

# BRD GROUP RESULTS

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3rd quarter and 9 months 2021 | 05.11.2021

**TU EȘTI  
VIITORUL**  **BRD**  
GROUPE SOCIETE GENERALE

## DISCLAIMER

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The consolidated and separate financial position and income statement for the period ended September 30, 2021 were examined by the Board of Directors on November 3, 2021.

The financial information presented for the period ended September 30, 2021 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.

1

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## INTRODUCTION



GRUPE SOCIETE GENERALE

## DYNAMIC BUSINESS PERFORMANCE

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### Accelerated loan growth

Very robust performance on corporate segment  
Strong upward trend on individuals

Corporate loan portfolio  
**+19%** vs September 2020 end

Individual loan production, **+48%** vs 9M 2020  
Housing loan production, **+40%** vs 9M 2019

### Client savings maintaining a good momentum

Deposits, **+12%** vs. September 2020 end  
AUM, **+29%** vs. September 2020 end

### Digital transformation speeding up with two essential services for individual customers now available 100% online

**Remote** onboarding  
**Online** consumer lending

### Fast uptake of digital channels

**+13%** no of active users vs September 2020 end  
**+32%** no of transactions vs 9M 2020

**Revenues up**, on growing business volumes absorbing the impact of the significantly lower market interest rates

NBI  
**RON 2 335m, +1.2%** vs.9M 2020

**OPEX** evolution mainly reflecting investments in digital transformation

OPEX, w/o FGDB&R contribution and IT costs  
**+0.7%** vs 9m 2020

**Solid credit risk indicators** reflecting the strong quality of asset base and the efficient collection activity

NCR, **RON 42m** vs. RON -253m in 9M 2020  
NPL ratio: **3.2%** Coverage ratio: **75.3%**

### High profitability

**Net profit: +25%** vs.9M 2020

# 2

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## MACROECONOMIC ENVIRONMENT



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## ROMANIAN ECONOMY ENGAGED ON A RECOVERY PATH, INFLATION PEAKING UP

### Strong rebound of GDP in Q2 2021

GDP expanded by +1.9% q/q (seasonally adjusted) in Q2 2021, while annual growth printed to +14.4%, close to expectations.

Domestic demand has once again become a contributor to economic expansion (+7.8 pts contribution to GDP growth), on the back of a strong household demand, while the gross fixed capital formation consolidated its positive contribution (+3.2 pts).

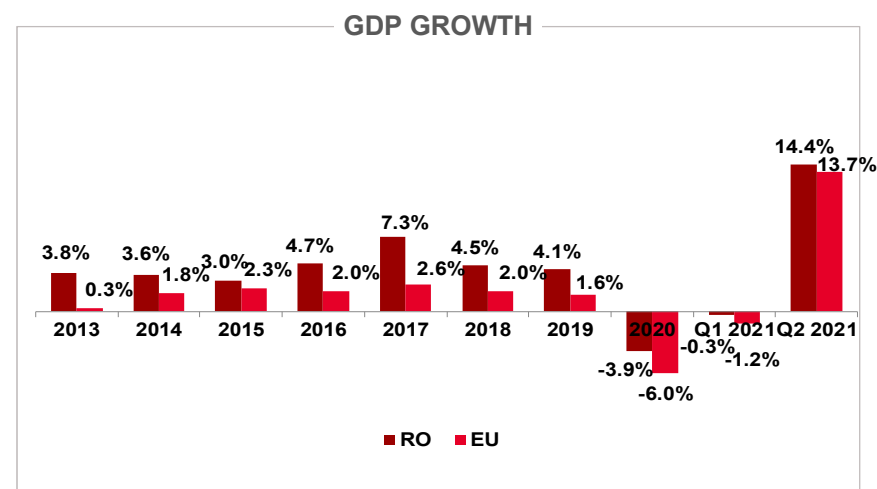
Net exports' contribution to GDP growth remained negative (-2.1 pts).

European Commission and IMF revised upwards their projections for Romania's 2021 GDP growth to +7.4%, respectively +7.0%.

### Inflation Hits 10-Year High

Annual inflation printed at 6.3% in Sep-21 (from 3.9% y/y in Jun-21) far from the upper bound of the NBR target range (2.5% ± 1 ppt).

There were widespread price increases across food items (+4.3% y/y), non-food climbed to +8.7% y/y mainly due to fuel and energy components, while services' costs increased by +3.8% y/y.



## HIGHER INTEREST RATES

### NBR commences rate hiking cycle, joining regional central banks

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

NBR decided to increase the monetary policy rate by 25 bps to 1.50% in October 2021, amid the prospect of larger and lengthier inflation pressures from global cost shocks.

### Lessened quantitative easing

The quantitative easing was gradually reduced after peaking in April 2020. No more acquisitions were done from April-21 until Sep-21 end, signaling a recovery in the markets and a lower need for liquidity.

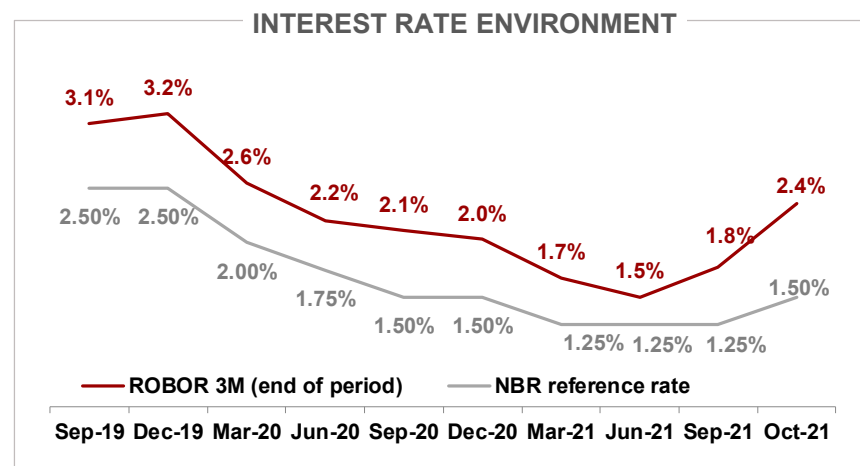
NBR further reduced the level of repo operations (no significant transactions in Q3-21, after a daily average of RON 3.1 bn in Jun-21, coming down from RON 13.6 bn in Apr-20).

### Interbank RON interest rates on the rise

Interbank rates recorded a notable upward adjustment starting September, running above the Lombard facility rate amid the relative tightening of liquidity conditions, but also the pricing-in of an anticipated rate hike.

ROBOR 3M reached 1.8% at Sep-21 end after the bottom hit in June end at 1.5% and further increased to above 2.3% currently.

Yet, the 9M 2021 period still reflects the previous downward trend, with average ROBOR 3M at 1.59% in 9M 2021, -90 bps YoY.



## APPROVED RECOVERY AND RESILIENCE PLAN, A CHANCE TO FOSTER GROWTH

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### National Recovery and Resilience Plan

- The Romanian Government has adopted in April 2021 the National Recovery and Resilience Plan (RRP), for the implementation of which are allocated EU funds of EUR 29.2 bn (EUR 14.3 bn subsidies and EUR 14.9 bn loans). The plan was approved by European Commission in September 2021.
- Economic and Financial Affairs Council (EU finance ministers) approved Romania's RRP on October 28<sup>th</sup>, 2021
- Romania should receive the first money from RRP in December 2021
- Romania has requested pre-financing of 13% both of the financial contribution (EUR 1.85 bn) and of the loan (EUR 1.94 bn).
- EC simulations show that RRP, together with the rest of measures of the EU Recovery Instrument, can increase Romania's GDP by 1.8% to 2.9% by 2026 (not including positive spillovers from structural reforms).



## A VERY SOLID ROMANIAN BANKING SECTOR

### Strong capital and liquidity positions

Loan to deposit ratio at 68% at Jun-2021 end, up from 66% as of 2020 end (vs 122% at 2008 end)

Average liquidity coverage ratio remains elevated, 262% at Jun-2021 end vs. 266% at 2020 end, well above regulatory requirement (100%) and European average (172%)

Capital adequacy ratio stood at 23.9% at Jun-2021 end, compared to 25.1% at 2020 end (vs. 13.8% at 2007 end)

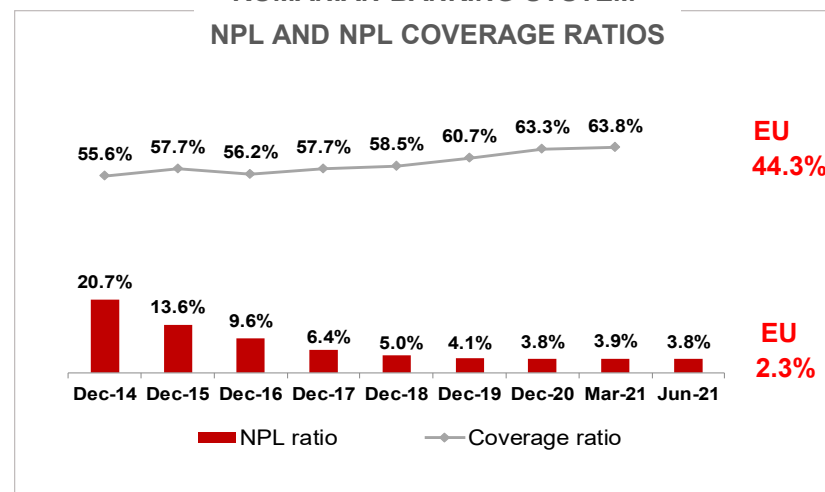
### Sound risk profile

Low level of NPL ratio, 3.7% at Sep-2021 end, - 0.1 ppt vs 2020 end

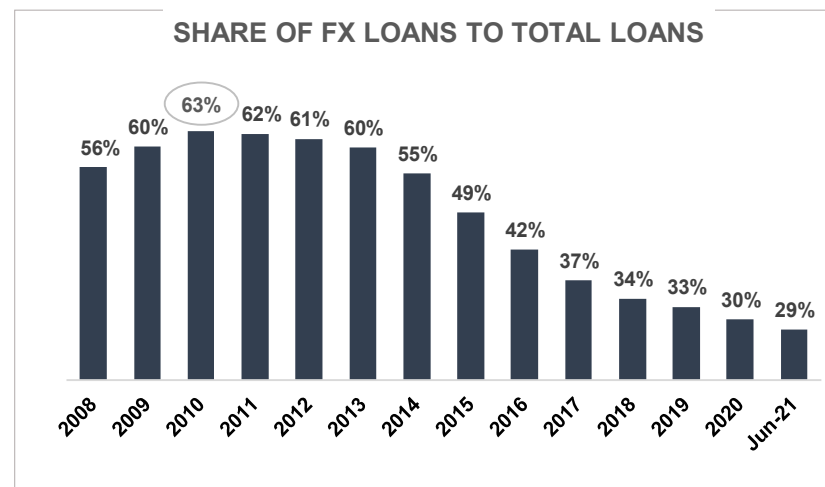
NPL coverage ratio improved to 63.8% at Mar-2021 end (63.3% at 2020 end), well above the EU average of 44.3%

Significantly lower share of FX loans, 29% at Jun-2021 end (compared to 63% at 2010 end)

ROMANIAN BANKING SYSTEM  
NPL AND NPL COVERAGE RATIOS



ROMANIAN BANKING SYSTEM  
SHARE OF FX LOANS TO TOTAL LOANS



3

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**3<sup>RD</sup> QUARTER AND 9 MONTHS  
2021 BRD GROUP RESULTS**



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# FIRMLY COMMITTED TO DIGITAL TRANSFORMATION

## ACCELERATING DIGITAL DELIVERIES

### Remote onboarding

### Online consumer lending

Two essential services for individual customers  
now available 100% online



#### FAST ADOPTION OF DIGITAL CHANNELS

**786k** MyBRD & You BRD active clients at Sep 2021 end, **+13% y/y**

**+32%** no of transactions vs 9M 2020

**99%** of large corporate clients' and **96%** of SMEs transactions performed via digital channels during 9M 2021

**69%** of import L/Cs processed through the trade finance e-tool during 9M 2021

**124 million** acquiring transactions during 9M 2021, **+17% y/y**



#### HIGHLY REACTIVE CUSTOMER INTERACTION CENTER

**Fast tracked Customer Interaction Centre capabilities, well above pre-crisis level**

**+20%** faster response time to customer calls

**+46%** increase in written interactions

**+25%** increase in the no of calls received



#### CONTINUED TRANSFORMATION OF THE NETWORK OF BRANCHES

- ✓ Pragmatically reduced number
- ✓ More specialized
- ✓ Better service

Sep 2020

Sep 2021

**-87** branches, to **525**

**+12%** 24/7 banking points

**Number of branches reduced by 22%** in last 2 years (vs Sep 2019)



## DYNAMIC ALL OVER THE BOARD LENDING ACTIVITY

### Very robust corporate financing activity

SME loans' strong growth of +27.8% y/y

Active participation in IMM Invest Program with over RON 1 bn approved loans for more than 1000 companies, of which 33% to agricultural sector through AGRO IMM Invest sub-program

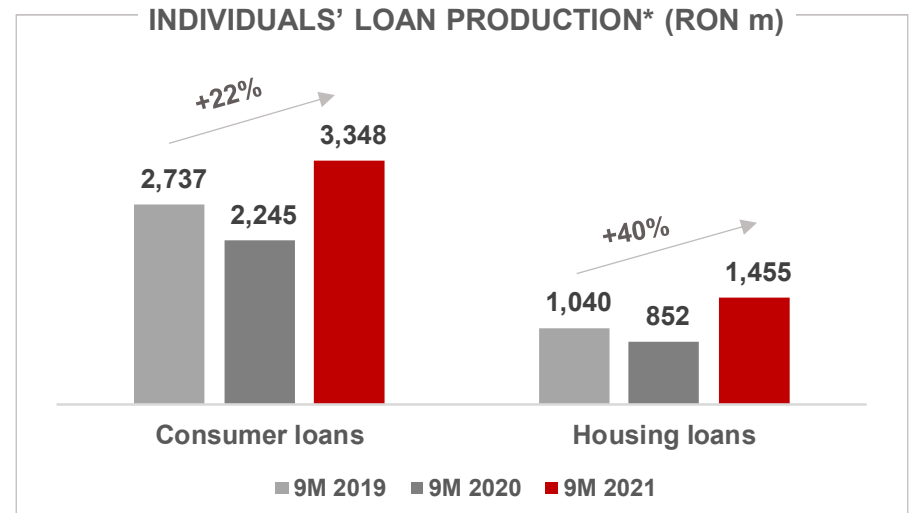
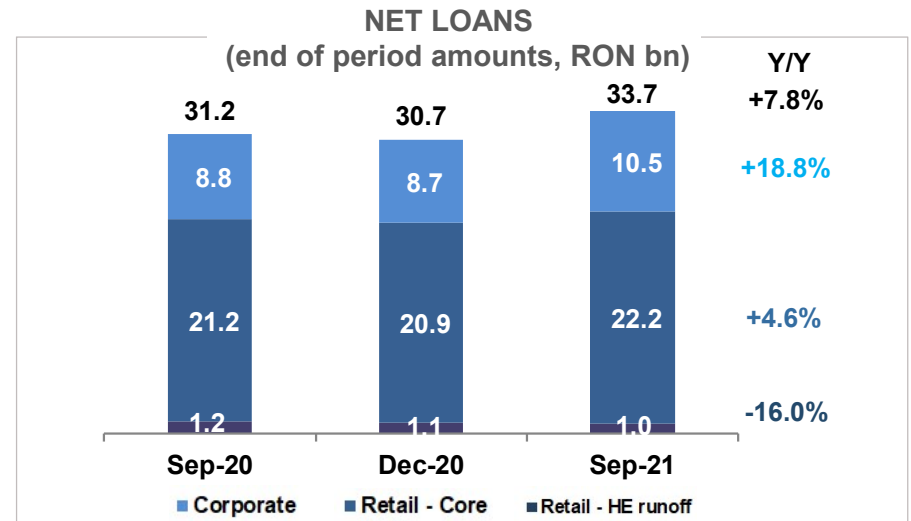
Large companies loans significantly up by +16.7% y/y

Dynamic performance of leasing activity with overall portfolio increasing by +12.8% y/y

### Outstanding individuals' loan production

Strong recovery in new loans to individuals, with +48% in 9M 2021 y/y and best 9M consumer loans production ever

...also exceeding pre-Covid levels, with an especially remarkable performance in housing loans production (+40% vs 9M 2019)



\* Standalone

## CONSOLIDATING OUR BROAD SAVING BASE

### Continued solid deposits' collection

Higher corporate deposits, +21.5% y/y, driven by both large corporates (+26.6%) and SMEs (+15.9%)

Retail deposits up by +7.4% y/y

### Strong liquidity profile

Net loan to deposit ratio at 62.6%, -2.4 ppts y/y

Stable funding base and high degree of financial autonomy with deposits representing 91% of total liabilities at September 2021 end

Strong liquidity buffer at 32% of total assets as of September 2021, stable y/y

### Number 1 in asset management by number of investors

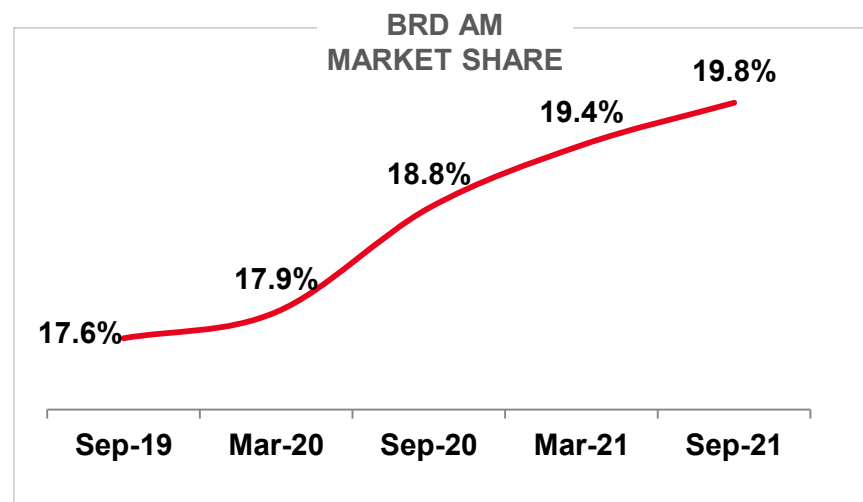
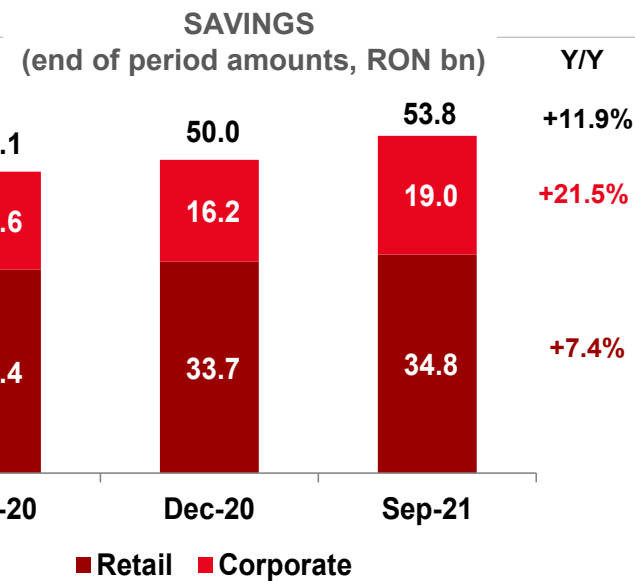
BRD Asset Management: 1<sup>st</sup> by number of investors (117 ths), 3<sup>rd</sup> in terms of AUM

RON 5.09 bn AUM at September 2021 end, +29% y/y, exceeding pre-crisis level

19.8% market share at September 2021, +1 ppt y/y and +2.1 ppts vs Sep. 2019

Strong development of Unit Linked life insurance

Gross Written Premiums +95% y/y at September 2021 end



Note: Market share for AUM computed based on total open-end funds AUM

## HIGHER REVENUES DESPITE LOWER MARKET RATES

### Rising 9M revenues

NBI, up by +1.2% y/y in 9M 2021, reflecting the positive dynamic of commercial activity

Positive influence on NII of broad based volume growth, compensating to a large extent the decline in market interest rates

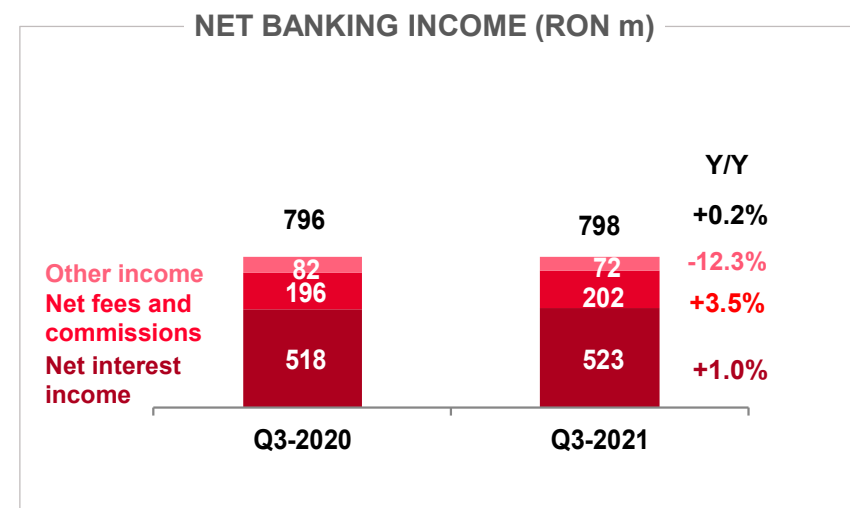
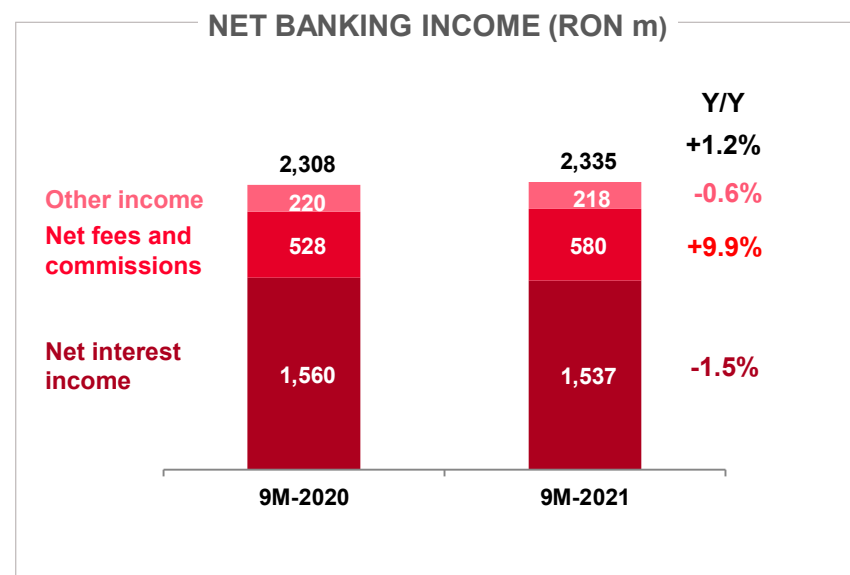
- ROBOR 3M average of 1.59% in 9M 2021, -90 bps y/y
- ROBOR 3M average of 1.56% in Q3 2021, -50 bps y/y

### Rising NFC, almost +10% y/y during 9M 2021

- ✓ sustained rebound of clients' transactional activity
- ✓ increasing revenues from cross-selling
  - +29% y/y assets under management at Sep 2021 end
  - dynamic custody activity
  - active participation in the Romanian government bonds issues for individuals (Fidelis)
- ✓ base effect linked to last year measures taken for supporting customers during lock-down

### Other revenues, rather stable during 9M 2021 vs 9M 2020

Quarterly decrease mainly explained by a base effect



## OPEX EVOLUTION MAINLY REFLECTING DIGITAL TRANSFORMATION INVESTMENTS

### Contained increase in OPEX (+0.7%y/y in 9M 2021 excluding FGDB&RF and IT costs)

reflecting the continuous structural optimization effort

### Stable staff expenses during 9M 2021 vs 9M 2020

Impact of price effect induced by labor market tightness offset by headcount reduction

- -374 FTEs vs September 2020 end
- continued adjustment of branch network

### Other expenses' increase related to a large extent to higher investments

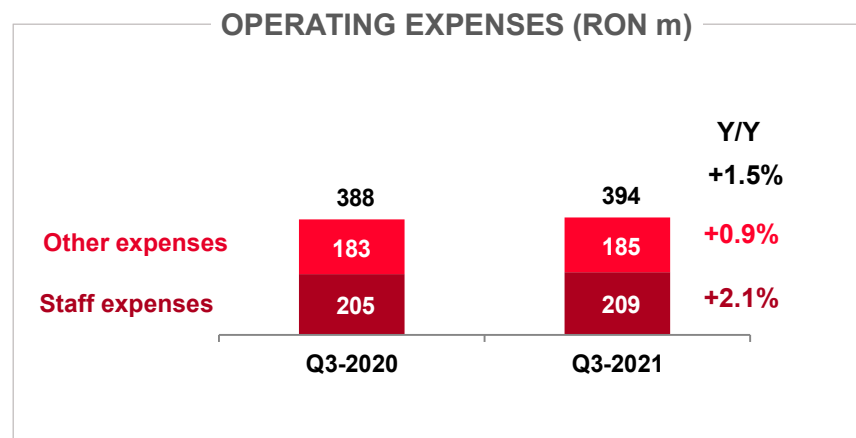
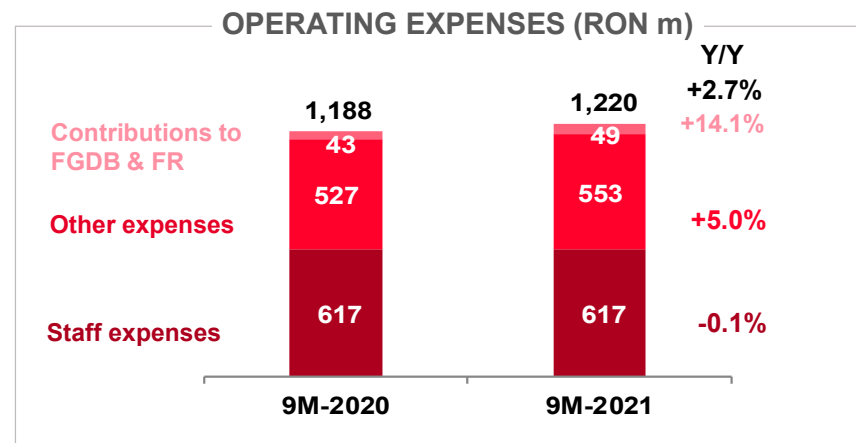
IT&C costs, up by +12% y/y, supporting the visible acceleration of digital deliveries

Cumulated contribution to Deposit Guarantee Fund and Resolution Fund, +14% y/y, fully booked in Q1 2021

Sanitary crisis management costs at RON 17.5m in 9M 2021

### Cost to income contained at 50%

C/I ratio at 50.1% in 9M 2021 (vs. 49.6% in 9M 2020), excluding FGDB&RF contributions



## ASSET QUALITY REMAINS AT COMFORTABLE LEVELS

### Loan portfolio market mix

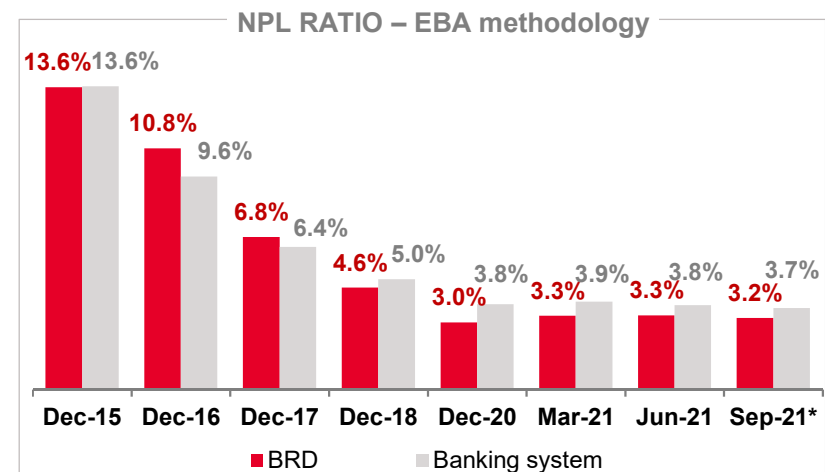
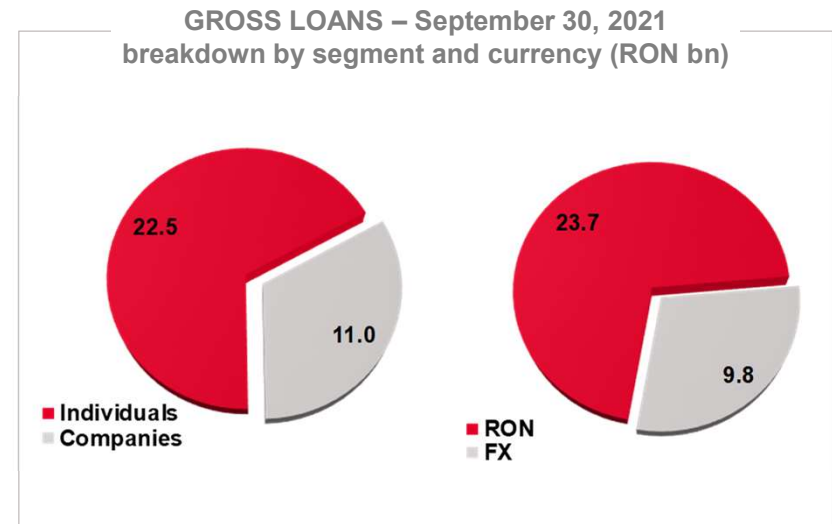
67% on individuals  
33% on corporate segment

### Consolidation of RON lending

Share of RON denominated loans at 70.8% (vs 69.7% as of September 2020 end)  
Trend in line with market evolution

### NPL ratio and Outlook

Stable NPL rate throughout 2021, expected to remain at similar levels for the rest of the year  
2022 outlook remains dependent on the sanitary crisis evolution



\* NPL for Banking System as of August 2021

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

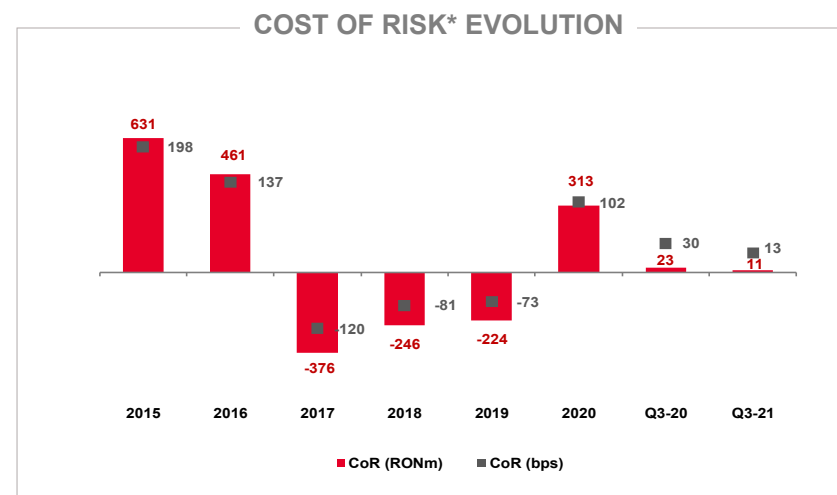
All figures at individual level



## COST OF RISK CLOSE TO ZERO

### Net cost of risk at 13 bps in Q3-21

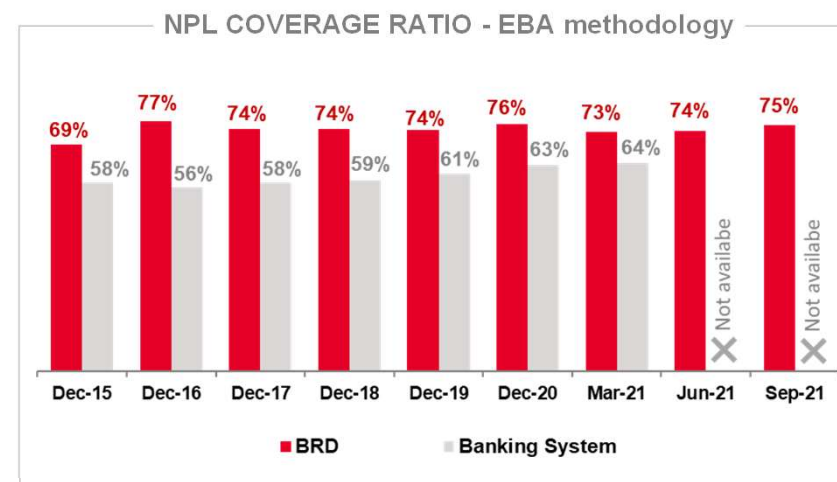
Q3 NCR close to zero, reflecting costs incurred on performing portfolio mainly given total exposure increase, partially offset by net gains on default portfolio



Note: Cost of risk in bps for Q3-2020 and Q3-2021 is annualized

### NPL coverage at comfortable levels

Stable NPL coverage ratio over the period



\* All figures at individual level

## CAPITAL POSITION

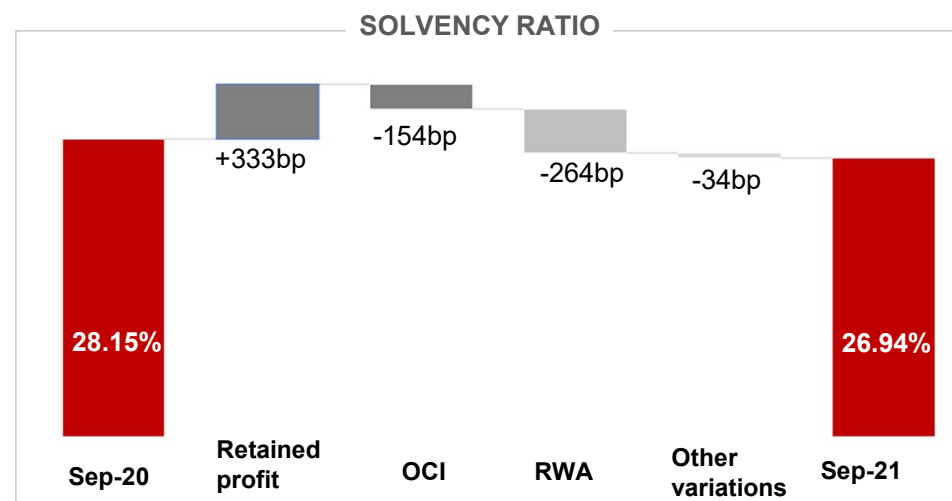
### High quality capital base

CAR of 27% at September 2021 end

Regulatory own funds composed solely of Tier 1 capital

- ✓ increase in own funds on a yearly basis driven by the incorporation of 2020 profit (net of dividends according to GSM resolution from April 2021)
- ✓ year to date decrease explained by the lower reserve from revaluation of government bonds portfolio accounted through other comprehensive income, in the context of rising yields

Evolution of risk exposure amount mainly influenced by the very dynamic lending activity



Bank only	Sep-20	Dec-20	Sep-21
Capital adequacy ratio	28.2%	33.7%	26.9%
Own funds (RONm)	7,598	8,808	7,984
Total risk exposure amount (RONm)	26,991	26,102	29,632
Capital requirements (RONm)	2,159	2,088	2,371

Note: CAR at BRD stand alone level, CAR at September 2021 end is preliminary

# 5

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## CONCLUSIONS



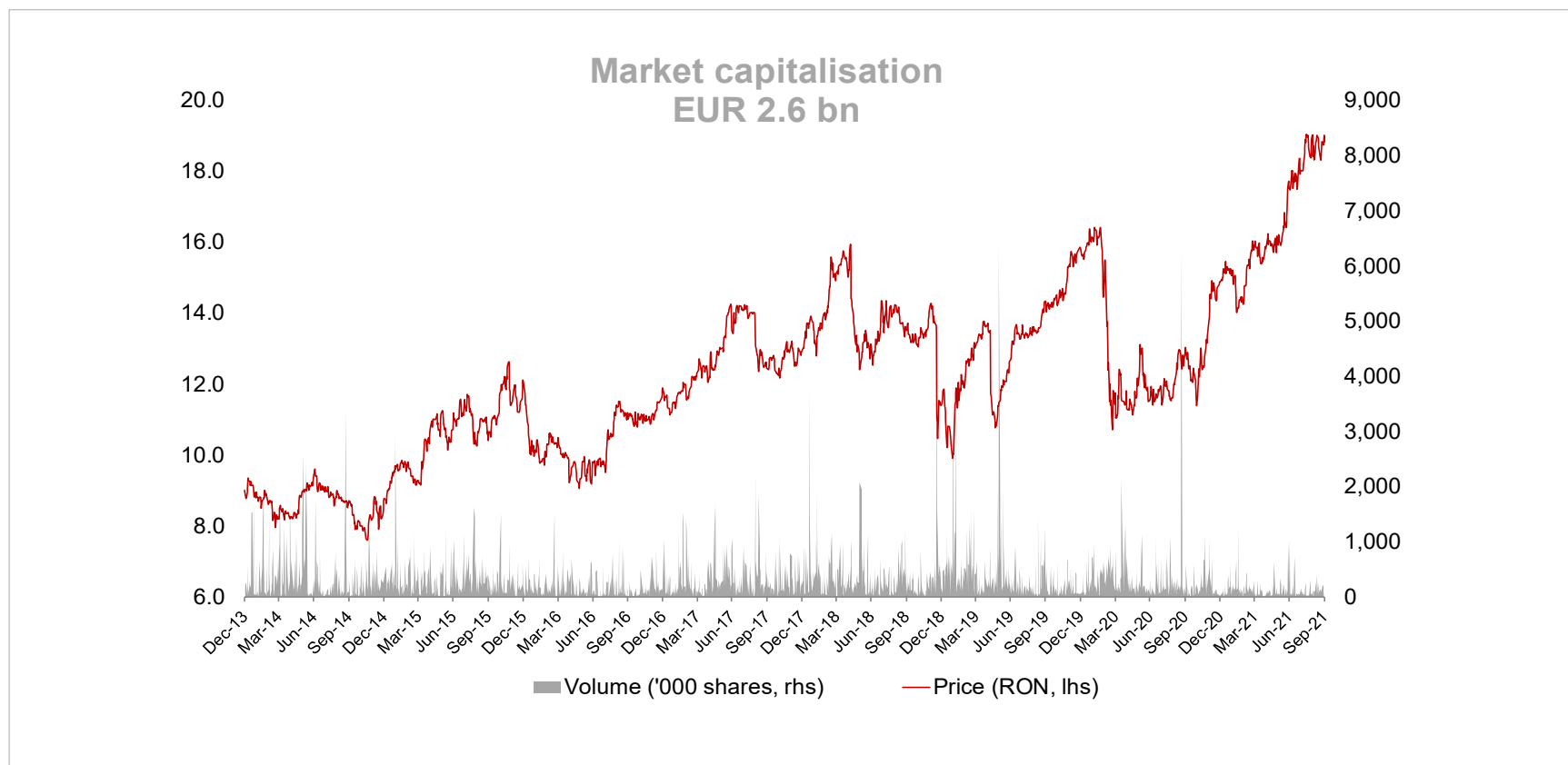
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## CONCLUSIONS

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- **Romanian economy showed a strong rebound in Q2 2021. Some risk on the short term perspectives arose from pandemic resurgence, but on the long run the PNRR should be a strong factor of support for Romania's structural growth**
- **Within this improving, though still volatile context, BRD delivered an excellent commercial performance:**
  - **very strong momentum for corporate lending**
  - **solid growth for individuals loans production on both consumer and housing credits**
  - **further consolidated saving base**
- **Marking an essential milestone within the digital transformation roadmap with the launch of remote onboarding and fully online consumer lending**
- **Solid financial performance underpinned by the expanding commercial activity**
  - **higher revenues building on the dynamic lending and increasing volume of transactions, absorbing the lower market rates' impact**
  - **costs evolution mainly related to investments, supporting the visible delivery of digital transformation**
  - **net release of provisions, reflection of economic rebound and continuous recoveries on non-performing portfolio**

## 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 18.80 as of September 2021 end, +44.6% y/y and +26.5% ytd.

# 6

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## Q&A SESSION



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# APPENDIX

BRD GROUP – KEY FIGURES

BRD STANDALONE - KEY FIGURES

GLOSSARY – CLIENT SEGMENTATION



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## BRD GROUP | KEY FIGURES

RON m	Q3-2021	Q3-2020	Change	9M-2021	9M-2020	Change
<b>Net banking income</b>	<b>798</b>	<b>796</b>	<b>+0.2%</b>	<b>2,335</b>	<b>2,308</b>	<b>+1.2%</b>
Operating expenses	(394)	(388)	+1.5%	(1,220)	(1,188)	+2.7%
Gross operating income	404	408	-1.0%	1,116	1,120	-0.4%
Net cost of risk	3	(28)	n.a.	42	(253)	n.a.
<b>Net profit</b>	<b>295</b>	<b>323</b>	<b>-8.9%</b>	<b>920</b>	<b>738</b>	<b>+24.7%</b>
Cost/Income	49.4%	48.8%	+0.6 pt	52.2%	51.5%	+0.8 pt
ROE	11.8%	14.4%	-2.7 pt	12.5%	11.3%	+1.2 pt

RON bn	Sep-21	Dec-20	Sep-20	vs. Sep-20	vs. Dec-20
<b>Net loans including leasing (RON bn)</b>	<b>33.7</b>	<b>30.7</b>	<b>31.2</b>	<b>+7.8%</b>	<b>+9.7%</b>
Retail	23.2	22.0	22.4	+3.5%	+5.4%
Corporate	10.5	8.7	8.8	+18.8%	+20.5%
<b>Total deposits (RON bn)</b>	<b>53.8</b>	<b>50.0</b>	<b>48.1</b>	<b>+11.9%</b>	<b>+7.7%</b>
Retail	34.8	33.7	32.4	+7.4%	+3.3%
Corporate	19.0	16.2	15.6	+21.5%	+16.7%
<b>Loan to deposit ratio</b>	<b>62.6%</b>	<b>61.5%</b>	<b>65.0%</b>	<b>-2.4 pt</b>	<b>+1.1 pt</b>
<b>CAR *</b>	<b>26.9%</b>	<b>33.7%</b>	<b>28.2%</b>	<b>-1.2 pt</b>	<b>-6.8 pt</b>
<b>No of branches</b>	<b>525</b>	<b>584</b>	<b>612</b>	<b>(87)</b>	<b>(59)</b>

(\*) CAR at Bank level; CAR at September 2021 end is preliminary



## BRD | KEY FIGURES FOR BANK ONLY

RON m	Q3-2021	Q3-2020	Change	9M-2021	9M-2020	Change
<b>Net banking income</b>	<b>743</b>	<b>756</b>	<b>-1.8%</b>	<b>2,215</b>	<b>2,189</b>	<b>+1.2%</b>
Operating expenses	(368)	(365)	+0.6%	(1,146)	(1,121)	+2.3%
Gross operating income	375	390	-4.0%	1,069	1,068	+0.1%
Net cost of risk	(11)	(23)	-52.5%	46	(225)	n.a.
<b>Net profit</b>	<b>258</b>	<b>314</b>	<b>-17.8%</b>	<b>886</b>	<b>719</b>	<b>+23.3%</b>
Cost/Income	49.5%	48.3%	+1.2 pt	51.8%	51.2%	+0.5 pt
ROE	10.6%	14.5%	-3.8 pt	12.4%	11.4%	+1.0 pt

RON bn	Sep -21	Dec-20	Sep-20	vs.Sep-20	vs. Dec-20
<b>Net loans (RON bn)</b>	<b>31.7</b>	<b>28.9</b>	<b>29.4</b>	<b>+7.9%</b>	<b>+9.8%</b>
Retail	22.1	21.0	21.4	+3.5%	+5.4%
Corporate	9.6	7.9	8.0	+19.9%	+21.6%
<b>Total deposits (RON bn)</b>	<b>54.0</b>	<b>50.2</b>	<b>48.2</b>	<b>+12.0%</b>	<b>+7.7%</b>
Retail	34.8	33.7	32.4	+7.4%	+3.3%
Corporate	19.2	16.4	15.8	+21.5%	+16.5%
<b>Loan to deposit ratio</b>	<b>58.7%</b>	<b>57.6%</b>	<b>60.9%</b>	<b>-2.2 pt</b>	<b>+1.2 pt</b>

## 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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