

# BRD GROUP RESULTS

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2<sup>nd</sup> quarter and 1<sup>st</sup> half 2022 | 04.08.2022

## DISCLAIMER

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The consolidated and separate financial position and income statement for the period ended June 30, 2022 were examined by the Board of Directors on August 2, 2022.

The financial information presented for the period ended June 30, 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



GRUPE SOCIETE GENERALE

# SOLID BUSINESS MOMENTUM DESPITE ENVIRONMENT UNDER TENSIONS

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## Intense lending activity across the board

Dynamic housing loan production  
Very strong growth in corporate loans

Actively engaged in Governmental programs supporting SMEs

## Continuous focus on digital customer experience

Fully remote activation of You BRD, enabling further increase in no of customers

## Substantial growth in GOI...

...building on dynamic volumes and positive impact of rising market rates, combined with strict costs control

## Further improvement of loan portfolio quality

Comfortable level of credit risk indicators  
Well contained cost of risk, despite an overall uncertain environment

## High profitability

Portfolio growth **+9% y/y** at Jun 2022 end  
Corporate loans **+15% y/y** at Jun 2022 end  
Housing loan production **+77%** vs H1 2021

**RON 1.4 billion** approved loans in H1 2022

**890k** You BRD active clients at Jun 2022 end

GOI, **+11% y/y** in H1 2022

NPL ratio	Coverage ratio
<b>2.6%</b> at Jun 2022 end	<b>77%</b> at Jun 2022 end
NCR <b>RON -46m</b> vs. RON 39m in H1 2021	

Net profit **RON 617m** vs RON 626m in H1 2021  
**ROE 15.6%** vs 12.6% in H1 2021

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## MACROECONOMIC ENVIRONMENT



GRUPE SOCIETE GENERALE

# STILL STRONG ECONOMIC GROWTH WHILE INFLATION SPREADS WINGS WIDE OPEN

## GDP accelerated growth pace

GDP printed at +6.4% y/y in Q1 2022, after +5.9% y/y in 2021

GDP growth still driven by domestic demand (+5.9 ppts to GDP growth). A more modest contribution came from gross fixed capital formation (+0.3 ppts to GDP growth), while net exports were no longer a drag, adding 0.3 ppts to growth. Only public consumption remained in negative territory (-0.5 ppts to GDP growth).

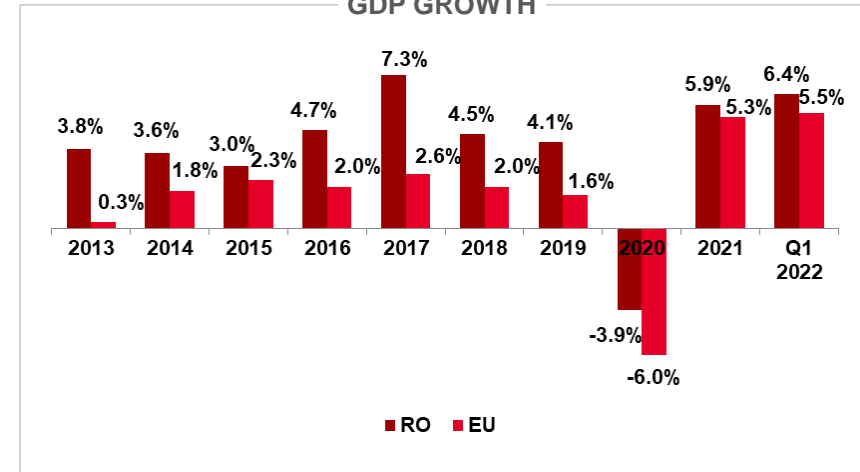
Thanks to this very strong first quarter, GDP growth for 2022 was revised upwards to +3.9% (EC) / +2.9% (World Bank)

## Inflation on a steep upward path

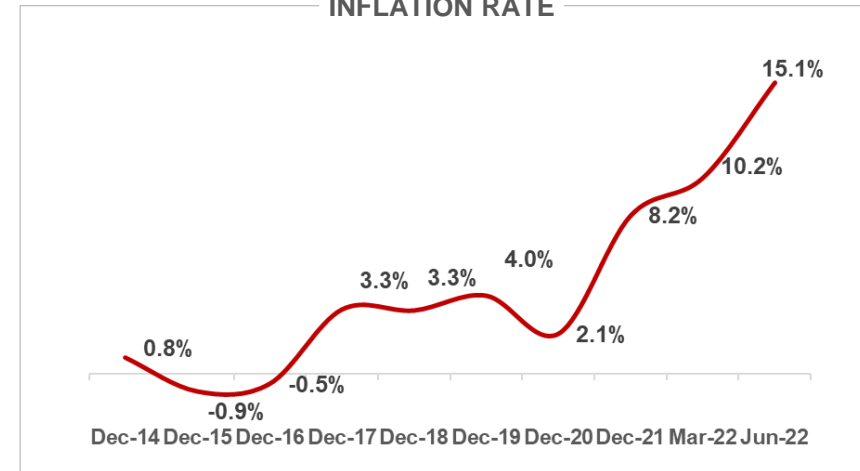
Annual inflation at 15.1% in June 2022 (from 8.2% y/y in Dec-21), the highest level since autumn 2003, far above the upper bound of the NBR target range (2.5% ± 1 ppt)

The cascade of supply-side shocks notably worsened inflation developments, both locally and regionally. Euro area inflation printed at 8.6% in June 2022.

### GDP GROWTH



### INFLATION RATE



# INTEREST RATES FOLLOWING INFLATION TREND

## Accelerating pace of rate hikes

Amid the prospect of larger and lengthier inflation pressures from global cost shocks, NBR started in September 2021 monetary policy rate hikes: 50 bps in Q4 2021, two additional increases by 75 bps in total in the first quarter of 2022

The hike pace stepped-up to contain war inflation contagion, with three further hikes of 225 bps in total, done in April-July, to 4.75%.

## NBR's active support

In March 2022, NBR purchased RON-denominated government securities on the secondary market (RON 367m) for the first time since April 2021. Only RON 37 million further purchased in May 2022

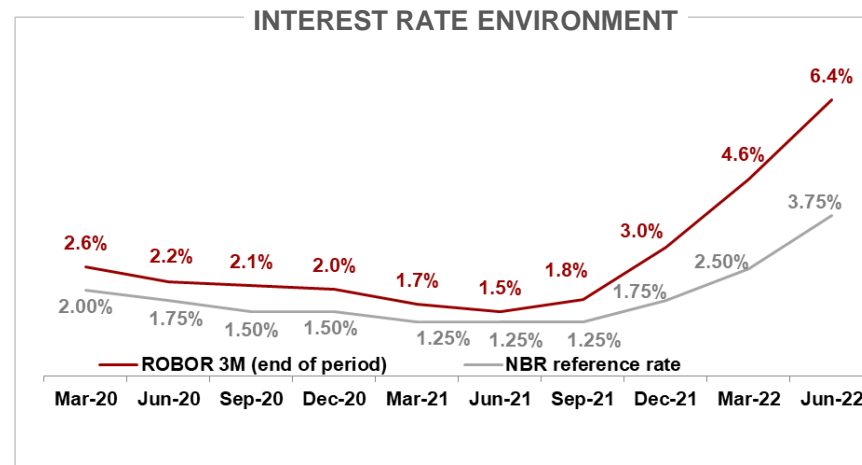
Lombard facility provided by NBR to the banking system starting March 2022, with a monthly peak in May (daily average of RON 12.7 bn)

## Interbank rates unleashed

Rapid upward adjustment of interbank rates started September 2021

ROBOR 3M reaching 6.4% at June 2022 end, up from 3.0% at Dec-21

H1 2022 on a strong upward trend, with average ROBOR 3M printing at 4.55%, +295 bps vs H1 2021



## SUPPORT FOR ECONOMY PROGRESSIVELY EXTENDED

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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
  - On June, 1<sup>st</sup>, Romania sent a first financing request for the payment of EUR 1.8 bn in grants and EUR 789.7 million in loans. European Commission had two months to complete the assessment, but the assessment period has been extended until mid September.

### **Approval of IMM INVEST PLUS state aid scheme**

- As IMM Invest program and related state aid schemes ended on 30.06.2022, a new state aid scheme was approved at June end
- This new state aid scheme reunites under the same umbrella all existing state aid government programs (IMM INVEST ROMANIA, AGRO IMM INVEST, IMM PROD, GARANT CONSTRUCT, INNOVATION and RURAL INVEST), which will be governed by the same general legislation
- Becomes operational on the date of its authorization by the European Commission and will be valid until 31.12.2022.

### **Credit moratoria** approved at June end

- up to 9-month deferral of bank loan repayments for individuals and companies facing financial difficulties

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

- RON 17.3 bn total envelope, out of which RON 9 bn EU funds and RON 8.3 bn national funds
- Legislative acts for the implementation of the measures are approved separately for each measure



# VERY SOLID ROMANIAN BANKING SECTOR

## Robust capital and liquidity positions

Loan to deposit ratio at 70% at Mar-2022 end, up from 69% as of 2021 end (vs 122% at 2008 end)

High average liquidity coverage ratio, 212% at Mar-2022 end vs. 239% at 2021 end, well above regulatory requirement (100%) and European average (168%)

Capital adequacy ratio at 21.4% at Mar-2022 end, compared to 23.3% at 2021 end (vs. 13.8% at 2007 end)

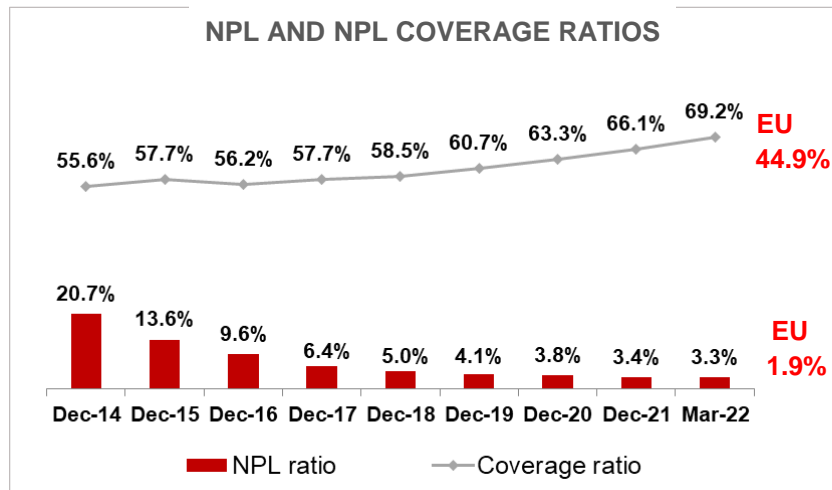
## Sound risk profile

Low NPL ratio, 3.3% at Mar-2022 end, - 0.1 ppt vs 2021 end

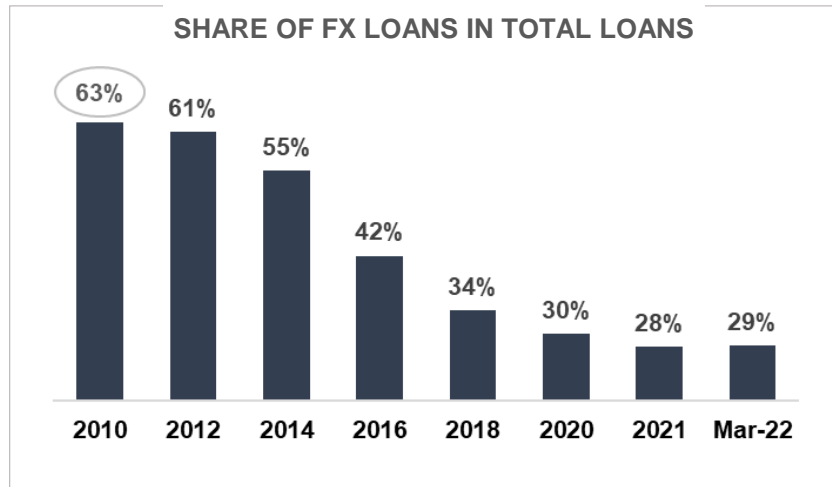
NPL coverage ratio improved to 69.2% at Mar-2022 end (66.1% at 2021 end), well above the EU average of 44.9%

Significantly lower share of FX loans, 29% at Mar-2022 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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**2<sup>ND</sup> QUARTER AND 1<sup>ST</sup> HALF  
2022 BRD GROUP RESULTS**



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# FURTHER ENRICHMENT OF OFFER AND CHANNELS



## INCREASED USAGE OF E-CHANNELS

**890k** YouBRD active clients at June 2022 end (337k at June 2021 end)

**+20% y/y** nb of transactions on MyBRD & YouBRD vs H1 2021

**99%** of large corporate clients' and **97%** of SMEs transactions performed via digital channels during H1 2022

**61%** of import L/Cs and **51%** of LGs processed through the e-tools during H1 2022

**66%** of FX trades processed through the e-tools in H1 2022 (vs 56% in H1 2021)

**91.5 million** acquiring transactions during H1 2022, **+14% y/y**

## ENHANCED REMOTE CHANNELS EXPERIENCE



Constant deployment of **new functionalities for YouBRD**

- ✓ fully remote registration



Improved **Contact center's operational capacity**

- ✓ New remote opening flow for package of products
- ✓ Integrated management of remote interactions with customers
- ✓ **76%** calls were answered in the first 30" (vs 71% in H1 2021)



## COMMITTED TO SUPPORT SUSTAINABILITY TRANSITION

**Green** consumer and housing loans launched in April



## NETWORK FOOTPRINT OPTIMIZATION

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

**June 2021**

**June 2022**

**-60** branches, to **481**

**139** 24/7 banking points, **+13% y/y**

**Network reduced by 41%**  
since **2016 end**

# VERY DYNAMIC LENDING ACTIVITY ACROSS THE BOARD

## Corporate lending in a double-digit growth range

Loans to SME up by +31% vs June 2021 end

Actively support SMEs eligible under Governmental programs, with RON 1.4 billion approved loans in H1 2022, out of which 33% for the agricultural sector

Large corporate loan portfolio growing by +7.5%

Reconfirmed solid performance of leasing activity with overall portfolio increasing by +16% y/y

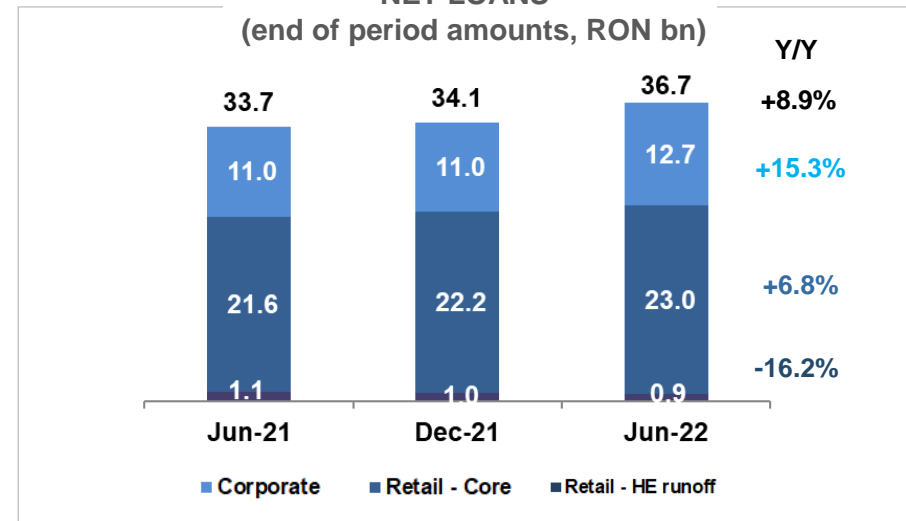
## A new record H1 individuals' loan production

Remarkable performance in housing loans production (+77% y/y and +120% vs H1 2019)

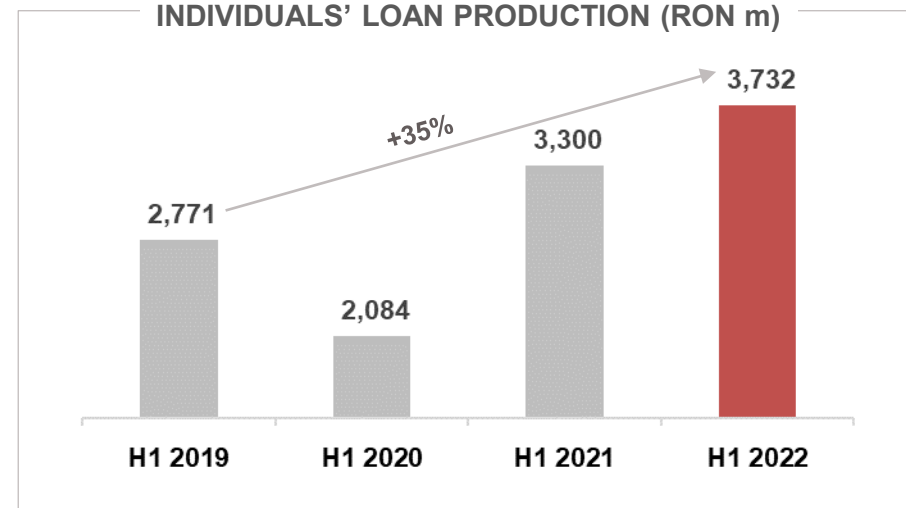
Solid increase in new loans to individuals, with +13% vs H1 2021 and +35% vs H1 2019

More than RON 2 bn consumer loan production in H1 2022

**NET LOANS**  
(end of period amounts, RON bn)



**INDIVIDUALS' LOAN PRODUCTION (RON m)**



# BROAD DEPOSIT BASE

## Savings remain elevated

Retail deposits up +4.2% y/y on average

Corporate deposits driven by resilient growth of SMEs deposits (+4.8% y/y on average)

## Solid liquidity profile

Net loan to deposit ratio at 68%

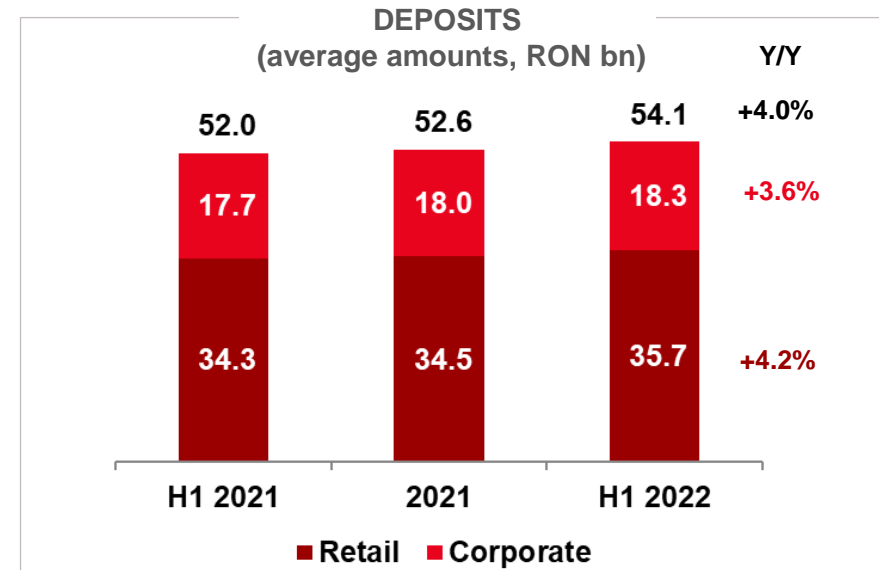
High liquidity buffer at 32% of total assets

## BRD Asset Management

1<sup>st</sup> by number of investors with a market share of app 18%

## Very active participation in Fidelis program

41% average market share on the two Romanian government bond issuances for individuals held in H1 2022



# CONSOLIDATION OF REVENUES ON UPWARD TREND

## Best ever H1 net banking income

NBI, up by +7.6% y/y in H1 2022 and Q2 2022, reflecting a very good commercial momentum across the board

## Double digit y/y growth in NII over H1 and Q2 2022

Substantially higher interest income on both interest rates and volumes positive effects

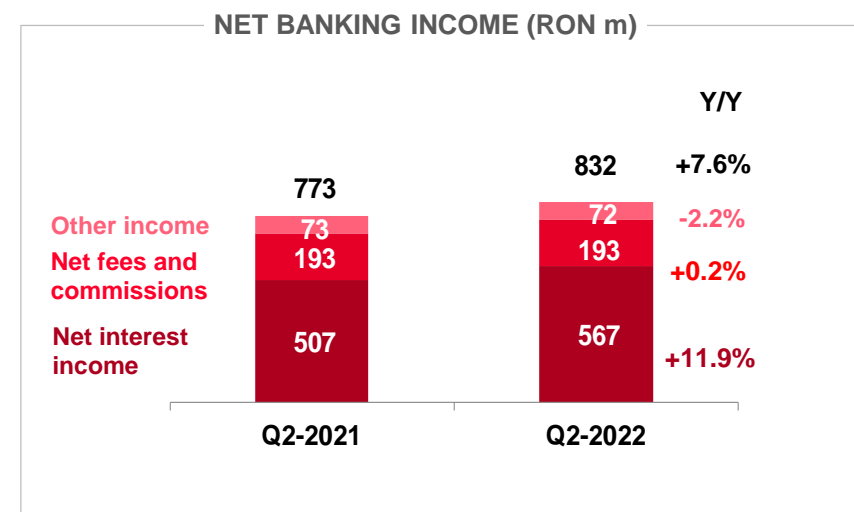
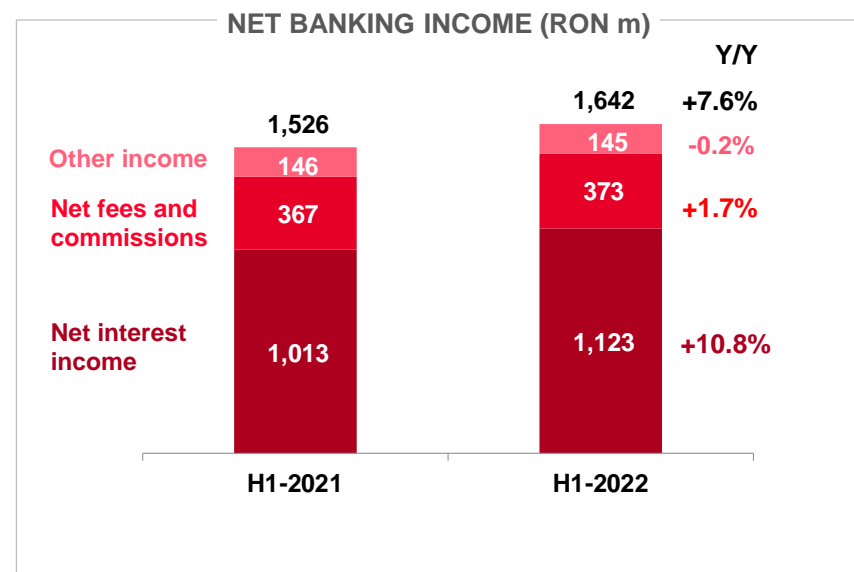
- ROBOR 3M average of 4.55% in H1 2022, +295 bps y/y
- ROBOR 3M average of 5.49% in Q2 2022, +393 bps y/y

...tempered by increasing funding costs

## NFC evolution mainly attributable to:

- ✓ positive impact of service commissions driven by intensified cards and capital markets activities
- ✓ lower revenues from e-banking given the migration of retail clients to the new free of charge application, You BRD

**Other revenues rather stable over H1 2022** on dynamic sales activity on FX trades offset by a base effect related to higher revaluation gains and revenues from bonds sales in H1 2021



## CONFIRMED DISCIPLINE, WHILE INFLATION STARTS TO MATERIALIZE ON COSTS

**Controlled increase in OPEX**, +2.5% y/y in H1 2022, excluding contributions to Deposit Guarantee & Resolution Funds

**Moderate staff costs rise given the combined effect of:**

- ✓ persistent labor market tightness in a high inflationary environment
- ✓ structural headcount reduction (-562 FTE vs June 2021 end)

**Other expenses advance related to external services providers and utilities**

Cumulated contribution to Deposit Guarantee Fund and Resolution Fund, +40% y/y, fully booked in Q1 2022

**Substantial growth in GOI, amid dynamic volumes and good costs control**

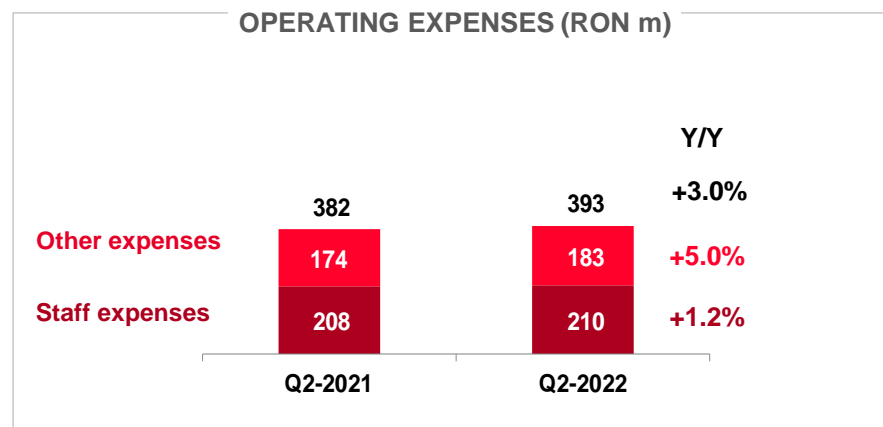
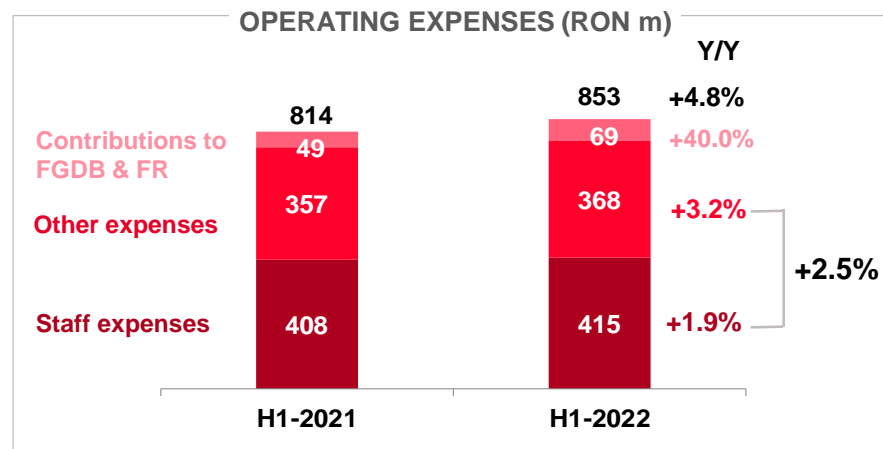
+10.7% y/y in H1 2022

+12.2% y/y in Q2 2022

**Improved C/I vs H1 2021 and Q2 2021**

51.9% vs 53.3% in H1 2021

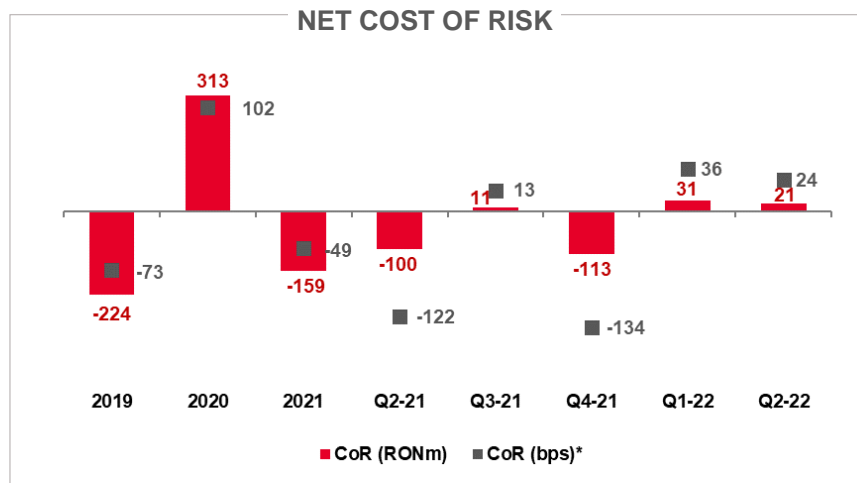
47.2% vs 49.4% in Q2 2021



# STABLE CREDIT QUALITY INDICATORS DESPITE MACROECONOMIC UNCERTAINTIES

## Q2 net cost of risk in line with expectations

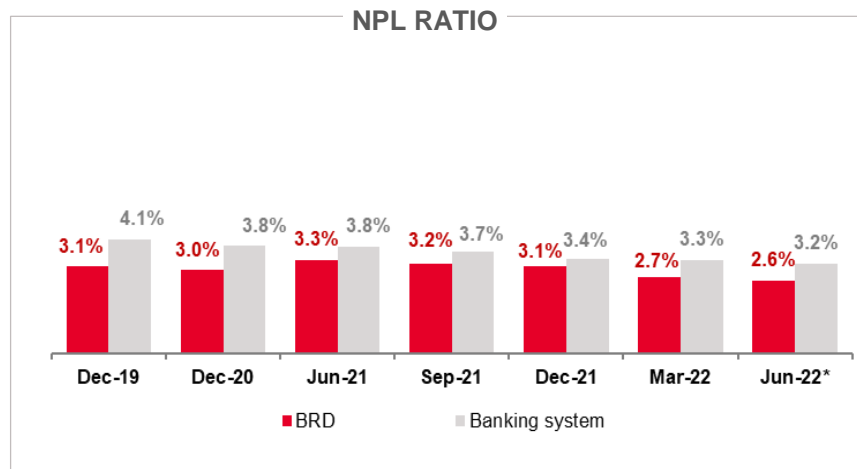
Q2 NCR allocation linked to deteriorating macroeconomic environment/ outlook. Notwithstanding this context, default portfolio continues to yield important recoveries



\* Note: CoR (bps) in quarter is annualized

## NPL ratio and Outlook

- Further NPL rate contraction mainly linked to portfolio increase and stable non-performing portfolio
- Stable outlook for 2022, NPL rate expected to remain below 3%
- Stable NPL coverage at 77%



\* NPL for Banking System as of May 2022

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

All figures at individual level





## CAPITAL POSITION

CAR of 22.6% at June 2022 end

Regulatory own funds composed of Tier 1 and Tier 2 capital

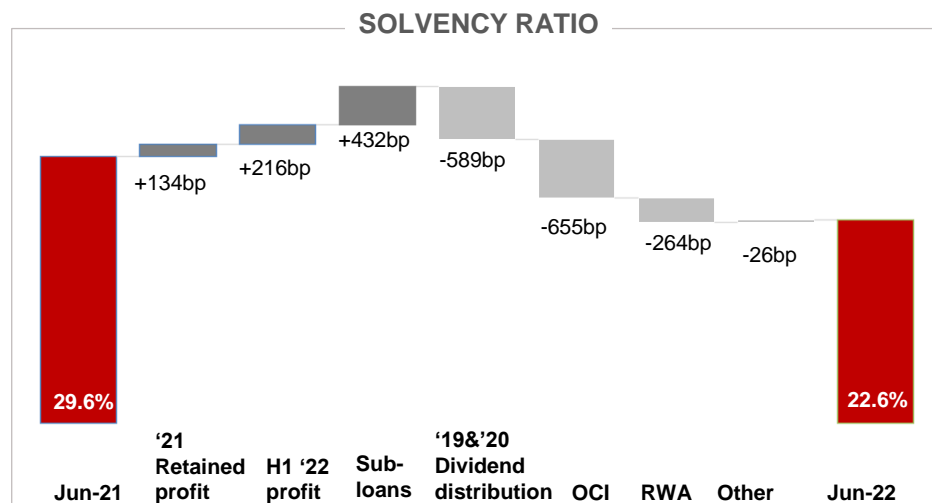
Tier 2 capital consisting of two subordinated loans in total amount of EUR 250m

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
- ✓ partially offset by 2021 retained profit, incorporation of H1 2022 profit and Tier 2 instruments

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 on a very dynamic lending activity



Bank only	Jun-21	Dec-21	Jun-22
Common Equity Tier 1 (RONm)	8,467	6,646	5,993
Tier 1 (RONm)	8,467	6,646	5,993
Tier 2 (RONm)	-	495	1,236
Total own funds (RONm)	8,467	7,141	7,230
Total risk exposure amount (RONm)	28,601	29,596	31,983
Tier 1 Ratio	29.6%	22.5%	18.7%
Total Capital Ratio	29.6%	24.1%	22.6%

Note: CAR at BRD stand alone level, CAR at June 2022 end is preliminary and includes interim (H1 2022) profit

\*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



## CONCLUSIONS

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- **Growing Romanian economy, but prolonged geopolitical turmoil amplifies risk on perspectives**
- **BRD showed a very good commercial momentum across the board**
  - **intense lending activity, with a remarkable performance on corporates and housing loans**
  - **actively engaged in Governmental programs supporting SMEs**
- **Continuous enrichment of customers offer**
  - **fully remote registration in You BRD**
  - **green consumer and housing loans recently launched**
- **Robust financial performance**
  - **revenues growth underpinned by very dynamic volumes and positive impact of rising rates**
  - **controlled increase of OPEX**
- **Good quality of loan portfolio**
  - **sound levels of risk indicators**
  - **contained cost of risk**
- **High profitability, ROE at 15.6% in H1 2022**

# 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 12.62 as of June 2022 end, -27.9% y/y and -28.7% ytd

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## Q&A SESSION



GRUPE SOCIETE GENERALE

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# APPENDIX

BRD GROUP – KEY FIGURES

BRD STANDALONE - KEY FIGURES

FINANCIAL CALENDAR FOR 2021

GLOSSARY – CLIENT SEGMENTATION



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# BRD GROUP | KEY FIGURES

RON m		Q2-2022	Q2-2021	Change	H1-2022	H1-2021	Change
Financial results	<b>Net banking income</b>	832	773	+7.6%	1,642	1,526	+7.6%
	Operating expenses	(393)	(382)	+3.0%	(853)	(814)	+4.8%
	Gross operating income	439	392	+12.2%	789	712	+10.7%
	Net cost of risk	(14)	93	n.a.	(46)	39	n.a.
	<b>Net profit</b>	354	403	-12.4%	617	626	-1.4%
	Cost/Income	47.2%	49.4%	-2.1 pt	51.9%	53.3%	-1.4 pt
	ROE	20.5%	16.2%	+4.4 pt	15.6%	12.6%	+3.0 pt

RON bn		Jun-22	Dec-21	Jun-21	vs. Dec-21	vs. Jun-21
Loans and deposits	<b>Net loans including leasing (RON bn)</b>	36.7	34.1	33.7	+7.4%	+8.9%
	Retail	23.9	23.2	22.6	+3.3%	+5.7%
	Corporate	12.7	11.0	11.0	+16.1%	+15.3%
	<b>Total deposits (RON bn)</b>	53.7	52.7	53.0	+1.9%	+1.2%
	Retail	35.5	36.0	34.4	-1.3%	+3.3%
	Corporate	18.1	16.7	18.6	+8.6%	-2.5%
	<b>Loan to deposit ratio</b>	68.3%	64.8%	63.5%	+3.5 pt	+4.8 pt
Capital adequacy	CAR	22.6%	24.1%	29.6%	-1.5 pt	-7.0 pt
Franchise	No of branches	481	499	541	(18)	(60)

(\*) CAR at Bank level; CAR at June 2022 end is preliminary and includes H1 2022 net profit

# BRD | KEY FIGURES FOR BANK ONLY

RON m		Q2-2022	Q2-2021	Change	H1-2022	H1-2021	Change
Financial results	<b>Net banking income</b>	<b>826</b>	<b>747</b>	<b>+10.6%</b>	<b>1,592</b>	<b>1,461</b>	<b>+9.0%</b>
	Operating expenses	(369)	(357)	+3.3%	(806)	(767)	+5.1%
	Gross operating income	457	390	+17.4%	785	694	+13.2%
	Net cost of risk	(21)	100	n.a.	(52)	57	n.a.
	<b>Net profit</b>	<b>371</b>	<b>411</b>	<b>-9.6%</b>	<b>617</b>	<b>629</b>	<b>-1.9%</b>
	Cost/Income	44.6%	47.8%	-3.2 pt	50.7%	52.5%	-1.9 pt
	ROE	22.7%	17.0%	+5.7 pt	16.3%	13.1%	+3.2 pt
RON bn		Jun-22	Dec-21	Jun-21	vs. Dec-21	vs. Jun-21	
Loans and deposits	<b>Net loans (RON bn)</b>	<b>34.6</b>	<b>32.2</b>	<b>31.8</b>	<b>+1.2%</b>	<b>+8.9%</b>	
	Retail	22.8	22.1	21.6	+2.2%	+5.6%	
	Corporate	11.8	10.1	10.2	-1.0%	+16.0%	
	<b>Total deposits (RON bn)</b>	<b>53.8</b>	<b>52.9</b>	<b>53.2</b>	<b>-0.5%</b>	<b>+1.1%</b>	
	Retail	35.5	36.0	34.4	+4.6%	+3.3%	
	Corporate	18.3	16.9	18.8	-10.0%	-2.9%	
	<b>Loan to deposit ratio</b>	<b>64.4%</b>	<b>60.8%</b>	<b>59.8%</b>	<b>+3.6 pt</b>	<b>+4.6 pt</b>	



# 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 1st quarter 2022 financial results

3<sup>rd</sup> August: Presentation of the 2nd quarter and 1st 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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