

# ERSTE presents its MREL Issuers

**Banca Comercială Română  
Investor Presentation**

**YE 2020 preliminary results**

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March 2021



# Executive summary –

- Romania
  - Member of the European Union since 2007
  - Sovereign rating at BBB- from S&P and Fitch, Baa3 from Moody's with a negative credit outlook from all three major agencies
  - Economy hit by COVID-19 lockdown and subsequent recession, recovery faster than expected; labour market resilient
- Erste Group
  - Founded in 1819 as the first Austrian savings bank, Erste Group went public in 1997 with a strategy to expand its retail business into CEE
  - Erste Group has grown to one of the largest financial services providers in the Eastern part of EU by clients and total assets
  - No. of customers increased from 600,000 to 16.1m in Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia
  - Erste Group strives to be the leading retail and corporate bank in the eastern part of the European Union, including Austria
- Romanian banking market
  - Solid lending growth mainly in retail segment, despite economic slowdown; corporate lending backed by state guarantees
  - ROE dropped due to higher risk costs, capital adequacy ratio slightly improved, while NPL ratio marginally decreased in 2020
  - Loan growth should moderate over the next couple of years, while deposits to increase in line with nominal GDP advance
- Banca Comerciala Romana
  - Net profit of EUR 168.3m in 2020 driven by improved operating efficiency, continuous digital transformation and loan growth, despite prudent forward-looking risk provisioning
  - BCR rated at BBB+ negative by Fitch Ratings, two notches above the sovereign rating
  - Strong capital and liquidity positions, significantly above regulatory minima

# Presentation topics

- Erste Group / BCR Group at a glance
- Romania
- Romanian banking market
  - Banking market developments
  - Top 3 peers market shares
- Banca Comerciala Română
- BCR Funding
- Additional information
  - Financial tables
  - Measures to mitigate COVID-19 crisis

# BCR Group – Market leader in retail lending



## BCR Group historical landmarks

- Established in 1990 by taking over commercial operations of Central Bank
- Member of Erste Group since 2006, currently almost fully owned (99.88%)
- No. 2 in the Romanian market by total assets, total loans, total deposits
- Long-time leader in retail lending with a market share of 17% - one in five mortgages in Romania granted by BCR
- 370 retail units, 18 business centres and 16 mobile offices for companies
- National network of ~1,800 ATMs & multifunctional machines, ~13,000 POS
- Full services of Internet banking and Mobile banking with 1.8 million users, out of which over 1 million active users in George

## BCR current credit ratings

Fitch: BBB+ Negative

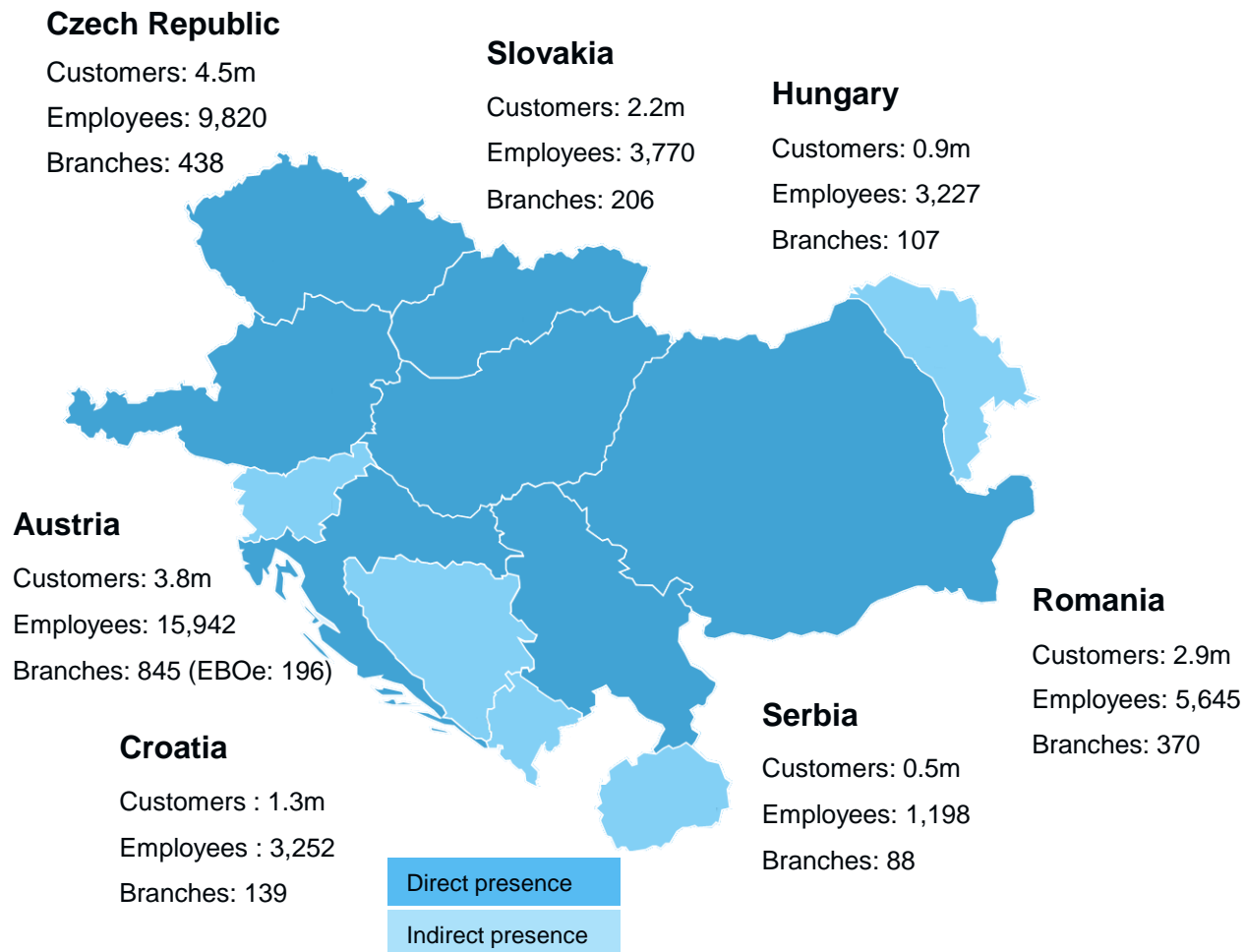
Moody's\*: Baa3 Negative

\*) BCR ratings assigned by Moody's are unsolicited

## Key information as of Dec 2020

• Total assets	EUR 16,841m
• Net profit	EUR 168m
• NPL coverage	122.5%
• NPL ratio	4.5%
• CET1 ratio (B3 phased-in)	18.8%
• Total capital ratio (B3 phased-in)	19.4%
• Loan to deposit ratio	66.3%
• ROE	9.1%
• CIR	47.1%

# Erste Group's footprint



## Key information as of Dec 2020

Total assets	<b>EUR 277bn</b>
Net profit	<b>EUR 783mn</b>
NPL coverage	<b>88.6%</b>
NPL ratio	<b>2.7%</b>
CET 1 ratio*	<b>14.2%</b>
Total capital ratio*	<b>19.7%</b>
Loan/deposit ratio	<b>86.9%</b>
Leverage ratio	<b>6.7%</b>
Credit ratings**	<b>A (Stable) / A2 (Positive) / A (RWN)</b>

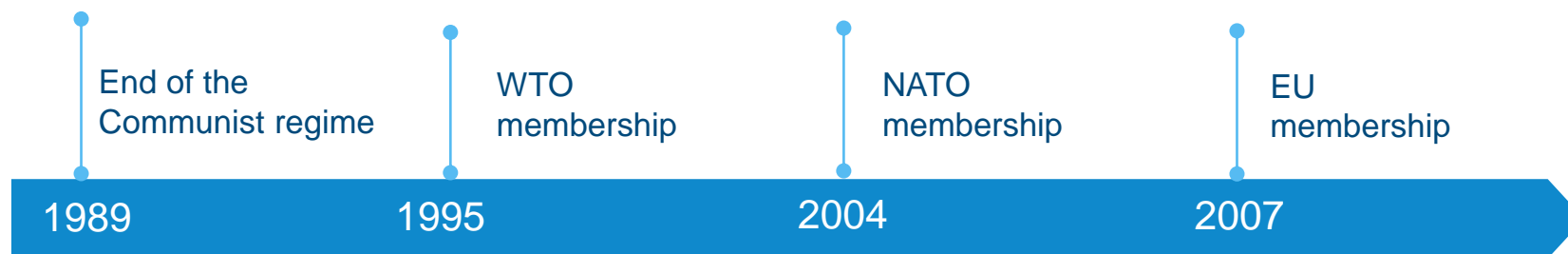
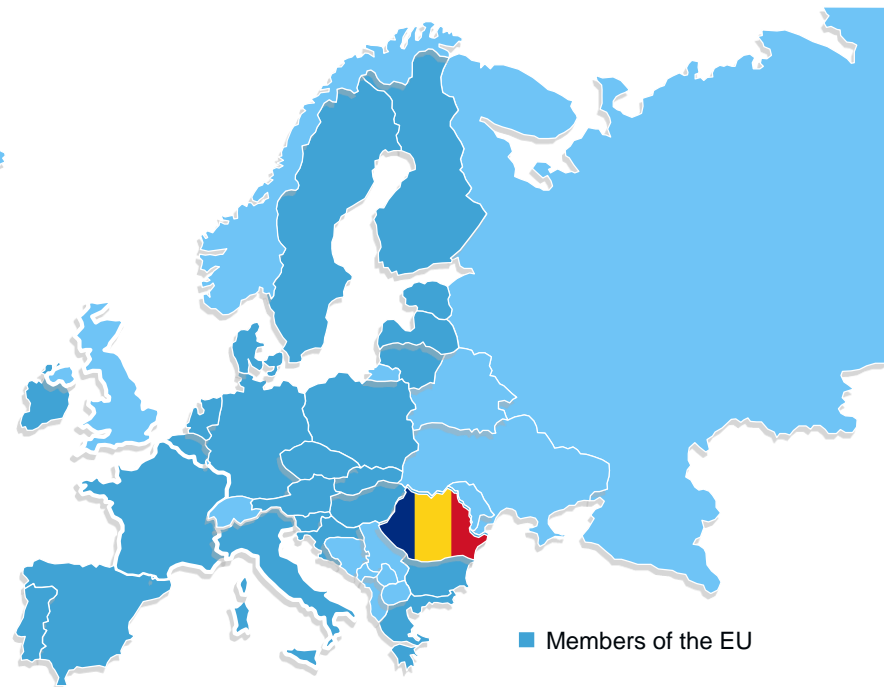
\* Basel 3 \*\* S&P | Moody's | Fitch

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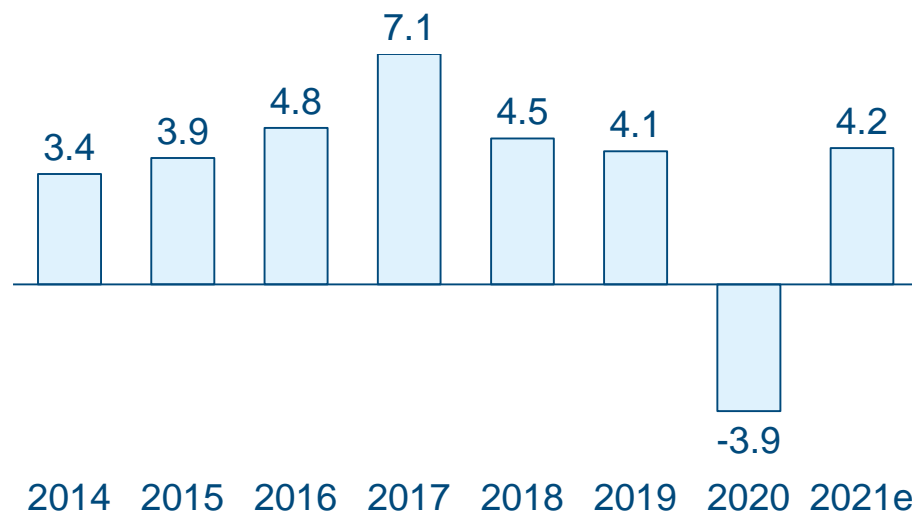
# Romania – key figures

- Area:** 238,397 km<sup>2</sup>
- Population:** 19.3 million
- GDP per capita:** Approx. €11,300 in 2020
- Credit ratings:** Moody's: Baa3, negative outlook  
Fitch, S&P: BBB-, negative outlook
- Capital:** Bucharest



# Romania: macroeconomic developments – Significant recovery of local economy in H2 20

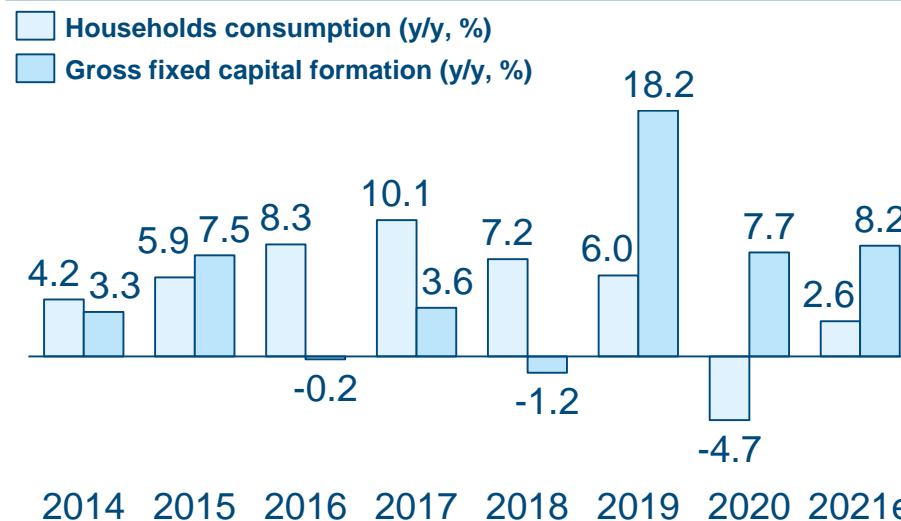
Real GDP growth (% , y/y)



Source: NIS, BCR Research

- **Real GDP continued to recover by 5.3% qoq in Q4 20** (after +6.1% qoq in Q3), **translating into an annual contraction of 1.5% yoy in Q4**; **economy significantly recovering after sharp fall of 12.2% qoq in Q2**
  - Recovery to be supported by EU funds (total EU payments 50%)
- Industrial production grew by 0.9% mom and by 1.6% yoy in Dec, while down by 9.2% yoy in 2020
- Construction sector up by 15.9% yoy in 2020 driven by an increase of 18.5% in civil engineering; residential and commercial construction up by 17.8% and by 10.9% respectively

Components of GDP



Source: NIS, BCR Research

- **Retail sales advanced by 4.2% yoy in Dec** helped by sales of non-food items; full-year growth was +2.2% in 2020
- **12-months rolling C/A deficit reached EUR 11bn in Dec and its FDI coverage dropped to 17% in Dec-20 vs. 49% as of end-2019**
- EUR/RON traded in tight range of 4.86-4.88 in Q4 20, on lower volatility vs. CEE peers due to NBR managed floating FX regime



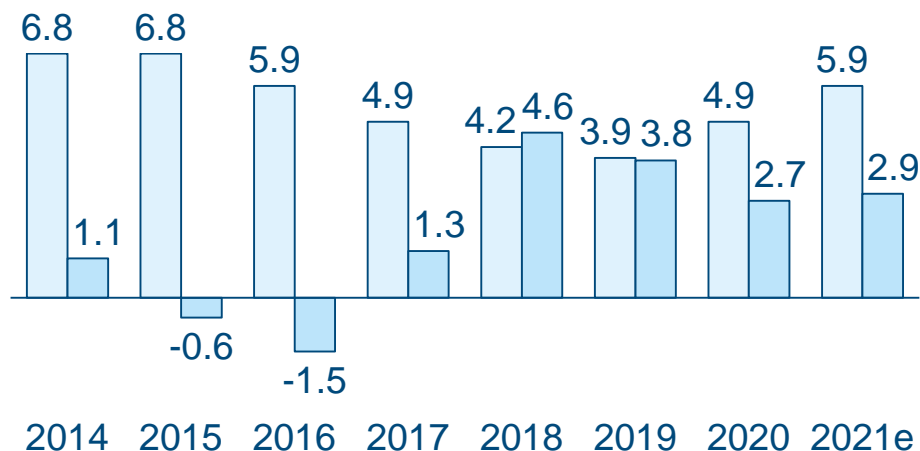
# Romania: macroeconomic developments –

## NBR further cut the key rate to 1.25% in January 2021

### Unemployment and inflation

□ Unemployment (average, %)

■ Consumer price inflation (average, y/y, %)



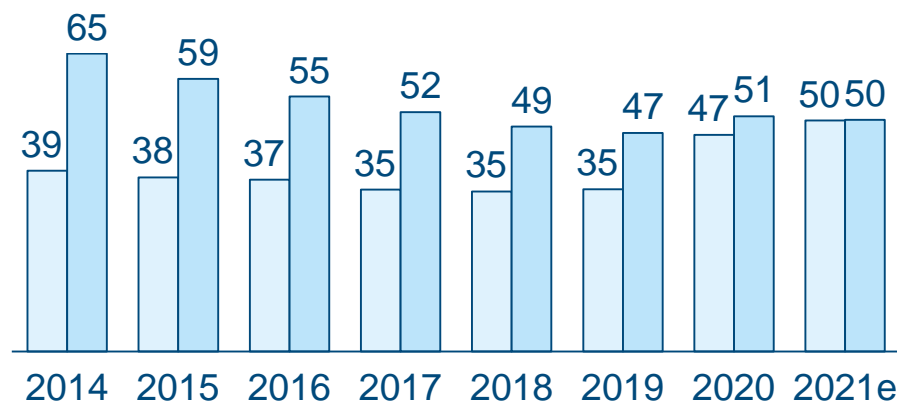
Source: NIS, BCR Research

- Inflation at 2.1% yoy in Dec, comfortably inside the NBR's target, core inflation still above headline CPI at 3.3% yoy
- NBR cut key rate by 100bps in 2020 and by 25bps in Jan to 1.25%
  - Given the liquidity backdrop, the cuts in reserve requirements ratios previously expected are substituted by key rate cuts
- Unemployment rate stood at 4.9% in Dec, average rate +1pp yoy to 4.9% in 2020, modest increase during Covid crisis on government's support measures and exit of some people from active population

### Public debt and government balance

□ Public debt (% of GDP)

■ General government balance (% of GDP)



Source: MoF, BCR Research

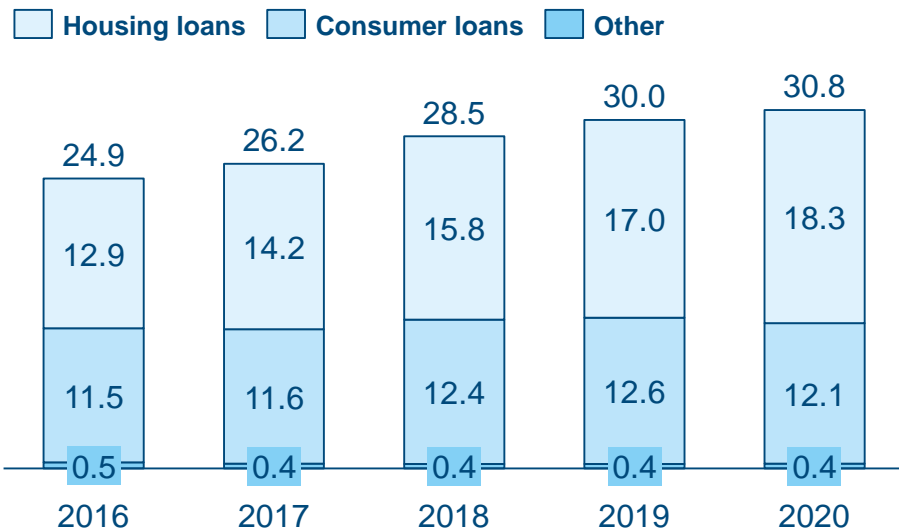
- Budget gap widened at 9.8% of GDP in 2020 (cash stds.)
  - Revenues up by 0.4% yoy, expenditures up by 15.4% yoy
  - Expenditures up by 14.8% yoy, rigid government spending (salaries and public pensions) representing over 90% of the combined fiscal revenues and social contribution budget incomes
- Banking system liquidity shifted to a big surplus of RON 8.3bn in Jan on MoF year-end spending, from RON -0.6bn deficit in Dec
  - No NBR bond purchases since August last year

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# Outstanding retail loans and debt of households

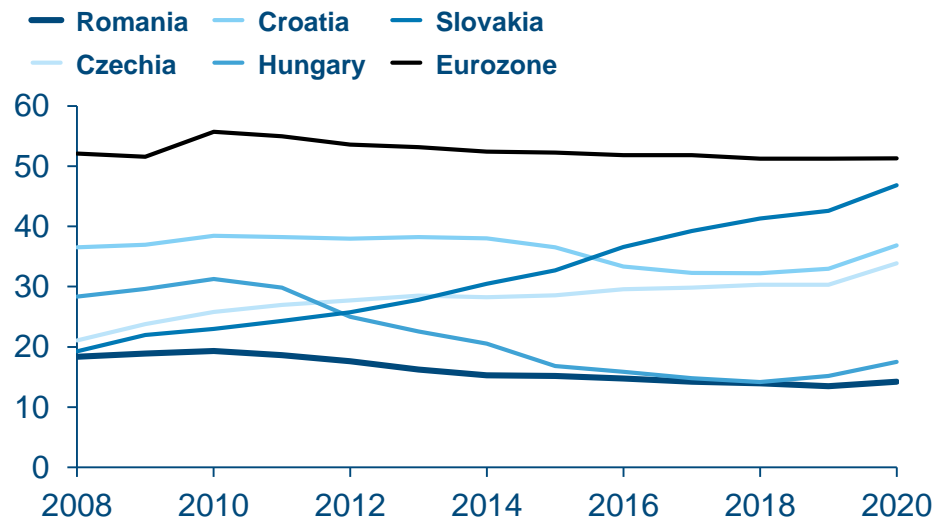
Development of retail loans (EUR bn)



Source: BCR Research

- **Housing loans represent almost 60% of total retail loans**
  - During 2016-2018 housing loans expanded at an average annual rate of 12.2%, while consumer loans advanced by 2.1%
- **Over the last years the growth in retail loans slowed down**
  - Milder deceleration in housing (still at solid +9.9% yoy as of Dec-20), consumer loans contracted by -1.9% yoy on Covid-19 crisis
- **Retail lending expected to decelerate in the coming years due to weaker demand triggered by sharply lower increase in real disposable income and labour market deterioration**

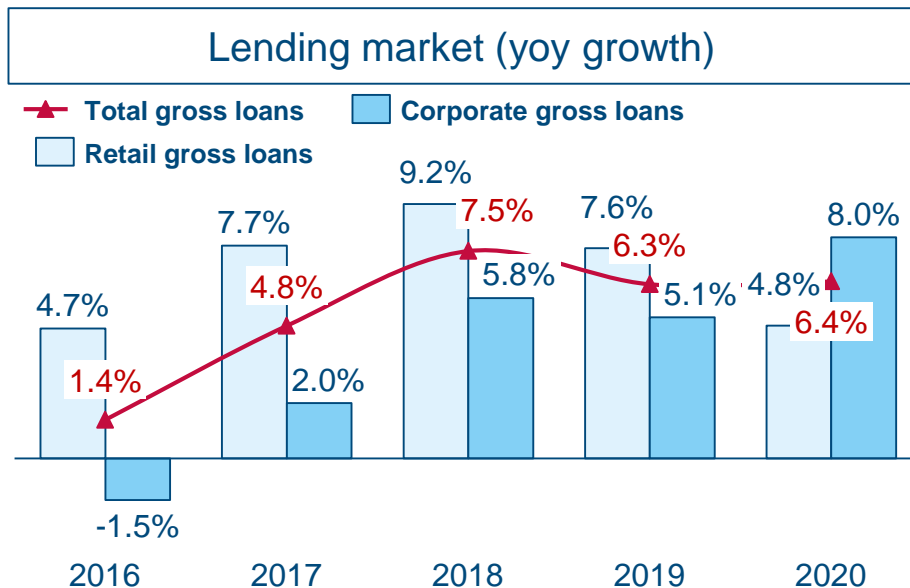
Retail loans to GDP (%)



Source: BCR Research

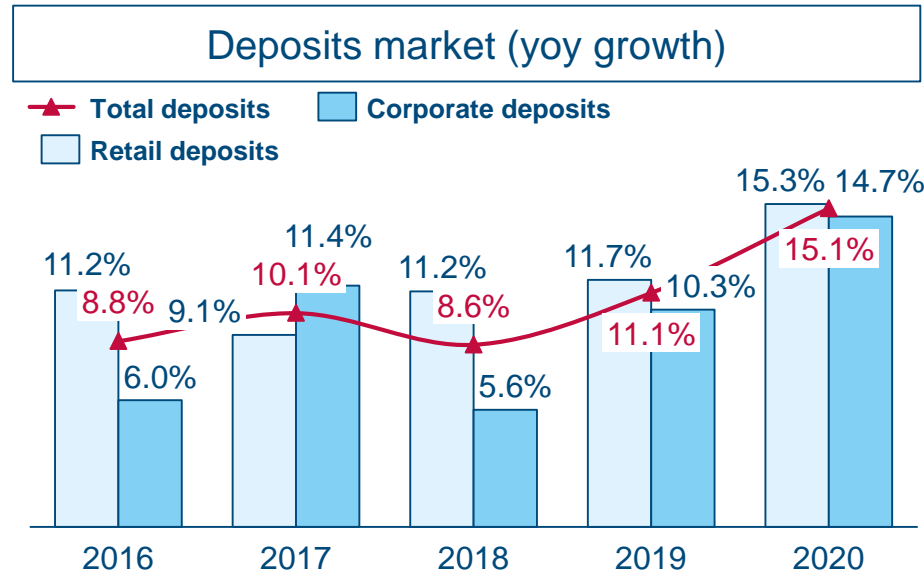
- **In recent years, indebtedness of Romanian households posted the most flattish development among CEE countries**
- **Retail loans to GDP ratio is the lowest among peer countries**
  - After an expected decrease in the near-term, due to weaker pandemic-driven consumer confidence, retail loans as percentage of GDP are expected to increase as income convergence vs EU average is likely to accelerate

# Outstanding loans and deposits



Source: BCR Research\*

- **Gross loans increased by +6.4% yoy as of Dec-20**
  - Retail segment up by +4.8% yoy driven by housing loans (+9.9% yoy), while consumer loans declined by -1.9% yoy
  - Corporate segment increased by +8.0% yoy
- **Gross loan stock growth is expected to stall in 2021**
  - Slower advance in retail stock due to lower wage hikes
  - Housing stock to increase by mid single digits due to state-guarantees
  - Consumer loan stock to shrink by low single digits as the labour market adjustments should kick-in
  - Public moratorium ending by mid-2021 might reveal some weakness in credit portfolios



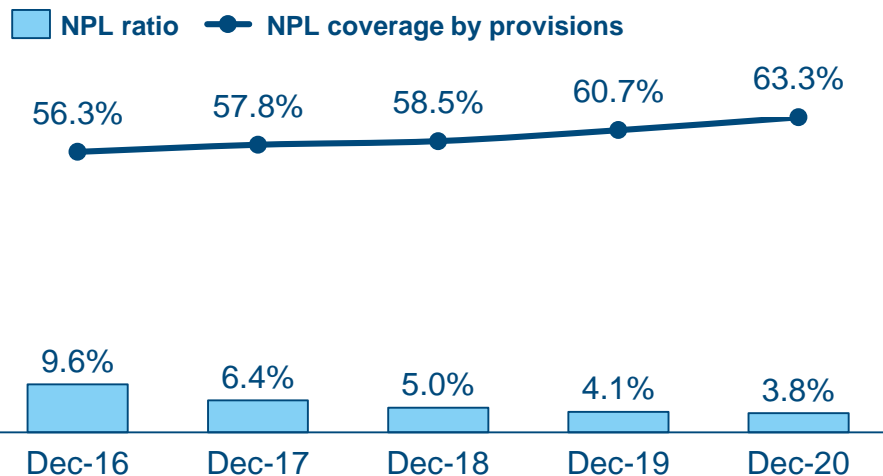
Source: BCR Research\*

- **Customer deposits grew by +15.1% yoy as of Dec-20**
  - Retail up by +15.3% yoy, mainly sight deposits (+28.4% yoy), corporate up by +14.7% yoy, largely due to sight depositions (+18.6%)
- **Customer deposits to decelerate into mid single digits in 2021**
  - Companies expected to restart investments and pay-back delayed installments, while consumers likely to change their saving vs. spending allocations once the mobility restrictions are lifted
- **Loan-to-deposit ratio decreased by 5.1pp in 2020 to 65.9%**

\*Based on NBR data resident & non-resident customers, micro included in corporate, bank only

# NPL rates and profitability of the sector

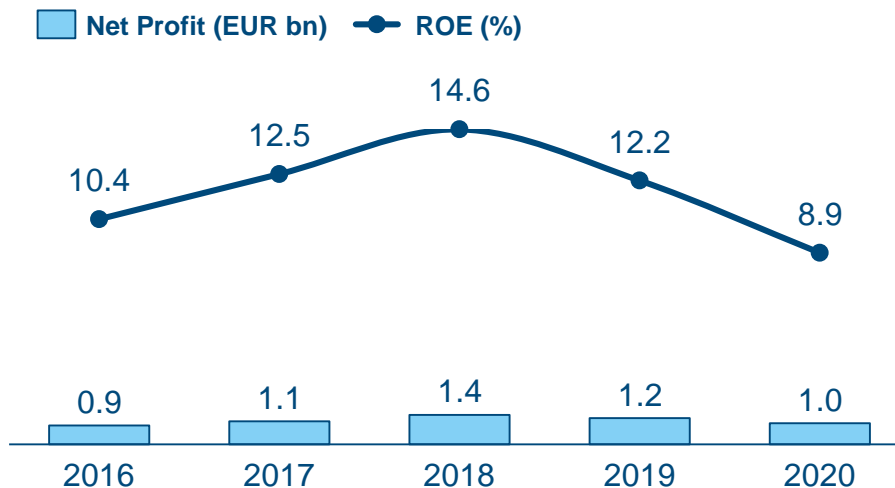
NPL ratio and NPL coverage



Source: NBR

- **Total volume of non-performing loans declined by ~6pp** over the past years due to stricter credit standards and aggressive balance sheet clean-up
- **NPL coverage improved by 7pp** over the past five years, the average coverage by provisions for large banks was more than 3pp above the system average
- Public moratorium ending likely to lead to a marginal increase in NPL ratio, nevertheless capital buffers increased during 2020 as Central bank recommended delaying of dividend payments

Profitability of the sector (EUR bn / %)



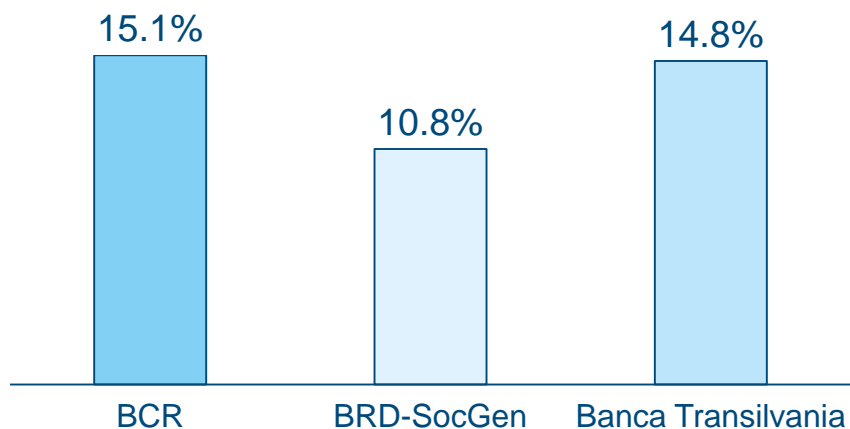
Source: BCR Research\*

- Romanian banks posted a total net profit of about EUR 1bn in 2020, down by about 20% yoy due to higher risk costs
- Most of the system profit is concentrated at top 5 players
- Pressure on NII continues, though local currency interest rates should remain above CEE levels
- ROE dropped by over 3pp to just below 9% in 2020
- ROA declined by almost 0.2pp to 0.98%

# Romanian banking market - top 3 peers

## Customer loans market shares Dec-20

Total market volume: EUR 60.3bn

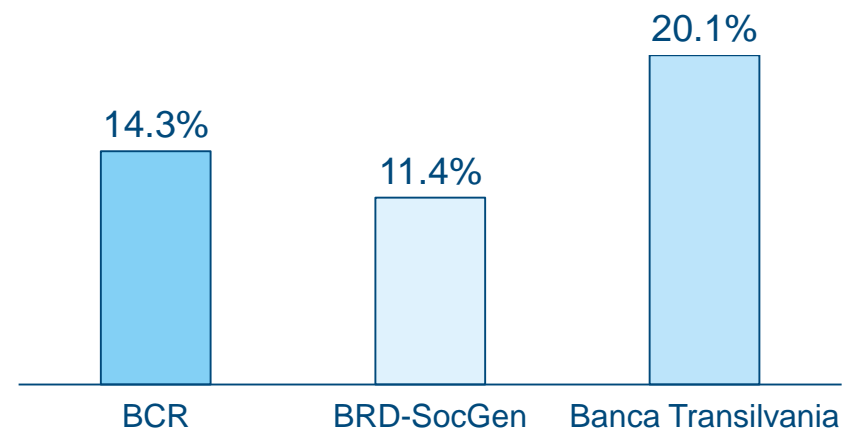


Source: gross loans, Individual financial statements of banks, NBR

- At the end of 2020, BCR regained after two years its position as the main lender of the Romanian economy
- In 2020 BCR recorded a gross loans growth of +16.5% yoy, beating the market average which expanded by +5.9% yoy
- BCR gained +0.6pp market share in total loans in 2020

## Customer deposit market shares Dec-20

Total market volume: EUR 90.1bn



Source: Individual financial statements of banks, NBR

- BCR maintained its second position in the banking market by customer deposits
- BCR deposit base increased by +13.6% yoy vs. +15.2% yoy market advance in 2020
- BCR market share in customer deposits decreased by -0.2pp

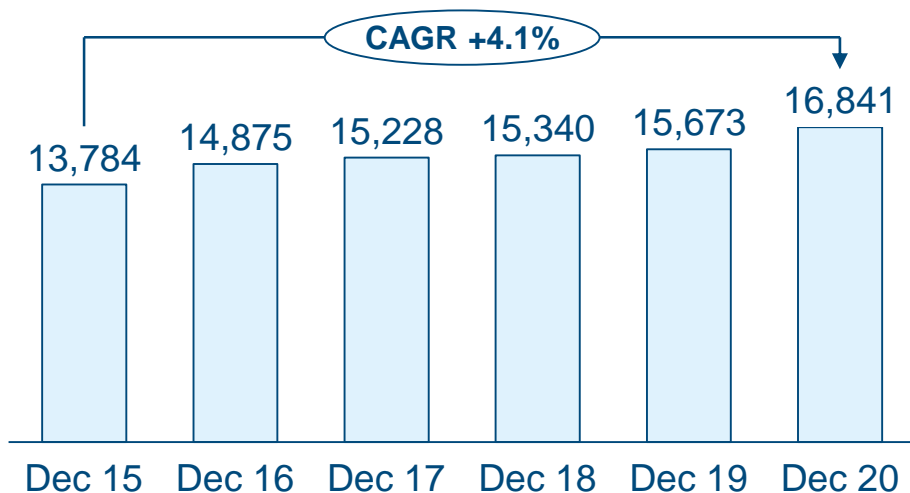
Based on NBR data resident customers, micro included in corporate, bank only

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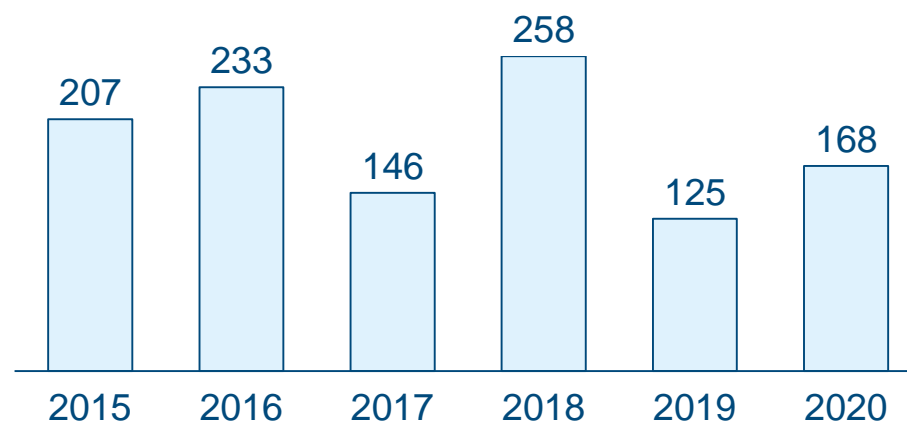
# Historical performance of BCR

Total assets (EUR m)



- Total assets strongly up mainly driven by growth in net customer loans and loans to banks
- BCR ranking 2<sup>nd</sup> in the market by total assets

Net profit (EUR m)

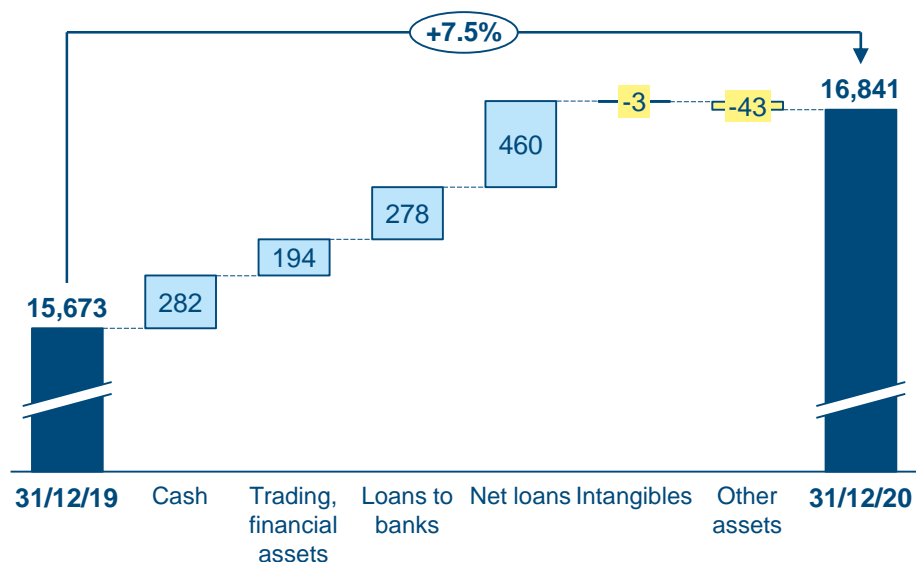


- 2020 net profit underpinned by strong loan growth and improved operating efficiency despite prudent forward-looking risk provisioning in 2020
- 2019 bottom line affected by significant one-off provision related to BCR Banca pentru Locuinte subsidiary
- 2018 net profit at the highest level since pre-crisis years

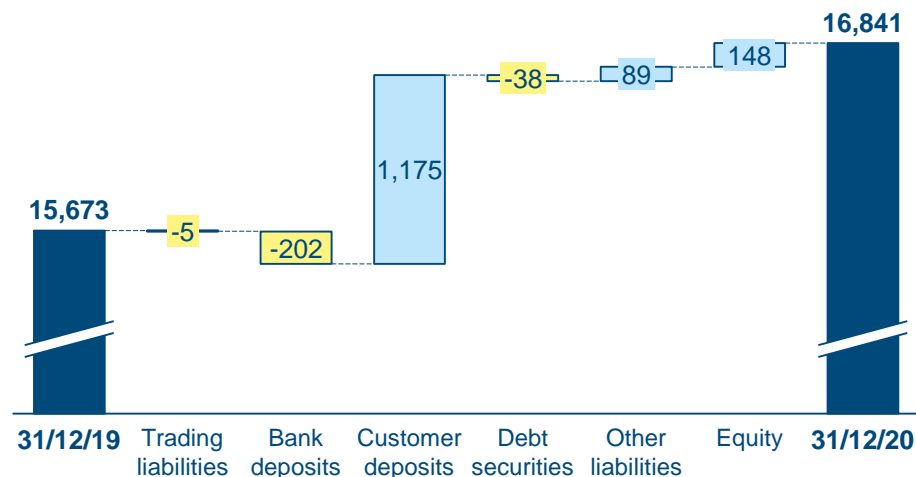


# Balance Sheet Performance of BCR Group (1)

YTD total asset reconciliation (EUR m)



YTD total liability reconciliation (EUR m)



- **Total assets up by 7.5% in 2020** (+9.4% FX adj.)\* due to higher net loans to customers, cash and trading and financial assets as well as higher loans to banks
- **Net customer loans up by 5.5% in 2020** (+7.4% FX adj.), driven by increase in both retail loans, up by 5.0% ytd (+6.9% FX adj.) and corporate loans, up by 5.9% ytd (+7.8% FX adj.)

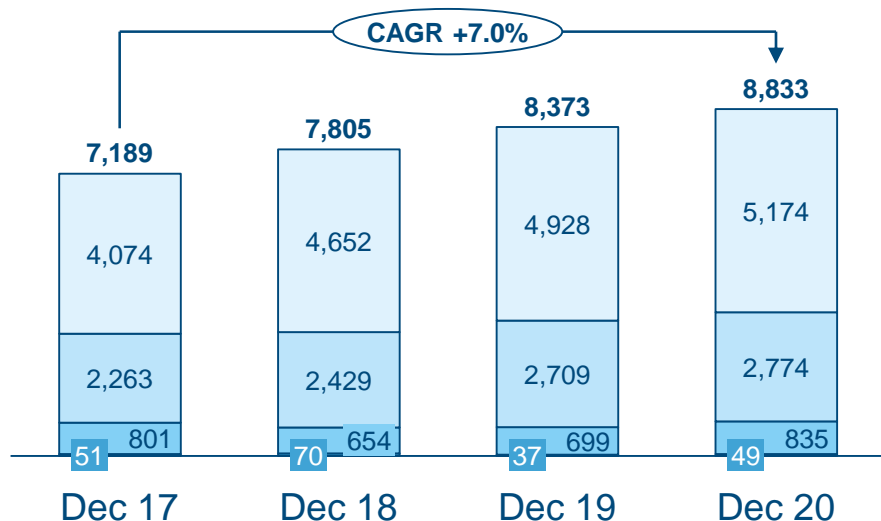
- **Customer deposits significantly increased by 9.7% in 2020** (+11.6% FX adj.)\* on the back of both retail, up by 8.9% ytd (+10.9% FX adj.) and corporate deposits, up by 14.1% ytd (+16.4% FX adj.)
- **Bank deposits down by 20.8% ytd** (-19.4% FX adj.) due to scheduled repayments of long term funding and lower deposits from money market

\*) Figures in brackets refers to rate of exchange excluding impact of currency depreciation

# Balance Sheet Performance of BCR Group (2)

Net customer loans (EUR m)

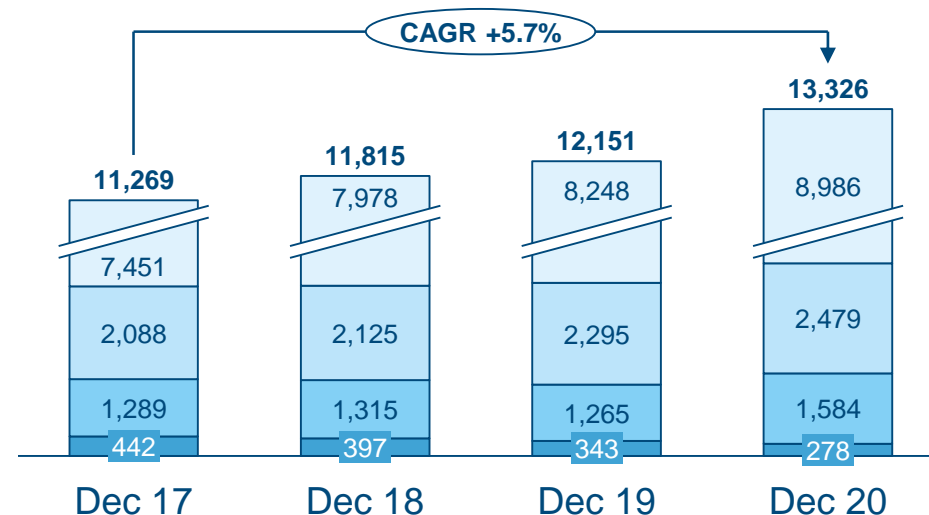
■ Retail 
 ■ Corporate 
 ■ Public sector 
 ■ Other



- Net customer loans strongly increased in high single digits in 2018-2019 and kept the good pace in 2020 (+5.5% yoy) despite pandemic
- Retail loans gained ground starting 2018 driven by mortgage (especially standard product) and also by cash loans
- Corporate loans resumed growth in 2017 mainly driven by SME (incl. leasing activity)

Customer deposits (EUR m)

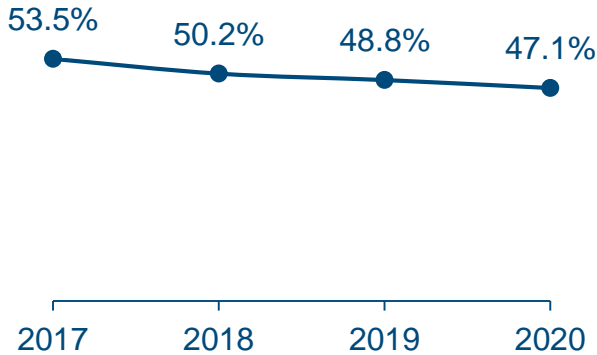
■ Retail 
 ■ Corporate 
 ■ Public sector 
 ■ Other



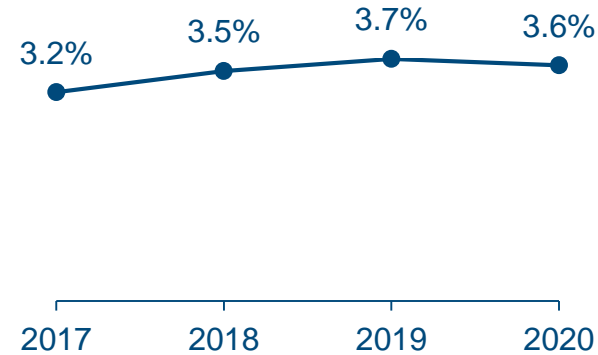
- Customer deposits increased significantly over the last years driven by both retail and corporate deposits
- Retail deposits up due to current accounts, share of sight deposits in total deposits up to 54% as of Dec-20 (from 41% as of Dec-17)
- Corporate deposits sped up in high single digits in 2019-2020 due to higher inflows in current accounts mainly from SME customers

# Key financial ratios of BCR

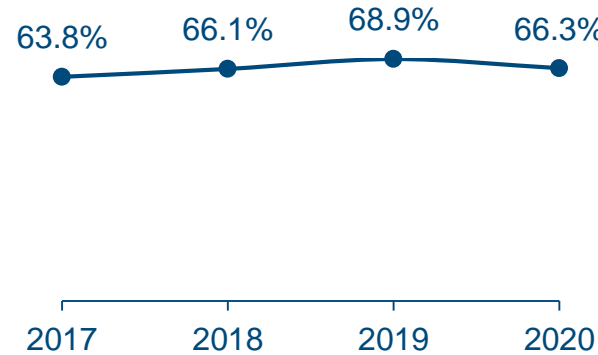
**Cost/income ratio**



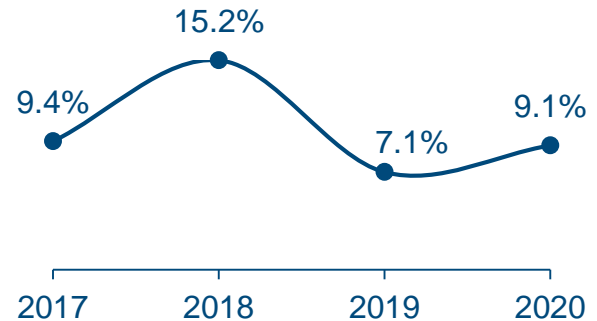
**Net interest margin**



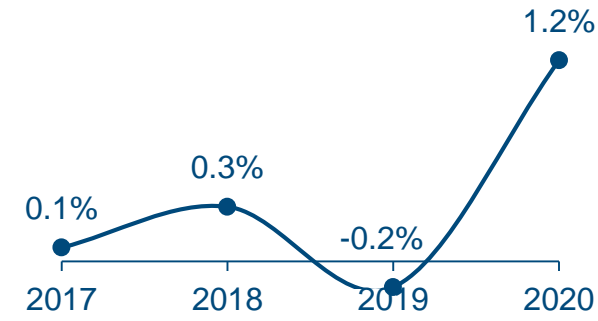
**Loan/deposit ratio**



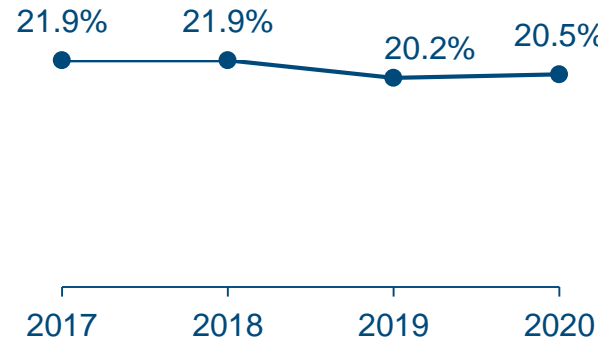
**ROE**



**Risk costs (on-BS)**

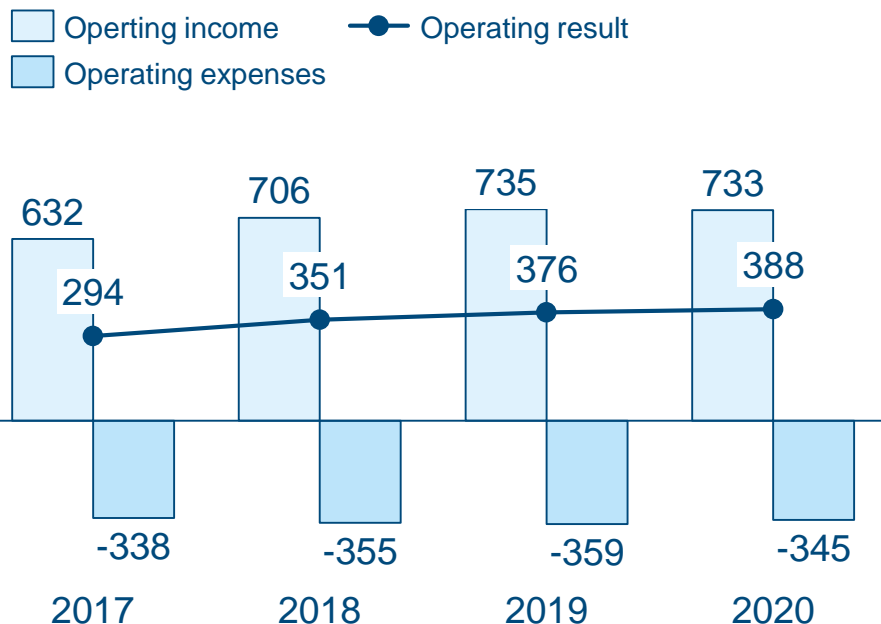


**Solvency ratio**



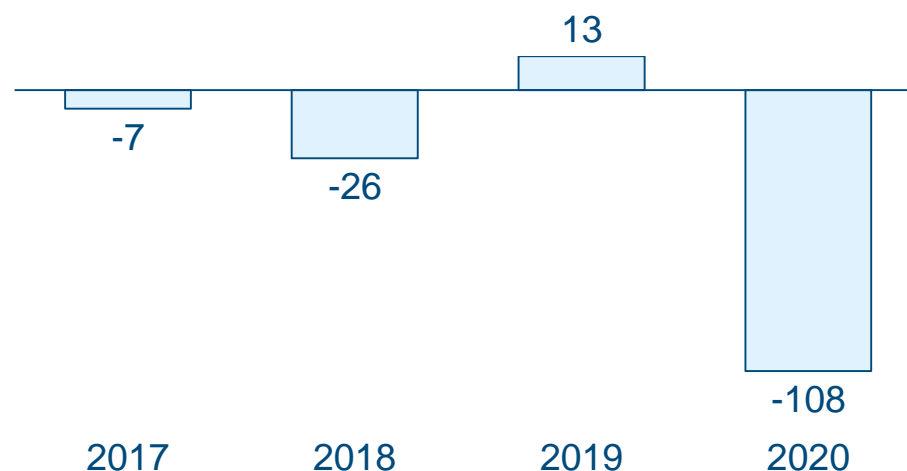
# Operating result and risk costs of BCR Group

Operating result development (EUR m)



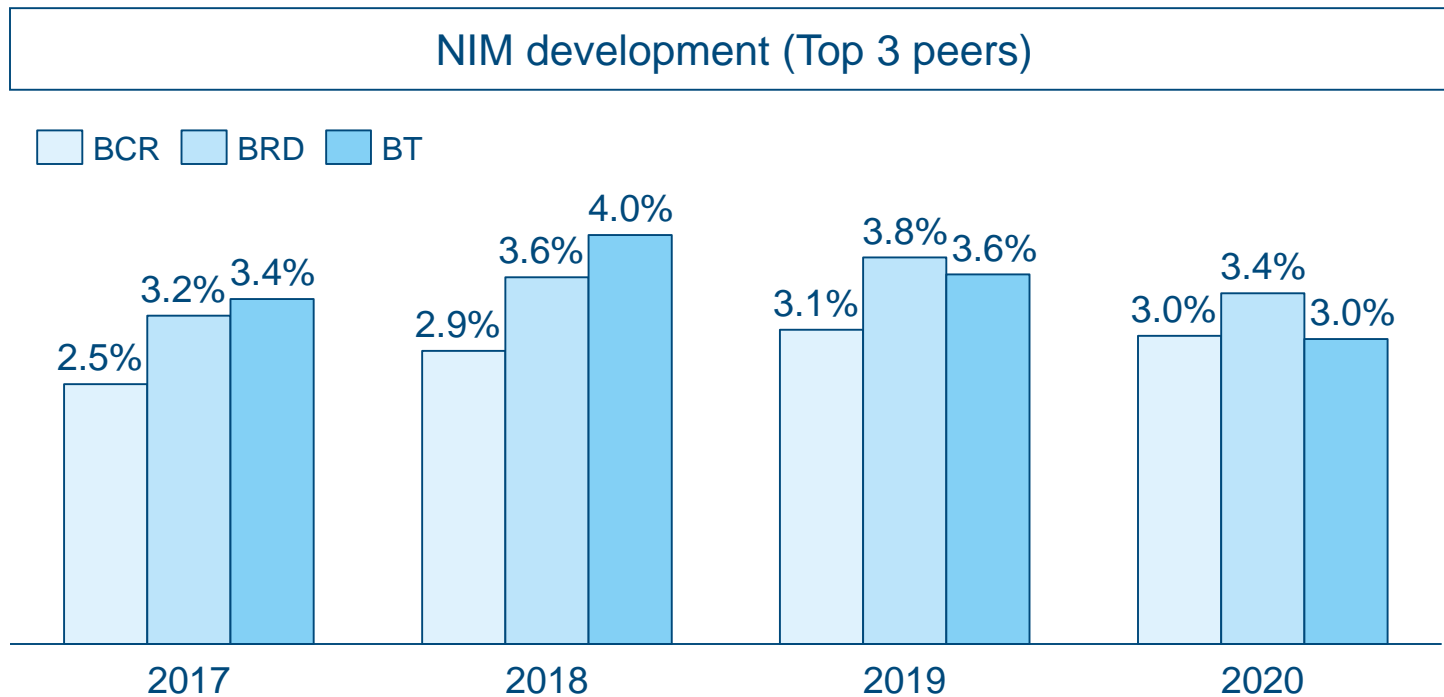
- Operating income recovering in the last couple of years mainly supported by net interest income
- Operating expenses up due to IT investments, wage inflation and costs with the new head office, down in 2020 due to lower contribution to deposit insurance fund and lower depreciation
- Operating performance improvement due to loan growth in both retail and corporate

Risk costs development (EUR m)



- Prudent forward-looking risk provisioning in 2020
- Risk costs booked in 2020 mainly as a result of updated risk parameters based on the most recent macro scenarios and the implementation of stricter rules for credit risk classification applied to clients affected by the pandemic context

## Development of Net Interest Margin of top 3 peers



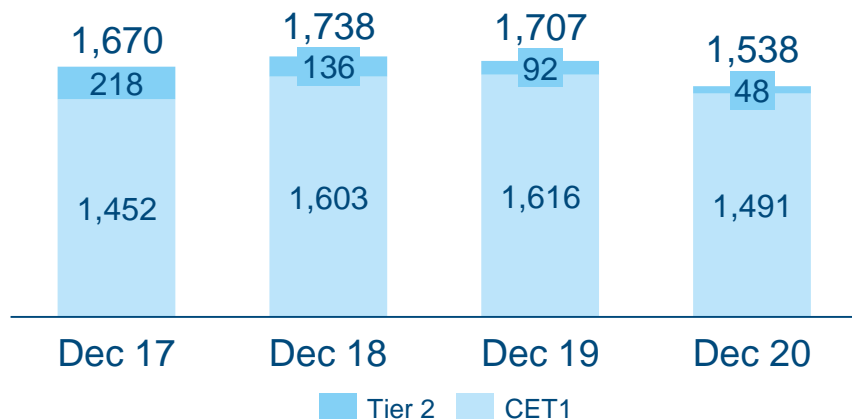
Source: Individual financial statements of banks

- Banking system: 2020 net interest margin under downward pressure from central bank monetary policy easing in response to the Covid-19 economic shock and payment deferrals due to both public and private moratoria
- BCR: since 2017 NII benefited from resumed loan growth in both retail and corporate, from higher share of sight deposits as well as from gradually decreasing intra-group long term funding

NIM calculated as net interest income / average total assets

# Capital position of BCR

## Basel 3 capital (phased-in, EUR m)

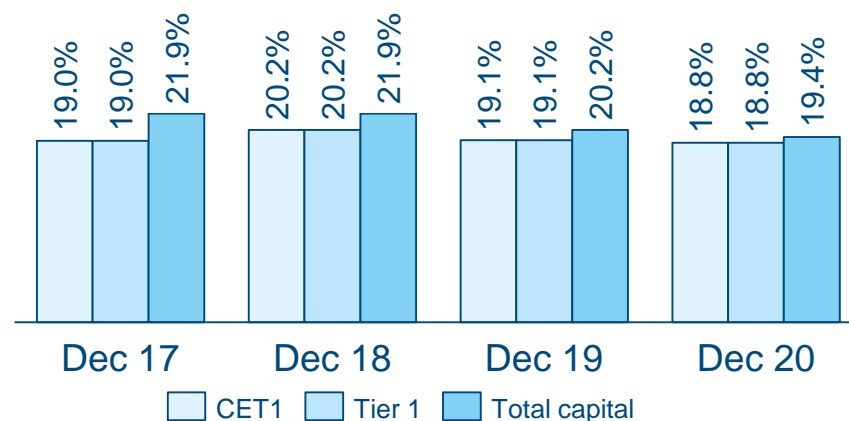


## Risk-weighted assets (phased-in, EUR m)



- BCR's capital position has been strong and well above minimum requirements, with CET1 phased-in ratio of 18.8% and Total capital ratio of 19.4%.
- YE2020 figures are not audited. Undistributed profits are not yet included in Own Funds and Risk Cost is deducted from CET1 until the final approval of the Financial Statements

## Basel 3 capital ratios (phased-in, %)



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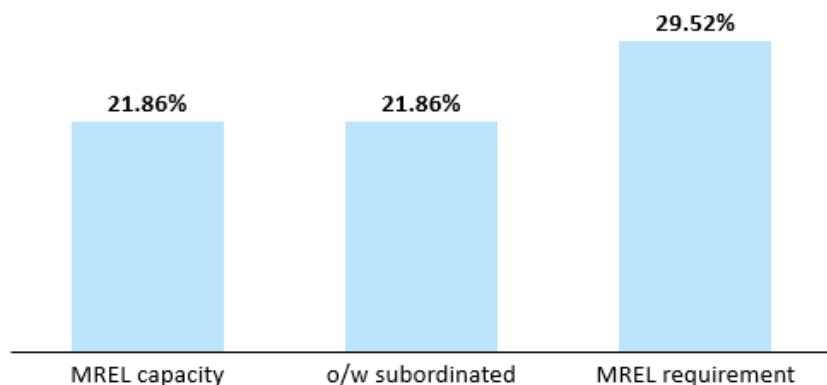
# Funding

## MPE approach

### Romanian resolution group

- Major entities within the Romanian resolution group:
  - Banca Comerciala Romana S.A.
  - BCR Banca pentru Locuinte S.A.
  - BCR Chisinau S.A.
  - BCR Leasing IFN S.A.
  - BCR Pensii SAFPP S.A.

### MREL under BRRD 1 as of YE 2020



### Key take-aways

- In March 2020 BCR received its MREL requirements: phase-in binding targets, calibrated on balance sheet data as of December 2017 and based on BRRD1.
- However, due to the negative economic development following the COVID-19 pandemic, NBR communicated us in April 2020 that the MREL target for December 2020 can be considered indicative.
- Based on the decision mentioned above, BCR must comply with an MREL requirement equivalent to 14.95% of TLOF of the Romanian resolution group by 31.12.2023, which would be equal to 29.52% of RWAs. No subordination requirement was communicated.
- Based on the Romanian resolution group's RWAs as of December 2020 of approx. EUR 7.92bn, the current MREL ratio stands at 21.86%.
- A new MREL requirement based on SRB's 2020 MREL policy and BRRD2 is expected after the BRRD2 local transposition. BCR to be subject to a subordination requirement.
- BCR's current funding plan already reflects the expected draft joint decision on MREL determination. Any potential changes in the MREL requirement will be reflected in BCR's funding plan to ensure regulatory compliance.



# Funding of BCR

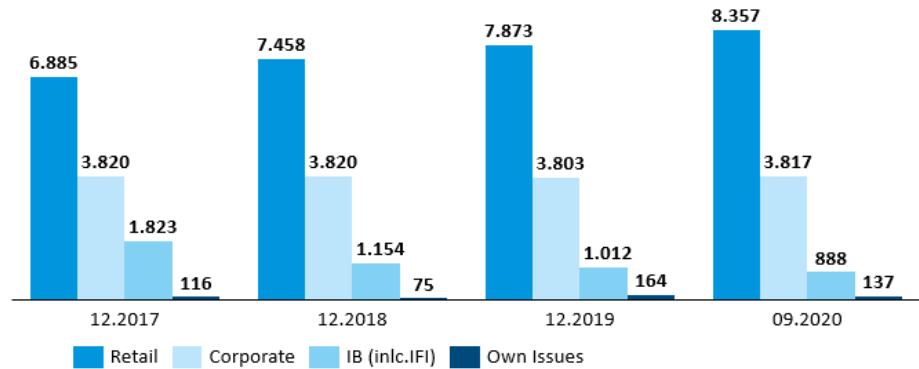
## Funding 2021 – Plan

- Non-Preferred Senior – benchmark transaction
- Senior Preferred – benchmark transaction
- Expected issuance volume of EUR 300mn to be issued in RON

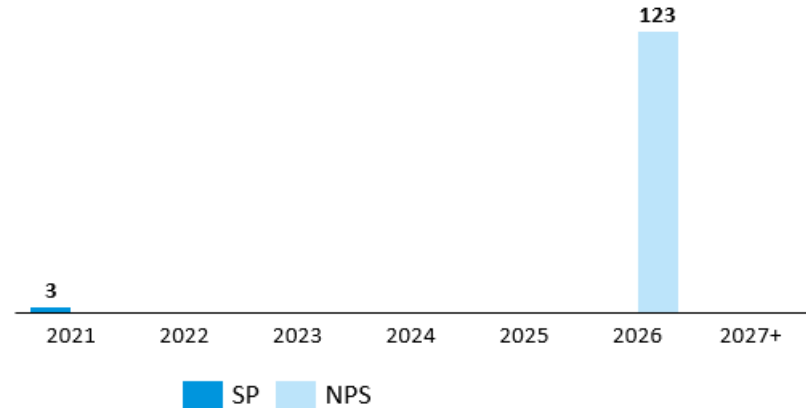
## Programme Summary

- Erste Group’s Multi Issuer Programme
- Senior Preferred, Non-Preferred Senior and Tier 2
- Issuer’s Rating: BBB+, negative by Fitch  
Baa1, negative by Moody’s
- Governing Law: Romanian and German
- Listing: Vienna Stock Exchange | Bucharest Stock Exchange

BCR Funding Mix (12/2017 – 09/2020, EUR m)



Maturity profile as of 31.12.2020 (EUR m)



# Introduction of the new regulation in Romania

- A synthesis of the National Bank of Romania MREL Policy was published in July 2019
- Bank Creditor Hierarchy Directive (BCHD - Directive (EU) 2017/2399 that amends Bank Recovery and Resolution Directive - BRRD – Directive 2014/59/EU) transposed into national law by Law 313/2020
  - amendment of the insolvency ranking of unsecured debt instruments which will facilitate the bail-in of debt instruments by resolution authorities during a crisis, while ensuring a minimum impact on financial stability and on taxpayers
- Capital Requirements Directive V (CRD V – Regulation (EU) 878/2019) transposed into local legislation through Regulation 11/2020 amending Reg. 5/2013 regarding prudent requirements for credit institutions. It has also implications to GEO 99/2006 (the draft law for amending and supplementing the Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy was published on the MoF website on 20 January 2021 - <https://mfinante.gov.ro/acasa/transparenta/proiecte-acte-normative>).
- Capital Requirement Regulation II (CRR II – Regulation (EU) 876/2019) → already into force since June 2019, but the major provisions are applicable from 28 June 2021.
- The second Bank Recovery and Resolution Directive (BRRD II or Directive (EU) 2019/879) also expected to be transposed into local legislation by March 2021. (the draft law for amending and supplementing Law no. 312/2015, transposing BRRD I into local legislation, was published on the MoF website on 20 January 2021 - <https://mfinante.gov.ro/acasa/transparenta/proiecte-acte-normative>).

## Presentation topics

- Erste Group / BCR Group at a glance
- Romania
- Romanian banking market
  - Banking market developments
  - Top 3 peers market shares
- Banca Comerciala Română
- BCR Funding
- Additional information
  - Financial tables
  - Measures to mitigate COVID-19 crisis

## Additional information – Income Statement (EUR m)

	2019	2020	Change
Net interest income	475.4	490.1	3.1%
Interest income	560.9	562.5	0.3%
Other similar income	18.3	13.1	-28.2%
Interest expenses	-95.2	-81.3	-14.5%
Other similar expenses	-8.6	-4.2	-50.7%
Net fee and commission income	164.5	146.8	-10.8%
Fee and commission income	199.4	188.9	-5.3%
Fee and commission expenses	-34.9	-42.1	20.6%
Dividend income	0.5	0.7	26.4%
Net trading result	71.0	70.7	-0.4%
Gains/losses from financial instruments measured at fair value through profit or loss	3.2	3.0	-5.1%
Net result from equity method investments	-0.1	-0.4	n/a
Rental income from investment properties & other operating leases	20.8	22.2	6.6%
Personnel expenses	-163.5	-166.4	1.7%
Other administrative expenses	-144.4	-133.1	-7.8%
Depreciation and amortisation	-51.0	-45.4	-11.0%
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.0	0.0	n/a
Gains/losses from derecognition of financial assets measured at amortised cost	-0.1	0.0	n/a
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	-6.2	0.0	n/a
Gains/losses from reclassification from amortised cost to fair value through profit or loss	0.0	0.0	n/a
Gains/losses from reclassification from fair value through other comprehensive income to fair value through profit or loss	0.0	0.0	n/a
Net impairment loss on financial assets	0.0	0.0	n/a
Impairment result from financial instruments	13.0	-107.7	n/a
Other operating result	-194.5	-60.2	-69.1%
Levies on banking activities	-11.0	0.0	n/a
<b>Pre-tax result from continuing operations</b>	<b>188.7</b>	<b>220.2</b>	<b>16.7%</b>
Taxes on income	-63.7	-51.9	-18.6%
Post-tax result from continuing operations	124.9	168.3	34.7%
Post-tax result from discontinued operations	0.0	0.0	n/a
<b>Net result for the period</b>	<b>124.9</b>	<b>168.3</b>	<b>34.7%</b>
Net result attributable to non-controlling interests	0.0	0.0	n/a
<b>Net result attributable to owners of the parent</b>	<b>124.9</b>	<b>168.3</b>	<b>34.7%</b>
Operating income	735.4	733.0	-0.3%
Operating expenses	-359.0	-344.9	-3.9%
<b>Operating result</b>	<b>376.5</b>	<b>388.1</b>	<b>3.1%</b>
Cost/income ratio	48.8%	47.1%	
Return on allocated equity	7.1%	9.1%	

## Additional information – Balance Sheet: assets (EUR m)

Assets	Dec 19	Dec 20	Change
Cash and cash balances	1,883	2,165	15.0%
Financial assets HFT	90	257	>1008%
Derivatives	8	8	-2.3%
Other financial assets held for trading	81	248	>100%
Pledged as collateral	0	0	n/a
Financial assets at fair value through profit or loss	0	0	n/a
Pledged as collateral	0	0	n/a
Non-trading financial assets at FVPL	20	22	n/a
Pledged as collateral	0	0	n/a
Equity instruments	8	15	n/a
Debt securities	10	6	n/a
Loans and advances to banks	0	0	n/a
<b>Loans and advances to customers</b>	<b>1</b>	<b>0</b>	<b>n/a</b>
Financial assets available for sale	0	0	n/a
Pledged as collateral	0	0	n/a
Financial assets at FVOCI	1,279	1,548	21.0%
Pledged as collateral	0	0	n/a
Equity instruments	0	0	n/a
Debt securities	1,279	1,548	21.0%
Loans and advances to banks	0	0	n/a
<b>Loans and advances to customers</b>	<b>0</b>	<b>0</b>	<b>n/a</b>
Financial assets held to maturity	0	0	n/a
Pledged as collateral	0	0	n/a
Loans and receivables to credit institutions	0	0	n/a
Pledged as collateral	0	0	n/a
Loans and receivables to customers	0	0	n/a
Pledged as collateral	0	0	n/a
Financial assets at AC	11,478	11,912	3.8%
Debt securities	3,290	3,046	-7.4%
Loans and advances to banks	138	417	>100%
<b>Loans and advances to customers</b>	<b>8,050</b>	<b>8,450</b>	<b>5.0%</b>
Finance lease receivables	234	267	14.4%
Hedge accounting derivatives	0	0	n/a
Fair value changes of hedged items in portfolio hedge of interest rate risk	0	0	n/a
Property and equipment	196	177	-9.5%
Investment properties	34	35	4.8%
Intangible assets	75	72	-4.5%
Investments in associates and joint ventures	5	8	56.1%
Current tax assets	51	47	-6.6%
Deferred tax assets	38	36	-5.2%
Assets held for sale	135	128	-5.0%
Trade and other receivables	89	116	30.3%
Other assets	68	51	-24.5%
<b>Total assets</b>	<b>15,673</b>	<b>16,841</b>	<b>7.5%</b>

## Additional Information – Balance Sheet: liabilities and equity (EUR m)

Liabilities and equity	Dec 19	Dec 20	Change
Financial liabilities HfT	15	11	-30.4%
Derivatives	15	11	-30.4%
Other financial liabilities held for trading	0	0	n/a
Financial liabilities at FVPL	0	0	n/a
Deposits from banks	0	0	n/a
<b>Deposits from customers</b>	<b>0</b>	<b>0</b>	n/a
Debt securities issued	0	0	n/a
Other financial liabilities	0	0	n/a
Financial liabilities at AC	13,358	14,377	7.6%
Deposits from banks	973	770	-20.8%
<b>Deposits from customers</b>	<b>12,083</b>	<b>13,326</b>	<b>10.3%</b>
Debt securities issued	164	126	-23.0%
Other financial liabilities	139	154	10.9%
Lease liabilities	68	88	n/a
Hedge accounting derivatives	0	0	n/a
Fair value changes of hedged items in portfolio hedge of interest rate risk	0	0	n/a
Provisions	373	382	2.4%
Current tax liabilities	1	1	1.8%
Deferred tax liabilities	2	2	40.0%
Liabilities associated with assets held for sale	6	1	-77.3%
Other liabilities	79	60	-24.6%
<b>Total equity</b>	<b>1,771</b>	<b>1,920</b>	<b>8.4%</b>
Equity attributable to non-controlling interests	0	0	-7.2%
Additional equity instruments	0	0	n/a
Equity attributable to owners of the parent	1,771	1,920	8.4%
Subscribed capital	0	0	n/a
Additional paid-in capital	0	0	n/a
Retained earnings and other reserves	0	0	n/a
<b>Total liabilities and equity</b>	<b>15,673</b>	<b>16,841</b>	<b>7.5%</b>

# BCR Group: Our response to Coronavirus – We care for our clients, communities and employees

- **BCR also part of a private moratorium under the Code of Conduct of the Romanian Banking Association (RBA), in force until 30.09.2020, no default/ forbearance applied in line with EBA guideline**
- **Retail customers**
  - Up to 3M opt-in loan repayment holiday (available in George and in Contact Center) for consumer and standard mortgage – interest accrued, not capitalized and repayable in equal amounts up to the new maturity (adding the suspension period, except for Prima Casa)
  - 3M grace period for credit cards and overdrafts applied for the entire portfolio; interest accrued and repayable in July
  - Ongoing “first line” campaign for cash loans with a special discount of 0.2pp for employees from health care, police and military
  - Loan restructuring treatments, by cutting the loan instalment for a limited period and/or by extending the tenor
  - Tripled Call Center, more requests handled in CC/ George, dedicated social media team, 115 cashless branches
- **Corporate customers**
  - Up to 6M opt-in loan repayment holiday, business as usual default/ forbearance process for transactions not under RBA Code of Conduct
    - For non-revolving loans: principal repayable up to the extended maturity; interest and fees paid during suspension period
    - For revolving loans (including loans to micros): extended facilities at the same costs; interest and fees continue to be paid
- **Communities**
  - EUR 1.7 million donated by BCR for the national health care system, education and NGOs; over EUR 165,000 for 130 NGOs raised through Bursabinelui.ro platform created by BCR to support local NGOs
  - 33,000 people participated to the online financial education seminars organized by the Money School program
  - 10,000 people subscribed to BCR Business School, the entrepreneurial education platform, or attended dedicated online sessions
  - 62 technology start-ups and scale-ups participated in BCR Business Accelerator incubation and acceleration phases
- **Employees**
  - Currently HQ 90% home office, network 40%, high risk employees working exclusively from home office
  - Strict rules regarding office work, including daily body temperature measurements and wearing masks while in the office
  - Daily monitoring of all COVID cases among employees and family members; disinfection protocols and COVID testing
  - Customer access in branches only based on prior phone appointment starting Oct, to protect staff and customers and ensure traceability

# Romania: Government measures – Public moratorium

- **Main characteristics**

- Principal, interest and fees included
- Applies to Retail and Corporate customers and all types of loans granted by banks and non-banking financial entities
- Eligibility criteria
  - For individuals: zero DPD at the start of emergency period (March 16) or the client settles any overdue debt as of March 16 before applying for moratorium; self-declaration on direct or indirect income loss due to pandemic
  - For corporates (including micro clients): zero DPD at the start of emergency period (March 16) or the client settles any overdue debt as of March 16 before applying for moratorium; not under bankruptcy proceedings; based on an emergency situation certificate issued by Ministry of Economy
- Interest capitalized with the exception of mortgage loans
  - For mortgage loans accrued interest not capitalized and repayable in 60 equal amounts after moratorium ends, 100% state guarantee for the accrued interest
  - For all loan types, except mortgage loans, accrued interest is capitalized at the end of the suspension period, resulting amount being rescheduled until the new maturity (adding the suspension period, if the case)

- **Opt-in: up to maximum 9 months suspension period for 2020-2021**

- GEO 37/30.03.2020 sets up the period for sending requests between March 30 and June 15, 2020
- GEO 227/30.12.2020 allows new deferral applications starting Feb 5 (when application norms published) until Mar 15, 2021 for a suspension of max. 9 months in total, including any previous deferrals granted in 2020 under public or private moratorium

- **Total participation rates in BCR as of 31.12.2020: households 13%, non-financial corporations & other\* 10%**  
(under both public & private moratoria)

- **Loans under public moratorium not treated as forborne in 2020; treated as forborne in 2021 automatically for private individuals and micros/ based on a case-by-case analysis for corporate**

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\*) Other financial corporations and general government



# Romania: Government measures – Loan guarantees and subsidies (SME Invest program)

- **Main characteristics**

- EUR 4bn (RON 20bn) in 2020, EUR ~3bn (RON 14bn) in 2021 state guarantee program for loans to micros and SMEs
- Outstanding tax liabilities/ other fiscal obligations can be paid from the working capital loan obtained within the scheme

Program features/ Beneficiaries		Micros		Small SMEs		Medium-sized SMEs
<b>Max. loan amount</b>	Working capital	RON 0.5m	RON 5m	RON 1m	RON 5m	RON 5m
	<i>with state-guarantee</i>	90%	80%	90%	80%	80%
	Investment loan	RON 10m		RON 10m		RON 10m
	<i>with state-guarantee</i>	80%				
	Cumulative	RON 10m				
<b>Interest rate</b>	Working capital	3M ROBOR + 2.45% p.a.				
	Investment loan	3M ROBOR + 1.99% p.a.				

- **Subsidized interest and fees**

- Interest rate fully subsidized by the state for 8 months from the loan first disbursement, not later than 31.10.2021
- Zero fees for beneficiary in 2020 (state covering costs of guarantees' granting & monitoring by SMEs guarantee fund); starting Jan 1, 2021 fee paid by client for new loans or if the existing loan is extended/ increased and the state aid is discontinued
- The program continues in 2021 - the total ceiling yet in discussion pending on the approval of the state budget for 2021

- **Credit tenor and guarantee period: 3-6 years**

- Working capital loans: 36 months (can be extended by another 36 months)
- Investment loans: 72 months

- **BCR status (Dec-20): 1,804 loans in total amount of over RON 1.2bn approved for corporate and micro clients, bank's own strict lending standards continue to be applied**

# Romania: Government measures – Financing schemes based on EU grants approved in October 2020

- Three financing schemes totaling EUR 1.5bn within the "Temporary Covid framework"

Beneficiaries/ Scheme features		Max. EU grant per beneficiary (lump sum granted once)	Max. available ceiling
<b>Measure 1</b> SMEs/ sole traders/ individual medical offices with no other employee except the owner	without specific purpose	EUR 2,000	EUR 100m
<b>Measure 2</b> SMEs in sectors highly affected by Covid-19 crisis (HoReCa, tourism, events, transport)	Working capital	Max. EUR 150,000	EUR 907m
<b>Measure 3</b> SMEs in production and services	Investment loan	EUR 50,000-200,000	EUR 478m

- **Measure 2 – grant amount based on 2019 turnover**
  - EUR 5,000 to 13,500 turnover → EUR 2,000
  - EUR 13,500 to 1 million turnover → 15% of turnover, max. EUR 150,000
  - Turnover exceeding EUR 1 million → EUR 150,000
  - Related companies with multiple applications → total grant of max. EUR 250,000
- **Measure 3 – banking products**
  - Pre-financing loans
    - Committed investment loan for bridging until the grant is cashed, reimbursed out of the grant
  - Co-financing loans
    - Committed investment loan for financing eligible costs of the project

## Romania: Other measures –

- RO fiscal package at 5.5% of the GDP (as of October 2020), out of which:
  - 2.3pp of additional public spending or forgone revenues: job support measures (1.0pp) and Covid-related additional spending or tax deductions/exemptions (1.2pp)
  - 3.2pp in state guarantees (contingent liabilities) and loans
- Fast procedure for VAT reimbursement extended until January 25, 2021
- Extension of tax payment deferral until December 25, 2020 for all taxpayers, with no interest or penalties; private individuals and companies could opt-in by December 15, 2020 for a staggered payment of their taxes over the next 12M
- Tax holiday for sectors subject to business restrictions (e.g. hospitality industry) extended until March 31, 2021
- Technical unemployment extended until June 30, 2021 for max. 75% of national average gross wage for companies affected by the restrictive measures imposed by authorities
- State subsidy for 41.5% of the gross average wage for 3M for returning to work after at least 15 days of technical unemployment
- Wages of parents staying at home covered partially for the period schools are closed
- Utilities payment and office rent deferrals for SMEs for 3M (with emergency certificate issued by Ministry of Economy)
- Discounts for paying corporate income taxes
- Postponement of property tax by three months
- Duty free and VAT exempted imports of medical goods and equipment related to fighting Covid-19
- The government announced that support measures will continue in 2021, with the actual size of the package to be defined in the upcoming budget

## Romania: Central bank measures –

- After an unexpected key rate cut of 25bp in mid-Jan to 1.25%, we expect one more rate cut in this easing cycle to 1.00% followed by loosening liquidity management to ease the policy stance; given the liquidity backdrop, the cuts in reserve requirements ratios previously expected by us are substituted by key rate reductions
- NBR is catching-up with its regional CEE peers in adjusting interest rates, opening the way for a faster convergence in monetary conditions towards CEE norms
- Short-dated RON government bonds should benefit from the decision leading to a bull steepening of the ROMGBs yield curve, as the back-end yields are sensitive to the fiscal outlook
- Likely, weaker than expected economic growth forecast and benign inflation perspectives are the main factors behind the decision, amid not so clear mid-term fiscal trajectory. After the recent CEE FX developments and central bank reactions, NBR might become more flexible towards a weaker RON outlook

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