

BCR in the first nine months of 2018: Continuous support to the Romanian economy, through significant increase in SME and mortgage lending; Digital transformation with the deployment of the first intelligent banking platform

Highlights¹:

- At the end of Q3, the Bank has launched in operation George, the first intelligent banking ecosystem in Romania. The platform marks an important milestone of the bank's digital transformation and the continuous efforts to improve the online customer experience.
- Banca Comerciala Romana (BCR) provides long-term financial planning to its customers, on its journey to bring prosperity to individuals. The Bank's own standard mortgage and cash loans were improved and adapted to market needs, leading to a total new production in local currency of RON 6.3 billion in 9M 2018.
- Over 10.000 dwellings were financed by BCR in the first nine months of 2018. BCR consolidated 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 Romania.
- BCR continued to be a strong pillar for the Romanian economy, financing critical sectors for the GDP growth such as manufacturing (mainly automotive), energy, agriculture and IT. New approved credits to all corporate banking business amounted to RON 4.5 billion (EUR 970 million) in 9M 2018.
- The Bank puts a particularly strong focus on generating new business for SMEs sector, the relevant stock of loans reaching RON 5.2 billion (EUR 1.1 billion) as of September 2018, which represents a double digit growth.
- In BCR 9M 2018, BCR recorded a net profit of over RON 1 billion (EUR 218.2 million), on the back of a robust operating result and good performance on all business lines.

"Creating prosperity in Romania is a challenging path, yet also an inspiring one. We will achieve this only through wide cooperation and I take this opportunity to thank our customers and our employees who are partnering together to better cope with the ever-changing social and economic environment. Our goal is to consolidate the trust capital in society and we do this by creating new economic opportunities and by learning to act as a reliable adviser. I am particularly thankful to all the people across Romania who invested their trust in our Money School program, in order to reach financial independence.

On a different strategic perspective, the transformation of the bank is today more technology driven than ever and we are aware that this is just the beginning. We are adapting our relationship with customers to the digital universe and we believe that this is the only solution to embrace sustainable transformation." – **Sergiu Manea, Banca Comerciala Romana**

¹ Below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana Group for 1-9 2018, according to IFRS. Unless otherwise stated, financial results for 1-9 2018 are compared to financial results for 1-9 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 1-9 2018 of 4.6520 RON/EUR when referring to the first nine months of 2018 results and using the average exchange rate for 1-9 2017 of 4.5993 RON/EUR when referring to the first nine months of 2017 results. The balance sheets at 30 September 2018 and at 31 December 2017 are converted using the closing exchange rates at the respective dates (4.6638 RON/EUR at 30 September 2018 and 4.6585 RON/EUR at 31 December 2017, respectively). All the percentage changes refer to RON figures.

9M 2018 commercial and financial highlights

Banca Comerciala Romana (BCR) achieved a **net profit of RON 1,015.2 million (EUR 218.2 million) in the first nine months of 2018**, supported by business development and continuous improvement of the portfolio quality.

In retail banking business, on the strength to the ongoing efforts to build products that best meet the real needs of customers, BCR generated a **new volume of loans granted in local currency of RON 6,3 billion in 9M 2018**, with over 46% increase in "Divers" cash loan and a four-fold increase in sales of standard mortgage product "Casa mea" in 9M 18 compared to the same period of last year. BCR has strengthened its **leading position as the main banking partner for the Romanians who want to buy a house, with more than 22% of the newly originated mortgage loans**.

Micro business sales increased by 50% yoy supported by the improved offer and BCR leading position in Start-Up Nation governmental program.

As a result of the proactive strategy of supporting local entrepreneurs and further increase in the leasing activity, SME financing (small and medium-sized enterprises) recording a double digit increase, the SME loan stock exceeding **RON 5,2 billion (EUR 1.1 billion)** of as of September 2018.

In terms of total corporate banking business (large corporates, SMEs and public sector), **BCR Bank new approved credits amounted to RON 4.5 billion (EUR 970 million) in 9M 2018**.

Under corporate financing, BCR is involved in several key sectors of the Romanian economy, such as manufacturing (mainly automotive), energy, agriculture and IT. Co-financing of EU funded projects increased over the last year, BCR holding a significant market share and a portfolio of over RON equivalent 8.4 billion granted co-financings.

The operating result increased to **RON 1,222.4 million (EUR 262.8 million)**, 14.0% higher than the previous year at RON 1,072.0 million (EUR 233.1 million), driven by improving operating income.

Net interest income increased significantly by 15.5%, to **RON 1,515.1 million (EUR 325.7 million)**, from RON 1,311.3 million (EUR 285.1 million) in 9M 2017, helped by increase in market interest rates and higher size of loans and current accounts.

Net fee income advanced by 2.8%, to **RON 530.4 million (EUR 114.0 million)**, from RON 515.8 million (EUR 112.1 million) in 9M 2017, on the back of higher fee income from maintenance as well as cash and non-cash transactions.

Net trading result increased by 15.9% to **RON 325.8 million (EUR 70.0 million)**, from RON 281.0 million (EUR 61.1 million) in 9M 2017.

The **operating income** increased by 12.8% to **RON 2,434.7 million (EUR 523.4 million)** from RON 2,158.3 million (EUR 469.3 million) in 9M 2017, driven by significantly higher net interest income, improved fee income and higher net trading result.

General administrative expenses in 9M 2018 reached **RON 1,212.3 million (EUR 260.6 million)**, up by 11.6% in comparison to RON 1,086.2 million (EUR 236.2 million) in 9M 2017, mainly due to higher personnel expenses as well as investments in the new headquarters and IT projects.

As such, **cost-income ratio** stood at **49.8% in 9M 2018**, versus 50.3% in 9M 2017.

Risk costs and Asset Quality

Lower risk costs registered in the first nine months of 2018 in comparison with the same period of last year (RON 43.8 million versus RON 61.4 million), due to higher releases of provisions registered in 2018, triggered by significant cash recoveries and reimbursements in the corporate segment.

NPL ratio² at 6.8%, as of 30 September 2018, reduced versus 10.5% as of September 2017, driven by good trend in recoveries and transition to IFRS 9. NPL coverage ratio was 93.8% as of September 2018.

Capital position and funding

Solvency ratio under IFRS (BCR standalone) as of August 2018 was **21.0%**, well above the regulatory requirements of the National Bank of Romania. Furthermore, **Tier 1+2 capital ratio of 20.7%** (BCR Group) as of June 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 sustainable quality of lending growth in both Retail and Corporate franchises, further reinforcing core revenue generating capacity.

Loans and receivables to customers increased by 7.4% to **RON 35,983.4 million** (EUR 7,715.5 million) as of 30 September 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 (+12.5% ytd), while corporate loans marginally up.

Deposits from customers stood rather stable at **RON 52,630.0 million** (EUR 11,284.8 million) as of 30 September 2018, versus RON 52,496.1 million (EUR 11,268.9 million) as of 31 December 2017 driven by increase in retail deposits, while corporate deposits declined. Customer deposits remain BCR's main funding source, while the bank benefits from diversified funding sources, including parent company.

BCR focuses on lending in RON, which becomes more and more predominant in the overall currency mix of the bank's loan book, thus fully using the strong self-funding capacity in RON.

BCR provides a full range of financial products and services, through a network of 22 business centres and 22 mobile offices dedicated to companies and 510 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 POS – about 15,000 card payment terminals to merchants, and complete services of Internet banking, Mobile banking, Phone-banking and E-commerce. As of September 2018, BCR Group was employing 7,241 people.

For more information please contact press office at: comunicare@bcr.ro

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

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

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

Financial data

Income statement

in RON million	1-9 2018	1-9 2017
Net interest income	1,515.1	1,311.3
Net fee and commission income	530.4	515.8
Net trading and fair value result	325.8	281.1
Operating income	2,434.7	2,158.3
Operating expenses	(1,212.3)	(1,086.2)
Operating result	1,222.4	1,072.0
Net impairment loss on non-fair value financial assets	(43.8)	(61.4)
Net result attributable to owners of the parent	1,015.2	559.8

Balance sheet³

in RON million	Sep 18	Dec 17
Cash and cash balances	10,150.0	11,369.3
Financial assets at fair value through profit or loss	259.6	104.7
Financial assets at fair value through other comprehensive income – debt securities	5,340.2	6,600.0
Financial assets at amortised cost – debt securities	16,348.1	14,756.9
Loans and receivables to credit institutions	1,542.8	2,215.1
Loans and receivables to customers	35,983.4	33,490.9
Tangible assets	1,481.1	1,437.2
Intangible assets	339.4	320.9
Other assets	767.1	636.2
Total assets	72,211.7	70,931.2
Financial liabilities - held for trading	35.6	44.7
Deposits from banks	8,347.0	7,826.2
Deposits from customers	52,630.0	52,496.1
Debt securities issued	407.3	539.6
Other liabilities	2,613.0	2,585.5
Total equity	8,178.8	7,439.1
Total liabilities and equity	72,211.7	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.