

BCR achieves solid quarterly operating result despite economic slowdown

I.HIGHLIGHTS FOR THE BCR GROUP¹:

BCR has a solid quarterly operating result in a challenging economic environment

Operating performance in Q1 2012 reached a solid result of RON 610.0 million (EUR 140.3 million), maintaining almost flat on Q1 2011 (+0.2%) in the context of a challenging economy. The market conditions remain tough with a modest loan demand and the interest margins under continuous pressure.

Costs well managed, income impacted by difficult business environment

Reflecting continued strict cost management, **operating expenses** in Q1 2012 decreased by 6.1% YOY to **RON 418.9 million** (EUR 96.3 million).

Operating income was down slightly by 2.5% YOY to **RON 1,028.9 million** (EUR 236.6 million), mainly on the interest margin compression, weak credit demand and increasing competitive pressure. In the same time **operating income** in Q1 increased by 4.8% qoq, mainly due to improvements in net trading income and net fee income.

Cost-income ratio improved to 40.7% as of end March 2012 although impacted by limited income generation.

Continued prudent provisioning has impacted profit in Q1 2012, BCR registering a net loss of RON 307.8 million (EUR 70.8 million).

Net charge with **risk provisions for loans** has significantly increased in yearly comparison, (RON 933.7 million in Q1 2012 vs RON 457.4 million in Q1 2011) which led to an improved NPL coverage ratio. This development reflects the impact on BCR corporate customers of the difficult business environment and a more conservative approach in lending in the given context. The economic challenges influenced also the NPL formation in Q1 - the corporate segment remains the main contributor to new NPL volumes. NPL remain at a manageable level, with a coverage ratio (collateral and provisions) of **107.6%**.

Business development continues at a slower pace as economy seems to be slowing

BCR group maintained its leading position in the market with around 20.8% market share by total assets despite a slight decrease by 1.6% (or RON 1,226 million) YTD to **RON 75,519.7 million** (EUR 17,234.1 million).

BCR's Loan book continued to grow mainly due retail lending. Retail lending rose especially on mortgage loans side. (+1.6% qoq) BCR's **market share** in overall lending remained unchanged at **around 21%** as of end-February 2012 while **market share in EUR housing loans** increased to about **30%** (about **0.5 pp gain YTD**).

Deposits from customers maintained almost unchanged supported mainly by retail.

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

"Prudent cost and risk management leads the bank in a strong position to achieve sustainable results in the future" stated Helmuth Karl Hintringer, BCR Chief Financial Officer.

¹ All the below stated financial data are un-audited, consolidated business results of Banca Comercială Română (BCR) Group for the first three months of 2012 according to IFRS. Unless otherwise stated, financial results from the first three months of 2012 (1-3 2012) are compared to financial results from the first three months of 2011(1-3 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 1-3 2012 of 4.3489 RON/EUR when referring to 1-3 2012 results and using the average exchange rate for 1-3 2011 of 4.2122 RON/EUR when referring to 1-3 2011 results. The balance sheets at 31 December 2011 and at 31 March 2012 are converted using the closing exchange rates at the respective dates (4.3820 RON/EUR at 31 March 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



II. FINANCIAL PERFORMANCE OVERVIEW FOR BCR GROUP

BCR Group maintained solid operating profitability in Q1 2012 having generated an **operating result** of **RON 610.0 million (EUR 140.3 million)**, almost unchanged YOY (+0.2%) from RON 608.8 million (EUR 144.5 million) at end March 2011. This development was mainly due to the positive result in net trading combined with a decrease in costs offsetting a drop in net operating income while net fee income remained flat.

The **operating income** was down by 2.5% YOY to **RON 1,028.9 million** (EUR 236.6 million) from previous year's RON 1,054.8 million (EUR 250.4 million). The slight decrease originated mainly from the interest margin compression, weak credit demand and increasing competitive pressure impacting **interest income** (down to RON 750.4 million by 7.6% or RON 120.8 million YOY). **Net fee income** marginally increased YOY (+1.0%), to **RON 155.6 million** (EUR 35.8 million) in Q1 2012 from RON 154.1 million (EUR 36.6 million) at end March 2011.

The **net trading result** very positively added **RON 122.9 million** (EUR 28.3 million) to the income YTD, which is almost three folds higher YOY (RON 41.6 million at end March 2011), driven primarily by foreign exchange trading. BCR maintains its leading position in the Romanian market of T-bills and bonds.

Due to continued focus on cost management, **operating expenses** decreased by 6.1% YOY to **RON 418.9 million** (EUR 96.3 million) from RON 446.0 million in the first quarter of 2011 albeit investments in personnel training, internet and card channels as well as modernization of the branch network premises continued.

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

The net charge with **risk provisions for loans and advances** totalled **RON 933.7 million** (EUR 214.7 million) YTD versus RON 457.4 million in the first quarter of 2011. This development led to an improved NPL coverage ratio (52.2% versus 50.1% at year-end 2011) and reflects the impact of the weak performance of the Romanian economy on BCR's corporate customers. The NPL coverage ratio (collateral and provisions) was **107.6%** as of 31 March 2012 in the context of a substantial collateral revaluation in Q1, mainly in retail. **NPL** remain manageable, weighting **22.4%** of the total loan portfolio at end March. 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.

Continued prudent provisioning has impacted the profit in Q1 2012. As a result, BCR registered in the first quarter a **net loss after taxes and minority interests** of **RON 307.8 million** (EUR 70.8 million) versus a net profit of RON 76.1 million (EUR 18.1 million) in Q1 2011.

Solvency ratios remain well above the required levels. Tier 1+2 capital ratio in February 2012: **12.31%** IFRS with prudential filters ratio against min. 10% according to the current requirements of the National Bank of Romania. Also the **17.09% solvency ratio** (BCR Group, IFRS) is clearly showing BCR's strength and the continuing support of Erste Group.

Cost-income ratio improved to 40.7% as of end March 2012 (42.3% as of end March 2011).

III. FINANCIAL RESULTS QUARTER-ON-QUARTER COMPARISON²

BCR Group's **quarterly operating profit** maintains solid in the context of a slowing economy. The **Q1 2012 operating result** (RON 610.0 million) was **11.3%** higher than **Q4 2011 result** (RON 548.1 million) due to strict cost management combined with a solid quarterly **operating income**.

² All the below stated financial data are un-audited, consolidated business results of Banca Comercială Română (BCR) Group for Q1 2012 according to IFRS. Unless otherwise stated, financial results from Q1 2012 are compared to financial results from Q4 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 Q1 2012 and Q4 2011 of 4.3489 respectively 4.2122RON/EUR when referring to Q1 2012 and Q4 2011 results. All the percentage changes refer to RON figures.

As a result of continuing focus on processes optimisation, **Q1 operating expenses** decreased by 3.4% qoq to RON 418.9 million from RON 433.8 million in Q4 2011.

The **Q1 operating income** (RON 1,028.9 million) increased by 4.8% qoq (RON 981.9 million in Q4 2011) due to a very positive net trading income combined with an increase in net fee income.

The **net interest income** increased marginally in quarterly comparison (+ 0.4%) to RON 750.4 million from RON 747.3 million in Q4 2011 in the context of the continuing contraction of the interest rate margins accompanied by the still modest demand for loans and increasing competition for quality business.

The **net fee income** was up by 15.0% qoq to RON 155.6 million from RON 135.3 million in Q4 2011, a development mainly driven by lower fee expenses.

Net trading result increased by 23.8% qoq to a very positive contribution of RON 122.9 million in Q1 versus RON 99.3 million in Q4 2011 due to higher foreign exchange transactions.

The quarterly net charge with **risk provisions for loans and advances** totalled RON 933.7 million up by 71.1% in quarterly comparison, reflecting bank's prudent approach in lending and risk management and the impact on corporate segment of the difficult business environment.

The rise in provisions in Q1 impacted bank's profitability. BCR registered in the first quarter of 2012 a loss of RON 307.8 million versus a net profit of RON 0.7 million in the fourth quarter of the previous year.

The quarterly cost-income ratio improved to 40.7% from 44.2% in Q4 2011.

IV. BUSINESS ACTIVITIES IN BRIEF (consolidated, IFRS)

In the current difficult economic environment BCR is managing well a sustainable and sound business.

Romanian economy lost significant steam in Q1 2012 on downturn of Eurozone the main trading partner of the country taking in more than 50% of the total exports. For the whole year 2012, Romania is expected to ease off at 1.2% following a mild recession expected for Eurozone. At the same time, private consumption remains subdued, while investments will be pretty much under the spell of low FDIs inflows.

As a result of these developments, many Romanian businesses especially in the SME and micros sector are still confronted with a dramatic reduction in demand for their services and products which in many cases entailed to businesses closure. Consequently, this is negatively impacting on their transactions with BCR.

The retail customers are still very cautious in their spending behaviour as they continue to be impacted by the difficult economic context reflected in their lower household income as well as in the fear of job losses in a climate of uncertainty.

In Q1 2012 BCR continued strengthening its leading position in the banking market having 20.8% market share by assets despite that BCR group's **total assets** had a decrease of 1.6% (or RON 1,226.0 million) YTD to **RON 75,519.7 million** (EUR 17,234.1 million) as economy seems to continue slowing.

Loan book continued to grow in Q1 2012 in the context of a still weak credit demand.

The volume of aggregate **loans to customers** portfolio (before provisions, IFRS) increased modestly by 0.9% YTD to **RON 53,873.6 million** (EUR 12,294.3 million) from RON 53,376.3 million (EUR 12,346.2 million) at YE 2011 mainly driven by retail lending.

BCR preserved its **leading market share in overall lending of around 21% (as of Feb-12)**, and strengthened its leading position in EUR denominated retail housing lending to about 30% market share (+ 0.5 pp as of end February 2012).

PRESS RELEASE



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

In the **retail business lending** volumes as well increased. However, the credit demand remains generally modest matching the people's lower disposable income and the market trends mostly oriented on refinancing older loans and on borrowing through "Prima Casa 4" (PC4) 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 PC4 amounts to over EUR 395 million, thus almost 10,500 families were helped to own their first home. Overall since the start of the "Prima Casa" program BCR has credited more than 25,000 families with around EUR 990 million

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 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 39,558.5 million** (EUR 9,027.5 million) at end March 2012 versus RON 39,664.3 million (EUR 9,174.5 million) at Q1 2011 (-0.3% YOY). 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 12.65 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 finance facilities).

The convenience of "**BCR 24 Banking**" banking services is increasingly attracting more and more customers. BCR was awarded for the largest number of clients in online banking - 550,000 users who performed almost 1.6 million transactions in Q1 2012 totalling more than RON 6.3 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		
	Mar-2012	Dec-2011	% change	Mar- 2012	Mar- 2011	% change
RON/EUR	4.3820	4.3233	1.4%	4.3489	4.2122	3.2%
Positive change = devaluation against EUR, negative change = appreciation against EUR						

Appendix I

CONSOLIDATED INCOME STATEMENT at 31 March 2012 (IFRS)

- amounts in RON million

	Q1 2012	Q1 2011	% Change
Interest and similar income	1,474.2	1,595.0	-7.6%
Interest and similar expenses	(723.8)	(735.9)	-1.7%
Net interest income	750.4	859.1	-12.6%
- Risk provisions for loans and advances	(933.7)	(457.4)	>-100%
Fee and commission income	205.8	225.2	-8.6%
Fee and commission expenses	(50.2)	(71.1)	-29.4%
Net commission income	155.6	154.1	1.0%
Net trading result	122.9	41.6	>100%
Personnel expenses	(207.6)	(222.5)	-6.7%
Other administrative expenses	(161.3)	(169.1)	-4.6%
Depreciation on fixed assets	(50.1)	(54.4)	-8.0%
Other operating results	(40.0)	(56.0)	-28.5%
Result from financial assets - at fair value through profit or loss	3.4	1.4	>100%
Result from financial assets - available for sale	2.3	0.0	>100%
Pre-tax profit	(358.0)	96.8	>-100%
Taxes on income	51.1	(20.3)	>100%
Profit for the year	(306.9)	76.5	>-100%
Attributable to non-controlling interests	(0.9)	(0.4)	>-100%
Attributable to owners of the parent	(307.8)	76.1	>-100%

Operating income	1,028.9	1,054.8	-2.5%
General administrative expenses	(418.9)	(446.0)	-6.1%
"Operating result"	610.0	608.8	0.2%
Cost/Income Ratio	40.7%	42.3%	-3.7%
Return on Equity	-16.4%	4.3%	>-100%

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

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

Appendix II

Consolidated balance sheet (IFRS) - amounts in RON million

ASSETS	31-Mar-12	31-Dec-11	%Change
Cash and balances with central banks	9,515.3	10,324.9	-7.8%
Loans and advances to credit institutions	652.7	1,100.2	-40.7%
Loans and advances to customers	53,873.6	53,376.3	0.9%
- Risk provisions for loans and advances	(6,399.7)	(5,572.8)	14.8%
Trading Assets	825.6	701.7	17.7%
Financial assets - at fair value through profit or loss	44.6	42.0	6.3%
Financial assets - available for sale	4,370.8	5,244.5	-16.7%
Financial assets - held to maturity	9,305.9	8,011.8	16.2%
Intangible assets	434.2	439.8	-1.3%
Tangible assets	1,549.5	1,584.7	-2.2%
Current Tax assets	177.6	177.4	0.1%
Deferred tax assets	46.1	46.9	-1.7%
Other assets	904.6	1,055.5	-14.3%
Assets Held For Sale	218.9	212.7	2.9%
Total assets	75,519.7	76,745.7	-1.6%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Amounts owed to credit institutions	21,557.7	22,906.4	-5.9%
Other amounts owed to customers	39,558.5	39,664.3	-0.3%
Debts evidenced by certificates	1,443.8	1,132.8	27.5%
Other provisions	328.5	305.8	7.4%
Current Tax liabilities	4.7	4.1	>100%
Deferred Tax liabilities	484.4	534.4	-9%
Other liabilities	2,849.2	2,626.9	8.5%
Subordinated Liabilities	2,036.9	2,024.7	0.6%
Total equity attributable to:	7,255.9	7,546.3	-3.8%
<i>Equity holders of the parent</i>	7,240.7	7,532.0	-3.9%
<i>Non-controlling interests</i>	15.2	14.3	6.7%
Total liabilities and equity	75,519.7	76,745.7	-1.6%