



GROUPE SOCIETE GENERALE

THE ORDINARY GENERAL MEETING OF THE SHAREHOLDERS

On April 19, 2018, at 10:00 A.M. at BRD Tower, 1-7 Bd. Ion Mihalache, 1st district, Bucharest (1st floor, Auditorium Room) for all the shareholders registered with the Shareholders' Register by the end of April 10, 2018 (reference date)

Decision draft:

The Ordinary General Meeting of the Shareholders approves the income and expenditure budget for 2018 and of the Business Plan for the fiscal year 2018.

The Board of Directors of BRD- Groupe Société Générale S.A.

BRD **BUDGET 2018**

GENERAL SHAREHOLDERS ASSEMBLY

BRD STAND ALONE, ACCORDING TO IFRS

■
APRIL 19TH 2018
■

YOUR BANK. YOUR TEAM



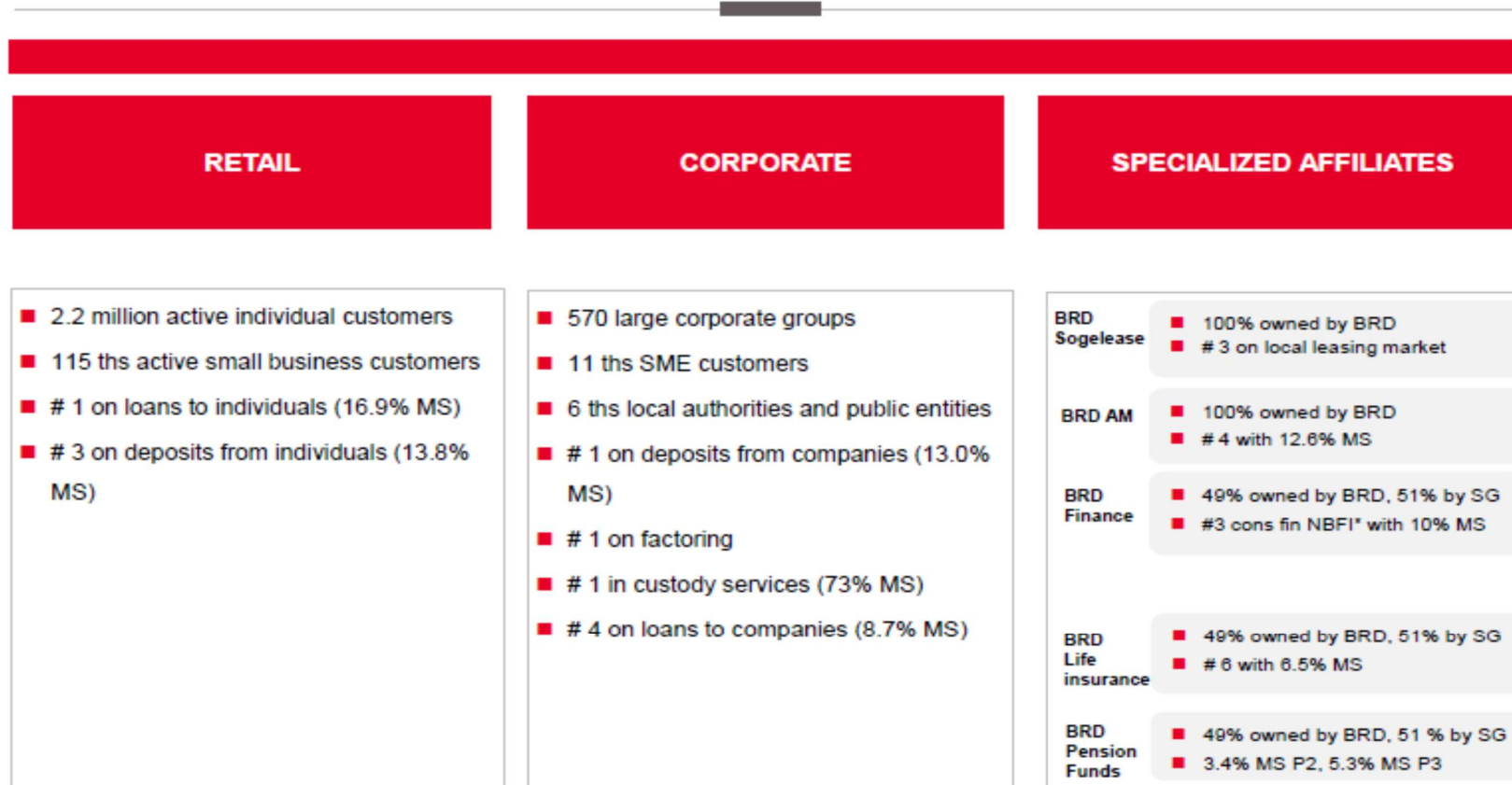
GRUPE SOCIETE GENERALE

1



STRATEGIC OBJECTIVES

BRD: A UNIVERSAL BANKING GROUP WITH LEADING FRANCHISES ACROSS THE BOARD



Data as of Dec 2017, except: BRD Life insurance and BRD Pension Funds market shares at Sept-17; BRD Finance market share at June-17



POSITIVE DEVELOPMENTS IN THE BANKING ENVIRONMENT IN THE RECENT PAST, SIGNIFICANT CHALLENGES AND OPPORTUNITIES AHEAD

Macro-context – Current opportunities and future challenges

- **Strong and sustained GDP growth** in the last years
- **Rising interest rates**, driven by inflation and gradual withdrawal of ultra-accommodative monetary policies within the Eurozone
- **Low unemployment**, well below EU average, with **sustained decreasing trend** registered in the last years



- **Unsustainable GDP growth** in the mid-term – Economy fueled largely by **private consumption boom** and **government-driven fiscal impulse**
- **Wage growth** outpacing productivity gains undermining external competitiveness in the mid-term
- **Very tight labor market**

- **Increasing adoption of digital solutions**
- **Large unbanked population**
- **Several customer segments** (e.g. affluents, SMEs) **underserved** at market level
- Growth potential from **higher customer sophistication** in corporate (e.g. cash management, structured and corporate finance), and retail
- **Bancassurance** and alternative saving markets progressively maturing
- **PSD2 opening up new business model opportunities**



- **Margins squeezed** by ongoing price war
- **Growing pressure on fee income/ prices** driven by implementation of payment accounts Directive (EU Directive 92)²
- **Lower barriers to entry** for new players and **potential sector disruption** due to PSD2
- **Local legislative instability** and **transforming EU regulatory environment**³
- **GDPR** posing new barriers in customer data usage and protection

- **Consolidation of the banking system expected to continue**, with a large number of very small banks unsustainable in the long run

OUR STRATEGIC OBJECTIVES FOR 2020



Achieve core solid profitability growth on both retail and corporate segments, driven by superior customer experience, strong employee engagement, and by the bank's commitment to having a positive contribution to the Romanian society and banking sector

STRATEGIC OBJECTIVES

Customer Satisfaction

- Proactively understand and deliver on the needs of our customers
- Gain market leadership on customer experience
- Develop further digital capabilities and enhance integrated multi-channel user experience
- Become the reference relationship bank in Romania

Employee Commitment

- Become employer of choice in Romania
- Foster a culture geared towards excellence and high employee engagement, built on mutual trust, team spirit and people development
- Increase organizational agility and change readiness to support ongoing innovation

Corporate Social Responsibility

- Support Romania's economic growth and investments
- Conduct an ethical and fair business, in line with the bank's legal and ethical responsibility
- Support initiatives aimed at developing education, culture, technological advances and sports

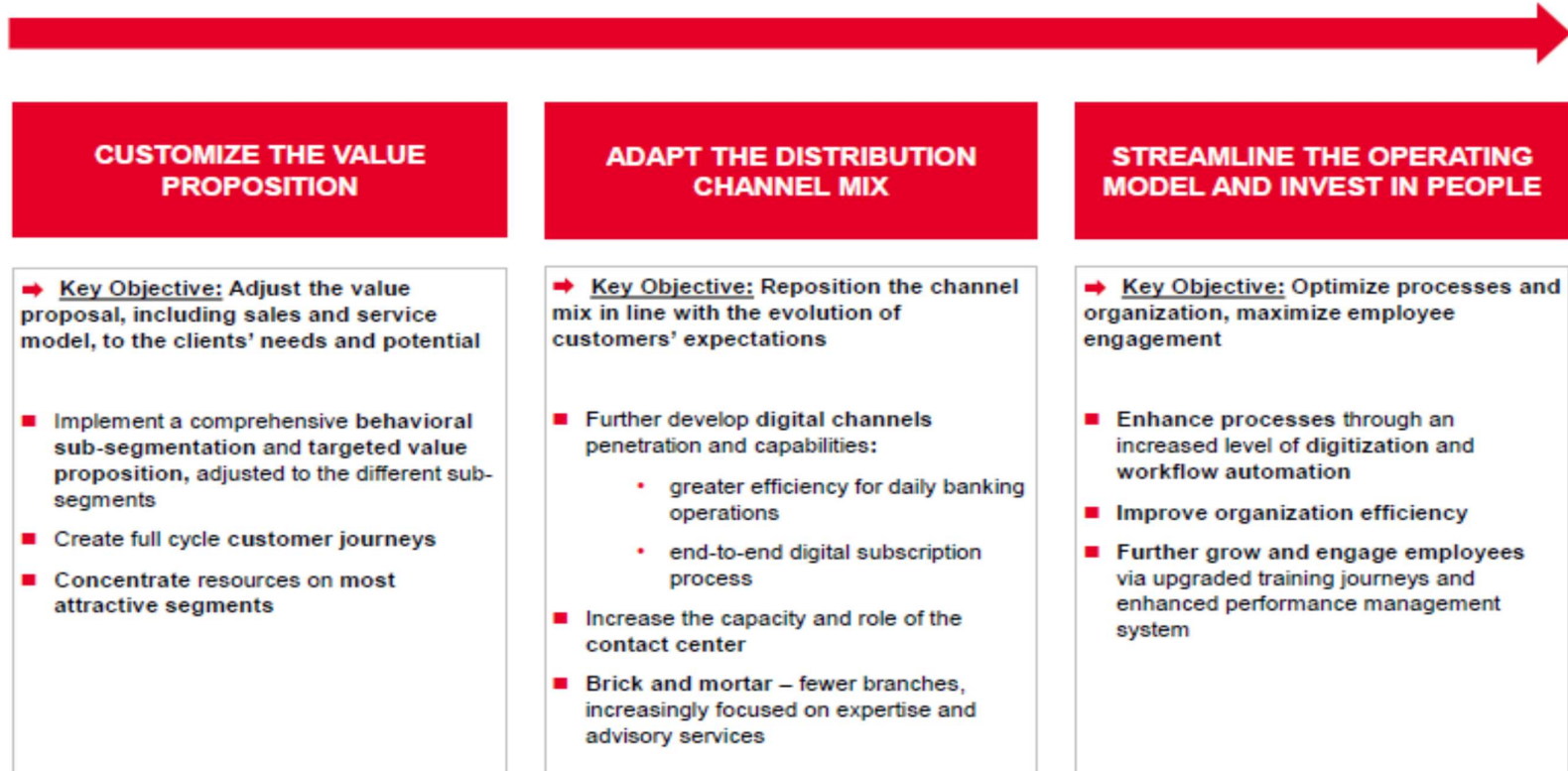
Financial Performance

- Target solid performance growth on both retail and corporate segments and improve overall core profitability

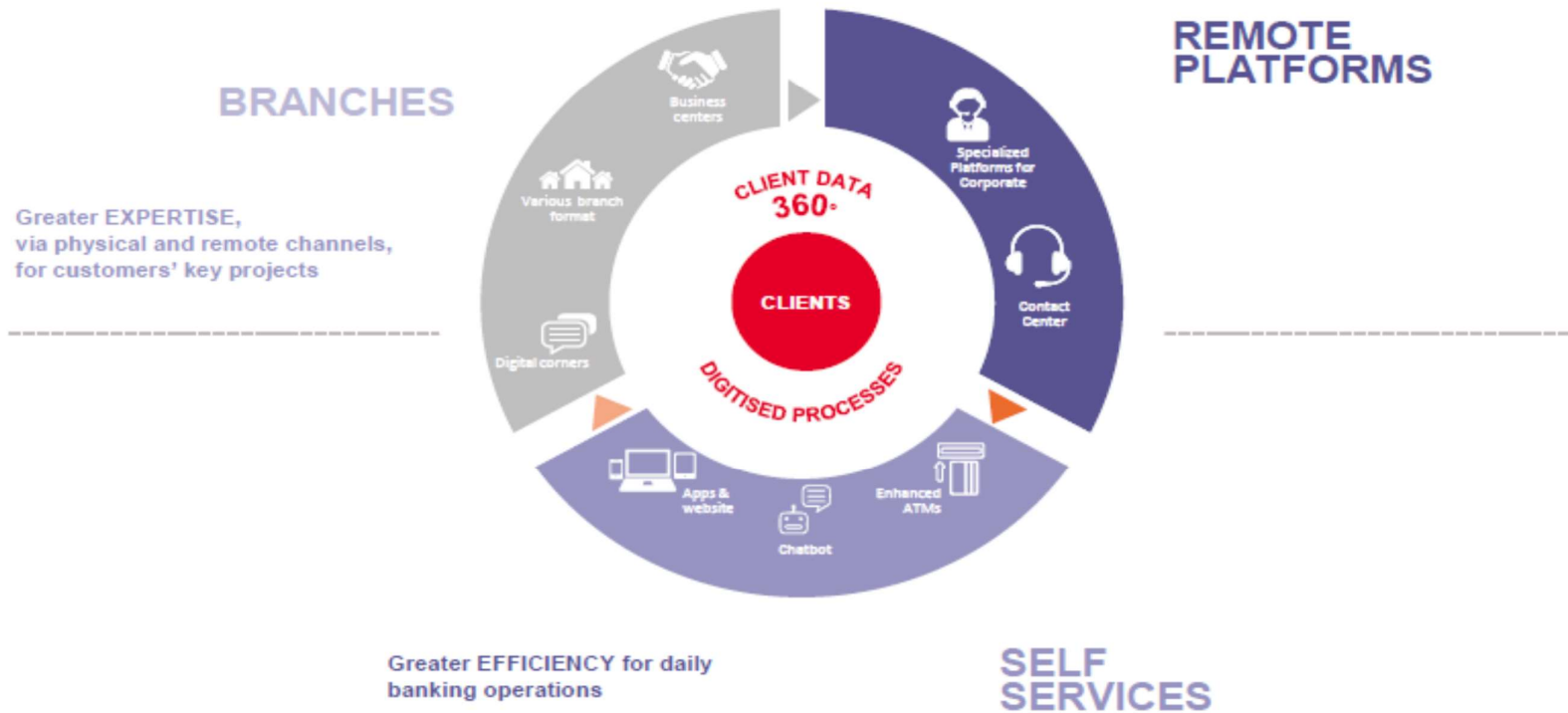
BRD TRANSFORMATION PROGRAM



RETAIL – TOWARDS A MORE CUSTOMER CENTRIC, DIGITAL, AND EFFICIENT BANK



MOVING TOWARD AN OMNI-CHANNEL BUSINESS MODEL, COMBINING HUMAN EXPERTISE AND DIGITAL EFFICIENCY



CORPORATE – FULLY ACTIVATE VALUE GROWTH LEVERS AND FURTHER INCREASE LOAN ORIGINATION



FOCUS ON VALUE GROWTH LEVERS

➔ **Key Objective:** Maximize value extraction from the existing customer base and develop new growth drivers

- Further enhance portfolio profitability by increasing share of primary bank customers
- Implement a superior sales management and monitoring set up to boost commercial performance
- Compensate for price pressure on traditional activities by intensifying cross selling and fully activating value growth levers – Structured Finance, Corporate Finance, derivatives, GTB -, ensuring their promotion to all customer segments
- Continue to develop synergies with retail, specialized affiliates and SG group

ACHIEVE MATERIAL AND PROFITABLE LOAN VOLUME GROWTH

➔ **Key Objective:** Outperform corporate loan market growth while continuing to improve the risk profile

- Further enhance the origination process effectiveness
- On the SME segment, develop the lending activity based on:
 - in-depth understanding of both client needs and risk profiles
 - refined sectorial approaches
 - dynamic and forward looking management of risk appetite
- Capitalize on the specialized EU and national funds structure capabilities

OPTIMIZE PROCESSES AND ORGANIZATIONAL SET-UP

➔ **Key Objective:** Improve both customer satisfaction and operational efficiency

- Invest in digital offer and bring it to the highest market standards
- Improve process time and quality through:
 - simplification and optimization
 - higher level of workflow automation
 - centralized processes supervision
- Fully integrate SME and large corporate set ups to maximize internal synergies and create scale

OPERATIONS – SIMPLIFIED ORGANIZATION AND OPTIMIZED PROCESSES FOR INCREASED REACTIVITY AND QUALITY



ACCELERATE DIGITAL READINESS THROUGH INNOVATIVE, OPEN, AND AGILE APPROACHES



BOOST INNOVATION

- Continuous interactions with an entire and developing ecosystem
- Open innovation strategy
- Dedicated team to foster innovation



GROW THE INFORMATION SYSTEMS VALUE

- Trusted partner, custodian of clients' data
- A modular digital approach: "API first"
- Develop services interoperability - An **OPEN** approach to develop offers and clients' satisfaction
- Continue to focus on **Security**



TRANSFORM THE DELIVERY MODELS AND EXPERTISE

- **AGILE** First
- Reduce time to market
- Increase efficiency
- Optimize alignment with Business
- Ensure the critical skills for tomorrow

2



BUDGET 2018

PROJECTIONS 2020

MACROECONOMIC PROJECTIONS

GDP growth

GDP growth reached 7.0% in 2017, driven by private consumption which benefitted from pro-cyclical fiscal stimulus, while investment contribution remained modest.

Growth expected to slow down to 4.4% in 2018, with a decelerating private consumption and a rising contribution of investments. Investments should gradually gain steam, stimulated by the progressive upturn in the absorption of EU funds and resilient domestic and foreign demand prospects.

Accelerating inflation dynamics

In a context of surging wages (average nominal wages growing by +12% Y/Y as of Dec-17) and record-low unemployment (4.6% as of Sept-17), inflation accelerated in 2017 (reaching an average level of 1.3%) and is expected to accelerate further in 2018 (to an average level of 2.9%).

Significant rise in RON interest rates starting September 2017

Rising inflation prompted a tightening of the monetary policy and an upward correction of money market rates in the last quarter of 2017.

Average ROBOR 3M reached 2.0% in Q4-17 and the 2018 budget is based on a stability assumption at this level.

Exchange rate

In the absence of major external shocks, the exchange rate is expected to remain stable in 2018.

Overall credit growth at +3.6% y/y at December 2017 end, with lending to individuals as main driver (+6.6% y/y)

Household borrowing should continue to be the major driver of lending activity in 2018. On non retail loans, with investments gradually gaining momentum and fueling credit demand, the progressive recovery seen in 2017 should intensify.

PROFITABILITY EVOLUTION

Net banking income

With strong competitive pressures weighing on prices, the bank will mostly rely on volume augmentation and a higher contribution of growth relays (insurance, asset management) in order to increase its revenues.

Net interest income is expected to benefit from higher lending volume (EOP net outstanding amount of loans growth is budgeted at +7%) and positive rate effects.

Fees and commissions income should be under strong price pressure, with regulatory evolution and competitive constraint negatively impacting daily and transactional banking revenues.

Operating expenses

Operating expenses would increase by around +4% in 2018, driven by :

- continued pressures on salary costs
- impact of investments in regulatory and transformation projects

Cost of Risk

Cost of Risk will be less influenced by exceptional items than in 2017. It should nevertheless benefit from a supportive economic environment, the good quality of the new loan production, and an enhanced collection strategy. We consequently target a Cost of risk below the 60 bp threshold for 2018.

2018 BUDGET - KEY INDICATORS

		2016	2017	Evo 17/16	Budget 2018	Evo B18/17
CLIENTS* (thousands)		2,285	2,327	1.8%	2,390	2.7%
NET LOANS (RON bn)	Total	27.4	29.0	5.9%	31.0	6.8%
	Retail	18.7	20.3	8.3%	21.5	6.4%
	Non Retail	8.7	8.8	0.8%	9.4	7.6%
DEPOSITS (RON bn)	Total	42.3	44.4	5.0%	45.0	1.4%
	Retail	26.0	27.8	7.0%	29.1	4.5%
	Non Retail	16.3	16.6	1.7%	15.9	-3.9%
NET LOANS/DEPOSITS		65%	65%	1 pts	69%	3 pts

* active clients

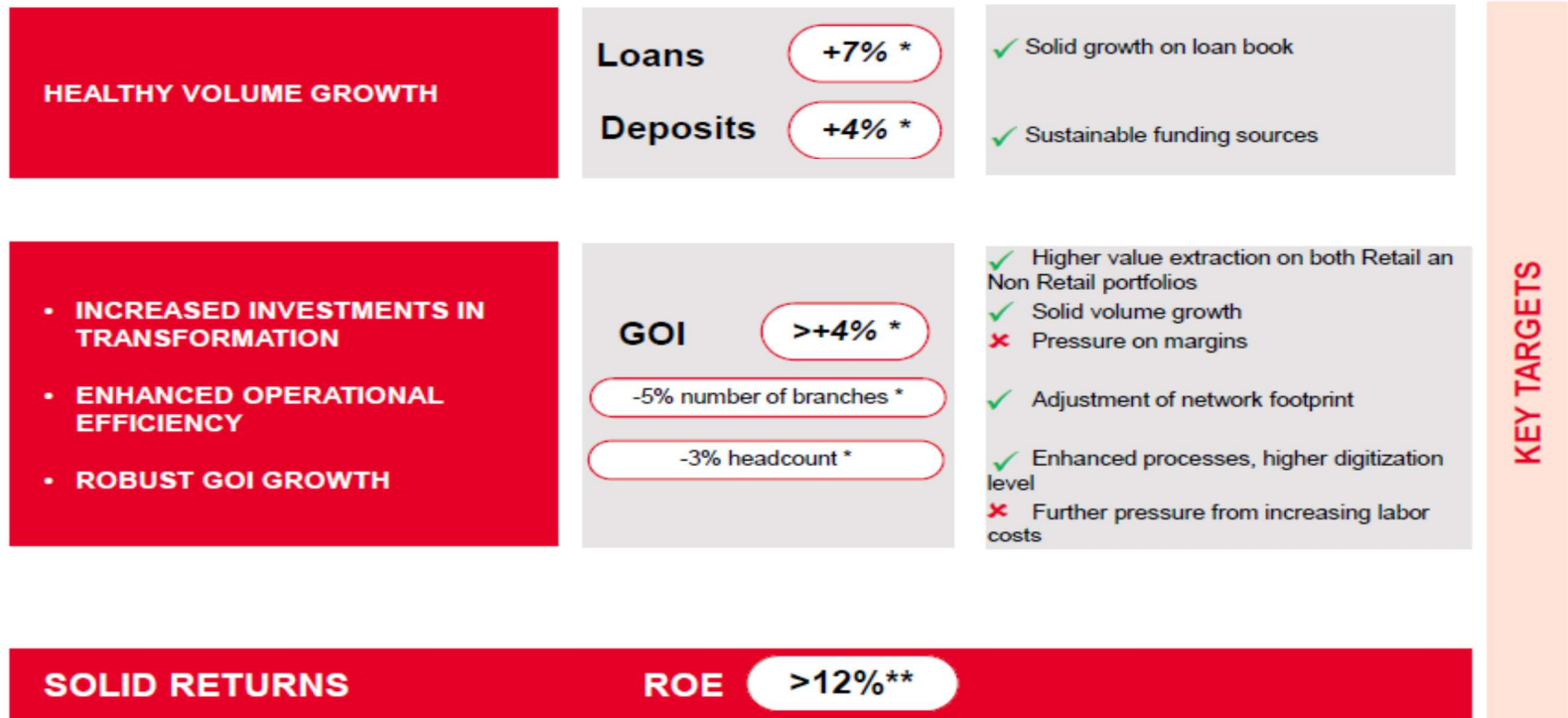
2018 BUDGET - FINANCIAL TARGETS

	2016	2017	Evolution 17/16	Evo 17/16* w/o non recurring items	Perspectives for 2018	
RON m						
FINANCIAL RESULTS	NET BANKING INCOME	2,634	2,641	0.3%	5.2%	Solid Nil growth Fee & commissions under strong price pressure
	OPERATING EXPENSES	(1,310)	(1,388)	5.9%	3.7%	+4%
	GROSS OPERATING INCOME	1,324	1,254	-5.3%	6.8%	stable
	NET COST OF RISK	(461)	376	n/a	n/a	below 60 bp
	NET RESULT	728	1,380	89.5%	89.2%	
RATIOS	COST/INCOME RATIO	49.7%	52.5%	+2.8 pts	-0.7 pts	
	ROE	11.8%	20.6%	+8.8 pts	+7.7 pts	>12%

Non recurring Items* (RON m)	2016	2017
NBI gain on sale of AFS, incl. VISA	31	9
Opex restructuring provision		(29)
NCR: insurance indemnities, gain on sale of NPLs		272



2020 FINANCIAL TARGETS



* CAGR (2017-2020)

** ROE throughout the period