

BCR Group, 2022 financial results: Building a fair, green, and digital economy. Financial health for all Romanians and strategic development for entrepreneurs

Summary¹:

Open for people, open for impactful business:

- The stock of net customer loans granted by Banca Comercială Română (BCR) advanced by 15.6% year-on-year as of 31 December 2022.
- New loans of RON 9.5 billion granted in 2022 to households (mortgage and unsecured consumer) and microenterprises.
- More than 202,000 financing for individuals, of which 11,000 families purchased a home with a BCR mortgage loan, while 130,000 people have acquired personal loans.
- New corporate loans of RON 15.6 billion granted in 2022, of which one third are aimed for investments. For the SME sector alone, the stock financing increased by 22.9% year-on-year as of 31 December 2022.
- At the same time, the stock of micro-enterprises loans increased by 40.5%.
- Over 6,500 companies accounting for more than 360,000 jobs were funded by BCR in 2022.
- 1,600 micro-businesses and 32 NGOs were financed through BCR Social Finance, and more than 250,000 people and 5,500 jobs were supported.

Accelerated digitalization:

- 2.14 million users of George digital ecosystem (internet banking and mobile banking), of which more than 1.64 million active George app users up by 22% year-on-year.
- 62% of all BCR products (current account opening, mortgage and personal loans, savings account, deposits, insurance and investment products) are granted on a 100% digital flow.
- George users can digitally apply for recurring investments 100% online in both domestic and foreign funds, through the Capital Plan product. Customers who are already BCR Broker platform users can log in directly from George.
- BCR customers can choose from seven protection and insurance products available on a 100% digital flow. About 180,000 customers have purchased this type of products since their availability in George.

¹ All the financial data presented below constitute the unaudited consolidated results of Banca Comercială Română (BCR) Group for 2022, according to IFRS. Unless otherwise specified, the 2022 financial results are compared to the 2021 results. Also, unless otherwise specified, the exchange rates used to convert amounts into euros are those communicated by the European Central Bank. The profit and loss account is converted using the average exchange rate for 2022, i.e. 4.9318 RON/EUR when referring to the 2022 results, and using the average exchange rate for 2021, i.e. 4.9210 RON/EUR with reference to the 2021 results. The balance sheets as of 31 December 2022 and 31 December 2021 are converted using the closing exchange rates on those dates (4.9495 RON/EUR on 31 December 2022 and 4.9490 RON/EUR on 31 December 2021). All the percentage changes refer to the figures expressed in RON

- About 130,000 companies enrolled in George for business, a unique digital ecosystem in Romania, which provides an integrated package: Digital Onboarding, Digital Overdraft and Multiprofile – single sign-in for both business and personal transactions. In 2022, more than 60% of eligible customers started their relationship with the bank through Digital Onboarding, and 65% of standard credit lines for micro-enterprise customers were granted through Digital Overdraft, totalizing over 1,446 funded companies.
- Digital integration continued in the contact center, and ADA chatbot, BCR's virtual assistant, available on www.bcr.ro/ADA, is one of the customers' communication tools. ADA responded to more than 513,000 conversations, and almost 35% of them were self-service, as it provided personalized information without human intervention.

Sustainable impact and development

- The green mortgage loan 'Casa Mea NaturA' accounted for about 42% of the total standard mortgage volumes disbursed by BCR in 2022, with a total financing value of RON 1.255,0 billion (EUR 250 million). The loan is granted for buildings with energy certificate A or for green houses certified by the Romanian Green Building Council.
- Over RON 784 million (EUR 160 million) in green financing (renewables, energy efficiency and green buildings), up 94% compared to 2021.

BCR Group registered a net profit of RON 1.745,9 million (EUR 354,0 million) in 2022.

„In 2022, we continued to stand by our customers and provide solutions to adapt to the new economic realities through informed decisions, while Școala de Bani (The Money School), our financial education program, reached 600,000 people. We have encouraged a responsible behavior in relation to money and predictable financing through lending in RON with flat rates, along with life and income insurances, as we have consistently done over the last years. With 100% of the stock of unsecured loans benefiting from a fixed interest throughout the entire period of the loan, and 75% of the portfolio of secured loans having a fixed interest in the first 5 to 10 years of the period, 2022 was the moment when our prudential recommendations proved to be effective and valid for our customers. Moreover, the last few years have brought us all in front of a succession of shocks, in a climate of economic uncertainty. In this context, we have assumed and evolved in our role to be at the service of people and the economy, to provide a benchmark of predictability, stability, and resilience.

The results achieved are a confirmation of the trust placed in us by almost 3 million clients and are supported by 5,300 colleagues from BCR, who manage to make a difference for the better in society every day. These results also represent the real and recognized contribution we offer to all our partners, and this requires us to continue investing in education, digitalization, and human capital development. We will leverage resources to facilitate the transition to a green and digital economy, which helps Romanian entrepreneurs to be relevant in the international value chain. At the same time, we support and offer counseling services for the absorption of European and national funds, as an essential step in the sustainable development of Romania, including jobs creation. In 2022, we have more than 202,000 individual customers who have chosen our financing products and 6,500 financed companies, which provide more than 360,000 jobs. We believe that developing prosperity in society is about collaboration, about what we can do together. And, at BCR, clients and colleagues alike, we sustainably build financial health at a personal, business and community level, every day.”

Sergiu Manea, CEO Banca Comercială Română

Accelerated digitalization and customer engagement transformation

- Record digital sales George
 - Sustained growth of 30% in George transactions as compared to 2021
 - Record digital sales through George:
 - 76% of the new cash loans in 2022 were granted 100% on a fully digital flow, versus 56% in 2021
 - 78% of all credit cards and 77% of all overdraft products
 - 99% of the saving accounts and over 66% of deposits
 - Over 60% of early loan repayments (total or partial)
 - George Moneyback, the loyalty program that gives money back, as a discount, to BCR customers who use card payments, has reached 860,000 users, up 40% compared to 2021. More than 5.4 million lei have been gained by BCR customers through this smart shopping system, which provides discounts at more than 100 companies from various fields – hypermarkets, IT&C stores, gas stations, pharmacies, bookstores, and many others.
 - Open banking system development continued through local partnerships in different sectors: Health (MedLife, Regina Maria), Cybersecurity (Bitdefender), Digital solutions (Trans Sped digital signature for private individuals and companies), Legal (Avocatnet.ro), Mobility (Splash), Services (Edenred), Online Payments (Global Payments), Leasing (Financiar Auto, Echipamente), telecommunications (Vodafone) and Invoice solutions (Banqup).
- Absolute firsts in George
 - Over 21% of customers experiencing financial difficulties chose to use the 100% digital flow for restructuring options and processes for financial solutions available in George, where they got a resolution in less than 5 minutes.
 - 100% digital simulation in George for a property purchase loan offer. 4,000 customers have benefited this feature, without coming to the bank.
 - Co-signer loan – a unique online process on the Romanian credit market, through which a customer can obtain a loan together with a co-payer on a 100% digital flow.
 - Over 5,300 children and adolescents have opened a George current account on a fully digital flow, between September – December 2022. BCR offers to parents and children, those under 14 and teenagers up to 18, a necessary tool in the financial education process, which gives them the opportunity to open a 100% digital bank account for children, without coming to the bank.
- More than 88 million digital payment transactions in public transport have been recorded over the past four years, while more than 40.8 million in 2022 alone, up 56% compared to 2021. BCR has implemented the contactless payment solution in 17 cities in Romania including Bucharest.
- Over 35,000 people benefited of a diagnosis for their financial situation in BCR's branches. Through this financial coaching initiative, free of charge and easily accessible by customers and non-BCR clients, we want to offer Romanians the long-term perspective on financial planning and prevention for unforeseen circumstances.
- BCR continued the development of the units based on a model that transforms the bank branch into a financial dialogue center. We've opened nine new hubs in Constanța, Făgăraș, Zalău, Brăila, Cluj-Napoca, Timișoara, Galați, Călărași and Mehedinți, following the

investment plan both in modernising the space and equipping it with state-of-the-art technology.

- **Contactless operations for cash withdrawals at BCR ATMs and MFPs are implemented within 434 machines across the country. Since September, cash withdrawal in euro is available within 328 ATMs across the country.**
- **The Call Center capacity increased in 2022 through the five regional centres in București, Ploiești, Timișoara, Iași și Sibiu. More than 3.6 million requests received from individual and business customers were resolved, up 65% compared to 2021.**

BCR impact in economy and society

In retail banking business, BCR generated total new loans to individuals and micro businesses of RON 9,5 billion in 2022, on the back of mortgage sales increasing by 20.7% yoy. Stock of mortgage in local currency increased by 10.6% yoy, while the stock of unsecured consumer loans (including credit cards and overdrafts) increased by 5.7% yoy as of 31 December 2022.

In corporate banking business, BCR approved new corporate loans of RON 15.6 billion in 2022, up by 65% yoy, of which a third are aimed for investments. The advance of 25.5% yoy in the stock of corporate financing was driven by significant increases in all customer segments.

The total BCR Leasing financing portfolio granted to customers increased by 32% compared to 2021, to over RON 1.95 billion, offering support for entrepreneurs in different activity domains.

Money School continued to organize online and offline financial education sessions for adults and children, exceeding 600,000 participants in the program. INNOVX-BCR, the technology business initiative, has reached 152 accelerated start-ups out of 2,054 applicants in the program. In addition, in 2022, InnovX-BCR launched and successfully completed the first dedicated venture capital (VC) fund program in CEE. Six of the 14 teams participating in the program have become alumni and are set to open venture capital funds to invest EUR 155 million over the next few years in technology startups in Central and Eastern Europe, with a focus on the Romanian market.

BCR Group financial highlights in 2022

BCR Group achieved a net profit of RON 1,745.9 million (EUR 354.0 million) in 2022, up by 23.8% against RON 1,409.8 million (EUR 286.5 million) in 2021, driven by improved operating result underpinned by continued strong loan growth.

Operating result improved by 29.0% to RON 2,735.5 million (EUR 554.7 million) in 2022 from RON 2,120.1 million (EUR 430.8 million) in 2021, on the back of improved operating income, partly offset by higher operating expenses.

Net interest income increased by 21.7% to RON 2,948.7 million (EUR 597.9 million) in 2022, from RON 2,422.1 million (EUR 492.2 million) in 2021, driven by higher business volumes coupled with higher market rates.

Net fee and commission income increased by 8.8% to RON 944.2 million (EUR 191.5 million) in 2022, from RON 867.9 million (EUR 176.4 million) in 2021, driven by higher transactional business as well as higher fee income from lending and brokerage.

Net trading result increased by 64.3%, to RON 630.1 million (EUR 127.8 million) in 2022, from RON 383.5 million (EUR 77.9 million) in 2021, on higher trading activity.

Operating income increased by 21.7%, to RON 4,615.5 million (EUR 935.9 million) in 2022, from RON 3,791.7 million (EUR 770.5 million) in 2021, driven by all major income components.

General administrative expenses reached RON 1,880.0 million (EUR 381.2 million) in 2022, up by 12.5% in comparison to RON 1,671.6 million (EUR 339.7 million) in 2021, mainly due to higher contribution to deposit insurance fund in 2022 as well as higher personnel and other administrative expenses generated by the inflationary environment.

As such, cost-income ratio improved to 40.7% in 2022, versus 44.1% in 2021.

Risk costs and Asset Quality

Impairment result from financial instruments recorded a provision allocation of RON 393.8 million (EUR 79.8 million) in 2022, as compared to an allocation of RON 228.4 million (EUR 46.4 million) in 2021. This result has been mainly triggered by allocations of portfolio provisions reflecting the bank's prudential approach given the current operating and geopolitical context. This translated into updated macroeconomic scenarios, re-estimated risk parameters and additional stricter rules for credit risk classification under IFRS 9.

NPL ratio stood at 2.8% as of December 2022, significantly lower than 3.9% recorded as of December 2021. This evolution is reflecting the low NPL formation, a good trend of recoveries in both retail and corporate segments and also the increase in loans to customers. At the same time, the NPL provisioning coverage was 171.4% as of December 2022.

Capital position and funding

Solvency ratio for BCR Bank standalone, according to the capital requirements regulations (CRR) stood at 22.1% as of December 2022, well above the regulatory requirements of the National Bank of Romania. Furthermore, the Tier 1+2 capital ratio of 20.8% (BCR Group) as of December 2022 is clearly reflecting BCR's strong capital and funding positions.

Net loans and advances to customers increased by 15.6% to RON 55,328.5 million (EUR 11,178.6 million) as of 31 December 2022 from RON 47,868.5 million (EUR 9,672.4 million) as of 31 December 2021, supported by increases in both retail loans (+4.1% ytd to RON 28,062.2 million) and corporate loans (+25.5% ytd to RON 26,036.5 million).

Deposits from customers increased by 4.3% to RON 75,588.5 million (EUR 15,271.9 million) as of 31 December 2022 from RON 72,458.4 million (EUR 14,641.0 million) as of 31 December 2021, due to decline in retail deposits (-5.3% ytd to RON 43,753.6 million) counterbalanced by the increase in corporate deposits (+20.1% ytd to RON 28,847.4million).

Profit or loss

In RON million	31 DEC 2022	31 DEC 2021
Net interest income	2,948.7	2,422.1
Net fee and commission income	944.2	867.9
Net trading results and gain/losses from financial instruments at FVPL	630.1	383.5
Operating income	4,615.5	3,791.7
Operating expenses	(1,880.0)	(1,671.6)
Operating result	2,735.5	2,120.1
Impairment result from financial instruments	(393.8)	(228.4)
Other operating result	(183.8)	(161.3)
Pre-tax from continuing operations	2,157.9	1,730.4
Net result attributable to owners of the parent	1,745.9	1,409.8

Statement of financial position

In RON million	31 DEC 2022	31 DEC 2021
Cash and cash balances	15,224.6	13,317.4
Trading, financial assets	25,124.4	25,175.7
Loans and advances to banks	148.3	1,362.3
Loans and advances to customers	55,328.5	47,868.5
Intangible assets	394.8	361.7
Miscellaneous assets	2,629.4	2,169.4
Total assets	98,850.0	90,255.1
Financial liabilities held for trading	163.6	22.3
Deposits from banks	2,079.4	1,783.5
Deposits from customers	75,588.5	72,458.4
Debt securities issued	5,424.4	2,733.1
Miscellaneous liabilities	4,539.3	3,537.3
Total equity	11,054.8	9,720.4
Total liabilities and equity	98,850.0	90,255.1