

Half Year Report

June 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 June 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 June 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 147,000 employees, based in 67 countries, Société Générale accompanies 31 million clients throughout the world on a daily basis. Société Générale's teams offer advice and services to individual, corporate and institutional customers in three core businesses:

- *French Retail Banking* 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

		The Bank	H1-2018	H1-2019	Change
Financial results		Net banking income (RONm)	1,438	1,566	+8.9%
		Operating expenses (RONm)	(697)	(760)	+9.1%
		Cost of risk (RONm)	160	154	-3.6%
		Net profit (RONm)	767	803	+4.7%
		Cost / income ratio	48.5%	48.6%	+0.1 pt
		ROE	23.0%	22.2%	-0.7 pt
		RON bn	Jun-18	Jun-19	Change
Loans and deposits		Total net loans	28.4	29.0	+2.1%
		Total deposits	44.3	45.4	+2.6%
		RON m	Jun-18	Jun-19	Change
Capital adequacy		Own funds (RONm)	5,080	5,789	+13.9%
		RWA (RON bn)	27,027	28,924	+7.0%
		CAR*	18.8%	20.0%	1.2 pt
Franchise		No of branches	754	699	(55)
		The Group	H1-2018	H1-2019	Change
Financial results		Net banking income (RONm)	1,480	1,609	+8.7%
		Operating expenses (RONm)	(738)	(804)	+8.9%
		Cost of risk (RONm)	154	144	-6.5%
		Net profit (RONm)	757	787	+4.0%
		Cost / income ratio	49.9%	50.0%	+0.1 pt
		ROE	21.6%	20.9%	-0.7 pt
		RON bn	Jun-18	Jun-19	Change
Loans and deposits		Total net loans (incl. leasing)	29.8	30.6	+2.8%
		Total deposits	44.3	45.4	+2.6%

(*) according to Basel 3

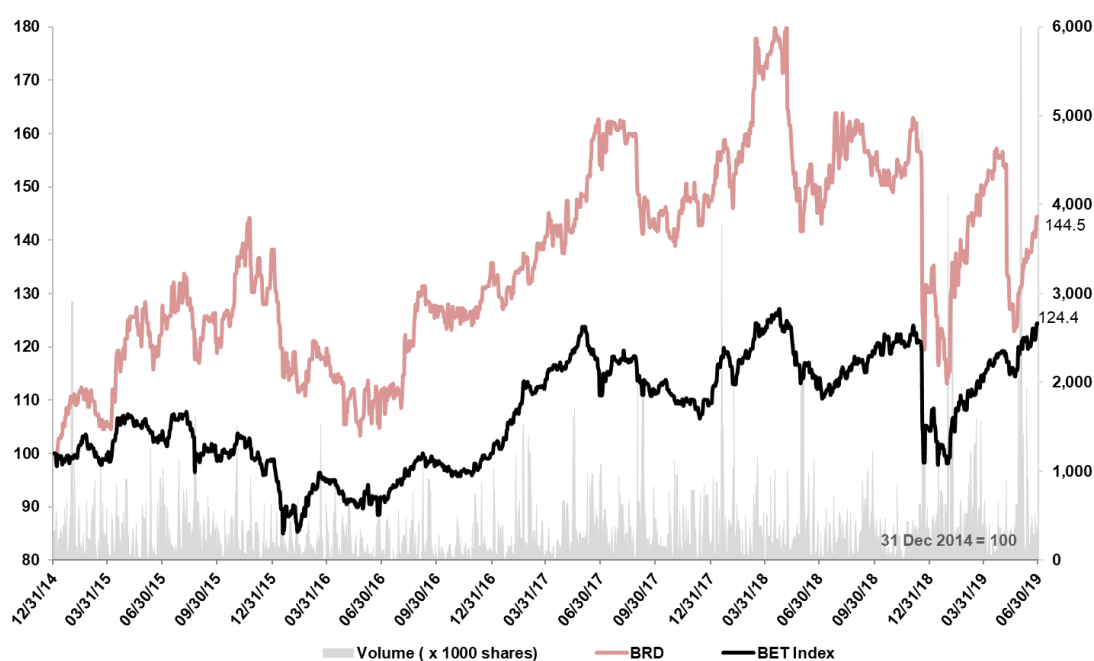
BRD SHARE

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 June 30, 2019, was of RON 12.64 /share (RON 11.40 /share at December 31, 2018 and RON 13.12 /share at June 30, 2018). On the same date, the market capitalization was RON 8,808.84 million (RON 7,944.68 million at December 31, 2018 and RON 9,143.35 million at June 30, 2018).

During January – June 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 – June 30, 2019



Source: Bloomberg

DIVIDENDS

At the April 18, 2019 Annual Shareholders' Meeting, shareholders approved the distribution of a gross dividend per share of RON 1.64. The total amount of dividends is RON 1,142.92 million, corresponding to a payout ratio of 73.9% from the 2018 distributable profit of RON 1,545.99 million. Dividend payment started on May 31, 2019 for shareholders registered on May 10, 2019.

As at June 30, 2019, the amount of dividends effectively paid was RON 1,137.3 million representing 99.51 % out of the total approved dividends.

2. ECONOMIC AND BANKING ENVIRONMENT

Romania's GDP growth accelerated to 5% YoY in Q1 2019 from 4.1% YoY in Q4 2018, an evolution still supported by domestic demand given the dynamic real wage growth. The change in gross fixed capital formation turned positive (+3.9% YoY), while net exports continued to have a negative contribution to economic growth given the halved annual growth of exports (+2.6% YoY) as compared to that of imports (+5.1%).

The annual inflation rate reached +3.8% YoY in June 2019 (vs.+3.3%YoY in December 2018) yet remaining above the variation band of the NBR target (2.5% ± 1 pp) influenced by the fiscal and budgetary measures implemented this year.

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 +6.2%* YoY at end of May 2019, driven by both individuals and companies lending growth. Private individuals' loans outstanding increased by +6.4%* YOY at end of May 2019, pushed mainly by housing loans, while consumer loans' advance continued to slowdown. Loans to companies were up by +6.0%* YoY. Deposits' growth remained strong, at +7.4%* YoY, thanks mostly to individuals' savings.

The ratio of non-performing loans for the banking system (according to European Banking Authority definition) has maintained its decreasing trend, reaching 4.80% at May 2019 end compared to 5.98% at May 2018 end, supported by balance sheet cleaning operations.

The capitalisation of the Romanian banking system remained comfortable, with a capital adequacy ratio of 20.7% as of 2018 end (20.0% as of 2017 end). The Tier 1 ratio was also comfortable, at 18.6% as of 2018 end (18.0% as of 2017 end).

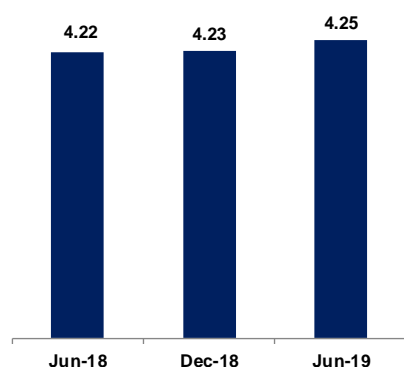
* variation at constant FX rate

3. COMMERCIAL ACTIVITY

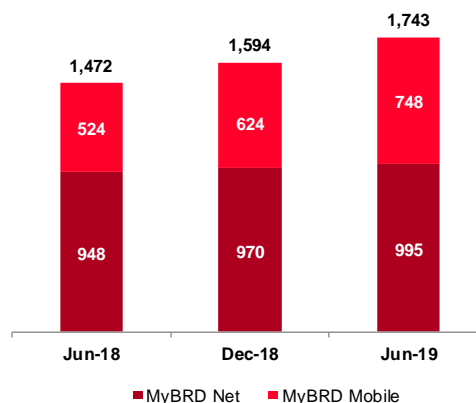
As at June 30, 2019, the Bank had 699 branches (30.06.2018: 754 branches, 31.12.2018: 723 branches), ensuring the distribution of its products and services throughout the whole country.

The equipment rate for individuals continued to rise, on intensified commercial relationships, including growing number of remote banking contracts (My BRD Net and My BRD Mobile). It reached 4.25 at June 30, 2019 compared to 4.22 at June 30, 2018.

**Equipment rate for individuals
(no of products/customer)**



**Number of remote banking contracts for
individual customers (x 1000)**



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

	Jun-18	Dec-18	May-19
TOTAL ASSETS	12.1%	12.0%	n.a.
LOANS	12.5%	12.1%	11.9%
<i>Individuals</i>	16.5%	16.1%	15.8%
<i>Companies</i>	8.5%	8.1%	7.9%
DEPOSITS	13.0%	12.6%	12.3%
<i>Individuals</i>	13.5%	13.2%	12.8%
<i>Companies</i>	12.3%	11.9%	11.7%

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

RON bln	Jun-18	Dec-18	Jun-19	vs. Dec-18	vs. Jun-18
Retail	21.2	21.5	21.9	1.6%	3.2%
Individuals	20.6	21.0	21.3	1.7%	3.4%
Small business	0.6	0.6	0.6	-1.1%	-3.1%
Non-retail	7.8	8.1	7.9	-2.4%	0.4%
SMEs	2.2	2.4	2.0	-14.5%	-6.0%
Large corporate	5.7	5.7	5.8	2.6%	2.9%
Total net loans	29.0	29.6	29.8	0.5%	2.5%
Financial lease receivables	0.7	0.8	0.9	15.3%	17.2%
Total net loans, including leasing	29.8	30.4	30.6	0.9%	2.8%

Net loans outstanding (including leasing) reached RON 30.6 billion and increased by 2.8% versus June 30, 2018 and by 0.9% compared to year end. The positive performance was sustained by the advance on individuals and large corporate clients.

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

RON bln	Jun-18	Dec-18	Jun-19	vs. Dec-18	vs. Jun-18
Retail	28.6	29.8	29.7	-0.4%	3.9%
Individuals	24.9	25.5	25.8	0.9%	3.3%
Small business	3.6	4.3	3.9	-8.6%	8.3%
Non-retail	15.7	15.4	15.7	2.0%	0.1%
SMEs	5.9	6.0	5.9	-2.1%	-1.5%
Large corporate	9.7	9.4	9.8	4.5%	1.0%
Total deposits	44.3	45.2	45.4	0.4%	2.6%

Deposits to customers reached RON 45.4 billion, higher by 2.6% versus June 30, 2018 and remained almost unchanged compared to December 31, 2018. Benefiting from dynamic real wage growth, deposits' inflows from individuals customers continued the upward trend (+3.3% year on year and +0.9% year to date) with higher collection in sight accounts (+23% YoY). Non-retail deposits were stable compared to June 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 June 30, 2019, BRD Sogelease net outstanding of leasing financing increased by +17.2% year-on-year to RON 877 million. New leasing production reached RON 338.2 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 half of 2019 continued the positive evolution from the previous years: the net loan portfolio increased by 13% reaching RON 586.6 million, while the new loan production also recorded an improvement of 10% to RON 327.5 million, especially due to the credit cards and personal loans. Net banking income reached RON 50 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 15.79%* at the end of June 2019, +3.3 pts compared to end of June 2018.

The company had RON 3.54 billion assets under management at June 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 June 30, 2019 and the comparative periods.

FINANCIAL POSITION – ASSETS

Total assets increased by near 5% versus June 30, 2018 and by near 2% versus December 31, 2018, both for the Bank and the Group.

The asset structure is presented below:

THE GROUP

Assets (RONm)	Jun-18	Dec-18	Jun-19	% total	vs. Dec-18	vs. Jun-18
Cash and current accounts with Central Bank	4,220	6,022	6,413	11.3%	6.5%	52.0%
Loans and advances to credit institutions	4,378	3,316	3,393	6.0%	2.3%	-22.5%
Net loans and advances to customers	29,049	29,603	29,762	52.4%	0.5%	2.5%
Financial lease receivables	748	761	877	1.5%	15.3%	17.2%
Other financial instruments	14,078	14,552	14,430	25.4%	-0.8%	2.5%
Tangible and intangible assets	988	1,014	1,453	2.6%	43.3%	47.0%
Other assets	448	452	416	0.7%	-7.9%	-7.1%
Total assets	53,909	55,719	56,744	100.0%	1.8%	5.3%

THE BANK

Assets (RONm)	Jun-18	Dec-18	Jun-19	% total	vs. Dec-18	vs. Jun-18
Cash and current accounts with Central Bank	4,220	6,022	6,413	11.7%	6.5%	52.0%
Loans and advances to credit institutions	4,359	3,298	3,375	6.1%	2.3%	-22.6%
Net loans and advances to customers	28,412	28,893	29,002	52.8%	0.4%	2.1%
Other financial instruments	14,064	14,533	14,420	26.2%	-0.8%	2.5%
Tangible and intangible assets	979	1,004	1,429	2.6%	42.3%	45.9%
Other assets	370	339	318	0.6%	-6.1%	-14.1%
Total assets	52,404	54,089	54,957	100.0%	1.6%	4.9%

LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers increased year-on-year (Bank: +2.1%, Group: +2.8% including leasing) thanks to positive contributions from 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 increased by 14.1% versus June 30, 2018 and by 5% versus December 2018 end, for both the Bank and the Group, mainly driven by the rise of the balance of current account with NBR. These items represented near 18% of total assets for the Group and the Bank.

The minimum compulsory reserve held with the National Bank of Romania accounted for 37% of this aggregate at June 30, 2019 (39% at December 2018 end and 43% at June 2018 end), at Group level, and amounted to RON 3,676 million, stable versus June 30, 2018 and slightly up, +1.2%, 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 14.4 billion at June 2019 end and represented 25% of Group assets. Compared to December 2018 end these items remained rather stable and rose by +2.5% compared to June 2018 end, as a result of the increase in the government bonds portfolio.

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 part of the year of 2019 was approximately RON 62 million for both the Bank and the Group, compared to RON 56 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)	Jun-18	Dec-18	Jun-19	% total	vs. Dec-18	vs. Jun-18
Amounts owed to credit institutions	1,641	1,604	1,966	3.5%	22.5%	19.8%
Amounts owed to customers	44,252	45,217	45,387	80.0%	0.4%	2.6%
Other liabilities	1,381	1,240	1,971	3.5%	58.9%	42.7%
Shareholders equity	6,635	7,657	7,420	13.1%	-3.1%	11.8%
Total liabilities and shareholders equity	53,909	55,719	56,744	100.0%	1.8%	5.3%

THE BANK

Liabilities and shareholders equity (RONm)	Jun-18	Dec-18	Jun-19	% total	vs. Dec-18	vs. Jun-18
Amounts owed to credit institutions	472	314	534	1.0%	69.7%	13.0%
Amounts owed to customers	44,294	45,316	45,437	82.7%	0.3%	2.6%
Other liabilities	1,306	1,132	1,875	3.4%	65.6%	43.6%
Shareholders equity	6,332	7,327	7,111	12.9%	-2.9%	12.3%
Total liabilities and shareholders equity	52,404	54,089	54,957	100.0%	1.6%	4.9%

AMOUNTS OWED TO CUSTOMERS

At June 30, 2019, amounts owed to customers were rather stable compared to December 2018 end, and increased by 2.6% as compared to June 2018 end for both the Bank and the Group. The year on year increase was pushed by higher inflows from individuals customers, still driven by sight deposits, while savings from non-retail customers were stable, 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 3.5% of the total assets for the Group and 1.0% for the Bank at June 30, 2019.

BRD Group's borrowings from Société Générale totalled RON 1.1 billion (2.3% of liabilities).

SHAREHOLDERS' EQUITY

Shareholders' equity increased by nearly 12% compared to June 30, 2018 for both the Bank and the Group, driven by positive reserves from revaluation of capital and debt instruments accounted at fair value through other comprehensive income and higher retained earnings. Compared to December 2018 end, shareholders' equity decreased by approximately 3%, mainly as a result of payment of dividends to shareholders.

The structure of the shareholders' equity evolved as follows:

THE GROUP

Shareholders' equity (RONm)	Jun-18	Dec-18	Jun-19	vs. Dec-18	vs. Jun-18
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	(187)	3	127	41.7x	n.a.
Retained earnings and capital reserves	4,263	5,092	4,732	-7.1%	11.0%
Non-controlling interest	44	47	45	-3.8%	2.7%
Total shareholders' equity	6,635	7,657	7,420	-3.1%	11.8%

THE BANK

Shareholders' equity (RONm)	Jun-18	Dec-18	Jun-19	vs. Dec-18	vs. Jun-18
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	(193)	(3)	121	n.a.	n.a.
Retained earnings and capital reserves	4,010	4,815	4,475	-7.1%	11.6%
Total shareholders' equity	6,332	7,327	7,111	-2.9%	12.3%

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 63.8% at June 30, 2019 (from 63.8% at December 31, 2018 and 64.1% at June 30, 2018) for the Bank and 67.5% for the Group, including financial leasing receivables (67.2% at December 31, 2018 and 67.3% at June 30, 2018).

H1 2019 FINANCIAL RESULTS

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

RONm	H1-2018	H1-2019	Variation
Net banking income	1,480	1,609	8.7%
- net interest income	937	1,045	11.4%
- net commissions	379	387	2.0%
- other banking income	163	177	8.6%
Operating expenses	(738)	(804)	8.9%
- staff expenses	(378)	(403)	6.7%
- non-staff expenses	(360)	(400)	11.1%
Operating profit	742	805	8.5%
Net cost of risk	154	144	-6.5%
Gross result	896	949	5.9%
Net result	757	787	4.0%
Profit attributable to equity holders of the parent	752	783	4.1%

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

RONm	H1-2018	H1-2019	Variation
Net banking income	1,438	1,566	8.9%
- net interest income	879	983	11.9%
- net commissions	362	368	1.8%
- other banking income	198	214	8.5%
Operating expenses	(697)	(760)	9.1%
- staff expenses	(353)	(377)	6.7%
- non-staff expenses	(343)	(383)	11.6%
Operating profit	741	805	8.7%
Net cost of risk	160	154	-3.6%
Gross result	900	959	6.5%
Net result	767	803	4.7%

BRD Group's net banking income advanced by +8.7% in H1 2019 versus the same period of the last year, benefiting from strong rise in net interest income, higher fees and commissions and other revenues categories. The net interest income increase of +11.4% YoY, was driven by volume growth, favourable structure shifts and interest margin improvement, in a backdrop of rising RON interest rates (average ROBOR 3M at 3.20% in H1 2019 vs. 2.33% in H1 2018). In a context of increasing pricing pressure on some transactional banking services, fees and commissions revenues increased by +2.0% on a yearly basis, helped by intensified card activity. The rise of other revenues categories, up by +8.6% YoY, stemmed mainly from reevaluation income and higher trading results.

Operating expense were +8.9% higher compared to the same period of the last year given the increase in regulatory costs (doubled cumulated contribution to the Deposit Guarantee and Resolution Funds, RON 72 million vs RON 35 million in 2018) and staff costs (+6.7% YoY, related to salary and other benefits' adjustments, in a tight labor market context). Excluding the cumulated contribution to deposit guarantee and resolution funds, the increase in operating expenses was contained at +4.0% on a yearly basis, as a result of sundry cost management optimisation.

In this context, the BRD Group cost/income ratio reached 50.0%, quasi-stable on a yearly basis (49.9% in H1 2018). Excluding the cumulated contribution to deposit guarantee and resolution funds, cost/income ratio improved by 2.0 pts compared to H1 2018.

BRD Group registered a solid operational performance, with gross operating income reaching RON 805 million in H1 2019 vs. RON 742 million in H1 2018, up by +8.5% YoY (+12.9% YoY excl. Deposit Guarantee and Resolution Fund costs).

The quality of the loan portfolio further improved, with an NPL ratio (non-performing loans, according to EBA definition) of 3.8% at June 2019 end vs. 6.3% at June 2018 end and a high level of coverage of non-performing exposures (coverage ratio at 75.7% at June 2019 end vs. 73.0% at June 2018 end). Risk costs remained positive, to RON 144 million vs. RON 154 million in H1 2018 reflecting the strong recovery performance and favorable economic environment.

BRD Group net result reached RON 787 million in H1 2019 from RON 757 million in H1 2018, up by +4.0% YoY on improved net interest income, higher volumes and positive cost of risks.

These positive results lead to a return on equity of 20.9% in H1 2019 (vs. 21.6% in H1 2018) and return on assets of 2.8% (stable compared to H1 2018). The Bank recorded similar trends, which led to a net result of RON 803 million from RON 767 million in H1 2018, up by +4.7%.

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)

RONm	Jun-18	Dec-18	Jun-19
Tier 1 capital	5,080	5,674	5,789
TOTAL OWN FUNDS	5,080	5,674	5,789
Capital requirements	2,162	2,156	2,314
Credit risk (including counterparty risk)	24,741	24,244	26,123
Market risk	147	264	350
Operational risk	1,958	2,272	2,304
CVA risk	180	172	146
Total risk exposure amount	27,027	26,951	28,924
Regulatory CAR	18.8%	21.1%	20.0%

At Bank level, the capital adequacy ratio stood at a comfortable level, reaching 20.0% at June 30, 2019 (Basel 3), compared to 21.1% at December 31, 2018 and 18.8% at June 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 capital and debt instruments accounted at fair value through other comprehensive income and higher retained earnings. The Tier 1 ratio was also 20.0% at June 30, 2019 compared to 21.1% at December 31, 2018 and 18.8% at June 30, 2018.

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.

In the period January – June 2019 the Bank found itself in no such cases as to be unable to meet its financial obligations.

In the period January – June 2019, 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.

Subsequent events:

BRD sold its equity stake of 2,000,001 shares in Mobiasbanca – Groupe Societe Generale SA for a price per share of 152,57 MDL. The transaction has been registered at Moldavian Stock Exchange on July 22, 2019.

5. CONCLUSIONS

In the first half of the year, BRD delivered a solid commercial performance mainly on private individuals 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. In parallel, digital projects remain in focus in order to respond to the quick changes in customers' behavior, as well as to the new trends on the banking market, being an enabler for providing superior experience for customers in the near future.

Looking forward, BRD will continue to build on its strong franchise, actively financing the actors of the Romanian society, individuals as well as corporate clients, in a responsible way, and to further improve the quality of its products and services.

The interim financial report as at June 30, 2019 has been reviewed for the Bank only.

Giovanni Luca SOMA

Chairman of the Board of Directors

Francois BLOCH

Chief Executive Officer

Stephane FORTIN

Chief Financial Officer