

BCR, H1 2019 financial results: 8% growth in loans, 600,000 users in George and more than 310,000 people reached through Money School

Summary¹ :

- Banca Comerciala Romana (BCR) total stock of loans advanced by 8% year-on-year, driven by both retail and corporate business
- New loans of over RON 3.5 billion approved in H1 2019 for households (mortgage and cash loans) and micro-businesses
- New financing for companies in excess of RON 3.6 billion in H1 2019
- 1.200 approved loans for the Start-up Nation program in just two months, having the best equipped package for start-ups
- The Money School program has reached a new milestone of over 310,000 people trained in one-to-one interactions by BCR colleagues
- BCR is the only bank that has implemented contactless payments on public transport in 10 cities. In H1 2019 we launched the contactless solution in Pitesti, Oradea, Ramnicu-Valcea, Resita, Iasi, Baia Mare and Cluj-Napoca
- George reached 600,000 users, both individuals and micro-businesses
- BCR registered an increase by 11% in the operating result, up to RON 822 million (EUR 173.3 million). The net profit was affected by a significant one-off provision allocation related to the activity of BCR Banca pentru Locuinte

"In a rapidly changing environment we are continuously striving to come closer to our customers by financing their personal and business projects, especially by engaging in their financial education with one of the most successful and large programs of this kind in Romania.

We know well that we can only progress together with our customers, and their needs are the starting point for us to develop products and services adapted to the new technologies. Also, our performance is possible thanks to our colleagues who have assumed a new way of interacting with customers, being actively involved in the financial education program and in the digital journey.

Our solid operational result is a proof of the fact that we are meeting our customers and partners' expectations, and we are committed to supporting the development of the national economy", – Sergiu Manea, CEO Banca Comerciala Romana

The 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 3.5 billion (EUR 745 million)** in H1 2019 driven by cash loans. New originations were constrained by stricter debt-to-income (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 year and 10 year fixed-rate aiming to protect its clients. In addition, **34%** out of the total funds for the **First House** for 2019 were allocated to BCR.

¹ Below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana Group for H1 2019, according to IFRS. Unless otherwise stated, financial results for H1 2019 are compared to financial results for H1 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 H1 2019 of 4.7422 RON/EUR when referring to H1 2019 results and using the average exchange rate for H1 2018 of 4.6546 RON/EUR when referring to the H1 2018 results. The balance sheets at 30 June 2019 and at 31 December 2018 are converted using the closing exchange rates at the respective dates (4.7343 RON/EUR at 30 June 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 3.6 billion (EUR 761 million)** in H1 2019. Major sectors such as manufacturing (automotive, chemicals, machinery), energy & utilities, agriculture and healthcare were financed.

The stock of financing for the SME segment (incl. BCR Leasing subsidiary) increased by 16% year-on-year to **RON 5.8 billion (EUR 1.2 billion)** as of 30 June 2019, as a result of a higher focus on new business and advance in leasing. Real Estate segment was strongly up by 48.2% year-on-year boosted by the new office and commercial projects financed over the last year.

BCR approved a record level of **1,200 loans** for the Start-up Nation program in just two months from the product launching, having the best equipped package for start-ups. In addition, we launched a new product for grant management for **Startup Plus and Diaspora Start-up**, reaching **2,000 current accounts** in H1 2019.

BCR continued the **BCR-InnovX Accelerator program**, by organizing the first BCR-InnovX Tech Conference dedicated to start-ups and investors and initiating the second group of 10 start-ups, with a turnover or attracted financing of up to EUR 100,000.

BCR is the only bank that offers business education and tailor-made financing for NGOs and social enterprises, approving a total of **EUR 1 million** at H1 2019.

In the first semester of 2019, BCR has accelerated the digitalization and simplification of operations. **The intelligent banking platform George** reached 600,000 users in H1 2019, for both individuals and micro. George has been continuously improved with new functionalities, including George Pay, the payment solution for smartphones and George Store. In H1 2019, over 35,000 plug-ins and products were activated by customers in George Store.

BCR registered a significant increase in the number of **contactless transactions**, reaching a level of 74%, as compared to 64% in December 2018.

BCR has successfully launched **Casa Mea**, the first digital solution for mortgage loans assisting the customer throughout the entire loan granting process – ensuring smoother and more convenient document management and interactions with the bank, notary public and property assessor.

H1 2019 financial highlights

BCR registered a **net loss of RON 20.8 million (EUR 4.4 million) in H1 2019** due to significant one-off provision allocation related to the activity of BCR Banca pentru Locuinte, despite the robust operating result, low risk costs and good performance on all business lines.

The operating result increased by 10.9% as compared to H1 2018, up to **RON 822 million (EUR 173.3 million)**, supported by better operating income.

Net interest income increased significantly by 15.4%, to **RON 1,110.1 million (EUR 234.1 million)**, from RON 962.3 million (EUR 206.7 million) in H1 2018, on the back of a higher interest rate environment and higher customer loans and deposits.

Net fee income advanced by 5.6%, to **RON 368.9 million (EUR 77.8 million)**, from RON 349.4 million (EUR 75 million) in H1 2018, mainly driven by higher fee income generation in lending and insurance business.

Net trading result decreased by 13.3%, to **RON 162.9 million (EUR 34.4 million)**, from RON 187.8 million (EUR 40.4 million) in H1 2018.

The operating income increased by 9.6% to **RON 1,690.2 million (EUR 356.4 million)** from RON 1,541.6 million (EUR 331.2 million) in H1 2018, mainly driven by net interest income on the back of higher interest rate environment and higher customer loans and deposits.

General administrative expenses in H1 2019 reached **RON 868.2 million (EUR 183 million)**, up by 8.4% in comparison to RON 800.7 million (EUR 172 million) in H1 2018, mainly due to higher annual contribution to deposit insurance fund in 2019.

As such, **cost-income ratio** improved to **51.4%** in H1 2019, versus 51.9% in H1 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 88.8 million (EUR 18.7 million)**, versus a provision release of RON 30.1 million (EUR 6.5 million) in H1 2018, driven by recoveries for defaulted customers and healings. **NPL ratio** at 5.5% as of 30 June 2019, reduced versus 5.8% in December 2018 based on strong positive development in loans to customers. **NPL provisioning coverage** reached 103% as of June 2019.

Capital position and funding

Solvency ratio, bank only, according to the capital requirements regulations (CRR), was 21.4% as of May 2019, well above the regulatory requirements of the National Bank of Romania. Furthermore, Tier 1+2 capital ratio of 21.0% (BCR Group) as of March 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 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 by 3.8% to **RON 37,788.1 million (EUR 7,981.8 million)** as of 30 June 2019 from RON 36,400.1 million (EUR 7,805.3 million) as of 31 December 2018, supported by both corporate (+5.0% ytd) and retail (+4.1% ytd) segments.

Deposits from customers increased by 0.6% to **RON 55,427.3 million (EUR 11,707.6 million)** as of 30 June 2019 versus RON 55,099 million (EUR 11,815 million) as of 31 December 2018, driven by the increase in retail deposits. Customer deposits remain BCR's main funding source, while the bank benefits from diversified funding sources, including parent company.

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 482 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 - 2,000 automatic teller machines, 16,750 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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Profit or loss

in RON million	Jun 19	Jun 18
Net interest income	1,110.2	962.3
Net fee and commission income	368.9	349.4
Net trading and fair value result	162.9	187.8
Operating income	1,690.2	1,541.6
Operating expenses	(868.2)	(800.7)
Operating result	822.0	740.9
Net impairment loss on non-fair value financial assets	88.8	30.1
Net result attributable to owners of the parent	(20.8)	697.0

Statement of financial position

in RON million	Jun 19	Dec 18
Cash and cash balances	10,346.4	11,123.2
Financial assets held for trading	160.7	214.0
Non-trading financial assets at fair value through profit or loss	37.2	39.4
Equity instruments	33.0	33.5
Loans and advances to customers	4.2	5.9
Financial assets at fair value through other comprehensive income – debt securities	5,458.0	5,222.0
Financial assets at amortised cost	53,352.1	52,397.1
Debt securities	15,299.1	15,879.1
Loans and advances to credit institutions	269.1	123.8
Loans and advances to customers	37,783.9	36,394.2
Property & equipment, including investment property	1,225.7	1,332.1
Intangible assets	345.9	361.9
Miscellaneous assets	1,292.9	840.6
Total assets	72,218.9	71,530.3
Financial liabilities - held for trading	83.1	33.0
Financial liabilities - amortized cost	61,890.3	61,618.9
Deposits from banks	5,294.5	5,578.1
Deposits from customers	55,427.3	55,099.0
Debt securities issued	269.6	349.2
Other financial liabilities	898.9	592.6
Miscellaneous liabilities	2,368.7	1,511.7
Total equity	7,876.8	8,366.7
Total liabilities and equity	72,218.9	71,530.3