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INDEPENDENT AUDITOR'S REPORT

To the shareholders of BRD - Groupe Societe Generale S.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated and separate financial statements of BRD - Groupe Societe Generale SA ("the Bank"), which comprise the statement of financial position as at December 31, 2016, the profit or loss account, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank as at December 31, 2016, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with the National Bank of Romania Order no. 27/2010, approving the accounting regulations compliant with the International Financial Reporting Standards for credit institutions, with all subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment of loans and advances to customers

Management’s identification of impairment indicators and determination of the impairment allowance for loans and advances to customers is a complex process and involves judgement and use of estimates. Such an assessment is inherently uncertain, involving various factors and use of assumptions, including the financial condition of the counterparty, expected future cash flows of the debtors and net cash inflows from the potential sale of collaterals.

Special considerations are given to aspects that are new or experienced notable developments in 2016, like Law no. 77/2016 regarding Payment in Kind.

The use of different modelling techniques and assumptions could produce significantly different estimates of impairment allowance. Notes 2 e) and 9 to the financial statements present more information on the estimation of impairment allowance for loans and advances to customers.

Due to the significance of loans and advances to customers (representing 53.7% of total consolidated assets and 53.3% of total separate assets) and the related estimation uncertainty, we consider this a key audit matter.

Our audit procedures included, among others, the assessment of the Bank’s methodology regarding the identification of impairment indicators, assessment of specific impairment allowance respectively collective impairment allowance. We assessed the design and evaluated the operating effectiveness of internal controls over the monitoring of loans and advances to customers and over impairment calculations including the quality of underlying data and relevant systems.

For impairment allowance for loans calculated on an individual basis, our analysis evaluation was focused on the corporate exposures with the most significant potential impact on the financial statements and considered the key assumptions underlying the impairment identification and quantification such as estimated future cash flows of the debtors, realizable value of collaterals and estimates of recoveries subsequent to the loss event.

Our internal valuation experts were involved, as appropriate, to assist us in performing our audit procedures.

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For impairment allowance for loans calculated on a collective basis we analyzed the Bank's methodology, inputs and assumptions used, as well as the model validation where the case.

We further assessed the adequacy of the Bank's disclosures in the financial statements regarding exposure to credit risk.

Provisions for litigations and other risks

The process for recording provisions is an estimation process involving a high level of judgement, therefore there is an inherent risk that the existing provisions at year-end may significantly differ from the actual loss realized subsequent to the reporting date. The Bank sets up provisions for litigations and other risks, notes 2 e), 16 and 21 to the financial statements presenting more information on their estimation. The main aspects for which the management exercised judgment are litigations for consumer protection issues and the tax authorities' dispute following their inspection.

Provisions for litigation and other risks are significant to our audit because the assessment process is complex and judgmental.

The audit procedures performed included, among others, an assessment of the Bank's governance, processes and internal controls with respect to recognition and measurement of provisions as well as of the management's assumptions considering the supporting explanations and documentation provided by management and its internal legal advisors for the recording of significant provisions.

We obtained written confirmations from the external legal counsels and compared their opinions with the management's assumptions and assessment regarding the impact and the disclosures in the financial statements related to significant litigations.

Our evaluation was focused on the significant matters, especially the ones that were new or that experienced notable developments in 2016, such as litigations related to consumer protection issues and the tax authorities' inspection and related dispute. Our tax experts were involved in the analysis and corroboration of the assumptions used in determining the provisions and contingent liabilities by considering the relevant legal requirements.

We also evaluated the adequacy of the Bank's disclosures in the financial statements regarding provisions for risks and litigations.



Information Technology (IT) systems relevant for financial reporting

A significant part of the Bank's operations and financial reporting process is reliant on IT systems involving automated processes and controls over the capture, storage and processing of information. An important component of this internal control system involves the existence of and adherence to appropriate user access and change management processes and controls. These controls are particularly important because they ensure that the access and changes to IT systems and data are made by authorized persons in an appropriate manner.

The IT environment of the Bank is complex with a significant number of interconnected systems and databases. Due to the high automation of the processes relevant for financial reporting and to the complexity of the IT environment of the Bank, a high proportion of the overall audit procedures was concentrated in this area. We therefore consider that this area represents a key audit matter.

We focused our audit procedures on those IT systems and controls that are significant for the financial reporting. As the audit procedures over the IT systems require specific expertise, we involved our IT specialists in performing the audit procedures.

Our audit procedures included, among others, understanding and assessing the overall IT control environment and the controls in place, including the ones over access to systems and data, as well as IT system changes. We tailored our audit approach based on the financial significance of the system and the existence of automated procedures supported by the respective system.

As part of the audit procedures we tested the operating effectiveness of controls over granting access rights to determine if only appropriate users had the ability to create, modify or delete user accounts for the relevant applications. We also tested the operating effectiveness of controls around the development and changes of applications to determine whether these are appropriately authorized, tested and implemented. Additionally, we assessed and tested the design and operating effectiveness of the application and IT-dependent controls in the processes relevant to our audit.

Other information

The other information comprises the Annual Board of Directors' Report, but does not include the financial statements and our auditors' report thereon. Management is responsible for the other information.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be

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materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the National Bank of Romania Order no. 27/2010, approving the accounting regulations compliant with the International Financial Reporting Standards for credit institutions, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group (the Bank and its subsidiaries) to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Annual Board of Directors' Report, we have read the Annual Board of Directors' Report and report that:

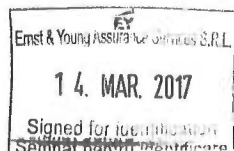
- a) in the Annual Board of Directors' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at 31 December 2016;
- b) the Annual Board of Directors' Report includes, in all material respects, the required information according to the provisions of the National Bank of Romania Order no. 27/2010, approving the accounting regulations compliant with the International Financial Reporting Standards for credit institutions, with all subsequent modifications and clarifications, Annex 1 points 11 - 14 regarding administrators' report, respectively point 37 regarding the administrator's consolidated report;
- c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at 31 December 2016, we have not identified information included in the Annual Board of Directors' Report that contains a material misstatement of fact.

On behalf of

Ernst & Young Assurance Services SRL

Registered with the Chamber of Financial Auditors of Romania

No. 77/15 August 2001



Gelu Gherghescu

Registered with the Chamber of Financial Auditors of Romania

No. 1449/ 9 September 2002

Bucharest, Romania

14 March 2017

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