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# BRD - GROUP

## RESULTS

FULL-YEAR AND 4<sup>TH</sup> QUARTER 2017

■  
FEBRUARY 2018  
■

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YOUR BANK. YOUR TEAM



GROUPE SOCIÉTÉ GÉNÉRALE

## DISCLAIMER

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The consolidated balance sheet and profit and loss account for the period ended December 31, 2017 were examined by the Board of Directors on February 7, 2018.

The financial information presented for the year ended December 31, 2017 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 2017 financial year.

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

This presentation contains forward-looking statements relating to the targets and strategies of BRD and are based on a series of assumptions. These forward-looking statements 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 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.

1



INTRODUCTION

## 2017: FULL YEAR NET PROFIT AT RON 1.4BN, +85% Y/Y

### Strong momentum in core revenues

Net interest income (+8.4% y/y) gaining momentum, mostly on growing volumes  
Healthy loan advance (+5.3% y/y)  
Large and growing retail deposit base (+5.8% y/y)

Core NBI\*  
**RON 2,777m +4.9%** vs 2016

### Further enhanced operational performance

Core GOI\*  
**RON 1,333m +5.9%** vs 2016

### Loan portfolio quality continued to improve

Full year positive cost of risk on strong recovery performance on non retail, recognition of insurance indemnities, and gain on sale of NPL

NCR  
**RON 360m release**  
vs RON 484m charge in 2016

### Strongly increased profitability

Net profit  
**RON 1,415m +85.3%** vs. 2016

**Solid capital and liquidity positions** enabling BRD to capture future business opportunities while meeting regulatory requirements

**CAR: 19.5%**, solid capital level

**ROE: 20.1% in 2017 vs. 11.8% in 2016**

\* NBI and GOI excluding non recurring items (gains on sale of Visa share and other AFS instruments, transformation program exceptional charge)

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



## Q4 2017: BUILDING MOMENTUM IN CORE REVENUE GROWTH

### Material advance of core NBI\*

Core NBI\* up +9.4% vs Q4 2016, driven by higher net interest income and improvement in net fees and commissions revenues

Double digit growth rate in lending production for individuals

Retail loan portfolio up +7.6% y/y

Actively co-financing EU and national funded programs

### Asset quality continues to improve

Lower NPL ratio: 6.6% at December 2017 vs 10.5% at December 2016

Comfortable coverage of non performing loans, at 74.2% at December 2017

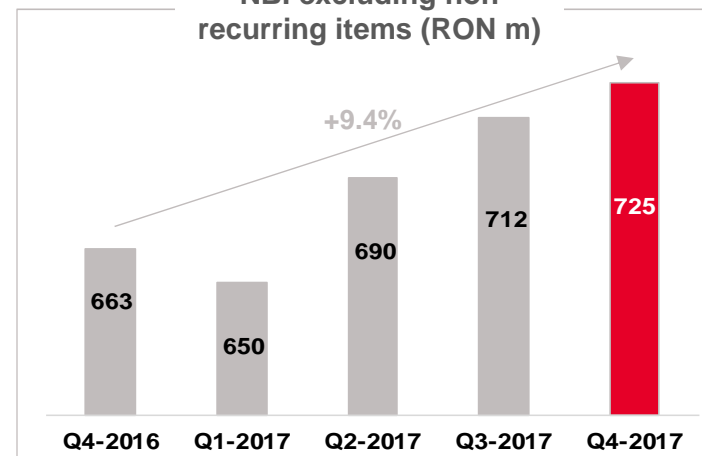
### Strong increase of operational performance

Core GOI\* up +12.2% y/y

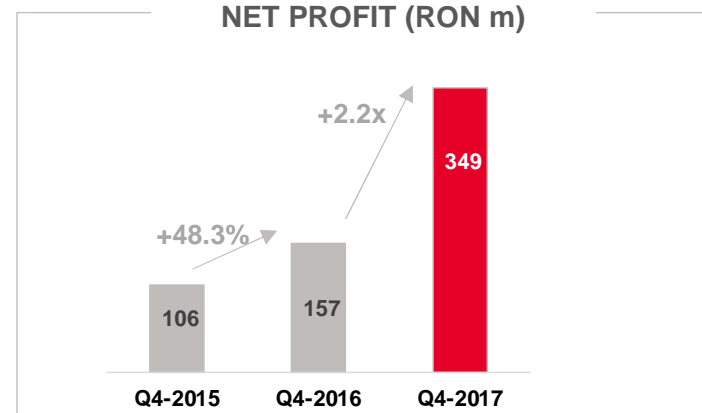
### More than doubled net profit

Net profit of RON 349m in Q4 17 vs RON 157m in Q4 16, 2.2x y/y

NBI excluding non recurring items (RON m)



NET PROFIT (RON m)



**ROE: 19.2% in Q4 2017 vs. 9.4% in Q4 2016**

\* excluding non recurring items (gains on sale of Visa share and other AFS instruments, transformation program exceptional charge)

2



MACROECONOMIC &  
BANKING ENVIRONMENT

## ECONOMIC GROWTH ABOVE EXPECTATIONS

### Largest GDP growth in Europe expected for 2017

Strong economic momentum in 2017, mostly fueled by consumption boom

Q3 17 GDP accelerated significantly at +8.6% y/y (seasonally adjusted) from +5.9% y/y in the previous quarter with household consumption as main driver

GDP growth expected to slow down to more sustainable levels in 2018

### Accelerating inflation dynamics

Inflation rate at +3.3% y/y at Dec 2017

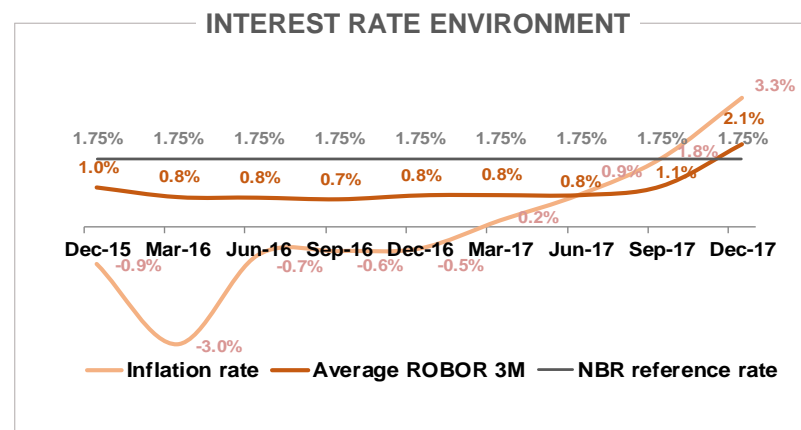
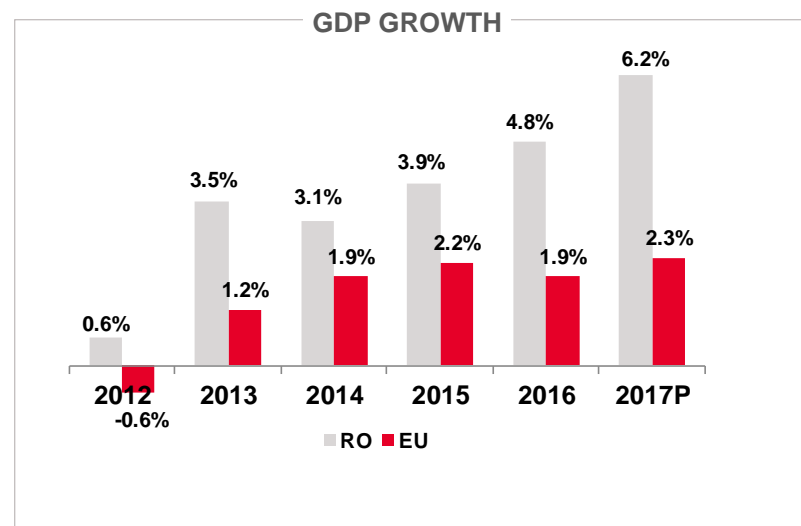
Rising trend expected to continue in the coming months, influenced by the fading base effect from January – February 2017 tax cuts, the evolution of administered prices and strengthening cost pressures from the labor market

### Towards monetary policy normalization

NBR key interest rate hike to 2% in Jan 2018 (from 1.75%, since May 2015), and again to 2.25% in February 2018, aiming at anchoring inflationary pressures

### Significant rise in RON interest rates starting September 2017

Average ROBOR 3M reaching 1.99% in Q4-17 vs. 0.94% in Q3-17



Source: projections for Romanian GDP as per BRD Research and for EU as per IMF World Economic Outlook, October 2017

## IMPROVED ANNUAL LENDING DYNAMICS

**Overall credit growth at +3.6% y/y at December 2017 end**, with lending to individuals as main driver (+6.6% y/y)

Housing loans up +11.6% y/y, still supported by the “Prima Casa” loans

Modest advance on consumer loans, +1.2% y/y at December 2017 end

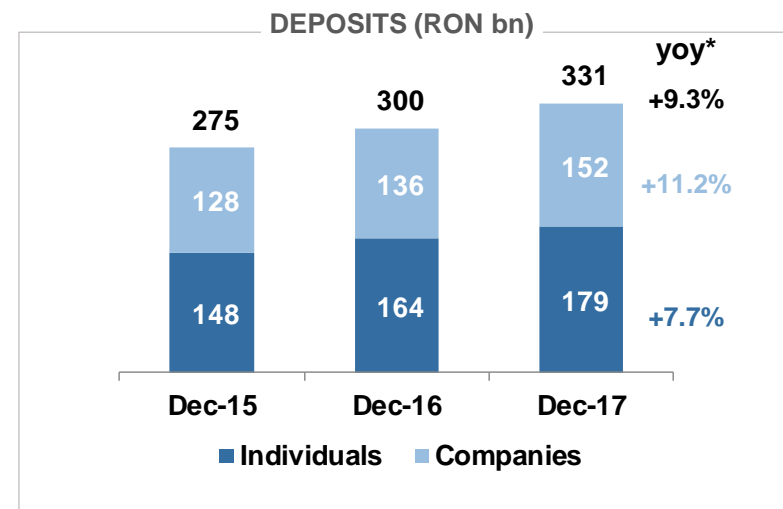
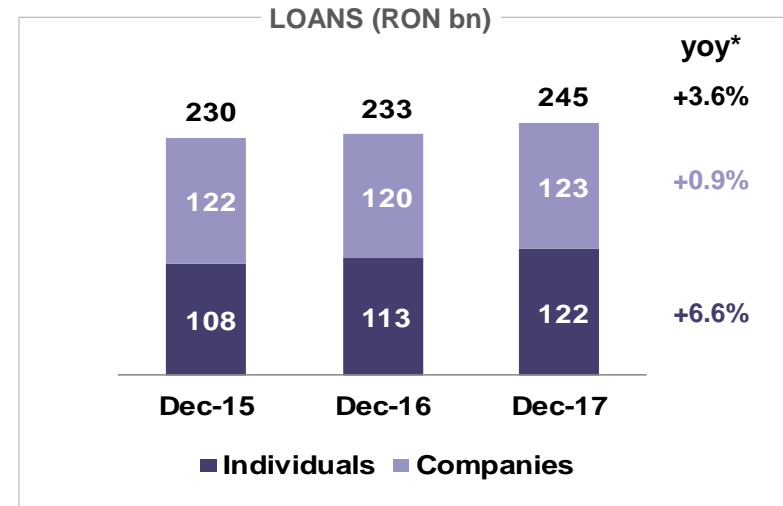
**Lending to companies still modest, yet positive**

Corporate credit up +0.9% y/y at December 2017 end, compared to a contraction in 2016, on acceleration of the local economy

**Deposit inflows from customers continued the upward trend**

Household deposits up +7.7% y/y at December 2017 end, positively influenced by wage increases

Companies savings up +11% y/y at December 2017 end



\* Variation at constant exchange rate



## THE QUALITY OF BANK ASSETS CONTINUES TO IMPROVE

### NPL ratio continued its downward trend ...

...as a result of write off operations and sale of defaulted loans portfolios

NPL ratio at 7.3% at November 2017 end, lower by 2.2 pts y/y as compared to December 2016 end

### Improved coverage ratio of NPLs

### Comfortable liquidity indicators

Loan to deposit ratio at 80% at September 2017 end (vs 116% in 2011)

Average liquidity coverage ratio at 239% at September 2017 end, well above regulatory requirement (80% in 2017) and European average (145%)

### Adequately capitalized banking sector

Total capital ratio of 19.0% as of September 2017 end (vs. 19.7% as of December 2016 end).

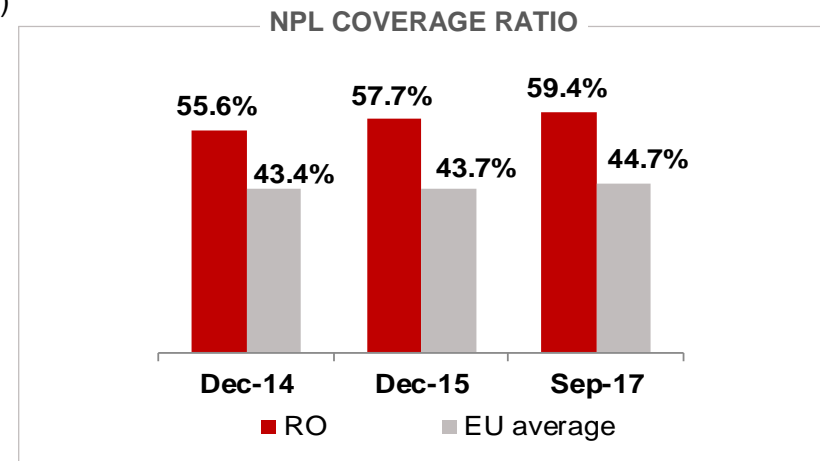
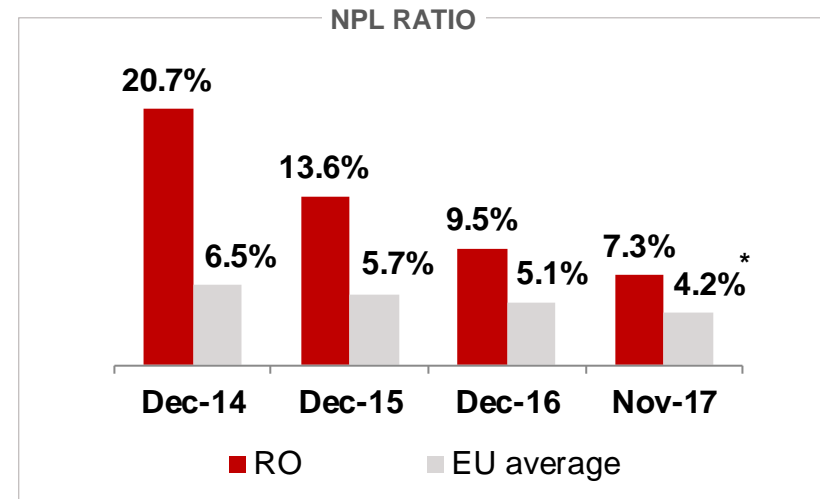
### Strengthened profitability

ROE near 10% in both 2015 and 2016

ROE at 12.9% in the first 9M 2017

\* NPL ratio, EU average, as of Sep-17 end

Source: EBA Risk Dashboard – Q3 2017, NBR data



3



4<sup>TH</sup> QUARTER AND 2017 BRD  
GROUP RESULTS

## ENHANCED DIGITAL INTENSITY



### Significant growth across remote banking channels

Stock of remote banking contracts up +21% y/y at December 2017 end (+12% internet and +45% mobile banking)

MyBRD Net and MyBRD Mobile penetration rates reaching 43% (+4pts y/y) and 22% (+7pts y/y) respectively, at December 2017

Further optimisation of network footprint (-50 branches y/y at December 2017)



### Further enhancing digital offer

Enhancement of the mobile application functionality

- ✓ face and fingerprint authentication for logging in and signing transactions
- ✓ value proposition tour before logging in
- ✓ increased flexibility of navigation and user interface upgrades

Fully online subscription to investment funds (MyBRD Net) and real time access to investment funds portfolios (MyBRD Net and Mobile)

Western Union incomings directly through MyBRD Net and MyBRD Mobile

## INCREASINGLY DIGITIZED CUSTOMER JOURNEY



### Front-to-back process automation

Time-to-Yes/Time-to-Cash reduced on optimized workflows, increased level of automation

Processes dematerialization implemented for retail lending

Prerequisite for fully digital end-to-end processes

## INTENSIFIED COMMERCIAL RELATIONSHIPS, RAPIDLY GROWING REMOTE BANKING TRANSACTIONS

### Continuing to record robust commercial growth



**2.33m** active clients

Stock of active clients increased by **+ 41,000 y/y**

#### Individuals

**2.19m** clients

**+38,000 y/y**

#### Small business

**115k** clients

**+3,000 y/y**

### Intensified all-round commercial relationships

Average equipment rate of individual clients up to 4.16 from 4.07 at December 2016.

Average equipment rate of small business clients up to 3.72 from 3.61 at December 2016

Greater penetration of online banking services

### Continued increase in digital channels adoption

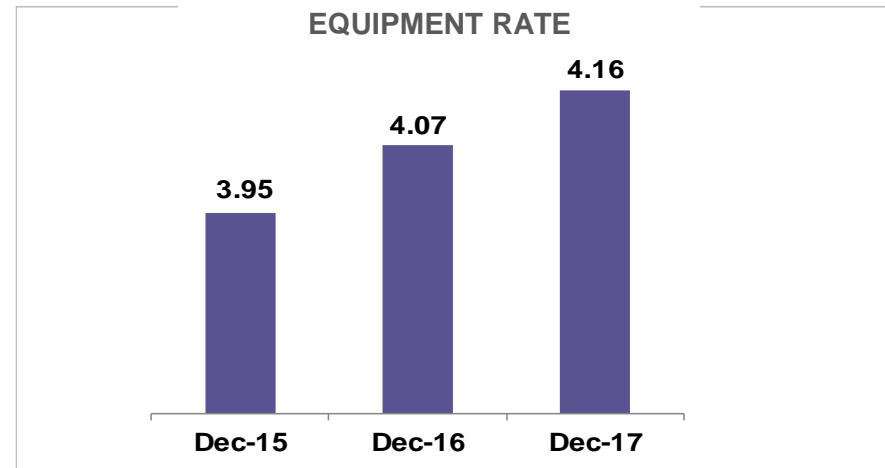


**1.4m** contracts (MyBRD Net & MyBRD Mobile) **+21%** vs December 2016 end

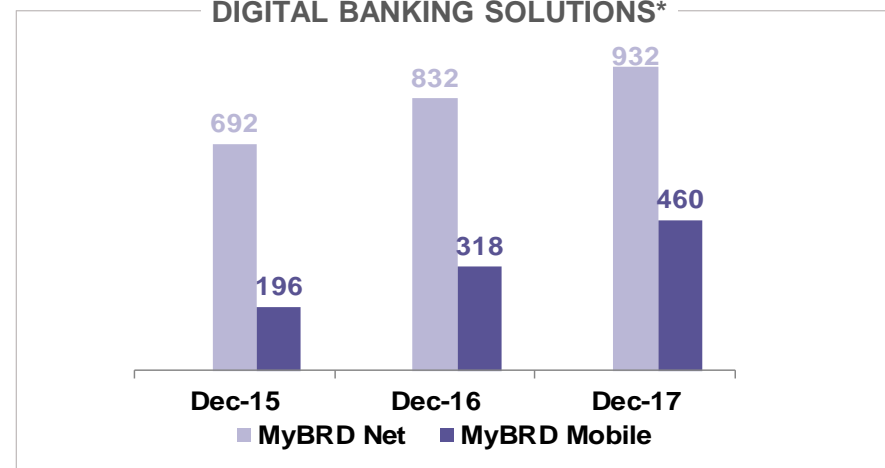
**+30%** nb of transactions in 2017 vs 2016

**+45%** nb of connections in 2017 vs. 2016

#### AVERAGE INDIVIDUAL CUSTOMER EQUIPMENT RATE



#### DIGITAL BANKING SOLUTIONS\*



\* No of contracts: MyBRD Mobile, MyBRD Net

## ACTIVELY CO-FINANCING COMPANIES UNDER EU AND NATIONAL FUNDED PROGRAMS

### LEVERAGING ON THE EXPERTISE OF OUR DEDICATED STRUCTURE



#### European Funds 2014-2020

- ✓ co-financing of over **180 investment projects**, representing ~ **370 investment and working capital loans**, amounting to ~ **EUR 60m** granted in 2017 (EUR 20m in 2016), of which 90% for agricultural sector under the National Programme for Rural Development (PNDR)

#### APIA subsidies

- ✓ approx. **3000** APIA bridge loans granted during 2017 campaign, totaling ~ **EUR 44m**

#### Government programs for SMEs

- ✓ over **15%** of the eligible SME beneficiaries selected by the management authority\* under the National Programs for Micro Industrialization and Commerce, financed by BRD in 2017

\*Ministry for Business Environment, Trade and Entrepreneurship

# HEALTHY CREDIT GROWTH PUSHED UP BY DOUBLE-DIGIT INCREASE IN NEW LOAN PRODUCTION TO INDIVIDUALS

## Double digit growth rate in lending production for individuals

Strong advance of new housing loans, with increasing share of BRD specific product "La Casa Mea"

Consumer loans on upward trend in 2017 vs 2016 on increasing disposable income and well targeted campaigns

## Net loans outstanding for retail segment up +7.6% y/y

Favorable evolution on both housing and consumer loans  
Strengthened leadership position on the market

## Continued focus on credit to large companies and leasing to SMEs

Credits to large companies up +3.1% y/y

Leasing portfolio increasing by +17%\*\* y/y

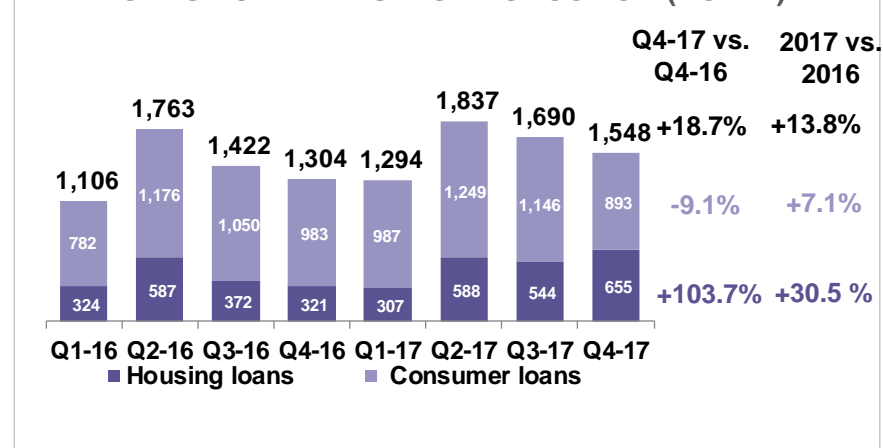
## Accelerated annual growth rate of net loans in 2017

Annual dynamics in net loans outstanding accelerating to +5.3% y/y at December 2017 end

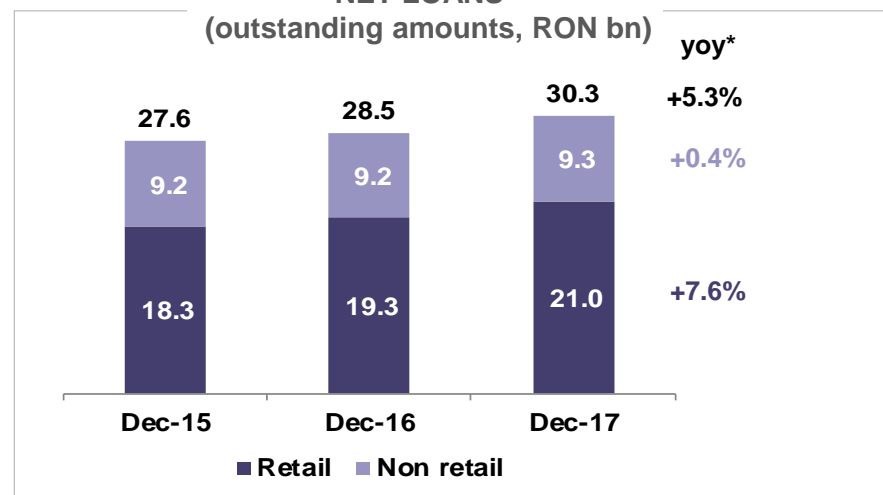
\* Variations at constant exchange rate

\*\* Including operational leasing

LOANS TO INDIVIDUALS PRODUCTION (RON m)



NET LOANS  
(outstanding amounts, RON bn)



## ENLARGED DEPOSIT BASE AND EXPANDING ASSETS UNDER MANAGEMENT

### Still elevated deposit inflows on retail segment

Retail savings +5.8% y/y vs December 2016 end

Non retail deposits quasi stable y/y in a context of comfortable liquidity position

### Strong collection in current accounts

Deposits on current accounts up +22% y/y vs December 2016

### Expansion of assets under management

BRD AM assets under management up +9% y/y

Market share on open end mutual funds up by +0.6ppt y/y

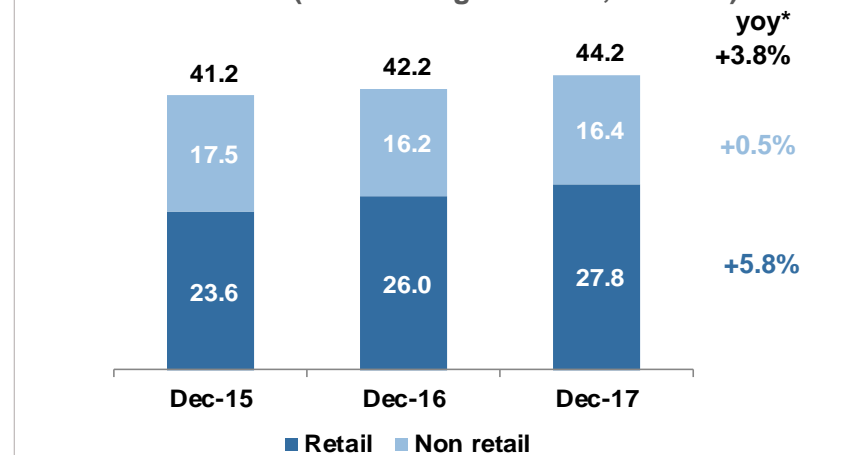
### Resilient funding base

Loan to deposit ratio at 68.6%, well positioning the bank for further credit growth

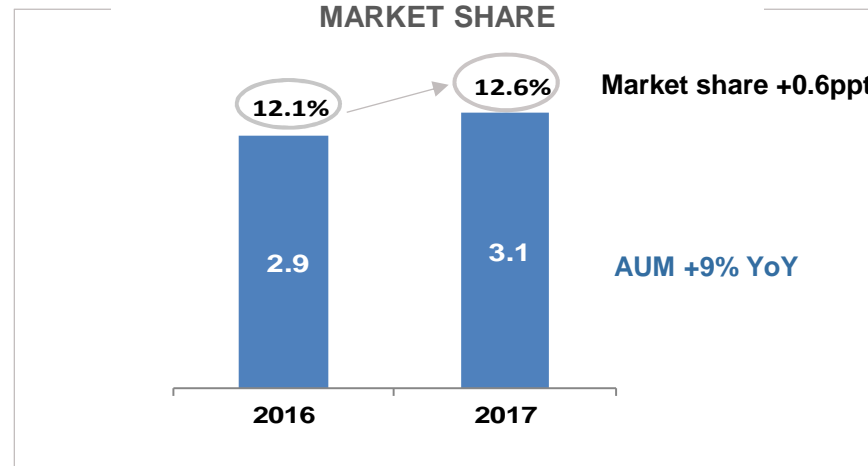
Share of deposits in total liabilities growing from 69% at 2011 end to 93% at 2017 end

Parent funding around 2% of total liabilities at 2017 end

DEPOSITS (outstanding amounts, RON bn)



ASSETS UNDER MANAGEMENT (RON bn) & MARKET SHARE



\* Variations at constant exchange rate

Note: Market share for AUM computation based on total Open-end Funds assets under management.

## DYNAMIC RISE IN CORE REVENUES

### Substantially higher core NBI\*

NBI up +9.4% in Q4 2017 and +4.9% in 2017 excluding non recurring items (gains on sale of AFS instruments, mostly VISA)

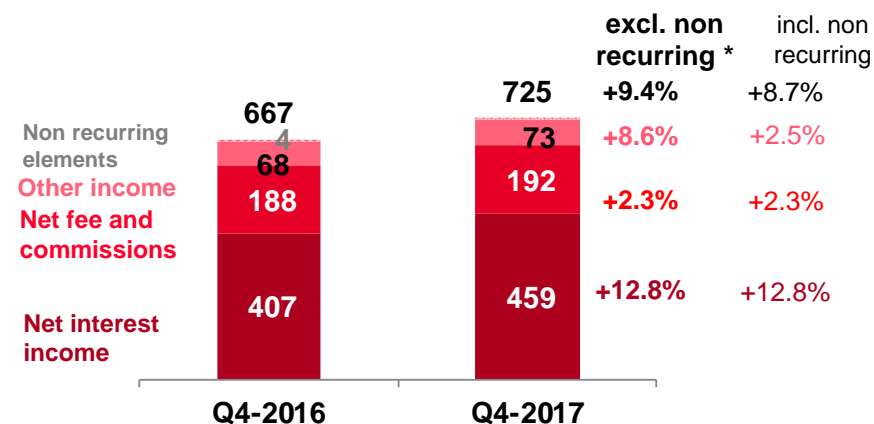
### ...reflecting very robust net interest income growth

Net interest income up +12.8% in Q4 2017 and +8.4% in 2017  
 Significant positive volume effect  
 2017 avg. outstanding of loans up +5.3% (retail loans up +7.0%)  
 2017 avg. outstanding of deposits up +6.6%  
 Favorable interest rate effect in Q4 2017

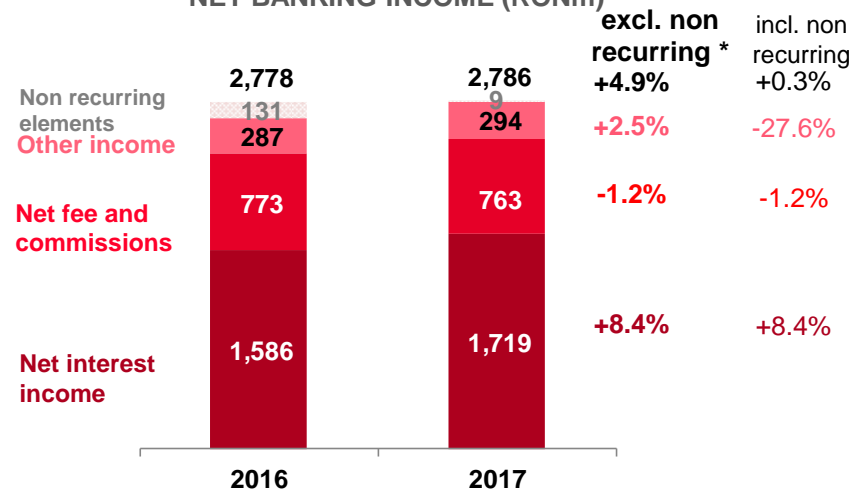
### ...and resilient fees and commissions income

Strong pressure on transactional banking prices  
 Compensated by higher revenues from card activity and increased contribution from asset management and capital market activities

NET BANKING INCOME (RONm)



NET BANKING INCOME (RONm)



\* Non recurring items include gains on sale of Visa share and other AFS instruments



## ACCELERATION OF INVESTMENTS IN BUSINESS MODEL TRANSFORMATION, ENHANCED OPERATIONAL PERFORMANCE

### Q4 2017 operating expenses influenced by the upfront of upcoming transformation costs

Acceleration of the adaptation of the business model (including the resizing of network footprint) leading to a planned headcount reduction of approximately 10% over the next 3 years

Recognition of a one-off provision for exceptional charges, of RON 29m

Growth in other operating expenses mostly driven by ongoing transformation initiatives

### Increased investments in transformation

Total investments up +25% in 2017 vs 2016

Change the bank initiatives concentrating 76% of the overall effort

Staff expenses up +3.2% in 2017 excluding provision for restructuring, influenced by pressure on labor costs

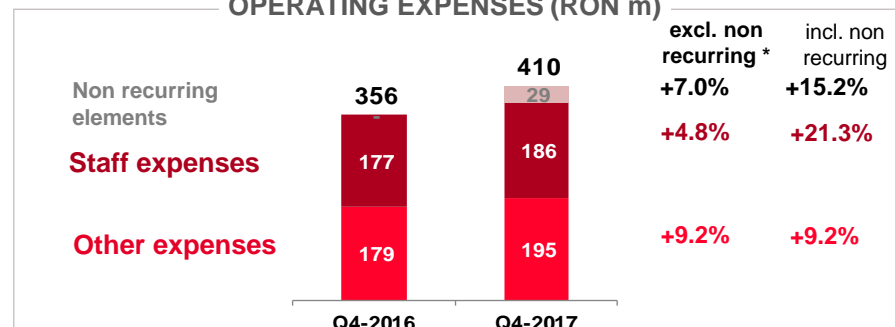
### Baseline costs under control

Core C/I\* at 52% in 2017, lower by 0.4 pts vs 2016

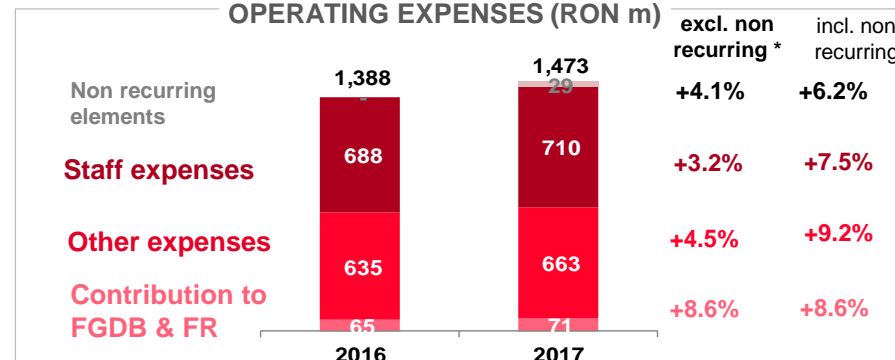
### Core GOI\* up +5.9% in 2017 and +12.2% in Q4 2017

\*GOI and C/I excluding gains on VISA transaction, other AFS securities and transformation program exceptional charge

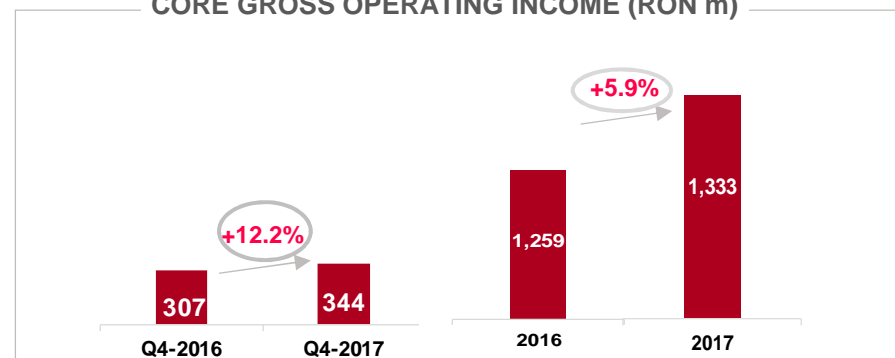
#### OPERATING EXPENSES (RON m)



#### OPERATING EXPENSES (RON m)



#### CORE GROSS OPERATING INCOME (RON m)



## IMPROVED ASSET QUALITY

### Loan portfolio market mix

65.2% on individuals market segment  
34.8% on legal entities market segment

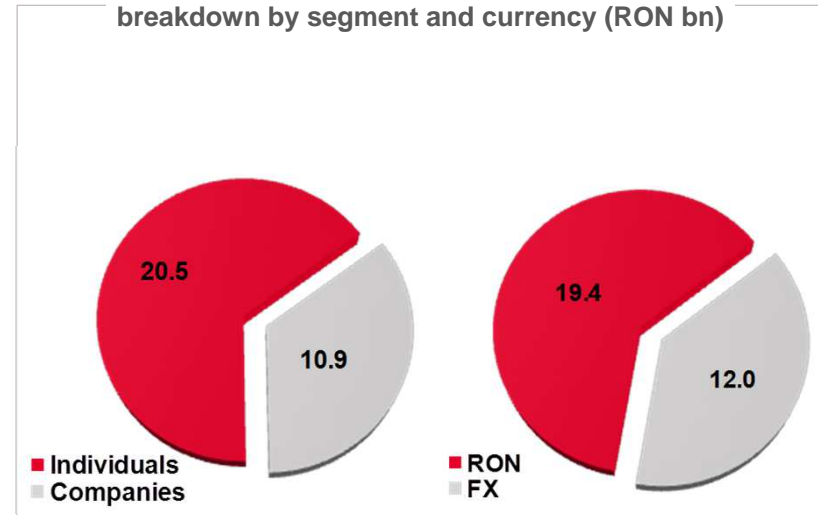
### Consolidation of RON lending

Share of RON denominated loans at 61.7% (vs 56.6% as of 12/2016)  
Trend in line with market evolution

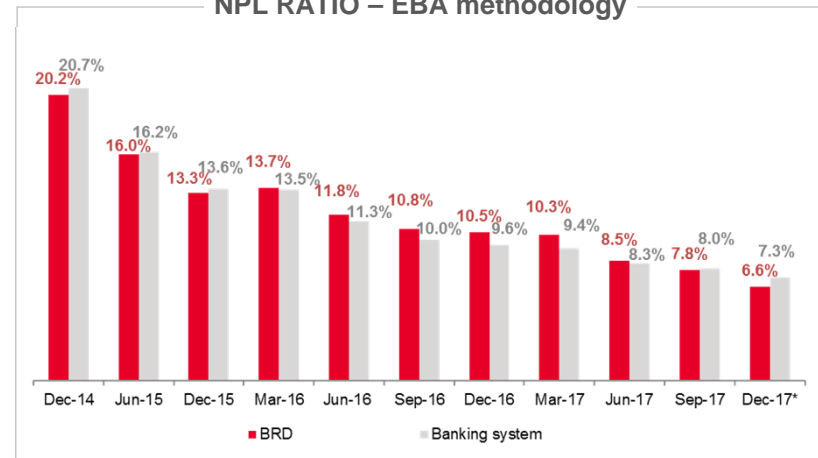
### Declining NPL ratio

Declining trend in line with the evolution observed at the level of the Romanian banking sector  
Reflecting write-offs performed during the 2015-2017 period as well as outstanding NPL recovery performance  
Further write-offs to be performed, in line with the Bank's policy  
NPL portfolios sale activities under the new regulatory pressure

GROSS LOANS – December 31, 2017  
breakdown by segment and currency (RON bn)



NPL RATIO – EBA methodology



All figures at individual level

\* Ratio for the Banking System – as of November 2017



GRUPE SOCIETE GENERALE

## COST OF RISK INFLUENCED BY STRONG RECOVERY PERFORMANCE

### Q4 2017 NCR highlights

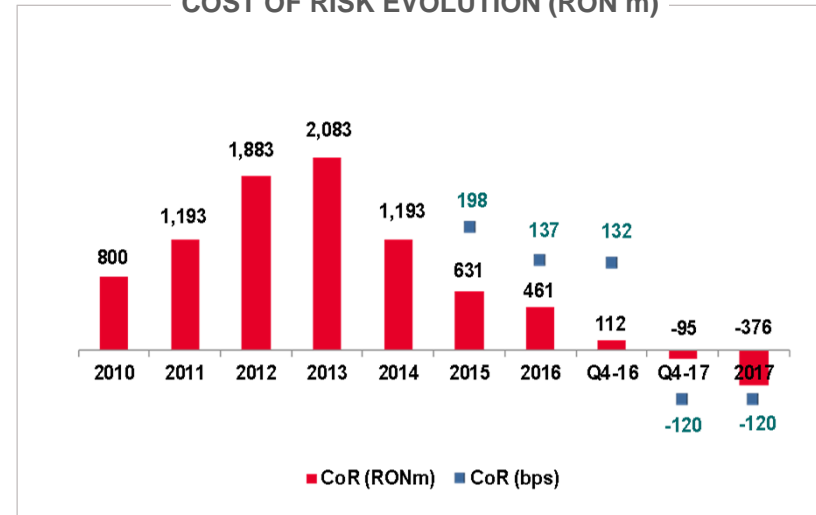
Strong recovery performance, mainly from legal entities NPL exposures (near 90 MRON in net provision reversals), leading to overall net release of provisions of 95 MRON in Q4-2017

### Key ratios evolution

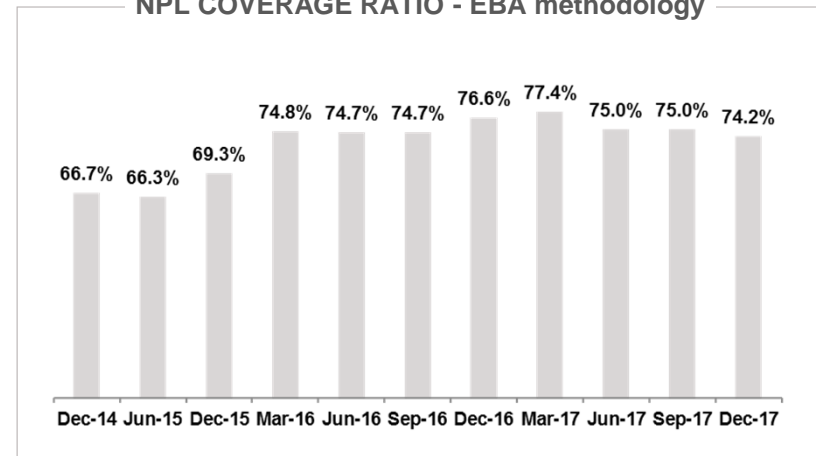
Net cost of risk at -120 bp for 2017, following exceptional items (i.e. insurance payments in H1) and NPL sales  
Slight decrease in NPL provision coverage ratio vs. Dec-16, following write-off operations

**Limited impact of IFRS 9 FTA: 57 MRON**

COST OF RISK EVOLUTION (RON m)



NPL COVERAGE RATIO - EBA methodology



All figures at individual level

# VERY STRONG FINANCIAL RESULTS ON ROBUST BUSINESS GROWTH AND NON RECURRING POSITIVE COST OF RISK ITEMS

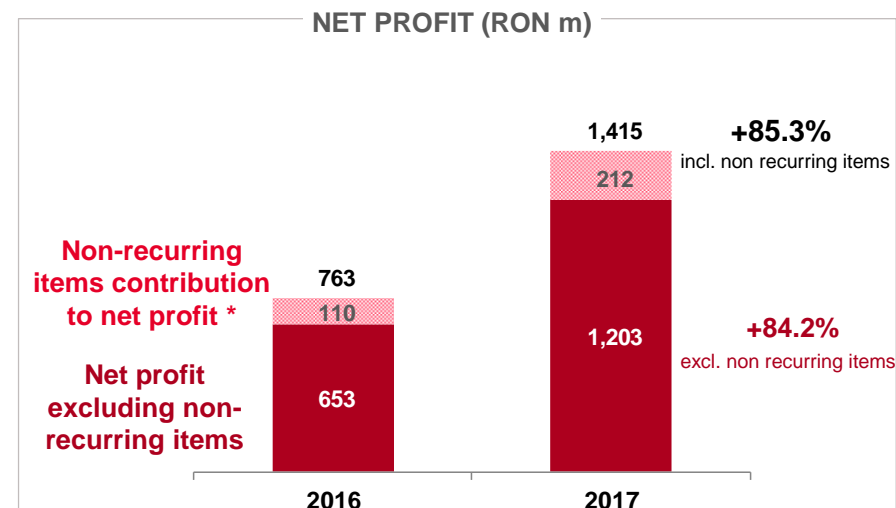
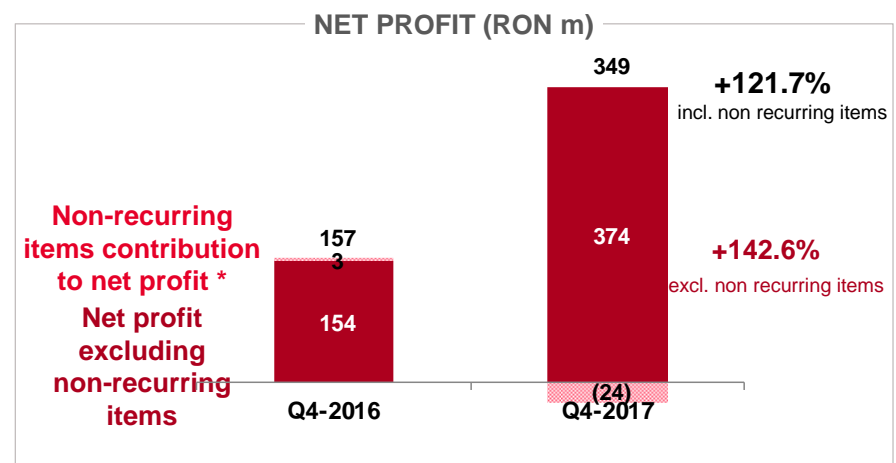
**Net profit up +85% y/y in 2017 (+121.7% y/y in Q4 2017)**  
supported by healthy income growth and positive cost of risk

**ROE above 20% in 2017**  
Unadjusted ROE of 20.1% for 2017  
Adjusted ROE\*\* of 17.1% in 2017 vs. 10.1% in 2016

\* *Non recurring items:*

*2016: gains on VISA transaction and sale of AFS instruments*  
*2017: insurance indemnities (impact in Q1 and Q2) and gain on sale of NPL portfolio (impact in Q2); transformation program exceptional charge, gain on sale of AFS instruments*

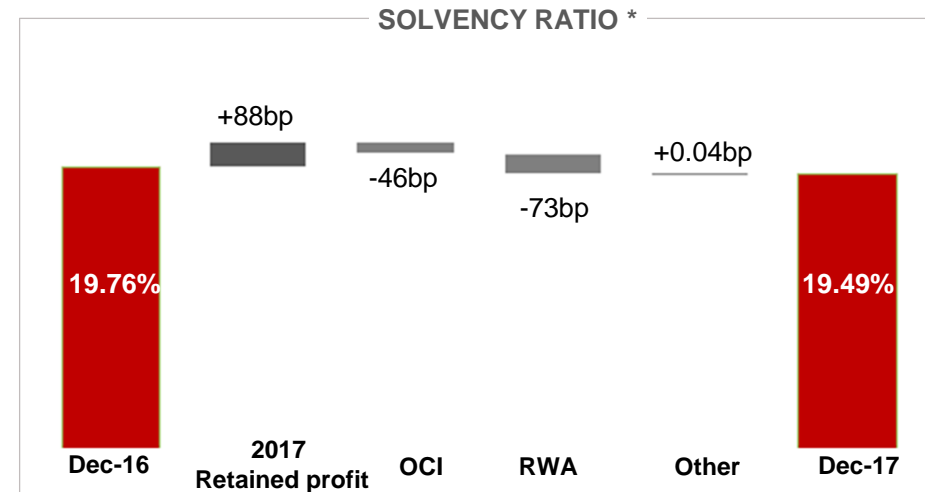
\*\* ROE excluding non recurring items



## SOLID CAPITAL POSITION

### Solid Tier 1 capital base

CAR at 19.49% at December 2017 (incl. current year result) comfortably above regulatory requirement



\* Bank only, incl. current year result (unaudited) net of dividends (subject to GSM approval), including impact of prudential filters

| Bank only                         | Dec-16 | Dec-17 |
|-----------------------------------|--------|--------|
| Capital adequacy ratio            | 19.76% | 19.49% |
| Own funds (RONm)                  | 5,212  | 5,335  |
| Total risk exposure amount (RONm) | 26,373 | 27,369 |
| Capital requirements (RONm)       | 2,110  | 2,189  |

Note: Own funds for 2017 include the net profit (unaudited), net of dividends (subject to GSM approval)

4



CONCLUSIONS

## CONCLUSIONS

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- **Continued improvement of customer experience through continuous development of digital capacities**
- **Healthy credit growth pushed up by double-digit increase in new loan production to individuals**
- **Enlarged deposit base and expanding assets under management**
- **Dynamic rise in core revenues driven by strong net interest income momentum**
- **Increased investments in business model transformation**
- **Enhanced operational performance**
- **Improved credit risk profile**
- **Sustainable liquidity and capital positions**
- **Very strong financial performance on robust business growth and non recurring positive cost of risk items**
- **Considering the results of the year as well as the expected capital adequacy trajectory, the Board of Directors has decided to propose a dividend corresponding to a payout ratio of 80% of the bank 2017 core net result and 100% of non recurring items net of tax, resulting in an overall payout ratio of 83%, subject to a favorable vote by the Annual General Meeting of Shareholders on April 19, 2018**
- **Continued active engagement in the Romanian society**

## AN ACTIVE ENGAGEMENT IN THE ROMANIAN SOCIETY



### CULTURE

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



### SPORT

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

### EDUCATION & TECH



- Minecraft technology platform, with :
- [BRD First Tech Challenge](#) (a robotics competition)
  - Innovation Labs
  - Financial education



## RECOGNIZED EXCELLENCE



**BRD Asset Management:** BRD Eurofund -Best EURO denominated investment fund

**Best in Leasing** – BRD Sogelease



**Best Sub-custodian Bank in Romania, 2017**



**“Safest Bank in Romania”, Global Finance - the 4th consecutive year**



**No 1, Global Investor “sub-custody survey” 2017**  
Global Investor Group



**mastercard**

**“Friendliest Bank for Youth”**  
MasterCard Bank of the Year Awards



# TRANSFORM TO GROW

2020 VISION

BRD STRATEGIC OBJECTIVES

■  
FEBRUARY 12<sup>TH</sup> 2018  
■

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YOUR BANK. YOUR TEAM



GRUPE SOCIETE GENERALE

# BRD: A UNIVERSAL BANKING GROUP WITH LEADING FRANCHISES ACROSS THE BOARD



## RETAIL

- 2 191 ths active individual customers
- 115 ths active small business customers
- # 1 on loans to individuals (16.9% MS)\*
- # 3 on deposits from individuals (13.9% MS)\*

## CORPORATE

- 18.2 ths SME customers
- 2.1 ths large corporate customers
- # 1 on deposits from companies (13.6% MS)\*
- # 1 on factoring with 1117 MEUR turnover in 2017
- # 1 in custody services with 11.8 GEUR assets under custody (73% MS)
- # 4 on loans to companies (9.3% MS)\*

## SPECIALIZED AFFILIATES

### BRD

Sogelease

- 100% owned by BRD
- # 3 on local leasing market

### BRD

Asset Management

- 100% owned by BRD
- 675 MEUR AUM in 7 funds
- # 4 with 12.6% MS

### BRD

Finance

- 49% owned by BRD, 51% by SG
- 117 MEUR loans outstanding

### BRD

Asigurări de Viață

- 49% owned by BRD, 51% by SG
- # 6 with 6.5% MS

\* Loans and deposits market shares and rankings as of September 2017

# POSITIVE DEVELOPMENTS IN THE BANKING ENVIRONMENT IN THE RECENT PAST, SIGNIFICANT CHALLENGES AND OPPORTUNITIES AHEAD

## Macro-context – Current opportunities and future challenges

- **Strong and sustained GDP growth** in the last years
- **Rising interest rates**, driven by inflation and gradual withdrawal of ultra-accommodative monetary policies within the Eurozone
- **Low unemployment**, well below EU average, with **sustained decreasing trend** registered in the last years



- **Unsustainable GDP growth** in the mid-term – **Economy** fueled largely by **private consumption boom** and **government-driven fiscal impulse**
- **Wage growth** outpacing productivity gains undermining external competitiveness in the mid-term

- **Sector profitability reversed** to positive territory as of 2015, driven by reduced cost of risk and favorable macro-economic environment
- **Improved overall risk profile**, with a **consistent decline in NPL ratio** and solid NPL coverage ratio, and a high level of capitalization.
- Several **customer segments** (e.g. Affluents, unbanked<sup>1</sup>, SMEs) **under-served** at market level
- Growth potential from **higher customer sophistication** in retail (e.g. digital value proposition) and corporate (e.g. cash management, structured and corporate finance)
- **PSD2** opening up **new business model** opportunities/**revenue sources** for banks



- **Margins squeezed** by ongoing price war
- **Growing pressure on fee income/ prices** driven by implementation of payment accounts Directive (EU Directive 92)
- **Lower barriers to entry** for new players and **potential sector disruption** due to PSD2
- **Local regulatory instability** and **transforming EU regulatory environment**<sup>2</sup>

# OUR STRATEGIC OBJECTIVES FOR 2020



Achieve **core solid profitability growth** on both retail and corporate segments, driven by **superior customer experience, strong employee engagement**, and by the bank's commitment to having a **positive contribution to the Romanian society and banking sector**

## STRATEGIC OBJECTIVES

### Customer Satisfaction

- **Proactively** understand and deliver on the **needs of our customers**
- Gain market leadership on **customer experience**
- Develop further **digital capabilities** and enhance **integrated multi-channel** user experience
- Become the **reference relationship bank** in Romania

### Employee Commitment

- Become **employer of choice** in Romania
- Foster a culture geared towards **excellence** and high **employee engagement**, built on mutual trust, team spirit and people development
- Increase **organizational agility** and **change readiness** to support **ongoing innovation**

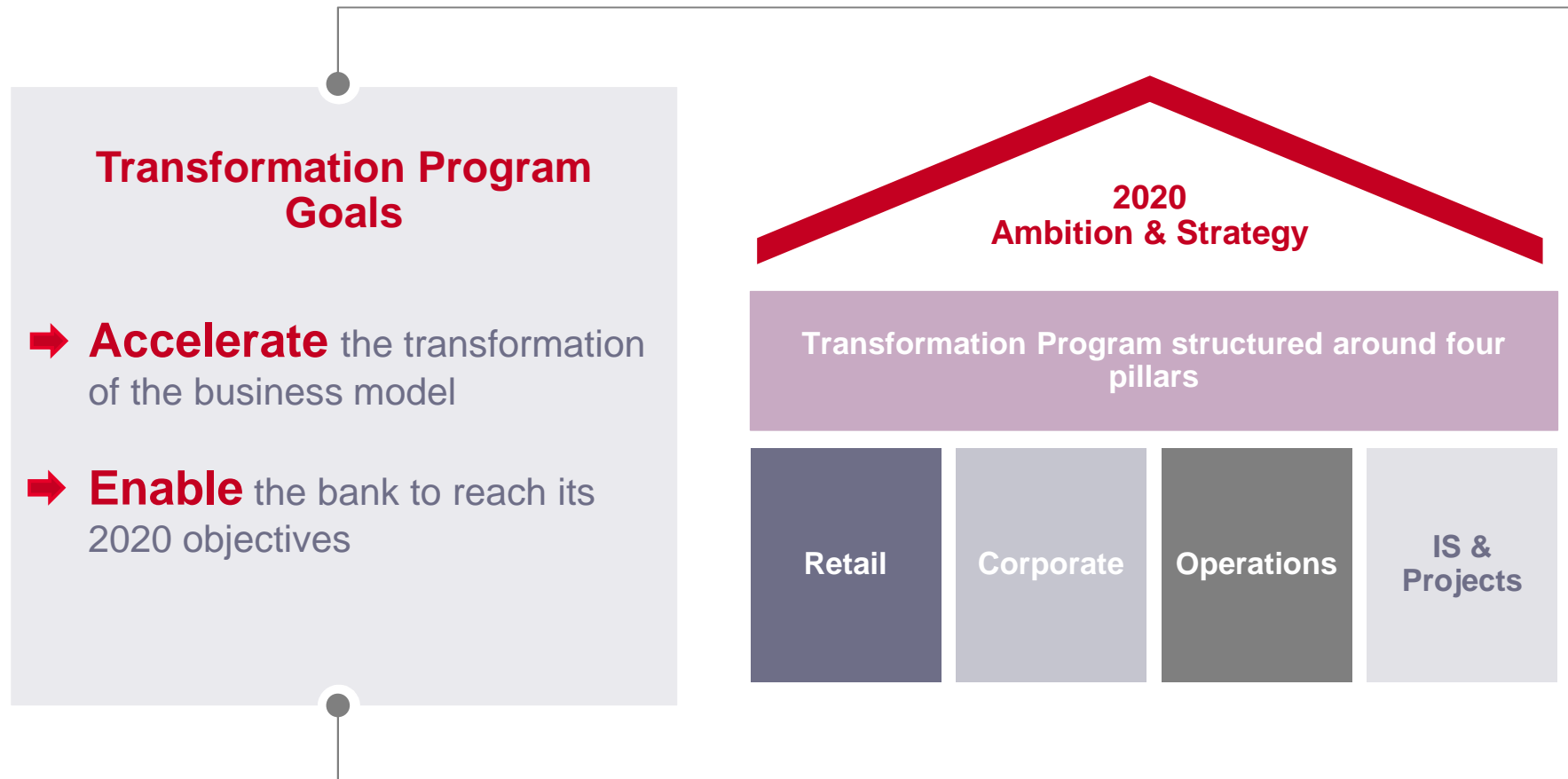
### Corporate Social Responsibility

- Support Romania's **economic growth** and **investments**
- Conduct an **ethical** and **fair** business, in line with the bank's legal and ethical responsibility
- Support initiatives aimed at **developing education, culture, technological advances and sports**

### Financial Performance

- Target **solid performance growth** on both retail and corporate segments and **improve overall core profitability**

# BRD TRANSFORMATION PROGRAM



# RETAIL – TOWARDS A MORE CUSTOMER CENTRIC, DIGITAL, AND EFFICIENT BANK



## CUSTOMIZE THE VALUE PROPOSITION

➔ **Key Objective:** Adjust the value proposal, including sales and service model, to the clients' needs and potential

- Implement a comprehensive **behavioral sub-segmentation** and **targeted value proposition**, adjusted to the different sub-segments
- Create full cycle **customer journeys**
- **Concentrate** resources on **most attractive segments**

## ADAPT THE DISTRIBUTION CHANNEL MIX

➔ **Key Objective:** Reposition the channel mix in line with the evolution of customers' expectations

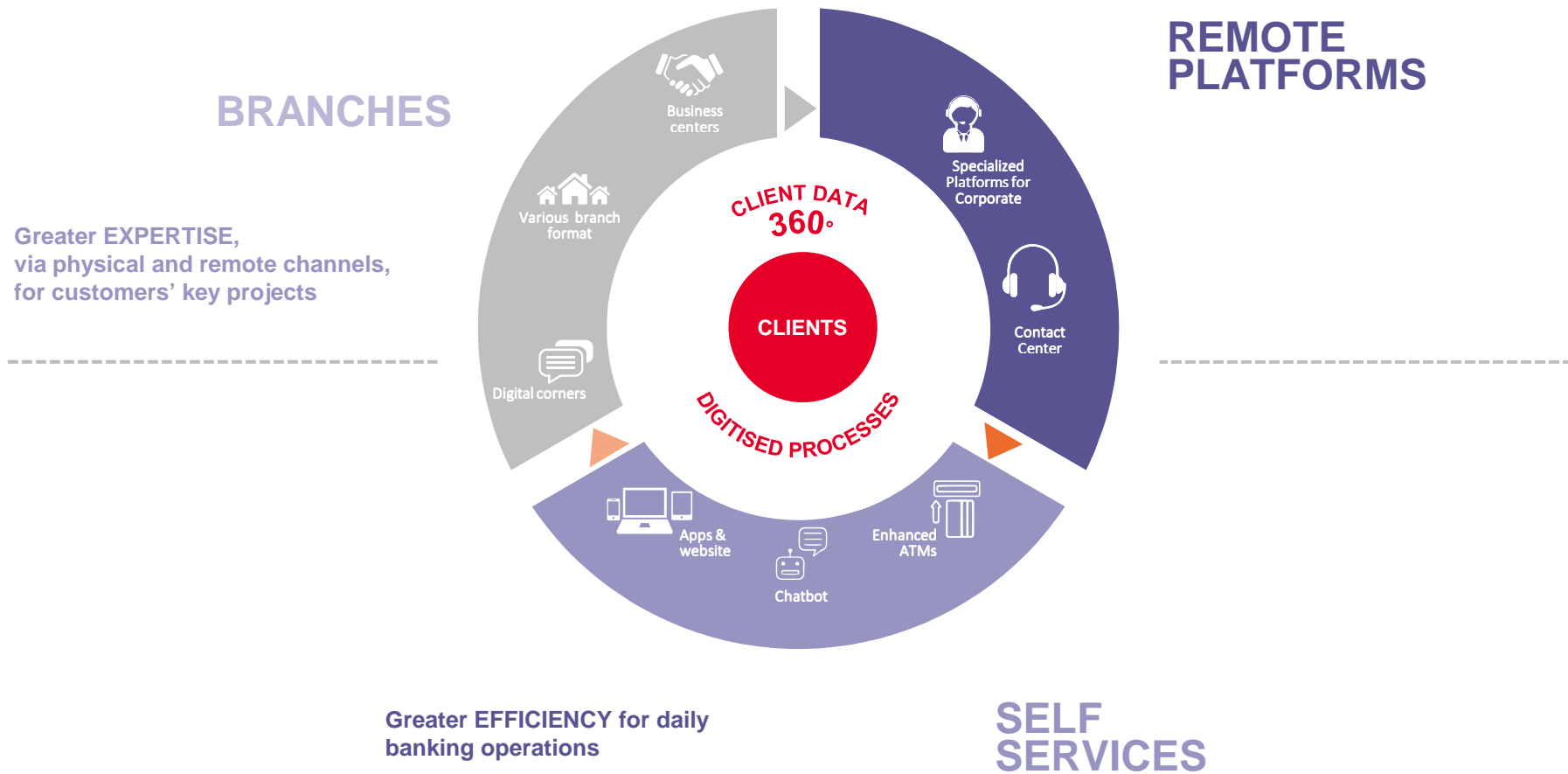
- Further develop **digital channels** penetration and capabilities:
  - greater efficiency for daily banking operations
  - end-to-end digital subscription process
- Increase the capacity and role of the **contact center**
- **Brick and mortar** – fewer branches, increasingly focused on expertise and advisory services

## STREAMLINE THE OPERATING MODEL AND INVEST IN PEOPLE

➔ **Key Objective:** Optimize processes and organization, maximize employee engagement

- **Enhance processes** through an increased level of **digitization** and **workflow automation**
- **Improve organization efficiency**
- **Further grow and engage employees** via upgraded training journeys and enhanced performance management system

# MOVING TOWARD AN OMNI-CHANNEL BUSINESS MODEL, COMBINING HUMAN EXPERTISE AND DIGITAL EFFICIENCY





# CORPORATE – FULLY ACTIVATE VALUE GROWTH LEVERS AND FURTHER INCREASE LOAN ORIGINATION



## FOCUS ON VALUE GROWTH LEVERS

- ➔ **Key Objective:** Maximize value extraction from the existing customer base and develop new growth drivers
- Further enhance **portfolio profitability** by increasing share of **primary bank** customers
- Implement a superior **sales management and monitoring set up** to boost commercial performance
- Compensate for price pressure on traditional activities by intensifying cross selling and fully activating **value growth levers** – Structured Finance, Corporate Finance, derivatives, GTB -, ensuring their promotion to all customer segments
- Continue to develop **synergies** with retail, specialized affiliates and SG group

## ACHIEVE MATERIAL AND PROFITABLE LOAN VOLUME GROWTH

- ➔ **Key Objective:** Outperform corporate loan market growth while continuing to improve the risk profile
- Further **enhance the origination process effectiveness**
- On the **SME segment**, develop the lending activity based on:
  - in-depth understanding of both client needs and risk profiles
  - refined sectorial approaches
  - dynamic and forward looking management of risk appetite
- Capitalize on the specialized **EU and national funds** structure capabilities

## OPTIMIZE PROCESSES AND ORGANIZATIONAL SET-UP

- ➔ **Key Objective:** Improve both customer satisfaction and operational efficiency
- Invest in **digital offer** and bring it to the highest market standards
- Improve **process time and quality** through:
  - simplification and optimization
  - higher level of workflow automation
  - centralized processes supervision
- Fully integrate SME and large corporate set ups to maximize internal **synergies** and create **scale**

# OPERATIONS – SIMPLIFIED ORGANIZATION AND OPTIMIZED PROCESSES FOR INCREASED REACTIVITY AND QUALITY



## MORE AGILE ORGANIZATION

- ➔ **Key Objective:** Revise organization structure and increase alignment to best practices
- Simplify **governance** structure
  - Enhance **specialization** of back office centers
  - **Flatter organizational structure** to foster team commitment and increase agility

## ENHANCE PROCESS EFFICIENCY

- ➔ **Key Objective:** Achieve superior customer service quality and operational risk mitigation
- **LEAN process implementation** - shorten lead time on key processes and reduce operational risk
  - Improve **productivity management tools** and sustain **performance-oriented** culture
  - Unlock **scale advantages** associated with back office center **specialization**
  - **Dematerialize** BO processes and increase **OCR capabilities**

## OPTIMIZE COST BASE

- ➔ **Key Objective:** Maximize financial performance from leveraging lower cost base
- **Lower overall cost base**
    - improve internal processes
    - roll out digital tools and processes
    - leverage on scale advantages from back office center specialization
  - **Optimize span of control**
  - Further develop internal **performance culture**

# ACCELERATE DIGITAL READINESS THROUGH INNOVATIVE, OPEN, AND AGILE APPROACHES



## BOOST INNOVATION

- Continuous **interactions** with an entire and **developing ecosystem**
- **Open innovation** strategy
- Dedicated team to **foster innovation**



## GROW THE INFORMATION SYSTEMS VALUE

- **Trusted partner**, custodian of clients' data
- A **modular digital approach**: "API first"
- Develop **services interoperability** - An **OPEN** approach to develop offers and clients' satisfaction
- Continue to focus on **Security**



## TRANSFORM THE DELIVERY MODELS AND EXPERTISE

- **AGILE** First
- **Reduce time to market**
- **Increase efficiency**
- Optimize **alignment** with Business
- Ensure the **critical skills** for tomorrow

## 2020 FINANCIAL TARGETS

|  |   |   |                           |
|--|---|---|---------------------------|
| <p><b>HEALTHY VOLUME GROWTH</b></p>  | <p><b>Loans</b> <b>+7% *</b></p> <p><b>Deposits</b> <b>+4% *</b></p>                          | <p>✓ Solid growth on loan book</p> <p>✓ Sustainable funding sources</p>   | <p><b>KEY TARGETS</b></p> |
| <ul style="list-style-type: none"> <li>• <b>INCREASED INVESTMENTS IN TRANSFORMATION</b></li> <li>• <b>ENHANCED OPERATIONAL EFFICIENCY</b></li> <li>• <b>ROBUST GOI GROWTH</b></li> </ul> | <p><b>GOI</b> <b>&gt;+4% *</b></p> <p>-18% number of branches **</p> <p>-10% headcount **</p> | <p>✓ Higher value extraction on both Retail and Non Retail portfolios</p> <p>✓ Solid volume growth</p> <p>✗ Pressure on margins</p> <p>✓ Adjustment of network footprint</p> <p>✓ Enhanced processes, higher digitization level</p> <p>✗ Further pressure from increasing labor costs</p> |                           |
| <p><b>SOLID RETURNS</b> <b>ROE</b> <b>&gt;12%***</b></p>   |   |   |                           |

\* CAGR (2018-2020)

\*\* variation over 3 years

\*\*\* ROE throughout the period

5



Q&A SESSION

# APPENDIX



## BRD GROUP | KEY FIGURES

|   | RON m                     | Q4-2017    | Q4-2016    | Change         | 2017         | 2016         | Change        |
|---|---------------------------|------------|------------|----------------|--------------|--------------|---------------|
| <b>Reported financial results</b>                       | <b>Net banking income</b> | <b>725</b> | <b>667</b> | <b>+8.7%</b>   | <b>2,786</b> | <b>2,778</b> | <b>+0.3%</b>  |
|   | Operating expenses        | (410)      | (356)      | +15.2%         | (1,473)      | (1,388)      | +6.2%         |
|   | Gross operating income    | 315        | 311        | +1.3%          | 1,313        | 1,390        | -5.6%         |
|   | Net cost of risk          | 88         | (122)      | n/a            | 360          | (484)        | n/a           |
|   | <b>Net profit</b>         | <b>349</b> | <b>157</b> | <b>+121.7%</b> | <b>1,415</b> | <b>763</b>   | <b>+85.3%</b> |
|   | Cost/Income               | 56.5%      | 53.3%      | +3.2 pt        | 52.9%        | 50.0%        | +2.9 pt       |
|   | ROE                       | 19.2%      | 9.4%       | +9.8 pt        | 20.1%        | 11.8%        | +8.3 pt       |
|   |                           |            |            |                |              |              |               |
| <b>Financial results excluding non recurring items</b>  | <b>Net banking income</b> | <b>725</b> | <b>663</b> | <b>+9.4%</b>   | <b>2,777</b> | <b>2,646</b> | <b>+4.9%</b>  |
|   | Operating expenses        | (381)      | (356)      | +7.0%          | (1,444)      | (1,388)      | +4.1%         |
|   | Gross operating income    | 344        | 307        | +12.2%         | 1,333        | 1,259        | +5.9%         |
|   | Net cost of risk          | 88         | (122)      | n/a            | 88           | (484)        | n/a           |
|   | <b>Net profit</b>         | <b>374</b> | <b>154</b> | <b>+142.6%</b> | <b>1,203</b> | <b>653</b>   | <b>+84.2%</b> |
|   | Cost/Income               | 52.5%      | 53.7%      | -1.2 pt        | 52.0%        | 52.4%        | -0.4 pt       |
|   | ROE                       | 20.6%      | 9.2%       | +11.4 pt       | 17.1%        | 10.1%        | +7.0 pt       |
|   |                           |            |            |                |              |              |               |
| <b>Non recurring items (RON m)</b>                      |                           |            |            |                |              |              |               |
| <b>NBI:</b> gain on sale of AFS, incl. VISA             |                           | 0.1        | 4.2        |                | 9.3          | 131.4        |               |
| <b>Opex:</b> exceptional charge                         |                           | (29.3)     | -          |                | (29.3)       | -            |               |
| <b>NCR:</b> insurance indemnities, gain on sale of NPLs |                           | -          | -          |                | 271.9        | -            |               |

## BRD GROUP | KEY FIGURES

| Loans and deposits      | RON bn   | Dec-16       | Dec-17       | vs. Dec-16     |
|-------------------------|--|--------------|--------------|----------------|
|                         | <b>Net loans including leasing (RON bn) <sup>(1)</sup></b> | <b>28.5</b>  | <b>30.3</b>  | <b>+5.3%</b>   |
|                         | Retail   | 19.3         | 21.0         | +7.6%          |
|                         | Non retail   | 9.2          | 9.3          | +0.4%          |
|                         | <b>Total deposits (RON bn) <sup>(1)</sup></b>              | <b>42.2</b>  | <b>44.2</b>  | <b>+3.8%</b>   |
|                         | Retail   | 26.0         | 27.8         | +5.8%          |
|                         | Non retail   | 16.2         | 16.4         | +0.5%          |
|                         | <b>Loan to deposit ratio</b>                               | <b>67.6%</b> | <b>68.6%</b> | <b>+1.1 pt</b> |
| <b>Capital adequacy</b> | <b>CAR <sup>(2)</sup></b>                                  | <b>19.8%</b> | <b>19.5%</b> | <b>-0.3 pt</b> |
| <b>Franchise</b>        | <b>No of branches</b>                                      | <b>810</b>   | <b>760</b>   | <b>(50)</b>    |
|                         | <b>No of active customers <sup>(3)</sup> (x 1000)</b>      | <b>2,285</b> | <b>2,327</b> | <b>+41</b>     |

<sup>(1)</sup> Variations at constant exchange rate; <sup>(2)</sup> CAR as at Dec-17 end: Bank only, incl. current year result unaudited, net of dividends (subject to GSM approval), including impact of prudential filters; <sup>(3)</sup> Bank only

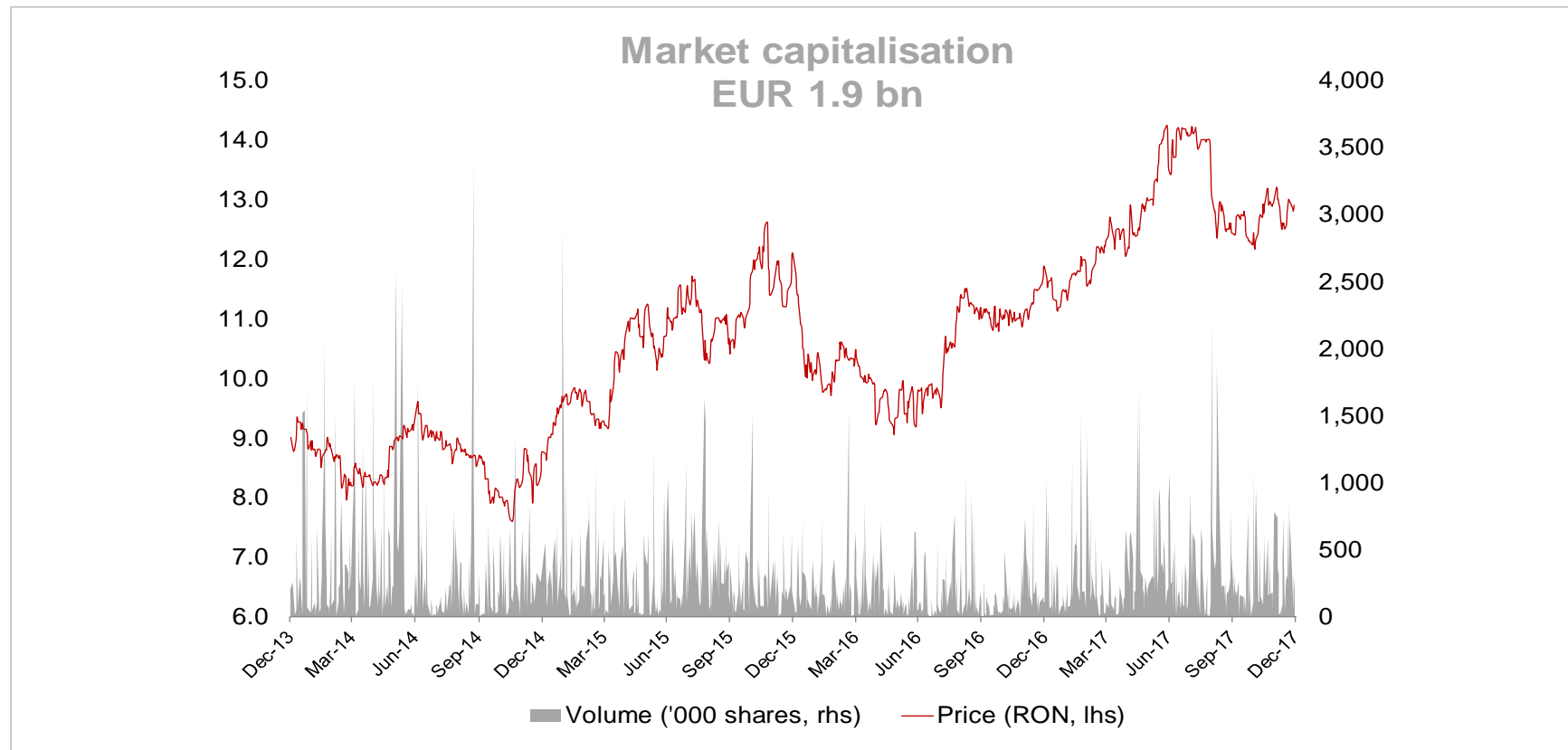


## BRD | KEY FIGURES FOR BANK ONLY

|                           | RON m   | Q4-2017    | Q4-2016    | Change         | 2017          | 2016          | Change         |
|---------------------------|---|------------|------------|----------------|---------------|---------------|----------------|
| <b>Financial results</b>  | <b>Net banking income</b>                     | <b>680</b> | <b>619</b> | <b>+9.8%</b>   | <b>2,641</b>  | <b>2,634</b>  | <b>+0.3%</b>   |
|                           | Operating expenses                            | (385)      | (335)      | +15.0%         | (1,388)       | (1,310)       | +5.9%          |
|                           | Gross operating income                        | 295        | 284        | +3.8%          | 1,254         | 1,324         | -5.3%          |
|                           | Net cost of risk                              | 95         | (112)      | n/a            | 376           | (461)         | n/a            |
|                           | <b>Net profit</b>                             | <b>336</b> | <b>142</b> | <b>+137.1%</b> | <b>1,380</b>  | <b>728</b>    | <b>+89.5%</b>  |
|                           | Cost/Income                                   | 56.6%      | 54.1%      | +2.5 pt        | 52.5%         | 49.7%         | +2.8 pt        |
|                           | ROE   | 19.4%      | 8.9%       | +10.5 pt       | 20.6%         | 11.8%         | +8.8 pt        |
|                           |   |            |            |                |               |               |                |
| <b>Loans and deposits</b> | <b>RON bn</b>                                 |            |            |                | <b>Dec-16</b> | <b>Dec-17</b> | <b>Change</b>  |
|                           | <b>Net loans (RON bn) <sup>(1)</sup></b>      |            |            |                | <b>27.4</b>   | <b>29.0</b>   | <b>+4.8%</b>   |
|                           | Retail  |            |            |                | 18.7          | 20.3          | +7.2%          |
|                           | Non retail                                    |            |            |                | 8.7           | 8.8           | -0.4%          |
|                           | <b>Total deposits (RON bn) <sup>(1)</sup></b> |            |            |                | <b>42.3</b>   | <b>44.4</b>   | <b>+3.9%</b>   |
|                           | Retail  |            |            |                | 26.0          | 27.8          | +5.8%          |
|                           | Non retail                                    |            |            |                | 16.3          | 16.6          | +0.9%          |
|                           | <b>Loan to deposit ratio</b>                  |            |            |                | <b>64.8%</b>  | <b>65.4%</b>  | <b>+0.6 pt</b> |
|                           |   |            |            |                |               |               |                |
| <b>Capital adequacy</b>   | <b>CAR <sup>(2)</sup></b>                     |            |            |                | <b>19.8%</b>  | <b>19.5%</b>  | <b>-0.3 pt</b> |
|                           |   |            |            |                |               |               |                |
| <b>Franchise</b>          | <b>No of branches</b>                         |            |            |                | <b>810</b>    | <b>760</b>    | <b>(50)</b>    |
|                           | <b>No of active customers (x 1000)</b>        |            |            |                | <b>2,285</b>  | <b>2,327</b>  | <b>+41</b>     |

<sup>(1)</sup> Variations at constant exchange rate; <sup>(2)</sup> CAR as at Dec-17 end: Bank only, incl. current year result unaudited, net of dividends (subject to GSM approval), including impact of prudential filters;

## 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 12.90 as of December 2017 end, higher by 8.6% y/y.

## FINANCIAL CALENDAR FOR 2018

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- **8<sup>th</sup> February: Preliminary 2017 financial results and annual press conference**
- **19<sup>th</sup> April: General Shareholders Meeting**
- **19<sup>th</sup> April: General Assembly of Shareholders and publication of the 2017 BoD Report**
- **4<sup>th</sup> May: Q1-2018 results publication**
- **2<sup>nd</sup> August: H1-2018 results publication**
- **8<sup>th</sup> November: 9M-2018 results publication**

## 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 and 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.



## BRD GROUPE SOCIETE GENERALE - INVESTOR RELATIONS

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YOUR BANK. YOUR TEAM



GROUPE SOCIETE GENERALE