

Quarterly Report

September 30, 2019

according to Financial Supervisory Authority Regulation
no 5/2018

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1. THE COMPANY AND ITS SHAREHOLDERS

BRD – GROUPE SOCIÉTÉ GÉNÉRALE PROFILE

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

In March 1999, Société Générale (“SG”) bought a stake representing 51% of the share capital, increasing its holding to 58.32% in 2004, through the acquisition of the residual stake from the Romanian State. As at September 30, 2019, 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, 2019, the Bank had the following ratings:

Fitch Ratings (<i>last rating update: Apr-2019</i>)	Rating
Foreign-Currency Short-Term Issuer Default Rating	F2
Foreign-Currency Long-Term Issuer Default Rating	BBB+
Support Rating	2

Moody's (<i>last rating update: Mar-2019</i>)	Rating
Domestic Currency Short-Term Deposit	Prime-2
Domestic 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 over 150 years. With more than 149,000 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* which encompasses the Societe Generale, Crédit du Nord and Boursorama brands, each offering a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- *International retail banking, insurance and financial services to corporates* with a presence in emerging economies and leading specialised businesses;
- *Global Banking and Investors Solutions*, which offers recognised expertise, key international locations and integrated solutions.

The latest credit ratings of Société Générale are available at <https://www.societegenerale.com/en/measuring-our-performance/investors/debt-investors/ratings>.

BRD POSITION WITHIN SOCIÉTÉ GÉNÉRALE

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

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

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

BRD is part of the international network of Société Générale, managed by the International retail banking and financial services division (IBFS) that aims to offer a broad range of products and services to individuals, professionals and corporates. Its global development is built upon:

- The international universal banking and consumer credit networks, organised around three regions: Europe, Russia and Africa / Asia / Mediterranean Basin & Overseas;
- Three specialised businesses, leaders in their markets: Insurance, Car Renting and Fleet Management, Equipment and Vendor Finance.

KEY FIGURES

		9 months to 30-Sep-2018	9 months to 30-Sep-2019	Change
The Bank				
Financial results	Net banking income (RONm)	2,204	2,391	+8.5%
	Operating expenses (RONm)	(1,041)	(1,118)	+7.4%
	Cost of risk (RONm)	177	220	+24.3%
	Net profit (RONm)	1,137	1,261	+11.0%
	Cost / income ratio	47.2%	46.8%	-0.5 pt
	ROE	21.8%	22.3%	+0.4 pt
RON bn				
Loans and deposits	Total net loans	28.6	29.5	+2.9%
	Total deposits	43.6	44.0	+0.9%
RON m				
Capital adequacy	Own funds (RONm)	5,221	5,978	+14.5%
	RWA (RON bn)	26,954	28,626	+6.2%
	CAR*	19.4%	20.9%	+1.5 pt
Franchise	No of branches	745	674	(71)
The Group				
Financial results	Net banking income (RONm)	2,289	2,446	+6.9%
	Operating expenses (RONm)	(1,104)	(1,186)	+7.4%
	Cost of risk (RONm)	170	207	+21.9%
	Net profit (RONm)	1,142	1,226	+7.4%
	Cost / income ratio	48.2%	48.5%	+0.2 pt
	ROE	20.9%	20.8%	-0.1 pt
RON bn				
Loans and deposits	Total net loans (incl. leasing)	30.0	31.2	+3.8%
	Total deposits	43.6	43.9	+0.9%

(*) according to Basel 3; RWA preliminary

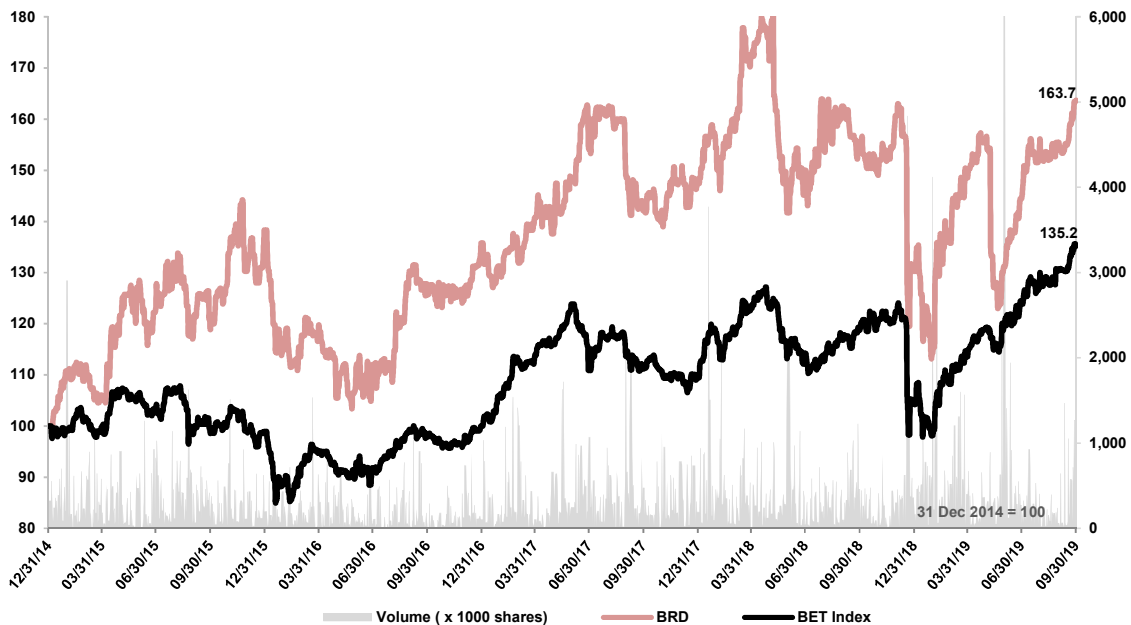
BRD SHARE

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, 2019, was of RON 14.32 /share (RON 11.40 /share at December 31, 2018 and RON 13.54 /share at September 30, 2018). On the same date, the market capitalization was RON 9,979.63 million (RON 7,944.68 million at December 31, 2018 and RON 9,436.05 million at September 30, 2018).

During January – September 2019, 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, 2019



Source: Bloomberg

2. ECONOMIC AND BANKING ENVIRONMENT

Romania's GDP growth lost pace to 4.4% YoY in Q2 2019 from 5% YoY in Q1 2019, an evolution still supported primarily by domestic demand given the dynamic real wage growth, but investments also remarked with a positive and significant contribution (+3.9 p.p. contribution to GDP growth). Gross fixed capital formation shows an important expansion (+18.9% YoY), while net exports continued to have a negative contribution to economic growth given the almost halved annual growth of exports (+3.3% YoY) as compared to that of imports (+5.2%).

Beginning of the fall saw CPI cooling down and reaching 3.5% in September 2019, the upper limit of NBR target interval. Annual average inflation has been also lower, reaching 3.8% in September 2019. The balance of risks to inflation trajectory is currently tilted to the upside, mainly on effects of fiscal and income policy stance and the high degree of labour market tightness.

In this economic landscape coupled with the prospective easing of the monetary policy stance by major central banks, the National Bank of Romania maintained the key policy rate unchanged at 2.5% since May 2018. At the same time, NBR decided to keep the existing levels of the minimum reserve requirements on both RON and FCY denominated liabilities, at 8% during the analysed period.

Gross loans outstanding increased by +6.9%* YoY at end of August 2019, driven by both individuals and companies lending growth. Private individuals' loans outstanding increased by +6.8%* YOY at end of August 2019, pushed mainly by housing loans (+9%*), while consumer loans' advance is moderate (+4.1%*). Loans to companies were up by +7.1%* YoY. Deposits' growth remained strong, at +7.8%* YoY, mainly on individuals' savings (+9.2%*), though companies' savings annual growth is also high (+6.1%*).

The ratio of non-performing loans for the banking system (according to European Banking Authority definition) has maintained its decreasing trend, reaching 4.56% at August 2019 end compared to 5.50% at August 2018 end, supported by balance sheet cleaning operations.

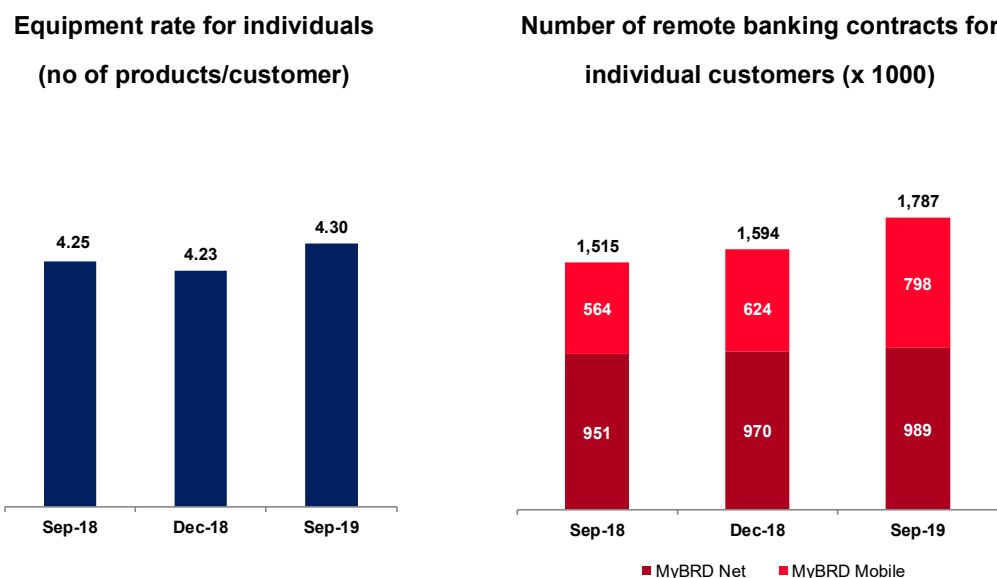
The capitalisation of the Romanian banking system remained comfortable, with a capital adequacy ratio of 19.6% as of June 2019 end (20.7% as of 2018 end). The Tier 1 ratio was also comfortable, at 17.7% as of June 2019 end (18.6% as of 2018 end).

* variation at constant FX rate

3. COMMERCIAL ACTIVITY

As at September 30, 2019, the Bank had 674 branches (30.09.2018: 745 branches, 31.12.2018: 723 branches), ensuring the distribution of its products and services throughout the whole country.

The equipment rate for individuals rose, on intensified commercial relationships, including growing number of remote banking contracts (My BRD Net and My BRD Mobile). It reached 4.30 at September 30, 2019 compared to 4.25 at September 30, 2018.



BRD held a market share of 12.0% of total assets at December 31, 2018.

	Sep-18	Dec-18	Aug-19
TOTAL ASSETS	11.9%	12.0%	n.a.
LOANS	12.3%	12.1%	11.8%
<i>Individuals</i>	<i>16.2%</i>	<i>16.1%</i>	<i>15.6%</i>
<i>Companies</i>	<i>8.3%</i>	<i>8.1%</i>	<i>7.8%</i>
DEPOSITS	12.8%	12.6%	12.0%
<i>Individuals</i>	<i>13.4%</i>	<i>13.2%</i>	<i>12.4%</i>
<i>Companies</i>	<i>11.9%</i>	<i>11.9%</i>	<i>11.6%</i>

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

RON bln	Sep-18	Dec-18	Sep-19	vs. Dec-18	vs. Sep-18
Retail	21.5	21.5	22.2	2.9%	3.0%
Individuals	20.9	21.0	21.5	2.3%	2.9%
Small business	0.6	0.6	0.7	24.4%	8.9%
Non-retail	7.8	8.1	8.1	0.5%	4.0%
SMEs	2.2	2.4	2.2	-5.8%	2.1%
Large corporate	5.6	5.7	5.9	3.1%	4.8%
Total net loans	29.3	29.6	30.3	2.3%	3.3%
Financial lease receivables	0.7	0.8	0.9	21.2%	24.7%
Total net loans, including leasing	30.0	30.4	31.2	2.7%	3.8%

Net loans outstanding (including leasing) reached RON 31.2 billion, increasing by 3.8% versus September 30, 2018 and by 2.7% compared to year end. Positive performance YoY was registered by all business lines, but with a higher contribution to the growth brought by retail and large corporate clients.

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

RON bln	Sep-18	Dec-18	Sep-19	vs. Dec-18	vs. Sep-18
Retail	28.8	29.8	29.8	-0.2%	3.2%
Individuals	24.9	25.5	25.5	-0.2%	2.2%
Small business	3.9	4.3	4.3	-0.7%	9.4%
Non-retail	14.7	15.4	14.2	-7.9%	-3.6%
SMEs	5.9	6.0	6.1	1.3%	2.4%
Large corporate	8.8	9.4	8.1	-13.7%	-7.6%
Total deposits	43.6	45.2	43.9	-2.8%	0.9%

Deposits to customers reached RON 43.9 billion, slightly higher by 0.9% on an annual basis and decreasing by 2.8% compared to December 31, 2018. Benefiting from dynamic real wage growth, deposits' inflows from individuals continued to grow YoY, though at a slower pace (+2.2% year on year and quasi stable year to date), with higher collection in sight accounts (+28% YoY). Non-retail deposits decreased by 3.6% compared to September 2018 end, in a context of favorable 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 30, 2019, BRD Sogelease net outstanding of leasing financing increased by 24.7% year-on-year to RON 922.3 million. New leasing production reached RON 524.1 million, with commercial vehicles and passenger cars having the highest weight, followed by equipment for agriculture, industry and construction.

BRD FINANCE IFN SA

BRD Finance results for the first 9 months of 2019 continued the positive evolution from the previous period: the net loan portfolio increased by 12% year-on-year, reaching RON 611.2 million, while the new loan production also recorded an improvement of 9% to RON 518.7 million, especially driven by credit cards and personal loans. Net banking income reached RON 76.5 million.

The performance was sustained by the continuation of the commercial strategy based on the consolidation of partnerships, combined with the constant optimization of internal processes and a strict control of costs and risks.

BRD ASSET MANAGEMENT SA

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 17.65%* at the end of September 2019, +4.9 pts compared to end of September 2018.

The company had RON 4.21 billion assets under management at September 2019 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 these, 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 concentrating 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 is an equity fund 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 made based on the separate and consolidated financial statements prepared according to the International Financial Reporting Standards, for the period ended September 30, 2019 and the comparative periods.

FINANCIAL POSITION – ASSETS

Total assets increased by near 3% versus September 30, 2018 for the Group and by near 2% for the Bank, with relatively stable levels versus 2018 end.

The asset structure is presented below:

THE GROUP

Assets (RONm)	Sep-18	Dec-18	Sep-19	% total	vs. Dec-18	vs. Sep-18
Cash and current accounts with Central Bank	4,728	6,022	5,303	9.5%	-11.9%	12.2%
Loans and advances to credit institutions	4,129	3,316	2,381	4.3%	-28.2%	-42.3%
Net loans and advances to customers	29,303	29,603	30,270	54.1%	2.3%	3.3%
Financial lease receivables	739	761	922	1.6%	21.2%	24.7%
Other financial instruments	14,193	14,552	15,149	27.1%	4.1%	6.7%
Tangible and intangible assets	981	1,014	1,446	2.6%	42.6%	47.3%
Other assets	434	452	513	0.9%	13.5%	18.0%
Total assets	54,509	55,719	55,984	100.0%	0.5%	2.7%

THE BANK

Assets (RONm)	Sep-18	Dec-18	Sep-19	% total	vs. Dec-18	vs. Sep-18
Cash and current accounts with Central Bank	4,728	6,022	5,303	9.8%	-11.9%	12.2%
Loans and advances to credit institutions	4,111	3,298	2,363	4.4%	-28.3%	-42.5%
Net loans and advances to customers	28,634	28,893	29,471	54.4%	2.0%	2.9%
Other financial instruments	14,181	14,533	15,178	28.0%	4.4%	7.0%
Tangible and intangible assets	972	1,004	1,423	2.6%	41.6%	46.3%
Other assets	356	339	412	0.8%	21.4%	15.6%
Total assets	52,983	54,089	54,149	100.0%	0.1%	2.2%

LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers increased year-on-year (Bank: +2.9%, Group: +3.8% including leasing) on all business lines, mainly driven by growth of loans to individuals and large corporate customers.

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 decreased by 13% versus September 30, 2018 and by 18% versus December 2018 end, for both the Bank and the Group, mainly driven by lower placements at credit institutions. These items represented approximately 14% of total assets for the Group and the Bank.

The minimum compulsory reserve held with the National Bank of Romania accounted for 47% of this aggregate at September 30, 2019 (39% at December 2018 end and 40% at September 2018 end), at Group level, and amounted to RON 3,612 million, slightly up, +1.4%, versus September 30, 2018 and rather stable versus December 2018 end, in correlation with the deposits' evolution. NBR kept unchanged the RON minimum reserves requirements for liabilities with residual maturity of less than 2 years (at 8% since May 2015). The FX minimum reserve requirements also remained unchanged at 8% since May 2017.

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 15.1 billion at September 2019 end and represented 27% of Group assets. They rose by +6.7% compared to September 2018 end and by +4.1% versus December 2018, mainly driven by the increase in government bonds portfolio (both banking and trading books).

TANGIBLE AND INTANGIBLE ASSETS

The tangible and intangible assets accounted for approximately 3% of the total assets with land and buildings representing the largest part of the item.

The total value of investments during the first 9 months of 2019 was approximately RON 98 million for both the Bank and the Group, compared to RON 85 million in the same period in 2018. There is no capitalized research and development expenditure.

FINANCIAL POSITION – LIABILITIES

The comparative statement of liabilities is as follows:

THE GROUP

Liabilities and shareholders equity (RONm)	Sep-18	Dec-18	Sep-19	% total	vs. Dec-18	vs. Sep-18
Amounts owed to credit institutions	1,689	1,604	2,207	3.9%	37.6%	30.7%
Amounts owed to customers	43,553	45,217	43,938	78.5%	-2.8%	0.9%
Other liabilities	2,104	1,240	1,785	3.2%	43.9%	-15.1%
Shareholders equity	7,163	7,657	8,054	14.4%	5.2%	12.4%
Total liabilities and shareholders equity	54,509	55,719	55,984	100.0%	0.5%	2.7%

THE BANK

Liabilities and shareholders equity (RONm)	Sep-18	Dec-18	Sep-19	% total	vs. Dec-18	vs. Sep-18
Amounts owed to credit institutions	478	314	648	1.2%	106.0%	35.6%
Amounts owed to customers	43,630	45,316	44,039	81.3%	-2.8%	0.9%
Other liabilities	2,029	1,132	1,692	3.1%	49.5%	-16.6%
Shareholders equity	6,846	7,327	7,771	14.4%	6.0%	13.5%
Total liabilities and shareholders equity	52,983	54,089	54,149	100.0%	0.1%	2.2%

AMOUNTS OWED TO CUSTOMERS

At September 30, 2019, amounts owed to customers decreased by 2.8% compared to 2018 end, with a mild advance of 0.9% on an annual basis for both the Bank and the Group. The year on year increase was pushed by higher inflows from individuals, small and medium business customers, still driven by sight deposits, while savings from large corporate customers compressed, as the approach was pragmatically adjusted depending on the liquidity situation of the Bank.

AMOUNTS OWED TO THE CREDIT INSTITUTIONS

Amounts owed to credit institutions represent interbank deposits, borrowings from International Financial Institutions and the parent, and stood at 3.9% of the total assets for the Group and 1.2% for the Bank at September 30, 2019.

BRD Group's borrowings from Société Générale totalled RON 1.4 billion (3.0% of liabilities).

SHAREHOLDERS' EQUITY

Shareholders' equity increased by 12.4% for the Group and 13.5% for the Bank compared to September 30, 2018, driven by positive reserves from revaluation of debt instruments accounted at fair value through other comprehensive income and higher retained earnings. Compared to December 2018 end, shareholders' equity increased by 6% for the Group and by 5.2% for the Bank, mainly on reserves from revaluation of debt investments accounted at fair value through OCI.

The structure of the shareholders' equity evolved as follows:

THE GROUP

Shareholders' equity (RONm)	Sep-18	Dec-18	Sep-19	vs. Dec-18	vs. Sep-18
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	(44)	3	322	n.a.	n.a.
Retained earnings and capital reserves	4,645	5,092	5,169	1.5%	11.3%
Non-controlling interest	46	47	47	1.3%	1.5%
Total shareholders' equity	7,163	7,657	8,054	5.2%	12.4%

THE BANK

Shareholders' equity (RONm)	Sep-18	Dec-18	Sep-19	vs. Dec-18	vs. Sep-18
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	(50)	(3)	322	n.a.	n.a.
Retained earnings and capital reserves	4,380	4,815	4,933	2.5%	12.6%
Total shareholders' equity	6,846	7,327	7,771	6.0%	13.5%

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 66.9% at September 30, 2019 (from 63.8% at December 31, 2018 and 65.6% at September 30, 2018) for the Bank and 71.0% for the Group, including financial leasing receivables (67.2% at December 31, 2018 and 69.0% at September 30, 2018).

9M-2019 FINANCIAL RESULTS

The comparative income statement of the Group for the periods January – September 2019 and January – September 2018 is presented below:

RONm	9 months to 30-Sep-2018	9 months to 30-Sep-2019	Variation
Net banking income	2,289	2,446	6.9%
- net interest income	1,456	1,597	9.7%
- net commissions	588	601	2.1%
- other banking income	245	249	1.4%
Operating expenses	(1,104)	(1,186)	7.4%
- staff expenses	(573)	(613)	6.9%
- non-staff expenses	(531)	(573)	7.9%
Operating profit	1,185	1,260	6.4%
Net cost of risk	170	207	21.9%
Gross result	1,355	1,467	8.3%
Net result	1,142	1,226	7.4%
Profit attributable to equity holders of the parent	1,134	1,220	7.5%

The comparative income statement of the Bank for the periods January – September 2019 and January – September 2018 is presented below:

RONm	9 months to 30-Sep-2018	9 months to 30-Sep-2019	Variation
Net banking income	2,204	2,391	8.5%
- net interest income	1,366	1,503	10.0%
- net commissions	562	571	1.6%
- other banking income*	276	318	15.3%
Operating expenses	(1,041)	(1,118)	7.4%
- staff expenses	(536)	(573)	6.9%
- non-staff expenses	(505)	(545)	8.0%
Operating profit	1,163	1,273	9.5%
Net cost of risk	177	220	24.3%
Gross result	1,340	1,493	11.4%
Net result	1,137	1,261	11.0%

BRD Group's net banking income advanced by +6.9% over the first nine months of 2019 versus the same period of the last year, thanks to the strong increase in net interest income, as main growth driver, but also higher fees and commissions and other revenues categories. The net interest income increase of +9.7% YoY was built on volumes growth on all segments and favourable structure shifts, while still benefiting of rising RON interest rates (average ROBOR 3M at 3.16% in 9M-2019 vs. 2.64% in 9M-2018). In a context of increasing pricing pressure on some transactional banking services, fees and commissions revenues increased by +2.1% on a yearly basis, helped mainly by dynamic cards business.

Operating expense were 7.4% higher compared to the same period of the last year on increased staff costs (+6.9% YoY, related to salary and other benefits' adjustments, in a context of double digit increase of average wage on Romanian market) and regulatory costs (doubled cumulated contribution to the Deposit Guarantee and Resolution Funds, RON 72 million vs RON 35 million in 2018). Excluding the cumulated contribution to Deposit Guarantee and Resolution Funds, the increase in

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

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

operating expenses was contained at +4.2% on a yearly basis, as a result of sundry cost management optimisation.

In this context, the BRD Group cost/income ratio reached 48.5%, quasi-stable on a yearly basis (48.2% in 9M-2018). Excluding the cumulated contribution to Deposit Guarantee and Resolution Funds, cost/income ratio improved by 1.2 pts compared to 9M-2018.

BRD Group registered a solid operational performance, with gross operating income reaching RON 1,260 million in 9M-2019 vs. RON 1,185 million in 9M-2018, up by +6.4% YoY (+9.2% YoY excl. Deposit Guarantee and Resolution Funds costs).

The quality of the loan portfolio further improved as shown by continued decline in NPL ratio* (non-performing loans, according to EBA definition) to 4.0% at September 2019 end vs. 5.8% at September 2018 end and a high level of coverage of non-performing exposures (coverage ratio* of 74.1% at September 2019 end vs. 73.1% at September 2018 end). Risk costs remained positive, at RON 207 million vs. RON 170 million in 9M-2018, reflecting the strong recovery performance and the exceptional insurance indemnities, within a favorable economic environment.

As a result of all the above, BRD Group recorded a strong profitability over the first nine months of the year: net result reached RON 1,226 million, up by +7.4% YoY, from RON 1,142 million in 9M-2018 on robust commercial and operational performance and positive cost of risk.

These positive results led to a return on equity of 20.8% in 9M-2019 (stable compared to 9M-2018) and return on assets of 2.9% (stable compared to 9M-2018). The Bank recorded similar trends, which led to a net result of RON 1,261 million from RON 1,137 million in 9M-2018, up by +11.0%.

CAPITAL ADEQUACY (THE BANK)

RONm	Sep-18	Dec-18	Sep-19
Tier 1 capital	5,221	5,674	5,978
TOTAL OWN FUNDS	5,221	5,674	5,978
Capital requirements	2,156	2,156	2,290
Credit risk (including counterparty risk)	24,612	24,244	25,887
Market risk	212	264	270
Operational risk	1,960	2,272	2,312
CVA risk	170	172	157
Total risk exposure amount**	26,954	26,951	28,626
Regulatory CAR	19.4%	21.1%	20.9%

At Bank level, the capital adequacy ratio stood at a comfortable level, reaching 20.9% at September 30, 2019 (Basel 3), compared to 21.1% at December 31, 2018 and 19.4% at September 30, 2018. The year on year variation in solvency ratio is driven by the increase in own funds as a result of higher reserves from revaluation of debt instruments accounted at fair value through other comprehensive income and higher retained earnings. The Tier 1 ratio was also 20.9% at September 30, 2019 compared to 21.1% at December 31, 2018 and 19.4% at September 30, 2018.

* at Bank level

** RWA preliminary

5. CONCLUSIONS

In the first nine months of the year, BRD delivered a solid commercial performance mainly on retail and large corporate segments, with increasing lending activity and dynamic transactions' volumes. Thus, financial performance was strong, benefiting from robust revenues' generation and positive cost of risk.

A remarkable evolution was seen by BRD AM's assets under management, reflecting BRD's strategy to capture the potential of the alternative savings market.

Looking forward, BRD will keep its commitment to finance the Romanian economy, both individuals as well as corporate clients, in a responsible way, through an improved and balanced offer.

BRD will continue to implement a "phygital" banking business model combining human expertise and digital efficiency and leading to superior experience for customers.

The interim financial report as at September 30, 2019 has not been audited.

Giovanni Luca SOMA

Chairman of the Board of Directors

Francois BLOCH

Chief Executive Officer

Stephane FORTIN

Chief Financial Officer