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4 October 2010, Dubrovnik, Croatia

Taking stock after 20 years of transformation –
Romania: Huge market potential, with recovery in sight

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Presentation topics

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- **Long-term economic development patterns**
  - Economic and political timeline
  - Economic scorecard: real economy, fiscal performance & monetary policy
  - Social indicator scorecard: backing up economic progress
  - Focus topic: charting the development of residential real estate
  - Focus topic: political stability and structural reforms in Romania

- **Evolution of the banking market**
  - The emergence of modern retail banking
    - Moving away from the cash economy
    - The loan growth story
    - Wealth creation: from deposits to fund management
  - The transformation of corporate banking
    - From financing the state sector to financing private enterprise

- **Post-acquisition track record of BCR**
  - Long-term financial performance
  - Analysing credit risk
  - Strategic initiatives
  - Conclusion

Economic and political timeline –

GDP expanded consistently, irrespective of political party in power

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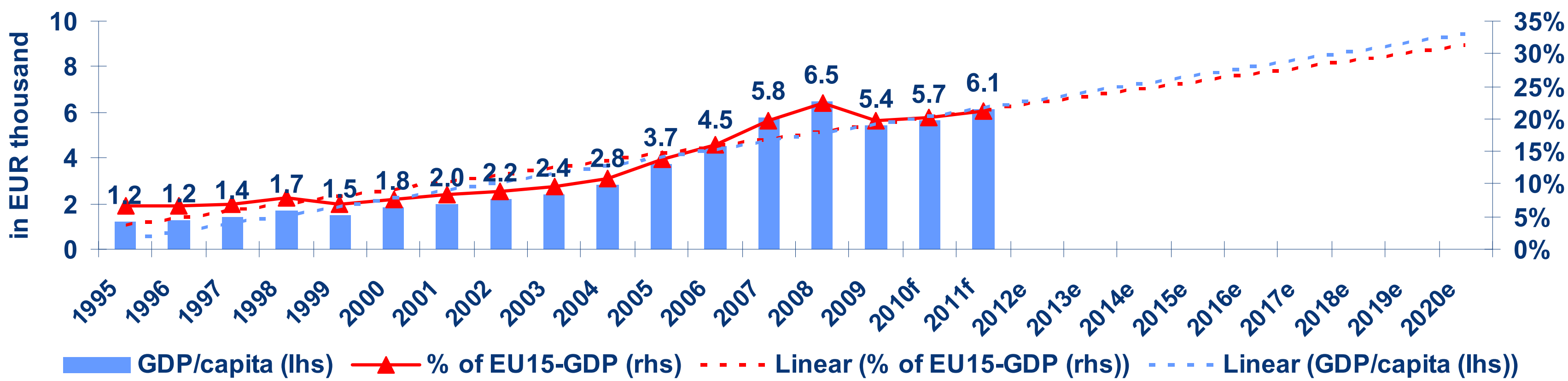

1996-2000 Centre-Right	2001-2004 Left	2005-2008 Centre-Right	2009: Right-Left	2010: Right-centre
» New centre-right coalition in power » Massive depreciation of the national currency; high inflation » Most privatisations subsequently cancelled » Some banks go bankrupt » Unemployment peaks » After 3 consecutive years of recession, economic growth in 2000	» Social-Democrats back in power » Political stability increases » Growth path consolidates; CPI decreases to single digit in 2004 » RON continues to depreciate » NATO membership » Mortgage loans gain appeal and the first signs of a real estate boom appear	» Justice & Truth Alliance (Liberals and Democrats) » 16% flat tax; Liberals call off IMF assistance » RON re-denomination » EU membership (2007) » Democrats forced to leave coalition » Consumer and mortgage loans boom » Fiscal policy increasingly pro-cyclical » Infrastructure projects stalled	» Liberal Democrats & Social Democrats » Recession sets in, budget deficit expanding rapidly » Measures to counteract economic downturn » New IMF deal (EUR 20bn) » Public sector reform advancing too slow » Political crisis following Social Democrats mass resignation from govt. » Presidential elections	» Economic contraction moderates, government committed on public reform » EU funds absorption quadrupled m/m in Jul to approx. EUR 400m / month » 8.3% unemployment peak in March, down 5 consecutive months to 7.4% in August » IMF set higher budget deficit target (6.8% of GDP) » July 1st: 25% wage cut in the public sector, VAT 5pp hike to 24%; VAT revenues up 50% y/y in Aug

Source: Eurostat, Erste Group Research

Economic scorecard: the real economy –
Unemployment low in spite of negative economic growth

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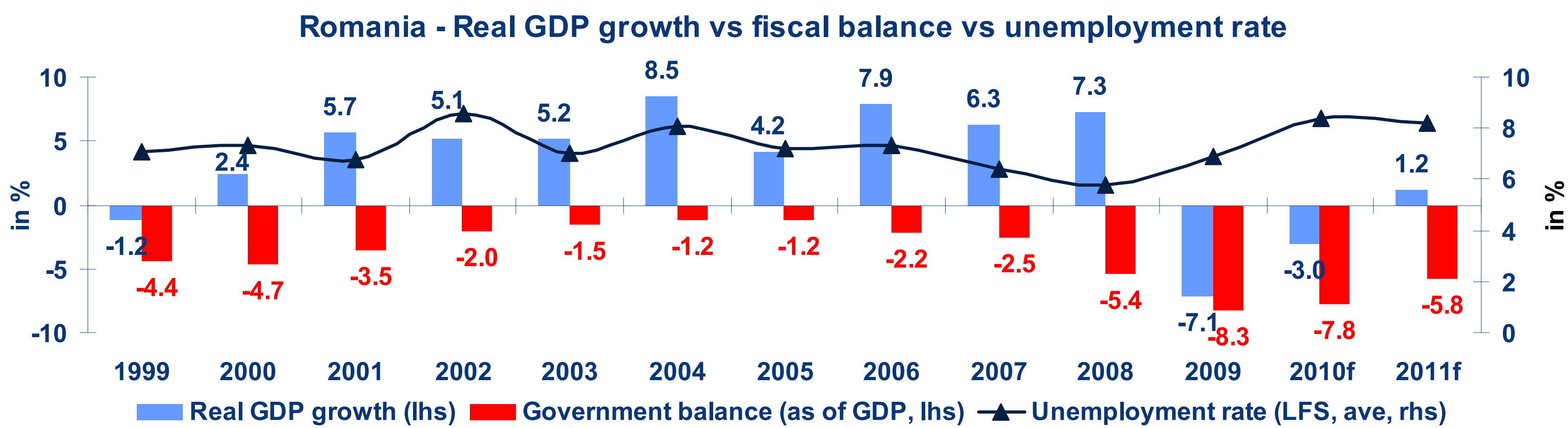

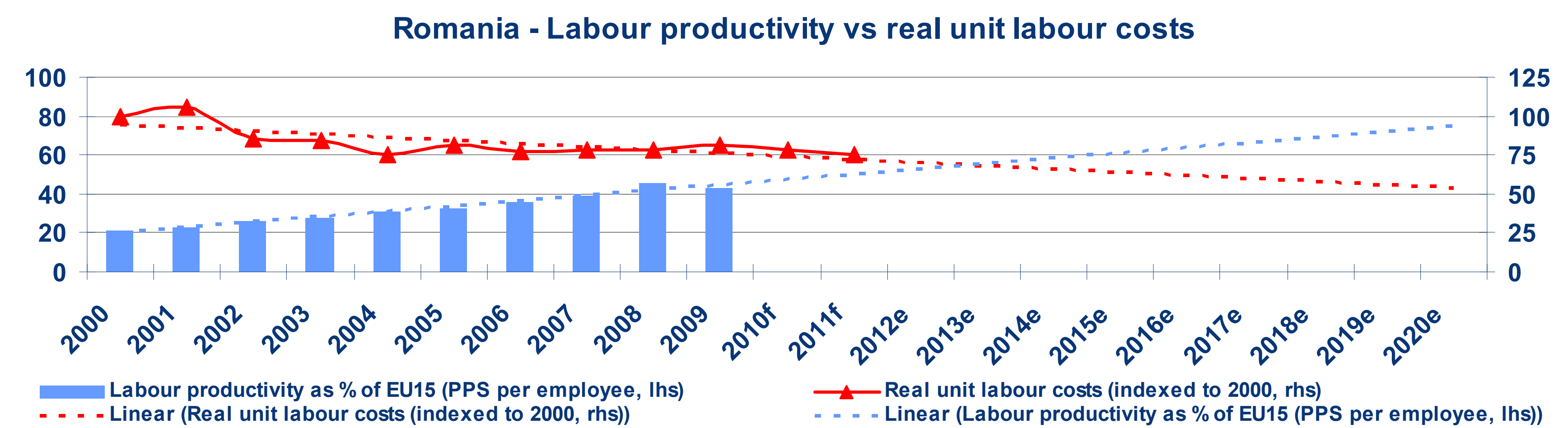

Source: Eurostat, Erste Group Research

Economic scorecard: GDP composition –
The economy is driven by domestic demand

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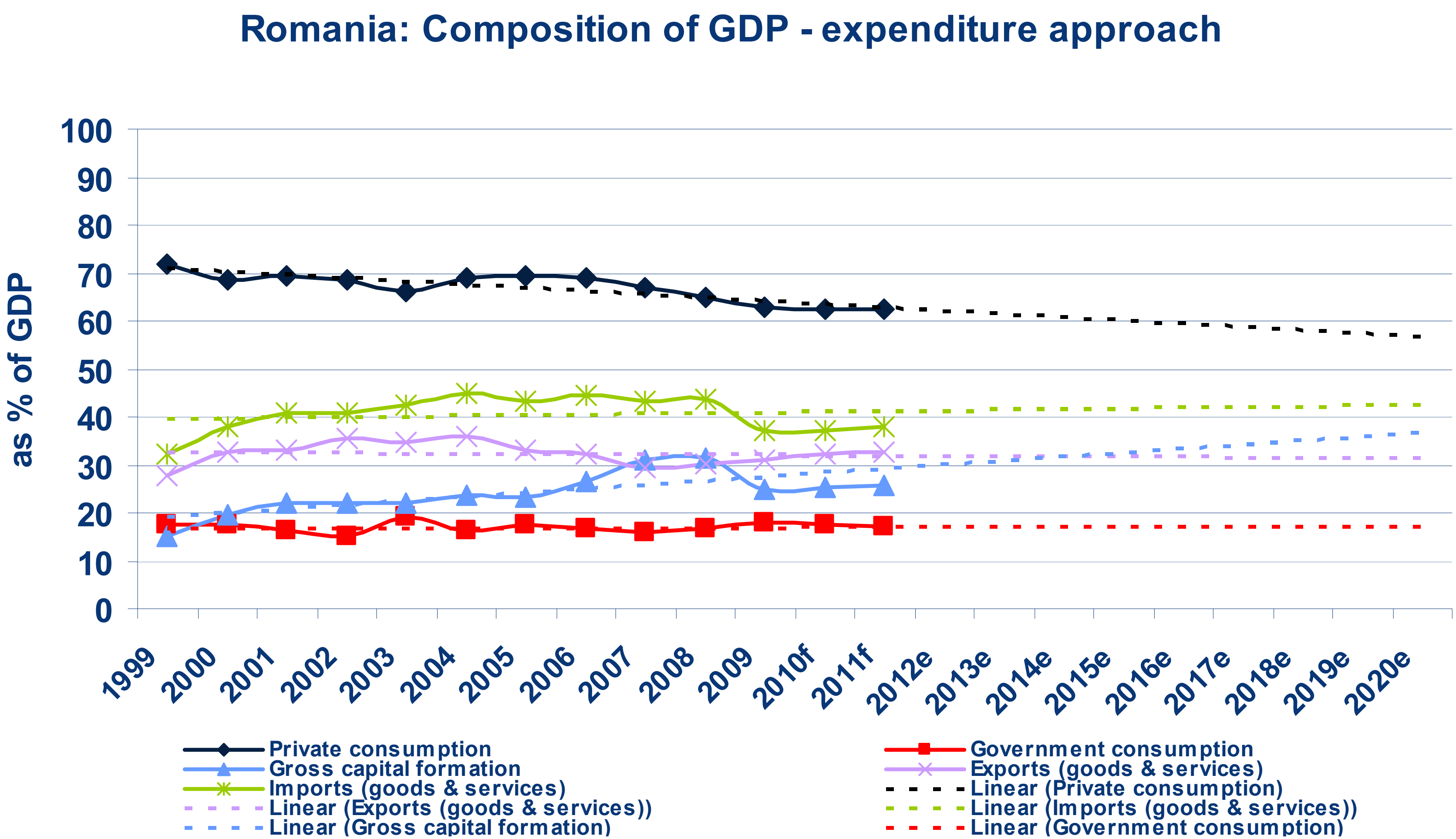

Source: Eurostat

Economic scorecard: trade drilldown –
Exports growing faster than imports

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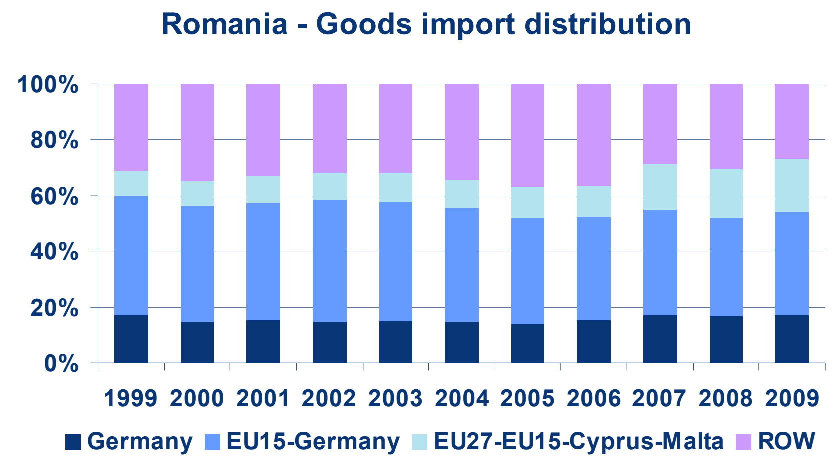
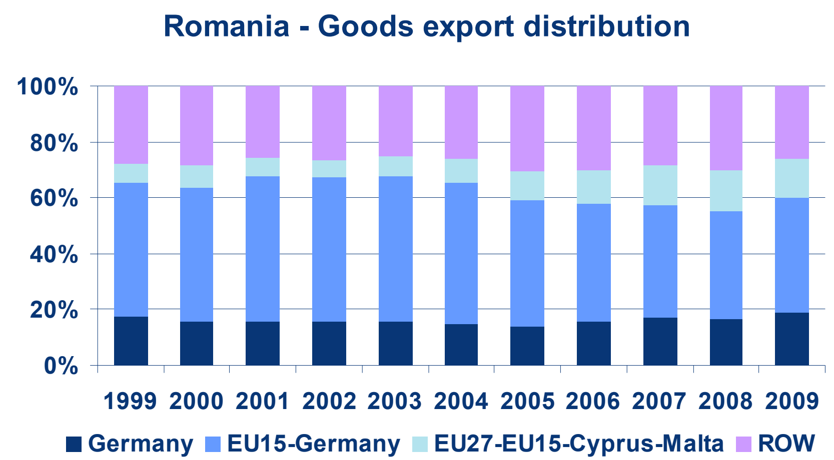
- **Foreign trade structure favours EU, the main foreign investor in Romania**
  - 86% of total FDIs
- **Over 80% of exports in manufacturing generated by FDIs based companies**
- **Germany and Italy are top partners, accounting for over 40% of total foreign trade**
- **Exports up 25% y/y in first seven months of 2010**
  - Trade deficit continued to narrow 5.5% y/y
  - Higher external orders from Eurozone countries supported the return of the industrial production to pre-crisis levels
- **Share of machine and transport equipment as % of total exports consistently up in the last 10 years**
  - From 17% in 1999 to 43% at present





Source: Eurostat

Economic scorecard: monetary policy –

Wise monetary policy helps overcoming recession effects

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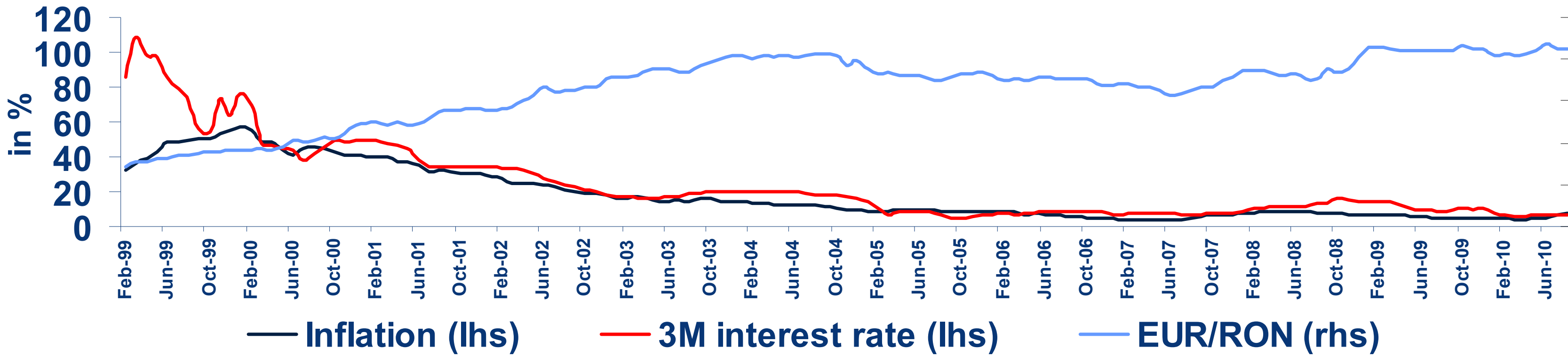
Romania: Inflation, interest rate, exchange rate



1996-2000 Centre-Right	2001-2004 Left	2005-2008 Centre-Right	2009: Right-Left	2010: Right-centre
» Massive depreciation of the local currency » Inflation high; gradual price liberalisation » BNR has limited room for action towards reducing high IRs » Full current account convertibility » Mandatory reserves in limelight as draining liquidity excess becomes burdensome	» Inflation on a downward trend to single digit in 2004 » RON continues to depreciate » Reference rate introduced instead of discount rate » Mandatory reserves on FX liabilities increase » Steps toward liberalisation of capital account » More effective transmission of monetary policy through interest rates	» Deinflation gains momentum » Inflation targeting; monetary policy rate replaces reference rate » RON re-denomination » Mandatory reserves on FX liabilities increase » Full liberalisation of capital account prior to EU accession » RON starts to firm before EU accession	» Monetary policy eases and RON depreciates » Mandatory reserves cut » MM rates and yields on govt. debt papers up amid liquidity shortage » Agreement between IMF and parents of largest local banks to maintain exposure to Romania » IMF deal concluded; international reserves on the rise	» Consecutive cuts of the key rate to 6.25% » Short term interest rates and yields on govt. debt papers decline » RON stable within 4.1-4.3 range, also helped by C/A deficit adjustment to 5-6% of GDP, reducing vulnerability to external shocks » IMF deal on track

Source: Eurostat, Bloomberg

Social indicator scorecard –
Backing up economic progress

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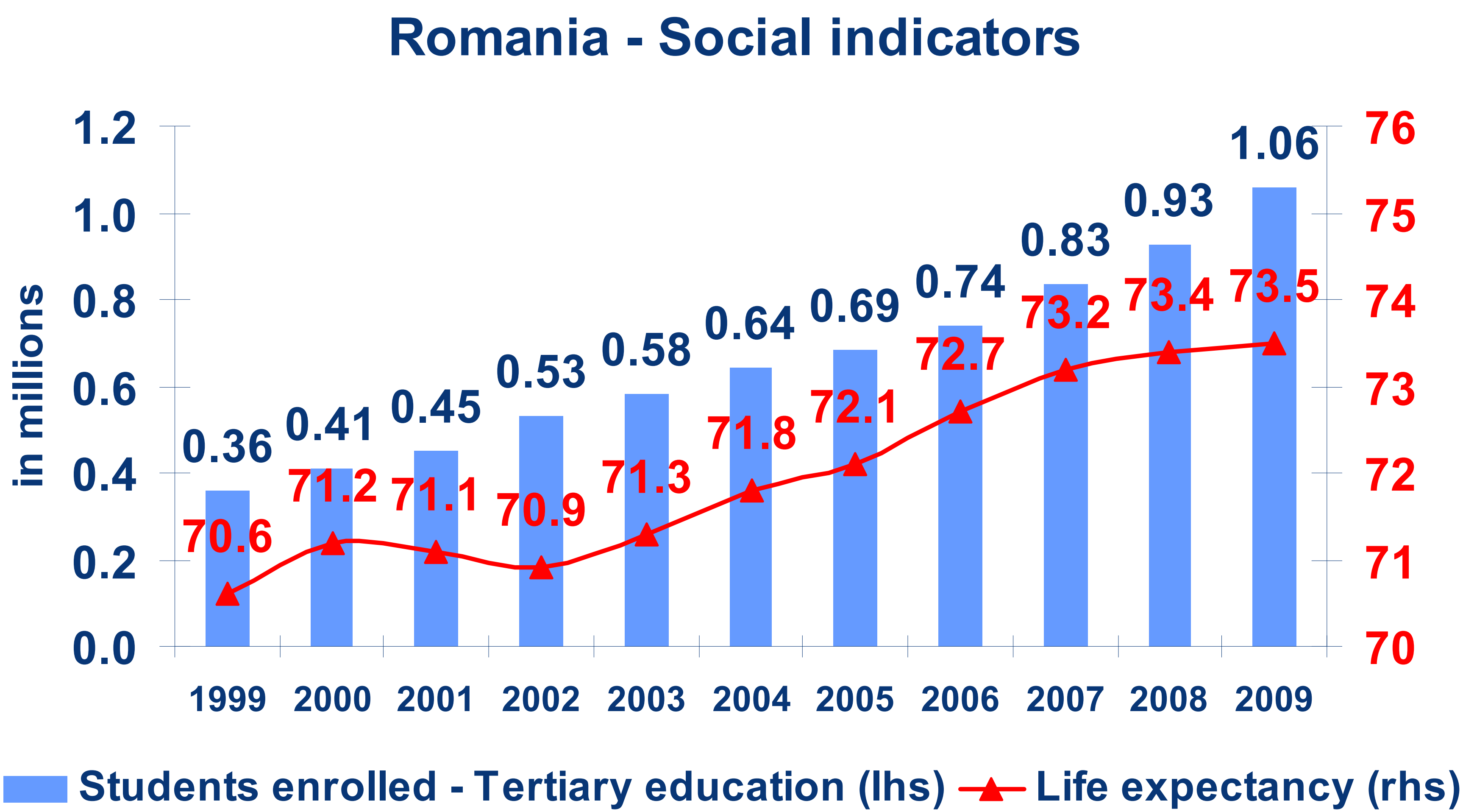

Source: Eurostat

Focus: residential real estate development –
Residential real estate retains long-term growth potential

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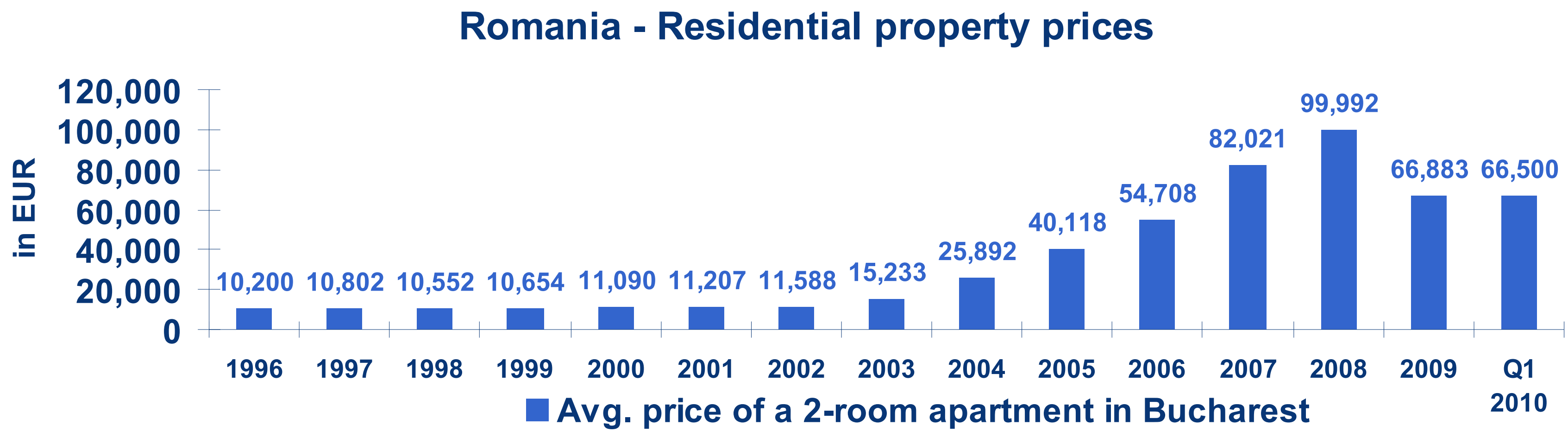

- **End-2004: residential real estate prices began to rise once EU membership became certain**
- **2004-2007: sector flourished driven by investments; although peaked in 2007, prices continued to grow until 2008**
- **2008-2010: exuberance began to fade late 2008 as contractors and investors were hit by the global liquidity crunch; residential market plummeted in 2009 when recession fully kicked in while the market stabilised in 2010**

Source: Index Imobiliare

Focus: political stability in Romania –
IMF deal provides impetus for required structural reforms

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- **Recent government reshuffle likely to bring political stability**
  - Coalition between Democrat Liberals, Democratic Union of Hungarians and independents to continue
  - No early elections in sight before 2012
- **Current IMF-EC stand-by financial arrangement on track until 2011**
  - Political factors in favour of starting discussions on concluding a new agreement, most likely precautionary type
  - Commitment to continue structural reforms based on the laws on single pay scale in the public sector, on pension system & on fiscal responsibility
- **Tough austerity and fiscal adjustment measures to contain budget deficit, in place as of July 1st**
  - Part of the IMF deal, supported by government coalition
  - No additional negative effects on GDP expected
  - Favourable balance between expenditure cuts and tax increases help cushion the social impact
  - Temporary inflationary pressures, BNR to counteract the second round effects of the VAT hike
  - Sustainable economic recovery starting H2 2011 as negative effects of the austerity measures fade

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Evolution of the banking market –
High growth prospects with still low penetration

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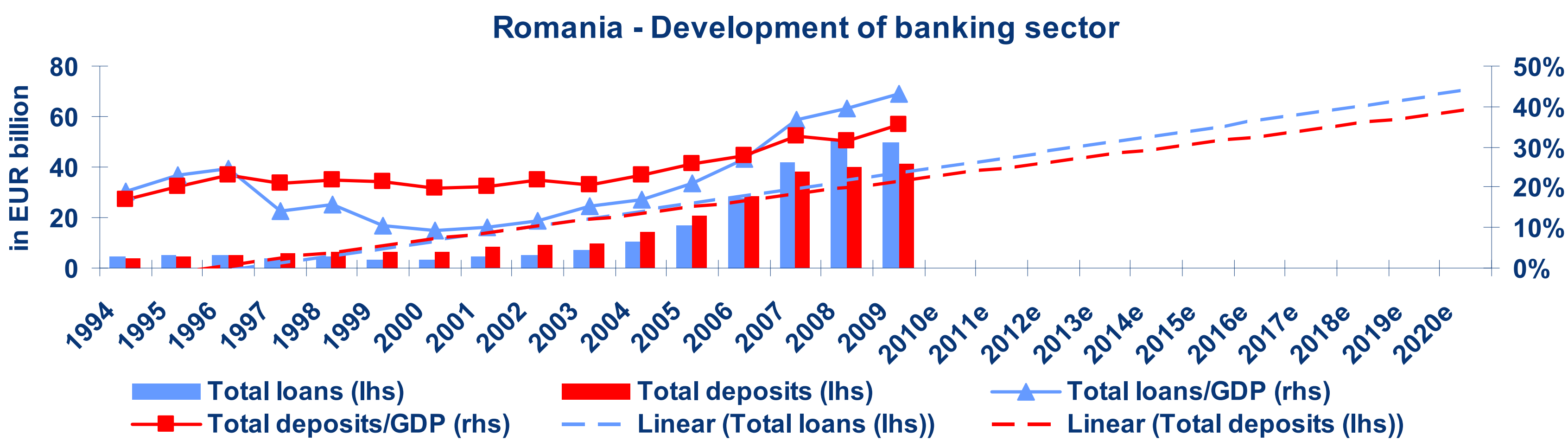

1990-1999 Restructuring of the banking sector	2000-2003 Banking industry recovery	Since 2004 Continuous growth

1990-1999 – Restructuring of the banking sector

- Two tier banking industry established
- First private banks entering the market: between 1991-1998 number of banks almost tripled
- Corporate banking dominant; high share of NPLs (58%)
- Privatisation of BRD and Bancpost
- Restructuring program launched by BNR
- BCR took over Bancorex - the largest bank - after balance sheet cleaning (NPLs transferred to State Recovery Agency)

2000-2003 – Banking industry recovery

- BNR regulations aligned to international practices and financial intermediation started to grow on sounder basis
- Overall banking industry restructuring costs 1990-2003 about 10% of GDP
- Some banks with private domestic capital collapsed
- Privatisation of Banca Agricola (Raiffeisen)
- Foreign owned banks reached 58% in total assets
- FX liabilities doubled share in banks' funding

Since 2004 – Continuous growth

- Privatisation of BCR finalised in 2006
- Foreign owned banks hold 88% in total assets
- Retail speeding up on increasing financial intermediation (yet well below EU average)
- High investments in branch network and alternative channels development
- Tougher competitive environment, bigger opportunities after EU accession
- New banks entered the market, smaller banks adopted aggressive strategies
- Resilience to crisis due to banks' robust capital base

The emergence of modern retail banking –
Moving away from the cash economy

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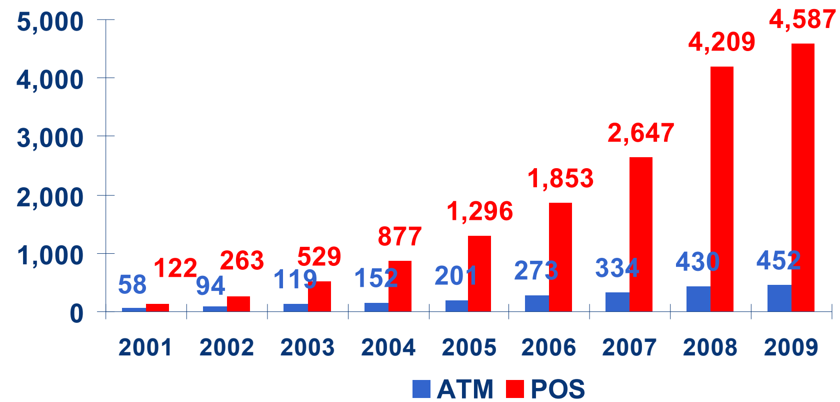
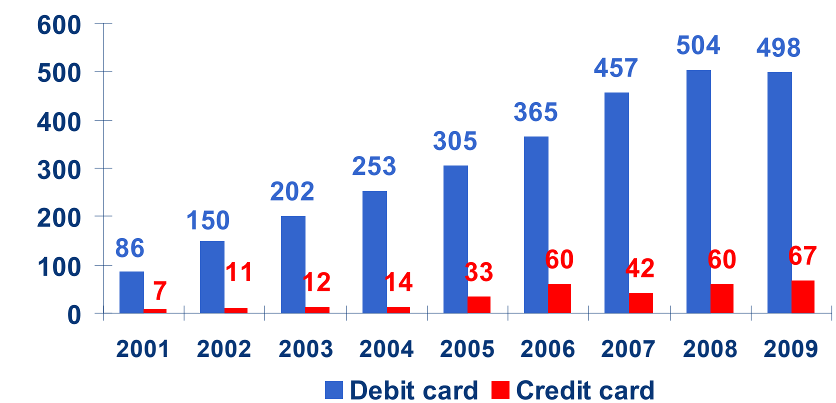
- **Cash still plays a much bigger role in Romania than in other CEE countries**
  - Payment cards and related infrastructure were introduced only in 1996
- **100,000 points of sale in Romania**
  - Infrastructure developed in line with retail banking and electronic payments
  - Penetration still low compared to CEE levels
- **Payment cards still stand 40% below their potential**
  - Although among the most aggressive markets, only 41% of Romanians have payment cards
  - 88% of debit cards relate to employers' policy while half of credit cards issued by non-bank financial institutions
  - 12m cards in circulation 14 years after the birth of the industry
- **Alternative channels have continued to grow**
  - Number of internet-, mobile-, and home banking users exceeds 3 million up from 18,000 in 2003

ATMs and POS per 1m inhabitants



Payment cards per 1,000 inhabitants



Source: National Bank of Romania

The emergence of modern retail banking –
The loan growth story

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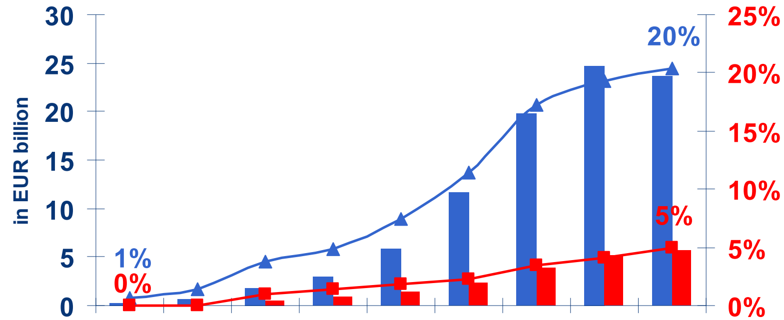
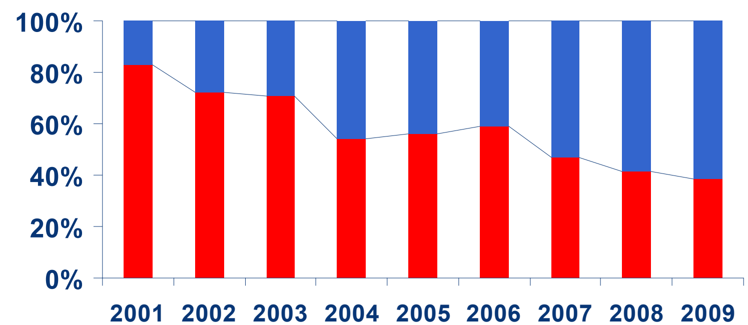
- **Robust growth in a market with very short history**
  - Explosive growth started in late 2002 from a very low base and became the major lending growth driver
  - Growth was accompanied by the upward trend of the economic cycle
  - Atypical structure of retail lending as proportion of unsecured lending is relatively high (~45%)
- **Big potential in housing loans**
  - Housing loans still represent less than 5% of GDP
  - Prima Casa program introduced in July 2009
    - Program has been very successful
    - EUR-based program with full government guarantee
    - Over 24,000 homes acquired so far
- **FX share of retail loans have gradually increased**
  - Supported by gap between local and Eurozone interest rates
  - 80% of FX-based loans are secured
  - 88% of FX-based loans are denominated in EUR

Romania - Development of retail banking



Romania - FX share in retail lending



Source: National Bank of Romania

The emergence of modern retail banking – Wealth creation: from deposits to fund management

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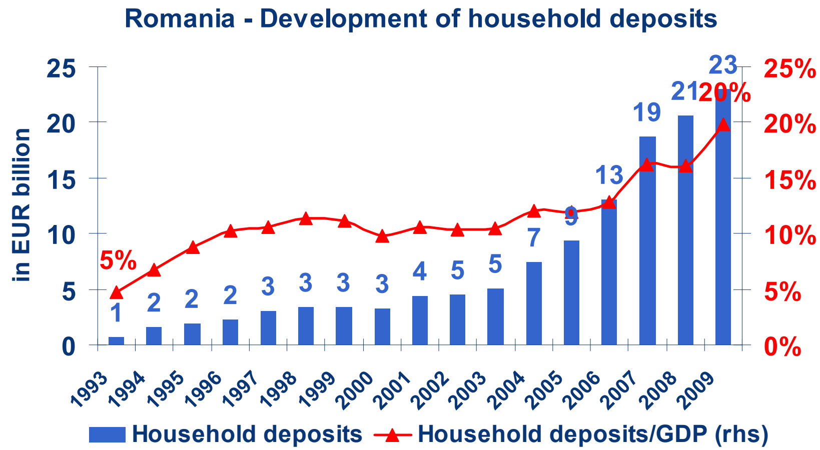
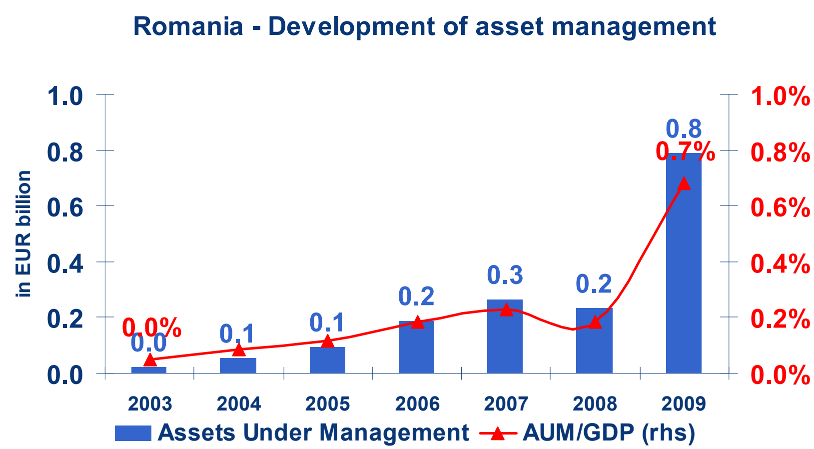
- **High risk aversion and attractive interest rates kept deposits as households' first choice**
  - Deposits account for 40% of households' financial assets and generally have a short-term profile
    - High potential in current account based services
  - EUR denominated deposits have been more significant than in most of the other CEE countries
    - Remittances from Romanians working abroad, mainly in Spain and Italy
- **Investment fund industry still in its infancy**
  - Penetration rates much lower than in other CEE countries
  - Market with huge growth potential
- **Other financial investments becoming more popular**
  - AuM still represent less than 1% of GDP
  - Private pension funds established in recent years
    - Voluntary pensions in 2007 and mandatory in 2008
  - Life insurance market expected to recover





Source: National Bank of Romania

The transformation of corporate banking –
From financing the state sector to financing private enterprise

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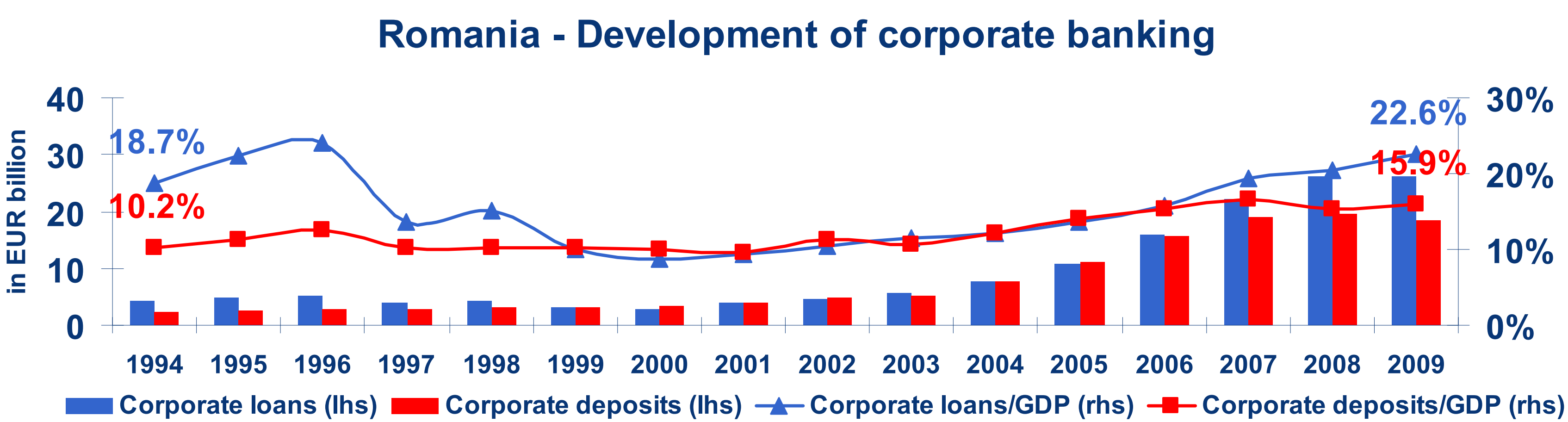

- **Corporate business: traditional banking challenged by economic restructuring**
  - Original focus on large state companies pushed up NPLs in the 90's and burdened the banking industry development
  - Corporate loans accounted for 94% of total banking loans in 2000 and "only" 50% in 2009
    - More temperate growth than in retail
    - Significant share of corporate loans booked abroad
  - Corporate lending continuously shifted in the last decade towards SMEs as major growth engine
    - SMEs account for 70% of corporate loans
  - Corporate deposits grew slower than loans
    - Corporate deposit CAGR (2000-2009) of 21% versus 28% for corporate loans

Source: National Bank of Romania

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Post-acquisition track record of BCR –
Long-term financial performance *

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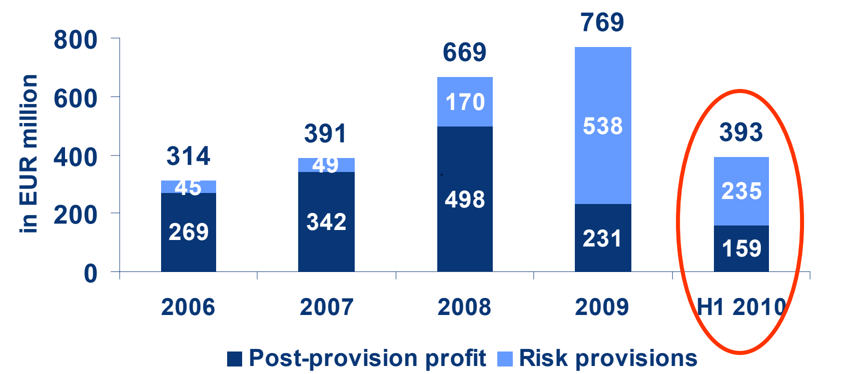
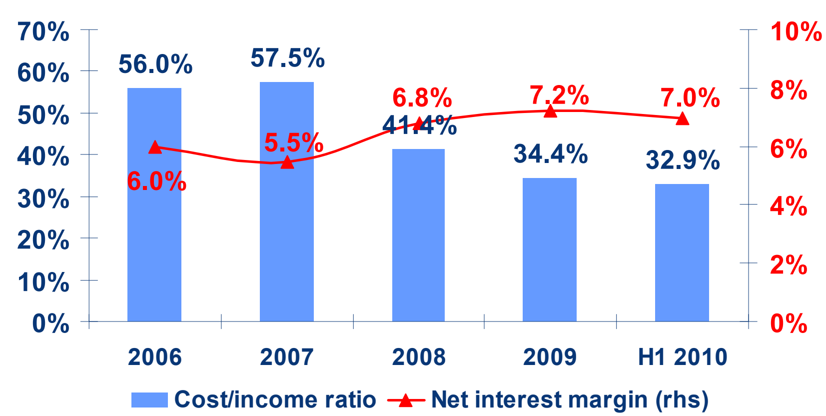
- **BCR became a member of Erste Group in 2006**
  - Successfully integrated to EGB structure, BCR is now a modern retail and commercial banking player
- **Operating profit constantly up year on year**
  - Mainly on strong NII supported by high margins
    - Sticky deposits, largest customer base
    - Dynamic re-pricing of assets and liabilities
  - Driven by strong pre-crisis business growth, subsequently supported by efficient cost control
    - Optimised headcount, ~2,800 down compared to end-06
    - Performance-based pay, strictly linked to profitability - strong staff motivation
  - Achieving new non-interest revenue streams
    - Transactional business – income generating with no capital costs
- **Excellent cost/income ratio: 32.9%**
  - Continued execution of efficiency programs
- **Strengthened leading position backed by improved market differentiation**
  - Enhanced gap vs. main competitor BRD on operating profit, CIR, GOP/employee
  - Robust position in strategic areas for sustainable growth (competitive advantage and group expertise)
    - 29% in EUR mortgages, 28% in SME lending, 76% in municipalities, 46% in asset management
  - „3B“ BCR‘s leader profile (Brand-Balanced-Big), sound base to emerge as winner from the recession

BCR: operating profit history (pre-provision profit)



BCR: CIR and NIM



*) Based on local consolidated IFRS data

Post-acquisition track record of BCR –
Analysing credit risk *

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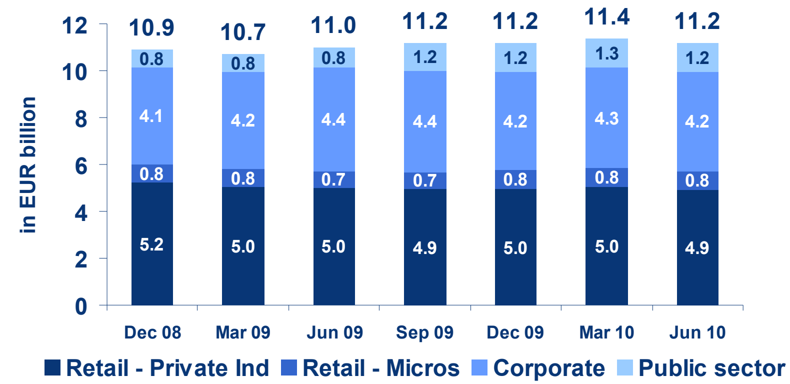
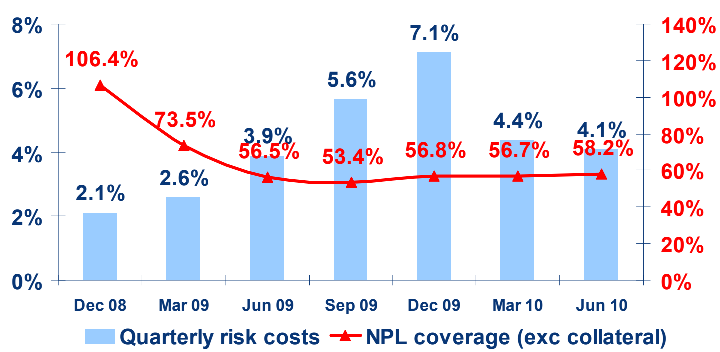
- **Customer loans to be driven by EUR-based state guaranteed mortgage loans**
  - BCR is market leader in Prima Casa programme
  - Deliberate shift to secured lending
- **Stabilisation in retail and SME portfolio quality despite still sluggish economy**
  - Similar performance of EUR and RON portfolios
  - NPL ratio has increased to 15.4% while coverage ratio has improved to 58.2% as of H1 2010
- **Newly placed loans are of much higher quality**
  - Tighter criteria
  - Gov. guaranteed first-time home buyers programme (Prima Casa)
- **Risk costs still at elevated levels**
  - Driven by corporate business after retail peaked in 2009
  - Prudent and proactive provisioning policy

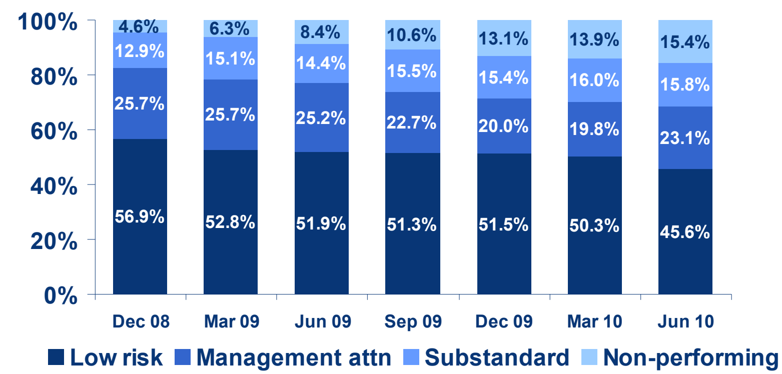
Segment Romania -
Customer loans by Basel II customer segment



Segment Romania -
Risk costs vs NPL coverage



Segment Romania - Migration analysis



*) Based on Erste segment report

Strategic initiatives –
Driving profitability from organic growth and efficiency

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- **Retail Sales Force Effectiveness** – branch network wide program to standardize sales process and increase service level, productivity (sales/ person/ week) up 62% from Jan to Jun 2010, in the branches implemented so far (23% of the network) versus non implemented branches
- **“Prima Casa” state guarantee program** – BCR leading share 35%, over 10,000 loans (EUR 430m) granted in Prima Casa 1 & 2
- **EU Funds** – BCR market leader based on pre-accession experience, 41% share of approved projects (out of total EUR 6bn), great potential ahead (~EUR 30bn allocated for Romania)
- **Balance Sheet Management** – high potential for increased liquidity and profitability: 10pp cut in FX MRR to release ~EUR 400m, generating additional revenues vs. the low rate currently paid by BNR (EUR 15m revenues straight to bottom line)
- **SME Business Optimisation** – customers clustering and sales process optimisation, target to increase revenues per customer by 33% until June 2012
- **Multidimensional Strategic Partnerships** – initiated extensive cooperation with key players in the marketplace, to gain operational and sales force synergies; ~EUR 4m cost savings in 3 years, subsequent to service providers selection
- **Corporate Cash Processing** – competitive advantage through own subsidiary, business developed so far with approx. 60 large customers, monthly volume of processed cash up over 50% in 8M

Conclusion –
BCR

- **Economy has already started to show signs of recovery**
  - Sustainable economic growth expected from 2011
    - Recovery to be driven by exports and industry
    - Industrial production has already returned to pre-crisis level
    - Domestic demand, however, is still sluggish
  - Partnership with IMF remains an anchor of stability providing impetus to required structural and fiscal reforms

- **Banking market offers huge business potential and rewarding returns once impacts of the downturn fade**
  - Still very low market penetration compared to other CEE countries
    - Housing loans to GDP at 4.9%
  - Robust capital base
  - Prudent risk management

- **BCR to take advantage of its leading position and market opportunities**
  - Maintaining number 1 position in Prima Casa programme
  - Very strong operating performance to continue
  - Risk costs still at elevated levels but will improve with more favourable macroeconomic environment