

Half Year Report

June 30, 2015

according to National Securities Commission Regulation
no 1/2006

YOUR BANK. YOUR TEAM



GRUPE SOCIETE GENERALE



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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 June 30, 2015, 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 lei
- **Regulated market on which the issued securities are traded:** Bucharest Stock Exchange – Premium Tier
- **The main characteristics of securities issued by the company:** ordinary shares with a nominal value of 1 RON

EXTERNAL RATING

As at June 30, 2015 the Bank had the following ratings:

Fitch Ratings (rating date: 9-Dec-2014)	Rating
Foreign-Currency Short-Term Issuer Default Rating	F2
Foreign-Currency Long-Term Issuer Default Rating	BBB+
Support Rating	2

Moody's (rating date: 11-Jun-2015)	Rating
Global Local Currency Short-Term Deposit	Not prime
Global Local Currency Long-Term Deposit	Ba1
Foreign Currency Short-Term Deposit	Not prime
Foreign Currency Long-Term Deposit	Ba1

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;

1. THE COMPANY AND ITS SHAREHOLDERS

SOCIÉTÉ GÉNÉRALE PROFILE

Société Générale was set up in 1864 as a banking company, registered in France. Its head 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 148,000 employees, based in 76 countries, Société Générale accompanies 30 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:

- *Retail banking in France* with the Société Générale branch network, Credit du Nord and Boursorama, offering a comprehensive range of multi-channel financial services on the leading edge of digital innovation;
- *International retail banking, financial services and insurance* with a presence in emerging economies and leading specialised businesses;
- *Corporate and investment banking, private banking, asset management and securities services*, with recognized expertise, top international rankings and integrated solutions.

As at June 30, 2015, the ratings of Société Générale were: A (Standard and Poor's), A2 (Moody's) and A (Fitch).

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 Română 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, 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.

1. THE COMPANY AND ITS SHAREHOLDERS

KEY FIGURES AS OF JUNE 30, 2015

	The Bank	H1-2015	H1-2014	Variation
Financial results	Net banking income (RONm)	1,171	1,244	-5.9%
	Operating expenses (RONm)	596	608	-2.0%
	Cost of risk (RONm)	(256)	(492)	-48.1%
	Net profit (RONm)	269	123	118.8%
	Cost / income ratio	50.9%	48.9%	+2.0 pts
	ROE	9.7%	4.6%	+5.0 pts
		Jun-15	Dec-14	Variation
Capital adequacy	Own funds (RONm)	4,442	4,614	-3.7%
	RWA (RON bn)	27.2	26.9	1.1%
	CAR ^(*)	16.3%	17.2%	-0.8 pts
Loans and deposits	Total net loans (RON bn)	26.6	26.5	0.6%
	Total deposits (RON bn)	37.8	36.0	4.8%
Franchise	No of branches	845	860	(15)
	No of active customers (x 1000)	2,219	2,234	(14)

	The Group	H1-2015	H1-2014	Variation
Financial results	Net banking income (RONm)	1,226	1,290	-5.0%
	Operating expenses (RONm)	633	642	-1.3%
	Cost of risk (RONm)	(269)	(500)	-46.2%
	Net profit (RONm)	270	128	111.2%
	Cost / income ratio	51.6%	49.7%	+1.9 pts
	ROE	9.3%	4.6%	+4.7 pts
		Jun-15	Dec-14	Variation
Loans and deposits	Total net loans (RON bn)	27.0	26.8	0.7%
	Total deposits (RON bn)	37.7	36.0	4.8%

(*) according to Basel III including the impact of prudential filters

1. THE COMPANY AND ITS SHAREHOLDERS

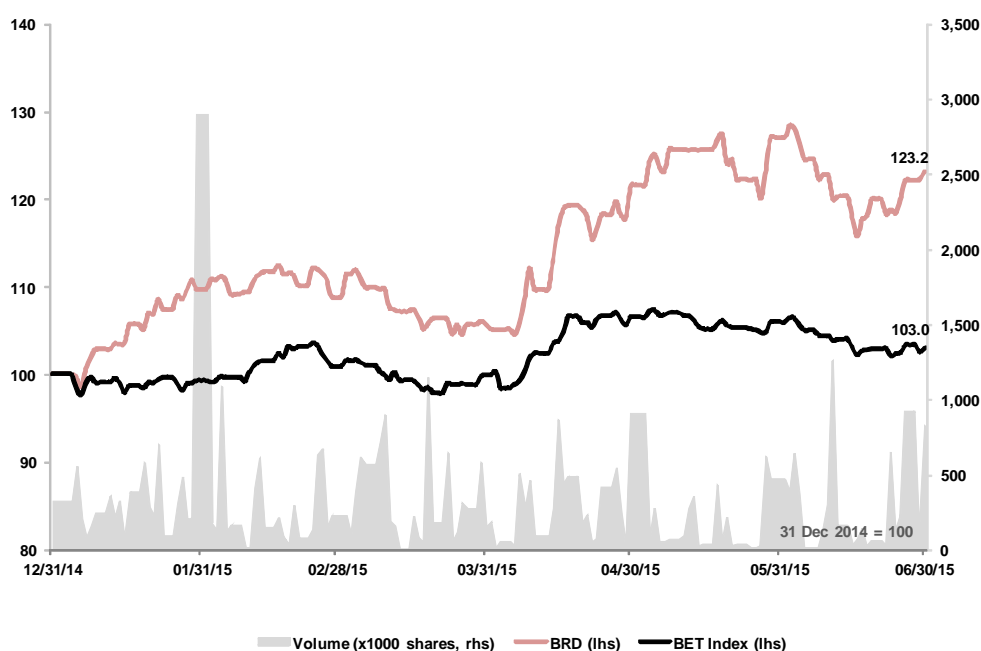
BRD SHARE

Starting with January 15th, 2001, the Bank's shares are listed in the 1st category of the Bucharest Stock Exchange. The shares are included in the BET, BET Plus, BET-BK, BET-XT, and BET-TR indexes. The Bank's shares are ordinary, nominative, dematerialized and indivisible. According to the Articles of Incorporation, article 17, letter k, the shares of the Bank are traded freely on those capital markets set by General Assembly of Shareholders („AGA”), while complying with the legislation on the trade of shares issued by bank institutions.

The closing price for BRD share as at June 30, 2015, was of 10.78 RON/share (9.43 RON/share at June 30, 2014 and RON 8.75/share at December 31, 2014). On the same date, the market capitalization was RON 7,512.60 million (June 30, 2014: RON 6,571.78 million, December 31, 2014: RON 6,097.89 million).

During the first half of 2015 neither the Bank, nor its subsidiaries bought back own shares.

Evolution of BRD's share price versus the BET Index and BRD's volume of shares for the period December 31, 2014 – June 30, 2015



Source: Bloomberg

2. ECONOMIC AND BANKING ENVIRONMENT

The GDP annual growth rate accelerated to 4.1% (seasonally adjusted) in the first quarter of 2015, according to interim data, sustained by the evolution of consumption, gross fixed capital formation and inventories. Private investment has been fostered by lower financing costs and a more business-friendly fiscal environment.

The inflation rate became negative at the end of June 2015 (-1.6% versus the end of June 2014) following the drop in food prices triggered by the entry into force as of June 2015 of the VAT rate cut for some food items.

In this context, NBR maintained an accommodative monetary policy, cutting the reference rate several times in the first half of 2015. The monetary policy rate was 1.75% at the beginning of July 2015 compared to 2.75% in December 2014. The minimum reserves requirements were reduced in 2015 to 8% from 10% for RON liabilities and were maintained at 14% for FX liabilities.

In spite of the low interest rate environment, gross lending has yet to record a positive evolution on an annual basis (it declined by 0.6%* at June 2015 end). Housing loans kept the positive trend and RON-denominated consumer loans also started to recover. Companies gross loans' outstanding decreased further as a result of the write-off operations and still reduced credit demand.

Banking system deposits advanced at June 2015 end versus June 2014 end (+7.3%*), both on the individuals' and on the companies' segments. RON-denominated deposits continued to grow partly as banks gradually orient their funding structure towards local resources and due to individuals maintaining a relatively high propensity to save in spite of the low interest rates.

The write-off and portfolio sales operations of non-performing loans performed by banks led to a decline in the Loss 2** ratio to 13.3% at May 2015 end from 20.3% in May 2014 end. Coverage of Loss 2 loans with provisions was 70% at March 2015 end, relatively constant compared to 2014 end.

^(*) Variations at constant exchange rates.

^(**) regulatory ratio representing the loans overdue more than 90 days and/or in litigation. Starting with 2014 NBR changed the methodology and widened the area of application by including banks with internal rating based approaches, which led to a decline in the NPL ratio.

3. COMMERCIAL ACTIVITY

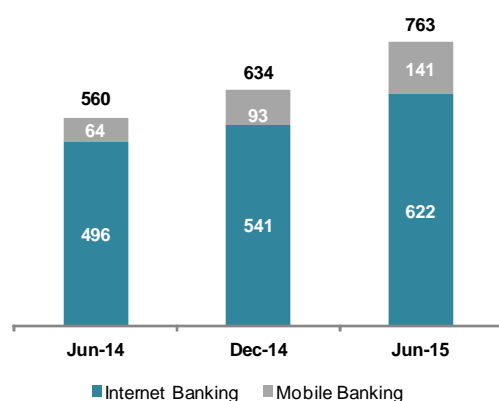
As at June 30, 2015 the Bank had 845 branches (31.12.2014: 860 branches, 30.06.2014: 869 branches), ensuring the distribution of its products and services throughout the whole country.

The Bank's number of active customers on the individuals' segment rose by circa 9,000 at June 30, 2015 compared to the corresponding period of last year, reaching 2.1 million customers.

The equipment rate for individuals continued to rise benefitting from increasing demand for remote banking solutions.

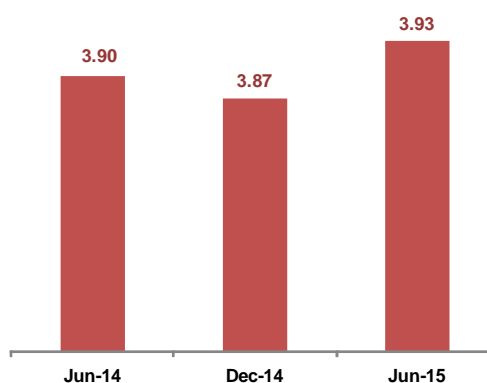
Number of remote banking contracts for individual customers*

(x 1000)



Equipment rate for individuals

(products/client)*



The Group's commercial offer includes a complete range of financial and banking products and services designed for both private and corporate customers.

The Bank continued to be the second largest bank in Romania by total assets, with the following market shares:

	Jun-14	Dec-14	Jun-15
TOTAL ASSETS	12.8%	12.4%	n.a.
LOANS	14.1%	13.7%	13.5%
<i>Individuals</i>	<i>16.9%</i>	<i>16.9%</i>	<i>16.8%</i>
<i>Companies</i>	<i>11.8%</i>	<i>11.0%</i>	<i>10.6%</i>
DEPOSITS	14.7%	14.2%	14.9%
<i>Individuals</i>	<i>13.3%</i>	<i>13.3%</i>	<i>13.8%</i>
<i>Companies</i>	<i>16.7%</i>	<i>15.5%</i>	<i>16.5%</i>

(*) On an individual basis.

3. COMMERCIAL ACTIVITY

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

RON bln	Jun-14	Dec-14	Jun-15	vs. Dec-14	vs. Jun-14
Retail	17.2	17.3	17.7	2.2%	2.4%
Individuals	16.4	16.6	17.0	2.3%	3.8%
Small business	0.8	0.6	0.6	-1.0%	-24.2%
Non-retail	10.2	9.5	9.3	-2.0%	-8.3%
SMEs	5.2	4.6	4.1	-10.8%	-20.3%
Large corporate	5.0	4.9	5.2	6.5%	4.1%
Total net loans	27.4	26.8	27.0	0.7%	-1.6%

Note: Total net loans exclude financial lease receivables.

The positive evolution of net loans to retail customers was underpinned by the improvements recorded on the household segment. The net outstanding of loans to individuals increased by around 2% compared to December 31, 2014 and by around 4% compared to June 30, 2014 pushed up by the significant growth of the housing loan portfolio. Housing loan production during January – June 2015 soared to circa RON 0.8 billion (+78% versus the first half of 2014) as a result of BRD's leading position on the Prima Casa programme (Prima Casa loan production accounted for 76% of total new housing loans) and rising interest for standard mortgage loans. Consumer loan production was stable in January – June 2015 compared to the corresponding period of the previous year, at almost RON 1.6 billion, with a rising contribution from BRD Finance. Production on the individuals' segment totaled RON 2.4 billion in the first six months of 2015, compared to RON 2.0 billion in the corresponding period of the previous year.

The performance of the non-retail segment was negatively affected by the evolution of SME loans, which was only partially compensated by loans to large corporate clients. The portfolio of net loans to large corporate clients advanced by around 4% at June 30, 2015 versus June 30, 2014 and 6% compared to December 31, 2014, due to higher outstanding of RON-denominated loans.

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

RON bln	Jun-14	Dec-14	Jun-15	vs. Dec-14	vs. Jun-14
Retail	20.2	21.4	22.5	5.2%	11.4%
Individuals	17.3	18.2	19.4	6.8%	12.0%
Small business	2.8	3.2	3.1	-4.1%	7.9%
Non-retail	14.0	14.6	15.2	4.3%	8.9%
SMEs	5.0	5.8	5.7	-1.0%	13.5%
Large corporate	8.9	8.8	9.5	7.7%	6.4%
Total deposits	34.1	36.0	37.7	4.8%	10.4%

Deposit volume increased by circa 10% compared to June 30, 2014 and 5% compared to December 31, 2014 in spite of the low interest rate environment, with positive evolutions on both retail and non-retail clients. Individuals' deposits advanced at a higher pace than the market, which led to an increase in market share to 13.8% at June 30, 2015 from 13.3% at June 30, 2014.

3. COMMERCIAL ACTIVITY

SUBSIDIARIES ACTIVITY

BRD SOGELEASE IFN SA

As of June 30, 2015, BRD Sogelease's net outstanding of leasing financing was RON 564 million, up 0.4% compared to June 30, 2014. Its net banking income reached RON 19 million in the first half of 2015, by 6.5% higher compared to the first half of 2014. The company concentrated to finance mainly SMEs, thus they represented the majority share of the total funding granted during the first semester by BRD Sogelease. The company will continue its involvement in sustaining this segment in the second half of the year, and will focus on supporting projects of SMEs activating in different fields of economy, such as: transportation, constructions, industry, tourism, health, agriculture by customizing its offers and delivering competitive and favourable financing conditions.

BRD Sogelease follows the "tailor-made" business model and enjoys a very good coverage of the country, granting easy access to a flexible financing offer.

BRD FINANCE IFN SA

BRD Finance results in the first semester of 2015 reveal a further improvement in performance compared to the same period of 2014. The number of customers increased by 6% at June 30, 2015 compared to June 30, 2014. The net loan outstanding increased by 12% to RON 385 million while the loan production recorded a strong improvement to RON 204 million in January – June 2015, up by 24% versus January – June 2014. Net banking income reached RON 40 million, up by 15% compared to the corresponding period of 2014.

According to its strategy, BRD Finance aims to enter new market segments and new distribution channels that together with the improvement of processes and the strengthening of the existing partnerships will continue to support profitable growth.

BRD ASSET MANAGEMENT SA

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 12.3% at the end of June 2015, larger than at June 2014 (10.4%). It had assets under management of circa RON 2.7 billion at June 30, 2015, up by 53% versus June 30, 2014. Its revenues amounted to RON 6.5 million in the first half of 2015 (up by 62% versus the first half of 2014).

BRD Asset Management offers to the investors 7 open-end funds that cover various types of funds in terms of portfolio structures, risks, desired yields and recommended investment horizon. Thereby, BRD Simfonia, BRD Obligatiuni (denominated in RON), BRD Eurofond (denominated in Euro) and BRD USD Fond (denominated in USD) are investing in fixed income and money market instruments and do not have equity exposure. BRD Diverso is a diversified fund with investments in Central and Eastern Europe markets' stocks, the rest being invested mainly in money market and fixed income instruments for risk diversification purposes. The fund BRD Actiuni is mainly invested in stocks, as well as BRD Index which is an index tracker fund.

4. FINANCIAL RESULTS AND RATIOS

FINANCIAL POSITION ANALYSIS

According to NBR order 9/2010, starting January 1st, 2012 the Bank applies as accounting base the International Financial Reporting Standards, consequently the below financial position analysis is made based on the individual and consolidated financial statements accordingly prepared, for the period ended June 30, 2015 and the comparative periods.

FINANCIAL POSITION – ASSETS

The total assets increased at June 30, 2015 by around 4% compared to June 30, 2014 and December 31, 2014, for both the Bank and the Group. They had the following structure:

THE BANK

Assets (RONm)	Jun-14	Dec-14	Jun-15	% total	vs. Dec-14	vs. Jun-14
Cash and current accounts with Central Bank	6,742	7,190	5,115	10.9%	-28.9%	-24.1%
Loans and advances to credit institutions	1,906	1,236	3,323	7.1%	168.8%	74.3%
Net loans and advances to customers	27,107	26,461	26,632	56.6%	0.6%	-1.8%
Other financial instruments	7,955	9,053	10,712	22.8%	18.3%	34.7%
Tangible and intangible assets	1,055	1,027	997	2.1%	-3.0%	-5.5%
Other assets	338	212	278	0.6%	31.3%	-17.7%
Total assets	45,103	45,180	47,057	100.0%	4.2%	4.3%

THE GROUP

Assets (RONm)	Jun-14	Dec-14	Jun-15	% total	vs. Dec-14	vs. Jun-14
Cash and current accounts with Central Bank	6,742	7,190	5,115	10.6%	-28.9%	-24.1%
Loans and advances to credit institutions	1,933	1,263	3,349	7.0%	165.1%	73.2%
Net loans and advances to customers,	27,398	26,777	26,968	56.2%	0.7%	-1.6%
Financial lease receivables	562	575	564	1.2%	-1.8%	0.4%
Other financial instruments	7,919	9,019	10,695	22.3%	18.6%	35.1%
Tangible and intangible assets	1,073	1,044	1,016	2.1%	-2.8%	-5.4%
Other assets	375	238	321	0.7%	34.5%	-14.4%
Total assets	46,002	46,107	48,028	100.0%	4.2%	4.4%

Loans and advances to customers

The loans' outstanding amounts, for the Bank and the Group, continued to decline on an annual basis due to still relatively weak credit demand from enterprises and provisioning efforts especially on the SME and small business portfolios. Compared to December 31, 2014 the slight increase in net loans was due primarily to the expansion of housing loans to individuals and credits in favor of large corporate clients.

Cash, current accounts with the Central Bank and Loans and advances to credit institutions

The most liquid assets of the Bank, namely cash and current accounts with the Central Bank, and loans and advances to credit institutions were relatively constant versus December 31, 2014 and decreased by around 2% versus June 30, 2014. They accounted for about 18% of total assets for the Bank and the Group (relatively similar to June 30, 2014 and December 31, 2014). The most important component of this aggregate is the minimum compulsory reserve held with the National Bank of Romania (RON 4,264 million as at June 30, 2015 from RON 4,566 million at December 31, 2014 and RON 5,759 million at June 30, 2014).

4. FINANCIAL RESULTS AND RATIOS

Other financial instruments

The other financial instruments mostly represent treasury bills issued by the Romanian Government which are accounted as available for sale and trading instruments and also derivatives. They stand for ca. 22% of the total assets for the Bank and circa 21% for the Group and recorded an increase of around 19% compared to December 31, 2014 and of around 35% compared to June 30, 2014, for both the Bank and the Group. The expansion of the Government bonds' portfolio was the main driver of these evolutions.

Tangible and intangible assets

The tangible and intangible assets account for around 2% of the total assets both for the Bank and the Group. The most important share is represented by land and buildings.

Total value of investments made by the Group between January – June 2015 was of approximately RON 36 million for the Bank and RON 37 million for the Group (compared to RON 34 million in January - June 2014 for the Group and the Bank) such investments being mainly IT related.

FINANCIAL POSITION – LIABILITIES

The statement of liabilities as of June 30, 2015 and the comparative periods is as follows:

THE BANK

Liabilities and shareholders equity (RONm)	Jun-14	Dec-14	Jun-15	% total	vs. Dec-14	vs. Jun-14
Amounts owed to credit institutions	4,887	3,001	2,946	6.3%	-1.8%	-39.7%
Amounts owed to customers	34,209	36,041	37,762	80.2%	4.8%	10.4%
Other liabilities	568	646	725	1.5%	12.2%	27.7%
Shareholders equity	5,440	5,492	5,624	12.0%	2.4%	3.4%
Total liabilities and shareholders equity	45,103	45,180	47,057	100.0%	4.2%	4.3%

THE GROUP

Liabilities and shareholders equity (RONm)	Jun-14	Dec-14	Jun-15	% total	vs. Dec-14	vs. Jun-14
Amounts owed to credit institutions	5,562	3,699	3,657	7.6%	-1.2%	-34.3%
Amounts owed to customers	34,133	35,954	37,690	78.5%	4.8%	10.4%
Other liabilities	630	703	801	1.7%	14.0%	27.2%
Shareholders equity	5,677	5,750	5,879	12.2%	2.2%	3.6%
Total liabilities and shareholders equity	46,002	46,107	48,028	100.0%	4.2%	4.4%

Amounts owed to customers

At June 30, 2015, the share in total liabilities of the customers' deposits remained almost unchanged against December 31, 2014, at approximately 91% for the Bank and 89% for the Group, demonstrating a high financial autonomy. As compared to June 30, 2014, the weight of customers' deposits increased from circa 86% (for the Bank) and 85% (for the Group).

4. FINANCIAL RESULTS AND RATIOS

Amounts owed to the credit institutions

Amounts owed to credit institutions represent mainly borrowings from the Parent (including subordinated debt) and from International Financial Institutions, and stood at circa 7% from the Bank's total liabilities and circa 9% of the Group's total liabilities at June 30, 2015.

At the end of the reporting period, the Group had a subordinated debt of ca. RON 0.4 billion (EUR 100 million) maturing in July 2015, and other borrowings with SG totalling ca. RON 2.2 billion. Funding from International Financial Institutions amounted to ca. RON 0.4 billion at June 30, 2015.

Shareholders' equity

The shareholders' equity increased by circa 3% for the Bank and the Group versus June 30, 2014 and by around 2% versus December 31, 2014, due to current year result.

The structure of the shareholders' equity evolved as follows:

THE BANK

Shareholders' equity (RONm)	Jun-14	Dec-14	Jun-15	vs. Dec-14	vs. Jun-14
Share capital	2,516	2,516	2,516	0.0%	0.0%
Reserves from revaluation of available for sale assets	232	342	203	-40.8%	-12.6%
Reserves from defined pension plan	(3)	10	10	0.0%	n.a.
Retained earnings and current result	2,696	2,625	2,896	10.3%	7.4%
Total shareholders' equity	5,440	5,492	5,624	2.4%	3.4%

THE GROUP

Shareholders' equity (RONm)	Jun-14	Dec-14	Jun-15	vs. Dec-14	vs. Jun-14
Share capital	2,516	2,516	2,516	0.0%	0.0%
Reserves from revaluation of available for sale assets	232	342	203	-40.8%	-12.6%
Reserves from defined pension plan	(3)	10	10	0.0%	n.a.
Retained earnings and current result	2,883	2,831	3,102	9.6%	7.6%
Non-controlling interest	49	52	50	-4.2%	0.3%
Total shareholders' equity	5,677	5,750	5,879	2.2%	3.6%

Liquidity position

Both the Bank and the Group maintained a balanced structure of resources and investments and a comfortable liquidity level during January – June 2015.

The net loans/deposits ratio reached 70.5% at June 30, 2015 (from 73.4% at December 31, 2014 and 79.2% at June 30, 2014) for the Bank and 71.6% (from 74.5% at December 31, 2014 and 80.3% at June 30, 2014) for the Group.

4. FINANCIAL RESULTS AND RATIOS

INCOME STATEMENT

The comparative income statement of the Bank for the periods January – June 2014 and January – June 2015 is presented below:

THE BANK

RONm	H1-2014	H1-2015	Variation
Net banking income, out of which	1,244	1,171	-5.9%
- net interest income	753	686	-9.0%
- net commissions	370	355	-4.1%
- other banking income	121	130	7.7%
Operating expenses	-608	-596	-2.0%
- staff expenses	-297	-300	1.3%
- non-staff expenses	-312	-295	-5.2%
Operating profit	636	575	-9.6%
Net cost of risk	-492	-256	-48.1%
Gross result	144	319	121.9%
Net result	123	269	118.8%

The comparative income statement of the Group for the periods January – June 2014 and January – June 2015 is presented below:

THE GROUP

RONm	H1-2014	H1-2015	Variation
Net banking income, out of which	1,290	1,226	-5.0%
- net interest income	797	735	-7.7%
- net commissions	382	369	-3.4%
- other banking income	111	122	9.6%
Operating expenses	-642	-633	-1.3%
- staff expenses	-315	-322	2.1%
- non-staff expenses	-326	-311	-4.5%
Operating profit	649	593	-8.6%
Net cost of risk	-500	-269	-46.2%
Gross result	149	324	118.1%
Net result	128	270	111.2%
Profit attributable to equity holders of the parent	125	268	114.1%

Net banking income declined (-5.9% for the Bank and -5.0% for the Group) in the first half of 2015 compared to the corresponding period of last year, largely as a result of the low interest rate environment that led to a contraction of the yield on assets, and in spite of the strong reduction on cost of funding.

4. FINANCIAL RESULTS AND RATIOS

The decrease of net fees and commissions (-4% for the Bank and -3% for the Group), was caused mostly by the suppression or reduction of several fees and lower revenues from off-balance sheet commitments. Revenues from remote banking solutions, cash operations, custody & depository services and syndicated loans showed positive developments.

During January – June 2015, BRD continued to optimize its cost base. Operating expenses decreased (-2% for the Bank and -1% for the Group). Savings were registered with regards to real estate, communication and consultancy costs. The Group registered a cost/income ratio of 51.6% (50.9% at Bank level).

Net cost of risk declined sharply versus the first half of 2014, with favourable evolutions on both companies' and individuals' segments (-48% for the Bank and -46% for the Group). The Bank's non-performing loans ratio decreased to 18.8% at June 30, 2015 end compared to 23.4% at June 30, 2014, notably as a result of write-off and sales operations of non-performing loans. The non-performing loans' coverage with IFRS provisions improved by 1.7 percentage points to 72.9% at June 30, 2015 for the Bank.

The Group net profit rose to RON 270 million in the first half of 2015 compared to RON 128 million in the corresponding period of last year, primarily as a result of an improved risk profile, and it translated into an annualised return on equity of 9.3% (from 4.6% in January – June 2014) and annualised return on assets of 1.1% (from 0.5% in January – June 2014). The Bank recorded similar trends which led to a net result to RON 269 million, up from RON 123 million in January – June 2014.

CASH FLOW

The statement on the modifications of the cash flows from operation, investment and financing activities is part of the interim financial statements accompanying this report.

CAPITAL ADEQUACY (THE BANK)

	Jun-15	Dec-14*	Jun-14
RONm			
Total Tier 1 capital	4,442	4,530	4,495
Total Tier 2 capital	-	84	100
TOTAL OWN FUNDS	4,442	4,614	4,594
Total capital requirement	2,173	2,150	2,218
Risk weighted assets			
Credit risk (including counterparty risk)	25,078	24,699	25,669
Market risk	199	160	101
Operational risk	1,765	1,906	1,844
CVA risk	125	108	111
Total risk exposure amount	27,168	26,873	27,725
Regulatory CAR	16.35%	17.17%	16.57%

(*) CAR as of December 31, 2014 includes net profit.

At Bank level, the capital adequacy ratio stood at 16.3% at June 30, 2015 (Basel III), well above the regulatory requirement. The Tier 1 ratio was also 16.3% compared to 16.9% at December 31, 2014 and 16.2% at June 30, 2014.

4. FINANCIAL RESULTS AND RATIOS

OTHER STATEMENTS

Neither the Bank's nor the Group's revenues depend on a single or group of connected customers; hence there is no risk that the loss of a customer might significantly affect the income level.

Except for the changes in the economic environment presented in chapter 2, no events, transactions or modifications of the economic situation, which would have significant consequences on the bank's incomes occurred.

During the first half-year of 2015 the Bank found itself in no such cases as to be unable to meet its financial obligations.

During 2015, no dividends were distributed to the shareholders.

In the period January – June 2015, no modifications occurred with respect to the rights of the Bank-issued securities holders.

The major transactions in which the persons able to take concerted actions were involved are presented in Note 35 in the interim financial statements accompanying this report. These transactions were made in normal market conditions, during the current activity and with no significant influence on BRD's financial position.

CONCLUSIONS

In 2014, BRD Group significantly upgraded its risk profile and further implemented cost optimization measures. The first half of 2015 was marked by a significant profitability improvement representing the payoff for these efforts, which the Group is determined to continue. In addition, some positive signals started to appear regarding activity levels, especially on retail segment.

The interim financial report as at June 30, 2015 has been reviewed for the Bank only.

Philippe LHOTTE

Chief Executive Officer



Stephane FORTIN

Chief Financial Officer

