

## BCR, YE 2019 financial results: Strong loan growth, driven by both retail and corporate, while channeling towards building digital processes to the core

### Summary\* :

- **Boost for the real economy: The stock of loans advanced by 10.0% year-on-year in 2019 driven by both retail and corporate business**
- **Sustaining households' prosperity as the most important financier for buying a home and a reliable partner in covering their consumption needs: New loans in local currency of over RON 7.8 billion for households (mortgage and cash loans) and micro-businesses**
- **Financing the Romanian business ecosystem:**
  - **Over RON 7.4 billion new approved corporate loans in 2019, of which 40% investment loans.**
  - **Strong support for entrepreneurs, the stock of financing for SME segment increased by 12.3% year-on-year in 2019.**
  - **Important player in Start-Up Nation state program for micros with 2,500 de start-ups out of 7.000 entrepreneurs financed by banks through the program**
- **Focus on digital friendly solutions for the public:**
  - **the number of active digital clients went up by 34% year-on-year, launching the first fully digital unsecured lending and the first online credit refinancing facility**
  - **George reached 720,000 users, combined with a 76% increase of sales for digital products; 84 new built-in functionalities in both mobile and web**
- **In 2019, BCR Group recorded a net profit of RON 593.2 million (EUR 125 million), as impacted by significant one-off litigation provision, while achieving the best operating result in the last five years underpinned by strong loan growth**

*“In 2019 we were determined to learn and adapt, aiming to support the real economy, promote financial education and bring prosperity to our customers. We have channeled our passion and efforts towards building digital processes to the core to the benefit of all our people and channels. I want to thank our colleagues for embracing the digital journey and our customers for being open to adopt our new solutions, with a faster and leaner banking experience. We will continue to innovate and simplify our way as it is our aspiration to make banking easy and pleasant to the benefit of the people we interact with”, Sergiu Manea, CEO Banca Comercială Română*

### BCR impact in the economy

**In retail banking business, BCR generated total new loans in local currency to individuals and micro business of over RON 7.8 billion (EUR 1.7 billion) in 2019 driven by mortgage, cash loans and loans to micros. New loans to micros went up by 31.5% year-on-year, due to the significant contribution of loans granted within Start-**

\* Below stated financial data are un-audited, consolidated business results of Banca Comercială Română Group for 2019, according to IFRS. Unless otherwise stated, financial results for 2019 are compared to financial results for 2018. 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 2019 of 4.7456 RON/EUR when referring to 2019 results and using the average exchange rate for 2018 of 4.6541 RON/EUR when referring to the 2018 results. The balance sheets at 31 December 2019 and at 31 December 2018 are converted using the closing exchange rates at the respective dates (4.7830 RON/EUR at 31 December 2019 and 4.6635 RON/EUR at 31 December 2018, respectively). All the percentage changes refer to RON figures.

Up Nation. Unsecured lending sales increased by 3.4% year-on-year due to cash loans and increase in credit cards and overdrafts.

**In corporate banking business**, BCR (bank standalone) approved new corporate loans of **RON 7.4 billion (EUR 1.6 billion)**. The stock of financing for SME segment (including BCR Leasing subsidiary) increased by 12.3% year-on-year to **RON 6.1 billion (EUR 1.3 billion)** as of 31 December 2019, as a result of a high focus on new business and advance in leasing. Real Estate segment has registered a strong performance, up by 34.3% year-on-year, boosted by financing selected new office and commercial projects.

The number of total customers increased to **3.3 million at the end of last year**, as compared to 3.1 million in 2018.

BCR has channeled all efforts towards building digital processes to the core. **The intelligent banking platform George** reached 720,000 users, with 84 new built-in functionalities in both mobile and web. The George universe has registered a 76% increase of the digital products sold, as compared to 2018. **BCR has launched George Credit**, the first fully digital unsecured loan, with 3,800 cash loans granted online in just three months, and the first online credit refinancing facility.

BCR continued the strategic partnership with IKEA, through which the bank provided more than **26,200 credit cards** in 2019.

The Money School reached a total of more than **370,000 adults and children in one-to-one interactions** by BCR colleagues in the past three years.

The shared online platform Casa Mea App, that runs document workflow for proprietary mortgage, launched in 2019, **has been already used for one in four new disbursed loans**.

## 2019 financial highlights

BCR registered a **net profit of RON 593.2 million (EUR 125 million)** in 2019, lower by 50.7% against RON 1,202.3 million (EUR 258.3 million) in 2018, as impacted by the significant one-off provision allocation related to the activity of BCR Banca pentru Locuinte, despite the best operating result in the last five years underpinned by strong loan growth.

**The operating result** improved by 9.3% to **RON 1,786.9 million (EUR 376.5 million)** in 2019, from RON 1,635.4 million (EUR 351.4 million) in 2018, supported by better operating income along with strict cost control.

**Net interest income** increased significantly by 10.2%, to **RON 2,256.3 million (EUR 475.5 million)** in 2019, from RON 2,047.2 million (EUR 439.9 million) in 2018, on the back of a higher interest rate environment and higher customer loans and deposits, improvement of balance sheet structure and lower funding cost as per early repayment of intragroup funding.

**Net fee income** advanced by 10.4%, to **RON 780.6 million (EUR 164.5 million)** in 2019, from RON 706.8 million (EUR 151.9 million) in 2018, mainly driven by higher result in maintenance fees for current accounts and insurance fees coupled with better result from cash activities.

**Net trading result** decreased by 21.1%, to **RON 352.4 million (EUR 74.3 million)** in 2019, from RON 446.8 million (EUR 96.0 million) in 2018.

**The operating income** increased by 6.2% to **RON 3,490.4 million (EUR 735.5 million)** in 2019 from RON 3,285.6 million (EUR 706.0 million) in 2018, driven by higher net interest income and fee income.

**General administrative expenses** in 2019 stood at **RON 1,703.5 million (EUR 359.0 million)**, up by 3.2% as compared to RON 1,650.2 million (EUR 354.6 million) in 2018, mainly driven by higher annual contribution to deposit insurance fund in 2019.

As such, **cost-income ratio** improved to **48.8%** in 2019, versus 50.2% in 2018.

### **Risk costs and Asset Quality**

In terms of **net impairment loss on non-fair value financial assets**, BCR recorded a provision release of **RON 61.8 million in 2019**, versus a provision allocation of RON 121.2 million in 2018. This result has been triggered by very low new NPL formation mostly in corporate correlated with a good trend of recoveries and healings in both retail and corporate segments.

**The NPL ratio** reached **4.1%** in Dec 2019, the lowest level of the past decade, from 5.8% in December 2018. This evolution is reflecting the strong positive development in loans to customers and continuous improvement in portfolio quality based on sustained NPL resolution and good trend in recoveries and healings. At the same time, the NPL provisioning coverage reached 116.3% as of December 2019.

### **Capital position and funding**

The **solvency ratio** for BCR Bank standalone (**before 2019 profit capitalization**), according to the capital requirements regulations (CRR) stood at 20.4% as of December 2019, well above the regulatory requirements of the National Bank of Romania. Furthermore, the Tier 1+2 capital ratio of 19.6% (BCR Group, **before 2019 profit capitalization**) as of December 2019 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 the Romanian banks.

In December 2019, **BCR launched the first senior non-preferred bond issue in Romania and the CEE region**, worth **RON 600 million** and listed on the Bucharest Stock Exchange. This shows BCR's commitment to further strengthen its fortress balance sheet and to diversify the funding sources and instruments as part of its long term development strategy.

**Loans and advances to customers** increased significantly by 10.0% to **RON 40,049.0 million (EUR 8,373.2 million) as of 31 December 2019** from RON 36,400.1 million (EUR 7,805.3 million) as of 31 December 2018, supported by both corporate (+13.4% year-on-year) and retail (+8.7% year-on-year) segments.

**Deposits from customers** increased by 4.9% to **RON 57,791.8 million (EUR 12,082.8 million) as of 31 December 2019** versus RON 55,099 million (EUR 11,814.9 million) as of 31 December 2018, supported by the increase in both retail and corporate deposits.

\*\*\*

BCR provides a full range of financial products and services, through a network of 19 business centers and 17 mobile offices dedicated to companies and 430 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 ATM and multifunctional machines- almost 2,000, more than 14,500 POS and complete services of Internet banking, Mobile banking, Phone-banking and E-commerce.

\*\*\*

For more information please contact press office at: [comunicare@bcr.ro](mailto:comunicare@bcr.ro)

This information is also available on our website: [www.bcr.ro](http://www.bcr.ro)

For more details about the products and services provided by BCR, please contact InfoBCR at

- Internet page: [www.bcr.ro](http://www.bcr.ro)
- Email: [contact.center@bcr.ro](mailto:contact.center@bcr.ro)
- Telve: 0800.801.BCR (0800.801.227), toll-free from all national networks

### Profit or loss

in RON million	Dec 19	Dec 18
Net interest income	2,256.3	2,047.2
Net fee and commission income	780.6	706.8
Net trading and fair value result	352.4	446.8
Operating income (1)	3,490.4	3,285.6
Operating expenses (2)	(1,703.5)	(1,650.2)
Operating result (1+2)	1,786.9	1,635.4
Net impairment loss on non-fair value financial assets	61.8	(121.2)
<b>Net result attributable to owners of the parent</b>	<b>593.2</b>	<b>1,202.3</b>

### Statement of financial position

in RON million	Dec 19	Dec 18
<b>Cash and cash balances</b>	<b>9,006.5</b>	<b>11,123.2</b>
<b>Financial assets held for trading</b>	<b>429.4</b>	<b>214.0</b>
<b>Non-trading financial assets at fair value through profit or loss</b>	<b>93.9</b>	<b>39.4</b>
Equity instruments	40.4	33.5
Debt securities	49.9	-
Loans and advances to customers	3.6	5.9
<b>Financial assets at fair value through other comprehensive income – debt securities</b>	<b>6,117.8</b>	<b>5,222.0</b>
<b>Financial assets at amortized cost</b>	<b>56,442.1</b>	<b>52,397.1</b>
Debt securities	15,735.2	15,879.1
Loans and advances to credit institutions	661.4	123.8
Loans and advances to customers*	40,045.5	36,394.2
<b>Property &amp; equipment, including investment property</b>	<b>1,098.4</b>	<b>1,332.1</b>
<b>Intangible assets</b>	<b>359.1</b>	<b>361.9</b>
<b>Miscellaneous assets</b>	<b>1,391.2</b>	<b>840.6</b>
<b>Total assets</b>	<b>74,938.4</b>	<b>71,530.3</b>
<b>Financial liabilities - held for trading</b>	<b>73.5</b>	<b>33.0</b>
<b>Financial liabilities - amortized cost</b>	<b>63,678.7</b>	<b>61,618.9</b>
Deposits from banks	4,439.2	5,578.1
Deposits from customers	57,791.8	55,099.0
Debt securities issued	784.4	349.2
Other financial liabilities	663.3	592.6
<b>Finance lease liabilities</b>	<b>327.1</b>	<b>-</b>
<b>Miscellaneous liabilities</b>	<b>2,387.4</b>	<b>1,511.7</b>
<b>Total equity</b>	<b>8,471.7</b>	<b>8,366.7</b>
<b>Total liabilities and equity</b>	<b>74,938.4</b>	<b>71,530.3</b>

\* includes trade receivables and finance lease receivables