

BANKING MARKET IN ROMANIA 2017-2019

CEE BANKING SERIES



Inteliace Research
August 2017

Version: 2017b

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Mortgage lending is growing fast. Local currency loans increase rapidly. Nevertheless, the ratio of mortgage to GDP is still extremely low.

CORPORATE
LOANS

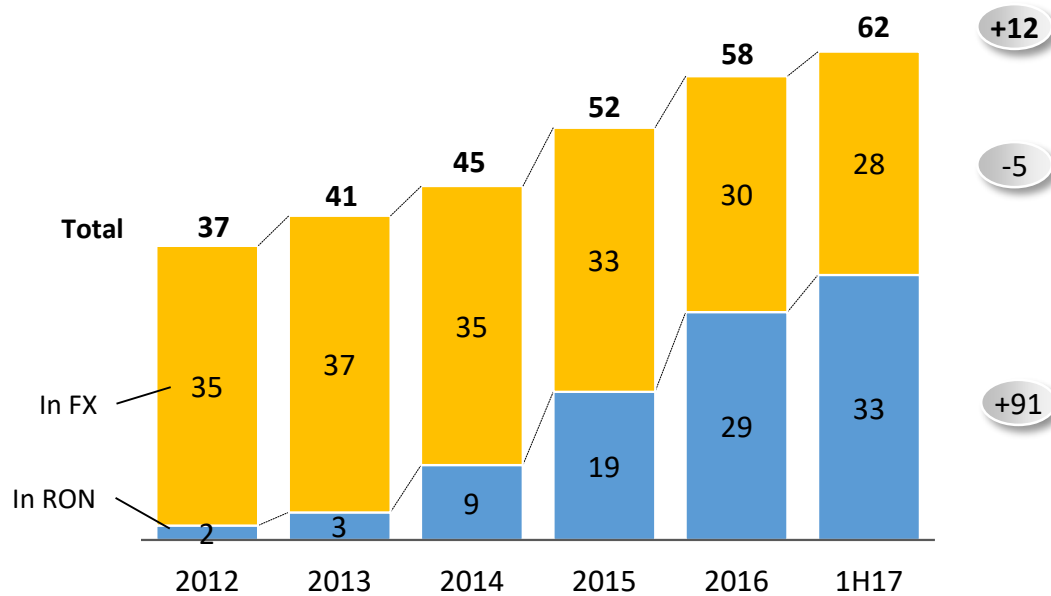
Mortgage loans outstanding

RON billion

CAGR (%)

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By initial lending currency



- Mortgage lending is growing fast.
- FX denominated loans are being phased out by lending in local currency.
- The ratio of mortgage loans to GDP is still extremely low.

Mortgage
loans-to-GDP
ratio (%)



Key facts

- Company name:** Banca Comercială Română S.A.
- HQ:** Regina Elisabeta nr. 5, Sector 3, București
- CEO:** Mr. Sergiu Cristian Manea
- Major shareholders:** 93.6% Erste Group [AT]
- Headcount:** 7080 (group)
- Key Subsidiaries:** Mortgage bank, Pension management company, Leasing, Commercial bank in Moldova, other financial or related services

Overview

- BCR is the largest financial group in Romania. Bank has a universal profile and leads in retail banking business
- Apart of retail and corporate banking BCR offers other financial services through subsidiaries including: mortgage, pension and leasing
- Recently, BCR has reinforced its market position, although it has seen declining revenues and profitability

History

- 1990 – BCR is established by taking over the commercial operations of the National Bank of Romania
- 1995 – First international debit cards issued in Romania
- 1999 – BCR absorbs Bancorex
- 2001 – BCR Leasing is launched
- 2003 – BCR privatization, entry of EBRD and IFC
- 2005 - BCR Asigurari de viata (life insurance subsidiary) is established, but subsequently sold to VIG in 2008
- 2006 – Erste Bank buys 61.9% stake in BCR from the Government, EBRD and IFC for EUR 3.75 billion.
- 2008 – BCR mortgage bank (subsidiary) created
- 2011-2015 – Restructuring, bad loans disposal

Channels

- 512 retail branches, typically located in cities/towns with 10k+ inhabitants, across the whole country.
- 21 business centres and 23 mobile offices dedicated to corporate clients.
- ~ 2600 Self service devices, mostly ATMs but also Multifunctional Machines, Automated Payment Terminals, FX Exchange Machines.
- Internet Banking and Mobile Banking
- 12000 POS terminals installed at merchants.

Customers

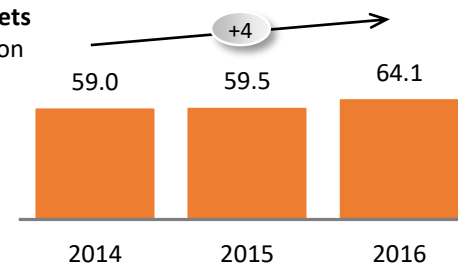
- BCR is serving nearly 3 million retail clients and the number of card issued is close to 2.3 million
- Bank serves mass market and affluent clients
- Bank is serving mass market and affluent clients and it strives to reach clients in all regions of the country

Products

- BCR has a comprehensive offer in all major segments including: retail and corporate banking
- A significant group of bank clients are SME companies, served with financial services like: leasing, payments solutions, real estate management, fleet management
- Bank offers mortgage saving/lending contracts through a subsidiary and serves over 360k contracts.
- Through a dedicated company, group offers pension products in both Pillar 3 and Pillar 2 with 120k and 567k Accounts respectively.

Financials

Bank assets RON billion

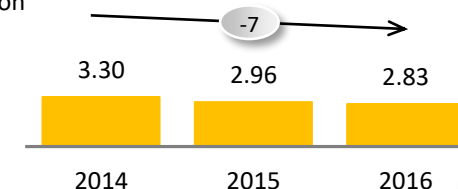


Market share* (percent)



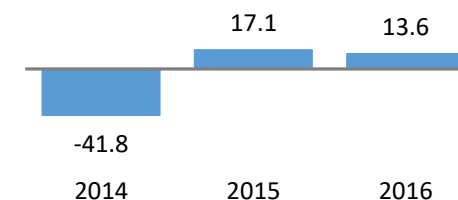
Growing market share

Net banking revenue RON billion



Falling revenues

Return on Average Equity (ROAE) Percent



Banking market in Romania, 2017

*Market share by assets (non-consolidated)

**Compound Annual Growth Rate

Source: Company, Press, Inteliace Research

FX rates:

- As a general rule all “end of year” balances like: assets, deposits, loans and similar volumes have been converted from the local currency into Euro using **end of year** exchange rate
- All results achieved during a period of time like: profits, revenues, new sales etc. have been converted from the local currency into Euro using **average** exchange rate
- Exchange rates used in the report:

EUR / RON	2010	2011	2012	2013	2014	2015	2016	2017H1
Average	4.21	4.24	4.46	4.42	4.44	4.45	4.49	4.54
End of year	4.28	4.32	4.43	4.48	4.48	4.52	4.54	4.55

Source: BNR

Estimates and Forecasts:

- In some cases, recent or verified data was not available. Therefore, necessary short-term estimations have been done to fill the gaps. Estimates are always indicated with the letter “E”
- When preparing forecasts “F” we have built models using latest observed trends, available forecasts of main economic indicators, seasonal changes observed in the past and other specific factors considered important.

Multiple sources:

- In some cases multiple sources of similar data exist. In this situation we always try to select the most appropriate one /in our view/. The source is indicated in the footer area of each slide. Nevertheless in specific cases, before interpreting the data it is recommended to get a good understanding on the methodology of data collection by contacting the authors.

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Our company specializes in value-added research services and tailored business intelligence solutions.

Through our customized research services we help our clients to better understand their customers, competitors and overall market dynamics.

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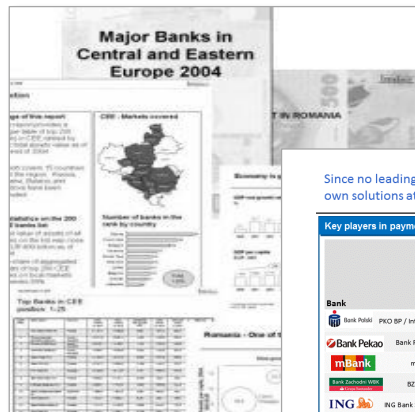
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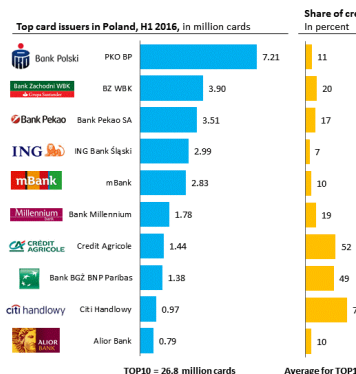


Since no leading market standard has been set yet, banks bet on partnerships and develop own solutions at the same time

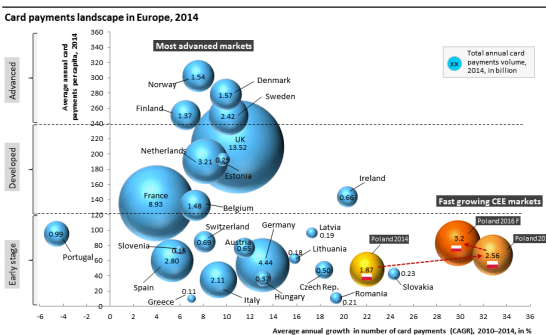
Key players in payment applications/wallets, 2016

Bank	Number of retail accounts (ROA) As of Q3 2016 in million	HCE	BLIK	Android Pay	MasterPass	Visa Checkout
Bank Pekao	6.6	✓	✓	✓	✓	✓
Bank Pekao	3.8	✓	✓	✓	✓	✓
mBank	3.2	✓	✓	✓	✓	✓
BZ WBK	3.1	✓	✓	✓	✓	✓
ING Bank Śląski	2.6	✓	✓	✓	✓	✓

PKO Bank Polski is by far the largest card issuer in Poland



The volume of card payments in Poland is expected to exceed 3 billion in 2016



Recent Reports:

2016

- February - Mortgage Lending in Poland '16
- May - Bank outlets database '16
- May - Banking Market in Poland '16
- June - Insurance Market in Poland '16
- September - Top 200 CEE banks '16
- October - Investment Funds and Asset Mgmt. '15
- November - Payments in Poland '16

2017

- February - Mortgage Lending in Poland '17
- May - Bank outlets database '17
- May - Banking Market in Poland '17
- June - Insurance Market in Poland '17

and many other ...

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