

Quarterly Report

March 31, 2020

according to Financial Supervisory Authority Regulation
no 5/2018

CONTENTS

1. THE COMPANY AND ITS SHAREHOLDERS	3
2. ECONOMIC AND BANKING ENVIRONMENT	7
3. COMMERCIAL ACTIVITY	8
4. FINANCIAL RESULTS AND RATIOS.....	11
5. CONCLUSIONS.....	16

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 March 31, 2020, 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 March 31, 2020, the Bank had the following ratings:

Fitch Ratings (last rating update: Apr-2020 - affirmed*)	Rating
Foreign-Currency Short-Term Issuer Default Rating	F2
Foreign-Currency Long-Term Issuer Default Rating	BBB+
Support Rating	2

Moody's (last rating update: Feb-2020)	Rating
Domestic Currency Short-Term Deposit	Prime-2
Domestic Currency Long-Term Deposit	Baa1
Foreign Currency Short-Term Deposit	Prime-3
Foreign Currency Long-Term Deposit	Baa3

* Fitch revised Bank's outlook to Negative from Stable

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 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.

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

		3 months to 31-Mar-2019	3 months to 31-Mar-2020	Change
The Group				
Financial results	Net banking income (RONm)	784	767	-2.2%
	Operating expenses (RONm)	(442)	(425)	-3.8%
	Cost of risk (RONm)	26	(60)	n.a.
	Net profit (RONm)	301	241	-20.0%
	Cost / income ratio	56.4%	55.5%	-0.9 pt
	ROE	15.4%	11.8%	-3.6 pt
RON bn		Mar-19	Mar-20	Change
Loans and deposits	Total net loans (incl. leasing)	30.6	31.3	+2.4%
	Total deposits	44.3	46.9	+5.9%
The Bank				
Financial results	Net banking income (RONm)	744	721	-3.1%
	Operating expenses (RONm)	(421)	(402)	-4.4%
	Cost of risk (RONm)	30	(46)	n.a.
	Net profit (RONm)	289	233	-19.3%
	Cost / income ratio	56.6%	55.8%	-0.8 pt
	ROE	15.4%	11.9%	-3.5 pt
RON bn		Mar-19	Mar-20	Change
Loans and deposits	Total net loans	29.1	29.5	+1.5%
	Total deposits	44.4	47.1	+6.0%
RON m		Mar-19	Mar-20	Change
Capital adequacy	Own funds (RONm)	5,733	6,972	+21.6%
	RWA (RON bn)	29,168	30,835	+5.7%
	CAR*	19.7%	22.6%	+3.0 pt
Franchise	No of branches	723	640	(83)

* CAR at March 2020 end includes 2019 full retained profit

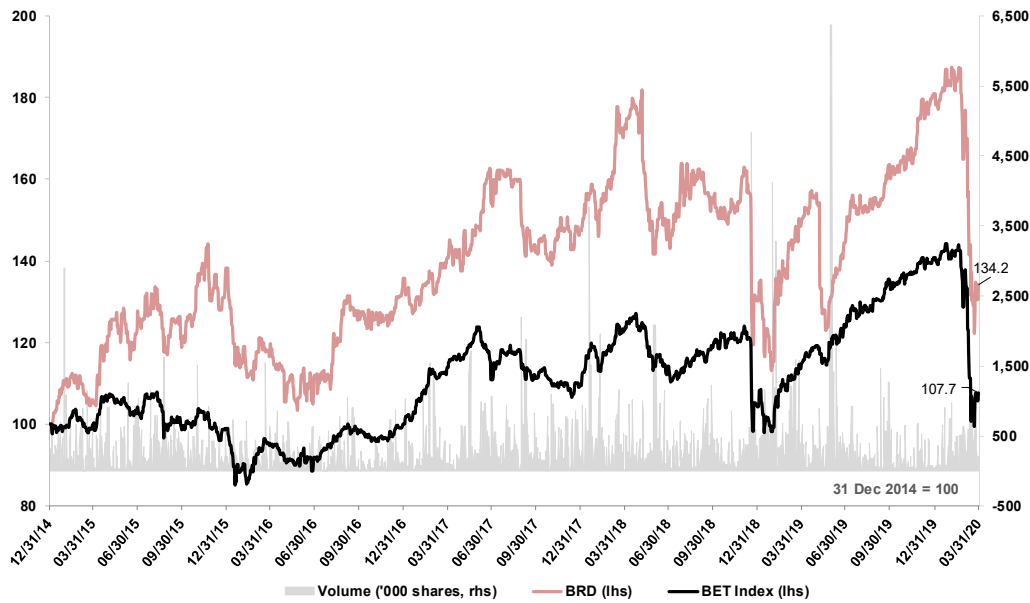
BRD SHARE

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 March 31, 2020, was of RON 11.74 /share (RON 15.84 /share at December 31, 2019 and RON 13.00 /share at March 31, 2019). On the same date, the market capitalization was RON 8,181.62 million (RON 11,038.92 million at December 31, 2019 and RON 9,059.72 million at March 31, 2019). The evolution of the share price starting end of February 2020 reflects the turmoil on the financial markets generated by the COVID-19 outbreak.

During January – March 2020, 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 – March 31, 2020



Source: Bloomberg

2. ECONOMIC AND BANKING ENVIRONMENT

Romania's GDP growth rate accelerated at +4.2% YoY in Q4-19 (seasonally adjusted, vs. +3.2% in Q3-19) with domestic demand being again the main driver of economic expansion, followed by gross fixed capital formation. 2019 GDP increased by +4.1%, a somewhat slower pace as compared to 2018, though still outpacing that of most EU countries. Consumers' appetite with + 4.8 ppts contribution to the growth was spurred by the steady rising household disposable income, growth in household loans outstanding and the upbeat consumer sentiment. Investment activity made also an important contribution to growth story (+3.8 ppts), ascribable to the expansion of the construction activity and, to a lesser extent, to equipment purchases. Net exports kept their contractionary contribution to growth (-1.6 ppts) given the almost halved annual growth of exports (+4.6% YoY) as compared to that of imports (+8.0%).

CPI dropped at a fast pace in the first months of the year printing at 3.1% at Mar-20 end (vs 4.0% at Dec-19 end), but recording a monthly increase of 0.5% m/m in March with the impact of lower fuel prices dwarfed by strong food inflation in the midst of Covid-19 outbreak.

To support the economy in the context of unfolding COVID-19 epidemic, the central bank reduced the monetary policy rate by 50 basis points, to 2% and narrowed the symmetric interest rate corridor from +/- 1% to +/- 0.5%. Additionally, the NBR announced an unprecedented measure of purchasing RON denominated government bonds intended to support the liquidity in the government bonds market, ensuring its smooth functioning. Also NBR stated that it shall provide liquidity to financial institutions through repo operations.

Before the outbreak, NBR decided to lower the level of the minimum reserve requirements on FCY denominated liabilities at 6%, down from 8%, starting February 2020, keeping the existing level for RON denominated liabilities, at 8%.

The government also timely stepped in to support the economy with a comprehensive package of measures, the main ones being represented by: state guarantee and interest subsidies for loans to SMEs under a EUR 3.3 billion programme, up to 9 months debt moratorium for individuals and companies affected by the crisis, and indemnity for technical unemployment for employees of companies affected by the crisis.

Gross loans outstanding increased by +6.9%* YoY as of Feb-20 end on 1) individuals' gross loans increase still supported by positive labor market climate until February (individuals' loans +7.5%*: housing +9.7%*, consumer +4.7%*); 2) lending to companies inched up by +6.4%*. As of Feb-20 end, disposable income remained elevated, as such, savings' propensity was still strong: +9.3%* YoY (individuals +10.6%*, corporates +7.8%*).

The ratio of non-performing loans for the banking system (according to European Banking Authority definition) has maintained its decreasing trend, reaching 4.1% at 2019 end compared to 4.95% at 2018 end, standing in the EBA defined medium risk bucket [3-8%], amid stronger lending along with the reduction in non-performing exposures.

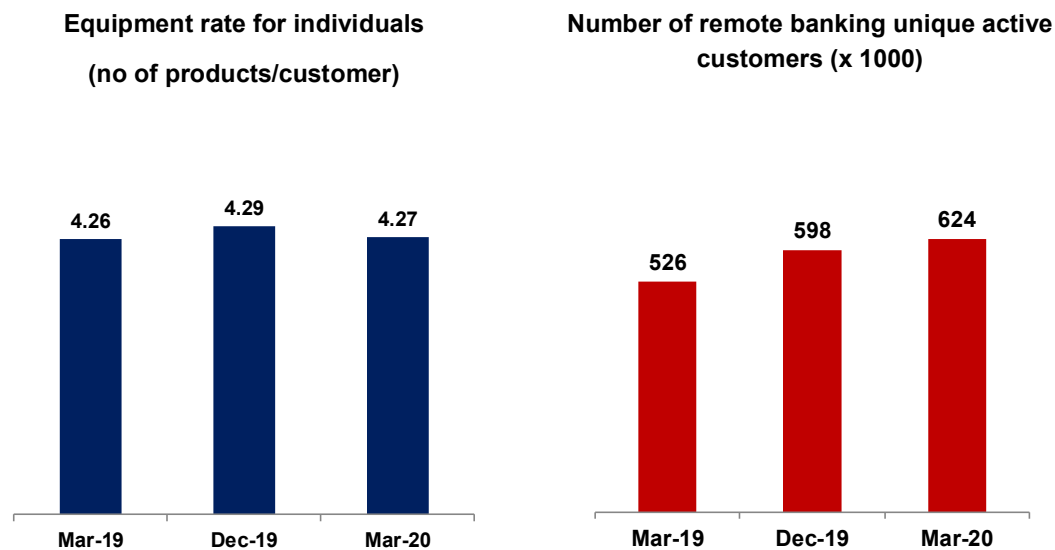
The capitalisation of the Romanian banking system remained comfortable, with a capital adequacy ratio of 20.0% as of December 2019 end.

* variation at constant FX rate

3. COMMERCIAL ACTIVITY

As at March 31, 2020, the Bank had 640 branches (31.03.2019: 723 branches, 31.12.2019: 648 branches), ensuring the distribution of its products and services throughout the whole country.

The equipment rate for individuals reached 4.27 at March 31, 2020 compared to 4.26 at March 31, 2019.



BRD held a market share of 11.3% of total assets at December 31, 2019.

	Feb-19	Dec-19	Feb-20
TOTAL ASSETS	n.a.	11.3%	n.a.
LOANS	11.9%	11.0%	11.3%
<i>Individuals</i>	16.0%	15.3%	15.1%
<i>Companies</i>	7.8%	6.5%	7.3%
DEPOSITS	12.3%	11.9%	11.5%
<i>Individuals</i>	13.1%	12.1%	11.8%
<i>Companies</i>	11.4%	11.6%	11.2%

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

RON bln	Mar-19	Dec-19	Mar-20	vs. Dec-19 vs. Mar-19	
Retail	21.7	22.0	22.0	-0.2%	1.3%
Individuals	21.2	21.5	21.5	-0.2%	1.4%
Small business	0.5	0.5	0.5	1.4%	-3.3%
Non-retail	8.1	8.3	8.3	0.4%	2.8%
SMEs	2.1	2.2	2.2	-2.6%	2.8%
Large corporate	6.0	6.1	6.2	1.5%	2.9%
Total net loans	29.8	30.3	30.3	0.0%	1.7%
Financial lease receivables	0.8	1.0	1.0	2.1%	27.6%
Total net loans, including leasing	30.6	31.3	31.3	0.1%	2.4%

Net loans outstanding (including leasing) reached RON 31.3 billion, increasing by 2.4% versus March 31, 2019 and remained stable compared to year end. Positive performance YoY was registered by all business lines, except small business, 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	Mar-19	Dec-19	Mar-20	vs. Dec-19 vs. Mar-19	
Retail	29.8	30.4	31.1	2.3%	4.2%
Individuals	25.8	25.6	26.7	4.0%	3.4%
Small business	4.0	4.7	4.4	-6.6%	9.6%
Non-retail	14.5	15.5	15.9	2.1%	9.3%
SMEs	5.7	6.5	7.1	9.7%	25.5%
Large corporate	8.9	9.1	8.8	-3.4%	-1.1%
Total deposits	44.3	45.9	46.9	2.3%	5.9%

Deposits to customers reached RON 46.9 billion, higher by 5.9% on an annual basis and by 2.3% compared to December 31, 2019. Benefiting from dynamic real wage growth, deposits' inflows from individuals continued to grow YoY, +3.4% (o/w current accounts were up by 30% YoY) and on a higher contribution of foreign currency resources (+5.4% YoY). The non retail deposits' advance was supported by a double digit increase of SMEs resources (+25.5% YoY), while large corporate deposits were influenced by the reduction of EUR non transactional accounts driven by an assumed balance sheet management choice.

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 March 31, 2020, net outstanding of leasing financing granted by BRD Sogelease increased by 27.6% year-on-year to RON 1,013.3 million. New leasing production reached RON 146.6 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 Q1 2020 continued the positive evolution when compared with Q1 2019: the net loan portfolio increased by 8%, reaching RON 607 million, while the new loan production was constant at RON 140 million. The increase was especially driven by credit cards and auto loans. Net banking income reached RON 26.7 million, +4% vs. Q1 2019.

BRD ASSET MANAGEMENT SA

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 17.88%* at the end of March 2020. BRD Asset Managements now serves more than 73 thousands clients across its 7 investment funds. The company's total assets under management decreased in the first quarter to RON 3.62 billion at the end of March 2020, evolution driven by the volatile financial markets' context induced by COVID-19 crisis.

** 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 March 31, 2020 and the comparative periods.

FINANCIAL POSITION – ASSETS

Total assets increased by approximately 5% versus March 31 2019 and by near 2% versus 2019 end, both for the Group and for the Bank.

The asset structure is presented below:

THE GROUP

Assets (RONm)	Mar-19	Dec-19	Mar-20	% total	vs. Dec-19	vs. Mar-19
Cash and current accounts with Central Bank	4,671	6,843	6,194	10.5%	-9.5%	32.6%
Loans and advances to credit institutions	5,252	3,410	3,187	5.4%	-6.5%	-39.3%
Net loans and advances to customers	29,788	30,293	30,292	51.4%	0.0%	1.7%
Financial lease receivables	794	993	1,013	1.7%	2.1%	27.6%
Other financial instruments	13,634	14,396	16,378	27.8%	13.8%	20.1%
Tangible and intangible assets	1,468	1,447	1,426	2.4%	-1.4%	-2.9%
Other assets	428	390	445	0.8%	14.1%	4.1%
Total assets	56,034	57,771	58,935	100.0%	2.0%	5.2%

THE BANK

Assets (RONm)	Mar-19	Dec-19	Mar-20	% total	vs. Dec-19	vs. Mar-19
Cash and current accounts with Central Bank	4,671	6,843	6,194	10.9%	-9.5%	32.6%
Loans and advances to credit institutions	5,234	3,392	3,169	5.6%	-6.6%	-39.5%
Net loans and advances to customers	29,055	29,467	29,492	51.7%	0.1%	1.5%
Other financial instruments	13,617	14,424	16,406	28.8%	13.7%	20.5%
Tangible and intangible assets	1,445	1,425	1,405	2.5%	-1.4%	-2.7%
Other assets	337	304	354	0.6%	16.7%	5.2%
Total assets	54,357	55,853	57,021	100.0%	2.1%	4.9%

LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers increased year-on-year (Group: +2.4% including leasing, o/w leasing +27.6%; Bank: +1.5%) driven by favourable dynamic on all business lines, except small business, mainly supported 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 5.5% versus March 31, 2019 and by 8.5% versus December 2019 end, for both the Bank and the Group, mainly driven by lower placements at credit institutions. These items represented approximately 16% of total assets for the Group and the Bank.

The minimum compulsory reserve held with the National Bank of Romania accounted for 35% of this aggregate at March 31, 2020 (36% at December 2019 end and 37% at March 2019 end), at Group level, and amounted to RON 3,322 million, slightly down vs March 31, 2019, driven by a mix of increased deposits and NBR's decision to lower the FX minimum reserve requirements for liabilities with residual maturity of less than 2 years to 6%, down from 8%, starting February 2020. RON minimum reserves requirements were kept unchanged at 8% since May 2015.

OTHER FINANCIAL INSTRUMENTS

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

These items amounted to RON 16.4 billion at March 2020 end and represented 28% of Group assets. They rose by +20.1% compared to March 2019 end and by +13.8% versus December 2019, 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 2.4% of the total assets with land and buildings representing the largest part of the item (81%).

The total value of investments during the first 3 months of 2020 was RON 35 million for the Group and RON 34 million for the Bank, compared to RON 24 million in the same period in 2019 both for 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)	Mar-19	Dec-19	Mar-20	% total	vs. Dec-19	vs. Mar-19
Amounts owed to credit institutions	1,757	2,118	2,190	3.7%	3.4%	24.6%
Amounts owed to customers	44,314	45,899	46,933	79.6%	2.3%	5.9%
Other liabilities	1,952	1,570	1,700	2.9%	8.3%	-12.9%
Shareholders equity	8,011	8,184	8,112	13.8%	-0.9%	1.3%
Total liabilities and shareholders equity	56,034	57,771	58,935	100.0%	2.0%	5.2%

THE BANK

Liabilities and shareholders equity (RONm)	Mar-19	Dec-19	Mar-20	% total	vs. Dec-19	vs. Mar-19
Amounts owed to credit institutions	424	431	515	0.9%	19.3%	21.5%
Amounts owed to customers	44,412	46,040	47,069	82.5%	2.2%	6.0%
Other liabilities	1,853	1,487	1,621	2.8%	9.0%	-12.5%
Shareholders equity	7,669	7,895	7,816	13.7%	-1.0%	1.9%
Total liabilities and shareholders equity	54,357	55,853	57,021	100.0%	2.1%	4.9%

AMOUNTS OWED TO CUSTOMERS

At March 31, 2020, amounts owed to customers increased by 2.3% compared to 2019 end at Group level, with an advance of approximately 6% 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 companies, still driven by sight deposits, especially foreign currency, with a visible contribution of March 2020 collections. Savings from large corporate customers compressed, on EUR deposits' decrease, as the approach was pragmatically adjusted given 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 3.7% of the total assets for the Group and 0.9% for the Bank at March 31, 2020.

BRD Group's borrowings from Société Générale totalled RON 1.5 billion (2.8% of liabilities).

SHAREHOLDERS' EQUITY

Shareholders' equity increased by 1.3% for the Group and 1.9% for the Bank compared to March 31, 2019, as the higher retained earnings were partly compensated by decrease of reserves from revaluation of debt instruments accounted at fair value through other comprehensive income. Compared to December 2019 end, shareholders' equity decreased by 0.9% for the Group and by 1.0% for the Bank, mainly on the decrease of reserves from revaluation of debt instruments accounted at fair value through other comprehensive income, driven by the increase of yields in the March COVID-19 crisis outbreak, cancelling the positive effect of the Q1 2020 profit.

The structure of the shareholders' equity evolved as follows:

THE GROUP

Shareholders' equity (RONm)	Mar-19	Dec-19	Mar-20	vs. Dec-18	vs. Mar-19
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	56	179	(133)	n.a.	n.a.
Retained earnings and capital reserves	5,390	5,441	5,681	4.4%	5.4%
Non-controlling interest	50	48	49	2.9%	-1.8%
Total shareholders' equity	8,011	8,184	8,112	-0.9%	1.3%

THE BANK

Shareholders' equity (RONm)	Mar-19	Dec-19	Mar-20	vs. Dec-18	vs. Mar-19
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	50	179	(133)	n.a.	n.a.
Retained earnings and capital reserves	5,104	5,201	5,434	4.5%	6.5%
Total shareholders' equity	7,669	7,895	7,816	-1.0%	1.9%

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 62.7% at March 31, 2020 (from 64.0% at December 31, 2019 and 65.4% at March 31, 2019) for the Bank and 66.7% for the Group, including financial leasing receivables (68.2% at December 31, 2019 and 69.0% at March 31, 2019).

Q1-2020 FINANCIAL RESULTS

The comparative income statement of the Group for the periods January – March 2020 and January – March 2019 is presented below:

RONm	Q1-2019	Q1-2020	Variation
Net banking income	784	767	-2.2%
- net interest income	514	547	6.6%
- net commissions	184	177	-4.0%
- other banking income	86	42	-51.0%
Operating expenses	(442)	(425)	-3.8%
- staff expenses	(202)	(211)	4.4%
- non-staff expenses	(240)	(214)	-10.8%
Operating profit	342	342	-0.2%
Net cost of risk	26	(60)	n.a.
Gross result	368	282	-23.5%
Net result	301	241	-20.0%
Profit attributable to equity holders of the parent	298	239	-19.6%

The comparative income statement of the Bank for the periods January – March 2020 and January – March 2019 is presented below:

RONm	Q1-2019	Q1-2020	Variation
Net banking income	744	721	-3.1%
- net interest income	482	513	6.3%
- net commissions	176	165	-6.0%
- other banking income	86	43	-49.7%
Operating expenses	(421)	(402)	-4.4%
- staff expenses	(189)	(197)	4.2%
- non-staff expenses	(232)	(205)	-11.5%
Operating profit	323	319	-1.4%
Net cost of risk	30	(46)	n.a.
Gross result	353	273	-22.6%
Net result	289	233	-19.3%

BRD Group's net banking income stepped back 2.2% in the first three months of 2020 versus the same period of the last year, mainly due to lower fees and commissions and other revenues categories, despite a still strong net interest income growth. The net interest income increase of +6.6% YoY built on rising volumes, favorable structure shifts and higher yields on bonds portfolio. Net fees and commissions decreased with -4%, mainly due to prices alignment for EUR denominated payments, to domestic ones (starting with 15th of December 2019, according to SEPA rules) and also due to cease of the Western Union business in August 2019, partially compensated by higher revenues from custody and asset management activity. Other non-interest revenues were influenced by the volatile context driven by COVID-19 pandemic with an important decrease of trading income (mainly on fixed income trading portfolio), and revaluation income (mainly related to VISA holding).

Operating expenses were 3.8% lower compared to the same period of the last year benefitting from reduced contributions to Deposit Guarantee and Resolution Funds (43m RON vs 72m in 2019). Excluding these contributions, operating expenses inched up by +3.2%, on the impact of both higher staff expenses (+4.4%) due to 2019 salary adjustments in response to the pressures in the labor market, and also on the increase in other costs categories (+1.8%), mainly as a result of ongoing investments, and within the recent COVID-19 crisis context, of the needed first measures to ensure the security of BRD's clients and staff.

In this context, the BRD Group cost/income ratio improved to 55.5%, down from 56.4% in the same period of the previous year. Excluding the cumulated contribution to Deposit Guarantee and Resolution Funds, cost/income ratio increased with 2.6 ppts, to 49.8%, compared to Q1-2019.

BRD Group registered quasi stable operational performance, with gross operating income of RON 342 million in Q1-2020 (-7.1% 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 3.3% at March 2020 end vs. 4.0% at March 2019 end and a high level of coverage of non-performing exposures (coverage ratio* of 73.3% at March 2020 end vs. 75.1% at March 2019 end). Risk costs turned negative to RON 60 million versus a release of RON 26 million in Q1-2019, mainly due to an EUR 25 million overlay booked in relation to COVID-19 economic impact.

As a result of all the above, BRD Group recorded a net result of RON 241 million, -20% YoY, from RON 301 million in Q1-2019 on lower fees and commissions and other revenues categories and negative cost of risk, despite a still strong net interest income growth and increased commercial performance.

These results led to a return on equity of 11.8% in Q1-2020, 3.4 ppts lower compared to Q1-2019 and return on assets of 1.7%, 0.5 ppt lower compared to Q1-2019.

The Bank recorded similar trends, which led to a net result of RON 233 million versus RON 289 million in Q1-2019.

CAPITAL ADEQUACY (THE BANK)

RONm	Mar-19	Dec-19	Mar-20
Tier 1 capital	5,733	7,322	6,972
TOTAL OWN FUNDS**	5,733	7,322	6,972
Capital requirements	2,333	2,352	2,467
Credit risk (including counterparty risk)	26,523	26,118	27,598
Market risk	185	317	236
Operational risk	2,318	2,849	2,876
CVA risk	143	120	125
Total risk exposure amount	29,168	29,404	30,835
Regulatory CAR	19.7%	24.9%	22.6%

At Bank level, the capital adequacy ratio stood at a solid level, reaching 22.6% at March 31, 2020 (Basel 3), compared to 24.9% at December 31, 2019 and 19.7% at March 31, 2019. The year on year variation in solvency ratio is explained, on one side, by the increase in own funds mainly as a result of retaining the full 2019 profit, and, on the other side, by the increase of capital requirements linked to continued lending growth, regulatory phase-in of the risk weight of EUR sovereign exposures.

The Tier 1 ratio was also 22.6% at March 31, 2020 compared to 24.9% at December 31, 2019 and 19.7% at March 31, 2019.

* at Bank level

** at March 2020, with full 2019 retained profit according to BRD's GSM decision

5. CONCLUSIONS

In the first three months of the year, BRD delivered a dynamic commercial performance. Robust business activity was registered on all segments, with continued lending growth, supported by strong corporate financing activity, sustained collection of deposits and growing use of digital channels. Though in the economic context generated by the COVID-19 pandemic the profitability was scaled back by the negative cost of risk, the operational performance remained resilient.

The crisis we are facing is unprecedented, with complex economic challenges and difficult to quantify recession perspectives. But offset policies are in place. Public authorities delivered support in terms of liquidity, credit guarantees, and household income assistance measures.

The Romanian banking system is healthy, and will be a key actor of the economic recovery.

BRD, in particular, is entering the crisis with a very solid profile. It can build on strong liquidity and capital positions. These are fundamentals allowing our bank to stand by its clients in difficult times, and to remain fully committed in playing its more than ever essential role of financing the economy in a responsible way.

The interim financial report as at March 31, 2020 has not been audited.

Giovanni Luca SOMA

Chairman of the Board of Directors

François BLOCH

Chief Executive Officer

Stephane FORTIN

Deputy Chief Executive Officer