

# Quarterly Report

September 30, 2022

according to Financial Supervisory Authority Regulation  
no 5/2018

# CONTENTS

1. THE COMPANY AND ITS SHAREHOLDERS .....	3
2. ECONOMIC AND BANKING ENVIRONMENT .....	7
3. COMMERCIAL ACTIVITY .....	9
4. FINANCIAL RESULTS AND RATIOS.....	12
5. CONCLUSIONS.....	17

## 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 September 30, 2022, 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 Category
- **The main characteristics of securities issued by the company:** ordinary shares with a nominal value of 1 RON

### EXTERNAL RATING

As at September 30, 2022, the Bank had the following ratings:

<b>Fitch</b> (last rating update: January-2022*)	<b>Rating</b>
Foreign-Currency Short-Term Issuer Default Rating	F2
Foreign-Currency Long-Term Issuer Default Rating	BBB+

<b>Moody's</b> (last rating update: October-2021**)	<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 affirmed Bank's LT and ST foreign currency deposit rating to Baa1/Prime-2 in Oct. 2021 and changed the outlook to stable from negative

**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, Societe Generale has over 117,000 members of staff in 66 countries and supports on a daily basis 25 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary 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* 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://investors.societegenerale.com/en/financial-and-non-financial-information/ratings/credit-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. International Retail Banking operations, Insurance and Financial Services are building their networks in Africa, Central and Eastern Europe. The specialized equipment finance and vehicle leasing and fleet management businesses are leaders in Europe and worldwide in their markets.

## KEY FIGURES

	<b>The Group</b>	<b>9 months to 30-Sep-2021</b>	<b>9 months to 30-Sep-2022</b>	<b>Change</b>
<b>Financial results</b>	Net banking income (RONm)	2,314	2,541	+9.8%
	Operating expenses (RONm)	(1,198)	(1,276)	+6.5%
	Cost of risk (RONm)	42	(37)	n.a.
	Net profit (RONm)	920	1,016	+10.3%
	Cost / income ratio	51.8%	50.2%	-1.6 pt
	ROE	12.5%	16.7%	+4.3 pt
<b>Loans and deposits</b>	<b>RON bn</b>	<b>Sep-21</b>	<b>Sep-22</b>	<b>Change</b>
	Total net loans (incl. leasing)	33.7	37.5	+11.5%
	Total deposits	53.8	55.2	+2.5%
<b>Financial results</b>	<b>The Bank</b>	<b>9 months to 30-Sep-2021</b>	<b>9 months to 30-Sep-2022</b>	<b>Change</b>
	Net banking income (RONm)	2,194	2,449	+11.6%
	Operating expenses (RONm)	(1,125)	(1,207)	+7.3%
	Cost of risk (RONm)	46	(45)	n.a.
	Net profit (RONm)	886	998	+12.6%
	Cost / income ratio	51.3%	49.3%	-2.0 pt
<b>Loans and deposits</b>	<b>RON bn</b>	<b>Sep-21</b>	<b>Sep-22</b>	<b>Change</b>
	Total net loans	31.7	35.5	+11.9%
	Total deposits	54.0	55.3	+2.5%
<b>Capital adequacy</b>	<b>RON m</b>	<b>Sep-21</b>	<b>Sep-22</b>	<b>Change</b>
	Own funds (RONm)	7,984	7,172	-10.2%
	RWA (RON bn)	29,622	32,718	+10.5%
<b>Franchise</b>	CAR*	27.0%	21.9%	-5.0 pt
	No of branches	525	470	(55)

\* CAR for Sep-22 is preliminary

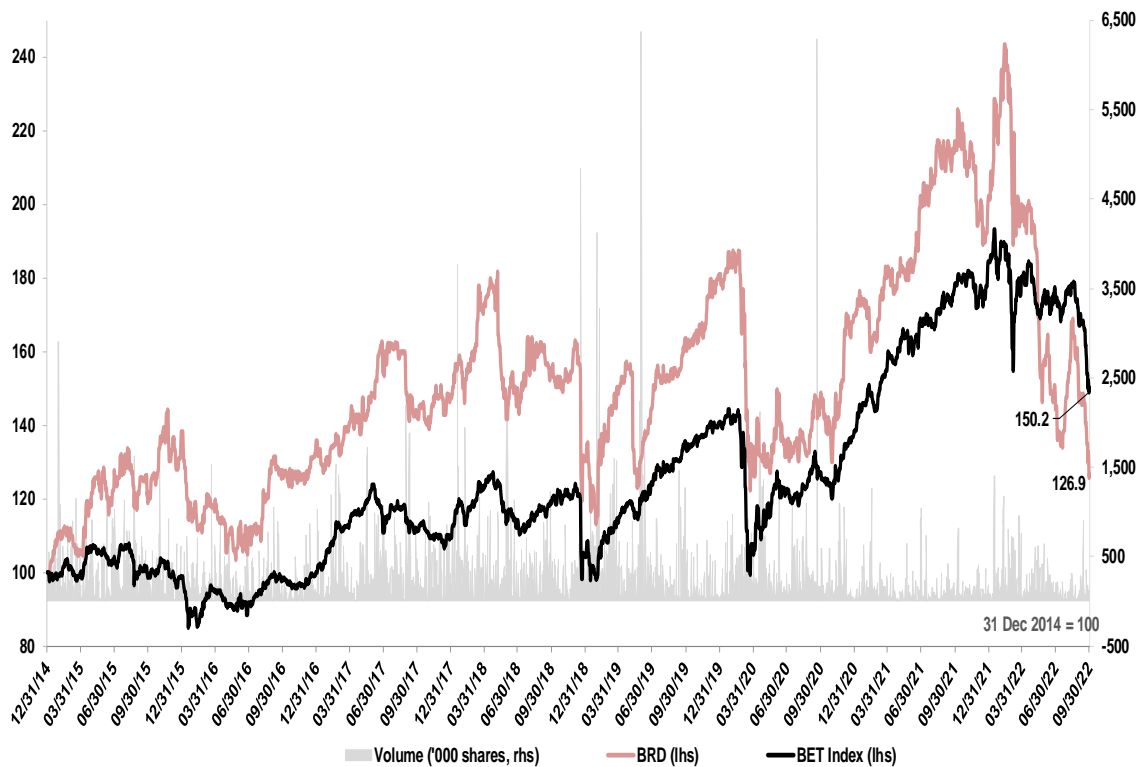
## BRD SHARE

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 September 30, 2022, was of RON 11.10 /share (RON 17.70 /share at December 31, 2021 and RON 18.80 /share at September 30, 2021). On the same date, the market capitalization was RON 7,735.61 million (RON 12,335.16 million at December 31, 2021 and RON 13,101.75 million at September 30, 2021).

During January – September 2022, 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 – September 30, 2022



Source: Bloomberg

## 2. ECONOMIC AND BANKING ENVIRONMENT

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Romanian economy slowed down in Q2 2022 (+1.8% q/q vs +5.3 q/q in Q1 2022), yet continued to exceed market expectations and printed second best among EU member states. Annual GDP growth reached +5.1% (gross series) in Q2 2022, with a slight deceleration compared to Q1 2022 (+6.4% YoY). The GDP breakdown on components shows private consumption having again the lead role in economic growth (+5.6 ppts to GDP growth). A more modest contribution came from gross fixed capital formation (+0.7 ppts to GDP growth), while net exports were no longer a drag, adding 0.5 ppts to growth. Only changes in inventories (-0.5 ppts to GDP growth) and public consumption (-1.2 ppts to GDP growth) remained in negative territory.

On a medium to longer run, the approval of National Recovery and Resilience Plan in September 2021 by European Commission with the first tranche of grants (EUR 1.8 bn) disbursed in December 2021 should support further growth of the economy. Additional pre-financing (EUR 1.9 bn) was granted in January 2022, after the targets and milestones for Q4 2021 were reached. On 15<sup>th</sup> of September 2022, the European Commission endorsed a positive preliminary assessment of Romania's first payment request for a financing request under the Recovery and Resilience Facility, amounting to EUR 1.8 bn in grants and EUR 800 million in loans.

Annual inflation rate climbed to a new high, reaching 15.9% YoY in September 2022 (up from 15.1% in June and 14.5% in May), notably surpassing market expectations, with the economy facing both strong cost inflation pressures from the external environment and demand pressures from the domestic economy. Energy and food prices remain the leading driver, but other components also rose swiftly. This level is far from the upper bound of the NBR target range (2.5% ± 1 ppt).

Back in 2020, in order to support the economy in the context of unfolding COVID-19 epidemic, the central bank reduced the monetary policy rate four times between March 2020 and January 2021, by 125 bps in total, to 1.25%. Amid the prospect of larger and lengthier inflation pressures from global cost shocks, NBR started in September 2021 monetary policy rate hikes: 50 bps in Q4 2021, two additional increases by 75 bps in total in the first quarter of 2022, and three further hikes of 225 bps in total, to 4.75%, done in April - July. At its meeting on October 5<sup>th</sup>, 2022, NBR decided to continue the tightening cycle, increasing the monetary policy rate by 75 bps to 6.25% (up 450 bps in total in 2022 from 1.75% at December 2021 end). NBR also reiterated its pledge to maintain firm control over money market liquidity.

On March 9<sup>th</sup>, 2022, NBR decided to purchase RON-denominated government securities on the secondary market worth RON 367 million for the first time since April 2021, to ease tensions and enable the good functioning of the money market, with a view to ensuring the smooth financing of government expenditures and of the real economy. Only RON 37 million were further purchased in May 2022. Still in March, in a context of tightened RON liquidity on the background of war developments, NBR started to provide liquidity through Lombard facility to the banking system, the peak being reached in August 2022 (daily average of RON 13.7 bn). According to the latest monetary policy meeting, from October 5<sup>th</sup>, NBR decided to raise the lending (Lombard) facility rate to 7.25% from 6.5% in August, and the deposit facility rate to 5.25% from 4.5% in August.

In September, European Commission (EC) approved two state aid schemes previously notified by Romania:

- a EUR 1.5 billion Romanian scheme to compensate energy-intensive companies for indirect emission costs. The scheme will cover part of the higher electricity prices arising from the impact of carbon prices on electricity generation costs (so-called 'indirect emission costs') incurred between 2021 and 2030.
- a EUR 4 billion Romanian scheme to support companies in the context of Russia's invasion of Ukraine. Under this measure, the aid will take the form of: (i) loan guarantees with a maximum budget of EUR 3.6 billion (approximately RON 17.8 billion), and (ii) direct grants with a maximum budget of EUR 390 million (approximately RON 1.9 billion) to compensate parts of the costs due under the guaranteed loans.

In September, the European Commission has approved, under EU State aid rules, a EUR 390 million Romania scheme, made available in part through the Recovery and Resilience Facility ('RRF'), to support the production of electricity and heat from high-efficient cogeneration installations connected to district heating networks in Romania.

In order to mitigate the negative socio-economic impact of surging energy costs, the Government placed a cap on electricity and gas prices for households and some companies until April 2023. Also, in April, it adopted an economic support package for low-income households and key industries with a total value of RON 17.3 billion (approximately 1.4% of GDPe), out of which 52% shall benefit of EU funding. Among the measures, we mention:

Economy support:

- SMEs registering more than 15% additional spending on utilities will receive an aid of up to EUR 400,000 per company,
- subsidy of RON 0.5 per litre of fuel,
- EUR 200 million allocated for the processing of agricultural products in Romania and EUR 300 million as grants for farmers,
- EUR 200 million directed to support investments with a major impact on the economy,
- price adjustments to public work contracts to cover the increase in prices of materials or equipment, workforce and transport costs.
- SMEs, including micro-enterprises, as well as large enterprises will be able to access grants of up to EUR 500,000 to make investments to help make their businesses more energy efficient

Social support:

- state guarantees for loans worth EUR 500 million (Family Start, Student Invest Programme),
- a minimum statutory wage of RON 3,000 will be enacted in the agricultural sector and food industry,
- technical unemployment indemnity and the Kurzarbeit scheme will remain in place until year-end,
- vulnerable groups (approximately 4.7 million persons) will receive vouchers for basic food products worth EUR 50, every two months.

New support measures, worth approximately RON 5.5 billion (0.5% of GDP) were passed in May and entered into force starting July, 1<sup>st</sup>: i) 9-month deferral of bank loan repayments for individuals and companies facing financial difficulties due to multiple crises in the last period, ii) public sector wages to be increased with a quarter of the difference between the level stipulated by the unitary pay law (no. 153/2017) and the actual wages at the end of last year, iii) the granting of a one-off support of RON 700 for all pensioners with pensions under RON 2,000.

In August 2022, the Ministry of Finance has published for public debate a draft Resolution on the amendment of Government Resolution no. 807/2014 for the establishment of state aid schemes with the objective of stimulating investments with a major impact on the economy, aimed at increasing the total budget of the state aid from EUR 1.450 million to EUR 1.500 million.

As regards the banking activity, gross loans' outstanding annual growth pace continued to accelerate in 2022, reaching +18.7%\* YoY as of August 2022 end, very much sustained by the advance on corporates (+30.4%\*) and to a lesser extent by households (+6.9%\*). Both housing (+9.5%\*) and consumer loans (+3.1%\*) slowed down in August. The pace of deposits growth (+10.6%\* y/y) is weakening, mainly due to reducing household component (+3.9%\* y/y), as saving capacity seems to be hampered by fast increase of prices, counterbalanced by the advance on the corporate segment (+18.8%\* y/y).

The ratio of non-performing loans for the banking system (according to European Banking Authority definition) continued its annual decreasing reaching 2.89% at August 2022 end versus 3.35% at December 2021 end.

The Romanian banking system is well capitalized, as reflected by the capital adequacy ratio of 21.4% as of June 2022 end (versus 23.3% as of December 2021 end). As regards liquidity, the banking system has also a solid position, with a Liquidity Coverage Ratio of 195% as of June 2022 end, slightly below December 2021 end level (239%).

\* variation at constant FX rate



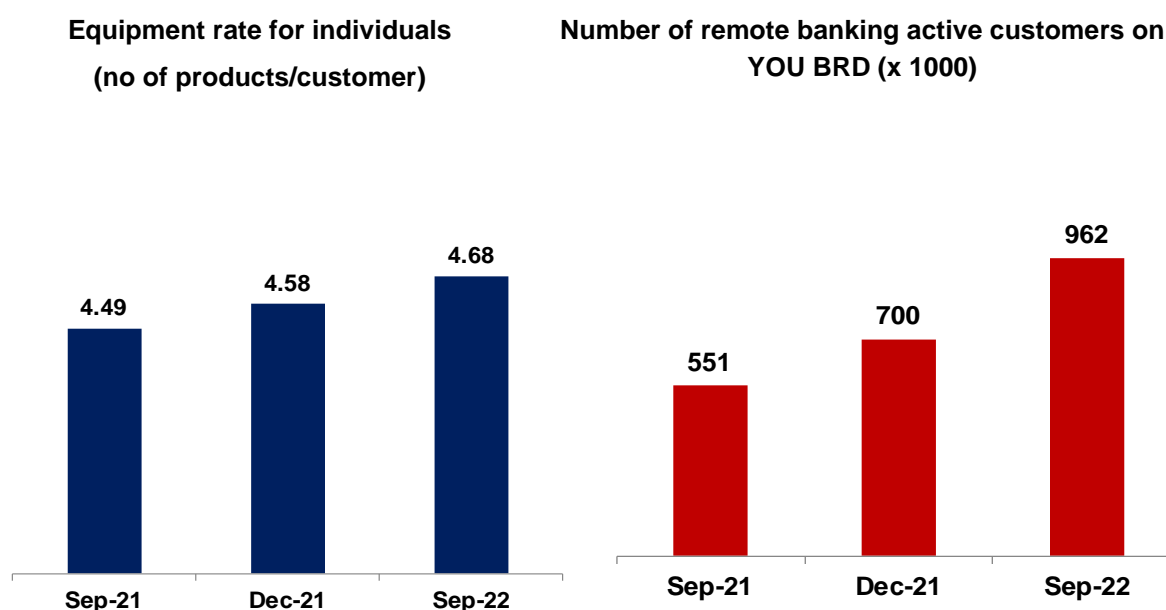
### 3. COMMERCIAL ACTIVITY

As at September 30, 2022, the Bank had 470 branches (September 30, 2021: 525 branches, December 31, 2021: 499 branches), ensuring the distribution of its products and services throughout the whole country.

The equipment rate for individuals continued to increase, reaching 4.68 at September 30, 2022, compared to 4.49 at September 30, 2021.

The digital adoption further increased, as reflected by the higher number of users of the mobile application, You BRD, which is approaching 1 million as of September 30, 2022, up by 75% compared to the same period last year.

BRD marked important steps forward on the road to a fully digitalized customer journey by offering instant payments, 24/7, for individuals, in You BRD and 100% online credit card issuance flow, accessible on BRD website and via You BRD. 78% of operations linked to card management (temporary blocking and unblocking the card, resending code by sms, changing card limits) are made by customers via You BRD application, reflecting a record adaption rate for a digital functionality.



BRD held a market share of 10.3% of total assets at June 30, 2022.

	Sep-21	Dec-21	Aug-22
<b>TOTAL ASSETS</b>	<b>11.1%</b>	<b>10.5%</b>	<b>n.a.</b>
<b>LOANS</b>	<b>10.5%</b>	<b>9.9%</b>	<b>9.7%</b>
<i>Individuals</i>	13.9%	13.7%	13.5%
<i>Companies</i>	7.1%	6.5%	6.7%
<b>DEPOSITS</b>	<b>11.0%</b>	<b>10.2%</b>	<b>10.2%</b>
<i>Individuals</i>	11.1%	10.9%	11.2%
<i>Companies</i>	10.9%	9.3%	9.1%

Note:  
Market shares by total assets as communicated by NBR

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

RON bln	Sep-21	Dec-21	Sep-22	vs. Dec-21	vs. Sep-21
<b>Retail</b>	<b>22.8</b>	<b>22.7</b>	<b>23.5</b>	<b>3.6%</b>	<b>3.2%</b>
Individuals	22.0	22.0	22.5	2.5%	2.5%
Small business	0.8	0.7	1.0	35.8%	21.6%
<b>Non-retail</b>	<b>9.7</b>	<b>10.2</b>	<b>12.6</b>	<b>24.1%</b>	<b>30.9%</b>
SMEs	3.0	3.4	4.5	33.8%	49.5%
Large corporate	6.6	6.8	8.1	19.2%	22.4%
<b>Total net loans</b>	<b>32.5</b>	<b>32.9</b>	<b>36.2</b>	<b>9.9%</b>	<b>11.5%</b>
Financial lease receivables	1.2	1.2	1.4	12.2%	12.2%
<b>Total net loans, including leasing</b>	<b>33.7</b>	<b>34.1</b>	<b>37.5</b>	<b>10.0%</b>	<b>11.5%</b>

Net loans outstanding (including leasing) reached RON 37.5 billion, strongly increasing by +11.5% versus September 30, 2021 and by +10% compared to year end, sustained by a dynamic lending activity all over the board.

On retail segment, net loans outstanding was up +3.2% YoY, underpinned by both individuals and small business. Loan production for individuals was driven by housing loans, while consumer lending reflects the market slow down. Small business segment posted a strong growth of +21.6% YoY.

On corporate segment, the lending activity was extremely dynamic, with net loans outstanding recording a remarkable growth of 30.9% YoY at September 30, 2022, building on both SMEs (+49.5% YoY) and large companies (+22.4% YoY). BRD continued to support SMEs eligible under Governmental programs (IMM Invest, IMM Prod, Garant Construct, Agro IMM Invest and Rural Invest) with RON 1.37 billion approved loans during H1 2022, out of which 33% for the agricultural sector. During Q3 2022, IMM Invest program was no longer operational as the temporary framework COVID-19 expired at the end of June 2022. The new IMM Invest Plus (sequel to the IMM Invest program), became operational for banks at beginning of October 2022.

Leasing activity reconfirmed the solid performance posting an overall portfolio increase of +12.2% YoY.

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

RON bln	Sep-21	Dec-21	Sep-22	vs. Dec-21	vs. Sep-21
<b>Retail</b>	<b>34.8</b>	<b>36.0</b>	<b>36.0</b>	<b>0.0%</b>	<b>3.3%</b>
Individuals	29.1	29.6	29.9	1.1%	2.8%
Small business	5.8	6.4	6.1	-5.2%	5.7%
<b>Non-retail</b>	<b>19.0</b>	<b>16.7</b>	<b>19.2</b>	<b>14.8%</b>	<b>1.1%</b>
SMEs	8.7	8.6	8.3	-3.3%	-4.7%
Large corporate	10.3	8.1	10.9	33.9%	6.0%
<b>Total deposits</b>	<b>53.8</b>	<b>52.7</b>	<b>55.2</b>	<b>4.7%</b>	<b>2.5%</b>

Deposits from customers reached RON 55.2 billion, higher by 2.5% on an annual basis and by 4.7% compared to December 31, 2021. The year on year growth was mainly driven by retail (both individuals and small business) and large corporate customers. Compared to year end, overall retail deposit base remained rather stable, but with diverging dynamic on sub-segments: individuals component was up 1.1%, with RON term deposits gaining traction in a rising rates context, but small business recorded 5.2% decrease. Large corporate deposits significantly increased by 33.9% year to date.

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 September 30, 2022, net outstanding of leasing financing granted by BRD Sogelease increased by 12.2% YoY to RON 1,371 million. New leasing production increased to RON 702 million in 2022, +18% YoY. BRD Sogelease maintained during Q3 2022 a dynamic lending activity for SME's and large corporates active in sectors as construction, logistics and transportation, agriculture, manufacturing and healthcare. BRD Sogelease results reconfirmed the position of financial leasing as an efficient and accessible financing solution offered by BRD Group for SME companies in Romania.

### **BRD FINANCE IFN SA**

At the end of September 2022 the value of the net loan portfolio was of RON 438 million vs. RON 547 million at September 2021 end, as the new production was mainly impacted by auto segment, given the delays in the components delivery registered globally. In this context the strategy was focused on the limitation of operating expenses and a stepwise reduction in cost of risk. Therefore, the net result was significantly improved (+8% vs. 9M 2021) despite net banking income decrease (-13% vs 9M 2021).

### **BRD ASSET MANAGEMENT SA**

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 18.1%\* and RON 3.3 billion assets under management at September 2022 end. BRD Asset Management now offers investment solutions to more than 118 thousand clients across its 12 investment funds. BRD Asset Management is the 4<sup>th</sup> largest asset manager in Romania in terms of assets under management in open ended funds. In August, 4 new funds have been launched: BRD Orizont 2035, BRD Orizont 2045, BRD Oportunitati and BRD Euro Simplu. The first two are known as TDF's (target date funds), a novelty on the local market.

*\* 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 September 30, 2022 and the comparative periods.

### FINANCIAL POSITION – ASSETS

Total assets increased by near 3.5% versus September 30, 2021 and by around 3% compared to 2021 end, both for the Group and for the Bank.

The asset structure is presented below:

#### THE GROUP

Assets (RONm)	Sep-21	Dec-21	Sep-22	% total	vs. Dec-21	vs. Sep-21
Cash and current accounts with Central Bank	6,486	6,206	6,787	9.5%	9.3%	4.6%
Loans and advances to credit institutions	6,402	4,538	7,191	10.1%	58.5%	12.3%
Net loans and advances to customers	32,458	32,914	36,177	50.8%	9.9%	11.5%
Financial lease receivables	1,222	1,223	1,371	1.9%	12.2%	12.2%
Other financial instruments	20,361	22,253	16,973	23.8%	-23.7%	-16.6%
Tangible and intangible assets	1,423	1,460	1,460	2.1%	0.0%	2.6%
Other assets	393	470	1,215	1.7%	2.6x	3.1x
<b>Total assets</b>	<b>68,744</b>	<b>69,063</b>	<b>71,174</b>	<b>100.0%</b>	<b>3.1%</b>	<b>3.5%</b>

#### THE BANK

Assets (RONm)	Sep-21	Dec-21	Sep-22	% total	vs. Dec-21	vs. Sep-21
Cash and current accounts with Central Bank	6,486	6,206	6,786	9.8%	9.3%	4.6%
Loans and advances to credit institutions	6,385	4,521	7,175	10.4%	58.7%	12.4%
Net loans and advances to customers	31,707	32,184	35,481	51.4%	10.2%	11.9%
Other financial instruments	20,416	22,305	16,998	24.6%	-23.8%	-16.7%
Tangible and intangible assets	1,399	1,437	1,440	2.1%	0.2%	2.9%
Other assets	255	362	1,082	1.6%	3.0x	4.2x
<b>Total assets</b>	<b>66,648</b>	<b>67,015</b>	<b>68,963</b>	<b>100.0%</b>	<b>2.9%</b>	<b>3.5%</b>

### LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers registered a strong performance year-on-year (Group: +11.5% YoY at September 2022 end, o/w leasing +12.2%; Bank: +11.9%) on broad based growth, as detailed above in Chapter 3.

### 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 8.5% versus September 30, 2021 and by 30.1% versus December 2021 end, for both the Bank and the Group. The increase is explained by both higher cash and current accounts with the central bank and placements at credit institutions. These items represented approximately 20% of total assets for both the Group and the Bank at end of September 2022.

The minimum compulsory reserve held with the National Bank of Romania accounted for 29% of this aggregate at September 30, 2022 (29% at September 2021 end and 34% at December 2021 end) at Group level. It amounted to RON 4,031 million, up by 8.9% vs September 30, 2021, mainly linked to increasing customers deposits as detailed above in Chapter 3. The level of RON and FX minimum reserve requirements for liabilities with residual maturity of less than 2 years are at 8% and 5% respectively, unchanged from May 2015 for RON and from November 2020 for FX.

## OTHER FINANCIAL INSTRUMENTS

Other financial instruments include financial assets at fair value through other comprehensive income, treasury bills at amortised cost, financial assets at fair value through profit and loss, derivatives and other financial instruments held for trading, investments in associates and subsidiaries.

These items amounted to RON 17.0 billion at September 2022 end and represented almost 24% of Group assets. They decreased by 16.6% compared to September 2021 end and by 23.7% versus December 2021 end, driven by the decrease in government bonds portfolio, partly on lowering market value in a context of surging yields, and lower derivatives and other financial instruments held for trading.

## TANGIBLE AND INTANGIBLE ASSETS

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

The total value of investments during the first 9 months of 2022 was RON 145 million for the Group and RON 144 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)	Sep-21	Dec-21	Sep-22	% total	vs. Dec-21	vs. Sep-21
Amounts owed to credit institutions	3,220	4,708	7,651	10.8%	62.5%	2.4x
Amounts owed to customers	53,804	52,684	55,158	77.5%	4.7%	2.5%
Other liabilities	1,782	1,793	2,055	2.9%	14.6%	15.3%
Shareholders equity	9,937	9,879	6,309	8.9%	-36.1%	-36.5%
<b>Total liabilities and shareholders equity</b>	<b>68,744</b>	<b>69,063</b>	<b>71,174</b>	<b>100.0%</b>	<b>3.1%</b>	<b>3.5%</b>

### THE BANK

Liabilities and shareholders equity (RONm)	Sep-21	Dec-21	Sep-22	% total	vs. Dec-21	vs. Sep-21
Amounts owed to credit institutions	1,397	2,882	5,767	8.4%	2.0x	4.1x
Amounts owed to customers	53,990	52,918	55,317	80.2%	4.5%	2.5%
Other liabilities	1,658	1,676	1,920	2.8%	14.6%	15.8%
Shareholders equity	9,603	9,539	5,960	8.6%	-37.5%	-37.9%
<b>Total liabilities and shareholders equity</b>	<b>66,648</b>	<b>67,015</b>	<b>68,963</b>	<b>100.0%</b>	<b>2.9%</b>	<b>3.5%</b>

## AMOUNTS OWED TO CUSTOMERS

At September 30, 2022, amounts owed to customers increased by 2.5% both for the Bank and the Group on an annual basis and by 4.5%, respectively 4.7% compared to 2021 end. The year on year increase was driven by retail (both individuals and small business) and non-retail (large corporates), with increase in term deposits and local currency resources.

## AMOUNTS OWED TO THE CREDIT INSTITUTIONS

Amounts owed to credit institutions represent borrowings from the parent and International Financial Institutions and interbank deposits, and stood at 11.8% of the total liabilities for the Group and 9.2% for the Bank at September 30, 2022.

BRD Group's borrowings from Société Générale totalled RON 5.9 billion (9.0% of liabilities) at September 2022 end. Among these, are included 2 senior non-preferred loans in amount of EUR 600 million (EUR 450 million received in December 2021, respectively EUR 150 million in June 2022, both with a tenor of 3 years and a call option at 2 years) and 2 subordinated loans in amount of EUR 250 million (EUR 100 million drawn in December 2021, respectively EUR 150 million in June 2022, both with a tenor of 10 years and a call option at 5 years).

Within a context of tightened RON liquidity, the Lombard facility was accessed during March-September 2022 period, in average at an amount that as a share in total drawn by the banks was rather in line with BRD's market share in total assets, but significantly lower in September 2022 compared to previous months.

## SHAREHOLDERS' EQUITY

Shareholders' equity decreased by 36.5% for the Group and by 37.9% for the Bank compared to September 30, 2021, mainly on dividend distribution (for 2019-2021 results) and lower revaluation reserves of debt instruments accounted at fair value through other comprehensive income, in the context of surging yields. The evolution compared to December 2021 end was similar.

The structure of the shareholders' equity evolved as follows:

### THE GROUP

Shareholders' equity (RONm)	Sep-21	Dec-21	Sep-22	vs. Dec-21	vs. Sep-21
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	102	(385)	(2,383)	5x	n.a.
Retained earnings and capital reserves	7,262	7,691	6,116	-20.5%	-15.8%
Non-controlling interest	59	58	61	5.0%	3.5%
<b>Total shareholders' equity</b>	<b>9,937</b>	<b>9,879</b>	<b>6,309</b>	<b>-36.1%</b>	<b>-36.5%</b>

### THE BANK

Shareholders' equity (RONm)	Sep-21	Dec-21	Sep-22	vs. Dec-21	vs. Sep-21
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	102	(385)	(2,383)	5x	n.a.
Retained earnings and capital reserves	6,986	7,409	5,827	-21.3%	-16.6%
<b>Total shareholders' equity</b>	<b>9,603</b>	<b>9,539</b>	<b>5,960</b>	<b>-37.5%</b>	<b>-37.9%</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 64.1% at September 30, 2022 (from 60.8% at December 31, 2021 and 58.7% at September 30, 2021) for the Bank and 68.1% for the Group, including financial leasing receivables (64.8% at December 31, 2021 and 62.6% at September 30, 2021).

## 9M-2022 FINANCIAL RESULTS

The comparative income statement of the Group for the periods January – September 2022 and January – September 2021 is presented below:

	9M-2021	9M-2022	Variation
RONm			
<b>Net banking income</b>	<b>2,314</b>	<b>2,541</b>	<b>9.8%</b>
- net interest income	1,537	1,724	12.2%
- net commissions	564	575	1.9%
- other banking income	213	241	13.4%
<b>Operating expenses</b>	<b>(1,198)</b>	<b>(1,276)</b>	<b>6.5%</b>
- staff expenses	(617)	(649)	5.2%
- non-staff expenses	(581.31)	(627)	7.9%
<b>Operating profit</b>	<b>1,116</b>	<b>1,265</b>	<b>13.4%</b>
Net cost of risk	42	(37)	n.a.
Gross result	1,158	1,228	6.1%
<b>Net result</b>	<b>920</b>	<b>1,016</b>	<b>10.3%</b>
Profit attributable to equity holders of the parent	910	1,005	10.4%

The comparative income statement of the Bank for the periods January – September 2022 and January – September 2021 is presented below:

	9M-2021	9M-2022	Variation
RONm			
<b>Net banking income</b>	<b>2,194</b>	<b>2,449</b>	<b>11.6%</b>
- net interest income	1,439	1,625	13.0%
- net commissions	536	549	2.5%
- other banking income	219	275	25.4%
<b>Operating expenses</b>	<b>(1,125)</b>	<b>(1,207)</b>	<b>7.3%</b>
- staff expenses	(574)	(610)	6.3%
- non-staff expenses	(551.18)	(598)	8.4%
<b>Operating profit</b>	<b>1,069</b>	<b>1,241</b>	<b>16.2%</b>
Net cost of risk	46	(45)	n.a.
Gross result	1,115	1,197	7.3%
<b>Net result</b>	<b>886</b>	<b>998</b>	<b>12.6%</b>

BRD Group's revenues registered a strong increase of 9.8% over the first nine months of 2022 versus the same period of the last year, reflecting a broad based dynamic commercial momentum.

The evolution was mainly driven by the +12.2% increase in NII, with a substantial growth in interest revenues, building on both positive volume effect and higher rates (average ROBOR 3M at 5.63% in 9M-2022 versus 1.59% in 9M-2021, with already slight positive effect also from IRCC in Q3 that shall gradually progress in the coming quarters), tempered by increasing funding costs mainly related to corporate deposits, term deposits for individuals, and usage of Lombard facility within a tight liquidity environment.

Net fees and commissions advanced by +1.9% YoY particularly on the good performance of service fees, mainly explained by the increase in revenues from card transactions and insurance fees, compensating the impact of lower commissions from e-banking given the migration of individuals clients to the new free of charge mobile banking application, YOU BRD.

Other revenues categories increased by 13.4% YoY mainly on consistent increase in both trading and sales activities, on all products.

Excluding the contributions to Deposit Guarantee and Resolution Funds (69.2m RON vs 49.4m RON in 9M-2021), operating expenses inched up by +5.0%. Increase in staff costs (+5.2%) is driven by price effect (wage increase and other benefits, especially meal tickets) in a still very tight job market, with deepening skills shortage, but partially compensated by the declining trend of FTEs in a context of reducing the network footprint. Other cost categories increased by +4.9%, mainly due to higher expenses related to several external services and IT&C.

Given the above evolutions, the BRD Group cost/income ratio was improved by 2.2 ppt (if we exclude the cumulated contributions to Deposit Guarantee and Resolution Funds), to 47.5% in 9M-2022, from 49.6% in the same period of the previous year.

BRD Group registered a solid operational performance, with gross operating income of RON 1,265 million in 9M-2022 (vs. RON 1,116 million in 9M-2021).

Portfolio quality and credit risk indicators remained at very sound levels in the first 9 months of 2022, with NPL rate\* reaching record low level of 2.6% in September 2022 (down from 3.2% in September 2021). 9M net cost of risk at RON 37 million (vs. RON 42 million release in 9M-2021) was driven by charges on performing portfolio in response of macroeconomic trends, while non-performing portfolio was a driver of steady recoveries throughout the year.

Given all the above, BRD Group recorded a net result of RON 1,016 million, +10.3% YoY, a return on equity of 16.7% (4.3 ppt higher compared to 9M-2021) and a return on assets of 1.9% (0.1 ppt higher versus 9M-2021).

The Bank recorded similar trends, with a net result of RON 998 million versus RON 886 million in 9M-2021.

#### CAPITAL ADEQUACY (THE BANK)

RONm	Sep-21	Dec-21	Sep-22
Tier 1 capital	7,984	6,646	5,935
Tier 2 capital	-	495	1,237
<b>TOTAL OWN FUNDS</b>	<b>7,984</b>	<b>7,141</b>	<b>7,172</b>
<b>Capital requirements</b>	<b>2,370</b>	<b>2,368</b>	<b>2,617</b>
Credit risk (including counterparty risk)	26,373	27,067	30,068
Market risk	209	138	105
Operational risk	2,697	2,125	2,319
CVA risk	343	266	225
<b>Total risk exposure amount</b>	<b>29,622</b>	<b>29,596</b>	<b>32,718</b>
<b>Regulatory CAR</b>	<b>27.0%</b>	<b>24.1%</b>	<b>21.9%</b>
<b>Tier 1 ratio</b>	<b>27.0%</b>	<b>22.5%</b>	<b>18.1%</b>

At Bank level, the capital adequacy ratio reached 21.9%\*\* at September 30, 2022 (Basel 3), compared to 24.1% at December 31, 2021 and 27.0% at September 30, 2021.

The year on year decrease in solvency ratio is explained by both decrease in own funds, and increase of capital requirements.

The own funds' decrease is mainly the result of dividend distribution (the exceptional payment of RON 1,684 million from 2019 and 2020 retained profits, approved by GSM on February 24, 2022) and lower revaluation reserves of debt instruments accounted at fair value through other comprehensive income, in the context of rising yields. These effects were partially offset by the incorporation of the 2021 net profit after RON 895.5 million dividend distribution (representing 70% payout ratio), full incorporation of H1 2022 profit and drawing of Tier 2 instruments. BRD's regulatory own funds as at September 30, 2022 are formed of common equity capital (CET1) and Tier 2 instruments.

The increase of capital requirements was mainly driven by the credit risk component in the context of a dynamic lending activity.

The Tier 1 ratio was 18.1%\*\* at September 30, 2022 compared to 22.5% at December 31, 2021 and 27.0% at September 30, 2021.

\* at Bank level; \*\* CAR for Sep-22 is preliminary



## 5. CONCLUSIONS

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Romanian economy displayed a solid performance in Q2 2022, with a growth pace of 5.1% YoY, printing second best among EU member states, again with households' consumption as the main lever of growth. This evolution built on the complete removal of corona restrictions, the support measures undertaken by the Government and favorable labor market developments. Nevertheless, the challenging macroeconomic context dominated by the prolonged war in Ukraine amplified the erosion of household purchasing power, the further slowdown in external demand, the persistent friction in global supply chain and production cycle, as well as the elevated uncertainty. In this environment, NBR stepped up the pace of key rate increase driving it to 6.25% beginning of October and provided liquidity to the banking system through Lombard facility.

The growth potential residing within the National Recovery and Resilience Plan started being tapped through a first financing request, for which the European Commission endorsed a positive preliminary assessment on September 15<sup>th</sup> 2022, for the payment of EUR 1.8 bn in grants and EUR 800 million in loans.

Over these first nine months of 2022, BRD showed a robust commercial performance across the board, despite the challenging macroeconomic context.

Lending continued to be very dynamic, BRD Group net loans, including leasing receivables, recording a strong growth (+11.5% YoY at September 2022 end). Loan production for individuals was driven by housing loans, while consumer lending reflects the market slow down. Corporate lending marked a remarkable performance (+30.9% YoY) built on both an excellent activity on SME segment (+49.5% YoY) and an accelerated growth of loans to large companies (+22.4% YoY). BRD actively supported SMEs eligible under Governmental programs, with RON 1.4 billion approved loans in H1 2022, out of which 33% for the agricultural sector (since June 2022 end, IMM Invest program ceased to be operational for all banks). Leasing activity reconfirmed the solid performance posting an overall portfolio increase of +12.2% YoY.

BRD marked important steps forward on the road to a fully digitalized customer journey: 100% online credit card issuance flow is now accessible on BRD website and via YOU, BRD's online banking app, and instant payments, 24/7, for individuals are possible with YOU BRD. The continued increase in digital adoption materialized in a number of YOU BRD users approaching 1 million at September 2022 end versus around half a million in the same period last year.

Building on a broad based dynamic commercial momentum, BRD Group delivered over the first nine months of the year a strong financial performance. NBI was higher by 9.8% versus the same period of 2021, mainly on a double-digit advance in interest income, building on both positive volume effect and higher market rates. Inflation continued to materialize on costs. Operating expenses posted still a tempered growth thanks to rigorous discipline in spending. The net cost of risk charge of RON 37 million in 9M-2022 (vs. RON 42 million release in 9M-2021) was driven by charges on performing portfolio in response of macroeconomic trends, while non-performing portfolio was a driver of steady recoveries throughout the year. Consequently, BRD delivered in 9M-2022 a net result of RON 1,016 million (+10.3%), representing high level of profitability with ROE close to 17%.

The interim financial report as at September 30, 2022 has not been audited.

**Giovanni Luca SOMA**  
Chairman of the Board of Directors

**François BLOCH**  
Chief Executive Officer

**Etienne LOULERGUE**  
Deputy Chief Executive Officer