

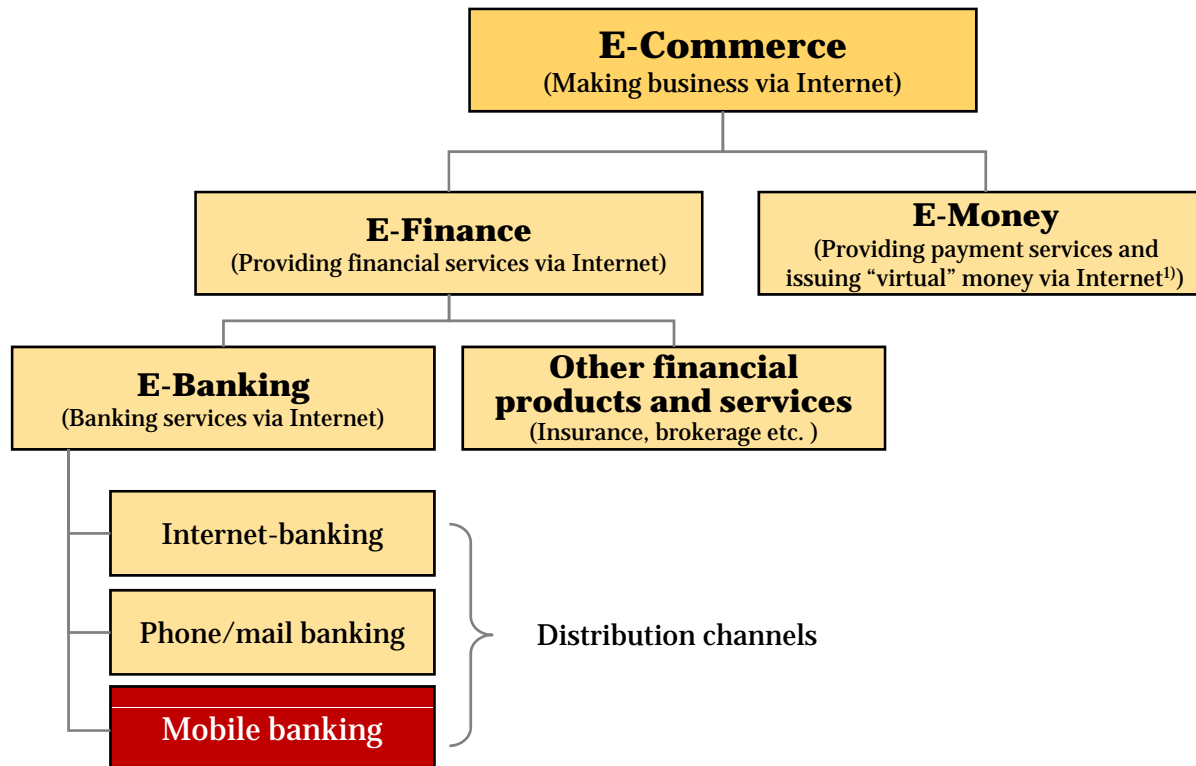
Romanian mobile banking sector in an European context

Bucharest, October 10th, 2012

Andrei Cretu, Manager
Advisory & Management Consulting

Mobile banking is a key part of electronic commerce

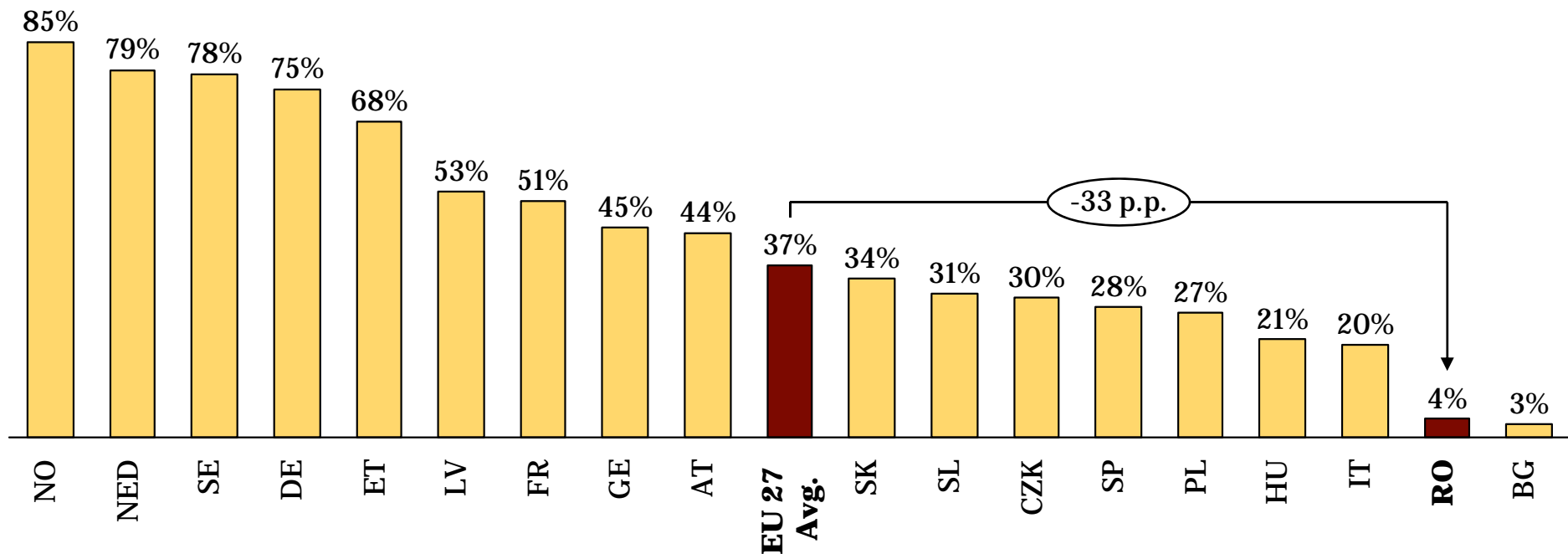
Structure of electronic commerce



PC-mobile convergence transforms cell phone users into potentials customers

Only approximately 4% of Romanians use internet banking, with 33 percentage points below the European Union's average

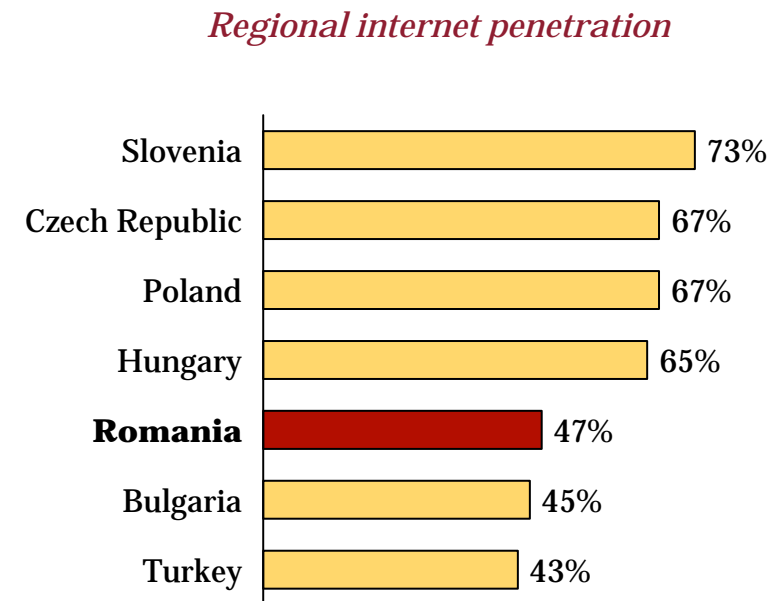
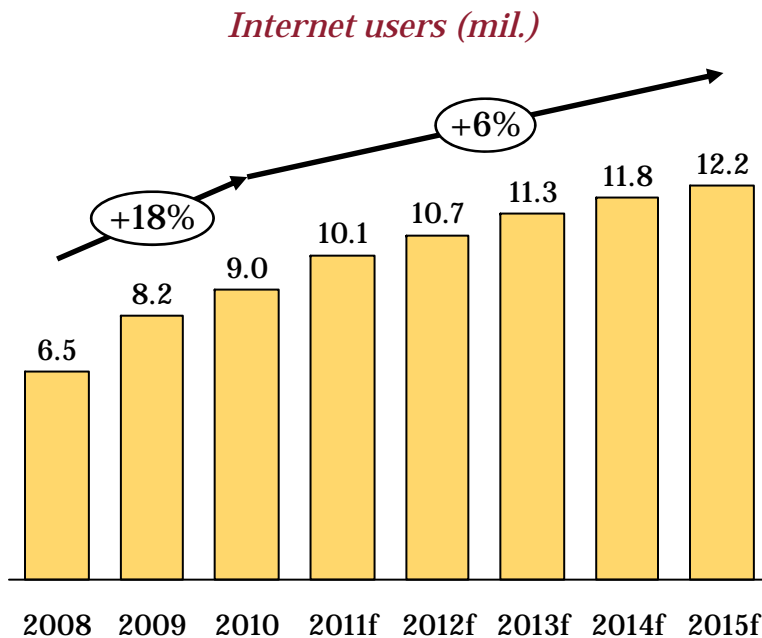
Internet banking use as % of population (2011, %)



Nordic countries, such as Norway, Sweden have a high share of internet banking use, while CEE countries lag behind, with Romania and Bulgaria in the last spots, with a significant margin

Romania registered a double digit internet use growth until 2010 and this high growth trend is expected to continue

Internet regional benchmark

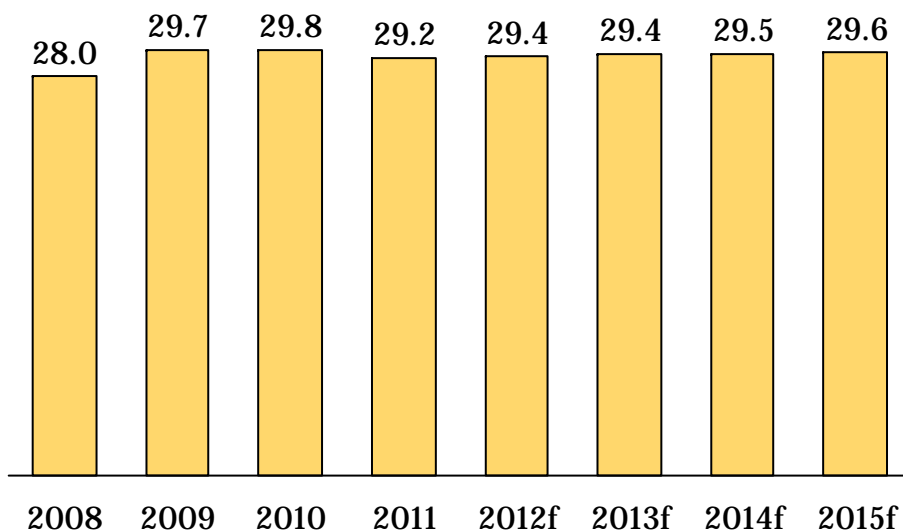


Remarks

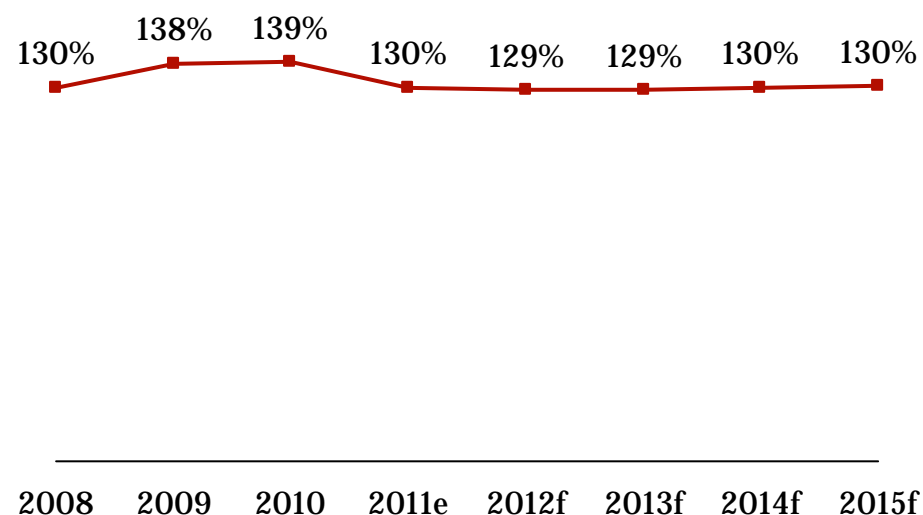
- From 2008 until 2010 the number of internet users had increased with an average double-digit yearly rate. The positive growth trend is expected to continue, and by 2015, total internet subscriber base is expected to reach almost 13 million
- Based on the inclusion of active mobile broadband connections, Romania had a broadband penetration rate who places the country almost at the top of our broadband rankings table for the region . Also, although fixed-broadband services face increasing competition from mobile alternatives, growth continues in cable and xDSL connections.

Mobile penetration has reached western levels; overall, the number of telecom subscribers is expected to grow only slightly in the next years

Evolution of mobile phone subscriptions
(mil. subscribers)



Mobile penetration
(mil. subscriptions in total population)

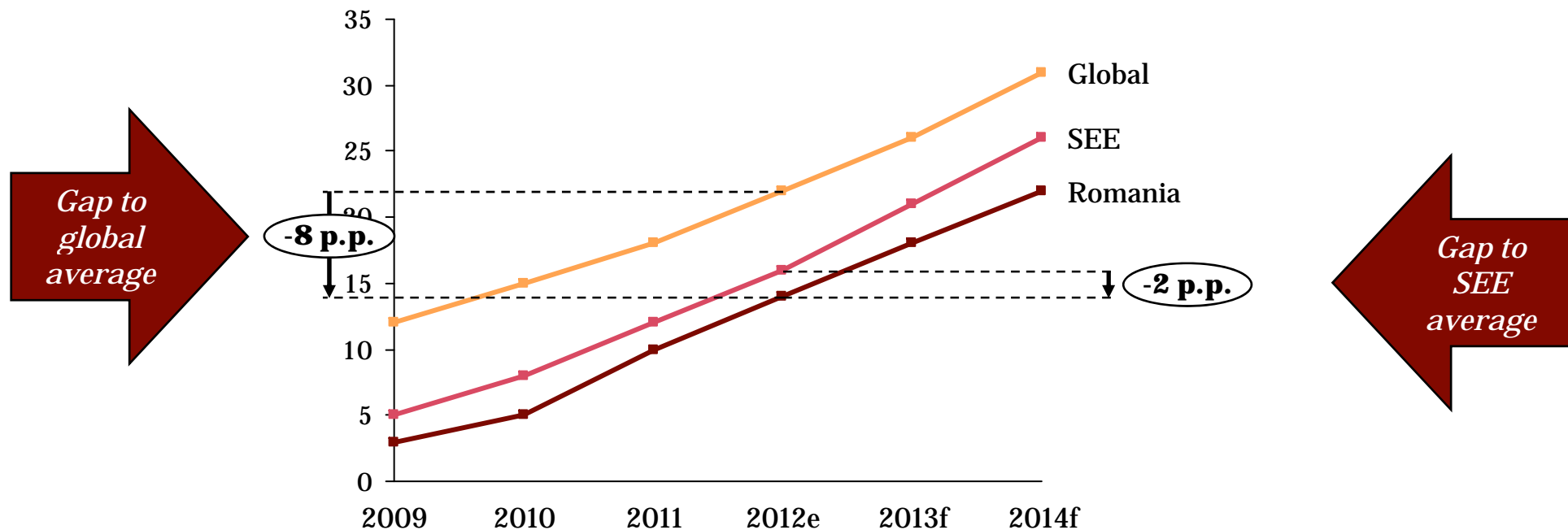


Remarks

- The gap between mobile and fixed phone subscriptions widened in recent years, with mobile phone penetration levels expected to increase slightly. Meanwhile, land line subscriptions have continued a negative trend.
- For the 2012-2015 timeframe, it is expected that mobile phone subscriptions will register a modest growth, while the gap between the two segments will widen, as land lines will continue a steady decrease

Romanian smartphone penetration is expected to maintain a strong growth rate in coming years, in line with global and local averages

Smartphone penetration in Romania (% of total mobile handsets)

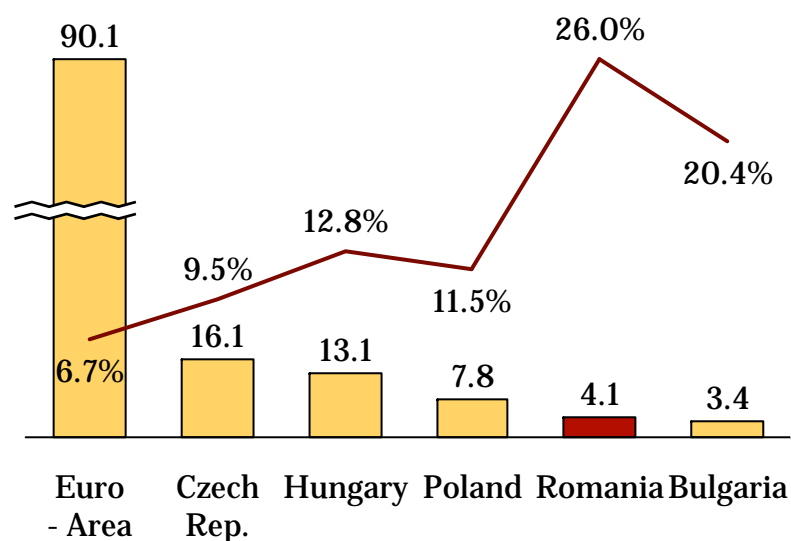


Having approximately 14% smartphone penetration, Romania follows the regional average closely, but it is 8 percentage points behind the global average

Although Romania is the most dynamic country in SEE in terms of bank assets growth, it is lagging in terms of penetration (both GDP and population)

Banking penetration, CAGR 2002-2010

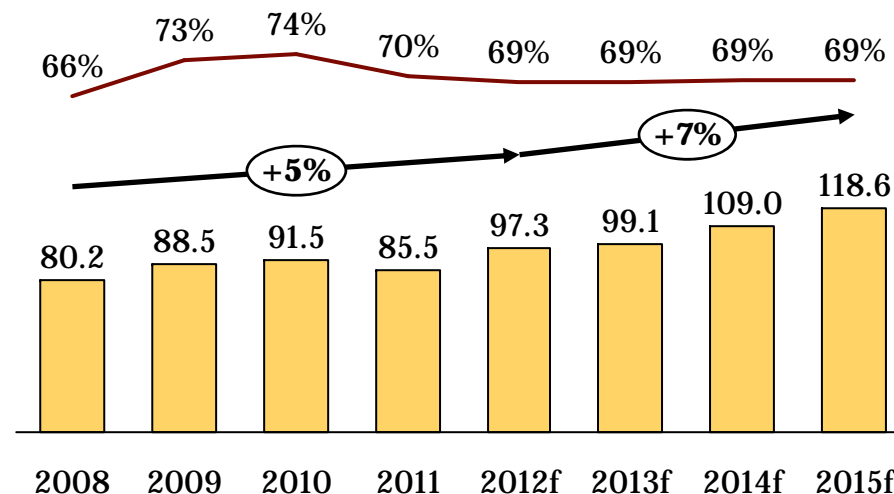
(bank assets in EUR/capita 2010 Q1, %)



Bank assets (EUR / capita) CAGR '02 - '10

Romanian Commercial Banks' total assets

(bn. EUR, assets as % of GDP)



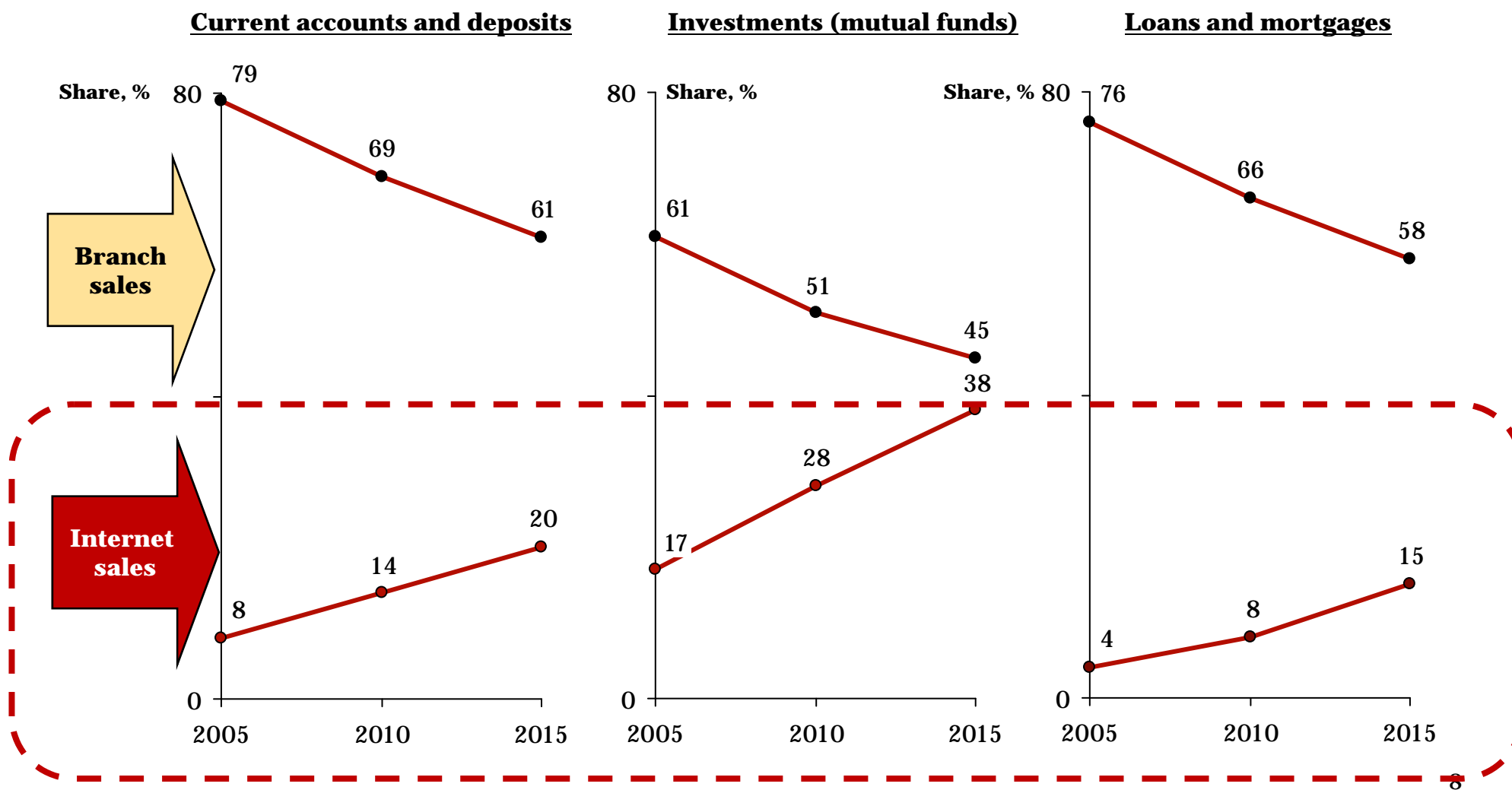
Total bank assets (bn. EUR) Assets as % of GDP

Remarks

- Romania has the second lowest level of financial intermediation in the region, its bank assets/capita ratio being 56% lower than the CEE average
- In spite of the low bank assets/capita ratio, Romania has been growing in the past 8 years significantly faster than the regional average of 15.5%
- Even more, as the effects of the economic downturn will be countered, Romania is expected to continue the developing of the banking industry, attracting larger volumes loans, deposits etc, enabling the development of supporting activities

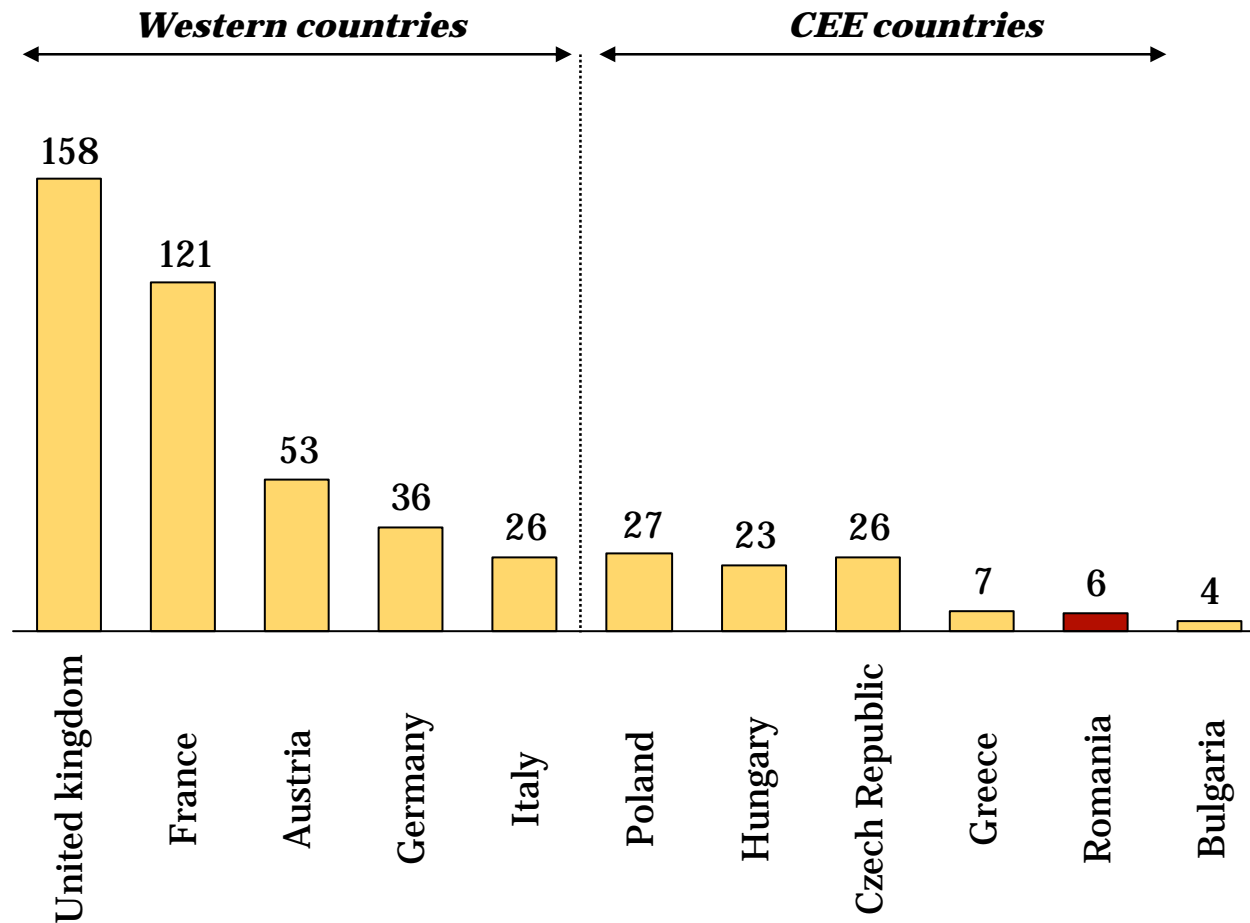
The share of banking products sales via online channel is expected to register a strong growth over the next years

Channels usage development (globally)



Romania is a very poor performer when compared to peer countries in terms of cards payments per capita

Number of payments per capita in 2011

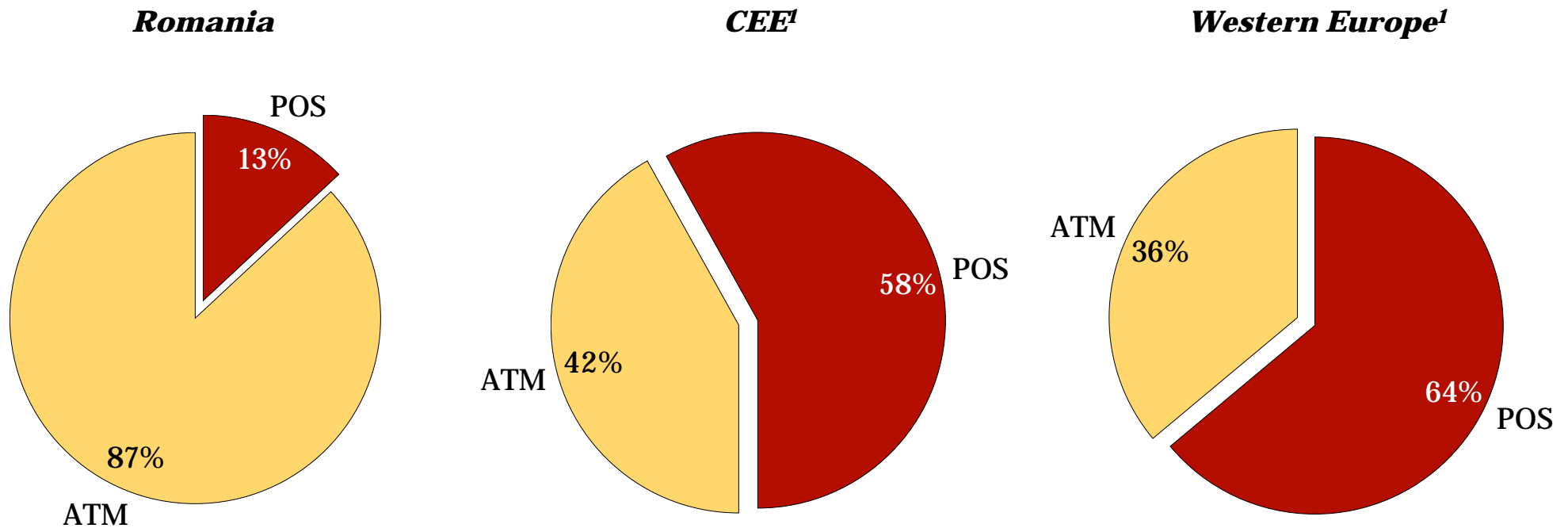


Recent market evolution

- Higher awareness and usage of cards in the cities
- Still low penetration of cards and POS outside the main urban areas
- Growth of POS is mainly driven by merchants.

In Romania, 87% of its payments are performed via ATM, as opposed to 36% in Western Europe

Transactions split by type of terminals (ATM vs. POS)



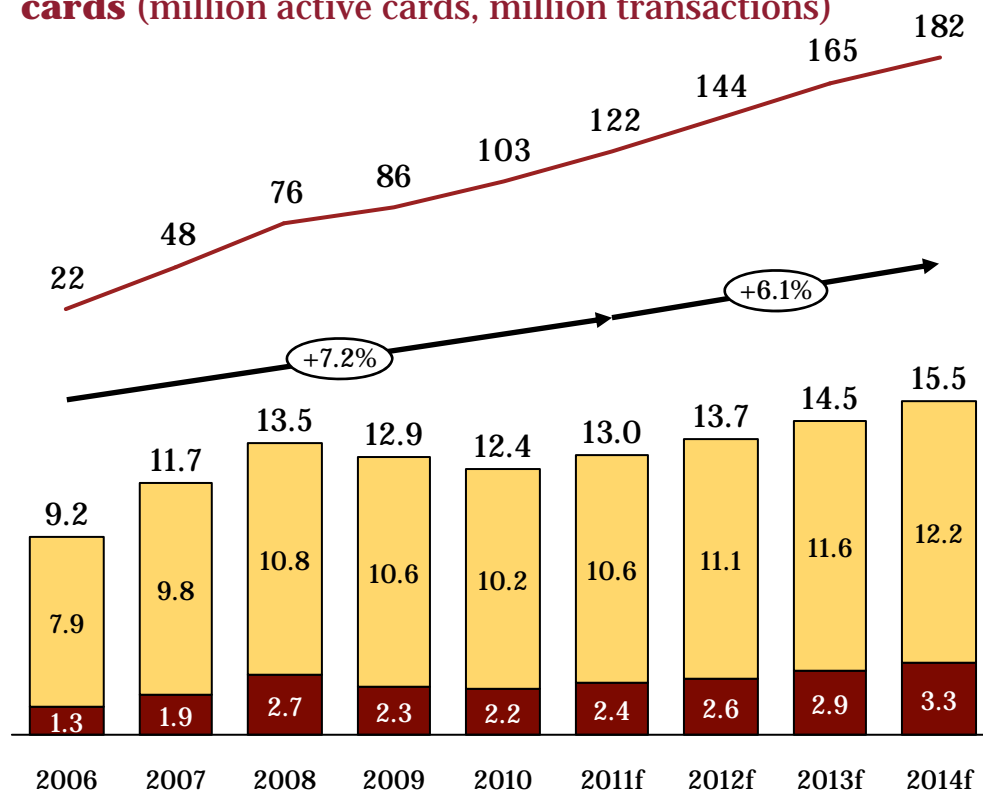
(1) Analysis taking into account the average for the following countries: Hungary, Bulgaria, Czech Rep. and Poland

(2) Analysis taking into account the average for the following countries Austria, Spain, Germany and Italy

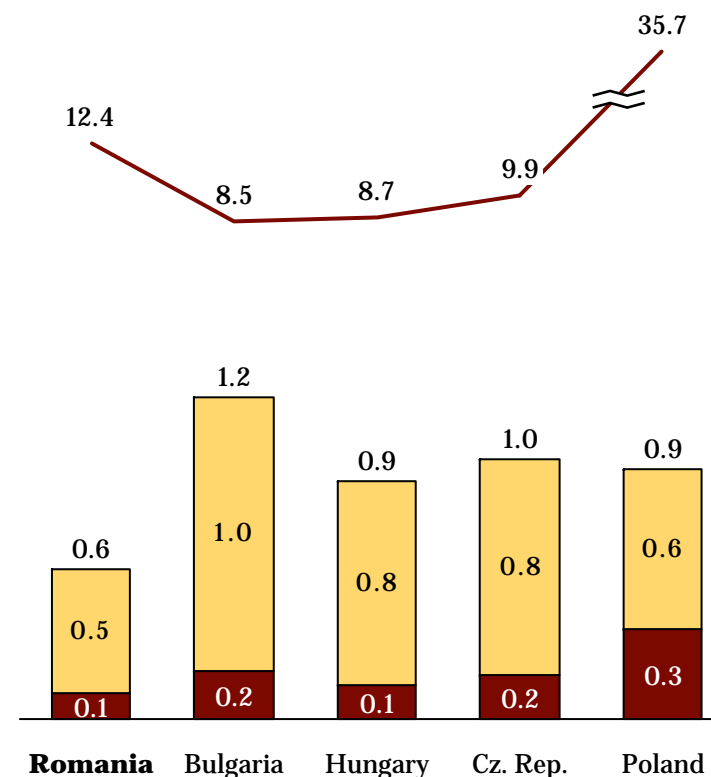
Although CEE countries have a relatively high share of ATM transactions in the total, POS is still the preferred channel

Still, the use of credit/debit cards is expected to grow strongly in the following years

Historic and forecasted development of Romanian cards (million active cards, million transactions)



Cards per capita and total cards in 2010

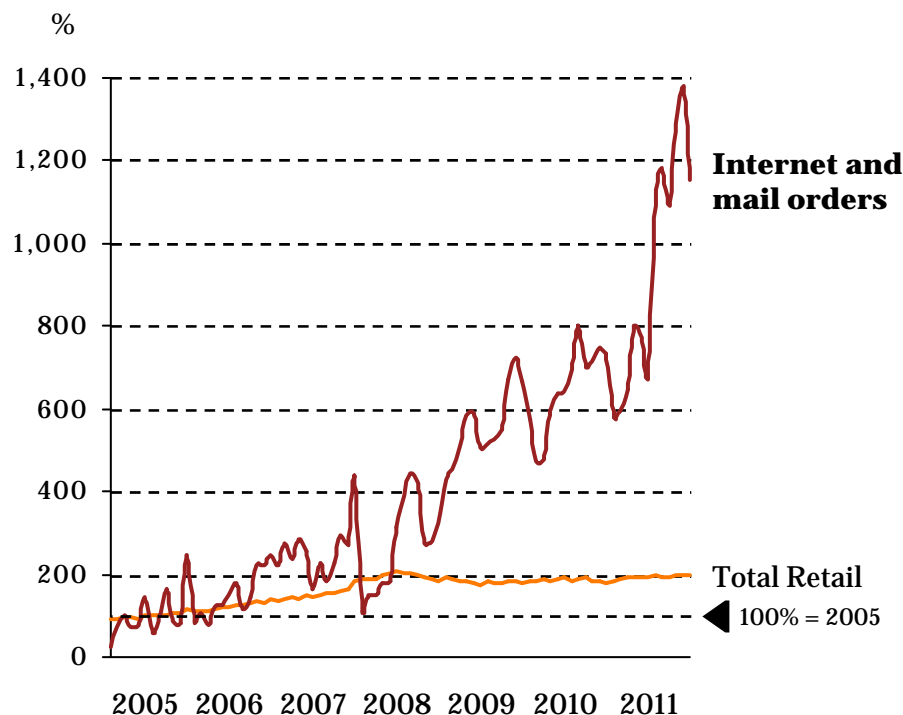


Pay now Pay later Transactions (mil.)

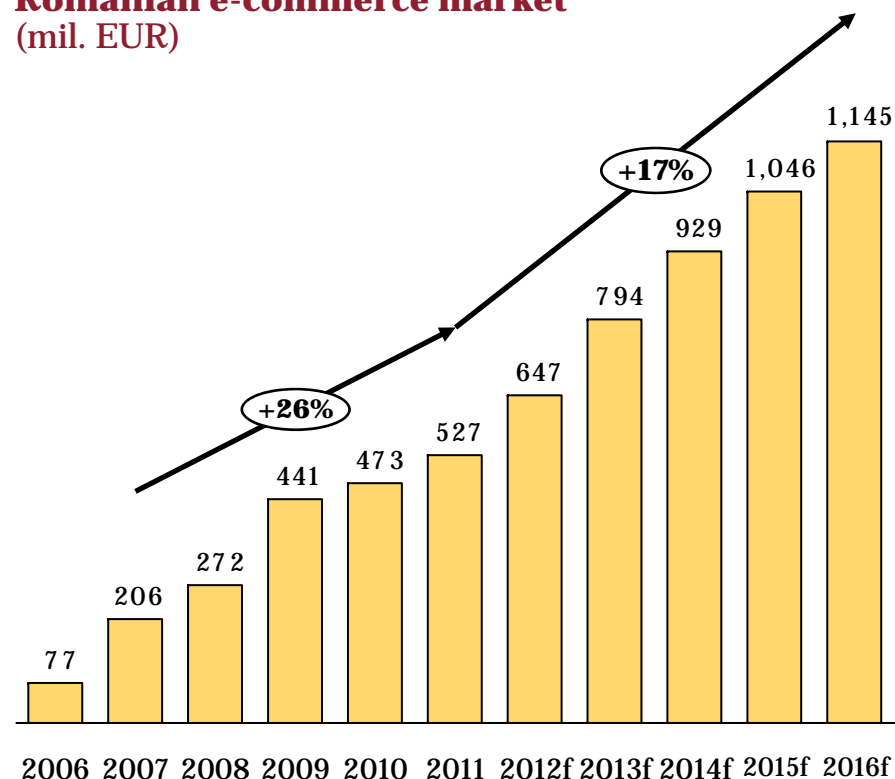
The diversification of e-commerce lead to a changing evolution of the average value of online payments. Also, recent trends indicate that Romania is expected to close the gap between EU countries in terms of cards use

Romanian e-commerce grew strongly in recent years and has not been negatively affected by the economic crisis

**Evolution of Romanian retail indexes*
(2005=100)**



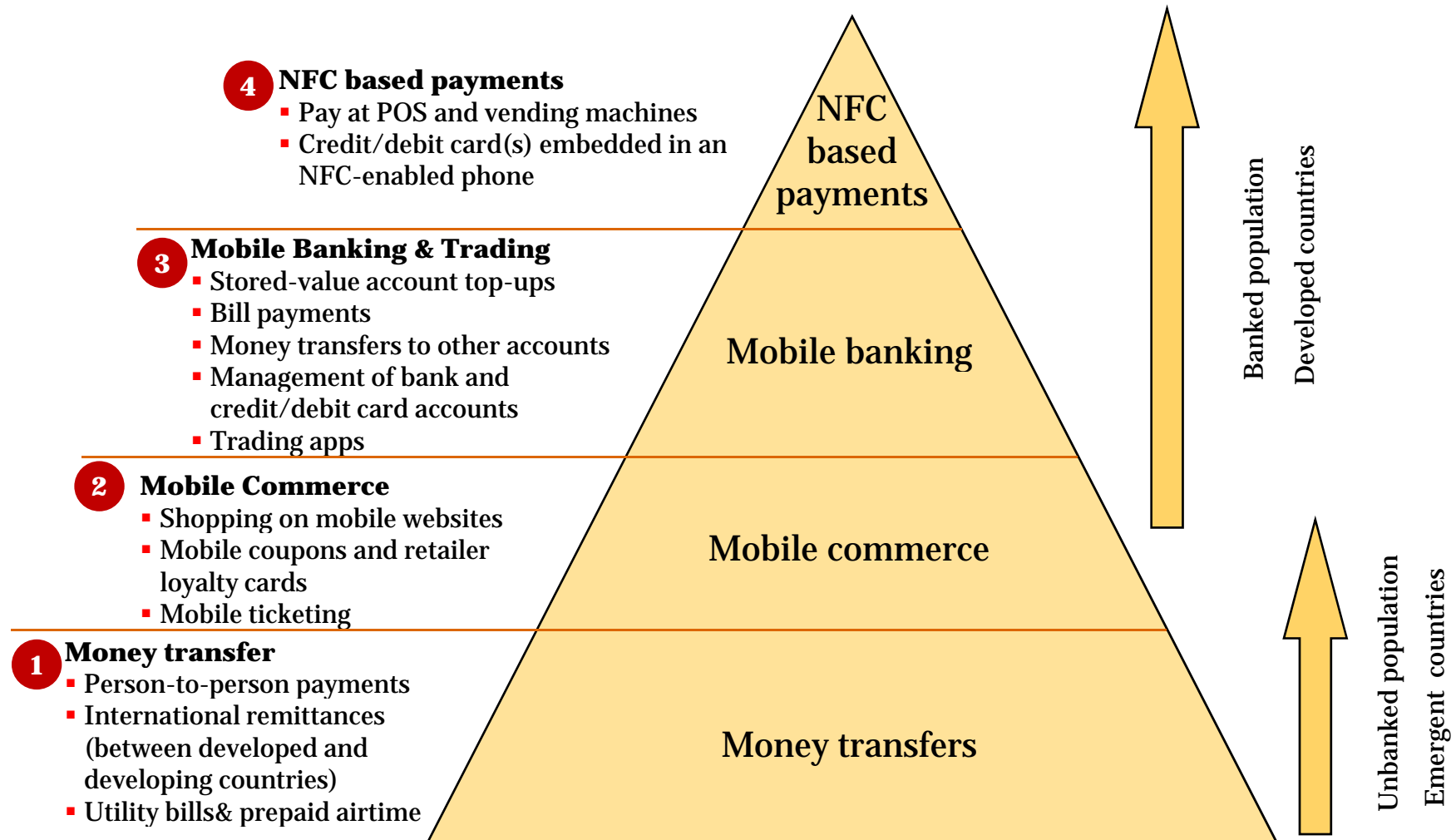
**Romanian e-commerce market
(mil. EUR)**



The share of online retail in Romania (3%) is significantly smaller than that of the EU (14%), excepting Bulgaria and the gap is expected to reduce due to growing Internet penetration and customers' confidence in online retail

In developed countries the focus shifts from SMS-based shopping services to NFC while in emergent countries money transfers becomes prevalent

Mobile banking evolution



The Romanian mobile market is influenced by a number of drivers and the applicability of certain success factors

Key drivers

Mature mobile market

- More than 100% mobile penetration, especially amongst young segments
- Almost 100% population coverage

High “unbanked” population

- Low levels for ATMs, POS, branches etc determine a high potential for growth in coming years

Demand for transfer services

- Top destination for remittances, among the highest in Europe
- High demand for money transfer services

Increasingly aligned banking system

- Banking system in place with global players and regional ones
- Local discrepancies, although high, are expected to close the gap with EU averages

Rise in modern payment methods

- While having low levels of credit/debit cards penetration, Romania has a strong development potential in terms of modern payment methods

Success factors

Convenience

- Capability to perform operations 24x7, all year

Reliability

- Continuous availability, with very few or none down-times

Simplicity

- Understandable and user-oriented, friendly, interface

Security

- 100% data security, employing advanced data protection systems

Speed

- Operations are conducted without the need of unnecessary additional time

Innovation

- Aligning the provider with the front-line advancement in technology

Romanian mobile banking sector in an European context

Bucharest, October 10th, 2012

Andrei Cretu, Manager
Advisory & Management Consulting

andrei.cretu@ro.pwc.com
+40 743 110 100