

# Half Year Report

June 30, 2021

according to Financial Supervisory Authority Regulation  
no 5/2018

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## 1. THE COMPANY AND ITS SHAREHOLDERS

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### BRD – GROUPE SOCIÉTÉ GÉNÉRALE PROFILE

BRD - Groupe Société Générale („BRD” or „the Bank”) was set up on December 1st, 1990 as an independent bank with the legal status of a joint-stock company and with the share capital mainly held by the Romanian State, by taking over the assets and liabilities of Banca de Investitii (the Investment Bank).

In March 1999, Société Générale (“SG”) bought a stake representing 51% of the share capital, increasing its holding to 58.32% in 2004, through the acquisition of the residual stake from the Romanian State. As at June 30, 2021, SG was holding 60.17% of the share capital.

Starting 2001, BRD-Groupe Société Générale operates as an open joint-stock company, admitted to trading on a regulated market, according to the companies’ legislation, banking legislation, capital market regulations, provisions of the Articles of Incorporation and other internal regulations.

BRD identification data are the following:

- **Head Office:** Blvd. Ion Mihalache No. 1-7, sect. 1, Bucuresti
- **Phone/Fax:** 021.3016100 / 021.3016800
- **Sole registration number with the Trade Registry:** 361579/10.12.1992
- **Fiscal Code:** RO 361579/10.12.1992
- **Order number with the Trade Registry:** J40-608-1991
- **Number and date of registration in the Credit Institutions Register:** RB - PJR - 40 – 007/18.02.1999
- **Share capital subscribed and paid:** 696.901.518 RON
- **Regulated market on which the issued securities are traded:** Bucharest Stock Exchange Premium Tier
- **The main characteristics of securities issued by the company:** ordinary shares with a nominal value of 1 RON

### EXTERNAL RATING

As at June 30, 2021, the Bank had the following ratings:

<b>Fitch</b> (last rating update: January-2021*)	<b>Rating</b>
Foreign-Currency Short-Term Issuer Default Rating	F2
Foreign-Currency Long-Term Issuer Default Rating	BBB+
Support Rating	2

<b>Moody's</b> (last rating update: December-2020**)	<b>Rating</b>
Domestic Currency Short-Term Deposit	Prime-2
Domestic Currency Long-Term Deposit	Baa1
Foreign Currency Short-Term Deposit	Prime-2
Foreign Currency Long-Term Deposit	Baa1

\* Fitch affirmed LT IDR at 'BBB+' with Negative Outlook

\*\* Moody's upgraded Bank's LT and ST foreign currency deposit rating to Baa1/Prime-2 in Dec. 2020

**BRD GROUP („GROUP”)** consolidates the following entities:

- BRD - Groupe Société Générale SA;
- BRD Sogelease IFN SA;
- BRD Finance IFN SA;
- BRD Asset Management SAI SA.

## **SOCIÉTÉ GÉNÉRALE PROFILE**

Société Générale was set up in 1864 as a banking company, registered in France. Its registered office is located on 29 Boulevard Haussmann, 75009, Paris, France, and its shares are listed on the Paris Stock Exchange.

Société Générale is one of the largest European financial services groups. Based on a diversified integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth, and aims to be the trusted partner for its clients, committed to the positive transformations of the world.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Société Générale employs over 133,000 members of staff in 61 countries and supports on a daily basis 30 million individual clients, businesses and institutional investors around the world. Société Générale's teams offer advice and services to individual, corporate and institutional customers in three core businesses:

- *French Retail Banking* which encompasses the Societe Generale, Crédit du Nord and Boursorama brands, each offering a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- *International retail banking, insurance and financial services to corporates* with a presence in emerging economies and leading specialised businesses;
- *Global Banking and Investors Solutions*, which offers recognised expertise, key international locations and integrated solutions.

The latest credit ratings of Société Générale are available at <https://www.societegenerale.com/en/measuring-our-performance/investors/debt-investors/ratings>.

## **BRD POSITION WITHIN SOCIÉTÉ GÉNÉRALE**

SG has been present in Romania since 1980, being the only significant bank from Western Europe that was present in Romania during the communist era.

In 1999, it takes part in the process of privatization of Banca Romana pentru Dezvoltare and acquires 51% of the bank's share capital.

Starting with this period, BRD lined up its operational procedures and business practices to those of the parent company.

BRD is part of the international network of Société Générale, managed by the International retail banking and financial services division (IBFS) that aims to offer a broad range of products and services to individuals, professionals and corporates. Its global development is built upon:

- The international universal banking and consumer credit networks, organised around three regions: Europe, Russia and Africa / Asia / Mediterranean Basin & Overseas;
- Three specialised businesses, leaders in their markets: Insurance, Car Renting and Fleet Management, Equipment and Vendor Finance.

## KEY FIGURES

	<b>The Group</b>	<b>6 months to 30-Jun-2020</b>	<b>6 months to 30-Jun-2021</b>	<b>Change</b>
<b>Financial results</b>	Net banking income (RONm)	1,512	1,538	+1.7%
	Operating expenses (RONm)	(800)	(825)	+3.2%
	Cost of risk (RONm)	(225)	39	n.a.
	Net profit (RONm)	415	626	+50.9%
	Cost / income ratio	52.9%	53.7%	+0.8 pt
	ROE	9.8%	12.6%	+2.8 pt
<b>Loans and deposits</b>	<b>RON bn</b>	<b>Jun-20</b>	<b>Jun-21</b>	<b>Change</b>
	Total net loans (incl. leasing)	31.0	33.7	+8.6%
	Total deposits	47.6	53.0	+11.5%
<b>Financial results</b>	<b>The Bank</b>	<b>6 months to 30-Jun-2020</b>	<b>6 months to 30-Jun-2021</b>	<b>Change</b>
	Net banking income (RONm)	1,433	1,472	+2.8%
	Operating expenses (RONm)	(755)	(779)	+3.1%
	Cost of risk (RONm)	(203)	57	n.a.
	Net profit (RONm)	405	629	+55.2%
	Cost / income ratio	52.7%	52.9%	+0.2 pt
<b>Loans and deposits</b>	<b>RON bn</b>	<b>Jun-20</b>	<b>Jun-21</b>	<b>Change</b>
	Total net loans	29.2	31.8	+8.8%
	Total deposits	47.7	53.2	+11.5%
<b>Capital adequacy</b>	<b>RON m</b>	<b>Jun-20</b>	<b>Jun-21</b>	<b>Change</b>
	Own funds (RONm)	7,385	8,467	+14.7%
	RWA (RON bn)	27,387	28,601	+4.4%
<b>Franchise</b>	CAR*	27.0%	29.6%	+2.6 pt
	No of branches	625	541	(84)

\* CAR for Jun-21 is preliminary

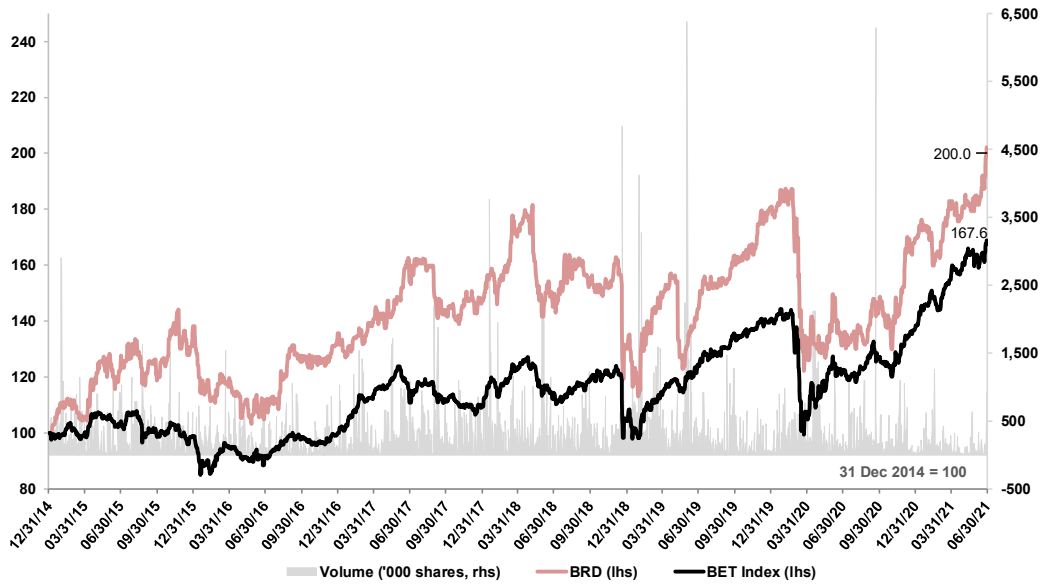
## BRD SHARE

Starting with January 15<sup>th</sup>, 2001, the Bank's shares are listed in the Premium category of the Bucharest Stock Exchange. The shares are included in the BET, BET Plus, BET-XT, BET-XT-TR, BET-BK, BET-TR and ROTX indexes. The Bank's shares are ordinary, nominative, dematerialized and indivisible. According to the Articles of Incorporation, article 17, letter k, the shares of the Bank are traded freely on those capital markets set by General Assembly of Shareholders („AGA”), while complying with the legislation on the trade of shares issued by bank institutions.

The closing price for BRD share as at June 30, 2021, was of RON 17.50 /share (RON 14.86 /share at December 31, 2020 and RON 11.56 /share at June 30, 2020). On the same date, the market capitalization was RON 12,195.78 million (RON 10,355.96 million at December 31, 2020 and RON 8,056.18 million at June 30, 2020).

During January – June 2021, neither the Bank, nor its subsidiaries bought back own shares.

### Evolution of BRD's share price versus the BET Index and BRD's volume of shares for the period December 31, 2014 – June 30, 2021



Source: Bloomberg

## 2. ECONOMIC AND BANKING ENVIRONMENT

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Romanian economy continued to show resilience in Q1 2021 amid the increased adaptation of economic agents to functioning during a pandemic alongside policy support. GDP expanded by 2.9% q/q (seasonally adjusted) in Q1 2021, one of the highest growth rates among EU member states, while annual contraction softened to -0.2% YoY (gross series). The reading surprised on the upside, but a major role in the outperformance was played by statistical base effects, the strong rise in annual growth of real sector statistical indicators in March 2021 owed to the low base, fuelling overall Q1 2021 performance. According to GDP breakdown on components, domestic demand remained a drag of economic expansion (-0.4 ppts contribution to 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 kept their negative contribution to growth (-2.7 ppts) given the quasi-stable volume of exports (-0.2% YoY), while imports expanded (+4.7% YoY).

Annual inflation rate printed at 3.9% in June 2021, the highest level since December 2019 and exceeded the upper bound of the NBR target range (2.5%  $\pm$  1 ppt), with the main drivers being electricity market liberalization for household consumers and increase in fuel prices.

To support the economy in the context of unfolding COVID 19 epidemic, the central bank reduced the monetary policy rate three times in 2020 by 100 bps in total, to 1.50%, while an additional monetary policy rate cut to 1.25% was done in January 2021. Further on, NBR maintained the status quo on policy rates.

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. The quantitative easing was gradually reduced after peak in April 2020. In April - August 2020 NBR purchased local currency bonds in value of RON 5.3 bn. No more acquisitions were done in September 2020 – February 2021 period, signalling a recovery in the markets and a lower need for liquidity. In H1 2021 it was registered a low overall level of purchases of RON 247.4 million. NBR also reduced the level of repo operations in June 2021 to a daily average of RON 3.1 bn compared to the peak registered in April 2020 of RON 13.6 bn.

As a measure to support the debtors (both individuals and companies) within the lockdown context, a state moratorium was introduced through GEO 37 from March 30<sup>th</sup> 2020 until June 15<sup>th</sup> 2020. The moratorium has been extended until March 15<sup>th</sup> 2021 with a 9 months cap on payments' suspension period (including the period of suspension under the 2020 moratorium).

Important measures within the relief package to support the economy were extended in 2021:

- Extension of the IMM Invest program until December 31, 2021, the deadline for making payments being December 31, 2022. The AGRO IMM INVEST sub-program is introduced, which aims to provide state guarantee facilities for loans to small and medium-sized enterprises, in the field of agriculture, fisheries, aquaculture and food sector. For the year 2021, the total ceiling of the guarantees that can be granted within the program is RON 15 bn, of which for the AGRO IMM INVEST sub-program the ceiling is RON 1 bn.

The balance of loans granted through the IMM Invest program was RON 16.8 bn at 2020 end, representing about 13% of the current balance of loans to non-financial companies, respectively 19% of the loans' balance granted to SMEs.

- IMM Factor program's period of validity of the scheme was between March - June 2021, the deadline for making payments being April 30, 2022. A limit of EUR 800 k per enterprise is introduced.

The employees of the companies affected by the crisis benefitted from indemnity for technical unemployment (amounting to 75% of the net salary, capped at 75% of the average salary in the economy). The measure was extended until June 30<sup>th</sup> 2021.

As regards the banking activity, gross loans' outstanding annual growth pace gradually recovered from the bottom reached in mid-summer 2020, peaking at +5.9%\* YoY as of May 2021 end, driven by 1) consolidated individuals' gross loans' increase (+6.7%\*) driven by housing (+10.0%\*), while consumer loans' (+2.0%\*) registered the second month in a row of restarted growth since the pandemic outbreak; and 2) lending to companies, +5.2%\*, with a significant uplift in growth starting August 2020. The strong

savings' propensity triggered by the prolonged pandemic tempered in the last months, still it was consistent enough to maintain a double digit y/y growth in each month, as it was registered from the beginning of the pandemic, marking +13.0%\* YoY as of May 2021 end.

The ratio of non-performing loans for the banking system (according to European Banking Authority definition) has maintained its yearly decreasing trend, reaching 3.94% at March 2021 end compared to 4.38% at June 2020 end, standing at the lower end of the EBA defined medium risk bucket [3-8%]. The NBR has made the legislative framework more flexible, in the context of the COVID-19 crisis, so that the deferred loan payments of more than 3 months are not considered non-performing. The NPL ratio can potentially increase, once crisis impacts on sensitive sectors will fully materialize and supporting measures will be lifted.

The Romanian banking system is well capitalized, as reflected by the capital adequacy ratio of 24.6% as of March 2021 end (25.1% as of December 2020 end). As regards liquidity, the banking system has also a strong position, with a Liquidity Coverage Ratio of 279.1% as of March 2021 end (265.9% as of December 2020 end).

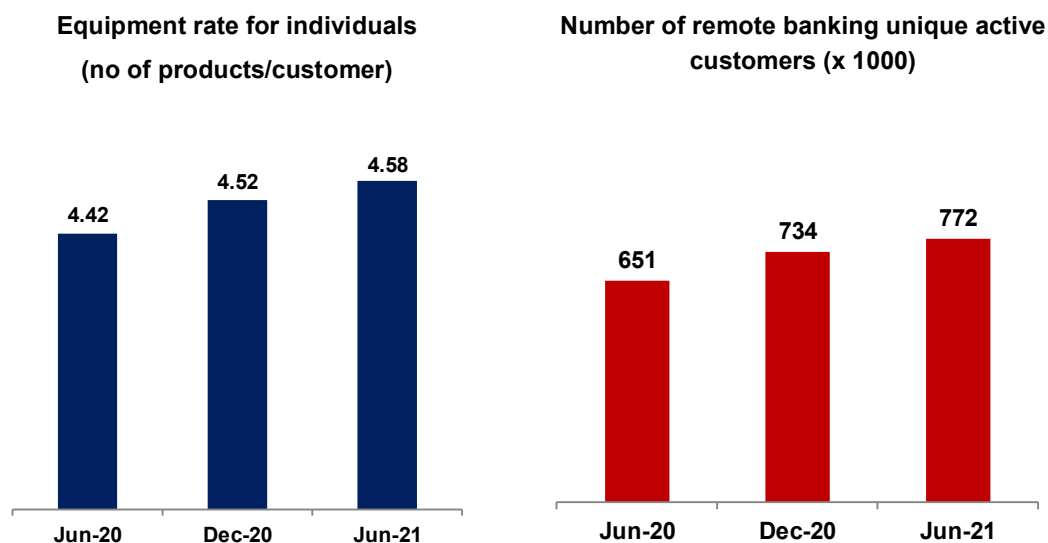
\* variation at constant FX rate



### 3. COMMERCIAL ACTIVITY

As at June 30, 2021, the Bank had 541 branches (June 30, 2020: 625 branches, December 31, 2020: 584 branches), ensuring the distribution of its products and services throughout the whole country.

The equipment rate for individuals reached 4.58 at June 30, 2021, compared to 4.42 at June 30, 2020.



BRD held a market share of 11.0% of total assets at December 31, 2020, maintained at end March 2021.

	Jun-20	Dec-20	May-21
<b>TOTAL ASSETS</b>	n.a.	11.0%	n.a.
<b>LOANS</b>	11.0%	10.6%	10.7%
<i>Individuals</i>	14.8%	14.4%	14.2%
<i>Companies</i>	6.9%	6.7%	7.3%
<b>DEPOSITS</b>	11.6%	10.9%	11.1%
<i>Individuals</i>	11.9%	11.5%	11.3%
<i>Companies</i>	11.1%	10.3%	10.9%

The structure of the customers' **net loans** at Group level evolved as follows:

RON bln	Jun-20	Dec-20	Jun-21	vs. Dec-20	vs. Jun-20
<b>Retail</b>	<b>21.8</b>	<b>21.7</b>	<b>22.3</b>	<b>2.6%</b>	<b>2.3%</b>
Individuals	21.2	21.1	21.5	2.2%	1.5%
Small business	0.5	0.6	0.7	16.6%	35.5%
<b>Non-retail</b>	<b>8.2</b>	<b>8.0</b>	<b>10.3</b>	<b>29.2%</b>	<b>25.0%</b>
SMEs	2.1	2.6	2.9	9.7%	36.5%
Large corporate	6.1	5.3	7.4	39.0%	21.0%
<b>Total net loans</b>	<b>30.0</b>	<b>29.6</b>	<b>32.5</b>	<b>9.7%</b>	<b>8.5%</b>
Financial lease receivables	1.0	1.1	1.1	6.8%	11.4%
<b>Total net loans, including leasing</b>	<b>31.0</b>	<b>30.7</b>	<b>33.7</b>	<b>9.6%</b>	<b>8.6%</b>

Net loans outstanding (including leasing) reached RON 33.7 billion, strongly increasing by +8.6% versus June 30, 2020 and by +9.6% compared to year end, sustained by dynamic all over the board commercial activity.

On retail segment, net loans outstanding was up +2.3%, underpinned by individuals and small business. Loan production for individuals spiked by +58% in H1 2021 vs the same period of last year, on both housing (+52% YoY) and unsecured consumer (+61% YoY), exceeding also 2019 levels (housing +24% vs H1 2019; consumer +17% vs H1 2019). Small business segment showed a strong growth of +35.5% YoY. On corporate segment (+25.0% YoY), the activity was extremely dynamic. The significant growth on SMEs (+36.5% YoY) was fueled by government backed lending programs. The outstanding performance on large companies segment (+21.0% YoY) comes to consolidate BRD's position of leading partner for large corporations.

The customers' **deposits** structure at Group level evolved as follows:

RON bln	Jun-20	Dec-20	Jun-21	vs. Dec-20	vs. Jun-20
<b>Retail</b>	<b>32.1</b>	<b>33.7</b>	<b>34.4</b>	<b>2.1%</b>	<b>7.2%</b>
Individuals	27.7	28.3	29.2	3.1%	5.4%
Small business	4.4	5.4	5.2	-3.5%	18.1%
<b>Non-retail</b>	<b>15.5</b>	<b>16.2</b>	<b>18.6</b>	<b>14.5%</b>	<b>20.4%</b>
SMEs	6.9	7.9	8.0	1.2%	15.7%
Large corporate	8.5	8.3	10.6	27.2%	24.2%
<b>Total deposits</b>	<b>47.6</b>	<b>50.0</b>	<b>53.0</b>	<b>6.1%</b>	<b>11.5%</b>

Deposits to customers reached RON 53.0 billion, higher by 11.5% on an annual basis and by 6.1% compared to December 31, 2020. The growth was mainly driven by non-retail (both SME and large corporate clients), both with double digit growth. The strong savings' propensity triggered by the prolonged pandemic tempered, but it still drove deposits' inflows from individuals up by +5.4% YoY, with higher inflows on sight accounts and increased contribution of local currency resources (+7.8% YoY). Small business segment was also a contributor to deposits' expansion, with a consistent +18.1% YoY growth.

For the evolution of the main components of the net banking income please refer to "Financial results" section.

## **SUBSIDIARIES' ACTIVITY**

### **BRD SOGELEASE IFN SA**

As of June 30, 2021, net outstanding of leasing financing granted by BRD Sogelease increased by 11.4% year-on-year to RON 1,139.8 million. New leasing production increased to RON 352.1 million in H1 2021, +40% YoY. Following the normalization of the economic activity during late 2020, the first half of 2021 confirmed a strong demand for leasing product, with BRD Sogelease providing significant volumes of new financings to SME's and large corporates. The main beneficiary sectors were logistics and transportation, agriculture, construction, manufacturing and healthcare, BRD Sogelease reaffirming its long term commitment to support the development of the SME companies in Romania.

### **BRD FINANCE IFN SA**

BRD Finance results for H1 2021 are influenced by the situation generated by COVID-19 pandemic and the risk mitigation policy: the net loan portfolio decreased to RON 550 million from RON 589 million at the end of June 2020, while the new loan production was in line with H1 2020 production. Net banking income amounted RON 45 million, decreasing by 13% compared with H1 2020.

### **BRD ASSET MANAGEMENT SA**

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 19.74%\* at the end of June 2021 and RON 4.94 billion assets under management at the same date. BRD Asset Management now offers investment solutions to more than 108 thousand clients across its 8 investment funds. BRD Asset Management is the 3rd largest asset manager in Romania and first in terms of number of investors.

*\* market share computation based on total open-end funds assets under management*

## 4. FINANCIAL RESULTS AND RATIOS

### FINANCIAL POSITION ANALYSIS

The below financial position analysis is done based on the separate and consolidated financial statements prepared according to the International Financial Reporting Standards, for the period ended June 30, 2021 and the comparative periods.

### FINANCIAL POSITION – ASSETS

Total assets increased by near 11% versus June 30, 2020 and by over 5% compared to 2020 end, both for the Group and for the Bank.

The asset structure is presented below:

#### THE GROUP

Assets (RONm)	Jun-20	Dec-20	Jun-21	% total	vs. Dec-20	vs. Jun-20
Cash and current accounts with Central Bank	5,018	7,113	5,343	8.0%	-24.9%	6.5%
Loans and advances to credit institutions	5,516	5,517	5,829	8.7%	5.7%	5.7%
Net loans and advances to customers	29,976	29,643	32,533	48.7%	9.7%	8.5%
Financial lease receivables	1,023	1,067	1,140	1.7%	6.8%	11.4%
Other financial instruments	16,894	18,528	20,189	30.2%	9.0%	19.5%
Tangible and intangible assets	1,423	1,381	1,386	2.1%	0.3%	-2.6%
Other assets	456	308	372	0.6%	20.6%	-18.6%
<b>Total assets</b>	<b>60,307</b>	<b>63,558</b>	<b>66,792</b>	<b>100.0%</b>	<b>5.1%</b>	<b>10.8%</b>

#### THE BANK

Assets (RONm)	Jun-20	Dec-20	Jun-21	% total	vs. Dec-20	vs. Jun-20
Cash and current accounts with Central Bank	5,018	7,113	5,343	8.2%	-24.9%	6.5%
Loans and advances to credit institutions	5,499	5,500	5,813	9.0%	5.7%	5.7%
Net loans and advances to customers	29,214	28,873	31,799	49.0%	10.1%	8.8%
Other financial instruments	16,925	18,561	20,253	31.2%	9.1%	19.7%
Tangible and intangible assets	1,404	1,365	1,370	2.1%	0.4%	-2.4%
Other assets	326	223	259	0.4%	16.2%	-20.7%
<b>Total assets</b>	<b>58,386</b>	<b>61,635</b>	<b>64,837</b>	<b>100.0%</b>	<b>5.2%</b>	<b>11.0%</b>

### LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers registered a strong performance year-on-year (Group: +8.6% YoY at June 2021 end, o/w leasing +11.4%; Bank: +8.8%) on broad based growth, sustained by an outstanding loan production for individuals and an extremely dynamic activity on corporate segment.

### CASH, CURRENT ACCOUNTS WITH THE CENTRAL BANK AND LOANS AND ADVANCES TO CREDIT INSTITUTIONS

Cash and current accounts with the central bank and loans and advances to credit institutions increased by 6.1% versus June 30, 2020 and decreased by 11.5% versus December 2020 end, for both the Bank and the Group. The year on year increase is mainly explained by higher cash and placements at credit institutions, especially in foreign currency. The decrease versus December 2020 is driven by lower placements with the central bank, explained by the higher placements in government bonds and reverse repo with customers. These items represented approximately 17% of total assets both for the Group and the Bank at end of June 2021.

The minimum compulsory reserve held with the National Bank of Romania accounted for 33% of this aggregate at June 30, 2021, same as at June 2020 end (28% at December 2020 end), at Group level. It amounted to RON 3,666 million, up by 4.4% vs June 30, 2020, driven by a mix of increased deposits and NBR's decision to lower further the FX minimum reserve requirements for liabilities with residual maturity of less than 2 years to 5% in November 2020, down from 6% in February 2020. RON minimum reserves requirement was kept unchanged at 8% since May 2015.

## OTHER FINANCIAL INSTRUMENTS

Other financial instruments include financial assets at fair value through other comprehensive income, financial assets at fair value through profit and loss, derivatives and other financial instruments held for trading, investments in associates and subsidiaries as well as non-current assets held for sale.

These items amounted to RON 20.2 billion at June 2021 end and represented 30.2% of Group assets. They rose by +19.5% compared to June 2020 end and by +9.0% versus December 2020 end, mainly driven by the increase in government bonds portfolio.

## TANGIBLE AND INTANGIBLE ASSETS

The tangible and intangible assets accounted for 2.1% of the total assets with land and buildings representing the largest part of the item.

The total value of investments during the first 6 months of 2021 was RON 104 million for the Group and RON 103 million for the Bank, compared to RON 81 million in the same period in 2020 for the Group and RON 80 million for the Bank. There is no capitalized research and development expenditure.

## FINANCIAL POSITION – LIABILITIES

The comparative statement of liabilities is as follows:

### THE GROUP

Liabilities and shareholders equity (RONm)	Jun-20	Dec-20	Jun-21	% total	vs. Dec-20	vs. Jun-20
Amounts owed to credit institutions	2,107	1,941	2,246	3.4%	15.7%	6.6%
Amounts owed to customers	47,557	49,958	53,007	79.4%	6.1%	11.5%
Other liabilities	1,960	1,887	1,449	2.2%	-23.2%	-26.1%
Shareholders equity	8,683	9,772	10,090	15.1%	3.3%	16.2%
<b>Total liabilities and shareholders equity</b>	<b>60,307</b>	<b>63,558</b>	<b>66,792</b>	<b>100.0%</b>	<b>5.1%</b>	<b>10.8%</b>

### THE BANK

Liabilities and shareholders equity (RONm)	Jun-20	Dec-20	Jun-21	% total	vs. Dec-20	vs. Jun-20
Amounts owed to credit institutions	422	206	490	0.8%	138.1%	16.2%
Amounts owed to customers	47,721	50,152	53,209	82.1%	6.1%	11.5%
Other liabilities	1,859	1,805	1,345	2.1%	-25.5%	-27.6%
Shareholders equity	8,385	9,472	9,793	15.1%	3.4%	16.8%
<b>Total liabilities and shareholders equity</b>	<b>58,386</b>	<b>61,635</b>	<b>64,837</b>	<b>100.0%</b>	<b>5.2%</b>	<b>11.0%</b>

## AMOUNTS OWED TO CUSTOMERS

At June 30, 2021, amounts owed to customers increased by 6.1% compared to 2020 end for both the Bank and the Group, with an advance of 11.5% on an annual basis for both the Bank and the Group. The year on year increase was mainly driven by non-retail double digit growth (both SME and large corporate clients) and still high inflows from individuals, again driven by sight accounts and local currency resources.

## AMOUNTS OWED TO THE CREDIT INSTITUTIONS

Amounts owed to credit institutions represent interbank deposits, borrowings from International Financial Institutions and the parent, and stood at 3.4% of the total assets for the Group and 0.8% for the Bank at June 30, 2021.

BRD Group's borrowings from Société Générale totalled RON 1.5 billion (2.6% of liabilities) at June 2021 end.

## SHAREHOLDERS' EQUITY

Shareholders' equity increased by 16.2% for the Group and by 16.8% for the Bank compared to June 30, 2020, mainly on higher retained earnings and positive reserves from revaluation of debt instruments accounted at fair value through other comprehensive income (banking book government bonds). Compared to December 2020 end, shareholders' equity increased by 3.3% for the Group and 3.4% for the Bank.

The structure of the shareholders' equity evolved as follows:

### THE GROUP

Shareholders' equity (RONm)	Jun-20	Dec-20	Jun-21	vs. Dec-20	vs. Jun-20
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	263	804	549	-31.8%	n.a.
Retained earnings and capital reserves	5,851	6,404	6,974	8.9%	19.2%
Non-controlling interest	53	48	52	6.5%	-1.7%
<b>Total shareholders' equity</b>	<b>8,683</b>	<b>9,772</b>	<b>10,090</b>	<b>3.3%</b>	<b>16.2%</b>

### THE BANK

Shareholders' equity (RONm)	Jun-20	Dec-20	Jun-21	vs. Dec-20	vs. Jun-20
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	263	804	549	-31.8%	n.a.
Retained earnings and capital reserves	5,606	6,152	6,729	9.4%	20.0%
<b>Total shareholders' equity</b>	<b>8,385</b>	<b>9,472</b>	<b>9,793</b>	<b>3.4%</b>	<b>16.8%</b>

## LIQUIDITY POSITION

Both the Bank and the Group maintained a balanced structure of resources and placements and a comfortable liquidity level over the analysed period.

The net loans to deposits ratio reached 59.8% at June 30, 2021 (from 57.6% at December 31, 2020 and 61.2% at June 30, 2020) for the Bank and 63.5% for the Group, including financial leasing receivables (61.5% at December 31, 2020 and 65.2% at June 30, 2020).

## H1-2021 FINANCIAL RESULTS

The comparative income statement of the Group for the periods January – June 2021 and January – June 2020 is presented below:

RONm	H1-2020	H1-2021	Variation
<b>Net banking income</b>	<b>1,512</b>	<b>1,538</b>	<b>1.7%</b>
- net interest income	1,042	1,013	-2.7%
- net commissions	333	378	13.6%
- other banking income	138	146	6.4%
<b>Operating expenses</b>	<b>(800)</b>	<b>(825)</b>	<b>3.2%</b>
- staff expenses	(412)	(408)	-1.1%
- non-staff expenses	(387)	(418)	7.9%
<b>Operating profit</b>	<b>713</b>	<b>712</b>	<b>0.0%</b>
Net cost of risk	(225)	39	n.a.
Gross result	487	751	54.1%
<b>Net result</b>	<b>415</b>	<b>626</b>	<b>50.9%</b>
Profit attributable to equity holders of the parent	410	623	51.9%

The comparative income statement of the Bank for the periods January – June 2021 and January – June 2020 is presented below:

RONm	H1-2020	H1-2021	Variation
<b>Net banking income</b>	<b>1,433</b>	<b>1,472</b>	<b>2.8%</b>
- net interest income	977	949	-2.9%
- net commissions	313	360	15.1%
- other banking income	143	163	14.3%
<b>Operating expenses</b>	<b>(755)</b>	<b>(779)</b>	<b>3.1%</b>
- staff expenses	(385)	(381)	-1.2%
- non-staff expenses	(370)	(398)	7.5%
<b>Operating profit</b>	<b>677</b>	<b>694</b>	<b>2.4%</b>
Net cost of risk	(203)	57	n.a.
Gross result	475	751	58.1%
<b>Net result</b>	<b>405</b>	<b>629</b>	<b>55.2%</b>

BRD Group's revenues improved, with net banking income higher by 1.7% in H1 2021 versus the same period of the last year.

The evolution is driven by growth of net fees and commissions by 13.6%. This advancement is mainly explained by the increase in clients' transactional activity and income from capital markets activities thanks to active participation in the governmental bond issue for individuals within Fidelis program, but also by a base effect linked to supporting measures taken during the lockdown (cancellation of the asset management commission, mobile and internet banking subscription and transfer fees for retail customers).

On the other side, net banking income's growth was slowed by the decrease in net interest income (-2.7% YoY), caused by the negative interest rate effect on continued downward trend of market rates (average ROBOR 3M at 1.60% in H1 2021 versus 2.72% in H1 2020), but was partly compensated by a positive volume effect.

The rise of other revenues categories, up by +6.4% YoY, stemmed mainly from reevaluation income and higher trading results, following an increase in transactions' volume.

Excluding the contributions to Deposit Guarantee and Resolution Funds (49.2m RON vs 43.3m in 2020), operating expenses inched up by +2.6%, driven by other costs categories (+7.2%), a reflection of the increased IT investments to support the acceleration of the digital roadmap and costs related to the

management of the health crisis. The cost saving plan launched in 2020 had visible results in staff expenses that decreased by -1.1% YoY, reflecting notably the headcount reduction (-443 FTE vs June 20 end) and a prudent HR policy applied in the crisis context.

Given the above evolutions, the BRD Group cost/income ratio increased slightly to 53.7% from 52.9% in the same period of the previous year.

Considering the improving overall context, BRD Group registered a stable operational performance, with gross operating income of RON 712 million in H1-2021 (vs. RON 713 million in H1 2020).

The loan portfolio quality remained robust with credit risk indicators at comfortable levels. As of June 2021 the NPL ratio was 3.3% decreasing slightly from June 2020 end level of 3.5%, despite the 2021 regulatory changes (i.e. new default definition) and moratoria exits, further reinforcing the Bank's strong asset base and efficient collection activity. NPL coverage holds solid at 74% at June 2021 end versus 75% at June 2020 end. The overall portfolio quality was reflected in risk costs as well, with a net reversal of RON 39 million in H1-2021 versus a net charge of RON 225 million in H1-2020 at the onset of the Covid-19 pandemic. The net cost of risk release reflects the joint effects of economic rebound and consistent recoveries on non-performing portfolio.

As a result of all the above, BRD Group recorded a net result of RON 626 million, +50.9% YoY, from RON 415 million in H1-2020 on dynamic commercial performance and positive cost of risk.

This result led to a return on equity of 12.6% in H1-2021, +2.8 ppts higher compared to H1-2020 and return on assets of 1.9%, 0.5 ppts higher versus H1-2020.

The Bank recorded similar trends, with a net result of RON 629 million versus RON 405 million in H1-2020.

#### CAPITAL ADEQUACY (THE BANK)

RONm	Jun-20	Dec-20	Jun-21
Tier 1 capital	7,385	8,808	8,467
<b>TOTAL OWN FUNDS</b>	<b>7,385</b>	<b>8,808</b>	<b>8,467</b>
<b>Capital requirements</b>	<b>2,191</b>	<b>2,088</b>	<b>2,288</b>
Credit risk (including counterparty risk)	24,152	23,082	25,327
Market risk	237	229	246
Operational risk	2,886	2,630	2,686
CVA risk	112	160	342
<b>Total risk exposure amount</b>	<b>27,387</b>	<b>26,102</b>	<b>28,601</b>
<b>Regulatory CAR**</b>	<b>27.0%</b>	<b>33.7%</b>	<b>29.6%</b>

At Bank level, the capital adequacy ratio stood at a very high level, reaching 29.6%\*\* at June 30, 2021 (Basel 3), compared to 33.7% at December 31, 2020 and 27.0% at June 30, 2020. The year on year variation in solvency ratio is explained by the increase in own funds as the result of positive reserves from revaluation of debt instruments accounted at fair value through other comprehensive income (government bonds) and incorporation of 2020 year net result (net of dividends according to GSM resolution, strongly limited this year, in compliance with the strict restriction imposed by NBR).

The Tier 1 ratio was also 29.6%\*\* at June 30, 2021 compared to 33.7% at December 31, 2020 and 27.0% at June 30, 2020.

\* at Bank level

\*\* CAR for Jun-21 is preliminary



## **OTHER STATEMENTS**

Neither the Bank's nor the Group's revenues depend on a single or group of connected customers; hence there is no risk that the loss of a customer might significantly affect the income level.

Except for the changes in the economic environment presented in chapter 2, no events, transactions or modifications of the economic situation, which would have significant consequences on the Bank's incomes occurred.

In the period January – June 2021 the Bank found itself in no such cases as to be unable to meet its financial obligations.

In the period January – June 2021, no modifications occurred with respect to the rights of the Bank issued securities holders.

The major transactions in which the persons able to take concerted actions were involved are presented in Note 35 in the interim financial statements accompanying this report. These transactions were made in normal market conditions, during the current activity and with no significant influence on BRD's financial position.

No subsequent events were identified after the reporting date.

## 5. CONCLUSIONS

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The Romanian economy performed again above expectations, GDP already returning in Q1 2021 to pre-Covid levels. European Commission recently revised upwards its projection for Romania's 2021 GDP growth to 7.4%. The pandemic is subdued, vaccination is progressing and authorities are gradually lifting restrictions, though worries related to the fourth wave emerged. Economic growth is set to remain dynamic, but volatile in the upcoming quarters.

In the first half of the year, within this context of better business conditions and sentiment, though still marked by uncertainty, our activity accelerated.

Loans' outstanding marked a strong performance, being up by almost +9% YoY, on a broad based growth, sustained by both a remarkable loan production for individuals and a very dynamic activity on corporate segment. Loan production for individuals spiked by +58% YoY, on both housing (+52% YoY) and consumer (+61% YoY), registering also double digit growth compared to 2019 levels. Corporate lending printed at +25% YoY, with SMEs important growth of +37% YoY sustained by government backed lending programs (RON 700 m approved loans within IMM Invest Program in just 2 months from its relaunch). The outstanding performance on large companies segment of +21% YoY comes to consolidate BRD's position of leading partner for large corporations.

Digital roadmap is accelerating, with BRD expanding even more on YOU BRD functionalities to enhance customer experience. Two major deliveries are now in pilot phase: online lending and remote onboarding. Additionally, the mobile version of the e-trading platform, Anyma Online Trading, was launched. The increased focus on the acceleration of digitalization is visible in the +19% growth in number of customers actively using remote channels at end of June 2021.

Building on a dynamic commercial activity, BRD obtained in the first half of the year a solid financial performance. The NBI increased, driven by the revenues from fees and commissions with a double digit growth, on top of a rather resilient net interest income, despite the significant decrease of market rates. Strict control of costs is maintained, without compromising on the delivery of the strategic digital transformation and continuing to ensure the necessary sanitary measures. The net reversal in cost of risk reflects the joint effects of economic rebound and consistent recoveries on non-performing portfolio.

BRD remains a solid and reliable partner for its customers and a committed actor of the Romanian economy.

The interim financial report as at June 30, 2021 has been reviewed for the Bank only.

**Giovanni Luca SOMA**

**Chairman of the Board of Directors**

**François BLOCH**

**Chief Executive Officer**

**Etienne LOULERGUE**

**Chief Financial Officer**