over RON 8.2 billion granted co-financings.

The operating result increased to **RON 740.9million** (EUR 159.2 million), 1.5% higher than the previous year at RON 729.9 million (EUR 160.9 million), driven by improving operating income.

**Net interest income** increased significantly by 9.5%, to **RON 962.3 million** (EUR 206.7), from RON 878.7 million (EUR 193.7 million) in HY 2017, helped by increase in market interest rates and higher volumes of current accounts.

**Net fee income** advanced by 3.1%, to **RON 349.4 million** (EUR 75.1 million), from **RON 338.9 million** (EUR 74.7 million) in HY 2017, on the back of higher fee income from card and maintenance as well as transaction and lending business.

**Net trading result** was slightly down by 0.9% to **RON 187.8 million** (EUR 40.4 million), from **RON 189.6 million** (EUR 41.8 million) in HY 2017.

The **operating income** increased by 7.1% to **RON 1,541.6 million** (EUR 331.2 million) from RON 1,439.5 million (EUR 317.3 million) in HY 2017, driven by higher net interest income as well as better fee income.

**General administrative expenses** in HY 2018 reached **RON 800.7 million (EUR 172 million)**, up by 12,8% in comparison to RON 709.7 million (EUR 156.4 million) in HY 2017, mainly due to investments in the new headquarters and IT projects.

As such, **cost-income ratio** stood at **51.9%** in HY 2018, versus 49.3% in HY 2017.

### **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 30.1 million** (EUR 6.5 million), versus a charge of RON 61.6 million (EUR 13.6 million) in HY 2017, supported by good recoveries and healings coupled with low allocations based on better quality new business.

**NPL ratio**<sup>3</sup> at **6.7%**, as of 30 June 2018, further reduced versus 8,1% as of December 2017, **driven by transition to IFRS 9, coupled with higher cash recoveries and low inflows of new NPL. NPL coverage ratio stood at 95.3%.**

### **Capital position and funding**

**Solvency ratio** under IFRS (BCR standalone) as of May 2018 stood at **22.2%**, well above the regulatory requirements of the National Bank of Romania. Furthermore, **Tier 1+2 capital ratio** of **21.5%** (BCR Group) as of March 2018 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.

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<sup>3</sup> Starting Dec-14 reported in compliance with draft EBA NPE definition.

**Loans and receivables to customers** increased by 4.5% to RON 34,994.3 million (EUR 7,504.5 million) as of 30 June 2018, from RON 33,490.9 million (EUR 7,189.2 million) as of December 2017, on the back of strong increase in retail (+8.3% ytd), while corporate loans remained flat ytd.

**Deposits from customers** stood flat at **RON 52,481.6 million** (EUR 11,254.7 million) as of 30 June 2018, versus RON 52,496.1 million (EUR 11,268.9 million) as of 31 December 2017 driven by increase in retail deposits, while corporate deposits declined. Customer deposits remain BCR's main funding source, while the bank benefits from diversified funding sources, including parent company.

BCR focuses on lending in RON, already succeeding to reverse the currency mix of the loan book in favour of local currency and fully use the strong self-funding capacity in RON.

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BCR provides a full range of financial products and services, through a network of 22 business centres and 22 mobile offices dedicated to companies and 509 retail units located in most cities across the country with over 10,000 inhabitants. BCR is the No. 1 bank in Romania in the market of bank transactions, BCR customers having available the largest national network of ATMs - over 2,000 automatic teller machines and POS – about 15,000 card payment terminals to merchants, and complete services of Internet banking, Mobile banking, Phone-banking and E-commerce. As of June 2018, BCR Group was employing 7,200 people.

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## Financial data

### Income statement

in RON million	HY 2018	HY 2017
Net interest income	962.3	878.7
Net fee and commission income	349.4	338.9
Net trading and fair value result	187.8	189.6
Operating income	1,541.6	1,439.5
Operating expenses	(800.7)	(709.7)
Operating result	740.9	729.9
Net impairment loss on non-fair value financial assets	30.1	(61.6)
<b>Net result attributable to owners of the parent</b>	<b>697.0</b>	<b>305.5</b>

### Balance sheet<sup>4</sup>

in RON million	Jun 18	Dec 17
Cash and cash balances	9,913.4	11,369.3
Financial assets at fair value through profit or loss	212.5	104.7
Financial assets at fair value through other comprehensive income – debt securities	5,186.3	6,600.0
Financial assets at amortised cost – debt securities	16,072.7	14,756.9
Loans and receivables to credit institutions	1,288.9	2,215.1
Loans and receivables to customers	34,994.3	33,490.9
Tangible assets	1,442.9	1,437.2
Intangible assets	330.8	320.9
Other assets	784.8	636.2
<b>Total assets</b>	<b>70,226.7</b>	<b>70,931.2</b>
Financial liabilities - held for trading	45.2	44.7
Deposits from banks	6,775.2	7,826.2
Deposits from customers	52,481.6	52,496.1
Debt securities issued	447.4	539.6
Other liabilities	2,630.2	2,585.6
Total equity	7,847.1	7,439.1
<b>Total liabilities and equity</b>	<b>70,226.7</b>	<b>70,931.2</b>

<sup>4</sup> Starting with 1st January 2018, BCR Group applies IFRS 9 Financial Instruments, thus the description of several positions was accordingly updated.