

# Quarterly Report

March 31, 2018

according to National Securities Commission Regulation  
no 1/2006

YOUR BANK. YOUR TEAM



GRUPE SOCIETE GENERALE

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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 March 31, 2018, 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 March 31, 2018 the Bank had the following ratings:

| <b>Fitch Ratings</b> (last rating update: Oct-2017) | <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: Aug-2017) | <b>Rating</b> |
|---|---------------|
| Local Currency Short-Term Deposit             | Prime-2       |
| Local Currency Long-Term Deposit              | Baa2          |
| Foreign Currency Short-Term Deposit           | Prime-3       |
| Foreign Currency Long-Term Deposit            | Baa3          |

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

- BRD - Groupe Société Générale S.A.;
- 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 universal banking model, the Group combines financial solidity with a strategy of sustainable growth, and aims to be the reference for relationship banking, recognised on its markets, close to clients, chosen for the quality and commitment of its teams.

Société Générale has been playing a vital role in the economy for 150 years. With more than 145,000 employees, based in 66 countries, Société Générale accompanies 31 million clients throughout the world on a daily basis. Société Générale's teams offer advice and services to individual, corporate and institutional customers in three core businesses:

- *Retail banking in France* with the Société Générale branch network, Credit du Nord and Boursorama, offering a comprehensive range of multi channel financial services on the leading edge of digital innovation;
- *International retail banking, financial services and insurance* with a presence in emerging economies and leading specialised businesses;
- *Corporate and investment banking, private banking, asset management and securities services*, with recognized expertise, top international rankings and integrated solutions.

As at March 31, 2018, the ratings of Société Générale for long-term and respectively, short term senior unsecured debt were:

- Standard and Poor's: A/A-1
- Moody's: A2/P-1
- Fitch: A+/F1

## **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 Bank</b>                 | <b>Q1-2017</b> | <b>Q1-2018</b> | <b>Change</b> |
|---------------------------|--|---------------------------------|----------------|----------------|---------------|
| <b>Financial results</b>  |  | Net banking income (RONm)       | 601            | 680            | +13.2%        |
|                           |  | Operating expenses (RONm)       | (365)          | (364)          | -0.5%         |
|                           |  | Cost of risk (RONm)             | 130            | 150            | +15.7%        |
|                           |  | Net profit (RONm)               | 307            | 392            | +27.8%        |
|                           |  | Cost / income ratio             | 60.8%          | 53.4%          | -7.4 pt       |
|                           |  | ROE                             | 18.9%          | 21.9%          | +3.0 pt       |
|                           |  | <b>RON bn</b>                   | <b>Mar-17</b>  | <b>Mar-18</b>  | <b>Change</b> |
| <b>Loans and deposits</b> |  | Total net loans                 | 27.6           | 29.1           | +5.5%         |
|                           |  | Total deposits                  | 41.5           | 44.4           | +6.9%         |
|                           |  | <b>RON m</b>                    | <b>Mar-17</b>  | <b>Mar-18</b>  | <b>Change</b> |
| <b>Capital adequacy</b>   |  | Own funds (RONm)                | 5,289          | 5,325          | +0.7%         |
|                           |  | RWA (RON bn)                    | 26,557         | 27,633         | +4.1%         |
|                           |  | CAR*                            | 19.9%          | 19.3%          | -0.6 pt       |
| <b>Franchise</b>          |  | No of branches                  | 810            | 753            | (57)          |
|                           |  | No of active customers (x 1000) | 2,281          | 2,317          | +37           |

(\*) according to Basel 3

Note: Own funds as of March 31, 2018 include the total impact from IFRS9 adoption as at January 1, 2018

|                           |  | <b>The Group</b>                | <b>Q1-2017</b> | <b>Q1-2018</b> | <b>Change</b> |
|---------------------------|--|---------------------------------|----------------|----------------|---------------|
| <b>Financial results</b>  |  | Net banking income (RONm)       | 650            | 724            | +11.4%        |
|                           |  | Operating expenses (RONm)       | (384)          | (385)          | +0.2%         |
|                           |  | Cost of risk (RONm)             | 124            | 153            | +23.4%        |
|                           |  | Net profit (RONm)               | 330            | 414            | +25.6%        |
|                           |  | Cost / income ratio             | 59.1%          | 53.2%          | -5.9 pt       |
|                           |  | ROE                             | 19.3%          | 22.0%          | +2.7 pt       |
|                           |  | <b>RON bn</b>                   | <b>Mar-17</b>  | <b>Mar-18</b>  | <b>Change</b> |
| <b>Loans and deposits</b> |  | Total net loans (incl. leasing) | 28.7           | 30.4           | +6.0%         |
|                           |  | Total deposits                  | 41.4           | 44.3           | +7.0%         |

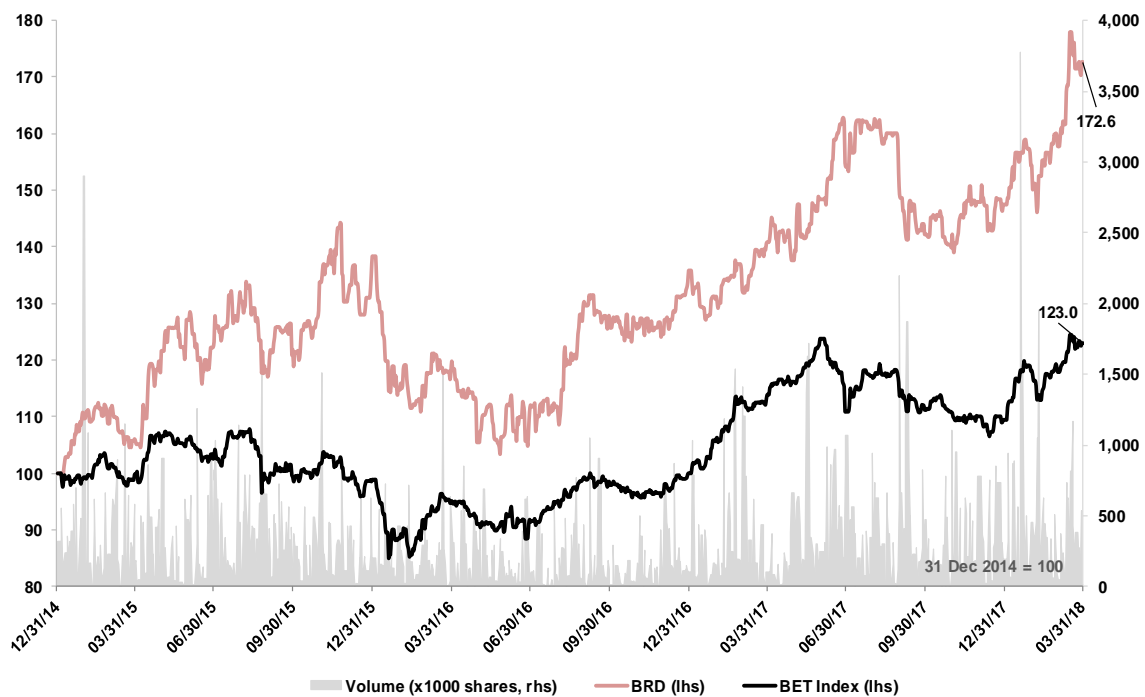
## BRD SHARE

Starting with January 15th, 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 March 31, 2018, was of 15.10 RON/share (RON 12.90 /share at December 31, 2017 and RON 12.32/share at March 31, 2017). On the same date, the market capitalization was RON 10,523.2 million (RON 8,990.03 million at December 31, 2017 and RON 8,585.8 million at March 31, 2017).

During January – March 2018, 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 – March 31, 2018



Source: Bloomberg

## 2. ECONOMIC AND BANKING ENVIRONMENT

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Romania's GDP growth reached 6.9% in 2017 driven mainly by private consumption, which benefitted from pro-cyclical stimulus, while investment contribution remained modest. Private consumption was up 9.0% vs 2017, driven by the increase in disposable income (increase in the minimum wage, higher wages in the public sector). Net exports had a negative contribution to GDP growth (exports + 9.7% YoY, imports +11.3% YoY).

At March 2018 end, inflation rate reached 4.95% YoY, its highest level since June 2013, driven by higher fuel and regulated prices, followed by food prices and services.

The beginning of the year brought a change in NBR policy stance, to less accommodative monetary conditions, with the first hike in key policy rate since May 2015, from 1.75% to 2%, in January 2018. Another increase, of 0.25%, was decided one month later, given the inflation outlook. The minimum reserve requirements were left unchanged, at 8% for both RON and FX liabilities.

The lending activity continues to be supported by strong demand from individuals, while lending to corporate sector remains rather modest. Loans granted to individuals increased by 7% at February 2018 (variation at constant exchange rate), compared to February 2017 end, pushed by the solid advance on housing loans (which grew by 12.0% YoY- variation at constant exchange rate). Lending to corporate sector increased by 0.9% YoY at February 2018 (variation at constant exchange rate).

Banking system deposits increased by 11.9% (variation at constant exchange rate) vs. February 2017, driven by both individuals and corporate customers savings.

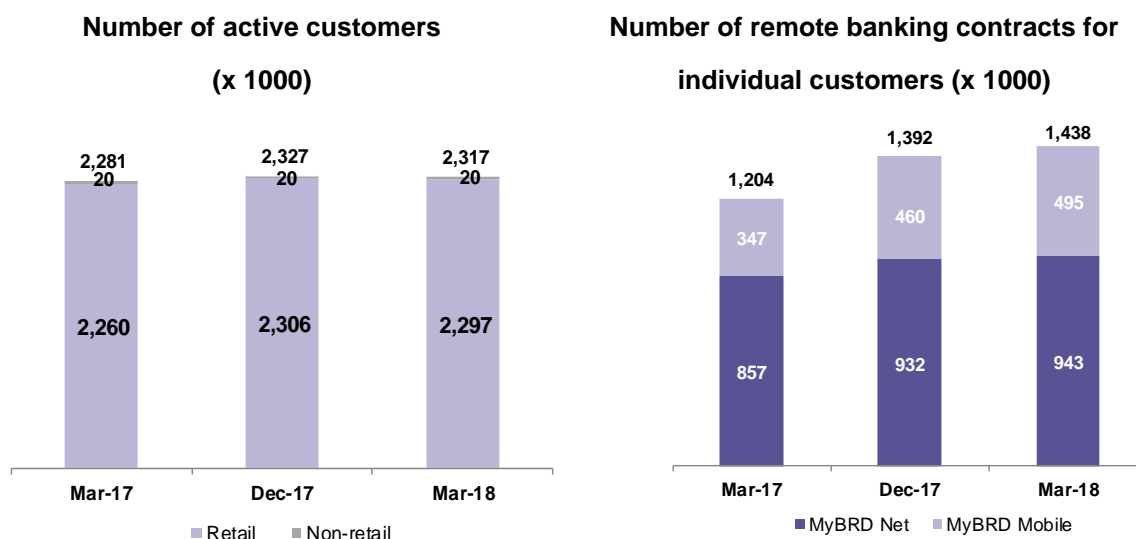
Banks' asset quality continued to improve: NPL ratio (according to EBA definition) for the banking system reached 6.24% at February 2018 end compared to 9.36% at March 2017 end, driven by further write-offs and sales of non performing loans performed by banks.

### 3. COMMERCIAL ACTIVITY

As at March 31, 2018, the Bank had 753 branches (31.03.2017: 810 branches, 31.12.2017: 760 branches), ensuring the distribution of its products and services throughout the whole country.

The Bank's number of active individual customers rose by approx. 33,000 at March 31, 2018 compared to March 31, 2017, reaching 2.18 million individual customers.

The equipment rate for individuals continued to rise, on growing number of remote banking contracts (My BRD Net and My BRD Mobile). The equipment rate reached 4.18 at March 31, 2018 compared to 4.09 at March 31, 2017.



<sup>(\*)</sup> Bank only (active clients are the clients who have at least one of the following types of bank products: active current account, active card, loan, deposit, savings account)

BRD held a market share of 12.5% of total assets at December 31, 2017.

|                     | Mar-17       | 2017         | Feb-18       |
|---------------------|--------------|--------------|--------------|
| <b>TOTAL ASSETS</b> | <b>13.0%</b> | <b>12.5%</b> | <b>n.a.</b>  |
| <b>LOANS</b>        | <b>13.0%</b> | <b>12.8%</b> | <b>12.7%</b> |
| Individuals         | 16.8%        | 16.9%        | 16.9%        |
| Companies           | 9.5%         | 8.7%         | 8.5%         |
| <b>DEPOSITS*</b>    | <b>13.9%</b> | <b>13.4%</b> | <b>13.5%</b> |
| Individuals         | 14.0%        | 13.8%        | 13.8%        |
| Companies           | 13.8%        | 13.0%        | 13.2%        |

\* Deposits include public administration



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

| RON bln                                   | Mar-17      | Dec-17      | Mar-18      | vs. Dec-17   | vs. Mar-17  |
|---|-------------|-------------|-------------|--------------|-------------|
| <b>Retail</b>                             | <b>19.3</b> | <b>20.8</b> | <b>20.8</b> | <b>-0.1%</b> | <b>8.1%</b> |
| Individuals                               | 18.6        | 20.2        | 20.3        | 0.1%         | 8.8%        |
| Small business                            | 0.6         | 0.6         | 0.6         | -5.5%        | -11.5%      |
| <b>Non-retail</b>                         | <b>8.8</b>  | <b>8.8</b>  | <b>8.8</b>  | <b>0.8%</b>  | <b>0.9%</b> |
| SMEs                                      | 2.6         | 2.5         | 2.3         | -8.5%        | -13.3%      |
| Large corporate                           | 6.2         | 6.3         | 6.6         | 4.4%         | 6.9%        |
| <b>Total net loans</b>                    | <b>28.0</b> | <b>29.6</b> | <b>29.7</b> | <b>0.2%</b>  | <b>5.9%</b> |
| Financial lease receivables               | 0.7         | 0.7         | 0.7         | 1.6%         | 13.7%       |
| <b>Total net loans, including leasing</b> | <b>28.7</b> | <b>30.3</b> | <b>30.4</b> | <b>0.2%</b>  | <b>6.0%</b> |

The net loans outstanding amount (incl. leasing) reached RON 30.4 billion, higher by 6.0% compared to March 2017 end, increase brought by an intensified activity on individuals and large corporate client segments.

On the retail segment, the advance of net loans outstanding was driven by the favorable dynamics of individuals' unsecured consumer and housing loans. Loan production for individuals in Q1 2018 reached RON 1.4 billion, +9.0% YoY, pushed by increasing production on housing loans, up +68% YoY compared to Q1 2017, to RON 517 million.

On the non retail segment, net loans outstanding slightly increased, +0.9% YoY, with strong performance on large corporate clients (+6.9% YoY) fully offsetting the contraction of the SMEs loan portfolio.

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

| RON bln               | Mar-17      | Dec-17      | Mar-18      | vs. Dec-17   | vs. Mar-17  |
|-----------------------|-------------|-------------|-------------|--------------|-------------|
| <b>Retail</b>         | <b>26.2</b> | <b>27.8</b> | <b>28.4</b> | <b>2.0%</b>  | <b>8.5%</b> |
| Individuals           | 22.9        | 24.0        | 24.6        | 2.5%         | 7.8%        |
| Small business        | 3.3         | 3.8         | 3.8         | -1.0%        | 13.0%       |
| <b>Non-retail</b>     | <b>15.3</b> | <b>16.4</b> | <b>15.9</b> | <b>-2.7%</b> | <b>4.4%</b> |
| SMEs                  | 6.2         | 6.6         | 6.6         | -0.8%        | 5.8%        |
| Large corporate       | 9.0         | 9.7         | 9.3         | -4.0%        | 3.4%        |
| <b>Total deposits</b> | <b>41.4</b> | <b>44.2</b> | <b>44.3</b> | <b>0.3%</b>  | <b>7.0%</b> |

Deposits to customers increased on both segments, retail and non retail. total deposit base reaching RON 44.3 billion, +7.0% compared to March 2018 end, with increased inflows in current accounts. Retail deposits growth reached +8.5% versus March 2017 end (o/w current accounts were up by 27% YoY) while for non retail deposits the increase was of +4.4% versus March 2017 end (o/w current accounts were up by +2.7% YoY).

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 March 31, 2018, BRD Sogelease net outstanding of leasing financing increased by 13.7% to RON 739.7 million from RON 651 million at March 31, 2017. New leasing production reached RON 121.4 million, with commercial vehicles and passengers cars having the highest weight, followed by industry, equipment for agriculture, medical, construction and IT.

### **BRD FINANCE IFN SA**

BRD Finance results in Q1 2018 continued the positive evolution from previous years: the net loan portfolio increased by 13.5% compared to Q1 2017, reaching RON 498 million, while the loan production recorded an improvement of 11% compared to the same period of last year, to RON 129 million, due mainly to the car loan activity. Net banking income reached RON 25.3 million, up by 5% compared with the same period of 2017.

This performance was sustained by continuing the strategy which combines commercial objectives - increase clients acquisition and partners' network development - with credit risk control and customer service improvement.

### **BRD ASSET MANAGEMENT SA**

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 12.26%\* at the end of Q1 2018 (vs 11.78%\* at the end of Q1 2017). The company had RON 2.976 billion assets under management at the end of Q1 2018.

BRD Asset Management offers 7 different open-end funds, all with their specific portfolio structure, risks and target yield and recommended investment period. Among those, BRD Simfonia, BRD Obligatiuni (denominated in RON), BRD Euro Fond (denominated in Euro) and BRD USD Fond (denominated in USD) invest in bonds, fixed income and money market instruments and have no stock holdings. BRD Diverso (denominated in RON and Euro) is a balanced fund with investments in Central and Eastern Europe stock markets, the rest being invested mainly in money market and fixed income instruments for risk spread purposes. BRD Actiuni (denominated in RON and Euro) is focused on Romanian stocks, as well as BRD Index which is an index tracker fund, focusing on CEE markets. Starting from 2018, BRD Obligatiuni will change its portfolio structure by becoming the first local fund to concentrate its investments towards corporate bonds.

*\* 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 made based on the separate and consolidated financial statements prepared according to the International Financial Reporting Standards, for the period ended March 31, 2018 and the comparative periods.

### FINANCIAL POSITION – ASSETS

The total assets increased at March 31, 2018 by around 9%, both for the Group and for the Bank, compared to March 31, 2017, and by near 2% versus December 31, 2017.

The structure is presented below:

#### THE GROUP

| Assets (RONm)                               | Mar-17        | Dec-17        | Mar-18        | % total       | vs. Dec-17  | vs. Mar-17  |
|---|---------------|---------------|---------------|---------------|-------------|-------------|
| Cash and current accounts with Central Bank | 4,728         | 7,682         | 7,189         | 12.8%         | -6.4%       | 52.1%       |
| Loans and advances to credit institutions   | 2,531         | 2,550         | 4,234         | 7.6%          | 66.1%       | 67.3%       |
| Net loans and advances to customers         | 28,020        | 29,608        | 29,660        | 53.0%         | 0.2%        | 5.9%        |
| Financial lease receivables                 | 651           | 728           | 740           | 1.3%          | 1.6%        | 13.7%       |
| Other financial instruments                 | 14,093        | 12,925        | 12,747        | 22.8%         | -1.4%       | -9.6%       |
| Tangible and intangible assets              | 987           | 1,002         | 989           | 1.8%          | -1.2%       | 0.2%        |
| Other assets                                | 353           | 433           | 398           | 0.7%          | -7.9%       | 12.9%       |
| <b>Total assets</b>                         | <b>51,363</b> | <b>54,927</b> | <b>55,957</b> | <b>100.0%</b> | <b>1.9%</b> | <b>8.9%</b> |

#### THE BANK

| Assets (RONm)                               | Mar-17        | Dec-17        | Mar-18        | % total       | vs. Dec-17  | vs. Mar-17  |
|---|---------------|---------------|---------------|---------------|-------------|-------------|
| Cash and current accounts with Central Bank | 4,728         | 7,682         | 7,189         | 13.2%         | -6.4%       | 52.1%       |
| Loans and advances to credit institutions   | 2,504         | 2,530         | 4,214         | 7.7%          | 66.5%       | 68.3%       |
| Net loans and advances to customers         | 27,559        | 29,012        | 29,072        | 53.3%         | 0.2%        | 5.5%        |
| Other financial instruments                 | 14,083        | 12,910        | 12,727        | 23.3%         | -1.4%       | -9.6%       |
| Tangible and intangible assets              | 976           | 992           | 980           | 1.8%          | -1.2%       | 0.4%        |
| Other assets                                | 300           | 365           | 333           | 0.6%          | -8.6%       | 11.0%       |
| <b>Total assets</b>                         | <b>50,149</b> | <b>53,491</b> | <b>54,515</b> | <b>100.0%</b> | <b>1.9%</b> | <b>8.7%</b> |

### LOANS AND ADVANCES TO CUSTOMERS

The outstanding amount of net loans to customers increased by 5.5% YoY for the Banks and by 5.9% for the Group, compared to March 2017 end, due to the favourable dynamic registered on individuals and large corporate customers, and was rather stable compared to December 2017.

### 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 nearly 57.4% versus March 31, 2017 for both the Bank and the Group, and by 12% versus December 31, 2017. These items represented about 20% of total assets for the Group compared to 19% at December 31, 2017 and 14% at March 31, 2017.

The minimum compulsory reserve held with the National Bank of Romania represented one third of this aggregate at March 31, 2018 and amounted to RON 3,716 million, rather stable compared to March 31, 2017 driven by lower reserves for FX liabilities (FX reserve requirements at 8% for March 2018, compared to 10% for March 2017) and higher reserves for RON liabilities generated by the higher volumes of deposits from customers.

## OTHER FINANCIAL INSTRUMENTS

Other financial instruments mostly represent treasury bills and bonds issued by the Romanian Government which are accounted as financial assets at fair value through profit or loss, or financial assets at fair value through other comprehensive income, and also derivatives. These items, which represent around 23% of the Bank and Group total assets, in amount of RON 12,747 million for the Group, registered a 10% decrease compared to March 31, 2017 (1.4% decrease compared to December 31, 2017) in the context of rising yields.

## TANGIBLE AND INTANGIBLE ASSETS

The tangible and intangible assets accounted for nearly 2% of the total assets with land and buildings representing the largest part of the item.

The total value of investments during the first quarter of 2018 was of approximately RON 22 million for both the Bank and the Group, compared to RON 27 million in the same period in 2017, with IT related expenses reaching nearly 80% of total capital expenditures. 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)       | Mar-17        | Dec-17        | Mar-18        | % total       | vs. Dec-17  | vs. Mar-17  |
|--|---------------|---------------|---------------|---------------|-------------|-------------|
| Amounts owed to credit institutions              | 1,703         | 2,138         | 2,208         | 3.9%          | 3.3%        | 29.7%       |
| Amounts owed to customers                        | 41,443        | 44,220        | 44,336        | 79.2%         | 0.3%        | 7.0%        |
| Other liabilities                                | 1,229         | 1,201         | 1,740         | 3.1%          | 44.9%       | 41.6%       |
| Shareholders equity                              | 6,989         | 7,369         | 7,673         | 13.7%         | 4.1%        | 9.8%        |
| <b>Total liabilities and shareholders equity</b> | <b>51,363</b> | <b>54,927</b> | <b>55,957</b> | <b>100.0%</b> | <b>1.9%</b> | <b>8.9%</b> |

### THE BANK

| Liabilities and shareholders equity (RONm)       | Mar-17        | Dec-17        | Mar-18        | % total       | vs. Dec-17  | vs. Mar-17  |
|--|---------------|---------------|---------------|---------------|-------------|-------------|
| Amounts owed to credit institutions              | 764           | 935           | 1,106         | 2.0%          | 18.4%       | 44.9%       |
| Amounts owed to customers                        | 41,536        | 44,387        | 44,410        | 81.5%         | 0.1%        | 6.9%        |
| Other liabilities                                | 1,190         | 1,141         | 1,665         | 3.1%          | 46.0%       | 40.0%       |
| Shareholders equity                              | 6,659         | 7,028         | 7,333         | 13.5%         | 4.3%        | 10.1%       |
| <b>Total liabilities and shareholders equity</b> | <b>50,149</b> | <b>53,491</b> | <b>54,515</b> | <b>100.0%</b> | <b>1.9%</b> | <b>8.7%</b> |

## AMOUNTS OWED TO CUSTOMERS

At March 31, 2018, amounts owed to customers increased by near 7.0% as compared to March 31, 2017, for both the Bank and the Group, and they accounted for around 80% of the total assets.

## 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 2.0% of the total assets for the Bank and 3.9% for the Group at March 31, 2018.

BRD Group's borrowings from Société Générale totalled circa RON 0.9 billion (around 2% of total liabilities and equity).

## SHAREHOLDERS' EQUITY

The shareholders' equity increased by around 10% for the Group and the Bank as compared to March 2017 end, driven by retained earnings and current year results.

The structure of the shareholders' equity evolved as follows:

### THE GROUP

| Shareholders' equity (RONm)            | Mar-17       | Dec-17       | Mar-18       | vs. Dec-17  | vs. Mar-17  |
|--|--------------|--------------|--------------|-------------|-------------|
| Share capital                          | 2,516        | 2,516        | 2,516        | 0.0%        | 0.0%        |
| Other reserves                         | 257          | 66           | 42           | -35.9%      | -83.5%      |
| Retained earnings and capital reserves | 4,163        | 4,733        | 5,065        | 7.0%        | 21.7%       |
| Non-controlling interest               | 53           | 53           | 49           | -7.6%       | -6.1%       |
| <b>Total shareholders' equity</b>      | <b>6,989</b> | <b>7,369</b> | <b>7,673</b> | <b>4.1%</b> | <b>9.8%</b> |

### THE BANK

| Shareholders' equity (RONm)            | Mar-17       | Dec-17       | Mar-18       | vs. Dec-17  | vs. Mar-17   |
|--|--------------|--------------|--------------|-------------|--------------|
| Share capital                          | 2,516        | 2,516        | 2,516        | 0.0%        | 0.0%         |
| Other reserves                         | 257          | 62           | 39           | -36.6%      | -84.8%       |
| Retained earnings and capital reserves | 3,886        | 4,451        | 4,779        | 7.4%        | 23.0%        |
| <b>Total shareholders' equity</b>      | <b>6,659</b> | <b>7,028</b> | <b>7,333</b> | <b>4.3%</b> | <b>10.1%</b> |

## LIQUIDITY POSITION

Both the Bank and the Group maintained a balanced structure of resources and placements and a comfortable liquidity level in the first quarter of 2018.

The net loans to deposits ratio reached 65.5% at March 31, 2018 (from 65.4% at December 31, 2017 and 66.3% at March 31, 2017) for the Bank and 68.6% for the Group, including financial leasing receivables (same level at December 31, 2016 and 69.2% at March 31, 2017).

### 3 MONTHS 2018 FINANCIAL RESULTS

The comparative income statement of the Group for the periods January – March 2018 and January – March 2017 is presented below:

| RONm  | Q1-2017     | Q1-2018     | Variation    |
|---|-------------|-------------|--------------|
| <b>Net banking income</b>                           | <b>650</b>  | <b>724</b>  | <b>11.4%</b> |
| - net interest income                               | 408         | 465         | 14.2%        |
| - net commissions                                   | 175         | 184         | 5.2%         |
| - other banking income                              | 67          | 75          | 10.8%        |
| <b>Operating expenses</b>                           | <b>-384</b> | <b>-385</b> | <b>0.2%</b>  |
| - staff expenses                                    | -167        | -186        | 11.3%        |
| - non-staff expenses                                | -217        | -199        | -8.3%        |
| <b>Operating profit</b>                             | <b>266</b>  | <b>339</b>  | <b>27.5%</b> |
| Net cost of risk                                    | 124         | 153         | 23.4%        |
| Gross result  | 390         | 492         | 26.2%        |
| <b>Net result</b>                                   | <b>330</b>  | <b>414</b>  | <b>25.6%</b> |
| Profit attributable to equity holders of the parent | 328         | 411         | 25.5%        |

The comparative income statement of the Bank for the periods January – March 2018 and January – March 2017 is presented below:

| RONm                      | Q1-2017     | Q1-2018     | Variation    |
|---------------------------|-------------|-------------|--------------|
| <b>Net banking income</b> | <b>601</b>  | <b>680</b>  | <b>13.2%</b> |
| - net interest income     | 379         | 435         | 14.7%        |
| - net commissions         | 166         | 175         | 5.8%         |
| - other banking income    | 56          | 70          | 24.8%        |
| <b>Operating expenses</b> | <b>-365</b> | <b>-364</b> | <b>-0.5%</b> |
| - staff expenses          | -157        | -174        | 10.9%        |
| - non-staff expenses      | -209        | -190        | -9.1%        |
| <b>Operating profit</b>   | <b>236</b>  | <b>317</b>  | <b>34.5%</b> |
| Net cost of risk          | 130         | 150         | 15.7%        |
| Gross result              | 365         | 467         | 27.8%        |
| <b>Net result</b>         | <b>307</b>  | <b>392</b>  | <b>27.8%</b> |

BRD Group net banking income reached RON 724 million in Q1 2018, up by +11.4% compared to Q1 2017, supported by increasing net interest income, higher volumes, stable operating expenses and positive cost of risk. Net interest income increased at double digit rate, up +14.2% YoY, driven by positive volume effect and the rising trend in interest rates (increase in RON interest rates starting from Sep-17, ROBOR 3M at 2.03% in Q1 2018, +1.2 pts vs. Q1 2017). Net fees and commissions income increased by +5.2% on higher volumes of transactions and positive contribution from custody and depository services. Other net banking income increased by +10.8%, on higher trading result.

Operating expenses reached RON 385 million, quasi stable compared to the Q1 2017, as a result of much lower contributions to the Bank Deposit Guarantee and Resolution Fund (-50.5%). Staff expenses were up by +11.3% as a result of the provision booked in relation to the 13<sup>th</sup> salary and other compensation package adjustments, in line with market conditions, in a tight labor market context. Other operating expenses were up by +12.0% (excluding expense to Deposits Guarantee and Resolution Fund), reflecting notably higher investments in regulatory and transformation projects.

Operational performance was very robust, with gross operating result up +27.5% YoY. Group Cost/Income ratio reached 53.2%, -5.9 pts lower compared to Q1 2017.

BRD Group registered a considerable improvement in asset quality: NPL ratio decreased to 6.2% at March 2018 end (vs. 10.3% at March 2017 end). In parallel, the coverage ratio remained solid at 75.4%, compared to 77.4% at March 2017 end (all ratios according to EBA methodology). Net cost of risk registered a RON 153 million net release (RON 124 million net release in Q1 2017), +23.4% YoY, driven by recoveries on non retail defaulted portfolio and nearly RON 65m recognition of insurance indemnities.

In this context, BRD Group's net profit amounted to RON 414 million in Q1 2018 compared to RON 330 million in Q1 2017 translating into an annualised return on equity of 22.0% (vs. 19.3% in Q1 2017) and return on assets of 3.0% (2.6% in Q1 2017). The net profit for the Bank amounted to RON 392 million in Q1 2018 compared to RON 307 million in Q1 2017.

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

No important events were identified after the reporting date.

#### CAPITAL ADEQUACY (THE BANK)

| RONm                                      | Mar-17        | Dec-17        | Mar-18        |
|---|---------------|---------------|---------------|
| Tier 1 capital                            | 5,289         | 5,339         | 5,325         |
| <b>TOTAL OWN FUNDS</b>                    | <b>5,289</b>  | <b>5,339</b>  | <b>5,325</b>  |
| <b>Capital requirements</b>               | <b>2,125</b>  | <b>2,162</b>  | <b>2,211</b>  |
| <b>Risk weighted assets</b>               |               |               |               |
| Credit risk (including counterparty risk) | 24,163        | 24,971        | 25,434        |
| Market risk                               | 379           | 164           | 149           |
| Operational risk                          | 1,874         | 1,822         | 1,957         |
| CVA risk                                  | 141           | 66            | 93            |
| <b>Total risk exposure amount</b>         | <b>26,557</b> | <b>27,023</b> | <b>27,633</b> |
| <b>Regulatory CAR</b>                     | <b>19.9%</b>  | <b>19.8%</b>  | <b>19.3%</b>  |

*Note: RWA figures as for March -18 are preliminary.*

At Bank level, the capital adequacy ratio reached 19.3% at March 31, 2018, comfortably above the regulatory requirement.

According to Regulation (EU) 2017/2395 amending Regulation (EU) 575/2013, as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds, the Bank decided not to apply the transitional arrangements set out under Art 473a of Regulation (EU) 575/2013. As such, own funds as of March 2018 end include the total impact from IFRS 9 adoption as at January 1, 2018.

## 5. CONCLUSIONS

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The first quarter of 2018 was very dynamic as shown by the continuous increase in loans, deposits and transaction volumes, which, together with the favorable interest rate context, translated into a double-digit increase in net banking income. Looking forward, BRD will continue to improve customer experience and satisfaction by further investing in digitalization and ongoing developments of its business model.

The interim financial report as at March 31, 2018 has not been audited.

**Giovanni Luca SOMA**

**Chairman of the Board of Directors**

**Francois BLOCH**

**Chief Executive Officer**

**Petre BUNESCU**

**Deputy Chief Executive Officer**