

BRD – Groupe Société Générale S.A.

INTERIM FINANCIAL STATEMENTS

JUNE 30, 2016

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
as of June 30, 2016
(Amounts in thousands RON)

	Note	Group		Bank	
		Unaudited (*)		June 30, 2016	December 31, 2015
		June 30, 2016	December 31, 2015		
ASSETS					
Cash in hand		1,289,237	1,339,602	1,289,213	1,339,580
Due from Central Bank	4	3,893,651	7,480,319	3,893,651	7,480,319
Due from banks	5	3,528,149	2,314,800	3,501,962	2,287,837
Derivatives and other financial instruments held for trading	6	660,357	1,218,112	660,367	1,218,133
Loans and advances to customers	7	27,758,936	26,741,471	27,367,027	26,376,425
Finance lease receivables	8	639,818	549,354	-	-
Financial assets available for sale	9	10,331,366	9,208,959	10,313,961	9,190,919
Investments in associates and subsidiaries		117,052	121,787	158,997	157,527
Property, plant and equipment	10	821,380	851,260	814,132	843,628
Investment property		14,641	15,337	14,641	15,337
Goodwill	11	50,130	50,130	50,130	50,130
Intangible assets	12	81,366	82,617	76,299	76,214
Deferred tax asset	17	16,619	19,194	13,134	15,584
Other assets	13	282,151	185,668	211,657	141,233
Total assets		49,484,853	50,178,610	48,365,171	49,192,866
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due to banks	14	926,232	781,180	926,232	781,180
Due to customers	15	40,190,110	41,098,674	40,270,313	41,191,873
Borrowed funds	16	1,057,434	1,099,793	205,859	348,037
Derivatives and other financial instruments held for trading	6	168,410	153,210	168,410	153,218
Current tax liability		44,776	1,463	42,817	-
Deferred tax liability	17	427	539	-	-
Other liabilities	18	734,898	786,308	659,292	737,369
Total liabilities		43,122,287	43,921,167	42,272,923	43,211,677
Share capital	19	2,515,622	2,515,622	2,515,622	2,515,622
Reserves from revaluation of available for sale assets		330,810	380,308	330,810	380,308
Reserves from defined pension plan		12,442	12,442	12,442	12,442
Retained earnings	20	3,456,272	3,299,819	3,233,374	3,072,817
Non-controlling interest		47,420	49,252	-	-
Total equity		6,362,566	6,257,443	6,092,248	5,981,189
Total liabilities and equity		49,484,853	50,178,610	48,365,171	49,192,866

Philippe Lhotte
Chief Executive Officer

Petre Bunescu
Deputy Chief Executive Officer

Stephane Fortin
Chief Financial Officer

The accompanying notes are an integral part of this interim financial statements

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE INCOME STATEMENT
for the period ended June 30, 2016
(Amounts in thousands RON)

	Note	Group		Bank	
		Unaudited (*)	Unaudited (*)	Unaudited (*)	Unaudited (*)
		Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Interest and similar income	21	905,619	986,060	847,544	927,912
Interest and similar expense	22	(120,549)	(250,775)	(113,216)	(242,128)
Net interest income		785,070	735,284	734,328	685,784
Fees and commissions, net	23	381,397	368,838	364,698	354,841
Foreign exchange gain		95,665	12,901	95,590	12,136
Gain on derivative and other financial instruments held for trading	24	34,648	118,445	34,393	118,304
Gain on financial assets available for sale	26	121,394	21,035	121,326	20,555
Income from associates		10,734	8,036	16,939	14,327
Other income	25	4,965	5,084	14,048	8,665
Operating income		1,433,873	1,269,623	1,381,322	1,214,612
Personnel expenses	28	(338,467)	(321,776)	(316,466)	(300,367)
Depreciation, amortisation and impairment on tangible and intangible assets	29	(63,522)	(66,966)	(61,559)	(65,184)
Contribution to Guarantee Scheme and Resolution Fund	27	(65,139)	(88,050)	(65,139)	(88,050)
Other operating expenses	30	(238,322)	(243,944)	(223,886)	(230,304)
Total operating expenses		(705,450)	(720,737)	(667,050)	(683,905)
Net operating profit		728,423	548,886	714,272	530,707
Cost of risk	31	(282,404)	(268,858)	(270,484)	(255,590)
Profit before income tax		446,019	280,028	443,788	275,117
Current income tax expense	17	(53,101)	(4,475)	(49,769)	-
Deferred tax expense	17	(11,891)	(42,554)	(11,878)	(43,510)
Total income tax		(64,992)	(47,029)	(61,647)	(43,510)
Profit for the period		381,027	232,999	382,141	231,607
Profit attributable to equity holders of the parent		378,009	231,335		
Profit attributable to non-controlling interests		3,018	1,664		
Basic and diluted earnings per share (in RON)	37	0.5424	0.3319	0.5483	0.3323

The accompanying notes are an integral part of this interim financial statements

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(*) Unaudited / unreviewed by the financial auditor

BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the period ended June 30, 2016
(Amounts in thousands RON)

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Result for the period	381,027	232,999	382,141	231,607
Net comprehensive income that was or will be reclassified to profit and loss in subsequent periods	(49,498)	(139,485)	(49,498)	(139,432)
Reclassifications to profit and loss during the period	(121,394)	(21,035)	(121,326)	(20,555)
Revaluation differences	62,468	(145,017)	62,400	(145,436)
Income tax relating to available-for-sale financial assets	9,428	26,568	9,428	26,558
Other comprehensive income for the period, net of tax	(49,498)	(139,485)	(49,498)	(139,432)
Total comprehensive income for the period, net of tax	331,529	93,514	332,643	92,175
Attributable to:				
Equity holders of the parent	328,511	91,850		
Non-controlling interest	3,018	1,664		

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BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period ended June 30, 2016
(Amounts in thousands RON)

Group Unaudited (*)

	Nota	Attributable to equity holders of the parent				Non-controlling interest	Total equity
		Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Reserves from defined pension plan		
December 31, 2014		2,515,622	342,066	2,830,911	9,966	51,650	5,750,215
Total comprehensive income		-	(139,485)	231,335	-	1,664	93,514
Net Profit for the period		-	-	231,335	-	1,664	232,999
Other comprehensive income		-	(139,485)	-	-	-	(139,485)
Shared-based payment		-	-	2,432	-	-	2,432
Equity dividends		-	-	-	-	(3,813)	(3,813)
June 30, 2015		2,515,622	202,581	3,064,676	9,966	49,501	5,842,346

	Nota	Attributable to equity holders of the parent				Non-controlling interest	Total equity
		Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Reserves from defined pension plan		
December 31, 2015		2,515,622	380,308	3,299,819	12,442	49,252	6,257,443
Total comprehensive income		-	(49,498)	378,009	-	3,018	331,529
Net Profit for the period		-	-	378,009	-	3,018	381,027
Other comprehensive income		-	(49,498)	-	-	-	(49,498)
Shared-based payment		-	-	1,452	-	-	1,452
Equity dividends		-	-	(223,008)	-	(4,850)	(227,858)
June 30, 2016	20	2,515,622	330,810	3,456,272	12,442	47,420	6,362,566

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BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
for the period ended June 30, 2016
(Amounts in thousands RON)

Bank

	Nota	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Reserves from defined pension plan	Total equity
December 31, 2014		2,515,622	342,066	2,624,763	9,966	5,492,417
Total comprehensive income		-	(139,432)	231,607	-	92,175
Net Profit for the period		-	-	231,607	-	231,607
Other comprehensive income		-	(139,432)	-	-	(139,432)
Shared-based payment		-	-	2,033	-	2,033
June 30, 2015		2,515,622	202,634	2,858,403	9,966	5,586,625

	Nota	Issued capital	Reserves from revaluation of available for sale assets	Retained earnings	Reserves from defined pension plan	Total equity
December 31, 2015		2,515,622	380,308	3,072,817	12,442	5,981,189
Total comprehensive income		-	(49,498)	382,141	-	332,643
Net Profit for the period		-	-	382,141	-	382,141
Other comprehensive income		-	(49,498)	-	-	(49,498)
Shared-based payment		-	-	1,424	-	1,424
Equity dividends		-	-	(223,008)	-	(223,008)
June 30, 2016	20	2,515,622	330,810	3,233,374	12,442	6,092,248

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BRD – Groupe Société Générale S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS
for the period ended June 30, 2016
(Amounts in thousands RON)

Note	Group		Bank	
	Unaudited (*)	Unaudited (*)	Unaudited (*)	Unaudited (*)
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash flows from operating activities				
Profit before tax	446,019	280,027	443,788	275,117
<i>Adjustments for non-cash items</i>				
Depreciation and amortization expense and net loss/(gain) from disposals of tangible and intangible assets	29	63,522	66,966	61,559
Share based payment	28	1,452	2,432	1,424
Loss from investment revaluation		6,205	6,291	-
Net expenses from impairment of loans and from provisions	31	344,274	318,976	329,573
Income tax paid		(19,613)	(17,031)	(25,554)
		841,859	646,940	819,313
Operating profit before changes in operating assets and liabilities				
Changes in operating assets and liabilities				
Current account with NBR		3,586,668	1,799,433	3,586,668
Accounts and deposits with banks		157,998	94,319	157,254
Available for sale securities		(1,171,905)	(1,499,881)	(1,172,540)
Loans		(1,361,722)	(446,150)	(1,320,156)
Lease receivables		(90,465)	5,593	-
Other assets		451,956	(532,914)	477,914
Due to banks		145,052	(57,889)	145,052
Due to customers		(908,564)	1,736,363	(921,560)
Other liabilities		(30,335)	183,304	(56,644)
Total changes in operating assets and liabilities		778,683	1,282,178	895,988
Cash flow from operating activities		1,620,543	1,929,118	1,715,301
Investing activities				
Acquisition of equity investments		(1,470)	(67)	(1,470)
Acquisition of tangible and intangible assets	10,12	(31,699)	(37,039)	(31,459)
Proceeds from sale of tangible and intangible assets	10,12	7	937	7
Cash flow from investing activities		(33,162)	(36,169)	(34,717)
Financing activities				
Proceeds from borrowings	16	474,072	295,005	18,651
Repayment of borrowings	16	(516,431)	(279,912)	(160,829)
Dividends paid		(224,039)	(3,813)	(219,189)
Net cash from financing activities		(266,398)	11,280	(361,367)
Net movements in cash and cash equivalents		1,320,982	1,904,229	1,321,012
Cash and cash equivalents at beginning of the period	32	3,265,893	2,295,978	3,265,032
Cash and cash equivalents at the end of the period	32	4,586,875	4,200,207	4,586,044
Operational cash flows from interest and dividends				
		Group	Bank	
		Unaudited (*)	Unaudited (*)	
		Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016
Interest paid		152,265	263,590	144,564
Interest received		1,078,431	1,167,908	1,019,348
Dividends received		24,253	14,784	28,913

The amount of undrawn borrowing facilities that may be available for future operating activities is in amount of 696,648 (December 31, 2015: 714,173) and includes as at June 30, 2016 an amount of 678,150 (December 31, 2015: 678,675) representing a stand by line concluded with the parent for contingency funding purposes as requested by the Romanian banking regulations on liquidity management, and a total of 18,498 (December 31, 2015: 35,498) in relation with international financial institutions.

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2016
(Amounts in thousands RON)

1. Corporate information

BRD – Groupe Société Générale (the “Bank” or “BRD”) is a joint stock company incorporated in Romania. The Bank commenced business as a state owned credit institution in 1990 by acquiring assets and liabilities of the former Banca de Investitii. The Bank headquarters and registered office is 1-7 Ion Mihalache Blvd, Bucharest.

BRD together with its subsidiaries (the “Group”) offers a wide range of banking and financial services to corporates and individuals, as allowed by law. The Group accepts deposits from the public and grants loans and leases, carries out funds transfer in Romania and abroad, exchanges currencies and provides other financial services for its commercial and retail customers.

The ultimate parent is Société Générale S.A. (the “Parent” or “SG”).

The Bank has as at June 30, 2016 818 units throughout the country (December 31, 2015: 829).

The average number of active employees of the Group during the first semester of 2016 was 7,761 (2015: 7,810), and the number of active employees of the Group as of the period-end was 7,706 (December 31, 2015: 7,766).

The average number of active employees of the Bank during the first semester of 2016 was 7,205 (2015: 7,260), and the number of active employees of the Bank as of the period-end was 7,148 (December 31, 2015: 7,208).

BRD – Groupe Société Générale has been quoted on Bucharest Stock Exchange (“BVB”) since January 15, 2001.

The shareholding structure of the Bank is as follows:

	June 30, 2016	December 31, 2015
Societe Generale France	60.17%	60.17%
Fondul proprietatea	3.64%	3.64%
SIF Transilvania	3.37%	3.48%
SIF Oltenia	2.54%	2.70%
Legal entities	26.95%	26.66%
Individuals	3.33%	3.35%
Total	100.00%	100.00%

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2016
(Amounts in thousands RON)

2. Basis of preparation

a) Basis of preparation

The separate interim financial statements as at 30 June 2016 are of the Bank BRD – Groupe Société Générale. These are reviewed by Ernst & Young Assurance Services SRL in accordance with International Standards of Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. The consolidated interim financial statements as at 30 June 2016 and 30 June 2015 are not audited nor reviewed (references included in the financial statements and selected explanatory notes).

The interim financial statements for the six months ended 30 June 2016 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim financial statements does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2015. In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, and Order of the National Bank of Romania Governor no. 27/2010, as amended, BRD prepared consolidated and separate financial statements for the year ended December 31, 2015 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU").

The consolidated interim financial statements includes the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in shareholders' equity, the consolidated cash flow statement, and selected explanatory notes.

The separate interim financial statements includes the separate statement of financial position, the separate income statement, the separate statement of comprehensive income, the statement of changes in shareholders' equity, the separate cash flow statement, and selected explanatory notes.

The consolidated and separate interim financial statements is presented in Romanian lei ("RON"), which is the Group's and its subsidiaries' functional and presentation currency, rounded to the nearest thousand, except when otherwise indicated. The consolidated and separate interim financial statements has been prepared on a historical cost basis, except for available-for-sale investments, derivative financial instruments, other financial assets and liabilities held for trading, which have all been measured at fair value.

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

b) Basis for consolidation

The consolidated interim financial statements comprises the financial statements of the credit institution and its subsidiaries as at June 30, 2016. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies.

A subsidiary is an entity over which the Bank exercises control. An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2016
(Amounts in thousands RON)

2. Basis of preparation (continued)

b) Basis for consolidation (continued)

affect those returns through its power over the investee. The consolidated financial statements include the financial statements of BRD – Groupe Société Générale S.A. and the following subsidiaries: BRD Sogelease IFN S.A. (99.98% ownership, 2015: 99.98%), BRD Finance IFN S.A (49% ownership, 2015: 49%, control through the power to govern the financial and operating policies of the entity under various agreements), BRD Corporate Finance SRL (100% ownership, 2015: 100 %) and BRD Asset Management SAI SA (99.98% ownership, 2015: 99.98%). All intercompany transactions, balances and unrealized gains and losses on transactions between consolidated entities are eliminated on consolidation.

Starting October 1, 2014 the activity of BRD Corporate Finance SRL was temporarily interrupted for a period of three years.

Group			
<u>Associates</u>	Field of activity	Address	%
ALD Automotive SRL	Operational leasing	1-7, Ion Mihalache Street, Bucharest	20.00%
Mobiasbanca Groupe Societe Generale S.A.	Financial institution	81 Stefan cel Mare si Sfint Street, Kishinev, Republic of Moldova	20.00%
BRD Asigurari de Viata SA	Insurance	15 Splaiul Independentei Street, bloc 100, district 5, Bucharest	49.00%
Fondul de Garantare a Creditului Rural IFN SA	Loans guarantee	5 Occidentului Street, Bucharest	33.33%
Biroul de Credit S.A.	Financial institution	29 Sfanta Vineri Street, floor 4, district 3, Bucharest	16.38%
BRD Societate de Administrare a Fondurilor de Pensii Private SA	Pension fund management	15 Splaiul Independentei Street, bloc 100, district 5, Bucharest	49.00%
BRD Sogelease Asset Rental SRL	Operational leasing	1-7, Ion Mihalache Street, Bucharest	20.00%
Bank			
<u>Associates</u>	Field of activity	Address	%
ALD Automotive SRL	Operational leasing	1-7, Ion Mihalache Street, Bucharest	20.00%
Mobiasbanca Groupe Societe Generale S.A.	Financial institution	81 Stefan cel Mare si Sfint Street, Kishinev, Republic of Moldova	20.00%
BRD Asigurari de Viata SA	Insurance	15 Splaiul Independentei Street, bloc 100, district 5, Bucharest	49.00%
Fondul de Garantare a Creditului Rural IFN SA	Loans guarantee	5 Occidentului Street, Bucharest	33.33%
Biroul de Credit S.A.	Financial institution	29 Sfanta Vineri Street, floor 4, district 3, Bucharest	16.38%
BRD Societate de Administrare a Fondurilor de Pensii Private SA	Pension fund management	15 Splaiul Independentei Street, bloc 100, district 5, Bucharest	49.00%
<u>Subsidiaries</u>			
BRD Sogelease IFN SA	Financial lease	1-7, Ion Mihalache Street, Bucharest	99.98%
BRD Finance IFN SA	Financial institution	1-7, Ion Mihalache Street, Bucharest	49.00%
BRD Asset Management SAI SA	Fund administration	18 Elefterie Street, district 5, Bucharest	99.98%
BRD Corporate Finance SRL	Business consultancy	1-7, Ion Mihalache Street, Bucharest	100.00%

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date such control ceases.

Equity and net income attributable to non-controlling interest are shown separately in the statement of financial position and statement of comprehensive income, respectively.

Acquisition of non-controlling interest is accounted for so that the difference between the consideration and the fair value of the share of the net assets acquired is recognised as goodwill. Any negative difference between the cost of acquisition and the fair values of the identifiable net assets acquired (i.e. a gain from a bargain purchase) is recognised directly in the income statement in the year of acquisition.

The Bank is accounting the investments in subsidiaries and associates in the separate interim financial statements at cost less impairment adjustment.

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BRD – Groupe Société Générale S.A.
NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2016
(Amounts in thousands RON)

2. Basis of preparation (continued)

c) Changes in accounting policies and adoption of revised/amended IFRS

The accounting policies adopted in the preparation of interim financial statements are consistent with those followed in the preparation of Group's annual financial statement for the year ended December 31, 2015.

The following new and revised IFRSs have also been adopted in this interim financial statements. The impact of the application of these new and revised IFRSs has been reflected in the financial statements, except disclosures already presented.

- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions.** The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- **The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle,** which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015.
 - **IFRS 2 Share-based Payment:** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
 - **IFRS 3 Business combinations:** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
 - **IFRS 8 Operating Segments:** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
 - **IFRS 13 Fair Value Measurement:** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
 - **IAS 16 Property Plant & Equipment:** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
 - **IAS 24 Related Party Disclosures:** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

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NOTES TO THE CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS
as of and for the period ended June 30, 2016
(Amounts in thousands RON)

2. Basis of preparation (continued)

c) Changes in accounting policies and adoption of revised/amended IFRS (continued)

- **IAS 38 Intangible Assets:** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization.** The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.
- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations.** The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions.
- **IAS 27 Separate Financial Statements (amended).** The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors.
- **IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments).** The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.
- **IAS 1: Disclosure Initiative (Amendment).** The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to

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2. Basis of preparation (continued)

c) Changes in accounting policies and adoption of revised/amended IFRS (continued)

materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments.

- **The IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016.
 - **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
 - **IFRS 7 Financial Instruments: Disclosures:** The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
 - **IAS 19 Employee Benefits:** The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
 - **IAS 34 Interim Financial Reporting:** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

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2. Basis of preparation (continued)

d) Standards and Interpretations that are issued but have not yet come into effect

Standards issued but not yet effective up to the date of issuance of the Group and Bank's consolidated and separate financial statements are listed below. This listing is of standards and interpretations issued, which the Group and Bank reasonably expects to be applicable at a future date. The Group and Bank intends to adopt those standards when they become effective.

The Group and Bank is in progress of assessing the impact of the adoption of these standards, amendments to the existing standards and interpretations on the consolidated and separate financial statements of the Group and Bank in the period of initial application.

- **IFRS 9 Financial Instruments: Classification and Measurement.** The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The amendment has not yet been endorsed by the European Union.
- **IFRS 15 Revenue from Contracts with Customers.** The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.
- **IFRS 15: Revenue from Contracts with Customers (Clarifications).** The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These Clarifications have not yet been endorsed by the European Union.
- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.** The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

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2. Basis of preparation (continued)

d) Standards and Interpretations that are issued but have not yet come into effect (continued)

- **IFRS 16: Leases.** The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.
- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments).** The Amendments become effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. These amendments have not yet been endorsed by the European Union.
- **IAS 7: Disclosure Initiative (Amendments).** The Amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These Amendments have not yet been endorsed by the European Union.
- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)** The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the European Union.

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2. Basis of preparation (continued)

e) Significant accounting judgments and estimates

In the process of applying the Bank's accounting policies, management is required to use its judgements and make estimates in determining the amounts recognized in the interim financial statements. The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 38.

Impairment losses on loans and receivables

The Group and Bank reviews its loans and advances at each reporting date to assess whether there is any objective evidence of impairment and an allowance should be recorded in the income statement. When determining the level of allowance required, estimations regarding the amount and timing of future expected cash flows are made, based on assumptions about a number of factors; the actual outcome could differ, resulting in future changes to the allowance.

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days, whether a severe alteration in the counterparty's financial standing is observed, entailing a high probability that the debtor will not be able to fully meet its credit obligations or whether concessions in the form of restructuring were consented by the Group and Bank under the circumstances of financial hardship experienced by the debtor.

For individually significant loans and advances, the Group and Bank identifies and quantifies the expected future cash flows to be used for a total or partial reimbursement of the obligations, based on the capacity of the client/business to generate revenues, proceeds resulting from sale of collaterals and other clearly identified sources of repayment.

The remaining loans and advances classified as impaired are grouped based on similar credit risk characteristics (debtor segmentation, product type, impairment trigger, delinquency) and a collective impairment allowance is computed against these exposures. The estimated loss rates, determined at the level of each sub-portfolio, are based on statistical observations and expertly adjusted, in order to reflect the perspectives of the recovery process and of the business environment.

The Group and Bank also books provisions for assets without objective evidence of individual impairment ("incurred but not reported losses"). The collective assessment takes into account the depreciation that is likely to affect the portfolio, determined based on statistically assessed probabilities of default and loss given default rates.

The methodology and assumptions used for estimating the provisioning parameters for collectively assessed impaired financial assets, as well as for assets without objective evidence of impairment are periodically reviewed in order to reduce the potential gaps between estimated losses and observed losses during a certain period of time. The level of provisions is back-tested at least annually, by means of statistical analysis.

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2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

Law no 77/2016 on in-kind payment of loan debts entered into force starting May 13, 2016. According to this Law the clients may give the real-estate property brought as collateral to the Bank and in return the loan debt is erased. The loans affected by the provisions of this regulation are loans covered by real estate collateral with an initial amount below 250 thousands EUR and outside Prima Casa governmental program.

Considering the above, the Bank identified the loans eligible under this law worth 5,188,414, out of which 581,986 are already impaired and the specific allowances related to them amount to 298,020 as at June 30, 2016.

There is a significant level of uncertainty regarding the impact of the law on the Bank's financial position and performance, considering the short period of time elapsed from entering into force to the end of the reporting period, and also the numerous factors that may affect clients' behavior: clients' situation (with/without financial difficulties) and capacity to refinance, type of collateral (primary or secondary residence, plot of land), Loan-to-Value, real estate market situation and expected future evolution of the market, etc.

Based on the information available as at June 30, 2016 a collective impairment allowance amounting to 90,420 has been booked for not individually impaired loans falling under the provisions of this law.

Impairment of goodwill

The Bank determines whether the goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Bank to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of June 30, 2016 was 50,130 (December 31, 2015: 50,130).

Deferred tax asset

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible taxable difference can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

According to current Romanian fiscal regulation tax losses can be covered from future tax profits obtained in the following consecutive seven years.

The Group and Bank estimates that the tax losses related to 2012 and 2013 financial years will be covered from the tax profits expected in the next seven years.

Retirement benefits

The cost of the defined benefit retirement plan is determined using an actuarial valuation at each year end. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The assumptions are described in Note 18.

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2. Basis of preparation (continued)

e) Significant accounting judgments and estimates (continued)

Investments

As at June 30, 2016 the Group and Bank reclassified the municipal bonds (Timis Council and Bucharest Municipality) amounting to 262,409 from financial assets available for sale to “loans and advances to customers” and measures them at amortised cost. The reclassification was made based on the Group’s and Bank’s intention and capacity to keep these instruments till maturity in order to benefit only from principal and interest. This reclassification is prospective.

f) Segment information

A segment is a component of the Bank:

- That engages in business activity from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and;
- For which distinct financial information is available;

The Group and Bank’s segment reporting is based on the following segments: *Retail* including Individuals and Small Business and *Non-retail* including Small and medium enterprises (“SMEs”) and Large corporate and *Other* category including: treasury activities, ALM and other categories unallocated to the business lines mentioned above (fixed assets, taxes, equity investments, etc).

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3. Segment information

The segments used for management purposes are based on customer type and size, products and services offered as follows:

In Retail (Individuals & Small Business) category the following customer's segments are identified:

- Individuals – the Bank provides individual customers with a range of banking products such as: saving and deposits taking, consumer and housing loans, overdrafts, credit card facilities, funds transfer and payment facilities, etc.
- Small business – business entities with annual turnover lower than EUR 1 million and having an aggregated exposure at group level less than EUR 0.3 million. Standardised range of banking products is offered to small companies and professional: saving and deposits taking, loans and other credit facilities, etc.

Retail customers include clients with similar characteristics in terms of financing needs, complexity of the activity performed and size of business for which a range of banking products and services with medium to low complexity is provided.

In Non –Retail category the following customer's segments are identified:

- Small and medium enterprises (companies with annual turnover between EUR 1 million and EUR 50 million and the aggregated exposure at group level higher than EUR 0.3 million);
- Large corporate (corporate banking and companies with annual turnover higher than 50 million EUR, municipalities, public sector and other financial institutions).

The Bank provides these customers with a range of banking products and services, including saving and deposits taking, loans and other credit facilities, transfers and payment services, provides cash-management, investment advices, securities business, project and structured finance transaction, syndicated loans and asset backed transactions.

The Subsidiaries category includes: BRD Finance IFN SA, BRD Sogelease IFN SA and BRD Asset Management SAI.

The Other category includes: treasury activities, ALM and other categories unallocated to the business lines mentioned above (fixed assets, taxes, equity investments, etc).

The Executive Committee monitors the activity of each segment separately for the purpose of making decisions about resource allocation and performance assessment.

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3. Segment information (continued)

	Group							
	June 30, 2016				December 31, 2015			
	Total	Retail	Non retail	Subsidiaries	Total	Retail	Non retail	Subsidiaries
Loans and advances to customers, net & Finance lease receivables	28,398,755	18,250,162	9,062,311	1,086,282	27,290,825	17,751,211	8,579,467	960,147
Due to customers	40,190,110	24,668,340	15,521,770	0	41,098,674	23,649,283	17,449,391	0

	Bank					
	June 30, 2016			December 31, 2015		
	Total	Retail	Non retail	Total	Retail	Non retail
Loans and advances to customers, net	27,367,027	18,250,162	9,116,865	26,376,425	17,751,211	8,625,214
Due to customers	40,270,313	24,668,340	15,601,973	41,191,873	23,649,283	17,542,590

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3. Segment information (continued)

	Group Six months ended June 30, 2016					Six months ended June 30, 2015				
	Total	Retail	Non retail	Subsidiaries	Other	Total	Retail	Non retail	Subsidiaries	Other
Net interest income	785,070	468,435	216,526	50,735	49,374	735,284	432,668	219,500	48,412	34,703
Fees and commissions, net	381,397	270,960	93,950	16,739	(252)	368,838	253,725	102,141	15,245	(2,273)
Total non-interest income	267,406	48,651	41,724	2,429	174,601	165,501	48,971	46,654	3,971	65,905
Operating Income	1,433,873	788,047	352,200	69,904	223,723	1,269,623	735,365	368,295	67,629	98,335
Total operating expenses	(705,450)	(471,756)	(185,525)	(38,373)	(9,796)	(720,737)	(484,912)	(192,464)	(36,833)	(6,528)
Cost of risk	(282,404)	(160,965)	(106,665)	(11,902)	(2,871)	(268,858)	(2,307)	(270,557)	(13,910)	17,916
Profit before income tax	446,019	155,326	60,010	19,628	211,054	280,029	248,146	(94,726)	16,885	109,724
Profit for the period	381,027	132,048	50,416	17,206	181,357	232,999	209,479	(81,245)	13,171	91,594
Cost Income Ratio	49.2%	59.9%	52.7%	54.9%	4.4%	56.8%	65.9%	52.3%	54.5%	6.6%

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3. Segment information (continued)

	Bank							
	Six months ended June 30, 2016				Six months ended June 30, 2015			
	Total	Retail	Non retail	Other	Total	Retail	Non retail	Other
Net interest income	734,328	468,435	216,526	49,367	685,784	432,668	219,500	33,615
Fees and commissions, net	364,698	270,960	93,950	(212)	354,841	253,725	102,141	(1,025)
Total non-interest income	282,296	48,651	41,724	191,921	173,987	48,971	46,654	78,362
Operating Income	1,381,322	788,047	352,200	241,075	1,214,612	735,365	368,295	110,952
Total operating expenses	(667,050)	(471,756)	(185,525)	(9,770)	(683,905)	(484,912)	(192,464)	(6,529)
Cost of risk	(270,484)	(160,965)	(106,665)	(2,854)	(255,590)	(2,307)	(270,557)	17,274
Profit before income tax	443,788	155,326	60,010	228,452	275,117	248,146	(94,726)	121,698
Profit for the period	382,141	132,048	50,416	199,676	231,607	209,479	(81,245)	103,374
Cost Income Ratio	48.3%	59.9%	52.7%	4.1%	56.3%	65.9%	52.3%	5.9%

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4. Due from Central Bank

The Group and Bank decreased the minimum compulsory reserve amount with the Central Bank according to the National Bank of Romania decision to reduce the rates for minimum obligatory reserves for foreign currency from 14% as of December 2015 to 12% as of June 2016. The decrease in due from Central Bank is also mainly due to the liquidation of the 3,200,000 deposit held at National Bank of Romania as of December 31, 2015.

5. Due from banks

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Deposits at Romanian banks	397,554	281,233	397,554	281,233
Deposits at foreign banks	1,459,409	1,543,544	1,434,029	1,517,420
Current accounts at Romanian banks	845	840	38	2
Current accounts at foreign banks	165,877	489,183	165,877	489,182
Reverse repo	1,504,464	-	1,504,464	-
Total	3,528,149	2,314,800	3,501,962	2,287,837

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6. Derivative and other financial instruments held for trading

Group	June 30, 2016		
	Unaudited (*)		
	Assets	Liabilities	Notional
Interest rate swaps	176,861	50,083	4,564,754
Currency swaps	34,685	19,177	2,703,476
Forward foreign exchange contracts	17,981	26,868	1,519,802
Options	67,695	67,873	4,076,709
Total derivatives	297,222	164,001	12,864,740
Trading treasury notes	363,135	4,409	342,880
Total	660,357	168,410	13,207,620
	December 31, 2015		
	Assets	Liabilities	Notional
Interest rate swaps	179,158	57,043	5,292,182
Currency swaps	15,302	27,517	4,340,395
Forward foreign exchange contracts	14,074	6,332	1,431,335
Options	62,172	62,318	3,857,253
Total derivatives	270,706	153,210	14,921,165
Trading treasury notes	947,406	-	882,033
Total	1,218,112	153,210	15,803,198
Bank	June 30, 2016		
	Assets	Liabilities	Notional
Interest rate swaps	176,861	50,083	4,564,754
Currency swaps	34,696	19,177	2,710,848
Forward foreign exchange contracts	17,981	26,868	1,519,802
Options	67,695	67,873	4,076,709
Total derivatives	297,232	164,001	12,872,112
Trading treasury notes	363,135	4,409	342,880
Total	660,367	168,410	13,214,992
	December 31, 2015		
	Assets	Liabilities	Notional
Interest rate swaps	179,158	57,043	5,292,182
Currency swaps	15,323	27,524	4,360,855
Forward foreign exchange contracts	14,074	6,332	1,431,335
Options	62,172	62,319	3,857,251
Total derivatives	270,727	153,218	14,941,623
Trading treasury notes	947,406	-	882,033
Total	1,218,133	153,218	15,823,656

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6. Derivative and other financial instruments held for trading (continued)

The Group and Bank received cash collateral from the parent for derivatives transactions in amount of 74,484 (December 31, 2015: 88,392).

The Group applied also hedge accounting (fair value hedge) and as at June 30, 2016 has one hedging instrument.

On September 30, 2013, the Bank initiated a macro fair value hedge of interest rate risk associated with the current accounts, using several interest rate swaps (pay variable, receive fixed). The change in the fair value of the macro fair value hedge swaps offsets the change in the fair value of the hedged portion of the current accounts. The hedged item is represented by the portion of the current accounts portfolio equal to the swaps nominal of 104.18 million EUR with a fixed interest rate of 1.058%. The remaining period for the hedging instrument is of 4.8 years.

The hedging relationship was effective throughout the reporting period.

The fair value of hedging instrument for Group and Bank was the following:

	June 30, 2016		
	Assets	Liabilities	Notional
Interest rate swaps	18,189	-	470,998

	December 31, 2015		
	Assets	Liabilities	Notional
Interest rate swaps	15,583	-	565,653

Forwards

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts concluded by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

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6. Derivative and other financial instruments held for trading (continued)

The Bank purchases and sells options in the over-the-counter markets. Options purchased by the Bank provide the Bank with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option.

The Bank is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Bank provide the purchaser the opportunity to purchase from or sell to the Bank the underlying asset at an agreed-upon value either on or before the expiration of the option. The options are kept in order to neutralize the customer deals.

Trading treasury notes are treasury discount notes and coupon bonds held for trading purposes. All the treasury notes are issued by the Romanian Government in RON, EUR and USD.

7. Loans and advances to customers

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Loans, gross	31,638,413	30,744,036	31,182,595	30,312,244
Loans impairment	(3,879,477)	(4,002,565)	(3,815,568)	(3,935,819)
Total	27,758,936	26,741,471	27,367,027	26,376,425

As at June 30, 2016 the Group and Bank reclassified the municipal bonds (Timis Council and Bucharest Municipality) amounting to 262,409 from financial assets available for sale to “loans and advances to customers” and measures them at amortised cost. The reclassification was made based on the Group’s and Bank’s intention and capacity to keep these instruments till maturity in order to benefit only from principal and interest. This reclassification is prospective.

The structure of loans is the following:

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Working capital loans	5,122,428	5,422,564	5,122,428	5,422,564
Loans for equipment	4,680,016	4,987,421	4,638,114	4,976,371
Trade activities financing	494,661	494,488	494,661	494,488
Acquisition of real estate, including mortgage for individuals	9,985,604	9,481,552	9,985,604	9,481,552
Consumer loans	8,448,192	8,406,899	8,034,276	7,986,156
Other	2,907,512	1,951,113	2,907,512	1,951,113
Total	31,638,413	30,744,037	31,182,595	30,312,244

As of June 30, 2016 the amortized cost of loans granted to the 20 largest corporate clients (groups of connected borrowers) amounts to 1,873,079 (December 31, 2015: 1,584,361), while the value of letters of guarantee and letters of credit issued in favour of these clients amounts to 3,820,358 (December 31, 2015: 4,430,510).

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7. Loans and advances to customers (continued)

Sector analysis

	Group		Bank	
	Unaudited (*)	December 31, 2015	June 30, 2016	December 31, 2015
	June 30, 2016			
Individuals	60.0%	59.9%	59.6%	59.4%
Public administration, education & health	3.5%	2.9%	3.6%	3.0%
Agriculture	2.0%	2.0%	2.0%	2.0%
Manufacturing	7.8%	8.0%	8.0%	8.1%
Transportation, IT&C and other services	2.9%	2.9%	2.8%	2.9%
Trade	7.5%	8.8%	7.6%	8.9%
Constructions	3.6%	4.1%	3.6%	4.2%
Utilities	2.1%	2.5%	2.1%	2.5%
Services	1.2%	1.3%	1.2%	1.3%
Others	4.1%	4.5%	4.1%	4.6%
Financial institutions	5.3%	3.1%	5.4%	3.2%
Total	100.0%	100.0%	100.0%	100.0%

Impairment allowance for loans

	Group			Bank		
	Specific impairment		Collective impairment	Specific impairment		Collective impairment
	Retail lending	Corporate lending	Retail&Corporate	Retail lending	Corporate lending	Retail&Corporate
Balance as of December 31, 2014	1,309,965	3,031,993	183,814	1,249,592	3,031,993	183,814
Increases due to amounts set aside for estimated loan losses during the period	599,560	2,133,706	172,714	580,111	2,133,706	164,927
Decreases due to amounts reversed for estimated loan losses during the period	(505,317)	(1,742,471)	(75,790)	(505,009)	(1,742,471)	(75,790)
Decreases due to amounts taken against allowances	(472,704)	(662,681)	-	(452,149)	(662,681)	-
Foreign exchange losses	16,572	12,661	543	16,572	12,661	543
Balance as of December 31, 2015	948,076	2,773,208	281,281	889,117	2,773,209	273,494
Increases due to amounts set aside for estimated loan losses during the period	264,902	764,000	220,994	258,676	764,000	219,620
Decreases due to amounts reversed for estimated loan losses during the period	(187,794)	(662,353)	(41,002)	(187,794)	(662,353)	(41,002)
Decreases due to amounts taken against allowances	(139,271)	(337,695)	-	(128,834)	(337,695)	-
Foreign exchange (gain)	(3,355)	(1,339)	(176)	(3,355)	(1,339)	(176)
Balance as of June 30, 2016	882,560	2,535,820	461,098	827,810	2,535,822	451,937

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7. Loans and advances to customers (continued)

Impaired loans

	Group		Bank	
	Unaudited (*) June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Impaired loans 90 days past due and more	3,143,977	3,653,911	3,079,356	3,585,793
Provisions for impaired loans 90 days past due and more	(2,599,304)	(2,944,371)	(2,544,556)	(2,889,408)
Impaired loans less than 90 days past due	1,425,039	1,583,449	1,425,039	1,583,449
Provisions for impaired loans less than 90 days past due	(819,076)	(772,918)	(819,076)	(772,918)
Net impaired loans	1,150,635	1,520,071	1,140,763	1,506,916

The gross value of the loans individually determined to be impaired for the Group is 4,569,016 (December 31, 2015: 5,237,360), while for the Bank is 4,504,395 (December 31, 2015: 5,169,242).

8. Lease receivables

The Group acts as a lessor through the subsidiary BRD Sogelease IFN SA, having in the portfolio vehicles, equipment (industrial, agricultural) and real estate. The leases are denominated mainly in EUR and RON, with transfer of ownership of the leased asset at the end of the lease term. The receivables are secured by the underlying assets and by other collateral. The maturity analysis of lease receivables is as follows:

	Group	
	Unaudited (*) June 30, 2016	December 31, 2015
Gross investment in finance lease:		
Maturity under 1 year	279,880	263,013
Maturity between 1 and 5 years	490,232	413,252
Maturity higher than 5 years	26,330	29,862
	796,443	706,127
Unearned finance income	(62,848)	(57,772)
Net investment in finance lease	733,595	648,355
Net investment in finance lease:		
Maturity under 1 year	252,025	237,230
Maturity between 1 and 5 years	456,646	383,097
Maturity higher than 5 years	24,924	28,029
	733,595	648,355
	Unaudited (*)	December 31, 2015
Net investment in the lease	733,595	648,355
Accumulated allowance for uncollectible minimum lease payments receivable	(93,777)	(99,001)
Total	639,818	549,354

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9. Financial assets available for sale

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Treasury notes	10,239,243	8,772,381	10,239,243	8,772,381
Equity investments	23,677	89,821	23,677	89,821
Other securities	68,448	346,757	51,041	328,717
Total	10,331,366	9,208,959	10,313,961	9,190,919

Treasury notes

Treasury notes consist of treasury discount notes and coupon bonds issued by the Ministry of Public Finance, rated as BBB- by Standard&Poors. As of June 30, 2016 no treasury notes have been pledged for repo transactions (as of December 31, 2015 treasury notes amounting 74,033 have been pledged for repo transactions).

Equity investments

Other equity investments represent shares in Romanian Commodities Exchange, Bucharest Clearing House (the former Romanian Securities Clearing and Depository Company), Depozitarul Central S.A. (Shareholders' Register for the National Securities Commission), Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati SA, Romanian Clearing House (SC Casa Romana de Compensatie SA), Investor Compensating Fund (Fondul de Compensare a Investitorilor), TransFond, Societe Generale European Business Services SA, Bucharest Stock Exchange, Visa Inc.

Other securities

The Group holds fund units in:

	Group			
	June 30, 2016 Unaudited (*)	Unit value	No of units	Market value
FDI Simfonia 1	39		297,743	11,727
BRD Obligatiuni	163		81,083	13,249
Diverso Europa Regional	148		160,380	23,786
Actiuni Europa Regional	137		109,668	15,032
Index Europa Regional	118		21,794	2,566
BRD USD Fond	417		5,000	2,086
Total			675,668	68,448

	Group			
	December 31, 2015	Unit value	No of units	Market value
FDI Simfonia 1	39		297,743	11,586
BRD Obligatiuni	161		77,544	12,506
Diverso Europa Regional	152		175,730	26,764
Actiuni Europa Regional	144		116,238	16,724
Index Europa Regional	126		21,794	2,748
BRD Eurofond	596		3,900	2,323
BRD USD Fond	414		5,000	2,068
Total			697,949	74,719

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9. Financial assets available for sale (continued)

The Bank holds fund units in:

June 30, 2016	Bank		
	Unit value	No of units	Market value
BRD Obligatiuni	163	59,103	9,657
Diverso Europa Regional	148	160,380	23,786
Actiuni Europa Regional	137	109,668	15,032
Index Europa Regional	118	21,794	2,566
Total		350,945	51,041

December 31, 2015	Bank		
	Unit value	No of units	Market value
BRD Obligatiuni	161	64,753	10,443
Diverso Europa Regional	152	175,730	26,764
Actiuni Europa Regional	144	116,238	16,724
Index Europa Regional	126	21,794	2,748
Total		378,515	56,678

As at June 30, 2016 the Group and Bank reclassified the municipal bonds (Timis Council and Bucharest Municipality) amounting to 262,409 from financial assets available for sale to “loans and advances to customers” and measures them at amortised cost. Please see note 7.

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10. Property, plant and equipment

	Group					Total
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	
Cost:						
as of December 31, 2014	1,310,667	39,300	262,294	532,925	20,227	2,165,413
Additions	3,684	1,283	1,396	7,506	49,616	63,484
Transfers	30,358	(14,561)	23,394	13,449	(53,331)	(691)
Transfers into/from inventory	(7,125)	5,922	(0)	0	6	(1,197)
Disposals	(10,969)	(2,661)	(22,537)	(23,390)	-	(59,558)
as of December 31, 2015	1,326,615	29,284	264,546	530,490	16,518	2,167,452
Additions	972	-	34	152	23,378	24,536
Transfers	2,684	-	9,976	11,962	(24,622)	0
Disposals	(1,600)	-	(22,757)	(6,540)	(7,144)	(38,040)
as of June 30, 2016 Unaudited (*)	1,328,671	29,284	251,799	536,064	8,130	2,153,948
Depreciation and impairment:						
as of December 31, 2014	(596,303)	(18,926)	(213,155)	(431,343)	-	(1,259,728)
Depreciation	(46,338)	(1,576)	(22,034)	(26,198)	-	(96,146)
Impairment	925	-	-	(253)	-	673
Disposals	8,973	2,661	22,807	20,810	-	55,251
Transfers	(8,591)	7,961	-	603	-	(27)
Transfers into/from inventory	3,192	(4,068)	-	-	-	(876)
as of December 31, 2015	(638,141)	(13,947)	(212,383)	(436,382)	-	(1,300,854)
Depreciation	(23,006)	(696)	(11,001)	(11,937)	-	(46,639)
Impairment	(225)	-	-	(142)	-	(367)
Disposals	980	-	22,774	6,177	-	29,931
as of June 30, 2016 Unaudited (*)	(660,392)	(14,643)	(200,610)	(442,283)	-	(1,317,927)
Net book value:						
as of December 31, 2014	714,364	20,374	49,139	101,581	20,227	905,685
as of December 31, 2015	688,473	15,337	52,163	94,108	16,518	866,597
as of June 30, 2016 Unaudited (*)	668,279	14,641	51,190	93,781	8,130	836,021

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10. Property, plant and equipment (continued)

	Bank					
	Land & Buildings	Investment properties	Office equipments	Materials and other assets	Construction in progress	Total
Cost:						
as of December 31, 2014	1,300,891	39,300	251,522	531,205	20,226	2,143,146
Additions	3,319	1,283	1,207	7,515	49,617	62,942
Transfers	30,358	(14,561)	23,394	13,449	(53,331)	(691)
Transfers into/from inventory	(7,125)	5,922	(0)	0	6	(1,197)
Disposals	(10,926)	(2,660)	(21,919)	(22,414)	-	(57,920)
as of December 31, 2015	1,316,517	29,285	254,202	529,755	16,518	2,146,278
Additions	972	-	16	47	23,378	24,413
Transfers	2,684	-	9,976	11,962	(24,622)	0
Disposals	(1,600)	-	(22,366)	(6,474)	(7,144)	(37,583)
as of June 30, 2016	1,318,574	29,285	241,829	535,290	8,130	2,133,108
Depreciation and impairment:						
as of December 31, 2014	(592,481)	(18,926)	(203,484)	(429,934)	-	(1,244,826)
Depreciation	(46,123)	(1,576)	(21,480)	(26,123)	-	(95,302)
Impairment	932	-	-	(251)	-	681
Disposals	8,960	2,661	21,605	19,820	-	53,046
Transfers	(8,591)	7,961	-	608	-	(22)
Transfers into/from inventory	3,177	(4,068)	-	-	-	(891)
as of December 31, 2015	(634,126)	(13,948)	(203,359)	(435,880)	-	(1,287,313)
Depreciation	(22,886)	(696)	(10,673)	(11,903)	-	(46,158)
Impairment	(225)	-	-	(142)	-	(367)
Disposals	980	-	22,364	6,159	-	29,504
as of June 30, 2016	(656,257)	(14,644)	(191,669)	(441,765)	-	(1,304,334)
Net book value:						
as of December 31, 2014	708,409	20,374	48,038	101,272	20,226	898,321
as of December 31, 2015	682,390	15,337	50,843	93,877	16,518	858,965
as of June 30, 2016	662,317	14,641	50,160	93,525	8,130	828,773

The Group and Bank holds investment property as a consequence of the ongoing rationalisation of its retail branch network. Investment properties comprise a number of commercial properties that are leased to third parties.

The investment properties have a fair value of 15,111 as at June 30, 2016 (December 31, 2015: 15,807). The fair value has been determined based on a valuation by an independent valuer in 2015.

Rental income from investment property of 938 (2015: 951) has been recognised in other income.

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11. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net identifiable assets transferred from Société Générale Bucharest to the Group in 1999.

Following the acquisition, the branch became the present Sucursala Mari Clienti Corporativi (“SMCC”) – the branch dedicated to large significant clients, most of them taken over from the former Societe Generale Bucharest.

As at June 30, 2016, the branch had a number of more than 4 000 active customers, with loans representing approximately 16% from total loans managed by the network and with deposits representing about 18.4% of networks’ deposits.

Most of the SMCC non-retail clients are large multinational and national customers.

Taking into account the stable base of clients and the contribution to the bank’s net banking income, the branch which generated the goodwill is considered profitable, without any need of impairment.

12. Intangible assets

The balance of the intangible assets as of June 30, 2016 and December 31, 2015 represents mainly software.

	Group	Bank
Cost:		
as of December 31, 2014	336,678	309,949
Additions	35,217	32,028
Disposals	(8,317)	(7,800)
Transfers	691	691
as of December 31, 2015	364,268	334,867
Additions	16,586	16,442
Disposals	(626)	(626)
as of June 30, 2016	380,228	350,683
Amortization:		
as of December 31, 2014	(251,452)	(230,958)
Amortization expense	(37,318)	(34,649)
Disposals	7,119	6,954
as of December 31, 2015	(281,651)	(258,653)
Amortization expense	(17,211)	(15,729)
as of June 30, 2016	(298,862)	(274,383)
Net book value:		
as of December 31, 2014	85,226	78,991
as of December 31, 2015	82,617	76,214
as of June 30, 2016	81,366	76,299

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13. Other assets

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Advances to suppliers	56,359	32,162	-	-
Sundry debtors	167,583	65,046	160,428	58,913
Prepaid expenses	36,307	23,578	32,228	21,011
Repossessed assets	11,014	10,757	8,806	8,122
Prepaid income tax	(0)	43,051	(0)	42,790
Other assets	10,888	11,075	10,195	10,397
Total	282,151	185,668	211,657	141,233

The sundry debtors balances is represented mainly by commissions, sundry receivables, dividends to be received and are presented net of an impairment allowance, which at Group level is 63,520 (December 31, 2015: 60,810) and at Bank level is 47,704 (December 31, 2015: 47,510).

Sundry debtors are expected to be recovered in no more than twelve months after the reporting period.

As of June 30, 2016 the carrying value of repossessed assets for Group is 11,014 (December 31, 2015: 10,757). As of June 30, 2016 the carrying value of repossessed assets for Bank is 8,806 (December 31, 2015: 8,122), representing three residential buildings.

14. Due to banks

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Demand deposits	548,774	602,759	548,774	602,759
Term deposits	377,458	178,421	377,458	178,421
Due to banks	926,232	781,180	926,232	781,180

15. Due to customers

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Demand deposits	21,727,078	22,035,228	21,764,069	22,081,073
Term deposits	18,463,032	19,063,446	18,506,244	19,110,800
Due to customers	40,190,110	41,098,674	40,270,313	41,191,873

16. Borrowed funds

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Borrowings from related parties	738,874	713,579	26,164	29,701
Borrowings from international financial institutions	316,904	383,048	178,039	315,171
Borrowings from other institutions	496	621	496	621
Other borrowings	1,160	2,545	1,160	2,545
Total	1,057,434	1,099,793	205,859	348,037

Funds borrowed from related parties are senior unsecured and are used in the normal course of business.

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17. Taxation

Current income tax is calculated based on the taxable income as per the tax statement derived from the stand alone accounts of each consolidated entity. As at June 30, 2016 the Group has a current tax liability in total amount of 44,776 (December 31, 2015: 1,463).

The deferred tax liability/asset is reconciled as follows:

	Group			
	June 30, 2016 Unaudited (*)			
	Temporary differences	Consolidated Statement of Financial Position Asset / (Liability)	Consolidated Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Deferred tax liability</i>				
Defined benefit obligation	(14,587)	(2,334)	-	-
Investments and other securities	(396,491)	(63,439)	111	9,428
Total	(411,078)	(65,772)	111	9,428
<i>Deferred tax asset</i>				
Tangible and intangible assets	88,608	14,176	1,155	-
Provisions and other liabilities	423,674	67,788	(13,157)	-
Total	512,282	81,964	(12,002)	-
Taxable items	101,204			
Deferred tax		16,192	(11,891)	9,428

The taxable item in amount of 16,192 represents a deferred tax asset of 16,619 and a deferred tax liability of 427.

	Bank			
	June 30, 2016			
	Temporary differences	Individual Statement of Financial Position Asset / (Liability)	Individual Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Deferred tax liability</i>				
Defined benefit obligation	(14,587)	(2,334)	-	-
Investments and other securities	(393,822)	(63,011)	-	9,428
Total	(408,407)	(65,345)	-	9,428
<i>Deferred tax asset</i>				
Tangible and intangible assets	91,237	14,598	1,043	-
Provisions and other liabilities	399,262	63,882	(12,921)	-
Total	490,500	78,480	(11,878)	-
Taxable items	82,092			
Deferred tax		13,134	(11,878)	9,428

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17. Taxation (continued)

	Group December 31, 2015			
	Temporary differences	Consolidated Statement of Financial Position Asset / (Liability)	Consolidated Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Deferred tax liability</i>				
Defined benefit obligation	(14,587)	(2,334)	-	(472)
Investments and other securities	(456,115)	(72,978)	4,427	(7,284)
Total	(470,702)	(75,312)	4,427	(7,756)
<i>Deferred tax asset</i>				
Tangible and intangible assets	81,381	13,021	1,054	-
Fiscal loss	-	-	(85,533)	-
Provisions and other liabilities	505,914	80,945	20,899	-
Total	587,295	93,966	(63,580)	-
Taxable items	116,593			
Deferred tax		18,655	(59,153)	(7,756)
	Bank December 31, 2015			
	Temporary differences	Individual Statement of Financial Position Asset / (Liability)	Individual Income Statement (Expense) / Income	Consolidated OCI (Expense) / Income
<i>Deferred tax liability</i>				
Defined benefit obligation	(14,587)	(2,334)	-	(472)
Investments and other securities	(452,748)	(72,440)	-	(7,284)
Total	(467,335)	(74,774)	-	(7,756)
<i>Deferred tax asset</i>				
Tangible and intangible assets	84,720	13,555	84	-
Fiscal loss	-	-	(85,533)	-
Provisions and other liabilities	480,016	76,802	15,526	-
Total	564,736	90,358	(69,923)	-
Taxable items	97,401			
Deferred tax		15,584	(69,923)	(7,756)

Movement in deferred tax is as follows:

	Group	Bank
Deferred tax asset, net as of December 31, 2014	85,564	93,263
Deferred tax recognized in other comprehensive income	(7,756)	(7,756)
Deferred tax recognized in profit and loss	(59,153)	(69,923)
Deferred tax asset, net as of December 31, 2015	18,655	15,584
Deferred tax recognized in other comprehensive income	9,428	9,428
Deferred tax recognized in profit and loss	(11,891)	(11,878)
Deferred tax asset, net as of June 30, 2016	16,192	13,134

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17. Taxation (continued)

Reconciliation of total tax charge

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Profit before income tax	446,019	280,028	443,788	275,117
Income tax (16%)	71,363	44,804	71,006	44,019
Fiscal credit	(12,511)	(32)	(12,442)	-
Non-deductible elements	12,145	10,273	8,290	6,368
Non-taxable elements	(6,006)	(8,016)	(5,206)	(6,877)
Expense from income tax at effective tax rate	64,992	47,029	61,647	43,510
Effective tax rate	14.6%	16.8%	13.9%	15.8%

The main non-deductible and non-taxable elements are represented by new charges / reversals of provisions for off – balance sheet items and expenses for employee benefits.

Recognition of deferred tax asset at Bank level of 13,134 is based on the management’s profit forecasts, which indicates that it is probable that future tax profit will be available against which this asset can be utilised.

The fiscal credit is represented by sponsorship expense computed as 20% of current income tax and deducted directly from the current income tax to be paid.

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18. Other liabilities

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Sundry creditors	291,180	295,870	205,128	222,391
Other payables to State budget	33,626	34,574	32,494	33,299
Deferred income	20,238	18,604	20,238	18,604
Payables to employees	99,220	113,378	94,609	107,752
Dividends payable	10,317	-	3,819	-
Financial guarantee and loan contracts provisions	262,664	306,248	286,511	338,848
Provisions	17,653	17,636	16,494	16,475
Total	734,898	786,308	659,292	737,369

Sundry creditors are expected to be settled in no more than twelve months after the reporting period.

Payables to employees include, among other, gross bonuses, amounting to 30,546 (2015: 42,265) and post-employment benefits amounting to 53,446 (2015: 52,218).

Provisions are mainly related to legal claims and penalties.

As it is expected that the number of consumer protection litigations in connection with the loans in stock as at December 31, 2015 will continue to grow and additional outflows of resources will be needed to settle the related legal obligations, the Bank booked a supplementary provision of 9,000. The Bank considered a scenario of significant growth in the number of litigations in 2016 and 2017 in the context of the excessive negative publicity for banks and particular focus of ANPC on the relation between banks and individual customers.

The movement in provisions is as follows:

Group	
Carrying value as of December 31,2014	38,113
Additional expenses	14,609
Reversals of provisions	(35,085)
Carrying value as of December 31,2015	17,636
Additional expenses	3,397
Reversals of provisions	(3,380)
Carrying value as of June 30, 2016 Unaudited (*)	17,653
Bank	
Carrying value as of December 31,2014	32,609
Additional expenses	12,498
Reversals of provisions	(28,632)
Carrying value as of December 31,2015	16,475
Additional expenses	3,397
Reversals of provisions	(3,378)
Carrying value as of June 30, 2016	16,494

Line Provisions includes provisions for litigations and risk and expenses. Expected timing of outflow for litigations represents the completion of the dispute and it cannot be appreciated, the final result depending on various factors. Based on the legal department analysis, the Group assessed the mater and concluded that no additional litigation provision is necessary.

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18. Other liabilities (continued)

Group	
Carrying value as of December 31,2014	<u>198,658</u>
Additional expenses	592,807
Reversals of provisions	(489,405)
Foreign exchange losses	4,188
Carrying value as of December 31,2015	<u>306,248</u>
Additional expenses	175,368
Reversals of provisions	(218,833)
Foreign exchange (gain)	(119)
Carrying value as of June 30, 2016 Unaudited (*)	<u>262,664</u>
Bank	
Carrying value as of December 31,2014	<u>224,287</u>
Additional expenses	599,778
Reversals of provisions	(489,405)
Foreign exchange losses	4,188
Carrying value as of December 31,2015	<u>338,848</u>
Additional expenses	166,615
Reversals of provisions	(218,833)
Foreign exchange (gain)	(119)
Carrying value as of June 30, 2016	<u>286,511</u>

Post-employment benefit plan

This is a defined benefit plan under which the amount of benefit that an employee is entitled to receive on retirement depends on years of service and salary. The plan covers substantially all the employees and the benefits are unfunded. A full actuarial valuation by a qualified independent actuary is carried out annually. During six months ended 30 June 2016, the movements in service cost and benefits paid from defined benefit obligation resulted in not significant change of obligation carrying value compared to 31 December 2015.

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19. Share capital

The nominal share capital, as registered with the Registry of Commerce is 696,901 (2015: 696,901). Included in the share capital there is an amount of 1,818,721 (2015: 1,818,721) representing hyper inflation restatement surplus.

Share capital as of June 30, 2016 represents 696,901,518 (2015: 696,901,518) authorized common shares, issued and fully paid. The nominal value of each share is RON 1 (2015: RON 1). During 2016 and 2015, the Bank did not buy back any of its own shares.

20. Retained earnings

Included in the Retained earnings there is an amount of 513,515 (2015: 513,515) representing legal reserves, general banking reserves and other reserves with a restricted use as required by the banking legislation.

Legal reserve represent accumulated transfers from retained earnings in accordance with corporate law that require 5% of the Bank's gross profit to be transferred to a non-distributable statutory reserve until such time this reserve represents 20% of the Bank's share capital. The legal reserves are not distributable to shareholders.

Until December 31, 2003 the Bank accumulated the general reserve for credit risk up to 2% from loans' outstanding at the year end.

Starting 2004, according to National Bank of Romania and Ministry of Finance regulation, the Bank accumulated the fund for general banking risk from the accounting profit determined before the deduction of income tax, up to 1% of the balance-bearing assets.

In 2016 the Bank distributed dividends in total amount of 223,008 by applying a distribution rate of 50% to previous year profit.

21. Interest and similar income

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Interest on loans	758,805	831,804	701,475	774,399
Interest on deposit with banks	7,582	8,307	6,838	7,564
Interest on available for sale	136,002	142,912	136,002	142,912
Interest from hedging instruments	3,230	3,037	3,230	3,037
Total	905,619	986,060	847,544	927,912

The interest income on loans includes the accrued interest on net (after impairment allowance) impaired loans in amount of 66,984 for Group and 64,442 for Bank (2015: 86,456 for Group and 83,890 for Bank).

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22. Interest and similar expense

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Interest on term deposits	90,678	182,942	92,264	184,582
Interest on demand deposits	19,236	38,749	19,240	38,772
Interest on borrowings	10,635	24,355	1,712	14,046
Interest from hedging instruments	-	4,728	-	4,728
Total	120,549	250,775	113,216	242,128

23. Fees and commissions, net

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Services	317,651	299,359	310,635	292,982
Management fees	53,230	52,934	53,230	52,934
Packages	25,403	26,443	25,403	26,443
Transfers	70,090	72,846	70,090	72,846
OTC withdrawal	30,960	32,340	30,960	32,340
Cards	95,037	75,409	95,037	75,409
Brokerage and custody	12,100	11,571	12,100	11,571
Other	30,831	27,816	23,815	21,439
Loan activity	47,503	44,157	37,821	36,537
Off balance sheet	16,242	25,322	16,242	25,322
Total	381,397	368,838	364,698	354,841

24. Gain on derivative and other financial instruments held for trading

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Gain on instruments held for trading	8,301	2,031	8,047	1,890
Gain / (loss) on interest rate swap	(1,631)	1,565	(1,631)	1,565
Gain on currency swap	6,163	72,227	6,163	72,227
Gain on forward foreign exchange contracts	16,876	39,748	16,876	39,748
Gain on currency options	2,494	3,527	2,494	3,527
Gain on hedging	(413)	1,165	(413)	1,165
Other	2,857	(1,820)	2,857	(1,820)
Total gain on derivative and other financial instruments held for trading	34,648	118,445	34,393	118,304

25. Other income

Other income includes income from banking activities offered to the clients and income from non-banking activities, such as income from rentals. The income from rental of investment properties, for the Bank, is 938 (2015:951).

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26. Gain on financial assets available for sale

Gain on financial assets available for sale includes for Bank in 2016 a gain from sale of VISA Europe share in total amount of 103,113.

The line includes also gain from sale of treasury bonds in total amount of 16,917 (2015: 13,585) and gain from sale of fund units in total amount of 1,296 (2015:6,970).

27. Contribution to Guarantee Scheme and Resolution Fund

According to the Romanian legislation (Law no. 311/2015 on Deposit Guarantee Schemes and the Bank Deposit Guarantee Fund and Law No. 312/2015 regarding the recovery and resolution of credit institutions and investment firms) the deposits of individuals and certain entities including small and medium sized enterprises are insured up to a certain level (EUR 100 000) by the Deposit Guarantee Fund (“Fund”).

Every participating credit institution shall pay the Fund an annual contribution in respect of covered deposits and an annual fee to the Resolution Fund.

The contribution to the Fund is computed based on prior year covered deposits balance. For the six months ended June 30, 2016 the expense related to the Deposit Guarantee Fund is 47,268 (for the six months ended June 30, 2015: 72,543).

The annual fee to the Resolution Fund is computed based on prior year not- covered liabilities balance. For the six months ended June 30, 2016 the expense related to the Resolution Fund is 17,870 (for the six months ended June 30, 2015: 15,507).

Both contribution and annual fee to the Resolution Fund meet the criteria for recognition of taxes as defined by IFRIC 21 – Levies. The liability is recognized at the date when the obligating event occurs and the contribution needs to be recognized as an expense in full at the same date.

For the financial year 2016 the Group recognized entirely the expense with the contribution and Resolution Fund annual fee in January 2016. For comparative purposes, the comparative consolidated and individual income statement for the six months ended June 30, 2015 have been adjusted accordingly. Prior to this adjustment the contribution to the Fund and annual fee to the Resolution Fund were pro-rated monthly to the profit and loss account. The amount recognized previously as at June 30, 2015 was of 43,838.

28. Personnel expenses

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Salaries	244,645	228,487	228,801	213,569
Social security	61,473	62,486	57,748	58,493
Bonuses	22,027	20,206	21,022	19,520
Post-employment benefits	1,229	1,294	1,229	1,294
Other	9,093	9,303	7,666	7,491
Total	338,467	321,776	316,466	300,367

Employee expenses for share - based payment transactions are included in line Other in amount of 1,424 for the first six months in 2016 (2015: 2,033).

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28. Personnel expenses (continued)

Share based payment transactions

On November 2nd, 2010 SG established a share based payment program that grants each employee of the bank 40 Societe Generale shares.

The terms and conditions of the grant are as follows (all shares are to be settled by physical delivery of shares):

Grant date/ employees entitled	Number of instruments	Vesting conditions	Contractual life of share based options
shares granted to all employees of the group at 02/11/2010	16	Positive net income attributable to the Groupe Societe Generale for financial year 2012 presence in the group until 31/03/2015	4 years and 5 months
shares granted to all employees of the group at 02/11/2010	24	improvement of customer satisfaction between 2010 and 2013 presence in the group until 31/03/2016	5 years and 5 months
Total shares	40		

The performance conditions for the tranches were fully satisfied and the shares were given to the employees in March 31, 2015 and March 31, 2016.

The number and weighted average exercise price of shares is as follows:

	Group		Bank	
	Fair value (EUR)	Number of shares granted	Fair value (EUR)	Number of shares granted
Granted during the period				
- exercise date 31/03/2015	34.6	108,432	34.6	103,760
- exercise date 31/03/2016	33.2	152,835	33.2	146,352

The fair value at grant date was 42,1 EUR/share, the valuation method used being arbitrage model, and for countries outside France was considered 82% for first tranche and 79% for second tranche.

The fair value of the award at the grant date was estimated by considering the market prices of the SG shares at that date. Those market prices were adjusted to account for the dividends estimated to be distributed during the vesting period (i.e.: dividends to which the employees are not entitled according to the terms of the award), as follows:

- a haircut of 18% was applied to the market value of the shares to estimate the fair value of the award vesting in 2015, and
- a haircut of 21% was applied to the market value of the shares to estimate the fair value of the award vesting in 2016.

The haircuts presented above were estimated by considering SG's history and policy for dividends distribution.

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28. Personnel expenses (continued)

	Group		Bank	
	2016	2015	2016	2015
Expense in 2010	1,070	1,070	1,070	1,070
Expense in 2011	6,025	6,025	6,025	6,025
Expense in 2012	6,809	6,809	6,809	6,809
Expense in 2013	6,675	6,675	6,675	6,675
Expense in 2014	12,498	12,498	11,451	11,451
Expense in 2015	3,087	3,087	2,632	2,632
Expense in 2016	1,452	-	1,424	-
Total share based payment recognised	37,616	36,164	36,086	34,662

29. Depreciation, amortisation and impairment on tangible and intangible assets

	Group		Bank	
	Unaudited (*)	Unaudited (*)	Unaudited (*)	Unaudited (*)
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Depreciation and impairment	46,310	48,245	45,829	47,831
Amortisation	17,211	18,720	15,729	17,353
Total	63,522	66,966	61,559	65,184

The difference as at June 30, 2016 between the amount presented in note 10 and the amount presented in note 29 represents depreciation of investment property in total amount of 696.

30. Other operating expense

	Group		Bank	
	Unaudited (*)	Unaudited (*)	Unaudited (*)	Unaudited (*)
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Administrative expenses	192,716	205,089	180,049	192,284
Publicity and sponsorships	11,134	11,135	10,923	10,934
Other expenses	34,471	27,721	32,915	27,086
Total	238,322	243,944	223,886	230,304

Administrative expenses refer mainly to rentals, maintenance expenses, local taxes and various utilities such as energy and telecommunication.

The Group and Bank has operating leases that are cancellable with prior notice much shorter than the remaining contract period and/or with penalties to be paid which are much lower than lease expense for the remaining contract period. For details regarding future minimum lease payments please see note 34.

Other expenses include mainly corporate and technical assistance with Societe Generale Paris, audit fees, etc.

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31. Credit loss expense

	Group		Bank	
	Unaudited (*)	Unaudited (*)		
	Six months ended June 30, 2016	Six months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Net impairment allowance for loans	358,331	223,112	351,147	216,840
Net impairment allowance for sundry debtors	16,894	21,190	17,123	20,017
Net impairment allowance for risk and charges	16	(17,550)	19	(19,506)
Net impairment allowance for finance lease	4,113	2,475	-	-
Income from recoveries of derecognized receivables	(61,870)	(50,117)	(59,089)	(47,807)
Write-offs & sales of bad debts	17,138	18,456	13,502	14,753
Financial guarantee and loan contracts	(52,218)	71,293	(52,218)	71,293
Total	282,404	268,858	270,484	255,590

32. Cash and cash equivalents for cash flow purposes

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, current accounts and short term placements at other banks, except amounts in transit in amount of 88,797 (December 31, 2015: 249,082) and loans to banks, with less than 90 days maturity from the date of acquisition in amount of 116,334 (December 31, 2015: 113,303). The Group and Bank did not include in cash and cash equivalents the amounts representing minimum compulsory reserve held at National Bank of Romania.

Group

	Unaudited (*) June 30, 2016	Unaudited (*) June 30, 2015
Cash in hand	1,289,237	1,081,870
Current accounts and deposits with banks	3,297,638	3,118,337
Total	4,586,875	4,200,207

Bank

	June 30, 2016	June 30, 2015
Cash in hand	1,289,213	1,081,860
Current accounts and deposits with banks	3,296,831	3,117,671
Total	4,586,044	4,199,531

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33. Guarantees and other credit commitments

Guarantees and letters of credit

The Group and Bank issues guarantees and letters of credit for its customers. The primary purpose of letters of credit is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group and Bank will make payments in the event that a customer cannot meet its obligations (delivery of goods, documents submitting, etc) to third parties with which it entered previously into a contractual relationship, carry a similar credit risk as loans.

The market and credit risks on these financial instruments, as well as the operational risk are similar to those arising from granting of loans. In the event of a claim on the Group and Bank as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Group and Bank.

Credit related commitments

Financing commitments represent unused amounts of approved credit facilities.

The Group and Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The total outstanding contractual amount of commitments does not necessarily represent future cash requirements, since many of these commitments will expire or be terminated without being funded.

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Letters of guarantee granted	5,859,801	6,200,625	5,888,668	6,240,636
Financing commitments granted	4,489,022	4,418,122	4,159,350	4,082,382
Total commitments granted	10,348,824	10,618,747	10,048,018	10,323,019
Letters of guarantee received	15,269,412	15,245,547	15,269,412	15,245,547
Financing commitments received	696,648	714,173	696,648	714,173
Total commitments received	15,966,060	15,959,720	15,966,060	15,959,720

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34. Other commitments

The line Services includes mainly rent, operating lease and insurance.

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Tangible non-current assets	7,335	1,420	7,335	1,420
Intangible non-current assets	4,204	2,669	4,204	2,669
Services	289,789	309,937	289,789	309,937
Total	301,328	314,026	301,328	314,026

As at June 30, 2016 and December 31, 2015, the future minimum lease payments regarding operating leases and rent included in line Service for Group and Bank above are:

	Group		Bank	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Less than one year	60,555	74,773	60,555	74,773
Between one and five years	135,645	142,557	135,645	142,557
More than five years	89,263	89,766	89,263	89,766
	285,464	307,096	285,464	307,096

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35. Related parties

The Group entered into related party transactions with its parent, other SG entities, subsidiaries, associates and key management personnel. All related party transactions were made on substantially the same terms, including interest rates and collateral requirements, as those prevailing for similar transactions with unrelated parties. The transactions/balances with subsidiaries were eliminated for consolidation purposes. The transactions/balances with related parties can be summarized as follows:

	Group							
	2016 Unaudited (*)				2015			
	Parent	Other related parties	Associates	Key management of the institution	Parent	Other related parties	Associates	Key management of the institution
Assets	385,739	55,562	4,720	1,470	385,038	71,597	2,487	1,974
Nostro accounts	26,753	6,177	-	-	46,608	7,811	-	-
Deposits	25,380	10,950	-	-	26,124	39,812	-	-
Loans	116,351	31,995	3,012	1,470	113,308	21,052	2,485	1,974
Derivative financial instruments	213,975	-	-	-	198,998	67	-	-
Other assets	3,281	6,439	1,708	-	-	2,855	2	-
Liabilities	1,061,507	63,770	63,775	17,179	1,244,230	100,532	69,783	14,389
Loro accounts	77	30,816	172	-	150	84,288	298	-
Deposits	210,628	32,282	63,496	17,179	374,175	15,713	69,379	14,389
Borrowings	688,848	-	-	-	713,576	-	-	-
Derivative financial instruments	124,065	-	-	-	109,203	-	-	-
Other liabilities	37,889	672	107	-	47,125	531	106	-
Commitments	8,258,279	147,705	8,877	220	10,521,882	117,634	7,431	264
Total commitments granted	159,722	11,643	2,896	220	156,729	15,655	2,001	264
Total commitments received	905,441	136,062	5,980	-	892,023	80,411	5,429	-
Notional amount of foreign exchange transactions	5,349,880	-	-	-	7,456,700	21,568	-	-
Notional amount of interest rate derivatives	1,843,236	-	-	-	2,016,430	-	-	-
Income statement	45,796	3,886	16,798	73	115,501	13,303	18,385	151
Interest and commission revenues	8,860	1,353	6,004	19	9,095	889	4,878	36
Interest and commission expense	10,706	426	47	53	16,437	10,015	322	114
Net gain/(loss) on interest rate derivatives	(20,447)	-	-	-	(55)	-	-	-
Net gain on foreign exchange derivatives	30,319	15	-	-	75,888	384	-	-
Dividend income	-	18	16,939	-	-	457	14,327	-
Other income	47	21	40	-	276	46	4	-
Other expenses	16,311	2,053	(6,233)	1	13,861	1,512	(1,147)	0

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35. Related parties (continued)

	Bank									
	2016					2015				
	Parent	Other related parties	Subsidiaries	Associates	Key management of the institution	Parent	Other related parties	Subsidiaries	Associates	Key management of the institution
Assets	357,079	55,551	55,394	3,017	1,067	358,914	71,579	46,595	2	1,138
Nostro accounts	26,753	6,177	-	-	-	46,608	7,811	-	-	-
Deposits	-	10,950	-	-	-	-	39,812	-	-	-
Loans	116,351	31,995	55,376	3,012	1,067	113,308	21,034	46,574	-	1,138
Derivative financial instruments	213,975	-	10	-	-	198,998	67	21	-	-
Other assets	-	6,428	8	5	-	-	2,855	-	2	-
Liabilities	365,893	63,098	106,368	63,668	10,739	528,352	100,001	122,908	69,677	7,608
Loro accounts	77	30,816	-	172	-	150	84,288	-	298	-
Deposits	210,628	32,282	80,205	63,496	10,739	374,175	15,713	93,200	69,379	7,608
Lease payable	-	-	26,164	-	-	-	-	29,701	-	-
Derivative financial instruments	124,065	-	-	-	-	109,203	-	7	-	-
Other liabilities	31,123	-	-	-	-	44,824	-	-	-	-
Commitments	8,258,279	147,705	30,879	8,877	170	10,521,882	117,634	29,050	7,432	183
Total commitments granted	159,722	11,643	23,507	2,896	170	156,729	15,655	8,590	2,001	183
Total commitments received	905,441	136,062	-	5,980	-	892,023	80,411	-	5,429	-
Notional amount of foreign exchange transactions	5,349,880	-	7,372	-	-	7,456,700	21,568	20,460	-	-
Notional amount of interest rate derivatives	1,843,236	-	-	-	-	2,016,430	-	-	-	-
Income statement	35,133	3,392	22,694	10,072	33	105,261	12,855	14,724	12,900	68
Interest and commission revenues	8,116	999	6,139	228	14	8,353	619	6,351	260	19
Interest and commission expense	2,198	426	1,940	47	19	8,587	10,015	2,057	322	49
Net gain/(loss) on interest rate derivatives	(20,447)	-	-	-	-	(55)	-	-	-	-
Net gain on foreign exchange derivatives	30,319	15	(174)	-	-	75,888	384	-	-	-
Dividend income	-	18	11,158	16,939	-	-	457	5,863	14,327	-
Other income	47	21	4,812	6	-	-	3	199	4	-
Other expenses	14,900	1,913	(1,181)	(7,148)	-	12,488	1,378	254	(2,013)	-

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35. Related parties (continued)

Other liabilities, and other expenses include mainly corporate and technical assistance with Societe Generale Paris.

The Group has collateral received from SG Paris regarding derivative instruments in total amount of 74,485 as at June 30, 2016 (December 31, 2015: 88,409).

The Group has no provision booked for receivable from related parties.

As of June 30, 2016, the Board of Directors and Managing Committee members own 304,530 shares (2015: 304,530).

Key management personnel benefits for 2016 and 2015:

	Group		Bank	
	Six months ended	Six months ended	Six months ended	Six months ended
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Short-term benefits	7,135	6,856	4,845	4,789
Long-term benefits	1,439	1,352	1,439	1,352
Termination benefits	488	-	-	-
Share-based payment transactions	2	4	2	2

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36. Contingencies

As of June 30, 2016 BRD is the defendant in a number of lawsuits arising in the course of business, amounting to approximately 70,531 (2015: 61,698). The amounts disclosed represent the additional potential loss in the event of a negative court decision, the amounts not being provisioned. The management believes that the ultimate resolution of these matters will not have a material adverse effect on the Group's overall financial position and performance. The Bank already booked a provision of 3,730 (December 31, 2015: 3,710) in relation with the litigations.

37. Earnings per share

	Group		Bank	
	Unaudited (*)			
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Ordinary shares on the market	696,901,518	696,901,518	696,901,518	696,901,518
Profit attributable to shareholders	378,009	231,335	382,141	231,607
Earnings per share (in RON)	0,5424	0,3319	0,5483	0,3323

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38. Fair value

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

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38. Fair value (continued)

	Group				Bank			
	June 30, 2016 Unaudited (*)				June 30, 2016			
<u>Assets measured at fair value</u>	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	176,861	-	176,861	-	176,861	-	176,861
Currency swaps	-	34,685	-	34,685	-	34,696	-	34,696
Forward foreign exchange contracts	-	17,981	-	17,981	-	17,981	-	17,981
Options	-	67,695	-	67,695	-	67,695	-	67,695
	-	297,222	-	297,222	-	297,232	-	297,232
Financial assets available for sale								
Treasury notes	10,239,243	-	-	10,239,243	10,239,243	-	-	10,239,243
Equity investments (listed)	2,705	-	-	2,705	2,705	-	-	2,705
Equity investments (not listed)	-	-	20,972	20,972	-	-	20,972	20,972
Other securities quoted	68,448	-	-	68,448	51,041	-	-	51,041
	10,310,395	-	20,972	10,331,367	10,292,989	-	20,972	10,313,961
Trading treasury notes	363,135	-	-	363,135	363,135	-	-	363,135
Total	10,673,530	297,222	20,972	10,991,724	10,656,124	297,232	20,972	10,974,328
<u>Assets for which fair value is disclosed</u>								
Cash in hand	1,289,237	-	-	1,289,237	1,289,213	-	-	1,289,213
Due from Central Bank	-	-	3,893,651	3,893,651	-	-	3,893,651	3,893,651
Due from banks	-	-	3,528,149	3,528,149	-	-	3,501,962	3,501,962
Loans and advances to customers	-	-	27,933,373	27,933,373	-	-	27,593,528	27,593,528
Financial lease receivables	-	-	647,462	647,462	-	-	-	-
Total	1,289,237	-	36,955,006	38,244,243	1,289,213	-	35,934,265	37,223,478

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38. Fair value (continued)

	Group				Bank			
	June 30, 2016 Unaudited (*)				June 30, 2016			
<u>Liabilities measured at fair value</u>	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	50,083	-	50,083	-	50,083	-	50,083
Currency swaps	-	19,177	-	19,177	-	19,177	-	19,177
Forward foreign exchange contracts	-	26,868	-	26,868	-	26,868	-	26,868
Options	-	67,873	-	67,873	-	67,873	-	67,873
Total	-	164,001	-	164,001	-	164,001	-	164,001
Trading treasury notes	4,409	-	-	4,409	4,409	-	-	4,409
Total	4,409	164,001	-	168,410	4,409	164,001	-	168,410
<u>Liabilities for which fair value is disclosed</u>								
Due to banks	-	930,341	-	930,341	-	930,341	-	930,341
Due to customers	-	40,411,834	-	40,411,834	-	40,492,480	-	40,492,480
Borrowed funds	-	1,062,387	-	1,062,387	-	206,823	-	206,823
Total	-	42,404,562	-	42,404,562	-	41,629,644	-	41,629,644

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38. Fair value (continued)

	Group				Bank			
	December 31,2015				December 31,2015			
Assets measured at fair value	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative financial instruments								
Interest rate swaps	-	179,158	-	179,158	-	179,158	-	179,158
Currency swaps	-	15,302	-	15,302	-	15,323	-	15,323
Forward foreign exchange contracts	-	14,074	-	14,074	-	14,074	-	14,074
Options	-	62,172	-	62,172	-	62,172	-	62,172
	-	270,707	-	270,707	-	270,727	-	270,727
Financial assets available for sale								
Treasury notes	8,772,381	-	-	8,772,381	8,772,381	-	-	8,772,381
Equity investments (listed)	3,069	-	-	3,069	3,069	-	-	3,069
Equity investments (not listed)	-	-	86,752	86,752	-	-	86,752	86,752
Other securities quoted	74,718	-	-	74,718	56,677	-	-	56,677
Municipal bonds	-	-	272,040	272,040	-	-	272,040	272,040
	8,850,168	-	358,791	9,208,959	8,832,128	-	358,791	9,190,919
Trading treasury notes	947,406	-	-	947,406	947,406	-	-	947,406
Total	9,797,574	270,707	358,791	10,427,072	9,779,534	270,727	358,791	10,409,052
Assets for which fair value is disclosed								
Cash in hand	1,339,602	-	-	1,339,602	1,339,580	-	-	1,339,580
Due from Central Bank	-	-	7,480,319	7,480,319	-	-	7,480,319	7,480,319
Due from banks	-	-	2,314,800	2,314,800	-	-	2,287,837	2,287,837
Loans and advances to customers	-	-	28,411,522	28,411,522	-	-	28,048,887	28,048,887
Financial lease receivables	-	-	553,377	553,377	-	-	-	-
Total	1,339,602	-	38,760,018	40,099,620	1,339,580	-	37,817,043	39,156,623

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38. Fair value (continued)

	Group				Bank			
	December 31,2015				December 31,2015			
<u>Liabilities measured at fair value</u>	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities								
Derivative financial instruments								
Interest rate swaps	-	57,043	-	57,043	-	57,043	-	57,043
Currency swaps	-	27,517	-	27,517	-	27,524	-	27,524
Forward foreign exchange contracts	-	6,332	-	6,332	-	6,332	-	6,332
Options	-	62,318	-	62,318	-	62,319	-	62,319
Total	-	153,210	-	153,210	-	153,218	-	153,218
<u>Liabilities for which fair value is disclosed</u>								
Due to banks	-	784,837	-	784,837	-	784,837	-	784,837
Due to customers	-	41,313,438	-	41,313,438	-	41,407,124	-	41,407,124
Borrowed funds	-	1,108,794	-	1,108,794	-	350,886	-	350,886
Subordinated debt	-	-	-	-	-	-	-	-
Total	-	43,207,069	-	43,207,069	-	42,542,847	-	42,542,847

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38. Fair value (continued)

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Treasury notes accounted as financial assets available for sale and financial instruments held for trading are valued using a valuation technique based on market quotes as published by Reuters and Bloomberg. These are represented by treasury bills and bonds.

Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates and interest rate curves.

All the options traded by BRD, regardless of the underlying asset (currency, interest rate and equity) are valued daily, using the mark-to-model approach. The model is calibrated to derive the value of the option based on the current market conditions (spot rates), the future values to be attained by underlyings (forward exchange rates, FRAs etc), integrating in the calculation the standard option -sensitivities (delta, gamma, vega, theta) along with information regarding the size of the positions and the liquidity of the instrument.

The fair value is determined through SG's computation module, the values of the specific parameters being daily retrieved from the market and stored in the database, being directly input in the daily final formula or further used for the statistical calculation implied by the valuation process.

The pricing module is calibrated to provide the fair value under the form of the following types of quotes:

- Bid and ask, indicating prices at which SG would purchase, sell or unwind the respective instrument under normal market conditions, for a predetermined or standard market volume, as of valuation date; for situations in which SG communicates bid and ask quotes, namely for equity options (shares, stock indices), BRD uses bid quotes for internal valuation purposes.
- Mid, representing the average of SG estimations for bid and ask at which the respective instrument would be traded under normal market conditions, for a predetermined or standard market volume, as of valuation date;

For the other derivative instruments the fair value of unconditional financial instruments is determined as follows:

- FX Forward deals (Income approach / Mark-to-Model) – discounting the flows of the deals at the valuation date, using the discount factors computed on the yield curves assigned to each related currency, for the residual maturity of the deal, and aggregating their corresponding RON equivalents;
- FX Swap deals (Income approach / Mark-to-Model) - discounting the flows of the deals for both legs at the valuation date, using the discount factors computed on the yield

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38. Fair value (continued)

curves assigned to each related currency, for the residual maturity of the deal, and aggregating their corresponding RON equivalents

- Interest Rate Swap / Cross-Currency Interest Rate Swap deals (IRS/CIRS) (Income approach / Mark-to-Model) - discounting the flows of the deals at the valuation date, using the discount factors and the forward interest rates computed on the yield curves assigned to each related currency, for the residual maturity of each interest/principal exchange event, and aggregating their corresponding RON equivalents

Explicit parameters are variables that come directly from market data.

The main explicit parameters used in valuation of transactions on unconditional financial instruments and related portfolios are:

- Interbank fixing FX rates published by NBR;
- Interbank fixing RON bid/ask interest rates published by NBR;
- Interbank bid/ask interest rates and fixings quoted on each traded currency, except for RON;
- Bid/Ask swap points quoted on EUR/RON for tenures up to 1 year;
- Bid/Ask swap rates quoted on each traded currency for tenures higher than 1 year;
- Bid/Ask cross-currency swap rates quoted on RON for tenures higher than 1 year;
- Futures quotes on EUR and USD for maturities up to 3 years (next 12 maturities);

Implicit parameters are variables obtained through specific intermediary calculation using market prices for relevant financial instruments. The yield curves designated at the level of each product/currency are fed with explicit parameters according to the pre-set configuration, facilitating the computation of implicit parameters used in computing the fair value such as Zero-coupons, Discount Factors and Forward interest rates.

Financial assets available for sale

Available-for-sale financial assets valued using a valuation technique or pricing models primarily consist of unquoted equities and debt securities. These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the financial performance of the investee.

Equity not listed

The fair value of equity instruments is determined by using the net assets of the entities as at the end of the period.

In the case of Visa share, following the announced acquisition of VISA Europe by VISA Inc, the transaction was closed in June 2016 and the Bank, as principal member, received a share of the sale proceeds, having both a cash component and a share in VISA Inc component. Following the SG approach, in order to determine the fair value of the share, the Bank adjusted the sale proceeds using some prudential haircuts (liquidity, litigation risks etc).

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38. Fair value (continued)

Fair value of financial assets and liabilities not carried at fair value

Financial assets

Deposits with banks, loans originated by the Group and leases are measured at amortized cost using the effective interest rate method less any impairment allowance.

For deposits with banks, amortized cost is estimated to approximate fair value due to their short-term nature, interest rates reflecting current market conditions and no significant transaction costs.

For loans and lease receivables the fair value is determined by using discounted cash-flows based on market rates, including the cost of risk of the transaction established at the origination.

Financial liabilities

The amortized cost of deposits from banks and customers is considered to approximate their respective fair values, since these items have predominantly short maturities, carry interest rates reflecting current market conditions and are settled without significant transaction costs.

For due to customers and borrowings amounts the fair value is determined by using discounted cash-flows based on market rates.

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38. Fair value (continued)

The following table presents the fair value and the carrying amount per type of financial instrument.

	Group				Bank			
	June 30, 2016 Unaudited (*)		December 31, 2015		June 30, 2016		December 31, 2015	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets								
Cash in hand	1,289,237	1,289,237	1,339,602	1,339,602	1,289,213	1,289,213	1,339,580	1,339,580
Due from Central Bank	3,893,651	3,893,651	7,480,319	7,480,319	3,893,651	3,893,651	7,480,319	7,480,319
Due from banks	3,528,149	3,528,149	2,314,800	2,314,800	3,501,962	3,501,962	2,287,837	2,287,837
Loans and advances to customers	27,758,936	27,933,373	26,741,471	28,411,522	27,367,027	27,593,528	26,376,425	28,048,887
Financial lease receivables	639,818	647,462	549,354	553,377	-	-	-	-
	37,109,791	37,291,872	38,425,546	40,099,620	36,051,853	36,278,354	37,484,161	39,156,623
Financial liabilities								
Due to banks	926,232	930,341	781,180	784,837	926,232	930,341	781,180	784,837
Due to customers	40,190,110	40,411,834	41,098,674	41,313,438	40,270,313	40,492,480	41,191,873	41,407,124
Borrowed funds	1,057,434	1,062,387	1,099,793	1,108,794	205,859	206,823	348,037	350,886
	42,173,776	42,404,562	42,979,647	43,207,069	41,402,404	41,629,644	42,321,090	42,542,847

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38. Fair value (continued)

The methods and significant assumptions applied in determining the fair value of the elements in the table above are listed below.

The fair value of fixed rate instruments is estimated by discounting the maturing cash flows with discount factors derived from the rates offered to similar clients, for similar products on similar maturities. The fair value of floating instruments is estimated by discounting from the next re-pricing date using as discount factors rates offered to similar clients, for similar products on similar time horizons.

Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of impairment is recognized separately by deducting the amount of the allowance for credit losses from both carrying and fair values.

For the purposes of the fair value disclosure, the interest accrued to date is included in the carrying value of the financial instruments.

The transfers between levels of fair value hierarchy are deemed to have occurred to the date of the event or change in circumstances that caused the transfer, but not later than the end of the reporting period.

Movement in level 3:

	Equity investments (not listed)	Municipal Bonds
Closing balance as at December 31, 2014	5,727	77,986
Acquisitions	1,081	195,120
Sales	(17)	-
Reimbursements	-	(7,499)
Gain losses from change in fair value	79,961	6,433
Closing balance as at December 31, 2015	86,752	272,040
Acquisitions	17,821	4,911
Sales	(79,902)	-
Reimbursements	-	(12,466)
Gain losses from change in fair value	(3,699)	(2,076)
Reclassification	-	(262,409)
Closing balance as at June 30, 2016	20,972	-

As at June 30, 2016 the Group and Bank reclassified the municipal bonds (Timis Council and Bucharest Municipality) amounting to 262,409 from financial assets available for sale to “loans and advances to customers” and measures them at amortised cost. Please see note 7.

Fair value of equity investments not listed is estimated based on net assets of the investments.

The accompanying notes are an integral part of this interim financial statements

(*) Unaudited / unreviewed by the financial auditor

Half Year Report

June 30, 2016

according to National Securities Commission Regulation
no 1/2006

YOUR BANK. YOUR TEAM



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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, 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:

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

Moody's (rating date: 07-Mar-2016)	Rating
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
Financial results	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
		Dec-15	Jun-16	Variation
Capital adequacy*	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
Loans and deposits	Total net loans (RON bn)	26.6	27.4	2.7%
	Total deposits (RON bn)	41.2	40.3	-2.2%
Franchise	No of branches	829	818	(11)
	No of active customers (x 1000)	2,250	2,249	(1)
		Dec-15	Jun-16	Variation
	The Group	H1-2015	H1-2016	Variation
Financial results	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
		Dec-15	Jun-16	Variation
Loans and deposits	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.

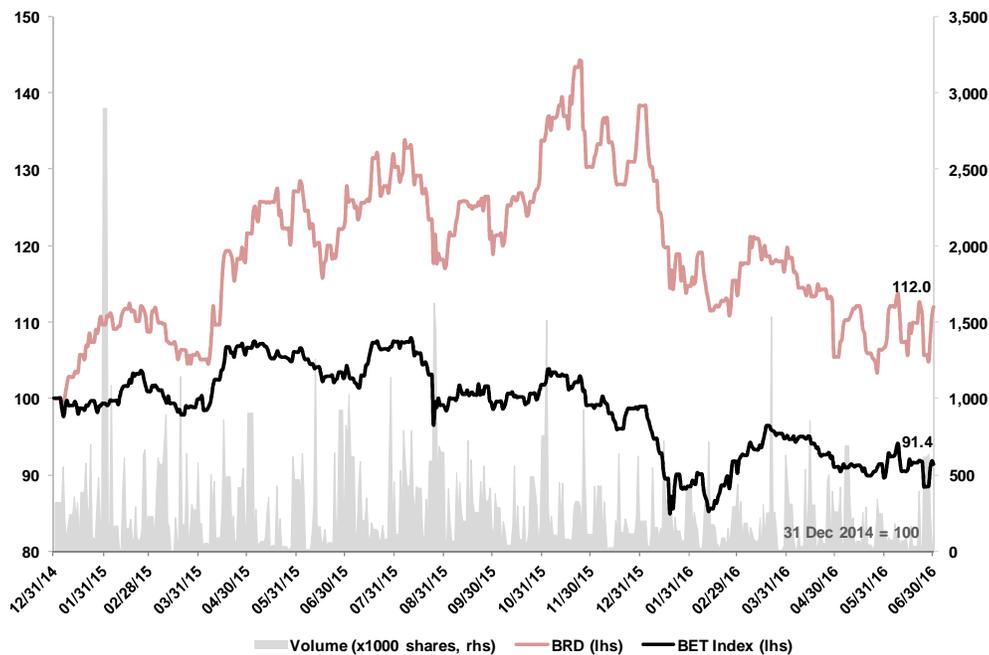
BRD SHARE

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).

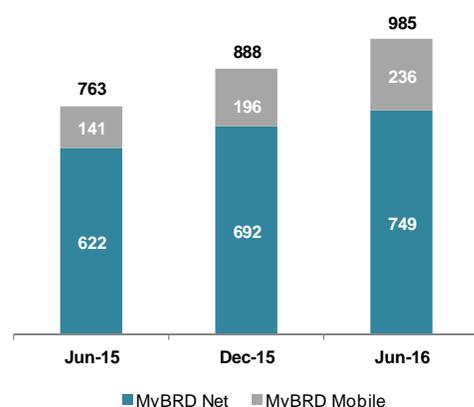
3. COMMERCIAL ACTIVITY

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
TOTAL ASSETS	13.0%	13.0%	n.a.
LOANS	13.5%	13.1%	13.4%
<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>
DEPOSITS	14.9%	14.8%	14.1%
<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
Retail	17.6	18.2	18.6	2.7%	5.8%
Individuals	17.0	17.5	18.0	2.9%	6.1%
Small business	0.6	0.6	0.6	-3.2%	-3.4%
Non-retail	9.6	8.9	9.1	2.8%	-5.1%
SMEs	3.8	3.2	2.9	-10.6%	-24.4%
Large corporate	5.8	5.7	6.3	10.5%	7.4%
Total net loans	27.2	27.0	27.8	2.8%	1.9%
Financial lease receivables	0.5	0.5	0.6	16.5%	18.3%
Total net loans, including leasing	27.8	27.6	28.4	3.0%	2.3%

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

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%
Total assets	47,064	49,193	48,365	100.0%	-1.7%	2.8%

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%
Total assets	48,003	50,179	49,485	100.0%	-1.4%	3.1%

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%
Total liabilities and shareholders equity	47,064	49,193	48,365	100.0%	-1.7%	2.8%

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%
Total liabilities and shareholders equity	48,003	50,179	49,485	100.0%	-1.4%	3.1%

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%
Total shareholders' equity	5,587	5,981	6,092	1.9%	9.1%

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%
Total shareholders' equity	5,842	6,257	6,363	1.7%	8.9%

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

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
Net banking income, <i>out of which</i>	1,270	1,434	12.9%
- net interest income	735	785	6.8%
- net commissions	369	381	3.4%
- other banking income	166	267	61.6%
Operating expenses	-721	-705	-2.1%
- staff expenses	-322	-338	5.2%
- non-staff expenses	-399	-367	-8.0%
Operating profit	549	728	32.7%
Net cost of risk	-269	-282	5.0%
Gross result	280	446	59.3%
Net result	233	381	63.5%
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
TOTAL OWN FUNDS	5,098	4,857	4,442
Capital requirements	2,138	2,149	2,173
Risk weighted assets			
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
Total risk exposure amount	26,727	26,862	27,168
Regulatory CAR	19.07%	18.08%	16.35%

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

TRANSLATION**DECLARATION****according to NSC Regulation no. 1/2006, art 113 (D, alin.1 c)**

I assume that, to the best of my knowledge, the consolidated and separate interim financial statements prepared as at June 30, 2016 are in accordance with accounting regulations applicable, present a true and fair view of assets, liabilities, financial position and income statement of BRD–Groupe Société Générale, and the Board of Director's Report includes a fair and complet review of information on the Bank and the Group.

02.08.2016

Philippe LHOTTE
Chief Executive Officer



REPORT ON REVIEW OF INTERIM SEPARATE FINANCIAL STATEMENTS

To the shareholders of BRD - Groupe Societe Generale SA

Introduction

- 1 We have reviewed the accompanying interim separate financial statements of BRD - Groupe Societe Generale SA ("the Bank"), which comprise the separate statement of financial position as at 30 June 2016, and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate cash flow statement for the period then ended, and other explanatory notes, presenting the following:
 - ▶ Net assets /Total equity and reserves: 6,092,248 thousand lei
 - ▶ Profit for the period: 382,141 thousand lei
- 2 Management of the Bank is responsible for the preparation and presentation of these interim financial statements in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on these interim separate financial statements based on our review.

Scope of Review

- 3 We conducted our review in accordance with the Standards on Auditing adopted by the Romanian Chamber of Auditors, and more specifically the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

- 4 Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim separate financial statements are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Emphasis of matter

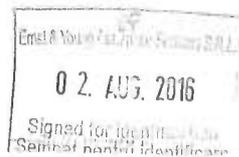
- 5 Without qualifying our review conclusion, we draw attention to Note 2a) Basis of preparation to the financial statements which states that the interim consolidated financial statements for the period ended 30 June 2016 and 30 June 2015 are not audited nor reviewed. We have not audited nor reviewed the consolidated interim financial statements as of and for the period ended 30 June 2016 and do not express an opinion or a review conclusion on the consolidated interim financial statements as of and for the period ended 30 June 2016 of the Bank.

On behalf of

Ernst & Young Assurance Services SRL

Registered with the Chamber of Financial Auditors in
Romania

Nr. 77/15 August 2001



Gelu Gherghescu

Registered with the Chamber of Financial Auditors in
Romania

Nr. 1449/9 September 2002

Bucharest, Romania

2 August 2016