

# Annual Board of Directors' Report

2022

Prepared in accordance with the National Bank of Romania Order no. 27/2010, the Financial Supervisory Authority Regulation no.5/2018, the National Bank of Romania Regulation no. 5/2013  
Contains both Annual Board of Directors' Report and Consolidated Annual Board of Directors' Report

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*Note: Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.*

## 1. THE COMPANY AND ITS SHAREHOLDERS

### BRD – GROUPE SOCIÉTÉ GÉNÉRALE PROFILE

BRD - Groupe Société Générale ("BRD" or "the Bank") was set up on December 1<sup>st</sup>, 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, 2022, 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:** 1-7 Blvd. Ion Mihalache, sect. 1, Bucharest
- **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 RON
- **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, 2022, the Bank had the following ratings:

<b>Fitch</b> (last rating update: January-2023*)	<b>Rating</b>
Foreign-Currency Short-Term Issuer Default Rating	F2
Foreign-Currency Long-Term Issuer Default Rating	BBB+

<b>Moody's</b> (last rating update: September-2022**)	<b>Rating</b>
Domestic Currency Short-Term Deposit	Prime-2
Domestic Currency Long-Term Deposit	Baa1
Foreign Currency Short-Term Deposit	Prime-2
Foreign Currency Long-Term Deposit	Baa1

\* Fitch affirmed LT IDR at 'BBB+' with Negative Outlook

\*\* Moody's affirmed Bank's LT and ST foreign currency deposit rating to Baa1/Prime-2 with stable outlook

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

- BRD - Groupe Société Générale SA;
- 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 integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth, and aims to be the trusted partner for its clients, committed to the positive transformations of the world.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 117,000 members of staff in 66 countries and supports on a daily basis 25 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary core businesses:

- *French Retail Banking* which encompasses the Societe Generale, Crédit du Nord and Boursorama brands, each offering a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- *International Retail Banking, Insurance and Financial Services* with a presence in emerging economies and leading specialised businesses;
- *Global Banking and Investors Solutions*, which offers recognised expertise, key international locations and integrated solutions.

The latest credit ratings of Société Générale are available at <https://investors.societegenerale.com/en/financial-and-non-financial-information/ratings/credit-ratings>

## **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. International Retail Banking operations, Insurance and Financial Services are building their networks in Africa, Central and Eastern Europe. The specialized equipment finance and vehicle leasing and fleet management businesses are leaders in Europe and worldwide in their markets.

## KEY FIGURES

	<b>The Group</b>	<b>2021</b>	<b>2022</b>	<b>Change</b>
<b>Financial results</b>	Net banking income (RONm)	3,097	3,459	+11.7%
	Operating expenses (RONm)	(1,597)	(1,745)	+9.2%
	Cost of risk (RONm)	146	(95)	n.a.
	Net profit (RONm)	1,319	1,337	+1.4%
	Cost / income ratio	51.6%	50.4%	-1.1 pt
	ROE	13.4%	15.9%	+2.5 pt
<b>Loans and deposits</b>	<b>RON bn</b>	<b>2021</b>	<b>2022</b>	<b>Change</b>
	Total net loans (incl. leasing)	34.1	37.7	+10.4%
	Total deposits	52.7	56.7	+7.5%
<b>Financial results</b>	<b>The Bank</b>	<b>2021</b>	<b>2022</b>	<b>Change</b>
	Net banking income (RONm)	2,930	3,289	+12.3%
	Operating expenses (RONm)	(1,494)	(1,641)	+9.8%
	Cost of risk (RONm)	159	(93)	n.a.
	Net profit (RONm)	1,279	1,286	+0.5%
	Cost / income ratio	51.0%	49.9%	-1.1 pt
<b>Loans and deposits</b>	<b>RON bn</b>	<b>2021</b>	<b>2022</b>	<b>Change</b>
	Total net loans	32.2	35.5	+10.4%
	Total deposits	52.9	56.9	+7.6%
<b>Capital adequacy</b>	<b>RON m</b>	<b>2021</b>	<b>2022</b>	<b>Change</b>
	Own funds (RONm)	7,141	7,951	+11.3%
	RWA (RON bn)	29,596	31,892	+7.8%
	CAR*	24.1%	24.9%	+0.8 pt
<b>Franchise</b>	No of branches	499	460	(39)

\*CAR at Dec 2022 end, including 2022 full year profit and the impact of OCI (other comprehensive impact) quick fix adjustments in own funds.

## BRD SHARE

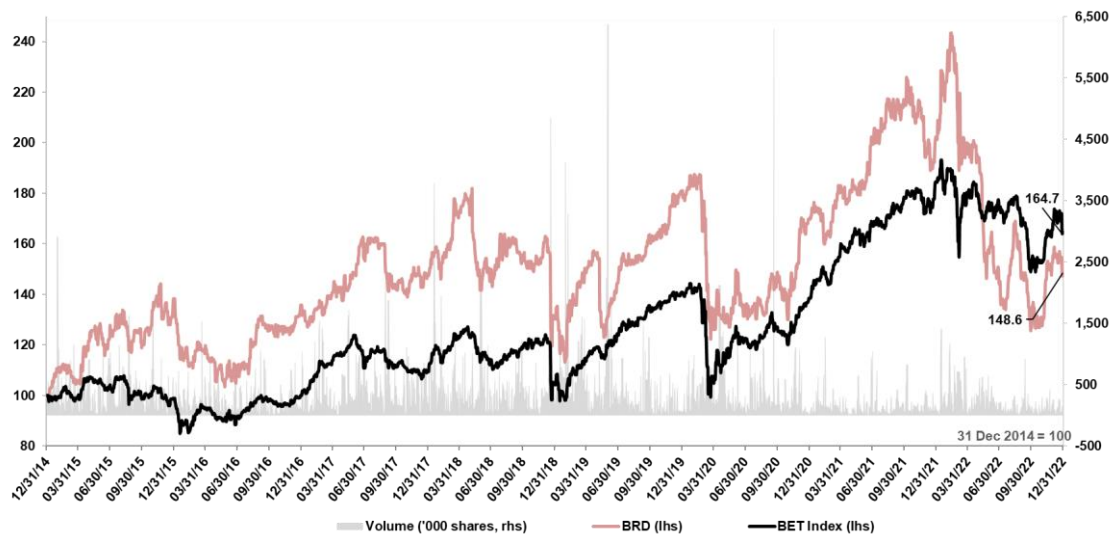
Starting with January 15<sup>th</sup>, 2001, the Bank's shares are listed in the Premium category of the Bucharest Stock Exchange. The shares are included in the BET, BET Plus, BET-XT, BET-XT-TR, BET-BK, BET-TR and ROTX indexes. The Bank's shares are ordinary, nominative, dematerialized and indivisible. 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 Shareholders Meeting („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, 2022, was of RON 13.00 /share (RON 17.70 /share at December 31, 2021). On the same date, the market capitalization was RON 9,059.72 million (RON 12,335.16 million at December 31, 2021).

During January – December 2022, neither the Bank, nor its subsidiaries bought back own shares.

As of December 31, 2022 neither the Bank, nor its subsidiaries held 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, 2022



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 Shareholders Meeting, within maximum 6 months from the date of the General Shareholders Meeting for deciding the dividends. In case the General Shareholders Meeting 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 Shareholders Meeting to establish dividends has been published in the Official Gazette of Romania, Part IV.

The distribution of dividends is made according to the General Shareholders Meeting' 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:

<b>Dividends</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Distributable profit (RON million)	1,279.3	951.6	1,528.5
Total dividends (RON million)	895.5	52.2	-
Number of shares (millions)	696.9	696.9	696.9
Dividend per share (RON), gross	1.2850	0.0749	-
Distribution rate from distributable profit	70.0%	5.5%	0%
Amount of dividends effectively paid by 31.12.2022	892.0	52.1	-
Percentage of dividends effectively paid by 31.12.2022	99.6%	99.8%	-
Exceptional dividend payment* (RON million)		1,684	
Exceptional dividend payment* (RON/ share)		2.4164	

*\* exceptional dividend payment from 2019 and 2020 retained profit, distribution approved by the GSM in Feb 2022*

The BRD's General Assembly of Shareholders (OGSM) on February 24, 2022 approved as an exceptional payment, the distribution in the form of dividends of the amount of 1,683,992,828 lei from the result carried forward for 2019 and 2020. The proposed gross dividend was 2.4164 lei / share. The proposed distribution rate was 70% of the profit for 2019 and 2020 (including the already distributed amount of 52,197,924 lei).

For the financial year 2021, the OGSM on April 28, 2022 approved a payment of a dividend of 1.2850 RON per share, corresponding to a payout ratio of 70% of the 2021 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 Shareholders Meeting's 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 or by the Group.

## 2. CORPORATE GOVERNANCE

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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 Executive 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 applied 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 as of December 31, 2022" is presented in Appendix 1.

BRD-Groupe Société Générale has its own Corporate Governance Code available to the interested parties on institutional site in 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 setting goals that contribute to increasing the confidence of shareholders in the company, economic efficiency, sustainable growth and financial stability.

As at December 31, 2022, 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 is held at least once a year, within no more than 4 months from the end of the financial year, and the Extraordinary General Shareholders Meeting is held whenever necessary.

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

The Ordinary General Shareholders Meeting decides on: the 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, 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, merger or division, early dissolution of the Bank, issuance of bonds, conversion of a category of bonds into another category or into shares, approval by the Bank executive officers' of 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 activity area and main 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 Shareholders Meeting and to the adopted decisions, both by mass communication means and in the special section on its own Internet page ([www.brd.ro](http://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 in 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 2022, there were three General Shareholders Meetings (two Ordinary General Shareholders Meetings on February 24, 2022 and April 28, 2022 and one Extraordinary General Shareholders Meeting on April 28, 2022).

## **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), operate 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 "The policy of suitability of the members of the Management Body and persons holding key functions and the policy of induction and training of the members of the Management Body".

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 "The policy of suitability of the members of the Management Body and persons holding key functions and the policy of induction and training of the members of the Management Body", 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 of suitability of the members of the Management Body and persons holding key functions and the policy of induction and training of the members of the Management Body".

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, ensure a suitable structure of the Management Body.

The Bank recognizes and supports the benefits of the diversity of the members of the Management Body and considers that it is an essential element in protecting and extending the competitive advantage considering that, through diversity, maximum efficiency and performance, increasing innovation and cooperation will be achieved within the Management Body, as well as within the Bank.

In this context, from the moment of the selection process, the aim must be to ensure diversity within the Management Body from the perspective of educational and professional skills, competencies, ensuring that the decision-making process of the Management Body is not dominated by any person or small group of people, in a way that is detrimental to the Bank's interests.

Gender diversity, age and geographical origin are important elements, as they determine different developments in terms of understanding cultural values, specific aspects of the financial-banking sector and legislative framework that has an impact on the activity, so as to consciously facilitate the decisional process regarding the Bank's strategy. The parameters mentioned above must be taken into account in determining the best component of the Management Body.

In order to ensure diversity within the Management Body and to achieve the established target regarding the representation of the under-represented gender, the Nomination Committee considers the following actions:

- incorporating the principles of diversity in the succession resources;
- career guidance / support and planning according to targets;
- encouraging diversity and resource preparation campaigns;
- the annual evaluation and whenever necessary of the Management Body.

The principle of diversity aims to achieve the goal of gender representation, male or female, poorly represented. In this sense, the policy also aims to ensure equal opportunities for selection within the Management Body based on their qualifications and professional experience. In the process of selecting the members of the Management Body, all candidates will be evaluated based on the same criteria, regardless of their gender.

Educational and professional training is another important element in order to achieve the diversity of the Management Body, including from the perspective of collectively understanding all procedural, economic, legal, financial, risk aspects etc.

In this sense, the existence of balance is pursued so that the members of the Management Body have theoretical knowledge and practical experience regarding:

- financial markets;
- regulatory framework and requirements;
- strategic planning and understanding of the Bank's strategy and business plan and their implementation;
- risk management (identification, evaluation, monitoring, control and reduction of the main types of risk, including previous activity / responsibilities in this regard);
- accounting and audit;
- evaluating the effectiveness of the governance framework, establishing effective governance, supervision and control mechanisms;
- interpreting the financial information of a credit institution, identifying the fundamental aspects based on this information and appropriate controls and measures.

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 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 NBR approval.

## BOARD OF DIRECTORS

Starting with April 18, 2015, the Board of Directors is composed of 9 members, elected by the General Assembly of the Shareholders for a 4-year 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, 2022, the Board of Directors includes 3 independent members.

The year 2022 brought changes to the composition of the Board of Directors, as follows:

- ✓ The Ordinary General Shareholders' Meeting held on April 28, 2022 approved the renewal of the mandates of Mr. Francois BLOCH as director, for a 4-years period, starting with June 29, 2022 and Mr. Giovanni Luca SOMA mandate as director, for a 4-years period, starting with October 24, 2022;
- ✓ Mrs. Maria Koytcheva ROUSSEVA decided to renounce to his mandate as member of the Bank's Board of Directors, starting with June 9, 2022;
- ✓ The Board of Directors, held on August 2, 2022 approved:
  - the nomination of Mrs. Veronique SCHREIBER LOCTIN, as Interim Member of the Board Directors of BRD - Groupe Societe Generale S.A. until the first Ordinary General Shareholders Meeting is held, on the vacant position existent in the Board, following Mrs. Maria Koytcheva ROUSSEVA's renunciation to her mandate. At the end of 2022, NBR approved Mrs. Veronique SCHREIBER LOCTIN nomination as Interim Members of the Board of Directors and her mandate entered in force starting with January 5, 2023.
  - the re-election of Giovanni Luca SOMA as Chairman of the Board of Directors, starting with October 24, 2022, for 4 years.

Also, pursuant the provisions of NBR Regulation no. 5/2013 on prudential requirements for credit institutions and EBA Guidelines, the Board of Directors decided on December 7, 2022 to review the structure of the Committees set up in its support.

## MEMBERS OF THE BOARD OF DIRECTORS AS AT DECEMBER 31, 2022

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### **Giovanni Luca SOMA**

Chairman of the Board of Directors  
Member of the Remuneration Committee,  
Member of the Audit 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;  
Latest renewal of the mandate: 2022;  
Term of mandate expires in: 2026;  
He has no shares in BRD-Groupe Société Générale's capital.

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### **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.

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### **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, CEO of Hertz Lease Italy, 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, Head of Société Générale Consumer Finance and Operational Vehicle Leasing and Fleet Management.

Giovanni Luca Soma is currently Head of International Retail Banking for Europe, member of the SG Group Management Committee.

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### **Jean – Pierre Georges VIGROUX**

Independent member of the Board of Directors  
Chairman of the Audit Committee  
Member of the Remuneration Committee

Date of birth: 31 July 1953;  
Year of the appointment in the BRD-Groupe Société Générale's Board of Directors: 2016;  
Latest renewal of the mandate: 2020;  
Term of mandate expires in: 2024;  
He has 27,828 shares in BRD-Groupe Société Générale's capital.

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### **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 "Fundatia 9".

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### **Biography**

He graduated ESSEC France. He also studied Financial Audit at the CAFR University.

Until September 2014, Mr. Jean – Pierre Georges Vigroux held various management positions such as: CEO Mazars Romania (2008-2014), partner responsible for Southeast Europe, Chairman of the

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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 Pricewaterhouse Coopers’s Executive Committee and Board of Directors – Central and Oriental Europe (1996-2001), Chairman of FIC (2003-2004).

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**Benoît Jean Marie OTTENWAEALTER**

Member of the Board of Directors  
Chairman of Risk Management Committee

Date of birth: December 28, 1954;  
Year of the appointment in the BRD-Groupe Société Générale’s Board of Directors: 2017;  
Latest renewal of the mandate: 2021;  
Term of mandate expires in: 2025;  
He has no shares in BRD-Groupe Société Générale’s capital.

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**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 Société Générale Group.

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**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, over 34 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 Société Générale 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 of Société Générale Corporate and Investment Banking Paris (2001-2004), Deputy Head then Head of Treasury and Foreign Exchange of Société Générale Capital Markets Division Paris (1994-2000), Chief Administrative and Financial Officer then Head of Derivatives Department of Société Générale Strauss Turnbull London (1990-1994), Back-office manager in Société Générale Paris (1988-1990).

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

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**François BLOCH**

Executive Member of the Board of Directors

Date of birth: March 31, 1967;  
Year of the appointment in the BRD-Groupe Société Générale’s Board of Directors: 2018;  
Latest renewal of the mandate: 2022;  
Term of mandate expires in: 2026;  
He has no shares in BRD-Groupe Société Générale’s capital.

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**Information on 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 executive mandate and one non-executive mandate within Société Générale Group.

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He is also member of the Board of Directors of Council of Banking Employers in Romania and Treasurer, member of the Board of Directors of Foreign Investors Council and co-coordinator of Financial Services and Technology and Innovation Task Forces.

He was member of the Board of Directors of Romanian Banking Association until May 27, 2021.

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### Biography

He 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 of 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.

Between 2012 and 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 mortgage 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 December 21, 2016, he holds the position of CEO of BRD - Groupe Société Générale SA.

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

Also, Mr. François Bloch is BRD's Compliance Officer, person responsible for coordinating the implementation of internal policies and procedures for the application of "Law No. 129/2019 for the prevention and combating of money laundering and terrorist financing" and of the "NBR Regulation no. 2/2019 on preventing and combating money laundering and terrorism financing".

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### Liliana IONESCU – FELEAGA

Independent Member of the Board of Directors  
Chairman of the Remuneration Committee  
Member of the Audit Committee  
Member of the Nomination Committee

Date of birth: October 31, 1969;  
Term of mandate as interim independent member of BRD-Groupe Société Générale's Board of Directors; December 20, 2018 – April 18, 2019;  
Year of the appointment as Independent member of BRD-Groupe Société Générale's Board of Directors: 2019;  
Term of mandate as Independent member expires in: 2023;  
She has no shares in BRD-Groupe Société Générale's capital.

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### Information on mandates held

According to the information provided through the statement of affiliation, she fulfils the conditions regarding the number of mandates established by the law - one non-executive mandate within BRD-Groupe Société Générale.

She is also member of ASE's Board of Directors and Member of the Board of Directors and Vice-President of Romanian Chamber of Financial Auditors.

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### Biography

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She graduated from the Bucharest University of Economic Studies, Finance and Accounting (ASE). Starting 2003 she is University Professor Doctor and starting 2005, she is PhD supervisor. She has also an International Management Degree obtained at Toulouse University.

She has a vast academic experience (over 29 years in Bucharest University of Economic Studies - ASE). Currently Mrs. Feleaga is Dean of Accounting and Management Information Systems Faculty, member of the ASE's Board of Directors, member of Chamber of Financial Auditors of Romania, Member of International Association for Accounting Education and Research.

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### **Bogdan-Alexandru DRĂGOI**

Independent Member of the Board of Directors  
Chairman of the Nomination Committee  
Member of the Risk Management Committee

Date of birth: May 27, 1980;  
Year of the appointment in the BRD-Groupe Société Générale's Board of Directors: 2019;  
Term of mandate expires in: 2023;  
He has no shares in BRD-Groupe Société Générale's capital.

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### **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 executive mandate outside Société Générale Group and two non-executive mandates – one within BRD-Groupe Société Générale and one outside Société Générale Group.

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### **Biography**

He graduated from the Tufts University, Fletcher, Boston, Massachusetts, specialization International Relations and Economics, graduated Magna cum Laude. Is member of Golden Key Honor Society, has Order of the Star of Romania – rank of Knight and Sovereign Order of the Knights of Malta – Mare Cruce pro Merito Melitensi.

He has 20 years' experience in areas such as finance, capital market and banks. He has also experience in relation with public state authorities.

Currently, he is Chairman of the Board of Directors of SIF Banat - Crişana (starting March 2015) and CEO (starting July 2015).

Through his previous positions, he acquired experience and expertise in different areas of activity (Presidential Adviser – The Administration of the President of Romania, May 2012 - December 2014; Ministry of Public Finance, February 2012 - May 2012; Secretary of State – Ministry of Public Finance, January 2009 - February 2012; CEC Bank – Member of the Board, April 2009 - February 2012; EximBank – President of Interministerial Committee for Financing, Warranties and Insurance (CIFGA), January 2009 - February 2012; Fondul Proprietatea – Member of the committee for selecting the manager of Fondul Proprietatea, March 2008 - October 2009; President of the Committee of the representatives of Fondul Proprietatea SA, September 2010 - February 2012; European Investment Bank – Member of the Board, January 2009 - February 2012; Council of Europe Development Bank – Member of the Board, January 2009 – February 2012; General Director, Economic Dept. – Bucharest Municipality, November 2007 - June 2008 etc.).

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### **Valerie Marcelle Paule VILLAFRANCA**

Member of the Board of Directors  
Member of Nomination Committee

Date of birth: July 1, 1970;  
Year of the appointment as member of BRD-Groupe Société Générale's Board of Directors: 2020;  
Term of mandate expires in: 2024;  
She has no shares in BRD-Groupe Société Générale's capital.

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### Information on mandates held

According to the information provided through the statement of affiliation, she fulfils the conditions regarding the number of mandates established by the law - one non-executive mandate within BRD-Groupe Société Générale.

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### Biography

She graduated Classe préparatoire aux grandes écoles, Lycée du Parc, Lyon (France) and has a Master degree in Finance from Paris IX Dauphine University and another Master in business administration with a specialization in Finance from Bordeaux Business School.

She has an experience of 27 years as strategy and business consultant of which 24 years in top management positions such as Director - Head of Risk and Compliance practice for WESA region - Western Europe, South America and Africa in Boston Consulting Group (01/03/2014–17/03/2018), Managing Director - EMEA (Europe, Middle East and Africa) Head of Risk Management practice in Accenture (01/10/2010–28/02/2014), Managing Director - Founder and Global Head of Aon (01/05/2006–30/09/2010), Senior Manager in the Risk Management Practice of Ernst & Young, Paris (01/05/2002–31/03/2006), Manager in the Risk Management practice of Arthur Andersen, Paris (01/09/2000–30/04/2002), Manager in the business consulting practice - Head of Treasury services of Arthur Andersen, Paris (01/09/1998–31/08/2000).

Currently she is Group Head KYC Transformation, CPLE/KTP Société Générale.

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### Aurore Brigitte Micheline GASPARD

Member of the Board of Directors  
Member of the Risk Management  
Committee<sup>1</sup>

Date of birth: October 27, 1978;  
Year of the appointment as member of BRD-Groupe  
Société Générale's Board of Directors: 2021;  
Term of mandate expires in: 2025;  
She has no shares in BRD-Groupe Société Générale's  
capital.

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### Information on mandates held

According to the information provided through the statement of affiliation, she fulfils the conditions regarding the number of mandates established by the law - one executive mandate and one non-executive mandate within Société Générale Group.

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### Biography

She has a master's degree from EM Lyon, specialization Finance, Accounting, Economy, marketing.

She has 20 years experience in banking field over which 13 years in management positions such as: Managing Director, General Inspection of Société Générale (January 2009 to February 2012), Deputy Head of Payment and Cash Management department delivering services to corporate clients from professionals to large corporates of Société Générale (February 2012 to June 2013), Chief of staff of 2 Deputy CEO of Société Générale (June 2013 to April 2016), Deputy CEO – SG Equipment Finance US (April 2016 to November 2017), Deputy CEO – Boursorama - subsidiary of Société Générale and the 1<sup>st</sup> online Bank in France (November 2017 – December 2021).

Since January 3<sup>rd</sup>, 2022, she is Deputy Head of French Retail Banking, member of the Group Société Générale Management Committee. Also, she is Member of the Board of Directors of Sogecap (subsidiary of Société Générale, specialized in insurance) and Shine.

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<sup>1</sup> Since December 7, 2022



## **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 Shareholders Meeting 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 2022**

In 2022, 31 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. François Bloch (Member), Mr. Benoît Jean Marie Ottenwaelter (Member), Mr. Jean-Pierre Georges Vigroux (Independent Member), Mrs. Liliana Feleaga (Independent Member), Mrs. Valerie Marcelle Paule Villafranca (Member) and Mrs. Aurore Brigitte Micheline GASPARD (Member) attended to all the Board’s meetings (31);
- Mr. Bogdan-Alexandru Drăgoi (Independent Member) attended to 30 Board’s meetings;
- Mrs. Maria Koytcheva ROUSSEVA attended to all the Board’s meetings organised until her renunciation to the mandate (15 Board’s meetings).

On the Board of Directors’ agenda, the following subjects were included: the financial statements, 2021 Sustainability Report, Audit Plan for 2022, Financial Markets Compliance Report for 2021 and the control plan for 2022, the report regarding the internal control for 2021, approval of the Liquidity Risk Management Framework, Remuneration Policy, 2025 BRD Strategy (Horizons 2025), Risks’ assessment for 2022, Risk Appetite Framework, Risk Appetite Statement, Business and Risks Management Strategy for 2022-2024, Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP), Report on Transparency and Disclosure Requirements, Annual Report of Compliance Function for 2021 and Strategy for 2022-2023, BRD Contribution to Société Générale Group Recovery Plan 2022, the main axes for the Bank’s transformation, changes in the Bank’s management body, annual reports on adequacy of the members of the management body and the key functions, changes in the structure of the committees set up to support the activity of the Board of Directors, modifications in internal regulations in its specific power, changes in the organizational structure, calls of the shareholders’ meetings organized in 2022 and all the notes related to the items on the agenda, changes

of the secondary object of activity, quarterly compliance reports, Interest Rate Risk Management Policy outside the trading book, the action plan related to the review of the Non-Retail Early Warning System (EWS), the action plan related to the review of the Credit Conversion Factor (CCF) used in for IFRS 9, 2021 Safeguarding Annual Activity Report- MiFID 2.

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.

#### **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, 2022, the Audit Committee consisted of 3 non-executive directors, of which 2 are independent. The members of the Audit Committee were: Mr. Jean-Pierre Georges Vigroux (Independent Chairman), Giovanni Luca Soma (Member) and Liliana Ionescu - Feleaga (Independent Member).

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

The Audit Committee meets on a quarterly basis or whenever necessary.

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

In 2022, 9 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 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, 2022, the Committee consisted of 3 non-executive directors, of which 2 are independent directors. The members were: Liliana Ionescu – Feleaga (Independent Chairman), Giovanni Luca Soma (Member) and Mr. Jean-Pierre Georges Vigroux (Independent member). The Remuneration Committee meets annually, or whenever necessary. In 2022, 5 meetings of the Remuneration Committee took place. The attendance was of 100%.

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 in section: <https://www.brd.ro/en/about-brd/shareholders-and-investors/corporate-governance>.

## **RISKS MANAGEMENT COMMITTEE**

The Committee consisted of 3 non-executive directors. As at December 31, 2022, the members were: Mr. Benoît Jean Marie Ottenwaelter (Chairman), Mr. Bogdan-Alexandru Drăgoi (Independent Member) and Mrs. Aurore Brigitte Micheline Gaspar (Member)<sup>2</sup>.

The year 2022 brought changes to the composition of the Risks Management Committee, as follows:

- ✓ Mrs. Maria Koytcheva Rousseva was member of this Committee until June 9, 2022;
- ✓ Mrs. Aurore Brigitte Micheline Gaspar was nominated as member of this Committee starting with December 7, 2022, after the last Risks Management Committee meeting in 2022.

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

In 2022, 4 meetings of the Risks' Management Committee took place.

The attendance was as follows:

- Mr. Benoît Jean Marie Ottenwaelter and Mr. Bogdan-Alexandru Drăgoi attended to all the Risks' Management Committee's meetings (4 meetings);
- Mrs. Maria Koytcheva ROUSSEVA attended to all the Risks' Management Committee's meetings organised until her renunciation to the mandate (2 meetings).

At the meetings of the Risks' Management Committee may participate, as permanent guests, the members of the Executive Committee, Chief Financial Officer, Risk Piloting Pole Executive Officer/Risk Deal Flow Pole Executive Officer, Retail Distribution Executive Officer, Top Corporates Executive Officer/Sales Manager Top Corporates, DPF Executive Officer, BIS Director and 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's responsibilities are presented in the Bank's Corporate Governance Code available to the interested parties on institutional site in section: <https://www.brd.ro/en/about-brd/shareholders-and-investors/corporate-governance>.

## **NOMINATION COMMITTEE**

As at December 31, 2022, the Committee was composed of 3 non-executive directors of the Board of Directors: Mr. Bogdan-Alexandru Drăgoi (Chairman), Liliana Ionescu -Feleaga (Independent Member) and Valerie Marcelle Paule Villafranca (Member).

The Nomination Committee meets half-yearly or whenever necessary.

In 2022, 5 meetings of the Nomination Committee took place.

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

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<sup>2</sup> Since December 7, 2022

## 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 term of mandate is of 4 years and can be renewed.

The Executive Committee is composed of the CEO and seven Deputy CEOs. The Executive Committee is led by the CEO.

The year 2022 brought changes to the composition of the Executive Committee, as follows:

- Mr. Yves Jean Guenole LALLEMAND mandate as Deputy CEO Global Corporates reached to term on June 29, 2022;
- Mr. Stéphane Benoit FORTIN decided to renounce to his mandate as Deputy CEO Finance and Treasury starting with September 1, 2022;
- The Board of Directors, held on June 9, 2022 decided the nomination of Mrs. Maria Koytcheva ROUSSEVA as Deputy CEO Global Corporates and Mr. Etienne Jean LOULERGUE as Deputy CEO Finance and Treasury. NBR approved the nominations and the mandates entered in force starting with October 4, 2022;
- Mr. Radu Octavian TOPLICEANU decided to renounce to his mandate as Deputy CEO Retail starting with December 16, 2022;

## MEMBERS OF THE EXECUTIVE COMMITTEE AS OF DECEMBER 31, 2022

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### **François BLOCH** CEO

Year of the appointment as CEO: 2016;  
Latest renewal of the mandate: 2020;  
Term of mandate expires in: 2024;  
Year of the appointment as Compliance Officer: 2019.

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Compliance Officer, person responsible for coordinating the implementation of internal policies and procedures for the application of "Law No. 129/2019 for the prevention and combating of money laundering and terrorist financing" and of the "NBR Regulation no. 2/2019 on preventing and combating money laundering and terrorism financing"

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Structures coordinated: General Secretariat, Compliance Department, Human Resources Department and Internal Audit Department.

Member of various Committees set up to support the Executive Committee activity: Risk Retail Committee, Internal Control Committee, Pricing Committee, Project Review Committee, Career Committee, Communication Committee, Innovation Committee, Customer Board Committee, Data Governance Committee, Benchmarks and Market Conduct Oversight Committee, Crisis Committee and Chairman of Assets and Liabilities Management Committee, Compliance Committee and Climate, Environmental and Social Change Committee.

Other information: please see the section "Board of Directors" of the present Report.

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**Alexandru-Claudiu CERCEL-DUCA**

Deputy CEO - Financial Markets

Date of birth: February 17, 1968;  
Year of the appointment as Deputy CEO: 2008;  
Term of mandate expires in: 2025;  
He has 1,030 shares in BRD-Groupe Société Générale's capital.

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Coordinated the Financial Markets Pole including the following structures Financial Markets Division, Securities Division, Financial Markets Solutions and Governance Division, Markets AI Hub, Markets' Research Service Unit.

Member of *various Committees set up to support the Executive Committee activity*: Assets and Liabilities Management Committee, Internal Control Committee, Pricing Committee, Project Review Committee, Career Committee, Communication Committee, Innovation Committee, Customer Board Committee, Crisis Committee, Data governance Committee, Compliance Committee, Climate, Environmental and Social Change Committee and Chairman of Benchmark Indices and Market Conduct Oversight Committee.

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**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 within BRD-Groupe Société Générale.

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**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.

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**Mihai Tiberiu SELEGEAN**

Deputy CEO Legal &amp; Administrative

Date of birth: July 23, 1975;  
Year of the appointment as Deputy CEO: 2019;  
Term of mandate expires in: 2023;  
He has no shares in BRD-Groupe Société Générale's capital.

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Structures coordinated: Legal department, Logistic Division, Security Division, Real Estate Management and Transversal Activities Department, Personal Data Protection Cell

Member of various Committees set up to support the Executive Committee activity: Internal Control Committee, Project Review Committee, Career Committee, Communication Committee, Innovation Committee, Customer Board Committee, Crisis Committee, Data governance Committee, Climate, Environmental and Social Change Committee and Chairman of Safety and Occupational Health Committee and of Follow-Up Committee.

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**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 within BRD-Groupe Société Générale.

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**Biography**

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He graduated from Law School – University of Bucharest and has a Master degree in International Business Law from Central European University, Budapest. He has an extensive experience in various areas in the legal field: Expert at Council of Europe, Strasbourg (2006-2009) being in charge with the assessment of the state of the reforms for the judiciary and with the creation/reforming/improvement of work for institutions in charge with the training of judges and prosecutors; Deputy Director (July 2003-January 2004) and then Director of the National Institute of Magistracy (2004-2008), coordinating the training of future and sitting judges and prosecutors in the field of European Convention on Human Rights (ECHR) (2002-present), etc.

He is also author of different publications in legal field.

From January 2017 to June 2019 he was Member of the Supervisory Board of the Euro Bank S.A. In April 2008, he joined BRD - Groupe Société Générale by taking over the position of Legal Executive Director. NBR approved him in this quality in 2015.

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<b>Philippe Yves Henri Pierre Marie THIBAUD</b> <b>Deputy CEO Risks</b>	Date of birth: February 5, 1968 Year of the appointment as Deputy CEO: 2020 Term of mandate expires in: 2024; He has no shares in BRD-Groupe Société Générale's capital.
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Structures coordinated: Risk Piloting Pole, Risk Deal Flow Pole and the Special Credit Management Department.

Member of various Committees set up to support the Executive Committee activity: Assets and Liabilities Management Committee, Risk Retail Committee, Internal Control Committee, Crisis Committee, Project Review Committee, Career Committee, Communication Committee, Innovation Committee, Customer Board Committee, Data Governance Committee, Compliance Committee, Climate, Environmental and Social Change Committee and New products Committee – Co-Chairman.

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### **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 within BRD-Groupe Société Générale and two non -executive mandates outside Société Générale Group.

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### **Biography**

He graduated from Université Paris I - Panthéon Sorbonne, has a diploma from Ecole Normale Supérieure de Cachan, qualification on Aggregation Economics and Management and also a diploma from Université Paris XI – Val de Marne Créteil - Postgraduate (DEA) Management.

Mr. Thibaud has 22 years of experience in risk management and credit analysis field.

During his career, Mr. Thibaud acquired a significant expertise in various fields of risk management: credit risk, operational risk, market risks, experience in all markets from retail to very large CIB clients, LOD2 as well as LOD1 positions held in France as well as in The Netherlands, management of large teams.

Mr. Thibaud held the following positions in banking field: Deputy Head of Risk France with Société Générale, Paris (January 2018-August 2019), Head of Risk North of France at Société Générale, Paris / based in Lille (September 2014-December 2017), Co-Head of Credit Société Générale, Paris CIB – France (March 2008-August 2014), Relationship Manager, CIB - The Netherlands at Société Générale, Amsterdam branch (September 2001-February 2008), Credit Manager at GE Access –European headquarters (May 2000-August 2001).

He also has academic expertise as Allocataire Moniteur Normalien (Lecturer / Researcher) at the Université Paris XII, Université Paris I Pantheon-Sorbonne and at the Institut Universitaire de Technologies de Sceaux (September 1994-August 1996), Teacher of Accounting and Management,

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Training co-coordinator of the Chartered Accountant Preparation at Ecole Nationale de Commerce de Bessieres (September 1996-April 2000).  
In September 1<sup>st</sup>, 2019, he joined BRD - Groupe Société Générale as Advisor of BRD's CEO.

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**Mirela Virginia MEDELEAN**

Deputy CEO Projects and Operations

Date of birth: September 14, 1971

Year of the appointment as Deputy CEO: 2021

Term of mandate expires in: 2025;

She has 20,000 shares in BRD-Groupe Société Générale's capital.

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Structures coordinated: Business Solutions Center Pole; Infrastructure & Production Operations Department, Information Security Division, Strategy Consulting and Support Division, Business Process Performance Division, Operations Pole; Financial Market Services Division, Business Intelligence Center Department.

Member of various Committees set up to support the Executive Committee activity: Internal Control Committee, Crisis Committee, Project Review Committee, Carrier Committee, Communication Committee, Innovation Committee, Customer Board Committee, Data Governance Committee, Compliance Committee, Climate, Environmental and Social Change Committee.

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**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 within BRD Groupe - Société Générale.

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**Biography**

She graduated from West University of Timisoara, Economic Sciences Faculty, specialization: Accounting and Management of Information System and has a Master of Economic Science, Business evaluation and diagnosis specialization.

Mrs. Mirela Virginia MEDELEAN has 27 years experience in various fields of banking activity, of which over 19 years in management positions such as: Business Analysis Deputy Director/Projects and Organization Department (July 2003 – August 2005), Deputy Director/Projects and Organization Department (August 2005 – Oct. 2008), Network Systems and Processes Director/ Network Administration Department (Oct. 2008 - Dec.2011), Deputy Director/ Human Resources Department (Jan. 2012 – June 2016), Director/Business Intelligence Center Department (June 2016 – Nov 2019), Human Resources Department/ Executive Director (Nov.2019-July 2020), Business Intelligence Center Director (July, 2020 to Sept. 2020), Projects and Operations Director (Sept. 2020 - June 2021).

She also has academic expertise as University assistant within West University of Timisoara, Economic Sciences Faculty, since 1995 to 1998.

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**Maria Koytcheva ROUSSEVA<sup>3</sup>**

Deputy CEO Global Corporates

Date of birth: April 24, 1972

Year of the appointment as Deputy CEO: 2022

Term of mandate expires in: 2026;

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<sup>3</sup> Starting with October 4, 2022

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

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Coordinated the Global Corporates Pole including the following structures: Environmental Social and Positive Impact Financing Division, Corporates Transversal Management Center, Top Corporates Coverage Division, SME Coverage Department, Corporate Marketing & Sales Management Department, Corporates Credit Group Department, Structured Finance Division, Corporate Finance Division, Global Transaction Banking Department.

Member of various Committees set up to support the Executive Committee activity: Assets and Liabilities Management Committee, Internal Control Committee, Pricing Committee, Project Review Committee, Career Committee, Communication Committee, Innovation Committee, Customer Board Committee, Crisis Committee, Data governance Committee, Compliance Committee, Climate, Environmental and Social Change Committee.

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### Information on mandates held

According to the information provided through the statement of affiliation, she 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 and one non-executive mandate within BRD Group.

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### Biography

She graduated from University of National and World Economy, Sofia, Bulgaria, specialization International Economic Relations and she has a master's degree from Leipzig University, Germany, specialization Business studies.

She has 23 years experience in banking field over which 20 years in management positions such as: Head of Multinational Corporates at HVB Bank Biochim, Bulgaria (April 2002 – October 2005); Head of Corporate and Investment Banking at Societe Generale Expressbank, Bulgaria (November 2005 – October 2011); Deputy CEO/ Deputy Chairman of the Management Board, Head of Corporate and Financial Markets at Societe Generale Expressbank, Bulgaria (November 2012 – June 2015); CEO/ Chairman of the Executive Board at Societe Generale Bank Serbia (July 2015 – July 2019); Member of the Supervisory Board at Ohridska Banka, Societe Generale Group (February 2012 – December 2019); Member of the Board of Directors at SKB Banka Slovenia, Societe Generale Group (May 2018 – December 2019), Member of the Board of Directors at Rusfinance Bank LLC, Rosbank Group (August 27, 2019 -March 1st, 2021), First Deputy CEO/ First Deputy Chairman of the Management Board at PJSC Rosbank, Societe Generale Group (August 21, 2019 - Aprilie 29, 2022), Member of the Board of Directors of Societe Generale Insurance LLC and Societe Generale Life Insurance LLC (September 18, 2019 – May 31, 2022).

From July 26, 2021 to June 9, 2022 she was Member of the Board of Directors of BRD-Groupe Société Générale S.A.

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**ETIENNE JEAN LOULERGUE<sup>4</sup>**  
Deputy CEO Finance/Treasury

Date of birth: July 28, 1973  
Year of the appointment as Deputy CEO: 2022;  
Term of mandate expires in: 2026;  
He has no shares in BRD-Groupe Société Générale's capital.

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<sup>4</sup> Starting with October 4, 2022



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Structures coordinated: Financial Department, Level 2 Financial Control Service, Acquisitions Division, Cash Administration Department.

Member of various Committees set up to support the Executive Committee activity: Assets and Liabilities Management Committee, Internal Control Committee, Pricing Committee, Project Review Committee, Career Committee, Communication Committee, Innovation Committee, Customer Board Committee, Crisis Committee, Data governance Committee, Climate, Environmental and Social Change Committee.

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### **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 two non-executive mandates as follows: one non-executive mandate within BRD Group and one non-executive mandate outside Société Générale Group.

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### **Biography**

He graduated from Ecole Nationale Supérieure de l'Aéronautique et de l'Espace and has a Master degree in audit and one in accounting and financing.

He has 17 years experience in banking field, in large credit institution, occupied positions such as BRD's Finance Department Executive Director (July 2020 – October 3, 2022), Advisor of BRD's Deputy CEO Finance Treasury (August 2019 – July 2020), Deputy Executive Director for Strategy and Finances at Komerční Banka (July 2015 – August 2019), Project manager for the development of finance activities in shared service centers to Société Générale (September 2014 - June 2015), Head of IFRS consolidation for the international banking business line at Société Générale (July 2010 - August 2014), Controlling Manager of Banque de Financement et d'Investissement at Société Générale (March 2005 – June 2010).

He has also experience in insurance as Non-executive Chairman of Audit Committee of Komerční Pojistovna (January 2018 - August 2019) and audit as Audit Manager (September 1999 – February 2005) at Ernst & Young.

In the non –financial sector he has experience as Non-executive and independent member of the Board of Directors of NEVA Aerospace (September 2017 and August 2019).

Starting July 16, 2022 he is member of the Supervisory Board of CIT ONE SA.

In August 2019, he joined BRD - Groupe Société Générale by taking over the position of Advisor of BRD's Deputy CEO Finance Treasury.

In July 2020, he received the NBR approval as Finance Department Executive Director, position occupied until October 3, 2022.

Since October 4, 2022, he holds the position of Deputy CEO Finance/Treasury

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### **ATTRIBUTIONS AND RESPONSIBILITIES**

The executive officers are in charge of taking all the measures in relation to the company's 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 Shareholders Meeting.

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 2022, 127 meetings of the Executive Committee took place.

The decisions of the Executive Committee are made with votes “FOR” of at least half of the members of the Executive Committee. The CEO shall have the casting vote in case of tie of 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, managerial supervision, managerial supervision of accounts, audit, conformity and reputational risk, IT security, deficiencies found in the supervision reports / minutes of the authorities, protection of personal data.

### **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 the banking book) and capital management.

### **COMMITTEE FOR NEW PRODUCTS**

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 of the existing products.

### **PRICING COMMITTEE**

It is a permanent consultative committee whose mission is to analyse 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.

### **RISK RETAIL 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.

### **CUSTOMER BOARD**

It is a permanent consultative committee dedicated to customer experience, which aims to ensure at the level of the whole Bank the efficiency of the process of improving the quality of the experiences offered to the clients, from the perspective of the feedback received from the clients.

#### **COMPLIANCE COMMITTEE**

It is a permanent consultative committee whose main mission is to analyze the way in which the compliance risk is managed, including the presentation of the deficiencies found in the compliance control activity.

#### **CLIMATE, ENVIRONMENTAL AND SOCIAL CHANGE COMMITTEE**

It is a permanent consultative committee whose main mission is to carry out strategic CSR analyzes by reporting to the Bank's objectives, in order to present to the Management Committee the measures for implementing the CSR strategy in this area. This mission includes making proposals for setting the Bank's objectives, adopting the relevant regulatory framework, monitoring the Bank's commitments, communication and any other topics related to environmental, climate and social issues.

**OTHER COMMITTEES:** Crisis Committee, Safety and Occupational Health Committee, Projects Review Committee, Follow-up Committee, Career Committee, Communication Committee, Innovation Committee, Data Governance Committee and Benchmarks and Market Conduct Oversight Committee.

#### **BRD - GROUPE SOCIÉTÉ GÉNÉRALE'S SHARES HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE COMMITTEE AS AT DECEMBER 31, 2022:**

<b>Name</b>	<b>Number of shares</b>
Jean – Pierre Georges VIGROUX	27,828
Mirela Virginia MEDELEAN	20,000
Alexandru - Claudiu CERCEL - DUCA	1,030
TOTAL	48,858

#### **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 Shareholders Meeting.

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 Shareholders Meeting) entitles the shareholder to dividends for the prior financial year, in the quantum and conditions established by the General Shareholders Meeting.

The Dividend Policy is available to shareholders and other stakeholders on institutional site in Corporate Governance section: <https://www.brd.ro/en/about-brd/investors-and-shareholders/corporate-governance/dividend-policy>.

The dividend policy reconfirms the engagement of the Board of Directors to offer 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 sets up and maintains a dedicated 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 prepared according to 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's 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 2022, BRD Group organised 4 live audio webcasts for presenting its financial results.

#### **2023 financial calendar**

Publication of the preliminary financial results December 31, 2022	February 8, 2023
Presentation of the preliminary financial results for the year 2022 and for Q4 2022 broadcast through a live audio webcast	February 9, 2023
General Assembly of Shareholders	April 27, 2023
Publication of the Annual Report 2022 – financial results as of December 31, 2022	April 27, 2023
Communication of results for Q1 2023	May 12, 2023
Communication of results for 1 <sup>st</sup> half of 2023	August 3, 2023
Communication of results for Q3 2023	November 3, 2023

### 3. HUMAN RESOURCES

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#### KEY FIGURES 2022

- **5,833** active employees in BRD, with:
  - **896** external recruitments
  - **1,179** functional mobility
  - **18.0%** total turnover, out of which **12.4%** voluntary turnover.

The number of active employees of the Group as of 2022 end was 6,126 (2021 end: 6,408), while the number of active employees of the Bank as of 2022 end was 5,833 (2021 end: 5,974). Active employees are those present at work (excluding maternity leave and long - term sick leave).

In 2022, 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

During 2022, the Human Resources Department continued to support business by sustaining the evolution of the business model. The purpose of the Bank was to ensure efficient and dynamic structures, in order to better respond to the needs of the clients (increased focus on remote banking) and to maximize the results obtained. Among the main projects are: optimizing the structure of the different departments at the Head Office level, territorial reorganizations at the network level (relocations and mergers of agencies) and providing support for special projects (e.g. outsourcing transport and cash management) etc.

#### CAREER MANAGEMENT

Throughout 2022 the Human Resources Department has continued to have individual meetings with the employees in order to identify their potential as well as their career evolution expectations, according to their competencies and skills. Also, meetings were held with all the new employees to effectively accompany them during the on boarding process.

Approximately 1200 employees changed their position as a result of the Bank's internal mobility policy, changes that required specific trainings for each role, with different learning methods.

900 persons were recruited in 2022 from outside the Bank, the majority being within the Network for covering the vacancies, extending the commercial capacity and reaching the sales objectives of the Bank, but also niche positions within headquarter, with focus on IT domain as a support to omni-channel and digital strategy.

90% of our employees have graduate studies and 10%, undergraduate studies.

#### TRAINING & RISK AWARENESS

In a challenging and changing business environment, continuous skills development is the right way to go to support the Bank's short and medium-term goals.

The 2022 training strategy aimed at developing both commercial skills, technical skills (according to the business strategy), managerial development skills, and specific regulations' knowledge through risk management and compliance courses for BRD employees. The diversified training offer covered the training needs of the collaborators, in a format adapted to all profiles (juniors, seniors, experts / specialists), correlated with the support and development of the competencies aimed for each role, in a mix of theoretical and experiential learning with direct involvement of the participant in the choice of training actions, identifying his training needs together with his manager.

In order to adapt to the rapid changes in the business environment, strategic workforce planning projects have been implemented in retail and corporate areas. Employee skills are a major asset of the Bank's success. Our aim is to promote the permanent adaptation of employees' skills to the rapid changes in our environment and to allow them to access motivating career paths. At the same time, the e-learning project developed together with CPBR (Romanian Board of Banking Employers), with the representatives of the Trade Unions (through Federation of Insurance and Banking Trade Unions) and the 4 member banks (BCR, Raiffeisen, ING and Unicredit) was continued. Its main objective is to develop the skills of employees so that we can adapt more easily to the labour market changes and the

digital future. The course catalogue in the new platform focuses on 3 major topics that address digital technology:

- Digital skills (digitization awareness, PC and reporting skills, analytical skills and numerical);
- Collaboration through digital channels (sales, cashless operations, customer orientation from a digital perspective);
- Customer satisfaction and approach in the context of digitization (remote work, messaging and collaboration tools such as video conferencing, distance learning, etc.).

During 2022, the training courses continued to be adapted to the distance / online interaction format.

The main axes of development were:

- Developing a risk culture awareness in BRD through mandatory e-learning programs prepared in cooperation with Société Générale Group (“Code of Conduct”, “Information security”, “Market abuse”, “Fatca”, “Anti bribery and corruption”, “Environmental risk management”, “Anti-money laundering”, etc.) and local e-learning (SSM – health and safety at work, “Physical security events”, “GDPR”), increasing the number of case studies presented during virtual/ face-to-face trainings;
- Developing of specific competences of social and corporate responsibility (CSR) with a focus on the area of ESG (Environment, Social Impact, Governance) through e-learning training using training platforms as well as through courses organized in physical format, Climate Fresh workshops (over 200 participants in 2022);
- Integrated training programs for the new employees:
  - “Welcome to BRD week” program, in which the new employees have access to general information about the Bank, BRD values, basic knowledge regarding compliance, credit risks, as well as HR issues regarding training, career management;
  - The "Induction" program - for front office sales teams - focuses on knowledge of specific products and applications, related risks, behavioral skills, and the development of specific business skills, through an experiential approach to learning Business
- Academies adapted to the Bank's client segments: retail - individuals, retail - small companies, as well as for the corporate segment.

These trainings are modular programs, on levels of knowledge and expertise, adapted to the roles in the organization (both for managerial functions and for operational teams), having different degrees of complexity and covering as main directions: offer, financial and risk analysis, skills - sales, customer portfolio management, communication, and negotiation.

There are training programs dedicated to each business-line, curricula developed and updated according to the commercial requirements expressed and regulatory developments, with business guests - bank specialists on various topics, along with internal trainers.

- Behavioral training programs (topics such as: customer relationship management, communication, sales and negotiation techniques, stress management, conflict management, teamwork, feedback - a tool for development and performance, how to make a team meeting more attractive, hybrid management, etc.) which were delivered in 2022 by the development of the webinars & coaching sessions program dedicated to employees, starting from the need to stay connected to each other: "We Connect", and for managerial roles through the "Rise-up" program.
- Other training programs, based on business requirements and regulations:
  - ✓ certification-trainings in the field of insurance and private pensions for front-office employees;
  - ✓ initial and continuous training courses in e-learning format for MiFID II.

In 2022 BRD continued employee's engagement with impact in educational environment, being one of the strategic axes.

### **WORK/LIFE BALANCE**

In order to ensure a balance between professional and personal life, the Human Resources Department continued the projects:

- "The BRD ID card Matters!" through which discounts are negotiated for BRD employees, formalized under a series of agreements.
- In 2022, we have organized webinars through which we promote healthy behaviors and well-being: anti-tobacco webinar, nutrition and workplace ergonomics, together with our medical services partner. In 2022, the hybrid way of working was implemented, a mix of office work and remote work. Furthermore, depending on the needs of our colleagues, we will continue to improve the current way of working to support the balance between the professional and personal life of the employees.

### **REMUNERATION POLICY AND PRACTICES**

The BRD Remuneration Policy and Practices respects:

- Local and EU regulations: Regulation 5/2013 BNR modified by Regulation 11/2020 and by Regulation 2/2022, CRD V, delegated Regulation (UE) 923/2021, MiFID II, Volker
- EU guidelines on sound remuneration policy and remuneration of sales staff
- Société Générale policies

The Remuneration Policy is approved by the Board of Directors of BRD upon 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; for the employees involved in the activity of Financial Markets and investment advice, sound and prudent management of the risks related to sustainability is also considered starting with March 2021;
- Helps limit and control of possible operational risks without encouraging any risks that exceed the Bank's risk tolerance level. The Bank encourages a prudent behavior (avoiding excessive risks);
- 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.
- Based on the principle of equal treatment, i.e. equal remuneration for male staff members and female staff members, for performing the same work or work of equal value.

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 a sustainable and risk-adjusted performance as well as the performance that exceeds the necessary performance to fulfill 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;
- Guaranteed bonuses are granted only in exceptional circumstances related to the time of employment and can only be granted in the first year of employment and when the Bank has a sound and solid capital base. 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 staff, commercial objectives are set to take into account the rights and interests of the customers, 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 other 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 even not 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 to 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 4 years. For identified staff, at least 50% of any variable remuneration shall consist of shares 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 hedging using derivative instruments.

Financial data for 2022, 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 of monthly fix remuneration and variable annual remuneration granted as performance bonus. For management expatriate staff there are granted some benefits according to Société Générale's policy, in order to facilitate their living with families in Romania.

### **b) Remuneration of the members of the Board of Directors**

For 2022, the Ordinary General Shareholders Meeting approved an individual remuneration for the non-independent non-executive directors amounting to EUR 1,800/ month (gross amount, RON equivalent) and for the independent non-executive directors amounting to EUR 3,600/ month (gross amount, RON equivalent) including 19.9% for the contributions' transfer.

Also, the Ordinary General Shareholders Meeting approved the general limit for the directors' and members' of the Executive Committee remunerations, including additional remunerations, for 2022, to amount to RON 20 million, gross amount (tax transfer compensation is included). The limit is the same as for 2020 and 2021.

## 4. GROUP ACTIVITY AND RESULTS

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### **ECONOMIC AND BANKING ENVIRONMENT IN 2022**

Counting among the best performing EU member states, the Romanian economy expanded by +4.8% in 2022 vs. 2021, exceeding the market outlooks, still slowing down from the increase registered in 2021 (+5.8% y/y vs 2020). The main driver for 2022 GDP growth remained household consumption which added +3.4pp to the 4.8% expansion, but H2 2022 marked the incipient shift towards investment driven growth which brought + 2.2pp contribution. Net exports re-entered in negative territory and subtracted - 0.8pp from the GDP growth (exports +3.5%, imports +4.3%).

Reaping the benefits of the breadth and intensity of monetary policy tightening, receding problems in global value chains and the unusually warm winter coupled with energy savings, inflationary pressures started to abate toward the end of 2022. Annual inflation printed at 16.4% in December 2022, witnessing the first notable slowdown (from 16.8% in November, the highest level since autumn 2003), given the lower fuel prices. Inflation went further down to 15.1% yoy in January 2023. Nevertheless, this level is far from the upper bound of the NBR target range (2.5% ± 1 ppt). The downtrend was also visible at regional level, with Euro area annual inflation reaching 9.2% in December 2022 (down from 10.1% in November), the first contraction in prices since June 2021, as energy price surge softens. In 2022, the economy experienced both strong cost inflation pressures from the external environment and demand pressures from the domestic economy. Energy and food prices remain the leading driver, but other components also rose swiftly.

On a medium to longer run, the approval of National Recovery and Resilience Plan in September 2021 by European Commission with the first tranche of grants (EUR 1.8 bn) disbursed in December 2021 should support further growth of the economy. Additional pre-financing (EUR 1.9 bn) was granted in January 2022, after the targets and milestones for Q4 2021 were reached. On 15th of September 2022, the European Commission endorsed a positive preliminary assessment of Romania's first payment request for a financing request, amounting to EUR 1.8 bn in grants and EUR 800 million in loans. At 2022 end, Romania submitted a 2<sup>nd</sup> request of funds allocated under the plan, with a total value of EUR 3.2 bn (EUR 2.1 bn in grants and EUR 1.1 bn in loans), based on the fulfilment of 51 milestones related to first two quarters of 2022, covering several reforms and investments in various fields. The next payment request, worth EUR 3.1 bn, shall be submitted to the EC in the spring of 2023 and its disbursement will be contingent on the fulfilment of 55 milestones, related to the last two quarters of 2022.

The two main worldwide shocks, the COVID-19 outbreak and the war in Ukraine, and their overlapping consequences, as well as the difficult structural transformations they have sparked, aggravated existing policymakers' trade-offs, such as fighting inflation and ensuring economic recovery/employment. Following these events, in order to support the economy, NBR made extensive use of the policy toolkit to tame inflationary pressures, carefully calibrating the dosage in order to smoothen the macro-financial impact of the changing rate environment. Amid larger and lengthier inflation pressures from global cost shocks, amplified by geopolitical context, NBR performed ten monetary policy rate hikes, 575 bps in total, since the start of the tightening cycle in October 2021. The increase of 25 bps to 7%, in January 2023, in line with market expectations, indicated the end of the rate hiking cycle as was also suggested by the maintaining of the key rate level at 7%, at the meeting from February 2023.

In order to enable the good functioning of the money market, under tensions induced by the war in Ukraine, on March 9<sup>th</sup>, 2022, NBR came back to the measures taken in premiere at the beginning of COVID 19 pandemic and purchased RON-denominated government securities on the secondary market (RON 367 million, followed by only RON 37 million purchased in May 2022). Nevertheless, in March, in a context of higher cash withdrawals on the background of war developments and tightened market liquidity needed to contain surging inflation, NBR started to provide liquidity through Lombard facility to the banking system, the peak being reached in August 2022 (daily average of RON 13.7 bn). Liquidity conditions improved over the last three months of the year, with liquidity surplus increasing to almost RON 11 bn in December from RON 5.5 bn in November.

In September, European Commission (EC) approved two state aid schemes previously notified by Romania:

- EUR 1.5 billion Romanian scheme to compensate energy-intensive companies for indirect emission costs. The scheme will cover part of the higher electricity prices arising from the impact of carbon prices on electricity generation costs (so-called 'indirect emission costs') incurred between 2021 and 2030.

- EUR 4 billion Romanian scheme to support companies in the context of Russia's invasion of Ukraine. Under this measure, the aid will take the form of: (i) loan guarantees with a maximum budget of EUR 3.6 billion (approximately RON 17.8 billion), and (ii) direct grants with a maximum budget of EUR 390 million (approximately RON 1.9 billion) to compensate parts of the costs due under the guaranteed loans.

In order to mitigate the negative socio-economic impact of surging energy costs, the Romanian Government adopted several supporting measures throughout 2022, among which: a cap on electricity and gas prices for households and some companies until April 2023 (prolonged further in 2023 until March 2025) and supporting package for low-income households and key industries with a total value of RON 17.3 billion (approximately 1.4% of GDPe), out of which 52% shall benefit of EU funding.

In terms of banking activity, the pace of the annual growth rate of gross loans outstanding decelerated towards end of year, reaching +11.9%\* YoY at December 2022 end (vs. +18.9%\* YoY at June 2022 end and +18.2%\* at September 2022 end), given the steep upward trend of interest rates. Nevertheless, average lending dynamic outpaced 2021 performance, underpinned mostly by strong corporate financing (+18.8%\* YoY at December 2022 end) and, to a smaller degree, by households (+4.1%\* YoY at December 2022 end). The decelerating rate of growth of loans to individuals throughout 2022 was visible for both housing (+5.4%\* YoY at December 2022 end vs +12.2%\* YoY at January 2022 end) and consumer loans (+2.0%\* YoY at December 2022 end vs +4.3%\* YoY at January 2022 end). Deposits growth rate (+9.1%\* y/y) slowed down, influenced by individuals component (+5.7%\* YoY at December 2022 end compared to +8.1%\* YoY at January 2022 end) as saving capacity seems to be hampered by the strong inflationary pressures. This trend was counterbalanced by the advance on the corporate segment (+13.0%\* YoY at December 2022).

The ratio of non-performing loans for the banking system (according to European Banking Authority definition) continued its annual decrease reaching 2.65% at December 2022 end versus 3.35% at December 2021 end.

The Romanian banking system is well capitalized, as reflected by the capital adequacy ratio of 21.5% as of September 2022 end (versus 23.3% as of December 2021 end). As regards liquidity, the banking system has also a solid position, with a Liquidity Coverage Ratio of 188% as of September 2022 end (decreasing vs December 2021 end level of 239%, but remaining high).

*(\*) Variation at constant exchange rate  
Source: BRD Research*

## COMMERCIAL ACTIVITY

As at December 31, 2022, the Bank had 460 branches (31.12.2021: 499 branches), ensuring the distribution of its products and services throughout the whole country.

The equipment rate for individuals rose on intensified commercial relationships. It reached 4.62 at December 31, 2022 compared to 4.58 at December 31, 2021.

The digital adoption continues to grow and more than 1 million customers chose the mobile banking application, YouBRD, to be their everyday financial instrument (1.07 mn users at December 2022 end vs. 730k at December 2021 end, +46% YoY).

On its way to a fully digitalized customer journey, BRD achieved strong progress: the 100% online credit card issuance flow accessible on BRD website and via the online banking application, YouBRD, and the instant payments solution offered to individuals customers (24/7 accessible in YouBRD).

BRD held a market share of 10.2% of total assets at December 31, 2022.

The structure of the customers' net loans at Group level evolved as follows:

RON bln	Dec-20	Dec-21	Dec-22	vs. Dec-21
<b>Retail</b>	<b>21.7</b>	<b>22.7</b>	<b>23.4</b>	<b>2.9%</b>
Individuals	21.1	22.0	22.5	2.4%
Small business	0.6	0.7	0.9	17.7%
<b>Non-retail</b>	<b>8.0</b>	<b>10.2</b>	<b>12.9</b>	<b>26.7%</b>
SMEs	2.6	3.4	4.8	42.9%
Large corporate	5.3	6.8	8.1	18.7%
<b>Total net loans</b>	<b>29.6</b>	<b>32.9</b>	<b>36.3</b>	<b>10.3%</b>
Financial lease receivables	1.1	1.2	1.4	15.1%
<b>Total net loans, including leasing</b>	<b>30.7</b>	<b>34.1</b>	<b>37.7</b>	<b>10.4%</b>

Net loans' outstanding (including leasing) reached RON 37.7 billion, with a double-digit growth by 10.4% versus December 31, 2021, reflecting the intense lending activity across the board.

BRD marked a record level of new housing loans production (+58% YoY) and the second best year for new consumer loans, with almost RON 7.5 billion new loans being granted in total to individuals in 2022.

Lending activity to corporate segment delivered an impressive result (+26.7% YoY) building on an outstanding performance on SME segment (+43% YoY) and a notable increase of loans granted to large companies (+18.7% YoY), while leasing activity also printed high (+15.1% YoY). BRD continued to be an active participant in the IMM INVEST program, offering support to over 2,000 eligible SMEs, the total value of loans approved under this program reaching RON 2 billion in 2022, +69% compared to 2021.

BRD innovated and enlarged its offer of services with a new specialized division, Euromentor, developed to accompany entrepreneurs and corporates in accessing EU funds.

2022 results re-confirmed that BRD is highly committed to finance the sustainability transitions, by integrating the ESG principles into its lending activity. The value of new sustainable finance transactions in 2022 reached EUR 215 million, marking important progress towards the achievement of the EUR 1 billion strategic objective of sustainable financing by the end of 2025.

The customers' **deposits** structure at Group level evolved as follows:

RON bln	Dec-20	Dec-21	Dec-22	vs. Dec-21
<b>Retail</b>	<b>33.7</b>	<b>36.0</b>	<b>37.1</b>	<b>3.1%</b>
Individuals	28.3	29.6	31.0	4.9%
Small business	5.4	6.4	6.1	-5.4%
<b>Non-retail</b>	<b>16.2</b>	<b>16.7</b>	<b>19.6</b>	<b>17.2%</b>
SMEs	7.9	8.6	8.2	-4.8%
Large corporate	8.3	8.1	11.4	40.4%
<b>Total deposits</b>	<b>50.0</b>	<b>52.7</b>	<b>56.7</b>	<b>7.5%</b>

Deposit base was further consolidated, with corporate deposits up by +17.2% YoY. Retail deposits advanced (+3.1% YoY) in a tight liquidity and competitive context.

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, 2022, net outstanding of leasing financing granted by BRD Sogelease increased by +15.1% year-on-year to RON 1,407 million. New leasing production increased to RON 1,014 million in 2022, +24% YoY. BRD Sogelease delivered a dynamic lending activity throughout full year 2022, with demand driven by SME’s and large corporates active in sectors as construction, logistics and transportation, agriculture, manufacturing and healthcare. BRD Sogelease results reconfirmed the importance of financial leasing as an efficient and accessible financing solution offered by BRD Group for SME companies in Romania.

#### **BRD FINANCE IFN SA**

At the end of December 2022 the value of the net loan portfolio was of RON 431 million vs. RON 528 million at December 2021 end, the new production continuing on a downward trend mainly due to auto segment, which is severely impacted by the delays in the components delivery registered globally. In this context the strategy was focused on the limitation of operating expenses and a stepwise reduction in cost of risk. Net result was stable vs 2021 despite the drop in net banking income.

#### **BRD ASSET MANAGEMENT SA**

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 17.97%\* and RON 3.13 billion assets under management at the end of December 2022. BRD Asset Management now offers investment solutions to more than 118 thousand clients across its 12 investment funds. In 2022, 4 new funds have been launched: BRD Orizont 2035, BRD Orizont 2045, BRD Oportunitati and BRD Euro Simplu. The first two known as TDF’s (target date funds), are a novelty on the local market.

*\* 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, 2022 and the comparative periods.

### FINANCIAL POSITION – ASSETS

Total assets at December 31, 2022 increased by 6.9% for the Group and 6.7% for the Bank versus 2021 end.

The asset structure is presented below:

#### THE GROUP

Assets (RONm)	Dec-20	Dec-21	Dec-22	% total	vs. Dec-21
Cash and current accounts with Central Bank	7,113	6,206	7,625	10.3%	22.9%
Loans and advances to credit institutions	5,517	4,538	7,221	9.8%	59.1%
Net loans and advances to customers	29,643	32,914	36,288	49.1%	10.3%
Financial lease receivables	1,067	1,223	1,407	1.9%	15.1%
Other financial instruments	18,528	22,253	18,642	25.2%	-16.2%
Tangible and intangible assets	1,381	1,460	1,537	2.1%	5.3%
Other assets	308	470	1,121	1.5%	2.4x
<b>Total assets</b>	<b>63,558</b>	<b>69,063</b>	<b>73,842</b>	<b>100.0%</b>	<b>6.9%</b>

#### THE BANK

Assets (RONm)	Dec-20	Dec-21	Dec-22	% total	vs. Dec-21
Cash and current accounts with Central Bank	7,113	6,206	7,625	10.7%	22.9%
Loans and advances to credit institutions	5,500	4,521	7,205	10.1%	59.4%
Net loans and advances to customers	28,873	32,184	35,542	49.7%	10.4%
Other financial instruments	18,561	22,305	18,646	26.1%	-16.4%
Tangible and intangible assets	1,365	1,437	1,518	2.1%	5.6%
Other assets	223	362	987	1.4%	2.7x
<b>Total assets</b>	<b>61,635</b>	<b>67,015</b>	<b>71,523</b>	<b>100.0%</b>	<b>6.7%</b>

### LOANS AND ADVANCES TO CUSTOMERS

The net loans' outstanding registered a strong performance year-on-year, with a double-digit growth (around 10% for both Bank and the Group), reflecting good commercial performance translated into broad lending activity, as detailed above.

### 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 38.2% versus December 2021 end, for both the Bank and the Group, mainly driven by both higher cash and current accounts with the central bank and placements at credit institutions. These items represented approximately 20% of total assets for both the Group and the Bank at end of December 2022.

The minimum compulsory reserve held with the National Bank of Romania accounted for 28% of this aggregate at December 31, 2022 (34% at December 2021 end) at Group level. It amounted to RON 4,118 million, up by 12.6% vs December 31, 2021, mainly linked to increasing customers' deposits as detailed above. The level of RON and FX minimum reserve requirements for liabilities with residual maturity of less than 2 years are at 8% and 5% respectively, unchanged from May 2015 for RON and from November 2020 for FX.

### OTHER FINANCIAL INSTRUMENTS

Other financial instruments include financial assets at fair value through other comprehensive income, treasury bills at amortised cost, financial assets at fair value through profit and loss, derivatives and other financial instruments held for trading, investments in associates and subsidiaries.

These items amounted to RON 18.6 billion at December 2022 end and represented almost 25% of Group assets. They decreased by 16.2% compared to December 2021 end, driven by the decrease in government bonds portfolio, partly on lowering market value in a context of surging yields, and lower derivatives and other financial instruments held for trading.

## TANGIBLE AND INTANGIBLE ASSETS

The tangible and intangible assets accounted for approximately 2% of the total assets with land and buildings representing the largest part of the item.

The total value of investments during 2022 was RON 268 million for the Bank and RON 269 million for the Group, compared to RON 211 million for the Bank and RON 213 million for the Group in 2021. There is no capitalized research and development expenditure.

## FINANCIAL POSITION – LIABILITIES

The comparative statement of liabilities is as follows:

### THE GROUP

Liabilities and shareholders equity (RONm)	Dec-20	Dec-21	Dec-22	% total	vs. Dec-21
Amounts owed to credit institutions	1,941	4,708	7,501	10.2%	59.3%
Amounts owed to customers	49,958	52,684	56,661	76.7%	7.5%
Other liabilities	1,887	1,793	2,720	3.7%	51.8%
Shareholders equity	9,772	9,879	6,960	9.4%	-29.5%
<b>Total liabilities and shareholders equity</b>	<b>63,558</b>	<b>69,063</b>	<b>73,842</b>	<b>100.0%</b>	<b>6.9%</b>

### THE BANK

Liabilities and shareholders equity (RONm)	Dec-20	Dec-21	Dec-22	% total	vs. Dec-21
Amounts owed to credit institutions	206	2,882	5,443	7.6%	1.9x
Amounts owed to customers	50,152	52,918	56,916	79.6%	7.6%
Other liabilities	1,805	1,676	2,587	3.6%	54.4%
Shareholders equity	9,472	9,539	6,577	9.2%	-31.1%
<b>Total liabilities and shareholders equity</b>	<b>61,635</b>	<b>67,015</b>	<b>71,523</b>	<b>100.0%</b>	<b>6.7%</b>

## AMOUNTS OWED TO CUSTOMERS

The Group, as well as the Bank, further consolidated and diversified its already solid savings base. At December 2022 end, amounts owed to customers increased by 7.5% for the Group and by 7.6% for the Bank and accounted for 76.7% of the total liabilities and shareholders' equity at Group level and for 79.6% at Bank level. The increase was mainly driven by significant corporate deposits advance on extensive deposit collection of large corporate customers while resources from retail were influenced by a tight liquidity and competitive context, however, still printing a growth of 3%.

## AMOUNTS OWED TO CREDIT INSTITUTIONS

Amounts owed to credit institutions represent interbank deposits, borrowings from the parent and International Financial Institutions, and stood at 10.2% of the total liabilities and shareholders' equity for the Group and 7.6% for the Bank at December 31, 2022.

BRD Group's borrowings from Société Générale totalled RON 6.5 billion (9.8% of liabilities) at December 2022 end. Among these, are included 3 senior non-preferred loans in amount of EUR 720 million (EUR 450 million received in December 2021, EUR 150 million in June 2022, respectively EUR 120 million in December 2022, all with an initial term of 3 years and a call option at 2 years) and 2 subordinated loans in amount of EUR 250 million (EUR 100 million drawn in December 2021, respectively EUR 150 million in June 2022, both with an initial term of 10 years and a call option at 5 years).

## SHAREHOLDERS' EQUITY

Shareholders' equity decreased by 29.5% for the Group and by 31.1% for the Bank compared to December 31, 2021, mainly on dividend distribution (for 2019-2021 results) and lower revaluation reserves of debt instruments accounted at fair value through other comprehensive income, in the context of surging yields.

The structure of the shareholders' equity evolved as follows:

### THE GROUP

Shareholders' equity (RONm)	Dec-20	Dec-21	Dec-22	vs. Dec-21
Share capital	2,516	2,516	2,516	0.0%
Other reserves	804	(385)	(2,054)	4x
Retained earnings and capital reserves	6,404	7,691	6,439	-16.3%
Non-controlling interest	48	58	59	1.9%
<b>Total shareholders' equity</b>	<b>9,772</b>	<b>9,879</b>	<b>6,960</b>	<b>-29.5%</b>

### THE BANK

Shareholders' equity (RONm)	Dec-20	Dec-21	Dec-22	vs. Dec-21
Share capital	2,516	2,516	2,516	0.0%
Other reserves	804	(385)	(2,054)	4x
Retained earnings and capital reserves	6,152	7,409	6,116	-17.5%
<b>Total shareholders' equity</b>	<b>9,472</b>	<b>9,539</b>	<b>6,577</b>	<b>-31.1%</b>

## LIQUIDITY POSITION

Both the Bank and the Group maintained a balanced structure of resources and placements and a solid liquidity level over the analysed period.

The net loan to deposit ratio increased to 62.4% at December 31, 2022 versus 60.8% at December 31, 2021 for the Bank, and to 66.5% at December 31, 2022 versus 64.8% at December 31, 2021 for the Group (loans at Group level include financial leasing receivables). The extensive lending activity was the driving force behind the evolution.



## 2022 FINANCIAL RESULTS

The comparative income statement of the Group for the period 2020 - 2022 is presented below:

RONm	2020	2021	2022	22/'21
<b>Net banking income</b>	<b>3,088</b>	<b>3,097</b>	<b>3,459</b>	<b>11.7%</b>
- net interest income	2,087	2,084	2,370	13.7%
- net commissions	711	744	754	1.4%
- other banking income	290	269	334	24.5%
<b>Operating expenses</b>	<b>(1,588)</b>	<b>(1,597)</b>	<b>(1,745)</b>	<b>9.2%</b>
- staff expenses	(834)	(829)	(899)	8.5%
- non-staff expenses	(754)	(768)	(846)	10.1%
<b>Operating profit</b>	<b>1,500</b>	<b>1,500</b>	<b>1,715</b>	<b>14.3%</b>
Net cost of risk	(353)	146	(95)	n.a.
Gross result	1,147	1,646	1,620	-1.6%
<b>Net result</b>	<b>963</b>	<b>1,319</b>	<b>1,337</b>	<b>1.4%</b>
Profit attributable to equity holders of the parent	962	1,310	1,328	1.4%

The comparative income statement of the Bank for the period 2020 - 2022 is presented below:

RONm	2020	2021	2022	22/'21
<b>Net banking income</b>	<b>2,927</b>	<b>2,930</b>	<b>3,289</b>	<b>12.3%</b>
- net interest income	1,957	1,953	2,239	14.6%
- net commissions	674	706	719	1.9%
- other banking income	296	271	330	22.1%
<b>Operating expenses</b>	<b>(1,481)</b>	<b>(1,494)</b>	<b>(1,641)</b>	<b>9.8%</b>
- staff expenses	(779)	(765)	(839)	9.7%
- non-staff expenses	(702)	(729)	(802)	10.0%
<b>Operating profit</b>	<b>1,445</b>	<b>1,436</b>	<b>1,648</b>	<b>14.8%</b>
Net cost of risk	(313)	159	(93)	n.a.
Gross result	1,132	1,595	1,555	-2.5%
<b>Net result</b>	<b>952</b>	<b>1,279</b>	<b>1,286</b>	<b>0.5%</b>

BRD Group 2022 net banking income reached RON 3,459 million, higher with +11.7% compared to 2021.

The macroeconomic environment was marked by strong inflationary pressures, an accelerated upward trend of market interest rates and increased volatility. Given the very dynamic commercial activity and the effect of interest rates context, net interest income advanced by +13.7% on a yearly basis, being tempered by the significantly increased remuneration of customers' deposits.

Net fees and commissions were up +1.4% compared to 2021 amid increased volume of transactions and dynamic health insurance production, counterbalancing the lower revenues from asset management activity and e-banking commissions given the migration of retail customers to the free of charge mobile application, YouBRD. Other revenues had a very positive evolution (+24.5% vs 2021) on a strong momentum of financial markets activity.

Inflation pressure on operating expenses was visible throughout the year, but costs' increase was limited by a maintained rigorous spending discipline. Overall operating expenses increased by +8.3% compared to 2021, if excluding the higher contribution to Guarantee and Resolution Funds. Staff expenses (+8.5% y/y) were influenced largely by the price effect of wage increase and other benefits adjustments within the collective labor agreement (especially meal tickets) and exceptional inflation premium, supporting our employees in managing the higher cost of living. The evolution of other costs notably mirrors higher expenses on external services, elevated energy prices and increased IT&C related expenses supporting the visible digitization of our customers' journey.

Gross operating income reached RON 1,715 million (+14.3% compared to 2021) and cost to income ratio improved on positive jaws effect (50.4% in 2022 vs 51.6% in 2021).

The asset quality remains solid, with NPL ratio<sup>5</sup> reaching 2.5% in December 2022 (down from 3.1% in December 2021) and end of year NPL coverage rate<sup>6</sup> standing at a comfortable 76.5% level. Full year net cost of risk registered RON 95 million charge (vs. RON 146 million release in 2021) linked to the macroeconomic context, while the non-performing portfolio showed sustained recoveries and a low level of new defaults.

Given all the above, BRD Group net profit amounted RON 1,337 million compared to RON 1,319 million in 2021, with ROE reaching 15.9% (13.4% in 2021). Return on assets stood at 1.9% in 2022 (vs. 2% in 2021).

The Bank recorded similar trends, with a net result of RON 1,286 million versus RON 1,279 million in 2021.

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.

#### **Subsequent events** identified after the reporting date:

The Extraordinary General Shareholders' Meeting approved on its meeting held on 16<sup>th</sup> of February 2023 an envelope of EUR 300 million, for one/several loans that can be eligible as Additional Tier 1 instruments, in accordance with EU Regulation no 575/2013 on prudential requirements for credit institutions and investment firms. The Loans shall be perpetual (including call options for the issuer), denominated in EURO or RON, having a fixed or variable interest rate, an annually or semi-annually frequency, through one or several drawings, until the maximum ceiling is reached. The envelope has a preventive purpose, answering regulatory ratios in case of need.

#### **AWARDS RECEIVED IN 2022**

- ✓ Best ROA, Best ROE, awarded by Piata Financiara
- ✓ Best NPL dynamic, awarded by Piata Financiara
- ✓ Excellency in financing environment projects, awarded by Green Report
- ✓ Leader in green finance, awarded by Capital
- ✓ Bank of the Year in Lending, awarded by Piata Financiara
- ✓ Best Trade Finance Provider in Romania and The World's Best Sub-Custodian in Romania, awarded by Global Finance for 7 years, and last 7 years in a row respectively
- ✓ Score 10 Vektor, for the Best practices in corporate governance and investor communications, awarded by ARIR

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<sup>5</sup> NPL ratio at Bank level (computed according to EBA risk indicator AQT\_3.2)

<sup>6</sup> NPL coverage ratio at Bank level (computed according to EBA risk indicator AQT\_41.2)

## 5. RISK MANAGEMENT

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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 National Bank of Romania 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 risks' 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 strong 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 and funding risks
- Structural risks
- Market risk in trading book
- Operational risk
- Compliance risk
- Reputational risk
- Strategic risk
- Excessive usage of leverage effect risk

Climate and environmental risks have been identified as factors that may aggravate existing risk categories.

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 within its risk capacity, in line with its business model, to achieve its strategic objectives. 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 segments. 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 risk indicators and corresponding quantitative measures are defined by considering the risk profile, size and complexity of activities performed by the Bank. Their evolution is regularly monitored over the year in order to detect any events that may result in unfavorable developments on the 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 ensures the identification of the functions within the Bank responsible to address and manage the risks, while reinforcing 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 *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 Structures are responsible for direct management of credit risk, risks associated with credit risk, market risk and operational risk and oversee the evolution of all significant risks within BRD
- Finance Department, which manages liquidity and funding risks, 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
- Legal Department, which is accountable for the legal risk management, while Business Solution Center Pole and Information Security Division manage IT risks (as components of operational risk)
- Compliance Department, 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 defense (as mentioned above), Risk Management Structures perform 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. The Internal Audit function reports to and operates under the mandate of the Board of Directors.

Risk management within BRD is governed by the management body, which is and assisted by specialized committees in accomplishing its 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 on risk management in order to develop, implement and update a solid internal governance framework, in accordance with local regulations and policies of the Societe Generale Group.

### ***Nomination Committee***

The Nomination Committee advises the Board of Directors regarding the selection, monitoring and succession of the members of the management body and the evaluation of the adequacy of key function holders.

### ***Remuneration Committee***

The Remuneration Committee advises in elaborating and supervising the implementation of the Bank's remuneration policy.

## **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, of liquidity and funding sources, structural risks (interest rate risk and foreign exchange risk in banking book) and of the Bank's capital base.

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

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

The *Internal Control Committee* has as main mission to analyze at a general level the way internal control activities are carried out from an organizational / functional perspective, the results obtained and the deficiencies found in internal control activities.

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 *Projects' Review Committee* supports the Executive Committee to follow-up the Bank's projects.

The *Data Governance Committee*'s mission is to analyze the data governance activity, mainly concerning implementation of the data governance strategy and data quality.

The *Price Committee*'s mission is to analyze and propose to the decision-making bodies of the Bank measures regarding the pricing policy and strategy (commissions, interest) of the Bank's products, taking into account budgetary objectives, competitive environment, the Bank's commercial strategy and market evolution

The *Compliance Committee* has as main objective the analysis of the activity regarding the compliance risk management, including the presentation of the deficiencies identified during compliance control activity.

*The Climate change, Environmental and Social Committee's* main mission is to carry out strategic CSR (Corporate Social Responsibility) analyses by relating to the Bank's objectives in order to present the measures for implementing the CSR strategy (including climate change and environmental topics).

## **MAIN RISK FACTORS**

### **Challenging macroeconomic context**

Banking business is highly sensitive to changes in financial markets and economic conditions. Nowadays, the macroeconomic environment is a very challenging one, on the background of mutually interacting factors such as: the invasion of Ukraine by Russia, the energy crisis, the significant increase of inflation, the evolution of financing costs, the uncertainty regarding COVID-19 pandemic. All these elements, in conjunction with the already existing vulnerabilities in the financial system, led to a readjustment of growth forecasts, influencing in the same time the consumers and investors' confidence. Although the dynamic of the non-performing loan portfolio provides grounds for optimism, the evolution of credit risk in the period ahead is tightly linked to the persistence of an unfavorable macroeconomic environment.

### **Climate related and environmental risks**

Environmental, social and governance (ESG) risks are defined as risks stemming from the current or prospective impacts of ESG factors on counterparties or invested assets of financial institutions. ESG risks are seen as aggravating factors to the traditional categories of risks and are likely to impact the banks' activities in the short-, medium- and long-term.

In the coming period, the impact of climate change and the efforts undertaken at European level for the transition to a green economy will have a growing influence on the financial system. Addressing risks stemming from climate change and environmental degradation may be one of the main challenges for banks in the years to come, as they are envisaged to play a more active role in supporting the transition to a more sustainable economy.

### **Unpredictability and uncertainty of legal framework**

The uncertainty and lack of predictability of legal changes could have an adverse effect on financial institutions by putting pressure on liquidity, solvency and profitability.

Financial institutions are subject to a more and more extensive supervisory and regulatory framework (for instance, various EBA guidelines, CRD VI, CRR 3, etc), while adaptation to such changes requires significant resources that could affect the banks' performance. Additionally, a new set of regulations arose as a result of the high-level commitment to tackle climate change (e.g. CSRD - Corporate Sustainability Reporting Directive, ESRS - European Sustainability Reporting Standards, EU Taxonomy, SFDR - Sustainable Finance Disclosure Regulation, ESG Pillar 3 package). The high impact of the implementation of the sustainable finance regulatory framework and the increase in non-financial reporting obligations, in a relatively short timeframe, sets an additional challenge for banking institutions.

### **Highly competitive environment, undergoing digital transformation**

The Bank operates in an environment subject to intense competition both from banking and emerging non-banking actors (FinTechs), changing business models, translating in increasing risk to market shares and margins. Competition refers to digital transformation, the speed of answering to the customers' requests, evolving products and services, innovation, reputation, price, technology infrastructure and data management. Along with digital transformation, it is imperative for credit institutions to also manage the associated risks may be exposed to (e.g. cyber risk, data leakage risk, etc.).

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 guarantees
- use of an internal rating system for non-retail 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 mitigation 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's 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 and bonds, placements with the Central Bank for liquidity purposes (including the minimum reserve requirements) and the guarantees received from the Romanian State for governmental programs.

Undertaking of credit risk is part of the Group's risk management strategy based on its risk appetite. Société Générale'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 default.

#### **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 credit protection) or guarantee (unfunded credit 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, deposits, Romanian government bonds, shares)
- Non-financial collateral (real estate, movable assets, receivables, intangibles, payment instruments)
- Guarantees (personal guarantees, letters of guarantee, letters of comfort, financial guarantees issued by guarantee funds and Eximbank, sovereign guarantees, endorsements)

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***

The market value of real estate collaterals is estimated by certified internal or external evaluators. The valuation is performed in accordance with the International Valuation Standards and ANEVAR Standards and Recommendations. To be noted that real estate valuations have to be verified by the competent units, independently from the credit approval process.

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.

### ***Guarantees***

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.

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 / Noua 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.

### ***Residual risk management***

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, acceptance and eligibility criteria), regular 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 in Note 43.1 to the consolidated and separate financial statements as of the year ended December 31, 2022.

## **LIQUIDITY RISK AND FUNDING RISK**

Liquidity and funding 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 month horizon, assessing the Bank's resilience and ability to continue to function in times of prolonged stressed liquidity conditions. The Bank also implemented a reverse stress test scenario which assesses what assumptions could be considered in order to challenge the viability of the institution, starting from a pre-defined outcome such as a breach of the minimum required level for the Liquidity Coverage Ratio as it is considered within the Recovery Activation Dashboard.

Detailed information on liquidity risk is found in Note 43.3 to the consolidated and separate financial statements as of the year ended December 31, 2022.

#### **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 interest rate risk is managed through two metrics: balance sheet sensitivity to yield curve shifts and net interest income sensitivity. Balance sheet sensitivity is defined as the variation in the net present value of future principal and interest cash flows of all items in the banking book, balance sheet and off-balance sheet for two steering scenarios of +/- 10 bps parallel shift in the yield curve and for two stressed scenarios of +/-100bps parallel yield curve shifts. A set of limits is applied to balance sheet sensitivity and the compliance with those limits is monitored by ALCO on a monthly basis. The gaps between outstanding assets and liabilities are determined on the basis of the contractual terms of transactions, models based on clients' historic behavior patterns, as well as conventional assumptions relating to certain balance sheet items. Net interest income sensitivity indicator is calculated quarterly and presented to ALCO, but even though a set of limits is in place for this indicator, the main steering indicator remains balance sheet sensitivity.

Detailed information on interest rate risk is found in Note 43.2 to the consolidated and separate financial statements as of the year ended December 31, 2022.

#### **MARKET RISK IN TRADING BOOK**

Market risk is defined as the risk of registering losses in on and off-balance sheet positions arising from unfavorable movements of market parameters (FX rates, interest rates, share prices etc.).

Market risk management is 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. 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.

Market risk management is carried out according to the below principles:

- Compliance with internal framework and local and European regulations
- Functional independence from business lines
- Definition and/or validation of different methodologies, metrics' typologies, 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

Detailed information on market risk is found in Note 43.2 to the consolidated and separate financial statements as of the year ended December 31, 2022.

## **OPERATIONAL RISK**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, personnel and systems, or from external events. It includes legal risk, risk related to information technology and communication and security risk, conduct risk and model risk, but excludes the strategic risk.

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

- identification, analysis and evaluation of operational risks, their control and follow up
- applying measures meant to improve and strengthen the control framework, in order to prevent/reduce operational risk losses
- ensuring adequate capital requirements for covering exposure to operational risks

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 prevention, detection and investigation system
- Committee for New Products, which ensures the assessment of operational risks associated with new products for Banks' clients, outsourcing of activities and significant modifications of the existing products offered to the Bank's clients
- Crisis management and business continuity plan
- Management of Information Security and IT Risk

In 2022, the operational risk strategy focused on the following axes:

- Continue the enhancement of operational risk culture through new sessions of operational risk awareness and staff training, including specific session on fraud risk, information security and business continuity risk
- Continue the improvement of the operational risk management process and tools by adapting to the internal and external environment.

## 6. CAPITAL MANAGEMENT AND ADEQUACY

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### CONSOLIDATION PERIMETER

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

As BRD is parent credit institution in Romania and, at the same time, subsidiary of Société Générale, 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 BRD Group's 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. Non-consolidated subsidiaries are included in the prudential consolidated statements based on equity method.

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

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

### OWN FUNDS

BRD Group regulatory own funds as at December 31, 2022 amounted to RON 8,231 million (including current year net result and the impact of OCI quick fix adjustments) compared to RON 7,422 million as at December 31, 2021 (including the 2021 profit net of dividends paid in amount of RON 896 million).

Starting 2021 end, BRD applied the temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income, quick fix adjustment (art. 468 of Regulation (EU) 575/2013 as amended by Regulation (EU) 873/2020 as regards certain adjustments in response to the COVID-19 pandemic), based on which institutions may remove from the calculation of their Common Equity Tier 1 items 40% (70% during 2021) of the amount of unrealized gains and losses accumulated since 31 December 2019 accounted for as 'fair value changes of debt instruments measured at fair value through other comprehensive income' in the balance sheet, corresponding to exposures to central governments, to regional governments or to local authorities. From 1<sup>st</sup> of January 2023 the quick-fix adjustment applied for the recognition of other comprehensive income reserve in own funds ceased its validity.

BRD Group regulatory own funds as at December 31, 2022 consist of common equity capital (CET1) and Tier 2 instruments.

Common Equity Capital (CET1) is formed of:

- Eligible Capital includes the nominal share capital and the hyperinflation adjustment of share capital accounted until December 31, 2003. As at December 31, 2022, 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 IFRS implementation adjustments.
  - Other reserves: legal reserves, general reserves for credit risk, fund for general banking risk, representing 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 debt instruments at fair value through other comprehensive income and from re-

measurement of defined benefit liability arising from the post-employment benefit plan. As mentioned above, starting 2021 end, BRD applies the temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income, according to art. 468 of Regulation (EU) 575/2013.

Regulatory deductions from CET 1 applicable as at December 31, 2022 essentially involved the following elements:

- Starting 31 December 2020, intangible assets that are not prudently valued as per Regulation 876/2019 are deducted 100% from CET 1 (as compared to previous periods when intangible assets accounting value was fully deducted from CET 1). Under this current approach, the positive difference between the prudential and the accounting amortisation becomes fully deducted from the CET 1 capital, while the residual portion of the carrying value of the software prudently valued is risk weighted at 100%. Goodwill is fully deducted from CET 1 capital.
- Contingent or any foreseeable tax charges related to CET 1 reserves taxable upon utilization to cover losses or risks.

As at December 31, 2022, Tier 2 instruments consist of two subordinated loans concluded with the parent, EUR 250 million in total (RON equivalent 1,237 million).

## CAPITAL REQUIREMENTS

From a regulatory perspective, capital requirements cover:

- credit risk
- operational risk, foreign exchange risk and settlement risk
- position risk in trading book
- credit valuation adjustment risk of OTC derivative instruments.

The calculation of credit risk capital requirement takes into account the transactions' 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). All CRR2 requirements have been implemented starting from June 2021.

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 to 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). In 2022 this requirement represented 5.87% of RWA (4.59% during 2021). Thus, the TSCR (total SREP capital requirements) for BRD Group is 13.87% for 2022 (12.59% for 2021).

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. This buffer is mandatory and fully effective from 1 January 2019 and amounts to 2.5% of total RWA.
- A Countercyclical Buffer that may be imposed during periods of excessive credit growth when system-wide risk is building up, capped at 2.5% of total RWA. According to NBR Order 6/2021 amending the NBR Order 12/2015, the level of countercyclical buffer for credit exposures in Romania is 0.5% (from 0% previously), starting October 17, 2022.
- Other systemically important institutions (O-SIIs) identified by NBR which have been authorized in Romania, may be subject to an 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 until

December 2021 end. Based on a new calibration methodology, starting 1 January 2022 the O-SII Capital Buffer for BRD is 1.5% of total RWA.

- A Systemic Risk Buffer was imposed, according to NBR Order 4/2018, starting with 30 June 2018, with the aim of supporting the adequate management of credit risk and enhancing banking sector resilience to unanticipated shocks, amid unfavourable structural circumstances. The buffer is applied to all exposure and is calibrated at 0% - 2%, depending on the level of the non-performing loans ratio and the coverage ratio. The systemic risk buffer applicable for BRD is 0%. Following the release of NBR Regulation 2/2022 amending Regulation 5/2013, transposing CRD V, the requirement for structural buffers will be the sum of O-SII buffer and Systemic Risk Buffer.

#### **MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)**

According to Bank Recovery and Resolution Directive (BRRD), the banks should have the loss-absorbing and recapitalization capacity necessary to help ensure that, in, and immediately following a resolution, those institutions can continue to perform critical functions (criticality assessed from the perspective of impact on the markets) without putting taxpayers' funds, meaning public funds, or financial stability at risk.

Therefore it was regulated a requirement for own funds and eligible liabilities (MREL) for all credit institutions and investment firms through BRRD1 (Directive 2014/59) transposed in Romanian legislation through Law 312/2015, and BRRD2 (Directive 2019/879) transposed in local legislation through Law 320/2021.

BRD received in April 2022 the notification of MREL, according to BRRD2, determined by the resolution authority considering its consolidated situation. This requirement is set currently at the level of 25.22% of TREA (total risk exposure amount) and 5.90% of LRE (leverage exposure), to be complied with by 1 January 2024, subject to an intermediate target of 22.23% of TREA and 5.90% of LRE at 1 July 2022. On top of the above, combined buffer requirement should be respected (4.5% of TREA, starting 17 October 2022). BRD shall ensure a linear build-up of own funds and eligible liabilities towards the requirements.

As the resolution strategy for Société Générale is Single Point of Entry, with upstream of losses to the resolution entity (Société Générale SA), the total MREL should be satisfied with own funds and a new category of debt (senior not preferred, SNP), ranking above own funds and subordinated that is not AT1 or T2, but below senior preferred. The SNP should be concluded with the parent (Art. 45 f (2) BRRD2).

BRD concluded three senior non-preferred loans with the parent, of EUR 720 million in total, as presented below:

- EUR 450 million, initial term of three years (received in December 2021)
- EUR 150 million, initial term of three years (received in June 2022)
- EUR 120 million, initial term of three years (received in December 2022).

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

	Bank			Group		
	2021	2022	2022 w/o OCI quick fix impact	2021	2022	2022 w/o OCI quick fix impact
<b>RON m</b>						
Tier 1 capital	6,646	6,714	5,818	6,927	6,995	6,098
Tier 2 capital	495	1,237	1,237	495	1,237	1,237
<b>Total own funds</b>	<b>7,141</b>	<b>7,951</b>	<b>7,055</b>	<b>7,422</b>	<b>8,231</b>	<b>7,335</b>
<b>Risk weighted assets</b>						
Credit risk (including counterparty risk)	27,067	29,150	29,577	28,753	31,067	31,495
Market risk	138	76	76	132	77	77
Operational risk	2,125	2,448	2,448	2,211	2,526	2,526
Credit valuation adjustment (CVA) risk	266	218	218	266	218	218
<b>Total risk exposure amount (TREA)</b>	<b>29,596</b>	<b>31,892</b>	<b>32,320</b>	<b>31,362</b>	<b>33,888</b>	<b>34,316</b>
<b>Regulatory Capital Adequacy Ratio</b>	<b>24.13%</b>	<b>24.93%</b>	<b>21.83%</b>	<b>23.66%</b>	<b>24.29%</b>	<b>21.37%</b>
<b>Tier 1 ratio</b>	<b>22.46%</b>	<b>21.05%</b>	<b>18.00%</b>	<b>22.09%</b>	<b>20.64%</b>	<b>17.77%</b>
<b>Eligible liabilities (senior non preferred loans)</b>					<b>3,562</b>	<b>3,562</b>
<b>Total own funds and eligible liabilities</b>					<b>11,794</b>	<b>10,897</b>
<b>MREL (% of TREA)</b>					<b>34.80%</b>	<b>31.76%</b>

Note: Own funds at December 31, 2022 end include full net profit of the year 2022

## LEVERAGE RATIO

The leverage ratio reached 8.4% (including current year net result and OCI quick fix adjustment) as at 31 December 2022 at Group level, which is well above the 3% minimum requirement enforced based on Regulation 2019/876 amending CRR starting with June 2021.

The sustainable level of leverage ratio results from the strong capital base, namely high level Common Equity Tier 1 capital and Tier 2 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.

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

Based on the Business and Risk 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.



## 7. INTERNAL CONTROL FRAMEWORK

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Internal Control System 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 all staff for the operations in their area of activity, comprising all of the Bank's structures (located both in the Network and Headquarters) 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.

All Bank's structures (including structures acting as control functions) are responsible with performing the first level controls. They represent all measures implemented at operational level, in order to ensure the conformity, validity and security of the performed operations (controls on operational activity and controls on accounts).

The responsibility for the implementation and operation of first level controls is with the management of all Bank's structures (both in first and second line of defense), by the continuous management of risks arising from their daily activities, as per internal normative framework, but also for the implementation of first-level controls and by taking the necessary corrective measures in all cases where deficiencies are identified as a result of the processes or of the carrying out of the control.

Business Integrity Support (BIS) coordinates and harmonizes the managerial supervision by providing support to operational management in its implementation. BIS centralizes the results of managerial supervision controls and submits them to the Executive Committee, Risk Management Committee and Internal Control Committee, if the case.

In a manner similar to BIS, General Accounting Division through the dedicated team, coordinates and assists the Bank's structures in the managerial supervision of accounts.

The *second line* of defense is represented by risk management and compliance functions. As independent functions that oversee risks, they ensure that risks are identified, measured, monitored and reported, according to internal and external requirements, and provide support to operational structures in meeting their risk management tasks.

Risk Management Function is responsible for overseeing risk identification, evaluation, monitoring, and reporting activities, independently of operational and support structures. It has the mission to support the Bank's structures in managing the risks arising from their day-to-day activities. Deputy CEO in charge of Risk (Chief Risk Officer) is the Coordinator of the Centralized Risk Management function and reports to the management body, as well as to relevant committees, all the results / conclusions / recommendations for improving the risk management function. Details regarding Risk Management Function and structures involved are presented in the chapter regarding risk management governance.

As part of the risk management function, BRD has in place a Level 2 control structure that has the responsibility to ensure a better internal control system efficiency by evaluating the quality of the level 1 control. This assessment addresses controls to prevent operational risks generated by the activities and processes within BRD Group. Level 2 control has the following responsibilities:

- Evaluating the design of Level 1 controls / control procedures to ensure that there is a proper framework for monitoring and controlling operational risks related to activities
- Evaluating the performance of these controls to ensure that all operational risks and anomalies have been identified by the first level of control, and that there are appropriate remedial actions and that they are implemented

Compliance Function is an internal control function independent of the other control functions. Its staff has no attributions that fall within the scope of the activities they are to monitor and control and must not be in any conflict of interest from the point of view of compliance responsibilities. The compliance function is coordinated by the Director of the Compliance Department, who is the coordinator of the compliance function at Bank level, being hierarchically subordinated to the Bank's CEO.

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.

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 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.

## 8. CONCLUSIONS AND PERSPECTIVES FOR 2023

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2022 was a very particular year, with the unfolding of dramatic geopolitical evolutions since the beginning of the war in Ukraine. In conjunction with already elevated inflationary pressures, these evolutions have made their mark on the global economic environment. The business environment in Romania has been fairly well protected thanks to the actions of European and national authorities and the resilience of companies, which indicates that the economic system has reached a rather advanced degree of maturity.

Overall, Romanian economy expanded by 4.8% compared to 2021, counting among the best performing EU member states.

In this context, BRD remained a truly committed, trustworthy and effective partner of Romania's economy and of its customers. The value of new loans granted to individuals reached almost RON 7.5 billion, marking a record level for the housing loan production and the second best year for the new consumer loans. Lending to corporates registered an excellent dynamic with outstanding loan portfolio growth reaching 26% versus 2021 end, underpinned also by the active participation in IMM Invest program. In addition, BRD strong commitment in supporting sustainability transitions continued to firmly materialize, with almost RON 1.1 billion sustainable financing transactions concluded in 2022.

The digital journey of customers continued to be further enhanced, with important deliveries such as the launch of instant payments and 100% online credit card issuance. The digital adoption increased and BRD mobile app, YouBRD has already surpassed the significant milestone of 1 million users.

Benefiting on a solid commercial activity, the net banking income increased on a yearly basis, being underpinned by net interest income advance and the strong momentum of financial markets activity. Despite significant inflationary pressures, costs' increase was limited by maintaining a rigorous spending discipline, while further supporting the digital transformation roadmap. The asset quality remained solid, with a low NPL ratio and a comfortable coverage. All the above translated into a high level of profitability for the full year.

BRD confirms its solidity and determination to continue to responsibly fulfil its mission as a leading bank in Romania. In addition, BRD continues its investments in essential areas for the future of Romanian society, like education, science & technology, culture, sport, environment, remaining a committed partner for both its clients and the society.

Further details on the Bank's perspectives and objectives are presented in the budget for 2023 which is submitted for approval to the General Assembly of Shareholders.

## 9. BOARD OF DIRECTORS' PROPOSALS

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- 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, 2022, made of:
  - Consolidated and separate statement of financial position;
  - Consolidated and separate profit or loss;
  - Consolidated and separate statement of comprehensive income;
  - Consolidated and separate statement of changes in equity;
  - Consolidated and separate statement of cash flows;
  - Notes to the consolidated and separate financial statements.
- 2) No dividend from 2022 profit shall be proposed for approval by General Shareholders Meeting. This proposal is in consistency with the strong recommendations of prudence from National Committee for Macroprudential Oversight and National Bank of Romania. Considering that the high risk of volatility persists and the temporary treatment of unrealized gains and losses of financial instruments measured at fair value through other comprehensive income (“quick fix relief”) is no longer applicable starting 1<sup>st</sup> of January 2023, this decision was taken in order to ensure enough lending capacity while respecting on a permanent basis, including in severely adverse conditions the regulated ratios.
- 3) Discharge of the Board of Directors.

**Giovanni LUCA SOMA**

**Chairman of the Board of Directors**

**François BLOCH**

**Chief Executive Officer**

**Etienne LOULERGUE**

**Deputy Chief Executive 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
<b>Section A – Responsibilities</b>				
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-quotate) 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			
<p>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 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</p>	X			

<p>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 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 information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.</p>	X			
<p>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.</p>	X			

<b>Section B - Risk management and internal control system</b>				
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 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.	X			
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	X			

division (internal audit department) within the company or by retaining an independent third-party entity.				
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.	X			
<b>Section C - Fair rewards and motivation</b>				
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. 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. 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. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.	X			
<b>Section D - Building value through investors' relations</b>				
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:  D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures. 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;	X			



<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 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			
<p>D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.</p>	X			
<p>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</p>	X			

subject to resolution at the general meeting.				
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 STATEMENT

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This non-financial statement represents only a very brief description of the BRD approach on sustainability and corporate social responsibility. A detailed description of BRD activity shall be presented in a separate, dedicated sustainability report drafted in accordance to Romanian legislation regarding the non-financial reporting: National Bank of Romania (NBR) Order No. 7/2016, Financial Supervisory Authority (ASF) Regulation No. 5/2018, the Ministry of Public Finance (MPF) Order No. 2844/2016 and the Ministry of Public Finance (MPF) Order No. 3456/2018 as well as Global Reporting Standards (GRI).

### I. DESCRIPTION OF THE ACTIVITY

Details on chapter 4 of the Report – Group Activity and Results.

### II. CORPORATE SOCIAL RESPONSIBILITY

As part of Société Générale Group which is a signatory to the United Nations (UN) Global Compact since 2003, BRD Group is fully committed to integrate these principles relating to human rights, working conditions and the fight against corruption in all its activities and to actively promote the principles within the value chain. Furthermore, BRD Group supports and contributes meeting the UN Sustainable Development Goals (SDGs), recognizing their importance in addressing the biggest societal challenges of the world.

In the following years, BRD Group wants to increase its contribution to these global objectives and establish more actions through which will better contribute to their achieving.

Through the Corporate Social Responsibility (CSR) policy established since 2020, BRD reinforces its assumed role in society: a reliable partner for its employees, customers and suppliers that the Group support to achieve their dreams and goals and a factor of progress for the economy, the environment and the future Romanian society. Through the CSR policy the BRD supports development, innovation and sustainability for both the Bank and its internal and external stakeholders. In developing and implementing its CSR policy, BRD builds on seven values and principles and the above mentioned UN SDGs.

**The 7 BRD Values and Principles are:**

1. Client first - Trustworthy partners for our customers
2. Integrity - Always do the right thing
3. Care - We care about our people
4. Team spirit - We are One Team built on mutual trust
5. Innovation - We believe in simplicity
6. Responsibility - We lead by example and courage
7. Commitment - We hold ourselves, with professionalism, to the highest standards

For BRD, mitigating climate change is one of the most important global objectives to which we can contribute considering the financing products and solution we can offer to support the transition to a low-carbon and less-intensive resource consumption economy in line with the objectives of the European Green Deal, the Paris Climate Change Agreement and the EU climate targets.

As a consequence, SG Group become a stronger supporter and a direct contributor to the main international initiatives that fight against climate change and encourage climate change mitigation measures. Thus, in 2017, SG adopted the Principles for Positive Impact Finance (UNEP-FI) and became a supporter of the recommendations of TCFD. In 2019, SG Group adhered to the Katowice commitment to align financing portfolios with global climate objectives and joined, as the first French bank, the Climate Bonds Partner Programme, an international network of financial actors working with Climate Bonds to shift investment towards a low-carbon and climate resilient economy. In the same year, SG Group signed the Poseidon Principles that promote low carbon emissions for the global shipping industry, by integrating climate objectives into portfolio management and bank lending decisions. Starting 2020, the Group is aligned with the Paris Agreement and helped found the Net Zero Banking Alliance in April 2020. As part of the SG Group, BRD Group supports and acknowledges all these international initiatives, striving to contribute to the achievement of these ambitious objectives. In addition to the fight against climate change, BRD Group also supports other environmental issues, such as biodiversity. SG Group has implemented a special cross-sector policy on biodiversity conservation, which applies to all Group banking and financial operations and involves procedures for reviewing

dedicated transactions (for which the underlying asset is known and fit in the perimeter of evaluations) and customers. As a direct consequence, Environmental and Social (E&S) standards apply to all activities carried out by the Bank. The principles of sustainable financing with a positive impact are based on BRD's vision and commitments in the field of CSR. Beyond the E&S risk assessment activities, the Bank is committed to promoting sustainable investments and financing with a positive impact.

### **Implementation of the CSR policy**

In order to implement the CSR policy and ensure a follow-up of its performance within BRD, the structures of the Bank directly involved in the interaction with stakeholders fulfill the attributions presented below. In this sense, each structure has the freedom and responsibility to detail the stated principles as well as how to inform the partners of these principles according to the specifics of its own activity in the normative documents that regulate its activity. The obligations of the bank's structures for the implementation of the CSR policy are the following:

- implements, depending on the specifics of the activity and business objectives, the principles related to CSR policy in relation to employees, customers, suppliers and other third parties;
- adapts, as far as possible, the products and services offered to internal and external clients, as well as to partners, to the principles of positive impact financing taking into account the principles of the Bank's CSR policy; communicates to the Communication Division the relevant information on the actions taken to implement the CSR policy and their results, upon request and within the deadlines set by SEGL (General Secretariat);
- establishes, together with the Corporate Affairs Division, the annual indicators for assessing progress. In addition to the above, the following structures fulfill specific attributions related to the implementation of CSR policies at the level of the Bank.

### **The General Secretariat (SEGL) - Corporate Affairs Division**

- Coordinates the manner in which the CSR policy is established, with the support of the banks structures involved in this activity and in consultation with the Climate Change, Environmental and Social Change Committee;
- Represents the Bank, in this field, in relations with professional organizations and associations and with specialized bodies and plays the role of interface with the outside world in CSR issues;
- Coordinates the information centralization process and carries out annually, or whenever necessary, the reports requested by the SG regarding the CSR activities carried out at BRD level;
- Advises the structures of the Bank, at their request, on the CSR clauses within the contracts signed by the Bank with external suppliers;
- Establishes annually, together with the Bank's structures, the annual indicators for evaluating the progress on CSR related topics;
- Monitors periodically, taking into account the annual progress indicators fulfilment of CSR policy obligations by other Bank structures;
- Prepares, with the support of the Bank's structures, the Sustainability Report, for its approval by the management; Together with the Communication Division, it communicates to internal and external stakeholders the carried-out CSR projects and their results;
- Maintains and periodically updates the list of those responsible at the level of the structures for transposing the specific steps that the Bank takes in order to achieve the CSR objectives;
- Constitutes, together with representatives of the Communication Division, a dedicated working group - CSR Team - responsible for monitoring and evaluating how the principles of CSR are implemented. The CSR Team meets whenever necessary.

### **The General Secretariat (Communication Division) implements the Bank's CSR policy in relation to the categories of stakeholders in its area of responsibility, as follows:**

- In relation to various communities (NGOs, sports and / or cultural associations, etc.) - defines and implements the policy of sponsorship and support of communities;
- Defines criteria on the basis of which it supports, through sponsorship, the communities relevant to the Bank. These will take into account: the field of activity of the organization and the purpose of the project, the size and history of the organization, the history of the relationship between the Bank and the organization, the financial value of the projects;
- Together with the Corporate Affairs Division, it communicates to internal and external stakeholders the CSR projects carried out and their results. Provides the Corporate Affairs Division support in the drafting of the Sustainability Report.

## Human Resources Department (DRU)

- Carries out, in collaboration with the Communication Division, actions to involve BRD employees in CSR projects carried out within the communities in which the Bank operates and in collaboration with its partners among NGOs, sports and / or cultural associations, etc.

## Environmental Social and Positive Impact Financing Division (ESPIF)

- Provides support to business departments in assessing customer E&S factors and transactions and in structuring sustainable financing transactions with a positive impact. BRD is planning to draft a specific sustainability strategy in the next period in order to take into account the latest developments in the field, the general strategy of the bank and stakeholders' expectations. In addition, in order to strengthen the general approach of the group in this field of sustainability, there are other initiatives at the level of each entity.

Climate Change, Environmental and Social Committee is a permanent consultative committee whose main mission is to carry out strategic CSR analysis by reporting to the Bank's objectives, in order to present to the Management Committee, the measures for implementing the CSR strategy in this area.

The mission includes making proposals for setting the Bank's objectives, adopting the relevant regulatory framework, monitoring the Bank's commitments, communication and any other topics related to environmental, climate and social issues. The committee was established in 2021 and is chaired by the CEO.

The Committee discussed as follows: ESG roadmap, CNSM Report on Green Finance, UNEP FI Report on testing the applicability of EU Taxonomy to core banking products, EU Taxonomy preparation, programmes meant to prepare BRD for the new and/or upcoming legislation in the area of sustainability, CSR disclosure, etc. In order to implement the CSR Group policy and to ensure a follow-up of its performance, there are more structures established at the Bank level.

## Group Commitments and CSR topics

As part of Société Générale Group, BRD conduct its business with the utmost respect for the values 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 (Organization for Economic Cooperation 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 (renewed in February 2019);
- ✓ 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
- ✓ 2017: Adoption of the Principles for Positive Impact Finance (UNEP-FI);
- ✓ 2017: Supporting the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD);
- ✓ 2018: Katowice commitment to align financing portfolios with global climate objectives;
- ✓ 2018: Société Générale is the first French bank to join the Climate Bonds Partner Programme, an international network of financial actors working with Climate Bonds to shift investment towards a low-carbon and climate resilient economy.
- ✓ 2019: Signs Poseidon principles that promote low carbon emissions for the global shipping industry, by integrating climate objectives into portfolio management and bank lending decisions.
- ✓ 2020: PACTA for Banks, Hydrogen Council
- ✓ 2021: UNEP-FI Net-Zero Banking Alliance & NZAO, Steel Climate Aligned Finance Working Group
- ✓ 2022: Aviation Climate-Aligned Finance Working Group, Aluminium Climate-Aligned Finance Working Group, Sustainable STEEL Principles

### III. 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 it operates. Being responsible and ethical means responding quickly to customers’ needs while protecting the long-term interests of all stakeholders, through strict compliance with the applicable rules.

Customer satisfaction is subject to periodic studies. Société Générale conducts annual group-level surveys for each subsidiary, the main segments of clients (individuals, small business and corporate clients), to evaluate the level of satisfaction in terms of customer-bank interaction. These polls show us both general satisfaction and detailed satisfaction with each interaction with the Bank. In addition, we evaluate the extent to which clients recommend us as a company, level measured through the NPS (Net Promoter Score) indicator.

In 2022, the NPS score at the individual customer level was 56 and at the small business customer, level was 57. Both values place us in the top 5 among major credit institutions: 4th place in the top if we refer to individuals and 2nd place in the top for small business.

Regarding corporate clients, with yearly turnover greater than 1 mil euro, NPS score for 2022 shows also a high level of general satisfaction. Its value of 65 for 2022 and 58 for 2021 are a recognition of the permanent BRD effort to meet customer expectations. The fact that in 2022 we rank first among main competitors, for a market segment with complex business needs, is a strong motivation for further improvements, in order to preserve a top position for customer satisfaction.

For retail, an important aspect to be mentioned is that, according to clients involved in customer satisfaction surveys, compared to its main competitor, BRD is the bank that registered the highest improvement of its relation with clients during the pandemic.

This initiative has been supplemented, starting with Q4 2018 with continuous studies to evaluate individuals and small business clients’ satisfaction following their interactions with different touchpoints of the Bank. These feedbacks are collected in real-time (max 48 H) and they help us to act promptly in order to try to transform the discontented clients into satisfied clients. In addition, we carry out other punctual studies and pre-post surveys testing new products launched to adapt as much as possible the offer to our clients’ needs.

We have also contact point with customers and dedicated services that respond to the questions, 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 We also have a dedicated chat and contact form on the website .

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 NonBanking Financial Sector - SAL-FIN, etc.).

In 2022, we handled 9,487 complaints, suggestions and requests at the relevant department level within the Bank.

During 2022, BRD remained in the top 3 most important contributor to CSALB, as a result of its focus on amicably resolving disputes in which the Bank is involved in customer relations.

BRD is one of the banks that has built a commercial and empathetic relationship with CSALB, being strongly involved in supporting this alternative dispute resolution approach.

BRD Groupe Société Générale has proven, in recent years, not only that it understands the role of the conciliation procedure, but also its willingness to effectively help its customers, and to assist in identifying real solutions to the needs of consumers who turn to CSALB. The BNR annual reports on CSALB's activity particularly appreciate the involvement of the bank's top management but also of the team directly involved (SEGL/Quality Department) in supporting CSALB's activity, including in the line of communication & PR and financial education projects.

CLIENT SATISFACTION	2020	2021	2022
Response time following a complaint (days)	30	30	30
Ombudsman response time in case of disagreement (CSALB) (days)	90	90	90
Number of mediation requests	154	222	164
Cases handled by the ombudsman (CSALB)	154	222	164
Cases handled by the ombudsman (CSALB), decision issued	51	70	40

**IV. ETHICS AND GOVERNANCE**

**RESPECT FOR HUMAN RIGHTS**

Société Générale is 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 Société Générale 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.

BRD is committed to maintain and improve 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.

## **CULTURE AND PROFESSIONAL CONDUCT**

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BRD has adopted the conduct and cultural directory lines and rules of Société Générale Group. The trust invested by BRD clients, shareholders and partners into the Bank and the personnel of the Bank, represents the fundament for building and preserving a long-term successful relationship.

The Code of Conduct gathers a set of strict rules and guidelines that aim to promote the values of BRD and Société Générale Group, at internal level and in relation with stakeholders involved in Bank's activity.

These values promote: moral integrity and honesty, professionalism and transparency, respect for implemented legislation and internal regulations, avoiding of conflicts of interest, impartiality and non-discrimination, ensuring confidentiality, prevention and fight against corruption, anti-money laundering and anti-financing of terrorist acts, social responsibility.

All BRD employees continued and completed e-learning sessions regarding culture and professional conduct. Code of Conduct is available and applicable for all employees, including relevant and affiliated people, for initiated people and for BRD employees in charge with Bank's activity on financial markets.

Given the above, BRD has not registered any major incident pertaining to aspects related to human rights, the fight against corruption and anti-bribery activities. A more detailed description of the actions taken in each of those areas is provided below in the respective section of the report.

## **FIGHT AGAINST CORRUPTION**

Société Générale Group conducts its business ethically and in compliance with all applicable laws, including laws prohibiting corruption, bribery and influence peddling in all countries in which it operates.

BRD, as part of the Société Générale Group, has adhered to the Société Générale Group's anti-corruption code, principles and rules. Any act of bribery or influence peddling is strictly prohibited in BRD.

As part of the projects initiated at Société Générale Group level in the field of anti-corruption and in line with the Group's standards, the Bank continued to strengthen its governance framework on anti-corruption / ABC (Anti-Bribery and Corruption) governance and to develop the regulatory framework by issuing or revising new regulations and strengthening specific processes. Dedicated ABC governance structures and specific roles in this area continued their work during 2022 and strengthened their perimeter, including through dedicated reporting at the Bank's management level.

The review of the internal regulatory framework in the area of ABC also continued, and a number of initiatives to strengthen it (internal regulations, controls, IT applications, etc.) have already been implemented and finalised, in line with Société Générale Group standards.

At BRD level, there are assessments on corruption-related risks, both from the perspective of the Bank's awareness of the associated risks (e.g. monitoring of e-learning sessions conducted for Bank staff and evaluation of the results) and as part of the annual exercises conducted at Société Générale Group level on anti-bribery and corruption risk assessment.

BRD staff belonging to the category of staff most exposed to corruption risks participated in the dedicated courses, with a 100% participation rate.

## **OTHER CORPORATE GOVERNANCE ELEMENTS**

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### **CONFLICTS OF INTEREST**

The main obligations of the members of the Board of Directors and the Management Committee, imposed at Bank level to prevent and avoid conflicts of interest, are:



- the obligation to act solely in the Bank's interest and to take decisions without being influenced by any self-interest that may arise in their activity;
- the obligation to keep confidential any facts, data or information that they become aware of in the course of their responsibilities and understand that they are not entitled to use or disclose them either during or after their activity;
- the obligation to inform the other members of the Board of Directors and the internal auditors of any operation in which they have, directly or indirectly, interests contrary to the interests of the Bank and not to take part in any deliberations concerning that operation;
- the members of the Management Body shall abstain when the agenda of the Board of Directors and the Management Committee includes decisions on third parties with whom they are in a conflict of interest by nature.
- the obligation to respect professional secrecy with regard to confidential information to which they have access, debates and decisions in which they have participated and which have not yet become public.
- Members of the Management Body must not take part in any deliberations on any matter in respect of which they are or may be in a conflict of interest or in which their objectivity or ability to perform their duties properly might otherwise be compromised.

### **REGIME APPLIED TO RELATED PARTIES**

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

In this respect, the related party transactions are concluded on fair terms that respect competition law, are subject to the same pricing rules and competences applicable to the transactions with non-affiliated parties.

The transactions with related parties whose value places them in the competence of the Board of Directors' approval are prior to the approval reviewed by the Audit Committee from the conflict of interest perspective.

### **TRANSACTIONS OF PERSONS WITH ACCESS TO PRIVILEGED INFORMATION**

In order to establish a preventive and secure framework of action for market operations by persons who, through their position in the Bank, have access to inside information in relation to BRD, the Bank has established and applied a series of ethical rules to be respected by directors, managers and a number of other persons with potential access to inside information, in order to avoid breaching the legal framework applicable to trading in financial instruments issued by BRD. Similar rules are also implemented for the trading of listed financial instruments issued by other issuers for which BRD provides certain services and which provide the bank with inside information.

In addition, in order to protect persons who have access to inside information, blackout periods for trading in financial instruments issued by BRD are established before the publication of the Bank's periodic reports.

Also, obligations have been established to report to the Bank personal transactions with BRD financial instruments, carried out through other intermediaries by insiders.

At the same time, specific rules for pre-approval of transactions of certain categories of staff are implemented in order to prevent suspicions of insider trading that may arise at the level of the Bank's senior management, in the commercial areas (trading, corporate finance and specific services, etc.), as well as in their support and control areas.

### **TRANSACTIONS CARRIED OUT BY THE MANAGEMENT STAFF**

According to internal normative framework, persons holding managerial responsibilities as well as persons closely associated with them (within the meaning of Article 25 of the MAR Regulation, members of the Board of Directors and members of the BRD Executive Committee) shall notify the issuer (General Secretary /Corporate Governance) and ASF for each transaction performed on their behalf in connection with BRD's shares, BRD debt instruments or any other instruments related to the BRD issuer. Notifications are made promptly and no later than three business days after the transaction date, since the total volume of transactions reaches the threshold set by ASF.

General Secretary /Corporate Governance ensures that the transactions notified by the persons discharging managerial responsibilities are promptly published, no later than 3 working days from the

trade date, in a way which allows for a quick and non-discriminatory access to this information, in accordance with the legal provisions.

The reporting requirement shall only apply when the transactions exceed the threshold set up by the Financial Supervisory Authority (equivalent of EUR 5,000). The threshold is calculated by summing up all transactions made within one calendar year, without compensation between sales and purchase transactions.

## **CYBER SECURITY**

In respect of Digital Security, BRD Groupe Société Générale is aligned and guided by the global SG Group policies implemented for managing cybersecurity.

The function of CISO – Director of Information Security Division - is managing the cyber security activity in BRD Groupe Société Générale. Information Security Division is the governance and the level 2 team for Information Security. One team (SOC) is dedicated for operational security and is equivalent to level one support. The SOC team is reporting to the Chief Technical Officer, Head of Infrastructure Production and Operations Department.

To fight cybercrime, BRD Groupe Société Générale has an ongoing activity of implementing, managing and monitoring cyber security solutions in order to protect the assets and transactions of its customers (individuals and legal entities), as well as the personal data of its customers, employees and suppliers. Thus, there have been significant improvements in the prevention, detection and response to cyber-attacks, which are growing in a continuous fast pace on an international level.

As an example, BRD Groupe Société Générale is one of the few Romanian commercial banks offering a free security solution for its remote banking applications, for both legal entities and individuals.

During 2022, Information Security Division has deployed a consultancy mission in order to prepare the legal audit according to the national law implementing the EU NIS Directive (Law 362/2018). The audit deadline is March 2023 and will be conducted by an external certified auditor. BRD Groupe Société Générale is registered as an Essential Services Operator in the financial domain at national level since 2020.

As a mature organization, BRD continuously improved its security posture according to its Cyber Defense Strategy through:

- Prevention
- Regular internal security audit missions on different areas and subjects;
- Enhancing the operational program for early detection of the information security vulnerabilities and obsolescence, while decreasing the Remediation Objectives times;
- Adopting a new approach for IT projects, embedding security and data privacy by-design and by-default early in the project cycle;
- Technical security projects conducted along with the Groupe Société Générale technical entities in order to increase the security in depth controls on different technologies;
- During 2022, the Infrastructure Production and Operations Department of BRD Groupe Société Générale has continued to maintain the certifications for the Bank:
- ISO27001:2013, regarding the secure management of information
- PCI DSS for „Service Provider Level 1”, essential for the relationship with the authorities and traders in Electronic Cards activity.
- Improving the capability to respond to incidents by performing the cyber-attack simulation exercises as:
- Execution of a Table Top crisis exercise simulating a Cyberattack scenario;
- Within the Digital Transformation program, ensuring the continuous support in the development of the projects, by providing and validating the security requirements;
- Assessing the security risks within the ongoing projects, as well as within the New Products Committee (NPC);

- Strengthening the IAM area by updating governance and by clarifying and segregating the roles between the two main actors involved in the process of managing and authorizing access to IT resources: Level 1 - Operational (represented by User Rights Management) and Level 2 - Governance, which ensures the management of the roles and profiles in business applications;
- Deployment of continuous review and periodic controls to reduce access rights related risks and to enhance the management of the roles and profiles in business applications.
- Continued the permanent awareness of the Bank's employees:
  - Since onboarding and yearly, through regulatory web trainings, as well as through periodical e-mails and webinars;
  - Awareness sessions dedicated for BRD Headquarter and specific departments.
  - Periodically phishing simulation exercises for BRD and Affiliates;
  - Continued periodical awareness of the Bank's customers on the phishing and malware attack campaigns, through multiple channels: SMS, e-mail, applicative push messages, institutional sites and newsletters;
  - Continuous updating of Suppliers' contracts to include InfoSec standard clauses information security clauses based on contract profiling, including the Appendices for awareness of suppliers' representatives;
  - Detection, Reaction and Response capabilities
  - Permanently update the detection, reaction and response security specific tools.

## **PREVENTING FINANCIAL CRIME AND PERSONAL DATA PROTECTION**

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BRD is engaged in the fight against fraud and considers this effort as a fundamental part of its policy, along with a general commitment to initiate and maintain business relationships in full compliance with applicable laws and standards of ethics and integrity, managed by the Bank through the Control functions.

Fraud risk management is part of the general Bank's risk management and represents all the principles that should be taken and respected by all employees.

In order to prevent and reduce fraud risk and the associated risks, and also to impose the conduct needed to prevent and identify the frauds, all the Bank employees are responsible for learning, assumption, enforcing and implementation of fraud risk management policy, whether their labour relations are established through individual contracts on undetermined period, on limited period, full time or part-time working program, temporary employment, working home contracts, apprenticeship contracts. To comply with BRD Policy of fraud risk management is also mandatory for persons in relation with the Bank (detached from other employers to provide work in the BRD - Groupe Societe Generale SA during the detachment period, persons in temporary relation with bank provided by labour agencies under a disposal contract, service providers having contractual relation with the bank, and staff conducting practice or other professional internships in the Bank's units, without limiting to doctorates, pupils or students).

This fraud risk management policy presents the main guidelines to manage the fraud risk (internal and external) in BRD, establishing the general principals applied by the bank in the fight against fraud: definition, objectives, evaluation instruments, control, conduct, roles and responsibilities, internal regulation framework, in accordance with legal regulations, the reality of the markets where the bank operates and with the policies in the field of Groupe Societe Generale.

The main objective of managing the fraud risk is to reduce exposure to such risks and to the associated risks, by implementing some actions of preventing fraud, by mitigating the impact if the fraud occurred, by early detection of potential fraud or occurred fraud and by recovery the loss from any operation/action taken in scope to fraud the Bank, Groupe Societe Generale or their clients. Also, the management of fraud risk aims to create a stable and safe environment for the Bank and its clients/partners through effective antifraud approach and to facilitate the creation of an organizational culture that protects the bank's reputation and values.

Antifraud Bank's strategy is to entirely cover "antifraud process" in accordance with the best international standards in the field, legal requirements and polices / code of SG Group, starting with prevention and detection, finalizing with investigation and remediation of fraud. BRD is based on integrity, high standards of ethic, promoting bank' values, respecting internal regulatory framework and laws, in order to achieve specific quality objectives and to achieve targeted performance.

BRD has zero tolerance for any type of fraud, which means that all suspected incidents of fraud are thoroughly analyzed / investigated.

In the last years, BRD Group went through a complex process for GDPR implementation and continuously improves its operations involving the processing of personal data in order to comply with European and national data protection legislation. The main purpose is to be compliant with law requirements, to avoid financial losses as a consequence of fines applied by the authority (ANSPDCP), reputational losses, and possible negative impact on data subjects. For the management of data protection, the Bank has in place internal policies which are reviewed annually and are submitted to the BoD and/or Management Committee's approval.

Personal data collected from data subjects (i.e. customers, potential customers, collaborators, partners, employees, candidates for open positions within the bank etc.) is processed only for specific purposes on which data subjects were clearly informed. When necessary, the Bank collects the consent from data subjects.

The Bank has implemented processes aimed to efficiently respond to exercising of rights requests and to manage potential data breaches.

A Data Protection Officer (DPO) has been appointed since the application of GDPR, monitoring the compliance of Bank's operations at central level, in close cooperation with Legal and Compliance departments. Beside the DPO, at Bank level have been appointed Data Protection Correspondents within central business structures. Data Protection Correspondents ensure the operational tasks of the activity carried out by the DPO, including the following: providing necessary information to keep the Processing Register up to date, support for preparing responses to requests for exercise of rights received from data subjects, providing advice and support to business departments regarding the assessment of the impact on data protection, analysis and documentation of security breaches, involvement of DPO in all activities that require this thing. For local affiliates, even they have appointed their own DPO or not (for the latter case being nominalized only a Data Protection Correspondent with the above responsibilities), the activity is closely monitored and Group's rules and principles are applicable. From the projects performed during the last year may be considered personal data update online through BRD site.

Also, at Bank's level is developed a GDPR Program, monitored quarterly by BRD's Top Management through a dedicated Steering Committee, program within which are assured the implementation, improvement of different privacy requirements, and the management of transversal projects involving privacy aspects.

Some of these tasks are linked to performance assessment.

The Bank has taken measures to continuously improve the security of its applications in order to keep pace with technological developments. Moreover, the selection process of services/goods providers that could have access to Bank's data considers only the third parties that have implemented adequate technical and organizational measures to keep Bank's data secure.

The technical and organizational measures implemented by the Bank to secure the personal data include the following:

- Information notice made available both in agencies and published on Bank's website
- Offering the possibility for data subjects to express or withdraw the consent and exercise their rights through various channels (bank units, website, email, etc.)
- Implementation of cookies consent on Bank's website
- Encryption of data at rest and in transit
- Developing a comprehensive training program including on-line and e-learning for all employees
- Implementation of privacy by design/by default process, including performance of privacy impact analysis for sensitive processing and minimization of data
- Granting access to data to employees based on need to know basis

- Periodic revision of access rights mentioned above
- Performance of penetration tests in order to timely detect vulnerabilities of exposed applications
- Implementation of a normative framework aimed to the protection of personal data
- Set up of data protection unit within the Bank in order to monitor compliance with regulation and spreading the privacy culture by appointing data protection correspondents within each structure, etc.

The data subjects may exercise their rights regarding the personal data as granted by GDPR through the communication channels provided by the Bank (agencies, contact center, complaints, electronic form available on the Bank's website, by contacting directly at dataprotection@brd.ro in case of clients or pdpo@brd.ro in the case of employees).

The activity (requests from data subjects other than employees) is coordinated by SEGL / QLT with the support of the Data Protection Cell.

Requests received from employees / collaborators are processed by the Human Resources Department with the support of the Data Protection Cell. Data subjects may be clients, former clients, legal representatives, employees, candidates, guarantors etc.

## V. RESPONSIBLE EMPLOYER

The strategic objective in the Human Resources area is to be an employer of choice that actively promotes diversity and new ways of working through:

- Building an employee-focused organisation, putting people at the heart of our strategy and paying more attention to health and well-being in the workplace;
- Continuously developing employee skills;
- Recognizing individual performance and contribution to the bank's performance;
- Creating a culture of accountability;
- Simplification.

### **Human rights, diversity, anti-discrimination policy, gender equality**

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Within BRD, the general policy is to treat everyone, with equal respect, offering everyone equal opportunities to be recruited, promoted, rewarded, trained and based solely on personal qualities, by respecting human rights, as set out in the Universal Declaration of Human Rights, as well as in the EU Charter of Fundamental Rights.

Diversity is an important component of the Bank's strategy and is based on an effective and independent performance management system that ensures that employees' attributes are valued from a competency perspective.

We are committed to maintain fair relations with our employees, pay particular attention to adequate working conditions in terms of social protection, health and safety at work, as well as respect for the dignity of employees in accordance with the relevant legislation in force, the applicable Collective Labour Agreement and internal regulatory documents.

The internal regulatory framework ensures protection against any form of discrimination and access to jobs is provided freely throughout the organisation.

Employees have the following main rights:

- the right to collective bargaining; - our employees have the right to exercise their freedom of association and collective bargaining in accordance with the applicable legal provisions.
- the right to protection of personal data;
- the right to protection in the event of dismissal; the Bank gives 20 working days' notice when dismissing employees, as well as compensation for dismissal and termination through retirement;
- the right to protection against all forms of harassment;

- other rights provided for by the legislation in force, such as: the right to remuneration for work performed; the right to daily and weekly rest; the right to annual rest leave; the right to equal opportunities and treatment; the right to dignity at work; the right to safety and health at work; the right to access to vocational training; the right to information and consultation; the right to take part in determining and improving working conditions and the working environment; the right to collective and individual bargaining;
- the right to participate in collective action;
- the right to form or join a union;
- other rights provided for by law or applicable collective agreements.

When hiring and setting individual rights, the Bank ensure and will ensure equality of opportunity and treatment for all employees without discrimination, direct or indirect according to criteria of race, colour, national origin, ethnicity, religion, social origin, 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, reducing or cancelling the recognition, use or exercise of rights under the Collective Labor Agreement.

Decisions related to salaries, benefits, training, promotions, disciplinary measures or dismissals are based solely on professional activity, inclusive on employee's performance, not on personal characteristics, race, origin, gender, religion, sexual orientation or political opinion.

Individual employment contracts are usually for an indefinite period of time, which is a rule for employment under the applicable legislation. Employees on fixed-term individual employment contracts will not be treated less favorably than permanent employees solely on the grounds of the duration of the individual employment contract, unless different treatment is justified by objective reasons.

Job information is available on the internal platform, MyWorkplace, in order to ensure that employees have free access to it, as required by law.

The hybrid work programme was launched in 2020. Currently the Bank has adopted a hybrid work organisation model with a mix of teleworking and physical presence at the office.

In accordance with legal requirements, our employees are entitled to paid leave and days off, depending on the situation. In addition, under the collective labour agreement, the Bank grants days off for certain family events.

There is a Collective Labour Agreement in BRD, which is the result of annual negotiations between the management and the employees' union (39% syndication degree).

Communication with our employees is always open and aims to keep them informed and aware of the reality of the company. To this end, we constantly inform and consult our union representatives about developments in the company's activities that may affect the interests/rights of employees, in accordance with the applicable legal and/or contractual provisions.

BRD tools and special programs:

- Recruitment (job description, 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.

The Human Resources Department (DRU) provided specific support through several projects that aimed to optimize the Bank's structure to be more efficient and provide quality services to our customers. The Bank's objective was to ensure efficient and dynamic structures, in order to maximize the results from the point of view of business development. Some of the most important such projects relate to: optimizing the structure of the various departments located at the central headquarters, territorial reorganization at network level (relocations, closures and mergers of agencies) and providing support for special projects, etc.

In BRD, women are not a minority population; they actually represent 76% of all personnel (at the end of 2022). They also occupy a significant number of managerial positions (68% of the total managerial positions).

- 427 women are in maternity leave (8% of all women); when returning from maternity leave, they receive an integration training according to agreement with the direct manager

The number of employees of the Group was 6,627 as of 2022 end (7,032 at the end of 2021), while the number of active employees of the Bank was 6,286 as of 2022 end (6,534 at the end of 2021).

The Bank also recognizes, promotes and supports the benefits of the diversity of the management body and considers it an essential element in the protection and expansion of the competitive advantage, given that through diversity, maximum efficiency and performance can be achieved, increasing innovation and cooperation both within the management body and within the Bank, facilitating the expression of independent opinions and a solid decision-making process within the management body. In this context, the Bank has adopted and implemented a diversity policy.

In this respect, in the recruitment process, the Nomination Committee considers a wide range of skills and competencies, a balance is desired to be achieved, so that the members of the management body have theoretical knowledge and practical experience regarding: financial markets; framework and regulatory requirements; strategic planning and understanding of the Bank's strategy and business plan and their realization; risk management (identification, evaluation, monitoring, control and reduction of the main types of risk, including past activity / attributions); accounting and audit; assessing the effectiveness of the governance framework, establishing effective governance, supervision and control mechanisms; the interpretation of the financial information of a credit institution, the identification of fundamental issues on the basis of such information and appropriate controls and measures.

The Nomination Committee evaluates and reviews the composition of the governing body annually and at any time, the committee may propose to improve any aspect of its diversity.

During the year 2022 there were several changes in the governing body, including the appointment of new members, which also took into account the objective regarding the gender representation within the management body.

The target of presence for the weakly represented gender within the Management Body is 30% of the total number of the members, to be reached by 2023.

More details on the changes that took place at the level of the management body are available in the body of Administrators' report.

### **Creating a culture of responsibility**

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The environment in which BRD operates is uncertain: numerous regulations, transparency requirements, tougher competition, the digital revolution, etc. In this context, our values help us to focus on what is essential, to carry out our activity with pride and to encourage others to want to join us in the development of tomorrow's bank: the successful awareness of our role as bankers, in the service of our customers.

Responsibility is one of the values of our Bank and is incorporated in the actions of its employees.

As bankers, we contribute to the economic, social and sustainable development of the environment in the economies in which we operate. We want to help our clients fulfil their projects' potential, while paying attention to risks in all their aspects.

Our responsibility and code of ethics involve quickly meeting the needs of our clients, while taking into account the long-term interest of all stakeholders and strictly adhering to the rules of our profession. Our responsibility is also reflected in the courage to be accountable for our actions and decisions and to express our opinions in a transparent manner. In short, it's about giving as much importance to how we get results as to the results themselves.

At the beginning of 2022, all BRD employees completed a training session on the Code of Conduct in e-learning, training in which the components of the code were addressed. The course could be promoted only in case of a score of at least 80% at the final test.

The Code of Conduct is available and applies to all employees, including relevant and affiliated persons, insiders and BRD employees responsible for the Bank's activity in the financial markets.

Also, during 2022 the Bank's staff received dedicated professional training in order to raise awareness about risks and specific issues such as: the integrity of financial markets, preventing and combating corruption, preventing money laundering and terrorist financing, etc.

In the field of Culture and Conduct (C&C) at the Bank level, the actions of promoting C&C aspects among employees through campaigns and dedicated projects continued, in order to consolidate the maturity of the organization and promote and strengthen a culture in which the risk of conduct is known, assimilated and properly administered as part of the day-to-day activities of employees.

### **Acknowledging individual contribution to the Banks' performance**

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The Human Resources Department places particular emphasis on the employees' engagement, something that improves team performance. Recognizing each person's contribution to the long-term performance of the group, ensuring well-being in the workplace and using the benefits of diversity in teams are essential to maintaining employee relationships with the company and improving efficiency.

Performance management is based on three major pillars:

- Clear and measurable objectives based on the appropriate job description.
- Continuous feedback and individual development plan.
- A serious and transparent process of evaluating the employee, both in terms of results and in terms of how they were achieved.

The assessment process is a way to manage and develop skills aimed at:

- Discussions on the expected level of achievement of the objectives depending on the deadlines and means defined at the beginning of the year, as well as in relation to the working environment.
- Evaluating the results and the way in which they were achieved, taking into account the responsibilities and objectives set for that year.
- Identifying acquired skills.
- Identifying training needs and ensuring the conditions for professional development.

The evaluation of individual and collective performance takes into account the qualitative and quantitative performance criteria measured with KPIs. The role of the KPI system, a key element of performance management, is to set challenging but achievable goals with relevant performance indicators. Achieving these goals is a key element in the organization and is linked to continuous improvement of services and the achievement of goals, objectives and priorities.

### **Encouraging an environment that promotes employees' commitment**

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One of the principles of our leadership model is that "everyone acts ethically and courageously". This translates into specific concrete behaviours that can be observed in the organization and that are valued at the level of employees: we encourage everyone to speak, ask and provide constructive feedback and take responsibility for actions.

In the context of an ever-changing business environment, BRD launched at the end of 2019, the Organizational Culture Program which aims to accelerate the speed of the organization's reaction to external challenges by increasing employee involvement, by adopting behaviours that bring positive change in organization and improve Bank's performance.

The Organizational Culture Program launched in 2019 aims to outline a vision for the new way of working, defining the current organizational culture, establishing and implementing an action plan that will support the spread of the new crops throughout the Bank.

In the first stage of the project, a series of individual discussions took place with the board members as well as several workshops with both the board and the Bank's top management in order to define together the desired cultural vision in BRD.

In the second stage of the project, around 150 interviews and several workshops were held with people from all areas of the bank, followed by a questionnaire launched throughout the Bank to understand the point of view of employees regarding current working environment and gather ideas about their ideal working environment.



We are currently working on defining an action plan to support the spread of the new culture that aims to:

- developing a way of working focused on simplification,
- improving the way of collaboration between employees,
- encouraging the expression of opinions and improving the culture of feedback,
- increasing the level of responsibility of each employee, regardless of the hierarchical level,
- sharing examples of good practices in the organization,
- optimizing communication at the organization level,
- developing employees' skills,
- improving the relationship with the client.

In addition to the action plan launched in 2021, on 2022 within the Organizational Culture Program, coaching programs were developed for both the Board and for top management to support them as examples of practicing the new way of working for the teams which they lead.

Last but not least, several initiatives were carried out in the Bank in 2022 such as:

- Transversal projects
- Agile teams
- The new format for organizing the Board meeting
- Workshops and focus group on different business topics

Below are some BRD's key human resources indicators for 2022 and in evolution:

Indicator	2018		2019		2020		2021		2022	
	2018	% from total employees /FTE	2019	% from total employees /FTE	2020	% from total employees /FTE	2021	% from total employees /FTE	2022	% from total employees /FTE
Total number of female employees on permanent contracts	5,062	67	5,061	68	4,804	69	4,570	68	4,649	72
Total number of female employees on fixed-term contracts	628	8	580	8	469	7	468	7	257	4
Total number of male employees on permanent contracts	1,688	22	1,641	22	1,552	22	1,530	23	1,468	23
Total number of male employees on fixed-term contracts	143	2	114	2	113	2	110	2	70	1
Total number of employees	7,521	100	7,396	100	6,938	100	6,678	100	6,444	100
Number of female employees present on permanent contracts (FTE)	4,463	65	4,455	66	4,244	67	4,036	66	4,214	65
Number of female employees present on fixed-	623	9	561	8	464	7	463	8	254	4

term contracts (FTE)										
Number of male employees present on permanent contracts (FTE)	1,673	24	1,622	24	1,537	24	1,509	25	1,458	23
Number of male employees present on fixed-term contracts (FTE)	142	2	112	2	113	2	110	2	70	1
FTE	6,901	100	6,751	100	6,357	100	6,118	100	5,996	100
Number of work-study participants present during the year	656	10	1,168	16	108	2	30	0.5	110	2
Number of work accidents (as defined by local regulation)	4	0	2	0	8	0	2	0	5	0
Number of employees who had an annual performance evaluation (eligible employees with more than 6 months in the Bank)	5,921	99	6,200	100	6,249	99.96%	6,277	100	5,936	99

Training	2018	2019	2020	2021	2022
Total number of hours of training	296,459	356,340	325,867.75	434,197.00	386,745.31
Total number of hours of training for female employees (classroom and e-learning)	223,972	280,740	261,102.12	331,126.00	305,541.13
Total number of hours of training for male employees (classroom and e-learning)	72,488	75,600	64,765.63	103,071.00	81,204.18
Average number of training hours per employees who attended at least one training session during the year	37	52	44	66	62
Number of female employees who attended at least one training session during the year	5,980	5,133	5,514	4,357	4,281
Number of male employees who attended at least one training session during the year	2,100	1,806	1,925	1,542	1,433
Number of employees who have completed at least one training course	8,080	6,939	7,439	5,899	5,714

\* part-time employees are marked as FTE=1

Extra information on our human resources strategy is available in the main body of the annual report, under the dedicated human resources chapter.

## **VI. CSR IN THE PROCESS OF PURCHASING GOODS AND SERVICES PERFORMED ON BEHALF OF BRD**

Any purchasing act must comply with the principles and commitments of Responsible Purchasing included in the Sustainable Sourcing Charter.

Sourcing projects over EUR 50,000 and significant outsourced activities are handled by Sourcing Department via a normative framework which includes both a responsible purchasing policy, as well as a code of conduct for suppliers in place.

Sourcing Department works with the Sourcing Network on different streams to support business units in the identification of levers and to monitor local targets achievement for carbon footprint (Energy / Air Travel / Car Fleet) and single use plastics (Catering / Vending machines / Events / Office supplies).

Specific procedures involve:

- a) Actions performed during the selection process of suppliers: starting with October 2020 environmental and social risks related to products and services are evaluated based on the CSR Risk Matrix. Depending on the sourcing category, a certain CSR percentage is included in the assessment grid and is part of the final assessment of the suppliers' selection.
- b) Actions performed before contracting a supplier: checking the suppliers from the CSR point of view (within the SG Group CSR exclusion lists – “CSR Watch List & CSR Exclusion Risk).

Actions performed while contracting and during the relationship with a supplier: since 2019, any procurement act must comply with the principles and commitments included in the Sustainable Sourcing Charter. The Charter sets out the Group's sustainability commitments, obligations and expectations with respect to its suppliers and thus procurement contracts include mandatory CSR clauses.

Since 2019, all contracts signed with the involvement of the ACH team, with a value > 50k, EUR, VAT include the mandatory CSR clauses.

## **VII. ENVIRONMENTAL AND SOCIAL FACTORS (E&S) - ENVIRONMENTAL AND SOCIAL RISK ASSESSMENT STANDARDS**

The 18<sup>th</sup> edition of The Global Risk Report 2023<sup>7</sup> highlights the “growing pressure of climate change impacts and ambitions in an ever shrinking window for transition to a 1.5°C world”, therefore, for BRD climate risks are a constant preoccupation.

Climate risks include physical, transitional and liability risks. In accordance with the TCFD, the physical risk refers to acute risks (caused by one-off events) or chronic risks (long-term changes) related to temperature, wind, water or solid waste. In the same manner, the transition risk refers to the financial risks that could result from the process of migrating to a low-carbon economy. Changes in policy, technology and physical risks could lead to a reassessment of the value of a wide range of assets as costs and opportunities become apparent. Liability risk is the impact that could occur if parties who have suffered loss or damage due to the effects of climate change seek compensation from those they hold liable.

Climate change is not seen by the Société Générale Group and BRD, as part of it, as a distinct risk, but rather as an additional factor for the categories already covered by the Bank's risk management system (credit risks, operational risks, market risks, etc.). At the same time, for physical risk, the Société Générale Group continues to explore the approach and understanding of this particular type of risk, and climate change in general. In line with the Société Générale Group's policy, BRD has introduced in 2020 the calculation of a climate vulnerability index (CVI) that reflects the transition risk associated with a client or group of clients, perimeter that has been extended further in 2022 (reducing the applicable threshold). CVI is represented on a 7-step impact scale (high positive, moderate positive, low positive, no impact, low negative, moderate negative and high negative), for the following portfolios: oil and gas, electricity generation, metals and mining, automobiles, shipping, aircraft. Thus, if and when the case,

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<sup>7</sup> The Global risk report 2023 [https://www3.weforum.org/docs/WEF\\_Global\\_Risks\\_Report\\_2023.pdf](https://www3.weforum.org/docs/WEF_Global_Risks_Report_2023.pdf)

the Bank is in a dialogue with its customers, especially with those classified moderately and high negatively, on their climate vulnerability, in order to develop a strategy to mitigate the transition risk.

In 2023/2024 the methodology of this indicator will be subject to an extension of perimeter, scope and tool to be used for its application.

In 2020, BRD implemented an environmental and social risk assessment process for certain categories of customers and transactions, a process approved by the Bank's management committee and which has been enhanced yearly. The process is based on the principle of the 3 lines of defences. BRD takes into account at onboarding of its clients and in its lending decisions related to corporate clients, environmental and social risks, applying in this sense the standards of Société Générale Group and other international standards to which the latter has adhered. The assessment of the environmental and social risks associated with corporate clients is performed for certain categories of clients, while the application of exclusion criteria (dictated by specific activities), and refers to all clients of this type. The environmental or social risks of a company are generally related to i) its sector of activity, ii) the vulnerability of the communities and iii) the environment in which it operates. BRD applies in its E&S evaluations the Group's 9 environmental sectoral policies (to be noted updates occurred in 2022), some of them from the perspective of climate change, as follows: i) thermal coal, ii) oil and gas, iii) thermal power energy sector, iv) industrial agriculture and forestry, v) dams and hydroelectric power, vi) shipping, vii) mining and viii) civil nuclear power and ix) defence and security.

These sectoral Environmental & Social policies of the Société Générale Group are public and accessible at: <https://www.societegenerale.com/en/publications-documents?search=&theme=rse&category=&year=&op=Filterer>.

Based on i) ESG public information (generally non-financial or sustainability reports) or collected through the engagement with the clients in the scope of environmental and social risk assessments, ii) sustainability strategies or commitments and iii) negative information of these nature, BRD performs Corporate assessments in terms of E&S risk. As part of customer relationship management, commercial teams continues the efforts to integrate environmental and social issues into the dialogue with corporate customers. In some cases, based on the recommendations included in SG's sectoral E&S policies, the commercial teams encourage customers to adhere to various international standards applied by the Bank in its E&S evaluation process. BRD as a lender, also performs for a defined perimeter, E&S assessments on certain transactions. The scope of the E&S risk assessment related to transactions refers to those operations that fall within the scope of the Equator Principles or certain categories of services for which the underlying asset is known and raises certain environmental or social issues. The management of environmental and social risks related to transactions is incorporated in the credit granting process and is based on the approval competencies related to that customer or transaction, and the customer assessment process, in the KYC process.

The process of assessing the risks related to a client or transactions consists of 3 stages:

1. Identification of E&S risks
2. Assessment of these risks
3. Defining an action plan for risk prevention or mitigation (if applicable)

Customer E&S evaluation is an iterative process that begins in the prospecting stage and is updated periodically. Each new transaction or service that falls within the scope of the assessment must be analyzed from an E&S point of view.

BRD, as part of Société Générale Group, has access to the experience of the latter, respectively to a number of ESG correspondents and technical specialists. BRD has a process of validation and escalation of certain risk categories at Group level.

To be noted that currently the Group and the Bank has an undergoing project to continue enhancing both clients and transactions ESG analysis, in terms of perimeter, due diligences, tools to be applied for implementing the continuously evolving regulatory framework and as to reflect the increased voluntary commitments assumed by the Group.

## Sustainable financing

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Climate change, apart from posing a risk to a financial institution, could represent also an opportunity for promoting sustainable finance types of instruments. A CNSM report on green finance<sup>8</sup> indicates an opportunity of approximately EUR 60 bn investments until 2030 only for addressing climate change. Consistent with its purpose of accompanying its clients in their energy transition towards a more sustainable future and as a result of reaching in advance its targets, in 2022, Societe Generale has reinforced its commitments to contribute to sustainable finance with €300bn by 2025. As part of this commitment, BRD aims to contribute to this collective endeavor with EUR 1bn sustainable finance transactions to be concluded by the same date, as part of its Horizon 2025 program.

In its business relations with corporate clients, the Bank aims to identify the business opportunities with positive impact deriving from the activity of its clients. BRD's commercial offer includes green loans, sustainable loans related to sustainability criteria, mediate green bonds, for different categories of asset and transactions, based on recognized international standards, such as the LMA Principles of Green Financing and the LMA Principles of loans related to sustainability criteria. It can also support the Société Générale Group in issuing green bonds on the international market for clients in its portfolio. In 2022, BRD enlarged the scope and definition of sustainable finance as to encompass all sorts of sustainable finance instruments that could be made available to a corporate client.

BRD has transposed its medium term target on yearly objectives, through a dedicated action plan, on the corporate side and aims for sustainable financing opportunities with an emphasis on energy efficiency and energy transition, clean mobility, sustainable municipal projects, the circular economy, green buildings, social inclusion, etc., based on a proactive approach.

Through various transactions, BRD originated and executed in 2022 a volume of sustainable financing of EUR 119.2m on corporates and EUR 96m on retail, as an expression of its role to increasingly channel the financing towards more sustainable activities. Also, as part of its mission to contribute to the increased awareness on sustainability or ESG topics within its ecosystem of clients and partners, BRD had organized specific actions and events, mainly for the SMEs, like a sustainable financing session within the "ZF pentru IMM" (>40,000 persons reached) and the first Climate Change Forum in Romania, with an audience of almost 1 million people across all channels.

As a recognition of its contribution, BRD has received several awards like Leader in green finance in Romania by Capital magazine and Best Sustainable finance solutions provider, by the Diplomat within the Sustainability Awards Gala.

### **Environmental impact of own activities**

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Responsibility to protect the environment goes beyond legal mandatory limits and represents a voluntary commitment of the Bank, which aims to constantly reduce 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 uses Planethic – an internal online tool managed by Société Générale (which 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 measures indicators from 6 areas of interest 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 a general indicator can be calculated for environment, which can be expressed by the carbon footprint.

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<sup>8</sup> Raportul CNSM privind finantarea verde link <https://www.cnsmro.ro/mwg-internal/de5fs23hu73ds/progress?id=yO2T7TZqDyNv6jD5KzstclnhDVTkSWZJ41MncJIA1mc>,

The data is used in order to determine the progress against the objectives regarding the reduction of the emission resulted from our own activities. The target is to cut the emissions by 50% at the end of 2030, compared to the level registered at the end of 2019.

Indicator	Measurement unit	2019	2020	2021	2022
Total number of employees	employees	7 396	6 938	6 678.	6 444
Total number of occupants	occupants	7 488	5 807	5 106	4 959
Occupied area m <sup>2</sup>	m <sup>2</sup>	223 086	218 764	184 111	194 467
Waste	tonnes	448	402	212	139
Distances travelled for business purpose	Mil km	11	9	8,23	7,47
Distance travelled by plane	Mil km	1,7	0,5	0,03	0,26
Distance travelled by train	Mil km	0,03	0,05	0,001	0,01
Distance travelled by car	Mil km	9,3	8,3	8,2	7,2
Water consumption	Mil m <sup>3</sup>	0,07	0,05	0,05	0,04

## VIII. RESPONSIBILITY FOR THE DEVELOPMENT OF THE ROMANIAN SOCIETY

BRD is about building the future by helping people bring to life their projects, their hopes and dreams. Building future by helping companies grow and succeed. Building the future by helping communities grow stronger.

People are the greatest agents of change and our mission is to empower each and every one who wants to positively impact the future.

Besides being a bank, we are also a community investor, a supporter of projects and people that can move Romania forward. We support creativity, innovation and performance, through several platforms and programs.

**Education, Technology & innovation:** We are a fan of the technology and we love tech creators. The development of the society and a better future is not possible without innovation and technology. We support the biggest robotic competition for High schools in Romania, BRD First Tech Challenge and several tech accelerators and incubators, offering mentoring and financial support; we have a journalistic platform, Mindcraft Stories in order to make science and technology popular and most of all, better understood. Scoala9 is our editorial platform presenting ideas and solutions on how Romanian education can evolve. We invest also in tech solutions for a better and more inclusive education for all children.

**Culture & ideas:** Humanities are tremendous important in a more & more technologized word. We invest in the new generation of creators, in art & music, hundreds of events and programs every year; we are the only bank having a cultural foundation, Fundatia9, our own cultural centre and cultural magazine,

one of the most relevant pieces of journalism in today's Romania. Our editorial platform Scena9 charts the cultural scene in Romania. We bookmark cultural news, write about what is relevant, new, and yet to be discovered. We watch the new generation of makers from the widest possible range of fields, follow their projects and map their evolution. We seek to etch out the portrait of this new generation that makes our world go round.

**Sport:** We love sports because they offer us a passionate journey, with beautiful moments, with heroes who win, attract fans or, on the contrary, struggle with difficulties. We love sports because they teach us every day how to start over when we encounter difficulties, how to work as a team, how to enjoy victories. Whether it's confirmed athletes or young talents, BRD reaffirms its involvement in promoting sports in Romania. Our brand ambassador is Cristina Neagu, the most important Romanian handball player of all times, 4 times the best handball player in the world. She embodies the performance, the ambition of a generation. But we also support the educational programs for young athletes and sport related projects for disabled persons.

**Nature capital, biodiversity & fight against Climate Change:** Climate Change is the most important challenge of today world, and it will require creativity, innovation and resources in order to find solutions. As a bank we want to be a leader in green financing, but we are aware that we all need to learn how to be more sustainable. We initiated Climate Change Summit – with the ambition to become the most relevant regional conference on solutions to climate change, bringing expertise from around the world and the brightest minds from Romania.

**Volunteering:** The 6000 people from BRD are a huge asset for the communities as well, and we are embarking them in many causes, harvesting people's skills and desire to contribute, create change and value inside BRD and in the community. ZiuvaV (V from volunteering but also from Value and from Future – in Romanian) is probably one of the biggest corporate volunteering program. We have built a marketplace for missions and our colleagues can choose where to contribute with time, skills, money or ideas and energy.

## IX. APPLICABLE LEGAL FRAMEWORK

BRD - Groupe Société Générale prepared this non-financial statement based on the specific provisions of the Order of the Minister of Finance no. 1802/2014 (supplemented and amended) on requirements for the Non-Financial Statement. The document also takes into consideration provision on Non-Financial Statement from the NBR Order no. 7/2016 on amending and supplementing the Order of the National Bank of Romania no. 27/2010 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to credit institutions, and of the Order of the National Bank of Romania no. 6/2015 for the approval of the Accounting Regulations compliant with the European directives.

The information related to EU Regulation 852/2020 will be reported by SG Group for all its subsidiaries.