



Asociația Societăților Financiare - ALB România
The Financial Companies Association – ALB Romania

7th ALB National Conference

Evolution of the consumer credit in Romania

Bucharest, 17 Nov. 2011

The European market accounts for 24% of the global market

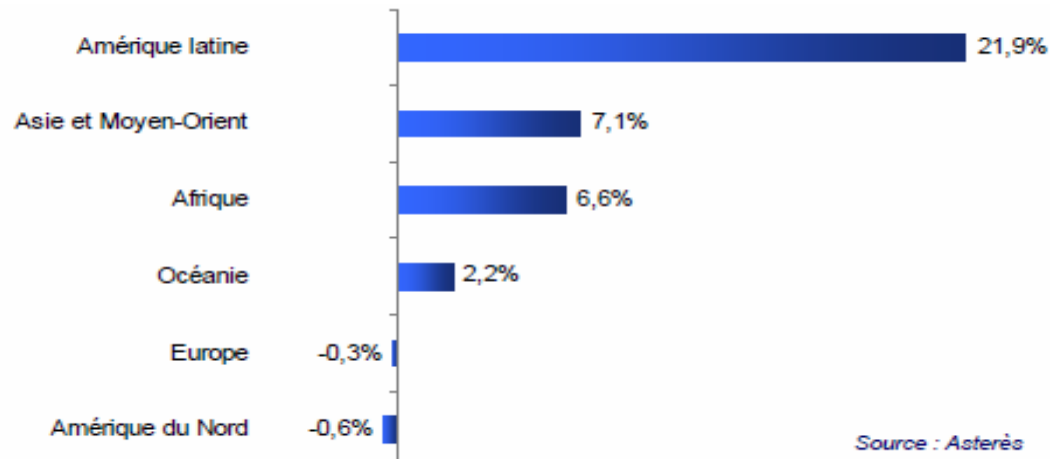
Consumer credit outstanding per Region at the end of 2010



- The global outstanding reached 5473 billion € at the end of 2010, +2.5% compared with the end 2009
- 40% of the global outstanding is in North America: United States (33%), Canada (6%), Mexico (0.6%)
- Asia and the Middle East represents the second group with 28% of the global outstanding
- Europe + Turkey and Russia is the third one with 1310 billion €, or 24% of the global outstanding
- 1105 billion € in European Union, or 20% of the global outstanding

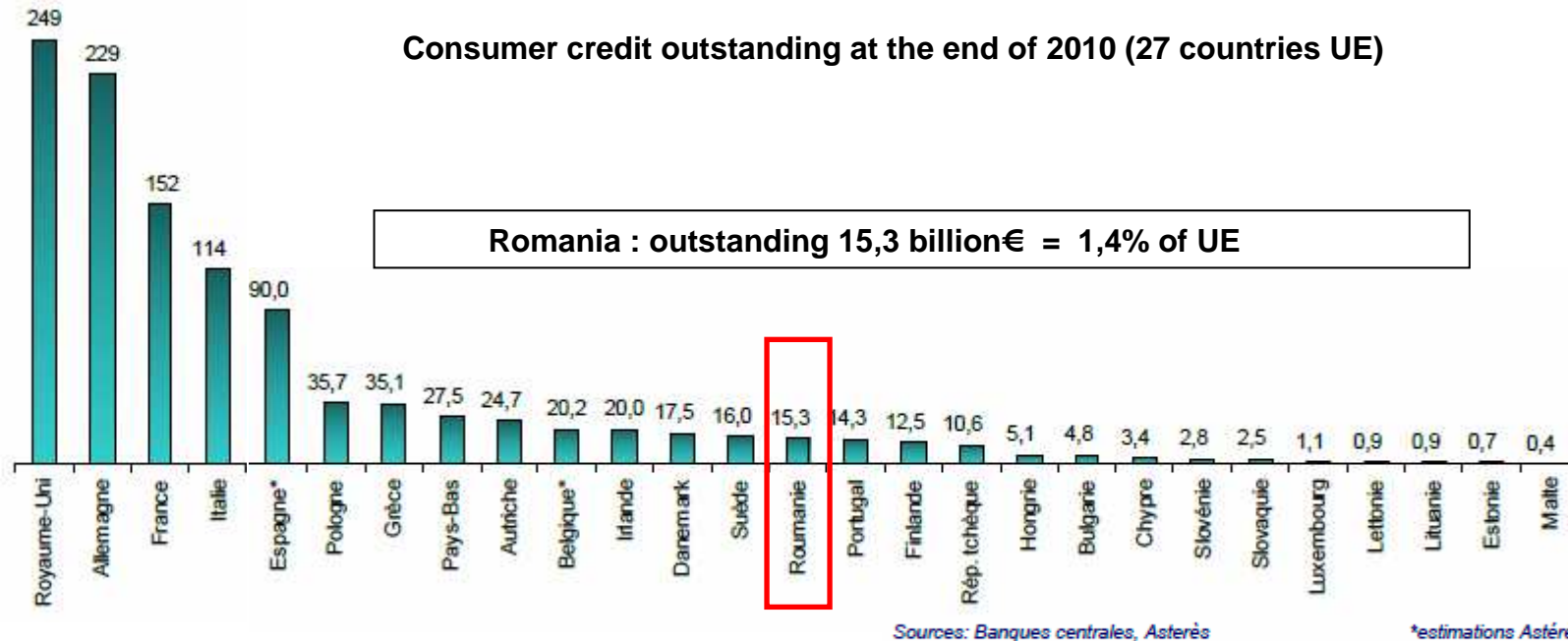
Contrasting dynamics by regions

Evolution 2010/2009 of consumer credit outstandings per Region (%)



- The overall increase of the global market (+2.5%) is the result of contrasting dynamics : emerging countries posting high growth and developed countries showing a decrease
- Latin America showed the highest growth
- Asia and the Middle East posted a growth of 7.1%, but slowed down by Japan, the first market of the region, with a drop of 5.3%. Excluding Japan, the growth of this region is of 24%
- The markets in North America and in Europe continued to decrease during 2010
 - ✓ In the European Union the decrease is particularly important : -2.8%
 - ✓ But some of the emerging countries continued to grow: Turkey, Russia

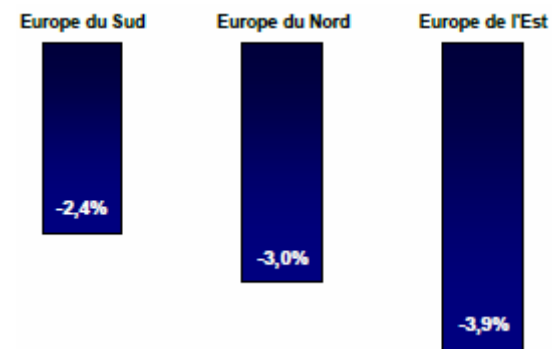
EU : the consumer credit outstanding unequally distributed



- The markets are unequally distributed: the top 5 markets account for 76% of the total, while representing 63% of the population
- 3 groups :
 - ✓ Northern Europe: 56% of the outstanding (41% of population)
 - ✓ Southern Europe: 37% of the outstanding (39% of population)
 - ✓ Eastern Europe : 7% of the outstanding (20% of population)

EU : the consumer credit outstanding dropped by 2.8% in 2010

- Only 8 out of 27 countries posted a growth of the outstanding in 2010
- The decrease was due to:
 - ✓ a low consumption in most of the countries (weak GDP growth, austerity measures in some countries)
 - ✓ a high unemployment rate (limiting access to the credit)
- Excluding Slovakia, the Central & Eastern countries fell down fast
- Romania is among the most affected countries in 2010 : - 11.8%



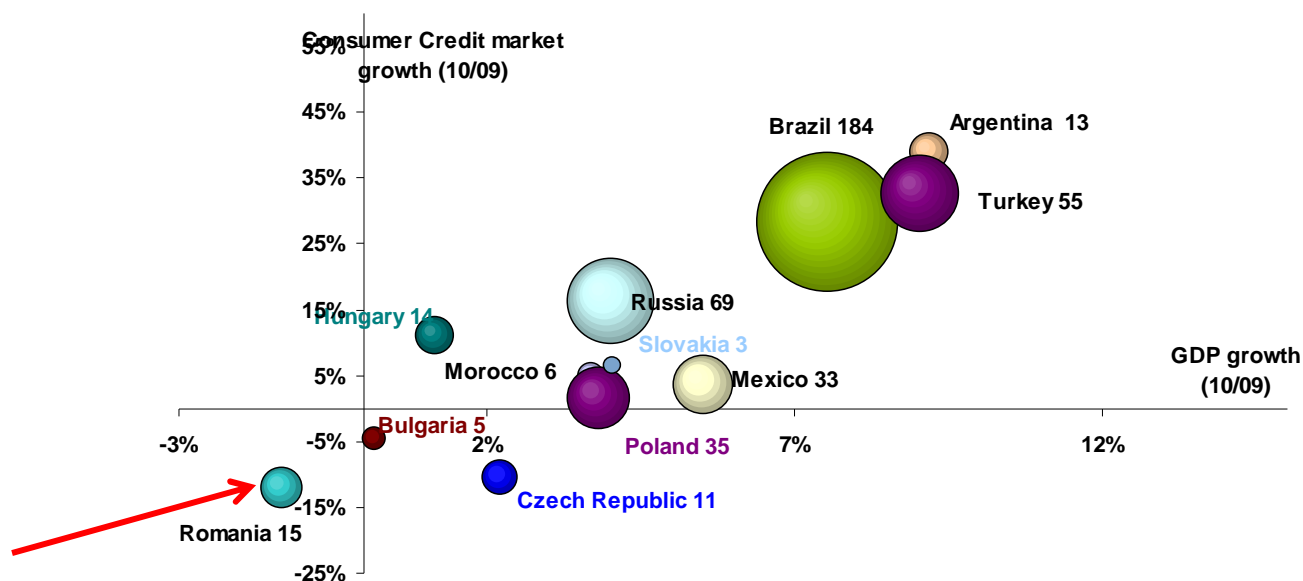
PAYS	Evolution 2009 / 2010
Slovaquie	+8,7%
Belgique*	+2,0%
France	+1,7%
Pays-Bas	+1,2%
Pologne	+1,1%
Italie	+0,9%
Allemagne	+0,5%
Finlande	+0,4%

PAYS	Evolution 2009 / 2010
Bulgarie	-4,3%
Autriche	-0,2%
Hongrie	-0,3%
Suède	-0,5%
Luxembourg	-0,8%
Malte	-1,0%
Grèce	-2,5%
UE-27	-2,8%
Slovénie	-2,9%
Portugal	-3,0%

PAYS	Evolution 2009 / 2010
Royaume-Uni	-5,7%
Danemark	-8,4%
Lettonie	-10,0%
Lituanie	-10,0%
Rép. tchèque	-10,0%
Estonie	-10,2%
Espagne*	-10,7%
Roumanie	-11,8%
Irlande	-17,0%
Chypre	-28,9%

A clear link between the consumer credit growth and the GDP growth

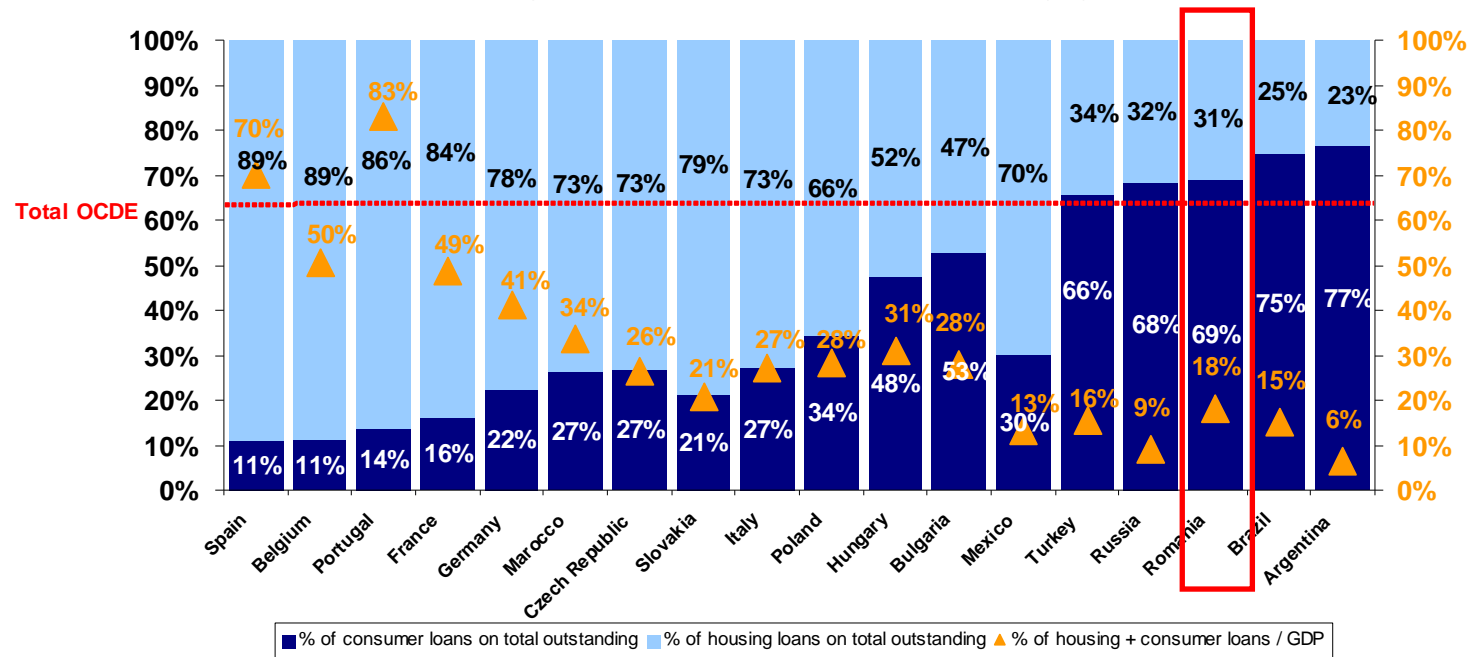
Growth of the consumer credit outstanding versus of the GDP growth (2010/2009)



- Markets down: Romania (-11.8%), Czech Republic (-10.3%), Bulgaria (-4,3%)
- Some of the emerging countries have their credit consumer markets growing fast : Argentina (+39% yoy), Brazil(+28% yoy), Turkey (+33% yoy) and Russia (17% yoy)

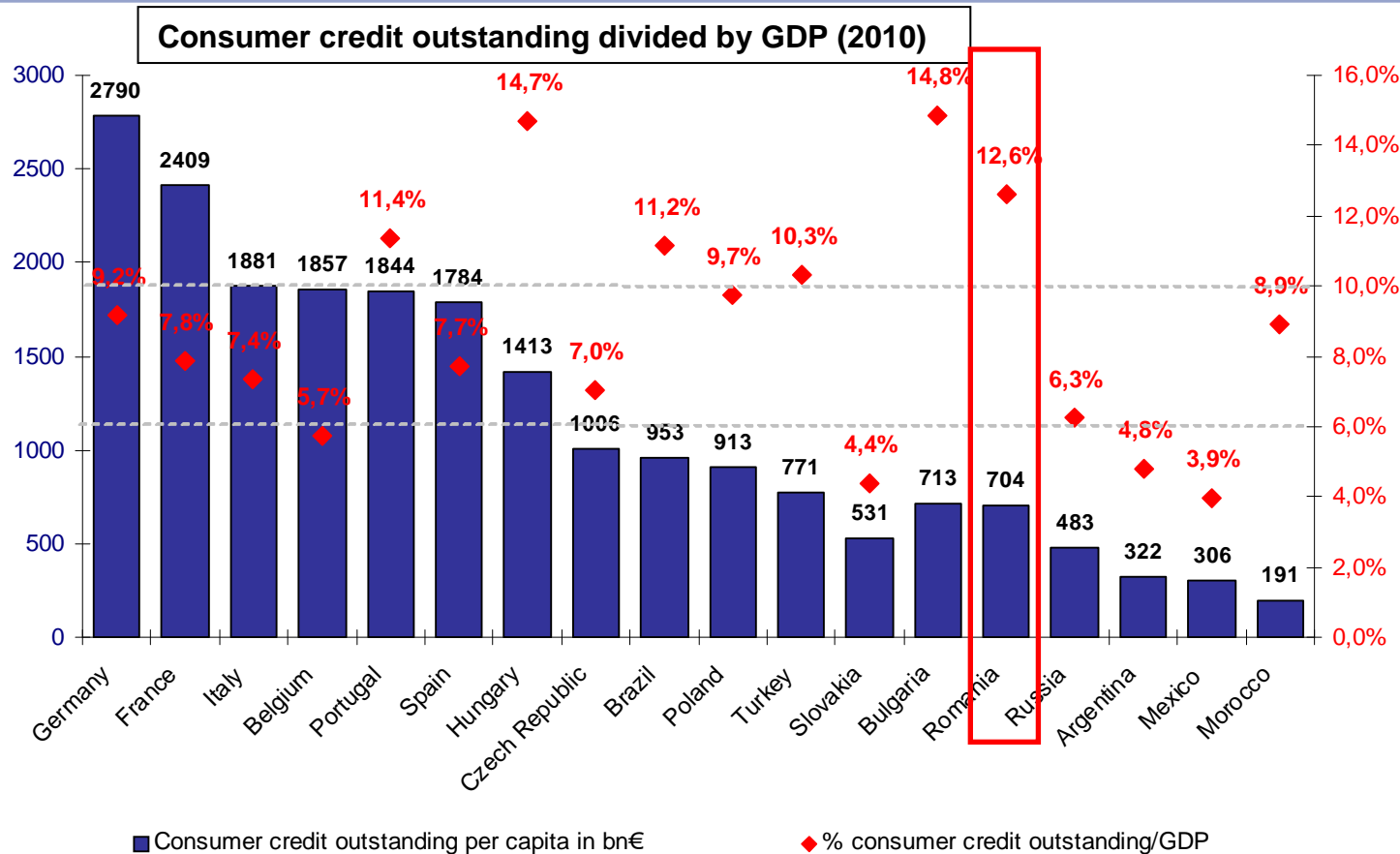
Credit to individuals (consumer and mortgage) compared to GDP

Total credit outstanding to individuals (consumer and mortgage) related to GDP in 2010



- The total households indebtedness (consumer and mortgage) compared to GDP is low in Romania (18%)
- Romania is among the countries with the lowest share of mortgage credit in total credit (31%). However it increased compared to 2009 , when it was 25%

Romania : high consumer credit penetration in % of GDP



➤ **Consumer credit penetration is important in Romania : 12.6% of GDP at the end of 2010**

However, it is decreasing : it was 14.9% of GDP at the end of 2009

➤ **Average outstanding per inhabitant in Romania: 704€**



A Romanian market particularly hit by the crisis in 2009, recovering progressively

Consumer Credit Outstanding - September 2011 : 63.7 bn RON (banks+IFN)

- **A small market at the European level (1.4% of the outstanding), but important in the Central & Eastern region (#2 after Poland)**

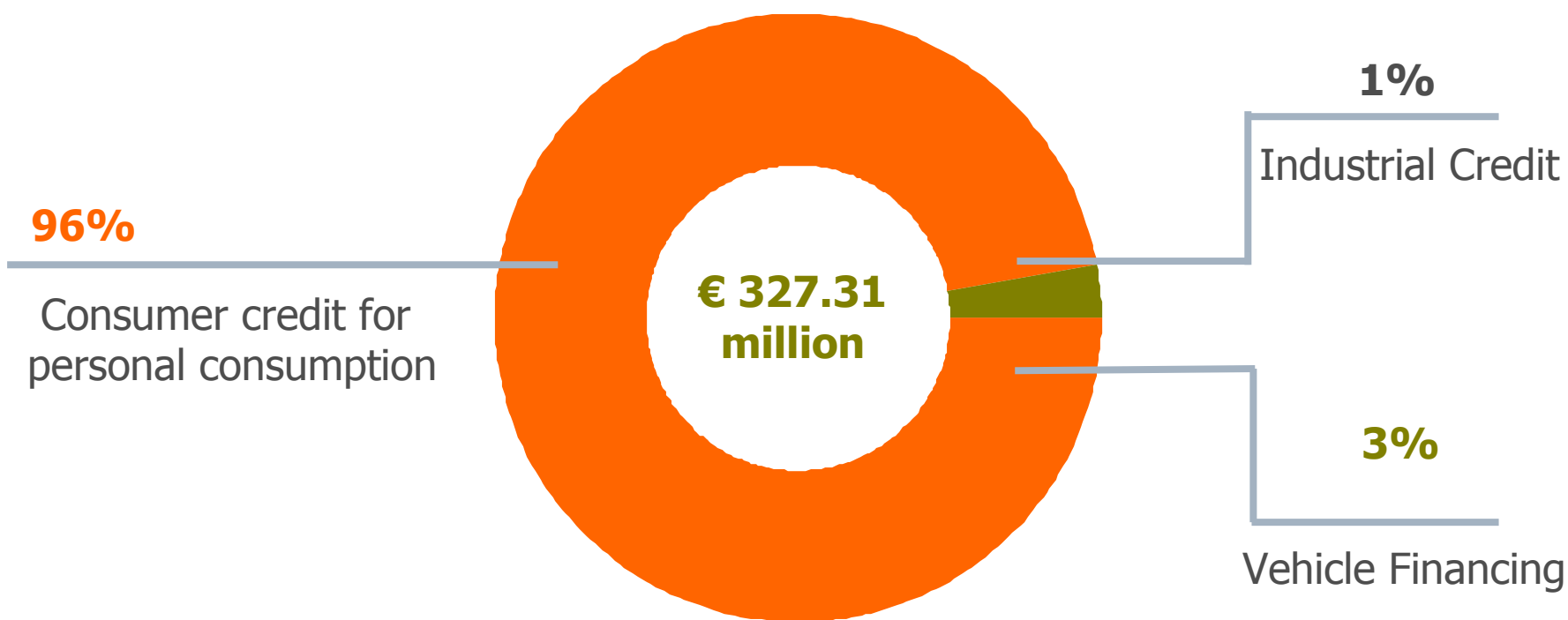
- **A very fast growth before the crisis :**
Outstanding evolution : +82% 2007/2006 , +34% 2008/2007

- **A fast growth, leading to a high indebtedness in consumer credit**
- **Then a significant drop :**
 - ✓ **A drop of the new credit production estimated 60% in 2009, followed by a growth estimated at +10% in 2010 and +10% in 2011**
 - ✓ **Outstanding : -1.2% 2009/2008 , -11.8% 2010/2009, -5.2% Sept 2011/Sept 2010**

- **The Romanian market has been one of the most shaken markets.**
- **We expect the consumer credit production to recover the 2008 level only in 2013 or 2014**

New credit granted by product type - Jan-Sept 2011

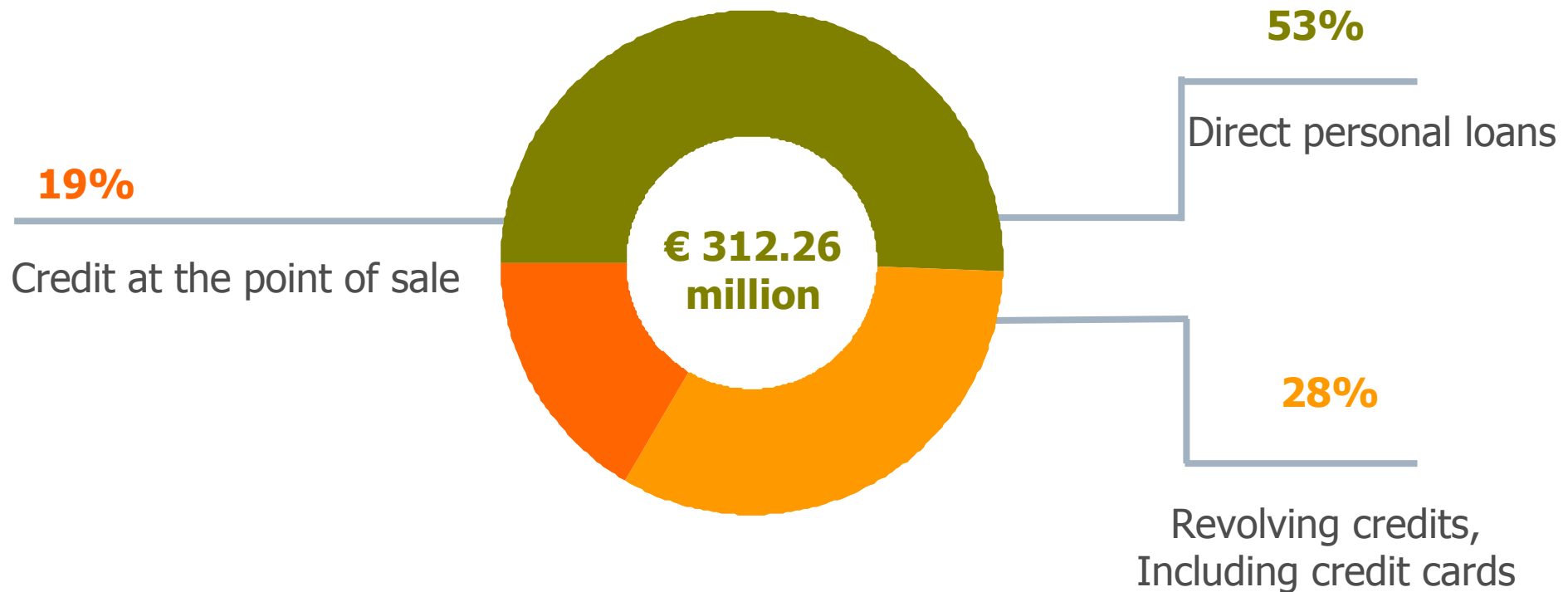
ALB Members



Consumer Credit for Personal Consumption - Jan-Sept 2011

New credit granted

ALB Members



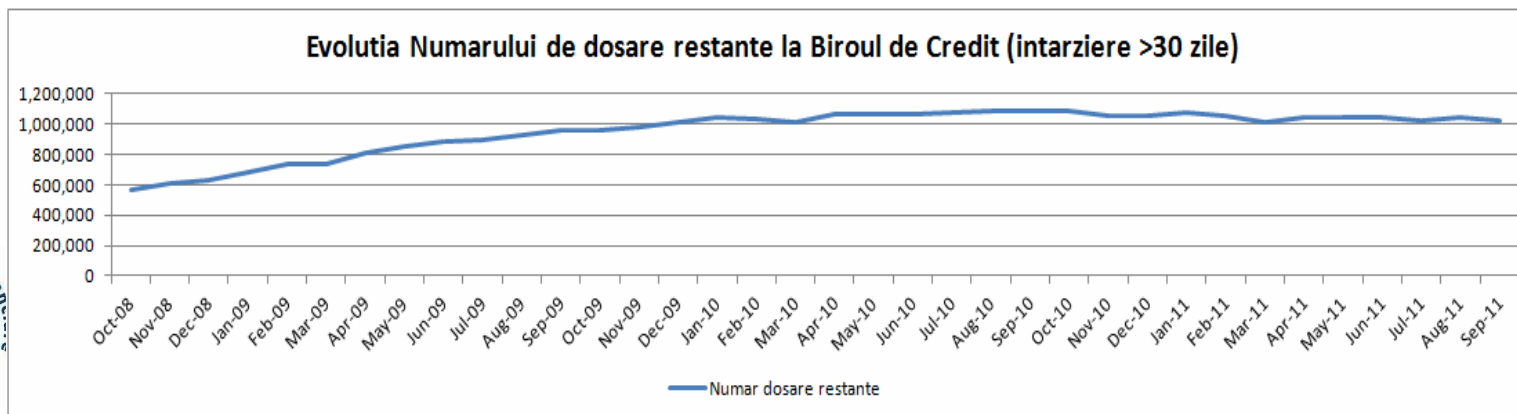
Credit Risk Evolution

- Globally, the cost of risk (coming from new provisions) of the Consumer Credit companies increased strongly in 2009, and decreased in 2010 and 2011, thanks to a renewed approach both on lenders and consumers sides.

- Banking sector :
 - the rate of non-performing loans has increased from 11.7% of total loans in Sept 2010 to 14.2% Sept 2011 (all kind of credits : corporate + individuals)
 - but this is a stock: it increases because the non-performing loans remain a long time in the books. Only the flux (new non performing loans) trigger new provisions.

- The weight of the foreign currency loans is too important, representing a threat for the households' financial health.

30% in Dec. 2006 → 49 % in Dec. 2008 → 59 % in Sept. 2011
 (% of foreign currency loans among total consumer credit outstanding)



Conclusion

- **After a difficult 2009 year, the romanian consumer credit market is progressively recovering :**
 - **In terms of volumes – but this will need time**
 - **In terms of credit risk : good trend - improvement started in 2010**

- **The regulatory environment is changing fast**

Globally in a good direction : it favors transparency (ex : OUG 50) and reponsibility of consumers and lenders (new NBR Regulation - foreign currency loans)

- **The approach of the lenders has been reviewed during the crisis.**
 - ✓ **Processes (incl. granting rules)**
 - ✓ **Transparency (ex : costs)**

→ ALB members developed a new Code of Conduct