

BCR, Q1 2020 financial results: Reliable partner for the economy in a difficult context, accelerated growth of digital processes and care for the people

Summary* :

- **Support for customers in the context of pandemic:**
 - More than 22,000 people serviced for the deferral of their instalments and over 1,000 registered requests from companies (including BCR Leasing customers)
 - The bank has tripled the capacity of the Contact Center, capable of answering/ accommodating a volume of 16,000 calls/day
 - More than 1,2 million messages sent to customers
 - 407 retail units were open, with care for the people and ensuring their continuity no matter/ regardless of the situation, covering the whole country
 - 86,000 cards delivered by couriers during the state of emergency, 40% of them being George cards
- **Accelerated digitization:**
 - George reached 820,000 users, doubled as compared to Q1 2019
 - The number of digital transactions in George increased by 150% yoy in Q1 2020
 - Increase by 30% in accessing banking products in the digital universe
 - 9,000 cash loans granted on fully digital flow since the beginning of the year, reaching 26% of the total number of cash loans
- **Open for business:**
 - The stock of net customers loans granted by Banca Comercială Română (BCR) advanced by 8.2% yoy as of 31 March 2020 driven by both retail and corporate business
 - New loans in local currency of RON 2 billion granted in Q1 2020 for households (mortgage and unsecured consumer) and micro-businesses
 - Over RON 1.8 billion new approved corporate loans in Q1 2020, of which 35% investment loans
 - Strong support for entrepreneurs, the stock of financing for SME segment increased by 11.2% yoy as of 31 March 2020
 - BCR will be able to grant a total of RON 4 billion in loans (at a maximum limit of RON 3.4 billion guaranteed by the state) in the SME Invest programme
- **In Q1 2020, BCR recorded a net profit of RON 428.3 million (EUR 89.3 million), up by 60% against RON 267.9 million (EUR 56.6 million) in Q1 2019, due to higher operating result and positive impact from significant NPL recoveries**

„The society and the business environment have changed dramatically in the last months, but most importantly, we have managed to adapt rapidly to the new reality. We know the concerns of our customers: uncertainty, businesses loss, job losses, employees' health, and we are prepared to save as many jobs as possible. We are strong. The strategy implemented in the past years, which included fast digitization and caution in risk assesment, proves its validity. We have an important role in restarting the economy and we are ready to assume it.

I want to thank my colleagues, who have achieved extraordinary things in such a short time, and who have understood that our priority is and must be not to leave any customers without solutions and without financial and moral support. Banking is a business made by the people for the people”, stated **Sergiu Manea, CEO Banca Comercială Română**.

* Below stated financial data are un-audited, consolidated business results of Banca Comercială Română Group for Q1 2020, according to IFRS. Unless otherwise stated, financial results for Q1 2020 are compared to financial results for Q1 2019. 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 2020 of 4.7977 RON/EUR when referring to Q1 2020 results and using the average exchange rate for Q1 2019 of 4.7359 RON/EUR when referring to the Q1 2019 results. The balance sheets at 31 March 2020 and at 31 December 2019 are converted using the closing exchange rates at the respective dates (4.8283 RON/EUR at 31 March 2020 and 4.7830 RON/EUR at 31 December 2019, respectively). All the percentage changes refer to RON figures.

Measures taken in the context of Covid-19

For individuals:

- More than 22,000 individuals, with over 26,000 loans, have requested the deferral of their instalments, representing 7% of the total portfolio. About 65% were cash loans, while the rest of 35% is represented by mortgage. The main economic areas of costumers who requested deferrals were: HORECA, automotive, transport and retail.
- The total number of online cash loans granted through George reached 9,000 since the beginning of the year. Only in April, the cash loans from George, through the end-to-end digital flow without support from retail units, represented 70% out of the total new volume of cash loans .
- 86,000 cards were delivered by couriers during the state of emergency, representing 72% out of the total number of cards delivered this year. 40% of them were George cards.
- The delivering costs for cards by courier were eliminated until June 1, 2020. Cash withdrawals in RON from the ATMs of other banks have zero commission until June 1, 2020.

For companies:

- More than 1,000 companies have requested the deferral of instalments either through GEO 37/2020 or through the own flows of BCR Group (BCR and BCR Leasing).
- Within the SME INVEST programme, BCR received a maximum limit of RON 3.4 billion. Taking into account the 80% guarantee level, BCR can grant financing of RON 4 billion within this programme.
- BCR continued to provide financing to companies during the state of emergency, respecting the bank's risk profile and lending policy
- In March, the digital intelligent payments such as Apple Pay, Fitbit Pay and Garmin Pay for business cards were launched. A PIN transmission system via SMS and delivery by courier for Business Debit cards has been developed.

BCR impact in the economy

In retail banking business, BCR generated total new loans in local currency to individuals and micro businesses of **RON 2 billion in Q1 2020** driven by cash loans, mortgage and loans to micros. Cash loan sales increased by 23.7% yoy, with one in four new cash loans in Q1 2020 granted through end-to-end digital flow. Mortgage new sales grew by 19.3% yoy in Q1 2020 driven by strong increase in standard product. New loans to micros went up by 40.2% yoy in Q1 2020, with significant contribution from investment loans.

In corporate banking business, BCR (bank standalone) approved new corporate loans of **RON 1.8 billion**. The stock of financing for SME segment (including BCR Leasing subsidiary) increased by 11.2% yoy to RON 6.2 billion (EUR 1.3 billion) as of 31 March 2020, as a result of a high focus on new business and advance in leasing. Real Estate segment strongly increased by 19.1% year-on-year on drawdowns within the office and commercial projects financed over the last year.

The intelligent banking platform George reached 820,000 users, registering between March and April a rate of 300 accounts opened daily 100% online. The number of transactions through George increased by 150% in Q1 2020 as compared to the same period in 2019. In the context of the pandemic, in March 2020 alone the number of transactions increased by over 125% compared to March 2019.

The shared online platform Casa Mea App, that runs document workflow for proprietary mortgage, has been already used for 45% of disbursed loans in the first year from launching.

The Money School program has become 100% online, BCR teachers organizing online conferences with those who want to learn financial education. For parents who want to talk to their children about money, digital materials have been prepared and can be downloaded for free at www.scoaladebani.ro.

The entrepreneurial education platform The Business School (www.bcrscoaladebusiness.ro) reached over 5,500 users and launched a new module with practical advice for entrepreneurs in the context of the pandemic.

BCR-INNOVX Accelerator has selected 14 technology start-ups from Iași, Cluj and Bucharest to participate in the acceleration programme dedicated to the Start-ups group, with a turnover between EUR 100,000 and EUR 1 million. In addition, 10 new places have been created for start-ups that have solutions in the context of Covid-19.

Q1 2020 financial highlights

BCR achieved a **net profit of RON 428.3 million (EUR 89.3 million) in Q1 2020**, up by 60% against RON 267.9 million (EUR 56.6 million) in Q1 2019, due to higher operating result and positive impact from significant NPL recoveries.

Operating result significantly improved by 33% to **RON 440.1 million (EUR 91.7 million) in Q1 2020** from to RON 330.8 million (EUR 69.8 million) in Q1 2019, on the back of higher operating income along with lower operating expenses helped by lower annual contribution to deposit insurance fund in 2020.

Net interest income increased by 9.4% to **RON 597.9 million (EUR 124.6 million) in Q1 2020**, from RON 546.4 million (EUR 115.4 million) in Q1 2019, favored by higher loan volumes in both retail and corporate.

Net fee and commission income decreased by 6.6%, to **RON 163.7 million (EUR 34.1 million) in Q1 2020**, from RON 175.2 million (EUR 37.0 million) in Q1 2019, driven by lower fees from cards transactions and lending business partly compensated by higher cash transactions and maintenance fees.

Net trading result increased by 10.8%, to **RON 64.4 million (EUR 13.4 million) in Q1 2020**, from RON 58.1 million (EUR 12.3 million) in Q1 2019, mainly driven by higher FX transactions.

Operating income increased by 6.4%, to **RON 852.0 million (EUR 177.6 million) in Q1 2020**, from RON 800.5 million (EUR 169.0 million) in Q1 2019, mainly driven by net interest income on the back of higher loan volumes in both retail and corporate.

General administrative expenses reached **RON 411.9 million (EUR 85.9 million) in Q1 2020**, down by 12.3% in comparison to RON 469.7 million (EUR 99.2 million) in Q1 2019, mainly due to lower annual contribution to deposit insurance fund in 2020 and lower depreciation.

As such, **cost-income ratio** improved to **48.3% in Q1 2020**, versus 58.7% in Q1 2019.

Risk costs and Asset Quality

Impairment result from financial instruments amounted to **RON 212.3 million (EUR 44.3 million) in Q1 2020**, as compared to RON 40.9 million (EUR 8.6 million) in Q1 2019. This result has been positively impacted by significant NPL recoveries and healings in both retail and corporate segments, correlated with very low new NPL formation particularly in the corporate segment.

NPL ratio reached **3.7% in March 2020**, the record low of the past 12 years, from 4.1% in December 2019. This evolution is reflecting the positive development in loans to customers and the reduction in NPL stock due to significant recoveries achieved in line with the NPL resolution plan. At the same time, the NPL provisioning coverage reached 126.2% as of March 2020.

Capital position and funding

Solvency ratio for BCR Bank standalone, according to the capital requirements regulations (CRR) stood at **19.1% as of February 2020**, 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.

Loans and advances to customers increased by 1.4% to **RON 40,597.4 million (EUR 8,408.2 million) as of 31 March 2020** from 40,049.0 million (EUR 8,373.2 million) as of 31 December 2019, supported by both retail (+1.8% ytd) and corporate (+1.2% ytd) segments.

Deposits from customers slightly increased by 2.0% to **RON 58,929.9 million (EUR 12,205.1 million) as of 31 March 2020** versus 57,791.8 million (EUR 12,082.8 million) as of 31 December 2019, supported by the increase in retail deposits (+2.1% ytd).



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.

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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

- Internet page: www.bcr.ro
- Email: contact.center@bcr.ro
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Profit or loss

in RON million	Mar 20	Mar 19
Net interest income	597.9	546.4
Net fee and commission income	163.7	175.2
Net trading result and gain/losses from financial instruments at FVPL	64.4	58.1
Operating income	852.0	800.5
Operating expenses	(411.9)	(469.7)
Operating result	440.1	330.8
Impairment result from financial instruments	212.3	40.9
Other operating result	(62.7)	(31.6)
Pre-tax from continuing operations	589.6	310.6
Net result attributable to owners of the parent	428.3	267.9

Statement of financial position

in RON million	Mar 20	Dec 19
Cash and cash balances	11,618.0	9,006.5
Trading, financial assets	22,959.6	22,372.7
Loans and advances to banks	300.6	661.4
Loans and advances to customers	40,597.4	40,049.0
Intangible assets	349.8	359.1
Miscellaneous assets	2,565.4	2,489.6
Total assets	78,390.8	74,938.4
Financial liabilities held for trading	63.2	73.5
Deposits from banks	6,161.3	4,439.2
Deposits from customers	58,929.9	57,791.8
Debt securities issued	795.9	784.4
Miscellaneous liabilities	3,585.9	3,377.8
Total equity	8,854.6	8,471.7
Total liabilities and equity	78,390.8	74,938.4