

BCR financial results for the first nine months 2015: RON 904.3 million net profit; NPL portfolio continues to decrease

Highlights¹:

- On the back of a RON 1,201.2 million (EUR 270.5 million) operating result, 9M 2015 net profit stood at RON 904.3 million (EUR 203.6 million), supported by substantially lower risk costs, as result of better portfolio quality and recoveries after extensive loan book screening in 2014.
- Results of sustained efforts to reduce NPL legacy and improve performing portfolio quality are already visible in both retail and corporate business. NPL ratio decreased to 22.2% compared to 26.5% in September 2014, while NPL coverage ratio improved to a very comfortable level of 79.1%.
- In 9M 2015 BCR recorded a significant uplift in total new production in local currency. In corporate business, new on-balance sheet loans totalled RON 2.2 bn ytd, supported by a solid pipeline of better quality new business.
- Expenses were up by 4.9% yoy, on the back of significant infrastructure investments, while further savings from network optimization continued.
- The capital position of the bank remains exceptionally strong to support good business growth. BCR's solvency ratio stood at 19.8% as of Aug 2015 (BCR standalone), while Tier 1 + 2 capital (BCR Group) was very solid at RON 5.97 billion as of June 2015.

9M 2015 commercial and financial highlights

Banca Comercială Română (BCR) achieved in 9M 2015 an operating result of RON 1,201.2 million (EUR 270.5 million), 23.5% lower than the previous year at RON 1,570.0 (EUR 353.0), driven by lower operating income, impacted by reduced unwinding contribution and low interest rate environment and higher costs related to running IT projects. **9M 2015 net profit stood at RON 904.3 million (EUR 203.6 million)**, supported by substantially lower risk costs, as a result of better portfolio quality and recoveries after extensive loan book screening in 2014.

In bank retail business, strong performance in volume generation by the franchise resulted in **sales of secured loans increasing by 17% annually, of which Prima Casa new production up by 48% yoy, while new volumes of cash loans increased by 11% yoy.**

¹ Below stated financial data are un-audited, consolidated business results of Banca Comercială Română Group for the first nine months of 2015 (9M 2015), according to IFRS. Unless otherwise stated, financial results for the first nine months of 2015 (9M 2015) are compared to financial results for the first nine months of 2014 (9M 2014). 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 first nine months of 2015 (9M 2015) of 4.4407 RON/EUR when referring to the first nine months of 2015 (9M 2015) results and using the average exchange rate for the first nine months of 2014 (9M 2014) of 4.4478 RON/EUR when referring to for the first nine months of 2014 (9M 2014) results. The balance sheets at 30 September 2015 and at 31 December 2014 are converted using the closing exchange rates at the respective dates (4.4176 RON/EUR at 30 September 2015 and 4.4828 RON/EUR at 31 December 2014, respectively). All the percentage changes refer to RON figures.

In bank corporate business, new volumes added on the balance sheet totalled RON 2.2 billion ytd, while the corporate loan book remained stable ytd, supported by 1.7% growth in SME business. New approved loans are substantially picking up, supported by a solid pipeline of better quality new business, particularly in overdraft, working capital and supply chain financing.

BCR's new funding into the economy was coupled with **successful distribution of subsidiary products including Erste Asset Management funds and BCR Pensii.**

Net interest income was down by 15.5%, to **RON 1,506.5 million** (EUR 339.3 million), from RON 1,782.9 million (EUR 400.8 million) in 9M 2014, on the back of accelerated NPL portfolio resolution, efforts to price competitively in the market and a low interest rate environment.

Net fee income was slightly down by 1.6%, to **RON 531.6 million** (EUR 119.7 million), from RON 540.2 million (EUR 121.4 million) in 9M 2014, on the back of lower fees from loan management and current accounts, yet supported by pension fund coverage.

Net trading result decreased by 17.5%, to **RON 232.1 million** (EUR 52.3 million), from RON 281.3 million (EUR 63.2 million) in 9M 2014 on the back of reduced trading activity.

The **operating income** decreased by 12.1% to **RON 2,307.3 million** (EUR 519.6 million) from RON 2,624.4 million (EUR 590.0 million) in 9M 2014, mainly driven by reduced net interest income along with lower trading result.

General administrative expenses in 9M 2015 reached **RON 1,106.2 million (EUR 249.1 million)**, up by 4.9% in comparison to RON 1,054.4 million (EUR 237.1 million) in 9M 2014. The fulfilment of cost targets, set forth in 2012 turnaround plan and supported by continuous focus on productivity improvements, is translating into significant IT infrastructure investments.

As such, **cost-income ratio** advanced to **47.9%** in 9M 2015, versus 40.1% in 9M 2014.

Risk costs and Asset Quality

Net charge of impairments on financial assets not measured at fair value through profit and loss recorded a value of **RON -55.1 million** (EUR -12.4 million) in 9M 2015, versus a negative charge of RON -4,051.2 million (EUR -910.8 million) in 9M 2014, on the back of successful efforts to resolve NPL legacy. The substantially lower risk costs stand on better quality of the performing book, lower NPL inflow, as well as lower defaults and higher recoveries following extensive portfolio screening.

NPL ratio² at **22.2%**, as of 30 September 2015, significantly decreased versus 26.5% as of 30 September 2014, despite overall reduction of the loan book, determined by recoveries, sales of selected NPL portfolios and write-offs. **NPL coverage ratio stood at 79.1%.**

Capital position and funding

Solvency ratio under local standards (BCR standalone) as of Aug 2015 stood at **19.8%**, well above the regulatory requirements of the National Bank of Romania (min 10%). Also, IFRS **Tier 1+2 capital ratio** of **18.8%** (BCR Group), as of June 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, quarterly data is 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 broadly stable, just slightly down by 0.5% to **RON 39,731.7 million** (EUR 8,994.0 million) at 30 September 2015, versus RON 39,922.6 million (EUR 8,905.7 million) at 31 December 2014, as positive development in retail deposits was offset by a seasonal 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.

BCR offers a complete range of financial products and services through a network of 508 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.

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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 | 9M 2015 | 9M 2014 |
|--|--------------|------------------|
| Net interest income | 1,506.5 | 1,782.9 |
| Net fee and commission income | 531.6 | 540.2 |
| Net trading and fair value result | 232.1 | 281.3 |
| Operating income | 2,307.3 | 2,624.4 |
| Operating expenses | (1,106.2) | (1,054.4) |
| Operating result | 1,201.2 | 1,570.0 |
| Net impairment loss on non-fair value financial assets | (55.1) | (4,051.2) |
| Net result attributable to owners of the parent | 904.3 | (2,428.0) |

Balance sheet

| in RON million | Sep 15 | Dec 14 |
|--|-----------------|-----------------|
| Cash and cash balances | 6,667.0 | 8,235.2 |
| Financial assets – held for trading | 322.0 | 370.8 |
| Financial assets – available for sale | 7,481.3 | 7,655.1 |
| Financial assets – held to maturity | 9,379.4 | 9,578.2 |
| Loans and receivables to credit institutions | 1,327.3 | 525.3 |
| Loans and receivables to customers | 32,211.6 | 32,566.1 |
| Intangible assets | 205.6 | 218.5 |
| Miscellaneous assets | 523.8 | 428.2 |
| Total assets | 60,022.6 | 61,624.6 |
| Financial liabilities - held for trading | 39.9 | 70.1 |
| Deposits from banks | 12,008.3 | 14,191.1 |
| Deposits from customers | 39,731.7 | 39,922.6 |
| Debt securities issued | 899.5 | 1,044.2 |
| Miscellaneous liabilities | 188.6 | 168.5 |
| Total equity | 5,749.7 | 4,910.2 |
| Total liabilities and equity | 60,022.6 | 61,624.6 |