



# BRD - GROUP

## RESULTS

4<sup>TH</sup> QUARTER AND FULL YEAR 2018

■

8 FEBRUARY 2019

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## DISCLAIMER

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The preliminary consolidated and separate financial position and income statement for the period ended December 31, 2018 were examined by the Board of Directors on February 5, 2019.

The financial information presented for the period ended December 31, 2018 and comparative periods has been prepared according to IFRS as adopted by the European Union and applicable at this date.

BRD will publish a full set of consolidated and individual financial statements for the 2018 financial year.

This financial information is at group level, does not constitute a full set of financial statements and is not audited.

This presentation may contain forward-looking statements relating to the targets and strategies of BRD, based on a series of assumptions. These forward-looking statements would have been developed from scenarios based on a number of economic assumptions in the context of a given competitive and regulatory environment. BRD may be unable to anticipate all the risks, uncertainties or other factors likely to affect its business and to appraise their potential consequences, and to evaluate the extent to which the occurrence of a risk or a combination of risks could cause actual results to differ materially from those provided in this document.

Investors and analysts are advised to take into account factors of uncertainty and risk likely to impact the operations of BRD when considering the information contained in any such forward-looking statements. Other than as required by applicable law, BRD does not undertake any obligation to update or revise any forward-looking information or statements.

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INTRODUCTION

## 2018: A YEAR MARKED BY STRONG FINANCIAL RESULTS

### Double digit growth in revenues on higher contribution from all business lines

Solid increase of avg. outstanding of retail loans (+6.1% y/y) and deposits (+7.9% y/y)

NBI

**RON 3,117m +11.9%** vs 2017

### Accelerated growth in gross operating income

GOI

**RON 1,627m +24.0%** vs 2017

### Further strengthening of risk profile

Strong recovery performance and good control of risk

Net cost of risk write-backs reaching RON 230m in 2018, with one off items contribution decreasing compared to 2017

NCR

**RON 230m write-back -35.9%** vs 2017

**Growing profitability, net profit up by +23.6% y/y** excluding non-recurring items, driven by robust commercial dynamics and solid operating performance

Net profit

**RON 1,565m +23.6%\*** vs 2017

### Comfortable level of solvency

**CAR: 21.1%** vs 19.8% at 2017 end

**ROE: 20.8% in 2018 (vs. 20.1% in 2017)**

*Note: CAR, Bank only, incl. current year result unaudited, net of dividends (subject to GSM approval)*

*\*variation excluding non-recurring items*

# Q4 2018: SUSTAINED REVENUE GROWTH SUPPORTING STEADY PROFITABILITY

## Healthy NBI growth

Increase in both net interest income (+16.1% y/y) and non interest income revenues (+10.6% y/y) in Q4 2018 vs. Q4 2017

## Net cost of risk write-backs

Net cost of risk write-backs of RON +61m (vs. RON +88m in Q4-2017) related to strong recovery performance

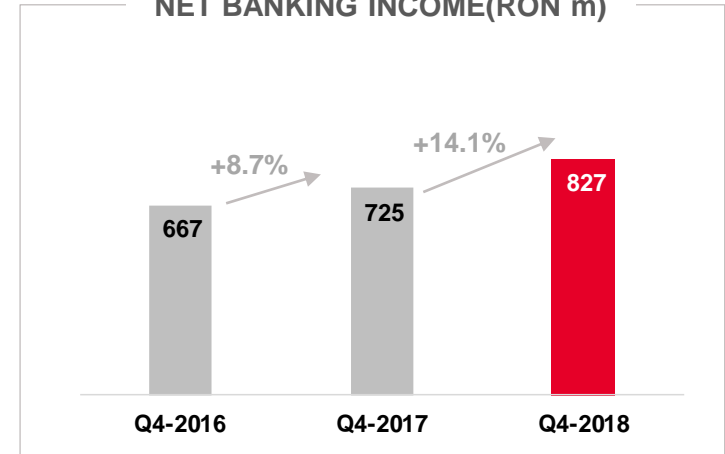
## Improvement in loan quality

Continued declining trend in NPL ratio: 4.6% vs 6.8% at 2017 end  
Coverage ratio at adequate level: 74.2% stable vs. 2017

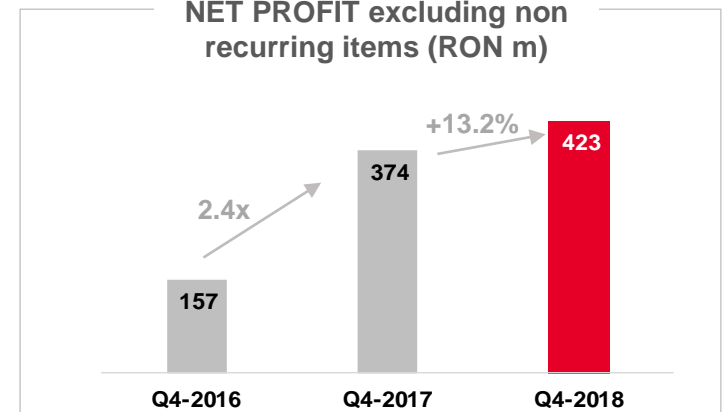
## Solid advance in quarterly net result

Robust net profit increase even when excluding non-recurring elements, thanks to steadily improving operating performance

### NET BANKING INCOME (RON m)



### NET PROFIT excluding non recurring items (RON m)



**ROE: 22.8% in Q4 2018 vs. 19.2% in Q4 2017**

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MACROECONOMIC &  
BANKING ENVIRONMENT

# SOFTER ECONOMIC GROWTH IN 2018

## Economic growth slows down

GDP growth momentum slowed in 2018 (+4.2%\* y/y in Q3 2018) after the peak in 2017, given the slower rise in private consumption (which remains the main growth determinant), while investment activity was still subdued

## Inflation rate eased towards year-end

After the peak registered in June 2018 (5.4% y/y), the inflation rate closed the year at 3.3% y/y, near the upper bound of NBR's target interval (2.5% ± 1 pp)

## Policy rate on hold after three hikes in 2018

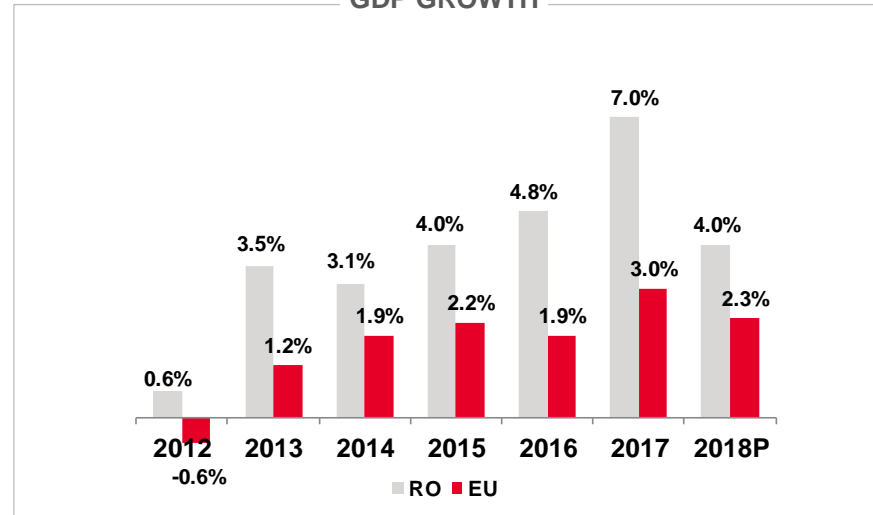
Key interest rate kept at 2.5% since May 2018, given decelerating GDP growth in Romania, expected Eurozone economic slowdown and Brexit-related uncertainties

## Interbank RON interest rates on the rise since September 2017

Average ROBOR 3M reaching 2.77% in 2018 vs. 1.15% in 2017

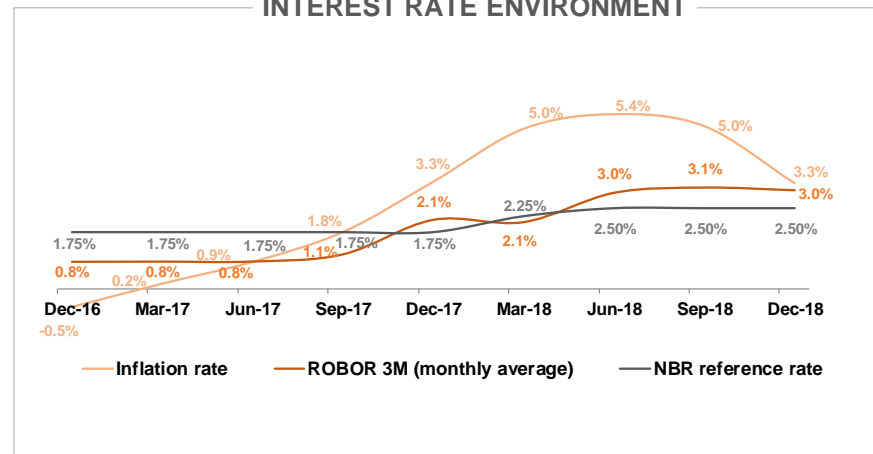
\* Seasonally adjusted

## GDP GROWTH



Source for 2018P: IMF World Economic Outlook, October 2018 (EU&RO)

## INTEREST RATE ENVIRONMENT



# LOAN GROWTH ACCELERATION

## Loan growth acceleration

Housing loans continued to rise at double-digit rate (+11.0%\*)

Consumer loans increased steadily (+6.7%\*) due to rising disposable income driven by a tight job market and rising public sector wages

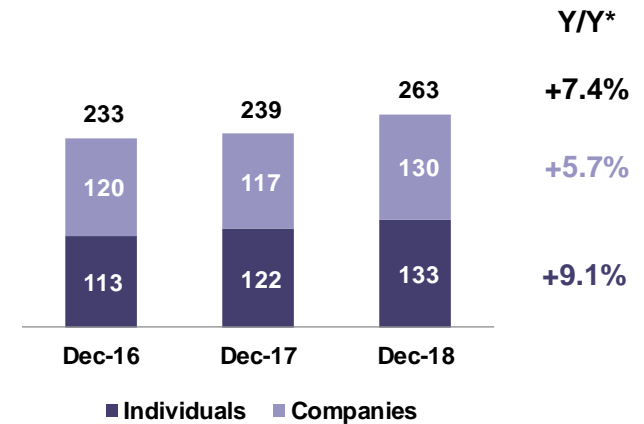
Lending to companies accelerated y/y, with their growth reaching +5.7%\* at December 2018 end

## Deposit collection remained high

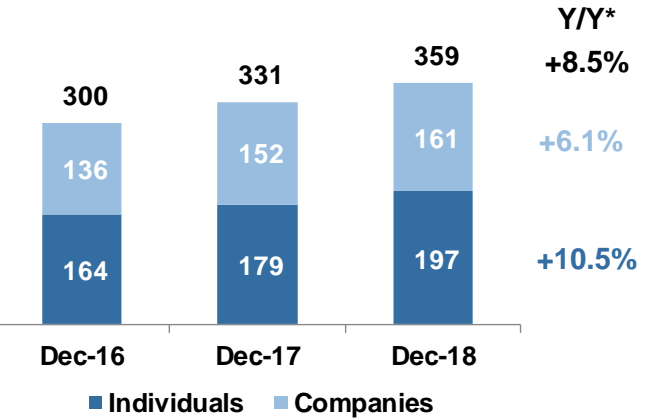
Individuals' savings up by +10.5%\* y/y

Strong rise of companies' deposits +6.1%\* y/y

ROMANIAN BANKING SYSTEM LOANS (RON bn)



ROMANIAN BANKING SYSTEM DEPOSITS (RON bn)



\* Variation at constant exchange rate



# SOUND RISK PROFILE

## Further improving risk profile

Declining trend in NPL ratio as a result of write off operations and sale of defaulted loans portfolios, as well as positive lending dynamics  
NPL ratio at 5.0% at November 2018 end, compared to 20.7% at 2014 end

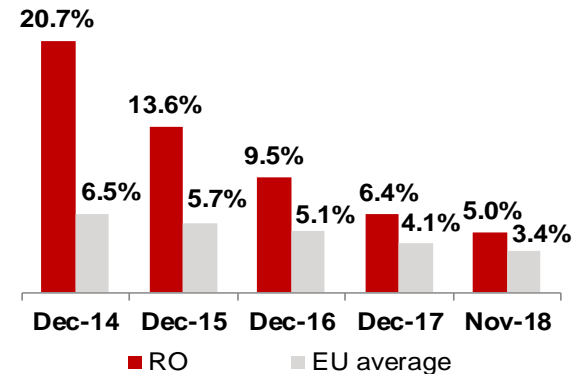
NPL coverage ratio remains high, well above EU average

## Solid capital and liquidity positions

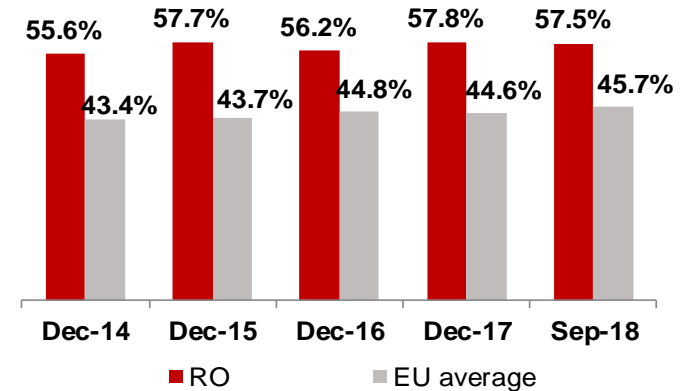
Loan to deposit ratio at 76% at September 2018 end (vs 116% in 2011)  
Average liquidity coverage ratio at 225% at September 2018 end, well above regulatory requirement (100% in 2018) and European average (149% at September 2018 end)

Total capital ratio of 20.0% as of September 2018 end, +1 pp y/y

ROMANIAN BANKING SYSTEM NPL RATIO



ROMANIAN BANKING SYSTEM NPL COVERAGE RATIO



Source: EBA Risk Dashboard – Q3 2018, NBR data  
EU average NPL and Coverage ratios, as of Sep-18 end

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4<sup>TH</sup> QUARTER AND FULL YEAR  
2018 BRD GROUP RESULTS

# CONTINUOUS ENHANCEMENT OF DIGITAL SOLUTIONS

## ContAll – the first bank account aggregator on the market

- ✓ ContAll, launched in November 2018, allows MyBRD Mobile users to have, in a single place, a quick and comprehensive overview of their accounts at multiple banks
- ✓ Compiled information includes current account balance, transaction history, loans & credit cards, deposits & saving accounts

## Continuous migration towards digital channels

 **1.59m** contracts (MyBRD Net&MyBRD Mobile) at 2018 end  
**+15%** vs 2017 end, with mobile banking growing at a fast pace (MyBRD Mobile banking subscriptions, **+36%**)

**+27%** nb of transactions in 2018 vs 2017

**+49%** nb of connections in 2018 vs 2017

## Progressive adjustment of network footprint

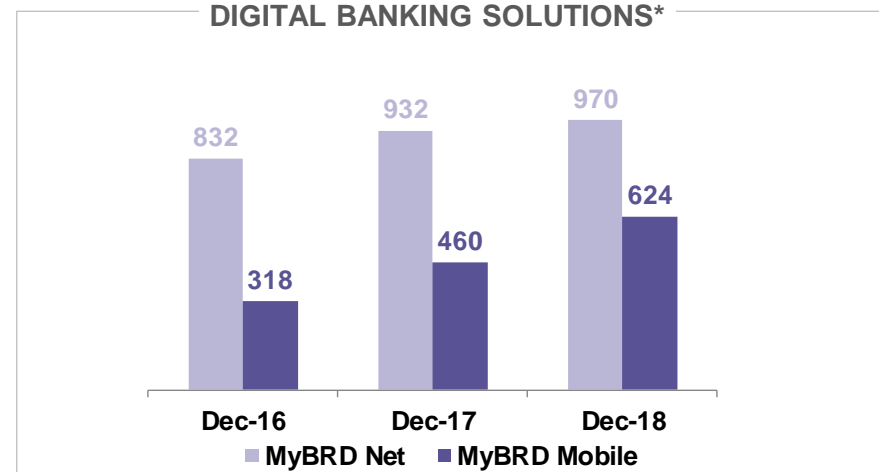
- ✓ 723 branches at 2018 end, -37 y/y

## Building strong commercial relationships

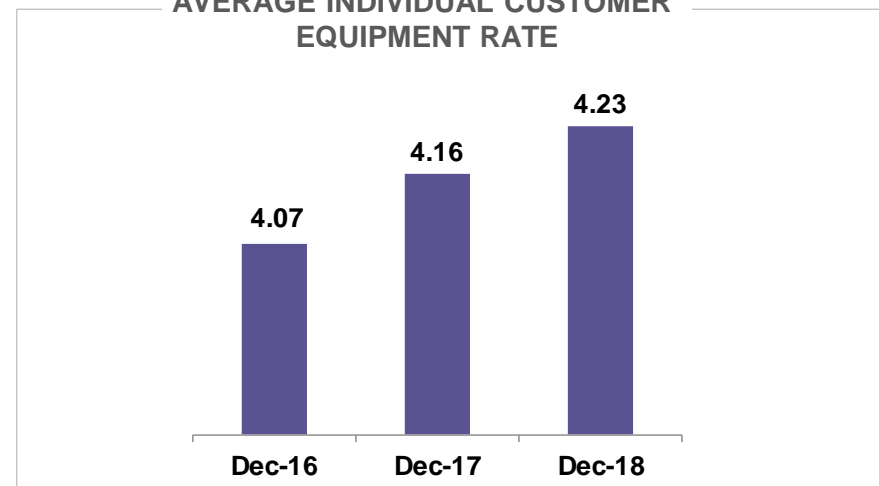
MyBRD Net and MyBRD Mobile penetration rates reaching 45% (+2pts y/y) and 30% (+8pts y/y) respectively, at 2018 end

Average equipment rate of individual clients up to 4.23 from 4.16 at 2017 end

## DIGITAL BANKING SOLUTIONS\*



## AVERAGE INDIVIDUAL CUSTOMER EQUIPMENT RATE



\* Number of contracts: MyBRD Mobile, MyBRD Net

# LOAN GROWTH DRIVEN BY BOTH RETAIL AND LARGE CORPORATE SEGMENTS

## Retail loans up +3.7%\* y/y

Consumer loans up by +7.0%\*

Focus on higher mass market customers with sound risk profile, as reflected by the +22% increase in average ticket size for consumer loans

BRD Finance production up by +9.3% y/y to RON 670 million in 2018 on strong demand for revolving and car loans

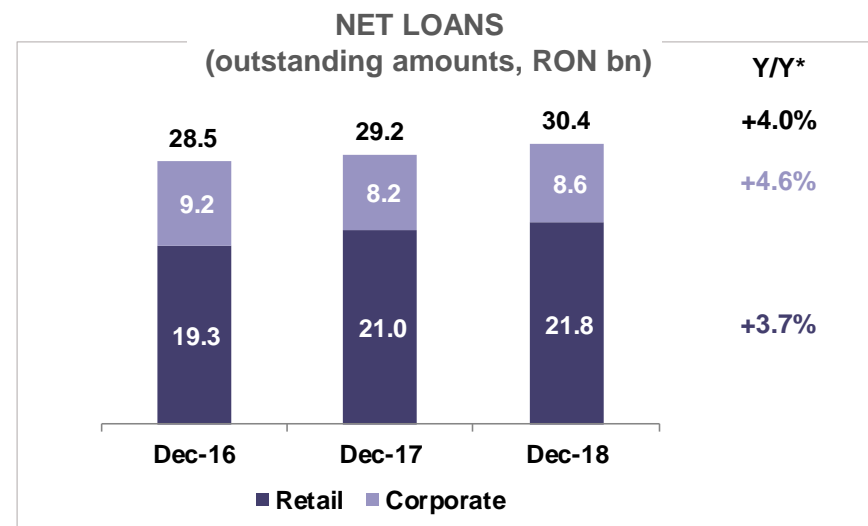
Housing loans outstanding up by +4.6%\* y/y, with increasing share of BRD specific product "La Casa Mea"

## Corporate financing: dynamic activity on large corporate segment

Loans to large companies accelerating to +10.8%\* versus Dec-2017 end

Factoring operations of RON 5.6bn, up by +9.3% y/y, driven by both export and domestic operations

BRD Sogelease production up by +10.0% y/y, driven by non-retail segment (+21.8% y/y), especially SMEs



## Actively contributing to the sustainable development of Romanian SMEs

BRD co-financed more than 140 investment projects with EU grant component, amounting to about EUR 54 million, of which 54% for the agricultural sector

BRD sustained Romanian farmers by pre-financing the European and national agriculture subsidies: approx. 3200 APIA bridge loans granted in 2018, totaling over 35 MEUR

\* Variations at constant exchange rate

Note: Net loans exclude reverse repo transactions. Dec-16 and Dec-17 amounts have been restated for comparability purposes.

# LARGE AND GROWING RETAIL DEPOSIT BASE ENSURING STABLE FUNDING SOURCES

## Retail savings continued to rise

Retail deposits up by +7.1%\* y/y due to higher inflows in current accounts (+21%\* y/y)

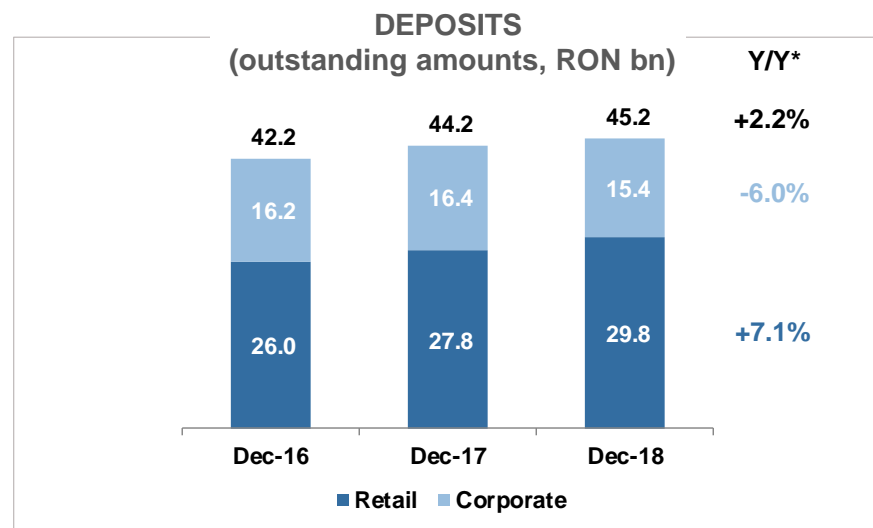
Corporate deposits pragmatically adjusted as BRD is enjoying a strong liquidity position

## Stable funding sources

Loan to deposit ratio at 67.2%, +1.1 pts y/y, ensuring a stable funding base

Share of deposits in total liabilities growing from 69% at 2011 end to 94% at 2018 end

Parent funding of ca. 2% of BRD Group liabilities at 2018 end



\* Variations at constant exchange rate

# STRONG AND BROAD-BASED REVENUE GROWTH

## Revenue growth momentum maintained

Solid net banking income increase, on the back of both interest and non interest income growth

- +14.1% in Q4-2018 vs. Q4-2017
- +11.9% in 2018 vs. 2017

## Double digit increase of net interest income

- +16.1% in Q4-2018 vs. Q4-2017
- +15.7% in 2018 vs. 2017

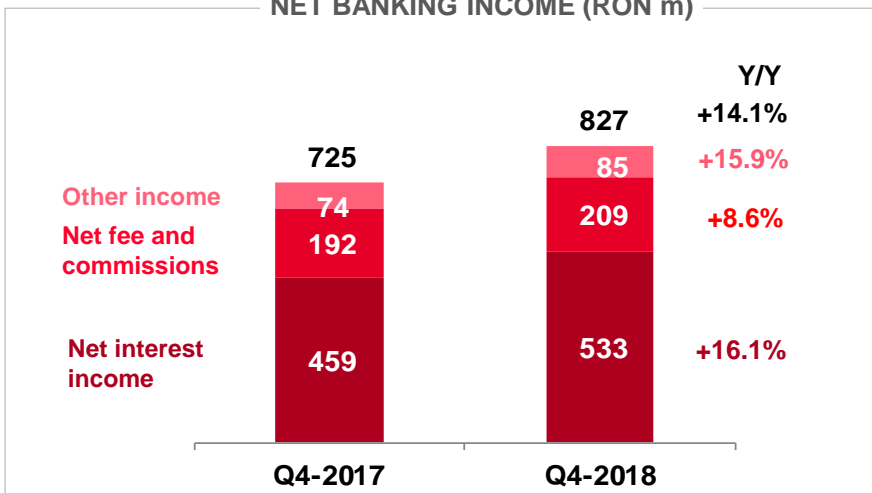
Positive volume effect on steadily rising loans and deposits:

- 2018 avg. outstanding loans up +3.4% y/y (retail loans up +6.1% y/y)
- 2018 avg. outstanding deposits up +4.5% y/y

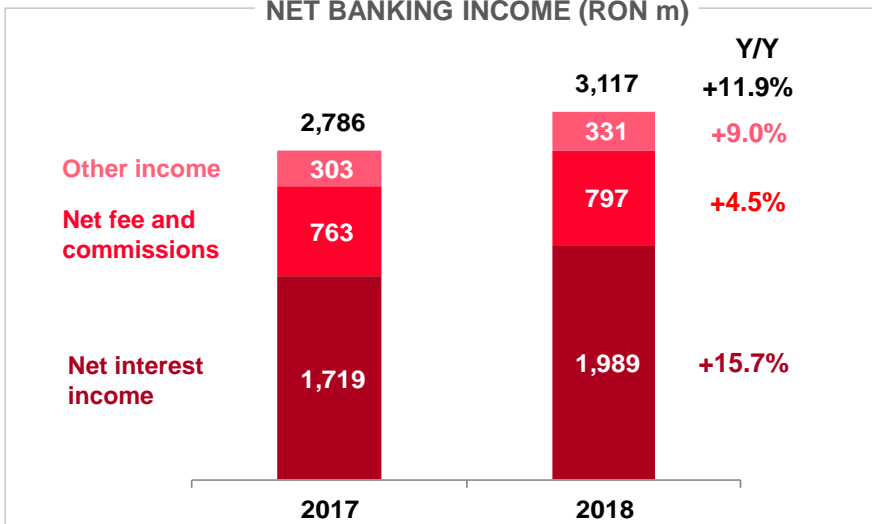
## Higher non-interest income (+5.7% y/y in 2018)

- Increasing card activity
- Growth in custody and depository revenues
- Higher transaction volumes

NET BANKING INCOME (RON m)



NET BANKING INCOME (RON m)



# IMPROVED OPERATIONAL EFFICIENCY

**Marginally increasing operating expenses (+1.1% y/y) in 2018 vs. 2017**

- reduced annual contribution to Bank Deposit Guarantee Fund and Resolution Fund (-50.5% y/y)
- ...almost compensating staff cost increase (+3.9% y/y, related to salary and other benefits adjustments in a very tight labor market) and higher IT&C costs driven by transformation related investments

Evolution of operating expenses in Q4 2018 (-6.1% vs. Q4 2017) impacted by a base effect linked to the recognition of RON 29m provision for restructuring in Q4 2017

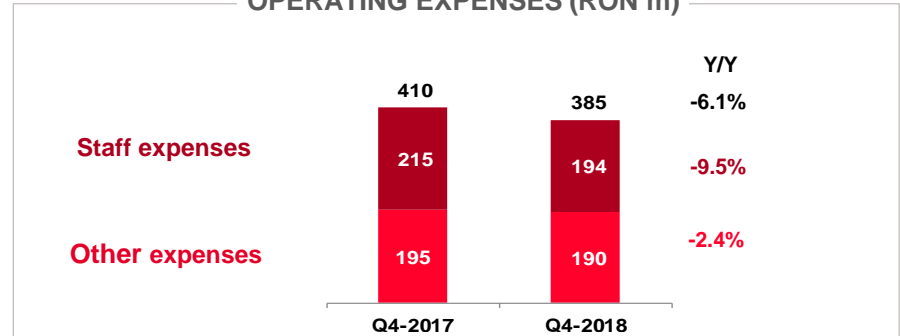
**Significant improvement in C/I ratio**

C/I at 47.8% in 2018, lower by -5.1 pts vs 2017

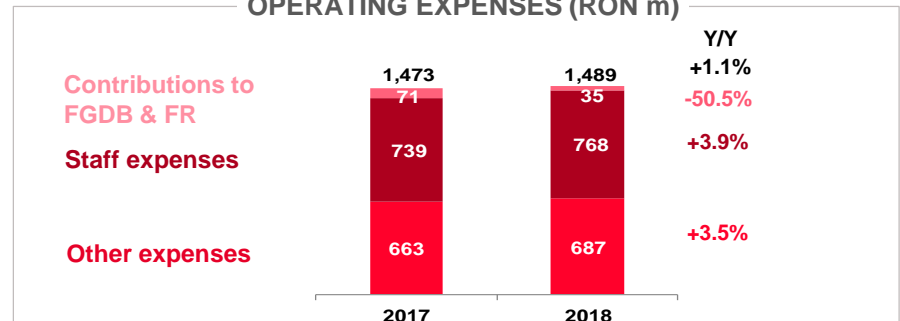
**Very strong operating performance**

GOI up +24.0% y/y in 2018 (+40.3% y/y in Q4-2018)

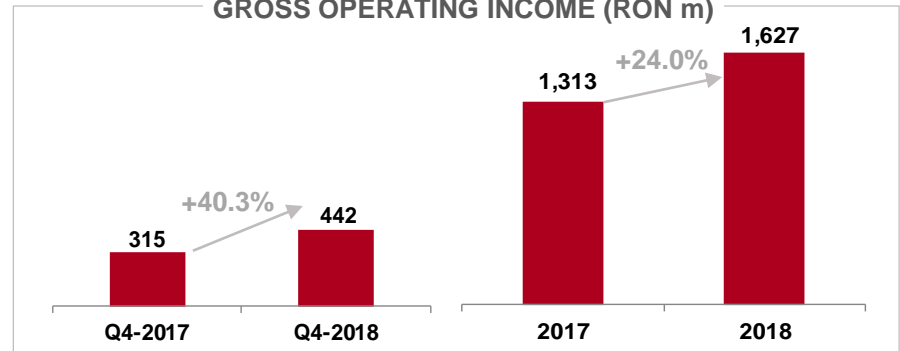
OPERATING EXPENSES (RON m)



OPERATING EXPENSES (RON m)



GROSS OPERATING INCOME (RON m)



# IMPROVED ASSET QUALITY

## Loan portfolio market mix

69.4% on individuals market segment  
30.6% on legal entities market segment

## Consolidation of RON lending

Share of RON denominated loans at 66.4% (vs 61.9% as of December 2017 end)  
Trend in line with market evolution

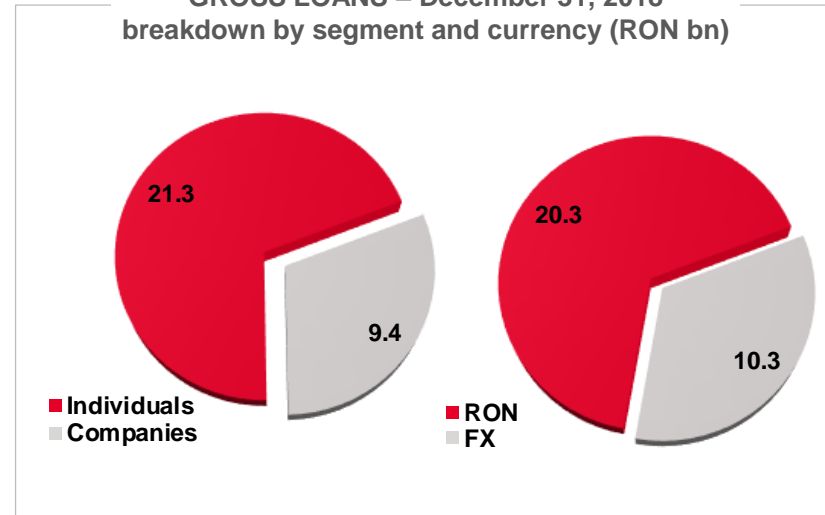
## Declining NPL

Declining trend, in line with the banking sector level  
Reflecting write-offs performed since 2015 as well as outstanding NPL recovery performance

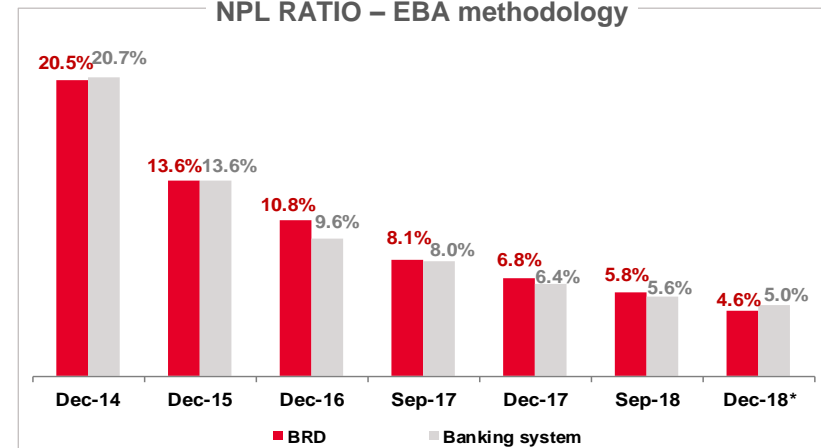
## Outlook

Stabilization of NPL ratio close to 5% is expected due to relatively low default rate and low capacity to perform debt sale following legislative changes

GROSS LOANS – December 31, 2018  
breakdown by segment and currency (RON bn)



NPL RATIO – EBA methodology



\*NPL Ratio for Banking System – as of November 2018

All figures at individual level





# NEGATIVE COST OF RISK

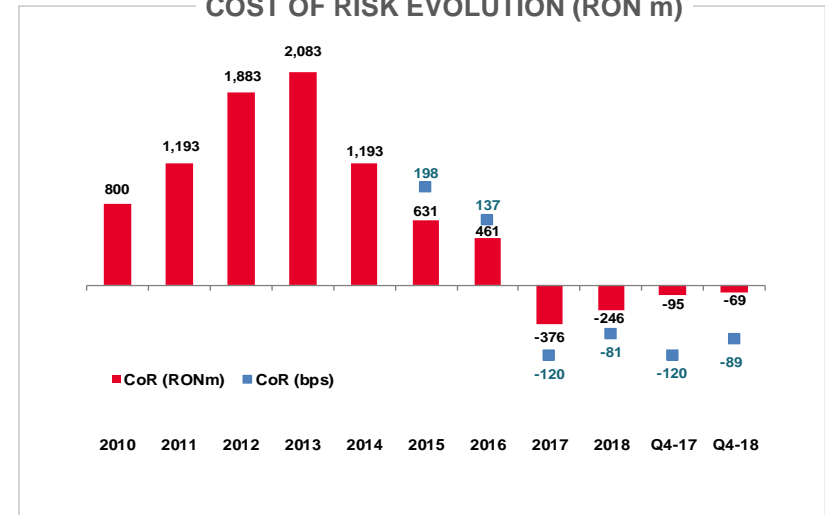
## Net cost of risk at -89 bps in Q4 2018

Significant net provision reversals related to recoveries both from recent defaults and still legacy portfolio

Limited new defaults

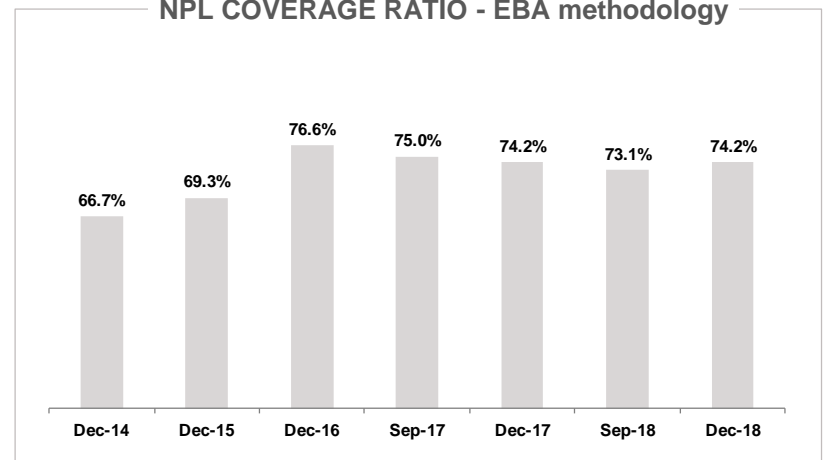
## Solid NPL coverage ratio following prudent provisioning policy

COST OF RISK EVOLUTION (RON m)



Note: Cost of risk in bps for Q4-2017 and Q4-2018 is annualized

NPL COVERAGE RATIO - EBA methodology



All figures at individual level

# VERY ROBUST OPERATING PERFORMANCE LEADING TO STRONG PROFITABILITY

**Strong full year results driven by broad based revenue growth and cost of risk write-backs**

**Net profit, up by +23.6% y/y** excluding the positive non-recurring elements related to risk costs (RON 69m in 2018 and RON 204m in 2017 net of corporate tax)

Q4 2018 net profit, up by +13.2% y/y, disregarding the exceptional charge related to anticipated costs of transformation (RON 25m net of corporate tax, booked in Q4 2017)

**Double-digit ROE**

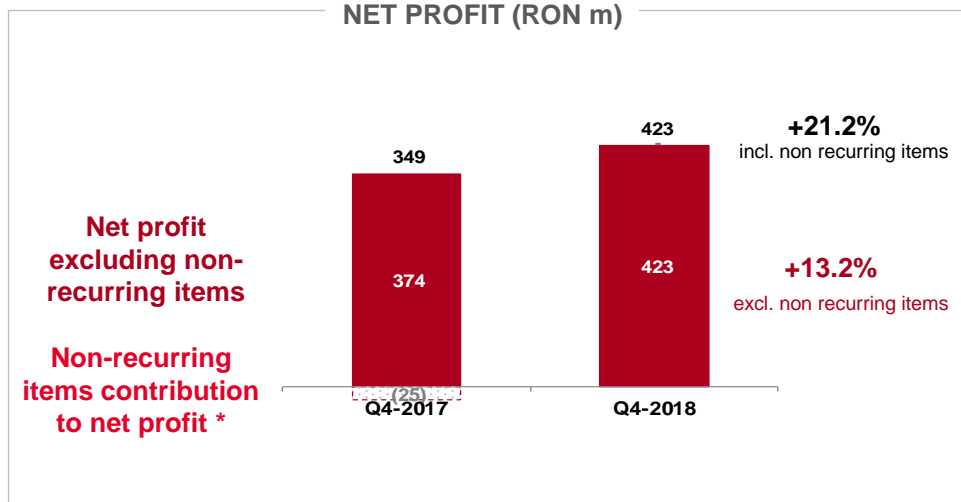
Unadjusted ROE of 20.8% vs. 20.1% in 2017

Adjusted ROE\*\* of 19.9% vs. 17.2% in 2017

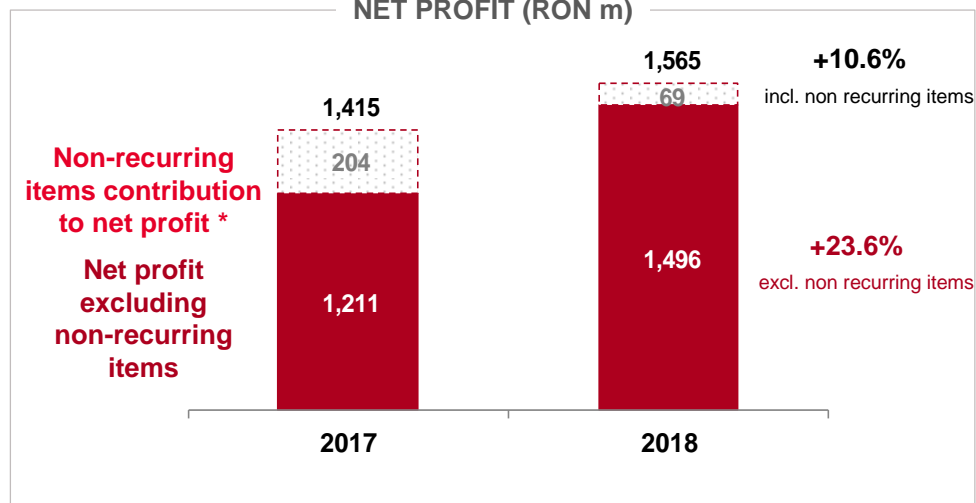
\* *Non recurring items*: insurance indemnities and gain on sale of NPLs, and exceptional charge, net of corporate tax

\*\* ROE excluding non recurring items

NET PROFIT (RON m)



NET PROFIT (RON m)



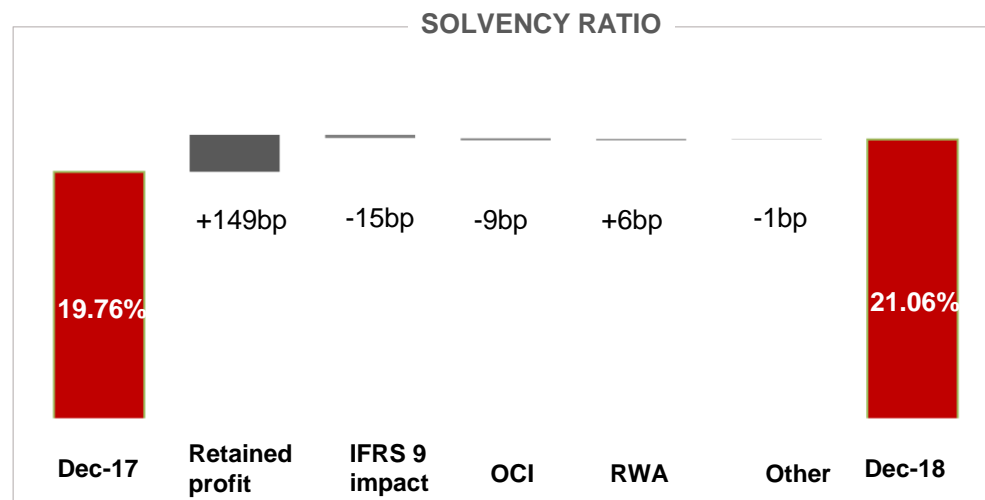
## SOLID CAPITAL POSITION

### Solid Tier 1 capital base

CAR of 21.1% at December 2018 end, comfortably above regulatory requirement

Regulatory own funds composed solely of tier 1 capital

RWA decreased on a yearly basis as a result of collaterals' eligibility optimization.



Bank only	Dec-17	Dec-18
Capital adequacy ratio	19.8%	21.1%
Own funds (RONm)	5,339	5,674
Total risk exposure amount (RONm)	27,023	26,949
Capital requirements (RONm)	2,162	2,156

*Note: Own funds for 2018 include the net profit (unaudited), net of dividends (subject to GSM approval)*

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CONCLUSIONS

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- **Broad based revenue growth pushed by strong commercial dynamic, as reflected by loans and deposits volume advance**
- **Further enhancement of digital product offer, with new features implemented like the recently launched bank account aggregator (ContALL) through which BRD positioned its client offer at the forefront of banking innovation**
- **Prudent risk management and good quality of the loan book**
- **Strong financial results on both very robust operating performance and net cost of risk write-backs**
- **Considering the results of the year as well as the expected capital adequacy trajectory, the Board of Directors has decided to propose a gross dividend per share of 1.64 RON, at the same level as for 2017 financial year, subject to a favorable vote by the Annual General Meeting of Shareholders on April 18, 2019**

# AN ACTIVE ENGAGEMENT IN THE ROMANIAN SOCIETY



## CULTURE

- Journalism – culture and education: [Scena9.ro](#), [Scoala9.ro](#)
  - Platform for the new creators: [Rezidenta BRD Scena9](#)
    - Classical Music: [Sonoro](#), [Stradivarius](#)
- Performing Arts: [Sibiu International Theatre Festival](#), [National Theater Festival](#), [Ideo Ideis](#)
  - Contemporary Art: [White Night of Galleries](#)

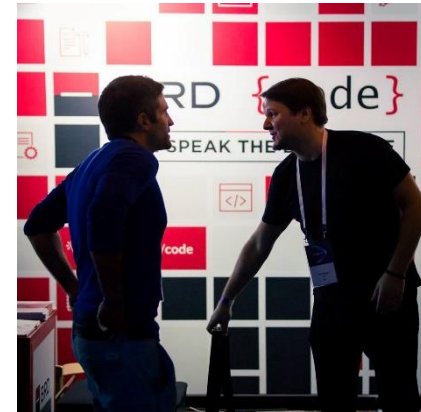
## EDUCATION & TECH

- Mindcraft technology platform, with :
- [BRD First Tech Challenge](#) (the Romanian franchise of the world's most important robotics competition)
  - [Innovation Labs](#)
  - [Financial education](#)



## SPORT

- [WTA Tournament - BRD Bucharest Open](#)
- [Romanian Handball Federation](#)



## RECOGNIZED EXCELLENCE



Bank of the Year in Romania



Bank of the Year in Romania



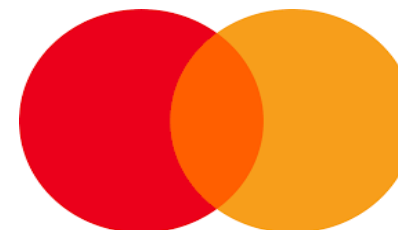
Best Trade Finance Provider in Romania



Best FX Provider



Best Investment Fund – Simfonia,  
BRD Asset Management



Friendliest Bank for Youth, Romania



Best Sub-Custodian Bank,  
Romania



e-product: ContALL - the first bank  
account aggregator (MyBRD Mobile)



Best Sub-Custodian Bank, Romania

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Q&A SESSION



# APPENDIX



# BRD GROUP | KEY FIGURES

	RON m	Q4-2018	Q4-2017	Change	2018	2017	Change
<b>Reported financial results</b>	<b>Net banking income</b>	827	725	+14.1%	3,117	2,786	+11.9%
	Operating expenses	(385)	(410)	-6.1%	(1,489)	(1,473)	+1.1%
	Gross operating income	442	315	+40.3%	1,627	1,313	+24.0%
	Net cost of risk	61	88	-31.4%	230	360	-35.9%
	<b>Net profit</b>	<b>423</b>	<b>349</b>	<b>21.2%</b>	<b>1,565</b>	<b>1,415</b>	<b>+10.6%</b>
	Cost/Income	46.5%	56.5%	-10.0 pt	47.8%	52.9%	-5.1 pt
	ROE	22.8%	19.2%	+3.6 pt	20.8%	20.1%	+0.7 pt
<b>Financial results excluding non recurring items</b>	<b>Net banking income</b>	827	725	+14.1%	3,117	2,786	+11.9%
	Operating expenses	(385)	(381)	+1.1%	(1,489)	(1,444)	+3.2%
	Gross operating income	442	345	+28.4%	1,627	1,342	+21.3%
	Net cost of risk	61	88	-31.4%	135	88	+54.0%
	<b>Net profit</b>	<b>423</b>	<b>374</b>	<b>+13.2%</b>	<b>1,496</b>	<b>1,211</b>	<b>+23.6%</b>
	Cost/Income	46.5%	52.5%	-6.0 pt	47.8%	51.8%	-4.0 pt
	ROE	22.8%	21.2%	+1.6 pt	19.9%	17.2%	+2.7 pt
<b>Non recurring items (RON m)</b>	<b>Opex: exceptional charge</b>	-	(29.3)		-	(29.3)	
	<b>NCR: insurance indemnities and sale of NPLs (pre-tax)</b>				95.4	271.9	
<b>Loans and deposits</b>	<b>RON bn</b>				<b>Dec-18</b>	<b>Dec-17</b>	<b>vs. Dec-17</b>
	<b>Net loans including leasing (RON bn) <sup>(1)</sup></b>				<b>30.4</b>	<b>29.2</b>	<b>+4.0%</b>
	Retail				21.8	21.0	+3.7%
	Corporate				8.6	8.2	+4.6%
	<b>Total deposits (RON bn) <sup>(1)</sup></b>				<b>45.2</b>	<b>44.2</b>	<b>+2.2%</b>
	Retail				29.8	27.8	+7.1%
	Corporate				15.4	16.4	-6.0%
	<b>Loan to deposit ratio</b>				<b>67.2%</b>	<b>66.0%</b>	<b>+1.1 pt</b>

<sup>(1)</sup> Variations at constant exchange rate

## BRD | KEY FIGURES FOR BANK ONLY

	RON m	Q4-2018	Q4-2017	Change	2018	2017	Change
<b>Financial results</b>	<b>Net banking income</b>	<b>777</b>	<b>680</b>	<b>+14.3%</b>	<b>2,981</b>	<b>2,641</b>	<b>+12.8%</b>
	Operating expenses	(359)	(385)	-6.7%	(1,400)	(1,388)	+0.9%
	Gross operating income	418	295	+41.8%	1,581	1,254	+26.1%
	Net cost of risk	69	95	-27.1%	246	376	-34.4%
	<b>Net profit</b>	<b>409</b>	<b>336</b>	<b>21.6%</b>	<b>1,546</b>	<b>1,380</b>	<b>+12.0%</b>
	Cost/Income	46.2%	56.6%	-10.4 pt	47.0%	52.5%	-5.6 pt
	ROE	23.1%	19.4%	+3.7 pt	21.5%	20.6%	+0.9 pt

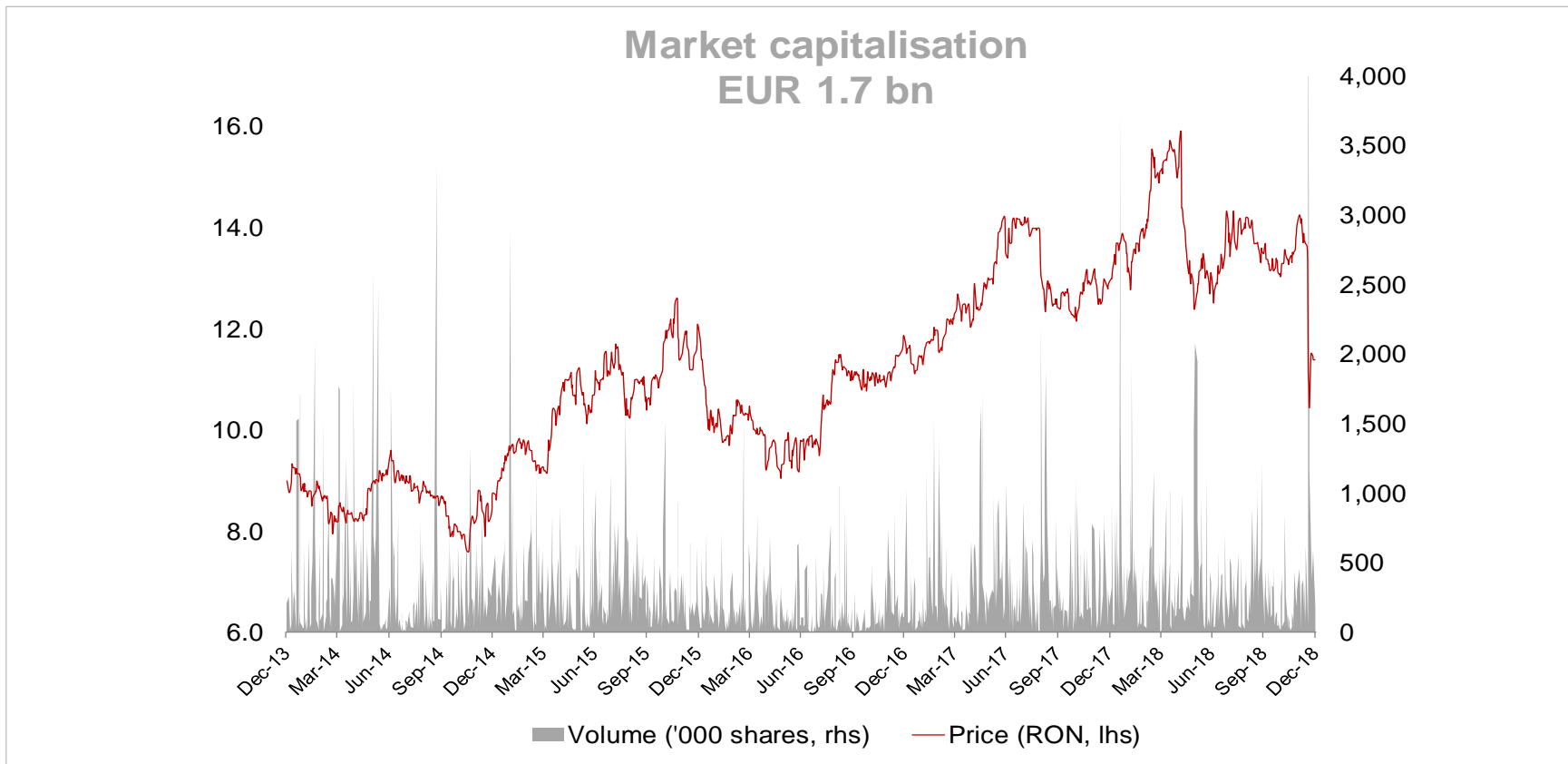
	RON bn	2018	2017	vs. Dec-17
<b>Loans and deposits</b>	<b>Net loans (RON bn) <sup>(1)</sup></b>	<b>28.9</b>	<b>27.9</b>	<b>+4.0%</b>
	Retail	21.0	20.3	+3.2%
	Corporate	7.9	7.6	+4.8%
	<b>Total deposits (RON bn) <sup>(1)</sup></b>	<b>45.3</b>	<b>44.4</b>	<b>+2.1%</b>
	Retail	29.8	27.8	+7.1%
	Corporate	15.5	16.6	-6.4%
	<b>Loan to deposit ratio</b>	<b>63.8%</b>	<b>62.8%</b>	<b>+1.0 pt</b>

<b>Capital adequacy</b>	<b>CAR <sup>(2)</sup></b>	<b>21.1%</b>	<b>19.8%</b>	<b>+1.3 pt</b>
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<b>Franchise</b>	<b>No of branches</b>	<b>723</b>	<b>760</b>	<b>(37)</b>
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<sup>(1)</sup> Variations at constant exchange rate; <sup>(2)</sup> Bank only

# BRD | STOCK PRICE PERFORMANCE



- BRD is part of the main market indices on the Bucharest Stock Exchange
- BRD is in Top 5 largest domestic companies listed on the local stock exchange
- BRD's share price reached RON 11.40 as of December 2018 end, -11.6% y/y.

## FINANCIAL CALENDAR FOR 2019

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- **7<sup>th</sup> February: Preliminary 2018 financial results and annual press conference**
- **18<sup>th</sup> April: General Shareholders Meeting for approving the 2018 annual financial results**
- **3<sup>rd</sup> May: Presentation of the 1<sup>st</sup> quarter 2019 financial results**
- **1<sup>st</sup> August: Presentation of the 2<sup>nd</sup> quarter and 1<sup>st</sup> half 2019 financial results**
- **6<sup>th</sup> November: Presentation of the 3<sup>rd</sup> quarter and 9 months 2019 financial results**

## GLOSSARY – CLIENT SEGMENTATION

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- The **Retail** category is comprised of the following customer segments:
  - **Individuals** – BRD provides individual customers with a range of banking products such as: savings and deposits taking, consumer and housing loans, overdrafts, credit card facilities, funds transfer and payment facilities.
  - **Small business** – business entities with annual turnover lower than EUR 1m and having an aggregated exposure at group level less than EUR 0.3m. Standardized range of banking products is offered to small companies and professionals: savings and deposits taking, loans, transfers and payment services.
- The **Corporate** category is comprised of the following customer segments:
  - **Small and medium enterprises** - companies with annual turnover between EUR 1m and EUR 50m and the aggregated exposure at group level higher than EUR 0.3m. The Bank provides SMEs with a range of banking products such as: savings and deposits taking, loans and other credit facilities, transfers and payment services.
  - **Large corporate** - within corporate banking BRD provides customers with a range of banking products and services, including lending and deposit taking, provides cash-management, investment advices, securities business, project and structured finance transaction, syndicated loans and asset backed transactions. The large corporate customers include companies with annual turnover higher than EUR 50m, municipalities, public sector and other financial institutions.



## BRD GROUPE SOCIETE GENERALE - INVESTOR RELATIONS

+4 021 380 47 62

[investor@brd.ro](mailto:investor@brd.ro)



[www.brd.ro](http://www.brd.ro)

