



# BRD

# 2011 Financial Results

Individual Financial Statements  
according to Romanian Accounting Standards

February 14<sup>th</sup>, 2012





# Content

- **Macroeconomic and banking environment**
- **Key business trends**
- **Financial performance**



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- **Macroeconomic and banking environment**
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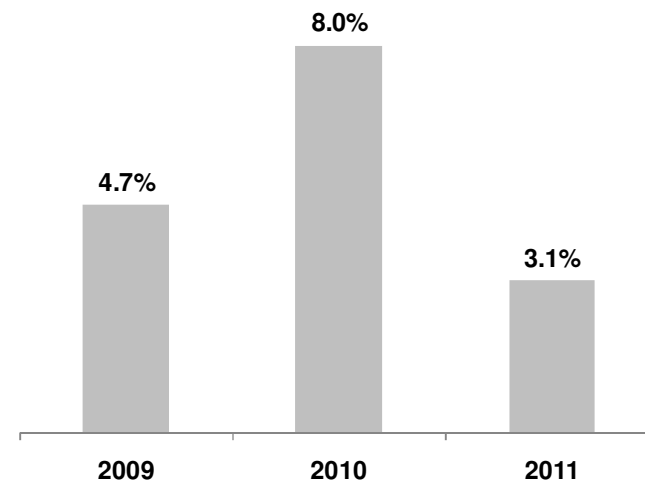
# A timid economic recovery

- Stronger than expected agricultural output had a favorable effect on GDP growth in H2 2011
- But private consumption remained subdued
- And slowdown in European growth is to affect external demand, with a predictable negative impact on industry dynamics in 2012
  
- CPI fell in 2011 after the peak recorded in 2010 (on the back of VAT increase), reaching its lowest level since 1990 at 3,1%
- Rapid decline in inflationary pressures created the grounds for an acceleration of the monetary easing cycle (reference rate cut twice since end 2011)

GDP (Real Annual Growth )



Inflation Rate



Sources: NBR, NIS, MoF



## A more constrained environment

- **Impact of OUG 50 implementation**
  - interest rates to be either fixed or linked to an index (suppression of discretionary rates)
  - elimination / cap of early reimbursement fees
- **Increased contribution to the guarantee fund of deposits (from 0,2% in 2010 to 0,3% in 2011) and set up of a supplementary special payment fund (BRD's contribution for 2011 = 7 M RON);**
- **Lending to individuals : new regulatory framework strictly restricting loans in foreign currencies and limiting the duration of consumer loans enforced in 2012;**
- **New market and regulatory environment (Basel III) translating into increased pressures on scarce resources (capital and liquidity).**



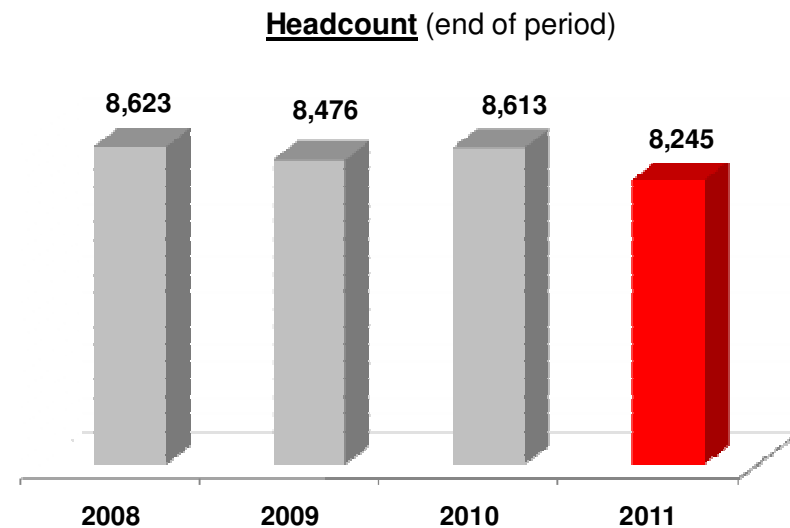
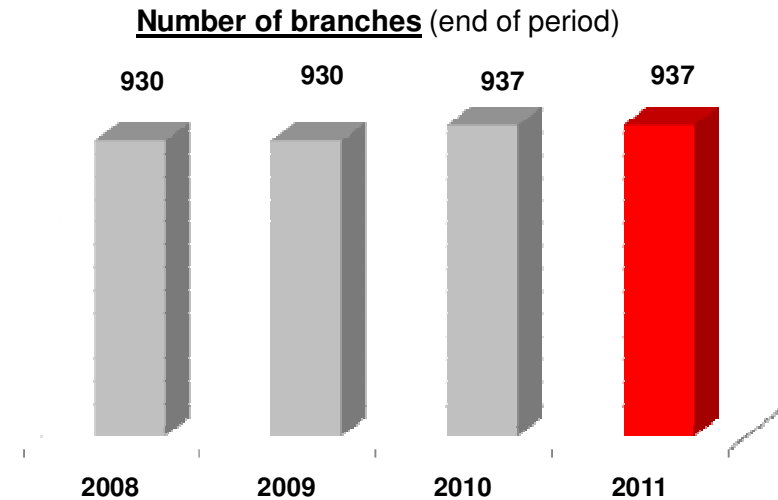
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# A powerful network An enhanced operational efficiency

- BRD is the first private bank by the number of branches
- Actions of optimization are facilitated by the flexible structure of the network
- Operational efficiency enhancement measures allowed a 5% reduction in the headcount

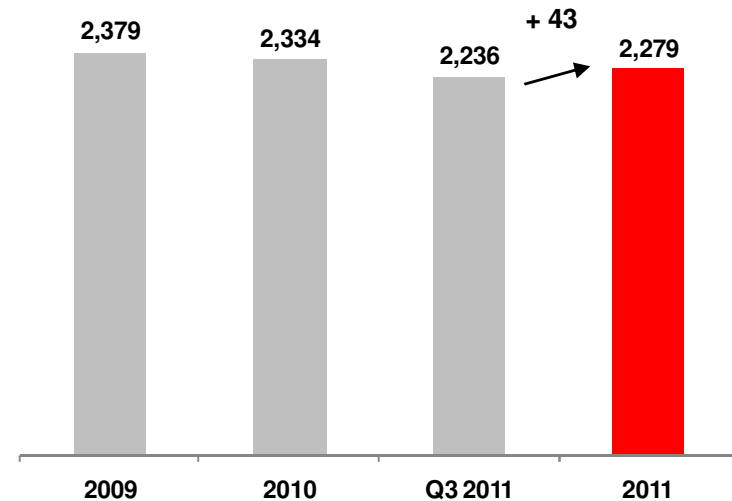




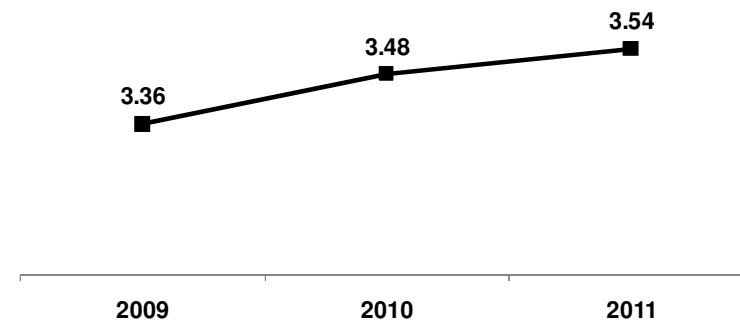
# Robust business franchises

- Robust client base
- Slightly decreasing trend in the number of active individual clients reversed in Q4 2011
- Focus on increasing equipment rate (number of products/client) and customers' loyalty
- Strong contribution of innovative products ("A la carte" cards, contactless cards...) and internet banking

Stock of active individual clients (x1000)



Equipment rate individuals



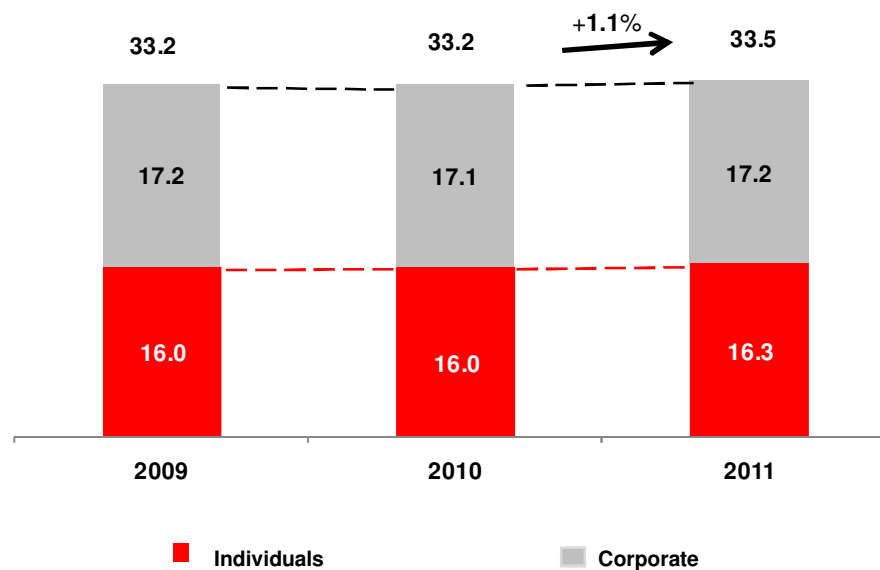




# An increased lending activity

- In a still difficult economic environment, both loans to households and corporate loans' portfolios registered a growth
- Maintained positions on credits to households with a production mainly fueled by housing loans and refinancing programs
- Corporate loans : good resilience across all segments in a very competitive market

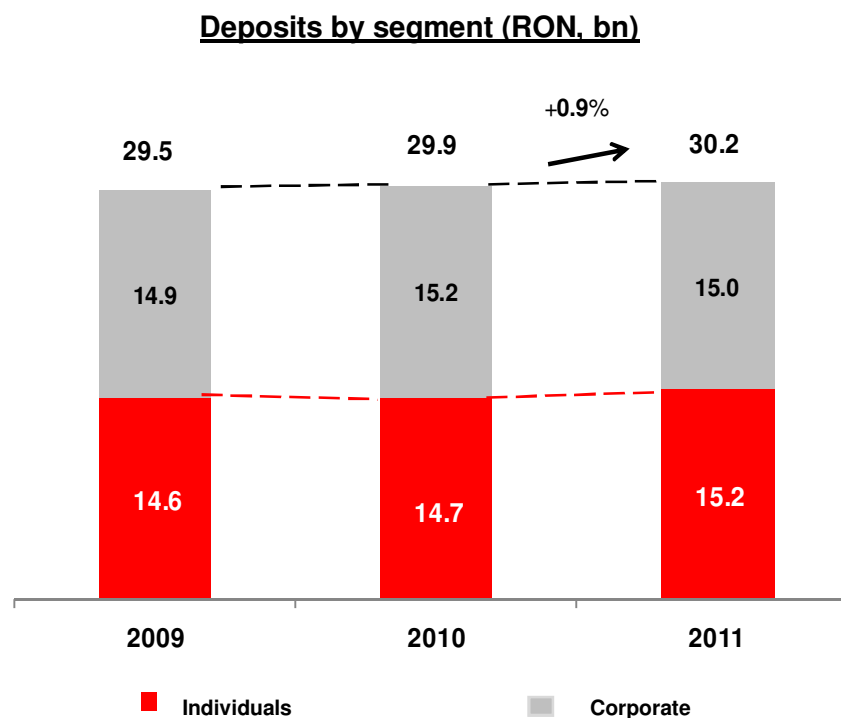
Gross loans by segment (RON, bn)





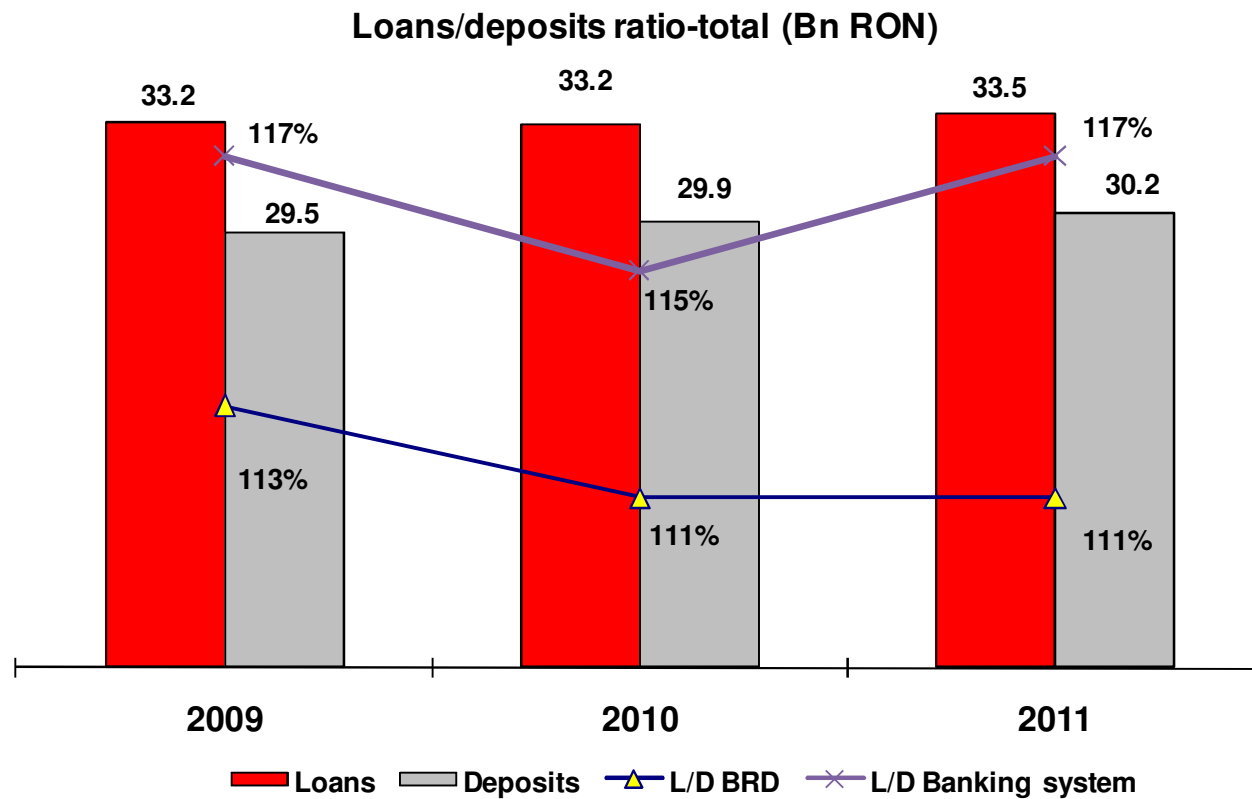
# Dynamic growth of deposits from individuals

- In a context of heavy price competition, commercial deposits grew by almost 1% in 2011
- Deposits from individuals up +3,5% vs end of 2010 (with term deposits being the major growth driver)
- Slightly down corporate deposits, under the influence of large enterprises' segment (volatile and highly interest rate linked resources)





# Lower than peers loans to deposits ratio





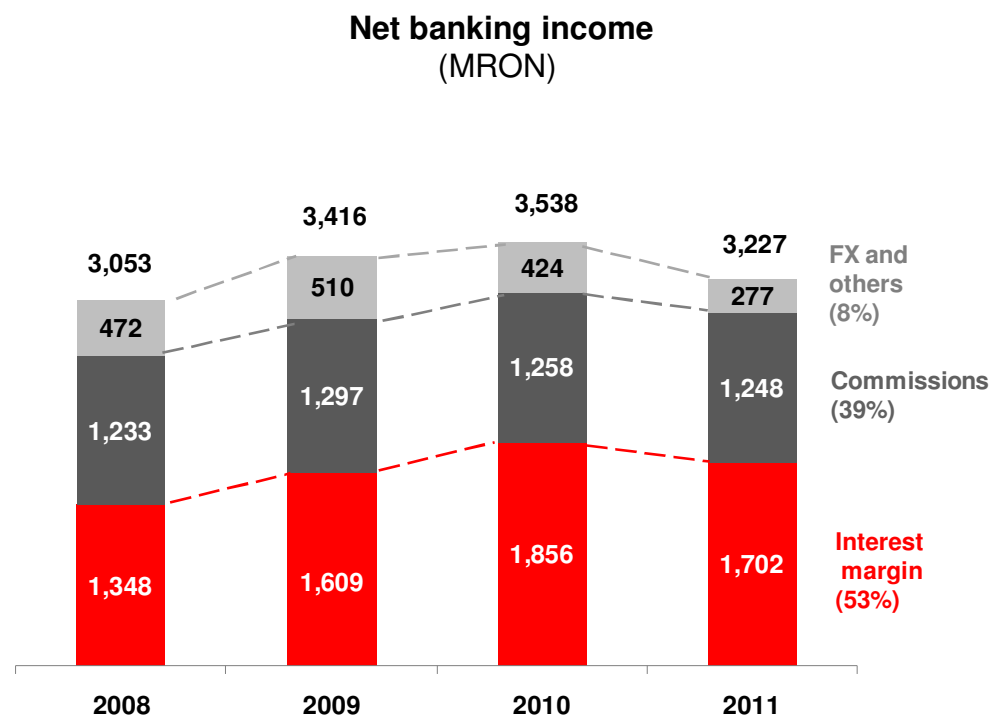
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## Revenues : decline of interest margin, but strong resilience of fees and commissions

- Decrease in interest rates had a direct effect on net interest margin (sharp decrease in ROBOR rates in H1 2011)
- Very good resilience of fees and commissions, with revenues almost unchanged compared to 2010 (due to strong contribution of commissions on cards and off balance sheet items)
- Contraction of other revenues due to :
  - low economic activity leading to a decrease in volumes of FX transactions
  - Increased contribution to Deposit Guarantee Fund

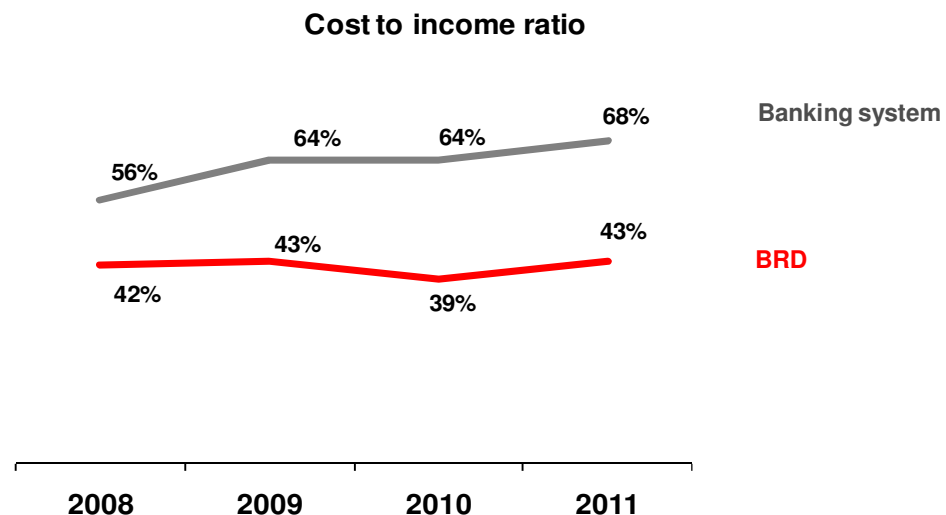
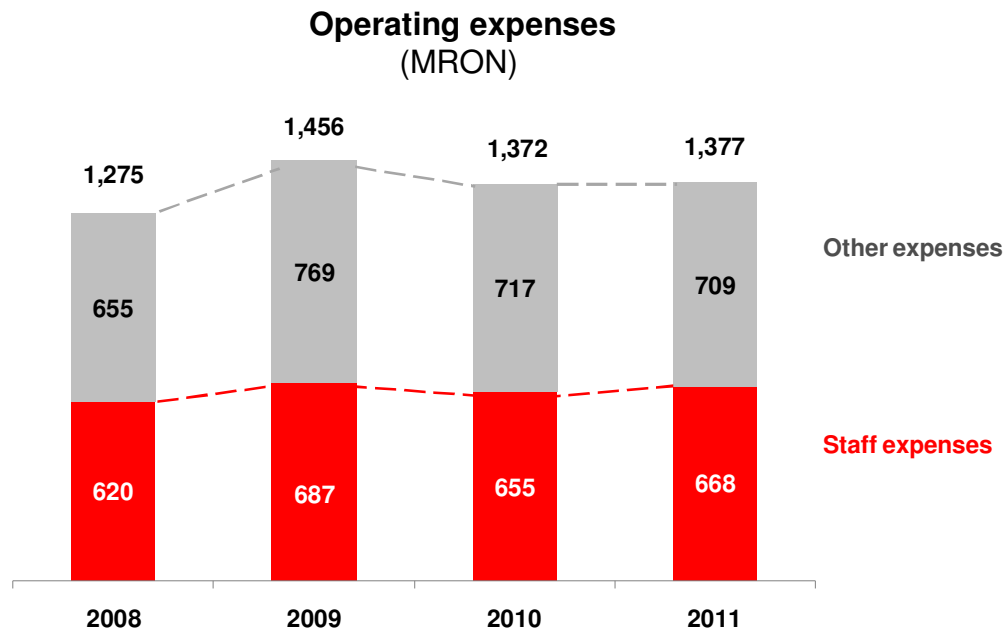




# Cost base maintained under very strict control

- Operating expenses kept at the same level as prior year
  - Very limited increase in personnel expenses, due notably to a 5% cut in headcount
  - Compression of other expenses, due to the implementation of a program of optimization measures

- C/I ratio at 43%, constantly lower than the average banking system (estimated at 68% for 2011)

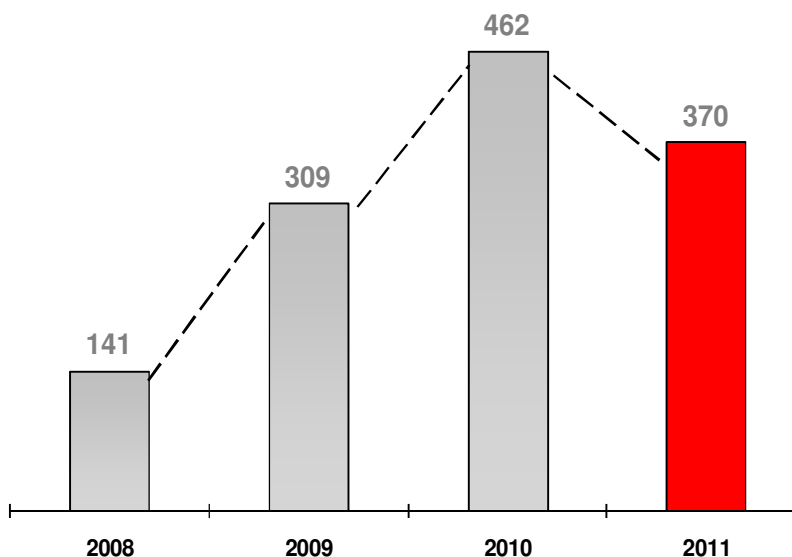




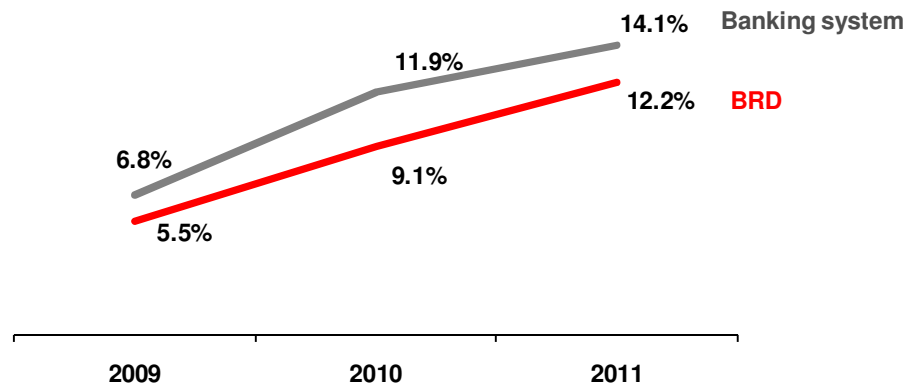
# Still high cost of risk, although reduced Lower than peers NPL ratio

- Net cost of risk remained high, although reduced as compared to 2010
- Improving trend on households, but SME segment still affected by the difficult macroeconomic situation
- Lower than average banking system NPL ratio
- Provision coverage ratio for doubtful loss standing at 60% at end 2011 (vs 49% at end 2010)

Net cost of commercial risk (b.p)



NPL (>90 days past due)





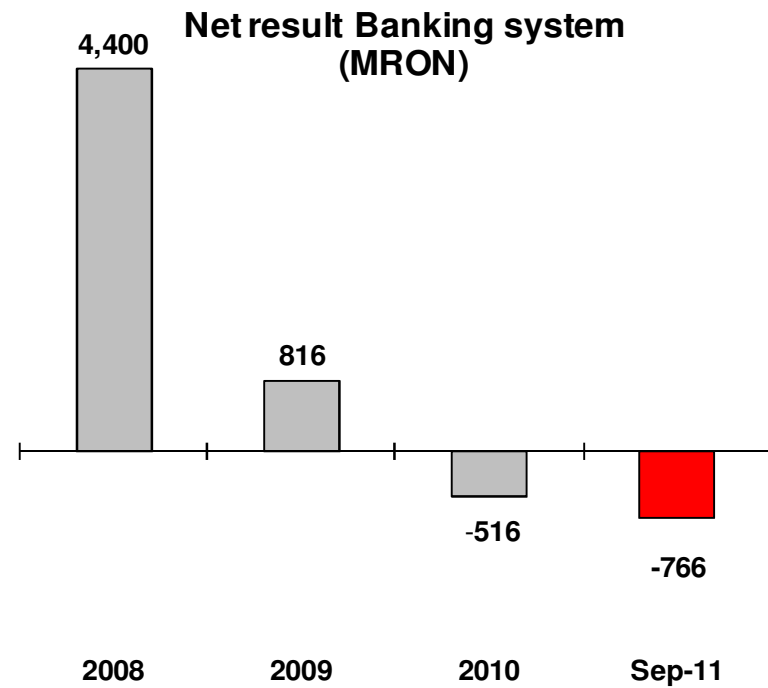
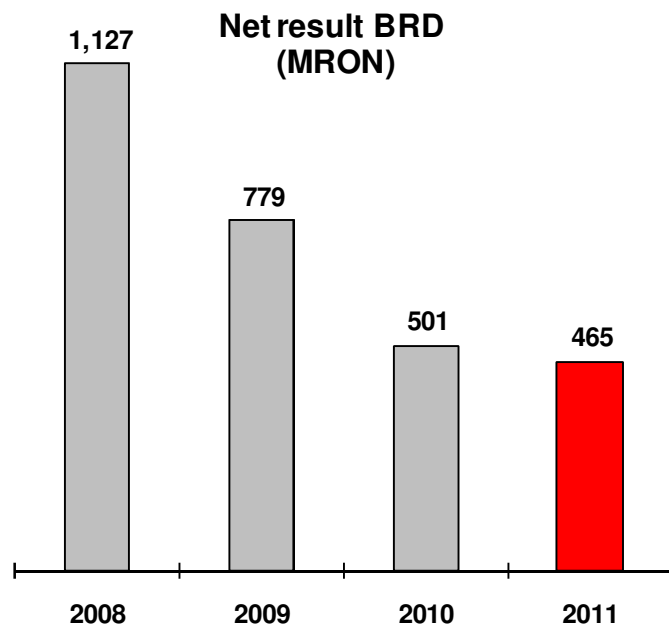
## Resilient net income

in M RON	2,010	2011	Var 11 /10
<b>NET BANKING INCOME</b>	3,538	3,227	-9%
<b>OPERATING EXPENSES</b>	(1,372)	(1,377)	0%
<b>GROSS OPERATING INCOME</b>	2,166	1,850	-15%
<b>Net cost of risk</b>	(1,563)	(1,289)	-18%
<b>OPERATING INCOME</b>	603	561	-7%
<b>NET RESULT</b>	501	465	-7%





# BRD comfortably profitable throughout the crisis



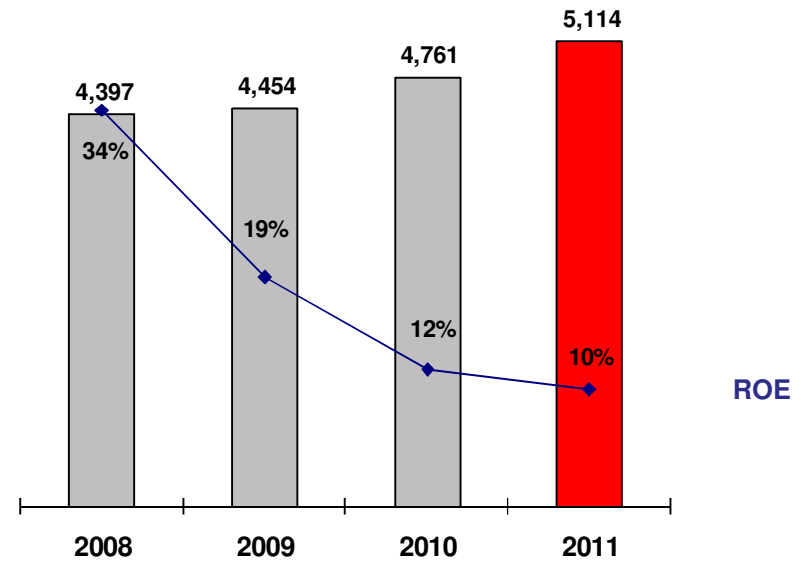


# Strong capital base

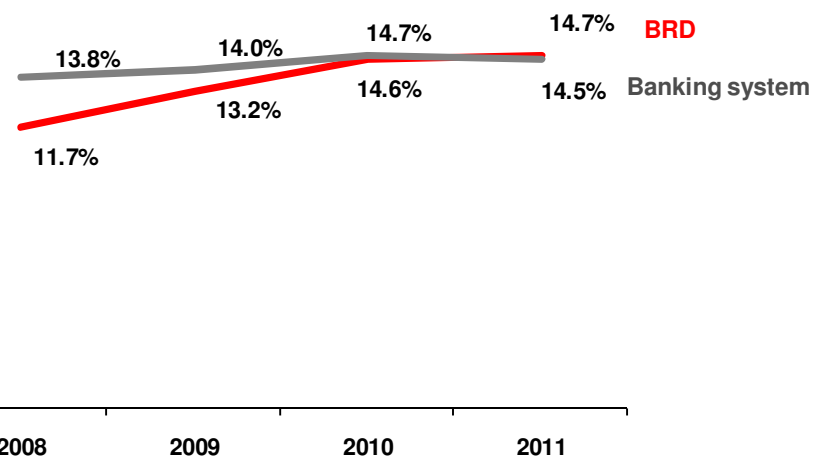
- Strong capital base, due a steadily robust capacity of profit generation
- ROE remains close to 10%
- Capital adequacy ratio (\*) standing well above the minimum regulatory requirements
- BRD Tier I – 12.3%.

(\*) Including H1 profit according to NBR regulations;

Shareholders' equity (MRON)



Solvability ratio





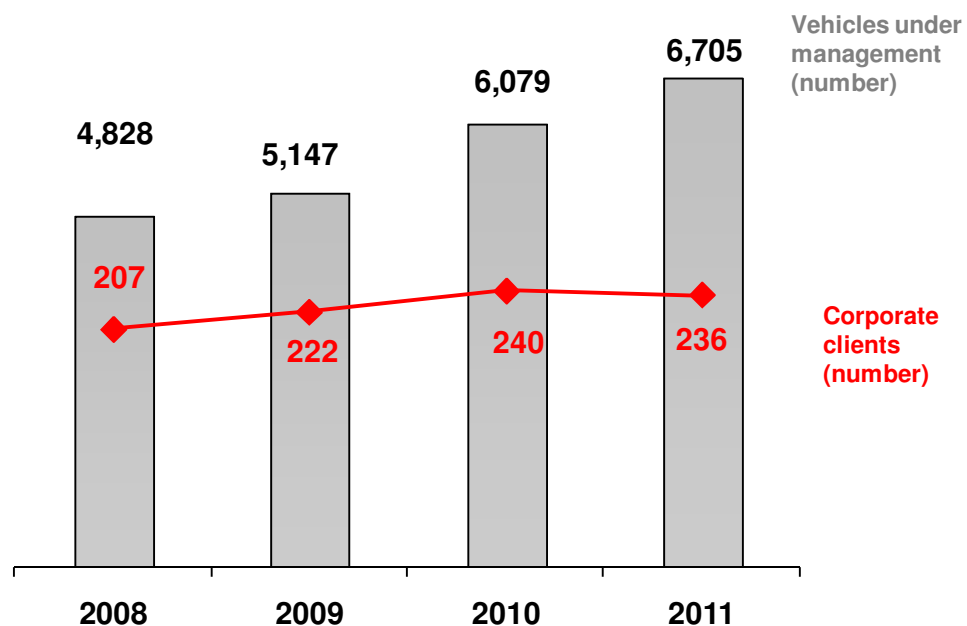
# Appendix



## Focus on subsidiaries

### ALD - Operational vehicle leasing and fleet management

- In 2011, the estimated market share of ALD Romania is 18%
- Fleet structure (December 2011) :
  - 5 316 -> Full Service Operational Leasing Contracts;
  - 1 389 -> Fleet Management Contracts;



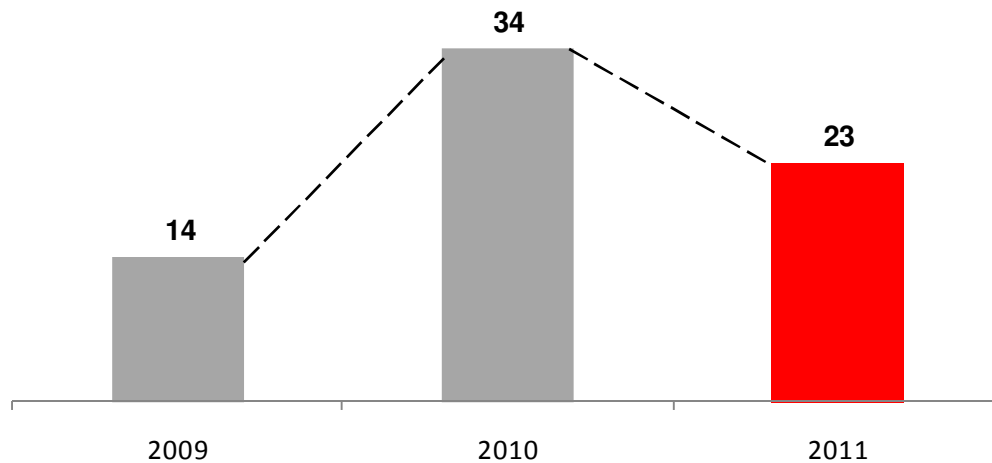


## Focus on subsidiaries

### BRD Sogelease - Leasing

- Resilience of the activity despite the strong economic recession translating into a still satisfactory gross profit
- A key player in corporate asset financing
- Wide range of offers and financing solutions

Gross profit ( MRON)



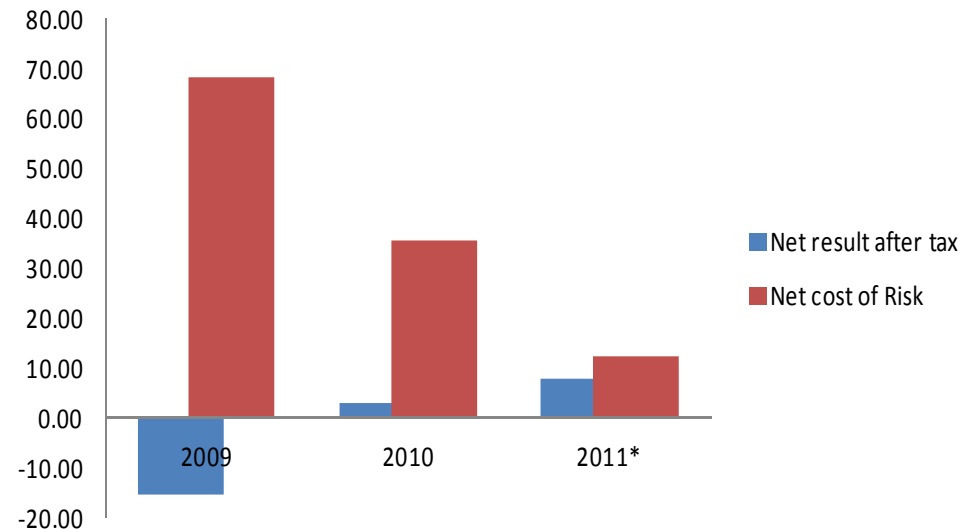


# Focus on subsidiaries

## BRD Finance - Consumer Finance

- Sharp decrease in net cost of risk due to enhanced risk policy and recovery performances
- Improved profitability due to good management of interest margin, expenses and cost of risk
- Close partnership with main retailers in the market (Carrefour, Real, Altex, DOMO, Ikea, etc)
- Strong development of car finance business

Evolution of results (MRON)



2011\* : preliminary result



# BRD

GROUPE SOCIETE GENERALE

**Investors relationship**

**Phone : +4 021 - 301 61 33; Email : [investor@brd.ro](mailto:investor@brd.ro)**

**Disclaimer: Preliminary unaudited financial results**