

BCR financial results for the first nine months of 2017: RON 560 million net profit, RON 6 billion new loans, NPL ratio further down to 10.5%

Highlights¹:

- On the back of a RON 1,072.0 million (EUR 235.5 million) operating result, 1-9 2017 net profit stood at RON 559.8 million (EUR 123.0 million), supported by stable operational result yoy and continuous improvement of portfolio quality
- NPL ratio decreased to 10.5% compared to 13.3% as of September 2016 and 22.2% as of September 2015, as a result of sustained efforts to improve portfolio quality
- NPL provision coverage ratio further improved to a very comfortable level of 94.0% as of September 2017, due to continued decline of the NPL stock
- Expenses decreased by 2.7% as compared to the same period of the previous year
- New loan production continues to be solid: RON 6 billion new retail and corporate loans on the balance sheet in the first nine months of 2017
- The capital position of the bank remains strong, supporting further sustainable business growth. BCR's solvency ratio stood at 23.1% as of August 2017 (BCR standalone), while Tier 1+2 capital (BCR Group) was very solid at RON 7.5 billion as of June 2017

1-9 2017 commercial and financial highlights

Banca Comerciala Romana (BCR) achieved in 1-9 2017 a significant **net profit of RON 559.8 million (EUR 123.0 million)**, supported by good operating performance and continuous improvement of portfolio quality. Compared to the same period of last year, net profit declined mainly due to base effect from substantial risk provision releases and from significant gain following the sale of certain participations in 1-9 2016.

The operating result stood at RON 1,072.0 million (EUR 235.5 million), higher by 0.4% than the previous year, when it stood at RON 1,067.9 million (EUR 238.1 million), due to lower operating expenses.

In bank retail business, BCR granted **new loans totalling RON 4.1 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 new allocated funds and consequently higher drawings in the third quarter, an evolution that is expected to continue in the fourth quarter. These sales contributed to an advance in net retail loans stock of 3.6% against December 2016.

¹ Below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana Group for 1-9 2017, according to IFRS. Unless otherwise stated, financial results for 1-9 2017 are compared to financial results for 1-9 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 1-9 2017 of 4.5520 RON/EUR when referring to the first nine months of 2017 results and using the average exchange rate for 1-9 2016 of 4.4846 RON/EUR when referring to the first nine months of 2016 results. The balance sheets at 30 September 2017 and at 31 December 2016 are converted using the closing exchange rates at the respective dates (4.5993 RON/EUR at 30 September 2017 and 4.5390 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 1.9 billion**. Co-financing of EU funded projects was also solid, with BCR holding a **portfolio of RON 7.82 billion co-financed**. The corporate book growth is further supported by a solid pipeline of better quality new business, with a shift from working capital loans towards more investment financing, net corporate loans stock advancing by 1.3% against December 2016.

Net interest income was down by 3.3% to **RON 1,311.33 million** (EUR 288.08 million), from RON 1,356.35 million (EUR 302.45 million) in 1-9 2016, on the back of continued NPL portfolio resolution and a still low interest rate environment.

Net fee income decreased by 3.2% to **RON 515.77 million** (EUR 113.31 million), from RON 532.67 million (EUR 118.78 million) in 1-9 2016, on the back of lower cash withdrawals over the counter (as a consequence of the successful strategy to enhance electronic channels usage), as well as lower maintenance and card business fees.

Net trading result increased by 11.2% to **RON 281.07 million** (EUR 61.75 million), from RON 252.85 million (EUR 56.38 million) in 1-9 2016, on the back of positive effect from revaluation of FX participations.

The **operating income** decreased by 1.2% to **RON 2,158.26 million** (EUR 474.13 million) from RON 2,183.97 million (EUR 487.0 million) in 1-9 2016, driven by reduced net interest income and lower fee and commission income partly compensated by higher trading result.

General administrative expenses dropped in 1-9 2017 by 2.7% to **RON 1,086.24 million** (EUR 238.63 million) from RON 1,116.08 million (EUR 248.87 million) in 1-9 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 61.36 million** (EUR 13.48 million) in 1-9 2017, versus a net risk provisions release of RON 227.73 million (EUR 50.78 million) in 1-9 2016, while continuing efforts to improve the quality of the portfolio.

NPL ratio² at 10.5% as of 30 September 2017 significantly decreased from 13.3% as of 30 September 2016 and 22.2% as of 30 September 2015, due to reduction of NPL book through recoveries, healings, sales on NPL portfolios and write-offs. **NPL provisioning coverage further improved to 94%** as of September 2017, while total coverage including collateral reached 125.5%.

Capital position and funding

Solvency ratio under local standards (BCR standalone) as of August 2017 stood at **23.1%**, well above the regulatory requirements of the National Bank of Romania. Also, **IFRS Tier 1+2 capital ratio** of **22.3%** (BCR Group), as of June 2017, is clearly showing BCR's strong capital adequacy and continuous 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 receivable to customers increased by 2.5% to **RON 33,101.77 million** (EUR 7,197.13 million) at 30 September 2017, from RON 32,291.13 million (EUR 7,114.15 million) at 31 December 2016, as a result of increased lending volumes on both retail and corporate segments.

Deposits from customers decreased by 1.2% to **RON 47,646.61 million** (EUR 10,359.54 million) at 30 September 2017, versus RON 48,235.20 million (EUR 10,626.83 million) at 31 December 2016, due to a

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

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, continuously increasing the share of loans extended in local currency, already predominant in bank's overall loan portfolio, fully using 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 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 515 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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Financial data

Income statement

in RON million	1-9 2017	1-9 2016
Net interest income	1,311.3	1,356.3
Net fee and commission income	515.8	532.7
Net trading and fair value result	281.1	252.9
Operating income	2,158.3	2,184.0
Operating expenses	(1,086.2)	(1,116.1)
Operating result	1,072.0	1,067.9
Net impairment loss on non-fair value financial assets	(61.4)	227.7
Net result attributable to owners of the parent	559.8	1,145.4

Balance sheet

in RON million	Sep 2017	Dec 2016
Cash and cash balances	8,510.4	11,911.9
Financial assets – held for trading	641.9	633.2
Financial assets – available for sale	7,085.0	5,574.1
Financial assets – held to maturity	14,462.5	13,904.2
Loans and receivables to credit institutions	248.1	552.8
Loans and receivables to customers	33,101.8	32,291.1
Intangible assets	313.5	289.3
Miscellaneous assets	2,119.3	2,357.9
Total assets	66,482.4	67,514.6
Financial liabilities - held for trading	27.0	38.4
Deposits from banks	8,779.6	9,654.7
Deposits from customers	47,646.6	48,235.2
Debt securities issued	534.1	637.2
Miscellaneous liabilities	2,130.0	2,144.7
Total equity	7,365.0	6,804.4
Total liabilities and equity	66,482.4	67,514.6