

## BCR, Q1 2019 financial results: Financing the real economy, accelerating the digital platform extension and simplifying operations

Summary<sup>1</sup>:

- The stock of net customer loans of Banca Comerciala Romana (BCR) advanced by 11%, driven by both retail and corporate business
- New loans of over RON 1.6 billion approved in Q1 2019 for households (mortgage and cash loans) and micro-businesses
- Almost RON 1 billion new approved corporate loan volumes in Q1 2019
- Solid support for entrepreneurs, as the total stock of SME financing increased by 17%
- Investments in entrepreneurial education, through BCR-InnovX Accelerator, in which the first 10 technology driven start-ups that want to scale internationally were selected
- George reached 450.000 active users with new functionalities, including full digital on-boarding process with an attached card, without visits to the bank branches
- The Money School reached over 26.000 children from 388 schools during Global Money Week, with the help of over 350 colleagues from BCR
- BCR achieved a net profit of RON 267.9 million (EUR 56.6 million) in Q1 2019, up by 6% compared to Q1 2018, on the back of the robust operating result, low risk costs and good performance on all business lines

*"We believe in the Romanian economy and we will continue to finance it responsibly, because this is our duty. We are grateful to our clients who also invest their trust in us, as the continuous dialogue helps us to perform better. I want to thank our colleagues for trusting in our transformational process and in our ambition to become genuine financial advisers. We will continue to invest in extending our digital platforms, particularly in George, for better answering the newest trends and needs of the banking services users.*

*We support financial education for all ages through the Money School program and entrepreneurial education through dedicated programs. Despite the fact that the first quarter was dominated by intense concerns and discussions about the new operating environment of the banking sector, we continued to do what matters, to take care of the people and companies for which we exist". – Sergiu Manea, CEO Banca Comercială Română*

### The BCR impact in the economy

**In retail banking business**, BCR generated total new loans in local currency to individuals and micro-businesses of over RON 1.6 billion in Q1 2019 for both mortgages and cash loans.

**In corporate banking business**, BCR approved new loan volumes amounted to RON 974 million (EUR 205 million). Major sectors such as manufacturing (mainly automotive), construction, trade and real estate have been financed. Moreover, there was a significant increase of 17% year-on-year in stock of SME financing (small and

<sup>1</sup> Below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana Group for Q1 2019, according to IFRS. Unless otherwise stated, financial results for Q1 2019 are compared to financial results for Q1 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 Q1 2019 of 4.7359 RON/EUR when referring to Q1 2019 results and using the average exchange rate for Q1 2018 of 4.6553 RON/EUR when referring to the Q1 2018 results. The balance sheets at 31 March 2019 and at 31 December 2018 are converted using the closing exchange rates at the respective dates (4.7608 RON/EUR at 31 March 2019 and 4.6635 RON/EUR at 31 December 2018, respectively). All the percentage changes refer to RON figures.

medium-sized enterprises) amounting to RON 5.6 billion (EUR 1.2 billion) as of March 2019, as a result of a higher focus on new business and advance in leasing.

**BCR initiated the BCR-InnovX Accelerator program**, dedicated to technology driven start-ups that want to scale-up their businesses and ideas. The first group of 10 start-ups with a turnover of between EUR 100,000 and EUR 1 million entered the Bootcamp in March. Two more groups will follow this year, Grinders (turnover between 0 and EUR 100.000) and Scale-up (turnover between EUR 1 million and EUR 2.6 million).

In the first quarter of this year, BCR has accelerated the digitalization and simplification of operations. **The intelligent banking platform George** reached 450.000 active users in Q1 2019, up by 30% as compared to Q4 2018. George was continuously improved with new functionalities, the most important being the full digital onboarding process with an attached card, without visits to the bank branches. Over 75% of the active users are using the mobile version, while the number of digital transactions has increased by 60% as compared to Q4 2018. BCR has today over 1.4 million active users of digital services.

### Q1 2019 financial highlights

BCR achieved a **net profit of RON 267.9 million (EUR 56.6 million) in Q1 2019**, up by 6.0% compared to Q1 2018 on the back of the robust operating result, low risk costs and good performance on all business lines.

**The operating result** decreased by 11% as compared to Q1 2018, to **RON 330.8 million (EUR 69.9 million)**, mainly affected by higher annual contribution to deposit insurance fund in 2019, while operating income improved.

**Net interest income** increased significantly by 17.1%, to **RON 546.4 million (EUR 115.4 million)**, from RON 466.6 million (EUR 100.2 million) in Q1 2018, on the background of a higher interest rate environment.

**Net fee income** advanced by 2.4%, to **RON 175.2 million (EUR 37.0 million)**, from RON 171.2 million (EUR 36.8 million) in Q1 2018, in a fierce competition and highly regulated market environment.

**Net trading result** decreased by 47.9%, to **RON 58.1 million (EUR 12.3 million)**, from RON 111.5 million (EUR 24.0 million) in Q1 2018, mainly driven by lower result from currency revaluation and FX swaps.

**The operating income** increased by 4.4% to **RON 800.5 million (EUR 169.0 million)** from RON 767.0 million (EUR 164.8 million) in Q1 2018, mainly driven by net interest income on the back of a higher interest rate environment.

**General administrative expenses** in Q1 2019 reached **RON 469.7 million (EUR 99.2 million)**, up by 18.8% in comparison to RON 395.2 million (EUR 84.9 million) in Q1 2018, mainly impacted by the higher annual contribution to deposit insurance fund in 2019.

As such, **cost-income ratio** increased at **58.7%** in Q1 2019, versus 51.5% in Q1 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 40.9 million (EUR 8.6 million)**, versus a provision release of RON 0.1 million in Q1 2018, driven by the decrease of corporate defaulted exposure together with very low new NPL formation. **NPL ratio<sup>2</sup>** at **5,6%**, as of 31 March 2019, further reduced versus 5.8% as of 31 December 2018, driven by further recoveries in the corporate segment. NPL provisioning coverage reached 100.9% as of March 2019.

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<sup>2</sup> Starting Dec-14 reported in compliance with draft EBA NPE definition.

## Capital position and funding

**Solvency ratio under local standards (BCR standalone)** as of February 2019 stood at 20.0%, well above the regulatory requirements of the National Bank of Romania. Also, IFRS 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 sustainable quality of lending growth in both Retail and Corporate franchises, further reinforcing core revenue generating capacity.

**Loans and advances to customers** increased by 3.0% to **RON 37,505.0 million (EUR 7,877.9 million)** as of 31 March 2019 from RON 36,400.1 million (EUR 7,805.3 million) as of 31 December 2018, supported by both retail and corporate volumes.

**Deposits from customers** decreased by 1.6% to **RON 54,241.4 million (EUR 11,393.3 million)** as of 31 March 2019 versus RON 55,099 million (EUR 11,815 million) as of December 2018, driven by the decrease in corporate deposits. Customer deposits remain BCR's main funding source, while the bank benefits from diversified funding sources, including parent company.

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BCR provides a full range of financial products and services, through a network of 21 business centers 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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<b>Profit or loss</b>		
<b>in RON million</b>	<b>Mar 19</b>	<b>Mar 18</b>
Net interest income	546.4	466.6
Net fee and commission income	175.2	171.2
Net trading and fair value result	58.1	111.5
Operating income	800.5	767.0
Operating expenses	(469.7)	(395.2)
Operating result	330.8	371.7
Net impairment loss on non-fair value financial assets	40.9	0.1
<b>Net result attributable to owners of the parent</b>	<b>267.9</b>	<b>252.7</b>
<b>Statement of financial position</b>		
<b>in RON million</b>	<b>Mar 19</b>	<b>Dec 18</b>
Cash and cash balances	7,664.3	11,123.2
Financial assets held for trading	198.1	214.0
Non-trading financial assets at fair value through profit or loss	38.1	39.4
Equity instruments	34.0	33.5
Loans and advances to customers	4.1	5.9
Financial assets at fair value through other comprehensive income – debt securities	5,375.0	5,222.0
Financial assets at amortized cost	53,902.8	52,397.1
Debt securities	16,299.4	15,879.1
Loans and advances to credit institutions	102.6	123.8
Loans and advances to customers	37,500.8	36,394.2
Property & equipment, including investment property	1,612.0	1,332.1
Intangible assets	351.4	361.9
Miscellaneous assets	944.0	840.6
<b>Total assets</b>	<b>70,085.7</b>	<b>71,530.3</b>
Financial liabilities - held for trading	40.1	33.0
Financial liabilities – amortized cost	58,677.3	61,026.3
Deposits from banks	4,077.6	5,578.1
Deposits from customers	54,241.4	55,099.0
Debt securities issued	358.3	349.2
Miscellaneous liabilities	2,714.7	2,104.3
Total equity	8,653.6	8,366.7
<b>Total liabilities and equity</b>	<b>70,085.7</b>	<b>71,530.3</b>