

Bucharest, July 31, 2012

## BCR results in the first half of 2012 remain strongly impacted by prudent provisioning in a continuing adverse economic environment

### I.HIGHLIGHTS FOR THE BCR GROUP<sup>1</sup>:

#### ***BCR achieves a solid quarterly operating result in a still adverse economic environment***

**Operating performance** in Q2 2012 reached a solid result of RON 595.5 million (EUR 134.5 million), maintaining almost flat on Q1 2012 (-2.4%) in a continuing tough market - weak loan demand, declining interest margins due to the shift to low risk assets and FOREX rate RON / EUR continued deterioration putting additional pressure on bank's customers.

#### ***Increased operating efficiency: Costs well managed, income impacted by difficult business environment***

Reflecting comprehensive optimisation measures, **operating expenses** in the first half 2012 reduced by 6.9% or RON 59.6 million (EUR 13.6 million) YOY to **RON 807.3 million** (EUR 183.9 million). It worth to notice that the Q2 operating expenses result is the lowest in the last six quarters.

The **operating income** in H1 declined by 5% YOY to **RON 2,012.8 million** (EUR 458.5 million), mainly on the decline in net interest income (-12.7% YOY) which is due to weak consumer credit demand, increase of NPLs and strong competition for deposits and low risk assets. In **Q2** the **operating income** declined qoq at a lower pace (-4.4%), mainly due to positive developments in net trading income and net fee income.

**Cost-income ratio** improved to 40.1% as of end June 2012 owing to optimisation measures although impacted by limited income generation.

Continued prudent provisioning resulted in an increase of risks costs in H1 2012, albeit provisions in Q2 were lower than in Q1.

Net charge with **risk provisions for loans** has increased by 86.1% in yearly comparison to RON 1,760.3 million in the first half of 2012. This led to an improved NPL coverage ratio of 53.7% as of end-June 2012 versus 50.0% at year-end 2011. The risk costs development reflects the impact of the difficult business environment on BCR corporate customers and a more conservative approach in lending in the given context. The economic challenges influenced also the NPL formation in H1 2012 - the corporate segment and real estate business remain the main contributors to new NPL volumes.

#### ***Business development continues at a slower pace reflecting the adverse economic environment***

<sup>1</sup> All the below stated financial data are un-audited, consolidated business results of Banca Comercială Română (BCR) Group for the first six months of 2012 according to IFRS. Unless otherwise stated, financial results from the first six months of 2012 (1-6 2012) are compared to financial results from the first six months of 2011(1-6 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 1-6 2012 of 4.3900 RON/EUR when referring to 1-6 2012 results and using the average exchange rate for 1-6 2011 of 4.1804 RON/EUR when referring to 1-6 2011 results. The balance sheets at 31 December 2011 and at 30 June 2012 are converted using the closing exchange rates at the respective dates (4.4513 RON/EUR at 30 June 2012 and 4.3233 RON/EUR at 31 December 2011 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



BCR group maintained its leading position in the market with around 20% market share by total assets despite a slight decline by 0.5% (or RON 394.5 million) YTD to **RON 76,351.2 million** (EUR 17,152.6 million).

BCR's Loan book continued to grow (+2.8% YTD) mainly due retail lending. Retail lending rose mainly on mortgage loans development (+2.1 pp annual gain in market share to 25.3%) BCR's **market share** in overall lending maintained at **over 21%** as of end-June 2012 while **market share in EUR housing loans** increased to about **30% (1.0 pp gain YTD)**.

Deposits from customers maintained almost flat YOY supported mainly by retail.

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

*"BCR Group is strongly committed to turn around our performance, from both cash and revenue perspective. This commitment has been undertaken against the background of continued uncertainties; however we shall make each and every effort to reverse these disappointing results. In this spirit we have already executed measures and shall continue to do so in the second half of this year"* stated Tomas Spurny, BCR CEO.

### II. FINANCIAL PERFORMANCE OVERVIEW FOR BCR GROUP

BCR Group maintained solid operating profitability in first half of 2012 having generated an **operating result** of **RON 1,205.5 million (EUR 274.6 million)**, slightly declining YOY (-3.6%) from RON 1,251.0 million (EUR 299.3 million) at end June 2011. This development was mainly due to a decrease in costs and the improved result in net trading combined with an increase in net fee income, largely offsetting the decline in net interest income.

The **operating income** was down by 5% YOY to **RON 2,012.8 million** (EUR 458.5 million) from previous year's RON 2,117.9 million (EUR 506.6 million). The decline originated mainly from the weak consumer credit demand, ongoing NPL-formation and competitive pressure impacting **net interest income** (down to RON 1,429.0 million by 12.7% or RON 208.4 million YOY). **Net fee income** increased YOY (+4.9%) to **RON 317.0 million** (EUR 72.2 million) at mid-year 2012 from RON 302.1 million (EUR 72.3 million) at end June 2011.

The **net trading result** very positively added **RON 266.8 million** (EUR 60.8 million) to the first half 2012 income (+49.5% or RON 88.4 million YOY), driven primarily by gains in foreign exchange trading. BCR maintains its leading position in the Romanian market of T-bills and bonds.

Reflecting comprehensive optimisation measures, **operating expenses** reduced by 6.9% YOY to **RON 807.3 million** (EUR 183.9 million) from RON 866.9 million in the mid-year 2011 albeit investments in personnel training, internet and card channels continued.

BCR strengthens its focus on active and prudent risk management which mainly means rescheduling and restructuring loans for customers in difficulty, regular rating reviews allowing the capture of problem loans in early stage, improved early collection, enforcing comprehensive cash-flow oriented policies in corporate lending and conservative approach on new consumer lending.

The net charge with **risk provisions for loans and advances** totalled **RON 1,760.3 million** (EUR 401.0 million) YTD versus RON 945.9 million as of mid-year 2011. This development led to a rise in the NPL coverage ratio (53.7% as of end June 2012 versus 50.0% at year-end 2011) and reflects the impact of the continuing weak performance of the Romanian economy

## PRESS RELEASE



on BCR's corporate customers. The NPL coverage ratio (collateral and provisions) was **103.7%** as of 30 June 2012 in the context of a substantial collateral revaluation. **NPL** is weighting **24.6%** of the total loan portfolio at end June. The corporate segment is the main contributor to new NPL volumes as real estate business and SMEs are still facing difficulties and some large corporate re-defaulted.

Continued prudent provisioning has impacted the profit at 30 June 2012. As a result, BCR registered as of 30 June 2012 a **net loss after taxes and minority interests** of **RON 548.5 million** (EUR 124.9 million) versus a net profit of RON 158.1 million (EUR 37.8 million) as of end June 2011.

**Solvency ratios** remain well above the required levels. Tier 1+2 capital ratio in June 2012 (BCR standalone): **12.65%** IFRS with prudential filters against min. 10% according to the current requirements of the National Bank of Romania. Also the **16.95% solvency ratio** (BCR Group, IFRS) is clearly showing BCR's strength and the continuing support of Erste Group.

Owing to the optimisation measures, the **cost/income ratio** improved to 40.1% as of end June 2012 (40.9% as of end June 2011).

### III. FINANCIAL RESULTS QUARTER-ON-QUARTER COMPARISON<sup>2</sup>

BCR Group's **quarterly operating profit** maintains solid in a continuing challenging economic environment. The **Q2 2012 operating result** (RON 595.5 million) was almost flat (**-2.4%**) on **Q1 2012 result** (RON 610.0 million) due to strict cost management combined with a solid quarterly operating income.

As a result of enhanced focus on processes optimisation, **Q2 operating expenses** reduced by 7.3% qoq to RON 388.4 million from RON 418.9 million in Q1 2012.

The **Q2 operating income** (RON 983.9 million) declined by 4.4% qoq (RON 1,028.9 million in Q1 2012) mainly due to a decline in net interest income partially offset by a very positive net trading income combined with an increase in net fee income.

The **net interest income** declined in quarterly comparison (-9.6%) to RON 678.5 million from RON 750.4 million in Q1 2012 in the context of the continuing contraction of the interest rate margins on both retail and corporate business, a still weak demand for consumer loans and increasing competition for quality business.

The **net fee income** rose by 3.7% qoq to RON 161.4 million from RON 155.6 million in Q1 2012, a development mainly driven by slightly higher transaction volumes and improved pricing of current account fees for private individuals.

**Net trading result** increased by 17.2% qoq to a very positive contribution of RON 144.0 million in Q2 from RON 122.9 million in Q1 2012 due to gains in foreign exchange transactions.

<sup>2</sup> All the below stated financial data are un-audited, consolidated business results of Banca Comercială Română (BCR) Group for Q2 and Q1 2012 according to IFRS. Unless otherwise stated, financial results from Q2 2012 are compared to financial results from Q1 2012. 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 Q2 2012 and Q1 2012 of 4.4269 respectively 4.3532 RON/EUR when referring to Q2 2012 and Q1 2012 results. All the percentage changes refer to RON figures.

## PRESS RELEASE



The net charge with **risk provisions for loans and advances** in Q2 totalled RON 826.6 million, down by 11.5% on Q1.

The rise in provisions in Q2 impacted bank's profitability. BCR registered in the second quarter of 2012 a net loss after minorities of RON 240.6 million versus a loss of RON 307.8 million in Q1 2012.

**The quarterly cost-income ratio** improved to 39.5% in Q2 compared to 40.7% in Q1 2012.

### IV. BUSINESS ACTIVITIES IN BRIEF (consolidated, IFRS)

Although the growth outlook for Q2 2012 looks a little perkier now after the upward trend seen in construction and industry in May, we still see the economy easing off to 1.2% for the whole year 2012. However, the latest depressed June PMI indexes for Eurozone – main foreign trade partner for Romania taking in around 51% of total exports – point to a prospective spill-over into the next quarter, and Romanian industry could remain under pressure. Moreover, the agricultural output, accounting for around 6% of GDP in Romania is likely to come in weaker this year compared with the last year's exquisite performance.

As a result of domestic and international developments, many Romanian businesses are still facing a dramatic reduction in demand for their products and services, especially in the SME and micros sector which is negatively impacting their transactions with BCR.

The retail customers spending behaviour continues to be very cautious as they continue to be impacted by the difficult economic context in a climate of uncertainty.

In Q2 2012 BCR maintained its leading position in the banking market having around 20% market share by assets though BCR group's **total assets** declined by 0.5% (or RON 394.5 million) YTD **to RON 76,351.2 million** (EUR 17,152.6 million).

Loan book continued to grow in Q2 2012 in the context of a still weak credit demand. The volume of aggregate **loans to customers** portfolio (before provisions, IFRS) increased by 2.8% YTD **to RON 54,891.1 million** (EUR 12,331.5 million) from RON 53,376.3 million (EUR 12,346.2 million) at YE 2011 mainly driven by retail lending.

BCR maintained its **leading market share in overall lending** of **over 21%** as of end June 2012, and strengthened its leading position in EUR denominated retail housing lending to about 30% market share (+1.0 pp YTD).

BCR continued in 2012 to expand lending to the productive sectors of the economy, offering further support to corporate clients with good growth potential as well as to the public sector. **Corporate lending** portfolio continued to rise with a special focus on infrastructure and energy projects.

In the **retail business lending** volumes increased as well. However, the consumer credit demand remains modest and the market trends are mostly oriented on refinancing older loans and on borrowing through "Prima Casa 4" (PC4) mortgage loans program.

"Prima Casa" program positive impetus continued, BCR being the undisputed leader of the 4th stage as well as of the whole program. BCR financing within "Prima Casa" amounts to over EUR one billion, since the start.

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

BCR maintained its **No 1 position** in the market on **primary deposits (20% market share)**. **Amounts owed to customers** remained almost stable at **RON 39,219.1 million** (EUR 8,810.7 million) at end June 2012 versus RON 39,664.3 million (EUR 9,174.5 million) at year-end 2011 (-1.1%). 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 over 40% share of approved projects totalling over EUR 3 billion representing the EU financing opportunities addressing to the private investors and local authorities. Unique on the Romanian banking market, BCR ensures the monitoring of its co-financed EU funded projects, by assisting the projects' developers throughout all project implementation stages. Furthermore, BCR is continuing to implement various financing solutions to support SME sector recovery (like JEREMIE, EBRD, EIB, IFC finance facilities). During Q2 BCR signed with EIB a new financing loan amounting EUR 50 mio., dedicated for supporting the projects developed by SMEs, Mid-Caps and Public Entities.

The convenience of **“BCR 24 Banking”** banking services is increasingly attracting customers. BCR maintains its leading position in the Romanian online banking market - the number of transactions performed during Q2 2012 through Click 24&Alo 24 Banking BCR increased by 5% to over 1.65 million, on the first quarter totalling RON 7.37 billion (up by 16% compared to Q1).

#### 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		
	Jun-2012	Dec-2011	% change	Jun- 2012	Jun- 2011	% change
RON/EUR	4.4513	4.3233	3.0%	4.3900	4.1804	5.0%

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

Appendix I

CONSOLIDATED INCOME STATEMENT at 30 June 2012 (IFRS)

- amounts in RON million

	30 June 2012	30 June 2011	% Change
Interest and similar income	2,818.0	3,123.4	-9.8%
Interest and similar expenses	(1,389.1)	(1,486.0)	-6.5%
<b>Net interest income</b>	<b>1,429.0</b>	<b>1,637.3</b>	<b>-12.7%</b>
- Risk provisions for loans and advances	(1,760.3)	(945.9)	86.1%
Fee and commission income	428.4	455.0	-5.8%
Fee and commission expenses	(111.5)	(152.9)	-27.1%
<b>Net commission income</b>	<b>317.0</b>	<b>302.1</b>	<b>4.9%</b>
Net trading result	266.8	178.4	49.5%
Personnel expenses	(403.9)	(416.2)	-3.0%
Other administrative expenses	(303.4)	(340.3)	-10.9%
Depreciation on fixed assets	(100.1)	(110.4)	-9.4%
Other operating results	(79.2)	(107.4)	-26.2%
Result from financial assets - at fair value through profit or loss	2.2	0.7	>100%
Result from financial assets - available for sale	2.5	(0.1)	>100%
<b>Pre-tax profit</b>	<b>(629.4)</b>	<b>198.4</b>	<b>&gt;-100%</b>
Taxes on income	83.1	(39.7)	>100%
<b>Profit for the year</b>	<b>(546.4)</b>	<b>158.8</b>	<b>&gt;-100%</b>
Attributable to non-controlling interests	(2.1)	(0.7)	>-100%
<b>Attributable to owners of the parent</b>	<b>(548.5)</b>	<b>158.1</b>	<b>&gt;-100%</b>
Operating income	2,012.8	2,117.9	-5.0%
General administrative expenses	(807.3)	(866.9)	-6.9%
<b>"Operating result"</b>	<b>1,205.5</b>	<b>1,251.0</b>	<b>-3.6%</b>
<b>Cost/Income Ratio</b>	<b>40.1%</b>	<b>40.9%</b>	<b>-2.0%</b>
<b>Return on Equity</b>	<b>-15.0%</b>	<b>4.4%</b>	<b>&gt;-100%</b>

**Consolidated Income statement (IFRS) - breakdown on quarters of 2011 and 2012 results, in brief (amounts in RON million)**

	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Net interest income	678.5	750.4	747.3	745.6	778.3	859.1
Risk provisions	(826.6)	(933.7)	(545.8)	(663.2)	(488.5)	(457.4)
Net fee and commission income	161.4	155.6	135.3	142.7	148.0	154.1
Net trading result	144.0	122.9	99.3	144.7	136.8	41.6
General administrative expenses	(388.4)	(418.9)	(433.8)	(394.9)	(420.9)	(446.0)
Other result	(40.3)	(34.3)	10.5	(66.4)	(52.2)	(54.5)
<b>Pre-tax profit</b>	<b>(271.4)</b>	<b>(358.0)</b>	<b>12.8</b>	<b>(91.6)</b>	<b>101.6</b>	<b>96.8</b>
Taxes on income	31.9	51.1	(10.8)	1.7	(19.3)	(20.3)
<b>Net profit for the period</b>	<b>(239.5)</b>	<b>(306.9)</b>	<b>2.0</b>	<b>(89.8)</b>	<b>82.3</b>	<b>76.5</b>
Attributable to non-controlling interests	(1.2)	(0.9)	1.3	0.7	0.3	0.4
<b>Attributable to owners of the parent</b>	<b>(240.6)</b>	<b>(307.8)</b>	<b>0.7</b>	<b>(90.5)</b>	<b>82.0</b>	<b>76.1</b>
Operating income	983.9	1,028.9	981.9	1,032.9	1,063.1	1,054.8
Operating expenses	(388.4)	(418.9)	(433.8)	(394.9)	(420.9)	(446.0)
<b>Operating result</b>	<b>595.5</b>	<b>610.0</b>	<b>548.1</b>	<b>638.0</b>	<b>642.2</b>	<b>608.8</b>

Appendix II

Consolidated balance sheet (IFRS) as at 30 June 2012  
- amounts in RON million

ASSETS	30-Jun-12	31-Dec-11	%Change
Cash and balances with central banks	10,228.8	10,324.9	-0.9%
Loans and advances to credit institutions	613.5	1,100.2	-44.2%
Loans and advances to customers	54,891.1	53,376.3	2.8%
- Risk provisions for loans and advances	(7,211.3)	(5,572.8)	29.4%
Trading Assets	711.3	701.7	1.4%
Financial assets - at fair value through profit or loss	42.5	42.0	1.3%
Financial assets - available for sale	3,600.2	5,244.5	-31.4%
Financial assets - held to maturity	10,175.7	8,011.8	27.0%
Intangible assets	425.6	439.8	-3.2%
Tangible assets	1,539.4	1,584.7	-2.9%
Current Tax assets	177.4	177.4	0.0%
Deferred tax assets	48.2	46.9	2.8%
Other assets	1,039.5	1,055.5	-1.5%
Assets Held For Sale	69.2	212.7	-67.5%
<b>Total assets</b>	<b>76,351.2</b>	<b>76,745.7</b>	<b>-0.5%</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Amounts owed to credit institutions	22,515.2	22,906.4	-1.7%
Other amounts owed to customers	39,219.1	39,664.3	-1.1%
Debts evidenced by certificates	1,445.9	1,132.8	27.6%
Other provisions	327.9	305.8	7.2%
Current Tax liabilities	3.8	4.1	-6.9%
Deferred Tax liabilities	450.4	534.4	-16%
Other liabilities	2,878.0	2,626.9	9.6%
Subordinated Liabilities	2,497.5	2,024.7	23.4%
<b>Total equity attributable to:</b>	<b>7,013.4</b>	<b>7,546.3</b>	<b>-7.1%</b>
<i>Equity holders of the parent</i>	<b>6,997.0</b>	<b>7,532.0</b>	-7.1%
<i>Non-controlling interests</i>	<b>16.4</b>	<b>14.3</b>	14.9%
<b>Total liabilities and equity</b>	<b>76,351.2</b>	<b>76,745.7</b>	<b>-0.5%</b>