Half Year Report

June 30, 2023

according to Financial Supervisory Authority Regulation no 5/2018

THE FUTURE IS YOU

BRD

GROUPE SOCIETE GENERALE

CONTENTS

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, 2023, SG was holding 60.17% of the share capital.

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

BRD identification data are the following:

- **Head Office:** 1-7 Blvd. Ion Mihalache, sect. 1, Bucharest
- **Phone/Fax:** 021.3016100 / 021.3016800
- **Sole registration number with the Trade Registry:** 361579/10.12.1992
- **Fiscal Code:** RO 361579/10.12.1992
- **Order number with the Trade Registry:** J40-608-1991
- **Number and date of registration in the Credit Institutions Register:** RB - PJR - 40 – 007/18.02.1999
- **Share capital subscribed and paid:** 696,901,518 RON
- **Regulated market on which the issued securities are traded:** Bucharest Stock Exchange Premium Tier
- **The main characteristics of securities issued by the company:** ordinary shares with a nominal value of 1 RON

EXTERNAL RATING

As at June 30, 2023, the Bank had the following ratings:

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

Moody's *(last rating update: September-2022**)*	Rating
Domestic Currency Short-Term Deposit	Prime-2
Domestic Currency Long-Term Deposit	Baa1
Foreign Currency Short-Term Deposit	Prime-2
Foreign Currency Long-Term Deposit	Baa1

** Fitch affirmed LT IDR at 'BBB+' and revised the outlook to stable from negative*

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

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

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

SOCIÉTÉ GÉNÉRALE PROFILE

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

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

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 117,000 members of staff in 66 countries and supports on a daily basis 25 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary core businesses:

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

The latest credit ratings of Société Générale are available at
https://investors.societegenerale.com/en/financial-and-non-financial-information/ratings/credit-ratings

BRD POSITION WITHIN SOCIÉTÉ GÉNÉRALE

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

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

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

BRD is part of the international network of Société Générale, managed by the International Retail Banking and Financial Services division (IBFS) that aims to offer a broad range of products and services to individuals, professionals and corporates. International Retail Banking operations, Insurance and Financial Services are building their networks in Africa, Central and Eastern Europe. The specialized equipment finance and vehicle leasing and fleet management businesses are leaders in Europe and worldwide in their markets.

KEY FIGURES

	The Group	6 months to 30-Jun-2022	6 months to 30-Jun-2023	Change
Financial results	Net banking income (RONm)	1,642	1,861	+13.4%
	Operating expenses (RONm)	(853)	(944)	+10.7%
	Cost of risk (RONm)	(46)	5	n.a.
	Net profit (RONm)	617	768	+24.4%
	Cost / income ratio	51.9%	50.7%	-1.3 pt
	ROE	15.6%	20.1%	+4.6 pt
	RON bn	**Jun-22**	**Jun-23**	**Change**
Loans and deposits	Total net loans (incl. leasing)	36.7	39.6	+7.9%
	Total deposits	53.7	58.4	+8.9%

	The Bank	6 months to 30-Jun-2022	6 months to 30-Jun-2023	Change
Financial results	Net banking income (RONm)	1,592	1,804	+13.4%
	Operating expenses (RONm)	(806)	(905)	+12.2%
	Cost of risk (RONm)	(52)	(2)	-97.0%
	Net profit (RONm)	617	752	+22.0%
	Cost / income ratio	50.7%	50.2%	-0.5 pt
	ROE	16.3%	20.8%	+4.5 pt
	RON bn	**Jun-22**	**Jun-23**	**Change**
Loans and deposits	Total net loans	34.6	37.3	+7.7%
	Total deposits	53.8	58.6	+9.0%
	RON m	**Jun-22**	**Jun-23**	**Change**
Capital adequacy	Own funds (RONm)	7,230	7,605	+5.2%
	RWA (RON bn)	31,980	33,910	+6.0%
	CAR*	22.6%	22.4%	-0.2 pt
Franchise	No of branches	481	441	(40)

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

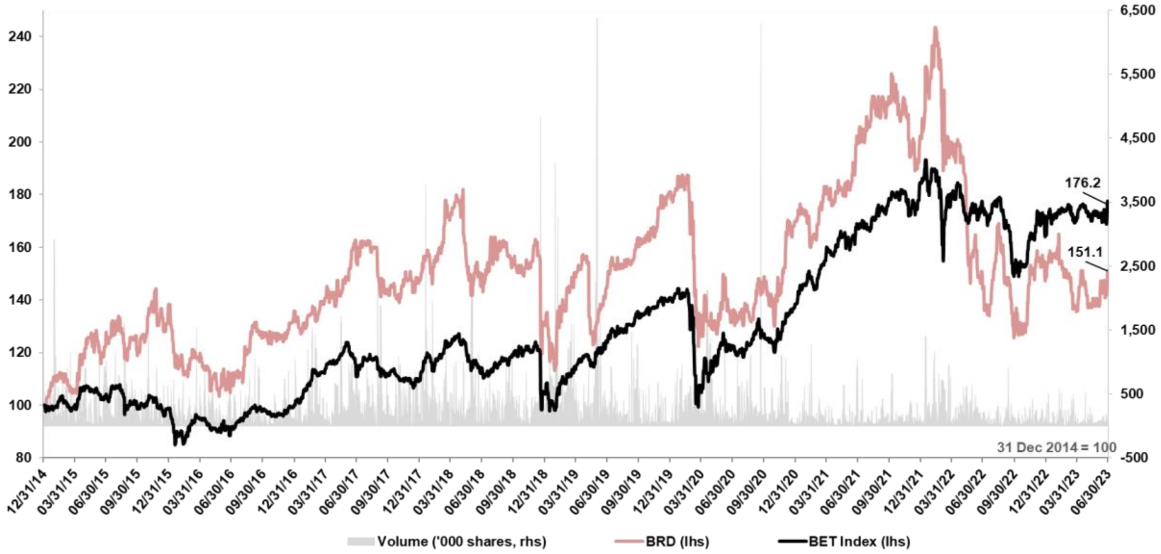
BRD SHARE

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

The closing price for BRD share as at June 30, 2023, was of RON 13.22 /share (RON 13.00 /share at December 31, 2022 and RON 12.62 /share at June 30, 2022). On the same date, the market capitalization was RON 9,213.04 million (RON 9,059.72 million at December 31, 2022 and RON 8,794.90 million at June 30, 2022).

During January – June 2023, neither the Bank, nor its subsidiaries bought back own shares.

Evolution of BRD's share price versus the BET Index and BRD's volume of shares for the period December 31, 2014 – June 30, 2023



Source: Bloomberg

DIVIDENDS

On April 27, 2023, the General Shareholders' Meeting approved the allocation of the 2022 net profit of RON 1,285,937,894 to retained earnings.

2. ECONOMIC AND BANKING ENVIRONMENT

In Q1 2023, the annual **growth of economic activity** remained low worldwide, especially in the advanced economies. The euro area entered a technical recession, as the region's economy shrank by 0.1% in Q1 2023, marking two consecutive quarters of contracting GDP. Romanian activity has slowed in the face of lagging global economic development, with GDP growth in Q1 2023 printing +0.2% QoQ (vs. +1.0% QoQ in Q4 2022) and almost halving on an annual basis, reaching +2.4% YoY, compared to +4.5% YoY in Q4 2022. On components, private consumption (+7.0% YoY, +5.1pp contribution to Q1 2023 GDP growth) was the leading growth driver followed by a continued dynamic expansion of gross fixed capital formation (+10.4% YoY, +1.9pp contribution to Q1 2023 GDP growth), while net exports exerted a modest positive impact (+0.7pp of GDP growth).

With the demise of compulsory savings during the COVID period, high prices, particularly for food, as well as rising debt servicing costs, induced consumers to reconsider their purchases and shift to more basic and thus cheaper things, as well as alter preferences between different types of products. As a result, retail turnover showed negative annual dynamics in April 2023 (-0.5% YoY) for the first time in nearly three years, although it recovered in May 2023 (+2.7% YoY). The latest statistical data point to a continuation of the weakening trend in economic activity during Q2 2023.

A reduction in consumer spending, an uncertain housing sector and sluggish industrial activity, all point to slower development in the future. A key catalyst for the economic growth remain the funds allocated under National Recovery and Resilience Plan, although reduced (as confirmed in April, by EUR 2.1 bn, or 14.9% of the total) as a result of GDP performance exceeding the estimates used for the Plan, for the 2020-2021 period.

On 31st of January 2023, the European Commission approved, under EU State aid rules, a EUR 1.6 bn Romanian measure to set-up the Romanian Investment and Development Bank. This bank would aim at supporting economic and social development, competitiveness, innovation and growth across Romania's economy. It will be established as a fully State-owned entity, with the Ministry of Finance as its shareholder, and will act under the supervision of the National Bank of Romania. The aid will take the form of: (i) a capital injection of up to EUR 608 million, out of which EUR 10 million are estimated to be received in 2024 under the Recovery and Resilience Facility, (ii) a EUR 1.4 million grant, and (iii) State guarantees worth EUR 992 million.

In February 2023, the European Commission approved, under EU State aid rules, a EUR 259 million Romanian scheme, made available in part through the Recovery and Resilience Plan, to support investments in the production, assembly and recycling of batteries, of photovoltaic cells and of panels. The scheme aims at supporting Romania's regional development and fostering the EU's strategic objectives relating to the green transition. The measure aims to: (i) contribute to regional development by targeting sectors with growing demand, which will support the creation of new jobs that require a skilled workforce, as well as a more sustainable and competitive economy, and (ii) foster Romania's and the EU's green transition.

In February 2023, the Romanian Government, through the Ministry of Investment and European Projects, announced that in 2023 it will continue to implement measures to support people in vulnerable categories, for which the total budget allocated will reach EUR 1.8 bn.

In June 2023, The European Commission has endorsed a positive preliminary assessment of part of the milestones and targets linked to Romania's second payment request (EUR 3.2 bn - EUR 2.1 bn in grants and EUR 1.1 bn in loans) under the Recovery and Resilience Plan. The Commission considered 47 milestones and 2 targets out of the 49 milestones and 2 targets to be satisfactorily fulfilled, demonstrating progress in the implementation of Romania's Recovery and Resilience Plan. The Commission found that Romania has made improvements in areas such as green and digital transition, governmental coordination for public policy delivery, water management, tax administration, and others. The two milestones, which have been unsatisfactorily fulfilled so far, are related to investments in energy. Romania has the right to present its observations on the two matters within a month and if the Commission confirms that the two outstanding milestones have not been satisfactorily fulfilled, it will determine the amount of the payment to be suspended by applying its methodology for payment suspension. From that moment, Romania will have a period of six months to satisfactorily fulfil the outstanding milestones. During this period of six months, the Commission will engage in active dialogue with the Romanian authorities. If and when the milestones will have been fulfilled, the Commission will lift the suspension of the payment and send its assessment to the EFC (Economic and Financial Committee).

The World Bank Group (WBG) Board of Executive Directors approved on June 30 the second Inclusive and Green Growth Development Policy Loan (DPL) for Romania of EUR 592 million. The money will be spent on three separate actions: social aid for disabled and low-income families, strengthening fiscal management by eliminating tax loopholes and bolstering the budgetary frameworks, and “a holistic set of core reforms” to decarbonize the economy, enabling the green transition in Romania.

Inflation rate registered a faster decline in Q2 2023, reaching 10.3% in June 2023, down from 14.5% in March 2023, with the correction being largely supported by last year’s high base, particularly in the case of the energy and fuel price dynamics. On the other hand, the repricing of services, higher than the historical average, slowed disinflation. Looking at the breakdown by components, food prices stood lower by 0.1% m/m (+17.9% y/y), while non-food prices rose by 0.6% m/m (+4.8% YoY), with electricity prices decreasing (-1.3% m/m), whereas fuel prices went up (+1.3% m/m). Services prices continued to display a notable monthly advance (+0.8% m/m), amid higher bills for hygiene & cosmetics (+1.3% m/m), healthcare (+1.1% m/m), water & sewage (+0.9% m/m). The inflation rate in Romania remains far from the upper bound of the NBR target range (2.5% ± 1 ppt).

Euro area inflation printed at 5.5% in June 2023, while strong price increases were still registered in the CEE region: Hungary (20.1%), Poland (11.5%) and Czech Republic (9.7%).

The two main worldwide shocks, the COVID-19 outbreak and the war in Ukraine, and their overlapping consequences, as well as the difficult structural transformations they have sparked, aggravated existing policymakers' trade-offs, such as fighting inflation and ensuring economic recovery/employment. Following these events, in order to support the economy, NBR made extensive use of the policy toolkit to tame inflationary pressures, carefully calibrating the dosage in order to smoothen the macro-financial impact of the changing rate environment.

After ten successive key rate increases since the start of the tightening cycle in October 2021, with 575 bps in total (from 1.25% in August 2021 to 6.75% in November 2022), at the beginning of 2023, NBR indicated the end of the rate hiking cycle with the increase of 25 bps to 7%, in line with market expectations. This was reinforced at the subsequent meetings from February, April and July 2023, when key rate level was maintained at 7%.

In terms of banking activity, the annual growth rate of gross loans outstanding continued to decelerate, to +6.1%* YoY at May 2023, almost halving compared to the level of +11.8%* YoY at February 2023 (vs. +11.9%* YoY at December 2022 end and +15.7%* at November 2022 end). The evolution was primarily due to the substantially lower growth pace of the FX component and a continued downward dynamic for the local currency component. By segment, the advance was mainly supported by corporates loans, however with a severe adjustment in the annual dynamic (+10.8% YoY at May 2023 end vs. +18.8% YoY at December 2022 end). Loans to individuals slowed significantly (+0.6% YoY at May 2023 end vs. +4.1% YoY at December 2022 end), both on housing (+0.3%* YoY at May 2023 end vs. +5.4%* YoY at December 2022 end) and consumer loans (+1.0%* YoY at May 2023 end vs. +2.0%* YoY at December 2022 end) amid persisting elevated borrowing costs.

Deposits returned to a single digit growth rate, also decelerating, reaching +7.8% at May 2023 end (vs +11.6% YoY at April 2023 end and +9.1% YoY at December 2022 end), mainly due to FX denominated corporate deposits, which printed -6.2% lower YoY at May 2023 end. Overall, the annual growth rate of individuals deposits reached +5.4%* YoY at May 2023 end (vs +9.2%* YoY at April 2023 and +5.7%* YoY at December 2022 end), while on corporate segment, the rate of increase reduced to +10.4%* YoY at May 2023 end (vs 14.6%* YoY at April 2023 and +13%* YoY at December 2022 end).

Regarding asset quality, the level of non-performing loans and coverage ratios place the Romanian banking sector into EBA defined low risk bucket (NPL <3%, coverage ratio > 55%). NPL ratio reached new historically low level of 2.63% at May 2023 end (vs. 2.65% at December 2022 end) and NPL coverage ratio was 66.2% at March 2023 end (65.4% at December 2022 end).

The Romanian banking system is well capitalized, as reflected by the capital adequacy ratio of 21.65% as of March 2023 end (23.40% as of December 2022 end), above EU average (19.4% at December 2022 end). As regards liquidity, the banking system has also a comfortable position, with a Liquidity Coverage Ratio of 219.5% as of March 2023 end (209% at December 2022 end), remaining well above regulatory requirement (100%) and EU average (165% at December 2022 end). The positive evolution built on the substantial increase in the liquidity buffer, generally driven by the increase in assets representing exposures to the central administration and liquidity surplus growth.

** variation at constant FX rate*

3. COMMERCIAL ACTIVITY

As at June 30, 2023, the Bank had 441 branches (June 30, 2022: 481 branches, December 31, 2022: 460 branches), ensuring the distribution of its products and services throughout the whole country.

The digital adoption keeps growing, as reflected by the further increase in the number of users of the mobile application, You BRD, which reached over 1.3 million as of June 30, 2023, up by 45% compared to the same period last year.

During H1 2023, BRD continued to further build on digital features. The latest developments refer to BRD AM investment funds and capital markets accounts' visualisation, app to app redirect for online card payments (better experience and shortened checkout flow by automatically redirecting our client to the merchant application to complete the online application card payment), online card payment SCA (Strong Customer Authentication) message available for 10 minutes in user inbox, push notifications for initiated transactions, online lending product page for taking a new loan (or refinancing an existing one), or taking a credit card (or increasing existing limit). All of these new features are available directly from the mobile banking application, YouBRD.

In addition, instant payments are now available also for small business and corporate customers via BRD Office, the application dedicated to corporate customers.

BRD held a market share of 9.9% of total assets at March 31, 2023.

	Jun-22	Dec-22	May-23
TOTAL ASSETS	**10.7%**	**10.2%**	**n.a.**
LOANS	**9.6%**	**9.5%**	**9.8%**
Individuals	*13.6%*	*13.5%*	*13.8%*
Companies	*6.4%*	*6.5%*	*6.8%*
DEPOSITS	**10.1%**	**10.0%**	**10.3%**
Individuals	*11.0%*	*10.9%*	*10.9%*
Companies	*9.2%*	*9.0%*	*9.5%*

Note:
Market share by total assets as of May-23 and Jun-22, according to Bank's internal calculations
Market share by total assets as of Dec-22, according to NBR communication

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

RON bln	Jun-22	Dec-22	Jun-23	vs. Dec-22	vs. Jun-22
Retail	**23.4**	**23.4**	**24.0**	**2.6%**	**2.3%**
Individuals	22.5	22.5	22.9	1.9%	1.8%
Small business	0.9	0.9	1.0	18.7%	16.0%
Non-retail	**11.9**	**12.9**	**14.0**	**8.5%**	**17.9%**
SMEs	4.0	4.8	5.1	6.1%	29.1%
Large corporate	7.9	8.1	8.9	10.0%	12.2%
Total net loans	**35.3**	**36.3**	**38.0**	**4.7%**	**7.5%**
Financial lease receivables	1.3	1.4	1.6	11.4%	18.2%
Total net loans, including leasing	**36.7**	**37.7**	**39.6**	**4.9%**	**7.9%**

Net loans outstanding (including leasing) reached RON 39.6 bn, recording a slower, but still robust growth of +7.9% versus June 30, 2022 (+ 4.9% vs December 31, 2022) sustained by a vigorous lending activity on corporate segment, while on retail segment the dynamic was softer, reflecting the impact of monetary policy tightening measures and the decline in purchasing power.

On retail segment, net loans outstanding was up +2.3% YoY as of June 2023 end (individuals, +1.8% YoY and small business +16.0% YoY, as of June 2023 end). The dynamic was mainly supported by individuals' consumer loan production, increasing by +13% YoY in H1 2023 and reaching a quarterly record level in Q2 2023. Housing loans production reflected a deterioration following a declining market trend in the context of elevated interest rates.

Lending activity to non-retail segment continued to be strong, growing at a double-digit pace (+17.9% YoY), building on an excellent contribution from both SME segment (+29.1% YoY) and large companies (+12.2% YoY).

During first semester of 2023, BRD continued to support the business environment in Romania, being an active financier of both eligible companies under the IMM Invest Plus program and beneficiaries of state / EU non-reimbursable funds. Under IMM Invest Plus program, BRD financed over 1,500 customers with a total value of loans of over RON 1.6 billion. Regarding the co-financing of projects benefiting from non-reimbursable subsidies from state or European Union budget, BRD supported 450 eligible companies with a total value of loans of RON 195 million.

Leasing activity marked a robust performance posting an overall portfolio increase of +18.2% YoY as of June 2023 end.

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

RON bln	Jun-22	Dec-22	Jun-23	vs. Dec-22	vs. Jun-22
Retail	**35.5**	**37.1**	**37.9**	**2.2%**	**6.6%**
Individuals	29.6	31.0	32.0	3.1%	8.1%
Small business	6.0	6.1	5.9	-2.6%	-0.7%
Non-retail	**18.1**	**19.6**	**20.5**	**5.0%**	**13.3%**
SMEs	8.0	8.2	8.2	0.2%	2.5%
Large corporate	10.2	11.4	12.4	8.5%	21.8%
Total deposits	**53.7**	**56.7**	**58.4**	**3.1%**	**8.9%**

Deposits to customers reached RON 58.4 bn as of June 2023 end, higher by +8.9% on an annual basis, with +6.6% YoY advance on retail segment and +13.3% YoY on non-retail. In the context of elevated rates and, thus, competitive remuneration, individuals' term deposits continue to grow steeply. On corporate segment, higher net inflows were registered from large corporate customers (+21.8% YoY) and to a smaller extent from SMEs (+2.5% YoY).

For the evolution of the main components of the net banking income please refer to "Financial results" section.

SUBSIDIARIES' ACTIVITY

BRD SOGELEASE IFN SA

As of June 30, 2023, net outstanding of leasing financing granted by BRD Sogelease increased by +18.2% year-on-year to RON 1,567 million. BRD Sogelease delivered consistent financing volumes in first half of 2023, maintaining a strong dynamic of the activity, with new leasing production increasing to RON 631.6 million, +40% YoY vs H1 2022. Demand for leasing was very consistent during the analysed period, driven by SMEs and large corporates active in various sectors as construction, logistics and transportation, agriculture, manufacturing and healthcare, which use financial leasing as an efficient and accessible financing solution offered by BRD Group.

BRD FINANCE IFN SA

At the end of June 2023 the value of the net loan portfolio was of RON 310 million vs. RON 459 million at June 2022 end, the new production continuing on a downward trend as a result of limiting the subscription of new products. The strategy was focused on efficient management of the existing portfolio, on the limitation of operating expenses and a stepwise reduction in cost of risk. Therefore, the net result was +71% vs last year despite the drop in NBI (-19% for the same period).

BRD ASSET MANAGEMENT SA

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 19.2%* and RON 3.511 billion assets under management at the end of June 2023. BRD Asset Management now offers investment solutions to more than 127 thousand clients across its 12 investment funds. In 2022, 4 new funds have been lunched: BRD Orizont 2035, BRD Orizont 2045, BRD Oportunitati and BRD Euro Simplu. The first two, known as TDFs (target date funds), are a novelty on the local market. This year the company received authorization for it's first ESG strategy fund by transforming BRD Global into an Article 8 (under EU Sustainable Finance Disclosure Regulation) fund, promoting social and/or environmental characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices

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

4. FINANCIAL RESULTS AND RATIOS

FINANCIAL POSITION ANALYSIS

The below financial position analysis is done based on the separate and consolidated financial statements prepared according to the International Financial Reporting Standards, for the period ended June 30, 2023 and the comparative periods.

FINANCIAL POSITION – ASSETS

Total assets increased solidly versus June 30, 2022, both for the Group and the Bank (by +8.7% YoY for the Group and by +8.6% YoY for the Bank). Compared to 2022 end, total assets were higher at June 2023 by +4.2% YoY for both the Group and the Bank.

The asset structure is presented below:

THE GROUP

Assets (RONm)	Jun-22	Dec-22	Jun-23	% total	vs. Dec-22	vs. Jun-22
Cash and current accounts with Central Bank	7,534	7,625	10,138	13.2%	33.0%	34.6%
Loans and advances to credit institutions	7,153	7,221	5,644	7.3%	-21.8%	-21.1%
Net loans and advances to customers	35,329	36,288	37,991	49.4%	4.7%	7.5%
Financial lease receivables	1,326	1,407	1,567	2.0%	11.4%	18.2%
Other financial instruments	16,940	18,642	19,055	24.8%	2.2%	12.5%
Tangible and intangible assets	1,440	1,537	1,543	2.0%	0.4%	7.2%
Other assets	1,089	1,121	1,023	1.3%	-8.8%	93.9%
Total assets	**70,810**	**73,842**	**76,961**	**100.0%**	**4.2%**	**8.7%**

THE BANK

Assets (RONm)	Jun-22	Dec-22	Jun-23	% total	vs. Dec-22	vs. Jun-22
Cash and current accounts with Central Bank	7,534	7,625	10,138	13.6%	33.0%	34.6%
Loans and advances to credit institutions	7,137	7,205	5,629	7.6%	-21.9%	-21.1%
Net loans and advances to customers	34,631	35,542	37,282	50.0%	4.9%	7.7%
Other financial instruments	16,978	18,646	19,079	25.6%	2.3%	12.4%
Tangible and intangible assets	1,420	1,518	1,519	2.0%	0.1%	6.9%
Other assets	942	987	896	1.2%	-9.2%	95.1%
Total assets	**68,642**	**71,523**	**74,541**	**100.0%**	**4.2%**	**8.6%**

LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers registered a strong performance year-on-year (Group: +7.9% YoY at June 2023 end, o/w leasing +18.2%; Bank: +7.7% YoY) particularly driven by corporates, as detailed above in Chapter 3.

CASH, CURRENT ACCOUNTS WITH THE CENTRAL BANK AND LOANS AND ADVANCES TO CREDIT INSTITUTIONS

Cash and current accounts with the central bank and loans and advances to credit institutions increased by +7.5% YoY versus June 30, 2022 and by +6.3% versus December 2022 end, for both the Bank and the Group. The increase is explained by higher cash and current accounts with the central bank which were partially offset by reduced placements at credit institutions.These items represented approximately 20.5% of total assets for the Group and 21.2% for the Bank at end of June 2023.

The minimum compulsory reserve held with the National Bank of Romania accounted for 27% of this aggregate at June 30, 2023 (28% at December 2022 end) at Group level. It amounted to RON 4,310 million, up by 10.7% YoY and by 4.7% vs December 31, 2022, mainly linked to increasing customers average outstanding deposits, during the analysed period. The level of RON and FX minimum reserve requirements for liabilities with residual maturity of less than 2 years are at 8% and 5% respectively, unchanged from May 2015 for RON and from November 2020 for FX.

OTHER FINANCIAL INSTRUMENTS

Other financial instruments include financial assets at fair value through other comprehensive income, treasury bills at amortised cost, financial assets at fair value through profit and loss, derivatives and other financial instruments held for trading, investments in associates and subsidiaries.

These items amounted to RON 19.1 bn at June 2023 end for both Group and Bank and represented 25% of Group assets and almost 26% of Bank assets. They increased by almost +12.5% YoY compared to June 2022 end and by +2.2% versus December 2022 end. The year on year dynamic is mainly driven by the increase in government bonds portfolio and higher derivatives and other financial instruments held for trading.

TANGIBLE AND INTANGIBLE ASSETS

The tangible and intangible assets increased by almost +7.2% YoY for the Group and +6.9% YoY for the Bank, compared to June 2022 end, and accounted for 2.0% of the total assets for both the Group and the Bank, with land and buildings representing the largest part of the item, while the first driver of growth being the IT related assets.

The total value of investments during the first semester of 2023 was RON 109 million for both the Group and the Bank, compared to RON 81 million in the same period in 2022 for both the Group and the Bank. There is no capitalized research and development expenditure.

FINANCIAL POSITION – LIABILITIES

The comparative statement of liabilities is as follows:

THE GROUP

Liabilities and shareholders equity (RONm)	Jun-22	Dec-22	Jun-23	% total	vs. Dec-22	vs. Jun-22
Amounts owed to credit institutions	9,460	7,501	8,055	10.5%	7.4%	-14.8%
Amounts owed to customers	53,665	56,661	58,441	75.9%	3.1%	8.9%
Other liabilities	1,714	2,720	2,180	2.8%	-19.9%	27.2%
Shareholders equity	5,971	6,960	8,285	10.8%	19.0%	38.7%
Total liabilities and shareholders equity	**70,810**	**73,842**	**76,961**	**100.0%**	**4.2%**	**8.7%**

THE BANK

Liabilities and shareholders equity (RONm)	Jun-22	Dec-22	Jun-23	% total	vs. Dec-22	vs. Jun-22
Amounts owed to credit institutions	7,630	5,443	5,966	8.0%	9.6%	-21.8%
Amounts owed to customers	53,796	56,916	58,626	78.6%	3.0%	9.0%
Other liabilities	1,577	2,587	2,055	2.8%	-20.6%	30.3%
Shareholders equity	5,640	6,577	7,894	10.6%	20.0%	40.0%
Total liabilities and shareholders equity	**68,642**	**71,523**	**74,541**	**100.0%**	**4.2%**	**8.6%**

AMOUNTS OWED TO CUSTOMERS

The Bank further consolidated and diversified its already solid savings base. At June 2023 end, amounts owed to customers increased by near 9% YoY for both the Group and the Bank and accounted for 75.9% of the total liabilities and shareholders' equity at Group level and for 78.6% at Bank level. The increase was mainly driven by higher inflows in term deposits from individual customers, in the context of elevated rates and, thus, competitive remuneration, and significant advance of deposits from large corporates.

AMOUNTS OWED TO THE CREDIT INSTITUTIONS

Amounts owed to credit institutions represent borrowings from the parent and International Financial Institutions and interbank deposits, and stood at 10.5% of the total liabilities and shareholders' equity for the Group and 8.0% for the Bank at June 30, 2023.

BRD Group's borrowings from Société Générale totalled RON 6.6 bn (9.6% of liabilities) at June 2023 end. Among these, are included 3 senior non-preferred loans in amount of EUR 720 million (EUR 450 million received in December 2021, EUR 150 million in June 2022, respectively EUR 120 million in December 2022, all with an initial term of 3 years and a call option at 2 years) and 2 subordinated loans in amount of EUR 250 million (EUR 100 million drawn in December 2021, respectively EUR 150 million in June 2022, both with an initial term of 10 years and a call option at 5 years).

SHAREHOLDERS' EQUITY

As of June 2023 end, shareholders' equity increased by +38.7% YoY for the Group and by +40.0% YoY for the Bank compared to June 30, 2022, mainly on the incorporation of the 2022 net profit and on lower negative revaluation reserves of debt instruments accounted at fair value through other comprehensive income, in the context of slightly favorable development of bond yields curve as compared to the same period of last year.

The structure of the shareholders' equity evolved as follows:

THE GROUP

Shareholders' equity (RONm)	**Jun-22**	**Dec-22**	**Jun-23**	**vs. Dec-22**	**vs. Jun-22**
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	(2,322)	(2,054)	(1,489)	-27.5%	-35.9%
Retained earnings and capital reserves	5,720	6,439	7,193	11.7%	25.8%
Non-controlling interest	58	59	66	11.4%	13.0%
Total shareholders' equity	**5,971**	**6,960**	**8,285**	**19.0%**	**38.7%**

THE BANK

Shareholders' equity (RONm)	**Jun-22**	**Dec-22**	**Jun-23**	**vs. Dec-22**	**vs. Jun-22**
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	(2,322)	(2,054)	(1,489)	-27.5%	-35.9%
Retained earnings and capital reserves	5,446	6,116	6,868	12.3%	26.1%
Total shareholders' equity	**5,640**	**6,577**	**7,894**	**20.0%**	**40.0%**

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 63.6% at June 30, 2023 (from 62.4% at December 31, 2022 and 64.4% at June 30, 2022) for the Bank and 67.7% for the Group, including financial leasing receivables (66.5% at December 31, 2022 and 68.3% at June 30, 2022).

H1-2023 FINANCIAL RESULTS

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

RONm	H1-2022	H1-2023	23/'22
Net banking income	**1,642**	**1,861**	**13.4%**
- net interest income	1,123	1,329	18.3%
- net commissions	373	361	-3.4%
- other banking income	145	172	18.4%
Operating expenses	**(853)**	**(944)**	**10.7%**
- staff expenses	(415)	(462)	11.2%
- non-staff expenses	(437)	(482)	10.1%
Operating profit	**789**	**918**	**16.4%**
Net cost of risk	(46)	5	n.a.
Gross result	743	923	24.3%
Net result	**617**	**768**	**24.4%**
Profit attributable to equity holders of the parent	609	753	23.8%

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

RONm	H1-2022	H1-2023	23/'22
Net banking income	**1,592**	**1,804**	**13.4%**
- net interest income	1,057	1,262	19.5%
- net commissions	356	346	-2.8%
- other banking income	179	196	9.4%
Operating expenses	**(806)**	**(905)**	**12.2%**
- staff expenses	(388)	(440)	13.5%
- non-staff expenses	(419)	(465)	11.0%
Operating profit	**785**	**899**	**14.5%**
Net cost of risk	(52)	(2)	-97.0%
Gross result	733	898	22.5%
Net result	**617**	**752**	**22.0%**

BRD Group's revenues registered a strong increase in H1 2023, with best ever half year net banking income, printing RON 1,861 million, up by +13.4% versus the same period of 2022, reflecting a very good commercial momentum across the board.

The evolution was primarily driven by the +18.3% increase in net interest income, building on a favourable volume effect on both retail and corporate segments. Another favourable effect comes from higher interest rates on asset portfolio (average ROBOR 3M, 6.88% in H1 2023 vs 4.54% in H1 2022, IRCC applied in Q1 2023 at 5.71% and 5.98% in Q2 2023 vs 1.17% in Q1 2022 and 1.86% in Q2 2022), however tempered by rising funding costs primarily associated with commercial term deposits.

Net fees and commissions stepped back by -3.4% YoY influenced in principal by lower services fees from cards activity and reduced cash transactions mainly on a base effect (last year reaction induced by Russia-Ukraine war which generated massive withdrawals from individual customers), partially compensated by higher commissions from packages benefiting from volume effect.

Other revenues categories increased by +18.4% YoY in H1 2023, pushed by trading activity and favourable FX position revaluation compared to the same period of last year.

Operating expenses were up by +10.7% YoY in H1 2023. Staff costs (+11.2% YoY) increase is largely explained by the impact of price effect amid fixed salaries increases and other benefits adjustments (following new labour agreement signed in 2022), given the persisting tightness of the labour market and still elevated inflation. The advance of other costs categories (+10.1%) is mainly assigned to higher expenses on external services and IT&C to support the delivery of digital transformation, while run-the-bank costs remain under a very good control.

The effective cumulated contributions to Guarantee and Resolution Funds in H1 2023 reached RON 68.1 million vs RON 69.2 million in H1 2022.

As a result of the above evolutions, the BRD Group cost/income ratio was reduced by 1.3 ppt to 50.7% in the first half of 2023 vs 51.9% in the first half of 2022, benefiting from positive jaws effect.

BRD Group delivered a solid operational performance, with gross operating income reaching RON 918 million in H1 2023 compared to RON 789 million in H1 2022, +16.4% YoY.

During the analysed period, the assets quality remains strong, with NPL ratio* (non-performing loans, according to EBA definition) decreasing to the new historically low level of 2.2% at June 2023 end, further improving from 2.6% at June 2022 end, while provision coverage remaining well above 70% (74% at June 23 end vs 77% at June 22 end, Bank level). The net cost of risk showed a RON 5.2m net release in H1 2023, compared to RON 46.1m net charge in H1 2022, mainly given sustained recoveries on defaulted exposures.

As a result of all the above, BRD Group recorded in H1 2023 a net profit of RON 768 million (+24.4% YoY, from RON 617 million in H1 2022), a return on equity (ROE) of 20.1% (4.6 ppt higher compared to H1 2022) and a return on assets (ROA) of 2.0% (0.3 ppt higher versus H1 2022).

The Bank recorded similar trends, which led to a net result of RON 752 million in H1 2023 versus RON 617 million in H1 2022.

CAPITAL ADEQUACY (THE BANK)

Bank			*w/o OCI quick fix impact*	
RONm	**Jun-22**	**Dec-22**	**Dec-22**	**Jun-23**
Tier 1 capital	5,993	6,714	5,818	6,364
Tier 2 capital	1,236	1,237	1,237	1,241
TOTAL OWN FUNDS	**7,230**	**7,951**	**7,055**	**7,605**
Capital requirements	**2,558**	**2,551**	**2,586**	**2,713**
Credit risk (including counterparty risk)	29,338	29,150	29,577	31,056
Market risk	111	76	76	174
Operational risk	2,318	2,448	2,448	2,473
CVA risk	213	218	218	207
Total risk exposure amount	**31,980**	**31,892**	**32,320**	**33,910**
Regulatory CAR	**22.6%**	**24.9%**	**21.8%**	**22.4%**
Tier 1 ratio	**18.7%**	**21.1%**	**18.0%**	**18.8%**

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

At Bank level, the capital adequacy ratio reached 22.4%* at June 30, 2023, slightly higher compared to 21.8% at December 31, 2022 (with own funds, including 2022 net result and the full impact of negative OCI reserve, namely without the OCI quick fix adjustment) and quasi stable versus June 30, 2022 level (22.6%, including H1 2022 net result and OCI quick-fix adjustment).

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

The annual and year to date 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 18.8%* at June 30, 2023 compared to 18% at December 31, 2022 and 18.7% at June 30, 2022.

5. CONCLUSIONS

Annual economic activity growth remained low globally in Q1 2023, particularly in developed nations, notably the Euro area, which entered a technical recession. Romanian economy has slowed down in line with the world economy, with GDP growth in Q1 2023 printing +0.2% QoQ (compared to +1.0% QoQ in Q4 2022) and nearly halving on an annual basis, reaching +2.4% YoY (+4.5% YoY in Q4 2022).

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

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

In the first half of 2023, BRD Group net loans further expanded, although at a milder growth rate, at +7.9% YoY at June 2023 end (including leasing). The financing volume of corporate segment was strong, with +17.9% growth in the stock of loans versus June 30, 2022. This result was also sustained by BRD being an active financier of both eligible companies under the IMM Invest Plus program and beneficiaries of state /EU non-reimbursable funds. In addition, BRD is highly committed to finance the sustainability transition with a total volume of new sustainable financing reaching RON 1.21 bn in H1 2023. The evolution of volumes on individual segment is more impacted by the monetary policy tightening measures and consequently the decline in purchasing power of this segment.

The digital adoption keeps growing, as reflected by the further increase in the number of users of the mobile application, You BRD, which reached over 1.3 million as of June 30, 2023, up by 45% compared to the same period of last year. Reflecting the continued relentless efforts to enhance our customers' digital journey, the mobile application is enriched continuously with numerous new features, as detailed in the "Commercial Activity" section of the report.

Building on a dynamic commercial momentum and excellent asset quality, BRD Group delivered over the first half of the year an excellent financial performance, with significant growth of revenues, while operating expenses' evolution was contained by a rigorous spending discipline. The positive jaws effect translated into reduced cost to income ratio during the analysed period. These vigorous business results, complemented by cost of risk in net release, contributed to deliver a strong increase of net result and an elevated ROE.

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

Giovanni Luca SOMA

Chairman of the Board of Directors

François BLOCH

Chief Executive Officer

Etienne LOULERGUE

Deputy Chief Executive Officer