

# BRD GROUP RESULTS

---

1<sup>st</sup> quarter 2020 | 07.05.2020

## DISCLAIMER

---

The consolidated and separate financial position and income statement for the period ended March 31, 2020 were examined by the Board of Directors on May 5, 2020.

The financial information presented for the period ended March 31, 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.

1

---

## INTRODUCTION



GRUPE SOCIETE GENERALE

# RESILIENT PROFITABILITY, STRONG BALANCE SHEET

## Strong commercial dynamics

Sustained corporate lending activity

Leasing portfolio up +27.6% y/y

Strong increase of deposit base, up by almost +6% y/y

## Resilient operating performance

### Net profit impacted by cost of risk charge

after recognition of an overlay related to COVID-19 economic impact

### Accelerated adoption of digital channels

624k MyBRD Mobile & MyBRD Net unique active users

No of transactions\* +26% vs Q1 2019

## Solid loan book quality

Decrease in NPL ratio, -75 bps y/y

## Strong capital position

Further strengthened capital position following the incorporation of entire 2019 profit, elevated capacity to support the economy in the current crisis context and to absorb potential shocks

Total loan portfolio

**+2.4%** vs Mar 2019 end

Corporate loan portfolio

**+4.3%** vs Mar 2019 end

GOI

**RON 342m** stable vs Q1 2019

Net profit

**RON 241m** vs. RON 301m in Q1 2019

Digital banking

**624k active users, +19%** vs Mar 2019 end

NPL ratio

**3.3%, -75 bps y/y** vs Mar 2019 end

NPL Coverage ratio

**73.3%** at Mar 2020 end

**CAR: 22.6%** vs 19.7% at Mar 2019 end

*Note: CAR, Bank only*

*\*No of transactions on MyBRD Mobile & MyBRD Net*

# 2

---

## MACROECONOMIC ENVIRONMENT



# COVID-19 CRISIS IS TO PUT AN END TO A 9 YEAR EXPANSIONARY CYCLE

## 2019 marked the 9<sup>th</sup> year of the expansionary phase of the cycle

2019 GDP increased by +4.1%, a somewhat slower pace as compared to 2018, though still outpacing that of most EU countries.

Consumer appetite with + 4.8 ppts contribution to the growth was spurred by the steady rising household disposable income, growth in household loans outstanding and the upbeat consumer sentiment.

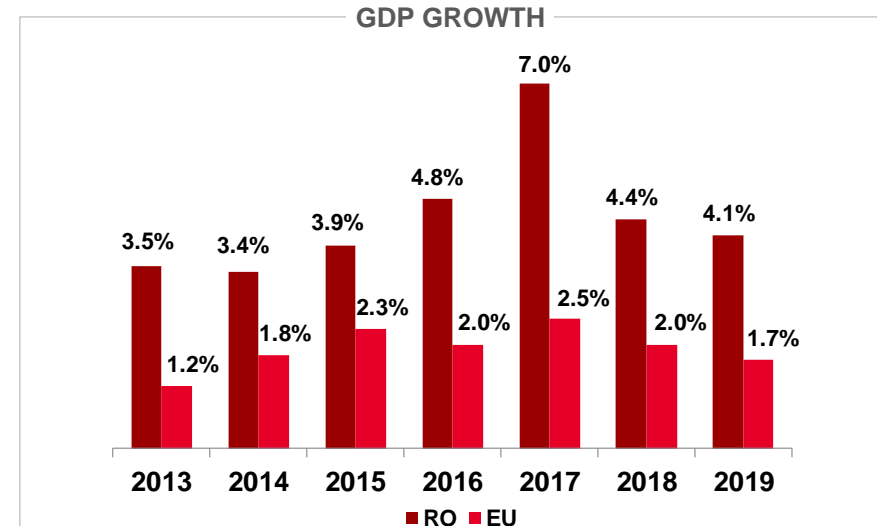
Investment activity made also an important contribution to growth story (+3.8 ppts), on the expansion of the construction activity and, to a lesser extent, to equipment purchases.

Net exports still a negative contributor

## 2020 GDP expected to drop by 6%-7%\*

## Inflation rate down

CPI dropped at a fast pace in the first months of the year printing at +3.1% y/y at March 2020 end (vs 4.0% at Dec-19 end), but recording a monthly increase of 0.5% m/m in March with the impact of lower fuel prices dwarfed by strong food inflation in the midst of Covid-19 outbreak.



\* In a scenario of strict lockdown lasting until mid May, followed by a progressive lifting of restrictions

# RATE CUT AND QUANTITATIVE EASING IN PLACE

## Policy rate cut

To support the economy in the context of unfolding COVID-19 epidemic, the central bank reduced the monetary policy rate by 50 basis points to 2%

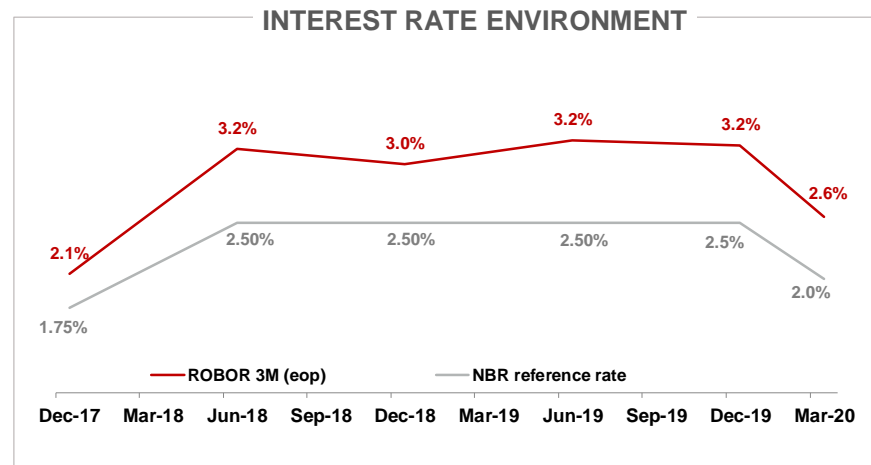
## Quantitative easing

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

Before the outbreak, NBR decided to lower the level of the minimum reserve requirements on FCY denominated liabilities to 6% (down from 8%) starting February 2020, keeping the existing level for RON denominated liabilities at 8%

## Interbank RON interest rates followed the downward key rate

Following policy rate cut, interbank rates dropped and Robor 3M decreased to 2.5%



# ROMANIAN BANKING SECTOR ENTERING THE CRISIS WITH A HEALTHY PROFILE

## Solid capital and liquidity positions

Loan to deposit ratio at 71% at 2019 end (vs 122% at 2008 end)

Average liquidity coverage ratio of 240% at December 2019 end, well above regulatory requirement (100% in 2019) and European average (150% at 2019 end), indicating a comfortable resilience capacity of the banking sector to liquidity shocks.

Total capital ratio of 20.0% at 2019 end (compared to 13.8% at 2008 end)

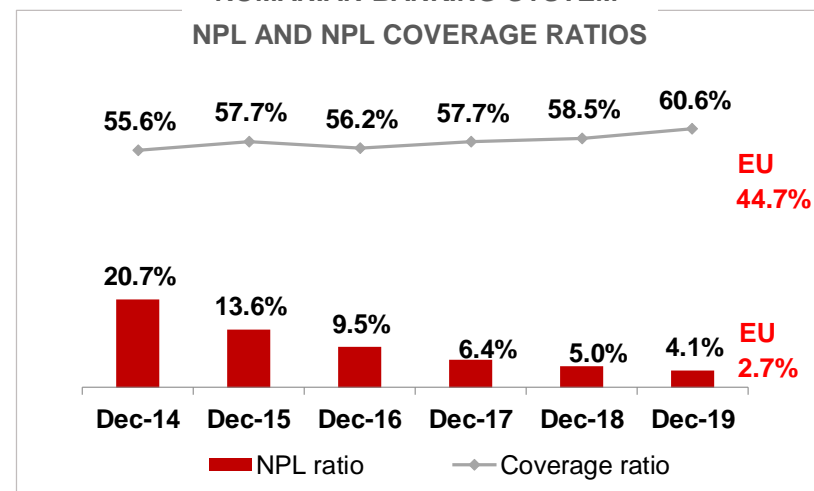
## Sound risk profile

NPL ratio at 4.1% at 2019 end

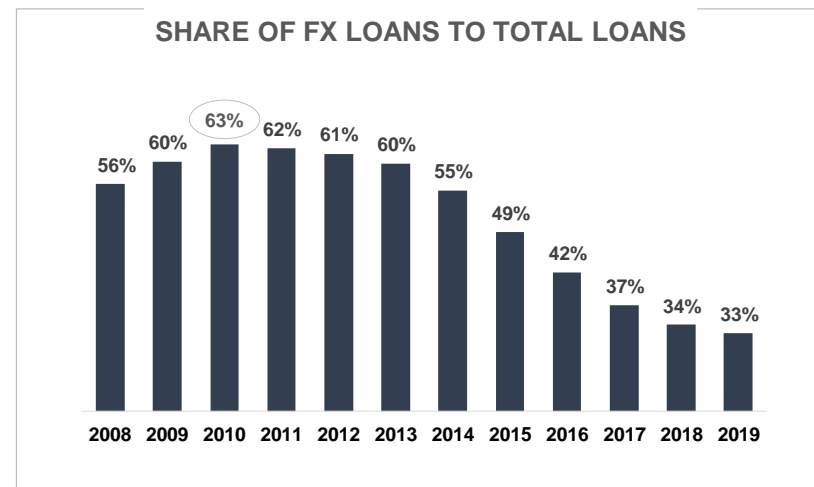
NPL coverage ratio (60.6% at 2019 end) well above EU average (44.7% at 2019 end)

Share of FX loans at 33% at 2019 end (compared to 56% at 2008 end)

ROMANIAN BANKING SYSTEM  
NPL AND NPL COVERAGE RATIOS



ROMANIAN BANKING SYSTEM  
SHARE OF FX LOANS TO TOTAL LOANS





3

---

**1<sup>ST</sup> QUARTER 2020  
BRD GROUP RESULTS**



GRUPE SOCIETE GENERALE

# ACCELERATED MIGRATION TO REMOTE CHANNELS



## FAST ADOPTION OF DIGITAL CHANNELS

### Growing digital penetration

**624k** MyBRD Mobile & MyBRD Net active clients at March 2020 end, **+19%** y/y

**+38%** volume of transactions vs Q1 2019

**+35%** nb of connections vs Q1 2019

**95%** of corporate clients' transactions performed via digital channels

### Corporate clients' digital experience further enhanced

- ✓ Launch of BRD@office Mobile, the mobile version of the online banking application
- ✓ Release of M-Token, a safe and convenient authentication method for mobile banking



## HIGHLY REACTIVE CUSTOMER INTERACTION CENTER

### Fast tracked Customer Interaction Centre capabilities to answer current lockdown context

- ✓ **+9** contact center locations in 4 different towns, with less than 1 week average time to set-up a new location
- ✓ **+133%** answered customer requests between 16<sup>th</sup> March - 16<sup>th</sup> April vs same period last year
- ✓ **+75%** nb. of interactions using digital channels



## ADAPTED PHYSICAL SET UP

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

**-83 branches, to 640**

**+20% 24/7 banking points**

Mar 2019

Mar 2020

# SUSTAINED CORPORATE FINANCING ACTIVITY

## Sustained corporate financing activity

Loans to SME up by +7.6% y/y, followed by large companies advance of 2.9% y/y

Dynamic performance of leasing activity with overall leasing portfolio increasing by +27.6% y/y, driven by commercial vehicles, and equipment for agriculture and industry.

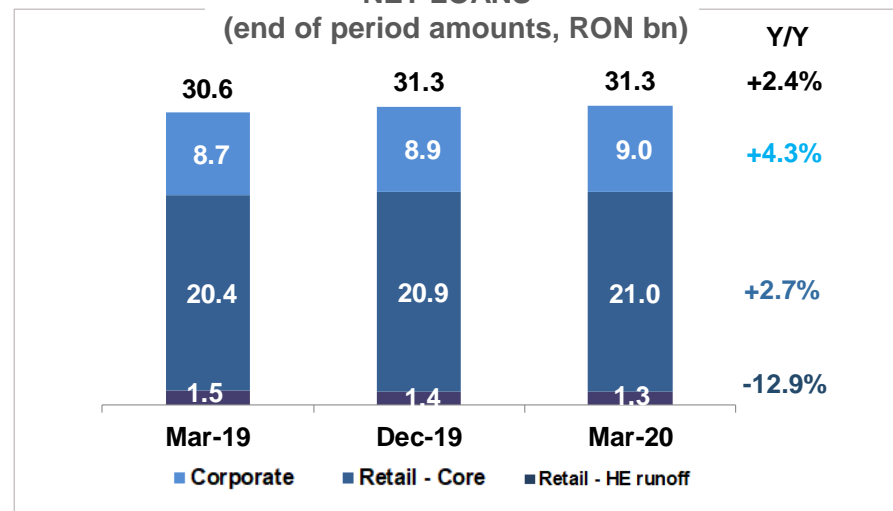
## Retail loan growth fueled by demand for both consumer and housing loans

Housing loans (+2.9% y/y, o/w RON +10.2%) and consumer lending (+1.9% y/y) contributing both to retail loan growth

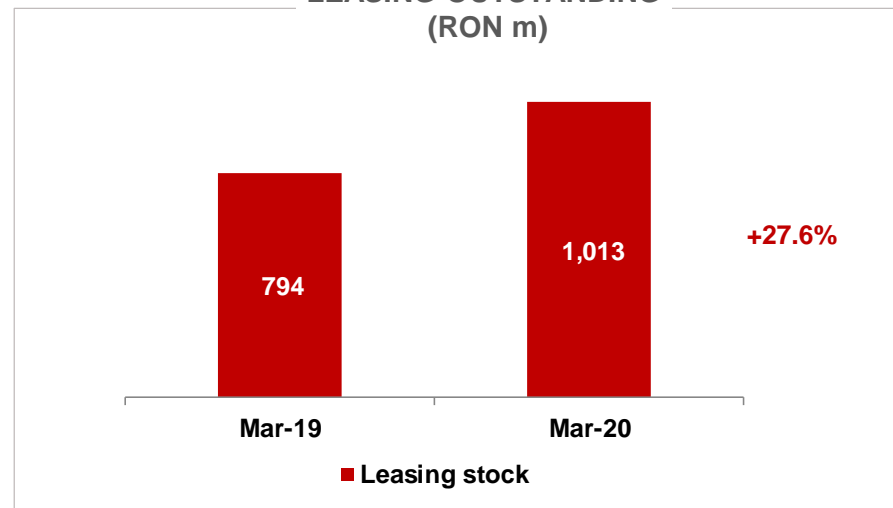
Continued focus on higher mass market customers with safer risk profile

BRD Finance' net loans up by +8.1% y/y

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



**LEASING OUTSTANDING**  
(RON m)



# STRONG COLLECTION OF DEPOSITS ACROSS ALL SEGMENTS

## Solid retail deposit base

Increasing retail deposits (+4.2% y/y)

Individuals' savings up +3.4% y/y (o/w current accounts were up by +30% y/y)

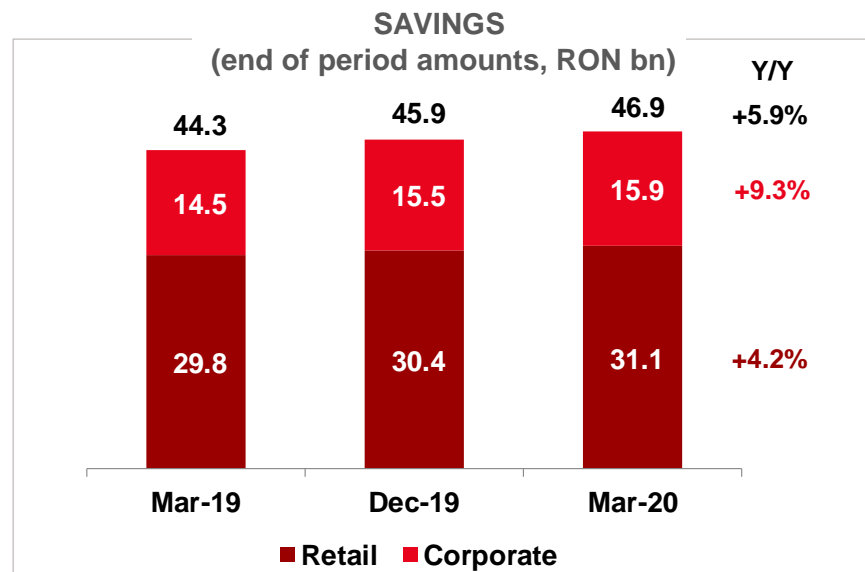
Corporate deposits advance driven by a significant increase of SME resources (+25.5% y/y), while large corporate deposits were influenced by the reduction of EUR non transactional accounts, driven by an assumed balance sheet management choice.

## Strong liquidity profile

Net loan to deposit ratio at 66.7%, -2.3 ppt y/y

High degree of financial autonomy with the share of deposits in total liabilities reaching 92% at March 2020 end, ensuring a stable funding base

Strong liquidity buffer at 32% of total assets, +6 ppts y/y



# RESILIENT CORE BANKING REVENUES

## Sustained net interest income growth

Expanding loan portfolio and favorable structure shifts, supportive for net interest income dynamics, up +6.6% y/y in Q1 2020

Robust volume increase

- loans up +2.4% y/y at Mar 2020 end
- deposits up +5.9% y/y at Mar 2020 end

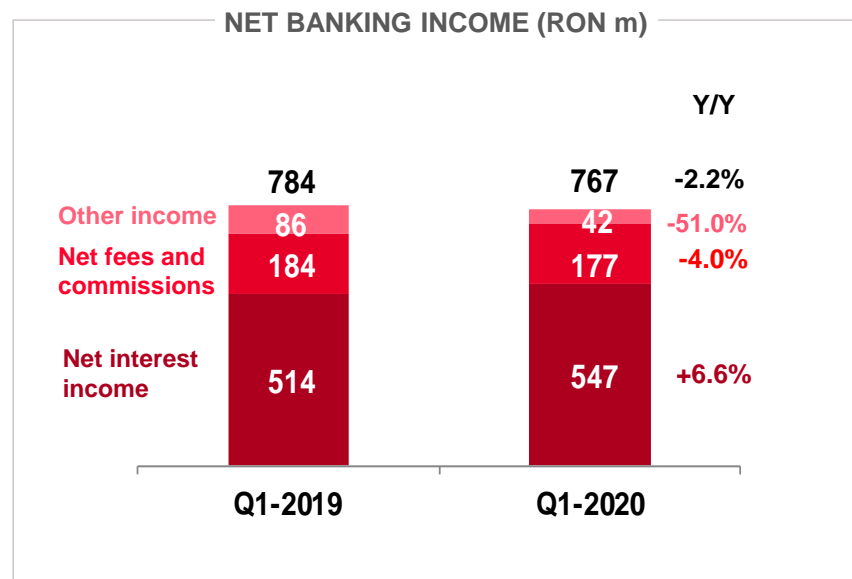
## Rising pressure on net fees and commissions

Decline in net fee and commission income, -4.0% y/y in Q1 2020 following:

- price alignment of EUR denominated payments to domestic ones (implementation of SEPA rules starting with 15<sup>th</sup> of December 2019)
- cease of the Western Union activity in August 2019

## Other income impacted by adverse market conditions

Non-core banking revenues influenced by the adverse market context driven by the pandemic, with a decrease of trading (mainly on fixed income) and revaluation (mainly on VISA holding) results



# OPEX DYNAMICS REFLECTING STRICT CONTROL OF SUNDRY COSTS AND LOWER REGULATORY CHARGES

## Lower OPEX benefitting from good control of sundry expenses and reduced regulatory costs

Staff expense increase, +4.4% in Q1 2020 vs Q1 2019, mirroring 2019 salary adjustments in response to the pressure on the labor market

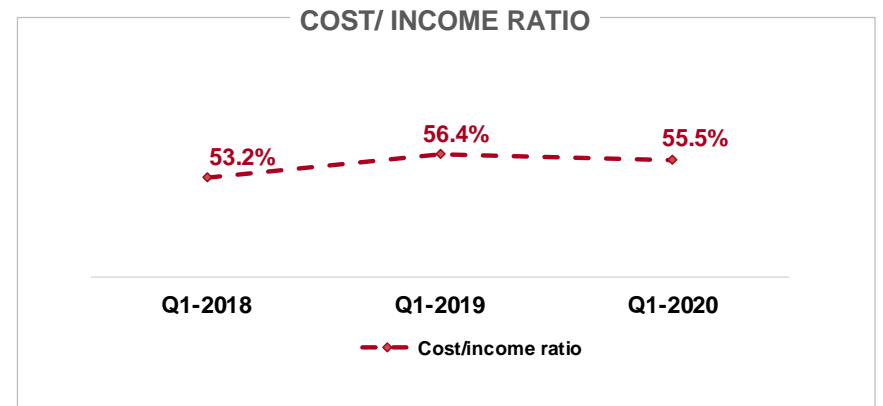
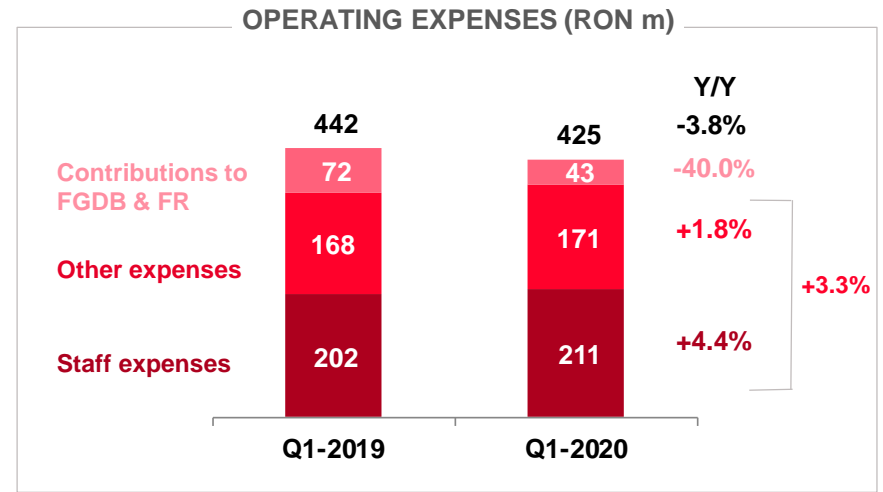
Cumulated contributions to Deposit Guarantee Fund and Resolution Fund lower by -40% (RON 43m in 2020 vs. RON 72m in 2019), recognized in full in Q1 2020

Strict management of other costs categories, +1.8% in Q1 2020 vs. Q1 2019, mainly influenced by ongoing investments in business transformation

## Solid operating performance

Resilient GOI, stable at RON 342m

Improved C/I ratio at 55.5% in Q1 2020 (vs. 56.4% in Q1 2019)



Note: Regulatory costs refer to FGDB& RF cumulated contributions

# 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 66.8% (vs 65.7% as of March 2019 end)

Trend in line with market evolution

## NPL ratio below banking sector level

Reflecting recovery performance, write-offs and sale of NPL performed since 2015, as well as constant efforts to improve the quality of the loan portfolio

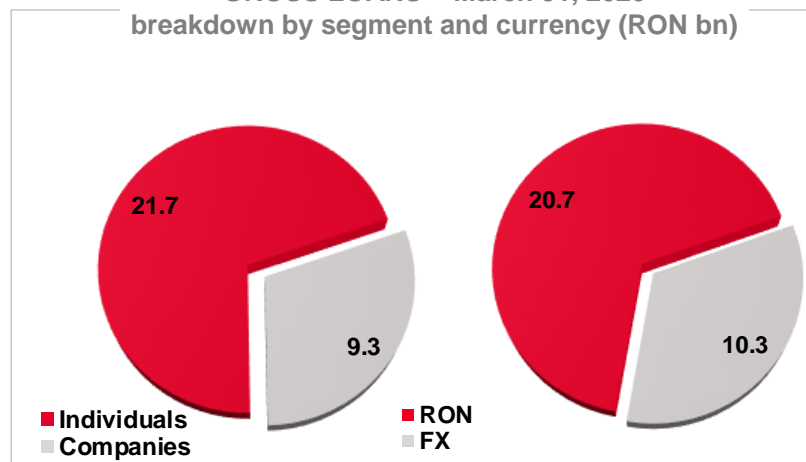
## Outlook

The effects of the COVID-19 pandemic will be reflected on the NPL ratio especially after the end of moratorium on loan repayments

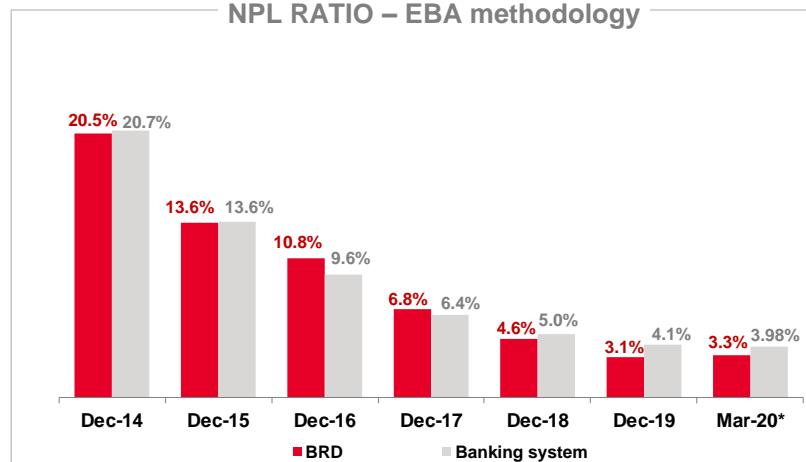
Upward trend expected, with magnitude to be closely linked to the duration of health crisis and subsequent disruption in economic activity

*All figures at individual level*

GROSS LOANS – March 31, 2020  
breakdown by segment and currency (RON bn)



NPL RATIO – EBA methodology



\* NPL Ratio for Banking System – as of February 2020

# POSITIVE COST OF RISK IN COVID-19 CONTEXT

## Net cost of risk at 59 bps in Q1-20 (vs -5 bps in Q4-19)

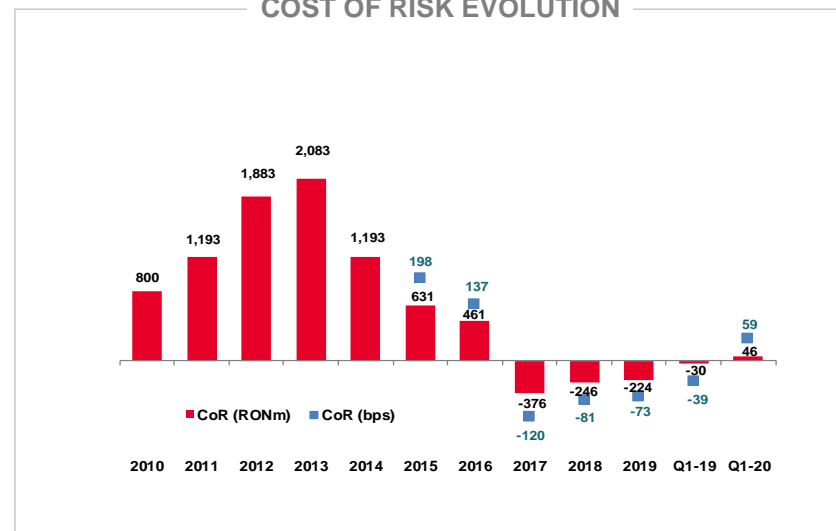
COVID-19 related overlay booked in response to the unique pandemic situation, partially offset by the effect of provision decrease for individually assessed counterparties and recoveries from written off exposures

## Solid NPL coverage ratio

Prudent provisioning policy

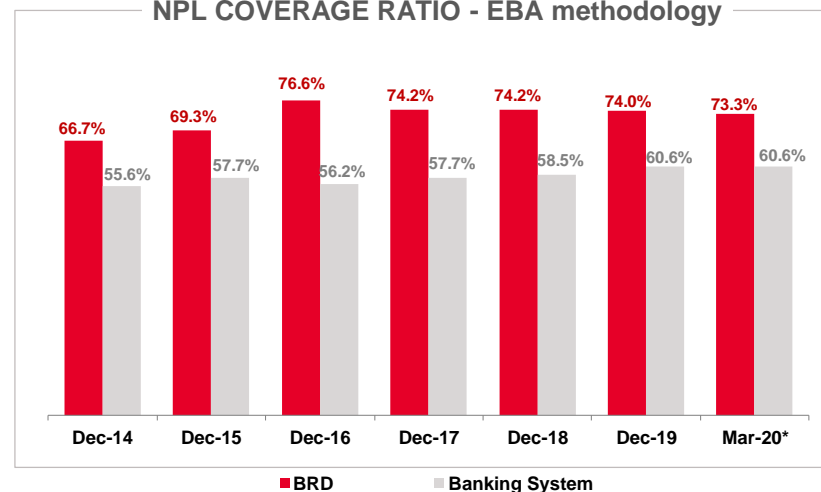
NPL coverage ratio well above banking sector average

### COST OF RISK EVOLUTION



Note: Cost of risk in bps for Q1-2019 and Q1-2020 is annualized

### NPL COVERAGE RATIO - EBA methodology



\* NPL coverage ratio for Banking System – as of December 2019

All figures at individual level





## VERY SOLID CAPITAL POSITION

### Comfortable solvency ratio

CAR of 22.6% at March 2020 end

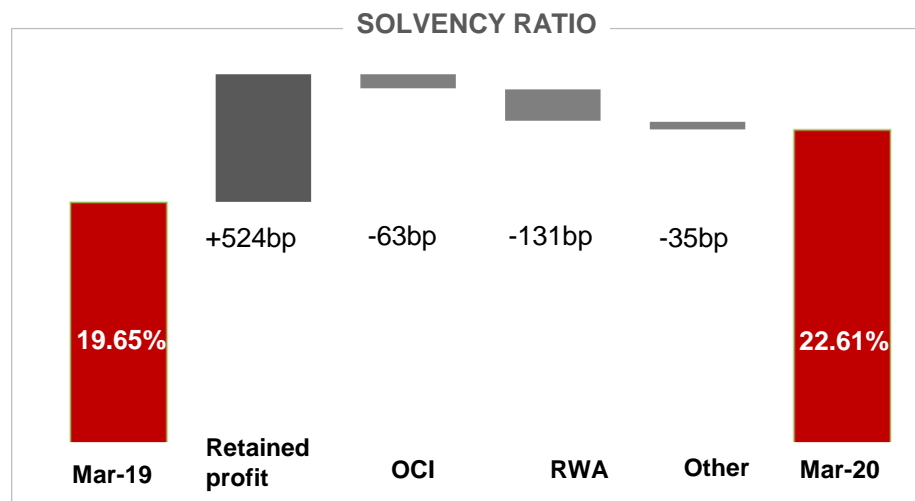
Regulatory own funds composed solely of Tier 1 capital

Increase in own funds on a yearly basis mainly driven by the retention of the entire 2019 net profit, considering (i) the high uncertainty about the long term economic consequences of the Covid 19 outbreak, (ii) BRD strong commitment to support the Romanian economy in difficult times, and (iii) regulator recommendation

Evolution of RWA influenced by :

- continued lending growth
- regulatory phase-in of the risk weight of EUR sovereign exposures

Compared to 2019 year end, decrease in solvency ratio explained by lower reserves related to the government bond portfolio measured at fair value through OCI, in the context of rising yields during March.



Bank only	Mar-19	Dec-19	Mar-20
Capital adequacy ratio	19.7%	24.9%	22.6%
Own funds (RONm)	5,733	7,322	6,972
Total risk exposure amount (RONm)	29,168	29,404	30,835
Capital requirements (RONm)	2,333	2,352	2,467

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

# 4

---

## **CURRENT CRISIS CONTEXT 2020 PERSPECTIVES**



GRUPE SOCIETE GENERALE

# COVID-19 OUTBREAK – AN UNPRECEDENTED CRISIS

---

## Sanitary situation and mitigation measures

Pandemic confirmed to have reached Romania on February 26, with around 12,000 COVID-19 cases as of April, 30

Romanian authorities declared a state of emergency beginning with March 16, for 30 days, prolonged afterwards for another 30 days, with severe lockdown restrictions

...now looking at the prospect of progressively lifting lockdown measures starting mid May

## Although gauging the economic cost of the crisis remains an uncertain exercise, it is clear that the economic impact will be very significant

GDP expected to drop by 6%-7% in 2020

Entire economy affected, but with some sectors more severely hit

~1 m labor contracts suspended and 255k ceased labor contracts (mostly in HORECA, trade, manufacturing and constructions), as of April 25

## RON facing a depreciation pressure, but kept under control

## Declining interest rates

Following policy rate cut, interbank rates dropped and ROBOR 3M decreased to 2.5%

# AN EXTENSIVE POLICY OFFSET

---

## Rate cut and Quantitative Easing in place

- Key rate cut by 50bps to 2%, immediately leading to a 70 bps drop in Robor 3m
- Liquidity provided through repo operations
- Purchase of bonds on the secondary market
- Capital and liquidity requirements eased (banks allowed to temporarily use their capital buffers and temporarily go below the liquidity regulatory requirements)

## Relief package to support the economy

- Loan facility programme (IMM INVEST) : envelop of 3.3 bn EUR of state guarantee and interest subsidies to support SME sector financing
- 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 and companies impacted by the crisis
  - ✓ Grace period up to 9 months (not beyond 2020 end)
  - ✓ Interest accrued (capitalized for consumer loans, repaid in 60 equal installments for housing loans) => immaterial impact on NII
  - ✓ Available to debtors without day past due (at request date) and affected by the crisis (based on declaration for individuals, loss of 25% of revenues for companies)
  - ✓ No triggered reclassification as non-performing, consistent with EU regulators' position
- Flexibility for the payment of social and tax obligations

# BRD RESPONSE TO THE CRISIS

---

## Swift organization adaptation

- Prevention measures applied in all business outlets, as safety of customers and employees has been the top priority of last weeks
- Business continuity ensured through split of teams and extended Work From Home (50% of BRD staff)

## Supporting our clients

- Actively promoting digital solutions, with a free access to IM/MB platforms and transactions from early March
- Enhanced contact centre capabilities : additional 9 contact center locations in 4 different towns, with less than 1 week average time to set-up a new location; number of answered client requests increased by +133% between 16<sup>th</sup> March - 16<sup>th</sup> April 2020 versus the same period last year,
- Deferral in loan repayment granted to 44k clients as of April end (either through BRD own standstill initiative or through debt moratorium according to state emergency ordinance conditions)
- Active participation to the IMM INVEST programme

## Involvement in favor of community

- Donations to hospitals and independent cultural ecosystem

## 2020 OUTLOOK

### Scenario

- **Strict lockdown** lasting until mid May, followed by a progressive lifting of restrictions
- **GDP growth** expected to contract by **-6%/7%** in 2020
- **Interest rates (ROBOR 3M)** expected to drop to **2.5%** in average vs 3.1% in 2019
- **Exchange rate** likely to be under pressure: 2020 average exchange rate assumption of **4.90** (vs 4.75 in 2019)

### Commercial assumptions

- -25% decrease of **production of loans to individuals** vs 2019
- **Stable loan outstanding amount for corporates**, but with different structure (less investment loans, more liquidity lines)
- Globally **stable level of deposits**
- **Lower transaction volumes** during crisis period
- **Decrease of asset under management** volume

### BRD GROUP 2020 ESTIMATES considering the economic impact of COVID-19 outbreak

#### NBI drop estimated at **-10%\*** vs 2019

- negative interest rate effect
- decrease of loan origination
- drop of transaction volumes, negatively impacting net fee and commission income
- lower net income from financial transactions

#### OPEX

- extra costs induced by sanitary protection measures
- ongoing review of investment plan and adjustment of cost basis
- lower contributions to FGDB&RF (-40%)

#### CoR around **120 bps**

#### ROE in the range of **8-10%**

*\* considering debt moratorium conditions based on GEO 37 enacted on March 31, 2020*

**Profitability affected, but ROE to remain in high single digit area**

**Strong shock absorption capacity, with high capital adequacy (CAR of 22.6% at end March) and very comfortable liquidity position (LCR of 287% at end March)**

# 5

---

## CONCLUSIONS



## CONCLUSIONS

---

- **Sustained commercial performance in Q1 2020, with credit growth supported by strong corporate lending activity, and dynamic collection of deposits**
- **Resilient operating result**
- **Accelerated digital penetration**
- **Highly reactive multi-channel setup to the quick challenges of the COVID-19 context**
- **Entering the crisis with a very strong profile**
  - **Strong balance sheet, with a capital adequacy of 22.6% and a very comfortable liquidity situation**
  - **Solid risk profile**
- ➡ **Elevated shock absorption capacity**
- ➡ **Ready and committed to stand by our clients and support the real economy**



# 6

---

## Q&A SESSION



GRUPE SOCIETE GENERALE

---

# APPENDIX

BRD GROUP – KEY FIGURES

BRD STANDALONE - KEY FIGURES

STOCK PRICE PERFORMANCE

FINANCIAL CALENDAR FOR 2020

GLOSSARY – CLIENT SEGMENTATION



GRUPE SOCIETE GENERALE

# BRD GROUP | KEY FIGURES

	RON m	Q1-2020	Q1-2019	Change
<b>Financial results</b>	<b>Net banking income</b>	<b>767</b>	<b>784</b>	<b>-2.2%</b>
	Operating expenses	(425)	(442)	-3.8%
	Gross operating income	342	342	-0.2%
	Net cost of risk	(60)	26	n.a.
	<b>Net profit</b>	<b>241</b>	<b>301</b>	<b>-20.0%</b>
	Cost/Income	55.5%	56.4%	-0.9 pt
	ROE	11.8%	15.4%	-3.6 pt
	RON bn	Mar-20	Mar-19	vs. Mar-19
<b>Loans and deposits</b>	<b>Net loans including leasing (RON bn)</b>	<b>31.3</b>	<b>30.6</b>	<b>+2.4%</b>
	Retail	22.3	21.9	+1.6%
	Corporate	9.0	8.7	+4.3%
	<b>Total deposits (RON bn)</b>	<b>46.9</b>	<b>44.3</b>	<b>+5.9%</b>
	Retail	31.1	29.8	+4.2%
	Corporate	15.9	14.5	+9.3%
	<b>Loan to deposit ratio</b>	<b>66.7%</b>	<b>69.0%</b>	<b>-2.3 pt</b>
<b>Capital adequacy</b>	<b>CAR *</b>	<b>22.6%</b>	<b>19.7%</b>	<b>+3.0 pt</b>
<b>Franchise</b>	<b>No of branches</b>	<b>640</b>	<b>723</b>	<b>(83)</b>

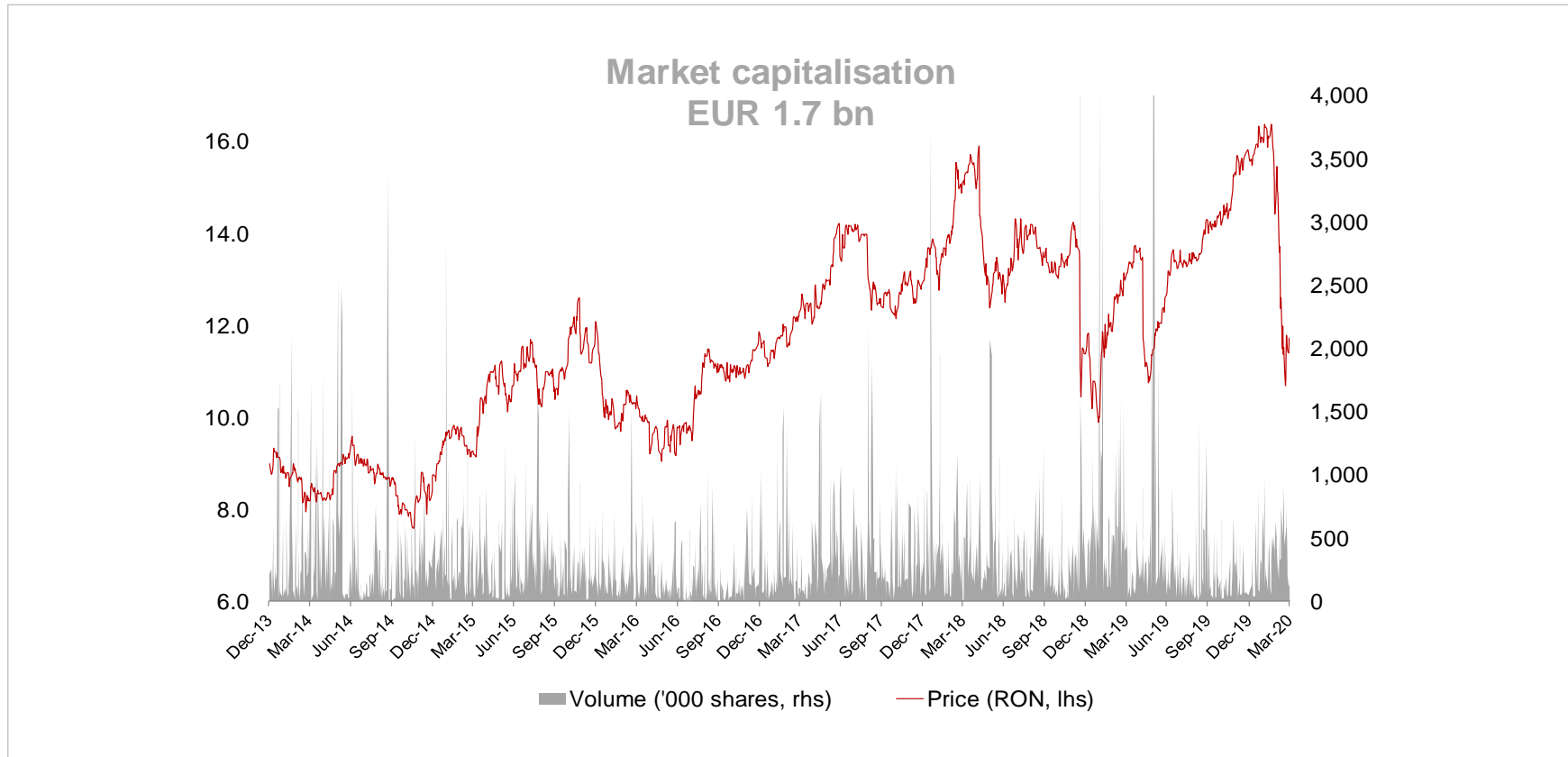
(\*) according to Basel 3; CAR at Bank level; own funds as of March 2020 end, with full 2019 retained profit according to BRD's GSM decision

## BRD | KEY FIGURES FOR BANK ONLY

		RON m	Q1-2020	Q1-2019	Change
Financial results	<b>Net banking income</b>		<b>721</b>	<b>744</b>	<b>-3.1%</b>
	Operating expenses		(402)	(421)	-4.4%
	Gross operating income		319	323	-1.4%
	Net cost of risk		(46)	30	n.a.
	<b>Net profit</b>		<b>233</b>	<b>289</b>	<b>-19.3%</b>
	Cost/Income		55.8%	56.6%	-0.8 pt
	ROE		11.9%	15.4%	-3.5 pt

		RON bn	Mar-20	Mar-19	vs. Mar-19
Loans and deposits	<b>Net loans (RON bn)</b>		<b>29.5</b>	<b>29.1</b>	<b>1.5%</b>
	Retail		21.3	21.1	1.0%
	Corporate		8.2	8.0	2.8%
	<b>Total deposits (RON bn)</b>		<b>47.1</b>	<b>44.4</b>	<b>6.0%</b>
	Retail		31.1	29.8	4.2%
	Corporate		16.0	14.6	9.5%
	<b>Loan to deposit ratio</b>		<b>62.7%</b>	<b>65.4%</b>	<b>-2.8 pt</b>

## BRD | STOCK PRICE PERFORMANCE



- BRD is part of the main market indices on the Bucharest Stock Exchange
- BRD is in Top 5 largest domestic companies listed on the local stock exchange
- BRD's share price reached RON 11.74 as of March 2020 end, -9.7% y/y and -25.9% ytd.

## FINANCIAL CALENDAR FOR 2020

---

6<sup>th</sup> February: Preliminary 2019 financial results and annual press conference

23<sup>rd</sup> April: General Shareholders Meeting for approving the 2019 annual financial results

7<sup>th</sup> May: Presentation of the 1st quarter 2020 financial results

**3<sup>rd</sup> August: Presentation of the 2<sup>nd</sup> quarter and 1<sup>st</sup> half 2020 financial results**

**5<sup>th</sup> November: Presentation of the 3<sup>rd</sup> quarter and 9 months 2020 financial results**

## 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](mailto:investor@brd.ro); [www.brd.ro](http://www.brd.ro)