

Half Year Report

June 30, 2018

according to Financial Supervisory Authority Regulation
no 5/2018

YOUR BANK. YOUR TEAM



GRUPE SOCIETE GENERALE

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1. THE COMPANY AND ITS SHAREHOLDERS

BRD – GROUPE SOCIÉTÉ GÉNÉRALE PROFILE

BRD - Groupe Société Générale („BRD” or „the Bank”) was set up on December 1st, 1990 as an independent bank with the legal status of a joint-stock company and with the share capital mainly held by the Romanian State, by taking over the assets and liabilities of Banca de Investitii (the Investment Bank).

In March 1999, Société Générale (“SG”) bought a stake representing 51% of the share capital, increasing its holding to 58.32% in 2004, through the acquisition of the residual stake from the Romanian State. As at June 30, 2018, 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, 2018 the Bank had the following ratings:

Fitch Ratings (rating date: Oct-2017)	Rating
Foreign-Currency Short-Term Issuer Default Rating	F2
Foreign-Currency Long-Term Issuer Default Rating	BBB+
Support Rating	2

Moody's (rating date: Feb-2018)	Rating
Global Local Currency Short-Term Deposit	Prime-2
Global Local 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 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*
- *International Retail Banking and Financial Services*
- *Global Banking and Investor Solutions*

As at June 30, 2018, the ratings of Société Générale for long-term and respectively, short term senior unsecured debt were:

- Standard and Poor's: A/A-1
- Moody's: A2/P-1
- Fitch: A+/F1

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 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	H1-2017	H1-2018	Change
Financial results		Net banking income (RONm)	1,289	1,438	+11.5%
		Operating expenses (RONm)	(679)	(697)	+2.6%
		Cost of risk (RONm)	276	160	-42.2%
		Net profit (RONm)	750	767	+2.2%
		Cost / income ratio	52.7%	48.5%	-4.2 pt
		ROE	23.1%	23.0%	-0.2 pt
		RON bn	Jun-17	Jun-18	Change
Loans and deposits		Total net loans	27.5	28.4	+3.2%
		Total deposits	43.1	44.3	+2.7%
		RON m	Jun-17	Jun-18	Change
Capital adequacy		Own funds (RONm)	5,319	5,080	-4.5%
		RWA (RON bn)	27,462	27,027	-1.6%
		CAR*	19.4%	18.8%	-0.6 pt
Franchise		No of branches	790	754	(36)

(*) according to Basel 3

		The Group	H1-2017	H1-2018	Change
Financial results		Net banking income (RONm)	1,339	1,480	+10.5%
		Operating expenses (RONm)	(718)	(738)	+2.8%
		Cost of risk (RONm)	270	154	-42.8%
		Net profit (RONm)	750	757	+0.9%
		Cost / income ratio	53.6%	49.9%	-3.7 pt
		ROE	22.1%	21.6%	-0.5 pt
		RON bn	Jun-17	Jun-18	Change
Loans and deposits		Total net loans (incl. leasing)	28.7	29.8	+3.8%
		Total deposits	43.1	44.3	+2.8%

Note: Throughout this report, the loan outstanding amounts at June 30, 2017 and December 31, 2017 have been restated for comparability purpose, thus, similar to the loan outstanding at June 30, 2018, they exclude reverse repo transactions, which were included in other financial instruments held for trading. The December 31, 2017 amount in the Interim Financial Statements at June 30, 2018 has not been restated.

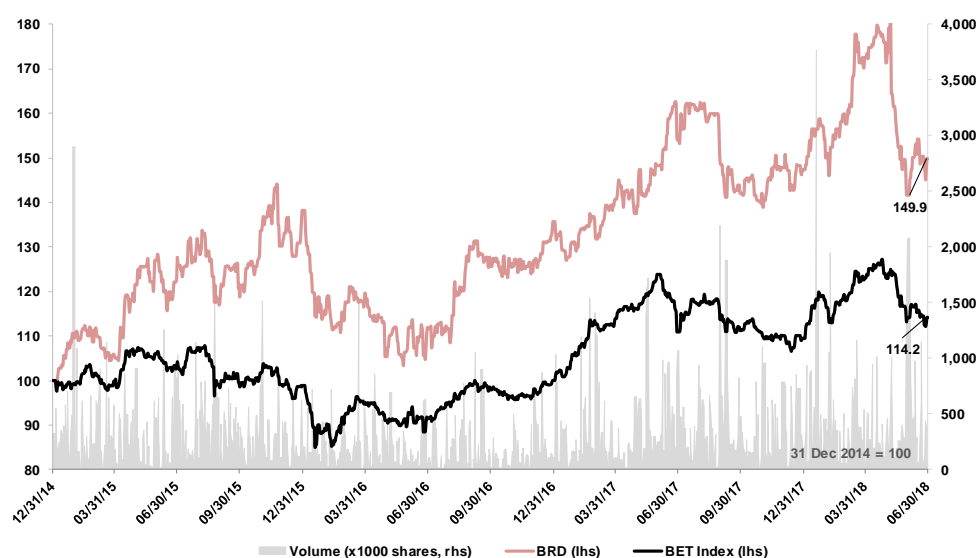
BRD SHARE

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-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, 2018, was of 13.12 RON/share (RON 12.90 /share at December 31, 2017 and RON 13.48/share at June 30, 2017). On the same date, the market capitalization was RON 9,143.3 million (RON 8,990.0 million at December 31, 2017 and RON 9,394.2 million June 30, 2017).

During January – June 2018, 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, 2018



Source: Bloomberg

DIVIDENDS

At the April 19, 2018 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 corresponds to a payout ratio of 83% out of the 2017 distributable profit of RON 1,380.37 million. Dividend payment started on May 31, 2018 for shareholders registered on May 9, 2018.

As at June 30, 2018, 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

Economic growth started to decelerate in Q1 2018, with GDP increasing by 4.2% YoY (seasonally adjusted) and remaining rather flat quarter on quarter (+0.1% Q1 2018 vs. Q4 2017) with most of the GDP components showing a weak performance over the first quarter of the year. Private consumption decreased -0.4% in Q1 2018 vs. Q4 2017, in spite of the continued increase in disposable income and low level of unemployment rate, which may suggest only a temporary contraction of the GDP component. On a yearly basis, private consumption increased by 5.9% YoY, though at a smaller rate compared to the levels reached in 2017 (7.3% YoY in Q1 and Q2 2017, 13.6% in Q3 and 11.7% in Q4). Investments contracted by -1.2% QoQ (+6.3% YoY) while net exports had a positive contribution to GDP performance.

The annual inflation accelerated since June 2017, reaching 3.32% at Dec 2017 end and 5.4% at Jun 2018 end, influenced by strong increase of wages.

The tightening of the monetary policy was observed from the beginning of the year with the first increase in key interest rate since May 2015, from 1.75% to 2% in January and continued with two more hikes of 25 bps each, in February and May, reaching 2.5% at June 2018 end. Minimum reserve requirements for RON and FCY liabilities were left unchanged, at 8%, during the analyzed period.

As of June 2018 end, gross loans increased by +5.1% YoY (variation in nominal terms and at constant exchange rate) with loans to individuals up by +9.0%, influenced by both housing (+12.2% YoY) and consumer lending (+5.5% YoY) growth. Lending to companies remains feeble, posting a slow growth rate, +1.3% YoY, with companies benefiting from high liquidity positions and investments continuing to be weak.

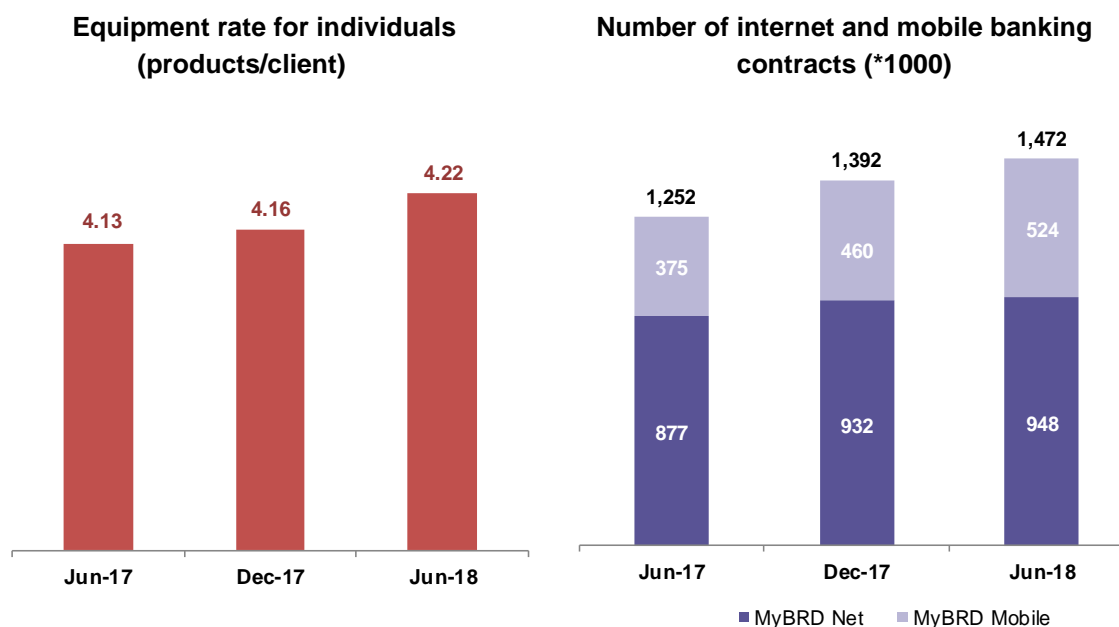
On the other hand, banking system deposits growth remained strong, up +11.1% YoY (variation in nominal terms and at constant exchange rate), driven by growth on both segments: individuals +9.6% YoY and companies +12.8% YoY.

Banks continued to improve the overall quality of their loan portfolios as reflected by the decrease in the non-performing loans ratio (NPLs) with 306 bps, from 9.04% at May 2017 end to 5.98% at May 2018 end (according to EBA definition), following banks activity of selling and removing off balance sheet non-performing loans portfolios.

3. COMMERCIAL ACTIVITY

As at June 30, 2018 the Bank had 754 branches (30.06.2017: 790 branches, 31.12.2017: 760 branches), ensuring the distribution of its products and services throughout the whole country.

The equipment rate for individuals continued to rise, benefitting from growing demand for remote banking solutions (My BRD Net and My BRD Mobile),



BRD held a market share of 12.5% in terms of total assets at December 31, 2017:

	Jun-17	Dec-17	Jun-18
TOTAL ASSETS	12.9%	12.5%	n.a.
LOANS	13.1%	12.8%	12.5%
<i>Individuals</i>	16.9%	16.9%	16.5%
<i>Companies</i>	9.5%	8.7%	8.5%
DEPOSITS	14.1%	13.4%	13.0%
<i>Individuals</i>	14.0%	13.8%	13.5%
<i>Companies</i>	14.3%	13.0%	12.3%

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

RON bln	Jun-17	Dec-17	Jun-18	vs. Dec-17	vs. Jun-17
Retail	19.9	20.8	21.2	1.9%	6.8%
Individuals	19.3	20.2	20.7	2.0%	7.3%
Small business	0.6	0.6	0.6	-4.6%	-6.9%
Non-retail	8.2	7.6	7.8	2.5%	-4.2%
SMEs	2.6	2.5	2.2	-10.7%	-15.5%
Large corporate	5.6	5.2	5.6	8.9%	1.1%
Total net loans	28.0	28.5	29.0	2.0%	3.6%
Financial lease receivables	0.7	0.7	0.7	2.8%	9.6%
Total net loans, including leasing	28.7	29.2	29.8	2.1%	3.8%

The net loan outstanding (incl. leasing) as of June 2018 end increased by 3.8% compared to the same period of last year and with 2.1% compared to year end. The performance is sustained, to a large extent, by the strong contribution from individual clients. The net loan outstanding for individual customers inched higher by 7.3% on a yearly basis predominantly due to housing loans advance (mostly Prima Casa).

On non retail segment the portfolio decreased on a yearly basis, due to a volume contraction on SME segment, in a context of subdued demand, coupled with tight risk management policies.

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

RON bln	Jun-17	Dec-17	Jun-18	vs. Dec-17	vs. Jun-17
Retail	26.5	27.8	28.6	2.6%	7.9%
Individuals	23.2	24.0	24.9	3.7%	7.5%
Small business	3.3	3.8	3.6	-4.2%	10.4%
Non-retail	16.6	16.4	15.7	-4.2%	-5.4%
SMEs	6.2	6.6	6.3	-5.5%	0.9%
Large corporate	10.3	9.7	9.4	-3.4%	-9.2%
Total deposits	43.1	44.2	44.3	0.1%	2.8%

Total deposits increased by 2.8% vs. Jun 2017 end and remained almost unchanged compared to Dec 2017 end. With disposable income on an upward trend, deposits inflows from retail customers remained strong, pushing the outstanding amount higher by +7.9% year on year (+2.6% year to date). Collection in current accounts was up by +25.6% YoY as interest rates on savings products remained at low levels.

Non retail deposits decreased, both compared to Jun 2017 end and Dec 2017 end, in a context of good 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 2018 end, BRD Sogelease net outstanding of leasing financing increased by 9.6% to RON 748 million from RON 683 million at June 30, 2017. New leasing production reached RON 256.5 million, with commercial vehicles and passengers cars having the highest weight, followed by industry, equipment for agriculture, medical, construction and IT.

BRD FINANCE IFN SA

BRD Finance results in H1 2018 continued the positive evolution registered previously: the net loan portfolio increased by 11.8% compared to H1 of 2017, reaching RON 518.6 million, while the loan production recorded an improvement of 10% compared to the same period of last year, to RON 298.6 million, mainly due to the car loan and credit cards activity. Net banking income reached RON 49.5 million, up by 5% compared with the same period of 2017.

This performance was sustained by the roll out of a strategy combining commercial development through higher client acquisition and partners' network enlargement with credit risk control and customer service improvement.

BRD ASSET MANAGEMENT SA

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 12.47%* at the end of June 2018. The company had RON 2,8bn assets under management at June 2018 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 those, BRD Simfonia, (denominated in RON), BRD Euro Fond (denominated in Euro) and BRD USD Fond (denominated in USD) invests mainly in government bonds, fixed income and money market instruments, BRD Obligatiuni concentrates on corporate bonds. BRD Diverso (denominated in RON and Euro) is a balanced fund with investments in equities, money market and fixed income instrument, BRD Actiuni (denominated in RON and Euro) is focused on Romanian stocks while BRD Index which 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 based on the separate and consolidated financial statements prepared according to the International Financial Reporting Standards, for the period ended June 30, 2018 and the comparative periods.

FINANCIAL POSITION – ASSETS

The total assets increased by near 2% compared to June 2017 end both for the Bank and the Group. They had the following structure:

THE BANK

Assets (RONm)	Jun-17	Dec-17	Jun-18	% total	vs. Dec-17	vs. Jun-17
Cash and current accounts with Central Bank	5,820	7,682	4,220	8.1%	-45.1%	-27.5%
Loans and advances to credit institutions	2,631	2,487	4,359	8.3%	75.3%	65.7%
Net loans and advances to customers	27,537	27,873	28,412	54.2%	1.9%	3.2%
Other financial instruments	14,221	14,093	14,064	26.8%	-0.2%	-1.1%
Tangible and intangible assets	977	992	979	1.9%	-1.3%	0.2%
Other assets	352	365	370	0.7%	1.5%	5.3%
Total assets	51,537	53,491	52,404	100.0%	-2.0%	1.7%

THE GROUP

Assets (RONm)	Jun-17	Dec-17	Jun-18	% total	vs. Dec-17	vs. Jun-17
Cash and current accounts with Central Bank	5,820	7,682	4,220	7.8%	-45.1%	-27.5%
Loans and advances to credit institutions	2,650	2,506	4,378	8.1%	74.7%	65.2%
Net loans and advances to customers	28,035	28,469	29,049	53.9%	2.0%	3.6%
Financial lease receivables	683	728	748	1.4%	2.8%	9.6%
Other financial instruments	14,218	14,108	14,078	26.1%	-0.2%	-1.0%
Tangible and intangible assets	988	1,002	988	1.8%	-1.4%	0.1%
Other assets	403	433	448	0.8%	3.5%	11.1%
Total assets	52,796	54,927	53,909	100.0%	-1.9%	2.1%

LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding amount to customers increased by over 3% compared to Jun 2017 end and around 2% compared to year end, pushed by higher net loans to individuals.

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 decreased by 45% versus December 31, 2017 for both the Bank and the Group. The variation is driven by the decrease in deposits held at Central Bank, with the liquidity being placed in loans to customers and interbank placements.

This aggregate accounted for about 16% of total assets for the Group at June 2018 end, compared to 19% at December 2017 end, and 16% at June 2017 end. The most important component of this aggregate, represented by the minimum compulsory reserve held with the National Bank of Romania (RON 3,669 million for June 2018, RON 3,562 million for December 2017 and RON 3,540 million for June 2017), increased year on year and year to date on higher deposits inflows from customers.

OTHER FINANCIAL INSTRUMENTS

Other financial instruments mostly represent treasury bills and bonds issued by the Romanian Government that are accounted as financial assets at fair value through profit and loss, or financial assets at fair value through other comprehensive income, and also derivatives and other instruments held for trading. These items represented ca. 26% of total Group assets as of June 2018 end and remained rather stable compared to both the same period of the last year and 2017 year end.

TANGIBLE AND INTANGIBLE ASSETS

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

Total value of investments in H1-2018 was approximately RON 56 million for the Bank and the Group, compared to RON 64 million for the Bank and the Group in H1-2017, with IT related investments having the largest weight. 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-17	Dec-17	Jun-18	% total	vs. Dec-17	vs. Jun-17
Amounts owed to credit institutions	646	935	472	0.9%	-49.5%	-26.9%
Amounts owed to customers	43,118	44,387	44,294	84.5%	-0.2%	2.7%
Other liabilities	1,157	1,141	1,306	2.5%	14.5%	12.8%
Shareholders equity	6,616	7,028	6,332	12.1%	-9.9%	-4.3%
Total liabilities and shareholders equity	51,537	53,491	52,404	100.0%	-2.0%	1.7%

THE GROUP

Liabilities and shareholders equity (RONm)	Jun-17	Dec-17	Jun-18	% total	vs. Dec-17	vs. Jun-17
Amounts owed to credit institutions	1,615	2,138	1,641	3.0%	-23.3%	1.6%
Amounts owed to customers	43,060	44,220	44,252	82.1%	0.1%	2.8%
Other liabilities	1,201	1,201	1,381	2.6%	15.0%	15.0%
Shareholders equity	6,920	7,369	6,635	12.3%	-10.0%	-4.1%
Total liabilities and shareholders equity	52,796	54,927	53,909	100.0%	-1.9%	2.1%

AMOUNTS OWED TO CUSTOMERS

At June 30, 2018, the share in total liabilities of the customer deposits reached 96% for the Bank and 94% for the Group, demonstrating a solid funding base. The share in total liabilities was up by 1 percentage point compared to Dec-17 end and remained unchanged compared to Jun-17 end.

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 1% of the total liabilities for the Bank and 3.5% for the Group at the end of the analysed period.

BRD Group's borrowings from Société Générale totalled circa RON 1 billion (2.1% of total liabilities).

SHAREHOLDERS' EQUITY

The shareholders' equity decreased by nearly 4% on an annual basis and nearly 10% compared to year end, mainly as a result of decrease in reserves from revaluation of capital and debt instruments which are accounted at fair value through other comprehensive income and lower retained earnings after the payment of dividends to shareholders.

The structure of the shareholders' equity evolved as follows:

THE BANK

Shareholders' equity (RONm)	Jun-17	Dec-17	Jun-18	vs. Dec-17	vs. Jun-17
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	280	62	(193)	-413.6%	-169.0%
Retained earnings and capital reserves	3,821	4,451	4,010	-9.9%	5.0%
Total shareholders' equity	6,616	7,028	6,332	-9.9%	-4.3%

THE GROUP

Shareholders' equity (RONm)	Jun-17	Dec-17	Jun-18	vs. Dec-17	vs. Jun-17
Share capital	2,516	2,516	2,516	0.0%	0.0%
Other reserves	282	66	(187)	-382.1%	-166.3%
Retained earnings and capital reserves	4,071	4,733	4,263	-9.9%	4.7%
Non-controlling interest	51	53	44	-18.3%	-14.5%
Total shareholders' equity	6,920	7,369	6,635	-10.0%	-4.1%

LIQUIDITY POSITION

Both the Bank and the Group maintained a balanced structure of resources and placements and a solid liquidity position over January - June 2018.

The net loans/deposits ratio reached 64.1% at June 30, 2018 (from 62.8% at December 31, 2017 and 63.9% at June 30, 2017) for the Bank and 67.3% for the Group, including financial lease receivables (from 66.0% at December 31, 2017 and 66.7% at June 30, 2017).

H1-2018 FINANCIAL RESULTS

The comparative income statement of the Group for the periods January – June 2018 and January – June 2017 is presented below:

RONm	H1-2017	H1-2018	Variation
Net banking income	1,339	1,480	10.5%
- net interest income	828	937	13.2%
- net commissions	367	379	3.2%
- other banking income	144	163	13.5%
Operating expenses	-718	-738	2.8%
- staff expenses	-339	-378	11.3%
- non-staff expenses	-379	-360	-4.8%
Operating profit	621	742	19.4%
Net cost of risk	270	154	-42.8%
Gross result	891	896	0.6%
Net result	750	757	0.9%
Net result adjusted w/ non recurring COR	522	702	34.5%
Profit attributable to equity holders of the parent	744	752	1.1%

The comparative income statement of the Bank for the periods January – June 2018 and January – June 2017 is presented below:

RONm	H1-2017	H1-2018	Variation
Net banking income	1,289	1,438	11.5%
- net interest income	772	879	13.8%
- net commissions	349	362	3.5%
- other banking income	168	198	17.6%
Operating expenses	-679	-697	2.6%
- staff expenses	-317	-353	11.3%
- non-staff expenses	-361	-343	-5.0%
Operating profit	610	741	21.4%
Net cost of risk	276	160	-42.2%
Gross result	886	900	1.6%
Net result	750	767	2.2%
Net result adjusted w/ non recurring COR	522	712	36.5%

BRD Group's net banking income increased by +10.5% versus the same period of the last year, favourably influenced by continued increase in net interest income, higher fees and commissions and other revenues categories. Net interest income advanced by +13.2% year on year, and was positively influenced by the strong rise in RON interest rates (average ROBOR 3M at 2.33% in H1-2018 vs. 0.84% in H1-2017) and volume growth on retail segment. Fees and commissions revenues were up +3.2% vs. the same period of the last year, pushed by higher volumes of transactions, as well as increasing revenues from custody and depository services. Other revenues increase, up by +13.5% year on year, mostly on higher trading results.

Increase in operating expenses was contained at +2.8% YoY for the Group, primarily influenced by the increase in staff costs, up by +11.3% on adjustment of compensation packages, including the charge for granting the 13th salary, in the context of continued pressures on salary costs in a tight labor market. Other operational expenditures decreased on a yearly basis by almost 5% mainly as a result of halved contributions to the Bank Deposit Guarantee Fund and the Resolution Fund as compared to last year.

In this context, the Group cost/income ratio improved by 3.7 pts year on year, reaching 49.9% in H1-2018 compared to 53.6% in H1-2017. BRD Group registered a solid operating performance, marking a double-digit growth in gross operating income, up by +19.4% compared to the same period of last year.

BRD Group registered a considerable improvement of asset quality reflected by: lower NPL* ratio by 2.5 pts, at 6.3% at Jun-18 end vs 8.8% at Jun-17 end and high level of coverage of non performing exposures with coverage ratio at 73.0% at Jun-18 end (vs. 75.0% at Jun-17 end), all ratios according to EBA methodology. Risk costs remained positive yet to a lesser extent compared to first half of last year, to RON 154m vs RON 270m in H1 2017, which benefitted from significant non recurring items (recognition of insurance indemnities and gain on sale of non performing loans).

BRD Group recorded a significant increase in profitability in the first half of the year: when adjusted for non recurring cost of risk items, the net result reached RON 702 million in H1-2018 from RON 522m in H1-2017, +34.5% year on year (RON 757m in H1 2018 vs RON 750m in H1-2017, unadjusted) on improved net interest income, higher volumes and positive level of cost of risks.

These positive results lead to a return on equity of 21.6% in H1-2018 (vs. 22.1% in H1-2017) and return on assets of 2.8% (vs. 2.9% in H1-2017). The Bank recorded similar trends, which led to a net result of RON 712m from RON 522m, up by +36.5% vs H1-2017 when adjusted with non recurring cost of risk items (RON 767m in H1-2018 vs. RON 750m in H1-2017, unadjusted).

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-17	Dec-17	Jun-18
Tier 1 capital	5,319	5,339	5,080
TOTAL OWN FUNDS	5,319	5,339	5,080
Capital requirements	2,197	2,162	2,162
Credit risk (including counterparty risk)	25,006	24,971	24,741
Market risk	220	164	147
Operational risk	2,126	1,822	1,958
CVA risk	110	66	180
Total risk exposure amount	27,462	27,023	27,027
Regulatory CAR	19.4%	19.8%	18.8%

Note: risk exposure amount for Jun -18 is preliminary.

At Bank level, the capital adequacy ratio stood at 18.8% at June 30, 2018 (Basel 3) well above the regulatory requirement. The Tier 1 ratio was also 18.8% compared to 19.8% at December 31, 2017 and 19.4% at June 30, 2017. The variation compared to 2017 year end is driven by the lower other comprehensive income reserves on debt instruments.

* NPL ratio at Jun-17 end restated as to reflect the change in exposure classification of financial instruments held for trading

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 2018 the Bank found itself in no such cases as to be unable to meet its financial obligations.

In the period January – June 2018, 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 34 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

BRD delivered solid profitability in the first half of the year and continued to improve its commercial performance, with retail business being the key growth driver, as reflected by the increasing number of transactions and growing loan and deposit volumes. BRD's efforts are focused on offering its customers streamlined experiences, while continuously refining and expanding its online and mobile platforms, proactively meeting the requirements of all its customers, including the most digitally astute ones. Looking forward, BRD remains committed to financing the Romanian economy through a well-tailored offer and by further refining its business model in order to deliver sustainable growth.

The interim financial report as at June 30, 2018 has been reviewed for the Bank only.

Giovanni Luca SOMA

Chairman of the Board of Directors

Francois BLOCH

Chief Executive Officer

Petre BUNESCU

Deputy Chief Executive Officer

Stephane FORTIN

Chief Financial Officer