

Annual Board of Directors' Report

2017

prepared in accordance with the National Bank of Romania Order no. 27/2010, the National Securities Commission Regulation no.1/2006, the National Bank of Romania Regulation no. 5/2013 and contains both Annual Board of Director's Report and Consolidated Annual Board of Directors' Report

YOUR BANK. YOUR TEAM



GROUPE SOCIETE GENERALE

CONTENTS

1. THE COMPANY AND ITS SHAREHOLDERS	3
2. CORPORATE GOVERNANCE.....	8
3. HUMAN RESOURCES	27
4. CORPORATE AND SOCIAL RESPONSIBILITY	32
5. GROUP ACTIVITY AND RESULTS	36
6. RISK MANAGEMENT.....	46
7. CAPITAL MANAGEMENT AND ADEQUACY	54
8. INTERNAL CONTROL FRAMEWORK	58
9. CONCLUSIONS AND PERSPECTIVES FOR 2018.....	59
10. BOARD OF DIRECTORS PROPOSALS	60
APPENDIX 1: Statement of Compliance with the provisions of corporate governance code of Bucharest Stock Exchange	
APPENDIX 2: Non-financial Declaration	

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 December 31, 2017, 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 December 31, 2017 the Bank had the following ratings:

Fitch Ratings (<i>last rating update: Oct-2017</i>)	Rating
Foreign-Currency Short-Term Issuer Default Rating	F2
Foreign-Currency Long-Term Issuer Default Rating	BBB+
Support Rating	2

Moody's (<i>last rating update: Aug-2017</i>)	Rating
Local Currency Short-Term Deposit	Prime-2
Local Currency Long-Term Deposit	Baa2
Foreign Currency Short-Term Deposit	Prime-3
Foreign Currency Long-Term Deposit	Baa3

BRD GROUP („GROUP”) consolidates the following entities:

- BRD - Groupe Société Générale S.A.;
- BRD Sogelease IFN SA;
- BRD Finance IFN SA;
- BRD Asset Management SAI SA;

SOCIÉTÉ GÉNÉRALE PROFILE

Société Générale was set up in 1864 as a banking company, registered in France. Its registered office is located on 29 Boulevard Haussmann, 75009, Paris, France, and its shares are listed on the Paris Stock Exchange.

Société Générale is one of the largest European financial services groups. Based on a diversified universal banking model, the Group combines financial solidity with a strategy of sustainable growth, and aims to be the reference for relationship banking, recognised on its markets, close to clients, chosen for the quality and commitment of its teams.

Société Générale has been playing a vital role in the economy for 150 years. With more than 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 December 31, 2017, the ratings of Société Générale for long-term and respectively, short term senior unsecured debt were:

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

BRD POSITION WITHIN SOCIÉTÉ GÉNÉRALE

SG has been present in Romania since 1980, being the only significant bank from Western Europe that was present in Romania during the communist era.

In 1999, it takes part in the process of privatization of Banca Romana pentru Dezvoltare and acquires 51% of the bank's share capital.

Starting with this period, BRD lined up its operational procedures and business practices to those of the parent company.

BRD is part of the international network of Société Générale, managed by the International retail banking and financial services division (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.

2017 KEY FIGURES

		2016	2017	Change
The Bank				
Financial results	Net banking income (RONm)	2,634	2,641	+0.3%
	Operating expenses (RONm)	(1,310)	(1,388)	+5.9%
	Cost of risk (RONm)	(461)	376	n.a.
	Net profit (RONm)	728	1,380	+89.5%
	Cost / income ratio	49.7%	52.5%	+2.8 pt
	ROE	11.8%	20.6%	+8.8 pt
RON bn				
Loans and deposits	Total net loans	27.4	29.0	+5.9%
	Total deposits	42.3	44.4	+5.0%
RON m				
Capital adequacy	Own funds	5,212	5,339	+2.4%
	RWA	26,373	27,023	+2.5%
	CAR	19.8%	19.8%	-0.01 pt
Franchise	No of branches	810	760	(50)
	No of active customers (x 1000)	2,285	2,327	+41
The Group				
Financial results	Net banking income (RONm)	2,778	2,786	+0.3%
	Operating expenses (RONm)	(1,388)	(1,473)	+6.2%
	Cost of risk (RONm)	(484)	360	n.a.
	Net profit (RONm)	763	1,415	+85.3%
	Cost / income ratio	50.0%	52.9%	+2.9 pt
	ROE	11.8%	20.1%	+8.3 pt
RON bn				
Loans and deposits	Total net loans including leasing	28.5	30.3	+6.4%
	Total deposits	42.2	44.2	+4.8%
RON m				
Capital adequacy	Own funds	5,576	5,673	+1.7%
	RWA	27,402	28,219	+3.0%
	CAR ^(*)	20.4%	20.1%	-0.2 pt

(*) according to Basel 3 including the impact of prudential filters (the Bank) and according to Basel 3 transitory provisions (the Group); 2017 own funds reflect the 2017 net profit and proposed dividends.

BRD SHARE

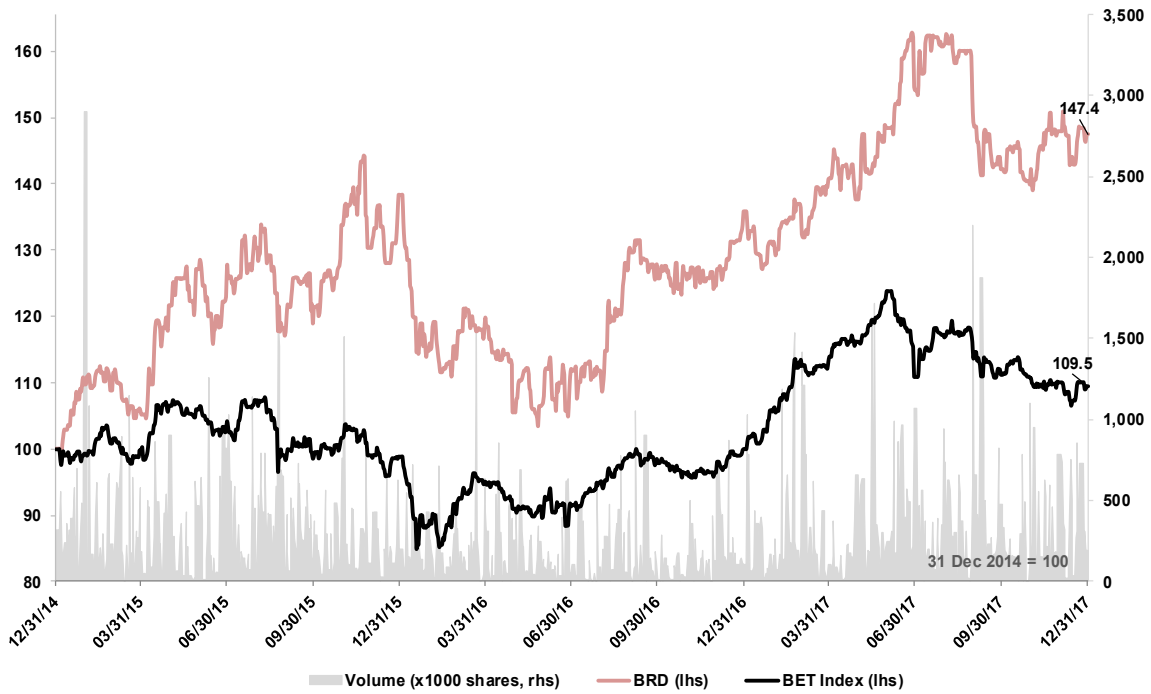
Starting with January 15th, 2001, the Bank's shares are listed in the Premium category of the Bucharest Stock Exchange. The shares are included in the BET, BET Plus, BET-XT, BET-XT-TR, BET-BK, BET-TR and ROTX indexes. The Bank's shares are ordinary, nominative, dematerialized and indivisible. According to the Articles of Incorporation, article 17, letter k, the shares of the Bank are traded freely on those capital markets set by General Assembly of Shareholders („AGA”), while complying with the legislation on the trade of shares issued by bank institutions.

The closing price for BRD share as at December 31, 2017, was of 12.90 RON/share (RON 11.88 RON/share at December 31, 2016). On the same date, the market capitalization was RON 8,990.03 million (December 31, 2016: RON 8,279.19 million).

During 2017 neither the Bank, nor its subsidiaries bought back own shares.

As of December 31, 2017 neither the Bank, nor its subsidiaries hold own shares.

Evolution of BRD's share price versus the BET Index and BRD's volume of shares for the period December 31, 2014 – December 31, 2017



Source: Bloomberg

DIVIDENDS

According to the Romanian legislation and the Articles of Incorporation, dividends are paid from the funds created for this purpose after the approval of the General Assembly of Shareholders, within maximum 6 months from the date of the General Assembly of Shareholders for deciding the dividends. In case the General Assembly of Shareholders does not establish the date when dividends are paid, these shall be paid in 30 days from the date when the decision of the General Assembly of Shareholders to establish dividends has been published in the Official Gazette of Romania, Part IV, the date from which the company is in delay.

The distribution of dividends is made according to the General Assembly of Shareholders decision, upon the Board of Directors' proposal and depends on the distributable profit and of the future capitalization needs of the Bank.

The change in the volume of approved and distributed dividends for the last three years is presented below:

Dividends	2016	2015	2014
Distributable profit (RON million)	728.3	445.4	-
Total dividends (RON million)	508.7	223.0	-
Number of shares (millions)	696.9	696.9	696.9
Dividend per share (RON), nominal	0.73	0.32	-
Distribution rate from distributable profit	70%	50%	-
Amount of dividends effectively paid by 31.12.2017	506.90	222.33	-
Percentage of dividends effectively paid by 31.12.2017	99.6%	99.7%	-

For the financial year 2017, the Board of Directors has decided to propose to the General Assembly of Shareholders the payment of a dividend of RON 1.64 per share, corresponding to a payout ratio of 83% of the 2017 net profit of the bank.

The number of shares remained unchanged in the last 3 years.

DIVIDEND PAYMENT

The dividends are distributed to the shareholders proportionally to their participation in the share capital. The dividend income is subject to withholding tax.

Dividends are paid in accordance with the legal provisions and the General Assembly of Shareholders' resolution regarding profit distribution, dividend setting and the dividend payment procedure made available to the shareholders on the Bank's website.

Unclaimed dividends are prescribed within 3 years from the payment start date, according to legal provisions.

RESEARCH AND DEVELOPMENT ACTIVITIES

There are no development and research activities performed by the Bank and by the Group.

2. CORPORATE GOVERNANCE

The BRD-Groupe Société Générale S.A.'s Corporate Governance Model is aligned with that of the parent company, Société Générale.

The Corporate Governance Model adopted by BRD ensures:

- observance of the shareholders' equal rights and treatment, by protecting and enforcing their prerogatives;
- setting of the role and observance of the rights of the groups of interest, other than the shareholders;
- setting the liability of the Board of Directors towards the credit institution and the shareholders, as well as its responsibility of supervising the activity of the Management committee;
- transparency and access to information, by the periodical publication, in a correct and real manner, of the relevant financial and operational information.

Constantly concerned by the principles of corporate governance, BRD - Groupe Société Générale has adopted and applies the provisions of Corporate Governance Code of the Bucharest Stock Exchange (BSE) since 2012. "The statement of compliance with the provisions of Corporate Governance Code of the BSE on December 31, 2017" is presented in Appendix 1.

BRD-Groupe Société Générale has its own Corporate Governance Code available to the interested parties on institutional site on section: <https://www.brd.ro/en/about-brd/shareholders-and-investors/corporate-governance>.

The corporate governance of BRD-Groupe Société Générale represents an ongoing process in which integrity, responsibility and transparency are fundamental elements in making correct decisions and goals that contribute to increasing the confidence of shareholders in the company, economic efficiency, sustainable growth and financial stability.

As at December 31, 2017, Société Générale is the only significant shareholder of the Bank holding 60.1683% of the share capital.

THE GENERAL SHAREHOLDERS MEETING

The general shareholders meetings are an occasion for the members of the Board of Directors and the senior management to present to the shareholders the results obtained during their office, based on the responsibilities entrusted to them.

General shareholders meetings are ordinary and extraordinary. The Ordinary General Shareholders Meeting meets at least once a year, within no more than 4 months as of the end of the financial year, and the Extraordinary General Shareholders Meeting meets whenever necessary.

The Bank makes the best efforts, in compliance with the legal provisions in the field, to facilitate the shareholders' participation in the works of the General Shareholders Meetings, as well as the full exercise of their rights.

The Ordinary General Meeting decides on annual financial statements (based on the reports presented by the Board of Directors and by the financial auditor), the dividend, election/ revocation of the members of the Board of Directors and of the financial auditor, fixing the minimum duration of the financial audit contract, establishing the remuneration due to the members of the Board of Directors for the current financial year, the budget and the business plan for the following financial year.

The Extraordinary General Shareholders Meeting decides on: change of the company duration, increase, decrease or completion of the share capital by issuance of new shares, change of the headquarters, merge or division, early dissolution of the Bank, issuance of bonds, conversion of a category of bonds into another category or into shares, approval of the Bank executive officers' signing the legal papers regarding the acquisition, alienation, rental, change or transformation into collaterals of the assets in the Bank's patrimony, the value of which exceeds the limits set forth by the applicable laws, designation of the capital markets on which the Bank's shares will be listed and traded, change of the main company object and activity.

The decisions on the amendment of the Articles of Incorporation shall be adopted in accordance with the principles of competence laid down in the Articles of Incorporation of the Bank.

In order to ensure equal treatment and full and equitable exercise of the shareholders' rights, the Bank makes available to them all the information related to the General Assembly of Shareholders and to the adopted decisions, both by mass communication means and in the special section on its own Internet page (www.brd.ro).

The procedures regarding the works of the General Shareholders Meeting are available to shareholders and other interested parties on the institutional site on section <https://www.brd.ro/en/about-brd/investors-and-shareholders/gsm-brd/procedure-organizing-and-running-gsm>.

Within the General Shareholders Meeting, dialogue between the shareholders and the members of the Board of Directors and/or executive management is encouraged. Each shareholder can ask the directors questions regarding the activity of the Bank.

In 2017, there were 2 General Shareholders Meeting (1 Ordinary General Shareholders Meeting and 1 Extraordinary General Shareholders Meeting on April 20, 2017).

ADMINISTRATION AND MANAGEMENT OF THE BANK

BRD- Groupe Société Générale adopted a unitary management system that is fully consistent with the principles of good corporate governance, transparency of relevant corporate information, protection of shareholders and of other categories of concerned persons (stakeholders), as well as of an efficient operation on the banking market.

The management body, the Board of Directors and the Executive Officers (acting together in the Executive Committee), operates under rules of organization and functioning clearly defined in the "Directive on the organization and functioning of the management body".

The Management Body promotes high ethical and professional standards and a strong internal control culture.

The Board of Directors annually assesses the adequacy of the Management Body and its members based on the reports of the Nomination Committee, prepared in accordance with "Policy of selection, monitoring and succession planning of the management body members".

The composition, the size and the skills of the management body are well suited for the dimension and the complexity of the Bank's activity.

The members of the Management Body meet the eligibility conditions and criteria, established in the "Policy of selection, monitoring and succession planning of the management body members", required for an efficient administration/management of BRD-Groupe Société Générale:

- Have a good reputation and the necessary expertise to carry out their responsibilities in compliance with the rules of prudent and healthy banking practices;
- Have the professional experience that implies theoretical and practical knowledge adequate to the nature, extent and complexity of the banking business and of the entrusted responsibilities, as well as experience in a management position, acquired in an entity comparable, in terms of size and activity, to the Bank;
- Ensure the conditions of the collective competence of the management body for an efficient and highly performing administration of the Bank's activity;
- Commit sufficient time to their responsibilities as stipulated by the law and the statutory bodies;
- Show commitment and involvement in exercising their responsibilities conferred by the law and by the statutory bodies.

The selection of candidates for positions within the Management Body is made through a rigorous process as defined in "The policy for selection, monitoring and succession planning of the management body members".

The main objective of the selection process is to ensure the suitable candidates for the vacant positions in the Management Body or to ensure the succession of the existing members.

The selection of the candidates excludes any discrimination on gender, age, ethnicity or any other kind of discrimination, stipulated by the law.

Criteria such as reputation, theoretical knowledge and practical professional experience in specific areas of BRD's activities, diversity, ensures a stable and suitable structure of the management body.

The selection of independent directors is subject to compliance with the criteria stipulated by the Companies' Law no. 31/1990, the NBR Regulation no. 5/2013 on prudential requirements for credit institutions (article 7 paragraph 4) and by the Bucharest Stock Exchange Code of Corporate Governance.

The exercise of the responsibilities by members of the Management Body is subject to obtaining the NBR approval.

BOARD OF DIRECTORS

Starting with April 18, 2015, the Board of Directors is composed up of 9 members, elected by the General Assembly of the Shareholders for a 4-years mandate.

The structure of the Board of Directors ensures a balance between executive and non-executive members, so that no person or limited group of persons can dominate, in general, the decision-making process of the Board of Directors.

As at December, 31, 2017, the Board of Directors includes 2 independent members.

The year 2017 brought changes to the composition of the Board of Directors, as follows:

- The Ordinary General Shareholders Meeting on April 20, 2017 decided:
 - the renewal of the mandate as director of Mr. Jean-Luc André Joseph PARER, for a 4-years mandate, starting with October 18, 2017;
 - the election of Mr. Benoît OTTENWAELTER as director for a 4-years mandate, starting with the date of issuance of the prior approval by the National Bank of Romania.
- Mr. Philippe Charles LHOTTE renounced to his mandate as member of the Board of Directors of BRD - Groupe Société Générale S.A. starting with December 1st, 2017.
- The Board of Directors held on December 15, 2017 decided, according to art. 137² of the Companies Law 31/1990 republished, with subsequent amendments, the nomination of Mr. François BLOCH as Interim Member of the Board of Directors, until the first Ordinary General Shareholders Meeting is held.

MEMBERS OF THE BOARD OF DIRECTORS AS AT DECEMBER 31, 2017

Giovanni Luca SOMA

Chairman of the Board of Directors

Chairman of the Risks Management Committee

Member of the Audit Committee

Member of the Nomination Committee

Date of birth: August 21, 1960

Year of the appointment in BRD-Groupe Société Générale's Board of Directors: 2014.

Since May 26, 2015, he is Chairman of the Board of Directors of BRD-Groupe Société Générale.

Term of mandate expires in: 2018

He has no shares in BRD-Groupe Société Générale's capital.

Information on mandates held: According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates in companies established by the applicable law - he holds one executive mandate and one non-executive mandate within Société Générale Group.

Biography: He is a graduate of Business Administration, LUISS University in Rome and holds a Master's degree in Business Administration from the Turin School of Business Administration, an Auditor Diploma and an Expert Accounting Diploma from the Rome University.

During his career, he acquired a significant expertise in top management positions outside Société Générale Group (as Head of European Sales and Services for Hyperion Software Group, Managing Director of GE Capital Insurance Milan, Corporate Sales Director Italy of GE Capital Milan, CEO of Dial Italy, a subsidiary of Barclays Group, Chairman of the Italian Automobile Rental Association). Within Société Générale Group, he held the following management positions: Group Regional Director of ALD Automotive Group - France, Chief Executive Officer of ALD International, Deputy Head of International Retail Banking.

Giovanni Luca Soma is currently Head of Europe Region, International Banking and Financial Services Division and Manager of Business Unit Europe (International Retail Banking).

Bernardo SANCHEZ INCERA

Non-executive member of the Board of Directors

Chairman of the Remuneration Committee

Member of the Nomination Committee

Date of birth: March 9, 1960

Year of first appointment in the BRD-Groupe Société Générale's Board of Directors: 2011

Renewal of the mandate: 2015

Term of mandate expires in: 2019

He has no shares in BRD - Groupe Société Générale's capital.

Information on mandates held: According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates in companies established by the applicable law - he holds one executive mandate and one non-executive mandate within Société Générale Group.

Biography: he graduated the Political Studies Institute in Paris and has an INSEAD Master of Business Administration.

Between 1984 and 1992, he was client relationship manager and deputy manager of the corporate branch La Defense of the Credit Lyonnais bank. Until 1994, he held the position of manager and chairman of the Credit Lyonnais subsidiary in Belgium. Between 1994 and 1996, he was Deputy Manager of the JOVER bank.

From 1996 until 2009, he held several managerial positions, such as Chairman of Zara France, Manager of International Operations of Inditex Group, Chairman of LVMH Mode et Maroquinerie Europe and LVMH Fashion Group France, General Director of Vivarte Group, and CEO of Monoprix France.

In 2009, he joined Société Générale by taking over, starting with January 2010, the position of Deputy CEO in charge of the International Retail Banking Division (BHFM) and Specialised Financial Services. Starting September 1, 2014, he became Deputy CEO in charge of Retail Banking in France, International Retail Banking and Financial Services and Insurance. He is also member of the Executive Committee of Société Générale and of Société Générale Group.

Jean-Luc Andre Joseph PARER

Non-executive member of the Board of Directors

Member of the Remuneration Committee

Chairman of the Nomination Committee

Member of the Risks Management Committee

Date of birth: April 16, 1954

Year of first appointment in the BRD-Groupe Société Générale's Board of Directors: 2013

Latest renewal of the mandate: 2017

Term of mandate expires in 2021

He has no shares in BRD-Groupe Société Générale's capital.

Information on mandates held: According to the information provided through the statement of affiliation he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates in companies established by the applicable law - he holds one executive mandate and one non-executive mandate within Société Générale Group.

Biography: he graduated HEC and holds a Master's degree in Law.

Mr. Parer began his career in September 1980 in Société Générale's General Inspection Department as Inspector and then Senior Inspector. In 1991, he joined Société Générale Corporate & Investment Banking where he occupied the following positions: Deputy Head of Specialized Finance, and then Head of Structured Finance.

In 2001, he was involved in setting up the Global Debt and Financing Business.

In 2003, he became responsible for supervising the bank's Debt Capital Markets activities and in 2005 he was appointed Deputy Global Head of those activities. In 2007, he became Head of the Capital markets and Financing division, then Head of the Global Finance division in 2009.

In 2012, Mr. Parer became special advisor to the Group's International Retail Banking business and member of the Societe Generale's Management Committee.

In September 2012, Mr. Jean-Luc Parer became Head of the International Retail Banking division before being appointed Co-Head of International Banking and Financial Services in September 2013.

In September 2017, Mr. Jean-Luc Parer was appointed Advisor to the Deputy Chief Executive Officer. He is also member of the Executive Committee of Société Générale Group.

Petre BUNESCU

Executive Member of the Board of Directors

Date of birth: November 15, 1952

Year of first appointment in the BRD - Groupe Société Générale's Board of Directors: 1999.

Between May 1, 2012 and November 5, 2012 he occupied the position of Interim Chairman of the Board of Directors.

Latest renewal of the mandate: 2015

Term of mandate expires in: 2019

He holds 300,000 shares in BRD-Groupe Société Générale's capital.

Information on mandates held: According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates in the companies established by the applicable law - he holds one executive mandate and one non-executive mandate within BRD-Groupe Société Générale.

Biography: he graduated the Academy of Economic Studies in 1975. In 2003, he got his PhD in Economics.

Between 1997 and 2006 he was a permanent member of the teaching staff of the Romanian Banking Institute and of the Financial and Banking Studies Institute, and between 2007 and 2011 he was an associate member of the teaching staff of the Romanian-American University in Bucharest.

In 1975, he became an employee of the Investment Bank, and in 1990 he was appointed as Deputy CEO of the Bucharest Branch. Once the Romanian Bank for Development was set up, on December 1st, 1990, he took over the position of Vice-Chairman and member of the Board of Directors and of the Executive Committee of the bank until July 1999. Between November 1997 and May 1998, he held the position of Interim Chairman of the Romanian Bank for Development. In the period 1998-2005 he represented BRD-Groupe Société Générale's interests in MISR – Romanian Bank as Member of the Board of Directors.

Until 2015 he was the Vice-Chairman of the Romanian Banking Association and member of the Board of Directors of Transfond SA.

Ioan CUZMAN

Non-executive member of the Board of Directors

Date of birth: October 3, 1944

Year of first appointment in the BRD-Groupe Société Générale's Board of Directors: 2007

Latest renewal of the mandate: 2015

Term of mandate expires in: 2019

He holds 3,500 shares in BRD-Groupe Société Générale's capital.

Information on the mandates held: According to the information provided through the statement of affiliation, he fulfils the conditions regarding the number of mandates in companies established by the applicable law – he holds one non-executive mandate within BRD-Groupe Société Générale.

He is also member of the Board of Director of West University Vasile Godis.

Biography: he graduated from the Faculty of Economic Sciences; section “Economics of industry, constructions and commerce” within the West University in Timisoara.

He has a PhD in Economics and is an associate professor.

As of 1981, he filled in the positions of: economist with the Enterprise Electrobanat Timisoara, Financial Office Manager with the Machine-tools Factory in Arad, Deputy Commercial Manager with

the Textiles Factory in Arad, Sub-prefect of Arad County, University Lecturer at the West University in Timisoara, Chairman – CEO at Fondul Proprietatii Private no. 1 Banat-Crisana.

Aurelian DOCHIA

Independent member of the Board of Directors

Chairman of the Audit Committee

Member of the Risks Management Committee

Member of the Remuneration Committee

Date of birth: March 8, 1950

Year of latest appointment in the BRD-Groupe Société Générale's Board of Directors: 2014

Term of mandate expires in: 2018

He has no shares in BRD-Groupe Société Générale's capital.

Information on mandates held: According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates in companies established by the applicable law he holds one non-executive mandate within BRD-Groupe Société Générale Group.

Biography: he graduated from the Bucharest Academy of Economic Studies. In 1999, he got his PhD in Economics on National Economy Institute of the Romanian Academy.

During his career, he combined a solid professional expertise as consultant (for institutions such as the World Bank, the European Bank for Reconstruction and Development or OECD), with high-rank positions at the executive and legislative levels, as President of the National Agency for Privatization and member of the first freely elected Parliament (Constituent Assembly) of Romania, between 1990 and 1992.

Until May 2007, he was the General Manager of the subsidiary BRD/SG Corporate Finance and the coordinator of BRD-Groupe Société Générale's investment banking activities.

He held the position of Member of the Board of Directors with several entities part of the BRD Group, SIF Muntenia, State Ownership Fund (FPS), and the Romanian Centre for Economic Policies (CEROPE) - a non-governmental research centre.

Before 1990, he developed an academic career as researcher with the National Economy Institute of the Romanian Academy. He gave speeches at conferences and seminars, and published more than 80 articles and studies.

Jean – Pierre Georges VIGROUX

Independent member of the Board of Directors

Member of the Audit Committee

Date of birth: 31 July 1953

Year of the appointment in the BRD-Groupe Société Générale's Board of Directors: 2016

Term of mandate expires in: 2020

He has no shares in BRD-Groupe Société Générale's capital.

Information on mandates held: According to the information provided through the statement of affiliation, he fulfils the conditions regarding the number of mandates established by the law - two non-executive mandates: he holds one within BRD-Groupe Société Générale and one outside the Société Générale Group.

He is also member of the Management Board of "Foundation 9".

Biography: he graduated ESSEC France. He also studied Financial Audit at the CAFR University
Until September, 2014, Mr. Jean – Pierre Georges Vigroux held management positions such as: CEO Mazars Romania (2008-2014), partner responsible for Southeast Europe, Chairman of the Supervisory Board of Pricewaterhouse Coopers Central and Eastern Europe (2001-2004 and 2004-2006), founder and CEO of the Pricewaterhouse Coopers – Romania, member of the PricewaterhouseCoopers’s Executive Committee and Board of Directors – Central and Oriental Europe (1996-2001), Chairman of FIC (2003-2004).

Benoît Jean Marie OTTENWALTER

Member of the Board of Directors

Date of birth: December 28, 1954

Year of the appointment in the BRD-Groupe Société Générale’s Board of Directors: 2017

Term of mandate expires in 2021

He has no shares in BRD-Groupe Société Générale’s capital.

Information on mandates held: According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates established by the law - he holds one non-executive mandate within BRD-Groupe Société Générale.

Biography: he graduated the “French Ecole Polytechnique” and the “French Ecole Nationale de la Statistique et de l’Administration Economique (ENSAE)”.

He has a vast experience acquired within Groupe Société Générale, in over 29 years, in areas such as risk management, capital markets and treasury and in interaction with the international banking regulators.

During his career, he held top management positions such as: Group Chief Risk Officer, Member of the Executive Committee at Societe Generale Group (2009 – June 2016), Deputy then Co-Head of the Corporates, Institutions and Advisory Division, Member of the Group Management Committee at Société Générale Corporate and Investment Banking Paris (2004 -2009), Head of Fixed Income, Currencies and Commodities Division on Société Générale Corporate and Investment Banking Paris (2001 - 2004), Deputy Head then Head of Treasury and Foreign Exchange on Société Générale Capital Markets Division Paris (1994 -2000), Chief Administrative and Financial Officer then Head of Derivatives Department on Société Générale Strauss Turnbull London (1990 -1994), Back-office manager on Société Générale Paris (1988 -1990).

Other positions occupied: Ministry Of Economy And Finance (1979 -1988), Professor of Statistics and Econometrics, Director of Graduate Studies on Ecole Nationale de la Statistique et de l’Administration Economique (1985 – 1988), Economic Forecaster on INSEE - French National Statistical Office (1981 – 1985), Researcher in Econometrics, Research Unit on INSEE - French National Statistical Office (1979 - 1981).

ATTRIBUTIONS AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The main competences of the Board of Directors, including those that cannot be delegated to members of the executive management, are set by law, by the Articles of Incorporation, Internal Regulations of the Bank, the Directive on the management of approval of limits for loans and commitments, and also by the Directive “Regulation of organization and functioning of the management body”. In cases permitted by the law, the General Assembly of Shareholders may delegate other attributions to the Board of Directors as well.

The Board of Directors sets the main business and development directions of the Bank and supervises the activity of the Bank and of the executive management, and also has the ultimate responsibility for the operations and the financial strength of the Bank. The Board of Directors decides on the accounting and financial control systems and approves the financial planning.

The Board of Directors approves the Bank's business and risks management strategy, and makes sure that the activity of the executive management complies with the approved strategy and policies.

The Board of Directors approves the organisational structure of the Bank, the risk management policy, the general remuneration policy of the employees, directors and officers of the Bank.

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors meets whenever necessary, but at least once every 3 months.

The notices of the Board of Directors' meetings specify the place, date and the draft agenda for the meeting, and no decision can be made regarding unexpected issues, except for emergency cases and provided they are ratified by the absent members at the next meeting.

Minutes are drafted for each meeting and include the names of the participants, the order of the deliberations, the decisions made, the number of votes cast and the separate opinions.

On February 10, 2016, Mrs. Flavia Popa – Corporate Secretary was nominated as Secretary of the Board of Directors.

ACTIVITY OF THE BOARD OF DIRECTORS IN 2017

In 2017, 21 meetings of the Board of Directors took place, and the decisions of the Board were generally made with unanimity of votes.

The Directors attended to the Board of Directors' meetings as follows:

- Mr. Giovanni Luca Soma (Chairman of the Board of Directors), Mr. Jean-Luc Andre Joseph Parer (Member), , Mr. Petre Bunescu (Executive Member), Mr. Aurelian Dochia and Mr. Jean-Pierre Georges Vigroux (Independent Members), Mr. Ioan Cuzman (Member) took part to all the Board's meetings;
- Mr. Philippe Charles Lhotte (Member), as long as he held the mandate on 2017, took part to all the meetings (20);
- Mr. Bernardo Sancez Incera (Member) took part to 19 meetings;
- Mr. Benoît Jean Marie Ottenwaelter (Member), took part to all the Board's meetings organized after receiving the NBR approval (10).

On the Board of Directors agenda the following subjects were included: the dividend policy, the financial statements, Audit Plan for 2017, Financial Markets Compliance Report for 2016 and the control plan for 2017, the report regarding the internal control for 2016, the Report on the measures taken in order to manage the significant risks during 2016, Liquidity risk management framework, Risks' assessment for 2017, Risk appetite framework, Business and risks management strategy for 2017-2020, the Internal Capital Adequacy Assessment Process - ICAAP for 2016, ICAAP Policy, the main axes for the bank's transformation, Bank's inventory report, changes in the Bank's management, nomination of the interim director, modifications in internal regulations in its specific power, changes in the organizational structure, calls of the shareholders' meeting and all the notes related to the items on the agenda, changes in the structure of the committees set up to support the activity of the Board of Directors.

During its meetings, the Board of Directors is regularly updated on the economic, monetary and financial environment, on the evolution of the regulations in force, bank's financial and commercial results, significant risks, on the main events that took place within BRD and on the activity of committees set up to support the activity of the Board of Directors: the Audit Committee, Risks Management Committee, Nomination Committee, and Remuneration Committee.

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

For 2017, the Ordinary General Assembly of Shareholders approved an individual remuneration for the non-executive members of the Board of Directors amounting to EUR 1,500 / month (gross

amount), as well as a general limit for the directors' additional remunerations and officers' remuneration for 2017, amounting to RON 14 million gross amount.

COMMITTEES SET UP IN SUPPORT OF THE BOARD OF DIRECTORS

In order to develop and maintain good practices of business administration, the Board of Directors set up four committees that assist it in performing its attributions. The structure, the organisation and operation rules as well as the attributions of these committees are set and defined in the Committee Directive set up to support the Board of Directors.

AUDIT COMMITTEE

As at December 31, 2017, the Audit Committee consisted of 3 non-executive directors, of which 2 are independents. The members of the Audit Committee were: Mr. Aurelian Dochia (Independent Chairman), Giovanni Luca Soma (Member), and Jean-Pierre Georges Vigroux (Independent Member).

The members of the Audit Committee have the experience required for their specific attributions within the committee.

The Audit Committee meets at least once a half-year.

The Audit Committee assists the Board of Directors in performing its responsibilities in terms of internal control and financial audit. To this effect, the Audit Committee makes recommendations to the Board of Directors regarding the strategy and policy of the credit institution in the field of internal control and financial audit. The Audit Committee responsibilities are presented in the Bank's Corporate Governance Code available to the interested parties on institutional site on section: <https://www.brd.ro/en/about-brd/shareholders-and-investors/corporate-governance>.

In 2017, 6 meetings of the Audit Committee took place, in which there were analysed the activity and reports of internal control and conformity, internal audit and external audit.

The attendance to the Audit Committee's meeting was of 100%.

After each meeting, minutes were drafted, specifying the aspects that required improvements, as well as recommendations for their application.

REMUNERATION COMMITTEE

As at December 31, 2017, the Committee consisted of 3 non-executive directors, of which one is independent. The members were: Mr. Bernardo SANCHEZ INCERA (Chairman), Mr. Jean-Luc André Joseph PARER (Member) and Mr. Aurelian DOCHIA (Independent member).

The Remuneration Committee meets annually, or whenever necessary. In 2017, 3 meetings of the Remuneration Committee took place.

The members attended to the Remuneration Committee's meetings as follows:

- Mr. Bernardo Sanchez Incera and Mr. Aurelian Dochia, took part to all the Committee's meetings;
- Mr. Jean-Luc André Joseph Parer attended at 2 meetings of the Committee;

In order to perform the attributions entrusted, the Remuneration Committee analyses the Bank's remuneration policy which it submits to the Board of Directors for approval; it submits proposals regarding the individual remuneration of non-executive directors and the additional individual compensation of the directors entrusted with specific functions within the Board as well as the individual remuneration of the officers; it supervises directly the remuneration of the coordinators of the risks management and compliance functions; and it supervises the application of the principles of the staff remuneration policy and informs the Board of Directors in this respect.

The Remuneration Committee responsibilities are presented in the Bank's Corporate Governance Code available to the interested parties on institutional site on section: <https://www.brd.ro/en/about-brd/shareholders-and-investors/corporate-governance>.

RISKS MANAGEMENT COMMITTEE

As at December 31, 2017, the Committee consisted of 3 non-executive directors. The members were Mr. Giovanni Luca Soma (Chairman), Mr. Jean-Luc André Joseph Parer (Member), and Mr. Aurelian Dochia (Independent Member).

The Risks Management Committee meets on a quarterly basis or whenever necessary.

In 2017, 4 meetings of the Risks Management Committee took place.

The members attended to the Risks Management Committee's meetings as follows:

- Mr. Jean-Luc André Joseph Parer and Mr. Aurelian Dochia, took part to all the Committee's meetings;
- Mr. Giovanni Luca Soma attended at 3 meetings of the Committee;

At the meetings of the Risks Management Committee may participate, as permanent guests, the members of the Executive Committee, Chief Financial Officer, Risk Executive Officer, PCR Executive Officer, CB&GLFI Deputy Executive Officers, DPF Executive Officer, DCP Director and the Corporate Secretary.

The Risks Management Committee assists the Board of Directors in defining the global risks strategy of the bank and the risk appetite and assists the Board of Directors in overseeing the implementation of such strategy.

Its objective is the management of significant risks, risks with high impact on the assets and/or image of the Bank (credit risk, market risk, liquidity risk, operational risk, and reputational risk), as well as the risks associated to the outsourced activities. The Risks Management Committee responsibilities are presented in the Bank's Corporate Governance Code available to the interested parties on institutional site on section: <https://www.brd.ro/en/about-brd/shareholders-and-investors/corporate-governance>.

NOMINATION COMMITTEE

As at December 31, 2017, the Committee was composed of 3 non-executive directors of the Board of Directors: Mr. Jean-Luc André Joseph Parer (Chairman), Mr. Bernardo Sanchez Incera (Member) and Mr. Giovanni Luca Soma (Member).

The Nomination Committee meets half-yearly or whenever necessary.

In 2017, 5 meetings of the Nomination Committee took place.

The members attended to the Nomination Committee's meetings as follows:

- Mr. Jean-Luc André Joseph Parer and Mr. Giovanni Luca Soma took part to all the Committee's meetings;
- Mr. Bernardo Sanchez Incera attended at 4 meetings of the Committee;

In exercising its powers, the Nomination Committee identifies, makes proposals and submits for approval by the Board of Directors, the nominees to fill positions within the management body; is involved in formulating the policy on the selection, evaluation and sequencing of the management body members, which it submits to the Board of Directors for approval; it assesses periodically and at least once a year the structure, size, composition and performance of the management body and makes recommendations to the Board of Directors on any modifications which it considers necessary.

The Nomination Committee responsibilities are presented in the Bank's Corporate Governance Code available to the interested parties on institutional site on section: <https://www.brd.ro/en/about-brd/shareholders-and-investors/corporate-governance>.

EXECUTIVE MANAGEMENT

The management and the coordination of the current activity of the Bank is delegated by the Board of Directors to the executive officers.

The executive officers of the Bank are elected by the Board of Directors, among directors or from outside the Board, and act together in the Executive Committee.

The Executive Committee is composed of the CEO and six Deputy CEOs. The Executive Committee is run by the CEO.

The year 2017 brought changes to the composition of the Executive Committee, as follows:

- the Board of Directors, held on February 8, 2017 appointed Mr. François José ALDEGUER to succeed to Mr. Jean-Luc Bernard Raymond GRASSET as Deputy CEO - Resources, with effective date May 1st, 2017;
- The National Bank of Romania approved on July 13, 2017 the nomination of Mr. François José ALDEGUER as Deputy CEO of BRD - Groupe Société Générale S.A.
- Mr. Didier Luc Marie Dominique COLIN renounced his mandate as Deputy CEO Risks starting with September 30, 2017.
- The Board of Directors of BRD- Groupe Société Générale S.A., held on December 15, 2017 decided the nomination of Mr. Jérôme Yann BRUN as Deputy CEO RISKS and Mr. Yves Jean Guenole LALLEMAND as Deputy CEO, members of the Management Committee of BRD - Groupe Société Générale S.A., for 4 years mandate.

The appointments are subject to obtaining the prior approval by the National Bank of Romania.

The mandates start running from the date of issuance of the prior approval by the National Bank of Romania.

MEMBERS OF THE EXECUTIVE COMMITTEE AS AT DECEMBER 31, 2017

François BLOCH

CEO

Date of birth: March 31, 1967

Year of the appointment as CEO: 2016

He coordinates the following structures: General Secretariat, Deontology and AML Division, Permanent Control Division, , Human Resources Department and Internal Audit Department.

He has no shares in BRD-Groupe Société Générale's capital.

Information on mandates held: According to the information provided through the statement of affiliation he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates in companies established by the applicable law - he holds one executive mandate and one non-executive mandate within Société Générale Groupe.

Biography: is bachelor of the Ecole Nationale de la Statistique et de l'Administration Economique, Paris, in 1990, Mr. François BLOCH made his entire career within Société Générale and he held the following positions: Broker, then Head of the brokerage department on derivatives markets on Société Générale Elsässische Bank, Frankfurt(1990 - 1993); Deputy Head, then Head of the SG's subsidiary, FIMAT Banque, Zweigniederlassung Frankfurt(1993 -1997); Deputy Head of Risks, then Head of Risks, FIMAT International Banque Paris (1997 -2000); General Manager, FIMAT USA Inc. (2000-2002); Deputy Chief Executive Officer - Member of the Board of Directors, FIMAT International Banque (2002-2007); Head of Strategy and Integration, Newedge (2008-2009) and Non-executive

Member of the Board of Directors, Newedge Group (brokerage subsidiary of Société Générale) (2010-2012); Head of Credit Risk on Financial Institutions and Country Risks department, Société Générale (2009-2012).

Between 2012 and the end of October, 2016 he has held the positions of First Vice-President, then First Deputy Chairman of the Management Board, Member of the Management Board, and until July 2017, Member of the Board of Directors, Rosbank PAO.

Starting with 2012 to 2016 he exercised also the following directorships in Société Générale Group: Member of the Board of Directors, LLC Rusfinance Bank (subsidiary of Rosbank, specialized in car and point of sales financing), Member of the Board of Directors, Commercial Bank Deltacredit Joint Stock Company (subsidiary of Rosbank, specialized in mortgages loans), Member of the Board of Directors, Société Générale Strakhovanie (subsidiary of Société Générale, non - life insurance), Member of the Board of Directors, Société Générale Strakhovanie Zhizni (subsidiary of Société Générale, life insurance).

Since July 1, 2017, he is member of the Société Générale Group Management Committee.

Petre BUNESCU

Deputy CEO Finance / Treasury

Year of the first appointment in BRD's management: 1999

He coordinates the following structures: Financial Department, Banking Operations Pole, Sourcing Division, Financial Markets Back Office Division, and Legal Department.

Others information: can be consulted on section "Board of Directors" of the present Report.

Alexandru-Claudiu CERCEL-DUCA

Deputy CEO - Financial Markets

Date of birth: February 17, 1968

Year of the appointment as Deputy CEO: 2008

He coordinates the Financial Markets Pole including the following structures: Financial Markets Division, Securities Division, Financial Markets Operations Support Service and Financial Markets Research Service.

He has 1,030 shares in BRD-Groupe Société Générale's capital.

Information on mandates held: According to the information provided through the statement of affiliation he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates established by the law- one executive mandate and one non-executive within BRD-Groupe Société Générale.

Biography: graduated the Economic Studies Academy - Cybernetics Faculty, in 1992, as well as various management and leadership training courses organized both by Société Générale and other banking institutions: Nomura Bank (London), Bank of America (San Francisco), or the Montreal University and London Business School.

He graduated the Executive Master of Business Administration (EMBA) - ASEBUSS Bucharest / University of Washington, USA.

Between 1992 and 1993, he was a sales manager in the field of communications products. He has worked within BRD -Groupe Société Générale since 1993, and occupied the positions of Treasury Officer, FX technical analyst, FX trader, Treasury Deputy Manager, Market Operations Manager and Executive Officer of Financial Markets.

Gabriela - Stefania GAVRILESCU

Deputy CEO - Corporate Banking

Date of birth: December 20, 1956

Year of the appointment as Deputy CEO: 2011

She coordinates the Corporate Banking activity.

She has no shares in BRD- Groupe Société Générale's capital.

Information on mandates held: According to the information provided through the statement of affiliation she fulfils the conditions regarding the number of mandates in the companies established by the applicable law - she holds one executive mandate and one non-executive mandate within Société Générale Group.

She is also member of the Board of directors of Romanian Banking Association.

Biography: graduated the Bucharest Economic Studies Academy - International Business Relations Department in 1980.

Between 1987 and 1993 she held several positions at the National Bank of Romania, BCR and Banca Comerciala Ion Tiriac.

She joined Société Générale in 1993 as Commercial Director at the Bucharest Branch of Société Générale.

In 2000 she was named Executive Delegate Director for Large Corporate Clients.

In October 2009, she became Executive Director of the Large Corporate Customers Department.

Gheorghe MARINEL

Deputy CEO - Commercial/ Network/ Marketing

Date of birth: March 13, 1965

Year of the appointment as Deputy CEO: 2012

He coordinates the following structures: the Marketing and Product Management Department, Network Commercial Pole, Network Management Pole and has functional authority on the Bank Network.

He has no shares in BRD-Groupe Société Générale's capital.

Information on mandates held: According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates in companies established by the applicable law- one executive *mandate and one non-executive within BRD- Groupe Société Générale.*

Biography: graduated "Summa cum Laudae" from the Bucharest Economic Studies Academy - Finance and Accounting in 1991.

In 1992 he obtained a Master of Business Administration (in Management) from Ecole Supérieure de Gestion - Toulouse, France, and in 1999 a diploma Executive MBA - ASSEBUSS, University of Washington, USA.

He has an experience of more than 26 years in the banking field, holding several positions in credit institutions such as Banca Comerciala Romana (1991-1993), Société Générale - Bucuresti (1993-1995) and ABN AMRO BANK Romania (1995-2001).

He joined BRD- Groupe Société Générale in 2001, occupying over time the following positions: project Manager - Network Reorganisation and Restructuring Project, Network Management Director and General Secretary.

François José ALDEGUER

Deputy CEO - Resources

Date of birth: June 12, 1960

Year of the appointment as Deputy CEO: 2017

He coordinates the following structures: Information System Department, Information Security Division, Projects and Organisation Department, Real Estate Division, Security Division, Logistics Division and Banking Data Management Departments.

He has no shares in BRD-Groupe Société Générale's capital.

Information on mandates held: According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates in companies established by the applicable law- one executive within BRD Groupe - Société Générale.

Biography: He graduated from the University of Poitiers in 1983 and obtained a master Diploma in Finance and Project Management.

He has a professional experience of over 34 years of which 22 years in the Societe Generale Group.

In 1995, he began his collaboration with Societe Generale within Project and Organization department as Consultant.

Later on, he occupied the following functions: Head of the "Collaborative Tools" Department (1997-2000), SG Equity - CRM project Manager (2000-2002), Senior Project Manager in SG International Banking Network (2002-2006), Head of Methods and Organization Department in SG International Universal Banking Network (2006-2011).

Since 2011 to the end of January 31, 2017, he has occupied the position of Chief Operations Officer (COO), Member of the Management Board of Société Générale Algérie.

ATTRIBUTIONS AND RESPONSIBILITIES

The executive officers are in charge of taking all the measures in relation to the company management, within the limits of the company's object of activity and in compliance with the powers exclusively reserved by law or by the Articles of Incorporation to the Board of Directors and the General Meeting of Shareholders.

Each executive officer is vested with all the powers to act on behalf of the Bank and to represent it in the relationships with third parties, in any circumstances related to the activities that they coordinate, in compliance with the legal provisions, the Articles of Incorporation and the Internal Regulations of the Bank.

Within the limit of the powers and responsibilities set forth by the Board of Directors, the executive officers act jointly, organised in the Executive Committee, for a series of activities / operations specific to the activity of the Bank, detailed in the Articles of Incorporation, in the Internal Regulations of the Bank, the Directive on the management of approval limits for loans and commitments and in the Directive "Regulation of organization and functioning of the management body".

MEETINGS OF THE EXECUTIVE COMMITTEE

The meetings of the Executive Committee are held at least once every two weeks, or any time the activity of the Bank requires it.

In 2017, 110 meetings of the Executive Committee took place.

The decisions of the Executive Committee are made with the majority of the members' votes. Voting cannot be delegated within the meetings of the Executive Committee.

The minutes of the meeting are signed by the executive officers who attended the meeting immediately after their drafting.

The Executive Committee provided the Board of Directors, regularly and comprehensively, detailed information about all the major aspects of the Bank's activity, including risk management, potential risk assessment and compliance matters, measures taken and recommended, irregularities found while performing its attributions. Any major event is communicated immediately to the Board of Directors.

COMMITTEES SET UP IN SUPPORT OF THE EXECUTIVE COMMITTEE

The committees set up to support the Executive Committee assist it in performing its attributions on various business lines, particularly on the operational activity of the Bank. The members of these committees are the members of the Executive Committee and the management of the structures impacted. The most important committees are:

INTERNAL CONTROL COMMITTEE

It is a permanent consultative committee, which has as main task to analyse the adequacy of the internal control framework, including business continuity and crisis management as regards organizing / functioning, by analysing the results obtained and the deficiencies found in the internal control activity. In order to fulfil its mission, the main themes subject to debate in the committee are: operational risks, activity continuity and crisis management, permanent control, audit, conformity risk, IT security, deficiencies found in the supervision reports / minutes of the authorities.

ASSETS AND LIABILITIES COMMITTEE

It is a permanent consultative committee which assists the Executive Committee in performing its attributions related to the management of assets and liabilities structure, liquidity and funding sources management, structural risks management (interest rate risk and foreign exchange risk in banking book) and capital management, both at the Bank and at BRD-Groupe Société Générale Group level.

COMMITTEE FOR NEW PRODUCTS AND SIGNIFICANT TRANSFORMATIONS

It is a permanent consultative committee that ensures the identification, the analysis and the reliable measurement of risks associated to new products, offered to the Bank's clients, including material changes and significant transformation of the activity that generates higher risks compared to the previous situation (legislative changes that impact the Bank's offer / activity / structure; changes in the Bank's activity, outsourcing).

PRICING COMMITTEE

It is a permanent consultative committee whose mission is to analyze and propose measures to the Bank's decisional bodies on pricing policy and strategy (commissions and fees, interest rates) regarding the bank's products, taking into consideration the budgetary targets, the competitive environment, the commercial strategy and market developments.

RETAIL RISK COMMITTEE

It is a committee whose mission is to formalize the measures proposed by Bank's structures in order to improve the Bank's retail lending activities.

OTHER COMMITTEES: Crisis Committee, Safety and Occupational Health Committee, Tracking of the Projects Portfolio Committee, Career Committee, Communication Committees.

BRD - Groupe Société Générale's shares held by the members of the Board of Directors and of the Executive Committee as at December 31, 2017

Name	Number of shares
Petre BUNESCU	300,000
Ioan CUZMAN	3,500
Alexandru - Claudiu CERCEL - DUCA	1,030
TOTAL	304,530

RIGHTS OF SHAREHOLDERS

BRD-Groupe Société Générale respects the rights of its shareholders and ensures equal treatment for all of them.

VOTING RIGHT

The Bank's shares are indivisible and confer equal rights to their holders, each share entitling to one vote in the General Assembly of Shareholders.

General Assemblies are called by the Board of Directors.

The notice of meeting is sent at least 30 days before the date set, in compliance with the legal provisions regarding the publicity and notification of the Financial Supervisory Authority - Financial Instruments and Investments Sector and of the Bucharest Stock Exchange ("BVB").

The shareholders can attend the General Assemblies personally, through a representative or they can vote by correspondence. Forms of power of attorney and vote by correspondence are made available to the shareholders in the special section on the Bank's own Internet page. The procedures regarding the works of the General Assembly of the Shareholders are available to shareholders and other interested parties on the institutional site.

RIGHT TO DIVIDENDS

Each share of the Bank, held by a shareholder at the registration date (set according to the specific regulations and approved by the General Assembly of Shareholders) entitles the shareholder to dividends for the prior financial year, in the quantum and conditions established by the General Assembly of Shareholders.

The Dividend Policy is available to shareholders and other stakeholders on institutional on Corporate Governance section: <https://www.brd.ro/en/about-brd/investors-and-shareholders/corporate-governance/dividend-policy> immediately after the Board of Directors approval.

The dividend policy reconfirms the engagement of the Board of Directors to offers shareholders the opportunity to obtain a return for the invested capital and for the Bank the opportunity for a sustainable development.

RIGHT TO INFORMATION

BRD makes sure its shareholders have access to relevant information, so that they may exercise all their rights in an equitable manner. The communication strategy of the Bank relies on the following principles:

- Equal access to information for all shareholders and immediate availability of relevant information;

- Meeting deadlines for the publication of the results;
- Transparency and coherence of the provided information.

BRD-Groupe Société Générale set up and maintains a dedicate structure managing the relation with investors and other stakeholders.

Shareholders / investors may send their requests to the Bank through e-mail or over the telephone, at the contact data displayed on the institutional site. The relevant information is published on the Bank's internet page, both in Romanian and in English.

For the information of shareholders and investors, the Bank sets at the beginning of the year a financial reporting calendar, which it sends to the Bucharest Stock Exchange and to the Financial Supervisory Authority. The quarterly financial reporting is made according International Financial Reporting Standards as adopted by the European Union - and in compliance with the regulations specific to the capital markets.

In order to communicate on its financial results, BRD-Groupe Société Générale organizes meetings/ live audio webcasts with financial analysts, investment consultants, brokers and investors. These meetings during which the results of the bank are presented are an opportunity for Bank management and the financial market analysts to exchange opinions. The same policy of transparency has been adopted regarding the communication with the rating agencies and with capital markets institutions. In 2017, the bank organised 1 meeting for presenting the preliminary financial results as at December 31, 2016 and 4 live audio webcasts for the interim financial results.

The financial calendar for the year 2018 is the following:

Preliminary financial results as at December 31, 2018 and meeting with journalists	February 08, 2018
Presentation of the preliminary financial results for 2017 and Q4-2017 to analysts and investors through live webcast	February 12, 2018
General Assembly of Shareholders	April 19, 2018
Communication of results as of 31 December 2017	April 19, 2018
Communication of results for the 1st Quarter 2018	May 4, 2018
Communication of results for the 1st Half 2018	August 2, 2018
Communication of results for the first 9 Months 2018	November 8, 2018

OTHER CORPORATE GOVERNANCE ELEMENTS

CONFLICTS OF INTEREST

The main obligations fulfilled by the members of the Board of Directors and of the Executive Committee, imposed at the Bank level in order to prevent and avoid conflicts of interests, are:

- the obligation to act only in the interest of the Bank and to make decisions without allowing themselves to be influenced by any own interests that could occur in their activity;
- the obligation to keep the confidentiality of any fact, data or information which they became aware of while performing their duties, understanding that they do not have the right to use or reveal such information either during or after the end of their activity;

- the obligation to inform other members of the Board of Directors and the internal auditors of any operation in which they have direct or indirect interests, which are contrary to the interests of the Bank, and not to take part in any deliberation regarding such operation;
- members of the Management Body shall not take part in any deliberation when, in meetings of the Board of Directors/ Executive Committee, decisions are taken about third parties with whom they are in a conflict of interest by nature of their position.

REGIME APPLIED TO RELATED PARTIES

The internal regulations establish a set of rules for identifying, monitoring and reporting the transactions with related parties.

INSIDER TRADING

In order to set a preventive and secured action framework for market operations performed by persons who, on account of their position within the Bank, have access to privileged information, the Bank established and applied a series of professional ethics rules which must be observed by directors, executive officers and other insiders, in order to avoid the breach of the legal framework applicable to trading with financial instruments issued by BRD.

In addition, for the purpose of protecting persons who have access to privileged information, trading financial instruments issued by BRD is forbidden before publication of the periodical reports of the Bank. Also, obligations have been set to report the transactions made to the Bank.

3. HUMAN RESOURCES

KEY FIGURES 2017

- **6,970** active employees in BRD, with:
 - **1,238** external recruitments
 - **1,146** functional mobility
 - **17.6%** total turnover, out of which **12.4%** voluntary turnover.

The number of employees of the Group as of 2017 end was 7,568 (2016 end: 7,605) while number of active employees of the Bank as of 2017 end was 6,970 (2016 end: 7,043). The active employees are defined as the employees present at work (excluding maternity leave and long-term sick leave).

In 2017, the Human Resources Department (HR) continued to deliver projects and actions in line with the strategic HR axes: career management, managerial development, employee engagement, efficiency and communication.

BUSINESS SUPPORT AND CONTINUOUS IMPROVEMENT

HR offered specific support in various business projects that aimed to optimize the structure of the Bank in order to be more efficient and provide quality services to our clients. The Bank's goal was to ensure efficient and dynamic structures, in order to maximize business results. Among the main projects: optimizing the structure of different departments in headquarters, territorial reorganization at the network level (relocations, closures and merger of agencies) and delivering support for special projects etc.

CAREER MANAGEMENT

Throughout last year, meetings between HR and the employees continued in order to assess the potential of each employee and ensure they are occupying the right position according to their experience and skills. In 2017, more than 1,100 employees changed their position as a result of the Bank's internal mobility policy. Changes of functions were accompanied by specific training paths which contain various learning methods.

There were also used online assessment tools of behavioral dimensions according to the Model of Leadership, as solutions to increase efficiency and quality of human resources processes. These instruments are consistent and complement each other, giving us a global objective perspective on career management, from recruitment, leadership development and team management, identifying training needs.

Over 1,200 persons were recruited in 2017 from outside the Bank, mostly in the network, in order to expand the commercial capacity, and achieve the selling objectives of the Bank.

In order to attract new candidates, especially specialists, we implemented in March 2017 the Referral Program that rewards the employees of BRD. By the end of the year, we received 100 applications out of which 4 became BRD employees.

Employees' studies level is the following: 90% graduate studies, 10% undergraduate studies. The percentage of trade-union members is 43%.

TRAINING & RISK AWARENESS

In 2017, the training strategy mainly aimed the improvement of commercial and risk management skills for all BRD employees, built around the following strategic axes:

- Developing and strengthening a risk culture awareness in BRD: e-learning programs in cooperation with Société Générale Group ("Fighting fraud awareness", "International sanctions", "Information security", "Société Générale Compliance principles", "Anti-money laundering / Counter-terrorist financing – Awareness) and local e-learning programs (SSM, KYC&AML, « Anti-money laundering and fight against terrorist financing », "Physical security

events”); personal data protection, increasing the number of case studies presented during face-to-face trainings;

- Integrated training programs for the new front office employees. These programmes are focused on product knowledge and product related risks, increasing behavioural competencies and commercial abilities development. The training approach covers face-to-face sessions, practical exercises and e-learning modules.
- Business Academies adjusted to the bank’s customer segments - Retail Individuals (mass-market & affluent), Retail Small Business, and Non-Retail. These trainings are modular programs hierarchically customised, on different levels of complexity, covering three areas: offer, financial and risk analysis and skills - sales, communication, negotiation, etc.
- Tailor-made training programs for each business line developed and updated according to the expressed business requirements and regulatory developments;
- Behavioural training programs (customer care, communication, sales & negotiation techniques). In 2017, new soft skills programs have been developed: public presentation, stress management, conflict management, teamwork.
- Other training programs, based on business requirements and regulations:
 - ✓ risk awareness sessions for front office management teams;
 - ✓ certification-trainings in the field of insurance for front-office employees;
 - ✓ KYC-Clients files remediation training sessions (for the back-office and for the Head Office employees involved in the project);
 - ✓ MiFID II courses for around 1,600 employees.

EMPLOYEE ENGAGEMENT AND IMPACT IN EDUCATIONAL ENVIRONMENT

Motivation and employee engagement continued to be one of the strategic axes of BRD. Actions for improving employees’ motivation include: Human Resources meetings organized at an interval of minimum 18 months, increased volunteering actions among employees through Human Resources programs organized in universities both in Bucharest and in the country and high schools, employee’s involvement in employer branding activities among university students using partnerships with: student NGOs, universities, schools and other NGOs. An integrated program of education and empowerment in the area of banking by involving BRD’s experts both in designing and preparing the implementation, was implemented in 2017 in 4 locations and partnerships with academic partners (Mindcraft Academy by BRD deployed in Bucharest, Baia Mare, Iasi and Craiova) and 6 other locations have been identified for 2018.

The Mindcraft Academy program was extended to high schools - workshops on financial education, internships and career talks.

A strategic partnership between BRD, ASE and 10 other universities has been developed in order to create a post-graduate course on business management - the application form is being developed at the present moment.

WORK/LIFE BALANCE

"The BRD ID Matters!" is the project through which discounts are negotiated for BRD employees, formalized under a series of agreements. BRD employee rebate program is simple, easy to use and has one goal - to offer and promote the best deals.

In 2017, the portfolio of partnerships accounted of approximately 450 top-level national partners, being thus accessible and easy to use for all employees. The benefits available from our partners are always tailored to the demands of our employees.

At the same time, there were new initiatives, while other existing events were extended:

- "Bookster" is a modern library that delivers books directly to the office and provides an online platform where you can borrow books, read case studies online or watch TED videos or courses taught at top universities. We can choose among thousands of books on personal and personal development areas, social affairs, finance, success stories, hobbies, time management, literature, etc.
- Organizing fairs for various events, for example: the 1st of March (Martisor), Children's Day, Easter, Christmas, before starting school, etc.
- Organizing seminars on: health (ophthalmologic consultation, dental or body fitness assessments), Mindfulness ("Mindfulness Based Stress Reduction"), parenting ("My child's needs") or English communication (English through film workshop for employees)
- Improvement of working environment, methods tailored to different populations.

REMUNERATION POLICY AND PRACTICES

The BRD Remuneration Policy and Practices respects:

- local and EU regulations: Regulation 5/2013 BNR, CRD IV, 604/2014, MiFID II, Volker
- EU guidelines on sound remuneration policy and remuneration of sales staff
- Societe Generale policies.

The Remuneration Policy is approved by the Board of Directors of BRD on the recommendation of the Remuneration Committee.

BRD remuneration policy:

- is constantly adapted to the culture, growth and profitability objectives and to the long-term strategy of the Bank as well as its control framework;
- promotes a sound and efficient risks management;
- helps limit and control possible operational risks without encouraging any risks that exceed the Bank's risk tolerance level.
- recognises the individual and collective performance, while encouraging teamwork, ensuring a fair and competitive remuneration subject to strictly complying with the powers and performance; performance is assessed in a multiannual framework;
- In evaluation of individual performance, financial and non-financial criteria are considered, as: accumulated knowledge, personal development, contribution to the team's performance etc.

The Bank ensures a correct and competitive remuneration, by strictly complying with competences and performances, with 2 components correctly proportioned:

- fixed component
- variable component.

Fixed remuneration - reflects the relevant professional experience and organisational responsibility, according to the employee's Job Description as part of the employment terms. Fixed remuneration represents a sufficiently high proportion of the total remuneration to allow the application of a fully flexible policy on the components of variable remuneration, including the possibility of not paying any of its components.

Variable remuneration - reflects sustainable and risk-adjusted performance as well as the performance that exceeds the necessary performance to fulfil the duties provided for in the employee's Job Description as part of the employment terms.

Variable remuneration:

- It is not guaranteed or carried forward automatically from one year to another. The variable component distribution mechanisms do not guarantee the granting of sums over several years. Thus, the variable remuneration is subject to a fair annual review process;
- The guaranteed bonuses are prohibited. BRD personnel is not overly dependent on bonuses;

- It does not limit the Bank's ability to strengthen its capital base;
- It is not paid through means or methods that facilitate the circumvention of the regulations in force;
- It does not encourage taking risks which influence the Bank's risk profile;
- It also takes into consideration all current or future risks;
- Payments relating to the early termination of a contract reflect performance achieved over time and do not reward failure or misconduct.

The Bank may decide to reduce or not even grant the variable remuneration if it cannot be supported in accordance with the overall financial situation of the Bank, of the structure in which the activity is carried out and the employee concerned.

The variable remuneration is considerably reduced if the Bank records a poor or negative financial performance, taking into account both the current remuneration as well as the reductions in payments related to the sums due, as previously determined, including malus or clawback agreements signed. Up to 100% of the variable remuneration is subject to malus or clawback signed agreements.

For different types of jobs, it is possible to use different schemes for granting the variable remuneration. There is a maximum limit defined for the variable component, which may not exceed 100% of the fixed component of the total remuneration.

For sales staffs, commercial objectives are set to take into account the rights and interests of the consumers, so that:

- Sales process is in the client's interest;
- They do not promote the provision of a specific product/ service or a category of products/ services over others products/ services such as products/ services which are more profitable for the institution or for an employee, to the detriment of the consumer.

The special principles applicable to the categories of identified staff are:

- The variable remuneration may decrease or not even be paid at all.
- The personnel members are paid, or receive the rights related to, the variable remuneration, including the deferred part thereof only if the variable remuneration can be supported in accordance with the Bank's overall financial situation and if it can be justified in accordance with the performance of the Bank, the structure in which the activity is carried out and the individual concerned.
- The personnel members receive the rights of the deferred part of the variable remuneration, subject of the fulfillment of the minimum performance requirements.
- A major part, which, in all cases, accounts for at least 40% of the variable remuneration component, is deferred for a period of at least three years. For identified staff, at least 50% of any variable remuneration shall consist of shares or equivalent, which are subject to an appropriate retention policy, designed to harmonise the incentives with the Bank's long-term interests.
- The personal strategies for risk hedging or insurance policies related to remuneration and liability to counteract the risk alignment effects stipulated in the personnel remuneration agreements are prohibited. One may insure the currency risk using derivatives.

Financial data for 2017, according to the disclosure requirements covered by Art. 450 (h), EU Regulation 575/2013 will be published at a later date, on the Bank's website.

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

a) Remuneration of the members of executive Committee (including CEO)

Remuneration is composed from monthly fix remuneration and variable annual remuneration granted as performance bonus. For management expatriate staff are granted some benefits according to Societe Generale policy, in order to facilitate their living with families in Romania.

b) Remuneration of the members of the Board of Directors

For 2017, the Ordinary General Assembly of Shareholders approved an individual remuneration for the non-executive members of the Board of Directors amounting to EUR 1,500 / month (gross amount, in lei equivalent)

General limit for the directors' and members of the Executive Committee remunerations, including additional remunerations, for 2017, amounting to RON 14 million, gross amount.

4. CORPORATE AND SOCIAL RESPONSIBILITY

Corporate Social Responsibility is a key development pillar for BRD, as it supports development, innovation and sustainability for both the bank and its stakeholders.

As an important player in the Romanian economy, the bank's main mission is to offer the best solutions and advice to individuals, companies and institutions, in order to support the development of their projects, the management of their financial means and their risk coverage. We are also aware that we live in an ecosystem and, in that respect; BRD strives to generate long-term positive impact on the community and the environment.

Therefore, in addition to financing the Romanian economy, the bank is willing to play a role in the evolution of the Romanian society as a whole.

RESPONSIBILITY APPLIED TO BUSINESS LINES

EQUATOR PRINCIPLES

BRD applies the Equator Principles since 2009. This commitment taken by Société Générale Group provides, for the social and environmental risk assessment of projects, the allocation of over 10 million USD.

RESPONSIBILITY TO THE COMMUNITY

EDUCATION

FINANCIAL EDUCATION PROGRAMS

BRD has continued for the second year the financial education programme "Understanding Money for Kids" for primary schools, program developed by the Association for Promoting the Performance in Education. Through this program, BRD wants to contribute to better education of children about money and financial instruments.

The main objectives of the program are:

- shape a comprehensive picture of how the money is perceived, spent, saved, borrowed or invested nowadays;
- help the children to acquire money management skills.

Another objective for BRD was to participate to the training of teachers.

BRD financed 12,000 kits for primary school children from several counties : Arad, Brasov, Calaras, Covasna, Dolj, Harghita, Ilfov, Prahova, Satu Mare, Tulcea, Timis, Valcea.

CULTURE

BRD invests in classical music, visual arts, film, performing arts, in projects where young people can find development platforms. It supports projects that provide wider public access to the culture but also projects that build new audiences, especially young audiences.

In 2017, BRD's cultural publication www.Scena9.ro, a journalistic platform that charts the cultural scene in Romania, became an important voice in Romania's cultural landscape. The website registers more than 70,000 visitors/month.

In 2017, BRD inaugurated the Cultural Center **Rezidenta BRD Scena9**, another owned cultural project that aims to become a space opened to the contemporary culture, and to the new generation of creators. BRD organized overall 60 cultural events, from debates of ideas, to poetry nights, from events dedicated to the younger generation like Super Film Festival or Showcase of Young Talents to established events like One World Film Festival.

In total approximately 9,000 people visited the Residence in 2017.

PERFORMING ARTS

The most important partnerships in 2017 in performing arts were *Sibiu International Theatre Festival*, *Bucharest National Theatre Festival* and *Youth Theatre Festival Ideo Ideis* from Alexandria. BRD also organized a theatre tour in several cities with "*Familii*" – a production of Radu Stanca Sibiu Theatre, which talks about issues present in Romanian society today, and invites the public to dialogue.

CONTEMPORARY ART

BRD was for the second year the main partner of *White Night of the Galleries* event that celebrates contemporary art. It organized in Rezydentă BRD Scena9, our cultural hotspot, the main exposition of the event "*Petrila – a trip to the navel of the world*" of the well-known artist Ion Barbu. We also organized guided tours and a workshop for children called "*What's the idea with contemporary art.*"

CLASSICAL MUSIC is a way for BRD to share with the public the values the BRD team believes in: excellence, innovation, commitment.

SoNoRo Conac (Mansion) started from the idea of increasing the public awareness about the multitude of rehabilitated buildings, but in which no cultural events ever take place. These are fabulous, spectacular, elegant buildings which, nonetheless, are not used for cultural purposes. The concerts performed in various regions of Romania favour the cultural dialogue and are destined to a selected audience. In 2017 BRD had 13 musical events under Sonoro Conac signature.

Stradivarius Tour is another project which combines artistic excellence with generosity. The project aims to bring classical music to a broader audience. Each year, the violinist Alexandru Tomescu includes between 10 and 15 large and medium cities in Romania in his music Tour, thousands of people attending his concerts. During these tours, people are encouraged to contribute financially to support "*Enescu Academy*" - a project aiming to bring artistic education to children from the north part of Romania.

Along with *Princess Margareta of Romania Foundation* BRD supports the Young Talents program - over 30 young artists received scholarships and access to creative camps, competitions abroad, mentoring programs and promotion.

Other projects started or continued in 2017 are related to the film industry. BRD is partner of the Festival "*Les Films de Cannes à Bucarest*", and of *Kinedoc*, a program aiming to promote the documentary film and the human rights.

NEW JOURNALISM

BRD is involved in supporting young journalism that brings a new standard of quality and creativity in the narrative journalism and nonfiction writings of Romania. BRD has been involved in supporting independent publishing platforms like *Republica* and *Decat o Revista* and, for the fourth year, it is supporting "*Superscrieri Awards*" - the event that rewards the best nonfiction writings in Romania.

Together with *Friends For Friends Foundation*, BRD wants to contribute to the growth of a new generation of journalists. With this thought it organized together journalistic scholarships *Superscrieri / BRD for education*, that awards teams of journalists who have documented and written press materials about the education system in Romania. The project is at the third edition and offered 3 scholarships & mentorship program to young journalists.

TECHNOLOGY AND INNOVATION

BRD supports Romania's development through technology and innovation, by engaging efforts into preparing the key actors (new generation, IT& tech specialists and entrepreneurs) for a digital society. BRD's focus is on projects with direct impact on the Romanian youth, as they are the most "native and naturally" prepared to build a digital future.

BRD's main brand programs in the field of technology and innovation are:

"*Mindcraft – a BRD development kit*" is a program aiming to encourage young people to develop through technological creativity and innovation. Under the Mindcraft's umbrella, BRD's support for

young people is reflected in partnerships with competitions and programs that encourage technological creativity: national robotics competition like *BRD Firsts Tech Challenge*, robotic lab like MINDCRFAT HUB opened inside the Polytechnic University in Bucharest, or the patronage of high school students' teams like Autovortex and heRObotics participating in robotic competition.

BRD First Tech Challenge program makes robotics & technology accessible in high schools all around the country. It challenges students to design, build and program robots. In its 1st edition (2016-2017) the competition was deployed in 54 high schools - a universe of 43,500 students and 2,500 teachers. By 2022, BRD First Tech Challenge will help 250 high schools and more than 200,000 students to develop tech & robotics skills.

Mindcraft HUB founded at the Polytechnic University in Bucharest is a working space prepared to accommodate more than 20.000 students in the next 5 years.

At the same time, BRD's promise is reflected in programs for developing youth entrepreneurship through partnership with *Innovation Labs*, one of the most popular business accelerators in Romania. Here, young people are encouraged to propose innovative ideas to a jury of specialists, a step towards their own business.

Another project that combines education and technology was "*The Power of Imaginary*" a project developed by BRD with CINETIC (International Creative Innovation Research and Education Center) and the young scenographer Adrian Damian. Presented at Gaudeamus Book Fair, the interactive installation uses headsets that can measure brainwave activity when reading engaged visitors to learn more about what happens in our brain when we read.

SPORTS

Be it tennis or handball, experienced athletes or young talents, BRD reaffirms its commitment to promoting sports in Romania. The most representative partnerships are WTA Tournament BRD Bucharest Open and the partnership with the Romanian Handball Federation.

SOCIAL INVOLVEMENT

BRD tries to create mechanisms through which employees, but also its customers and partners, can become involved in a permanent manner.

BRD's project "*Superoameni pentru Supersanse*" is a payroll-giving program where more than 500 employees are voluntary enrolled and donate monthly amounts that are then doubled by the Bank. In 2017, we signed a new partnership with *Hope and Homes for Children Romania*, whose goal is that by 2020, there would not be any abandoned child in old-style state institutions. Our contribution will support in 2018 educational programs and the prevention of the child abandonment.

RESPONSIBILITY TO THE ENVIRONMENT

The Bank also generates environmental impacts through its business activity. Aware of its responsibility in this respect, the Groupe Societe Generale applies its environmental policy in terms of its own activities; such policy involves the control and improvement of its direct impact on the environment, in association with its various stakeholders. As part of its 2014-2020 carbon reduction programme, Societe Generale has decided to reduce its CO2 emissions by 20%.

BRD takes also measures to diminish its negative impact on environment.

In the last 2 years, BRD had the following quantities of CO2 emissions:

Tonnes of CO ₂	Total CO ₂ emissions		CO ₂ emissions per occupant	
	2016	2017	2016	2017
CO ₂ emissions	20,897	19,778	2,502	2,493

COLLECTION AND RECYCLING OF WASTE IN BRD

BRD implemented a program of collection and recycling of waste from electric and electronic equipment, in partnership with the associations *Recolamp* and *Ateliere fara Frontiere*. In 2017, BRD donated 8 tons of electric and electronic waste, being the largest contributor of the *Ateliere fara Frontiere* association.

5. GROUP ACTIVITY AND RESULTS

ECONOMIC AND BANKING ENVIRONMENT 2017

In 2017, Romania's GDP growth exceeded market expectations, accelerating to +7.0% YoY boosted mostly by private consumption due to accommodative fiscal policy, rise in wages and favourable interest rate environment. Private investments rebounded, whereas the weight of public investments in GDP recorded the lowest level in the post-EU accession period.

The annual inflation rate started to accelerate in the second semester, from +0.9% at the end of June 2017 up to +3.3% at the end of the year, driven by strong private demand, pressure on labour costs, higher inflation expectations, hikes in administered prices and the evolution of fuel prices.

Given rising inflation, market expectations towards monetary policy tightening and lower excess liquidity, RON interest rates accelerated at the end of September.

In this context, NBR maintained an accommodative monetary policy throughout most of 2017, keeping the key policy rate unchanged at 1.75% since May 2015. However, it made first steps towards monetary policy normalization in Q4-2017 by twice narrowing the symmetrical corridor to +/-1 percentage point in October and November. It implemented two consecutive rate hikes in January and February 2018, bringing the monetary policy rate to 2.25%.

On the banking market, the year 2017 brought an acceleration of lending growth, further expansion of savings, continuation of balance sheet cleaning operations and robust profitability. Loans granted to individuals continued to be the main growth driver (+6.6% versus 2016 end, adjusted for exchange rate variations), driven by both housing and consumer loans while loans to companies inched higher by +0.9% (adjusted for exchange rate variations). Banking system deposits growth remained strong, +9.3% against 2016 end (adjusted for the exchange rate variations) driven by both household and company savings.

The ratio of non-performing loans, according to European Banking Authority definition, declined from 20.7% at 2014 end to 13.5% at 2015 end, 9.5% at 2016 end and 6.4% at 2017 end, supported by balance sheet cleaning operations.

The capitalisation of the Romanian banking system remained comfortable, with a capital adequacy ratio of 18.9% as of 2017 end.

BRD MAIN ACHIEVEMENTS IN 2017

The retail segment continued to record strong performance as reflected by the increase in the number of active individuals customers as well as their improved average equipment rate and the strong growth of loan production.

BRD also increased focus on co-financing SMEs through EU and national funded programs, by leveraging on the expertise of its specialised department.

BRD's main achievements in 2017:

- Strong customer acquisition, number of active individual customers reached 2.19 million in 2017, higher by 38k compared to 2016;
- Significant growth across remote banking channels: the stock of internet and mobile banking contracts for individuals customers reached closed to 1.4 million, up by 21% year on year;
- Healthy credit growth on retail and large corporate segments
- Leader on custody and depository services market (73% market share)
- Leader on factoring market with operations of EUR 1117 million in 2017
- “Best Sub-custodian Bank in Romania” and “Safest Bank in Romania” awards by Global Finance
- “Best eurofund” – Best EURO denominated investment fund and “Best in leasing”, awards by Piata Financiara
- “Friendliest bank for youth”, awarded at the Mastercard “Bank of the Year” 2nd edition, reconfirming BRD leader position in offering innovative products and services for youngest customers

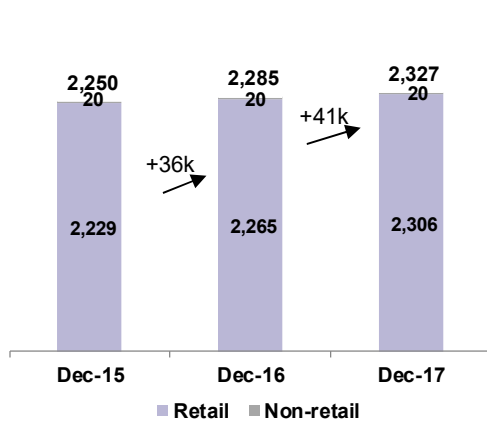
COMMERCIAL ACTIVITY

As at December 31, 2017 the Bank had 760 branches (31.12.2016: 810 branches), ensuring the distribution of its products and services throughout the whole country.

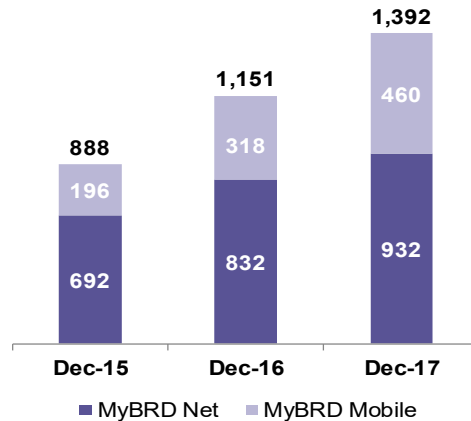
The Bank's number of active individual customers rose by 38,000 in 2017 reaching 2.19 million individual customers at 2017 end.

Moreover, the equipment rate for individuals continued to rise, from 4.07 at December 31, 2016 to 4.16 at December 31, 2017, benefitting from increasing demand for remote banking solutions.

**Number of active* customers
(x 1000)**



**Number of remote banking contracts for
individual customers (x 1000)**



⁽¹⁾ Bank only (active clients are the clients who have at least one of the following types of bank products: active current account, active card, loan, deposit, savings account)

BRD held a market share of 12.5% of total assets at December 31, 2017, according to the Bank's internal calculations.

	2015	2016	2017
TOTAL ASSETS	13.0%	12.9%	12.5%
LOANS	13.1%	13.2%	12.8%
Individuals	16.8%	16.9%	16.9%
Companies	9.8%	9.7%	8.7%
DEPOSITS*	15.0%	14.1%	13.4%
Individuals	13.8%	14.0%	13.8%
Companies	16.3%	14.3%	13.0%

*Deposits, include public administration

The structure of the customer **loans** at Group level evolved as follows over the last three years:

RON bln	Dec-15	Dec-16	Dec-17	vs. Dec-16
Retail	18.2	19.2	20.8	8.7%
Individuals	17.5	18.5	20.2	9.4%
Small business	0.6	0.7	0.6	-10.1%
Non-retail	8.9	8.7	8.8	1.1%
SMEs	3.2	2.6	2.5	-6.0%
Large corporate	5.7	6.0	6.3	4.3%
Total net loans	27.0	27.8	29.6	6.4%
Financial lease receivables	0.5	0.7	0.7	9.7%
Total net loans, including leasing	27.6	28.5	30.3	6.4%

The net loans outstanding of BRD Group as of December 31, 2017 reached RON 30.3 billion, higher by 6.4% against December 31, 2016 with the individuals and large corporate segments the main drivers of growth.

On individuals' segment, the stock of net loans increased by 9.4% in 2017, sustained by the further positive performance of unsecured consumer loans and housing loans. Total individuals' loan production continued the double-digit growth, amounting to RON 6.4 billion in 2017, up by +13.8% compared to 2016.

On the non retail segment, the stock of net loans was up by 1.1%, year on year. Large corporate net loans portfolio outstanding extended its positive evolution (+4.3% year on year), which more than compensated the decline of net loans to SMEs.

The customers' **deposits** structure at Group level evolved as follows over the last three years:

RON bln	Dec-15	Dec-16	Dec-17	vs. Dec-16
Retail	23.6	26.0	27.8	7.0%
Individuals	20.2	22.5	24.0	7.0%
Small business	3.5	3.5	3.8	7.0%
Non-retail	17.5	16.2	16.4	1.3%
SMEs	6.4	6.3	6.6	4.9%
Large corporate	11.2	9.8	9.7	-1.0%
Total deposits	41.2	42.2	44.2	4.8%

Deposits from customers increased by +4.8% versus December 31, 2016 with an important contribution from retail customers (+7.0% year on year). Deposits in current accounts, which amounted to RON 18,585 million, continued to accumulate, +22% compared to December 31, 2016, in an environment marked by still low interest rates. Non retail deposits inched slightly higher compared to December 31, 2016 in a context of comfortable liquidity position.

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 December 31, 2017, BRD Sogelease net outstanding of leasing financing increased by 9.7% to RON 728 million from RON 664 million at the end of 2016. New leasing production reached RON 482 million, with commercial vehicles and passengers with the highest weight, followed by construction and industry, equipment for agriculture, IT and medical.

The confirmation of this successful year was brought by the award "Best in leasing in 2017" received by BRD Sogelease at the end of 2017 from "Piata Financiara" magazine.

BRD FINANCE IFN SA

BRD Finance results in 2017 revealed a positive evolution: the net loan portfolio increased by 17% reaching RON 531 million, while the loan production also recorded an improvement of 17% to RON 613 million due to increases on products like revolving and car loans. Net banking income reached RON 96.4 million, up 8% compared to 2016.

The performance was sustained by the continuation of the commercial strategy based on the consolidation and development of key partnerships, combined with the constant optimization of internal processes and a strict control of costs and risks.

BRD ASSET MANAGEMENT SA

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 12.60%* at the end of 2017 (vs 12.1%* at the end of 2016). The company had RON 3.147 billion assets under management at the end of 2017 (+9% versus 2016).

BRD Asset Management offers 7 different open-end funds diversified 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. BRD Actiuni fund is focused on stocks, as well as BRD Index which is an index tracker fund. Since March 2017, BRD Asset Management is offering new instruments to its customers: euro denominated unit fund classes, for both BRD Diverso and BRD Actiuni investment funds.

** market share computation based on total Open-end Funds assets under management*

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 December 31, 2017 and the comparative periods.

FINANCIAL POSITION – ASSETS

The total assets at December 31, 2017 increased by nearly 6% for both the Bank and the Group vs December 31, 2016.

The structure is presented below:

THE BANK

Assets (RONm)	Dec-15	Dec-16	Dec-17	% total	vs. Dec-16
Cash and current accounts with Central Bank	8,820	7,140	7,682	14.4%	7.6%
Loans and advances to credit institutions	2,288	1,971	2,530	4.7%	28.4%
Net loans and advances to customers	26,648	27,384	29,012	54.2%	5.9%
Other financial instruments	10,295	12,947	12,910	24.1%	-0.3%
Tangible and intangible assets	985	976	992	1.9%	1.6%
Other assets	157	239	365	0.7%	52.4%
Total assets	49,193	50,658	53,491	100.0%	5.6%

THE GROUP

Assets (RONm)	Dec-15	Dec-16	Dec-17	% total	vs. Dec-16
Cash and current accounts with Central Bank	8,820	7,140	7,682	14.0%	7.6%
Loans and advances to credit institutions	2,315	1,998	2,550	4.6%	27.6%
Net loans and advances to customers	27,014	27,839	29,608	53.9%	6.4%
Financial lease receivables	549	664	728	1.3%	9.7%
Other financial instruments	10,277	12,947	12,925	23.5%	-0.2%
Tangible and intangible assets	999	988	1,002	1.8%	1.4%
Other assets	205	306	433	0.8%	41.4%
Total assets	50,179	51,881	54,927	100.0%	5.9%

LOANS AND ADVANCES TO CUSTOMERS

The net loans outstanding amount to customers increased by 5.9% for the Bank and 6.4% for the Group (excluding leasing) compared to previous year, driven by the positive performance registered on individuals and large corporate segments.

CASH, CURRENT ACCOUNTS WITH THE CENTRAL BANK AND LOANS AND ADVANCES TO CREDIT INSTITUTIONS

Cash and current accounts with the central bank and loans and advances to credit institutions increased by 12% versus December 31, 2016 at both Bank and Group level, on a favourable liquidity position enjoyed by the Bank. From this aggregate, the minimum reserves requirements held with the Central Bank, decreased by 3% from RON 3 670 million as of December 31, 2016 to RON 3 562 million as of December 31, 2017, o/w reserve requirements for foreign currency liabilities decreased by 14%, following NBR decision to cut the reserve requirements for the FX liabilities from 10% to 8%.

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.

The portfolio of Government bonds, amounting to RON 12 520 million, accounted for 23% of the total assets and was quasi stable (+0.9%) compared to December 31, 2016.

TANGIBLE AND INTANGIBLE ASSETS

The tangible and intangible assets (out of which land and buildings represent the largest part, near 60% of this aggregate) account for around 2% of the total assets.

Total value of investments increased during 2017 for both the Group and the Bank. The total value of investments amounted of approximately RON 152 million for the Bank and RON 154 million for the Group, compared to RON 120 million for the Bank and RON 122 million for the Group in 2016. IT investments represented around 77% of the total. There is no capitalized research and development expenditure.

FINANCIAL POSITION – LIABILITIES

The comparative statement of liabilities, for the period 2015 – 2017 is as follows:

THE BANK

Liabilities and shareholders equity (RONm)	Dec-15	Dec-16	Dec-17	% total	vs. Dec-16
Amounts owed to credit institutions	1,049	670	935	1.7%	39.5%
Amounts owed to customers	41,272	42,291	44,387	83.0%	5.0%
Other liabilities	891	1,330	1,141	2.1%	-14.2%
Shareholders equity	5,981	6,367	7,028	13.1%	10.4%
Total liabilities and shareholders equity	49,193	50,658	53,491	100.0%	5.6%

THE GROUP

Liabilities and shareholders equity (RONm)	Dec-15	Dec-16	Dec-17	% total	vs. Dec-16
Amounts owed to credit institutions	1,801	1,633	2,138	3.9%	30.9%
Amounts owed to customers	41,179	42,193	44,220	80.5%	4.8%
Other liabilities	942	1,382	1,201	2.2%	-13.1%
Shareholders equity	6,257	6,674	7,369	13.4%	10.4%
Total liabilities and shareholders equity	50,179	51,881	54,927	100.0%	5.9%

AMOUNTS OWED TO CUSTOMERS

The Group, as well as the Bank, continue to benefit of a high financial autonomy and a stable funding base. Amounts owed to customers increased by nearly 5% for both the Bank and the Group, compared to December 31, 2016 and accounted for 83% of the total liabilities at Bank level and 81% at Group level. Customers' deposits increase was largely generated by the increase of the amounts held by clients in current accounts, in an environment marked by still low interest rates.

AMOUNTS OWED TO THE CREDIT INSTITUTIONS

Amounts owed to credit institutions stood at near 2% of the total liabilities for the Bank and 4% for the Group at December 31, 2017. At Group level, these represent mainly borrowings from International Financial Institutions and the Parent.

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

SHAREHOLDERS' EQUITY

The shareholders' equity increased by 10.4% compared to December 31, 2016 for the Bank and the Group, due to the current year result.

The structure of the shareholders' equity evolved as follows:

THE BANK

Shareholders' equity (RONm)	Dec-15	Dec-16	Dec-17	vs. Dec-16
Share capital	2,516	2,516	2,516	0.0%
Other reserves	393	272	62	-77.4%
Retained earnings and capital reserves	3,073	3,580	4,451	24.4%
Total shareholders' equity	5,981	6,367	7,028	10.4%

THE GROUP

Shareholders' equity (RONm)	Dec-15	Dec-16	Dec-17	vs. Dec-16
Share capital	2,516	2,516	2,516	0.0%
Other reserves	393	272	66	-75.6%
Retained earnings and capital reserves	3,300	3,836	4,733	23.4%
Non-controlling interest	49	50	53	6.0%
Total shareholders' equity	6,257	6,674	7,369	10.4%

LIQUIDITY POSITION

Both the Bank and the Group maintained very comfortable liquidity positions in 2017.

The net loans/deposits ratio reached 65.4% at December 31, 2017 (from 64.8% at December 31, 2016) for the Bank and 68.6% for the Group (from 67.6% at December 31, 2016), including financial lease receivables.

2017 FINANCIAL RESULTS

The comparative income statement of the Bank for the period 2015 – 2017 is presented below:

RONm	2015	2016	2017	17/16
Net banking income	2,474	2,634	2,641	0.3%
<i>Net banking income w/o non recurring items</i>	2,448	2,503	2,632	5.2%
- net interest income	1,422	1,481	1,604	8.3%
- net commissions	718	737	726	-1.5%
- other banking income	333	416	311	-25.2%
Operating expenses	-1,310	-1,310	-1,388	5.9%
- staff expenses	-612	-643	-691	7.4%
- non-staff expenses	-698	-667	-697	4.5%
Operating profit	1,164	1,324	1,254	-5.3%
<i>Operating profit w/o non recurring items</i>	1,164	1,324	1,283	-3.1%
Net cost of risk	-631	-461	376	n.a.
Gross result	533	863	1,630	88.8%
Net result	445	728	1,380	89.5%
<i>Net result w/o non recurring items</i>	424	618	1,397	2.26x

The comparative income statement of the Group for the period 2015 – 2017 is presented below:

RONm	2015	2016	2017	17/16
Net banking income	2,595	2,778	2,786	0.3%
<i>Net banking income w/o non recurring items</i>	2,569	2,646	2,777	4.9%
- net interest income	1,516	1,586	1,719	8.4%
- net commissions	750	773	763	-1.2%
- other banking income	330	419	303	-27.5%
Operating expenses	-1,385	-1,388	-1,473	6.2%
- staff expenses	-655	-688	-739	7.5%
- non-staff expenses	-731	-700	-734	4.9%
Operating profit	1,210	1,390	1,313	-5.6%
<i>Operating profit w/o non recurring items</i>	1,184	1,259	1,333	5.9%
Net cost of risk	-658	-484	360	n.a.
Gross result	552	907	1,672	84.5%
Net result	467	763	1,415	85.3%
<i>Net result w/o non recurring items</i>	446	653	1,431	2.2x
Profit attributable to equity holders of the parent	466	758	1,406	85.7%

BRD Group net banking income increased by +4.9% in 2017 compared to 2016, when excluding non-recurring items (gains on available for sale assets of RON 131 million in 2016, and RON 9 million in 2017). Net interest income registered a very robust growth of +8.4% year over year, mostly generated

by solid volume advance, while rising interest rates brought an additional positive contribution in the last quarter of the year. Net fees and commissions income (-1.2% year on year) was adversely impacted by price pressures on transactional banking services, but benefitted from higher revenues from asset management and capital market activities.

Operating expenses reached RON 1,473 million, up by +6.2% year on year, including an exceptional charge of RON 29 million, corresponding to the upfronting of upcoming transformation costs. Excluding this one off charge, operating expenses increased by +4.1% YoY, as a result of rising labor costs and higher IT investments related to change-the-bank-initiatives.

Gross operating income registered a solid growth, increasing by +5.9% when adjusted for non-recurring elements. The cost/income ratio reached 52.0% compared to 52.4% in 2016, when adjusted for non-recurring elements.

Net cost of risk registered a RON 360 million net release due to recoveries on non-retail customers, recognition of insurance indemnities, and gain on sale of NPL portfolio, compared to a provision charge of RON 484 million in 2016. Loan portfolio quality further improved, as the NPL ratio was reduced to 6.6% at 2017 end versus 10.5% at 2016 end, supported by balance sheet cleaning operations through write-offs and sales of non-performing loans, while the coverage ratio remained solid at 74.2% at December 31, 2017, compared to 76.6% at December 31, 2016 (all ratios according to EBA methodology).

BRD Group's net profit reached RON 1,415 million, up by 85.3% compared to 2016, driven by further business growth, higher net banking income, non-recurring positive cost of risk items. This performance led to a return on equity of 20.1% in 2017, compared to 11.8% in 2016. Return on assets increased by 1.2 percentage points to 2.6% in 2017 from 1.5% in 2016. The Bank registered similar trend, with net profit amounting to RON 1,380 million, up 89.5% from RON 728 million in 2016.

Neither 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.

No important events were identified after the reporting date.

6. RISK MANAGEMENT

Risk management within BRD is based on an integrated concept that takes into account the statutory and regulatory norms as defined and required by the NBR and European Supervisory Bodies, the risk management standards of Société Générale, together with the best practices accepted by the banking industry.

RISK MANAGEMENT OBJECTIVES AND RISK APPETITE SETTING

Risks are managed within a continuous process of identification, assessment, monitoring, reporting and control, considering risk limits, approval authorities, segregation of duties and other risk mitigation techniques.

The main objectives of the Bank's risk management strategy are:

- To support the business development by ensuring that business objectives are pursued in a risk-controlled manner, with due consideration for the stated risk appetite
- To ensure the Bank's sustainability as a going concern, through the implementation of an efficient system for risk analysis, measurement, monitoring, reporting and mitigation
- To encourage risks diversification with the aim of keeping a balanced risk-return profile for all activities of BRD group entities
- To maintain adequate capital levels as per regulatory requirements and internal assessment
- To promote a Bank-wide risk awareness and risk management culture

In order to identify all the risks (financial and non-financial) to which BRD is exposed and which are inherent to its activity, a comprehensive risk assessment exercise is performed on an annual basis. Therefore, the Bank's risk management strategy focuses on the following categories of risks identified as significant, any of which could adversely affect its business, results of operations and financial situation:

- Credit risk and associated risks
- Liquidity risk
- Structural risks (interest rate risk and foreign exchange risk in the banking book)
- Market risk in trading book
- Operational risk
- Compliance risk
- Reputational risk
- Strategic risk
- Excessive leverage risk

Based on the results of the risk assessment exercise and with due consideration for its strategic objectives, the Bank defines the risk appetite framework and the risk appetite statement.

The risk appetite represents the aggregate level and types of risk that BRD is willing to assume, a priori and within its risk capacity, to achieve its strategic objectives and business plan.

The risk appetite statement sets the Bank's approach towards taking on and managing risks and is structured along two dimensions: quantitative and respectively qualitative. At aggregate level, the risk appetite is defined by reference to the main strategic dimensions - *Profitability, Capital Adequacy, Creditworthiness, Liquidity and Leverage* - on the basis of the annual strategic planning, in order to ensure alignment of risk, capital and performance targets, which allows the Bank to:

- Set capital adequacy goals with respect to risk, considering strategic focus and business plans
- Assess risk-bearing capacity with regard to internal and external (regulatory) requirements
- Apply stress testing to assess the impact on the capital demand, capital base and liquidity position

The aggregate risk appetite is further cascaded down to material risk categories and where appropriate, to business lines. The qualitative statements are defined to complement the quantitative part of the risk appetite, setting the overall tone for BRD's approach to risk taking.

Key indicators for determining Risk Appetite and their evolution are regularly monitored over the year in order to detect any events that may result in unfavorable developments on the Group's risk profile.

RISK MANAGEMENT GOVERNANCE

The Group's risk management governance is based on the following dimensions:

- Risks are taken within the defined risk appetite approved by the Board of Directors
- Strong involvement of the Bank's management body in the risk management system and promotion of risk culture, throughout the entire organizational structure, from the Board of Directors down to operational teams
- Clearly defined internal rules and procedures
- Communication of information regarding risk management across the organization in a timely, accurate, comprehensible and meaningful manner
- Continuous supervision by an independent risk function to monitor risks and to enforce rules and procedures

Risk governance relies on the three lines of defense model, which reinforces segregation of duties between various control functions.

The *first line* of defense is represented by the business units which are primarily responsible for the ongoing management of the risks arisen in conducting their daily activities, taking into account the Bank's risk appetite and its policies, procedures and controls. The Managerial Supervision is coordinated by the Permanent Control Division.

The *second line* of defense is represented by the independent functions overseeing risks, which are responsible for further identifying, measuring, monitoring, and reporting risks, ensuring compliance with internal and external requirements and providing support to the business/operational functions in executing their duties. The second line functions which perform the management of significant risks are as follows:

- Risk Management Pole, which is responsible for direct management of credit risk, risks associated with credit risk, market risk, operational risk as second level of validation and oversees the evolution of all significant risks within BRD
- Finance Department, which manages liquidity risk, structural risks (interest rate risk and FX risk in banking book), strategic risk and excessive usage of leverage effect risk. As coordinator of the budgeting and capital planning processes, it ensures that the liquidity, capital and business strategy are consistent with the risk appetite statement
- Permanent Control Division, which is accountable for the operational risk management, while the components of this risk (legal risk, IT risks) are under the responsibility of dedicated structures
- Deontology and AML Division, which manages the compliance and reputational risks

Although the responsibility for the management of risks within the Bank is shared between the structures of the second line of defence (as mentioned above), Risk Management Pole performs the role of the centralized risk management function, by delivering the Bank's wide holistic view on all risks, ensuring that the risk strategy is complied with.

The *third line* of defense is represented by the internal audit function, which provides independent review and objective assurance on the quality and effectiveness of the Bank's internal control system, the first and second lines of defense and the risk governance framework. Internal audit function reports to and operates under the mandate of the Board of Directors.

Risk management is governed by the management body of the Bank and assisted by the Audit Committee and the Risk Management Committee. Specialized committees also assist the Executive Committee in accomplishing their risk management and control responsibilities.

Board of Directors

The Board of Directors approves the risk and business strategy of BRD, sets the risk appetite and tolerance levels and ensures that the Executive Committee properly transposes them at operational level.

Audit Committee

The Audit Committee plays a crucial role in the assessment of the quality of the internal control. It is responsible for examining the internal framework for risk monitoring to ensure its consistency and compliance with procedures, laws and regulations in force.

Risk Management Committee

The Risk Management Committee advises the Board of Directors with regard to Bank's overall current and future risk appetite, oversees senior management's implementation of the risk strategy, reports on the state of risk culture in the Bank and interacts with and oversees the activity of the centralized risk management function.

Executive Committee

The Board of Directors delegates the day to day management of BRD to the Executive Committee. The Executive Committee is responsible for the implementation of the strategies approved by the Board of Directors and ensures that a proper organization and informational flows are in place.

Main specialized committees assisting the Executive Committee

The *Assets and Liabilities Committee* has the main objective of ensuring the management of assets and liabilities structure, liquidity and funding sources management, structural risks management (interest rate risk and foreign exchange risk in banking book) and capital management.

The *Crisis Committee* ensures the management of the crisis situations and defines the necessary resources and organization to face such situations.

The *New Products and Significant Changes of Activity Committee* mission is to make sure that all the risks associated with the launch of new products, new activities or externalized activities or their significant changes, are correctly identified, analyzed and assessed.

The *Internal Control Committee* has as main objective the assessment of the effectiveness of the internal control system.

The *Retail Risk Committee* has as main objective the analysis of the measures proposed by relevant structures in order to improve the performance of Retail lending activity and the monitoring of the associated risk indicators.

The *Steering Committee* supports the Executive Committee to follow-up the Bank's projects.

MAIN RISK FACTORS

The economy and financial markets continue to display high levels of uncertainty, which may materially and adversely affect the Bank's business and financial situation

Banking business is highly sensitive to changes in financial markets and economic conditions. BRD could be confronted with a significant deterioration in market and economic conditions resulting from, in particular, regional recessions, crises affecting capital or credit markets, currency exchange rates or interest rates evolution, inflation or deflation, sovereign debt rating downgrades. Such occurrences, which may develop quickly and may not be hedged, could affect the operating environment for financial institutions for short or extended periods and have a material adverse effect on the bank's financial situation, results of operations or cost of risk.

Unpredictability and uncertainty of legal framework may lead to increased pressure in the banking environment

The uncertainty and lack of predictability of legal changes (such as the changes related to sales of non-performing receivables by credit institutions or the ones related to the manner of interest rate setting in credit contracts) could have an adverse effect on financial institutions and, hence, on BRD's business, financial situation and results of operations.

The Bank operates in a highly competitive environment, with a trend towards consolidation

The financial services industry is intensely competitive, and is expected to remain so. Competition refers to transaction execution, the speed of answering to the customers' requests, products and services, innovation, reputation, price and IT resources. Pricing pressures may increase in these and other areas in the future as some competitors seek to obtain market share by reducing prices.

In addition, certain sectors of the financial services industry have become more concentrated, considering the mergers and acquisitions of institutions involved in a broad range of financial services. Such changes could result in the Group's remaining competitors benefiting from greater capital resources or other advantages, such as the ability to offer a broader range of products and services, which may enhance their competitive position.

CREDIT RISK MANAGEMENT

Credit risk management is regulated through a set of internal documents, which transpose local and EU regulations, SG Group policy and risk management best practices in the internal framework.

Some of the main principles employed in managing credit risk are presented below:

- client credit due diligence maintaining prudent underwriting standards
- well formalized processes for credit approval, including a strictly defined mechanism of delegated credit competencies and approval limits; credit approval authorities are assigned to individuals according to their qualifications, experience and training
- use of well-defined origination criteria by type of customer, including thorough knowledge of borrowers as well as the purpose and structure of the credit, in-depth analysis of sources of repayment and risk mitigation through requests for collaterals or personal guarantees
- use of an internal rating system for corporate counterparties
- diversified credit portfolio, specific concentrations being assessed and monitored through a set of limits on single-name, economic sectors, geographical/regions, transactions/products, credit risk mitigations techniques (defined in line with the Bank's risk appetite)
- segregation of duties between front office and back office activities
- review and approval by senior management of new products and significant changes to activities/ processes
- ongoing follow-up of credit exposures, at single and group level
- identification and management of non-performing loans and assessment of workout activity using objective indicators
- regular monitoring and reporting to senior management on the quality of credit portfolios
- regular monitoring of credit risk profile compared with the risk appetite approved by the Board of Directors
- regular independent review of lending activities by the Bank's Internal Audit function

BRD exposure to credit risk is derived from its commercial, treasury and trading activities, the commercial activities representing the core business of the Bank.

Exposures on sovereign risk are concentrated on the Romanian State and consist of the portfolio of treasury bills, placements with the Central Bank for liquidity purposes (including the minimum reserve requirements) and the guarantees received from the Romanian State for Prima Casa program.

Exposures on banks are limited and generated by money market and trading activities.

Undertaking of credit risk is part of the Group's risk management strategy based on its risk appetite. Societe Generale's credit policy is based on the principle that approval of any credit risk undertaking must be based on sound knowledge of the client and the client's business, an understanding of the purpose and structure of the transaction and the sources of repayment of the debt. Credit decisions must also ensure that the structure of the transaction will minimize the risk of loss in the event the counterparty defaults.

CREDIT RISK MITIGATION TECHNIQUES

BRD has a cash flow based lending approach, meaning the Bank expects debt to be serviced primarily through the future cash flow/income generated by the debtor. Collateralization, in the form of collateral (funded protection) or guarantee (unfunded protection), is accepted merely to mitigate credit risk and it cannot serve as a substitute for the borrower's ability to meet obligations.

The Bank accepts the following main types of securities:

- Financial collateral (cash, certificates of deposit, debt securities, shares, agricultural warehouse receipts, bill of lading);
- Non-financial collateral (real estate, machinery and equipment, inventories, intangibles, receivables, payment instruments). To be noted that real estate valuations have to be verified by the competent units, independently from the credit approval process;
- Guarantees (surety ship contracts, letters of guarantee, financial guarantees issued by guarantee funds and Eximbank, sovereign guarantees, endorsements, credit risk insurance). The credit risk mitigation effect of guarantees is closely linked to the guarantor's creditworthiness and the secured amount must be reasonably proportionate to the economic performance capabilities of the protection provider.

Mortgages are the most frequent type of accepted collaterals. Nevertheless, the collateral structure is further diversified subject to the type of financing (e.g. for working capital financing, receivables and inventories are accepted as customary collateral).

Risk department is responsible for approving the operational procedures for regular valuation of guarantees and collaterals.

Real estate collaterals are regularly valued. The market value of real estate collaterals is estimated by certified evaluators that can be either external or internal valuers. The valuation is performed in accordance with the International Valuation Standards and ANEVAR Standards and Recommendations. The Bank uses the following valuation methods for real estate: market approach and income approach. Revaluation is performed yearly in case of commercial/ industrial/ agricultural real-estate and plots of land and at least once every 3 years, for residential real estate. Higher frequency reevaluation is performed when the real estate market displays a significant negative evolution. BRD monitors the risks associated with the valuation activity via implemented internal controls.

The main guarantor for BRD's clients is the Romanian State, which intervenes to sustain credit activity by national wide guarantee programs implemented through the intermediation of Guarantee Funds (FNGCIMM or FGCR) or Eximbank, main exposure of this type being generated by Prima Casa program. Another category of guarantors is represented by commercial banks (local or foreign), issuing LGs in favor of BRD clients. BRD's indirect exposures on each guarantor are assessed using the same principles as for direct credit exposures of BRD.

The Bank systematically manages the residual risk (that could materialize in situations when credit risk mitigation techniques are less efficient than expected) through the collateral policy (prudent validity and eligibility criteria, etc.), revaluation of the collaterals, regular monitoring through specific risk indicators and capital requirement as residual risk is embedded in the methodologies developed as part of ICAAP Policy.

Detailed information on credit risk is found on Notes 42.1 to the consolidated and separate financial statements as of and for the year ended December 31, 2017.

LIQUIDITY RISK

Liquidity risk is defined as the risk of not being able to meet expected and unexpected, current and future cash flow or collateral requirements when they fall due and at a reasonable price.

The Group manages the exposure to the liquidity risk using a specific framework designed to manage it both under normal day-to-day conditions and in the event of a potential liquidity crisis.

The liquidity risk management approach starts at the intraday level managing the daily payments flows, forecasting and managing cash flows, and factoring in the access to central bank monetary

policy operations and standing facilities. It then covers a longer term perspective, comprising the maturity profile of all assets and liabilities and the funding strategy.

BRD maintains a liquidity buffer of unencumbered, high quality liquid assets as an insurance against a range of liquidity stress scenarios. A contingency funding plan is designed to protect the stakeholders' interests and to ensure positive outcome in the event of a liquidity crisis.

In terms of governance, the Board of Directors establishes the liquidity risk appetite and tolerance, reviews and approves the liquidity risk strategy and liquidity risk management framework at least on an annual basis and ensures that Executive Committee manages liquidity risk effectively.

The Executive Committee, assisted by Assets & Liabilities Committee (ALCO), develops the liquidity strategy and designs the liquidity risk management framework in accordance with the liquidity risk appetite and tolerance in order to ensure that the Bank maintains sufficient liquidity, continuously reviews information on the liquidity position of the Bank and reports to the Board of Directors on a regular basis, implements the liquidity risk strategy and ensures that appropriate controls, procedures and information flows are in place to support the strategy implementation and follow-up.

The liquidity risk position, under normal conditions, is measured at consolidated level using the static liquidity gaps indicator which is defined as the difference between the expected future outflows and inflows related to the current transactions (no new business included), determined for each time bucket and currency based on the contractual maturity of the transactions, or, for non-maturing products, based on a maturity modeled using historical client behavior or a conventional maturity.

For each budgeting and planning exercise, the future funding needs are assessed starting from the actual liquidity position and budgeted evolution of assets and liabilities. When a deficit is expected, funding solutions are assessed and appropriate actions are planned.

BRD performs liquidity risk stress tests on a quarterly basis in order to identify and quantify its exposures to possible liquidity stresses, analyzing potential impacts on the cash flows and liquidity position. BRD employs two stress test methodologies, one for a 30 days horizon with focus on the short term survival of the Bank in a time of liquidity crisis and the other for a 6 months horizon, assessing the Bank's resilience and ability to continue to function in times of prolonged stressed liquidity conditions.

Detailed information on liquidity risk is found on Notes 42.3 to the consolidated and separate financial statements as of and for the year ended December 31, 2017.

INTEREST RATE RISK AND FOREIGN EXCHANGE RISK IN THE BANKING BOOK (STRUCTURAL RISKS)

Structural exposure to interest rate and foreign exchange rate risks encompasses all exposures resulting from commercial activities, their hedging and the proprietary transactions of the Group.

The interest rate and exchange rate risks pertaining to trading activities are monitored separately and excluded from the structural risk measurement and management scope.

The general principle is to reduce structural interest rate and exchange rate risks to the greatest extent possible. The interest rate and foreign exchange risks incurred both by the commercial activities and proprietary activities (transactions regarding the shareholders' equity, investments and issues of bonds) are hedged, to the extent possible, on an individual basis or by means of macro-hedging techniques, the remaining part is maintained within pre-established limits at prudent levels.

The main tool used in managing the interest rate risk is the gap analysis, along with a measure of the balance sheet sensitivity to yield curve shifts. The gaps between outstanding assets and liabilities are determined on the basis of the contractual terms of transactions, models based on clients' historic behaviour patterns, as well as conventional assumptions relating to certain balance sheet items. Sensitivity is defined as the variation in the net present value of future residual fixed rate cash flows (surplus or deficit) for a 1% parallel upward shift in the yield curve (i.e. this sensitivity does not relate to the sensitivity of the annual net interest margin). A set of limits is applied to such sensitivity and the compliance within those limits is monitored by ALCO on a monthly basis.

Detailed information on interest rate risk is found on Notes 42.2 to the consolidated and separate financial statements as of and for the year ended December 31, 2017.

MARKET RISK IN TRADING BOOK

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices.

Market risk management is well integrated within Bank's and Group's risk management, BRD pursuing market risks on a prudent approach, the objective being to ensure profitable market activities but undertaking risk levels and capital needs as low as possible. Therefore, Bank's trading portfolio represents a small weight of Bank's total risk exposure and contains highly liquid instruments which are traded with good rated counterparts.

Some of the main principles followed by BRD when addressing market risk are:

- Compliance with internal framework and local and European regulations;
- Functional independence from business lines;
- Definition and/or validation of different methodologies, metrics, parameters and controls for all products or activities generating market risk in trading book;
- Control on definition, approval and parameterization of traded products;
- Definition, calibration and approval of risk metrics limits;
- Daily analysis and reporting to the operative management of exposures and their compliance with the approved limits;
- Synthetic communication to Bank's management presenting the trading book exposures and market risk evolutions;
- Strong support from the Group.

Detailed information on market risk is found on Notes 42.2 to the consolidated and separate financial statements as of and for the year ended December 31, 2017.

OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Group's operational risk management system was developed and strengthened over the years and allows:

- identification, analysis and evaluation, monitoring and control of operational risks
- implementation of measures meant to improve and strengthen the control system, in order to prevent/reduce operational risk losses
- regulatory compliance regarding calculation of capital requirements for operational risk

The day to day management of operational risk is the responsibility of employees from each business unit. The personnel have to be always aware of their responsibilities in connection with identification and reporting of operational risks and other duties which may arise in relation with the management of operational risks.

Operational risk management tools put in place at BRD are:

- Historical operational risk losses database
- Key risk indicators (KRI)
- Risk and control self-assessment process (RCSA)
- Scenario analysis
- Managerial Supervision of processes (MS)
- Fraud identification and prevention system
- Committee for New Products and Significant Changes of Activity, which ensures the assessment of operational risks associated with new products, outsourcing of activities and significant transformations of activity
- Crisis management and business continuity plan

In 2017, the Group operational risk strategy focused on the following axes:

- Review and upgrade of Managerial Supervision controls on credits, following (i) some changes implemented in flows (retail and non-retail) (ii) the identification of some weaknesses in the current control set-up
- Optimization of controls sample: harmonization of sampling rules and establishment of control sample on more risk focused criteria, as well as adaptation of sampling process to the recent changes in flows and archiving
- Review of some KRIs (periodical/routine, alert threshold updates, etc.) in order to ensure their accuracy and relevance
- Implementation of new antifraud indicators based on client/employee's behavior, re-assessment of fraud typologies, intensification of anti-fraud training sessions
- Enhancement of operational risk culture (training at management and operational levels)
- Running of BIA, continuously updating BCP crisis scenarios as well as closely following up the annual tests and training / awareness of staff

STRATEGIC RISK

The strategic risk represents the risk of diverging from the projected financial and operational results due to unplanned and unforeseen obstacles, events or courses of action.

Recent pace of changes in regulations and legislation and the quick shifting customer behavior generate increasingly more important strategic risks, as financial institutions need to quickly adapt their strategy and tactical decisions to a moving market.

Given the significant impact that delayed response and wrong planning can have on the profitability and solvency of the bank, the strategic risk is deemed to be of significant importance and, as such, closely monitored and managed.

The annual planning and budgeting exercises, together with the yearly restatement of the Business and Risk Management Strategy ensure that the business strategy of the bank is timely adapted to changes in macroeconomic conditions, and closely matches the customers' and industry's trends, thus ensuring that planned results will be closely matched by actual performance.

RISK OF EXCESSIVE LEVERAGE

The risk of excessive leverage represents the risk of a financial institution taking on exposures well above its risk bearing capacity, as quantified by the available Tier 1 capital.

While higher levels of leverage at credit institutions compared to other operating institutions may generally be justified due to banks' function of providing liquidity to claimholders and their special abilities with respect to managing risky assets through diversification, excessive levels of leverage make them exceedingly prone to shocks and hampers their loss absorbing capacity.

The Basel III reforms introduced a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements. The leverage ratio is two-fold.

- Restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes that can damage the broader financial system and the economy
- Reinforce the risk-based requirements with a simple, non-risk-based "backstop" measure

The leverage ratio is a new monitoring tool which allows assessment of the risk of excessive leverage, implemented by BRD in 2014. The ratio has been in the 8% - 9% area for the subsequent periods (based on the transitional definition of CET1 capital), well above the 3% minimum requirement .

7. CAPITAL MANAGEMENT AND ADEQUACY

CONSOLIDATION PERIMETER

The basis for calculation of own funds is the consolidated prudential perimeter.

BRD Group consolidation perimeter for prudential purposes is defined in accordance with Regulation (EU) No 575/2013 (CRR), Part One, Title II, Chapter 2, Section 3.

The consolidated entities for prudential scope are identified based on the criteria as per Articles 4 (1) (3), (16) to (27), 18 and 19 of CRR. According to Article 4 of CRR, entities consolidated in the prudential reporting must have one of the following types of activity: credit institution, investment firm, ancillary services undertaking and/or other financial institution. In contrast, in accordance with IFRS financial statements, all entities controlled directly or indirectly (including non-financial entities, insurance companies, etc.) are fully consolidated.

Additional exclusion of subsidiaries from prudential consolidation perimeter is based on criteria from Article 19 of CRR.

Based on the above, the prudential consolidation perimeter of BRD Group includes the parent company BRD - Groupe Société Générale S.A and two of its subsidiaries:

- BRD Sogelease IFN S.A.
- BRD Finance IFN S.A.

OWN FUNDS

BRD Group regulatory own funds as at December 31, 2017 amounted to RON 5,673 million (RON 5,576 million as at December 31, 2016) and consist of common equity capital (CET1).

Common Equity Capital (CET1) includes:

- Eligible Capital includes the nominal share capital and the hyperinflation adjustment of share capital accounted until December 31, 2003. As at December 31, 2017, the share capital amounted to RON 696.9 million, unchanged versus previous periods. The hyperinflation adjustment amounted to RON 1,819 million.
- Eligible Reserves include:
 - Retained earnings, which represent the undistributed profits of previous periods and retained earnings arising from adjustments from IFRS implementation as accounting basis, from January 1, 2012;
 - Other reserves: legal reserves, reserves for general banking risks or other reserves established by the law and share based payment reserves.
- Other comprehensive income (OCI) includes unrealized gains and losses from changes in the fair value of available for sale instruments and from re-measurement of defined benefit liability arising from the post-employment benefit plan.

Regulatory deductions from CET 1 applicable as at December 31, 2017 essentially involved the following elements:

- Estimated dividend payments. For financial year 2017, the dividends proposed by the Board of Directors for approval by General Shareholders' Meeting amount to RON 1,143 million, corresponding to a pay-out ratio of 83% from the 2017 net profit of the bank of RON 1,380 million.
- Goodwill and intangible assets net of associated tax – deducted 100% from CET 1.
- Contingent or any foreseeable tax charges related to CET 1 reserves taxable upon utilization to cover losses or risks

Other regulatory deductions/adjustments have been applied to CET 1 elements during the transitional period ended 31 December 2017:

- Minority interests related to consolidation of a not eligible or not regulated entity are excluded from the calculation of consolidated regulatory capital. In accordance with the CRR transitional arrangements, 20% of not eligible minority interests (i.e. related to consolidation of BRD Finance) were phased-out yearly from CET 1 yearly until 31 December 2017.
- According to CRR, no filters are applied to the inclusion of OCI unrealized gains or losses in CET 1 capital. Based on the national transitory approach, 80% of unrealized gains (net of the related tax) recorded in OCI were included in CET 1 as at 31 December 2017.

As at December 31, 2017 and December 31, 2016, the Bank had no Additional Tier 1 or Tier 2 capital instruments issued and outstanding.

CAPITAL REQUIREMENTS

From a regulatory perspective, capital requirements cover:

- credit risk, in respect of all business activities, but excluding the trading book business
- operational risk, foreign exchange risk and settlement risk in respect of all business activities
- position risk in trading book and
- credit valuation adjustment risk of OTC derivative instruments.

The calculation of credit risk capital requirement takes into account the transaction risk profile and is computed according to the standardized approach (CRR Part 3, Title 2, Chapter 2) using the Financial Collateral Comprehensive Method and information regarding credit assessments performed by external credit assessment institutions (ECAI).

The capital requirement for general position risk is calculated using the Maturity-based method. Capital requirement for credit valuation adjustment is determined using the standardized method.

The capital requirement for operational risk is calculated according the CRR, Part 3, Title 2, Chapter 4, using advanced measurement approaches (AMA). BRD, as a member of the Société Générale Group, uses AMA to measure operational risk since 2008 based on the SG internal methodology and calculation. The allocation of operational risk capital requirements to the sub-consolidated entities is based on net banking income and history of operational risk losses.

On top of the total regulatory ratio of 8% set by Art 92 from CRR, starting 2016, based on NBR requirements, BRD Group maintains additional own funds to cover risks resulting from internal assessment and SREP (supervisory review and evaluation process) amounting to 3.94% of RWA during 2017 (2.7% during 2016). Thus, the TSCR ratio (total SREP capital requirements) requirement for BRD Group was 11.94% for 2017.

Overall capital requirements (OCR) represent the total of SREP requirements and capital buffers, namely:

- A Conservation Buffer in CET 1 capital intended to absorb losses during periods of stress, phased in by 0.625% of total RWA yearly starting 1 January 2016. This buffer will be mandatory and fully effective from 1 January 2019 and amounting to 2.5% of total RWA. As at 31 December 2017 the buffer requirement was 1.25%
- A Countercyclical Buffer that may be imposed during periods of excessive credit growth when system-wide risk is building up and capped at 2.5% of total RWA. Starting with 1 January 2016, according to NBR Order 12/2015 the level of countercyclical buffer was established at 0%.
- Other systemically important institutions (O-SIIs) identified by NBR which have been authorized in Romania, may be subject to a O-SII Capital Buffer of up to 2% of the total RWA. BRD was identified as O-SII by NBR and O-SII Capital Buffer is 1% starting with 1 January 2016.

- In order to prevent and mitigate long-term non-cyclical systemic or macro prudential risks where there is a risk of disruption in the financial system with the potential to have serious negative consequences for the financial system and the real economy, a Systemic Risk Buffer may be applied by NBR to all institutions, or to one or more subsets of those institutions with similar risk profiles in their business activities. The local regulator has not set a systemic risk buffer, so far.

The summary of the BRD Group and Bank capital adequacy is presented below.

RON m	Bank		Group	
	2016	2017	2016	2017
Eligible CET1	5,587	5,824	5,869	6,117
Eligible CET1 after adjustments	5,729	5,845	6,011	6,142
Total Tier 1 capital	5,212	5,339	5,576	5,673
Total own funds	5,212	5,339	5,576	5,673
Capital requirements				
Credit risk (including counterparty risk)	1,888	1,998	1,967	2,090
Market risk	19	13	19	13
Operational risk	190	146	192	149
Credit valuation adjustment (CVA) risk	13	5	13	5
Total capital requirement	2,110	2,162	2,192	2,258
Risk weighted assets				
Credit risk (including counterparty risk)	23,601	24,971	24,592	26,123
Market risk	236	164	238	164
Operational risk	2,370	1,822	2,406	1,866
Credit valuation adjustment (CVA) risk	166	66	166	66
Total risk exposure amount	26,373	27,023	27,402	28,219
Regulatory Capital Adequacy Ratio	19.76%	19.76%	20.35%	20.10%
Tier 1 ratio	19.76%	19.76%	20.35%	20.10%

LEVERAGE RATIO

Following CRD IV implementation, BRD computes and reports leverage ratio which is designed specifically to limit the risk of excessive leverage in credit institutions and was introduced as a complementary tool to the regulatory capital adequacy ratio.

The leverage ratio reached 9.22% as at 31 December 2017, a level which is well above the 3% minimum requirement tested by the Basel Committee during the parallel run period.

The sustainable level of leverage ratio results from the strong capital base, namely high level Common Equity Tier 1 capital and a balance-sheet structure specific to the universal bank business model with core focus on retail activities.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

In accordance with Article 148 of the Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy, as subsequently amended and NBR Regulation no. 5/2013 on prudential requirements for credit institutions, BRD has in place a process for internal assessment of capital adequacy to risks.

The Bank performs periodically an evaluation of internal capital adequacy to risks by comparing the available own funds with internal capital requirements. The general framework for ICAAP is updated annually and the capital adequacy monitoring is performed on a quarterly basis.

A risk assessment is performed annually, and involves the evaluation of all risks to which the Bank may be exposed and the identification of the significant risks.

The internally evaluated capital requirement is determined using „Pillar 1 plus” approach, where the capital requirements for the following risks are added to the regulatory capital requirements:

- Credit risk concentration, residual risk from usage of credit risk mitigation techniques, risk related to foreign currency lending to unhedged borrowers and risks arisen from applying less sophisticated approaches
- Interest rate risk in banking book
- Funding risk
- Strategic risk
- Other significant risks: reputational risk, compliance risk, model risk, risks external to credit institutions.

For the purposes of the internal capital adequacy assessment, the available own funds are considered equal to the regulatory own funds, excluding prudential filters.

Based on the Business and Risk Management Strategy and on the risk appetite, the Bank makes projections of the own funds and capital requirements on a three years horizon in order to ensure their adequacy, both in normal course of business and under stress situations.

8. INTERNAL CONTROL FRAMEWORK

The internal control framework within BRD is structured on 3 levels:

- The first level is represented by the functions that own and manage risks, respectively business units.
- The second level is represented by the functions overseeing risks, respectively the risk management and compliance functions.
- The third level is represented by the function providing independent assurance, respectively the internal audit function.

The first level of control is performed by business units, which are responsible for ensuring that a risk and control environment is established as part of day-to-day operations, at each structure/ activity level.

The second and third levels of control are performed by the 3 independent control functions, as follows:

- Risk management function ensures the management and control of the risks identified through specific assessment processes. Significant risks that are managed at the level of the risk management function are: credit risk (including concentration risk and residual risk), market risk in the trading book, structural risks (interest rate risk and FX risk in the banking book), liquidity risk and operational risk.
- Compliance function ensures the management of compliance risk and reputational risk.
- Internal audit function ensures an objective analysis of the bank's activities, for an independent assessment of risk management, of the internal control system, of the management and operational processes, in order to support the achievement of the proposed objectives and issue recommendations for improving the efficiency of these activities.

The main instruments implemented at BRD level for ensuring an efficient internal control system are:

- Transposition of the Bank's strategies/policies/processes into written regulations (norms, policies, instructions, work procedures) and their periodic review
- Raising awareness of each operational level regarding the necessity to control operations and apply working procedures adapted to the nature and volume of activity, taking into account all risk types
- A clear decision process and allocation of responsibilities and authority limits, by hierarchical levels and organizational structures, including appropriate segregation of duties at all organizational levels, in order to prevent assignment of conflicting responsibilities
- A continuous process of identification, assessment, mitigation, monitoring and reporting of material risks
- A compliance program
- An audit plan
- Timely reporting of the deficiencies identified in the internal control system to the appropriate management level, who should address the issues promptly
- Timely reporting of material internal control deficiencies to management body.

The internal control framework described above it is applicable to the financial reporting processes and provides reasonable assurance on the reliability of financial reporting, compliance with applicable laws and regulations, as well as with the internal policies and procedures.

It is the Board of Directors' assessment that the Group has adequate internal control and risk management arrangements in place with regard to the Group's risk profile and strategy.

9. CONCLUSIONS AND PERSPECTIVES FOR 2018

In 2017, BRD delivered a very good commercial and financial performance, marked by strong client acquisition dynamics, solid growth in credit origination on retail and large corporate segments, dynamic rise in core revenues driven by strong net interest income growth, improved risk profile and significant non-recurring positive cost of risk items, all of these contributing to a significantly higher net profit in 2017 as compared to 2016.

In 2018, the economic outlook is expected to remain favourable, however the GDP growth rate should slow down to more sustainable levels as private consumption loses speed. Rising interest rates are expected to positively influence banks' revenues, but at the same time, competitive pressures and regulatory environment evolutions are expected to weigh on margins. Loans to enterprises growth pace is expected to be tightly correlated with private investment dynamics.

In this context, and building on its sustainable funding sources, solid capital position and improved risk profile, BRD is well prepared to seize market opportunities in order to further develop its lending activities on all segments. On the savings side, BRD targets to maintain a solid market share on the retail segment, while on non retail the approach will continue to be pragmatically adjusted depending on the evolution of the overall liquidity situation of the bank.

At the beginning of 2018, BRD announced its 2020 strategic objectives which focus on customer satisfaction, employee commitment, corporate and social responsibility and financial performance. Built upon four pillars - retail, corporate, operations and Information Systems & Projects – the transformation program BRD is embarking on aims at accelerating the adaption of the business model and enabling the bank to reach these objectives. On the retail segment, the aim is to improve customer journey by customizing value proposition according to the customer's needs and potential and optimizing the channel mix by focusing on digitalization. On the corporate segment, increasingly focusing on value growth levers, developing synergies, both internal or with SG Group, enhancing loan origination process are key to further improving performance. On the operations pillar, BRD aims to streamline the organization and enhance process efficiency in order to further improve quality and optimize the cost base. On the Information Systems & Projects pillar, BRD intends to foster innovation and ensure an agile delivery to business lines.

Further details on the bank's perspectives and objectives are presented in the budget for 2018 which is submitted for approval to the General Assembly of Shareholders.

10. BOARD OF DIRECTORS PROPOSALS

- 1) Considering the present report, we submit for the approval of the General Assembly of the Shareholders of BRD the separate and consolidated financial statements prepared according to the International Financial Reporting Standards as adopted by the European Union, for the period ended December 31, 2017, made of:
 - Separate and consolidated statement of financial position;
 - Separate and consolidated profit or loss;
 - Separate and consolidated statement of other comprehensive income;
 - Separate and consolidated statement of changes in equity;
 - Separate and consolidated statement of cash flows;
 - Notes to the separate and consolidated financial statements.

- 2) Approval of the profit distribution and setting of the dividend for 2017. The proposed gross dividend is of 1.64 lei / share. The dividends will be paid on May 31, 2018.

- 3) Discharge of the Board of Directors.

Giovanni LUCA SOMA
Chairman of the Board of Directors

Petre BUNESCU
Deputy Chief Executive Officer


Francois BLOCH
Chief Executive Officer



Stephane FORTIN
Chief Financial Officer



APPENDIX 1

Statement of Compliance with the provisions of corporate governance code of Bucharest Stock Exchange (BSE)

PROVISION	COMPLY WITH	PARTIAL COMPLY WITH	DO NOT COMPLY WITH	REASON FOR FAILURE TO COMPLY WITH
Section A – Responsibilities				
A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	X			
A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	X			
A.3. The Board of Directors or the Supervisory Board should have at least five members.	X			
A.4. The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any	X			

<p>change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice and according to the following criteria:</p> <p>A.4.1. Not to be the CEO/executive officer of the company or of a company controlled by it and not have been in such position for the previous five years.</p> <p>A.4.2. Not to be an employee of the company or of a company controlled by it and not have been in such position for the previous five (5) years.</p> <p>A.4.3. Not to receive and not have received additional remuneration or other advantages from the company or from a company controlled by it, apart from those corresponding to the quality of non-executive director.</p> <p>A.4.4. Is not or has not been an employee of, or has not or had not any contractual relationship, during the previous year, with a significant shareholder of the company, controlling more than 10% of voting rights or with a company controlled by it.</p> <p>A.4.5. Not to have and not have had during the previous year a business or professional relationship with the company or with a company controlled by it, either directly or as a customer, partner, shareholder, member of the Board/Director, CEO/executive officer or employee of a company having such a relationship if, by its substantial character, this relationship could affect his/her objectivity.</p> <p>A.4.6. Not to be and not have been in the last three years the external or internal auditor or a partner or salaried associate of the current external financial or internal auditor of the company or a company controlled by it.</p> <p>A.4.7. Not to be a CEO/executive officer in another company where another CEO/executive officer of the</p>				
--	--	--	--	--

<p>company is a non-executive director.</p> <p>A.4.8. Not to have been a non-executive director of the company for more than twelve years.</p> <p>A.4.9. Not to have family ties with a person in the situations referred to at points A.4.1. and A.4.4.</p>				
<p>A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.</p>	X			
<p>A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.</p>	X			
<p>A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.</p>	X			
<p>A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.</p>	X			
<p>A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.</p>	X			
<p>A.10 The corporate governance statement should contain</p>	X			

information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.				
A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		X		The Board of Directors has set up a Nomination Committee. The Nomination Committee is formed of non-executives members of the Board which are considered independent in character and have the capacity to act independent in the process of analysing and making the nominalization proposals for the positions within the management body.
Section B - Risk management and internal control system				
B.1 The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	X			
B.2. The audit committee should be chaired by an independent non-executive member.	X			
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	X			
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit	X			

committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.				
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	X			
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.	X			
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	X			
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	X			
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	X			
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	X			
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	X			

<p>B.12. To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.</p>	<p>X</p>			
<p>Section C - Fair rewards and motivation</p>				
<p>C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review.</p> <p>The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause.</p> <p>The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review.</p>		<p>X</p>		<p>Information on the remuneration of the management body are subject to Bank's Remuneration Policy, an extract from this Policy is presented in the Annual Report.</p> <p>Within Annual Report are presented also information on the mandate of the CEO.</p>

Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.				
Section D - Building value through investors' relations				
<p>D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:</p> <p>D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures.</p> <p>D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;</p> <p>D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;</p> <p>D.1.4. Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;</p> <p>D.1.5. Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or</p>	X			

<p>limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;</p> <p>D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request;</p> <p>D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.</p>				
<p>D.2. A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.</p>	X			
<p>D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.</p>	X			
<p>D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.</p>	X			

D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	X			
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	X			
D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	X			
D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	X			
D.9. A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	X			
D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	X			

APPENDIX 2

NON-FINANCIAL DECLARATION

DESCRIPTION OF THE ACTIVITY

BRD Groupe Société Générale is the third Romanian bank in terms of assets and fifth largest company by market capitalization at the Bucharest Stock Exchange.

The bank is present in all sectors of the economy, offering a large choice of services.

BRD is an everyday presence, all over the country. A heir of the National Company for Industrial Credit, created in 1923, BRD was the investment bank of the Romanian State before it became a universal bank in 1990. In 1999, Société Générale became the majority shareholder of the bank. The French bank, one of the largest in the Euro zone, with 145,000 employees in 66 countries and more than 31 million customers worldwide, has transferred to Romania the know-how that has enabled BRD to become one of the leaders of the Romanian market.

The bank uses innovative technologies and develops activities to provide its customers - from children and students to families, from small entrepreneurs to large corporations – with personalized products, comfort and safety.

Its range of products and services covers, in addition to classical financing for individuals and businesses, also cash management, internal and external factoring, co-financing and advice for accessing European funds, advisory in M&A, capital market services. The bank is the leader of the Romanian factoring market and in the top of the Romanian syndicated loans market.

BRD has succeeded in creating a financial group that offers, in connection with the business lines of Société Générale Group, expertise in investment banking operations such as M&A's and structured finance, financial and operational leasing (BRD Sogelease and ALD Automotive Romania), asset management (BRD Asset Management), life insurance (BRD Asigurari de Viata), consumer loans (BRD Finance). BRD is also present, through BRD Pensii, in the market of private pension funds. The bank is a substantial player in the large corporate banking market and number 1 in Romania in the competitive factoring market.

After the privatization, beginning with 2004, the bank implemented a policy aiming at the development of its retail arm, building a strong network of 760 branches across the country. As a first on the Romanian market, BRD launched various concepts of branches, adapted to different type of customers and locations. The Group (bank + subsidiaries) counts today 7.568 employees.

BRD is one of the leaders of the retail banking market; the bank has 2.33 million customers in contact with the bank through classic branches, via Internet, mobile and call center (approx 1.4 million contracts for internet and mobile banking at end 2017). The financial performance of the bank is on a upwards trend, with a strong NBI of RON 2,786 billion and a net profit of RON 1,415 million at end 2017.

BRD's plans are directed towards a solid organic growth on all business lines, accompanied by a further transformation and alignment at the state-of-the-art standards and technologies.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social Responsibility is a key development pillar for BRD Groupe Société Générale, as it supports development, innovation and sustainability for both the bank and its stakeholders.

As an important player in the Romanian economy, the bank's main mission is to offer the best solutions and advice to individuals, companies and institutions, in order to support the development of their projects, the management of their financial means and their risk coverage. We are also aware that we live in an ecosystem and, in that respect; we strive to generate long-term positive impact on the community and the environment.

Therefore, in addition to financing the Romanian economy, the bank is willing to play a role in the evolution of the Romanian society as a whole.

Group Commitments and CSR topics

As part of Société Générale Group, BRD conduct its business with the utmost respect for the values and principles under:

- the Universal Declaration of Human Rights and its additional commitments;
- the fundamental conventions of the International Labour Organization (ILO);
- the UNESCO World Heritage Convention;
- the Guidelines for Multinational Enterprises of the OECD (Organisation for Economic Co-operation and Development);
- the United Nations Guiding Principles on Business and Human Rights

In addition, Société Générale has shown its proactive commitment since 2000 to the following public or private initiatives:

- 2000: founding member of the Wolfsberg Group;
- 2001: joined the United Nations Environment Programme Finance Initiative (UNEP-FI);
- 2003: joined the United Nations Global Compact, which encourages companies to integrate principles relating to human rights, working conditions and the fight against corruption;
- 2007: adopted the Equator Principles;
- 2014: support for the Green Bond Principles;
- 2014: Lyxor signed the Principles for Responsible Investment
- 2015: signed a Global Agreement on Fundamental Rights with UNI Global Union;
- 2015: launched the “Positive Impact Manifesto” of the UNEPFI;
- 2015: joined the “Soft Commodities Compact” of the Banking Environment Initiative (with the Consumer Goods Forum) to fight tropical deforestation;
- 2015: subscribed to the “Principles for Mainstreaming Climate Actions within Financial Institutions”, launched during COP21;
- 2016: signed the Women’s Empowerment Principles – WEP, Professional Equality Charter of United Nations, and the International Labour Organization’s Global Business Charter on Disability

The Group is ranked by Robeco SAM no 23 among 141 international banks for our CSR achievements, positioning ourselves within the first quartile on an aggregation of economic, environmental and social factors.

In 2017 Société Générale launched a survey with a broad range of stakeholders including internal (staff members) and external (customers, shareholders, investors, NGOs, etc) in order to shape and strengthen our CSR vision. This reinforced vision was shared with all subsidiaries and will be implemented during 2018.

BRD stated in 2017 that CSR is one of the key element of the development of the bank.

BRD materiality analysis, the CSR strategy, the action plan, the results of the action plan will be subject for a complex project starting with 2018, therefore, for this first nonfinancial declaration we will only report on several indicators in the following areas: Customer Satisfaction, Ethics and Governance, Responsible Employer, Climate Change, Involvement in Romanian Society. Those indicators are also reported for the Société Générale CSR Report, upon a methodology used by the Group, in line with GRI –G4 standard.

I. CUSTOMER SATISFACTION

Throughout its activities, the Bank aims to build customer relationships based on trust, responsibility and ethics. As a bank, BRD contributes to the sustainable economic, social and environmental development of the economy in which we operate. Being responsible and ethical means responding quickly to customers’ needs whilst protecting the long-term interests of all stakeholders, through strict compliance with the rules applicable. It also means attaching as much importance to the way in which we achieve results as we do to the results themselves.

Customer satisfaction is regularly surveyed by leading independent service providers. We conduct quarterly surveys for each of the main customer segments (individual, professional and corporate

customers), in order to assess their level of satisfaction. These polls reveal the overall and detailed level of customer satisfaction across every aspect of the banking relationship.

Those tools use the Net Promoter Score (NPS) together with an analysis of overall and specific satisfaction.

Each year, over 5000 individuals, professional customers and SMEs and are thus polled on behalf of BRD about their recommendation intention and their overall satisfaction, as well as key aspects of customer satisfaction such as how their enquiries are handled and how well the services offered suit their needs and projects.

This initiative is supplemented by “mystery visits” carried out throughout the branches every year. Following each mystery visit every branch is given a detailed feedback report, broken down by subject (greeting customers, finding out their needs, team spirit, etc.), enabling it to assess the quality of the handling of prospects to capitalise on its successes by developing a strong culture of experience of how to approach customers.

We have also contact point with customers and dedicated services that respond to the claims and suggestions: call centre (MyBRD Contact) with dedicated line for emergencies, on line on social media (Facebook), dedicated email and address to write to Customer Relations Department.

The term for responding to a complaint depends on its complexity.

If the Bank's response does not fully meet the customer's request, the client is informed in writing of its right to address the competent authorities or to resort to alternative dispute resolution mechanisms (CSALB Alternative Dispute Resolution Centre, The Alternative Dispute Resolution Entity in the Non-Banking Financial Sector - SAL-FIN, etc.).

In 2017, we received at the level of Customer Relations Department 6 866 complaints and suggestions.

II. ETHICS AND GOVERNANCE

RESPECT FOR HUMAN RIGHTS

The Bank is committed to maintaining and improving the systems and processes that enable it to ensure that human rights are respected in its operations and its human resources management, in its supply chain, and in its products and services.

We are guided by the following conventions, standards and initiatives:

- the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights;
- the Fundamental Conventions of the International Labour Organization (ILO), which cover, in particular, the elimination of forced labour and child labour, discrimination in employment as well as the freedom of association and the effective recognition of the right to collective bargaining;
- the United Nations Guiding Principles on Business and Human Rights;
- OECD Guidelines for Multinational Enterprises;
- the United Nations Global Compact.

The Bank is determined to act with integrity and in compliance with the applicable laws in all its activities. Several policies developed at the Group level include provisions that directly or indirectly uphold human rights.

A notable example is the Code of Conduct, in which BRD undertakes to respect human rights and to comply with the rules laid down by the ILO. The same applies to policies and processes developed by BRD in connection with its obligations to combat money laundering, terrorist financing and corruption.

CODE OF CONDUCT

BRD has set itself the strategic target of protecting its corporate image and ensuring that every employee acts with integrity in his or her day-to-day activities. A great deal of work has been done since 2011 on Culture & Conduct.

The Bank has adopted a set of strict guidelines and rules of conduct. The Code of Conduct, which was updated in 2016, is the cornerstone of professional ethics at BRD Groupe Société Générale. It promotes respect for human rights and the environment, the prevention of conflicts of interest and corruption, the fight against money laundering and the financing of terrorism, respect for market integrity, data protection, proper conduct with regard to gifts and invitations and responsible sourcing. The Code of

Conduct is available and applicable to all employees, irrespective of their level of responsibility, and to all managers. It also details the procedure for whistle-blowing in certain situations where this is appropriate, and reiterates the principle of protection for whistle-blowers.

ANTI-CORRUPTION FIGHT

We are, as subsidiary of Société Générale, part of Wolfsberg Group and the United Nations Global Compact. Our anti-money laundering measures include monitoring any potential corruption-driven abuse of the banking system by third parties.

BRD operates by very strict anti-corruption principles, which are stated in its Code of Conduct while detailed in the Anti-bribery Internal regulations.

In the field of anti-fraud, in 2017, the specialized department inside BRD organized face-to-face training courses for retail and non-retail employees, covering all regional structures. In total, 51 sessions were organized for 1,346 employees. For the year 2018, the bank is considering designing and industrializing an online course to be covered by all BRD employees.

DIGITAL SECURITY

In Digital Security, BRD Groupe Societe Generale SA is fully aligned to the global Groupe policies implemented for managing cybersecurity.

In BRD, the CISO – Director of Information Security Direction manages this activity.

To fight cybercrime, the Bank has implemented solutions to protect the assets and transactions of its customers (Individuals and Corporates).

BRD Groupe Societe Generale SA constantly strives to adapt its security measures to enhance the protection of its customers against statistic continuously growing information security threats.

As an example, BRD Groupe Societe Generale SA is one of the few Romanian commercial banks offering a free security solution for its Remote Banking customers.

Starting December 2015, BRD Groupe Societe Generale SA has a PCI DSS certification as „Service Provider Level 1”.

PERSONAL DATA PROTECTION

As a trusted partner and custodian of its customers' personal data, BRD processes and uses the customer data solely to ensure the quality of service and product offer that customers expect from the Bank.

In order to comply with the new data protection regulations and to underline its commitment for personal data protection, BRD Groupe Societe Generale created a new “Data Protection” service with a mission comprising all aspects related to personal data protection.

Whenever a new automatic data processing method is implemented or changed this service must be consulted. In accordance with local and European regulations, internal instructions describe the rules and procedures in place to guarantee the protection of customer and employee data. Any processing operation involving personal data must be accompanied by specific and appropriate guarantees for the security of the respective processing.

BRD Groupe Societe Generale has also established appropriate procedures to guarantee compliance with clients' rights and employees' rights to access their personal data. These procedures are

described in forms dedicated to personal data collection and in the general and specific terms and conditions for Bank's products and services, including description of the way to exercise the right of access. Customers can also access all the necessary information about the protection and use of their personal data on the respective websites of the Bank.

Starting October 2017, BRD Groupe Societe Generale has also appointed a Data Protection Officer; this Data Protection Officer will ensure that all personal data is correctly protected within a given range of data processing operations. In addition, BRD Groupe Societe Generale has taken actions for ensuring compliance with the new European Data Protection Regulation due to come into force on 25th May 2018.

III. RESPONSIBLE EMPLOYER

In 2017, the banking landscape continue undergoing profound change, including evolving customer and stakeholder expectations, the emergence of new technologies and the regulatory framework, which are transforming BRD's businesses and the skills required to work in. For BRD Groupe Societe Generale, this means seizing this opportunity to grow and develop its employees. Their ability to adapt their skills and ways of working is critical to the sustainability of the businesses.

Our Bank's corporate culture is based on the values it promotes to best serve its customers (team spirit, innovation, responsibility and commitment), the behaviour and skills they inspire and the conduct to be followed by those who work in these businesses.

Human rights, diversity, anti discrimination policy, gender equality

In BRD, the general policy is to treat everyone, man or woman, with the same respect, providing each one with the equal chance of getting recruited, promoted, rewarded, formed, and based only on the personal qualities.

Diversity is an important component of the Bank's strategy and is based on an efficient, independent performance management system that assures the valorisation of employees attributes from the perspective of skills and competencies;

When making hiring and fixed individual rights, the Bank will ensure equality of opportunity and treatment for all employees without discrimination, direct or indirect according to criteria of race, color, national origin, ethnicity, religion, origin social, age, or union activity, sex, sexual orientation, genetic characteristics, handicap, family situation or responsibility, or any other criteria that have the purpose or effect of not offering, reduce or cancel the recognition, use or exercise of rights under the collective Labor Agreement

Decisions related to salaries, benefits, training, work assignments, promotions, disciplinary measures or dismissal is based solely on employee performance, not on personal characteristics, race, origin, gender, religion, sexual orientation or political opinion

Adequate working conditions and respect for the employees' dignity – on developing the Collective Employment Agreement and the internal regulatory documents of the Bank, the aim is to ensure appropriate labor conditions for the activity, and in terms of social protection, occupational health and safety, as well as to respect the employees' dignity and conscience.

The following are acknowledged for all the employees:

- The right to collective negotiation;
- The right to personal data protection;
- The right of protection against illegal firing;
- Right of protection against all forms of harassment;
- Other rights specified by the laws in force.

BRD tools and special programs:

- Recruitment (post profile, selection criteria)
- Promotion (criteria, specific programs)
- Remuneration (criteria, compensation packages and benefits)

- Career Management (Specific Programs)
- Assessment (skills, rating system)
- Dismissal (criteria, compensatory packages)

These tools take into account: the needs of the bank; Qualification, professional experience; Professional performance; Technical, commercial, managerial skills; Professionalism, team spirit, innovation.

In BRD Women are not a minority population, they actually represent 75% of all personnel (at the end of 2017). They also occupy a significant number of managerial positions (66% of the total managerial positions).

- 632 women are in maternity (11% of all women). When returning from maternity, they receive an integration training according to agreement with the direct manager
- Although, because the bank have a big number of women employees, most of them having ages between 26-42 years old (61%), we do organize special events dedicated to them that aims personal and professional development and well-being

The number of employees of the Group as of end 2017 was 7,568 (2016 end: 7,605) while number of active employees of the Bank as of 2017 end was 6,970 (2016 end: 7,043).

The management of the performance

The Human Resources Department pays particularly close attention to employee commitment, which improves team performance. Recognising each individual's contribution to the Group's long-term performance, ensuring wellbeing at work and drawing on the teams' diversity are all-essential to maintaining employees' ties to the company and improving efficiency.

The management of the performance lays on three major pillars:

- Clear and measurable objectives based on suitable job description.
- Continuous feedback and individual development plan.
- A serious and transparent process of valuation of the employee, both on the results and on how they were accomplished

The evaluation process is a way to manage and develop competencies aiming to:

- Discuss on the expected level of objectives' achievement according to deadlines and means defined at the start of the year as well as the working environment.
- Assess results and how they were accomplished given job accountabilities and objectives set for the year.
- Identify competencies acquired;
- Identify training needs and assuring professional development

Here after our key indicators on Human Resources for 2017:

Indicator	Number
Total number of female employees on permanent contracts	5,082
Total number of female employees on fixed-term contracts	695
Total number of male employees on permanent contracts	1,714
Total number of male employees on fixed-term contracts	159
Number of employees	7,650
Number of female employees present on permanent contracts (FTE)	4,441
Number of female employees present on fixed-term contracts (FTE)	686

Number of male employees present on permanent contracts (FTE)	1701
Number of male employees present on fixed-term contracts (FTE)	158
FTE	6,986
Number of managers	1,420
Number of female managers	939.5
Number of work-study participants present during the year	730
Number of work accidents (as defined by local regulation)	4
Number of employees who had an annual performance evaluation	5921

Training	
Total number of hours of training	164 568
Total number of hours of training for female employees (classroom and elearning)	124 919
Total number of hours of training for male employees (classroom and elearning)	39 649
Average number of training hours per employees who attended at least one training session during the year	30
Number of female employees who attended at least one training session during the year	3994
Number of male employees who attended at least one training session during the year	1424
Percentage of employees who had an annual performance evaluation	96%

Other details about HR strategy are available in Board of Directors Report report at the Chapter dedicated to Human Resources.

IV. CLIMATE CHANGE

Environmental & social impact of business activities

In the face of climate change and ecological upheaval, the preservation of environmental balances is becoming a real challenge. In 2015, ahead of the COP21 climate change conference, the Groupe Société Générale committed to aligning its financing portfolio to the global warming trajectory laid out by the International Energy Agency (IEA), which sets out a 2 °C scenario (2DS), by 2020.

Equator Principles

BRD applies the Equator Principles since 2009.

Adopted by the Group in 2007, and revised in 2013, the Equator Principles (EP) are one of the underlying initiatives of the Environment & Social (E&S). To ensure that they are followed, BRD has special internal procedures and tools. The EP serve common framework for the financial sector to identify, evaluate and manage the E&S risks of projects.

Sector Policies

BRD focused its initial efforts on clarifying and implementing its climate strategy within the mining & coal sector. Actions have already been carried out for the energy sector (sector policy, stop funding for coal and coal-fired power plant projects, etc.). Societe Generale has developed a methodology for monitoring its credit exposure to the coal sector for the purposes of implementing its commitment to the IEA's 2DS plan for 2020 and BRD is reporting quarterly about the implementation of this sector policy.

Regarding the green financing, BRD is in process to assess and flag those projects but our current system does not allow us to report on this indicator for 2017.

Environmental impact of own activities

Responsibility to protect the environment goes beyond legal mandatory issues and represents a voluntary commitment of the Bank, which aims is constantly reducing CO2 emissions coming from its own activities. Such policy involves the control and improvement of its direct impact on the environment, in association with its various stakeholders.

To measure environmental indicators (on an annual periodicity) BRD use Planethic – an internal tool for Environment CSR indicators in Societe Generale Group (includes at least all consolidated entities of Société Générale Group and also all companies that are more than 50% owned by SG Group)

Planethic Reporting measure indicators from 6 areas of interests for environment and uses multiple units of measure:

- Energy
- Buildings Management system (number of buildings, number of occupants, surfaces and types of surfaces – offices, sales offices, dining facilities, parking areas...)
- Paper
- Transport
- Waste
- Water

The indicators (measured and reported by different departments in BRD) are centralized and processed through the application, so that in the end can be calculated a general indicator for environment, which can be expressed by the carbon footprint.

Indicator	Number
Electricity consumption from suppliers	29 273 241 Kwh
Gas consumption	24 837 502 Kwh
Distances travelled for business trips by plane	1 348 042 km
<i>Distances travelled for business trips by plane -SHORT-haul(<500km)</i>	569 657 km
<i>Distances travelled for business trips by plane -MEDIUM-haul(> 500 km < 1600 km)</i>	180 600 km
<i>Distances travelled for business trips by plane -LONG-haul (> 1600 km)</i>	597 785 km (*)
Distances travelled for business trips by car	9 368 709 km
Total quantity of paper used	741 496 kg
Total quantity of waste produced	400 765 kg
Water consumption	69 160 m ³
Number of occupants (employees effectively at work)	8 205
Surface area	238 756 m ²
Number of buildings	794

(*) *This indicator contains mostly (85%) business trips Bucharest-Paris needed for aligning our strategy (commercial & technical) with Société Générale*

Société Générale decided to reduce its CO2 emissions by 20% between 2014 -2020 and, from 2017, to include its waste in the Group's carbon footprint.

In 2016, BRD carbon footprint was 2.502 T of CO2/occupant and in 2017 was 2.493 T CO2/occupant.

Collection and recycling of waste in BRD

BRD implemented a program of collection and recycling of waste from electric and electronic equipment, in partnership with the associations *Recolamp* and *Ateliere fara Frontiere*. In 2017 BRD donated 8 tons of electric and electronic waste, being the largest contributor of the *Ateliere fara Frontiere* association.

V. RESPONSIBILITY TOWARDS THE DEVELOPMENT OF THE ROMANIAN SOCIETY

There are a number of key areas relevant for the development of our society: education & technology, culture and sport. In 2017, we invested **9,228,650 RON** in those projects.

In **technology and innovation**, we are engaging efforts into preparing key actors (new generation, IT& tech specialists and entrepreneurs) for a digital society. The main projects are **BRD First Tech Challenge**, **Robotics Laboratory** and **Innovation Labs**. Together, these three projects impact over 45,000 students.

In education we have a wide range of programs from Financial education where 12 000 children from primary schools learned about money to programs taking place in Universities, or scholarships & mentorship program to young journalists together with Friends for Friends Foundation.

In **culture**, we support the projects and leaders of a new generation of creators, strongly believing that we must know who we are in order to decide where we go as a society. We stand besides big cultural events that put Romania on the world's cultural map – like Sibiu International Theatre Festival or Bucharest National Theatre Festival, classical music concerts like **Sonoro Conac** or **Stradivarius Tour**, but also young projects like **Ideo Ideis Festival**. We also build greenfield cultural projects like **Scena9.ro** - a new cultural journalism platform - or **Rezidenta BRD Scena9**, a cultural centre dedicated to contemporary culture creators.

Our teams are involved in social causes, donating money and time for different projects. In 2017, our colleagues invested 408 hours during the worktime for social projects, especially for financial education projects, and donated 75,000 EUR for social projects. This amount was doubled by BRD and donated to Hope and Homes for Children Foundation for educational projects designed for children in need.

More details about those programs are in the Annual Board of Directors' Report.

List of subsidiaries and controlled entities of BRD Groupe Societe Genetale as of December 2017(*)

(*) according to ert. 2 point 1.6 of Law no 297/2004 on the capital market

No	Name	Field of activity	Type of entity
1	BRD SOGELEASE IFN S.A.	Financial leasing	Subsidiary
2	BRD FINANCE IFN SA	Other credit activities	Subsidiary
3	BRD ASSET MANAGEMENT S.A.I. S.A.	Funds management	Subsidiary

Related parties with which BRD and its subsidiaries had transactions and balances during the 12 months ended December 31, 2017

(1/3)

-
- 1 SOCIETE GENERALE PARIS
 - 2 SOCIETE GENERALE (CANADA)
 - 3 SOCIETE GENERALE ALGERIE
 - 4 SOCIETE GENERALE BANK AND TRUST S.A. LUXEMBOURG
 - 5 SOCIETE GENERALE S.A. FRANKFURT AM MAIN
 - 6 SOCIETE GENERALE NANTES - TITRES
 - 7 SOCIETE GENERALE NEW YORK
 - 8 SOCIETE GENERALE TOKYO
 - 9 SOCIETE GENERALE VIENNA
 - 10 SOCIETE GENERALE WARSHOVIE
 - 11 SOCIETE GENERALE AMSTERDAM BRANCH
 - 12 SOCIETE GENERALE ZURICH
 - 13 KOMERCNI BANKA A.S.
 - 14 KOMERCNI POJISTOVNA
 - 15 SOCIETE GENERALE DE BANQUE AU LIBAN S.A.I.
 - 16 Societe Generale Private Banking Suisse
 - 17 SOCIETE GENERALE MAROCAINE DE BANQUES
 - 18 SG FINANS
 - 19 SG PRIVATE BANKING (SUISSE) S.A.
 - 20 SOGEPROM ROMANIA SRL
 - 21 SOGECAP
 - 22 SG ACCEPTANCE NV CURACAO NETHE
 - 23 BC MOBIBANCA
 - 24 BRD ASIGURARI DE VIATA
 - 25 BRD Societatea de administrare a fondurilor de pensii private
 - 26 BRD Sozelease Asset Rental
 - 27 Societe Generale European Business Services
 - 28 SG China
 - 29 SG Express Varna
 - 30 COMPAGNIE GENERALE D'AFFACTURAGE C.G.A.
 - 31 S G FACTORING S.P.A.
 - 32 FACTORING KB, A.S
 - 33 SOCIETE GENERALE FACTORING SLLC BULGARIA
 - 34 Bank Republic, Georgia, Grup SG
 - 35 S.G. LONDON
 - 36 SOCIETE GENERALE SECURITIES SERVICES SPA MILANO
 - 37 UNION INTERNATIONALE DE BANQUES SA TUNIS, entitate Grup SG
 - 38 SGAM EASTERN EUROPE HOLDING V LIMITED
 - 39 SOCIETE GENERALE SECURITIES SERVICES
 - 40 SOCIETE GENERALE SECURITIES SERVICES POLAND
 - 41 SOCIETE GENERALE CORPORATE INVESTMENT BANKING
 - 42 BRD CORPORATE FINANCE SRL
 - 43 Fondul Roman de Garantare a Creditorilor pentru Intreprinzatorii Privati SA
 - 44 Biroul de Credit
 - 45 ALD AUTOMOTIVE SRL
 - 46 Fondul de Garantare a Creditului Rural IFN SA
 - 47 ALDEGUER FRANÇOIS JOSE
 - 48 DOCHIA AURELIAN
 - 49 BLOANCA Gheorghe
 - 50 DHOSTE PATRICIA
 - 51 BUNESCU Adiel Milven
 - 52 BUNESCU Laura Persida
 - 53 BUNESCU Lidia
 - 54 BUNESCU Petre
 - 55 BUNESCU Sorin Dragos
 - 56 BUNESCU Theodor Catalin
 - 57 CERCEL Adriana Florina
 - 58 Cercel- Duca Alexandru- Claudiu
 - 59 CERCEL DUCA Laurentiu Andrei
 - 60 CERCEL DUCA Miruna Alexandra
-

Related parties with which BRD and its subsidiaries had transactions and balances during the 12 months ended December 31, 2017

(2/3)

61	CERCEL Justin
62	CONCEPT - CONSULT
63	COSMA Georgeta
64	CUZMAN IOAN
65	CUZMAN Emil Dumitru
66	CUZMAN Pierangela Nicolle-Maria
67	DHOSTE ERIC
68	DOCHIA Emilia
69	DOCHIA Silviu
70	DUMITRACHESCU Carmen Corina
71	FORTIN STEPHANE
72	GAVRILESCU Alin
73	Gavrilescu Gabriela Stefania
74	GAVRILESCU Grigore
75	NICULESCU IOAN CONSTANTIN IOSIF
76	Jan Kotik
77	KOTIKOVA KATERINA
78	MAMULEA Anamaria Cristina
79	MAMULEA Dragos
80	MAMULEA Romeo
81	MARIN Ana
82	MARINEL Bogdan
83	MARINEL GHEORGHE
84	MARINEL Vasile
85	PAIUSAN Ioan
86	PAIUSAN Luminita Maria
87	SC PEPI SRL
88	STOICA Cornelia Mihaela
89	STOICAMarius
90	VINATORU Corneliu Claudiu
91	VINATORU Lavinia Mirana
92	MARIN VIOREL
93	MIHAILESCU GABRIELA
94	MIHAILESCU VIRGILIU-LAURENȚIU
95	DIA BUSINESS MANAGEMENT SRL
96	VIGROUX JEAN – PIERRE GEORGES
97	PĂIUSAN LARENȚIU VALENTIN
98	VIGROUX Frederic Xavier
99	NUFERILOR 22A IMO SRL
100	KOTIK JACUB
101	LIURÇA Mariana
102	PURCĂREA MIHAI
103	PURCĂREA GEORGIANA
104	PURCĂREA Mihaela
105	PURCĂREA Mircea
106	DORILA MADALINA
107	BRUN Jerome
108	BLOCH FRANCOIS
109	BLOCH YAEL
110	MOISE Oana Monica
111	REY Marc Claude Christophe
112	GUDA IANCU
113	Coface Romania Credit Management Services SRL
114	COMBEI ALEXANDRU
115	MOISE Constantin
116	POPA MARIANA FLAVIA
117	ABRAHAM Luiza
118	COSMESCU Roxana
119	JANSEN Adela
120	POPOVICI Marilena

Related parties with which BRD and its subsidiaries had transactions and balances during the 12 months ended December 31, 2017

(3/3)

-
- 121 SELEGEAN Mihai
 - 122 SIMION Gabriela
 - 123 LOUIS Camile
 - 124 MARCU Mihail
 - 125 Adrian Catalin Jantea
 - 126 Didier Luc Marie Dominique Colin
 - 127 LISADRU Adrian
 - 128 LISANDRU Adina Gilda
 - 129 LISANDRU Ana Maria
 - 130 LISANDRU Elena
 - 131 LISANDRU Ioana Arina
 - 132 LISANDRU Niculae
 - 133 Philippe Charles Lhotte
 - 134 PYUN COLIN Christina Mee Chung
 - 135 CALANGIU Magdalena
 - 136 ENACHE Aida
 - 137 ILIN Aurel
 - 138 IONESCU Claudia
 - 139 LITCANU Maricela
 - 140 OLARIU Roxana
 - 141 TURQUIN Benjamin
 - 142 GRASSET JEAN LUC BERNARD R AYM
 - 143 RINAUDO GRASSET JOSETTE FRANCINE



GROUPE SOCIÉTÉ GÉNÉRALE

TRANSLATION DECLARATION

Acting as directors of BRD - Groupe Société Générale SA, in accordance with *Article 30 of the Accounting Law no. 82/1991 republished and with art 112¹ paragraph.1 c of the CNVM Regulation no. 1/2006 with subsequent amendments*, we assume responsibility for preparing the separate and consolidated financial statements for the year ended December 31, 2017 and confirm, to the best of our knowledge, the following:

- a) The accounting policies used in preparing the separate and consolidated financial statements for the year ended December 31, 2017 are in accordance with accounting regulations applicable to credit institutions, as per Order no. 27/2010 for approving the Accounting Regulations in accordance with International Financial Reporting Standards, applicable to credit institutions, issued by the National Bank of Romania, with subsequent amendments;
- b) The financial statements present a true and fair view of the financial position, financial performance and other information related to the activity of BRD and its subsidiaries included in the financial statements consolidation process;
- c) BRD - Groupe Société Générale SA operates on a going concern basis;
- d) The Board of Director's Report on the financial statements mentioned above includes a fair review of the development and performance of the Bank and Group, as well as a description of the main specific risks and uncertainties.

Giovanni Luca SOMA
Chairman of the Board of Directors

A handwritten signature in black ink, appearing to read 'G. Luca Soma', written over a light blue circular stamp.

Petre BUNESCU
Member of the Board of Directors
and Deputy Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Petre Bunescu', written over a light blue circular stamp.