



# BRD GROUP RESULTS

FULL-YEAR AND 4<sup>TH</sup> QUARTER 2016

10 FEBRUARY 2017

YOUR BANK. YOUR TEAM



GRUPE SOCIETE GENERALE

## DISCLAIMER

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The consolidated balance sheet and profit and loss account for the period ended December 31, 2016 were examined by the Board of Directors on February 8, 2017.

The financial information presented for the year ended December 31, 2016 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 2016 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.



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## 2016: VERY SOLID FINANCIAL PERFORMANCE

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### Significant rise in net profit, +63.4% vs 2015

- Net profit of RON 763m in 2016, +63.4% vs 2015
- Increase in net banking income by +7.0% vs 2015 driven by growth in net interest income, higher fee and commissions income and VISA Europe transaction gain
- Operating expenses quasi stable vs 2015 reflecting ongoing cost discipline
- Gross operating income +14.9% vs 2015
- Lower risk costs (RON 484 million, -26.5% compared to 2015) and improved risk profile: further decline in the non-performing loan ratio (10.5% at December 31, 2016 against 13.3% at December 31, 2015) and higher non-performing loans coverage ratio (76.6% against 69.3% at December 31, 2015)
- Q4-2016 vs Q4-2015: net profit of RON 157m, +48.3% y/y, on a -40.4% lower cost of risk

### Continued commercial growth

- Number of active individual customers: +37k vs Dec 2015 end
- Increased deposit base (+2.3%\* y/y)
- Credit growth (+3.2%\* y/y) driven by the positive momentum in retail production and loans to large corporate expansion

### Comfortable capital and liquidity positions

- Solvency ratio (Bank only) of 18.9% at Dec 2016 end (versus 18.1% at Dec 2015 end), comfortably above regulatory requirements
- Net loan/deposit ratio of 67.6% (vs 66.9% at Dec 2015 end)

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

Note: NPL ratio, NPL provision coverage according to EBA definition

## BRD GROUP | KEY FIGURES

		Q4-2016	Q4-2015	Variation	2016	2015	Variation
<b>Financial results</b>	Net banking income (RON m)	667	670	-0.4%	2,778	2,595	+7.0%
	Operating expenses (RON m)	(356)	(344)	+3.5%	(1,388)	(1,385)	+0.2%
	Gross operating income (RON m)	311	326	-4.5%	1,390	1,210	+14.9%
	Cost of risk (RON m)	(122)	(204)	-40.4%	(484)	(658)	-26.5%
	Net result (RON m)	157	106	+48.3%	763	467	+63.4%
	Cost/Income	53.3%	51.3%	+2.0 pt	50.0%	53.4%	-3.4 pt
					Dec-16	Dec-15	vs. Dec-15
<b>Capital adequacy</b>	CAR <sup>(1)</sup>				18.9%	18.1%	+0.8 pt
<b>Loans and deposits</b>	Net loans including leasing (RON bn) <sup>(2)</sup>				28.5	27.6	+3.2%
	Total deposits (RON bn) <sup>(2)</sup>				42.2	41.2	+2.3%
	Net loans/deposits				67.6%	66.9%	+0.6 pt
<b>Franchise</b>	No of branches				810	829	(19)
	No of active customers (x 1000) <sup>(3)</sup>				2,285	2,250	36

<sup>(1)</sup> Bank only, according to Basel 3, including the impact of prudential filters; <sup>(2)</sup> Variations at constant exchange rate; <sup>(3)</sup> Bank only



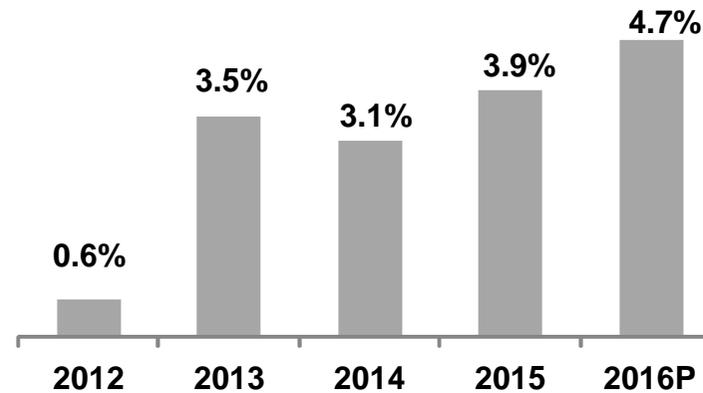
CHAPTER 02

# MACROECONOMIC AND BANKING ENVIRONMENT

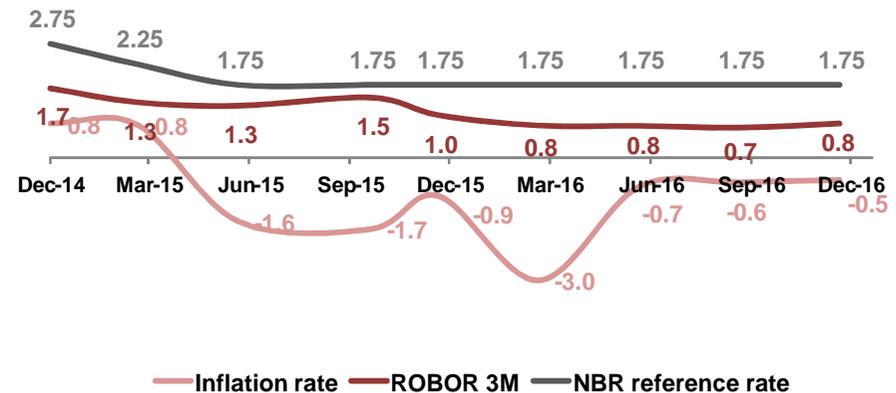
# FAVOURABLE MACROECONOMIC ENVIRONMENT

- GDP growth estimated at 4.7% in 2016 versus 3.9% in 2015, driven by expansion of domestic demand (essentially private consumption and to a lower extent investments)
- 2016 year end CPI in negative territory, as expected, down -0.5% y/y
- NBR maintained the key policy rate at the historical low of 1.75% (since May 2015) in line with accommodative monetary policies sustained by other European central banks
- ...and reduced the level of the minimum reserves requirements twice in 2016 for FX liabilities (from 14% to 10%).

GDP GROWTH



INFLATION AND INTEREST RATES

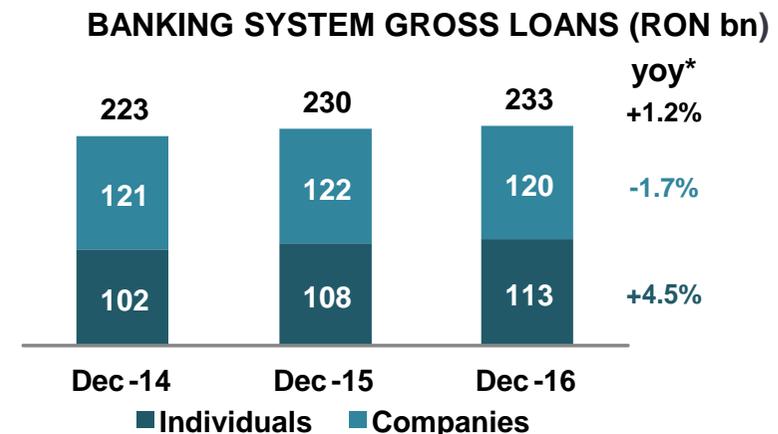
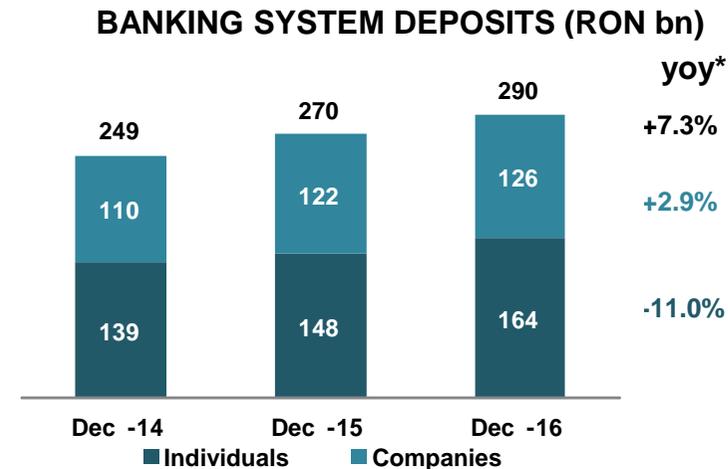


Note: Estimates as per BRD Research  
Sources: NIS, NBR



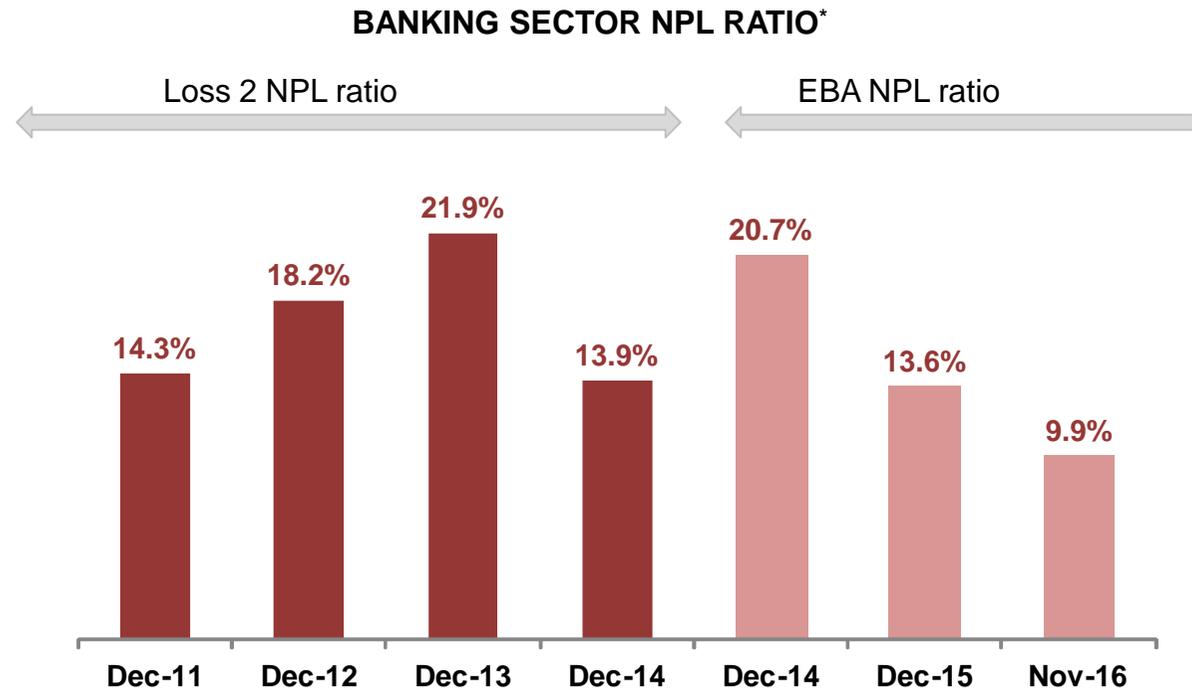
## BANKING SECTOR: HIGHER SAVINGS RATE, MODEST LENDING GROWTH

- 7.3% deposit growth at 2016 end vs 2015 end:
  - 11.0% higher individuals' savings
  - 2.9% increase in companies' deposits
  
- 1.2% higher gross loans pushed by loans granted to individuals while corporate lending remained subdued (influenced also by write-offs and loan portfolio sales):
  - 4.5% increase in loans to individuals driven by housing loans advance (+12.2%) in spite of tighter lending conditions imposed by banks after PIK law enforcement, while consumer loans continued to contract (-2.7%) though at a slower pace
  - RON denominated consumer loans on a positive trend starting with the second quarter of 2015
  - -1.7% decline in loans to companies as FX lending drop exceeded the growth of RON component



(\*) Variations at constant exchange rate; Source: NBR

## BANKING SECTOR: STEADY DECLINE OF NPL RATIO



- Single digit NPL ratio at November 2016 end as portfolio clean up operations led to a continuous reduction of bad loans volume over the last 3 years.
- Coverage of non performing loans by risk provisions, using EBA methodology, reached 54% as of September 2016 versus 57% as of December 2015 and 56% as of December 2014.

<sup>(\*)</sup> 1) Loss 2 indicator: Regulatory ratio representing loans overdue more than 90 days and/or in litigation. Starting with 2014 NBR changed the methodology and widened the area of application by including banks with internal rating based approaches, which led to a decline in the NPL ratio. 2) NPL ratio (EBA definition): Non-performing exposures are those that satisfy any of the following criteria: a) material exposures which are more than 90 days past due; b) the debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past due amount or of the number of days past due.

Source: NBR

CHAPTER 03

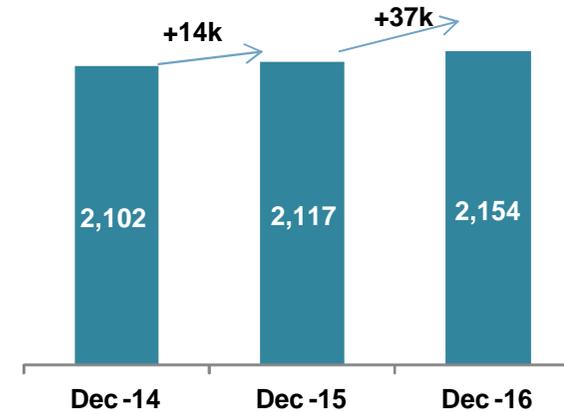
2016 AND 4<sup>TH</sup> QUARTER  
GROUP RESULTS



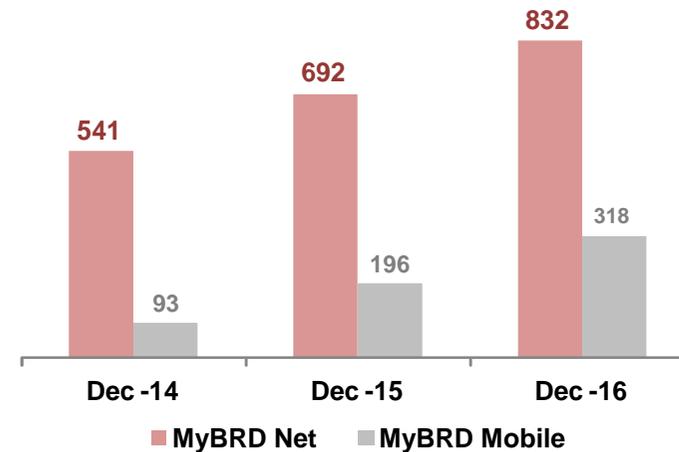
## STRONG CLIENT ACQUISITION

- Continuously expanding customer base over the last 2 years:
  - +14k clients in 2015
  - +37k clients in 2016
  
- Increased equipment rate (number of products per active client) of individual customers due to a better penetration rate of remote banking solutions: 4.07 (2016 end) versus 3.95 (2015 end)
  
- Stock of remote banking contracts, up by +30% y/y driven by:
  - +20% y/y increase in the number of internet banking contracts
  - +63% y/y increase in the number of mobile banking contracts

EVOLUTION OF ACTIVE INDIVIDUAL CUSTOMERS\*  
(x 1000)



NUMBER OF REMOTE BANKING CONTRACTS FOR INDIVIDUALS\* (X 1000)

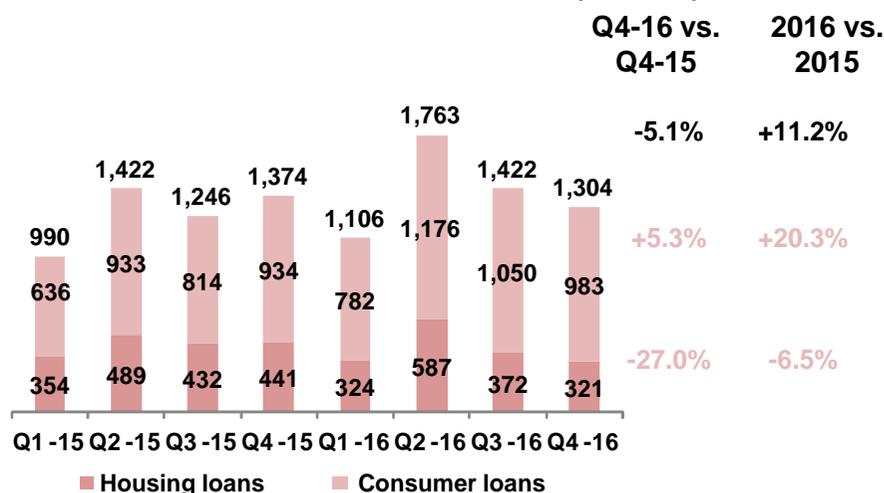


<sup>(\*)</sup> Bank only

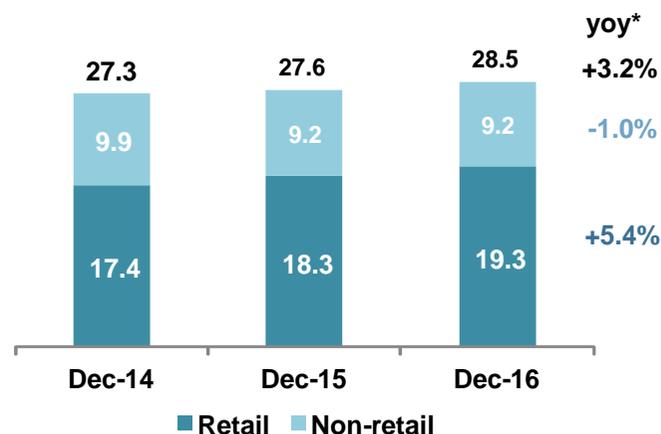
## ROBUST GROWTH IN CREDIT ORIGINATION

- Production of loans to individuals remained on a strong upward trend versus 2015, up by +11.2%:
  - further advance on unsecured consumer loans, +20.3% vs 2015, thanks to rising demand and optimized granting process leading to a better time to cash
  - housing loans production down -6.5% vs 2015 influenced by tighter lending standards given PIK law enforcement
- Net loans outstanding to retail segment increased by +5.4% driven by further advance of unsecured consumer loans and housing loans portfolios
- Loans outstanding to large corporate clients , up by +6.6% vs 2015, in spite of intensive competition on the segment

### INDIVIDUALS' LOAN PRODUCTION (RON m)



### NET LOANS including leasing (outstanding amounts, RON bn)



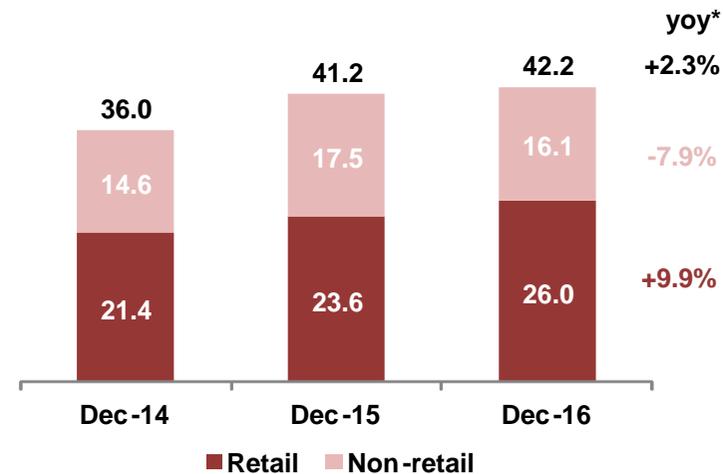
(\*) Variations at constant exchange rate

Note: The Retail Segment is comprised of Individuals and Small Business (see Appendix).

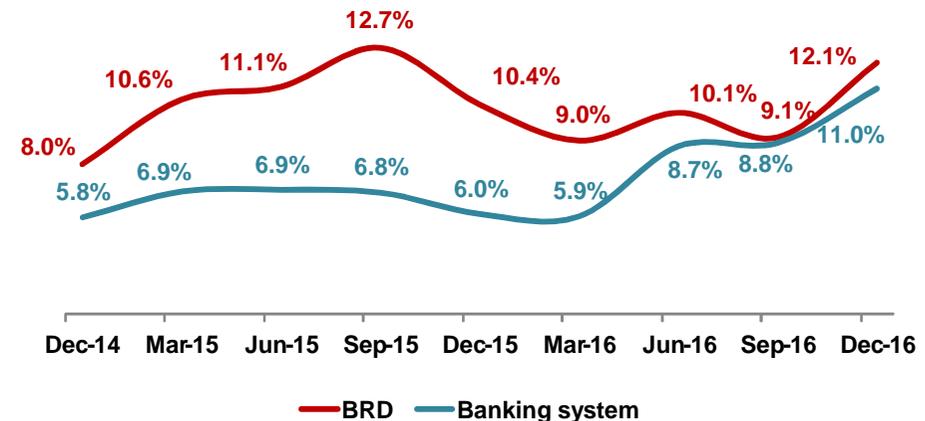
## DEPOSITS GROWTH WITH POSITIVE STRUCTURE SHIFTS

- Overall deposits up +2.3% compared to December 2015 end
  - retail deposits up +9.9% y/y while non retail deposits contracted in a context of very comfortable liquidity situation
- Significant increase registered on deposits on current accounts average outstanding amounts for both segments:
  - retail: +32.8% vs 2015
  - non- retail: +35.3% vs 2015
- Household deposits performance above banking system leading to a higher market share on the segment (up +0.1 percentage point, to 14.0% as of 2016 end)

DEPOSITS (outstanding amounts, RON bn)



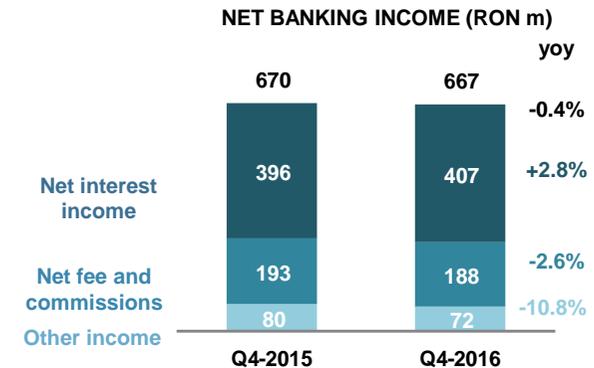
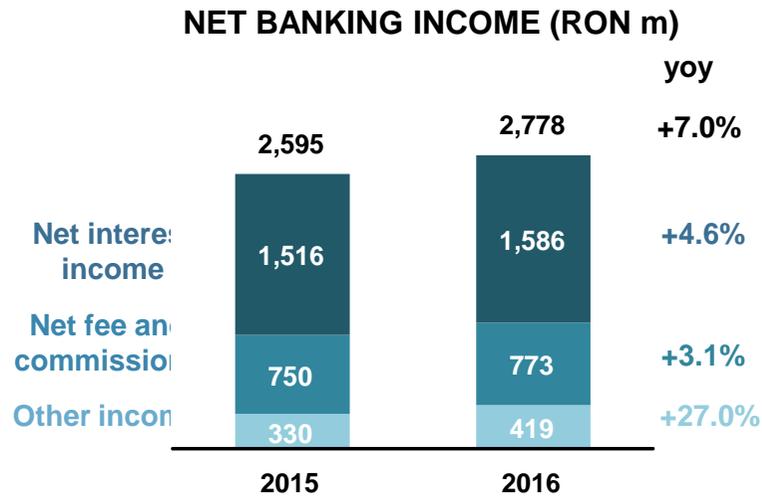
HOUSEHOLD DEPOSITS EVOLUTION (yoy\*)



(\*) Variations at constant exchange rate

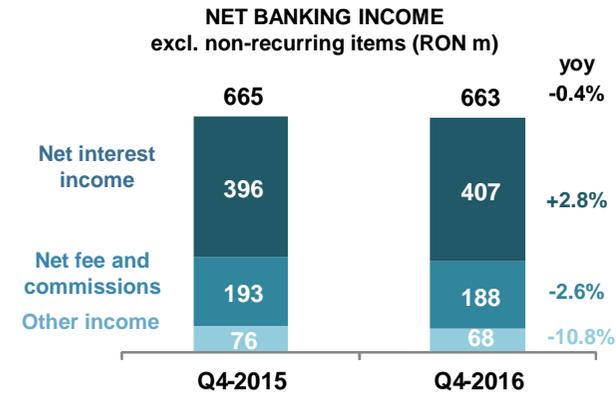
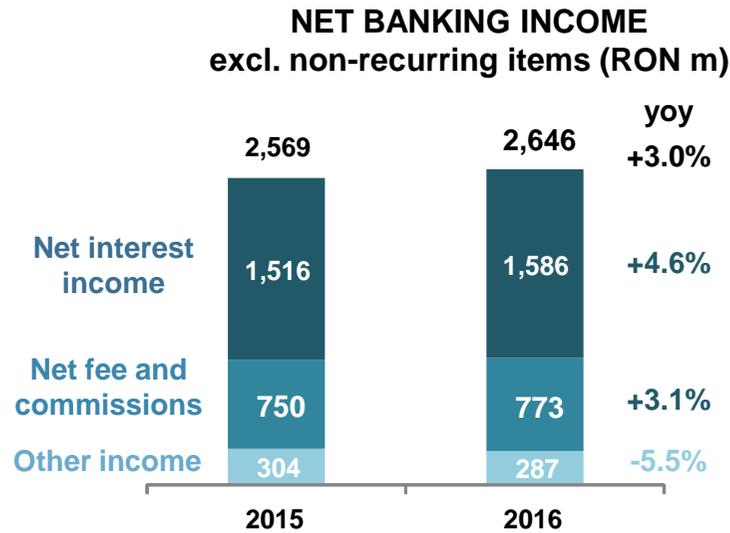
Note: The Retail Segment is comprised of Individuals and Small Business (see Appendix).

## BROAD – BASED FULL YEAR NET BANKING INCOME INCREASE



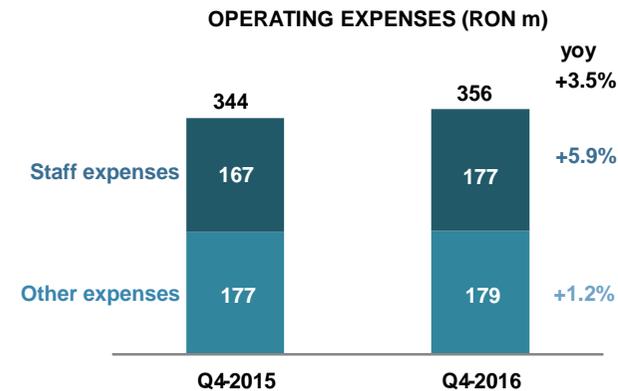
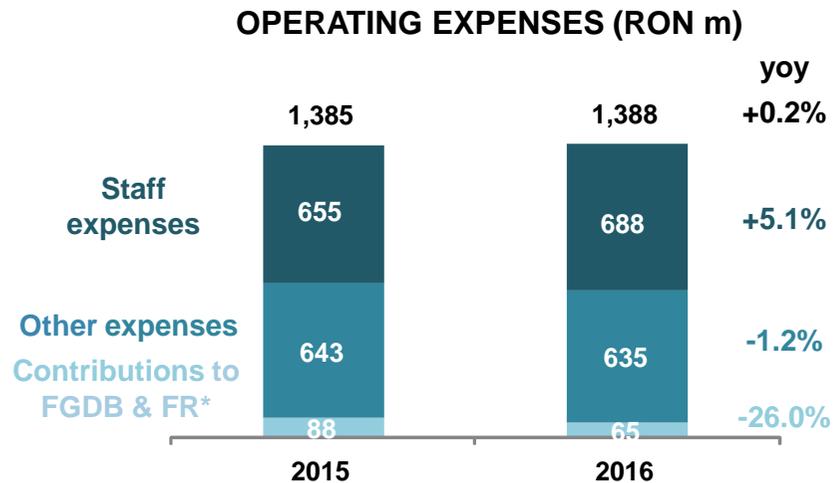
- Net banking income up by +7.0% in 2016 on higher core and non core banking revenues compared to 2015
- Improvement in net interest income, +4.6% in 2016 vs 2015 as:
  - volume growth and positive structure shifts (increase of deposits on current accounts weight in total deposits to 34% at 2016 end from 27% at 2015 end)
  - more than offset the impact of persistently low interest rates
    - average ROBOR 3M: 0.78% in 2016 vs 1.33% in 2015*
    - average EURIBOR 3M: -0.26% in 2016 vs 0.02% in 2015*
- Increase of net fee and commissions income in 2016 vs 2015 mostly driven by higher revenues from cards, e-banking subscriptions growth and insurance activity
- Decline in net fee and commissions income in Q4-2016 compared to Q4-2015 mostly due to lower revenues on banking transfers

## NET BANKING INCOME EXCLUDING SALE OF VISA EUROPE SHARE UP +3.1%



- Non – recurring elements booked in other income totaled RON 131.4 m in 2016 (RON 25.8m in 2015):
  - VISA Europe transaction gain (RON 103.1m)
  - Gain on sales of Government bonds and fund units booked as AFS (RON 28.3m)

## CONTINUED DISCIPLINED COSTS CONTROL

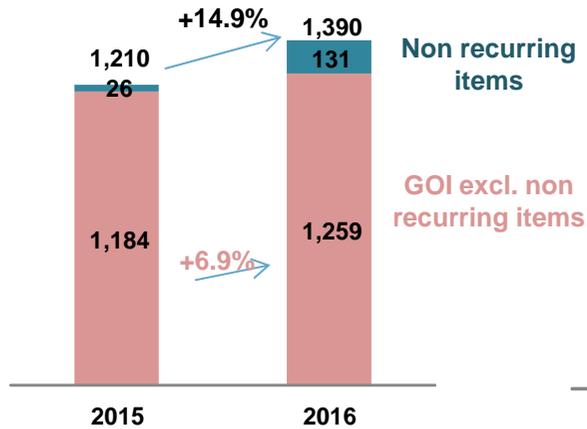


- Quasi stable operating expenses in 2016 compared to 2015 as:
  - savings on real estate and sundry costs as well as lower contributions to the Bank Deposit Guarantee Fund and Resolution Fund (-26% year on year)
  - ...almost offset higher staff costs
  
- ...keeping in mind the 11.4% overall decline in operating costs registered in the previous four years

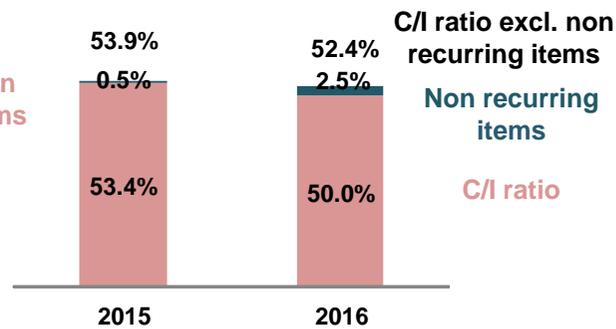
(\* ) The annual contributions to the Bank Deposit Guarantee Fund (FGDB) and Resolution Fund (FR) were booked in full in Q1 2016 following implementation of IFRIC 21 – Levies. Operating expenses for Q4 2015 were adjusted for comparability purposes.

# SOLID OPERATIONAL PERFORMANCE

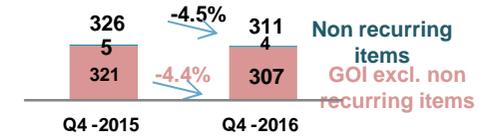
## GROSS OPERATING INCOME (RON m)



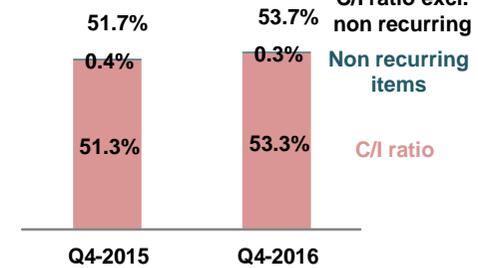
## COST/INCOME RATIO



## GROSS OPERATING INCOME (RON m)



## COST/INCOME RATIO

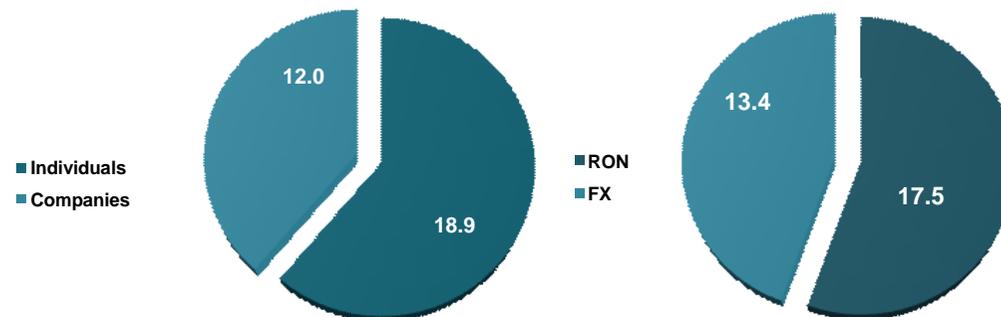


- Strong operating income growth in 2016 as compared to 2015
- Cost/Income ratio at 50%, improved by 3.4 percentage points vs 2015

## ASSET QUALITY

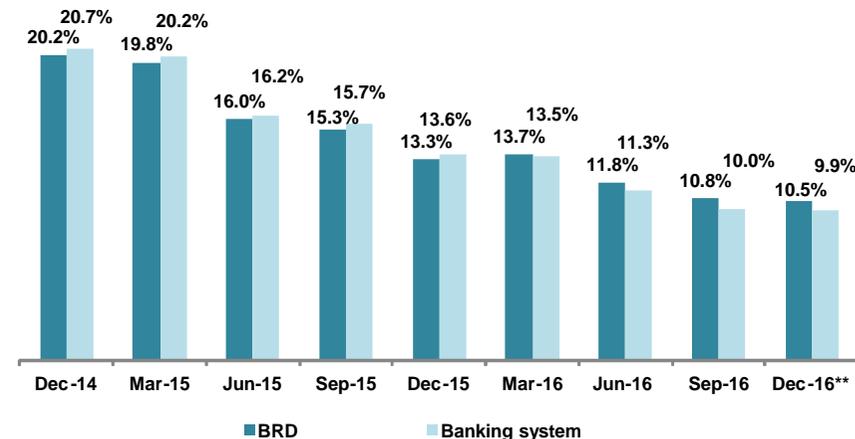
- Loan portfolio market mix
  - 61% on individuals market segments
  - 39% on legal entities market segments
  
- Consolidation of RON lending
  - Share of RON denominated loans at around 57% (versus 50% as of 12/2015)
  - Trend in line with market evolution

**GROSS LOANS - December 31, 2016  
BREAKDOWN BY SEGMENT &  
CURRENCY (in bn RON)**



- Declining NPL ratio
  - Trend in line with the evolution observed at the level of the Romanian banking sector
  - Reflecting write-offs performed during the 2015-2016 period as well as improving NPL recovery performance
  - Some further write-offs to be performed (in line with the Bank's write-off policy)
  - NPL portfolios sale activities to continue, for both retail and non retail segments

**NPL RATIO - EBA methodology \***



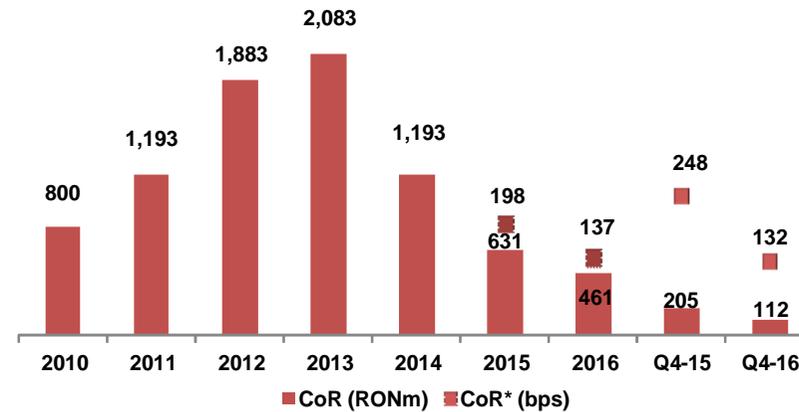
(\*) At individual level (\*\*) Ratio for the Banking system - as of Nov 2016

# COST OF RISK AND COVERAGE RATIO

## 2016 highlights

- Overall resilient risk profile for all non legacy portfolios (retail and non retail)
- Some residual impact from legacy NPL portfolio sale activities
- Further upgrade of the Bank's provisioning methodology for non defaulted portfolios
- Further improvement in BRD's recovery performance recorded on defaulted exposures (both retail and non retail)

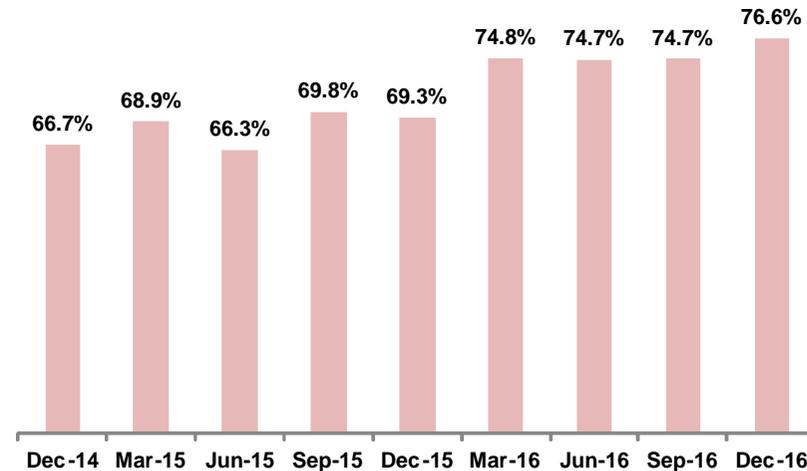
### COST OF RISK EVOLUTION (in M RON)



## Key ratios evolution

- Net cost of risk at 137 bp for 2016 (versus 198 bp in 2015)
- Higher NPL coverage ratio vs 2015 end (despite continued write-offs activity)

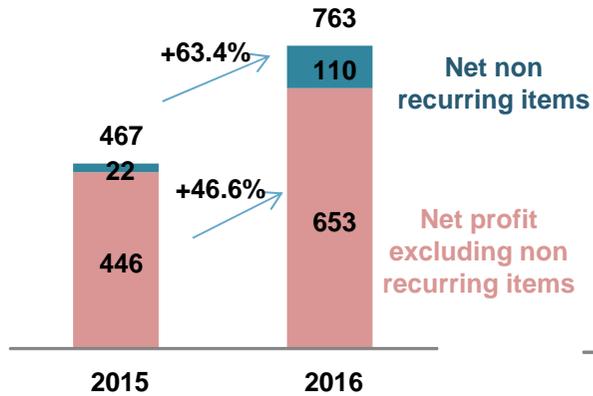
### NPL COVERAGE RATIO - EBA methodology



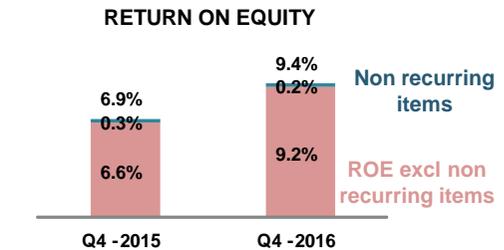
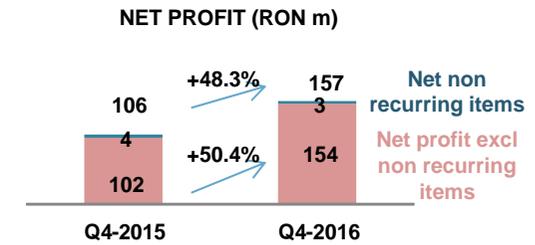
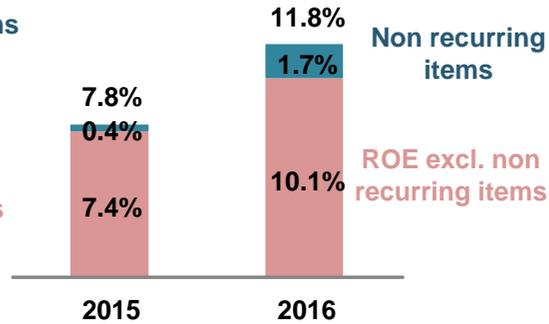
(\*) cost of credit risk only

## STRONG NET INCOME GROWTH, ROE AT 11.8%

NET PROFIT (RON m)



RETURN ON EQUITY

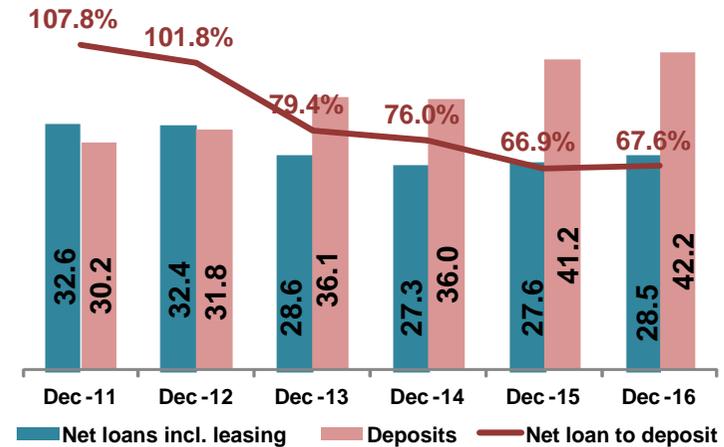


- Significant increase in full year net profit vs 2015 (+63.4%) driven by higher revenues, strict operating expenses control, lower risk costs
- Strongly improved ROE reaching 11.8% in 2016 compared to 7.8% in 2015
- Q4-2016 vs Q4-2015: net profit of RON 157m, +48.3% y/y, on a -40.4% lower cost of risk

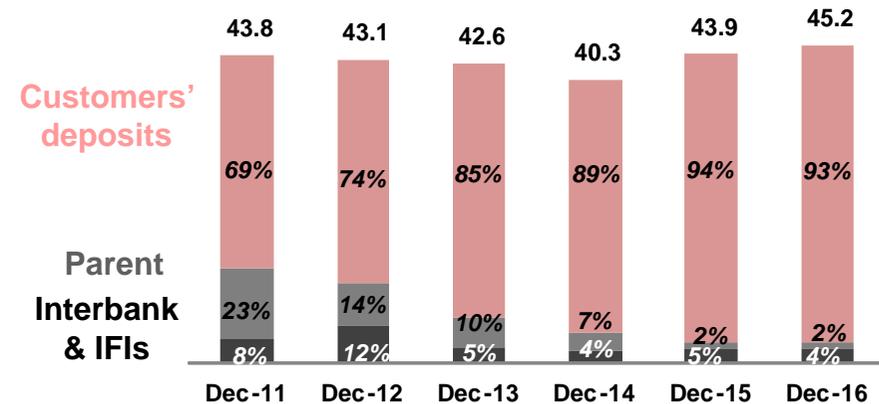
## SELF- FUNDED ON A STANDALONE BASIS

- Slightly higher net loans to deposits at 67.6% at 2016 end (versus 66.9% at 2015 end) on credit portfolio growth
- Excess of liquidity primarily invested in Government bonds and interbank placements allowing BRD to maintain an adequate liquidity buffer and to hedge its exposure to interest rate risk
- Policy of diversification of resources:
  - Stable funding based on growing deposits: increase of the share of deposits in total liabilities from 69% at 2011 end to 93% at 2016 end
  - Reduced reliance on parent funding, from 23% of total liabilities at 2011 end to 2% at 2016 end on a consolidated basis

**NET LOANS AND DEPOSITS (RON bn)**



**LIABILITIES STRUCTURE (RON bn)**



## STRONG CAPITAL POSITION SUPPORTIVE FOR FURTHER GROWTH

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- Solid capital base composed of high quality Tier 1 eligible instruments: share capital, retained earnings, reserves
- Capital adequacy ratio well above regulatory requirements: CAR reached 18.9% as at 2016 end compared to 18.1% at 2015 end (Bank only)

<b>Bank only</b>	<b>Dec-14</b>	<b>Dec-15</b>	<b>Dec-16</b>
Capital adequacy ratio	17.2%	18.1%	18.9%
Own funds (RONm)	4,614	4,857	4,992
Total risk exposure amount (RONm)	26,873	26,862	26,373
Capital requirements (RONm)	2,150	2,149	2,110

*Note: Figures are with national discretions.*

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CHAPTER 04

# CONCLUSIONS

## CONCLUSIONS

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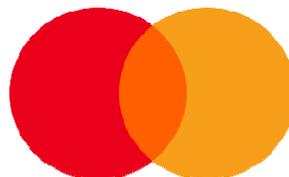
- BRD Group delivered a very good commercial and financial performance in 2016, marked by:
  - Strong client acquisition dynamics
  - Solid growth in credit origination mainly on retail and large corporate segments
  - Increased core revenues
  - Disciplined cost control
  - Reduced cost of risk reflecting the improved quality of the credit portfolio and origination
  - A significantly higher net profit (+63% vs 2015) and a 11.8% ROE (+4.0 percentage points vs 2015)
  
- Considering the results of the year as well as the comfortable capital adequacy level, the Board of Directors has decided to propose a dividend corresponding to a payout ratio of 70% of the bank 2016 net income, subject to a favorable vote by the Annual General Meeting of Shareholders on April 20, 2017.
  
- Looking ahead, we are confident of our universal bank business model which will further enable us to satisfy the most various needs of our customers and grow healthily on all segments while creating value for our shareholders.

## RECOGNIZED EXCELLENCE

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**Bank of the year on retail market, Piata Financiară**



**mastercard**

**“The mobile application of the year”, for our mobile banking application MyBRD Mobile, MasterCard**



**“e-premiere“, best product on the market - for our new credit card, e-finance**



**“Safest Bank in Romania”, Global Finance**



**“Best Trade Finance Bank”, Global Finance**

**Number one on syndicated loan market, with a market share of 21%**



**No. 1 Custodian in Romania, Global Investor**



**“World’s Best Securities Services Provider” – Best in Romania**



**Global Custodian**

**“Best Custodian in Romania”, Global Custodian**



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# Q&A

# Session

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# APPENDIX

## BRD | KEY FIGURES FOR BANK ONLY

		Q4-2016	Q4-2015	Variation	2016	2015	Variation
<b>Financial results</b>	Net banking income (RON m)	619	640	-3.2%	2,634	2,474	+6.5%
	Operating expenses (RON m)	(335)	(323)	+3.7%	(1,310)	(1,310)	0.0%
	Gross operating income (RON m)	284	317	-10.4%	1,324	1,164	+13.8%
	Cost of risk (RON m)	(112)	(205)	-45.3%	(461)	(631)	-26.9%
	Net result (RON m)	142	95	49.6%	728	445	+63.5%
	Cost/Income	54.1%	50.4%	+3.6 pt	49.7%	52.9%	-3.2 pt
	ROE	8.9%	6.4%	+2.4 pt	11.8%	7.8%	+4.0 pt
					<b>Dec-16</b>	<b>Dec-15</b>	<b>vs. Dec-15</b>
<b>Capital adequacy</b>	CAR <sup>(1)</sup>				18.9%	18.1%	+0.8 pt
<b>Loans and deposits</b>	Net loans (RON bn) <sup>(2)</sup>				27.4	26.6	+2.6%
	Total deposits (RON bn) <sup>(2)</sup>				42.3	41.3	+2.3%
	Net loans/deposits				64.8%	64.6%	+0.2 pt
<b>Franchise</b>	No of branches				810	829	(19)
	No of active customers (x 1000) <sup>(3)</sup>				2,285	2,250	36

<sup>(1)</sup> Bank only, according to Basel 3, including the impact of prudential filters; <sup>(2)</sup> Variations at constant exchange rate; <sup>(3)</sup> Bank only

## BRD STOCK PRICE PERFORMANCE



- BRD is part of the main market indices on the Bucharest Stock Exchange
- BRD is in Top 5 largest domestic companies listed on the local stock exchange
- BRD's share price reached RON 11.38 as of 3 February 2017, down by 4% ytd and up by 13% yoy.

Sources: Bloomberg, Bucharest Stock Exchange



GRUPE SOCIETE GENERALE

## FINANCIAL CALENDAR FOR 2017

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- **9<sup>th</sup> February: Preliminary 2016 financial results and annual press conference**
- **20<sup>th</sup> April: General Shareholders Meeting**
- **20<sup>th</sup> April: Publication of the 2016 Board of Directors Report**
- **4<sup>th</sup> May: Q1-2017 results publication**
- **2<sup>nd</sup> August: H1-2017 results publication**
- **3<sup>rd</sup> November: 9M-2017 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.

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# THANK YOU

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