

BCR achieved an improved quarterly profit consolidating its market share in Q1 2011 in a continued difficult economic context

I. HIGHLIGHTS FOR THE BCR GROUP¹:

Improved quarterly results in a still difficult economic context

Operating result stands at **RON 608.8 million (EUR 144.5 million)** in Q1 2011, up by 10.9% on Q4 2010 although down by 20.2% on Q1 2010, in a continuing difficult economic context. **Operating income** improved quarterly by 8.2% compared to Q4 2010 although declined by 9.6% on the first quarter 2010 mostly due to diminished net income from interest and fees, as a result of market conditions: reduced interest rates, still low eligible loans demand and the impact of new the law on credit contracts for consumers (former OUG 50) implementation. **Operating expenses** increased by 10.3% on Q1 last year but by just 4.6% quarterly. **Net profit after taxes and minority interests** amounted to **RON 76.1** (EUR 18.1 million) from RON 29.5 million loss in Q4 2010 although declining on Q1 2010 mainly on the decrease in interest rates and the knock on effect on interest income and still high provision expense due to the continuing difficult market conditions impacting BCR's customers.

Efficiency and risk positively managed

Cost-income ratio remains good at 42.3% in Q1 2011 (36.9% at Q4 2010 and 34.6% at Q1 2010) although impacted by more limited income generation.

NPL formation slowed in Q1 2011 compared to Q1 2010, but remains at high levels and is not expected to significantly decrease on the short run. NPL remain manageable, with the coverage ratio comfortably at **129%** (collateral and provisions). The slowdown in NPL formation is confirmed by the very slight increase of **Risk costs** by 0.2% (or RON 1.0 million) on Q1 2010.

Business development continued despite a weak economy

BCR (bank only) **increased its market share in lending to 22.2%** in Q1 2011 due to a good performance in corporate lending which resulted in an improved position in this segment (+0.3 pp) and consolidation in housing loans market to 23.2%. On deposits BCR holds 23.3% of personal individual deposits in Romania, based on competitive pricing and the strength of the BCR brand – the most trusted banking brand in Romania. The retail business is self-funding, retail loan to deposits (LTD) ratio standing at around 74%, according to local standards. The bank has strong liquidity and a sound capital base well above regulatory minima.

"There is still a difficult economic context impacting our customers and therefore BCR. However the results are encouraging especially on risk costs. Credit demand remains low as the economic recovery is gradual", stated Dominic Bruynseels, BCR CEO. "We continue to do our best to help and serve our customers, to speed up Romania's economic recovery, to improve our business and operational model. The strengthening of our leading market position shows that we are doing the right things in the right way" Mr. Bruynseels added.

II. FINANCIAL PERFORMANCE OVERVIEW FOR BCR GROUP

BCR Group's **operating profit** decreased by 20.2% to **RON 608.8 million (EUR 144.5 million)** from RON 763.0 million (EUR 184.4 million) in Q1 2010 mainly as a result of the operating income drop, but picking up in quarterly terms (+10.9% on Q4 2010).

The **net operating income** went down from RON 1,167.4 million (EUR 282.1 million) to **RON 1,054.8million** (EUR 250.4 million). The main driver of this decline was the **decrease in interest rates and its knock on effect**

¹ All the below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana (BCR) Group for Q1 2011 according to IFRS. Unless otherwise stated, Q1 2011 figures are compared to the figures for Q1 2010. 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 2011 of 4.2122 RON/EUR when referring to Q1 2011 and using the average exchange rate for Q1 2010 of 4.1383 RON/EUR when referring to Q1 2010. The balance sheets at 31 December 2010 and at 31 March 2011 are converted using the closing exchange rates at the respective dates (4.1221 RON/EUR at Q1 2011 and 4.2620 RON/EUR at 31 December 2010 respectively). All the percentage changes refer to RON figures.

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on interest income (down by 13.3% or RON 245.5 million) which was also pressured by a still low eligible demand for loans and increasing competition for quality business.

The recovery of the Romanian economy was fragile in Q1 2011 so many businesses were still facing a dramatic reduction in demand for their services and products. A quite large number of them even closed mainly micros and SMEs, unfortunately. This had also a negative impact on the transactions they made with BCR.

Seasonal factors also affected business volumes.

The confidence of the retail customers continued to be affected by the reduction of their household income caused by the austerity package and VAT increase and by fear of job losses as well in a contracted economy. As a result they are still very cautious in their spending.

The implementation of the law on credit contracts for consumers (former OUG 50/2010) also reshaped business flows and cut banks' **fee income** for both new and existing loans.

The **net trading result** increased by 10.7% in Q1 2011 on Q1 2010 driven primarily by foreign exchange trading. BCR is the leading player in the Romanian market of TBills and bonds.

Operating expenses went up from RON 404.3 million (EUR 97.7 million) in Q1 2010 to **RON 446.0 million** (EUR 105.9 million). BCR continued the investments in "good costs" especially in personnel training, internet and card channels as well as in modernizing its branch network premises - all of these result in a higher depreciation charge.

The **consolidated net profit after taxes and minority interests** in Q1 2011 is **RON 76.1 million** (EUR 18.1 million), from RON 29.5 million loss in Q4 2010 but declining by 68.7% on Q1 2010 mainly on lower net operating income and still high provisioning. ROE declined to 4.3% in Q1 2011.

The net charge with **risk provisions for loans and advances** totalled RON 457.4 million (EUR 108.6 million) slightly up by just 0.2% on Q1 2010 developing in line with expectations as the Romanian companies and individuals are still confronted with adverse market conditions. Corporate segment was the main contributor to new NPL volumes in Q1 2011. SMEs remained most pressured given still high liquidity constraints. Gradual recovery is expected once economic growth resume.

The loan portfolio developed satisfactorily in Q1 2011, given the circumstances – NPL remain manageable, weighting **16.8%** of the total loan portfolio. BCR Group is enjoying a comfortable NPL coverage ratio of approx. **129%** (collateral and provisions).

BCR maintains a prudent approach in lending adapted to the current environment.

In the same time BCR continues to focus on implementing sustainable solutions for helping customers reorganize their finances to deal with their individual situations – thousands of families and companies are already benefiting from these solutions which help our customers through these difficult times.

Latest data signal that the end of recession is near, but the recovery ahead will be rather gradual, below Romania's long term potential. The economy is expected to advance by around 2% in 2011, visible mainly in the second half of the year.

Solvency ratios remain comfortably above the required levels. Tier 1+2 capital ratio in Q1 2011 (provisional data): approx. **12%** RAS ratio against min. 10% according to the current requirements of the National Bank of Romania. Also the 17% solvency ratio (BCR Group, IFRS) is clearly showing the BCR's strength and the continuing support of Erste Group. (RAS: Romanian Accounting Standards)

III. BUSINESS ACTIVITIES IN BRIEF (bank only – unconsolidated, IFRS)

In Q1 2011 BCR continued to positively manage a sound and sustainable business in line with expectations in a still difficult economic environment.

The bank's **Total assets** slightly decreased by 2% to **RON 68,539.6 million** (EUR 16,627.4 million) as at March 31st, 2011 from RON 69,945.2 million (EUR 16,411.4 million) as at December 31st, 2010 – a similar evolution as in the first quarter of last year, BCR maintaining its leading position in the market.

Lending has developed well in the context of a continuing weakness in eligible credit demand, BCR acting as main financial supporter of the Romanian economy. BCR increased its **market share in overall lending to 22.2%**

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in Q1 2011, due to a good performance in corporate lending which resulted in an improved position in this segment (+0.3 pp market share qoq) combined with a consolidation in housing loans market

The volume of aggregate **Loans to customers** portfolio (before provisions, IFRS) decreased by RON 1,127.5 million (down 2.3%) to **RON 47,480.2 million** (EUR 11,518.4 million) from RON 48,607.7 million (EUR 11,404.9 million) – a seasonal effect similar to Q1 2010 - mainly on a decrease in retail and maintains well balanced by customer segment and industry.

In Q1 2011 BCR continued to expand lending to the productive sectors of the economy. **Corporate lending** maintained stable (up by **0.1%** YTD) mainly based on providing working capital for companies and funding for public sector enterprises.

The **Retail loan portfolio** (including individuals and micro business) declined by **5.2%** YTD matching the people's lower income and the market trends. The positive trend in mortgage lending driven mainly by the state guarantee mortgage program "Prima Casa" has been outbalanced by the decline in the inflow of new secured and unsecured consumer loans. "Prima Casa" program positive impetus continued, BCR being the leader of the program with a total of over EUR 560 million lent to more than 13,800 families since the start of the program, helping them to own their first home. BCR is the first bank accepting conditions under the fourth stage of the Prima casa program expected to be operational in the month of May 2011.

BCR maintains its leading position in retail lending, having a 23% market share in mortgage.

Corporate Loan portfolio is **58.3%** of total customer loans while **Retail** (including micro business) is **41.7%**.

Deposits from customers slightly decreased by 2.9% YTD to **RON 36,212.2 million** (EUR 8,784.9 million) from RON 37,289 million (EUR 8,749.2 million) due to seasonality on the corporate side (down by 11.4%) combined with an increase by 0.2% on retail deposits. The bank maintains its **No 1 position** in the market on **primary deposits**. Customer deposits remain the main BCR funding source, the bank also enjoying a strong support from its parent bank.

BCR currently has a top 3 most attractive offer in terms of interest rates, quality and simplicity of processes aiming to be the first choice bank for both savings and secured loans.

BCR is also the leader on **EU funds market** currently holding 43% share of approved projects (out of a total of EUR 10.8 bn). BCR is continuing to implement various financing solutions to support SME sector recovery - i.e. in Q1 2011 the bank joined the Jeremy initiative (BCR to originate over EUR 200m loans for SMEs projects, based on EIF guarantee) and signed an agreement with EIB for a EUR 75m facility for SME, mid-caps and municipalities projects in industry, tourism, services, agriculture.

BCR retail branch network stayed at 667 units in Q1 2011 the bank focusing on developing the alternative distribution channels based on its strategy to encourage customers to use the non-cash transactions. BCR continued to successfully enhance the functionalities of its Internet Banking and Phone Banking services (known as "BCR 24 Banking"), continued to develop the cards business and the range of services at ATMs as well.

Customers are increasingly enjoying the convenience of "**BCR 24 Banking**" and we are seeing a constant migration of transactions from cash to direct channels (internet, telephone or self service equipments). The number of transactions via BCR 24 Banking almost doubled on Q1 2010 (7% growth on Q4 2010). In Q1 2011 only, BCR customers have performed more than 1.54 million online transactions through Click&Alo 24 Banking service and almost half million of foreign exchange operations via BCR's automatic FX machines.

BCR continued to expand its ATM network by adding **51** new machines in Q1 2011 up to **2317 ATMs** (**4%** YOY increase) and its POS network to **18,182 units** (**3%** increase YOY). BCR strengthened its leading position on the **debit and credit cards** market – the bank is managing a **two million** valid cards portfolio. As a result of customers increasing desire for convenience, the number of transactions on POS went up significantly by **28%** on issuing side and by almost one fold (**98%**) on acquiring side on Q1 2010. The value spent on POS went up by **26%** YOY on issuing side and by **94%** YOY on acquiring side. The shift in customers' behaviour in favour of non cash transactions is also seen on ATMs: the number of ATM transactions decreased by **7%** on issuing side and by **8.5%** on acquiring side (with a decrease by value by **3%** YOY on issuing side and increase by **1%** YOY on acquiring side).

IV. Exchange rate development (the official exchange rates of the European Central Bank)

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	Rate at the end of the period			Average of the month-end rates		
	Mar-2011	Dec-2010	% change	Mar-2011	Mar-2010	% change
RON/EUR	4.1221	4.2620	-3.3%	4.2122	4.1383	+1.8%

Positive change = devaluation against EUR, negative change = appreciation against EUR

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Appendix I

CONSOLIDATED INCOME STATEMENT (IFRS)

- amounts in RON million

	31-Mar-11	31-Mar-10	%Change
Interest and similar income	1,595.0	1,840.5	-13.3%
Interest and similar expenses	(735.9)	(868.5)	-15.3%
Net interest income	859.1	972.0	-11.6%
- Risk provisions for loans and advances	(457.4)	(456.4)	0.2%
Fee and commission income	225.2	216.2	4.1%
Fee and commission expenses	(71.1)	(58.4)	21.7%
Net commission income	154.1	157.8	-2.4%
Net trading result	41.6	37.6	10.7%
Personnel expenses	(222.5)	(199.0)	11.8%
Other administrative expenses	(169.1)	(161.6)	4.7%
Depreciation on fixed assets	(54.4)	(43.8)	24.2%
Other operating results	(56.0)	(48.2)	16.2%
Result from financial assets - at fair value through profit or loss	1.4	8.1	-82.5%
Result from financial assets - available for sale	0.0	24.5	-100%
Pre-tax profit	96.8	291.0	-66.7%
Taxes on income	(20.3)	(47.9)	-57.5%
Net profit before minority interests	76.5	243.1	-68.5%
Minority interests	(0.4)	(0.1)	>100%
Net profit after minority interests	76.1	243.0	-68.7%

Appendix II

Consolidated balance sheet (IFRS)

- amounts in RON million

	31-Mar-11	31-Dec-10	%Change
ASSETS			
Cash and balances with central banks	8,339.2	9,545.4	-12.6%
Loans and advances to credit institutions	1,566.9	1,771.7	-11.6%
Loans and advances to customers	50,520.0	52,238.6	-3.3%
- Risk provisions for loans and advances	-4,816.7	-4,844.9	-0.6%
Trading Assets	956.3	966.9	-1.1%
Financial assets - at fair value through profit or loss	45.7	41.9	9.0%
Financial assets - available for sale	5,107.3	3,925.7	30.1%
Financial assets - held to maturity	5,566.3	5,442.2	2.3%
Intangible assets	411.5	424.3	-3.0%
Tangible assets	1,716.3	1,693.9	1.3%
Current Tax assets	163.9	192.9	-15.0%
Deferred tax assets	44.2	53.6	-17.6%
Other assets	2,079.9	2,130.8	-2.4%
Assets Held For Sale	49.6	29.4	68.7%
Total assets	71,750.3	73,612.4	-2.5%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Amounts owed to credit institutions	21,890.1	21,823.5	0.3%
Other amounts owed to customers	36,776.5	37,828.8	-2.8%
Debts evidenced by certificates	755.1	638.1	18.3%
Trading liabilities	41.9	0.0	>100%
Other provisions	228.1	253.9	-10.2%
Current Tax liabilities	21.4	21.7	-1.4%
Deferred Tax liabilities	487.4	498.4	-2.2%
Other liabilities	2,438.2	3,477.0	-29.9%
Subordinated Liabilities	1,945.1	1,967.3	-1.1%
Total equity	7,166.5	7,103.6	3.9%
<i>Equity</i>	7,142.3	7,077.1	0.9%
<i>Minority interests</i>	24.3	26.5	-8.4%
Total liabilities and equity	71,750.3	73,612.4	-2.5%