

# Quarterly Report

March 31, 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 March 31, 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
- **The main characteristics of securities issued by the company:** ordinary shares with a nominal value of 1 RON

### EXTERNAL RATING

As at March 31, 2015 the Bank had the following ratings:

<b>Fitch Ratings</b> ( <i>rating date: 9-Dec-2014</i> )	<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</b> ( <i>rating date: 23-Oct-2014</i> )	<b>Rating</b>
Global Local Currency Short-Term Deposit	Not prime
Global Local Currency Long-Term Deposit	Ba2
Foreign Currency Short-Term Deposit	Not prime
Foreign Currency Long-Term Deposit	Ba2
Financial Strength	E+

**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

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### 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 32 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 March 31, 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 approximately 22 million clients, comprising 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 MARCH 31, 2015

<b>The Bank</b>				
		<b>Q1-2015</b>	<b>Q1-2014</b>	<b>Variation</b>
<b>Financial results</b>	Net banking income (RONm)	573	602	-4.9%
	Operating expenses (RONm)	(305)	(305)	0.0%
	Cost of risk (RONm)	(106)	(246)	-57.0%
	Net profit (RONm)	136	37	263.9%
	Cost / income ratio	53.3%	50.7%	2.6 pts
	ROE	9.8%	2.9%	6.9 pts
		<b>Mar-15</b>	<b>Dec-14</b>	<b>Variation</b>
<b>Capital adequacy</b>	Own funds (RONm)	4,727	4,614	2.5%
	RWA (RON bn)	26,931	26,873	0.2%
	CAR <sup>(*)</sup>	17.6%	17.2%	0.4 pts
<b>Loans and deposits</b>	Total net loans (RON bn)	26.1	26.5	-1.5%
	Total deposits (RON bn)	35.9	36.0	-0.3%
<b>Franchise</b>	No of branches	861	860	1
	No of active customers (x 1000)	2,231	2,234	(3)

<b>The Group</b>				
		<b>Q1-2015</b>	<b>Q1-2014</b>	<b>Variation</b>
<b>Financial results</b>	Net banking income (RONm)	606	633	-4.3%
	Operating expenses (RONm)	(324)	(321)	1.0%
	Cost of risk (RONm)	(114)	(252)	-54.5%
	Net profit (RONm)	140	48	189.8%
	Cost / income ratio	53.5%	50.7%	2.8 pts
	ROE	9.6%	3.6%	6.0 pts
		<b>Mar-15</b>	<b>Dec-14</b>	<b>Variation</b>
<b>Loans and deposits</b>	Total net loans (RON bn)	26.4	26.8	-1.5%
	Total deposits (RON bn)	35.9	36.0	-0.3%

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

## 1. THE COMPANY AND ITS SHAREHOLDERS

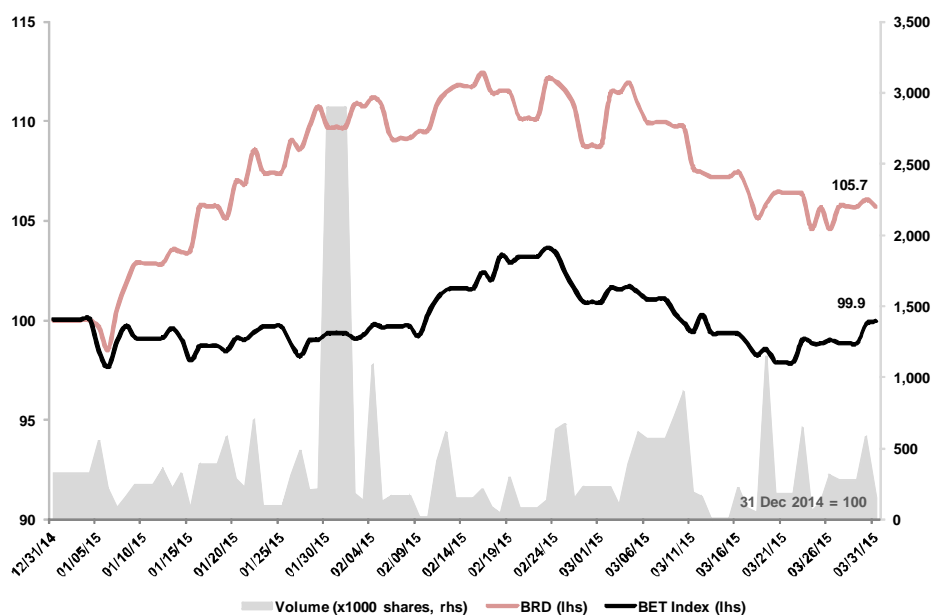
### BRD SHARE

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 March 31st, 2015, was of 9.25 RON/share (8.20 RON/share at March 31, 2014). On the same date, the market capitalization was RON 6,446.34 million (March 31st, 2014: RON 5,714.59 million).

During Q1-2015 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 – March 31, 2015



## 2. ECONOMIC AND BANKING ENVIRONMENT

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The 2014 GDP growth rate reached 2.8%, according to interim data, sustained by final consumption in the context of an increase of real disposable income and improvement of the unemployment rate, the inflation rate being at record low level. In spite of the robust economic growth, the negative output gap persists but is narrowing according to National Bank of Romania estimates. The inflation rate continued to be low, reaching 0.8% at March 2015 against March 2014, standing below the lower bound of the National Bank of Romania's target interval (2.5%+/-1pt), as both domestic and imported inflationary pressures were contained. The public budget registered positive dynamics at the end of the first 3 months of 2015 (surplus of 0.7% of GDP) nonetheless investments, which could contribute to the acceleration of economic growth, remained at low levels. The absorption of EU funds, another potential economic growth driver, remained weak, reaching 53% at the end of March 2015.

In this context, NBR maintained an accommodative monetary policy, cutting the reference rate from 2.75% in December 2014 to 2.0% at the end of March 2015. The minimum reserves requirements were reduced throughout 2014 to 10% for RON liabilities and 14% for FX liabilities. They were maintained in the first three policy meetings in 2015.

In spite of the low interest rate environment, credit activity remained weak. The volume of gross loans declined by 2.1%\* at March 2015 end, with loans to individuals rising slightly (+0.5%\*) against March 2014 end, whereas loans to companies decreased by 4.3%\*. The volume of housing loans continued to have a positive influence and consumer loans registered a negative evolution. Loans to companies decreased partially due to subdued capital expenditures.

Banking system deposits advanced at March 2015 end versus March 2014 end (+6.7%\*), both on the individuals' and on the companies' segment. 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 rate environment.

The write-off and sales operations performed by banks in 2014 led to a decline in the Loss 2\*\* ratio to 14.3% at February 2015 from 22.5% in February 2014. Coverage of Loss 2 loans with provisions was 70% at 2014 end compared to 68% at 2013 end.

<sup>(\*)</sup> Variations at constant exchange rates.

<sup>(\*\*)</sup> 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

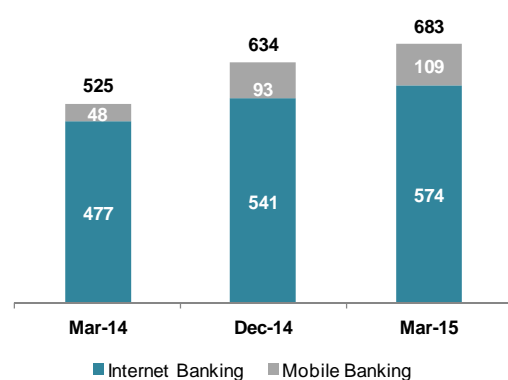
#### BRD GROUP ACTIVITY

As at March 31st, 2015 the Bank had 861 branches (2014 end: 860 branches), ensuring the distribution of its products and services throughout the whole country.

In Q1-2015 BRD's number of active clients declined slightly, however BRD continues to benefit from a large customer base. Thanks to further promotion of the remote banking solutions, the equipment rate of individual customers continued to improve.

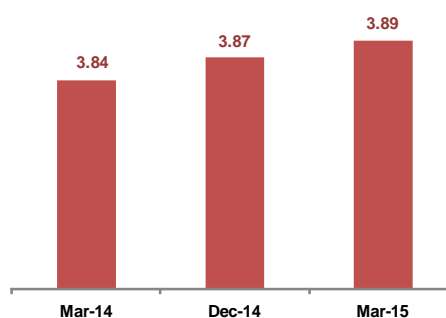
#### Number of remote banking contracts for individual customers\*

(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:

	Mar-14	Dec-14	Mar-15
<b>TOTAL ASSETS</b>	<b>13.0%</b>	<b>12.4%</b>	<b>n.a.</b>
<b>LOANS</b>	<b>14.4%</b>	<b>13.7%</b>	<b>13.7%</b>
<i>Individuals</i>	<i>16.9%</i>	<i>16.9%</i>	<i>16.8%</i>
<i>Corporate</i>	<i>12.4%</i>	<i>11.0%</i>	<i>11.0%</i>
<b>DEPOSITS</b>	<b>15.0%</b>	<b>14.2%</b>	<b>14.7%</b>
<i>Individuals</i>	<i>13.1%</i>	<i>13.3%</i>	<i>13.5%</i>
<i>Corporate</i>	<i>17.7%</i>	<i>15.5%</i>	<i>16.2%</i>

<sup>(\*)</sup> On an individual basis.



### 3. COMMERCIAL ACTIVITY

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

RON bln	Mar-14	Dec-14	Mar-15	vs. Dec-14	vs. Mar-14
SMEs	6.3	5.3	4.9	-6.3%	-21.3%
Large corporate	5.1	4.9	4.9	0.5%	-4.2%
Individuals	16.6	16.6	16.5	-0.6%	-0.2%
<b>Total net loans</b>	<b>28.0</b>	<b>26.8</b>	<b>26.4</b>	<b>-1.5%</b>	<b>-5.7%</b>

Loans to individuals were quasi stable against March 2014 with housing loans outstanding posting a positive evolution. Loan production registered a significant improvement especially on the housing loans segment. New production on the individuals' segment was RON 990 million in Q1-2015 against RON 916 million in Q1-2014, with housing loans accounting for 36% of total and advancing by 51.7% against Q1-2014.

Net loans to the large corporate sector increased slightly against December 2014, while the volume of loans to SMEs decreased both against December 2014 and March 2014 due to reduced risk appetite and increased coverage versus March 2014.

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

RON bln	Mar-14	Dec-14	Mar-15	vs. Dec-14	vs. Mar-14
SMEs	8.5	9.0	8.6	-4.6%	1.3%
Large corporate	9.2	8.8	8.5	-3.9%	-7.8%
Individuals	17.0	18.1	18.8	3.6%	10.4%
<b>Total deposits</b>	<b>34.7</b>	<b>36.0</b>	<b>35.9</b>	<b>-0.3%</b>	<b>3.4%</b>

The deposit base totalled RON 35.9 billion at the end of March 2015, with household deposits (52% of total) on an upward trend, in line with the bank's strategy of attracting more stable funding sources. The deposits' annual advancement was above the market growth rate leading to an increase in market share by 0.4 pts to 13.5% at the end of March 2015.

### 3. COMMERCIAL ACTIVITY

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#### SUBSIDIARIES ACTIVITY

##### BRD SOGELEASE IFN SA

During the first quarter of 2015, BRD Sogelease's number of clients increased by 10.3% to 2,989, compared to March, 31st 2014 end.

The net stock of leasing financing amounted to RON 554 million at the end of March 2015 (RON 542 million at the end of March 2014).

For 2015, BRD Sogelease intends to continue its production increase recorded last year in the context of positive forecasts on the economic environment in Romania, based on cost efficiency and optimization of workflows to provide prompt and quality services to customers.

SMEs represent the majority share of the total funding granted last year by BRD Sogelease. The company continues to focus on this segment in 2015, making efforts to diversify its offer and services, by providing advantageous financing alternative.

##### BRD FINANCE IFN SA

In the first quarter of 2015, BRD Finance remained one of the most active players on the consumer credit market in Romania, keeping the positive trends of 2014. The number of clients increased by 4.3% at March 2015 end against March 2014 end and loan production was RON 90m in Q1-2015 from RON 71m in Q1-2014.

On the client acquisition area, in terms of mix of products, the analyzed period revealed positive evolution in credit cards segment and loans for durable goods and a very good performance in personal loan production, especially on the new distribution channels launched in 2014.

Another powerful growth engine is represented by cards usage, where the positive trend was seen not only in our traditional network of partners (big players in electro-IT, hypermarkets and do it yourself domains), but also on online credit card usage (which registered a triple digit increase in Q1 2015 compared to Q1 2014).

BRD Finance's commercial strategy continued to be focused on 2 main axes: (1) strengthening and diversifying existing partnerships with the key market retailers and major car dealer networks through a dynamic approach, offering a full range of value added products to end customers and (2) continuing to develop the newly launched distribution channels, focusing on personal loans distribution.

##### BRD ASSET MANAGEMENT SA

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 12.06% at the end of March 2015, significantly larger than at March 2014 (9.63%). Having at the end of March 2015 over 2.5 billion RON assets under management, up by 70% versus March 2014 end, BRD Asset Management offers to the investors 6 open-end funds that cover various types of funds in terms of portfolio structures, risks, desired yields and recommended investment horizon.

Thereby, Simfonia, BRD Obligatiuni and BRD Eurofond (denominated in Euro) are investing in money market and fixed income instruments and do not have equity exposure. Diverso Europa Regional is a diversified fund with investments in CEE markets' stocks, the rest being invested mainly in money market and fixed income instruments for risk diversification purposes. The fund Actiuni Europa Regional is mainly invested in stocks, as well as Index Europa Regional which is an index tracker fund.

## 4. FINANCIAL RESULTS

### 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 March 31, 2015 and the comparative periods.

### FINANCIAL POSITION – ASSETS

The total assets increased at the end of March 31, 2015 by around 1% over the quarter, both for the Bank and for the Group and had the following structure:

#### THE BANK

Assets (RONm)	Mar-14	Dec-14	Mar-15	% total	vs. Dec-14	vs. Mar-14
Cash and current accounts with Central Bank	6,765	7,190	5,968	13.0%	-17.0%	-11.8%
Loans and advances to credit institutions	1,809	1,236	3,251	7.1%	163.0%	79.8%
Net loans and advances to customers	27,665	26,461	26,053	56.9%	-1.5%	-5.8%
Other financial instruments	8,148	9,053	9,229	20.2%	1.9%	13.3%
Tangible and intangible assets	1,073	1,027	1,010	2.2%	-1.7%	-5.9%
Other assets	367	212	289	0.6%	36.2%	-21.2%
<b>Total assets</b>	<b>45,826</b>	<b>45,180</b>	<b>45,800</b>	<b>100.0%</b>	<b>1.4%</b>	<b>-0.1%</b>

#### THE GROUP

Assets (RONm)	Mar-14	Dec-14	Mar-15	% total	vs. Dec-14	vs. Mar-14
Cash and current accounts with Central Bank	6,765	7,190	5,968	12.8%	-17.0%	-11.8%
Loans and advances to credit institutions	1,837	1,263	3,279	7.0%	159.5%	78.5%
Net loans and advances to customers, including leasing	28,490	27,352	26,930	57.6%	-1.5%	-5.5%
Other financial instruments	8,121	9,019	9,206	19.7%	2.1%	13.4%
Tangible and intangible assets	1,092	1,044	1,028	2.2%	-1.6%	-5.9%
Other assets	398	238	329	0.7%	38.0%	-17.4%
<b>Total assets</b>	<b>46,703</b>	<b>46,107</b>	<b>46,739</b>	<b>100.0%</b>	<b>1.4%</b>	<b>0.1%</b>

#### Loans and advances to customers

The loans' outstanding amounts, both for the Bank and for the Group, continued to decline due to a continually subdued lending activity, increased competition and provisioning efforts especially on the SME and small business portfolios.

#### 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 increased at March 2015 end versus December 2014 end by around 9%, and their weight in total assets advanced by approximately 1 percentage point from around 19% for the Bank and 18% for the Group. The most important component of this aggregate is the minimum compulsory reserve held with the National Bank of Romania (RON 4,600 million as at March 31, 2015 from RON 4,566 million as at December 31, 2014).

## 4. FINANCIAL RESULTS

### 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 around 20% of the total assets and recorded an increase of 2% compared to 2014 end, for both the Bank and the Group.

### 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.

### FINANCIAL POSITION – LIABILITIES

The statement of liabilities for March 31, 2015 and the comparative periods is as follows:

#### THE BANK

Liabilities and shareholders equity (RONm)	Mar-14	Dec-14	Mar-15	% total	vs. Dec-14	vs. Mar-14
Amounts owed to credit institutions	5,282	3,001	3,361	7.3%	12.0%	-36.4%
Amounts owed to customers	34,791	36,041	35,926	78.4%	-0.3%	3.3%
Other liabilities	560	646	840	1.8%	30.0%	49.9%
Shareholders equity	5,194	5,492	5,673	12.4%	3.3%	9.2%
<b>Total liabilities and shareholders equity</b>	<b>45,826</b>	<b>45,180</b>	<b>45,800</b>	<b>100.0%</b>	<b>1.4%</b>	<b>-0.1%</b>

#### THE GROUP

Liabilities and shareholders equity (RONm)	Mar-14	Dec-14	Mar-15	% total	vs. Dec-14	vs. Mar-14
Amounts owed to credit institutions	5,955	3,699	4,032	8.6%	9.0%	-32.3%
Amounts owed to customers	34,682	35,954	35,854	76.7%	-0.3%	3.4%
Other liabilities	626	703	918	2.0%	30.6%	46.7%
Shareholders equity	5,440	5,750	5,935	12.7%	3.2%	9.1%
<b>Total liabilities and shareholders equity</b>	<b>46,703</b>	<b>46,107</b>	<b>46,739</b>	<b>100.0%</b>	<b>1.4%</b>	<b>0.1%</b>

### Amounts owed to customers

The share in total liabilities of the customers' deposits was relatively stable at March 2015 end against December 2014 end, at 89.5% compared to 90.8% for the Bank and to 87.9% for the Group (from 89.1% at 2014 end), demonstrating a high financial autonomy.

## 4. FINANCIAL RESULTS

### 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 8.4% from the Bank's total liabilities and for 9.9% of the Group's total liabilities.

At the end of March 2015, 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. IFI funding amounted to ca. RON 0.5 billion at March 2015 end.

### Shareholders' equity

The shareholders' equity increased by circa 3% for the Bank and the Group versus 2014 end, partially due to growth of reserves from the revaluation of available-for-sale instruments and retained earnings.

The structure of the shareholders' equity evolved as follows:

#### THE BANK

Shareholders' equity (RONm)	Mar-14	Dec-14	Mar-15	vs. Dec-14 s. Mar-14	
Share capital	2,516	2,516	2,516	0.0%	0.0%
Reserves from revaluation of available for sale assets	72	342	385	12.6%	434.2%
Reserves from defined pension plan	(3)	10	10	0.0%	n.a.
Retained earnings	2,609	2,625	2,763	5.2%	5.9%
<b>Total shareholders' equity</b>	<b>5,194</b>	<b>5,492</b>	<b>5,673</b>	<b>3.3%</b>	<b>9.2%</b>

#### THE GROUP

Shareholders' equity (RONm)	Mar-14	Dec-14	Mar-15	vs. Dec-14 s. Mar-14	
Share capital	2,516	2,516	2,516	0.0%	0.0%
Reserves from revaluation of available for sale assets	72	342	385	12.6%	434.2%
Reserves from defined pension plan	(3)	10	10	0.0%	n.a.
Retained earnings	2,803	2,831	2,972	5.0%	6.0%
Non-controlling interest	52	52	52	0.9%	-0.2%
<b>Total shareholders' equity</b>	<b>5,440</b>	<b>5,750</b>	<b>5,935</b>	<b>3.2%</b>	<b>9.1%</b>

### Liquidity position

Both the Bank and the Group have maintained a balanced structure of resources and investments and a very comfortable liquidity level during Q1-2015.

The net loans/deposits ratio improved at March 2015 end to 72.5 % (from 73.4% at 2014 end) for the Bank and to 73.6% (from 74.5% at 2014 end) for the Group.

## 4. FINANCIAL RESULTS

### Q1-2015 INCOME STATEMENT

The comparative income statement of the Bank for the periods Q1-2014 and Q1-2015 is presented below:

#### THE BANK

RONm	Q1-2014	Q1-2015	vs. Q1-2014
<b>Net banking income,</b> <i>out of which</i>	<b>602</b>	<b>573</b>	<b>-4.9%</b>
- net interest income	373	339	-9.2%
- net commissions	184	172	-6.8%
- other banking income	45	62	38.7%
<b>Operating expenses</b>	<b>-305</b>	<b>-305</b>	<b>0.0%</b>
-staff expenses	-152	-155	1.9%
-non-staff expenses	-153	-150	-2.0%
<b>Operating profit</b>	<b>297</b>	<b>268</b>	<b>-9.9%</b>
Net cost of risk	-246	-106	-57.0%
Gross result	50	162	220.7%
<b>Net result</b>	<b>37</b>	<b>136</b>	<b>263.9%</b>

The comparative income statement of the Group for the periods Q1-2014 and Q1-2015 is presented below:

#### THE GROUP

RONm	Q1-2014	Q1-2015	vs. Q1-2014
<b>Net banking income,</b> <i>out of which</i>	<b>633</b>	<b>606</b>	<b>-4.3%</b>
- net interest income	395	362	-8.4%
- net commissions	190	180	-5.2%
- other banking income	48	64	33.5%
<b>Operating expenses</b>	<b>-321</b>	<b>-324</b>	<b>1.0%</b>
-staff expenses	-162	-166	2.9%
-non-staff expenses	-160	-158	-1.0%
<b>Operating profit</b>	<b>312</b>	<b>282</b>	<b>-9.8%</b>
Net cost of risk	-252	-114	-54.5%
Gross result	60	167	176.6%
<b>Net result</b>	<b>48</b>	<b>140</b>	<b>189.8%</b>
Profit attributable to equity holders of the parent	46	139	201.2%

At Group level, net banking income declined in Q1-2015, mainly as a result of the compression of net interest margin which was hit by the low interest rates environment that led to a decline in the yield on assets, only partially compensated by the reduction of cost of funding. The decline in the average net outstanding amount of loans also affected the evolution of net interest income.

## 4. FINANCIAL RESULTS

The net fees and commissions contraction was determined by lower fees from services, fees from off-balance sheet commitments and lower lending activity. Fees from custody, asset management and the lending activity of BRD Finance had a positive evolution. Other income increased on higher net gains from derivatives and available-for-sale instruments.

In Q1-2015, the Group continued to focus on cost control. Savings were registered with regards to real estate, IT and communication. The Group registered a cost/income ratio of 53.5%.

Net cost of risk at Group level declined by half (-54.5%) against Q1-2014 with favourable evolutions on both the corporate and individuals' segments. The reduction in cost of risk was the main determinant of the significant improvement in annualised ROE, which reached 9.6%.

At the same time, the Group reduced its non-performing loans ratio on a yoy basis (from 25% at March 2014 to 20% at March 2015) notably thanks to the implementation of an active write off and sale policy, while improving the coverage of non-performing loans with provisions (from 71% at March 2014 end to 73% at March 2015 end).

Neither 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.

### CAPITAL ADEQUACY (THE BANK)

RONm	Mar-15	Dec-14
Total Tier 1 capital	4,727	4,530
Total Tier 2 capital	-	84
<b>TOTAL OWN FUNDS</b>	<b>4,727</b>	<b>4,614</b>
<b>Total capital requirement</b>	<b>2,155</b>	<b>2,150</b>
<b>Risk weighted assets</b>		
Credit risk (including counterparty risk)	24,884	24,699
Market risk	163	160
Operational risk	1,740	1,906
CVA risk	144	108
<b>Total risk exposure amount</b>	<b>26,931</b>	<b>26,873</b>
<b>Regulatory CAR</b>	<b>17.55%</b>	<b>17.17%</b>

On an individual basis, CAR stood at 17.6% at March 2015 (Basel III), well above the regulatory requirement.

## 4. FINANCIAL RESULTS

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### CONCLUSIONS

In 2014, BRD managed to significantly upgrade both its risk profile and its operational efficiency. In Q1-2015, the Group reaped the benefit of these efforts, and returned to a material level of profitability. This year the normalization of risk costs should continue to be an important determinant of profitability.

The interim financial report as at March 31, 2015, has not been audited.

**Petre Bunescu**  
Cabinet  
Director  
General  
Adjunct  
Deputy Chief Executive Officer



**Stephane FORTIN**  
Chief Financial Officer

