



BRD - GROUP

RESULTS

3RD QUARTER AND 9 MONTHS 2018



9 NOVEMBER 2018



YOUR BANK. YOUR TEAM



GRUPE SOCIETE GENERALE

DISCLAIMER

The consolidated and separate financial position and income statement for the period ended September 30, 2018 were examined by the Board of Directors on November 7, 2018.

The financial information presented for the period ended September 30, 2018 and comparative periods has been prepared according to IFRS as adopted by the European Union and applicable at this date.

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

9M 2018: STRONG OPERATING PERFORMANCE

Growing revenues thanks to robust retail banking activities and rising RON interest rates

Substantially higher net interest income, up by +15.5% y/y, on growing volumes and rising interest rates
Solid increase of average outstanding of net loans (+4.3%) and deposits (+5.2%)

NBI

RON 2,289m +11.1% vs 9M 2017

Strong gross operating income growth

GOI

RON 1,185m +18.9% vs 9M 2017

Net cost of risk write-backs

Significant net provision reversals related to recoveries and portfolio improvement
Cost of risk write-backs reaching RON 170m, -37.6% y/y, on higher non recurring items booked in H1 2017

NCR

RON 170m write-back -37.6% vs 9M 2017

Strong rise in net profit excluding non-recurring items, on robust revenue generation

Net profit**

RON 1,073m +28.2% vs 9M 2017

Comfortable level of solvency ratio and solid liquidity position, supporting further business growth

CAR: 19.4% vs 18.5% at September 2017

ROE: 20.9% in 9M 2018 (vs. 20.5% in 9M 2017)

Note: CAR at Bank only level

* Variation at constant exchange rate; ** excluding non-recurring items

Q3 2018: ACCELERATING REVENUES MOMENTUM SUPPORTING THE BOTTOM LINE

Strong revenue momentum

NBI up +12.3% vs Q3 2017 on +20.0% higher net interest income

Robust commercial dynamics in retail banking

Retail loans +4.3% y/y*

Low cost of risk

Net cost of risk write-backs of RON +15m compared to RON +2m in Q3-2017 as a result of recoveries on defaulted portfolios coupled with improvement in portfolio risk profile

Continued improvement of loan book quality

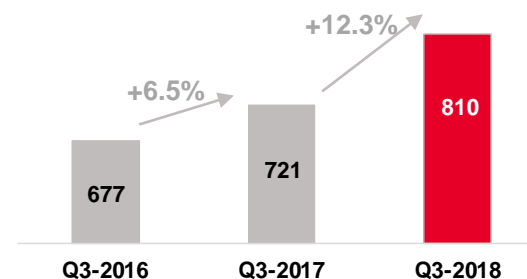
Confirmed NPL ratio reduction trend: 5.8% vs 8.1% at September 2017 end

Coverage ratio at high level: 73.1% at September 2018 end

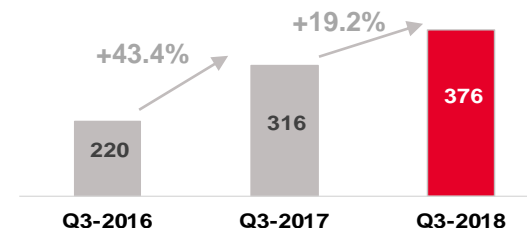
Solid quarterly revenue advance

Net profit excluding non-recurring items of RON 376m in Q3 18, up by +19.2% y/y, thanks to robust operating performance and positive cost of risk

NET BANKING INCOME (RON m)



NET PROFIT excluding non recurring items (RON m)



ROE: 22.3% in Q3 2018 vs. 17.9% in Q3 2017

* Variation at constant exchange rate;

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MACROECONOMIC &
BANKING ENVIRONMENT

ECONOMIC GROWTH SLOWING DOWN

Deceleration of economic growth

GDP growth slowed down in Q2 2018 (+4.2%* y/y) after the strong growth in 2017, given a weaker contribution from private consumption component, while investment activity has yet to recover

Inflation rate remains elevated

Inflation rate at 5.0% at September 2018 end, near the peak registered in June 2018 (5.4% y/y)

Year-end inflation should come at a lower rate, on dissipating Q4 2017 unfavorable one-offs effects

NBR on hold after three hikes year-to-date

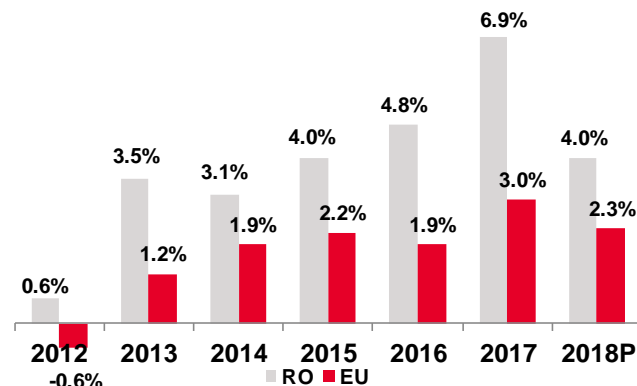
Key interest rate kept at 2.5% at both NBR monetary policy meetings during Q3 2018, given the prospects for inflation rate decline and decelerating economic growth

Interbank RON interest rates on the rise since September 2017

Average ROBOR 3M reaching 2.64% in 9M-18 vs. 0.88% in 9M-17

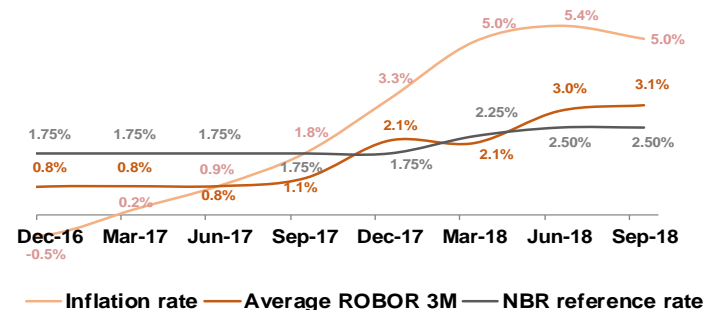
* Seasonally adjusted

GDP GROWTH



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

INTEREST RATE ENVIRONMENT



HOUSEHOLD DRIVEN CREDIT GROWTH

Robust credit growth in nominal terms

Continuous positive dynamic of loans to individuals, on the back of **housing loans** (+11.5%* y/y)

Consumer loans accelerating at +6.0%* y/y, supported by increasing disposable income

Lending activity on companies (+1.8%* y/y) segment remaining rather subdued, in a context of sluggish investments and rising financing costs

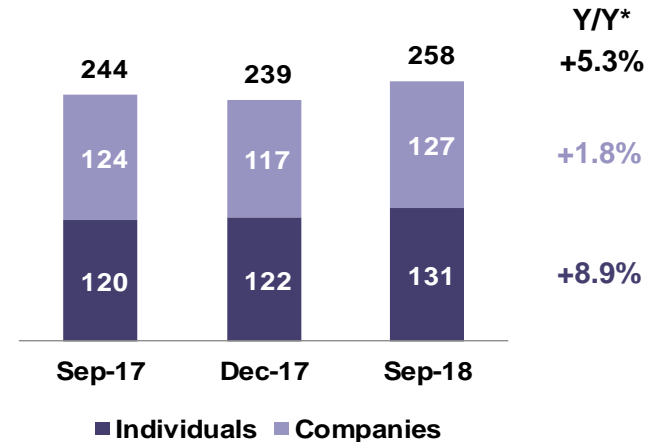
Deposits up by +9.4%* y/y

Savings rate at elevated level both on individuals and companies

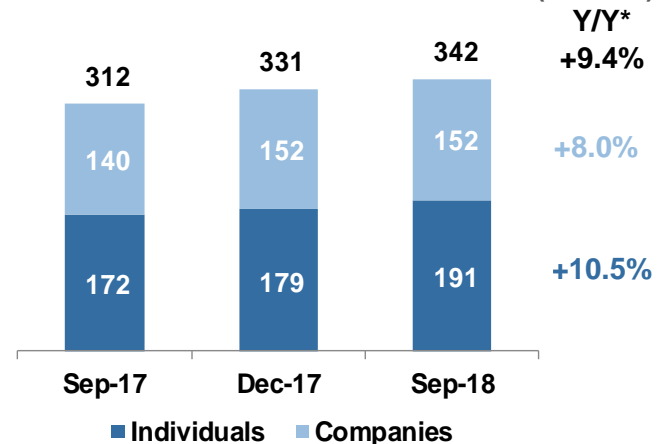
Individuals' deposits up +10.5%* y/y

Strong rise of companies' deposits +8.0%* y/y

ROMANIAN BANKING SYSTEM LOANS (RON bn)



ROMANIAN BANKING SYSTEM DEPOSITS (RON bn)



* Variation at constant exchange rate

COMFORTABLE PRUDENTIAL INDICATORS, HIGH PROFITABILITY

Declining NPL ratio

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 5.5% at August 2018 end, compared to 20.7% at 2014 end

Comfortable coverage ratio, significantly higher than EU average

Solvency and liquidity at adequate levels

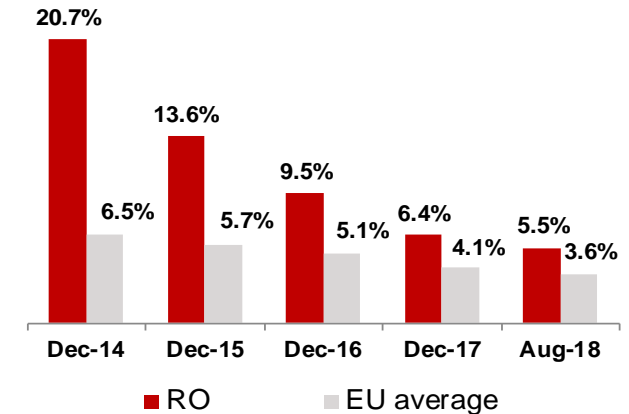
Loan to deposit ratio at 75% at June 2018 end (vs 116% in 2011)
Average liquidity coverage ratio at 239.6% at June 2018 end, well above regulatory requirement (100% in 2018) and European average (148.2% at June 2018 end)
Total capital ratio of 20.1% as of June 2018 end, quasi stable y/y

Rising profitability of the banking sector

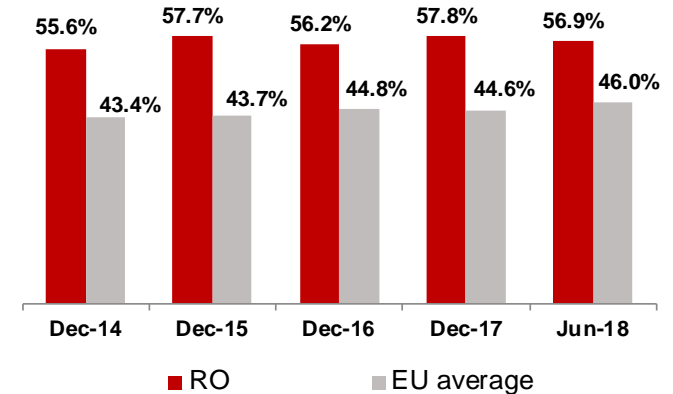
ROE near 10% in both 2015 and 2016 and further improving to 12.7% in 2017
ROE of 15.7% in H1 2018 versus 12.9% in H1 2017

Source: EBA Risk Dashboard – Q2 2018, NBR data
EU average NPL and Coverage ratios, as of Jun-18 end

ROMANIAN BANKING SYSTEM NPL RATIO



ROMANIAN BANKING SYSTEM NPL COVERAGE RATIO



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3RD QUARTER AND FIRST
9 MONTHS 2018 BRD GROUP
RESULTS

INCREASING ADOPTION OF DIGITAL BANKING SOLUTIONS

More intense commercial relationships

Average equipment rate of individual clients up to 4.25 from 4.16 at September 2017 end

Average equipment rate of small business clients up to 3.80 from 3.72 at September 2017

MyBRD Net and MyBRD Mobile penetration rates reaching 45% (+3pts y/y) and 28% (+8pts y/y) respectively, at September 2018

Further enhancing digital offer

- ✓ more options for current account number sharing
- ✓ simplified invoice payment
- ✓ screen customization for selected recently launched smartphones

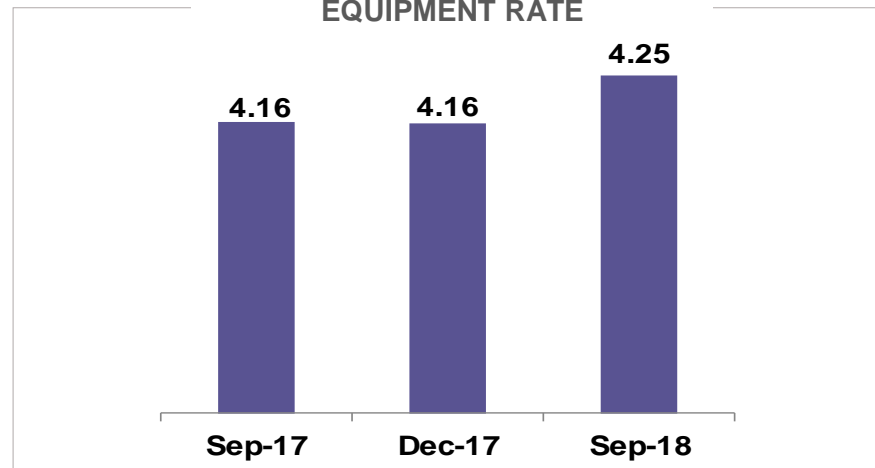
Continuous migration towards digital channels

1.51m contracts (MyBRD Net & MyBRD Mobile) **+16%** vs September 2017 end, with mobile banking growing at a fast pace (MyBRD Mobile banking subscriptions, **+38%** y/y)

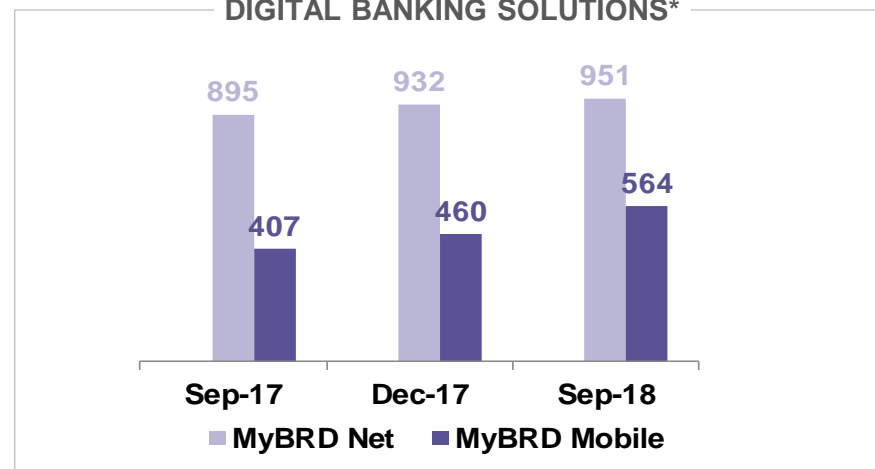
Progressive adjustment of network footprint

- ✓ 745 branches at September 2018, -39 y/y

AVERAGE INDIVIDUAL CUSTOMER EQUIPMENT RATE



DIGITAL BANKING SOLUTIONS*



* No of contracts: MyBRD Mobile, MyBRD Net

RETAIL LOANS REMAIN THE MAIN GROWTH DRIVER

Retail loans +4.3%* y/y

Housing loans outstanding up by +8.3%* y/y, with increasing share of BRD specific product “La Casa Mea”

Total consumer loan production down by -4.4% y/y to RON 3.2bn in 9M-2018 but average ticket size strongly rising by +22% y/y reflecting increased focus on higher profile mass market clients

BRD Finance production up by +7% y/y to RON 476 million in 9M-2018 on strong demand for revolving, consumer and car loans

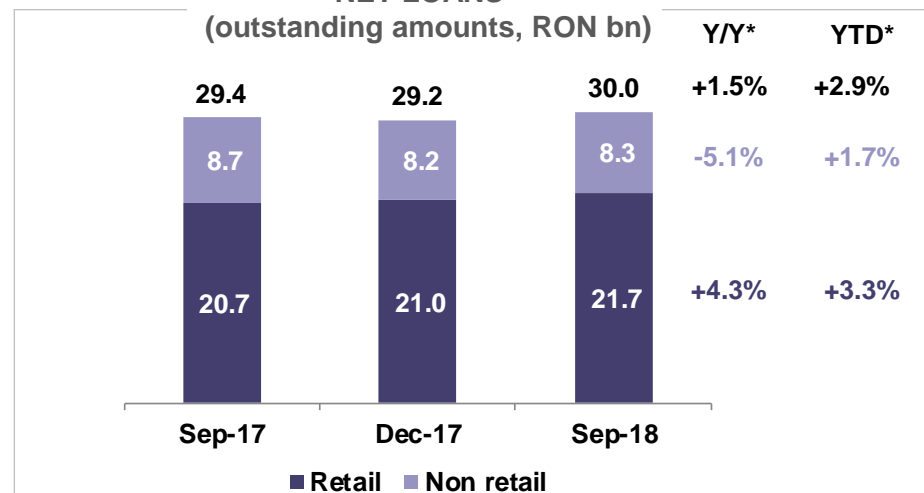
Non-retail loans up by +1.7%* ytd

Loans to large companies up by +7.3%* versus Dec-2017 end

Factoring operations of RON 3.9bn, up by +6.4% y/y

Average net leasing portfolio up by +12% y/y and leasing production up by +11% y/y supported by strong contribution from all segments

NET LOANS
(outstanding amounts, RON bn)



* Variations at constant exchange rate

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

FURTHER WIDENING OF THE RETAIL DEPOSIT BASE

Further improvement in deposit inflows from individual customers

Retail savings +6.7%* y/y with deposits in current accounts up by +24%* for individual customers

Non-retail deposits declined as the funding approach is pragmatically adjusted based on the liquidity needs of the bank

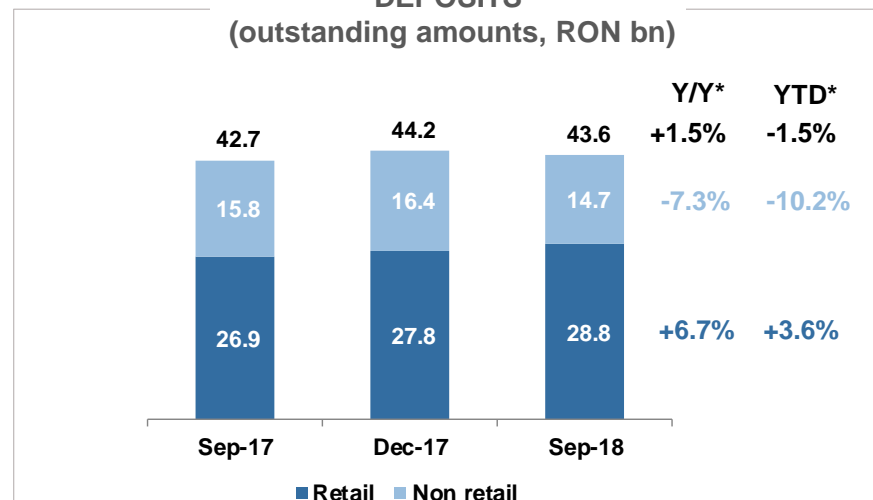
Stable funding sources

Loan to deposit ratio at 69.0%, ensuring a stable funding base and leaving sufficient room for sustainable loan growth

Share of deposits in total liabilities growing from 69% at 2011 end to 92% at September 2018 end

Parent funding of ca. 2% of liabilities at September 2018 end

DEPOSITS
(outstanding amounts, RON bn)



* Variations at constant exchange rate

STRONG REVENUE GROWTH

Revenue generation remains consistent and broad-based

Q3-2018 net banking income up by +12.3%

9M-2018 net banking income up by +11.1%

Rising net interest income thanks to volume and rate effects

Net interest income up by +20.0% y/y in Q3-2018 and by +15.5% y/y in 9M-2018

Positive volume effect on steadily rising loans and deposits:

- 9M avg. outstanding loans up +4.3% y/y (retail loans up +6.9% y/y)
- 9M avg. outstanding deposits up +5.2% y/y

Favorable interest rate effect:

- ROBOR 3M avg. of 2.64% in 9M-2018, +176 bps y/y
- ROBOR 3M avg. of 3.27% in Q3-2018, +233 bps y/y

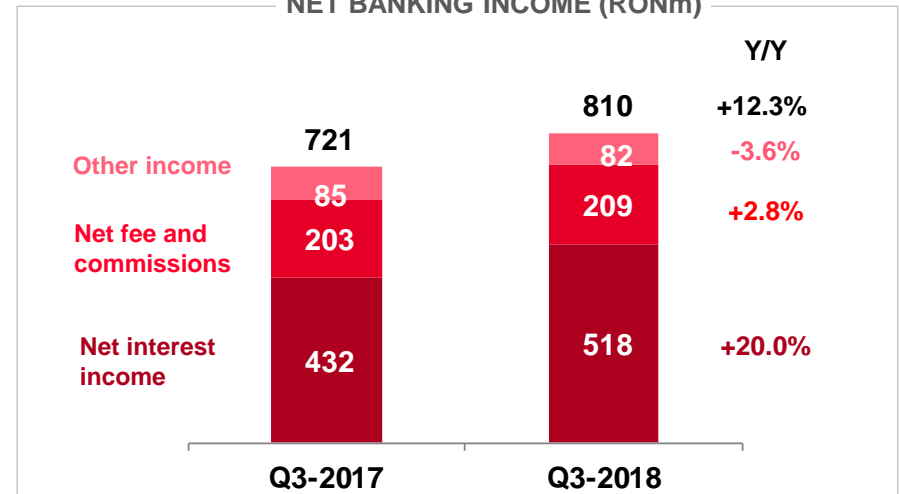
Broad-based growth in non-interest income

Rising net fees and commissions

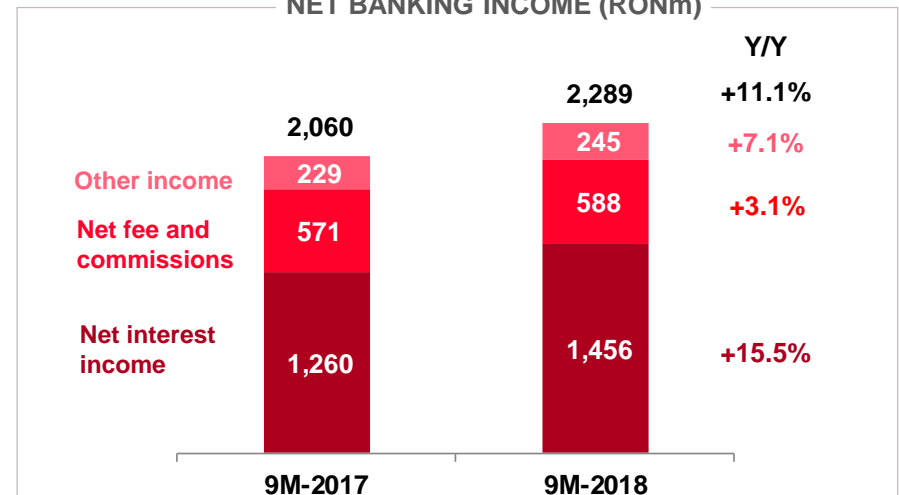
- Higher volume of non-cash transactions
- Intensified card activity
- Dynamic custody and depository activity

Higher other banking income due to improved trading result

NET BANKING INCOME (RONm)



NET BANKING INCOME (RONm)



DISCIPLINED COST MANAGEMENT

Costs reflecting ongoing transformation investments and tight labor market conditions

Increasing staff costs, due to adjustment of compensation packages in a tight labor market context

Higher IT and consultancy costs, on strong investments related to the 2018-2020 transformation program

Lower cumulated contribution to Bank Deposit Guarantee Fund and Resolution Fund (-50.5%), booked fully in Q1-2018

Continued improvement in C/I ratio

C/I at 48.2% in 9M-2018, lower by -3.4 pts vs 9M-2017

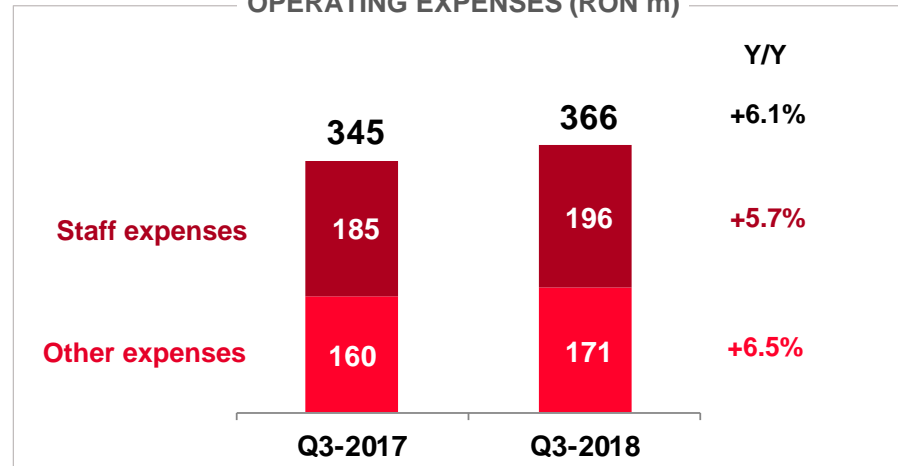
C/I of 45.2% in Q3 2018, lower by -2.7 pts vs Q3-2017

Very solid operating performance

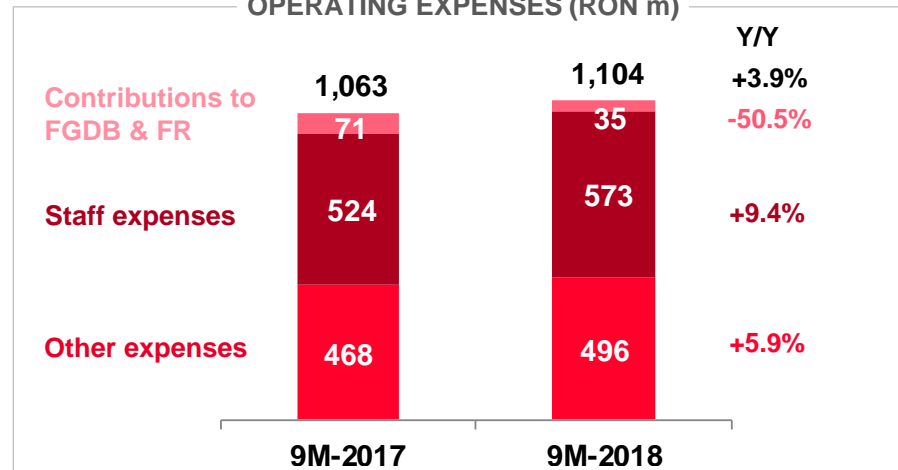
GOI +18.9% y/y in 9M-2018

GOI +18.1% y/y in Q3-2018

OPERATING EXPENSES (RON m)



OPERATING EXPENSES (RON m)



IMPROVED ASSET QUALITY

Loan portfolio market mix

69.1% on individuals market segment
30.9% on legal entities market segment

Consolidation of RON lending

Share of RON denominated loans at 65.5% (vs 59.7% as of September 2017 end)
Trend in line with market evolution

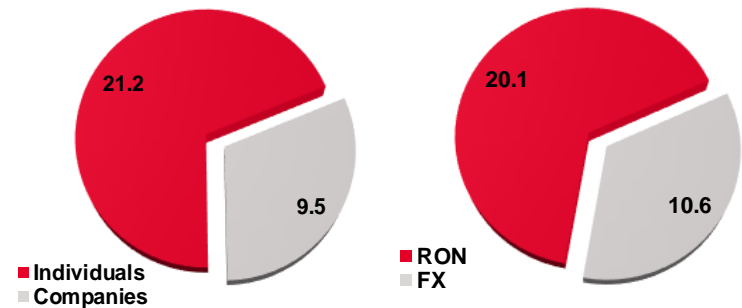
Declining NPL

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

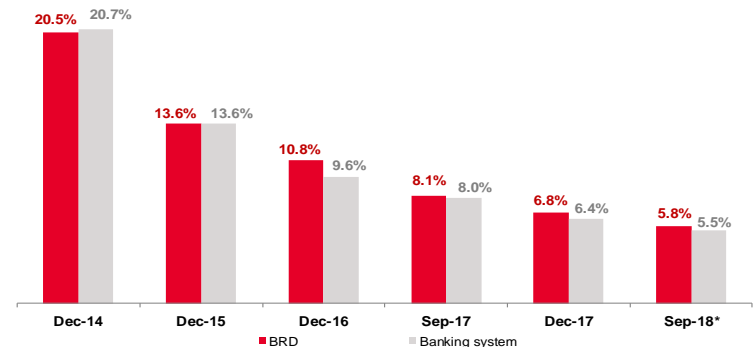
Outlook

Further write-offs to be performed, in line with the Bank's policy
Future sales of receivables to be impacted by recent and expected changes in legal environment

GROSS LOANS – September 30, 2018
breakdown by segment and currency (RON bn)



NPL RATIO – EBA methodology



For comparability reasons, BRD historical figures have been restated due to change in exposure classification of reverse repo (excluded from ratio's denominator)

*NPL Ratio for Banking System – as of Aug -2018

All figures at individual level



NEGATIVE COST OF RISK

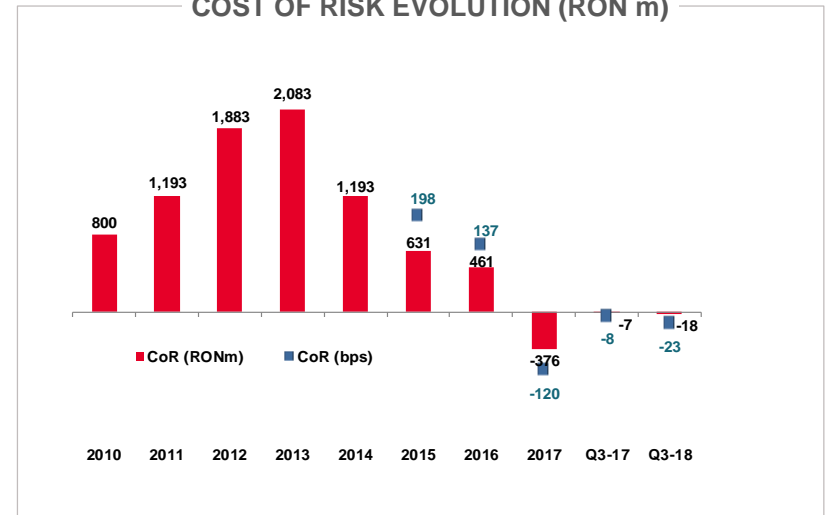
Net cost of risk at -23 bps, driven by:

Significant net provision reversals still related to recoveries and portfolio improvement.

NCR related to new defaults remains limited.

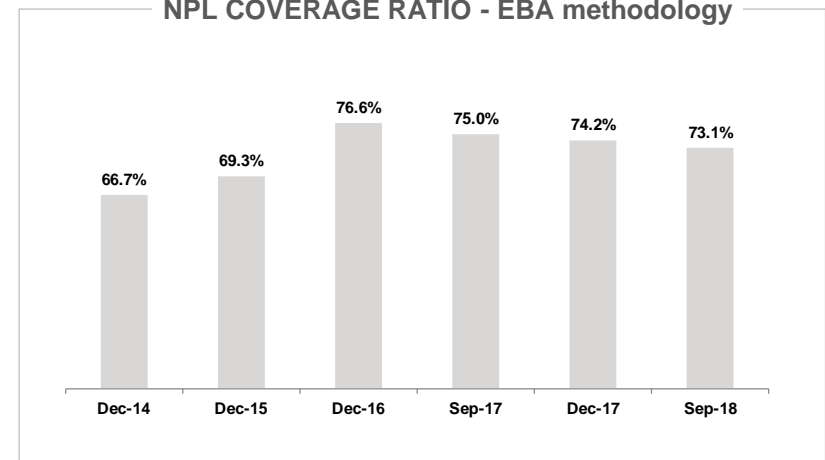
Slight decrease of NPL coverage ratio mainly driven by write-offs

COST OF RISK EVOLUTION (RON m)



Note: Cost of risk in bps for Q3-2017 and Q3-2018 is annualized

NPL COVERAGE RATIO - EBA methodology



FURTHER INCREASING OPERATING PERFORMANCE LEADING TO STRONG PROFITABILITY

Strong profitability driven by further improvement in operational performance and cost of risk write-back

9M 2018 net profit up by +28% y/y excluding the positive non-recurring elements related to risk costs (RON 69m in 9M-2018 and RON 228m in 9M-2017, net of corporate tax)

Q3 2018 net profit up by +22% y/y

Double-digit ROE

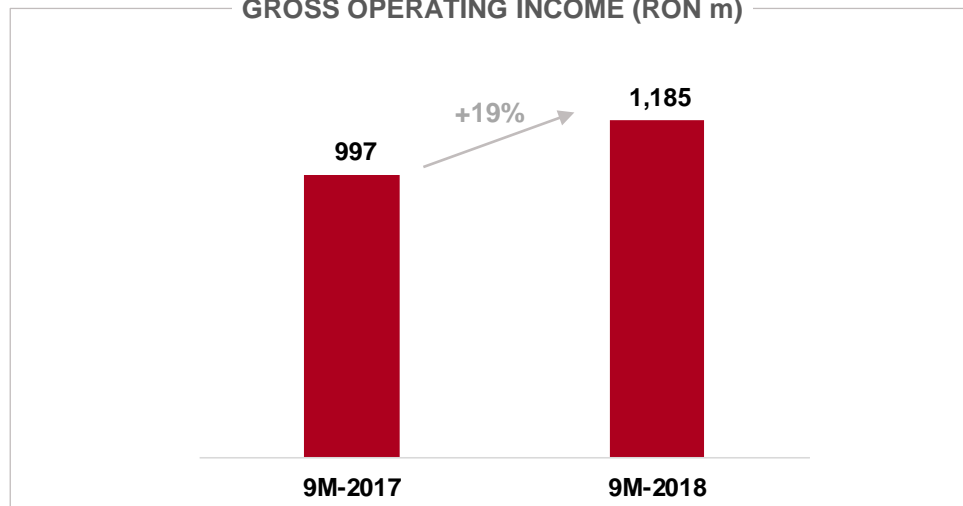
Unadjusted ROE of 20.9% vs. 20.5% in 9M-2017

Adjusted ROE** of 19.7% vs. 16.1% in 9M-2017

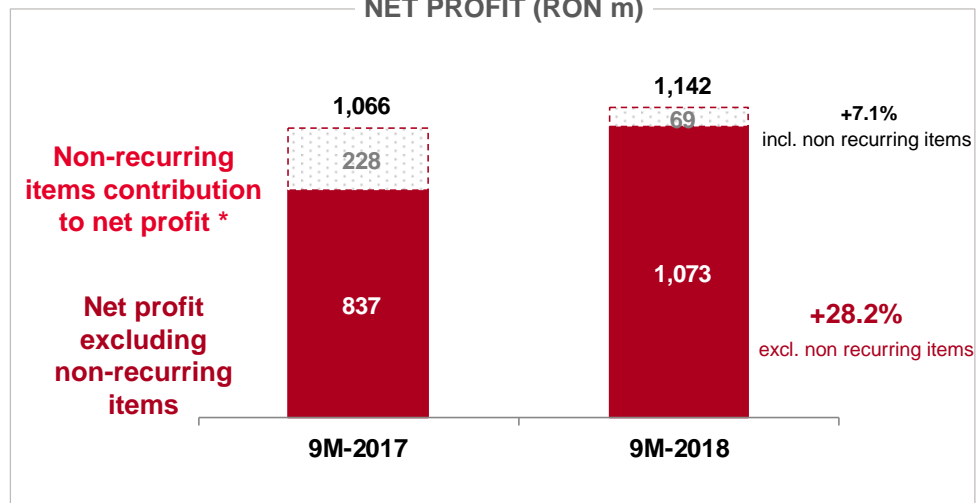
* *Non recurring items*: insurance indemnities and gain on sale of NPLs, net of corporate tax

** ROE excluding non recurring items

GROSS OPERATING INCOME (RON m)



NET PROFIT (RON m)



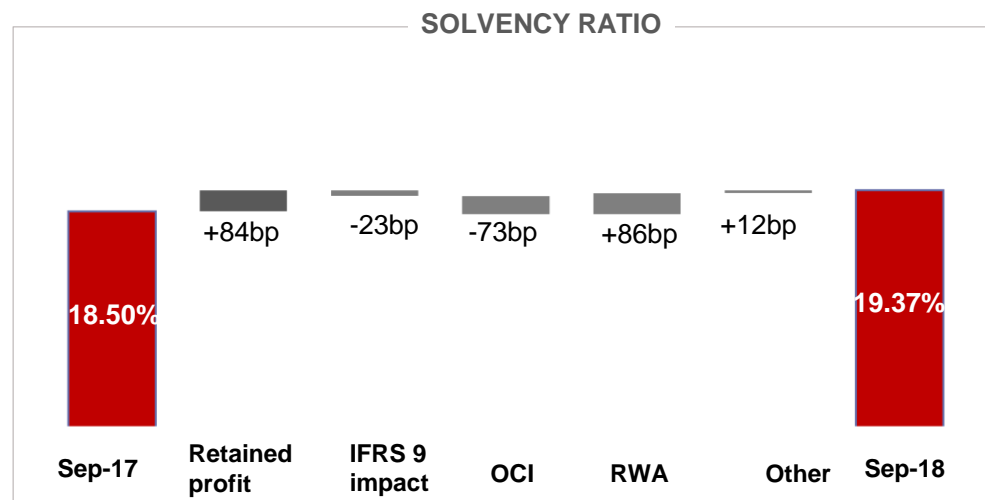
SOLID CAPITAL POSITION

Solid Tier 1 capital base

CAR of 19.4% at September 2018 end, comfortably above regulatory requirement

Regulatory own funds composed solely of tier 1 capital

Impact of the decrease of the revaluation reserve for debt instruments, given rising yields: -73bps



Note: Bank only

Bank only	Sep-17	Dec-17	Sep-18
Capital adequacy ratio	18.5%	19.8%	19.4%
Own funds (RONm)	5,221	5,339	5,221
Total risk exposure amount (RONm)	28,217	27,023	26,954
Capital requirements (RONm)	2,257	2,162	2,156

Note: Own funds as of September 2018 end include the total impact from IFRS 9 adoption as at January 1, 2018. The Bank has not opted for transitional arrangements.

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CONCLUSIONS

CONCLUSIONS

- **Significant growth in revenues based on dynamic retail business and rising volumes of non-cash transactions**
- **Robust loan growth with retail loans as main driver**
- **Simplifying customer experience through digital innovation**
- **Very strong operating performance**
- **Healthy risk profile**
- **Comfortable capital and liquidity positions enabling sustainable financing of the Romanian economy**
- **Very strong profitability on further improving operational performance and cost of risk write-backs**

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Q&A SESSION

APPENDIX



BRD GROUP | KEY FIGURES

	RON m	Q3-2018	Q3-2017	Change	9M-2018	9M-2017	Change
Reported financial results	Net banking income	810	721	+12.3%	2,289	2,060	+11.1%
	Operating expenses	(366)	(345)	+6.1%	(1,104)	(1,063)	+3.9%
	Gross operating income	443	375	+18.1%	1,185	997	+18.9%
	Net cost of risk	15	2	7.6x	170	272	-37.6%
	Net profit	385	316	22.0%	1,142	1,066	+7.1%
	Cost/Income	45.2%	47.9%	-2.7 pt	48.2%	51.6%	-3.4 pt
	ROE	22.3%	17.9%	+4.4 pt	20.9%	20.5%	+0.4 pt
Financial results excluding non recurring items	Net banking income	810	721	+12.3%	2,289	2,060	+11.1%
	Operating expenses	(366)	(345)	+6.1%	(1,104)	(1,063)	+3.9%
	Gross operating income	443	375	+18.1%	1,185	997	+18.9%
	Net cost of risk	(5)	2	n/a	74	0	n/a
	Net profit	376	316	+19.2%	1,073	837	+28.2%
	Cost/Income	45.2%	47.9%	-2.7 pt	48.2%	51.6%	-3.4 pt
	ROE	21.8%	17.9%	+3.9 pt	19.7%	16.1%	+3.6 pt
Non recurring items (RON m)							
NCR: insurance indemnities and sale of NPLs (pre-tax)		20.1	-		95.4	271.9	

BRD GROUP | KEY FIGURES

Loans and deposits	RON bn	Sep-17	Dec-17	Sep-18	vs. Sep-17	vs. Dec-17
	Net loans including leasing (RON bn) ⁽¹⁾		29.4	29.2	30.0	+1.5%
Retail		20.7	21.0	21.7	+4.3%	+3.3%
Non retail		8.7	8.2	8.3	-5.1%	+1.7%
Total deposits (RON bn) ⁽¹⁾		42.7	44.2	43.6	+1.5%	-1.5%
Retail		26.9	27.8	28.8	+6.7%	+3.6%
Non retail		15.8	16.4	14.7	-7.3%	-10.2%
Loan to deposit ratio		69.0%	66.0%	69.0%	+0.0 pt	+3.0 pt
Capital adequacy	CAR ⁽²⁾	18.5%	19.8%	19.4%	+0.9 pt	-0.4 pt
Franchise	No of branches	784	760	745	(39)	(15)

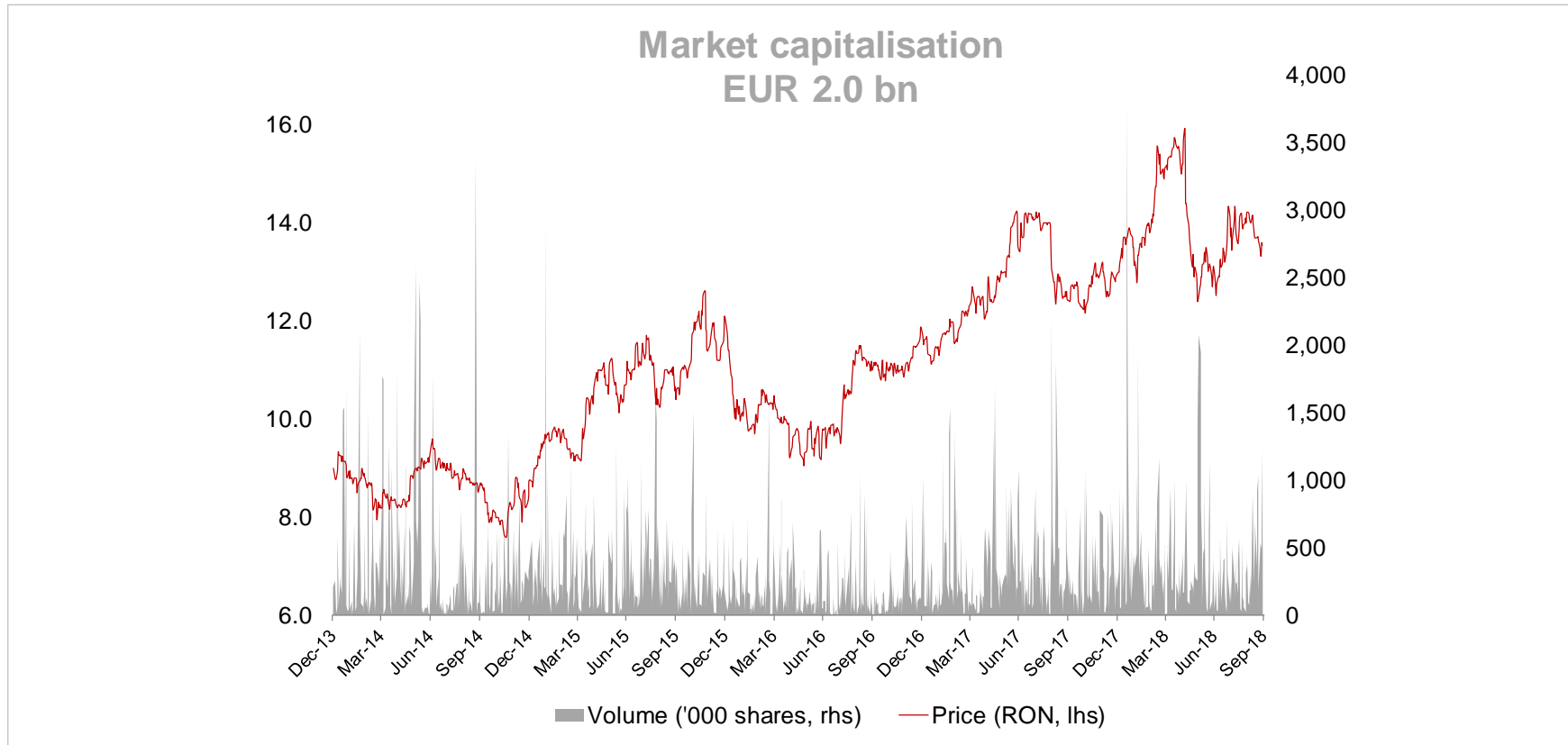
⁽¹⁾ Variations at constant exchange rate; ⁽²⁾ Bank only, including impact of prudential filters in Sep-17 and Dec-17;

BRD | KEY FIGURES FOR BANK ONLY

	RON m	Q3-2018	Q3-2017	Change	9M-2018	9M-2017	Change
Financial results	Net banking income	766	670	+14.3%	2,204	1,959	+12.5%
	Operating expenses	(344)	(324)	+6.2%	(1,041)	(1,003)	+3.8%
	Gross operating income	422	346	+21.9%	1,163	956	+21.6%
	Net cost of risk	18	7	136.8%	177	283	-37.5%
	Net profit	370	294	25.9%	1,137	1,044	+8.9%
	Cost/Income	44.9%	48.3%	-3.4 pt	47.2%	51.2%	-4.0 pt
	ROE	22.5%	17.5%	+5.0 pt	21.8%	21.1%	+0.8 pt
Loans and deposits	RON bn		Sep-17	Dec-17	Sep-18	vs. Sep-17	vs. Dec-17
	Net loans (RON bn) ⁽¹⁾		28.2	27.9	28.6	+1.2%	+2.7%
	Retail		20.0	20.3	20.9	+4.1%	+3.2%
	Non retail		8.2	7.6	7.7	-6.0%	+1.5%
	Total deposits (RON bn) ⁽¹⁾		42.8	44.4	43.6	+1.3%	-1.7%
	Retail		26.9	27.8	28.8	+6.7%	3.6%
	Non retail		16.0	16.6	14.8	-7.9%	-10.6%
	Loan to deposit ratio		65.7%	62.8%	65.6%	-0.1 pt	+2.8 pt
Capital adequacy	CAR ⁽²⁾		18.5%	19.8%	19.4%	+0.9 pt	-0.4 pt
Franchise	No of branches		784	760	745	(39)	(15)

⁽¹⁾ Variations at constant exchange rate; ⁽²⁾ Bank only including impact of prudential filters in Sep-17 and Dec-17;

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 13.54 as of September 2018 end, +8.8% y/y.

GLOSSARY – CLIENT SEGMENTATION

- 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 **Non-Retail** 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.



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