



**BRD**  
GROUPE SOCIETE GENERALE

# **THE DIRECTORS' REPORT**

**30.06.2007**

## 1. Economic environment

The main macroeconomic parameters which define the first 6 months of 2007 may be summarised as follows:

- **Consolidation of the disinflation process.** The consumer price ratio communicated by the national Statistics Institute on June 30, 2007 as compared to the end of 2006, is of 1,62%, which is its best performance since 1989.
- **Appreciation of the national currency against the euro.** As at December 31, 2006 the RON/EUR parity was of 3.3817 and reached 3.1340 on June 30, 2007, the increase being of 7.9 %.
- **Decrease of the monetary policy interest rate** from 8.75% as at December 31, 2006 to 7.00% as at end of June 2007.
- **Relaxation of regulatory conditions**, by modification of the NBR legislation as follows:
  - Reduction of the minimum capital requirement from 12% to 8% starting January 2007, resulting in the increase of the credit institutions' lending capacity.
  - Elimination of the minimum threshold of exposure for the loans in foreign currency, starting January 2007.
  - Change of the legislative framework with respect to the exposures resulting from the lending activity, as well as to the request of down payments from the customers, the credit institutions being free to establish, by their own norms, the level of the minimum down payments for loans, as well as to determine the exposure rates for loans.
- **Maintaining of the minimum compulsory reserve percentage at a high level**, respectively 40% for foreign currencies and 20% for lei.
- **Setting up of the private and optional pension funds**, which will change the destination of the flow from the consumption to the saving area, modelling macroeconomic balances.
- **Intensification of the competition on the banking market**, which contributes to the decrease of the interest margins.
- **Maintenance of the trend of asset concentration in the banking system**
- **Continuation of the economic growth recorded during 2006.**

In this context, the commercial and financial performances of BRD during the first 6 months of the year have been extremely high, the net income as at June 30, 2007 being of RON 436,46 million, in growth by 38,5% as compared to the same period of last year.

## 2. Commercial activity

BRD has consolidated its benchmark bank position both for the SME and the large corporate customers, as well as on the retail segment, continuing to develop its general offer of traditional products and services and also launching specific products destined to particular segments of the clientele.

### 2.1. Private customers

In what the private customers are concerned, the bank continued to enrich its line of products and services, the main products launched in the first quarter of 2007 being the following:

- The IMOExpert loan – a real estate loan for liberal professions and certified freelancers;
- The Gadget card – for the payment of invoices;

- The Work & Travel loan for students;
- The offer destined to pensioners: an account with a card attached, benefiting from special conditions, loan and deposit with preferential interest rate.

Thus, as at June 30, 2007, the bank had over 2.1 million active customers, in increase by 20% as compared to the same period of last year, and whose main products – deposits and loans – had the following evolution:

	<u>30.06.2006</u>	<u>31.12.2006</u>	<u>30.06.2007</u>
➤ Deposits (million RON)	5.786	7.217	9.014
➤ Loans (million RON)	6.767	8.844	9.997

The value of the deposits as at June 30, 2007 increased by 24.9% as against December 31, 2006 and by 55.8% as against June 30, 2006.

The value of the outstanding loans augmented by 13.0 % as compared to 31.12.2006 and by 47.7% as compared to June 30, 2006, sustained by a high level of consumer and real estate loans.

## **2.2 Corporate customers**

With respect to the corporate customers, the main new products and services provided during the first half of 2007 are:

- The loan InvestissIMO - a real estate loan for corporate customers
- BRD – office - an internet banking product for corporate customers.

The evolution of the corporate customers' deposits and loans is as follows:

	<u>30.06.2006</u>	<u>31.12.2006</u>	<u>30.06.2007</u>
➤ Deposits (million RON)	10.328	12.591	12.326
➤ Loans (million RON)	7.002	9.134	10.833

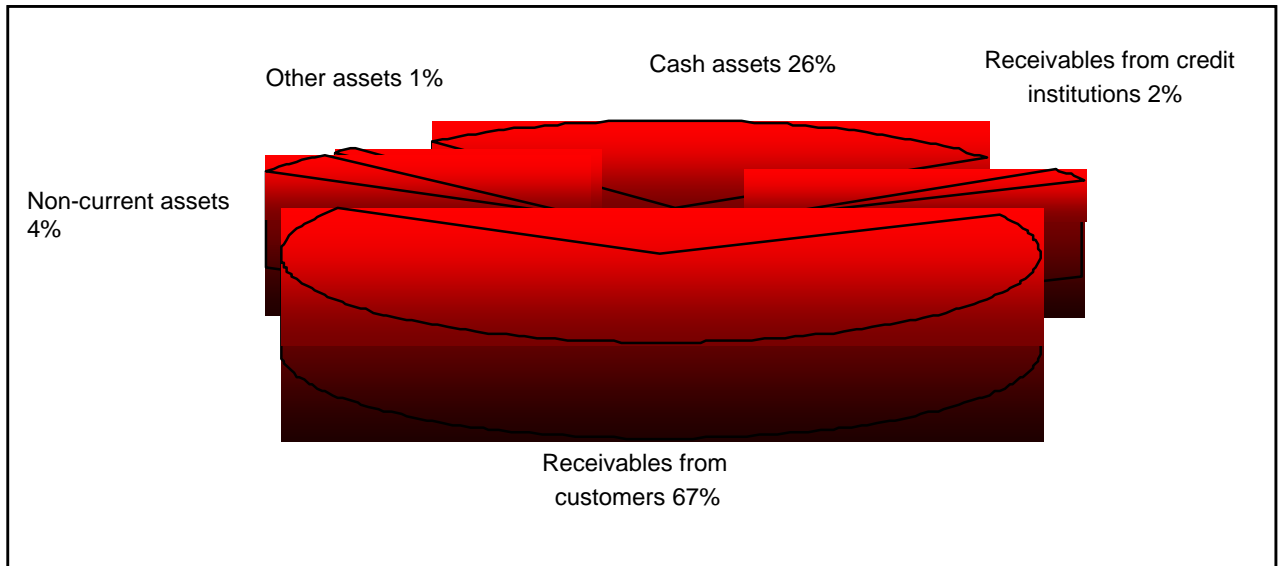
The value of the deposits as at June 30, 2007 augmented by 19 % as compared with the same period of last year, and decreased by 2% as compared with the end of 2006.

The outstanding loans to corporate customers as at June 30, 2007 was superior by 18.6% to December 2006 and by 54.71% to the same period of 2006.

## **3. Accounting balance sheet**

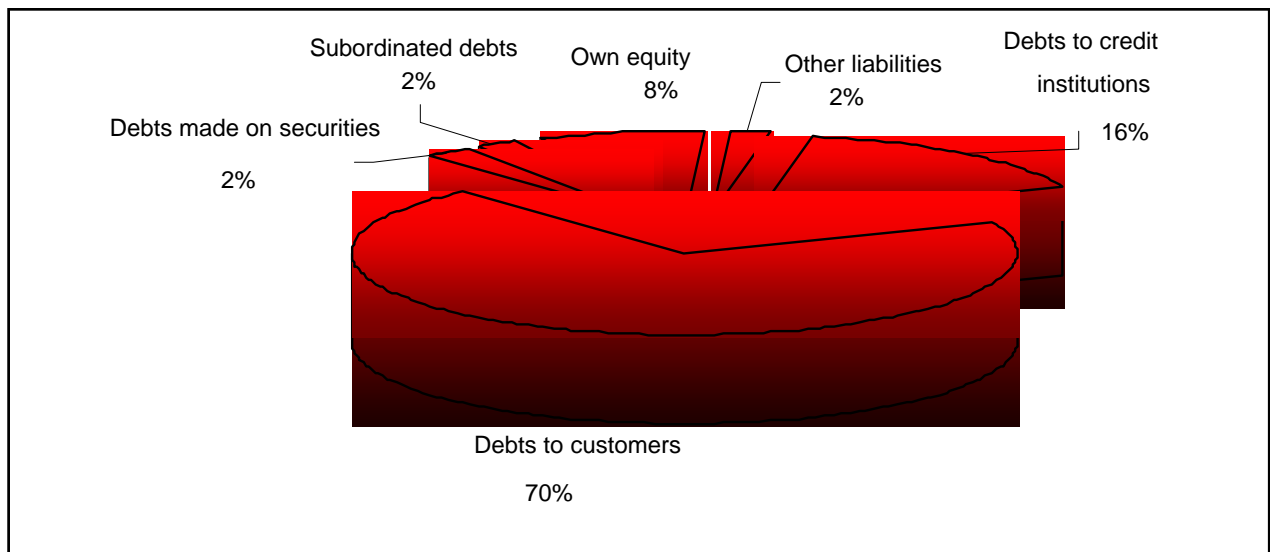
The balance sheet as at June 30, 2007 totalled RON 30.807 million, in growth by 10% as compared to December 31, 2006.

**The balance sheet assets** have the following structure:



The receivables from customers, of RON 20,440 million, represent 67% of the total balance sheet, in growth by 39% as compared to December 31, 2005. The largest part is represented by the loans extended to the clientele, which augmented by RON 2.644 million, namely 15%.

**The balance sheet liabilities** have the following structure:



The value of the customer operations as reflected in the balance sheet liabilities as at June 30, 2007 is of RON 21,440 million, which means 70% of the total.

#### 4. Financial results

The net income of the bank as at June 30, 2007 is of RON 417 million, as compared to the same period of last year, as shown below:

million RON

	June 30, 2006	June 30, 2007	Gap (%)
Net banking income, out of which	749	1.080	44%
- Interest rate margin*	401	503	25%
- Fees	252	425	68%
General expenses	-379	-488	29%
Gross operating income	370	592	60%
Net risk cost**	-5	-95	NS
Gross income	365	497	36%
Net income	315	417	32%

\* The difference between the incomes from interests on made placements and the expenses with interests on the attracted resources.

\*\* Expenses and entries under incomes for the provisions for the commercial activity, off-balance entries included, other provisions for liabilities

The increase of the net risk cost is determined by the evolution of the commitments and by the increasing weigh of the extended loans, the net risk cost on the credit portfolio evolving within normal limits. This indicator is computed according to more prudent norms than IAS.

## 5. Synthesis ratios:

The financial performances obtained by BRD in its activity during the first half of the year may be synthesized with the help of the following ratios:

	June 30, 2006	June 30, 2007
Intermediation margin*		
- global	4.18%	3.67%
- lei	6.03%	4.86%
- foreign currencies	1.81%	2.15%
Return on equity (ROE)**	35.6%	38.1%
Operating ratio (C/E)***	50.6%	45.2%
Capital adequacy ratio (solvency)	12.9%	10.94%

\*Interest margin / average balance of interest-bearing assets

\*\* Net income / average level of own equity

\*\*\* General expenses / Net banking income

Synthesis ratios are a convincing reflection of the bank's performances in terms of return on equity, as well as of solvency, whose level exceeds the minimum legal limit of 8%, and the risk indicators comply with the prudence level in the international banking practice.

**CHAIRMAN  
OF THE BOARD OF DIRECTORS**

**PATRICK GELIN**

**DEPUTY  
CHIEF EXECUTIVE OFFICER**

**PETRE BUNESCU**