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BRD

Budget 2013

General Shareholders Assembly

DEZVOLTĂM ÎMPREUNĂ SPIRITUL DE ECHIPĂ



GRUPE SOCIETE GENERALE

Banking and economic environment

Economic Scenario

- Slow GDP growth (+1.8% in 2013), penalized by:
 - Weak activity in the euro zone (which impacts the exports)
 - Private consumption maintained on a low level
 - Limited ability to mobilize the European structural funds
- Decline of inflation, average Robor rate rather stable
- Hypothesis of stability of the exchange rate

Banking Scenario

- Increase of the deposit volumes close to the increase in 2012 (+4%)
- Households' propensity to save remains still high (retail deposits: + 7%), in a still difficult economic environment
- Weak growth of loans (less than 2%)
- Continuing decline in the consumer credits and increase in the demand of housing loans
- Low demand for credit from companies
- Strong decline in foreign currency financing for companies, following regulatory changes coming into force in March 2013 (1)

(1) Impact not included in this budget, prepared prior to the publication of the regulations 15 & 17

Commercial Strategy

Retail activities - Individuals

- Define and initiate the deployment of an action plan in order to reduce the customer attrition
- Strengthen our position on the savings market by engaging in a set of structural actions (with the objectives of overperforming the market)
- Continue to promote the Prima Casa housing loans
- Support the production of consumer credits through specific campaigns
- Upgrade the internet banking offer

Retail activities – Professionals

- Accelerate the development on the agricultural sector, particularly through an active policy of partnerships
- Improve our position on professionals' market with a dedicated offer and a specific animation policy

Enterprise activities

- On SMEs, develop selectively the credit activity
 - (1) in the framework of a reinforced risk policy
 - (2) through a targeted sectorial approach (agriculture, industry)
 - (3) focusing on the most secure operations (leasing, pre / co-financing of EU funds)
- On large companies, maintain the current customer base (maintaining penetration and privileged relationships' levels > 50%), and adapt the business model to the environment changes by developing the activities of origination and syndication
- Improve the penetration of products with high added value, mainly hedging products and structured financing

Organisation and structure

Adjustments of the organization and commercial structure

- Implement the **managerial reorganization** of the groups and of the central structure (reinforcement and segmentation of the commercial animation functions)
- Adjust the network size in a pragmatic manner and according to the economic situation
- Reinforce the supervision of the insufficient profitable or non-profitable branches
- Close non-profitable branches having no recovery perspectives
- Closure of 30 branches budgeted for 2013

- Regarding the **back-offices**, continue the centralisation process with the creation of a 5-th CRSC
- Standardisation and automation of processes, simplification of the organizational structure, expansion of the CRSCs' activity perimeter

Adjustments of support functions

- Centralization of the support functions per functional lines

Risk Control

Risk Culture and Governance

- Better diffusion of the risk culture
- Improve the governance, strengthen controls operated by the Risk Department

Credit Conditions

- Improve customer knowledge
- Upgrade scoring and rating models
- Implement tighter collateral valuation process

Steering

- Strengthen the monitoring of sensitive counterparties
- Improve the reporting systems

Funding Mix evolution

Diversification of funding sources

- Ensure an increase of the deposits at a pace allowing significant improvement in the ratio loans/deposits (-6 points)
- Focus on retail deposits
- Tap the market through an EMTN program (if conditions are favorable enough)
- Increase the use of IFI financings
- Improve consequently the financial autonomy of the bank (target an increase of the weight of customer deposits in resources of 4 points, and a 6 points reduction on the one of SG Group funding)

Profitability Objectives

Net Banking Income

- Growth target of about 2% in 2013
- Limited growth of net interest margin (low growth of the volumes, stable intermediation margin)
- Commissions income pushed by the increase in clients' equipment levels

Operational Expenses

- Maintain operational expenses at the 2012 level
- Continuous effort of headcount adjustment
- Continue the implementation of cost optimization measures (renegotiation of leases, supplier contracts, finalization of security project, car fleet rationalization ...)
- Target an improvement of the Cost/income ratio by 1 point

Cost of Risk

- Expected material reduction in the cost of risk after the peak recorded in 2012 (year marked by deteriorated economic conditions, and as influenced by some exceptional items)

Net Result

- Returning to profit objective thanks to a reduced cost of risk

Main activity indicators (BRD standalone, IFRS standards)

	Actuals 2011	Actuals 2012	Evolution 12/11	Budget 2013	Evolution B13/R12
Clients (thousands)	2,373	2,321	-2%	2,400	3%
<i>Individuals</i>	<i>2,232</i>	<i>2,186</i>	<i>-2%</i>	<i>2,250</i>	<i>3%</i>
<i>Corporates</i>	<i>141</i>	<i>135</i>	<i>-4%</i>	<i>150</i>	<i>11%</i>
Loans (G RON)	33.5	34.8	4%	37.1	7%
<i>Individuals</i>	<i>16.3</i>	<i>16.9</i>	<i>4%</i>	<i>17.4</i>	<i>3%</i>
Consumer loans	11.6	10.7	-7%	10.3	-4%
Housing loans	4.7	6.2	32%	7.1	15%
<i>Corporates</i>	<i>17.2</i>	<i>17.9</i>	<i>4%</i>	<i>19.7</i>	<i>10%</i>
Deposits (G RON)	30.2	31.7	5%	35.2	11%
<i>Individuals</i>	<i>15.2</i>	<i>16.2</i>	<i>6%</i>	<i>17.8</i>	<i>10%</i>
<i>Corporates</i>	<i>15.0</i>	<i>15.6</i>	<i>4%</i>	<i>17.3</i>	<i>11%</i>
Loans/Deposits	104%	99%	-5.1 pts	93%	-5.9 pts

Profit and loss account (BRD standalone, IFRS standards)

M RON	Actual 2011	Actual 2012	Evolution 12/11	Perspectives 2013
NET BANKING INCOME	3,100	2,912	-6%	<i>about + 2%</i>
OPERATING EXPENSES	(1,384)	(1,353)	-2%	<i>stable</i>
GROSS OPERATING INCOME	1,716	1,559	-9%	
NET COST OF RISK	(1,199)	(1,937)	62%	<i>material decrease</i>
NET PROFIT	469	(331)	na	
COST/INCOME RATIO	44.6%	46.5%	1.8 pts	<i>1pt decrease</i>
ROE	8.2%	-5.8%	-14.0 pts	