

Half year report

JUNE 30, 2014

according to National Security Commission Regulation
no 1/2006

BANCA TA. ECHIPA TA



GRUPE SOCIETE GENERALE

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1. ISSUER DESCRIPTION

BRD – Groupe Société Générale SA

Head Office: Bd. Ion Mihalache, nr. 1-7, sect. 1, București

Tel/Fax: 021.301.6100 / 021.301.6800

Sole registration number with the Trade Registry: 361579

Order number with the Trade Registry: J40-608-1991

Share capital subscribed and paid: 696.901.518 lei

Regulated market on which the issued securities are traded: Bucharest Stock Exchange –
Ist Category

2. ECONOMIC ENVIRONMENT

The main macroeconomic factors that, during the first semester of 2014, influenced the banking activity:

- Driven by exports and agricultural production, economic activity accelerated in the second half of 2013 and the positive dynamics continued in Q1-14 with yoy GDP growth reaching 3.9%, the main contributors being the private consumption on demand side and industry and services on supply side
- Influenced by a favorable base effect, a plentiful harvest and a VAT cut on some basic goods, inflation declined to historically low levels starting mid 2013, thus reaching 0.66%yoy at the end of June 2014;
- In this context, the National Bank of Romania further relaxed its monetary policy in 2014, cutting the reference rate twice to 3.50% and lowering mandatory reserves requirements to 18% for foreign currencies resources and to 12% for RON resources (starting July 24, 2014 the minimum compulsory reserve for foreign currencies will be 16%);
- The national currency remained rather stable over the last 12 months (-1.6% versus June 30, 2013 and + 0.6% versus December 31, 2013)

3. COMMERCIAL ACTIVITY

RON millions	30-Jun-14	31-Dec-13	30-Jun-13
Gross loans	32,514	33,497	34,850
- individuals	17,021	17,239	17,259
- corporates	15,493	16,258	17,591
Net loans	27,107	27,764	30,396
Deposits	34,209	36,146	33,257
- individuals	17,292	16,792	16,236
- corporates	16,917	19,354	17,021
Net Loans/Deposits	79.2%	76.8%	91.4%

GROSS LOANS

Gross loans to customers have decreased by 2.9% compared to December 31, 2013 and by 6.7% compared to June 30, 2013.

The loans to individuals remained stable over the last 12 months. This positive evolution was mainly supported by the housing loans which increased by 9.0% (compared to +7.0% for the banking system).

The loans to corporate customers decreased by 4.7% compared to December 31, 2013 and by 11.9% compared to June 30, 2013, in a context of low demand, but also as a result of the write-offs performed in Q2 2014.

DEPOSITS

The total deposits increased by 2.9% in the last 12 months, driven by dynamic growth of local currency deposits (+6.9%).

Individuals' deposits increased as at June 30, 2014 by 3.0% compared to December 31, 2013, and by 6.5% compared to June 30, 2013.

Corporate customers' deposits as at June 30, 2014 decreased by 12.6% compared to December 31, 2013 and remained almost flat compared to the same period of the last year.

4. RESULTS AND FINANCIAL RATIOS

a) Statement of financial position

Total balance sheet as at June 30, 2014, is of 45,103 RON millions, down by 4.2% compared to December 31, 2013, and up by 0.3% compared to June 30, 2013.

The structure of the balance-sheet assets as of end of June 2014 was the following:

Assets (RON millions)	Jun-14	Dec-13	Jun-13	J 14/D 13
Loans and advances to customers, net	27,107	27,764	30,396	-2.4%
Cash and current accounts with Central Bank	6,742	9,779	6,773	-31.1%
Other financial instruments	7,797	7,254	5,257	7.5%
Loans and advances to credit institutions	1,906	687	1,079	177.5%
Tangible and intangible assets	1,055	1,090	1,144	-3.2%
Other assets	496	505	317	-1.8%
Total assets	45,103	47,079	44,966	-4.2%

Cash (cash and current accounts with Central Bank) was of 6,742 RON millions, decreasing by 31.1% against December 31, 2013 and 0.5% against June 30, 2013. The most important component of this element is the minimum compulsory reserve held with the National Bank of Romania (5,759 RON millions as at June 30, 2014, 6,924 RON millions as at December 31, 2013).

The other financial instruments mostly represent treasury bills and bond issued by the Romanian Government and which are accounted as available for sale and trading instruments and increased by 7.5% against December 31, 2013 and 48.3% against June 30, 2013.

The structure of the balance-sheet liabilities as of end June 2014 was the following:

Liabilities and shareholders equity (RON millions)	Jun-14	Dec-13	Jun-13	J 14/D 13
Amounts owed to customers	34,209	36,146	33,257	-5.4%
Amounts owed to credit institutions	4,887	5,187	5,437	-5.8%
Shareholders equity	5,440	5,161	5,561	5.4%
Other liabilities	568	586	712	-3.1%
Total liabilities and shareholders equity	45,103	47,079	44,966	-4.2%

Amounts owed to credit institutions represent mainly borrowings from the parent (including subordinated debt) and International financial Institutions and stands for 10.8% from the Bank's total liabilities and shareholders' equity, their weight constantly decreasing in the last periods.

b) Income statement

RON millions	6 months to 30.06.14	6 months to 30.06.13	14/13 (%)
Net banking income, out of which :	1,244	1,361	-8.6%
- Interest margin	757	846	-10.5%
- Commissions	370	372	-0.5%
- Other net banking income	116	143	-18.7%
Operating expenses	(608)	(613)	-0.9%
Operating profit	636	748	-15.0%
Net cost of risk	(492)	(659)	-25.3%
Gross profit	144	89	61.7%
Net profit	123	62	98%

The decline of 8.6% in net banking income was mainly triggered by the decrease in net interest margin (-10.5%) due to negative volume and structure effects.

Regarding operating expenses, the reduction compared with the same period of last year was triggered by lower staff expenses.

Cost of risk significantly decreased by 25.3% compared with same period last year.

During 2014 no dividends were distributed to the shareholders.

c) 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.

d) Main financial and regulatory indicators:

The financial performances obtained through the business carried out by BRD are synthetically presented, based on the following ratios:

	H1 2014	2013	H1 2013	
Financial ratios	Return on equity (ROE)	4.6%	-7.2%	2.2%
	Cost/Income ratio	48.9%	47.1%	45.0%
	Basel III	Basel II		
	30.06.2014	31.12.2013	30.06.2013	
Regulatory indicators	Total regulatory capital (RON millions)	4,594	3,858	4,053
	Tier 1 regulatory capital (RON millions)	4,495	3,858	4,053
	Capital adequacy ratio	16.4%	14.2%	13.8%
	Tier 1 ratio	16.0%	14.2%	13.8%
	Risk weighted assets (RON millions)	28,011	27,693	29,707

OTHER STATEMENTS:

Total value of investments made between January – June 2014 was of approximately 7.7 EUR millions, such investments being meant particularly for IT systems improvement.

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.

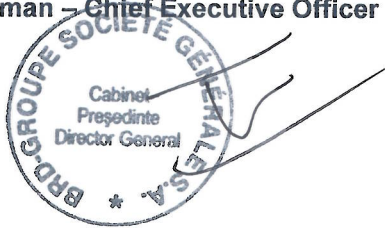
During the first half-year of 2014 the Bank found itself in no such cases as to be unable to meet its financial obligations.

In the period January – June 2014, 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 33 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.

Philippe LHOTTE

Chairman – Chief Executive Officer



Petre BUNESCU

Deputy Chief Executive Officer

A handwritten signature in blue ink, appearing to read "Petre Bunescu", written over the text "Deputy Chief Executive Officer".