

Quarterly Report

March 31, 2021

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

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, 2021, SG was holding 60.17% of the share capital.

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

BRD identification data are the following:

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

EXTERNAL RATING

As at March 31, 2021, the Bank had the following ratings:

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

Moody's (last rating update: December-2020**)	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 upgraded Bank's LT and ST foreign currency deposit rating to Baa1/Prime-2 in Dec. 2020

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

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

SOCIÉTÉ GÉNÉRALE PROFILE

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

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

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

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

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

BRD POSITION WITHIN SOCIÉTÉ GÉNÉRALE

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

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

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

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

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

KEY FIGURES

	The Group	3 months to 31-Mar-2020	3 months to 31-Mar-2021	Change
Financial results	Net banking income (RONm)	767	759	-1.0%
	Operating expenses (RONm)	(425)	(438)	+3.1%
	Cost of risk (RONm)	(60)	(54)	-9.2%
	Net profit (RONm)	241	222	-7.6%
	Cost / income ratio	55.5%	57.7%	+2.3 pt
	ROE	11.8%	9.1%	-2.7 pt
Loans and deposits	RON bn	Mar-20	Mar-21	Change
	Total net loans (incl. leasing)	31.3	31.8	+1.6%
	Total deposits	46.9	51.4	+9.4%
Financial results	The Bank	3 months to 31-Mar-2020	3 months to 31-Mar-2021	Change
	Net banking income (RONm)	721	720	-0.1%
	Operating expenses (RONm)	(402)	(416)	+3.5%
	Cost of risk (RONm)	(46)	(43)	-6.6%
	Net profit (RONm)	233	218	-6.5%
	Cost / income ratio	55.8%	57.8%	+2.0 pt
Loans and deposits	RON bn	Mar-20	Mar-21	Change
	Total net loans	29.5	30.0	+1.8%
	Total deposits	47.1	51.6	+9.5%
Capital adequacy	RON m	Mar-20	Mar-21	Change
	Own funds (RONm)*	6,972	8,642	+24.0%
	RWA (RON bn)	30,835	27,343	-11.3%
Franchise	CAR	22.6%	31.6%	+9.0 pt
	No of branches	640	569	(71)

* includes 2020 net result, net of approved dividends

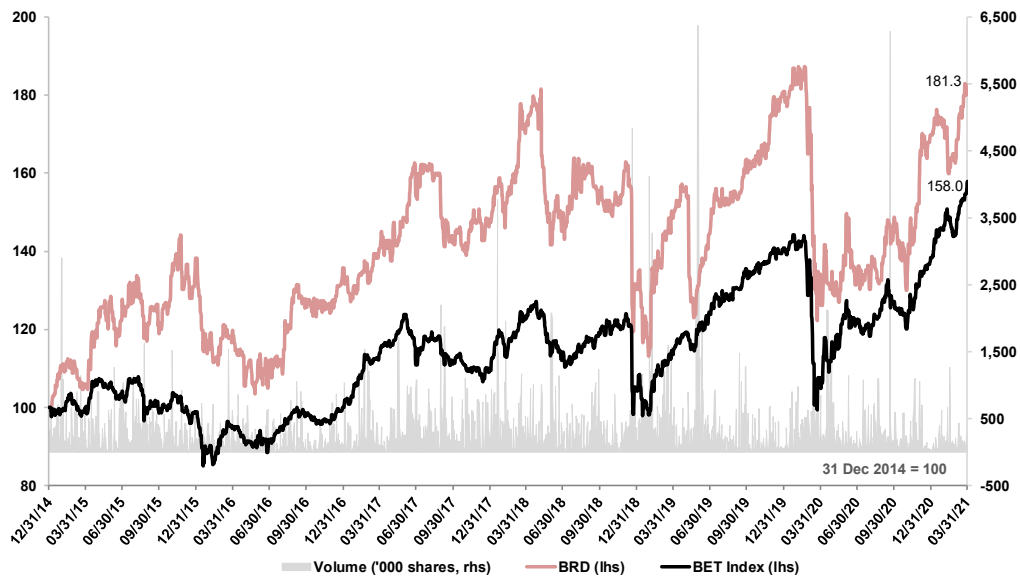
BRD SHARE

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, 2021, was of RON 15.86 /share (RON 14.86 /share at December 31, 2020 and RON 11.74 /share at March 31, 2020). On the same date, the market capitalization was RON 11,052.86 million (RON 10,355.96 million at December 31, 2020 and RON 8,181.62 million at March 31, 2020). The evolution of the share price starting end of February 2020 reflects the turmoil on the financial markets generated by the COVID-19 outbreak.

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

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



Source: Bloomberg

2. ECONOMIC AND BANKING ENVIRONMENT

Romania's GDP growth rate saw further recovery in Q4, lagging only slightly behind the Q3 performance, up by +4.8% vs Q3'20 (vs. +5.6% q/q in Q3'20), while annual contraction softened to -1.8% YoY. Annual GDP declined by -3.9% in 2020 versus an expansion of +4.1% in 2019, evolving above expectations and better than EU peers. The performance is even more noticeable if we exclude agriculture from the GDP's calculation, as it accounted for 0.7 percentage points of the economy's decrease. According to GDP breakdown on components, domestic demand remained a drag of economic expansion (-2.9 pts contribution to growth), with household demand adding to the contraction (-3.5 pts), while the gross fixed capital formation remained in positive territory (+1.5 pts). Net exports kept their negative contribution to growth (-1.6 pts) given the higher annual decrease of exports volume (-9.7% YoY) as compared to that of imports (-5.1% YoY).

Annual inflation rate jumped from 2.1% in December 2020 to 3.0% in January 2021 and further to 3.2% in February 2021 (on the impact of electricity market liberalization for household consumers and increase in fuel prices), followed by a minor retrenchment in March 2021 to 3.1%. Average 12M inflation remained flat at 2.6% from December 2020 through March 2021. CPI looks to consolidate above 3%, close to the upper bound of the NBR target range (2.5% \pm 1 ppt).

To support the economy in the context of unfolding COVID 19 epidemic, the central bank reduced the monetary policy rate three times in 2020 by 100 bps in total, to 1.50%. On the backdrop of declining annual inflation rate, an additional monetary policy rate cut to 1.25% was done in January 2021.

At the beginning of COVID 19 epidemic, NBR announced an unprecedented measure of purchasing RON denominated government bonds and stated that it shall provide necessary liquidity to financial institutions through repo operations. The quantitative easing was gradually reduced after peak in April 2020. In April - August 2020 NBR purchased local currency bonds in value of RON 5.3 bn. No more acquisitions were done in September 2020 – February 2021 period, signalling a recovery in the markets and a lower need for liquidity, while in March 2021 it was registered a low level of purchases of RON 112.7 million. NBR also reduced the level of repo operations in March 2021 to a daily average of RON 2.3 bn compared to RON 13.6 bn in April 2020.

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

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

- Extension of the IMM Invest program until June 30, 2021, the deadline for drawing financing being June 30, 2022. The AGRO IMM INVEST sub-program is introduced, which aims to provide state guarantee facilities for loans to small and medium-sized enterprises and small enterprises with average capitalisation, in the field of agriculture, fisheries, aquaculture and food sector. For the year 2021, the total ceiling of the guarantees that can be granted within the program is RON 15 bn, of which for the AGRO IMM INVEST sub-program the ceiling is RON 1 bn.
- IMM Factor program's period of validity of the scheme is between March - June 2021. A limit of EUR 800 k per enterprise is introduced.

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

As regards the banking activity, gross loans' outstanding annual growth pace gradually recovered from the bottom reached in mid-summer and stabilized slightly above 5% in December 2020 – February 2021 period, marking +5.5%* YoY as of February 2021 end, driven by 1) lending to companies, +7.1%*, with a significant uplift in growth starting August 2020; and 2) resilient individuals' gross loans' increase (+4.0%*) driven by housing (+9.3%*), while consumer loans' performance (-3.1%*) continued the downward trend triggered by the pandemic outbreak. The propensity to save remained high in a context of changed spending behaviour, so deposits maintained a double digit y/y growth in each month from the beginning of the pandemic: +15.9%* YoY as of February 2021 end.

The ratio of non-performing loans for the banking system (according to European Banking Authority definition) has maintained its decreasing trend, reaching 3.83% at December 2020 end compared to

4.09% at 2019 end, standing at the lower end of the EBA defined medium risk bucket [3-8%]. It marks a similar level with the one registered in March 2020, the lowest level of the NPL rate of the last decade. The NBR has made the legislative framework more flexible, in the context of the COVID-19 crisis, so that the deferred loan payments of more than 3 months are not considered non-performing. The NPL ratio can potentially increase, once crisis impacts on sensitive sectors will fully materialize and supporting measures will be lifted.

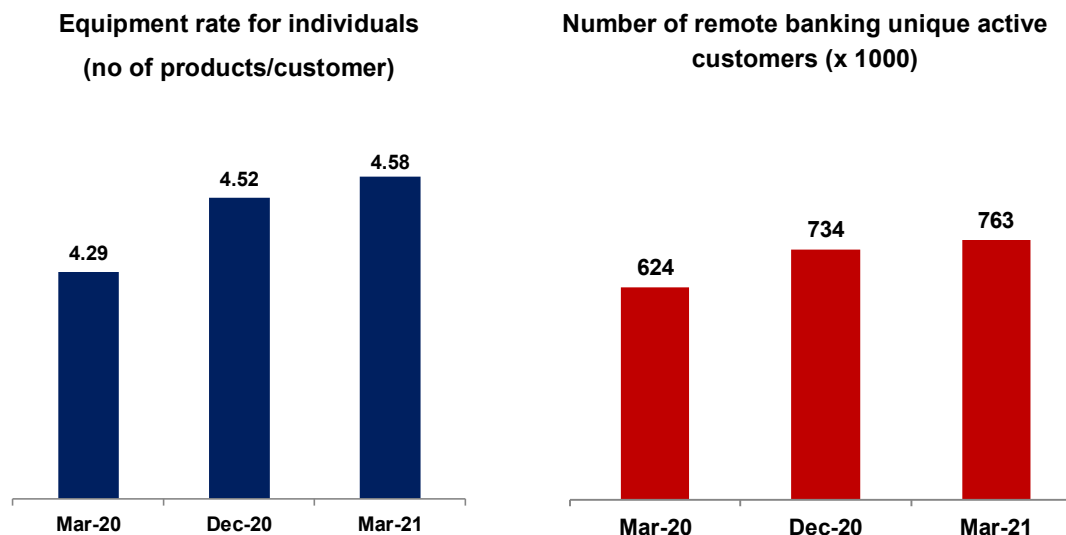
The Romanian banking system is well capitalized, as reflected by the capital adequacy ratio of 23.2% as of December 2020 end (22.0% as of December 2019 end).

** variation at constant FX rate*

3. COMMERCIAL ACTIVITY

As at March 31, 2021, the Bank had 569 branches (March, 31 2020: 640 branches, December 31, 2020: 584 branches), ensuring the distribution of its products and services throughout the whole country.

The equipment rate for individuals reached 4.58 at March 31, 2021 compared to 4.29 at March 31, 2020.



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

	Mar-20	Dec-20	Mar-21
TOTAL ASSETS	n.a.	11.0%	n.a.
LOANS	11.1%	10.6%	10.7%
<i>Individuals</i>	15.0%	14.4%	14.2%
<i>Companies</i>	7.2%	6.7%	7.1%
DEPOSITS	11.5%	10.9%	11.1%
<i>Individuals</i>	12.0%	11.5%	11.4%
<i>Companies</i>	11.0%	10.3%	10.6%

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

RON bln	Mar-20	Dec-20	Mar-21	vs. Dec-20	vs. Mar-20
Retail	22.0	21.7	21.7	0.2%	-1.1%
Individuals	21.5	21.1	21.1	0.3%	-1.6%
Small business	0.5	0.6	0.6	-3.1%	19.1%
Non-retail	8.3	8.0	9.0	13.2%	8.3%
SMEs	2.2	2.6	2.7	2.2%	24.7%
Large corporate	6.1	5.3	6.3	18.7%	2.4%
Total net loans	30.3	29.6	30.7	3.7%	1.5%
Financial lease receivables	1.0	1.1	1.1	1.7%	7.1%
Total net loans, including leasing	31.3	30.7	31.8	3.6%	1.6%

Net loans outstanding (including leasing) reached RON 31.8 billion, increasing by +1.6% versus March 31, 2020 and by +3.6% compared to year end, sustained by dynamic lending activity in favor of both SMEs and large companies. BRD structured the most important green loan granted so far in Romania, worth RON 1.25 billion proving its strong expertise and commitment for sustainable and positive impact financing. The retail net loans exhibit a decrease of -1.1% YoY, driven by lower consumer loans in the lockdown period, while it should be noted the stronger production on individuals segment in Q1 2021 vs same quarter last year (+9%), and a 19% YoY advance on small business segment.

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

RON bln	Mar-20	Dec-20	Mar-21	vs. Dec-20	vs. Mar-20
Retail	31.1	33.7	34.2	1.5%	10.1%
Individuals	26.7	28.3	29.1	2.7%	9.1%
Small business	4.4	5.4	5.1	-5.3%	16.3%
Non-retail	15.9	16.2	17.2	5.6%	8.1%
SMEs	7.1	7.9	7.9	-0.3%	11.2%
Large corporate	8.8	8.3	9.2	11.2%	5.5%
Total deposits	46.9	50.0	51.4	2.8%	9.4%

Deposits to customers reached RON 51.4 billion, higher by 9.4% on an annual basis and by 2.8% compared to December 31, 2020. Still benefiting from the strong savings' propensity triggered by the prolonged pandemic, deposits' inflows from individuals continued to grow YoY, +9.1%, with higher inflows on sight accounts and increased contribution of local currency resources (+12.5% YoY). The non-retail deposits' YoY increase was driven by a double digit growth of SMEs deposits (+11.2% 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, 2021, net outstanding of leasing financing granted by BRD Sogelease increased by 7.1% year-on-year to RON 1,085.3 million. New leasing production increased to RON 148.7 million in Q1 2021, +1% YoY. Following a stabilization of the economic activity during late 2020, the first quarter of 2021 confirmed the recovery trend for the demand of leasing product, with BRD Sogelease providing significant volumes of new financings to SME's and large corporates. The main beneficiary sectors were logistics and transportation, construction, manufacturing and agriculture, BRD Sogelease reaffirming its long term commitment to support the development of the SME companies.

BRD FINANCE IFN SA

BRD Finance results for Q1 2021 are influenced by the situation generated by COVID-19 pandemic and the risk mitigation policy: the net loan portfolio decreased to RON 554 million from RON 607 million at March 2020 end, while the new loan production was 20% lower. Net banking income amounted RON 23 million, decreasing by 14% compared with Q1 2020.

BRD ASSET MANAGEMENT SA

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 19.39%* at the end of March 2021 and RON 4.61 billion assets under management, increasing by 27% YoY. BRD Asset Management now offers investment solutions to more than 97 thousand clients across its 8 investment funds. BRD Asset Management is the 3rd largest asset manager in Romania and first in terms of number of investors.

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

4. FINANCIAL RESULTS AND RATIOS

FINANCIAL POSITION ANALYSIS

The below financial position analysis is done based on the separate and consolidated financial statements prepared according to the International Financial Reporting Standards, for the period ended March 31, 2021 and the comparative periods.

FINANCIAL POSITION – ASSETS

Total assets increased by near 11% versus March 31, 2020 and by around 2.5% compared to 2020 end, both for the Group and for the Bank.

The asset structure is presented below:

THE GROUP

Assets (RONm)	Mar-20	Dec-20	Mar-21	% total	vs. Dec-20	vs. Mar-20
Cash and current accounts with Central Bank	6,194	7,113	6,632	10.2%	-6.8%	7.1%
Loans and advances to credit institutions	3,187	5,517	6,087	9.4%	10.3%	91.0%
Net loans and advances to customers	30,292	29,643	30,731	47.2%	3.7%	1.5%
Financial lease receivables	1,013	1,067	1,085	1.7%	1.7%	7.1%
Other financial instruments	16,378	18,528	18,819	28.9%	1.6%	14.9%
Tangible and intangible assets	1,426	1,381	1,371	2.1%	-0.7%	-3.9%
Other assets	446	308	371	0.6%	20.5%	-16.7%
Total assets	58,935	63,558	65,097	100.0%	2.4%	10.5%

THE BANK

Assets (RONm)	Mar-20	Dec-20	Mar-21	% total	vs. Dec-20	vs. Mar-20
Cash and current accounts with Central Bank	6,194	7,113	6,632	10.5%	-6.8%	7.1%
Loans and advances to credit institutions	3,169	5,500	6,070	9.6%	10.4%	91.6%
Net loans and advances to customers	29,492	28,873	30,009	47.5%	3.9%	1.8%
Other financial instruments	16,406	18,561	18,856	29.8%	1.6%	14.9%
Tangible and intangible assets	1,405	1,365	1,353	2.1%	-0.9%	-3.7%
Other assets	354	223	278	0.4%	24.9%	-21.6%
Total assets	57,021	61,635	63,197	100.0%	2.5%	10.8%

LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers registered a mild growth year-on-year (Group: +1.6% YoY at March 2021 end, o/w leasing +7.1%; Bank: +1.8%) driven by dynamic lending activity on both SMEs and large companies and strong leasing financing. Though the net outstanding of retail loans was affected by the Q2 2020 strict lockdown effects, the production of Q1 2021 reflects a strong pace of growth (+9% vs Q1 2020, of which +19% for consumer loans granted by the Bank).

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 36% versus March 31, 2020 and are rather stable versus December 2020 end, for both the Bank and the Group. The year on year increase is mainly explained by higher placements at credit institutions. These items represented approximately 20% of total assets both for the Group and the Bank at end of March 2021.

The minimum compulsory reserve held with the National Bank of Romania accounted for 29% of this aggregate at March 31, 2021 (28% at December 2020 end and 35% at March 2020 end), at Group level, and amounted to RON 3,629 million, up by 9.2% vs March 31, 2020, driven by a mix of increased deposits and NBR's decision to lower further the FX minimum reserve requirements for liabilities with residual maturity of less than 2 years to 5% in November 2020, down from 6% in February 2020. RON minimum reserves requirement was kept unchanged at 8% since May 2015.

OTHER FINANCIAL INSTRUMENTS

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

These items amounted to RON 18.8 billion at March 2021 end and represented 29% of Group assets. They rose by +14.9% compared to March 2020 end and by +1.6% versus December 2020 end, mainly driven by the increase in government bonds portfolio.

TANGIBLE AND INTANGIBLE ASSETS

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

The total value of investments during the first 3 months of 2021 was RON 24 million both for the Group and the Bank, compared to RON 35 million in the same period in 2020 for the Group and RON 34 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-20	Dec-20	Mar-21	% total	vs. Dec-20	vs. Mar-20
Amounts owed to credit institutions	2,190	1,941	2,052	3.2%	5.7%	-6.3%
Amounts owed to customers	46,933	49,958	51,356	78.9%	2.8%	9.4%
Other liabilities	1,701	1,887	1,836	2.8%	-2.7%	8.0%
Shareholders equity	8,112	9,772	9,852	15.1%	0.8%	21.4%
Total liabilities and shareholders equity	58,935	63,558	65,097	100.0%	2.4%	10.5%

THE BANK

Liabilities and shareholders equity (RONm)	Mar-20	Dec-20	Mar-21	% total	vs. Dec-20	vs. Mar-20
Amounts owed to credit institutions	515	206	360	0.6%	75.0%	-30.0%
Amounts owed to customers	47,069	50,152	51,553	81.6%	2.8%	9.5%
Other liabilities	1,621	1,805	1,736	2.7%	-3.8%	7.1%
Shareholders equity	7,816	9,472	9,548	15.1%	0.8%	22.2%
Total liabilities and shareholders equity	57,021	61,635	63,197	100.0%	2.5%	10.8%

AMOUNTS OWED TO CUSTOMERS

At March 31, 2021, amounts owed to customers increased by 2.8% compared to 2020 end for both the Bank and the Group, with an advance of around 9.5% on an annual basis for both the Bank and the Group. The year on year increase was pushed by higher inflows from individuals and small and medium companies, still driven by sight deposits. Large corporate customers also turned to a contributor to growth.

AMOUNTS OWED TO THE CREDIT INSTITUTIONS

Amounts owed to credit institutions represent interbank deposits, borrowings from International Financial Institutions and the parent, and stood at 3.2% of the total assets for the Group and 0.6% for the Bank at March 31, 2021.

BRD Group's borrowings from Société Générale totalled RON 1.4 billion (2.6% of liabilities) at March 2021 end.

SHAREHOLDERS' EQUITY

Shareholders' equity increased by 21.4% for the Group and by 22.2% for the Bank compared to March 31, 2020, mainly on the incorporation of 2020 year net result (net of dividends according to GSM resolution, strongly limited this year, in compliance with the strict restriction imposed by NBR) and increase of reserves from revaluation of debt instruments accounted at fair value through other comprehensive income (banking book government bonds).

The structure of the shareholders' equity evolved as follows:

THE GROUP

Shareholders' equity (RONm)	Mar-20	Dec-20	Mar-21	vs. Dec-20	vs. Mar-20
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	(133)	804	662	-17.7%	n.a.
Retained earnings and capital reserves	5,681	6,404	6,624	3.4%	16.6%
Non-controlling interest	49	48	51	4.6%	3.4%
Total shareholders' equity	8,112	9,772	9,852	0.8%	21.4%

THE BANK

Shareholders' equity (RONm)	Mar-20	Dec-20	Mar-21	vs. Dec-20	vs. Mar-20
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	(133)	804	662	-17.7%	n.a.
Retained earnings and capital reserves	5,434	6,152	6,370	3.5%	17.2%
Total shareholders' equity	7,816	9,472	9,548	0.8%	22.2%

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 58.2% at March 31, 2021 (from 57.6% at December 31, 2020 and 62.7% at March 31, 2020) for the Bank and 62.0% for the Group, including financial leasing receivables (61.5% at December 31, 2020 and 66.7% at March 31, 2020).

Q1-2021 FINANCIAL RESULTS

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

RONm	Q1-2020	Q1-2021	Variation
Net banking income	767	759	-1.0%
- net interest income	547	507	-7.4%
- net commissions	177	179	1.3%
- other banking income	42	73	72.8%
Operating expenses	(425)	(438)	3.1%
- staff expenses	(211)	(200)	-5.1%
- non-staff expenses	(214)	(238)	11.2%
Operating profit	342	321	-6.1%
Net cost of risk	(60)	(54)	-9.2%
Gross result	282	266	-5.4%
Net result	241	222	-7.6%
Profit attributable to equity holders of the parent	239	220	-8.0%

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

RONm	Q1-2020	Q1-2021	Variation
Net banking income	721	720	-0.1%
- net interest income	513	474	-7.6%
- net commissions	165	171	3.6%
- other banking income	43	75	74.2%
Operating expenses	(402)	(416)	3.5%
- staff expenses	(197)	(188)	-4.8%
- non-staff expenses	(205)	(229)	11.4%
Operating profit	319	304	-4.7%
Net cost of risk	(46)	(43)	-6.6%
Gross result	273	261	-4.4%
Net result	233	218	-6.5%

BRD Group's revenues remained resilient, with net banking income slightly decreasing by -1.0% over the first three months of 2021 versus the same period of the last year. The evolution is mainly due to decrease in net interest income (-7.4% YoY), as market interest rates were significantly lower (average ROBOR 3M at 1.65% in Q1 2021, -138 bps YoY). Net fees and commissions increased with 1.3%, notably on higher income from capital markets activities thanks to active participation in the 3rd governmental bond issue for individuals within Fidelis program. Other non-interest revenues were mainly influenced by low base effect on fixed income trading and revaluation income in the same period of the last year, impacted by the volatile market context driven by pandemic outbreak.

Excluding the contributions to Deposit Guarantee and Resolution Funds (49.4m RON vs 43.3m in 2020), operating expenses inched slightly up by +1.9%, driven by other costs categories (+10.5%), a reflection of the increased IT investments to support the acceleration of the digital roadmap, and extraordinary costs related to the management of the health crisis. The cost saving plan launched in 2020 had visible results in staff expenses that decreased by -5.1% YoY, reflecting notably the headcount reduction (-410 FTE vs Mar 20 end) and a prudent HR policy applied in the crisis context (freeze of hiring activity since March 2020 end).

As a result of the above evolutions, the BRD Group cost/income ratio increased to 57.7%, up from 55.5% in the same period of the previous year.

Considering the still deteriorated context, BRD Group registered a rather resilient operational performance, with gross operating income of RON 321 million in Q1-2021 (-6.1% YoY).

The quality of the loan portfolio kept being solid with a low NPL ratio* (non-performing loans, according to EBA definition) of 3.3% at March 2021 end, at same level as March 2020 end. The net cost of risk* reached 55 bps in Q1 2021, mainly relating to retail portfolios, while the NPL provision coverage* was maintained at a high level (73.3%, at March 2021 end, at Bank level).

As a result of all the above, BRD Group recorded in Q1 2021 a net profit of RON 222 million (-7.6% YoY, from RON 241 million in Q1-2020), a return on equity of 9.1% (2.7 ppts lower compared to Q1-2020) and a return on assets of 1.4% (0.3 ppts lower versus Q1-2020).

The Bank recorded similar trends, which led to a net result of RON 218 million versus RON 233 million in Q1-2020.

CAPITAL ADEQUACY (THE BANK)

RONm	Mar-20	Dec-20	Mar-21
Tier 1 capital	6,972	8,808	8,642
TOTAL OWN FUNDS	6,972	8,808	8,642
Capital requirements	2,467	2,088	2,187
Credit risk (including counterparty risk)	27,598	23,082	24,371
Market risk	236	229	142
Operational risk	2,876	2,630	2,685
CVA risk	125	160	145
Total risk exposure amount	30,835	26,102	27,343
Regulatory CAR	22.6%	33.7%	31.6%

At Bank level, the capital adequacy ratio stood at a very high level, reaching 31.6% at March 31, 2021 (Basel 3), compared to 33.7% at December 31, 2020 and 22.6% at March 31, 2020. The year on year variation in solvency ratio is explained by both increase in own funds, and decrease of capital requirements. The own funds' increase is the result of increased reserves from revaluation of debt instruments accounted at fair value through other comprehensive income (government bonds) and incorporation of 2020 year net result (net of dividends according to GSM resolution, strongly limited this year, in compliance with the strict restriction imposed by NBR). The decrease of capital requirements was mainly driven by the implementation of Regulation 873/2020 as regards adjustments in response to the COVID-19 pandemic that includes a temporary relief on the RW for government debt issued in the currency of another Member State.

The Tier 1 ratio was also 31.6% at March 31, 2021 compared to 33.7% at December 31, 2020 and 22.6% at March 31, 2020.

* at Bank level

** includes 2020 net result, net of approved dividends

5. CONCLUSIONS

The Romanian economy performed above expectations in the fourth quarter of 2020, driving the annual GDP growth to a less pronounced decrease than initially estimated.

On the sanitary front, the vaccination campaign is progressing, laying out the premises for a controlled health situation. If the direct effects of the pandemic diminish and, at the same time, the authorities ensure a smooth transition to neutralized support measures, 2021 is likely to be a better year for the Romanian economy.

Despite the fact that Q1 2021 was still marked by restrictive measures to contain a third wave of the pandemic, our activity had a strong start of the year.

The individuals' loan production was significantly up, marked by a strong rebound in consumer loans disbursements (+19%). The corporate loan portfolio increased by almost 8%, fueled by strong SME financing (+25% y/y). Materializing its strong commitment for sustainable and positive impact financing, BRD structured the most important green loan granted so far in Romania, worth RON 1.25 billion. Additionally, BRD had a very active participation in the third governmental bond issue for individuals, within Fidelis program (53% market share).

In parallel, digital adoption continued to accelerate, with a +22% increase in the number of customers actively using remote channels at end of March 2021.

As such, BRD delivered in the first three months of the year a financial performance proving the adaptability of its business model and the adequacy of the actions taken in response to the crisis. The NBI was resilient despite the significant decrease of market rates, while a strong discipline was maintained on operating expenses, without compromising on IT strategic investments. The net cost of risk reached 55 bps in Q1 2021 mainly relating to retail portfolios, while the NPL provision coverage was maintained at a high level.

With its strong fundamentals, BRD is in full capacity to continue to support its customers and the recovery of the Romanian economy.

The interim financial report as at March 31, 2021 has not been audited.

Giovanni Luca SOMA

Chairman of the Board of Directors

Stephane FORTIN

Deputy Chief Executive Officer

François BLOCH

Chief Executive Officer

Etienne LOULERGUE

Chief Financial Officer