

# Romanian SIFs: How long to hold them?

SIFs have become unusually appealing dividend stocks, with lavish cash distributions financed via key assets disposals, although their status is far from that of revenue-generating portfolio. This is supportive for ST pricing, but negative for LT valuation.

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**SIFs have undergone gradual and irreversible deterioration since 2010.** This year, they have strongly consolidated the status of cash-generating portfolios via assets disposals. The cumulative 2010 and 2011 figures across SIFs, cash outflows for dividends paid to shareholders and operational expenses, were 2x and 2.6x, respectively, higher than cash inflows from dividends and interests. This means that the dividend distributions made by SIFs in order to meet investor expectations were partly financed by assets disposals (in the case of the key holding in BRD-GSG).

**Financial crisis had dramatic consequences for SIFs, which lost their main revenue sources – dividends from banks.** Under these circumstances, the closed-end funds were forced to sell assets in order to pay appealing dividends, in line with investor expectations. Unclear asset management options, weak investor relations and the low visibility of asset collections fueled investor opinions, both foreign and domestic, that substantial cash distribution is the key goal of SIFs. Their investment actions are expected to become more and more inhibited, the exit flow becoming the key assets management task, as targeted mainly by different groups of domestic investors.

**Major drawback is gradual deterioration of asset collections, owing to aggressive dividend policy – not at all encouraging for LT valuation.** We see an average upside potential for SIF shares of at maximum 20% in a six- to eight-month investment horizon, while expected dividend yields will stay above the 10% threshold. Under these circumstances, we do not believe in upside potential for SIFs in the medium/LT, with the trading discounts to remain substantial (probably ranging between 30% and 50% to Official NAV, which will be hit by asset disposals). On the contrary, in the context of a prolonged unsustainable cash distribution policy, the question for LT investors should be how long it is worth holding SIF shares in their portfolios.

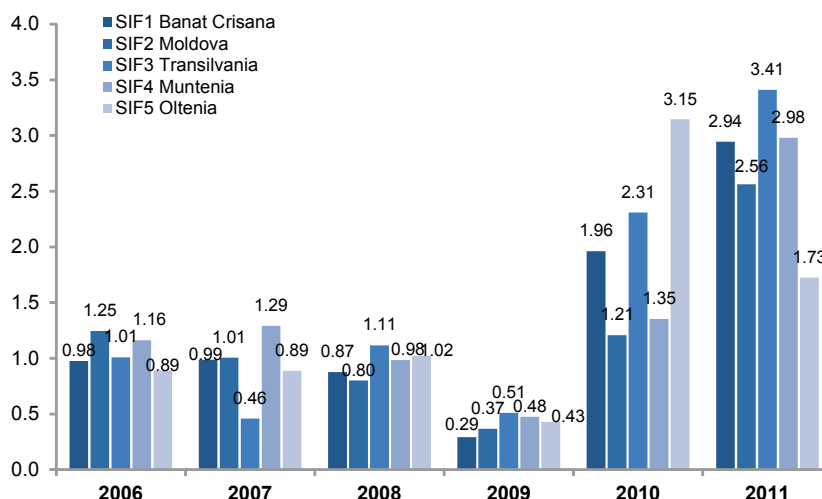
**We have to judge SIFs in terms of their capability of making future capital gains.** Among SIFs, we continue to like SIF3 Transilvania (due to the valuable real estate assets, especially in the hospitality industry) and SIF5 Oltenia (due to the valuable listed holdings). SIF1 Banat Crisana, SIF4 Muntenia and SIF5 Oltenia have largely preserved their holdings in BRD-GSG, which is a plus, while in the case of SIF2 Moldova, we see the lowest capability to sustain generous dividend distributions in the LT.

## Investment case

**SIFs assumed aggressive dividend policy since 2010, financed mainly via asset disposals**

SIFs were in a completely different position starting in 2010, when dividend inflows from banks vanished, forcing them to finance the dividend distributions 'claimed' by investors via asset disposals. Up to 2009, the dividends received from portfolio companies and interest on invested cash easily covered cash outflows for dividends paid out to shareholders and operating expenses. As can be observed in the chart below, dividends paid by SIFs in 2010 and 2011 were two to three times higher than the dividends and interest received, which suggests a contradiction between their generous dividend policy, on the one hand, and their portfolios' income-generating capability, on the other hand. This ratio will further deteriorate in 2012 and 2013, as a result of cash distributions following SIF exits from BCR (excepting SIF5 Oltenia); however, transferring deal benefits to shareholders cannot be considered inappropriate.

**(Dividends paid + OPEX) / (Dividends received + Interest received)**



**SIF1 and SIF5 broadly conserved their stakes in BRD-GSG in recent years**

The lavish dividends for FY11 and FY12 are supported by proceeds from the BCR exit, with four SIFs getting – for their 6% stake (each) in BCR – about 1% of Erste Group Bank AG shares and RON 123.6mn (about EUR 28.5mn) in cash. SIF2 Moldova and SIF3 Transilvania recorded the capital gain from BCR exit exclusively in FY11, while SIF1 Banat Crisana and SIF4 Muntenia closed the deal this year. SIF5 Oltenia is the only financial investment company which has not signed a final exit agreement from BCR.

SIF2 and SIF3 also continued to divest from BRD-GSG in 2011 and 1H12 and thus are able to report substantial dividend distributions for FY12. This is why their stake in BRD-GSG has substantially thinned, to 2.3% and 3%, respectively, well below the other three SIFs' holdings.

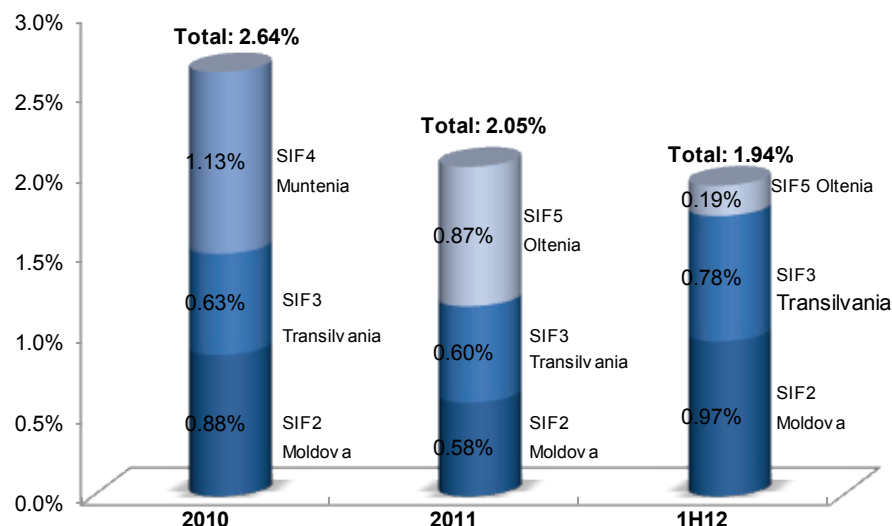
### SIFs stakes in banks as of June 2012

Bank	SIF1	SIF2	SIF3	SIF4	SIF5
BRD-GSG	4.66%	2.32%	2.99%	4.15%	4.45%
Banca Transilvania	4.52%	5.00%	0.65%	0.21%	5.20%
Erste Group Bank	1.05%	0.91%	0.93%	1.02%	0.00%

Source: SIFs, Erste Group Research

SIF2 and SIF3 have systematically sold BRD-GSG shares since 2010 in sector reallocation and financing dividend outflows

### Stakes sold in BRD-GSG since 2010



Source: SIFs, Erste Group Research

Cash from the sale of BRD-GSG shares was not only employed by SIF2 and SIF3 for dividend distribution financing, but also for funding purchases of shares in companies in the energy/mining/gold sectors and financing companies from the leisure industry, respectively. Following the SIF share price collapse in 2008, investors demanded an aggressive cash distribution policy, perceived as a key investment-recovery tool, considering the weak corporate profile of SIFs, with their unclear asset management policy and low visibility of their asset collections.

Since onset of financial crisis, SIFs have become dividend stocks, despite profiles far from those of income-generating portfolios

### SIFs historical dividend yields (%)

SIF	2006	2007	2008	2009	2010	2011	2012e*
SIF1 Banat Crisana	1.8%	2.0%	5.5%	4.4%	10.2%	11.1%	13.3%
SIF2 Moldova	1.9%	1.4%	8.5%	5.3%	7.7%	20.4%	12.4%
SIF3 Transilvania	-	1.6%	11.0%	4.4%	5.5%	30.2%	17.3%
SIF4 Muntenia	3.8%	2.9%	6.4%	5.6%	12.6%	35.6%	15.3%
SIF5 Oltenia	2.0%	1.8%	10.3%	12.6%	6.0%	12.3%	9.9%
<b>SIFs aggregate</b>	<b>1.6%</b>	<b>1.9%</b>	<b>8.1%</b>	<b>6.6%</b>	<b>8.2%</b>	<b>21.7%</b>	<b>13.4%</b>

\*Computed considering dividend estimates for 2012 and the last closing price

Note: 2006-2012 dividend yields are computed based on year-end closing price

Source: SIFs, Bucharest Stock Exchange, Erste Group Research

The generous dividends distributed in 2010 and 2011 did not help SIF share prices, which – with some exceptions – remained in negative territory. This year, however, SIF prices were supported by substantial dividend distributions (partly thanks to the exit from BCR), and advanced between 20% and 30%, with the exception of SIF3, whose share price surprisingly adjusted by around 1%.

**Lavish dividend distributions were not supportive of SIF share price in 2010 and 2011**

#### SIFs share prices return

SIF	2006	2007	2008	2009	2010	2011	2012 ytd
SIF1 Banat Crisana	33.1%	8.9%	-84.6%	107.3%	-10.3%	-10.9%	24.9%
SIF2 Moldova	45.3%	6.4%	-84.8%	115.1%	1.9%	-7.1%	23.5%
SIF3 Transilvania	41.9%	55.7%	-88.3%	150.0%	-20.1%	4.3%	-1.2%
SIF4 Muntenia	7.6%	31.0%	-74.1%	13.6%	-9.3%	-11.3%	20.2%
SIF5 Oltenia	37.4%	22.9%	-86.5%	117.1%	-0.8%	-16.1%	29.3%

Source: Bucharest Stock Exchange, Erste Group Research

#### SIFs investment return (including dividends)

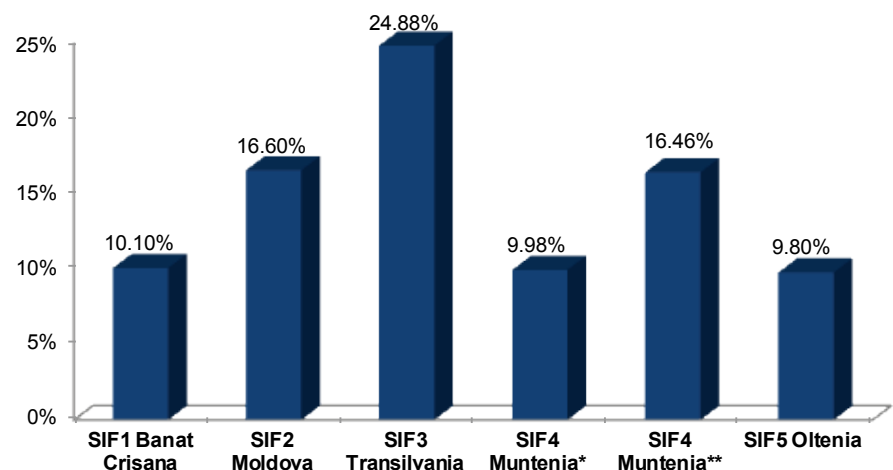
SIF	2006	2007	2008	2009	2010	2011	2012 ytd
SIF1 Banat Crisana	35.1%	10.7%	-82.7%	112.8%	-5.8%	-0.8%	36.0%
SIF2 Moldova	48.3%	8.3%	-83.3%	123.6%	7.2%	0.7%	43.9%
SIF3 Transilvania	44.3%	55.7%	-86.7%	161.0%	-15.7%	9.8%	29.0%
SIF4 Muntenia	11.1%	34.8%	-71.2%	20.0%	-3.7%	1.2%	55.8%
SIF5 Oltenia	39.7%	24.9%	-84.7%	127.4%	11.8%	-10.2%	41.6%

Source: Bucharest Stock Exchange, Erste Group Research

**2011 dividend yield clearly indicates that investors are not satisfied with dividend yields of below 10%**

2011 dividend yields, computed with the share prices from the trading session previous to the ex-dividend day, provide also a clear indication of the high remuneration in cash claimed by investors in order to maintain their exposure to SIFs. It is worth mentioning that an exceptional dividend distribution made by SIF3 did not help this closed-end fund's valuation, yielding a return on the investment of about 25% only from the dividends received for FY11. This proves that investors do not trust in a reasonable upside potential for SIF shares in a medium/LT investment horizon. The current status of SIFs, viewed as simple asset collections able to generate good cash distributions, looks set to strengthen after (for the first time) SIF4 Muntenia distributed a special dividend of RON 0.122/share under the pressure of a group of investors (in addition to the RON 0.13 dividend for FY11). In the case of SIF4 Muntenia, there is a hostile investor group, owning a 17% stake, which took over control of the Board of Nominees and is currently trying to make the current managers to resign. The yield of supplementary cash distribution (computed with the price before the ex-dividend day of July 19) was 16.5%, which also confirms the high yield required by investors in order to hold SIFs.

#### 2011 dividend yield (last trading session before 2012 ex-dividend day)



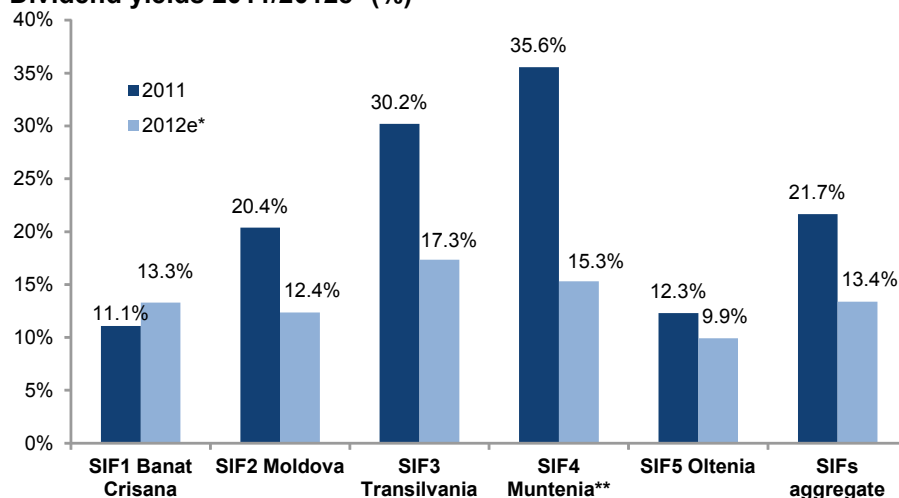
**First supplementary dividend distribution made on BSE by SIF4 Muntenia is indication of domestic investor pressure for high cash benefits**

\*FY2011 ordinary dividend; \*\*supplementary dividend distribution

Source: SIFs, Bucharest Stock Exchange, Erste Group Research

We estimate that FY12 dividend yields of between 10% and 20% might be supportive for average share price advance of up to 20% in coming 6-8 months

Dividend yields 2011/2012e\* (%)



\*2011 dividend yield = dividend FY2011/closing price December 2011; 2012 dividend yield = dividend FY2012/last closing price

\*\*computed considering the dividend for FY2011 of RON 0.03/share and the extra dividend of RON 0.122/share

Source: SIFs, Bucharest Stock Exchange, Erste Group Research

### SIFs versus BRD-GSG historical valuation

From perspective of SIFs' historical valuation related to BRD-GSG, there is limited upside potential for these stocks in medium/LT horizon

We systematically use the ratio between the BRD-GSG mcap and the cumulated capitalization of SIFs as a measure of market sentiment related to the five closed-end funds. Together, SIFs held more than 20% of BRD-GSG share capital over time, so it makes sense to study the correlation between their market capitalizations. The historical volatility of this ratio's value is a reliable example of the domestic equity market inefficiency.

#### MkCap BRD/MkCap SIFs ratio (2003 to date)



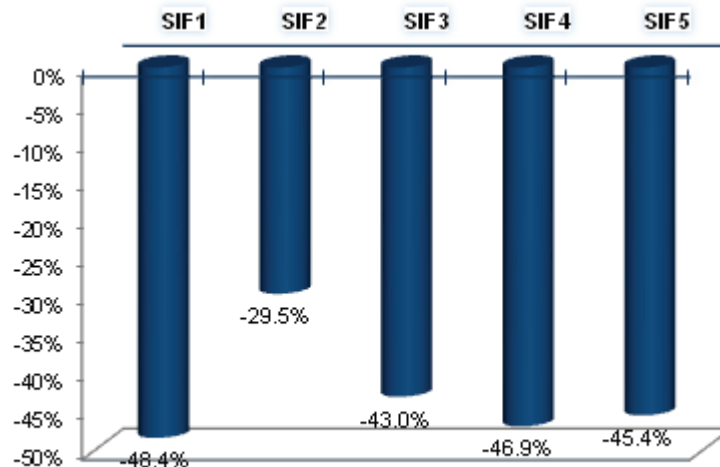
Source: Erste Group Research

Starting with October 2011, SIFs valuation systematically improved in relation with BRD-GSG. Thus, from a historical high of 3.83, the ratio's value narrowed to the current level of 1.6. This is only 15% higher compared to the value of 1.43, marking the best SIFs' valuation in comparison with BRD-GSG, which was reached in January 2006. This would obviously suggest that there is a rather limited upside potential for

SIFs' share prices, despite the fact that the appealing dividend yields could foster a further increase of SIFs' market capitalization in the short term.

#### Trading discounts to Official NAV/share\* (%)

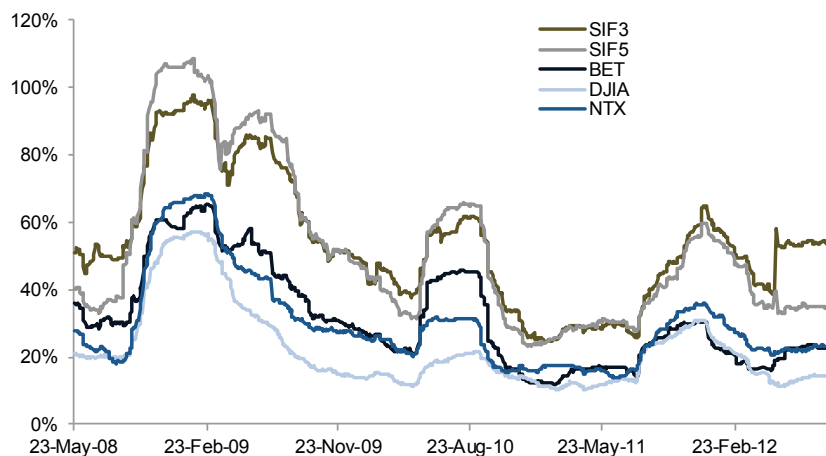
**SIFs will continue to be traded at 30%-50% discounts to Official NAV, which is expected to be hit by asset disposals aimed at funding dividend outflows**



\*Considering NAVs as of August, 2012 and last closing prices  
Source: SIFs, Bucharest Stock Exchange, Erste Group Research

**Much higher volatility of SIFs compared to domestic index BET, regional index NTX and developed markets indexes (DJIA), which explains large trading discounts and high dividend yield required by investors to maintain exposure**

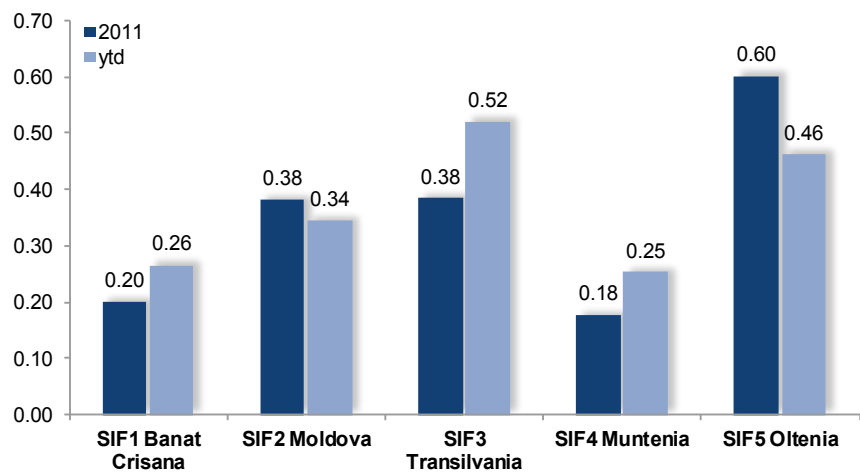
#### Rolling annualized standard deviation for SIFs and stock indexes (%)



Source: Bucharest Stock Exchange, Yahoo Finance, FactSet, Erste Group Research

In 2012, SIF3 became most actively traded SIF, while five closed-end funds together account for between 20% and 40% of Bucharest Stock Exchange monthly liquidity

#### Average daily liquidity of SIFs shares (EUR mn)



Source: Bucharest Stock Exchange, Erste Group Research

#### SOTP valuation

##### Asset categories

We divided equity portfolio into eight categories

- We divided assets into eight categories, in line with SIFs' portfolio characteristics, with the major challenge being the assessment of a few key unlisted holdings and the valuation of income-generating properties, including assets in the hospitality industry (it is not important whether they are listed or not).
- Non-equity asset categories are recorded at the values from the Official NAV.
- The fourth asset category includes mainly holdings in listed banks (BRD-GSG, Erste Group Bank AG and Banca Transilvania), plus other less important holdings in local unlisted banks.
- The fifth asset category includes holdings in listed companies from the energy sector (Petrom, Fondul Proprietatea, Transelectrica, Transgaz, Conpet, Oil Terminal). Shares in companies from the energy sector purchased on foreign equity markets (OMV, CEZ, Verbund etc) were also included in this asset category.
- The sixth asset category includes holdings in the pharma sector (Biofarm, Antibiotice, Zentiva, Ropharma).
- The seventh asset category is represented by i) companies which own office, retail & industrial properties with the rental revenues as the main contributor to sales; ii) companies which hold prime plots of land and where SIFs have majority stakes and iii) companies operating in hotels and leisure industry.
- The eighth asset category is represented by holdings not-included in asset categories no 4-7.
- To assess SIFs' holdings in portfolio companies, we took into account the reports from end-June 2012 (the last date at which the detailed portfolios are available).
- We also defined a special class (blue chips), which includes the most liquid stocks listed on the BSE (Fondul Proprietatea, Petrom, BRD-GSG, Erste Grup Bank AG, Banca Transilvania, Transelectrica, Transgaz, Biofarm, Antibiotice).



### SIFs portfolios under SOTP approach

No.	Asset Category -RON mn-	SIF1 Banat	SIF2 Crisana	SIF3 Moldova	SIF4 Transilvania	SIF5 Muntenia	SIF5 Oltenia
1	Cash & monetary investments (Deposits, T Bills, T Bonds)	132.85	99.17	111.16	90.93	57.59	
2	Mutual funds units (UCITS and NON-UCITS)	9.25	134.42	50.38	34.22	1.74	
3	Municipal and corporate bonds	1.02	1.19	10.61	32.33	-	
4	Banks, out of which	648.98	488.05	448.83	525.90	840.00	
4.1	Erste Group Bank AG	283.42	252.48	257.35	283.00	457.12	*
4.2	BRD Groupe Societe Generale	267.82	133.16	172.05	238.41	255.88	
4.3	Banca Transilvania	93.80	96.66	12.52	4.10	100.57	
5	Energy	37.34	227.87	113.49	51.98	280.19	
6	Pharma	43.17	26.11	10.80	2.04	74.41	
7	Properties	75.83	81.63	437.50	137.99	98.83	
7.1	Hotels & leisure	7.02	1.66	263.47	15.51	32.05	
7.2	Prime land plots	-	64.75	81.80	18.53	-	
7.3	Office, Retail & Industrial properties	68.80	15.23	92.23	103.95	66.78	
8	Other holdings	135.07	102.55	137.39	360.87	112.25	
	<b>Total assets</b>	<b>1,083.50</b>	<b>1,161.00</b>	<b>1,320.15</b>	<b>1,236.25</b>	<b>1,465.01</b>	
	<b>Total liabilities</b>	<b>59.84</b>	<b>69.87</b>	<b>139.13</b>	<b>159.51</b>	<b>172.98</b>	
	<b>Fair value Net Assets Value (NAV)</b>	<b>1,023.65</b>	<b>1,091.13</b>	<b>1,181.03</b>	<b>1,076.74</b>	<b>1,292.03</b>	

\*The stake of 6.6% in BCR held by SIF5 Oltenia was converted to the fair value considering the terms of the preliminary exit agreement signed with Erste Group Bank AG in September 2011

Note: i) Asset categories (1)-(3) are recorded according to the last Official NAV statement (August 2012); ii) listed shares are recorded at their last closing price from August, except for companies included in assets category (7) and other important listed shares with very low liquidity (see details about SOTP valuation)

Source: SIFs, Erste Group Research

### SIFs assets breakdown (SOTP approach)

SIFs assets breakdown	SIF1 Banat	SIF2 Crisana	SIF3 Moldova	SIF4 Transilvania	SIF5 Muntenia	SIF5 Oltenia
Non-equity asset category	13.2%	20.2%	13.0%	12.7%	4.0%	
Banks holdings	59.9%	42.0%	34.0%	42.5%	57.3%	
Energy holdings	3.4%	19.6%	8.6%	4.2%	19.1%	
Pharma holdings	4.0%	2.2%	0.8%	0.2%	5.1%	
Properties holdings	7.0%	7.0%	33.1%	11.2%	6.7%	
Other holdings	12.5%	8.8%	10.4%	29.2%	7.7%	

Source: SIFs, Erste Group Research

### Valuation tools

- Listed shares are recorded at their last closing price from August (compared to the 90-days average weighted price in the Official NAV), except for companies which own income-generating properties and important listed companies which are thinly traded.
- The most important unlisted companies (as well as listed, but with extremely low liquidity) are valued using target multiples (P/Sales, P/E, P/EBITDA) in connection with their profitability profile.
- The other unlisted companies (excluding income-generating properties) were maintained at the value recorded in the Official NAV (book value, at which discounts between 15% and 50% are applied if the stake held by the SIF is not a majority one), this being considered a reasonable conservative approach.
- The stake of 6.6% in BCR held by SIF5 Oltenia was converted to the fair value considering the terms of the preliminary exit agreement signed with Erste Group Bank AG in September 2011 plus an amount of RON 37.2mn, representing the effective subscription made by the closed end fund within the share capital increase from December 2011.
- Valuation of companies holding income generating properties:

**Our SOTP approach is conservative, with properties and important unlisted holdings as main targets of assessment process**



- We employed market-derived capitalization rate method, which is a common metric for estimating the value of a property.
- Value of property = Net operating income (NOI)/Real estate cap rate.
- To a large extent we have considered yields at 15% in euro terms for computing the fair values of SIFs' properties, with the lower yield being used only in the case of a few qualitative properties.
- In order to compute NOI, we applied discounts of 20% (for office and industrial property) and 50% (for retail property) to the gross rental revenues generated by the respective property.
- The current prime yields on the Romanian property market (offices – 8%, shopping centers – 8.75%, warehouses – 10.25%) suggest our conservative cap rate used.
- Valuation of companies from the hospitality industry was also made based on the market-capitalization method, with NOI equaling the EBITDA and a base yield applied of 12%-15% in euro terms (lower yields were considered only for a few prime hotels).
- For all stakes included in the 'Other holdings' category, a discount of 20% was applied in order to avoid overrating this assets category.

### SOTP valuation conclusions

#### Key SIFs indicators

Indicator	SIF1 Banat Crisana	SIF2 Moldova	SIF3 Transilvania	SIF4 Muntenia	SIF5 Oltenia
Official NAV (RON mn)	1,199.0	982.8	1,073.0	1,042.6	1,453.3
Official NAV (EUR mn)	262.6	215.2	235.0	228.4	318.3
Fair NAV (RON mn)	1,023.7	1,091.1	1,181.0	1,076.7	1,292.0
Fair NAV (EUR mn)	224.2	239.0	258.7	235.8	283.0
MkCap (RON mn)	619.1	692.5	611.6	554.0	793.1
MkCap (EUR mn)	135.6	151.7	134.0	121.3	173.7
Official NAV/ share (RON)	2.1846	1.8932	0.9825	1.2919	2.5049
Fair NAV/ share (RON)	1.8651	2.1020	1.0814	1.3342	2.2270
Share price (RON)	1.128	1.334	0.560	0.687	1.367
Fair NAV / Official NAV (%)	-14.6%	11.0%	10.1%	3.3%	-11.1%
Discount to Official NAV / share	-48.4%	-29.5%	-43.0%	-46.9%	-45.4%
Discount to Fair NAV / share (%)	-39.5%	-36.5%	-48.2%	-48.5%	-38.6%

Source: SIFs, Bucharest Stock Exchange, Erste Group Research

**SIFs have limited upside potential of max. 20% in ST perspective; we see downward pressure in LT**

As can be seen in the table above, by applying our SOTP approach, we arrived at a Fair NAV/share relatively close to the Official NAV/share. This translates into trading discounts (considering the current share prices) to Fair NAV/share of between 30% and 50%, which we consider to be a fair level during such a prolonged confidence crisis. The two major threats for SIFs' valuation in the medium and LT are the pressure on NAVs resulting from aggressive cash distribution practices and the low visibility of their assets collections.

## Portfolios analysis

### SIF5 by far most able to generate dividend inflows

One of the most valuable tools for measuring the quality of SIFs' portfolio is their capacity to generate revenues from dividends. This capacity was severely harmed in 2010, when BCR and BRD-GSG, the two largest Romanian banks, halted their generous dividend distributions under the constraints of the financial crisis.

### This proves realistic LT investment policy, with bet on most liquid shares from BSE

It is worth noting the substantial differences between the closed-end funds in terms of their capacity to generate revenues from dividends. SIF5 Oltenia has by far the highest capability of generating dividend inflows, which proves that its strategy to build substantial stakes exclusively in important listed companies from the BSE was a realistic one. The main contributors to SIF5 dividends were the holdings in companies from the energy sector built over time by this financial investment company.

Following a courageous strategy, SIF2 Moldova acquired a 1.15% stake in Fondul Proprietatea before listing, further consolidated it to 1.6%, with this holding becoming the main dividend contributor (with a weight of about 30% in total dividends received in 2011).

#### Dividends in cash received (RON mn)

	2005	2006	2007	2008	2009	2010	2011	1H 2012
SIF1 Banat Crisana	33.24	35.46	37.84	47.11	72.76	13.13	13.52	8.16
SIF2 Moldova	30.58	34.61	36.71	46.38	71.54	21.66	16.74	16.25
SIF3 Transilvania	31.81	34.67	39.80	46.81	80.04	18.53	11.58	12.78
SIF4 Muntenia	32.24	34.85	38.63	45.09	77.81	22.30	15.93	11.77*
SIF5 Oltenia	34.69	41.50	48.57	55.91	78.43	17.88	23.48	21.91
<b>SIF</b>	<b>162.56</b>	<b>181.09</b>	<b>201.55</b>	<b>241.30</b>	<b>380.58</b>	<b>93.51</b>	<b>81.25</b>	<b>70.87</b>

\*Revenues from dividends considered in the case of SIF4 Muntenia

Source: SIFs, Erste Group Research

### SIF3 and SIF4 were focused to provide external equity financing to companies controlled

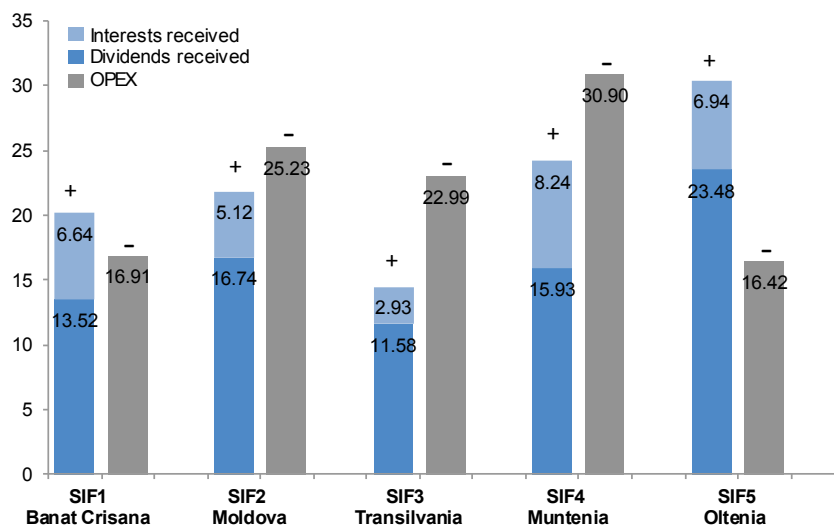
SIF3 Transilvania and SIF4 Muntenia are in a different position, with an investment policy focused on providing external equity financing to companies where they hold a majority. To a substantial extent, the companies selected are not listed, or are they listed but their visibility is reduced (especially in the case of SIF4 Muntenia). However, in contrast with SIF3 Transilvania, which financed its key companies from the hospitality industry following a clear and reasonable asset management option, SIF4 Muntenia financed an important number of companies from several sectors, which raises a question mark considering that a large part of the ones financed in recent years ultimately became insolvent or had a weak financial position. The investment policy of the fund manager Muntenia Invest are the main criticism made by the hostile group of investors, who hold about 17% of SIF Muntenia and took control of the board of nominees.

In the case of SIF3 Transilvania, the companies financed are profitable, have almost zero indebtedness and, according to the CEO, they have almost achieved the objectives of the extensive investment program. For some of them (especially balneal & spa resorts), they are expected to start paying dividends at the latest starting with FY13. SIF1 Banat Crisana seems to currently have the weakest capability of generating dividends, as the investments made in recent years did not strengthen the portfolio in a visible way. However, according to SIF1 management, three key companies in which the closed-end fund holds a majority (IAMU Blaj, Vrancart Adjud and Napomar) have been modernized following major CAPEX plans. SIF1 officials are expecting the profitability of these companies to strongly

improve starting with 2013, which should translate into some dividend inflows for the closed-end fund.

**Weak capacity of SIF portfolios to generate dividend inflows revealed by fact that, except for SIF5 Oltenia, dividends received were lower than OPEX in 2011**

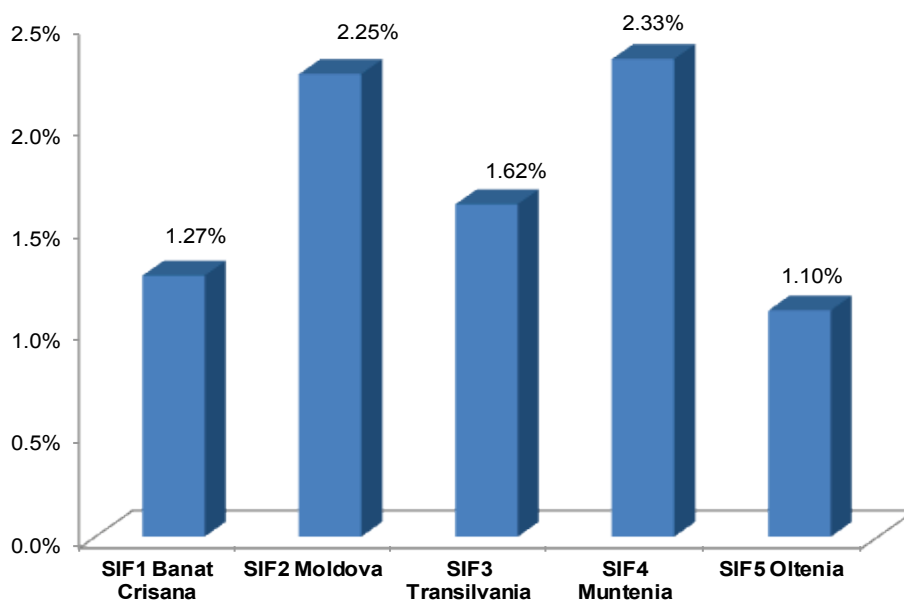
**OPEX vs. Dividends&Interests received 2011 (RON mn)**



Source: SIFs, Erste Group Research

**SIF1 and SIF5 had lowest 2011 administrative costs reported to their NAVs, but SIF2's headcount cutting measures could also substantially improve its expense ratio, starting in 2013**

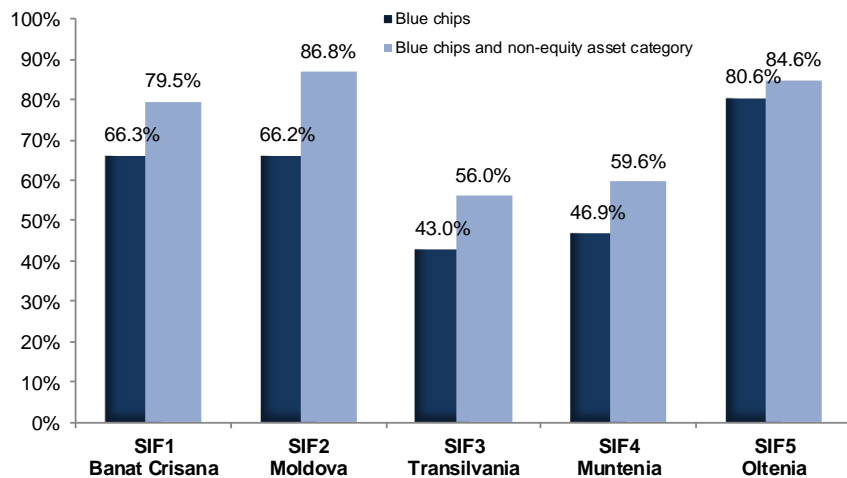
**Expense ratio 2011 (Operating expenses/Average Official NAVs)**



Source: SIFs, Erste Group Research

**SIF1, SIF2 and SIF5 portfolios' actual liquidity is over 80%, compared to 60% for SIF3 and SIF4, which were focused on financing companies where they hold majority**

**SIFs portfolios liquidity**

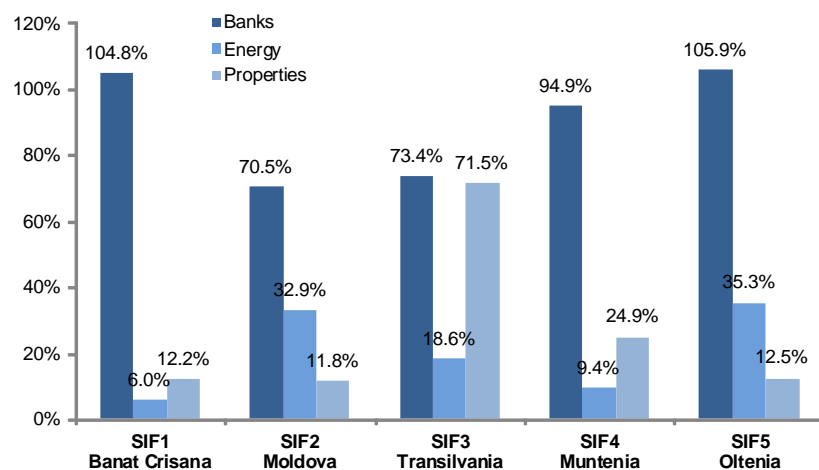


Source: SIFs, Erste Group Research

**Higher weight of banking sector in capitalization is equivalent with higher potential of capital gains/or dividends on the LT**

**Energy sector has 30-35% weight in SIF2 and SIF5 market capitalization, while property assets represent 70% of SIF3 market capitalization, suggesting potential high capital gains from exits in LT**

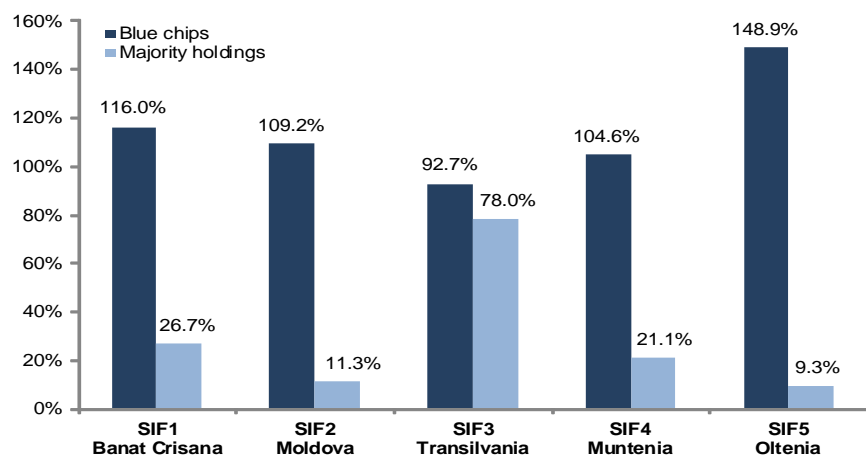
**Key sectors as weight in Market Cap**



Source: SIFs, Bucharest Stock Exchange, Erste Group Research

**Weight of almost 75% of majority stakes mainly in income-generating properties confirms potential and special position of SIF3 compared to other four SIFs**

**Blue chips and majority stake / Market Cap**



Source: SIFs, Bucharest Stock Exchange, Erste Group Research

# SIF 1 Banat Crisana

Not Rated

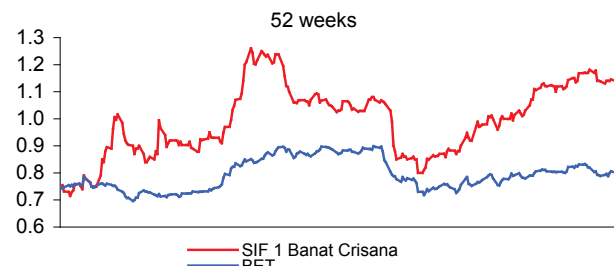
RON mn	2009	2010	2011	6M 2012
Total revenues	180.5	113.5	141.8	135.0
Revenues from dividends	90.4	51.9	12.5	13.9
Capital gains on disposals	18.5	7.8	69.7	91.2
Net profit	112.2	63.0	63.0	96.5

RON mn	2009	2010	2011	Last
NAV	1541.5	1361.5	1297.0	1199.0
MkCap	620.2	556.5	495.6	619.1
NAV/share (RON)	2.809	2.481	2.363	2.185
EPS (RON)	0.204	0.115	0.115	0.176
Dividend/share (RON)	0.050	0.103	0.100	0.150 *
Discount to NAV/share (%)	-59.8%	-59.1%	-61.8%	-48.4%
Dividend yield (%)	4.4%	10.2%	11.1%	13.3%
Payout ratio (%)	24.5%	89.7%	87.1%	-
Expense ratio (%)	0.9%	1.2%	1.3%	-

\*2012 dividend estimate

Source: SIF1 Banat Crisana, BSE, Erste Group Research

Share price (RON) close as of 12/10/2012	1.13	Reuters	SIF1.BX	Free float	92.6%
Number of shares (mn)	548.8	Bloomberg	SIF1 RO	Shareholders	banca Transilvania (7.5%)
Market capitalization (RON mn / EUR mn)	619 / 136	Div. Ex-date	14/05/10		Limestone Fund (0.999%)
Enterprise value (RON mn / EUR mn)	0 / 0	Target price		Homepage:	www.sif1.ro



Performance	12M	6M	3M	1M
in RON	50.4%	9.0%	15.9%	-0.6%

## How an asset-conserving policy can be good

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SIF1 Banat Crisana has largely conserved its historical portfolio, with a large number (over 250) of minority and controlling stakes of minor value. Thanks to its conservative asset management policy, holdings in banks remained intact, leaving room for substantial capital gains from disposals or cash inflows from dividends in future.

SIF1 owns majority stakes in companies holding over 130,000 sqm of office, retail and industrial space and 360,000 sqm plots of land in Cluj Napoca, Oradea, Arad, Timisoara and other small cities in the western part of the country. Their rental revenues have been undergoing contraction in recent years, while their dividend generation capacity remained weak. However, the impressive property asset collection is seen as a major source of cash inflows from disposals in the medium/LT.

The majority stakes in Vrancart Adjud, Iamu Blaj and Napomar Cluj Napoca, which finalized modernization programs financed by EU funds, own funds and external equity financing (Napomar), are key holdings of this SIF. On the negative side, a doubtful investment of EUR 9mn with a long recovery period is a five-star hotel in Oradea, which will be operated under the Hilton brand.

Besides Banca Transilvania, which has for many years held 7.5% of SIF1 shares, businessman Dragos Bileanu – who specializes in real estate projects – with an official holding of 5%, has gradually increased his influence, as indicated by his appointment in 2012 as vice-president of the board.

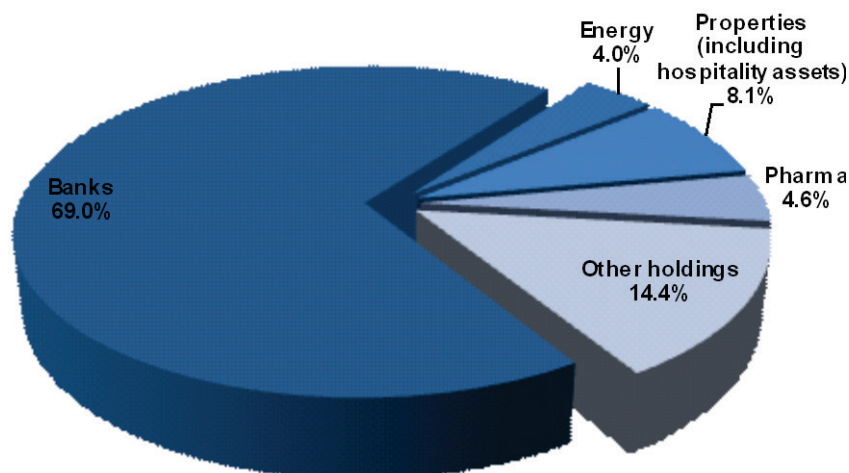
### Assets breakdown \*

No.	Asset Category	Fair Value* (RON mn)	Fair Value (EUR mn)	Weight in total fair value of assets (%)
1	Cash & monetary investments **	132.8	29.8	12.3%
2	Mutual funds units (UCITS and NON-UCITS)**	9.2	2.1	0.9%
3	Municipal and corporate bonds**	1.0	0.2	0.1%
4	Banks, out of which	649.0	145.5	59.9%
4.1	Erste Group Bank AG	283.4	63.6	26.2%
4.2	BRD Groupe Societe Generale	267.8	60.1	24.7%
4.3	Banca Transilvania	93.8	21.0	8.7%
5	Energy	37.3	8.4	3.4%
6	Pharma	43.2	9.7	4.0%
7	Properties	75.8	17.0	7.0%
7.1	Hotels & leisure	7.0	1.6	0.6%
7.2	Prime land plots	0.0	0.0	0.0%
7.3	Office, Retail & Industrial properties	68.8	15.4	6.4%
8	Other holdings	135.1	30.3	12.5%
<b>Total assets</b>		<b>1,083.5</b>	<b>243.0</b>	<b>100.0%</b>
<b>Total liabilities</b>		<b>59.8</b>	<b>13.4</b>	<b>-</b>
<b>Fair value Net Assets Value (NAV)</b>		<b>1,023.7</b>	<b>229.5</b>	<b>-</b>

\*fair value according to SOTP approach; \*\*according to the last Official NAV statement (August 2012)

Source: SIF1 Banat-Crisana, Bucharest Stock Exchange, Erste Group Research

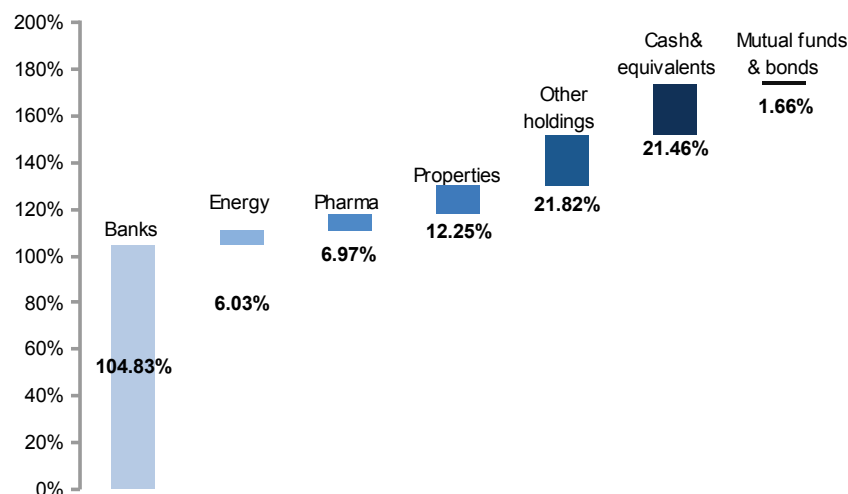
### Equity portfolio breakdown\*



\*Fair value according to SOTP approach

Source: SIF1 Banat-Crisana, Erste Group Research

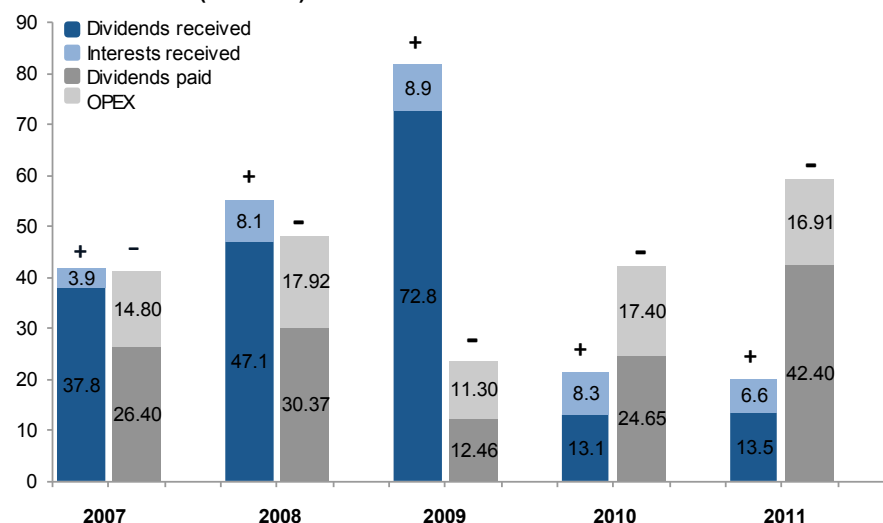
### Asset category\* as percentage of MkCap



\*Asset category at fair value according to SOTP approach

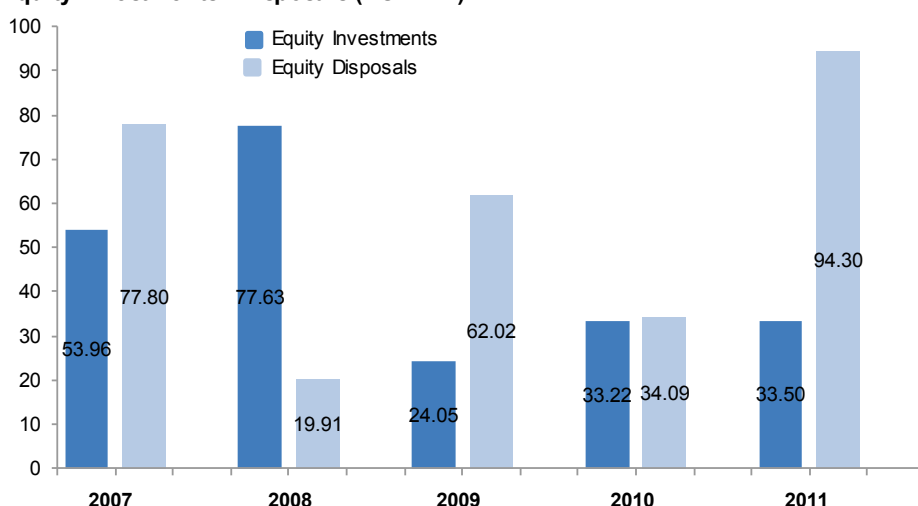
Source: SIF1 Banat-Crisana, Bucharest Stock Exchange, Erste Group Research

### Main cash flows (RON mn)



Source: SIF1 Banat Crisana, Erste Group Research

### Equity Investments / Disposals (RON mn)



Source: SIF1 Banat Crisana Annual Reports, Erste Group Research

### Top 20 holdings (fair value) \*

Company	Ticker	Sector/Expertise	SIF stake (%)	Value recorded in official NAV (RON mn)	Fair value (RON mn)
Erste Group Bank	EBS	Banking	1.1%	273.40	283.42
BRD-Groupe Societe Generale	BRD	Banking	4.7%	318.47	267.82
Banca Transilvania	TLV	Banking	4.5%	80.20	93.80
Biofarm	BIO	Pharmaceutical producer	19.2%	37.37	38.63
Vrancart Adjud	VNC	Paper, cardboard	74.7%	35.07	37.45
Iamu Blaj	IAMU	Fine mechanics products for machine-tools	76.7%	20.48	23.80
Arta Culinara Cluj	ARCU	Letting of own property	89.4%	27.92	16.29
Calipso Oradea	CAOR	Letting of own property/5-star hotel under Hilton brand	96.7%	43.46	14.48
Petrom	SNP	Oil & gas	0.1%	12.60	13.04
Napomar Cluj Napoca	-	Parts & subassemblies for machine tools	99.4%	46.67	10.66
Fondul Proprietatea	FP	Closed-end fund	0.1%	9.66	9.80
Gaz Vest	-	Natural gas distribution grid	25.8%	8.40	8.40
Napotex Cluj	NTEX	Letting of own property	87.4%	2.70	7.48
Comat Cluj	CACU	Letting of own property	84.7%	2.72	6.89
Comalim Arad	MALI	Letting of own property	91.2%	31.14	6.81
Comcereal Cluj	COCL	Wholesale of grain, seeds and animal feeds	86.3%	8.33	5.83
Petrocart Piatra Neamt	PTRC	Paper, paper board	28.5%	5.47	5.77
Vest Metal Oradea	-	Letting of own property	98.9%	9.93	5.61
Teraplast Bistrita	TRP	PVC profile; plastic pipes	11.0%	6.32	4.92
Legume Fructe Oradea	LEOR	Letting of own property	90.0%	1.46	4.29

\*Fair value according to SOTP approach

Source: SIF1 Banat Crisana, Erste Group Research



### Key P&L figures

Indicator (RON mn)	2006	2007	2008	2009	2010	2011	1H12
Revenues from dividends	62.4	62.0	79.6	90.4	51.9	12.5	13.9
Revenues on disposal of financial investments	54.1	73.2	19.2	62.1	33.4	94.3	104.3
Capital gains on disposal of financial investments	38.7	48.9	10.0	18.5	7.8	69.7	91.2
Provision reversals	32.7	41.0	19.2	15.8	17.0	10.3	9.1
Interest revenues	4.9	6.1	6.1	10.0	7.7	6.3	4.7
Total revenues	154.2	183.0	124.5	180.5	113.5	141.8	135.0
Total fund operating expenses	12.4	14.8	17.9	11.3	17.4	16.9	9.1
- out of which wages	7.8	9.0	11.9	7.2	12.4	11.1	6.8
Depreciations & provisions expenses	38.1	13.0	0.7	6.0	3.1	19.1	0.2
Total expenses	66.1	52.2	27.9	62.1	48.3	65.1	22.6
Gross profit	88.2	130.8	96.7	118.4	65.2	76.7	112.4
Income tax	5.0	8.0	1.2	6.3	2.2	13.7	15.9
Net profit	83.1	122.8	95.4	112.2	63.0	63.0	96.5

Source: SIF1 Banat Crisana, Erste Group Research

### Official NAV according to NSC Regulation no 15/2004

Indicator (RON mn)	2006	2007	2008	2009	2010	2011	August, 2012
<b>Fixed assets, out of which</b>	<b>451.8</b>	<b>365.4</b>	<b>523.2</b>	<b>511.0</b>	<b>574.2</b>	<b>423.4</b>	<b>226.8</b>
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tangible assets	5.7	6.7	6.5	6.0	5.9	5.6	5.4
Financial fixed assets, out of which	446.1	358.6	516.7	505.0	568.3	417.8	221.4
Listed shares	70.1	23.6	116.3	63.0	97.4	105.8	76.3
Unlisted shares	308.5	328.8	394.1	439.3	462.6	312.0	145.1
T-Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank deposits	50.9	0.0	0.0	0.0	0.0	0.0	0.0
Municipal bonds	0.3	0.2	0.1	0.0	0.0	0.0	0.0
Corporate bonds	15.5	5.3	5.8	2.1	1.0	0.0	0.0
Mutual funds units (UCITS and NON-UCIT)	0.8	0.8	0.4	0.5	7.2	0.0	0.0
Other financial assets	0.1	0.0	0.0	0.0	0.0	0.0	0.0
<b>Current assets, out of which</b>	<b>1,101.1</b>	<b>1,700.9</b>	<b>570.4</b>	<b>1,105.6</b>	<b>850.3</b>	<b>914.9</b>	<b>1,032.0</b>
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables	13.3	11.8	6.4	5.8	4.9	0.2	7.6
Cash & equivalents	0.4	0.1	0.2	0.3	0.6	0.5	2.0
Short term financial investments, out of which	1,087.4	1,688.9	563.8	1,099.4	844.8	914.1	1,022.4
Listed shares	1,087.4	1,604.8	532.3	970.5	736.8	761.9	855.9
Unlisted shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T-Bills	0.0	0.0	2.4	2.4	15.2	25.9	25.3
Bank deposits	0.0	82.8	28.5	126.5	92.8	123.8	130.9
Municipal bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporate bonds	0.0	0.0	0.6	0.0	0.0	1.0	1.0
Mutual funds units (UCITS and NON-UCIT)	0.0	0.0	0.0	0.0	0.0	1.5	9.2
Other financial assets	0.0	1.2	0.0	0.0	0.0	0.0	0.0
<b>Derivatives financial instruments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Prepaid expenses</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>
<b>Total assets</b>	<b>1,553.0</b>	<b>2,066.4</b>	<b>1,093.8</b>	<b>1,616.7</b>	<b>1,424.7</b>	<b>1,338.5</b>	<b>1,258.9</b>
<b>Total liabilities</b>	<b>32.5</b>	<b>41.2</b>	<b>81.7</b>	<b>72.6</b>	<b>63.0</b>	<b>41.5</b>	<b>59.8</b>
<b>Provisions</b>	<b>59.4</b>	<b>61.8</b>	<b>57.2</b>	<b>56.1</b>	<b>54.1</b>	<b>56.1</b>	<b>46.8</b>
<b>Unearned revenue</b>	<b>3.6</b>	<b>0.3</b>	<b>0.7</b>	<b>2.6</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>
<b>Equity</b>	<b>377.6</b>	<b>467.2</b>	<b>516.8</b>	<b>500.2</b>	<b>538.6</b>	<b>552.1</b>	<b>811.6</b>
<b>Off-balance sheet</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Net Assets Value (NAV)</b>	<b>1,516.9</b>	<b>2,024.8</b>	<b>1,011.3</b>	<b>1,541.5</b>	<b>1,361.5</b>	<b>1,297.0</b>	<b>1,199.0</b>
Number of shares (mn)	548.8	548.8	548.8	548.8	548.8	548.8	548.8
<b>NAV per share (RON)</b>	<b>2.7639</b>	<b>3.6892</b>	<b>1.8426</b>	<b>2.8087</b>	<b>2.4806</b>	<b>2.3631</b>	<b>2.1846</b>

Source: SIF1 Banat Crisana

# SIF 2 Moldova

Not rated

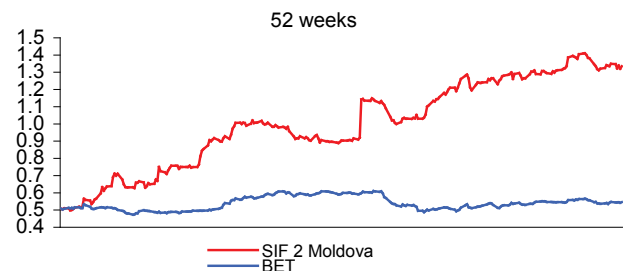
RON mn	2009	2010	2011	6M 2012
Total revenues	192.4	175.9	337.0	207.2
Revenues from dividends	72.0	21.3	18.1	24.0
Capital gains on disposals	58.5	87.1	211.3	109.4
Net profit	101.3	96.3	192.9	128.8

RON mn	2009	2010	2011	Last
NAV	1,177.5	1,141.2	1,097.5	982.8
MkCap	591.8	603.2	560.6	692.5
NAV/share (RON)	2.268	2.199	2.114	1.893
EPS (RON)	0.195	0.186	0.372	0.248
Dividend/share (RON)	0.060	0.090	0.220	0.165 *
Discount to NAV/share (%)	-49.7%	-47.1%	-48.9%	-29.5%
Dividend yield (%)	5.3%	7.7%	20.4%	12.4%
Payout ratio (%)	30.7%	48.5%	59.2%	-
Expense ratio (%)	1.4%	1.9%	2.3%	-

\*2012 dividend estimate

Source: SIF2 Moldova, BSE, Erste Group Research

Share price (RON) close as of 12/10/2012	1.33	Reuters	SIF2.BX	Free float	93.5%
Number of shares (mn)	519.1	Bloomberg	SIF2 RO	Shareholders	STK Emergent (1.0%)
Market capitalization (RON mn / EUR mn)	692 / 152	Div. Ex-date	25/04/12		IKANO (1.23%)
Enterprise value (RON mn / EUR mn)	0 / 0	Target price	Homepage:		www.sifm.ro



Performance	12M	6M	3M	1M
in RON	162.3%	47.8%	7.8%	-3.7%

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## Forced to bet on divestment of banking

SIF2 Moldova sold a 2.43% stake in BRD-GSG over the last three years in order to fuel its high dividend distribution and finance acquisitions – mainly in the energy sector. SIF2's policy of divesting of key banking holdings will most probably continue in the coming years, as the only means of reporting lavish dividends, considering the fact that its asset collection offers few options to report systematical capital gains through selling other stakes.

The strategy of building a 1.6% holding in Fondul Proprietatea (out of which 1.15% was held before listing) can be considered a success, as this holding contributed about 30% to 2011 dividend inflows. On the other hand, SIF2 consolidated its position in Petrom, Transgaz and Transelectrica, the first two being other important dividend payers on the BSE. Considering the acquisitions in CEZ and OMV, the energy sector (with a weight of over 20% in total assets) became strategic for SIF2. The closed-end fund also built a new sector in the portfolio represented by shares worth RON 19.38mn (EUR 4.30mn) in gold and mining companies listed on foreign markets, which is another major bet by management.

Key strengths compared to the other SIFs are transparency, good corporate communication and quality of reports to investors, partly explaining the SIF2 trading discount of less than 30%, well below those of the other four SIFs.

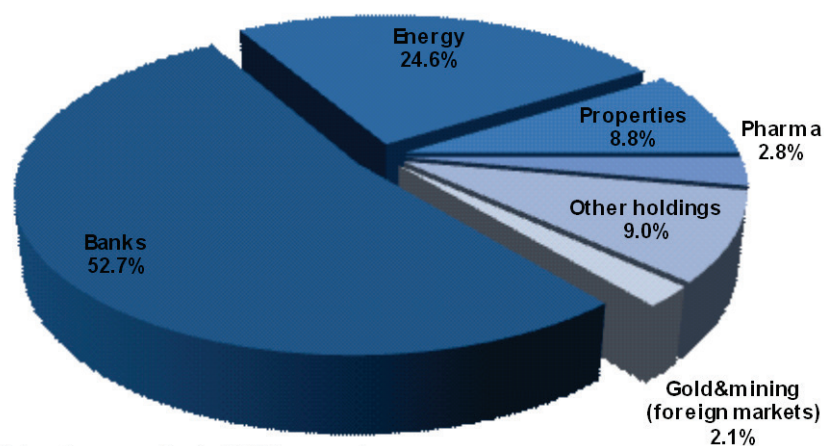
#### Assets breakdown \*

No.	Asset Category	Fair Value* (RON mn)	Fair Value (EUR mn)	Weight in total fair value of assets (%)
1	Cash & monetary investments **	99.2	22.2	8.4%
2	Mutual funds units (UCITS and NON-UCITS)	134.4	30.1	11.4%
3	Municipal and corporate bonds**	1.2	0.3	0.1%
4	Banks, out of which	488.1	109.4	41.3%
4.1	Erste Group Bank AG	252.5	56.6	21.4%
4.2	BRD Groupe Societe Generale	133.2	29.9	11.3%
4.3	Banca Transilvania	96.7	21.7	8.2%
5	Energy	227.9	51.1	19.3%
6	Pharma	26.1	5.9	2.2%
7	Properties	81.6	18.3	6.9%
7.1	Hotels & leisure	1.7	0.4	0.1%
7.2	Prime land plots	64.7	14.5	5.5%
7.3	Office, Retail & Industrial properties	15.2	3.4	1.3%
8	Gold&Mining (foreign markets)	19.4	4.3	1.6%
9	Other holdings	102.5	23.0	8.7%
<b>Total assets</b>		<b>1,180.4</b>	<b>264.7</b>	<b>100.0%</b>
<b>Total liabilities</b>		<b>69.9</b>	<b>15.7</b>	<b>-</b>
<b>Fair value Net Assets Value (NAV)</b>		<b>1,110.5</b>	<b>249.0</b>	<b>-</b>

\*fair value according to SOTP approach; \*\*according to the last Official NAV statement (August 2012)

Source: SIF2 Moldova, Bucharest Stock Exchange, Erste Group Research

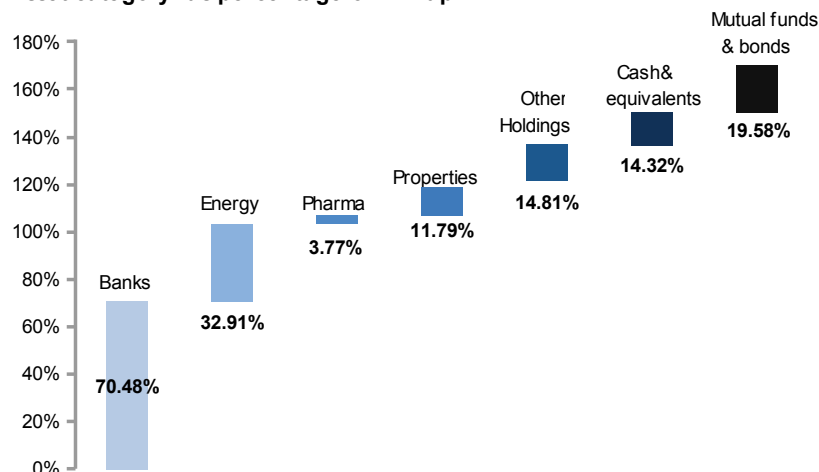
#### Equity portfolio breakdown\*



\*Fair value according to SOTP approach

Source: SIF2 Moldova, Erste Group Research

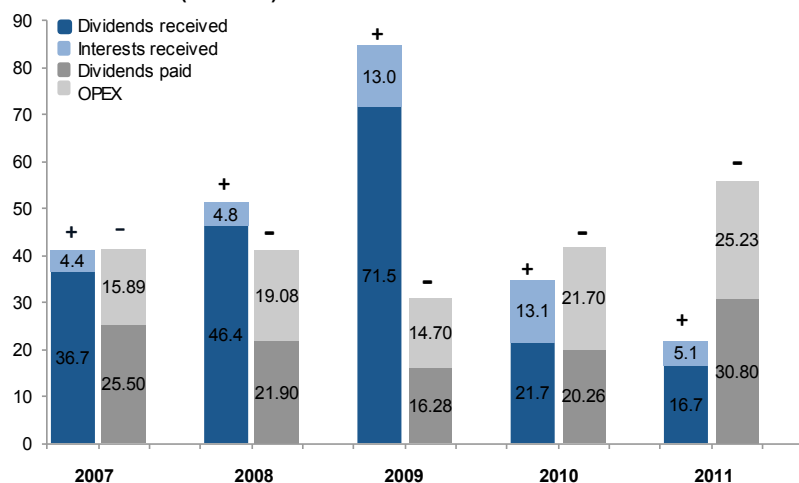
#### Asset category\* as percentage of MkCap



\*Asset category at fair value according to SOTP approach

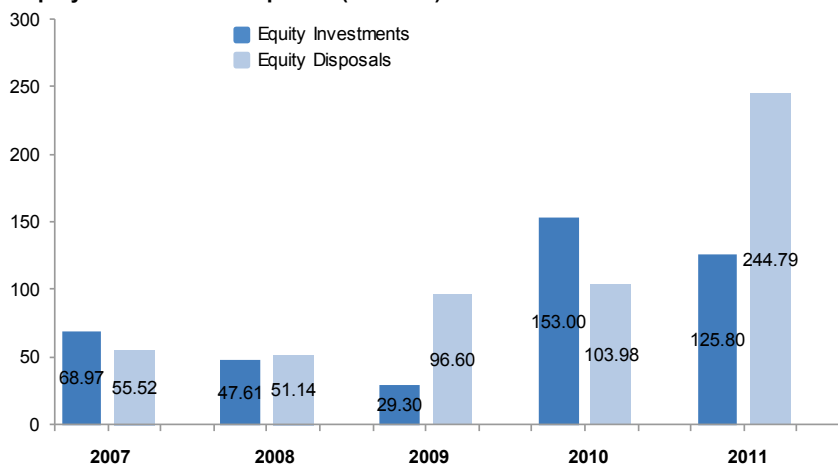
Source: SIF2 Moldova, Bucharest Stock Exchange, Erste Group Research

### Main cash flows (RON mn)



Source: SIF2 Moldova, Erste Group Research

### Equity Investments / Disposals (RON mn)



Source: SIF2 Moldova Annual Reports, Erste Group Research

### Top 20 holdings (fair value) \*

Company	Ticker	Sector/Expertise	SIF stake (%)	Value recorded in official NAV (RON mn)	Fair value (RON mn)
Erste Group Bank	EBS	Banking	0.9%	243.56	252.48
B.R.D.-Groupe Societe Generale	BRD	Banking	2.3%	150.80	133.16
Fondul Proprietatea	FP	Closed-end fund	1.6%	111.25	116.03
Banca Transilvania	TLV	Banking	5.0%	83.66	96.66
Petrom	SNP	Oil & gas	0.2%	49.70	51.29
Tesatorii Reunite Bucuresti	TERU	Prime land plots	89.1%	21.78	43.50
Transgaz Medias	TGN	Utilities (National gas transmission grid operator)	1.4%	36.70	32.78
Biofarm Bucuresti	BIO	Pharmaceutical producer	12.4%	24.19	25.00
Mecanica Ceahlau	MECF	Agricultural machineries; Prime land plots	55.1%	15.44	21.24
Aerostart Bacau	ARS	Repair and maintenance of aircrafts	12.5%	14.19	20.00
Transelectrica	TEL	Utilities (National power transmission grid operator)	1.4%	14.32	13.00
OMV	OMV AG	Oil & gas (foreign markets)	0.0%	8.55	9.51
Bursa de Valori Bucuresti	BVB	Bucharest Stock Exchange	5.0%	11.51	9.04
New mont Mining Corporation	NEM	Gold producer (foreign markets)	0.0%	5.66	7.67
Comercial Tulcea	CTUL	Storage of agricultural products	27.1%	6.33	6.33
Barrick Gold Corporation	ABX	Gold mining (foreign markets)	0.0%	4.75	6.19
Sanex Cluj	Unlisted	Ceramic wall and ceramic floor tiles	6.5%	5.06	5.06
CEZ	BAACEZ	Utilities (foreign markets)	0.7%	4.48	4.68
Ceramica Iasi	CERE	Construction materials (Bricks & tiles)	6.3%	6.18	4.61
Regal Galati	REGL	Letting of own property	93.0%	8.14	4.44

\*Fair value according to SOTP approach

Source: SIF2 Moldova, Erste Group Research

### Key P&L figures

Indicator (RON m n)	2006	2007	2008	2009	2010	2011	1H12
Revenues from dividends	32.8	36.2	46.3	72.0	21.3	18.1	24.0
Revenues on disposal of financial investments	47.7	55.5	51.1	96.6	104.0	244.8	144.9
Capital gains on disposal of financial investments	35.2	36.0	35.3	58.5	87.1	211.3	109.4
Provision reversals	59.8	20.7	36.1	8.0	32.3	15.9	25.8
Interest revenues	6.0	3.8	4.9	12.7	6.2	3.7	3.8
Total revenues	151.0	122.3	141.3	192.4	175.9	337.0	207.2
Total fund operating expenses	26.0	15.9	19.1	14.7	21.8	25.2	24.9
- out of which wages	8.9	11.7	14.7	11.0	16.2	17.5	20.6
Depreciations & provisions expenses	53.7	12.5	7.5	30.7	22.7	44.2	1.6
Total expenses	97.7	52.0	43.0	84.1	65.2	105.0	63.1
Gross profit	53.3	70.3	98.3	108.3	110.7	232.0	144.2
Income tax	5.0	4.7	4.4	7.0	14.4	39.1	15.3
Net profit	48.3	65.6	93.9	101.3	96.3	192.9	128.8

Source: SIF Moldova, Erste Group Research

### Official NAV according to NSC Regulation no 15/2004

Indicator (RON m n)	2006	2007	2008	2009	2010	2011	August, 2012
<b>Fixed assets, out of which</b>	<b>284.8</b>	<b>260.3</b>	<b>474.6</b>	<b>360.9</b>	<b>445.6</b>	<b>63.9</b>	<b>104.6</b>
Intangible assets	0.1	0.1	0.1	0.5	0.8	1.3	1.1
Tangible assets	8.9	8.4	18.5	18.0	17.8	15.1	14.8
Financial fixed assets, out of which	275.7	251.8	455.9	342.4	426.9	47.5	88.6
Listed shares	34.1	16.6	84.8	11.6	9.3	6.3	24.2
Unlisted shares	236.2	233.7	370.1	326.6	329.4	37.2	38.1
T-Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal bonds	0.0	0.0	0.0	0.2	0.2	0.2	0.0
Corporate bonds	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Mutual funds units (UCITS and NON-UCIT)	4.2	1.4	0.8	3.7	74.2	3.3	8.4
Other financial assets	0.1	0.0	0.3	0.3	13.8	0.4	17.9
<b>Current assets, out of which</b>	<b>1,123.7</b>	<b>1,561.3</b>	<b>459.6</b>	<b>834.3</b>	<b>727.5</b>	<b>1,090.3</b>	<b>947.9</b>
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables	1.7	4.5	20.4	6.6	1.9	1.7	5.5
Cash & equivalents	3.3	3.1	0.9	0.3	0.5	0.5	-1.6
Short term financial investments, out of which	1,118.6	1,553.7	438.2	827.4	725.0	1,088.1	944.0
Listed shares	1,045.2	1,500.4	428.4	679.4	633.8	934.7	712.4
Unlisted shares	13.5	12.6	8.9	7.5	6.3	5.5	3.6
T-Bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank deposits	58.5	35.4	0.0	127.8	55.5	129.0	100.8
Municipal bonds	1.4	1.0	0.0	0.6	0.3	0.2	0.2
Corporate bonds	0.0	0.0	0.0	1.0	1.1	1.1	1.0
Mutual funds units (UCITS and NON-UCIT)	0.0	3.4	0.9	11.0	27.9	17.7	126.0
Other financial assets	0.0	0.9	0.0	0.0	0.0	0.0	0.0
<b>Derivatives financial instruments</b>	<b>0.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Prepaid expenses</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>
<b>Total assets</b>	<b>1,409.0</b>	<b>1,821.7</b>	<b>934.2</b>	<b>1,195.3</b>	<b>1,173.1</b>	<b>1,154.2</b>	<b>1,052.6</b>
<b>Total liabilities</b>	<b>29.2</b>	<b>24.1</b>	<b>19.2</b>	<b>17.7</b>	<b>31.9</b>	<b>56.7</b>	<b>69.9</b>
<b>Provisions</b>	<b>69.1</b>	<b>47.5</b>	<b>31.0</b>	<b>43.8</b>	<b>52.2</b>	<b>69.5</b>	<b>52.7</b>
<b>Unearned revenue</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Equity</b>	<b>306.8</b>	<b>378.5</b>	<b>461.2</b>	<b>452.0</b>	<b>498.4</b>	<b>564.7</b>	<b>603.3</b>
<b>Off-balance sheet</b>	<b>16.9</b>	<b>8.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Net Assets Value (NAV)</b>	<b>1,362.8</b>	<b>1,789.2</b>	<b>915.0</b>	<b>1,177.5</b>	<b>1,141.2</b>	<b>1,097.5</b>	<b>982.8</b>
Number of shares (mn)	519.1	519.1	519.1	519.1	519.1	519.1	519.1
<b>NAV per share (RON)</b>	<b>2.6254</b>	<b>3.4468</b>	<b>1.7626</b>	<b>2.2684</b>	<b>2.1985</b>	<b>2.1142</b>	<b>1.8932</b>

Source: SIF Moldova

# SIF 3 Transilvania

Not rated

RON mn	2009	2010	2011 6M	2012
Total revenues	170.4	121.5	325.9	179.7
Revenues from dividends	80.3	32.7	14.9	16.5
Capital gains on disposals	53.2	63.5	213.6	119.8
Net profit	116.7	66.9	207.7	112.7

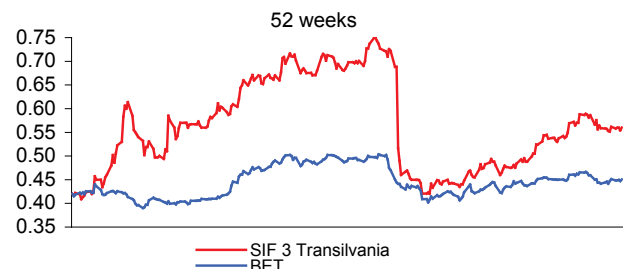
  

RON mn	2009	2010	2011	Last
NAV	1622.6	1506.5	1331.2	1073.0
MkCap	742.7	593.6	619.2	611.6
NAV/share (RON)	1.486	1.379	1.219	0.982
EPS (RON)	0.107	0.061	0.190	0.103
Dividend/share (RON)	0.030	0.030	0.171	0.097 *
Discount to NAV/share (%)	-54.2%	-60.6%	-53.5%	-43.0%
Dividend yield (%)	4.4%	5.5%	30.2%	17.3%
Payout ratio (%)	28.1%	49.0%	90.0%	-
Expense ratio (%)	1.3%	1.7%	1.6%	-

\*2012 dividend estimate

Source: SIF3 Transilvania, BSE, Erste Group Research

Share price (RON) close as of 12/10/2012	0.5600	Reuters	SIF3.BX	Free float	89.6%
Number of shares (mn)	1,092.1	Bloomberg	SIF3 RO	Shareholders	Fratila Constantin (1.0%)
Market capitalization (RON mn / EUR mn)	612 / 134	Div. Ex-date	13/05/10	Raiffeisen Zentralbank	(0.973%)
Enterprise value (RON mn / EUR mn)	0 / 0	Target price	Homepage:	www.transif.ro	



Performance	12M	6M	3M	1M
in RON	33.3%	-19.0%	17.9%	-1.8%

## Time to look at divesting properties

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Starting with 2010, SIF3 Transilvania divested its BRD-GSG holding (the stake narrowed to 3% as of the end of June), with the proceeds used for financing dividend distributions and a few key companies from the hospitality industry in which the SIF is majority owner. However, the CEO said that SIF3 will not continue to sell its holdings in banks, while the investment program in tourism came to an end, with major objectives achieved. Moreover, a few companies (mainly balneal & spa resorts) might become dividend generators.

SIF3 invested more than EUR 40mn between 2004 and 2011 in order to refurbish hotels and medical/spa facilities. As a result, the core of the tourism portfolio, including assets in Black Sea resorts, four balneal spa resorts (Baile Felix, Tuznad Bai, Covasna, Buzias), mountain resorts (Predeal), Ploiesti and Brasov, was strengthened.

Investors are waiting for the exit of the large property portfolio: the lack of even one major deal on this side is seen as a major weakness. The CEO confirmed that SIF3 received bids for the Covasna and Tuznad balneal resorts, as well as for two prime plots of land of over 100,000 sqm located in the historical center of Sibiu, but due to pricing below expectations, the offers have been declined. Except for the holdings in balneal & spa resorts (especially Turism Felix), which are not available for sale, there are a lot of valuable properties that might generate cash inflows in the LT (among prime office properties, minority holdings in the chain Continental Hotels and the five-star hotel under the Radisson brand in Bucharest).



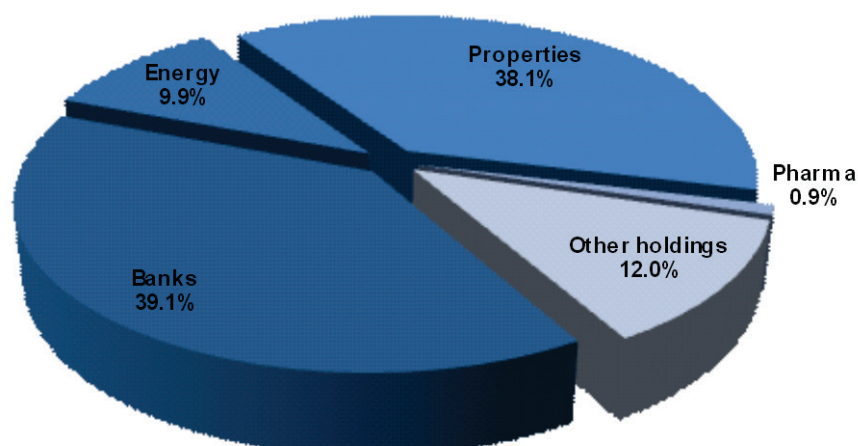
**Assets breakdown \***

No.	Asset Category	Fair Value* (RON mn)	Fair Value (EUR mn)	Weight in total fair value of assets (%)
1	Cash & monetary investments **	111.2	24.9	8.4%
2	Mutual funds units (UCITS and NON-UCITS)¹	50.4	11.3	3.8%
3	Municipal and corporate bonds**	10.6	2.4	0.8%
4	Banks, out of which	448.8	100.6	34.0%
4.1	Erste Group Bank AG	257.4	57.7	19.5%
4.2	BRD Groupe Societe Generale	172.0	38.6	13.0%
4.3	Banca Transilvania	12.5	2.8	0.9%
5	Energy	113.5	25.4	8.6%
6	Pharma	10.8	2.4	0.8%
7	Properties	437.5	98.1	33.1%
7.1	Hotels & leisure	263.5	59.1	20.0%
7.2	Prime land plots	81.8	18.3	6.2%
7.3	Office, Retail & Industrial properties	92.2	20.7	7.0%
8	Other holdings	137.4	30.8	10.4%
<b>Total assets</b>		<b>1,320.2</b>	<b>296.0</b>	<b>100.0%</b>
<b>Total liabilities</b>		<b>139.1</b>	<b>31.2</b>	-
<b>Fair value Net Assets Value (NAV)</b>		<b>1,181.0</b>	<b>264.8</b>	-

\*fair value according to SOTP approach; \*\*according to the last Official NAV statement (August 2012)

Source: SIF3 Transilvania, Bucharest Stock Exchange, Erste Group Research

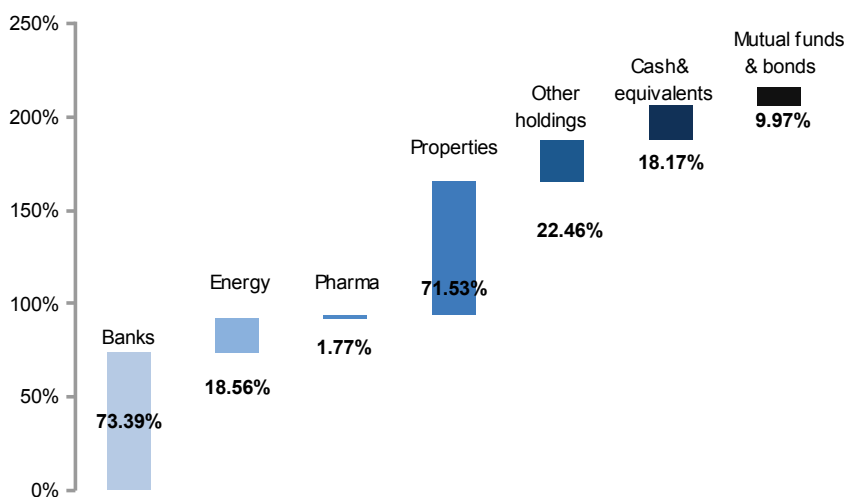
**Equity portfolio breakdown\***



\*Fair value according to SOTP approach

Source: SIF3 Transilvania, Erste Group Research

**Asset category\* as percentage of MkCap**

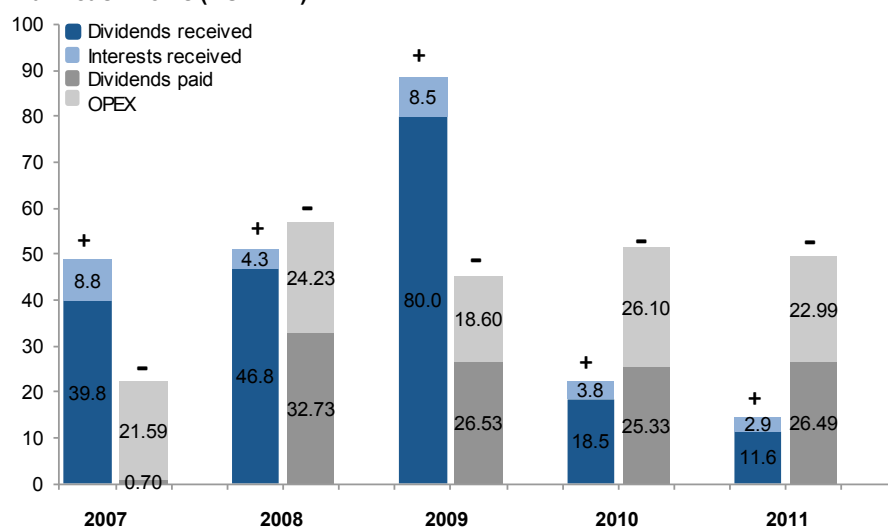


\*Asset category at fair value according to SOTP approach

Source: SIF3 Transilvania, Bucharest Stock Exchange, Erste Group Research

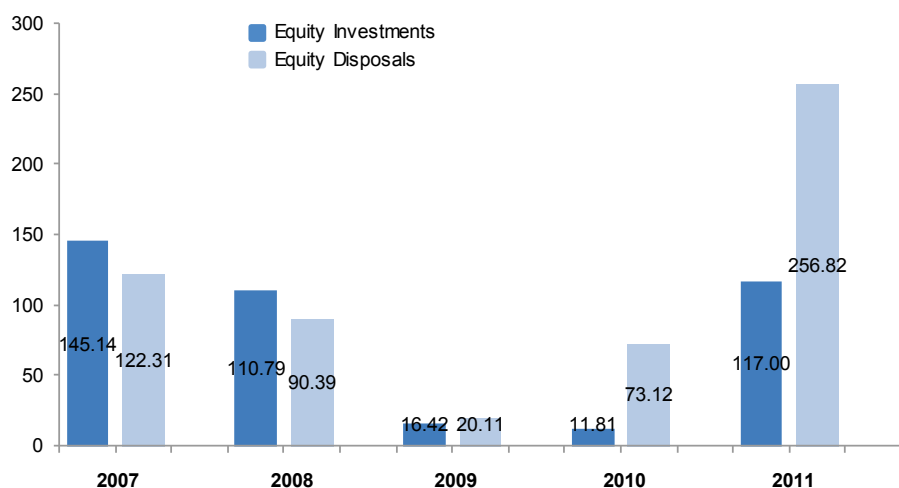


### Main cash flows (RON mn)



Source: SIF3 Transilvania, Erste Group Research

### Equity Investments / Disposals (RON mn)



Source: SIF3 Transilvania Annual Reports, Erste Group Research

### Top 20 holdings (fair value) \*

Company	Ticker	Sector/Expertise	SIF stake (%)	Value recorded in official NAV (RON mn)	Fair value (RON mn)
Erste Group Bank	EBS	Banking	0.9%	248.26	257.35
B.R.D.-Groupe Societe Generale	BRD	Banking	3.0%	204.59	172.05
Casa Alba Independenta Sibiu	CAIN	Prime land plots	53.3%	7.81	80.14
Turism Felix	TUFE	Balneal, Spa & Wellness	63.2%	48.60	76.18
Fondul Proprietatea	FP	Closed-end fund	0.8%	54.06	54.81
Turism, Hoteluri, Restaurante Marea Neagra	EFO	Balneal, Spa & Wellness	77.7%	28.70	53.43
Petrom	SNP	Oil & gas	0.2%	39.53	40.91
Bucuresti Turism	BUTU	5 star hotel Bucharest - Radisson	11.3%	4.62	31.59
Feper	Unlisted	Office building (Bucharest)	72.1%	22.91	23.19
Turism Lotus Felix	Unlisted	Balneal, Spa & Wellness	27.0%	14.68	22.64
Aro-Palace	Unlisted	6 hotels Brasov (one 5, one 4, one 3 - star hotel)	85.7%	89.57	21.44
Tratament Balnear Buzias	BALN	Balneal, Spa & Wellness	91.9%	8.36	19.60
Virola-Independenta Sibiu	VIRO	Prime land plots	53.6%	2.07	18.85
COMCM Constanta	COMCM	Construction materials (ready-mixed concrete)	56.7%	18.58	17.71
Continental Hotels Bucuresti	Unlisted	Hotel chain (nine 3 and 4 star hotels)	9.3%	15.55	16.70
Transilvania Leasing IFN Brasov	Unlisted	Leasing	64.3%	36.22	15.19
Cristiana Brasov	Unlisted	Class A Office building	62.0%	16.38	12.75
Banca Transilvania	TLV	Banking	0.7%	10.71	12.52
Santierul Naval Orsova	SNO	Building of ships and ship repairs services	50.0%	13.01	12.45
Orizont Turism Predeal	ORTU	One 4 star hotel (Predeal resort)	99.7%	37.68	12.29

\*Fair value according to SOTP approach

Source: SIF3 Transilvania, Erste Group Research

### Key P&L figures

Indicator (RON mn)	2006	2007	2008	2009	2010	2011	1H12
Revenues from dividends	34.5	39.6	45.9	80.3	32.7	14.9	16.5
Revenues on disposal of financial investments	93.2	131.8	90.8	73.3	73.1	256.8	152.6
Capital gains on disposal of financial investments	56.3	100.3	73.5	53.2	63.5	213.6	119.8
Provision reversals	0.9	15.6	4.2	7.6	8.0	6.9	6.5
Interest revenues	3.3	8.4	4.5	8.4	3.4	3.4	4.1
Total revenues	132.0	195.5	145.8	170.4	121.5	325.9	179.7
Total fund operating expenses	15.0	21.6	24.2	18.6	26.1	23.0	16.7
- out of which wages	8.7	13.3	16.2	12.2	19.8	16.1	12.5
Depreciations & provisions expenses	17.1	18.0	0.9	9.2	7.6	8.9	0.4
Total expenses	72.5	72.2	42.5	48.6	46.7	77.6	49.9
Gross profit	59.6	123.4	103.2	121.7	74.8	248.3	129.9
Income tax	6.4	13.3	8.6	5.1	7.9	40.6	17.1
Net profit	53.2	110.0	94.7	116.7	66.9	207.7	112.7

Source: SIF Transilvania, Erste Group Research

### Official NAV according to NSC Regulation no 15/2004

Indicator (RON mn)	2006	2007	2008	2009	2010	2011	August, 2012
<b>Fixed assets, out of which</b>	<b>451.6</b>	<b>530.1</b>	<b>552.6</b>	<b>626.7</b>	<b>711.5</b>	<b>346.0</b>	<b>367.1</b>
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Tangible assets	15.7	19.3	19.7	19.6	14.5	13.7	13.3
Financial fixed assets, out of which	435.9	510.8	532.9	607.1	696.9	332.3	353.6
Listed shares	52.7	16.4	49.2	38.9	40.0	56.8	76.2
Unlisted shares	379.9	457.3	481.2	550.1	560.6	267.0	266.4
T-Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank deposits	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Municipal bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporate bonds	2.0	7.2	0.0	3.5	3.5	3.5	10.6
Mutual funds units (UCITS and NON-UCITS)	0.0	0.0	0.0	0.0	22.5	0.0	0.0
Other financial assets	1.2	30.0	2.5	14.7	70.3	5.0	0.4
<b>Current assets, out of which</b>	<b>1,155.6</b>	<b>2,277.1</b>	<b>829.8</b>	<b>1,047.6</b>	<b>859.5</b>	<b>1,031.1</b>	<b>844.9</b>
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables	0.7	0.6	0.4	1.1	0.5	1.0	3.4
Cash & equivalents	0.3	5.3	0.1	0.1	0.1	0.1	0.2
Short term financial investments, out of which	1,154.6	2,271.1	829.2	1,046.4	858.9	1,029.9	841.3
Listed shares	1,065.0	2,194.1	778.5	945.7	783.7	872.3	679.7
Unlisted shares	1.0	1.6	0.8	0.9	0.5	0.5	0.2
T-Bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank deposits	88.6	75.4	49.9	99.8	74.6	136.6	111.0
Municipal bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporate bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mutual funds units (UCITS and NON-UCITS)	0.0	0.0	0.0	0.0	0.0	20.5	50.4
Other financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Derivatives financial instruments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Prepaid expenses</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>
<b>Total assets</b>	<b>1,607.3</b>	<b>2,807.3</b>	<b>1,382.5</b>	<b>1,674.5</b>	<b>1,571.1</b>	<b>1,377.3</b>	<b>1,212.2</b>
<b>Total liabilities</b>	<b>40.5</b>	<b>40.2</b>	<b>47.4</b>	<b>51.9</b>	<b>64.7</b>	<b>46.1</b>	<b>139.1</b>
<b>Provisions</b>	<b>59.6</b>	<b>66.0</b>	<b>62.5</b>	<b>60.0</b>	<b>66.0</b>	<b>72.1</b>	<b>61.9</b>
<b>Unearned revenue</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Equity</b>	<b>497.5</b>	<b>746.0</b>	<b>596.6</b>	<b>659.5</b>	<b>706.4</b>	<b>769.3</b>	<b>727.7</b>
<b>Off-balance sheet</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>
<b>Net Assets Value (NAV)</b>	<b>1,566.8</b>	<b>2,767.1</b>	<b>1,335.1</b>	<b>1,622.6</b>	<b>1,506.5</b>	<b>1,331.2</b>	<b>1,073.0</b>
Number of shares (mn)	546.1	1,092.1	1,092.1	1,092.1	1,092.1	1,092.1	1,092.1
<b>NAV per share (RON)</b>	<b>2.8692</b>	<b>2.5337</b>	<b>1.2224</b>	<b>1.4857</b>	<b>1.3794</b>	<b>1.2189</b>	<b>0.9825</b>

Source: SIF Transilvania

# SIF 4 Muntenia

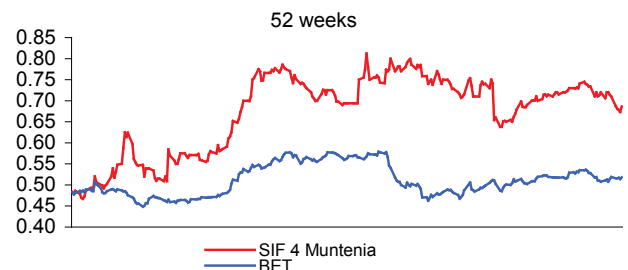
Not rated

RON mn	2009	2010	2011	6M 2012
Total revenues	150.1	164.1	196.9	108.7
Revenues from dividends	77.8	22.3	15.9	11.8
Capital gains on disposals	11.8	70.4	122.7	66.4
Net profit	82.0	71.4	65.3	51.9
RON mn	2009	2010	2011	Last
NAV	1477.7	1417.8	1237.6	1042.6
MkCap	573.0	519.7	460.8	554.0
NAV/share (RON)	1.831	1.757	1.533	1.292
EPS (RON)	0.102	0.088	0.081	0.064
Dividend/share (RON)	0.040	0.081	0.203	0.105 *
Discount to NAV/share (%)	-61.2%	-63.3%	-62.8%	-46.9%
Dividend yield (%)	5.6%	12.6%	35.6%	15.3%
Payout ratio (%)	39.4%	91.5%	250.7%	-
Expense ratio (%)	1.7%	1.7%	2.3%	-

\*2012 dividend estimate

Source: SIF4 Muntenia, BSE, Erste Group Research

Share price (RON) close as of 12/10/2012	0.6865	Reuters	SIF4.BX	Free float	69.9%
Number of shares (mn)	807.0	Bloomberg	SIF4 RO	Shareholders	ffeisen Zentralbank (1.0%)
Market capitalization (RON mn / EUR mn)	554 / 121	Div. Ex-date	13/05/10		
Enterprise value (RON mn / EUR mn)	0 / 0	Target price		Homepage:	www.sifmuntenia.ro



Performance	12M	6M	3M	1M
in RON	42.1%	-1.1%	-7.1%	-6.2%

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## Scandal fosters high dividend distributions

SIF4 Muntenia is the first closed-end fund in which management is close to losing its battle with a group of investors (who hold 17% of outstanding shares). SIF4 has a new board of nominees of 11 members, all of which represent the hostile shareholder group, which includes foreign funds (East Capital funds), businessmen, local pension funds and brokers. The conflict will foster an aggressive dividend distribution, as was the case this year when, under pressure from this group of investors, the distribution of an extra dividend of RON 0.122/share was voted on (supplementary to the FY11 dividend of RON 0.13).

Shareholders represented in the board of nominees called ESM to decide on cancelling the management contract of SIF4 Muntenia with the asset manager, Muntenia Invest. The arguments invoked are weak management performance and infringement of the management contract. In the meantime, Muntenia Invest is attempting to cancel the decision made at the GSM from July, when the new board of nominees was appointed. In any case, it is clear that there is no room for cohabitation between the group of investors and the old administrators, with a long-lasting battle in the courts being likely.

The main criticism against management made by investor representatives was the inefficient investment practices of SIF4 Muntenia, especially in companies in which it holds a majority. To a large extent, these companies went insolvent or have not improved their outlook and financial position following external equity financing.

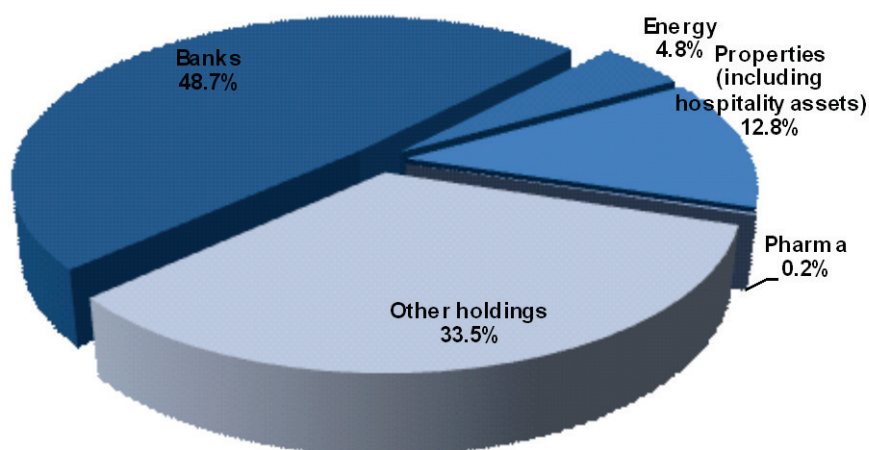
#### Assets breakdown \*

No.	Asset Category	Fair Value* (RON mn)	Fair Value (EUR mn)	Weight in total fair value of assets (%)
1	Cash & monetary investments **	90.9	20.4	7.4%
2	Mutual funds units (UCITS and NON-UCITS)*	34.2	7.7	2.8%
3	Municipal and corporate bonds**	32.3	7.2	2.6%
4	Banks, out of which	525.9	117.9	42.5%
4.1	Erste Group Bank AG	283.0	63.5	22.9%
4.2	BRD Groupe Societe Generale	238.4	53.5	19.3%
4.3	Banca Transilvania	4.1	0.9	0.3%
5	Energy	52.0	11.7	4.2%
6	Pharma	2.0	0.5	0.2%
7	Properties	138.0	30.9	11.2%
7.1	Hotels & leisure	15.5	3.5	1.3%
7.2	Prime land plots	18.5	4.2	1.5%
7.3	Office, Retail & Industrial properties	103.9	23.3	8.4%
8	Other holdings	360.9	80.9	29.2%
<b>Total assets</b>		<b>1,236.3</b>	<b>277.2</b>	<b>100.0%</b>
<b>Total liabilities</b>		<b>159.5</b>	<b>35.8</b>	<b>-</b>
<b>Fair value Net Assets Value (NAV)</b>		<b>1,076.7</b>	<b>241.4</b>	<b>-</b>

\*fair value according to SOTP approach; \*\*according to the last Official NAV statement (August 2012)

Source: SIF4 Muntenia, Bucharest Stock Exchange, Erste Group Research

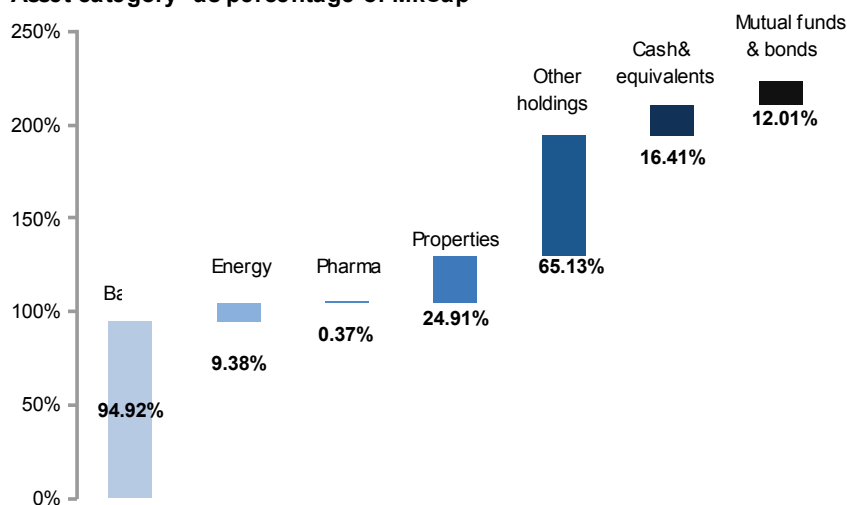
#### Equity portfolio breakdown\*



\*Fair value according to SOTP approach

Source: SIF4 Muntenia, Erste Group Research

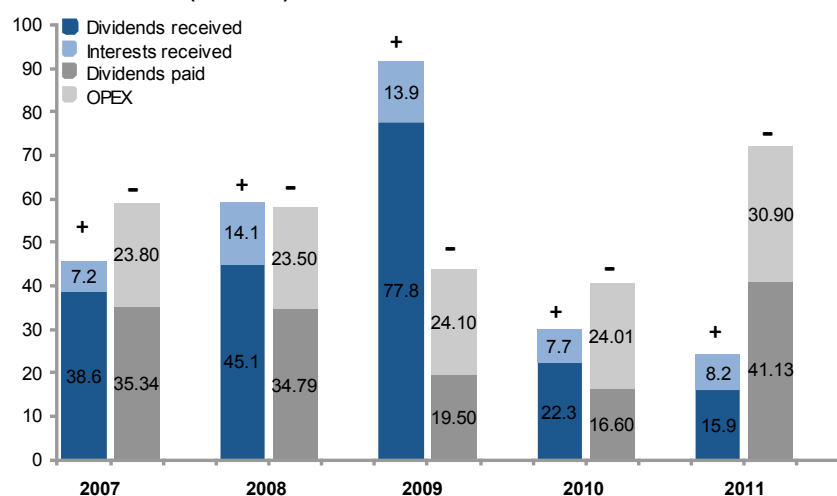
#### Asset category\* as percentage of MkCap



\*Asset category at fair value according to SOTP approach

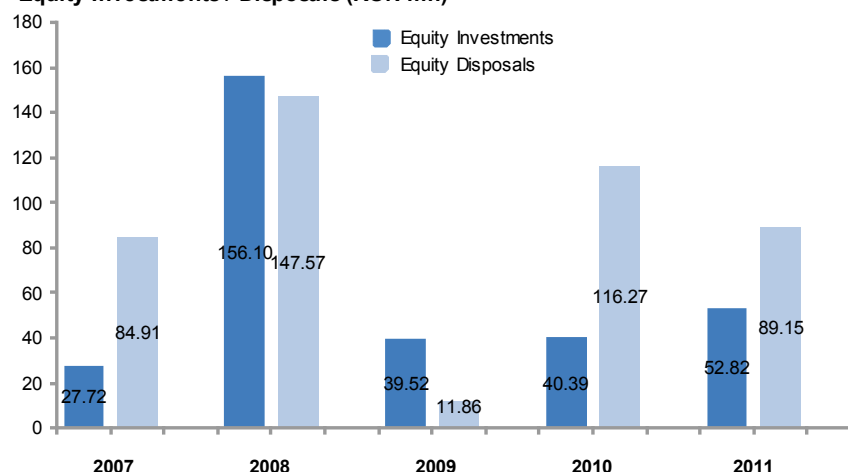
Source: SIF4 Muntenia, Bucharest Stock Exchange, Erste Group Research

### Main cash flows (RON mn)



Source: SIF4 Muntenia, Erste Group Research

### Equity Investments / Disposals (RON mn)



Note: Data not available for 2009

Source: SIF4 Muntenia Annual reports, Erste Group Research

### Top 20 holdings (fair value) \*

Company	Ticker	Sector/Expertise	SIF stake (%)	Value recorded in official NAV (RON mn)	Fair value (RON mn)
Erste Group Bank	EBS	Banking	1.0%	272.99	283.00
B.R.D.-Groupe Societe Generale	BRD	Banking	4.2%	269.99	238.41
Unirea Shopping Center	SCDM	Prime shopping center (Bucharest)	10.0%	23.78	41.16
Fondul Proprietatea	FP	Closed-end fund	0.5%	35.80	37.34
Metav Bucuresti	METV	Letting of own property	27.8%	29.69	31.82
Romaero Bucuresti	RORX	Repair and maintenance of aircrafts	25.9%	19.05	21.80
Firos Bucuresti	Unlisted	Well located plot of land/Warehouse facilities	99.0%	33.43	18.53
Avicola Bucuresti	AVBW	Poultry farms	99.4%	44.62	18.11
Voluthema Property Developer	Unlisted	Class A Office building (Bucharest)	69.1%	32.95	17.05
Semrom Muntenia	SEOM	Production & commerce of seeds	89.4%	16.20	17.03
Transelectrica	TEL	Utilities (National power transmission grid operator)	1.4%	14.27	12.95
Prospectiuni Bucuresti	PRSN	Geological & geophysical services	11.8%	13.26	12.72
Bucur Bucuresti	BUCV	Commerce	68.0%	10.50	11.94
Mindo Dorohoi	MINO	Exploitation of siliceous sands quarry	97.4%	15.96	10.65
Pavcom Targoviste	Unlisted	Shopping center (Targoviste)	30.9%	4.90	10.18
Prefab Bucuresti	PREH	Construction materials (concrete products)	13.0%	9.61	9.00
Bursa de Valori Bucuresti	BVB	Bucharest Stock Exchange	3.6%	8.39	6.75
Master Bucuresti	Unlisted	Thermic engine research institute	12.8%	5.92	5.92
Transilvania Leasing IFN Brasov	Unlisted	Leasing	24.7%	10.44	5.84
Unisem Bucuresti	UNISEM	Production & commerce of seeds	77.0%	7.55	5.44

\*Fair value according to SOTP approach

Source: SIF4 Muntenia, Erste Group Research

### Key P&L figures

Indicator (RON mn)	2006	2007	2008	2009	2010	2011	1H12
Revenues from dividends	35.8	38.6	45.0	77.8	22.3	15.9	11.8
Revenues on disposal of financial investments	77.2	59.7	112.9	12.4	73.0	131.7	71.2
Capital gains on disposal of financial investments	76.8	58.5	112.8	11.8	70.4	122.7	66.4
Provision reversals	4.9	17.2	17.8	38.5	39.1	35.8	18.6
Interest revenues	5.0	6.3	10.2	14.7	8.4	10.7	0.1
Total revenues	127.5	134.9	199.6	150.1	164.1	196.9	108.7
Total fund operating expenses	20.2	23.8	23.5	24.1	24.0	30.9	11.6
- out of which wages	1.1	1.1	1.3	1.3	1.3	1.8	0.9
Depreciations & provisions expenses	23.5	11.6	65.6	39.9	52.4	72.5	30.3
Total expenses	46.2	39.9	92.5	68.0	80.3	113.7	46.9
Gross profit	81.3	95.0	107.1	82.1	83.8	83.2	61.8
Income tax	9.4	8.3	17.5	0.0	12.4	17.8	9.9
Net profit	72.0	86.7	89.6	82.0	71.4	65.3	51.9

Source: SIF Muntenia, Erste Group Research

Note: SIF4 is administrated by Muntenia Invest Asset Management company, the wages being included in management fee

### Official NAV according to NSC Regulation no 15/2004

Indicator (RON mn)	2006	2007	2008	2009	2010	2011	August, 2012
<b>Fixed assets, out of which</b>	<b>361.0</b>	<b>393.8</b>	<b>676.1</b>	<b>630.9</b>	<b>602.1</b>	<b>347.1</b>	<b>282.7</b>
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tangible assets	15.2	24.2	0.1	0.0	0.0	0.0	0.0
Financial fixed assets, out of which	345.8	369.6	676.0	630.8	602.1	347.1	282.7
Listed shares	30.9	10.2	90.1	57.4	20.1	18.1	65.4
Unlisted shares	300.7	347.1	563.9	546.4	530.4	294.7	174.3
T-Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal bonds	1.0	0.0	0.0	0.1	0.1	0.1	0.0
Corporate bonds	13.0	12.1	18.1	16.8	23.6	24.8	20.5
Mutual funds units (UCITS and NON-UCITS)	0.0	0.0	3.8	10.1	21.0	5.5	12.7
Other financial assets	0.2	0.2	0.0	0.0	6.8	4.0	9.8
<b>Current assets, out of which</b>	<b>1,032.7</b>	<b>1,867.0</b>	<b>816.9</b>	<b>957.9</b>	<b>909.1</b>	<b>986.0</b>	<b>919.5</b>
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables	4.2	16.8	5.4	22.0	4.9	9.9	16.9
Cash & equivalents	5.0	15.4	0.9	1.9	2.6	3.8	9.3
Short term financial investments, out of which	1,023.5	1,834.8	810.6	933.9	901.6	972.4	893.3
Listed shares	948.9	1,744.6	689.8	799.8	710.3	783.5	775.6
Unlisted shares	0.7	8.9	5.4	3.8	3.7	2.9	2.7
T-Bills	0.0	0.0	39.5	21.2	0.6	0.0	0.0
Bank deposits	39.4	30.7	28.3	60.1	146.5	158.4	81.6
Municipal bonds	1.1	1.6	1.2	0.9	0.6	0.3	0.3
Corporate bonds	3.0	31.8	39.8	39.0	21.9	11.0	11.6
Mutual funds units (UCITS and NON-UCITS)	10.5	16.0	6.6	9.2	18.1	16.2	21.5
Other financial assets	20.0	1.2	0.0	0.0	0.0	0.0	0.0
<b>Derivatives financial instruments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Prepaid expenses</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total assets</b>	<b>1,393.8</b>	<b>2,260.9</b>	<b>1,493.1</b>	<b>1,588.8</b>	<b>1,511.2</b>	<b>1,333.2</b>	<b>1,202.2</b>
<b>Total liabilities</b>	<b>86.9</b>	<b>94.5</b>	<b>103.9</b>	<b>111.1</b>	<b>93.4</b>	<b>95.6</b>	<b>159.5</b>
<b>Provisions</b>	<b>133.7</b>	<b>126.1</b>	<b>123.3</b>	<b>122.8</b>	<b>105.5</b>	<b>89.6</b>	<b>80.1</b>
<b>Unearned revenue</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Equity</b>	<b>1,173.1</b>	<b>2,038.6</b>	<b>1,266.1</b>	<b>1,354.8</b>	<b>1,311.5</b>	<b>1,137.5</b>	<b>971.4</b>
<b>Off-balance sheet</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Net Assets Value (NAV)</b>	<b>1,306.8</b>	<b>2,166.3</b>	<b>1,389.2</b>	<b>1,477.7</b>	<b>1,417.8</b>	<b>1,237.6</b>	<b>1,042.6</b>
Number of shares (mn)	807.0	807.0	807.0	807.0	807.0	807.0	807.0
<b>NAV per share (RON)</b>	<b>1.6193</b>	<b>2.6843</b>	<b>1.7213</b>	<b>1.8310</b>	<b>1.7567</b>	<b>1.5335</b>	<b>1.2919</b>

Source: SIF Muntenia

# SIF 5 Oltenia

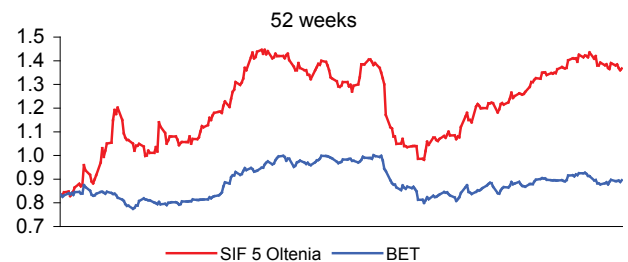
Not rated

RON mn	2009	2010	2011 6M	2012
Total revenues	261.9	168.5	133.2	135.0
Revenues from dividends	87.5	40.4	23.5	13.9
Capital gains on disposals	106.2	50.2	83.6	26.8
Net profit	187.3	81.0	83.4	54.2
RON mn	2009	2010	2011	Last
NAV	1643.4	1557.4	1417.3	1453.3
MkCap	736.8	731.0	613.2	793.1
NAV/share (RON)	2.833	2.684	2.443	2.505
EPS (RON)	0.323	0.140	0.144	0.093
Dividend/share (RON)	0.160	0.075	0.130	0.135 *
Discount to NAV/share (%)	-55.2%	-53.1%	-56.7%	-45.4%
Dividend yield (%)	12.6%	6.0%	12.3%	9.9%
Payout ratio (%)	49.6%	53.7%	90.4%	-
Expense ratio (%)	1.00%	1.36%	1.10%	-

\*2012 dividend estimate

Source: SIF5 Oltenia, BSE, Erste Group Research

Share price (RON) close as of 12/10/2012	1.37	Reuters	SIF5.BX	Free float	90.6%
Number of shares (mn)	580.2	Bloomberg	SIF5 RO	Shareholders	Danske & affiliates (1.5%)
Market capitalization (RON mn / EUR mn)	793 / 174	Div. Ex-date	08/05/09	Raiffeisen Zentralbank (1.2%)	
Enterprise value (RON mn / EUR mn)	0 / 0	Target price	Homepage:		www.sifolt.ro



Performance	12M	6M	3M	1M
in RON	63.7%	5.6%	14.0%	-3.0%

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## Reaping benefits of sustainable investment policy

SIF5 Oltenia has the most valuable listed holdings portfolio among SIFs, as a result of its LT investment policy focused on the most liquid shares and interesting companies in the second tier of the BSE (not controlled by strategic investors). A plus for SIF5 is that its dividend distributions have not been made at the price of diluting the holding in BRD-GSG, which is supportive, given its capacity to generate future capital gains or revenues from dividends.

SIF5 is the only SIF that has not yet signed the final exit agreement from BCR.

SIF5's investment policy focus on listed shares proved to be successful, as dividend revenues from portfolio companies were far higher than those collected by the other SIFs. SIF5 is also the only SIF with a positive ratio of dividends received vs. OPEX in 2011. Another plus for SIF5 is that the expense ratio for 2011 was the lowest among SIFs, indicating that it is the most efficient in terms of administrative expenses related to the value of assets under management.



### Assets breakdown \*

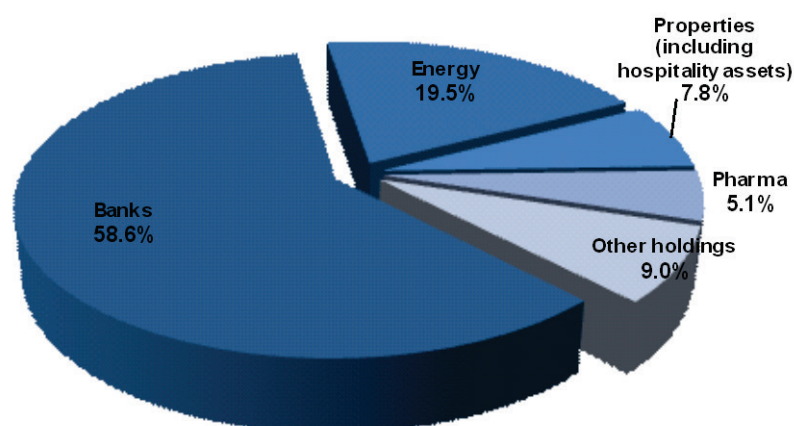
No.	Asset Category	Fair Value* (RON mn)	Fair Value (EUR mn)	Weight in total fair value of assets (%)
1	Cash & monetary investments **	57.6	12.6	3.9%
2	Mutual funds units (UCITS and NON-UCITS)†	1.7	0.4	0.1%
3	Municipal and corporate bonds**	0.0	0.0	0.0%
4	Banks, out of which	840.0	184.0	57.3%
4.1	BCR / Erste Group Bank AG***	457.1	100.1	31.2%
4.2	BRD Groupe Societe Generale	255.9	56.0	17.5%
4.3	Banca Transilvania	100.6	22.0	6.9%
5	Energy	280.2	61.4	19.1%
6	Pharma	74.4	16.3	5.1%
7	Properties	98.8	21.6	6.7%
7.1	Hotels & leisure	32.0	7.0	2.2%
7.2	Prime land plots	0.0	0.0	0.0%
7.3	Office, Retail & Industrial properties	66.8	14.6	4.6%
8	Other holdings	112.2	24.6	7.7%
<b>Total assets</b>		<b>1,465.0</b>	<b>320.9</b>	<b>100.0%</b>
<b>Total liabilities</b>		<b>173.0</b>	<b>37.9</b>	<b>-</b>
<b>Fair value Net Assets Value (NAV)</b>		<b>1,292.0</b>	<b>283.0</b>	<b>-</b>

\*fair value according to SOTP approach; \*\*according to the last Official NAV statement (August 2012)

\*\*\*The 6.6% stake in BCR and the 0.45 mn shares in Erste Group Bank AG

Source: SIF5 Oltenia, Bucharest Stock Exchange, Erste Group Research

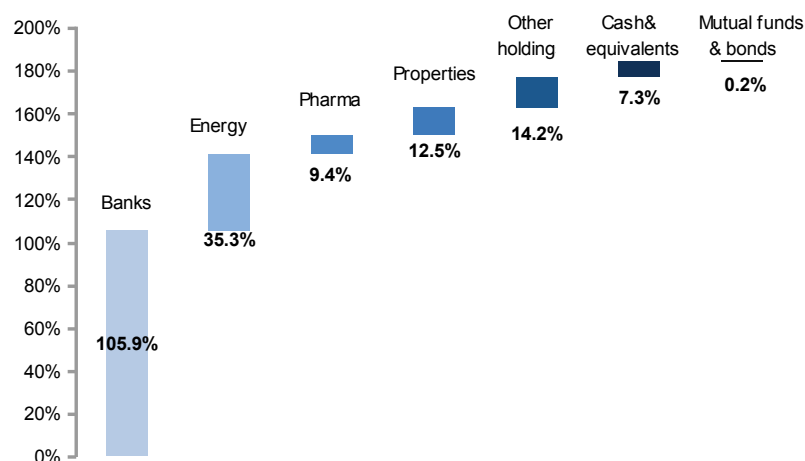
### Equity portfolio breakdown\*



\*Fair value according to SOTP approach

Source: SIF5 Oltenia, Erste Group Research

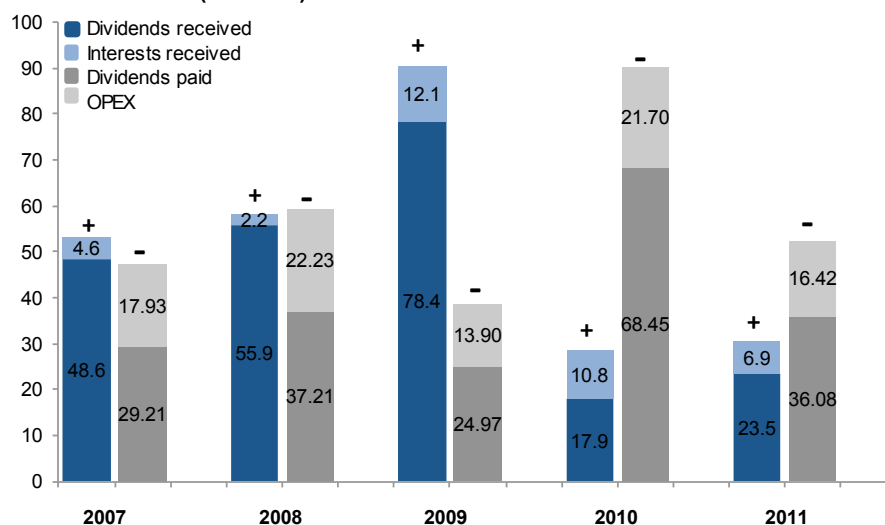
### Asset category\* as percentage of MkCap



\*Asset category at fair value according to SOTP approach

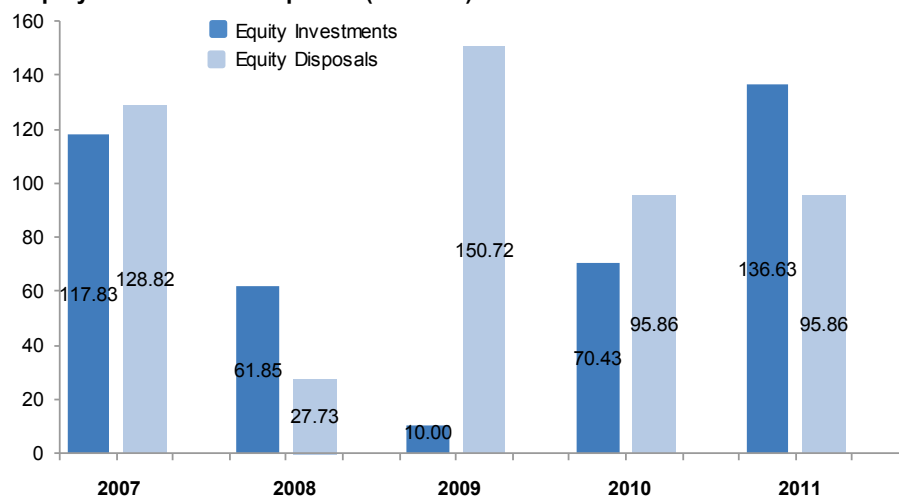
Source: SIF5 Oltenia, Bucharest Stock Exchange, Erste Group Research

### Main cash flows (RON mn)



Source: SIF5 Oltenia, Erste Group Research

### Equity Investments / Disposals (RON mn)



Source: SIF5 Oltenia Annual Reports, Erste Group Research

### Top 20 holdings (fair value) \*

Company	Ticker	Sector/Expertise	SIF stake (%)	Value recorded in official NAV (RON mn)	Fair value (RON mn)
Banca Comerciala Romana	Unlisted	Banking	6.6%	495.17	456.66 **
B.R.D.-Groupe Societe Generale	BRD	Banking	4.5%	304.27	255.88
Petrom	SNP	Oil & gas	1.0%	208.31	215.59
Banca Transilvania	TLV	Banking	5.2%	86.03	100.57
Transelectrica Bucuresti	TEL	Utilities (National power transmission grid operator)	6.0%	60.53	57.42
Biofarm Bucuresti	BIO	Pharmaceutical producer	26.3%	51.23	52.93
Mercur Craiova	MRDO	Prime shopping center (Craiova)	85.5%	22.32	36.83
Eximbank	Unlisted	Banking	3.3%	36.54	25.58
Electromagnetica Bucuresti	ELMA	Electricity meters, power producer	21.1%	26.02	24.13
Argus Constanta	UARG	Food & Beverages (Edible oil producer)	31.9%	23.61	23.61
Antibiotice Iasi	ATB	Pharmaceutical producer	10.1%	21.53	21.48
Turism Felix Baile Felix	TUFE	Balneal, Spa & Wellness	16.9%	12.97	20.33
Transgaz Medias	TGN	Utilities (National gas transmission grid operator)	0.6%	15.17	13.40
Flaros Bucuresti	FLAO	Letting of own property	77.1%	8.21	12.37
Univers Rm.Valcea	UNVR	Universal store (Rm Valcea)	73.7%	7.22	11.92
Turism Lotus Felix	Unlisted	Balneal, Spa & Wellness	22.8%	12.38	10.12
Sanex Cluj	Unlisted	Ceramic wall and ceramic floor tiles	13.0%	10.06	10.06
T.M.K. Artrom Slatina	ART	Seamless pipes for industrial applications	4.5%	7.12	7.23
Fondul Proprietatea Iamu Blaj	FP	Closed-end fund	0.1%	6.64	6.74
IAMU	IAMU	Fine mechanics products for machine-tools	19.8%	3.97	6.16

\*Fair value according to SOTP approach; \*\*Considering terms of the preliminary exit agreement between SIFs and Erste Group Bank AG in September 2011

Source: SIF5 Oltenia, Erste Group Research

### Key P&L figures

Indicator (RON mn)	2006	2007	2008	2009	2010	2011	1H12
Revenues from dividends	42.5	47.4	83.1	87.5	40.4	23.5	34.9
Revenues on disposal of financial investments	87.1	128.8	27.7	150.7	95.9	94.2	49.3
Capital gains on disposal of financial investments	70.6	97.2	16.9	106.2	50.2	83.6	26.8
Provision reversal	3.2	7.3	7.8	8.5	10.6	4.5	0.1
Interest revenues	3.5	4.4	2.1	13.0	10.9	6.1	1.2
Total revenues	137.0	188.1	122.3	261.9	168.5	133.2	86.7
Total fund operating expenses	14.6	17.9	22.2	13.9	21.7	16.4	5.8
- out of w hich w ages	9.6	12.1	16.3	9.8	17.2	11.9	3.8
Depreciations & provisions expenses	15.7	17.6	0.7	9.1	7.3	5.7	0.3
Total expenses	48.5	67.4	33.8	69.3	79.1	37.1	28.7
Gross profit	88.5	120.7	88.4	192.5	89.5	96.1	58.0
Income tax	9.6	14.2	0.8	5.2	8.5	12.7	3.8
Net profit	78.9	106.5	87.6	187.3	81.0	83.4	54.2

Source: SIF Oltenia, Erste Group Research

### Official NAV according to NSC Regulation no 15/2004

Indicator (RON mn)	2006	2007	2008	2009	2010	2011	August, 2012
<b>Fixed assets, out of which</b>	<b>345.9</b>	<b>348.2</b>	<b>432.5</b>	<b>454.3</b>	<b>448.2</b>	<b>510.6</b>	<b>655.9</b>
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tangible assets	13.6	15.8	14.6	16.5	15.6	15.0	14.5
Financial fixed assets, out of w hich	332.3	332.4	417.9	437.8	432.6	495.6	641.4
Listed shares	39.4	23.1	79.4	15.2	5.6	32.0	31.9
Unlisted shares	286.8	300.5	337.5	422.1	411.9	426.1	607.3
T-Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporate bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mutual funds units (UCITS and NON-UCITS)	2.1	4.6	0.2	0.3	0.0	0.0	0.0
Other financial assets	4.1	4.2	0.8	0.2	5.9	37.5	2.2
<b>Current assets, out of which</b>	<b>1,692.7</b>	<b>2,461.1</b>	<b>754.7</b>	<b>1,257.7</b>	<b>1,207.5</b>	<b>1,010.5</b>	<b>970.1</b>
Inventories	0.0	0.0	0.0	0.1	0.0	0	0
Receivables	2.2	0.9	1.3	2.0	22.5	3	6
Cash & equivalents	0.3	0.6	0.6	15.0	0.8	1	4
Short term financial investments, out of w hich	1,690.2	2,459.6	752.7	1,240.6	1,184.2	1,006.4	959.6
Listed shares	1,654.4	2,419.5	743.6	1,060.1	1,029.8	924.4	904.5
Unlisted shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T-Bills	0.0	0.0	0.0	6.6	0.0	0.0	0.0
Bank deposits	35.8	40.1	7.3	171.6	151.3	79.5	53.4
Municipal bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporate bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mutual funds units (UCITS and NON-UCITS)	0.0	0.0	1.8	2.3	3.0	2.6	1.7
Other financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Derivatives financial instruments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Prepaid expenses</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.3</b>	<b>0.2</b>
<b>Total assets</b>	<b>2,038.7</b>	<b>2,809.4</b>	<b>1,187.2</b>	<b>1,712.1</b>	<b>1,655.8</b>	<b>1,521.4</b>	<b>1,626.2</b>
<b>Total liabilities</b>	<b>40.8</b>	<b>52.6</b>	<b>59.0</b>	<b>68.7</b>	<b>98.4</b>	<b>104.1</b>	<b>173.0</b>
<b>Provisions</b>	<b>53.7</b>	<b>59.2</b>	<b>53.6</b>	<b>56.6</b>	<b>54.1</b>	<b>57.5</b>	<b>53.7</b>
<b>Unearned revenue</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Equity</b>	<b>524.1</b>	<b>587.9</b>	<b>623.2</b>	<b>648.8</b>	<b>662.0</b>	<b>653.4</b>	<b>640.1</b>
<b>Off-balance sheet</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Net Assets Value (NAV)</b>	<b>1,997.9</b>	<b>2,756.8</b>	<b>1,128.3</b>	<b>1,643.4</b>	<b>1,557.4</b>	<b>1,417.3</b>	<b>1,453.3</b>
Number of shares (mn)	580.2	580.2	580.2	580.2	580.2	580.2	580.2
<b>NAV per share (RON)</b>	<b>3.4437</b>	<b>4.7518</b>	<b>1.9447</b>	<b>2.8327</b>	<b>2.6844</b>	<b>2.4429</b>	<b>2.5049</b>

Source: SIF Oltenia

## Erste Group Research – Romanian SIFs: How long to hold them? – 16 October 2012

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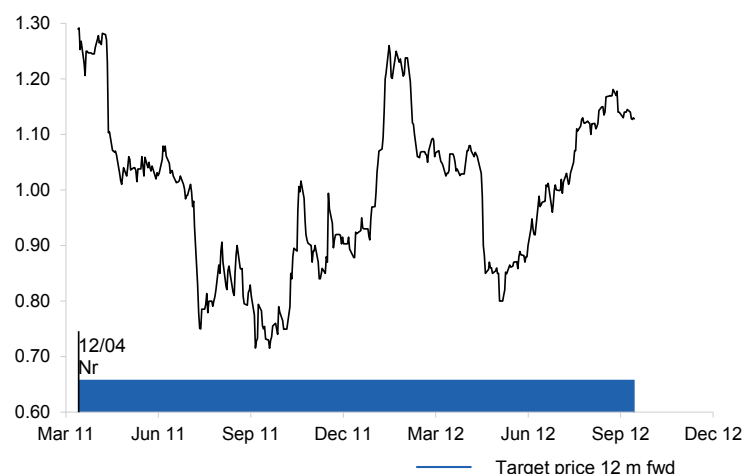
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### SIF 1 Banat Crisana



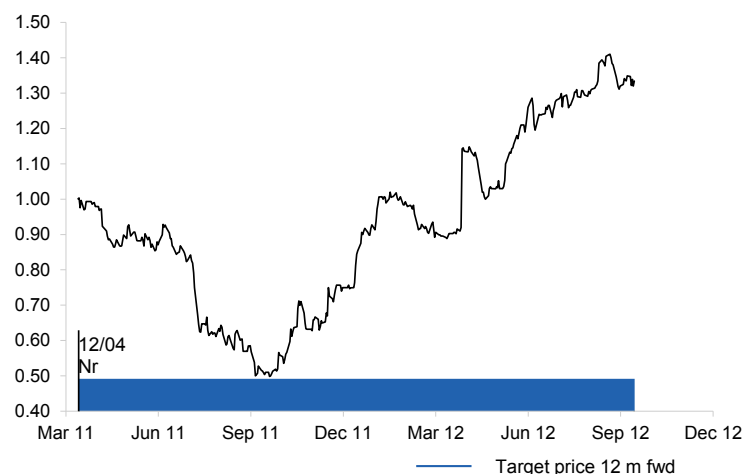
### Rating history

Date	Rating	Price	Target Price
12. Jun 08	Not rated	2.34	

### Company description

Based on the first privatization law, SIF Banat Crisana was set up as Private Property Fund I in 1991. The initial portfolio of the financial investment companies was affected by subscriptions of population within the Mass Privatization Program. As a result, it has lost most of the valuable holdings, except for the stakes in banks. In 1996, Private Property Fund I became SIF Banat Crisana, a joint stock company controlled by shareholders and under the supervision of the National Securities Commission. The company was listed on the BSE in November 1999.

### SIF 2 Moldova



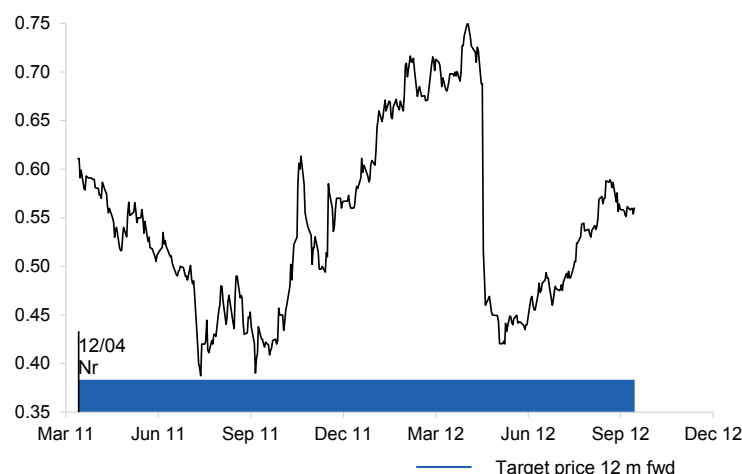
### Rating history

Date	Rating	Price	Target Price
19. Jan 10	Not rated	0.90	

### Company description

Based on the first privatization law, SIF Moldova was set up as Private Property Fund II in 1991. The initial portfolio of the financial investment companies was affected by subscriptions of population within the Mass Privatization Program. As a result, it has lost most of the valuable holdings, except for the stakes in banks. In 1996, Private Property Fund II became SIF Moldova, a joint stock company controlled by shareholders and under the supervision of the National Securities Commission. The company was listed on the BSE in November 1999.

### SIF 3 Transilvania



### Rating history

Date	Rating	Price	Target Price
19. Jan 10	Not rated	0.79	

### Company description

Based on the first privatization law, SIF Transilvania was set up as Private Property Fund III in 1991. The initial portfolio of the financial investment companies was affected by subscriptions of population within the Mass Privatization Program. As a result, it has lost most of the valuable holdings, except for the stakes in banks. In 1996, Private Property Fund III became SIF Transilvania, a joint stock company controlled by shareholders and under the supervision of the National Securities Commission. The company was listed on the BSE in November 1999.

### SIF 4 Muntenia



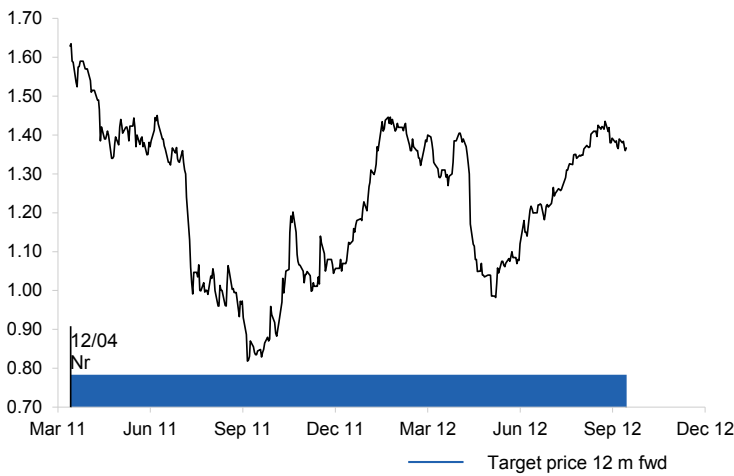
### Rating history

Date	Rating	Price	Target Price
13. Jan 09	Not rated	0.65	

### Company description

Based on the first privatization law, SIF Muntenia was set up as Private Property Fund IV in 1991. The initial portfolio of the financial investment companies was affected by subscriptions of population within the Mass Privatization Program. As a result, it has lost most of the valuable holdings, except for the stakes in banks. In 1996, Private Property Fund IV became SIF Muntenia, a joint stock company controlled by shareholders and under the supervision of the National Securities Commission. The company was listed on the BSE in November 1999.

SIF 5 Oltenia



Rating history

Date	Rating	Price	Target Price
19. Jan 10	Not rated	1.50	

Company description



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Company	ISIN	Disclosure
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SIF 2 Moldova	ROSIFBACNOR0	5
SIF 3 Transilvania	ROSIFCACNOR8	5
SIF 4 Muntenia	ROSIFDACNOR6	5
SIF 5 Oltenia	ROSIFEACNOR4	5

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<b>Reduce</b>	-10% < target price < 0%
<b>Sell</b>	< -10% to target price

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Accumulate	46	25.1	12	25.0
Hold	41	22.4	11	22.9
Reduce	11	6.0	4	8.3
Sell	9	4.9	2	4.2
N.R./UND.REV./RESTR.	9	4.9	0	0.0
<b>Total</b>	<b>183</b>	<b>100.0</b>	<b>48</b>	<b>100.0</b>

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