

Quarterly Report

September 30, 2020

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, 2020, 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, 2020, the Bank had the following ratings:

| Fitch (last rating update: Apr-2020*) | 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: July-2020*) | Rating |
|---|---------------|
| Domestic Currency Short-Term Deposit | Prime-2 |
| Domestic Currency Long-Term Deposit | Baa1 |
| Foreign Currency Short-Term Deposit | Prime-3 |
| Foreign Currency Long-Term Deposit | Baa3 |

* outlook revised to negative from stable, following a similar action on Romania’s sovereign rating

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 138,000 members of staff in 62 countries and supports on a daily basis 29 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 | 9 months to 30-Sep-2019 | 9 months to 30-Sep-2020 | Change |
|---------------------------|---------------------------------|------------------------------------|------------------------------------|---------------|
| Financial results | Net banking income (RONm) | 2,446 | 2,308 | -5.7% |
| | Operating expenses (RONm) | (1,186) | (1,188) | +0.1% |
| | Cost of risk (RONm) | 207 | (253) | n.a. |
| | Net profit (RONm) | 1,226 | 738 | -39.8% |
| | Cost / income ratio | 48.5% | 51.5% | +3.0 pt |
| | ROE | 20.8% | 11.3% | -9.5 pt |
| Loans and deposits | RON bn | Sep-19 | Sep-20 | Change |
| | Total net loans (incl. leasing) | 31.2 | 31.2 | +0.2% |
| | Total deposits | 43.9 | 48.1 | +9.4% |
| Financial results | The Bank | 9 months to 30-Sep-2019 | 9 months to 30-Sep-2020 | Change |
| | Net banking income (RONm) | 2,391 | 2,189 | -8.5% |
| | Operating expenses (RONm) | (1,118) | (1,121) | +0.3% |
| | Cost of risk (RONm) | 220 | (225) | n.a. |
| | Net profit (RONm) | 1,261 | 719 | -43.0% |
| | Cost / income ratio | 46.8% | 51.2% | +4.5 pt |
| Loans and deposits | RON bn | Sep-19 | Sep-20 | Change |
| | Total net loans | 29.5 | 29.4 | -0.3% |
| | Total deposits | 44.0 | 48.2 | +9.5% |
| Capital adequacy | RON m | Sep-19 | Sep-20 | Change |
| | Own funds (RONm) | 5,978 | 7,598 | +27.1% |
| | RWA (RON bn) | 28,626 | 26,991 | -5.7% |
| Franchise | CAR | 20.9% | 28.2% | +7.3 pt |
| | No of branches | 674 | 612 | (62) |

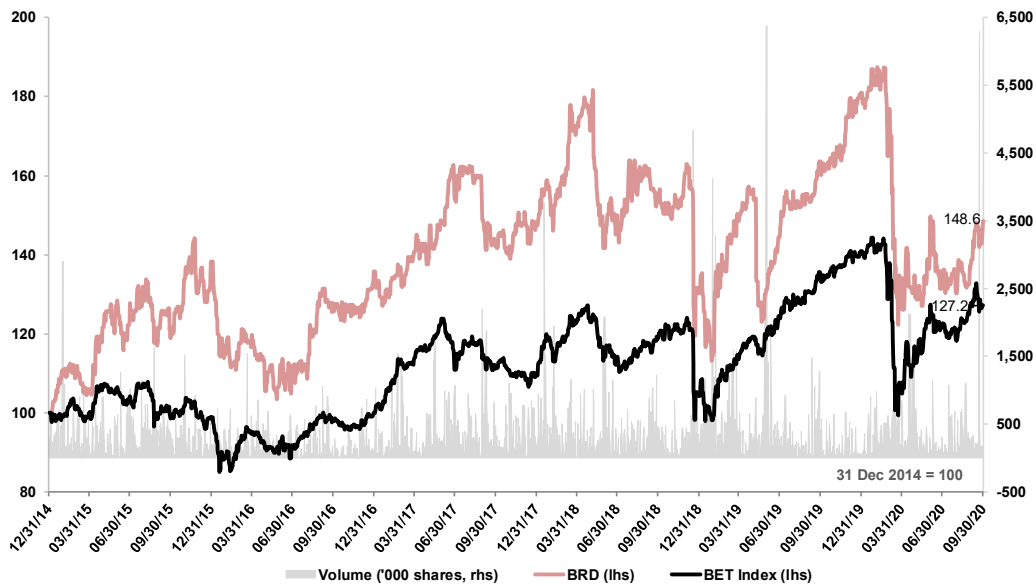
BRD SHARE

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, 2020, was of RON 13.00 /share (RON 15.84 /share at December 31, 2019 and RON 14.32 /share at September 30, 2019). On the same date, the market capitalization was RON 9,059.72 million (RON 11,038.92 million at December 31, 2019 and RON 9,979.63 million at September 30, 2019). 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 – September 2020, 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, 2020



Source: Bloomberg

2. ECONOMIC AND BANKING ENVIRONMENT

Romania's GDP saw a sharp downturn to -10.3% YoY in Q2-20 (vs. +2.4% in Q1-20) due to containment measures, heightened uncertainty and ongoing concerns about the current and future economic situation. The domestic demand was the main detractor of economic growth (-7.6 p.p. contribution to growth), with household demand plummeting (-8.6 p.p. contribution to growth), while the gross fixed capital formation remained in positive territory (+0.5 p.p. contribution to growth). Net exports kept their negative contribution to growth (-2.1 p.p.) given the decrease in annual net growth of exports at a higher pace than the decrease in imports.

EU funds represent a potential catalyst for the economic recovery. Romania was allocated EUR 79.9 bn for the period 2021-2027. Adjusting with the contribution to the EU budget (~EUR16-20 bn for 2021-2027), there is still a considerable net benefit.

Annual CPI fluctuated slightly throughout third quarter, printing at 2.5% at Sep-20 end (vs 2.6% at Jun-20 end), driven mostly by core inflation and food prices, whereas fuel prices exerted a dampening effect. CPI is at the mid-point of NBR target range. The average annual inflation rate followed a gradual downtrend, standing at 3.0% in Sep-20.

To support the economy in the context driven by the COVID-19 epidemic, the central bank further reduced the monetary policy rate by 25 basis points, to 1.50% starting August 2020, after a 50 basis points cut, to 2.00% in March 2020 and 25 basis points cut, to 1.75% starting June 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.

Additional important measures within the relief package to support the economy were the approval of:

- an envelope of EUR 3 bn for state guarantees and interest subsidies to support SME sector financing within IMM Invest loan facility program,
- an envelope of EUR 1.6 bn for state guarantees within large companies programme
- state guarantee within IMM Leasing programme and IMM Factor programme for the purchase of equipment and machinery, respectively for guaranteeing payment instruments in commercial relations between enterprises.

Gross loans' outstanding annual growth pace more than halved at +3.5%* YoY as of August-20 end on 1) still high individuals' gross loans' increase (+5.0%*) driven by housing (+9.5%*), while consumer loans' performance (-0.8%*) marked a sharp drop impacted by the pandemic outbreak; and on 2) lending to companies, +2.1%*, that also saw a significant slowdown in growth starting June-20. The propensity to save increased due to the incidence of the pandemic and its consequence in terms of spending behaviour, remaining in a double digit growth area in each month from the beginning of the pandemic: +12.0%* YoY as of August-20 end (individuals +13.3%*, corporates +10.5%*).

The ratio of non-performing loans for the banking system (according to European Banking Authority definition) has maintained its yearly decreasing trend, reaching 4.31% at August 2020 end compared to 4.56% at August 2019 end, standing in the EBA defined medium risk bucket [3-8%]. Still, it is slightly higher than the 3.94% registered in March 2020, which marked 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 starting January 2021, after the expiry of the moratorium validity period.

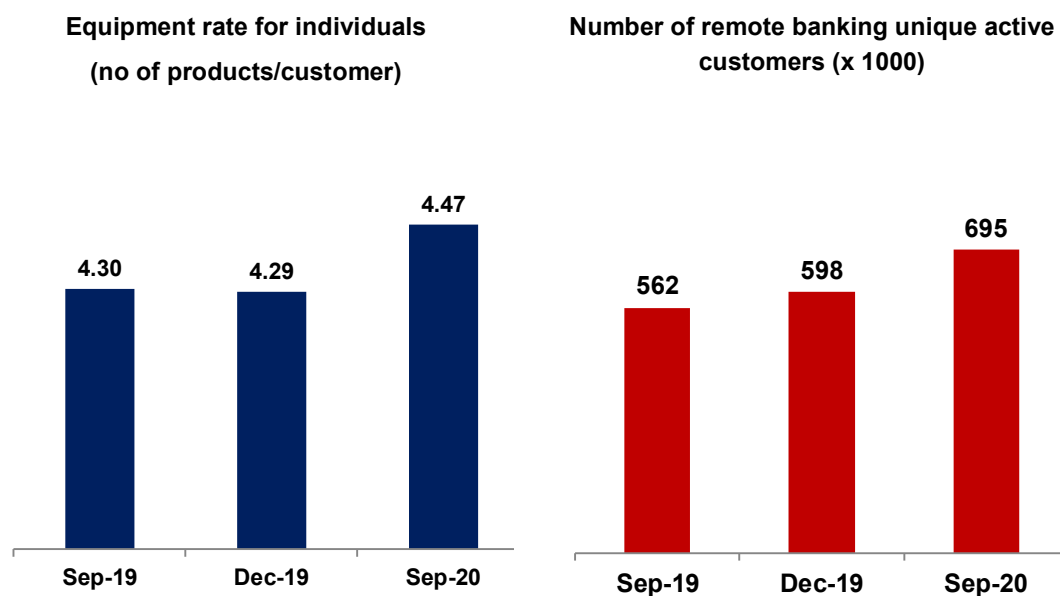
The Romanian banking system is well capitalized, as reflected by the capital adequacy ratio of 22.76% as of June 2020 end (22.0% as of December 2019 end). The Tier 1 ratio was also comfortable, at 20.7% as of June 2020 end (20.1% as of 2019 end).

* variation at constant FX rate

3. COMMERCIAL ACTIVITY

As at September 30, 2020, the Bank had 612 branches (30.09.2019: 674 branches, 31.12.2019: 648 branches), ensuring the distribution of its products and services throughout the whole country.

The equipment rate for individuals reached 4.47 at September 30, 2020 compared to 4.30 at September 30, 2019.



BRD held a market share of 11.3% of total assets at June 30, 2020.

| | Sep-19 | Dec-19 | Aug-20 |
|---------------------|--------|--------|--------|
| TOTAL ASSETS | 11.5% | 11.3% | n.a. |
| LOANS | 11.7% | 11.0% | 11.2% |
| <i>Individuals</i> | 15.5% | 15.2% | 14.7% |
| <i>Companies</i> | 7.7% | 6.6% | 7.6% |
| DEPOSITS | 11.8% | 11.5% | 11.5% |
| <i>Individuals</i> | 12.4% | 12.0% | 11.7% |
| <i>Companies</i> | 11.2% | 11.0% | 11.1% |

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

| RON bln | Sep-19 | Dec-19 | Sep-20 | vs. Dec-19 | vs. Sep-19 |
|---|-------------|-------------|-------------|--------------|--------------|
| Retail | 22.2 | 22.0 | 22.1 | 0.4% | -0.3% |
| Individuals | 21.5 | 21.5 | 21.4 | -0.6% | -0.5% |
| Small business | 0.7 | 0.5 | 0.7 | 43.4% | 4.8% |
| Non-retail | 8.1 | 8.3 | 8.1 | -2.7% | -0.5% |
| SMEs | 2.2 | 2.2 | 2.4 | 6.6% | 5.3% |
| Large corporate | 5.9 | 6.1 | 5.7 | -6.1% | -2.8% |
| Total net loans | 30.3 | 30.3 | 30.2 | -0.4% | -0.4% |
| Financial lease receivables | 0.9 | 1.0 | 1.1 | 9.1% | 17.5% |
| Total net loans, including leasing | 31.2 | 31.3 | 31.2 | -0.1% | 0.2% |

Net loans outstanding (including leasing) reached RON 31.2 billion, increasing by +0.2% versus September 30, 2019, quasi stable compared to year end, supported by SMEs advance on active involvement in the IMM Invest program, reaching RON 288 million of loans outstanding at September 2020, and strong leasing financing, partly compensated by a weaker performance on large corporate segment. The retail net loans exhibit a slight decrease of -0.3% YoY, driven by weaker production during the confinement period, still, reflecting the recovery noticed in the third quarter.

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

| RON bln | Sep-19 | Dec-19 | Sep-20 | vs. Dec-19 | vs. Sep-19 |
|-----------------------|-------------|-------------|-------------|-------------|--------------|
| Retail | 29.8 | 30.4 | 32.4 | 6.9% | 9.1% |
| Individuals | 25.5 | 25.6 | 27.6 | 7.6% | 8.3% |
| Small business | 4.3 | 4.7 | 4.9 | 3.3% | 13.6% |
| Non-retail | 14.2 | 15.5 | 15.6 | 0.5% | 10.1% |
| SMEs | 6.1 | 6.5 | 7.5 | 15.7% | 23.8% |
| Large corporate | 8.1 | 9.1 | 8.1 | -10.4% | -0.1% |
| Total deposits | 43.9 | 45.9 | 48.1 | 4.7% | 9.4% |

Deposits to customers reached RON 48.1 billion, higher by 9.4% on an annual basis and by 4.7% compared to December 31, 2019. Still benefiting from the strong savings' propensity triggered by the pandemic, deposits' inflows from individuals continued to grow YoY, +8.3% (o/w current accounts were up by 30% YoY), with a higher contribution of foreign currency resources (+9.5% YoY). The non-retail deposits' YOY increase was driven by a double digit increase of SMEs deposits (+23.8% YoY) and quasi-stable deposits of large corporate clients.

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, 2020, net outstanding of leasing financing granted by BRD Sogelease increased by 17.5% year-on-year to RON 1,083.3 million. New leasing production decreased to RON 412.7 million in 9 months of 2020, -21% YoY. During Q3 2020, the gradual restart of economic activity generated an improved demand for leasing, with the level of new financed volumes recovering towards pre-Covid 19 level. BRD Sogelease continued to support clients with new financings required by SMEs and large corporates active in various sectors such as agriculture, construction, logistics and distribution. Also, the company continued to implement support measures for customers affected by the pandemics, in accordance with legal provisions and recommendations of regulatory bodies.

BRD FINANCE IFN SA

BRD Finance results for Q3 2020 compared with Q3 2019 are in line with the expected evolution due to the situation generated by COVID-19 pandemic: the net loan portfolio is stable at RON 607 million, while the new loan production decreased by 15% due to the sanitary imposed restrictions. Net banking income reached RON 76.5 million, stable compared with Q3 2019.

BRD ASSET MANAGEMENT SA

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 18.8%* at the end of September 2020. BRD Asset Management now offers investment solutions to more than 81 thousand clients across its 8 investment funds. The company had RON 4.80 billion assets under management at the end of 2019, reaching a market share of 19.28%*, + 6.5 pts YoY, becoming the 3rd largest asset manager in Romania. The crisis impacted the activity in line with the market evolution, driving down assets under management to RON 3.62 billion at March 2020 end. The activity was back on an upward trend starting May (assets under management reaching RON 3.94 billion at September 2020 end). This year in June, BRD Asset Management launched a new investment fund, BRD Simflu with an investment strategy suitable for short term investments and cash management.

** 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, 2020 and the comparative periods.

FINANCIAL POSITION – ASSETS

Total assets increased by slightly over 9% versus September 30, 2019 and by approximately 6% versus 2019 end, both for the Group and for the Bank.

The asset structure is presented below:

THE GROUP

| Assets (RONm) | Sep-19 | Dec-19 | Sep-20 | % total | vs. Dec-19 | vs. Sep-19 |
|---|---------------|---------------|---------------|---------------|-------------|-------------|
| Cash and current accounts with Central Bank | 5,303 | 6,843 | 4,813 | 7.9% | -29.7% | -9.2% |
| Loans and advances to credit institutions | 2,381 | 3,410 | 5,954 | 9.7% | 74.6% | 150.1% |
| Net loans and advances to customers | 30,270 | 30,293 | 30,157 | 49.3% | -0.4% | -0.4% |
| Financial lease receivables | 922 | 993 | 1,083 | 1.8% | 9.1% | 17.5% |
| Other financial instruments | 15,149 | 14,396 | 17,462 | 28.5% | 21.3% | 15.3% |
| Tangible and intangible assets | 1,446 | 1,447 | 1,400 | 2.3% | -3.2% | -3.1% |
| Other assets | 513 | 390 | 341 | 0.6% | -12.7% | -33.5% |
| Total assets | 55,984 | 57,771 | 61,211 | 100.0% | 6.0% | 9.3% |

THE BANK

| Assets (RONm) | Sep-19 | Dec-19 | Sep-20 | % total | vs. Dec-19 | vs. Sep-19 |
|---|---------------|---------------|---------------|---------------|-------------|-------------|
| Cash and current accounts with Central Bank | 5,303 | 6,843 | 4,813 | 8.1% | -29.7% | -9.2% |
| Loans and advances to credit institutions | 2,363 | 3,392 | 5,937 | 10.0% | 75.1% | 151.3% |
| Net loans and advances to customers | 29,471 | 29,467 | 29,379 | 49.6% | -0.3% | -0.3% |
| Other financial instruments | 15,178 | 14,424 | 17,494 | 29.5% | 21.3% | 15.3% |
| Tangible and intangible assets | 1,423 | 1,425 | 1,383 | 2.3% | -2.9% | -2.8% |
| Other assets | 412 | 304 | 249 | 0.4% | -17.9% | -39.4% |
| Total assets | 54,149 | 55,853 | 59,256 | 100.0% | 6.1% | 9.4% |

LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers was quasi-stable year-on-year (Group: +0.2%, o/w leasing +17.5%; Bank: -0.3%) driven by favourable dynamic on leasing activity and SME loans that compensated the decrease seen on retail and large corporate segments, induced by the lockdown and containment measures. The stability of the outstanding reflects though the recovery in terms of new production towards individuals, as observed in the third quarter.

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 40% versus September 30, 2019 and by 5% versus December 2019 end, for both the Bank and the Group, on placements at credit institutions, especially foreign currency. These items represented approximately 18% of total assets both for the Group and the Bank at end of September 2020.

The minimum compulsory reserve held with the National Bank of Romania accounted for 33% of this aggregate at September 30, 2020 (36% at December 2019 end and 47% at September 2019 end), at Group level, and amounted to RON 3,520 million, slightly down vs September 30, 2019, 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 17.5 billion at September 2020 end and represented 29% of Group assets. They rose by +15% compared to September 2019 end and by +21% versus December 2019 end, mainly driven by the increase in government bonds portfolio.

TANGIBLE AND INTANGIBLE ASSETS

The tangible and intangible assets accounted for 2.3% 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 2020 was RON 116 million for the Group and RON 115 million for the Bank, compared to RON 109 million in the same period in 2019 for the Group and RON 106 million for the Bank. There is no capitalized research and development expenditure.

FINANCIAL POSITION – LIABILITIES

The comparative statement of liabilities is as follows:

THE GROUP

| Liabilities and shareholders equity (RONm) | Sep-19 | Dec-19 | Sep-20 | % total | vs. Dec-19 | vs. Sep-19 |
|--|---------------|---------------|---------------|---------------|-------------|-------------|
| Amounts owed to credit institutions | 2,207 | 2,118 | 2,237 | 3.7% | 5.6% | 1.4% |
| Amounts owed to customers | 43,938 | 45,899 | 48,067 | 78.5% | 4.7% | 9.4% |
| Other liabilities | 1,785 | 1,570 | 1,647 | 2.7% | 4.9% | -7.7% |
| Shareholders equity | 8,054 | 8,184 | 9,259 | 15.1% | 13.1% | 15.0% |
| Total liabilities and shareholders equity | 55,984 | 57,771 | 61,211 | 100.0% | 6.0% | 9.3% |

THE BANK

| Liabilities and shareholders equity (RONm) | Sep-19 | Dec-19 | Sep-20 | % total | vs. Dec-19 | vs. Sep-19 |
|--|---------------|---------------|---------------|---------------|-------------|-------------|
| Amounts owed to credit institutions | 648 | 431 | 502 | 0.8% | 16.4% | -22.4% |
| Amounts owed to customers | 44,039 | 46,040 | 48,221 | 81.4% | 4.7% | 9.5% |
| Other liabilities | 1,692 | 1,487 | 1,582 | 2.7% | 6.4% | -6.6% |
| Shareholders equity | 7,771 | 7,895 | 8,951 | 15.1% | 13.4% | 15.2% |
| Total liabilities and shareholders equity | 54,149 | 55,853 | 59,256 | 100.0% | 6.1% | 9.4% |

AMOUNTS OWED TO CUSTOMERS

At September 30, 2020, amounts owed to customers increased by 4.7% compared to 2019 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, especially foreign currency. Deposits from large corporate customers were quasi stable, the decrease on RON being balanced by a strong advance on FX.

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 3.7% of the total assets for the Group and 0.8% for the Bank at September 30, 2020.

BRD Group's borrowings from Société Générale totalled RON 1.5 billion (2.9% of liabilities).

SHAREHOLDERS' EQUITY

Shareholders' equity increased by approximately 15% both for the Group and the Bank compared to September 30, 2019, on higher retained earnings given the fully retained 2019 profit, according to General Shareholders Meeting's decision. Compared to December 2019 end, shareholders' equity increased by slightly over 13% both for the Group and the Bank, mainly on the positive effect of the 9M 2020 profit and positive reserves from revaluation of debt instruments accounted at fair value (government bonds).

The structure of the shareholders' equity evolved as follows:

THE GROUP

| Shareholders' equity (RONm) | Sep-19 | Dec-19 | Sep-20 | vs. Dec-19 | vs. Sep-19 |
|--|--------------|--------------|--------------|--------------|--------------|
| Share capital | 2,516 | 2,516 | 2,516 | 0.0% | 0.0% |
| Other reserves | 322 | 179 | 516 | 188.1% | 60.5% |
| Retained earnings and capital reserves | 5,169 | 5,441 | 6,173 | 13.4% | 19.4% |
| Non-controlling interest | 47 | 48 | 54 | 13.3% | 14.5% |
| Total shareholders' equity | 8,054 | 8,184 | 9,259 | 13.1% | 15.0% |

THE BANK

| Shareholders' equity (RONm) | Sep-19 | Dec-19 | Sep-20 | vs. Dec-19 | vs. Sep-19 |
|--|--------------|--------------|--------------|--------------|--------------|
| Share capital | 2,516 | 2,516 | 2,516 | 0.0% | 0.0% |
| Other reserves | 322 | 179 | 516 | 188.1% | 60.5% |
| Retained earnings and capital reserves | 4,933 | 5,201 | 5,919 | 13.8% | 20.0% |
| Total shareholders' equity | 7,771 | 7,895 | 8,951 | 13.4% | 15.2% |

LIQUIDITY POSITION

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

The net loans to deposits ratio reached 60.9% at September 30, 2020 (from 64.0% at December 31, 2019 and 66.9% at September 30, 2019) for the Bank and 65.0% for the Group, including financial leasing receivables (68.2% at December 31, 2019 and 71.0% at September 30, 2019).

9M-2020 FINANCIAL RESULTS

The comparative income statement of the Group for the periods January – September 2020 and January – September 2019 is presented below:

| RONm | 9M-2019 | 9M-2020 | Variation |
|---|----------------|----------------|---------------|
| Net banking income | 2,446 | 2,308 | -5.7% |
| - net interest income | 1,597 | 1,560 | -2.3% |
| - net commissions | 601 | 528 | -12.1% |
| - other banking income | 249 | 220 | -11.7% |
| Operating expenses | (1,186) | (1,188) | +0.1% |
| - staff expenses | (613) | (617) | +0.7% |
| - non-staff expenses | (573) | (571) | -0.4% |
| Operating profit | 1,260 | 1,120 | -11.1% |
| Net cost of risk | 207 | (253) | n.a. |
| Gross result | 1,467 | 867 | -40.9% |
| Net result | 1,226 | 738 | -39.8% |
| Profit attributable to equity holders of the parent | 1,220 | 732 | -40.0% |

The comparative income statement of the Bank for the periods January – September 2020 and January – September 2019 is presented below:

| RONm | 9M-2019 | 9M-2020 | Variation |
|---------------------------|----------------|----------------|---------------|
| Net banking income | 2,391 | 2,189 | -8.5% |
| - net interest income | 1,503 | 1,463 | -2.7% |
| - net commissions | 571 | 501 | -12.3% |
| - other banking income* | 318 | 225 | -29.0% |
| Operating expenses | (1,118) | (1,121) | +0.3% |
| - staff expenses | (573) | (577) | +0.8% |
| - non-staff expenses | (545) | (544) | -0.3% |
| Operating profit | 1,273 | 1,068 | -16.1% |
| Net cost of risk | 220 | (225) | n.a. |
| Gross result | 1,493 | 843 | -43.6% |
| Net result | 1,261 | 719 | -43.0% |

BRD Group's net banking income stepped back with -5.7% over the first nine months of 2020 versus the same period of the last year, mainly due to lower fees and commissions and other revenues categories, with a net interest income rather resilient within the context. The net interest income moderate decrease of -2.3% YoY was mainly due to a double digit drop in private individuals loan production (both on housing and consumer loans) generated by the lockdown and further containment measures and lower interest rates (average ROBOR 3M at 2.49% in 9M 2020, -67 bps YoY), partly compensated by a positive volume effect, following the growth in deposits. Net fees and commissions decreased with -12.1%, mainly due to the contraction of commissions on transfers as effect of price

* BRD sold its equity stake of 2m shares in Mobiasbanca – Groupe Société Générale SA (20% equity interest) for a price per share of 152.57 MDL (~ EUR 15m). The transaction was registered at Moldavian Stock Exchange on July 22nd, 2019.

The pre-tax P&L impact of the transaction was RON +43.3 million for the Bank and RON +6.2 million for the Group. The difference Bank versus Group comes from the fact that the participation in Mobias was booked at historical cost on a standalone basis and at fair value on a consolidated basis. The effect at Group level consists of FX differences.

alignment for EUR denominated payments to domestic ones (starting with 15th of December 2019, according to SEPA rules), the cancellation from March 15th 2020 (for 3 months) of commissions on transfers and subscription fees for individual clients using digital solutions, free withdrawals under the new individual packages and cease of the Western Union business in September 2019. Other non-interest revenues were mainly influenced by a base effect generated by significant revaluation gains in the same period of the last year.

Operating expenses were stable compared to the same period of the last year, benefitting from lower contributions to Deposit Guarantee and Resolution Funds (43m RON vs 72m in 2019). Excluding these contributions, operating expenses inched up by +2.8%, driven by other costs categories (+5.3%), mainly as a result of the increase in IT investments due to the acceleration of the digital roadmap, and costs related to the management of the health crisis. A cost saving plan was launched with already visible results, as operating expenses decreased with -2.2% in 9M 2020 vs. 9M 2019, excluding the sanitary costs and an unfavourable base effect related to previous year adjustments recognized in June 2019. The plan impact is also visible in staff expenses, maintained under control, with a prudent HR policy applied in the current crisis context (freeze of hiring activity since March end and decrease of headcount, -273 FTE versus September 2019).

In this context, the BRD Group cost/income ratio increased to 51.5%, up from 48.5% in the same period of the previous year.

Considering the strongly deteriorated context, BRD Group registered a rather resilient operational performance, with gross operating income of RON 1,120 million in 9M-2020 (-11.1% YoY).

The quality of the loan portfolio kept being solid with a NPL ratio* (non-performing loans, according to EBA definition) of 3.4% at September 2020 end vs. 4.0% at September 2019 end and a high level of coverage of non-performing exposures (coverage ratio* of 76.4% at September 2020 end vs. 74.1% at September 2019 end). Risk costs turned negative to RON 253 million versus a net release of RON 207 million in 9M-2019, mainly reflecting probability of default recalibration and update of macro scenario, within an economic landscape deeply affected by the pandemic, partially offset by the above average NPL recovery performance in Q3 2020.

As a result of all the above, BRD Group recorded a net result of RON 738 million, -39.8% YoY, from RON 1,226 million in 9M-2019 on lower revenues, and negative cost of risk versus a net provision release in 2019.

These results led to a return on equity of 11.3% in 9M-2020, 9.5 ppts lower compared to 9M-2019 and return on assets of 1.7%, 1.3 ppt lower compared to 9M-2019.

The Bank recorded similar trends, which led to a net result of RON 719 million versus RON 1,261 million in 9M-2019.

CAPITAL ADEQUACY (THE BANK)

| RONm | Sep-19 | Dec-19 | Sep-20 |
|---|---------------|---------------|---------------|
| Tier 1 capital | 5,978 | 7,322 | 7,598 |
| TOTAL OWN FUNDS | 5,978 | 7,322 | 7,598 |
| Capital requirements | 2,290 | 2,352 | 2,159 |
| Credit risk (including counterparty risk) | 25,887 | 26,118 | 23,784 |
| Market risk | 270 | 317 | 206 |
| Operational risk | 2,312 | 2,849 | 2,903 |
| CVA risk | 157 | 120 | 99 |
| Total risk exposure amount | 28,626 | 29,404 | 26,991 |
| Regulatory CAR | 20.9% | 24.9% | 28.2% |

* at Bank level

At Bank level, the capital adequacy ratio stood at a very solid level, reaching 28.2% at September 30, 2020 (Basel 3), compared to 24.9% at December 31, 2019 and 20.9% at September 30, 2019. The year on year variation in solvency ratio is explained by the increase in own funds as a result of retaining the full 2019 profit, according to BRD's General Shareholders Meeting decision, and by the decrease of capital requirements mainly driven by the implementation of Regulation 873/2020 as regards adjustments in response to the COVID-19 pandemic, that includes among the provisions a temporary relief on the RW for debt issued in the currency of another Member State.

The Tier 1 ratio was also 28.1% at September 30, 2020 compared to 24.9% at December 31, 2019 and 20.9% at September 30, 2019.

CONCLUSIONS

The unprecedented sanitary crisis in which Romania and the entire world entered in Q1 2020 continued to spill over in all economic areas, prompting for continuous adaptability.

The economic rebound will rely massively on the execution of the relaunch policies adopted by the authorities and their effects on the pace of progress of production, on the exchange chains and on consumer behavior. The Romanian banking system is also a key actor for the economic resilience and recovery.

In particular, BRD acted dynamically and applied all the necessary measures to protect its customers and employees, to ensure business continuity, provide adequate customer support and mitigate the financial impact on its business.

If Q2 was marked by a sharp drop of individuals' loans production levels, the activity rebounded in Q3 with new consumer loans surpassing the pre-crisis levels. On the SME side, BRD has an active participation in the IMM Invest program, with almost RON 700 million of loans' approved value at end of September.

While swiftly answering to the negative effects of the crisis, BRD focused on materializing the opportunities. The context translated into an acceleration of digitalization (with one third of our customers actively using remote channels at end September) and flow automation projects, which will support faster achievement of the goals set in our transformation plan. BRD continues to launch new features covering in an innovative way the needs of its customers (i.e. Apple Pay launched in July).

Despite the significantly deteriorated economic environment, BRD obtained in the first nine months of the year, a financial performance that proves the resilience of our business model and the adequacy of the actions taken in response to the crisis. The NBI resisted better than expected, while significant costs savings were secured. The net cost of risk is mostly driven by its forward looking component.

The interim financial report as at September 30, 2020 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