GROUPE SOCIETE GENERALE

“BRD Group Q2 & H1 2026 Financial Results Conference Call and Webcast”

Q&A session

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Participants:

Maria ROUSSEVA – CEO

Claudiu CERCEL – Deputy CEO – Financial Markets

Madalina TEODORESCU – Deputy CEO Retail

Philippe THIBAUD – Deputy CEO Risks

Vladimir POJER – Deputy CEO Finance & Operations

Operator: We will now begin the question and answer session. If you would like to ask a question on the phone, please press star one and one on your telephone and wait for a name to be announced. Please stand by while we compile the Q&A roster. Our first question is from the line of Participant #1. Please go ahead.

Participant #1: Hey, everyone. Congratulations on the strong results and thank you for taking my questions. I have a couple. On loans, very strong growth in the second quarter. The question is how does the pipeline look like for the second-half? And do you expect a moderation in the loan growth in the second-half or the low double-digit growth is very much in play for the full year?

Maria ROUSSEVA – CEO: Hello, thank you for the question. So I will start with the corporate segment and will transfer to Madalina. Already for several quarters, we are saying that our most important drivers of growth commercially in the lending activity this year are the large corporate and the mortgage lending, both are strategic, but also in this difficult environment, the most resilient in terms of quality. I can confirm that on the large corporate segment, we continue having a sound pipeline. Maybe you remember that in Q1, I was saying that due to the unfavorable macroeconomic environment, we were experiencing some postponements of the execution of it. In Q2, we saw already some parts of it starting to realize, and we observed that in the beginning of Q3, this is a bit forward-looking as your question obviously, it is confirmed the pipeline continues being executed. Now if you ask me if we see companies thinking longer before acting, yes, we do observe it, but they still have not, I have not, observed any cancellation of the projects whatsoever, so we have our healthy and well structured pipeline list in the corporate segment. I would say same in the mortgage, but better Madalina to detail.

Madalina TEODORESCU – Deputy CEO Retail: Yeah, so actually I can confirm that also in retail, the increase will remain. We are not expecting any decrease. The pipeline is there. Of course, due to the ANCPI disruption, there might be slight delays in execution, but the pipeline is there. On consumer, we expect, actually, to remain in the same range. However, the mortgage is slightly increasing. So we don't see any reasons why not to maintain the existing increasing trend.

Participant #1: Got it. Understood. Thank you so much. On NII, could you please break down the 4% Q on Q between loan volumes, loan yields, deposit pricing, funding mix, and also indicate what would be a sustainable quarterly NII and Net Interest Margin (NIM) run rate for the second-half of the year.

Vladimir POJER – Deputy CEO Finance & Operations: OK, I will answer this question. In the first quarter, you have seen the contraction, which was mainly linked to increased cost of funding, which we have seen actually following the volumes increase at the end of the fourth quarter. In the second quarter, we paid in particular attention to our structure of the funding and the development going forward. So we kind of caught up in the second quarter, which is closer to the results which you have seen in Q4. As you commented, actually, we are under competitive pressure as well on the loan side. So we will probably not be able to have such a catch-up the next quarter as well, but we are definitely planning to maintain the level of the NIM at the current direction.

Participant #1: And on fees, could you please give us some color on how large was this favorable cards-related one-off in the first-half? And also, what would you see as the recurring run rate for the next two quarters?

Vladimir POJER – Deputy CEO Finance & Operations: For the fees, you are right, the dynamics mainly on the card fees and the fees which are linked to the cost of our card transactions are like in the second quarter, significantly improved by the one-off. I would be considering for this particular category of card fees rather than the recurring of the Q1 regarding the costs which are linked to this activity. So we are continuously growing in the fees income. However, the costs are this quarter impacted by this extraordinary positive revenues actually in the cost part.

Participant #1: So if I understood correctly, you are pointing out more to the first quarter delivery as run rates, is that correct?

Vladimir POJER – Deputy CEO Finance & Operations: Correct. Considering the recurring level of the cost for the card transactions, Q1 is more relevant than Q2 from this perspective.

Participant #1: Got it, got it. On costs, just quickly, so the staff costs declined 10.5% percent year-on-year despite high inflation. Could you please walk us through what continues to drive the decline in this line and also how much further benefit we should expect from workforce and network optimization? And what would you see as the run rate for the second-half of the year?

Vladimir POJER – Deputy CEO Finance & Operations: I can comment on this one and the development of the costs year on year. As a bank, we are going already for some time through a kind of strategic transformation and we are optimizing actually our footprint both in the retail but as well in the support functions and overall across the organization. You can see actually we have reduced significantly the number of FTEs year-over-year, which were already visible in the first quarter of this year, which is helping us to offset all the inflationary pressures and the increases in the compensation and the wages of our employees. So the level of the current FTEs and the development of the staff costs can be considered as a recurring for the remaining part of the year. We will be continuing with the optimizations, but let's say the main part of the optimizations are already behind us and you can see them now in the figures.

Maria ROUSSEVA – CEO: Yeah, and actually to explain in more detail why we feel so comfortable given the context, which is very complicated. This is a very important element of our comfort, actually, because in this inflationary environment, having in mind the weak economy, having the comfort of the transformative actions which we have started some time ago and now are reflected in our financials gives this confidence that once the situation around us macroeconomically and geopolitically will improve and our clients will feel more confident to restart their projects or to undertake more activities, we will be better positioned. But yes, it's something which is recurring and will continue. Maybe the pace will be different compared to what we have demonstrated in the last period, but it will go in the same direction.

Participant #1: I appreciate the additional color. Just one additional one for me. Please, on provisions, do I understand correctly that despite the increase in cost of risk in the second quarter, you continue to see that the full year guided corridor for cost of risk is still achievable?

Philippe THIBAUD – Deputy CEO Risks: So during the first six months, we saw clearly the pressure building up and on all the markets, on retail, with the consumer loans, we saw it also on corporates and we'll see at the end what the summer brings to us, but what we see that is that today the activity for the risk teams and the commercial teams also which are very involved and working together is the activity in terms of monitoring, answering the client needs, the refinancing, all the requests is much more intense compared to last year and very stable. So being stable, I would say I would love to see the cost of risk remaining in terms of guidance because I'm a risk guy. So I don't want to shorten myself too much, but I would say 50, 60 bps max would be a reasonable guidance. But so far, in terms of risk activity, cost of risk, I don't see the end of the tunnel. I don't see improvement coming because inflation is still very high. And this is for us a key point, but things are stable. The pressure is intense.

Maria ROUSSEVA – CEO: Maybe here more from a commercial perspective, as Philippe rightly said, regarding our monitoring activity. This is indeed a very, very important difference compared to a couple of years ago and even compared to the year before. Our teams have a very well developed structure, a very well developed regular monitoring, cooperating very well and I think this tunnel which Philippe mentions is offset up to high extent due to these very well structured activities they perform on following, understanding, helping clients, trying to improve the situation as early as possible so that the clients return to healthy. And we observe that despite the macro, because they do what we just described, the situation is stable, right? Then Philippe is the one saying what will be the expected cost of risk, but what is more important from our perspective is that we do the job so that it is kept under control. I can confirm that the teams are doing that.

Madalina TEODORESCU – Deputy CEO Retail: And I can also add that in the front line, the business activity includes also an important sharing to our objective to prevent so LOD1 defense focus is there.

Participant #1: Understood. Thank you so much and congratulations again for the strong results.

Maria ROUSSEVA – CEO: Thank you.

Operator: One moment for our next question. Our next question comes from the line of Participant #2. Please go ahead.

Participant #2: Hello everyone and thank you for the presentation. I have two quick questions, one on the ROBOR case. I understand you do not see this, sort of, being a factor in your P&L account. I'm just wondering when do we expect, I understand there is an appeal ongoing in the administrative court and I presume the outcome of which is likely to decide the further accounting treatment of the matter, correct me if I'm wrong. So that's the first question. Second question, and sorry if I missed that during the call, you had described the outlook for provisioning charges. I'm also seeing in the bank standalone accounts that, for example, Stage 3 NPLs were going up by 13%, Stage 2 by 7%. I'm just wondering if these were driven by any isolated cases or simply it's due to the persistent high inflation and generally this deterioration is seen all across the board and what would be your comment on these lines going forward? Thank you.

Maria ROUSSEVA – CEO: Okay, I will let Philippe reformulate his message on the risk costs in Stage 2 and Stage 3 developments. But I will start with the ROBOR question. So first of all, to remind what is the status? So far, the Competition Council has issued a statement, a public statement announcing its conclusions and listing some figures which have to impact once decisions are issued banks which were in that list, right? So this is what we have right now. The decisions for these penalties, potential penalties, have not been formulated. We do not know at this stage the legal grounds, and I guess, they will somehow be also individual because each of these banks has to receive a concrete decision with concrete reasoning in it, as to formulate its own understanding and potential defense. Now, this is a general comment, but we understand the logic why they did it and what they have in mind, based on which, we have, together with our lawyers, our external lawyers, an understanding of how our bank stands versus this general reasoning given in the media. And these results in the no provisioning at this stage because of the arguments which we see so far do not represent enough legal reasoning for such type of fine. Of course, as every prudent actor, and our bank is very prudent from that perspective, the decision on the provisioning has been taken together in collaboration between our teams, our external lawyers and our external auditors. I think it reflects also the understanding of the entire market, how such type of communication which was issued in June, should be treated so we have done nothing different here, but we proceeded here in absolutely same way as we do in each potential litigation we have on the horizon. Then I will let Vladimir detail a bit what the treatment would be, should be, will be, I mean, we don't have the legal argument so far. But yeah, and then we'll give the floor to Philippe to talk once again on the cost of risk. But first, Vladimir.

Vladimir POJER – Deputy CEO Finance & Operations: I can only confirm what Maria was saying. We were deeply analyzing like probably all the banking sector during Q2 and during the closing of Q2 the requirements which we are having from the IFRS and from the accounting. And in line with our statutory auditor, we concluded that the probability of the outflow of the economic value from BRD is not making any reason actually to book any provisioning right now. And we are waiting for the next development in the future. But our conclusion is this and it was fully in line with the external auditors and external lawyers.

Participant #2: Right, sorry to jump in. So once you receive the specific decision of the authorities related to BRD, then you would be required by the regulations to book the appropriate charge, correct? And then possibly the second step, if you lodge an appeal and it succeeds, you would reverse it. That's likely sort of path going forward?

Maria ROUSSEVA – CEO: Actually, no, because we will see legal arguments. These legal arguments will be assessed by the external lawyers in terms of potential outcome of a potential litigation. And based on their conclusion, we will decide to or not to book a particular provision because it depends on the, that's how it is according to IFRS actually, right? Probability of success in such a case is a very important factor in the assessment of the provision. So we will know better, let's say.

Vladimir POJER – Deputy CEO Finance & Operations: Yeah, I can maybe detail even a bit more. The fact that we did not book the provision is not based on the situation that we did not receive yet the reasoning. Based on the public information and the information which were shared by the Competition Council, we don't see any legal reason what was currently communicated to book such a provision because we believe that there is no legal grounds behind and our external legal company is having the same opinion. So we believe that even once we will receive the detailed reasoning, the situation will not change actually.

Participant #2: Right, understood.

Philippe THIBAUD – Deputy CEO Risks: So, on the increase of Stage 2, this is reflecting the pressure building up in Q1 and Q2. So what you see is indeed an increase which is due to the fact that when clients are getting overdue, when corporates are being downgraded or when they request a waiver request. So for this monitoring activity, results are reflected by this increased Stage 2 indicator. The Stage 3 is, as you see, we have a normalized cost of risk. So what I'm saying is that today the increase in Q2 of the cost of risk is mostly due to one single file. So the difference is covered by this single file provision. And the third point would be on the guidance. So today, we are at 52 basis points. I would say, to be on the safe side, toward year-end since things are stable. But on the safe side, I would say, let's say 50, 60 basis points for the full year.

Participant #2: All clear. Thank you very much.

Operator: One moment for our next question. The next question comes from the line of Participant #3. Please go ahead.

Participant #3: Hello, everybody. Thank you for the presentation. I have some follow-up questions. First of all, yes, you mentioned, but I just to have an explanation, the large swing in fees and commission in Q2 versus Q1, what is the reasoning? I understand going forward, I understood that going forward we'll go down to the level of Q1. Okay, good. Then regarding the staff, staff reduction is pretty amazing. So I would like to know, because for example, Q on Q, you further reduced the number of employees at the end of the period. I would like to know at the end of the period, do you have an estimate for the number of employees for the end of this year, just to make my estimate more accurately, and then, regarding the net loans portfolio, in Q1, I concluded that probably this year you'll end the year with high single-digit growth in net loans. Now I would change a little bit this outlook to low double digit. So please confirm that if I would change this, this change is reasonable. Thank you.

Maria ROUSSEVA – CEO: So before giving to Vladimir for explanation on the fees comparison Q on Q, on the first two points about the people number, our staff number. As I said before, we are engaged, as Vladimir mentioned, we are engaged in a continuous transformation of our business model, which includes digitalization, automation, improvement of processes, reviewing of what we do, what we need to do, what we should not do, and so on, in a very structured methodological manner, which has led to this reduction. And if you remember last year, these reductions were already there, but you could not see them that clearly in the financials of the company because at that point we were also having one off impacts of this reduction. Now we entered more into a rhythm which is more steady in terms of reduction. We continue reducing with less big space, but will continue. So that's what I said before. Now, of course, Participant #3, I wish you would be able to do better prediction based on the year FTEs mentioned, but we can't and we will not mention them. I still want to confirm that this trend will continue and it will impact our efficiency in the forthcoming quarters, right? And it will be less important in terms of space, but it will stay, right? Because we are ongoing, we know, we are having concrete initiatives under which we execute and once executed, because this is the principle, we review what we do, how we do, do we need to do it, and then we make decisions and then we step by step are going to adjust, right? So I think this somehow will serve your end-of-year forecast. Now to the lending activity. Obviously, as Philippe said and also Madalina mentioned, the macroeconomic environment is impacting the wishes of our clients and the capacity of our clients to enter into further projects. This is valid for households, this is valid for companies and across the board, we can't expect with such a economy to have driven by the outer world dynamics. So what we are doing right now is exhausting our capacity to improve our targeting on the market and select good clients or better clients and to lend to them. Obviously this type of effort does not result in huge double-digit growth type of lending activity, but it will be kept in a reasonable, slightly above the market, I would say, growth because we continue targeting the overall growth of our presence of our bank on the market. So if the market grows single digits, we will also grow single digits. If the market grows double digits, which I don't think it will be, you know, that's how we see it. So, to be sure, we will not be aggressive on the lending activity, but we will use our strength. And to Vladimir on the Fees and Commissions.

Vladimir POJER – Deputy CEO Finance & Operations: I will disclose what I'm able to disclose regarding this topic and you, Participant #3, asked mainly about the reasoning or the logic behind. So as Maria described, we are able to support our clients and they are becoming more active with us. So we are actually having the growth of the number and volume of transactions done by card. And this is actually allowing us to receive certain rebates and certain bonuses from the volume from our partners, which are then translated into our P&L. So it pretty much depends on the activity of the clients and our ability actually to grow the number of transactions in both volumes and numbers. So actually, in other words, we were able to reach certain triggering points which allowed us to gain certain rebates from the volumes which we did with our clients. This is, I believe, the extent to which I can disclose on this matter.

Participant #3: Okay, thank you. And where also I missed, but this is not that important, but just to know how to continue further. Where I missed the D&A, for example, Q on Q. So in Q1, you have 81 million D&A, then in Q2, at the individual level, you have 60, 65. How to continue further at 65 or 80? So I estimated at the level of Q1 and it came to more than 10 million below quarter on quarter. But the question is how to estimate going forward, at 65 million or at 80?

Vladimir POJER – Deputy CEO Finance & Operations: The average.

Participant #3: Okay. And regarding the staff number reduction, also here I missed the figures, because look, if I'm looking quarter on quarter, starting in Q1, '25, sorry, sorry, but I want to continue the idea. So, quarter on quarter, the reductions are on average 172 people per quarter, so the end of the quarter. This is huge, in my opinion. I don't know.

Maria ROUSSEVA – CEO: I will not advise you to take these numbers for the next quarter. Again, I said they will continue decreasing and the speed will be less important. We do not distribute this type of things throughout the year, per quarter. Again, we are looking at our processes, we are looking at our automation, when we are ready with the project, we put it in place. And then we can optimize or take benefits from the natural turnover, which exists on the market. But no, we will you will not see every quarter such figures.

Participant #3: Okay. And also, this is the last question. Now regarding the Net Interest Margin (NIM), according to my calculus here, it increased quarter on quarter. Okay, the explanation I've seen, that is the structure of funding. So going further, should I forecast this support from this structure of funding, to keep it a little bit higher than I would estimate it without this support?

Vladimir POJER – Deputy CEO Finance & Operations: Actually, as you have seen in second quarter, we optimized the split between the corporate funding and retail funding. We as well looked at the cost of funds across our board to be able to find the balance which is giving us the best value actually for the deposits which we have. Apparently, we will be continuing to do so and reflecting the environment which is around us. So it's difficult for us to predict precisely what will be the mix coming in the next quarter and what will be at year end. What I can assure you is that we will be trying to really keep our loan to deposits more or less at the current level and to find the best mix which is allowing us to make the best NII and NIM possible.

Participant #3: Okay, thank you very much. This is all from my side.

Operator: Thank you for the questions. We have no more questions from the line. I'd like to hand the call back to the management for concluding remarks.

Maria ROUSSEVA – CEO: Yeah, thank you everyone for being again with us. Thank you for the questions and see you in the next quarter, hopefully with good, stable performance. Have a good day.