

BRD GROUP RESULTS

3rd quarter and 9 months 2020 | 06.11.2020

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

DISCLAIMER

The consolidated and separate financial position and income statement for the period ended September 30, 2020 were examined by the Board of Directors on November 4, 2020.

The financial information presented for the period ended September 30, 2020 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

RESILIENT OPERATIONAL PERFORMANCE

Dynamic lending activity in Q3

Strong consumer loans' production rebound

Corporate lending supported by leasing activity and financing granted through IMM INVEST program

Individuals loan production

RON 1.4bn, +74% in Q3 vs Q2 2020

Leasing financing, **+18% y/y** vs Sep 2019 end

RON 700m approved loans, within IMM INVEST

Upward trending usage of online channels

MyBRD Mobile & MyBRD Net reached 695k unique active users
Increased no of transactions, +40% vs 9M 2019

Digital banking

695k active users, +24% vs Sep 2019 end

Revenues rather resilient within the current context

NBI

RON 2 308m vs. RON 2 446m in 9M 2019

Significant cost savings secured, while maintaining strategic investments

OPEX

RON 1 188m, -1.5% w/o sanitary costs vs 9M 19

Cost of risk embedding a prudent forward looking perspective

NCR

RON -253m vs. RON 207m in 9M 2019

Double digit ROE, despite the impact of the crisis on revenues and cost of risk **ROE: 11%**

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MACROECONOMIC ENVIRONMENT



BRD

GRUPE SOCIETE GENERALE

COVID-19 CRISIS ABRUPTLY ENDS A 9 YEAR EXPANSIONARY CYCLE

Q2 2020 strongly impacted by the lockdown

Romania's GDP growth was resilient in Q1, marking the highest rate in EU.

In Q2, the lockdown led to a strong contraction of activity and consumption

Domestic demand switched from the main driver of economic expansion to its main detractor, with household demand plummeting, while the gross fixed capital formation remained in positive territory

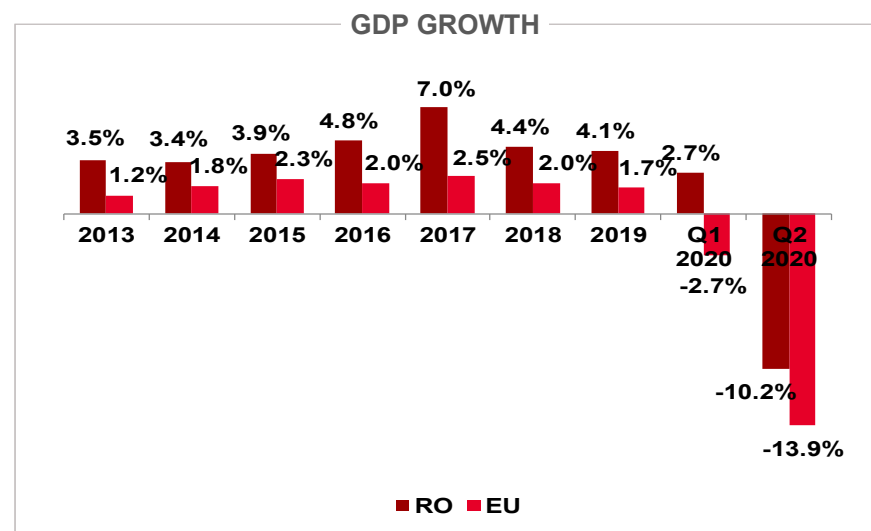
Net exports kept their negative contribution to growth

2020 GDP expected to drop by 6%-7%

Inflation rate on a gradual downtrend

CPI fluctuated slightly throughout third quarter, printing at the mid-point of NBR target range, 2.5% at Sep-20 end (vs 2.6% at Jun-20 end and 4.0% at Dec-19 end), driven mostly by core inflation and strong food inflation generated by Covid-19 outbreak, whereas fuel prices exerted a dampening effect

Note: Quarterly GDP data seasonally adjusted



FURTHER RATE CUT

Policy rate cut

To support the economy in the context of unfolding COVID-19 epidemic, the central bank reduced the monetary policy rate three times this year, by 100 bps in total, to 1.50%.

Quantitative easing

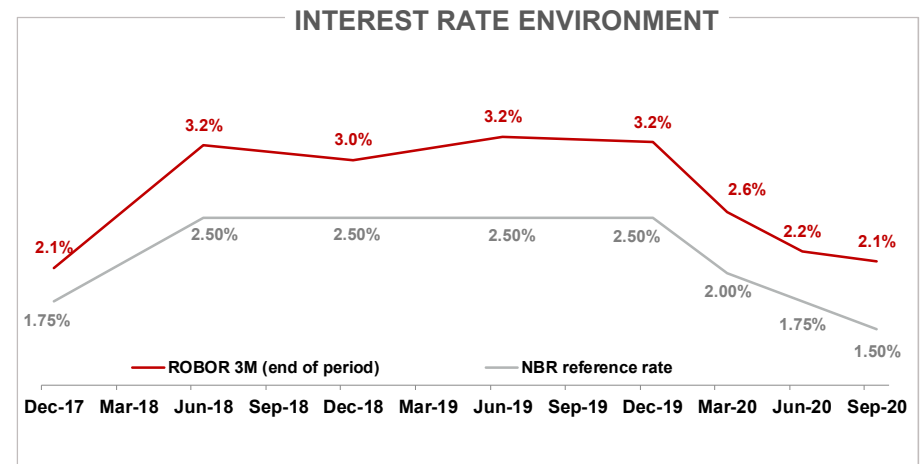
At the beginning of COVID-19 epidemic, NBR announced an unprecedented measure of purchasing RON denominated government bonds and stated that it shall provide necessary liquidity to financial institutions through repo operations.

In April-August 2020 NBR purchased local currency bonds in value of RON 5.3 bn. No acquisitions in September, signaling a recovery in the markets and a lower need for liquidity.

NBR also reduced the level of repo operations in September to a daily average of RON 839 m, compared to RON 13.6 bn in April.

Interbank RON interest rates followed the downward key rate

With the policy rate cut, interbank rates dropped and ROBOR 3M decreased to 2.1% at Sep-20 end (average ROBOR 3M at 2.49% in 9M 2020, -67 bps YoY).



EXTENSIVE POLICY OFFSET

Relief measures to support the economy

- Income supporting measures : indemnity for technical unemployment (amounting to 75% of the net salary, capped at 75% of the average salary in the economy) for employees of companies affected by the crisis
- Debt moratorium for individuals & companies hit by the crisis (OUG 37) for a period of up to 9 months, not beyond 2020 end
- Flexibility for the payment of social and tax obligations
- State-guaranteed lending programs:
 - ✓ Loan facility program (IMM INVEST) : envelop of EUR 3 bn of state guarantee and interest subsidies to support SMEs
 - ✓ Large companies program (similar to IMM INVEST) : envelop of EUR 1.6 bn to facilitate access to working capital and investment loans to companies with turnover over RON 20 m
 - ✓ IMM Leasing program (complementary to IMM INVEST) : state guarantee for the purchase of equipment and machinery
 - ✓ IMM Factor program : state guarantee for payment instruments in commercial relations between enterprises

National and EU stimulus package

- The Romanian Government has presented on July 2nd 2020 “Rebuilding Romania”, a National Investment and Economic Relaunch Plan, announced for EUR 100 bn/10 years.
- EU allocated EUR 80 bn to Romania (EUR 63 bn subsidies and EUR 17 bn loans) as part of its EUR 750 bn recovery plan

Romania’s rating recently affirmed by Fitch at BBB-

A HEALTHY ROMANIAN BANKING SECTOR

Solid capital and liquidity positions

Loan to deposit ratio at 70% at June 2020, close to 71% at 2019 end (vs 122% at 2008 end)

Average liquidity coverage ratio of 269% at June 2020 end vs. 240% at December 2019 end, well above regulatory requirement (100%) and European average (166% at June 2020 end), indicating a comfortable resilience capacity of the banking sector to liquidity shocks.

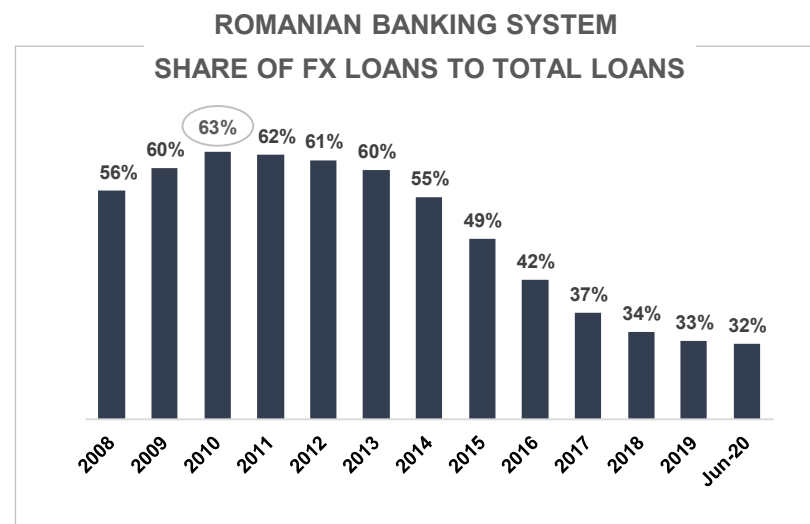
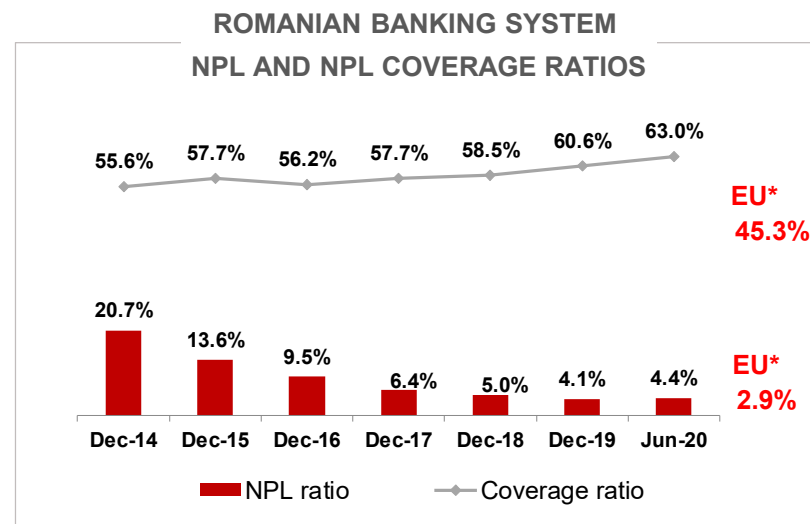
Total capital ratio of 22.8% at June 2020 vs. 22.0% at 2019 end (compared to 13.8% at 2008 end)

Sound risk profile

NPL ratio standing at 4.3% at August 2020 end vs 4.1% at 2019 end

NPL coverage ratio increased to 63.0% at June 2020 (60.6% at 2019 end) well above EU average (45.3% at June 2020 end)

Share of FX loans at 32% at June 2020 end (compared to 56% at 2008 end)



* As of June 2020

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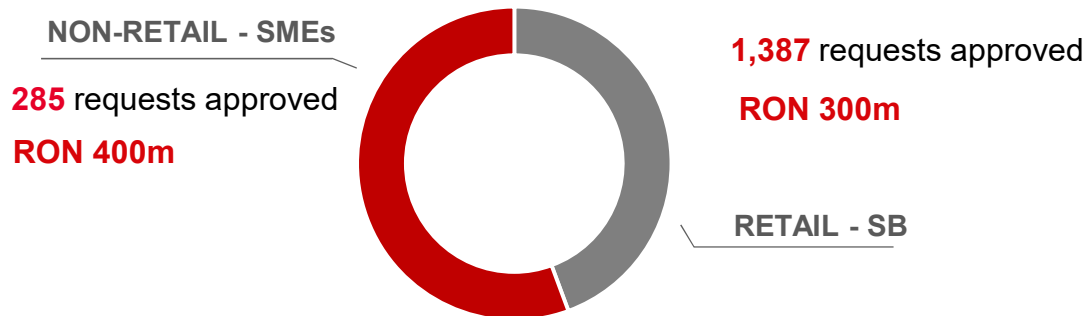
**3RD QUARTER AND 9 MONTHS
2020 BRD GROUP RESULTS**



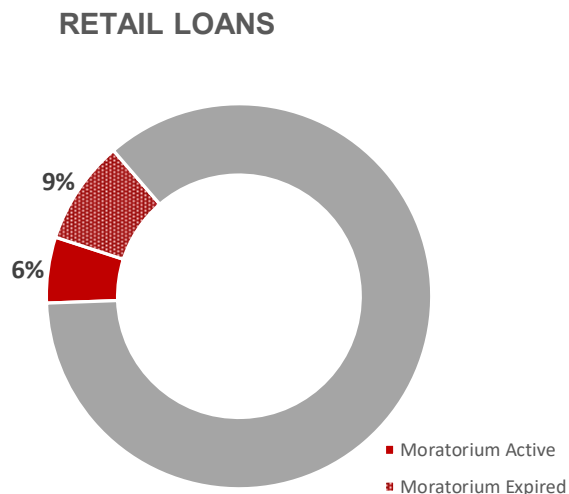
GRUPE SOCIETE GENERALE

PROVIDING FINANCING SOLUTIONS TO SUPPORT OUR CLIENTS

- **Active participation in IMM Invest**
 - ✓ Almost RON 700 m approved, as of 30 September
 - ✓ 85% (in value) for working capital



- **Moratorium**
 - ✓ Deferral in loan repayment granted for 41k retail clients as of September 2020 end, postponements granted between 3 and 9 months, for app RON 3 bn (~14% of portfolio)
 - ✓ Low recourse of corporate clients to moratorium (~6% of portfolio)
 - ✓ Rather strong discipline of payment observed so far for the facilities that exited the moratorium, but the observation period is still short to conclude on a trend



ACCELERATED DIGITAL TRANSFORMATION



FAST ADOPTION OF DIGITAL CHANNELS

Increasing digital penetration

695k MyBRD Mobile & MyBRD Net active clients at Sep. 2020 end, **+24%** y/y

+33% volume of transactions vs 9M 2019

+36% nb of connections vs 9M 2019

99% of large corporate clients' and **95%** of SMEs transactions performed via digital channels

75% of L/Cs and **45%** of L/Gs processed through the trade finance e-tool



HIGHLY REACTIVE CUSTOMER INTERACTION CENTER

Fast tracked Customer Interaction Centre capabilities to answer increased remote requests

✓ **+33%** answered customer calls vs 9M 2019

✓ **+58%** written interactions vs 9M 2019



ADAPTED PHYSICAL SET UP

- ✓ Fewer branches
- ✓ More specialized
- ✓ Better service

-62 branches, to 612

+18% 24/7 banking points

Sep 2019

Sep 2020

-198 branches since end 2016

CLIENTS' DIGITAL EXPERIENCE FURTHER ENHANCED

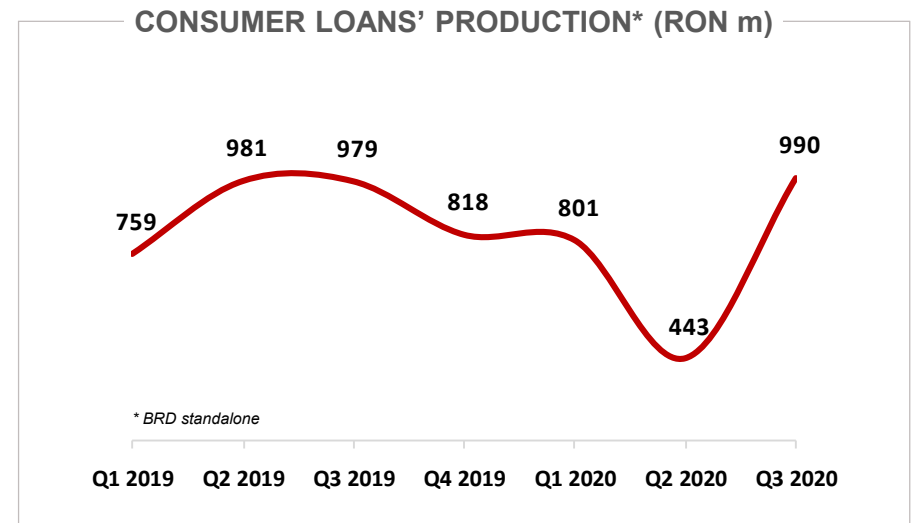
- ✓ Launch of Apple Pay, a convenient and fast way to pay
- ✓ Enhancement of e-banking platforms for corporates
- BRD@ffice module allowing "batch booking" payments to be released in Nov 2020
- New version of cash management platform for big companies
- ✓ Supply financing platform for reverse factoring implemented

INDIVIDUALS' LOAN PRODUCTION REBOUND

Strong rebound in consumer loans production in Q3

+1% vs Q3 2019

+123% vs Q2 2020

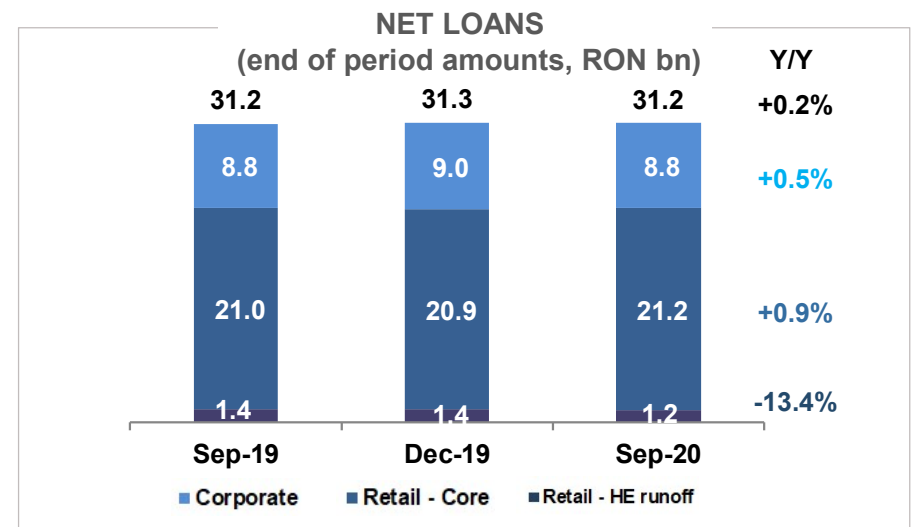


Strong SME financing growth

Increase of corporate lending supported by loans to SME which are up by +7.3% y/y

Active participation in IMM Invest Program with RON 700 m approved loans

Overall leasing portfolio increasing by +17.5% y/y



STRONG DEPOSIT COLLECTION

Further consolidation of already broad deposit base

Retail deposits accelerating growth pace (+9.1% y/y)

Individuals' savings up +8.3% y/y (o/w current accounts up by +30% y/y)

Double digit corporate deposits' growth driven a very strong increase in SMEs resources (+23.8% y/y)

Strong liquidity profile

Net loan to deposit ratio at 65%, -6 ppts y/y

High degree of financial autonomy with the share of deposits in total liabilities reaching 93% at September 2020 end, ensuring a stable funding base

Strong liquidity buffer at 31% of total assets

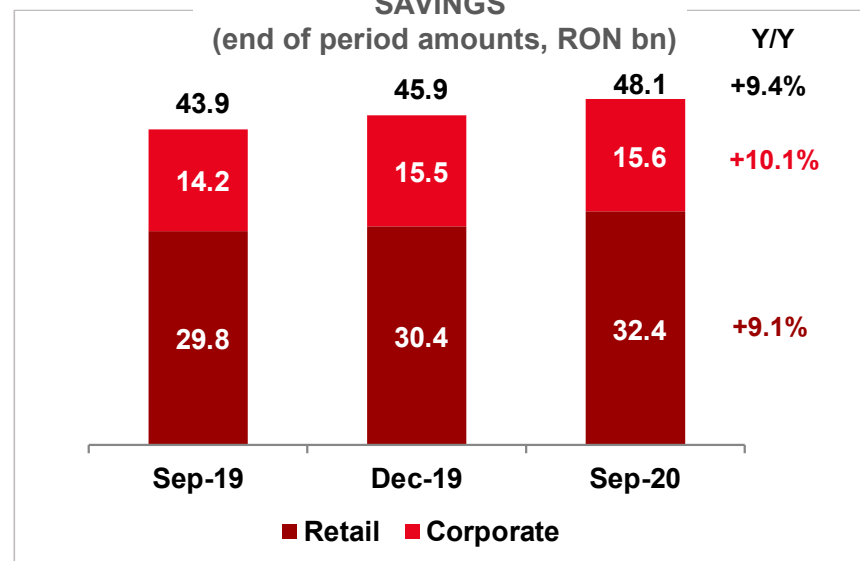
Rebound in asset management activity

Activity impacted by the crisis in line with the market evolution, driving down AUM to RON 3.62 bn at March 2020 end

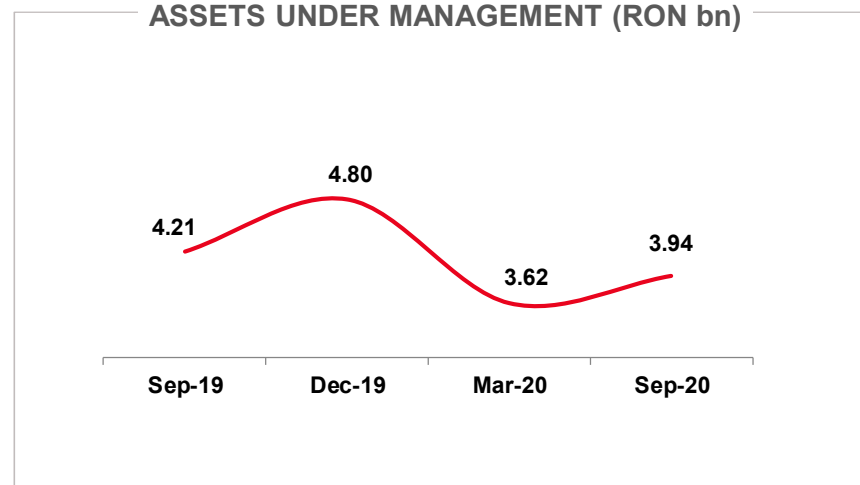
Back on an upward trend starting May (AUM RON 3.94 bn at September 2020 end)

Market share of 18.8% on open-end mutual funds' market, up by +1.2 ppts y/y

SAVINGS
(end of period amounts, RON bn)



ASSETS UNDER MANAGEMENT (RON bn)



RESILIENT REVENUES

Revenues proved their resilience over the first 9M of 2020

NII moderate decrease by -2.3% y/y in 9M 2020 and by -6.1% y/y in Q3 2020, mainly driven by:

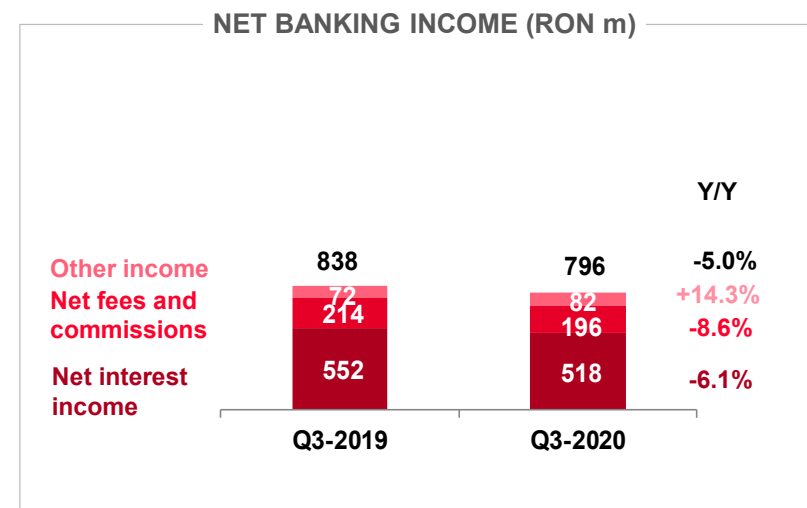
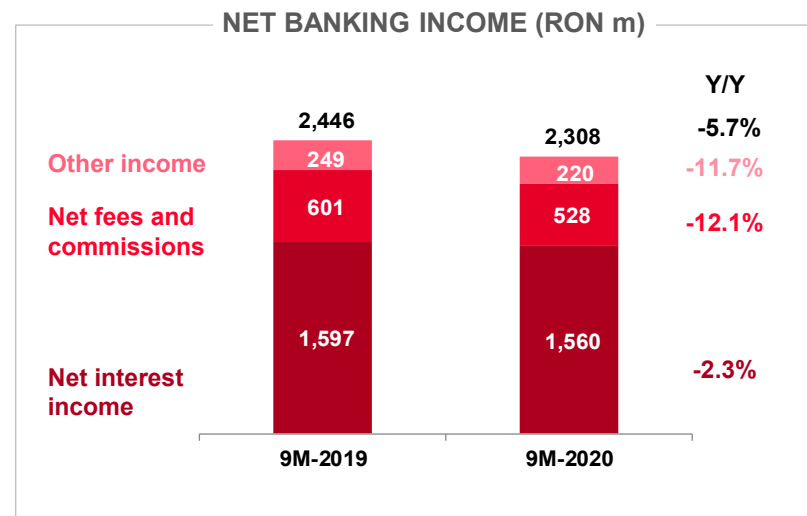
- ✓ lower market rates
 - ROBOR 3M average of 2.49% in 9M 2020, -67 bps y/y
 - ROBOR 3M average of 2.06% in Q3 2020, -103 bps y/y
- ✓ weakened loan production in Q2

Decline of net fees and commissions as a result of change in regulations and reduced activity in the current crisis context

Contraction in net fees and commission income, -12.1% y/y in 9M 2020, following:

- SEPA regulation enforcement (price alignment of EUR denominated payments to domestic ones, starting 15th of December 2019)
- overall lower volumes of transactions
- free usage of remote banking applications during the lockdown and free withdrawals under the new individual packages
- cease of the Western Union activity in August 2019

Other income evolution on 9M explained by exceptional 2019 base effect on revaluation gains



SIGNIFICANT COST SAVING SECURED

Reduced headcount and staff expenses

Staff expenses reduced by - 2.2% y/y in Q3 2020, reflecting the rigorous HR policy as part of the ongoing cost saving plan

- freeze of hiring since March end
- reduction in the number of FTEs (-273 vs Sep 2019)

Strategic investments preserved, significant savings on non IT costs

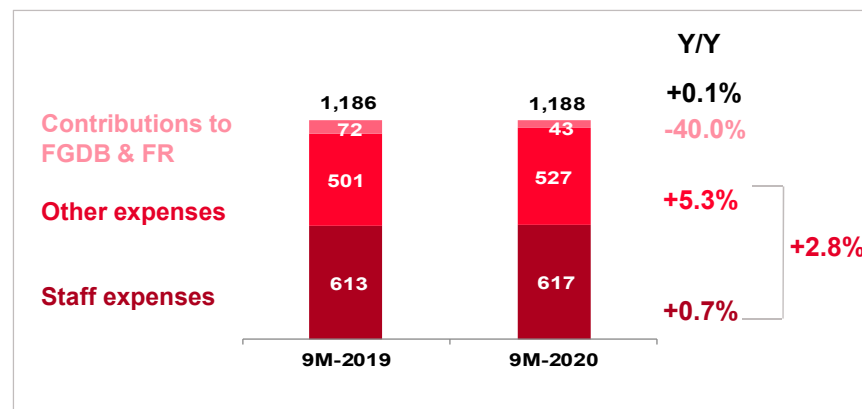
Non-staff expenses increase (+5.3% y/y in 9M 2020 and +6.1% y/y in Q3 2020, excluding regulatory costs), entirely linked to:

- higher IT costs reflecting the acceleration of our digital roadmap
- and exceptional costs related to sanitary crisis management

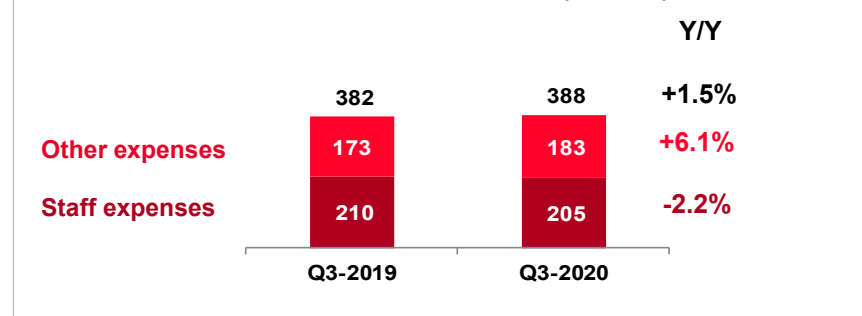
Other OPEX lower by -7.5% y/y vs Q3 2019, excluding sanitary and IT costs

C/I contained increase, to 50.6% in 9M 2020 vs. 48.5% in 9M 2019, excluding exceptional sanitary costs

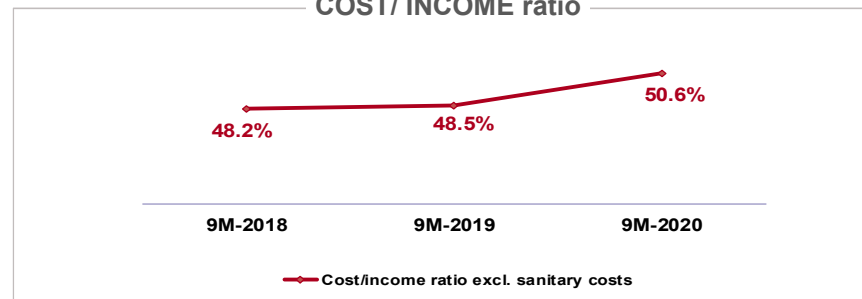
OPERATING EXPENSES (RON m)



OPERATING EXPENSES (RON m)



COST/ INCOME ratio



STRONG ASSET QUALITY

Loan portfolio market mix

70% on individuals market segment
30% on legal entities market segment

Consolidation of RON lending

Share of RON denominated loans at 69.7% (vs 67.4% as of September 2019 end)

Trend in line with market evolution

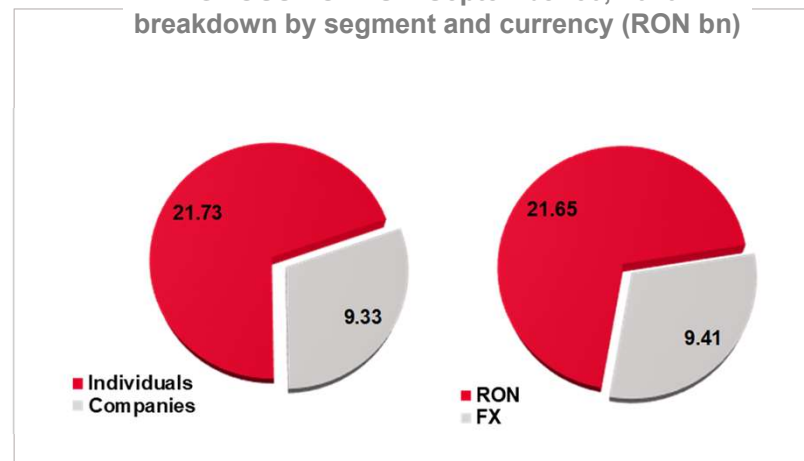
NPL ratio below banking sector level

Slight NPL decrease vs. June 2020, reflecting good recovery performance

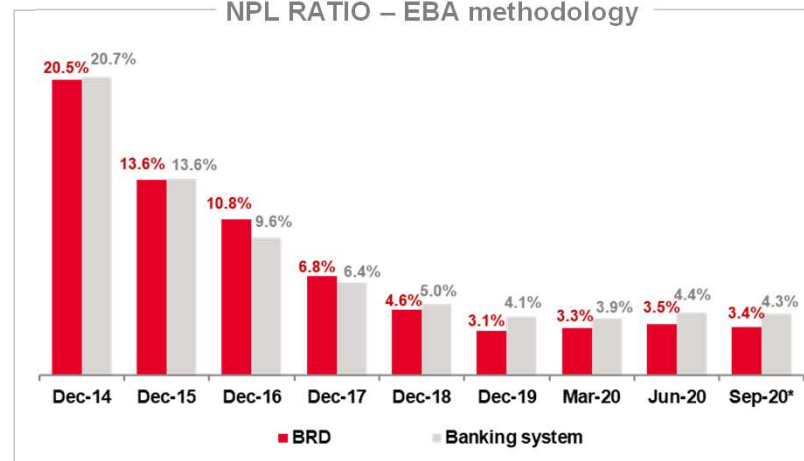
Outlook

Upward trend expected, yet the magnitude will be closely linked to the economic and social effects of the pandemic, the overall duration of the sanitary crisis and the public sector's response to speed up the recovery process

GROSS LOANS – September 30, 2020
breakdown by segment and currency (RON bn)



NPL RATIO – EBA methodology



* NPL for Banking System as of August 2020

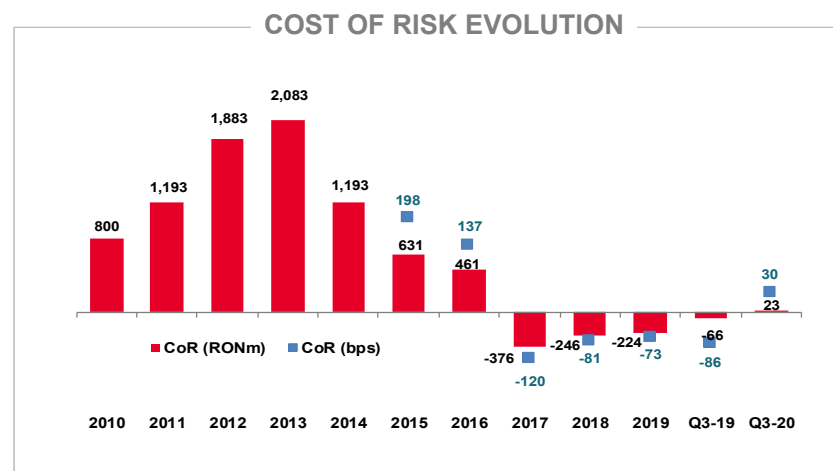
Note: NPL computed acc. to EBA risk indicator AQT_3.2

All figures at individual level

COST OF RISK AFFECTED BY MACROECONOMIC CONTEXT

Net cost of risk at 30 bps in Q3-20 (after 205 bps in Q2-20)

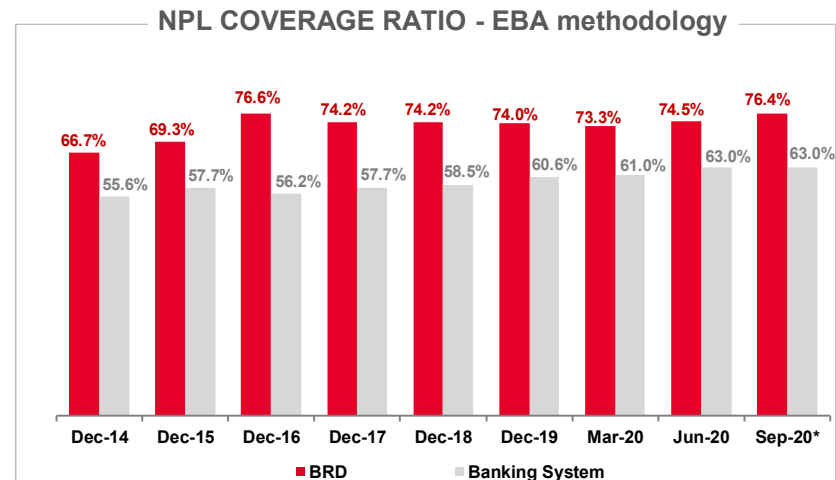
NCR reflects primarily the incorporation into the ECL model of more severe macroeconomic assumptions in the context of the pandemic, this effect being largely offset by recoveries on the NPL portfolio



Note: Cost of risk in bps for Q3-2019 and Q3-2020 is annualized

Solid NPL coverage ratio following prudent provisioning policy

NPL coverage ratio well above banking sector average



* NPL coverage ratio for Banking System – as of June 2020

All figures at individual level

VERY SOLID CAPITAL POSITION

Strong high quality capital base

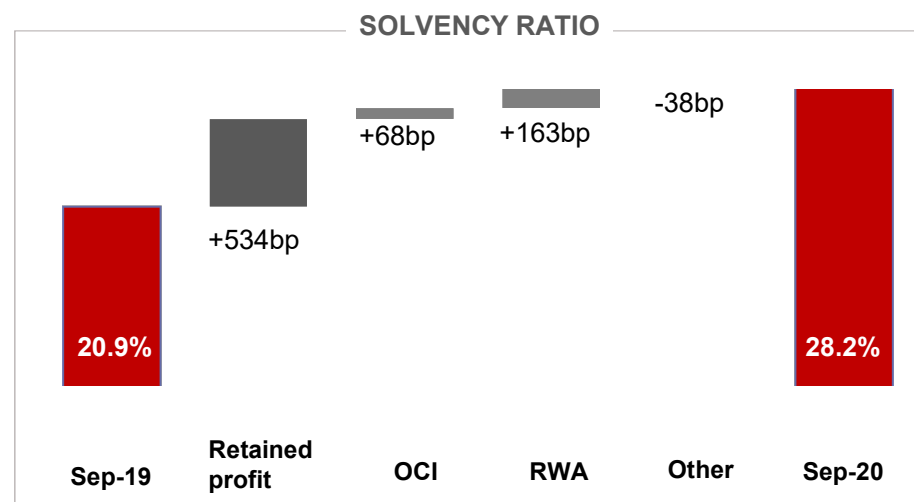
CAR of 28% at Sep 2020 end

Regulatory own funds composed solely of Tier 1 capital

Increase in own funds on a yearly basis mainly driven by the retention of the entire 2019 net profit, considering:

- (i) regulator's recommendation,
- (ii) the high uncertainty about the long term economic consequences of the Covid 19 outbreak, and
- (iii) BRD's strong commitment to support the Romanian economy in difficult times.

Contraction in RWA influenced mainly by the implementation of the temporary relief on the RW of EUR sovereign exposures and earlier application of the SME supporting factor, introduced through Regulation (EU) 2020/873 in response to COVID-19 pandemic, with an overall impact in solvency ratio of around 190 bps y/y.



Bank only	Sep-19	Dec-19	Sep-20
Capital adequacy ratio	20.9%	24.9%	28.2%
Own funds (RONm)	5,978	7,322	7,598
Total risk exposure amount (RONm)	28,626	29,404	26,991
Capital requirements (RONm)	2,290	2,352	2,159

Note: Own funds for 2019 include the FY net profit, according to the GSM decision

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CONCLUSIONS



GRUPE SOCIETE GENERALE

CONCLUSIONS

- **The unprecedented sanitary crisis translated into a major economic crisis. But an extensive policy offset was implemented and the economy is functioning**
- **In this context, BRD is fully mobilized to provide adequate and continuous support to its customers**
- **Priority given to acceleration of digitalization and flow automation projects, supporting fast achievement of the goals set in our transformation plan**
- **Well mitigated impacts of the crisis on the financial performance**
 - **Revenues resisted better than expected**
 - **Significant costs savings were secured. Staff expenses, in particular, were reduced.**
 - **NCR mostly driven by its forward looking component**
 - **The nine month results prove the resilience of the business model and the adequacy of actions taken in response to the crisis**
- **Fundamentals remain very solid**
 - **strong capital adequacy ratio**
 - **very comfortable liquidity position**
 - **elevated asset quality**

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Q&A SESSION



GRUPE SOCIETE GENERALE

APPENDIX

BRD GROUP – KEY FIGURES

BRD STANDALONE – KEY FIGURES

STOCK PRICE PERFORMANCE

GLOSSARY – CLIENT SEGMENTATION



GRUPE SOCIETE GENERALE

BRD GROUP | KEY FIGURES

RON m		Q3-2020	Q3-2019	Change	9M-2020	9M-2019	Change
Financial results	Net banking income	796	838	-5.0%	2,308	2,446	-5.7%
	Operating expenses	(388)	(382)	+1.5%	(1,188)	(1,186)	+0.1%
	Gross operating income	408	455	-10.5%	1,120	1,260	-11.1%
	Net cost of risk	(28)	62	n.a.	(253)	207	n.a.
	Net profit	323	439	-26.4%	738	1,226	-39.8%
	Cost/Income	48.8%	45.6%	+3.1 pt	51.5%	48.5%	+3.0 pt
	ROE	14.4%	22.7%	-8.3 pt	11.3%	20.8%	-9.5 pt

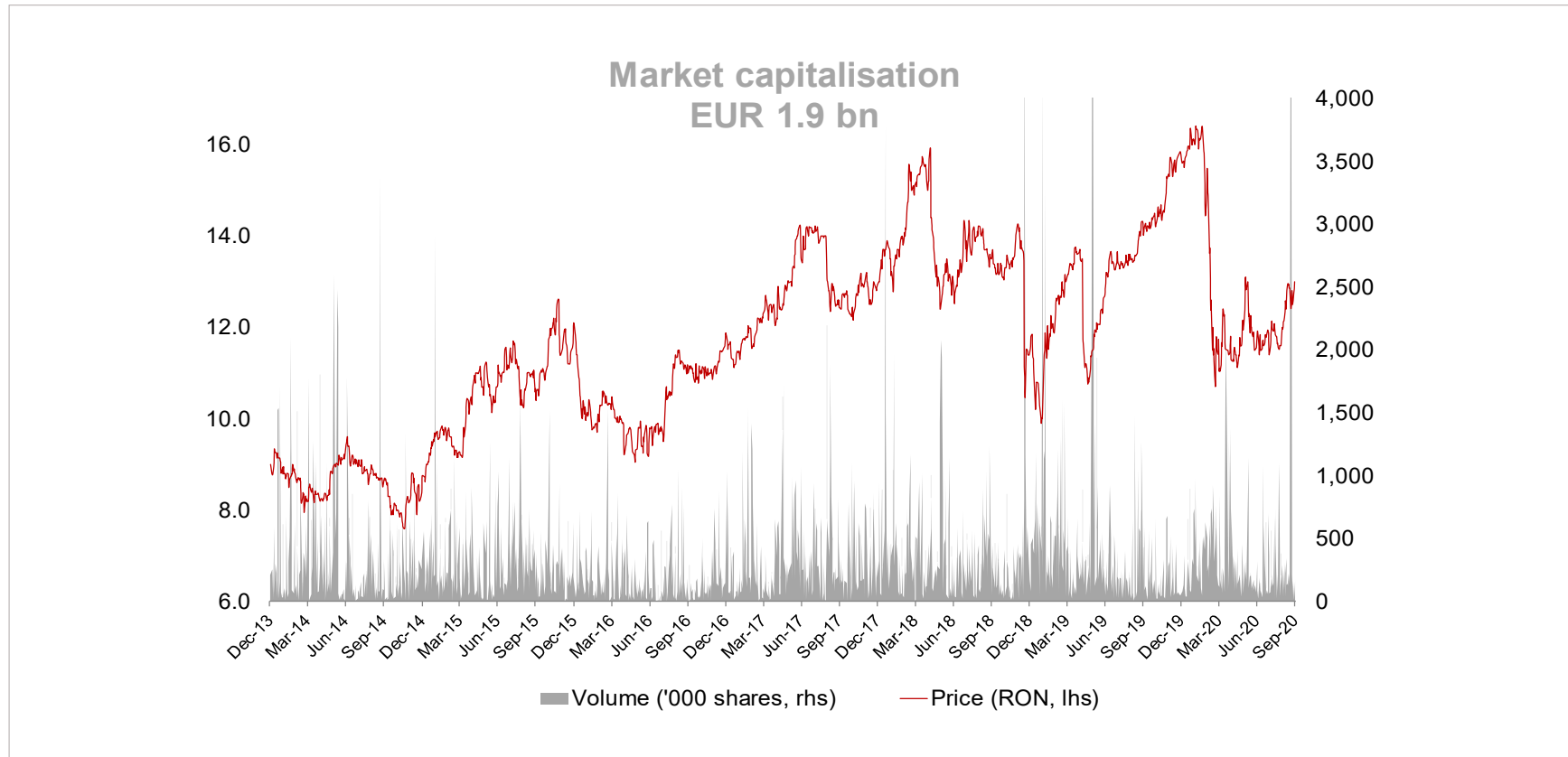
RON bn		Sep-20	Dec-19	Sep-19	vs. Sep-19	vs. Dec-19
Loans and deposits	Net loans including leasing (RON bn)	31.2	31.3	31.2	+0.2%	-0.1%
	Retail	22.4	22.3	22.4	0.0%	+0.6%
	Corporate	8.8	9.0	8.8	+0.5%	-2.1%
	Total deposits (RON bn)	48.1	45.9	43.9	+9.4%	+4.7%
	Retail	32.4	30.4	29.8	+9.1%	+6.9%
	Corporate	15.6	15.5	14.2	+10.1%	+0.5%
	Loan to deposit ratio	65.0%	68.2%	71.0%	-6.0 pt	-3.2 pt
Capital adequacy	CAR [*]	28.2%	24.9%	20.9%	+7.3 pt	+3.3 pt
Franchise	No of branches	612	648	674	(62)	(36)

(*) according to Basel 3; CAR at Bank level;

BRD | KEY FIGURES FOR BANK ONLY

Financial results		RON m	Q3-2020	Q3-2019	Change	9M-2020	9M-2019	Change
	Net banking income		756	825	-8.4%	2,189	2,391	-8.5%
	Operating expenses		(365)	(358)	+2.2%	(1,121)	(1,118)	+0.3%
	Gross operating income		390	468	-16.5%	1,068	1,273	-16.1%
	Net cost of risk		(23)	66	n.a.	(225)	220	n.a.
	Net profit		314	459	-31.6%	719	1,261	-43.0%
	Cost/Income		48.3%	43.3%	+5.0 pt	51.2%	46.8%	+4.5 pt
	ROE		14.5%	24.7%	-10.2 pt	11.4%	22.3%	-10.9 pt
Loans and deposits		RON bn	Sep -20	Dec-19	Sep-19	vs. Sep-19	vs. Dec-19	
	Net loans (RON bn)		29.4	29.5	29.5	-0.3%	-0.3%	
	Retail		21.4	21.3	21.5	-0.3%	+0.3%	
	Corporate		8.0	8.1	8.0	-0.5%	-1.9%	
	Total deposits (RON bn)		48.22	46.0	44.0	+9.5%	+4.7%	
	Retail		32.4	30.3	29.75	+9.1%	+6.9%	
	Corporate		15.8	15.7	14.29	10.4%	0.5%	
	Loan to deposit ratio		60.9%	64.0%	66.9%	-6.0 pt	-3.1 pt	

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 13.00 as of September 2020 end, -9% y/y and -18% ytd.

GLOSSARY – CLIENT SEGMENTATION

- 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

+4 021 380 47 62 | investor@brd.ro; www.brd.ro