

BCR results for Q1 2018: over 50% increase in retail new loans, accelerated digitalization, NPL ratio further reduced to 7.2%, RON 252.7 million net profit

Highlights¹:

- On the back of a RON 371.7 million (EUR 79.9 million) operating result and good performance on all business lines, BCR Q1 2018 net profit stood at RON 252.7 million (EUR 54.3 million)
- BCR recorded a steady advance of over 50% in retail new loans granted in Q1 2018 versus Q1 2017, consolidating its position as the main banking partner for Romanians who want to buy a house, with more than a quarter of the newly originated mortgage loans in Romania
- The Bank has accelerated the process of digitizing and simplifying operations
- NPL ratio decreased to 7.2% compared to 8.1% as of December 2017. NPL coverage ratio improved to an even more comfortable level of 96.3% as of March 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 21.5% as of February 2018 (BCR standalone), while Tier 1 + 2 capital (BCR Group) was very solid at RON 7.2 billion as of December 2017²

"2018 started well for us. Performance comes first and foremost from the trust that our clients give us every day, for which we thank them, as well as from the continuous effort made by my colleagues from BCR. It is an effort that accumulates several key words: Efficiency, Digitization, Accessibility and Learning. This year, perhaps more than ever, we want to be part of the lives of our customers. And not necessarily from a commercial perspective, but from the footprint we have set ourselves to leave in education, technology and the capitalization of development opportunities across society. Everything to build something simple, apparently, but which each of us needs: a better life" – Sergiu Manea, BCR

Q1 2018 commercial and financial highlights

Banca Comerciala Romana (BCR) in Q1 2018 achieved a **net profit of RON 252.7 million (EUR 54.3 million)**, supported by business development and continuous improvement of the portfolio quality.

In bank retail 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 1.79 billion in Q1 2018**, with 24% increase in "Divers" cash loan and four-fold increase of sales in "Casa Mea" housing loan, compared to the same period of the last year.

Taking into account "Prima Casa" volumes, BCR has strengthened its leading position as the main banking partner for the Romanians who want to buy a house, with almost a third of the lending market real estate in Romania.

¹ Below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana Group for Q1 2018, according to IFRS. Unless otherwise stated, financial results for Q1 2018 are compared to financial results for Q1 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 Q1 2018 of 4.6553 RON/EUR when referring to the first three months of 2018 results and using the average exchange rate for Q1 2017 of 4.5220 RON/EUR when referring to the first three months of 2017 results. The balance sheets at 31 March 2018 and at 31 December 2017 are converted using the closing exchange rates at the respective dates (4.6565 RON/EUR at 31 March 2018 and 4.6585 RON/EUR at 31 December 2017, respectively). All the percentage changes refer to RON figures.

² The capital related figures do not include the audited profit.

In the first quarter of this year, BCR has accelerated the digitalization and simplification of operations.

In corporate banking business, new volumes added on the balance sheet totalled RON 259 million. There was a significant increase of 13% year-on-year in SME financing (small and medium-sized enterprises), as a result of the proactive strategy of supporting local entrepreneurs.

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 8.0 billion granted co-financings.

The operating result increased to **RON 371.7 million** (EUR 79.9 million), 10% higher than the previous year at RON 338 million (EUR 74.7 million), driven by improving operating income.

Net interest income increased significantly by 7.8%, to **RON 466.6 million** (EUR 100.2), from RON 432.9 million (EUR 95.7 million) in Q1 2017, helped by a higher share of current accounts.

Net fee income advanced by 4.1%, to **RON 171.2 million** (EUR 36.7 million), from **RON 164.4 million** (EUR 36.3 million) in Q1 2017, on the back of higher fee income from transaction business, lending as well as from brokerage.

Net trading result rose by 40%, to **RON 111.5 million** (EUR 31.9 million), from **RON 79.5 million** (EUR 17.6 million) in Q1 2017.

The **operating income** increased by 11% to **RON 766.9 million** (EUR 164.8 million) from RON 691.1 million (EUR 152.8 million) in Q1 2017, driven by better net interest income, fee income and trading result.

General administrative expenses in Q1 2018 reached **RON 395.2 million (EUR 84.9 million)**, up by 12% in comparison to RON 353.1 million (EUR 78.1 million) in Q1 2017, also impacted by the higher annual contribution to the Bank Deposit Guarantee Fund and slightly higher number of employees.

As such, **cost-income ratio** stood at **51.5%** in Q1 2018, versus 51.1% in Q1 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 0.065 million** (EUR 0.014 million), versus a charge of RON 3.3 million (EUR 0.7 million) in Q1 2017, supported by no new NPL inflows.

NPL ratio³ at **7.2%**, as of 31 March 2018, further reduced versus 8.1% as of 31 December 2017, **driven by transition to IFRS 9, coupled with higher cash recoveries and no new defaults in the corporate segment.** **NPL coverage ratio improved to 96.3%.**

Capital position and funding

Solvency ratio under local standards (BCR standalone) as of February 2018 stood at **21.5%**, well above the regulatory requirements of the National Bank of Romania. Also, **IFRS Tier 1+2 capital ratio** of **20.2%** (BCR Group), as of December 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.

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.

³ Starting Dec-14 reported in compliance with draft EBA NPE definition.

Loans and receivables to customers slightly increased by 1% to RON 33,820.8 million (EUR 7,262.9 million) as of 31 March 2018, from RON 33,490.9 million (EUR 7,189.2 million) as of December 2017, on the back of higher volumes in retail loans.

Deposits from customers slightly up by 0.7% to **RON 52,853.2 million** (EUR 11,350.4 million) as of 31 March 2018, versus RON 52,496.1 million (EUR 11,268.9 million) as of 31 December 2017, driven by increases in both corporate and retail deposits. 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.

BCR provides a full range of financial products and services, through a network of 22 business centers and 22 mobile offices dedicated to companies and 508 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 2,500 automatic teller machines and POS - 17,800 card payment terminals to merchants, and complete services of Internet banking, Mobile banking, Phone-banking and E-commerce. As of March 2018, BCR Group was employing 7,208 people.

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Financial data

Income statement

in RON million	Q1 2018	Q1 2017
Net interest income	466.6	432.9
Net fee and commission income	171.2	164.4
Net trading and fair value result	111.5	79.5
Operating income	767.0	691.1
Operating expenses	(395.2)	(353.1)
Operating result	371.7	338.0
Net impairment loss on non-fair value financial assets	0.1	(3.3)
Net result attributable to owners of the parent	252.7	196.3

Balance sheet⁴

in RON million	Mar 18	Dec 17
Cash and cash balances	12,214.5	11,369.3
Financial assets at fair value through profit or loss	83.1	104.7
Financial assets at fair value through other comprehensive income – debt securities	6,023.2	6,600.0
Financial assets at amortised cost – debt securities	16,134.3	14,756.9
Loans and receivables to credit institutions	745.7	2,215.1
Loans and receivables to customers	33,819.7	33,490.9
Tangible assets	1,415.1	1,437.2
Intangible assets	324.9	320.9
Other assets	754.2	636.2
Total assets	71,514.6	70,931.2
Financial liabilities - held for trading	26.9	44.7
Deposits from banks	7,812.2	7,826.2
Deposits from customers	52,853.2	52,496.1
Debt securities issued	548.1	539.6
Other liabilities	2,640.5	2,630.2
Total equity	7,660.6	7,439.1
Total liabilities and equity	71,514.6	70,931.2

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