

# Half Year Report

June 30, 2022

according to Financial Supervisory Authority Regulation  
no 5/2018

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## 1. THE COMPANY AND ITS SHAREHOLDERS

### BRD – GROUPE SOCIÉTÉ GÉNÉRALE PROFILE

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

In March 1999, Société Générale (“SG”) bought a stake representing 51% of the share capital, increasing its holding to 58.32% in 2004, through the acquisition of the residual stake from the Romanian State. As at June 30, 2022, SG was holding 60.17% of the share capital.

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

BRD identification data are the following:

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

### EXTERNAL RATING

As at June 30, 2022, the Bank had the following ratings:

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

<b>Moody's</b> (last rating update: October-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 Oct. 2021 and changed the outlook to stable from negative

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

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

## SOCIÉTÉ GÉNÉRALE PROFILE

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

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

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Société Générale employs over 131,000 members of staff in 66 countries and supports on a daily basis 26 million individual clients, businesses and institutional investors around the world. Société Générale's teams offer advice and services to individual, corporate and institutional customers in three core businesses:

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

The latest credit ratings of Société Générale are available at

<https://investors.societegenerale.com/en/financial-and-non-financial-information/ratings/credit-ratings>

## BRD POSITION WITHIN SOCIÉTÉ GÉNÉRALE

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

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

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

BRD is part of the international network of Société Générale, managed by the International retail banking 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

		6 months to 30-Jun-2021	6 months to 30-Jun-2022	Change
<b>Financial results</b>	<b>The Group</b>			
	Net banking income (RONm)	1,526	1,642	+7.6%
	Operating expenses (RONm)	(814)	(853)	+4.8%
	Cost of risk (RONm)	39	(46)	n.a.
	Net profit (RONm)	626	617	-1.4%
	Cost / income ratio	53.3%	51.9%	-1.4 pt
	ROE	12.6%	15.6%	+3.0 pt
<b>Loans and deposits</b>	<b>RON bn</b>	<b>Jun-21</b>	<b>Jun-22</b>	<b>Change</b>
	Total net loans (incl. leasing)	33.7	36.7	+8.9%
	Total deposits	53.0	53.7	+1.2%
		6 months to 30-Jun-2021	6 months to 30-Jun-2022	Change
<b>Financial results</b>	<b>The Bank</b>			
	Net banking income (RONm)	1,461	1,592	+9.0%
	Operating expenses (RONm)	(767)	(806)	+5.1%
	Cost of risk (RONm)	57	(52)	n.a.
	Net profit (RONm)	629	617	-1.9%
	Cost / income ratio	52.5%	50.7%	-1.9 pt
<b>Loans and deposits</b>	<b>RON bn</b>	<b>Jun-21</b>	<b>Jun-22</b>	<b>Change</b>
	Total net loans	31.8	34.6	+8.9%
	Total deposits	53.2	53.8	+1.1%
<b>Capital adequacy</b>	<b>RON m</b>	<b>Jun-21</b>	<b>Jun-22</b>	<b>Change</b>
	Own funds (RONm)	8,467	6,613	-21.9%
	RWA (RON bn)	28,601	31,789	+11.1%
	CAR*	29.6%	20.8%	-8.8 pt
<b>Franchise</b>	No of branches	541	481	(60)

\* CAR for Jun-22 is preliminary

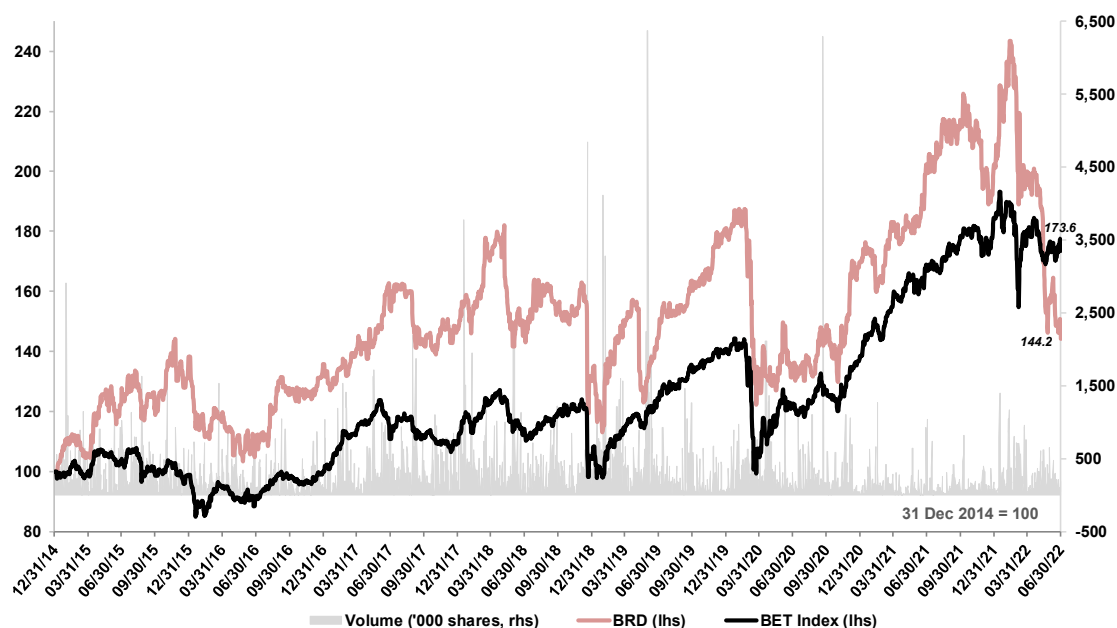
## BRD SHARE

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 June 30, 2022, was of RON 12.62 /share (RON 17.70 /share at December 31, 2021 and RON 17.50 /share at June 30, 2021). On the same date, the market capitalization was RON 8,794.90 million (RON 12,335.16 million at December 31, 2021 and RON 12,195.78 million at June 30, 2021).

During January – June 2022, 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 – June 30, 2022**



Source: Bloomberg

## DIVIDENDS

At the February 24, 2022 Annual Shareholders' Meeting, shareholders approved the distribution of a gross dividend per share of 2.4164 RON, as an extraordinary payment of RON 1,684 million from 2019 and 2020 retained profits. This extraordinary distribution added to the RON 52 million distribution already performed in Q2 2021, bringing the payout ratio of the 2019 and 2020 profits to 70% overall, in line with historical levels.

At the April 28, 2022 Annual Shareholders' Meeting, shareholders approved the distribution of a gross dividend per share of 1.2850 RON. The total amount of dividends is RON 895.5 million corresponding to a payout ratio of 70% from 2021 distributable profit of RON 1,279.3 million. Dividend payment started on June 7, 2022.

As at June 30, 2022, the amount of gross dividends effectively paid was RON 890.6 million representing 99.45% out of the total approved dividends from 2021 distributable profit and RON 1,676.3 million representing 99.54% out of the total approved dividends from 2019 and 2020 distributable profits.

## 2. ECONOMIC AND BANKING ENVIRONMENT

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Romanian economy posted an accelerated growth pace in Q1 2022 of 6.4% YoY up from 2.4% YoY both on gross and seasonally adjusted series. The GDP breakdown on components shows private consumption having again the lead role in economic growth (+5.9 ppts to GDP growth). A more modest contribution came from gross fixed capital formation (+0.3 ppts to GDP growth), while net exports were no longer a drag, adding 0.3 ppts to growth. Only public consumption remained in negative territory (-0.5 ppts to GDP growth).

On a medium to longer run, the approval of National Recovery and Resilience Plan in September 2021 by European Commission with the first tranche of grants (EUR 1.8 bn) disbursed in December 2021 should support further growth of the economy. Additional pre-financing (EUR 1.9 bn) was granted in January 2022, after the targets and milestones for Q4 2021 were reached. On June, 1<sup>st</sup>, Romania sent a first financing request under the Recovery and Resilience Facility for the payment of EUR 1.8 bn in grants and EUR 789.7 million in loans. European Commission has two months to complete the assessment.

On the other side, the Ukrainian crisis outbreak late February 2022 is still developing, amplifying risks and challenges by fueling inflation, cutting growth prospects, renewing currency depreciation pressures, increasing borrowing costs, and eroding confidence. The stage looks set for an abrupt tightening in global financing conditions, increasing vulnerabilities to financial market stress for countries with underlying balance sheet risks like Romania.

Annual inflation rate continued on the steep upward trend in Q2 2022, reaching 15.1% YoY in June 2022 (up from 14.5% in May and 13.8% in April), the highest level since autumn 2003, reflecting the effects of the energy shock and global supply chain difficulties, amplified by the war in Ukraine. This level is far from the upper bound of the NBR target range (2.5%  $\pm$  1 ppt). The cascade of supply-side shocks has notably worsened inflation developments, both locally and regionally.

Back in 2020, to support the economy in the context of unfolding COVID-19 epidemic, the central bank reduced the monetary policy rate four times between March 2020 and January 2021, by 125 bps in total, to 1.25%. Amid the prospect of larger and lengthier inflation pressures from global cost shocks, NBR started in September 2021 monetary policy rate hikes: 50 bps in Q4 2021, two additional increases by 75 bps in total in the first quarter of 2022, and three further hikes of 225 bps in total, to 4.75%, done in April - July.

On March 9<sup>th</sup>, 2022, NBR decided to purchase RON-denominated government securities on the secondary market worth RON 367 million for the first time since April 2021 to ease tensions and enable the good functioning of the money market, with a view to ensuring the smooth financing of government expenditures and of the real economy. Only RON 37 million were further purchased in May 2022. In March, in a context of tightened RON liquidity on the background of war developments, NBR started to provide liquidity through Lombard facility to the banking system, the peak being reached in May 2022 (daily average of RON 12.7 bn).

In order to mitigate the negative socio-economic impact of surging energy costs, the Government placed a cap on electricity and gas prices for households and some companies until April 2023. Also, in April, it adopted an economic support package for low-income households and key industries with a total value of RON 17.3 billion (approximately 1.4% of GDPe), out of which 52% shall benefit of EU funding. Among the measures, we mention:

- ✓ Economy support:
  - SMEs registering more than 15% additional spending on utilities will receive an aid of up to EUR 400,000 per company,
  - subsidy of RON 0.5 per litre of fuel,
  - EUR 200 million allocated for the processing of agricultural products in Romania and EUR 300 million as grants for farmers,
  - EUR 200 million directed to support investments with a major impact on the economy,
  - price adjustments to public work contracts to cover the increase in prices of materials or equipment, workforce and transport costs.
- ✓ Social support:
  - state guarantees for loans worth EUR 500 million (Family Start, Student Invest Programme),
  - a minimum statutory wage of RON 3,000 will be enacted in the agricultural sector and food industry,
  - technical unemployment indemnity and the Kurzarbeit scheme will remain in place until year-end,

- vulnerable groups (approximately 4.7 million persons) will receive vouchers for basic food products worth EUR 50 every two months.

New support measures, worth approximately RON 5.5 billion (0.5% of GDP) were passed in May and entered into force starting July, 1<sup>st</sup>: i) 9-month deferral of bank loan repayments for individuals and companies facing financial difficulties due to multiple crises in the last period, ii) public sector wages to be increased with a quarter of the difference between the level stipulated by the unitary pay law (no. 153/2017) and the actual wages at the end of last year, iii) the granting of a one-off support of RON 700 for all pensioners with pensions under RON 2,000.

As regards the banking activity, gross loans' outstanding annual growth pace continued to accelerate in 2022, reaching +18.6%\* YoY as of May 2022 end, marking the best dynamic in the last ten years, driven by both 1) individuals' gross loans' increase (+8.9%\*) built on housing (+11.9%\*), while consumer loans' increase was moderate (+4.4%\*); and 2) lending to companies, +28.2%\*, consolidating the double digit annual advance started in June 2021. Saving rate remained elevated, but on a decelerating trend, more visible on individuals segment. Nonetheless, deposits were up +10.6% (+4.8% individuals, +17.9% corporates).

The ratio of non-performing loans for the banking system (according to European Banking Authority definition) continued its annual decreasing trend in the first 5 month of 2022 (3.19% at May 2022 end versus 3.35% at December 2021 end, and from 3.91% at May 2021 end). The ratio thus stands at the lower end of the EBA defined medium risk bucket [3-8%].

The Romanian banking system is well capitalized, as reflected by the capital adequacy ratio of 21.4% as of March 2022 end (versus 23.3% as of December 2021 end). As regards liquidity, the banking system has also a solid position, with a Liquidity Coverage Ratio of 198% as of May 2022 end, slightly below December 2021 end level (239%).

*\* variation at constant FX rate*



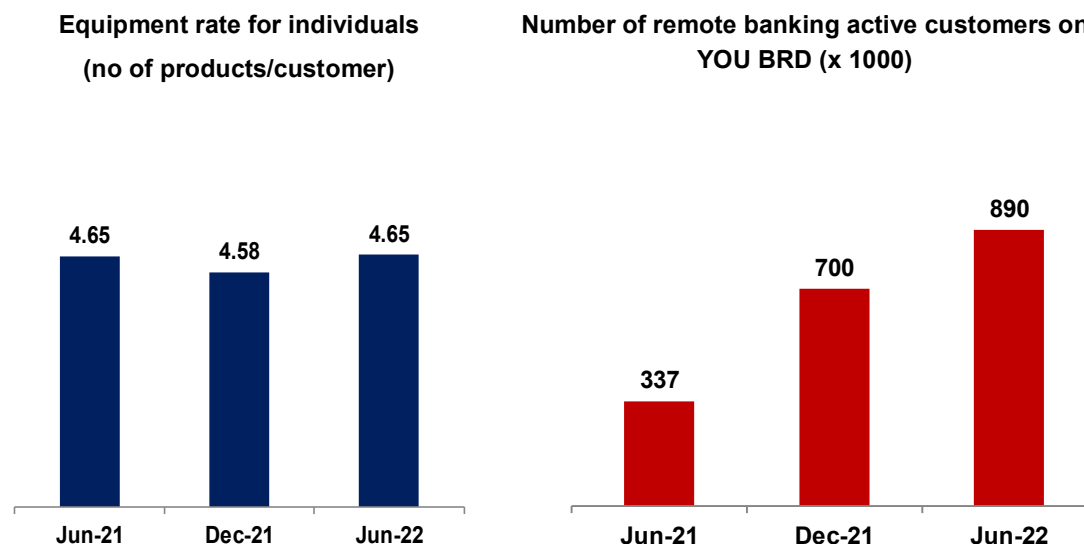
### 3. COMMERCIAL ACTIVITY

As at June 30, 2022, the Bank had 481 branches (June 30, 2021: 541 branches, December 31, 2021: 499 branches), ensuring the distribution of its products and services throughout the whole country.

The equipment rate for individuals is stable at 4.65 at June 30, 2022, compared to June 30, 2021.

The enhancement of digital experience through the new 100% remote registration process allowed the accelerated growth of the number of clients using our new mobile application "YOU BRD", to 890 thousands as of June 30, 2022, up by 164% compared to the same period last year.

In the top of BRD customers' preferences were digital deposits with interest bonus, as well as loans for personal needs accessed through "YOU BRD".



BRD held a market share of 10.3% of total assets at June 30, 2022.

	Jun-21	Dec-21	May-22
<b>TOTAL ASSETS</b>	<b>11.1%</b>	<b>10.5%</b>	<b>10.5%</b>
<b>LOANS</b>	<b>10.6%</b>	<b>9.9%</b>	<b>9.7%</b>
Individuals	14.1%	13.7%	13.6%
Companies	7.1%	6.5%	6.3%
<b>DEPOSITS</b>	<b>11.2%</b>	<b>10.2%</b>	<b>10.3%</b>
Individuals	11.2%	10.9%	11.0%
Companies	11.1%	9.3%	9.6%

Note:

Market share by total assets as of Jun-21 is according to Bank's internal calculations

Market shares by total assets as of Dec-21, May-22 and Jun-22 are communicated by NBR

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

RON bln	Jun-21	Dec-21	Jun-22	vs. Dec-21	vs. Jun-21
<b>Retail</b>	<b>22.3</b>	<b>22.7</b>	<b>23.4</b>	<b>3.1%</b>	<b>5.3%</b>
Individuals	21.5	22.0	22.5	2.6%	4.7%
Small business	0.7	0.7	0.9	20.5%	20.8%
<b>Non-retail</b>	<b>10.3</b>	<b>10.2</b>	<b>11.9</b>	<b>16.7%</b>	<b>15.8%</b>
SMEs	2.9	3.4	4.0	17.5%	36.8%
Large corporate	7.4	6.8	7.9	16.3%	7.5%
<b>Total net loans</b>	<b>32.5</b>	<b>32.9</b>	<b>35.3</b>	<b>7.3%</b>	<b>8.6%</b>
Financial lease receivables	1.1	1.2	1.3	8.4%	16.3%
<b>Total net loans, including leasing</b>	<b>33.7</b>	<b>34.1</b>	<b>36.7</b>	<b>7.4%</b>	<b>8.9%</b>

Net loans outstanding (including leasing) reached RON 36.7 billion, strongly increasing by +8.9% versus June 30, 2021 and by +7.4% compared to year end, sustained by a dynamic lending activity all over the board.

On retail segment, net loans outstanding was up +5.3%, underpinned by both individuals and small business. Loan production for individuals continued to show a double-digit growth (+13% YoY at end of H1 2022), driven by housing loans (+77% YoY). Small business segment posted a strong growth of +20.8% YoY.

On corporate segment (+15.8% YoY), the activity was extremely dynamic, building especially on SMEs (+36.8% YoY), but also large companies segment (+7.5% YoY). BRD continued to support SMEs eligible under Governmental programs (IMM Invest, IMM Prod, Garant Construct, Agro IMM Invest and Rural Invest), with RON 1.37 billion approved loans in H1 2022, out of which 33% for the agricultural sector.

Leasing activity reconfirmed the solid performance posting an overall portfolio increase of +16.3% YoY.

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

RON bln	Jun-21	Dec-21	Jun-22	vs. Dec-21	vs. Jun-21
<b>Retail</b>	<b>34.4</b>	<b>36.0</b>	<b>35.5</b>	<b>-1.3%</b>	<b>3.3%</b>
Individuals	29.2	29.6	29.6	0.0%	1.2%
Small business	5.2	6.4	6.0	-7.2%	14.7%
<b>Non-retail</b>	<b>18.6</b>	<b>16.7</b>	<b>18.1</b>	<b>8.6%</b>	<b>-2.5%</b>
SMEs	8.0	8.6	8.0	-7.0%	-0.9%
Large corporate	10.6	8.1	10.2	25.1%	-3.8%
<b>Total deposits</b>	<b>53.0</b>	<b>52.7</b>	<b>53.7</b>	<b>1.9%</b>	<b>1.2%</b>

Deposits to customers reached RON 53.7 billion, higher by 1.2% on an annual basis and by 1.9% compared to December 31, 2021. The annual growth was driven exclusively by retail (both individuals and small business). In a context of strong geopolitical tensions over the last five months and rapidly accelerating inflation driving a tightened market liquidity environment, retail deposits reduced by 1.3% compared to December 2021 end level, while SME's deposits decreased by 7%.

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 June 30, 2022, net outstanding of leasing financing granted by BRD Sogelease increased by 16.3% year-on-year to RON 1,326 million. New leasing production increased to RON 450 million in 2022, +28% YoY. In a volatile context, the economic activity maintained a favorable trend that supported the demand for leasing product also in Q2 2022, with BRD Sogelease continuing its dynamic lending pace for SME's and large corporates active in sectors as logistics and transportation, agriculture, construction, manufacturing and healthcare. BRD Sogelease results reconfirmed the position of financial leasing as an efficient and accessible financing solution offered by BRD Group for SME companies in Romania.

### **BRD FINANCE IFN SA**

At the end of June 2022 the value of the net loan portfolio was of RON 459 million vs. RON 550 million at June 2021 end, the new production continuing on a downward trend mainly due to auto segment, which is severely impacted by the delays in the components delivery registered globally. In this context the strategy was focused on the limitation of operating expenses and a stepwise reduction in cost of risk. Therefore, the net result was significantly improved (+163% vs. H1 2021) despite the drop in NBI (-10.1% 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 17.9%\* and RON 3.54 billion assets under management at the end of June 2022. BRD Asset Management now offers investment solutions to more than 115 thousand clients across its 8 investment funds. BRD Asset Management is the 4<sup>th</sup> largest asset manager in Romania in terms of assets under management in open ended funds, and first in terms of number of investors.

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

## 4. FINANCIAL RESULTS AND RATIOS

### FINANCIAL POSITION ANALYSIS

The below financial position analysis is done based on the separate and consolidated financial statements prepared according to the International Financial Reporting Standards, for the period ended June 30, 2022 and the comparative periods.

### FINANCIAL POSITION – ASSETS

Total assets increased by near 6% versus June 30, 2021 and by around 2.5% compared to 2021 end, both for the Group and for the Bank.

The asset structure is presented below:

#### THE GROUP

Assets (RONm)	Jun-21	Dec-21	Jun-22	% total	vs. Dec-21	vs. Jun-21
Cash and current accounts with Central Bank	5,343	6,206	7,534	10.6%	21.4%	41.0%
Loans and advances to credit institutions	5,829	4,538	7,153	10.1%	57.6%	22.7%
Net loans and advances to customers	32,533	32,914	35,329	49.9%	7.3%	8.6%
Financial lease receivables	1,140	1,223	1,326	1.9%	8.4%	16.3%
Other financial instruments	20,186	22,253	16,940	23.9%	-23.9%	-16.1%
Tangible and intangible assets	1,386	1,460	1,440	2.0%	-1.4%	3.9%
Other assets	375	470	1,089	1.5%	131.6%	190.6%
<b>Total assets</b>	<b>66,792</b>	<b>69,063</b>	<b>70,810</b>	<b>100.0%</b>	<b>2.5%</b>	<b>6.0%</b>

#### THE BANK

Assets (RONm)	Jun-21	Dec-21	Jun-22	% total	vs. Dec-21	vs. Jun-21
Cash and current accounts with Central Bank	5,343	6,206	7,534	11.0%	21.4%	41.0%
Loans and advances to credit institutions	5,813	4,521	7,137	10.4%	57.8%	22.8%
Net loans and advances to customers	31,799	32,184	34,631	50.5%	7.6%	8.9%
Other financial instruments	20,250	22,305	16,978	24.7%	-23.9%	-16.2%
Tangible and intangible assets	1,370	1,437	1,420	2.1%	-1.2%	3.7%
Other assets	262	362	942	1.4%	160.5%	3x
<b>Total assets</b>	<b>64,837</b>	<b>67,015</b>	<b>68,642</b>	<b>100.0%</b>	<b>2.4%</b>	<b>5.9%</b>

### LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers registered a strong performance year-on-year (Group: +8.9% YoY at June 2022 end, o/w leasing +16.3%; Bank: +8.9%) on broad based growth, 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 31.4% versus June 30, 2021 and by 36.7% versus December 2021 end, for both the Bank and the Group. The increase is explained by both higher cash and current accounts with the central bank and placements at credit institutions. These items represented approximately 21% of total assets both for the Group and the Bank at end of June 2022.

The minimum compulsory reserve held with the National Bank of Romania accounted for 27% of this aggregate at June 30, 2022 (33% at June 2021 end and 34% at December 2021 end) at Group level. It amounted to RON 3,892 million, up by 6.2% vs June 30, 2021, mainly linked to increasing customers deposits. RON and FX minimum reserve requirements for liabilities with residual maturity of less than 2 years remained unchanged at June 30, 2022 (8% for RON, unchanged from May 2015 and 5% for FX, unchanged from November 2020).

## OTHER FINANCIAL INSTRUMENTS

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

These items amounted to RON 16.9 billion at June 2022 end and represented almost 24% of Group assets. They decreased by 16.1% compared to June 2021 end and by 23.9% versus December 2021 end, driven by the decrease in government bonds portfolio, partly on lowering market value in a context of surging yields, and lower derivatives and other financial instruments held for trading.

## TANGIBLE AND INTANGIBLE ASSETS

The tangible and intangible assets accounted for 2% of the total assets with land and buildings representing the largest part of the item.

The total value of investments during the first 6 months of 2022 was RON 81 million for the Group and RON 80 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)	Jun-21	Dec-21	Jun-22	% total	vs. Dec-21	vs. Jun-21
Amounts owed to credit institutions	2,246	4,708	9,460	13.4%	100.9%	3x
Amounts owed to customers	53,007	52,684	53,665	75.8%	1.9%	1.2%
Other liabilities	1,449	1,793	1,714	2.4%	-4.4%	18.3%
Shareholders equity	10,090	9,879	5,971	8.4%	-39.6%	-40.8%
<b>Total liabilities and shareholders equity</b>	<b>66,792</b>	<b>69,063</b>	<b>70,810</b>	<b>100.0%</b>	<b>2.5%</b>	<b>6.0%</b>

### THE BANK

Liabilities and shareholders equity (RONm)	Jun-21	Dec-21	Jun-22	% total	vs. Dec-21	vs. Jun-21
Amounts owed to credit institutions	490	2,882	7,630	11.1%	3x	16x
Amounts owed to customers	53,209	52,918	53,796	78.4%	1.7%	1.1%
Other liabilities	1,345	1,676	1,577	2.3%	-5.9%	17.2%
Shareholders equity	9,793	9,539	5,640	8.2%	-40.9%	-42.4%
<b>Total liabilities and shareholders equity</b>	<b>64,837</b>	<b>67,015</b>	<b>68,642</b>	<b>100.0%</b>	<b>2.4%</b>	<b>5.9%</b>

## AMOUNTS OWED TO CUSTOMERS

At June 30, 2022, amounts owed to customers increased by 1.1% for the Bank and by 1.2% for the Group on an annual basis and by 1.7%, respectively 1.9% compared to 2021 end. The year on year increase was driven by retail (both individuals and small business), with increase in sight accounts and foreign currency resources.

## AMOUNTS OWED TO THE CREDIT INSTITUTIONS

Amounts owed to credit institutions represent borrowings from the parent and International Financial Institutions and interbank deposits, and stood at 13.4% of the total liabilities for the Group and 11.1% for the Bank at June 30, 2022.

BRD Group's borrowings from Société Générale totalled RON 5.8 billion (8.9% of liabilities) at June 2022 end. Among these, are included 2 senior non-preferred loans in amount of EUR 600 million (EUR 450 million received in December 2021, respectively EUR 150 million in June 2022, both with a tenor 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 a tenor of 10 years and a call option at 5 years).

Within a context of tightened RON liquidity, the Lombard facility was accessed during March-June 2022 period, in average at an amount that as a share in total drawn by the banks was rather in line with BRD's market share in total assets.

#### SHAREHOLDERS' EQUITY

Shareholders' equity decreased by 40.8% for the Group and by 42.4% for the Bank compared to June 30, 2021, mainly on dividend distribution (for 2019-2021 results) and lower revaluation reserves of debt instruments accounted at fair value through other comprehensive income, in the context of surging yields. Compared to December 2021 end, shareholders' equity decreased by 39.6% for the Group and 40.9% for the Bank.

The structure of the shareholders' equity evolved as follows:

#### THE GROUP

Shareholders' equity (RONm)	Jun-21	Dec-21	Jun-22	vs. Dec-21	vs. Jun-21
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	549	(385)	(2,322)	n.a.	-5x
Retained earnings and capital reserves	6,974	7,691	5,720	-25.6%	-18.0%
Non-controlling interest	52	58	58	0.5%	12.3%
<b>Total shareholders' equity</b>	<b>10,090</b>	<b>9,879</b>	<b>5,971</b>	<b>-39.6%</b>	<b>-40.8%</b>

#### THE BANK

Shareholders' equity (RONm)	Jun-21	Dec-21	Jun-22	vs. Dec-21	vs. Jun-21
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	549	(385)	(2,322)	n.a.	-5x
Retained earnings and capital reserves	6,729	7,409	5,446	-26.5%	-19.1%
<b>Total shareholders' equity</b>	<b>9,793</b>	<b>9,539</b>	<b>5,640</b>	<b>-40.9%</b>	<b>-42.4%</b>

#### 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 64.4% at June 30, 2022 (from 60.8% at December 31, 2021 and 59.8% at June 30, 2021) for the Bank and 68.3% for the Group, including financial leasing receivables (64.8% at December 31, 2021 and 63.5% at June 30, 2021).

## **H1-2022 FINANCIAL RESULTS**

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

RONm	H1-2021	H1-2022	Variation
<b>Net banking income</b>	<b>1,526</b>	<b>1,642</b>	<b>7.6%</b>
- net interest income	1,013	1,123	10.8%
- net commissions	367	373	1.7%
- other banking income	146	145	-0.2%
<b>Operating expenses</b>	<b>(814)</b>	<b>(853)</b>	<b>4.8%</b>
- staff expenses	(408)	(415)	1.9%
- non-staff expenses	(406)	(437)	7.7%
<b>Operating profit</b>	<b>712</b>	<b>789</b>	<b>10.7%</b>
Net cost of risk	39	(46)	n.a.
Gross result	751	743	-1.1%
<b>Net result</b>	<b>626</b>	<b>617</b>	<b>-1.4%</b>
Profit attributable to equity holders of the parent	623	609	-2.3%

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

RONm	H1-2021	H1-2022	Variation
<b>Net banking income</b>	<b>1,461</b>	<b>1,592</b>	<b>9.0%</b>
- net interest income	949	1,057	11.4%
- net commissions	349	356	1.8%
- other banking income	163	179	10.2%
<b>Operating expenses</b>	<b>(767)</b>	<b>(806)</b>	<b>5.1%</b>
- staff expenses	(381)	(388)	1.8%
- non-staff expenses	(386)	(419)	8.4%
<b>Operating profit</b>	<b>694</b>	<b>785</b>	<b>13.2%</b>
Net cost of risk	57	(52)	n.a.
Gross result	751	733	-2.4%
<b>Net result</b>	<b>629</b>	<b>617</b>	<b>-1.9%</b>

BRD Group's revenues registered a solid increase in H1 2022, with best ever H1 net banking income, +7.6% versus the same period of the last year, reflecting a very good commercial momentum across the board.

The evolution is driven by the +10.8% in NII, with a substantial growth in interest income, building on both higher rates (average ROBOR 3M at 4.55% in H1 2022 versus 1.60% in H1 2021) and volumes, tempered by increasing funding costs mainly related to corporate deposits and usage of Lombard facility within a tight liquidity environment.

Net fees and commissions advanced by +1.7% YoY on increasing revenues from card transactions and capital market activity, compensating the impact of lower commissions from e-banking given the migration of retail clients to the new free of charge mobile banking application, YOU BRD.

The evolution of other revenues categories is mainly explained by a base effect generated by revaluation gains and higher revenues from bonds sales in H1 2021, compensated by a dynamic sales activity on FX trades.

Excluding the contributions to Deposit Guarantee and Resolution Funds (69.2m RON vs 49.4m RON in H1 2021), operating expenses inched up by +2.5%, driven by 1) other costs categories (+3.2%), mainly due to higher expenses related to several external services and IT&C, and 2) moderate increase in staff

costs (+1.9%), as the impact of price effect induced by a still tight labor market and inflationary environment, was partially offset by headcount reduction (-562 FTE vs June 21 end).

Given the above evolutions, the BRD Group cost/income ratio was reduced by 2.4 ppt (if we exclude the cumulated contributions to Deposit Guarantee and Resolution Funds), to 47.7% in H1 2022, from 50.1% in the same period of the previous year.

BRD Group registered a solid operational performance, with gross operating income of RON 789 million in H1-2022 (vs. RON 712 million in H1 2021).

Further improvement of loan portfolio quality, with credit risk indicators at comfortable levels and well contained cost of risk. As of June 2022 the NPL ratio\* (non-performing loans, according to EBA definition) reached 2.6% decreasing from June 2021 level of 3.3%, and provision coverage increased to 77% (+3 ppt.YoY). The net cost of risk represented RON 46 million provision charge (vs. RON 39 million release in H1 2021) driven by an overall deteriorated macroeconomic environment/ outlook, partially offset by important recoveries from non-performing and written-off portfolio.

Given all the above, BRD Group recorded a net result of RON 617 million, -1.4% YoY, a return on equity of 15.6% (3 ppt higher compared to H1-2021) and a return on assets of 1.8% (0.2 ppt higher versus H1-2021).

The Bank recorded similar trends, with a net result of RON 617 million versus RON 629 million in H1-2021.

#### CAPITAL ADEQUACY (THE BANK)

RONm	Jun-21	Dec-21	Jun-22
Tier 1 capital	8,467	6,646	5,377
Tier 2 capital	-	495	1,236
<b>TOTAL OWN FUNDS</b>	<b>8,467</b>	<b>7,141</b>	<b>6,613</b>
<b>Capital requirements</b>	<b>2,288</b>	<b>2,368</b>	<b>2,543</b>
Credit risk (including counterparty risk)	25,327	27,067	29,341
Market risk	246	138	111
Operational risk	2,686	2,125	2,124
CVA risk	342	266	213
<b>Total risk exposure amount</b>	<b>28,601</b>	<b>29,596</b>	<b>31,789</b>
<b>Regulatory CAR</b>	<b>29.6%</b>	<b>24.1%</b>	<b>20.8%</b>
<b>Tier 1 ratio</b>	<b>29.6%</b>	<b>22.5%</b>	<b>16.9%</b>

At Bank level, the capital adequacy ratio reached 20.8%\*\* at June 30, 2022 (Basel 3), compared to 24.1% at December 31, 2021 and 29.6% at June 30, 2021.

The year on year decrease in solvency ratio is explained by both decrease in own funds, and increase of capital requirements.

The own funds' decrease is mainly the result of dividend distribution (the exceptional payment of RON 1,684 million from 2019 and 2020 retained profits, approved by GSM on February 24, 2022), lower revaluation reserves of debt instruments accounted at fair value through other comprehensive income, in the context of rising yields, and partially offset by the incorporation of the 2021 net profit after RON 895.5 million dividend distribution (representing 70% payout ratio). BRD's regulatory own funds as at June 30, 2022 are formed of common equity capital (CET1) and Tier 2 instruments.

The 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 16.9%\*\* at June 30, 2022 compared to 22.5% at December 31, 2021 and 29.6% at June 30, 2021.

\* at Bank level; \*\* CAR for Jun-22 is preliminary



## **OTHER STATEMENTS**

Neither the Bank's nor the Group's revenues depend on a single or group of connected customers; hence there is no risk that the loss of a customer might significantly affect the income level.

Except for the changes in the economic environment presented in chapter 2, no events, transactions or modifications of the economic situation, which would have significant consequences on the Bank's incomes occurred.

In the period January – June 2022 the Bank found itself in no such cases as to be unable to meet its financial obligations.

In the period January – June 2022, no modifications occurred with respect to the rights of the Bank issued securities holders.

The major transactions in which the persons able to take concerted actions were involved are presented in Note 36 in the interim financial statements accompanying this report. These transactions were made in normal market conditions, during the current activity and with no significant influence on BRD's financial position.

No subsequent events were identified after the reporting date.

## 5. CONCLUSIONS

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Romanian economy posted an accelerated growth pace of 6.4% YoY in Q1 2022, counting again on a strong private consumption. Prolonged war in Ukraine amplifies risks and challenges by fueling inflation, cutting growth prospects, renewing currency depreciation pressures, increasing borrowing costs, and eroding confidence. In this challenging context, NBR took action by increasing key rate sequentially up to 4.75%, restarting quantitative easing and providing liquidity through Lombard facility.

The growth potential residing within the National Recovery and Resilience Plan started being tapped through a first financing request from Romania, in June, for the payment of EUR 1.8 billion in grants and EUR 790 million in loans.

In H1 2022, BRD showed a very good commercial momentum across the board, despite the challenging macroeconomic context induced by the war in Ukraine.

Lending continued to be intense, BRD Group net loans, including leasing receivables, recording a high growth (+8.9% YoY at June 2022 end). Loan production for individuals continued to show a double-digit advance (+13% YoY in H1 2022), driven by housing loans (+77% YoY). As such, net loans outstanding on retail segment was up +5.3% YoY, underpinned by both individuals and small business segments. Corporate lending marked a very solid performance (+15.8% YoY) built on both a robust activity on SME segment (+36.8% YoY) and a continued growth of loans to large companies (+7.5% YoY). BRD continued to actively support SMEs eligible under Governmental programs, with RON 1.4 billion approved loans in H1 2022, out of which 33% for the agricultural sector.

Leasing activity reconfirmed the solid performance posting an overall portfolio increase of +16.3% YoY.

The enhancement of digital experience through the new fully remote registration process allowed the accelerated growth of the number of clients using our new mobile application "YOU BRD", to 890 thousands as of June 30, 2022, up by 164% compared to the same period last year.

Building on a solid commercial activity, BRD Group delivered in the first half of the year a robust financial performance, with best ever H1 NBI, higher by 7.6% versus the same period of 2021, mainly on the substantial growth in interest income, driven by both upward volumes and market rates. Inflation starts to progressively materialize on costs, operating expenses posting a moderate growth. The net cost of risk was well contained given the context, registering a RON 46 million provision charge (vs. RON 39 million release in H1 2021) driven by an overall deteriorated macroeconomic environment/ outlook, partially offset by important recoveries from non-performing and written-off portfolio. Consequently, BRD delivered in H1 2022 a high level of profitability and a ROE printing close to 16%.

BRD remains committed for the long term to provide financial and expertize support for its customers and the economy.

The interim financial report as at June 30, 2022 has been reviewed for the Bank only.

**Giovanni Luca SOMA**

**Chairman of the Board of Directors**

**François BLOCH**

**Chief Executive Officer**

**Etienne LOULERGUE**

**Chief Financial Officer**