

# Quarterly Report

September 30, 2018

according to Financial Supervisory Authority Regulation  
no 5/2018

YOUR BANK. YOUR TEAM



GRUPE SOCIETE GENERALE

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## 1. THE COMPANY AND ITS SHAREHOLDERS

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### BRD – GROUPE SOCIETE GENERALE 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, 2018, 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, 2018 the Bank had the following ratings:

<b>Fitch Ratings</b> (rating date: May-2018)	<b>Rating</b>
Foreign-Currency Short-Term Issuer Default Rating	F2
Foreign-Currency Long-Term Issuer Default Rating	BBB+
Support Rating	2

<b>Moody's</b> (rating date: Sep-2018)	<b>Rating</b>
Local Currency Short-Term Deposit	Prime-2
Local Currency Long-Term Deposit	Baa2
Foreign Currency Short-Term Deposit	Prime-3
Foreign Currency Long-Term Deposit	Baa3

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

- BRD - Groupe Société Générale S.A.;
- 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 universal banking model, the Group combines financial solidity with a strategy of sustainable growth, and aims to be the reference for relationship banking, recognised on its markets, close to clients, chosen for the quality and commitment of its teams.

Société Générale has been playing a vital role in the economy for 150 years. With more than 147,000 employees, based in 67 countries, Société Générale accompanies 31 million clients throughout the world on a daily basis. Société Générale's teams offer advice and services to individual, corporate and institutional customers in three core businesses:

- French Retail Banking
- International Retail Banking, Insurance and Financial Services to Corporates
- Global Banking and Investor Solutions.

## **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, Insurance and Financial Services to Corporates division that aims to offer a broad range of products and services to individuals, professionals and corporates.

## KEY FIGURES

		9 months to 30-Sep-2017	9 months to 30- Sep-2018	Change
	<b>The Bank</b>			
<b>Financial results</b>	Net banking income (RONm)	1,959	2,204	+12.5%
	Operating expenses (RONm)	(1,003)	(1,041)	+3.8%
	Cost of risk (RONm)	283	177	-37.5%
	Net profit (RONm)	1,044	1,137	+8.9%
	Cost / income ratio	51.2%	47.2%	-4.0 pt
	ROE	21.1%	21.8%	+0.8 pt
	<b>RON bn</b>	<b>Sep-17</b>	<b>Sep-18</b>	<b>Change</b>
<b>Loans and deposits</b>	Total net loans	28.2	28.6	+1.7%
	Total deposits	42.8	43.6	+1.9%
	<b>RON m</b>	<b>Sep-17</b>	<b>Sep-18</b>	<b>Change</b>
<b>Capital adequacy</b>	Own funds (RONm)	5,221	5,221	0.0%
	RWA (RON bn)	28,217	26,970	-4.4%
	CAR	18.5%	19.4%	+0.9 pt
<b>Franchise</b>	No of branches	784	745	(39)
	<b>The Group</b>	<b>9 months to 30-Sep-2017</b>	<b>9 months to 30- Sep-2018</b>	<b>Change</b>
<b>Financial results</b>	Net banking income (RONm)	2,060	2,289	+11.1%
	Operating expenses (RONm)	(1,063)	(1,104)	+3.9%
	Cost of risk (RONm)	272	170	-37.6%
	Net profit (RONm)	1,066	1,142	+7.1%
	Cost / income ratio	51.6%	48.2%	-3.4 pt
	ROE	20.5%	20.9%	+0.4 pt
	<b>RON bn</b>	<b>Sep-17</b>	<b>Sep-18</b>	<b>Change</b>
<b>Loans and deposits</b>	Total net loans (incl. leasing)	29.4	30.0	+2.1%
	Total deposits	42.7	43.6	+2.1%

Note: Throughout this report, the loan outstanding amounts at September 30, 2017 and December 31, 2017 have been restated for comparability purpose, thus, similar to the loan outstanding at September 30, 2018, they exclude reverse repo transactions held for trading purpose, which were included in other financial instruments held for trading. The December 31, 2017 amount in the Interim Financial Report at September 30, 2018 has not been restated.

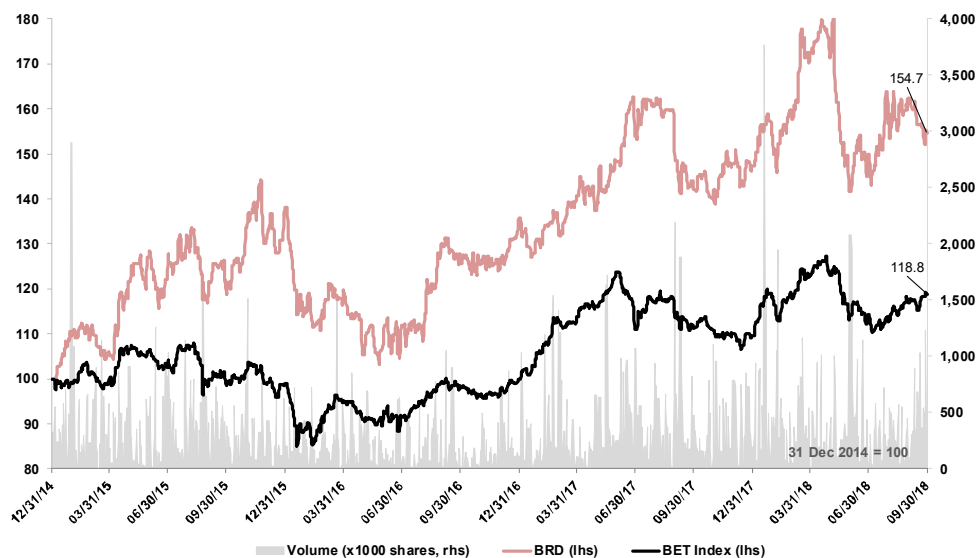
## BRD SHARE

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, 2018, was 13.54 RON/share (RON 12.90/share at December 31, 2017 and RON 12.44/share at September 30, 2017). On the same date, the market capitalization was RON 9,436 million (RON 8,990 million at December 31, 2017 and RON 8,669 million at September 30, 2017).

During January – September 2018, 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, 2018



Source: Bloomberg

## 2. ECONOMIC AND BANKING ENVIRONMENT

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Economic growth continued throughout the first half of 2018 as private consumption was sustained by rising disposable income and low unemployment rate. After the rapid acceleration witnessed in 2017, the economic growth is now showing signs of slowing down toward sustainable levels as the transitory effects of fiscal stimuli fade away. In the second quarter of the year, Romanian GDP expanded by +4.2% YoY on a seasonally adjusted basis, as compared to +6.1% YoY in Q3 2017.

The annual inflation has accelerated since June 2017, reaching 3.32% at December 2017 end and 5.0% at June 2018 end, influenced by the strong increase in wages.

To curb inflation, the National Bank of Romania hiked the monetary policy rate three times year-to-date. The key interest rate increased from 1.75% at December 2017 end to 2.50% at September 2018 end. Minimum reserve requirements for RON and FCY liabilities were left unchanged, at 8%, during the analyzed period.

Banking system lending continued to expand in this supporting macroeconomic picture. At September 2018 end, gross loans were up by +5.3%\* compared to September 2017 end as rising interest rates have yet to put a strain on demand. The steady expansion of loans to individuals (+8.9%\*), which benefitted from rising disposable income, was the main growth driver. Companies' loan growth was sluggish (+1.8%\*) in a context of lagging investments, rising costs of financing and preference for intragroup funding.

The propensity to save remained significant on both customer segments. Total deposits grew by +9.4%\* in nominal terms, versus September 2017 end, of which individuals +10.5%\* and companies +8.0%\*.

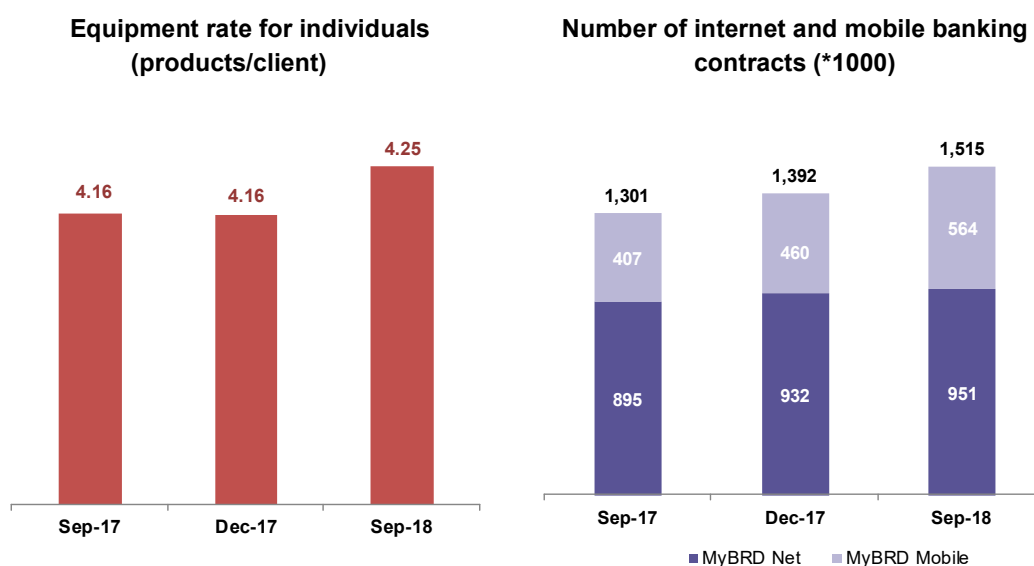
Banks continued to improve the overall quality of their loan portfolios as reflected by the decrease in the non-performing loans ratio (NPLs), from 8.2% at August 2017 end to 5.5% at August 2018 end (according to EBA definition), following banks activity of selling and removing off balance sheet non-performing loans portfolios.

*\*at constant foreign exchange rate*

### 3. COMMERCIAL ACTIVITY

As at September 30, 2018 the Bank had 745 branches (30.09.2017: 784 branches, 31.12.2017: 760 branches), ensuring the distribution of its products and services throughout the whole country.

The equipment rate for individuals increased as a result of the increasing adoption by clients of remote banking solutions (My BRD Net and My BRD Mobile).



BRD held a market share of 12.1% in terms of total assets at June 30, 2018:

	Sep-17	Dec-17	Sep-18
<b>TOTAL ASSETS</b>	<b>12.9%</b>	<b>12.5%</b>	<b>n.a.</b>
<b>LOANS</b>	<b>12.6%</b>	<b>12.7%</b>	<b>11.9%</b>
Individuals	16.9%	16.9%	16.2%
Companies	8.5%	8.2%	7.4%
<b>DEPOSITS</b>	<b>13.7%</b>	<b>13.4%</b>	<b>12.8%</b>
Individuals	13.9%	13.8%	13.4%
Companies	13.6%	13.0%	11.9%

Note: Market shares for total loans and loans to companies do not take into account reverse repo.



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

RON bln	Sep-17	Dec-17	Sep-18	vs. Dec-17	vs. Sep-17
<b>Retail</b>	<b>20.5</b>	<b>20.8</b>	<b>21.5</b>	<b>3.3%</b>	<b>4.7%</b>
Individuals	19.8	20.2	20.9	3.2%	5.3%
Small business	0.7	0.6	0.6	6.7%	-9.7%
<b>Non-retail</b>	<b>8.2</b>	<b>7.6</b>	<b>7.8</b>	<b>2.0%</b>	<b>-4.7%</b>
SMEs	2.6	2.5	2.2	-9.3%	-13.4%
Large corporate	5.6	5.2	5.5	7.4%	-0.6%
<b>Total net loans</b>	<b>28.7</b>	<b>28.5</b>	<b>29.3</b>	<b>2.9%</b>	<b>2.1%</b>
Financial lease receivables	0.7	0.7	0.7	1.6%	3.6%
<b>Total net loans, including leasing</b>	<b>29.4</b>	<b>29.2</b>	<b>30.0</b>	<b>2.9%</b>	<b>2.1%</b>

The net loan outstanding (including leasing) at September 2018 end increased by +2.1% compared to the same period of last year. The individuals' segment continued to be the main growth driver thanks to housing loans (+9.0%). The non-retail segment performance was influenced by the SME segment evolution in a context of prudent risk management and higher financing costs.

Year-to-date, loan growth (+2.9%) was broad-based, with positive contribution from individuals (+3.2%) and large corporates segments (+7.4%), BRD historically enjoying a good position on these markets.

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

RON bln	Sep-17	Dec-17	Sep-18	vs. Dec-17	vs. Sep-17
<b>Retail</b>	<b>26.9</b>	<b>27.8</b>	<b>28.8</b>	<b>3.6%</b>	<b>7.3%</b>
Individuals	23.3	24.0	24.9	3.7%	7.2%
Small business	3.6	3.8	3.9	3.0%	8.5%
<b>Non-retail</b>	<b>15.8</b>	<b>16.4</b>	<b>14.7</b>	<b>-10.2%</b>	<b>-6.8%</b>
SMEs	6.5	6.6	6.3	-5.3%	-3.4%
Large corporate	9.3	9.7	8.4	-13.5%	-9.2%
<b>Total deposits</b>	<b>42.7</b>	<b>44.2</b>	<b>43.6</b>	<b>-1.5%</b>	<b>2.1%</b>

Total deposits increased by +2.1% vs. September 2017 end. Deposits from private individuals (up by +7.2% on a yearly basis) represented the main growth driver in a context of rising disposable income. Most inflows were in current accounts, which were up by +24.1% as compared to September 2017 end.

Non retail deposits declined in a context of good liquidity position enjoyed by the Bank.

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 2018 end, BRD Sogelease net outstanding of leasing financing increased by +3.6% to RON 739 million from RON 713 million at September 30, 2017. New leasing production reached RON 384.9 million, with commercial vehicles and passengers cars having the highest weight, followed by industry, equipment for agriculture, medical, construction and IT.

### **BRD FINANCE IFN SA**

BRD Finance results for the first three quarters of 2018 continued the positive evolution registered previously: the net loan portfolio increased by +8.4% compared to 2017, reaching RON 545 million, while the loan production recorded an improvement of +7.5% compared to the same period of last year, to RON 476 million, mainly due to the car loans and credit cards activity. Net banking income reached RON 75.3 million, up by +5% compared with the same period of 2017.

This performance was sustained by continuing the strategy focused on sustainable growth which combines commercial objectives - increase clients acquisition and partners' network development - with credit risk control and customer service improvement.

### **BRD ASSET MANAGEMENT SA**

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 12.67%\* at the end of September 2018. The company had RON 2.85bn assets under management at September 2018 end.

BRD Asset Management offers 7 different open-end funds, all with their specific portfolio structure, risks and target yield and recommended investment period. Among those, BRD Simfonia, (denominated in RON), BRD Euro Fond (denominated in Euro) and BRD USD Fond (denominated in USD) invest mainly in government bonds, fixed income and money market instruments. BRD Obligatiuni concentrates on corporate bonds. BRD Diverso (denominated in RON and EUR) is a balanced fund with investments in equities, money market and fixed income instruments. BRD Actiuni (denominated in RON and Euro) is focused on Romanian stocks while BRD Index which is an equity fund is focusing on CEE markets.

*\* 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 based on the separate and consolidated financial statements prepared according to the International Financial Reporting Standards, for the period ended September 30, 2018 and the comparative periods.

### FINANCIAL POSITION – ASSETS

Total assets increased by +2.9% for the Group and by +2.7% for the Bank on a yearly basis, and declined by -0.8% for the Group and by -1.0% for the Bank compared to year-end.

They had the following structure:

#### THE BANK

Assets (RONm)	Sep-17	Dec-17	Sep-18	% total	vs. Dec-17	vs. Sep-17
Cash and current accounts with Central Bank	4,415	7,682	4,728	8.9%	-38.5%	7.1%
Loans and advances to credit institutions	3,680	2,487	4,111	7.8%	65.3%	11.7%
Net loans and advances to customers	28,153	27,873	28,634	54.0%	2.7%	1.7%
Other financial instruments	13,964	14,093	14,181	26.8%	0.6%	1.6%
Tangible and intangible assets	975	992	972	1.8%	-1.9%	-0.2%
Other assets	394	365	356	0.7%	-2.5%	-9.6%
<b>Total assets</b>	<b>51,581</b>	<b>53,491</b>	<b>52,983</b>	<b>100.0%</b>	<b>-1.0%</b>	<b>2.7%</b>

#### THE GROUP

Assets (RONm)	Sep-17	Dec-17	Sep-18	% total	vs. Dec-17	vs. Sep-17
Cash and current accounts with Central Bank	4,415	7,682	4,728	8.7%	-38.5%	7.1%
Loans and advances to credit institutions	3,699	2,506	4,129	7.6%	64.8%	11.6%
Net loans and advances to customers	28,709	28,469	29,303	53.8%	2.9%	2.1%
Financial lease receivables	713	728	739	1.4%	1.6%	3.6%
Other financial instruments	13,972	14,108	14,193	26.0%	0.6%	1.6%
Tangible and intangible assets	985	1,002	981	1.8%	-2.1%	-0.4%
Other assets	462	433	434	0.8%	0.4%	-5.9%
<b>Total assets</b>	<b>52,955</b>	<b>54,927</b>	<b>54,509</b>	<b>100.0%</b>	<b>-0.8%</b>	<b>2.9%</b>

### LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers increased by +2.1% for the Group and +1.7% for the Bank compared to September 2017 end, and by +2.9% for the Group and +2.7% for the Bank compared to year-end due mainly to expanding loans to individuals.

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

Cash and current accounts with the central bank as well as interbank placements, increased by +9.2% year-on-year for both the Bank and the Group.

This aggregate accounted for about 16% of total assets for the Group at September 2018 end, compared to 19% at December 2017 end, and 15% at September 2017 end. The most important component is represented by the minimum compulsory reserve held with the National Bank of Romania (RON 3,561 million for September 2018, RON 3,562 million for December 2017 and RON 3,449 million for September 2017).

### OTHER FINANCIAL INSTRUMENTS

Other financial instruments mostly represent treasury bills and bonds issued by the Romanian Government, that are accounted as financial assets at fair value through other comprehensive income, financial assets at fair value through profit and loss, and also derivatives and other instruments held for trading. These items represented ca. 26% of total Group assets as of September 2018 end, slightly increasing compared to the same period of the last year and year-end.

## TANGIBLE AND INTANGIBLE ASSETS

The tangible and intangible assets accounted for nearly 2% of the total assets. The most important share is represented by land and buildings.

Total value of investments in 9M-2018 was RON 86 million for the Group and RON 85 million for the Bank, compared to RON 94 million for the Bank and the Group in 9M-2017, with IT related investments having the largest weight. There is no capitalized research and development expenditure.

## FINANCIAL POSITION – LIABILITIES

The comparative statement of liabilities is as follows:

### THE BANK

Liabilities and shareholders equity (RONm)	Sep-17	Dec-17	Sep-18	% total	vs. Dec-17	vs. Sep-17
Amounts owed to credit institutions	776	935	478	0.9%	-48.9%	-38.5%
Amounts owed to customers	42,833	44,387	43,630	82.3%	-1.7%	1.9%
Other liabilities	1,129	1,141	2,029	3.8%	77.9%	79.7%
Shareholders equity	6,842	7,028	6,846	12.9%	-2.6%	0.1%
<b>Total liabilities and shareholders equity</b>	<b>51,581</b>	<b>53,491</b>	<b>52,983</b>	<b>100.0%</b>	<b>-1.0%</b>	<b>2.7%</b>

### THE GROUP

Liabilities and shareholders equity (RONm)	Sep-17	Dec-17	Sep-18	% total	vs. Dec-17	vs. Sep-17
Amounts owed to credit institutions	1,930	2,138	1,689	3.1%	-21.0%	-12.5%
Amounts owed to customers	42,652	44,220	43,553	79.9%	-1.5%	2.1%
Other liabilities	1,206	1,201	2,104	3.9%	75.2%	74.5%
Shareholders equity	7,168	7,369	7,163	13.1%	-2.8%	-0.1%
<b>Total liabilities and shareholders equity</b>	<b>52,955</b>	<b>54,927</b>	<b>54,509</b>	<b>100.0%</b>	<b>-0.8%</b>	<b>2.9%</b>

## AMOUNTS OWED TO CUSTOMERS

At September 30, 2018, the share in total liabilities of the customer deposits reached 95% for the Bank and 92% for the Group, demonstrating a solid funding base.

## 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 1% of the total liabilities for the Bank and ca. 4% for the Group.

BRD Group's borrowings from Société Générale totalled circa RON 1 billion (2.1% of total liabilities).

## SHAREHOLDERS' EQUITY

The shareholders' equity declined by -2.8% for the Group and by -2.6% for the Bank as compared to year end (by -1.4% for the Bank and Group, when compared to 1<sup>st</sup> January 2018 shareholders' equity, after applying IFRS 9 FTA impact). This evolution is due to the decrease of Other comprehensive income driven by rising bond yields.

The structure of the shareholders' equity evolved as follows:

### THE BANK

Shareholders' equity (RONm)	Sep-17	Dec-17	Sep-18	vs. Dec-17	vs. Sep-17
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	212	62	(50)	n.a.	n.a.
Retained earnings and capital reserves	4,115	4,451	4,380	-1.6%	6.4%
<b>Total shareholders' equity</b>	<b>6,842</b>	<b>7,028</b>	<b>6,846</b>	<b>-2.6%</b>	<b>0.1%</b>

### THE GROUP

Shareholders' equity (RONm)	Sep-17	Dec-17	Sep-18	vs. Dec-17	vs. Sep-17
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	215	66	(44)	n.a.	n.a.
Retained earnings and capital reserves	4,385	4,733	4,645	-1.9%	5.9%
Non-controlling interest	53	53	46	-13.0%	-12.1%
<b>Total shareholders' equity</b>	<b>7,168</b>	<b>7,369</b>	<b>7,163</b>	<b>-2.8%</b>	<b>-0.1%</b>

## LIQUIDITY POSITION

Both the Bank and the Group maintained a balanced structure of resources and placements and a solid liquidity position over January - September 2018.

The net loans/deposits ratio reached 65.6% at September 30, 2018 (from 62.8% at December 31, 2017 and 65.7% at September 30, 2017) for the Bank and 69.0% for the Group, including financial lease receivables (from 66.0% at December 31, 2017 and 69.0% at September 30, 2017).

## 9M-2018 FINANCIAL RESULTS

The comparative income statement of the Group for the periods January – September 2018 and January – September 2017 is presented below:

RONm	9 months to 30-Sep-2017	9 months to 30-Sep-2018	Variation
<b>Net banking income</b>	<b>2,060</b>	<b>2,289</b>	<b>11.1%</b>
- net interest income	1,260	1,456	15.5%
- net commissions	571	588	3.1%
- other banking income	229	245	7.1%
<b>Operating expenses</b>	<b>-1,063</b>	<b>-1,104</b>	<b>3.9%</b>
- staff expenses	-524	-573	9.4%
- non-staff expenses	-539	-531	-1.5%
<b>Operating profit</b>	<b>997</b>	<b>1,185</b>	<b>18.9%</b>
Net cost of risk	272	170	-37.6%
Gross result	1,268	1,355	6.8%
<b>Net result</b>	<b>1,066</b>	<b>1,142</b>	<b>7.1%</b>
<b>Net result adjusted with non recurring items</b>	<b>837</b>	<b>1,073</b>	<b>28.2%</b>
Profit attributable to equity holders of the parent	1,058	1,134	7.2%

The comparative income statement of the Bank for the periods January – September 2018 and January – September 2017 is presented below:

RONm	9 months to 30-Sep-2017	9 months to 30-Sep-2018	Variation
<b>Net banking income</b>	<b>1,959</b>	<b>2,204</b>	<b>12.5%</b>
- net interest income	1,174	1,366	16.4%
- net commissions	543	562	3.3%
- other banking income	241	276	14.2%
<b>Operating expenses</b>	<b>-1,003</b>	<b>-1,041</b>	<b>3.8%</b>
- staff expenses	-490	-536	9.3%
- non-staff expenses	-512	-505	-1.5%
<b>Operating profit</b>	<b>956</b>	<b>1,163</b>	<b>21.6%</b>
Net cost of risk	283	177	-37.5%
Gross result	1,240	1,340	8.1%
<b>Net result</b>	<b>1,044</b>	<b>1,137</b>	<b>8.9%</b>
<b>Net result adjusted with non recurring items</b>	<b>816</b>	<b>1,068</b>	<b>31.0%</b>

Over the first nine months of 2018, BRD Group consolidated its broad-based revenue growth. Net banking income further improved by +11.1% versus the same period of the last year, thanks to the strong increase in net interest income, higher fees and commissions and other revenues categories.

Net interest income was up by +15.5% driven by both the volume growth on retail segment and the rising RON interest rates (average ROBOR 3M at 2.64% in 9M-2018 vs. 0.88% in 9M-2017). Fees and commissions revenues increased by +3.1% on higher volumes of transactions, increased card activity and increasing revenues from custody and insurance services. Other banking income rose by +7.1% mostly thanks to the higher trading result.

Operating expenses rose moderately, by +3.9% versus 9M-2017, on account of the +9.4% increase in staff expenses following compensation package adjustments in a tight labor market. Other operational expenses decreased by -1.5% mainly as a result of halved contributions to the Bank Deposit Guarantee Fund and the Resolution Fund as compared to last year.

In this context, the cost/income ratio decreased by -3.4 pts, reaching 48.2% in 9M-2018. Operating performance continued to be strong. Gross operating income significantly improved, by +18.9%, thanks to solid revenue generation.

Asset quality continued to improve as shown by the further decline in NPL\* ratio (5.8% at September 2018 end vs 8.1% at September 2017 end) and high coverage ratio of 73.1% at September 2018 end vs. 75.0% at September 2017 end (all ratios are according to EBA methodology). Net cost of risk write-backs reached RON 170 million, down by 37.6% on lower non-recurring items as compared to 9M-2017. Non-recurring items included recognition of insurance indemnities and gain on sale of non performing loans, and amounted to RON 95 million in 9M-2018 and RON 272 million in 9M-2017.

BRD Group recorded a strong profitability over the first nine months of the year: net result was RON 1,142 million, up by +7.1% due to strong operational performance and positive cost of risk. When adjusted for non recurring cost of risk items, net profit was RON 1,073 million, up by +28.2%.

Return on equity was 20.9% in 9M-2018 (vs. 20.5% 9M-2017) and return on assets reached 2.8% (vs. 2.7% in 9M-2017). The Bank recorded similar trends, which led to a net result of RON 1,068 million, up by +31.0% when adjusted with non recurring cost of risk items (RON 1,137 million, up by +8.9% unadjusted).

#### CAPITAL ADEQUACY (THE BANK)

RONm	Sep-17	Dec-17	Sep-18
Tier 1 capital	5,221	5,339	5,221
<b>TOTAL OWN FUNDS</b>	<b>5,221</b>	<b>5,339</b>	<b>5,221</b>
<b>Capital requirements</b>	<b>2,257</b>	<b>2,162</b>	<b>2,156</b>
Credit risk (including counterparty risk)	25,766	24,971	24,612
Market risk	215	164	212
Operational risk	2,147	1,822	1,960
CVA risk	88	66	170
<b>Total risk exposure amount</b>	<b>28,217</b>	<b>27,023</b>	<b>26,954</b>
<b>Regulatory CAR</b>	<b>18.5%</b>	<b>19.8%</b>	<b>19.4%</b>

At Bank level, the capital adequacy ratio stood at 19.4% at September 30, 2018 (Basel 3) well above the regulatory requirement. The Tier 1 ratio was also 19.4% compared to 19.8% at December 31, 2017 and 18.5% at September 30, 2017. The variation compared to 2017 year end is driven by the lower other comprehensive income reserves related to debt instruments.

\* NPL ratio at September 2017 end restated as to reflect the change in exposure classification of financial instruments held for trading

## 5. CONCLUSIONS

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In the first nine months of 2018, BRD Group delivered very strong results, reflecting the positive business momentum and strong operating performance. In a supporting economic environment, growth was driven by volumes' increase of both retail loans and deposits as well as intensified transactional activity, while the rising usage of remote banking solutions demonstrated the continuous efforts to further enhance our digital offer.

The interim financial report as at September 30, 2018 has not been audited.



**Giovanni Luca SOMA**  
Chairman of the Board of Directors



**Francois BLOCH**  
Chief Executive Officer



**Petre BUNESCU**  
Deputy Chief Executive Officer



**Stephane FORTIN**  
Chief Financial Officer