

BCR achieves solid operating result as economic recovery slows

I.HIGHLIGHTS FOR THE BCR GROUP¹:

BCR has a solid operating result qoq as economic recovery slows

Operating performance reached to **RON 1,889.0 million (EUR 449.1 million)**, down by 18% YOY in a continuing difficult economic environment. Yet, the quarterly operating result is solid (RON 638.0 million in Q3) and maintains almost flat qoq (RON 642.2 million in Q2) as economic recovery slows and the market conditions remain tough: interest margins under continuous pressure and low eligible loan demand.

Costs well managed, income impacted by slowing recovery

Operating expenses maintained almost flat YOY (+1.3%) reaching **RON 1,261.8 million (EUR 300.2 million)**. In Q3, operating expenses even decreased by 6.2% qoq being well managed in a still inflationary context.

Operating income went down by 11.2% YOY, mainly on the continuing decrease in interest rates and low eligible loan demand. In the same time, **quarterly operating income** in Q3 maintained quite flat qoq due to a very positive trading income offsetting a decline in net interest and fee income.

Cost-income ratio improved to 40% as of end September 2011 although impacted by limited income generation.

The **net profit** dropped in Q3 mainly due to a rise in provisions. In the given context, the net profit after minority interests for 9 months 2011 is amounting to RON 67.6 million (EUR 16.1million).

Risk managed prudently

Net charge with **risk provisions for loans** stayed almost flat YOY. The rise in provisions Q3 / Q2 by 35.8% (RON 663.2 million in Q3 vs RON 488.5 million in Q2) reflects slowing recovery and prudent approach towards developments in the domestic and international economic context. NPL formation accelerated in Q3 as recovery slows - the corporate segment remains the main contributor to higher new NPL volumes. NPL remains at a manageable level, with the coverage ratio comfortably at **118%** (collateral and provisions).

Business development continues at a slower pace as economic recovery slows

BCR's Loan book continues to grow due to a good performance mainly in corporate lending. Retail lending recovered due to increased volumes in the third quarter (+8.8% qoq). BCR's **market share** in overall lending stayed at **around 22%** as of end-September 2011 while its market share in EUR housing loans market increased at about 29% (almost +1 pp YTD).

Deposits from customers rose by around 3% YTD just ahead of market trends.

BCR's **total assets** had a modest increase of 1.1% (or RON 843.6 million) YTD to **RON 74,456.0 million (EUR 17,087.0 million)** BCR maintaining its leading position in the market with 20% market share.

The bank has strong liquidity and a sound capital base well above regulatory minima.

'The recovery has been slower than expected. This is reflected in our customers' business and income and therefore affects their transactions with BCR, stated Dominic Bruynseels, BCR CEO. However BCR's operating result is solid and our risk management is appropriately prudent. We will strive to continue to improve our performance in all areas while working more smartly and efficiently to cope with the economic environment. Erste Group maintains and even increases its commitment towards BCR and Romania. We continue working closely with our customers looking to help them and doing our best to support and accelerate Romania's recovery, added Mr. Bruynseels.

¹ All the below stated financial data are un-audited, consolidated business results of Banca Comerciala Romana (BCR) Group for nine months and Q3 2011 according to IFRS. Unless otherwise stated, financial results from the first nine months of 2011 (1-9 2011) are compared to financial results from the first nine months of 2010 (1-9 2010). Also, if not stated otherwise, foreign exchange rates used for conversion of figures into EURO are the ones provided by the European Central Bank. The income statement is converted using the average exchange rate for 1-9 2011 of 4.2063 RON/EUR when referring to 1-9 2011 results and using the average exchange rate for 1-9 2010 of 4.1846 RON/EUR when referring to 1-9 2010 results. The balance sheets at 31 December 2010 and at 30 September 2011 are converted using the closing exchange rates at the respective dates (4.3575 RON/EUR at 30 September 2011 and 4.2620 RON/EUR at 31 December 2010 respectively). All the percentage changes refer to RON figures. The quarterly financial results have to be treated separately, according to Footnote 2 at Section III.FINANCIAL RESULTS QUARTER-ON-QUARTER COMPARISON.

PRESS RELEASE

II. FINANCIAL PERFORMANCE OVERVIEW FOR BCR GROUP

BCR Group's **operating profit** amounted to **RON 1,889.0 million (EUR 449.1 million)** YTD, down by 18% from RON 2,304.4 million (EUR 550.7 million) at end September 2010 mainly on operating income drop, but maintains solid in quarterly terms as economic recovery slows.

The **net operating income** went down by 11.2% YOY to **RON 3,150.8million** (EUR 749.1 million) from RON 3,549.9 million (EUR 848.3 million). The main cause of the decline was the **decrease in interest rates and the interest margin compression** impacting **interest income** (down by 17.4% or RON 504.0 million) which was also pressured by the low eligible loan demand and rising competition for quality business.

Net fee income rose by 3.2% to **RON 444.8 million** (EUR 105.7 million) compared to RON 430.9 million (EUR 103.0 million) at end September 2010 driven by the increasing positive result in lending business following the strong negative impact in Q3 2010 of the alignment to EU consumer protection law which reshaped business flows and cut banks' **fee income** for both new and existing retail loans.

The **net trading result** very positively added **RON 323.1 million** to the income YTD (EUR 76.8 million), higher by 39.2% YOY (RON 232.1 million at end September 2010) driven primarily by foreign exchange trading, BCR maintaining its leading position in the Romanian market of TBills and bonds.

Operating expenses maintained almost flat (+1.3% YOY) reaching **RON 1,261.8 million** (EUR 300.0 million) compared to RON 1,245.5 million (EUR 297.6 million). This shows a good cost management in the context of the hike in VAT as of mid-2010 and an inflationary environment. BCR continued the investments in "good costs" especially in personnel training, internet and card channels as well as in modernizing its branch network premises - all of these resulting in a higher depreciation charge.

The net charge with **risk provisions for loans and advances** totalled **RON 1,609.1 million** (EUR 382.5 million) YTD and stayed almost flat YOY (RON 1,590.3 million after 9M 2010), reflecting delayed economic recovery. **NPL** remain manageable, weighting **20.8%** of the total loan portfolio at end September. BCR Group is enjoying a comfortable NPL coverage ratio of **118%** (collateral and provisions). The corporate segment is the main contributor to new NPL volumes as SMEs are still facing high liquidity constraints and some large corporate re-defaulted. Gradual recovery is expected once economic growth accelerates.

NPL ratio in retail is quite stable YTD due to reduced new NPL formation, conservative FX lending, a very good quality of loans originated in the last two years and efficient collection process.

BCR continues to focus on active and prudent risk management which mainly means rescheduling and restructuring loans for customers in difficulty, improved collection and improving approval and monitoring processes.

The **consolidated net profit after taxes and minority interests** amounted to **RON 67.6 million** (EUR 16.1 million) YTD declining by 86.3% compared to RON 494.5 million (EUR 118.2 million), mainly on lower net operating income and high provisioning in corporate lending. ROE declined to 1.3% as of end-September 2011 (9.5% in 9M 2010) as a result of constrained earnings and strengthened capital position

Solvency ratios remain above the required levels. Tier 1+2 capital ratio in Q3 2011: approx. **10.7%** RAS ratio against min. 10% according to the current requirements of the National Bank of Romania. Also the 16.4% solvency ratio (BCR Group, IFRS, 30 June 2011) is clearly showing the BCR's strength and the continuing support of Erste Group. (RAS: Romanian Accounting Standards)

Cost-income ratio remains good at 40% as of end September 2011 although impacted by limited income generation (35.1% as of end September 2010).

PRESS RELEASE

Erste Group is increasing its commitment towards BCR and Romania as proved by the latest developments. So, an increase of BCR's capital of up to EUR 144 million was recently announced and is in progress. Thus BCR will enhance its capability to finance Romania's real economy once the recovery resume. At the same time Erste Group is preparing to increase its ownership in BCR by acquiring SIFs participation – the process is also ongoing. BCR's parent bank is also ready to further support BCR with funding and capital whenever needed.

III. FINANCIAL RESULTS QUARTER-ON-QUARTER COMPARISON²

BCR Group's **quarterly operating profit** maintains solid in the context of a slowing economic recovery. Q3 result amounted to RON 638.0 million (EUR 149.8 million) being almost equal to Q2 result of RON 642.2 million (EUR 155.2 million) due to a good cost management - Q3 **operating expenses** reduced by 6.2% qoq combined with a solid quarterly **operating income**.

The Q3 **net operating income** amounted to RON 1,032.9 million (EUR 242.5 million) maintaining almost flat (-2.8% qoq) compared to RON 1,063.1 million (EUR 256.9 million) in Q2. The stable performance in net operating income is a result of the very positive net trading income which offset the decline in net interest income.

The **net interest income** decreased by -4.2% qoq to RON 745.6 million (EUR 175.1 million) from RON 778.3 million (EUR 188.1 million) in Q2 on the continuing contraction of the interest rate margins as well as by the still low eligible demand for loans and increasing competition for quality business.

The **net fee income** slightly went down by 3,6% from RON 148.0 million (EUR 35.8 million) in Q2 2011 to RON 142.7 million (EUR 33.5 million) mainly driven by a slowdown in new lending business volumes.

Net trading result had a very positive contribution of RON 144.7 million (EUR 34.0 million) to the Q3 results increasing by 5.8% qoq from RON 136.8 million (EUR 33.0 million) due to higher foreign exchange transactions.

Operating expenses went down by 6.2% qoq to RON 394.9 million (EUR 92.7 million) from RON 420.9 million (EUR 101.7 million) in Q2 2011, the best result since December 2009, showing that costs are appropriately managed for the current environment.

The quarterly net charge with **risk provisions for loans and advances** totalled RON 663.2 million (EUR 155.7 million) up by 35.8% qoq reflecting slowing recovery and bank's prudent approach. NPL formation speeded up qoq – the corporate segment remains the main contributor to higher new NPL volumes in Q3 as some large corporates re-defaulted, SMEs are still facing high liquidity constraints and a more conservative assessment policy is in place reflecting the slow economic recovery.

The **consolidated net profit attributable to owners of the parent** dropped qoq mainly due to the rise in provisions, the net profit of RON 82.0 million (EUR 19.8 million) in Q2 turning in Q3 into a loss of RON 90.5 million (EUR 21.4 million).

The **quarterly Cost-income ratio** improved to 38.2% from 39.6% in Q2 2011.

IV. BUSINESS ACTIVITIES IN BRIEF (consolidated, IFRS)

² All the below stated financial data are un-audited, consolidated business results of Banca Comercială Română (BCR) Group for Q3 2011 according to IFRS. Unless otherwise stated, financial results from Q3 2011 are compared to financial results from Q2 2011. 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 Q3 2011 of 4.2583 RON/EUR when referring to Q3 2011 results and using the average exchange rate for Q2 2011 of 4.1372 RON/EUR when referring to Q2 2011 results. All the percentage changes refer to RON figures.

BCR is managing well a sustainable and sound business, as expected, in a difficult economic environment as economic recovery slows.

During Q3 2011 the Romanian economy continued to advance, but there are signs of slowdown coming from abroad that could feed through to the local economy in the next quarters. The economy is expected to advance by at least 1.4% in 2011, helped by a plentiful agricultural production. The international financial context remains uncertain and many countries are experiencing severe difficulties which will hold back the recovery for some time. This puts additional pressure on the Romanian economy.

As a result of these developments, many Romanian businesses especially in the micros and SME sector are still confronted with a dramatic reduction in demand for their services and products. A quite large number of them even closed. These had a negative impact on the transactions they made with BCR.

The retail customers continue to be very cautious in their spending as they are still impacted by the difficult general economic context reflected in their lower household income affected by the austerity package and VAT increase as well as in the fear of job losses and low wages increases in a climate of uncertainty.

BCR's **total assets** had a modest increase of 1.1% (or RON 843.6 million) YTD to **RON 74,456.0 million** (EUR 17,087 million) benefiting from the growth of resources attracted from customers. BCR maintains its leading position in the market with 20% market share.

Loan book continued to grow modestly in Q3 2011 in the context of a still weak eligible credit demand. The volume of aggregate **Loans to customers** portfolio (before provisions, IFRS) increased by 1.3% YTD to **RON 52,906.4 million** (EUR 12,141.4 million) from RON 52,238.6 million (EUR 12,256.8 million) at YE 2010 mainly driven by corporate lending.

BCR preserved its **leading market share in overall lending** of **around 22%**, BCR strengthened its leading position in EUR denominated retail housing lending gaining almost 1 pp YTD and reaching about 29% market share.

BCR continued in 2011 to expand lending to the productive sectors of the economy. **Corporate lending** portfolio continued to increase in the last two quarters matching the economic recovery.

In the **retail business lending** volumes increased mainly in the third quarter. The eligible loan demand remains generally low matching the people's lower disposable income and the market trends mostly oriented on refinancing older loans and on borrowing through "Prima Casa 4" program.

"Prima Casa" program positive impetus continued, BCR being the leader of the 4th stage of the program with a current total amount of almost EUR 150 million lent, in only four months, to more than 3,800 families, helping them to own their first home (since the start of the "Prima Casa" program BCR has lent around EUR 750 million).

BCR currently has one of the most attractive loan offers in terms of interest rates, quality and simplicity of processes with the aim to be **the first choice bank** for both lending and saving.

Amounts owed to customers rose by 3.2% YTD to **RON 39,050.1 million** (EUR 8961.5 million) from RON 37,828.8 million (EUR 8876.0 million). The bank maintained 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 is also the leader on **EU funds market** currently holding 42% share of approved projects (out of a total of over EUR 10.3 billion representing the Operational Programs addressing to the private investors and local authorities). BCR is continuing to implement various financing solutions to support SME sector recovery (like JEREMIE, EBRD, EIB finance facilities). BCR signed in Q3 2011 the first loan (of EUR 20 million) under the EBRD/EU Romanian SME Sustainable Energy Financial Facility (RoSEFF).

PRESS RELEASE



It will be used to finance SME investments aimed at reducing final energy consumption or producing renewable energy on a small scale.

The convenience of “**BCR 24 Banking**” banking services is increasingly attracting more and more customers. So, there is a constant migration of transactions from cash to direct channels (internet, telephone and self service equipments). The number of transactions performed during the first nine months of 2011 through Click 24&Alo 24 Banking BCR was over 4,5 million, more than the total number of transactions performed in the whole year 2010. The total value of the operations performed during 9M 2011 reached the value of RON 17,78 billion.

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		
	Sep-2011	Dec-2010	% change	1- 9 2011	1- 9 2010	% change
RON/EUR	4.3575	4.2620	2.2%	4.2063	4.1846	0.5%

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

Appendix I

CONSOLIDATED INCOME STATEMENT at 30 September 2011 (IFRS)

- amounts in RON million

	1-9 2011	1-9 2010	% Change
Interest and similar income	4,619.1	5,290.1	-12.7%
Interest and similar expenses	(2,236.2)	(2,403.2)	-6.9%
Net interest income	2,382.9	2,886.9	-17.5%
- Risk provisions for loans and advances	(1,609.1)	(1,590.3)	1.2%
Fee and commission income	671.9	647.8	3.7%
Fee and commission expenses	(227.1)	(217.0)	4.7%
Net commission income	444.8	430.9	3.2%
Net trading result	323.1	232.1	39.2%
Personnel expenses	(616.1)	(619.5)	-0.5%
Other administrative expenses	(481.3)	(483.3)	-0.4%
Depreciation on fixed assets	(164.3)	(142.7)	15.1%
Other operating results	(170.2)	(158.2)	7.6%
Result from financial assets - at fair value through profit or loss	(2.8)	1.1	<-100.0%
Result from financial assets - available for sale	(0.1)	35.2	<-100.0%
Pre-tax profit	106.8	592.2	-82.0%
Taxes on income	(37.9)	(97.5)	-61.1%
Net profit before minority interests	68.9	494.7	-86.1%
Minority interests	(1.3)	(0.2)	>100%
Net profit after minority interests	67.6	494.5	-86.3%

**Consolidated Income statement (IFRS) - breakdown on quarters of Q3 2011 results, in brief
(amounts in RON million)**

	Q3 11	Q2 11
Net interest income	745.6	778.3
Risk provisions	(663.2)	(488.5)
Net fee and commission income	142.7	148.0
Net trading result	144.7	136.8
General administrative expenses	(394.9)	(420.9)
Other result	(66.4)	(52.2)
Pre-tax profit	(91.6)	101.6
Taxes on income	1.7	(19.3)
Net profit for the period	(89.8)	82.3
Attributable to non-controlling interests	(0.7)	(0.3)
Attributable to owners of the parent	(90.5)	82.0
Operating income	1,032.9	1,063.1
Operating expenses	(394.9)	(420.9)
Operating result	638.0	642.2

Appendix II

Consolidated balance sheet (IFRS)

- amounts in RON million

ASSETS	30-Sep-11	31-Dec-10	%Change
Cash and balances with central banks	8,856.4	9,545.4	-7.2%
Loans and advances to credit institutions	419.7	1,771.7	-76.3%
Loans and advances to customers	52,906.4	52,238.6	1.3%
- Risk provisions for loans and advances	(5,601.6)	(4,844.9)	15.6%
Trading Assets	1,297.2	966.9	34.2%
Financial assets - at fair value through profit or loss	40.6	41.9	-3.1%
Financial assets - available for sale	5,123.4	3,925.7	30.5%
Financial assets - held to maturity	8,080.1	5,442.2	48.5%
Intangible assets	410.3	424.3	-3.3%
Tangible assets	1,616.0	1,693.9	-4.6%
Current Tax assets	170.4	192.9	-11.6%
Deferred tax assets	48.3	53.6	-10.0%
Other assets	1,023.3	2,130.8	-52.0%
Assets Held For Sale	65.5	29.4	>100%
Total assets	74,456.0	73,612.4	1.1%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Amounts owed to credit institutions	21,553.1	21,823.5	-1.2%
Other amounts owed to customers	39,050.1	37,828.8	3.2%
Debts evidenced by certificates	1,156.8	638.1	81.3%
Trading liabilities	69.4	0.0	N/A
Other provisions	218.4	253.9	-14.0%
Current Tax liabilities	4.1	21.7	-80.8%
Deferred Tax liabilities	509.0	498.4	2.1%
Other liabilities	2,704.1	3,477.0	-22.2%
Subordinated Liabilities	2,028.9	1,967.3	3.1%
Total equity	7,162.1	7,103.6	0.8%
<i>Equity</i>	7,137.1	7,077.1	0.8%
<i>Minority interests</i>	25.0	26.5	-5.7%
Total liabilities and equity	74,456.0	73,612.4	1.1%