

## Credit Policy within BRD Bank

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### Abstract

*The market economy necessarily implies the existence of a banking system that ensures the mobilization of all the monetary resources of the economy and their temporary orientation in the conduct of efficient economic activities.*

*Banks through the activity of collecting the financial resources, while guiding them towards those units that require additional temporary financing, fulfill an important role of banking intermediation. Therefore, credit becomes an important tool in stimulating the development of an economy, encouraging certain phenomena according to the objectives set by the economic entities. It has been found that credit is indispensable to an economy, which is why the method of granting it is significant and, in this sense, the function of the bank of financial analyst plays an important role in orienting resources towards the most efficient placements.*

**Key words:** credit, profitability, risk

**J.E.L. Classification:** E51, E59

### 1. Introduction

Credit policy is the bank's strategy and tactics in lending operations. Qualitative credits are credits that can be repaid on time and that do not create customer problems. In this context, the loans must be not only secure but also stable, meaning that the bank must follow the course of business and assess the client's capital (Sudacevshi, 2014). The client in turn provides the bank with all the required information. The purpose of the bank is to increase, in time, the level of profitability in its activity. This growth cannot be ensured without a high quality asset and without the effective correlation between profitability and risk (Dragomir-Drăgoi, 2007).

### 2. Presentation of BRD Bank

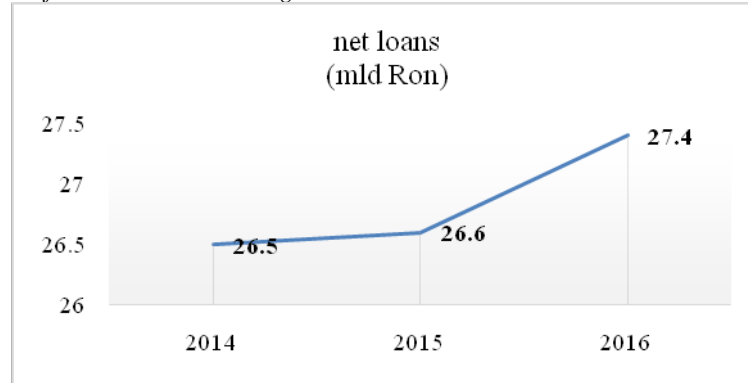
BRD Bank is one of the leaders in the banking market for the segment of individuals and one of the major financiers of SMEs in Romania. At the same time, it is one of the most significant players in the corporate banking market. Currently, the bank comes in contact with the 2.3 million customers via Internet, branches, mobile phone or call center and has a network of 900 units.

Her portfolio of activities focuses on three major areas: the retail network and financial services; Asset Management and Services for Investors and the Bank for Financing and Investment.

### 3. Credit Policy within BRD Bank Romania

The main banking operation is lending, so among the bank's placements loans are on the first place. The manner in which BRD operates the funds it manages can decisively influence the national economic development.

Figure no.1. Evolution of BRD net loans during 2014-2016

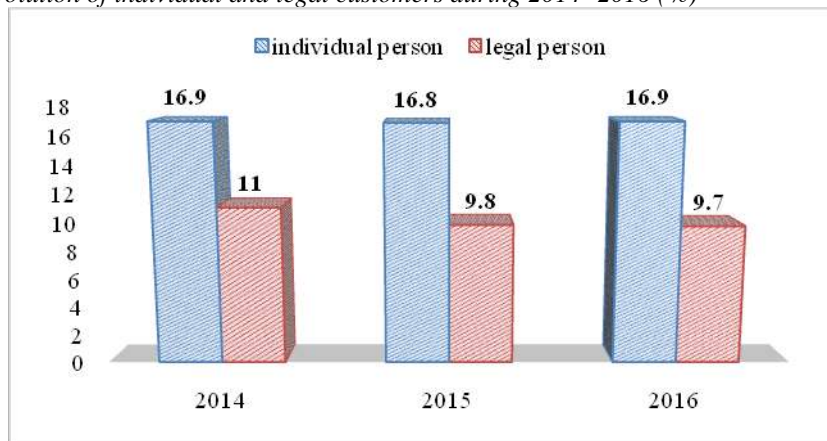


Source: author's processing after BRD annual reports

Between 2014 and 2016, the total net loans offered by BRD Bank recorded a continuous increase. The growth in 2016 was driven by loans for the real estate and consumer segment. A significant contribution to real estate lending has also come from the First House program.

Regarding the structure of credits sorted by clients, it was found that individual persons use more credits than legal entities, as can be seen from the graph below.

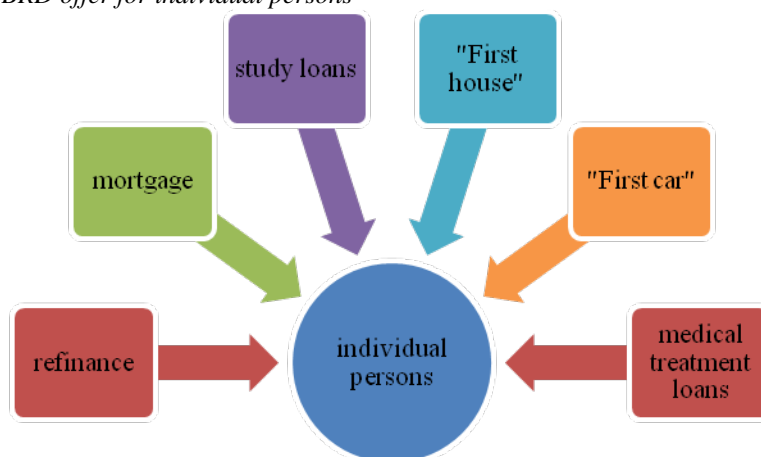
Figure no.2. Evolution of individual and legal customers during 2014 -2016 (%)



Source: author's processing after BRD annual reports

As can be seen, the balance of credits for individual persons grew, the increase being justified by the rising volume of consumer loans without mortgage and home loans. In the case of legal entities, loans have decreased, although interest rates have evolved favorably.

Figure no. 3. BRD offer for individual persons

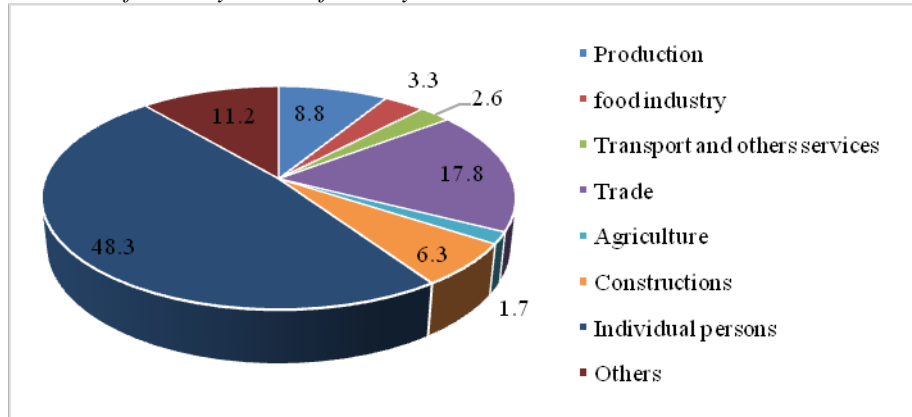


Source: author's processing after [www.brd.ro](http://www.brd.ro)

For individuals, the offer consists of credits for refinance, habitat, study loans, expresso, "First House" loans, "First car" loans or credit for medical treatment. For legal persons, the offer consist of credits for current activity, investment loans, bank guarantees, factoring and discounting.

Analyzing the loans by sector of activity, the chart below gives an overview of year 2016.

Figure no. 4. Structure of loans by sector of activity



Source: author's processing after BRD annual reports

This time also, individual persons hold the largest share, namely 48.3%. The trade sector has a share of 17.8%, followed by the production sector, 8.8%. Construction and agriculture are also areas where credits are needed to drive business development.

#### 4. The risk within BRD Bank

In Romania, the managers in the field consider that the main threat for the banking system is represented by credit risk. To a smaller or larger extent, all banks take credit risk, and for this reason the credit portfolio quality that can have a significant influence on profitability, capital adequacy, and general confidence in the bank are analyzed with great care (Magda, 2011).

In the following table is presented the structure of overdue loans according to seniority within BRD Bank Romania.

Table no. 1. Analysis of overdue loans, impaired by seniority

	<= 30 days	31-60 days	61-90 days	>91 days
Companies	1.031.609	404.012	274.734	154.331
Small business	240.065	113.081	95.836	-
Cosumption	910.512	311.512	243.111	-
Mortgage	195.708	59.872	62.870	-
Total	2.377.894	888.477	676.551	154.337

Source: author's processing after BRD annual reports

As it can be seen from the table, only large companies have exceeded the repayment term by more than 90 days, the other categories of clients and credits are fitting under 90 days. Consumption credit records higher overdue values than mortgage credit regardless the number of days. In order not to fall into the category of overdue or depreciated loans, BRD agreed to renegotiate the terms of payment of credits.

The evolution of overdue and non-performing loan rates for BRD Bank in 2015 and 2016 are presented below.

Table no. 2. The evolution of overdue and non-performing loans of BRD Romania in 2015-2016

Year	2015	2016
Overdue loans rate	7,95%	11,75%
Non-performing loans rate	8%	5,5%

Source: author's processing after BRD annual reports

For a bank, it is a good situation when the two indices presented above records lower values, especially non-performing loans, as these may cause difficulties in conducting the business and may influence the bank's financial results. As it can be seen, unlike the overdue loans, which recorded an increase, the non-performing ones were characterized by a slight decrease, which is a positive aspect.

## 5. Conclusions

BRD Bank offers its clients a wide range of banking services such as credit, leasing, deposit acceptance, transfer payments and a range of other financial services.

BRD Bank is known to be the bank with the most complex lending offer: consumer loans, mortgages, equipment loans, credit for studies, real estate loans, medical treatment credits, investment loans or loans for agriculture.

The Bank's main assets and liabilities consist of loans, leases, advances to customers, loans or deposits at sight and in time, all of these instruments being exposed to risks.

It is known that bank performance has two dimensions, profitability and risk, and bank management aims to maximize bank performance by combining objectives such as reducing risk exposure, maximizing profitability, prudential behavior and compliance with quality standards.

According to the data presented above, BRD Romania Bank is below the average of the banking system in terms of non-performing loans. Although none of the indices presented in this paper accurately predict the situation of a bank, any inappropriate level of these indicators is a barometer of future lending problems.

## 6. References

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