

Banking Market Overview

CEE and Romania

Bucharest, March 2012

- **Banking Sector Overview**
 - **CEE banking market**
 - **Romanian banking market**

CEE and Romanian banking market evolution in 2011 shows both differences and similar trends

Executive summary – Banking market

CEE banking market overview

1. Similar to 2009, in 2010 as well, the total CEE banking assets had a general positive trend and increased in value by ~2%. Romania was the 4th biggest banking market in CEE, with total banking assets below the CEE average
2. Even though total bank loans have increased in CEE in 2010, the trend was mainly driven by Poland while other countries had a low increase
3. The average CEE loans-to-deposits ratio has stopped its high rising trend, but it has decreased only for a limited number of countries and for most of them it is still over 1
4. As cards usage is concerned, the CEE market has still a growth potential; Romania and Bulgaria have the lowest values of card transactions per inhabitant among CEE countries that are part of EU

Romanian banking market overview

5. The moderation of the banking activities continued in 2011 as well, as reflected by the evolution on total net banking assets
6. Total banking loans continued their declining trend in 2011 as well; the value of the total banking deposits attracted by the Romanian banking system in 2011 continued to increase, showing the population's increased tendency towards savings
7. Both the overall number of valid cards and the value of payment transactions increased in 2011 compared to 2010
8. Non-performing loans continued their ascending trend in 2011, leading to a further worsening of credit quality for many banks
9. The overall banking system's profitability was heavily impacted once again in 2011 and reached significant negative territory
10. Some of the main short and medium term trends on the Romanian banking system include: increased financing pressures, reduced credit activity, increased focus on EU co-financing, cost control/branch network optimization, change of the competitive landscape, increased competition for "good" customers etc.

Note: Upon writing this study, official data regarding the evolution of the banking and insurance market in 2011 is still being published. The analysis and formulated trends have been realized based on data available until February 2012. As future official data will be published, the study will be updated accordingly.

- **Banking Sector Overview**

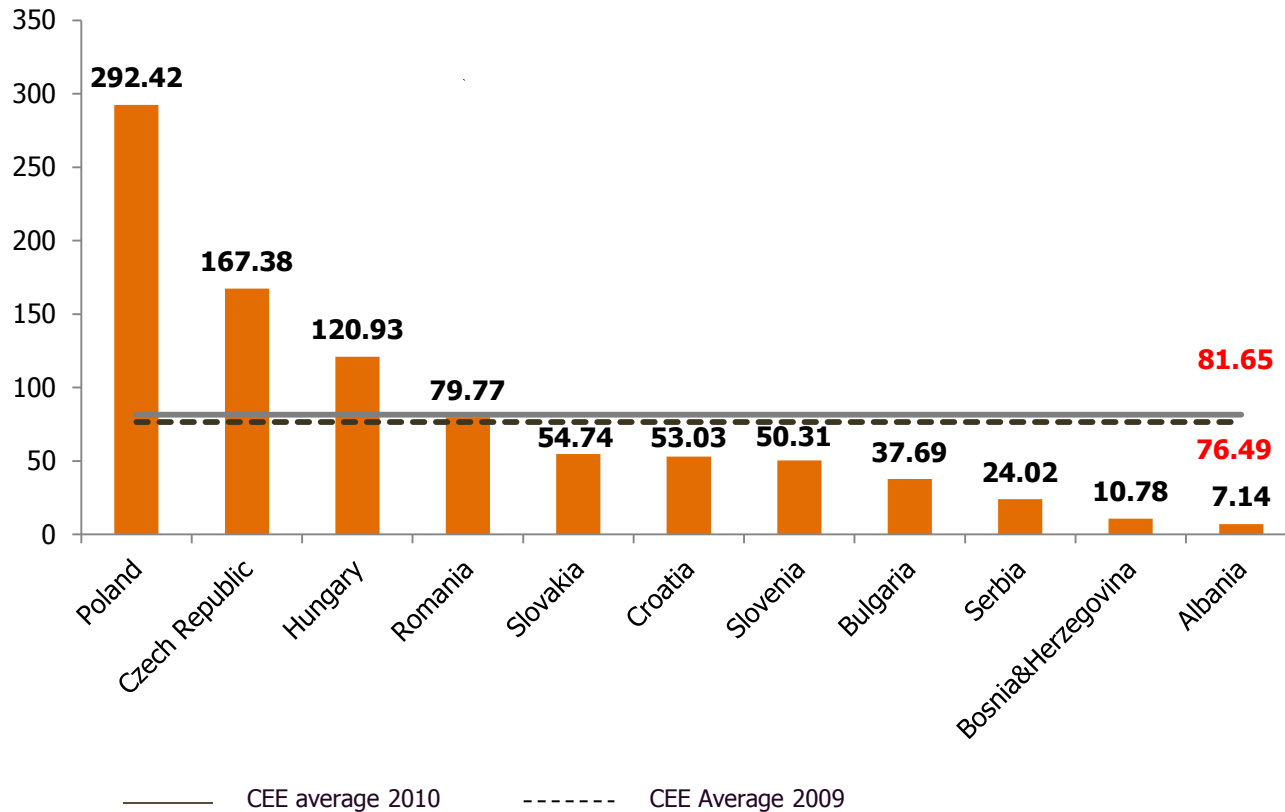
- **CEE banking market**

- **Romanian banking market**

Total CEE banking assets had a general positive trend in 2010, even though the total asset base has decreased for some countries

Banking market size in CEE

Total bank assets, CEE, 2010 (bnEUR)

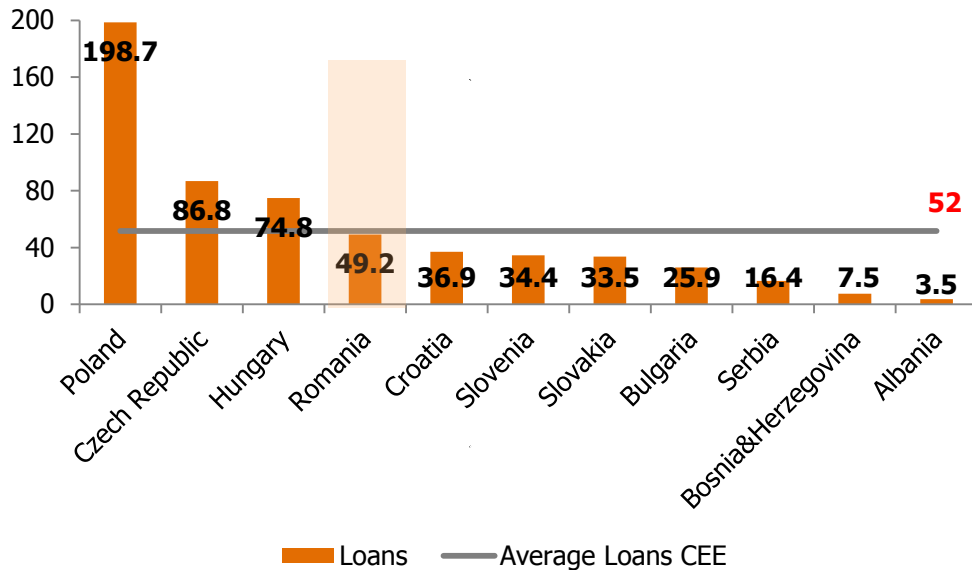


- Similar to 2009, in 2010 as well, the total CEE banking assets had a general positive trend and increased in value by ~2%
- Still in some countries the total asset base has decreased in absolute terms in 2010, compared to 2009 (either in EUR-term or both EUR and LCY*-terms)
- Poland, the CEE country with the most developed banking system cumulated at the end of 2010 ~292 bnEUR in banking assets, more than 3 times higher than the CEE average of 81.65 bnEUR
- Czech Republic and Hungary have also total banking assets higher than the average
- However, considering the current macroeconomic environment, the near term outlook for the banking sector needs to be considered with caution

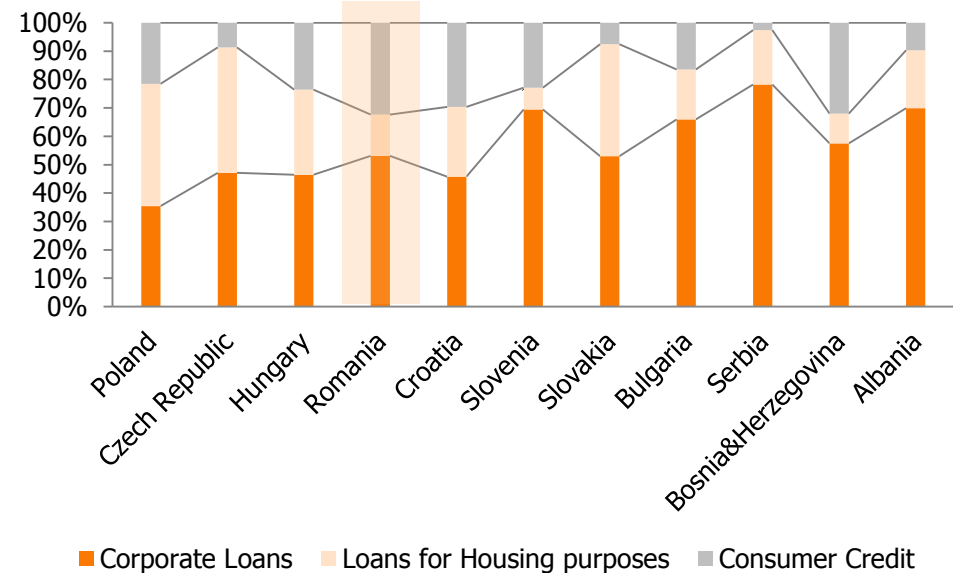
Even though total bank loans have increased in CEE in 2010, the trend was mainly driven by Poland while other countries had a low increase

Banking loans in CEE

Total bank loans, CEE, 2010 (bnEUR)



Bank loans per destination, CEE, 2010 (bnEUR)



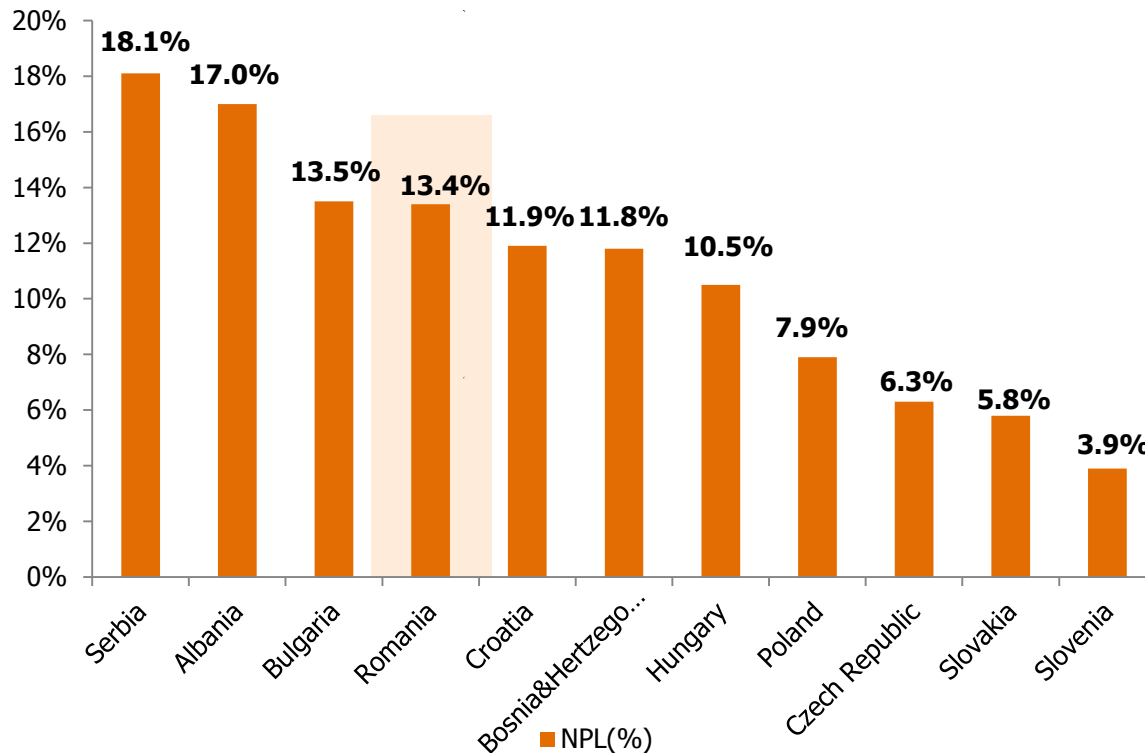
- Loan growth in CEE accelerated in 2010, the overall trend of bank loans at CEE level increasing in 2010 by ~13% in nominal terms compared to 2009 values
- No country showed decreases in total bank loans
- While, the high increase was mainly driven by Poland, countries like Bulgaria, Slovenia, Hungary and Romania had a low increase in total bank loans

- The distribution of bank loans per destination still shows differences between the CEE country banking sectors, with a different focus on either corporate or household loans
- In 2010, corporate lending has been mainly outpacing household lending and it seems there is still further catch up potential; on the other hand, consumer credit has had mainly a negative trend

Non-performing loans continued to put pressure on the CEE banking system in 2011 as well

Non-performing loans

Non-performing loans [% total loans], June 2011, CEE

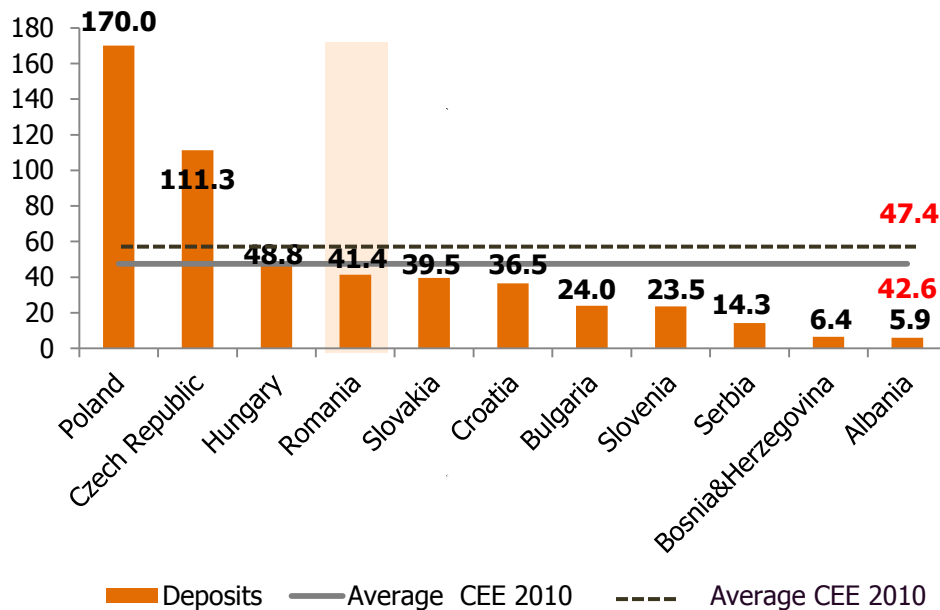


- Non-performing loans continued to put pressure on the CEE banking system
- Thus, the level of non-performing loans continued to increase in some countries (like, for example, in Romania), even if at a lower pace than in 2010
- In some other countries it already seems to have reached a peak compared to the values in 2010
- On the other hand, there are countries like Slovenia that have very good credit quality compared to the other CEE countries

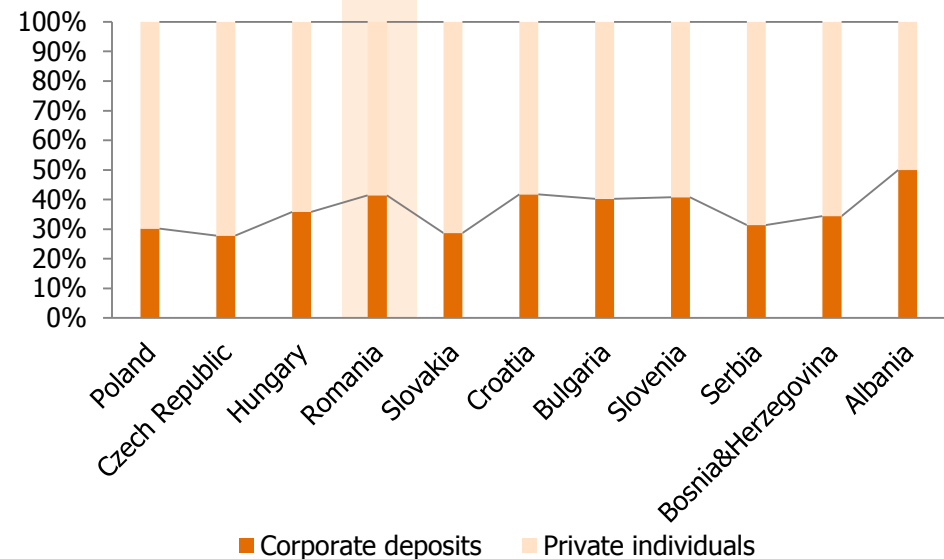
The overall bank deposits had a general positive trend in many CEE countries in 2010

Banking deposits in CEE

Total bank deposits, CEE, 2010, (bnEUR)



Bank deposits per category, CEE, 2010, (bnEUR)

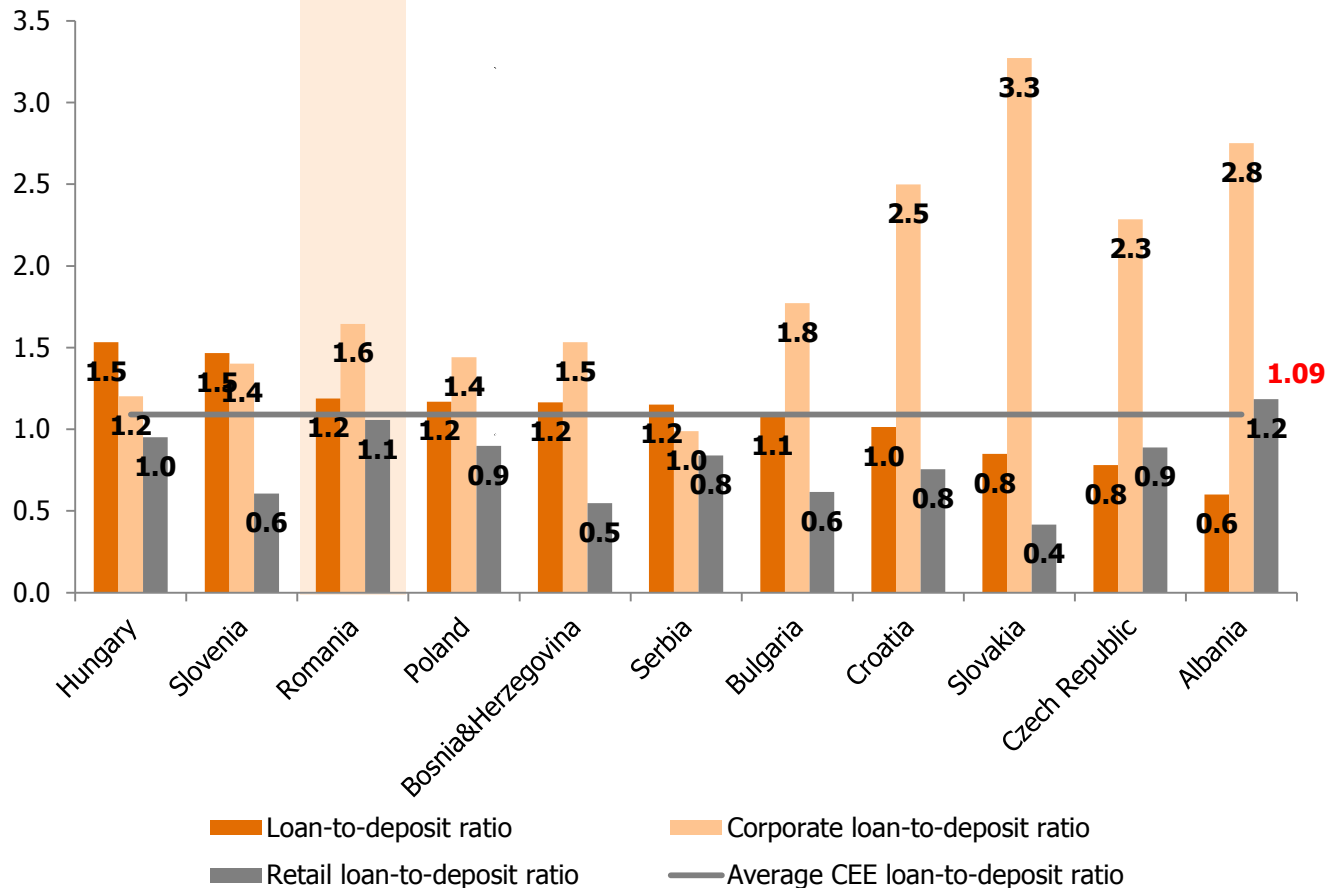


- Overall bank deposits had a general positive trend in most of the CEE countries, the average total bank deposits in CEE increasing in 2010 to 47.4 bnEUR from 42.6 bnEUR in 2009; however, similarly to total bank loans, Poland market size is considerably larger than the other CEE countries and thus highly impacts the average
- Still, as opposed to the pre-crisis years (2005 – 2008), in many CEE countries the growth of deposit collection outpaced or was closer to the evolution of granted loans
- Deposits, as a traditional funding source, will most likely gain weight in terms of financing of the bank's general activities and thus regain attractiveness, also due to the expected lower availability of external financing

The average CEE loans-to-deposits ratio has stopped its high rising trend, but it has decreased only for a limited number of countries

Banking leverage needs in CEE

Loans-to-deposits ratio, CEE, 2010

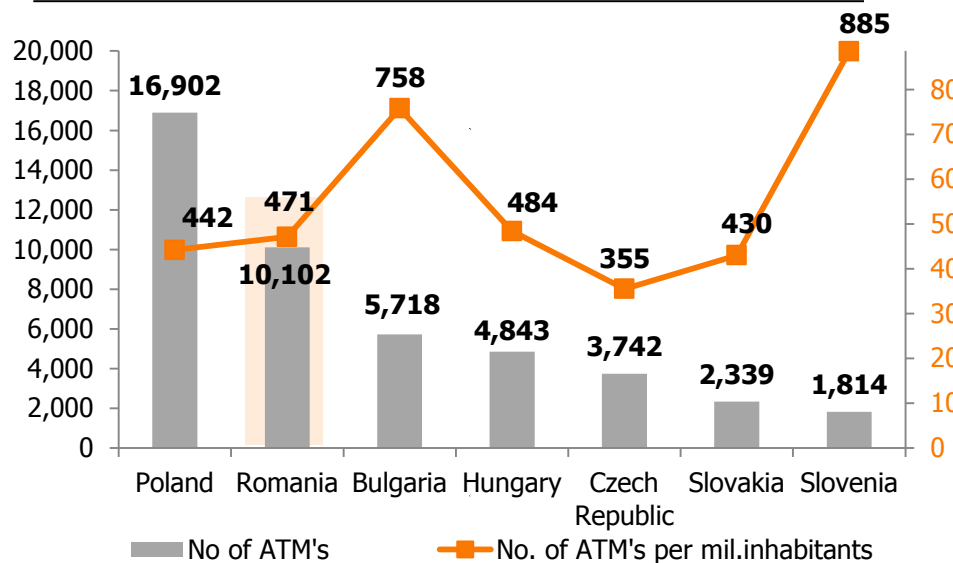


- Before 2008, in the context of a good level of international liquidity, low cost of country risk and low saving rates, CEE local banks had a big support for their funding needs through capital inflows from the group
- As a consequence, loans-to-deposits ratios had also an upward trend, in some countries reaching high imbalances
- After 2008, given the current economic context, the average rising trend has stopped
- However, on an individual country level, the ratio has decreased only in a limited number of countries and in other it either stabilized or continued its increase with a different pace
- Thus, the overall loans-to-deposit CEE average in 2010 was of 1.09, compared to a value of 1.08 in 2009
- There are still countries like Bulgaria, Croatia or Slovakia that have high imbalances between corporate loans and deposits

Among CEE countries that are in EU, Slovenia has the highest number of ATM's and POS devices per inhabitant

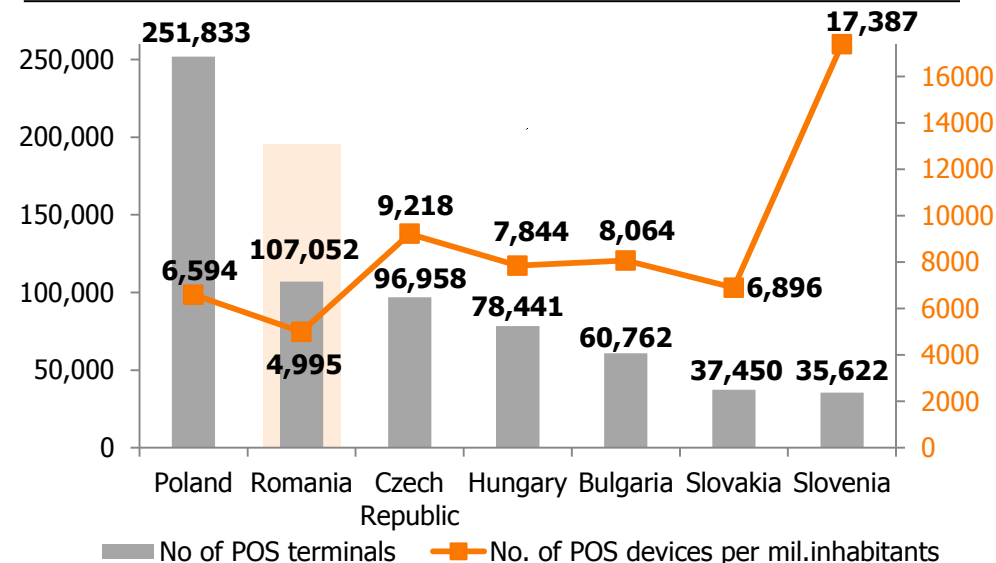
Payment terminals in CEE

Number of ATM's, CEE countries part of EU, 2010



- Based on official ECB data, in terms of number of ATMs per million of inhabitants, Slovenia ranks first with 758 ATMs, while Czech Republic has 355
- The average number of ATMs per million of inhabitants in CEE countries which are part of the EU is 546
- In comparison, Romania has 471 ATMs per million of inhabitants and is thus under the average of the selected countries, and 10,102 ATMs in total

Number of POS terminals, CEE countries part of EU, 2010

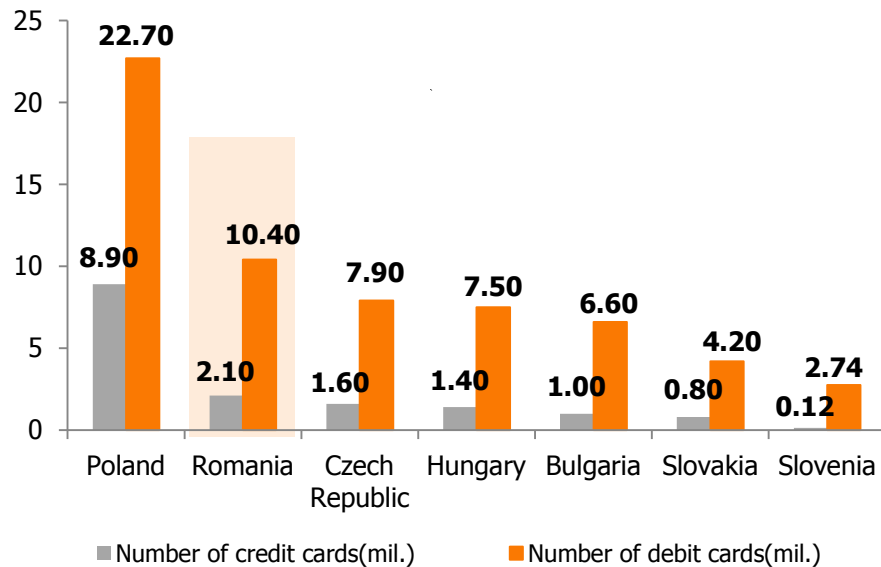


- Slovenia ranks first also as the number of POS devices per million of inhabitants is concerned, with 17,387 POS; this is a very high value compared to the other CEE countries and even is the average in some west European countries or Euro Area
- Considering its population size, Poland has the largest total number of POS terminals among the analyzed countries
- Romania is on the last place among the analyzed countries regarding the no. of POS devices per mil. inhabitants (4,995)

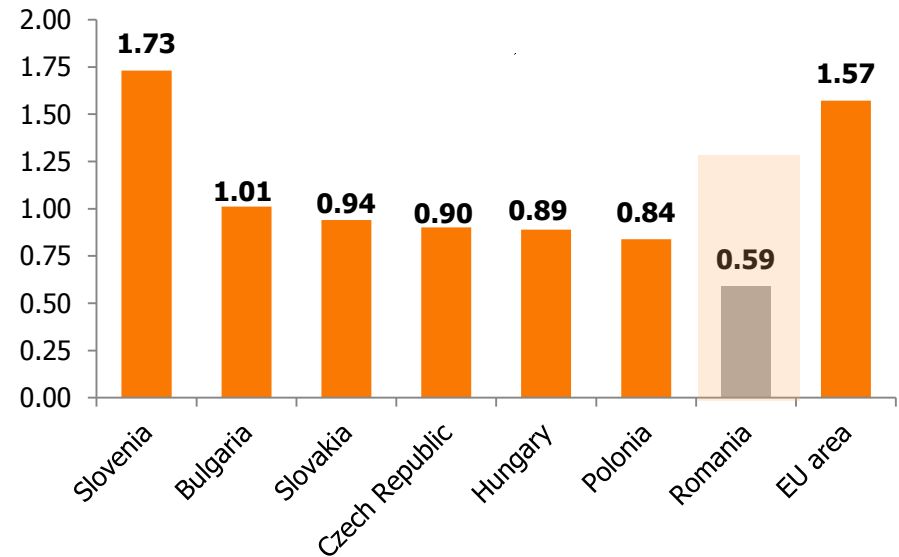
Romania has the lowest number of cards per inhabitant among the CEE countries in the EU

Payment instruments in CEE (1/2)

Number of credit and debit cards (mil.), CEE, 2010



Number of cards (debit and credit)/inhabitant, CEE, 2010

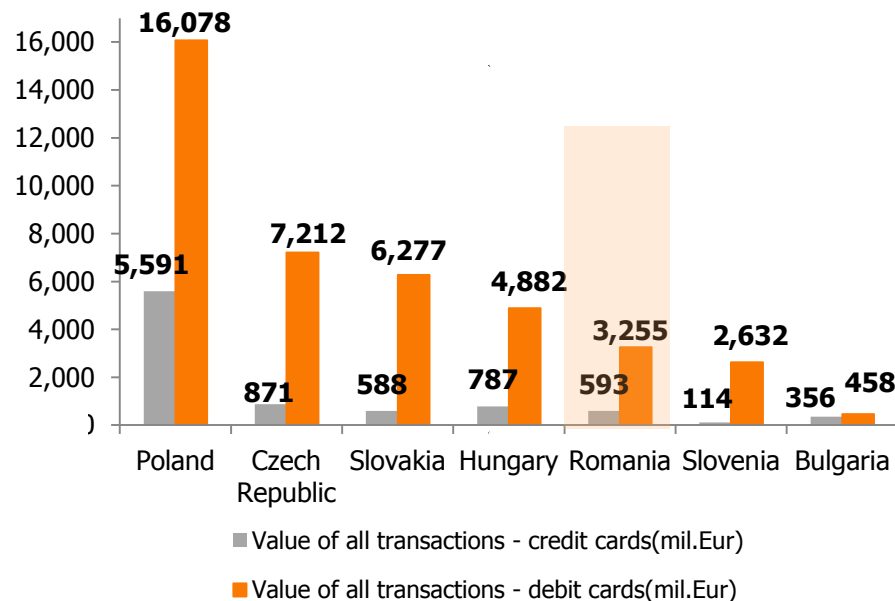


- Considering the size of the population, Poland has the largest total number of debit and credit cards
- When benchmarked regarding the number of total cards (debit and credit) per inhabitant, Romania has the lowest level among the CEE countries that are part of EU, with 0.59 cards per inhabitant
- On the other hand, Slovenia has a large number of cards per inhabitant (1.73), compared to the other CEE countries that are part of EU and even to the average of the Euro area
- In comparison, the average number of cards per inhabitant in the Euro area is 1.57

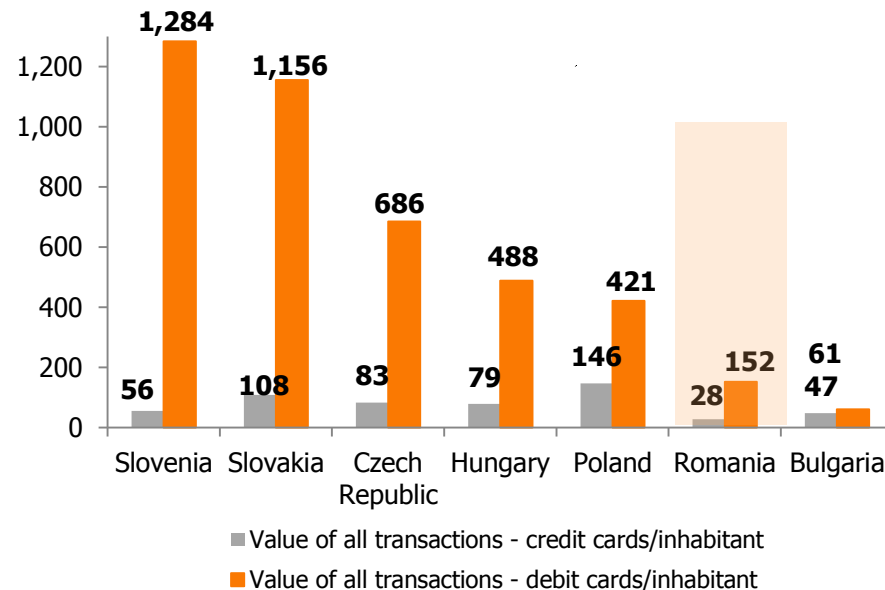
Bulgaria has the lowest value of transactions made by debit card per inhabitant, while Slovakia has the highest value

Payment instruments in CEE (2/2)

Value of all transactions – credit and debit cards , CEE, 2010



Value of all transactions per inhabitant– credit and debit cards , CEE, 2010



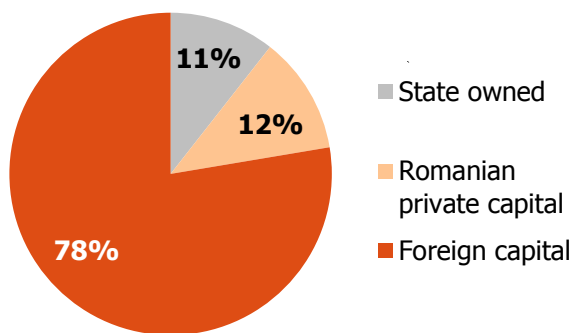
- Regarding the value of all transactions made with debit and credit cards per inhabitant, Romania and Bulgaria have the lowest values among the CEE countries that are part of EU
- Thus, even though it has a large number of cards per inhabitant, the value of all transactions (payments, withdrawals etc.) made with cards in Bulgaria is low compared to the other countries
- Slovenia has the highest value of transactions made with debit cards per inhabitant, while in Poland there is the highest value for credit cards (also due to the fact that in Poland there is the highest number of credit cards per inhabitant)

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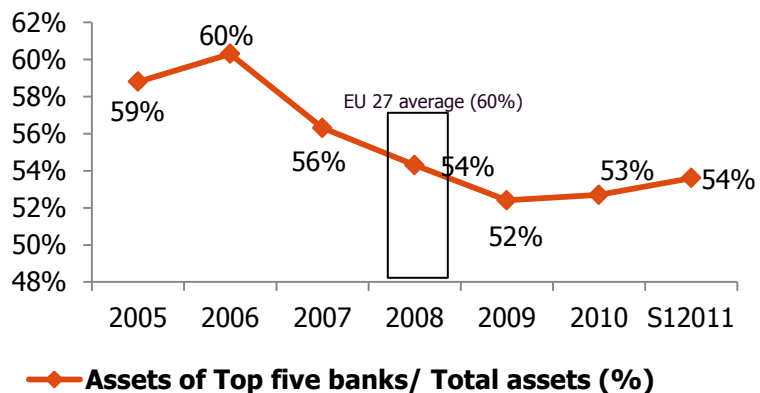
The moderation of the banking activities continued in 2010 and 2011 as well, as reflected by the evolution on total net banking assets

Romanian banking system

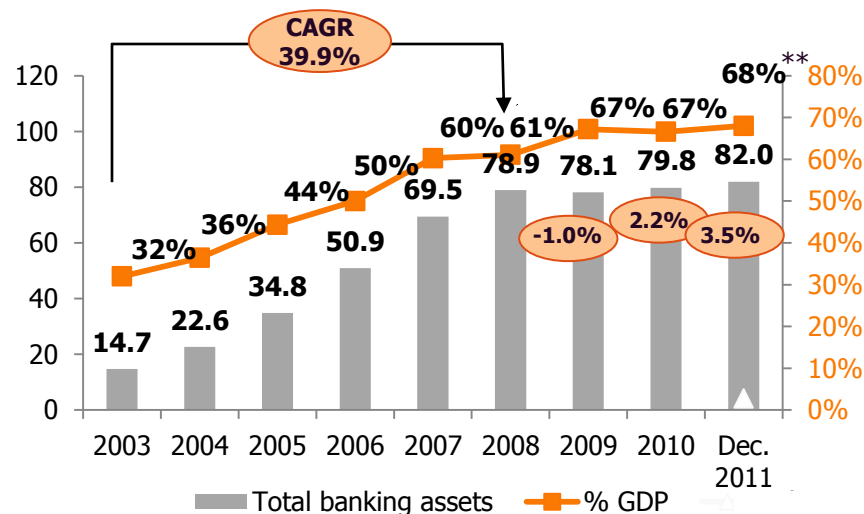
Ownership structure of the Romanian banking sector (Dec. 2010)



Concentration degree of the Romanian banking sector



Total net banking assets evolution (bnEUR)

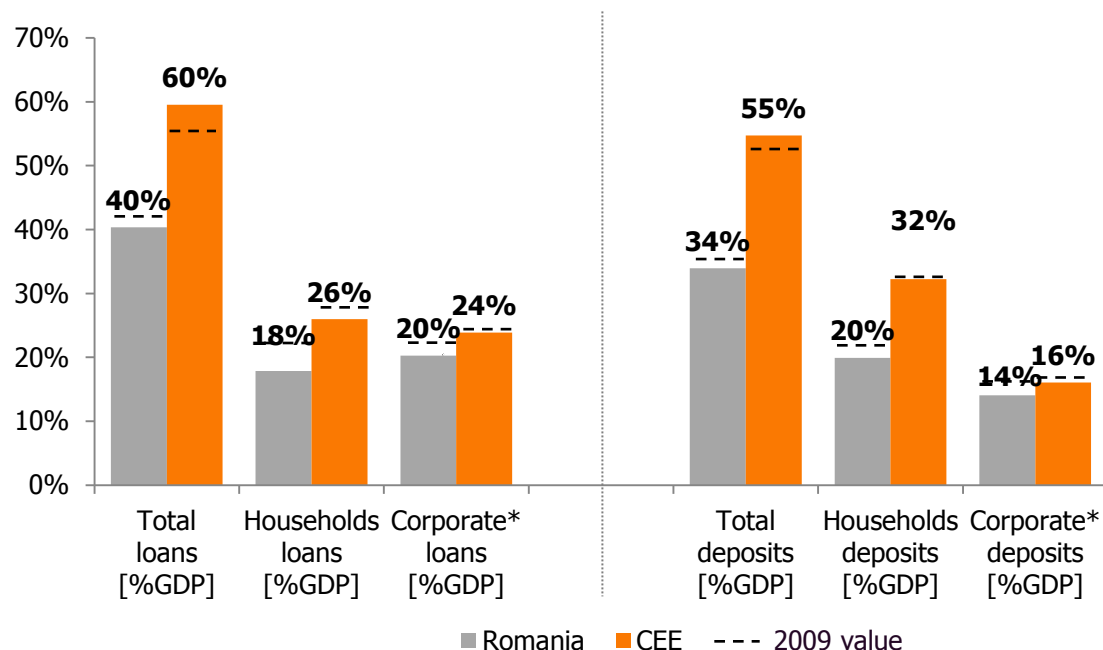


- Over 75% of the Romanian banking system has foreign ownership, out of which Greece has ~30%, Austria ~21%, Holland ~15%*
- The dynamic of the aggregated net bank assets increased with 3,5% in nominal terms in RON in 2011; it is still a low level compared to the high growth values registered in previous years
- As regards the proportion of the banking assets in GDP, it had similar levels in the last 3 years
- The Top 5 banks in Romania covered in Q1/2011 ~54% of the total banking assets; the trend has been slightly increasing in 2010, and continued to be until 2011, but it is lower than EU average

In 2010, the level of banking penetration in Romania remained similar with the one from 2009 and is still reduced compared to CEE values

Banking penetration

Banking penetration, comparative analysis CEE, 2010

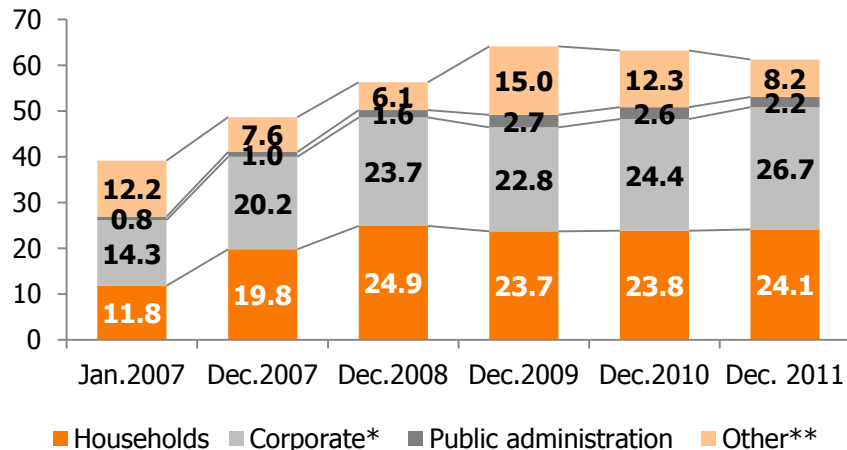


- The level of banking penetration remained fairly stable both in Romania and CEE
- Thus, Romania has still a more reduced penetration level compared to CEE values
- This is especially true for the deposits gathered in Romania, which represented 34% of GDP, while in CEE they were 55% in 2010
- Households deposits represented in Romania in 2010 34% of GDP (similar with the level from 2009), while for CEE they were 55%
- As regards the level of total loans as share of GDP, in 2010 in Romania it was 40%, compared to 60% for CEE countries

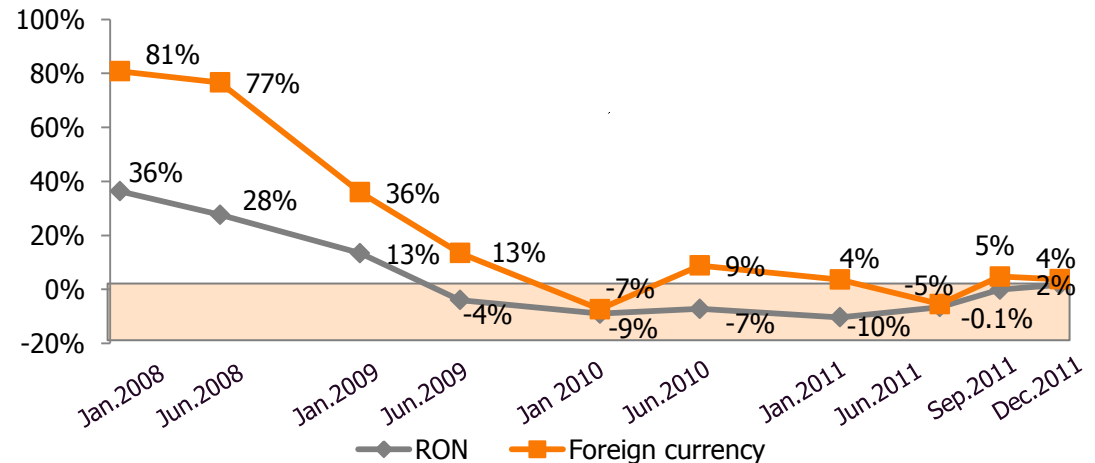
Total banking loans continued their declining trend in 2011 as well

Loans - structure and growth rate

Loans structure per destination (bnEUR), nominal values



Annual growth rate, non-government* loans, real values

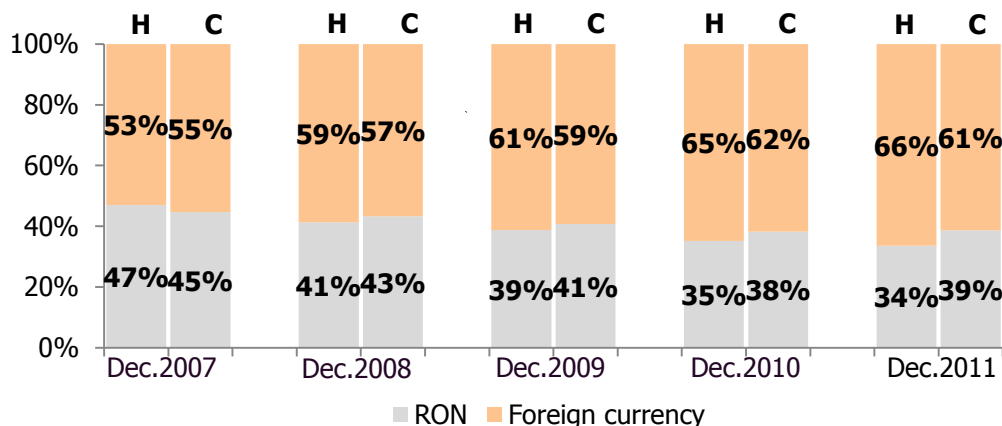


- After the high levels reached up to 2009, the value of the total loans granted by banks started to decline in 2010 and continued on the same descending trend in 2011 as well; thus, the total loans granted by banks in 2011 decreased with 3.1% in nominal terms compared to 2010
- This evolution is determined partly by the banks' risk aversion due to increased non-performing loans and profitability issues. On the other side, the contraction of the population's disposable income and an increased tendency towards savings had an influence as well
- Concerning the loans structure per destination, corporate loans continued their increase in 2011 as well, reaching a level of 26.7 bnEUR in 2011; on the other hand, household loans were fairly stable in 2011
- Even if they had a slightly decreasing trend in 2011 compared to 2010, the weight of public administration in total banking loans is still higher than in 2008, on the basis of the financing of the budget deficit
- From a currency point of view, after more than 2 years of negative values, RON denominated loans reached a positive real annual growth rate at the end of 2011. Loans denominated in foreign currency had a more positive and fluctuating evolution in both 2010 and 2011, reaching negative levels during the middle of the year and then regaining positive growth value.

Overall loans structure per type of currency and household loans per destination had in 2011 a similar trend with the one registered in 2010

Loans – households and currency structure

Loans structure per type of currency

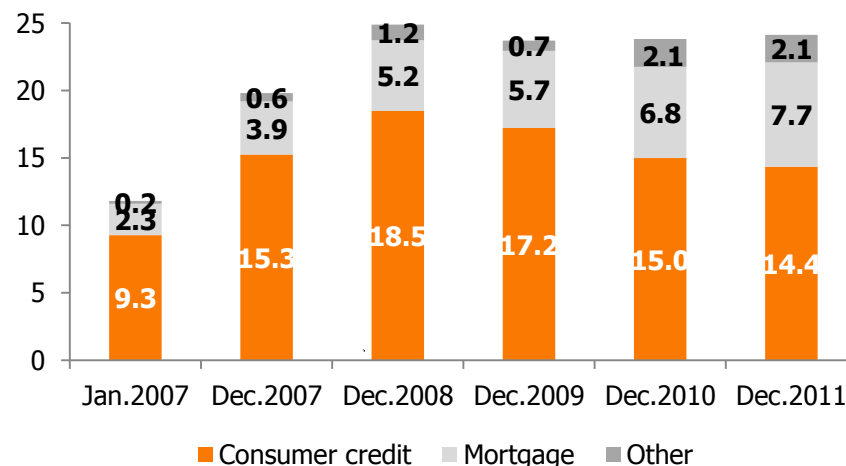


Note: H – Households, C – Corporate (non-government, non-bank companies)

- The weight of foreign currency loans has remained fairly stable for both households (~66%) and corporate loans (~61%) in December 2011, compared to the values reached in December 2010
- Correlated with a general CEE trend, the NBR has introduced in 2011 regulation aiming to reduce the level of foreign currency denominated consumer loans

- As households loans structure per destination is concerned, consumer credits were in Dec. 2011 of 14.4 bnEUR, with ~22% lower than their value in 2008
- Thus, the contraction that started in 2009 continued in 2011 as well
- Despite the current economic environment and the local demand, mortgage has a small positive trend in nominal terms in 2011 as well (+14.4% in Dec. 2011, compared to Dec 2010), driven mainly by the national program "Prima Casa" which is currently at its 4th edition

Households loans structure per destination (bnEUR)

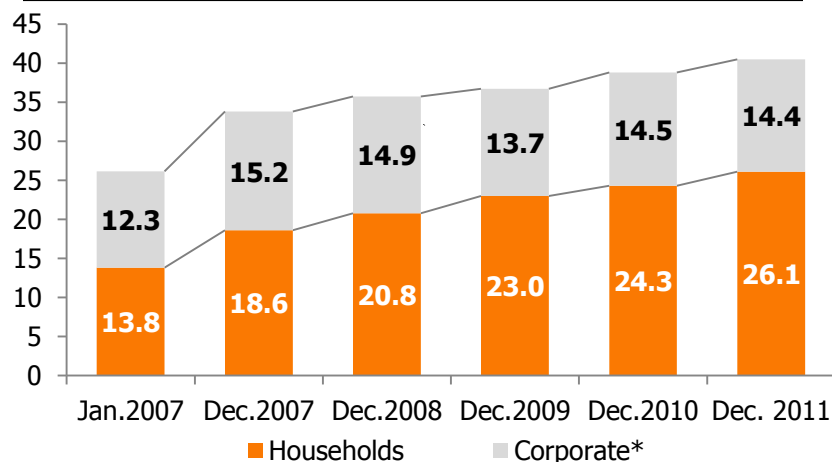


Source: NBR 2011
Ensign analysis

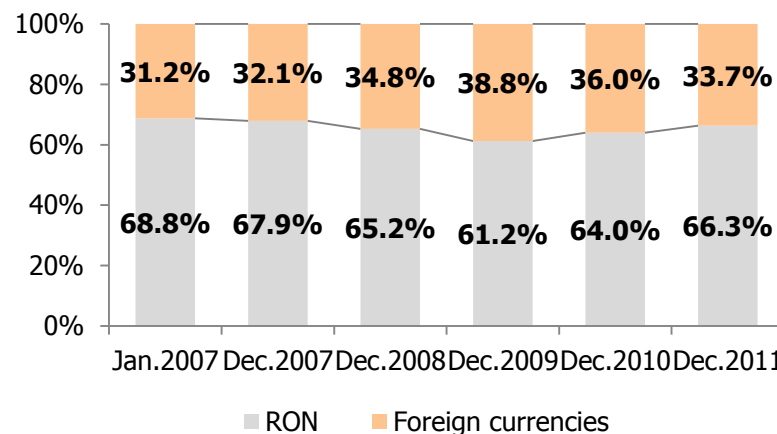
Total deposits continued to increase in 2011 as well, showing the population's increased tendency towards savings

Deposits

Deposits structure per destination (bnEUR), nominal values



Deposits structure per type of currency

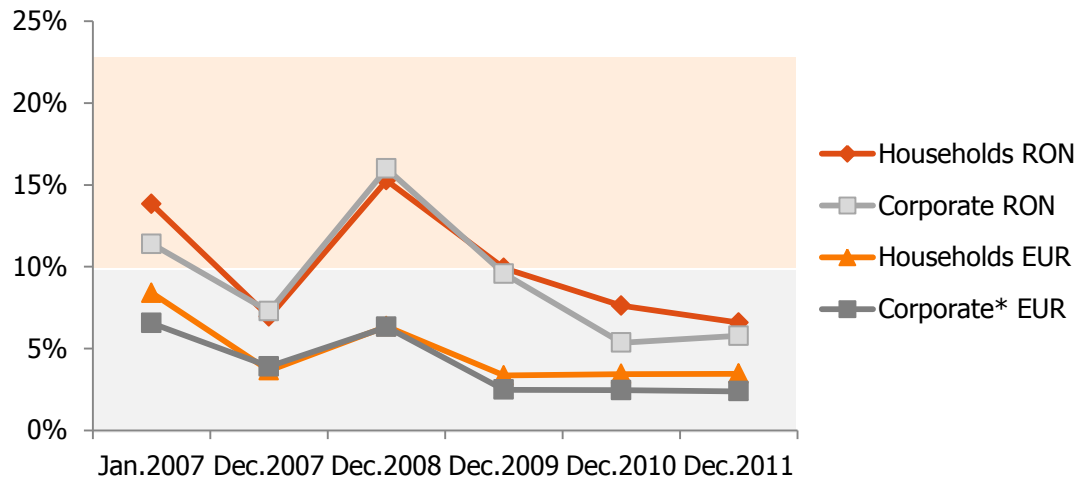


- The nominal value of the total deposits continued its increase up to ~40.5 bnEUR in Dec. 2011
- The population's increased tendency towards savings was visible in 2011 as well. It thus shows a trend in the population's behavior, with a higher appetite towards savings. This tendency is also a reflection of a more prudent liquidity management
- Thus, households deposits amounted in 2011 to the equivalent of 26.1 bnEUR according to official data, an increase of over 7% compared to 2010, while corporate* loans were 14.4 bnEUR, ~1% lower than in 2010 (in nominal values)
- From a currency point of view, RON denominated deposits accounted for 66.3% of total deposits in 2011, showing a slight increase in their weight compared to 2010. Thus, savings in RON currency are preferred due to higher interest rates and also on the basis of a decreased fear of RON depreciation

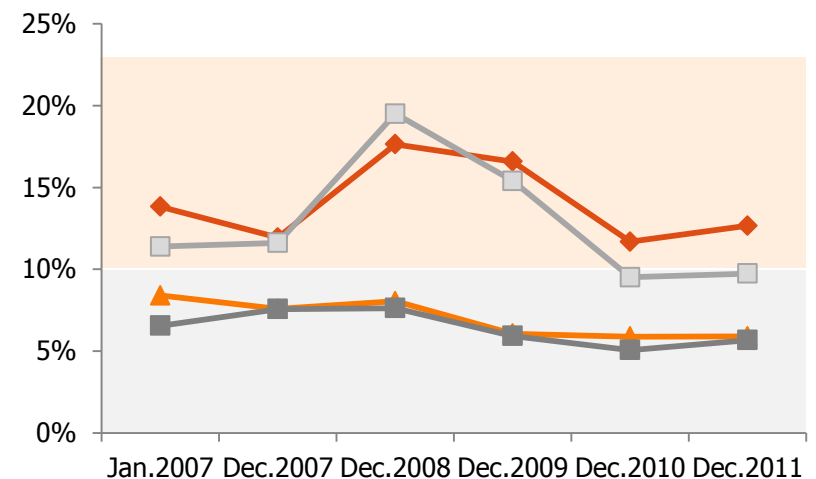
In Dec. 2011, average interest rates for loans were higher than the 2010 levels, while interest rates for households deposits had a decline

Interest rates

New term deposits - average interest rate (%p.a.)



New credits - average interest rate (%p.a.)

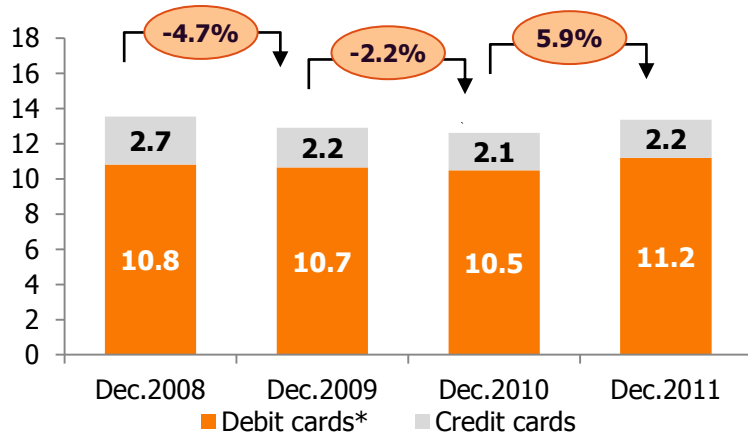


- After a high growth period, in late 2008/ beginning of 2009 the local banks started to reduce their loans interest rates and increased the competition for new deposits
- In the second semester of 2010 the banks have stopped the descending adjustment of their interest rates for households new credits in RON. Thus, in Dec. 2011 the average interest rate for RON new credits was 12.66% (p.a.), higher than its Dec. 2010 value. For EUR new credits, the interest rates values were similar with the ones in Dec. 2010
- The average interest rates used for corporate loans, both RON and EUR were higher in Dec. 2011 than their values in Dec. 2010; however, for new credits in RON the gap was smaller for corporate loans than for households
- The competition for new deposits collected from the population continued towards the end of 2010 when the interest rates offered had an ascending trend, and then started to decline in 2011, considering banks' efforts to boost operational revenues
- However, the deposits increased during 2011 based on an increased tendency towards savings from households

Both the overall number of valid cards and the value of payment transactions increased in 2011 compared to 2010

Cards

Number of valid cards (mil. units)

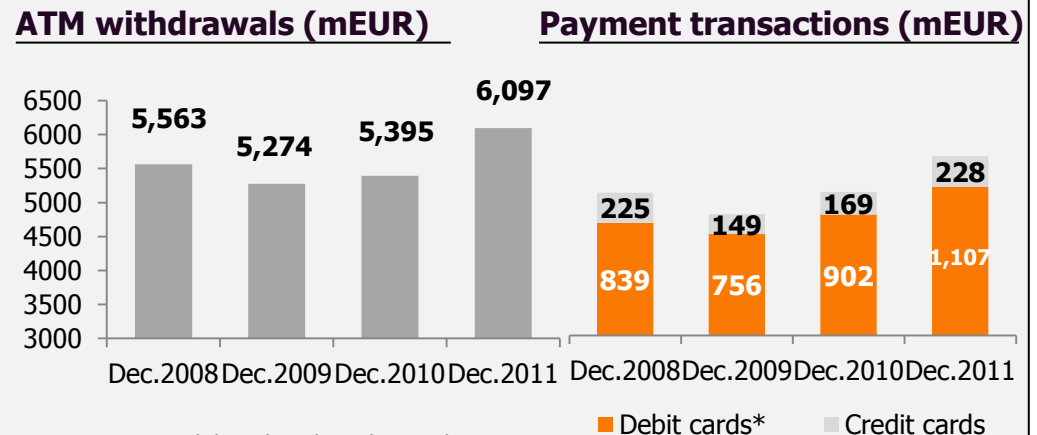


- After a descending trend in the last 2 years, the number of total valid cards increased in 2011 (+5.9% in Dec. 2011 compared to Dec. 2010)
- Thus, the number of total valid debit cards increased in Dec. 2011 with 6.8%, compared to Dec. 2010 values, reaching a number of ~11.2 mil. units
- Similarly, the number of total valid credit cards increased as well, reaching in Dec. 2011 the number of ~2.2. mil. units compared to 2010 (with 1.6% higher than in Dec. 2010)

* Including deferred debit cards

- The value* of ATM withdrawals increased in 2011 with 13% to ~6.1 bnEUR, compared to a 2.3% increase in 2010 and after a decrease in 2009 of -5.2%
- Cards payment transactions also had a positive growth rate in 2011 (24.7%)
- Similarly to the increase in their number, the value of payment transactions with credit cards has increased in 2011 with 35.1% compared to Dec. 2010, while payment transactions with debit cards increased with 22.7%

Value of cards transactions



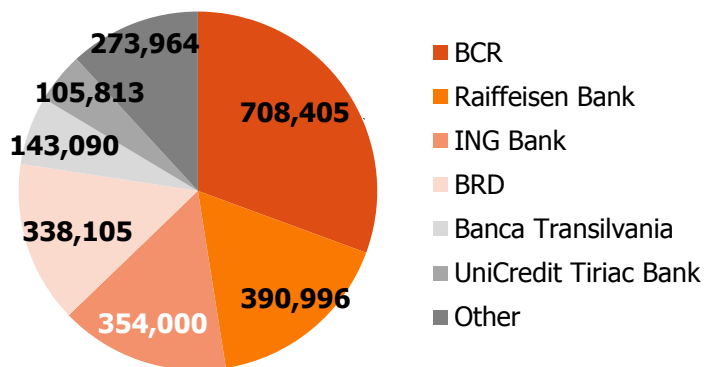
Romania ATM withdrawals with cards issued in Romania and abroad

* Including deferred debit cards

The online banking has continued its growth and has a great potential ahead

Online and mobile banking

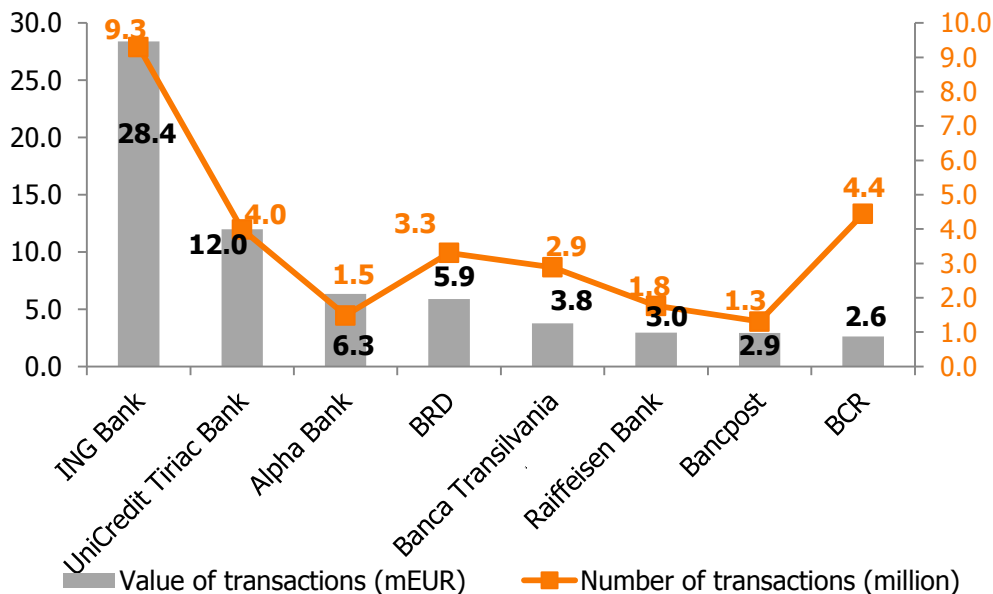
Number of clients, online banking*, 2010



- The number of online banking clients continued to increase in 2010 as well, even if the growth rate was not as high as in previous years
- Based on number of clients in 2010, the top 3 payers are: BCR, Raiffeisen Bank and ING Bank (closely followed by BRD)
- At the end of 2010, there were 6 banks with more than 100,000 clients in online banking representing over 80% of the total market

- As regards the value of the transactions, ING Bank is the clear leader with ~28.4 mEUR in 2010, followed by UniCredit Tiriak with ~12 mEUR
- ING Bank also has a high number of transactions, followed by BCR which has a large number of transactions with low value
- Even though there are no official estimates regarding the online banking market, according to the existing market data, ING has more than 30% market share based on the value of transactions
- The mobile banking market is less developed; the two first players on the market were BRD Société Générale and Raiffeisen Bank and it was recently introduced by other banks as well

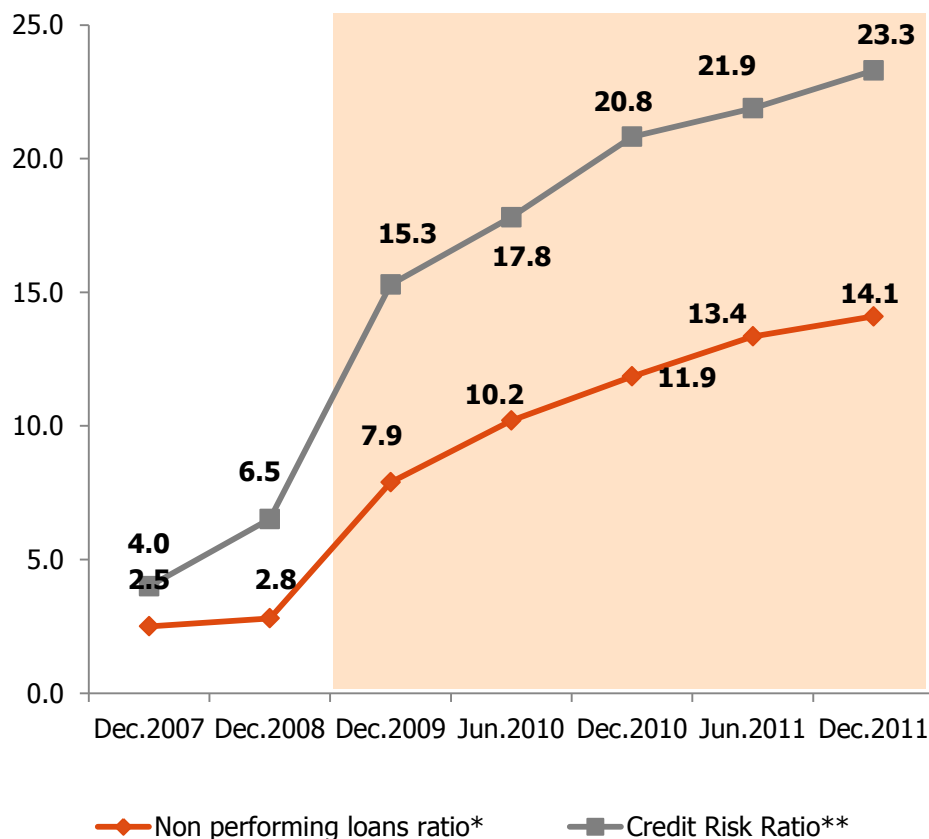
Value and number of transactions, online banking, 2010



Non performing loans continued their ascending trend in 2011, leading to a further worsening of credit quality for many banks

Credit quality

Non performing loans evolution (%)



- The consequence of the aggressive credit strategy during previous years, cumulated with financial pressures for households and companies and a RON devaluation are still visible in the credit quality in Romania
- Non-performing loans continue to put a great pressure on local banks' profitability
- Thus, financial indicators measuring the credit quality have worsened in 2011 as well, even if the trend continued at a lower pace
- According to official data, the ratio of non-performing loans in Dec. 2011 was 14.1%, compared to a value of 13.4% in Dec. 2010
- The credit risk ratio also increased in 2011 and reached the value of 23.3% in Dec. 2011
- However, the good level of capital adequacy was maintained in 2011 as well, providing thus a safety net for potential constraints due to increasing non performing loans

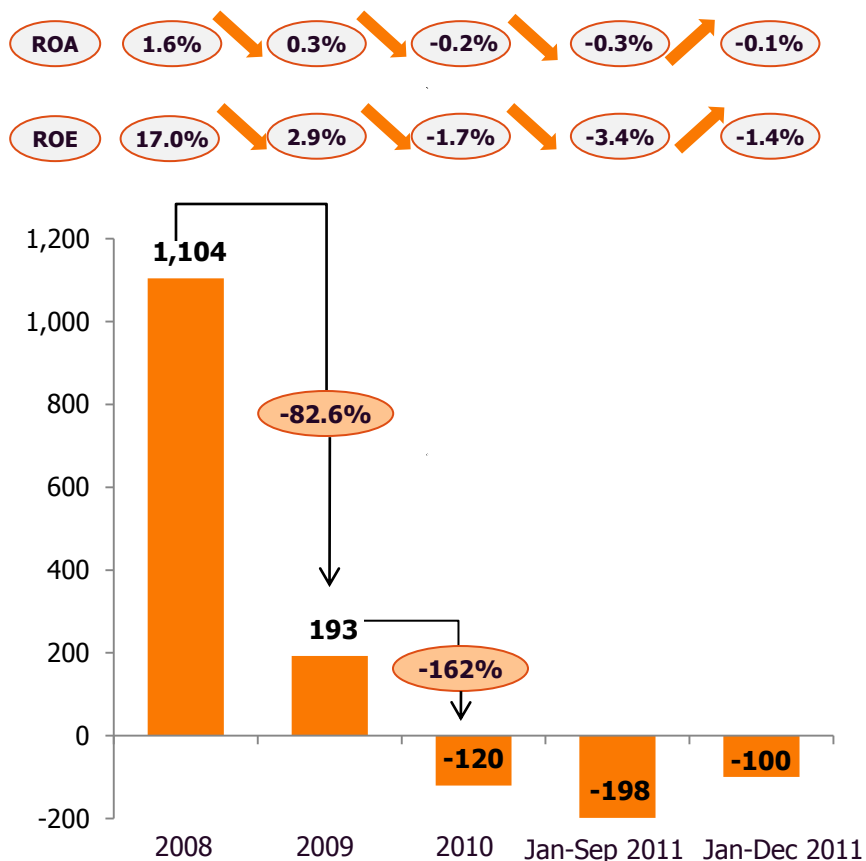
* Gross exposure of non-bank loans and interest classified as loss category 2, with debt service > 90 days and/ or for which there were initiated judicial procedures/ Total classified non-bank loans and related interest, excluding off-balance sheet items

** Gross exposure of non-bank loans and interest classified as doubtful and loss / Total classified non-bank loans and related interest, excluding off-balance sheet items

The overall banking system's profitability was heavily impacted once again in 2011 and reached significant negative territory

Banking system profitability

Net profit – aggregated banking system (mEUR)

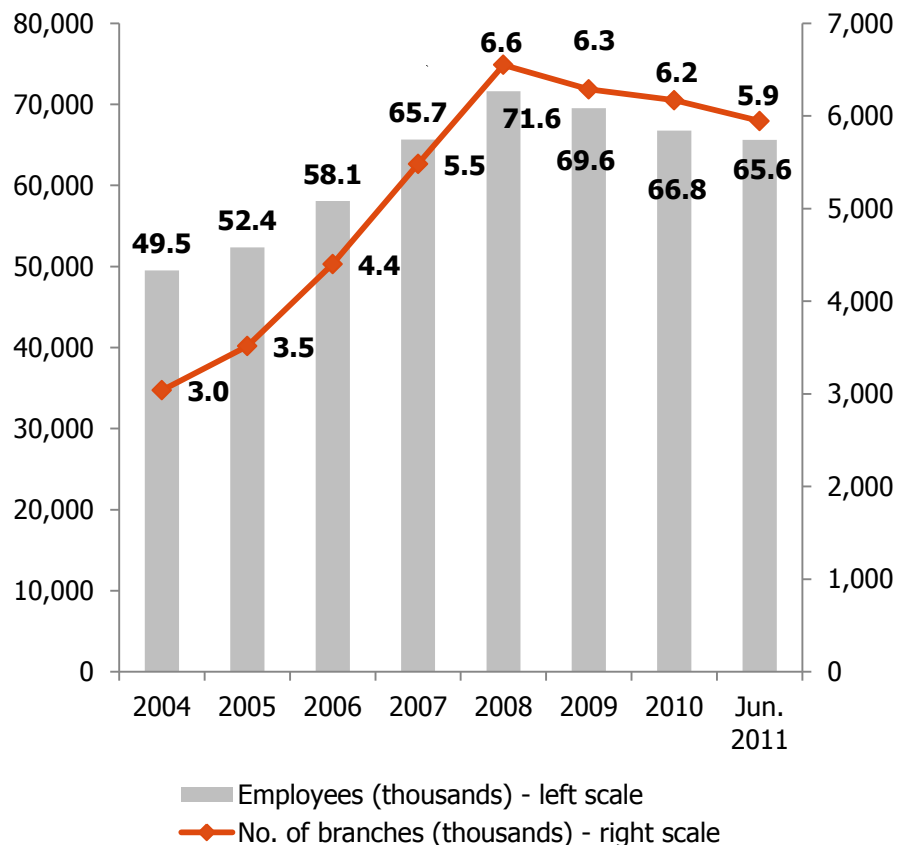


- The pressure on the Romanian banking system's profitability continued in 2011 as well
- The driving factors were similar with the ones in 2010: non-performing loans, cumulated with reduced revenues due to lower credit activity, to which also summed up the funding pressures registered at group level due to the growing concerns regarding the euro zone debt crisis
- Thus, the aggregated banking system's net profit up to Sep. 2011 outpaced the negative result from the entire 2010 year and reached a net aggregated loss of ~-198 mEUR. In December 2011, the banks compensated for almost half of the loss, posting at the end of the year an aggregated loss of ~-100 mEUR
- Consequently, profitability indexes ROA and ROE* had negative values

The banks have implemented cost reduction measures in 2011 as well and have reconsidered their branch network expansion plans

Costs and distribution network

Evolution of branch network and number of employees



Cost reduction

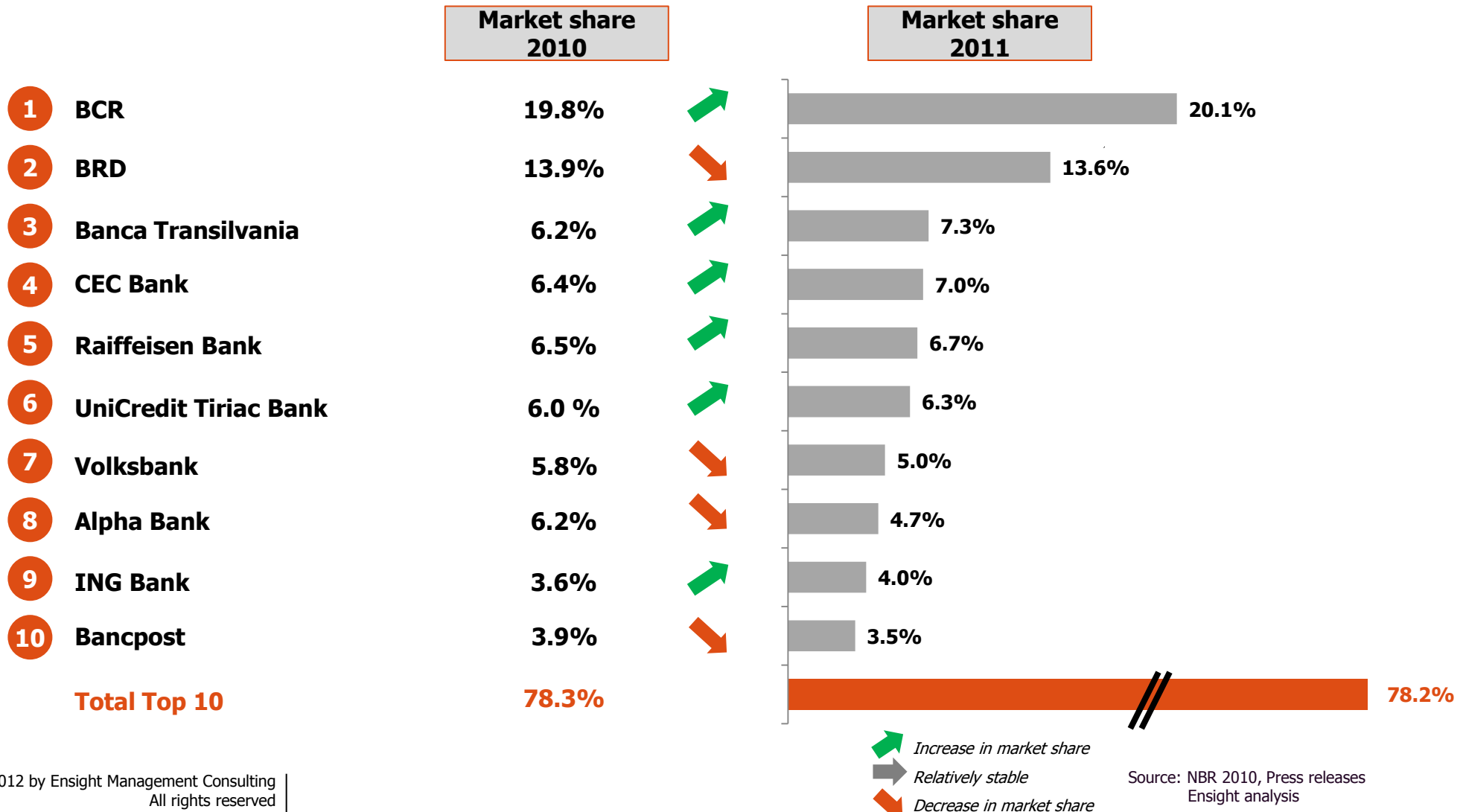
- The continuing economic decline has led the banks to further cost control
- Thus, the reduction of the number of branches continued in 2011 as well, reaching in June 2011 a number of ~5,950 branches
- The number of employees also declined compared to the values from Dec. 2010, reaching in 2011 ~65,600 employees at the overall banking system's level

Distribution network

- As concerns Romania's number of branch units per 100,000 inhabitants, it is still lower than EU 27 average
- As regards the distribution network, besides the branches, the number of ATMs have been steadily growing, in Sep. 2011 increasing with 4.6% compared to Dec. 2010
- The number of POS terminals have also continued their increase (7.9% in 2011 compared to 2010)
- Also, similar to European trends, banks are focusing more on developing their alternative channels (i.e. mobile, internet banking)

In June 2011, there were changes among the Top 10 players on the market based on total net assets, but no major ones

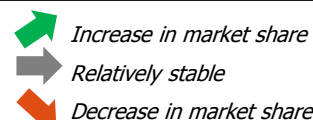
Competition overview – market share



In June 2011, there were relatively small changes among the Top 10 players on the market based on total net assets

Competition overview – Top 10 banks 2011, market share

<p>1 BCR </p> <p>2 BRD </p>	<ul style="list-style-type: none"> BCR and BRD remain the biggest market players based on their market share, with no significant changes to their market shares in 2011 compared to 2010 However, in 2011, BRD was the most profitable bank in the Romanian banking system and posted a net profit of ~110 mEUR, while BCR's profitability was considerably affected and posted a loss of ~ -77 mEUR
<p>3 Banca Transilvania </p>	<ul style="list-style-type: none"> Banca Transilvania continued to increase the total net banking assets and thus gain market share in 2011 as well It became the 3rd largest player on the market and posted a net profit of ~32 mEUR in 2011, 35% higher than in 2010
<p>4 CEC Bank </p>	<ul style="list-style-type: none"> Reaching a market share of 6.4% in 2011, CEC Bank is the 4th largest player on the Romanian banking market based on total net banking assets
<p>5 Raiffeisen Bank </p>	<ul style="list-style-type: none"> Raiffeisen also increased its market share up to 6.7% and ranks 5th on the Romanian banking market As in previous years, its focus on product quality had a positive impact on the profitability (2011 net profit: ~73 mEUR)
<p>6 UniCredit Tiriatic Bank </p>	<ul style="list-style-type: none"> UniCredit Tiriatic Bank ranks behind Raiffeisen Bank in terms of market share (6.3%), and posted a profit of ~ 24 mEUR
<p>7 Volksbank </p>	<ul style="list-style-type: none"> Volksbank continued its descending trend as the market share is concerned (5%) and also posted the highest loss in the Romanian banking system (~ -151 mEUR)
<p>8 Alpha Bank </p>	<ul style="list-style-type: none"> Alpha Bank's total net banking assets continued to decrease and thus its market share went down to 4.7%, compared to 6.2% in 2010; Its profitability was also affected posting a loss of ~ 27 mEUR
<p>9 ING Bank </p>	<ul style="list-style-type: none"> In 2011 ING continued to increase its market share and went up one place, ranking 9th on the Romanian banking system, based on total net banking assets
<p>10 Bancpost </p>	<ul style="list-style-type: none"> Bankpost has lost market share in 2011 compared to 2010 and reached a level of 3.5% of the overall banking market As profitability is concerned, the bank returned back on profit in 2011, posting a net profit of ~ 3.8 mEUR



In 2011, there were no major changes to regulations activities, their long term objectives and estimated impact remaining the same

Main regulations overview (extract)

The long term objectives of the supervision activities and prudential regulations remained the same: to strengthen banks' capacity to cope with ongoing challenges and to harmonize the national legislation to international standards.

Rules and guidance (extract)

BASEL II implementation

- **Capital requirements** (incl. credit, operational and market risk) and **Implementation of Pillar II**

- Preparations of Basel III implementation through the Capital Requirements Directives (CRD) IV

Capital adequacy

- In 2011, credit institutions recorded an **adequate level of capitalization**; Thus, the **solvency ratio** reached **14.2% in June 2011**, compared to 15% in Dec. 2010 and 14,7% in Dec. 2009
- The minimum level of 10% was maintained in the supervision process
- In March 2011 the Vienna initiative ended; the banks reconfirmed their long term engagement on the Romanian market, without a new formal commitment to minimum exposure levels

IFRS implementation

- In 2012, IFRS standards will be implemented in the Romanian banking system after a 3 years transition period (2009 – 2011) with RAS reporting (legally mandatory) and IFRS (for information purposes, on individual level)

Other rules/ guidance

- IMF recommendations/ CEBS** recommendations & best practices
- EUR adoption (officially in 2015, but according to official statements most likely to be delayed) etc.

Current NBR challenges

- Management of contagion risk of the sovereign debt crisis
- Improvement of the quality of banking assets and loans currency structure
- Tools/ instruments for rapid intervention in case of institutions in financial difficulty (new regulation was issued in 2011 in this respect i.e. bridge bank regulation)

Impact on banking institutions

Capital pressures

Redefinition of strategies (disinvestments, banking products & services etc.)

Development/ adaptation of IT banking systems (Basel II, IFRS) and **associated costs**

Review/ definition of internal processes (e.g. internal control, risk management, **performance management**, compensation and benefits etc.)

Definition of respective corporate governance (Committees, roles & responsibilities etc.)

Development of human resources (trainings, recruitment of key employees etc.)

Increased financing pressures and competition for good customers are some of the trends on the banking market

Trends on the Romanian banking sector – short & medium term (extract)

Trend	Rationale
<p>Increased financing pressures</p>	<ul style="list-style-type: none"> Increased capital pressures at group level and a focus on their core / Western European markets could lead to a reduction of foreign banks exposure on the Romanian market Therefore, local banks could also face financing constraints and implicitly margin pressures
<p>Reduced credit activity / Increased focus on EU funds co-financing</p>	<ul style="list-style-type: none"> The financing pressure that banks might face in the near future, correlated with the current state of the market, can have an impact on the lending activity There is still potential in EU fund co-financing, considering the low absorption rate. Some banks have already positioned themselves on this market segment
<p>Change of the competitive landscape</p>	<ul style="list-style-type: none"> As also stated in the previous Banking & insurance study, we have already assisted in 2011 to release of news regarding the consolidation of activities at group level, with impact on the Romanian market as well The trend could continue during the next year as well, as there are still some public statements of sell intentions
<p>Cost control / Branch network optimization</p>	<ul style="list-style-type: none"> A reduced lending activity, combined with a further increase of non-performing loans and higher costs due to regulatory changes (new credit regulation, IT systems adaptations due to regulatory changes etc.) increase even further the cost pressures on the banks A tight cost control will be necessary on short & medium term
<p>Increased competition for “good” customers</p>	<ul style="list-style-type: none"> Competition for attracting “good” customers will increase both for lending, as well as for deposits (in order to attract additional funding sources); it is visible also an increasing focus and reliance on wholesale funding

Thank you!

For additional information, please contact us!

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