

Bucharest, February 25, 2011

BCR achieved a sound operating profit and increased market share in 2010 in a very challenging environment

I. HIGHLIGHTS FOR THE BCR GROUP¹:

Sound operating result in a very difficult economic context

Operating result stands at **RON 2,853.4 million (EUR 676.4 million)** in 2010, down **12.5%** on 2009 in a continuing very difficult economic context. **Operating income** declined by RON 444.9 million or 9.0% on 2009 mostly due to diminished net income from interest, fees and trading, as a result of market conditions: reduced interest rates, low eligible demand, lower transaction volumes and the impact of OUG 50 implementation. In the same time **Operating expenses** were reduced by RON 36.8 million or 2.2% y/y. **Net profit after taxes and minority interests** amounted to **RON 465.0 (EUR 110.2 million)** down by 46.7% on 2009 mainly on still high provision expense due to the continuing difficult market conditions heavily impacting BCR's customers.

Efficiency and risk positively managed

Cost-income ratio remains very good with a slight increase to 36.9% in 2010 (34.4% at year-end 2009).

NPL formation slowed in 2010 compared to 2009, 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 **127.4%** (collateral and provisions). The slowdown in NPL formation caused a decrease of **Risk costs** by 12.5% (to RON 1,997.7 million) on 2009.

ROE went down to 6.7% at end-year 2010 (13.5% at YE 2009).

Business development continued despite a weak economy

BCR (bank only) slightly **increased its market share in lending to around 22.2%** over the last year due to a good performance in corporate lending which resulted in an improved position in this segment (+1.2 pp y/y) and a modest increase in housing loans (+0.2 pp y/y). On deposits BCR holds around 20% 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 78%, according to local standards. The bank has strong liquidity and a sound capital base well above regulatory minima.

“2010 has been a very difficult year for our customers and therefore for BCR. As expected, the results are heavily impacted by the continuing difficult market conditions in Romania: the economy was subject to a significant austerity programme and VAT rise – the effects of which are still being felt, stated

¹ All the below stated financial data are un-audited, consolidated business results of Banca Comercială Română (BCR) Group as of YE 2010 according to IFRS. Unless otherwise stated, the 2010 figures are compared to the figures as YE 2009. 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 2010 of 4.2184 RON/EUR when referring to 2010 and using the average exchange rate for 2009 of 4.2249 RON/EUR when referring to 2009. The balance sheets at 31 December 2010 and at 31 December 2009 are converted using the closing exchange rates at the respective dates (4.2620 RON/EUR at 2010 and 4.2363 RON/EUR at 31 December 2009 respectively). All the percentage changes refer to RON figures.

Dominic Bruynseels, BCR CEO. *We continue to provide support for our customers, to improve the way we serve them and operate our business. The increase in our market share demonstrates our commitment to look for ways to help Romania return to a growth path*” Mr. Bruynseels added.

II. FINANCIAL PERFORMANCE OVERVIEW FOR BCR GROUP

BCR Group’s **operating profit** decreased by 12.5% to **RON 2,853.4 million (EUR 676.4 million)** from RON 3,261.5 million (EUR 772.0 million) in 2009 as a result of the operating income drop and despite improved efficiency.

The **net operating income** went down from RON 4,970.1 million (EUR 1,176.4 million) to **RON 4,525.2 million** (EUR 1,072.7 million). The main driver of this decline was the **decrease in interest rates and the knock on effect on interest income** (down by 21.8% or RON 1,927.4 million y/y) from RON 8,840.4 million (EUR 2,092.5 million) to **RON 6,912.9 million** (EUR 1,638.8 million) pressured by low eligible demand for loans and increasing competition for quality business.

The Romanian economy stayed in recession in 2010 so many corporate clients faced a dramatic reduction in demand for their products and services. Unfortunately a large number of businesses also closed, mainly micros and SMEs. This had a negative impact on the transactions they made with BCR. The confidence of the retail customers was also badly affected by the austerity package and VAT increase that caused the reduction of their household income and by fear of job losses. As a result they were much more cautious in their spending.

The confusion resulting from the implementation of OUG 50 in the second half of 2010 and the subsequent legal turmoil also disturbed business flows and cut our **fee income**.

The **net trading result** decreased by 26.6% y/y as record fixed income trading results in 2009 returned to more normalized levels in 2010. BCR is the biggest player in both primary and secondary Romanian market in TBills and bonds.

Operating expenses went down moderately from RON 1,708.6 million (EUR 404.4 million) in 2009 to **RON 1,671.8 million** (EUR 396.3 million), as a result of ongoing efficiency and productivity improvements counteracting the increase in VAT. BCR continued to invest in “good costs” especially in internet and card channels and BCR maintained its commitment to the retail branch network increasing it by 7 branches y/y.

The **consolidated net profit after taxes and minority interests** in 2010 is **RON 465.0 million** (EUR 110.2 million), down by 46.7% on 2009 mainly on still high provisioning and lower net income.

Risk costs

BCR is adjusting risk provisioning appropriately to the still difficult current economic conditions. The NPLs burden remained significant although the NPL formation rate flattened in the last months on lower interest rates, relatively stable local currency and on reduced unsecured retail lending provisions.

The net charge with **risk provisions for loans and advances** totalled RON 1,997.7 million (EUR 473.6 million) down by 12.5% on 2009 developing in line with expectations as mainly the SME segment continued to experience cash-flow, liquidity and profitability constraints and the austerity package implemented by the Romanian government inevitably affected households’ income level and their spending behavior as well as the retail lending eligible demand.

The loan portfolio developed satisfactorily in 2010, 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. **127.4%** (collateral and provisions).

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. In the same time BCR has a prudent approach in lending, adapted to the current environment.

GDP surprised to the upside in 4Q10 advancing by a marginal 0.1% q/q (s.a.), most likely helped a positive contribution of net exports, while domestic demand may have been neutral. Latest data may 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 1-1.5% in 2011, visible mainly in the second half of the year. The NPLs burden should decrease and companies and people's appetite for loans and other banking products should increase.

Solvency ratios remain comfortably above the required levels. Tier 1+2 capital ratio in 2010 (provisional data): approx. **12.8%** RAS ratio against min. 10% according to the current requirements of the National Bank of Romania and approx. **17.1%** IFRS consolidated. RAS solvency ratio considerably improved in 2010 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 2010 BCR continued to positively manage a sound and sustainable business in line with expectations in an economy in recession.

The bank increased its **Total assets** by 8.4% to **RON 69,925.9 million** (EUR 16,406.8 million) in 2010 from RON 64,526.9 million (EUR 15,231.9 million) as at December 31st, 2009. BCR consolidated its leading position in the market by assets, with a market share of 19.8% compared to 19% in 2009.

Lending has developed well on a still weak eligible demand, BCR acting as a main financial supporter of the Romanian economy. BCR slightly increased its **market share in overall lending** to around **22.2%** over the last year, due to a good performance in corporate lending which resulted in an improved position in this segment (+1.2 pp market share y/y) combined with a slight increase in housing loans (+0.2 pp market share y/y).

The volume of aggregate **Loans to customers** portfolio (before provisions, IFRS) rose by RON 2,093.7 million (**up 4.5%**) to **RON 48,607.8 million** (EUR 11,404.9 million) from RON 46,514.1 million (EUR 10,979.9 million) as at YE 2009 and maintains well balanced by customer segment and industry.

In 2010 BCR expanded its lending to the productive sectors of the economy. **Corporate lending** went up by **15.6%** y/y mainly on providing working capital for companies and funding for public sector enterprises. This good performance has led to a 1.2 pp market share increase in this area.

The **Retail loan portfolio** (including individuals and micro business) declined by **7.3%** y/y matching the people's lower income and the market trends. The positive trend in secured lending (mortgage and secured consumer loans) driven mainly by the governmental mortgage loan program "Prima Casa" has been outbalanced by the decline in the flow of new unsecured consumer loans.

“Prima Casa” program positive impetus continued, BCR being the leader of the program with a total of over EUR 525 million lent to more than 13,000 families since the start of the program, helping them to own their first home.

The share of **loans in domestic currency** in bank’s portfolio - of **39.3%** of total loans, is above the market average. **FX loan portfolio** of BCR is dominated by EUR (**58%** of the total portfolio). No loans were extended in CHF or other “exotic” currencies.

Corporate Loan portfolio is **57%** of total customer loans while **Retail** (including micro business) is **43%**.

Secured loans are weighting around 65% of the total loan portfolio.

Deposits from customers increased by 4.1% y/y to **RON 37,289.0 million** (EUR 8,749.2 million) from RON 35,824.9 million (EUR 8,456.6 million) as at YE 2009 due to increases in both customers segments - by 3.4% of the corporate segment and by 4.3% on retail deposits.

RON deposits are prevalent (65.8%), growing by 7.6% y/y as a result of competitive pricing while FX deposits decreased by 2.1%.

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 has slightly extended its **retail branch network** in 2010 focusing mainly on streamlining branches and on developing the alternative distribution channels based on its strategy to encourage customers to use the non-cash transactions. BCR added **7 branches** to its retail network in 2010, reaching to a total of **668 outlets** in 2010.

The bank 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 extended 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 self service online and card banking - the number of transactions via BCR 24 Banking is increasing by 20% on average on a quarterly basis - 160% y/y growth. In 2010 only, BCR customers have performed more than 4.4 million online transactions through Click&Alo 24 Banking service and more than 2.1 million foreign exchange operations via FX ATM.

BCR continued to expand its ATM network by adding **165** new machines in 2010 up to **2,266 ATMs** (**5%** y/y increase) and its POS network to **17,799 units** (**5%** increase y/y).

BCR continued to consolidate its leading position on the **debit and credit cards** market managing a **1.9 million** valid cards portfolio. As a result of customers increasing desire for convenience, the number of transactions on POS went up by **27%** on issuing side and by almost three folds on acquiring side on 2009. The value spent on POS went up by **22%** y/y on issuing side and by **148%** y/y on acquiring side as our strategy to capture the transactions of customers made in high volume retailers took effect. On ATMs the number of transactions decreased by **8%** on issuing side and by **5%** on acquiring side (with a decrease by value by **5%** y/y on issuing side and by **3%** y/y on acquiring side)

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

	Rate at the end of the period			Average of the month-end rates		
	2010	2009	% change	2010	2009	% change
RON/EUR	4.2620	4.2363	0.61%	4.2184	4.2249	-0.15%

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 December 2010	31 December 2009	% Change
Interest and similar income	6,912.9	8,840.4	-21.8%
Interest and similar expenses	<u>(3,163.2)</u>	<u>(5,002.1)</u>	-36.8%
Net interest income	3,749.8	3,838.3	-2.3%
- Risk provisions for loans and advances	(1,997.7)	(2,282.4)	-12.5%
Fee and commission income	870.1	924.2	-5.9%
Fee and commission expenses	<u>(405.8)</u>	<u>(216.2)</u>	87.6%
Net commission income	464.4	708.0	-34.4%
Net trading result	311.1	423.8	-26.6%
Personnel expenses	(873.7)	(921.7)	-5.2%
Other administrative expenses	(601.4)	(609.6)	-1.4%
Depreciation on fixed assets	(196.7)	(177.2)	11.0%
Other operating results	(258.5)	(90.3)	>100%
Result from financial assets - at fair value through profit or loss	0.6	38.7	-98.5%
Result from financial assets - available for sale	<u>44.2</u>	<u>109.0</u>	-59.5%
Pre-tax profit	641.9	1,036.5	-38.1%
Taxes on income	<u>(174.3)</u>	<u>(170.5)</u>	2.2%
Net profit before minority interests	467.6	866.1	-46.0%
Minority interests	<u>2.7</u>	<u>(5.6)</u>	>100%
Net profit after minority interests	465.0	871.7	-46.7%

Appendix II

Consolidated balance sheet (IFRS)

- amounts in RON million

ASSETS	31-Dec-10	31-Dec-09	%Change
Cash and balances with central banks	9,545.4	9,896.5	-3.5%
Loans and advances to credit institutions	1,771.7	1,893.0	-6.4%
Loans and advances to customers	52,238.6	51,160.3	2.1%
- Risk provisions for loans and advances	(4,844.9)	(3,777.4)	28.3%
Trading Assets	966.9	401.4	140.9%
Financial assets - at fair value through profit or loss	42.0	165.5	-74.7%
Financial assets - available for sale	3,925.4	3,063.2	28.1%
Financial assets - held to maturity	5,442.2	2,388.9	127.8%
Intangible assets	424.3	389.2	9.0%
Tangible assets	1,693.9	1,726.6	-1.9%
Current Tax assets	173.9	155.6	11.8%
Deferred tax assets	53.6	50.7	5.8%
Other assets	2,130.9	1,823.7	16.8%
Assets Held For Sale	<u>29.4</u>	<u>65.5</u>	-55.1%
Total assets	73,593.4	69,402.8	6.0%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Amounts owed to credit institutions	21,823.5	21,123.5	3.3%
Other amounts owed to customers	37,828.8	35,628.1	6.2%
Debts evidenced by certificates	638.2	534.7	19.3%
Other provisions	249.9	195.3	27.9%
Current Tax liabilities	21.7	1.8	1084.0%
Deferred Tax liabilities	479.1	363.0	32.0%
Other liabilities	3,481.0	3,048.8	14.2%
Subordinated Liabilities	1,967.3	1,906.1	3.2%
Total equity	7,103.9	6,601.4	7.6%
<i>Equity</i>	<i>7,077.4</i>	<i>6,574.6</i>	<i>7.6%</i>
<i>Minority interests</i>	<u><i>26.5</i></u>	<u><i>26.8</i></u>	<i>-1.0%</i>
Total liabilities and equity	73,593.4	69,402.8	6.0%