

# BRD GROUP RESULTS

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1<sup>st</sup> quarter 2022 | 06.05.2022

**TU EȘTI  
VIITORUL**  **BRD**  
GRUPE SOCIETE GENERALE

## DISCLAIMER

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The preliminary consolidated and separate financial position and income statement for the period ended March 31, 2022 were examined by the Board of Directors on May 4, 2022.

The financial information presented for the period ended March 31, 2022 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



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## Q1 2022: STRONG START OF THE YEAR

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### Very dynamic lending activity across all business segments

Double digit advance of corporate financing  
Record Q1 loan production for individuals

Portfolio growth **+9% y/y** at Mar 2022 end  
SME loans **+30% y/y** at Mar 2022 end  
PI loan production **+27%** vs Q1 2021

### Enlarged online offer

Saving accounts and term deposits opening available from YouBRD app

### Positive momentum in volumes supporting NII advance

while interest rates effect starts to progressively reflect on revenues

NII, **+10% y/y**

### Contained increase in OPEX

Staff costs under the price effect of wages' growth  
Moderate increase in non-staff expenses

OPEX, **+2% y/y**, excl. FGDB&RF

### High quality loan portfolio

Below 3% NPL ratio and increased provision coverage

NPL ratio	Coverage ratio
<b>2.7%</b> at Mar 2022 end	<b>76.5%</b> at Mar 2022 end

**Net cost of risk** charges reduced on combined effect of good recovery performance and deteriorated perspectives given the current geopolitical context

NCR **RON -32m** vs. RON -54m in Q1 2021

### Solid profitability

Net profit **RON 263m, +18%** y/y in Q1 2022  
**ROE 12%** vs 9% in Q1 2022

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## MACROECONOMIC ENVIRONMENT



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## GDP GROWTH ABOVE EU AVERAGE, INFLATION STRONGLY UPWARDS

### GDP growth surpassing pre-pandemic level

GDP printed at +5.9% in 2021, after -3.9% contraction in 2020

GDP growth driven again by domestic demand, while net exports acted as drag, slicing off -1.5 ppt

Slowdown in Q4'21, with quarterly GDP growth slipping into negative territory (-0.1% q/q, seasonally adjusted)

2022 full year GDP growth estimated to soften to +1.9% (World Bank)/ 2.2% (IMF)

### Soaring inflation

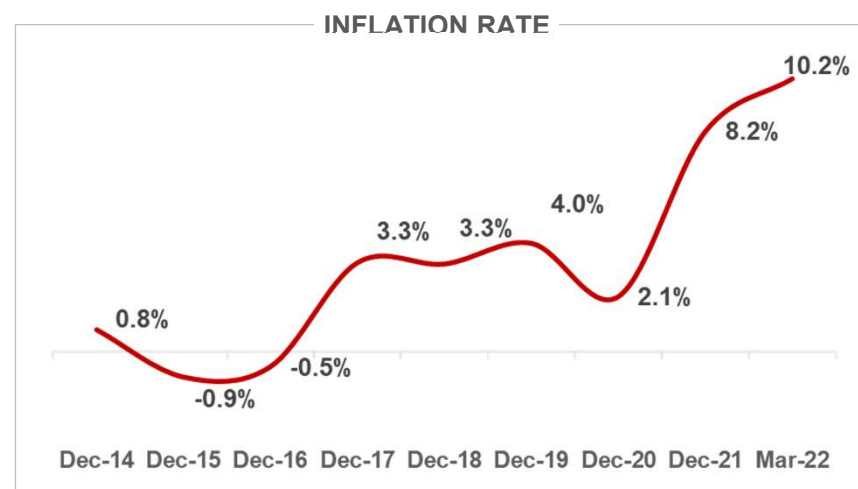
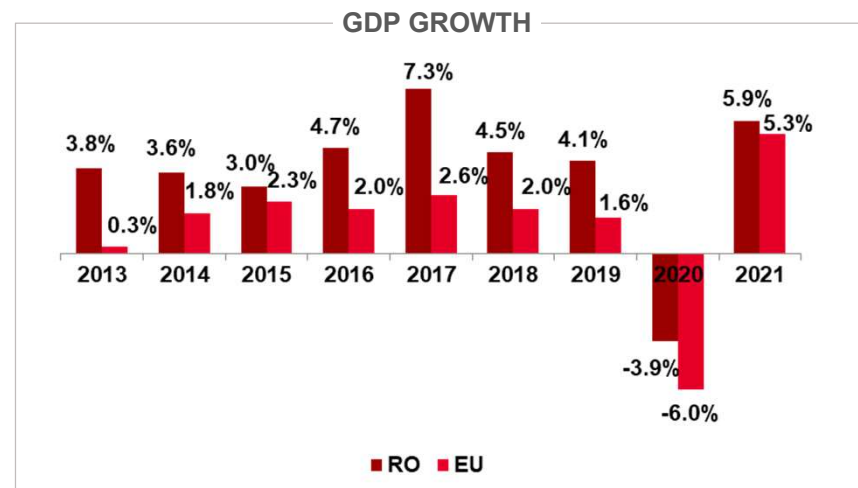
Annual inflation at 10.2% in Mar-22 (from 8.2% y/y in Dec-21) far above the upper bound of the NBR target range (2.5% ± 1 ppt)

Climbing food prices (+11.2% y/y) and non-food prices (+10.9% y/y) mainly on fuel and energy components, while services' costs increased by +6.5% y/y

War in Ukraine sent additional shock waves through the global food supply chain and energy market

Russia and Ukraine together supply ~75% of world exports of sunflower oil, 30% of wheat, 20% of maize and barley. Moreover, Russia is the world's largest exporter of fertilizer (13% of global exports).

Russia is a historically important energy provider for EU, with 47% of coal, 40% of natural gas and 25% of oil



## INTEREST RATES DRIVEN BY INFLATION

### Accelerating rate hikes pace in 2022

Answering to unfolding COVID-19 epidemic, central bank reduced the monetary policy rate four times from March 2020 to January 2021, by 125 bps in total, to 1.25%

In a context of strongly accelerating inflation, NBR hiked the monetary policy rate five times since September 2021, by 175 bps overall

### NBR support in place

Quantitative easing gradually reduced after peaking in April 2020

In March 2022, NBR purchased RON-denominated government securities on the secondary market (RON 367m) for the first time since April 2021

Repo operations with a daily average of RON 6.3 bn in Mar-22, still moderate level versus RON 13.6 bn in Apr-20

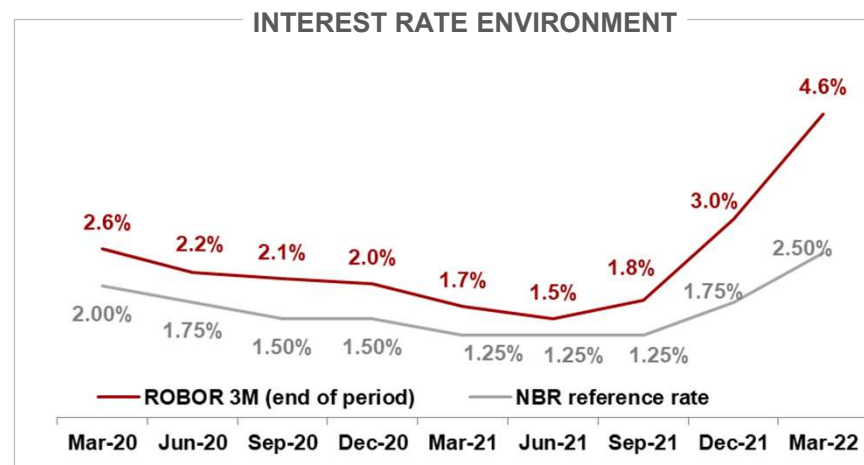
Lombard facility provided by NBR to the banking system with a daily average of RON 10.5 bn in Mar-22

### Interbank rates under tension

Rapid upward adjustment of interbank rates started September 2021

ROBOR 3M reaching 4.6% at Mar-22 end, up from 3.0% at Dec-21

Q1 2022 on a strong upward trend, with average ROBOR 3M printing at 3.65%, +200 bps vs Q1 2021



## REINFORCED SUPPORT FOR ECONOMY

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### **The National Recovery and Resilience Plan, medium to longer run growth booster**

- Main RRP objectives: achieve green and digital transitions, while strengthening healthcare, education, social cohesion and inclusion
- Allocated EU funds: EUR 29.2 bn (EUR 14.3 bn subsidies and EUR 14.9 bn loans)
  - First tranche of grants (EUR 1.8 bn) transferred by European Commission to Romania in December 2021
  - Additional pre-financing (EUR 1.9 bn) granted in January 2022, after the targets and milestones of Q4 2021 were reached

### **“Support for Romania”, governmental measures package for individuals and companies proposed in April 2022**

- RON 17.3 billion total envelope, out of which RON 9 billion EU funds and RON 8.3 billion national funds
- Legislative acts for the implementation of the measures are to be presented in the next period
- Main measures:
  - ✓ RON 500 million for loan guarantees under “Family Start” and “Student Invest” programs
  - ✓ Minimum EUR 300m grants (up to EUR 400,000/company) for SMEs with higher utility costs (+15%)
  - ✓ RON 300 million for discount on petrol and diesel (RON 0.50/litre) and extension of the cap on RCA (mandatory auto insurance) policies, for large transporters
  - ✓ Implementation of technical unemployment and Kurzarbeit reliefs until 31.12.2022 (granting 75% of the salary to employees affected)
  - ✓ Minimum wage increase by RON 200
  - ✓ Grant of vouchers: EUR 50/ 2 months for vulnerable people until 2022 end and EUR 30/month for pupils from vulnerable families
  - ✓ Increase the value of meal vouchers from RON 20 to RON 30, starting June 1<sup>st</sup> 2022



## VERY SOLID ROMANIAN BANKING SECTOR

### Strong capital and liquidity positions

Loan to deposit ratio at 69% at 2021 end, up from 66% as of 2020 end (vs 122% at 2008 end)

Elevated average liquidity coverage ratio, 239% at Dec-2021 end vs. 266% at 2020 end, well above regulatory requirement (100%) and European average (175%)

Capital adequacy ratio at 22.3% at 2021 end, compared to 25.1% at 2020 end (vs. 13.8% at 2007 end)

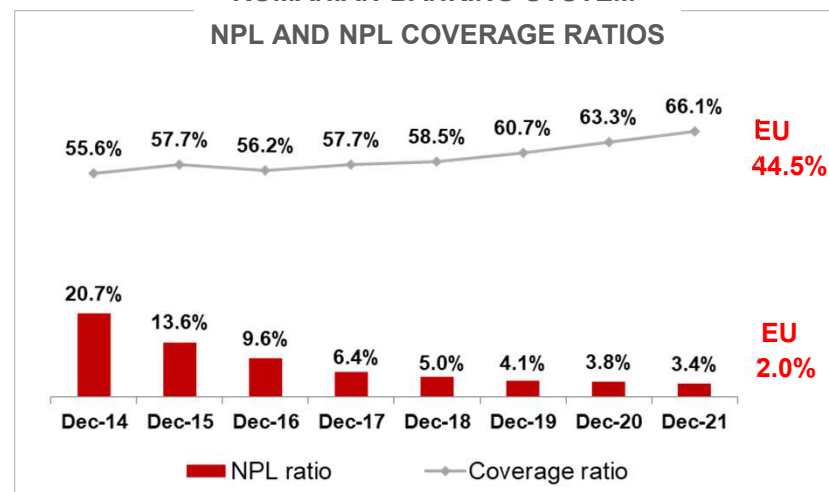
### Sound risk profile

Low NPL ratio, 3.4% at 2021 end, - 0.4 ppt vs 2020 end

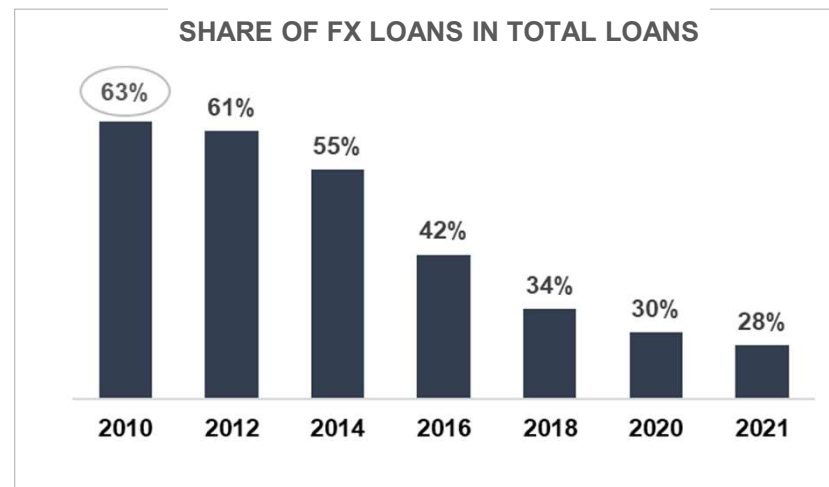
NPL coverage ratio improved to 66.1% at 2021 end (63.3% at 2020 end), well above the EU average of 44.5%

Significantly lower share of FX loans, 28% at 2021 end (compared to 63% at 2010 end)

ROMANIAN BANKING SYSTEM  
NPL AND NPL COVERAGE RATIOS



ROMANIAN BANKING SYSTEM  
SHARE OF FX LOANS IN TOTAL LOANS



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**1<sup>ST</sup> QUARTER 2022  
BRD GROUP RESULTS**



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## CONTINUOUS FOCUS ON DIGITALIZATION



### INCREASED DIGITAL PENETRATION

**818k** YouBRD active clients at Mar 2022 end

**+24% y/y** nb of transactions on MyBRD & YouBRD, vs Q1 2021

**99%** of large corporate clients' and **97%** of SMEs transactions performed via digital channels during Q1 2022

**68%** of import L/Cs and **49%** LG processed through the e-tools during Q1 2022

**65%** of FX trades processed through the e-tools in Q1 2022 (vs 51% in Q1 2021)

**42 million** acquiring transactions during Q1 2022, **+9% y/y**

**RON 1.86bn** factoring turnover during Q1 2022, **+4% y/y**



### ENHANCED CUSTOMERS' REMOTE CHANNEL EXPERIENCE

Constant deployment of new functionalities for YouBRD

- ✓ online account (current & savings account or term deposit) opening directly from YouBRD



### HIGHLY REACTIVE CUSTOMER INTERACTION CENTER

#### Constantly improving Customer Center capabilities

**+60%** faster response vs Q1 2021

**81%** calls were answered in the first 30" (vs 64% in Q1 2021)

**25"** average time for taking a call (vs 40" in Q1 2021)



### NETWORK ADJUSTMENT TO CHANGED CLIENT PREFERENCES

- ✓ Reduced no of branches
- ✓ More specialized
- ✓ Better service

Mar 2021

Mar 2022

**-70** branches, to **499**

**+14%** 24/7 banking points

**Network reduced by 38%**  
since **2016 end**

## STRONG LENDING ACTIVITY ACROSS THE BOARD

### Intense corporate lending

Loans to SME up by +25% vs Mar 2021 end

Active participation in the IMM Invest program with RON 289m approved loans, out of which 23% within Agro IMM Invest sub-program

Growth of +13% on large corporate loan portfolio

Reconfirmed solid performance of leasing activity with overall portfolio increasing by +17% y/y

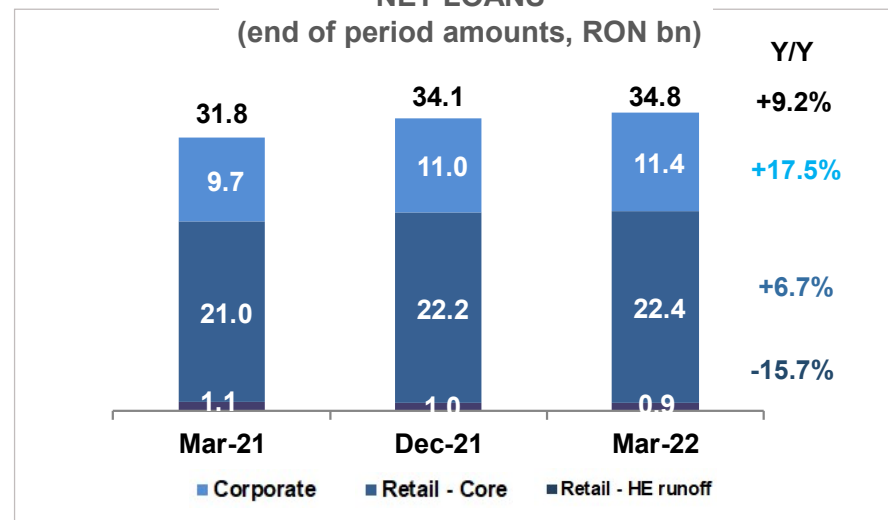
### Best ever Q1 individuals' loan production

Strong increase in new loans to individuals, with +27% vs Q1 2021 and +37% vs Q1 2019

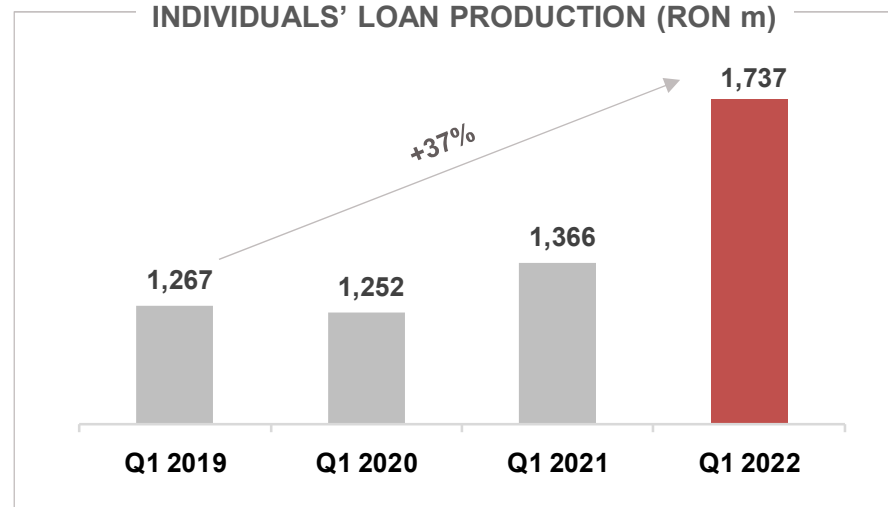
More than RON 1 bn consumer loans production in Q1 2022

Remarkable performance in housing loans production (+139% y/y and +96% vs Q1 2019)

NET LOANS  
(end of period amounts, RON bn)



INDIVIDUALS' LOAN PRODUCTION (RON m)



## LARGE, DIVERSIFIED AND GROWING SAVING BASE

### Continued expansion of deposit base

Retail deposits up +3.4% y/y

Corporate deposits driven by double digit growth of SMEs deposits (+14.2% y/y)

### Strong liquidity profile

Net loan to deposit ratio at 65%

High liquidity buffer at 30% of total assets

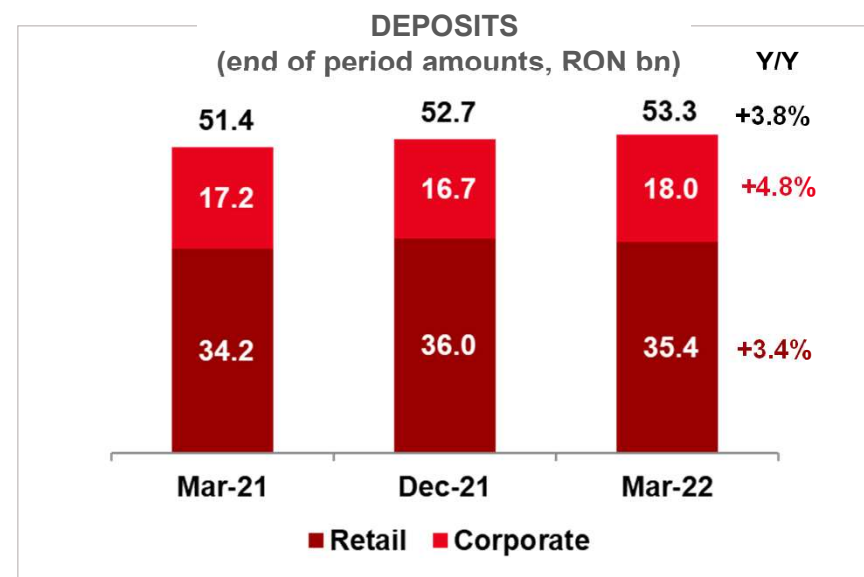
### Further development of Unit Linked life insurance

Gross Written Premiums +20% y/y at Mar 2022 end

13.6% market share at 2021 end (vs. 11.0% at 2020 end)

### BRD Asset Management

1<sup>st</sup> by number of investors with a market share of app 19%



## SOLID GROWTH OF REVENUES BUILT ON RISING VOLUMES

### Substantial Net Interest Income growth

Positive volume effect on rising loans

- outstanding loans, up by + 9.2% y/y vs Mar 2021 end
- housing loans production more than doubled vs Q1 2021

Interest rates effect starts to progressively reflect on revenues

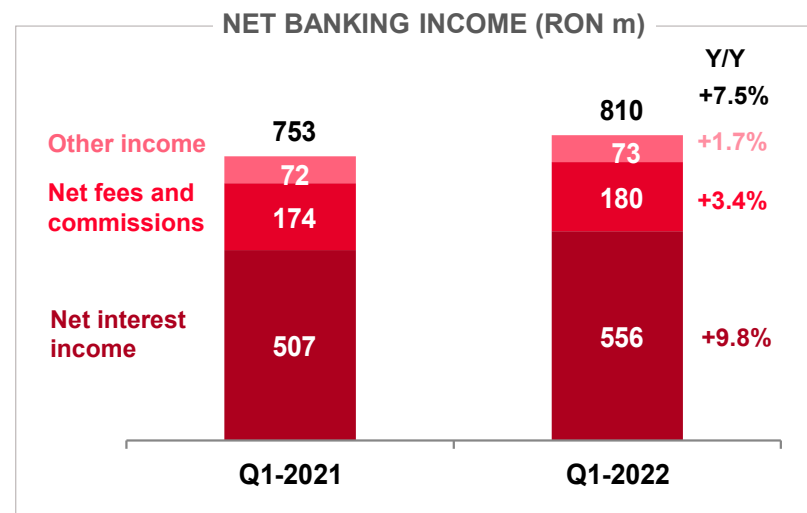
- ROBOR 3M average of 3.65% in Q1 2022 vs 1.65% in Q1 2021
- IRCC applicable in Q1 2022 at 1.17% vs 1.88% for Q1 2021

### Net fees and commissions, up +3.4% y/y in Q1 2022

Increased volumes of transactions both OTC and cards

...compensating pricing pressure on daily and transactional banking services

### Other revenues evolution, benefitted from higher FX and trading activity



## MILD INCREASE IN OPERATING EXPENSES EXCLUDING REGULATORY COSTS

### Controlled increase in staff costs, +2.5% y/y

...despite the price effect impact induced by wages' increase

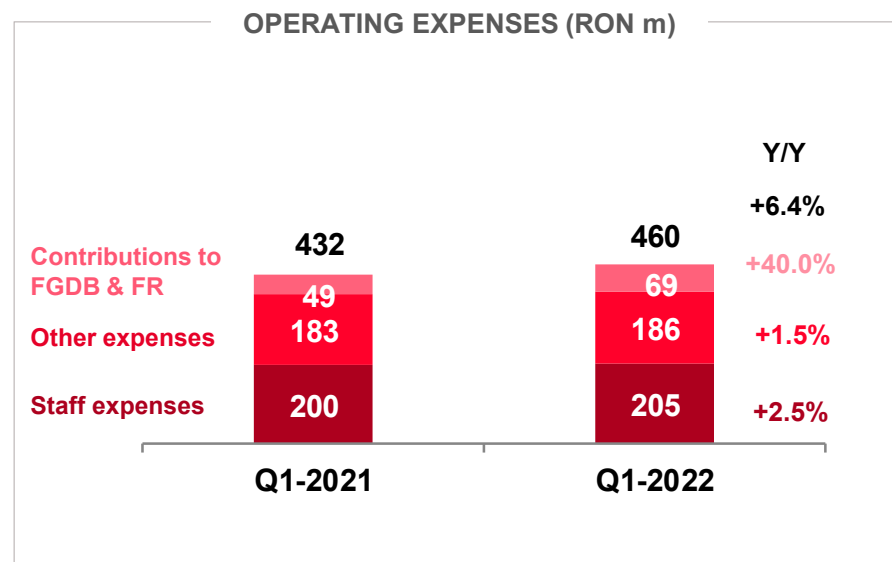
Efficiency initiatives remain in focus, as reflected by

- ✓ network of branches resizing (-70 y/y)
- ✓ structural headcount reduction (-494 FTE vs Mar 2021 end)

### Non staff expenses impacted by higher regulatory costs

Cumulated contribution to Deposit Guarantee and Resolution Funds, +40% y/y, to RON 69m, fully booked in Q1 2022

Other costs' slight increase mainly on utilities and communication expenses



### Robust GOI growth and improved efficiency ratio

GOI, +9% y/y, built on a strong momentum on both retail and corporate businesses and contained expenses' increase

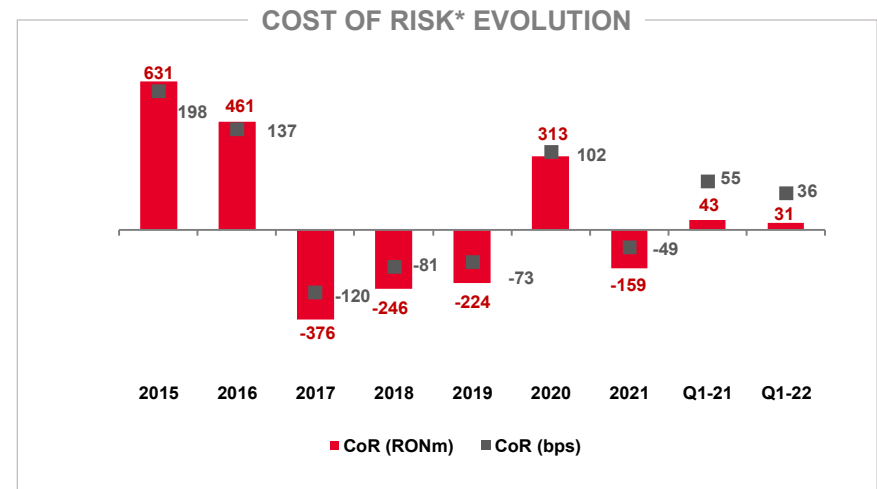
C/I\* ratio reduced to 48.3% (vs 50.8% in Q1 2021), on positive jaws effect

\*excl. FGDB&RF contributions

## ASSET QUALITY SLIGHT IMPROVEMENT IN THE FIRST QUARTER OF THE YEAR

### Net cost of risk at 36 bps in Q1-22

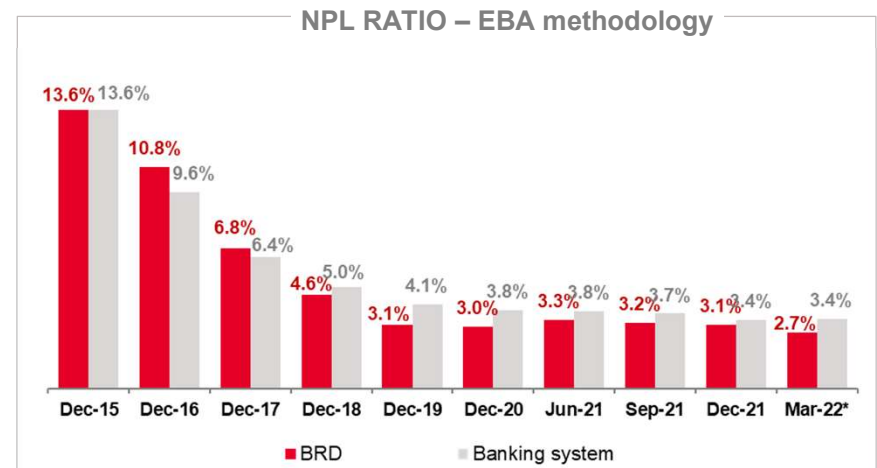
- Q1 2022 NCR reflects the recent uncertainties with regard to the evolution of domestic and international environment



\* Note: Cost of risk in bps for Q1-2022 and Q1-2021 is annualized

### NPL ratio and Outlook

- NPL rate at historically low level, positively influenced by portfolio increase
- Outlook for 2022 uncertain, linked with macroeconomic and geopolitical factors, nevertheless below the 5% threshold
- Stable NPL coverage at 76%



\* NPL for Banking System as of February 2022

Note: NPL computed acc. to EBA risk indicator AQT\_3.2

All figures at individual level



## SOLID CAPITAL POSITION

CAR of 21.4% at Mar 2022 end

Regulatory own funds composed of Tier 1 and Tier 2 capital

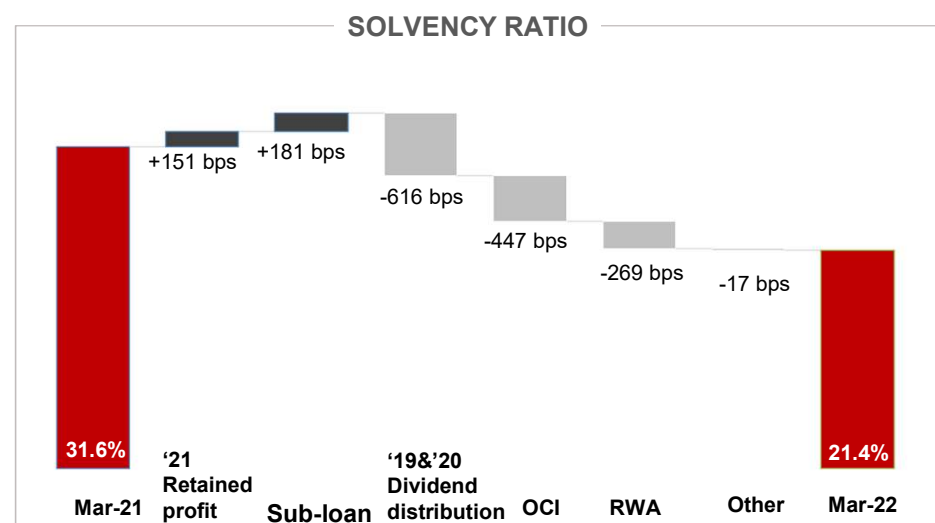
Tier 2 capital consisting of EUR 100m subordinated loan

Own funds year on year variation mainly driven by:

- ✓ exceptional dividend distribution of RON 1.68bn from 2019 and 2020 retained profits,
- ✓ lower revaluation reserves of debt instruments accounted at fair value through other comprehensive income, in the context of rising yields

Starting 2021 end, BRD applies the temporary treatment\* of unrealized gains and losses measured at fair value through other comprehensive income.

Total risk exposure amount increase explained by higher credit exposure given a very dynamic lending activity



Bank only	Mar-21	Dec-21	Mar-22
Common Equity Tier 1 (RONm)	8,642	6,646	6,096
Tier 1 (RONm)	8,642	6,646	6,096
Tier 2 (RONm)	-	495	495
<b>Total own funds (RONm)</b>	<b>8,642</b>	<b>7,141</b>	<b>6,591</b>
<b>Total risk exposure amount (RONm)</b>	<b>27,343</b>	<b>29,596</b>	<b>30,751</b>
Tier 1 Ratio	31.6%	22.5%	19.8%
Total Capital Ratio	31.6%	24.1%	21.4%

\*According to art. 468 of Regulation (EU) 575/2013 as amended by Regulation (EU) 873/2020 as regards certain adjustments in response to the COVID-19 pandemic

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## CONCLUSIONS



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## CONCLUSIONS

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- **Romanian economy rebounded faster than EU average in 2021, surpassing pre-pandemic level**
- **Perspectives are marked by record inflation that hit double digit threshold in March 2022, and geopolitical turmoil**
- **Reinforced support for the economy with the governmental measures package proposed in April 2022**
- **Dynamic commercial activity:**
  - **Robust performance on corporate lending, for both SMEs and large corporate segments**
  - **Record Q1 individuals' loan production with best ever quarter for new housing loans**
  - **Double digit growth of SMEs deposits**
- **Constant deployment of new functionalities for YouBRD, the online banking application, enlarging the scope of products accessible remotely**
- **Strong financial performance**
  - **Positive momentum in volumes supporting NII advance**
  - **Contained increase in operating expenses**
  - **Good quality of the loan book**
  - **Back to a double digit ROE, 12% in Q1 2022 (vs 9% in Q1 2021)**

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## Q&A SESSION



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# APPENDIX

BRD GROUP – KEY FIGURES

BRD STANDALONE – KEY FIGURES

STOCK PRICE PERFORMANCE

FINANCIAL CALENDAR FOR 2022

GLOSSARY – CLIENT SEGMENTATION



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## BRD GROUP | KEY FIGURES

	RON m	Q1-2022	Q1-2021	Change
<b>Financial results</b>	<b>Net banking income</b>	<b>810</b>	<b>753</b>	<b>+7.5%</b>
	Operating expenses	(460)	(432)	+6.4%
	Gross operating income	350	321	+9.0%
	Net cost of risk	(32)	(54)	-41.2%
	<b>Net profit</b>	<b>263</b>	<b>222</b>	<b>+18.3%</b>
	Cost/Income	56.8%	57.4%	-0.6 pt
	ROE	11.9%	9.1%	+2.8 pt

	RON bn	Mar-22	Mar-21	vs. Mar-21
<b>Loans and deposits</b>	<b>Net loans including leasing (RON bn)</b>	<b>34.8</b>	<b>31.8</b>	<b>+9.2%</b>
	Retail	23.3	22.1	+5.6%
	Corporate	11.4	9.7	+17.5%
	<b>Total deposits (RON bn)</b>	<b>53.3</b>	<b>51.4</b>	<b>+3.8%</b>
	Retail	35.4	34.2	+3.4%
	Corporate	18.0	17.2	+4.8%
	<b>Loan to deposit ratio</b>	<b>65.2%</b>	<b>62.0%</b>	<b>+3.2 pt</b>
<b>Capital adequacy</b>	CAR	<b>21.4%</b>	<b>31.6%</b>	<b>-10.2 pt</b>
<b>Franchise</b>	<b>No of branches</b>	<b>499</b>	<b>569</b>	<b>(70)</b>

Note:

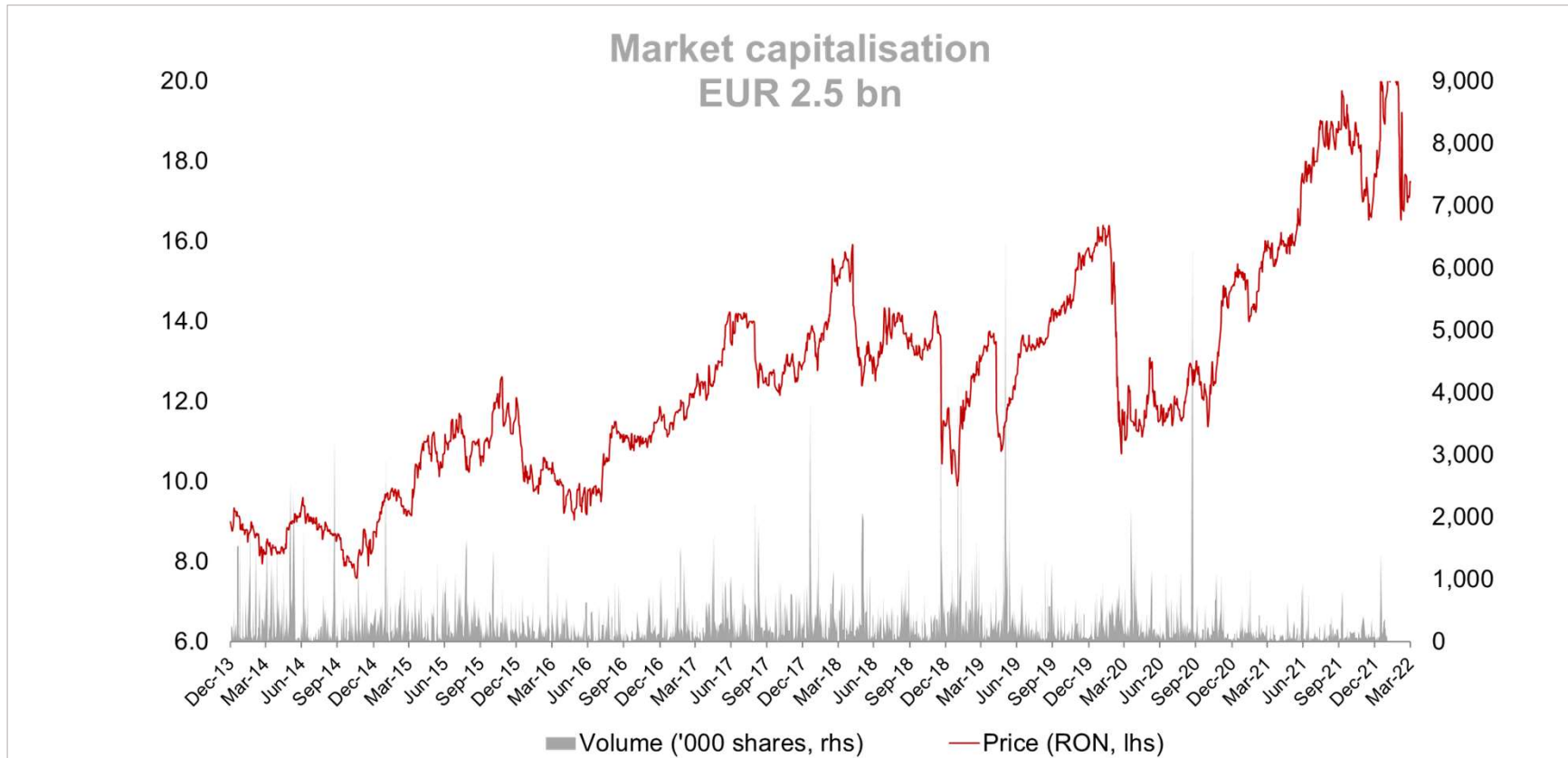
Own funds for 2021 end include the FY 2021 profit net of approved dividends  
CAR at BRD stand alone level



## BRD | KEY FIGURES FOR BANK ONLY

	RON m	Q1-2022	Q1-2021	Change
<b>Financial results</b>	<b>Net banking income</b>	<b>765</b>	<b>714</b>	<b>+7.2%</b>
	Operating expenses	(437)	(410)	+6.7%
	Gross operating income	328	304	+7.9%
	Net cost of risk	(31)	(43)	-27.3%
	<b>Net profit</b>	<b>246</b>	<b>218</b>	<b>+12.6%</b>
	Cost/Income	57.2%	57.4%	-0.3 pt
	ROE	11.6%	9.2%	+2.4 pt
<b>Loans and deposits</b>	<b>RON bn</b>	<b>Mar-22</b>	<b>Mar-21</b>	<b>vs. Mar-21</b>
	<b>Net loans (RON bn)</b>	<b>32.8</b>	<b>30.0</b>	<b>+9.2%</b>
	Retail	22.2	21.1	+5.4%
	Corporate	10.5	8.9	+18.1%
	<b>Total deposits (RON bn)</b>	<b>53.5</b>	<b>51.6</b>	<b>+3.8%</b>
	Retail	35.4	34.2	+3.4%
	Corporate	18.1	17.4	+4.5%
	<b>Loan to deposit ratio</b>	<b>61.3%</b>	<b>58.2%</b>	<b>+3.0 pt</b>

## 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 17.48 as of March 2022 end, +10% y/y and -1% ytd.



## FINANCIAL CALENDAR FOR 2022

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10<sup>th</sup> February: Preliminary 2021 financial results

28<sup>th</sup> April: General Shareholders Meeting for approving the 2021 annual financial results

5<sup>th</sup> May: Presentation of the 1<sup>st</sup> quarter 2022 financial results

**3<sup>rd</sup> August: Presentation of the 2<sup>nd</sup> quarter and 1<sup>st</sup> half 2022 financial results**

**4<sup>th</sup> November: Presentation of the 3<sup>rd</sup> quarter and 9 months 2022 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

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