

BCR, 2018 financial results: Robust growth of financing for development of the local economy. BCR has supported one in five Romanians who purchased a new mortgage loan and one in six companies that signed for a new financing

Summary¹:

- Banca Comerciala Romana (BCR) financed the purchase of over 13,000 houses in 2018, in other words one in five Romanians who purchased a new mortgage loan was financed by the bank. BCR is the largest lender in the First Home governmental program, granting loans exceeding RON 1.3 billion
- One in six companies that contracted a new loan in 2018 was financed by BCR. The bank approved in 2018 new corporate loans (large companies, SMEs, the public sector) totaling RON 7.1 billion (EUR 1.5 billion). The amount supported the local economy, created thousands of jobs and generated new investments or expansion of production capacities
- In 2018 BCR recorded a net profit of over RON 1.2 billion (EUR 258 million), up by 80% compared to the previous year, on the back of the robust operating result, the low risk costs and the good performance in all business lines

"2018 was a year of consolidating the strategic partnerships developed with our customers, in which we continued to support the Romanian and multinational companies which created added value in the economy. We have been more flexible, we streamlined the processes and we will continue this year in the same direction. I thank my clients for the courage to believe in a prosperous Romania and I thank our colleagues for reinventing themselves every day. We transform ourselves and learn every day from our customers, while working intensively to simplify our interactions with them.

We have proved that we are a trusted partner for both the private environment and the government, where we have played an important role in all strategic projects, such as the First Home or the Start-up Nation. Unfortunately, from the end of 2018 we are working in a more unpredictable economic context than ever. The direction we are currently heading on can strongly influence the future generations. It is necessary to sit together around the table and make a cold analysis of what is working and what is not. The recent history shows that sectorial taxes do not help economies that apply them and create distrust". – Sergiu Manea, CEO Banca Comercială Română

The BCR impact in the economy

In 2018, BCR approved new corporate loans (credit facilities, letters of credit, letters of guarantee, trade finance facilities) **amounting to RON 7.1 billion (EUR 1.5 billion)** for activities that have created thousands of jobs and generated new investments or have expanded the existing production facilities. Major sectors such as manufacturing (mainly automotive), agriculture, healthcare and IT have been financed.

BCR acted as a trusted partner for local entrepreneurs so that the total stock of SME financing, including leasing, recorded a 15% increase as compared to 2017, **exceeding RON 5.4 billion (EUR 1.2 billion)**.

¹ Below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana Group for 2018, according to IFRS. Unless otherwise stated, financial results for 2018 are compared to financial results for 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 2018 of 4.6541 RON/EUR when referring to 2018 results and using the average exchange rate for 2017 of 4.5686 RON/EUR when referring to the 2017 results. The balance sheets at 31 December 2018 and at 31 December 2017 are converted using the closing exchange rates at the respective dates (4.6635 RON/EUR at 31 December 2018 and 4.6585 RON/EUR at 31 December 2017, respectively). All the percentage changes refer to RON figures.

In retail banking business, BCR was a trustworthy and predictable partner by offering fixed-rate loans in RON. In 2018, BCR **generated total new loans in local currency to individuals and micro-business of over 8 billion RON** (EUR 1.7 billion), based on a 50% increase in sales of "Divers" cash loan and a three-fold increase in sales in the standard mortgage product "Casa mea", as compared to 2017. BCR has strengthened its position as the main banking partner for Romanians who want to buy a house, **with more than 22% of the newly originated mortgage loans in 2018**.

BCR signed a strategic partnership with IKEA, **through which the bank provided more than 8,000 credit cards in just six months**, establishing a record achievement for the retailer's global network.

Micro-business sales increased by 32% compared to 2017, supported by launching new products and by the key role played by BCR in the Start-Up Nation governmental program. Sales were boosted by the launch in the second half of 2018 of the BCR Immediat financing solution dedicated to companies with a turnover between 1 and 3 EUR million.

Co-financing of EU funded projects increased over the past year, BCR having a significant market share and **a total co-financing portfolio of EUR 1.84 billion**. The largest share of the funding went to infrastructure, rural and regional development projects.

BCR has achieved the great performance to include Romania into Guinness World Records, by organizing the largest financial education lesson through the Money School program in which 13,230 Romanians from all over the country were taught simultaneously. In 2018, **more than 110,000 people attended the financial education lessons** taught by the over 1,000 financial education teachers.

In September, the bank launched the intelligent banking platform George, which reached **300,000 users by the end of 2018**. The introduction of George was one of the growth engines in digital retail transactions, which increased by 36% to 14 million.

BCR performance in 2018

The operating result increased to **RON 1,635.4 million** (EUR 351.4 million), higher by 21.7% than the previous year when it stood at RON 1,343.7 million (EUR 294.1 million), driven by improved operating income, overcompensating increase in operating expenses.

Net interest income increased significantly by 16.0%, to **RON 2,047.2 million** (EUR 439.9 million), from RON 1,764.2 million (EUR 386.2 million) in 2017, helped by increase in market interest rates and higher volumes of loans and current accounts.

Net fee and commission income advanced by 0.9% to **RON 706.8 million** (EUR 151.9 million), from RON 700.7 million (EUR 153.4 million) in 2017, despite the fierce competition and highly regulated market environment.

Net trading result increased by 26.0% to **RON 446.8 million** (EUR 96.0 million), from RON 354.7 million (EUR 77.6 million) in 2017, mainly driven by higher exchanged currency volumes.

The **operating income** increased by 13.8% to **RON 3,285.6 million** (EUR 706.0 million) from RON 2,887.9 million (EUR 632.1 million) in 2017, driven by higher net interest income, slightly better fee income and higher net trading result.

General administrative expenses in 2018 reached **RON 1,650.2 million** (EUR 354.6 million), up by 6.9% in comparison to RON 1,544.2 million (EUR 338.0 million) in 2017, mainly due to higher personnel expenses, higher depreciation related to IT projects and costs related to new headquarters.

As such, **cost-income ratio** stood at **50.2% in 2018**, versus 53.5% in 2017.

Risk costs and Asset Quality

Risk cost allocations in 2018 amounted to RON 121.2 million (RON 32.4 million in 2017), translating into an annual risk cost ratio of 32bps, significantly better than normalized risk cost given further releases from the non-performing portfolio following further clean-up actions and portfolio improvement.

NPL ratio² at **5.8%**, as of 31 December 2018, reduced versus 8.1% as of December 2017, driven by good trend in recoveries and transition to IFRS 9. NPL provisioning coverage reached 100.3% as of December 18.

Capital position and funding

Solvency ratio, bank only, according to the capital requirements regulations (CRR) was **21.0%** as of December 2018, well above the regulatory requirements of the National Bank of Romania. Furthermore, **Tier 1+2 capital ratio** of **19.6%** (BCR Group) as of December 2018 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 lending growth in both Retail and Corporate business lines, further reinforcing core revenue generating capacity.

Loans and receivables to customers increased by 8.7% to **RON 36,400.1 million** (EUR 7,805.3 million) as of 31 December 2018, from RON 33,490.9 million (EUR 7,189.2 million) as of December 2017, mainly on the back of strong advance in retail, while corporate loans increased marginally.

Deposits from customers increased by 5% to **RON 55,099 million** (EUR 11,814.9 million) as of 31 December 2018, versus RON 52,496.1 million (EUR 11,268.9 million) as of 31 December 2017 driven by increase in retail deposits.

BCR provides a full range of financial products and services, through a network of 21 business centres and 20 mobile offices dedicated to companies and 509 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 2,000 automatic teller machines 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

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

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

Financial data

Profit or loss

in RON million	2018	2017
Net interest income	2,047.2	1,764.2
Net fee and commission income	706.8	700.7
Net trading and fair value result	446.8	354.7
Operating income	3,285.6	2,887.9
Operating expenses	(1,650.2)	(1,544.2)
Operating result	1,635.4	1,343.7
Net impairment loss on non-fair value financial assets	(121.2)	(32.4)
Net result attributable to owners of the parent	1,202.3	668.1

Balance Sheet		
in RON million	Dec 18	Dec 17
Cash and cash balances	11,123.2	11,369.3
Financial assets held for trading	214.0	104.7
Financial assets at fair value through profit or loss	-	15.1
Non-trading financial assets at fair value through profit or loss	39.4	-
Equity instruments	33.5	-
Loans and advances to customers	5.9	-
Financial assets - available for sale - IAS 39	-	6,600.0
Financial assets at fair value through other comprehensive income – debt securities	5,222.0	-
Financial assets - held to maturity - IAS 39	-	14,756.9
Loans and advances to credit institutions	-	2,215.1
Loans and advances to customers	-	33,490.9
Financial assets at amortised cost	52,397.1	-
Debt securities	15,879.1	-
Loans and advances to credit institutions	123.8	-
Loans and advances to customers	36,394.2	-
Property & equipment, including investment property	1,332.1	1,437.2
Intangible assets	361.9	320.9
Miscellaneous assets	840.6	621.1
Total assets	71,530.3	70,931.2
Financial liabilities - held for trading	33.0	44.7
Deposits from banks	5,578.1	7,826.2
Deposits from customers	55,099.0	52,496.1
Debt securities issued	349.2	539.6
Miscellaneous liabilities	2,104.3	2,585.5
Total equity	8,366.7	7,439.1
Total liabilities and equity	71,530.3	70,931.2

³ Starting with 1st January 2018, BCR Group applies IFRS 9 Financial Instruments, thus the description of several positions was accordingly updated.