

# Quarterly Report

September 30, 2021

according to Financial Supervisory Authority Regulation  
no 5/2018

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## 1. THE COMPANY AND ITS SHAREHOLDERS

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### BRD – GROUPE SOCIÉTÉ GÉNÉRALE PROFILE

BRD - Groupe Société Générale („BRD” or „the Bank”) was set up on December 1st, 1990 as an independent bank with the legal status of a joint-stock company and with the share capital mainly held by the Romanian State, by taking over the assets and liabilities of Banca de Investitii (the Investment Bank).

In March 1999, Société Générale (“SG”) bought a stake representing 51% of the share capital, increasing its holding to 58.32% in 2004, through the acquisition of the residual stake from the Romanian State. As at September 30, 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 September 30, 2021, the Bank had the following ratings:

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

<b>Moody's</b> (last rating update: September-2021**)	<b>Rating</b>
Domestic Currency Short-Term Deposit	Prime-2
Domestic Currency Long-Term Deposit	Baa1
Foreign Currency Short-Term Deposit	Prime-2
Foreign Currency Long-Term Deposit	Baa1

\* Fitch affirmed LT IDR at 'BBB+' with Negative Outlook

\*\* Moody's affirmed Bank's LT and ST foreign currency deposit rating to Baa1/Prime-2 in Sep. 2021

Note: In October 2021, Moody's 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 Société Générale, 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://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

	<b>The Group</b>	<b>9 months to 30-Sep-2020</b>	<b>9 months to 30-Sep-2021</b>	<b>Change</b>
<b>Financial results</b>	Net banking income (RONm)	2,308	2,335	+1.2%
	Operating expenses (RONm)	(1,188)	(1,220)	+2.7%
	Cost of risk (RONm)	(253)	42	n.a.
	Net profit (RONm)	738	920	+24.7%
	Cost / income ratio	51.5%	52.2%	+0.8 pt
	ROE	11.3%	12.5%	+1.2 pt
<b>Loans and deposits</b>	<b>RON bn</b>	<b>Sep-20</b>	<b>Sep-21</b>	<b>Change</b>
	Total net loans (incl. leasing)	31.2	33.7	+7.8%
	Total deposits	48.1	53.8	+11.9%
<b>Financial results</b>	<b>The Bank</b>	<b>9 months to 30-Sep-2020</b>	<b>9 months to 30-Sep-2021</b>	<b>Change</b>
	Net banking income (RONm)	2,189	2,215	+1.2%
	Operating expenses (RONm)	(1,121)	(1,146)	+2.3%
	Cost of risk (RONm)	(225)	46	n.a.
	Net profit (RONm)	719	886	+23.3%
	Cost / income ratio	51.2%	51.8%	+0.5 pt
<b>Loans and deposits</b>	<b>RON bn</b>	<b>Sep-20</b>	<b>Sep-21</b>	<b>Change</b>
	Total net loans	29.4	31.7	+7.9%
	Total deposits	48.2	54.0	+12.0%
<b>Capital adequacy</b>	<b>RON m</b>	<b>Sep-20</b>	<b>Sep-21</b>	<b>Change</b>
	Own funds (RONm)	7,598	7,984	+5.1%
	RWA (RON bn)	26,991	29,632	+9.8%
	CAR*	28.2%	26.9%	-1.2 pt
<b>Franchise</b>	No of branches	612	525	(87)

\* CAR for Sep-21 is preliminary

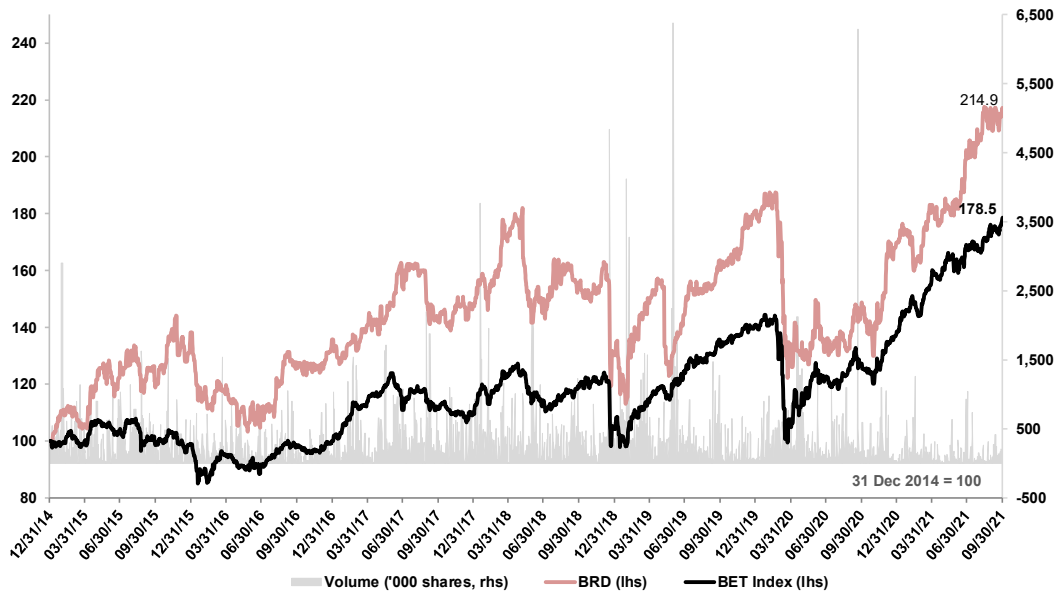
## BRD SHARE

Starting with January 15<sup>th</sup>, 2001, the Bank's shares are listed in the Premium category of the Bucharest Stock Exchange. The shares are included in the BET, BET Plus, BET-XT, BET-XT-TR, BET-BK, BET-TR and ROTX indexes. The Bank's shares are ordinary, nominative, dematerialized and indivisible. According to the Articles of Incorporation, article 17, letter k, the shares of the Bank are traded freely on those capital markets set by General Assembly of Shareholders („AGA”), while complying with the legislation on the trade of shares issued by bank institutions.

The closing price for BRD share as at September 30, 2021, was of RON 18.80 /share (RON 14.86 /share at December 31, 2020 and RON 13.00 /share at September 30, 2020). On the same date, the market capitalization was RON 13,101.75 million (RON 10,355.96 million at December 31, 2020 and RON 9,059.72 million at September 30, 2020). After the turmoil on the financial markets generated by the COVID-19 outbreak starting end of February 2020 and a bottom reached in March 2020, the share price followed an upward trend.

During January – September 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 – September 30, 2021



Source: Bloomberg

## 2. ECONOMIC AND BANKING ENVIRONMENT

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Romanian economy showed a strong rebound in Q2 2021 amid better business conditions and sentiment, as the third wave of the pandemic seemed contained and authorities gradually lifted restrictions. The favourable labour market developments improved borrowing appetite and the partial release of forced household savings gave impetus to domestic consumption. GDP expanded by 1.9% q/q (seasonally adjusted) in Q2 2021, while annual growth hit +13.9% YoY (gross series). A major role in the outperformance was played by statistical base effects, related to the sudden drop in economic activity in the corresponding period of 2020. According to GDP breakdown on components, domestic demand has once again become the main contributor to the economic expansion (+7.8 ppts contribution to GDP growth), on the back of a strong household demand (+7.7 ppts), while the gross fixed capital formation consolidated its positive contribution (+3.2 ppts). Net exports kept their negative contribution to growth (-2.1 ppts) given higher volume of imports (+42.2% YoY) versus exports (+41.8% YoY).

Following the robust rebound in Q2 2021, the fading-out of the base effect associated with the first pandemic wave led to a slowdown of the dynamics of high frequency indicators going into Q3 2021, yet at a different pace across economic sectors, with industrial output growth slowing down, while retail turnover preserved a robust growth pace. Still, in October 2021, IMF revised upwards its projection for Romania's 2021 GDP growth to 7.0%, following a recent similar action of European Commission which restated GDP growth to 7.4%.

Forward-looking, risks to growth outlook are tilted to the downside: the fourth wave of the pandemic struck strongly amid the low level of vaccination, the potential protraction of political gridlock could affect fiscal consolidation and reform agenda, the prospects for the domestic industrial activity remain subdued as the global semiconductor shortage shows no sign of alleviating and energy prices are surging, while the inflation increasingly erodes household purchasing power.

Annual inflation rate printed at 6.3% in September 2021, hitting a 10-year high and being far from the upper bound of the NBR target range (2.5% ± 1 ppt). There were widespread price increases across food items (+4.3% y/y), those for non-food climbed to +8.7% y/y mainly due to fuel and energy components, while services' prices increased by +3.8% y/y.

To support the economy in the context of unfolding COVID-19 epidemic, the central bank reduced the monetary policy rate four times since March 2020, by 125 bps in total, to 1.25%. Since the last rate cut in January 2021, NBR maintained status quo on policy rates. Amid the prospect of larger and lengthier inflation pressures from global cost shocks, NBR decided to increase the monetary policy rate by 25 bps to 1.50% in October 2021, paving the way for expected future rate increases.

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 peaking in April 2020, to a low level of purchases of RON 247 million in March - April 2021. No more acquisitions were done until September 2021 end, signalling a recovery in the markets and a lower need for liquidity. NBR also reduced the level of repo operations (no significant transactions in Q3-21, after a daily average of RON 3.1 bn in Jun-21, compared to RON 13.6 bn in Apr-20).

To address the economic effects of the pandemic, the relief package to support the economy was extended in 2021. The main measures refer to moratorium supporting the debtors, state guaranteed lending programs and indemnity for technical unemployment.

As regards the banking activity, gross loans' outstanding annual growth pace gradually recovered from the bottom reached in mid-summer 2020, peaking at +11.9%\* YoY as of August 2021 end, driven by 1) individuals' gross loans' increase (+8.6%\*) driven by housing (+12.0%\*), while consumer loans' (+3.9%\*) consolidated the upward trend after growth restart in April 2021; and 2) lending to companies, +15.4%\*, with a significant uplift in growth starting August 2020. The strong savings' propensity triggered by the prolonged pandemic gained pace marking +15.8%\* YoY as of August 2021 end.

The ratio of non-performing loans for the banking system (according to European Banking Authority definition) has maintained its yearly decreasing trend, reaching 3.7% at September 2021 end compared to 4.1% at September 2020 end, standing at the lower end of the EBA defined medium risk bucket [3-8%]. 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 23.9% as of June 2021 end (25.1% as of December 2020 end). As regards liquidity, the banking system has also a strong position, with a Liquidity Coverage Ratio of 262% as of June 2021 end (266% as of December 2020 end).

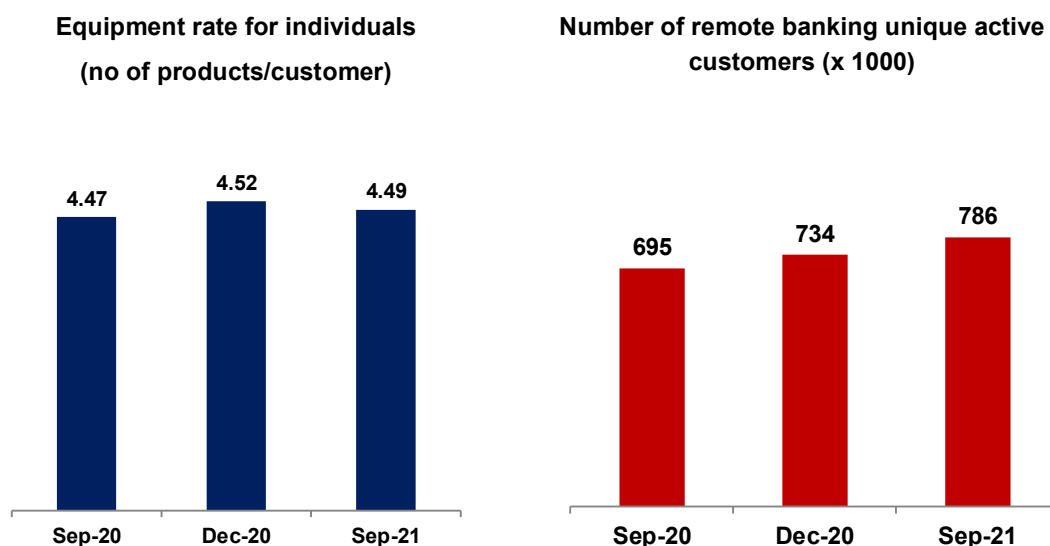
*\* variation at constant FX rate*



### 3. COMMERCIAL ACTIVITY

As at September 30, 2021, the Bank had 525 branches (30.09.2020: 612 branches, 31.12.2020: 584 branches), ensuring the distribution of its products and services throughout the whole country.

The equipment rate for individuals reached 4.49 at September 30, 2021 compared to 4.47 at September 30, 2020.



BRD held a market share of 11.0% of total assets at December 31, 2020, maintained As at end of June 2021, according to Bank's own calculation, the market share in total assets stands at 11.1%.

	Sep-20	Dec-20	Aug-21
<b>TOTAL ASSETS</b>	<b>11.1%</b>	<b>11.0%</b>	<b>n.a.</b>
<b>LOANS</b>	<b>10.9%</b>	<b>10.6%</b>	<b>10.5%</b>
<i>Individuals</i>	<i>14.7%</i>	<i>14.4%</i>	<i>14.0%</i>
<i>Companies</i>	<i>6.9%</i>	<i>6.7%</i>	<i>7.1%</i>
<b>DEPOSITS</b>	<b>11.3%</b>	<b>10.9%</b>	<b>11.0%</b>
<i>Individuals</i>	<i>11.7%</i>	<i>11.5%</i>	<i>11.1%</i>
<i>Companies</i>	<i>10.8%</i>	<i>10.3%</i>	<i>10.9%</i>

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

RON bln	Sep-20	Dec-20	Sep-21	vs. Dec-20	vs. Sep-20
<b>Retail</b>	<b>22.1</b>	<b>21.7</b>	<b>22.8</b>	<b>5.1%</b>	<b>3.1%</b>
Individuals	21.4	21.1	22.0	4.3%	2.8%
Small business	0.7	0.6	0.8	30.5%	13.4%
<b>Non-retail</b>	<b>8.1</b>	<b>8.0</b>	<b>9.7</b>	<b>21.6%</b>	<b>20.0%</b>
SMEs	2.4	2.6	3.0	14.3%	27.8%
Large corporate	5.7	5.3	6.6	25.2%	16.7%
<b>Total net loans</b>	<b>30.2</b>	<b>29.6</b>	<b>32.5</b>	<b>9.5%</b>	<b>7.6%</b>
Financial lease receivables	1.1	1.1	1.2	14.5%	12.8%
<b>Total net loans, including leasing</b>	<b>31.2</b>	<b>30.7</b>	<b>33.7</b>	<b>9.7%</b>	<b>7.8%</b>

Net loans outstanding (including leasing) reached RON 33.7 billion, increasing by +7.8% versus September 30, 2020 and by +9.7% compared to year end, sustained by dynamic all over the board commercial activity.

On retail segment, net loans outstanding was up +3.1% YoY, underpinned by both individuals and small business segments.

Loan production for individuals continued the upward trend with +48% in 9M 2021 versus the same period of last year, on both housing (+71% YoY) and unsecured consumer (+40% YoY) exceeding also 2019 levels (housing +40% vs 9M 2019; consumer +16% vs 9M 2019). Small business segment showed a strong growth of +13% YoY.

The corporate segment marked a very robust performance (+20% YoY). The dynamic activity on SMEs (+27.8% YoY) benefitted notably from an active participation in IMM Invest program. The solid growth of large companies loans (+16.7% YoY) comes to consolidate BRD's position as a top player on this segment.

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

RON bln	Sep-20	Dec-20	Sep-21	vs. Dec-20	vs. Sep-20
<b>Retail</b>	<b>32.4</b>	<b>33.7</b>	<b>34.8</b>	<b>3.3%</b>	<b>7.4%</b>
Individuals	27.6	28.3	29.1	2.6%	5.3%
Small business	4.9	5.4	5.8	7.0%	18.7%
<b>Non-retail</b>	<b>15.6</b>	<b>16.2</b>	<b>19.0</b>	<b>16.7%</b>	<b>21.5%</b>
SMEs	7.5	7.9	8.7	9.5%	15.9%
Large corporate	8.1	8.3	10.3	23.7%	26.6%
<b>Total deposits</b>	<b>48.1</b>	<b>50.0</b>	<b>53.8</b>	<b>7.7%</b>	<b>11.9%</b>

Deposits to customers reached RON 53.8 billion, higher by 11.9% on an annual basis and by 7.7% compared to December 31, 2020. The growth was mainly driven by non-retail, both large corporate clients' and SMEs' deposits registering double digit growth. The strong savings' propensity triggered by the prolonged pandemic stabilized around previous quarter yearly growth rate, driving deposits' inflows from individuals up by +5.3% YoY, with higher inflows on sight accounts. Small business segment continued to also be a contributor to deposits' expansion, with a consistent +18.7% YoY growth.

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, 2021, net outstanding of leasing financing granted by BRD Sogelease increased by 12.8% year-on-year to RON 1,221.8 million. New leasing production increased to RON 595.5 million in the first 9 months of 2021, +44% YoY. The recovery of the economic activity in 2021 drove a solid demand for leasing financing, with BRD Sogelease providing significant volumes of new facilities to SME's and large corporates. The main beneficiary sectors were logistics and transportation, agriculture, construction, manufacturing and healthcare, BRD Sogelease reaffirming its long term commitment to support the development of the SME companies in Romania.

### **BRD FINANCE IFN SA**

The net loan portfolio decreased to RON 547 million from RON 607 million at the end of September 2020, while the new loan production dropped with 5.6% versus first 9 months of 2020. This evolution is mainly explained by the auto segment where the decline is caused by delays in new car components' delivery, tendency registered globally. Net banking income amounted RON 68 million, decreasing by 11% compared with the same period in 2020. However, due to good operating expenses management and significant improvement of cost of risk, the net result for the 9M in 2021 increased by 96% versus the same period of last year.

### **BRD ASSET MANAGEMENT SA**

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 19.8%\* at the end of September 2021 and RON 5.1 billions assets under management. BRD Asset Management now offers investment solutions to more than 117 thousand clients across its 8 investment funds. BRD Asset Management is 3<sup>rd</sup> in terms of assets under management in Romania and the 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 September 30, 2021 and the comparative periods.

### FINANCIAL POSITION – ASSETS

Total assets increased by slightly over 12% versus September 30, 2020 and by approximately 8% versus 2020 end, both for the Group and for the Bank.

The asset structure is presented below:

#### THE GROUP

Assets (RONm)	Sep-20	Dec-20	Sep-21	% total	vs. Dec-20	vs. Sep-20
Cash and current accounts with Central Bank	4,813	7,113	6,486	9.4%	-8.8%	34.8%
Loans and advances to credit institutions	5,954	5,517	6,402	9.3%	16.0%	7.5%
Net loans and advances to customers	30,157	29,643	32,458	47.2%	9.5%	7.6%
Financial lease receivables	1,083	1,067	1,222	1.8%	14.5%	12.8%
Other financial instruments	17,462	18,528	20,373	29.6%	10.0%	16.7%
Tangible and intangible assets	1,400	1,381	1,423	2.1%	3.0%	1.6%
Other assets	341	308	381	0.6%	23.5%	11.7%
<b>Total assets</b>	<b>61,211</b>	<b>63,558</b>	<b>68,744</b>	<b>100.0%</b>	<b>8.2%</b>	<b>12.3%</b>

#### THE BANK

Assets (RONm)	Sep-20	Dec-20	Sep-21	% total	vs. Dec-20	vs. Sep-20
Cash and current accounts with Central Bank	4,813	7,113	6,486	9.7%	-8.8%	34.8%
Loans and advances to credit institutions	5,937	5,500	6,385	9.6%	16.1%	7.5%
Net loans and advances to customers	29,379	28,873	31,707	47.6%	9.8%	7.9%
Other financial instruments	17,494	18,561	20,416	30.6%	10.0%	16.7%
Tangible and intangible assets	1,383	1,365	1,399	2.1%	2.5%	1.2%
Other assets	249	223	255	0.4%	14.7%	2.4%
<b>Total assets</b>	<b>59,256</b>	<b>61,635</b>	<b>66,648</b>	<b>100.0%</b>	<b>8.1%</b>	<b>12.5%</b>

### LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers registered a strong advance year-on-year (Group: +7.8% YoY at September 2021 end, o/w leasing +12.8%; Bank: +7.9%) with a solid loan production for individuals and a robust performance on corporate segment.

### 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 19.7% versus September 30, 2020 and by 2% versus December 2020 end. The year on year increase is mainly explained by higher cash and placements at credit institutions, especially in foreign currency. These items represented approximately 19% of total assets both for the Group and the Bank at end of September 2021.

The minimum compulsory reserve held with the National Bank of Romania accounted for 29% of this aggregate at September 30, 2021 (28% at December 2020 end and 33% at September 2020 end), at Group level, and amounted to RON 3,701 million, slightly down versus September 30, 2020, driven by a mix of increased deposits and NBR's decision to lower the FX minimum reserve requirements for liabilities with residual maturity of less than 2 years to 6%, down from 8%, starting 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 20.4 billion at September 2021 end and represented 29.6% of Group assets. They rose by +16.7% compared to September 2020 end and by +10% 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 9 months of 2021 was RON 123 million both for 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-20	Dec-20	Sep-21	% total	vs. Dec-20	vs. Sep-20
Amounts owed to credit institutions	2,237	1,941	3,220	4.7%	65.9%	43.9%
Amounts owed to customers	48,067	49,958	53,804	78.3%	7.7%	11.9%
Other liabilities	1,647	1,887	1,782	2.6%	-5.5%	8.2%
Shareholders equity	9,259	9,772	9,937	14.5%	1.7%	7.3%
<b>Total liabilities and shareholders equity</b>	<b>61,211</b>	<b>63,558</b>	<b>68,744</b>	<b>100.0%</b>	<b>8.2%</b>	<b>12.3%</b>

### THE BANK

Liabilities and shareholders equity (RONm)	Sep-20	Dec-20	Sep-21	% total	vs. Dec-20	vs. Sep-20
Amounts owed to credit institutions	502	206	1,397	2.1%	578.8%	178.1%
Amounts owed to customers	48,221	50,152	53,990	81.0%	7.7%	12.0%
Other liabilities	1,582	1,805	1,658	2.5%	-8.1%	4.8%
Shareholders equity	8,951	9,472	9,603	14.4%	1.4%	7.3%
<b>Total liabilities and shareholders equity</b>	<b>59,256</b>	<b>61,635</b>	<b>66,648</b>	<b>100.0%</b>	<b>8.1%</b>	<b>12.5%</b>

## AMOUNTS OWED TO CUSTOMERS

At September 30, 2021, amounts owed to customers increased by approximately 8% compared to 2020 end for both the Bank and the Group, with an advance of around 12% on an annual basis for both the Bank and the Group. The year on year increase was mainly driven by non-retail deposits' double digit growth (both SME and large corporate clients) and still high inflows from individuals.

## 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 4.7% of the total assets for the Group and 2.1% for the Bank at September 30, 2021.

BRD Group's borrowings from Société Générale totalled RON 2.5 billion (4.3% of liabilities).

## SHAREHOLDERS' EQUITY

Shareholders' equity increased by 7.3% both for the Group and the Bank compared to September 30, 2020, mainly on higher retained earnings. Compared to December 2020 end, shareholders' equity increased by 1.7% for the Group and 1.4% for the Bank.

The structure of the shareholders' equity evolved as follows:

### THE GROUP

Shareholders' equity (RONm)	Sep-20	Dec-20	Sep-21	vs. Dec-20	vs. Sep-20
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	516	804	102	-87.4%	-80.3%
Retained earnings and capital reserves	6,173	6,404	7,262	13.4%	17.6%
Non-controlling interest	54	48	59	20.7%	8.3%
<b>Total shareholders' equity</b>	<b>9,259</b>	<b>9,772</b>	<b>9,937</b>	<b>1.7%</b>	<b>7.3%</b>

### THE BANK

Shareholders' equity (RONm)	Sep-20	Dec-20	Sep-21	vs. Dec-20	vs. Sep-20
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	516	804	102	-87.4%	-80.3%
Retained earnings and capital reserves	5,919	6,152	6,986	13.6%	18.0%
<b>Total shareholders' equity</b>	<b>8,951</b>	<b>9,472</b>	<b>9,603</b>	<b>1.4%</b>	<b>7.3%</b>

## LIQUIDITY POSITION

Both the Bank and the Group maintained a comfortable liquidity level over the analysed period.

The net loans to deposits ratio reached 58.7% at September 30, 2021 (from 57.6% at December 31, 2020 and 60.9% at September 30, 2020) for the Bank and 62.6% for the Group, including financial leasing receivables (61.5% at December 31, 2020 and 65.0% at September 30, 2020).

## 9M-2021 FINANCIAL RESULTS

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

RONm	9M-2020	9M-2021	Variation
<b>Net banking income</b>	<b>2,308</b>	<b>2,335</b>	<b>1.2%</b>
- net interest income	1,560	1,537	-1.5%
- net commissions	528	580	9.9%
- other banking income	220	218	-0.6%
<b>Operating expenses</b>	<b>(1,188)</b>	<b>(1,220)</b>	<b>2.7%</b>
- staff expenses	(617)	(617)	-0.1%
- non-staff expenses	(571)	(603)	5.6%
<b>Operating profit</b>	<b>1,120</b>	<b>1,116</b>	<b>-0.4%</b>
Net cost of risk	(253)	42	n.a.
Gross result	867	1,158	33.5%
<b>Net result</b>	<b>738</b>	<b>920</b>	<b>24.7%</b>
Profit attributable to equity holders of the parent	732	910	24.4%

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

RONm	9M-2020	9M-2021	Variation
<b>Net banking income</b>	<b>2,189</b>	<b>2,215</b>	<b>1.2%</b>
- net interest income	1,463	1,439	-1.6%
- net commissions	501	552	10.3%
- other banking income	225	224	-0.5%
<b>Operating expenses</b>	<b>(1,121)</b>	<b>(1,146)</b>	<b>2.3%</b>
- staff expenses	(577)	(574)	-0.6%
- non-staff expenses	(544)	(573)	5.3%
<b>Operating profit</b>	<b>1,068</b>	<b>1,069</b>	<b>0.1%</b>
Net cost of risk	(225)	46	n.a.
Gross result	843	1,115	32.3%
<b>Net result</b>	<b>719</b>	<b>886</b>	<b>23.3%</b>

BRD Group's revenues improved, with net banking income higher by 1.2% over the first nine months of 2021 versus the same period of the last year.

The evolution is driven by an almost 10% growth of net fees and commissions. This advancement is mainly explained by the increase in clients' transactions, growing assets under management and income from capital markets activities thanks to active participation in the governmental bond issues for individuals within Fidelis program, but also by a base effect linked to supporting measures taken during the lockdown.

On the other side, net banking income's growth was tempered by the decrease in net interest income (-1.5% YoY), determined by the negative effect of significantly lower market rates (average ROBOR 3M at 1.59% in 9M 2021, -90 bps YoY), compensated to a large extent by a positive volume effect.

Excluding the contributions to Deposit Guarantee and Resolution Funds (49.4m RON vs 43.3m in 2020), operating expenses inched up by +2.2%, driven by other costs categories (+5.0%), a reflection of the increased IT investments supporting the acceleration of the digital roadmap. Staff expenses are quasi stable, the volume effect (-374 FTE versus September 2020 end) offsetting the price impact amid labor market tightness.

Given the above evolutions, the BRD Group cost/income ratio increased slightly to 52.2% from 51.5% in the same period of the previous year.

Considering the current context, still marked by volatility, BRD Group registered a stable operational performance, with gross operating income of RON 1,116 million in 9M-2021 (vs. RON 1,120 million in 9M-2020).

The loan portfolio quality kept being solid with credit risk indicators at comfortable levels. As of September 2021 the NPL ratio was 3.2%\* decreasing slightly from September 2020 end level of 3.4%\*, despite the 2021 regulatory changes (i.e. new default definition) and moratoria exits, further reinforcing the statements of Bank's strong asset base and efficient collection activity. NPL coverage holds solid at 75%\* at September 2021 end versus 76%\* at September 2020 end. In terms of cost of risk, the first 9 months of 2021 were positively influenced by the economic rebound and continuous recoveries on NPL portfolio, resulting in an overall release of RON 42 million in 9M-2021 versus a net RON 253 million charge in 9M-2020.

Encompassing all the above, BRD Group recorded a net result of RON 920 million, +24.7% YoY, from RON 738 million in 9M-2020.

This result led to a return on equity of 12.5% in 9M-2021, +1.2 pts higher compared to 9M-2020 and return on assets of 1.9%, 0.2 pts higher versus 9M-2020.

The Bank recorded similar trends, with a net result of RON 886 million versus RON 719 million in 9M-2020.

#### CAPITAL ADEQUACY (THE BANK)

RONm	Sep-20	Dec-20	Sep-21
Tier 1 capital	7,598	8,808	7,984
<b>TOTAL OWN FUNDS</b>	<b>7,598</b>	<b>8,808</b>	<b>7,984</b>
<b>Capital requirements</b>	<b>2,159</b>	<b>2,088</b>	<b>2,371</b>
Credit risk (including counterparty risk)	23,784	23,082	26,384
Market risk	206	229	209
Operational risk	2,903	2,630	2,697
CVA risk	99	160	343
<b>Total risk exposure amount</b>	<b>26,991</b>	<b>26,102</b>	<b>29,632</b>
<b>Regulatory CAR**</b>	<b>28.2%</b>	<b>33.7%</b>	<b>26.9%</b>

At Bank level, the capital adequacy ratio stood at a very solid level of 26.9%\*\* at September 30, 2021, compared to 33.7% at December 31, 2020 and 28.2% at September 30, 2020. The year to date variation in solvency ratio is explained by the decrease in own funds as the result of lower reserves from revaluation of debt instruments accounted at fair value through other comprehensive income (government bonds) and higher capital requirements for credit risk given the dynamic lending.

The Tier 1 ratio was also 26.9%\*\* at September 30, 2021 compared to 33.7% at December 31, 2020 and 28.2% at September 30, 2020.

\* at Bank level

\*\* CAR for Sep-21 is preliminary



## CONCLUSIONS

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Romanian economy showed a strong rebound in Q2 2021 amid better business conditions and sentiment. In October 2021, IMF revised upwards its projection for Romania's 2021 GDP growth to 7.0%, following a similar action of European Commission which re-forecasted GDP growth to 7.4%. Still, important risks to GDP growth arise from the violent fourth wave of the pandemic and consequently potential retightening measures, but also from the turbulence on the energy market. The approval of National Recovery and Resilience Plan in September by European Commission may be one of Romania's great chances to boost its growth, along with other national development programs.

Over the first nine months of 2021, within an improving, but still volatile macroeconomic context, our activity gained pace.

Loans' outstanding, including leasing, continued to show a solid performance, being up by almost +8% YoY, sustained by dynamic all over the board commercial activity. Loan production for individuals marked an outstanding recovery versus the same period of last year (+48% YoY), while also registering a steep increase versus 2019 levels, notably on housing loans (+40% YoY). Corporate lending shows a robust performance, +19% YoY, with SMEs dynamic activity, translated in +28% YoY increase. The strong growth of large companies loans (+17% YoY) re-confirms BRD as a top player on this segment.

BRD achieved an important strategic milestone in its digital transformation roadmap with the launch of two essential deliveries for its Retail business model: 100% digital onboarding and digital consumer lending. This launch to the market enriches the panel of recent digital deliveries meant to improve our customers' experience: YOU BRD, mobile banking application whose functionalities are continuously and rapidly expanded and payments' facilitation through Apple Pay and Google Pay for Mastercard and Visa cards. In addition, BRD is investing in platforms to foster omni-channel ecosystem for sales. The increased focus on the acceleration of digitalization is also visible in the +13% yearly growth in number of customers actively using remote channels at September 2021 end.

Building on an expanding commercial activity, BRD obtained in the first nine months of 2021 a solid financial performance. The NBI increased, driven by the revenues from fees and commissions, while the NII exhibited a solid resilience to the important decrease of market rates. Cost control remained in focus, without compromising on the delivery of the strategic digital transformation. The net reversal in cost of risk reflects the joint effects of economic rebound and continuous recoveries on non-performing portfolio.

BRD reaffirms its commitment towards a long term partnership with its customers and remains a trustworthy actor of the Romanian economy.

The interim financial report as at September 30, 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**