

Quarterly Report

September 30, 2023

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 September 30, 2023, 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:** 1-7 Blvd. Ion Mihalache, sect. 1, Bucharest
- **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 September 30, 2023, the Bank had the following ratings:

Fitch (last rating update: March-2023*)	Rating
Foreign-Currency Short-Term Issuer Default Rating	F2
Foreign-Currency Long-Term Issuer Default Rating	BBB+

Moody's (last rating update: September-2022**)	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+' and revised the outlook to stable from negative. On the last update of rating report, from 9th of Oct 2023, rating and outlook remained unchanged.

** Moody's affirmed Bank's LT and ST foreign currency deposit rating to Baa1/Prime-2 in Oct. 2021 and revised the outlook to stable from negative. On the last update of credit analysis, as of Sep 2022 end, rating and outlook remained unchanged.

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 60 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

		9 months to 30-Sep-2022	9 months to 30-Sep-2023	Change
The Group				
Financial results	Net banking income (RONm)	2,541	2,831	+11.4%
	Operating expenses (RONm)	(1,276)	(1,390)	+9.0%
	Cost of risk (RONm)	(37)	35	n.a.
	Net profit (RONm)	1,016	1,227	+20.8%
	Cost / income ratio	50.2%	49.1%	-1.1 pt
	ROE	16.7%	20.9%	+4.1 pt
RON bn		Sep-22	Sep-23	Change
Loans and deposits	Total net loans (incl. leasing)	37.5	41.3	+10.1%
	Total deposits	55.2	60.6	+9.8%
The Bank				
Financial results	Net banking income (RONm)	2,449	2,728	+11.4%
	Operating expenses (RONm)	(1,207)	(1,332)	+10.3%
	Cost of risk (RONm)	(45)	28	n.a.
	Net profit (RONm)	998	1,191	+19.4%
	Cost / income ratio	49.3%	48.8%	-0.5 pt
	ROE	17.2%	21.3%	+4.2 pt
RON bn		Sep-22	Sep-23	Change
Loans and deposits	Total net loans	35.5	39.0	+9.9%
	Total deposits	55.3	60.8	+9.9%
RON m		Sep-22	Sep-23	Change
Capital adequacy	Own funds (RONm)	7,172	7,561	+5.4%
	RWA (RON bn)	32,577	35,581	+9.2%
	CAR*	22.0%	21.2%	-0.8 pt
Franchise	No of branches	470	432	(38)

* CAR for September 23 end is preliminary.

Own funds at September 23 end include the full year 2022 net profit. Own funds at September 22 end include the H1 2022 net profit and the impact of OCI quick fix adjustment. Starting 1st January 2023, this temporary treatment no longer applies.

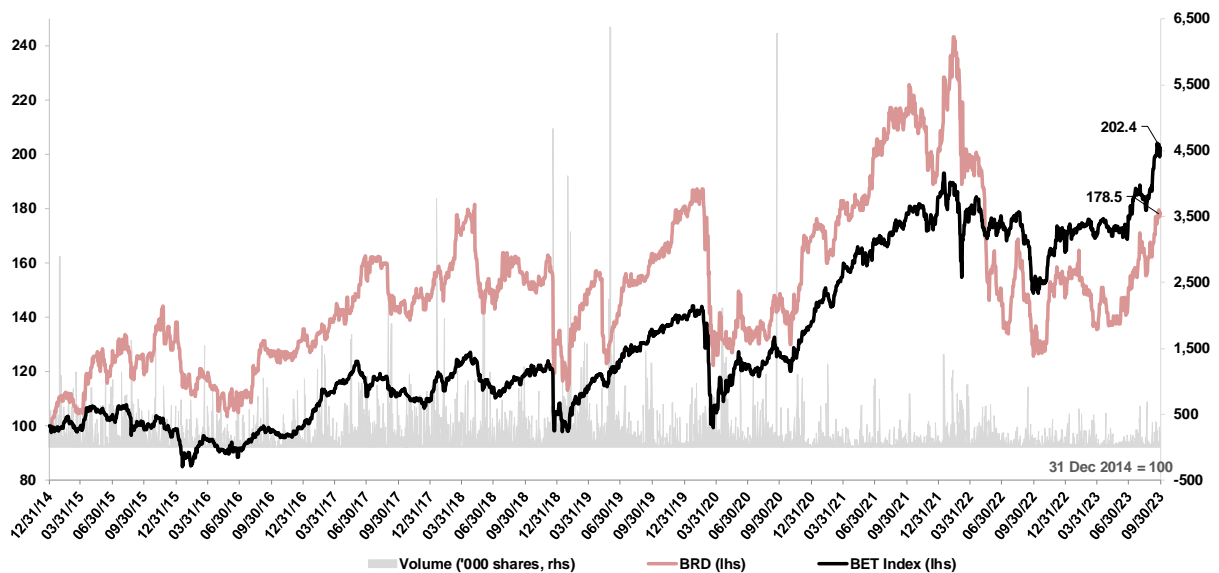
BRD SHARE

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 September 30, 2023, was of RON 15.62 /share (RON 13.00 /share at December 31, 2022 and RON 11.10 /share at September 30, 2022). On the same date, the market capitalization was RON 10,885.60 million (RON 9,059.72 million at December 31, 2022 and RON 7,735.61 million at September 30, 2022).

During January – September 2023, 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, 2023



Source: Bloomberg

2. ECONOMIC AND BANKING ENVIRONMENT

Globally, **economic activity** felt the effects of high inflation, monetary policy tightening and falling external demand. The Euro area **performed weakly** in Q2 2023, at +0.2% QoQ and +0.5% YoY, a slight rebound after the region's economy quarterly flat evolution in Q1 2023.

In Q2 2023, the Romanian economy saw its annual growth rate more than halved to +1.0% YoY from +2.4% YoY in Q1 2023, mainly on the back of falling household consumption due to inflation and higher cost of living. Overall, GDP grew by 1.7% YoY in H1 2023 (gross series).

On a sectorial breakdown, the retail sales growth barely clung to positive territory in Q2 2023 (+1.1% YoY vs. +4.7% YoY in Q1 2023). Slowing growth of retail credit, increasing households' interest payments and pressure on real estate markets weighed on sales of durables. Industrial output shrank by -5.5% YoY in Q2 2023 (vs. -4.7% YoY in Q1 2023), with a broad-based weakness across sub-sectors. The evolution fits the regional picture as European industry is struggling with competitiveness losses driven by global economic fragmentation and the rise in production costs. Regarding the construction sector, it registered an advance of +13.4% YoY in Q2 2023, thanks to civil engineering works amid large (road and air) transport infrastructure projects and the ongoing works in heating, water and sewerage networks.

Despite the slowdown, growth is expected to remain fairly robust, and higher than in most peer countries. According to IMF concluding statement from October 4, GDP growth is projected at 2.25% in 2023, supported by strong investments and to recover modestly to a level of around 2.75% in 2024. In the medium term, the economy is expected to return to its potential growth rate of 3.75% as consumption recovers, and investment, underpinned by Recovery and Resilience Facility funds, remains strong.

Disinflation is underway, both domestically and globally. CPI continues to increase but at a slower pace, entering single-digit territory in Q3 2023, reaching 8.8% YoY in September 2023. The downward adjustment was helped by base effects, particularly in the energy component due to the energy price capping schemes. On a monthly basis, inflation rose by 0.79% in September, the steepest advance since March. Looking at the breakdown by components, the monthly dynamic was largely influenced by the rise in energy prices by +0.8% and +2.0% for fuel, while municipal utility prices rose +3%. In annual terms, food prices rose +10.4% YoY, non-food prices +6.7% YoY, and the average price of services rose +12.1% YoY. The inflation rate in Romania remains far from the upper bound of the NBR target range (2.5% ± 1 ppt). Disinflation is expected to continue in the following quarters, albeit at a slower pace. NBR expects an inflation rate of 7.5% y/y at 2023 end.

Euro area inflation printed at 4.3% in September 2023, while strong price increases were still registered in the CEE region: Hungary (12.2%), Poland (7.7%) and Czech Republic (8.3%).

Regarding monetary policy, after successive key rate increases since the start of the tightening cycle in October 2021, with 575 bps in total (from 1.25% in August 2021 to 6.75% in November 2022), at the beginning of 2023, NBR indicated the end of the rate hiking cycle with an increase of 25 bps to 7%, in line with market expectations. Given sticky core inflation, labor market tension and uncertainty regarding fiscal consolidation, NBR maintained the key rate unchanged, at 7%, during the subsequent monetary policy meetings.

In terms of banking activity, the annual growth rate of gross loans outstanding reduced significantly, to +2.4%* YoY at August 2023, decreasing by more than half compared to the level of +6.1%* YoY at May 2023 (vs. +11.9%* YoY at December 2022 end and +18.7%* at August 2022 end). The evolution was primarily due to the substantially lower growth pace of the FX component and a continued downward dynamic for the local currency component. By segment, the advance was mainly supported by corporate loans, however with a severe adjustment in the annual dynamic (+4.4% YoY at August 2023 end vs. +18.8%* YoY at December 2022 end and a high +30.4%* YoY at August 2022 end). Loans to individuals slowed significantly, with the annual dynamic entering into negative territory (-0.1% YoY at August 2023 end vs. +4.1% YoY at December 2022 end and +6.9%* at August 2022 end), mainly on a lagging performance on housing (-1.0%* YoY at August 2023 end vs. +5.4%* YoY at December 2022 end and +9.5%* at August 2022 end). Consumer loans maintained a positive growth rate of +1.5%* YoY at August 2023 end vs. +2.0%* YoY at December 2022 end and +3.1%* at August 2022 end.

Deposits continued the decelerating path, with growth rate reaching low single digit, at +3.3%* at August 2023 end vs. +8.7%* average growth rate during January - July 2023, with individuals and companies RON savings on the rise, while FX component contracted further. Overall, the annual growth rate of individuals deposits reached +6.6%* YoY at August 2023 end (vs +9.0%* YoY at April 2023 and +5.7%*

YoY at December 2022 end), while corporate deposits were rather stable on a yearly basis (vs. +14.6%* YoY at April 2023 end and +13%* YoY at December 2022 end).

Relating to asset quality, the Romanian banking sector is classified into EBA defined low risk bucket with a level of NPL (non-performing loans) ratio <3% and NPL coverage ratio > 55%. As at June 2023 end, NPL ratio reached 2.65%, only marginally up after reaching a new historically low level of 2.63% at May 2023 end (vs. 2.65% at December 2022 end). NPL coverage ratio stood high at 64.1% at June 2023 end (vs. 65.4% at December 2022 end).

The Romanian banking system is well capitalized, as reflected by the capital adequacy ratio of 22.83% as of June 2023 end (23.40% as of December 2022 end), remaining above EU average (20.0% at June 2023 end). The contraction compared to December 2022 end was mainly driven by the fading effects of CRR “quick-fix” adjustments and higher RWA on dynamic lending, partially compensated by profit retention, given the regulatory recommendation.

As regards liquidity, the banking system has also a comfortable position, with a Liquidity Coverage Ratio of 233% as of June 2023 end (209% at December 2022 end), remaining well above regulatory requirement (100%) and EU average (160% at June 2023 end). The positive evolution built on the substantial rise in the liquidity buffer, generally driven by the increases in the stock of central governmental assets and in the liquidity surplus.

** variation at constant FX rate*

3. COMMERCIAL ACTIVITY

As at September 30, 2023, the Bank had 432 branches (September 30, 2022: 470 branches, December 31, 2022: 460 branches), ensuring the distribution of its products and services throughout the whole country.

The digital adoption keeps growing, as reflected by the further increased number of users of the mobile application, You BRD, which reached over 1.3 million as of September 30, 2023, up by 36% compared to the same period last year.

You BRD functionalities continued to be enhanced during Q3 2023. The visualization and details on Card Noir product are available directly from the mobile banking app. Bank account statements can be accessed from the mobile. The range of push notifications was extended to cash inflow transactions. YouBRD is now compatible with Voice Over readers for persons with visual disabilities.

In addition, in Q3 2023, more than 79% of YouBRD users logged into the app on a monthly basis, up from 75% in Q1 2023, when this indicator started to be actively monitored.

BRD held a market share of 10.1% of total assets at June 30, 2023.

	Sep-22	Dec-22	Aug-23
TOTAL ASSETS	10.2%	10.2%	n.a.
LOANS	9.6%	9.5%	10.2%
Individuals	13.5%	13.5%	13.9%
Companies	6.5%	6.5%	7.3%
DEPOSITS	10.2%	10.0%	10.4%
Individuals	11.0%	10.9%	11.0%
Companies	9.3%	9.0%	9.7%

Note:

Market shares according to Bank's internal calculations.

Market share by total assets as of Dec-22, according to NBR communication

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

RON bln	Sep-22	Dec-22	Sep-23	vs. Dec-22	vs. Sep-22
Retail	23.5	23.4	24.5	4.8%	4.1%
Individuals	22.5	22.5	23.3	3.7%	3.6%
Small business	1.0	0.9	1.2	34.8%	16.9%
Non-retail	12.6	12.9	15.2	17.4%	20.0%
SMEs	4.5	4.8	5.7	17.9%	25.9%
Large corporate	8.1	8.1	9.5	17.2%	16.6%
Total net loans	36.2	36.3	39.7	9.3%	9.7%
Financial lease receivables	1.4	1.4	1.7	17.3%	20.4%
Total net loans, including leasing	37.5	37.7	41.3	9.6%	10.1%

Net loans outstanding (including leasing) reached RON 41.3 bn, recording a double digit growth of +10.1% versus September 30, 2022 (+9.6% vs December 31, 2022), supported by robust lending activity on corporate segment, while dynamic on retail segment was more moderate, reflecting the impact of tightening financial conditions, higher interest rates and rising uncertainties on perspectives.

On retail segment, net loans outstanding was up +4.1% YoY as of September 2023 end (individuals, +3.6% YoY and small businesses +16.9% YoY, as of September 2023 end). The dynamic was mainly supported by consumer loans, with production marking a new quarterly record level, with a significant increase of +38% YoY in Q3 2023. Housing loans momentum continues to slow down in line with a declining market trend in the context of elevated interest rates.

Lending activity to non-retail segment continued to be strong, maintaining a double-digit growth pace (+20.0% YoY), building on an excellent contribution from both SME segment (+25.9% YoY) and large companies (+16.6% YoY).

During the first nine months of 2023, BRD continued to support the business environment in Romania, being an active financier of both eligible companies under the IMM Invest Plus program and beneficiaries of state / EU non-reimbursable funds. Under IMM Invest Plus program, loan production recorded a +31% YoY increase during 9M 2023, reaching RON 1.97 billion, compared with RON 1.50 billion for 9M 2022.

Leasing activity marked a robust performance posting an overall portfolio increase of +20.4% YoY as of September 2023 end.

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

RON bln	Sep-22	Dec-22	Sep-23	vs. Dec-22	vs. Sep-22
Retail	36.0	37.1	38.6	4.0%	7.2%
Individuals	29.9	31.0	32.5	4.8%	8.7%
Small business	6.1	6.1	6.1	0.1%	-0.2%
Non-retail	19.2	19.6	22.0	12.5%	14.7%
SMEs	8.3	8.2	8.8	8.0%	6.2%
Large corporate	10.9	11.4	13.2	15.7%	21.2%
Total deposits	55.2	56.7	60.6	6.9%	9.8%

Deposits to customers reached RON 60.6 bn as of September 2023 end, up by +9.8% on an annual basis, with +7.2% YoY advance on retail segment and +14.7% YoY on non-retail. In the context of elevated rates and, thus, competitive remuneration, individuals' term deposits continue to maintain a high growth rate (+81% YoY at September 2023 end). On corporate segment, higher net inflows were registered from large corporate customers (+21.2% YoY) and to a smaller extent from SMEs (+6.2% 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 September 30, 2023, net outstanding of leasing financing granted by BRD Sogelease increased by +20.4% year-on-year to RON 1,651 million. New leasing production increased to RON 950.4 million during 9M 2023, +35% YoY. BRD Sogelease activity was very dynamic, the company achieving a significant increase of the financing volumes. Demand for leasing was very consistent during the period, driven by SME's and large corporates active in various sectors as agriculture, construction, logistics and transportation, manufacturing and healthcare which use financial leasing as an efficient and accessible financing solution offered by BRD Group.

BRD FINANCE IFN SA

At the end of September 2023, the value of the net loan portfolio was of RON 255 million vs. RON 439 million at September 2022 end, as starting Q3 2023 the subscription of new products and transactions on cards stopped. The strategy was focused on efficient management of the existing portfolio, on the limitation of operating expenses and a stepwise reduction in cost of risk. Therefore, the net result was +18% vs last year despite the drop in NBI (-21% 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 19.1%* and RON 3.633 billion assets under management at the end of September 2023. BRD Asset Management now offers investment solutions to more than 131 thousand clients across its 12 investment funds, with 4 new funds launched in 2022 (BRD Orizont 2035, BRD Orizont 2045, BRD Oportunitati and BRD Euro Simplu, with the first two, known as TDFs, target date funds, a novelty on the local market). In 2023, BRD Asset Management received authorization for its first ESG strategy fund by transforming BRD Global into an Article 8 (under EU Sustainable Finance Disclosure Regulation) fund, promoting social and/or environmental characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

** 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, 2023 and the comparative periods.

FINANCIAL POSITION – ASSETS

Total assets increased solidly versus September 30, 2022, up by +11.7% YoY, both for the Group and the Bank. Compared to 2022 end, total assets were higher at September 2023 by +7.6% for the Group and +7.7%YoY for the Bank.

The assets structure is presented below:

THE GROUP

Assets (RONm)	Sep-22	Dec-22	Sep-23	% total	vs. Dec-22	vs. Sep-22
Cash and current accounts with Central Bank	6,787	7,625	9,527	12.0%	24.9%	40.4%
Loans and advances to credit institutions	7,191	7,221	5,861	7.4%	-18.8%	-18.5%
Net loans and advances to customers	36,177	36,288	39,674	49.9%	9.3%	9.7%
Financial lease receivables	1,371	1,407	1,651	2.1%	17.3%	20.4%
Other financial instruments	16,973	18,642	20,245	25.5%	8.6%	19.3%
Tangible and intangible assets	1,460	1,537	1,562	2.0%	1.6%	7.0%
Other assets	1,216	1,121	965	1.2%	-14.0%	-20.6%
Total assets	71,174	73,842	79,485	100.0%	7.6%	11.7%

THE BANK

Assets (RONm)	Sep-22	Dec-22	Sep-23	% total	vs. Dec-22	vs. Sep-22
Cash and current accounts with Central Bank	6,786	7,625	9,527	12.4%	24.9%	40.4%
Loans and advances to credit institutions	7,175	7,205	5,846	7.6%	-18.9%	-18.5%
Net loans and advances to customers	35,481	35,542	38,989	50.6%	9.7%	9.9%
Other financial instruments	16,998	18,646	20,252	26.3%	8.6%	19.1%
Tangible and intangible assets	1,440	1,518	1,537	2.0%	1.3%	6.7%
Other assets	1,082	987	853	1.1%	-13.6%	-21.1%
Total assets	68,963	71,523	77,004	100.0%	7.7%	11.7%

LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers registered a strong performance year-on-year (Group: +10.1% YoY at September 2023 end, o/w leasing +20.4%; Bank: +9.9% YoY) particularly driven by corporates, 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 +10.1% YoY versus September 30, 2022 and by +3.7% versus December 2022 end, for both the Bank and the Group. The increase is explained by higher cash and current accounts with the central bank, partially offset by reduced placements at credit institutions. These items represented approximately 19.4% of total assets for the Group and 20.0% for the Bank at end of September 2023.

The minimum compulsory reserve held with the National Bank of Romania accounted for 28% of this aggregate at September 30, 2023 (28% at December 2022 end and 29% at September 2022) at Group level. It amounted to RON 4,374 million, up by +8.5% YoY and by +6.2% vs December 31, 2022, mainly linked to increasing customers outstanding deposits, during the analysed period. 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 20.2 bn at September 2023 end for Group and RON 20.3 for Bank, representing around 26% of assets for both Group and Bank. They increased by around +19% YoY

compared to September 2022 end and by +8.6% versus December 2022 end. The year on year dynamic is mainly driven by the increase in government bonds portfolio measured at amortised cost.

BRD did not participate to the share capital increase of BRD Societate de Administrare a Fondurilor de Pensii Private from July 2023, therefore the ownership percentage of BRD was reduced from 49% to 26.95%, following the approval from ONRC in October 2023.

Additionally, in July 2023, BRD sold its investment in associate Fondul de Garantare a Creditului Rural IFN SA (FGCR), of 33.33%, to CEC Bank.

TANGIBLE AND INTANGIBLE ASSETS

The tangible and intangible assets increased by almost +7.0% YoY for the Group and +6.7% YoY for the Bank, compared to September 2022 end, and accounted for 2.0% of the total assets for both the Group and the Bank, with land and buildings representing the largest part of the item, while the first driver of growth were the IT related assets.

The total value of investments during the first 9M 2023 was RON 183 million for both the Group and the Bank, compared to RON 145 million in the same period in 2022 for both the Group and 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-22	Dec-22	Sep-23	% total	vs. Dec-22	vs. Sep-22
Amounts owed to credit institutions	7,651	7,501	8,158	10.3%	8.8%	6.6%
Amounts owed to customers	55,158	56,661	60,585	76.2%	6.9%	9.8%
Other liabilities	2,055	2,720	2,027	2.5%	-25.5%	-1.4%
Shareholders equity	6,309	6,960	8,716	11.0%	25.2%	38.1%
Total liabilities and shareholders equity	71,174	73,842	79,485	100.0%	7.6%	11.7%

THE BANK

Liabilities and shareholders equity (RONm)	Sep-22	Dec-22	Sep-23	% total	vs. Dec-22	vs. Sep-22
Amounts owed to credit institutions	5,767	5,443	5,976	7.8%	9.8%	3.6%
Amounts owed to customers	55,317	56,916	60,813	79.0%	6.8%	9.9%
Other liabilities	1,920	2,587	1,911	2.5%	-26.1%	-0.5%
Shareholders equity	5,960	6,577	8,305	10.8%	26.3%	39.3%
Total liabilities and shareholders equity	68,963	71,523	77,004	100.0%	7.7%	11.7%

AMOUNTS OWED TO CUSTOMERS

The Bank further consolidated and diversified its already solid savings base. At September 2023 end, amounts owed to customers increased by almost 10% YoY for both the Group and the Bank and accounted for 76.2% of the total liabilities and shareholders' equity at Group level and for 79.0% at Bank level. The increase was mainly driven by higher inflows in term deposits from individual customers, in the context of elevated rates and, thus, competitive remuneration, and significant advance of deposits from large corporates.

AMOUNTS OWED TO CREDIT INSTITUTIONS

Amounts owed to credit institutions represent borrowings from the parent and International Financial Institutions and interbank deposits, and stood at 10.3% of the total liabilities and shareholders' equity for the Group and 7.8% for the Bank at September 30, 2023.

BRD Group's borrowings from Société Générale totalled RON 6.6 bn (9.3% of liabilities) at September 2023 end. Among these, are included 3 senior non-preferred loans in amount of EUR 720 million (EUR 450 million received in December 2021, EUR 150 million in June 2022, respectively EUR 120 million in December 2022, all with an initial term 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 an initial term of 10 years and a call option at 5 years).

SHAREHOLDERS' EQUITY

As of September 2023 end, shareholders' equity increased by +38.1% YoY for the Group and by +39.3% YoY for the Bank compared to September 30, 2022, mainly on the incorporation of the 2022 net profit and on lower negative revaluation reserves of debt instruments accounted at fair value through other comprehensive income, in the context of slightly favorable development of bond yields curve as compared to the same period of last year.

The structure of the shareholders' equity evolved as follows:

THE GROUP

Shareholders' equity (RONm)	Sep-22	Dec-22	Sep-23	vs. Dec-22	vs. Sep-22
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	(2,383)	(2,054)	(1,518)	-26.1%	-36.3%
Retained earnings and capital reserves	6,116	6,439	7,654	18.9%	25.1%
Non-controlling interest	61	59	64	9.2%	6.1%
Total shareholders' equity	6,309	6,960	8,716	25.2%	38.1%

THE BANK

Shareholders' equity (RONm)	Sep-22	Dec-22	Sep-23	vs. Dec-22	vs. Sep-22
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	(2,383)	(2,054)	(1,518)	-26.1%	-36.3%
Retained earnings and capital reserves	5,827	6,116	7,307	19.5%	25.4%
Total shareholders' equity	5,960	6,577	8,305	26.3%	39.3%

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, 2023 (from 62.4% at December 31, 2022 and 64.1% at September 30, 2022) for the Bank and 68.2% for the Group, including financial leasing receivables (66.5% at December 31, 2022 and 68.1% at September 30, 2022).

9M-2023 FINANCIAL RESULTS

The comparative income statement of the Group for the periods January – September 2023 and January – September 2022 is presented below:

RONm	9M-2022	9M-2023	23/'22
Net banking income	2,541	2,831	11.4%
- net interest income	1,724	2,010	16.5%
- net commissions	575	563	-2.1%
- other banking income	241	258	6.9%
Operating expenses	(1,276)	(1,390)	9.0%
- staff expenses	(649)	(706)	8.8%
- non-staff expenses	(627)	(684)	9.1%
Operating profit	1,265	1,441	13.9%
Net cost of risk	(37)	35	n.a.
Gross result	1,228	1,476	20.2%
Net result	1,016	1,227	20.8%
Profit attributable to equity holders of the parent	1,005	1,214	20.8%

The comparative income statement of the Bank for the periods January – September 2023 and January – September 2022 is presented below:

RONm	9M-2022	9M-2023	23/'22
Net banking income	2,449	2,728	11.4%
- net interest income	1,625	1,910	17.5%
- net commissions	549	540	-1.6%
- other banking income	275	278	1.2%
Operating expenses	(1,207)	(1,332)	10.3%
- staff expenses	(610)	(672)	10.2%
- non-staff expenses	(598)	(660)	10.5%
Operating profit	1,241	1,396	12.5%
Net cost of risk	(45)	28	n.a.
Gross result	1,197	1,424	19.0%
Net result	998	1,191	19.4%

BRD Group's revenues continue the upward trend, marking a strong increase, +11.4% YoY, during 9M 2023, with net banking income printing at RON 2,831 million, a new record level for first nine months of the year. The very dynamic commercial momentum and higher rates remain the main drivers of growth, versus the same period of 2022.

Net interest income was up by +16.5%, building on a favourable volume effect of both retail and corporate loans and higher interest rates on asset portfolio (average ROBOR 3M, 6.72% in 9M 2023 vs 5.63% in 9M 2022, average IRCC applied in 9M 2023 at 5.87% vs 1.89% in 9M 2022). On the other side, revenues' growth was tempered by the rising funding costs primarily associated with commercial term deposits.

Net fees and commissions stepped back by -2.1% YoY during 9M 2023, influenced in principal by lower service fees from cards activity and reduced cash transactions mainly on a base effect (last year reaction induced by Russia-Ukraine war generated massive withdrawals from individual customers). The negative effects were partially compensated by higher revenues from packages on rising volumes, insurance and brokerage activities.

Other revenues categories increased by +6.9% YoY in 9M 2023, mainly pushed by gain on financial instruments held for trading.

Operating expenses were up by +9.0% YoY in 9M 2023. Within a still tight labour market and elevated inflation, staff costs increased by +8.8% YoY vs 9M 2022, on price effect amid fixed salaries increases and other benefits adjustments (following new labour agreement signed in 2022). The advance of other costs categories (+9.1%) is mainly assigned to higher expenses related to external services and IT&C to support the delivery of digital transformation, while run-the-bank costs remain under a very good control.

The effective cumulated contributions to Guarantee and Resolution Funds in 9M 2023 reached RON 68.1 million vs RON 69.2 million in 9M 2022.

Given the above evolutions, the BRD Group cost/income ratio was improved by 1.1 ppt to 49.1% in the first 9M of 2023 vs 50.2% in the first 9M 2022, benefiting from positive jaws effect.

BRD Group delivered a solid operational performance, with gross operating income reaching RON 1,441 million in 9M 2023 compared to RON 1,265 million in 9M 2022, +13.9% YoY.

During the analysed period, the assets quality remained strong, with NPL ratio* (non-performing loans, according to EBA definition) at historically low level, reaching 2.1% at September 2023 end (vs. 2.6% at September 2022 end), while provision coverage keeps comfortable and above 70% (76.2% at September 2023 end vs 77.6% at September 22 end, Bank level). The cost of risk registered net releases of RON 35m during 9M 2023, compared to RON 37m net charge in 9M 2022, mainly given sustained recoveries on defaulted exposures and stable evolution on performing portfolio.

As a result of all the above, BRD Group recorded in 9M 2023 a net profit of RON 1,227 million (+20.8% YoY, from RON 1,016 million in 9M 2022), a return on equity (ROE) of 20.9% (4.1 ppt higher compared to 9M 2022) and a return on assets (ROA) of 2.1% (0.2 ppt higher versus 9M 2022).

The Bank recorded similar trends, which led to a net result of RON 1,191 million in 9M 2023 versus RON 998 million in 9M 2022, up by +19.4% YoY.

CAPITAL ADEQUACY (THE BANK)

Bank RONm	w/o OCI quick fix impact			
	Sep-22	Dec-22	Dec-22	Sep-23
Tier 1 capital	5,935	6,714	5,818	6,317
Tier 2 capital	1,237	1,237	1,237	1,244
TOTAL OWN FUNDS	7,172	7,951	7,055	7,561
Capital requirements	2,606	2,551	2,586	2,846
Credit risk (including counterparty risk)	29,927	29,150	29,577	32,604
Market risk	105	76	76	223
Operational risk	2,319	2,448	2,448	2,575
CVA risk	225	218	218	179
Total risk exposure amount	32,577	31,892	32,320	35,581
Regulatory CAR	22.0%	24.9%	21.8%	21.2%
Tier 1 ratio	18.2%	21.1%	18.0%	17.8%

* CAR for September 23 end is preliminary

Own funds at September 23 end include the full year 2022 net profit.

Own funds at September 22 end include the H1 2022 net profit and the impact of OCI quick fix adjustment. Starting 1st January 2023, this temporary treatment no longer applies.

At Bank level, the capital adequacy ratio reached 21.2%* at September 30, 2023, slightly below the level as of December 31, 2022 (with own funds, including 2022 net result and the full impact of negative OCI reserve, namely without the OCI quick fix adjustment) and as of September 30, 2022 (22.0%, including H1 2022 net result and OCI quick-fix adjustment).

BRD's regulatory own funds as at September 30, 2023 are formed of common equity capital (CET1) and Tier 2 instruments.

The annual 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 17.8%* at September 30, 2023 compared to 18.0% at December 31, 2022 and 18.2% at September 30, 2022.

In its meeting on 2nd of November, BRD's Board of Directors decided to propose an exceptional dividend distribution rate of 50% out of 2022 retained profit (i.e. RON 643 million) representing a gross dividend per share of 0.9226 RON, subject to a favorable vote by the General Meeting of Shareholders in December 2023.

BRD total capital ratio after exceptional dividend distribution would stand at 19.4% as of September 2023 end.

5. CONCLUSIONS

The effects of rising inflation, tighter monetary policy and declining external demand are reflecting on the economic activity growth globally. After experiencing a quarterly flat evolution in Q1 2023, the Euro area's economy rebounded slightly in Q2 2023, but still performed poorly overall (just +0.2% QoQ and +0.5% YoY). In line with the world economy, Romanian GDP slowed down, but remained an outperformer in the region. In Q2 2023, Romanian GDP growth pace decreased by more than half to +1.0% YoY from +2.4% in Q1 2023, primarily as a result of declining household consumption given rising living expenses and inflation. In H1 2023, GDP expanded by +1.7% YoY overall (gross series).

A reduction in consumer spending, an uncertain housing sector and sluggish industrial activity, all point to slower development for the next period. Nevertheless, the funds allocated under National Recovery and Resilience Plan are the key expected catalyst for the economic growth.

BRD remained a solid and loyal partner for its clients and the Romanian economy throughout the first nine months of 2023, as evidenced by the strong commercial performance across the board, despite a still difficult macroeconomic environment.

BRD Group net loans further expanded, at double-digit growth rate, of +10.1% YoY at September 2023 end (including leasing). The financing activity of corporate segment maintained an outstanding rhythm, with +20.0% growth in the stock of loans versus September 30, 2022. BRD continued to support the business environment in Romania, being an active financier of both eligible companies under the IMM Invest Plus program and beneficiaries of state / EU non-reimbursable funds, with loans production under IMM Invest Plus program recording a strong +31% YoY increase in the first 9M of 2023.

The digital adoption keeps growing, as reflected by the further rising number of users of the mobile application, You BRD, which reached over 1.3 million as of September 30, 2023, up by 36% compared to the same period of last year. Reflecting the continued relentless efforts to enhance our customers' digital journey, the mobile application is enriched continuously with numerous new features.

The dynamic commercial momentum translated also into a strong financial performance. Thus, BRD Group delivered an outstanding financial performance over the first nine months of the year, with notable growth in revenues, while operational expenses were kept under a strict discipline. The positive jaws effect resulted into improved cost to income ratio during the analysed period. Together with the cost of risk in net release after nine months, these robust business results enabled a remarkable increase of +20.8% YoY in net result and an elevated ROE of 20.9%.

The interim financial report as at September 30, 2023 has not been audited.

Giovanni Luca SOMA

Chairman of the Board of Directors

Etienne LOULERGUE

Deputy Chief Executive Officer

Simona PRODAN

Finance Executive Director