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# Weekly Report – Romania

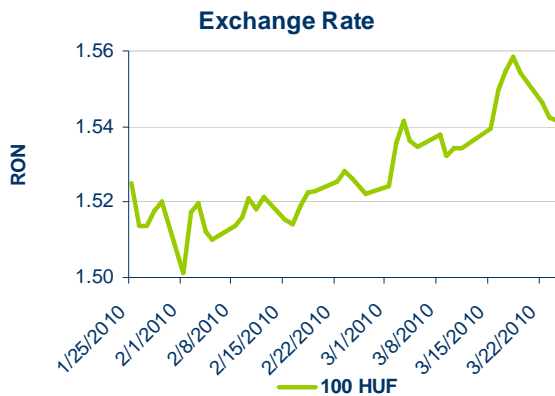
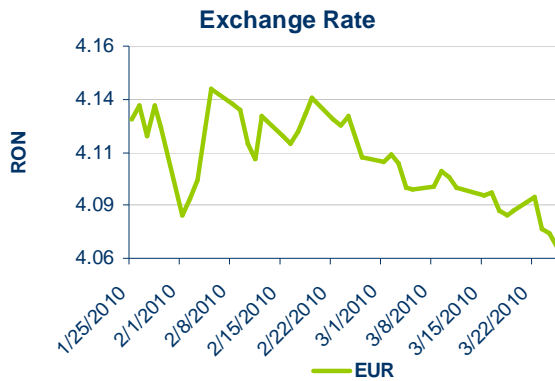
19.03 – 25.03 2010

# Weekly Report – Romania

## Major Indices

### RON Median Exchange Rate As of 25.03.2010

Country	Currency	Unit	Value
EU	EUR	1	<b>4.0653</b>
US	USD	1	<b>3.0453</b>
Hungary	HUF	100	<b>1.5412</b>



## Main National Bank of Romania Interest Rates

Reference Rate p.a. (February 2010)  
7.00%

Source: National Bank of Romania

## Macroeconomic Indices

### Inflation in February 2010

Feb. 2010/Jan. 2010

CPI	100.20
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Feb. 2010/Feb. 2009

CPI	104.49
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### Gross Domestic Product

GDP 2008	<b>7.1 % growth</b>
4Q 2009/4Q 2008	<b>6.6% decrease</b>
4Q 2009/3Q 2009	<b>1.5% decrease</b>

### Industrial Production

Jan. 2010/ Dec. 2009	<b>4.6 % decrease</b>
Jan. 2010/ Jan. 2009	<b>6.9 % increase</b>

### Average Salary – December 2009

	RON	EUR
Gross nominal	2023	492
Net nominal	1477	359

% as against November 2009

Nominal	<b>8.4 % inc.</b>
Real	<b>8.1 % inc.</b>

Source: Romanian National Institute of Statistics

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# Headlines

## Two banks carry out Internet banking transactions worth a quarter of GDP

22.03 (zf.ro): Internet banking systems of ING and BRD saw transactions worth 31 billion euros in total conducted in 2009, i.e. more than a quarter of Romania's 116 billion-euro Gross Domestic Product.

BCR and Raiffeisen Bank together cumulated 2.5 billion euros in Internet banking transactions.

Internet banking, which allows customers to conduct banking operations on the Internet, without having to go to the bank, is one of the business segments of the financial services market that saw a significant rise last year, even in the context of the crisis.

This mainly has to do with the fact that Internet services are cheaper than standard, paper ones.

Last year's increase partly has to do with the penetration of Internet banking services in Romania - the lowest in the European Union, according to data from the European statistics office Eurostat. Only 2% of Romanians use this service, unlike the EU average of 33%.

## Cosma, Banca Romaneasca: Loan demand is slightly picking up

22.03 (zf.ro): Funding demand is recovering at a moderate pace on the corporate segment, says Crina Cosma, general manager of Banca Romaneasca, the Romanian subsidiary of National Bank of Greece (NBG) Greek financial group. "In terms of lending, we've budgeted increases this year, but moderate ones, as the absorption capacity is also low," says Crina Cosma. Loans granted in Romania slipped 5% in 2009, to 2bn euros, according to the results NBG published in Athens. The decline was steeper on the retail segment, where the volume fell by 7%, to 957m euros, as the bank almost exclusively focused on mortgage financing, being an active participant in the "First Home" programme.

On the corporate segment, the volume registered marginal variations, going down to 1.1bn euros. "We have sufficient funds for lending. The local deposit base is solid, and securing funding for Romania is not a problem for NBG group as it has surplus cash," says Cosma. Attracted deposits went up by 39% last year, to one billion euros.

## Italy's Intesa breaks even in 2009

22.03 (zf.ro): Intesa Sanpaolo Bank, a small player domestically owned by Italy's biggest banking group, broke even last year, after net income worth 4m euros in 2008, according to the data published by the parent company. Intesa's Bucharest representatives reported "net positive income" in line with IFRS, without specifying any sum, though. According to banking sources, Intesa Sanpaolo last year was among the 21 banks to record net losses in line with Romanian accounting standards. In line with Romanian accounting standards the bank kept its market share in terms of assets at 0.9%, flat from 2008, filling the 21st position in the market's ranking. In line with IFRS, the bank saw its assets rise by 9% last year, to 3bn RON (766m euros), while the volume of granted loans reached 2.33bn RON (550m euros) in December, 27% above the level of late 2008. Intesa's Romanian assets account for 0.1% in total assets of the parent company.

## **Bankers move to one-digit interest rates for RON loans**

22.03 (zf.ro): The decline in the interests at which banks borrow money is starting to translate in the cost of the loans. This will show how high the demand for loans is.

Although it would have been unbelievable a year ago, loans in RON for companies, as well as mortgage credits will revert to one-digit interests as in 2006-2007, because bankers are adjusting their offers, pressured by the need to drive sales up to achieve their budget targets for this year.

The cut in RON loan prices has been stimulated by the National Bank's policy for several months now, which took heart from the improvement of the perception of Romania among foreign investors at the beginning of the year and pushed for a slump of interest rates on the interbank market to 3-6% a year, clearly below the monetary policy rate of 7% per annum.

Now is when we shall clearly see whether the very slow progression of the lending in the last eighteen months was really caused by the reluctance of clients to take on more debt, as bankers say, or whether the lack of demand was caused by the too high interest level. The lending in RON for individual clients fell by 5% in January compared with January 2009, while the corporate lending was down 3%.

In 2009, the share of RON loans in the total fell by less than 40%.

## **BCR does not disburse dividends, incorporates 58m-euro income in capital**

23.03 (zf.ro): BCR, the biggest bank on the market in terms of assets, will not disburse dividends to shareholders from its 2009 income and will use the money to increase its share capital. The bank last year made net income worth 237.97m RON (around 56m euros) in line with Romanian accounting standards, down almost 79% from 2008. Of this sum, 237.74m RON (the current equivalent of almost 58m euros) will be used to strengthen the bank's capital. In the wake of this operation, pending approval in the extraordinary general meeting of shareholders (EGM) convened for April 22, BCR's capital will climb to more than one billion RON (251m euros).

The face value of a share will thus rise from 1 RON to 1.3 RON. The decision has already been discussed in principle by Austria's Erste and the five financial investment companies (SIFs) that hold BCR stock and will be validated by the EGM. Pursuant to the privatisation contract, the government signed with Erste in 2006, BCR should in the first three years after privatisation grant dividends accounting for at least 40% in net income calculated in line with IFRS, but not more than the net income in line with RAS.

## **Insurers are again fighting for premium deductibility**

23.03 (zf.ro): Insurance companies are again striving to persuade the Finance Ministry to introduce fiscal deductibility for premiums paid for life insurance policies, maintaining the market would this way grow more rapidly, and the economy would take in additional investments of 3.6bn RON (around 900m euros) in the next five years. The National Union of Insurance Companies (UNSAR) and the Insurance Supervision Commission (CSA) were yesterday due to sent letters to the Prime Minister, the Finance Minister, Labour Minister and specialised Parliament committees asking for the introduction of tax deductibility for premiums paid for life insurance policies sealed for at least 10 years, up to 400 euros for individuals and the same amount for companies offering this benefit to their employees.

Insurers have made similar moves in the past years, but to no avail. "It's an older wish of life insurance market players to convince the Finance Ministry that the introduction of

deductibility for these policies is beneficial both to the life insurance market and to Romania's budget," stated Angela Toncescu, CSA chairperson.

### **Cash shortage is still giving companies headaches**

23.03 (zf.ro): Marmura Product, a company with 367,000-euro turnover in 2008, which specialises in manufacturing and selling marble and granite products, has come to deliver products to its clients only for cash despite risking to lose clients, in a bid to avoid problems caused by late payments. "We've preferred losing clients because we cannot make a clear distinction between reliable and unreliable clients," says Mihai Bardinici, a shareholder in the company. NBR data show there are no signs of companies' cash reserves rebounding in February, either, with bounced payments reaching 720m RON (175m euros), up 17.7% compared with the same month of 2009. Against the monthly average of second half of 2009, bounced payments because of the lack of enough money in accounts are falling, indicating a rising number of firms no longer accepting payment instruments rather than cash flow improvement. Amid the rising number of payment incidents, firms have started taking more precautions and say the system of payment instruments needs to be revised.

### **Three of seven Greek banks in the red**

24.03 (zf.ro): Out of the seven Greek-held banks, four ended last year in the black, but their profits were significantly offset by the losses the other three piled up, according to data calculated under the Romanian accounting standards (RAS). Such data sometimes substantially differ from those calculated according to IFRS. The seven Greek financial groups present on the Romanian market last year registered net cumulated losses of around 77m euros (according to RAS), in the context where, like the rest of players, they had problems related to the deteriorating loan portfolios. On the other hand, the Greeks managed to preserve their market share in terms of assets, at around 17%. The biggest loss was posted by Bancpost, 72m euros, with the bank forced to enact a tough cost-cutting programme. Adjustment moves paid off, though, with the bank returning to profit in the fourth quarter. Eurobank group reported 8m-euro losses from Romanian operations. Players with small subsidiaries in Romania, too posted considerable losses.

### **Raiffeisen posts second-largest profit on the market according to Romanian standards**

24.03 (zf.ro): Raiffeisen Bank ended last year with a 74 million-euro net profit according to international financial reporting standards, with the doubling of loan-loss provisions generating a 55% decline on the record earnings posted in 2008.

Calculated in line with the Romanian accounting standards (RAS), the net profit amounted to 68 million euros (287 million RON). This places Raiffeisen second on the market in terms of profit calculated according to Romanian standards, after BRD, with 792 million RON, and ahead of BCR, the market leader in terms of assets, with 237.97 million RON. UniCredit, the sixth-largest bank in terms of assets, posted a 236 million-RON profit.

In terms of assets in its local balance sheet, Raiffeisen fell to no. 7 on the market, with 4.69 billion euros, after having outsourced 1.5 billion euros in loans.

"Only in such difficult times does a differentiation between banks occur. You can have a big market share in terms of assets, but much smaller in terms of profit, or you can even step into the red. We have a rather big market share in terms of assets and a rather good solvency ratio, of 14.2%, so we don't need a capital increase," said Steven van Groningen, chairman of the bank.

## Law of personal bankruptcy passes Senate

24.03 (zf.ro): A draft law on personal bankruptcy, started by PD-L senator Iulian Urban together with other party colleagues last autumn, comes to regulate a sensitive field, that of foreclosures of loan defaulters at a time when tensions are high between debtors and bankers.

Over 10% of individual clients are currently late with their loan repayments, with the number of foreclosures initiated by banks now in the range of a few hundred per month.

At present, banks can largely foreclose on any asset and on any income earned by the debtor over an unlimited period of time in order to fully recover the debt, although this is not explicitly stipulated in credit contracts.

The draft law, a 14-page document, provides for the creation of insolvency and bankruptcy proceedings for individuals, similar to those that companies are subjected to, whereby the debtor will benefit from a certain degree of protection and even from partial debt erasure, if their assets are not enough to cover the debt.

The draft law on personal bankruptcy, which allows individuals to file for insolvency if they are overindebted and cannot find their way out, was passed by the Senate with 72 votes in favour and only 3 against and now awaits a vote from the Chamber of Deputies, the

## Intesa Sanpaolo Bank releases credit card with EUR 30,000 overdraft

25.03 (Nine oClock): Intesa Sanpaolo Bank has launched a MasterCard credit card with EUR 30,000 overdraft limit and additional services compared to the Gold classic cards, destined for premium customers, the bank informed yesterday, quoted by Mediafax. Some of the extra services coming with the new Platinum card are the Concierge assistance (travelling counsel) provided by Axa Group via MasterCard. In addition, the Priority Pass programmes gives card holders access to over 500 VIP or Business airport lounges in a total of 275 cities in nearly 100 countries, the bank's release says.

MasterCard Platinum is an embossed credit card with double function (credit and debit), attached to a RON current account. The card has 4 years validity allowing for successive automated extensions. It may be used both online and offline, locally and internationally, with merchants, banks and ATMs displaying the MasterCard logotype.