

BRD GROUP RESULTS FOR 9M 2023: STRONG LENDING PERFORMANCE AND SOLID FINANCIALS, REINFORCING SUPPORT TO ECONOMY

Press release

Bucharest, November 3rd, 2023

Main commercial trends and financial indicators of BRD Groupe Société Générale at September 30, 2023 at consolidated level, according to the International Financial Reporting Standards (IFRS):

Net loans outstanding, at double-digit growth rate, +10.1% YoY at September 2023 end, supported by corporate high dynamic and retail solid growth

- corporate financing, printing high at +20% YoY, with strong contribution from both SMEs (+26% YoY) and large corporates (+17% YoY)
- record production of consumer loans in 9M 2023 (+16% YoY) and Q3 2023 (+38% YoY)
- RON 1.97 billion new approved loans for SMEs, under IMM Invest Plus, during 9M 2023
- robust level of lease financing (+20.4% YoY)

Diversified and growing deposit base, +9.8% YoY

Digital transformation maintained its good rhythm; clients' adoption is boosting

- 1.33 million users of YouBRD mobile application, +36% YoY at September 2023 end
- further user experience enhancement by developing new features

High financial performance

- net banking income (+11.4% YoY) continued to deliver good momentum, on elevated net interest income dynamic (+16.5% YoY)
- operating expenses (+9.0% YoY) contained through good discipline despite persistent labor market tightness and inflationary pressures
- robust asset quality: new historic low NPL ratio at 2.1% and elevated NPL coverage
- high net profit, RON 1,227m compared to RON 1,016m in 9M 2022, + 20.8% YoY
- ROE 20.9% vs 16.7% in 9M 2022

“BRD delivered solid performance during the first nine months of 2023 with a very strong commercial momentum and excellent financial results. Lending activity recorded a double-digit growth on an annual basis, although the pace slowed down during third quarter. The contribution from corporate segment, built on both SMEs and large corporates, is particularly remarkable. Retail lending was more dynamic on consumer, marking new record levels, while demand for housing loans remained influenced by weakening market given high rates environment.

This outstanding commercial performance, accompanied by high quality of assets, translated into excellent financial results. The period ending first nine months of the year was marked by strong

Contact media:

Traian Traicu_021 301 61 50_traian.traicu@brd.ro

BRD-GROUPE SOCIETE GENERALE

Bd. Ion Mihalache nr. 1-7, 011171 București, România; www.brd.ro

CAPITAL SOCIAL IN RON: 696.901.518 lei; R.C. J40/608/19.02.1991; RB - PJR - 40 - 007 /18.02.1999; C.U.I./C.I.F.:RO 361579.

increase of revenues, constant focus on costs control and supported by a cost of risk in net release. All these lines contributed to a significant increase of net result, +20.8% YoY, and elevated ROE of 20.9%. Going forward, BRD remains truly committed as a solid partner for its customers, offering diversified financial solutions and high advisory expertise, being at the same time a trustworthy actor of the Romanian economy“, said Maria Rousseva, Deputy CEO of BRD Groupe Société Générale.

Lending expansion underpinned by corporate high dynamic and retail solidity

BRD Group net loans outstanding (including leasing receivables) growth reached a double-digit level of 10% YoY at September 2023 end. The increase was sustained to a larger extent by a robust lending activity on corporate segment, while the dynamic on retail segment was solid but within a market posting a very limited growth, reflecting the impact of tightening financial conditions, higher interest rates and rising uncertainties on perspectives.

On retail, net loans outstanding was up +4.1% YoY as of September 2023 end, with individuals' lending printing an advance of +3.6% YoY and small business of +16.9% YoY. Lending activity was very dynamic on consumer loans, with production marking a new quarterly and 9M record level, with a significant increase of +38% YoY in Q3 2023 and +16% YoY in 9M 2023. Housing loans momentum continues to slow down in line with a declining market trend in the context of elevated interest rates.

Financing of corporates continued to show a strong dynamic, growing at a double-digit rhythm of +20.0% YoY as of September 2023 end, building on an excellent contribution from both SME segment (+25.9% YoY) and large companies (+16.6% YoY). Leasing activity also marked a robust performance posting an overall portfolio increase of +20.4% YoY as of September 2023 end.

During the first nine months 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, loan production recorded a +31% YoY increase during 9M 2023, reaching RON 1.97 billion, compared with RON 1.50 billion for 9M 2022.

Moreover, BRD is highly committed in building a sustainable economy, providing sustainable financing in amount of RON 1.57 billion during the first nine months of 2023. Its engagement and excellence were recently recognized by the Association for the Promotion of Energy Efficiency in Buildings (ROENEF) as well as the Romanian Green Building Council (ROGBC) through the award for "Green Mortgage Program Development", granted for Green Habitat mortgage loan product.

Robust and diversified deposit base

Deposits to customers reached RON 60.6 bn as of September 2023 end, up by +9.8% on an annual basis, with +7.2% YoY advance on retail segment and +14.7% YoY on non-retail. In the context of elevated rates and, thus, competitive remuneration, individuals' term deposits continue to maintain a high growth rate, of +81% YoY at September 2023 end, while on the corporate segment, higher net inflows were registered from large corporate customers (+21.2% YoY) and to a smaller extent from SMEs (+6.2% YoY).

Digital transformation maintains a good rhythm

The digital adoption keeps growing, as reflected by the further increased number of users of the mobile application, You BRD, which reached 1.33 million as of September 30, 2023, up by 36% compared to the same period last year. You BRD functionalities continued to be enhanced during Q3 2023, with various new features added to the application. Moreover, flows duration is continuously optimized, e.g. average 19 minutes for online onboarding and average 20 minutes for online lending.

Excellent financial results

During the first nine months of 2023, favored by volumes growth and high level of interest rates, BRD Group revenues increased by +11.4% YoY, reaching RON 2,831 million. Net interest income, up by

+16.5% YoY, brought a strong contribution to this performance, counting on the good dynamic of lending activity and higher interest rates on asset portfolio. These effects were tempered by rising costs of funding, primarily associated with commercial term deposits marking a steep increase over the analysed period. Net fees and commissions reduced by -2.1% YoY, mainly influenced by lower service fees from cards activity given higher penetration of current account packages, in line with market trend, and decreasing volume of cash transactions mainly on a base effect. These were partially counterbalanced by dynamic brokerage (mainly advisory) and insurance activities. Other income, up by +6.9% YoY in 9M 2023, was pushed by trading activity.

Operating expenses totalled RON 1,390 million in 9M 2023 (vs RON 1,276 million in 9M 2022), increasing by +9% YoY, given the inflationary context and persisting pressure on wage costs. Staff expenses evolution, +8.8% YoY, was linked to a large extent to price adjustments and increased benefits. Other costs categories mainly reflect higher expenses on external services and the significant effort on IT&C to further deliver on Bank's digital transformation roadmap, while maintaining a strong focus on controlling the run-the-bank costs.

On the back of these developments, overall operating performance was solid, with gross operating income increasing by +13.9% to RON 1,441 million compared to RON 1,265 million in 9M 2022. BRD Group cost to income ratio registered an improvement of 1.1 ppt to 49.1% in 9M 2023, on positive jaws effect.

During the analysed period, asset quality remained strong, with NPL ratio* (non-performing loans, according to EBA definition) reaching new historic low level of 2.1% at September 2023 end (vs. 2.6% at September 2022 end), while provision coverage keeps comfortable and above 70% (76.2% at September 2023 end vs 77.6% at September 2022 end, Bank level). The cost of risk registered RON 35m net releases during 9M 2023, compared to RON 37m net charges in 9M 2022, mainly given sustained recoveries on defaulted exposures and stable evolution on performing portfolio.

Incorporating all these favourable dynamics, BRD Group recorded a net profit of RON 1,227 million in 9M 2023, higher by +20.8% YoY. This result led to a solid ROE of 20.9% for the first nine months of the year (vs 16.7% in 9M 2022).

BRD total capital ratio stood at 21.2% as of September 2023 end, reflecting a solid capital position, in capacity to distribute dividends.

In its meeting on 2nd of November, BRD's Board of Directors decided to propose an exceptional dividend distribution rate of 50% out of 2022 retained profit (i.e. RON 643 million) representing a gross dividend per share of 0.9226 RON, subject to a favorable vote by the General Meeting of Shareholders in December 2023.

BRD total capital ratio after exceptional dividend distribution would stand at 19.4% as of September 2023 end.

BRD financial results for nine months ended September 30, 2023 are available to the public and investors on the website of the bank: www.brd.ro beginning with 09h00. Copies of the documents can also be obtained upon request, free of charge, at the head office of BRD-Groupe Société Générale, located at 1-7, Ion Mihalache Bd., 1st district, Bucharest.

Note: If not stated otherwise, all variations are vs 9M 2022 (for income statement related items) or September 2022 end (for balance sheet related items).

NPL and coverage ratio, at bank level

BRD - Groupe Société Générale operates a network of 432 units. Total assets of the Bank reached RON 77 billion at September 2023 end. BRD is part of the Société Générale Group, one of the largest European financial services groups. The group has 117,000 employees in 60 countries and 25 million customers worldwide in its three key activities:

- French retail banking
- International Retail Banking, Insurance and Financial Services
- Global banking and Investor Solutions

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