

PRESS RELEASE

Bucharest, February 9, 2017

**BRD GROUP RESULTS FOR 2016:
SIGNIFICANT RISE IN NET PROFIT, UP +63% TO RON 763 MILLION**

The main financial ratios of BRD-Groupe Société Générale are as at December 31, 2016 at consolidated level, unless otherwise stated, according to the International Financial Reporting Standards (IFRS):

- ▶ Significant rise in net profit, up +63.4% to RON 763 million in 2016, compared to RON 467 million in 2015 thanks to higher revenues, strict costs control, lower risk costs
- ▶ Net banking income up by 7.0% driven by improvement in net interest income (+4.6% versus 2015), higher net fees and commissions income (+3.1% versus 2015) and Visa Europe transaction gain registered in the second quarter
- ▶ Operating expenses quasi stable, on further disciplined costs control; C/I ratio at 50.0%, lower by 3.4 percentage points compared to December 31, 2015
- ▶ Lower risk costs (RON 484 million, -26.5% compared to December 31, 2015) and improved risk profile: further decline in the non-performing loan ratio (10.5% at December 31, 2016 against 13.3% at December 31, 2015) and higher non-performing loans provision coverage (76.6% against 69.3% at December 31, 2015)
- ▶ Dynamic commercial activity: larger customer base (+37k active individual clients), increase in equipment rate (4.07 vs 3.95 at December 31, 2015) due to a better penetration rate of remote banking products, higher loan to individuals production (+11.2% year-on-year) and expanding large corporate loans portfolio

In 2016, the lending activity on the Romanian market did not meet beginning of year expectations. Loans granted to individuals inched up by 4.5%*, with their growth driven by RON-denominated housing and consumer loans. Governmental program “Prima Casa” continued in 2016 and was a key contributor for the housing loans advance. Corporate lending activity remained modest despite the favorable economic environment, the stock of gross loans was down -1.7%*, markedly influenced by portfolio clean up operations. Dynamic of customers’ deposits was positive in 2016 (+7.3%* against December 31, 2015), mostly driven by household savings.

BRD activity continued to be marked in 2016 by a strong commercial momentum on retail segment, as the bank’s efforts to enhance quality, as well as consistently improve and develop new services, are paying off. The number of active individual customers reached 2.15 million, increasing by 37k as compared to December 2015 end. Customers are also better equipped (the average number of products per active customer increased from 3.95 at December 31, 2015 to 4.07 at December 31, 2016). In particular, clients’ interest for digital banking solutions is constantly rising. The stock of internet and mobile contracts reached 1.15 million contracts as of December 31, 2016, +29.6% compared to December 31, 2015, with a particularly strong growth of mobile banking subscriptions (+62.8% versus December 31, 2015).

BRD Group’s net loans outstanding amount reached 28.5 RON billion, higher by 3.2%* as of December 2016 against December 2015 due to the positive performance registered on individuals and large corporate segments.

On individuals segment, net loans outstanding increased by +5.3%* versus December 31, 2015, driven by a further advance of unsecured consumer loans and housing loans. Unsecured consumer loan production, was up by +20.3% year on year, to RON 4.0 billion, benefiting from both rising demand and BRD’s continuous efforts to enhance origination processes.

Lending to large corporate remained on an ascending trend, up by 6.6%* versus December 31, 2015.

Outstanding customers deposits increased by +2.3%* versus December 31, 2015 with an important rise on retail deposits, up +9.9%* versus December 31, 2015, despite the low level of interest rates. Non retail deposits contracted year on year, in a context of very comfortable liquidity situation.

The ratio of net loans to deposits was 67.6% (+0.6 percentage points versus December 31, 2015).

BRD Group net banking income reached 2,778 million RON in 2016, up by +7.0% versus 2015. Despite persistent low interest rate environment, net interest income increased by +4.6%, driven by volume growth on the retail segment and positive structure shifts. Net fees and commissions were up by +3.1%, thanks mostly to higher revenues from cards, insurance and internet and mobile banking subscriptions. Other banking income rose by 27.0% year on year, with a substantial contribution from VISA Europe transaction (RON 103 million, recorded in the second quarter). Excluding non-recurring items, the growth in net banking income amounted to 3.0%

Operating expenses remained quasi stable year on year (+0.2% versus 2015) as the increase in staff expenses was offset by savings realised on other costs categories. The cost/income ratio improved by 3.4 percentage points, to 50.0% at December 31, 2016 compared to 53.4% at December 31, 2015.

Risks costs were substantially lower versus 2015 (-26.5%, to RON 484 million from RON 658 million in 2015) reflecting the continued improvement in the asset quality. The ratio of non-performing loans was reduced by 2.8 percentage points to 10.5% as of December 31, 2016 from 13.3% as of December 31, 2015, supported by balance sheet cleaning operations through write-offs and sales of non-performing loans. The coverage of non-performing loans was increased from 69.3% at December 31, 2015 to 76.6% at December 31, 2016.

BRD Group posted a strong set of results in 2016. Net profit reached RON 763 million, up by 63.4% compared to 2015, driven by higher net banking income, disciplined cost control and lower risk costs. Return on equity stood at 11.8% (+4.0 percentage points compared to 2015). Excluding non-recurring items return on equity reached 10.1%.

The capital position remained strong as of December 31, 2016 with bank capital adequacy ratio at 18.9% (under Basel 3, with national discretions) versus 18.1% at December 31, 2015.

Considering the results of the year as well as the comfortable capital adequacy level, the Board of Directors has decided to propose a dividend corresponding to a payout ratio of 70% of the bank 2016 net income, subject to a favorable vote by the Annual General Meeting of Shareholders on April 20, 2017.

"2016 was marked by a solid performance of BRD Group, with net income substantially higher than in 2015, benefiting from a strong commercial momentum on retail segment, a better operating performance and a significantly improved risk profile. Looking ahead, we are confident of our universal bank business model which will further enable us to satisfy the most various needs of our customers and grow healthily on all segments while creating value for our shareholders", said Francois Bloch, BRD CEO.

BRD Group preliminary financial results for the year ended December 31, 2016 are available to the public and investors on the website of the bank: www.brd.ro from 09h00 onwards. Copies of the documents can also be obtained upon request, free of charge, at the head office of BRD-Groupe Société Générale, located at 1-7, Ion Mihalache Bd., 1st district, Bucharest.

⁽¹⁾ Variations at constant foreign exchange rate

Note: NPL ratio and NPL coverage ratio, according to EBA methodology

BRD-Groupe Société Générale is the second bank in Romania considering the total assets' volume. BRD - Groupe Société Générale has 2.28 million active customers and operates a network of 810 units. BRD has a leading position on the card market with approx. 2.2m cards and a network acceptance of approx. 27,700 POS and more than 1,500 ATMs. Total assets of the Bank at December 2016 end amounted to RON 50.6 bn.

BRD is part of the Société Générale Group, one of the largest European financial services groups. The group has 145,000 employees in 66 countries and 31 million customers worldwide in its three key activities:

MEDIA RELATIONS

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CAPITAL SOCIAL IN RON: 696.901.518 lei; R.C. J40/608/19.02.1991; RB - PJR - 40 - 007
/18.02.1999; C.U.I./C.I.F.:RO 361579

Prelucrare înscrisă în registrul de evidență a prelucrarilor de date cu caracter personal sub nr. 1788.

Atestat CNVM nr. 255/06.08.2008

- Retail banking in France
- International Retail Banking, Financial Services and insurance
- Corporate and investment banking, private banking, asset management and securities services

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