

BCR, 9M 2019 financial results: 10% growth in loans, innovative digital services in George universe and strong support for Romanian SMEs & start-ups

Summary¹ :

- Banca Comerciala Romana (BCR) total stock of loans advanced by 10% year-on-year, driven by both retail and corporate business
- New loans of over RON 5.8 billion granted in the first nine months of 2019 for households (mortgage and cash loans) and micro-businesses
- Over RON 5.4 billion new approved corporate loans by BCR in the first nine months of 2019, of which 45% investment loans
- Strong support for the Romanian entrepreneurs, the stock of financing for SME segment increased by 14% year-on-year
- The Money School program initiated the Financial Education Month in October, through which we reached more than 350,000 adults and children in one-to-one interactions by BCR colleagues
- George reached 660,000 users and has developed new features: George Pay and the first fully digital unsecured lending
- 25 start-ups and SMEs have participated in the BCR-InnovX Accelerator
- BCR registered an increase by 7.8% in the operating result, up to RON 1,317.4 million (EUR 278.0 million)
- Net profit of RON 348.8 million (EUR 73.6 million) in 1-9 2019

“Our passion towards transforming the way we answer customer needs is becoming much more visible. It’s a team effort, together with clients and public at large, through which we better understand the expectations of people that use financial services today. The most important aspect is that the public can benefit from the new digital processes no matter the way they interact with us, online or in our branches. I want to thank our clients for the trust they have in us every day.

By placing technology and education at the core of everything we do, we have managed to accelerate Romanian entrepreneurs and we will continue to do so. Our solid operational result motivates us to invest in innovation and digital labs, which will create the path to improving the financial health of our customers” – Sergiu Manea, CEO Banca Comerciala Romana

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 5.8 billion (EUR 1.2 billion)** in the first nine months of 2019, driven by cash loans, mortgage and loans to micros. New originations were constrained by stricter DTIs applied starting January 2019, with a higher impact on mortgage sales. BCR is one of the few banks in the market offering standard mortgage with 5 years and 10 years fixed rate aiming to protect clients. **New loans to micros almost tripled in Q3 2019** versus previous quarters due to higher disbursements under the Start-Up Nation program

¹ Below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana Group for 1-9 2019, according to IFRS. Unless otherwise stated, financial results for 1-9 2019 are compared to financial results for 1-9 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 1-9 2019 of 4.7385 RON/EUR when referring to 1-9 2019 results and using the average exchange rate for 1-9 2018 of 4.6519 RON/EUR when referring to the 1-9 2018 results. The balance sheets at 30 September 2019 and at 31 December 2018 are converted using the closing exchange rates at the respective dates (4.7496 RON/EUR at 30 September 2019 and 4.6635 RON/EUR at 31 December 2018, respectively). All the percentage changes refer to RON figures.

In corporate banking business, BCR (bank only) approved new corporate loans in amount of **RON 5.4 billion (EUR 1.1 billion)**. Major sectors such as manufacturing (automotive, chemicals, machinery), energy and utilities, agriculture and healthcare were financed.

The stock of financing for SME segment (incl. BCR Leasing subsidiary) increased by 13.9% year-on-year to **RON 5.9 billion (EUR 1.3 billion)** as of 30 September 2019, as a result of a high focus on new business and advance in leasing. Real Estate segment strongly grew by 40% year-on-year to RON 2.2 billion (EUR 460 million) boosted by the new office and commercial projects financed over the last year.

The Money School program initiated in October the Financial Education Month, through which we reached a total of more than **350,000 adults and children in one-to-one interactions** by BCR colleagues in the past three years.

In the first nine months of 2019, BCR has accelerated the digitalization and simplification of operations. **The intelligent banking platform George** reached 660,000 users, for both individuals and micro. More than 25% of the new customers prefer to open their account 100% online. **BCR has launched George Credit**, the first fully digital unsecured loan with a limit of up to 110,000 lei and an interest rate of 7.74%.

On the journey of open banking, BCR was the first bank that opened its Application Programming Interfaces (APIs) to third party suppliers, reaching already 50 suppliers that have tested the platform.

BCR continued the **BCR-InnovX Accelerator program**, by starting the Scale-ups group dedicated to SMEs with a turnover or attracted financing exceeding EUR 1 million. **25 start-ups and SMEs have participated in the BCR-InnovX Accelerator Bootcamp** since the beginning of the year.

First nine months of 2019 financial highlights

BCR registered a **net profit of RON 348.8 million (EUR 73.6 million) in 1-9 2019**, lower by 65.6% against RON 1,015.2 million (EUR 218.2 million) in 1-9 2018, as impacted by the significant one-off provision allocation related to the activity of BCR Banca pentru Locuinte booked in Q2 2019, despite the robust operating result, low risk costs and good performance on all business lines.

The operating result improved by 7.8% to **RON 1,317.4 million (EUR 278.0 million)** in 1-9 2019, from RON 1,222.4 million (EUR 262.8 million) in 1-9 2018, supported by better operating income partly offset by higher deposit insurance in 2019.

Net interest income increased significantly by 11.1%, to **RON 1,683.0 million (EUR 355.2 million)**, from RON 1,515.1 million (EUR 325.7 million) in 1-9 2018, on the back of a favorable interest rate environment and higher customer loans and deposits.

Net fee income advanced by 9.1%, to **RON 578.9 million (EUR 122.2 million)**, from RON 530.4 million (EUR 114.0 million) in 1-9 2018, helped by higher fee income generation from insurance business, FX transactions and bond investments of private individual customers.

Net trading result decreased by 22.9%, to **RON 251.1 million (EUR 53.0 million)**, from RON 325.8 million (EUR 70.0 million) in 1-9 2018.

The operating income increased by 6.3% to **RON 2,587.4 million (EUR 546.0 million)** from RON 2,434.7 million (EUR 523.4 million) in 1-9 2018, mainly driven by net interest income on the back of higher interest rate environment and higher customer loan and deposits.

General administrative expenses in 1-9 2019 stood at **RON 1,270.0 million (EUR 268.0 million)**, up by 4.8% as compared to RON 1,212.3 million (EUR 260.6 million) in 1-9 2018, mainly driven by higher annual contribution to deposit insurance fund in 2019.

As such, **cost-income ratio improved to 49.1% in 1-9 2019**, versus 49.8% in 1-9 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 122.8 million (EUR 25.9 million) in 1-9 2019**, versus a provision allocation of RON 43.8 million (EUR 9.4 million) in 1-9 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 has gone below the 5% threshold for the first time since pre-crisis years, reaching **4.9% as of September 2019** versus 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 104% as of September 2019**.

Capital position and funding

The solvency ratio for BCR Bank standalone, according to the capital requirements regulations (CRR) stood at **20.9% as of August 2019**, well above the regulatory requirements of the National Bank of Romania. Furthermore, the **Tier 1+2 capital ratio of 20.6% (BCR Group) as of June 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.

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 advances to customers increased significantly by 8.6% to **RON 39,531.1 million (EUR 8,323.0 million) as of 30 September 2019** from RON 36,400.1 million (EUR 7,805.3 million) as of 31 December 2018, supported by both corporate (+12.4% ytd) and retail (+7.1% ytd) segments.

Deposits from customers slightly increased by 0.2% to **RON 55,216.5 million (EUR 11,625.5 million) as of 30 September 2019** versus RON 55,099 million (EUR 11,815 million) as of 31 December 2018, supported by the increase in retail deposits.

BCR provides a full range of financial products and services, through a network of 21 business centers and 22 mobile offices dedicated to companies and 431 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, 15,300 POS and complete services of Internet banking, Mobile banking, Phone-banking and E-commerce.

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This information is also available on our website: www.bcr.ro

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- Telveverde: 0800.801.BCR (0800.801.227), toll-free from all national networks

Profit or loss

in RON million	Sep 19	Sep 18
Net interest income	1,683.0	1515.1
Net fee and commission income	578.9	530.4
Net trading and fair value result	251.1	325.8
Operating income	2,587.4	2,434.7
Operating expenses	(1,270.0)	(1,212.3)
Operating result	1,317.4	1,222.4
Net impairment loss on non-fair value financial assets	122.8	(43.8)
Net result attributable to owners of the parent	348.8	1,015.2

Statement of financial position

in RON million	Sep 19	Dec 18
Cash and cash balances	7,842.2	11,123.2
Financial assets held for trading	144.7	214.0
Non-trading financial assets at fair value through profit or loss	39.3	39.4
Equity instruments	34.9	33.5
Loans and advances to customers	4.3	5.9
Financial assets at fair value through other comprehensive income – debt securities	5,826.5	5,222.1
Financial assets at amortized cost	55,365.3	52,397.1
Debt securities	15,423.6	15,879.1
Loans and advances to credit institutions	415.0	123.8
Loans and advances to customers	39,526.8	36,394.2
Property & equipment, including investment property	1,204.0	1,332.1
Intangible assets	354.2	361.9
Miscellaneous assets	1,289.6	840.6
Total assets	72,065.8	71,530.3
Financial liabilities - held for trading	67.0	33.0
Financial liabilities - amortized cost	61,386.4	61,618.9
Deposits from banks	5,082.2	5,578.1
Deposits from customers	55,216.5	55,099.0
Debt securities issued	255.3	349.2
Other financial liabilities	832.4	592.6
Miscellaneous liabilities	2,344.6	1,511.8
Total equity	8,267.8	8,366.7
Total liabilities and equity	72,065.8	71,530.3