

Quarterly Report

March 31, 2022

according to Financial Supervisory Authority Regulation
no 5/2018

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1. THE COMPANY AND ITS SHAREHOLDERS

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, 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 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, 2022, the Bank had the following ratings:

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

Moody's (last rating update: October-2021**)	Rating
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, 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:

- *Retail Banking in France* 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, Insurance 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, Russia and Central Europe 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

		3 months to	3 months to	Change
		31-Mar-2021	31-Mar-2022	
The Group				
Financial results	Net banking income (RONm)	753	810	+7.5%
	Operating expenses (RONm)	(432)	(460)	+6.4%
	Cost of risk (RONm)	(54)	(32)	-41.2%
	Net profit (RONm)	222	263	+18.3%
	Cost / income ratio	57.4%	56.8%	-0.6 pt
	ROE	9.1%	11.9%	+2.8 pt
RON bn		Mar-21	Mar-22	Change
Loans and deposits	Total net loans (incl. leasing)	31.8	34.8	+9.2%
	Total deposits	51.4	53.3	+3.8%
		3 months to	3 months to	Change
		31-Mar-2021	31-Mar-2022	
The Bank				
Financial results	Net banking income (RONm)	714	765	+7.2%
	Operating expenses (RONm)	(410)	(437)	+6.7%
	Cost of risk (RONm)	(43)	(31)	-27.3%
	Net profit (RONm)	218	246	+12.6%
	Cost / income ratio	57.4%	57.2%	-0.3 pt
	ROE	9.2%	11.6%	+2.4 pt
RON bn		Mar-21	Mar-22	Change
Loans and deposits	Total net loans	30.0	32.8	+9.2%
	Total deposits	51.6	53.5	+3.8%
		Mar-21	Mar-22	Change
Capital adequacy	RON m			
	Own funds (RONm)	8,642	6,591	-23.7%
	RWA (RON bn)	27,343	30,744	+12.4%
	CAR*	31.6%	21.4%	-10.2 pt
Franchise	No of branches	569	499	(70)

* Own funds net of dividend distribution from 2019 and 2020 retained profits, approved by GSM on February 24, 2022 and the dividend from 2021 net profit, approved by GSM on April 28, 2022

BRD SHARE

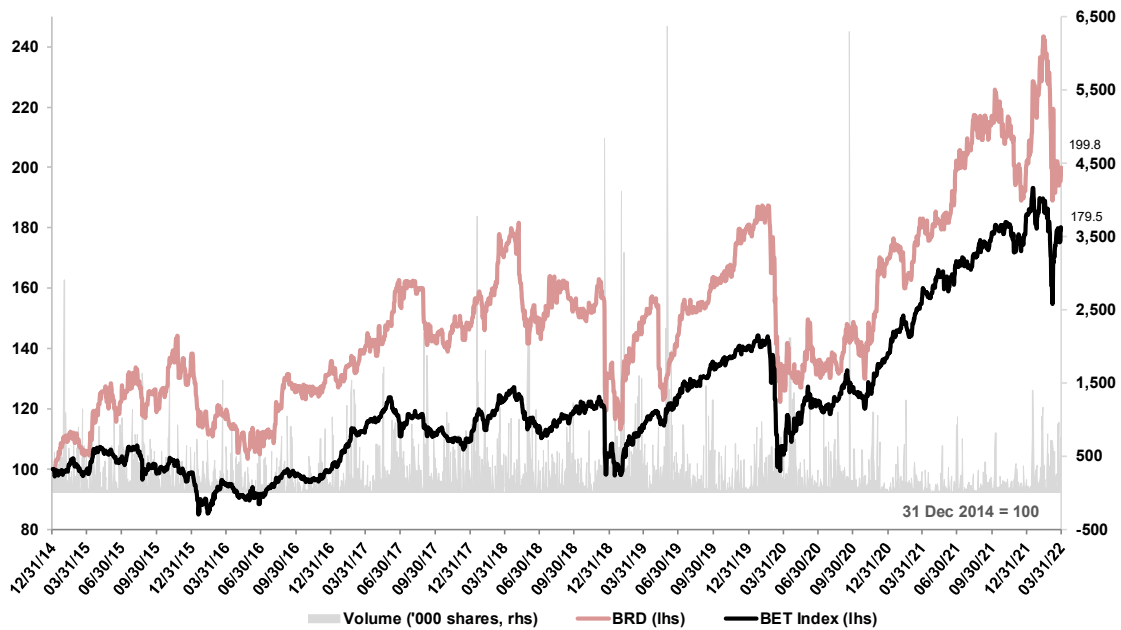
Starting with January 15th, 2001, the Bank's shares are listed in the Premium category of the Bucharest Stock Exchange. The shares are included in the BET, BET Plus, BET-XT, BET-XT-TR, BET-BK, BET-TR and ROTX indexes. The Bank's shares are ordinary, nominative, dematerialized and indivisible. According 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, 2022, was of RON 17.48 /share (RON 17.70 /share at December 31, 2021 and RON 15.86 /share at March 31, 2021). On the same date, the market capitalization was RON 12,181.84 million (RON 12,335.16 million at December 31, 2021 and RON 11,052.86 million at March 31, 2021).

During January – March 2022, neither the Bank, nor its subsidiaries bought back own shares.

As of March 31, 2022 neither the Bank, nor its subsidiaries held 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, 2022



Source: Bloomberg

2. ECONOMIC AND BANKING ENVIRONMENT

Romanian economy showed a rebound in 2021 fostered by better business conditions and sentiment, with growth surpassing the pre-pandemic level. Still, a slowdown was seen in Q4 2021 when GDP growth slipped into negative territory (-0.1% quarter-on-quarter, seasonally adjusted) as a result of the significant deterioration in agricultural performance. The annual growth printed at +5.9% y/y. The GDP breakdown on components shows private consumption as the main positive contributor to annual GDP growth (+7.0% y/y, +4.8 ppt to GDP growth), followed by gross fixed capital formation (+4.0% y/y, +0.9 ppt to GDP growth), while net exports acted as a drag, slicing off -1.5 ppt.

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 the other side, the Ukrainian crisis outbreak late February 2022 compounds pre-existing GDP growth hurdles: purchasing power growth will be strongly discounted by inflation; cost of living is on the rise; manufacturing sector, particularly the automotive industry, faces new supply chain obstacles; the need to accommodate the added burden on the national budget could result in an under-execution of public investment; while corporate insolvency growth is likely to accelerate.

Annual inflation rate continued to climb above market expectations, to a double-digit level of 10.2% in March 2022, being far from the upper bound of the NBR target range (2.5% \pm 1 ppt). The evolution was underpinned by soaring food and fuel prices as war in Ukraine sent additional shock waves through the global food supply chain and energy market.

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 two months of 2022, and a further 50 bps hike in key rate to 3.0% done early April against a renewed worsening of short-term inflation outlook triggered by the war in Ukraine and its spill over effects (higher prices for commodities like food and energy, disrupted supply chains, reduced business confidence and higher investor uncertainty).

On March 9th, 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. NBR continued to perform repo operations in 2022 (a monthly peak was registered in March 2022 with a daily average of RON 6.3 bn, still lower compared to RON 13.6 bn registered in April 2020 at the beginning of Covid-19 pandemic). Also, in March, in a context of tightened RON liquidity on the background of war developments, NBR provided liquidity through Lombard facility to the banking system (daily average of RON 10.5 bn).

To address the current difficult economic context, Romanian Government presented in April 2022 the program "Support for Romania" that offers protection solutions for citizens and the economy. The total value of the program is RON 17.3 billion, out of which RON 9 billion from European funds and RON 8.3 billion from national funds. The main measures are:

- RON 500 million for loan guarantees:
 - "Family Start" program: loan of up to RON 75,000, 80% guaranteed by the state
 - "Student Invest" program: loan of up to RON 50,000, 80% guaranteed by the state;
- Minimum EUR 300 million of grants (up to EUR 400,000/company) for SMEs with higher utility costs (+15%);
- RON 300 million for discount on petrol and diesel for large transporters (RON 0.50/litre) and extension of the cap on RCA (mandatory auto insurance) policies for large transporters;
- Implementation of technical unemployment and Kurzarbeit reliefs until 31.12.2022 (granting 75% of the salary to employees affected);
- Minimum wage increase by RON 200;
- Grant of vouchers worth EUR 50/ 2 months for vulnerable people until the end of 2022 and vouchers worth EUR 30 / month for pupils from vulnerable families;

- Increase the value of meal vouchers from RON 20 to RON 30, starting June 1st 2022.

As regards the banking activity, gross loans' outstanding annual growth pace continued to be strong in 2022, with an advance of +16.6%* YoY as of February 2022 end, driven by both 1) individuals' gross loans' increase (+9.3%*) built on housing (+12.3%*), while consumer loans' (+4.8%*) reconfirmed 2021 end growth pace; and 2) lending to companies, +24.0%*, continuing the double digit advance started in June 2021. The strong savings' propensity triggered by the prolonged pandemic that kept deposits growth pace in a double digit area throughout 2021 continued in the beginning of 2022, deposits showing +12.2%* YoY increase as of February 2022 end.

The ratio of non-performing loans for the banking system (according to European Banking Authority definition) remained in February 2022 close to 2021 end level (3.37% versus 3.35% at December 2021 end) on an annual decreasing trend (3.98% at February 2021 end). The ratio thus stands at the lower end of the EBA defined medium risk bucket [3-8%].

The Romanian banking system is well capitalized, as reflected by the capital adequacy ratio of 22.3% as of December 2021 end (versus 25.1% as of December 2020 end). As regards liquidity, the banking system has also a solid position, with a Liquidity Coverage Ratio of 240% as of February 2022, close to December 2021 end level of 239% (versus 266% as of December 2020 end).

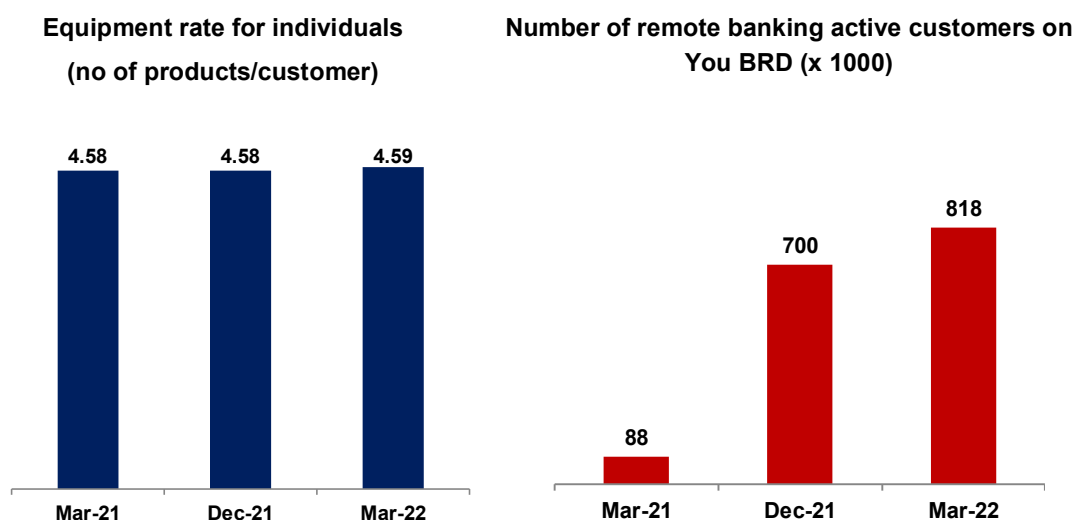
* variation at constant FX rate

3. COMMERCIAL ACTIVITY

As at March 31, 2022, the Bank had 499 branches (March 31, 2021: 569 branches, December 31, 2021: 499 branches), ensuring the distribution of its products and services throughout the whole country.

The equipment rate for individuals reached 4.59 at March 31, 2022 compared to 4.58 at March 31, 2021.

Our new mobile application, "You BRD", has been constantly upgraded and enriched with new features for a simpler and enhanced experience. After making available to our customers in Q3 2021 remote private individuals onboarding and online consumer lending, in Q1 2022 BRD launched its online opening functionality for term deposits, savings and current accounts.



BRD held a market share of 10.5% of total assets at December 31, 2021.

	Mar-21	Dec-21	Feb-22
TOTAL ASSETS	11.0%	10.5%	n.a.
LOANS	10.7%	9.9%	9.8%
<i>Individuals</i>	<i>14.2%</i>	<i>13.7%</i>	<i>13.7%</i>
<i>Companies</i>	<i>7.1%</i>	<i>6.5%</i>	<i>6.4%</i>
DEPOSITS	11.1%	10.2%	10.4%
<i>Individuals</i>	<i>11.4%</i>	<i>10.9%</i>	<i>11.1%</i>
<i>Companies</i>	<i>10.6%</i>	<i>9.3%</i>	<i>9.5%</i>

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

RON bln	Mar-21	Dec-21	Mar-22	vs. Dec-21	vs. Mar-21
Retail	21.7	22.7	22.8	0.5%	5.1%
Individuals	21.1	22.0	22.1	0.7%	4.8%
Small business	0.6	0.7	0.7	-3.6%	16.2%
Non-retail	9.0	10.2	10.6	4.4%	18.2%
SMEs	2.7	3.4	3.5	4.0%	29.9%
Large corporate	6.3	6.8	7.1	4.6%	13.1%
Total net loans	30.7	32.9	33.5	1.7%	8.9%
Financial lease receivables	1.1	1.2	1.3	3.9%	17.0%
Total net loans, including leasing	31.8	34.1	34.8	1.8%	9.2%

Net loans outstanding (including leasing) reached RON 34.8 billion, increasing by +9.2% versus March 31, 2021 and by +1.8% compared to year end, sustained by dynamic lending activity all over the board.

On retail segment, net loans outstanding was up +5.1% YoY, underpinned by both individuals and small business segments.

Loan production for individuals continued to show a consistent growth of +27% in Q1 2022 versus the same period of last year, mainly building on housing loans (+139%), while unsecured consumer loans slowed down starting March in a context marked by increasing uncertainty.

Small business segment posted a strong growth of +16% YoY.

The corporate segment marked a very robust performance (+18% YoY), on both dynamic activity on SME segment (+30% YoY) and a solid growth of large companies loans (+13% YoY). BRD continued its active participation in IMM Invest Program, with RON 289 million approved loans in Q1 2022, out of which 23% within Agro IMM Invest sub-program.

Leasing activity reconfirmed the solid performance posting an overall portfolio increase of +17% YoY.

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

RON bln	Mar-21	Dec-21	Mar-22	vs. Dec-21	vs. Mar-21
Retail	34.2	36.0	35.4	-1.8%	3.4%
Individuals	29.1	29.6	29.4	-0.5%	1.1%
Small business	5.1	6.4	6.0	-7.5%	16.5%
Non-retail	17.2	16.7	18.0	7.7%	4.8%
SMEs	7.9	8.6	9.0	5.6%	14.2%
Large corporate	9.2	8.1	8.9	9.9%	-3.3%
Total deposits	51.4	52.7	53.3	1.2%	3.8%

Deposits to customers reached RON 53.3 billion, higher by 3.8% on an annual basis and by 1.2% compared to December 31, 2021.

Retail deposits' advance (3.4% YoY) benefitted from higher inflows on individuals' sight accounts and important contribution of small businesses' resources (+16.5% YoY). Compared to end of 2021, there was registered a decrease of retail deposits, especially in RON, on the background of temporary tensions in the first half of March induced by the Ukrainian crisis context.

The non-retail deposits' YoY increase was driven by a double digit growth of SMEs deposits (+14.2% 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, 2022, net outstanding of leasing financing granted by BRD Sogelease increased by 17% year-on-year to RON 1,270 million. New leasing production increased to RON 219.9 million in 2022, +48% YoY. The recovery of the economic activity in 2021 generated a solid demand for leasing products also in Q1 2022, with BRD Sogelease continuing its dynamic lending activity for SME's and large corporates active in sectors like logistics and transportation, agriculture, construction, manufacturing and healthcare. BRD Sogelease results reconfirmed the position of financial leasing as a simple, accessible financing offered by BRD Group to SME companies in Romania.

BRD FINANCE IFN SA

At the end of March 2022 the value of the net loan portfolio was RON 484 million vs. RON 554 million in Q1 2021, the new production having a downward trend mainly due to auto segment, which is severely impacted by the delays in the components delivery registered globally. In this context the strategy was focused on the control of operating expenses and a stepwise reduction in cost of risk. Therefore, the net result was significantly improved (+43% vs. Q1 2021) despite a slight drop in NBI (-9.8%), at 21 RON million for the same period.

BRD ASSET MANAGEMENT SA

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 18.7%* and RON 4.15 billion assets under management at the end of March 2022. BRD Asset Management now offers investment solutions to more than 120 thousand clients across its 8 investment funds. BRD Asset Management is the 4th largest asset manager in Romania in terms of assets under management in open ended funds, 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 March 31, 2022 and the comparative periods.

FINANCIAL POSITION – ASSETS

Total assets increased by approximately 12% versus March 31, 2021 and by around 6% compared to 2021 end, both for the Group and for the Bank.

The asset structure is presented below:

THE GROUP

Assets (RONm)	Mar-21	Dec-21	Mar-22	% total	vs. Dec-21	vs. Mar-21
Cash and current accounts with Central Bank	6,632	6,206	8,461	11.6%	36.3%	27.6%
Loans and advances to credit institutions	6,087	4,538	7,719	10.6%	70.1%	26.8%
Net loans and advances to customers	30,731	32,914	33,480	45.8%	1.7%	8.9%
Financial lease receivables	1,085	1,223	1,270	1.7%	3.9%	17.0%
Other financial instruments	18,819	22,253	20,020	27.4%	-10.0%	6.4%
Tangible and intangible assets	1,371	1,460	1,449	2.0%	-0.7%	5.7%
Other assets	371	470	732	1.0%	55.8%	97.1%
Total assets	65,097	69,063	73,131	100.0%	5.9%	12.3%

THE BANK

Assets (RONm)	Mar-21	Dec-21	Mar-22	% total	vs. Dec-21	vs. Mar-21
Cash and current accounts with Central Bank	6,632	6,206	8,461	11.9%	36.3%	27.6%
Loans and advances to credit institutions	6,070	4,521	7,702	10.8%	70.4%	26.9%
Net loans and advances to customers	30,009	32,184	32,762	46.1%	1.8%	9.2%
Other financial instruments	18,856	22,305	20,042	28.2%	-10.1%	6.3%
Tangible and intangible assets	1,353	1,437	1,428	2.0%	-0.7%	5.6%
Other assets	278	362	618	0.9%	70.7%	122.1%
Total assets	63,197	67,015	71,014	100.0%	6.0%	12.4%

LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers registered a solid growth year-on-year (Group: +9.2% YoY at March 2022 end, o/w leasing +17%; Bank: +9.2%) driven by dynamic lending activity all over the board.

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 27% versus March 31, 2021 and by 51% versus December 2021 end, for both the Bank and the Group. The increase is mainly explained by both higher cash and current accounts with the central bank and placements at credit institutions. These items represented 22% of assets for the Group and 23% for the Bank at end of March 2022.

The minimum compulsory reserve held with the National Bank of Romania accounted for 24% of this aggregate at March 31, 2022 (34% at December 2021 end and 29% at March 2021 end), at Group level, and amounted to RON 3,834 million, up by 5.6% vs March 31, 2021, mainly linked to increasing customers deposits. RON and FX minimum reserve requirements for liabilities with residual maturity of less than 2 years remained unchanged at March 31, 2022 (8% for RON, unchanged from May 2015 and 5% for FX, unchanged from November 2020).

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 20.0 billion at March 2022 end and represented 27% of Group assets. They rose by +6.4% compared to March 2021 end and decreased by -10% versus December 2021 end. The year on year evolution is mainly driven by the increase in government bonds portfolio, while the year to date evolution is due to a decrease in both other financial instruments held for trading (bonds, reverse repo) and government bonds portfolio at fair value through other comprehensive income given maturities and also rising yields' effect on the market value.

TANGIBLE AND INTANGIBLE ASSETS

The tangible and intangible assets accounted for 2.0% of the total assets with land and buildings representing the largest part of the item.

The total value of investments during the first 3 months of 2022 was RON 32 million both for the Group and the Bank, compared to RON 36 million in the same period in 2021 for the Group and RON 35 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)	Mar-21	Dec-21	Mar-22	% total	vs. Dec-21	vs. Mar-21
Amounts owed to credit institutions	2,052	4,708	8,440	11.5%	79.3%	311.4%
Amounts owed to customers	51,356	52,684	53,329	72.9%	1.2%	3.8%
Other liabilities	1,836	1,793	3,568	4.9%	99.1%	94.3%
Shareholders equity	9,852	9,879	7,794	10.7%	-21.1%	-20.9%
Total liabilities and shareholders equity	65,097	69,063	73,131	100.0%	5.9%	12.3%

THE BANK

Liabilities and shareholders equity (RONm)	Mar-21	Dec-21	Mar-22	% total	vs. Dec-21	vs. Mar-21
Amounts owed to credit institutions	360	2,882	6,639	9.3%	230.3%	18x
Amounts owed to customers	51,553	52,918	53,489	75.3%	1.1%	3.8%
Other liabilities	1,736	1,676	3,450	4.9%	105.9%	98.7%
Shareholders equity	9,548	9,539	7,436	10.5%	-22.0%	-22.1%
Total liabilities and shareholders equity	63,197	67,015	71,014	100.0%	6.0%	12.4%

AMOUNTS OWED TO CUSTOMERS

At March 31, 2022, amounts owed to customers increased by 3.8% on an annual basis for both the Bank and the Group and by 1.1%, respectively 1.2% compared to 2021 end for the Bank and the Group. The year on year increase was mainly driven by higher inflows from retail clients, mainly small businesses, and small and medium companies, driven by sight deposits.

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 11.5% of the total assets for the Group and 9.3% for the Bank at March 31, 2022.

BRD Group's borrowings from Société Générale totalled RON 4.2 billion (6.5% of liabilities) at March 2022 end. Among these, are included a senior non-preferred loan in amount of EUR 450 million with a tenor of 3 years and a subordinated debt in amount of EUR 100 million with a tenor of 10 years, both received in December 2021.

Within a context of tightened RON liquidity, the Lombard facility was accessed in March 2022.

SHAREHOLDERS' EQUITY

Shareholders' equity decreased by 20.9% for the Group and by 22.1% for the Bank compared to March 31, 2021, on dividend distribution 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 (banking book government bonds), in the context of rising yields.

The structure of the shareholders' equity evolved as follows:

THE GROUP

Shareholders' equity (RONm)	Mar-21	Dec-21	Mar-22	vs. Dec-21	vs. Mar-21
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	662	(385)	(1,050)	n.a.	-258.5%
Retained earnings and capital reserves	6,624	7,691	6,267	-18.5%	-5.4%
Non-controlling interest	51	58	61	5.5%	20.1%
Total shareholders' equity	9,852	9,879	7,794	-21.1%	-20.9%

THE BANK

Shareholders' equity (RONm)	Mar-21	Dec-21	Mar-22	vs. Dec-21	vs. Mar-21
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	662	(385)	(1,050)	n.a.	-258.5%
Retained earnings and capital reserves	6,370	7,409	5,971	-19.4%	-6.3%
Total shareholders' equity	9,548	9,539	7,436	-22.0%	-22.1%

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 61.3% at March 31, 2022 (from 60.8% at December 31, 2020 and 58.2% at March 31, 2021) for the Bank and 65.2% for the Group, including financial leasing receivables (64.8% at December 31, 2021 and 62.0% at March 31, 2021).

Q1-2022 FINANCIAL RESULTS

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

RONm	Q1-2021	Q1-2022	Variation
Net banking income	753	810	7.5%
- net interest income	507	556	9.8%
- net commissions	174	180	3.4%
- other banking income	72	73	1.7%
Operating expenses	(432)	(460)	6.4%
- staff expenses	(200)	(205)	2.5%
- non-staff expenses	(232)	(255)	9.7%
Operating profit	321	350	9.0%
Net cost of risk	(54)	(32)	-41.2%
Gross result	266	318	19.3%
Net result	222	263	18.3%
Profit attributable to equity holders of the parent	220	260	18.1%

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

RONm	Q1-2021	Q1-2022	Variation
Net banking income	714	765	7.2%
- net interest income	474	523	10.3%
- net commissions	166	171	3.1%
- other banking income	74	72	-3.5%
Operating expenses	(410)	(437)	6.7%
- staff expenses	(188)	(193)	2.6%
- non-staff expenses	(222)	(245)	10.1%
Operating profit	304	328	7.9%
Net cost of risk	(43)	(31)	-27.3%
Gross result	261	297	13.7%
Net result	218	246	12.6%

BRD Group's revenues registered a solid increase in the first three months of the year, with net banking income higher by 7.5% versus the same period of 2021. The strong business momentum translated into near 10% increase of net interest income given a very dynamic lending activity across the board. In addition, the upward trend of interest rates starts to progressively reflect on revenues. Benefiting from higher volumes of customers' transactions, net fees and commissions increased by 3.4% year on year, compensating the pressure on daily and transactional banking services' prices.

Operating expenses registered a moderate increase of +2.1% year on year, if we exclude the cumulated contributions to Deposit Guarantee and Resolution Funds, that were with 40% higher compared to 2021 (RON 69.2m vs RON 49.4m in 2021). Staff expenses marked a controlled increase on a yearly basis (+2.6%) despite the price effect impact induced by wages increase. Other costs category slightly increased mainly on inflation impact on real estate expenses and subcontracting costs of IT services.

As a result of the above evolutions, the BRD Group cost/income ratio was reduced by 2.6 ppt (if we exclude the cumulated contributions to Guarantee and Resolution Funds), to 48.3% in the first quarter of 2022, from 50.8% in the same period of the previous year, on positive jaws effect.

BRD Group registered a good operational performance, with gross operating income of RON 350 million in Q1-2022 (+9.0% YoY).

The quality of the loan portfolio was further improved, with NPL ratio* (non-performing loans, according to EBA definition) of 2.7% at March 2022 end, lower from 3.1% at March 2021 end, and increased provision coverage (76.5% at Mar-22 end vs 73.3% at Mar-21 end, Bank level). The net cost of risk charge was reduced from RON 54m in Q1 2021 to RON 32m in Q1 2022 as a result of a good recovery performance partially offset by a deteriorated context given the current geopolitical environment.

As a result of all the above, BRD Group recorded in Q1 2022 a net profit of RON 263 million (+18.3% YoY, from RON 222 million in Q1 2021), a return on equity of 11.9% (2.8 ppt higher compared to Q1-2021) and a return on assets of 1.5% (0.1 ppt higher versus Q1-2021).

The Bank recorded similar trends, which led to a net result of RON 246 million versus RON 218 million in Q1-2021.

CAPITAL ADEQUACY (THE BANK)

RONm	Mar-21	Dec-21	Mar-22
Tier 1 capital	8,642	6,646	6,096
Tier 2 capital	-	495	495
TOTAL OWN FUNDS	8,642	7,141	6,591
Capital requirements	2,187	2,368	2,460
Credit risk (including counterparty risk)	24,371	27,067	28,240
Market risk	142	138	151
Operational risk	2,685	2,125	2,124
CVA risk	145	266	228
Total risk exposure amount	27,343	29,596	30,744
Regulatory CAR	31.6%	24.1%	21.4%
Tier 1 ratio	31.6%	22.5%	19.8%

At Bank level, the capital adequacy ratio reached 21.4% at March 31, 2022 (Basel 3), compared to 24.1% at December 31, 2021 and 31.6% at March 31, 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, partially offset by the incorporation of the 2021 net profit after RON 895.5 million dividend distribution (considering a 70% payout ratio). BRD's regulatory own funds as at March 31, 2022 are formed of common equity capital (CET1) and Tier 2 instruments. The increase of capital requirements was mainly driven by the increase of capital requirements for credit risk in the context of a very dynamic lending activity.

The Tier 1 ratio was 19.8% at March 31, 2022 compared to 24.1% at December 31, 2021 and 31.6% at March 31, 2021.

* at Bank level

5. CONCLUSIONS

Romanian economy showed a rebound in 2021 surpassing pre-pandemic level. In Q1 2022 the war in Ukraine and inflation took their toll on perspectives. EU Economic Sentiment Indicator fell to a 12 month low in March 2022 as consumer confidence tumbled. In a context of surging inflation, NBR took action to contain its spillover effects (higher prices for commodities like food and energy, disrupted supply chains, reduced business confidence and higher investor uncertainty). Key rate was increased sequentially up to 3.0% and quantitative easing restarted.

The silver lining is represented by the National Recovery and Resilience Plan, albeit conditional on fulfilling strict milestones and targets for implementing the approved projects.

In Q1 2022 BRD posted a strong commercial activity all over the board, despite uncertainties in macroeconomic context towards the end of the quarter.

Lending continued to show a solid performance, BRD Group net loans, including leasing receivables, recording a high single digit growth (+9.2% YoY at March 2022 end). Loan production for individuals continued to show a consistent growth of +27% in Q1 2022 versus the same period of last year, driven by housing loans (+139%). As such, net loans outstanding on retail segment was up +5.1% YoY, underpinned by both individuals and small business segments. Corporate lending marked a very robust performance (+18% YoY) built on both dynamic activity on SME segment (+30% YoY) and a solid growth of loans to large companies (+13% YoY). BRD continued its active participation in IMM Invest Program, with RON 289 million approved loans in Q1 2022, out of which 23% within Agro IMM Invest sub-program. Leasing activity reconfirmed the solid performance posting an overall portfolio increase of +17% YoY.

Digital deliveries kept the pace in Q1 2022 with the launch of online opening functionality for term deposits, savings and current accounts.

As such, BRD Group delivered in the first three months of the year a solid financial performance. The NBI was higher by 7.5% versus the same period of 2021, benefitting from the strong business momentum, higher volumes of customers' transactions, and progressive effects of upward trend of interest rates. Operating expenses marked a controlled increase in a high inflation environment. The net cost of risk reduced in Q1 2022 versus same period last year as a result of a good recovery performance partially offset by a deteriorated context given the current geopolitical environment.

Counting on its strong fundamentals, BRD remains committed to provide needed support to its customers and the Romanian economy especially within the currently uncertain context.

The interim financial report as at March 31, 2022 has not been audited.

Giovanni Luca SOMA

Chairman of the Board of Directors

François BLOCH

Chief Executive Officer

Etienne LOULERGUE

Chief Financial Officer