

From:	Board of Directors	Date: 5 March 2015
To:	Ordinary General Shareholders' Assembly	Visa of the Chairman – CEO:
In reference to:	2015 Objectives and Budget	

Decision draft:

The Ordinary General Shareholders' Assembly approves the Income and Expenditure Budget for 2015 and of the Business Plan for the fiscal year 2015

SUMMARY

Annex: 2015 Objectives and Budget

BRD – Groupe Société Générale S.A.
Turn BRD - Bdul Ion Mihalache nr. 1-7, 011171 București, România,
Tel: + 4021.301.61.00; Fax: + 4021.301.66.36
<http://www.brd.ro>

CAPITAL SOCIAL IN RON: 696.901.518 lei; R.C. J40/608/19.02.1991; RB - PJR - 40 - 007 /18.02.1999;
C.U.L./C.I.F.:RO 361579
Prelucrare înscrisă în registrul de evidență a prelucrărilor de date cu caracter personal sub nr. 1788.
Atestat CNVM nr.255/06.08.2008

|

BRD

Budget 2015

General Shareholders Assembly

BRD stand alone, according to IFRS

BANCA TA. ECHIPA TA



GRUPE SOCIETE GENERALE

Economic Scenario

- In 2014, GDP growth reached 2.9%, with exports' contribution and overall industrial output remaining well oriented. In 2015, the GDP growth is expected to slightly accelerate to 3.1%.
- After the bottom out in 2014 to a historically low level of the inflation rate (0.8%), we expect an increase to about 3.0% in 2015.
- Hypothesis of stability of interest rates: assumption of average Robor 3m set at 2,5%.
- In the absence of major external shocks, the exchange rate is expected to remain stable in 2015.

Banking Scenario

- Increase by 5% of the overall deposits volume, in line with actual trend (+4.6% in 2014)
- Households' propensity to save to remain relatively high in 2015 (deposits attracted from individuals: +7%)
- Starting with 2015, investment would gradually regain momentum and private consumption would remain relatively well oriented, fueling credit growth, which would nevertheless remain moderate (around +3% before impact of write-offs). Housing loans would pursue their dynamic expansion (+7%).
- The regulatory changes enforced starting with 2013, combined with the reduced EUR-RON interest rates' differential would continue to translate into a development of RON lending.

On Retail- Individuals' market

- Evolution of the business model from a “counter bank” to a truly “relational” bank
- Deployment of an action plan aiming to increase customer satisfaction and reduce its attrition rate
- Consolidating our position on the savings market
- Continue to actively promote housing loans, support the production of consumer credits through specific campaigns
- Intensification of the promotion of the bank's recently upgraded remote banking solutions in order to raise alternative channels' utilization levels
- Focus on actions aiming at further improving the quality of service

On Retail- Small businesses 'market

- Focus on efficiently covering clients' daily banking needs with high quality products, targeting an increase in volume of transactions
- Cautious approach on lending for this segment

On Non Retail- enterprises' market

- The development of credit operations would be based on a selective sectorial approach fully consistent with market opportunities, targeting in priority the sectors of energy, agriculture / agro-industry, infrastructure, large retailers, and large exporters
- Be the reference banking partner on national and European development programs
- Focusing on value added products

Organization and structure

Adjustments of the commercial organization and structure

- Preserving a strong network of branches, while continuing to perform pragmatic and punctual adjustments, on an ongoing basis
- Due to the review of the customer segmentation principles, the commercial organization and customer portfolios would be reshaped accordingly
- Increase of the number of relationship managers, through staff redeployments
- Development of branches' accessibility, thanks (when/where feasible) to the extension of the working hours
- Accelerate the shift of basic transactions from counter to alternative channels

Adjustments of back-offices and support functions' organization and structure

- Continue the standardization, the automation and the simplification of processes

Continue the policy of diversification of funding sources

- Focus on retail deposits
- Continue to attract and place funds from the international financial institutions
- Continue to improve the financial autonomy of the bank :
 - higher weight of customer deposits in total liabilities : +17 pts between 2012 end and 2015 end
 - reduced share of parent funding in total liabilities : -13 pts between 2012 end and 2015 end

Profitability Evolution

Net Banking Income

- After a decrease of about 8% in 2014, the NBI is expected to rise by around 3% in 2015, under the influence of an ascending commercial activity
- Net interest income is expected to increase by about 4%, mostly due to positive structure effects (stabilization of average net volume of loans and decrease of the weight of the minimum compulsory reserves vs 2014). The average cost of funding will be reduced, but without fully compensating the decrease of the average yield enterprises and consumer loans' portfolios.
- Commissions income pushed up by the improvement of the economic climate, the growth of the customer base, rising cross-selling levels, and an upgraded range of remote banking services.

Operating Expenses

- Operating expenses' increase to consequently remain very moderate, at a below inflation level
- Staff expenses to post a limited increase (1.4%) and non staff expenses to be kept under strict control through to continuous cost optimization measures, renegotiation of contracts with the main suppliers

Cost of Risk

- Expected normalization, after the significant coverage improvement effort performed in 2013 and 2014
- Lower NPL ratios

Net Result

- Significant improvement in profit, thanks to a reduced cost of risk

Main activity indicators (BRD standalone, IFRS)

		Actual 2013	Actual 2014	Evolution 14/13	Budget 2015	Evolution B15/14
Clients (thousands)		2,279	2,234	-2.0%	2,278	2.0%
Net loans (RON bn)	Total	27.8	26.5	-4.7%	27.6	4.5%
	<i>Retail</i>	17.4	17.1	-1.7%	17.2	0.8%
	<i>Non Retail</i>	10.4	9.4	-9.8%	10.4	11.3%
Deposits (RON bn)	Total	36.1	36.0	-0.3%	38.6	7.2%
	<i>Retail</i>	20.6	20.7	0.8%	22.1	6.7%
	<i>Non Retail</i>	15.6	15.3	-1.7%	16.5	7.8%
Loans/deposits		77%	73%	-3 pts	72%	-2 pts

Main profitability indicators (BRD standalone, IFRS)

		Actual 2013	Actual 2014	Evolution 14/13	Perspectives for 2015
Financial Results	M RON				
	NET BANKING INCOME	2,726	2,498	-8.4%	<i>Increase by around 3%</i>
	OPERATING EXPENSES	(1,292)	(1,255)	-2.9%	<i>below inflation increase</i>
	GROSS OPERATING INCOME	1,434	1,243	-13.3%	
	NET COST OF RISK	(2,083)	(1,193)	-42.7%	<i>significant decrease</i>
	NET RESULT	(386)	43	na	<i>significant improvement</i>
Ratios	COST/INCOME RATIO	47.4%	50.2%	2.8 pts	
	ROE	-7.2%	0.8%	8.0 pts	