

Bucharest, February 29, 2012

BCR achieves solid operating result in 2011 while economic recovery slows

I. HIGHLIGHTS FOR THE BCR GROUP¹:

BCR maintains a solid quarterly operating result while economic recovery slows

Operating performance reached to **RON 2,437.1 million (EUR 574.6 million)**, down by 14.6% YOY in a continuing difficult economic environment. The quarterly operating result maintains solid (RON 548.1 million in Q4) even if it is lower qoq (RON 638.1 million in Q3) as economic recovery slows and the market conditions remain tough - low eligible loan demand and interest margins under continuous pressure.

Costs are well managed, income impacted by slowing recovery

Operating expenses maintained quite stable YOY (+1.4%) reaching to **RON 1,695.6 million (EUR 399.7 million)**. In Q4, quarterly operating expenses increased qoq by RON 38.9 million (+9.9%) following a record low Q3 result, yet being well managed in the given economic context.

Operating income went down by 8.7% YOY, mainly on the continuing decrease in interest rates and low eligible loan demand. In the same time, in Q4 the quarterly net interest and fee income maintained flat qoq while the net trading result remained very positive yet lower qoq.

Cost-income ratio increased to 41.0% as of end December 2011 (36.9% at YE 2010) impacted by a more limited income generation.

The quarterly **profit** re-entered in the positive territory in Q4 mainly due to a decrease in provisions qoq. In this given context, the **pre-tax profit** for 12 months **2011** amounted to **RON 119.6 million (EUR 28.2 million)**. Net profit for the year attributable to the owners of the parent is RON 68.4 million (EUR 16.1 million).

Risk managed prudently

The net charge with **risk provisions for loans** grew moderately YOY. The fall in provisions Q4 on Q3 by 17.7% (RON 545.8 million in Q4 vs RON 663.2 million in Q3) reflects the prudent approach towards developments in the continuing domestic and international tough economic context. NPL formation significantly slowed in Q4 - the corporate segment remains the main contributor to new NPL volumes. NPL remains at a manageable level, with the **coverage ratio** comfortably at **119%** (collateral and provisions).

Business development continues at the same pace with the economy

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 (+3.5% qoq). BCR's **market share** in overall lending stayed at **22%** as of end-December 2011 while its market share in EUR housing loans market increased at 29% (+0.7 pp YOY).

Deposits from customers rose by around 4.9% YOY in line with the market.

BCR's **total assets** had a moderate increase YOY of 4.3% (or RON 3,133.3 million) **to RON 76,745.7 million (EUR 17,751.6 million)** in the context of a conservative lending policy. BCR strengthened its leading position in the market having over 20% market share.

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

"2011 was a difficult year as the economic recovery was slowing in the second half, beyond expectations. This is affecting the business and income of our customers and therefore had a negative impact on their transactions with BCR", stated Dominic Bruynseels, BCR CEO. "In this context, BCR

¹ All the below stated financial data are un-audited, consolidated business results of Banca Comercială Română (BCR) Group YE 2011 according to IFRS. Unless otherwise stated, financial results for YE 2011 are compared to financial results for YE 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 31.12.2011 of 4.2416 RON/EUR when referring to full year 2011 results and using the average exchange rate for 31.12.2010 of 4.2184 RON/EUR when referring to 2010 results. The balance sheets at 30 December 2011 and at 31 December 2010 are converted using the closing exchange rates at the respective dates (4.3233 RON/EUR at 30 December 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.

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achieved a solid operating result while managing risks appropriately, growing its balance sheet and strengthening its leading position on the Romanian market. Our main duty will stay in supporting our customers with quality products and services as they start regain their confidence and employ and invest and in helping accelerate Romania's recovery. Erste Group is strongly and constantly supporting BCR as proved by the recent capital increase along with acquiring shares from SIFs and private shareholders", added Mr. Bruynseels.

II. FINANCIAL PERFORMANCE OVERVIEW FOR BCR GROUP

BCR Group's **operating profit** amounted to **RON 2,437.1 million (EUR 574.6 million)**, down by 14.6% from RON 2,853.4 million (EUR 676.4 million) at end December 2010 mainly on a drop in operating income, but maintains solid in quarterly terms as economic recovery slows.

The **net operating income** went down by 8.7% YOY to **RON 4,132.7 million (EUR 974.3 million)** from RON 4,525.2 million (EUR 1,072.7 million) as a result of the **decrease in interest rates and the interest margin compression** impacting **interest income** (down by 10.9% or RON 754.5 million). The interest income was also pressured by the continuing weakness in consumer credit demand and rising competition for quality business.

Net fee income rose by 24.9% to **RON 580.1 million (EUR 136.8 million)** compared to RON 464.4 million (EUR 110.1 million) at end December 2010 driven by the positive result in lending business which followed after the strong negative impact in Q4 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**, higher by 35.8% YOY, very positively added **RON 422.4 million (EUR 99.6 million)** to the BCR's income driven primarily by foreign exchange trading (RON 311.1 million at year-end 2010). BCR maintains its leading position in the Romanian market of TBills and bonds).

Operating expenses maintained almost flat (+1.4% YOY) reaching to **RON 1,695.6 million (EUR 399.7 million)** compared to RON 1,671.8 million (EUR 396.3 million), proving a good cost management despite the hike in VAT as of mid-2010. BCR continued investing in personnel training, internet and card channels as well as in modernizing its branch network premises - all of these "good costs" resulting in a higher depreciation charge.

The net charge with **risk provisions for loans and advances** totalled **RON 2,154.9 million (EUR 508.0 million)** up by 7.9% YOY (RON 1,997.7 million as of YE 2010), reflecting the impact on customers of delayed economic recovery. **NPL** remain manageable, weighting **20.6%** of the total loan portfolio at end December 2011. BCR Group is enjoying a comfortable NPL coverage ratio of **119%** (collateral and provisions). The main contributor to new NPL volumes was the corporate segment as especially SMEs are still facing high liquidity constraints and also some large corporate defaulted or re-defaulted after rescheduling. Gradual recovery is expected once economic growth accelerates.

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

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

The **pre - tax profit** amounted to **RON 119.6 million (EUR 28.2 million)** declining compared to RON 641.9 million at YE 2010, mainly on lower net operating income and high provisioning in corporate lending which could not be offset by the increase of the net fee income and trading result. ROE declined to 0.9% as of end-December 2011 (6.7% at YE 2010) as a result of constrained earnings and strengthened capital position. The net profit for year attributable to owners of the parent is RON 68.4 million (EUR 16.1 million)

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Solvency ratios remain above the required levels. Tier 1+2 capital ratio at YE 2011: approx. **12.7%** RAS ratio against min. 10% according to the current requirements of the National Bank of Romania. Also the 17.1% solvency ratio (BCR Group, IFRS, 31 December 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 41.0% as of end December 2011 although impacted by limited income generation (36.9% as of end December 2010).

Erste Group is increasing its commitment towards BCR and Romania as proved by the latest developments. So, an increase of BCR's capital of RON 467.8 million was achieved in Q4 2011 out of which Erste's contribution is RON 430.0 million. Thus BCR is better prepared to enhance financing Romania's real economy once the recovery resume. At the same time Erste Group increased its ownership in BCR to 89.1294 % by acquiring a stake of SIFs participation – the acquiring process is continuing in 2012. BCR's parent bank is also committed 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. Q4 result amounted to RON 548.1 million (EUR 126.4 million) lower than the Q3 result (RON 638.1 million or EUR 147.1 million) because of a decrease in operating income combined with an increase in operating expenses qoq.

The Q4 **operating income** amounted to RON 981.9 million (EUR 226.4 million) maintaining solid yet declining by 4.9% qoq on lower although very positive net trading result.

The **net interest income** maintained stable (+ 0.2% qoq) at RON 747.3 million (EUR 172.3 million) in the context of the continuing contraction of the interest rate margins, still low eligible demand for loans and increasing competition for quality business.

The **net fee income** moderately went down by 5.2% from RON 142.7 million (EUR 32.9 million) in Q3 2011 to RON 135.3 million (EUR 31.2 million) mainly driven by a seasonal slowdown in new lending business volumes.

Net trading result continued to have a very positive contribution of RON 99.3 million (EUR 22.9 million) to the Q4 results due to high foreign exchange transactions, though decreasing by 31.4% qoq from RON 144.7 million (EUR 33.4 million).

Operating expenses moderately increased by 9.9% qoq to RON 433.8 million (EUR 100.0 million) maintaining around the 2011 quarterly median – this shows that costs are appropriately managed for the current environment.

The quarterly net charge with **risk provisions for loans and advances** dropped by 17.7% qoq to RON 545.8 million (EUR 128.7 million) reflecting a slowdown in NPL formation on Q3 – the corporate segment remains the main contributor to new NPL volumes in Q4 as SMEs are still facing high liquidity constraints, some large corporate re-defaulted and a more conservative assessment policy is in place reflecting the slowing economic recovery.

The **quarterly profit** re-entered in the positive territory, the quarterly loss in Q3 turning into a pre – tax profit of RON 12.8 million (EUR 3 million) mainly due to the decrease in provisions offsetting the lower net trading result and higher operating expenses.

² All the below stated financial data are un-audited, consolidated business results of Banca Comercială Română (BCR) Group for Q4 2011 according to IFRS. Unless otherwise stated, financial results from Q4 2011 are compared to financial results from Q3 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 of 4.3372 RON/EUR when referring to Q4 2011 results and using the average exchange rate of 4.2771 RON/EUR when referring to Q3 2011 results. All the percentage changes refer to RON figures.

The quarterly **Cost-income ratio** is 44.2% in Q4 2011 from 38.2% in Q3.

IV. BUSINESS ACTIVITIES IN BRIEF (consolidated, IFRS)

BCR is managing well a sound and sustainable business in a continuing difficult economic environment.

In 4Q 2011, the Romanian economy fell by 0.2% q/q (seasonally-adjusted data) but managed to remain in positive territory in annual terms (+1.9% y/y). The economic growth for the entire year 2011 stood at 2.5%, 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 continued to be confronted with a drop in demand for their products and services, and a number of them closed. The continued business contraction has a negative impact on the transactions they make with BCR. Consumers spending behaviour remains very prudent as retail customers are still impacted by the difficult general economic context reflected in lower household income as well as in the fear of job losses and very low wage increases in a climate of uncertainty.

BCR's **total assets** had a modest increase of 4.3% (or RON 3,133.3 million) YOY to **RON 76,745.7 million** (EUR 17,751.6 million) benefiting from the growth of resources attracted from customers. BCR strengthened its leading position in the market at over 20% market share.

Loan book continued to grow modestly in Q4 2011 in the context of a still weak eligible credit demand. The volume of aggregate **Loans to customers** portfolio (before provisions, IFRS) increased by 2.2% YOY to **RON 53,376.3 million** (EUR 12,346.2 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 **22%**, BCR strengthened its leading position in EUR denominated retail housing lending gaining 0.7 pp YOY and reaching 29.0% 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 three quarters.

In the **retail business lending** volumes increased mainly in the third quarter of 2011. 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" mortgage lending program.

"Prima Casa" program positive impetus continued, BCR being the leader of the 4th stage of the program with a current total amount of over EUR 330 million (over 50 % market share) thus helping around 8,800 families to own their first home. Since the start of the "Prima Casa" program BCR has lent over EUR 930 million to more than 23,500 families

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 4.9% YOY to **RON 39,664.3 million** (EUR 9,174.5 million) from RON 37,828.8 million (EUR 8,875.8 million), in line with the market trends. 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 40% share of approved projects in 2008 – 2011 (out of a total of over EUR 12.4 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, IFC finance facilities).

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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 2011 through Click 24&Alo 24 Banking BCR was over 6.2 million, higher by 38% than the number of transactions performed in 2010. The total value of the operations performed during 2011 has doubled compared to 2010, reaching the value of RON 24.9 billion.

V. 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		
	Dec-2011	Dec-2010	% change	Dec 2011	Dec 2010	% change
RON/EUR	4.3233	4.2620	1.4%	4.2416	4.2184	0.5%

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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011 (IFRS)

- amounts in RON million

	2011	2010	% Change
Interest and similar income	6,158.5	6,912.9	-10.9%
Interest and similar expenses	(3,028.3)	(3,163.2)	-4.3%
Net interest income	3,130.2	3,749.8	-16.5%
- Risk provisions for loans and advances	(2,154.9)	(1,997.7)	7.9%
Fee and commission income	883.5	870.1	1.5%
Fee and commission expenses	(303.4)	(405.8)	-25.2%
Net commission income	580.1	464.4	24.9%
Net trading result	422.4	311.1	35.8%
Personnel expenses	(879.3)	(873.7)	0.6%
Other administrative expenses	(606.2)	(601.4)	0.8%
Depreciation on fixed assets	(210.1)	(196.7)	6.8%
Other operating results	(261.8)	(258.5)	1.3%
Result from financial assets - at fair value through profit or loss	(1.2)	0.6	>(100)%
Result from financial assets - available for sale	100.4	44.2	>100%
Pre-tax profit	119.6	641.9	-81.4%
Taxes on income	(48.7)	(174.3)	-72.1%
Profit for the year	70.9	467.6	-84.8%
Attributable to non-controlling interests	2.6	2.6	>(100)%
Attributable to owners of the parent	68.4	465.0	-85.3%

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

	Q4 11	Q3 11	Q2 11	Q1 11
Net interest income	747.3	745.6	778.3	859.1
Risk provisions	(545.8)	(663.2)	(488.5)	(457.4)
Net fee and commission income	135.3	142.7	148.0	154.1
Net trading result	99.3	144.7	136.8	41.6
General administrative expenses	(433.8)	(394.9)	(420.9)	(446.0)
Other result	10.5	(66.4)	(52.2)	(54.5)
Pre-tax profit	12.8	(91.6)	101.6	96.8
Taxes on income	(10.8)	1.7	(19.3)	(20.3)
Net profit for the period	2.0	(89.8)	82.3	76.5
Attributable to non-controlling interests	1.3	0.7	0.3	0.4
Attributable to owners of the parent	0.7	(90.5)	82.0	76.1
Operating income	981.87	1,032.94	1,063.11	1,054.77
Operating expenses	(433.8)	(394.9)	(420.9)	(446.0)
Operating result	548.1	638.0	642.2	608.8

Appendix II

Consolidated balance sheet (IFRS) - amounts in RON million

ASSETS	30-Dec-11	31-Dec-10	%Change
Cash and balances with central banks	10,324.9	9,545.4	8.2%
Loans and advances to credit institutions	1,100.2	1,771.7	-37.9%
Loans and advances to customers	53,376.3	52,238.6	2.2%
- Risk provisions for loans and advances	(5,572.8)	(4,844.9)	15.0%
Trading Assets	701.7	966.9	-27.4%
Financial assets - at fair value through profit or loss	42.0	41.9	0.1%
Financial assets - available for sale	5,244.5	3,925.7	33.6%
Financial assets - held to maturity	8,011.8	5,442.2	47.2%
Intangible assets	439.8	424.3	3.7%
Tangible assets	1,584.7	1,693.9	-6.4%
Current Tax assets	177.4	192.9	-8.0%
Deferred tax assets	46.9	53.6	-12.5%
Other assets	1,055.5	2,130.8	-50.5%
Assets Held For Sale	212.7	29.4	>100%
Total assets	76,745.7	73,612.4	4.3%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Amounts owed to credit institutions	22,906.4	21,823.5	5.0%
Other amounts owed to customers	39,664.3	37,828.8	4.9%
Debts evidenced by certificates	1,132.8	638.1	77.5%
Other provisions	305.8	253.9	20.4%
Current Tax liabilities	4.1	21.7	-81.3%
Deferred Tax liabilities	534.4	498.4	7.2%
Other liabilities	2,626.9	3,477.0	-24.4%
Subordinated Liabilities	2,024.7	1,967.3	2.9%
Total equity attributable to:	7,546.3	7,103.6	6.2%
<i>Equity holders of the parent</i>	7,532.0	7,077.1	6.4%
<i>Non-controlling interests</i>	14.3	26.5	-46.2%
Total liabilities and equity	76,745.7	73,612.4	4.3%