

# Half Year Report

June 30, 2016

according to National Securities Commission Regulation  
no 1/2006

YOUR BANK. YOUR TEAM



GRUPE SOCIETE GENERALE

# 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.....	17

## 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, 2016, 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, 2016 the Bank had the following ratings:

<b>Fitch Ratings (rating date: 23-Mar-2016)</b>	<b>Rating</b>
Foreign-Currency Short-Term Issuer Default Rating	F2
Foreign-Currency Long-Term Issuer Default Rating	BBB+
Support Rating	2

<b>Moody's (rating date: 07-Mar-2016)</b>	<b>Rating</b>
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;

## **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 145,000 employees, based in 66 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:

- *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, 2016, the ratings of Société Générale were:

- Standard and Poor's: A
- Moody's: A2
- Fitch: A

## **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.

## KEY FIGURES

	The Bank	H1-2015	H1-2016	Variation
<b>Financial results</b>	Net banking income (RONm)	1,215	1,381	13.7%
	Operating expenses (RONm)	(684)	(667)	-2.5%
	Cost of risk (RONm)	(256)	(270)	5.8%
	Net profit (RONm)	232	382	65.0%
	Cost / income ratio	56.3%	48.3%	-8.0 pt
	ROE	8.4%	12.7%	4.3 pt
		<b>Dec-15</b>	<b>Jun-16</b>	<b>Variation</b>
<b>Capital adequacy*</b>	Own funds (RONm)	4,857	5,098	5.0%
	RWA (RON bn)	26.9	26.7	-0.5%
	CAR	18.1%	19.1%	1.0 pt
<b>Loans and deposits</b>	Total net loans (RON bn)	26.6	27.4	2.7%
	Total deposits (RON bn)	41.2	40.3	-2.2%
<b>Franchise</b>	No of branches	829	818	(11)
	No of active customers (x 1000)	2,250	2,249	(1)
		<b>Dec-15</b>	<b>Jun-16</b>	<b>Variation</b>
	<b>The Group</b>	<b>H1-2015</b>	<b>H1-2016</b>	<b>Variation</b>
<b>Financial results</b>	Net banking income (RONm)	1,270	1,434	12.9%
	Operating expenses (RONm)	(721)	(705)	-2.1%
	Cost of risk (RONm)	(269)	(282)	5.0%
	Net profit (RONm)	233	381	63.5%
	Cost / income ratio	56.8%	49.2%	-7.6 pt
	ROE	8.0%	12.1%	4.0 pt
		<b>Dec-15</b>	<b>Jun-16</b>	<b>Variation</b>
<b>Loans and deposits</b>	Total net loans including leasing (RON bn)	27.6	28.4	3.0%
	Total deposits (RON bn)	41.1	40.2	-2.2%

(\* ) according to Basel 3 including the impact of prudential filters; capital adequacy ratio at June 30, 2016 is preliminary.

Note: Throughout this report, the loan outstanding amounts at December 31, 2015 and June 30, 2015 have been restated for comparability purpose, thus, similar to the loan outstanding at June 30, 2016, they include municipal bonds. The December 31, 2015 amount in the Interim Financial Statements at June 30, 2016 has not been restated.

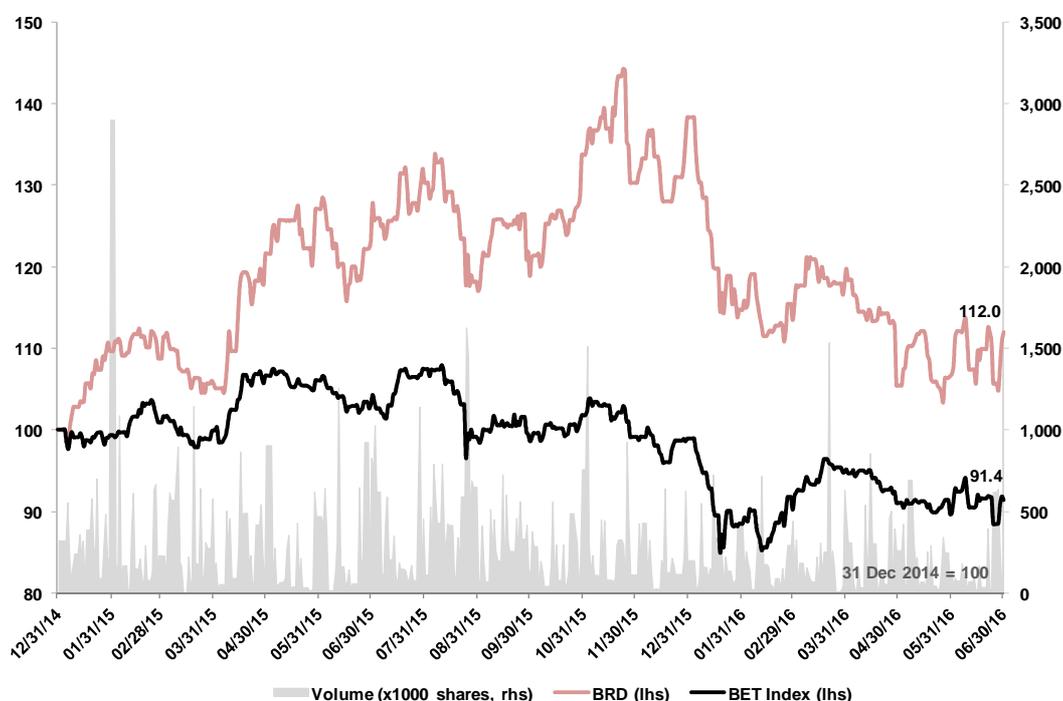
## BRD SHARE

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-BK, BET-XT, ROTX, BET-TR and BET-XT-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, 2016, was of 9.80 RON/share (RON 12.10 /share at December 31, 2015 and RON 10.78/share at June 30, 2015). On the same date, the market capitalization was RON 6,829.63 million (RON 8,432.51 million at December 31, 2015 and RON 7,512.60 million June 30, 2015).

During January – June 2016, 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, 2016



Source: Bloomberg

## DIVIDENDS

At the April 14, 2016 Annual Shareholders' Meeting, shareholders approved the distribution of a gross dividend per share of RON 0.32. The total amount of approved dividends was RON 223.0 million corresponding to a payout ratio of 50% out of the 2015 distributable profit of RON 445.4 million. Dividend payment started on May 24, 2016 for shareholders registered on May 3, 2016.

As at June 30, 2016, the amount of dividends effectively paid was RON 221.7 million representing 99.39% out of the total approved dividends.

## 2. ECONOMIC AND BANKING ENVIRONMENT

---

Romania's GDP was by 4.1% higher in Q1-2016 versus Q1-2015 (seasonally adjusted) driven by private demand and to a lesser extent, by investments.

The inflation rate reached -0.7% at June 2016 end versus June 2015 end as the impact of the VAT rate reduction in 2015 dissipated.

Given the expansive fiscal policy, low inflation and uncertainties about global growth outlook, NBR has kept the policy rate unchanged at 1.75% since May 2015. At the policy rate meeting in January 2016, NBR reduced the minimum reserve requirements for FX liabilities with residual maturity of less than 2 years by 2 percentage points, to 12%. Year-to-date, the minimum reserve requirements for RON liabilities with residual maturity of less than 2 years were kept unchanged at 8%.

Domestic lending continued to show modest growth at June 2016 end compared to June 2015 end. Housing loans were the main growth driver for loans to individuals, thanks primarily to the "Prima Casa" programme. Gross loans to companies have yet to set on a clear growth path as the negative evolution of the outstanding in foreign currency counterbalances the positive evolution of the RON-denominated stock of loans.

Banking system deposits advanced compared to June 2015 end both on the individuals' and the companies' segments. Both types of clients continue to have prudent savings behaviour.

The write-off operations of non-performing loans led to a decline in the ratio of non-performing loans to 12.4% at May 2016 end compared to 19.4% at May 2015 end (according to European Banking Authority definition).

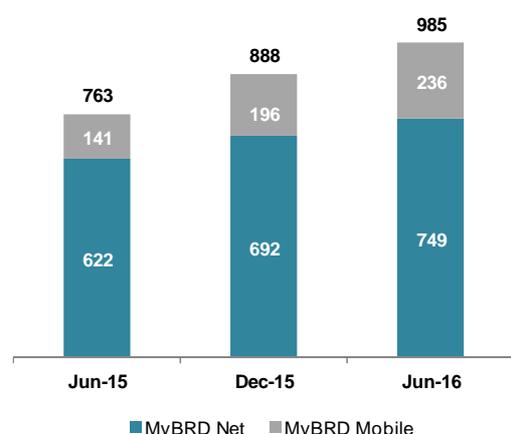
### 3. COMMERCIAL ACTIVITY

As at June 30, 2016 the Bank had 818 branches (30.06.2015: 845 branches, 31.12.2015: 829 branches), ensuring the distribution of its products and services throughout the whole country.

The Bank's number of active individual customers rose by circa 54,000 at June 30, 2016 compared to June 30, 2015 using constant methodology, 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)\***



(\*) Bank only

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

	Jun-16	Dec-15	Jun-16
<b>TOTAL ASSETS</b>	<b>13.0%</b>	<b>13.0%</b>	<b>n.a.</b>
<b>LOANS</b>	<b>13.5%</b>	<b>13.1%</b>	<b>13.4%</b>
<i>Individuals</i>	<i>16.8%</i>	<i>16.8%</i>	<i>16.9%</i>
<i>Companies</i>	<i>10.6%</i>	<i>9.8%</i>	<i>10.2%</i>
<b>DEPOSITS</b>	<b>14.9%</b>	<b>14.8%</b>	<b>14.1%</b>
<i>Individuals</i>	<i>13.8%</i>	<i>13.8%</i>	<i>14.0%</i>
<i>Companies</i>	<i>16.5%</i>	<i>15.9%</i>	<i>14.3%</i>

BRD held a market share of 12.6% in terms of total assets at March 31, 2016.

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

RON bln	Jun-15	Dec-15	Jun-16	vs. Dec-15	vs. Jun-15
<b>Retail</b>	<b>17.6</b>	<b>18.2</b>	<b>18.6</b>	<b>2.7%</b>	<b>5.8%</b>
Individuals	17.0	17.5	18.0	2.9%	6.1%
Small business	0.6	0.6	0.6	-3.2%	-3.4%
<b>Non-retail</b>	<b>9.6</b>	<b>8.9</b>	<b>9.1</b>	<b>2.8%</b>	<b>-5.1%</b>
SMEs	3.8	3.2	2.9	-10.6%	-24.4%
Large corporate	5.8	5.7	6.3	10.5%	7.4%
<b>Total net loans</b>	<b>27.2</b>	<b>27.0</b>	<b>27.8</b>	<b>2.8%</b>	<b>1.9%</b>
Financial lease receivables	0.5	0.5	0.6	16.5%	18.3%
<b>Total net loans, including leasing</b>	<b>27.8</b>	<b>27.6</b>	<b>28.4</b>	<b>3.0%</b>	<b>2.3%</b>

The net loan outstanding increased compared to year end and to June 30, 2015 thanks to the continuous rise on retail segment and large corporate client segment. Retail loan growth was sustained by demand from individual customers for unsecured consumer loans and housing loans, both standard and via the Prima Casa programme. Thus, loan production on this segment amounted to RON 2.9 billion, up by 19% versus H1-2015 sustained by the 25% rise in new unsecured consumer loans.

The decline of loans to SMEs continued, while net loans granted to large corporate clients increased further by 7% versus June 30, 2015 and 10% versus December 31, 2015, thanks to BRD's long-lasting relationships with these customers and in spite of strong competitive pressures.

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

RON bln	Jun-15	Dec-15	Jun-16	vs. Dec-15	vs. Jun-15
<b>Retail</b>	<b>22.3</b>	<b>23.6</b>	<b>24.7</b>	<b>4.3%</b>	<b>10.6%</b>
Individuals	19.4	20.2	21.4	5.9%	10.3%
Small business	2.9	3.5	3.3	-5.1%	12.8%
<b>Non-retail</b>	<b>15.4</b>	<b>17.4</b>	<b>15.5</b>	<b>-11.0%</b>	<b>0.9%</b>
SMEs	5.6	6.4	6.1	-4.9%	7.8%
Large corporate	9.8	11.1	9.5	-14.6%	-3.1%
<b>Total deposits</b>	<b>37.7</b>	<b>41.1</b>	<b>40.2</b>	<b>-2.2%</b>	<b>6.6%</b>

The deposit base increased by 7% compared to June 30, 2015, primarily sustained by strong collection from retail clients. Deposits on current accounts recorded a particularly strong evolution mostly on the retail segment. Market share on the individuals' segment increased to 14.0% at June 30, 2016 from 13.8% at June 30, 2015. The declines compared to year-end are due to the peak registered at 2015 end on seasonality grounds.

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, 2016, BRD Sogelease's net outstanding of leasing financing was RON 640 million, up by 18% versus June 30, 2015 and by 16% versus December 31, 2015. New leasing production was RON 281 million, double compared to H1-2015. Net banking income was RON 19.9 million in H1-2016, by 9% up versus H1-2015.

According to the latest statistics issued by the Financial Companies Association in Romania (ALB) at 31 March 2016, BRD Sogelease had a market share of 7.1% compared to 6.3% at the end of March 2015.

### **BRD FINANCE IFN SA**

BRD Finance results in H1-2016 continued the positive trend from previous periods: the net loan portfolio increased by 3% compared to June 30, 2015 reaching RON 395 million, while the loan production recorded an increase of 10% versus H1-2015 due to increases especially on credit cards and loans for durable goods. Net banking income reached RON 43 million, up by 7% compared to H1-2015.

This performance is sustained by the continuation of our strategy to further consolidate the partnerships with important retailers on the Romanian market, by the continuous optimization of internal processes and control of costs and risks.

### **BRD ASSET MANAGEMENT SA**

BRD Asset Management is one of the important actors on the Romanian UCITS market, with a market share of 11.7% at the end of June 2016. At the end of June 2016, the company had RON 2.7 billion assets under management, relatively unchanged compared to June 30, 2015. Its revenues were RON 7.1 million during the first half of 2016, up by 9% from RON 6.5 million in the first half of 2015.

BRD Asset Management offers 7 different open-end funds in terms of portfolio structure, risks and target yield, recommended investment period. Among those, BRD Simfonia, BRD Obligatiuni (denominated in RON), BRD Eurofond (denominated in Euro) and BRD USD Fond (denominated in USD) invest in fixed income and money market instruments and have no stock holdings. BRD Diverso is a balanced fund with investments in Central and Eastern Europe stock markets, the rest being invested mainly in money market and fixed income instruments for risk spread purposes. BRD Actiuni fund is focused on stocks, as well as BRD Index which is an index tracker fund.

## 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, 2016 and the comparative periods.

### FINANCIAL POSITION – ASSETS

The total assets declined slightly at June 30, 2016 for both for the Bank and for the Group compared to December 31, 2015 and increased by around 3% versus June 30, 2015. They had the following structure:

#### THE BANK

Assets (RONm)	Jun-15	Dec-15	Jun-16	% total	vs. Dec-15	vs. Jun-15
Cash and current accounts with Central Bank	5,115	8,820	5,183	10.7%	-41.2%	1.3%
Loans and advances to credit institutions	3,323	2,288	3,502	7.2%	53.1%	5.4%
Net loans and advances to customers	26,897	26,648	27,367	56.6%	2.7%	1.7%
Other financial instruments	10,447	10,295	11,133	23.0%	8.1%	6.6%
Tangible and intangible assets	997	985	955	2.0%	-3.1%	-4.2%
Other assets	285	157	225	0.5%	43.3%	-21.2%
<b>Total assets</b>	<b>47,064</b>	<b>49,193</b>	<b>48,365</b>	<b>100.0%</b>	<b>-1.7%</b>	<b>2.8%</b>

#### THE GROUP

Assets (RONm)	Jun-15	Dec-15	Jun-16	% total	vs. Dec-15	vs. Jun-15
Cash and current accounts with Central Bank	5,115	8,820	5,183	10.5%	-41.2%	1.3%
Loans and advances to credit institutions	3,349	2,315	3,528	7.1%	52.4%	5.4%
Net loans and advances to customers	27,231	27,014	27,759	56.1%	2.8%	1.9%
Financial lease receivables	541	549	640	1.3%	16.5%	18.3%
Other financial instruments	10,430	10,277	11,109	22.4%	8.1%	6.5%
Tangible and intangible assets	1,010	999	968	2.0%	-3.2%	-4.2%
Other assets	327	205	299	0.6%	45.8%	-8.8%
<b>Total assets</b>	<b>48,003</b>	<b>50,179</b>	<b>49,485</b>	<b>100.0%</b>	<b>-1.4%</b>	<b>3.1%</b>

### LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers increased compared to year end and to the corresponding period of last year thanks to rising loans to individuals and large corporate customers.

### 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 decreased by 22% versus December 31, 2015 for both the Bank and the Group and increased by 3% versus June 30, 2015.

This aggregate accounted for about 18% of total assets for the Group compared to 22% at December 31, 2015 and 18% at June 30, 2015. The most important component is the minimum compulsory reserve held with the National Bank of Romania (RON 3,880 million for June 2016 from RON 4,275 million for December 2015 and RON 4,264 million for June 2015).

### OTHER FINANCIAL INSTRUMENTS

Other financial instruments mostly represent treasury bills and bonds issued by the Romanian Government which are accounted as available for sale and trading instruments, and also derivatives.

This aggregate represented ca. 22% of total Group assets and recorded an increase of around 8% compared to December 31, 2015 and 7% compared to June 30, 2015. The expansion of the Government bonds' portfolio was the main driver of these evolutions.

#### TANGIBLE AND INTANGIBLE ASSETS

The tangible and intangible assets accounted for circa 2% of the total assets. The most important share is represented by land and buildings.

Total value of investments in H1-2016 was approximately RON 34 million for the Bank and the Group, compared to RON 36 million for the Bank and RON 37 million for the Group in H1-2015, and were mainly IT related. There is no capitalized research and development expenditure.

#### FINANCIAL POSITION – LIABILITIES

The comparative statement of liabilities is as follows:

##### THE BANK

Liabilities and shareholders equity (RONm)	Jun-15	Dec-15	Jun-16	% total	vs. Dec-15	vs. Jun-15
Amounts owed to credit institutions	2,946	1,129	1,132	2.3%	0.3%	-61.6%
Amounts owed to customers	37,762	41,192	40,270	83.3%	-2.2%	6.6%
Other liabilities	769	891	871	1.8%	-2.3%	13.2%
Shareholders equity	5,587	5,981	6,092	12.6%	1.9%	9.1%
<b>Total liabilities and shareholders equity</b>	<b>47,064</b>	<b>49,193</b>	<b>48,365</b>	<b>100.0%</b>	<b>-1.7%</b>	<b>2.8%</b>

##### THE GROUP

Liabilities and shareholders equity (RONm)	Jun-15	Dec-15	Jun-16	% total	vs. Dec-15	vs. Jun-15
Amounts owed to credit institutions	3,657	1,881	1,984	4.0%	5.5%	-45.8%
Amounts owed to customers	37,690	41,099	40,190	81.2%	-2.2%	6.6%
Other liabilities	814	942	949	1.9%	0.7%	16.6%
Shareholders equity	5,842	6,257	6,363	12.9%	1.7%	8.9%
<b>Total liabilities and shareholders equity</b>	<b>48,003</b>	<b>50,179</b>	<b>49,485</b>	<b>100.0%</b>	<b>-1.4%</b>	<b>3.1%</b>

#### AMOUNTS OWED TO CUSTOMERS

At June 30, 2016, the share in total liabilities of the customers' deposits was 95% for the Bank and 93% for the Group, demonstrating a high financial autonomy. It was essentially unchanged versus year end and up by 4 percentage points compared to June 30, 2015.

#### 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 circa 2% of the total liabilities for the Bank and 4% for the Group at the end of the analysed period.

BRD Group's borrowings from Société Générale totalled circa RON 0.9 billion (2% of total liabilities).

## SHAREHOLDERS' EQUITY

The shareholders' equity increased on an annual basis mainly due to higher current year profit and reserves from revaluation of available for sale assets.

The structure of the shareholders' equity evolved as follows:

### THE BANK

Shareholders' equity (RONm)	Jun-15	Dec-15	Jun-16	vs. Dec-15	vs. Jun-15
Share capital	2,516	2,516	2,516	0.0%	0.0%
Reserves from revaluation of available for sale assets	203	380	331	-13.0%	63.3%
Reserves from defined pension plan	10	12	12	0.0%	24.8%
Retained earnings and current result	2,858	3,073	3,233	5.2%	13.1%
<b>Total shareholders' equity</b>	<b>5,587</b>	<b>5,981</b>	<b>6,092</b>	<b>1.9%</b>	<b>9.1%</b>

### THE GROUP

Shareholders' equity (RONm)	Jun-15	Dec-15	Jun-16	vs. Dec-15	vs. Jun-15
Share capital	2,516	2,516	2,516	0.0%	0.0%
Reserves from revaluation of available for sale assets	203	380	331	-13.0%	63.3%
Reserves from defined pension plan	10	12	12	0.0%	24.8%
Retained earnings and current result	3,065	3,300	3,456	4.7%	12.8%
Non-controlling interest	50	49	47	-3.7%	-4.2%
<b>Total shareholders' equity</b>	<b>5,842</b>	<b>6,257</b>	<b>6,363</b>	<b>1.7%</b>	<b>8.9%</b>

### LIQUIDITY POSITION

Both the Bank and the Group maintained a balanced structure of resources and placements and a solid liquidity position over January - June 2016.

The net loans/deposits ratio reached 68.0% at June 30, 2016 (from 64.7% at December 31, 2015 and 71.2% at June 30, 2015) for the Bank and 70.7% for the Group, including financial lease receivables (from 67.1% at December 31, 2015 and 73.7% at June 30, 2015).

## H1-2016 FINANCIAL RESULTS

The comparative income statement of the Bank for the periods January – June 2016 and January – June 2015 is presented below:

RONm	H1-2015	H1-2016	Variation
<b>Net banking income,</b> <i>out of which</i>	<b>1,215</b>	<b>1,381</b>	<b>13.7%</b>
- net interest income	686	734	7.1%
- net commissions	355	365	2.8%
- other banking income	174	282	62.3%
<b>Operating expenses</b>	<b>-684</b>	<b>-667</b>	<b>-2.5%</b>
- staff expenses	-300	-316	5.4%
- non-staff expenses	-384	-351	-8.6%
<b>Operating profit</b>	<b>531</b>	<b>714</b>	<b>34.6%</b>
Net cost of risk	-256	-270	5.8%
Gross result	275	444	61.3%
<b>Net result</b>	<b>232</b>	<b>382</b>	<b>65.0%</b>

The comparative income statement of the Group for the periods January – June 2016 and January – June 2015 is presented below:

RONm	H1-2015	H1-2016	Variation
<b>Net banking income,</b> <i>out of which</i>	<b>1,270</b>	<b>1,434</b>	<b>12.9%</b>
- net interest income	735	785	6.8%
- net commissions	369	381	3.4%
- other banking income	166	267	61.6%
<b>Operating expenses</b>	<b>-721</b>	<b>-705</b>	<b>-2.1%</b>
- staff expenses	-322	-338	5.2%
- non-staff expenses	-399	-367	-8.0%
<b>Operating profit</b>	<b>549</b>	<b>728</b>	<b>32.7%</b>
Net cost of risk	-269	-282	5.0%
Gross result	280	446	59.3%
<b>Net result</b>	<b>233</b>	<b>381</b>	<b>63.5%</b>
Profit attributable to equity holders of the parent	231	378	63.4%

BRD Group's net banking income increased by 13% in H1-2016 versus H1-2015 as a result of higher net interest income thanks to reduction in cost of funding coupled with growing retail volumes, better net fees and commissions given revenue growth mostly on card activity, and the VISA Europe transaction gain.

In H1-2016, significant non-recurring elements were recorded in net banking income. They amounted to RON 121 million versus RON 21 million in H1-2015, for both the Bank and the Group. The most important item refers to the sale of the VISA Europe participation in the second quarter of the year for a gross gain of RON 103m. The other non-recurring items consisted of gains on the sale of Government bonds and fund units booked as available for sale. Excluding non-recurring items, net banking income rose by 5%.

Thanks to sustained cost discipline across all business lines, operating expenses decreased by 2% for the Group. Savings were registered with regards to real estate and sundry expenses. The decline in operating expenses also stemmed from the 26% annual decline in the cumulated contributions to the Bank Deposit Guarantee Fund and the Resolution Fund, which was triggered by a change in methodology, as per Law 311/2015. The 5.2% increase in staff expenses reflects the reversal of provision for variable remunerations booked in June 2015. In this context, BRD Group registered an improvement in the cost/income ratio which reached 49.2% compared to 56.8% in H1-2015.

Gross operating income was up by 33% versus H1-2015 thanks to solid revenue growth and lower cost base. Excluding non-recurring elements, it increased by 15%.

Net cost of risk was up by 5% influenced by the recognition of a general provision of RON 90 million regarding the in-kind payment law. Following write-off operations of non-performing loans, the accounting non-performing loans ratio was further reduced to 14.4% at June 30, 2016 end compared to 18.6% at June 30, 2015. The coverage of non-performing loans and leasing by IFRS provisions improved to 85.1% at June 30, 2016 from 72.8% at June 30, 2015.

BRD Group's net profit amounted to RON 381 million in H1-2016, up by 64%, with positive contributions from both retail and non-retail segments. Return on equity reached 12.1% (8.0% in H1-2015) and return on assets was 1.5% (1.0% in H1-2015). The Bank recorded similar trends which led to a net result of RON 382 million, up by 65%.

The financial statements as of June 30, 2016 include the impact of IFRIC 21 - Levies, whereby the annual contributions to the Deposit Guarantee Fund and to the Resolution Fund were booked in one tranche in the first quarter. The financial statements as of June 30, 2015 were restated accordingly, for comparison purposes.

## 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-16	Dec-15	Jun-15
Tier 1 capital	5,098	4,857	4,442
<b>TOTAL OWN FUNDS</b>	<b>5,098</b>	<b>4,857</b>	<b>4,442</b>
<b>Capital requirements</b>	<b>2,138</b>	<b>2,149</b>	<b>2,173</b>
<b>Risk weighted assets</b>			
Credit risk (including counterparty risk)	23,929	23,975	25,078
Market risk	175	322	199
Operational risk	2,446	2,397	1,765
CVA risk	177	168	125
<b>Total risk exposure amount</b>	<b>26,727</b>	<b>26,862</b>	<b>27,168</b>
<b>Regulatory CAR</b>	<b>19.07%</b>	<b>18.08%</b>	<b>16.35%</b>

Note: RWA figures as of March 2016 consequently the CAR is preliminary. Figures will be updated before the BoD meeting.

At Bank level, the capital adequacy ratio stood at 19.1% at June 30, 2016 (Basel 3, including the impact of prudential filters), well above the regulatory requirement. The Tier 1 ratio was also 19.1% compared to 18.1% at December 31, 2015 and 16.3% at June 30, 2015.

## **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 2016 the Bank found itself in no such cases as to be unable to meet its financial obligations.

In the period January – June 2016, 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.

No important events were identified after the reporting date.

## 5. CONCLUSIONS

---

In 2015, BRD registered substantial rise in profitability, expansion of the individual customer base and consistent progress on strategic and sound client segments. The strong set of H1-2016 results brought further evidence of the good commercial momentum and growth potential of key business segments. Going forward, BRD will continue to focus on prudent risk management and further cost discipline particularly given the low interest rate environment. With its sound capital and liquidity and profile, BRD is well equipped to capture growth across all its business lines and remains confident in the opportunities lying ahead and in the solidity of its universal bank model.

The interim financial report as at June 30, 2016 has been reviewed for the Bank only.

**Philippe LHOTTE**

**Chief Executive Officer**



**Petre BUNESCU**

**Deputy Chief Executive Officer**



**Stephane FORTIN**

**Chief Financial Officer**

