

# BRD GROUP RESULTS

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2<sup>nd</sup> quarter and 1<sup>st</sup> half 2021 | 04.08.2021

## DISCLAIMER

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The consolidated and separate financial position and income statement for the period ended June 30, 2021 were examined by the Board of Directors on August 2, 2021.

The financial information presented for the period ended June 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.

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## INTRODUCTION



GRUPE SOCIETE GENERALE

# VERY DYNAMIC BUSINESS MOMENTUM

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## Broad based credit growth

Strong performance in lending to corporate clients

Confirmed rebound of individuals' loan production, well above pre-crisis levels

## Deposit inflows kept a solid pace of growth

### Accelerated adoption of digital channels

**+19%** nb of active users vs June 2020 end

**+36%** nb of transactions vs H1 2020

**Revenues on the rise**, +2% y/y vs June 2020 end, building on dynamic commercial activity, compensating significantly lower market rates

**Acceleration of investments** supporting the digital deliveries

**Net release in cost of risk** reflecting the joint effects of economic rebound and consistent recoveries on non-performing portfolio

**Solid double digit ROE...**

**...with very high level of capital**

Corporate loan portfolio  
**+24%** vs June 2020 end

Individuals loan production  
**+58%** vs H1 2020 end  
**+19%** vs H1 2019 end

Deposits, **+11%** vs. June 2020 end

**772k** active users MyBRD& YouBRD

NBI  
**RON 1 538m** vs. RON 1 512m in H1 2020

OPEX, w/o FGDB&R contribution  
**RON 776m** vs. RON 756m in H1 2020

NCR  
**RON 39m** vs. RON -225m in H1 2020

**ROE: 13%**  
Net profit, **+51%** vs H1 2020

**CAR: 29.6%** vs 27% at June 2020 end

CAR, at BRD stand alone level; CAR at June 2021 end is preliminary

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## MACROECONOMIC ENVIRONMENT



# ROMANIAN ECONOMY CONTINUED TO SHOW RESILIENCE

## GDP continues to surprise on the upside in Q1 2021

GDP expanded by 2.9% q/q (seasonally adjusted) in Q1 2021, one of the highest growth rates among EU member states, while annual growth printed close to zero.

Domestic demand remained a drag of economic expansion (-0.4 ppts contribution to GDP growth), but with household demand back in positive territory (+0.4 ppts), while the gross fixed capital formation consolidated its positive contribution (+2.0 ppts).

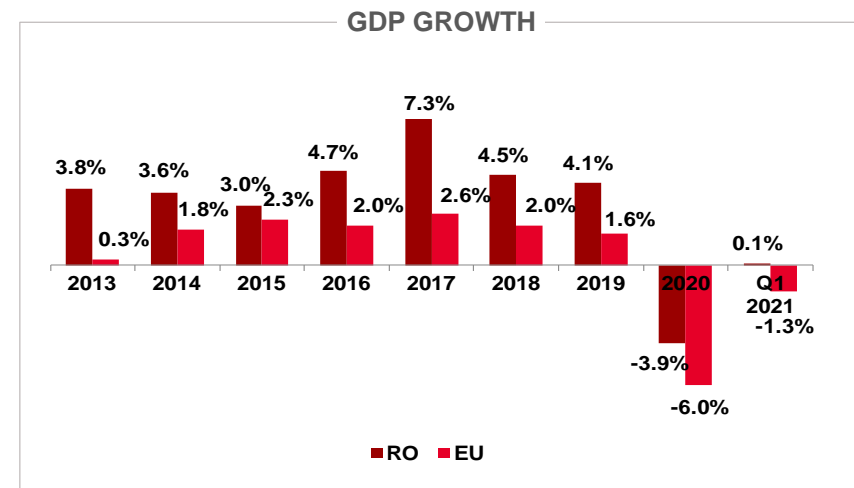
Net exports' contribution to GDP growth still negative (-2.7 ppts).

European Commission recently revised upwards its projection for Romania's 2021 GDP growth to 7.4%.

## Inflation on an upward trend

Annual inflation rate printed at 3.9% in June 2021 (from 2.1% y/y in Dec-20) and exceeded the upper bound of the NBR target range (2.5%  $\pm$  1 ppt).

This is the highest level since December 2019, with the main drivers being electricity market liberalization for household consumers and increase in fuel prices.



## ON-HOLD MONETARY POLICY STANCE

### Policy rates on hold after successive cuts

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

Since the last rate cut in January, NBR maintained status quo on policy rates.

Regional central banks contemplate tightening amid the flare-up in inflation.

### Lessened quantitative easing

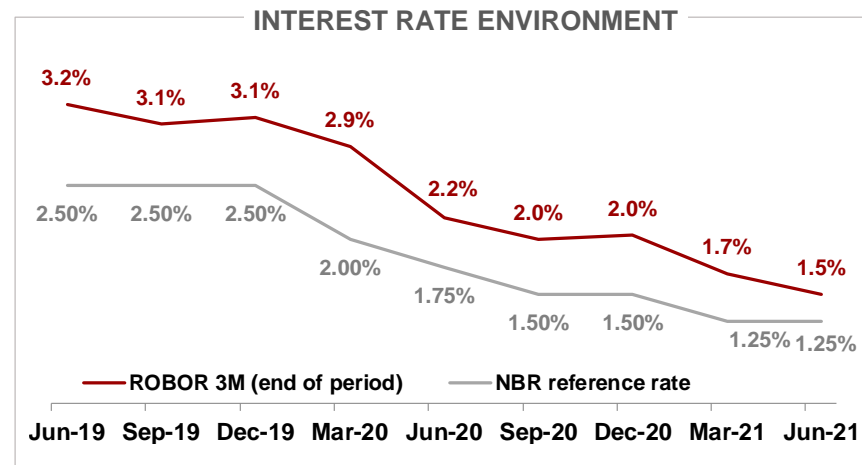
At the beginning of COVID-19 epidemic, NBR announced an unprecedented measure of purchasing RON denominated government bonds and stated that it shall provide necessary liquidity to financial institutions through repo operations.

In Apr-Aug 2020, NBR purchased local currency bonds in amount of RON 5.3 bn. No more acquisitions were done until Feb-21, signaling a recovery in the markets and a lower need for liquidity. For full H1 2021 the purchases remained low, at RON 274 m.

NBR also reduced the level of repo operations (daily average of RON 3.1 bn in Jun-21, compared to RON 13.6 bn in Apr-20).

### Interbank RON interest rates still on a downward path

Following the policy rate cuts, interbank rates dropped and ROBOR 3M decreased to 1.5% at Jun-21 end (average ROBOR 3M at 1.60% in H1 2021, -111 bps YoY).



## SUPPORT MEASURES EXTENDED IN 2021

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### Extended 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. The measure was extended until June 30<sup>th</sup> 2021.
- Moratorium on loan repayments has been extended until March 15<sup>th</sup>, 2021, with a 9 month cap on payments' suspension period (incl. the period of suspension under the 2020 moratorium).

Despite this extension, less than 1% of exposures to companies and the population benefited from a moratorium at the end of March 2021, indicating a return to economic activity and a decrease in uncertainty about income security.

- Flexibility for the payment of social and tax obligations.
- State-guaranteed lending programs:
  - ✓ IMM Invest program extended until December 31<sup>st</sup>, 2021; envelope for 2021 of RON 15 bn  
AGRO IMM INVEST sub-program introduced, which aims to provide state guarantee facilities for loans to SME and small enterprises with average capitalisation, in the field of agriculture, fisheries, aquaculture and food sector. A ceiling of RON 1 bn is allocated from the total envelope.
  - ✓ IMM Leasing program: 2021 envelope of RON 2 bn; enrollment ended June 30<sup>th</sup>, 2021
  - ✓ IMM Factor program: 2021 envelope of RON 1 bn; enrollment period between March - June 2021
  - ✓ Large companies program (similar to IMM INVEST): envelope of RON 4 bn to facilitate access to working capital and investment loans to companies with turnover above RON 20 m; enrollment period ends at November 30<sup>th</sup>, 2021.

### National and EU recovery plan

- The Romanian Government has adopted in April 2021 the National Recovery and Resilience Plan, 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 sent to European Commission at May end and awaits approval.



# A VERY SOLID ROMANIAN BANKING SECTOR

## Strong capital and liquidity positions

Loan to deposit ratio at 66% at Mar-2021, same as for 2020 end (122% at 2008 end), with accelerated growth of deposits

Average liquidity coverage ratio remains elevated, reaching 279% at Mar-2021 end vs. 266% at 2020 end, well above regulatory requirement (100%) and European average (174%)

Capital adequacy ratio reaching 24.6% at Mar-2021 end, compared to 25.1% at 2020 end, the highest level in the last 13 years (vs. 13.8% at 2007 end)

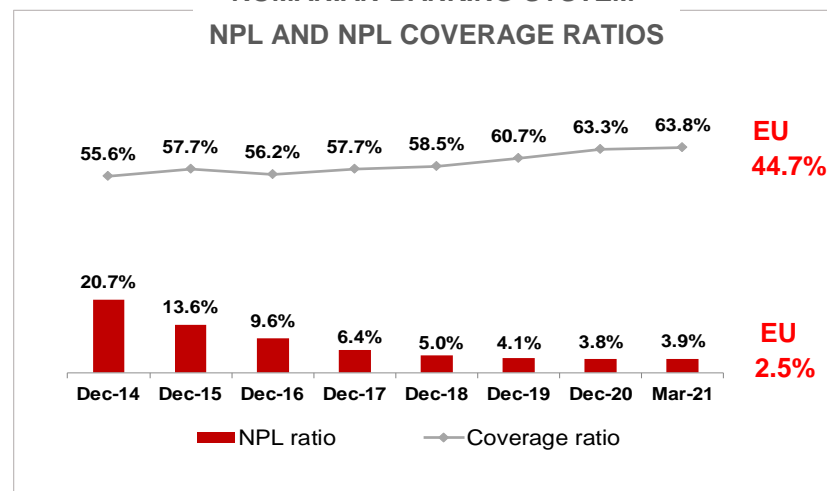
## Sound risk profile

Low level of NPL ratio, 3.9% at Mar-2021 end (3.8% at 2020 end)

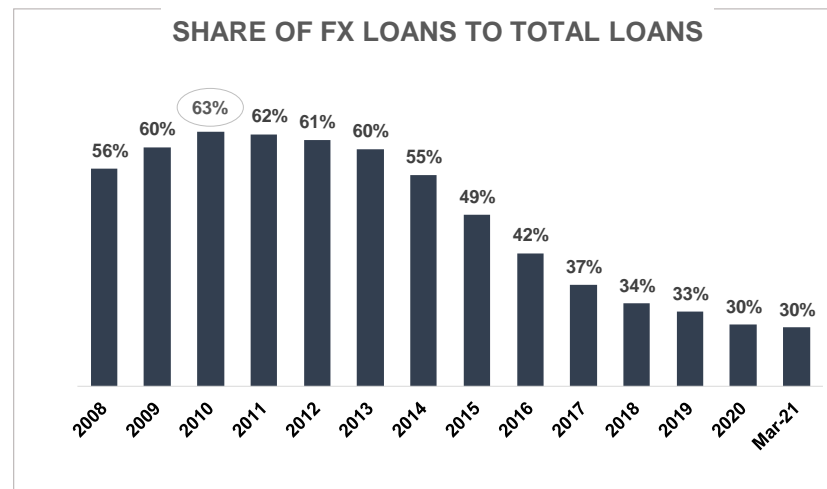
NPL coverage ratio improved to 63.8% at Mar-2021 end (63.3% at 2020 end), well above the EU average of 44.7%

Significantly lower share of FX loans, 30% at Mar-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



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## **2<sup>ND</sup> QUARTER AND 1<sup>ST</sup> HALF 2021 BRD GROUP RESULTS**



GRUPE SOCIETE GENERALE

# ACCELERATION OF DIGITAL DELIVERIES

## FURTHER ENHANCEMENT OF CLIENTS' DIGITAL EXPERIENCE



### ▪ You BRD functionalities expanded

- ✓ enrollment of Mastercard cards in Apple and Google Pay
- ✓ biometric validation of online payments made with BRD cards – SCA e-commerce
- ✓ available for download also from AppGallery Huawei

### ▪ BRD Anyma online trading platform available on mobile

- ✓ FX and stock exchange online trading
- ✓ real time quotes, news, charts, full evidence of trades

### ▪ Two major deliveries, now in pilot phase:



- ✓ Online lending
- ✓ Remote onboarding



### CONTINUED INCREASE IN DIGITAL PENETRATION

**772k** MyBRD & You BRD active clients at June 2021 end, **+19% y/y**

**+36%** nb of transactions vs H1 2020

**99%** of large corporate clients' and **96%** of SMEs transactions performed via digital channels during H1 2021

**75%** of import L/Cs processed through the trade finance e-tool during H1 2021



### HIGHLY REACTIVE CUSTOMER INTERACTION CENTER

**Fast tracked Customer Interaction Centre capabilities to answer increased remote requests**

**+37%** faster response time to customer calls vs H1 2020

**+48%** increase in the monthly average of written interactions vs pre-crisis level (H1 2019)



### CONTINUED TRANSFORMATION OF THE NETWORK OF BRANCHES

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

**June 2020**                      **June 2021**

**-84** branches, to **541**

**+13%** 24/7 banking points

**Number of branches reduced by 23%** in last 2 years (vs June 2019)



# SOLID LOAN GROWTH ALL ACROSS THE BOARD

## Very dynamic corporate financing activity

SME loans' strong advance of +36.5% y/y

Active participation in IMM Invest Program with RON 700 m approved loans (in just 2 months from relaunch of the program)

Large companies loans up by +21.0% y/y

BRD structured a 120 MEUR ESG club loan

Dynamic performance of leasing activity with overall portfolio increasing by +11.4% y/y

## Sharp increase in individuals' loan production

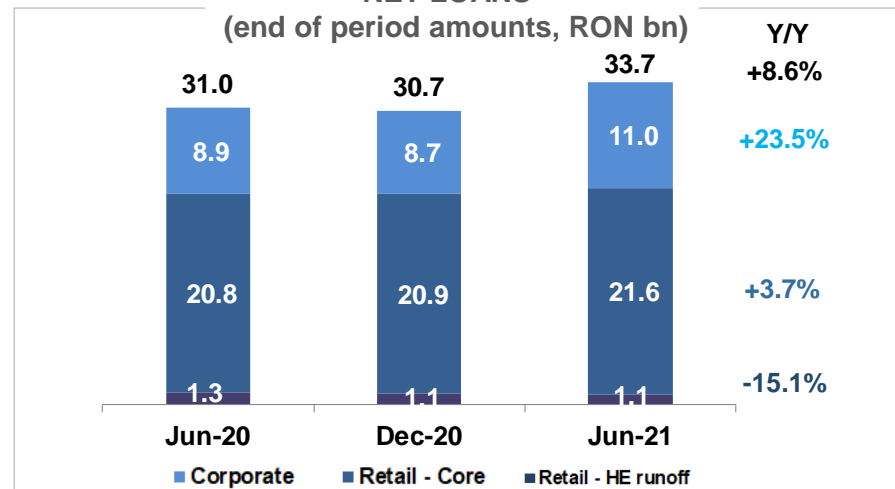
Consumer loans production spiked by +73% in H1 2021 y/y

New housing loans, including governmental programs, up by +52%

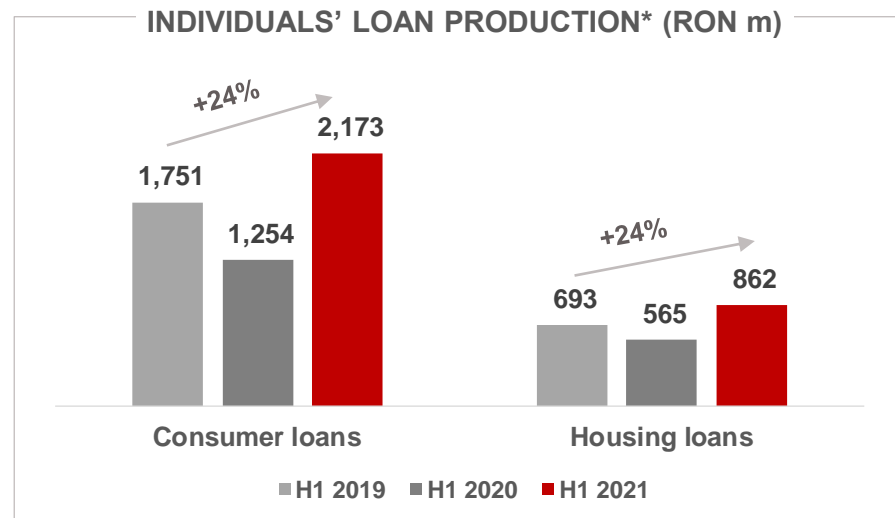
Both consumer and housing loan production exceeded pre-Covid levels (+24% vs H1 2019)

### NET LOANS

(end of period amounts, RON bn)



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



\* Standalone

# LARGE, DIVERSIFIED AND GROWING DEPOSIT BASE

## Consolidating both retail and corporate deposit base

Higher corporate deposits, +20.4% y/y, driven by both large corporates (+24.2%) and SMEs (+15.7%)

Retail deposits up by +7.2% y/y

## Strong liquidity profile

Net loan to deposit ratio at 63.5%, -1.7 ppts y/y

Stable funding base and high degree of financial autonomy with deposits representing 93% of total liabilities at June 2021 end

Strong liquidity buffer at 34% of total assets, +2.4 ppts y/y

## Offering our clients a large range of saving solutions

BRD Asset Management: 3<sup>rd</sup> largest asset manager and 1<sup>st</sup> in terms of number of investors (108 ths)

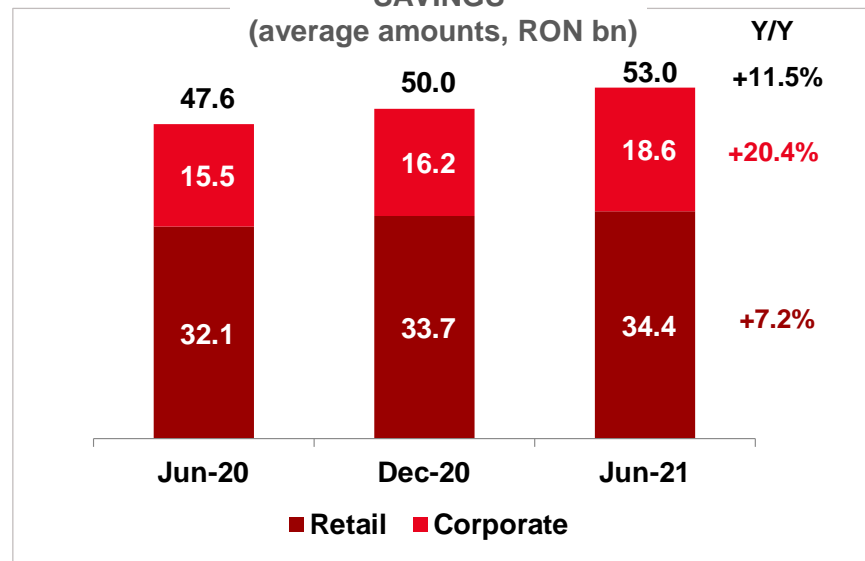
RON 4.94 bn AUM at June 2021 end, +33% y/y, back above pre-crisis level

19.7% market share, +1.6 ppts y/y and +4 ppts vs June 2019

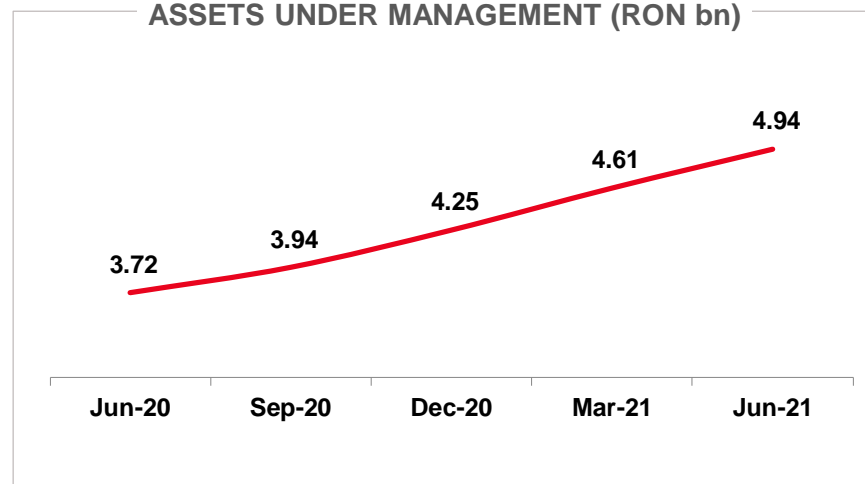
Strong development of Unit Linked life insurance

Gross Written Premiums +67% y/y at June 2021 end

SAVINGS  
(average amounts, RON bn)



ASSETS UNDER MANAGEMENT (RON bn)



## GOOD DYNAMIC OF REVENUES

### Rebound confirmed

NBI grew by +1.7% y/y in H1 2021 and accelerated to +4.5% y/y in Q2 2021, reflecting the dynamic commercial activity

NII contracted, but at a slower pace (-2.7% y/y) in H1 2021, on

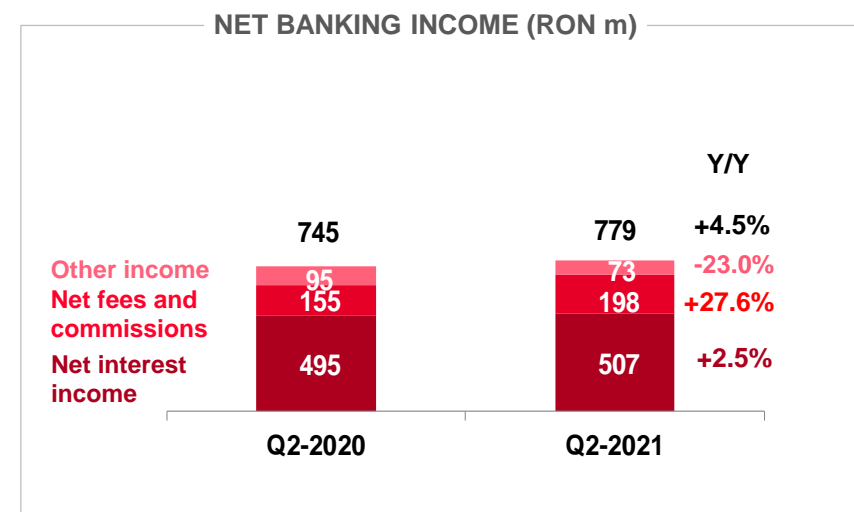
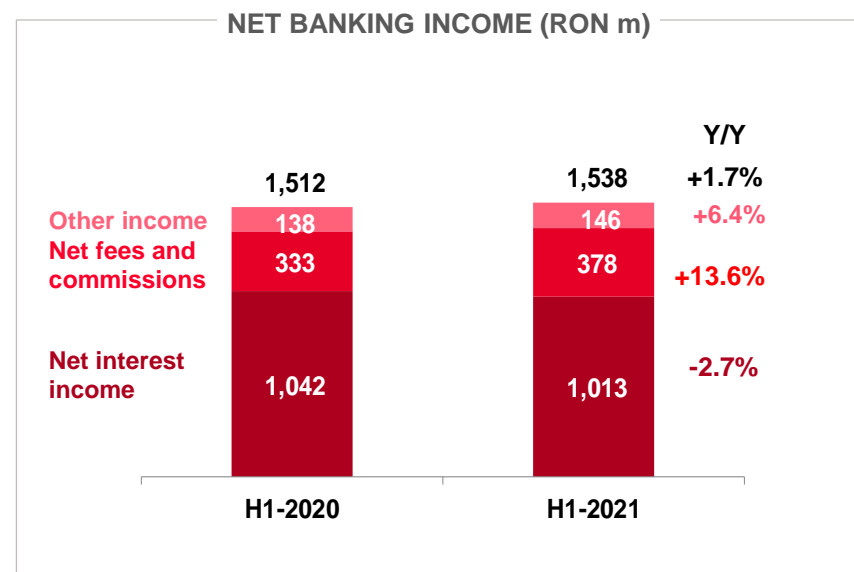
- ✓ volumes on the rise, compensating in large proportion...
- ✓ ...the downside effect of market rates
  - ROBOR 3M average of 1.60% in H1 2021, -111 bps y/y
  - ROBOR 3M average of 1.55% in Q2 2021, -84 bps y/y

### Strong double digit growth in NFC explained by

- ✓ increasing transactional volumes
- ✓ dynamic capital market activity
- ✓ a base effect linked to measures taken for supporting customers during lockdown of Q2 2020

### Other revenues increase over H1 2021 explained by reevaluation gains and higher trading results

The qoq evolution is rather a return to standard versus an atypical Q2 2020



# OPEX EVOLUTION INFLUENCED BY INCREASED IT INVESTMENTS

**Flat costs y/y in H1 2021**, excluding contributions to Deposit Guarantee & Resolution Funds and IT costs

**Staff costs reduced by -1.1% y/y in H1 2021**

- -443 FTEs vs June 2020 end
- continuation of network resizing

**Non staff expenses' increase mainly on higher investments**

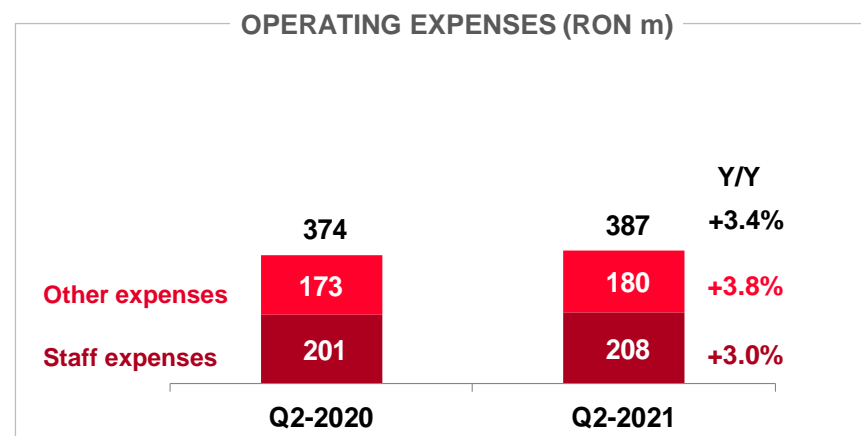
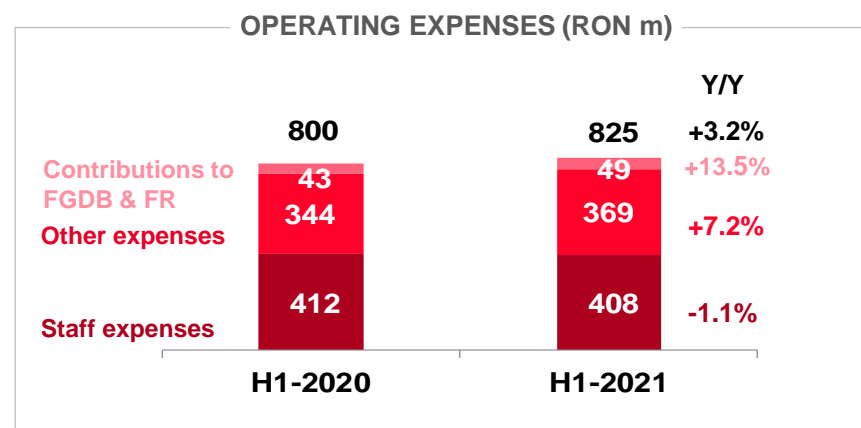
IT&C costs, up by +20% y/y, supporting the visible acceleration of digital transformation

Cumulated contribution to Deposit Guarantee Fund and Resolution Fund, +13.5% y/y, fully booked in Q1 2021

Exceptional costs linked to sanitary crisis management at RON 12.5m in H1 2021

**Improved C/I vs Q2 2020**

Reported C/I ratio at 49.7% in Q2 2021 (vs. 50.2% in Q2 2020)



# STRONG ASSET QUALITY

## Loan portfolio market mix

66% on individuals  
34% on corporate segment

## Consolidation of RON lending

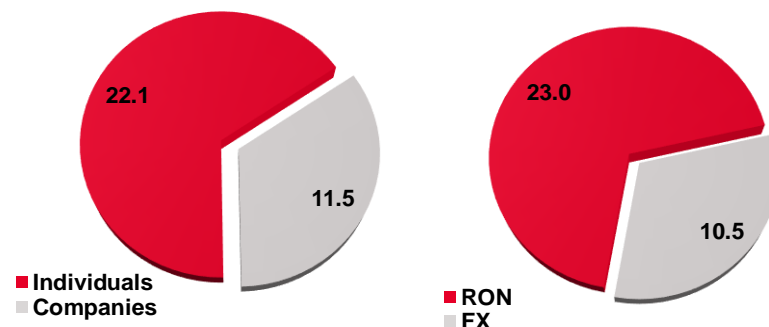
Share of RON denominated loans at 68.6% (vs 67.8% as of June 2020 end)  
Trend in line with market evolution

## NPL ratio and Outlook

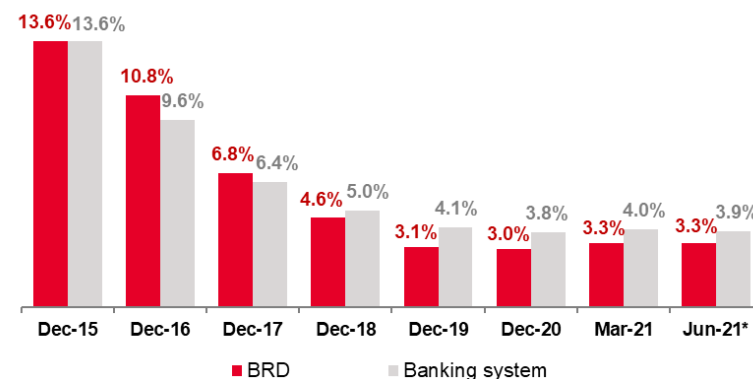
NPL ratio stabilized in Q2 after experiencing a slight increase in Q1 in the context of regulatory changes (*i.e.* new default definition) and moratoria exits

NPL outlook closely linked to the evolution of the sanitary crisis, however, expected to remain below 5% in 2021

GROSS LOANS – June 30, 2021  
breakdown by segment and currency (RON bn)



NPL RATIO – EBA methodology



\* NPL for Banking System as of May 2021

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

All figures at individual level

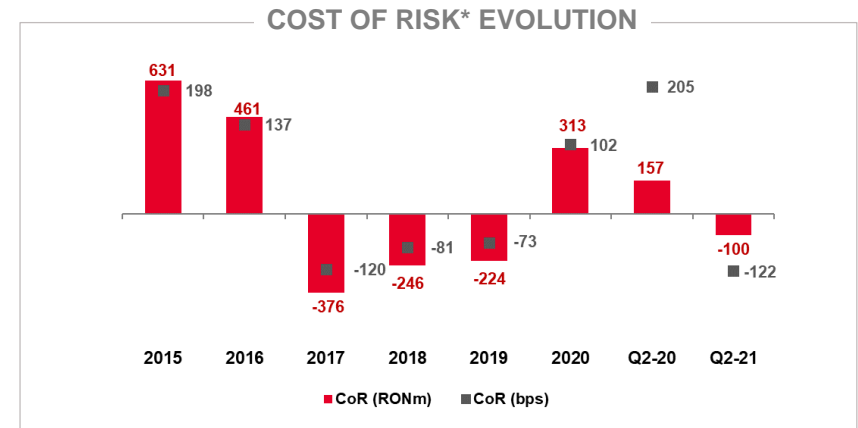




# COST OF RISK REFLECTS SIGNS OF ECONOMIC RECOVERY

## Net cost of risk at -122 bps in Q2-21

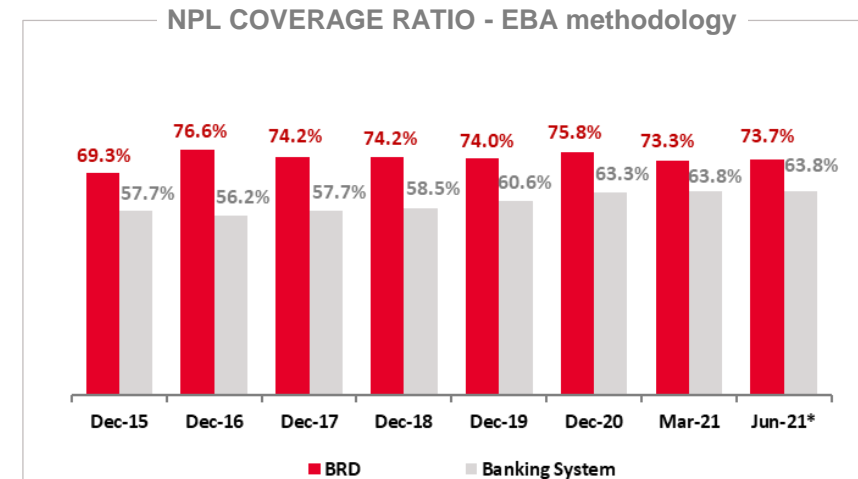
In Q2, a net release was recorded for the first time since the onset of the Covid-19 pandemic. The NCR release reflects the joint effects of economic rebound and consistent recoveries on non-performing portfolio



Note: Cost of risk in bps for Q2-2020 and Q2-2021 is annualized

## NPL coverage at comfortable levels

Solid NPL coverage ratio over the period, consistently above banking sector average



\* NPL coverage ratio for Banking System – as of March 2021

\* All figures at individual level

## CAPITAL POSITION

### Strong high quality capital base

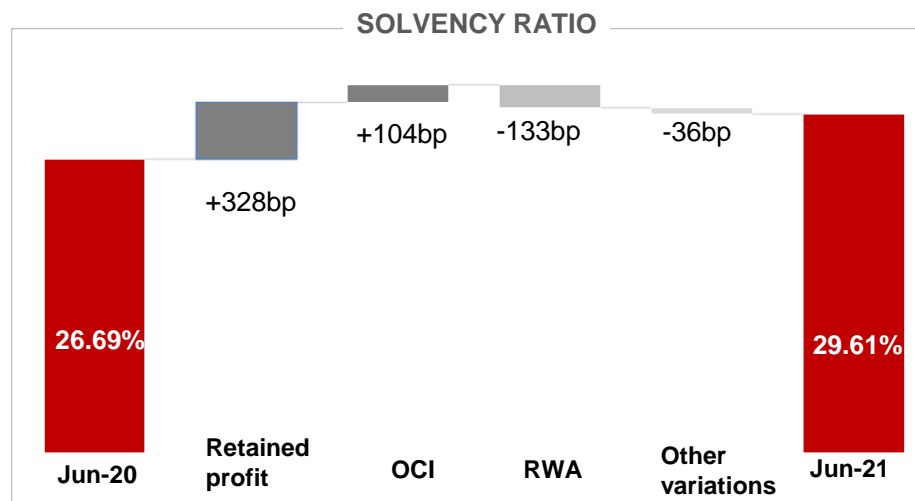
CAR of 29.6% at June 2021 end

Regulatory own funds composed solely of Tier 1 capital

Increase in own funds on a yearly basis driven by

- ✓ incorporation of 2020 profit (net of dividends according to GSM resolution, strongly limited this year, in compliance with regulatory restrictions)
- ✓ higher reserves from revaluation of debt instruments accounted at fair value through other comprehensive income

Evolution of RWA mainly influenced by dynamic lending activity



Bank only	Jun-20	Dec-20	Jun-21
Capital adequacy ratio	27.0%	33.7%	29.6%
Own funds (RONm)	7,385	8,808	8,467
Total risk exposure amount (RONm)	27,387	26,102	28,601
Capital requirements (RONm)	2,191	2,088	2,288

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

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## CONCLUSIONS

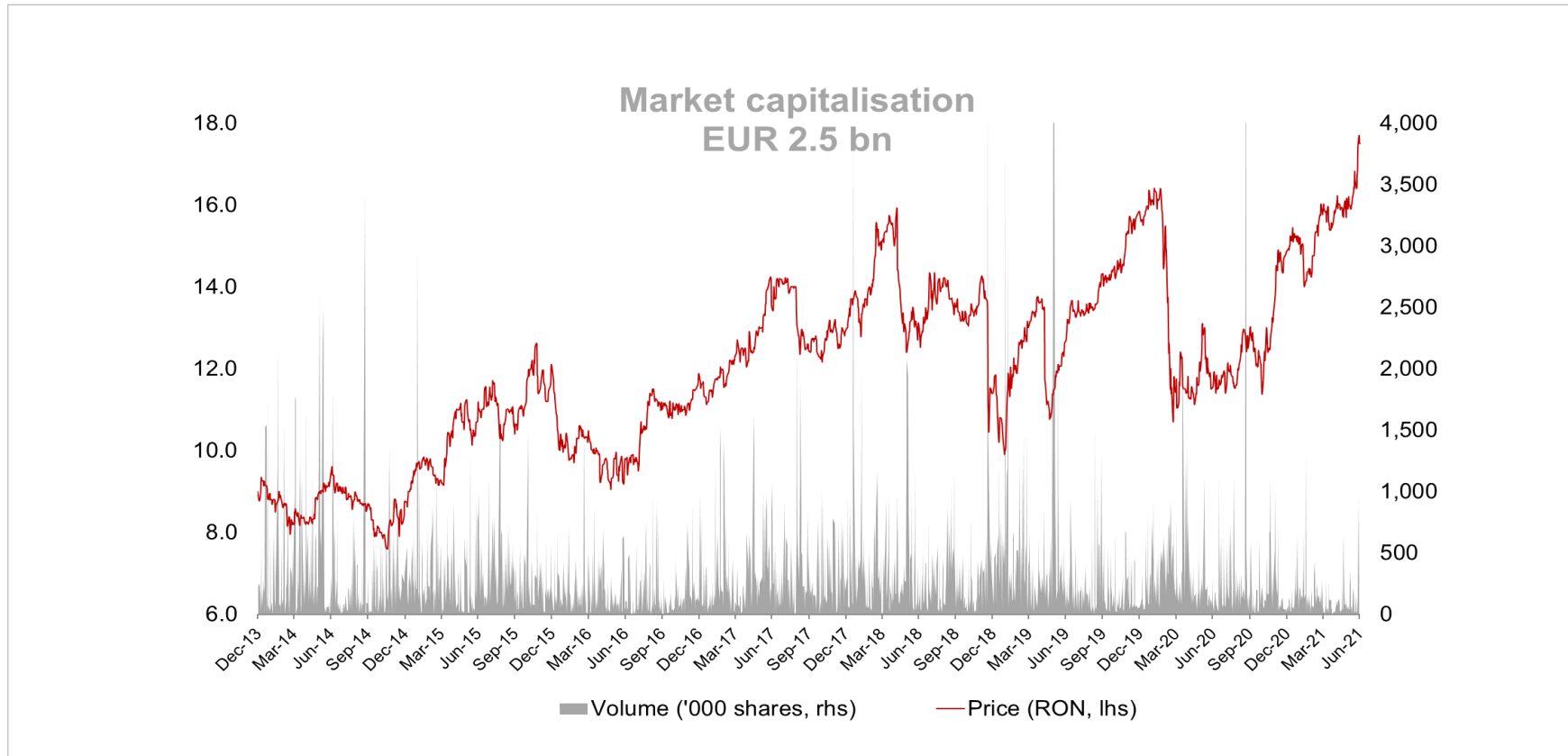


## CONCLUSIONS

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- **Romanian economy performed again above expectations and returned to pre- Covid levels**
- **In this context, BRD delivered a strong commercial performance:**
  - **very dynamic lending activity on all segments**
  - **active partner within the government backed lending programs for supporting SMEs (RON 700m approved loans within IMM Invest Program in just 2 months from its relaunch)**
- **Speeding up the digital deliveries**
  - **further expanding You BRD functionalities**
  - **launch of the mobile version of BRD Anyma trading platform**
  - **two major deliveries in pilot phase: online lending and remote onboarding**
- **Further improved financial performance**
  - **higher revenues underpinned by dynamic lending and increasing volume of transactions**
  - **costs evolution mainly related to investments supporting the acceleration of digital transformation**
  - **net release of provisions reflecting an overall stabilizing trend in terms of macroeconomic perspectives and consistent recoveries on non-performing portfolio**
- **Solid balance sheet and asset quality**
  - **elevated capital position**
  - **ample liquidity position**
  - **comfortable levels of credit risk indicators**

## 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 17.50 as of June 2021 end, +51.4% y/y and +17.8% ytd.

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## Q&A SESSION



GRUPE SOCIETE GENERALE

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# APPENDIX

BRD GROUP – KEY FIGURES

BRD STANDALONE - KEY FIGURES

FINANCIAL CALENDAR FOR 2021

GLOSSARY – CLIENT SEGMENTATION



GRUPE SOCIETE GENERALE

# BRD GROUP | KEY FIGURES

	RON m	Q2-2021	Q2-2020	Change	H1-2021	H1-2020	Change
<b>Financial results</b>	<b>Net banking income</b>	<b>779</b>	<b>745</b>	<b>4.5%</b>	<b>1,538</b>	<b>1,512</b>	<b>1.7%</b>
	Operating expenses	(387)	(374)	+3.4%	(825)	(800)	3.2%
	Gross operating income	392	371	5.5%	712	713	0.0%
	Net cost of risk	93	(165)	n.a.	39	(225)	n.a.
	<b>Net profit</b>	<b>403</b>	<b>174</b>	<b>131.9%</b>	<b>626</b>	<b>415</b>	<b>50.9%</b>
	Cost/Income	49.7%	50.2%	-0.5 pt	53.7%	52.9%	+0.8 pt
	ROE	16.0%	8.3%	+7.7 pt	12.6%	9.8%	+2.8 pt
	RON bn	Jun-21	Dec-20	Jun-20	vs. Jun-20	vs. Dec-20	
<b>Loans and deposits</b>	<b>Net loans including leasing (RON bn)</b>	<b>33.7</b>	<b>30.7</b>	<b>31.0</b>	<b>+8.6%</b>	<b>+9.6%</b>	
	Retail	22.6	22.0	22.1	+2.6%	+2.8%	
	Corporate	11.0	8.7	8.9	+23.5%	+27.1%	
	<b>Total deposits (RON bn)</b>	<b>53.0</b>	<b>50.0</b>	<b>47.6</b>	<b>+11.5%</b>	<b>+6.1%</b>	
	Retail	34.4	33.7	32.1	+7.2%	+2.1%	
	Corporate	18.6	16.2	15.5	+20.4%	+14.5%	
	<b>Loan to deposit ratio</b>	<b>63.5%</b>	<b>61.5%</b>	<b>65.2%</b>	<b>-1.7 pt</b>	<b>+2.1 pt</b>	
<b>Capital adequacy</b>	<b>CAR *</b>	<b>29.6%</b>	<b>33.7%</b>	<b>27.0%</b>	<b>+2.6 pt</b>	<b>-4.1 pt</b>	
<b>Franchise</b>	<b>No of branches</b>	<b>541</b>	<b>584</b>	<b>625</b>	<b>(84)</b>	<b>(43)</b>	

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



# BRD | KEY FIGURES FOR BANK ONLY

RON m		Q2-2021	Q2-2020	Change	H1-2021	H1-2020	Change
Financial results	<b>Net banking income</b>	<b>752</b>	<b>712</b>	<b>5.7%</b>	<b>1,472</b>	<b>1,433</b>	<b>2.8%</b>
	Operating expenses	(362)	(353)	+2.7%	(779)	(755)	3.1%
	Gross operating income	390	359	8.7%	694	677	2.4%
	Net cost of risk	100	(157)	n.a.	57	(203)	n.a.
	<b>Net profit</b>	<b>411</b>	<b>172</b>	<b>139.1%</b>	<b>629</b>	<b>405</b>	<b>55.2%</b>
	Cost/Income	48.2%	49.6%	-1.4 pt	52.9%	52.7%	+0.2 pt
	ROE	16.8%	8.5%	+8.3 pt	13.1%	10.0%	+3.1 pt

RON bn		Jun -21	Dec-20	Jun-20	vs. Jun-20	vs. Dec-20
Loans and deposits	<b>Net loans (RON bn)</b>	<b>31.8</b>	<b>28.9</b>	<b>29.2</b>	<b>8.8%</b>	<b>10.1%</b>
	Retail	21.6	21.0	21.1	2.6%	2.9%
	Corporate	10.2	7.9	8.1	25.1%	29.5%
	<b>Total deposits (RON bn)</b>	<b>53.2</b>	<b>50.2</b>	<b>47.7</b>	<b>+11.5%</b>	<b>+6.1%</b>
	Retail	34.4	33.7	32.1	+7.2%	+2.1%
	Corporate	18.6	16.4	15.6	+19.4%	+13.4%
	<b>Loan to deposit ratio</b>	<b>59.8%</b>	<b>57.6%</b>	<b>61.2%</b>	<b>-1.5 pt</b>	<b>2.2 pt</b>

# FINANCIAL CALENDAR FOR 2021

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10<sup>th</sup> February: Preliminary 2020 financial results and annual press conference

22<sup>nd</sup> April: General Shareholders Meeting for approving the 2020 annual financial results

6<sup>th</sup> May: Presentation of the 1st quarter 2021 financial results

3<sup>rd</sup> August: Presentation of the 2nd quarter and 1st half 2021 financial results

**4<sup>th</sup> November: Presentation of the 3<sup>rd</sup> quarter and 9 months 2021 financial results**

## GLOSSARY – CLIENT SEGMENTATION

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- The **Retail** category is comprised of the following customer segments:
  - **Individuals** – BRD provides individual customers with a range of banking products such as: savings and deposits taking, consumer and housing loans, overdrafts, credit card facilities, funds transfer and payment facilities.
  - **Small business** – business entities with annual turnover lower than EUR 1m and having an aggregated exposure at group level less than EUR 0.3m. Standardized range of banking products is offered to small companies and professionals: savings and deposits taking, loans, transfers and payment services.
- The **Corporate** category is comprised of the following customer segments:
  - **Small and medium enterprises** - companies with annual turnover between EUR 1m and EUR 50m and the aggregated exposure at group level higher than EUR 0.3m. The Bank provides SMEs with a range of banking products such as: savings and deposits taking, loans and other credit facilities, transfers and payment services.
  - **Large corporate** - within corporate banking BRD provides customers with a range of banking products and services, including lending and deposit taking, provides cash-management, investment advices, securities business, project and structured finance transaction, syndicated loans and asset backed transactions. The large corporate customers include companies with annual turnover higher than EUR 50m, municipalities, public sector and other financial institutions.



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